

Governance

Sound and transparent management based on trust with stakeholders is the foundation and driving force of sustainable growth. Equipped with an advanced governance structure centered on its BOD, Hyundai is striving to increase its corporate value from a long-term perspective. We also do our utmost that our corporate growth can lead to enhance value of our shareholders and other stakeholders. Cherishing ethical values as the essence of our corporate culture and competitive advantage, we are building sound and solid growth momentum by turning risks into opportunities.

- 4.1 Board-centered Management System
- 4.2 Business Ethics & Compliance
- 4.3 Risk Management



Board-centered Management System

Composition of the BOD

Hyundai aims to establish a transparent and sound governance structure. To this end, based on a deep understanding of its diverse stakeholders, including shareholders and customers, Hyundai appoints directors with diversity, expertise and independence, and strives to maximize shareholders' rights and interests as well as corporate value. As Hyundai's highest decision-making body, the BOD pursues the goal of sustainable and balanced growth while faithfully performing the function of checks and balances by supervising the activities of directors and management. We have been building a better governance system by appointing independent directors equipped with independence, diversity, and expertise in their respective fields.

Composition of the BOD

Hyundai's BOD is composed of 11 members in consideration of the need for the efficient operation and decision-making by the BOD, with independent directors making up more than half of members in order to maintain its independence. The BOD has expertise in a wide variety of fields including management, law, accounting, finance, and future technology, and respects diversity without discrimination on the grounds of gender, race, religion etc.

Director Tenure

As of the end of March 2022, the average tenure of the 11 board members is three years. In accordance with the Commercial Act, the term of office of independent directors cannot exceed six years. Those appointed in March 2022 include three internal directors (one re-appointed, two newly appointed) and three non-executive directors (all re-appointed).

Appointment of Directors

Individual Item of Agenda for the Appointment of Directors at GSM

All directors of Hyundai are appointed at a general shareholder's meeting (GSM) among the candidates recommended by the Recommendation Committee on Candidates for Non-executive Directors. Candidates recommended by the Committee are selected as final candidates through the deliberation process of the BOD before being presented as an individual item of agenda at a general shareholders' meeting and appointed as non-executive directors.

Process of Director Candidate Selection (Recommendation)



Independent director Chi-Won Yoon was recommended as a preliminary candidate after undergoing an independent evaluation by the shareholder recommendation system. Following a fair evaluation by the external evaluation advisory group, he was recommended by the Recommendation Committee on Candidates for Non-executive Directors for deliberation by the BOD, before being proposed as a final candidate. He was initially appointed at the 51st GSM and was re-appointed at the 54th GSM.

Diversity and Expertise of the BOD

Hyundai respects the principle of diversity of gender, nationality, race, etc. when forming a BOD. To this end, we appoint directors who possess expertise in a variety of fields, such as global business, academia, R&D, finance, and future-based technologies.

As of March 2022, the Board has one foreign director (Eugene M. Ohr) and one female director (Ji Yun Lee). Director Eugene M. Ohr is an expert in global business and helps enhance the company's management transparency, while Director Ji Yun Lee is currently an associate professor at the Department of Aerospace Engineering of KAIST and a director of the Institute of Positioning, Navigation and Timing (2016-present), and has also served as a director of the American Institute of Navigation (2019-2021). She is a world-recognized authority on the safety of intelligent transportation and autonomous driving systems; and plays a central role at Hyundai, where she advises on autonomous driving, a future core technology of the automotive industry, and mid- to long-term business planning for urban air mobility (UAM) which will become a future mobility innovation.

To enhance the overall professionalism of the Board, Hyundai provides training on various topics for independent directors, including training on ESG and climate risks in 2021.

[Guidelines on the Diversity of the Board of Directors](#)

BOD Composition

Classification	Name	Title	Career	Date of Appointment	Gender	Nationality
Internal Directors	Euisun Chung	Executive Chair	Currently Executive Chairman of Hyundai Motor Group	March 12, 2010	Male	Korea
	Jae Hoon Chang	President & CEO	Currently President & CEO of HMC, President of Genesis Division	March 24, 2021	Male	Korea
	Dong Seock Lee	Vice President & CEO	Currently Executive Vice President and CSO of Domestic Productions	March 24, 2022	Male	Korea
	Chung Kook Park	Executive President	Currently President and Head of HMC R&D Division	March 24, 2022	Male	Korea
	Gang Hyun Seo	Executive Vice President	Currently Executive Vice President of HMC Planning & Finance Division	March 24, 2022	Male	Korea
Independent Directors	Eun Soo Choi	Independent Director	Currently General Counsel of The Kim Law Firm Former President of Daejeon High Court and Patent Court	March 17, 2017	Male	Korea
	Chi-Won Yoon	Independent Director	Currently Chairman of EQONEX Former Vice Chairman of UBS Wealth Management	March 22, 2019	Male	Korea
	Eugene M. Ohr	Independent Director	Former Partner of Capital International Inc.	March 22, 2019	Male	Korea
	Sang-Seung Yi	Independent Director	Currently Professor of Economics, Seoul National University Former Chairman, Korea Academic Society of Industrial Organization	March 22, 2019	Male	Korea
	Dal Hoon Shim	Independent Director	Currently Representative of Woorin Tax Partners Former Head of NTS Jungbu Regional Office	March 24, 2021	Male	Korea
	Ji Yun Lee	Independent Director	Currently Assistant Professor, Department of Aerospace Engineering of KAIST Former Director of American Society of Navigation	March 24, 2021	Female	Korea

* As of June 1, 2022

Independent Director Training in 2021

Dates	Participating Directors	Major Topics
Apr. 22	Eun Soo Choi, Chi-Won Yoon, Eugene M. Ohr, Sang-Seung Yi, Dal Hoon Shim, Ji Yun Lee	Hyundai Motor Group's CSR activities, future plans, etc.
Sep.16	Eun Soo Choi, Chi-Won Yoon, Eugene M. Ohr, Sang-Seung Yi, Dal Hoon Shim, Ji Yun Lee	ESG, climate change status and related risks, countermeasures, etc.

Independence of Non-executive Directors and Restrictions on Concurrent Positions

Hyundai has put in place strict independence guidelines, meeting the legal standards required by the Korean Commercial Act, based on the international standards. Independent directors must not only comply with them, but also represent the rights and interests of stakeholders with exemplary ethics and professionalism. Hyundai therefore only appoints persons with no significant stake in the company as independent directors, and they maintain independency from top management, monitor the efficient operation of the company, and play a role in enhancing corporate value. In accordance with Hyundai's regulations on the operation of the BOD, its independent directors must devote sufficient time and effort to fulfilling their responsibilities. In addition, according to the Commercial Act, they are prohibited from serving as directors, executive officers, and/or auditors for two or more companies other than the company itself. When concurrently serving as a director of another company, they must report the details of the duties they wish to hold concurrently to the Board in advance and obtain its approval.

Name	Date of Initial Appointment	Date of Term Expiration	Concurrent Positions	Details of Concurrent Positions (institution / position)
Eun Soo Choi	Mar. 17, 2017	Mar. 18, 2023	N/A	-
Chi-Won Yoon	Mar. 22, 2019	Mar. 23, 2025	Yes	EQONEX / Chairman
Eugene M. Ohr	Mar. 22, 2019	Mar. 23, 2025	N/A	-
Sang-Seung Yi	Mar. 22, 2019	Mar. 23, 2025	Yes	Samsung C&T / Independent Director
Dal Hoon Shim	Mar. 24, 2021	Mar. 23, 2024	Yes	Samhwa Paints Industrial / Independent Director
Ji Yun Lee	Mar. 24, 2021	Mar. 23, 2024	N/A	-

[Guidelines on the Diversity of the Board of Directors](#)

Operation of the BOD

Hyundai holds BOD and subcommittee meetings every quarter to make decisions on matters stipulated in the relevant laws and the Articles of Association or major matters related to the company management. The meetings are also held whenever matters requiring resolution by the Board or a subcommittee arise. A Board meeting is convened by its chair or another member appointed by the Board. At the time of convening the Board, each director is notified of the meeting time, place, and agenda at least seven days prior to the date of the meeting in accordance with the regulations of the Board. With the exception of cases outlined within the company's rules and regulations, a BOD resolution must be passed by a majority of the members in attendance. The BOD consists of a majority of non-executive directors who fulfill the functions of monitoring and checking. By providing them with opportunities to participate in management, Hyundai enhances the operational efficiency of the BOD. In addition, the BOD supervises critical issues directly related to the company's operations, such as business ethics and compliance as well as risk management.

BOD Operations

According to the principle that BOD meetings are held on a regular basis, Hyundai holds the meetings once per quarter, while extraordinary meetings may be convened as and when required in accordance with the relevant regulations. The Board discloses details of its activities, such as whether individual directors are present and whether they agree or disagree on agenda items, through a regular report. With the exception of cases outlined within the company's rules and regulations, a BOD resolution must be passed by a majority of the members in attendance.

BOD Activities in 2021

Number of meetings	Number of agenda items for resolution	Number of agenda items for report
9	19	14

BOD Participation in 2021

Average participation rate	Participation rate of internal directors	Participation rate of independent directors
94%	86%	100%

BOD Evaluation

Evaluation of BOD Operations and Activities

At Hyundai, independent directors conduct an annual evaluation of BOD operations by reviewing 30 items, including the roles and responsibilities, structure, and operation of the Board. We reflect the opinions of the independent directors on each evaluation item, discuss the results of the evaluation with the BOD, and make continuous efforts to improve the operation of the BOD. Furthermore, we have our executives evaluate independent directors each year based on such criteria as sincerity, fairness, and professionalism to promote their performance, with the results of the evaluation taken into account when re-appointing independent directors.

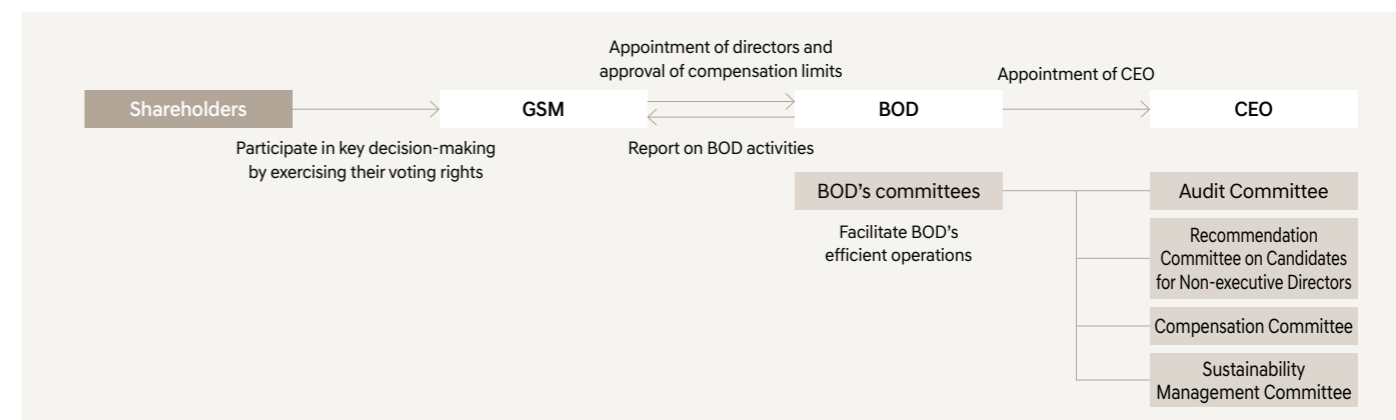
Performance Evaluation and Compensation of Directors and Management

The directors' compensation must not exceed the limit approved at a GSM, and the amount is determined following a review by the Compensation Committee. The compensation amount for management is determined based on the performance evaluation of their leadership, professionalism, and contribution to the company.

CEO Compensation and Calculation Criteria

When evaluating and rewarding the CEO's performance, Hyundai reflects the results of financial evaluations such as sales, profit ratios, net cash liquidity, debt ratios, and market shares, as well as the results of comparative evaluations among peers with regard to stock prices, ESG, and brand power. As of 2021, the CEO's remuneration amounted to KRW 977 million, consisting of a basic salary of KRW 694 million, bonuses of KRW 270 million, and other wage and salary income of KRW 13 million.

Decision-making Process of the BOD



Criteria for BOD Remuneration

Classification	Payment criteria
Internal directors	<ul style="list-style-type: none"> • Salary: Paid within the limit of directors' remuneration determined by the resolution of a general shareholder's meeting, based on internal criteria such as Hyundai Motor Company's executive salary table and executive wage setting standards, job title, tenure, leadership, professionalism, contribution to the company, and human resource development, etc. • Bonus: Paid based on the executive remuneration criteria (performance incentives) such as quantitative indicators (business performance such as sales and operating profit and degree of achievement of business goals, etc.) and non-metric indicators (performance and contribution as executives, internal and external business environment, etc.) • Other earned income: Paid according to the company regulations on welfare support such as medical expenses, school expenses, and long-term service rewards
Independent directors	<ul style="list-style-type: none"> • Fixed amounts are paid to ensure their independence and transparency within the limit of remuneration for directors determined by the resolution of a GSM, with no separate performance bonus paid.

BOD Remuneration

Classification	CEO ¹⁾	Independent director	Board member	Employee ²⁾	CEO-to-employee pay ratio
Average compensation per person	977	102	1,339	96	10.22 x

* For further details, please refer to the 2021 business report published on the electronic disclosure system of the Financial Supervisory Service.

¹⁾ CEO: Based on remuneration for Jae Hoon Chang, President & CEO of Hyundai Motor Company

²⁾ Employees: Excluding registered executives (unregistered executives and employees)

Board Activities in 2021

Classification	Date	Contents	Whether approved	Attendance rate	Approval rate	
1st General Meeting	Jan. 26	Approval of financial statements for the 53rd fiscal year	Approved	100%	100%	
		Approval of the 53rd annual report	Approved		100%	
		Approval of the business plan for 2021	Approved		100%	
		Appointment of Compensation Committee member	Approved		100%	
		Appointment of fair trade compliance program supervisor	Approved		100%	
		Approval of corporate bond issue limit	Approved		100%	
		Assessment of 2020 internal accounting management system Activities and plan of compliance management	Reported		-	
Extraordinary Meeting	Feb. 23	Approval of convocation and agenda to be submitted to the 53rd GSM	Approved	100%	100%	
		Results of 2020 internal accounting management system	Reported		-	
	Mar. 24	Mar. 04	Re-approval of financial statements of the 53rd fiscal year	Approved	100%	90%
			Appointment of Chief Executive Officer	Approved		100%
			Amendment of Rule (Rule and Regulation of BOD, Rule and Regulation of Sustainability Management Committee, Corporate Governance Charter)	Approved		100%
			Appointment of Committee member (Sustainability Management Committee, Recommendation Committee on Candidates for Non-executive Directors, Compensation Committee)	Approved		100%
			Approval of dual-directorship (Gang Hyun Seo: Hyundai Capital, Hyundai Card, Hyundai Commercial)	Approved		100%
Approval of plan for safety and health	Approved	100%				
2nd General Meeting	Apr. 22	Guarantee of payment for overseas subsidiaries	Approved	91%	100%	
		Appointment of manager	Approved		100%	
		Business results of 1st quarter of 2021	Reported		-	
3rd General Meeting	Jul. 22	Approval of 54th fiscal year interim dividend payment	Approved	91%	100%	
		Business results of 2nd quarter of 2021 Establishing an overseas sales subsidiary Capital Increase for overseas production subsidiary Capital increase for overseas joint venture	Reported		-	
Extraordinary Meeting	Sep. 16	Approval of disposal of treasury stock	Approved	91%	100%	
		Conclusion of Hyundai Card shareholders' agreement Mid- to long-term sales production operation strategy in North America	Reported		-	
4th General Meeting	Oct. 26	Approval of transaction between directors, etc. and the company	Approved	100%	100%	
		Business results of 3rd quarter of 2021 CKD plant review in Saudi Arabia	Reported		-	
Extraordinary Meeting	Nov. 18	Approval of acquisition of treasury stocks	Approved	82%	100%	
		ESG rating result (DJSI) Development status of fuel cell system	Reported		-	

Functions of the BOD

Risk Management

Hyundai's BOD is striving to establish a flexible risk response system to meet the rapid changes in the automobile industry and newly emerging trends, such as autonomous driving and electrification. The Planning & Finance Division, under the direct supervision of the company's CEO, analyzes risk and opportunity factors caused by changes in the internal and external environment, diagnoses the company's responsiveness and competitiveness, and establishes mid- to long-term strategies and tasks.

Compliance Management

Hyundai's BOD has established a compliance management system along with various schemes designed to prevent legal risks. We have appointed a compliance officer who is responsible for designating a person to take charge of compliance at each department, and for strengthening the compliance capabilities of its business units by producing and distributing compliance guidelines that cover the relevant laws and the countermeasures necessary for business performance. Furthermore, we conduct regular self-inspections with the aim of embedding a culture of strict compliance throughout the company.

Ethical Management

Based on its Ethics Charter, Employee Code of Conduct, and Guidelines for Ethical Business Conduct enacted in 2001, Hyundai's BOD encourages all of its employees to play a leading role in ethical management and make sound ethical judgments in all business situations. In 2021, we strengthened our ESG management system, including ethical management, by expanding and reorganizing the Corporate Governance & Communication Committee, which previously had the function of the Ethics Committee, into the Sustainability Management Committee.

Internal Accounting Management

Hyundai's BOD has designed and launched an internal accounting control system with the aim of providing reasonable assurance that the company's financial statements are prepared and disclosed in accordance with the generally accepted accounting standards. In December 2018, in accordance with the 2018 amendments to the Act on External Audit of Stock Corporations, we wholly revised our internal accounting control system to reflect changes in the Act regarding the roles and responsibilities of the CEO and the Audit Committee in operating the system and the best practices for the system. Following advances in our internal accounting control system to comply with the amended law, we have been operating relevant control activities since 2019. Our CEO evaluates the effectiveness of the internal accounting control system every business year and reports the results to the Audit Committee, the BOD, and the general shareholders' meeting. Furthermore, the Audit Committee assesses the operating status of the company's internal accounting control system on an annual basis.

Management of Climate Change

Climate change is not only a task that we must help solve for the benefit of future generations as a member of the global community, but also an important issue that is directly related to our business strategy/performance due to the inherent characteristics of the automobile industry. Hyundai has therefore formed the Sustainability Management Committee to discuss and monitor relevant issues, and the Committee reviews the company's mid- to long-term strategies, including redesigning the "2025 Strategy" and "Carbon Neutral Strategy".

Health and Safety Management

In line with the amendment to the Occupational Health and Safety Act in Korea, the CEO establishes a health and safety management plan, obtains approval from the BOD, and implements responsible safety management according to the plan. Hyundai is steadily increasing its investment in safety devices and new safety technologies for its production facilities while expanding the company-wide safety organization to improve safety compliance and safety management.

BOD Subcommittees

Hyundai has established four BOD subcommittees – the Audit Committee, the Compensation Committee, the Recommendation Committee on Candidates for Non-executive Directors, and the Sustainability Management Committee. Each subcommittee meets the ratio of non-executive directors to maintain independence in accordance with the Commercial Act and our internal board regulations; and includes experts in the relevant fields according to segmented task areas and processes. The four subcommittees under the BOD enhance professionalism and efficiency in the BOD’s work according to the purpose of their establishment. The attendance rate and voting records of the committee members are disclosed in the business report.



Audit Committee

Composition of the Audit Committee

The Commercial Act stipulates strict criteria for securing the transparency and independence of the Audit Committee, and thus the Audit Committee must be composed of at least three directors appointed at a GSM, and at least two-thirds of them should be independent directors. It should also contain at least one member who is a specialist in accounting and finance. All five members of Hyundai’s Audit Committee are independent directors, with three (Chi-Won Yoon, Sang-Seung Yi, Dal Hoon Shim) of whom are experts in accounting and finance.

In particular, Director Eun Soo Choi, a legal expert who has served as a presiding judge at district and high courts, the chief judge of a court, and the President of the Patent Court, and Director Dal Hoon Shim, who has long served as a tax official, such as the Head of NTS Jungbu Regional Office, contribute greatly to the company’s risk management by viewing things from a different perspective to the company’s internal audit organization.

Operation of the Audit Committee

Roles and Responsibilities of the Audit Committee

The Audit Committee verifies the legality of the business activities of the directors and management, and reviews the soundness and propriety of Hyundai’s corporate financial activities and the accuracy of its financial reporting. The company’s internal accounting manager acts as a full-time registered director, and a separate entity is formed to support him in performing his duties. In 2021, all members of the Audit Committee attended education on the topic of “The Impact of COVID-19 on the Internal Accounting Management System and Response Strategies” in order to enhance the professionalism and efficiency of their auditing work.

Approval of Non-audit Services

Hyundai regularly monitors the independence of its external auditors, and only allows their non-audit services to the extent that they do not affect their independence. We report the related details to the Audit Committee on a quarterly basis and disclose them in quarterly reports.

Audit Committee Composition

Name	Eun Soo Choi	Chi-Won Yoon	Sang-Seung Yi	Dal Hoon Shim	Ji Yun Lee
Classification	Independent director	Independent director	Independent director	Independent director	Independent director
Date of initial appointment	Mar. 17, 2017	Mar. 22, 2019	Mar. 22, 2019	Mar. 24, 2021	Mar. 24, 2021

Non-audit Service Contracts with External Auditors

Business year	Date of contract	Service offered	Duration	Service fee (KRW million)
54th	Mar. 25, 2020	Support for renewal of the US APA	Mar. 2020 - Mar. 2022	250
	Apr. 28, 2020	Review of the origin determination process for FTAs	May 2020 - Jul. 2021	17
	Mar. 2, 2021	Refund request for the assessed local tax	Mar. 2021 - completion of task	10% of the refund amount
	Apr. 12, 2021	Refund request for the paid local tax	Apr. 2021 - completion of task	10% of the refund amount
	Dec. 17, 2021	Support for renewal of the APA of Czech Republic	Jan. 2022 - completion of task	180
	Dec. 21, 2021	Support for renewal of the APA of Germany	Jan. 2022 - completion of task	180

Audit Committee Activities in 2021

Classification	Date	Contents	Whether approved	Attendance rate	Approval rate			
1st General Meeting	Jan. 26	Approval of financial statements for the 53rd fiscal year	Approved	100%	100%			
		Approval of the 53rd annual report	Approved		100%			
		Operational status of 2020 internal accounting management system Operational status of 2020 reporting system for violations of internal accounting	Reported		-			
Extraordinary Meeting	Feb. 23	Approval of agenda to be submitted to the 53rd GSM	Approved	100%	100%			
		Approval of the evaluation results of the operation system for the internal accounting management system in 2020	Approved		100%			
		Approval of the audit performance in 2020 and the audit plan for 2021	Approved		100%			
		Progress of the external audit in 2020	Reported		-			
Extraordinary Meeting	Mar. 04	Re-approval of financial statements of the 53rd fiscal year	Approved	100%	100%			
Extraordinary Meeting	Mar. 24	Appointment of the Chairperson of the Audit Committee.	Approved	100%	100%			
2nd General Meeting	Apr. 22	Business results of 1st quarter of 2021 2021 evaluation plan for the internal accounting management system Results of checking the compliance requirements related to the appointment of an external auditor in 2020 The external auditor's audit plan for the 2021 financial statements	Reported	100%	-			
		3rd General Meeting	Jul. 22	Business results of 2nd quarter of 2021 Progress of the external auditor's audit	Reported	100%	-	
				4th General Meeting	Oct. 26	Establishment of regulations on the appointment of external auditors	Approved	100%
Business results of 3rd quarter of 2021 Progress of the internal accounting management system in 2021 Progress of the 2021 internal audit Progress of the external audit	Reported	-						
Extraordinary Meeting	Nov. 09	Evaluation and selection of external auditor candidates	Approved			100%	100%	

Compensation Committee
Composition of the Compensation Committee

Following the amendment to the Articles of Incorporation for the establishment of the Compensation Committee at the GSM in 2019, Hyundai enacted the Compensation Committee regulations at the 4th general BOD meeting. Non-executive directors constitute a majority of the members of the Committee, with two independent directors and one internal director.

Operation of the Compensation Committee
Roles and Responsibilities of the Compensation Committee

Established to secure objectivity and transparency in the remuneration decision process for registered directors, the Compensation Committee deliberates and decides on the remuneration limit for registered directors and other matters related to the remuneration system for internal directors.

Compensation Committee Composition

Name	Chi-Won Yoon	Dal Hoon Shim	Gang Hyun Seo
Classification	Independent director	Independent director	Internal director
Date of initial appointment	Jul. 22, 2020	Mar. 24, 2021	Mar. 24, 2021

Compensation Committee Activities in 2021

Date	Contents	Whether approved	Attendance rate	Approval rate
Feb. 19	Approval of the limit of remuneration for the 54th directors	Approved	100%	100%

Recommendation Committee on Candidates for Non-executive Directors Composition

Name	Eun Soo Choi	Eugene M. Ohr	Sang-Seung Yi	Euisun Chung	JaeHoon Chang
Classification	Independent director	Independent director	Independent director	Internal director	Internal director
Date of initial appointment	Mar. 17, 20017	Mar. 22, 2019	Mar. 22, 2019	Mar. 22, 2019	Mar. 24, 2021

Recommendation Committee on Candidates for Non-executive Directors Activities in 2021

Date	Contents	Whether approved	Attendance rate	Approval rate
Feb. 19	Recommendation on candidates for independent directors.	Approved	75%	100%

Recommendation Committee on Candidates for Non-executive Directors
Composition of the Recommendation Committee on Candidates for Non-executive Directors

In accordance with the relevant laws and regulations, Hyundai proposes non-executive director candidates to a GSM following the recommendations and deliberations of the Committee for Recommendation of Candidates for Non-executive Directors and the BOD, respectively. The Committee is composed of three independent directors and two internal directors, with independent directors making up a majority of the total number of directors, according to the laws and regulations.

Operation of the Recommendation Committee on Candidates for Non-executive Directors
Roles and Responsibilities of the Recommendation Committee on Candidates for Non-executive Directors

The Recommendation Committee on Candidates for Non-executive Directors recommends candidates by comprehensively reviewing their expertise and individual competencies in their respective fields, and ensures that they meet the requirements of the laws related to independent directors. By examining the candidates more closely than required by the law, Hyundai prevents the appointment of independent directors with a history of causing damages to corporate value or infringing shareholders' rights.

Sustainability Management Committee

Composition of the Sustainability Management Committee

In 2021, Hyundai established the Sustainability Management Committee by expanding and reorganizing the Corporate Governance & Communication Committee. The Committee is composed of six independent directors and one internal director, as the functions of the former Corporate Governance & Communication Committee with four members have been expanded.

Operation of the Sustainability Management Committee

Roles and Responsibilities of the Sustainability Management Committee

The Sustainability Management Committee is responsible for strengthening the ESG management system by establishing major ESG-related policies and discussing improvement plans, including the roles of the former Corporate Governance & Communication Committee. In addition, the Committee plays the role of a supervisory authority and checks on ethical issues related with the company's employees while carrying out various activities to improve the company's sustainability internally and externally, such as establishing major health and safety related plans and checking that they are properly implemented.

Sustainability Management Committee Composition

Name	Eun Soo Choi	Chi-Won Yoon	Eugene M. Ohr	Sang-Seung Yi	Dal Hoon Shim	Ji Yun Lee	JaeHoon Chang
Classification	Independent director	Independent director	Independent director	Independent director	Independent director	Independent director	Internal director
Date of initial appointment	Mar. 17, 2017	Mar. 22, 2019	Mar. 24, 2021	Mar. 24, 2021	Mar. 24, 2021	Mar. 24, 2021	Mar. 24, 2021

Sustainability Management Committee Activities in 2021

Classification	Date	Contents	Whether approved	Attendance rate	Approval rate
1st General Meeting	Jan. 26	Approval of transactions of goods and services with an affiliated company including the same person	Approved	100%	100%
		Approval of financial transactions under the terms and conditions agreed with affiliated financial companies	Approved		100%
		Approval of transaction limit with stakeholders	Approved		100%
		Approval of the major social contribution plans for 2021	Approved		100%
		Approval of investment in the ZERO1NE Fund 2	Approved		100%
		Transactions between directors and the company in 4th quarter of 2020	Reported		-
		Transactions with stakeholders in 2nd half of 2020			
Extraordinary Meeting	Feb. 23	Progress of ESG improvements	Reported	100%	-

Classification	Date	Contents	Whether approved	Attendance rate	Approval rate
Extraordinary Meeting	Mar. 24	Appointment of the Chairman of the Sustainability Management Committee	Approved	100%	100%
2nd General Meeting	Apr. 22	Approval of transactions of goods and services with an affiliated company including the same person	Approved	100%	100%
		Approval of financial transactions under the terms and conditions agreed with affiliated financial companies.	Approved		100%
		Approval of transactions with affiliates	Approved		100%
		Deliberation on payment guarantees for overseas subsidiaries	Approved		100%
		Transactions between directors and the company in 1st quarter of 2021 Social contribution activities in 1st quarter of 2021	Reported		-
3rd General Meeting	Jul. 22	Approval of transactions of goods and services with an affiliated company including the same person	Approved	100%	100%
		Approval of financial transactions under the terms and conditions agreed with affiliated financial companies.	Approved		100%
		Transactions between directors and the company in 2nd quarter of 2021 Transactions with stakeholders in 1st half of 2021 Social contribution activities in 2nd quarter of 2021	Reported		-
		Results of the inspection of employees' implementation of the Code of Ethics in 1st half of 2021 Implementation status and plan for the Compliance Program for Fair Trade Governance activities in 1st half of 2021			
Extraordinary Meeting	Sep. 16	Details of compliance support activities in 3rd quarter of 2021 Hyundai Motor Company's carbon neutral strategy	Reported	100%	-
4th General Meeting	Oct. 26	Approval of transactions of goods and services with affiliated companies including the same person	Approved	100%	100%
		Approval of financial transactions under the terms and conditions agreed with affiliated financial companies	Approved		100%
		Re-approval of transactions with affiliates (brand usage fee)	Approved		100%
		Approval of transactions with an affiliate (lease of the office building in Gye-dong)	Approved		100%
		Approval of transactions with an affiliate (maritime transportation of finished vehicles)	Approved		100%
		Deliberation of transactions between directors, etc. and the company	Approved		100%
Extraordinary Meeting	Dec. 9	Approval of the TRS settlement transaction for SPC's stake in Hyundai Capital	Approved	100%	100%
		Approval of transactions with affiliates (brand usage fee)	Approved		100%

Protecting Shareholder Rights

Hyundai carries out a variety of activities to protect shareholder rights. While guaranteeing shareholders' basic rights to participate in profit distribution, attend GSMs and exercise voting rights, and receive information in a regular and timely manner as stipulated in the Commercial Act, Hyundai seeks to establish transparent governance by communicating with its shareholders through various channels. We respect the fair demands and opinions of shareholders, including their exercise of shareholders' rights to vote and make proposals, while laying solid foundations for sound governance through a transparent and rational decision-making process. In addition, we bolster communication by actively operating investor relation activities such as corporate briefings, non-deal roadshows (NDRs), and GSMs.

Convocation of a GSM

Convocation Notice of a General Shareholder's Meeting

The Commercial Act stipulates that a convocation notice must be made at least two weeks in advance in order to give shareholders sufficient time to deliberate on items of agenda. To provide shareholders with more time, Hyundai has improved its business process so that the convocation notice of a GSM containing the date, place, and agenda can be provided four weeks in advance. Accordingly, we have issued a convocation notice four weeks prior to each GSM since 2020.

[Kay agenda items in 2021](#)

Exercise of Voting Rights

Hyundai's Corporate Governance Charter stipulates that shareholders must actively exercise their voting rights for the development and profit of the company. We therefore ensure that our shareholders engage in important business issues of the company by exercising their right to vote.

Approval of the Directors' Compensation Limit

The directors' compensation limit is submitted to a GSM after objective and transparent deliberation by the Compensation Committee. The director's compensation limit proposed at the 55th GSM as item No. 4 was approved at the approval rate of 99.4%.

Exercise of Shareholders' Voting Rights

At Hyundai's AGM, voting rights are exercised through shareholders' direct participation or by proxy, or by solicitation of the proxy exercise of voting rights. In principle, one share has one vote. We introduced an electronic voting system at the 52nd GSM held in 2020 to facilitate our shareholders' voting rights. Since the 53rd GSM held in 2021, the meeting has been broadcast live online to further enhance shareholders' convenience, including the prevention of the spread of COVID-19. In addition, shareholders who meet the requirements for shareholders' rights to make proposals under the Commercial Act can express their opinions on the management's compensation, etc. by requesting that a general shareholder's meeting deal with the issue as an agenda item.

				Total	
				213,668,187	
1	2	3	4	5	6
Name	Type	Ownership (%)	No. of shares		
1 Hyundai MOBIS	Common stock	21.43%	45,782,023		
2 National Pension Service	Common stock	8.10%	17,312,294		
3 Mong-Koo Chung	Common stock	5.33%	11,395,859		
4 Euisun Chung	Common stock	2.62%	5,598,478		
5 The Government of Singapore	Common stock	2.04%	4,363,364		
6 Others	Common stock	60.48%	129,216,169		

* As of December 31, 2021
** There are no golden shares possess by a government institution

Communication with Shareholders

One Share, One Vote

In accordance with the Commercial Act and the Articles of Incorporation, Hyundai grants one voting right per share owned by shareholders according to the type and number of stocks held. As of the end of 2021, the total number of common shares issued is 213,668,187 of which 14,048,242 shares are treasury stocks, so the number of common shares excluding treasury stock is 199,619,945.

Strengthening Communication with Shareholders

In 2021, Hyundai held a total of 35 corporate briefing sessions including quarterly business result announcements while communicating with shareholders through various channels to establish global-level governance. In particular, we hold an annual NDR in which the independent director in charge of protecting shareholder's rights and interests accompanies the top management to meet with investors in person. In consideration of the COVID-19 situation, we held the NDR virtually in 2020 and 2021.

Hyundai has been holding the CEO Investor Day annually since 2019 to present its mid- to long-term management goals and enhance investors' understanding of the company. The 2022 CEO Investor Day was held in March. In addition, in the same month, we held an online corporate briefing session for individual shareholders for the first time to share information and strengthen communication with them about their main concerns. In 2021, we had more than 800 meetings, including conferences organized by securities firms, NDRs for domestic and foreign investors, and frequent IR interviews for visiting investors. In addition to investor meetings, we provided annual guidance on our annual turnover and shareholder return policy for the first time at the 2021 earnings announcement in January, and have been since doing so as a way to enhance our management transparency and shareholder value.

In March 2021, for the convenience of shareholders who could not attend the GSM, Hyundai broadcast it live. We also conducted a survey on the areas of greatest interest of shareholders who had pre-registered for online attendance and, based on the results, held a briefing session on the "automotive market outlook" to provide them with practical information and promote closer communication with them.

Shareholder Return Policy

To enhance shareholder value, Hyundai has been paying dividends whose size is determined in consideration of the company's investment, business performance, and cash flow. The company announced its "mid- and long-term dividend policy" in 2017 and has maintained the same stance until now. The policy seeks to return 30-50% of the annual free cash flow to shareholders, while aiming for a dividend payout ratio comparable to that of global competitors in the mid- to long-term. In addition, we endeavor to demonstrate our respect for shareholders' rights and boost their confidence by providing them with an explanation of the direction of shareholder return in the annual guidance announcement in January of each year.

In addition, we repurchased treasury stocks equivalent to 1.0% of issued stock three times – from December 2018 to February 2019, from December 2019 to March 2020, and from November 2021 to February 2022 – in our efforts to enhance shareholder value.

[Dividend History](#)

Business Ethics & Compliance

Ethical Management

As a corporate citizen, Hyundai is taking the lead in practicing business ethics to fulfill its economic and legal responsibilities to its stakeholders – including customers, shareholders, suppliers, and local communities – through ethical management activities and fair trade compliance. In 2001, we enacted the Ethics Charter, Employee Code of Conduct, and Guidelines for Ethical Business Conduct to establish the basis for our employees’ ethical judgments and promote an ethical management culture throughout the company. In March 2021, we reformed the former Corporate Governance & Communication Committee into the Sustainability Management Committee to build trust and pursue win-win growth with our stakeholders.

Ethical Management System

Ethics Charter

Hyundai has established the Hyundai Ethics Charter in order to conduct its business based on the principles of ethics and compliance as a global leading company. The following Five Guiding Principles of the Hyundai Motor Group Ethics Charter serve as the guidelines on ethical management which Hyundai employees must follow to when dealing with various stakeholders such as customers, shareholders, suppliers, and members of local communities.

Five Guiding Principles of Hyundai Motor Group’s Ethics Charter

1. We shall perform our duties based on clear and transparent standards and do our utmost to fulfill our responsibilities with integrity.
2. We shall compete fairly in the market and conduct business ethically with all parties that engage in contractual relationships with us.
3. We shall provide safe products, exceptional services and accurate information, and we rigorously protect personal information to increase customer value.
4. We shall respect our members as independent individuals and, to this end, provide fair working conditions and safe working environments.
5. We shall contribute to sustainable development by fulfilling our social & environmental responsibilities as a member of society, so that diverse stakeholders may prosper together in harmony.



Code of Conduct

Hyundai Motor Company Ethics Charter and Code of Conduct is designed to increase ethical awareness among its employees by providing them with specific procedures and measures related to the implementation of ethical management. They specifically cover corruption and bribery, discrimination, information confidentiality, conflicts of interest, antitrust/anti-competitive practices, money laundering and insider trading, environment, health and safety, and whistleblowing.

[Hyundai Motor Company Ethics Charter and Code of Conduct](#)

Anti-Corruption/Bribery Policy

In June 2021, Hyundai established an Anti-Corruption/Bribery Policy of Hyundai Motor Company to prevent the risks of corruption and bribery and ensure that employees comply with its ethical standards and moral values. The policy includes such guidelines as the prohibition of all forms of bribery and solicitation, the eradication of facilitation payments, the prohibition of political donations and sponsorships, and rules on charitable donations and sponsorships in accordance with the company’s standards and procedures. The policy also contains a clause which stipulates that the company shall establish a reporting system accessible to all employees and stakeholders to monitor corruption and bribery risks at all times and to take the necessary measures immediately in the event of violations.

[Anti-Corruption/Bribery Policy of Hyundai Motor Company](#)

Audit/Report on Ethical Risks, etc.

Hyundai operates the Compliance Support Advice Center within its compliance management support system to encourage its employees to comply with the rules and regulations and report any violations thereof. Furthermore, the company operates a number of reporting channels, including the Cyber Audit Office, with the goal of realizing transparent management. Through these channels, we receive reports on acts that violate our ethical management principles, including unfair trade practices, unreasonable requests for or the provision of money, goods or entertainment, and misuses and abuses of authority and solicitation, etc. If an act that violates the Hyundai Motor Company Ethics Charter and Code of Conduct is detected, the employee in question may be subject to disciplinary action up to termination of employment pursuant to Article 64 of the Employment Rules. In addition, Hyundai monitors its employees’ application of the Code of Ethics throughout their performance in its semi-annual and ad hoc audits and reports the results to the Sustainability Management Committee under the BOD.

Protection of Whistleblowers

Hyundai stipulates the protection of whistleblowers related to employee’s business ethics and compliance through the Ethics Charter, Code of Conduct, and internal rules relating to workplace ethics regulations, while also complying with relevant laws. We have also set measures in place for protection of the confidentiality of whistleblowers and related information as well as strict prohibition of disadvantages or retaliation against them. In the event that protection for a whistleblower is violated, such as cases of retaliation against internal whistleblowers, the company may impose aggravated punishment on the offenders in accordance with Article 9 of Chapter 3 (Handling of violations of the regulations) of the regulations on workplace ethics.

Implementation of Ethical Management

Internalization of Code of Conduct

Hyundai requires its employees to pledge compliance and ethical management on a regular basis in an effort to help them internalize the company’s Code of Conduct. In 2021, Hyundai conducted ethics education for about 73,000 employees, including contract workers, through an online platform and in-house broadcasting system, to raise awareness of major ethical issues such as anti-corruption, fair trade, and cyber security. The implementation of the Ethics Charter and Code of Conduct is overseen by the BOD’s Sustainability Management Committee, which was reorganized in March 2021. The Committee is authorized to make decisions on major ethical management-related policies and revisions of the Code of Conduct, among other tasks.

Investigation into Violations of the Code of Conduct

In 2021, Hyundai received 104 reports related to the forgery of private documents/violations of concurrent positions, bribery, violations of information security, and workplace harassment; investigated 80 cases, excluding false reports; and took disciplinary action – dismissal, wage cut, suspension, warning, etc. – against 46 cases.

Reporting Channels

Cyber Audit Office Reporting	By Phone +82-2-3464-3500
By Fax +82-2-3464-8813	By Mail Hyundai Motor Group Audit Office

Whistleblower Protections

1. Confidentiality: Personal information of the informant cannot be disclosed to the public without the informant’s consent.
2. Guarantee of status: The employer or relevant department is prohibited from imposing any disadvantages or discriminating against the informant because of supplied information, statements and submission of evidence.
3. Reduction or exemption of liabilities: If any mistake or negligence of the informant are discovered during the investigation process, the liabilities of the information for such faults or negligence may be reduced or waived.



Compliance Management

Hyundai practices compliance management effectively through a robust compliance support system. The company helps its employees diagnose and prevent compliance risks on their own through the compliance support officer system, the expanded online compliance support system, compliance education, compliance self-assessment, compliance guidelines, and compliance newsletters.

Building Compliance Management System

Chief Compliance Officer & Compliance Officer

In 2012, Hyundai appointed a Chief Compliance Officer and established compliance control standards and implementation guidelines to serve as the basis of the company's compliance support activities. The Chief Compliance Officer conducts compliance support activities to prevent corporate legal risks and reports the details to the BOD regularly, while having external experts evaluate the effectiveness of the company's compliance control system and reporting the outcomes to the BOD once a year.

In addition, we have been appointing departmental heads as Compliance Officer of their respective departments. By introducing the compliance officer system, Hyundai has made it possible for the company's compliance management message to spread effectively across all departments, thereby instilling its key employees with a keen sense of responsibility for compliance management.

Online Compliance System

Hyundai has been upgrading its online compliance system as a way to support compliance activities more extensively, which enables our employees to gain access to not only existing functions, such as legal advice and contract review, but also to new functions including compliance self-assessment and compliance library services.

Strengthening Compliance Capability and Creating of a Compliance Culture

Compliance Self-assessment & Compliance Guideline

Hyundai conducts compliance self-assessment in various areas of law, including trade secrets, anti-corruption, and personal information, so that employees can diagnose and prevent legal harm on their own in the course of performing their duties (twice a year for each legal area).

Following the compliance self-assessment, the company enables the relevant departments to improve the risks identified during the assessment process on their own.

In addition, we have produced and distributed compliance guidelines containing the main contents of the laws and regulations which employees should know and comply with when performing their duties. We have published some 40 compliance guidelines on the Monopoly Regulation and Fair Trade Act, the Criminal Act, the Unfair Competition Prevention and Trade Secret Protection Act, labor laws, and intellectual property laws etc. at home and abroad, as well as publishing summary guidelines designed to increase employees' usability and reflect revisions of the laws.

In 2021, Hyundai produced and distributed an English-language version of the Compliance Management Handbook, which was revised in 2020, to reiterate the importance of compliance management to foreign employees and promote the practice of compliance management as a way to enhance the overall compliance capacity of our employees.

Compliance Training & Newsletter

Hyundai raises awareness of compliance management by providing regular and ad hoc compliance training for new recruits, newly promoted employees, and overseas employees. In particular, we provide online compliance training on dealing with anti-corruption and preventing collusion for all employees once a year to prevent the various legal risks that may arise in the course of their business performance. We also introduce the latest compliance issues to our employees by regularly publishing a compliance newsletter that introduces legal issues related to the automotive industry and in-house ethical regulations, in addition to a monthly legal report that introduces the latest legal revisions and precedents.

In addition, we put even more effort into raising awareness of compliance among leaders by publishing a leader compliance newsletter that provides them with customized compliance management information and requiring each of them to conduct a compliance self-assessment.

Compliance and Ethics Pledge

Hyundai has its employees make a pledge to practice compliance and ethical management as a way to remind them of principles of compliance and ethics and to help them develop compliance mindset.

Fair Trade

Hyundai competes fairly in the market and conducts fair dealings with its contractual counterparts. In particular, we include the principles of fair trade with competitors and suppliers, such as antitrust, collusion, unfair competition, and money laundering, in our Ethics Charter and Code of Conduct, and do our business accordingly.

Compliance Program

Implementing the Compliance Program

Hyundai promotes fair and transparent management starting with its CEO's commitment to compliance program (CP) in the first and second half of every year. In this way, Hyundai spreads its top management's strong CP commitment to all of its employees in addition to getting its own Guidelines on CP, which are applied to their actual work performance. In addition, Hyundai appoints a CP officer at a BOD meeting to manage and supervise the company's overall performance in terms of fair trade, while fostering a CP culture by offering various fair trade training programs and newsletters company-wide. Hyundai reports the results of its CP implementation efforts and its plan for the next year to the BOD semi-annually as a way to strengthen the responsibilities and obligations of each business site to promote CP.

Fair Trading Education

Hyundai not only conducts fair trade education for its employees every year, but also informs new employees of the importance of complying with the Fair Trade Act from the moment they join the company. We also conduct annual CP training for all new executives and employees working in areas that are subject or closely related to the fair trade laws. We promote fair trade through bi-monthly fair trade newsletters to raise awareness of fair trade throughout the company and ensure that our employees practice precautions related to fair trade. Most notably, Hyundai makes utmost efforts to provide education and video lectures on the protection of its suppliers' technologies which has been gaining importance.

Fair Trading Education Performance

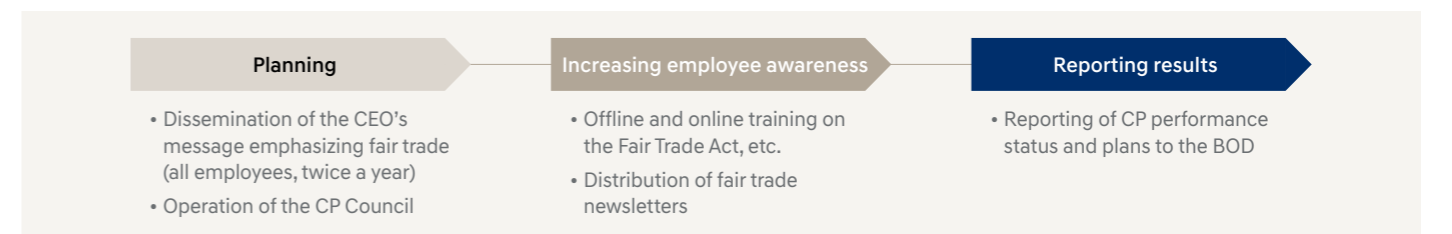
Year	Number of training sessions	Number of participants
2018	13	2,246
2019	8	1,429
2020	3	8,456
2021	4	8,261

* Replaced by online training due to COVID-19 in 2020 and 2021

Fair Trade and Anti-corruption Programs for Suppliers

Hyundai includes contents such as bribes and customary fees including rebates in the Ethics Charter and Code of Conducts, as well as the Guidelines for Ethical Conduct to prevent such incidents from happening and thereby ensuring that its employees and those of its suppliers can continue to conduct transparent and fair transactions. We also conduct anti-corruption risk checks and report the results to the Sustainability Management Committee under the BOD.

CP Implementation Process

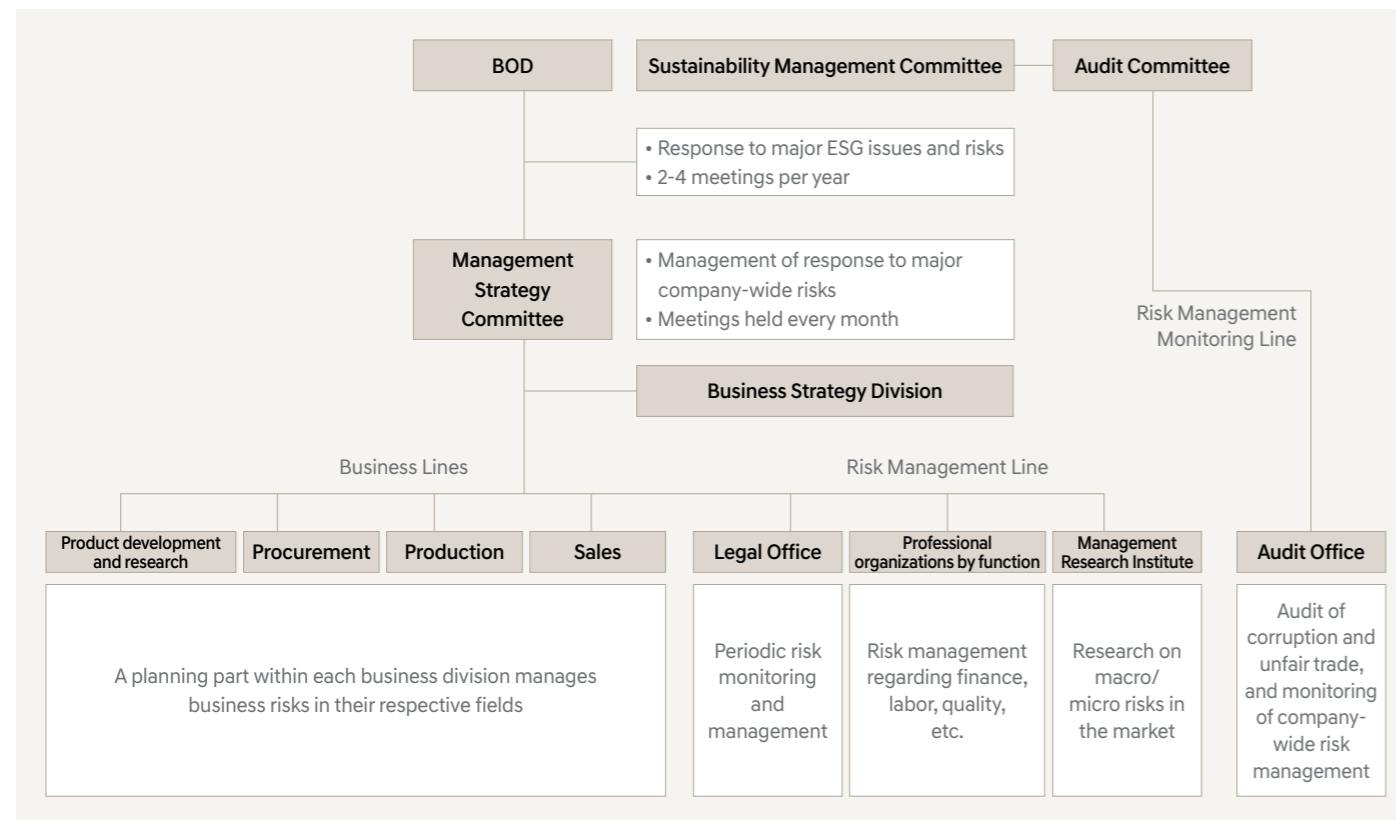


Risk Management

Risk Management

Hyundai is facing a shift to two major paradigms – the internalization of future technologies such as electrification, autonomous driving, and connectivity, and response to ESG issues and risks. These new paradigms will give us an opportunity to leap forward into a global top-tier company while carrying the risks posed by uncertainty. Accordingly, we strive to build proactive risk management culture based on a company-wide risk management and monitoring system, risk-linked employee performance evaluation, and company-wide training on related topics. In the immediate future, Hyundai will conduct a thorough analysis of the core risks and continue to enhance its risk management processes as an organization that can turn each new crisis into an opportunity to leap forward.

Risk Management System



Global Risk Management System

Company-wide Risk Management System

Hyundai is faced with unparalleled risks due to the prolonged COVID-19 crisis and the unstable international situation caused by the Russia-Ukraine war, and the resulting imbalance in the supply and demand of semiconductors, which are key automobile parts. In response, Hyundai has established and begun operating a company-wide risk management system. More specifically, the company has appointed a CFO in charge of the company's overall risk management and launched the Sustainability Management Committee within the BOD to regularly discuss major ESG issues and risk responses. In addition to the BOD, the Management Strategy Committee, composed of key executives (division head level) including the CEO, convenes every month to manage material risks that have a significant impact on the company. Moreover, Hyundai has established a risk reporting line that covers all the way to the CEO and the BOD, so that the risks identified in each division can be shared with key management.

Hyundai strives to enable not only its key management but also all other employees to manage risks based on its 2025 Strategy and seize opportunities to create corporate value. To this end, we produce video clips of the core content of the 2025 Strategy and conduct employee training. Key emerging risks are provided online to employees through the “Weekly B.I. Briefing (Risk Trend Report)”. In addition to training, we use non-financial risk factors as performance evaluation indicators for executives. Going forward, we will continue to develop evaluation and training schemes for all our employees.

Risk Management System by Division

Hyundai manages risks through the planning part within each of the various divisions organized by value chain. The Sales Division is divided by region, such as Korea, China, North America, Europe, India, Africa and the Middle East. The planning part within the Division focuses on managing specific risks associated with its respective market. Hyundai's risk management organizations include the Legal Office, which manages legal risks; the Legal Certification Office, which manages vehicle-related regulations and certification-related risks; divisions devoted to particular functions such as finance, labor, and quality; and the HMG Management Research Institute, which prepares preemptive countermeasures by analyzing macro- and micro-economic and industrial trends. The risk management departments operate independently of business divisions divided by value chain, while corruption and unfair trade are managed through continuous monitoring by the Audit Office within the Audit Committee.

In order to boost the efficiency of each department's risk management system, Hyundai has established a risk identification and reporting procedure for employees. Once identified, risks are managed in the order of identification, check/report, and preemptive response through weekly/monthly/ongoing risk assessment meetings. For key areas that directly affect the company's business operations, Hyundai has established monthly risk assessment meetings for each area, such as sales/production and PM/product strategy. Hyundai has also enabled product-level risk management, including the establishment of risk criteria within the product development and approval process.

Tax Strategy

Hyundai recognizes that tax compliance significantly contributes to securing customer profits and maximizing both shareholders' returns and government finances, and that tax risk management is a prerequisite for sustainable management. We therefore respect the principle of fair taxation by the tax authorities and faithfully comply with our tax obligations as a taxpayer. Going forward, we will strive to build collaborative mutual trust with tax authorities.

Managing Tax Risks

“Strict compliance with the laws” is the core of Hyundai's tax risk management policy. The company takes the lead in creating a transparent tax culture by faithfully providing all the evidence requested by tax authorities. Hyundai never engages in any tax evasion by using tax havens or tax structures without commercial substance. Furthermore, as a global company, we prevent tax risks in advance by identifying differences in the tax laws of different countries and their intention and by analyzing their respective dispute risks. Good example includes the “arm's length principle” as a way to prevent the risk of double taxation arising from competition for taxation rights between tax authorities in advance.

Major Potential Risks

Potential Vehicle Tax Reform based on Domestic Carbon Emission Levels

Risk Context

In December 2020, the Korean government declared “Carbon Neutrality by 2050” and set the target of reducing GHG emissions in the transportation sector to be 29.3% of the level recorded in 2017 by 2050. To this end, the Korean government is expected to change the current vehicle tax based on vehicle price and engine displacement to an eco-friendly tax based on carbon emissions, while strengthening regulations on CO₂ emissions. Some European countries, such as France, already impose a car tax based on carbon emissions, with the implementation of the policy affecting demand in the car market. Hyundai’s Genesis brand and mid-to-large SUVs, both of which have contributed significantly to the company’s profitability, are expected to take a big hit in sales when a carbon-emissions-based tax is imposed due to their relatively high CO₂ emissions.

Hyundai’s Approach

In response to the risk of changes in market demand caused by the new tax policy, Hyundai is approaching the challenge from two directions. First, in order to reduce the carbon emissions of its SUV models, in 2021 Hyundai launched the Tucson PHEV (CO₂ emissions: 31 g/km) and the Santa Fe PHEV, which have significantly improved CO₂ emissions compared to the existing Tucson model (CO₂ emissions: 148 g/km). Second, we launched the IONIQ 5, the first dedicated EV based on the E-GMP (Electric-Global Modular Platform), an electric vehicle-only platform, in 2021. In addition, we are expanding the EV lineup of the Genesis brand from small to medium/large vehicles by launching the G80 EV, the first EV under the Genesis brand, and the GV60, the first dedicated EV model. Going forward, we will establish an EV lineup consisting of 17 models (11 Hyundai models and 6 Genesis models) by 2030, and for the Genesis brand in particular, we plan to switch 100% of the Genesis lineup to EVs by 2030.

Increased Regulatory Risks Associated with the Establishment of a Plastic Circular Economy in Europe and Korea

Risk Context

In 2018, the European Commission announced a strategy to build the plastic circular economy with the aim of reusing or recycling 100% of all plastic packaging and recycling more than 50% of all waste plastics generated in Europe by 2030. To this end, the EU banned the use of major single-use plastics (SUPs) in 2021, which was followed by the strengthening of its regulations on the use of plastics for vehicles as well as household and disposable plastics. In particular, it is pushing for the enforcement of regulations mandating the use of recycled plastics in new cars. In Korea, the government is presenting the establishment of a plastic circular economy as a major national task, so that it is expected to change the current recommendation on the recycling of scrap cars to a 95% recycling mandate, in addition to introducing the mandatory use of recycled plastics in new cars, as is already the case in Europe. Once Korea has enforced the regulation mandating the use of recycled plastic materials in new cars, it is expected that Hyundai will face multiple risks such as the risk of an interruption of production due to a rise in the price of recycled plastic materials combined with a shortage in supply, as well as regulatory risks stemming from a shortage of high-quality recycled plastics that meet the safety and quality requirements for new cars. Notably, the regulatory risks are most likely to increase when Korea enforces a 95% compulsory regulation on the recycling rate of scrapped cars, like the European ELV (End-of-Life Vehicles) regulation, because, unlike in Europe, if Korea implements the pre-shredder method (the manual dismantling and recycling of the parts of a scrapped car), there will be limits to the disposal and recycling of scrapped cars in large quantities.

Hyundai’s Approach

Plastics make up the second largest segment after metals, accounting for 17% of all vehicle materials on average on an internal combustion engine (ICE) basis. However, the recycling rate of plastics used in vehicles is low because they are composites. Therefore, to increase the recycling rate of plastics, Hyundai launched the Resource Circulation Council in 2021, and has improved its recycling rate of waste resources generated from the existing scrapped car network, while overhauling all the relevant work. We are also planning to recover plastics from not only wheel guards, undercovers, battery trays, and fan-shrouds but also from lamps, exterior parts, and closure parts. In addition, we make continuous efforts to discover new sources of waste plastics in order to secure a stable supply chain for recycled plastics, and reviews plastic recycling in various fields such as marine pollutants and rural environmental pollutants. Furthermore, we have established a strategic collaboration system for plastic recycling with leading domestic and foreign chemical companies and hold regular technical exchange meetings with them for a joint response.

Integrated Risk Management

Managing internal controls on risk is important to secure effective financial planning and organizational flexibility. In order to analyze various types of risks in addition to market or price risks, Hyundai has conducted sensitivity tests and stress analysis related to those risks.

Classification	Key Tasks
Currency risk	<ul style="list-style-type: none"> Implementing the foreign currency inflow and outflow matching strategy to manage the exchange risk of major foreign currencies such as the USD, EUR, and JPY Adjusting the foreign currency fund supply and demand settlement date according to exchange rate forecasts, and using foreign exchange derivatives etc. as a hedging instrument
Interest rate risk	<ul style="list-style-type: none"> Short-term borrowings: Balancing fixed-rate borrowings and floating-rate borrowings Long-term borrowings: Adhering to the principle of fixed-rate borrowing, etc.
Credit risk	<ul style="list-style-type: none"> Selecting business partners above a certain level by evaluating their financial conditions, transaction experience, and other factors
Liquidity risk	<ul style="list-style-type: none"> Establishing and forecasting short-term and mid- to long-term money management plans along with an analysis of actual cash flow Maturity structure response management, etc. of financial assets and financial liabilities
Climate risk	<ul style="list-style-type: none"> Establish a goal to achieve carbon neutrality by 2045 at all stages from the procurement of parts to production and operation Reorganize the business structure centered on electrified vehicles for carbon reduction and net-zero emissions Increase the use of renewable energy in business sites through green hydrogen, renewable energy power generation, REC purchase, and renewable energy PPA contracts (Achieve 100% renewable electricity (RE100) by 2045)
Water risk	<ul style="list-style-type: none"> Efficient use of water resources and periodic inspections of leaking facilities to prevent the risk of rising operating costs and production costs due to higher water bills
Resource risk	<ul style="list-style-type: none"> Design considering the application of recycled materials to major automobile parts as well as scrap car recycling Activities to recreate value from end-of-life vehicles including “Re:Style”, an upcycling project conducted in collaboration with the fashion industry
Hazardous gas risk	<ul style="list-style-type: none"> Respond to stricter laws on harmful gases such as Euro 6 and RDE, and preemptive respond to increasingly strict legal standards Develop new technologies to reduce exhaust gas and air pollutants generated by production facilities, etc.
Hazardous substance risk	<ul style="list-style-type: none"> Adopt the International Material Data System (IMDS) to check whether all chemical substances in parts produced by suppliers meet the regulations, while limiting the use of chemical products containing highly hazardous substances in factories and promoting zero-hazardous substances through the use of substitutes, etc. for workers' health and safety