

Corporate Governance and Communication Committee Report

49th Annual General Meeting

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Key Activities in 2016

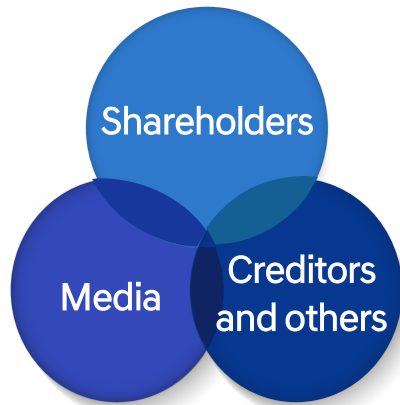
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Future Plans

Corporate Governance and Communication Committee

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

Participants



- Build and maintain regular communication channels through governance NDRs and IR events

Outside Directors



- Enhance communication with shareholders in order to better serve their interests

BoD

Audit Committee

Recommendation Committee on
Candidates for Outside Directors

Corporate Governance &
Communication Committee

- Review agendas on major internal transactions and shareholder interests
- Social contribution and ethical management

Communication with Shareholders

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

		Details
Governance NDR	Date	July 6 ~ July 11
	Purpose	To enhance communication and form trust with major shareholders
	Participants	Outside Director, IRO and IR Team
	Shareholders	Corporate governance managers of 31 major shareholders (2015 : 25 shareholders in 3 regions) <ul style="list-style-type: none"> □ Hong Kong : 8 (Capital, APG, Schroders, Allianz, etc.) □ Singapore : 5 (GIC, Eastspring, UBS, ISS, etc.) □ London : 11 (BlackRock, USS, F&C, M&G, Hermes, etc.) □ Boston : 7 (Westwood, Finepoint, Wellington, etc.)
	Agenda	Explain the activities undertaken by the committee to improve governance, including the announcement of Corporate Governance Charter and Governance Seminars with governance specialists

Corporate Governance

- Discussed issues regarding corporate governance with major shareholders and governance-related advisors
- Enhanced professionalism of outside directors by holding governance seminars and attending the ACGA conference

		Details
Major Shareholder Meetings	Summary	Investor meetings with governance managers of major financial institutions □ NPS, APG, Finepoint, Hermes, etc.
	Agenda	Discussed current governance status and future plans for the Committee
Governance-related Advisors	Summary	Meetings with proxy advisory and governance advisors □ ISS (Proxy advisory), GES (Europe governance advisory), ACGA (Asia Corporate Governance Association)
	Agenda	Discussed importance of improving ESG and discussed ways to enhance professionalism and independence of BoD
Governance Seminars (Jun. 14, Oct. 26)	Summary	Enhanced professionalism of outside directors through governance seminar with governance specialists (Professor Kyungsuh Park and Sungmin Kim)
	Agenda	Corporate governance codes and the role of BoD, dividend policy for enhancing corporate value
Governance Conference	Summary	Participated in the ACGA annual conference, providing outside directors with an ideal opportunity to gain expertise in governance and interact with investors
	Agenda	Corporate governance of Asia-Pacific companies including adoption of stewardship code

Improving Shareholder Value

- Announcement of mid- to long-term dividend policy in pursuant to optimizing a balance between sustainable growth and shareholder return

Dividend Policy

- ✓ Payout of 30 ~ 50% of annual free cash flow to shareholders
- ✓ Target global industry peers' level of payout ratio
- ✓ Explain possible material changes in future dividend amount

Improving Shareholder Value

- Maintained the same dividend amount despite weaker earnings and increased uncertainties in the business environment

Dividends

(unit : KRW)

		2013	2014	2015	2016
Total dividend payments	Common shares	408.1 bn	625.9 bn	828.3 bn	828.2 bn
	Preferred shares	126.3 bn	191.4 bn	251.3 bn	251.3 bn
Dividend per share	Common share	1,950	3,000	4,000*	4,000*
	(Payout ratio)	(6%)	(11%)	(17%)	(20%)
	#2 preferred share	2,050	3,100	4,100	4,100
	#1, 3 preferred share	2,000	3,050	4,050	4,050

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

Vision

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

Shareholder return

Transparent dividend policy

Reach the average payout ratio of global peers in the long-term

Communication

Expand governance NDRs

Actively hold meetings with major shareholders

Transparency

Announce and post Corporate Governance Charter

Disclose the activities of the committee

Professionalism

Provide outsourced education for outside directors

Hold seminars with governance specialists

Achieve global standard corporate governance