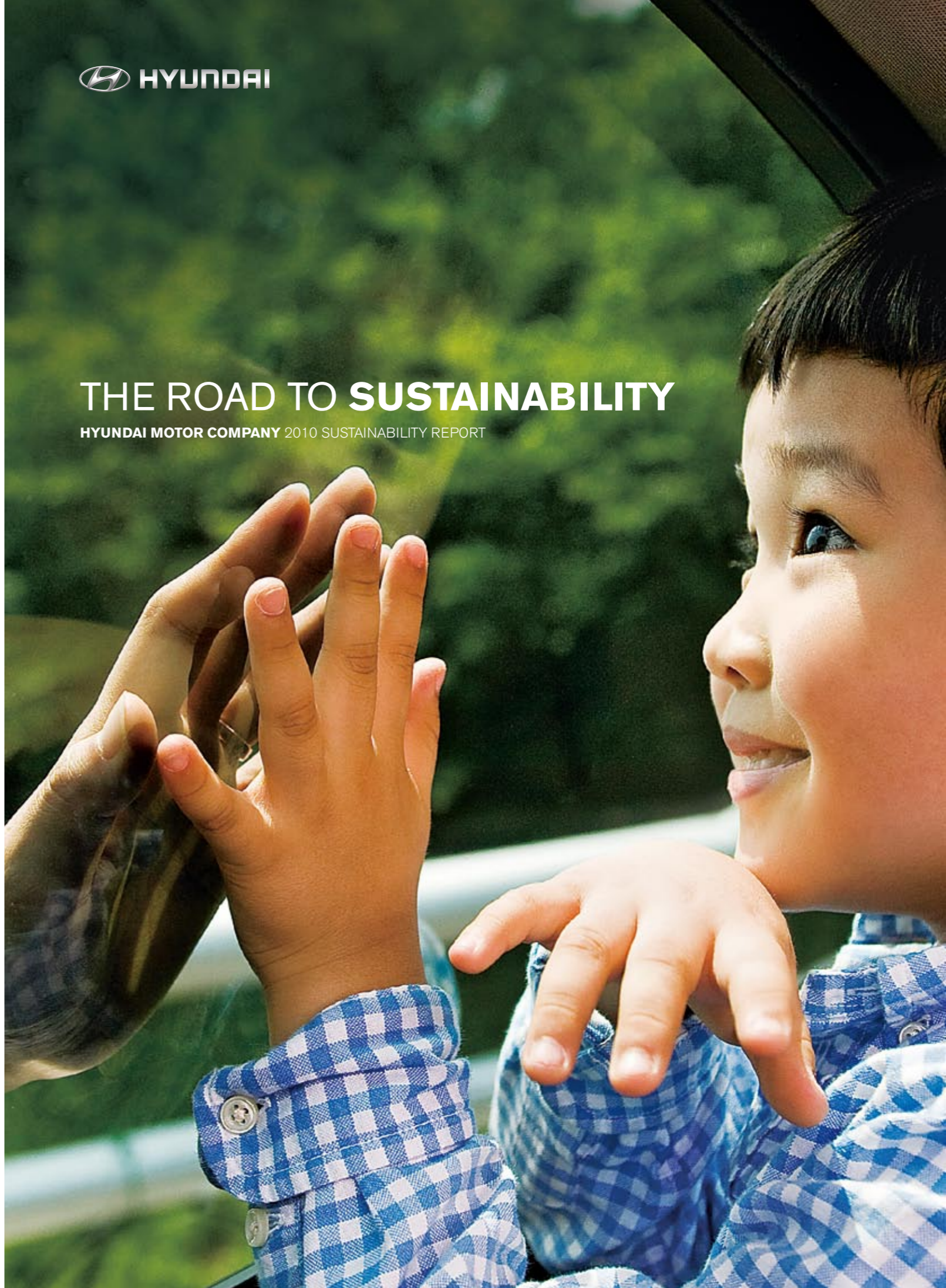




# THE ROAD TO SUSTAINABILITY

HYUNDAI MOTOR COMPANY 2010 SUSTAINABILITY REPORT

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## Performance Summary

<b>Economy</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Sales (in billion KRW)	27,384	27,335	30,620	32,190	31,859
Net Income (in billion KRW)	2,349	1,526	1,682	1,448	2,962
Operating Profit (in billion KRW)	1,384	1,234	1,946	1,877	2,235
Operating Profit Margin (%)	5.51	4.51	6.36	5.83	7.02
EBIDTA (in billion KRW)*	2,339	2,331	3,111	3,197	3,649

※ Hyundai Motor Company operation results only, \*EBIDTA : Earnings before interest, taxes, depreciation and amortization

<b>Environment</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Energy (in 1,000GJ)	36,523	36,040	38,603	40,766	40,185
Greenhouse gas (1,000 tons CO <sub>2</sub> -e)	1,827	1,778	1,903	2,017	1,986
Raw materials (unit: tons, domestic only)	659,328	364,590	308,001	297,541	273,182
Water (in 1,000 tons)	14,799	16,852	14,793	16,800	16,987
Hazardous chemicals (unit: tons, domestic only)	2,190	2,478	2,635	2,250	2,510
Air pollutant (unit: tons, domestic only)	1,151	884	639	654	599
Water pollutants (unit: tons, domestic only)	193	129	187	181	195
Waste (unit: tons)	223,155	223,242	337,224	438,540	490,630
Environmental costs (in million KRW, domestic only)	62,894	39,637	54,102	62,398	70,643

<b>Society</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	
Employees	Domestic workforce (in no. of people)	54,440	54,973	55,939	56,204	56,027
	Overseas workforce (in no. of people)	17,210	19,781	20,765	22,066	22,512
	Female employee share (in %, domestic only)	7.9	9.5	13.0	9.4	9.8
	Occupational accident rate (in %, domestic only)	2.52	1.74	1.69	1.58	1.44
Customers	Initial Quality Survey results* (by JD Power)	110	102	125	114	95
Local communities	Employee volunteer corps member (in no. of people, domestic only)	12,755	15,136	18,443	20,021	25,851
	Social contribution expenses (in millions KRW, domestic only)	28,977	26,868	29,245	50,443	72,245

\* The lower score means less problems and higher quality

## report profile

Hyundai Motor Company(hereafter, HMC) has been publishing a corporate sustainability report subtitled 'The Road to Sustainability' since 2003. Through publication of this Report, HMC reaffirms its commitment to sustainable business management annually and share the achievements with our stakeholders.

### Reporting Guidelines

HMC's 2010 Sustainability Report was compiled using the G3 GRI (third generation of the Global Reporting Initiative) guidelines launched in October 2006. The full GRI Index is included on page 86 and 87 of this report. Starting in 2008, we began conducting materiality analysis, stakeholder communications which include surveys to identify key sustainability issues that affect our stakeholders and the company, and have concentrated on providing more detailed information on identified issues.

### Data Collection Process

Data on economic, environmental and social performance that are displayed in the form of tables and graphs are managed by HMC staff members of the respective departments. The data is then collected via company intranet at the beginning of each calendar year by the Environmental Strategy Planning team for review and analysis. The process for environmental performance data collection and management is reviewed by outside experts via annual ISO 14001 certification procedures. Key environmental performance data on greenhouse gas emissions, water use, and wastes are collected from both domestic and overseas sites. However, some environmental performance data and much of the social contribution activity data is collected from domestic operation sites only. Work is under progress to improve the data collection system to include overseas operation sites.

### Scope of Report

This report covers quantitative results from the period covering calendar year 2009 and qualitative results from January 2009 to April 2010. The report includes sustainability activities at the HMC headquarters, domestic sales offices, service centers, distribution centers, training centers, manufacturing plants, and R&D centers, as well as overseas manufacturing plants, sales offices, regional headquarters, overseas offices, overseas R&D center.

### Assurance

HMC hired third-party assurance experts to review the contents of our sustainability report between 2003 and 2006. Beginning in 2007, we organized an external review committee that consists of sustainability experts for more detailed reviews and comments.

In 2008, we held a dialogue with key representatives of stakeholder groups including investors, the government, NGOs, sustainability experts, and suppliers, while endeavoring to account for their opinions within the content and organization of the Report.

In 2009 and 2010, we organized the Sustainability Report Review Committee to assess Materiality, Completeness, and Responsiveness to stakeholder demands of the Report along with stakeholder's dialogue.

Data collection, report drafting and internal reviews were carried out in collaboration with the Environmental strategy Planning team in charge of report publication and relevant HMC teams who are responsible for the content of different parts of the Report.

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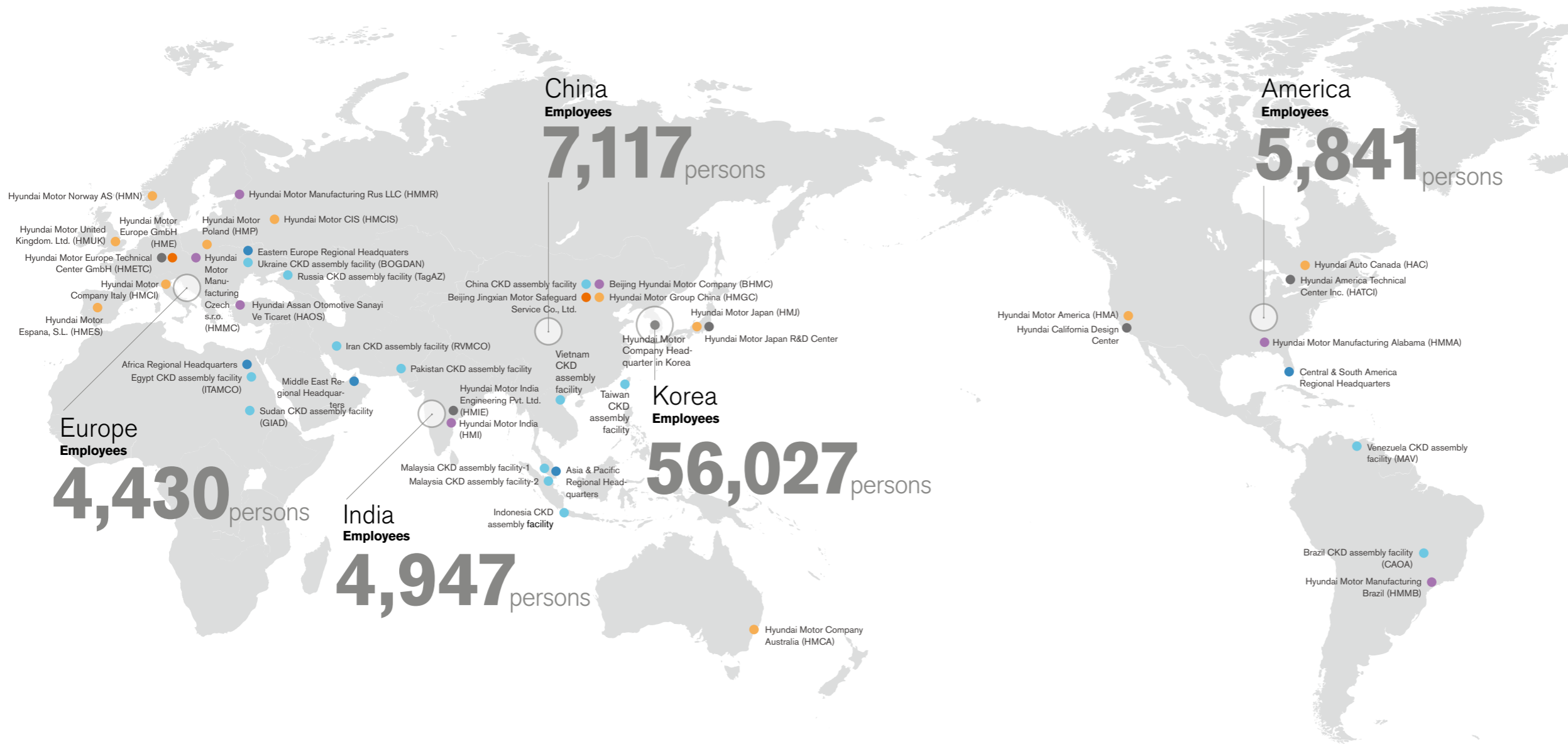


## The Road To Sustainability

The cover image of this year's Sustainability Report symbolizes HMC's unyielding will to achieve sustainability through communication and collaboration with all stakeholders including future generations.

# Hyundai Motor Company in the world

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



Since its foundation in 1967, HMC has overcome a number of challenges as it established itself as the most prominent automaker in Korea, in addition to a significant player in the global automotive market. In 1976, we opened a new chapter in the history of the Korean automotive industry by exporting our first proprietary model, the Pony, to Ecuador. In the 1980's, we exported the Excel to the U.S. and laid the foundation to become a global automaker. In 1991, we began to achieve technological independence by developing our first propriety engines and transmissions.

Beginning with the successful establishment of our first overseas production plant in Turkey in 1997, we laid the foundation for a global operation basis with the establishment of production plants, R&D centers, and sales companies overseas. The establishment of locally-based units resulted in the development of innovative vehicle models that meet local customer demands, while also contributing to more effective production and sales operation in each area, further strengthening HMC's global operation. In 2003, we announced our corporate environmental management philosophy and policies, and reinforced environmental management in all areas of the value chain, while laying a foundation for sustainable business management.

As of 2010, HMC has established itself as a global automaker that produces more than three million high-quality passenger and commercial vehicles for sale in 190 countries each year. Our facilities, including eight manufacturing plants, 12 R&D centers, 5,300 dealerships and sales companies, and CKD plants are strategically located all over the globe.

In addition to our growth in annual production and sales units, we have achieved great improvement in our brand image with improvement that has leap-frogged our competitors in product quality. Today, we are recognized for top quality products that receive great feedback from our customers. HMC is also the first and only Korean automakers to be listed on the 100 Best Global Brands by the Interbrand Corporation.

Using our growth as a basis, we will strengthen our CSR management to always consider environmental and social impacts affiliated with our products and all our business activities. All employees will venture to spur innovations for harmony and co-prosperity of shareholders, customers, employees and other stakeholders in the automobile industry.

**Name** Hyundai Motor Company  
**Chairman / CEO** Mong-koong Chung  
**Headquarter** 231, Yangjae-Dong, Seocho-Gu, Seoul, Korea  
**Business Area** Manufacturing of vehicles (Passenger cars, RV, Commercial vehicles)

**Headquarter** Seoul

**Plant** Asan, Jeonju, Ulsan

**No. of Employees** 78,539  
**Sales** 31,859 billion KRW (HMC sales only)

Passenger cars 77%  
 RV 15%  
 Commercial vehicles 8%

**Korea**  
Seoul Headquarter

**China**  
Beijing Hyundai Motor Company (BHMC)

**India**  
Hyderabad R&D Center

**Europe**  
Hyundai Motor Europe GmbH (HME)

**America**  
America Mojave Test Track



Dear stakeholders,  
I am pleased to have this opportunity to share with our stakeholders HMC's activities and progress in regards to our sustainable management through the publication of this year's sustainability report

## Responsibilities and Challenges for Sustainability

Despite an unfavorable economic climate, HMC succeeded in expanding its global market share and achieved sales of more than three million vehicles in 2009 for the first time in the company's history. Our creative marketing campaigns and globalized production base that allowed delivery of right vehicles at the right time, contributed greatly to our success. Our sustained efforts in product quality were once again recognized by leading quality assessment companies and excellent customer comments also contributed to our great success during the past year. I am especially delighted that the general perception that consumers have of our vehicles is quickly changing for the better.

Using our steady growth in sales and financial achievements as a basis, the company is working tirelessly to tackle climate change and energy security issues, the two most pressing issues we are facing. We are pursuing two-prolonged 'Blue Drive' initiatives, which focus on improving fuel efficiency and the development of alternative fuel vehicles with vastly improved environmental characteristics. We are now making an unprecedented effort in the development of alternative fuel vehicles as a fundamental solution for climate change and energy security. We have already made significant progress in hybrid vehicle development. In 2009, we launched the Elantra LPi Hybrid in Korea and will begin sales of the Sonata Hybrid in the US market by late 2010. In addition, we are making continuous efforts to present to the markets emission-free vehicle such as electric and fuel cell vehicle as early as possible.

At HMC, we understand that we must pursue win-win collaboration with our stakeholders in order to achieve sustainable growth. As a product manufacturer and service provider, we are striving to provide products and services of the highest quality in order to make positive and significant contributions in improving the quality of life of our customers. As a business partner, we are striving to foster a business environment where our suppliers can thrive and grow in conjunction with us. As a responsible member of society, we are also conducting social contribution activities ranging from traffic safety, environment, social welfare to education support program. We aim to grow with the communities in which we operate and will continue in our effort to play our role well.

HMC will foster strong relationships with our stakeholders based on mutual benefits in the same way we always have. The relationships we build will serve as a basis for developing HMC into a truly sustainable and responsible company, while achieving our goals of creating economic, environmental and social value from our business activities. It is a pledge from me as the CEO, and a pledge of each member of the HMC.

September, 2010

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

**Mong-koo, Chung**  
Chairman and CEO

# Corporate Philosophy

HMC's corporate philosophy reflects the company's core values, and it serves as a beacon that sets the direction of the company's vision. It also serves as a foundation for our management policies that help to realize the vision through a clear sense of strategic direction. Under the guidance of the corporate philosophy, we are pursuing sustainable management which will enhance long-term stakeholder value.

## Management Philosophy

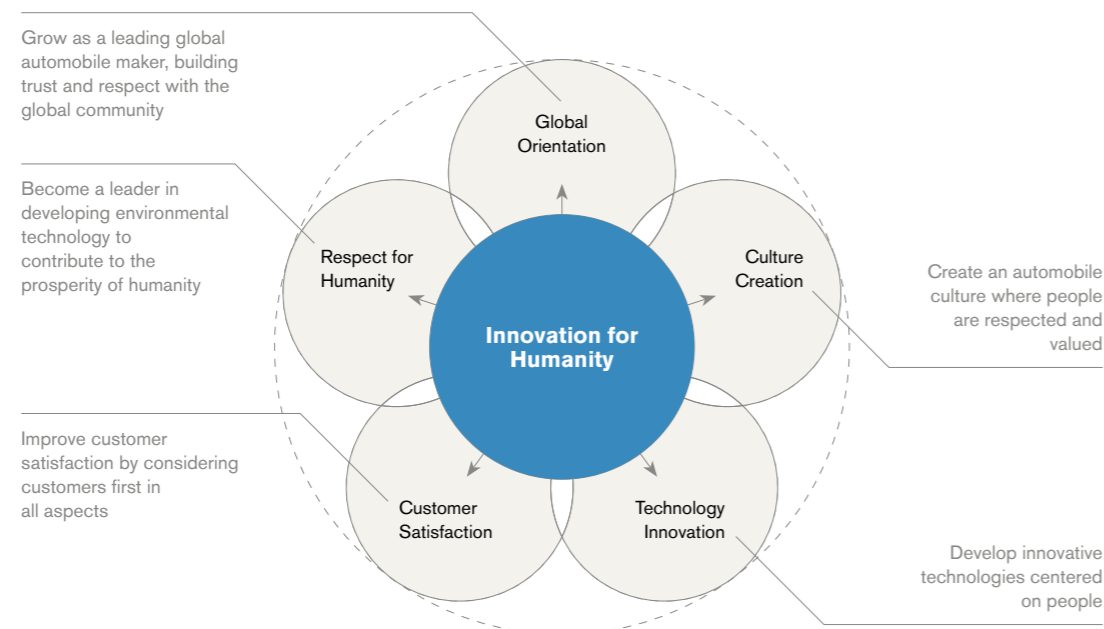
With the spirit of creative challenge, HMC is doing its part to create a more affluent lifestyle for humanity, and is contributing to the harmony and co-prosperity with its shareholders, customers, employees and other stakeholders of the automobile industry.

The spirit of creative challenge is our core principle, which has powered HMC to reach its present status. The same spirit continues to lead us in our endeavors to foster a creative and innovative organization. This forms the foundation of our sustainability activities as we aim to fulfill our corporate responsibility of creating profits, as well as fulfilling our environmental and social responsibilities for the continued growth through the trust of our stakeholders, including shareholders, customers, employees, suppliers and local communities.

## Vision

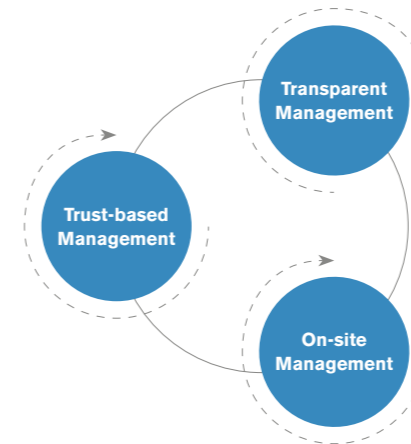
### Innovation for Humanity

HMC established a long-term vision of 'Innovation for Humanity' and selected five core strategic directions including a global orientation, respect for humanity, customer satisfaction, technological innovation and the creation of a culture that realizes this vision. Our ultimate goal is to become a respected global company that contributed to the creation of an automobile consumer culture that respects customer needs and innovation in environmental technology that minimizes the environmental impact of automobiles.



## Management Policy

The three key management policies are serving as a basis for our core management decisions on global operations, as well as product quality and brand image improvement. With its transparent, on-site business management practices, HMC is striving to become a company respected by all stakeholders.



### Trust-based Management

Trust is built on the understanding of others. Open communication is an important element in trust-building because it promotes understanding. Trust can be further strengthened when we align our actions with what is said. Our trust-based management is rooted in our prudence in making commitments and our earnest effort to uphold those commitments to our employees, customers and society at large.

When making management decisions and in our business conduct, HMC always takes the benefits to and the demands of stakeholders, including shareholders, customers, employees, and suppliers into account. We are making a sustained effort to build a trust-based relationship based on open communication with our stakeholders.

### On-site Management

We place great emphasis towards on-site management because we believe in the value of well-facilitated, timely communication on all issues of business management. The CEO of HMC is leading the practice of the on-site management policy, visiting manufacturing plants and sales offices all over the world, facilitating knowledge transfer, and personally checking the management status at each site. HMC's focus on on-site management has resulted in great improvement in the quality of both its products and services, and it has increased productivity, which in turn has resulted in greatly improved customer satisfaction. Additionally, on-site management practices have led to the identification of issues and suggestions at each site, and which has allowed management to address the issues in a timely manner for improved business performance.

### Transparent Management

The establishment of transparent management practices is a prerequisite to implementing trust-based and on-site management practices. HMC is conducting business in an open and transparent manner to earn and maintain the trust of all relevant stakeholders including shareholders, customers, employees, suppliers and local communities where we operate. Sharing our sustainable management practice status and achievements via the publication of the sustainability report is one of the most important means of transparent management. We have been sharing relevant information with our stakeholders via our sustainability report since 2003. In addition, we are also striving to promote fair trade, which results in mutually beneficial transactions with business our partners. We have established the HMC Ethics Charter, the Employee Code of Conduct, and the Guideline on Ethical Business Practices to help employees make the correct decisions in their business conduct. We also signed the UN Global Compact to better promote fair trade and CSR activities.

# Sustainability Management Structure

As a responsible corporate citizen, HMC strives to take action to make a tangible difference in business performance, as well as environmental management and fulfillment of other social responsibilities associated with its operation. As a part of an on-going effort to strengthen its sustainable management system, HMC has renewed its CSR management structure to carry out its CSR activities in 2008.

## CSR Management

With shared understanding of the need for strengthened CSR management, we established a CSR Committee in 2008 for more effective promotion of CSR activities. The CSR committee is responsible for activities in three core areas including environmental management, trust-based management and social contribution.

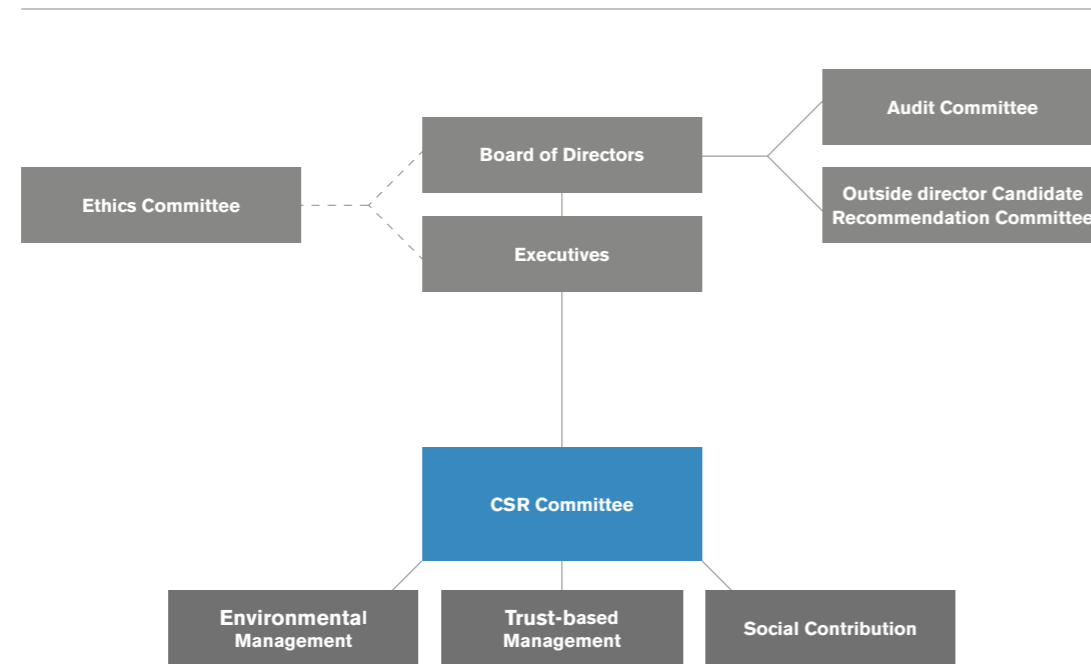
The committee contributes to enhancing HMC management by enabling the company to proactively address important environmental issues, such as climate change and natural resource shortages, while ensuring HMC to carry out business activities in a responsible manner for each stakeholder involved. Furthermore, it provides guidance on HMC's social contribution activities in areas including traffic safety, environmental protection, community development and education support.

Signing on to the UN Global Compact was one of the top priorities of the CSR committee in 2008. HMC joined the UN Global Compact and declared its commitment to sustainable and responsible business practices. The Global Compact is a voluntary initiative launched by the UN that seeks to align business operations and strategies everywhere using ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. We renewed our CSR charter in April 2009. A CSR taskforce was established in late 2009 and charged with setting strategic direction and creating the vision for HMC Groups' CSR activities in the future. In 2010, we also joined the UN Global Compact Advisory Group on Supply Chain Sustainability to help the development of Supply Chain Sustainability Guidance and also help suppliers adopt CSR management practices themselves. The guidance will serve as a catalyst for the widespread adoption of the UN Global Compact principles by a greater number of companies including HMC suppliers.

## Environmental Management

HMC publicly declared its environmental management philosophy and its global environmental management policy in 2003 and has since continued to strengthen its environmental management. Our scope for environmental management is not limited to regulation compliance, but also includes improving energy efficiency, a reduction in

CSR Committee



associated costs, and the creation of new market opportunities. Therefore, we have established and implemented a comprehensive environmental strategy throughout the entire lifecycle of our products, in addition to across the entire value chain of the automotive industry.

Reducing environmental impact during the automobile use stage is a top priority goal. HMC has established 'Blue Drive', a strategy that focuses on fuel efficiency improvement of vehicles powered by internal combustion engines, and the supply of zero emission vehicles in the future. In order to ensure the achievement of our environmental goals, an Environmental Committee was created to make key decisions. The Environmental Research Institute was revamped and renamed the Environmental Technology Center, and environmental technology R&D has been reinforced in key areas.

### • Environmental Management Philosophy and Policies

We publicly declared our environmental management philosophy and global environmental management policy in June 2003. The new policies enabled us to strengthen relevant management structure and presented a clear sense of direction, as well as principles regarding environmental management to all HMC employees. At the same time, we clearly expressed our determination to fulfill our environmental responsibilities to external stakeholders.

### • Environmental Management Philosophy

For the harmony of humankind, the environment and society, HMC respects human value and fulfills corporate social responsibility through environmental preservation.

### • Global Environmental Management Policy

As a responsible corporate citizen that aims to create a prosperous and sustainable society while respecting human values, we established the following global environmental management policies to help preserve the environment.

1. Recognize the environment as a core element of business and create corporate value by proactively pursuing environmental management.
2. Uphold our social responsibilities by developing and supplying environmentally friendly vehicles.
3. Dedicate to reducing pollutants and to preserving resources and energy for sustainable use at all stages of our products' life cycle, from development to production, sales, use and disposal.
4. Endeavor to provide all employees with environmental training programs, and support suppliers in environment management and contribute to public welfare.
5. Comply with all international and national environmental regulations and agreements. Continue to improve environmental management and publicly disclose our performance.

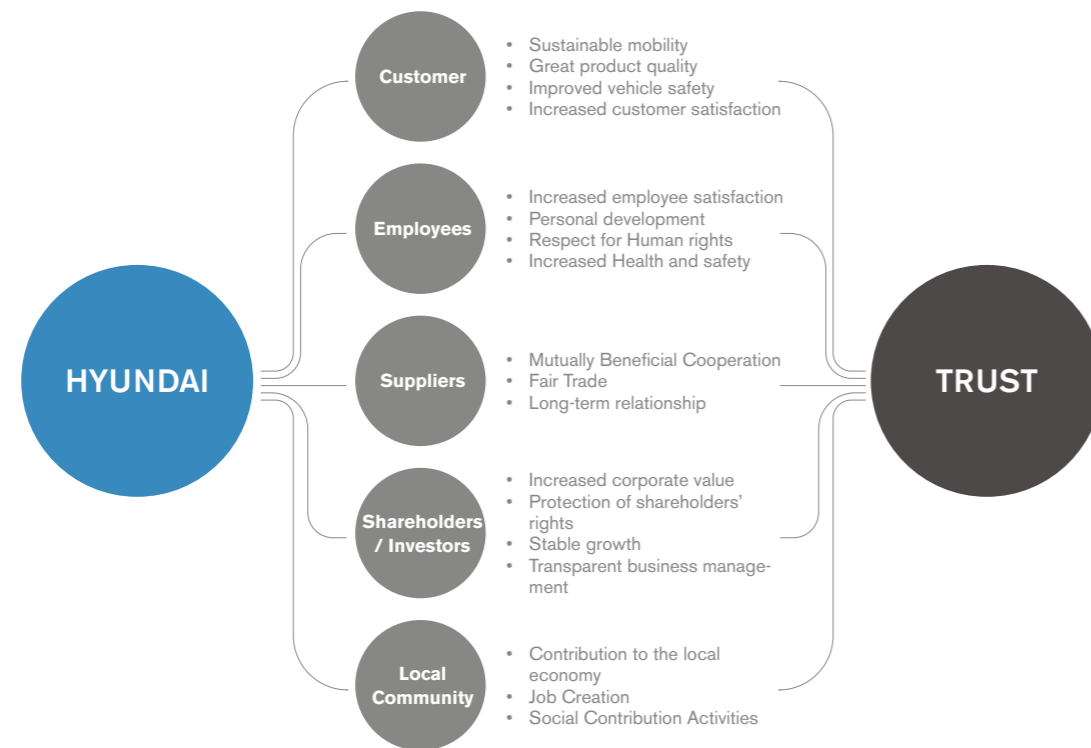
### • Environmental Management Strategy

We have identified five core issues that we must tackle in order to become an environmentally responsible company capable of coping with changing regulations and stakeholder demands. The five key issues are: climate change, hazardous materials, recycling-based resource use, tail-pipe emissions, and strengthening of environmental management structure. Among the five issues, we recognize climate change as the most important issue to be tackled, and therefore we are investing a great amount of resource into the development of vehicle energy efficiency improvement technologies.



**Trust-based Management**

Companies can only grow with support of various stakeholders. HMC has been pursuing a growth strategy based on trust-based relationships with stakeholders including customers, employees, investors, suppliers, and local communities. Transparent and ethical business operations are a key principle in earning trust of stakeholders. By pursuing trust-based management, HMC is ensuring the satisfaction of both customers and employees, in addition to strengthening relationships with stakeholders including business partners and ultimately strengthening our competitiveness.



**Social Contributions**

As a responsible corporate citizen, HMC is developing social contributions based on a management philosophy of 'The pursuit of Happiness through the Automobile'. We are especially concentrating on conducting social contribution activities designed to create a better society for all members of the global community, under the social contribution slogan of 'Moving the world together'.

"Moving the World Together" project proposal contest" is our flagship social welfare program tailored for people in need. We are also conducting various social contribution activities that fall into categories including 'Easy Move', 'Safe Move', 'Green Move' and 'Happy Move' depending on the nature of the program. We are also conducting social contribution activities in areas including social welfare, education and academics, art and culture, and also sports.

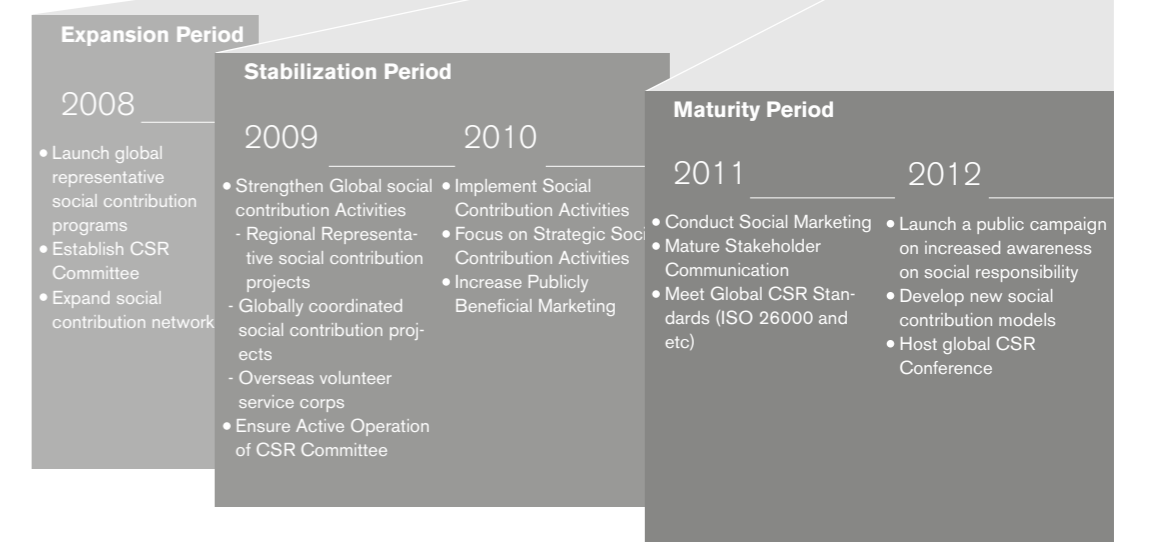
In 2003, we established a long-term social contribution management roadmap to ensure that our activities are carried out in an efficient and structured manner that lead to tangible changes. Our sustained effort in social contribution has led to the establishment of a global social contribution promotion structure with effective programs and a large number of volunteer corps. We will continue to improve our implementation structure to fulfill our role as a respected corporate citizen of the global community.

HMC joined the Boston College Center for Corporate Citizenship in April 2010, as a part of our effort to improve our social contribution activities and our CSR management system. The Boston College Center for Corporate Citizenship is a research and advisory institute which has more than 350 international corporate members including IBM, Microsoft, Coca Cola, and Toyota. The center also facilitates knowledge sharing of CSR success stories, as well as expertise by building networks among the members. Provision of expert knowledge, success examples, and assisting members in the creation of a CSR vision and strategic direction is also an important role of the center. We expect to further strengthen our social contribution activities and CSR management practices by working with the center and learning from other corporate members that are recognized for exemplary CSR activities.

Long-term Social Contribution Roadmap



5 Year Social Contribution Plan (2008~2012)





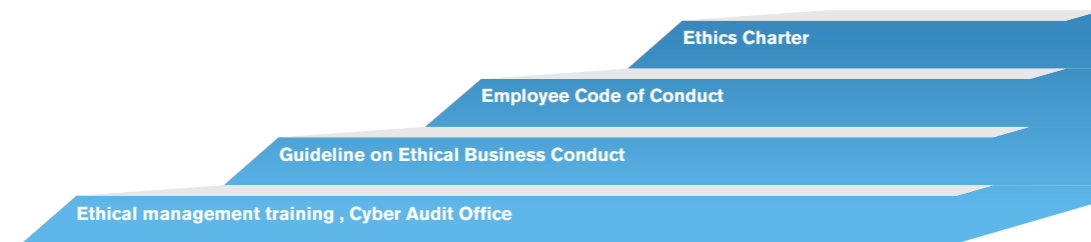
# Ethics and Corporate Governance

HMC is promoting ethical management practices as an important means of enhancing stakeholder value. HMC's improved ethical management practices will allow HMC employees to make more responsible management decisions and to take the appropriate actions that will contribute in building trust with stakeholders and enhancing the transparency of cooperation.

In 2001, HMC established the HMC Ethics Charter, the Employee Code of Conduct, and the Guidelines for Ethical Business Conduct to promote ethical business practices. In 2008, we publicly declared our commitment to uphold ethical business practices and reinforced support for all our employees to comply with all relevant laws, regulations and also to respect accepted social norms in our business conduct. HMC is also making an effort to create a working environment where employees can make the correct decisions when faced with difficult situations that may lead to ethical dilemmas.

In order to improve transparency in the management decision making process, the company also established an ethics committee in 2007, which is composed of outside directors. We plan to adopt International Financial Reporting Standards in 2011 in order to enhance transparency in accounting practices. We have been making a considerable effort in supplier-relations. In 2002, we adopted a voluntary fair trade compliance program. HMC also signed a formal fair trade agreement with a record number of suppliers in 2008, as a part of the on-going effort to be a fair and transparent business partner. Improved ethical management practices are contributing to an improvement in business management by reducing irrational favoritism and increasing competitiveness, which in turn leads to new economic value. It is also contributing to a positive impact on reducing the time and cost required for business transactions. Ultimately, improved ethical management leads to increased sales, as well as strengthened customer and supplier relations.

Internal Ethic Guideline Structure



## Compliance Policy

Complying with all laws and regulations, as well as respecting internationally accepted norms in business conduct in all its business practices is a key business principle within HMC. With that principle as a basis, HMC also strives to promote the voluntary compliance of all regulations, and has created a fair trade compliance program for the prevention of unfair business conduct. We are also providing training on ethical business conduct for employees to promote good business practices and have established a Cyber Audit Office to monitor compliance status.

## Fair Trade Compliance

HMC implemented a voluntary fair trade compliance initiative to make business transactions fairer and ensure compliance with government regulations on fair trade practices. In 2009, we conducted many activities including the announcement of the CEO's pledge for fair trade compliance and fair trade education for employees and executives. We also launched the fair trade web page and designated a Fair Trade Day to raise awareness of fair trade. In addition, we have been closely monitoring fair trade practice status and giving a quarterly award for a designated HMC team for best fair trade practice. The Cyber Audit Office created a webpage and placed information including the Ethics Charter and the Employee Code of Conduct to help employees make ethical business decisions. Suppliers and customers can both access the webpage. The webpage also serves as a channel for reporting unfair business transactions, suspected corruption cases, and various other complaints from stakeholders. All reports are reviewed carefully for corrective action and improvement in management practices accordingly.

Such efforts contributed to our 'AA' rating on fair trade practices in 2009 by the Fair Trade Commission, which is the highest rating given. Our continued efforts to uphold the fair trade agreement made between HMC and our suppliers and establishment of the Mutually Beneficial Cooperation Fund for supporting first- and second-tier suppliers has contributed to instill fair trade practices in the culture of HMC. In recognition of our good work in fair trade compliance, the Fair Trade Commission awarded HMC with the 'Best' rating in 'Implementation of Fair Trade Agreements with Suppliers' category, which is the highest rating a company can receive.

## Board of Directors

HMC's board of directors (BOD) has two subcommittees including the Audit Committee and Recommendation Committee on Candidates for Outside Directors as directed by relevant Korean law on board of director composition. Important business management decisions are discussed and approved by the board of directors and by shareholders at the general shareholder's meeting. Corporate accounting and business management practices are also subjected to an audit by third-party professionals.

BOD make 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 HMC BOD is comprised of four executive directors and five outside directors who are leading experts in various areas relevant to the automotive industry. At the 2009 Shareholders' Meeting, the committee approved directors' compensation ceiling of KRW10 billion. Total compensation paid to executives and outside directors was 7.124 billion KRW from January 1, to December 31, 2009. The average compensation for an internal director was 1,724 million KRW and 48 million KRW for an outside director.

## Internal Subcommittee

The Audit Committee consists of four outside directors. It is responsible for auditing HMC finances and operations. The committee has the authority to demand executive officers to provide information on operational and financial status. The Committee is responsible for reporting their findings to the BOD. The Recommendation Committee on Candidates for Outside Directors is comprised of two executive and two outside directors. All HMC outside directors are appointed through the recommendations of this committee.

## Outside Subcommittee

In 2007, an independent Ethics Committee was established to increase transparency of internal transactions and to promote ethical business management practices. The committee is comprised of five outside directors, one executive and two independent advisors. The function of the Ethics Committee includes the assessment of and the establishment/revision of the company's ethical practice standards, in addition to their implementation; monitoring of compliance status on internal transaction regulations as defined by the Fair Trade Act and commercial laws, as well as observance of the compliance program; and review of key policies on social contribution activities. In 2009, the committee reviewed matters in regards to transactions with subsidiaries, debt payment guarantees for oversea subsidiaries, the fair trade compliance program, transactions with affiliated financial companies, and social contribution activities.

## Board of Directors Composition

(As of March 2010)

Classification	Name	Job Position	Committee
Executive directors	Mong-koo Chung	Chairman/CEO	Recommendation Committee on Candidates for Outside Directors
	Seung-suk Yang	President/CEO	Recommendation Committee on Candidates for Outside Directors
	Ho-don Kang	Vice President/CEO	-
	Eui-son Chung	Vice Chairman	-
Outside directors	Kwang-nyun Kim	Lawyer SAMHAN Law office	Recommendation Committee on Candidates for Outside Directors, Audit Committee member, Ethics Committee
	Sung-il Nam	Professor of Economics, Seogang University	Recommendation Committee on Candidates for Outside Directors, Audit Committee member, Ethics Committee
	Il-hyung Kang	Of Council, Bae, Kim & Lee LLC	Audit Committee member, Ethics Committee
	Young-chul Yim	Lawyer; Shin & Kim	Audit Committee member, Ethics Committee
	Young-rok Im	Former vice minister, Ministry of Knowledge Economy	Ethics Committee

Detailed information on board members can be found at the [http://pr.hyundai.com/Ir/GI\\_DirectorsMatter.aspx](http://pr.hyundai.com/Ir/GI_DirectorsMatter.aspx)

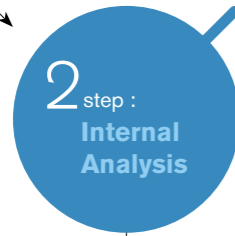
# Materiality Analysis

Enhancing stakeholder value is the highest priority objective of HMC's sustainability management, and therefore, we are always listening to the voice's of our stakeholders as a way of achieving sustained mutual growth with the community that we operate in. Materiality tests are a useful tool in identifying priority issues that matter most to our stakeholders and us.

## Materiality Test Process

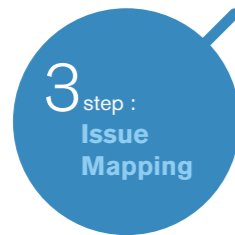
### External Materiality Analysis

First, we collected media articles (scope: domestic and overseas, period: Jan 2009~Mar 2010), competitor practice data and sustainability guidelines (GRI, ISO 26000, DJSI) as a basis for our analysis. The collected data was analyzed using the 'HMC Materiality Test,' and 48 sustainability issues were identified as a result.



### Internal Materiality Analysis

Eighteen sustainability issues were identified as a result of the materiality test based on an analysis of HMC performance indicators, management philosophy, and the 2009 Sustainability Report contents. An employee survey was also conducted at the headquarters, overseas offices, and production plants, and the results were analyzed using the 'HMC Materiality Test' to identify key issues and to determine the priority of each.



### External and Internal Issue Mapping

The issues were identified from external and internal materiality analyses, which were mapped on a chart.

**Priority Issues (internal ↑, external ↑)**  
Sustainability issues with high importance to internal/external stakeholders that require immediate attention

**Internal issues (internal ↑, external ↓)**  
Issues that internal stakeholders regard with high importance for increasing the value of HMC

**External Issues (internal ↓, external ↑)**  
Issues that external stakeholders regard with high importance, which internal stakeholders must take into account in future management activities

**Potential priority issue (internal ↓, external ↓)**  
Issues that HMC must continue to monitor



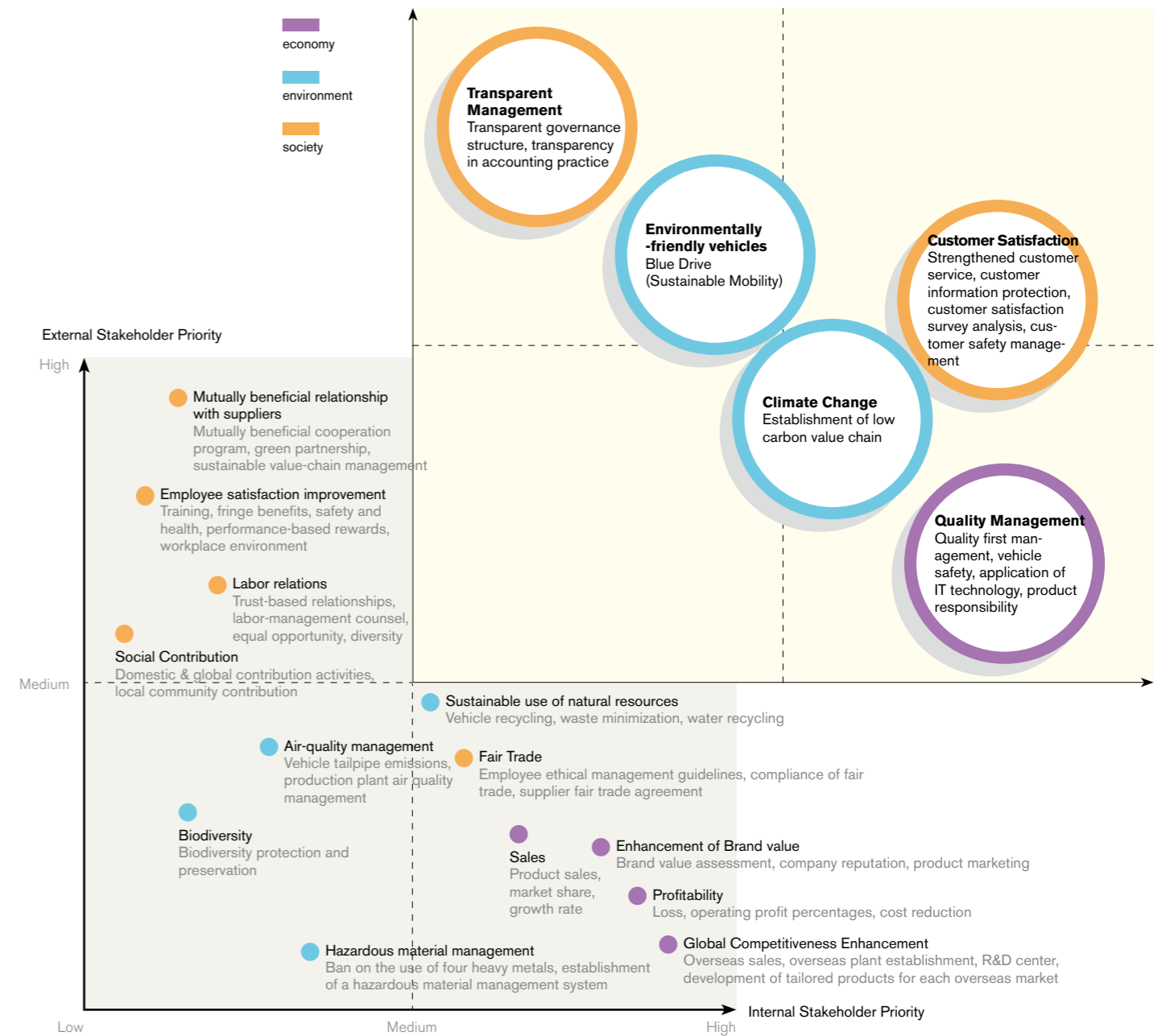
### Stakeholder Review

HMC conducted a stakeholder review of priority issues by holding dialogues with investors, consumers, suppliers and NGOs. Many stakeholders, who participated in the review on materiality test result, expressed that customer satisfaction was rated too low on the priority list. We shared the stakeholder opinion internally and reassessed the rank of internal priority issues by conducting interviews with HMC teams in charge of fair trade, government relations, investor relations, media relations, and marketing strategies.

The internal stakeholder results indicated that customer satisfaction improvement, especially in terms of emotional quality for domestic customers, should be placed as a higher priority than quality management.

## Materiality Analysis Result

HMC identified 18 sustainability issues in the materiality analysis. Through internal and external materiality, we identified climate change, environmentally-friendly vehicles, customer satisfaction, transparent management, and quality management were identified as high priority issues. A large portion of the 2010 Sustainability Report was allocated for coverage of the five highest priority issues. Other sustainability issues were covered in substantial detail as well.



### Stakeholder Dialogue

Since 2008, we have been making a sustained effort to collect diverse opinions from our stakeholders in regards to our sustainability management and tried to reflect them in our management practices. We are promoting enhancement of stakeholder value via communication and collaboration with HMC stakeholders as a top priority in sustainable management.

#### List of Stakeholder Dialogue Participants



#### Investor

- 1 Youngjoon Kim NH-CA Asset Management Director
- 2 Kyongsup Chae Midas International Asset Management Team Head
- 3 Wonhyun Jung Korea Ratings, Credit Specialist

#### NGO

- 4 Junkwan Ahn Institute for Climate Change Action, Senior Researcher
- 5 Joohong Lee National Council of the Green Consumers Network in Korea, Coordinator
- 6 Heejeong Jung Korea NGO's Energy Network, General Director

#### Consumer

- 7 Manho Kim Korea Consumer Agency, Automobile Team, Senior Manager
- 8 Jinhee Son SNU CSR NETWORK, Member

#### NPO

- 9 Se Young Yang Korea Business & Society Institute, President
- 10 Jun Suk Lee UN Global Compact Korea Network, Team Manager

#### Supplier

- 11 Jooyoung Jeon Kyungshin Industrial Co. Ltd., Team Head

#### Academia

- 12 Su-yol Lee Chonnam National University, Assistant Professor

#### Stakeholder Dialogue Host Organization

A stakeholder dialogue was conducted by the Business Institute of Sustainable Development, an independent third party organization specializing in sustainable management research.

#### Stakeholder Dialogue Summary

- Sustainability management vision and detailed strategies must be presented clearly and the status of achievement should be disclosed. \_\_\_\_\_ sustainability management ■
- Roles of outside directors and contributions made by the ethics committee should be stated clearly. \_\_\_\_\_ sustainability management ■
- Work needs to be done to close the gap between HMC's brand image and actual product quality. \_\_\_\_\_ economy ■
- Consumer awareness on hybrid-electric vehicles must be raised including the disclosure of fuel efficiency data. \_\_\_\_\_ environment ■
- Public understanding of eco-driving needs to be raised to induce more drivers to adopt eco-driving. \_\_\_\_\_ environment ■
- Dissemination of environmental management techniques need to be shared more actively as a part of the supply chain management. \_\_\_\_\_ environment ■
- HMC's social contribution activities must be further tailored to reflect HMC's unique characteristics as a vehicle manufacturer. \_\_\_\_\_ society ■
- HMC should place greater emphasis on customer satisfaction in its management. \_\_\_\_\_ society ■

#### Reflecting Stakeholder Communication Results

The final result of the 2010 materiality test reflects stakeholder opinions expressed at the stakeholder dialogue. We made the best effort to reflect stakeholder opinions in composing our sustainability report this year. We will continue to hold stakeholder dialogue to share materiality test results and ensure our focus on issues of highest materiality.

## Core Sustainability Issues

Key sustainability issues, including climate change and business transparency, present both risks and opportunities for HMC. We are managing potential risks associated with key sustainability issues identified through the HMC materiality test and striving to create new values.

### Climate Change

Greenhouse gas emissions occur during all stages of an automobile's lifecycle from the manufacturing process to vehicle recycling. Since automobiles use fossil fuels as the energy source, CO<sub>2</sub> emissions during vehicle use accounts for the majority of greenhouse gas emissions from automobiles. Therefore, governments are adopting CO<sub>2</sub> emission standards, fuel efficiency standards, and CO<sub>2</sub>-based taxations as priority policies in greenhouse gas reduction. Such changes and increased consumer awareness of climate change are increasing consumer preferences for low carbon products. HMC decide to promote low carbon manufacturing and set an internal target of a 10% emission reduction in domestic manufacturing plants by 2020 compared to 2005. We have already achieved significant improvement in energy efficiency of conventional vehicles by reducing gasoline and diesel consumption as a part of our Blue Drive initiative. We are also investing many resources in the development of environmentally-friendly vehicles as an important means of tackling climate change.

### Environmentally Friendly Vehicles

Faced with multiple challenges of climate change, strengthened environmental regulations, and the depletion of fossil fuels, HMC is striving to develop environmentally-friendly vehicles including hybrid electric vehicles, electric vehicles and hydrogen fuel-cell vehicles. As a first achievement, HMC launched the world's first LPG-Hybrid vehicle, the Elantra LPI Hybrid, which is developed using proprietary technologies, in July 2009. HMC plans to release the Sonata Hybrid in the North American market in 2010 and in the domestic market in 2011. We are also making continued progress in demonstration programs for electric and hydrogen fuel-cell electric vehicles to test commercialization potential.

### Customer Satisfaction

Automobile companies face fierce competition in all markets worldwide. Winning the support of loyal customers by improving customer satisfaction is very important to ensure sustainable operations. Increased use of social media, which allows customers to directly express their experience with products and complaints, allows speedy response to customer reactions much more important than in the past. We are making various efforts to collect ever-increasing customer opinions about our products and services by means of including regularly scheduled customer satisfaction surveys, customer service hotlines, auto-prosumer focus group and more. We are also making an active effort to reflect customer opinions in our general management practices.

### Transparent Management

Transparency was the most important external issue according to the materiality analysis results. The result is very much in line with rising global demands for transparent and ethical business management. In fact, ISO 26000, the new international standard on CSR management, is expected to require transparency and ethical behavior as a basic principle of CSR management. Transparency is greatly required in areas including corporate decision making, accounting and business transactions. HMC created the ethics committee, which consists of outside directors, in order to increase transparency in business management. In 2011, we plan to adopt the International Financial Reporting Standard to ensure. HMC adopted a voluntary fair trade compliance program in 2002, as a means of increasing transparency in business transactions. In 2008, we signed a fair trade agreement with approximately 2,400 suppliers, the largest of its kind in Korea, to further increase fairness and transparency.

### Quality Management

Product quality is the basis of competitiveness, which is also closely linked to customer satisfaction and safety. Recent increases in the number of vehicle recalls due to quality issues have increased the importance of quality more than ever. Collaboration with parts suppliers is essential in achieving high product quality in automobiles, as the quality of parts directly influences that of the finished automobiles. HMC has created mutually beneficial partnership programs in order to help suppliers increase business stability and technological competitiveness to ensure the production of auto parts with highest quality. We have also adopted stringent quality assessment procedures to further encourage quality improvement.

## Executive Interview

HMC will continue its growth, create environmental and social value, and share the fruits of our achievements with our stakeholders.



As a long-term strategy, we are focusing on enhancing management capacity on diversity issues, an aging workforce, and corporate culture innovation.

The external review committee has conducted interviews with HMC executives in regards to sustainability issues since 2008. The Interviews provide opportunities for HMC executives to hear the views and opinions of the review committee members who are experts in sustainability, and learn more about the status and achievements made in business areas under their management.

### What is HMC's main focus area in its sustainable management?

Enhancement of stakeholder value through achieving economic profits, environmental soundness, and the fulfillment of social responsibilities in corporate activities with a long-term perspective is the goal of sustainable management. Using strong business outcomes as a foundation, HMC will continue its growth, create environmental and social value, and share the fruits of its achievement with its stakeholders.

Currently, climate change and the inevitable depletion of fossil fuels are two intertwined issues that require strong action in collaboration with various stakeholders and HMC has taken a number of initiatives. Strengthening stakeholder communication and improving the internal decision making process is also an important sustainable management focus, which will allow HMC to achieve improved sustainable management outcomes.

Achieving CO<sub>2</sub> reductions via production of greener vehicles with improved fuel efficiency is an important area that requires unrelenting effort by HMC. Although CO<sub>2</sub> emission associated with vehicle production is smaller than emission associated with fuel use by vehicles, equally strong effort will be made to reduce the emission to reduce overall carbon footprint of our products. Overall, we will strive to lead and foster green technology development partners to become a central pillar of the Korean automotive industry to ensure its sustainable growth, while limiting our environmental impact.

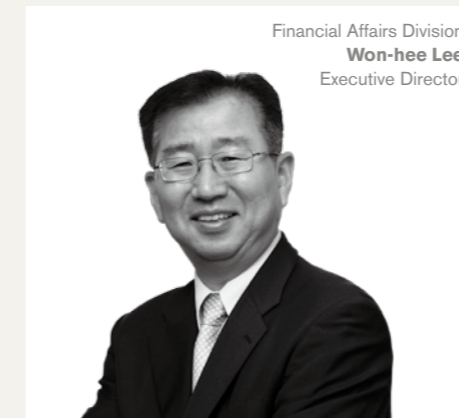
### How is the principle of sustainable management incorporated into HMC's personnel affairs policy?

Our employees are the source behind HMC's successful growth and will continue to lead the sustainable growth of HMC. Providing support to allow our employees to bring out all of their potential is the core principle of personnel affairs policy. We are also focusing on strengthening the global competency of our workforce.

There are two areas that require particular attention over the long-run. First, we are faced with a change in the demographic composition commonly referred to as the 'aging society' syndrome, and the average age of HMC's workforce is steadily increasing accordingly. Second, diversity within the HMC workforce is quickly increasing with HMC's on-going global expansion. Implementation of a performance-based compensation scheme, the creation of an integrated human resource management system, and the establishment of a robust global human resource training system are the three improvement areas that HMC is currently focusing on.

In the long-term, we are focusing on diversification of the workforce, provision of the proper support for an aging workforce, and innovation of the corporate culture. For example, we have organized a special task force with the mission of identifying the core corporate values that all HMC employees can share in order to promote a 'one team' spirit.

We are building low carbon, green factories by reducing all pollutants including greenhouse gases, air emissions, and waste water.



We are focusing on providing support to help all divisions to add value to overall operations and contributing to the achievement our goal of maximizing stakeholder value.

### Production activity is both a necessary and important part of HMC's operation. What are the sustainable management initiatives taken at HMC's production plants?

The Ulsan plant is the largest manufacturing plant in Korea and what we do here creates a far reaching impact in the local community. In terms of environmental management, we are building low carbon, green factories by increasing energy efficiency and reducing all pollutants including greenhouse gases, air emissions, and waste water. In 2007, we established a voluntary greenhouse gas reduction target of achieving a 10% reduction against the 2005 baseline by 2020. We have already taken some measures to reduce greenhouse gas emissions and achieved some reductions.

Since ensuring employee safety is our highest priority, we are taking various measures including an industrial safety pre-assessment, accident prevention activities, increased investment in safety-related facilities, and safety training. It should be noted that improved employee safety leads to the added benefit of higher productivity. The labor and management representatives are working together to improve labor relationships. HMC has formulated a roadmap to improve labor-management trust. We are pursuing a long-term relationship that is mutually beneficial to both employees and management. We are also leading on a number of social contribution activities in environmental restoration, financial and educational support to become a respected member of community.

### What is the role of financial affairs division in promoting sustainability management?

Each business unit has a unique role and responsibility in strengthening the sustainability management of the company. We are focusing on providing support to help all divisions to add value to the overall operation and contribute to achieving our goal of maximizing stakeholder value. Supporting the development of environmentally-friendly vehicles require a long-term investment of a significant size, which cannot be justified when measured against conventional investment guidelines.

Therefore, we look beyond short-term profitability and take long-term environmental and social benefits into consideration to find justification for investment.

The financial affairs division also is responsible for implementing changes to the internal management structure in order to improve the transparency of the management decision-making process and to promote ethical management in business transactions. For instance, we established an ethics committee in 2007. In 2002, we adopted a voluntary fair trade compliance program to promote fair trade practices. We plan to adopt the International Financial Reporting Standard in 2011 in order to enhance transparency in accounting practices.



economy  
environment  
society

Global Production and Sales  
2009 Business Performance  
Sharing Economic Gains

# 1 economy

Achieving excellent business outcomes is one of the foremost objectives that HMC must fulfill as a means of enhancing stakeholder value. It also serves as the basis of strengthening the competitiveness of HMC in the fast changing global market and allows HMC to pursue social and environmental values in a balanced manner.

## Global Production and Sales

HMC is responding to fast-changing demands of global customers by fully utilizing strategically placed production and R&D facilities, and management offices. By offering products and services of the highest quality, we are also improving customer satisfaction level.

### Global Production

The establishment of our first overseas manufacturing plant in Turkey in 1997, marked the beginning of our global production operations. In addition to production plants, HMC also established R&D centers and sales subsidiaries overseas including the U.S. and Europe, in order to develop and produce innovative products that better meet the needs of consumers in each market.

As of 2009, overseas production accounts for 48% of our production. HMC currently has manufacturing plants in China, India, the U.S. and Europe. The plants in China and India have production capacity of 600,000 vehicles each. The HMC plant located in Alabama, USA has an annual production capacity of 300,000 vehicles, while the plant in Turkey is capable of producing 100,000 units per year. Hyundai Motor Manufacturing Czech Republic, located in Nosovice, began operation in 2009 and it has an annual production capacity of 300,000 units. It is supplying the i30 model specifically designed for the European market.

To further enhance its ability to supply the correct vehicles where they are demanded, we plan to further expand our production capacity in emerging markets. We are currently building a new plant in St. Petersburg, Russia. This new plant, with annual production capacity of 150,000 units, is expected to be completed in 2011. We are also planning to begin construction of a new plant in Piracicaba, Brazil with identical production capacity.

### Global Sales

The Bankruptcy of Lehman Brothers triggered a global economic crisis that had a seriously negative impact on the automotive market. The monthly sales of new vehicles in the U.S. declined by as much as 40% in early 2009, and sales in emerging markets experienced negative growth for the first time in many years.

Despite all the negative factors, HMC managed to sell a total of 3,132,381 vehicles, an 12.6% increase over 2008. HMC sold 701,469 vehicles in the Korean market and 2,430,912 in overseas markets. The sales in the Korean market increased 23.1% over 2008. The Sonata was our most popular model and we managed to sell 146,099 units (Existing models: 84,969 units, New models: 61,130 units) The popularity of the new Sonata model contributed greatly to the growth in domestic sales, with an average monthly sales of more than 15,000 units since its launch in September 2009. Sales of commercial vehicles also increased in 2009. The combined sales of two of our small commercial models, the Grand Starex and the Porter, were 126,049 units, which is a 19.9% increase from the year before. Large commercial vehicles including trucks and buses sold 28,543 units, an 8.3% increase from the year before.

We believe that the increase in domestic sales in 2009 is largely contributable to a government economic stimulus package that provided incentives for new vehicle purchases and the launch of highly-expected new models.

Ceremony for the Completion of Czech Republic Plant

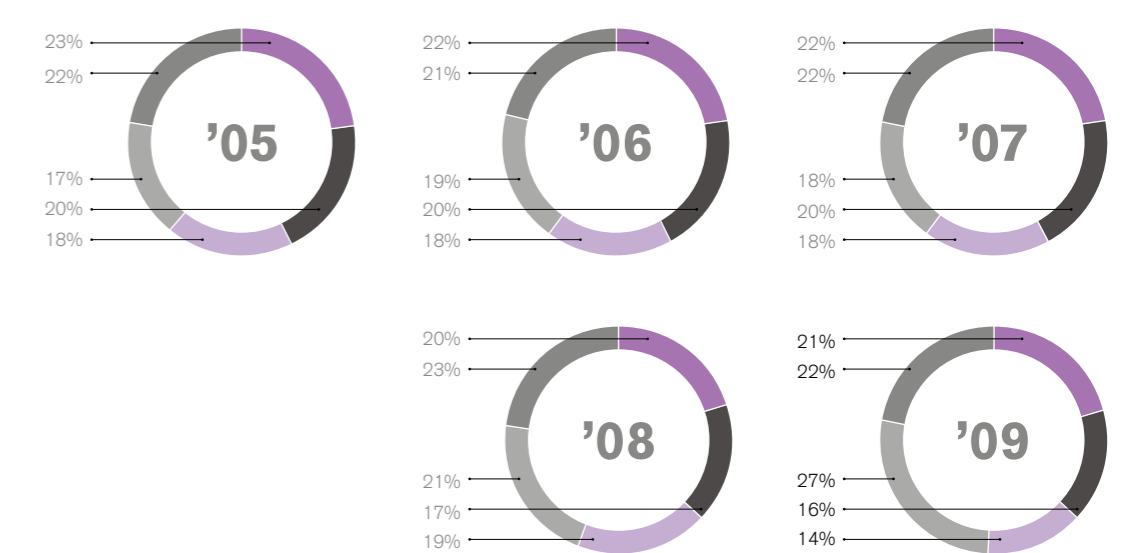


Overseas sales increased by 9.9% to 2,430,912 units in 2009. Approximately 40% of HMC vehicles sold in overseas markets, 910,522 units were produced in Korea while the rest, 1,520,390 units were produced in plants located overseas. In 2009, automobile demand in emerging markets experienced a decrease which caused a 17.1% reduction in exports of HMC automobiles produced in Korea. However, an increase in sales of HMC vehicles produced overseas increased by 36.6% leading to an overall increase in overseas sales. We were particularly successful in China and India with strategic models such as the Yuedong and the i10, which lead the sales in each respective market. We managed to sell more than 570,000 units produced in our manufacturing plants in China, which is a two fold increase from 2008. We also sold approximately 560,000 units produced in the India plant, recording a continued increase.

Recovery is expected in 2010, however there are many uncertainties and risk factors that have the potential to stop or slow down the recovery in automobile demand. No matter what happens the competition in the market is expected to be stronger than ever as all companies are striving to recover from the downturn.

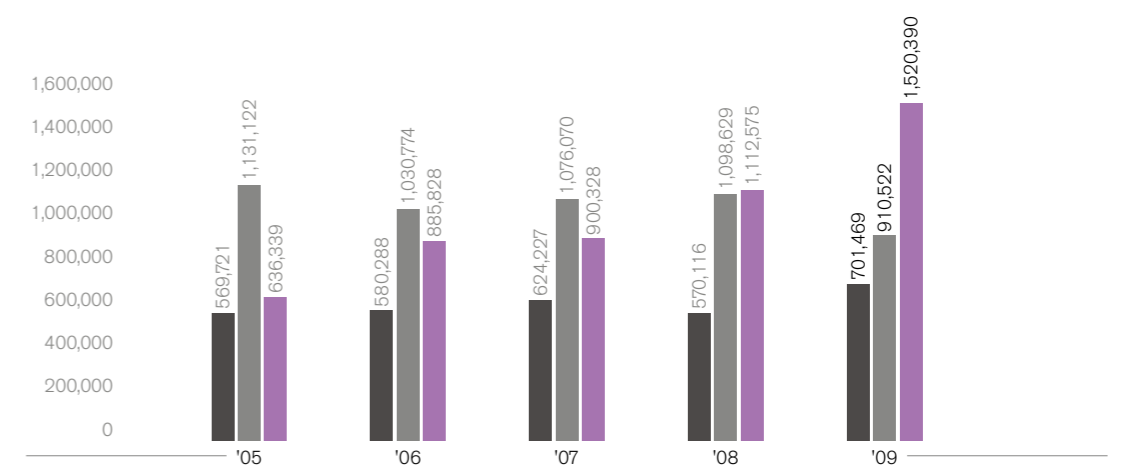
### Sales Percentage by Region (%)

- Korea
- US
- Europe
- China-India
- Others
- ※ Based on Local Sales Data (Including CKD units)



### Global Sales Status

- (unit: vehicles)
- Domestic Sales
- Exported (Produced in Korea)
- Overseas Sales (Produced in Overseas)



## 2009 Business Performance

Sound financial structure and healthy growth are a precondition for achieving sustainable management in a company. Despite difficult market conditions in 2009, HMC succeeded in increasing its sales and strengthening its internal capacity.

Despite increased sales in the domestic market and favorable exchange rates (the value of Korean Won increased by 15.2% against the U.S. dollars and 10.1% against the Euro), HMC's domestic operations (excluding sales of units produced in the overseas plants) recorded a 1.0% decrease at 31,859 trillion KRW due to a decrease in overall production. The gross margin fell by 2.2% and recorded 6,9746 trillion KRW. The cost to sales revenue was increased by 0.3% to 78.1%, despite strong cost reduction efforts made.

Operating profits increased by 19.1% to 2,235 trillion KRW despite reduced exports and increased marketing expenses for fostering overseas dealers and improving brand image. Operating profit percentages also increased to 7.0%, a 1.2% increase from 5.8% in 2008. Ordinary and net profits have increased dramatically by 110.7% (3,7813 trillion KRW) and 104.5% (2,9615 trillion KRW) respectively due to improved

business performance of overseas manufacturing plants and sales subsidiaries in China and India.

Outstanding product quality, expanded operation in new markets, and competitive small and medium-sized car line up provided a basis for good business performance in 2009, while a timely launch of strategic vehicle models and creative marketing initiatives provided an additional competitive edge.

HMC is bracing itself for another year of significant challenges, and we will reinforce our customer-first management system with a goal of delivering 3.46 million vehicles for customers in 2010.

### Oversea Plants Business Performance

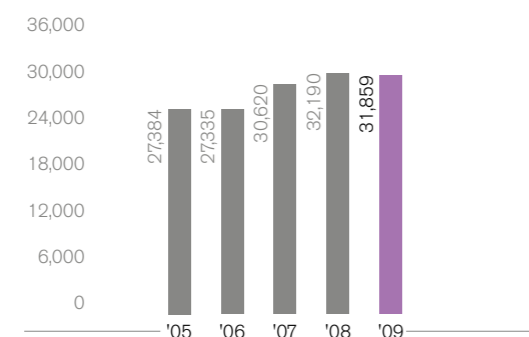
#### Beijing Hyundai Motor China (BHMC)

- Year of Establishment | 2002
- Models produced | EF Sonata, NF Sonata, Accent, Tucson, Elantra, Yuedong, i30

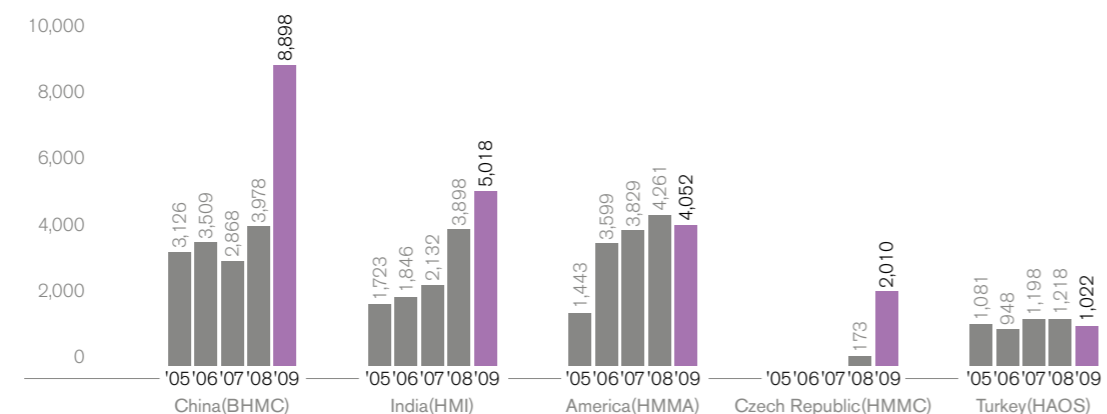
BHMC sold 570,309 vehicles in 2009, a 94% increase from 2008. The sales were more than 8.9 trillion KRW and BHMC ranked as the fourth highest selling brand with a market share of 6.9% in 2009, which was a significant improvement in performance from seventh with a 5.5% market share in 2008.

The new Elantra model modified specifically for the Chinese market and named the 'Yuedong(悅動)' was particularly popular. The unmodified Elantra and the i30 were also well received by Chinese automobile buyers.

Domestic Sales Revenue  
(in billion KRW)  
※ HMC sales only



Sales Revenue by Overseas Plants  
(in billion KRW)



#### Hyundai Motor India (HMI)

- Year of Establishment | 1998
- Models produced | i10, i20, Getz, Santro, Accent, Verna, NF Sonata

In 2009, HMI produced 559,870 vehicles, a 14.4% increase from 2008, and was the best performance since its incorporation. A total of 289,863 units were sold in India and the remaining 270,007 units were exported to other overseas markets.

Approximately 48.7% of vehicles produced by HMI were exported to other markets, making HMI a central small car production center for the global market. Small cars, including the i10 and i20, produced by HMI are exported to 110 countries in Europe, Africa and South America.

#### Hyundai Motor Manufacturing America (HMMA)

- Year of Establishment | 2005
- Models produced | Sonata, Santa Fe

The U.S. financial crisis in late 2008 had a significantly negative impact on the real economy including automobile demand. A rise in oil prices also negatively affected consumers, leading to increased demand for smaller vehicles.

This has resulted in an 18% decrease in sales of vehicles produced by HMMA at 195,000 units. Although HMMA experienced a significant decrease in sales, the scale of change was relatively small compared to other automakers.

#### Hyundai Motor Manufacturing Czech Republic (HMMC)

- Year of Establishment | 2008
- Models Produced | i30, Venga

HMMC began mass producing HMC's strategic model for European market, the i30, at the end of 2008, and recorded a solid production volume and sales record in 2009. It is a significant achievement considering a 13% decrease in overall sales of new cars in European market.

With excellent drivability, performance and stylish design, sales of the i30 is steadily increasing despite the market downturn.

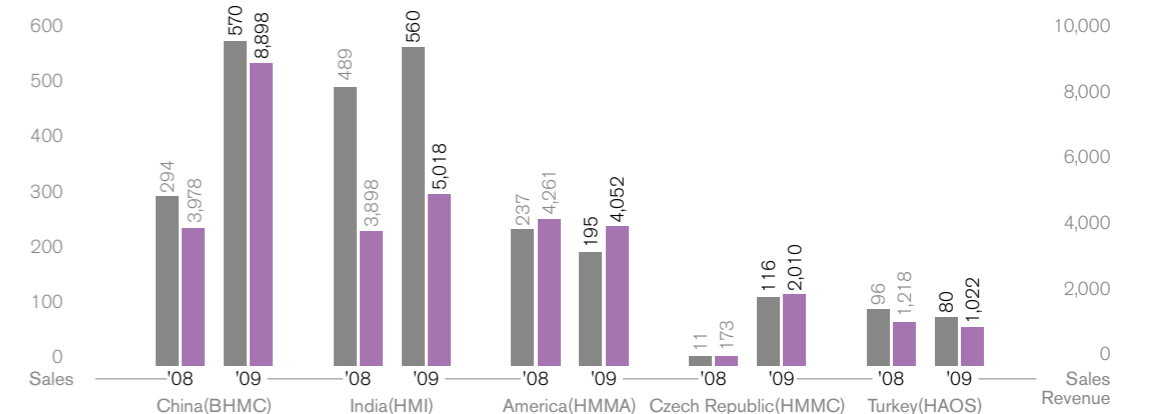
#### Hyundai Assan Otomotive Sanayi Ve Ticaret A.S. (HAOS)

- Year of Establishment | 1997
- Models produced | Accent, Matrix

Thanks to lowered special taxes on new vehicles implemented by the Turkish government, domestic sales was increased by 88% to over 64,000 units, making HMC the number one selling brand in Turkey.

However, the economic slowdown in Russia and Eastern European countries lead to a sharp decrease in vehicle exports, leading to overall decrease in sales by HAOS.

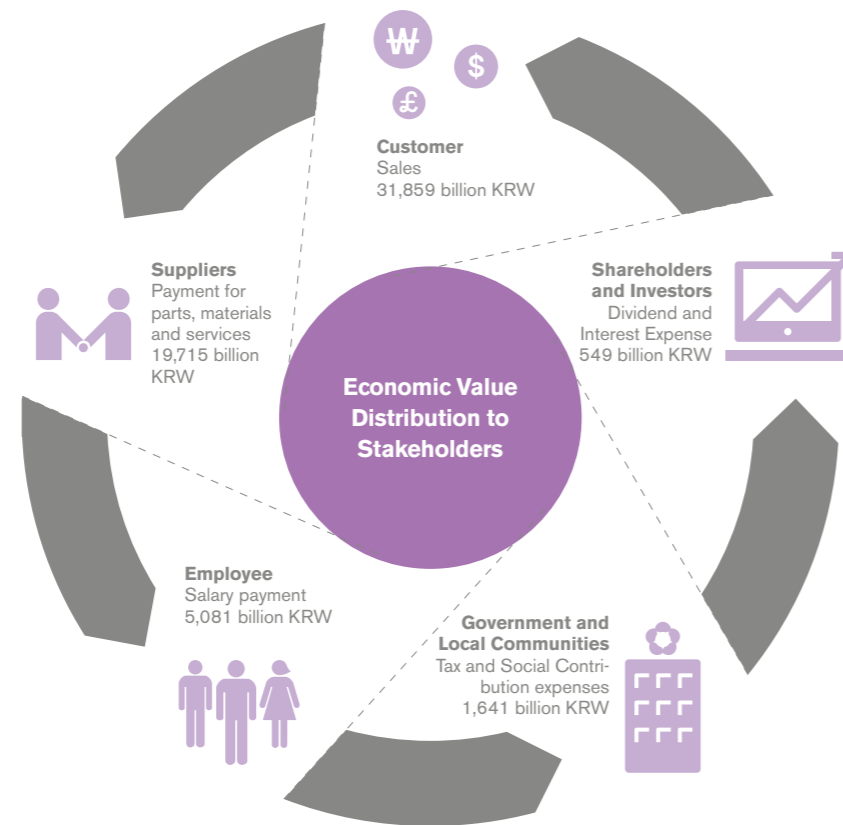
2009 Sales Performance by Overseas Plants  
Sales (in 1,000 units)  
Sales Revenue (in billion KRW)



# 1-3

## Sharing Economic Gains

We are fulfilling our fundamental responsibility as a corporation by sharing economic value we have created in league with various stakeholders including shareholders, investors, employees and suppliers.



### Financial Performance

In 2009, HMC posted 31,859 billion KRW in sales. Operating profits increased by 19% to 2,235 billion KRW. The operating profit margin increased by 1.19%p to 7.02%. Net profit surged by 104.5% to 2,962 billion KRW and HMC's total assets increased by 12% to 22,029 billion KRW.

Financial Performance	2007	2008	2009
Sales (in billion KRW)	30,620	32,190	31,859
Operating Profit (in billion KRW)	1,946	1,877	2,235
Net Profit (in billion KRW)	1,682	1,448	2,962
Operating Profit Margin (%)	6.36	5.83	7.02
ROE (%)	4.91	7.65	14.21
EBITDA (in billion KRW)*	3,111	3,197	3,649
Total Assets (in billion KRW)	18,203	19,652	22,029

\* Based HMC operation result only, \* EBITDA =EBIDTA : Earnings before interest, taxes, depreciation and amortization

Despite increased sales and profits, tax payments to the central and regional government decreased due to corporate tax cuts and increased tax exemptions associated with increased R&D investments.

economy

- 1 Global Production and Sales
- 2 2009 Business Performance
- 3 Sharing Economic Gains

### Shareholders and Investors

HMC has made a sustained effort to maximize shareholder value through the ever increasing value of HMC as an attractive company. Cash dividends have been one of the most important means of sharing company profits with our shareholders. In 2009, we declared

cash dividends of 1,150 KRW per each common share, which was an increase of 34.6%. Interest expenses increased by 26.5% from 183.4 billion KRW to 232.1 billion KRW.

Shareholder Dividend Payment	2007	2008	2009
DPS (in KRW) (dividend rate)	Common shares 1,000 (20%) 1Preferred stock 1,050 (21%) 2Preferred stock 1,100 (22%) 3Preferred stock 1,050 (21%)	Common shares 850 (17%) 1Preferred stock 900 (18%) 2Preferred stock 950 (19%) 3Preferred stock 900 (18%)	Common shares 1,150 (23%) 1Preferred stock 1,200 (24%) 2Preferred stock 1,250 (25%) 3Preferred stock 1,200 (24%)
Earning per Share(EPS) (in KRW)	Earnings per share 6,207 Diluted Earning per share 6,192	Earnings per share 5,325 Diluted Earning per share 5,319	Earnings per share 10,890 Diluted Earning per share 10,890
Total Dividends (in million KRW)	275,997	235,715	317,199
Interest Expenses (in million KRW)	158,409	183,382	232,110

### Employee

In 2009, HMC paid a total of 5,081 billion KRW to employees, which is an increase of 7.2% from 4,739 billion KRW paid in 2008. Payments to employees in-

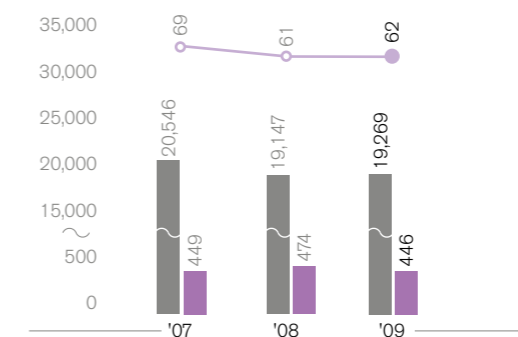
clude salaries paid to R&D, sales, retirement benefits, fringe benefits expenses and more.

Employee Status	2007	2008	2009
Salary (in billion KRW)	4,522	4,739	5,081
Training fees (in 100 million KRW)	179	184	142

### Suppliers

#### Purchasing expense

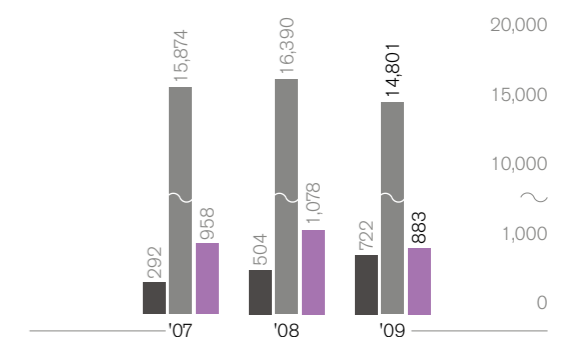
- Materials (in billion KRW)
- Outsourced service (in billion KRW)
- Proportion of supplier payment to sales (%)



### Government and Local Communities

#### Taxes paid to central and regional governments and social contribution expenses

- Social contribution expense (in 100 million KRW)
- Tax paid to central government (in 100 million KRW)
- Tax paid to regional government (in 100 million KRW)







economy  
environment  
society

Climate Change  
Sustainable Use of Natural Resources  
Hazardous Materials  
Air Quality

# 2 environment

The global community faces the twin challenges of climate change and energy security, which are now recognized as potentially the most serious threats to our civilization. HMC will lead green technology development to increase its competitiveness in the emerging green market and present solutions for the future.



50%

**Climate Change**

HMC plans to achieve 50% improvement in vehicle fuel efficiency by 2020 compared to 2008 average.



95%

**Sustainable Use of Natural Resources**

HMC's 2015 targets to increase vehicle recycling to 95%.

- economy
- environment
- society

**Hazardous Materials**

HMC placed a complete ban on the use of four heavy metals including lead, mercury, cadmium and hexavalent chromium.

**Air Quality**

HMC plans to produce Euro 6 emission standard-compliant vehicles ahead of its formal adoption in 2014.



4 heavy metals



Euro 6

2-1

**Climate Change**

Development of environmentally-friendly vehicles and the establishment of low carbon value chains are keys to achieving reductions in greenhouse gas emissions to tackle climate change and contribute to more secure future for humanity.

Climate change is currently considered as the most important environmental problem of the 21st century. The UN Intergovernmental Panel on Climate Change's reports concluded human activities including extensive use of fossil fuel as the main cause of climate change and all nations are collaborating together within the UN framework to achieve global greenhouse gas emissions.

Despite much anticipation, the UNFCCC COP 15 held in Copenhagen at the end of 2009 did not result in a legally binding international treaty on greenhouse gas reduction. However, the international community once again confirmed its target to limit global temperature rise to two degrees Celsius. Much needed progress was also made in financial supports to developing countries. Major nations also declared their 2020 reduction commitment as a part of the Copenhagen Accord.

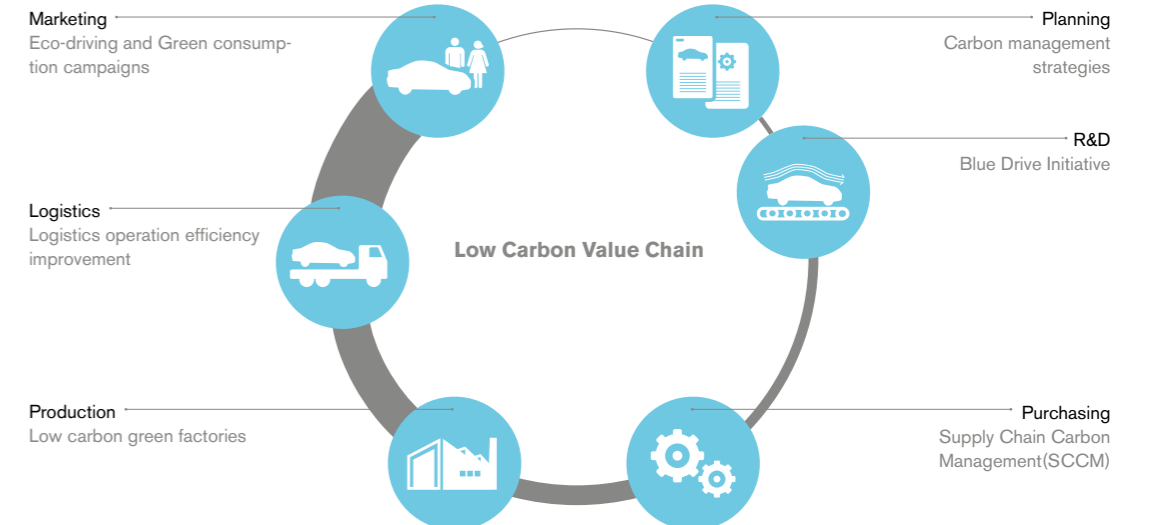
Shortly before the COP 15, the government of the Republic of Korea announced its 2020 national greenhouse gas(GHG) emission reduction target of a 30% cut against the business as the usual scenario. The Korean government is now moving forward quickly to implement new policies to limit GHG emissions from manufacturing plants. Since automobiles run on fossil fuels such as diesel and gasoline, each automobile emits GHG emission during its operation. In fact, the transport sector accounts for over 20% of global GHG emissions and automobiles are accountable for more than half of the GHG emissions associated with

transport. Due to increasing vehicle ownership, as well as increased airplane use in fast-growing economies such as China and India, GHG emissions from transport are growing steadily.

Countries are taking measures to curb down GHG emissions from automobile use and the EU has now decided to implement a new regulation that will limit average CO<sub>2</sub> emissions from new vehicles at 130g/km by 2015, and to 105g/km by 2020. This is equivalent to 18km/l by 2015 and 24.6km/l by 2020 for gasoline vehicle standards. Major automobile markets including the U.S., China, and Korea are also implementing measures to reduce GHG emissions within the transport industry.

Upon ratification of the Kyoto Protocol in February 2005, HMC launched a climate change task force to tackle climate change more effectively. Then internal GHG reduction targets and GHG regulation response plans were established by the corporate environmental committee headed by the vice chairman. In 2008, we revamped the Environmental Technology Research Institute with an increased number of researchers and renamed it the Environmental Technology Center, in order to increase its capacity to develop GHG reduction technologies. A new Energy Technology Center was established for research on GHG emissions reduction at manufacturing plants as well. We will strengthen our R&D, production, purchasing, marketing and other areas of our business to establish a robust, low-carbon value chain in the nearest possible future.

Low carbon value chain



# Blue Drive Initiative

Blue Drive is the name for HMC's low carbon green technology strategy designed to reduce CO<sub>2</sub> emissions by boosting fuel efficiency. It is a part of HMC's continued effort to deliver sustainable value to our stakeholders.

Blue Drive is HMC's new brand for developing environmentally friendly vehicles equipped with new green technologies to lower GHG emissions. Blue Drive also stands for HMC's technology development strategy with a short-term focus on improving fuel efficiency of internal combustion engine-based cars, and with an ultimate goal of developing vehicles with zero CO<sub>2</sub> emissions.

## Improving Fuel Efficiency

HMC is namely focusing on three technology areas for improving energy efficiency of the power-train that generates force and transfers that force to the wheels, minimizing energy loss, and creating renewable energy, in order to lower CO<sub>2</sub> emissions from vehicles. For power-train energy efficiency improvement, common-rail technologies are being used for diesel engines, while gasoline direct injection technology is used in gasoline engines. Engine downsizing and higher-speed transmissions are also contributing to increased power-train efficiency. In order to minimize energy loss, improvement in aerodynamics, low rolling resistance tires, and weight-reduction technologies are being applied in an increasing number of HMC vehicles. A number of new energy recovery technologies, such as regenerative brakes that recover energy during deceleration of vehicles; technologies that allow use of exhaust heat; and solar cells that harness energy from

sun for use in vehicles; are now being developed by HMC R&D teams.

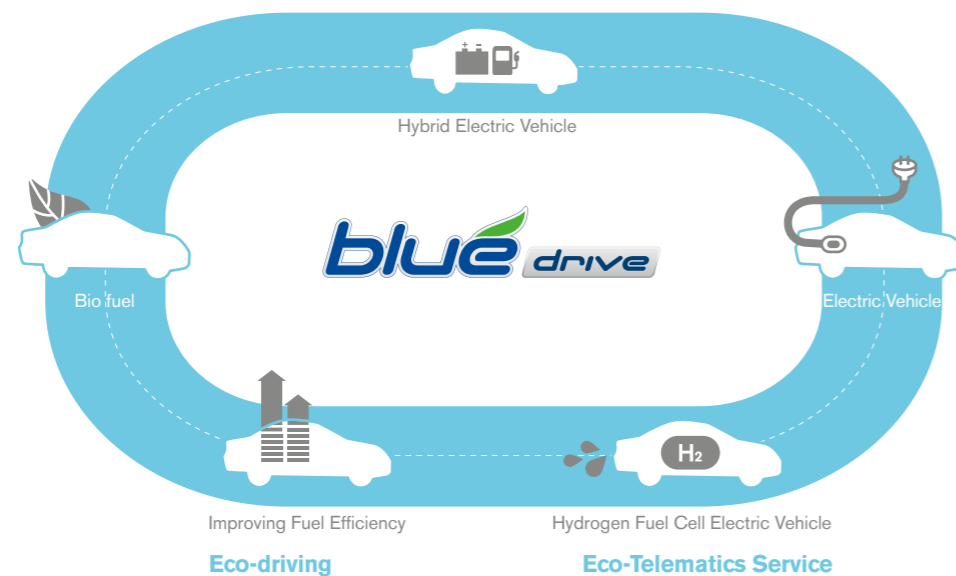
In addition to improving energy efficiency of the vehicles, we are also working on developing an eco-telematics service that will allow drivers to travel using the most energy efficient route, leading to a real savings in fuel and GHG emissions on the road.

Our eco-driving system consists of eco-indicators that signal drivers when the vehicle is running in the most fuel efficient operation mode, an E-mode switch preventing quick acceleration that negatively affects fuel efficiency, and a driver assistance system that optimizes fuel use. In Europe, we succeeded in reducing the average emission of our new vehicles sold to 137g/km, a 26% reduction from 1995 results. We recently introduced the Blue Drive variant of the i30 diesel model, which only emits 110 grams of CO<sub>2</sub>/km in Europe. We plan to launch more Blue Drive variants with low CO<sub>2</sub> emissions, including the i10 blue(99g/km), the i20 blue(98g/km), the i30 blue(98g/km), and the Tucson ix blue(135g/km).

In the US, HMC is the most fuel efficient brand with an average combined(passenger vehicle-light truck) fuel efficiency of 31.9mpg. HMC recorded 34.1mpg on average passenger car average fuel efficiency and 25.9mpg on average light truck fuel efficiency.

In the domestic market, a great number of

Blue Drive  
5 Stage Technology  
Development Strategy



environment

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our vehicle models including the Click(Getz), the Verna(Accent), the i30, the Avante(Elantra), the Tucson(Diesel model), and the Santa Fe(diesel model) earned a First class energy efficiency rating for exceeding the 15km/ℓ fuel efficiency standard. For the first time, the Sonata earned the Second class fuel efficiency rating, which requires fuel efficiency perform-

ance in the range between 12.8~ 14.9km/ℓ.

## Bio-Fuels

HMC has developed vehicles that run on various bio-fuels. For the U.S. and Brazil markets, we have developed flex-fuel vehicles that run on a mixture of ethanol and gasoline. Our technology is ready, and we will soon start sales of vehicles that run on E85 fuel(85% ethanol, 15% gasoline) which have the potential to reduce CO<sub>2</sub> emissions. In Europe, where diesel cars are sold in great proportion, the EU has a set of technical standards for BD5 diesel fuels with 5% biodiesel content made of palm, rapeseed, soybean and other plant resources, and all HMC models are already capable of running on diesel fuel mixed with biodiesel. We are currently developing diesel engines that run on fuels with up to 20 to 30% biodiesel.

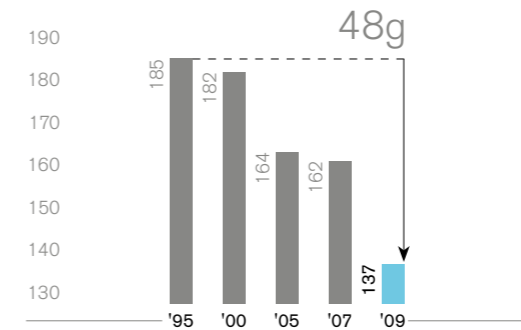
## Compressed Natural Gas (CNG)

Compared to gasoline models, cars that run on CNG have 20 to 30% lower CO<sub>2</sub> emissions. However, difficulty in establishing a good CNG charging station network has proven difficult, and thus CNG is used for buses that run on predetermined routes. HMC began producing town buses and trash trucks in 2000. Encouraged by our success, we began production of city buses that travel on longer routes, and include highway routes. We also produced a CNG-variant of Santoro model in India where a CNG infrastructure is well established.

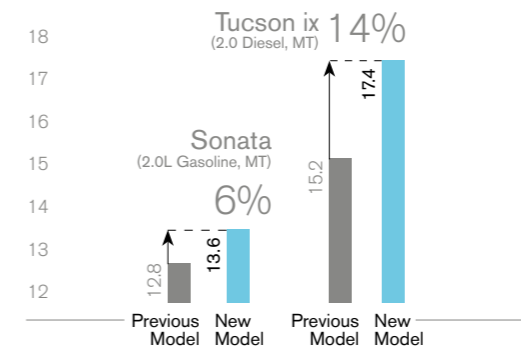
## Hybrid Electric Vehicles

HMC introduced its first hybrid concept car, the FGV-1

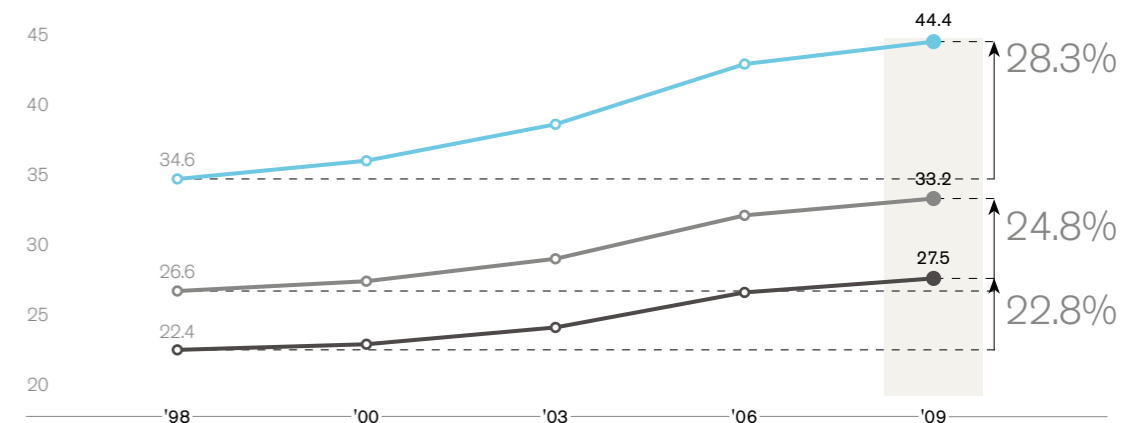
Average CO<sub>2</sub> emissions of HMC vehicles sold in the EU region (g/km)



Fuel efficiency improvement of new models launched in domestic market in 2009 (km/ℓ)



Fuel efficiency improvement of Sonata (AT) sold in U.S. (mpg)



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in 1996. We produced limited numbers of the Click Hybrid in 2004, and also a limited number of the Verna Hybrid in 2005. Both models were used for demonstration programs. As of 2008, HMC has supplied more than 1,400 HEVs. Applying experiences and technologies developed in earlier models, we launched the Elantra LPi Hybrid in the Korean market in 2009. The Elantra LPi Hybrid has an LPi engine that runs on liquefied petroleum gas(LPG). Use of LPG contributes to lowering CO<sub>2</sub> emission as well as fuel cost. The first generation Elantra LPi Hybrid has the lowest CO<sub>2</sub> emission rating of 99g/km in Korea, which is 36% lower than the non-hybrid Elantra with a gasoline engine.

**Sonata Hybrid**

HMC will soon be releasing the Sonata Hybrid in the North American market by the end of 2010, and in the domestic market in 2011. The Sonata Hybrid is HMC's first mass-produced gasoline hybrid model, as well as the first hybrid model to be sold overseas. It will be equipped with a customized hybrid engine and a six-speed automatic transmission. Hybridization will add extra value to the already popular Sonata model and allow consumers to contribute to CO<sub>2</sub> reductions, while enjoying the amenities of a mid-sized sedan. The Blue Drive system used in the Sonata Hybrid is a proprietary, parallel hybrid system unlike hybrid systems used by competitors. HMC's parallel hybrid powertrain does not require high-capacity electric motors although the system performance and fuel efficiency exceeds that of existing hybrid models offered by our competitors. The Sonata Hybrid will also be the first hard-type hybrid vehicle that utilizes a lithium-ion polymer battery. Lithium polymer batteries are up to 30% lighter than Nickel Metal Hydride batteries, as well as having higher power and energy density. Four layers of safety measures are employed to ensure maximum safety problems.

**Diesel Hybrid**

At the Geneva Motor Show in 2010, HMC revealed the 'i-flow,' our next generation hybrid concept car. The i-flow is HMC's the first mid-size sports sedan concept car powered by a diesel hybrid engine. The hybrid system is based on the 1,700cc U2 diesel engine

01 Diesel Hybrid Concept Car 'i-flow'

02 Plug-in Hybrid Electric Vehicle Concept Car 'Blue-Will'

03 Sonata Hybrid

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i10 Electric Vehicles

with a maximum power output of 115 horsepower and parallel hybrid components. The six-speed dual clutch transmission further improves fuel efficiency and vehicle performance. The 'i-flow' model was developed in collaboration with BASF, the largest chemical company in Germany which contributed to its remarkably low CO<sub>2</sub> emissions of 85g/km.

**Plug-in Hybrid Electric Vehicle**

HMC will launch its first plug-in hybrid vehicle(PHEV) in 2012. Compared to hybrid vehicles, PHEVs have larger batteries that can be charged using an external power supply. PHEVs also have larger motors that allow electric-only driving for an extended range. PHEVs run just like hybrid vehicles when the electricity stored in the large battery is depleted. We introduced our first plug-in hybrid concept model, 'Blue Will' at the Seoul Motor Show in 2009. The Blue-Will is equipped with a 1,600cc Gamma GDI engine with a maximum power output of 154 horsepower. It is also equipped with a powerful 100kW motor and a high capacity lithium-ion polymer battery. The Blue-Will has an electric only range of up to 64km. In hybrid mode, it delivers 21.3km/l ~23.4km/l in fuel efficiency. In addition to the hybrid components, light-weight bodies made of carbon-fiber reinforced compounds were used to reduce body weight, and a panoramic sunroof with solar cells were used to minimize power loss due to use of A/C and heating devices.

**Electric Vehicles**

Electric cars use electric motors powered by electricity stored in the high voltage battery. As a result, it does not use any fossil fuels at all and does not emit anything at all. However, much of the electricity we use today is created using fossil fuels, and thus it is important to reduce fossil fuels used in power generation in order to make electric cars truly clean. HMC plans to launch an electric car demonstration program in order to promote construction of an electric car charging infrastructure. We also plan to accelerate electric

vehicle mass production using experience from the demonstration program. We also signed an MOU with the Korea Electric Power Corporation(KEPCO) for collaboration on development of an electric car, a charging system, and standardization of the plug interface as a part of the stakeholder collaboration with a goal of making dissemination of electric vehicles a reality at the earliest possible future.

**Light Electric Vehicle**

Since its first electric vehicle(EV), the Sonata hybrid electric vehicle, HMC has developed several electric vehicles including the Excel and Accent EVs. In 2000, we conducted the Santa Fe EV demonstration project in Hawaii. Recognizing the importance of battery technologies, we have made a sustained investment in battery research in addition to other EV technologies. Using the technology capacity as the basis, we plan to begin a neighborhood electric vehicle(NEV) demonstration and monitoring program. As the name suggests, NEVs are optimized for in-city use and therefore, they are expected to be especially well-fitted for commutes and short trips. In order to ensure top performance, lithium-ion polymer batteries and electric powertrain components which incorporate most up-to-date technologies will be used in our NEVs. All core components will be developed in close collaboration with domestic suppliers in order to establish a basis for a well coordinated future development. Extra care will be taken in the design and development of high voltage electric components to ensure safety and reliability.

**Fuel Cell Electric Vehicle**

Fuel Cell Electric Vehicles are promising next-generation vehicles that allow zero-emission operations on the road. It is essentially an electric car that produces its own electricity using hydrogen, a potential next generation fuel. Technologies used in FCEV are already proven and we are moving on to development of mass production technologies, as well as the establishment of a hydrogen fueling infrastructure in order

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Tucson FCEV

to move on to a small-scale production stage. 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 energy efficiency of traditional internal combustion engines. For SUVs, adoption of fuel cell technology can improve energy efficiency by 3.75 times compared to gasoline engine powered SUVs.

Several issues have to be resolved before wide dissemination of FCEVs can take place, such as the need for a hydrogen distribution infrastructure and the high price of FCEVs. Through sustained investment to secure marketability and competitive prices, we have secured key technologies that resolve some of the issues that block commercialization. For instance, it is now possible to start and operate FCEVs at a temperature of minus 20. We also demonstrated the potential for mass production by developing technology that allows production of fuel cells by stamping thin metal plates, which lowers the price of a fuel cell stack to one-sixth of the cost. In recognition of successful development of 100kW-class fuel cell stack, the Korean Ministry of Knowledge Economy has designated the fuel cell stack as one of the 'National Core Technologies' and granted the development the certificate of 'New Excellent Technology.' In February 2010, HMC received the Korean Ministry of Education, Science, and Technology Award at the first National Green Technology Awards for development of the 100kW fuel cell stack.

#### Tucson FCEV

HMC holds proprietary design technology for fuel cell systems and has developed more than 90% of the parts in cooperation with domestic suppliers and partners. The Tucson FCEV delivers a maximum speed of 155km/h, and can accelerate from 0 to 100km/h within 12 seconds. It can travel 380km on a single charge using 3.7kg of hydrogen. Converted to gasoline vehicle fuel efficiency terms, it has energy efficiency equivalent to 27km/l. Tucson FCEV also features new cold start technology, which shortens the start-up time from two minutes to 15 seconds, in extreme cold environment of minus 20°C. The Tucson hydrogen FCEVs made using our own in-house technology completed a 2,655km journey from San Diego, California to Vancouver, Canada, as a part of the Hydrogen Road Tour 2009. Our success in the road-tour proved the durability and reliability of our FCEVs. We also held FCEV test drive events in six locations in Korea between May and June 2009. More than 800 customers test drove our Tucson FCEVs and experienced what HMC's cutting-edge, FCEV cars have to offer. We plan to continue our FCEV demonstration program in Korea and the U.S. in 2010. After completing the necessary road testing, we plan to initiate small-scale production of FCEVs in 2012.

#### Hydrogen Fuel Cell Electric Bus

HMC is also searching for ways to apply fuel cell technologies to buses in addition to passenger cars. 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), with a 300kW electric drive motor (vs. 240kW), acceleration of 0 to 50km/h in 8.4 seconds (vs. 14.2 seconds), and a top speed of 100km/h (vs. 74km/h). In addition, the parallel connection of two 100kW fuel cell stacks lowers the system's overall voltage and allows the system to operate with just one stack even when one of the fuel cells fails.

The second generation hydrogen fuel cell bus proved its viability as it operated successfully at the Third C40 Large Cities Climate Summit Seoul 2009 and the World Yacht Festival. As of May 2010, our fuel cell bus is being tested at a government-led hydrogen fuel cell vehicle demonstration and monitoring project.

## interview

### Woong-chul, Yang

Head of Environmental Technology Center

#### There exists strong consumer interest in green vehicles worldwide. How do you think the market for green vehicles will develop in the future?

Growing concerns over environmental problems and the inevitable rise in oil prices has made environmental technology a key ingredient in the competitiveness of the automotive industry. Currently, the hybrid vehicle market is dominated by Japanese companies, which were successfully initiated in the mid-1990s. Recently, U.S. and European companies have joined the competition, and all range of hybrid vehicles can be found in the market unlike the early days when compact models dominated.

We are expecting strong growth in the hybrid vehicle market starting in 2010 with an overall rise in demand for automobiles. We expect global hybrid vehicle demand to reach two million in 2012, and grow to approximately 8 to 14 million vehicles by 2020. Short range, high price and the cost of building new infrastructure for charging presents significant obstacles in the commercialization of electric vehicles (EV). However, many countries are providing strong support policies for EVs, and a niche market for EV is expected to be created in some countries.

Commercialization of fuel-cell electric vehicles strongly depends on the establishment of hydrogen supply infrastructure among other obstacles, and it is more difficult to predict how the market will unfold. Currently, many companies are focusing on technology development with the goal of launching small scale mass production by 2015.

#### You announced the Blue Drive strategy at the Seoul Motor Show in 2009. What are the key components of the strategy?

As a proactive response to the challenges of climate change, the Blue Drive initiative is designed to place HMC in a leadership position in the green vehicle market. Fuel efficiency improvement in conventional vehicles is the immediate focus. However, our long-term goal is commercialization of alternative fuel vehicles including bio-fuel, hybrid and FCEVs that achieve a deep cut in CO<sub>2</sub> emissions. As always, development of CO<sub>2</sub> free vehicles is our ultimate objective.

We also plan to launch a marketing scheme with a focus on the use of the Blue Drive emblem on vehicles to publicize HMC's use of environmental technologies and boost the satisfaction of buyers with a positive feeling that they are making a contribution to environmental protection.

#### Tell us more about HMC's plan for future releases of Blue Drive models.

The Blue Drive initiative takes on multiple tasks of fuel efficiency improvement of conventional vehicles and the development of bio-fuels, HEV, EV and FCEVs. Improving engine efficiency and reducing energy loss, and use of renewable fuels are the keys to improving energy efficiency of conventional vehicles. We are also making vehicles that run on ethanol, bio diesel and less-CO<sub>2</sub> intensive CNG.

We already released the compact-sized Elantra LPi Hybrid in 2009, and we also plan to release the mid-sized Sonata Hybrid with top level fuel efficiency and performance in the North American market in the second half of 2010. The Sonata Hybrid will be released in the domestic market in early 2011. We are also planning to release a plug-in hybrid vehicle model, which can be charged using household electricity and runs on electricity for a considerable distance in 2012. We are also working hard on the development of compact EVs using the i10 platform and presented the model at the Frankfurt Motor Show in September 2009. We plan a demonstration program in 2010 using the i10 EVs to further prepare for commercialization of EVs. HMC has proved the reliability of FCEV technology has been proven successful with the completion of a cross America trip in December 2008. We currently plan to do a small scale production of FCEVs in 2012.

Following the Blue Drive strategy, HMC will continue to improve energy efficiency of conventional vehicles, make continued progress in environmentally-friendly vehicles, and lead the development of the green vehicle market.

Following the Blue Drive strategy, HMC will continue to improve energy efficiency of conventional vehicles, make continued progress in environmentally-friendly vehicles, and lead the development of the green vehicle market.



# New Model Carbon Footprint Reduction



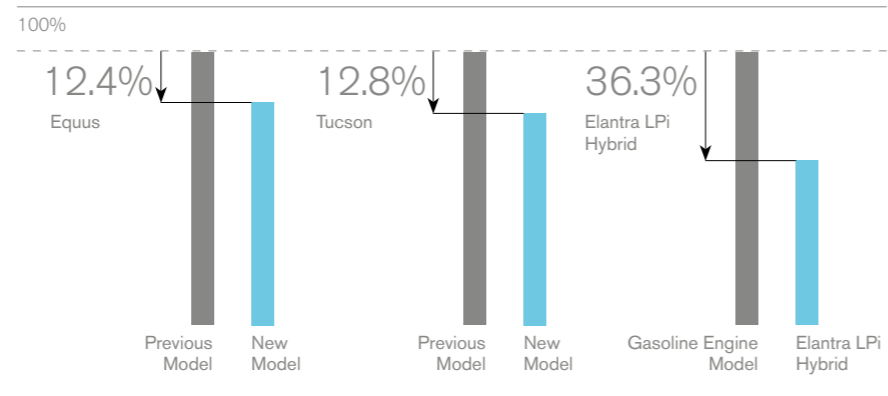
Carbon footprint is the total amount of greenhouse gas(GHG) emissions caused directly and indirectly due to an activity of an individual or organization or due to manufacture, use and disposal of a product. Carbon footprint is usually converted to a CO<sub>2</sub>-equivalent unit for easier comparison. HMC assesses the carbon footprint of new vehicle models in order to understand how much impact our products have on climate change and to further reduce each vehicle's carbon footprint.

## Carbon Footprint Label Certificate for New Sonata

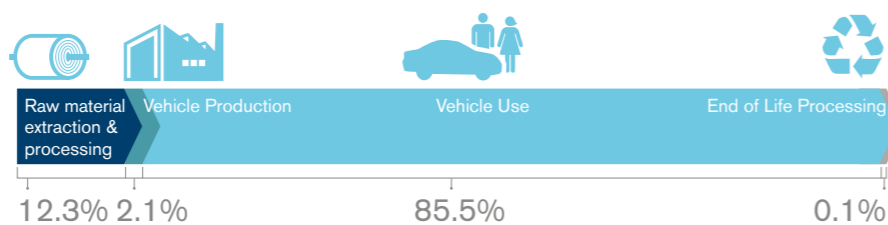
HMC assessed the carbon footprint of all-new 2009 Sonata models and received the carbon footprint certificate. The Korea Environmental Institute and Technology Institute assessed and verified GHG over the life of the Sonata model from raw material extraction to scrapping and recycling of the model at the end of its life. The final assessment result is then converted into CO<sub>2</sub>-equivalent units and the number is displayed on a label at the point of sale. The carbon footprint for the 2009 Sonata over its life was certified at 24.9 tons of CO<sub>2</sub>-equivalent. Raw material extraction and manufacture accounted for 12.3% and 2.1% of the total carbon footprint respectively. Vehicle usage accounted for 85.5% of CO<sub>2</sub> emissions assuming 120,000km use over its life. Compared to previous generation models, the 2009 Sonata had 1.4 tons lower of CO<sub>2</sub> emissions.

Recognizing that majority of CO<sub>2</sub> emissions from automobiles are accumulated at the use stage, HMC has been striving to improve fuel efficiency. A large number of Blue Drive technologies were employed in the new Sonata for improved fuel efficiency. The use of low-friction engine oil contributed to improving engine efficiency and a 6-speed transmission improved power transmission efficiency. A slimmer aerodynamic body design also contributed to lower air resistance, which contributed to improved fuel efficiency. A new eco-driving indicator was also installed to induce more energy-efficient driving in order to cut fuel use and reduce CO<sub>2</sub> emissions. In addition, an increased amount of bio and recycled materials were used to lower carbon emissions associated with materials use. For the first time in the world, nano-compounds were used for side seal moldings, which resulted in a 20% weight reduction compared to the compounds used in the old Sonata.

Carbon Footprint of Models released in 2009  
(Assuming 150,000km operation cycle)



Carbon Footprint of New Sonata  
(Assuming 120,000km operation cycle)



## GHG Emission Reduction at the Workplace

HMC's voluntary greenhouse gas reduction effort goes beyond the boundaries of the production facilities. We are currently focused on maximizing energy efficiency with a plan to increase the use of renewable energy sources as a long-term solution.



HMC has made a sustained effort to reduce greenhouse gas(GHG) emission associated with vehicle production activities. In 1998, we began using natural gas, which resulted in a significant reduction in GHG emissions. After the ratification of Kyoto protocol in 2005, we actively participated in the Public-Private Climate Change Taskforce initiative and established a GHG emissions inventory. HMC has been disclosing its total GHG emissions in its sustainability report for many years. In 2007, we agreed on a voluntary 2020 GHG reduction target for manufacturing plants, located in Korea and a reduction strategy with approval of the Environmental Committee, the executive decision making body of HMC.

We aim to reduce our GHG emissions in the manufacturing plants located in Korea by 5% by 2015 and 10% by 2020 when compared to the 2005 baseline. In order to achieve our reduction goals, we plan to reduce energy use, increase reuse of waste heat, and implement low-energy manufacturing technologies to maximize energy efficiency. In the long-term, we will introduce renewable energy sources such as fuel and solar cells that do not emit GHG, to further reduce GHG emissions at our work spaces.

### GHG Emissions at Production Sites

HMC calculates GHG emissions based on the principles of feasibility, completeness, consistency, transparency and accuracy. Emissions are classified into direct and indirect emissions. Reporting boundaries are set by organizational boundaries, and direct and indirect emissions are included in HMC's GHG emissions re-

porting boundary. Our total emissions, spanning domestic and overseas worksites in 2009, amounted to 1.986 million tons of CO<sub>2</sub>. This represents a decrease of 1.6% over the previous year, and emission per sales has decreased by 15%. The domestic manufacturing plants and facilities are attributable for 69% of GHG emissions. GHG emissions from domestic sites was 1.374 million tons of CO<sub>2</sub>(direct emission 33%, indirect emission 66%), an 8% decrease compared to 2008. We will further reduce GHG emissions in our manufacturing plants through a continued effort in production process improvements and the implementation of energy efficiency measures.

### GHG Reduction Activities at Production Sites

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). In December 2008, the Asan Plant had its GHG emission data verified by the Environmental Management Corporation for improved data reliability. We plan to have GHG data for all three production plants(Ulsan, Asan and Jeonju) in Korea verified starting in the second half of 2010. HMC will establish GHG inventories for its overseas plants and have GHG data verified in, starting from our Alabama plant in the US.

### Utilizing Waste Heat

In auto manufacturing, painting, molding and forging

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facilities consume the largest amount of energy during automobile production. We installed waste heat recovery devices that recover high-temperature waste heat generated during the painting process to produce steam or hot air, in the Ulsan and Asan plants. The installation has significantly reduced energy use for steam production. We also installed a system that collects 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 annual CO<sub>2</sub> emissions by 4,000 tons. The project has been registered as a certified GHG reduction project and officially recognized by the Korean government.

**More Efficient Lighting**

Between 2008 and 2009, we replaced metal lamps(430Wh) with electrode-less lamps(150Wh) and high-efficiency fluorescent lamps(3bulbs rated at 54Wh). The change resulted in a 6,000 tons reduction in CO<sub>2</sub>emissions.

**Minimizing Energy Loss**

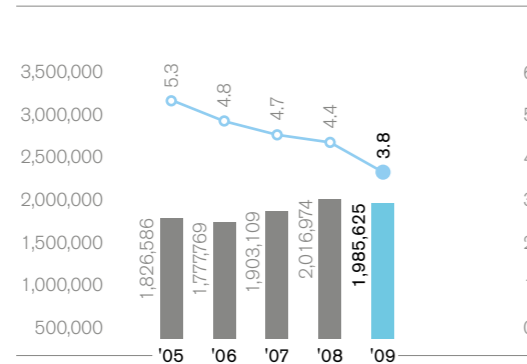
We began to the lower voltage of power supplies during off days. This leads to significant energy savings by reducing the electricity consumed while production equipment is in stand-by mode.

**GEMS (\*GHG and Energy Management System)**

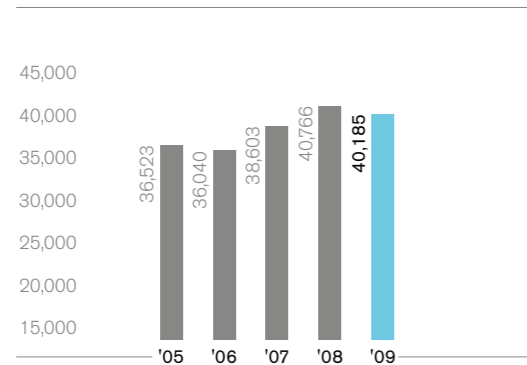
Previously, HMC used the Total Energy Management System(TEMS) as its central energy management system. However, as the importance of GHG emissions management has increased, HMC began the establishment of a new GHG and Energy Management System(GEMS) starting in 2009. GEMS will establish a GHG emissions target management structure and collect all GHG emissions related data using a computerized system. GEMS will also provide a standardized management system for all utility equipment. Furthermore, the system will allow us to manage and achieve our reduction target by providing reliable emissions data.

\*GHG : Greenhouse Gas

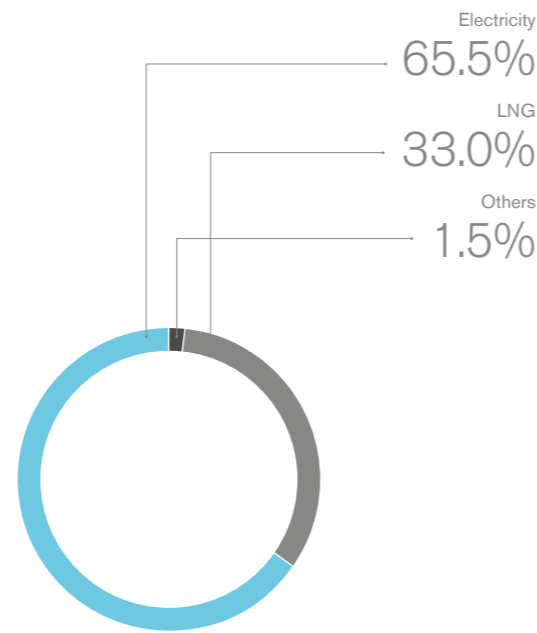
**Greenhouse Gas Emission (Domestic and Overseas)**  
 ■ Total Emission (unit: tons)  
 ● Emission by Sales Revenue (tons /100 million KRW)



**Energy Use (Domestic and Overseas)**  
 (1,000GJ)



**Greenhouse Gas Emission by Energy Types (2009, Domestic only)**



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**Reducing Buildings Energy Use**

Since 2008, we have taken numerous measures to reduce CO<sub>2</sub> emissions accountable to our buildings including HQ and R&D facilities. First of all, we have changed our raised indoor temperature standard by ±1 to reduce A/C use and heating. We also limited elevator use and turned off some lights(up to 25% of lights) that could be left off without significant negative impact on work conditions. We are also encouraging people to turn off lights, PCs and office equipment during lunch and after work. Outside lights and sign lights are also being replaced with high efficiency LED lights. As a result of our new building energy savings initiatives, we could save an average of 289,707kWh in electricity use and 42 million KRW in monthly electricity bills. The Namyang R&D Center implemented a maximum energy consumption control system and cut unnecessary energy use. As a result, the center is saving 45 million KRW in energy expenses. Installation of energy efficient boilers, transformer electric supply improvements, turning off unnecessary lights, and other

energy saving measures were implemented, which resulted in a total of 1.8 billion KRW savings in energy expenses in 2009.

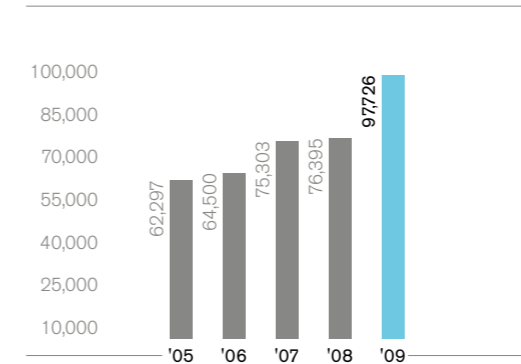
**Optimizing Logistics Efficiency for Reduced GHG Emission**

As an automobile manufacturer, HMC's operations involve extensive logistics operations including transport of raw materials, parts, new vehicles, and business trips. Logistics operations associated with HMC can be classified into three types. The first type of transport is 'Inbound' transport of auto parts from our suppliers to manufacturing sites. The second type of transport is 'Production' transport which refers to in-factory distribution of the correct parts to the correct production line. The third type is 'Outbound' transport, which refers to moving new vehicles from plants to distribution centers. In 2009, HMC paid 9.8 billion KRW in transport fees, which is a 28% increase from the previous year. 96% of the fee was incurred due to road transport. HMC has established distribution centers in 13 locations in Korea and made an effort to reduce travel distances and the number of trips. As a next step, HMC plans to make greater use of trains, which emit less CO<sub>2</sub> compared to trucks, optimize shipping routes, and improve loading efficiency to further reduce transport-related CO<sub>2</sub> emissions.

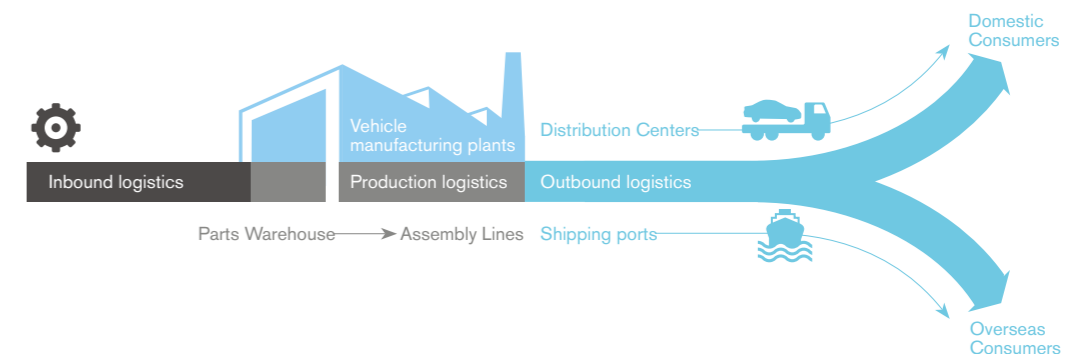
**Business Trips**

As HMC's global operation continues to expand, both domestic and overseas business trips are increasing as well as CO<sub>2</sub> emissions associated with the trips. Since the launch of the Elantra LPi Hybrid model in July 2009, we began replacing our corporate cars used for domestic travel with fuel efficient Elantra LPi Hybrids. One hundred and fifty-nine corporate vehicles

**Logistics Expense (in million KRW)**



**Logistics Process of HMC Operation**



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were replaced by the Elantra LPI Hybrid and we plan to replace 50% of our corporate cars with hybrid vehicles. We are also striving to reduce energy-intensive air travel and use video-conferencing instead. We have provided webcams for video-conferencing to all employees in managerial positions and we are providing webcams for all employees upon request.

**Achieving GHG Reduction associated with Parts Manufacturing**

In addition to reducing GHG emissions at our production sites, we are attempting to reduce GHG emissions associated with parts manufacturing. The 'Supply Chain Carbon Management Program' is a key initiative designed to achieve GHG emissions reductions for our suppliers. The program is a multi-stakeholder collaboration program for supporting low carbon business management practices, and the Korean Ministry of Knowledge Economy, auto parts manufacturers, and HMC are all participating. HMC aims to share low carbon

management knowledge and help build the low-carbon management capacity of our suppliers. The program will result in GHG emissions reductions by HMC suppliers, while laying the foundation for the establishment of integrated carbon management of the automotive industry.

During the first year of the program(Nov. 2008 ~ Oct. 2009), 10 suppliers including Daerim Enterprises, Donseo Machine & Tools, Sejong Industrial Co., Ltd., and SL Lightech established a carbon management structure, conducted assessments of production processes that contribute to GHG emissions, and participated in carbon footprint assessment of parts and finished automobiles. More than 4,000 tons in annual GHG emission reductions was achieved as a result of the work accomplished during the first year of the program. In the second year, five additional suppliers will be invited to participate, benefit from low carbon management support, and contribute to overall GHG emission reductions.

**interview**

We plan to submit our first report on greenhouse gas management to the EPA in March 2011, and start driving down emissions to tackle climate change.

**Sachin Ladkar**

Hyundai Motor Manufacturing Alabama(HMMA),  
Environmental Management Lead

**The Obama administration has been pushing for greenhouse gas reduction policies. How is HMMA coping with the new climate change policies from US government?**

The U.S. Environmental Protection Agency(EPA) has issued the Mandatory Reporting of Greenhouse Gases(GHG) Rule. Signed by the Administrator on September 22, 2009, the rule requires facilities that emit 25,000 metric tons or more of GHGs per year to submit annual reports to the EPA. The rule is intended to collect accurate and timely emissions data to guide future policy decisions on climate change.

The preliminary emission calculations, based on last year's data, show HMMA GHG emissions are approximately 27,000 metric tons and therefore, HMMA is subjected to the mandatory reporting rules. HMMA hired a third-party contractor, Environmental Resource Management(ERM), to prepare the report and set strategies for GHG reduction. ERM conducted GAP assessments to compare regulatory requirements and HMMA's current practices to demonstrate and assure compliance with EPA's new rule on mandatory reporting. HMMA also hired another consulting firm, MACTEC to review HMMA's GHG monitoring plans for assurance. We plan to submit our 2010 GHG report to the EPA in March 2011, and start driving down emissions to tackle climate change.



**2-2 Sustainable Use of Natural Resources**

The dwindling natural resource base presents a serious threat to our operations and the future sustainability of all humanity. HMC is striving to increase resource efficiency and realize a recycling-based society.



Natural resource depletion is one of the most serious issues of 21st century. HMC is making sincere effort to promote sustainable use of natural resource and realize a recycling-based economy. Extraction of raw materials also often leads to environmental problems and diminishing resources are leading to a rise in production costs. At HMC, we are striving to minimize vehicle waste at the end of the vehicle's life. By 2015, we aim to achieve a 95% vehicle recycling rate and we are making a significant investment in recycling vehicle parts, while developing recycling technologies. We are also making an effort to increase resource-use efficiency to further reduce waste at the production line. Ultimately, we aim to establish a recycling-based production structure.

**Vehicle Recycling**

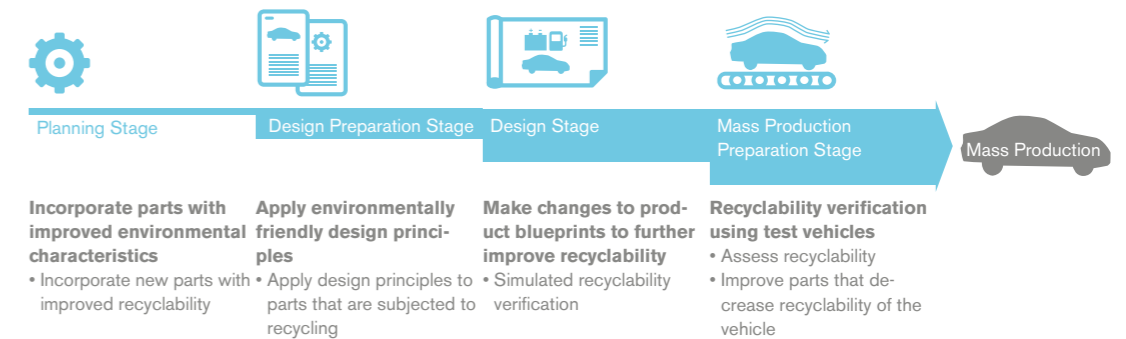
HMC is applying a 'Design for Recycling' principle, increasing the use of recycled materials, as well as real-time vehicle recycling rate monitoring to increase vehicle recycling. In addition, we are operating an Au-

tomobile Recycling Center to study how to take care of end of life vehicles in a more environmentally friendly manner. We are collaborating with vehicle scrapping companies to develop dismantling methods and also transfer technologies which can be used to boost recycling efficiency.

**Design for Recycling**

HMC has adopted environmentally-friendliness as a key guiding principle, both in vehicle development and production, in order to produce vehicles that can be recycled more easily. In the planning stage, we are improving the ease of dismantling, recyclability, and reparability of all our products. We also provide environmentally-friendly design guidelines for parts that are targeted for recycling, in order to ensure overall recyclability of the new vehicle models before finalizing the design. During the designing stage and before production of the final blueprint, HMC conducts recyclability verification using a computerized simulation for all models produced since 2007. The recyclability

Design for Recycling Process





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of vehicles is verified once again using test vehicles identical to the models that will be mass-produced. Improvements are then made for parts and components that were identified with problems to ensure greater recyclability.

**Optimizing Vehicle Dismantling Process**

After composing a complete vehicle using the final blueprint, HMC conducts simulations to analyze the ease of dismantling. Analysis results provide information including the improvement that need to be made to the shape and the structure of each part, as well as the way they are put together which might make dismantling difficult and time-consuming. Analysis of the ease of dismantling and the time required is also assessed to find optimal dismantling method. When it is deemed necessary, customized dismantling equipment is created and put into use to minimize the time required for the dismantling process.

**Recycling Poly-Amid (Nylon) Materials**

Primarily used in the power-train, nylon materials are plastic-polymers used as composite materials mixed with glass and mineral fibers. In order to recycle nylon materials, they have to be put through multiple pre-treatment stages as follows: material separation, grinding, washing, property refinement, and nylon polymer strength reinforcements. HMC has developed highly efficient, large-scale recycling processes needed for the four stages including a friction turning washer and technology to increase the molecular weight of nylon polymers. We have used recycled materials in the manufacture of the radiator fan shroud. We are also conducting R&D to use new materials for parts that require high elasticity and high durability such as the roof rack and tire wheel covers of SUV vehicles.

**Recycling Scrap Rubber**

Unlike plastics, rubber materials used in vehicle parts cannot be reshaped by applying heat. Therefore, a different type of recycling technology is needed compared to plastics. HMC has developed a technology to turn rubber parts into ultra fine powders, which can be used as materials for parts. Work is underway to utilize the EPDM recycled rubber for use in the mass production of parts since 2006(e.g. EPDM, pulverizing fluoro-rubber at room temperature, plasticizing, mixing, and processing). We are currently assessing the possibility of using the recycled materials in the manufac-



ture of grow mat and floor mat in the future.

**Functional Recycled Composite Materials Made of Used PET Bottles**

PET containers are common domestic wastes that have excellent mechanical strength, durability and dimensional stability. However, 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 materials. HMC is developing recycling technology to use highly functional PET materials in automobiles. We have developed processing techniques to pulverize, wash and sort collected PET bottles to produce powders of uniform size; mixed with other materials for adjusting mold-ability characteristics such as surface smoothness; and technology to optimize compounding conditions. We plan to use the resulting materials for production of high quality vehicle components such as door step assist parts.

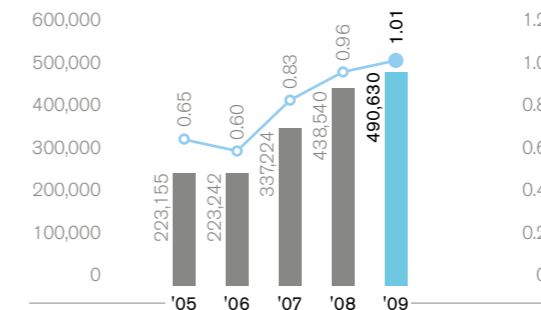
**Minimizing Waste**

Waste streams from automobile manufacturing consists of waste paint and thinners from painting shops, and packaging materials including vinyl, paper, wood, and molding sand used for the production of parts such as engine cylinders. All metal scraps are recycled by HMC and outside recyclers. In order to reduce waste and improve recyclability, we have replaced real-time waste collection methods with sequenced collection methods to improve the separation efficiency of different materials. This has resulted in a significant reduction in the amount of incinerated waste. We have also developed and applied water content reduction technologies for paint sludge from the painting shop, which achieved a 40~70% reduction in water content and a 40% reduction in the amount of paint sludge disposed. Installation of waste paint compression

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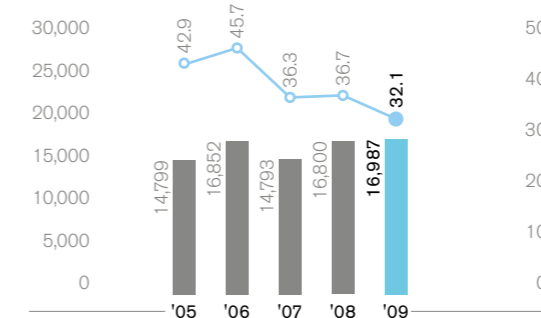
**Waste (Domestic and Overseas)**

**Generated Amount**  
 ■ Total Amount (unit: tons)  
 ● Waste generated per sales (tons/100 million KRW)

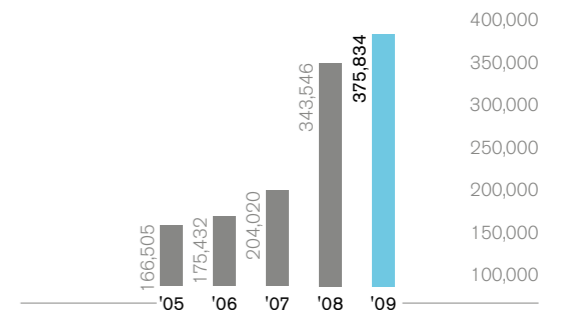


**Water Usage (Domestic only)**

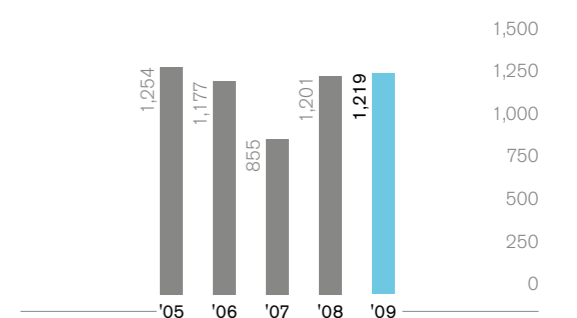
**Water usage**  
 ■ Total Usage (in 1,000 tons)  
 ● Water used per sales (ton/100 million KRW)



**Recycled Amount (unit: tons)**



**Recycled Amount (in 1,000 tons)**



equipment is also contributing to a reduction in paint waste. Despite HMC's effort in waste reduction, the total amount of waste has increased to 490,630 tons, a 12% increase compared to 2008. The increase in waste was largely due to increased production in overseas plants.

**Water Use**

Water is an essential resource that has no replacement for all living beings including humans. Currently, up to 1.2 billion people are suffering from the lack of clean water and a water shortage problem is increasing due to factors including climate change and population increases. Water resource problems are particularly difficult to resolve, because situations for different regions are all very different from one another, and the situation is expected to get worse. HMC has been paying great attention to water shortage since vehicle

production require significant amount of water. Recognizing the need for a reduction as a solution, HMC has implemented a zero-discharge water circulation system in Asan plant and India plant, which reprocesses and reuses water used within the plants. In paint shops we have installed a water reuse system that reprocesses and recycles vehicle cleaning water used during the electro-coating process. The reuse system has contributed to a 33% reduction in waste water generation. We have also installed water saving devices for bathrooms and other water using facilities in the HQ building and the R&D Centers to further reduce water use. In 2009, total water use was 16.99 million tons, which is an increase of 1%. However, per sale use of water was 32.1 tons per 100 million KRW, a decrease of 12.5%. The amount of water resources recycled by HMC was 1.22 million tons, 7% of HMC's total water use.

# 2-3

## Hazardous Materials

HMC has established a comprehensive hazardous materials management system in order to minimize problems associated with the use and disposal of hazardous materials. HMC is conducting research in collaborating with suppliers to develop alternative materials that are safer for the environment and people.

As use of chemicals increase, we are witnessing greater signs of problems associated with the use of chemicals. As a result, advanced nations including the European Union, the U.S. and Canada are increasing efforts to identify issues associated with chemical use and apply restrictions. In July 2003, the EU passed legislation that limits the use of four hazardous heavy metals including lead, cadmium, hexavalent chromium, and mercury. Then, in June 2007, the EU passed new chemical management regulation, named 'REACH', which requires registration, reporting and authorization of chemicals that are used in the EU region in an amount greater than one ton per year.

Strict regulations and banning of hazardous materials is increasing. The Korean government placed a ban on use of four heavy metals. The Chinese government has placed a ban on the use of four heavy metals and Bromine Flame Retardant. The Canadian government adopted a new policy that requires companies to report the use of certain chemicals. Finally, the US government has placed a ban on the use of ozone depleting chemicals and green chemistry initiatives.

Similarly, HMC is striving to ensure that none of the banned or restricted chemicals are used in our final products to respond to strengthened global environmental regulation. We have established a management system for finding safer replacements to hazardous chemicals that are subjected to future regulation. We are also collaborating closely with suppliers to jointly develop environmentally friendly alternative materials.

### Prohibition on Use of Four Heavy Metals

We have placed a complete ban on the use of four heavy metals (lead, mercury, cadmium, and hexavalent chromium), which are known to be hazardous to human health and the environment. Our efforts to find



alternative materials for the four heavy metals began in 2002. In 2006, we created a voluntary ban on the use of four heavy metals with the announcement of the 'HMC Global Standard on four Heavy Metals,' calling for a phase out of the four heavy metals. Following the phase out plan, we banned use of four heavy metals in all cars produced in domestic plants. Beginning in 2009, we achieved a complete ban on the use of the four heavy metals in all cars produced in our overseas plants.

### Establishment of New Chemical Management System

The REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) regulation went into effect in the EU region in 2008. The commonly referred to as the 'No Data, No Market' policy, REACH requires all companies manufacturing or importing chemical substances into the EU, in quantities of one ton or more per year, to register these substances. In response to implementation of this directive, HMC created a chemical substance management system and a database containing materials information.

### Prohibition on the Use of Ozone Depleting Chemicals (ODCs)

ODCs are substances that destroy the stratospheric ozone layer, and increase penetration of ultraviolet light. This, in turn, increases the risk of skin cancer and causes a negative impact on the ecosystem. To protect the ozone layer, the Montreal Protocol on Substances that Deplete the Ozone Layer was signed in September 1987. Two years later, the US signed strict regulations on the use of ODCs, placing a special tax on the use of these substances. In 2010, Korea created a ban on the use of chlorofluorocarbons (CFCs), halon, and carbon tetrachloride (CCl<sub>4</sub>). The

Korean government also plans to create a ban on the use of methyl chloroform (1,1,1-TCE) after

environment

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2015. HMC prohibits the use of ODCs at all of its production facilities in Korea. We are also monitoring the use of ODCs by our suppliers. At the same time, we are attempting to find substitutes for the few ODCs that are still in use.

### Establishment of hazardous chemicals management system

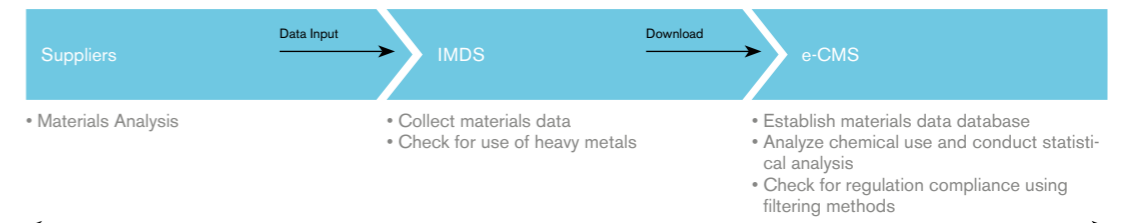
HMC joined the International Material Data System in 2004 in order to manage hazardous materials more effectively and to ensure compliance with relevant regulations. We began operation of the IMDS in 2005, and established materials information for our vehicles manufactured since 2005, including materials information on parts from our suppliers. The accumulated materials information of individual parts is stored in HMC's propriety chemicals management system, the 'e-CMS (e-Chemical Management System)' and are used as a basis for the development of alternative materials, as well as for checking the use of hazardous chemicals in parts and materials used for the production of automobiles.

In addition, HMC provides training on IMDS operation status, changes in the IMDS and new environmental regulations, HMC's regulation compliance sta-

tus, and what suppliers need to know to comply. The training serves as an opportunity to share information on environmental regulations, as well as help suppliers understand what the regulations mean to them. HMC also has an on-going support program designed to help suppliers establish environmental management systems of their own.

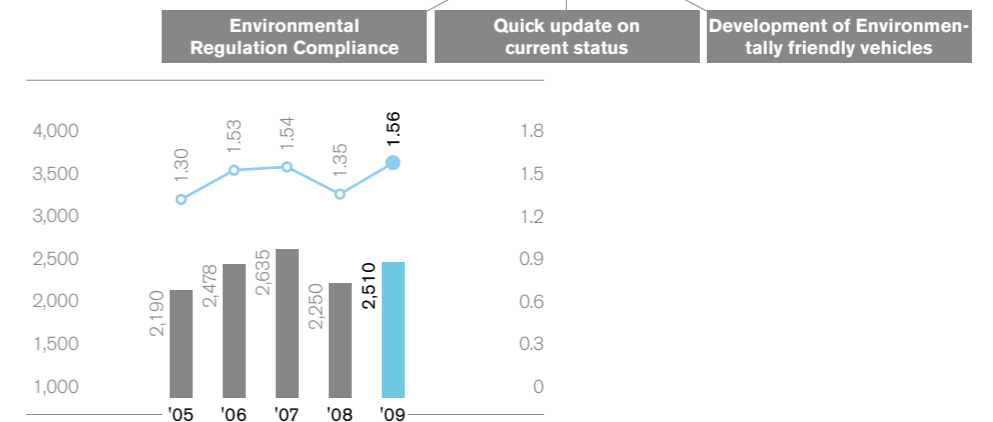
A regular check-up system is also in place at each manufacturing plant to check for regulation compliance at the manufacturing stage. Many activities including pre-manufacturing checks, compliance checks for parts shipped to the warehouse, and regular check-ups on production vehicles are all part of HMC's effort to ensure effective hazardous chemical management. HMC is carefully managing its use of NaOH, H<sub>2</sub>SO<sub>4</sub>, HNO<sub>3</sub>, HCl during the manufacturing process. In 2009, a greater amount of NaOH was used to bring down the pH of waste water generated from cleaning water pipes using acid, in order to improve painting quality. Increased use of NaOH is the main factor for the increase in hazardous chemical use in 2009, which was 2,510 tons. The use of NaOH was brought down as painting quality has stabilized, which has led to a reduced use of hazardous chemicals in HMC's operations in 2010.

### Hazardous Chemicals Management System



### Hazardous Chemicals Used (Domestic)

- Total Use of Hazardous Chemicals (unit: tons)
- Use of Hazardous Chemicals per Sales Unit (kg/vehicle)



## Air Quality

Currently, production and use of vehicles inevitably leads to air emissions that negatively affect air quality. HMC is making the utmost effort to develop and adopt emission reduction technologies in order to minimize our impact on air quality.

Although emissions from automobiles are much cleaner than they used to be, vehicle emissions and emissions from auto manufacturing plants still contain some pollutants that negatively affect air quality. Therefore, HMC is making a continued effort to make emissions from both vehicle tailpipes and plants cleaner. For instance, we have established and imposed internal air quality standards for our manufacturing plants that are more stringent than air quality standards imposed by the regulation authorities. In addition to strong management, we are also concentrating on the prevention of air pollution.

### Vehicle Tailpipe Emission

Tailpipe emissions have improved dramatically, however the increase in the number of automobiles and the concentration of populations has caused urban air quality to worsen. Consequently, regulation authorities, particularly those of advanced nations such as EU, are strengthening tailpipe emission standards. The EU adopted the Euro 5 standard in 2009, which requires new models to meet 80% and 30% more stringent standards for PM and NOx emissions respectively compared to Euro 4. The Euro 6 standard will be adopted in 2014, which calls for a 56% cut in NOx emissions from diesel cars when compared to Euro 5. In the U.S., California is requiring automakers to sell an

increasing number of vehicles that meets Zero Emission Vehicle standards. The Korean government revised the clean vehicle standards and began to require a much more stringent NOx and PM emissions standard for clean diesel vehicles.

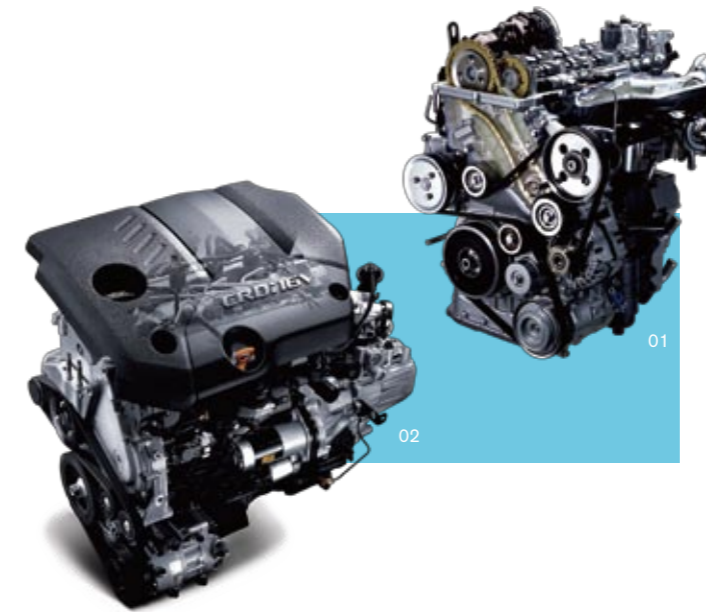
Ultimately, HMC aims to develop zero emissions vehicles that do not emit any harmful pollution at all. In Europe there is a greater demand for diesel vehicles that emit less CO<sub>2</sub>, but emit more NOx and PM in comparison to similar sized gasoline vehicles. 89% of our diesel models sold in 2009 meet the Euro 4 standard and some newly launched models meet the Euro 5 standard. HMC plans to develop emission reduction technologies and apply these on all diesel vehicles to meet the Euro 6 standard.

### Next Generation R Diesel Engine

The R engine is a next-generation, eco-friendly diesel engine that delivers outstanding performance, fuel economy and complies with the Euro 5 emissions standard. It comes in two displacements (2.0-liter and 2.2-liter) and answers the global demand for engines with increased fuel efficiency for tackling climate change, rising oil prices, and reduced emissions for improved air quality. The R engine powers the Santa Fe, Tucson and Sonata models since 2009. Boasting a significant improvement in fuel economy and reduced

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01 R engine (2,200cc)

02 U engine (1,600cc)

emission, the R engine delivers 200 horsepower in the 2.2-liter variant and the 184 horsepower 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, a close-coupled diesel particulate filter, and a rapid preheating system. The use of plastic materials improves recyclability of the engine. Both the R engine and U engine meets Euro 5 emission standard.

### DeNOx System for NOx Reduction

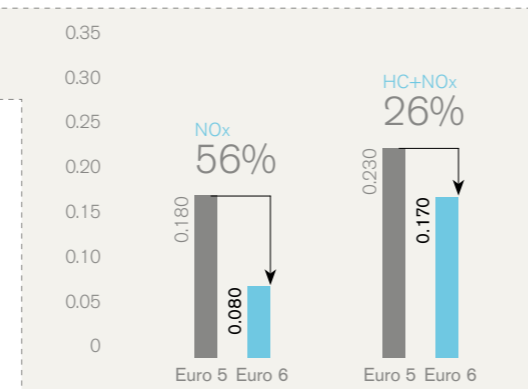
Compared to gasoline engine exhaust, diesel engine exhaust contains higher concentrations of NOx and PM. Among the pollutants in diesel exhaust, Soluble Organic Fraction in CO, HC and PM are cleaned by the oxidation catalyst. Most of the PM in exhaust is removed by the Diesel Particulate Filter. However, the solution for NOx emission reduction is still under development. HMC has strengthened NOx reduction technology research that can dramatically reduce NOx emissions and is currently preparing for mass application in HMC's diesel vehicles. Currently, most NOx reductions are achieved using improved combustion and exhaust gas recirculation (EGR) devices. However, currently employed NOx reduction technologies cannot deliver sufficient reductions to meet the Euro 6 standard and requires additional reduction device devices at the tailpipe. The new NOx reduction device should deliver an additional 70~90% reduction.

### Air Pollutant Release from Manufacturing Plants

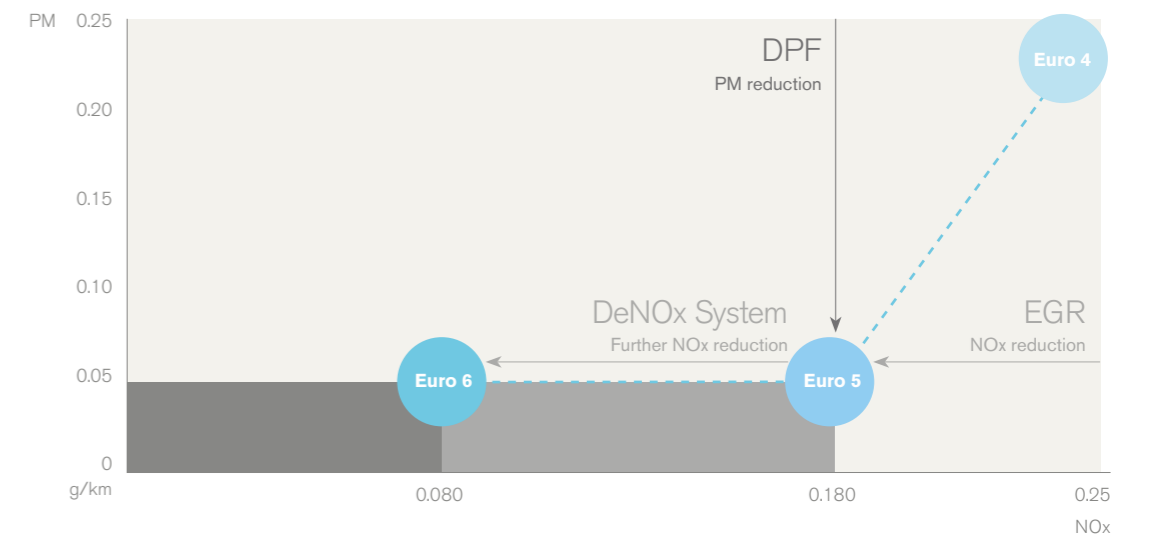
Air pollutants from automobile manufacturing consist mainly of volatile organic compounds (VOCs) generated when painting the car's exterior body. Other air pollutants include paint particles and dust from material processing plants that use molding sand. In order

EU Automobile Emissions Standard (Passenger cars / Small commercial vehicles)

	Euro 5	Euro 6
Effective as of	Sept. 2009	Sept 2014
CO(g/km)	0.500	0.500
NOx(g/km)	0.180	0.080
HC+NOx(g/km)	0.230	0.170
PM(g/km)	0.005	0.005



EU Vehicle Emission Standard Reduction technology development status



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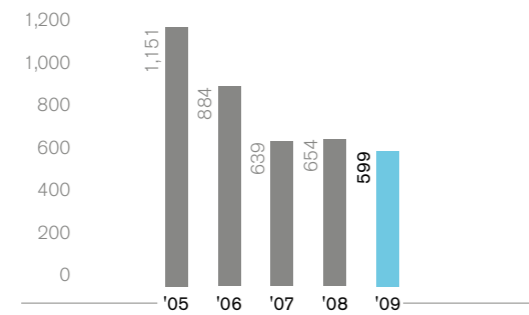
to reduce carbon monoxide(CO), nitrogen oxide(NOx) and sulfur oxide(SOx) emission, cast iron molding process was replaced with light alloy molding at the Ulsan plant. In order to reduce PM emissions, HMC is installing more dust collectors and taking other various measures including imposing a strict internal standard that exceeds regulatory standards to reduce air pollutants from our production sites in Korea. The molding shop at the Ulsan plant installed a system that raises the reaction efficiency of sulfur dioxide(SO<sub>2</sub>, a hardening agent) and shortens the hardening time. This has resulted in the decreased usage of SO<sub>2</sub>, a substance that produces a foul odor and poses a risk to human health. Due these efforts, air pollutant emissions from HMC facilities in Korea have decreased by 8.4% yearly to 599 tons in 2009.

**Volatile Organic Compunds (VOCs)**

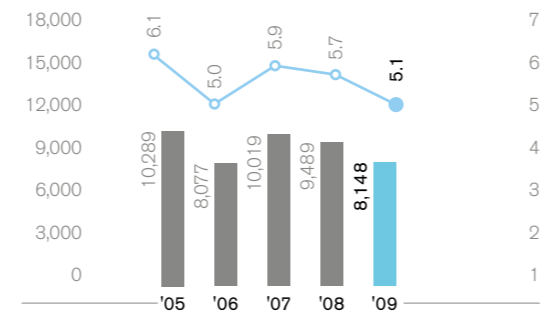
Mainly used in paint and during the painting process to improve quality and for cleaning painting equipment,

VOCs are a necessity in auto plants. However, VOCs are also known to have negative impact on the environment and human health. Consequently, HMC has consistently engaged in activities to decrease the use of VOCs. The new paint shop for the Genesis model at the Ulsan plant 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 paints has lowered the amount of organic solvents used per electro-coating area of a vehicle, while the use of booths trimmed the amount of VOCs discharged into the atmosphere during the coating process. VOCs from our plants in Korea decreased by 14% to 8,148 tons in 2009 and VOCs measurements were 5.1kg per vehicle. The majority of recovered organic solvent is thinner for washing. Since the recovery rate increases in tandem with usage, the amount of recovered organic solvents decreased by 27% to 2.28 million tons in 2009 .

**Air Pollutant Release (Domestic Plants)**  
(unit: tons)

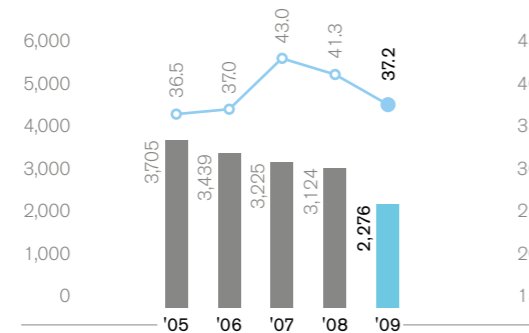


**VOCs Emissions (Domestic)**  
■ VOCs Emissions (unit: tons)  
● VOCs Emissions Per Vehicle Produced (kg/vehicle)

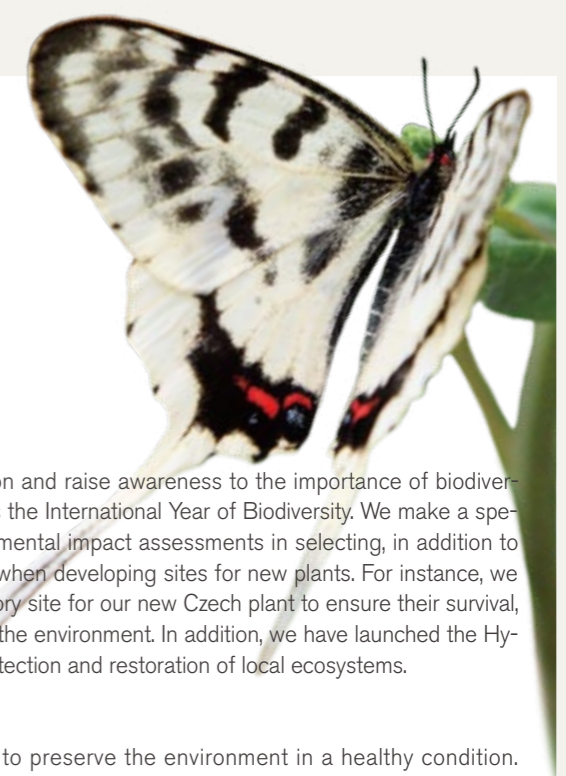


**Recovery Rate of Organic Solvent (Domestic)**

- Amount of Organic Solvent Recovery (1,000 tons)
- Recovery Rate of Organic Solvent (%)



# Biodiversity



**As our economic activities increase and more land is developed, habitats for wildlife are gradually decreasing. According to the UN, the rate of extinction is currently 1,000 times greater than the natural rate of extinction due to human activities. HMC has established an internal policy that places protection of biodiversity as a fundamental business management principle in all activities.**

In order to slow this rate of extinction and raise awareness to the importance of biodiversity, the UN has designated 2010 as the International Year of Biodiversity. We make a special effort to conduct robust environmental impact assessments in selecting, in addition to taking measures to protect habitats when developing sites for new plants. For instance, we transplanted native trees on the factory site for our new Czech plant to ensure their survival, and reduced the negative impact on the environment. In addition, we have launched the Hyundai Green Zone project for the protection and restoration of local ecosystems.

**Green Zone Project**

HMC is making a sustained effort to preserve the environment in a healthy condition. HMC's Green Zone projects are the core component of our environmental preservation initiative designed to promote biodiversity and guarantee the healthy survival of various species for countless future generations.

**Green Zone Korea**

Ulsan is one of the largest industrial cities in Korea with large manufacturing plants including one of the largest ship yards in the world, and HMC's auto manufacturing plant. In 2005, the Ulsan city government launched a public policy initiative to turn Ulsan into an environmentally-friendly city. HMC has actively participated in the initiative and launched the 'Green Zone Korea' project designed to restore endanger species near the Ulsan plant. During the first phase of the project, we succeeded in creating habitats for the Myungju butterfly(Sericinus Swallowtail butterfly) in six locations within the Ulsan area. For the second phase of the project, we plan to focus on restoring the Taehwa river ecosystem. Our goal is the restoration of mitten crabs that are known to contribute in maintaining the river environment and the Korean Rose Bitterling, a native fish of the Taehwa river which is known to live only in Korea. We also plan to restore endangered butterfly species(Pontia daplidice). In addition to restoration projects, we have been hosting activities during which participants can learn about our restoration process and get a first-hand experience. We are also holding educational events for to raise awareness on the importance of environmental preservation.

**Green Zone China**

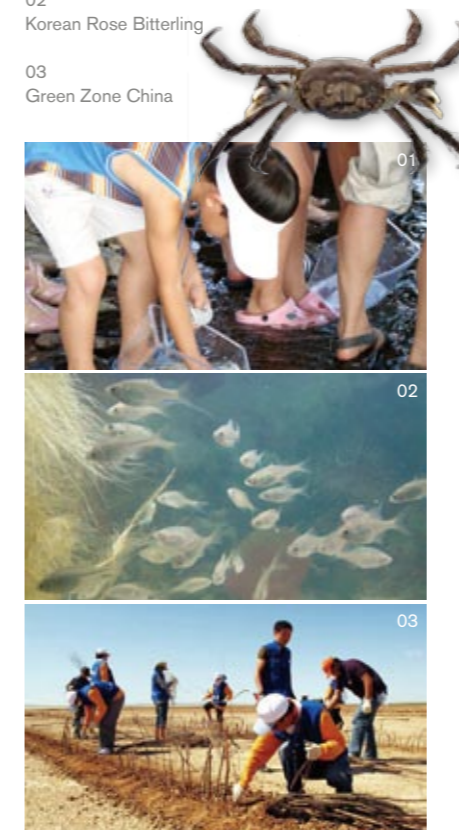
Desertification is happening at a most rampant rate in China. More than 20% of Chinese territory has already turned into desert and the amount is increasing every year. According to the UNEP, about 13% of desertification happens naturally, however the rest, 87%, is due to anthropogenic influences. Most of the desert in China is located in the Inner Mongolia(Neimenggu) region, and they are expanding every year. Expansion of desert areas in China is increasing in frequency and the intensity of yellow dust storms that cause respiratory disease, as well as environmental damage to countries in North East Asia including China and Korea.

In order to mitigate desertification in China, HMC launched the Hyundai Green Zone China project in 2007. The project involves creating a grassland larger than 50 square km in Chakanor, an area within the Kunshantag desert in Inner Mongolia(Neimenggu), China, to prevent further desertification in the area and to the restoration of the local ecosystem. During phase 1 of the project, the project implementer planted indigenous plant seeds that grow well in the region's alkali soil. Multiple layers of wood fences were also erected in the planting area to prevent seed erosion due to strong winds.

01 Green Zone Korea

02 Korean Rose Bitterling

03 Green Zone China





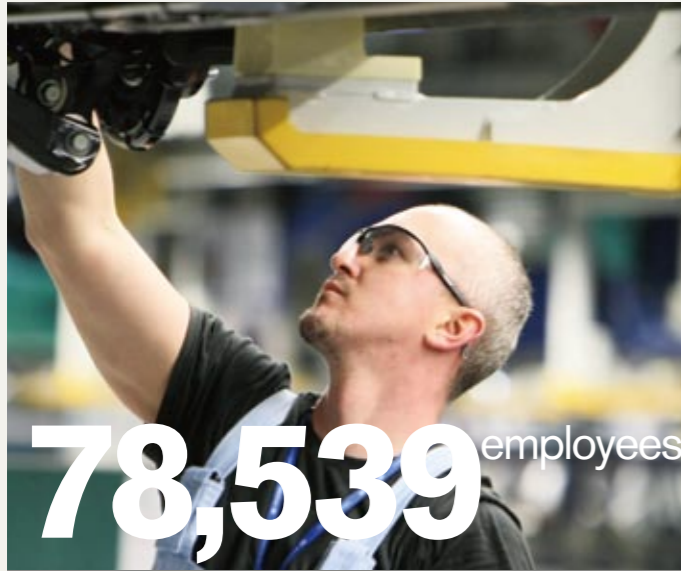
economy  
environment  
society

Employees  
Customers  
Suppliers  
Local Communities

# 3

## society

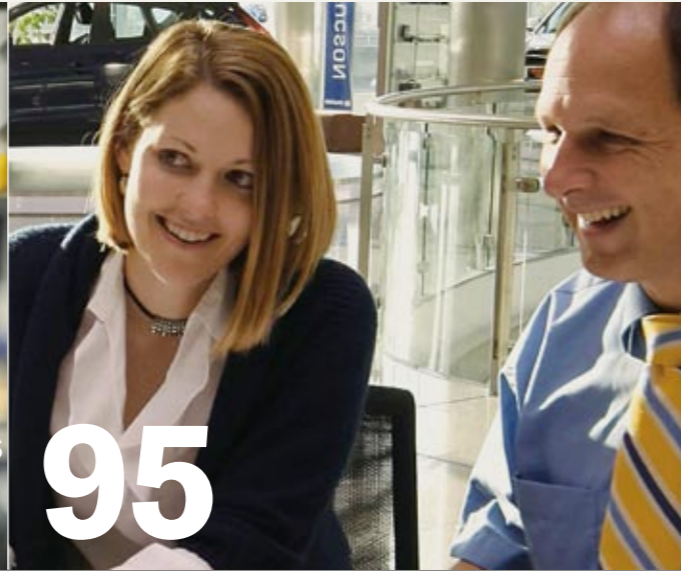
We firmly believe that companies can achieve sustainability only when they operate in a mutually beneficial fashion with stakeholders. As a responsible corporate citizen, HMC is striving to deliver increasing value to stakeholders through engagement and collaboration.



**78,539** employees

**Employees**

HMC employees globally



**95**

**Customers**

HMC scored 95 on the Initial Quality Survey by J.D. Powers.

economy  
environment  
society

**Suppliers**

HMC created the Mutually Beneficial Cooperation Fund for suppliers.

**Local Communities**

25,851 domestic employees participated in volunteer community service in 2009.



**130** billion KRW



**25,851** employees

**3-1**

**Employees**

In addition to complying with international standards and policies for human rights protection, HMC is determined to create a workplace where diversity and creative ideas are celebrated. We are also improving our promotion policies to increase fairness and maximize employee satisfaction.

Implementation of a performance-based compensation scheme, creation of an integrated human resource management system, and the establishment of a robust global human resource training system are three areas of improvement that HMC is focusing on for its employees. On the horizon, we are focusing on diversification of the workforce, provision of proper support for an aging workforce, and innovation in corporate culture. More specifically, we are focusing on increasing health services for workers in the older age group, implementation of policies to recruit and support female employees, and provision of more employment opportunities to non-Korean nationals and people with disabilities. We have also organized a special task force with the mission of identifying core corporate values that all HMC employees can share in order to promote a 'one team' spirit.

**Employee Status**

Globally, the total number of employees has increased to 78,539 as of the end of 2009, a slight increase from 2008. A great majority of employees(56,027) are stationed in Korea. China and India account for 12,064 employees, while there are 5,841 employees in North America and 4,430 HMC employees in Eu-

rope respectively. Due to HMC's growing overseas operations, the proportion of overseas-based employees has increased to 22,512(28.7%), a 2% increase from the previous year.

**Equal Opportunity: attracting female staff**

Due to many factors including the auto industry's labor-intensive job characteristics, women are currently underrepresented at HMC. The number of domestically employed female employees stood at 2,261 at the end of 2009, which is equivalent to 4.04% of the domestic workforce and a slight decrease from the previous year. However, HMC has maintained a much greater proportion of females, more than 9%, in new recruits since 2006. In 2009, female recruits accounted for 9.8% of total new recruits. In order to improve working conditions for our female workers, we offer benefits including monthly days off and 90-day maternity leave. Some operation sites offer childcare centers for working mothers as well.

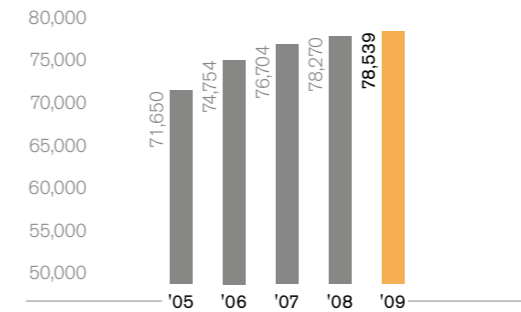
**Human Resource Management**

As an equal opportunity employer, HMC does not discriminate against employees and job candidates on the basis of sex, age, race or other factors. With its human resource management policy designed with fairness and reasonableness as the guiding principles, HMC is sustaining its progress in areas including increasing links between performance and salary, as well as ensuring protection of human rights at the work place. In addition, an on-going effort is being made to facilitate communication with the aim of fostering an open corporate culture that encourages an exchange of creative ideas.

**Open Recruitment**

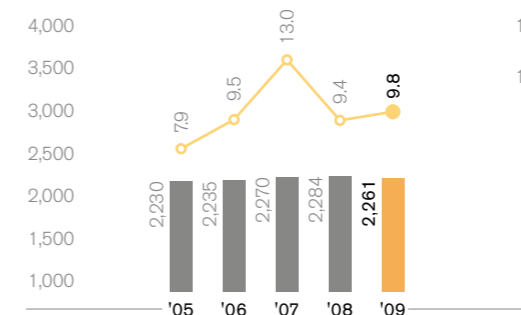
HMC's recruitment process follows the rules and guidelines provided in the corporate hiring manual and evaluation standards to ensure fairness and openness. For newly recruited university graduates, team placement decisions are made based on a mutual agreement basis after a series of consultations. Locally engaged staff in overseas posts is subjected to identical human resource management rules. HMC does not discriminate against its employees or job applicants on the basis of race, age, religion, sex, nationality, physical characteristics or any other factor for all personnel decisions including recruitment, placement, evaluation, compensation, training, rank, or promotion.

**Employee Headcount (Domestic and Overseas)**  
(persons)



**Change in Proportion of Females in New Recruit (Domestic only)**

■ No. of Female Employees (unit: persons)  
● Female Employee Ratio (in %)



- 1 Employees
- 2 Customers
- 3 Suppliers
- 4 Local Communities



**Fair HR Management and Performance Rewards**

HMC has implemented a performance-oriented compensation system in order to ensure fair job performance and merit-based evaluation and compensation. All employees are subjected to performance evaluations on a regular basis. Job competency and 360-degree evaluations are also conducted to ensure fair and objective evaluation of individual achievement and competency. The evaluation results are used as a basis for differentiating compensation for each individual employee.

Recently, the grade system for R&D has been simplified from a three grades that consists of research engineer, senior research engineer, and principal research engineer to two grades that consist of research engineer and senior research engineer. Also, the promotion criteria were changed from the existing seniority-based system, which favored researchers with more experience, to a performance-oriented system that favors staff with significant achievements. The new pro-

motion and simplified rank systems has relieved R&D staff from the pressure for timely promotion in accordance with their seniority, and allowed each to concentrate on their research work instead. The new system also made it easier to appoint younger researchers as head of research units, leading to more effective operations overall.

• **Research Fellowship**

HMC launched the Research Fellowship program in 2008 to foster research specialists and strengthen its research capacity. We select our best talent in each R&D area and support them by exempting each from all administration work, allowing them to concentrate on the development of advanced technologies for future applications. The selected research fellows are given executive level resources with a personal office, and given the authority to lead a team of researchers and a budget. Currently, HMC research fellows are leading research on hybrid and diesel engine technologies. All research fellows are engaged in rigorous research activities associated with vehicles currently in development and technologies to be employed in the future.

**Improving Employee Satisfaction**

HMC has been assessing employee satisfaction using a customized employment satisfaction index developed in 2008. The employee satisfaction assessment

Employee Headcount by Job-types and Region (persons)

		2005	2006	2007	2008	2009
Domestic Employee Status	Administration	10,839	11,003	11,118	11,239	11,179
	R&D	5,382	5,725	5,931	6,069	6,224
	Production & Maintenance	31,466	31,553	32,227	32,260	32,036
	Sales	6,453	6,407	6,365	6,341	6,304
	Others	300	285	298	295	284
	Total	54,440	54,973	55,939	56,204	56,027
Overseas Employee Status	U.S.	7,570	8,421	6,961	6,596	5,841
	Europe	2,250	2,461	3,184	5,101	4,430
	China	4,127	4,311	5,074	5,457	7,117
	India	3,033	4,187	5,314	4,694	4,947
	Others	230	401	232	218	177
	Total	17,210	19,781	20,765	22,066	22,512

- 1 Employees
- 2 Customers
- 3 Suppliers
- 4 Local Communities

is conducted via an on-line survey that asks for opinions in 13 areas including job satisfaction, performance evaluation, compensation, and work environment. The survey results are used as a basis for improving personnel affairs policy and work environments. Currently, the survey is conducted for randomly chosen employees. However, all employees will be able to participate in the survey and express their opinions in the future.

**Human Rights Protection**

HMC respects the Universal Declaration of Human Rights and we fully comply with labor related laws and international labor practice norms including the UN Global Compact principles and ILO guidelines. All HMC business units only hire workers who are of the legal working age and all HMC employees are working of their free will. We provide fair compensation for all work at our business sites according to the work

guidelines, compensation policy and relevant laws of the countries in which our businesses are located. Also we have created an ethics charter that calls for respect of the rights of all our workers. We conduct education programs on human rights including mandatory sexual harassment prevention education. We also operate an employee complaint review committee and an employee complaint counsel office to ensure speedy resolution of issues. All our overseas sites are managed with the same level of respect for human rights, and organizations that handle employee complaints are also in place. Since the beginning of 2010, HMC has been a participating member of the Human Rights Working Group organized by the UN Global Compact Network Korea. As a member of the group, we are collaborating with various stakeholders to research successful human rights management cases and the development of human rights management guidelines.

**opinion**

Cultivating a corporate culture, where human rights are respected, will be one of the most effective ways to promote HMC as a successful company in the future.



**Chul-gi, Joo**

Secretary General, the UN Global Compact Korea Network

Respecting Human Rights is one of the core values that the international community values greatly. The United Nations and many individual nations have been promoting the Universal Declaration of Human Rights, a civil and political Bill of Rights, and a societal and economic Bill of Rights. As a result, great progress in promoting human rights and the realization of a democratic society has been made. As globalization progresses, demand for global corporations to contribute to the promotion of human rights is increasing.

The first and second principles of the UN Global Compact are dedicated to the promotion of human rights for workers including the prohibition of child and forced labor. Human rights protection is also heavily emphasized in the new ISO 26000 for social responsibility management standard. We are in a new era where corporations simply must embrace human rights issue as a core value in business management. As a global company that works with a great number of suppliers in many regions of the world, it is essential for HMC to establish an integrated human rights management structure and policy devices that ensure the protection of human rights in its operations. There is an urgent need to avoid infringement of human rights in all businesses that Hyundai is pursuing. In addition, the company must seek to integrate human rights management into its business management practices in order to improve its competitiveness. Lastly, it is also important to institutionalize respect for human rights and raise awareness on the human rights issues of all HMC employees. Cultivating a corporate culture where human rights are respected will be one of the most effective ways to promote HMC as a successful company in the future.

- 1 Employees
- 2 Customers
- 3 Suppliers
- 4 Local Communities

**Labor Relations Management**

HMC management fully recognizes freedom of association, the right to organize, and the right for collective bargaining. HMC union members who work at domestic sites belongs to the HMC Labor Union. The HMC Labor Union is a member of Korean Metal Workers' Union. There are sub-organizations including the union affair groups and regional committees. Employee representative bodies are also organized and function at our overseas operation sites. The Labor-Management Consultation Committee represent union members at Hyundai Motor India(HMI) and the Public Assembly of Beijing Hyundai Motor Company(BHMC) represent BHMC employees. Hyundai Motor Manufacturing Czech Republic has a management-labor council where matters including collective bargaining, settlement on collective agreements, review of employee suggestions, and other important matters are discussed.

Since the HMC Labor Union's symbolic status as Korea's largest labor union, it has been under pressure to take action on social issues that are not always relevant to HMC and its employees. However, labor and management representatives are working together to improve the situation and develop forward-looking mutually beneficial relationships.

HMC has formulated a roadmap to improve labor-management trust. We are pursuing a long-term relationship that is mutually beneficial to both employees and management through regular management briefs, special employee events, earnest engagement, and discussion on labor issues. A dedicated union-man-

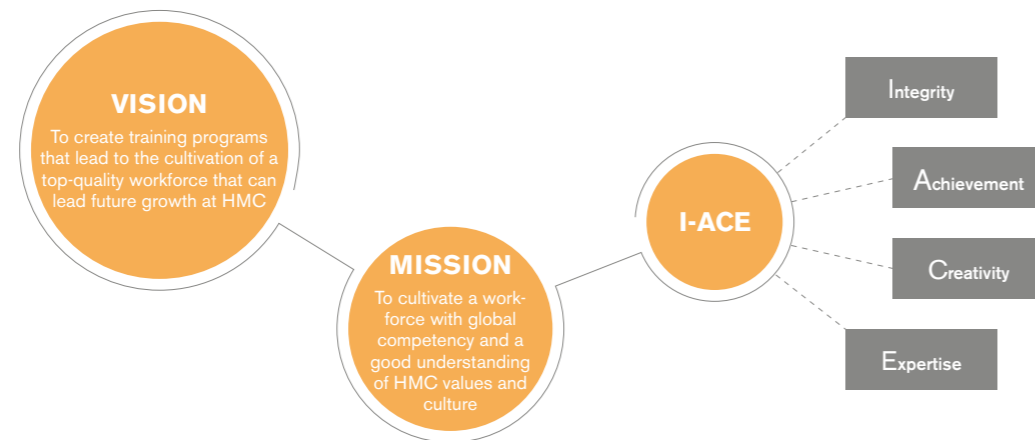
agement committee was also created to ensure establishment of constructive employee-management relations.

The 2009 salary negotiations, which resulted in HMC labor union's acceptance of 0% increase in base salary without striking is a significant step forward in creating a mutually beneficial labor-management relationship. A shared understanding of the need to be more productive and flexible in order to respond to customer demands for higher quality and safety was also established. This new and shared understanding will boost HMC's ability to compete with other auto-makers and respond effectively to fast-changing business environments.

**Human Resource Development**

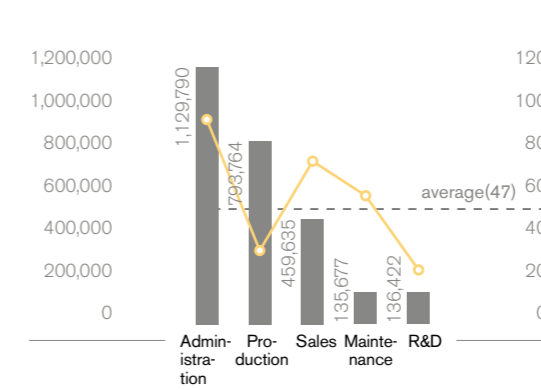
HMC is providing various specialized training programs to foster employees that are full of creativity and who have a global mindset in order to understand HMC's core values. The company offers an extensive range of training opportunities. Our training programs are designed utilizing four basic principles including cultivating integrity, ensuring achievement, nurturing creativity, and strengthening expertise. As our operation is increasingly become globalized, we are working hard to provide education programs designed to nurture regional experts who understand not only the local language but the culture, customs and other factors of the local situation. This will enable them to work effectively with locally hired employees as 'one' team. Thus, all education programs will be contributed to raise the competitiveness in the global market.

**Human Resource Development Vision**



- 1 Employees
- 2 Customers
- 3 Suppliers
- 4 Local Communities

**Total Education Hours by Job Groups and Average Education Hours per Employee**



**Training Programs**

The Hyundai-Kia Human Resource Development Center was created in 2003 by integrating all training units at HMC and KMC. There are four domestic training centers in Paju, Osan, Cheonan, and in the Nambu region. An Internet-based e-learning center was also established in 2005. A new competency-based evaluation and competency building-oriented education system was established and introduced in 2007, and the center has been contributing to fostering human resources who embrace challenges, are full of passion and creativity, are willing to collaborate, and possess a global mindset. Training is offered for all eligible employees in all units include core competency building for employees with different ranks and functions, and job skills training to improve the ability to deliver required performance. Training programs for selected

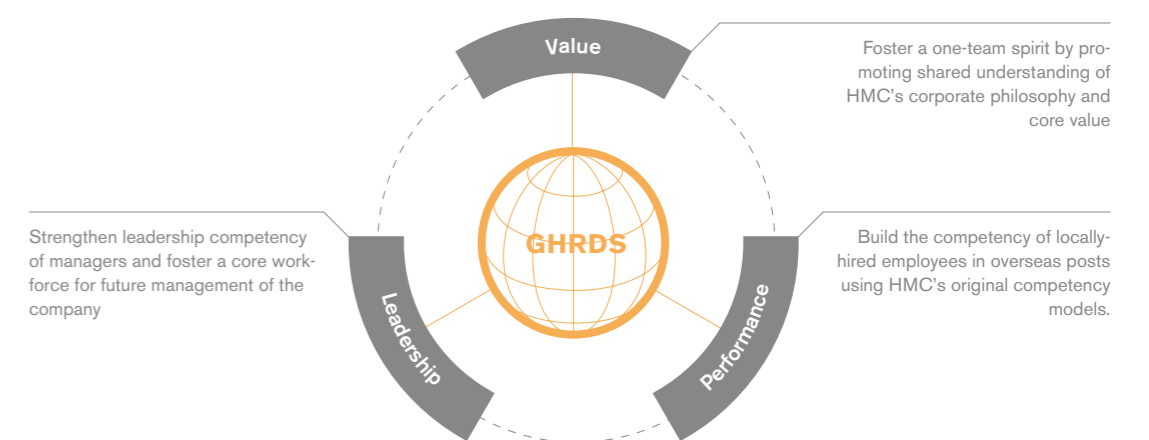
high performance employees and executive development programs are also offered to employees at all functional units. Specific job oriented training programs are offered for employees who belong to specific functional units such as R&D, production, sales and maintenance

We are strengthening expatriate training programs to better support HMC's growing global operations. For employees sent to overseas offices, we are providing various courses to prepare expatriates for the different phases of being posted overseas, from pre-dispatch to repatriation. Moreover, we are focusing on nurturing regional experts by strengthening relevant training programs. We plan to especially strengthen the training of employees designated to be dispatched to emerging markets. In 2009, the average training hours per employee was 47 hours, which is identical to 2008. However, training hours for employees in production, sales and engineering areas increased when compared to 2008.

**Global Competency Building**

For the structured training and professional development of our overseas employees, the Global Human Resource Development Standard(GHRDS) was established in 2007, as were training programs for employees designated for dispatch to overseas sites. As a part of the strategic global work force cultivation program, an on-line based Global Learning Center was established that offers the e-Coporate Citizenship Program designed to help trainees better understand HMC's corporate philosophy and core values. Over

**GHRDS : Global Human Resource Development Standard**





- 1 Employees
- 2 Customers
- 3 Suppliers
- 4 Local Communities

time, we plan to incorporate competency assessment modules into the Global Learning Center and offer training programs on core values, leadership, and job performance. Also, necessary support will be provided to all overseas operation to create locally-managed training programs that meet the status and need of each overseas operation. The Global Learning Center will be further expanded in the future as a central training resource that contributes to improved business performance. In addition, we are operating inward visit programs for locally hired staff in our overseas locations. Participants visit domestic business sites including the R&D center, while experiencing Korean culture in order to create a sense of and one team spirit and strengthen their sense of belonging within the organization.

#### Hyundai-Kia Learning Center

The Hyundai-Kia Learning Center is an e-learning program that offers a great number of high quality training and education programs including foreign language, job skills, and business administration courses. Although some courses are offered to a limited number of people each term, all employees are allowed to take language training and 30,000 employees have taken language courses so far. In 2009, the courses were made available for other Hyundai-Kia Motor Group companies and overseas subsidiaries. Also, each training course has been modified and tailored to better meet the diverse needs of each participant in a more systematic manner.

#### Fringe Benefits for Employees

Juggling work, family and personal aspects of life is a difficult task, yet deserves special attention. While it is important to be recognized professionally as a competent worker, at the same time, it is equally important to raise the quality of one's private life by spending more time with family and friends. This in turn will increase the productivity, efficiency and creativity of workers. HMC provides statutory welfare benefits such as national health insurance, industrial accident compensation insurance, national pension, health care benefits, and employment insurance. There are also special employee benefits program. For example, HMC provides opportunities to spend quality time with family and friends by providing paid long service leave, Family-Love leave, and a variety of other vacation programs.

#### Supporting Leisure Activities

HMC strongly supports diverse cultural and club activities to assure that employees re-energize themselves, while helping to form a corporate culture filled with energy and creativity. Every year, "Happy Engine Concerts" are held at local HMC offices around the country. HMC is one of the first companies to launch online book services. Furthermore, employees can enjoy a variety of free art exhibits at the newly opened "Yangjae Atrium" to make work life more enjoyable.

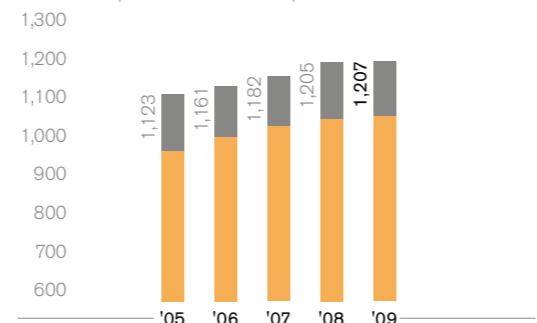
#### Housing and Other benefits

HMC provides employee housing and dormitories for employees without house ownership, working at manufacturing plants. Long-term and low interest housing loans are part of the HMC benefits package. Such benefits are created to help our employees fulfill their dreams of owning their own houses and living a stable life. The "New Town Treasury Fund", which is a cooperative fund created through employee savings, is available to employees for loans and profits are distributed among employees as dividends.

#### Pension Benefits

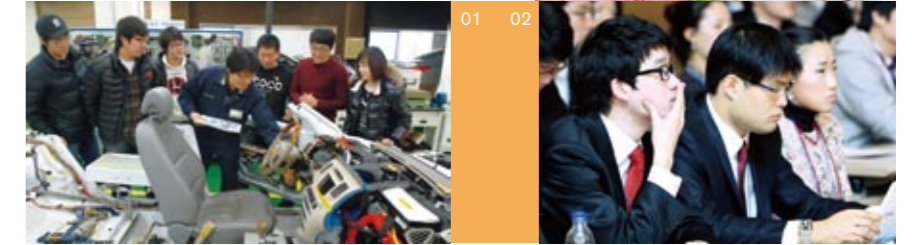
Adequate pension programs are essential as our society rapidly ages. Since 1988, HMC has operated pension benefits as a measure to provide social insurance for retirement. Pension plans consist of both national and personal pension plans. HMC contributes 20,000 KRW to personal pension plans per month. As for the national pension plan, each employee is supposed to pay 9% of their average salary into the program, while HMC pays matching funds of 50% of the employee's investment. In 2009, a total of 120.7 billion KRW was spent to support employee pension plans, and this spending is increasing every year.

Pension Benefits Status (Domestic) (unit 100 million KRW)



# Cultivating Future Workforce

With a firm belief in the importance of cultivating young leaders to become experts in the areas of their study, HMC has created various programs for college students of various backgrounds. The participants will contribute to the continued growth of the global economy and achieving sustainability.



#### Internship program for college students

HMC recruits 1,000 college students into its internship programs each year as a measure to alleviate the current unemployment crisis among young graduates and to provide opportunities to experience global management at work. The program areas include in marketing, planning, promotion, R&D and other areas where interns can gain corporate experience in their own specialized field. In 2010, a "Global Internship Program," where interns will be assigned to one of our overseas offices, is being planned to raise future global leaders. This global internship program will recruit more than 100 interns over the next three years and place them in our overseas offices in China, India, Russia, Czech Republic and other non-English speaking offices in areas of marketing, sales, planning, and management.

#### Marketing and Technical Contest

HMC holds an annual Marketing and Technical Contest to provide opportunities to college and graduate students to develop and improve knowledge in automotive technology and marketing. Started in 1998 to develop new marketing concepts and to give hands-on experience to college students in global marketing, the Global Marketing Contest is the country's biggest contest in size with more than 3,000 college students participating. The Technical Contest was initiated in 2001, where college students build their own automobile and compete against each other. Starting with the 2009 contest, a research mission theme will be given to all participants. This year's theme is to develop unmanned ground vehicles.

#### Happy Move Global Youth Volunteers

Since 2008, HMC has been operating "Happy Move Global Youth Volunteers" with an aim of developing future global leaders, and to raise HMC's contribution to the global community. During summer and winter breaks, 500 college students(1,000 in total) are selected and sent to India, China, and the Czech Republic, where HMC has offices and factories, to perform volunteer services such as cultural exchanges, health services, and other global volunteer activities. This program enables young people from Korea to broaden their views and to understand social corporate responsibility of global corporations.



01 Automotive Technology Contest

02, 04 Global Marketing Project Contest

03 Happy Move Global Youth Volunteers

- 1 Employees
- 2 Customers
- 3 Suppliers
- 4 Local Communities

### Safety & Health

Assuring employee health and safety is an essential part of corporate social responsibility and a source of competitiveness. HMC is making a continued effort to provide a safe and healthy working environment since its incorporation.

Since assuring employee safety is our highest priority, we are taking various measures including industrial safety pre-assessment, accident prevention activities, increased investment in safety-related facilities, and safety training. In addition, we are also striving to promote employee health by operating an industrial health and safety center, a health fitness center, and free health check-ups to assist employees in maintaining good health.

### Safety

Due to the industrial characteristics of the auto manufacturing business, HMC employees face a higher risk of being exposed to industrial accidents compared to other industries. Therefore, the company is strengthening safety training to lower the employee's exposure to the risk. In addition to safety training, we are continuously improving facility safety, as well as changing physically demanding processes in order to create a pleasant and safe working environment.

As a result of the measures taken, the industrial accident rate at HMC has been on the decline since 2004. In 2008, the rate inched down to 1.44% from the previous year's 1.54%. However, sustained effort will be made to further improve safety, especially because it is still higher than the average industrial accident rate within the Korean manufacturing industry.

### Integrated Environment, Safety and Health System

i-ESH, an integrated environment, safety and health

system can be accessed via HMC's intranet(<http://iesh.hmc.co.kr>) to ensure efficient operations of the ISO14001 certified environmental management. The integrated system presents updates on the ESH status of each domestic worksite, as well as relevant information. The information is repackaged into various forms of statistical data to be used by employees working in related fields. The i-ESH system also allows employees to access ESH information by providing educational materials and other relevant resources.

### Rigorous Safety Management System

Each business unit at HMC operates a separate ESH team for rigorous safety management. 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 as well.

Furthermore, the Industrial Safety and Health Committee, which is comprised of equal numbers of labor and management representatives, is in operation for handling the company's ESH policies and other key issues to prevent safety-related accidents and to improve overall safety.

### Employee Health Benefits

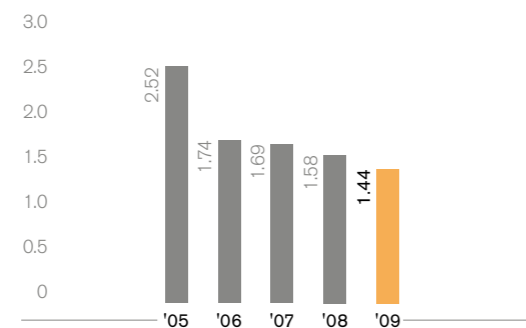
The health of employees has significant influences on productivity and performance. HMC conducts regular health check-ups for all employees, and collects health data to control and prevent diseases in advance.

HMC currently operates an industrial health center which is a comprehensive medical facility, as well as a fitness center to help our employees maintain a healthy life.

### Free Health Check ups

Free health check-ups are provided biennially to office workers and annually to factory workers. HMC is the first company in Korea to provide a Chinese medicine check-up program as an option to its regular check-up program. For employees over the age of 35, as well as their families, full health check-up programs are provided. Through the use of Online Med, our employees can conveniently make arrangements for full health checks at their choice of hospital and at a time that is convenient. Last, but not least, employees are entitled to financial assistance for their medical expenses.

Industrial Accident Rate (Domestic) (%)



- 1 Employees
- 2 Customers
- 3 Suppliers
- 4 Local Communities

### Prevention of Work Place Accidents and Provision of Advanced Medical Support

HMC operates an industrial medical center and medical clinic within each domestic manufacturing plant and Namyang R&D Center, as a part of the industrial accident prevention program. There are also 24-hour emergency clinics in operation. Our Industrial Medical Center has a comprehensive set of facilities including a physical therapy room, a clinical laboratory, and a radiation room. Employees working at HMC and its suppliers can receive a variety of medical services for preventive medicine and diagnosis, in addition to the treatment of various diseases. The center also conducts annual regular and special check-ups for employees working in hazardous environments and provides additional medical services based on the check-up results. On average, about 100,000 HMC employees and supply company employees visit the Industrial Medical Center for medical services. The health check-up program is designed to focus on industrial accident prevention and is helping to improve employee health, while also increasing productivity. Other benefits that health services bring to HMC are an increased awareness on health management and motivation for employees to pay more attention to their physical condition.

### Strengthening health care measures to protect aging workforce

HMC is taking significant measures to address chronic diseases such as high blood pressure, hyperlipidemia, diabetes and other diseases that are prevalent in older people as the average age of our employees is increasing, especially in the Ulsan plant. Employees participating in the follow-up health management program receive monthly medical check-ups and treatment and 90% of them have shown positive progress. They are

also excluded in overtime work to ensure speedy recovery. Since 2004, health treatment services are being provided to employees suffering from muscular skeletal diseases. By the end of 2009, a total of 5,380 employees had received health treatment services for muscular skeletal diseases, and 97% of them are either still receiving treatment while they are working or their symptoms have been mitigated due to treatment. Others have been identified as patients suffering from occupational injuries.

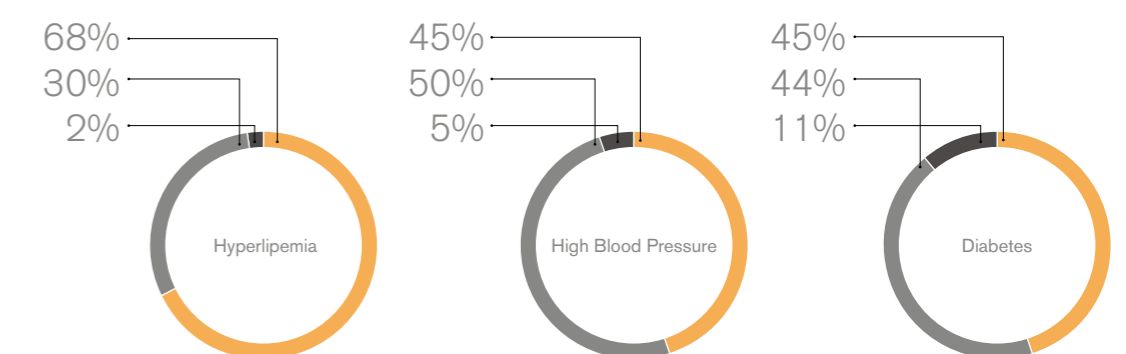
### Health & Fitness Center

HMC is operating health and fitness centers at the Seoul headquarters and the Ulsan plant to help employees maintain good health. In addition to various exercise equipment, the center has devices for measuring physical strength and fitness status which allows users to check obesity and body fat counts. The centers also have complete sets of modern weight-lifting equipment, indoor swimming pools, and various exercise equipment and facilities found in commercial fitness centers. The centers also offer rehabilitation classes for employees who are recovering from injuries or sickness to help their speedy recovery. Employees suffering from obesity problems can also benefit from the obesity management program offered at the centers.



Ulsan Plant's follow-up health management program results (%)

- Greatly improved
- Improved
- Not improved



# 3-2

## Customers

Understanding the customer's perspective is the most essential prerequisite for producing services and products of the highest quality. HMC will continue to uphold customer-first management as a core principle, continue to reflect customer opinions, and achieve a continued increase in customer satisfaction.



### Quality First Management

Quality is the most important characteristic of an automobile because it directly affects customer safety and satisfaction. HMC recognizes that the provision of vehicles with superior quality and reliability is a fundamental duty to our customers, as well as a key in raising customer satisfaction.

Therefore, a strong effort in quality improvement has been made ever since the launch of the quality improvement initiative in 1999. In 2002, the quality management teams of HMC and KMC were merged into the Hyundai-Kia Quality Management Division under the direct supervision of the HMC chairman himself. In 2003, we created two new quality management units for ensuring the quality of cars exported to the North American market, in addition to the rest of the overseas markets. The quality management and maintenance teams were also merged to ensure more effective operations. In 2004, the Global Quality Management Office was established for the purpose of responding to various quality problems reported any day of the year, 24-hours a day. Most of all, our CEO's strong will to instill quality-first management was essential in deeply rooting the importance of quality management within the corporate culture. Currently, top executives meet twice a month to discuss quality management issues. Frequently, meetings by top executives foster a sense of shared responsibility, and have made quality a high-priority issue for all divisions within HMC including R&D, production, purchasing, financial administration and sales. In 2008, HMC launched the 'Global Quality 3-3-5-5' aimed for ensuring our vehicles to be a top three product quality within three years and to have top five emotional quality within five years. The

new initiative has created strong momentum for HMC's quality improvement effort. In 2010, we also strengthened our quality-focused marketing effort with a goal of positioning HMC as a 'Best Buy Brand.' In addition to improving product quality from a manufacturing perspective, we are also improving vehicle characteristics that affect the emotional quality of our vehicles.

### Improving Customer Satisfaction on Quality

Many HMC vehicles have been ranked high in the Initial Quality Study(IQS) conducted by JD Power, an U.S.-based global marketing information services company. HMC scored 95 PP(problems per 100 vehicles) in the 2009 IQS study as a brand, which is an improvement of 19 PP compared to its 2008 IQS result. As a result, HMC ranked as the top non-luxury brand in terms of IQS score. In terms of vehicle models, the Elantra was the segment winner for Compact cars, and the Verna placed second in the Sub-compact segment, while a large number of HMC vehicles scored well. The Genesis was ranked as the top performer with score of 84 PP in the 'New Models and Modified Vehicles of 2009' category. The 2009 IQS study was conducted through a survey of customers who purchased new vehicles in the U.S. between Nov. 2008 and Feb. 2009. The study participants were asked about quality satisfaction in 228 areas, while the number of complaints per 100 vehicles was calculated to assess customer satisfaction on quality. The lower the IQS score is means there were fewer people complaining, and thus there was better quality. Our vehicles also performed favorably on other quality measures. For example, HMC scored 161 out of 200 points on JD Power's Vehicle Dependability Study(VDS), which is a 20%

society

- 1 Employees
- 2 **Customers**
- 3 Suppliers
- 4 Local Communities

improvement when compared to 2008. HMC ranked sixth in the non-luxury brand category, well above the industry average VDS score. The study, which measures problems experienced by the original owners of three-year-old(2007 model year) vehicles, includes 198 different problem symptoms across all areas of the vehicle. Overall dependability is determined by the level of problems experienced per 100 vehicles(PP 100), with a lower score reflecting higher quality. The JD Power and Associates is a marketing information services company specializing in consumer satisfaction surveys of the automobile market and their results are one of the key references for consumers making a purchasing decision.

### Grand 5-Star Quality Assessment System

Vehicle quality cannot be improved through the auto manufacturer's effort alone because it is a product compiled of tens of thousands of parts supplied by a variety of part manufacturers.

In order to help suppliers enhance the quality of vehicle parts and improve their competitiveness, HMC implemented the 5-Star System for quality assessment. In 2009, we implemented the new 'Grand 5-Star System' which certifies suppliers who meet the enhanced quality standard. Quality assessment systems allow us to evaluate quality management systems and the quality of parts in a systematic manner. The evaluation result is disclosed to the suppliers, which motivates suppliers to improve their performance and to compete against one another for better quality. Over time, improved part quality has established a basis for improved vehicle quality, which in turn leads to im-

proved customers satisfaction.

### Improving Customer Satisfaction

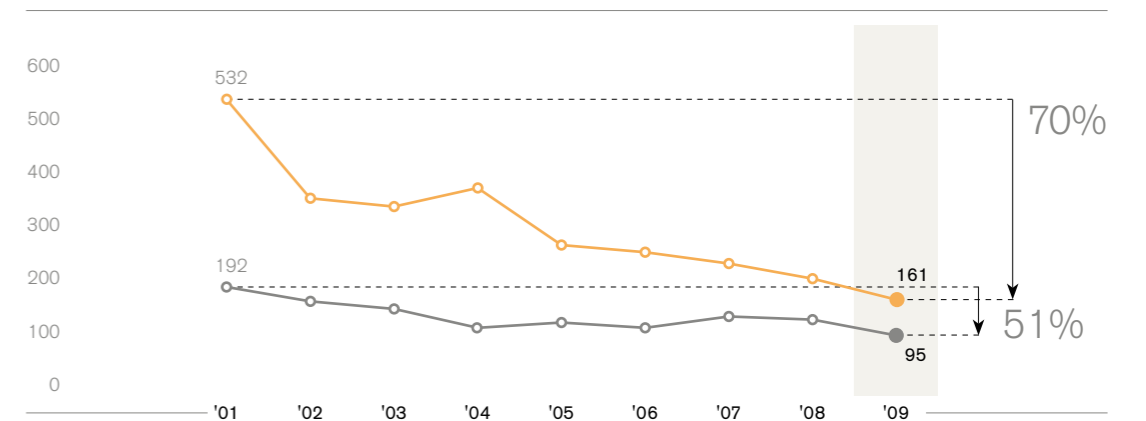
HMC has been operating a customer service center that handles customer complaints and inquiries. Customers can either call us or post inquiries to our Internet homepage to file complaints and receive expert opinions on matters regarding our products. The customer opinions collected at the center is internally referred to as the 'Voice of Customers.' The information is analyzed and fed to responsible teams to improve processes and resolve identified issues.

We also regularly conduct customer satisfaction assessments by surveying customers on the quality of our new vehicles, the delivery of those new vehicles, and customer services. We then use the assessment results to identify issues and address each accordingly. We share customer opinions collected, via various monitoring activities, with HMC employees and suppliers of repair services through our CS Plaza. We also have designated a Voice of Customer Day for sharing customer complaint cases, company-wide. Responsible teams take the appropriate action to address the issues that are expressed by a significant number of customers.

HMC has established a Voice of Customer initiative for assessing the needs of customers from different regions and nations. The channel is also used for timely response to customer complaints and customized services to meet individual customer needs. A regular customer satisfaction assessment is also conducted to identify areas that need to be improved, for higher customer satisfaction.

HMC Performance in JD Power's Initial Quality Survey and Vehicle Dependability Survey

—●— Vehicle Dependability Study  
—●— Initial Quality Study  
 ※ The lower score means less problems and higher quality



- 1 Employees
- 2 **Customers**
- 3 Suppliers
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Beijing Hyundai Motor China 'Yuedong'  
(Localized Elantra Model for Chinese Market)

**Hyundai Customer Satisfaction Index(HCSI)**

In 1999, we introduced the Hyundai Customer Satisfaction Index survey to measure the satisfaction of customers who owns our vehicles. The survey is conducted every year to collect customer opinions in four areas including product quality, sales service, maintenance service and corporate image. The data is then analyzed to calculate an HCSI score and also to identify areas for improvement. HMC received 64.3 points in 1999 and 77.6 points in 2009. In addition to being used for improving specific business processes, the survey results are also used as a basis for change in overall business practices.

**Improving Customer Satisfaction in Global Market**

In the Korean Customer Satisfaction Index(KCSI) survey conducted by the Korea Management Association Consulting(KMAC), HMC ranked first in the passenger car category for the 16th consecutive year. We have also scored favorably in customer satisfaction studies in overseas markets.

According to the Total Customer Satisfaction(TCS) study conducted by the TNS specialist division, TNS Automotive(the largest syndicated automotive study in India) HMC's i10, Getz, and Verna ranked first in their respective categories. This comprehensive study covers more than 47 models with customer evaluations taken in the key areas of sales satisfaction, product quality, vehicle performance and design, after sales service, brand image, and cost-of ownership. Specifically, the 'i10' scored 92 out of 100 in the 'Premium

Compact' category; the Getz scored 92 out of 100 in the 'Upper Compact Premium' category; and the Verna scored 90 out of 100 in the 'Midsize' category, all placing as the top performer in each respective category.

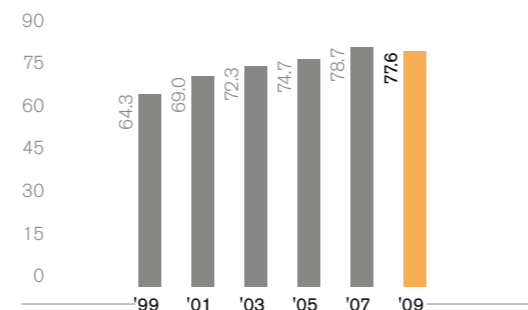
In the 2009 Customer Satisfaction Survey conducted by the China Association for Quality, HMC's Yuedong(Elantra) and Tucson ranked first in their respective categories. The survey is conducted by the Customer Working Committee of CAQ(中国质量协会 全国用户委员会), on various industries including agriculture and manufacturing. The China Automobile Customer Satisfaction Index is a comprehensive study on consumer opinions from more than 28 major cities on vehicle performance, quality, fuel efficiency, customer service and more. It has become an authoritative study in China and is widely recognized as a source of reference for consumer making purchasing decisions.

**Customer Service**

HMC has established a national maintenance network that consists of 23 regional maintenance service centers and 1,500 affiliated maintenance service providers. The regional service centers are high-tech centers equipped with cutting edge computerized equipment capable of the detailed analysis needed for the provision of highly precise maintenance services.

In 2007, HMC launched a premium membership service called 'BLU Service' for domestic consumers. The members can receive comprehensive and systematic vehicle maintenance services including one-stop vehicle maintenance, an integrated bonus point system, membership benefits and more. Furthermore, the HMC introduced 'Before Service' in 2006; a new concept that offers maintenance services before a problem arises, which has never been offered in the industry before. In 2009, more than 8,000 customers

HCSI Customer Satisfaction Score Trend



- 1 Employees
- 2 **Customers**
- 3 Suppliers
- 4 Local Communities



**Auto Prosumer Initiative: Working with Customers**

As new technologies are created and applied in new vehicles on almost a daily basis, it has become practically impossible to gain competitive ground with new technology alone. Consumer expectations are also increasing rapidly and preferences are changing rapidly through the application of new technologies as well. In other words, we must learn from consumer opinions to create products with greater market competitiveness. Customer satisfaction is no longer judged by how well the products meet the customer's needs, but how well the product reflects customer opinions and demands. Recognizing this changing trend, we launched 'Auto Prosumer' initiative in 2006 which allows us to actively incorporate customer opinions from the early planning stages of product development, with the goal of achieving maximum customer satisfaction. As the title of the initiative indicates, we collect various opinions from our 15,000 'Auto Prosumer' members on issues including all aspects of new vehicle projects from the name, design, and application of new technologies to the advertisement of new vehicle models. We then use many of our member's opinions in the development and marketing of our vehicles.

benefited from this free check-up service. Free check-ups are provided for vehicles damaged by flooding and typhoons, and also at highway rest areas, as well as through our nationwide service network during major holidays and summer vacation seasons. We also make frequent visits to facilities for people with disabilities, small islands and other remote areas around Korea to conduct free repair and maintenance services.

An extensive maintenance service network, which consists of 6,200 service providers equipped with cutting edge equipment and manned by highly capable HMC-certified technicians, are in operation in more than 190 countries. HMC is also operating a global service support center that provides support including remote diagnosis and technical support for more complicated repair work. The 'Before Service' program for overseas customers was launched in 2007 and more than two million customers benefited from free check-up services in 2009. We are also making a continued effort to train our employees who work directly with our customers. For instance, we have created the HMC Customer Service Charter and the Hyundai Academy for training overseas employees in maintenance skills and customer engagement

When a series of customer complaints and repair records indicate a significant quality issue, we conduct an internal assessment and announce a voluntary recall if the complaints and repairs are derived

from our manufacturing defects. In 2009, we identified that brake lights on 37,794 vehicles, manufactured between September 20 and October 25, 2006, were functioning imperfectly due to a problem with the light activation switch. A voluntary recall was announced to address this problem and 81.8%(30,930) of subjected vehicles including the Vera Cruz, Elantra, New Santa Fe, Sonata, and Azera models were repaired.

In 2010, a problem with door locks in the 2010 Sonata model was identified through an internal assessment following customer complaints. The door lock system design was immediately changed to solve the problem and a voluntary recall was announced in Korea and the U.S. to repair Sonata models manufactured before the change was made.

**Customer Data Protection**

With the increasing importance of protecting personal information and the growing occurrences of data leaks, HMC is striving to reinforce the protection of customer information. Customer data is managed according to rigorous internal security regulations, while the use of such data is strictly limited in purpose and scope. Outside agent 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. HMC employees working in



Parking Guide System

Adaptive Front-lighting System

Lane Departure Warning System



Pre-Safe Seatbelt



Vehicle Stability Management



the department in charge of managing customer information, as well as 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.

### Vehicle Safety

Vehicle safety is the most important development priority for all HMC vehicles. Automobile safety technologies is mostly preventive and passive technologies that focus on minimizing damage from accidents including airbags, seat belts and ultra high strength auto body. However, safety technologies are becoming more proactive in nature such as systems capable of detecting a possible accident and activating measures to prevent accidents leading to ultimate protection of drivers, passengers and also pedestrians.

### Intelligent Vehicle Safety Devices

A new radar system was offered as a part of the 2008 Genesis Smart Cruise Control system, which adjusts vehicle speed to maintain distance from the vehicle ahead in the same lane. The 2008 Genesis is also equipped with the Lane Departure Warning System that uses a video sensor and processing system to issue an audible warning when the car deviates from the driving lane without signaling. The 2009 Equus model comes with the Collision Damage Mitigation System that automatically applies the brakes and tightens the 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 re-

duce the burden of driving in heavy traffic, a rear parking assist system that provides automated steering when parking, and the night vision system that makes driving at night easier and safer.

### Intelligent Safety System for Equus

#### • Pre-Safe Seatbelt

The pre-safe seatbelt system automatically tightens the seatbelt when the risk of collision is detected during the sudden application of brakes, a vehicle slide, or a quick steering maneuver to keep the driver in a safe position in the seat. The system also provides a haptic warning, when various sensors mounted inside and outside the car such as the lane departure system indicates a potential risk of a crash, to help prevent accidents.

#### • Vehicle Stability Management

The Vehicle Stability Management is a comprehensive active safety system that is comprised of the Vehicle Dynamic Control(VDC), the Smart Cruise Control(SCC), and the Electronic Parking Brake(EPB) that guarantees exceptional safety performance. Using its radar system, the system monitors status and when

society

- 1 Employees
- 2 Customers
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the possibility of an impact is detected, a warning light and chime are activated. When the risk is high, these are supplemented by the seatbelt pre-tensioning up to three times to give a haptic warning. When the system detects an exceptionally high risk situation, automatic deceleration with a brake force supplement is applied to reduce the risk of collision

#### • Lane Departure Warning System

The color video sensor recognizes yellow, white or blue colored lane lines and issues an audible warning if the car deviates from the driving lane without signaling. The system issues a faster-paced audible warning when the vehicle crosses over the center line to help prevent the potential head-on collisions.

#### • Adaptive Front-lighting System

The Adaptive Front Lighting System varies the angle of the light beam according to the steering direction, weather conditions and driving speed to ensure safer driving.

#### • Parking Guide System

Using the steering angle sensor on the steering wheel and the rear video camera, the Parking Guidance System provides a computer graphic overlay on the display screen that shows projected vehicle position to assist the driver during regular and parallel parking conditions.

### Vehicle Safety Assessment

HMC conducts a great number of collision and road tests to develop vehicles with the highest safety possible. As a result, our vehicles score highly in vehicle safety assessment tests worldwide. In 2008, HMC's compact model i-30 and mid-size luxury brand Gen-

esis 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 2009, our new Equus model also won five stars for both driver and passenger safety, which was assessed through frontal, rear and offset collision tests. The Equus received five stars for the driver seat and four stars for the passenger seat stability assessment respectively. In Europe, the i-30 won five stars in the European New Car Assessment Program's(Euro NCAP) adult occupant protection category. The i20 also won five stars in the 2009 Euro NCAP. Specifically, the i20 received a five star rating in all four areas including adult safety, child safety, safety assistance, and pedestrian safety, while proving its top safety performance. In the U.S., the new Sonata was awarded a five-star crash rating by the National Highway Traffic Safety Administration's(NHTSA) New Car Assessment Program. Five key models including the Sonata, Genesis, Santa Fe, Veracruz and the Entourage all received a "Good" rating in frontal, side and rear collisions, and obtained the 2008 Top Safety Pick award from the Insurance Institute for Highway Safety.

### Making Cars Smarter

Advancement of information technology is accelerating incorporation of 'smart' technologies in many areas of our society. The automotive industry is also benefiting greatly from use of 'smart' technologies. In line with the today's consumer expectations, HMC is leveraging Korea's global leading electronics industry and information technology to develop and adopt innovative technologies that create a convenient and safe driving environment, while improving the quality of mobility for customers.

### Mozen Auto Care

HMC developed Mozen Auto Care, a comprehensive vehicle care service system which was created using self-diagnostics and wireless communication technology. The new Sonata is the first model equipped with the system. By notifying drivers of a variety of information on the need for repair, as well as status of consumable part that need to be replaced on recommended term, Mozen Auto Care system helps drivers to maintain their vehicle in the best condition. This in turn leads to increased safety and optimal fuel efficiency. The system also maintains records on idling, trips and more, analyzes this information, and communicates



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with the driver in order to support a safer and more eco-friendly driving.

**Sustainable Marketing**

Sustainability is a value that HMC must pursue in collaboration with all stakeholders including consumers. Today, global issues, such as climate change, require a coordinated effort by all stakeholders. By highlighting sustainability issues such as climate change and unemployment issues in our marketing activities, we are raising consumer awareness and laying the foundation for coordinated actions to tackle these issues together.

**Blue Drive Campaign**

Good driving behavior can lead to fuel efficiency improvement of up to 20%, which in turn leads a significant reduction in greenhouse gas emissions. HMC began installing the eco-driving indicator system on new vehicles to induce good driving behavior. Also, we have launched the 'Blue Driving Campaign' to encourage eco-driving and raise driver awareness on envi-

ronmental responsibility. We have distributed information booklets and launched an online campaign at this point. We also held the 'King of the Fuel Efficiency' contest, a competition designed to learn and experience eco-driving, which induces change in driver behavior. Additionally, we also held Blue Driver events during which customers can test drive environmentally friendly Blue Drive models including hybrid electric vehicles and hydrogen fuel cell vehicles to create a foundation for sustainable consumer behavior in the future.

**Assurance Program**

In 2009, Hyundai Motor America(HMA) announced a new assurance program for buyers who were faced with potential job loss. Designed to help buyers during times of decreasing job security, it guaranteed a refund of monthly installments on their purchase and a lease contract for customers who have lost their jobs or have gone bankrupt within one year of the purchase. The assurance program received recognition for its spirit of burden sharing during difficult time.

**opinion**

To address such demands, corporations need to provide accurate product information to help consumers make the correct choices



**Joohong Lee**

Coordinator, National Council of the Green Consumers Network in Korea

Consumers usually consider price and quality the most when they make purchase decisions. However, an increasing number of consumers demand to know whether the products and services they buy are made in a sustainable manner. For example, they demand to know whether environmental friendliness of materials used and recyclability of products. Increased consumer interest in related information is evidence that indicate such change in consumer preference.

According to a survey conducted by CSR consulting company, Cone in 2009, since the onset of the current economic crisis, 78% of American consumers are buying more environmentally-friendly products. As the looming scarcity of natural resources and food has become a global issue, more consumers are beginning to understand the dire need of achieving sustainable consumption.

As can be seen from the results of the Cone's survey, consumer choice is increasingly based not on present value, but on future value(sustainable consumption). To address such demands, corporations need to provide accurate product information to help consumers make the correct choices. This, in turn, will help more consumers choose products that contribute more to sustainability and allow companies with the best sustainable management practices thrive.

**3-3**

**Suppliers**

HMC created a number of win-win supplier support programs designed to ensure shared growth with suppliers. The programs are contributing to the further development of the automotive industry, improvement in quality, and increased competitiveness by promoting ethical business practices and fair business transactions, ultimately leading to increased sustainability.

**Win-Win Supplier Support Program**

HMC is pursuing a strategy of developing mutually beneficial partnerships with suppliers in order to increase business stability, strengthen core competencies, improve global operation capacity, and promote enhanced partnerships. In order 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 arbitrator. HMC will implement various additional support policies and establish a permanent structure for the advancement of Korea automotive and parts industry.

**Increasing Business Stability**

HMC has various supplier support programs in place, including loans, the Mutually Beneficial Cooperation Fund, the Bridge Loan for Green Production Facilities, and guarantee of payment to increase financial stability of suppliers. We eased the required conditions for payment for second-tier suppliers with generally less room for financial flexibility, and allowed more of them to participate in joint purchasing to help their reduce production cost. 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. Taking advantage of HMC's purchasing power, we actively assist suppliers through joint procurement, which results in cost cuts. Joint pro-

urement amounted to 105.4 billion KRW in 2009. The scope of joint purchases was also expanded to include raw materials such as stainless steel, as well as general supplies.

**Strengthening Core Capacity**

**Supporting Technological Capacity Building**  
Under the Guest Engineer program, we invite engineers from our suppliers to take part in joint development and research projects. The program also serves as a basis for capacity building for engineers from supplier companies. HMC is also partnering with suppliers to identify our competitor's newest technology trends, and we are also offering tear-down parts to suppliers free of charge. In addition, we have been hosting R&D Supplier Tech Day on an annual basis with the goal of reinforcing joint R&D capacity between suppliers and HMC.

**Foundation of Korean Automotive Parts Industry Promotion**

To promote the automotive parts industry, HMC, Hyundai Mobis, and 164 suppliers collaborated on the establishment of the Foundation of Korean Automotive Parts Industry Promotion(KAP), a non-profit organization registered under the Ministry of Knowledge Economy in July 2002. The foundation manages various support program for auto parts suppliers including Quality Technology Volunteer Group and the Supplier Supporters.

The Supplier Supporters Group is a program that

**Trade Agreement with Suppliers**

- 1 Cash payment policy
- 2 Loan support (Credit Loan for Operation Funds, Mutually-Beneficial Cooperation Fund and etc)
- 3 Cost Reduction Support (Joint Purchasing)

Increasing Business Stability

Strengthening Core Capacity

Mutually Beneficial Cooperation Strategic Direction

- 1 Global workforce training support (Job training consortium, Free technical training support)
- 2 Collaborated overseas business expansion

Global Operation Capacity-Building

Strengthening Mutually Beneficial Cooperation

- 1 Guest Engineer System
- 2 Benchmarking Advanced Technology
- 3 Technology Exhibition and New Technology Seminar
- 4 Foundation of Korea Automotive Parts Industry Promotion

- 1 Ethical management support (Operation of Transparent Purchasing Promotion Center)
- 2 Fair Trade Compliance Agreement
- 3 Other support (English camp for children of supplier company employees, Future business manger training and etc)

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involves the dispatch of HMC's retired executives dispatched to a supplier as a resident business management advisor free of charge. The program is making significant gains with suppliers and the number of participating suppliers is increasing each year. The Quality Technology Volunteer Group is a scheme that involves the dispatching of quality management expert from KAP to a supplier as a resident technological advisor. Under the program, the KAP also provides suppliers with on-the job training, access to the parts industry database, technology seminars and donations of used equipment.

**Global Operation Capacity-Building**

HMC leverages its international plants as a strategic foothold for overseas ventures by suppliers. As of 2009, a total of 245 suppliers are operating in a variety of overseas markets including China, India, and the U.S. The collaboration has resulted in win-win situations for both HMC and suppliers, as it allows us to secure high-quality parts while suppliers gain a platform for sustainable growth and increased global competitiveness. HMC's global HR program for suppliers is geared towards enhancing employee competency and honing their competitive edge in the global market. This is a prime opportunity for employees of supplier companies to gain professional knowledge and skills in a wide range of subjects including quality management, technology, labor-management, security and ethical management. In 2009, a total of 5,077 employ-

ees from various supplier companies took part in 80 professional technology courses and 2,795 employees participated in 18 e-learning courses. Overall, 95,000 employees participated in training program.

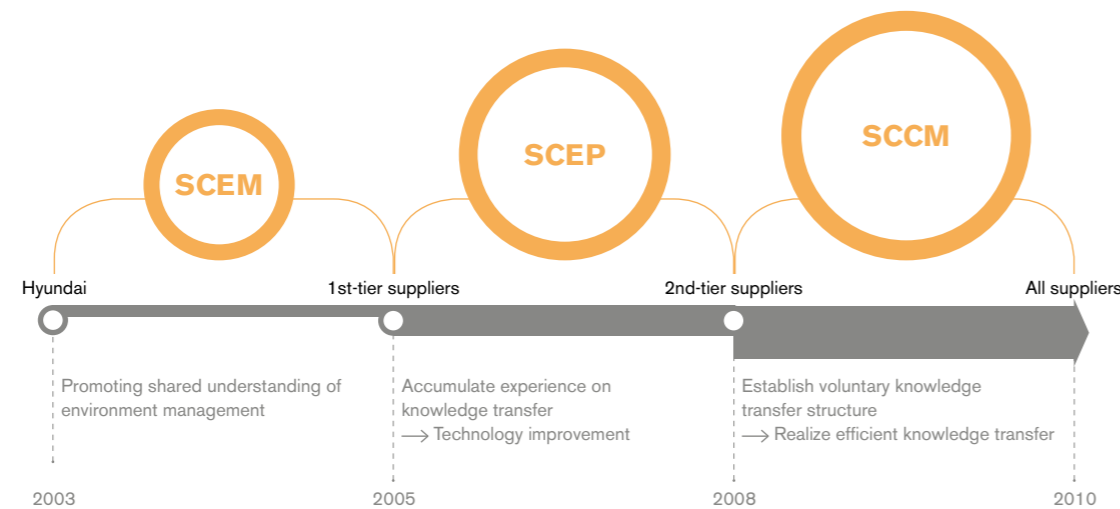
**Strengthening Mutually Beneficial Cooperation**

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 announced their firm commitment to promote fair trade practices and joint growth through win-win partnerships. HMC introduced the three-point guidelines for transactions with suppliers. These guidelines include contract signing, supplier selection/management, and internal review committee operations. As a result of these efforts made to uphold our commitment for fair trade, HMC received the highest rank in its 2009 Fair Trade Compliance Assessment. In addition, we are also creating new programs including the Future Business Manager Program for leaders from supplier companies, in addition to an English camp for children of supplier company employees, to expand the scope of mutual benefits gained through HMC-supplier collaboration.

**Green Partnership with Suppliers**

Since 2003, HMC has increased communication with suppliers to help each establish environmental management systems with programs including Supply Chain Environment Management and the Supply

Green Partnership Program Overview



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2010 SCCM Workshop



Chain Eco-Partnership project. In 2008, we launched the Supply Chain Carbon Management project to help parts manufacturers reduce their carbon emissions.

**Supply Chain Eco-Partnership (SCEP)**

SCEP is a multiparty collaboration project launched in April 2006, which involves the Ministry of Knowledge Economy, HMC and HMC suppliers. During the project, HMC's first-tier suppliers transferred green management knowledge to second and third-line suppliers. HMC helped to establish a foundation for supplier environmental management by providing guidance on environmental management system establishment, hazardous materials management, manufacturing processes improvement, and energy consumption reduction. The project took advantage of the network established through the Supply Chain Environmental Management (SCEM) project to promote communication among suppliers and raise the efficiency of each supplier's green management operations. We also improved the SCEM network system by introducing useful functions such as self assessment of hazardous substance control and encouraging suppliers to actively take advantage of these functions. The project was designed to allow us to categorize suppliers by sector (parts and materials), size (large, medium and small), and environmental management status (high, middle and low), while transferring customized green management practice models applicable to each supplier.

**Supply Chain Carbon Management (SCCM)**

It is more difficult to establish a greenhouse gas (GHG) management system for suppliers because they are SMEs with resource constraints.

Accordingly, HMC initiated a program to help suppliers build a carbon footprint management system using its green partnership network. The program, launched in collaboration with the Ministry of Knowl-

edge Economy, is a part of a government effort to achieve energy conservation and enhance recycling for businesses. Fifteen suppliers are currently participating in this initiative, which will be completed in September 2010. Utilizing lessons learned from the successful implementation of the Green Partner Initiatives (SCEM, SCEP) while maintaining organic partnerships with suppliers, we have established a pilot product carbon footprint management system that is helping suppliers achieve 5% reductions in CO<sub>2</sub> emissions per sales unit made possible by GHG emissions reductions in all stages of the manufacturing process. We are sharing our knowledge in carbon management as a part of efforts to establish lifecycle GHG emissions management associated with our products.

The SCCM project consist of many sub-modules including the establishment of a low carbon management structure, provision of support for a low carbon inventory, process renewal for carbon reduction, creation of total emission management strategy maps and action plans, assessment of carbon footprint, and so on. Each sub-module is designed to help suppliers achieve GHG reductions and increase competitiveness, which will lead to the development of low carbon green vehicles.

**Environmental Standards for Suppliers**

In 2007, HMC signed an environmentally friendly parts supply agreement with first tier suppliers and provided guidelines on environmental and ethical management practices. In order to encourage proactive responses to environmental regulations worldwide, we also announced 'HMC Environmental Standards Guideline,' which contains information on the set of environmental requirements for manufacturing of auto parts to be used in our products. The HMC Environmental Standards provide guidelines on materials prohibited from use including four heavy metals (lead, mercury, cadmium, hexavalent chromium) and other hazardous materials subjected to regulations. The guideline provides a wide array of information, including data entry for the International Material Data System, documentation requirements for Recyclability Assessment Information Systems for Homologation, and Material Safety Data Sheet management, which are necessary for ensuring compliance of applicable environmental regulations. We are also encouraging all suppliers to earn ISO 14001 environmental management certification. As a result, 99% of our first tier suppliers have received

## Local Communities

As an automotive company, we launched tailored social contribution activities that allow us to effectively utilize the unique resources we have as a global automaker. We also have organized an active employee volunteer service program which serves as the driving force for our 'Moving the world together' social contribution campaign.

### Domestic social contribution activities

As an automotive company, we are leading in various social contribution activities that focus on transport-related issues including safety and improved mobility. We are also conducting activities for the promotion of social welfare and environmental objectives. Currently, we are classifying projects in to four types of 'Move' projects. Starting in 2005, we began collaborating with social welfare organizations to gather good project ideas via project proposal contests.

### 'Moving the world together' project proposal contest

HMC began to conduct the 'Moving the world together' project proposal contest in 2005 in order to identify projects that are most appropriate for our social contribution goals. We look for tailored ideas that are designed to do greater results than what can be achieved via traditional donation schemes. We also welcome project proposals that focus on areas that are not covered by existing social welfare initiatives. The project ideas submitted via the contest are reviewed by a committee, which consists of experts who specialize in supporting people with disabilities and the elderly, as well as children and youth. The committee selects

projects with highest potential and feasibility for implementation, and then HMC provides the resources necessary for implementation. In 2009, the committee selected new projects that focus on the provision of comprehensive support to beneficiaries using the resources of partnering social welfare centers working together as a part of a regional support network. In total, HMC provided 500 million KRW for 45 social contribution projects in 2009.

### Easy move Programs



HMC is leading 'Easy move' programs designed to promote more convenient transfer of people including the disabled and the elderly who experience difficulty in accessing conventional transport systems. HMC manufactured 'Grand Starex Easy Move' vans equipped with special moving seats that allow people in wheelchairs to easily get into the driver's seat. HMC also developed special edition, low-floor buses to provide easy access for people with special needs. We also established a disability aid equipment repair center for the disabled that provides repair services for free or a minimal charge. HMC also donated a Grand Starex Easy Move van to the repair center for emergency repair services in order to help the disabled who cannot visit the center.

The 'Able Design Car' is a free-repair service program operated by HMC, which allows service providers to visit beneficiaries for free repair of disability aid equipment. Repair and renovation of transport and mobility-related equipment at the welfare center for the disabled is another important 'Easy Move' initiative that increases safety of the disabled who visit the centers. HMC is also making contributions to the provision of indoor playgrounds for children with disabilities. We opened our first playground in 2007, and we have established 14 playgrounds for disabled children as of the end of 2009.

### Safe Move program



The Safe Move projects are designed to create a safer world where children can play freely without fear of transport-related accidents. The 'Looking for three-leaf clovers' program is designed to provide support for the children of car accident victims. As of 2009, two hundred children benefited from the program. The 'Angels' Fund' is a financial

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**Easy Move**  
01 Grand Starex Easy Move Vans

**Safe Move**  
02 Looking for three-leaf clovers camp

**Happy Move**  
03 Volunteer house repair service by Jeonju Plant employees

support scheme created for college students whose parents suffered in automobile accidents. HMC is also providing medical expense support and equipment to aid accident victims as a part of the Safe Move program.

A traffic safety education campaign is another important part of the Safe Move program. For example, HMC is sponsoring a children's musical on traffic safety titled the 'No-No Story'. Other initiatives for increasing safety awareness include the 'Zero accident children's traffic safety campaign', the 'Interactive traffic safety education class program' and dissemination of traffic safety education materials. In 2009, we also established the Children's Auto Park, which is the largest interactive theme park for traffic safety education in Korea

### Green Move program



The Green Move program is another important program designed to help preserve the environment for future generations. Development of vehicles with high functionality and cleaner environmental performance is the ultimate goal of the program. The Elantra LPi hybrid, released in 2009, is the first outcome of our efforts for Green Move. HMC also recently provided a small number of second generation FCEVs to the Seoul government for operation. 'Hyundai Green Zone' is a global social contribution program designed to achieve the restoration of ecosystems via systematic efforts of pollution removal to a complete restoration. Restoration of the Taehwa river's natural habitat is a fine example of a HMC-led environmental restoration effort. The restoration ef-

fort began in 2005, in collaboration with the Ulsan city government. After clean up of the river and removal of some disruptive man-made structures, we successfully managed to reintroduce a native insect species, Swallowtail butterflies. We are currently working on the restoring the Korean Rose Bitterling and Taehwa River crab.

Building on our success with the Swallowtail butterflies, we established a butterfly habitat experience center near the butterfly habitat. HMC has also been hosting a "Green Drawing Contest" to raise awareness of the importance of ecosystems among children. In 2009, we donated four hundred bicycles to regional government offices to commemorate the First National Bicycle Festival.

### Happy Move program



HMC's 119 volunteer groups, which consist of members from all HMC operation sites including regional headquarters, plants and R&D centers, are leading the Happy Move programs that focus on volunteer service works. The volunteer groups have formed partnerships and are providing tailored volunteer work in partnership with 137 social welfare institutions in the local communities where they operate. The 'One company, one rural village campaign' that supports farming villages with volunteer work and volunteer house repair for low-income families is a fine example of HMC's Happy Move volunteer service programs. In 2007, HMC organized the Hyundai University Volunteer(HUV) group to encourage specialized volunteer services for children of multi-

Social Contribution Program Structure





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**Social Contribution by Areas**  
01 Sports Sponsorship

02 Miso(Smile) Microcredit Bank Foundation

cultural families, the disabled, and low-income senior citizens. In 2008, we created the 'Happy Move Global Youth Volunteer Corps, the largest overseas volunteer group in Korea. The members are dispatched to countries including China, India, Turkey, Thailand, Hungary, Slovakia, Brazil and others for volunteer work in various activities including medical, environmental and food services. In addition to the contributions to the beneficiaries in their respective countries, we firmly believe that the global volunteer services program will help participating volunteers to develop global competency and heighten their sense of social responsibility, as well as creating a positive contributions to the society.

**Social Contribution by Areas**

HMC is conducting social contribution projects in a wide variety of areas. In terms of social welfare promotion, we are focusing on supporting social enterprises, underprivileged families, and multicultural families. For example, we are supporting two social enterprises, 'Ahnshim Sanghwal' and 'Duriban', which specialize in the provision of comprehensive support for underprivileged members of society. We are also operating the 'Hope Engine School' support program that focuses on the provision of education materials and equipment to rural schools. So far, seven schools have benefited from this initiative. 'Drive for Wishes' is another important initiative that we are operating in collaboration with Make-a-Wish Korea, for granting wishes to children who are suffering from terminal diseases. 'Food for elderly' is a support program for the underprivileged elderly that HMC is sponsoring. Supporting immigrant workers and multicultural families with medical and

childcare services, as well as camp programs are also an important part of HMC's social contribution activities. In late 2009, HMC established the Miso(Smile) microcredit bank foundation in collaboration with other Hyundai Kia Automotive Group members to provide financial support to low-income families.

We are also supporting campaigns to improve the situation of social concerns including low birth rates, eradication of poverty, blood donation, and the eradication of tuberculosis. Supporting the 'Junior Engineering Technology Class' and 'Junior Science Class' programs is our current focus in education and research areas. We also launched the 'One company, one school' support campaign, which aims to improve the educational environment by providing science experiment equipment and scholarships for talented students. We also launched the H.art initiative(Hyundai Motor Art) and have been supporting performances and exhibitions for musicians, dancers, painters and movie makers. We are also managing a separate initiative named 'Art Dream Projects' aimed at promoting art programs for children. The 'Hyundai Motor Happy zone' is another initiative that aims to provide opportunities for underprivileged families to experience the excitement of performance arts. By participating in the Mecenat initiative, HMC is also sustaining support organizations established for the promotion of art and cultural activities, as well as preservation of cultural heritage sites. In terms of sports activity sponsorship, HMC has been supporting the Korean Archery Association and the K-league soccer series. HMC also supported the 2010 FIFA World Cup South Africa as an official sponsor.

# Safe Move Happy Way Drive

Through the Happy Way accident prevention campaign HMC distributes angel wing shaped "boarding/unboarding" stickers to nurseries and kindergartens exposed to traffic accidents. By the end of 2009, a total of 1,500 safety stickers(also known as Angels' wing) are attached to preschool commuting buses.



01 Kids' Auto Park

02 Angels' wing attached on a school bus to improve children's safe walk

Korea ranks sixth in the highest number of traffic accident-related deaths among OECD countries. Additionally, traffic accident death of children is relatively high. Elementary school students constitute 87% of traffic accident deaths among children. This shows how urgent it is to develop traffic safety measures for young children. Since nurseries are not designated as educational organizations, they are outside of children school zone protection boundaries. Consequently, children, particularly 6 years and below, are exposed to the dangers of traffic accidents.

Since 2008, HMC, the Ministry of Health and Welfare, and the Citizens' Coalition for Safety are working together to implement 'Happy Way Drive'. Through the Happy Way accident prevention campaign HMC distributes angel wing shaped "boarding/unboarding" stickers to nurseries and kindergartens exposed to traffic accidents. By the end of 2009, a total of 1,500 safety stickers(also known as Angels' wing) are attached to preschool commuting buses. HMC also visits these nurseries to provide traffic safety education. Mothers from the Citizens' Coalition for Safety lecture and share with children, and local teachers the importance of knowing traffic safety tips. In addition, the traffic safety campaign website, "Happy Way Drive,"(www.happyway-drive.co) is now available on the internet to provide online cartoons, statistics, UCC images, quizzes, and traffic cultures of other countries.

Since 2002, in addition to the "Happy Way Drive" campaign, HMC has operated a variety of traffic safety programs for children. In partnership with the Citizens' Coalition for Safety, traffic safety trainings are provided to prevent traffic accidents and more than 250,000 scouts are provided with first aid and other traffic safety related instructions. Twenty-four HMC domestic sales headquarters have created traffic safety classrooms for children. They have concluded agreements with local schools and are providing hands-on traffic safety instructions to students by studying actual traffic accident cases.



- 1 Employees
- 2 Customers
- 3 Suppliers
- 4 Local Communities



2009 Campaign for Eradication of Poverty

### Global Social Contribution Activities

All HMC offices and facilities located worldwide are conducting social contribution activities in areas including social welfare, education support, environmental protection, and sports to promote balanced development of in the communities in which we operate, and to become respected members of those communities.

### Common Social Contribution Activities

#### • “Looking for Three-Leaf Clover” Initiative

In order to fulfill its responsibility as an automobile manufacturer, HMC decided to expand its support scheme for the children of automobile accident victims. HMC offices in Africa, the Middle East and Eastern Europe formed partnerships with relevant NGOs in the respective regions. The programs include granting wishes and tour programs for the children. Selected children in Egypt and Azerbaijan had their wishes granted, and selected children in Syria and Jordan received support for a pilgrimage to Islamic holy sites. In Iran, we provided support for education and medical services, as well as a living expense subsidy for selected children.

#### • The Global Campaign for Eradication of Poverty

On the International Day for the Eradication of Poverty (Oct. 17, 2009), HMC launched the Global Campaign for the Eradication of Poverty in all major operation sites in countries including Korea, the U.S., Germany, China, India and the Czech Republic. The employees participated in the ‘White Band Campaign’ by wearing white wrist-bands to raise public awareness. Banners with the campaign slogan were hung over the major overseas plants and offices. Employees also organized fund-raising activities and signed sponsorship agreements for supporting children of low income countries. The Happy Move Global Youth Volunteer Corps also organized a poverty experience event to raise awareness on global poverty issues.

In the future, HMC plans to focus on the construction of dormitories, donations of school desk and chairs, and scholarship support for impoverished children in the future.

### Social contribution activities by Countries

#### • India

Hyundai Motor India(HMI) established the Hyundai Motor India Foundation in 2006, to support development of Indian communities and conduct social contribution activities including education, art and culture support, donations and volunteer activities. The foundation has been donating educational equipment and materials to local schools, and operates mobile medical centers to provide free medical services.

The foundation also established the Hyundai Traffic Volunteer Service Corp and the Hyundai Driver Training School, which created quality jobs for local youths and contributed to improved traffic safety. It also sponsored the establishment of dormitory facilities for the industrial skill training center operated by the Indian government. HMI made contribution in our donation activities with its donation of desks and chairs for public schools. Between 2007 and 2009, HMI donated 10,000 sets of desks and chairs for school children and achieved our initial goal. The desks and chairs are made using recycled wood from the wooden boxes from packaging, which make the donation not just socially beneficial, but also environmentally friendly.

- 1 Employees
- 2 Customers
- 3 Suppliers
- 4 Local Communities



India  
01  
Desk and chair set donation projects

China  
02  
'Hyundai Green Zone China' desertification prevent project

US  
03  
'Hope on Wheels' pediatric cancer patient support program

#### • China

Beijing Hyundai Motor Company(BHMC) is providing support for environmental and education initiatives in local communities in China. For example, we are providing financial support and employee volunteer services for the 'Hyundai Green Zone China' project. BHMC also sponsored the production of a documentary film, titled 'Sabyun', on the positive impact of the project. BHMC also organized a fund-raising bazaar event and used the funds to purchase computers for underprivileged children. BHMC also sponsored screenings of public campaign movies for pre-college school students and held a debate program for college students in the Beijing area. BHMC also provided disaster relief in support of Longnan city in Gansu which suffered from record snow. We also provided vehicles for VIPs in support of local events.

#### • US

**'Hope on Wheels' pediatric cancer patient support program** | 'Hope on Wheels' is a pediatric cancer-patient support program launched by Hyundai Motor America(HMA) in 1998. Currently, 780 dealers are making contributions to the program. The program has two main activities including the 'Hope on Wheel tour' which focuses on raising funds and awareness of the



program, and the 'Hyundai Scholars' program which provides grants for pediatric cancer researchers.

**'Climate Grant'** | The 'Climate Grant' is a relatively new program designed to promote reforestation. HMA launched its first 'Climate Grants' program which was designed to offset greenhouse gas emissions. Peru, Mozambique and Kenya were selected for the offset program that provides forest protection and reforestation. Additionally, HMA also announced the 'Genesis Forest project' in Tocantins, Brazil along with the launch of the Genesis model in the U.S. market. The project will be carried out for the next 40 years and will contribute to the protection and creation of 3,000 acres of rainforest.

**Alabama Shakespeare Festival Sponsorship** | Hyundai Motor Manufacturing Alabama(HMMA) is one of the major sponsors of the Alabama Shakespeare Festival, which is one of the three largest cultural events in Montgomery, Alabama. HMMA began sponsoring the event soon after it became a part of the Montgomery community. Classic children's plays including Beauty and the Beast, Peter Pan, and the Three Musketeers were produced through HMMA's support. In 2009, HMMA provided funding for a production of the Christmas Tales.

- 1 Employees
- 2 Customers
- 3 Suppliers
- 4 Local Communities



01



02



03

Turkey  
01  
'Hyundai Torches'  
Scholarship Program

Czech Republic  
02  
International Ice Sledge  
Hockey Championship

03  
St. Nicholas Day Party

**Participation on Fund-raising Walks** | HMMA employees are actively participating in fund-raising walking events. They participated in the 'March of Dimes' for promotion of child's health and improved treatment and prevention of infantile paralysis, as well as in the 'Walk for Babies'. HMMA employees also participated in the 'Walk of Life' for breast cancer patient support and the 'Heart Walk' for awareness-raising on prevention of heart diseases.

**Habitat for Humanity Sponsorship** | HMA and HMMA are sponsors of 'Habitat for Humanity', an international NGO specializing in the provision of housing for underprivileged citizens. In addition to financial support, the employees and their families contribute as volunteer workers for the actual construction of new homes for beneficiaries including the disabled, senior citizens and low income families

- **Turkey**  
Education support is Hyundai Assan Otomotive Sanyai Ve Ticaret A.S.(HAOS)'s priority social contribution focus in Turkey. We established the 'Hyundai Torches' Scholarship Program and have provided financial support for 80 students as of 2009. HAOS also launched the 'Memorial Forest' project for the protection of local forest. In addition to financing the project, HAOS employees contributed by planting trees.

- **Czech Republic**  
Hyundai Motor Manufacturing Czech Republic(HMMC) has launched social contribution activities in wide-ranging areas including sports, arts, cultural events and educational support. For example, HMMC are supporting young athletes on youth soccer teams as an official sponsor. HMMC also sponsored traditional cultural festivals as well as 'Czech-Korea Day' events. During Saint Nicholas' day, which is equivalent to Christmas in the Czech Republic, HMMC employees visited local schools, gave away gifts and stationery, and hosted parties for the locals, which significantly boosted the festivity of the season.

## interview

**Jae Man Noh**

President, Beijing Hyundai Motor Company (BHMC)

**The Chinese automobile market is growing fast as one of the largest market in the world. How is BHMC doing in terms of its market share in this fast-growing market?**

Lots of people predicted a pessimistic future when HMC created BHMC with Beijing Auto in October 2002. There were three reasons for those negative views. First, Korean automobiles had an unfavorable reputation for bad quality because Korean cars sold in China during early 1990's had quality problems and the companies handled the issues poorly. Secondly, there was some skepticism about Beijing Auto because of its mediocre business performance during its 40 years of history. Lastly, there were so many other global automakers established in the market already and many expert thought it was simply too late to enter the market.

However, BHMC proved its potential by producing its first vehicle, the EF Sonata within two months of its establishment. In its first year of full operations in 2003, BHMC sold 52,000 EF Sonatas. As of 2009, BHMC's annual production capacity has increased to 600,000 units. Overall sales in China increased to over 570,000 units, making BHMC a major player in the market.

**BHMC managed to become a major competitor in the market along with top global automakers in a relatively short period of eight years. What is the secret behind its fast growth?**

Localization in four management areas, namely products, quality, brand image and sales was the key to our success. As a late comer to the market, we needed a great effort to rebuild our image as a manufacturer of high-quality automobiles that are tailored to local consumers. That is why we strategically selected the mid-sized Sonata that already had a proven track record as the first model to be produced and marketed in China. After establishing a good brand image as an upscale brand, we began manufacturing more compact vehicles including the Elantra as the second model. In 2004, we achieved combined sales of more than 144,000 in 2004, with only two models, which placed BHMC as the fifth largest automobile company in China in only our third year of operation.

In addition, we were determined to ensure high product quality by inducing our trusted suppliers to establish their own operations in China and by investing significant resource to address quality issues and earn the trust of Chinese customers. I also think that our company name, which includes 'Beijing', carries a certain positive feel as the capital of China and has helped us appeal to customers through that positive image. We also made a significant effort to manage our dealership with the 4S initiative. The 4S program stands for 'Sales, Service, Survey and parts Storage' and it was established to alleviate concerns within the after-sales service network. We also provided support to motivate each dealer to strive to penetrate the market.

However, the most important factor in our success was the extensive support from HMC to foster BHMC as a strategic center of BHMC's global operations, as well as organic collaboration with our local partners and the collaboration with the worker's union in allowing flexible production in response to changing market demands.

**A strong partnership with local communities is often essential in ensuring strong growth. What is BHMC's social contribution plan for strengthening its link with the local community?**

'Be a respected corporate citizen by contributing to the better life of Chinese citizens' is the BHMC's motto for its social contribution activities, and we are focusing on three core areas including educational support, environmental protection and disaster relief. In terms of educational support, we are operating a scholarship scheme and are providing computers and vehicles for educational use. For environmental protection, we are focusing on tree planting in the Beijing area to convert areas in the local environment damaged by industrialization into green zones. We are also supporting tree planting in Inner Mongolia to assist in the prevention of desertification.

Disaster relief is another important social contribution area especially with the recent increase in large scale natural disasters in China. In 2003, we provided free vehicles to aid the SARS management effort. Other disaster relief activities have included the provision of a relief fund and vehicle support for earthquake victims in Sichuan and the provision of tents for temporary shelters in Waisha, Chenghai. BHMC will continue to increase its social contribution activities in order to become a respected company in the eyes of the Chinese public and will continue its growth in conjunction with the local community.



# 2010 Sustainability Report Review Committee Statement



HMC continues to strengthen stakeholder engagement endeavors at various levels, including reports, dialogues, and partnerships. In 2007, for the first time in Korea, it set up an Independent Committee for Sustainability Report Review and included the review outcomes in its report. In 2008, the company organized a stakeholder dialogue to facilitate communication between its management and the stakeholders. In 2009, the Sustainability Report Verification Committee (hereinafter referred to as "the committee") was put together for a more robust and systematic review of the report. The second year the committee was put into action was 2010.

### Committee Objective

The objective of the committee is to perform an independent and comprehensive review of the 2010 HMC Sustainability Report and all related activities, as well as to present recommendations for future improvements.

### Principles of Review

To achieve the aforementioned objective, the committee applied the AA1000 Accountability Principles Standard ("AA1000APS") and referred to GRI G3 Guidelines for committee operation and opinion formulation.

The three principles of AA1000APS are as follows.

- **Foundation Principle of Inclusivity:** are stakeholders engaged in the organization's strategic response to and execution of sustainability obligations?
- **Principle of Materiality:** are issues relevant and important to the organization and stakeholders being addressed?
- **Principle of Responsiveness:** are stakeholder issues that impact sustainable management performance being addressed?

### Scope of Review

The scope of the review conducted for effective opinions includes the following.

- Contents of the 2010 Sustainability Report
- Content selection process for the 2010 Sustainability Report
- Strategies, processes, management systems and activities of HMC related to the report

### Committee Operation and Activities

All activities of the committee were based on its operating guidelines. The committee was run independently by the Business Institute for Sustainable Development, with its members presenting opinions in individual capacities, not as representatives of their organizations. Though the committee did



not perform verification of the overall report preparation, it did conduct a detailed review close to the level of verification.

The committee reviewed a draft of the report and provided opinions in its first meeting. The second committee meeting comprised of interviews with management and employees, as well as on-site due diligence of 25 teams within nine division, including the Business Strategy Planning Group, the Finance Division, the Sales and Planning Division across the head office, the Ulsan plant, and the research institute. On-site due diligence focused on the report preparation process, the credibility and accuracy of the report's contents, and the sustainable management system. The third meeting was convened to review the second draft of the report based on the first two meeting's outcome. Draft of the review opinion was prepared after the third meeting and was finalized following discussions and consensus-building in the fourth meeting.

### Review Result and Recommendations

#### General

In general, the 2010 HMC Sustainability Report is systematically organized and well describes the company's direction in terms of sustainable management. The company's setting up an independent committee for a verification-level review of the report for two consecutive years speaks to the sincerity of its commitment to improving the reliability of its report.

This year's report is impressive in that various stakeholder engagements were used to identify key issues and that the company's activities are described in a very systematic manner. However, there needs to be more explanation about the impact and importance of the selected material issues on the company and its sustainability.

#### Sustainable management status

Overall governance for sustainable management is well established, i.e. UN Global Compact, CSR Committee, stakeholder dialogues, and the Ethics Committee. However, there seems to be little lack of understanding about sustainable management in a few areas and the company is therefore advised to strengthen relevant staff training. In addition, given the social significance of the CSR Committee, we expect more detailed descriptions of its activities in the next report.

#### Financial performance

Financial performance of HMC, in general, has improved compared to the previous year and relative to its competitors despite the global economic recession. Although the overall sales declined very slightly due to reduced export volume, while operating income increased significantly, showing improvements in profitability.



This report is particularly informative as it details the company's growing economic status as a global player. Description of improvements in the global production system includes status, capacities, and contributions of the overseas plants, while global sales figures are broken down into regional contributions. Management performance data is supported by background information for better understanding of the stakeholders.

However, lack of a detailed description on long-term strategic response to the management environment leaves room for improvement. In other words, more specific information on the company's projections of the global market changes in the next two to three years and the basis for the projections, as well as its scenarios and strategies would be very helpful in understanding and predicting the company's financial performance in a mid-to-long term perspective. Another area of regret is the discussion of quality management. While the report highlights only the customers, internal and external stakeholders should also be brought into the picture, as they are impacted by the approach. More detailed explanations of the status of quality management would be desirable.

#### Environmental performance

This report classifies the company's environmental management activities into climate change, use of sustainable resources, hazardous materials, air quality, and biodiversity. Climate change, one of the most important global concerns, is covered with a sufficient amount of in-depth information. In particular, greenhouse gas reduction methodologies are identified for each stage of the entire vehicle process and the company's endeavors and outcomes are disclosed with qualitative and quantitative data. For instance, the report introduces Blue Drive, the company's low-carbon green technology development scheme, and provides status on futuristic vehicle development projects such as electric and hydrogen vehicles. Such information goes beyond simply addressing stakeholder curiosity but builds trust in the future of HMC. It will be good to have broad description of any impact the company's R&D has on the national energy system or local energy consumption, as well as of any joint research projects with other public or private organizations.

One area for improvement is that currently the report only indicates aggregate environmental data, including emissions, at a company level. However, given the global, as well as the local, nature of environmental concerns, disclosure of more specific data by business site would be desirable. Systematic collection and accumulation of diverse and accurate data at the production sites is important for obtaining reliable environmental information. Through on-site due diligence during the verification period, we were able to witness the company's systematic management of environmental data, and we look forward to reading more about the company's environmental information management system in the future reports.

#### Social performance

#### • HR organization and education

HMC is stepping up efforts to ensure fairness in HR decisions, to introduce a rational compensation system, to collaborate with the UN Global Compact for human rights protection, talent development, welfare improvement, and health and safety enhancement. The company also recognizes employees as important assets for corporate growth. However, explaining the link between its HR policies and sustainable management would have to come first to create context for the specific activities and to enhance reliability.

We also expect to read more about staff diversity programs and progress in addition to the company's ongoing efforts in the area of biodiversity. In other words, the many activities in terms of female workers, disabled workers, aged workers, and poor performing employees are not fully described in the report. Our recommendation is to aggregate these activities into the framework of social diversity and to share the progress and future challenges in the next report.

#### • Labor-management collaboration

The report describes the company's deep commitment to restoring trust and collaboration between labor and management through schemes such as setting up a mid-to-long-term roadmap for labor relations improvement, organizing regular dialogues, hosting friendship events, and establishing a labor-management experts committee. We would also like to ask the company to share in greater detail its exemplary collaboration activities with partner companies. Another recommendation is for the company to provide a more specific description of the significant improvements in the quality of the management-labor dialogue, achieved by constituting reasonable leadership of the labor union.

#### • Social contributions

The company's shift from simple charity to customized programs for various recipients is very meaningful as they aim to make fundamental and lasting changes in the lives of the beneficiaries. The report also provides a good update of the company's social contributions in local and overseas arenas. We expect to read about more active endeavors linked to the company's philosophy and vision.

#### Conclusion

Ensuring higher reliability becomes more important than ever for HMC as its brand value and reputation. We advise the company to continue to expand the scope of the report to include sustainable management activities in the overseas sites for higher reliability of the report.

# GRI Index

Our sustainability report has been written in line with GRI guidelines since 2003. The table shows where to find information that correspond with each GRI Indicator and provide indications of how the contents of the report are in line with the GRI index.

No.	GRI Indicator Description	Page
<b>Strategy and Analysis</b>		
1.1	Statement from senior decisionmaker about the relevance of sustainability to the organization	4~5
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<b>Organizational Profile</b>		
2.1	Name of the organization	2~3
2.2	Primary brands, products, and services	2~3
2.3	Operational structure of the organization	2~3
2.4	Location of organization's headquarters	2~3
2.5	Number and names of countries where the organization operates	2~3
2.6	Nature of ownership and legal form	2~3
2.7	Markets served	2~3
2.8	Scale of the reporting organization	2~3, 24~25
2.9	Significant changes during the reporting period	—
2.10	Awards received in the reporting period	88
<b>Report Parameters</b>		
3.1	Reporting period for information provided	cover, report profile
3.2	Date of most recent previous report	cover, report profile
3.3	Reporting cycle	cover, report profile
3.4	Contact point for questions regarding the report or its contents	89
3.5	Process for defining report content	cover, report profile
3.6	Boundary of the report	cover, report profile
3.7	State any specific limitations on the scope or boundary of the report	cover, report profile
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities	cover, report profile
3.9	Data measurement techniques and the bases of calculations	cover, report profile
3.10	Explanation of any re-statements of information provided in earlier reports	cover, report profile
3.11	Significant changes from previous reporting periods	cover, report profile
3.12	Table identifying the location of the Standard Disclosures in the report	86~87
3.13	Policy and current practice with regard to seeking external assurance	82~85
<b>Governance, Commitments, and Engagement</b>		
4.1	Governance structure of the organization	12~13
4.2	Whether the Chair of the highest governance body is also an executive officer	12~13
4.3	State the number of members of the highest governance body	12~13
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	12~13
4.5	Linkage between compensation for members of the upper management and the organization's performance	12~13
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	12~13
4.8	Internally developed statements of mission and principles	8~11
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4.11	Explanation of whether and how precautionary approach or principle is addressed	8~13
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4.15	Basis for identification and selection of stakeholders with whom to engage	14~17
4.16	Approaches to stakeholder engagement, including frequency of engagement	14~17
4.17	Key concerns that have been raised through stakeholder engagement	14~17

No.	GRI Indicator Description	Page
<b>Economic</b>		
<b>5.1 Management Approach and Performance Indicators</b>		
EC1	Direct economic value generated and distributed	22~25
EC2	Financial implications for the organization's activities due to climate change	31~42
EC3	Coverage of the organization's defined benefit plan obligations	60
EC4	Significant financial assistance received from government	—
EC5	Range of ratios of standard entry level wage compared to local minimum wage	—
EC6	Policy, practices, and proportion of spending on locally-based suppliers	71~73
EC7	Procedures for local hiring and proportion of local senior management	55~56
EC8	Development and impact of infrastructure investments and services provided	74~81
EC9	Understanding and describing significant indirect economic impacts	26~27
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<b>5.2 Management Approach and Performance Indicators</b>		
EN1	Core Materials used by weight or volume	cover,HMC in figures
EN2	Percentage of materials used that are recycled input materials	45
EN3	Direct energy consumption by primary energy source	40
EN4	Indirect energy consumption by primary source	40
EN5	Energy saved due to conservation and efficiency improvements	40
EN6	Reductions in energy requirement as a result of energy-efficient or renewable energy initiatives	40
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	39~42
EN8	Total water withdrawal by source	45
EN9	Water sources significantly affected by withdrawal of water	—
EN10	Percentage and total volume of water recycled and reused	45
EN11	Location and size of areas of high biodiversity value	—
EN12	Description of significant impacts of activities on biodiversity	51
EN13	Habitats protected or restored	51
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	51
EN15	Number of IUCN Red List species and national conservation list species	—
EN16	Total direct and indirect greenhouse gas emissions by weight	39~40
EN17	Other relevant indirect greenhouse gas emissions by weight	39~40
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	39~42
EN19	Emissions of ozone-depleting substances by weight	46
EN20	NOx, SOx, and other significant air emissions by type and weight	50
EN21	Total water discharge by quality and destination	cover,HMC in figures
EN22	Total weight of waste by type and disposal method	45
EN23	Total number and volume of significant spills	—
EN24	Weight of exported, imported, transported, or treated hazardous waste under the terms of Basel Convention Annex	—
EN25	Identity, size, and protected status of water bodies and related habitats	—
EN26	Initiatives to mitigate environmental impacts of products and services	32~38
EN27	Percentage of products sold and their packaging materials	—
EN28	Monetary value of significant fines for noncompliance with environmental regulations	—
EN29	Significant environmental impacts of transporting products and other goods	41
EN30	Total environmental protection expenditures and investments	cover,HMC in figures
<b>Social Labor Practices and Decent Work</b>		
<b>5.3 Management Approach and Performance Indicators</b>		
LA1	Total workforce by employment type, employment contract, and region	55~56
LA2	Total number and rate of employee turnover by age group, gender, and region	—
LA3	Benefits provided to full-time employees	60

No.	GRI Indicator Description	Page
LA4	Percentage of employees covered by collective bargaining agreements	58
LA5	Minimum notice period(s) regarding operational changes	—
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	—
LA7	Rates of injury, occupational diseases, lost days, absenteeism, and fatalities	62~63
LA8	Programs to assist workforce members, their families, or community members regarding serious diseases	62~63
LA9	Health and safety topics covered in formal agreements with trade unions	62~63
LA10	Average hours of training per year per employee	59
LA11	Programs for skills management and lifelong learning	60
LA12	Percentage of employees receiving regular performance and career development reviews	—
LA13	Composition of governance bodies and breakdown of employees per category	55~56
LA14	Ratio of basic salary of men to women by employee category	—
<b>Human Rights</b>		
HR1	Percentage and total number of significant investment agreements that include human rights clauses	—
HR2	Percentage of significant suppliers that have undergone screening on human rights and actions taken	—
HR3	Total hours of employee training on policies/procedures concerning aspects of human rights	57
HR4	Total number of incidents of discrimination and actions taken	—
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining	58
HR6	Operations identified as having risk for incidents of child labor and measures taken	57
HR7	Operations identified as having risk for incidents of forced or compulsory labor and measures taken	57
HR8	Percentage of security personnel trained in the organization's policies or procedures	—
HR9	Total number of violations involving rights of indigenous people and actions taken	—
<b>Society</b>		
S01	Effectiveness of any programs/practices that assess and manage the impacts of operations	74~81
S02	Total number of business units analyzed for risks related to corruption	—
S03	Percentage of employees trained in organization's anti-corruption policies	12~13
S04	Actions taken in response to incidents of corruption	—
S05	Public policy positions and participation in public policy development and lobbying	—
S06	Total value of financial and in-kind contributions to political parties/politicians related institutions	—
S07	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practice and their outcomes	12~13
S08	Monetary value of significant fines for noncompliance with regulations	—
<b>Product Responsibility</b>		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement	68~69
PR2	Total number of non-compliance incidents with regulations concerning health and safety	—
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PR5	Practices related to customer satisfaction including survey results on satisfaction	64~67
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PR9	Monetary value of significant fines for non-compliance with laws concerning the provision and use of products and services	—



No.	GRI Indicator Description	Page
<b>UNGC Communication on Progress</b>		
<b>Human rights</b>		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	<b>sustainability management</b>
Principle 2	Make sure that they are not complicit in human rights abuses.	Sustainability management structure 8~11 Ethical management and corporate governance 12~13
HMC fully respects the Universal Declaration of Human Rights, and we have established internal policies and devices to promote human rights including the ethics charter and the employee code of conduct. Details on HMC's policies and philosophy that are relevant to human rights promotion and personal development support can be found at the company's webpage ( <a href="http://audit.hyundai.com">http://audit.hyundai.com</a> ). HMC's management philosophy, CSR charter, and global environmental management philosophy also support HMC's pursuit of mutual benefit and prosperity with all stakeholders.		
<b>Labor Standards</b>		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<b>society</b> Employee 58
Principle 4	the elimination of all forms of forced and compulsory labor;	
Principle 5	the effective abolition of child labor; and	
Principle 6	the elimination of discrimination in respect to employment and occupation.	
HMC respects the freedom of association and the right to collective bargaining, and abides the labor laws of the countries in which we operate, as well as the International Labor Standards created by the International Labour Organization. HMC strictly abides by minimal age requirements when hiring new employees, and all HMC employees have joined the organization of their free will. Employees are compensated fairly for the work they have conducted at respective operation sites as stated in the agreed terms and conditions of their contract and in conjunction with local laws and regulations.		
<b>Environment</b>		
Principle 7	Businesses should support a precautionary approach to environmental challenges;	<b>sustainability management</b>
Principle 8	should undertake initiatives to promote greater environmental responsibility; and	Environmental Management 9
Principle 9	should encourage the development and diffusion of environmentally friendly technologies.	<b>environment</b> 28~51
HMC fully recognizes the importance of good environmental management as a core requirement for success and is fully committed for preemptive action to tackle environmental issues. HMC's proactive stance on environmental issues is clearly stated in the Global Environmental Management Policy announced in 2003. This year's sustainability report contains much information on positive achievements due to HMC's preemptive actions on tackling climate change, depletion of natural resources, hazardous materials, and air emissions. HMC is focusing on the Blue Drive initiative that is focused on vehicle CO2 emissions and the development and widespread use of low carbon green technologies.		
<b>Anti-Corruption</b>		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	<b>sustainability management</b>
HMC does not condone corruption in all its forms, including extortion and bribery. HMC's policy against corruption is well stated in the ethics charter and employee code of conduct. The purchasing division has established its own ethics charter to further discourage corruption. The ethics committee, which consists of outside directors, was created in 2007, to increase independent monitoring and supervision of transparency in internal business transactions and regulation compliance. We are also conducting employee training on a regular basis to promote higher internal ethical standards and we operate a cyber audit office to minimize corruption. Such efforts contributed to our 'AA' rating on fair trade practices in 2009, awarded by the Fair Trade Commission, which is the highest rating given. In recognition of our good work in fair trade compliance, the Fair Trade Commission awarded HMC with the 'Best' rating in 'Implementation of Fair Trade Agreements with Suppliers' category.		

## Reference Materials



2002/2003

2003/2004

2005

2006

2007

2008

2009

2002/2003	Sustainability Report
2003/2004	Sustainability Report
2005	Sustainability Report
2006	Sustainability Report
2007	Sustainability Report
2008	Sustainability Report
2009	Sustainability Report

## Memberships and Sponsorships

- UN Global Compact, UN Global Compact Korea Network
- Business Institute for Sustainable Development
- Korea Environmental Management Association
- Korea Society for Life Cycle Assessment
- Boston College Center for Corporate Citizenship
- The 3rd C40 Large Cities Climate Summit
- UNEP Tunza International Children and Youth Conference on Environment
- 2010 B4E (Business for Environment)

## List of Awards Received

- |              |   |
|--------------|---|
| <b>Korea</b> | <ul style="list-style-type: none"><li>• 'Best' rating in 'Implementation of Fair Trade Agreements with Suppliers' in 2009, awarded by the Fair Trade Commission</li><li>• Prime Minister's Award at the First National Green Tech Awards (Feb. 2010) for the development of LPI hybrid system</li></ul>   |
| <b>US</b>    | <ul style="list-style-type: none"><li>• Highest score on the '2009 Initial Quality Survey' by JD Power</li><li>• Selected as the 'Most Reliable Auto Company' by the Consumer Reports</li><li>• Genesis wins '2009 North American Car of the Year' at the North American International Auto Show</li><li>• Tau Engine - 'Ward's 10 Best Engines' award</li><li>• Sonata - ACEEE's "Green Choices 2010"</li><li>• Sonata and Elantra - 'Fuel Economy Leaders' by EPA</li></ul> |
| <b>UK</b>    | <ul style="list-style-type: none"><li>• i30 - the 'Most Satisfying Car in Britain to Own'</li></ul>   |
| <b>China</b> | <ul style="list-style-type: none"><li>• Yuedong (Elantra) and Tucson - ranked first in customer satisfaction rating in 2009 survey by the China Association for Quality</li></ul>   |
| <b>India</b> | <ul style="list-style-type: none"><li>• HMI - '2009 Automaker of the Year' by NDTV Car &amp; Bike India</li><li>• i10, Getz and Accent - Highest customer satisfaction rating in 2009 TNS Automotive survey</li></ul>   |

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