



HMC 2023 ESG NDR

Hyundai Motor Company
August 2023



Key Achievements in 2022

Environment

Expansion of
Life Cycle Assessment

Improvement of
Water Management

Czech Plant RE100

Increased Eco-friendly
Vehicles Sales

Social

Product Quality and Safety

Supply Chain Management

Anti-discrimination and
Diversity Policy

Increased Female Executives

Governance

Third party review of the Board

Validation of Compliance
Structure

Enhanced Board Expertise

Mid-to Long-term Shareholder
Return Policy

2023 1H Major Updates

During the first half of 2023, Hyundai Motor Company has further enhanced board diversity and expertise through the 55th AGM and strengthened supply chain ESG management

“55th Annual General Meeting”

- Appointed additional female director, Yoonhee Choi, who has expertise in the field of labor
- Appointed additional foreigner director, José Muñoz, who is global COO watching over profitability and sales of our company at a global level
- Newly appointed independent directors are further enhancing board expertise as they are experts in labor and international commerce

“Supply Chain ESG Management”

- ESG risk and on-site inspection results are actively reflected to procurement policies, which means suppliers with high risks or any ESG-related issues will be reevaluated in order to maintain or sign new contracts with Hyundai Motor Company
- Continuing to improve ESG risk assessment processes in terms of the coverage and sophistication of the index in order to effectively minimize risk potentials

Sustainalytics

28.3 / Risk Med in 2023, risk exposure score enhanced from 30.9 / Risk High in 2022

Engagement and active communication on HMC's enhancement were accepted and reflected to improvement in rating results

① Enhanced Board expertise ② increased disclosure in company's policies, programs, and CO₂ emissions, etc.

*Sustainalytics Risk Score: Negligible (0-10), Low (10-20), Medium (20-30), High (30-40), Severe (40+)



Environment

Progress on Carbon Neutrality

Mid-to long-term Target

Our Status and Progress



Product (Electrification)

Road to Electrification



Aim to sell 2 million units of EVs and
5.8 million units of eco-friendly vehicles in 2030



Workplace

Achieve RE100 by 2045

Overseas (~2030) / Korea (~2045)

Through Solar Power Plant, PPA* and REC*

Adopt LNG: Hydrogen Technology (long-term)



Supply Chain

Support Supplier Carbon Neutrality

*Strengthen Net Zero efforts in relation
with LCA on core materials*

Global EV Sales

140K (2021) → 220K (2022) → 330K (2023 target)

HMG ranked 3rd in global EV M/S

Solar Power in Ulsan, Asan Plants in Korea

Ulsan 9MW / Asan 10MW (Korea Elec. Power Corp.)

HMGMA to be RE100 in initial production stage

New plants will target RE100 from initial production

Enhancing and Educating Net Zero Awareness

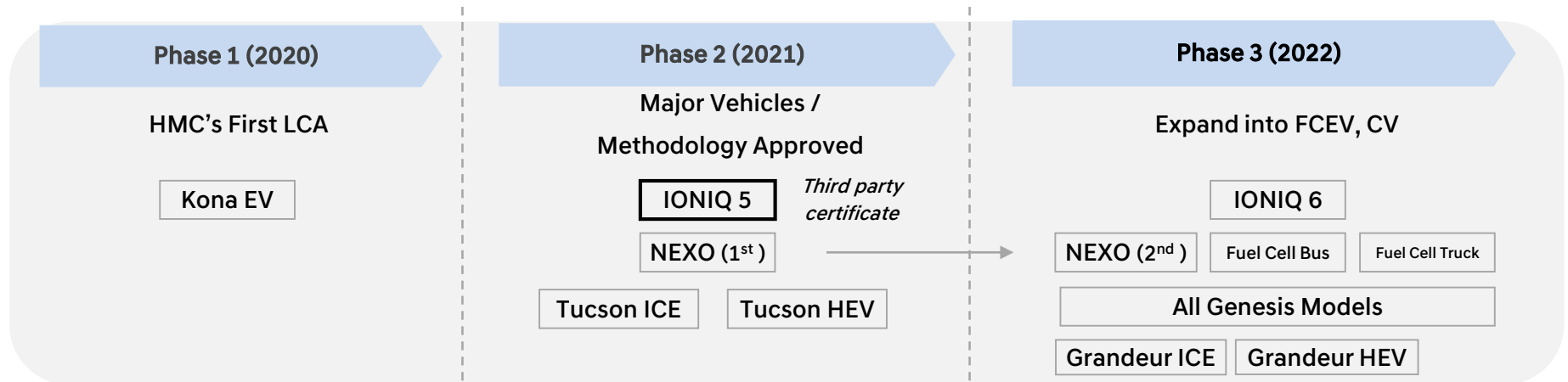
Regular seminars to improve awareness

Expanding Application of Life Cycle Assessment

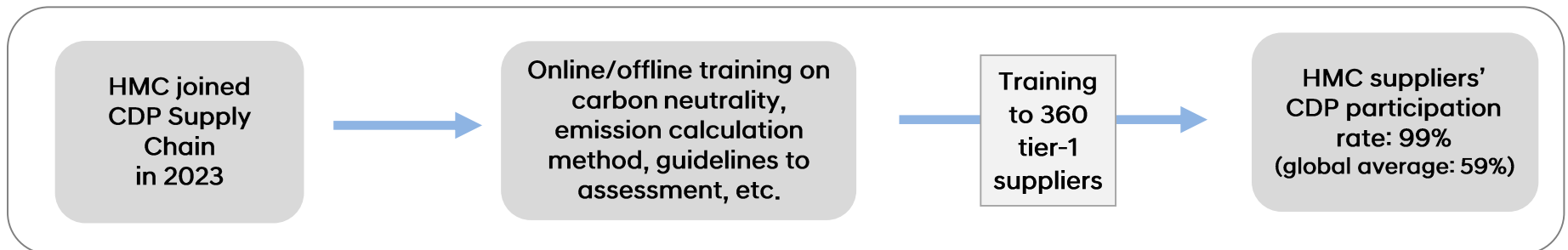
*PPA : Power Purchase Agreement
*REC: Renewable Energy Certificate

Life Cycle Assessment

Through life cycle assessment, Hyundai Motor Company aims to minimize environmental impact during new vehicle development. We are able to apply data gathered through LCA to step closer to supply chain net zero in ways such as discovering new and more environmentally friendly raw materials and energy



CDP Supply Chain



Circular Economy

Hyundai Motor Company continues to look for ways to minimize negative impact on the environment throughout life cycle of a vehicle

Product Recycling

Hyundai vehicles are 85% recyclable (95%, thermal energy recovery)

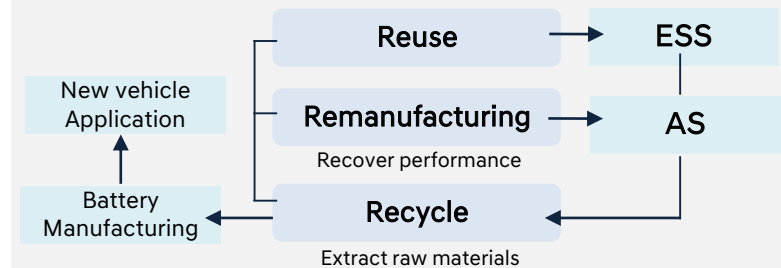
- Newly launched vehicles, especially EVs, are increasing the application of eco-friendly materials
- Metals and steel, which takes up to 70% of total vehicle composition, are almost all reused or recycled

Sustainable Resource Management

- **Water Management:** HMC evaluates water risks based on WRI* Tool, and 'high-water risk' identified plants are strengthening Water 3 Rs(Reduce/ Reuse/ Recycle)
- **Waste Management:** HMC identifies high risks areas among which our worksites are located. Hyundai's Brazilian plant is continuing to commit to zero waste-to-landfill

EV Battery Recycling

Hyundai Motor Group aims to establish a sustainable battery circulation system in which HMC and other affiliates are involved



Hyundai Motor Company will utilize global sales network in obtaining the used batteries and also work on extracting rare minerals from them

Hyundai Motor Company

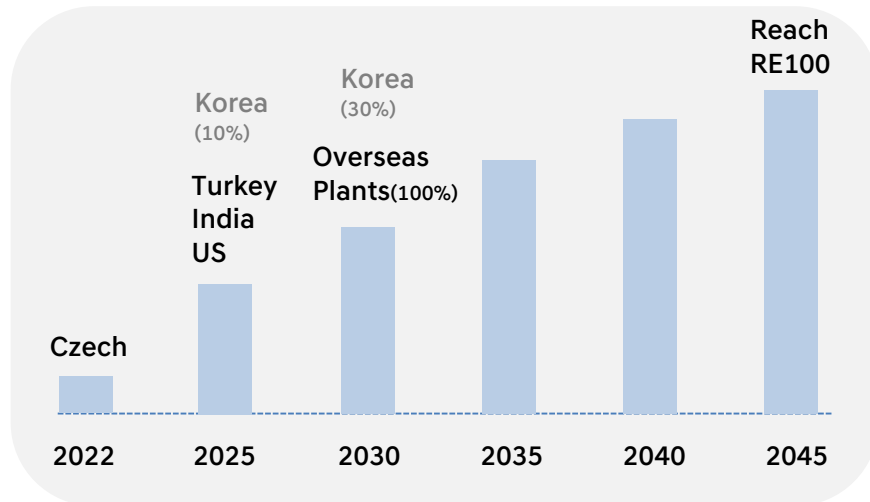
Hyundai Mobis

Hyundai Glovis

Progress on RE100

Hyundai Motor Company declared RE100 targets in September 2021, and has been making progress initially starting from our overseas plants then gradually expanding to Korea

RE100 Target by Plants



Strategy by production plants in detail

Korea: Targets are RE10 by 2025 and RE30 by 2030, with production plants as first priority followed by R&D centers

US: Targets RE100 by 2025 (Self-generation + PPA + REC)

Turkey: Targets RE100 by 2025

Czech: Reached RE100 in 2022 and is planning to establish self-generation infrastructure in 2024

India: Targets are RE100 by 2025 and has reached 42% of renewable energy usage in 2022

Indonesia: Targets RE100 by 2023 (self-generation + REC)

RE100 Management System

HMC

- Individual department establish and carry out RE100 adhering to HMC Net Zero Target

Process

- Plan and monitor RE100 status quarterly, annually
- Strengthen RE100 commitment with KPI

Strategy

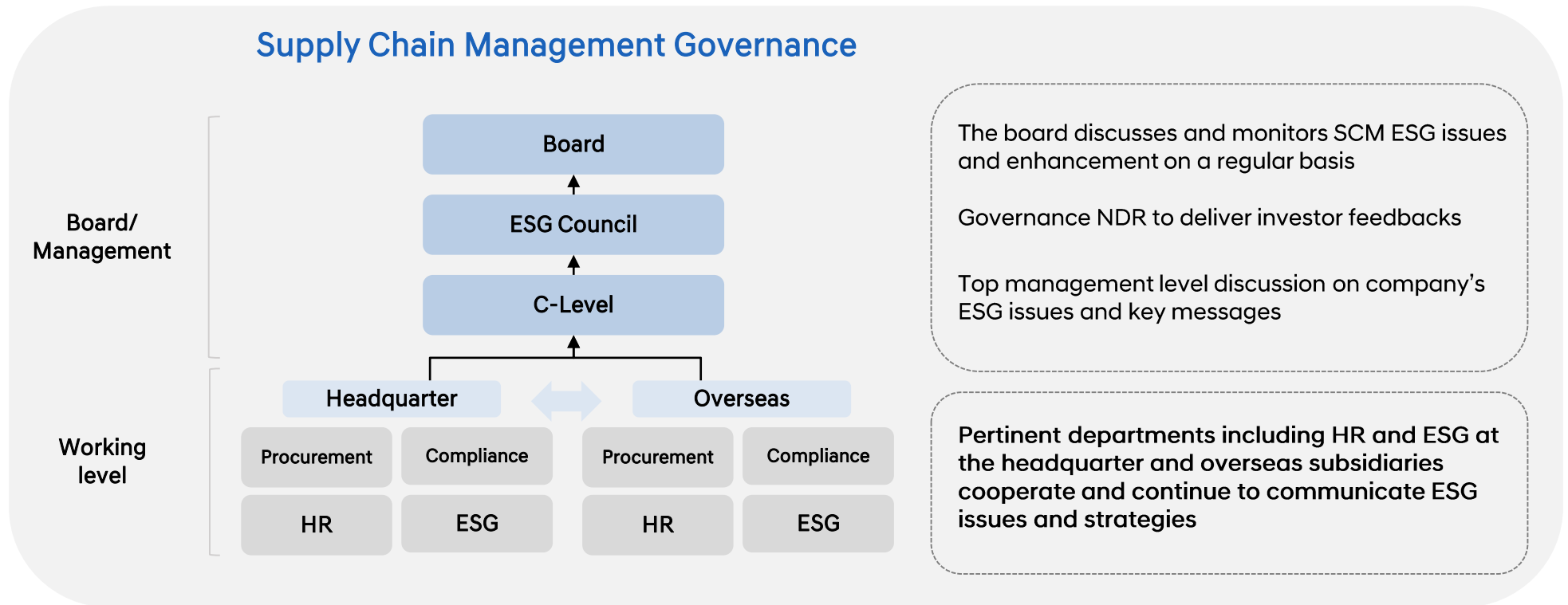
- First consider self-generation based on economics of the energy transition



Social

Supply Chain Management

Hyundai Motor Company understands the complexity of supply chain management and also the importance of improving ESG management through the supply chain



HMC supports suppliers' sustainability, thus we continue our effort to enhance supplier ESG management in multiple ways such as educational seminars and non-financial support, to ultimately heighten standards while also providing rooms for them to reach global standards

Supply Chain Management

Our efforts in supply chain ESG and human rights management are continuing as the importance and involvement of the supply chain companies increase

Enhancement in 2022

Completed ESG Assessment to 1st tier suppliers

Written assessment to 1,680 1st tier domestic and overseas suppliers, conducted 30 consulting services to risk-identified suppliers

Strengthened ESG Assessment Questionnaire

Written assessment questionnaire has been developed to be more specific and meticulous

Enhanced Stakeholder Engagement

Two Shareholder Letters from CEO were published with thorough explanation on SCM in N. America

What we are aiming in 2023

Improve Scope and Coverage of ESG Evaluation

Initially focused on human rights, now expanded to overall ESG issues and also in the process of expanding coverage to overseas subsidiaries, worksites, and JVs

Conduct ESG Enhancement Program to Suppliers

Educate ESG to enhance awareness among suppliers
Initially targeted to Korean small to mid-sized suppliers

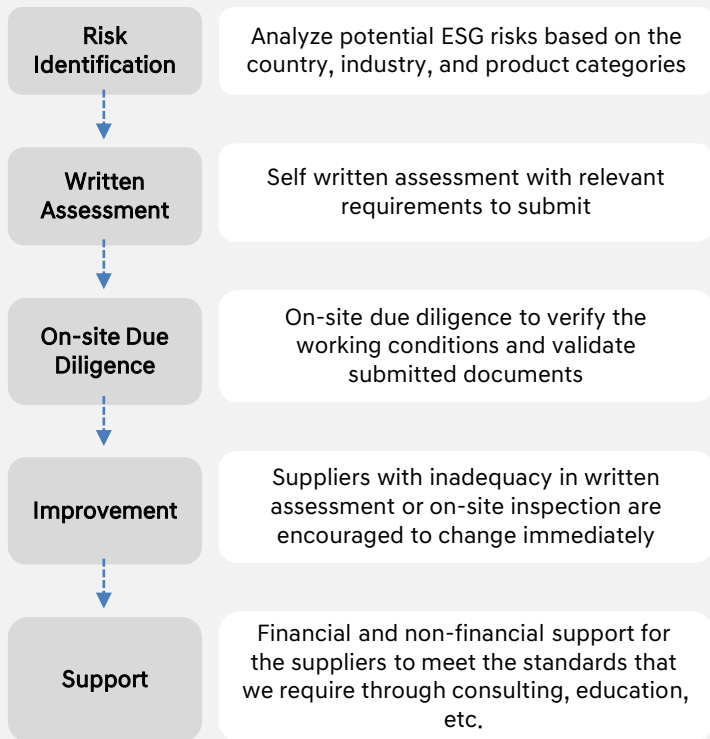
Apply ESG Evaluation Results to Procurement Policies

Six months to meet the standards, in case suppliers do not, exclude from future bidding if ESG violations are found

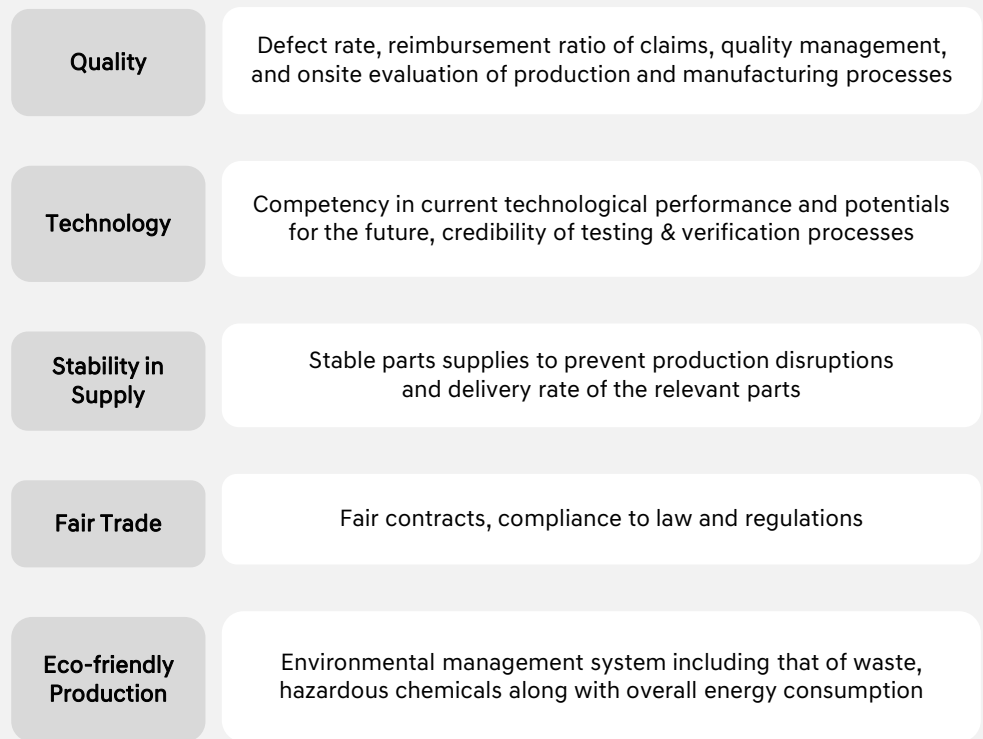
Supply Chain Management

Supply chain management at HMC is conducted in a systematic procedure from risk identification to support for inadequate suppliers to meet our guidelines

Risk Diagnosis and Due Diligence Process



HMC Five Major SCM Strategies



Diversity and Corporate Culture

Hyundai Motor Company cares about corporate culture and continues to enrich the culture to embrace more diversity and enable expertise in our community to thrive

Diverse corporate culture

- ✓ Through continuous efforts on enhancing corporate culture to embrace more diversity, total number of female management-level employees increased by 41% from 2020 to 2022

Hiring in new business areas

- ✓ Along with the era of electrification and future businesses including robotics, ADAS, and AAM, Hyundai Motor Company is expanding its employee composition into new areas like software and AI
- ✓ Increasing number of capable and competent female leaders in software business departments

Enhanced working environment

- ✓ Welfare programs at Hyundai Motor Company is becoming more embracing and understanding of different backgrounds and conditions of employees

Improving Workplace Culture

- ✓ Our effort to improve employee engagement has been demonstrated through “Culture Survey” results, the score improved from 68.5 in 2021 to 72.9 in 2022
- ✓ In 2022, a total of 5,713 ideas were proposed at “Hyundai Idea Contest”, and 47 selected outstanding ideas are currently under execution reviews and implementations.

Improving Disclosure

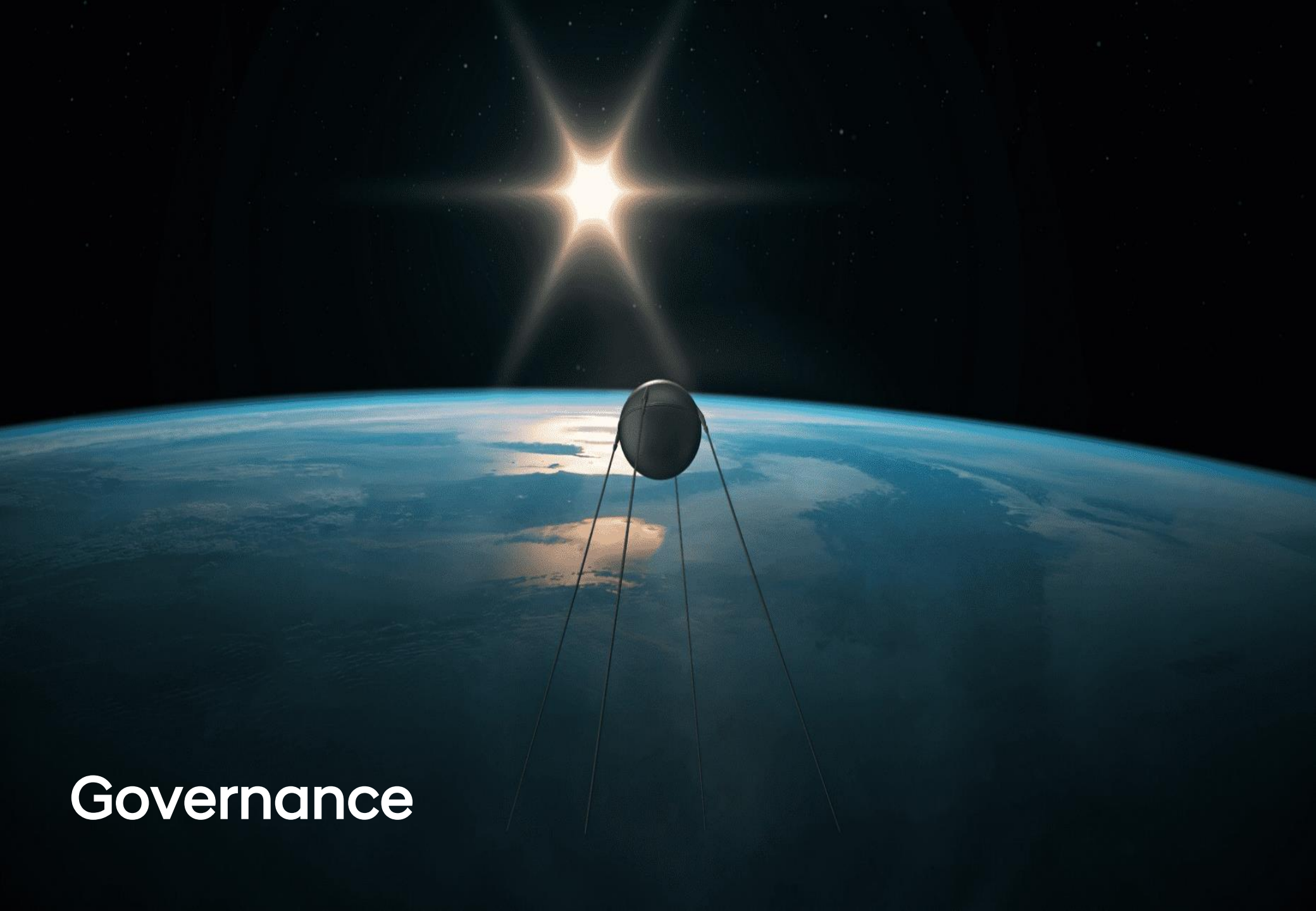
Increasing level of transparency is important especially for investor community and other stakeholders to grasp a clear and accurate knowledge of Hyundai Motor Company

Environmental Disclosure

- ✓ Direct relation to KPI with climate change enhancement and performance is disclosed on Sustainability Report page 21 for CEO, Production Head, and managers of pertinent departments
- ✓ Further enhanced disclosure of AFV* sales unit and target portion

Social Disclosure

- ✓ Human rights risk assessment results has become more thorough and sufficient, the specific results are available on page 52 of Sustainability Report
- ✓ Overview and up to date procedures are disclosed on page 52 of the Sustainability Report
- ✓ More active and constructive discussions are held to provide transparent and up to date information to stakeholders including investor community



Governance

Board of Directors

	2010	2018	2019	2021	2023
Number	Four	Five	Six	Six	Seven
Expertise	Finance Law (2) Academia	Finance Law Academia (2) Fair Trade	Finance Law Academia Fair Trade Global Finance Shareholder Rights	Finance Law Academia (Fair Trade) Global Finance Shareholder Rights Future Technology	Law Academia (Fair Trade) Global Finance Shareholder Rights Future Technology Commerce Labor
Diversity			Foreigner Shareholder Recommendation System	First Female Age Diversity	Two Females Age Diversity
Transparency					

Shareholder Return Policy

Hyundai Motor Company announced mid-to long-term shareholder return policy in June 2023 in order to enhance transparency, stability, and shareholder values

Quarterly Dividend

Before

Semiannual
(Interim, year-end)

After

Quarterly

Payout Ratio

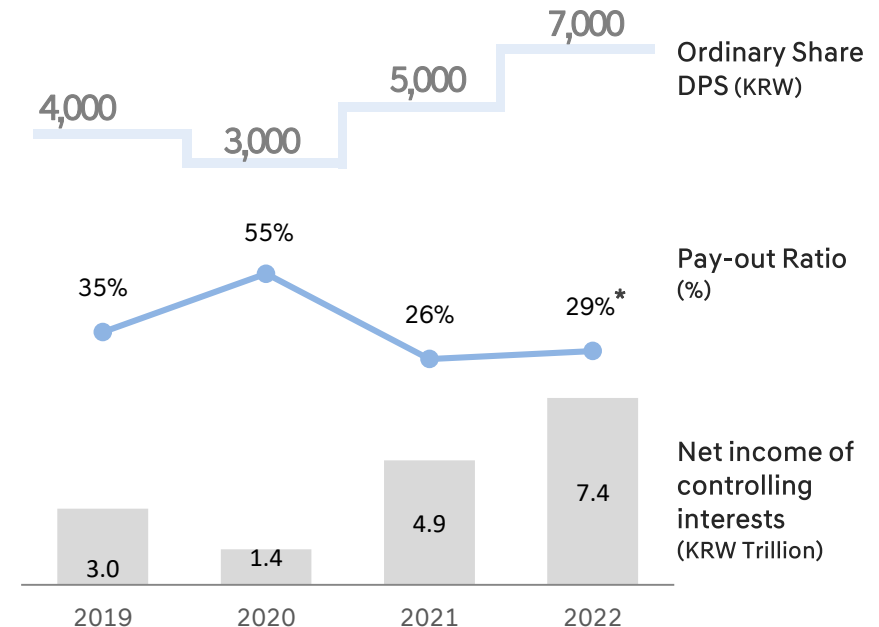
Payout ratio 25% or above

(based on annual consolidated controlling interests)

Treasury Stock

Cancel 1% of existing treasury stock every year for the next three years

Dividend Trend



* Payout ratio of 25% including preferred stocks and 1% cancellation of treasury stock