

# HYUNDAI MOBIS



Sustainability Report 2019

HYUNDAI MOBIS Puts our Future and Environment First.



# CONTENTS

CEO Message	04
Corporate Profile	06
Global Network	08
CSR Management and Performance	10
Sustainable Value Chain	12
Sustainability Highlights	14

## About this report

### Reporting Outline

Hyundai Mobis has published sustainability reports on plans and progress related to its economic, social and environmental responsibility for stakeholders since 2010. In order to reflect stakeholders' needs and expectations, we select the topics and areas for reporting through materiality tests conducted on the stakeholders. In this report as well, we highlight our efforts and performance in select areas of interest to our stakeholders.

### Reporting Period

This sustainability report covers our operations from January 1, 2018 to December 31, 2018. For quantitative reporting, it includes data from 2016 to 2018. When it comes to important areas of performance outside the reporting period, the issues up to the first half of 2019 were covered.

### Reporting Boundary

The report covers the sustainability practice of Hyundai Mobis, including its headquarters, domestic manufacturing sites, R&D centers and business sites. For overseas business sites, it only includes certain information such as GHG emissions, energy consumption, data on local employees, and local sales. The data range in this report is 100% for domestic business operations and 48% for domestic and overseas business operations.

### Reporting Guidelines

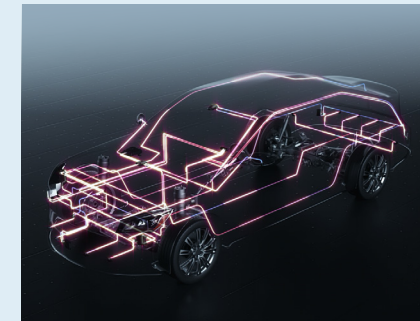
This report has been prepared according to the core guidelines of Global Reporting Initiative (GRI) Standards. We also referred to the principles of ISO 26000, UN Global Compact. Financial information is the basis of consolidation and reporting criteria and definitions are in accordance with K-IFRS. Both financial and non-financial information is presented based on our fiscal years in accordance with the internal disclosure system, and data on energy consumption and GHG emissions are reported based on the results of verification. All major changes in information are noted separately.

### Reporting Assurance

The objectivity and credibility of this report, in terms of its preparation process, disclosed data and contents, have been verified through third-party assurance of DNV GL. The detailed assurance statements are included in the Appendix of the report.

For inquiries regarding this report please contact the  
CSR Team, Hyundai Mobis (+82. 2. 2018. 6200/ MOBISCSR@mobis.co.kr)

## Material Issues



18p Issue & Case 1.  
Sustainable Production



30p Issue & Case 2.  
Win-Win Partnership  
with Suppliers



38p Issue & Case 3.  
Strengthening Social  
Contribution

## Corporate Achievements

Customers	48
Employees	52
Supply Chain Management	58
Environmental Management	60
Safety and Health	64

## Governance

Corporate Governance	68
Compliance · Ethical Management	70
Risk Management	74
Commitment to Human Rights	78
Materiality Test	79
Communication with Stakeholders	80

## Appendix

Management Performance	82
Environmental & Safety Performance	83
Social Performance	86
UN Global Compact	90
Awards & Memberships	90
GRI Standards Index	91
Independent Assurance Statement	94
GHG Assurance Statement	96

## Lifetime Partner in Automobiles and Beyond

Guided by our business philosophy that aims to improve human existence by creating a new future through ingenious thinking and continuous innovation, Hyundai Mobis is committed to leading the way in future automotive solutions as a global company. We will continue to deliver innovation in transportation with unparalleled quality and service, fulfill our social responsibility, and drive sustainable growth together with our stakeholders.



## CEO Message

Hyundai Mobis promises to carry out our responsibilities and roles as a trusted partner towards creating a sustainable future.



President & CEO Hyundai Mobis Chung Kook Park

Distinguished stakeholders,

In 2018, Hyundai Mobis focused on enhancing our company's internal competitiveness against the backdrop of difficult business environments at home and abroad, while making efforts toward sustainable growth through active sales activities. As a result, we recorded KRW 35,149.2 billion in sales last year. We expect that the global automobile industry paradigm will shift faster than ever with an even more competitive environment in 2019. In this era of technological innovation driven by AI, robotics, 5G and IoT, how we secure these convergence technologies and integrate mechanics with software will determine our competitiveness in the future. In keeping with this trend, we are continually innovating our business operations to gain competitive advantages in the market and drive sustainable growth. The year 2019 will mark new beginnings in our efforts towards becoming a global leader through innovation. To this end, Hyundai Mobis has set the following goals as a priority in our sustainable management drive.

**First, we will consolidate the foundations for sustainable growth and secure new growth engines for the future.**

In order to take a leadership position in the future automobile market, Hyundai Mobis is leveraging the resources we have to pursue technological innovations like autonomous driving, connectivity, and an eco-friendly electrification system, and gain a competitive advantage in the market. We are also diversifying our efforts to further strengthen technological leadership and build a strategic and collaborative system with business startups, colleges, and tech. experts. Based on technological competency and strong commitment of our dedicated and talented employees, we promise to forge ahead as a leading technological innovator in the industry.

**Second, we will strive to develop eco-friendly product technologies and operate our businesses without environmental pollution.**

Hyundai Mobis is deeply committed to the company's environmental responsibilities and strives to develop and supply key auto parts for eco-friendly automobiles, from electric automobiles to hydrogen automobiles. In February 2019, we developed an eco-friendly "Hydrogen Emergency Power Generation System" based on the core technology of a hydrogen vehicle and applied it to our operations for the first time in the world. In addition to producing key parts for hydrogen vehicles, we are working on integrating sustainability into the entire production process. This achievement was driven by our commitment towards green technology and the future generations.

**Lastly, we will continue to pursue a focused approach in meeting our commitments towards society, and have placed it as our top priority.**

In order to fulfill our corporate social responsibilities, we are incorporating compliance management and a transparent management system of global standards into our practice. With such social contribution initiatives as "Transparent Umbrella Campaign, Junior Engineering Class", and "Mobility Support for Children with Disabilities", we have systematically aligned CSR with our business operations. With the Transparent Umbrella Campaign in particular, we were able to reduce traffic accidents involving children by up to 30%. This has been the result of sincere efforts by Hyundai Mobis and our stakeholders to create a safer transportation environment for children who are our future and hope. As such, Hyundai Mobis will continue to address problems facing society and create positive values working with our valued stakeholders.

Distinguished stakeholders!

With so much interest and goodwill from you, we have been able to grow into a sound company achieving economic, environmental, and social growth. Hyundai Mobis promises to continue to carry out our responsibilities and roles as a trusted partner in the automotive ecosystem towards creating a sustainable future.

We greatly appreciate your continued interest and support.

Thank you.

## Corporate Profile

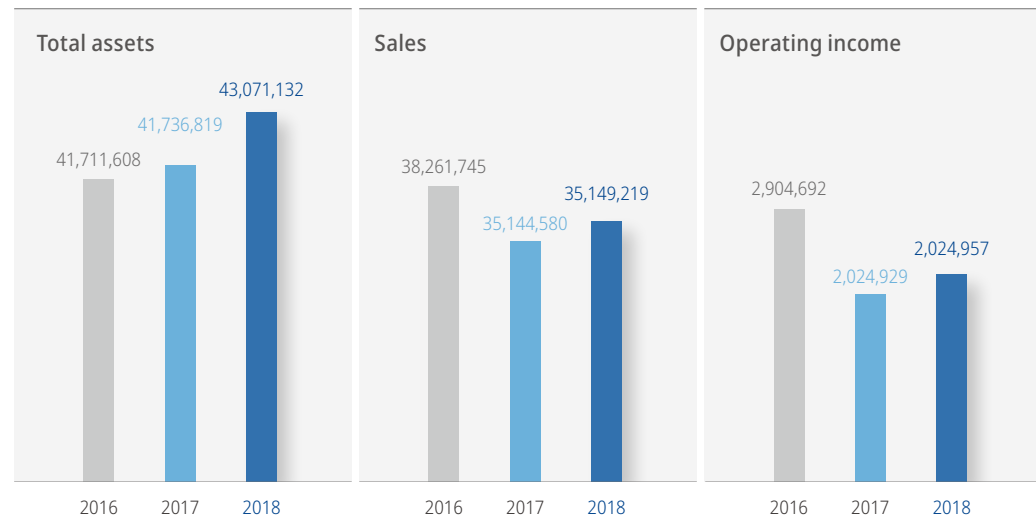
The performance of an automobile depends on its parts.

An automobile is more than just a means of transportation. It has become an essential part of our life. As the importance of automobiles continues to grow, auto parts will serve as the key to a vehicle's performance and determine its quality. Since Hyundai Mobis' establishment in 1977, we have produced and supplied automobile modules, core components, and aftermarket service parts, and were ranked 7th among the global auto parts companies in 2018. Now, we are working with such groundbreaking technologies as autonomous driving, connectivity, and electrification to create a new future for automobiles.

Company Name	Hyundai Mobis Co., Ltd.
Headquarters	203 Teheran Road (Yeoksam-dong), Gangnam-gu, Seoul, Korea
President&CEO	Chung Kook Park
Establishment	June 25th, 1977
Business Type	Core Parts and Module Parts Manufacturing, Aftermarket Service (AS) Parts

### Financial Performance

Unit: KRW million



Classification	2016	2017	2018
Total assets	41,711,608	41,736,819	43,071,132
Shareholders' equity	491,096	491,096	491,096
Liabilities	13,153,619	12,377,861	12,367,704
Sales	38,261,745	35,144,580	35,149,219
Gross profit	5,295,726	4,465,218	4,567,004
Operating income	2,904,692	2,024,929	2,024,957
Earnings before taxes	4,111,171	2,734,383	2,474,883
Corporate tax	1,063,889	1,176,660	586,677
Net income	3,047,282	1,557,723	1,888,206



## Business Divisions and Sales

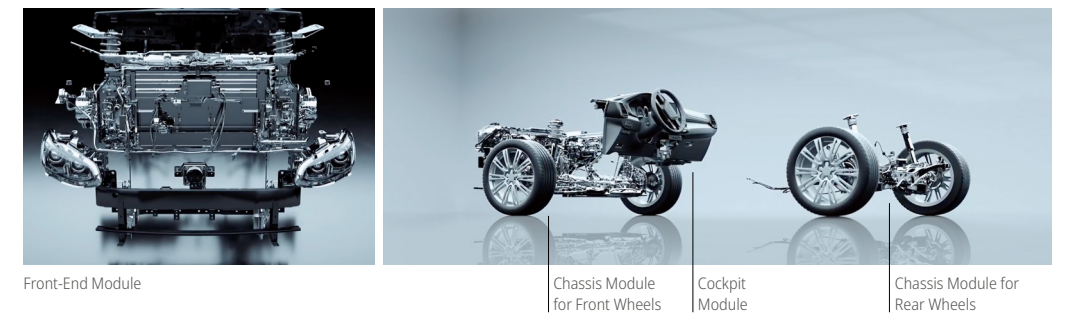
### Core Parts Manufacturing

Hyundai Mobis mobilizes all our available resources to develop core parts that minimize environmental impact while yielding top performance. As supplier of parts for next-generation side radar and steering wheel-mounted displays, Hyundai Mobis's technological expertise has been amply recognized in the global market. Going forward, we will continue to invest in technological innovation to strengthen our position in the future automotive technology and electric vehicle market.



### Module Parts Manufacturing

Hyundai Mobis supplies three key modules - chassis modules, cockpit modules and front-end modules - utilizing its cutting-edge vehicle modularization technology. In collaboration with carmakers, the advanced module parts produced at Hyundai Mobis are perfected from the very first stage of R&D, through design and testing. Currently, we have production bases in China, U.S, India and Europe. These production bases have allowed us to increase local production and strengthen competitiveness in emerging markets around the world.



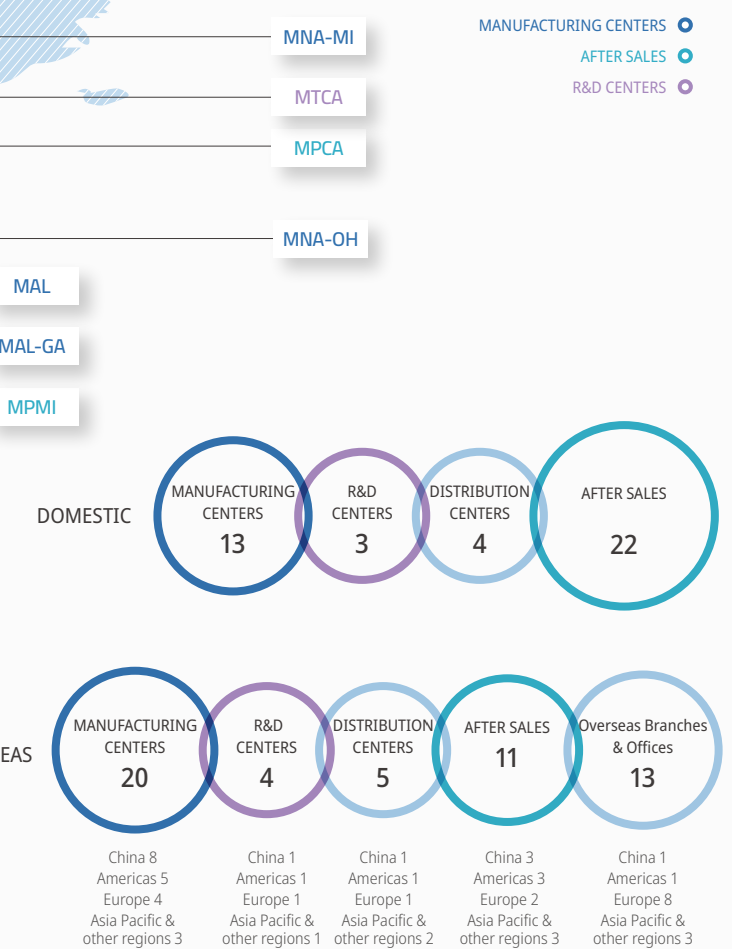
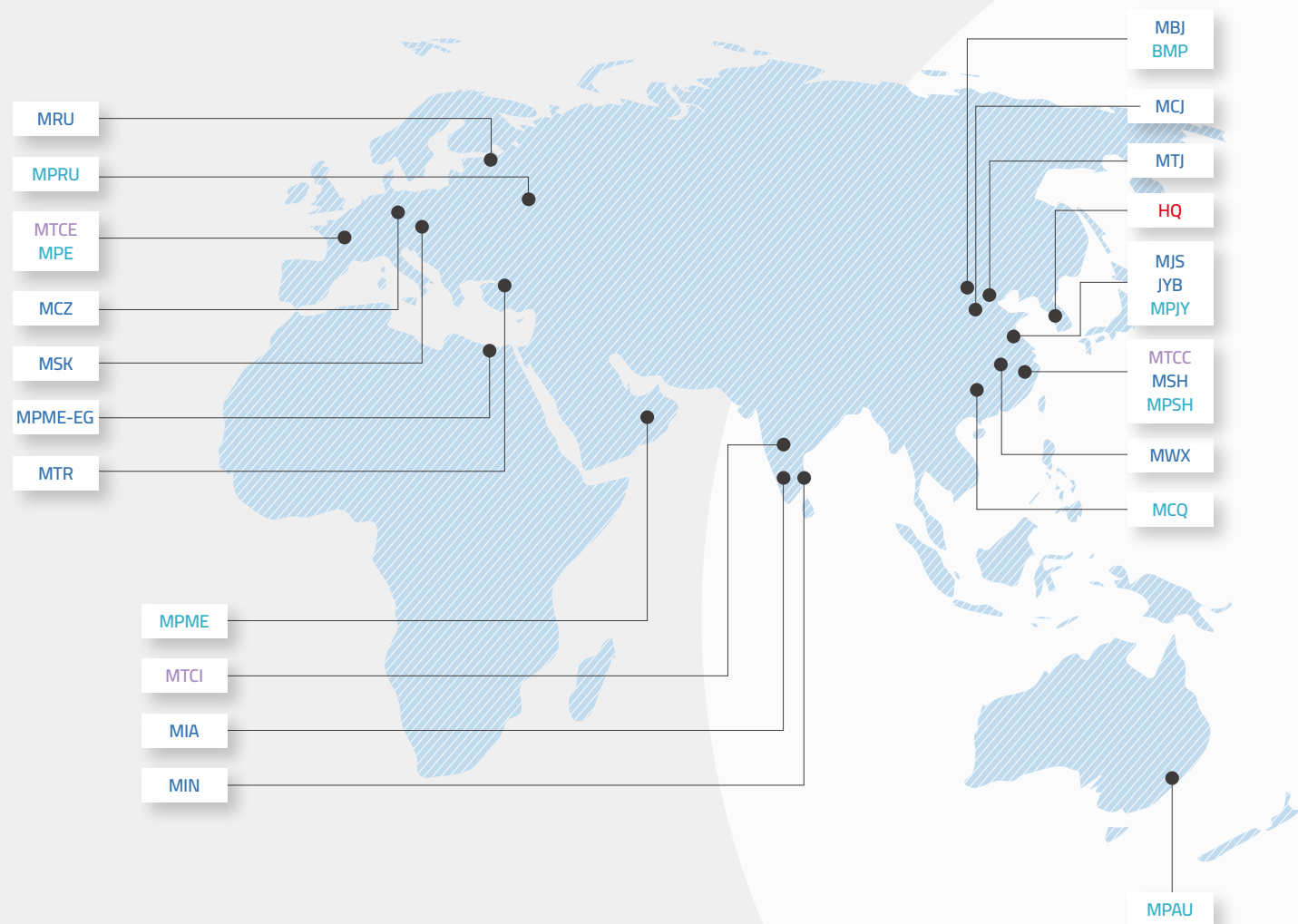
### Aftermarket Service (AS) Parts

Hyundai Mobis is responsible for the supply of about 2.7 million aftermarket service (AS) parts for more than 240 domestic and foreign models. To optimize the rate of parts supply for more than 59 million Hyundai and Kia Motors vehicles currently under operation, we have set up an optimal distribution network based on a big data-based demand forecast system.



## Global Network

Hyundai Mobis has established a global network to strengthen its competitiveness in order to strengthen its position as an auto parts company. We aim to go beyond our position as Korea's largest auto parts manufacturer and achieve our new target to become a 'Global Top Tier' producer.



### KOREA

HEADQUARTERS (HQ)		R&D CENTERS	
		Technical Center (Yongin) Seosan Proving Ground	Technical Center (Uiwang)
DISTRIBUTION CENTERS		MANUFACTURING CENTERS	
Ulsan Exports Logistics Center Asan Exports Logistics Center Gyeongju Logistics Center Naengcheon Logistics Center	Ulsan Plant Asan Plant Gwangju Plant Ewha Plant Anyang Plant	Seosan Plant Gimcheon Plant Jincheon Plant Poseung Plant Changwon Plant	Cheonan Plant (IP) Cheonan Plant (MEB) Chungju Plant
AUTOMOTIVE PARTS SUBSIDIARIES (AFTER SALES)			
Northern District Parts Office Western District Parts Office Gangneung Parts Office Gangneung Parts Office Chuncheon Parts Office Jinju Parts Office	Eastern District Parts Office Incheon Parts Office Southern District Parts Office Chungcheong Parts Office Jeonbuk Parts Office Andong Parts Office	Jeonnam Parts Office Seosan Parts Office Suncheon Parts Office Mokpo Parts Office Jeju Parts Office	Gyeongbuk Parts Office Gyeongnam Parts Office Busan Parts Office Pohang Parts Office Gimcheon Parts Office

### OVERSEAS

R&D CENTERS	
MTCA	Michigan, USA
MTCE	Frankfurt, Germany
MTCI	Hyderabad, India
MTCC	Shanghai, China
QUALITY CENTERS	
MQA	California, USA
MQE	Frankfurt, Germany
MQC	Shanghai, China
MQI	Delhi, India
MQME	Dubai, United Arab Emirates
OPEN INNOVATION CENTERS	
M.Cube SV	Silicon Valley, USA
M.Cube SZ	Shenzhen, China

MANUFACTURING CENTERS		AUTOMOTIVE PARTS SUBSIDIARIES (AFTER SALES)		OTHER BRANCHES & BUSINESS OFFICES	
MBJ	Beijing, China	BMP	Beijing, China	MPE-BE	Beringen, Belgium
MJS	Jiangsu, China	MPJY	Jiangsu, China	MPE-DE	Brehna, Germany
JYB	Jiangsu, China	MPSH	Shanghai, China	MPE-ES	Madrid, Spain
MSH	Shanghai, China	MPA	California, USA	MPE-HU	Budapest, Hungary
MWX	Wuxi, China	MPMI	Florida, USA	MPE-IT	Milan, Italy
MTJ	Tianjin, China	MPCA	Markham, Canada	MPE-SE	Jönköping, Sweden
MCJ	Cangzhou, China	MPE	Lummen, Belgium	MPE-UK	Tamworth, England
MCQ	Chongqing, China	MPRU	Moscow, Russia	MKLO	Kuala Lumpur, Malaysia
MAL	Alabama, USA	MPME	Dubai, United Arab Emirates	MNA-PL	Michigan, USA
MAL-GA	Georgia, USA	MPME-EG	Alexandria, Egypt	China Office	Beijing, China
MNA-OH	Ohio, USA	MPAU	Sydney, Australia	MTKO	Tokyo, Japan
MNA-MI	Michigan, USA			MHNO	Hanoi, Vietnam
MRU	Saint Petersburg, Russia				
MSK	Žilina, Slovakia				

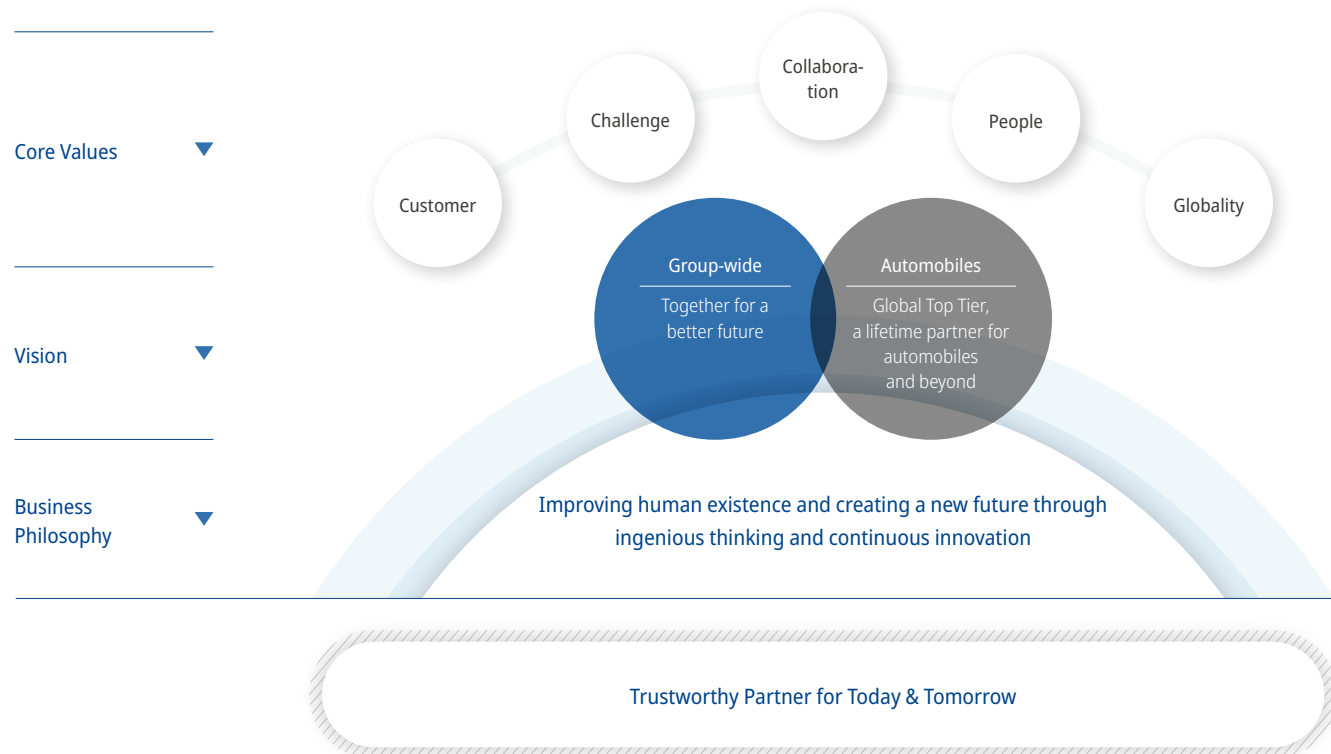
## CSR Management and Performance

### CSR Management System

In pursuing CSR, Hyundai Mobis has remained true to our business philosophy that aims to improve human existence and create a new future through ingenious thinking and constant innovation based on our vision and five core values. We are committed to becoming your 'true partner for future'.

### Core Values

Hyundai Mobis pursues the following five core values: Customer, Challenge, Collaboration, People, and Globality. While promoting a corporate culture that places employees and customers' satisfaction as the top priority, we support our employees' personal development initiatives. We encourage passion and creativity at the workplace and enable close communication and collaboration with our suppliers and other industries to create synergy. To this end, we have incorporated five core values into our daily practice.



CSR Vision	Local Communities	Partner Companies	Global Compliance Efforts	
	<b>Growing alongside local communities</b> Protection of the environment, social contribution activities, and active interaction with local communities	<b>A reliable partner</b> Fair and transparent transactions, information sharing and technology transfers	<b>A transparent company</b> Active participation, compliance with and observance of official policies and laws across the globe	
	Customers	Shareholders & Investors	Employees	Other Stakeholders
	<b>Sustainable mobility</b> Technical advancement, top-quality products, enhanced credibility, active customer communication	<b>A company to believe in</b> Transparent and stable management and maximum value for shareholders and investors	<b>Most preferred employer</b> Fair evaluations and compensation, support of competency-building initiatives, safety at the workplace, generous benefits and a pleasant working environment	<b>A leader in addressing climate change</b> Supporting global initiatives to mitigate climate change, enhancing corporate competitiveness by effectively addressing climate change

### Vision

Our goal is to make automobiles not only a means for transportation but also a lifetime partner and beyond. To this end, Hyundai Mobis will continually strive towards realizing a brighter future.

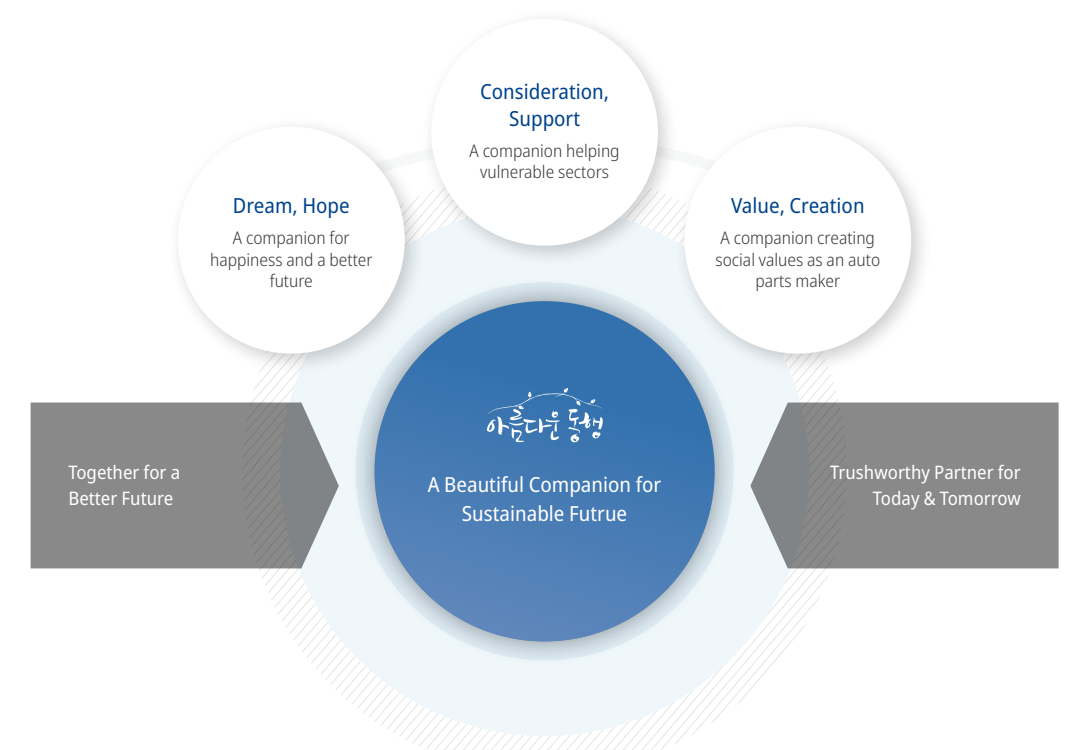
### Business Philosophy

Guided by our business philosophy that aims to improve human existence and create a new future through ingenious thinking and constant innovation, Hyundai Mobis aims to become a leading global company.

### CSR Management

With "A Trustworthy Partner for Today & Tomorrow" as our CSR strategy, Hyundai Mobis is committed to creating sustainable values as well as economic growth and sharing our success to maintain a healthy balance in terms of economy, society and the environment.

### HYUNDAI MOBIS Social Responsibility Vision and Strategy



### Social Contribution Roadmap

2008-2009	2010 - 2011	2012 - 2016	2017 - 2020
<b>Strengthening CSR activities</b>	<b>Organizing new CSR Teams and programs</b>	<b>Establishing a social contribution system (Establishment of four initiatives)</b>	<b>Enhancing the social contribution system (Establishment of six initiatives)</b>
Established the CSR Committee Joined UN Global Compact Held CSR Award Established a CSR Charter	Published a Sustainability Report Launched the Transparent Umbrella Campaign Built a GHG management system	Launched the Hyundai Mobis Forest (Meer Forest) Launched Mobility for Disabled Children and established four initiatives	Launched Hyundai Mobis Archery Class for children Launched Hyundai Mobis volunteer programs and established six initiatives
Set a vision and strategy for sustainable management			

## Sustainable Value Chain

Throughout the entire process from R&D and planning to production and disposal, we are dedicated to creating value for our stakeholders.

### R&D

In response to the new paradigm in the automotive industry and varying customer demands, we develop new market-leading products that offer social and environmental values, and create values for customers.

### Purchase

We purchase raw materials in consideration of the society and environment and share our growth with suppliers.

### Production

We are committed to minimizing environmental impact and making our workplace safer and more eco-friendly.

### Logistics

We are dedicated to supplying products that our customers need in a timely fashion.

### Use of Products

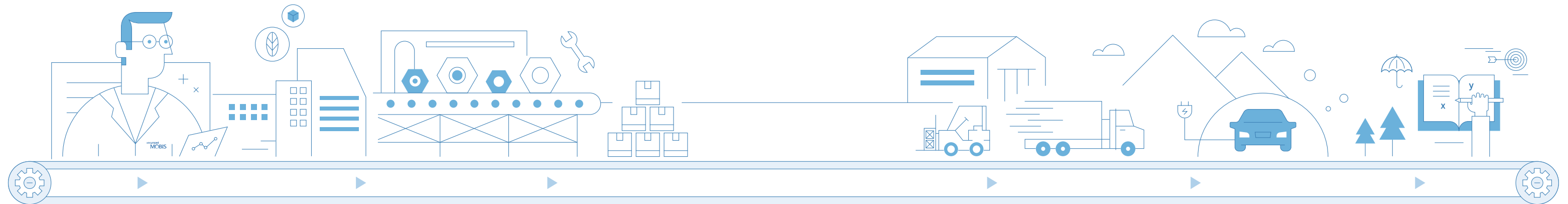
We incorporate quality assurance throughout the entire process to provide reliable products.

### Resource Recycling

We are reducing generation of wastes and increasing recyclability at the end of the product lifecycle to minimize our carbon footprint.

### Local Community

We engage in various social contribution activities in line with our business to address social problems and promote the development of the local community.



## Input Value

Financial Values	
Assets	KRW 43,071,132 million
Liabilities	KRW 12,367,704 million
Shareholders' equity	KRW 30,703,428 million

Social Values	
Number of volunteers	4,077 people
Total volunteer hours	12,564 hours

Environmental Values	
Ratio of eco-friendly product sales (to key parts sales)	19.4%

Innovation Values	
R&D cost	KRW 835,006 million

HR Values	
Training hours per person	64.6 hours
Training cost	KRW 9,248 million

## Values Created

Financial Values	
Corporate tax	KRW 586,677 million
Dividend	KRW 332,465 million
Employee wage	KRW 792,864 million
Purchase from suppliers	KRW 311,425 million
Donations to local community	KRW 27,942 million

Social Values	
Number of student participants for the Junior Engineering Class	14,963 people
Traffic accidents reduced by the Transparent Umbrellas Campaign	27%
<small>*First half of 2016 – First half of 2017</small>	
Number of children benefited by the Mobility Assistance Programs for Disabled Children and rehabilitation support	108 people
Amount of carbon absorbed by the Meer Forest	31.1tCO <sub>2</sub>

Environmental Values	
CO <sub>2</sub> reduction effects through electromotive parts (compared to emissions per gasoline-based automobile)	
- HEV (Hybrid Electric Vehicle)	74.2g/km
- EV (Electric Vehicle)	192.2g/km
- FCEV (Fuel Cell Electric Vehicle)	192.2g/km
Waste recycling rate	52.3%
Reduction of water consumption	177,754ton

Innovation Values	
Number of new employees	576 people
Average length of employment	12.9 years

HR Values	
Number of patents registered (domestic and overseas)	641 patents



## Sustainability Highlights

Hyundai Mobis is creating social, economic and environmental values based on our sustainable management system. We consistently support SDGs (Sustainable Development Goals) to fulfill our social responsibility as a corporate citizen.

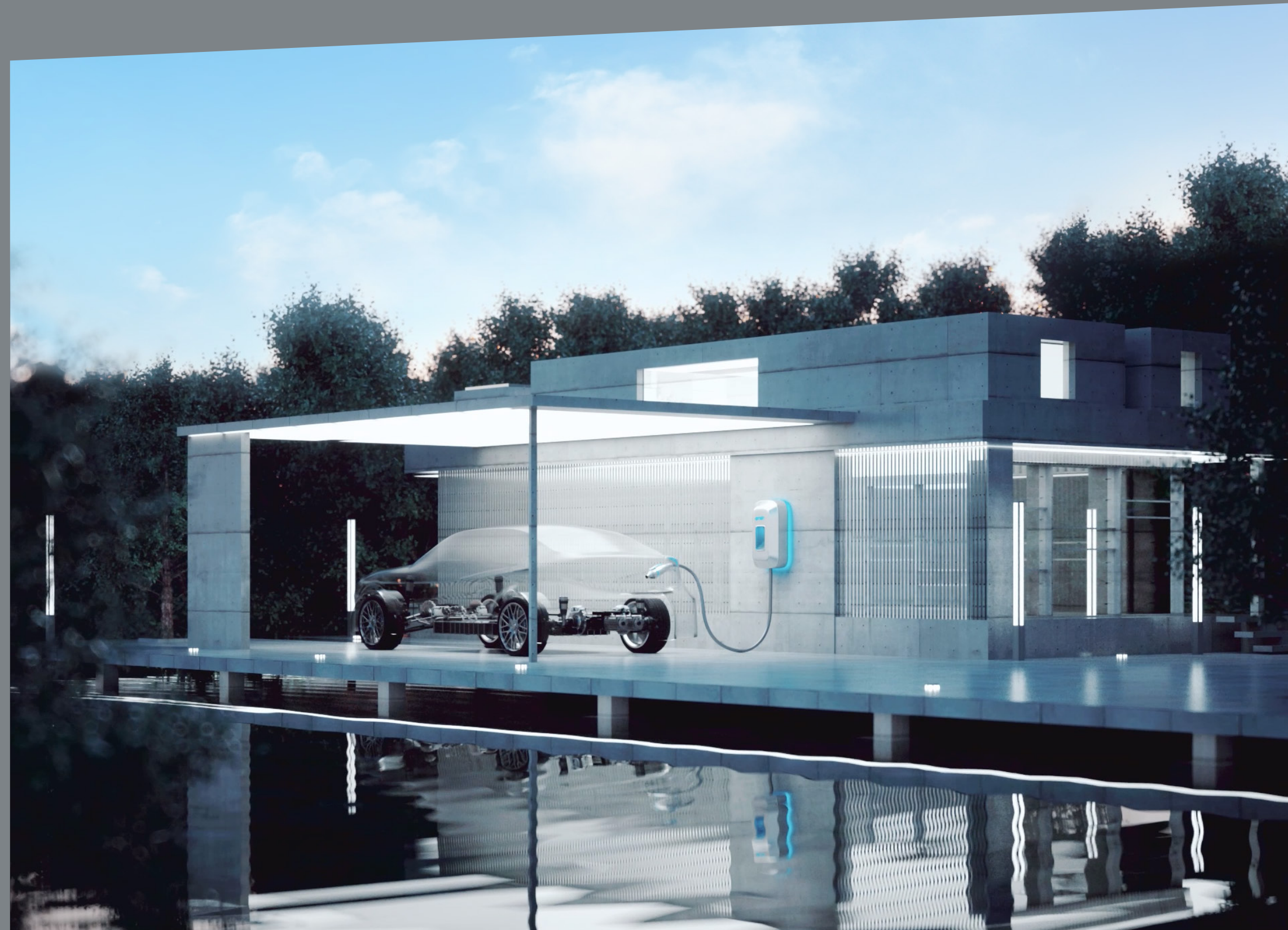
Areas of Focus		Key Issues	Goals
Environment & Safety Management		Response to climate change	Reduce energy consumption and GHG emissions
		Creating an eco-friendly working environment	Reduce water and air pollutants
			Reduce waste production intensity
Mutual Growth		Promoting CSR in the supply chain	Audit compliance in the supply chain
			Rate of CSR self-evaluation in the supply chain
		Strengthening mutually beneficial cooperation programs	Promote seminars on mutual growth
Social Contribution		Social contribution in line with business	Donate 100,000 transparent umbrellas every year
Employee Values		Training on human rights compliance with human rights guidelines	Improve the analysis of human rights and labor practice
		Employee safety and health	Internalize safety culture

2018 Performance	2019 Plan	2022 Plan	SDGs
143,476 tCO <sub>2</sub> e (domestic)	Reduced GHG emissions by 2.0% against above the government target	Reduce emissions by 10.1% against BAU in 2022	
The water pollutant intensity remains at the same level as the previous year	Reduce up to 10% against the previous year	Reduce up to 10% against the previous year	
The intensity remains at the same level as the previous year			
Completed 100%	Completed 100%	100% (remains the same)	
Introduced	Completed 50%	Completed 90%	
10 times in total	11 times in total	17 times in total	
4 times a year	6 times	8 times in total	
927,000 umbrellas since 2010	Reach 1 million umbrellas in total	Reach 1.3 million umbrellas in total	
Increased risk assessment of human rights and labor practice	96% of employees by 2019	100% of employees by 2022	
Strengthened regular inspections by subdividing the target	Conduct corporate-wide safety management inspection - 48 domestic sites (every year) - 38 overseas sites (every 3 years)	Conduct third-party inspection - Fire safety inspection (once/2 years) - Electric facilities inspection (once/2 years) - Facilities safety inspection (once/3 years) - Inspection for prevention of musculoskeletal disorders	

# MATERIAL ISSUES

Hyundai Mobis is committed to sustainable growth for “realization of its vision”, maximizing product and service quality based on “reliable partnership” with suppliers, and creating social values for the “betterment of humanity” in line with our business.

Issue & Case 1. Sustainable Product Production	18
Issue & Case 2. Win-Win Partnership with Suppliers	30
Issue & Case 3. Strengthening Social Contribution	38



# 01 Sustainable Product Production

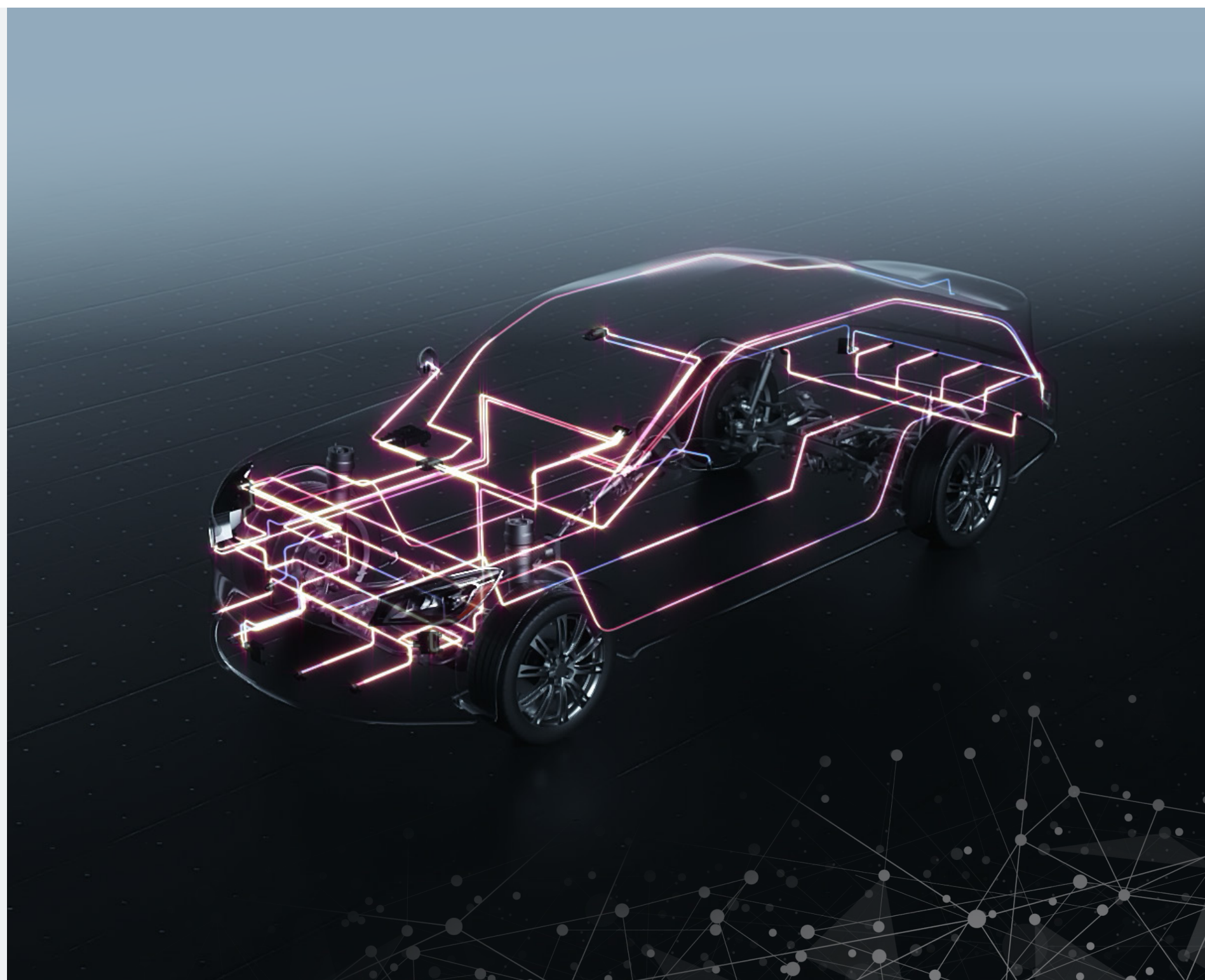
## Management Approach

### BACKGROUND

With increasing inter-industry competition, the automotive industry is faced with the need to make rapid changes on multiple fronts. In these environments, it is important to introduce new technologies and lead changes by focusing on the right choices. There is also growing consumer interest in the social and environmental impact of products. As a result, it is essential to bring innovation throughout the entire process from development to production and sales to make high-quality and competitive products.

### PRINCIPLE & STRATEGY

Hyundai Mobis is committed to leveraging its technological expertise and making its products sustainable while delivering the highest level of customer satisfaction. By improving the competitiveness of our products and applying stringent quality management throughout the entire process from R&D to sales, we keep our customers satisfied with our technology and the level of reliability we offer. With product innovation complemented by unparalleled safety and eco-friendliness, we create values for our customers.



## PERFORMANCE

Hyundai Mobis has secured the sensor technology for autonomous driving, and foster innovation in future technologies such as connectivity solutions for automobiles.



**4,126** people  
R&D workforce in 2018



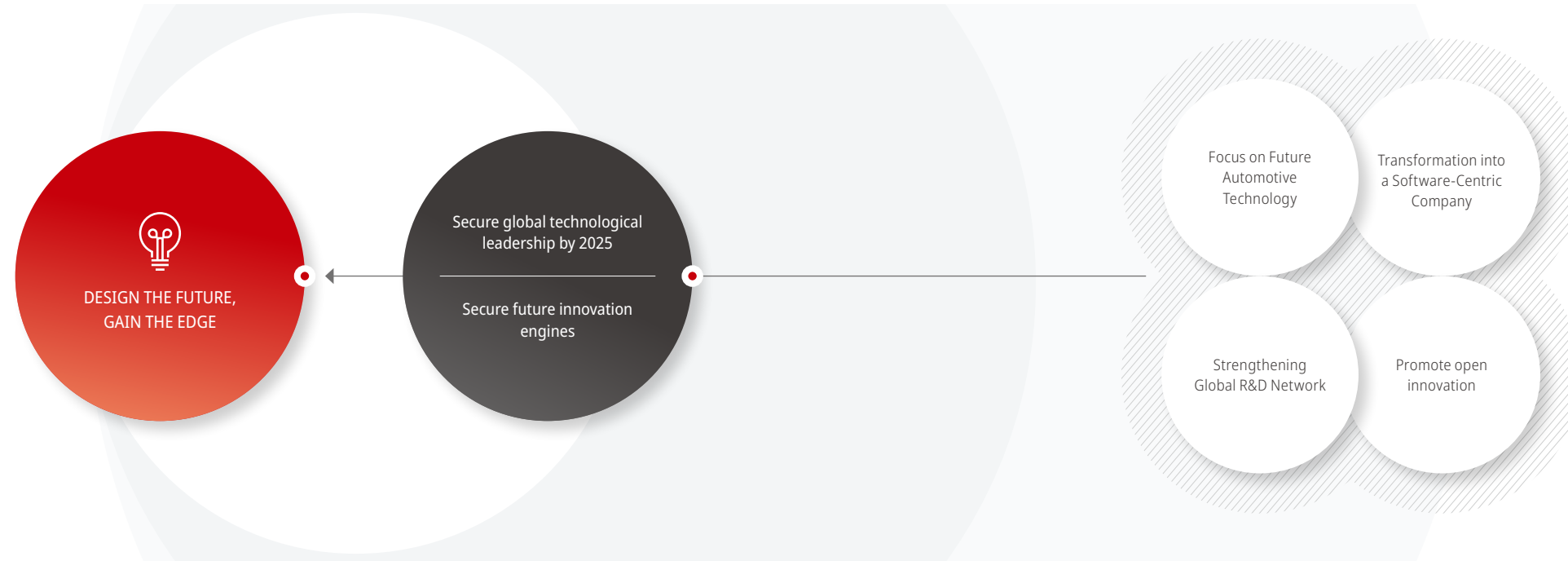
**KRW 835,006** million  
R&D investment in 2018



Developed the world's first angle-adjusting adaptive headlamp

## Product Innovation Strategy

Guided by the vision of achieving the highest level of technological expertise and reaching a leadership position in the future automotive technology by 2025, we are implementing detailed action plans. In order to focus on the development of future automotive technologies, we are transitioning into software intensive products while promoting open innovation and taking an active role in the global R&D network. Furthermore, by recruiting global talents, we are upgrading our R&D strategy and roadmap with the aim of enhancing our R&D capabilities.



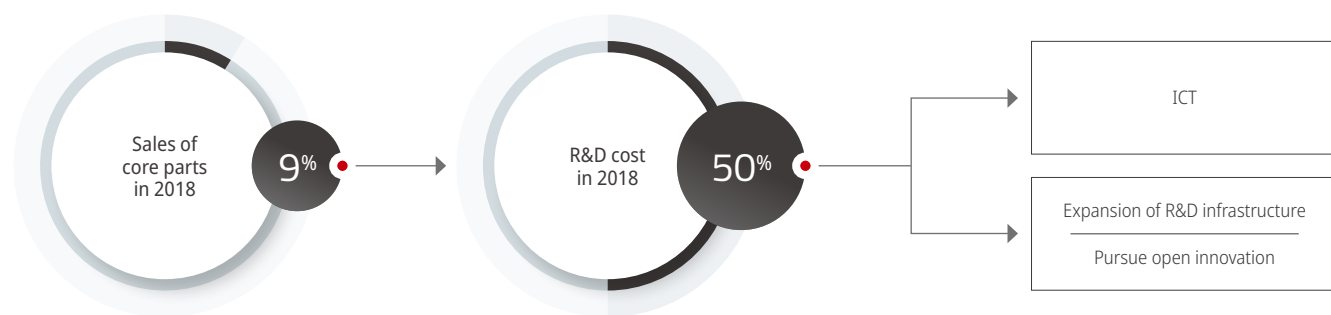
### Focus on Future Automotive Technology

We are focusing our corporate-wide resources on the development of future technologies including autonomous driving, connectivity and electrification.

### Autonomous Driving Solutions

We have developed an autonomous driving solution converged with our own DAS (Driver Assist System) and we presently are improving its safety through testing. We have established state-of-the-art test facilities with 14 test tracks in Seosan, Chungcheongnam-do in an area of 1.9 million m<sup>2</sup>. We are also operating driving test centers dedicated to testing new technologies and products around the world, including Sweden, China and New Zealand. We plan to increase the number of 'M.Billy', our test vehicle for autonomous driving and operate 'M.Billy' in major cities around the world from 10 to 30 cities by 2020 in order to further improve its reliability and safety.

### R&D Process

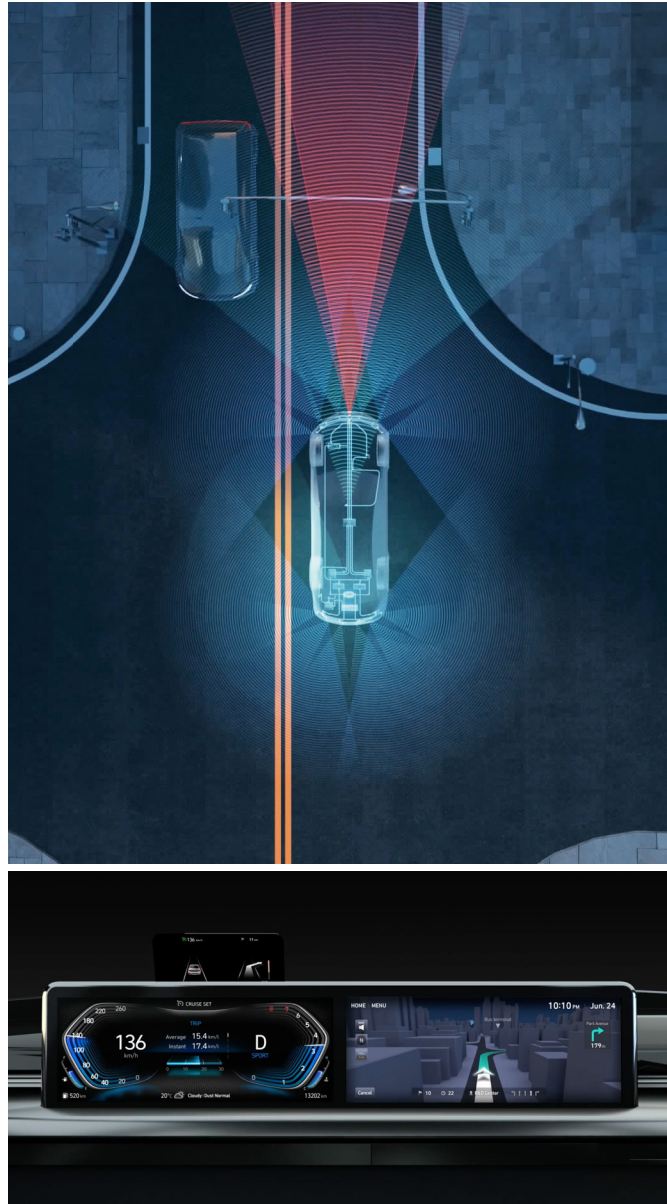


INPUT		OUTPUT	
R&D cost in 2018 KRW <b>835,006</b> million	R&D workforce in 2018 <b>4,126</b> people	2018 number of projects <b>1,407</b> projects	2018 number of developed automobile models <b>123</b> models

Areas	Autonomous Driving	Connectivity	Electrification
Performance	<ul style="list-style-type: none"> <li>Developed solutions with focus on sensors and control solutions</li> <li>Unveiled M.VISION, a future autonomous city driving concept of Level 4 or higher at CES 2019</li> </ul>	<ul style="list-style-type: none"> <li>Secured core technologies e.g. integrated infotainment controller, voice recognition, security</li> </ul>	<ul style="list-style-type: none"> <li>Developed, mass produced and supplied MEA (Membrane Electrode Assembly), a core component of hydrogen and electric vehicles</li> </ul>
Plan	<ul style="list-style-type: none"> <li>Secure Level 3 core component technology by 2020</li> <li>Upgrade to Level 4 in the future</li> </ul>	<ul style="list-style-type: none"> <li>Develop V2X and 5G telecommunication technology and next-generation display by 2021</li> </ul>	<ul style="list-style-type: none"> <li>Enhance core technologies for hydrogen fuel cells and batteries</li> </ul>

L. | Seosan Proving Ground R. | M.Billy



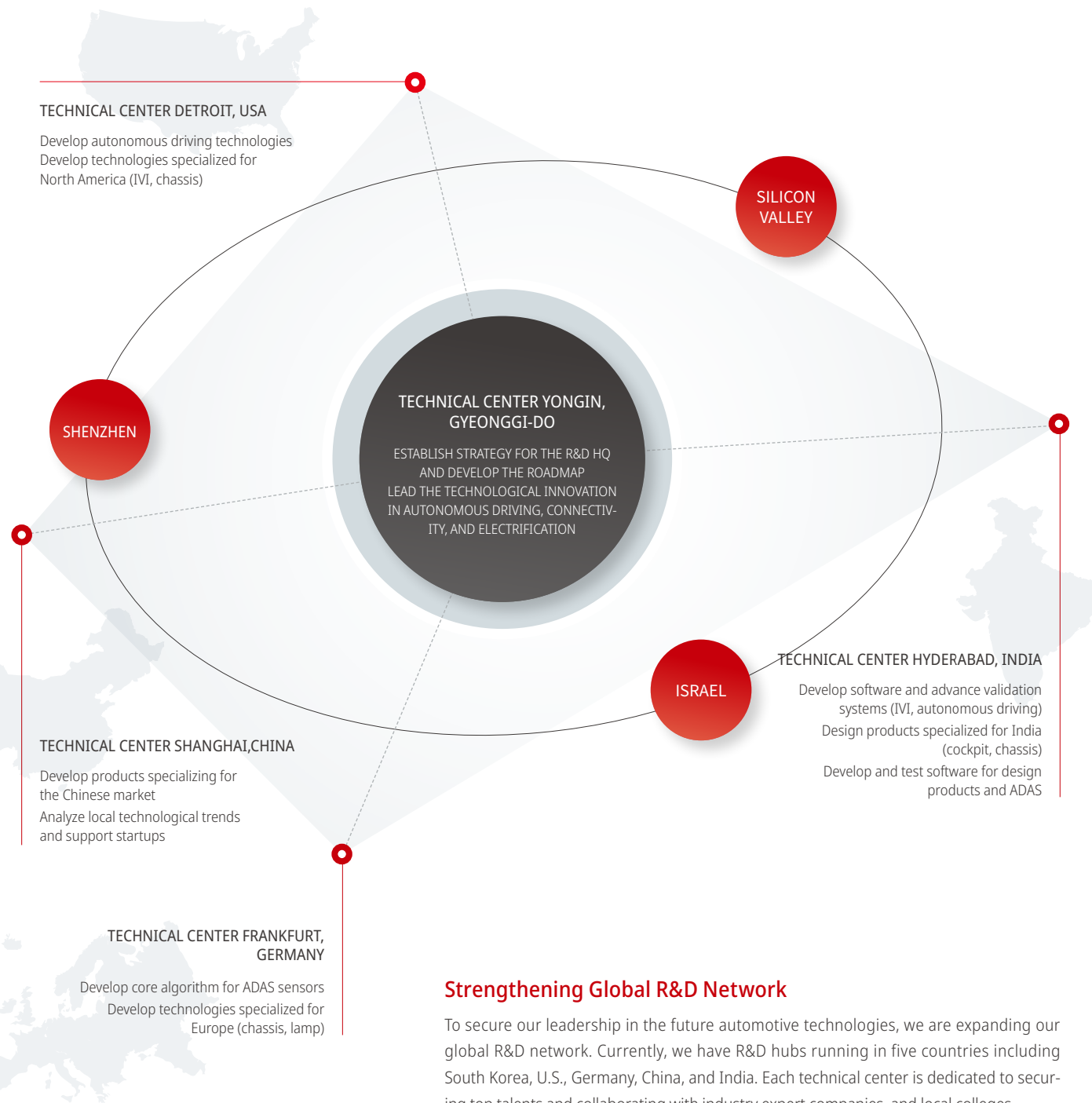


### Transformation into a Software-Centric Company

We are strengthening our software R&D capabilities as part of our efforts to transition from an auto parts maker to a software-focused technology company. In 2018, we established the Software Academy at our technical center located in Yongin, Gyeonggi-do; we can train more than 400 research staff at this facility. We plan to increase the number of software designers at our domestic technical centers from 800 to 4,000 by 2025. In addition to developing and increasing the work force at our domestic technical centers, we have plans to designate the technical center in India as a specialized software global research base. In 2018, we organized the Big Data Team to support our R&D projects in big data and AI for the first time in the industry.

#### Operation of the Software Academy

At the Software Academy, we focus on convergence software and technologies such as sensors and logic (Recognition • Decision • Control) designed for autonomous driving. In addition to communication technologies such as big data utilization, image recognition, and sensor control, our unique training program covers coding, algorithm design, principles of autonomous vehicle operation, and mechanical structure, that no other IT companies offer. By leveraging this training program, we will foster manpower with strong expertise in software, and create synergy between hardware and software technologies.



### Strengthening Global R&D Network

To secure our leadership in the future automotive technologies, we are expanding our global R&D network. Currently, we have R&D hubs running in five countries including South Korea, U.S., Germany, China, and India. Each technical center is dedicated to securing top talents and collaborating with industry expert companies, and local colleges.

#### CASE Open Innovation Center in Silicon Valley, the U.S.

In the second half of 2018, we opened our first Open Innovation Center 'M.Cube' in Silicon Valley, the U.S. The center is expected to serve as a hub for securing new growth engines for the future. It will also support global startups with technologies in autonomous driving, connectivity, and new business innovation. In 2019, we plan to open a branch of M.Cube in Shenzhen, China as a base specializing in AI and big data.

Hyundai Mobis plans to further strengthen our collaborative efforts with startups to promote creative ideas and turn them into reality.

**AUTONOMOUS DRIVING**  
Sensor, logic and software platform

**CONNECTIVITY**  
Infotainment and biometrics

**NEW BUSINESS INNOVATION**  
AI and vehicle security

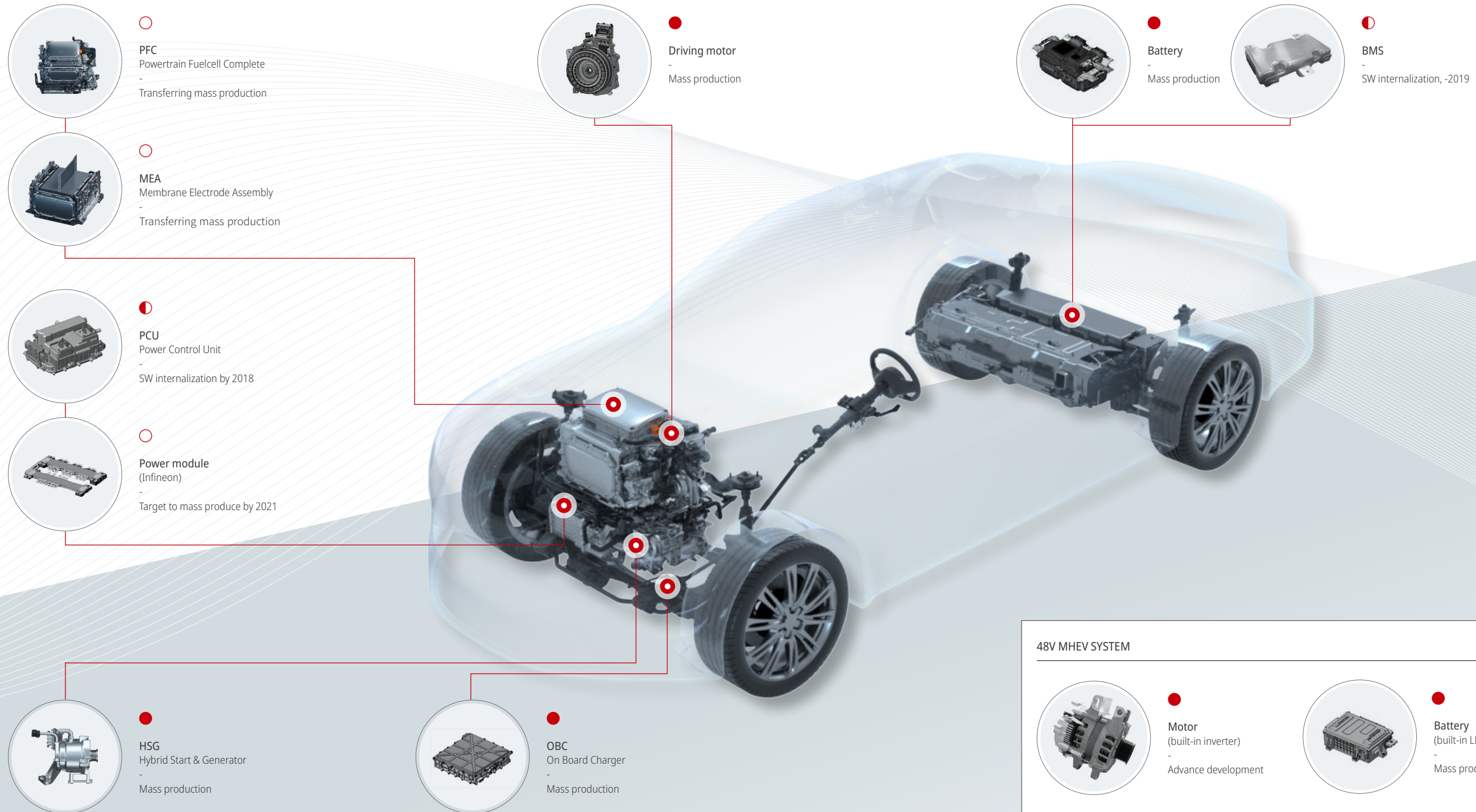


### Promote open innovation

We are leveraging open innovation to develop AI-based image recognition technologies with deep-learning capabilities for object detection in autonomous driving. Through acquisition of shares and collaboration with Stradvision, an AI-based image recognition startup, we are developing Level 2-3 autonomous driving technology for mass production. The technology is expected to replace the camera system used for image recognition, and bring 20-30% cost reduction when internalized. We have also built a foundation for securing image recognition parts for autonomous driving and meeting the demands on time. We will continue to increase our investment in sourcing new technologies such as autonomous driving and IVI (In-vehicle Infotainment).

**Best Practice :**  
Development of hydrogen fuel cells for eco-friendly vehicles

● Technology internalized  
○ Under development



○  
PFC  
Powertrain Fuelcell Complete  
-  
Transferring mass production

○  
MEA  
Membrane Electrode Assembly  
-  
Transferring mass production

●  
PCU  
Power Control Unit  
-  
SW internalization by 2018

○  
Power module  
(Infineon)  
-  
Target to mass produce by 2021

●  
HSG  
Hybrid Start & Generator  
-  
Mass production

●  
Driving motor  
-  
Mass production

●  
OBC  
On Board Charger  
-  
Mass production

●  
Battery  
-  
Mass production

●  
BMS  
-  
SW internalization, -2019

Parts for eco-friendly vehicles

Hybrid
Motor(HSG, MG)
Power conversion (inverter, converter)
Battery system

Electric Vehicle
Motor(MG)
Power conversion (inverter, converter)
Battery system

Hydrogen Electric Vehicle
Motor(MG)
Power conversion (inverter, converter)
Battery system
Hydrogen fuel cell

Compared to emissions per gasoline-based automobile(192.2g/km)

CO<sub>2</sub> Emissions  
Hybrids  
**118.0g/km**

CO<sub>2</sub> Emissions  
Electric vehicles  
**0g/km**

CO<sub>2</sub> Emissions  
Hydrogen electric vehicles  
**0g/km**

48V MHEV SYSTEM

● Motor (built-in inverter) - Advance development	● Battery (built-in LDC) - Mass production
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# Quality Management throughout Value Chain

With an aim to develop innovative products and stabilize the production process, we apply stringent quality assurance standards throughout the value chain. Starting with ISO/TS16949 certification for excellence in automobile quality for the first time in the industry in 2002, we have consistently built a foundation for achieving zero-defect quality based on streamlined processes. At the end of 2016, we acquired and renewed certification for 15 domestic and 12 overseas sites in line with the new IATF16949 quality management system.

## Strengthening Quality Assurance for New Technology

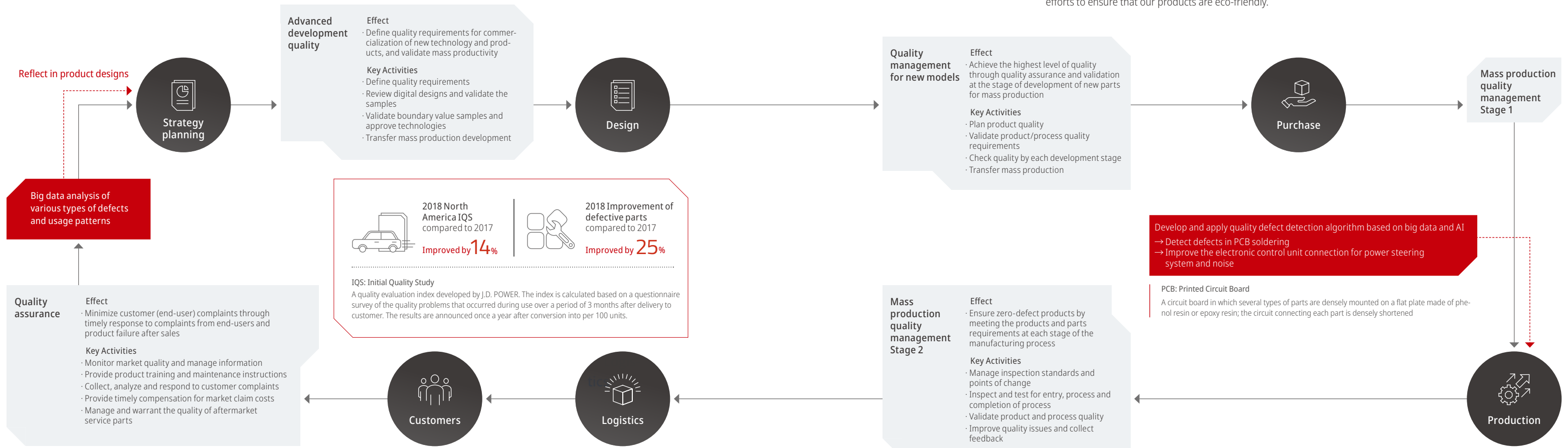
In response to the growing demand for eco-friendliness and quality assurance of new technologies and products including autonomous driving, connectivity, we established a leading development quality center to assure quality and mass productivity in the pre-development stage. In doing so, we were able to stabilize our quality management process at the customized development stage for each model. With an aim to improve safety, we are building a simulation virtual test system based on this scenario. In particular, to prevent abnormal operation of autonomous driving vehicles and improve the safety of drivers and passengers, we validate system, hardware and software designs using proven product development procedures based on ISO 26262.

## Management of Hazardous Materials in Products

At the end of 2018, Hyundai Mobis established a Safety and Environment Team, which would henceforth be in charge of managing hazardous materials in products. We take a proactive approach in cooperation with our suppliers in responding to global safety and environmental laws and regulations, while continuously improving safety to prevent customers' exposure to hazardous materials when using the vehicles. From the design and raw material procurement stage to the stages of final product shipment and use by customers, we ensure compliance with regulatory requirements through a stringent analysis and validation process. From the product development stage, we use only raw materials in conformity with the regulations through hazardous materials analysis while monitoring our manufacturing process to identify contamination factors. In addition, we carry out inspection for hazardous substances in final, customer-facing products as part of our efforts to ensure that our products are eco-friendly.

## Strengthening Quality Management throughout the Value Chain

In order to assure the quality of a finished product, it is essential to verify the quality of each part. In addition to our production process, we are improving the reliability of the entire value chain with special focus on the quality management capabilities of our suppliers. To this end, Hyundai Mobis and its major partners work together in operation of TFTs for quality improvement, and in 2018, 297 tasks were defined for 5 TFTs. Hyundai Mobis was also able to strengthen the competitiveness of our suppliers that had difficulties in stabilizing the quality of their products by standardizing process, equipment, and inspection in consultation with these suppliers. Furthermore, Hyundai Mobis enhanced the management process for core factors, and put in place a system of shipping only good products to minimize the defect rate of our suppliers and prevent technology leakage.



## Intellectual Property Rights Management

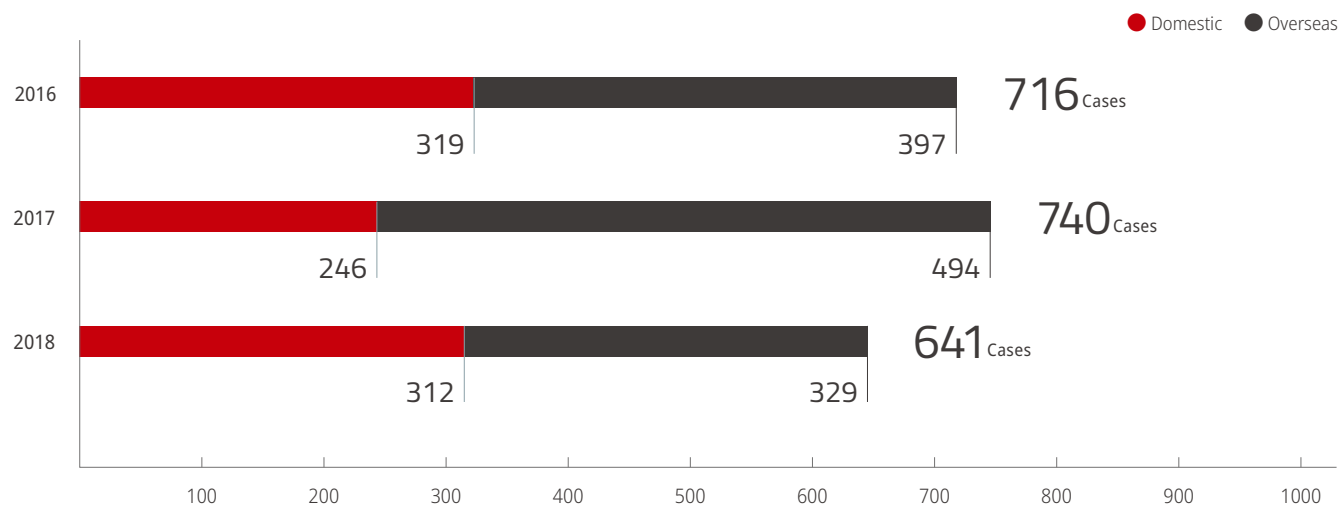
### Securing Technologies for the Future

In order to drive technological innovation and secure future growth engines such as autonomous driving, we are building a patent roadmap; we expect that this will also allow us to remain competitive in terms of patents. We are implementing a range of patent development programs for early identification of future technologies such as autonomous driving. Through these programs, we encourage our employees to engage in invention and patent applications by compensating them for their efforts. Hyundai Mobis registered 641 patents in 2018 and will continue to develop patents for next-generation technologies with special focus on technologies with a high potential for commercialization and technological leadership. Our efforts so far have enabled us to build a strong portfolio and gain a competitive edge in patent management.

### Response to Patent Infringement

Hyundai Mobis is strengthening its anti-infringement system to protect its patents against infringement. Through in-depth research on patents prior to undertaking technology development and mass production, we identify the potential for disputes. Further, we conduct value assessment and risk analysis when undertaking M&A and new project development as part of our business strategy. In case of dispute or legal claims against patent infringement, we take a proactive approach in our response and negotiation to minimize the risks. We plan to preemptively secure patents to prevent disputes with our competitors.

Number of Patents Registered



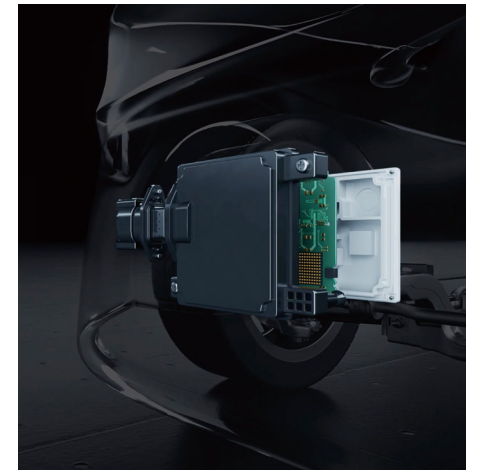
#### CASE World's First Haze-Free Lamp

Hyundai Mobis became the world's first to develop new materials that can resolve the issues related to fog that global lamp makers had struggled with. Lamp fog is a phenomenon in which the gas generated by the plastic components inside the lamp sticks to the inner wall, causing poor distribution of light, and thus posing a safety hazard. We have succeeded in developing a new plastic material that does not generate gas, and applied it to the entire range of headlamps in production to solve this issue. The technology has been jointly submitted for patent registration in South Korea and currently, we are working on the overseas application process.

#### CASE Korea's First Rear Side Radar

We became the first Korean company to develop a high-resolution short-range radar for automobiles, which is a core technology for autonomous driving. The new technology does not rely on imported or combined products. It is purely homegrown technology, and will allow us to offer an ADAS (Advanced Driver-Assistance System) at a more affordable price without relying on imported or jointly developed products.

COMPARED TO OVERSEAS COMPETITORS' RADAR  
 Double the speed ▲ 1.5 times shorter minimum distance for object detection ▲



#### CASE Developed the world's first intelligent headlamp that monitors the road and vehicles nearby

Hyundai Mobis introduced the world's first AADB (Advanced Adaptive Driving Beam) that prevents glare to the driver of the automobile in front or oncoming vehicles when driving at night. The existing intelligent headlamps are not equipped to function properly when the vehicle is negotiating a corner or moving faster than an automobile that is passing behind. The new headlamp adjusts its angle as the front and rear cameras calculate the movement and rotation angle of the passing vehicle to prevent glare. Including this technological innovation, we applied for the registration of 6 patents in Korea and 12 patents overseas.



## 02 Win-Win Partnership with Suppliers

### | Management Approach

#### BACKGROUND

Partnership with suppliers is an integral part of improving competitiveness of cost and quality. Furthermore, issues such as defective products and violation of human rights caused by supply chain are also recognized as our responsibility, and we are fully aware that these issues will have a negative impact on our corporate reputation. As a result, the relationships between our company and our suppliers are considered as not just supplier-buyer relationships but partnerships integral to mutual success.

#### PRINCIPLE & STRATEGY

Recognizing the importance of suppliers' growth in improving the reliability of our products, we provide a variety of technological and financial assistance and training programs for our partners. We are also strengthening various mutually beneficial cooperation programs to help our suppliers promote fair and ethical practices, safety and security through council meetings and seminars.




#### PERFORMANCE


Hyundai Mobis is dedicated to creating an ecosystem that promotes mutual growth with suppliers by implementing the action plans known as "Seven Beautiful Promises" and helping them strengthen their competitiveness.



 **KRW 5.1 trillion**  
Pay suppliers with less than KRW 500 billion in sales in cash

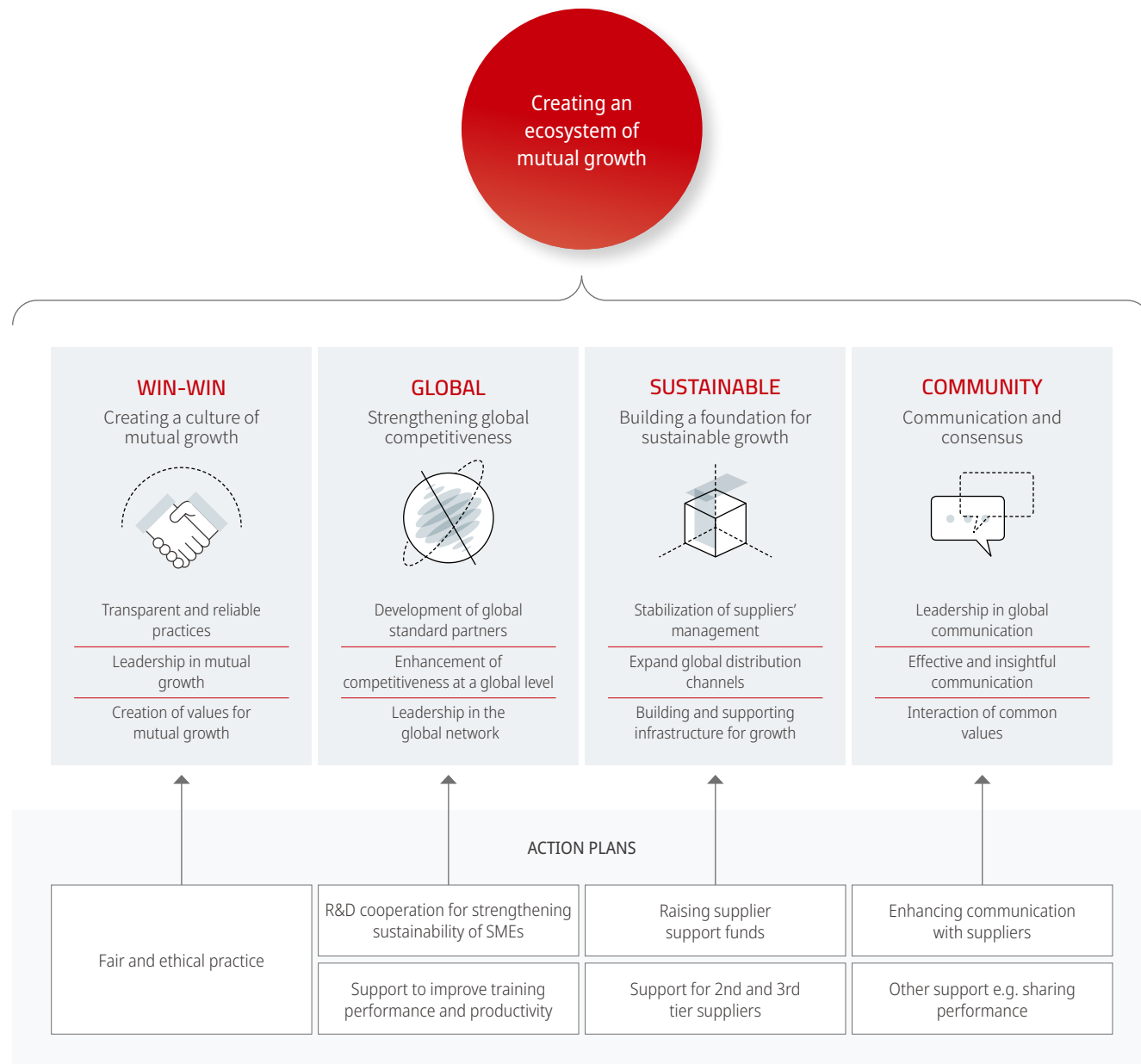
 **339 companies**  
Signed fair practice agreement

 **KRW 36.3 billion**  
Make lump sum payment for molding cost

 **KRW 114.2 billion**  
Financial support

 **10 countries**  
**198 companies**  
Joint overseas business operation

## Win-Win Growth System



### Mutual Growth Strategy

Based on mutually beneficial cooperation with more than 1,300 suppliers, we are continuously increasing the scope of our policies to strengthen our supply chain. In order to create an ecosystem that promotes mutual growth, we set our strategy with focus on creating a culture of mutual growth, strengthening global competitiveness, building a foundation for sustainable growth, and communication and consensus. To this end, we have implemented a system to support our suppliers with finance, competency development and timely communication. In addition, we assist our suppliers to pursue sustainable management through detailed action plans called "Seven Beautiful Promises".

## Strengthening Global Competitiveness

### R&D Cooperation for Strengthening Sustainability of SMEs

Securing technological competitiveness is a crucial aspect of corporate growth. We share our patented technologies with our suppliers and facilitate their technological development. We also provide them with access to our research facilities to help them stabilize their production.

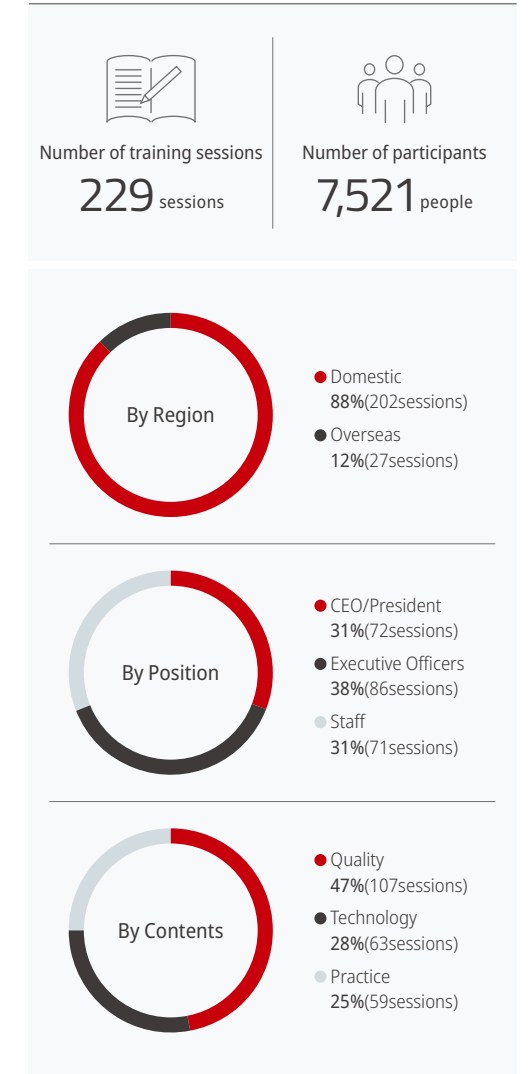
Program	Description	2018 Performance
Share and transfer intellectual property rights free of charge	· Provide access to our patented technologies · Transfer patents to suppliers free of charge	· Shared pool of patents: 160 patents
Provide support for development of new product/technology	· Provide financial support for R&D projects to enable independent development · Support localization for less reliance on imported parts and improved technological competency	· Support for new product/technology development Amount (KRW billion): 43.24 Number of cases: 268 cases
Provide support for test equipment	· Provide access to the Shanghai Test Center in China and specifically to the electromagnetic darkroom at the center	· Financial support for testing at Shanghai Test Center Amount (KRW million): 296 Number of cases: 2,582 cases
Facilitate joint patent application	· Jointly develop technologies and apply for patent registration	· Number of joint patent applications : 109 patents
Provide financial support for patent applications	· Provide financial support for joint patent applications · Provide financial support for joint patent application/registration of technology developed by suppliers	· Financial support for joint patent application: KRW 767,000 · Financial support for patent application: KRW 9.193 million

### Support for Improving Training Performance and Productivity

We share the latest technological information, quality improvement plans and legal and regulatory trends with our suppliers and provide training for their employees. We provide training required for positions in practice, quality, and technology to help our business partners improve their quality.

Program	Description	2018 Performance
Technical training with quality volunteer groups	· Provide consultation on quality improvement at the supplier's site	· Number of instructors: 395 people
Management consultation for supplier support groups	· Provide consultations on improving overall management competency in areas such as strategy, finance, marketing and organization	· Number of instructors: 571 people
Technology and Quality Training Academy	· Provide technology and quality training for 1st and 2nd tier suppliers	· Number of participants: 5,545 people

### 2018 Supplier Training Program Performance



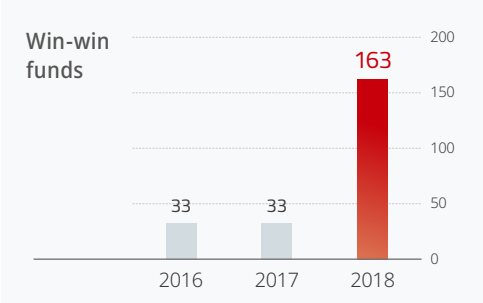
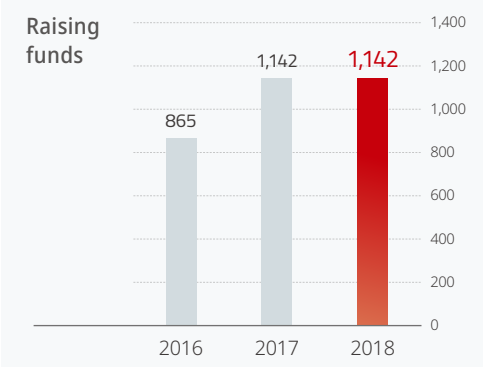
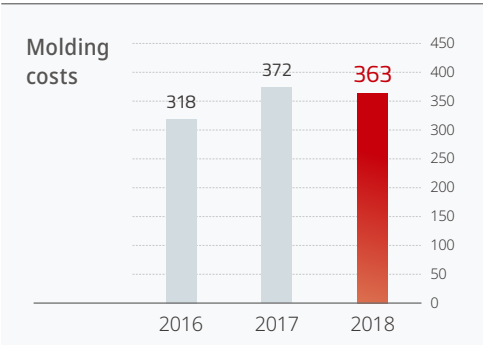
## Building a Foundation for Sustainable Growth

### Raising supplier support fund

We have established various financial support systems and payment terms to help our suppliers maintain a healthy financial position and improve liquidity. Taking into account the financial pressure small- and medium-sized suppliers typically undergo when developing molds for new parts, we make full payment for the cost prior to mass production to improve their cash flow.

Program	Description
Financial support program	<ul style="list-style-type: none"> <li>Provide various modes of financial support e.g. direct support, mutual cooperation loan, mutual growth fund, mutual growth insurance (exclusively for 2nd tier suppliers)</li> <li>Raise a mutual growth fund and run a support guarantee program to provide low interest loans for 1st and 2nd tier suppliers</li> </ul>
Improved payment terms	<ul style="list-style-type: none"> <li>Increase cash payment and operate a win-win payment system to support cash flow of 2nd and 3rd tier suppliers</li> <li>Make full cash payment for small- and medium-sized companies with less than KRW 500 billion in sales since 2016</li> </ul>

Financial Support Program Performance Unit: 100 million



### Support Program for 2nd & 3rd Tier Suppliers

We are strengthening our programs to develop supply competency by sharing our quality and process know-how and including 2nd and 3rd tier suppliers in these programs.

Program	Description
Operate mutual growth insurance	<ul style="list-style-type: none"> <li>Provide funds of KRW 16.9 billion per year for the financial support program for 2nd and 3rd tier suppliers through the Korea Credit Guarantee Fund by 2018</li> </ul>
Organize factory tour for 2nd tier suppliers	<ul style="list-style-type: none"> <li>Share our advanced management system with employees of 2nd and 3rd tier suppliers to support production and quality enhancement</li> </ul>

Organize factory tour for 2nd tier suppliers



## Communication and Consensus

### Enhancing Communication with Suppliers

Our communication channels include a cooperation committee, industry committees and anonymous online communication channels to diversify our routes for handling grievances and collect feedbacks at our work sites. In addition, we visit our suppliers on a regular basis to identify their needs and reflect their inputs into our practice.

Program	Description
Mutual growth seminars	<ul style="list-style-type: none"> <li>Hold mutual growth seminars with 2nd and 3rd tier suppliers nationwide to promote understanding of various supplier support programs</li> </ul>
Regular general meetings for board of association and executive boards	<ul style="list-style-type: none"> <li>Organize policy presentations and seminars for sharing performance analysis of cooperation committees in 2018 and plans for 2019</li> <li>Keep track of performance and progress, and seek ways to develop cooperation committees</li> </ul>
Operate industrial committees	<ul style="list-style-type: none"> <li>Share industrial and technological trends through annual cooperation programs and operation of industrial committees</li> </ul>
Incentive programs for suppliers who post excellent performance	<ul style="list-style-type: none"> <li>Provide incentives for suppliers who post excellent performance</li> </ul>
The anonymous online grievance report center for suppliers	<ul style="list-style-type: none"> <li>Operate an anonymous whistleblower system to handle grievances and complaints, and reflect suppliers and their employees' suggestions for policy improvement</li> </ul>

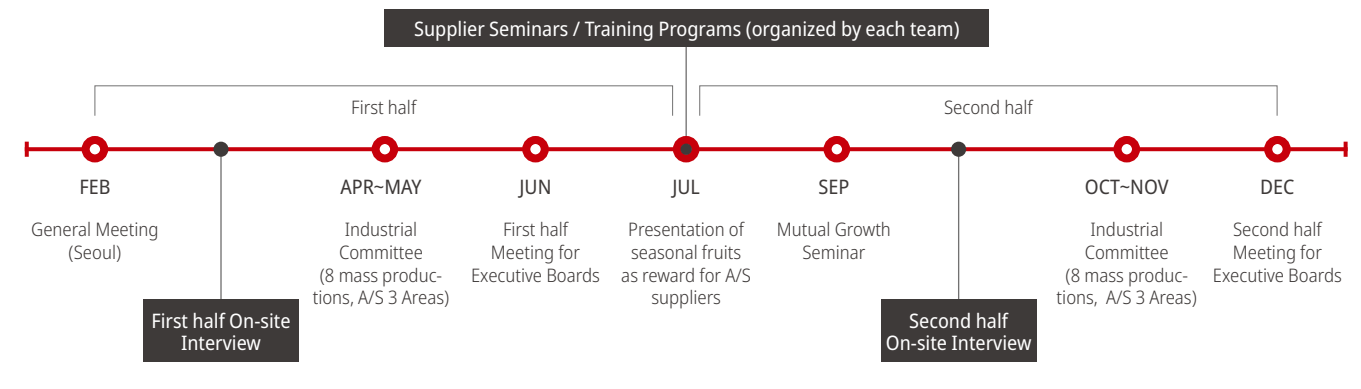


Supplier Grievance Report Center

Regular general meetings for board of association and executive boards



### Annual Supplier Support Program



### Sharing Performance and Promoting Consensus

We provide various support programs and operate a performance-sharing system to share not only the process but also the results with our suppliers.

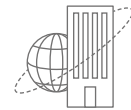
Program	Description
Introduce and operate a win-win payment system	· Operate a payment system that allows prompt monetization at low risk by discount loans of goods for 2nd and 3rd tier suppliers with Hyundai Mobis' credit rating
Support the development of domestic and overseas sales channels	· Install and run joint booths at the International Automobile Parts Exhibition in 5 nations to support participation of small and medium suppliers, full support in accommodation and transportation fees, and other expenses.
Operate a performance sharing system	· Distribute performance generated through joint-development, cost reduction, and productivity improvement in cooperation with suppliers
Support HR recruitment	· Operate Hyundai Mobis Booth at IBK Job World (www.ibkjob.co.kr) to support HR recruitment for suppliers

Suppliers Jointly Developing Overseas Market

198 suppliers in 10 countries

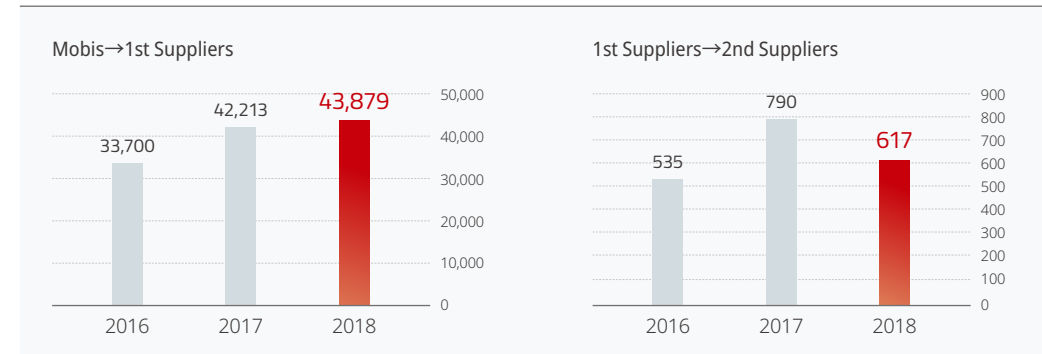
overseas sales KRW 47.2 trillion in

\*As of 2018



Performance of the Win-Win Payment System

Unit: 100 million



Jointly developed new technologies with suppliers



Presented 10,000 watermelons to all dealers and suppliers with excellent performance

### Best Practice : Social Value Creation of Supply Chain

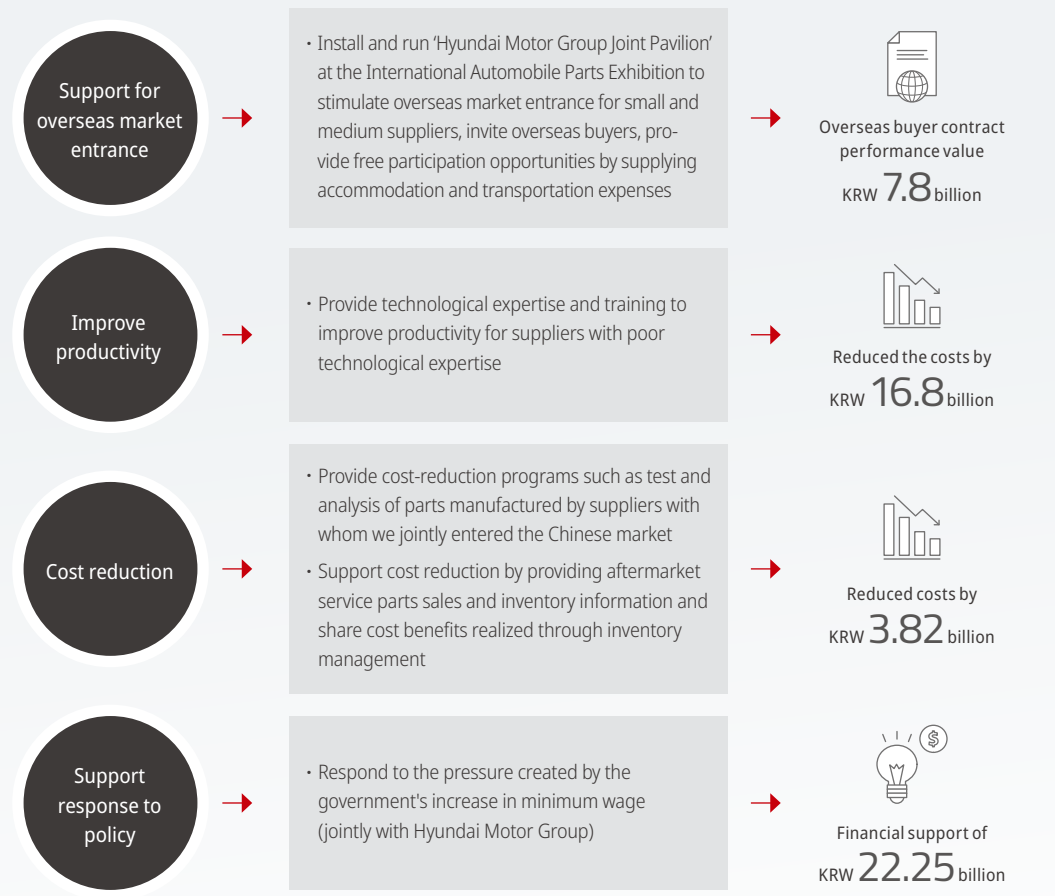
#### Creating jobs for youth

We assist our suppliers with their HR recruitment and thereby provide job opportunities for young people. Job training and consulting programs are offered to students attending specialization high schools. Further, we run an online recruitment center and hold offline job fair in cooperation with our suppliers. In 2018, 11 people were hired through the online recruitment center.

#### Promoting win-win management

For 1st tier suppliers who have signed up for the fair trade agreement, we provide 2nd tier supplier support programs as well as consulting service for fair practice. As a result, 1st tier suppliers are able to improve their win-win management for 2nd tier suppliers and create a sustainable supply chain ecosystem.

#### Key Activities



# 03 Strengthening Social Contribution

## Management Approach

### BACKGROUND

With the growing policy demand for social value creation by companies, stakeholders such as customers and NGOs recognize the importance of social responsibility initiatives. In response to this trend, companies are taking initiatives to strengthen their social contribution activities not only in economic terms but also in consideration of various stakeholders. Most of these initiatives are focused on shared growth and CSR efforts that can actually benefit society.

### PRINCIPLE & STRATEGY

Hyundai Mobis's social contribution activities focus on enhancing our corporate values while fulfilling our corporate social responsibilities. By aligning CSR programs with our strengths and characteristics, and creating sustainable future value and sharing its results, we aim to build a society where everyone is happy, including socially vulnerable sectors. To this end, we established the Six MOVE strategy through which we pursue safety, environmental sustainability and convenience, and have been implementing various social contribution programs.



### PERFORMANCE

Hyundai Mobis is committed to solving social problems based on the Six MOVE strategy focusing on safety, eco-friendliness and convenience as part of its social contribution.



KRW 29,088 million  
Social contribution

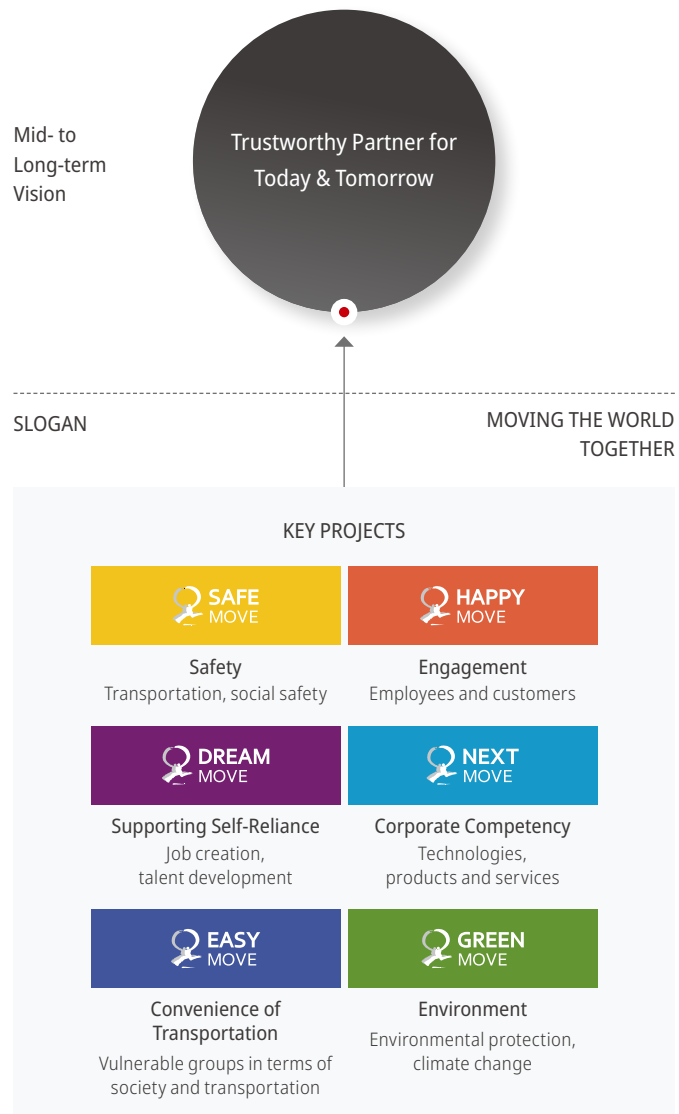


27%  
Traffic accidents reduced by the  
Transparent Umbrellas Campaign  
\*First half of 2016 - First half of 2017

## Social Contribution System

Based on our Six MOVE strategy with the focus on safety, environmental sustainability, and convenience, we engage in a range of social contribution activities. Furthermore, we are creating economic and social values for our local communities through projects such as "One Company, One Community" and Meer Forest.

### The Six MOVE Strategy System



### The Transparent Umbrella Campaign



Transparent Umbrella Campaign is one of our key CSR campaigns where we donate transparent umbrellas made of fluorescent materials. This helps to improve visibility for both children and drivers on rainy days. Since 2010, we have donated 100,000 umbrellas each year, reaching a total of 927,000 umbrellas for 1,498 schools as of 2018. The number of donated umbrellas is expected to reach one million in 2019. In addition, as part of the "Traffic Safety Training for Children", we hold "UCC Contests for Children's Traffic Safety Training and Transparent Umbrella Program" with participation of 70 schools nationwide to raise safety awareness for children, especially while crossing the road. According to the analysis of traffic accidents involving children, conducted through the campaign for the past two years, traffic accidents involving children across the country fell by an average of 7%, and dropped by an average of 27% when narrowing it down to those who participated in the campaign, which is four times better than the nationwide average. A report on this research, conducted on the benefits of the campaign, was featured on the "Traffic Safety Research" published by the Road Traffic Authority to raise safety awareness and promote the importance of transparent umbrellas and road safety education for children. We will continue these efforts and further develop educational contents for road safety with special focus on experience to further raise social awareness and promote consensus.



Donated **927,000** transparent umbrellas in total



**1,498** schools in total  
The Transparent Umbrella Campaign

Trend of accidents involving child pedestrians

**27%**

from 37 people to 27 people  
\*First half 2016 - Second half 2017, 3 quarters in total, Nationwide traffic accidents involving children fell by an average of 7%

### Employee Volunteer Activities



Our employees are actively engaged in various volunteer programs to share social values under the slogan of "Joy of Sharing". We organized volunteer support programs by division and carried out programs for underprivileged families in cooperation with 70 social welfare centers. Through these programs, we were able to help people with developmental disabilities and repair outdated facilities for 45 households in summer. In addition, we regularly make donations to support school expenses and living expenses for traffic accident victims and their family members. To this end, we have entered a "One Company, One Community Partnership" with rural communities in Ulsan, Changwon and Jincheon, where we purchase local products and volunteer to help during the harvest season. Since 2010, we have donated KRW 3.5 billion, and 4,077 employees participated in the volunteer programs, with a total of 12,564 hours of service.

### Children's Archery Class



In order to support archery and diversify educational opportunities for children and youths, we organize archery classes for children, with training provided by professional archers and retired archers including those from the Hyundai Mobis female archery team. In addition, we provide a class for local students in China near our place of business to strengthen the relationship between the two countries. In 2018, we built facilities for 3 elementary schools, and held archery classes in South Korea and Tianjin, China. More than 1,250 children participated in these classes.



### Junior Engineering Class



Junior Engineering Class is one of our local community support programs first introduced in 2005, where we help children to achieve their dream of becoming engineers and promote education in basic science. Through the Junior Engineering class, we provide educational opportunities in areas such as autonomous driving and hydrogen electric vehicles, which are not included in the regular school curriculum. In addition to the regular class sessions, Hyundai Mobis organizes the "Visiting Junior Engineering Class" where we hold plays on the bus. We also organize "Youth Engineering Leader" contests where we provide opportunities to build self-driving vehicle models for high school students. Another initiative is the "Junior Engineering Class with Customers", offered at motor shows and exhibitions for the benefit of customers' children. In 2018, at our business operations, we offered the programs for 14,963 students in 75 schools, and 589 employees participated as instructors for these classes, sharing their talents. We will continue to raise social awareness on science and technology, and develop talents for the future automotive industry.

#### Junior Engineering Class

#### Junior Engineering Class with Customers

2 employee instructors | 1,191 students

#### Visiting Junior Engineering Class

30 schools | 8,019 students

#### Global Junior Engineer Class (China, Germany)

19 schools | 2,052 students | 155 employee instructors

#### Camping with Children of Suppliers' Employees

82 students

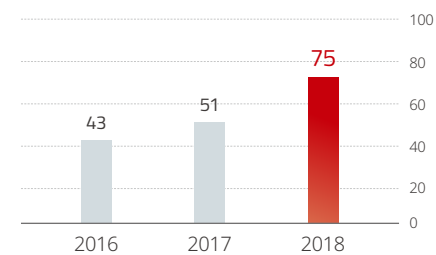
#### Youth Engineering Leader (High School)

3 schools | 90 students

#### Youth Engineering Leader (Volunteering)

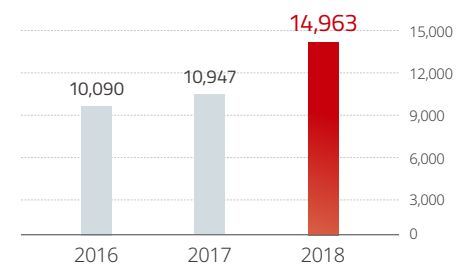
9 schools | 1,003 students

Schools Unit: School

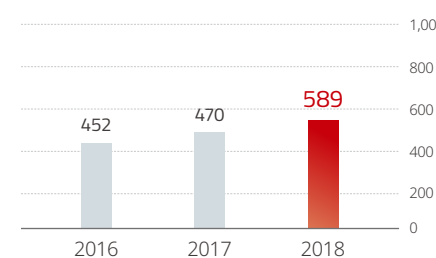


\*Including 2 trial schools in 2018

Students Unit: Person



Employee instructor Unit: Person



### Mobility Support for Children with Disabilities



In order to enhance mobility and enable physically challenged children have more opportunities for social participation, we provide mobility aids and position stabilizers for disabled children. Moreover, we publish children's books to raise awareness of the disabled and distribute them to local children's centers and social welfare centers across the nation. Additionally, we assist families with rehabilitation treatment expenses and household appliances and organize family trips for disabled children through a program for matching families in need of support with volunteers.

#### Rehabilitation Aids & Treatment Support

- Provide customized mobility enhancement aids
- Donate customized aids for children with disabilities
- Donate aids to welfare facilities for children with disabilities
- Manufacture and provide horse riding fitness machine for common use
- The horse riding rehabilitation machine is used for strength exercises, treatment and posture improvement
- Financial support for rehabilitation therapies to improve physical and mental health
- Continuous support for a certain number of patients for effectiveness
- Areas of support: rehabilitation treatment expenses with and without insurance coverage

#### Better Life Program

- Provide "Hope Packages", financial support to improve quality of living
- Family trip with Hyundai Mobis
- Match employee volunteers with families to make the trip a better experience for parents of children with disabilities

#### Awareness Improvement Campaign for Children with Disabilities

- Publish children's books to raise awareness of children with disabilities





2018 Meer Forest Autumn Concert

### Meer Forest



As a part of its local community support program and environmental protection for the future generations, Hyundai Mobis created a forest of 105ha in Chopyeong-myeon, Jincheon-gun together with Jincheon-gun and Natural Nature Trust. The Meer Forest Experience Programs offers opportunities to learn from experts how to walk in a forest, enjoy the views and experience nature in a variety of ways through "Forest Walking" and Wetland Experience, as well as Meer Forest Concert where you can enjoy music with a view of Chopyeong Lake. Meer Forest is an eco-friendly forest that has been preserved as much as possible as natural through six specialized forests according to various themes by minimizing making artificial development.

Hyundai Mobis Meer Forest Concert	
<ul style="list-style-type: none"> <li>In order to use the Meer Forest with local residents continuously, Hyundai Mobis holds concerts with different themes every year at the outdoor concert hall.</li> <li>2018 Number of participants: 3,800 people</li> </ul>	
Wetland Experience	Healing Supia
<ul style="list-style-type: none"> <li>Wetland experience program with guides</li> <li>2018 Number of participants: 297 people</li> </ul>	<ul style="list-style-type: none"> <li>Nature experience program with forest treatment instructor</li> <li>2018 Number of participants: 83 people</li> </ul>
Forest Walking	Nice Trip to Forest
<ul style="list-style-type: none"> <li>Forest walk programs with guides</li> <li>2018 Number of participants: 571 people</li> </ul>	<ul style="list-style-type: none"> <li>Special Meer Forest experience programs for companies</li> <li>2018 Number of participants: 34 people from Amore Pacific</li> </ul>

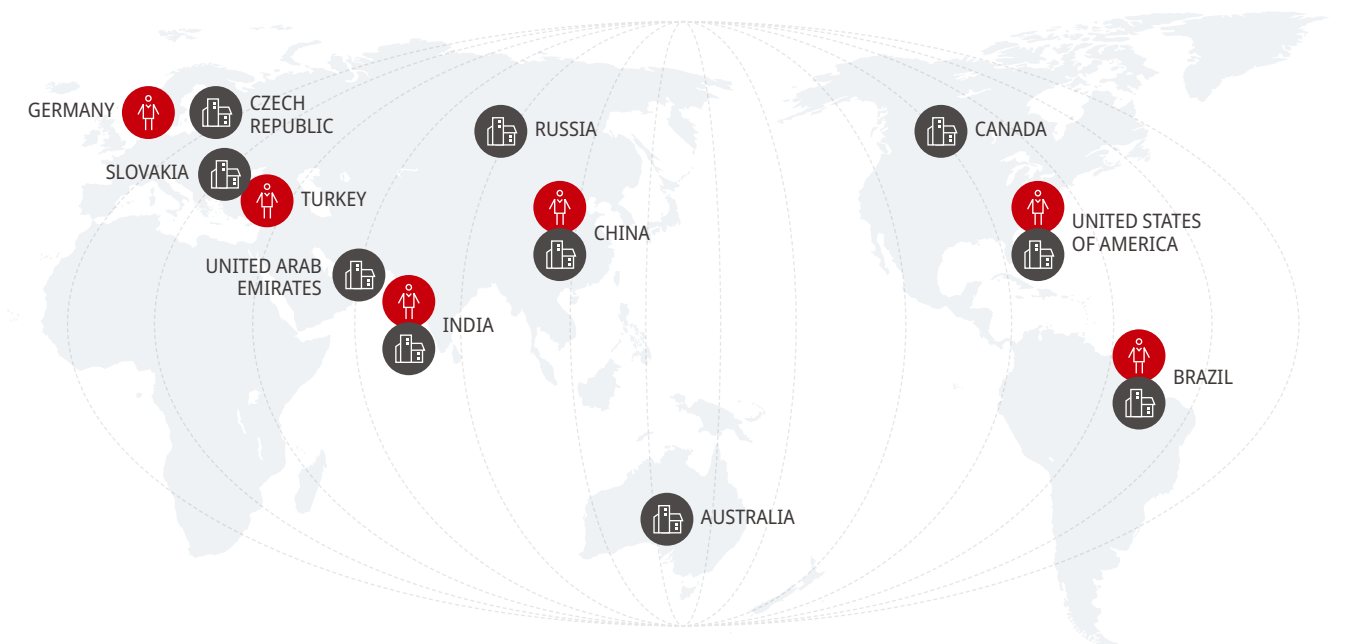
## Global Social Contribution

### Expanding Global Social Contribution

As part of our commitment to a sustainable future, we are expanding the "Beautiful Companion" campaign globally with our stakeholders. Starting with Jiangsu, China in 2013, we expanded the Six MOVE social contribution program at Frankfurt, Germany in 2016 followed by Detroit, the U.S. in 2018. In 2018, we donated 32,000 transparent umbrellas in Beijing, Shanghai, Tianjin, Wuxi, Jiangsu, Chongqing and Changzhou in China, and more than 130 employees participated in the Junior Engineering Classes for 1,892 elementary school students. In Tianjin in particular, we organized Archery Class for Children in 2017 and 2018. In Frankfurt, Germany and Detroit in the U.S., Junior Engineering Class was held at local elementary schools in 2019 as well as 2018. As a member of the Hyundai Motor Group, Hyundai Mobis sent the Happy Move Global Youth Volunteer Group to Chennai, India to support its local communities. In addition, our overseas subsidiaries are organizing their own volunteer and donation programs as part of the "Beautiful Companion" campaign.



Global Social Contribution Activities ● Children (Junior Engineering Class, Transparent Umbrella Campaign, and Archery Class for Children) ● Local communities (Volunteer and donation programs)

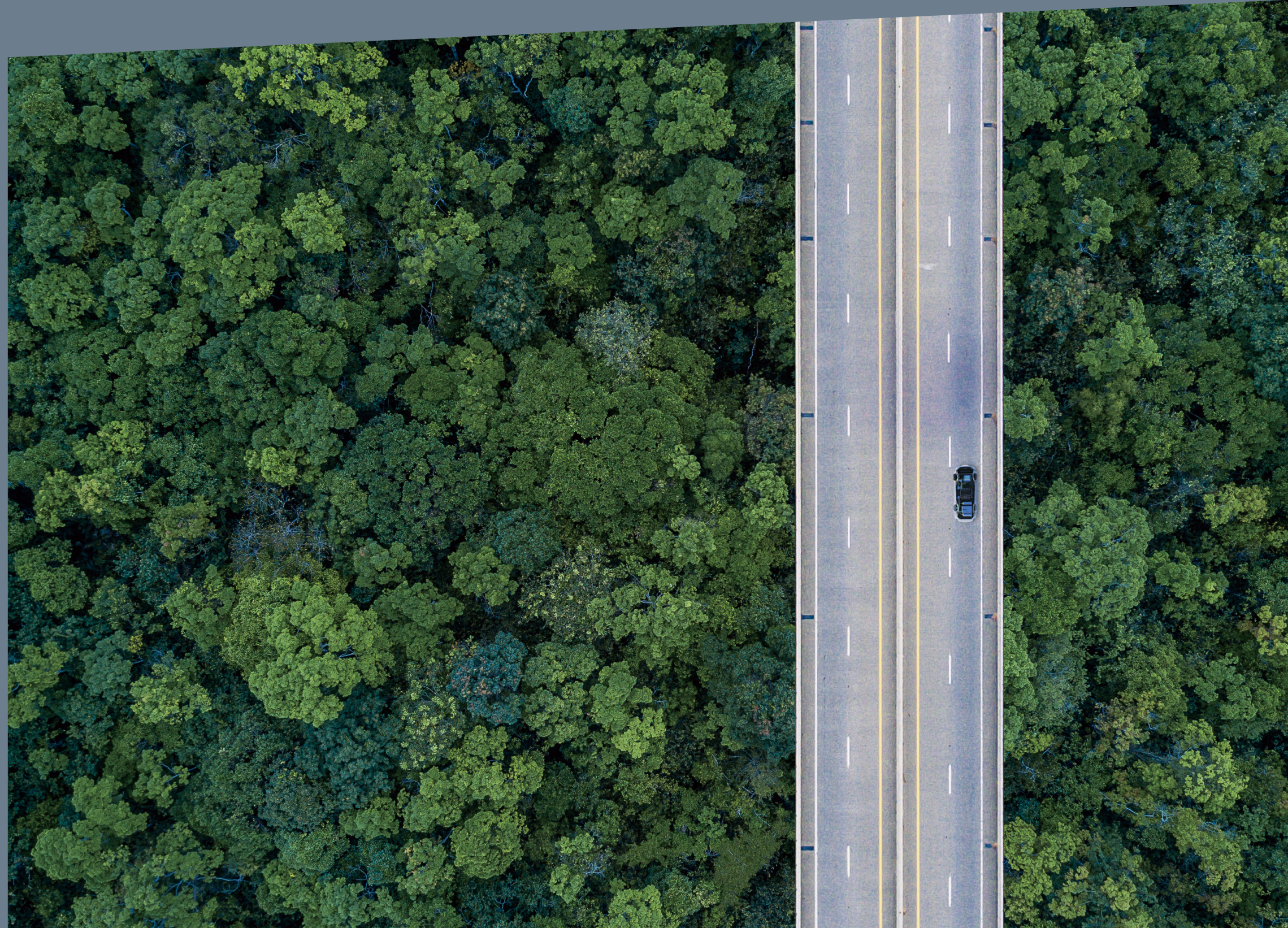




# CORPORATE ACHIEVEMENTS

In addition to improving the performance of automobile and convenience for consumers, Hyundai Mobis considers its impact on the value chain and promotes mutual growth with stakeholders. We are committed to making our work environment safer and more enjoyable to motivate our employees and increase their job satisfaction. We are also focusing our resources on building a stable supply chain and ensuring fair and transparent practice. We will continue to fulfill our social responsibility and commitment to sustainable growth as a global company.

Customers	48
Employees	52
Supply Chain Management	58
Environmental Management	60
Safety and Health	64



# CUSTOMERS



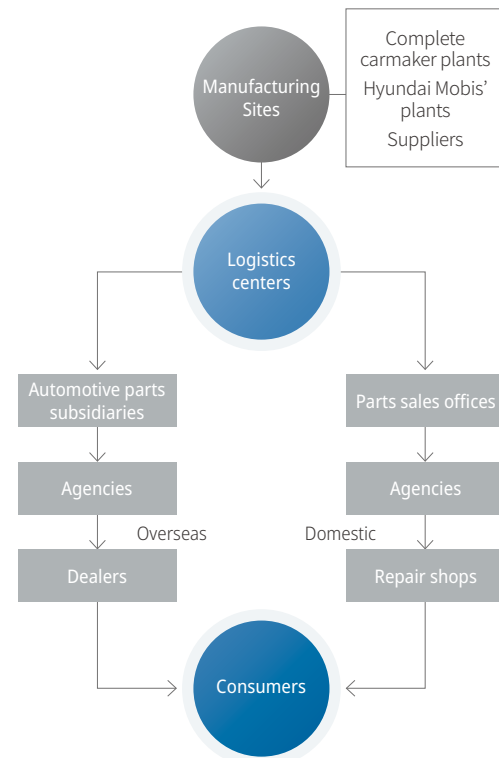
## Stabilization of Aftermarket Service Parts Supply

### Aftermarket Service Parts Supply System

As a supplier of aftermarket service parts for finished vehicles, Hyundai Mobis is committed to delivering parts in a faster and more accurate way. As of the end of 2018, there were more than 58 million vehicles produced by Hyundai and Kia Motors around the world. We supply more than 2.7 million parts for 244 models including those no longer produced. Under the Consumer Protection and Automobile Control Act of South Korea, parts must be available for up to 8 years after discontinuation of the model.

Therefore, in order to supply aftermarket service parts in a timely and smooth manner, we are improving the efficiency of our logistics systems using an AI-based next-generation demand forecast system and logistics standard system. These systems have allowed us

### Aftermarket Service Parts Supply Process



to forecast demand with better accuracy. In particular, we manage the warehouses and shipments of all items in real time through our intelligent warehouse system using barcodes.

We are also in charge of supplying aftermarket service parts for Hyundai and Kia Motors all over the world using a global supply network. Through rigorous testing and stringent quality control, we ensure that vehicles maintain the highest performance throughout their lifecycle. Going forward, we will further advance our demand forecast system by taking advantage of actual demand and big data and provide the best possible services to our customers.

Domestic/Overseas Parts Sales Network Unit: company

Classification	2016	2017	2018
Domestic			
Parts sales offices	23	22	22
Logistics centers	4	4	4
Service parts sales teams	41	41	41
Agencies	1,856	1,894	1,860
Overseas			
Automotive parts subsidiaries	15	15	15
PDC <sup>1)</sup>	55	57	57
RDC <sup>2)</sup>	2	2	2
Branches and offices	1	2	2
Agencies	535	505	472
Dealers(person)	14,241	14,648	14,299

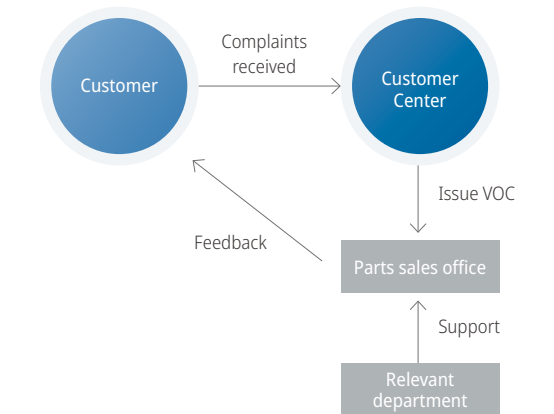
1) PDC: Parts Distribution Center  
2) RDC: Redistribution Center

## Communication with Customers

### Effective VOC Management

Our customer center is designed to ensure prompt response to our customers' emergency needs and requests. If the parts needed by a customer are not available at the location, we source parts from the nearest location by coordination between the customer service system (MINDS) and the parts operation system (SMART). Further, to expedite our response to customer complaints, we have implemented an emergency packaging support system and improved the schedule notification process.

### VOC Management Process



### Case. Improving Demand Forecast for Aftermarket Service Parts Based on AI



Following R&D sectors, Hyundai Mobis has introduced AI technology to our entire value chain including production and logistics. We will develop a model that can forecast the volume of demand and utilize the model from early 2019 in our AS parts business sector.

In the past, we projected the demand for aftermarket service parts for an upcoming year based on the past data but this method has proved to offer low accuracy in case of certain parts sensitive to external factors. To increase the accuracy of demand forecast, we have now started to analyze past data as well as external factors using AI capabilities. As a result, the accuracy of the demand forecast model is expected to increase, bringing lower logistics costs and improved customer satisfaction through timely supply of aftermarket service parts.

## Service Management for Customer Satisfaction

### Support for Enhancement of Agency Competency

Recognizing the importance of agencies and dealers when it comes to customer service, we provide various support and training programs to help them improve Hyundai Mobis's operating environment and service quality. Through competency enhancement support for agencies, we have been able to create a virtuous cycle and more values for our customers.

#### Agency Operational Improvement Programs

Classification	Program Description	2018
Management consultations for agencies	Dispatch Hyundai Mobis employees with management consultation qualifications to each agency for four weeks, and analyze the overall management problems of the agency, including organizational management, sales, marketing, inventory and logistics, to derive improvements.	30 times 357 cases (accumulated)
Announce outstanding cases of business innovation from parts agencies nationwide	Share best practices from four outstanding agencies during invitational seminars held for outstanding agencies to motivate them to voluntarily improve their management practices	1 time
Enhancing the inventory of agencies	Support agencies' inventory cost-saving measures and distribution control enhancement programs by sharing the burden of misuse components that occur during the process of storage and distribution.	KRW 2.85 billion
Win-win Fund Support	Created the Win-win Fund (KRW 20 billion) to provide low-interest loans for agencies planning to make large investments in environmental protection	KRW 8.2 billion

#### Agency Competency Enhancement Program

Unit: person

Classification	Program Description	2016	2017	2018
Business academy for agency CEOs	Leadership training to strengthen agency CEO personnel capacities → Leadership for change management, coaching skills for employee development, etc.	150	114	281
Fostering next-generation managers	Train agencies on management succession with next-generation managers and strengthen their job competencies	57	82	91
Developing opinion leaders	Train the representatives of outstanding agencies as instructors for agencies, so that other agencies can acquire outstanding management know-how through training programs	-	10	8

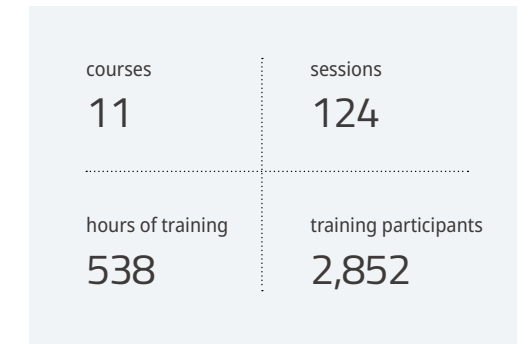
#### New Program in 2018

Classification	Program Description
Online job training for agency employees	Job training to strengthen agency personnel competencies → Business operations knowledge, policies, system utilization, structural science of parts, etc. Parts agency Global e-Campus ( <a href="http://campus.mobis.co.kr/dealer">http://campus.mobis.co.kr/dealer</a> )

### Strengthening CS Competency

With customer satisfaction as our top priority, we are engaging in various CS competency enhancement programs. To improve CS mindset, ensure compliance with service manuals and raise customer awareness, we organize on/offline training on a regular and ongoing basis as well as coaching activities and customer response monitoring at the contact points. In addition to customer contact points, we provide special lectures with a focus on the collaboration from the end customer's perspectives and importance of internal customer satisfaction for all our employees. In addition, we are promoting a corporate-wide CS mindset using webtoons and magazines on the topics of CS news and customer complaints and response, CS trends and benchmarking. We will continue to engage in these activities to create a customer-centric corporate culture and maximize customer satisfaction.

#### 2018 CS Training Performance



#### New Training Courses

##### Effective Complaints Handling Skills

Conducted 10 on-the-job training sessions on handling customer complaints and internalization of skills for 237 employees at the retail/wholesale contact points.

##### Logistics Coaching School

Conducted 9 on-the-job training sessions to help recognize the roles, influence of individuals, and promote positive changes of "I-Workplace" for customer satisfaction for 181 logistics employees at the retail contact points.

Announce outstanding cases of business innovation from parts agencies nationwide



Business Academy for Agency CEOs



Effective Complaints Handling Skills Course for the Contact Points



Logistics Coaching School for employees working at the site



Integrated CS Training for employees and distributors' employees



# EMPLOYEES

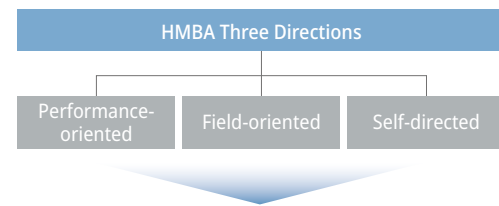


## HR Development

### HR Development Strategy

Recognizing employees as a key to our sustainable growth, we established the Hyundai Mobis Business Academy (HMBA-2020) as a mid- to long-term human resource development system. Setting performance-oriented, field-oriented and self-directed learning as our goals, we are committed to creating a workplace that motivates employees and promotes creative leadership and top-notch expertise at both domestic and overseas business sites.

### HMBA (Hyundai Mobis Business Academy) System



- HMVC**  
**Create a workplace that optimizes sustainable growth**  
 • Concept: Flexibility, Smartness, Pride  
 • Areas: Vision, Work, Infra, People
- HMPC**  
**Pursue job expertise**  
 • Strengthen the self-directed learning system  
 • Build a continuous on-site learning system
- HMMC**  
**Improve system-based HRD management competencies**  
 • Establish a global HRD management system  
 • Build the global HRD infrastructure
- HMGC**  
**Enhance global competency**  
 • Strengthen HRD competency of overseas subsidiaries  
 • Facilitate the development of global leaders
- HMLC**  
**Achieve considerate, respectful and creative leadership**  
 • Link with self-directed and progressive leadership-followership  
 • Build a pipeline between leaders and core talent

### Strengthening Job Expertise

#### — Enhancing the Self-Directed Learning System

Hyundai Mobis has implemented an ID-P (Individual Development Plan) system, where employees set up their own training plans and engage in learning programs based on their plans. IDP is a competency development program that guides employees to assess their current level of competencies and establish a development plan followed by interview with the development manager (team leader) who helps the employee reach their career goals.

An employee makes 4.4 plans per year on average. Hyundai Mobis has also built a career development infrastructure to align individual goals to our organizational strategy and facilitate their effective implementation.

#### — Public Lecture for Job Training

As part of our individual and organizational performance improvement strategy, we help our employees gain expertise and share important issues through public lectures that increase training opportunities in other job areas.

#### — New Insight (New Assistance Manager/ Manager Course)

"New Insight" is a course designed to help employees gain insight into themselves and their jobs through various

activities. This course allows employees to perform better in their roles as solution providers and bridge leadership requirements, while motivating them in their corporate life. In addition, we also support competency development for completion of work and encourage employees to come up with suggestion of alternatives through project management practice programs.

#### — Development and Operation of Job Performance-Oriented Academy Courses

We support the effective utilization of our employees' job competencies (expertise / skills) through the development and operation of job performance-based soft-skill training programs.

#### — Improving Training Performance through Live Learning

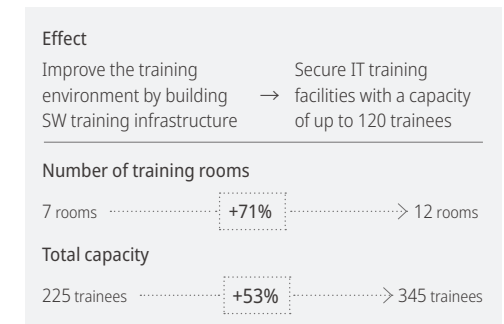
By introducing live streaming contents and live solutions in our job training programs and making them more accessible to our employees, we have been able to increase the effectiveness of training and generate more opportunities.

#### — Job Training Course Development

The purpose of our job training course development is to provide participation-oriented/flipped learning courses and Biz Pro contents. We also organize workshops for job experts to develop job training contents and improve the performance of our internal instructors.

### Case. SW Academy for the Development of SW Expertise

MSA (Mobis SW Academy) was established to develop our software R&D capabilities for future automobile technologies such as autonomous driving and connectivity. The academy provides advanced training programs on convergence software and mechanisms for autonomous driving such as recognition, decision and control as well as sensors.



<b>Convergence SW training</b> Focus on control-centered convergence SW	Enhancing expertise in convergence SW	[Before: OS + SW coding/tools] + [Control & new technology: Recognition/decision/control, Deep learning/vehicle security]
<b>SW certification</b> SW certificate for practice-focused SW implementation	Differentiated training based on the trainees' level of competency	[Lev. 1-3] Self-directed SW training and environment [Lev. 4-5] Development of SW architect and SW Master's program
<b>Self-directed SW learning</b> Dedicated online learning system	SW certification	[1st] Algorithm Coding - Practice Program [2nd] SW Engineering - written test
	Application to HR Recruitment	Code algorithm for recruiting SW researchers (with/without experience)
	Building an open platform for learning contents (EDX)	[Promote the prosumer concept] Register and create personal contents + [Encourage interactive learning] Provide questions/feedbacks/tests
	Change to online SW training programs	Promote constant learning (online training 50% ↑ by 2020)

**"Fostering SW Engineers for the Future"**

Secure dedicated training facilities : 5 training rooms with a capacity 120 people (Total 7 SW training rooms are in operation)

Increase the number of trainers : Secure two SW developers as instructors (Researcher S from EE Technical Center, Experienced staff)

By developing contents customized to our needs and applying them in practice in terms of the field and the internal work process, we enable our employees to share their job experience and know-how more efficiently.

— Supporting Community of Practice (COP)

In order to create a corporate-wide self-directed learning environment and improve job expertise through learning programs focused on theories, research trends, and new technologies, we support COP (Community of Practice) programs. Any group of at least three employees can establish a COP where they can share their ideas and promote communication. At the end of the year, a meeting is held to share various thoughts and ideas generated by these communities throughout the company. 136 employee clubs were established and ran during 2018 with a total of 1,428 participants. In 2019, we plan to expand employee participation by modifying partial policies and systems, as well as conducting promotions to not only stimulate collaboration among organizations but encourage continuous learning and establish a foundation for long-term performance.



Direction of the Leadership-Followership Training



**Building Creative Leadership**

— The ACE (Awakening, Communication, Execution) Team Leadership Program

With team-focused leadership programs, we are committed to building field-based leadership and boosting leadership performance. We follow an organizational leadership structure based on individual teams (team leader + team members), with emphasis on three management directions including support for change in each learning unit, change of learning methods, and analysis and management of training performance in order to create an environment of real-time, self-directed learning under the mentoring of the team leader.

— Stabilize and Improve Talent Development Program

We are pre-cultivating and transforming talent with high potential who perform with excellence into leaders with diverse experience and wide perspective.

— Leadership & Followership Training

Starting from 2019, we are implementing leadership training programs for positions including team leaders and candidates aspiring to team leadership positions. The positional leadership training will be in line with junior and senior leadership programs to incorporate the concept of effective followership. In 2019, we will focus on specific leadership qualities that inspire members' commitment, and redefine the nature of our business and organizational purpose based on corporate-wide missions and customer values while reinforcing our leaders' principles and beliefs.

**Strengthening Global Competencies**

— Building HRD Fundamentals for Overseas Subsidiaries

As part of our integrated HRD management, we are building and operating HRD Fundamentals for overseas subsidiaries based on the Two-Track system of the HQ and overseas subsidiaries.

Manage changes based on the overseas training system

- Provide a platform for sustainable/efficient delivery of contents
- Incorporate common contents retained by the HQ
- Allow local personnel to access the system for continuous learning

Develop contents and monitor dissemination/execution

- Specialized Job Competency Program (BizPro): Enhance overseas job competency by fostering local internal instructors and creating/disseminating contents
- e-CarTech: automotive technology essence, automotive manufacturing process
- Induction of New Hires: develop contents for new local employees and implement a mandatory training program (core values, compliance, cultural diversity)

— Strengthening the Competencies of Local Talents at Overseas Subsidiaries

We are operating a variety of programs to strengthen the HRD performance of our overseas subsidiaries.

Global HRD Forum

- Invite HRD managers of overseas subsidiaries to the forum
- Share and discuss directions and action plans of GHRDS and the HQ
- Share the results of company-wise analyses (in advance) and hold workshops to identify areas requiring improvement
- Build a training system and provide training for contents development

HRD Consulting for Overseas Subsidiaries

- Select companies that require direct support and conduct internal consulting based on the results of overseas HRD analysis (1 month per subsidiary)
- Establish detailed action plans/roadmap by company and monitor performance

— Development of Global Leaders

In order to dispatch talented employees to our subsidiaries around the world, we focus on local talent development programs. We have improved our training program for expatriate employees to help them learn local languages and culture; to this end, we are systematically developing a pool of local experts in various regions including the English zone (U.S, Europe), Chinese zone (China), and other zones (Mexico, Brazil). This helps our employees gain insights into the local culture, language, and work style so that they can quickly adapt to their new work environment. We also organize a Biz Skill program to help them develop the business communication and language skills they need for working overseas. Furthermore, we operate programs to develop global leadership and promote cultural diversity while offering training opportunities concentrating on the roles and responsibilities of expatriate employees, the local safety environment, case studies of overseas subsidiaries and FCPA (Foreign Corrupt Practice Act). In addition to training for expatriate employees, we organize workshops and seminars for their family members to help them adapt to the new environment and local culture.

— Overseas Cultural Experience Program Culture Tour

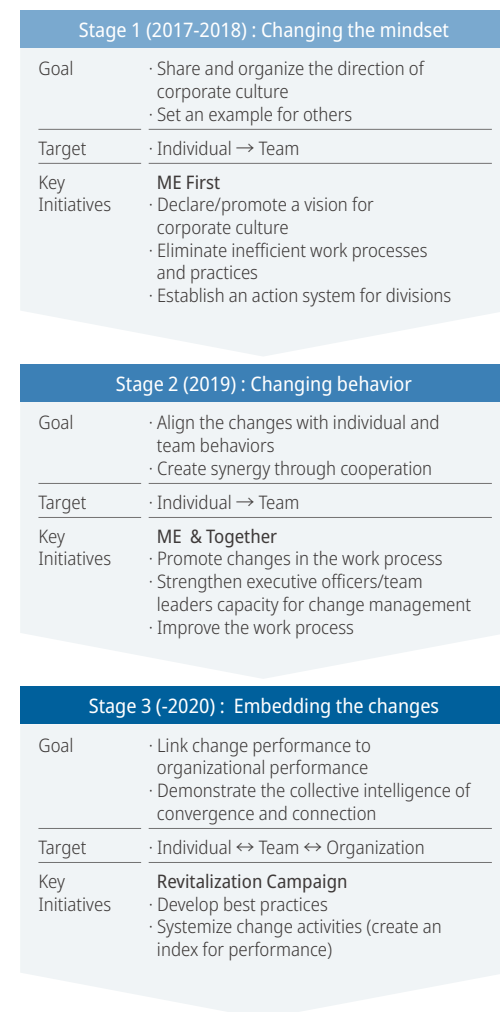
Culture Tour is a leave system that allows employees to use their leave when they go on a business trip overseas, allowing our employees to gain new experience and broaden their creative visions while improving their job performance. In 2018, 204 employees availed a total of 772 days of leave through the Culture Tour. In 2019, based on the feedback from the Culture Tour experienced, we plan to include countries in the same cultural regions so that the program offers more flexibility and satisfaction for our employees.

## Creating a Healthy Corporate Culture

### Innovating Corporate Culture

We set a mid- to long-term strategy to promote mutual respect and creativity, and create a corporate culture that drives sustainable growth and innovation.

### Mid- to Long-term Strategy for Promoting Innovation within the Corporate Culture

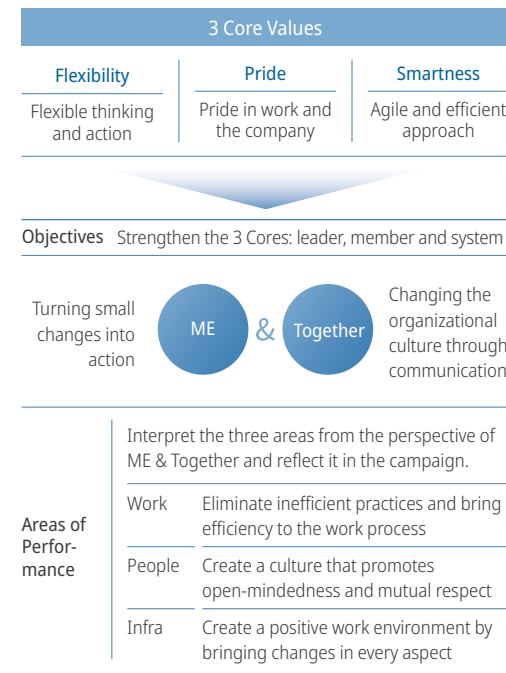


### Creating an Environment for the Innovation of Corporate Culture

Hyundai Mobis is working towards the goals set by our mid- to long-term strategy when it comes to innovation of corporate culture by implementing stage-wise action plans. In 2017 and 2018, we carried out the "ME First" campaign to encourage our employees turn their ideas into action. In 2019, we plan to promote mutual respect and consideration through communication with the "ME

& Together", with the focus on strengthening relationship-oriented coordination between leaders and members based on individual commitment to bring changes.

### Action Plans for Innovation within the Corporate Culture



### Improve corporate culture by Organizational Culture Assessment.

We conduct an 'Organizational Culture Assessment' annually targeting all employees to find items we can improve on in our corporate culture that reflects the needs of our employees. 'Organizational Culture Assessment' is largely composed of 'organizational culture', 'leadership' and 'effectiveness'. We effectively assess our organizational culture to build and practice improvement measures. Culture Agents (CA) collect opinions by divisions to conduct customized improvement activities. Department-based Corporate Culture Committees and the company-wide Corporate Culture Committee share the outcomes of activities and conduct major decision-making for transformation of the corporate culture.

### Employee Engagement Survey, positive response status<sup>1)</sup>

	2015 <sup>2)</sup>	2016 <sup>2)</sup>	2017 <sup>3)</sup>	2018 <sup>3)</sup>
	4.0	3.8	57%	61%
	(Out of 5.0)	(Out of 5.0)		

1) Goal for 2018: 60%  
2) Outcome of positive response regarding employee focus rate (domestic) from 2015 to 2016  
3) Positive response rate for Organizational Culture Assessment (domestic + overseas) from 2017 to 2018

### Diversity at the Workplace

#### — Work-Life Balance

As part of our efforts to maintain a healthy work-life balance, we have reduced the working hours and introduced 2 weeks of "refresh" leaves at our workplace to improve productivity and provide our employees with opportunities to gain non-work-related experiences. By introducing the PC-Off program and flexible work schedule management, we have been able to maximize productivity and enable employees benefit from reduced work hours while building a foundation for responsible job performance. In 2019, we plan to expand the system to support the 52 hours per week system.

#### — Increasing Female Workforce

Hyundai Mobis is introducing various support programs to increase the number of female employees in our workplace. In addition to training, we provide daycare centers and parking assistance for pregnant employees to make our workplace more women-friendly and help women continue to pursue their career and improve their level of job satisfaction.

### Female-Friendly Programs

Classification	Description
Recruitment	· Hire female employees for positions in management support, training, IT, and design outside the manufacturing positions
Evaluation & promotion	· Prevent disadvantage and discrimination in evaluation and consideration for promotion · Create a family-friendly workplace by organizing celebrations for new managers and their family members
Compensation	· Introduce a compensation system based on the employment contract such that it does away with gender discrimination
Training & position	· Support the internal career development program through CDP

### Performance Evaluation

Classification	2018			Remarks
	Reference (Person)	Target (Person)	Ratio (%)	
KPI-based Evaluation	10,013	10,013	100	There is no directly linked compensation, but evaluation is linked to the KPIs.
Multi-faceted Evaluation	10,013	1,350	13.5	A multi-faceted evaluation system is used for executive officers (excluding the heads of department and upper level managers), part/group heads and upper level managers. There is no directly linked compensation but it is partly used for review.
Compensation based on Relative Evaluation	10,013	4,201	42	All employees are subject to relative evaluation, but a system of compensation linked to the evaluation results is followed for managers and upper level officers (42%).

## Employee Communications

### Flat Communication

In order to integrate various inputs provided by our employees into our management, we regularly designate CAs (Culture Agents) and organize Corporate Culture Committees. Through meetings with the CEO and CAs, and through interactions among divisions, positions, and generations, we pursue our commitment to promote flat communications. We also arrange various seminars to encourage communication and cooperation between teams.

### Communication Channels for Labor Affairs

We comply with the local labor relations laws in all countries where we operate our business, and carry out our operations in conformance with laws related to the freedom of association and rights to form labor unions and collective bargaining agreements. Presently, our company has three labor unions, which operate based on the local conditions, workplace environment, and characteristics of work, and we negotiate with each union. To strengthen communication between labor and management, we organize labor-management council meetings on a quarterly basis as well as conduct collective bargaining and joint labor-management seminars every year.

### Fair Performance Evaluation & Compensation

To ensure fair evaluation of performance, we use MBO (Management by Objectives) as our basis for setting goals for improvement and retention, and assessing the level of performance. We also take measures to prevent gender discrimination in our compensation system that is based on one's position, work condition, and performance evaluation.

# SUPPLY CHAIN MANAGEMENT



## Supply Chain Management Strategy

Hyundai Mobis helps our suppliers gain competitive advantages and manages risks through our supply chain management policies. Through evaluations conducted on a regular basis, we select our suppliers in a fair and transparent manner and customize the management process to support their competitiveness.

## Selection and Evaluation of Suppliers

### Evaluation Target

Hyundai Mobis is presently engaged in series production contracts with 633 suppliers out of the 1,303 1st-tier suppliers. Of them, we have identified 359 companies as "Sustainable Suppliers" that can join new projects based on the supply of major parts, relation to business, and technical ability. We also categorize 2nd and 3rd tier suppliers with core technologies as core suppliers.

### CSR Process and Areas of Evaluation for Suppliers

Sustainable suppliers are selected on a monthly basis or, when needed, through council meetings that consist of executive level managers from the relevant departments. We distribute the Code of Ethical Conduct to all suppliers and review their compliance in the areas of human rights, labor, ethics, safety, health, and the environment. For new suppliers, we check their quality risks before registering them to our system. We also assess and rate our suppliers in terms of quality, delivery and technological expertise including evaluation of the quality system.

### Results of Due Diligence

The overall score is reflected in our supplier selection process and based on the rating, we apply incentives or penalties. Suppliers with a high rating receive incentives while those with a low rating are excluded from new projects. As a result of continuous quality improvement, technological innovation and process development, the overall score of suppliers has been on the rise each year.

## Response to Conflict Minerals

### Direction for Response to Conflict Minerals

In order to comply with the US Dodd Frank Action Section 1502 Regulation on conflict minerals, we demand that relevant suppliers establish a control system that meets OECD management standards and refrain from using minerals from conflict zones. To ensure this happens, the Hyundai Mobis Automobile Parts Sales Team and Purchasing Division annually inspect the status of conflict minerals. When we find suppliers in the target supply network that receive raw or subsidiary materials from smelters that are not certified as conflict-mineral restricting companies, we promote and encourage certification to avoid use of conflict minerals. We will

### Conflict Mineral Due Diligence Process



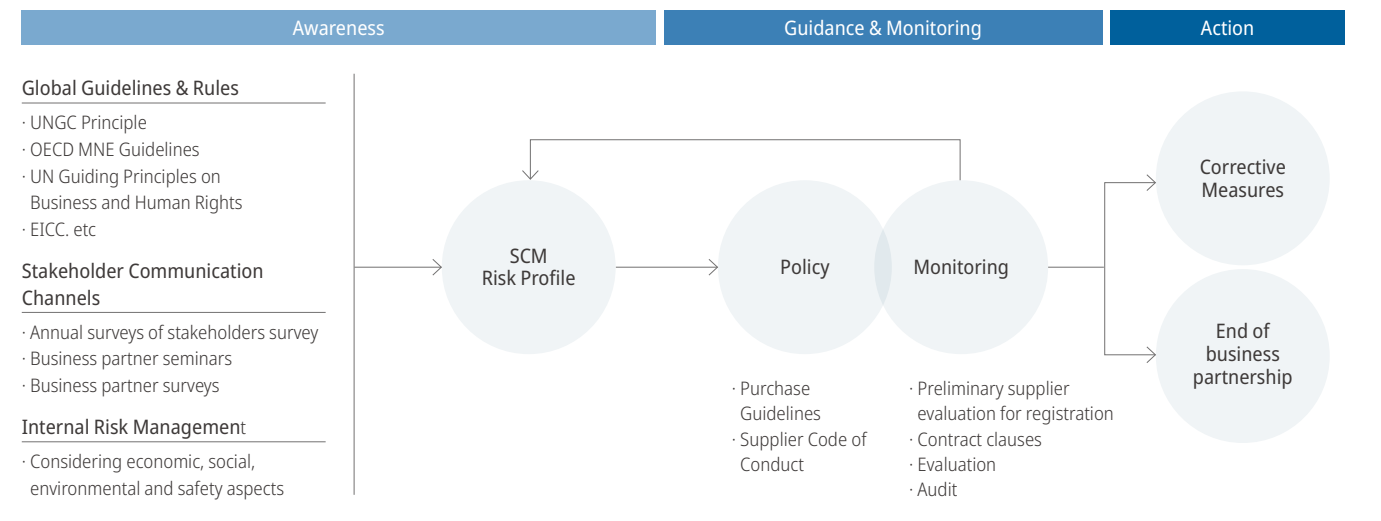
maintain a conflict mineral response system that continues to promote and encourage certification of smelters along the relevant supply network.

## Status of Supply Chain

Classification	2018	Note
Domestic	Total number of suppliers	1,303 companies 1st tier parts suppliers directly working with the HQ *series production, aftermarket service, goods and packaging
	Total purchase	KRW 15,646.9 billion 1st tier parts suppliers directly working with the HQ *series production, aftermarket service, goods and packaging
	Other purchases	KRW 431.1 billion HQ general, facilities, raw & subsidiary materials
Overseas	Local suppliers	400 companies Suppliers of working with overseas subsidiaries
	Local purchase amount volume and ratio	KRW 15,064.6 billion Purchase amount volume of overseas subsidiaries

2018 Top Purchases	2018 Purchase Volume
① Series Production	KRW 12,966.4 billion
② Aftermarket Services	KRW 2,473 billion
③ Goods/Packaging	KRW 207.5 billion
④ Overseas Subsidiaries	KRW 15,064.6 billion
⑤ Others	KRW 431.1 billion

## Supply Chain Management Process



# ENVIRONMENTAL MANAGEMENT

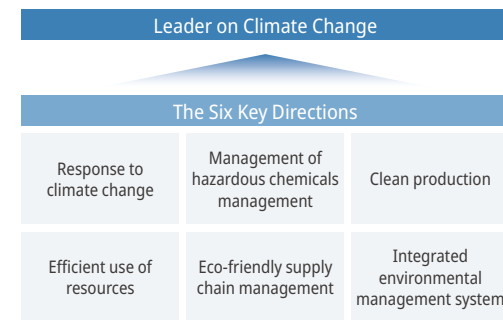


## Environmental Management System

### Environmental Management Strategy

In order to minimize the environmental impact of our production process, Hyundai Mobis has set six key directions based on our vision, "Leader on Climate Change". Through this process, we engage in various programs including monitoring of the entire production process from energy and water consumption to GHG emissions and wastes in order to maximize recycling of resources and minimize emissions. As a result of these efforts, there was no violation of any environmental laws and regulations in 2018.

### Vision for Environmental Management and the Six Key Directions



### Mid- to Long-term Environmental Management Strategy



Year	Action Plans
2016	<ul style="list-style-type: none"> <li>Built the GMEMS(Global Mobis Energy Management System)</li> <li>Developed technologies for reduction of individual GHG emissions                             <ul style="list-style-type: none"> <li>Optimized facility operating conditions</li> <li>Developed and expanded LED lighting for logistics centers</li> <li>Replaced fluorescent lamps with LED lamps</li> </ul> </li> <li>Established a chemical monitoring system for raw materials</li> <li>→ Took a proactive approach in response to chemical regulations</li> </ul>
2018	<ul style="list-style-type: none"> <li>Engaged in CSR programs for environmental protection</li> <li>Developed energy efficiency system for each facilities (related with Energy Management System)</li> <li>Supported suppliers for the development of technologies that reduced environmental impact, shared know-how in reduction of GHG emissions and replacement of hazardous chemicals</li> <li>Built and operated eco-friendly facilities for handling hazardous chemicals</li> </ul>
2020	<ul style="list-style-type: none"> <li>Advance GMEMS</li> <li>Build smart energy factories                             <ul style="list-style-type: none"> <li>Photovoltaic electricity generation, ESS (Energy Storage System)</li> <li>Eco-hybrid charging system</li> </ul> </li> <li>Build a foundation for emissions trading</li> <li>Support suppliers' to establish independent operating systems for environmental management</li> </ul>

### Certification of the Environmental Management System

We established an environmental management system through ISO 14001 certification of 39 domestic sites and 14 overseas production subsidiaries as of December 2018. By conducting annual reviews for certification, we regularly check the progress in our environmental management and make necessary improvements.

Classification	Eligible operations	Certified operations	Certification rate	
Head Office & Plants & Technical Centers	Domestic	13	11	85%
	Overseas	19	14	74%
Parts sales offices (including logistics centers)		28	28	100%
<b>Total</b>		<b>60</b>	<b>53</b>	<b>88%</b>

### Raising Environmental Awareness through Training

To pursue a proactive approach in our response to changing environmental issues, we provide training programs for personnel working in the environmental sector; the training cover areas such as water quality, air, waste, and GHG emissions while keeping track of changes in regulatory requirements and sharing them. On-the-job and online training programs are also provided for sites close to the legal limit. In 2018 in particular, we held a pre-inspection seminar before the summer vacation to preempt any environmental accidents during that period and prepare for the government's special environmental inspection.

### Case. Response to Potential Risk of Climate Change



#### Response to Risk of Natural Disasters

In responding to the potential risk of natural disasters such as typhoons, floods, heavy snow, and droughts caused by global warming, and industrial accidents such as destruction of production facilities, fires and explosions that can have negative impacts on our logistics, productivity and sales, we are taking a proactive approach by setting the key areas of risk management, and adopting preventive measures to minimize impact and damage. In addition, we maintain close coordination between teams so we can mobilize corporate-wide resources to resolve emergencies.

Estimated loss	Estimated loss in sales in case of failure to supply aftermarket service parts on time (KRW 6,958.1 billion)
Cost of response	Total amount insured for domestic facilities in 2018 was KRW 1.9 trillion. (A total of KRW 910 million is paid as annual insurance premium)

#### Response to on Regulations GHG Emissions

In South Korea, businesses with average GHG emissions of 50,000 tons for a consecutive 3 years are subject to regulations on vehicle fuel efficiency and GHG and energy target management system, while those with 125,000 tons are subject to the GHG emissions trading scheme starting 2015. Hyundai Mobis was designated as a target management company in July 2014 and has implemented reductions to meet the government's emission target quota since January 2016. As a major exporter of automotive parts, there is a risk of importing countries strengthening regulatory requirements. This translates into higher costs for Hyundai Mobis. Under these circumstances, we take a proactive approach in responding to environmental regulations by introducing various technologies for reduction.

Estimated loss	Penalty for non-compliance with regulations ① GHG & energy target management: max. KRW 10 million ② GHG emissions trading scheme: acquire emission credits required for excess emissions (KRW 26,000/ton) or pay penalty (3 times the price for the credit required)
Cost of response	Investment in facilities for application of GHG emissions reduction technologies (KRW 1.16 billion in 2018)



## Raw Materials Management

### Metals

Lately, automotive parts are being replaced with light-weight materials with high strength such as plastic and aluminum to reduce the weight of the vehicle and frames. In 2018, a total of 204,503 tons of metal was used as raw materials, marking an 8.3% increase from the previous year.

### Plastic and Rubber

In order to improve the recycling rate, Hyundai Mobis is making efforts to increase the recovery rate of materials as well as the range of application of plastics. This allows us to reduce the weight of vehicles and improve fuel economy. In 2010, we introduced a recycling process that collects paint scattered while being applied to lamp lenses, and thereby improves the loss rate and efficiency of solvents. The amount of plastic and rubber used in 2018 totalled 23,630 tons, a 13.9% drop compared to the prior year. The total use of solvents reached 206,758 tons which was a 19.6% drop from last year.

## Energy Management

In line with the global environmental and energy policies, we are committed to improving the efficiency of our energy systems as part of our sustainable energy management initiatives. Based on the GMEMS (Global Mobis Energy Management System), we monitor and analyze energy consumption at our facilities at a corporate-wide level for better efficiency. As of the end of 2018, we were able to implement the system at 17 business sites in Korea (14 plants, Mabuk Technical Center, Asan/Ulsan Export and Logistics Center) and 4 overseas sites (major hubs, MBJ/MJS/MSK/MMX). We plan to continue to save energy by implementing the system at Seosan Proving Ground and improving the existing systems. As a global automotive parts manufacturer, Hyundai Mobis operates and manages large warehouses that consume a considerable amount of energy for lighting. In 2018, we introduced a smart lighting system in 23 parts/logistics centers including the Asan Logistics Center, to save energy and create a more efficient lighting management system. In February 2019, we developed the world's first pollution-free "hydrogen emergency power generation systems" and installed them at our work sites to increase the use of eco-friendly energy.

## GHG Emissions Reduction

Hyundai Mobis is dedicated to reducing its GHG emissions that cause climate change. Since the implementation of the MGMS (Mobis Greenhouse-gas Management System) in 2011, we have estimated the corporate-wide GHG emissions, analyzed the statistics and built a database through regular updates. We also participate in the CDP (Carbon Disclosure Project) to offer transparency into our GHG emissions management practices for stakeholders. Furthermore, we are proactively responding to the government regulations on GHG emissions. In 2014, we were designated as a GHG/energy target management company under the Framework Act on Low Carbon, Green Growth. Since 2016, we have carried out reduction programs every year to meet the targets set by the government.

## Air Pollution Management

In order to minimize our impact on air quality, Hyundai Mobis prohibits the use of ODS (Ozone-Depleting Substances) in the manufacturing process used by our domestic plants and suppliers. Further, we have applied 50% of the legal limit on all air pollutants. In addition, we monitor the emissions concentration level on a monthly basis through our internal system and conduct analysis and follow-up measures on sites that exceed the limits. We also optimize our environmental facilities and replace outdated ones as part of our facility improvement and management while reducing the generation of VOC (volatile organic compounds), a major cause of global warming and ozone depletion. In 2018, we carried out a special inspection on our Gimcheon and Changwon factories to check the operation of air pollution prevention facilities, identify outdated facilities and risk of leakage of air pollutants, and improve the concentration level of air pollutants through continuous facility upgrades at our parts and logistics center.

## Water Resource Management

Given the nature of our products with intensive assembly process, we do not use a large amount of water resources and are improving the recycling rate by investing in facilities, preventing the overflow of cooling towers, and increasing the recovery of steam condensation water. When it comes to water pollutants, we discharge or retreat most of the wastewater generated in the parts cleaning process through the wastewater treatment facilities at each business site. At our production facilities, there is no source water that has

an impact on the surrounding environment and biodiversity. In 2018, we used 629,000 tons of water, a 22% decrease from the previous year, thanks to various water-saving activities including replacement of the water consumption from Bunam Lake with the water recovered/recycled and stored at the outdoor water storage.

## Waste Management

As part of our efforts to recycle and reduce wastes, we monitor the entire waste management process from discharge to transportation/disposal using an online waste disposal system (Allbaro System; a comprehensive waste management system operated by the Ministry of Environment). We are also dedicated to meeting regulatory requirements under the Producer Responsibility Recycling System when it comes to plastic packaging materials (air cap, vinyl, PE cushioning materials) and lubricants. We signed the "Voluntary Agreement for Recovery/Recycling of Plastic Wastes" with the Ministry of Environment in 2012 to improve the recycling rate of the five aftermarket service parts containing plastic, viz. bumper, molding, undercover, washer tank and cooling water tank, and thereby minimize the environmental impact of our products. Out of 14,346 tons of waste we produced in 2018 at our domestic sites, we recycled 8,433 tons (59%) and the recycling rate has consistently increased over the years. For the rest of the wastes, 36% was incinerated and 5% buried.

## Development of Eco-friendly Materials

In order to supply eco-friendly products, we use raw materials that have passed the hazard test at the development phase, and are continually working on the development of materials that are safe for our bodies and the environment. Using plant resources as raw materials, we developed bioplastic based on biotechnology and chemical technology for our interior products. In addition, we developed lead-free solder for vehicles in mass production and are presently engaged in efforts to increase the area of its application responding to the EU ELV (End-of-Life Vehicles) Directive. Meanwhile, we are working on the mass production of a bio-composite material co-developed with Hyundai Motor and in the process of developing additional technologies for further expansion of its production.

### Increase in Eco-friendly Packaging Materials

To reduce waste production and environmental impact in the product distribution process, we are increasing the application of eco-friendly packaging materials.

We are also committed to minimizing the use of packaging materials and resources to save disposal cost for consumers and improve overall cost efficiency. In 2018, we managed to save packaging materials worth KRW 6.5 billion. Currently, We are developing environment-friendly, and substitute materials in order to reduce use of plastic.

## Hazardous Materials Management and Prohibition of the Four Heavy Metals

MCMS (Mobis Chemical Management System) is a system we built to prevent the use of hazardous substances in our products and ensure their systematic management. Based on the system, we have set the standards for managing information on substances to meet the requirements for finished vehicles at the R&D phase, and carry out analysis and review of the safety of the products in compliance with local regulations on the chemical reporting process. In addition, through constant monitoring using the International Material Information System, we collect information on the registration status of hazardous substances in automotive parts and ensure a timely response to any regulatory changes. We established a Safety and Environment Team and TFT in 2018 and February 2019 respectively with a view to implementing a corporate-wide hazardous chemical management process in order to strengthen our management system and build our reputation as an eco-friendly company. By adopting such a proactive approach (Reporting/Registration/Notification) and taking prompt administrative measures, we are able to monitor the use of hazardous materials and secure sustainability in our management. We plan to implement a final validation process for hazardous substances (ESIR) as part of our efforts to strengthen the entry-point management of products. Furthermore, Hyundai Motor Group is implementing the "Global Standards for Four Heavy Metals" to ensure compliance with the laws on vehicle disposal in South Korea and the EU. To this end, Hyundai Mobis has put in place stringent procedures to manage the four heavy metals (lead, cadmium, hexavalent chromium, and mercury) contained in our parts and raw materials, and is working on the development of alternative materials. In addition, as part of our commitment to minimize the use of hazardous substances, we entered an agreement with suppliers for the supply of eco-friendly parts that are compliant with regulatory requirements.

Performance from implementing efficient lighting system and peak electricity control system

Energy Cost

▼ KRW 630 million

GHG Emission

▼ 1,802 tons CO<sub>2</sub>e

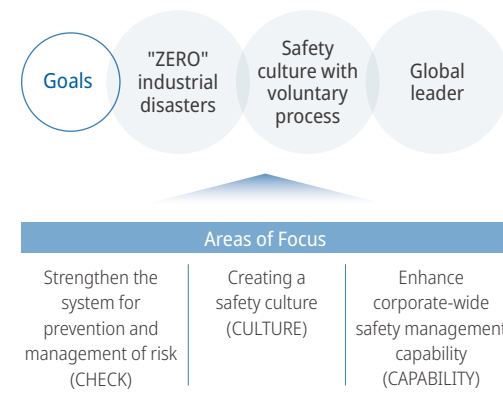
# SAFETY AND HEALTH



## Safety and Health Management System

### Safety and Health Strategy

To make our workplace safer and healthier, we put safety as our top priority in business management. With an aim to create zero accident workplaces, we engage in various safety and health programs and set safety and health policies in line with mid- to long-term plans to create a safety culture and raise awareness.



### Occupational Safety and Health Committee

The "Occupational Safety and Health Committee" was organized to review and make decisions on our policies and major issues concerning safety and health practices. The committee meetings are held on a regular basis, and attended by equal numbers of representatives from labor and management in order to identify risk factors and areas requiring improvement. In 2018, we discussed ways to improve the quality of safety gears such as protective boots and protective gears for workers handling heavy objects.

### Safety and Environment Management System Certification

To implement consistent safety and health practices, we acquired OHSAS<sup>1)</sup> 18001 and KOSHA<sup>2)</sup> 18001 for our key workplaces. We plan to switch to the new safety and health standards, viz. ISO45001 by 2021. In 2018, two domestic and overseas business sites obtained the ISO 45001 certification, raising the credibility of our safety and health management system. As of 2018, 27 of our business sites have been certified for ISO 45001 and 26 business sites have been certified for OHSAS 18001 respectively.

1) Occupational Health & Safety Assessment Series  
2) Korea Occupational Safety & Health Agency,

## Improving Safety at the Workplace

### Strengthening Safety Management at the Workplace

Regular inspections	· Periodical standard inspection of targets (29) and items (265)
Inspection by theme	· Activities focusing on themes (6 times/year) · Work safety during holidays, preventive measures against natural disasters, fire prevention activities in winter, etc.
Operational inspection	· Inspection of safety management operations at all workplaces · Regular inspections, assessment and feedback based on indicators · Domestic: 1 time/year, overseas 1 time/3 years

### Operation of the Emergency Response System

Simulated trainings are conducted on a regular basis in accordance with the response scenarios by type and level of emergency. Using the reporting system developed for each situation, we expedite the decision-making process to minimize damage. In 2018, we improved our emergency response and prevention system against industrial disasters, fire and damage from storm and flood.

### Safety and Health Management in Supply Chain

Hyundai Mobis's safety and health policies are applied to our internal suppliers, suppliers with access to our business sites as well as external production/sales suppliers. In order to strengthen our commitment to CSR and build a voluntary safety management system, we carry out safety and health inspections and training for our suppliers. Safety training is conducted twice a year for facility suppliers, and a Safety and Health Council has been organized to share information and conduct joint safety inspections with our internal suppliers. In 2018, Ulsan, Changwon, Jincheon, and Gimcheon sites worked together and operated a cooperation program to improve the performance of safety personnel and build a safety and health management system. We also support our external suppliers with occupational safety inspections and related technology. In the future, we plan to provide technical support including training, consulting, and guidance based on a mutually beneficial cooperation system. In addition, safety and health inspections are carried out for the prevention of accidents by identifying risk factors and areas requiring improvement. In 2018, 2,004 cases of fire prevention and serious industrial and natural disasters were identified through safety consultations with our suppliers and improvement measures were taken. In 2019, we plan to

continue our safety consultations for our suppliers and establish a safety management system for mutually beneficial cooperation. Furthermore, an inspection for safety management practices will be introduced for production suppliers and aftermarket service parts agencies to help improve their safety practices based on the results.

## Building the Foundations for a Safety Culture

### Employee Safety Training

We organize safety training for our employees to raise awareness and prevent accidents as well as create a safety culture that permeates the entirety of our operations. Various PR campaigns are held to promote our safety culture, with special focus on five areas including safety rules, daily safety practices, fire prevention, and electrical safety.

### Safety Training Performance

Classification	Training Details	Duration/ Frequency	Number of Participants
Regular safety training	"Occupational Safety and Health Act" and general management	2 hrs./ month	6,595
Manager/ supervisor training	Risks and hazards in job process and measures for prevention of disasters	16 hrs./ year	548
Corporate-wide compliance training	SHE management policies, basic safety rules, and case studies	Once/ year	All employees
Safety standard training for production facilities	Safety standards for production facilities, risk assessment, and LOTO	Once/ year	557
Special training for construction safety	Construction safety management and safety play	Once/ year	175

### Employee Health Management

We implement various programs to support our employees' well-being, and create a healthy work environment. We cover the cost of medical checkups for our employees and family members while providing customized healthcare programs for smoking cessation and weight loss as part of our initiatives to support our employees maintain their mental and physical health. We also hire an external agency to monitor the work environment once or twice a year to protect our employees from hazardous substances that may have a negative impact on the temperature and humidity of our workplaces.

# GOVERNANCE

With active support of global initiatives and compliance with laws and regulations, we are strengthening our position as one of the leading automotive parts makers. With unparalleled commitment and passion to become a global top tier, we are maximizing and sharing the common values with our stakeholders building a foundation for sustainable growth through transparent and stable management.

Corporate Governance	68
Compliance and Ethical Management	70
Risk Management	74
Human Rights Management	78
Materiality Test	79
Communication with Stakeholders	80



## Corporate Governance

### BOD Operation

#### Composition of BOD

The BOD of Hyundai Mobis is the top decision-making body that represents its diverse stakeholders, and oversees and approves resolutions on major management issues to ensure the company's long-term growth. As of April 2019, the BOD consists of nine directors. As the automotive parts business requires prompt decision-making and large-scale investments, the CEO concurrently serves as the chairperson of the BOD. In 2018, the BOD meeting was held 11 times and the attendance rate of independent directors was 98% on average. There are three BOD committees: Outside Director Recommendation Committee, Audit Committee, and Corporate Governance & Communication Committee. The Corporate Governance & Communication Committee monitors business management while the Audit Committee oversees and receives reports on overall management. Only independent directors are appointed to the Audit Committee and Corporate Governance & Communication Committee to ensure their independent operation.

#### Board of Directors

Classification	Name	Term	Initial election	Roles within the BOD
executive director	Mong-koo Chung	3 years	1977. 6	
	Eui-sun Chung	3 years	2002. 3	· Member of the Outside Director Recommendation Committee
	Chung-kuk Park	3 years	2019. 3	· BOD Chairperson · Member of Outside Director Recommendation Committee
	Hyung-keun Bae	2 years	2019. 3	· Member of Outside Director Recommendation Committee

As of April 2019

Classification	Name	Term	Initial election	Roles within the BOD	Career Highlights & Expected Roles
independent director	Byung-joo Lee	3 years	2011. 3	· Member of Outside Director Recommendation Committee · Member of Audit Committee · Member of Corporate Governance & Communication Committee	· As a legal expert, Mr. Lee offers insights into social policies and brings a balanced perspective to the BOD's decision making process, and is expected to create social values for the company.
	Ji-soo Yu	3 years	2015. 3	· Member of Outside Director Recommendation Committee · Member of Audit Committee · Member of Corporate Governance & Communication Committee	· An expert in the automotive industry, Ji-soo Yu advises the company on technological innovation of automotive parts.
	Dae-soo Kim	3 years	2018. 3	· Member of Audit Committee · Member of Corporate Governance & Communication Committee	· As an expert with keen insight into production process management and logistics, Mr. Kim is expected to set strategic direction for the company.
	Brian D. Jones	3 years	2019. 3	· Member of Outside Director Recommendation Committee · Member of Audit Committee · Member of Corporate Governance & Communication Committee	· An expert of corporate finance and investment
	Karl-Thomas Neumann	1 years	2019. 3	· Member of Outside Director Recommendation Committee · Member of Audit Committee · Member of Corporate Governance & Communication Committee	· An expert in business management and technology in the future automotive industry

### Independence of the BOD

At Hyundai Mobis, independent directors account for the majority of the BoD to ensure its independence in accordance with the Commercial Act. The candidates for independent directors are nominated by the Outside Director Recommendation Committee in compliance with commercial laws and other relevant laws and articles, and then selected every year at the annual shareholders meeting. In appointing independent directors, we submit a 'Qualification Confirmation of Independent Director' to the Korea Exchange which includes grounds of independence and legal qualifications to receive third-party reviews on the adequacy of the selection.

Outside directors are individuals who are not engaged in special relations with Hyundai Mobis and hold expertise and experience. They are composed of experts in technology, finance and law in the automobile industry. In addition, internal directors are appointed every year through the decision of the board which is composed of 4 internal directors and 4 independent directors.

### BOD Committees

#### Outside Director Recommendation Committee

Appointment of the candidates nominated by the committee is subject to approval of the BOD and review at the General Shareholders' Meeting. In accordance with the relevant laws and regulations, the Articles of Incorporation, and the BOD regulations, both outside and inside directors can nominate candidates; however, and the majority of the BOD should comprise of independent directors to ensure independence of the BOD's operations under Article 542-8 of the Commercial Act. As of April 2019, the BOD consists of three inside directors and four independent directors. The committee meeting was held twice in 2018.

#### Audit Committee

The role of the Audit Committee is to oversee the overall business management and ensure transparent and fair practice. To this end, the committee has the authority and responsibility to request reports from the BOD and investigate the business practices and assets of the company. In order to ensure its independence, the appointment and operation of the committee requires fulfillment of both composition requirements and relation to the job. The committee consists of only independent directors including the committee chair, and plays the role of ensuring the independence of independent directors. In 2018, the committee meeting was held seven times to review financial statements, key business plans, and evaluation of internal accounting practices.

#### Corporate Governance & Communication Committee

The economic, social and environmental responsibility practices of Hyundai Mobis are reported to the BOD through the Corporate Governance & Communication Committee. Comprised solely of independent directors, the committee reviews and oversees the implementation of the fair practice programs, transactions with affiliated persons, important policies on ethical management and social contribution and voluntary compliance programs under the purview of fair trade. The committee is responsible for sharing the company's growth strategies with its stakeholders, and plays an important role in creating a sustainable future, strengthening the transparency of the BOD, promoting communication with shareholders, and seeking various policies and activities to protect various stakeholders' rights and interests. In 2018, the committee held 12 meetings in total.

### Performance Evaluation and Compensation

In accordance with Article 388 of the Commercial Act, the board members are paid for their services within a limit of KRW 10,000 million set by the General Shareholders' Meeting, with the approval of the BOD. This includes base salary and performance-based bonus. The bonus is paid within a certain limit according to certain indicators, evaluated based on financial performance, mid- to long-term goals, leadership and contribution to the company.

#### — Independence Requirements for Outside Directors

To prevent conflict of interest and ensure independence, candidates for independent directors must not have any affiliation with Hyundai Mobis. Accordingly, the following categories cannot be appointed as independent directors of Hyundai Mobis.

1. Current executive directors, executive officers, or employees of the company, or persons who served as executive directors, auditors, executive officers, or employees within the past 2 years
2. Major shareholders, their spouses, children or parents
3. If the major shareholder is a company, the company's directors, auditors, executive officers, or employees
4. Spouses, children or parents of directors, auditors, and executive officers
5. Directors, auditors, executive directors, or employees of the parent companies or subsidiaries
6. Directors, auditors, executive directors, or employees of companies that have considerable interests in Hyundai Mobis
7. Directors, auditors, executive directors, or employees of companies where directors, auditors, executive directors, or employees of Hyundai Mobis serve as directors or executive directors

#### — Appointment Criteria for Audit Committee Members

Members of the Audit Committee are appointed in accordance with Articles 415 and 542 of the Commercial Act to ensure its fair practice.

Appointment Criteria	Compliance
Composition of three directors	5 members
Two-thirds of the members must be independent directors	All outside directors
One of the members must be an accounting or financial expert	Brian D. Jones
Committee chair must be an independent director	Dae-soo Kim
Failure to meet the requirements e.g. affiliation with the company, major shareholder	Not applicable

As of April 2019

#### Remuneration for the BOD

Unit: KRW 1M

Classification	Number of People	Total Remuneration	Average per Person
Inside Directors	4	7,192	1,798
Outside Directors	4	261	65

End of Dec. 2019

## Compliance and Ethical Management

### Compliance and Ethical Management System

Recognizing compliance and ethical management as an integral part of sustainable growth, we have established a system to promote compliance and ethical management in our relationships with stakeholders including employees, customers and suppliers. All our employees are required to comply with the Hyundai Mobis Global Compliance Guidelines and Ethics Rules, and use them as a guide in the event of ethical dilemmas. In the first half of 2019, we plan to establish the Mobis Code of Conduct that will encompass an Ethics Charter, Code of Ethics, and Global Compliance Guidelines.

We also appointed a Chief Compliance Officer and TF for the management of ethical practice, and reported compliance with the Ethics Rules to the BOD. The Chief Compliance Officer is appointed by the Corporate Governance & Communication Committee consisting only of independent directors for transparent and fair operation.

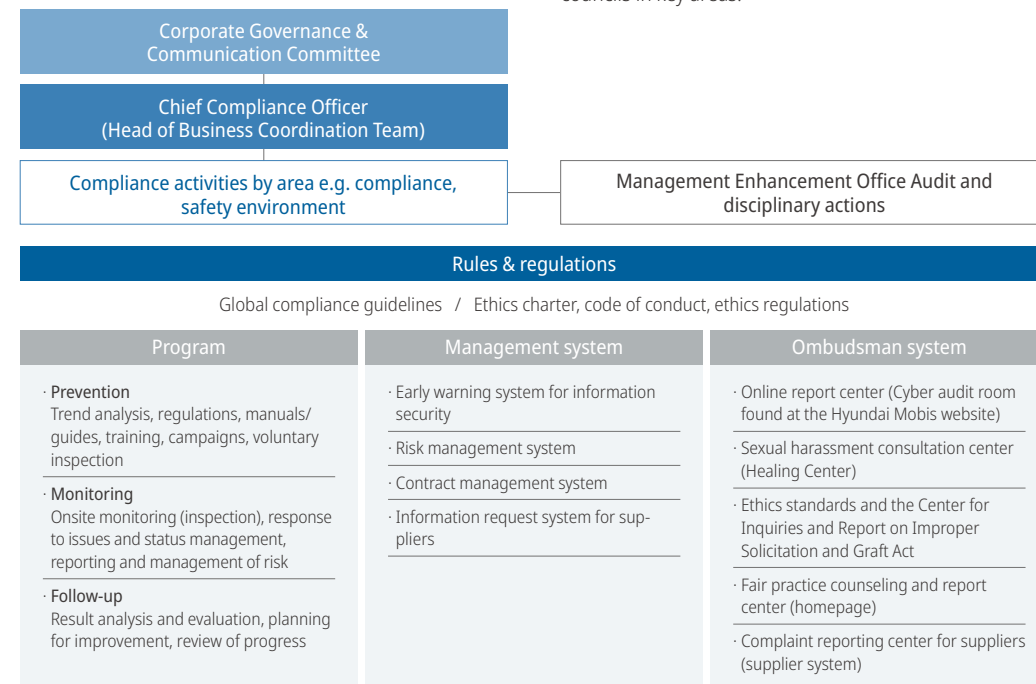
At the same time, we are adopting measures to prevent violation of laws and unethical practices based on a standardized control process and contract based on our risk management system.

### Strengthening Response to Laws and Regulations

To ensure strict compliance with local laws and regulations, we are strengthening our response systems. We keep track of any regulatory changes and incorporate them into the policies governing Hyundai Mobis and its products to prevent any non-compliance with the laws. We have also established strategies to increase participation in legislation and reform of the regulations established by the UN and China, and are building the foundations for legal certification, while sharing any changes with relevant departments, incorporating them into our practice, and standardizing the certification process for each business site.

### Monitoring Risks to Ethical Practice

Based on the Ethics Rules, we implement a monitoring system that involves key stakeholders. Our approach to risk management encompasses all major areas of compliance. We operate the system to prevent risks in terms of corruption, safety, protection of personal information and fair trade. In addition to the management areas that have been considered important in the past, we have introduced areas such as fair practice, corporate brand management and human rights that are growing in importance globally. We plan to conduct surveys and improve the global monitoring system while carrying out activities including regular inspection, distribution of compliance guide and checklists, and operation of councils in key areas.



## Promoting Compliance and Ethical Practice

### Compliance Commitment Pledge

Hyundai Mobis shares its commitment toward ensuring compliance and ethical practice and creating a fair and transparent corporate culture. As part of these efforts, we encourage our employees to sign a Pledge of Compliance that encompasses fair practice, corruption-free conduct, information security, prevention of sexual harassment and safety compliance. In 2018, more than 90% of our employees signed the digital form to affirm their commitment to compliance.

### Distribution of Global Compliance Guidelines

Hyundai Mobis established the Global Compliance Guidelines to set the standards for ethical conduct in 2015. The guidelines include requirements under 8 areas of conduct including corruption-free conduct, fair practice, employment and environment. Published in both Korean and English for our overseas employees, the purpose of the guidelines is to prevent unethical and illegal conduct. In 2019, we established the Mobis Code of Conduct that integrates the Global Compliance Guidelines, Ethics Charter, and Code of Ethics, as Hyundai Mobis' highest compliance standards that apply to all key areas.

### Strengthening Compliance and Ethical Management Training

To raise awareness of ethical conduct and prevent risks, we conduct on/offline training for our employees. While promoting the importance of ethical management through training held once a year, we make utmost efforts to provide the guidelines for ethical conduct and continually improve the effectiveness of the training. The training covers areas such as ethical practice, corruption-free conduct, prevention of sexual harassment, safety and management of legal risks. We also set standards for employee conduct by sharing detailed regulations, guidelines, and case studies on sexual harassment, awareness of disabilities and ethical practice. We also provide compliance training for suppliers and agencies to affirm our commitment to compliance and ethical management and prevent corrupt practices throughout the value chain. Going forward, we plan to establish a training system that integrates compliance and ethics to further increase awareness of ethical issues.

2018 Compliance & Ethical Management Training Performance Unit: person

Classification	Target	Number of Participants
Integrated compliance training (total)	Employees	6,866
	New employees	303
	Experienced employees	95
Ethical partnership	Employees	4,512
Training on ethics/corruption-free conduct	General Affairs Office	27
	Suppliers	221
Raising awareness of legal risks	Employees	751
Non-disclosure agreement	Employees	480
Total number of participants	-	13,255

## Operating a Grievance Handling System

We have a counseling center for resolving ethical issues along with on- and offline grievance handling systems to which violations can be reported. Employees can report any issues regarding corruption and bribery to the Ethics and Anticorruption Report Counseling Center within the Employee Groupware for resolution. Professional counselors at "Healing Center" our in-house psychological counseling center, handle sexual harassment as well as complaints of verbal and physical abuse. In case of sexual harassment, a joint investigation is conducted with support from dedicated female lawyers of the Legal Team. We are also committed to preventing sexual harassment and creating a healthy corporate culture through the "Sexual Harassment Prevention Guidelines". We receive reports on violations from external stakeholders as well as employees through the Cyber Audit Office on the website, and make efforts to take a proactive approach in our response.

### Response to Violations of Ethics Rules

At Hyundai Mobis, any acts of demanding or receiving monetary values from stakeholders or providing them with monetary values are considered bribery, and sexual harassment and bribery are strictly prohibited. Stakeholders refer to all stakeholders, including employees, suppliers, and government agencies, that have a business interest in Hyundai Mobis. Monetary values include money, valuables, congratulatory/condolence money, entertainment, and convenience. Any violations of the Ethics Rules are subject to disciplinary action in accordance with the HR Management Regulations and the procedures specified in the Disciplinary Action Committee Regulations. Bribery is subject to severe disciplinary action, and leniency is not supported by policy. In 2018, there was a case of violation that was subject to disciplinary action.

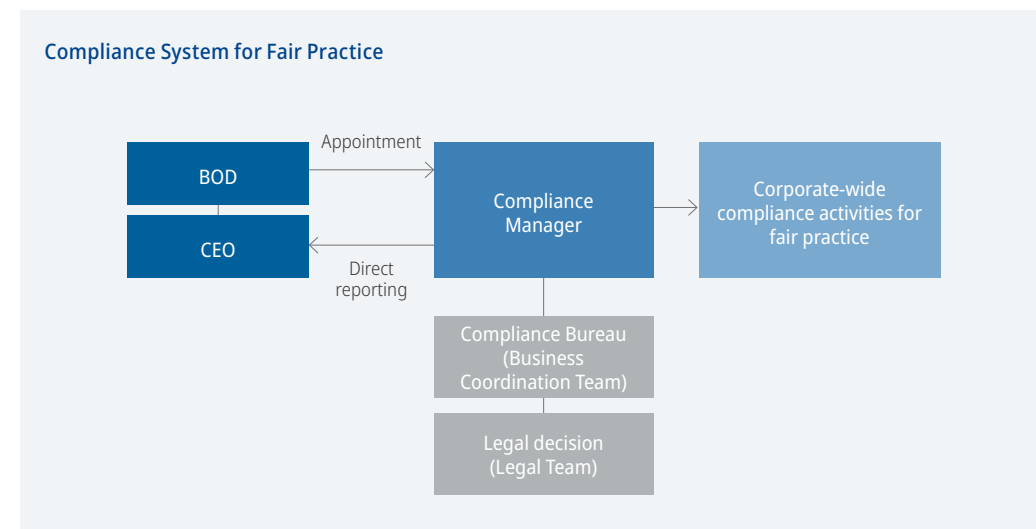
#### 2018 Status of Report for Ethical Management Counseling

Classification	Number of Cases
Report	
Complaints from parts customers	17
Related employees	4
Supplier complaints	5
Complaints against CS response	2
Others	5
Action	
Severe disciplinary action	1

### Compliance for Fair Practice

#### Compliance System for Fair Practice

Recognizing fair practice and competition as integral parts of sustainable growth, Hyundai Mobis is committed to creating an environment that promotes fair practice. To this end, we introduced the CP (Compliance Program), our in-house compliance system, in December 2002. The Compliance Manager who oversees the CP operations of Hyundai Mobis manages corporate-wide compliance with the Fair Trade Act and prevention of its violation with the authority and responsibility directly given by the CEO. To support their roles, Hyundai Mobis has set up a "Compliance Bureau" through which CP operations are managed; further, the expertise for CP activities is secured through the Legal Team. Additionally, we established detailed action principles in the "Global Compliance Guidelines", "Employee Ethics Rules" and "CP Operation Rules" to ensure full compliance by stakeholders when it comes to fair practice.



### Compliance Program

#### Compliance Review

Hyundai Mobis carries out corporate-wide compliance review activities to prevent violations of fair practice laws and regulations in our daily practice. If there is a risk of violation or it if a law or regulation is unclear, it is mandatory to conduct a preliminary review of the matter through the Legal Support System as part of our prevention measures. To make it easier for our employees to access information about fair practice, we operate a website for compliance with fair practice and run counseling and report channels to which our employees can submit questions about fair practice. There are checklists posted on the website that can help employees monitor the risk of violations. Meanwhile, the Compliance Bureau engages in corporate-wide preventive activities as well as regular reviews and improvements of work processes, and carry out risk analysis on the Fair Trade Act and Subcontracting Act in response to changes in government policies and laws.

#### Compliance Training for Fair Practice

Hyundai Mobis conducts employee training to raise awareness of fair practice, and reports the results to the BOD every half year. Especially, we organize annual compliance trainings for employees working in areas related to the Fair Trade Act, and fair practice managers participate in external training programs to keep track of the policies and laws and improve their expertise. The entry-level training program for fair practice is included in our training for new employees, to raise overall awareness. In 2018, a total of 4861 employees completed compliance training.

#### Fair Practice Compliance Review Activities

Classification	Number of Participants
Departments related to fair practice	4,744
New employees	109
Employees working in fair practice areas	7
Executive officers	1
Total participants	4,861

### Fair Practice with Suppliers

Every year, we sign a fair practice agreement with our suppliers to promote fair business transactions and support mutually beneficial cooperation. Specifically, internal regulations were established to ensure compliance with the Subcontracting Act (Four Actions for Subcontract: Good Contract Management Regulations; Regulations for Supplier Registration and Operation Management; Establishment of Internal Review Committee & Operation Management Regulations; Regulations for Good Document Issue and Retention Management). In 2018, we signed the 10th Fair Practice Agreement with 339 suppliers for transactions worth KRW 51 trillion. We also encouraged our 1st and 2nd tier suppliers to sign fair practice agreements, and as a result, agreements were formed between 168 1st tier suppliers and 757 2nd tier suppliers.

#### Fair Practice Agreement & Support for Mutual Growth

Classification	8th	9th	10th
Period	2016.1.1~ 2016.12.31	2017.1.1~ 2017.12.31	2018.1.1~ 2018.12.31
	Jan. 1 - Dec. 31, 2016	Jan. 1 - Dec. 31, 2017	Jan. 1 - Dec. 31, 2018
Participating Suppliers	377	375	339
Purchase Amount (KRW 100 million)	54,413	54,410	51,072

\* Refers to the total purchase from suppliers subject to the agreement in the year.

#### Unfair Practice Report Channel

With a trading system to manage areas such as contract bidding, we prevent unfair practice in advance. Further, we operate an anonymous report channel, and investigate unfair practice and make necessary improvements right away. We also prevent recurrence of violations through continuous training in relevant areas.

Fair Practice Counseling and Report Center  
<https://www.mobis.co.kr/social-responsibility/report/index.do>  
 Cyber Audit Room  
<http://www.mobis.co.kr/cyber-audit/info/index.do>  
 Grievance Report System for Suppliers  
<https://mpos.mobis.co.kr/listReport.jsp>

# Risk Management

## Risk Management System

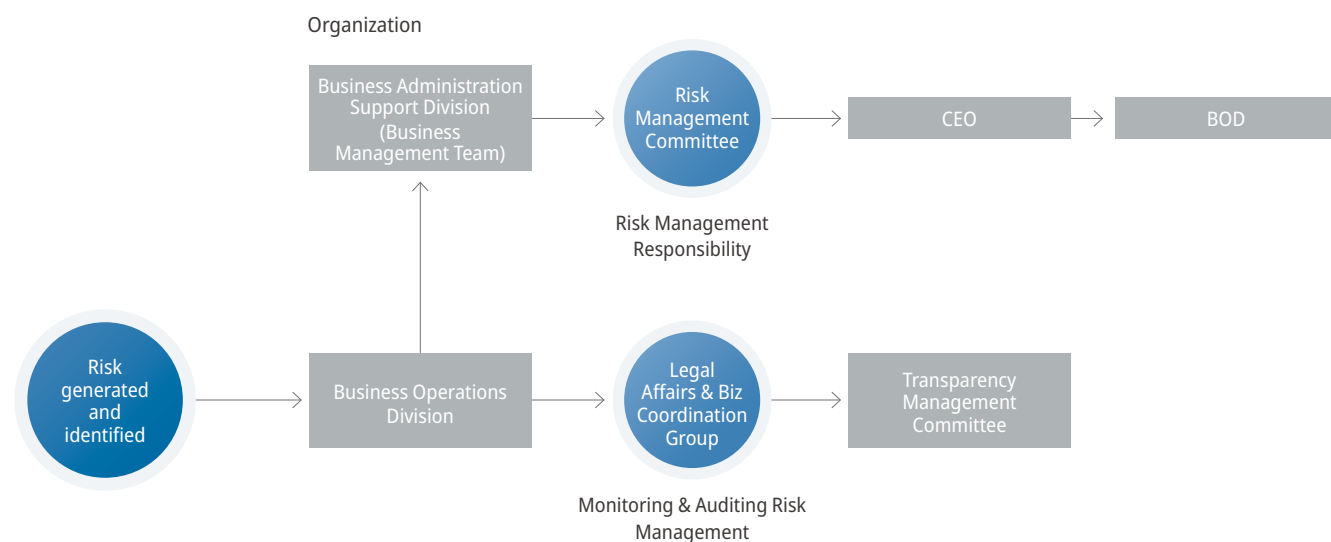
Hyundai Mobis operates a Corporate Risk Management Committee with the Business Administration Support Division of Business Management Team at its core. The head of Business Administration Support Division serves as the CRO (Chief Risk Officer). In 2018, the committee was divided into 14 departments and Comprehensive Control Tower from the existing integrated risk system to secure expertise and prompt response. The head of each department is responsible for managing the risk of each division while the CRO takes care of company-wide risk management. Business divisions and the Control Tower immediately report identified risks to management through the Risk Management Committee for response. Meanwhile, the Legal Affairs & Biz Coordination Group is responsible for monitoring risk management activities and the suitability of the response strategy from the Risk Management Committee in order to govern the efficiency of the entire system.

### Risk Management Council Operations

We hold Risk Management Council meetings on a monthly basis to identify risk factors and implement response strategies and action plans. The Management Strategy Meeting was organized by the CEO to share the results of the risk assessment of the internal and external business environment. In addition, we hold council meetings held by the head of Business Administration Support Division with the head of Planning/Management Departments to share insights into potential risks that cannot be resolved by a department alone. Meanwhile, the Risk Management Council is composed of risk managers in each department to review the outcome of risk monitoring.

### Business Continuity Management

The Comprehensive Control Tower monitors worksites at home and abroad in real time to prevent risk factors and promptly communicate emergency situations to minimize the spread of risk. It keeps track of the status of manufacturing lines, production and inventory status, production performance, operation rate and field quality index, and reports the data to management to aid decision-making and response to risk. We include compliance with reporting deadlines in emergencies as a KPI deduction item for assessing risk management. We also share important issues occurring in global sites with relevant departments and enhance cooperation to minimize negative impact from risk through the EIS (Management Information System) and promptly normalize operations.



## Core Risk Management

Hyundai Mobis reviews the severity, potential of occurrence, and impact of individual risk factors through the Risk Management Council, and defines risks with a high level of importance as core risks. We detect the key factors that must be managed which we concentrate on. Core Risk factors are updated and revised on an annual basis to establish a prompt response system on changes in global business environment and global environmental regulations in order to strengthen our monitoring system for potential risks that may affect our business performance.

### Core Risk

Type	Management Point	Response Plan
Deterioration of Business Environment	Impact from imposed customs on all import automobiles by the US	Comprehend company-wide influence on operations, establish response plan (in case risk escalates) - Build overall response method including running manufacturing bases, strategy to expand localization, plan to recover loss.
	Impact of additional customs imposed by the US on Chinese imports	
	Protective trade policies of own country (customs, incentive, etc.)	
Political, Economic Instability of Developing Countries	Exchange Rate Trends (revenue, cost and benefit, FX loss, etc.)	Strengthen monitoring of operations in high-risk countries
	Sales trend and government policy for complete automobiles (automobile industry, labor, etc.)	
Base Interest Rate Raise by US (strong dollar value)	Increase in interest cost in lending USD for foreign offices	Establish FX-hedge strategy and response led by the Finance Department
	Rise in purchase price of import parts (increase in material cost)	
Price Increase of Raw Materials	Increase in production cost (material cost, transportation cost, manufacturing expenses)	Review trend of manufacturing cost and create plan to improve profit
	Price fluctuation of source materials such as international oil price	
Regulations on Safety and Environment	Regulatory trends in safety and health by country (EU Reach, NCAP Assessment, etc.)	Create company-wide response system to regulate harmful material in products - Establish new Control Tower organization – Redesign work process
	Ministry of Environment (Korea), regulation of harmful substance in products (Act on the Registration and Evaluation, etc. of Chemical Substances, etc.)	
	Demand for inspections of quality defects from consumers (US NHTSA, etc.)	
Compliance risk	Occurrence of mass recall, diminishing quality rating	Strengthen quality inspections by third-party organizations and monitoring of trends, analyze fundamental reason behind issues and establish measures to prevent recurrence
	Compliance with relevant law and regulations (subcontracting, Fair Agency Act, technical material, etc.)	

## Managing Risk by Category

Economic and industrial environmental risks, such as changes in the market environment and geopolitical factors, are reported to management on a regular basis as they can affect overall business operations. Financial risk is classified into foreign exchange loss from foreign currency bond and debt, net cash flow, and debt ratio analysis for management. Social, environmental, and regulatory risks are also targets of strict management, and we implement a variety of measures such as improving compliance in fair trade and building a system to respond to global environmental regulations and climate change. In addition, we have established a web-based risk-management system for preemptive response that minimizes the chance of errors and corrupt practices. We conduct preventive management for unpredictable risks such as industrial and natural disasters by designing scenarios by case to reduce their impact while maintaining close cooperation so company-wide efforts can be made for recovery in case of an emergency.

**Tax Risk Management**

— Tax Policy

Compliance with tax laws and fulfilling tax obligations are part of our corporate responsibility towards customers and the national economy. To ensure full compliance with local tax laws and regulations in all our business transactions, we commit ourselves to understanding domestic and overseas tax laws and meeting the requirements set by the tax authority of each country, such as submitting required information. In addition, we clearly define the roles and responsibilities of each manager in terms of tax reporting and payment. If clarification is required regarding tax laws, we consult accounting firms or outside experts to come up with optimal solutions.

— Fulfilling Overseas Tax Obligations

We apply a reasonable price transfer policy in accordance with domestic tax laws and transfer price guidelines for international transactions between overseas subsidiaries. In addition, we strictly prohibit offshore tax evasion using tax havens or fraudulent tax reporting in international transactions. We fulfill all our obligations for corporate tax and submission of information required by local tax authorities with support from headquarters in accordance with the tax laws of the country in which we operate our business.

**Potential Risk Management**

We identify risk factors on overall business operations through analysis of social changes as well as changes in the internal and external environment. We implement a strategic response to turn potential risks into opportunities.

Risk	Need to secure electronic technology in response to the changing automotive ecosystem	Need to secure eco-friendly parts technology in response to strengthening environmental regulations
Economic and social environment	<ul style="list-style-type: none"> <li>Technological innovation in mobility field such as self-driving technology</li> <li>Potential in demand for automobiles to increase, plateau or decrease due to expansion of shared economy</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening environmental regulatory trends of each country (fuel efficiency regulation, obligatory sale of eco-friendly automobiles)</li> <li>Secure eco-friendly technology of global leaders (increased co-development between complete automobile providers and parts manufacturers)</li> </ul>
Impact of risk	<ul style="list-style-type: none"> <li>Current dramatic changes in the automobile industry from mechanics-driven to electronics-driven market</li> <li>Need to secure core technologies in ICT</li> </ul>	<ul style="list-style-type: none"> <li>Declining competitiveness as a result of technological gap with leading companies due to poor response to industrial changes</li> <li>Corporate brand image may suffer</li> </ul>
Response activities	<ul style="list-style-type: none"> <li>Continuously expand R&amp;D investment with focus on ICT</li> <li>Focus on development of new technology for supply of self-driving platforms and connectivity systems</li> </ul>	<ul style="list-style-type: none"> <li>Build eco-friendly lines with emphasis on driving motor, controller, and battery systems with a focus on Chungju eco-friendly factory</li> <li>Secure fundamental technology and expand eco-friendly production sites to prepare for growing demands for eco-friendly automobiles</li> </ul>
Future Plan	<ul style="list-style-type: none"> <li>Internalize core technologies through open innovation</li> <li>Secure advanced technology by leveraging overseas R&amp;D centers</li> </ul>	<ul style="list-style-type: none"> <li>Construction of the 2nd facility for hydrogen fuel cell system at Chungju eco-friendly factory is in progress</li> <li>Plans to expand the production capacity of hydrogen fuel cell systems to 40,000 units per year by 2022</li> </ul>

**Strengthening Industrial Security**

**Industrial Security Policy**

In this rapidly changing ICT environment, information protection is an essential part of business operations. Hyundai Mobis takes the initiative in information protection in line with domestic and international standards and specifications in order to protect its business environment and customers' information from various security threats. In response to external threats, we organize teams to prevent infringements, operate a vulnerability assessment process and a security control system while building and running various security solutions including drawing/document security and media control. By doing so, we are able to protect our competitive advantage such as our capability to develop core parts and new technology research while ensuring business continuity. We will continue to minimize security risks by making improvements in each area and raising security awareness.

**Information Security System**

In addition to implementing the internal security policy of Hyundai Motor Group and the information protection standards of Hyundai Mobis, we are strengthening the security management process based on our information protection system in line with domestic and overseas business operations.

We carry out analysis, inspection, follow-up, and progress management in the administrative, physical and technical areas. For major suppliers that share technical information with Hyundai Mobis, we provide on-site instructions and guidance to raise their security awareness and strengthen information security throughout the entire value chain.

**IT Security Awareness Campaign**

In order to raise our employees' security awareness and encourage voluntary security activities, we operate security awareness programs and conduct security training on a regular basis. To ensure regulatory compliance and promote our employees' information protection activities, we update our security standards and policies on an annual basis. Our employees play an important role in preventing security breaches based on a high level of understanding of security.

**Personal Information Protection**

The leakage of personal information can lead to not only legal liability for the company but also significant damage to the individual. Personal information of customers and employees are the most important assets that must be protected and we have set internal management guidelines in accordance with overall legislations on personal information protection. We also strengthened our technical administrative measures including database encryption of critical personal information and implementation of consent procedures for collecting and using personal information, in order to prevent misuse and leakage.

Additionally, we keep track of any changes in global information security and privacy laws and regulations, and take the necessary actions for response. In 2018, we appointed a DPO (Data Protection Officer) to protect the rights of information owners in compliance with EU GDPR (General Data Protection Regulation) and developed a process for relevant items as well as upgrading the overall system.



## Human Rights Management

### Human Rights Principles and Scope of Application

Hyundai Mobis is committed to protecting its employees and stakeholders' human rights, and operate in compliance with the international human rights standards and norms such as local labor laws, the UN UDHR (Universal Declaration of Human Rights) and the Guiding Principles, as well as the Core Convention of the International Labor Organization. We recognize our responsibility to respect universally accepted human rights throughout the entire business process and value chain. These principles apply not only to our employees, but also to the entire spectrum of our business and investment activities, including supply chains and investors.

#### Human Rights Management Guidelines

##### Prohibition of Forced Labor

In accordance with the UN Universal Declaration of Human Rights and the internal human rights protection policy, Hyundai Mobis prohibits any form of forced labor using mental and physical constraints, including slavery and human trafficking.

##### Prohibition of Child Labor

In accordance with the UN Universal Declaration of Human Rights and the internal human rights protection policy, Hyundai Mobis prohibits the employment of children or youth.

##### Working Hours

Hyundai Mobis operates its business in compliance with the maximum working hours under local laws and regulations.

##### Wage

Hyundai Mobis operates its business in compliance with the minimum wage and overtime pay under local laws and regulations.

##### Prohibit Discrimination

Hyundai Mobis provides equal opportunities to all employees and applicants for employment. Under all circumstances, we support cultural and racial diversity at our workplaces, and do not discriminate based on race, gender, age, national origin, educational background, religion, marital status, political opinion, social status, physical disability or other considerations, and manages its human resource activity in accordance with local laws when it comes to employment, promotion, compensation, and disciplinary action.

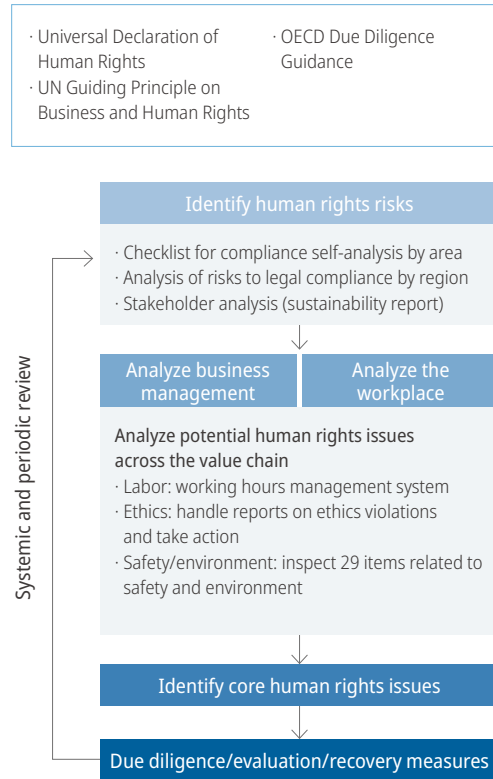
##### Freedom of Association

Hyundai Mobis guarantees the freedom of job selection, freedom of association and collective bargaining in accordance with the labor laws of each nation or region and we do not impose any disadvantage for registering and participating in labor unions or creating one.

##### Workplace Safety and Environment

Hyundai Mobis provides a safe work environment for all employees through design of a safe workplace, risk prevention process, work process in accordance with safety rules, supply of protective equipment and continuous safety training.

### Human Rights Due Diligence Process



### 2018 Human Rights Due Diligence Results

Hyundai Mobis conducted due diligence on human rights in 2018 and took the following corrective measures:

- Period: Jan. 1 – Dec. 31, 2018
- Scope: Hyundai Mobis, supply chain and subsidiaries subject to consolidation

#### Employees

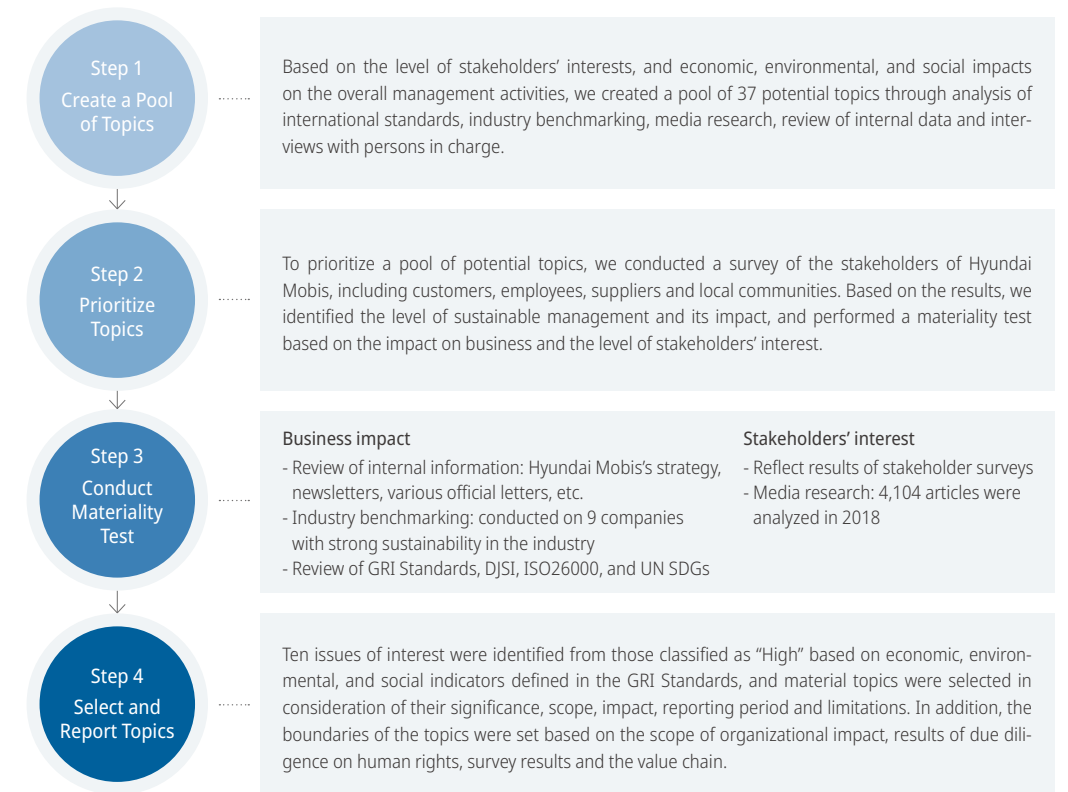
Classification	Labor <sup>1)</sup>	Ethics <sup>2)</sup>	Safety/Health/Environment <sup>3)</sup>
Number of audits conducted	10,013	103	41,535
Number of cases of violation	0	2	229
Number of cases addressed	0	2	229

1) Working hours management system for all domestic employees  
 2) Number of complaints and reports on ethics violations (Jan. 2018 – Dec. 2018), items subject to prohibition of discrimination  
 3) Regular/Impromptu audits on 35 Safety/Environmental items (Jan. 2018 – Dec. 2018) 1 time/Month, 12 times/Year

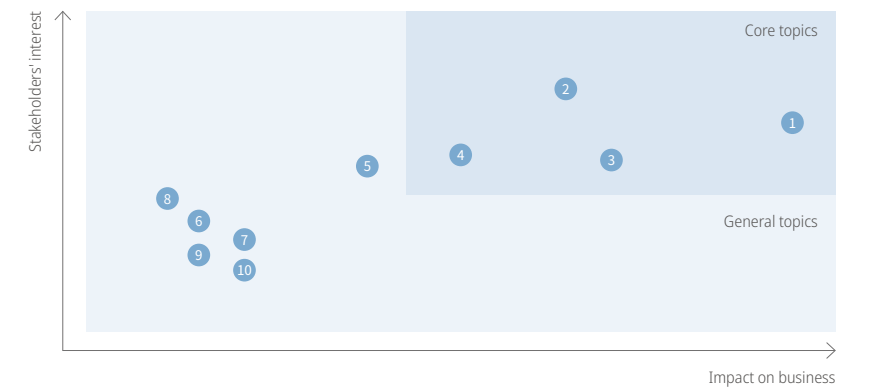
#### Suppliers

- Safety/environmental (fire, etc.) inspection were carried out for 116 suppliers → Improvement and corrective measures were taken for 51 suppliers

## Materiality Test



### Materiality Map



No	Core Issues of Stakeholders	Related report issues	GRI Topic	Impact	Page
1	Achieving technological competitive edges through R&D	Core topics Sustainable production	Economic performance	Operation	18-29
2	Securing new growth engine and diversifying business	Core topics		Finance	
3	More engagement with local community and more social contribution to local community	Strengthening social contribution	Local communities	Risk	38-45
4	Drive mutual success with suppliers	Win-win growth policy with suppliers	Indirect economic performance	Operation	30-37
5	Develop eco-friendly products and services	General topics Sustainable production	Economic performance	Operation	18-29
6	Eco-friendly energy technology	Environmental management	Energy, emission	Operation	60-63
7	Recruit and retain talent	Employees	Evaluation of human rights, equal opportunity, and diversity	Operation	52-57
8	Increase customer satisfaction	Customers	Customer safety/health, marketing, and labeling	Reputation	48-51
9	Improve labor-management relations and internal communication	Employees	Labor relations	Operation	52-57
10	Strengthen competency through training	Employees	Training and education	Operation	52-57

## Communication with Stakeholders

Hyundai Mobis defines any persons or entities that affect or are affected by its business operation, as stakeholders. They are divided into automakers, competitors, employees, suppliers, customers, investors, governments and associations, the media and academia, as well as local communities in South Korea and overseas. We are committed to building trust with our stakeholders and facilitating efficient communication through various channels in order to reflect their inputs in our business management. In fact, we disclose our business strategies, activities and performance through the 2019 Sustainability Report as well as our website, newsletters and various other disclosure data as part of our efforts to promote ethical and credible practice.

### Stakeholder Status, Major Communication Channels and Activities

Global automakers / competitors	Global automakers and automotive parts suppliers	Production and sales policies, shared direction for product development, joint projects, tests on quality & technology capabilities, and monitoring of market trends
Employees	Korea: 9,611 Overseas: 19,951	Employee satisfaction surveys, company-wide corporate culture assessments, CSR awareness surveys, assessments of employee awareness on business ethics, and Cyber Auditing
Suppliers	Korea: 1,704 companies(1st tier suppliers) CTO Forum: 102 companies	Regular meetings, executive-level conferences, seminars for suppliers' CEOs and for suppliers of overseas subsidiaries, and CTOs (Chief Technology Officers)
Customers (dealers/consumers)	Korea: 1,860 dealerships Overseas: 472 agencies, 14,299 dealers, car shops and end users	Agency policy seminars, council meetings for executives, and customer satisfaction surveys
Investors	Institutional investors, individual investors, domestic and international credit rating agencies, and CSR rating agencies for investors	Non-deal roadshows (NDR), disclosures, general annual shareholders' meetings, and CSR evaluations
Government/Associations	Administrative organizations, constitutional institutions, local governments and associations	Responses to public policies and institutions, and joint projects
Media/Academia/CSR agencies	Korean and international media, CSR associations, CSR regulators and technology forums	Brand recognition surveys, CSR communication activities and industry-academia R&D alliances
Local communities	Local governments, social and environmental organizations, NGOs	Social outreach partnerships

# APPENDIX

Management Performance	82
Environmental & Safety Performance	83
Social Performance	86
UN Global Compact	90
Awards & Memberships	90
GRI Standards Index	91
Independent Assurance Statement	94
GHG Assurance Statement	96

## Economic Performance

### Major Financial Performance

(KRW 1 million)

Classification	2016	2017	2018
Total assets	41,711,608	41,736,819	43,071,132
Shareholders' equity	491,096	491,096	491,096
Liabilities	13,153,619	12,377,861	12,367,704
Sales	38,261,745	35,144,580	35,149,219
Gross profit	5,295,726	4,465,218	4,567,004
Operating income	2,904,692	2,024,929	2,024,957
Earnings before taxes	4,111,171	2,734,383	2,474,883
Corporate tax	1,063,889	1,176,660	586,677
Net income	3,047,282	1,557,723	1,888,206

### Distribution of Economic Performance

The ultimate goal of Hyundai Mobis is to not only create sustainable revenue but also share and promote values in coordination with all its stakeholders. To this end, we are committed to distributing the results of our economic performance to various stakeholders including shareholders, customers, employees and suppliers, through shareholder dividends, social contribution, and tax payment. In 2018, Hyundai Mobis has created economic value of KRW 32.84 trillion and shared it with all stakeholders.

Classification	Unit	2016	2017	2018	
Suppliers	Purchase from suppliers	KRW 100 million	346,690	308,352	311,425
	Wages	KRW 1 million	747,810	753,016	792,864
Employees	Retirement benefits	KRW 1 million	63,117	66,923	61,761
	Fringe benefits	KRW 1 million	144,893	148,259	161,558
Government	Taxes and dues	KRW 1 million	1,063,889	1,176,660	586,677
Local communities	Expenses for social contribution	KRW 1 million	18,603	16,771	29,088
Creditors	Expensing of interest expenses	KRW 1 million	-	50,084	63,662

\*The previous data have been modified due to changes to calculation standards.

### Ownership Structure

Classification	NO. of stocks	Shareholding(%)
Largest shareholders	29,367,179	30.17
NPS	9,159,806	9.41
Treasury stocks	2,643,195	2.72
Others	56,173,683	57.71
Total	97,343,863	100.00

### R&D investment

Classification	Unit	2016	2017	2018
R&D Expenditures	KRW 1 million	696,779	769,569	835,006
R&D Staff	person	3,419	3,685	4,126
Number of R&D workforce as total employees	%	12	12	13
R&D Spending as % of sales	%	1.8	2.2	2.4

### Korea Corporate Governance Service (KCGS) ESG Evaluation

Classification	2016	2017	2018
ESG Class	B+	B	B+
Environmental Responsibility	A	A	A
Social Responsibility	A+	A	A
Governance	C	C	B

## Environmental & Safety Performance

### Management System Certification in 2018

Classification			OHSAS 18001(ISO 45001)	ISO 14001	
Domestic	Gyeongin	I/P	○	○	
		ABS	○	○	
		Seosan	○	○	
		Poseung	○	○	
		Asan	○	○	
	Gimcheon Factory		○	○	
	Chungju Factory		○	○	
	Service		○(ISO 45001)	○	
	Technical Center		○	○	
	Jincheon Factory		○	○	
	Ulsan Factory		○	○	
	Changwon Factory		○	○	
	Overseas	China	MBJ	○	○
MJS			○	○	
MSH			○	○	
MWX			○	○	
MTJ			○	○	
MCQ			○(ISO 45001)	○	
US		MAL	○	○	
		MAL-GA	○		
		MNA MI		○	
Brazil		MBR	○	○	
Mexico		MMX	○	○	
Europe		MSK		○	
			MCZ Modules	○	○
	MCZ Lamps		○	○	
		MRU	○	○	
India	MIN	○	○		
Turkey	MTR	○	○		

\* Jincheon Plant, Ulsan Plant, Changwon Plant

### Energy Consumption

Classification	Unit	2016	2017	2018	2018 Target
Total energy consumption	MWh	844,231	884,953	966,481	989,638
Electricity	MWh	643,368	654,789	673,392	689,527
Fuel	MWh	190,042	219,445	284,170	290,979
Others (steam, etc.)	MWh	10,821	10,719	8,919	9,132
Intensity of energy consumption	MWh/KRW 100 million	2.21	2.52	2.75	
Total costs of energy consumption	KRW 1M	85,064	87,378	93,196	

### GHG Emissions

Classification	Unit	2016	2017	2018	2018 Target
GHG emissions (Scope 1, Scope 2)	tCO <sub>2</sub> eq	339,707	349,446	370,309	
Domestic	tCO <sub>2</sub> eq	119,628	135,998	143,476	
Overseas	tCO <sub>2</sub> eq	220,079	213,448	226,833	
Scope 1	tCO <sub>2</sub> eq	36,139	40,586	53,375	53,666
Scope 2	tCO <sub>2</sub> eq	303,568	310,349	316,934	319,156
Scope 3	tCO <sub>2</sub> eq	-	2,433	10,616	
GHG (Scope 1, Scope 2) emission intensity	tCO <sub>2</sub> eq / KRW 100 million	0.89	0.99	1.05	

### Air Pollutant Emissions

Classification	Unit	2016	2017	2018
Air pollutant emissions	ton	7.54	11.18	15.87
Emission intensity	Kg/KRW 100 million	0.04	0.06	0.08
Management of air pollutants				
NOx(nitrogen compounds)	ton	-	0.46	0.61
Sox(sulfur oxides)	ton	-	-	-
Dust	ton	1.35	1.44	1.60

### Water Resources

Classification	Unit	2016	2017	2018
Total consumption of water resources	ton	594,170	807,092	629,338
Municipal water	ton	579,270	787,282	609,594
Underground water	ton	14,900	19,180	19,744
Consumption intensity	ton/KRW 100 million	2.99	4.16	3.07

### Water Pollutants

Classification	Unit	2016	2017	2018
Total amount of water pollutants	ton	7.61	5.17	4.22
Emission intensity	Kg/KRW 100 million	0.02	0.01	0.01
BOD (Biochemical Oxygen Demand)	ton	2.79	1.22	1.70
COD (Chemical Oxygen Demand)	ton	0.85	0.62	0.33
Wastewater treatment				
TN	ton	1.45	1.25	0.40
SS	ton	2.46	2.06	1.51
N-H	ton	0.02	0.02	0.04
T-P	ton	0.04	0.00	0.24

### Raw Material Consumption

Classification	Unit	2016	2017	2018
Metals	ton	224,723	188,801	204,503
Plastics	ton	41,501	27,439	23,630
Solvents	ton	283,974	257,120	206,758

### Waste and Recycling

Classification	Unit	2016	2017	2018	2018 Target
Waste production	ton	15,287	15,421	16,263	18,071
Production intensity	ton/KRW 100 million	0.08	0.08	0.08	
Recycling rate	%	51.8	52.9	52.3	
Designated waste					
Incinerated	ton	1,727	1,728	1,851	
Buried	ton	-	-	-	
Recycled	ton	24	22	66	
General waste					
Incinerated	ton	5,165.55	5,147.75	5,174	
Buried	ton	470	381	739	
Recycled	ton	7,901	8,143	8,433	

### Safety Management at the Workplace

Classification	Unit	2016	2017	2018
Rate of Industrial Accidents	Employees %	0.05	0.03	0.05
Lost-Time Injuries	Employees Case/M Work Hour	0.60	0.32	0.31
Frequency Rate (LTIFR)	In-house suppliers Case/M Work Hour	0.14	0.20	0.64
Occupational Illness Frequency Rate (OIFR)	Employees Case/M Work Hour	0.25	0.13	0.12

### Occupational Safety and Health

Program	Description
Medical expenses	Cover medical expenses for employees and their family members
Health checkup	Cover 50% of the costs of general health checkup for employees of 35 years of age or older (100% every 5 year)
Work uniform/workout clothes	Provide employees working onsite with work uniforms/workout clothes for each season

## Social Performance

Discrimination based on gender, race, age and social status is strictly prohibited at Hyundai Mobis. We also comply with the ILO's "Conventions on Child Labor" and "Conventions on Forced Labor". In 2018, there were no violations regarding these issues.

### Employee Status

Classification	Unit	2016*	2017	2018
Total number of employees	person	29,499	29,562	32,302
South Korea	person	9,168	9,611	10,013
China	person	7,965	7,385	7,274
US	person	6,024	6,027	5,893
Europe	person	4,914	5,121	5,754
Asia-Pacific/others	person	1,371	1,418	3,368

\*The basis of 2016 data was changed to domestic disclosure.

### Domestic Employment Status

Classification	Unit	2016*	2017	2018
Total Employees	person	9,168	9,611	10,013
Gender				
Male	person	8,145	8,566	8,914
Female	person	1,023	1,045	1,099
Permanent jobs				
Male	person	8,012	8,408	8,763
Female	person	811	854	905
Sub total	person	8,823	9,262	9,668
Temporary jobs				
Male	person	133	158	151
Female	person	212	191	194
Sub total	person	345	349	345
by age				
Less than 30	person	1,838	1,861	1,783
30-50	person	5,856	6,058	6,619
Over 50	person	1,474	1,692	1,611
Employment of socially vulnerable groups	People with disabilities	132	144	141

\*The basis of 2016 data was changed to domestic disclosure.

### Female Employee Status

Classification	Unit	2018
Ratio of female employees	%	10.9
Ratio of female employees by position (Domestic)		
Ratio of female managers	%	2.2
Ratio of entry-level female managers	%	10.6
Ratio of Females in top management positions	%	0
Ratio of female managers at departments generating profits	%	0.8

\* excluding support functions such as HR, IT, Legal, etc.

### Recruitment and Retirement

Classification	Unit	2016	2017	2018
Newly recruited	person	677	444	576
Years of employment	year	12.6	12.7	12.9
Retirement rate				
Retirement rate	%	2.09	2.41	3.51
Voluntary retirement rate	%	1.66	1.76	2.97

## Employee Training

Classification	Unit	2016	2017	2018	
Training cost	Total costs for training	KRW 1 million	11,597	9,813	9,248
	Training cost per person	KRW 1 million/person	1.3	1.0	0.9
Training hours	Total training hours	hour	819,260	730,606	647,171
	Training hours per person	hour/person	89.4	76.0	64.6
Participation by program	Ethics training	person	9,140	12,704	9,691
	Internal job training	person	44,896	44,118	40,218
	External job training	person	699	740	1,293
	COP (Community of Practice)	person	1,500	1,534	1,428
	S-OJT	person	214	318	196
	Mentoring	person	936	1,104	527
	Knowledge acquisition (continuous learning contents)	person	18,962	26,626	26,432

\*Hyundai Mobis provides education programs for retirement planning.

### Performance Evaluation

Classification	Unit	2017	2018
Percentage of MBO-based performance evaluation	%	100	100
Percentage of employees subject to multi-faceted performance evaluation	%	5	13
Percentage of relative performance evaluation	%	40	42

### Labor Unions

Classification	Unit	2016	2017	2018
Rate of labor union membership	%	49.9	50.1	51.1

\*100% of employees are subject to the agreement entered into with the Labor Union.

### Employee Remuneration

Position	Unit	Average basic salary of female employees	Average basic salary of male employees	Ratio of basic salary and remuneration of men to women
Executive officers (basic salary)	KRW	-	340,247,573	-
Managers (basic salary)	KRW	74,389,595	79,470,669	94%
Managers (basic salary + cash incentives including bonus)	KRW	87,187,437	93,529,258	93%
Non-managers	KRW	49,279,742	50,140,785	98%

### Median or Mean Compensation of All Employees & CEO Compensation

Classification	Unit	2018
Total CEO Compensation	KRW	2,881,913,000
Median annual compensation of all employees, except the CEO	KRW	88,445,000
Ratio between the total annual compensation of the Chief Executive Officer and the median employee compensation	%	32.58
Mean annual compensation of all employees, except the CEO	KRW	88,029,000
Ratio between the total annual compensation of the Chief Executive Officer and the mean employee compensation	%	32.74

## Welfare Programs

We offer various welfare programs to enhance employee satisfaction and loyalty, and to help employees focus on their jobs. We identify our employees' needs through surveys, suggestion systems and various meetings, and incorporate them in our welfare programs.

### Health and welfare

Program	Description
Flexible work schedule	Implemented a corporate-wide flexible work schedule system where employees can manage their work schedule within the monthly work hours
Daycare centers	Operate daycare centers at the work sites in Yongin (Gyeonggi), Jincheon (Chungbuk), and Changwon (Gyeongnam)
Paid maternity/parental leave	Grant pregnant employees 90 days of leave, and male employees 5 days of paid leave

### Living support /convenience

Program	Description
Condolence and congratulation	Condolence and congratulatory money and leaves
Educational benefits for children	Support children's education expenses. Education expenses for children with disabilities, educational benefits for high school/college students
Relocation expenses	Financial support for relocation such as appointment and moving expenses
Automobile discount	Discounts on automobile, tires, parts, and repair costs based on years of employment
Points	Welfare points, cyber money, and self-development points that can be used at employees' shopping mall
Personal pension	Personal pension of KRW 20,000 per month for employees
Accommodation	Accommodation facilities for new employees, experienced employees (single), relocated and dispatched employees

### Culture/recreation

Program	Description
Club	Cover monthly expenses
Support for cultural activities	Various cultural activities including musical programs, plays, concerts and exhibitions (discount up to 80%)
Cyber training centers	Customized training programs for development of employee competency by job/position
Operation of the Four Seasons resort (condominium)	Membership rate at 37 resorts
Employee anniversary rewards	Leave, vacation bonus, and souvenirs every 5 years (from 10 to 35 years of employment)
Operation of summer vacation resorts	Operate beach resorts during summer vacation period

### Other Programs

Program	Description
Domestic/overseas travel	Accommodation and travel expenses for domestic/overseas business travel
Affiliated discount - Power Sponsor	Affiliated employee discounts for financial services, wedding/funeral services, car rental, and fitness

## Maternity & Parental Leave

Classification	Unit	2016	2017	2018	
Parental and maternity leave	Female	person	61	51	43
	Male	person	1	9	21
Percentage of employees returning to work after parental/maternity leave	%	96.8	80.0	902.2	
Percentage of employees working at least 12 months after returning to work	%	97.0	80.0	92.0	

## Purchase from Suppliers

Classification	Unit	2016	2017	2018
Number of suppliers	company	1,739	1,693	1,704
Number of 1st tier suppliers	company	340	345	359
Total amount of purchases	KRW 100 million	146,858	148,040	156,469
Purchase from 1st tier suppliers	KRW 100 million	95,339	95,914	98,432
Percentage of regular evaluation	%	38.26	38.16	39.22

## Social Contribution

Classification	Unit	2016	2017	2018	
Amount of social contribution*	KRW 1M	18,603	16,771	29,088	
Donations	KRW 1M	18,221	16,066	27,942	
Project cost	KRW 1M	382	705	1,146	
Social contribution activities	Number of participants	person	3,175	3,712	4,077
	Hours of participation	hour	10,633	12,770	12,564
Junior Engineering Class	Number of schools	school	43	51	75
	Number of employee instructors	person	452	470	589
	Number of student participants	person	10,090	10,947	14,963
Mobility Support for Children with Disabilities	Children's books for disability awareness	book	2,800	3,000	3,000
	Aids	person	75	74	73
	Rehabilitation treatment	person	30	35	35

\* The previous data have been modified due to changes to calculation standards.

## UN Global Compact

Since July 2, 2008, Hyundai Mobis has been a member of the UN Global Compact (UNGC). Initiated by then-UN Secretary-General Kofi Anna, the UNGC was designed to encourage businesses around the world to adopt sustainable and socially responsible business activities consisting of 10 principles in four business management areas-human rights, labor, environment and anti-corruption-Hyundai Mobis upholds all 10 UNGC principles in every one of its business activities and has provided information about the company's performance in these areas through this report.

### The 10 principles of the UN Global Compact

Classification	Description	Reporting Pages
Human Rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	78
	Principle 2. Businesses should make sure they are not complicit in human rights abuses.	
Labor	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	49-55
	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labor.	
	Principle 5. Businesses should uphold the effective abolition of child labor.	
	Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	
Environment	Principle 7. Businesses should support a precautionary approach to environmental challenges.	20-29,
	Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.	
	Principle 9. Businesses should encourage the development and diffusion of environment friendly technologies.	60-63
Anti-corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	70-73

### Major Association and Organization Status

Organization	Purpose of joining
Korea Chamber of Commerce and Industry	Mandatory requirement by law to join this chamber, issuance of import and export documents, etc.
Korea Employer's Federation	Collaboration to establish labor-management system and discuss on policies, etc.
Korea Auto Industries Coop. Association	Collaboration among relevant companies for the advancement of the automotive industry
Fair Competition Federation	Exchange of information and opinions among government agencies and member companies for compliance on fair trade guidelines
UN Global Compact Korea Network	Commitment to abide by the 10 principles of the UN Global Compact
Korea International Trade Association	Acquire trade information and propose policies regarding export, tariff, etc.
Korea Economic Research Institute	Research on short-term and long-term issues relevant to the development of the Korean economy and the country's companies
Korea Automotive Recyclers Association	Promotion of improved environmental protection efforts by the auto industry and recycling of automobiles
Korea Industrial Technology Association	Improved technology cooperation network and strengthened technology innovation capacity
Korean Society of Automotive Engineers	Advancement of automotive technologies through the active exchange of information concerning relevant technologies
Korean Academy of Motor Industry	Advancement of the automotive industry through seminars and networking between experts

### Donation Amount to Associations and Organizations by Year

Classification	Unit	2015	2016	2017	2018
Association and Organization	KRW	3,292,935,502	5,242,222,073	3,811,664,007	16,925,360,298
Exempt Organizations	KRW	3,246,000,000	1,508,800,000	260,000,000	293,877,008

### Major Payment and Donation Performance

Classification	Unit	2015	2016	2017	2018
The Federation of Korean Industries	KRW	673,000,000	697,000,000	-	-
Korea Economic Research Institute	KRW	215,000,000	213,000,000	-	-
Korea Employers Federation	KRW	98,400,000	98,400,000	98,400,000	103,360,000
Seoul Chamber Of Commerce and Industry	KRW	76,800,000	76,800,000	76,800,000	76,800,000
Economic Organizations Council	KRW	51,000,000	-	56,000,000	57,000,000
Korea Auto Industries Coop. Association	KRW	-	12,000,000	12,000,000	12,000,000
H2KOREA	KRW	-	-	200,000,000	200,000,000

\* We do not provide political donations in compliance with article 31 (Restriction of Donations) of the Political Fund Act.

## Association Memberships

## GRI Standards Index

Universal Standards				
Classification	Disclosure	Indicators	Page	Note
Organizational Profile	102-1	Name of the organization	6	
	102-2	Activities, brands, products, and services	7	
	102-3	Location of headquarters	8-9	
	102-4	Location of operations	8-9	
	102-5	Ownership and legal form	68-69, 82	
	102-6	Markets served	8-9	
	102-7	Scale of the organization	7, 9, 13, 82, 86	
	102-8	Information on employees and other workers	86	Annual Report 244p
	102-9	Supply chain	89	
	102-10	Significant changes to the organization and its supply chain	-	Annual Report 8p
	102-11	Precautionary Principle or approach	74-77	
	102-12	External initiatives	90	
	102-13	Membership of associations	90	
Strategy	102-14	Statement from senior decision-maker	4, 5	
	102-15	Key impacts, risks, and opportunities	4, 5	
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	10-11	
	102-17	Mechanisms for advice and concerns about ethics	70-73	
Governance	102-18	Governance structure	68-69	
	102-40	List of stakeholder groups	80	
Stakeholder Engagement	102-41	Collective bargaining agreements	87	
	102-42	Identifying and selecting stakeholders	80	
	102-43	Approach to stakeholder engagement	79-80	
	102-44	Key topics and concerns raised	10	
Reporting Practice	102-45	Entities included in the consolidated financial statements	-	Annual Report 5-8p
	102-46	Defining report content and topic Boundaries	About This Report	
	102-47	List of material topics	79	
	102-48	Restatements of information	About This Report	
	102-49	Changes in reporting	About This Report	
	102-50	Reporting period	About This Report	
	102-51	Date of most recent report	About This Report	
	102-52	Reporting cycle	About This Report	
	102-53	Contact point for questions regarding the report	About This Report	
	102-54	Claims of reporting in accordance with the GRI Standards	About This Report	
	102-55	GRI content index	91-93	
	102-56	External assurance	94-95	

Topic-specific Standards				
Classification	Disclosure	Indicators	Page	Note
Economic Performance	103-1,2,3	Management Approach	18-19	
	201-1	Direct economic value generated and distributed	18-29, 82	
	201-2	Financial implications and other risks and opportunities due to climate change	61	
Indirect Economic Impacts	103-1,2,3	Management Approach	30-31	
	203-1	Infrastructure investments and services supported	32-37	
Local Communities	103-1,2,3	Management Approach	38-39	
	413-1	Operations with local community engagement, impact assessments, and development programs	40-45	

Other Standards				
Economic Performance				
Classification	Disclosure	Indicators	Page	Note
Procurement Practices	204-1	Proportion of spending on local suppliers	59	
	205-1	Operations assessed for risks related to corruption	70-73, 78	
Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	70-73, 78	
	205-3	Confirmed incidents of corruption and actions taken	70-73, 78	
Environmental Performance				
Classification	Disclosure	Indicators	Page	Note
Materials	301-1	Materials used by weight or volume	85	
	302-1	Energy consumption within the organization	84	
Energy	302-2	Energy consumption outside of the organization	84	
	302-3	Energy intensity	84	
Water	303-1	Water withdrawal by source	84	
Biodiversity	304-2	Significant impacts of activities, products, and services on biodiversity	63	
Emissions	305-1	Direct (Scope 1) GHG emissions	84	
	305-2	Energy indirect (Scope 2) GHG emissions	84	
	305-3	Other indirect (Scope 3) GHG emissions	84	
	305-4	GHG emissions intensity	84	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	84	
Effluents and Waste	306-1	Water discharge by quality and destination	85	
	306-2	Waste by type and disposal method	85	
	306-3	Significant spills	-	No significant spills
306-5	Water bodies affected by water discharges and/or runoff	63		
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	-	No Significant Incidents

Other Standards				
Social Performance				
Classification	Disclosure	Indicators	Page	Note
Employment	401-1	New employee hires and employee turnover	86	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	88	
	401-3	Parental leave	42	
Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	57	
"Occupational Health and Safety"	403-1	Workers representation in formal joint management-worker health and safety committees	64	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	85	
	403-4	Health and safety topics covered in formal agreements with trade unions	64-65	
Training and Education	404-1	Average hours of training per year per employee	87	
	404-2	Programs for upgrading employee skills and transition assistance programs	52-55	
	404-3	Percentage of employees receiving regular performance and career development reviews	87	
Diversity and Equal Opportunity	405-2	Ratio of basic salary and remuneration of women to men	87	
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	-	No Significant Incidents
Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	-	No such incidents
Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-	No such incidents
"Rights of Indigenous Peoples"	411-1	Incidents of violations involving rights of indigenous peoples	-	No Significant Incidents
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	78	
	412-2	Employee training on human rights policies or procedures	78	
Supplier Social Assessment	414-2	Negative social impacts in the supply chain and actions taken	58-59	
Public Policy	415-1	Political contributions	-	Under Article 31 of the Political Funds Act, we do not contribute to political funds.
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	26-27	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	No Significant Incidents
Marketing and Labeling	417-1	Requirements for product and service information and labeling	26-27	
	417-2	Incidents of non-compliance concerning product and service information and labeling	-	No Significant Incidents
	417-3	Incidents of non-compliance concerning marketing communications	-	No Significant Incidents
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	No complaints or breaches



## Independent Assurance Statement

### Introduction

HYUNDAI MOBIS (“MOBIS”) commissioned DNV GL Business Assurance Korea, Ltd. (“DNV GL”), part of DNV GL Group, to undertake independent assurance of HYUNDAI MOBIS Sustainability Report 2019 (the “Report”). The directors of MOBIS have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of MOBIS in accordance with the terms of reference. DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith.

### Scope and Basis of assurance

Based on non-financial data and sustainability performance data in 2018 generated from MOBIS’ Headquarters, domestic facilities, R&D center and regional offices, we have assessed the adherence to ‘Reporting Principles for defining report content’ and ‘Reporting Principles for defining report quality’ set forth in GRI Sustainability Reporting Standards 2016. As for the sustainability performance of overseas business sites, the information with regards to GHG emissions, employee status, sales values by region from the overseas business sites is included in the scope of assurance. We have reviewed that the Topic-specific disclosures of GRI Standards which are identified in the materiality determination process;

No.	Material topics	Topics in which Stakeholders are interested	GRI Disclosure
1	Sustainable Production	Achieving technological competitive edges through R&D Securing new growth engine and diversifying business	201-1, 201-2
2	Win-Win Partnership with Suppliers	Drive mutual success with suppliers	203-1
3	Strengthening Social Contribution	More engagement with local community and more social contribution to local community	413-1

DNV GL’s assurance methodology, VeriSustainTM1 which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) is applied for the assurance engagement with the limited level of assurance. The assurance was carried out from May and till June 2019. The site visit was made to MOBIS’ Headquarters in Seoul, Korea. We undertook the following activities as part of the assurance process:

- challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- interviewed representatives from the various departments;
- conducted document reviews, data sampling and interrogation of supporting databases and associated reporting system as they relate to selected content and performance data;
- reviewed the materiality assessment report.

### Limitations

The engagement excludes the sustainability management, performance and reporting practices of MOBIS’ subsidiaries, associated companies, suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Economic performance based on the financial data is crosschecked with internal documents, the audited consolidated financial statements and the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) as well as MOBIS’ website ([www.mobis.co.kr](http://www.mobis.co.kr)). These documents, financial statements and the announcements are not included in this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or coresponsibility for any decision a person or an entity may make based on this Assurance Statement.

### Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly address the adherence to the Principles for defining report content in GRI Standards. Further opinions with regards to the adherence to the Principles are made below;

### Stakeholder Inclusiveness

MOBIS has identified internal and external stakeholder groups such as Car makers / Competitors, Employees, Suppliers, Customers (dealers/consumers), Investors, Regulators / Industry Associations, Media / Academia / CSR experts and Local communities. In addition, MOBIS conducts stakeholder engagement activities through various stakeholder communication channels and strives to reflect the results in its management activities. How stakeholder engagement is described in the Report. The assurance team recommends that MOBIS report further details of key stakeholder expectations and concerns in the future reporting.

1) The VeriSustain protocol is available upon request at DNV GL Website ([www.dnvgl.com](http://www.dnvgl.com))

### Sustainability Context

MOBIS established the social responsibility vision, 'Trustworthy Partner for Today & Tomorrow' and established the social responsibility strategy, 'A Beautiful Companion for Sustainable future'. The Report explains its sustainable value chain, and also presents material topics which shall be managed properly and key tasks for implementing social responsibility strategies. The Report also addresses the sustainability performance in 2018 and short- and medium-term plans in conjunction with the United Nations' Sustainable Development Goals (UN SDGs).

### Materiality

MOBIS conducted the materiality assessment to prepare the Report. 37 various issues are derived by analysing the topics covered in various global initiatives and standards, benchmarking in the same industry, media research, internal data review and job interviews. The issue pools are used for the internal and external stakeholder survey to identify the topics in which stakeholders are interested. 10 topics are prioritized and subsequently ended up with 3 material topics in consideration of meaning, scope, impact, reporting period, and limitations. The assurance team has reviewed the materiality assessment process and confirmed relevant material topics prioritized from the process are addressed in the Report.

### Completeness

The Report addresses the impact of the material topics on stakeholders, principles and strategy toward the material topics, sustainability performance in 2018. The reporting boundary is set to include sustainability activities and achievement from all business sites in Korea such as Headquarters, factories, R&D center, and regional offices over which MOBIS has business control. As for the overseas business sites, the disclosures include GHG emissions, employees, sales values by PRJC-592994-2018-AST-KOR Page 3 of 3 region. The assurance team confirmed that the material topics selected through the materiality assessment are not missed in terms of the special and temporal reporting boundaries. In the future, we recommend that MOBIS includes material topics identified through key stakeholder engagement from overseas business sites.

### Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability

The assurance team has sampled data and tested accuracy and reliability. The assurance team interviewed the data owners and reviewed the data gathering process with the supporting documents and records. The depth of data verification is limited to the aggregated data level. Based on the test, the intentional error or misstatement is not noted from the data and information disclosed in the Report. Data owners were able to demonstrate the origin and interpretation of the data in a reliable manner. The data was identifiable and traceable. In addition, the Report provides the last three years performance on material topics, which helps stakeholders understand the changes over years in organizational performance. MOBIS issues the Report yearly to provides stakeholders with material sustainability information timely.

### Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct<sup>2)</sup> during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. DNV GL have no other contract with MOBIS and did not provide any services to MOBIS in 2019 that could compromise the independence or impartiality of our work.

2) DNV GL Code of Conduct is available from DNV GL website ([www.dnvgl.com](http://www.dnvgl.com))



June 2019 Seoul, Korea

Country Representative Jang Sup Lee  
DNV GL Business Assurance Korea, Ltd.

## Assurance Statement

This Assurance Statement has been prepared for Hyundai MOBIS.

### Terms of Engagement

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by Hyundai MOBIS to provide independent assurance on its Greenhouse Gas (GHG) Inventory Report for the calendar year 2018 (the report) against GHG Target Management Scheme for quantification and reporting of GHG emissions in Korea using Specification with guidance for verification of greenhouse gas assertions. The report relates to direct GHG emissions and energy indirect GHG emissions.

### Management Responsibility

LRQA's responsibility is only to Hyundai MOBIS. LRQA disclaims any liability or responsibility to others as explained in the end footnote. The management of Hyundai MOBIS is responsible for preparing the report and for maintaining effective internal controls over all the data and information within the report. Ultimately, the report has been approved by, and remains the responsibility of Hyundai MOBIS.

### LRQA's Approach

LRQA's assurance engagement has been carried out in accordance with our verification procedure using GHG Target Management Scheme in Korea: Specification with guidance for verification of greenhouse gas assertions to reasonable level of assurance.

The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

- Visiting sites and auditing management system to control the data and records regarding GHG emissions and energy uses
- Interviewing the relevant persons responsible for managing and maintaining data and associated records
- Reviewing the historical data and information back to source for the calendar year 2018.

### Level of Assurance & Materiality

The opinion expressed in this Assurance Statement has been formed on the basis of a reasonable level of assurance, and at the materiality of the professional judgement of the verifier and at the materiality level of 5%.

### LRQA's Opinion

Based on LRQA's approach, we believe that the report is prepared in accordance with GHG Target Management Scheme for quantification and reporting of GHG emissions in Korea and the GHG emissions data in the Table 1 is materially correct.

Dated: 29 March 2019 **SANG-KEUN YOO**



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

LRQA Reference: SEO6014771

Table1. GHG emissions reported in the Report

Scope (as defined within GHG Target Management Scheme in Korea)	2018
Direct GHG Emissions	16,625
Energy Indirect GHG Emissions	126,851
Total GHG Emissions	143,476

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

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## Hyundai Mobis Sustainability Report 2019

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