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Hyundai Motor Company

Carbon Emissions Reduction Guide for Suppliers

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Table of Contents

1. Overview	3
1.1. Hyundai Motor Company Carbon Emissions Reduction Strategy	3
1.2. Guide Application Subject	4
2. Compliance	4
2.1 Establishment of Climate Crisis Response System	4
1) Reduction of GHG Emissions Throughout the Product Life Cycle.....	4
2) Establishment and Operation of a Comprehensive Response System for Carbon Emissions Reduction	5
2.2. Reduction of Business Site Greenhouse Gas Emissions.....	6
1) Establishment of Clean Production System and Continuous Improvement of Environmental Management Infrastructure.....	6
2) Establishment and Implementation of Carbon Reduction Plans for Supplier Business Sites	6
3) Continuous Efforts to Reduce Resource Use and Minimize Waste	7
2.3. Carbon Reduction Management for Sub Tier Suppliers.....	7
1) Implementation of Carbon Reduction Procurement Policy (Raw Material Procurement and Parts Development Stage).....	8
2) Reduction of GHG Emissions at Supply Chain Business Sites	8
3) Establishment of Carbon Emission Reduction Response System in the Supply Chain.....	8
2.4. Reduction of Carbon Emissions in the Logistics Process.....	9
1) Reduction of Energy Consumption and Greenhouse Gas Emissions in the Logistics Process.....	9
2) Greenhouse Gas Emission Information Management and Eco-friendly Logistics Conversion	9
2.5. Disclosure of Information on Energy Consumption and Greenhouse Gas Emissions.....	9
1) Provision of Transparent and Accurate Information (Energy Consumption and Greenhouse Gas Emissions, etc.)	10
2) Key Indicators Related to Energy Consumption and GHG Emissions	10
2.6. Participation in Domestic and International Environmental Management Activities	10
1) Active Interest in and Participation in Environmental Management Activities	10

2) Establishment of Governance and System Improvement for Systematic and Efficient Climate Crisis Response	11
3) Strengthening Cooperation with Other Suppliers (in Business)	11
3. Responsibilities and Roles of Suppliers	11

1. Overview

1.1. Hyundai Motor Company Carbon Emissions Reduction Strategy

Hyundai Motor Company have declared a 2045 carbon emissions reduction strategy to protect the sustainable future and environment for future generations and are promoting various activities to reduce carbon emissions throughout the entire automobile life cycle.

First, we are expanding the lineup of electrified vehicles such as electric vehicles and hybrids, enhancing performance and safety to strengthen electrified vehicle competitiveness, and reducing carbon emissions across the entire value chain from raw material procurement to vehicle manufacturing, product use, and disposal. At vehicle manufacturing facilities, we will achieve RE100¹ by 2045 by improving energy efficiency and expanding the use of renewable energy. Additionally, we will expand the application of low-carbon technology from vehicle development to production, continuously reduce product carbon emissions to strengthen eco-friendly competitiveness, and systematically manage and improve product carbon emissions throughout the entire vehicle manufacturing process.

In particular, for reducing carbon emissions in the supply chain stages beyond our company, we are proactively responding to global carbon regulations and simultaneously promoting low-carbon transition across the supply chain and strengthening industrial competitiveness. We are building a supply chain-wide carbon reduction system through cooperation with the government, public institutions, and parts suppliers, and will strengthen voluntary reduction capabilities through support for supplier carbon reduction planning and low-carbon equipment installation. At the same time, through various programs including diverse educational and consulting support for suppliers, we will continuously improve suppliers' capacity to respond to climate crisis.

Suppliers must make substantive preparations for carbon reduction based on establishing an emissions calculation system, managing electricity consumption, and expanding renewable energy use to secure future supply competitiveness. For comprehensive carbon emission reduction, suppliers must conduct component-level Life Cycle Assessment (Parts LCA²) from raw material acquisition to

¹ RE100: RE100 is a global voluntary initiative in which corporations commit to sourcing 100% of their electricity consumption from renewable energy sources.

² Parts LCA: (Parts Life Cycle Assessment) is a methodology for quantitatively assessing greenhouse gas emissions and environmental impacts across the entire life cycle of a component, from raw material extraction to end-of-life disposal.

parts manufacturing and delivery to complete vehicles, and based on this analysis, must promote carbon reduction activities across the entire process.

Our company will provide carbon-neutral guidelines to suppliers to support their smooth carbon emission reduction and will make various efforts such as demanding social responsibility initiatives.

1.2. Guide Application Subject

All suppliers that provide goods and services to Hyundai Motor Company or have entered into contracts with us for other transactions (including lower-level suppliers who transact within the supply chain) must comply with this guideline, and we may also recommend that other suppliers with whom suppliers conduct business also comply with the provisions presented in this guideline.

2. Compliance

2.1 Establishment of Climate Crisis Response System

Suppliers must establish mid-to-long-term implementation plans for carbon emission reduction, including their own carbon reduction plans, and must establish and operate a comprehensive response system for addressing climate crisis.

1) Reduction of GHG Emissions Throughout the Product Life Cycle

- ① Suppliers shall make efforts to reduce carbon emissions at each stage of the product life cycle. Suppliers must review carbon emissions throughout the entire product lifecycle, implement low-carbon policies from the development stage, and take proactive action to reduce carbon emissions.
- ② Suppliers must strive to build a low-carbon ecosystem throughout the product development process, including raw material suppliers.



(Parts Suppliers' Parts LCA and Complete Vehicle LCA Calculation Scope)

2) Establishment and Operation of a Comprehensive Response System for Carbon Emissions Reduction

- ③ Suppliers shall operate a dedicated organization comprised of specialized personnel for smooth implementation of climate crisis response, establish and manage key performance indicators (KPIs) linked to carbon reduction targets, and continuously foster and educate specialized personnel responsible for calculating business site greenhouse gas emissions, calculating product carbon footprints (parts LCA), etc., to strengthen supply chain capacity for climate crisis response.
- ④ Suppliers must establish a system to measure and manage energy consumption and greenhouse gas emissions and make continuous efforts to reduce them.
- ⑤ When making new investments (new factory expansion, electrification parts business, etc.), suppliers must actively reflect greenhouse gas reduction systems.
- ⑥ Suppliers must operate an environmental management system comprised of organization, planning, procedures, and performance reviews to mitigate environmental impacts such as resource circulation. Suppliers shall actively reflect the greenhouse gas reduction system when making new investments (expansion of new factories, electrification parts business, etc.)
- ⑦ Suppliers shall actively respond to global carbon regulations such as EU CBAM³ and actively consider participation in global greenhouse gas reduction initiatives.

³ EU CBAM: Carbon Border Adjustment Mechanism is a carbon border adjustment system that imposes carbon costs on the carbon emissions generated during the production process of products exported to the EU

2.2. Reduction of Business Site Greenhouse Gas Emissions

Suppliers must reduce greenhouse gas emissions generated at factories, offices, research institutes, logistics facilities, etc. by managing energy consumption and greenhouse gas emissions, and must establish and implement their own greenhouse gas reduction activity plans such as improving energy efficiency at business sites, optimizing production processes, and expanding renewable energy conversion. Through this, suppliers can achieve cost savings.

1) Establishment of Clean Production System and Continuous Improvement of Environmental Management Infrastructure

- ① Suppliers should strive to establish and operate management systems based on international standards such as ISO 14001 (Environmental Management System), ISO 14064-1 (Greenhouse Gas Emissions Calculation and Reporting), and ISO 50001 (Energy Management System) to strengthen environmental management and climate change response capabilities.
- ② Suppliers must establish education systems to raise employee awareness of environmental issues such as Carbon Emissions Reduction and actively supplement environmental facilities.
- ③ Suppliers shall form a company-wide greenhouse gas response council and make best efforts to improve business site energy efficiency, expand renewable energy use, and improve working environment.
- ④ When making new investments, suppliers must actively review the use of high-efficiency facilities to improve energy efficiency, expansion of renewable energy use in production processes (solar power generation, etc.), and PPA⁴, etc., and must continuously promote innovation activities for renewable energy transition.

2) Establishment and Implementation of Carbon Reduction Plans for Supplier Business Sites

- ① Suppliers must recognize that climate change response requirements in the automotive industry are expanding to trade regulations such as SBTi⁵ participation, EU CBAM strengthening, and carbon tax introduction in various countries, and must accept this as both a crisis and an opportunity.
- ② Accordingly, suppliers must establish voluntary carbon reduction roadmaps and continuously

⁴ PPA: Power Purchase Agreement is a long-term electricity purchase contract for buying renewable energy power.

⁵ SBTi: Science Based Targets initiative is a global initiative that supports companies in setting and validating greenhouse gas reduction targets based on climate science.

implement substantive carbon reduction activities such as energy efficiency improvement, process improvement, and expanded use of renewable energy.

- ③ Additionally, including overseas subsidiaries that have entered into transactions with Hyundai Motor Company overseas business sites, suppliers must manage carbon emission status at all domestic and international business sites, establish and implement business site-specific reduction plans, and actively participate in achieving carbon emissions reduction across the supply chain.

3) Continuous Efforts to Reduce Resource Use and Minimize Waste

When inputting energy for parts production, suppliers must continuously seek ideas for reducing natural resource use to lower dependence on natural resources and minimize negative impacts from mining and extraction.

Suppliers must minimize waste generated at manufacturing sites, establish management standards for generated waste, strictly manage and legally process them, and continuously seek to improve efficiency of input resources such as reducing packaging materials.

2.3. Carbon Reduction Management for Sub Tier Suppliers⁶

Suppliers must actively perform carbon emission reduction activities throughout the overall process from raw material procurement to product development, production, and delivery, and must strive to build a low-carbon ecosystem across the supply chain by ensuring that other suppliers (including raw material suppliers) with whom suppliers conduct business also participate in these activities.

⁶ Sub Tier Suppliers: Suppliers should apply differentiated levels of requirements in responding to carbon emission reduction in the lower supply chain, taking into account the following:

- 1) Transaction Dependency: The proportion of transaction amount relative to the supplier's total sales
- 2) Contractual Relationship: Whether cooperation obligations can be specified in the transaction contract
- 3) Transaction Influence: Whether the supplier can exercise influence when negotiating transaction terms

However, suppliers must comply with the principle of prohibition of abuse of superior position under the Subcontracting Act, and cannot unilaterally impose obligations on trading partners that have no transaction influence.

1) Implementation of Carbon Reduction Procurement Policy (Raw Material Procurement and Parts Development Stage)

- ① Suppliers must promote transition to carbon-reducing materials and actively promote transactions with raw material and parts suppliers who actively implement carbon reduction policies.
- ② Suppliers must implement preemptive measures such as lightweight design and weight reduction proposals from the parts development stage to reduce the use of natural resources and raw materials.

2) Reduction of GHG Emissions at Supply Chain Business Sites

- ① Suppliers shall actively recommend and support the use of high-efficiency facilities in production processes and expansion of renewable energy use to improve energy efficiency of their business partners.
- ② Suppliers shall actively recommend and support the conversion of delivery vehicles and vehicles at business partner sites to electrified vehicles, and shall actively support relatively smaller-scale lower-tier suppliers.

3) Establishment of Carbon Emission Reduction Response System in the Supply Chain

- ① Suppliers shall support their business partners in managing energy consumption, greenhouse gas emission data, etc., and shall conduct periodic monitoring.
- ② Suppliers must actively participate in carbon reduction activities across all stages of the parts manufacturing life cycle (from raw material extraction to parts processing/production to transportation). In particular, to respond to global carbon regulations such as EU CBAM, suppliers must actively participate in calculating and managing carbon emissions (by product/process) of parts and raw materials, as well as providing product carbon footprint (CFP7) data necessary for parts LCA calculations and related cooperation.
- ③ Considering the scale and capacity of suppliers, voluntary participation in the following activities is recommended:
 - * Type 1 (Large-scale) Suppliers: Recommend review of participation in international environmental management campaigns (RE100, etc.)

⁷ CFP: Carbon Footprint of Product is a product carbon footprint that quantifies the greenhouse gas emissions generated throughout the entire life cycle of a product—from raw material extraction, production, transportation, use, to disposal—and converts it into CO2 equivalent (CO2eq).

- * Type 2 (Small and Medium) Suppliers: Recommend phased implementation of energy efficiency improvement, renewable energy expansion, etc.
- * All Suppliers: Recommend compliance with environmental regulations and participation in carbon emission reduction activities

2.4. Reduction of Carbon Emissions in the Logistics Process

Suppliers must manage carbon emissions generated in the process of delivering to Hyundai Motor Company, and in the long term, must carry out activities such as converting transport vehicles to electrified vehicles.

1) Reduction of Energy Consumption and Greenhouse Gas Emissions in the Logistics Process

- ① Suppliers must make efforts to reduce energy consumption and greenhouse gas emissions generated in the overall process of packaging, logistics, and vehicle transportation.
- ② Suppliers must examine the overall logistics process, including efficient logistics operation management, inventory optimization, reduction of packaging materials during delivery, and reuse after collection.

2) Greenhouse Gas Emission Information Management and Eco-friendly Logistics Conversion

- ① Suppliers must collect and manage greenhouse gas emission data generated throughout the entire logistics process.
- ② Suppliers must actively participate in recycling packaging materials (transport boxes, pallets, cushioning materials, etc.) used in the delivery process and must carry out greenhouse gas reduction activities such as converting transport vehicles to electrified vehicles in the long term.

2.5. Disclosure of Information on Energy Consumption and Greenhouse Gas Emissions

Suppliers must calculate and provide information on energy consumption and greenhouse gas emissions at business sites as accurately as possible within the requested time frame through the method specified by Hyundai Motor Company.

If a supplier is a supplier designated under the 『Greenhouse Gas Emissions Trading Act』 for the emissions trading system (K-ETS⁸), the supplier must provide certified actual greenhouse gas

⁸ K-ETS: Korea Emissions Trading System) is a national emissions trading scheme in which the government allocates emission allowances to greenhouse gas emitting facilities above a certain scale, and companies trade these allowances to incentivize greenhouse gas reduction.

emissions. If some business sites are not included, the supplier must also provide information for those non-included business sites.

1) Provision of Transparent and Accurate Information (Energy Consumption and Greenhouse Gas Emissions, etc.)

- ① When requested by Hyundai Motor Company, suppliers must actively provide information such as energy consumption and greenhouse gas emissions within the specified due date.
- ② Business sites for which information is requested may include all facilities such as factories, research and development facilities, offices, sales offices, and logistics facilities. Suppliers must calculate the information accurately according to the standards specified at the time of request and actively provide it.

2) Key Indicators Related to Energy Consumption and GHG Emissions

- ① Indirect greenhouse gas emissions from electricity/steam use: Electricity/steam consumption at the business site
- ② Greenhouse gas emissions from fixed combustion facilities: Fuel consumption used in combustion facilities (LNG, gasoline, diesel, kerosene, etc.)
- ③ Greenhouse gas emissions in mobile combustion processes: Fuel consumption generated during in-facility transportation required for the entire production process and fuel consumption generated in the process of supplier delivery to Hyundai Motor Company.
- ④ Others: Information on renewable energy usage status, RE100 participation, reduction activities, etc.

2.6. Participation in Domestic and International Environmental Management Activities

1) Active Interest in and Participation in Environmental Management Activities

- ① Suppliers must fulfill their social responsibilities as specialized companies in the automotive parts industry to develop and distribute electrified vehicles.
- ② Suppliers must actively participate in various education programs related to ESG management and carbon emissions reduction, and must make active efforts to improve employee environmental awareness.
- ③ Suppliers must comply with environmental laws and regulations and disclose their efforts and performance for environmental management.

- ④ Suppliers must actively cooperate with ESG evaluation and on-site due diligence of suppliers to support ESG management.
- ⑤ Suppliers must establish an environmental management system verified by external organizations (ISO certification for international standards on climate change) and continuously maintain it.

2) Establishment of Governance and System Improvement for Systematic and Efficient Climate Crisis Response

- ① Suppliers must establish policies for mid-to-long-term climate crisis response, such as managing energy consumption and greenhouse gas emissions, and must organize an organization (company-wide greenhouse gas council/committee/team/working group, etc.) to manage them.
- ② Suppliers must reflect carbon-neutral goals in their sustainability management strategies, supplement internal norms/policies based on this, and establish/supplement codes of conduct/guidelines that can be presented to other business partners with whom they conduct business.
- ③ Suppliers shall make an active effort to achieve the carbon emissions reduction goal by reflecting and managing the greenhouse gas reduction at business sites, identifying suppliers with climate risk, and ESG evaluation and evaluating and managing key performance indicators (KPIs).

3) Strengthening Cooperation with Other Suppliers (in Business)

- ① Suppliers must actively work to raise other suppliers' awareness of carbon emissions reduction goal by preparing their own ESG training programs or guiding them to the Hyundai Motor Group Global Partnership Center (GPC) program.
- ② Suppliers must promote ESG cooperation among suppliers through exchange activities such as greenhouse gas knowledge sharing meetings, environmental performance evaluation and awards, and joint research on low-carbon parts development.

3. Responsibilities and Roles of Suppliers

All suppliers of Hyundai Motor Company must comply with the provisions presented in this guideline in their business decision-making and business operation processes.

Hyundai Motor Company and third-party organizations entrusted by Hyundai Motor Company may

investigate and inspect whether suppliers comply with this guideline within the scope permitted by law and recommend improvements for identified risks. In such cases, suppliers must actively establish and implement improvement plans for identified risks.

Disclaimer

This guideline is a reference material to present general standards and recommendations for building a sustainable supply chain, and should not be interpreted as replacing or additionally imposing rights and obligations under related laws or individual contracts. The carbon emission reduction strategies, carbon emission reduction plans, and other forward-looking statements contained in this guideline are based on information and assumptions at the time of preparation, and actual results may differ due to future changes in the business environment, technology development, related laws and regulations, and Hyundai Motor Company policies. This guideline may also be revised regularly to reflect these changes, and the latest version is available on the Hyundai Motor Company websites and the HMG Partner Transparent Purchasing Practice Center.