

# Corporate Governance and Communication Committee Report



# Contents

**I.** Introduction

**II.** Key Activities in 2015

**III.** Future Plans

# Corporate Governance and Communication Committee

- Established an independent committee to promote shareholder rights (April 2015)
- Comprised of 4 outside directors in order to enhance transparency and independence



# Communication with Shareholders

- Held Hyundai Motor’s first corporate governance NDR for major shareholders
- Enhanced our communication channels and measures to serve our investors in a better way

		Details
<b>Governance NDR</b>	Date	July 6 ~ 9 (4 days)
	Purpose	To gather major shareholders’ proposals and interests related to the CGCC*
	Participants	Outside director, CFO, IRO and etc.
	Shareholders	<p>Corporate governance managers in 25 major shareholders</p> <ul style="list-style-type: none"> <li>□ London : 13 (F&amp;C, Fidelity, HSBC, Invesco, L&amp;G, M&amp;G, Schroders, T.Rowe Price, USS etc.)</li> <li>□ Singapore : 5 (Eastspring, GIC, Morgan Stanley, UBS and etc.)</li> <li>□ Hong Kong : 7 (Allianz, APG, BlackRock, Capital, Wellington and etc.)</li> </ul>
	Agenda	<ul style="list-style-type: none"> <li>· Explain the purpose of the Committee and roles of outside directors in charge of promoting shareholder rights</li> <li>· Plans for major shareholder return policies and development direction for ESG (Environment, Society, Governance)</li> </ul>

\*CGCC: Corporate Governance and Communication Committee

# Corporate Governance

- Discussed issues regarding corporate governance with major shareholders and advisories
- Enhanced professionalism of outside directors by holding a governance seminar

		Details
Major shareholders	Summary	<b>Meetings with governance managers in major shareholders</b> (including outside directors) <ul style="list-style-type: none"> <li>□ NPS (Sep. 3, Dec. 8), BlackRock (Sep. 10), APG (Sep. 11, Dec. 2), Hermes (Oct. 7), Finepoint (Dec. 8)</li> </ul>
	Agenda	Discussed current governance status and future plans for the Committee
Governance advisories	Summary	<b>Meetings with proxy advisory and governance advisories</b> <ul style="list-style-type: none"> <li>□ ISS (Proxy advisory, Nov. 17), ACGA (Asia governance committee, Oct. 27), GES (Europe governance advisory, Dec. 11)</li> </ul>
	Agenda	Discussed importance of improving corporate governance and shared ways to enhance professionalism and independence of BoD
Governance seminar (Dec. 22)	Summary	Enhanced professionalism of outside directors through governance seminar with outside specialists
	Agenda	Introduced roles of outside directors in charge of internal control through case studies

# Shareholder Return Policy

- Distributed the first-ever interim dividend in the first half of 2015 to show commitment to improving dividend policy and enhancing credibility
- Increased dividend payments by 33% YoY to enhance shareholder value

## Dividends

(Unit: KRW)

Classifications		2012	2013	2014	2015
Total dividend payments	Common share	397.6 bn	408.1 bn	625.9 bn	828.3 bn
	Preferred share	123.2 bn	126.3 bn	191.4 bn	251.3 bn
Dividend per share	Common share	1,900	1,950	3,000	4,000*
	(Payout ratio)	(6%)	(6%)	(11%)	(17%)
	#2 preferred share	2,000	2,050	3,100	4,100
	#1, 3 preferred share	1,950	2,000	3,050	4,050

\* Interim dividend : KRW 1,000 / Year-end dividend : KRW 3,000

# Corporate Governance Charter

- The Corporate Governance Charter highlighting transparent management emphasizes our commitment to enhance corporate governance and shareholder credibility
- Established the foundation to improve corporate governance with the Corporate Governance Charter and the Committee

## Process



## Details

Emphasizes will to build advanced corporate culture through transparent corporate governance

States shareholder rights and responsibility, and composition and roles of BoD

Includes purpose and rules of Corporate Governance and Communication Committee

Highlights responsibility of audit committee and public disclosure

# Vision

Fulfills **Corporate Social Responsibility** by constantly **increasing shareholder return**, **enhancing communication with shareholders** and **improving transparency and professionalism** of BoD

Shareholder return	Communication	Transparency	Professionalism
Continue to increase payout ratio	Expand governance NDRs	Announce and post Corporate Governance Charter	Provide outsourced education for outside directors
Reach the global peer payout ratio average in the long-term	Actively hold meetings with major shareholders	Disclose the activities of the committee	Hold seminars with governance experts

**Achieve global standard corporate governance**