

Corporate Governance and Communication Committee Report

50th Annual General Meeting



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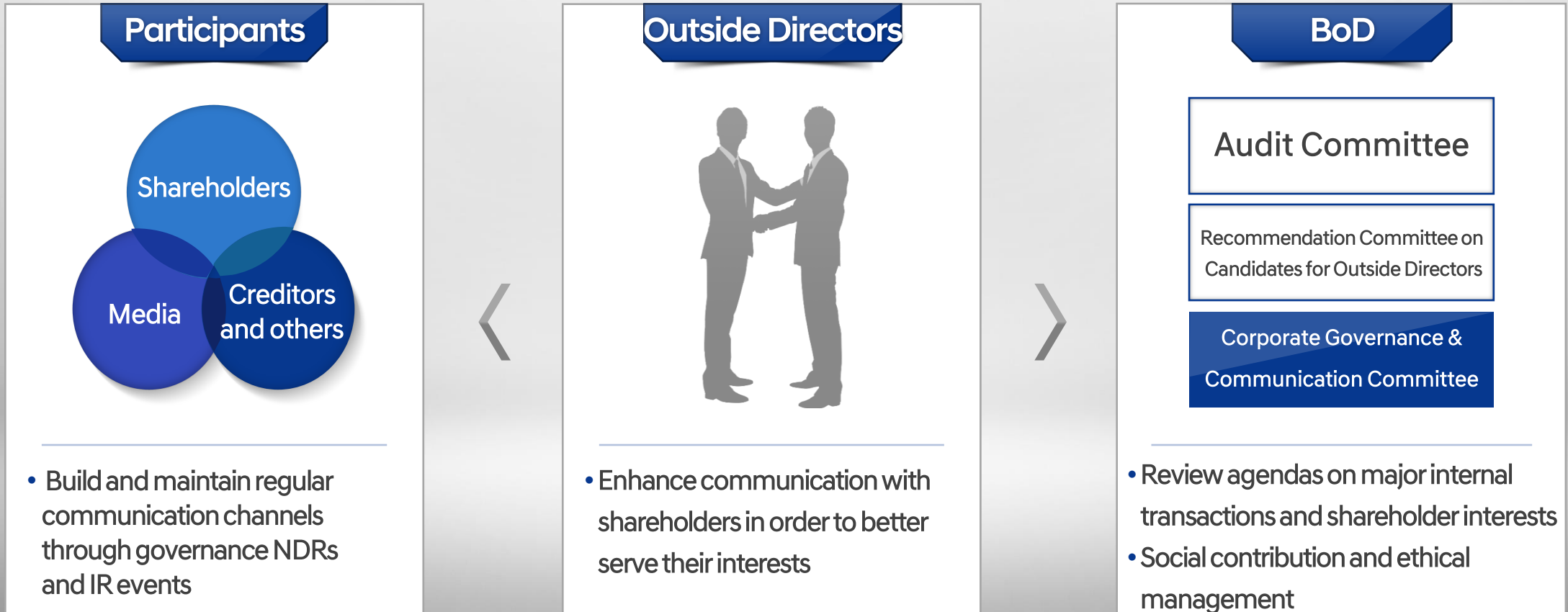
Key Activities in 2017

III

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
- Expanding the CGCC to group affiliates - Kia('16) , Mobis('17), Hyundai Steel(P), Hyundai E&C (P)



Communication with Shareholders

		Details
Governance NDR	Date	July 6 ~ July 12
	Purpose	To enhance communication and form trust with major shareholders
	Participants	Outside Director, IRO and IR Team
	Shareholders	<p>Corporate governance managers of 36 major shareholders ('16 : 31 shareholders in 4 regions)</p> <ul style="list-style-type: none"> <input type="checkbox"/> Hong Kong : 9 (Capital World, BlackRock, APG, etc.) <input type="checkbox"/> Singapore : 5 (GIC, Capital Research, ISS, etc.) <input type="checkbox"/> London : 13 (Capital Research, Schroder, M&G, etc.) <input type="checkbox"/> Boston : 5 (Westwood, Finepoint, Wellington, etc.) <input type="checkbox"/> San Francisco: 4 (Matthews, Indus, etc.)
	Agenda	<p>Mid-to-long term shareholder return policy</p> <p>Discussions on further securing shareholder rights and improving governance</p> <p>Strategy and competitiveness in Green car & future technology</p>

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, Capital Research, APG, Skagen, Hermes
	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 (Feb, Apr, Oct)	Summary	Enhanced professionalism of outside directors through governance seminar with governance specialists (Professor Woochan Kim, governance specialist Yukyung Park, and professor Minkyung Song)
	Agenda	Future of Corporate Governance Activists trend and the role of BOD Introduction of Korea Stewardship Code and the impact on Corporates

Shareholders to Appoint Independent Director

- Independent director in charge of shareholders' rights to be nominated by recommendation of shareholders
- First appointment to begin from '19

Recommendation Process

Appointment of shareholders' rights director by shareholder recommendation

Advisory panel made up of governance specialists to screen candidates

Advisory panel → Recommendation Committee → BoD → AGM

Improving Shareholder Value

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

Dividends

(Unit: KRW)

구 분		2014	2015	2016	2017
Total dividend payments	Common shares	625.9 bn	828.3 bn	828.2 bn	828.2 bn
	Preferred shares	191.4 bn	251.3 bn	251.3 bn	251.3 bn
Dividend per share	Common share	3,000	4,000*	4,000*	4,000*
	(Payout ratio)	(11%)	(17%)	(20%)	(27%)
	#2 preferred share	3,100	4,100	4,100	4,100
	#1, 3 preferred share	3,050	4,050	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