

Governance



The “G” in ESG refers to the governance factors – the fundamental basis for creating ESG value. The establishment of a strong corporate governance coupled with responsible corporate behaviors can increase corporate value and achieve sustainable growth by responding to various risks and seizing business opportunities appropriately. Hyundai therefore spares no efforts in growing in an economically, socially and environmentally right way based on the advanced governance structure befitting its status as a global company.

4.1	Board-centered Management System
4.2	Shareholder-friendly Management
4.3	Ethics and Compliance Management
4.4	Risk Management

Board-centered Management System

Hyundai strives to appoint directors with diversity, expertise and independence, aimed at establishing a sound and transparent governance structure, while also doing its utmost to maximize shareholder rights and interests as well as corporate value based on the understanding of its diverse stakeholders, including shareholders and customers. As Hyundai's highest decision-making body, the BOD is operated with the goal of achieving sustainable and balanced growth based on the company's Articles of Incorporation by faithfully supervising the activities of management. We have established independence and diversity policies for our independent directors, appointed directors with expertise, and enacted the Corporate Governance Charter in an effort to build a better governance system.

Composition of the BOD

BOARD COMPOSITION

Hyundai's BOD is composed of 13 members for effective and prudent decision-making, with independent directors making up more than half of its members (seven) in order to ensure its independence in accordance with the Commercial Act. The Board consists of experts in such various fields as management, accounting, finance, law, governance and future technology, and respects diversity without discrimination on the grounds of gender, race, religion, etc.

DIRECTOR TENURE

As of the end of March 2023, the average tenure of the 13 board members is about two years and seven months. In accordance with the Commercial Act, the term of office of independent directors cannot exceed six years. Those appointed in March 2023 include two internal directors (one re-appointed, one newly appointed) and two independent directors (all newly appointed).

APPOINTMENT OF DIRECTORS

All of Hyundai's directors are appointed through a resolution of the general shareholder's meeting (GSM). The independent directors are selected from among the candidates recommended by the Recommendation Committee on Candidates for Outside Directors to appoint competent and responsible personnel armed with expertise who can make substantial contributions to corporate management in a balanced way. We seek to respond flexibly to changes in the business environment by appointing independent directors with diverse perspectives and experiences.

INDEPENDENCE OF 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 addition, the independent directors must devote sufficient time and effort to the faithful performance of their duties, and according to the Commercial Act, they cannot be appointed as directors, executive members, and/or auditors of two or more companies other than the company itself. In order to be permitted to hold concurrent positions in other companies, they must report the details of the duties they wish to hold concurrently to the Board in advance and obtain its approval.

Concurrent Positions of Independent Directors

Name	Date of Initial Appointment	Date of Term Expiration	Details of Concurrent Positions (Institution / Position)
Chi-Won Yoon	March 22, 2019	March 23, 2025	
Sang-Seung Yi	March 22, 2019	March 23, 2025	Samsung C&T / Independent Director
Eugene M. Ohr	March 22, 2019	March 23, 2025	-
Dal Hoon Shim	March 24, 2021	March 23, 2024	Samhwa Paints Industrial / Independent Director
Ji Yun Lee	March 24, 2021	March 23, 2024	-
Seung-Hwa Chang	March 23, 2023	March 22, 2026	-
Yoon-Hee Choi	March 23, 2023	March 22, 2026	Hanjin KAL / Independent Director

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
	Jaehoon Chang	President & CEO	Currently President & CEO of HMC	March 24, 2021	Male	Korea
	Chung Kook Park	Executive President	Currently President and Head of HMC R&D Division	March 24, 2022	Male	Korea
	Dong Seock Lee	CEO	Currently Executive Vice President and CSO of Domestic Productions	March 24, 2022	Male	Korea
	Jose Munoz	President & GCOO	Currently Global COO of HMC and CEO of Hyundai and Genesis Motor North America Former Chief Performance Officer of Nissan and Chairman China, Nissan	March 23, 2023	Male	US, Spain
	Gang Hyun Seo	Executive Vice President	Currently Executive Vice President of HMC Planning & Finance Division	March 24, 2021	Male	Korea
Independent Directors	Chi-Won Yoon	Independent Director	Former 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.1	March 22, 2019	Male	US
	Sang-Seung Yi	Independent Director	Currently Dean and Professor of Economics, Seoul National University Former Chairman of 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 Professor, Department of Aerospace Engineering of KAIST Former Director of American Society of Navigation	March 24, 2021	Female	Korea
	Seung-Hwa Chang	Independent Director	Currently Professor of Graduate Law School, Seoul National University Currently Arbitrator of the International Court of Arbitration (ICC)	March 23, 2023	Male	Korea
	Yoon-Hee Choi	Independent Director	Currently Professor of Graduate Law School, Konkuk University Former Member of National Election Commission	March 23, 2023	Female	Korea

* As of March 31, 2023

** Executive President & Standing Director Chung Kook Park resigned before end of term in April 2023

DIVERSITY OF THE BOD

Hyundai appoints directors based on the principle of diversity, such as gender, nationality, race and religion. As of the end of March 2023, the Board has two directors with foreign nationality (Jose Munoz and Eugene M. Ohr) and two female directors (Ji Yun Lee, Yoon-Hee Choi).

As Global Chief Operating Officer (COO), director Jose Munoz has greatly contributed to improving Hyundai's performance in the global market and will continue to play an important role in securing global market competitiveness. Eugene M. Ohr, an independent director who is an expert in global business and asset management, was appointed to contribute to improving our business transparency. Ji Yun Lee, independent director, is a professor at the Department of Aerospace Engineering at KAIST. As a world-recognized authority on ensuring the safety of intelligent transportation and autonomous driving systems, she contributes to innovation in future core technologies and future mobility by advising on mid- to long-term business plans for autonomous driving technology and urban air mobility (UAM). Professor Yoon-Hee Choi is a legal expert and has abundant expertise in labor-management relations, including activities at the National Labor Relations Commission and the National Human Rights Commission of Korea.

Board-centered Management System

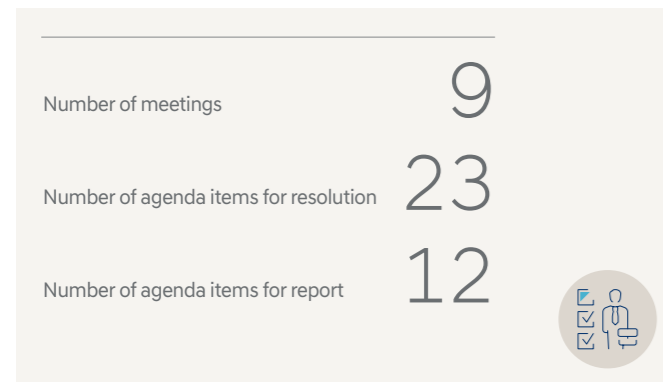
Operation of the BOD

BOD MEETING

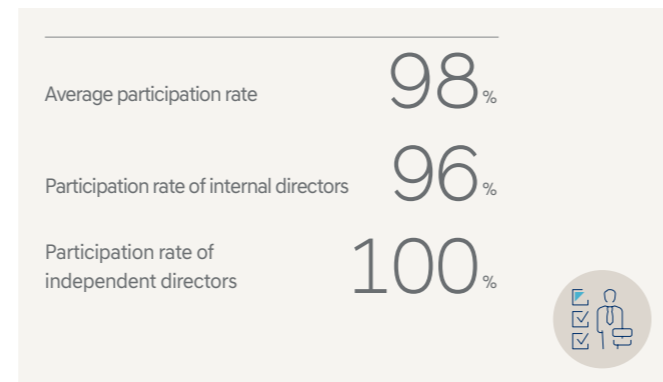
Board meetings are convened by its chair or another member appointed by the Board. At the time of convening the BOD, each director is notified of the convocation in writing or orally seven days prior to the date of the meeting. However, the convocation process may be omitted when all directors agree. A BOD resolution must be made with the attendance of a majority of the directors and the consent of a majority of the directors in attendance. Should the relevant laws and regulations stipulate otherwise, they shall apply.

The BOD agenda is proposed by the chairperson, and if the other directors wish to propose an item, the summary must be submitted to the chairperson. The Board must prepare the minutes, in which the agenda of the meeting, its progress and results, any opponents to the agenda and the reasons for their opposition must be entered, and the chairperson and the directors present must seal or sign the minutes.

BOD Activities in 2022



BOD Participation in 2022



Decision-making Process of the BOD



Board Meetings in 2022

Classification	Date	Contents	Whether Approved	Attendance Rate	Approval Rate
1st General Meeting	Jan.25	Approval of financial statements for the 54th fiscal year	Approved	100%	100%
		Re-approval of the 47th-53rd separate financial statements	Approved	100%	
		Approval of the 54th annual report	Approved	100%	
		Approval of the business plan for 2022	Approved	100%	
		Approval of the health and safety plan	Approved	100%	
		Approval of the limit on corporate bond issuance	Approved	100%	
		Appointment of the manager	Approved	100%	
Extraordinary Meeting	Feb.23	Assessment of the 2021 internal accounting management system, compliance management activities and plan, and geopolitical risks related to Russia and China	Reported	-	
		Approval of the convocation and agenda to be submitted to the 54th GSM	Approved	100%	100%
Extraordinary Meeting	Mar.24	Results of the 2021 internal accounting management system	Reported	-	
		Appointment of the Chief Executive Officer	Approved	100%	100%
Extraordinary Meeting	Mar.24	Appointment of the chairperson of the BOD	Approved	100%	
		Appointment of Committee members (Sustainability Management Committee, Recommendation Committee on Candidates for Outside Directors, Compensation Committee)	Approved	100%	
		Approval of dual-directorship (Euisun Chung –Kia and Hyundai MOBIS; Sang-Seung Yi – Samsung C&T; and Dal Hoon Shim – Samhwa Paints Industrial)	Approved	100%	
2nd General Meeting	Apr.25	Approval of capital increase for an overseas sales subsidiary	Approved	100%	100%
		Business results of Q1 2022, business status and investment plan of Supernal, occurrence of major health and safety issues	Reported	-	
Extraordinary Meeting	Jun.30	Approval of transaction between directors, etc. and the company	Approved	100%	91%
		Approval of the amendment of regulations for the Sustainability Management Committee	Approved	100%	
		Approval of the establishment of an overseas affiliate	Approved	100%	
		Participation in overseas subsidiary capital increase, establishment status of an EV company in the US	Reported	-	
3rd General Meeting	Jul.21	Approval of the 55th fiscal year interim dividend payment	Approved	100%	91%
		Approval of liquidity support for suppliers	Approved	100%	
		Business results of Q2 2022	Reported	-	
Extraordinary Meeting	Aug.11	Approval of equity investment in another corporation	Approved	100%	100%
Approval of the establishment of an AI research institute in North America	Approved	100%			
Extraordinary Meeting	Sep.07	Approval of treasury stock exchange with another corporation	Approved	100%	100%
4th General Meeting	Oct.24	Approval of transaction between directors, etc. and the company	Approved	100%	100%
		Approval of disposition of treasury stocks	Approved	100%	
		Business results of Q3 2022, Hyundai's response to the US IRA	Reported	-	

Board-centered Management System

DIRECTOR'S RESPONSIBILITIES

Hyundai's directors must faithfully perform their duties to the company in accordance with the provisions of the relevant laws and the Articles of Incorporation. Hyundai compensates directors for litigation expenses, other losses, damages, and liabilities incurred in connection with the performance of their duties. However, we do not compensate the losses, damages and liabilities which arise due to the malicious or gross negligence of the directors concerned, or if compensation by the company is not permitted by law.

In addition, directors are liable to the company and third parties in accordance with the Commercial Act and other laws in case of neglect of duties, etc. A director's liability to the company is limited to an amount equal to six times the amount of remuneration he or she has received in the last one year (three times in the case of an independent director), but this does not apply if the director causes damages either intentionally or by gross negligence, or if the law does not allow directors' responsibilities to be reduced.

CHAIRPERSON OF THE BOARD

Hyundai's BOD appoints its chairperson at the first board meeting after a GSM, and the chairperson's term of office is three years. The chairperson convenes and presides over the BOD and ensures that the Board plays its role effectively in all respects. The chairperson determines the order of priority in which directors will act as interim chairperson in the event that he or she is unable to attend the board meeting in person, and appoints a temporary chairperson from among the directors to act as the chairperson. If no chairperson is appointed, the duties of the chairperson of the Board are assumed in the order designated in advance.

Board Member Training in 2022

Date of Training	Participants	Training Content	Date of Training	Participants	Training Content
Apr. 25	Eun Soo Choi, Chi-Won Yoon, Eugene M. Ohr, Sang-Seung Yi, Dal Hoon Shim, Ji Yun Lee	Overview and business status of Hyundai Capital	Jul. 18	Eun Soo Choi, Chi-Won Yoon, Eugene M. Ohr, Sang-Seung Yi, Dal Hoon Shim, Ji Yun Lee	ESG trends and future directions
Apr. 25		Follow-up progress of Hyundai's future business investment (Boston Dynamics, Motional)	Jul. 18		Current status of Hyundai's female workforce and response to the aging society
Apr. 25		Strategic direction for Hyundai's charging infrastructure	Oct. 24		ESG risks and the BOD monitoring obligations
Apr. 25		Development progress and schedule Hyundai Global Business Center (GBC)	Oct. 24		Hyundai's design heritage
Apr. 25		Overview and progress of overseas plant investment			

EVALUATION OF BOD OPERATIONS AND ACTIVITIES

At Hyundai, the independent directors conduct an annual evaluation of the BOD's operations every year, with the results discussed at Board meetings as a way to improve the efficiency of its operations. In 2022, a third-party evaluation was conducted by an independent evaluation agency to ensure objectivity, and thus identified the current status of the composition and operation of the BOD in terms of expertise, efficiency and effectiveness, with the result that there was neither inappropriateness of the Board composition nor ineffectiveness in its operations. In addition, we derive improvement plans for the BOD by benchmarking best practices at home and abroad in the same industry and, going forward, based on the final opinion of the third-party, we will reflect the ideas for the improvement of the BOD composition and operations.

EXPERTISE OF THE BOD

Hyundai appoints directors with expertise in various fields such as global business, R&D, accounting, finance, legal affairs, and future technology. In addition, we make sure that our independent directors' ability to fulfill their duties faithfully is being strengthened through regular visits to factories and research institutes at home and abroad and meetings with executives in key sectors.

BOARD MEMBER TRAINING

Hyundai conducts training seminars on various topics such as business status, ESG risks, diversity, and new businesses in order to enhance the business understanding of its independent directors, and supports the strengthening of their professional competency to help them fulfill their roles as independent directors.

Profile of the BOD Members

Classification	Name	Profile
Internal Directors	Euisun Chung	<ul style="list-style-type: none"> CEO of Kia (2005-2008) Vice-chairman of HMC (2009-2018) <ul style="list-style-type: none"> Senior Vice-Chairman of HMC (2018-2020) Chairman of HMC (2020-present)
	Jaehoon Chang	<ul style="list-style-type: none"> Head of the Management Support Division & Head of the Domestic Business Division (2019-2020), Head of the Genesis Business Division of HMC (2019-2022) <ul style="list-style-type: none"> President & CEO of HMC (2021-present)
	Chung Kook Park	<ul style="list-style-type: none"> CEO and President of Hyundai KEFICO (2015-2018) CEO and President of Hyundai MOBIS (2018-20) <ul style="list-style-type: none"> Deputy Head of HMC R&D Division (2020-2021) President and Head of HMC R&D Division (2022-Apr. 2023)
	Dong Seock Lee	<ul style="list-style-type: none"> Head of HMC General Production Management Division (2017-2018) Head of HMC Engine Transmission Business Division (2018-2020) <ul style="list-style-type: none"> Production Support Director of HMC (2021) Executive Vice President and CSO of Domestic Productions (2022-present)
	Jose Munoz	<ul style="list-style-type: none"> Chief Performance Officer of Nissan and Chairman North America, Nissan (2016-2018) Chief Performance Officer of Nissan and Chairman China, Nissan (2018-2019) <ul style="list-style-type: none"> Global COO of HMC and CEO of Hyundai and Genesis Motor North America Division (2019-present)
	Gang Hyun Seo	<ul style="list-style-type: none"> Head of HMC Accounting Office (2015-2019) Head of Finance Division, Hyundai Steel (2019-2020) <ul style="list-style-type: none"> Executive Vice President of HMC Planning & Finance Division (2021-present)
	Chi-Won Yoon	<ul style="list-style-type: none"> Chairman and CEO of UBS Asia Pacific (2009-2015) Vice Chairman of UBS Wealth Management (2016-2019) <ul style="list-style-type: none"> Chairman of EQONEX (2020-2022)
	Eugene M. Ohr	<ul style="list-style-type: none"> Member of BOD, Capital International Research Inc. (2004-2009) <ul style="list-style-type: none"> Partner of Capital International Inc. (2010-2017)
Independent Directors	Sang-Seung Yi	<ul style="list-style-type: none"> External Expert of Governance Committee, Samsung C&T (2015-2020) Professor of Economics, Seoul National University (2001-present) <ul style="list-style-type: none"> Dean of Economics, Seoul National University (2020-present)
	Dal Hoon Shim	<ul style="list-style-type: none"> Director of the Corporate Taxation Bureau and Director of Taxation and Legal Affairs, National Tax Service (2013-2015) <ul style="list-style-type: none"> Head of NTS Jungbu Regional Office (2015-2017) Representative of Woorin Tax Partners (2017-present)
	Ji Yun Lee	<ul style="list-style-type: none"> Director of American Society of Navigation (2019-Jan. 2021) <ul style="list-style-type: none"> Professor, Department of Aerospace Engineering of KAIST (2009-present)
	Seung-Hwa Chang	<ul style="list-style-type: none"> Chairman of the Trade Committee, Ministry of Trade, Industry and Energy (2019-2022) Arbitrator of the International Court of Arbitration (ICC) (2000-present) <ul style="list-style-type: none"> Professor of Graduate Law School, Seoul National University (1995-present)
	Yoon-Hee Choi	<ul style="list-style-type: none"> Adjudication Committee Member of National Labor Relations Commission (2005-2014) Member of National Election Commission (2014-2020) <ul style="list-style-type: none"> Professor of Graduate Law School, Konkuk University (2005-present)

* Internal Director Chung Kook Park resigned before the expiry of the term in April 2023.

Board-centered Management System

Functions of the BOD

RISK MANAGEMENT

Hyundai's BOD is upgrading its management system to respond more effectively to risks that may arise from rapid changes in automotive industry trends, energy conversion to electric energy, and accelerated value consumption by customers. In April 2022, Hyundai established the Cross Functional Team, an organization directly under the CEO, to respond promptly to internal and external risks and opportunity factors occurring in the entire process of development, production, and sales of finished vehicles, including the supply chain.

COMPLIANCE MANAGEMENT

Hyundai's BOD has established a compliance management system to review and manage its legal risks. To this end, we have designated independent director Yoon-Hee Choi, who has considerable legal expertise, as the person in charge of compliance management as a way to expand our compliance management and strengthen the BOD's compliance monitoring function, and to play an active supervisory role in the company's compliance management. In addition, we are striving to spread a company-wide culture of compliance by conducting compliance inspections and compliance training for employees.

ETHICAL MANAGEMENT

Under the supervision of the Sustainability Management Committee within the Board, Hyundai closely reviews the protection of shareholder rights and interests, transparency in insider transactions, and the promotion of ethical management. Moreover, we continuously reflect improvements in the company's Ethics Charter through resolutions and deliberation on ethics management-related policies and the establishment and/or revision of ethical standards.

INTERNAL ACCOUNTING MANAGEMENT

Hyundai's BOD has developed 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. The evaluation of the operational status of the internal accounting management system, the progress, and the approval of the evaluation plan are reported to the Audit Committee. At the Audit Committee meeting held in February 2023, Hyundai's internal accounting management system was evaluated based on the Internal Accounting Management System Design and Operation Concept System, and it was determined that the system had been designed and operated effectively. The external auditor also expressed the opinion that the company's internal accounting control system has been effectively designed and operated from the viewpoint of materiality in accordance with the Internal Accounting Management System Design and Operation Concept System. In addition to the Audit Committee, the results of the evaluation of the internal accounting control system's operational status are reported to the Board and the GSM every business year.

MANAGEMENT OF CLIMATE CHANGE

Firm in the belief that it must assume its responsibility to actively respond to climate change, Hyundai has established environmental management to strengthen its ability to respond to global environmental issues and regulations in a comprehensive fashion. To this end, we have established a strategy for converting to electrified vehicles and developed a roadmap to achieve RE100. All our sustainability management strategies and climate change issues are discussed and monitored in detail by the Sustainability Management Committee.

HEALTH AND SAFETY MANAGEMENT

Government regulations on automobile safety at home and abroad are tightening every year. Reflecting this trend, Hyundai establishes a health and safety plan every year and reports it to the Board for its approval. In order to manage its health and safety issues comprehensively, Hyundai has newly appointed an internal director with expertise in health and safety, and is systematically managing major health and safety plans and progress inspections through discussions at the Sustainability Management Committee.

BOD Remuneration

CRITERIA FOR BOD REMUNERATION

Remuneration for directors is executed within the limits determined at a GSM and is determined through deliberation by the Remuneration Committee. The salaries of internal directors are calculated by reflecting such evaluation factors as job function, position, leadership, contribution to the company, talent development, etc. based on the internal executive salary table. Bonuses are paid based on financial performance (sales, operating profit, etc.) and contribution to the company based on performance incentives. In the case of independent directors and members of the Audit Committee, fixed amounts are paid to ensure their independence and transparency, but no separate performance bonus is paid.

CRITERIA FOR EXECUTIVE REMUNERATION

Hyundai determines the remuneration of its executives based on internal standards such as the executive salary table and the executive wage setting standards. Management's salaries are determined based on a comprehensive performance evaluation that takes into consideration their leadership, expertise, contribution to the company, length of service, and talent development. In addition, bonuses are paid based on executive remuneration standards (performance incentives) – the amount of bonus is determined by their business performance, such as sales and operating profit, achievement of business goals and contributions as members of the management, as well as their internal and external management activities.

CEO PERFORMANCE EVALUATION AND REMUNERATION

When evaluating and rewarding the CEO's performance, Hyundai reflects the results of financial evaluations relating to 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 2022, the CEO's remuneration amounted to KRW 2,932 million, consisting of a basic salary of KRW 1,116 million, bonuses of KRW 1,805 million, and other wage and salary incomes of KRW 11 million.

Criteria for BOD Remuneration

Classification	Payment Criteria
Internal Directors (CEO and management)	<ul style="list-style-type: none"> Salary: Paid within the limit of directors' remuneration set by the GSM resolution based on internal criteria, such as Hyundai'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 performance incentives, according to both quantitative and non-quantitative indicators – the former includes business performance, such as sales and operating profit; degree of achievement of business goals; ESG-related indicators; and brand power, and the latter includes management performance, contribution to the company, and internal/external business environment Other earned income: Paid according to the company regulations on welfare support 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 GSM resolution, with no separate performance bonus paid.

BOD Remuneration

(Unit: KRW million)

Classification	CEO ¹⁾	Board member	Independent director	Employee ²⁾	CEO-to-employee pay ratio
Average compensation per person	2,932	1,221	108	105	28 x

* For further details, please refer to the 2022 business report published on the electronic disclosure system of the Financial Supervisory Service

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

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

Board-centered Management System

BOD Subcommittees

AUDIT COMMITTEE

Composition of the Audit Committee The Commercial Act stipulates strict criteria for appointing and forming the committee member aimed at 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 Dal Hoon Shim, who has accumulated a wealth of experience as a tax expert while serving as the head of NTS's Jungbu Regional Office among other posts, supports the company's overall risk management from a different perspective to the company's internal audit organization.

Roles of the Audit Committee Hyundai's Audit Committee is composed of five independent directors with expertise in various areas including legal, finance, accounting, and future technology. The Committee verifies the legality of the business activities of the directors and management and supervises the soundness and propriety of corporate financial activities and the accuracy of its financial reporting, and also reviews matters stipulated by the GSM related to the selection, change, and dismissal of external auditors, other laws and the Articles of Incorporation, and the operating regulations of the Committee.

Approval of Non-audit Services Hyundai regularly monitors the independence of its external auditors, and only allows them to conduct non-audit services to the extent that they do not affect their independence. We report any important matters identified during their activities to the Audit Committee and disclose them through quarterly reports. In order to further strengthen the independence of the external auditors, prior approval from the Audit Committee is required as of 2023 when signing a non-audit service contract with an external auditor.

Audit Committee Composition

Name	Chi-Won Yoon	Sang-Seung Yi	Dal Hoon Shim	Ji Yun Lee	Seung-Hwa Chang
Classification	Independent director	Independent director	Independent director	Independent director	Independent director
Expertise	Management, financial service	Business, governance	Finance, accounting, tax service	Future/industrial technology	International trade /legal affairs

Non-audit Service Contracts with External Auditors

Business Year	Date of Contract	Service Offered	Contract Period	Service Fee (KRW million)
55th	Mar. 25, 2020	Support for renewal of the US APA	Mar. 2020 - Mar. 2022	250
	Mar. 02, 2021	Refund request for the local tax assessed	Mar. 2021 - Contract termination	10% of the refund amount
	Apr. 12, 2021	Refund request for the local tax paid	Apr. 2021 - Contract termination	10 + 10% of the refund amount
	Dec. 21, 2021	Support for renewal of the APA of Germany (HMD)	Jan. 2022 - Contract termination	180
	Dec. 17, 2021	Support for renewal of the APA of the Czech Republic	Jan. 2022 - Contract termination	180
	Jan. 26, 2022	Development of the next-generation contact center data analysis model	Jan. 2022 - Jul. 2022	489
	Mar. 18, 2022	Determination of the origin of automated facilities	Mar. 2022 - Mar. 2023	35
	May 23, 2022	Support for renewal of the APA of Germany (HME)	May 2022 - Contract termination	180
	Jul. 25, 2022	Inspection of laboratory processes	Jul. 2022 - Aug. 2022	250
	Oct. 30, 2022	Review of claims for rectification	Nov. 2022 - Mar. 2023	400
Dec. 22, 2022	Consulting on FTA training for overseas subsidiaries	Dec. 2022 - Mar. 2023	10	

COMPENSATION COMMITTEE

Composition of the Compensation Committee Following the amendment to the Articles of Incorporation for the establishment of the Compensation Committee at the 2019 GSM, Hyundai enacted the Compensation Committee regulations at the 4th General BOD Meeting. According to the BOD's rules, independent directors must constitute a majority of the members of the Committee, which consists of two independent directors and one internal director.

Roles of the Compensation Committee Hyundai's Compensation Committee helps the company to ensure objectivity and transparency in the remuneration decision-making process for registered directors. It also deliberates and make decisions on matters related to the limit on remuneration for registered directors and 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
Expertise	Management, financial service	Finance, accounting, tax service	Finance and economy, strategy

RECOMMENDATION COMMITTEE ON CANDIDATES FOR OUTSIDE DIRECTORS

Composition of the Recommendation Committee on Candidates for Outside Directors Hyundai's Recommendation Committee on Candidates for Outside Directors recommends independent director candidates in accordance with the relevant laws, the Articles of Incorporation, and the BOD regulations. 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.

Roles of the Recommendation Committee on Candidates for Outside Directors The Recommendation Committee on Candidates for Outside Directors plays the role of recommending candidates for independent directors prior to a GSM. The Committee recommends candidates who can make substantial contributions to corporate management after carefully examining whether the candidates' professionalism and personal capabilities are in line with the interests of the shareholders, and whether there is a history of their causing damages to corporate value or infringing shareholders' rights.

Recommendation Committee on Candidates for Outside Directors Composition

Name	Eugene M. Ohr	Sang-Seung Yi	Yoon-Hee Choi	Euisun Chung	Jaehoon Chang
Classification	Independent director	Independent director	Independent director	Internal director	Internal director
Expertise	Global business	Business, governance	Legal affairs	Overall management	Overall management

Board-centered Management System

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 seven independent directors and one internal director, as the functions of the former Corporate Governance & Communication Committee with four members have been expanded. In particular, director Chi-Won Yoon provides expert insights on Hyundai's shareholder return value and capital allocation policy as a global financial expert who has worked for UBS Wealth Management.

Roles of the Sustainability Management Committee Hyundai's Sustainability Management Committee serves as a practical control tower for its ESG management, with the responsibility and obligation to deliberate and decide on its ESG policies, plans, and major activities. In addition, going beyond the role of the former Corporate Governance and Communication Committee, it discusses major health and safety-related plans and implementation inspections, and the protection of shareholders' rights and interests, which are gradually increasing in importance. The Committee also carries out a variety of activities to improve Hyundai's sustainability management practices internally and externally, such as strengthening the transparency of the Board, expanding communication with shareholders, and checking ethical issues related to employees.

Sustainability Management Committee Composition

Name	Chi-Won Yoon	Eugene M. Ohr	Sang-Seung Yi	Dal Hoon Shim
Classification	Independent director	Independent director	Independent director	Independent director
Expertise	Management, financial service	Global business	Business, governance	Finance, accounting, tax service
Name	Ji Yun Lee	Seung-Hwa Chang	Yoon-Hee Choi	Jaehoon Chang
Classification	Independent director	Independent director	Independent director	Internal director
Expertise	Future/ industrial technology	International trade/legal affairs	Legal affairs	Overall management

Sustainability Management Committee Activities in 2022

Classification	Date	Agenda items	Whether approved	Approval rate	Attendance rate
1st General Meeting	Jan. 25	Approval of financial transactions under the terms and conditions agreed with affiliated financial companies	Approved	100%	100%
		Approval of transaction limit with stakeholders	Approved	100%	100%
		Approval of the major social contribution plans for 2022	Approved	100%	100%
		Reports (6) – Social contribution activities, etc. (Q4 2021) – Inspection results of the implementation of the Employee Code of Ethics, etc. (2nd half of 2021)	Reported	-	-
Extraordinary Meeting	Feb. 23	Reports (2) – 2021 ESG evaluation results and 2022 improvement directions – Mid- to long-term business strategies and financial goals	Reported	-	-
2nd General Meeting	Apr. 25	Approval of financial transactions under the terms and conditions agreed with affiliated financial companies	Approved	100%	100%
		Reports (5) – Compliance support activities, etc. (Q1 2022) – ESG NDR promotion plan, etc. (2nd half of 2022)	Reported	-	-
Extraordinary Meeting	Jun. 30	Deliberation of transactions between directors, etc. and the company	Approved	100%	100%
		Appointment of an independent director in charge of compliance management	Approved	100%	100%
3rd General Meeting	Jul. 21	Approval of financial transactions under the terms and conditions agreed with affiliated financial companies	Approved	100%	100%
		Reports (7) – Inspection results of the implementation of the Employee Code of Ethics, etc. (1st half of 2022) – Implementation status and plan for the Compliance Program, etc. for Fair Trade Governance	Reported	-	-
Extraordinary Meeting	Aug. 09	Deliberation on equity investment in another corporation	Approved	100%	100%
		Deliberation on the establishment of an AI research institute in North America	Approved	100%	100%
Extraordinary Meeting	Sep. 05	Approval of treasury stock exchange with another corporation	Approved	100%	100%
4th General Meeting	Oct. 18	Approval of financial transactions under the terms and conditions agreed with affiliated financial companies	Approved	100%	100%
		Approval of transactions with affiliates (brand usage fee)	Approved	100%	100%
		Approval of transactions with an affiliate (lease of the office building in Gye-dong)	Approved	100%	100%
		Deliberation of transactions between directors, etc. and the company	Approved	100%	100%
		Reports (7) – Current status of Hyundai's carbon neutrality efforts, etc. – ESG NDR activities, etc. in 2022	Reported	-	-

Major matters approved at and reported to the Sustainability Management in 2022

Approval of large-scale insider transactions under the Monopoly Regulation and Fair Trade Act **11** cases

Approval of transactions with stakeholders under the Commercial Act, etc. **6** cases

Reports related to ESG and health and safety **6** cases

Reports on governance activities, etc. **13** cases

Prior review of large-scale investments, etc. **5** cases



Shareholder-friendly Management

Hyundai respects the legitimate demands and suggestions of its shareholders and strives to protect their values and interests. We maintain the soundness of our decision-making process and management so that our corporate value can be duly evaluated, while also doing our utmost to ensure that our shareholders' interests and rights are not infringed upon by making management decisions in consideration of the interests of all our shareholders. To this end, we guarantee their basic right 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. Moreover, we make active efforts to communicate with our shareholders through various IR activities, including corporate briefings and NDRs, and thus provide them with information in a transparent manner.

General Shareholder's Meeting (GSM)

STATUS OF STOCK ISSUANCE

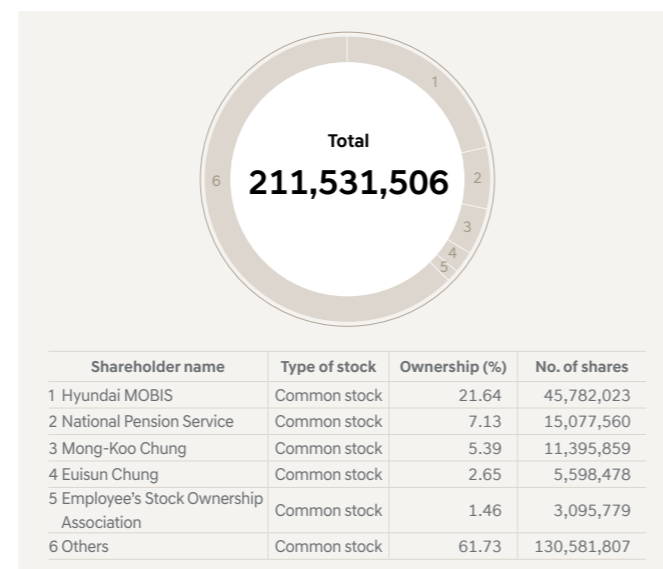
Hyundai's total number of issued shares is 274,169,670, consisting of 211,531,506 shares of common stock and 62,638,164 shares of preferred stock. According to the Articles of Incorporation, the total number of shares that can be issued is 600,000,000 shares (par value of one share: KRW 5,000), of which 150,000,000 shares of preferred stock without voting rights can be issued. As of March 31, 2023, three types of preferred stocks are issued in addition to common stocks, but the rights for the distribution of residual assets, redemption, conversion, etc. is not provided for preferred stocks. No preferred stockholder's meeting has been held for the past three years.

Stock Issuance Status

Classification		No. of shares that can be issued	No. of shares issued	Note
Common stocks		450,000,000	211,531,506	With voting rights
Preferred stocks	Preferred stocks	150,000,000	24,113,119	Without voting rights
	2 Preferred stocks		36,120,597	Without voting rights
	3 Preferred stocks		2,404,448	Without voting rights

* As of March 31, 2023

Share Ownership



* As of March 31, 2023

** There are no golden shares possessed by a government institution

*** The number of stocks owned by the National Pension Service is based on the latest register of holders (as of March 31, 2023), so it may differ from the actual stock ownership status as of now.

GSM CONVOCAION AND NOTICE

Hyundai convenes a regular shareholder's meeting within three months of the end of each accounting period. An extraordinary shareholder's meeting may be convened, if necessary, by the CEO pursuant to a BOD resolution. Unless all shareholders agree, no other resolutions can be made apart from those of which they are notified in advance. When convening a GSM, a notice or electronic document stating the purpose of the meeting must be sent to each shareholder two weeks prior to the date of the meeting. Hyundai has improved its work process in order to provide shareholders with information related to GSM within a sufficient period of time, and since 2020 it has issued each convocation notice four weeks before the GSM concerned.

GSM RESOLUTION (ONE SHARE, ONE VOTE)

In accordance with the Commercial Act and the Articles of Incorporation, Hyundai grants one equal voting right per share owned by its shareholders according to the type and number of stocks held by them. Unless otherwise provided by law, GSM resolutions are made by a majority of the voting rights of the shareholders present, who must hold at least a quarter of the total number of issued stocks. Shareholders may exercise their voting rights with other shareholders serving as their proxy, and the proxy must submit a document proving their proxy right to the company prior to the opening of a GSM.

EXERCISE OF SHAREHOLDERS' VOTING RIGHTS AND THEIR DELEGATION

At Hyundai's GSM, voting rights are exercised through the shareholders' direct participation or by proxy, or by solicitation of the proxy exercise of voting rights. In order to secure a quorum for GSM resolutions and facilitate the smooth operation of a GSM on the principle of 'one share, one vote', the power of attorney form is issued to the shareholders directly, posted on the Internet homepage, or sent by e-mail.

We introduced an electronic voting system at the 52nd GSM to facilitate our shareholders' voting rights. Furthermore, we are making efforts to disclose information in a transparent manner by disclosing the number of shares for and against each item of agenda at each GSM.

APPOINTMENT OF DIRECTORS AS AN INDIVIDUAL ITEM OF AGENDA

Hyundai proposes the appointment of directors as an individual item of agenda, and they are appointed with the consent of the majority of the shareholders present at a GSM.

The 55th GSM (March 2023)

Agenda Items		Whether approved
Agenda item No. 1	Approval of the 55th financial statements	Approved as proposed
Amendments to the Articles of Incorporation	No. 2-1 Modification and addition of business purposes	Approved as proposed
	No. 2-2 Reflecting the implementation of the electronic securities system	Approved as proposed
	No. 2-3 Improvement of governance	Approved as proposed
	No. 2-4 Expansion of the directors' quota	Approved as proposed
	No. 2-5 Amendment to the ground rules for directors' severance pay (including approval of the rules).	Approved as proposed
	No. 2-6 Reflecting the improvement of the dividend procedures	Approved as proposed
	No. 2-7 Addendum (March 23, 2023)	Approved as proposed
Appointment of directors	No. 3-1-1 Appointment of an independent director (Seung-Hwa Chang)	Approved as proposed
	No. 3-1-2 Appointment of an independent director (Yoon-Hee Choi)	Approved as proposed
	No. 3-2-1 Appointment of an internal director (Jose Munoz)	Approved as proposed
Appointment of an Audit Committee member	No. 3-2-2 Appointment of an internal director (Gang Hyun Seo)	Approved as proposed
	No. 4 Appointment of an Audit Committee member (Seung-Hwa Chang)	Approved as proposed
Approval of director remuneration limit	No. 5 Approval of the limit on directors' remuneration	Approved as proposed

Shareholder-friendly Management

Communication with Shareholders

CORPORATE BRIEFINGS



Hyundai holds corporate briefings in January, April, July, and October to announce its annual, first quarter, first half, and third quarter business results, respectively. In March 2022, we held the first online corporate briefing session for individual shareholders on YouTube in order to share information and strengthen communication on shareholders' major concerns.

Since the announcement of our business results in the first quarter of 2020, we have been providing webcasts that anyone can listen to in real time to improve IR accessibility for all our shareholders. The non-deal roadshow (NDR), which is held once a year, also includes an independent director within the Sustainability Management Committee in charge of protecting the rights and interests of shareholders and communicating with them about Hyundai's sustainability management activities and goals. In addition, since 2019, Hyundai has held a CEO Investor Day to present its mid- to long-term management goals and to enhance investors' understanding of the company. Meanwhile, we also conduct meetings with domestic and foreign institutional investors and minority shareholders; and, when necessary, our top management participates and communicates directly with our shareholders.

TRANSPARENT INFORMATION DISCLOSURE

Information related to Hyundai can be found on its website and through various disclosure/inquiry systems such as DART and KIND. We operate a separate English-language website for foreign shareholders and stakeholders, and disclose key information in IR News on the website. We strive to provide diverse and in-depth IR materials to enhance our shareholders' understanding of the company, while continuously improving the level of information provided by reflecting the requests of our shareholders and stakeholders. In particular, since 2019, we have disclosed our mid- to long-term financial goals and strategies, while presenting our direction for ESG improvement in the Corporate Governance Charter and corporate briefing materials.

Going forward, we will make continuous efforts to and expand the disclosure of our English-language materials for overseas investors. To this end, we are improving our IR materials and the IR website.

Shareholder Interest Protection Systems

CONTROLS RELATED TO INSIDER TRADING AND SELF-DEALINGS

To enhance transparency regarding large-scale internal transactions under the Monopoly Regulation and Fair Trade Act and self-dealings under the Commercial Act, Hyundai's large-scale internal transactions are subject to deliberation and resolution by the Sustainability Management Committee, which is composed of a majority of independent directors. It is stipulated that self-dealings with the directors and major shareholders must be carried out after deliberation by the Sustainability Management Committee and resolution by the Board.

We comply with the large-scale insider trading regulations of the Monopoly Regulation and Fair Trade Act and the self-dealing regulations of the Commercial Act. Anticipated transactions with subsidiaries and major shareholders are subject to prior approval of their transaction details, including the period and amount, by the Sustainability Management Committee and the Board. Transactions with Hyundai MOBIS, the largest shareholder, are considered ordinary transactions under normal conditions, with their limit approved for a period of less than one year.

PROTECTION OF SHAREHOLDER INTERESTS FOLLOWING CHANGES IN THE OWNERSHIP STRUCTURE OR BUSINESS

Hyundai clarifies the basic principles of shareholder rights and fair treatment in the Corporate Governance Charter, while the Sustainability Management Committee deliberates and decides on the protection of shareholder rights and interests. As well as guaranteeing shareholders' basic rights to participate in profit distribution, attend GSMs and exercise their voting rights, and receive information in a regular and timely manner as stipulated in the Commercial Act, we do our utmost to establish transparent governance by communicating with our shareholders through various channels.

In 2019, we began operating a new shareholder-friendly system, in which independent director candidates in charge of protecting shareholder rights and interests are directly recommended by general shareholders at home and abroad, in a bid to further expand their rights and interests while strengthening the company's management transparency.

Shareholder Return

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. On January 25, 2017, we announced the mid- to long-term dividend policy through public disclosure. Under this policy, we aim to return 30-50% of the annual free cash flow to our shareholders, achieve a mid- to long-term dividend payout ratio comparable to that of global competitors, and provide a reason for significant reduction or increase of the dividend in consideration of the business environment in the future.

Subsequently, we announced our Mid- to long-term shareholder return policy on April 25, 2023 to implement a more transparent shareholder return policy. In order to expand the visibility and stability of dividends, we will achieve a dividend ratio of more than 25% (including preferred shares) based on the annual consolidated net income of the controlling shareholders, while implementing quarterly dividends from the second quarter of 2023. In addition, we plan to enhance our shareholder value and build shareholder trust by implementing an aggressive stock retirement policy, such as stock retirement of 3% of the outstanding shares held by the company at a rate of 1% over the next three years.

On the day of the Board's decision to implement dividends, we disclose it to the stock exchange, issue periodic reports, and notify the shareholders of the relevant facts, including the payment of dividends. In line with the trend of improving performance in 2021, efforts were made to ensure that the rights of shareholders were respected by paying them an appropriate level of dividend, such as by raising the amount of dividend per share at the end of the year. The table below shows the details of the dividends issued for the past three years.

ONLINE DIVIDEND INQUIRY SYSTEM



In April 2022, Hyundai opened an online dividend inquiry system designed to enhance the convenience of shareholders and allow them to check the details of dividends easily and from anywhere. By providing an online inquiry service instead of the previous dividend notification sent by mail, we have reduced the use of paper for mailing purposes, as well as carbon emissions during the delivery process, thereby conserving resources and implementing eco-friendly management.

Shareholder Return Trend for the Past 3 years

Business Year	Stock Type	Stock Dividend	Cash Dividend			Payout Ratio	
			Dividend Per Share (KRW)	Total Dividend (KRW million)	Dividend Yield	Consolidated Basis	Separate Basis
2022	Common stock	-	7,000	1,412,321	4.5%	24.9%	49.4%
	Preferred stock	-	7,050	154,579	8.8%		
	2 Preferred stock	-	7,100	246,846	8.8%		
	3 Preferred stock	-	7,050	16,609	9.1%		
2021	Common stock	-	5,000	999,057	2.4%	26.3%	201.5%
	Preferred stock	-	5,050	111,365	5.0%		
	2 Preferred stock	-	5,100	178,275	4.9%		
	3 Preferred stock	-	5,050	11,961	5.2%		
2020	Common stock	-	3,000	601,730	1.6%	55.1%	149.1%
	Preferred stock	-	3,050	67,618	3.4%		
	2 Preferred stock	-	3,100	108,909	3.4%		
	3 Preferred stock	-	3,050	7,259	3.5%		

Ethics and Compliance Management

Hyundai strives to fulfill its economic and legal responsibilities to all of its stakeholders – including customers, shareholders, suppliers and local communities – by practicing and spreading ethical management activities and promoting fair trade compliance. We have enacted the Ethics Charter and the Employee Code of Conduct to help our employees conduct in an ethical and responsible way, while also setting a compliance support online system, self-assessments, guidelines and newsletters in place as a way to raise their compliance awareness. Moreover, we are spreading the management's determination to strengthen fair trade compliance throughout the company and conduct regular employee trainings.

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.

Spreading Ethical Management

ETHICS CHARTER

Hyundai has established the Ethics Management Charter with the aim of setting an example as a global leading company that conducts its business based on the principles of ethics and compliance. 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.

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. The Code of Conduct specifically covers corruption and bribery, discrimination, information confidentiality, conflicts of interest, antitrust/anti-competitive practices, money laundering and insider trading, environment, health and safety, and whistleblowing.



ANTI-CORRUPTION/BRIBERY POLICY

Anti-Corruption/Bribery Policy of Hyundai Motor Company was enacted in June 2021 to prevent risks associated with corruption and bribery and guide its members towards upholding ethical 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. It 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.



INTERNALIZATION OF ETHICAL/COMPLIANCE MANAGEMENT

Employee Performance Management and Promotion (Ethics/Compliance)
Hyundai includes items related to workplace ethics in its employee competency evaluation. The core elements of the evaluation include respect for talent and compliance with the established norms, while the evaluation of leaders' competency also includes their principles and convictions. In addition, when reviewing employees' prospects for promotion, we exclude from promotion those who have received severe penalties related to ethics/compliance, which is a common deliberation item for promotion and a mandatory item that is applied equally to all our executives and employees.

Disciplinary System (Ethics/Compliance) In accordance with Article 11 of the company's internal rules relating to workplace ethics, entitled "Disciplinary Actions for Violations of the Code of Ethics," violators of the Code are dealt with in accordance with the regulations of the Internal Disciplinary Committee, and may be subject to disciplinary measures such as dismissal, suspension, or a reduction of their salary.

ETHICS AUDIT AND REPORT

Hyundai strives to build an ethical culture and prevent risks related to business ethics and compliance. To this end, we have established the Compliance Support Advice Center within its compliance management system to ensure employee compliance and report violations of the law. Furthermore, with the goal of establishing and realizing transparent management, we operate various reporting channels including the Cyber Audit Office to handle reports of violations of ethical management, such as unfair trade practices, unreasonable demands for or provision of money, goods or entertainment, and misuses and abuses of authority and solicitation. If a violation of Hyundai Motor Company Ethics Charter and Code of Conduct is detected, the employee(s) in question may be subject to disciplinary action that could lead to the eventual termination of their employment, pursuant to Article 64 of the Employment Rules. In addition, we monitor our employees' implementation 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 guarantees the protection of whistleblowers related to employee business ethics and compliance in its Ethics Charter, Code of Conduct, and internal rules relating to workplace ethics regulations, while complying with the relevant laws. We have also put in place measures for protecting the confidentiality of whistleblowers, and posted the related information, and we strictly prohibit the imposition of any disadvantages or retaliatory acts 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.

INTERNALIZATION OF CODE OF CONDUCT

Hyundai requires all 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 2022, we used our online platform and in-house broadcasting system to conduct ethics education aimed at raising their awareness of major ethical issues such as anti-corruption, fair trade, and cyber security. The Sustainability Management Committee within the BOD, which was expanded and reorganized in March 2021, is in charge of overseeing the implementation of ethical management, as well as passing resolutions on the revision of our major policies and codes of practice related to ethical management.

CODE OF CONDUCT INVESTIGATION

In 2022, Hyundai took disciplinary action (such as dismissal, suspension, reduction of salary, reprimand, warning, etc.) in 12 cases related to corruption or bribery, discrimination and harassment, misuse of customer information, conflicts of interest, money laundering and insider trading.

 Cyber Audit Office	 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 informant for such faults or negligence may be reduced or waived.

Ethics and Compliance Management

Compliance Management & Compliance Support System

HMC COMPLIANCE MANAGEMENT

Compliance management embodies the management spirit by which the company pursues transparent and fair business performance in order to comply with the established norms and uphold sound business ethics in its management and corporate activities. Hyundai established its compliance control standards for compliance management in 2012, and since then it has since introduced a compliance support system including the appointment of the Chief Compliance Officer under the Commercial Act, while carrying out various compliance support activities.

COMPLIANCE SUPPORT SYSTEM

Compliance Control Regulations and Policies The Compliance Control Standards prescribe the standards and procedures for compliance control with which the company's executives and employees must comply when performing their duties in order to ensure that the company complies with the laws and regulations and executes its corporate management practices properly. Hyundai conducts compliance support activities based on its own compliance control standards. In addition, through its own Ethics Charter and Code of Conduct, Hyundai presents the standards for the conduct of its executives and employees, while ensuring that they comply with the company's other compliance-related policies, such as the anti-corruption/ bribery policy and the personal information protection policy.

Compliance Support Organization At Hyundai, the Chief Compliance Officer is in charge of compliance support activities to prevent legal risks and report the details and results of the effectiveness evaluation to the board of directors on a regular basis. Furthermore, we appoint each departmental head as the compliance officer of his or her respective department so that he or she can carry out compliance control activities within the department. In 2022, we appointed an independent director to take charge of compliance management and act as an advisor and supervisor throughout the compliance monitoring system.

Monitoring Hyundai conducts departmental compliance inspections in various legal areas, such as anti-corruption and personal information, so that each department can diagnose its own work-related legal risks. In addition, we encourage each department to improve its identified risks. In 2022, we launched an individual compliance self-checking system, and expanded the subjects of the inspection to include all senior employees in general, research, and legal positions.

PROVIDING INFORMATION FOR COMPLIANCE MANAGEMENT

Distribution of Compliance Guidelines Hyundai has published more than forty types of compliance guidelines for its different business areas in order to provide guidance on the main contents of the related laws and regulations that its employees should know when performing their duties. In 2022, we published the new NFT/Metaverse Guidelines and the guidelines on compliance with the Serious Accidents Punishment Act, while completely revising the Guidelines for Preventing Illegal Cartel Conduct specified in the Monopoly Regulation and Fair Trade Act. In addition, we have produced and distributed a compliance management handbook, which explains the necessity of compliance management and provides specific ways of implementing it, for our executives and employees. We also publish a compliance newsletter on a regular basis to introduce legal issues and regulatory trends related to the automotive industry to our employees.

Compliance Education Hyundai provides both regular and ad hoc compliance training for its executives and employees, including new recruits, newly promoted employees, key employees, and expatriates. Notably, in 2022, we conducted online compliance training on the Serious Accidents Punishment Act for employees in general, research, and legal positions along with online compliance training on the necessity of compliance management and major legal risks for new team leaders and senior-level employees in an effort to prevent the various types of legal risks that may arise in the course of business.

DIFFUSION OF A COMPLIANCE CULTURE

Hyundai aims to promote a culture of compliance by adopting diverse approaches and distributing the relevant contents. Through the online system, we provide legal advice, contract reviews, and compliance consultation to our employees at all times, while providing standard contracts (30 Korean contracts, 20 English contracts) for each business area to ensure that our employees can perform their duties in compliance with the law. In addition, to raise our employees' awareness of the importance of compliance and expand the culture of compliance, we encourage them to sign the pledge to practice compliance and ethical management, and offer them rewards for compliance.

EVALUATION OF THE EFFECTIVENESS OF THE COMPLIANCE CONTROL SYSTEM

Each year Hyundai has a third-party evaluate whether its compliance control standards and related systems are effectively designed and operated to prevent or detect legal risks in a timely manner, and undertakes improvement activities based on the results of the evaluation.

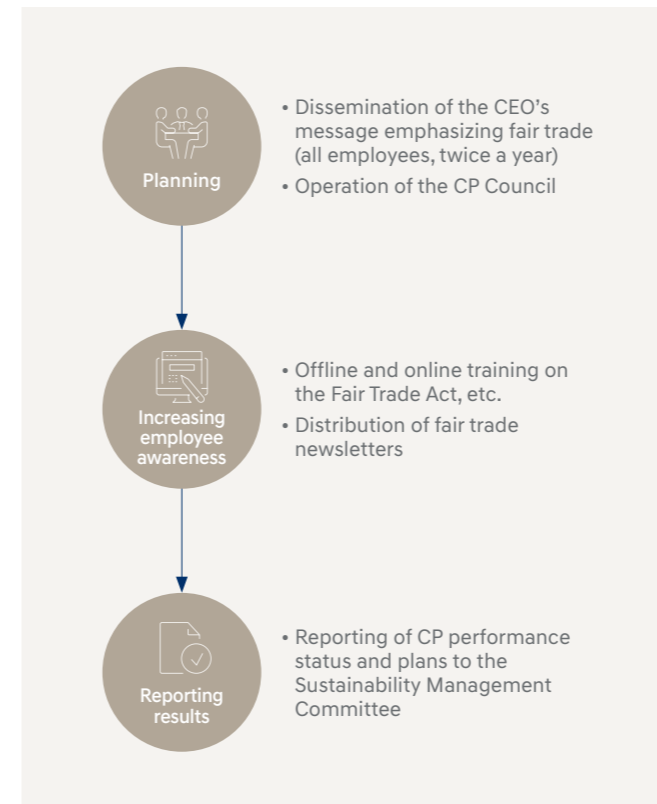
Compliance Program

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, we appoint a CP officer at a BOD meeting to manage and supervise the company's overall performance in terms of fair trade. In order to strengthen the responsibilities and obligations of each business site, we report the fair trade self-compliance operation performance and plans for the following year to the Sustainability Management Committee, a committee within the Board, on a semi-annual basis while fostering a CP culture by offering various fair trade training programs and newsletters company-wide.

CP Implementation Process



FAIR TRADING EDUCATION

Hyundai not only conducts fair trading 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. In addition, we regularly send out fair trade newsletters so that our executives and employees can understand and practice fair trade-related precautions. In particular, in 2022, we continued our efforts to improve employee compliance awareness by inviting external experts to conduct training on such topics as collusion, subcontracting, and technology misappropriation.

Fair Trading Education Performance

Year	Number of training sessions	Number of participants
2019	8	1,429
2020	3	8,456
2021	4	8,261
2022	4	1,779

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

FAIR TRADE AND ANTI-CORRUPTION PROGRAMS FOR SUPPLIERS

In the Ethics Charter and Code of Conduct, Hyundai includes contents such as bribes and customary fees, including rebates, to ensure that its own employees and those of its suppliers adhere to the principles of transparent and fair trade. We also conduct anti-corruption risk checks and report the results to the Sustainability Management Committee under the BOD.

Risk Management

Hyundai is facing a situation in which it must respond to rapidly changing internal and external business environments due to increasing ESG and management risks, in addition to the automotive megatrends such as electrification, autonomous driving, and connectivity. The new paradigm presents an opportunity for Hyundai to leap forward as a global leading company while also entailing risks due to uncertainty. We therefore strive to build proactive risk management culture based on a company-wide risk management and monitoring system, risk-linked employee performance evaluation, and employee training on related topics. Going forward, we make concentrated efforts to turn crisis into an opportunity and thus leap forward on the back of a thorough analysis of the core risks and strengthening of our risk management process.

Global Risk Management System

RISK MANAGEMENT DIRECTION

The automotive industry is closely intertwined with both internal and external changes related to the government's industrial policies and economic fluctuations. To minimize the risks that may arise during these transition, it is crucial to establish a responsive system to comply with government's regulatory standards and guarantee market competitiveness by ensuring high-quality products with superior vehicle performance, greater safety, and competitive pricing. Hyundai has been striving to enhance its comprehensive capabilities in response to the increasingly stringent regulations related to safety, the environment and the automotive industry by strengthening its environmental management, transitioning products and business structures towards electrification, improving resource circulation systems, and reinforcing safety management systems. Furthermore, we have demonstrated our commitment to improving risk management system based on a precise analysis of the global market. Our commitment to sustainable growth through more effective risk management is also reflected in our medium- to long-term strategy – 2025 Strategy. By 2025, we aim to achieve such goals as winning leadership in electrification through the 'Smart Mobility Device' strategy; innovating cost structures; capturing the hydrogen fuel cell-based market; enhancing product competitiveness and customer satisfaction; ensuring stable profits; and mitigating supply chain and regulatory risks. We will respond comprehensively to these goals to achieve successful outcomes.

COMPANY-WIDE RISK MANAGEMENT

The ongoing Russia-Ukraine War, concerns about a post-pandemic economic slowdown, and other uncertainties in the international geopolitical landscape have exposed businesses to various risks. Amid such a complex situation, Hyundai has implemented a company-wide risk management system that ensures proactive and comprehensive responses to risks across different areas. This system involves the participation of all its members – from staff to the board of directors and key executives (division heads and above including C-suite) – in risk management. Company-wide risks are discussed by the Management Strategy Committee, which is composed of key executives, including the CEO, on a monthly basis. Each division has established a risk reporting line, thereby enabling them to share information on activities aimed at managing identified risks with the CEO and the BOD.

Furthermore, we conduct risk response training for all employees in the form of a video session that provides updates on the company's overall response strategy, such as the 2025 Strategy, to prepare future crises and opportunities, as well as providing separate training on risks in the ESG domain. In addition, we share the latest major risk trends through internal risk monitoring reports such as the Weekly B.I. Briefing, thereby promoting risk management education. Hyundai also conducts research projects on the risk status and outlook related to various key issues such as market trends, climate change, and legal developments. Through the project, we derive proactive risk response strategies for managing risks and identify insights that can leverage opportunities as active value creation opportunities.

COMPANY-WIDE RISK SHARING

HMG Business Intelligence Institute, Hyundai's in-house research institution, analyzes specific scenarios involving macro and microeconomic risks, as well as industrial risks, on a medium-term (potential) and long-term (over 3-5 years) basis. According to the findings of internal analysis, significant risks that could have a substantial impact on Hyundai's business activities have been identified, including an overall reduction in consumer and investment capacity due to the economic slowdown and deepening recession in the US, Europe and China, as well as risks related with geopolitical factors affecting the supply chain of raw materials. Based on the risk analysis, Hyundai identifies issues that could have a significant impact on the company's finances, such as an increased cost burden and a decline in profitability due to a contraction of demand. We also actively explore strategic response measures to address these issues.

RISK MANAGEMENT BY DIVISION

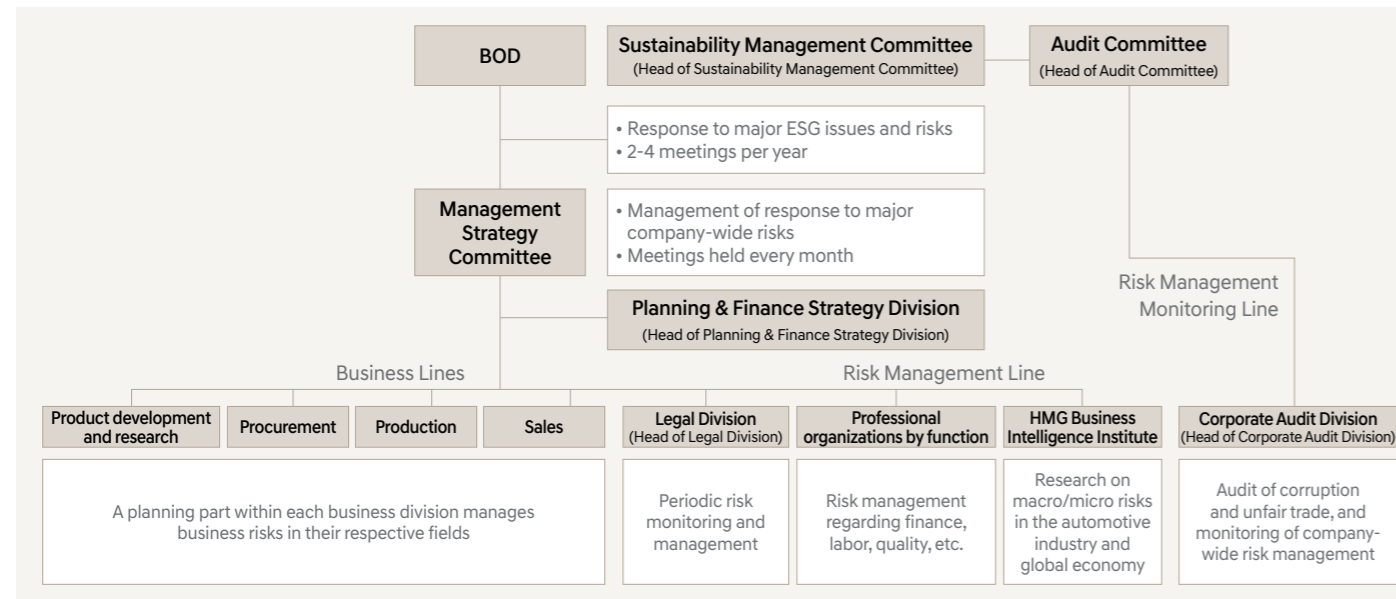
Hyundai operates a segmented risk management system at the division level, in addition to its company-wide approach. Within each business unit organized by value chains, there are dedicated sales organizations responsible for different regions, such as Korea, China, the Americas, Europe-Russia, and India-Africa and the Middle East. The planning organizations prioritize the assessment and management of market risks specific to each region. Furthermore, there are separate risk-related departments that operate independently from the business units, such as the Legal Office, which is responsible for managing legal risks; and various specialized functional organizations responsible for managing finances, human resources, quality, etc. In addition, the HMG Business Intelligence Institute conducts research on macro and microeconomic risks, and the Audit Office under the Audit Committee carries out continuous monitoring of acts of corruption and unfair transactions.

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. In addition, we incorporate risk criteria into the product development and approval process in order to manage product-level risks more effectively. For significant issues that have a direct impact on overall business operations, separate risk review meetings are organized to have a monthly meeting to discuss and address risk-related matters. Separate risk review meetings include sales and production meetings, product management meetings for overseeing new car development, and product strategy meetings.

OPERATION OF RISK REVIEW

Hyundai operates risk review council to proactively identify and eliminate risk factors throughout its business operations. In April 2022, the Integrated Risk Management CFT (Cross Functional Team) was established under the direct supervision of the CEO to ensure swift responses to both internal and external risks. This company-wide CFT includes representatives from various departments, such as strategy, planning, purchasing, and development, aimed at facilitating collaboration and decision-making. Furthermore, the Sustainability Management Committee and the ESG Committee, both of which operate under the supervision of the BOD, Hyundai's top decision-making body, receive biannual reports on risks identified in the ESG domain, and engage in discussions, deliberations, and decision-making processes related to the reported significant issues. They also formulate plans and monitor the progress of their implementation, playing a vital role in operating effective risk review council. Also Hyundai conducts external review on its internal risk response strategies and process such as EV optimal price strategy, operation process. The external reviews are conducted by consulting firms.

Risk Management System



Risk Management

Management of Major Non-financial and Financial Risks

ANALYSIS OF RISK SENSITIVITY AND STRESS

Hyundai sets the priorities for risk management across various non-financial and financial categories, including company strategy, operations, finance, regulations and reputation by taking risk appetite into consideration. We analyze sensitivity to these risks and conduct stress test to assess the impact of these risks on the company. Based on this analysis, we select key risks that could significantly affect business operations and finance, while the Management Strategy Committee, comprising C-level executives including the CEO, reviews the results of the analysis of key risks on a monthly basis and formulates response plans. In particular, we focus on proactively preventing and/or mitigating key risks. If prompt responses to key risks are inadequate, they may result in constraints on business activities and financial losses. We therefore place a strong emphasis on proactive measures to prevent and mitigate key risks.

REGULATORY RISKS

Automobile companies are exposed to various regulatory risks related to their business activities, as well as the environmental, safety, quality, and certification aspects of their products. These regulations have significant impacts not only on their operations but also on their financial performance. In particular, fleet-wide CO₂ emission standards or corporate average fuel economy standards, which are being implemented in major countries, are being tightened continuously in order to achieve the carbon reduction targets of those countries. In February 2023, the European Union (EU) Parliament adopted an ambitious targets for reducing CO₂ emissions from passenger cars. The new target sets the path towards zero CO₂ emissions for new passenger cars by mandating a 55% reduction by 2030 compared to 2021 levels, and 100% by 2035. To meet these targets, a significant expansion of electric vehicles (EVs) is deemed necessary.

Hyundai, in response to the CO₂ emissions or fuel efficiency standards in major countries, has been actively strengthening its EV lineup and sales. We also incorporate regulatory compliance volumes, including EV volumes, into our short- and long-term sales plans. We regularly monitor and evaluate our compliance progress based on monthly sales performance. In addition, we take measures to minimize regulatory risks, such as adjusting sales volumes and utilizing accumulated credits, in preparation for potential non-compliance with the regulations.

GEOPOLITICAL AND GEOECONOMIC RISKS

Political and policy-related risks, such as the serious impact on Hyundai's sales in China due to the Korean government's deployment of THAAD (Terminal High Altitude Area Defense) in 2017, have significant implications for business operations and finances. As such, a preemptive response is crucial. Amid escalating conflicts and tensions between Russia, China, and Western countries, protectionist policies based on the U.S. Inflation Reduction Act (IRA) and the EU Critical Raw Materials Act (CRMA), including the establishment of self-sufficient supply chains for critical raw materials, including battery materials, are posing significant risks to Hyundai.

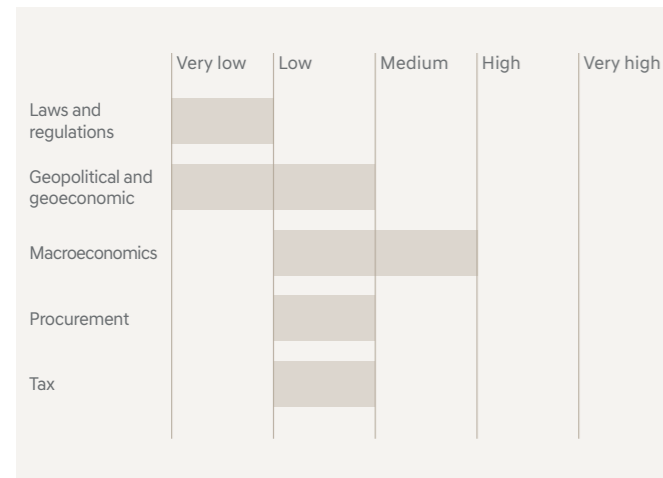
Hyundai has established a dedicated organization called the Policy Coordination Office (PCO) to monitor political and policy risks in key countries such as Korea, the US, the EU and China. The PCO proactively identifies and analyzes political and policy risks and formulates appropriate responses. In particular, Hyundai is analyzing global supply chain competitiveness in response to protectionist policies, including subsidies related to establishing domestic production and securing key raw materials supply chains in the US and the EU. We are also seeking strategies aimed at increasing local production shares and establishing local integrated production systems within major countries.

PROCUREMENT RISK

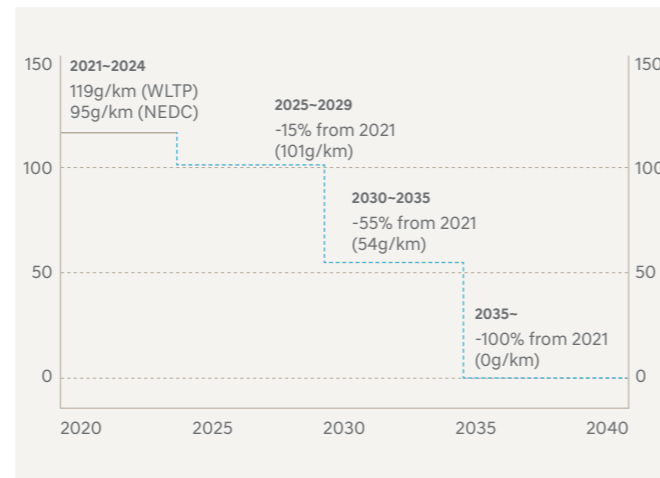
The shortage of vehicle semiconductors, leading to prolonged production delays for automotive companies, is an example of how supply uncertainties for specific components can escalate into risks that delay overall production. In addition, the recent increase in raw material and energy prices has caused a rise in production costs, negatively impacting profitability. In particular, for EVs, which consume approximately six times more minerals than internal combustion engine vehicles (ICEVs), the supply-side risks such as mineral shortages have intensified as the production of EVs has surged among automotive companies. Furthermore, as new mining developments increase, there is growing demand among stakeholders for responsible mineral sourcing due to the increase in cases of environmental and human rights violations associated with mining activities.

Hyundai is addressing material and component procurement risks through such measures as securing an adequate inventory for strategic materials and components, promoting the in-house production of key components, and expanding its direct purchasing of strategic materials. Moreover, to address the risk of rising raw materials prices, we established a raw material coordination body early in 2023, which involves the participation of all departments, including the purchasing, research institutes, sales, and finance departments. This centralized approach aims to streamline the response system for raw material-related issues. We have also identified six major categories for raw materials management and established a system for real-time monitoring of market conditions and automated calculation of profit and loss impacts. These initiatives should enable Hyundai to respond actively to the profit and loss risks caused by fluctuations in raw material prices.

Hyundai's Risk Appetite



EU CO₂ Emission Reduction Targets for New Passenger Cars



Analysis of IRA's Sourcing Requirements for EV Battery Components and Critical Minerals

	2024	2025	2026	2027	2028	2029
Components	60%	60%	70%	80%	90%	100%
	Percentage of components that must be produced or manufactured in North America					
Critical minerals	40%	60%	70%	80%	80%	80%
	Percentage of critical minerals that must be mined and processed in the U.S. or US ally with FTA					

Risk Management

MACROECONOMIC RISKS

Automobiles are a prime example of consumer goods that are highly sensitive to macroeconomic risks. They are greatly influenced by economic conditions due to such factors as consumer spending and business investment. Major countries have implemented quantitative easing and experienced supply chain disruptions due to the economic downturn caused by the COVID-19 pandemic, while events like the Russia-Ukraine War have led to even greater inflationary pressures. In response to the high inflation crisis, major countries, particularly the United States, have implemented rigorous monetary tightening policies, with the result that the global economy is now facing the '3 Highs' - high inflation, high interest rates and high exchange rates. These policies are expected to further accelerate economic downturns in major countries, and some emerging economies with high debt levels and weak fundamentals may also face economic crises.

Hyundai has strengthened its ability to predict changes in demand due to economic cycles by creating a model based on macroeconomic and industrial risk analysis, which was primarily developed by its specialized organization, the HMG Business Intelligence Institute. It utilizes leading indicators closely related to the demand for new vehicles to predict and analyze both the business cycle and medium-term demand for new vehicles. In addition, it has analyzed various global economic crisis scenarios, assuming the simultaneous occurrence of macroeconomic risks such as accelerated US interest rate hikes, a European economic downturn, and deepening uncertainties in the Chinese economy. To effectively address macroeconomic risks and prepare for the worst-case scenario, we have formulated company-wide response measures, including production and sales adjustments, the exploration of new alternative markets, and the strengthening of new model launches.

Path and Impact Analysis by Global Economic Crisis Scenario

Scenario	Occurrence factor/path	Duration and recovery period	Intensity of crisis
Baseline	<ul style="list-style-type: none"> Continued US interest rate hikes due to high inflation Global stock market and exchange rate volatility, and a sharp decline in asset prices Increased capital outflows from emerging markets 	<ul style="list-style-type: none"> After intensified sluggishness in the first half of 2023, signs of recovery are observed in the second half 	<ul style="list-style-type: none"> The global economic downturn worsens amid financial uncertainty
Downturn	<ul style="list-style-type: none"> Baseline scenario + deepening economic downturn in Europe Gas crisis amid worsening European interest rate hikes Some emerging economies experience financial and economic crises 	<ul style="list-style-type: none"> In 2023, a mild economic slowdown occurs in the middle of the year Gradual recovery from the downturn in the US and Europe starting from 2024 An economic crisis occurs in some emerging markets → Aftereffects persist until 2024 	<ul style="list-style-type: none"> Global economic slump intensifies, and financial turmoil escalates (approaching global financial crisis levels)
Crisis	<ul style="list-style-type: none"> Downturn scenario + worsening economic uncertainty in China Expansion of the post-COVID-19 sequelae in China and collapse of the real estate bubble An economic downturn in the US and Europe continued and intensified Spread of the economic crisis across emerging markets 	<ul style="list-style-type: none"> The economic downturn continues until 2024. Gentle signs of recovery in the US and Europe after the second half of 2024. Crisis spreads across emerging markets → Gradual easing expected after 2025. 	<ul style="list-style-type: none"> A global economic crisis occurs (at pandemic crisis levels)

MAJOR FINANCIAL RISKS

Due to the ongoing trend of interest rate hikes initiated by the US in 2022, the interest costs associated with global funding have been increasing. In particular, the strength of the US dollar has led to a depreciation in the currencies of major countries, and the continuous rise in the KRW-USD exchange rate and increased financial market volatility have accelerated these trends. To maximize shareholder value and reduce capital costs, Hyundai strives to maintain an optimal capital structure. In addition, we conduct sensitivity and stress tests to evaluate the impact of market risks (exchange rates, interest rates, and prices), credit risk, liquidity risk, derivative risk, and other related risks on Hyundai. We also have signed derivative contracts and use them as a means of hedging risks so as to manage identified risks more effectively.

Hyundai has been making continuous efforts to mitigate financial risks arising from market uncertainties by monitoring debt ratio for short-term and long-term borrowings of each of its subsidiaries, with an aim to optimize our borrowing structure. In relation to exchange rate risks, we identify exchange rate risks based on various scenarios involving the appreciation or depreciation of the Korean won. We also establish preemptive measures for expanding hedging activities and devise plans to offset potential foreign exchange losses, with the goal of managing financial risks resulting from currency fluctuations.

Impact Analysis of Exchange Rate Fluctuations on Pretax Income in Major Countries

(Unit: KRW million)

Currency	5% increase	5% decrease
USD	111,585	(111,585)
EUR	20,435	(20,435)
JPY	(3,585)	3,585

Impact Analysis of Interest Rate Fluctuations on Pretax Income

(Unit: KRW million)

Classification	1% increase	1% decrease
Cash and cash equivalents	35,897	(35,897)
Financial assets at fair value through profit or loss	1,644	(1,644)
Short-term and long-term financial instruments	15,584	(15,584)
Borrowings and debentures	(99,610)	99,610

Major Non-financial and Financial Risks

	Classification	Key risk factors	Mitigation measures
Non-financial risks	Regulatory risks	Risks of regulatory violations due to product and workplace-related regulations (CO ₂ regulations, etc.), including environment and safety	Reflecting regulatory response volume in short- and mid- to long-term business plans, etc. in response to fleet-wide emission standards and corporate average fuel economy standards, etc.
	Geopolitical and geoeconomic risks	Risk of restrictions on sales and exports due to protectionist policies to establish a self-sufficient supply chain for key raw materials centered on the US and Europe	Increasing the proportion of local production and establishing a self-sufficient local production system, etc.
	Macroeconomic risks	Risk of a decline in new car demand due to a global economic downturn	Reinforcing demand change forecasting due to economic conditions, analysis by scenario of global economic crisis, etc.
	Procurement risks	Cost increase risk due to increase in procurement costs, production delay/stop risk due to supply shortage	Securing adequate inventories of strategic materials and core parts, internalizing core parts, expanding direct purchases of strategic materials, etc.
Financial risks	Operational risks	Risks related to business operations such as product/technology development, production, and sales	Identifying, analyzing, and responding to operational risks in the planning department of each division
	Exchange risks	Exchange risk due to major foreign currency market fluctuations (USD, EUR, and JPY)	Eliminating risks by matching foreign exchange inflows and outflows, and managing exchange risks based on an analysis of Korean won appreciation/depreciation scenarios, etc.
	Interest rate risks	Rising interest costs on borrowings due to interest rate hikes in major countries such as the U.S.	Mitigating the risk of rising interest rates by implementing such measures as prioritizing borrowing and repayment by corporations with ample liquidity and enhancing financial soundness, etc.
	Liquidity risks	Risk of insufficient cash flow and overexposure to market risk	Drawing up long-term and short-term funding plans, establishing a funding system, managing the duration of financial assets, etc.
	Tax risks	Possible tax-related risks in overall business activities	Fulfilling the tax obligations in accordance with each country's laws and regulations

Risk Management

TAX STRATEGY

Hyundai recognizes that tax risk management is a prerequisite for sustainability management, and that compliance with the tax laws plays an important role in securing customer profits, maximizing shareholder profits, and contributing to national finances. Therefore, as a taxpayer, we are faithfully fulfilling our tax obligations. We also respect the principle of fair taxation by tax authorities and strive to comply with the tax rules and principles established by the tax authorities of the countries in which we operate.

MANAGING TAX RISKS

Strict compliance with the laws is the core of Hyundai's tax risk management policy. The company faithfully provides all the evidence requested by tax authorities to take the lead in creating a transparent tax culture. Hyundai strictly prohibits the use of tax avoidance schemes such as the creation of non-existent commercial entities and the utilization of tax havens. We do not engage in any practices that involve transferring value to low-tax jurisdictions. 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.

POTENTIAL RISKS

Digital Service Competition Expected to Intensify due to Stricter Regulations on Data Sharing

Risk Context

With the advancement of connectivity and autonomous driving technologies, vehicles are gradually being transformed into digital devices. The emergence of mobility service businesses based on data generated by automobiles is becoming a new area of focus for automotive companies. However, starting with the enforcement of the EU General Data Protection Regulation (GDPR) in 2018, the data-related regulations are being increasingly strengthened in major countries. In particular, the EU has taken steps to address the current industry practice whereby the legal ownership of data generated through the use of products or services is unclear and the usage rights are exclusively retained by IoT (Internet of Things) product manufacturers. To tackle this issue, the EU has introduced a draft data law that establishes the conditions for data sharing, and imposes data sharing obligations on manufacturers. When this law takes effect in the future, manufacturers who currently have data will be legally obligated to provide data between B2C, B2B, and B2G when certain conditions are met, and fair contracts related to data access and use between companies will be mandatory. Due to personal information protection measures and data-sharing obligations, there is an increased regulatory risk regarding the utilization of vehicle data. At the same time, it is anticipated that competition in the mobility service market will intensify due to the future sharing of vehicle data with external companies. Furthermore, the expansion of data requests from external sources raises concerns about the management of critical data, such as customer information and trade secrets, as well as increasing the risk of cyber safety issues, including hacking incidents, during the data sharing process.

Hyundai's Approach

Hyundai has established a company-wide task force team (TFT) to address the strengthened data regulations in major countries, including the EU. In the short term, we plan to revise the internal criteria and management systems regarding the types and scope of publicly available data for vehicle data generated when driving in order to comply with the EU data law. We will also strengthen security systems in the data sharing process in order to minimize potential risks to cyber security and safety that may arise from increased data sharing with external parties. To preemptively prevent a decline in service competitiveness due to the weakening of Hyundai's exclusive position in the utilization of our vehicle data, we are making continuous efforts to improve the Hyundai Developers platform, an open platform for vehicle data, in collaboration with external service developers, with the aim of establishing Hyundai's own digital service ecosystem. Furthermore, we plan to secure our own capabilities in the field of data intelligence, leveraging data processing, analysis, and services, to generate high-value businesses, which will in turn help sustain and strengthen our digital service competitiveness.

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

Risk Context

The European Commission, under its circular economy strategy for plastics published in 2018, has set ambitious targets for managing plastic packaging and waste. Its principal goal is to reuse or recycle 100% of plastic packaging and to recycle over 50% of all plastic waste generated in Europe by 2030. To achieve these objectives, the EU implemented a ban on major single-use plastics (SUPs) in 2021. It has also been strengthening its regulations on the use of plastics in vehicles, and is currently pushing for the enforcement of regulations that would require the use of recycled plastics in new vehicles. 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. In particular, 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 ICEV basis. However, the recycling rate of plastics used in vehicles is low because they are composites. Hyundai has been making active efforts to implement various plastic recycling activities with the aim of establishing a closed-loop system for recycling end-of-life plastic components in vehicles, while concurrently promoting the recycling of plastic waste from other industries through an open-loop system. We are developing a mid-to long-term plan for the exploration of new waste resources and the development of recycling technologies. We are also formulating strategies to incorporate recycled plastics into our upcoming vehicle models by leveraging our internal resources. In addition, Hyundai is establishing a monitoring system to track the implementation of recycled plastics, which will ensure efficient management of the entire process of utilizing recycled plastics. We also have developed technologies for recycling discarded fishing nets, a major marine pollutant, and applied them to carpets and plastic components. In order to promote the widespread application and reuse of these technologies, Hyundai is seeking external collaborations and building partnerships with other businesses including maritime industries.

 Hyundai Developers



Risk Management

Personal Information Protection

PERSONAL INFORMATION PROTECTION GOVERNANCE



Hyundai has set in place a framework for systematic personal information protection governance and has formed the Security Compliance Team, a dedicated body that is responsible for handling tasks related to personal information protection. The company has also appointed a Chief Information Security Officer (CISO) and Chief Privacy Officer (CPO), who serves as the heads of the Hyundai Security Center and hold overall responsibility for personal information protection. Each division and business unit has designated departments, personnel, and responsible individuals who are involved in handling tasks related to personal information protection. The Security Compliance Team develops and distributes policies and guidelines, ensuring continuous management and monitoring of personal information protection. In 2022, there were no cases in which our customers' personal data were used for purposes other than the "purpose of collecting and using personal information" as specified in our privacy policy for users, etc. Furthermore, we have established a Personal Information Protection Committee composed of key service operation teams from various divisions and dedicated departments. The Committee meets annually to discuss major issues and matters related to personal information protection.

MANAGEMENT MEASURES FOR PERSONAL INFORMATION PROTECTION

Hyundai applies various management safeguards to ensure the secure protection of customers' personal information. In addition to establishing a company-wide personal information protection policy and operating a dedicated team, we conduct regular and ad-hoc training programs using newsletters, videos, and other means to provide education to all employees and outsourced partners involved in the relevant tasks. Furthermore, when developing or modifying personal information processing services or systems, we carefully assess their impact on personal information and analyze potential vulnerabilities at the design stage, thus allowing them to establish a response system that minimizes threats and ensures the construction of a secure framework.

TECHNICAL MEASURES FOR PERSONAL INFORMATION PROTECTION

Hyundai applies various technical measures to enhance the effectiveness and security of personal information protection. We ensure that customer data are transmitted securely by encrypting communication channels and customer information. Even in the event of external breaches, the use of customers' personal information is made impossible. In addition, we have put in place security solutions and intrusion prevention/detection systems, regularly update them, and conduct periodic monitoring as a way to defend against external threats such as hacking attempts.

INTERNAL INSPECTION AND THIRD-PARTY AUDITS OF THE PRIVACY POLICY COMPLIANCE

Hyundai performs internal and external audits to ensure compliance with the personal information protection laws and internal regulations (privacy policy), while also conducting its own assessments of outsourced personal information management practices. Furthermore, we have maintained the Information Security Management System (ISMS) certification since 2019, and the ISO 27001 certification since 2006 for its major services and systems, including the customer portal and connected car service. In accordance with the relevant laws, we undergo regular inspections such as the Personal Information Protection Commission's survey on personally identifiable information and the Korea Communications Commission's survey on the status of location information service providers.

Cybersecurity

CYBERSECURITY SCHEME

Hyundai strives to establish an advanced cybersecurity scheme, which is essential for the transition to a smart mobility system. Through a dedicated security organization, we have been building and monitoring a response system for potential hacking and information leakage threats that may arise during business operations. In January 2022, we obtained the Cyber Security Management System (CSMS) certification in Europe. Furthermore, we set security policies for all our internal employees and conduct an annual review of these policies. To enhance employees' security awareness, various efforts are made as education on security policies, security newsletters, Security Day campaigns, and training on responding to malicious emails.

Major Activities Related to Cybersecurity



- Appoint experts to strengthen security at overseas subsidiaries; and expand inspection activities.
- Strengthen security threat response via the advanced security monitoring system/performance of self-infiltration activities
- Specify incident response procedures according to the business continuity plan (BCP) in the Security Incident Prevention and Response Guidelines; and conduct inspections at least once a year
- Provide phishing email training for employees and education on preventing malware infections from infected individuals at least once a year
- Distribute a monthly security newsletter to all employees; and hold the Employee Security Day at least once a year

RESPONSE TO DATA REGULATIONS

Data play a crucial role in the transition to the digital economy and serve as a key driver for new businesses. Both domestically and internationally, discussions on strengthening data regulation policies have been accelerating. Hyundai recognizes the importance of establishing a data management system that can adapt to regulatory changes. Through a centralized organization for data protection, we conduct ongoing and regular inspections of our data systems and operate a management system to address vulnerabilities and take necessary measures.

ANALYSIS OF CYBER ASSET VULNERABILITY

Hyundai has established security review procedures for its computer systems, aimed at the secure construction and operation of its business systems, based on which it manages security vulnerabilities and improves its security guidelines in line with advancements in IT technology. Furthermore, we have maintained the ISO 27001 certification since 2006, demonstrating our commitment to comprehensive information security management. In addition, we have obtained the ISMS certification which verifies our integrated information protection management system.

ORGANIZATION AND ROLE OF THE HYUNDAI SECURITY CENTER

Hyundai operates a dedicated organization aimed at systematic and effective information security management. We have appointed the CISO and CPO as the Head of the Hyundai Security Center, who is responsible for overseeing overall information security and personal data protection. Their responsibilities include developing security policies, establishing security systems, conducting security audits and analyses, incident response, and managing overseas security. The Center is composed of an Information Security Team which focuses on protecting trade secrets, and a Security Compliance Team which handles personal information protection, national core technology protection, and information security certification.

SECURITY DELIBERATION COMMITTEE

The Security Deliberation Committee, headed by the Head of the People & Business Operation Support Division, serves as the top decision-making body for security matters. Together with the heads of the relevant departments, namely the HR, Corporate Audit, Legal, Research Center, and Production Plant Security, the committee convenes at least once a year to deliberate and make joint decisions on the company's security-related issues.

Organization of the Hyundai Security Center

