

HYUNDAI MOBIS

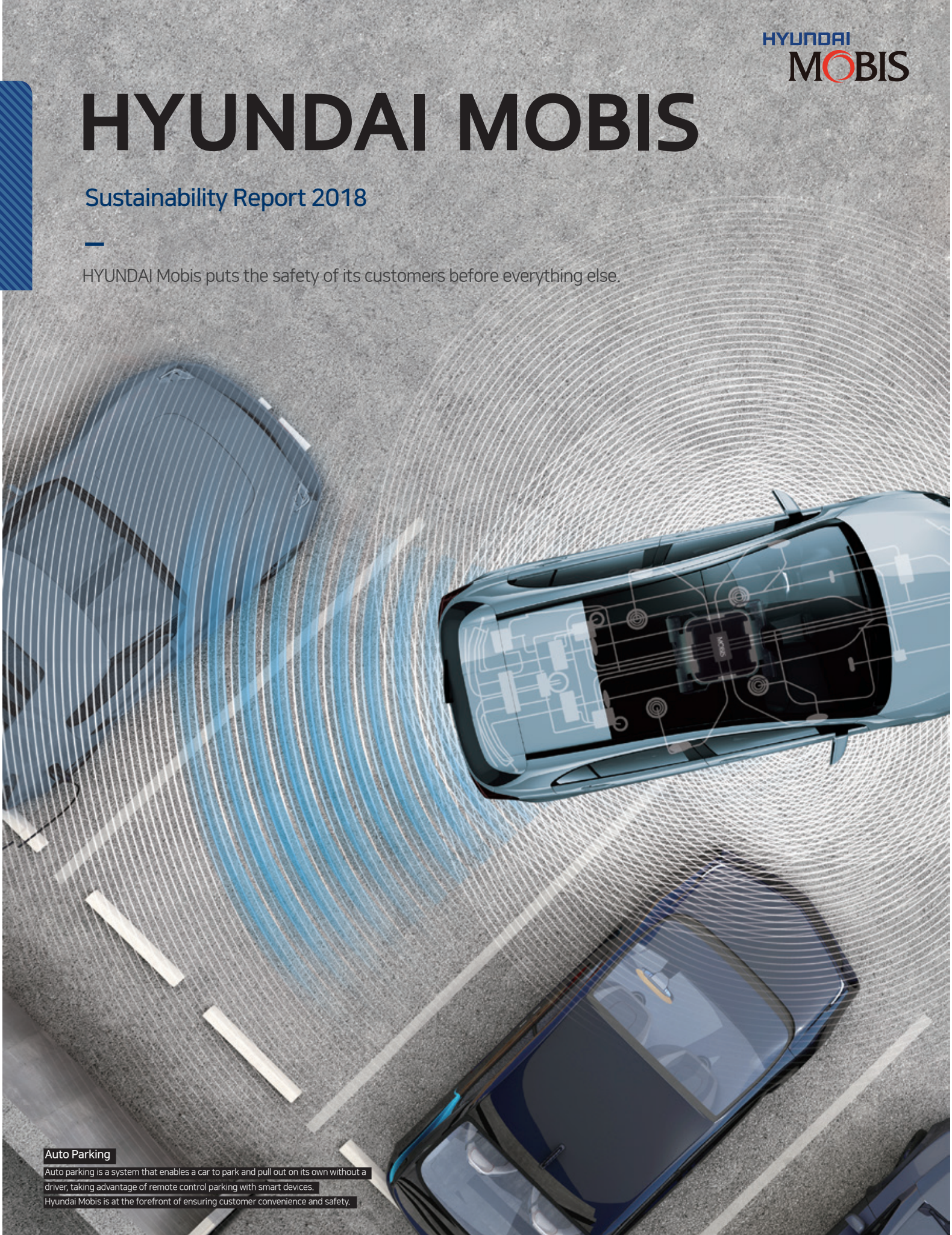
Sustainability Report 2018

—
HYUNDAI Mobis puts the safety of its customers before everything else.

Auto Parking

Auto parking is a system that enables a car to park and pull out on its own without a driver, taking advantage of remote control parking with smart devices.

Hyundai Mobis is at the forefront of ensuring customer convenience and safety.



ABOUT THIS REPORT

Reporting Outline

Hyundai Mobis has published sustainability reports on plans and progress related to its environmental, social and economic performance for stakeholders since 2010. Relying on the reporting process, in which stakeholders play a key part in, major sustainability issues are identified to collect stakeholder opinions on issues to improve performance and activities.

Reporting Structure

This report comprises three parts: corporate profile, key material issues and general issues, and major management achievements and performance prioritized in order according to stakeholder interest level as uncovered in the reporting process. Detailed data and information on the performance of each business unit and a GRI index are provided in the Appendix on p.96~113.

Reporting Guidelines

This report was compiled in accordance with the Global Reporting Initiative (GRI) Standards Guidelines.

Reporting Period

The reporting period cover the 2017 calendar year, from January 1 to December 31. Quantitative data from three-year trends from 2015 to 2017 are provided, highlighting certain data regarding material issues extending to the first half of 2018.

Reporting Scope

The report covers the business performance of Hyundai Mobis, including its headquarters, manufacturing sites, R&D center and regional offices, with limited coverage on greenhouse gas (GHG) emissions, locally hired employees, and sales break-down by region for overseas operations. The reporting scope will be extended later in the report.

Reporting Scope, Significant Changes to Performance Measurement

Financial data was reported on a consolidated basis, and this report uses financial data as per Korean International Financial Reporting Standards (K-IFRS) and energy use and GHG emissions data based on verified results.

Report Assurance

The report content has been verified independently by a third-party entity, the Korea Productivity Center, whose verification statement is provided in the Appendix on p.103-104 of the report.

SAFE TODAY HAPPY TOMORROW



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CEO Message

Hyundai Mobis secures global competitiveness by pursuing future growth engines and strengthening its internal competencies. Meanwhile, we create new social and environmental values based on our economic performance in pursuit of sustainable growth, by sharing these values with our stakeholders.



Distinguished stakeholders,

Since 2000, Hyundai Mobis has recorded outstanding growth as an auto parts company. Despite the difficult business environment, we were able to lead the Korean auto parts industrial ecosystem as a result of our choices and concentrations, while also undergoing changes and making advancements. We are able to compete confidently with other global auto parts companies thanks to the warm support and guidance of our stakeholders.

The global auto industry is expected to experience a slowdown. It is expected that external factors, including currency deflation in the U.S. and Europe, protective trade policies in various countries, rising oil prices and the strong won will make it even more difficult to do business. In addition, the paradigm of the auto industry is rapidly changing into an industry focused on auto parking, information and communications and eco-friendly products. We make three promises to better prepare for an age of limitless competition around the world as we effectively and actively take action to stabilize factors related to the market environment and the global situation.

First, we promise to develop parts for future vehicles to achieve sustainable growth.

In order to fulfill their corporate social responsibility, companies have to generate profit. A company that cannot create profits will go out of business and only impose a social burden on societies. In order to share the resulting benefits with the company, employees, suppliers, auto makers and society at large, we will develop advanced technology for the future and commercialize them so that everyone can enjoy the benefits of advanced technology. To achieve this, we will focus our

research competencies on eco-friendly technologies, auto parking and artificial intelligence. From now until 2021, we will increase R&D investments through a selection and concentration strategy to up to 10% of parts sales in stages. Moreover, 50% of the increased R&D investments will be concentrated on ICT areas, including auto driving sensors and voice recognition systems to raise the competitiveness of core components for future vehicles with concentrated investment.

Second, we promise to create a transparent and innovative corporate culture to achieve sustainable growth.

We will strengthen partnerships with domestic and overseas start-ups, universities, and external suppliers to come up with innovative ideas for the era of technology convergence, creating an auto parts ecosystem characterized by challenge and innovation. To achieve this, we will deal rapidly with actions that impede the foundation of win-win partnerships, while also implementing transparent management practices and securing compliance awareness among employees, thereby establishing win-win partnerships as a global auto parts company. By promoting the values of trust and respect, we have strengthened the foundation for mutual growth. Ethical management and win-win partnerships are not only a management trend, but also essential to fulfill corporate social responsibility. We cannot overemphasize the importance of these values for the company and its employees.

Third, we promise to comply with corporate social responsibility guidelines as a global auto parts company.

There is no company that can survive long by doing business only in the domestic market. As Korea's representative auto parts company, Hyundai Mobis operates 39 sites in Korea. As a member of the international auto parts industry, we operate 51 overseas sites and comply with the laws and regulations of the countries where the production sites are located, while also fulfilling our global corporate social responsibility. To achieve this, we will actively support and implement initiatives which serve as the principles and action policies for corporate social responsibility relating to international human rights, labor, anti-corruption, social contribution and environmental protection standards. Since 2008, Hyundai Mobis has been a member of the UN Global Compact (UNGC). We have also continuously participated in the Sustainable Development Goals (SDGs) adopted by the United Nations General Assembly in 2015, as well as the Carbon Disclosure Project (CDP) to respond to global warming. In addition, we continue to find areas for improvement by comparing our current sustainable management efforts with the best practices of leading domestic and overseas companies through CSR measurement indices for a range of different CSR activities, including the Dow Jones Sustainability Index (DJSI) and KoBEX.

Based on sustainable growth and strong competitiveness achieved through diverse management practices, we aim to fulfill our corporate social responsibility. In addition, we strive to make our business grow by communicating and harmonizing with our stakeholders. As mentioned above, we believe growth achieved through the three aforementioned promises and the resulting corporate culture will serve as a foundation for creating a more sustainable world for the next generation.

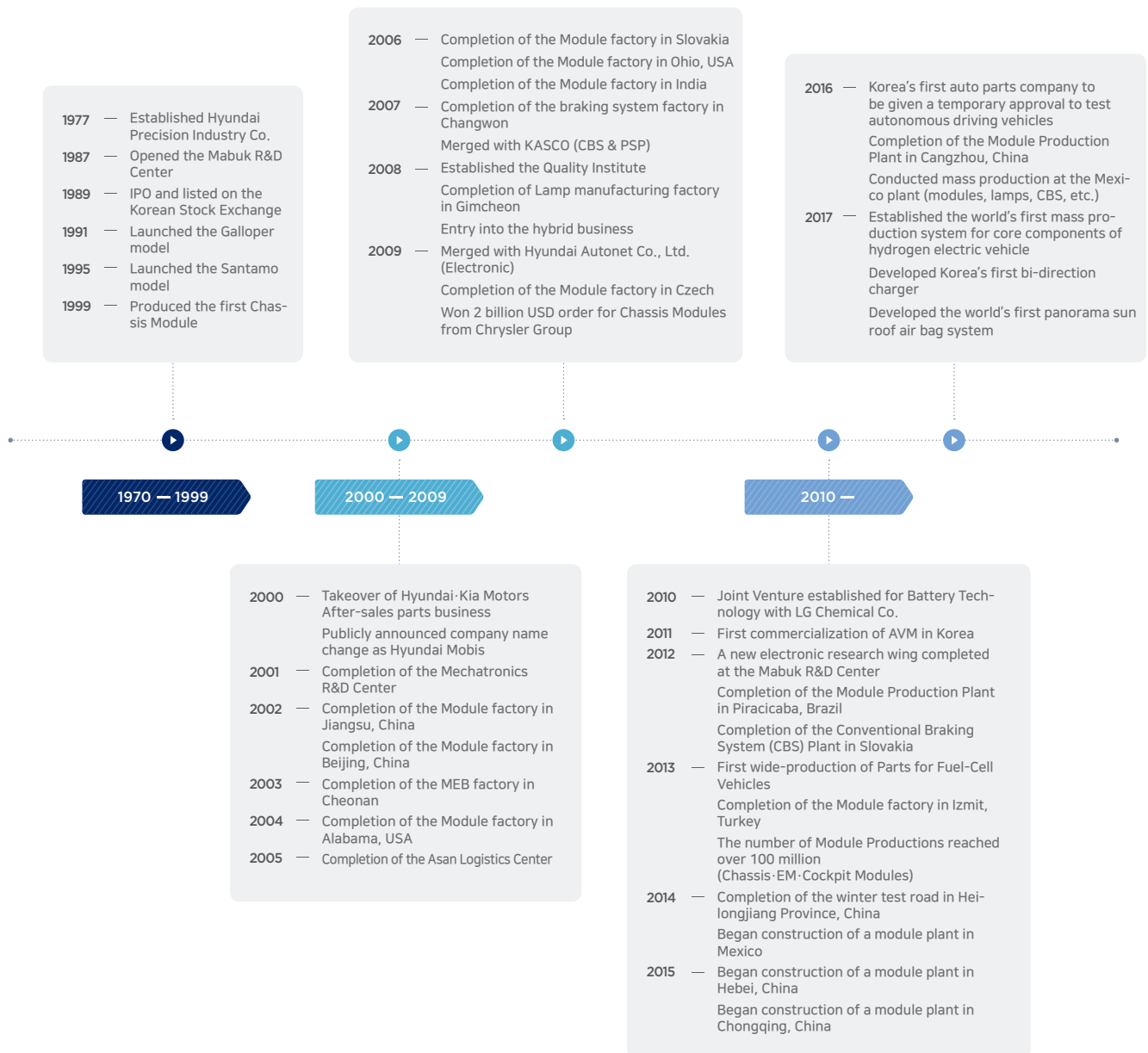


June 2018
President & CEO Hyundai Mobis
Young-deuk Lim

Corporate Profile

In 1977, Hyundai Mobis was established as an auto parts company to produce and supply automobile modules, core components and after service parts. In 2018, we ranked 7th among global auto parts companies. Hyundai Mobis expanded its influence within the auto parts industry by improving its quality and technical skills, while also implementing a diverse range of CSR activities as a responsible corporate citizen. Through these efforts, we have become a leading company in future automotive technology to lead the changing global market.

History



Major Financial Performance

Financial Performance	(Unit: KRW million)		
Classification	2015	2016	2017
Total assets	37,774,833	41,711,608	41,736,819
Shareholders' equity	491,096	491,096	491,096
Liabilities	12,098,593	13,153,619	12,377,861
Sales	36,019,749	38,261,745	35,144,580
Gross profit	5,147,830	5,295,726	4,465,218
Operating income	2,934,571	2,904,692	2,024,929
Earnings before taxes	4,212,662	4,111,171	2,734,383
Corporate tax	1,131,143	1,063,889	1,176,660
Net income	3,040,049	3,047,282	1,557,723

Business Division and Sales

Module Parts Manufacturing

KRW 17,491 billion

Hyundai Mobis utilizes its cutting-edge vehicle modularization technology to manufacture and supply chassis modules, cockpit modules and front-end modules, the three core modules required by carmakers. Through collaboration with carmakers, the advanced module parts produced at Hyundai Mobis are perfected from the very first stage of R&D, through to design and testing.

Core Parts Manufacturing

KRW 10,770 billion

Hyundai Mobis mobilizes all resources available to develop core parts that enhance the driving experience and make vehicles more convenient, as well as improve road safety and environmental protection. Converging electronics and cutting-edge IT, our motors and battery systems form the core of our eco-friendly technologies. Going forward, we will continue to invest in technology to further solidify our market position in green & intelligent automotive parts.

Aftermarket Service (AS) Parts

KRW 6,884 billion

Hyundai Mobis is responsible for the supply of about 58 million aftermarket service (AS) parts for vehicles manufactured by Hyundai and Kia Motors that are on the roads both in Korea and abroad. In the event of a requirement for AS parts, we provide top-quality customer service by promptly supplying the required parts on a timely basis. To do this, Hyundai Mobis has built a cutting-edge logistics system and an extensive distribution infrastructure that manages about 2.7 million auto parts in stock for 244 car models.

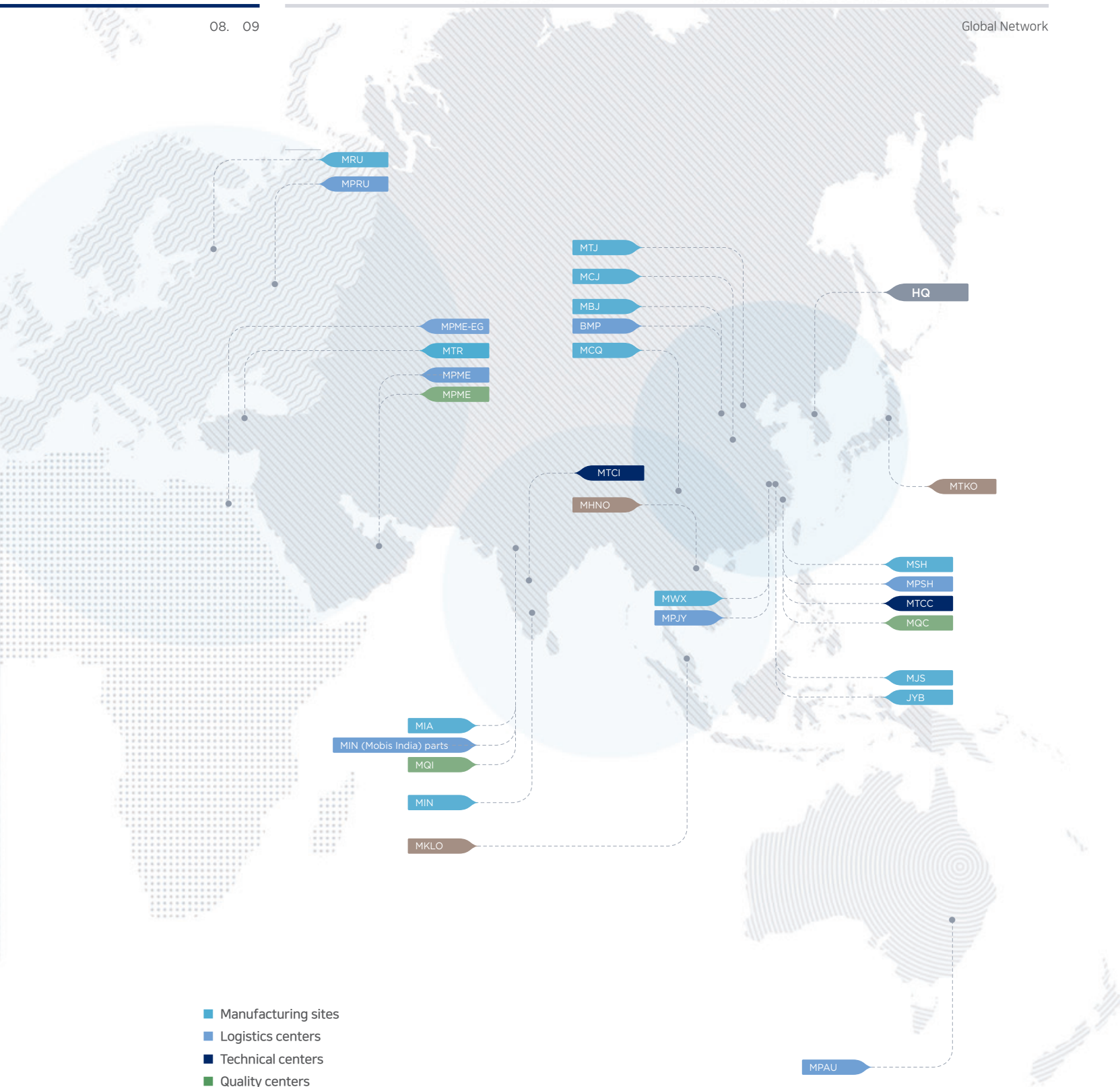
* including internal transactions between departments



- 1 — Rear chassis module
- 2 — Cockpit module
- 3 — Front-end module

- 4 — Components of hydrogen vehicles
- 5 — Panorama sunroof airbag

- 6 — Inside India's Chennai Component
- 7 — CenterAsan Logistics Center



- Manufacturing sites
- Logistics centers
- Technical centers
- Quality centers
- Overseas branches and offices

(Unit: sites)

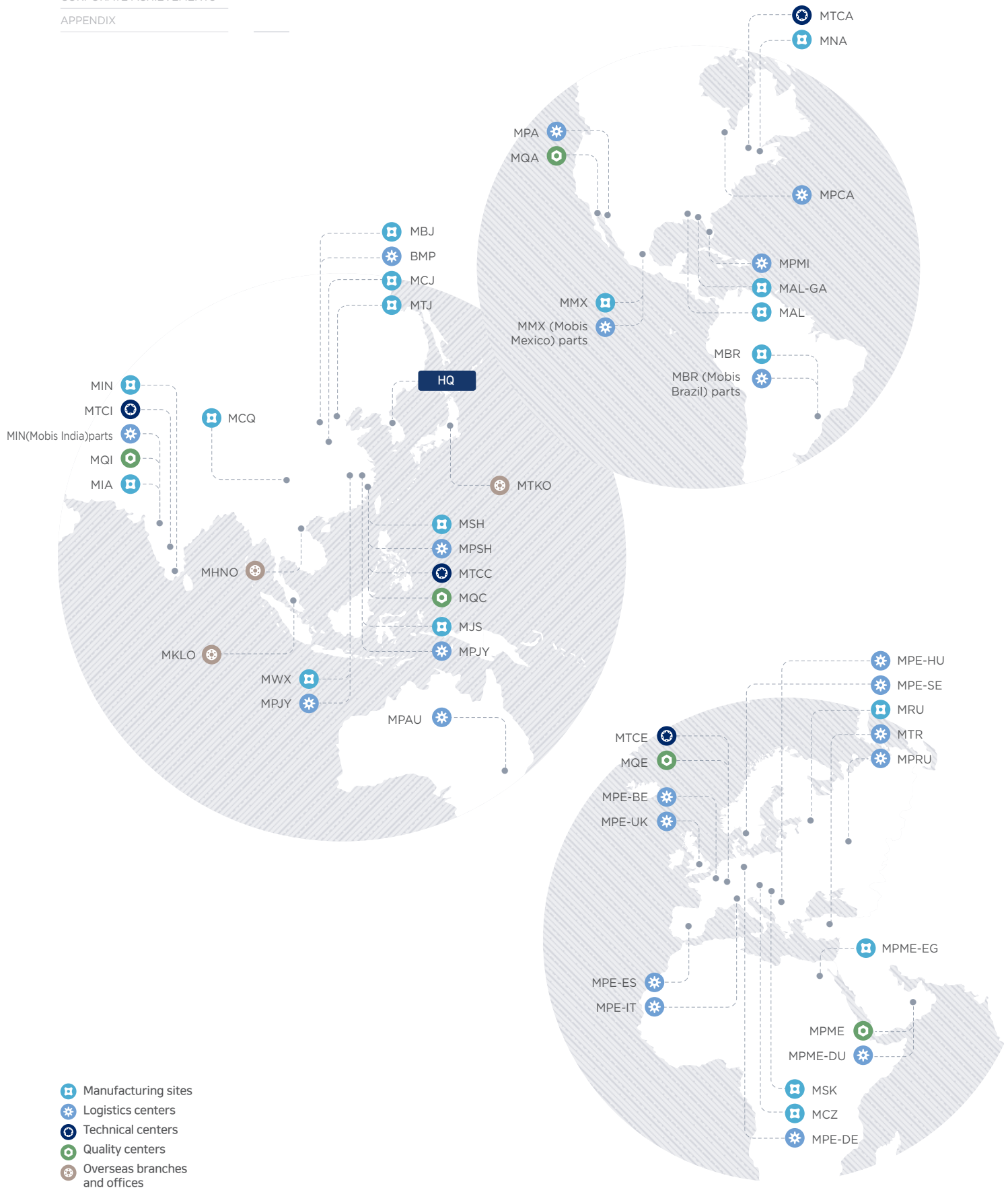
Classification		Manufacturing sites	Logistics centers	Technical centers	Quality centers	Branches and offices
Korea		12	26	1	-	-
Overseas	China	8	3	1	1	-
	America	5	5	1	1	-
	Europe	4	8	1	1	-
	Asia-Pacific/Others	2	4	1	2	3

OVERVIEW

MATERIAL ISSUES

CORPORATE ACHIEVEMENTS

APPENDIX



Manufacturing Sites

Korea

Ulsan Factory 706, Yeompo-ro, Buk-gu, Ulsan(Hyundai Mobis)

Ihwa Factory 707, Namyangman-ro, Ujeong-eup, Hwaseong-si, Gyeonggi-do

Asan Factory 40, Tojeong-ro, Yeongin-myeon, Asan-si, Chungcheongnam-do

Seosan Factory 140, Eumam-ro, Eumam-myeon, Seosan-si, Chungcheongnam-do

Anyang Factory 337-53, Bakdal-ro, Manan-gu, Anyang-si, Gyeonggi-do

Gwangju Factory 45, Jungang-ro, Jingoksandan, Gwangsan-gu, Gwangju

Cheonan Factory 105, 2gongdan 2-ro, Seobuk-gu, Cheonan-si, Chungcheongnam-do

Poseung Factory 16, Poseunggongdan-ro, 118beon-gil, Poseung-eup, Pyeongtaek-si Gyeonggi-do

Chungju Factory 47, Geopdosi 1-ro, Chungju-si, Chungcheongbuk-do

Changwon Factory 87, Seongsanpaechong-ro, Seongsan-gu, Changwon-si, Gyeongsangnam-do

Gimcheon Factory 258-45, Gongdan-ro, Gimcheon-si, Gyeongsangbuk-do (Eungmyeong-dong)

Jincheon Factory 95, Sayang 2-gil, Munbaek-myeon, Jincheon-gun, Chungcheongbuk-do

Overseas

China

MBJ 59 Shuanghe Rd, Shunyi District, Beijing, 101300, China

MJS No.12 Hope Road South , Economic Developing Zone , Yancheng, 224000, China

MJYB No.70 Hope Road South, Economic Developing Zone, Yancheng China

MTJ No.12, 9th Street, TEDA, Tianjin, China

MWX No.15 Xinrong Road, No. 16-A New Tech Industrial Development Zone, Wuxi, Jiangsu, 214112, China

MSH No. 1011 Jiujing Road, Songjiang Hi-tech Park No. 1800 Husong Rd Jiu Ting, Shanghai, China, 201615

MCJ Economic Development Zone, Jingye Science and Technology Park 3-2, Cangzhou City, HeBei Province, China, 061000

MCQ Yufu Industrial Estates 6F, Chongqing Liangjiang New Area, China, 401133

America

MAL 1385 Mitchell Young Road, Montgomery, Alabama 36108, USA

MAL-GA 7001 KIA Parkway West Point, GA, USA. 31833

MNA 3900 Stickney Avenue Toledo, Ohio, 43608, USA

MMX Carretera Libre Estatal Pesqueria-los Ramones KM 13-15, Localidad La Arena, Pesqueria Nuevo Leon, C.P. 66679, Mexico

MBR Av. Independencia n 350. SL 103/104. Alto. Cep 13419-160. Piracicaba. State of Sao Paulo, Federative Republic of Brazil

Europe

MCZ Hyundai 171, 739 51 Nosovice, Dobra Czech Republic

MSK Mobis Ulica 1; 013 02 Gbelany, Zilina, Slovakia

MRU Saint-Petersburg, Gorskaya st., Levashovskoe hoshe., uchastok 1 Mobis Plant 197704

MTR Asim Kibar Organize Sanayi Bolgesi 2, cadde No:4 41310 Izmit, Kocaeli, Turkey

Asia-Pacific/Others

MIN PLOT NO. G-1.SIPCOT Industrial Park, Irungattukottai, Sriperumbudur Taluk, Kancheepuram Dist.,Tamilnadu 602 105. India

MIA D No 27-42-5., M G Road, Governorpet, Vijayawada, Krishna, Andhra Pradesh, India, 520002

Logistics Centers

Korea

Logistics center

Asan Logistics Center 420, Tojeong-ro, Yeongin-myeon, Asan-si, Chungcheongnam-do

Gyeongju Logistics Center 26, Wondong 3-gil, Oedong-eup, Gyeongju-si, Gyeongsangbuk-do

Naengcheon Logistics Center 439, Naeoe-ro, Oedong-eup, Gyeongju-si, Gyeongsang buk-do

Ulsan Logistics Center 706, Yeompo-ro, Buk-gu, Ulsan(Yeompo-dong)

Overseas

China

BMP Rm 2101. 21 Floor, Hyundai Motor Tower, Xiaoyun Road, chaoyang District, Beijing, China (100027)

MPJY No.696 Yandu Road, Yandou New District, Yancheng City, Jiangsu, China, 224005

MPSH No. 1011 Jiujing Road, Songjiang Hi-tech Park No. 1800 Husong Rd Jiu Ting, Shanghai, China, 201615

America

MPA 10550 Talbert Ave. 4th Floor, Fountain Valley, CA 92708

MPMI 13200 NW 17 Street Miami, FL 33182, U.S.A

MPCA 10 Mobis Drive, Markham, Ontario, L6C 0Y3

MMX (Mobis Mexico) parts Carretera Libre Estatal Pesqueria-los Ramones KM 13-15, Localidad La Arena, Pesqueria Nuevo Leon, C.P. 66679, Mexico

MBR (Mobis Brazil) parts Av. Independencia n 350. SL 103/104. Alto. Cep 13419-160. Piracicaba. State of Sao Paulo, Federative Republic of Brazil

Europe

MPE-DE Munchener Str.18, 06796 Brehna Germany

MPE-BE Neusenberg 2 BE-3583 Beringen, Belgium

MPE-UK Ansley Hall Drive Birch Coppice Business Park Tamworth Warwickshire B78 1SQ UK

MPE-SE Logistikv gen 1, 55652 J nk ping Sweden

MPE-ES Poligono Industrial Meco R2 Calle de Zeus 16-18 Modulo 3 28880 Meco Madrid Spain

MPE-IT Via Delle Industrie 23, 20010 Pregnana Milanese, Italia

MPE-HU H-2030 Erd, Fiastyuk utca 5, HUNGARY

MPRU Presnenskaya nab, 6/2, 26th Floor 123112 Moscow Russia

Others

MPME-DU MOBIS Parts Middle East FZE, Plot.M00787, Jebel Ali Free Zone, Near R/A 12, North Zone, Jebel Ali, Dubai, U.A.E

MPME-EG MOBIS Auto Parts Middle East Egypt Fze S.A.E, Plot No 801, Alexandria Free Zone, Alexandria - Cairo desert road, KM29, Amria, Alexandria, Egypt

MPAU 77 Peter Brock Drive, Eastern Creek NSW 2766

MIN (Mobis India) parts 204-206, 2nd Floor, Corporate One (Baani Building), Plot No 5, Commercial Centre, Jasola, New Delhi-110 076, India

Technical Centers

Korea

Mabuk technical center 17-2, Mabuk-ro 240beon-gil, Giheung-gu, Yongin-si, Gyeonggi-do

Overseas

North America

MTCA 46501 Commerce Center Dr, Plymouth, MI 48170, USA

Europe

MTCE Wilhelm-Fay-Strasse 51, 65936 Frankfurt am Main, Germany

China

MTCC No.1011 Jiujing RD, Songjiang Hi-tech Park, No. 1800 Husong RD, Jiuting, Shanghai, 201615, China

India

MTCI *Unit-1 & Unit -2. 7th & 8th Floor in Building No. 12B, M/s. Sundew Properties Limited, IT/ITES SEZ Mindspace, Madhapur Village, Serilingampally Mandal, HYDERABAD Ranga Reddy District, Telangana - 500 081*

Quality Centers

Overseas

North America

MQA Mobis Parts America LLC, 1917 S Vineyard Ave. Ontario CA 91761

Europe

MQE Zweigniederlassung Deutschland Wilhelm-Fay-Strasse 51 D-65936 Frankfurt am Main

China

MQC No.1011 Jiujing RD, Songjiang Hi-tech Park, No. 1800 Husong RD, Jiuting, Shanghai, 201615, China

Asia-Pacific/Others

MQI A-27 Ground Floor, Mohan Cooperative Industrial Estate, Mathura Road, New Delhi -110044 INDIA

MPME P.O.BOX 17337 Jebel Ali Free Zone Dubai, U.A.E

Overseas Branches and Offices

Others

MTKO Akasaka 1-Chome Center Bldg 12F, 1-11-30 Akasaka, Minato-Ku, Tokyo, 107-0052, Japan

MKLO Suite 19-01, Level 19, G Tower, 199 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

MHNO Suite 1202, 12F, Keangnam Hanoi Landmark Tower 72, Plot E6 Cau Giay Urban, Me Tri Village, Nam Tu Liem District, Hanoi, Vietnam.

AS Parts Sales Offices

Northern parts sales office 27, Seonma-ro, Pocheon-si, Gyeonggi-do

Western parts sales office 45, Chukhyeon sandan-ro, Tanhyeonmyeon, Paju-si, Gyeonggi-do

Gangwon parts sales office 941-5, Gyeonhwon-ro, Munmak-eup, Wonju-si, Gangwon-do

Gangneung parts sales office 137-69, Gwahakdanji-ro, Sacheon-myeon, Gangneung-si, Gangwon-do

Chuncheon parts sales office 858, Bongmyeong-ri, Dongsan-myeon, Chuncheon-si, Gangwon-do

Eastern parts sales centers office 77, Dunjeon-ro, Pogok-eup, Cheoin-gu, Yongin-si, Gyeonggi-do

Incheon parts sales office 195, Chukhang-daero, Jung-gu, Incheon

Southern parts sales office 40, Dongtansandan 1-gil, Dongtan-myeon, Hwaseong-si, Gyeonggi-do

Chungcheong parts sales office 125, Mojeon 1-gil, Seonggeo-eup, Seobuk-gu, Cheonan-si, Chungcheong nam-do

Jeonbuk parts sales office 2428-57, Beonyeong-ro, Baekgu-myeon, Gimje-si, Jeollabuk-do

Jeonnam parts sales office 300, Donghwa-ro, Donghwa-myeon, Jangseong-gun, Jeollanam-do

Seosan parts sales office 140, Eumam-ro, Eumam-myeon, Seosan-si, Chungcheong ngnam-do

Suncheon parts sales office 136, Gurangsiljae-gil, Seo-myeon, Suncheonsi, Jeollanam-do

Mokpo parts sales office 76, Mogucheon-gil, Samho-eup, Yeongamgun, Jeollanam-do

Jeju parts sales office 361, Bukseon-ro, Jocheon-eup, Jeju-si, Jeju-do

Gyeongbuk parts sales office 45, Ulsong-gil, Jillyang-eup, Gyeongsan-si, Gyeongsang buk-do

Gyeongnam parts sales office 2736, Gimhae-daero, Gimhae-si, Gyeongsangnam-do

Busan parts sales office 85, Sojugongdan 2-gil, Yangsan-si, Gyeongsangnam-do

Pohang parts sales office 6-13, Injwaan-gil, Gangdong-myeon, Gyeongju-si, Gyeongsangbuk-do

Gimcheon parts sales office 256, Sicheong-ro, Gimcheon-si, Gyeongsangbuk-do

Andong parts sales office 2298, Pungil-ro, Ijikk-myeon, Andong-si, Gyeongsang buk-do

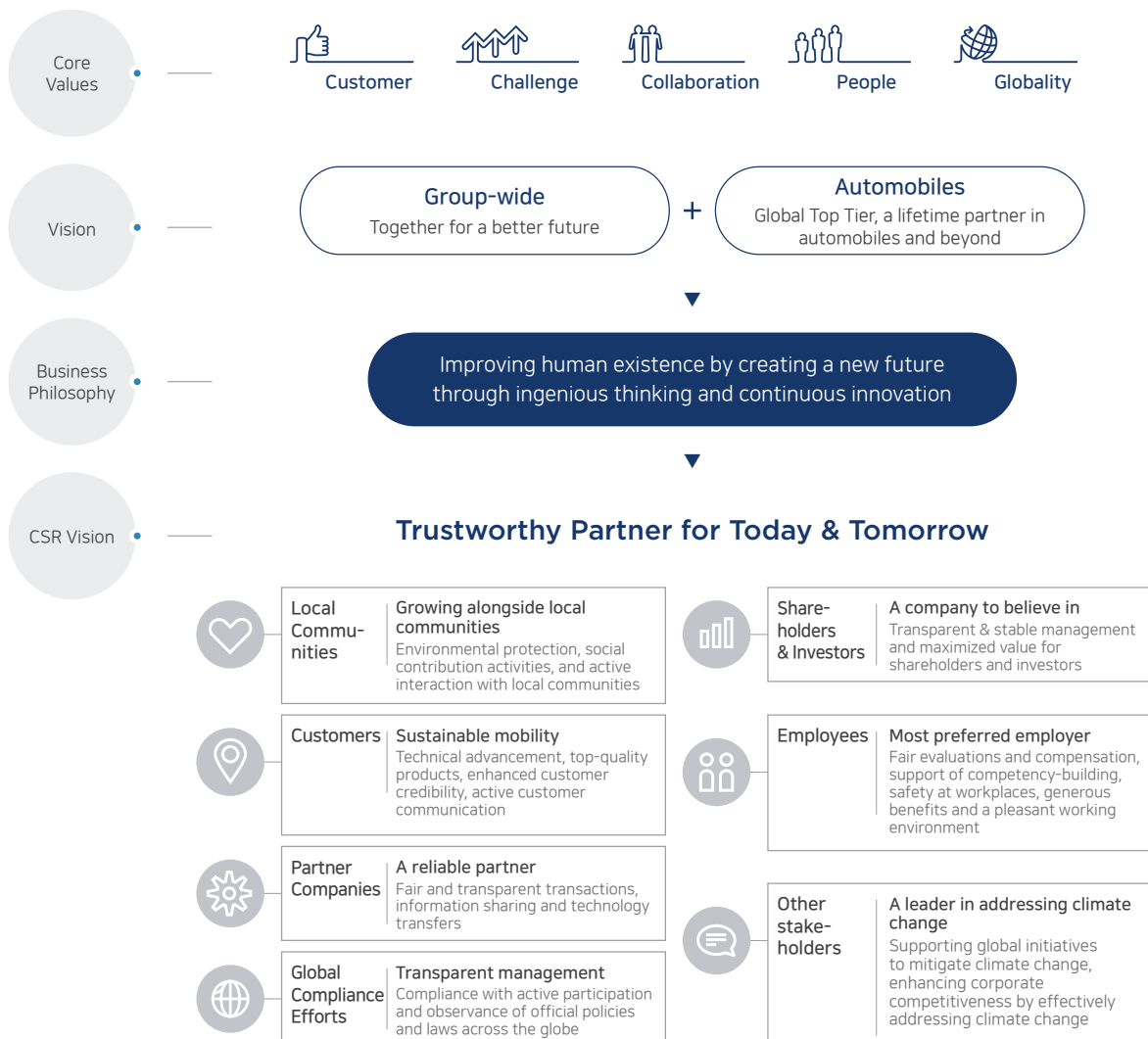
Jinju parts sales office 2-21, Injeolmigogaet-gil, Chukdong-myeon, Sacheon-si, Gyeongsangnam-do

CSR Management

Guided by our business philosophy which aims to improve human existence by creating a new future through ingenious thinking and constant innovation, Hyundai Mobis aims to become a lifetime partner in the field of automobiles and beyond. In doing so, Hyundai Mobis shares its vision and five core values with its employees. Also, we will create a virtuous cycle of sharing values with our stakeholders by pursuing a mid-to long-term social responsibility strategy by 2020.

Business Philosophy

Guided by our business philosophy which aims to improve human existence by creating a new future through ingenious thinking and constant innovation, Hyundai Mobis aims to become a leading global company. Not content to rest on its present accomplishments, the company strives to reach its full potential for the realization of future possibilities, while incorporating an unlimited sense of responsibility for the greatest satisfaction of stakeholders as it implements social outreach activities to contribute to a better society for everyone.



Vision

By supplying top-quality products and services, Hyundai Mobis aims to become a lifetime partner in the field of automobiles and beyond, realizing sustainable mobility together for a better future. To that end, Hyundai Mobis developed three-year objectives and channeled its resources to realize a mid- to long-term corporate vision of becoming one of the world's top five automotive parts suppliers by 2020.

Core Values

The five core Hyundai Mobis values—Customer Focus, Overcoming Challenges, Communicative Collaboration, Respect for People, and Global Reach—provide guidelines for Hyundai Mobis to realize its business philosophy and achieve its vision, as well as set the standard for employee behavior and decision-making criteria. Therefore, we strive to meet challenges and enhance collaboration by actively participating in the group-wide Core Value Engagement Survey (CVES) to identify implementation levels and areas that need improvement, while also creating a creative corporate culture that respects both our customers and talented employees. Hyundai Mobis shares and internalizes its five core values with all employees to enhance community spirit and solidarity, thereby achieving sustainable growth and development.

CSR Management

Hyundai Mobis has implemented a CSR management solution to achieve Hyundai Motor Group's new mid-to long-term strategy for social contributions as fulfills its obligations as a Trustworthy Partner for Today & Tomorrow, while also maintaining its commitment to finding a balance for the economic, social and environmental impact of its values and performance to share them among stakeholders. Moreover, Hyundai Mobis classifies stakeholders in order to carry out its CSR strategy, as it identifies implementation tasks and creates a working-level CSR team to focus on related issues.

Trustworthy Partner for Today & Tomorrow



Sustainability Highlights

EMPLOYEES

Employees

Implementing the Hyundai Mobis "Me First" Campaign

In order to create a corporate culture for a better workplace, we started the Me First Campaign. The campaign aims to improve work efficiency and promote communication between colleagues that begins with small changes suggested by individual employees, while also providing various participatory events for employees by deciding on monthly themes and sharing the resulting content (production of the Me First emblem, pop-ups, posters, etc.) to publicize the campaign through a company-wide bulletin. In addition, we expanded the "casual day" previously held once a month to every Friday so that a more flexible and livelier corporate culture was created in connection with the campaign.

Employee Support Systems for Achieving Work-Life Balance

With an increasing number of female employees (a 61% increase over the past five years), Hyundai Mobis has integrated support systems for pregnant employees that were being conducted at different work sites and areas, thereby creating a more systematic program. First, we provided an employee card with a pink-colored string for pregnant employees to promote consideration at the workplace. In the case of our head office and technical centers, we provide parking vouchers to ensure pregnant employees commute to work safely and comfortably (from the beginning of pregnancy to 6 months after giving birth). When returning to work after giving birth, new moms can freely use the nursing room set up within work sites.

RESEARCH & DEVELOPMENT

Research & Development

Completed the Construction of Test Roads in Seosan

Hyundai Mobis completed the construction of the Hyundai Mobis High Tech Green Technology Center and test roads of 1,097,000m² in the High-Tech Bio-Wellbeing Research Special Zone located in Seosan, Chungnam. There are a total of 14 test roads in Seosan with Korea's first high-tech roads, including a high-tech driving road, tunnel test road, wide, circular and climbing low friction lanes. The test roads established a cyber city and road environment for developing autonomous driving technology. In addition, we replicated actual road conditions, including ITS (Intelligent Transportation System) and the parking environment, which are needed to verify recognition and control performance developed by incorporating cameras, radars and sensors.

Developing the World's First Panorama Sunroof Airbag

Hyundai Mobis developed the world's first safety device that prevents the passenger's body from being ejected out of the roof when the passenger in a sunroof-embedded vehicle is in a rollover accident. Since it is embedded inside the vehicle, it looks similar to the curtain airbag that provides protection from the rear to the front of the vehicle. If there is a change in the vehicle's rotation angle due to the vehicle rolling over, the sensor will detect this and the inflator will inflate the air bag. In addition, the airbag cushion that is inflated with gas will protect the passenger by covering the whole of the vehicle roof in just 0.08 seconds.

PURCHASING

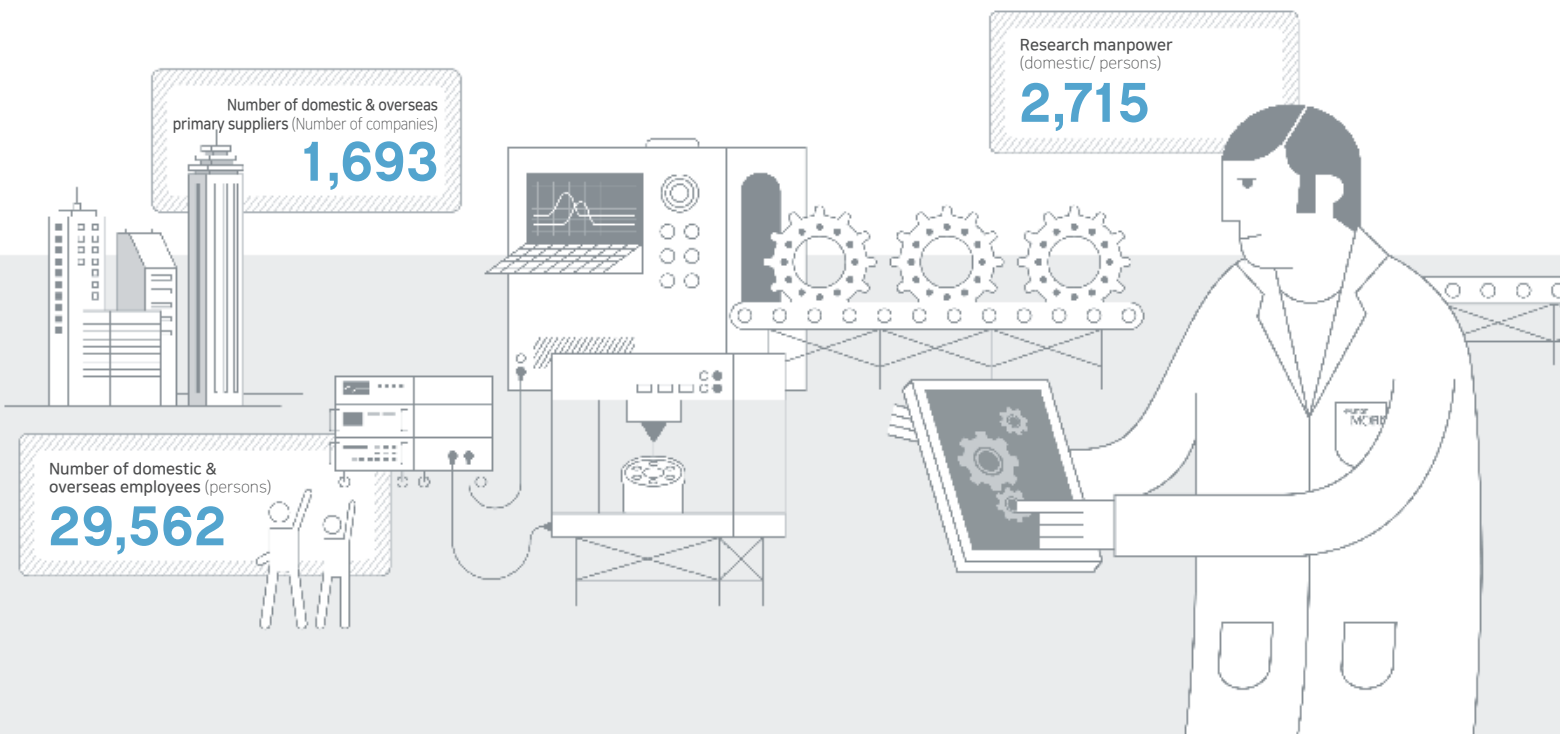
Purchasing

Achieving the Best Grade in the Win-Win Growth Index Evaluation for 2017

Aiming to achieve the two goals of providing practical support and strengthening supplier competitiveness, Hyundai Mobis made efforts to strengthen its suppliers' global competitiveness by operating win-win partnership programs for both large as well as small and medium companies. Through these efforts, we provided a wide range of support for our suppliers over the past three years (2014-2016), inclusive of KRW 16 trillion in cash settlements, KRW 190 billion in low-interest loans, and 78,000 accumulated instances of support for testing at the Shanghai Test Center. In the Win-Win Growth Index Evaluation, we received the best grade and were ranked as one of the top 25 companies among the top 600 companies in domestic sales.

Providing Win-Win Funding for Agencies

Hyundai Mobis holds Win-Win Partnership Seminars for about 300 primary and secondary suppliers. Since being held for the first time two years ago, this seminar aims to ensure suppliers develop a proper understanding of the benefits of the win-win partnership programs. Through these efforts, we shared content our suppliers might need to know, including details on the lump-sum payments for molding costs, win-win funding, and introduction of the win-win settlement system. The lump-sum payment for molding costs lowered the initial cost for small and medium-sized suppliers by paying them the costs spent on mold production before mass production begins. We also provided support for win-win funding so that suppliers with low credit ratings can get loans at low interest rates.



PRODUCTION

Production

Establishing the World's First Production Plant Exclusively for Core Components of Hydrogen Electric Vehicles

Hyundai Mobis built a new production plant exclusively for core components of hydrogen electric vehicles within the existing production site (110,000m²) exclusively for eco-friendly parts located in Chungju, Chungbuk. Test operation will take place in September. With an investment of about KRW 70 billion, the new plant is about 13,000m² (4,000 pyeong) in size and equipped with advanced production facilities that can produce 3,000 powertrain fuel cells complete (PFCs) with integrated modules featuring various core components. This is a new achievement among global auto parts companies.

Starting Mass Production at the Lamp Plant in the Czech Republic

As a production site of core components for the European region, the lamp plant in the Czech Republic supports the global competitiveness of Hyundai Motor and Kia Motors, which have made inroads locally, and was constructed to produce and sell components to complete carmakers in Europe. We invested about KRW 140 billion to complete the construction of the approximately 54,000 m² (16,000 pyeong) lamp plant on a site of about 190,000m² (57,000 pyeong) in Mosnov, located near Ostrava in the Czech Republic. The plant can produce a total of 1.5 million lamps, including 750,000 headlamps and rear lamps.

LOGISTICS

Logistics

Integration and Transfer of the Chungcheong Parts Sales Office

The Chungcheong Parts Sales Office (using the same name used previously) has integrated the existing Chungcheong Parts Sales Office and the Daejeon Parts Sales Office into a new location in Ochang, Chungbuk. The new Chungcheong Parts Sales Office plays the same role as the existing sales office and receives a wide range of parts from the logistics center to supply to agencies, support centers and car dealerships. In addition, the parts supply chain of about 230 locations in the jurisdiction (10 cities, 9 counties) and the Chungcheong region will remain the same even after integration. Meanwhile, the existing Chungcheong Parts Sales Office and the Daejeon Parts Sales Office will be utilized as reserve logistics centers that stores nonrecurring parts with low customer demand.

Conducted 2017 Parts Agency Policy Seminars

In order to strengthen the competitiveness of parts distribution and mutual communication, this seminar was held all across the nation starting from this year. From February to the middle of March, it was held a total of 7 times across the nation, in areas including Seoul, Chungcheong, Gyeongnam, Honam and Jeju, with about 1,400 representatives of nation-wide parts agencies attending. At the seminar, agenda items that were discussed included changes in the agency system, presentation of satisfaction survey results of maintenance companies, a systematization plan for training systems, and the industrial outlook of future vehicles. In addition, diverse training systems were introduced for agencies, including a Business Academy and next-generation management training.

CUSTOMERS / LOCAL COMMUNICATION

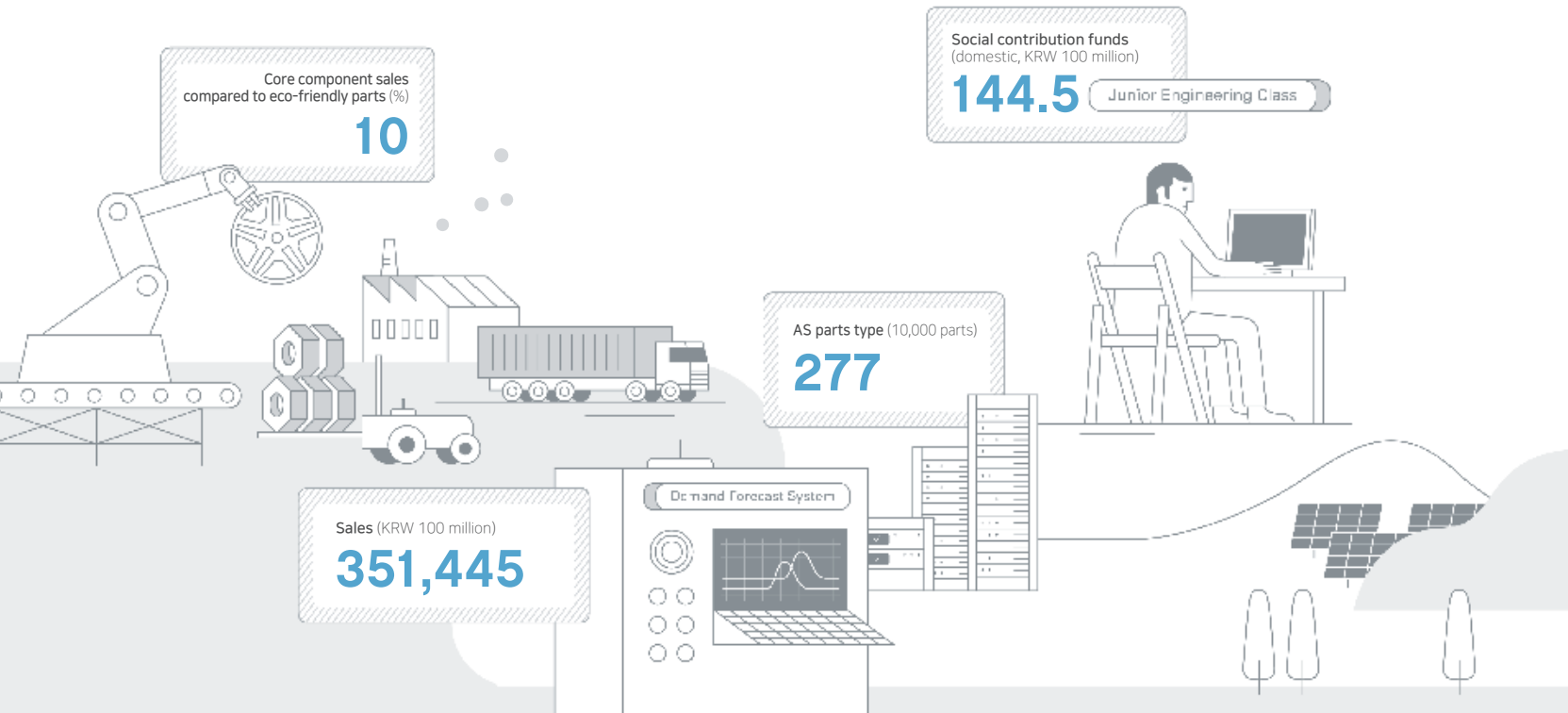
Customers Community

Launched the New Social Contribution Program 'Dream Move'

As the existing social contribution system of Hyundai Motor Group, 'Dream Move' is an expansion of the four moves, which is a self-support social contribution activity that enhances the quality of life for the future generation and promotes talent development. In order to fulfill the objectives of the Dream Move, Korea's representative sport - archery was chosen. This year, we ran pilot programs for the archery class in Korea and Tianjin, China, based on talent donation by former and current athletes on archery teams. Starting from next year, we plan to operate the program at elementary schools near domestic and overseas work sites.

Establishing the Corporate Governance & Communication Committee for Strengthening Protection of Shareholders' Rights and Interests

For the purpose of protecting shareholders' rights and interests and promoting communication, Hyundai Mobis established the Corporate Governance & Communication Committee consisting of outside directors. The committee has five outside directors on the Board of Directors. When important management issues occur that affect shareholder values, including mergers and acquisitions (M&A) as well as acquisition and disposal of major assets, the committee reflects the opinions of domestic and overseas shareholders.



MATERIAL ISSUES

Hyundai Mobis strives to become a global top tier producer of the 21st century by securing core technologies as growth engines for the future and expanding customer-oriented socially responsible management and environmental management, as well as pursuing win-win partnerships together with its suppliers. Most notably, we have made strenuous efforts to maximize human resource competencies that act as the driving force behind corporate growth, thereby respecting the cultural diversity and human rights of all employees.



SECTION 1

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01. Future Core Technology and Competitiveness

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02. Customers Satisfaction

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03. Human Rights and Organizational Culture



FUTURE CORE TECHNOLOGY AND COMPETITIVENESS

R&D investments in 2017
(Unit: KRW 1 million)

769,569



01

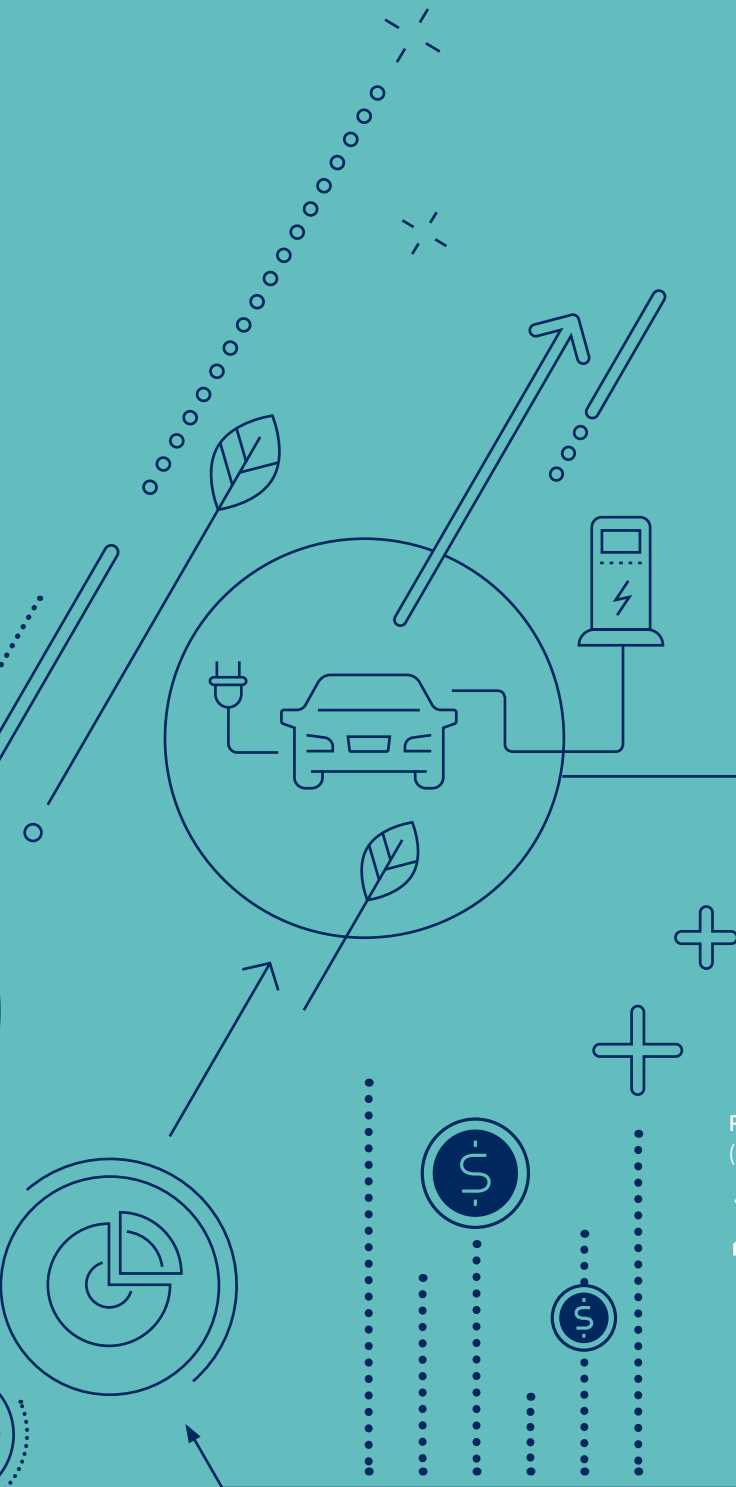
Recently, the automotive sector has changed dramatically. In order to gain an advantage in these business environments, Hyundai Mobis focused all of its competencies on autonomous driving, connectivity car and green car to become a leading company in new future car technologies. We will secure our own technology for fully autonomous vehicle sensors by 2022, with plans to develop new future technologies including vehicle connectivity solutions. We will achieve more than 40% of sales in key components of future cars by 2025, while also implementing strategic M&A to secure technologies as soon as possible. Meanwhile, we hired 4,000 software manpower to secure technologies, as well as make social contributions by creating jobs.

Number of R&D projects in 2017
(Unit: number of projects)

1,036

R&D manpower in 2017
(Unit: persons)

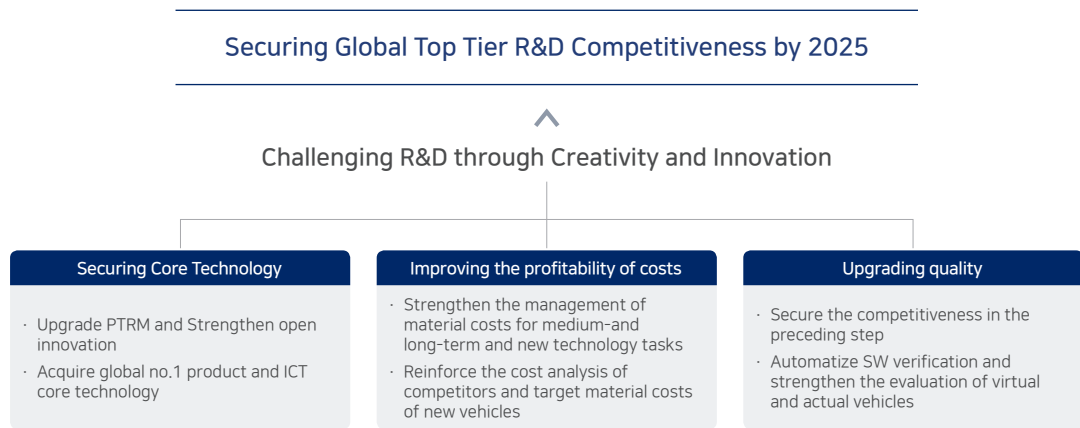
2,715



R&D Status

Aiming to achieve the R&D vision of strengthening its globally competitive technologies, Hyundai Mobis is conducting R&D by cementing its vision of enhancing its global top tier R&D competitiveness by 2025 and conducting research to strengthen the price competitiveness of chassis and design parts, which are our key products, and differentiate itself with autonomous driving, infotainment and eco-friendly technologies. To achieve this, we expand R&D investments annually, while also working hard to recruit research staff at home and abroad.

R&D Vision



R&D Research Center

Hyundai Mobis Technical Center Mabuk is located within Yongin-si in Korea. It has played a leading role in Korea's auto parts technologies by continuing to overcome challenge and pursue innovation. The Mabuk Technical Center is furnished with advanced equipment and research facilities, including an electromagnetic darkroom and airbag deployment testing lab. We also maintain the Uiwang Technical Center for the development of production technology with a quality control center and a test base in place separately. In addition, we have overseas technical centers in North America, Europe, India and China to enhance competitiveness by strengthening technological competencies regionally. Starting from 2016, we have begun tests for new advanced technologies like DAS by opening the Hyundai Mobis High Tech Green Technology Center on a 330,000 pyeong site in Seosan, Chungnam with 14 test roads, including a high-speed test road and high-tech test road. Besides Seosan, Hyundai Mobis has set up test roads in Sweden, New Zealand and China, ensuring high-tech auto parts to meet specific local needs can be developed in multiple environments globally.

Classification	Test roads	Major evaluation activities for test roads
Overseas	Arjeplog (Sweden, 500,000 pyeong)	· New advanced technologies including MEB/CBS/MDPS/EPB/DAS
	Wanaka (New Zealand, 30,000 pyeong)	· Benchmarking and evaluating new technologies and products
	Heilongjing (China, 900,000 pyeong)	· Evaluated the credibility and clients' sign off during the winter
Korea	Seosan (Korea, 330,000 pyeong)	· Strengthened the verification of new technologies, including test roads for new DAS (Driver Assistance System) advanced technologies, etc.

- MEB: [Mobis Electronic Brake] Mobis' independent model of the advanced electronic control devices, including ABS (Anti-Lock Brake System) and ESC (Electronic Stability Control).
- CBS: [Conventional Brake System] Device for reducing speed or stopping a moving vehicle
- MDPS: [Motor-Driven Power Steering] Assist device of steering torque that uses electric motor instead of hydraulic pressure
- EPB: [Electronic Parking Brake] Electronic parking brake system that enables parking brake power with switch operation
- DAS: [Driver Assistance System] A system that secures view, indicates screen, provides guidance, gives warning and controls for driving and parking by analyzing the vehicle's external environment and driver status.
- PTRM: [Product/Technology Road Map] Development plan of products or technologies by stage

R&D Staff (Unit: persons)

2,715



R&D Expenditures (Unit: KRW million)

769,569



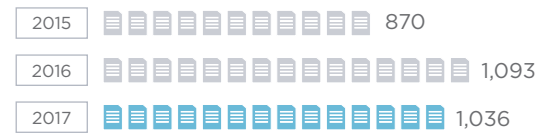
Number of Car Models (Unit: No. of cars)

117



Number of Projects (Unit: projects)

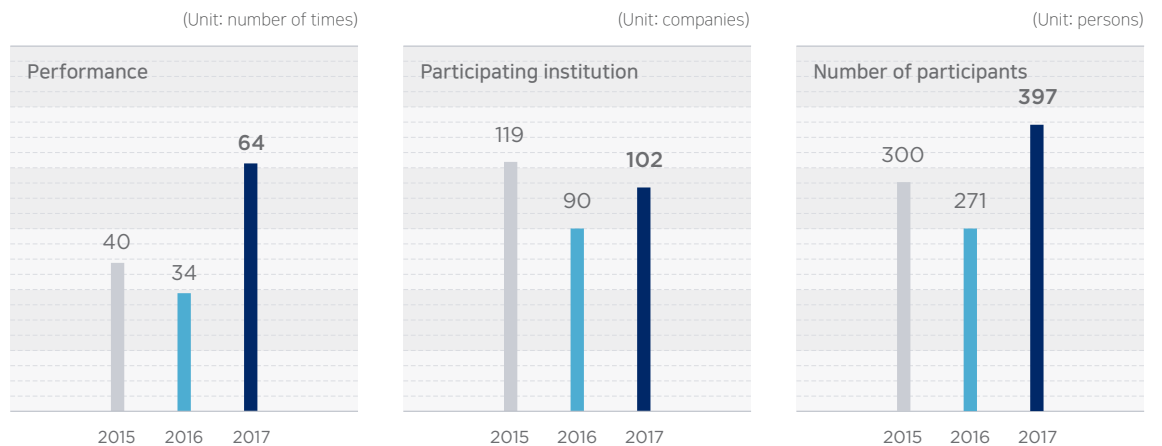
1,036



Developing Technologies through Cooperation with External Stakeholders

Hyundai Mobis is improving its technological competencies through exchanges with external stakeholders, including the government, academia and suppliers. We receive advice on pending issues by identifying the latest technology trends from academic experts at technology forums. In 2017, we held technology forums to discuss 17 cases involving the latest trends in automotive technologies and reviewed theoretical approaches for 12 cases with professors both in Korea overseas. Hyundai Mobis held the CTO (Chief Technology Officer) forum, including the exchange meeting where 13 teams attended to share Mobis' development directions and key projects with suppliers, and the one-on-one consultations to screen technology proposals through on-site visits. Through the CTO forum, we strengthened actual collaborations, including exploring joint development technology with key suppliers, and identifying the current status and difficulties of suppliers.

Operation Progress of the CTO Forum

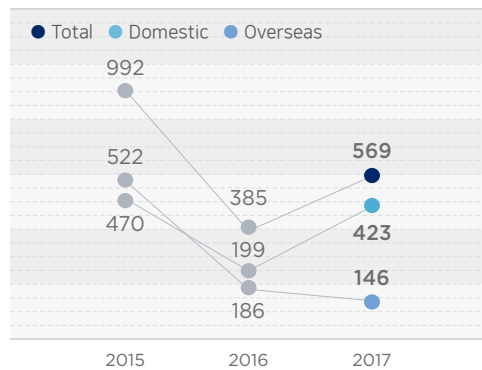


* Technology forum: Establish R&D network by identifying the latest technology trends, receiving expert advices on pending issues, and holding industry-university technology exchanges.
 * CTO forum: Share development direction and strengthen collaborations to strengthen win-win partnership with large and medium and small-sized suppliers.

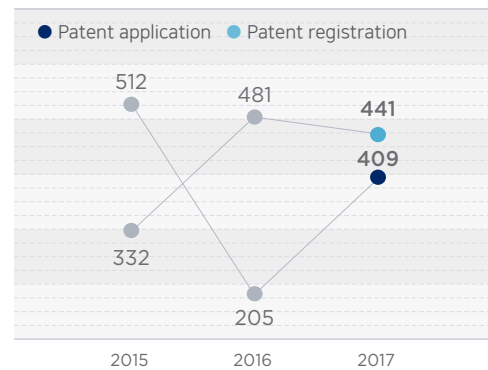
Supporting Employee Patents and Creativity

Hyundai Mobis encourages all its employees, as well as its researchers, to get involved in creative activities through a number of programs. Employees who file for or register patents are provided with transparent monetary incentives based on internal laws governing compensation for employee invention. Additional monetary rewards are offered when the registered patents are used in our products or generate profits. The company awards teams that generate the best performance with monetary rewards on an annual basis, while providing motivation for employee engagement and inventions through our invention support programs, with a patent attorney providing consultations on the patent application process once a month. Since 2012, Hyundai Mobis has been holding a company-wide contest for ideas related to future technologies in promotion of employee creativity. A total of 1,391 applications were received over the past five years and 102 outstanding entries have won awards. The 2017 grand prize winner was a real-time vehicle monitoring device through AVM and BlueLink, and received a prize money worth KRW 2 million. Hyundai Mobis will continue with this awards program to motivate more creative ideas and technology development from employees for future technologies, thereby leading to the commercialization of new technologies.

Performance of intellectual property rights filed domestically and overseas (Unit: cases)



Cases of compensation for employee patent application and registration by requesting for examination. (Unit: cases)



* After applying for patents, the registration usually takes place 4 years later by requesting for examination. Therefore, the performances of patent application and registration in this table by year show the figures for individual patent.

* Hyundai Mobis supports up to KRW 200,000 and KRW 900,000 for application and registration, respectively, and compensate a certain amount of the profits for protecting, disposing and monitoring patent rights. Besides this, we selected the best invention team according to the patent grade and performance to award them with a total of KRW 7 million per year.

Award status of a company-wide contest for ideas related to future technologies

Year	Awards	Items
2012	Grand prize	Voice recognition smart key
	Gold prize	Headrest-embedded directional independent speaker
2013	Gold prize	Cooperative regenerative braking and energy recovery method using EPB
2014	Grand prize	Head tracking device for vehicles
2015	Grand prize	Variable HUD for speed-sensitive perspective distance
2016	Gold prize	Aperture for removing detect sensor-based tunnel effects
2017	Grand prize	Real-time vehicle monitoring through AVM and BlueLink

- Awarded in 2012: 47 people aside from one top prize winner with KRW 500,000
- Awarded in 2013: 24 people aside from one gold prize winner with KRW 1 million
- Awarded in 2014: 8 people aside from one gold prize winner (KRW 1 million) (About KRW 12 million for visiting the Switzerland Invention Contest)
- Awarded in 2015: same as 2014
- Awarded in 2016: 8 people aside from one gold prize winner (KRW 1 million)
- Awarded in 2017: 8 teams aside from one gold prize team (2 people/KRW 2 million) (about KRW 8.5 million for visiting the Switzerland Invention Contest)

Development Status of Green Vehicles

Business Opportunities Derived from Climate Change

Automotive demand has shifted from existing internal-combustion engine vehicles that use diesel and gasoline to focus on green vehicles that use new energies powered by hybrid and electric motors as well as hydrogen fuel cell. In particular, due to the increase in environmental problems, including global warming and air pollution, major countries recognized the severe impact of climate change and have correspondingly strengthened automobile industry policies, including regulations on vehicle emissions and fuel efficiency as well as stronger obligatory compliance standards for railway vehicles. The European Union (EU) plans to reduce CO₂ emissions of 95g/km by 2020 and 70g/km by 2025. In 2016, the U.S. increased the expected average fuel economy from 35.5mpg (15.1km/l) to 54.5mpg (23.2km/l) by 2025, and strengthened CO₂ emissions to 107g/km. In addition, the permissible level of CO₂ emissions has been set at 117g/km in China and 97g/km in Korea. For this reason, the acquisition of core technologies for green cars and the acquisition of quality assurance systems and manufacturing productivity is becoming more important.

Green Vehicles Using Hyundai Mobis Technologies

	Hybrid	Electric Vehicle	Hybrid Vehicle
2018	Ioniq Azera Niro Sonata K5 K7 Ultra-low floor CNG buses Hybrid	Kona Soul Niro Ioniq Nexa	
2017	Ioniq Hybrid Niro Plug-in Hybrid Azera Hybrid K5 Wagon Plug-in Hybrid	Ioniq (18M1)	
2016	Ioniq Hybrid / Plug-in Hybrid (Exclusive Model) Niro (Small SUV) K5 Plug-in K7 Hybrid	Chinese K5 Ioniq (Exclusive Model)	
2015	Sonata Plug-in Hybrid New K5 Chinese Sonata		
2014	Sonata	Soul	
2013	Azera K7		투싼
2012	Ultra-low floor CNG buses		
2011	Sonata K5	Ray	
2010		BlueOn	
2009	Elantra Forte		

Direction of Research & Development

In line with the changes implemented by complete carmakers, Hyundai Mobis came up with the following development strategies to take the lead in green car components. First, we are striving to reduce engine load by utilizing a 48V power system. Second, we are developing various green car technologies, including water-cooled battery systems and chargers for efficient thermal management of high-capacity batteries installed in plug-in hybrid electric vehicles (PHEV), as well as hydrogen supply devices used in fuel cell electric vehicles (FCEV).

48V System

The 48V power supply system consists of starting generators for engine restarting and generation and auxiliary driving force, converters that supply power to 12V electronic components, and batteries that supply 48V electric energy. In 2015, Hyundai Mobis developed a 10kW-class integrated starting generator, a 2.5kW-class bi-directional converter (48V↔12V), and a 450Wh-class 48V lithium battery system. Air-cooled chillers are utilized by starting generators with cooling fans installed in the motor rotation axis, with no need for a separate cooling loop. Converters have been developed to enable 12V lead-acid batteries for 48V supplies and step-up operation, so that power is supplied to start engines in emergency situations. The application of this system will provide better fuel efficiency

than a 12V Stop & Go System because it can stop and restart the engine regardless of whether the car has stopped or not, while also enable driving torque assistance and regenerative braking. Compared to the high-voltage hybrid technology, the new system is a low-cost hybrid technology that can minimize changes made to a vehicle's powertrain.

Battery Systems

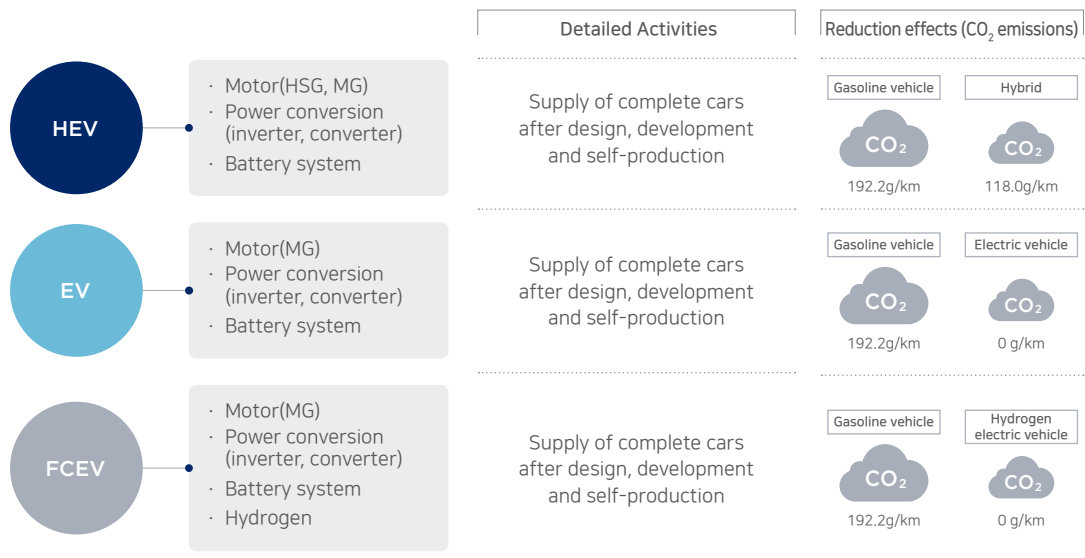
Battery systems consist of battery packs that supply high-voltage electric energy to vehicles, while the battery controller protects and controls the battery pack and battery. This makes battery packs a core part with a significant influence on the mileage and fuel economy of vehicles. We enhanced our battery system to lighten the weight of battery packs and utilized a bottom case by welding two pieces to the lower cover of the battery system, to enable installation in IONIQ EVs. Additionally, we are utilizing high-capacity batteries to increase driving range for electric vehicles and developing water-cooled thermal management technologies that use fluids from air-cooling system for enhanced efficiency, which will be installed in future car models. In addition, we are conducting researches on the next-generation battery, including solid-state battery.

Hydrogen Supply Devices

Hydrogen supply devices provide hydrogen, the fuel source of FCEVs and control the output of fuel cell stacks by adjusting the hydrogen flow rate. The devices make use of a technology that reuses the unreacted hydrogen in the fuel cell stacks, thereby raising the hydrogen consumption rate. Hyundai Mobis has now successfully developed 100 kW-class hydrogen supplier devices that realize high power density with a modularized design, while enhancing the efficiency of the fuel cell system through integrated control of the hydrogen supply. By utilizing a hydrogen recirculation compressor, the system achieved a 95 percent hydrogen consumption rate. High pressure water supplies became possible, which enhanced energy power density in modularizing hydrogen supply devices and stacks for joint distributors, so that they were applied in Nexu FCEVs.



Whole view of the Chungju plant





Production line of the hydrogen vehicle parts

Proportion of green car component sales (compared to core component sales) (Unit: %)

10

CO₂ reduction effects of hybrid vehicles (Unit: %)

62.8

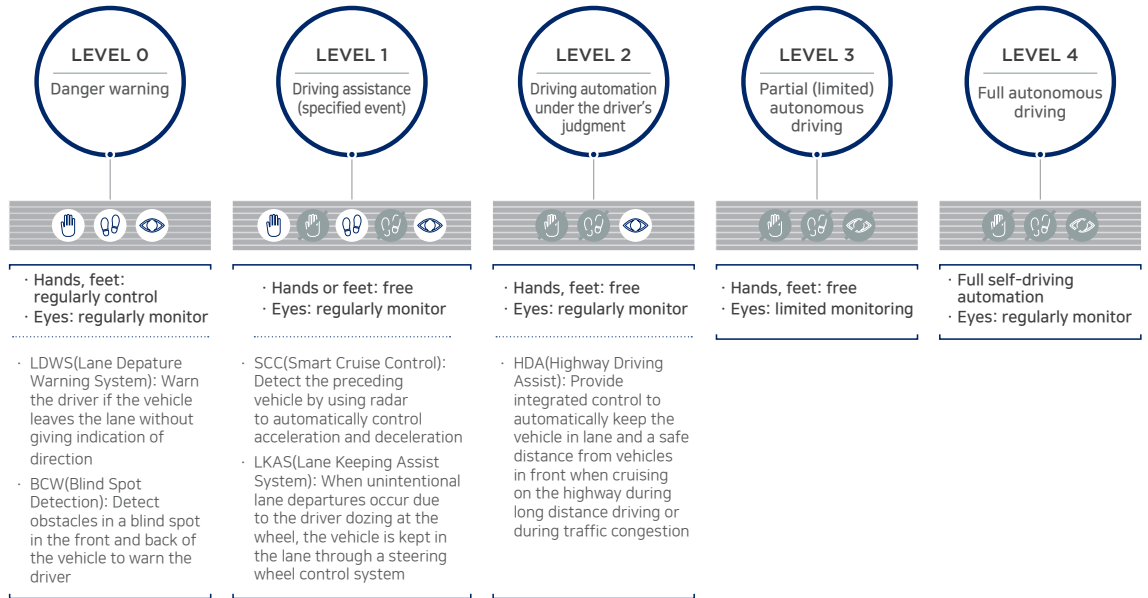
Achievements in Developing Parts for Green vehicles

In 2017, Hyundai Mobis developed core components for the electric vehicle Ioniq and the hydrogen vehicle Nexo. As a result, CO₂ reduction effects related to hybrid vehicles exhibited a reduction of 62.8% from 192.2g/km to 118.0g/km. The CO₂ emissions of EVs and FCEVs are expected to greatly contribute to halting global warming with emissions of 0g/km. In particular, the sales of green car components reached 10% of the sales of core components in 2017, and is expected to increase further as the sales of EVs and FCEVs increase in the future. A CO₂ reduction will be witnessed as sales increase so that the development and sales expansion of green car components will enhance Hyundai Mobis' CSR compliance. In August 2017, Hyundai Mobis constructed a production site that localized 98% of core components, including fuel cell electrodes for a production scale of 3,000 hydrogen electric vehicles per year. We set up and began operating a new plant exclusively for producing core components of hydrogen electric vehicles within the existing production site for green car components (110,000m²) located in Chungju, Chungbuk. With an investment of about KRW 70 billion, the new plant was completed on a 13,000m² (about 4,000 pyeong) site. It is home to an advanced production facility that can produce power-train fuel cell complete modules for 3,000 vehicles per year. In addition, we lightened the weight so that the total weight of the fuel cell system produced here is 10% lighter than the existing product. We also produced high-tech components that improve total performance output by 15%.







Status of Autonomous Driving Vehicle Component Development

Society of Automotive Engineers (SAE) has defined six levels (level 0~level 5) of autonomous driving. Level 0 involves providing warnings to the driver without controlling the actual vehicle. Level 1~2 involves controlling the vehicle under limited conditions with the driver paying attention to the surrounding environment at all times. Level 3 is partially automated driving that allows autonomous driving only under limited conditions with control returned to the driver in a critical situation. Level 4 is an advanced automation stage where limited autonomous driving is done only during the daytime in certain regions depending on the weather conditions and environment. Level 5 refers to a full self-driving vehicle without a driver's seat like a robot taxi. Control of the vehicle is given to the driver in levels 0~2. Likewise, control is given to the system or the driver in level 3, and only to the system in level 4~5.

Autonomous Driving Technology Development by Stage



Reference of Autonomous Driving Technology

Classification		Driver Assistance System (DAS)		Autonomous driving			
Recognition targets	Stationary objects	Euro NCAP 2018 Lanes, signs	Euro NCAP 2020 Boundary line of road	Full 360 degree driving condition recognition, including speed bumps, pedestrian crossings, road surface loss, falling rocks/falling objects, tunnels, guardrails, soundproof walls, sinkholes, etc.			
	Moving objects	Vehicle rear, lamps, day and night pedestrians, bicycles, vehicle side, motorbikes		Wheelchair, large and small animals, one-seater electric vehicle, baby carriage, etc.			
Sensing scope		Rear radar	Front radar	Front lateral radar	Radar	AVM	Radar
							
		MFC (front camera) Fusion / single	Fusion	Fusion	Fusion	Fusion	
Representative system		SCC, FCA, LKA	HDA2('19~)	HAD('21~)	Complete autonomous driving (~'30)		
Function (NHTSA automation standard)		Warning and driving assistance (levels 0,1)	Driving automation under the driver's (Level 2)	Partial (limited) autonomous driving (Level 3)	Full autonomous driving (Level 4)		
Driver conditions		Hands or feet: temporarily free Eyes: always watching	Hands, feet: temporarily free Eyes: always watching	Hands, feet: free Eyes: temporarily free	Hands, feet, eyes: free		

CASE.

Hyundai Mobis' Technology Development Efforts for the Future

1. Developing Autonomous Driving Sensor by 2020

The three key technologies of autonomous driving are perception, decision and control, which are technologies that control the brake and steering with the car recognizing and judging the internal and external situations on its own. Hyundai Mobis already secured international competitiveness in judgement and control areas. The mass production of level 2 of highway autonomous driving has been completed, and we plan to secure the technology for level 3 of highway autonomous driving by 2020, with mass production by 2022.

Hyundai Mobis is focusing on developing sensor because all of the three key technologies, including perception, decision and control, have to be acquired in order to realize the optimal function of autonomous driving and gain a global competitive advantage. In addition, the rapid growth of the sensor market is forecasted, so that the sensor will account for 60% of level 2 of autonomous driving, or the Advanced Driver Assistance System (ADAS) market, by 2021. Since the development of sensors that convert and read digital signals in external driving environment is an important task of autonomous vehicles. Hyundai Mobis plans to focus on developing sensor technology by utilizing innovative development method, including upgrading identification technologies by using deep learning.



2. Developing High-Performance Radar as the Core of Autonomous Driving

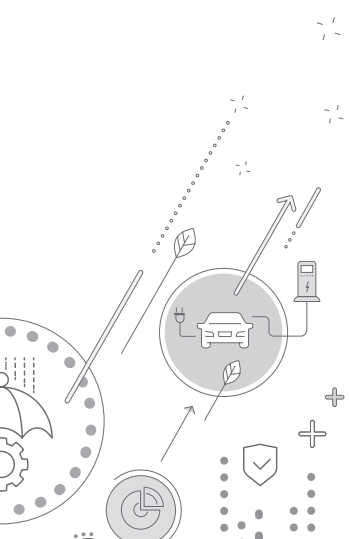


In order to develop independent radar, Hyundai Mobis signed technical cooperation with German companies, including SMS and ASTYX. They are companies specializing in radar development that own world-class design abilities that jointly develop radar with global complete carmakers and parts companies, including SMS with TRW and Continental and ASTYX with BMW and Autoliv. ASTYX has supplied high-performance radar to Uber, which is the world's no.1 car sharing company that will be gearing up for the development and service of autonomous driving. Together with these two companies, Hyundai Mobis will develop 5 radars

for autonomous vehicles that can detect 360° of the outside of the car until this year, with plans to gradually mass produce by 2021.

With SMS, we are developing forward-looking entry-level radar, as well as side-looking entry-level radar installed in all angles. With ASTYX, we are developing forward-looking high-performance radar. In order to improve the radar's target identification ability, we will complete joint research with the Seoul National University by 2018.

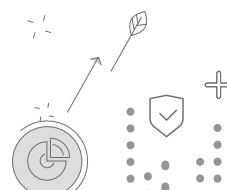
Hyundai Mobis will complete the development of entry-level high-performance radar within 2018, with plans to gradually mass produce starting from 2019. In order to develop camera and rider, we are collaborating through various means, including technical cooperation and M&A with international companies specializing in innovative technologies. Based on the development of independent sensor, we will secure advanced technology for market domination to actively supply autonomous driving sensors and systems to international complete carmakers.



3. Continuous Investments to Realize Autonomous Vehicles

For the technology development of future cars, Hyundai Mobis used the test roads in Seosan, Chungnam, which was completed in June 2017, as test beds for new technology. In particular, we will develop independent autonomous driving sensor, an important part of future cars, by 2020. Based on accumulated technology, we plan to take the lead in global market for autonomous driving. To achieve this, we will increase R&D investments, which is currently at 7% level compared to parts sales, to 10% by 2021. Among them, 50% will be mainly invested in ICT areas closely related to autonomous driving, while also actively expanding R&D manpower and infrastructure and conducting technical cooperation with overseas specialized companies.

To achieve this, we will continuously invest in autonomous driving technology to display world-best standard, by increasing R&D manpower for autonomous driving to more than 1,000 employees by 2021 and expanding M.Billy autonomous vehicle for global testing to 20 vehicles by 2019.



CUSTOMERS SATISFACTION

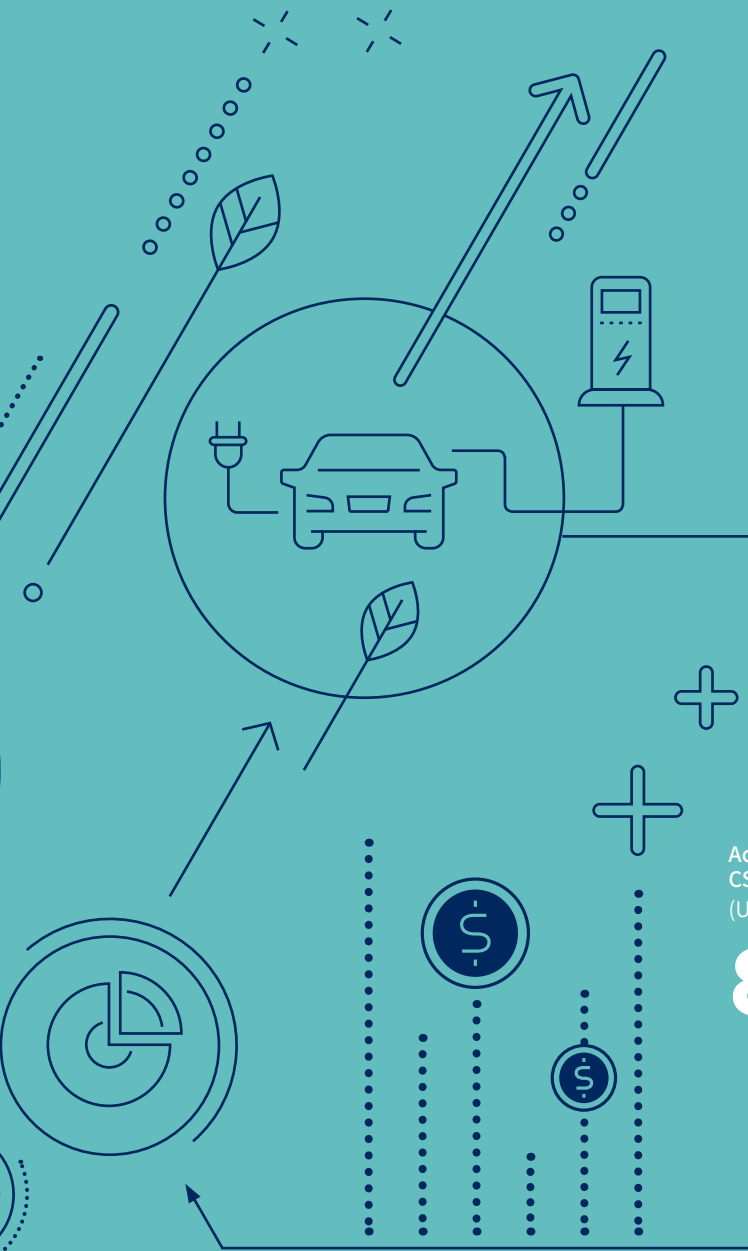
CS 1 million index improvement
rate for parts quality
(Unit: %)

19.6



02

Hyundai Mobis has focused all of its competencies to maximize customer satisfaction and go beyond customer expectations. As a B2B company, in order to provide top-quality products and services to our key clients Hyundai Motor and Kia Motors as well as other overseas complete car makers, we have established a set of core values: realizing defect-zero quality, ensuring top-quality customer satisfaction, instituting processes in line with global standards, and reinforcing suppliers' quality competitiveness. In addition, we promptly repair customer cars as a supplier of after service parts so that customers remain satisfied with repairs. The Korean government is strengthening regulations on vehicle safety standards by revising the Korean Safety and Performances Regulations for Motor Vehicles and Parts, while also significantly improving the Korean New Car Assessment Program. In addition, the medium-and long-term plan for the Korean Car Assessment Program that will start in 2019 (2019~2023), which was established to provide directions to improve the multi-dimensional assessment program, including expanding car models and items being evaluated and strengthening the comprehensive grade calculation standards. Due to the recent large car recalls, there is a widespread demand to enhance quality control in the auto industry. In line with the development of advanced technologies, cars transformed from a simple means of transportation into a smart car. As a result, there is high expectation to meet the quality of SW. Maintaining the best quality is a promise to ensure safety and satisfy our customers.



Number of AS parts items provided to 244 vehicles in 2017
(Unit: 10,000 parts)

270

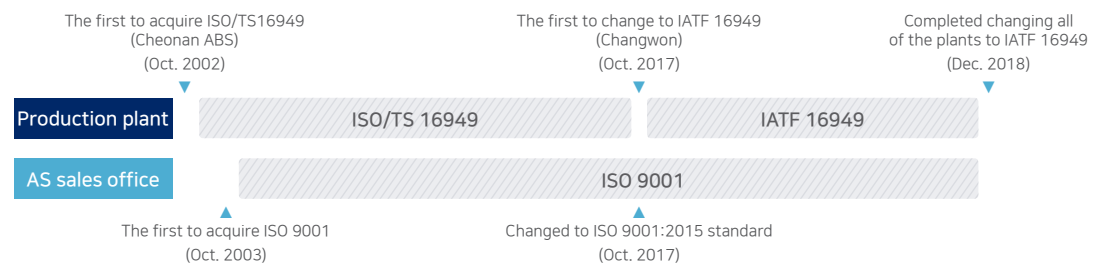
Achievement rate for CSI quality satisfaction
(Unit: %)

83.5

Activities and Performances for Improving the Safety of Modules and Core Components

Quality Management System

Hyundai Mobis' products are characterized by being components instead of complete products so that the quality and completeness are directly linked to the customers' safety. To ensure customer safety, we focused all of our competencies by selecting top priority tasks, including realizing defect-zero quality, securing customer satisfaction system, establishing processes in line with global standards, and reinforcing suppliers' quality competitiveness. In 2002, Hyundai Mobis was the first Korean company to earn the ISO/TS 16949 certificate, the quality management system (QMS) for international carmakers, to establish the basis for achieving zero-defect quality processes. As of the end of 2017, the company completed acquiring the ISO/TS 16949 QMS certificate for 30 of its production sites around the world. In line with the transformation to a new standard -IATF 16949 QMS as of the end of 2016, we are preparing for the transformation of global production sites in phases by 2018. In addition, we established a risk-based process that meets global standards from product development to quality assurance as part of our efforts to improve preventive actions taken.

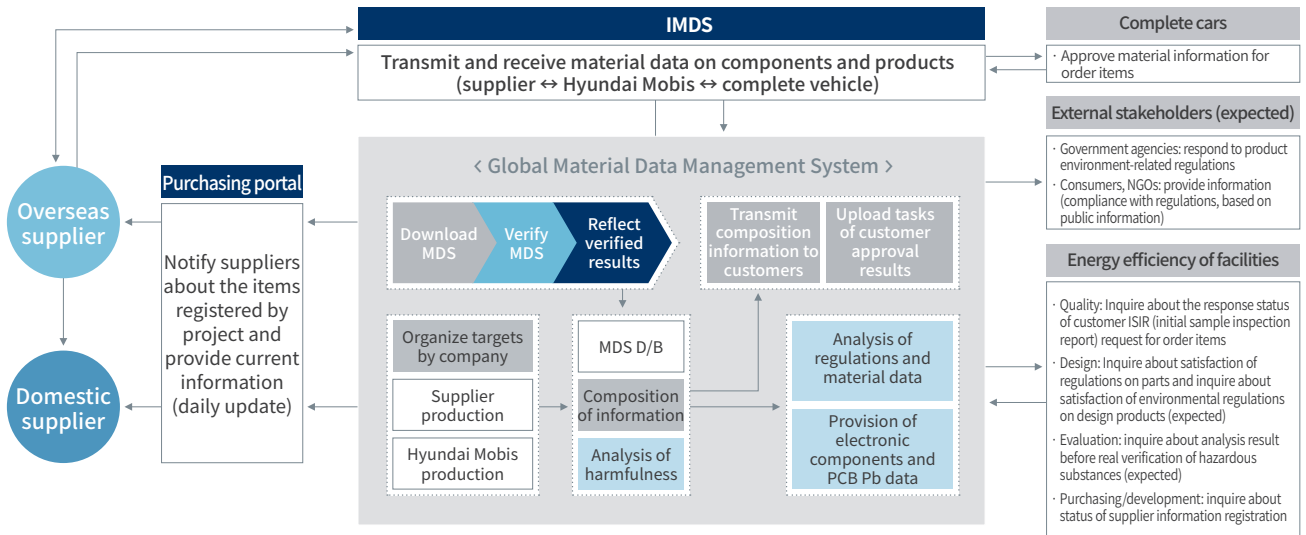


Quality Management System Operation

Hyundai Mobis aim to achieve zero-defect production quality by preemptively managing factors that might cause problems by statistically managing such problems. Since enhancing durability has been a major challenge for automotive parts, we analyze and improve components with weak durability and reflect the results in technology standards, while also conducting intensive production line checking to improve field practices. In addition, Hyundai Mobis' Quality Council, presided over by top management, ensures the systematic management of quality innovation. Hyundai Mobis has established systems that prevent quality issues arising in different plants, such as early warning systems, defect tracking management systems and human error prevention systems. If the system detects any defects, immediate actions can be taken, while a QR code ensures other types of parts are not included in the process. As for key components, the automation of important processes reduces mistakes that might occur during processing and assembly. Also, in order to systematically improve execution for integrated management and quality management, we established QMS 2.0 as a next-generation quality management system, thereby enhancing the quality of activities in a smart environment. In addition, we make strenuous efforts to improve basic quality by conducting on-site inspection and problem analysis of suppliers that cause repeated quality problems.

Raw Material Management System for Managing Harmful Substances and Conflict Minerals

Hyundai Mobis has provided thorough management of the quality of raw materials that make up the components, ensuring the safety of all products supplied. We have established the MCMS (Mobis Chemical Management System) for the systematic management of chemical substances to prevent the use of hazardous substances in advance, a system applied to all domestically produced car models. Besides fulfilling the obligation to report chemical substances used by country and preventing the use of hazardous substances in the R&D stage, we promptly respond to stakeholders' requests for data. In addition, Hyundai Mobis collects information on listed hazardous substances contained within automotive parts, while also conducting regular monitoring through an international material data system, enabling prompt response to important changes made.



※ IMDS (International Material Data System): joint rules of the automobile industry as an international material data system developed by complete carmakers

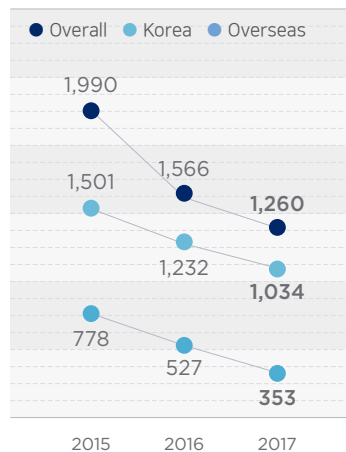
Performance of Quality Improvement

Hyundai Mobis made continuous improvement in initial quality by improving its CS 1 million index, which stood at 1,232 in Korea and 527 overseas in 2016, to 1,034 in Korea and 353 overseas in 2017, up by 16% and 31%, respectively. We also greatly enhanced our vehicle dependability to improve our RS 1 million index to 1,779 in Korea and 944 overseas in 2017, up by 25% and 44%, respectively. In addition, we scored 16.7 points in 2017 in the IQS (Initial Quality Study) rating in the North American market, showing an improvement by 9% from 18.3 points in 2016 to raise customer confidence. Furthermore, we strengthened advanced quality assurance program for new future technologies including autonomous driving and eco-friendly technologies, ensuring the quality actually meets the satisfaction of customers.

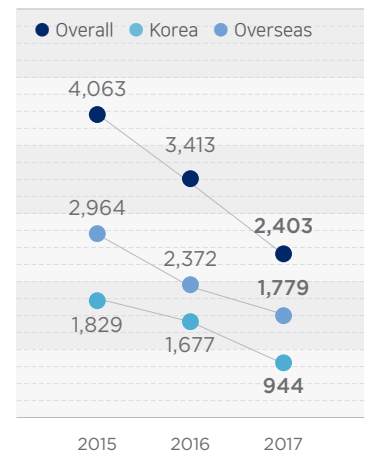
J.D. Power North American quality index (Unit: points)



RS 1 million index (Unit: cases)



CS 1 million index (Unit: cases)



* IQS (Initial Quality Study) shows the number of problems per 100 vehicles experienced in the first 90 days of ownership, and the VDS (Vehicle Dependability Study) indicates the rate of problems per 100 vehicles experienced in the first three years after purchase.

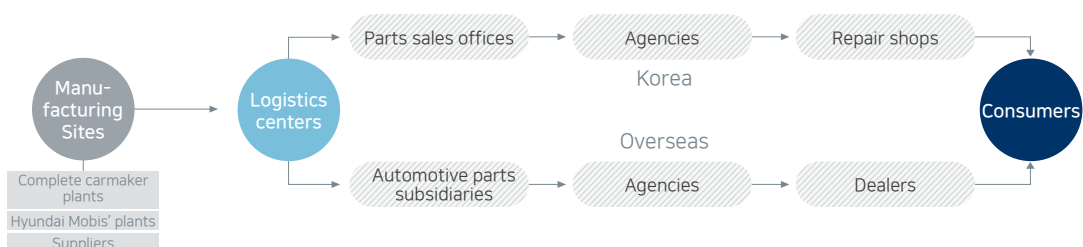
* The CS 1 million index is a market quality indicator that indicates the number of claims made for every 1 million vehicles in the first 90 days of ownership.

* The RS 1 million index is a market quality indicator that represents the number of claims made for every 1 million vehicles in the first 10-12 months of ownership.

Activities and Performances to Improve the Safety of Supplying AS Parts

Aftermarket Service Parts Supply Process

Hyundai Mobis is obliged to provide end-users with timely aftermarket service (AS) parts for vehicles sold by carmaker clients. Under the relevant Korean laws governing the industry, the Consumer Protection Act and the Automobile Management Act, all AS parts are required to be available on the market for at least eight years after a vehicle model has been phased out. In compliance with this, Hyundai Mobis supplies AS parts to Hyundai and Kia Motors vehicles both in the domestic and overseas markets by drawing on its vast distribution network after rigorous tests and quality assurance programs are conducted to ensure the optimal functioning of various vehicle models until the end of each model's lifecycle.



As of the end of 2017, approximately 58 million Hyundai and Kia Motors vehicles were on roads around the world, with Hyundai Mobis supplying 2.7 million AS parts for 244 different models. Although customer demand for AS parts is always unpredictable, it is necessary to have an efficient logistics system with accurate demand forecasts to ensure timely supply.

Domestic and Overseas Parts Sales Network

(Unit: centers)

Classification		2015	2016	2017
Korea	Parts sales offices	23	23	22
	Logistics centers	4	4	4
	Service parts sales teams	42	41	40
	Agencies	1,940	1,856	1,894
Overseas	Overseas Automotive parts subsidiaries	15	15	15
	Parts Distribution Centers(PDC)	51	55	57
	Regional Distribution Centers(RDC)	2	2	2
	Branches and offices	1	1	2
	Agencies	460	535	505
	Dealers	12,929	14,241	14,648

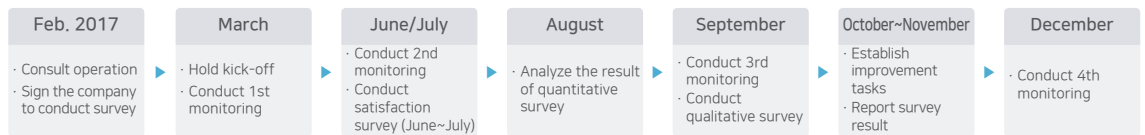
As a result, Hyundai Mobis has optimized its logistics operations with a standardized system which improves the accuracy of demand analysis through a next-generation system for demand forecasts. In addition, we have an intelligent warehousing system in logistics operations to allow real-time monitoring of all procedures, from storage to shipment of AS parts. We aim to provide high-quality supplies to our customers by upgrading our demand forecasts based on actual demand and big data.

Operation Performance

Hyundai Mobis has conducted a satisfaction survey on customers who use its products and services through an external survey agency annually. Based on this, we examine our service level and continuously carry out activities to improve customer satisfaction.

Customer Satisfaction Survey

Survey type	Survey target	Survey method
CSI	Customers who purchased components through the head office of Hyundai Mobis (service centers, service suppliers, general maintenance enterprises)	Service centers, service suppliers: online survey General maintenance enterprises: phone survey
DSI	Customers who purchased components through sales office of Hyundai Mobis (agencies)	Online survey
RSI	Customers who purchased components through agencies doing business with Hyundai Mobis (service suppliers, general maintenance enterprises)	Service supplier: online survey General maintenance enterprises: phone survey



The 2017 survey result showed that the service level decreased compared to the previous year, but we showed a higher level than 77.5 (81.3 for the manufacturing industry, 75.7 for the service industry), which is the average of the Korean Customer Satisfaction Index (KCSI) that is announced annually by the Korea Management Association Consultants. Based on the survey results, we also selected a total of 16 customer service improvement tasks, including 8 tasks at the head office and 8 tasks at worksites. By checking the progress made on a monthly basis, we strive to meet and satisfy our customers' real needs.

Customer Satisfaction Index (CSI) Improvement Rate

Classification	2016	2017
RSI	0.2%	0.2%
DSI	6.6%	19.1%
CSI	1.9%	0.1%

HUMAN RIGHTS AND ORGANIZATIONAL CULTURE

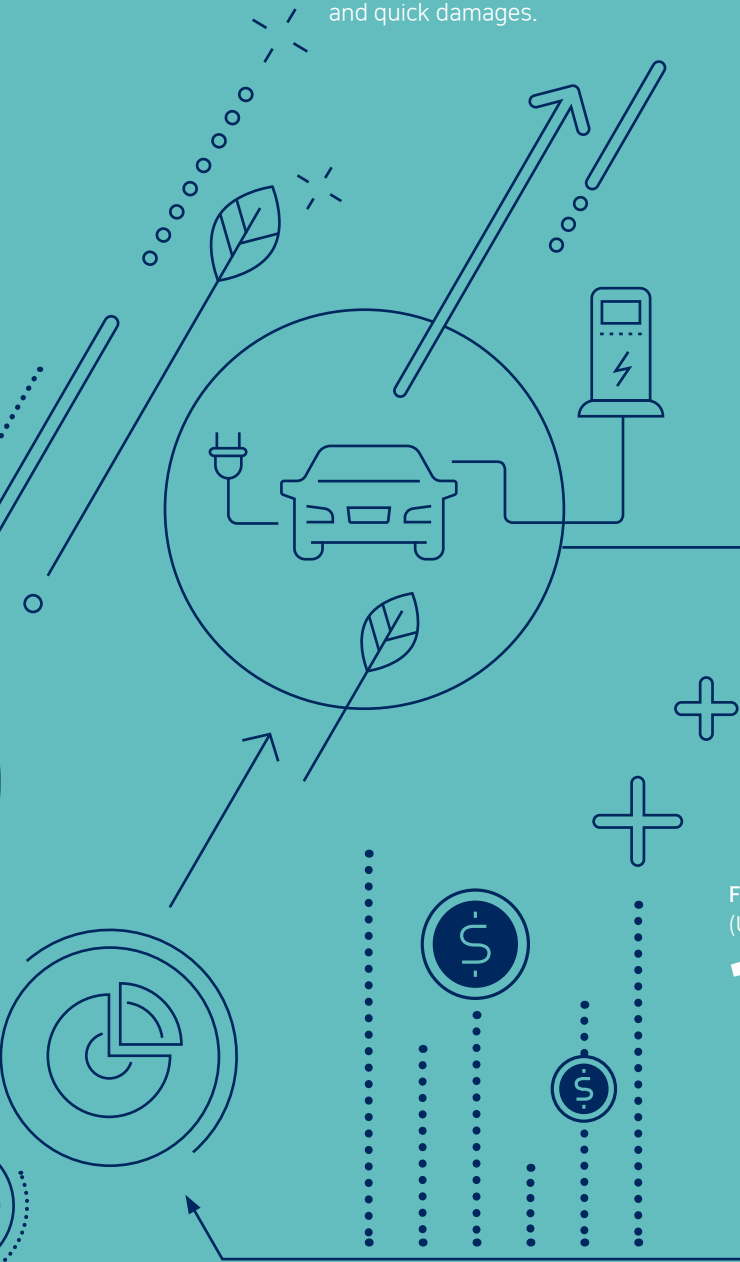
Wage gap between male and female employees (Unit: %)

97.3



03

Hyundai Mobis pursues a creative corporate culture that consists of employees from diverse backgrounds and respects a wide range of talents as part of its core values. As such, we have diverse systems to ensure our employees can utilize their individual competencies without any discrimination based on gender, nationality or academic background. In order to achieve our vision to create a creative place to work with sustainable growth by 2020, we plan to implement diverse systems and programs related to creating a corporate culture over three stages, which satisfies all employees. Due to the recent #Me Too movement that has made its way into Korea, workplace bullying and long working hours are not only infringing on human rights, but also have a huge impact on company productivity and reputation. These trends raise global issues that go beyond race problem, including the issues of immigrant workers and gender, and pose greater risks to the company since we engage businesses in different regions around the world. In addition to 65 stock exchanges around the world collaborated to Ring the Bell for Gender Equality for Sustainable Stock Exchange (SSE) Initiative, the EU-UN Spotlight Initiative was launched in 2017 for gender equality, showing the importance of gender issues in management practices. Besides introducing the worker director system, the labor issues have become more diverse, including Alliance 9.7 to eradicate forced labor. Since an incident of human rights violations and organizational culture causes direct damage to a company, we recognize that such incident can cause widespread and quick damages.



The number of years worked
(Unit: year)

12.7

Fringe benefit expenses
(Unit: KRW 1 million)

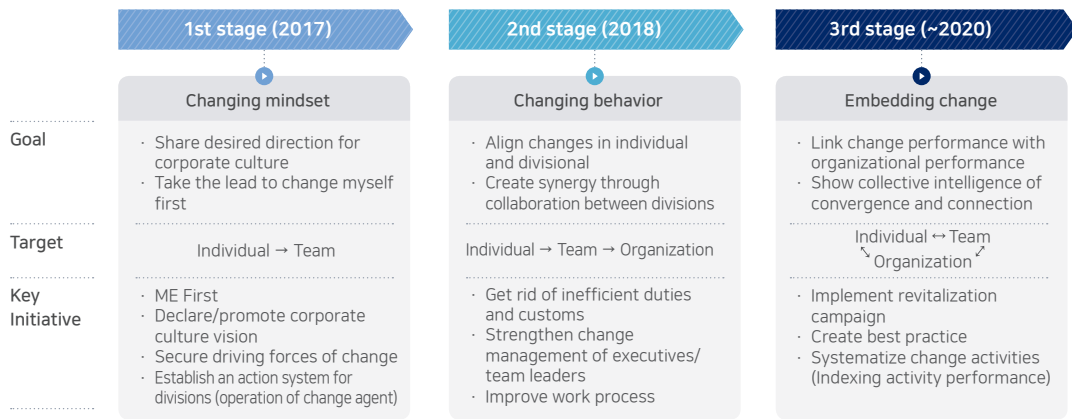
148,259

Constructing a Healthy Corporate Culture

An Evolving Corporate Culture

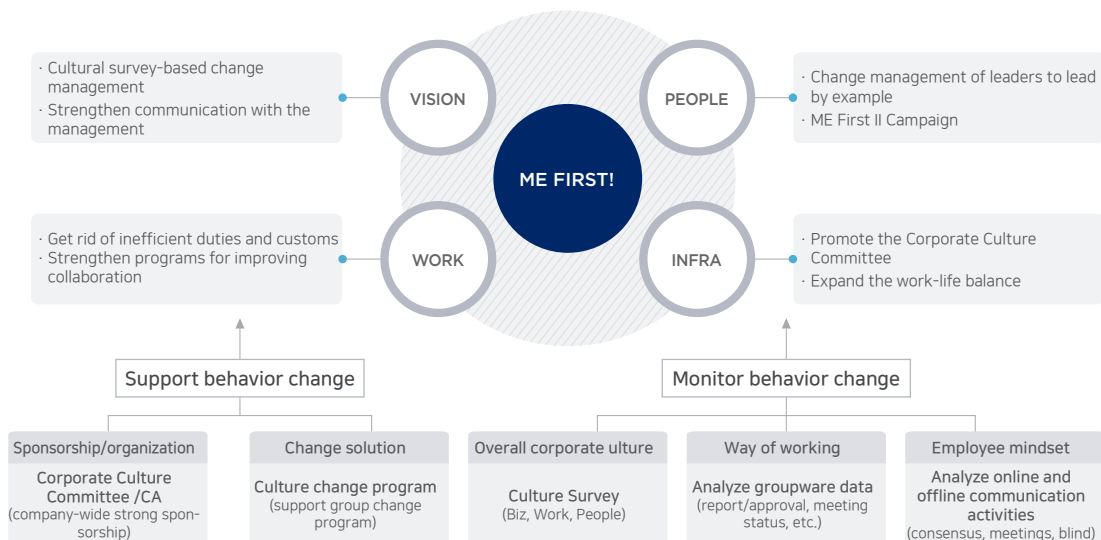
In order to support its corporate vision for 2016 to become a global top-tier producer by 2020, Hyundai Mobis adopted a corporate culture seeking to promote a creative workplace with sustainable growth by 2020. By clearly defining our vision for work, people and duties, we established a three-year plan for creating a creative corporate culture, with diverse programs carried out steadily. In 2017, the 1st stage focused on changing people’s mindsets, with the 2nd stage in 2018 focusing on changing behaviors. In the third stage, we will strive to promote a creative corporate culture that ensures an even better workplace where employees respect each other by 2020.

A Medium-and Long-term Plan for Creating a Creative Workplace with Sustainable Growth by 2020



System for Implementing Change

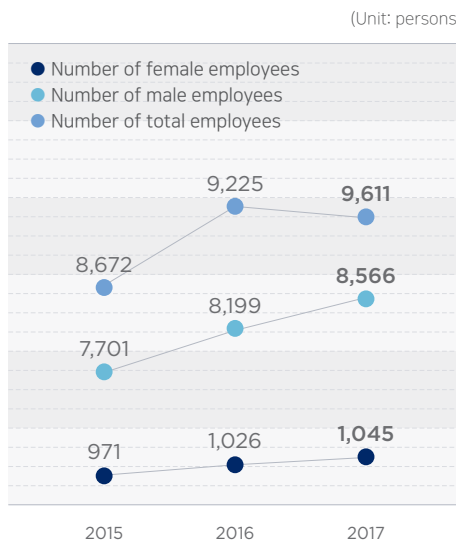
The program for transforming corporate culture focuses on changing behavior so that changes in employees’ mindsets lead to behavioral shifts. We are making changes in support programs and base systems, involving enhancement of human rights, IT systems, and security, which allows a more individual-oriented way of working to encourage behavioral change at the team and individual levels. Moreover, we are reviewing our performance and future direction through surveys and due diligence.



Respecting Human Rights

Employee Diversity (Gender Equality)

As of 2017, Hyundai Mobis had 1,045 female employees out of a total of 9,611 employees (10.87%). This is an increase of 19 compared to 1,026 female employees in 2016. Currently, there are no female executives, but 66 out of a total of 3,847 manager-level employees, accounting for 1.72%, are female. Also, there are 245 female employees out of a total of 1,821 assistant manager-level employees, accounting for 13.45%, hinting that the number of female managers will greatly increase in the future.



(Unit: persons)

Classification	2017
Number of female managers(a)	66
Number of total managers(b)	3,847
Ratio of female managers(a/b x 100)	1.72%

Classification	2017
Number of female executives(a)	0
Number of total executives(b)	105
Ratio of female executives(a/b x 100)	0%

Classification	2017
Number of preliminary female managers(a)	245
Number of total preliminary managers(b)	1,821
Ratio of preliminary female managers(a)	13.45%

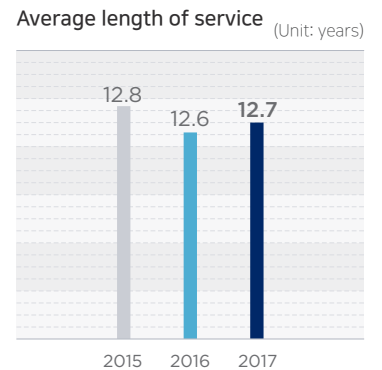
All Hyundai Mobis employees receive both a basic salary and performance-based bonus. Since there are no female executives, if you compare employees at the department head-level to administrative assistant-level, there is no major difference in remuneration based on gender, with female employees earning an average of 97% of what their male counterparts make.

Salary Gap between Male and Female (basic salary standard)

Classification	Executive	General manager	Senior manager	Manager (office worker)	Manager (research staff)	Assistant manager	Administrative assistant
Compared to male	-	99	87	100	95	98	105

*Excluding performance-based bonus: since payment based on ability according to performance and evaluation of merits are irrelevant to gender, it was not included in calculating the average.

Hyundai Mobis consists of an age-diverse workforce. By having diverse ages in the workplace from older workers with lots of experience to younger and less experienced ones, we have the advantage of achieving a balanced workforce where new employees can gain abundant experience. This is also an indicator of job security. As of 2017, the average length of employment is 12.7 years, with the average exceeding 12.6 years annually for the past five years.



Age Group of Employees

(Unit: persons)

Classification	2015	2016	2017
Number of employees between 20-30 years old	1,566	1,842	1,861
Number of employees between 30-50 years old	5,934	6,084	6,277
Number of employees over 50 years old	1,172	1,299	1,473
Number of old aged employees(over 60 years old)	7	6	7
Number of total employees	8,672	9,225	9,611

* Children are not directly or indirectly employed by Hyundai Mobis in accordance with ILO Tripartite Declaration Concerning Multinational Enterprise and Social Policy, OECD Guidelines for Multinational Enterprises, and Korean Labor Act.

Hyundai Mobis actively recruits outstanding overseas employees in line with plans to grow its international operations. In order to help locally-hired employees working at overseas subsidiaries quickly adapt to Korean culture, we provide opportunities to enhance cultural understanding through language and culture classes. In addition, we invite local employees from overseas to visit our head office, technical centers and regional worksites in Korea, so that they get a better understanding of the company and Korean culture.

Present Status of Foreign Employees

(Unit: persons)

Classification	2017
Number of foreign employees(a)	26
Total number of employees(b)	9,611
Ratio of foreigners hired(a/b x 100)	0.27%

In 2017, Hyundai Mobis directly employed 144 disabled people, which was an increase of 12 people compared to 132 people in 2016. The direct employment rate was 1.43% in 2016, but it slightly increased to 1.50% in 2017

Disabled Employment

(Unit: persons)

Classification	2015	2016	2017
Number of the disabled hired (a)	137	132	144
Number of total employees (b)	8,672	9,225	9,611
Ratio of the disabled hired (a/b x 100)	1.58%	1.43%	1.50%

Achieving a Work-Life Balance

Family-Friendly Management

Hyundai Mobis has lounges for female employee that include a nursing room at all worksites, and the company provides preferential parking to pregnant employees to reduce their inconvenience while commuting to work. Also, pregnant employees are given easily recognizable pink-colored employee cardholders, so that female employees can enjoy a better working environment. Employees expecting a child are also given separate designations to ensure other employees encourage them to leave early. In addition, the rate of male employees using parental leave has increased steadily. Moreover, Hyundai Mobis strictly prohibits female workers from being involved in dangerous or harmful tasks in accordance with Article 37 of the Labor Standards Act, and does not tolerate any form of sexual harassment in the workplace in accordance with Article 12 of the Equal Employment Act. In order to help employees maintain a healthy work-life balance and prevent female employees from involuntarily interrupting their careers, we encourage employees to apply for maternity leave or parental leave when necessary, while also providing flexible work schedules for female employees who took leave to give birth or take care of their children. Hyundai Mobis strives to achieve a work-life balance by ensuring its employees leave work on time and implements staggered office hours (for research jobs). Moreover, many efforts are being made to provide diverse work roles by expanding staggered work hours across the company. We also operate the "Healing Saem" service to provide employees with counseling services offered by clinical psychologists.

Return to Work After Using Parental Leaves

(Unit: persons)

Classification	2015	2016	2017
Number of employees on parental leaves	47	2	60
Male	2	1	9
Female	45	61	51
Number of employees who returned to work after parental leave	42	60	48
Male	2	1	6
Female	40	59	42
Rate of returning to work after parental leave	89	97	80
Number of employees working for at least 12 months or longer after returning to work	45	60	48
Male	2	1	6
Female	43	59	42
Rate of working for at least 12 months or longer after returning to work	96	97	80

Employee Benefits

In order to promote the health of employees, Hyundai Mobis has in-house workout rooms at each worksite/regional center, and a non-smoking campaign in alliance with local public health centers. Since 2014, we have operated Healing Sam, which provides counseling services offered by clinical psychologists to act as communication channels between management and employees. The program also provides training on mental health and changing corporate culture, as well as conducting team-based psychological diagnosis. In 2016, we promoted the psychological health of our employees with 879 consultations that resolved workplace issues and offered relationship coaching. Under the safety-first management policy that aims to make employee health and safety the top priority in all business activities, Hyundai Mobis has been implementing diverse policies to enhance employees' satisfaction levels and create a safe working environment. We set up a Safety & Environment Team to be in charge of company-wide health/safety/environmental management activities at domestic and overseas worksites. In order to thoroughly manage safety at all worksites, we selected safety & environment staff and established specific and realistic improvement plans to prevent industrial accidents. Moreover, we came up with countermeasures to meet the growing public need for sustained social responsibility and increased control over safety/environmental risks. Additionally, we set up the Industrial Health & Safety Management Committee to deliberate and decide on major issues and policies regarding the company's health and safety management.

In 2013, Hyundai Mobis was the first to obtain OHSAS 18001 (Occupational Health & Safety Assessment Series) certification and KOSHA 18001 (Korea Occupational Safety & Health Agency) certification for all its domestic production lines, and has maintained the certifications by passing follow-up reviews in 2016. Additionally, all of our overseas production sites established and operated OHSAS 18001 systems, so that all domestic and overseas plants implemented systematic health & safety management policies by stipulating detailed action plans and guidelines for application in day-to-day role fulfillment. In order to achieve the goal of a zero-accident workplace, Hyundai Mobis has implemented various health and safety initiatives, while also setting up an autonomous and advanced safety management system by managing performance to reach goals set for each field, evaluating company-wide health & safety KPIs, and offering rewards for outstanding performance and zero-accident worksites.

Fringe Benefits Program

Classification	Health	Life	Leisure
Support programs	Application to join the sports center Hospital Discount on buying glasses	Airfare discounts Railroad discounts Financial supports Wedding supports Car tire discounts Self-development expenses Supporting children's school expenses	Rent car discounts Hotel resort discounts

Building a Trusting Labor/Management Relationship

Guaranteeing Union Activities

Hyundai Mobis faithfully abides by local labor laws and related regulations in all countries it operates in, and respects local cultures and social norms in its personnel management practices. Moreover, we guarantee employees the right to form unions, representative bodies and collective bargaining entities under all related laws and regulations in Korea and overseas, as well as the right for them to carry out union activities. In this regard, there are 3 labor unions within the company based on location, worksite characteristics and duties. Negotiations are held with all three labor unions. Also, we arrange quarterly labor management council meetings and host annual labor-management joint business presentations to strengthen mutual partnerships. The company strictly abides by all laws and regulations regarding human rights and labor, and extends generous working conditions and fringe benefits under its collective bargaining agreements that go above and beyond legal requirements. In 2017, 2,627 people, or 27.3% of our total workforce, were entitled to collective bargaining. The union membership rate compared to union members by collective agreements is 46.2%. Once every year, Hyundai Mobis notifies its labor-management status to the Ministry of Employment and Labor, which is the governing body for labor and human rights.

Number of the Union Membership and Rate of Union Participation



Evaluation System

Human Rights Policy and Impact Assessment through Due Diligence

Hyundai Mobis pursues a creative corporate culture that consists of employees from diverse backgrounds and respects human rights as part of its core values. As such, we have diverse systems to ensure our employees can utilize their individual competencies without any discrimination based on gender, nationality or academic background. We faithfully abide by local labor laws and related regulations in all countries we operate in, and respect local culture and social norms in our personnel management practices. In this regard, Hyundai Mobis conducts fair and transparent personnel evaluations during union negotiations and ensures there is no discrimination in terms of personnel policy in accordance with the Act on Equal Employment and Support for Work-Family Reconciliation (Paragraph 3 of Article 20), while also respecting human dignity and individual human rights that are guaranteed constitutionally (Paragraph 1 of Article 22). The person in charge of management and supervision is the head of the HR department, and any violations are handled by a Personnel Committee that is responsible for discovering the truth and determining appropriate disciplinary action. Once

every year, we conduct a comprehensive survey of all employees to measure their performance regarding job involvement, job satisfaction, protection of human rights among employees, and ethical management of suppliers. In the case of suppliers, we conduct a survey through the third-party Win-Win Partnership Committee once a year, which is used as key indicator for protection of human rights in ethical management practices.



Hyundai Motor Group’s Organizational Culture Diagnosis System

Survey	Name of survey	Assessment institution	Assessment period	Implementation period	Assessment items	Example of detailed evaluation items
Employees	Culture Survey	Corporate Culture Team	September 2017	Once a year	Organizational culture, leadership, effectiveness	① Fair treatment without discrimination ② Recognition of diversity ③ Voluntary cooperation with each other ④ Give career development opportunity ⑤ Fair promotions ⑥ Freely use vacations, etc.
Suppliers	Evaluation of Suppliers	Win-Win Partnership Team	Frequently	Once a year	Fair trade, ethical management	① Undue pressure
	Win-win partnership survey	Win-Win Partnership Committee (external institution)	February 2012	Once a year		② Extortion and receipt of money and goods, ③ Disrespectful insult, etc.
Agencies	Customer satisfaction survey	Customer Value Innovation Team	April 2017	Once a year	Customer satisfaction level	① Customer reception and disrespectful insult, etc.

CORPORATE ACHIEVEMENTS

Hyundai Mobis strives to become a global top tier producer of the 21st century by securing core technologies as growth engines for the future and expanding customer-oriented socially responsible management and environmental management, as well as pursuing win-win partnerships together with its suppliers. Most notably, we have made strenuous efforts to maximize human resource competencies that act as the driving force behind corporate growth, thereby respecting the cultural diversity and human rights of all employees.



SECTION 2

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Compliance

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Employee

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Supply Chain Management

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Environmental Management

CORPORATE GOVERNANCE

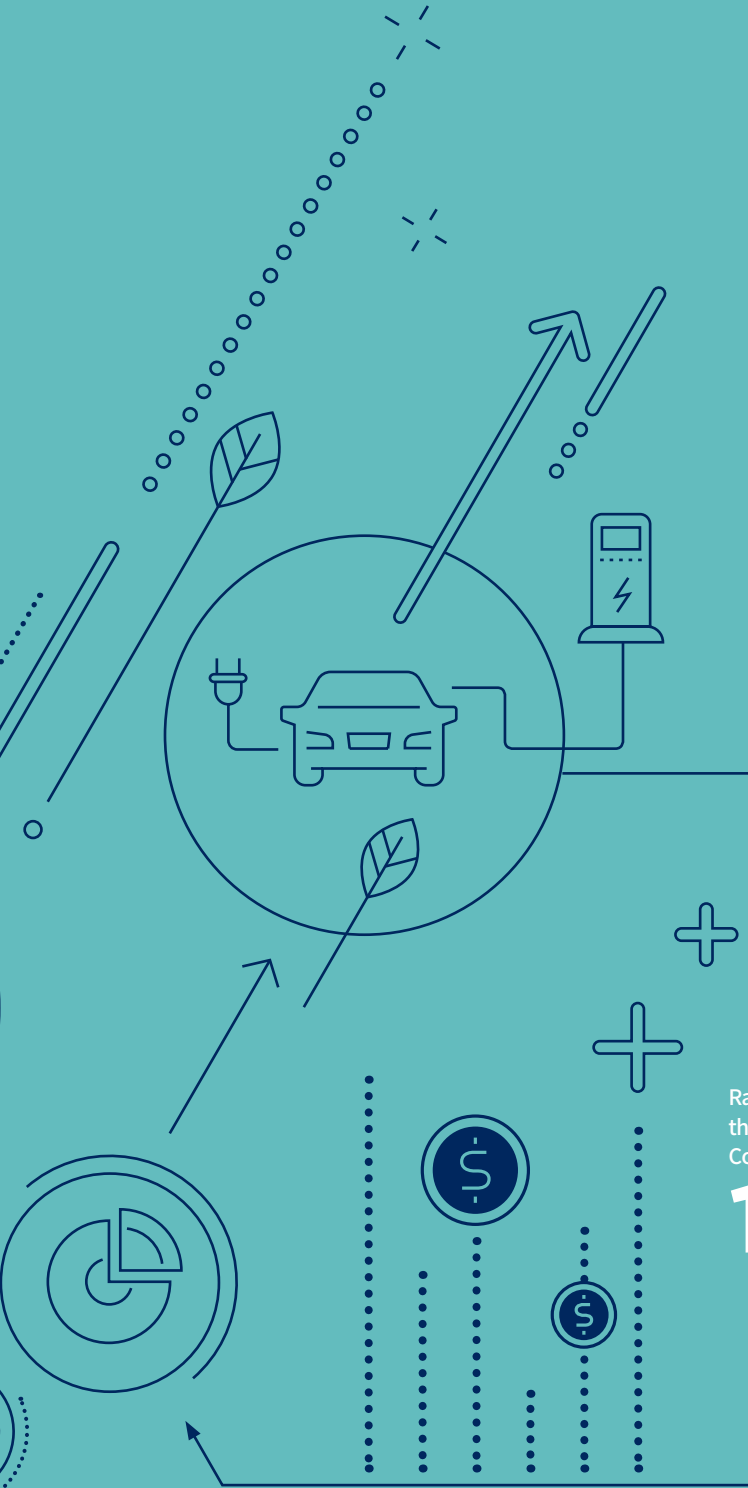
Ratio of outside directors within the Board
(Unit: %)

55.6



04

In order to increase corporate values and protect the interests of stakeholders, including shareholders and customers, Hyundai Mobis has set up a board of directors under a transparent and healthy corporate governance system. Outside directors account for more than 50% of the board to ensure that all stakeholder opinions are reflected in the decision-making process and strengthen the board's independence, with subcommittees supporting the BOD's efficient operations with expertise in their respective areas.



Attendance rate of outside directors
(Unit: %)

85.6

Ratio of outside directors of the subcommittees under
the BOD (Audit Committee, Corporate Governance &
Communication Committee) (Unit: %)

100

Current Status of Shareholders and Protection of Rights

Ownership

As of the end of 2016, Hyundai Mobis' outstanding shares totaled 97,347,837 shares (including 97,343,863 common and 3,974 preferred shares). The largest shareholders and persons of vested interest held 30.17 percent of total shares, while the aggregate number of shares held by minority shareholders below 1/100 ownership of the company's equity capital accounted for 55.98 percent of total shares for the same period.

Ownership Structure (As of Dec. 31, 2017)

(Unit: number of shares, %)

Classification	2017			
	Common shares	Ratio	Preferred shares	Ratio
International investors	44,277,024	45.5	174	4.4
Domestic institutional investors	18,134,586	18.6		
Domestic individual investors	2,921,879	3.0	3,800	95.6
Largest shareholders	29,367,179	30.2		
Treasury stocks	2,643,195	2.7		
Total	97,343,863	100.0	3,974	100.0

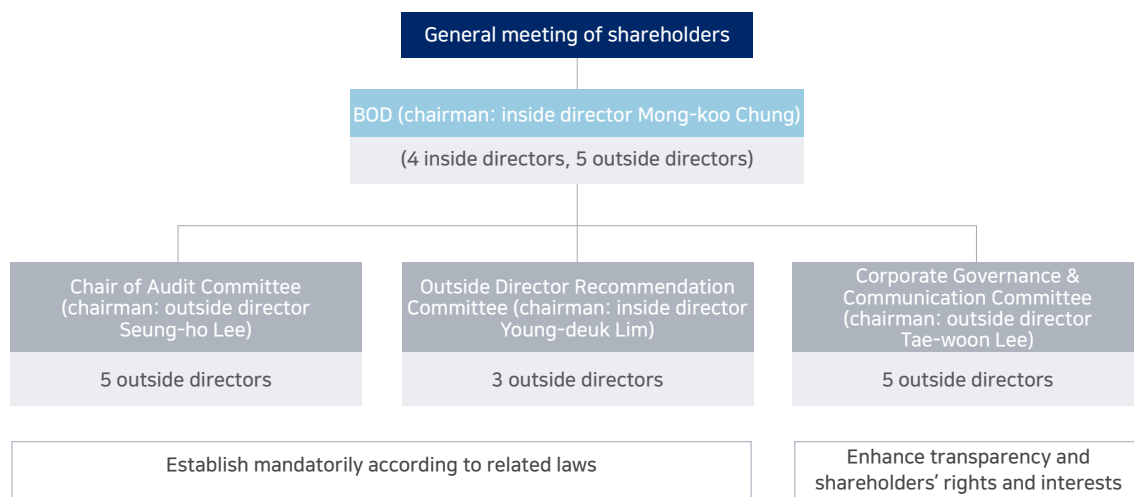
Implementing a Fair Disclosure System (Protection of Minority Shareholders)

Since March 31, 1999, Hyundai Mobis has implemented the fair disclosure system to ensure transparent disclosure of company information. Corporate regulations prohibit the provision of company information first to specific persons like securities analysts or fund managers. In order to prevent unfair practices in the securities market and protect corporate investors, overall information about the company including business results and business plans must be provided to all stakeholders through electronic disclosure (<http://dart.fss.or.kr>) at the same time. In addition, Tae-woon Lee, the outside director of the Corporate Governance & Communication Committee, was designated to be in charge of supervising the protection of shareholders' rights and internal transparency, so that the rights of minority shareholders are not infringed upon. This designation was also disclosed externally through electronic disclosure. In addition, all investors, including institutional investors and minority shareholders, are notified of the convening of shareholders' meetings by mail when a meeting is held.

BOD Composition and Rights

Structure of the BOD

The BOD of Hyundai Mobis is the top decision-making body that represents its diverse stakeholders and supervises and approves resolutions on major management issues to ensure the company's long-term growth. As of the end of 2017 (reporting period), Hyundai Mobis' BOD consisted of nine directors, including four internal and five outside directors. As the automotive parts business requires prompt decision-making and large-scale investments, the CEO concurrently serves as the chairperson of the BOD. There are three subcommittees under the BOD. The Audit Committee manages and supervises business results and management activities decided by the BOD and has an outside director as its chairperson, while the CEO chairs the Outside Director Recommendation Committee. The Corporate Governance & Communication Committee is only comprised of outside directors and acts as a supervisory body where company employees can report issues and receive approval, ensuring transparent management practices including compliance activities, ethical management practices and CSR activities.



*(End of 2017)

Director	Recommender	Background for appointment	Responsible duties	Initial appointment	Tenure of service	Relationship with the largest shareholder
Mong-koo Chung	BOD	Ensure stable supervision of the company's duties and external affairs	Supervision of duties	June 1977	40 years 6 months	Executive of affiliate company
Eui-sun Chung	BOD		Supervision of duties	March 2002	15 years 9 months	Executive of affiliate company, member of Outside Director Recommendation Committee
Young-deuk Lim	BOD		Supervision of duties	July 2016	1 year 5 months	Executive of affiliate company, member of Outside Director Recommendation Committee
Yong-bin Han	BOD		Chief Finance Officer	March 2016	1 year 9 months	Executive of affiliate company
Tae-woon Lee	Outside Director Recommendation Committee	Legal expert (Attorney at The One Law Firm)	Legal affairs, etc.	March 2011	6 years 9 months	Chair of Corporate Governance & Communication Committee, in charge of protecting the rights of shareholders
Byung-joo Lee	Outside Director Recommendation Committee	Legal expert (Advisor at Bae, Kim & Lee (BKL) Law Firm)	Legal affairs, etc.	March 2011	6 years 9 months	Member of Audit Committee, member of Outside Director Recommendation Committee
Ji-soo Yu		Expert in automotive industry (President of Kookmin University)	Management strategy, etc.	March 2015	2 years 9 months	Member of Audit Committee, member of Outside Director Recommendation Committee
Woo-il Lee		Expert in mechanical engineering area (Professor at Seoul National University)	R&D advice, etc.	March 2016	8 years 9 months	Member of Audit Committee, member of Outside Director Recommendation Committee
Seung-ho Lee		Finance expert (Advisor at Yulchon Law Firm)	Finance, etc.	March 2016	1 year 9 months	Chair of Audit Committee

*(End of 2017)

Independence of the BOD

BOD Structure

At Hyundai Mobis, outside directors account for the majority of the BOD to ensure the Board's independence in accordance with the Commercial Act. Under the BOD are three subcommittees, the Corporate Governance & Communication Committee that supervises management activities and the Audit Committee that audits general management activities and requests reports on operations—all of which are comprised only of outside directors to ensure independence in their activities. The CEO concurrently serves as the chairperson of the BOD, while outside directors chair both the Audit Committee and the Corporate Governance & Communication Committee. Among the subcommittees, the CEO only chairs the Outside Director Recommendation Committee.

Classification	2015	2016	2017
Operating goals	More than 50%	More than 50%	More than 50%
Ratio of outside directors	55.6% (5/9 persons)	55.6% (5/9 persons)	55.6% (5/9 persons)

Transparency of the BOD Selection Process

BOD Appointment Process

As a person with related expertise and experience who has no special relationship of interest with Hyundai Mobis, an outside director is recommended by the Outside Director Recommendation Committee and appointed at the general shareholders' meeting. The outside director is appointed only after the Korea Exchange verifies the legal qualifications and independence of each candidate based on the submitted qualification certificate before approving their appointment. In accordance with the related laws and regulations, articles of association, and BOD regulations, a candidate for outside director is recommended by the Outside Director Recommendation Committee, with outside directors accounting for the majority of members as stipulated in Article 542-8 of the Commercial Act. Any appointments must be approved by the committee comprised of 9 people, including 4 internal directors and 5 outside directors. All of the current internal directors are executives currently employed at Hyundai Mobis, and all of the outside directors appointed are experts in the automotive industry, technology, finance or legal affairs.

Composition and Operation of the BOD Subcommittees

Status of the BOD Subcommittees

Audit Committee

As the supervisory board, the Audit Committee audits the transparency and fairness of general management activities and accounting practices. The committee has the authority to request that directors report on operations and examine the company's financial status and operational practices. In order to ensure the independence of the Audit Committee members, they must meet the qualification and job relevancy requirements before being appointed to the committee.

As an important BOD subcommittee, the Audit Committee is comprised of outside directors to ensure independence in its activities. In 2017, the committee held five meetings to deliberate on agenda items, including the audit of the 2016 settlements, the 2017 management plan, and the operating state of the internal accounting management system, so that at least one meeting is held every quarter.

Main Contents of Selection Standards	Whether the selection standards are being met	Relevant laws and regulations, etc.
Comprised of more than 3 directors	Met (5 people)	Paragraph 2 of Article 415-2 of the Commercial Act
More than two thirds of the members are outside directors	Met (all outside directors)	
More than one of the members are experts in accounting or finance	Met (Seung-ho Lee member)	Paragraph 2 of Article 542-11 of the Commercial Act
Chair of the Audit Committee is an outside director	Met	
Other disqualifications (special relationship with largest shareholder, etc.)	Met (not applicable)	Paragraph 3 of Article 542-11 of the Commercial Act

Corporate Governance & Communication Committee

On March 17, 2017, the Ethics Committee under the BOD changed its name to the Corporate Governance & Communication Committee and expanded its scope of deliberation and function through the passage of a resolution by the BOD. In order to strengthen transparent management practices and create an ethical corporate culture, the Committee is comprised only of outside directors, in a similar manner as the Ethics Committee. The committee reviews and supervises fair trade and compliance programs, transactions between parties with special relationships, important policies related to ethical management practices and social contributions, and enactment and amendment of ethics regulations. In order to ensure independence, the five committee members are comprised of only outside directors, and Tae-woon Lee had been appointed as the chair of the Corporate Governance & Communication Committee. In addition, Tae-woon Lee had been appointed as the member in charge of protecting the rights of shareholders to strengthen communication with current shareholders, as of the date of the drawing up of the report. The committee strives to expand communication with shareholders and strengthen the transparency of the BOD, while also seeking ways to implement diverse policies and activities to protect shareholders' rights. This plays a huge role in sharing the company's future growth engine strategy with shareholders and setting the path towards a sustainable future. In 2017, the committee held 5 meetings to review performance and plans related to social contributions and ethical management practices, as well as approve agenda items including financial transactions with affiliated financial companies according to the terms and conditions as well as the trading limits of the largest shareholder.

Outside Director Recommendation Committee

The Outside Director Recommendation Committee consists of both internal and outside directors and has the right to recommend candidates for outside director positions. The recommended candidates are approved by the BOD before being appointed at the general shareholder's meeting. In accordance with the related laws and regulations, articles of association and BOD regulations, internal and outside directors are both able to recommend a candidate for the position of outside director. Article 542-8 of the Commercial Act stipulates that outside directors must constitute a majority of the committee members. Currently, there are 2 internal directors (Eui-sun Chung, Young-deuk Lim), 3 outside directors (Byung-joo Lee, Ji-soo Yu, Woo-il Lee), and the committee held 3 meetings in 2017 to recommend candidates for outside director positions. On March 9, 2018, the tenure of one of the outside directors, Woo-il Lee, came to an end, and the outside director Dae-soo Kim was newly appointed through the 41st regular general meeting of shareholders.

Operation of the BOD

Status and Efficiency of BOD Operation

The BOD held 7 meetings (5 regular meetings and 2 special meetings) starting with the first meeting on January 26, 2017, and the average attendance rate of outside directors was 85.6%. More detailed information about BOD activities has been provided through the electronic disclosure system.

Performance Evaluation and Compensation

Disclosure of CEO Remuneration

As an executive of the BOD, the CEO gains the trust of shareholders and employees, with an average tenure of office of 57 months. In accordance with Article 388 of the Commercial Act and the company's articles of association, the remuneration limit of directors is decided by a resolution of a general meeting of shareholders. On March 17, 2017, the remuneration limit of the 41st cohort of directors was decided at the regular general meeting of shareholders at KRW 10,000 million. The remuneration status of the BOD directors for 2017 is shown below and the details are also provided through electronic disclosure.

(Unit: KRW million)

Name	Type of remuneration		Total amount	Calculation standard and method
CEO Mong-koo Chung	Earned income	Salary	3,430	In accordance with the executive wage table that takes into consideration of the job duty/ position (Chairman), continuous service year, contribution to the company, and talent development, and internal standards, including the appropriate wage standard, Hyundai Mobis paid the basic salary of KRW 3,430 million by installment during the announced period.
Internal director Eui-sun Chung	Earned income	Salary	552	In accordance with the executive wage table that takes into consideration of the job duty/ position (Vice President), continuous service year, contribution to the company, and talent development, and internal standards, including the appropriate wage standard, Hyundai Mobis paid the basic salary of KRW 552 million by installment during the announced period.
CEO Young-deuk Lim	Earned income	Salary	695	In accordance with the executive wage table that takes into consideration of the job duty/ position (CEO), continuous service year, contribution to the company, and talent development, and internal standards, including the appropriate wage standard, Hyundai Mobis paid the basic salary of KRW 695 million by installment during the announced period.

The remuneration information of outside directors are also disclosed.

(Unit: KRW million)

Classification	Number of people	Remuneration total	Average remuneration amount per person
Registered Directors (excluding outside directors and Audit Committee members)	4	5,057	1,264
Outside Directors (excluding Audit Committee members)	-	-	-
Audit Committee members	5	263	53
Audit	-	-	-

BOD's Role in Sustainable Management

Responsibilities of Executives for the Company's Economic, Environmental and Social Responsibilities

Hyundai Mobis' CSR activities are reported to the BOD through the Corporate Governance & Communication Committee. The key duties of the committee are related to sustainable management practices, including creating an ethical corporate culture and implementing social contribution activities and fair-trade practices. Meetings are held more than once every quarter with the executive in charge directly reporting performance on a quarterly basis.

Name of committee	Composition	Name of directors	Purpose and rights of establishment
Corporate Governance & Communication Committee	Outside directors	Tae-woon Lee Byung-joo Lee Ji-soo Yu Woo-il Lee Seung-ho Lee	<ul style="list-style-type: none"> · Purpose of establishment: ensure transparency of internal transactions, implement ethical management, deliberate on protecting the rights of shareholders' rights, etc. · Rights ① Review transactions of special relationships stipulated in the Commercial Act and the Monopoly Regulation and Fair Trade Act ② Review fair trade and compliance programs ③ Review important policies related to ethical management and social contribution ④ Evaluate enactment and amendment of ethical standards and code of ethics and actual implementation ⑤ Review management details regarding protecting the rights of shareholders <ul style="list-style-type: none"> - Designate one of the outside directors on the committee to be in charge of protecting shareholders' rights to strengthen communication with shareholders

Conflicting Interests

Disclosure of Conflicts of Interests by BOD Executives

Regarding the directors' activities at other companies, any concurrent positions held are approved by the BOD and disclosed through a business report. On March 17, 2017, the BOD held a special meeting to approve the concurrent position taken by Eui-sun Chung as a director at Hyundai Motors, Kia Motors, and Hyundai Steel, and Byung-joo Lee as a director at Hyosung. On July 28, 2017, the BOD's 4th regular meeting approved of Seung-ho Lee's concurrent position as a director at SK E&C and disclosed the information. In addition, any stock holdings of supplier firms and other interested parties held by directors are also disclosed, along with the electronic disclosure of the BOD's approval on the existence of a controlling shareholder (Kia Motors), the stock holdings of the largest shareholder owned by a person with a special relationship, and the transactions of a person with a special relationship.

Details Status of Internal and Outside Directors

(Base date: December 31, 2017)

Name	Gender	Year and month of birth	Position	Registered executive or not	Full-time or part-time	Responsible duties	Major experience
Mong-koo Chung	Male	March 1938	Chairman & CEO	Registered executive	Full-time	Chairman & CEO (overall management)	Bachelor's degree in Industrial Management at Hanyang University, President of Korean Standards Association, President of Hyundai Motor Concurrent Position: Chairman & CEO of Hyundai Motor, Director of Hyundai Powertech, Director of Hyundai Engineering & Construction
Eui-sun Chung	Male	October 1970	Internal director	Registered executive	Full-time	Planning Department, IT Department	Bachelor's degree in Business Administration at University of San Francisco, CEO of Kia Motors Vice President of Hyundai Motor Concurrent Position: Director of Hyundai Motor, Director of Kia Motors, Director of Hyundai Steel
Young-deuk Lim	Male	June 1955	President & CEO	Registered executive	Full-time	President & CEO (overall management)	Master's degree at Ulsan University Graduate School (Industrial Management), Vice President of Hyundai Motor Concurrent Position: Director of Hyundai Autron
Yong-bin Han	Male	September 1965	Internal director	Registered executive	Full-time	Chief Finance Officer	Bachelor's degree in Business Administration at Seoul National University, Head of Planning and Finance Dept. of Hyundai Glovis
Tae-woon Lee	Male	July 1948	Outside director	Registered executive	Part-time	Legal advisor	Bachelor's degree in Law at Seoul National University President of Gwangju, Daejeon and Seoul High Courts Present) Partner, The One Law Firm
Byung-joo Lee	Male	October 1951	Outside director	Registered executive	Part-time	Legal advisor	Doctor's degree in Economics at Hawaii University Graduate School, Passed the 20th Public Administration Examination, Standing member of Korea Fair Trade Commission Present) Advisor, Bae, Kim & Lee (BKL) Law Firm
Ji-soo Yu	Male	December 1952	Outside director	Registered executive	Part-time	Management strategy advisor	Bachelor's degree in Agriculture at Seoul National University, Master's degree in Business Administration at Illinois State University, Doctor's degree in Business Administration at University of Illinois at Urbana-Champaign, President of the Korean Academy of Motor Industry Present) President of Kookmin University
Woo-il Lee	Male	July 1954	Outside director	Registered executive	Part-time	R&D advisor	Bachelor's degree in Mechanical Engineering at Seoul National University, Doctor's degree in Mechanical Engineering at University of Michigan, Head of Office of Research Affairs at Seoul National University, Present) Engineering College Professor at Seoul National University
Seung-ho Lee	Male	March 1956	Outside director	Registered executive	Part-time	Tax advisor	Bachelor's degree in Economics at Yeungnam University, Master's degree in Business Administration at Kyungpook National University Graduate School, Doctor's degree in Business Administration at Konkuk University Graduate School, President of NTS Busan Regional Office, Present) Advisor at Yulchon Law Concurrent Position: Outside director of SK Engineering & Construction

COMPLIANCE

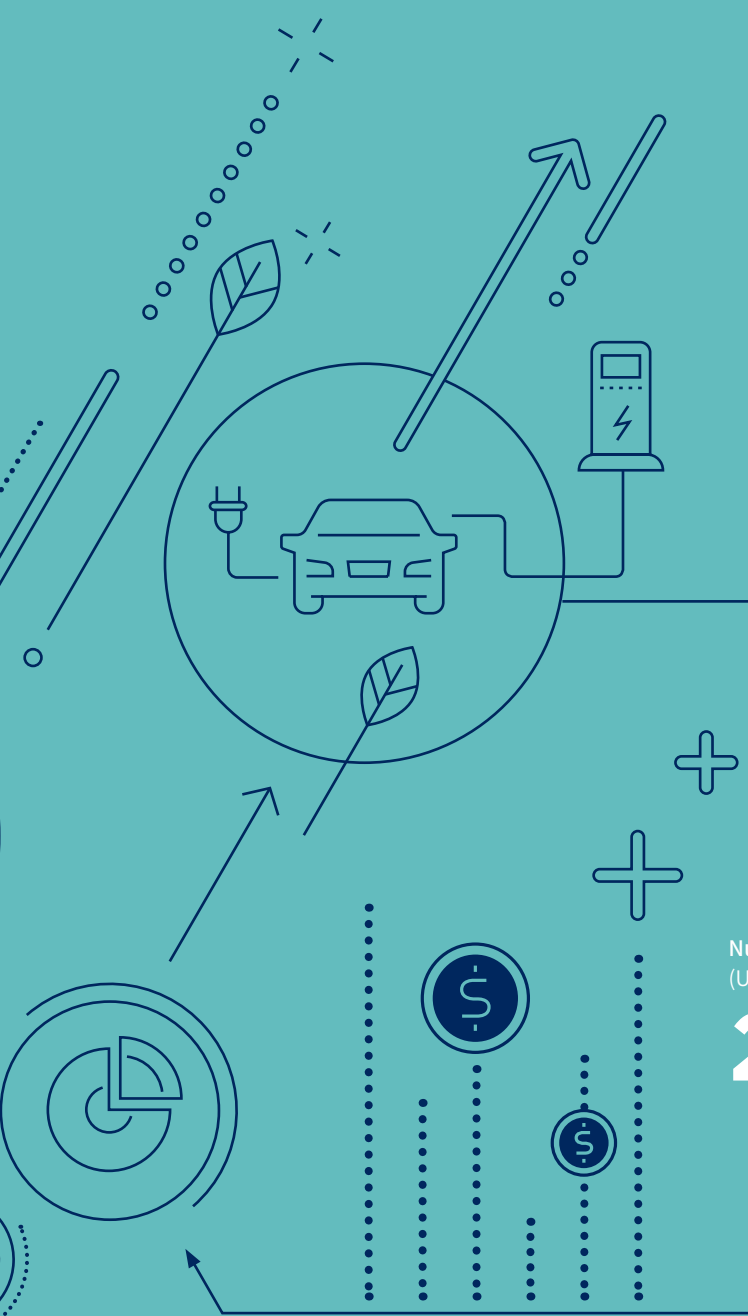
Number of employees who completed compliance and ethical management training (Unit: persons)

12,704



05

In order to achieve sustainable growth by becoming a global top tier manufacturer in the auto parts industry, Hyundai Mobis implements compliance and ethical management practices that comply with laws, principles and ethical values. To achieve this, we prevent illegal, wrongful and unethical acts, while also establishing regulations and management systems to create transparent and fair working environments, with the expansion of diverse implementation programs. Hyundai Mobis will fulfill its CSR by improving its level of compliance and ethical management and inspire credibility in all stakeholders.



Employees who signed the compliance pledge
(Unit: %)

90

Number of ethical code violations
(Unit: cases)

28

Fair Trade Compliance

Fair Trade Compliance System

Hyundai Mobis works to ensure the establishment of a fair trading order in recognition of fair trade and competition being the basis for sustainable growth. Accordingly, we adopted a Compliance Program (CP) as part of our bylaws for legal compliance in December 2002. The compliance officer serves as the chief facilitator of overseeing company-wide CP operations and is appointed by the company's highest decision-making body, the BOD. In order to ensure independence, the compliance officer is entrusted by the CEO with the authority and responsibility to smoothly run all CP operations, including complying with company-wide fair trade laws and regulations as well as activities to prevent law violations.

Established to support the compliance officer, the CP bureau takes charge of practical CP operations throughout the company, and provides expertise related to CP activities in collaboration with the legal affairs team. The CP bureau and the legal affairs team contribute to efficient CP operations by being under the control of the compliance officer.



Fair Trade Compliance Program

Activities to Review Compliance with Fair Transactions

Hyundai Mobis systematically implements activities to review compliance with fair transactions to ensure that day-to-day job duties are free of any legal violation risks. A CP website is maintained to provide easy access for employees who need more information on fair transactions, allowing them to make inquiries to the website if any CP issues arise while performing their duties. Also, a checklist on the website allows employees to preemptively screen for legal risks. If and when they discover a risk(s), or are not sure about a particular compliance issue, employees are advised to receive a preliminary review through a legal support system in order to prevent any legal risks from arising. The CP Bureau carries out company-wide prevention activities, such as identifying risk exposure of legal violations in each business division of the company regarding the Fair Trade Act and Fair Transactions in Subcontracting Act, and reviewing and improving job performance on a regular basis. Moreover, we frequently engage in activities to improve job performance in accordance with changes to government policies and amendments.

Training on Compliance with Fair Transactions

Hyundai Mobis offers regular training on fair transactions to raise employee awareness of the CP, with training performance reported to the BOD biannually. We provide CP training for employees with duties related to fair trade laws and regulations, while also ensuring that working-level employees in charge of fair transactions receive specialized external training courses regularly to understand trends in policies and laws and enhance their expertise in CP-related areas. In addition, the new employee orientation program includes entry-level training on fair transactions to help new recruits realize the importance of complying with the Fair Trade Act. In 2017, a total of 1,674 employees completed CP training.

Performance of Fair Trade Compliance Training

(Unit: persons)

Target	No. of trainees
Fair trade related division	805
New employee	342
Fair trade working-level staff	26
Executives	3
Compliance (Online training)	498

Status of Fair Trade Compliance Program

Consultation requests and reports on fair trade practices are received through the Fair Trade Consultation/Report Center found on the company website. From January 1, 2010 to November 30, 2013, Hyundai Mobis was subject to disciplinary measures by the Fair Trade Commission because it took advantage of its superior position when trading with service parts agencies (resolution date by the Fair Trade Commission: April 24, 2018). In this regard, we will faithfully pay the fine of KRW 500 million and notify all agencies. We immediately made improvements to our work processes after the commission's field investigation and make continual efforts to prevent a reoccurrence through compliance training for relevant departments.

Compliance and Ethical Management

Compliance and Ethical Management System

Hyundai Mobis established and operates a compliance and ethical management system for its employees, customers and suppliers. Domestic and overseas employees comply with Hyundai Mobis' global compliance guidelines and code of ethics while utilizing them to judge value and establish standards. The dedicated compliance organization plans and implements detailed action programs for prevention, inspection and improvement activities. The Ethics Committee comprised of outside directors appoints a compliance officer to ensure the creation of a more transparent and ethical corporate culture. To do this, we have in place various internal systems, including an online reporting and consultation center, an information security early warning system and a web-based risk management system for preventing wrongdoing. Besides this, we also contribute to the prevention of illegal and unethical issues while enhancing fair trade practices, by adopting a standard contract management system, standardizing internal control procedures and computerizing electronic contracts, bids/purchases and price decisions.



Hyundai Mobis Ethical Management

| KOR | <http://www.mobis.co.kr/kr/ethics/content/sid/745/index.do>

| ENG | <http://en.mobis.co.kr/ethics/content/sid/2218/index.do>

| CHN | <http://cn.mobis.co.kr/content/sid/2511/index.do>

Compliance/Ethical Management Program

Improving Compliance and Ethical Management

Compliance Commitment Pledge | Hyundai Mobis promoted the strong desire of its management to fulfill its compliance commitments and engage in ethical management practices to all employees, ensuring a transparent and fair corporate culture. As such, we encourage employees to participate in signing the compliance commitment pledge every year, which promotes fair trade, anti-corruption prevention, information security, prevention of sexual harassment and compliance with safety regulations. In 2017, about 90% of the company's employees promised to fulfill their compliance commitments and engage in ethical management practices through electronic signatures.

| Compliance Commitment Pledge |

As an employee of Hyundai Mobis, I agree to comply with laws and the company's ethics code and pledge to faithfully carry out the following in order to fulfill the company's CSR and achieve sustainable growth:

- 1 I shall always comply with laws and the company's regulations and shall not commit, order, approve or aid any illegal acts, including unfair transactions, unfair internal transactions, unfair subcontracts and unfair collective practices.
- 2 I shall not commit any unfair/corrupt practices that might hinder the fair execution of my job duties as they relate to all stakeholders, including improper solicitation, provision of bribery, entertainment, gifts and other business courtesies.
- 3 I shall not disclose the company's trade secrets or relevant information without consent and refrain from using them for personal gain.
- 4 I shall do my best to prevent sexual harassment in the workplace, including any sexual harassment practices that might make the other party uncomfortable or feel humiliated visually, verbally or physically.
- 5 I shall comply with all safety-related laws and standards and do my best to prevent industrial disasters and accidents.
- 6 In cases where this Pledge is not adhered to, I shall take full responsibility in accordance with relevant laws and the company's regulations.

Distributing Global Compliance Guidelines | Hyundai Mobis provided global compliance guidelines to set behavior standards for its employees. These guidelines are published in both Korean and English so that overseas employees can also understand the guidelines and prevent unethical or illegal behavior. Since it was enacted in 2015, the global compliance guidelines provide action guides covering 8 areas, including anti-corruption, fair trade, employment and the environment. Through these efforts, we aim to enhance the ethical and compliance awareness of our domestic and overseas workforce, while also preemptively preventing legal risks to create a fair and transparent corporate culture.



Global Compliance Guidelines

| KOR | <http://www.mobis.co.kr/kr/global/contentid/747/index.do>

| ENG | <http://en.mobis.co.kr/global/contentid/2220/index.do>

Status of Compliance/ Ethical Management Training

In order to raise employee awareness of compliance and ethical management practices and preemptively reduce risks, Hyundai Mobis provides online and offline training programs. We highlight the importance of ethical management practices regularly once a year to provide action guides and improve training effectiveness. The training covers ethics/anti-corruption, prevention of sexual harassment, information security, creation of a safe work environment, and prevention of legal risks. By sharing regulations, guidelines and examples for each field, we establish employee behavior standards. We focus on the importance of our ethical management commitment and promote the guidelines to encourage employees to participate in ethical management practices. Through these efforts, we can prevent risks arising from unethical actions by suppliers and establish a transparent and healthy partnership with them.

Status of Compliance/Ethical Management Training

Classification		2017	
		Number of trainees (persons)	Total training hours (hours)
Offline	Integrated compliance training (ethics/anti-corruption, information security, prevention of sexual harassment at workplace, safety environment)	5,920	14,800
Online	Internal ethical training	6,187	6,187
	Compliance training for new and experienced employees	597	2,240
Total		12,704	23,227

* Changed from the previous calculation standard to the integrated training type.

Operation of an Ombudsman System

Hyundai Mobis has established an online and offline ombudsman system to receive reports on violations and a consultation center to resolve ethical problems that arise during work duties. Problems related to anti-corruption and bribery can be reported and handled through the consultation center for the Improper Solicitation and Graft Act within the company's groupware system. Problems related to sexual harassment, abusive language, and assault are dealt with by a professional consultant through the psychology consultation center (Healing Saem), and an attorney at the Legal Affairs Team (a female lawyer in cases of a sexual harassment incident) will conduct a joint investigation. We also improved the corporate culture to prevent sexual harassment and strengthened related training. In addition, we strive to create a healthy corporate culture through the prevention of sexual harassment at the workplace by promoting related guidelines. The Cyber Audit Office on the website not only receives reports from employees, but also from external stakeholders to actively resolve any incidents that may occur.

Hyundai Mobis prohibits the offering or receiving of monetary benefits from stakeholders, including bribery and sexual harassment. Stakeholders refer to all interested parties including employees, suppliers and government agencies. Monetary benefits are stipulated as acts of giving or receiving money and valuables, expenditure for congratulations and condolences, entertainment and other conveniences. Any violations of ethical standards are met with disciplinary actions in accordance with personnel management regulations. Disciplinary measures are meted out according to the procedures stipulated under the regulations of the Disciplinary Committee. In 2017, disciplinary measures were taken in 28 cases where violations of ethical standards occurred. The company has a zero-tolerance policy on the acceptance of bribes and strictly punishes those in violation.

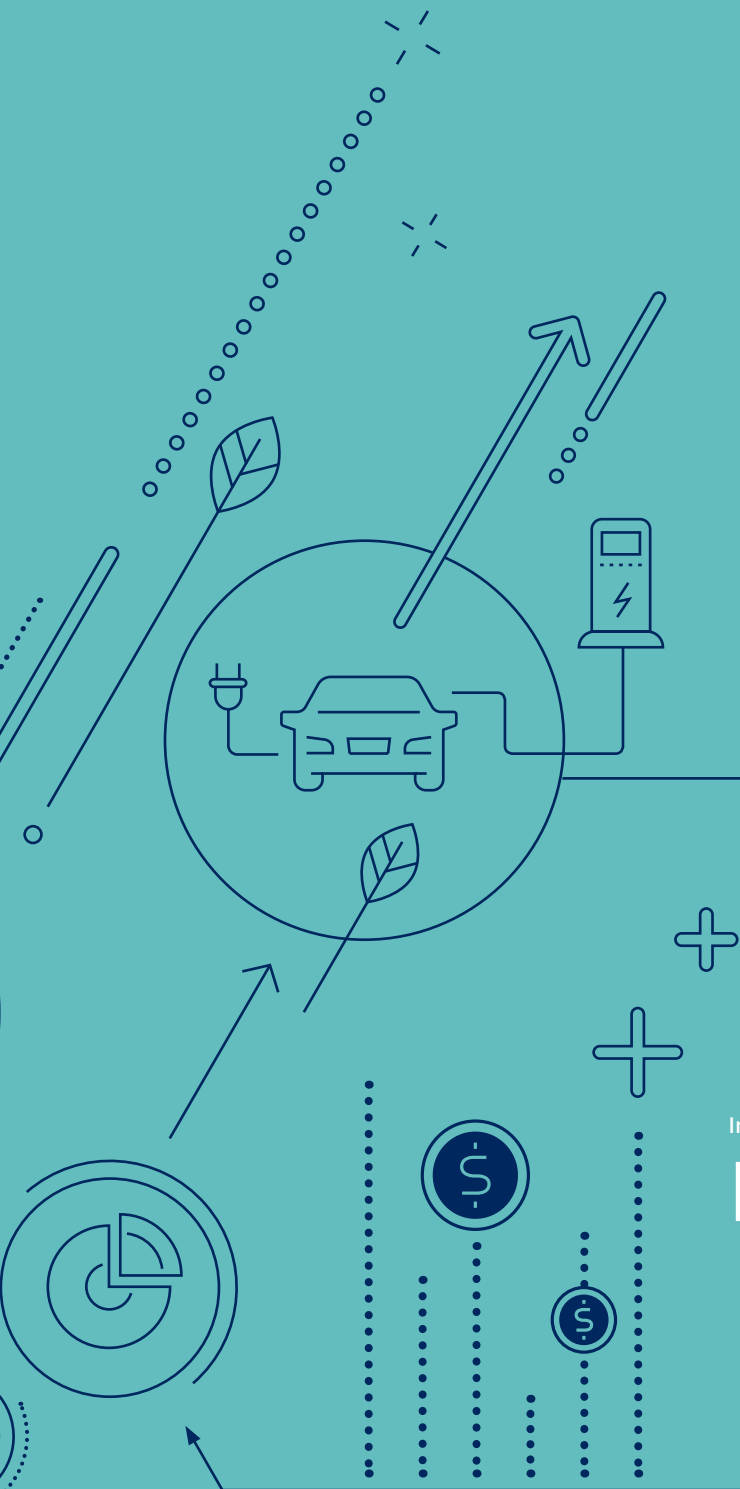
RISK MANAGEMENT

Number of core risk management indexes in 2017
(Unit: number)

9



Risks are factors that have a huge impact on short-term management performance and sustainable growth for the future. Since changes to domestic and overseas management environments are likely to bring uncertainties and risks, systematic management and timely responses are the key conditions for determining a successful or failing business. We are able to detect a variety of risk factors in advance and operate a systematic management system that analyzes and responds to risks. Additionally, we are improving our responsiveness so that risks can be resolved quickly through collaboration among different divisions.



Technology risk keyword

Autonomous Driving Technology and ICT Technology

Industrial environment risk keyword

Eco-friendly

Risk Management System

Risk Management System

Hyundai Mobis operates a company-wide risk management committee within the Planning Department, and the head of the Planning Department serves as the Chief Risk Officer (CRO). Starting from 2018, the committee subdivided its existing risk management system into 13 divisions, with a separate a control tower to ensure prompt response and expertise. The head of each division is responsible for managing risks according to department, and the Chief Risk Officer (CRO) supervises company-wide risk management. The control tower monitors workplace safety/environment and key risks that arise at domestic and overseas worksites, with any issues promptly reported to management through a hotline for quick response.



Risk Management Culture

Hyundai Mobis makes concerted efforts to ensure a company-wide risk management culture. A management strategy meeting is held every month by the CEO to share the results of risk reviews according to each field, as well as in the business environment at home and abroad and come up with responses. In addition, the company held planning and management office meetings hosted by the planning department every month to share potential risks and take joint action with relevant divisions in case of a serious risk that cannot be resolved by a single department. The risk officer consultative group consist of risk officers in each field, with the results of risk monitoring reviewed on a monthly basis.

Meanwhile, the control tower monitors domestic and overseas worksites in real-time to control risk factors. In case of an emergency, we take prompt measures to prevent the spread of risks. Line state, production and inventory status, production results, operation ratios and field quality indexes are examined in real-time and reported to management, so that a prompt and accurate decision-making process can be initiated and appropriate measures taken. The compliance requirements of reporting emergency situations are reinforced by reflecting risk-related points deducted from KPI (Key Performance Indicators) and evaluating risk management. In addition, the EIS (Executive Information System) according to business area shares key issues at global worksites in real-time with relevant divisions to further strengthen cooperation, so that damages resulting from risks can be minimized.

Status of Risk Management Meetings

Classification	Hosted by	Target	Period	Main contents
Management strategy meeting	CEO	Company-wide executives	Monthly	Share domestic and overseas business environment and the results of risk review by field and consult on countermeasures
Company-wide planning department consultative group	Head of planning department (CRO)	Head of planning/management office by field	Monthly	Share key issues by field and consult on collaboration and response
Risk officer consultative group	Chief Risk Officer	Risk officer by field	Monthly	Review the results of risk sensing by field

Risk Analysis

Risk Classification

Hyundai Mobis evaluates risks based on their seriousness, possible occurrence and influence to define those with high importance as key risks. Afterwards, they are classified using an index-based management approach and a manual-based management approach. The index-based management approach analyzes trends through a KRI (key risk indicator) monitoring system to verify causes, with risks classified into the four levels of concern, warning, caution and serious risk based on analysis results to differentiate countermeasures. The manual-based management approach suggests countermeasures for different situations to ensure prompt responses to emergencies. Hyundai Mobis created new key items of the risk management process, or added and modified them annually, so that the monitoring of potential risks with an impact on business activities have been strengthened. In 2017, we expanded the number of key risks from eight to nine to widen the scope of risk management and strengthen preventive and comprehensive response measures.

Key Risks in 2017



Risk Management and Response by Type

Hyundai Mobis analyzes and manages potential risk factors by type. The risks associated with economic and industrial environments that have an impact on business, such as changes in market conditions and geopolitical issues, are regularly reported to the management. Financial risks are managed by controlling exchange rate exposure risk arising from foreign currency-denominated bonds and debts, net cash flows and debt ratio analysis. Social/environmental/ regulatory risks also fall under our control to ensure compliance with fair transactions, while a system for management of global environmental regulations and climate change responses has been established to provide diverse countermeasures. In order to minimize the possibility of irregularities or errors in business activities caused by employees, we operate a web-based risk management system that allows us to take timely measures if risk factors are detected. As for risks that cannot be detected in advance such as natural disasters, we have set up different scenarios for each possible scenario to minimize the possible damage and take preventive measures. In the event of an emergency that cannot be dealt with alone, interdepartmental collaboration is in place to handle the situation across the enterprise.

CASE.

Examples of Responses to Key Risks in 2017

1. Strengthening of information protection act in major countries

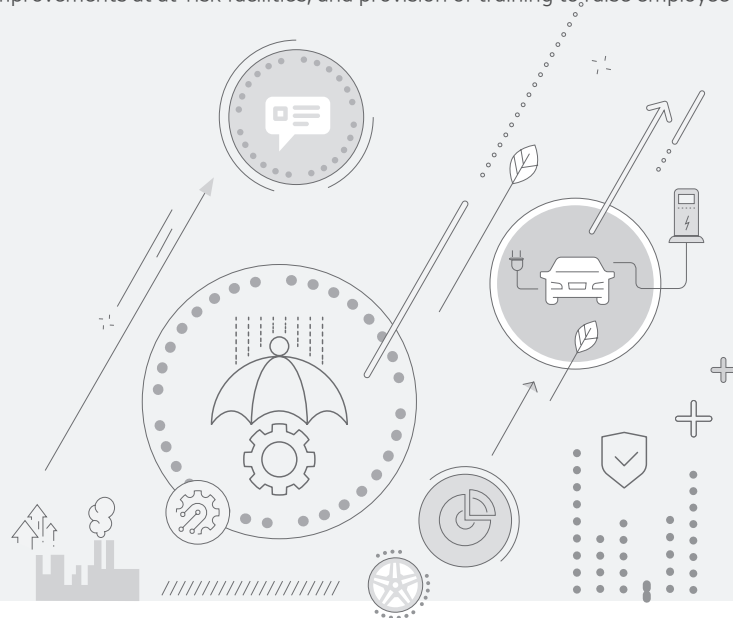
Establish response systems to China's Information and Communications Network Safety Act and EU's General Data Protection Regulation (GDPR)

Due to the recent increase in incidents resulting from the infringement of personal information and the strengthening of related regulations by major countries around the world, the company's compliance obligations have increased. China, Hyundai Mobis' overseas hub, enacted the Information and Communications Network Safety Act (June 2017), while Europe also plans to introduce the General Data Protection Regulation (GDPR, May 2018), highlighting the importance of responses taken regarding the collection, utilization and handling of information. In response, Hyundai Mobis set up a task force team at company-wide level to analyze business risks within China and Europe and established an advanced response system through the transfer of IT systems, encrypting data, establishing a personal information policy, and improving work processes. We will closely monitor personal information regulations in countries where we do business and further strengthen our system to ensure a prompt response.

2. Respond to Natural Disasters Occurring in North and Central America

Investigate and respond to natural disasters occurring in North and Central America

Due to the increased frequency of solar superstorms and global seismic activity caused by climate change, concerns about losses from natural disasters have increased. In September 2017, hurricanes hit Florida (September 7, 2017 (Irma), September 8, 2017 (Maria)) and an earthquake occurred in Mexico, resulting in damages. At Hyundai Mobis' control tower, we set up a network of emergency contacts with the applicable overseas offices to ensure the safety of employees and minimize damage to work sites. Based on the manual detailing risk response to natural disasters, prompt responses were taken and reported to management, so that no loss of life occurred. Slight damage to worksites was repaired as rapidly as possible through quick overhauls. Hyundai Mobis strives to minimize the risk of damage caused by natural disasters through regular inspections of safety/environment protection facilities at worksites, improvements at at-risk facilities, and provision of training to raise employee awareness.



New Risk Management

Securing Core Technologies in ICT

Due to the development of ICT technologies, the paradigm of the automotive industry has rapidly shifted towards autonomous driving platforms and connectivity systems to further emphasize the importance of securing core technologies. As a result of such changes in the industry structure, new ICT and software companies have made accelerated inroads into the automotive parts industry, while also expand business competitiveness through acquisitions and mergers among leading companies. As such, business competition has intensified among companies in the automotive industry to secure core technologies.

Potential Business Impact

The ratio of electronic components in the automotive parts industry has continued to increase annually, and it is expected that this trend will continue in the future. Therefore, if the acquisition of high value-added technology is delayed, this may weaken the company's business competitiveness in an environment of fierce competition among companies.

Risk Mitigation Plans

Hyundai Mobis has continuously invested in R&D to take the lead in the future automotive parts market, with plans to secure core technologies in ICT by increasing R&D investment to about 10% of total sales by 2021. Based on medium-and long-term visions to lead the future vehicle parts market through autonomous driving platforms and connectivity systems, we strive to develop new technology by securing outstanding core manpower, internalizing core technologies through open innovation, and strengthening the role of overseas research institutions.

Automobile Demand Has Shifted Towards Green Cars

Automobile market demand has shifted from diesel engines that use diesel and gasoline for power to green cars that use new energies like hybrid fuel systems as well as electric and hydrogen batteries. As the seriousness of environmental problems increases, including global warming and air pollution, major countries around the world have recognized the seriousness of climate change and worked to strengthen automotive industry policies, imposing regulations on exhaust gas emissions from vehicles, fuel efficiency and mandatory sales of electric cars. In this regard, it has become important to secure manufacturing productivity and core technologies for green cars.

Potential Business Impact

Regulatory policies imposed by countries to protect the global environment will be further strengthened in the future, increasing the demand for eco-friendly components. If there is a lack of response to changes in industry demand, business competitiveness is expected to weaken due to a technology gap with key competitors. In addition, as general consumer interest in the environment increases, failing to ensure the quality of eco-friendly components may result in a tarnished corporate brand image.

Risk Mitigation Plans

In order to respond to the shift towards green cars, Hyundai Mobis is operating production hubs for new eco-friendly components and acquiring core technologies for green cars. Last year, we invested about KRW 70 billion in a facility in Chungju, Chungbuk to build new plants exclusively for hydrogen electric cars, enabling advanced facilities to produce 3,000 integrated modules for power train fuel cells (PFC) per year. The eco-friendly component plant in Chungju expanded the existing eco-friendly production line to cover drive motors, controllers and battery systems, with plans to increase the number of green cars in the future through exclusive production processes for eco-friendly components and independently-developed technologies.

EMPLOYEE

Activity Process for Developing Job Competencies
(Unit: courses)

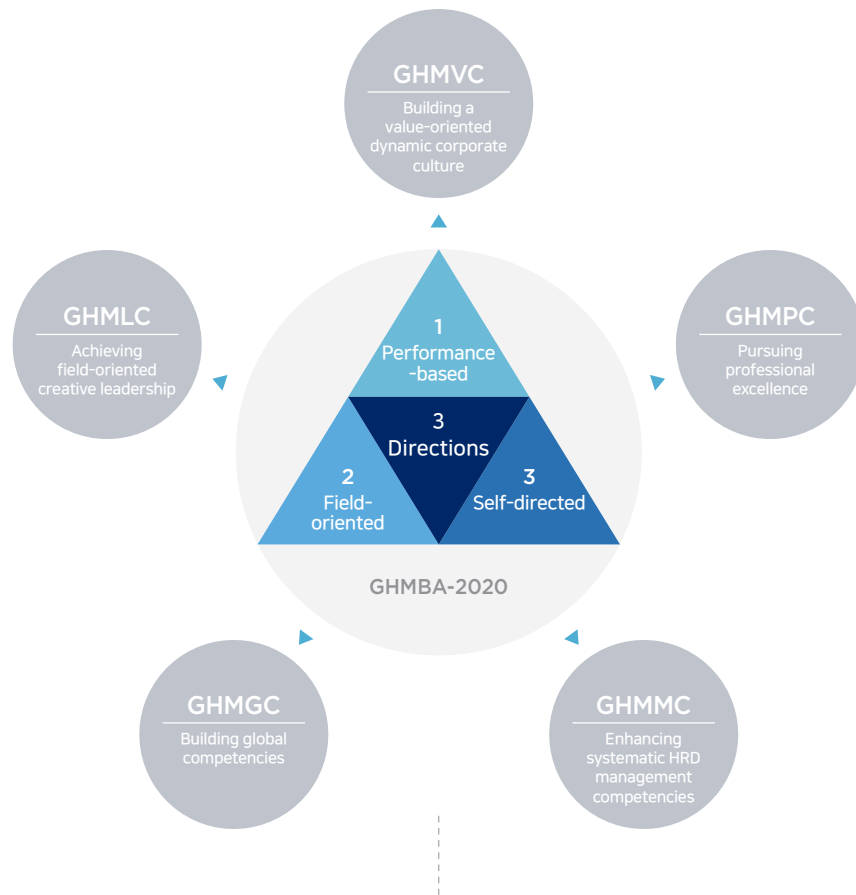
3,107



Talent Development

The sustainable growth of a company begins with talent development. Hyundai Mobis pursues systematic talent development through the establishment of Global Hyundai Mobis Business Academy (GHMBA-2020) as a medium-and long-term talent development system. We aim to strengthen the talent development system and capabilities suited to a global business environment through three orientations that cover performance-oriented, field-oriented and self-directed learning. Hyundai Mobis promotes dynamic leadership and a value-based organizational culture, while also strengthening job expertise. We strive to continuously improve competencies at both the head office and overseas offices to meet world-class standards.

GHMBA(Global Hyundai Mobis Business Academy) System



GHMVC Global Hyundai Mobis Value Center	<ul style="list-style-type: none"> · Create a corporate culture pursuing basics and principles · Change management of corporate culture
GHMLC Global Hyundai Mobis Leadership Center	<ul style="list-style-type: none"> · Reinforce the leadership competencies led by team leaders · Foster the next-generation core competencies
GHMGC Global Hyundai Mobis Global Center	<ul style="list-style-type: none"> · Bolstering HRD at overseas subsidiaries · Strengthen the development of global leaders

GHMPC Global Hyundai Mobis Professional Center	<ul style="list-style-type: none"> · Strengthening self-directed learning systems · Creating an on-site continued learning system
GHMMC Global Hyundai Mobis Management Center	<ul style="list-style-type: none"> · Establishing a Global HRD management system · Devising a global HRD infrastructure

Fostering Job Experts through Self-directed Learning

IDP

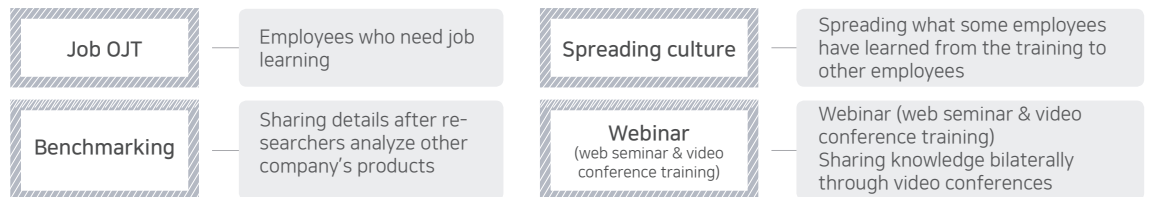
Hyundai Mobis employees make their own training plans and carry out plans to develop their individual competencies, thereby creating a self-directed learning culture. This system is known as the IDP (Individual Development Plan) and has been used since 2015. The IDP diagnoses individual competencies at the current stage to come up with a development plan for improved competencies. After meeting with the mentor (team leader), the company provides support for the individual until his/her career goal is achieved. The program is designed so that the company's goal and the employee's personal goal are in harmony. We also set up the IDP infrastructure to ensure effective implementation. In 2016, Hyundai Mobis strengthened the responsibilities of employees in charge of HRD by reflecting KPIs (key performance indexes) when evaluating the performance of IDPs (Individual Development Plans).

Team leader	Team member
Counseling/coaching with the mentor	Diagnose competency ▶ Establish IDP ▶ Competence-building activities ▶ Evaluate the performance rate of IDP

S-OJT (Structured On-the-job Training)

Structured On-the-job Training (S-OJT) is a self-directed learning course that was created because the existing OJT was conducted out of mere formality and was not helpful on site, which is why the new system is based on a teaching plan provided by an experienced employee (tutor). In 2017, a total of 318 employees participated in 55 S-OJT programs. Among the S-OJT programs, we selected and rewarded two outstanding S-OJT programs based on goal achievement, expertise, satisfaction level and passion. Hyundai Mobis strives to support diverse training programs to meet its employees' learning needs.

Types of S-OJT (Structured On-the-job Training)



Community of Practice (COP)

Hyundai Mobis runs multiple Communities of Practice (COP) that motivate employees to take interest in diverse fields and derive ideas for the company's management practices. COP can be formed with at least three employees. They are aimed at creating a self-directed learning culture that encourages self-directed learning on a daily basis and facilitates communication through R&D activities. In 2017, a total of 166 COPs were set up where 1,534 employees took part in sharing different ideas. The members of COPs thought that the advantages included: creating a self-directed learning culture, facilitating human networking through a COP and strengthening the member competencies, and generating new growth opportunities.

Competence-building Activities by Job Duty

Competence-building types	Classification	2015		2016		2017	
		Number of courses	Number of employees	Number of courses	Number of employees	Number of courses	Number of employees
Formal Learning	Internal job training	518	25,099	744	44,896	930	44,118
	External job training	554	554	699	699	740	740
Informal Learning	Community of Practice (COP)	129	1,141	135	1,500	166	1,534
	S-OJT	116	375	104	214	55	318
	Mentoring	448	896	468	936	552	1,104
	Knowledge (regularly learned contents)	440	72,161	452	18,962	664	26,626

At the year-end, we held a knowledge conference so that the knowledge learned from COPs and best practices can be spread across the enterprise. Hyundai Mobis had three tracks for COPs, including the sharing of learning results and knowledge from COPs, selecting best practices from COPs, and spreading business trends across the enterprise, allowing knowledge gained from COPs to be shared throughout the company.

Strengthening Leadership Competency

ACE (ACE: Awakening, Communication, Execution) Team Leadership Program

In recognition of the need to change the existing leadership paradigm, Hyundai Mobis reorganized its regular leadership programs mainly for teams to realize practical leadership by developing field-oriented leadership. We decided to support the new learning unit and learning method as we diagnosed and managed the effectiveness of training. As a result, we developed field-oriented leadership within a team unit (team leader+team members), while also encouraging self-directed learning in real time under the team leader's supervision. Time-series analysis and trend management are conducted for the team leadership diagnosis model.

In 2017, we developed and operated a 100-day strategy program for new team leaders to improve their leadership competencies while taking into consideration their responsibilities and roles at the company, including HR assessment, team member development and ethical management. Hyundai Mobis plans to implement continuous monitoring and share the results by identifying analysis results in real time and setting up implementation plans through performance indicator sharing. Going forward, we will run customized leadership training programs for each team led by different team leaders on site.

Fostering Global Leaders

In order to dispatch outstanding people to overseas subsidiaries around the world, Hyundai Mobis is doing its best to develop experts for each region. We upgraded our training courses provided at overseas subsidiaries so that staff members dispatched overseas can quickly adapt to the new business environment and easily get used to the local language, culture and business environment. We have a pool of local experts including those situated in English-speaking regions (the U.S., Europe), Chinese-speaking regions (China) and other regions (Mexico, Brazil), enabling employees sent abroad to learn the local language and culture. Through the business skill programs, employees can learn communication skills required for working at overseas subsidiaries while also learning the language. In order to ensure staff members sent overseas fulfill their basic roles, we provide training on the roles and responsibilities of overseas subsidiaries, the region's safety environment, incidents at overseas subsidiaries, and the Foreign Corrupt Practices Act (FCPA). Moreover, we run global leadership competence-building programs to nurture their mindsets as global leaders. Besides the employees dispatched overseas, we also provide family workshops to help family members adapt to local environments by providing training on different cultures, global manners and meeting with family members when returning home.

Performance Evaluation and Compensation

Performance Evaluation

Hyundai Mobis develops talented employees through a suitable human resources system, which evaluates employee performance in two aspects: individual competencies and performance results. Individual evaluations are made based on individual competencies in consideration of team performance as measured by KPIs (key performance indexes). The KPIs reflect management's annual goals, with the evaluation scheme sharing the same approach for all teams. Each performance indicator is classified into quantitative and qualitative indicators to ensure objectivity in the evaluation results. There is brief feedback provided whenever a target is not reached. Team members are evaluated on their competencies, while team leaders are evaluated for their leadership based on a multilayered evaluation criteria list.

Performance-based Compensations

Performance-based compensations differ for each job position and evaluation, but there is no gender discrimination in compensation. Moreover, compensation is incentivized for managers and executives to provide additional motivation. Promotions are only made after reviewing employee performance in consideration of HR evaluations, language skills, certificates, and completed training. Those with outstanding accomplishments qualify for promotion regardless of their seniority.

Individual Performance Evaluation

Classification	2017			Note
	Number of employee evaluated	Number of employee compensated	Percentage (%)	
KPI-based evaluation	9,611	9,611	100	No direct compensation, but evaluation linked according to KPI
Multi-layered evaluation	9,611	480	5	Persons in positions of above executives (excluding above managing directors) and team leaders, with no direct compensation but partially used when considering supplementary position
Compensation linked to relative evaluations	9,611	3,831	40	Persons in positions above executives (excluding above managing directors) and managers, with compensation according to evaluation results.

Collective Bargaining Agreement

Hyundai Mobis faithfully abides by local labor laws and related regulations in all countries it operates in, and respects local cultures and social norms in its personnel management practices. Moreover, we guarantee employees the right to form unions, representative bodies and collective bargaining entities under all related laws and regulations in Korea and overseas, as well as the right for them to carry out union activities. In 2017, 5,057 people, or 52.6% of our total workforce, were entitled to collective bargaining. Hyundai Mobis arranges quarterly collective bargaining and labor management council meetings, and hosts annual labor-management joint business presentations to strengthen mutual partnerships. Also, the company strictly abides by all laws and regulations regarding human rights and labor, and extends generous working conditions and fringe benefits under its collective bargaining agreements that go above and beyond legal requirements.

Union Shops

Classification	2015	2016	2017
Number of employees qualified for union membership	5,157	5,336	5,057
Percentage of membership to total workforce (%)	58.3	56.9	52.6

*According to the collective bargaining agreement, employees who are above the managerial level, labor relations staff (including business division), accounting staff (including business division), executives and their secretaries and chauffeurs, standby staff for the Korean Workplace Reserve Forces and Civil Defense, employees in the Production Control Tower, interns, temporary workers, part-time workers, special position staff, senior researchers and those more senior, guards, communications staff, general affairs staff, legal affairs staff, and other employees whom labor and management have agreed to disqualify are disqualified.

*No.1 of Article 40 of the Collective Bargaining Agreement: outsourcing or contracting of all or part of production, research and/or auto parts businesses require notice be given to the union 60 days prior to preparing such plans, with the union needing to compose the joint labor-management committee for deliberation and resolution.

*No.3 of Article 41 of the Collective Bargaining Agreement: business extensions, mergers, conveyances, and any company-related spin-off and any important items that may have an impact on the employment of union members, which requires union notification 90 days prior to the event so that the joint labor-management committee is composed for deliberation and resolution.

Number of Annual Negotiations with Union

Classification	2015	2016	2017
Number of collective bargaining held per year	37	48	87
Number of joint labor-management conference held per year	8	8	8

Occupational Safety and Health Management

Occupational Safety and Health System

Under the safety-first management policy that aims to make employee health and safety the top priority in all business activities, Hyundai Mobis has been implementing diverse policies to enhance employees' satisfaction levels and create a safe working environment.

We set up a Safety & Environment Team to be in charge of company-wide health/safety/ environmental management activities at domestic and overseas worksites. In order to thoroughly manage safety at all worksites, we selected safety & environment staff and established specific and realistic improvement plans to prevent industrial accidents. Moreover, we came up with countermeasures to meet the growing public need for sustained social responsibility and increased control over safety/environmental risks. Additionally, we set up the Industrial Health & Safety Management Committee to deliberate and decide on major issues and policies regarding the company's health and safety management. Hyundai Mobis held the Industrial Health & Safety Management Committee regularly at each work site to deliberate and discuss on major agendas related to safety environment risks, as well as labor-management joint safety checks, improvement activities and health check-ups.

Occupational Safety and Health Management Activities

In 2013, Hyundai Mobis was the first to obtain OHSAS 18001 (Occupational Health & Safety Assessment Series) certification and KOSHA 18001 (Korea Occupational Safety & Health Agency) certification for all its domestic production lines, and has maintained the certifications by passing follow-up reviews in 2017. Additionally, all of our overseas production sites established and operated OHSAS 18001 systems, so that all domestic and overseas plants implemented systematic health & safety management policies by stipulating detailed action plans and guidelines for application in day-to-day role fulfillment. The number of worksites that obtained OHSAS 18001 as of 2017 is 11 sites.

In order to achieve the goal of a zero-accident workplace by 2025, Hyundai Mobis has implemented various health and safety initiatives, while also setting up an autonomous and advanced safety management system by managing performance to reach goals set for each field, evaluating company-wide health & safety KPIs, and offering rewards for outstanding performance and zero-accident worksites.

In 2017, we held regular safety and health training for 6,595 employees. Hyundai Mobis' safety and health policies are equally applied to internal suppliers, suppliers with internal access, and external suppliers related to production and sales. In addition, we support occupational safety inspections and related technologies to external suppliers. In the case of residing suppliers, we share policies through consultative group and review. Through these efforts, we made efforts to raise the awareness of safety culture and ensure the right of health of our employees and suppliers' employees.

Creating a Pleasant Working Environment and Improving Employees' Health

Hyundai Mobis implements diverse programs to create a pleasant working environment and ensure a healthy lifestyle for its employees. In order to prevent musculoskeletal system disorders among employees, we conducted surveys on harmful factors through an external institution. Based on the survey results, we improved the working environment to make it eco-friendly ergonomically, while also providing physical treatment and medicine as a preventive measure to all employees, including those found to be affected or at risk. In addition, we requested environmental testing of work environments be conducted by professional external institutions once or twice a year to protect employees from harmful elements that may have negative effects such as the air quality or humidity of the workplace, so that we can frequently monitor and improve the working environment. We also provide financial support for health check-ups at medical institutions for our employees and their families, while also encouraging employees to maintain a healthy life through affiliated sports facilities and hospitals near worksites. In addition, we conducted sanitary inspections across the company in collaboration with a restaurant operator twice a year to ensure good sanitation and hygiene practices.

Employee-Related Data

Domestic & Overseas Workforce

(Unit: persons)

Classification		2015	2016	2017
Domestic		8,672	9,225	9,611
Overseas	China	6,480	7,965	7,385
	Americas	4,705	6,024	6,027
	Europe	4,068	4,914	5,121
	Asia-Pacific/Others	1,291	1,371	1,418
Total		25,216	29,499	29,562

Domestic New Employees & Retirees

(Unit: persons)

Classification	2015	2016	2017
New Employees	675	677	444
Involuntary retirement (persons)	109	153	169
Total number of workforce (persons)	59	40	63

*Voluntary retirement: employees who voluntarily retire due to changing jobs or personal reasons

*Involuntary retirement: employees who retire due to regular retirement, honorary retirement, advice to resign, dismissal, or termination of the employment period

Domestic Wages & Fringe Benefit Expenses

(Unit: KRW million)

Classification	2015	2016	2017
Total annual wages	736,729	747,810	753,016
Per-employee average wages	90	86	82
Retirement benefits	63,827	63,117	66,923
Fringe benefit expenses	134,819	144,893	148,259

*Wages and fringe benefit expenses were drawn up individually and taken from the sales and administrative expenses and other accounts from the company's non-consolidated financial statements.

*New employee wages are higher than the legal minimum rate, with Hyundai Mobis employee wage gaps shown according to job grades and work conditions, not by gender.

*Hyundai Mobis has adopted a defined benefits type of corporate pension fund for employees. They can choose either a lump-sum payment or retirement pension. The company plans on gradually increasing each employee's share of the pension so that their benefits can grow in the future.

Industrial Safety Index

Classification		2015	2016	2017	Note
Industrial accident rate	Number of industrial accident occurrence (cases)	1	5	3	Number of victim
	Industrial accident rate	0.01	0.05	0.03	Number of occurrence/Number of annual average workforce

*The above has been calculated based on the industrial accident and loss of domestic employees and domestic plants.

SUPPLY CHAIN MANAGEMENT

Number of domestic and overseas primary
suppliers (Unit: companies)

1,693



Hyundai Mobis signed subcontracting fair-trade agreements that support win-win partnerships and ensure fair trade transactions with suppliers on an annual basis. In order to ensure fair trade transactions with subcontractors, we operate and implement 4 internal management regulations that must be adhered to by our subcontractors, including the signing of contracts, registration and operation of suppliers, establishment and operation of the Internal Deliberation Committee, and issuance and preservation of documents. In addition, we provide support systems for win-win partnerships, including loan support to suppliers, expansion of cash settlements, R&D collaboration and support for training programs. Hyundai Mobis made public its Seven Beautiful Pledges and has made concerted efforts to realize win-win partnerships with suppliers.



Number of companies that signed free-trade agreements (Unit: companies)

375

Loan support to suppliers
(Unit: KRW 100 million)

532.4

Status of Suppliers

Hyundai Mobis implements policies to enhance its suppliers' risk management practices and improve their competitiveness. Among 1,294 primary domestic suppliers that supply the company with products, we designated 345 companies as sustainable suppliers (key suppliers) that can maintain sustainable partnerships, by taking into consideration transaction scale, supply capability of core components, and business connectivity. On a monthly basis or when there is a need, we select sustainable suppliers at the council meeting, with council members consisting of department heads and above. The selected sustainable suppliers are given incentives like preferential opportunities to participate in new projects in the future to maintain their existing partnership with Hyundai Mobis. As of 2017, there are a total of 1,294 primary domestic suppliers, and 27% of them, or 345 companies, are designated as sustainable suppliers.

Hyundai Mobis preemptively reviews quality risks through evaluations of the Mobis Quality Rating System before registering new suppliers in the system. In order to determine whether to maintain transactions with existing suppliers, we have conducted a comprehensive evaluation twice a year on price, quality, supply and credit through the Mobis Supplier Evaluation Management (MSEM). Among the evaluation items, we also included factors that influence management risks, including ethical management practices, human rights, labor-management activities, and environmental/safety risks, including environment/safety certification (ISO 14001), and management of workplace and harmful substances.

Domestic and Overseas Primary Suppliers

Classification		2015		2016		2017	
		No. of companies	Purchase amount (KRW 100 million)	No. of companies	Purchase amount (KRW 100 million)	No. of companies	Purchase amount (KRW 100 million)
Domestic		1,249	149,941	1,322	146,858	1,294	148,040
Overseas	North America	27	9,068	28	7,222	27	6,458
	Europe	29	4,084	26	4,538	31	5,024
	China	237	14,425	278	16,799	246	11,034
	India	24	2,315	24	2,020	26	2,132
	Russia	3	126	9	95	9	146
	Brazil	13	544	13	391	13	490
	Turkey	6	960	11	447	12	437
	Mexico	-	-	28	615	35	972
Total		1,588	181,463	1,739	178,985	1,693	174,733

*The number of domestic suppliers and trade volume data have been modified because of changes in internal management standard.

Win-Win Partnership with Suppliers

Enhancing Supplier Competitiveness

Providing Technical Support and Pursuing Overseas Expansion

Hyundai Mobis has contributed in improving its suppliers' technological competitiveness through the transfer of testing and evaluation technologies for in-house infrastructure, while also filing for joint patent rights through the joint development of original technologies and royalty-free licenses of its domestic patent rights. In addition, we support our suppliers' attendance at international exhibitions to explore new markets and increase sales, including full payment for attending the exhibition including fees for renting and installing exhibition booths and providing consultations for buyers, contributing to increasing orders and expanding global operations. In 2017, five SMEs that signed fair-trade agreements with Hyundai Mobis were given a chance to attend the Korea Autoparts & Auto-related Industries Show (KOA Show). Besides these, we set up supplier booths and showcased related products, as well as establishing a base for exploring new markets by holding consultations with overseas buyers.

R&D Partnership Programs

Classification	Contents
Sharing of patent rights	<ul style="list-style-type: none"> Operate a pool to share Hyundai Mobis' domestic patent rights with suppliers <ul style="list-style-type: none"> - Disclosure of 160 patents and utility model licenses Provide support for suppliers' technical competitiveness through the free lending of patented technologies <ul style="list-style-type: none"> - Provide free lending of 14 patents to 2 suppliers
CTO forum	<ul style="list-style-type: none"> Share our development direction with 102 large and medium and small suppliers for stronger win-win partnerships
Opening door policy at the Shanghai Test Center	<ul style="list-style-type: none"> Provide support for using our Shanghai Test Center and its test equipment to domestic suppliers who entered into overseas markets at low cost Performed a total of 18,321 tests using 127 types of test equipment, including airbag deployment apparatus testers, etc.
Filing for joint patent rights	<ul style="list-style-type: none"> Filing for joint patent rights on jointly developed technologies and paying all the required expenses to ease supplier liquidity issues <ul style="list-style-type: none"> - Support a total of 9 suppliers, 23 cases, with KRW 7.7 million in expenses
Subsidizing patent filing expenses	<ul style="list-style-type: none"> Subsidizing supplier applications for patents based on their own technology to help them protect their technical innovations <ul style="list-style-type: none"> - Support for KRW 23.9 million

Signing of Fair Transaction Agreements

Hyundai Mobis signs fair transaction agreements with its suppliers annually to support fair transactions and mutual growth. More specifically, we have a list of major details contained within the Fair Transactions in Subcontracting Act that the employee in charge must adhere to when trading with suppliers (four guidelines on subcontracts: contract signing management regulations, supplier registration and management regulations, internal review committee management regulations and document issuance and management regulations). In 2017, we signed nine rounds of agreements for fair transactions with 375 suppliers worth KRW 5.4 trillion. Moreover, we actively encouraged fair transaction agreements between primary and secondary suppliers, resulting in 126 primary suppliers and 613 secondary suppliers signing such agreements.

Signing of Fair Transaction Agreements and Support for Win-Win Partnership

Classification	7th	8th	9th
Period	2015.1.1 ~ 2015.12.31	2016.1.1 ~ 2016.12.31	2017.1.1 ~ 2017.12.31
Target (Companies)	454	377	375
Purchase amount (KRW 100 million)	60,876	54,413	54,410

*Purchase amount refers to the amount purchased by suppliers that signed fair-trade agreement for the applicable year.

Passing on Know-how Related to Production and Quality Management

Hyundai Mobis passes on know-how related to production and quality management to its suppliers to strengthen their competencies. We have expanded the scope of support provided to strengthen the competencies of not only primary suppliers, but also secondary suppliers. In 2017, Hyundai Mobis held benchmarking events for outstanding suppliers targeting our secondary suppliers, contributing to strengthening quality and improving management practices through a ladder of mutual growth among secondary suppliers. Based on Hyundai Motor and Kia Motors' SQ (Supplier Quality) system, Hyundai Mobis shared relevant fair-trade know-how and quality improvements made by outstanding suppliers with other suppliers. 99 employees from 68 secondary suppliers visited three secondary suppliers chosen for outstanding quality to take a tour of their production lines and held council meetings to share best practices. In addition, we selected and awarded seasonal fruits to 250 outstanding after sales service parts suppliers that provided timely supply of parts and contributed to improving customer service over the past year.

Expanding Financial Aid to Suppliers

Management Support to Suppliers

Hyundai Mobis contributed KRW 86.5 billion in funds exclusively for the financial stability of its primary and secondary suppliers, offering payment guarantees for under-banked suppliers to receive low-interest loans. As of the end of 2017, 46 suppliers received a total of KRW 56.6 billion in loans under the program. In addition, we operate a KRW 16.9 billion program exclusively for secondary suppliers. In a bid to help medium and small suppliers with liquidity problems, Hyundai Mobis pays all its bills in cash, while also advising its suppliers to make cash settlements among fellow suppliers.

In order to reduce the burden on its suppliers due to the recent minimum wage increases, Hyundai Mobis has created a new KRW 13.8 billion win-win partnership fund to pay small-scale companies in lump sum payments. In addition, we also created a KRW 27.7 billion fund to provide low-interest loans exclusively to secondary and tertiary suppliers, aiming to realize win-win partnerships through improvements in management. In accordance with the market prices of raw materials, we sat down with our suppliers to adjust supply prices through fair-trade agreements recommended by the Fair Trade Commission. In consideration of the impact that raw material issues have on our suppliers' competitiveness, we raised the prices paid to our suppliers by KRW 65.9 billion in 2017. Furthermore, all changes to supply prices are transparently disclosed to every supplier via a separate portal site and through the win-win partnership system, so that they are accessible to all suppliers.

Management Support Program to Suppliers

Classification		Units	2015	2016	2017
Loan Support to Suppliers	Loan guarantees	KRW 100 million	518	572	532.4
	Suppliers	Companies	42	41	61
R&D Collaboration	Sharing of the Shanghai Test Center	Cases	31,918	24,258	18,321
	CTO forums	Companies	119	90	102
	Sharing of royalty-free intellectual property Rights	Cases	160	160	160
Support to Secondary/Tertiary Suppliers	Supporting MSQ evaluations	Companies/persons	156/156	164/212	141/199
	Subcontracting agreements between primary and secondary suppliers	Companies	733	468	591
Support of Training Programs	Supporting training programs	Companies	1,905	587	1,239
	No. of trainees	Persons	2,800	2,657	5,691
Communication with Suppliers	Cooperation meetings	Companies	167	166	183
Promotion of Fair Transactions with Suppliers	Paying SME suppliers in cash	Cash	Settlements in cash	Settlements in cash	Settlements in cash
Supporting win-win partnerships including performance sharing and others	Rise in paid customer supply & unit cost	KRW 100 million	14,337	12,677	16,600
	PMI	KRW 100 million	-	90	19.6

*PMI (Partner Managed Inventory): Supplier order and delivery technique

Supplier Communication Programs

Hyundai Mobis promotes close partnerships with its suppliers by sharing business directions and policies, listening to supplier difficulties and strengthening mutual communication. In the first and second half of 2017, we made on-site visits to 150 suppliers to explain our supplier support programs and receive opinions on supplier difficulties. In addition, we held a win-win partnership seminar for about 300 primary and secondary suppliers to strengthen communication. Since 2017, we have established a system to improve responses to complaints lodged by suppliers, which guarantees anonymity and strengthens feedback.

Status of Supplier Communication Programs

Classification	Contents	Participating Companies
Regular general meetings of suppliers	<ul style="list-style-type: none"> · Hold the win-win partnership council's performance review and share the 2017 plan · Hold policy briefing, seminar, etc. 	183 companies
Major policy briefing sessions	<ul style="list-style-type: none"> · Explain about major policy directions · Explain about win-win partnership and FTA 	260 companies
Executive meetings of win-win partnership council in the first and second half of the year	<ul style="list-style-type: none"> · Share performance review and progress update · Seek the council's development plans 	17 companies
On-site interviews in the first and second half of the year	<ul style="list-style-type: none"> · Introduce win-win partnership programs · Receive complaints 	150 companies
Win-win partnership seminar	<ul style="list-style-type: none"> · Win-win partnership programs and actual best practices · Explain about supplier support programs and invite external lecturers for special lectures 	300 companies
Junior Engineering Class for the children of supplier executives	<ul style="list-style-type: none"> · Make solar car / eco car · Relay game with sports and engineering, etc. 	22 companies

CASE .

Junior Engineering Class Camp for the Children of Supplier Employees

Hyundai Mobis held a Junior Engineering Class Camp for employees from 22 primary and secondary suppliers. Since the first camp held in 2017, in addition to the Junior Engineering Class as Hyundai Mobis' representative social contribution activity, we have strengthened our partnership with suppliers through diverse programs, including the hosting of a Golden Bell Science Quiz Program.



CASE .

Win-Win Partnership Seminars for Suppliers

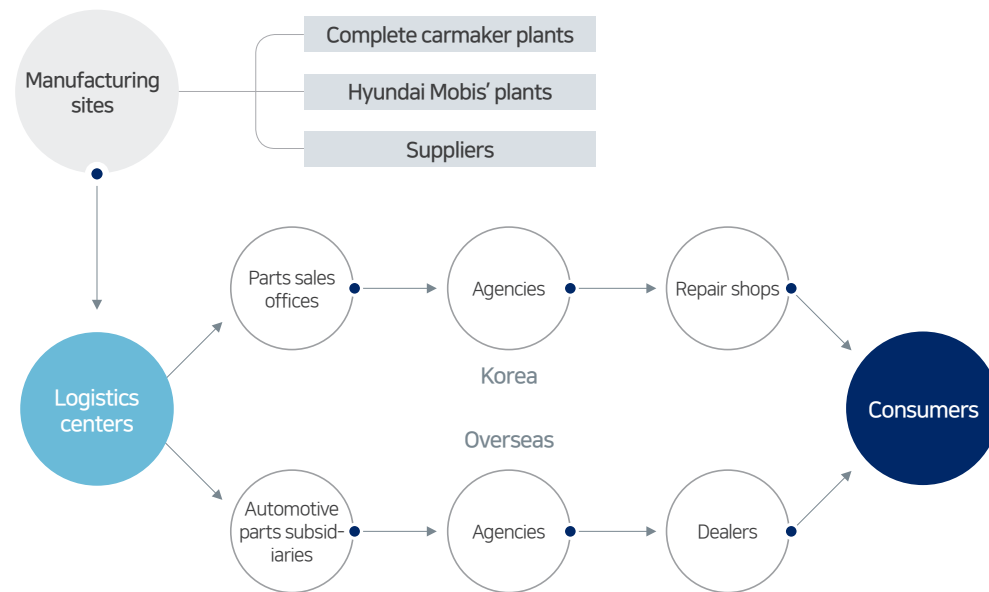
In order to ensure an accurate understanding of diverse supplier support programs, Hyundai Mobis held win-win partnership seminars for about 300 primary and secondary suppliers. Since 2016, we have shared details requested by our suppliers at the seminars, including information on molding costs in lump sum payments, win-win partnership funds, and the win-win settlement system. In this way, we have continuously expanded support programs for our suppliers. In 2017, we received the highest grade in the win-win growth index evaluation.



Status of Agencies

Hyundai Mobis' after-sales service parts network consists of agencies and dealers and is closely linked to the supply of after-sales service parts and improved customer service. As of 2017, we maintain partnerships with 2,399 agencies and 14,648 dealers domestically and internationally. They are responsible for providing efficient logistics and the prompt supply of parts. There are about 58 million vehicles (as of the end of 2017) built by Hyundai Motor and Kia Motors in operation around the world, and 2.7 million separate parts produced by Hyundai Mobis are used as after-sales service parts in 244 car models. Since it is difficult to predict when and what kind of after-sales service parts will be needed, the company must have the ability to supply them on time according to plan. We are establishing win-win partnerships with our suppliers through various support programs, including training programs customized for agencies.

Aftermarket Service Parts Supply Process



* Regions without overseas agencies such as China and India supply parts directly to dealers through automotive parts subsidiaries.

* Regions without overseas automotive parts subsidiaries such as Africa, Central and South America and parts of Asia-Pacific supply parts directly to agencies through logistics centers.

Domestic and Overseas Parts Sales Network

(Unit: centers)

Classification		2015	2016	2017
Korea	Parts sales offices	23	23	22
	Logistics centers	4	4	4
	Service parts sales teams	42	41	40
	Agencies	1,940	1,856	1,894
Overseas	Automotive parts subsidiaries	15	15	15
	Parts Distribution Centers(PDC)	51	55	57
	Regional Distribution Centers(RDC)	2	2	2
	Branches and offices	1	1	2
	Agencies	460	535	505
	Dealers	12,929	14,241	14,648

Win-Win Partnerships with Agencies

Support Competence-Building for Agencies

Hyundai Mobis' after-sales service parts network consists of domestic and overseas agencies and dealers who are important partners of the company and are closely linked to all areas of the after-sales service parts business including sales, marketing and inventory management. Therefore, the enhancement of their competencies will greatly improve the value of Hyundai Mobis, which is why we support competency-building for agencies with varied training programs as well as other practical programs to assist with their business activities.

For instance, we dispatch our business consultants to agencies where our representatives can help with business restructuring. Additionally, our Best Practice Awards motivate higher performance results at these same agencies. We share the burden of product defects that occur in the process of warehousing or transporting parts and components. At the same time, we support their inventory cost-saving measures and distribution control improvements. This, in turn, adds to our competitive edge.

Domestic and Overseas Parts Sales Network

Classification	Program purpose and details	2017
Management consulting for agencies	Dispatch Hyundai Mobis employees with management consulting qualifications to each agency for four weeks, and analyze the overall management problems of the agency, including organizational management, sales, marketing, inventory and logistics, to derive improvements	Completed at 27 agencies (a total of 326 agencies)
Best practice contests for agencies across the nation	Share best practices from four outstanding agencies from the previous year during invitational seminars held for outstanding agencies to motivate them to voluntarily improve their management practices	Announced and awarded best practices of management innovation for five agencies
Enhancing the inventory of agencies	Support agencies' inventory cost-saving measures and distribution control enhancement programs by sharing the burden of product defects that occur in the process of distributing parts and components	Support KRW 1.88 billion
Personnel assistance to improve the environment of agencies	Strengthen the competitiveness of the distribution network by supporting part of the personnel expenses for agencies that have applied for environmental improvements	Supported 29 agencies (a total of 81 agencies) and a total of KRW 89 million
Safety tests for agencies	As part of the commitment to establish a win-win partnership system for agencies, external institutions reviewed risk factors that make agencies unsafe and encouraged improvements based on review results to provide a stable environment for supplying parts.	Completed inspection of 668 agencies Supported a total of KRW 72 million

Training Support Programs for Agencies

(Unit: persons)

Classification	Program purpose and details	2015	2016	2017
Business Academy for agency CEOs	Strengthening personnel competencies and training change management for agency CEOs → Special lecture on leadership, inventory/logistics management and outstanding agencies	148	150	114
Job training programs for agency employees	Job training for strengthening personnel competencies of agency employees → Component technology information, inventory/logistics management, computer program utilization, CS, etc.	342	333	291
Fostering next-generation managers	Training on management succession of agencies with next-generation managers and strengthening their job competencies	68	57	82
Training on strengthening agencies' competitiveness	Providing training on motivation to improve autonomous management for agencies with bad evaluation grades (C,D grades), including self-management consulting (analyzing the current level of management, identifying improvement tasks) and consultations.	-	97	19
Developing Opinion Leaders	Hyundai Mobis trains the representatives of outstanding agencies as lecturers exclusively for agencies, so that other agencies can learn outstanding management know-how through training programs.	-	-	10

SOCIAL CONTRIBUTION

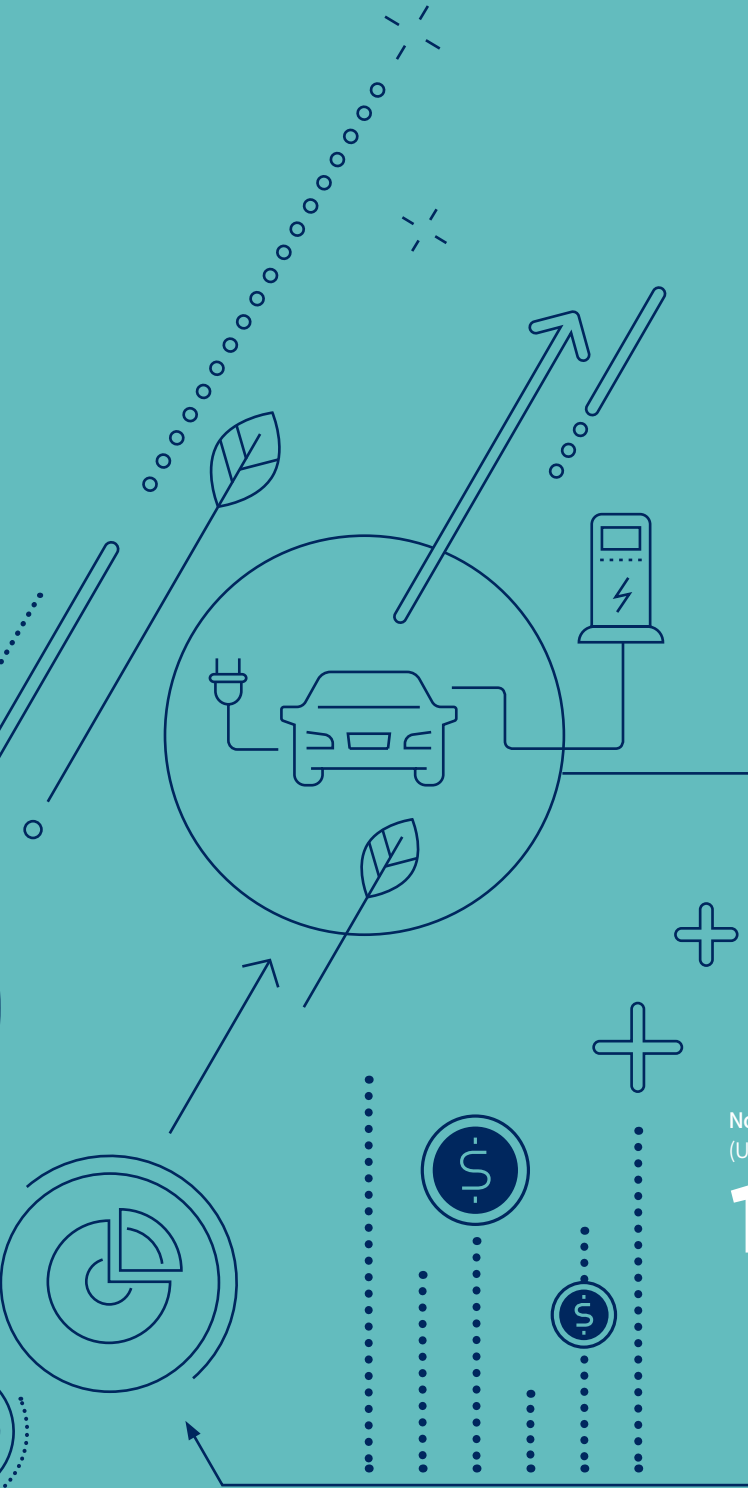
Donation amount of social contribution
(Unit: 100 million)

144.5

* Plus incidental expense of KRW 704,944,752



Hyundai Mobis' social contribution activities are aimed at achieving its CSR and enhancing the company's values. Hyundai Mobis focused on Hyundai Motor Group's 2016 new social contribution strategy that involved a transformation from the Four MOVE Campaigns that emphasized mobility to the Six MOVE Campaigns that encourage change and advancement in diverse areas. For this reason, we launched DREAM MOVE in 2017 and plan to launch NEXT MOVE in 2018. In addition, we will revise and supplement the existing Four MOVE Campaigns to suit our new strategy. As part of this effort, we established a volunteer group for employees (HAPPY MOVE), with plans to more than double the number of volunteer hours per employee from the current 1.33 hours by 2025.



Accumulated number of transparent umbrella
shared for the prevention of car accidents
(Unit: 10,000 umbrellas)

83.6

No. of hours of Volunteer per person
(Unit: hours)

1.33

Increasing Social Contribution Activities and Brand Value

Hyundai Mobis has incorporated brand strategies with its social contribution programs that highlighted the company's core focus on improving safety, eco-friendliness and convenience. The Transparent Umbrella Campaigns and the Mobility Assistance Programs for Disabled Children are related to enhancing safe mobility, and the Junior Engineering Class uses teaching materials that improve the value of driver convenience through eco-friendly and advanced technologies. Moreover, we seek to become more eco-friendly by implementing the Meer Forest Program.

SAFE MOVE_Transparent Umbrella Campaign

In order to reduce the risks of car accidents involving children on rainy days, Hyundai Mobis has been implementing the Transparent Umbrella campaign to distribute more than 100,000 transparent umbrellas every year since 2010. In 2017, we distributed 836,000 transparent umbrellas to a total of 1,353 schools by 2017. We used strong and light fabrics for the transparent umbrellas so that children can carry them easily, using semi-glossy materials so that drivers can see them from far away. Meanwhile, Hyundai Mobis is expanding campaigns that include utilization of the Transparent Umbrella Program, traffic safety training programs for children and UCC contests for these two programs, as well as making efforts to spread a culture of traffic safety for children by planning a participatory program with contests.

Method of Distributing Transparent Umbrellas

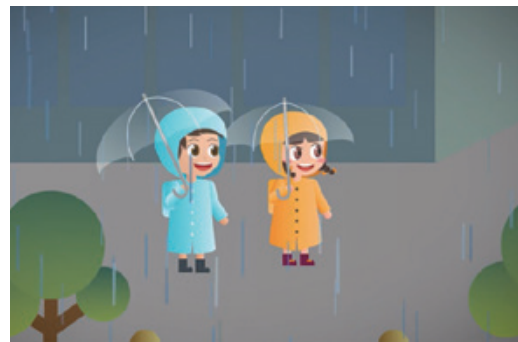
Applying for Transparent Umbrellas | The Transparent Umbrella Program is open to all Korean citizens. Individuals can apply with anecdotes about traffic safety for children, with some applicants receiving transparent umbrellas to promote children's safety on the roads.

Traffic Safety Training for Children | Traffic safety training is held for students of elementary schools selected for participation in the transparent umbrella sharing contest. We also support traffic safety training by traffic safety specialists from the Korea Road Traffic Authority.

UCC Contests for Children's Traffic Safety Training and Transparent Umbrella Program | In line with the development of user created content, Hyundai Mobis supports the production and sharing of traffic safety videos that reflect innovative ideas from the public regarding children's traffic safety. The winners of the contest are given a small cash prize and the opportunity to distribute transparent umbrellas under his/her name.

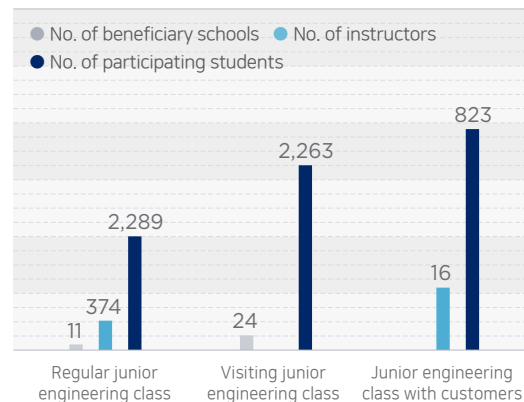
NEXT MOVE_Junior Engineering Class

Since 2005, Hyundai Mobis has been running a Junior Engineering Class for Children to instill dreams and hope in children who will become future scientists and contribute to developing basic science knowledge within local communities. This program comprises the following: a regular junior engineering class held in elementary schools close to worksites; a junior engineering class for customers that offers learnings experiences at motor shows and other marketing events; and a visiting junior engineering class that brings science education to students across the nation by utilizing a dedicated science bus. In 2017, we held classes at 35 schools with 5,375 students in attendance, with 470 employees participating as lecturers. Going forward, Hyundai Mobis plans to widen the scope of its activities so that more children can get access to science education.



The winner of the UCC Contest for Traffic Safety for Children in 2017 was Transparent Umbrellas as Our Children's Keeper

Progress of Junior Engineering Class in 2017



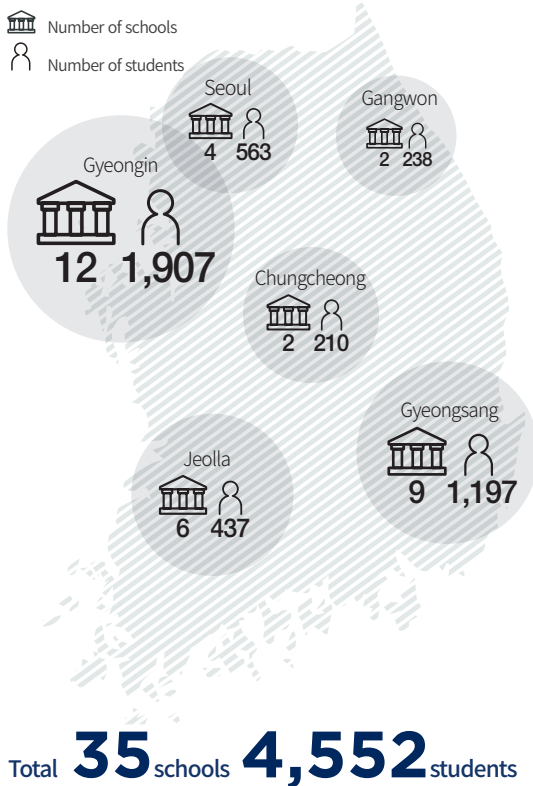
Expanding Opportunities for Science Education

Hyundai Mobis promotes science education for children across the nation so that they can learn easily. The visiting junior engineering class is not only for students of elementary schools near Hyundai Mobis' worksites, but also for children across the nation. We utilized science buses to visit the selected elementary schools and hold science lectures, as well as staging participatory science classes using textbooks. Hyundai Mobis worked to provide children from diverse backgrounds access to different forms of science education through the visiting junior engineering class. In 2017, we conducted the class to children on Jeju Island.

Textbooks

Hyundai Mobis developed textbooks for the junior engineering class in cooperation with Hanyang University's Youth Science & Technology Center and the National Academy of Engineering of Korea. This textbook featured technology developed by auto parts companies in a manner suitable for children, including the lane keeping assist system and autonomous emergency braking, enabling children to take an interest in the principles of automobile safety and science. In line with the development of automobile technology, we developed textbooks for hydrogen electric vehicles and utilized them in classes.

Status of Regular Junior Engineering Class in 2017 by Region



* Based on the number of people for regular junior engineering class and visiting junior engineering class, which are 5,375 people if we include customers who joined junior engineering class.

Introduction of Representative Textbooks

Name of textbooks	Application technology
Safe Car	Autonomous Emergency Braking
Smart Car	Lane Keeping Assistance System
Solar power vehicles	Solar batteries



Safe Car



Hydrogen electric vehicle

EASY MOVE_Supporting the Mobility of Disabled Children

In order to enhance mobility and increase opportunities of social participation for physically-challenged children, Hyundai Mobis has provided mobility aids for disabled children since 2014. Additionally, we support rehabilitation treatment expenses and organize family trips for disabled children with employees as volunteers. Moreover, we published books featuring children's stories to raise awareness of the disabled and distribute these books to regional children's centers and disabled welfare centers across the nation.

Supporting Assistive Devices and Rehabilitation Treatment

Hyundai Mobis has been providing support for the purchase of more than fifty assistive devices for mobility convenience every year, including Easy Move’s lightweight baby carriage for disabled children and a multi-purpose posture chair. In addition, we provided financial support for rehabilitation treatment conducted by medical institutions inclusive of treatments not covered by insurance for one year, so that 35 children received benefits in 2017, including speech therapy and music therapy. Hyundai Mobis will continue to promote the mobility rights of disabled children by expanding this program.

Hyundai Mobis’ Family Trip for Disabled Children

Hyundai Mobis provides support for disabled children to go on family trips, who normally find it difficult to travel due to mobility issues and negative stereotypes. An employee who volunteers will go along as a helper during each trip to help the family create meaningful memories and promote rehabilitation. As a result, 15 employees volunteered to accompany 13 families composed of 51 people on healing trips to Yongin and Anseong in Gyeonggi-do in 2017. In addition, Hyundai Mobis gave away gifts in the form of hope packages at the end of year to provide disabled children with daily necessities.

Fairytales Published to Raise Awareness of the Disabled

In order to reduce negative stereotypes of the disabled in society, Hyundai Mobis has published fairytales written by Jeongwook Ko, who suffers from a level 1 physical disability, since 2014. In 2017, we published a fairytale called ‘A Difficult Day to Poop,’ distributed 3,000 copies of the book and held a book report contest for the children of employees to improve their awareness of the disabled.

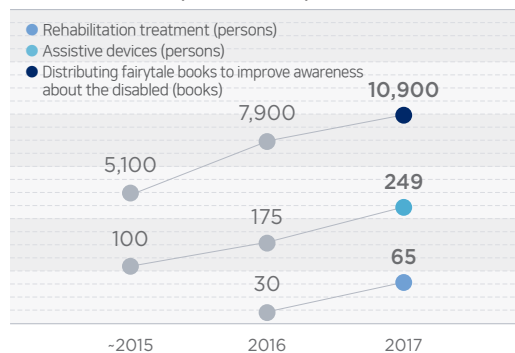
GREEN MOVE_Meer Forest

In order to preserve and restore resources for the development of local communities and future generations, Hyundai Mobis has created the Meer Forest, an eco-friendly forest of 1 million m² in Chopyeong-myeon, Jincheon-gun. We provide diverse forest experience programs, including forest concerts, wetland experiences and ecological classes for families, allowing participation by diverse stakeholders, including local residents, agencies and employees. Also, we plan to implement a forest carbon offset program as part of our social contribution activities on an area of 8.23ha for forest rejuvenation.

Forest Carbon Offset Program

Hyundai Mobis began to create the Hyundai Mobis Forest as part of its eco-friendly social contribution programs that take into consideration the strengthening of regulations on climate change issues, GHG emissions and the development of eco-friendly products. Additionally, we are implementing a forest carbon offset program by re-foresting 8.23ha of land where the forest is located, which is expected to be symbolic domestically and internationally in connection with offsetting GHG emissions. Currently, 4,819 pine trees have been planted and managed at the site, with the annual forest carbon uptake estimated to be 31.1tCO₂.

Status of Supporting the Mobility Assistance of Disabled Children (accumulated)



Meer Forest Experience Program

Meer Forest Program

Hyundai Mobis' Bloombloom Concert | In order to continuously use the Meer Forest with local residents, Hyundai Mobis held concerts under different themes every year at the outdoor concert hall. Through our Bloombloom concert program, we offer acoustic music with beautiful mountain and lake in the background that can be enjoyed by families.

Forest Experience Programs | In order to promote the philosophy of creating forests for stakeholders, Hyundai Mobis operates diverse environmental experience programs, including wetland experiences for elementary school students, ecological experiences for families, and an annual bird fest, allowing participants to understand how nature and people can co-exist together. We also offer a free program for regular visitors to walk through the forest with a forest specialist and enjoy the beautiful scenery of the Meer Forest.

DREAM MOVE_ Children Archery Class

There is no unequal starting point in the sport of archery, where victory or defeat is determined based on the diligence and effort made while aiming the bow at the target. In order to ensure a better future for our children and foster future archers, we offer a high-quality training experience through this program, together with Hyundai Mobis' women's archery team and retired archers.

Encouraging Reemployment of Retired Athletes Through Training for Youngsters

Korea ranks as the top archery nation in the world. However, since it's considered hard to get your foot in the sport in Korea, only a few get training experience. As a result, the opportunity for the retired athletes to be rehired as trainers to foster the younger generation is very small, and especially difficult for retired female athletes with a long periods of inactivity due to childbirth and childcare. Therefore, we are expanding the availability of archery by increasing the training opportunities for talented young archers so that more retired athletes can get involved. In 2017, we started off with 43 elementary students from the Yongin region, and later held pilot projects for 50 people from Munmu School in Tianjin, China. Starting from 2018, we will provide such opportunities domestically and internationally for 600 and 100 people, respectively.

Direction of Global Social Contribution Activities

Hyundai Mobis' engages in social contribution programs that reflect Hyundai Motor Group's CSR vision and philosophy at both its domestic and overseas subsidiaries. Most of these programs contribute to local communities by implementing both small and large contribution activities from an early stage, such as sponsorship through sisterhood ties and scholarships. In 2013, the transparent umbrella program first started off at Jiangsu Hyundai Mobis Automotive Parts Co., Ltd as part of global social contribution activities. We reduced the risks of car accidents involving children on rainy days by distributing about 32,000 transparent umbrellas to children in Beijing, Tianjin, Jiangsu, Shanghai and Wuxi. Since 2014, we have run a Junior Engineering Class in Jiangsu, China to strengthen our ties with local communities and promote science education for children. In 2016, we held a Junior Engineering Class for the first time in Europe together with the European Technical Center in Germany. Based on these achievements, we have run Junior Engineering Classes in China and Germany.

Promoting Social Contribution Activities in China

Hyundai Mobis launched a social contribution council within its Chinese subsidiary to effectively engage in social contribution activities in the region. In order to strengthen its ability to carry out social contribution activities in China and encourage business exchanges between employees at the head office and its Chinese subsidiary, a social contribution council is held twice a year, once during the first half and once during the second half. In 2017, we temporarily held the Dream Move Archery Class for Children, newly launched in Tianjin, China. Through continuous exchanges, we will develop diverse programs that reflect the characteristics of Chinese subsidiaries and encourage more employee participation.

Global Social Contribution Activities



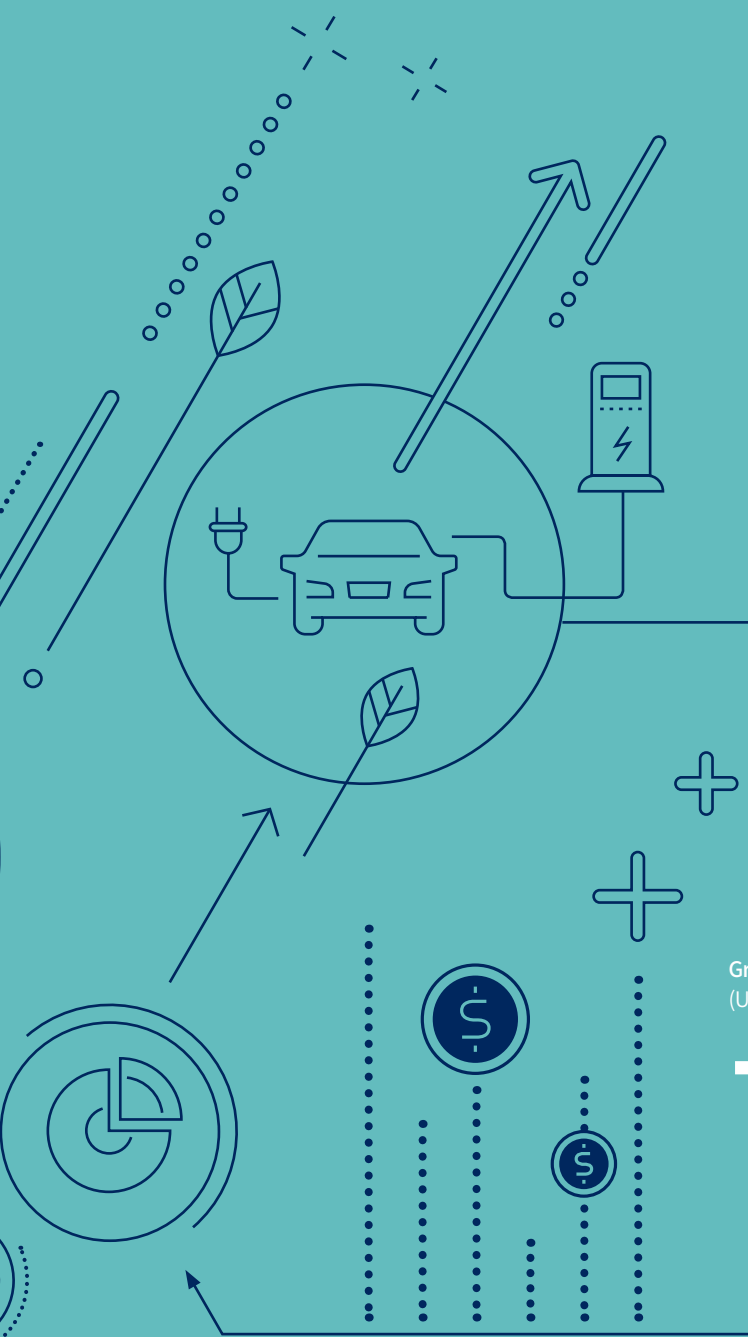
ENVIRONMENTAL MANAGEMENT

Growth rate of greenhouse gas emission
(Unit: %)

+3.6



Since the COP 21, or the Paris Climate Conference, domestic and international interests in climate change have increased. In addition to the Korean government's emission regulation, other related laws and regulations are being strengthened. With the growing interest for climate change, there is a widespread social interest in air pollution problems like fine dusts, as well as water resource management. Furthermore, other countries are also pushing for stricter environmental regulations. The Chinese government has accelerated its regulations with the newly amended environmental protection law. Starting from January 1, 2018, the Chinese government will enforce newly amended environmental protection law and water pollution prevention law, thereby further strengthening legal protection to reduce emissions of pollutants. In addition, the EU will require the TCFD recommendations to be reflected (2019), while France, the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB) and S&P are participating also joining in the trends of strengthening financial information disclosure for climate change. Hyundai Mobis strives to comply with the government's emission regulations by improving its products and production facilities, including maintaining emissions at 400,000 tCO₂eq by 2025, as well as implementing energy reduction activities to use within 10,000 TJ. We will also reduce waste generation to be less than 20,000 tons by 2025.



Growth rate of metal raw materials used
(Unit: %)

-16.0

Growth rate of energy used
(Unit: %)

+3.6

Environmental Management System

Hyundai Mobis strives to fulfill its CSR by achieving sustainable growth through environmental protection in production and management activities as its top priority. As of December 2017, the head office and technical centers, as well as 26 domestic and overseas plants and 32 domestic parts worksites, established an environmental management system by obtaining ISO 14001 certification. By conducting reexaminations for the certification every year, we comprehensively inspect and improve the status of environmental management practices at each worksite.

ISO 14001 Certification of Domestic and Overseas Operations (As of the end of 2017)

Classification		Eligible operations	Certified operations	Certification rate (%)
Head office & Plants & Technical centers	Domestic	12	12	100
	Overseas	15	14	93
Parts sales offices		26	26	100
Total		53	52	98

Input and Utilization of Resources

Metals

The recent trend is to lighten the weight of frames and parts in cars with light but high-strength materials like plastic and aluminum. In 2017, Hyundai Mobis used 188,801 tons of metal raw materials, down by 16.0% compared to the previous year.

Plastics and Rubbers

To increase fuel efficiency and the recycling rate of end-of-life vehicles, Hyundai Mobis strives to raise the recovery rate of its products and gradually phase in composite plastics to lighten the weight of its products, and ultimately of automobiles. Since 2010, we have adopted a process that collects and recycles fugitive paint powders that scatter during the coating lamp lens process, thereby lowering the loss of solvents and raising efficiency. In 2017, our petrochemical product use decreased by 33.9 percent in plastics/rubbers (27,439 tons) and decreased by 23.8 percent in solvents (3,030 tons).

Energy

In 2017, Hyundai Mobis consumed a total of 7,122 TK (domestic 2,755 TJ, overseas 4,367 TJ) of energy at domestic and overseas worksites. 88.7% of the energy use was derived from the use of electricity. This is an increase of 2.9% compared to the previous year, caused by the launch of normal operations of a hydrogen fuel cell plant in Chungju and test roads in Seosan. As a result, the total energy consumed in Korea showed an increase compared to the previous year (13.9%), but went down overseas (2.0%). Meanwhile, Hyundai Mobis completed installation of the GMEMS (Global Mobis Energy Management System) at major domestic and overseas worksites in 2017, thereby aiming to reduce company-wide energy intensity (TJ/KRW 100 million) and manage energy systematically at each individual worksite and facility.

Water Resources

As most of the company's products are manufactured through an assembly process, Hyundai Mobis' total use of water resources is not particularly high, and all of the plants use industrial water and water services, neither of which have an influence on biodiversity or the neighboring environment. In order to raise the reuse/recycling rate, we have continuously invested in improving facilities, including addressing cooling tower overflow and increasing the recovery of steam condensing water, so that we used less water than the previous year. In 2017, the use of water rapidly increased due to the operation of a new hydrogen fuel cell plant in Chungju and test roads in Seosan, so that we used 811 tons of water, up 35.6% from the previous year.

Domestic/Overseas Energy Consumption

Amount of raw materials used	Unit	2015	2016	2017	Change compared to 2016 (%)
Total of domestic and overseas energy consumption	TJ	5,906	6,876	7,122	3.6
Consumption intensity	TJ/KRW 100 million	0.016	0.018	0.020	12.8
Domestic energy consumption	TJ	2,268	2,419	2,755	13.9
Overseas energy consumption	TJ	3,638	4,457	4,367	-2.0

Domestic Raw Material Use

Amount of raw materials used	Unit	2015	2016	2017	Change compared to 2016 (%)
Metals	ton	305,007	224,723	188,801	-16.0
Plastics / Rubbers	ton	27,387	41,501	27,439	-33.9
Solvents	ton	4,328	3,974	3,030	-23.8
Total	ton	336,722	270,198	219,270	

Domestic Water Resource Use

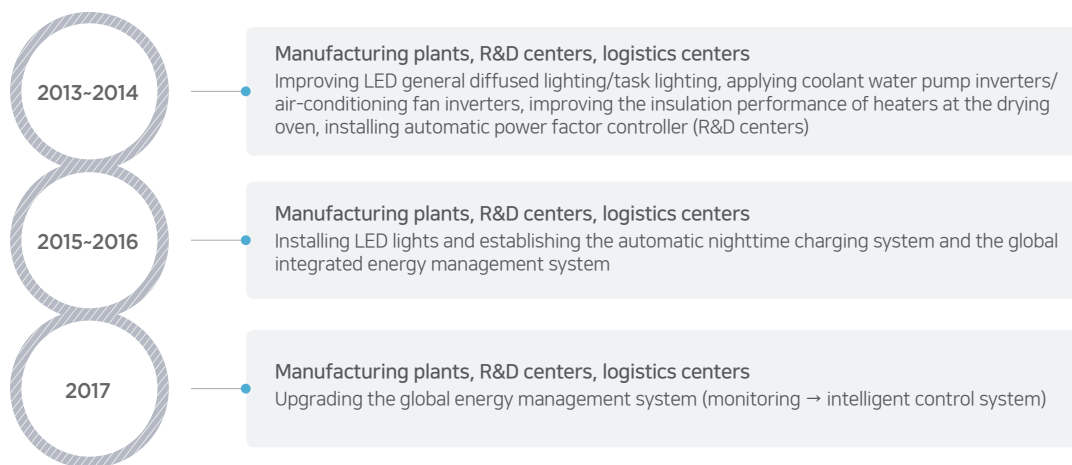
Amount of raw materials used	Unit	2015	2016	2017	Change compared to 2016 (%)
Total volume of water resources used	1,000 tons	4.3	3.0	4.2	3.6
Consumption intensity	tons/KRW 100 million	824	598	811	38.7

Pollutant Emissions & Control (Output)

GHG Emissions Control

After being designated as a company managed under the Korean GHG & Energy Target Management System in accordance with the Basic Act on Low Carbon Green Growth in 2014, Hyundai Mobis fulfilled its reduction obligation for the first time in 2016. As a result of implementing detailed goals and reduction plans for different worksites that aim to reduce emissions by 10.8% compared to the emission quota determined by the government, we emitted 135,998 tons of GHG and succeeded in reducing our emissions beyond our targets. In recognition of the need to mitigate climate change that has become a social issue, Hyundai Mobis has made many efforts to control GHG emissions as part of fulfilling its CSR. Since the establishment of its in-house MGMS (Hyundai Mobis Greenhouse-gas Management System) in 2011, we calculate company-wide GHG emissions, analyze statistics and set up a database with regular updates, while also participating in the Carbon Disclosure Project (CDP) to disclose our GHG emissions management performance to stakeholders.

Energy Reduction Activities



In addition, we completed installation of the GMEMS (Global Mobis Energy Management System) at 17 domestic sites (14 plants, Mabuk Technical Center, Asan and Ulsan Logistics Centers) and 4 overseas sites, contributing to reduce energy consumption and greenhouse gas emissions through efficient energy management. Since 2017, we gradually introduced a smart lighting system (automatic light dimmer system that detects a worker's movements), peak electricity management system and power substation rationalization technology at worksites, which are expected to help reduce greenhouse emissions and energy use in 2018.

Status of Waste Generation, Recycling and Reproduction

Hyundai Mobis has made many efforts to manage the entire process of emissions, transport and treatment of waste by utilizing an online legal waste treatment system (Allbaro System: the Ministry of Environment's waste management system), as well as raising the waste recycling rate. Under the voluntary agreement on the recovery and recycling of plastic wastes signed with the Ministry of Environment in 2012, we have improved our recycling of automotive AS parts, including plastic-containing bumpers and moldings, contributing to minimizing the environmental impact of manufactured goods. In 2017, a total of 13,419 tons of waste were generated from Hyundai Mobis' domestic operations, with 60.1% percent (8,061 tons) recycled. The remaining amount was incinerated (37.1%) or landfilled (2.8%).

Pollutant Emissions Control

Hyundai Mobis manages and controls its pollutant emissions by means of both pollution prevention facilities and regular monitoring, while preparing for accidental leakage of pollutants through continued facility checks and improvements. Moreover, in order to reduce the generation of VOCs from the coating/painting process, the main cause of global warming and ozone depletion, we increased the use of water-based paints in our painting process to reduce air pollutant emissions, while optimizing environmental facilities and replacing old air pollution prevention facilities to minimize our impact on air quality. As for water pollutants, the company treats all wastewater from washing automotive parts at wastewater treatment facilities at each plant before discharging it into public sewers, or retreats it at public sewage treatment plants. In particular, the wastewater treatment facilities make efforts to minimize the impact of water pollutants by applying stricter standards of wastewater treatment that remain 50 percent stricter than legal requirements.

Hazardous Substance Management

Hyundai Mobis has established the MCMS (Mobis Chemical Management System) for the systematic management of chemical substances to prevent the use of hazardous substances in advance, a system applied to all domestically produced car models. Besides fulfilling the obligation to report chemical substances used by country and preventing

the use of hazardous substances in the R&D stage, we promptly respond to stakeholders' requests for data. In addition, Hyundai Mobis collects information on listed hazardous substances contained within automotive parts, while also conducting regular monitoring through an international material data system, enabling prompt response to important changes made.

Restrictions on the Use of Four Heavy Metals and Ozone Layer Destroyers

The Hyundai Motor Group has in place Global Standards for the Four Heavy Metals to meet the requirements necessary as outlined in global regulations on control of end-of-life vehicles (ELVs). Accordingly, Hyundai Mobis controls its use of the four regulated materials (lead, cadmium, hexavalent chromium, and mercury) in all its components and raw materials, and is continually striving to develop substitutes for these materials. Additionally, we have signed numerous green components/parts supply agreements with suppliers not to use these substances, while supporting their use of substitutes that have little or no environmental impact and prohibiting the use of substances that deplete the ozone layer at domestic plants and in our partner companies' manufacturing processes.

Developing Eco-friendly Materials

Hyundai Mobis restricts the use of hazardous substances, and strives to develop substitutes for these substances. As part of such efforts, Hyundai Mobis successfully developed a lead-free solder without any lead components to be used in electronic devices produced internally. The initial mass production of lead-free solders started from the second half of 2014 to verify the credibility of the product, followed by an expansion of the scope of mass production in the second half of 2015 and application to the European Union's end-of-life vehicles starting from 2016. Meanwhile, eco-friendly bio plastics that may be installed in cars are made from plant resources, which are made in collaboration with bio and chemical technologies. Hyundai Mobis and Hyundai Motor Group are currently conducting joint research to mass produce biocomposite materials, as well as developing additional technologies to increase mass production.

Domestic and overseas GHG emissions

Emissions	Unit	2015	2016	2017	Change compared to 2016 (%)
Total GHG emissions	tCO ₂ eq	292,234	339,701	351,850	3.6
Consumption intensity	tCO ₂ eq/KRW 100 million	0.8	0.9	1.0	12.8
Domestic	tCO ₂ eq	112,350	119,628	135,998	13.7
Overseas	tCO ₂ eq	179,884	220,073	215,852	-1.9

*Excluding greenhouse gas emissions of production offices (separate subsidiaries).

Domestic waste emissions volume

Emissions	Unit	2015	2016	2017	Change compared to 2016 (%)
Waste emissions volume (designated/general)	ton	18,176	15,287	13,419	-12.2
Emissions intensity	tons/KRW 100 million	0.10	0.08	0.07	-10.2

Domestic air pollutant emissions

Emissions	Unit	2015	2016	2017	Change compared to 2016 (%)
Air pollutant generation by year	ton	51.9	7.5	11.2	48.1
Consumption intensity	kg/KRW 100 million	0.27	0.04	0.06	51.5

Domestic water pollutant generation

Emissions	Unit	2015	2016	2017	Change compared to 2016 (%)
Total volume of water pollutants	ton	11.5	6.4	4.9	-23.5
Emissions intensity	tons/KRW 100 million	0.060	0.032	0.025	-21.8

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Stakeholder Engagement

Hyundai Mobis defines its CSR management as the process of communicating with stakeholders to achieve shared value. Therefore, our endeavors are aimed at contributing to the sustainable growth of society and the nation as well as achieving high customer satisfaction while protecting the environment. Going forward, Hyundai Mobis will achieve performance that satisfies all stakeholders through active communication and cooperation with them.

Definition of Stakeholder

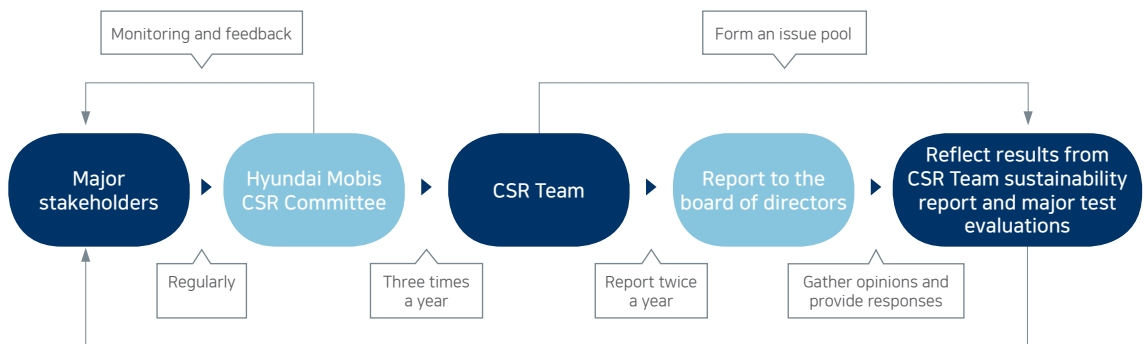
In order to coordinate interests and ensure proper communication, Hyundai Mobis classified its major stakeholders into 8 groups, and established and operated channels to collect opinions by group.

Stakeholder Status, Major Communication Channels and Activities

Complete carmakers/ Competitors	Complete carmakers and OEM-part suppliers	Production and sales policies, shared direction for product development, joint projects, quality & technology capability tests, and market trend monitoring
Employees	Korea: 9,611 Overseas: 19,951	Employee satisfaction surveys, company-wide corporate culture assessments, CSR awareness surveys, assessments of employee awareness of business ethics, and Cyber Auditing
Business partners	Korea: 1,294 companies (primary suppliers) CTO Forum: 102 companies	Regular meetings, executive-level conferences, seminars for CEOs of suppliers and for suppliers of overseas subsidiaries, and CTOs (Chief Technology Officers)
Customers (dealers/consumers)	Korea: 1,894 dealerships Overseas: 505 agencies, 14,648 dealers, car shops, and end users	Agency policy seminars, council meetings for executives, and customer satisfaction surveys
Investors	Institutional investors, individual investors, domestic and international credit rating agencies, and CSR rating agencies for investors	Non-deal roadshows (NDR), disclosures, general annual shareholders' meetings, and CSR evaluations
Government/ Associations	Administrative organs, constitutional institutions, local governments and associations	Responses to public policies and institutions, and joint projects
Media/Academia/ CSR agencies	Korean and international media, CSR associations, CSR regulators, and technology forums	Brand recognition surveys, CSR communication activities, and industrial-academia R&D alliances
Local communities	Local governments, social and environmental organizations, NGOs	Social outreach partnerships

Stakeholder Communication

All departments related to sustainability management at Hyundai Mobis are in continuous communication with key stakeholders. The key details of opinions collected are shared at the CSR Committee three times a year (May, September and December). The CSR Team in charge of CSR activities reclassifies key information collected according to each field and establishes response strategies based on feedback provided in response to stakeholder demands. Likewise, key details are exclusively managed and reported to the board of directors, as well as disclosed publicly through our sustainability report.



Materiality Test

STEP 1

Form an Issue Pool

Hyundai Mobis has run materiality tests every year in accordance with the GRI Guidelines, so that a pool of 31 issues which impact Hyundai Mobis' sustainable growth are formed in three areas, including economy, environment and society.

Economy (8 issues)

- Secure technological competitiveness
- Expand global markets
- Create and distribute economic performance
- Produce parts and strengthen parts supply competency
- Establish sound corporate governance
- Strengthen ethical management and anti-corruption measures
- Respond to domestic and overseas risks
- Enhance brand value and corporate image

Society (18 issues)

- Customers**
 - Achieve customer satisfaction through quality control
 - Improve customer satisfaction
 - Strengthen cyber security
 - Secure product safety
- Employees**
 - Talent hiring
 - Talent development
 - Respect diversity and improve organizational culture
 - Achieve work-life balance and improve welfare
 - Strengthen occupational health and safety
 - Evaluate and compensate performance fairly
- Suppliers**
 - Establish fair trade order
 - Strengthen supplier competencies and support their management activities
 - Promote communication with suppliers
 - Enhance supply chain sustainability
- Local Communities**
 - Implement global social contribution activities
 - Environmental protection efforts of local communities
 - Conduct strategic social contribution activities
 - Win-win partnership with local communities

Environment (5 issues)

- Environmental policies and environmental certifications
- Respond to climate change
- Manage pollutants and hazardous substances
- Expand eco-efficiency
- Green product policies

STEP 2

Analyze Domestic and Overseas Environment

Hyundai Mobis identifies external trends and receives stakeholder opinions through media analyses, benchmarking competitors within the same industry, evaluation of global standards, surveys of external stakeholders and expert evaluation. After gathering internal management policies and employee opinions, we use them as basic data for selecting material issues.

External Environmental Analysis

Business association	
Media analyses	Investigation and analysis of media reports made on Hyundai Mobis between January 2017 to December 2017 - Analyzed a total of 2,157 media reports from newspapers, TV channels, and new media
Benchmarking competitor within the same industry	Analysis of material and management issues of competitors and leading companies - Analyzed the sustainability reports and annual reports of nine companies
Evaluation of global standards	Analysis of representative CSR-related global standard reports and evaluation items - GRI Standard, DJSI, SDGs, Kobex, EICC, ISO26000, UNGC
Stakeholder concern	
Survey of external stakeholders	Survey of 31 material issues in sustainability management for 362 external stakeholders, including customers, suppliers, etc. - 11 customers, 140 agencies, 15 people from media, academia, NGO, 7 people from the government, 1 shareholder, investor, analyst, 2 people from local communities, 6 CSR employees from other companies, 180 people from suppliers
Expert evaluation	Gather opinions of 5 consultants from institution specializing in sustainability management

Internal Environmental Analysis

Business association	
Internal policy documents	<ul style="list-style-type: none"> • Analysis of visions and management strategy key words for 2017 and 2018 • Analysis of keywords for CEO management implementation direction, including New Year's speech, the foundation commemoration speech, etc. • Analysis of company newsletter, media reports and their frequencies
Stakeholder concern	
Employee surveys	Survey of 31 material issues in sustainability management conducted on 1,845 employees

STEP 3

Result of stakeholder survey:

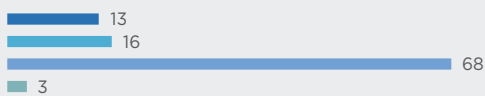
(Evaluation of the top 5 material issues and impact characteristics)

Q Please evaluate the issues and characteristics that need to be managed in priority for Hyundai Mobis' sustainable growth.

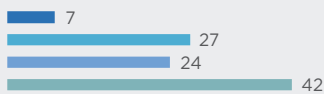
Evaluation result of the impact characteristics of top 5 material issues (Unit: %)

■ Financial ■ Operational ■ Strategic ■ Reputational

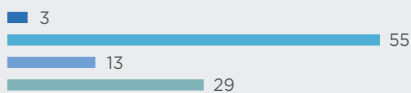
1 Secure technological competitiveness



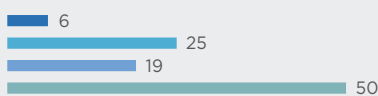
2 Achieve customer satisfaction through quality control



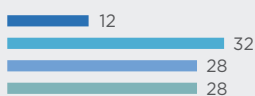
3 Respect diversity and improve organizational culture



4 Improve customer satisfaction



5 Secure product safety



* Financial impact: impact directly and indirectly linked with financial performance (penalties for infringement of regulations, loss of income due to suspension of plant operation, insurance costs, etc.)

* Operational impact: impact on business activities and processes that create value (production, efficiency, safety-related performance, customer defection, etc.)

* Strategic impact: impact on the company's plans or goals (expansion of market share, increase of profits/sales, reduction of emissions, etc.)

* Reputational impact: impact of loss of trust from stakeholders, including employees, regulatory institutions, local communities, customers, etc. (spread of negative publicity in the media and via social media, changes in the scores of external evaluations, etc.)

Derive Report Areas

Based on the business associations and stakeholder concerns derived from STEP 2, Hyundai Mobis prioritized material issues that need to be managed for sustainable growth. In the end, we derived 12 material issues and 7 related reporting issues and we disclosed material issues, response strategies and performances through this report by mapping 3 material issues and 7 general issues.

Detailed result of materiality test

● Material issue ● Corporate Achievements



Selection of Reporting Target

Classification	no.	Key issue	Related reporting issues	GRI Topic	Impact of issue	Page
Material Issues	1	Secure technological competitiveness	-	Economic performance	Finance	
	2	Green product policies			Finance	
	3	Achieve customer satisfaction through quality control	(13) Secure product safety (14) Expand global markets	Customer safety and health, marketing and labeling	Risk	
	4	Improve customer satisfaction			Operation	
	5	Respect diversity and improve organizational culture	-	Diversity and equal opportunity, human rights assessment	Operation	
	6	Achieve work-life balance and improve welfare			Operation	
Corporate Achievements	7	Establish fair trade order	(15) Strengthen ethical management and anti-corruption measures	Anti-corruption	Risk	
	8	Talent development	(16) Strengthen occupational health and safety		Operation	
	9	Strengthen supplier competencies	(17) Promote communication with suppliers	-	Risk	
	10	Conduct strategic social contribution activities	(18) Win-win partnership with local communities	-	Risk	
	11	Respond to climate change	(19) Manage pollutants and hazardous substances	Energy, emission	Operation	
	12	Expand eco-efficiency			Operation	

* In addition, establishment of sound governance and response to domestic and overseas risks were selected as reporting issues

Sustainable Management Practices

UN Global Compact

Since July 2, 2008, Hyundai Mobis has been a member of the UN Global Compact (UNGC). Initiated by then-UN Secretary-General Kofi Anna, the UNGC was designed to encourage businesses around the world to adopt sustainable and socially responsible business activities consisting of 10 principles in four business management areas—human rights, labor, environment and anti-corruption—Hyundai Mobis upholds all 10 UNGC principles in every one of its business activities and has provided information about the company's performance in these areas through this report.

The 10 principles of the UN Global Compact

Classification	Description	Reporting Pages
Human Rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	37-38
	Principle 2. Businesses should make sure they are not complicit in human rights abuses.	
Labor	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	88-91
	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labor.	
	Principle 5. Businesses should uphold the effective abolition of child labor.	
	Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	
Environment	Principle 7. Businesses should support a precautionary approach to environmental challenges.	23-27
	Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.	
	Principle 9. Businesses should encourage the development and diffusion of environment friendly technologies.	
Anti-corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	54-57

Sustainable Development Goals (SDGs)

Classification	Contents	Applicable page
Goal 1	End poverty in all its forms everywhere	82-85
Goal 2	End hunger, achieve food security and improved nutrition, and promote sustainable agriculture	-
Goal 3	Ensure healthy lives and promote wellbeing for all at all ages	82-85
Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	82-85
Goal 5	Achieve gender equality and empower all women and girls	37
Goal 6	Ensure availability and sustainable management of water and sanitation for all	-
Goal 7	Ensure access to affordable, reliable, sustainable and modern energy for all	23-27
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all	71
Goal 9	Establish infrastructure with restoring force and facilitate inclusive and sustainable industrialization to encourage innovation	-
Goal 10	Reduce inequality within and among countries	-
Goal 11	Make cities and human settlements inclusive, safe, resilient and sustainable	82-85
Goal 12	Ensure sustainable consumption and production patterns	-
Goal 13	Take urgent action to combat climate change and its impacts	88-91
Goal 14	Conserve and sustainably use the oceans, seas, and marine resources for sustainable development	88-91
Goal 15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	88-91
Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	54-57
Goal 17	Expand global partnerships to strengthen transportation means and achieve sustainable development	100-101

Participating in Sustainability Management Evaluation

Hyundai Mobis participated in a number of socially responsible investment (SRI) review programs in support of looking back on its social, environmental, ethical and other CSR performance and financial performance results, including the Dow Jones Sustainability Index (DJSI), the Carbon Disclosure Project (CDP) and KOBEX SM, to name but just a few. Hyundai Mobis then considered the feedback it was given and compared its CSR practices with those of domestic and overseas best practices to further enhance stakeholder value.

Major Association and Organization Status

Organization	Purpose of joining
Korea Chamber of Commerce and Industry	Mandatory requirement by law to join this chamber, issuance of import and export documents, etc.
Korea Employer's Federation	Collaboration to establish labor-management system and discuss on policies, etc.
Korea Auto Industries Coop. Association	Collaboration among relevant companies for the advancement of the automotive industry
Fair Competition Federation	Exchange of information and opinions among government agencies and member companies for compliance on fair trade guidelines
UN Global Compact Korea Network	Commitment to abide by the 10 principles of the UN Global Compact
Korea International Trade Association	Acquire trade information and propose policies regarding export, tariff, etc.
Korea Economic Research Institute	Research on short-term and long-term issues relevant to the development of the Korean economy and the country's companies
Korea Automotive Recyclers Association	Promotion of improved environmental protection efforts by the auto industry and recycling of automobiles
Korea Industrial Technology Association	Improved technology cooperation network and strengthened technology innovation capacity
Korean Society of Automotive Engineers	Advancement of automotive technologies through the active exchange of information concerning relevant technologies
Korean Academy of Motor Industry	Advancement of the automotive industry through seminars and networking between experts

Donation Amount to Associations and Organizations by Year

(Unit: KRW)

Classification	2014	2015	2016	2017
Association and Organization	2,400,475,837	1,639,806,502	1,676,596,173	895,694,007
Exempt Organizations	15,124,542,660	19,014,332,757	17,244,641,343	14,452,830,897

Major Payment and Donation Performance

(Unit: KRW)

2014		2015		2016		2017	
The Federation of Korean Industries	1,116,000,000	The Federation of Korean Industries	673,000,000	The Federation of Korean Industries	697,000,000	H2KOREA	200,000,000
Korea Economic Research Institute	253,000,000	Korea Economic Research Institute	215,000,000	Korea Economic Research Institute	213,000,000	Korea Employers Federation	98,400,000
Korea Employers Federation	87,890,000	Korea Employers Federation	98,400,000	Korea Employers Federation	98,400,000	Seoul Chamber Of Commerce and Industry	76,800,000
Seoul Chamber Of Commerce and Industry	76,800,000	Seoul Chamber Of Commerce and Industry	76,800,000	Seoul Chamber Of Commerce and Industry	76,800,000	Economic Organizations Council	56,000,000
Economic Organizations Council	43,000,000	Economic Organizations Council	51,000,000	Korea Auto Industries Coop. Association	12,000,000	Korea Auto Industries Coop. Association	12,000,000

GHG Assurance Statement

Terms of Engagement

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by Hyundai MOBIS to provide independent assurance on its Greenhouse Gas (GHG) Inventory Report for the calendar year 2017 (the report) against GHG Target Management Scheme for quantification and reporting of GHG emissions in Korea using Specification with guidance for verification of greenhouse gas assertions. The report relates to direct GHG emissions and energy indirect GHG emissions.

Management Responsibility

LRQA's responsibility is only to Hyundai MOBIS. LRQA disclaims any liability or responsibility to others as explained in the end footnote. The management of Hyundai MOBIS is responsible for preparing the report and for maintaining effective internal controls over all the data and information within the report. Ultimately, the report has been approved by, and remains the responsibility of Hyundai MOBIS.

LRQA's Approach

LRQA's assurance engagement has been carried out in accordance with our verification procedure using GHG Target Management Scheme in Korea: Specification with guidance for verification of greenhouse gas assertions to reasonable level of assurance.

The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

- Visiting sites and auditing management system to control the data and records regarding GHG emissions and energy uses
- Interviewing the relevant persons responsible for managing and maintaining data and associated records
- Reviewing the historical data and information back to source for the calendar year 2017.

Level of Assurance & Materiality

The opinion expressed in this Assurance Statement has been formed on the basis of a reasonable level of assurance, and at the materiality of the professional judgement of the verifier and at the materiality level of 5%.

LRQA's Opinion

Based on LRQA's approach, we believe that the report is prepared in accordance with GHG Target Management Scheme for quantification and reporting of GHG emissions in Korea and the GHG emissions data in the Table 1 is materially correct.

28 March 2018
SANG-KEUN YOO



On behalf of Lloyd's Register Quality Assurance Ltd.
17th Floor, Singsong Building, 67 Yeouinaru-ro, Yeongdeungpo-gu, Seoul, 07327, Korea

GHG emissions reported in the Report

Scope (as defined within GHG Target Management Scheme in Korea)	2017
Direct GHG Emissions	14,018
Energy Indirect GHG Emissions	121,980
Total GHG Emissions	135,998

※ Data is presented in tonnes of CO₂ equivalent.

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Independent Assurance Statement

To the Stakeholders of Hyundai Mobis

The Korea Productivity Center (the "Assurer") was requested by Hyundai Mobis Co., Ltd. (the "Reporting Organization") to conduct an independent assurance on the information presented in the 2018 Hyundai Mobis Sustainability Report (the "Report") and hereby provides the following assurance statement (the "Assurance Statement")

Responsibility and Independence

All information and opinions presented in the Report are written by the Reporting Organization. As an independent assurance agency, the Assurer is responsible for providing the assurance statement for the contents of the Report. The Assurer was not in any conflict of interest that may undermine our independence.

Assurance Standards

The Assurance was performed based on the AA1000AP (2018) assurance standards. The assurer verified the compliance of inclusivity, materiality, responsiveness and impact based on the AA1000AP(2018) assurance principle, and confirmed the balance, comparability, accuracy, timeliness, clarity, and reliability of the information in the report through interviews and document evidences provided by the Reporting Organization.

The Assurance of the Report was conducted as per the methods below:

1. Verified if the requirements for the Core 'In accordance' criteria of the GRI Standards were fulfilled.
2. Verified the compliance with the principles of the contents of the Report, and quality based on the GRI Standards.
3. Verified the appropriateness of the material issues and contents of the Report.
4. Verified the basis of core data and information, and the internal process and system through an on-site inspection.
5. Verified the suitability of the contents and any errors in expression through a comparison analysis with other sources.

* The AA1000AP(2018) presents the four principles(inclusivity, materiality, responsiveness and impact) in the following format: Principle Statement, Key Definitions, Discussion, Required Adherence Criteria.

Limitations

1. The scope and boundaries of the assurance process has been conducted according to the boundaries of the time period, region, and value chain of the Report. Therefore, the scope of the assurance process meets 100% coverage of the production of company, and data regarding the supply chain has not been included unless specified.
2. The environmental and social performance was verified through the reliability of the data collection, calculation process and the accuracy of the collected baseline data in case of actual measured values, and for the calculated values, verified the rationality of assumptions and calculation processes. Financial data was verified through the financial statement and disclosed documents were audited by an auditing agency.
3. The on-site inspection was performed at Hyundai Mobis's Seoul Headquarters. The Assurer hereby discloses that if an additional assurance process is performed in the future, a different assurance conclusion may result.

Findings & Conclusion

The Assurance of the AA1000AP (2018) on the suitability of the inclusion, importance, responsiveness, and impact is as follows.

Inclusivity: Stakeholder Engagement

The Assurer could verify that the Reporting Organization conducts comprehensive stakeholder engagement as related to sustainability issues. The Reporting Organization classified its stakeholders into eight groups – Complete carmakers/ Competitors, employees, suppliers, customers (dealers/consumers), investors, the government and associations/media/academia/CSR agencies, local community. The Assurer also verified that the Reporting Organization is reflecting stakeholders' opinions in its management policies by clearly categorizing the communication channels and expectations for each group, and by actively communicating with them.

Materiality: Identification and Reporting of Material Issues

The Assurer found that the Reporting Organization successfully identified issues relevant and material to the company and its major stakeholders based on a reasonable materiality analysis process. Based on issues in the issue pool managed by the company, the Reporting Organization surveyed international standards for sustainable management, such as the GRI Standards, ISO26000, DJSI, the UN SDGs, and media analysis, and industry (Auto Parts) analysis.

The Assurer confirmed that the Reporting Organization then identified and organized 31 sustainability issues. The Reporting Organization prioritized 12 material issues (three parts) by analyzing the opinions of internal and external stakeholders. The Reporting Organization also made sure that the information included in each page of the report was balanced.

Responsiveness: Organization's Response to Issues

The Assurer found that the Reporting Organization successfully identified issues which may impact stakeholders' performance, implemented measures to address them, and adequately presented relevant information in the Report. Also, the assurer verified that the Reporting Organization integrated key drawn issues and reclassified them into "Material Issues" and "Corporate Achievements" parts, and we found that it an excellent case to intensively report implementation directions, main activities and outcomes.

- OVERVIEW
- MATERIAL ISSUES
- CORPORATE ACHIEVEMENTS
- APPENDIX

Impact: Measuring Sustainability Impact

The Assurer could verify that the Reporting Organization continuously monitored and measured how management activities affect business performance and society. We found that the Reporting Organization has considered the positive and negative impacts of material issues in our management, and that they are adequately described in the report.

The Assurer confirmed that the Report meets the requirements for the 'Core Option' of the GRI Standards. In case of General Disclosures, the Assurer confirmed that the Report is written in compliance with the requirements of the GRI Standards. The Assurer reviewed that the Topic-specific Disclosures have been determined through a systematic reporting decision process based on materiality test results.

The Assurer confirmed that the Report reliably reflects the sustainability activities and performance of the Reporting Organization. The Assurer reviewed the Management Approach (MA) and Topic-specific Disclosures reported by material topics meet the requirement AA1000AP.

GRI Topic	MA & Topic-specific Disclosures	Material Issues
Economic Performance	MA - Economic Performance, 201-1, 2	Future Core Technology and Competitiveness
Anti-corruption	MA - Anti-corruption, 205-2, 3	Compliance
Energy	MA - Energy, 302-1, 2, 3, 4, 5	Environmental Management
Emissions	MA - Emissions, 305-1, 2, 3, 4, 5, 6, 7	
Diversity and Equal Opportunity	MA - Diversity and Equal Opportunity, 405-1, 2	Human Rights and Organizational Culture
Human Rights Assessment	MA- Human Rights Assessment, 412-1, 2	
Customer Health and Safety	MA- Customer Health and Safety, 416-1, 2	Customers Satisfaction
Marketing and Labeling	MA- Marketing and Labeling, 417-1, 2, 3	

Recommendation

The Assurer proposes the following to the Reporting Organization.

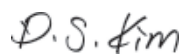
- The Reporting Organization operates a variety of communication channels for communication with stakeholders including surveys. It is recommended that you establish a stakeholder engagement system and regularly conduct communication such as stakeholder roundtable and focus group interviews.
- In order to integrate sustainability management into overall management, it is necessary to make and manage sustainability strategies and KPIs and to communicate with stakeholders about the implementation of the strategy through the Sustainability Report. Also, if the Reporting Organization improve the Hyundai Mobis ESG Database more systematically, it will be possible to manage ESG performance effectively. Also, if the Reporting Organization improve the Hyundai Mobis ESG Database more systematically, it will be possible to manage ESG performance effectively.

June 2018

Korea Productivity Center CEO
Noh, Kyoo Sung




Director
Kim, Dongsoo



Team leader
Oh, Beomtaek



Researcher
Park, Kihyang



The Sustainability Management Center of Korea Productivity Center is an assurance agency officially certified by AccountAbility [the organization that established AA1000, the international standard for stakeholder participation and verification] and is qualified to conduct independence assurance engagements. Its Assurance Committee is comprised of competent experts who have in-depth experience in sustainability management consulting and assurance and have completed the relevant training.

GRI Index

Universal Standards				
Classification	Disclosure	Indicators	Page	Note
Organizational Profile	102-1	Name of the organization	7	
	102-2	Activities, brands, products, and services	7	
	102-3	Location of headquarters	114	
	102-4	Location of operations	8	
	102-5	Ownership and legal form	46~51	
	102-6	Markets served	8~9	
	102-7	Scale of the organization	8~9, 73	
	102-8	Information on employees and other workers	37~41	
	102-9	Supply chain	74~81	
	102-10	Significant changes to the organization and its supply chain	8~9	
	102-11	Precautionary Principle or approach	60~65	
	102-12	External initiatives	100~101	
	102-13	Membership of associations	100~101	
Strategy	102-14	Statement from senior decision-maker	4~5	
	102-15	Key impacts, risks, and opportunities	60~65	
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	54~59	
	102-17	Mechanisms for advice and concerns about ethics	54~59	
Governance	102-18	Governance structure	46~53	
	102-40	List of stakeholder groups	96~97	
Stakeholder Engagement	102-41	Collective bargaining agreements	71	
	102-42	Identifying and selecting stakeholders	96~97	
	102-43	Approach to stakeholder engagement	96~97	
	102-44	Key topics and concerns raised	96~97	
Reporting Practice	102-45	Entities included in the consolidated financial statements	-	
	102-46	Defining report content and topic Boundaries	98~99	
	102-47	List of material topics	98~99	
	102-48	Restatements of information	-	Separate description is given of the modifications.
	102-49	Changes in reporting	98~99	
	102-50	Reporting period	2	
	102-51	Date of most recent report	2	
	102-52	Reporting cycle	2	
	102-53	Contact point for questions regarding the report	113	
	102-54	Claims of reporting in accordance with the GRI Standards	105~107	
	102-55	GRI content index	105~107	

Reporting Material Issues

Classification	Disclosure	Indicators	Page	Note
	MA		18~19	
Management Approach	201-1	Explanation of the material topic and its Boundary	112	
	201-2	The management approach and its components	23	
	MA		54	
Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	54~59	
	205-3	Confirmed incidents of corruption and actions taken	54~59	
	MA		90	
Energy	302-1	Energy consumption within the organization	90~93	
	302-2	Energy consumption outside of the organization	90~93	
	302-3	Energy intensity	90~93	
	302-4	Reduction of energy consumption	90~93	
	302-5	Reductions in energy requirements of products and services	90~93	
	MA		90	
Emissions	305-1	Direct (Scope 1) GHG emissions	90~93	
	305-2	Energy indirect (Scope 2) GHG emissions	90~93	
	305-3	Other indirect (Scope 3) GHG emissions	90~93	
	305-4	GHG emissions intensity	90~93	
	305-5	Reduction of GHG emissions	90~93	
	305-6	Emissions of ozone-depleting substances (ODS)	90~93	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	90~93	
	MA		34~35	
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	39	
	405-2	Ratio of basic salary and remuneration of women to men	39	
	MA		34~35	
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	42	
	412-2	Employee training on human rights policies or procedures	42	
	MA		29~30	
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	32~35	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	
	MA		29~30	
Marketing and Labeling	417-1	Requirements for product and service information and labeling	31~35	
	417-2	Incidents of non-compliance concerning product and service information and labeling	-	
	417-3	Incidents of non-compliance concerning marketing communications	-	No violations

Reporting Corporate Achievements Issues

Economic Performance				
Classification	Disclosure	Indicators	Page	Note
Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	73	
	202-2	Proportion of senior management hired from the local community	39	
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	82~87	
	203-2	Significant indirect economic impacts	99	
Procurement Practices	204-1	Proportion of spending on local suppliers	76	
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	54~59	

Environmental Performance				
Classification	Disclosure	Indicators	Page	Note
Materials	301-1	Materials used by weight or volume	90~93	
	301-2	Recycled input materials used	90~93	
	301-3	Reclaimed products and their packaging materials	90~93	
Water	303-1	Water withdrawal by source	90~93	
	303-2	Water sources significantly affected by withdrawal of water	90~93	
	303-3	Water recycled and reused	90~93	
Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	90~93	
	304-2	Significant impacts of activities, products, and services on biodiversity	90~93	
	304-3	Habitats protected or restored	90~93	
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	90~93	
Effluents and Waste	306-1	Water discharge by quality and destination	90~93	
	306-2	Waste by type and disposal method	90~93	
	306-3	Significant spills	90~93	
	306-4	Transport of hazardous waste	90~93	
	306-5	Water bodies affected by water discharges and/or runoff	90~93	
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	90~93	
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	74~79	
	308-2	Negative environmental impacts in the supply chain and actions taken	74~79	
Social Performance				
Classification	Disclosure	Indicators	Page	Note
Employment	401-1	New employee hires and employee turnover	73	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	73	
	401-3	Parental leave	41	
Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	71	
"Occupational Health and Safety"	403-1	Workers representation in formal joint management-worker health and safety committees	71	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	72~73	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	72~73	
	403-4	Health and safety topics covered in formal agreements with trade unions	72~73	
Training and Education	404-1	Average hours of training per year per employee	59	
	404-2	Programs for upgrading employee skills and transition assistance programs	66~68	
	404-3	Percentage of employees receiving regular performance and career development reviews	66~68	
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	37~38	
Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-	
Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	-	
Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-	
Security Practices	410-1	Security personnel trained in human rights policies or procedures	-	
"Rights of Indigenous Peoples"	411-1	Incidents of violations involving rights of indigenous peoples	-	
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	82~85	
	413-2	Operations with significant actual and potential negative impacts on local communities	82~85	
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	-	
	414-2	Negative social impacts in the supply chain and actions taken	-	
Public Policy	415-1	Political contributions	101	
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	54~57	

Environmental Data

INPUT

Classification	Region	Amount of raw materials used	Unit	2015	2016	2017	Change compared to 2016(%)
Raw Materials	Domestic	Metals	tons	305,007	224,723	188,801	-16.0%
		Consumption intensity	Tons/KRW 100 million	1.599	1.132	0.972	-14.1%
	Domestic	Plastics	tons	27,387	41,501	27,439	-33.9%
		Consumption intensity	Tons/KRW 100 million	0.144	0.209	0.141	-32.4%
	Domestic	Solvents	tons	4,328	3,974	3,030	-23.8%
		Consumption intensity	Tons/KRW 100 million	0.023	0.020	0.016	-22.0%
Energy	Total	Domestic/overseas energy consumption	TJ	5,906	6,876	7,122	3.6%
		Consumption intensity	TJ/KRW 100 million	0.016	0.018	0.020	12.8%
	Domestic	Domestic energy consumption	TJ	2,268	2,419	2,755	13.9%
		Overseas energy consumption	TJ	3,638	4,457	4,367	-2.0%
	Domestic	Electricity	TJ	2,073	2,210	2,512	13.7%
	Overseas	Electricity	TJ	3,222	3,966	3,805	-4.1%
	Domestic	Fuels (city gas, propane, other oil)	TJ	195	209	243	16.3%
	Overseas	Fuel	TJ	379	451	523	16.0%
	Overseas	Other(steam)	TJ	36	40	39	-3.5%
	Water resources	Domestic	Total volume of water resources used	1,000 tons	824	598	811
Consumption intensity			Tons/KRW 100 million	4.3	3.0	4.2	38.7%

OUTPUT

Classification	Region	Emissions	Unit	2015	2016	2017	Change compared to 2016(%)
GHG	Total	GHG emissions	tCO ₂ eq	292,234	339,701	351,850	3.6%
		Consumption intensity	tCO ₂ eq/KRW 100 million	0.8	0.9	1.0	12.8%
	Domestic	GHG emissions	tCO ₂ eq	112,350	119,628	135,998	13.7%
	Overseas	GHG emissions	tCO ₂ eq	179,884	220,073	215,852	-1.9%
Waste & recycling	Domestic	Waste emissions volume (designated/general)	tons	18,176	15,287	13,419	-12.2%
		Consumption intensity	Tons/KRW 100 million	0.10	0.08	0.07	-10.2%
		Recycled amount	tons	9,692	7,925	8,061	1.7%
		Recycling rate	%	53.3%	51.8%	60.1%	15.9%
		Landfill rate	%	4.8%	3.1%	2.8%	-8.5%
		Incineration rate	%	41.8%	45.1%	37.1%	-17.8%
Air pollutants	Domestic	Air pollutant generation by year	tons	51.9	7.5	11.2	48.1%
		Consumption intensity	kg/KRW 100 million	0.3	0.0	0.1	51.5%
		NOx	ppm	3.3	0.0	34.7	New detection
		SOx	ppm	2.9	0.0	0.0	Undetected
		Dusts	mg/m ³	3.6	3.0	3.0	0.7%
Water pollutants	Domestic	Total volume of water pollutants	tons	11.5	6.4	4.9	-23.5%
		Consumption intensity	kg/KRW 100 million	0.06	0.03	0.03	-21.8%
Water quality at wastewater treatment facilities	Domestic	BOD	ppm	13.7	9.2	7.8	-15.4%
		COD	ppm	29.1	20.5	24.5	19.5%
		TN	ppm	10.2	10.6	10.1	-5.0%
		SS	ppm	5.6	8.2	8.3	1.4%

CDP Data

Direct GHG emissions(Scope1)

Direct GHG emissions	Unit	2014	2015	2016	2017	2017 Goal
Total direct GHG emissions (S1)	tCO ₂ eq	41,269	30,590	36,133	41,501	41,647
Application scope of data	Total emissions volume/ consolidated sales (KRW 100 million)	11.7%	8.5%	9.4%	11.8%	11.9%

Indirect GHG emissions(Scope 2)

Indirect GHG emissions	Unit	2014	2015	2016	2017	2017 Goal
Total indirect GHG emissions (S2)	tCO ₂ eq	260,945	261,644	303,568	310,349	311,617
Application scope of data	Total emissions volume/ consolidated sales(KRW 100 million)	74.3%	72.6%	79.3%	88.3%	88.7%

Energy consumption

Total energy consumption	Unit	2014	2015	2016	2017	2017 Goal
Non-renewable fuel that has been purchased and consumed (nuclear fuel, coal, oil, natural gas, etc.)	MWh	188,046	153,143	190,042	219,445	231,727
Non-renewable power that has been purchased	MWh	542,829	554,068	643,368	657,984	694,809
Steam/heating/cooling and other energies that have been purchased (non-renewable)	MWh (MSK: steam)	9,229	9,987	10,821	10,719	11,319
Total non-renewable energy consumption	MWh	740,104	717,198	844,231	888,148	937,854
Application scope of data	Total non-renewable energy consumption/consolidated sales(KRW 100 million)	211%	199%	221%	253%	267%

Water consumption

Water consumption	Unit	2014	2015	2016	2017	2017 Goal
A. All water supplied from local government (or supplied from other water supply sources)	1,000 tons	1,099	824	598	811	901
Application scope of data	Total fresh water consumption/ domestic sales (KRW 100 million)	0.60%	0.43%	0.30%	0.42%	0.46%
Total waste generation	Unit	2014	2015	2016	2017	2017 Goal
Total waste generation	ton	19,533	18,176	15,287	13,419	14,910
Application scope of data	Total waste generation/ domestic sales (KRW 100 million)	10.6%	9.5%	7.6%	6.9%	7.7%

Status of Corporate Governance Activities

Status of BOD Activities

Nth time	Date of meeting	Agenda contents	Approved or not	Outside director				
				Tae-woon Lee (attendance rate: 100%)	Byung-joo Lee (attendance rate: 80%)	Ji-soo Yu (attendance rate: 80%)	Woo-il Lee (attendance rate: 80%)	Seung-ho Lee (attendance rate: 100%)
				Yes or no				
1st regular meeting	Jan. 26, 2017	1. Approval of settlement performance for 2016 & major business plan for 2017	Approved	Yes		Yes	Yes	Yes
		2. Approval of financial transactions in accordance with terms and conditions of affiliated financial companies	Approved	Yes		Yes	Yes	Yes
		3. Approval of large-scale internal transactions of products and goods	Approved	Yes	Absent	Yes	Yes	Yes
		4. Appointment of compliance manager	Approved	Yes		Yes	Yes	Yes
		5. Approval of compliance support activity plans for 2017	Approved	Yes		Yes	Yes	Yes
		Report item	Reported	-	-	-	-	-
		1. Report on result of implementing fair trade compliance program						
		2. Report on social contribution activity plans for 2017						
		3. Report on operating status of internal accounting management system for 2016						
2nd regular meeting	Feb. 17, 2017	1. Approval of convening the 40th regular general meeting of shareholders & agendas presented for consideration	Approved	Yes	Yes	Absent	Yes	Yes
1st special meeting	Mar. 17, 2017	1. Approval of concurrent positions of directors (Director Eui-sun Chung: Hyundai Motor, Kia Motors, Hyundai Steel/ Director Byung-ju Lee: Hyosung)	Approved	Yes	-			Yes
		2. Appointment of subcommittee member under the BOD	Approved	Yes	Yes		Yes	
		3. Revision of rules including the BOD regulations, etc.	Approved	Yes	Yes	Absent	Absent	Yes
		4. Approval of financial transactions in accordance with terms and conditions of affiliated financial companies	Approved	Yes	Yes			Yes
3rd regular meeting	May 2, 2017	1. Approval of financial transactions in accordance with terms and conditions of affiliated financial companies	Approved	Yes	Yes	Yes		Yes
		2. Approval of large-scale internal transactions of products and goods	Approved	Yes	Yes	Yes	Absent	Yes
		3. Revision of operating regulations for the Corporate Governance & Communication Committee	Approved	Yes	Yes	Yes		Yes
		4. Approval of participation in capital increase of affiliated companies	Approved	Yes	Yes	Yes		Yes
		Report item	Reported	-	-	-	-	-
		1. Report on settlement performance for 1Q of 2017						
4th regular meeting	Jul. 28, 2017	1. Approval of financial transactions in accordance with terms and conditions of affiliated financial companies	Approved	Yes	Yes	Yes	Yes	Yes
		2. Approval of large-scale internal transactions of products and goods	Approved	Yes	Yes	Yes	Yes	Yes
		3. Approval of concurrent positions of directors (Director Seung-ho Lee: SK Engineering & Construction)	Approved	Yes	Yes	Yes	Yes	-
		Report item	Reported	-	-	-	-	-
		1. Report on settlement performance for the first half of 2017						
		2. Report on results of implementing fair trade compliance programs						
5th regular meeting	Oct. 30, 2017	1. Approval of financial transactions in accordance with terms and conditions of affiliated financial companies	Approved	Yes	Yes	Yes	Yes	Yes
		2. Approval of transactions with affiliated companies	Approved	Yes	Yes	Yes	Yes	Yes
		Report item	Reported	-	-	-	-	-
		1. Report on settlement performance for 3Q of 2017						
2nd special meeting	Dec. 8, 2017	1. Approval of financial transactions in accordance with terms and conditions of affiliated financial companies	Approved	Yes	Yes	Yes	Yes	Yes
		2. Approval of large-scale internal transactions of products and goods	Approved	Yes	Yes	Yes	Yes	Yes
		3. Approval of transaction limit with the largest shareholders, etc.	Approved	Yes	Yes	Yes	Yes	Yes
		4. Approval of transaction limit among companies with directors, etc.	Approved	Yes	Yes	Yes	Yes	Yes

Status of Audit Committee Activities

Number of times	Date of meeting	Agenda details	Approved or not	Outside director				
				Tae-woon Lee (attendance rate: 100%)	Byung-joo Lee (attendance rate: 80%)	Ji-soo Yu (attendance rate: 80%)	Woo-il Lee (attendance rate: 80%)	Seung-ho Lee (attendance rate: 100%)
				Yes or no				
1st	January 26, 2017	1. Agenda for the approval of the 2016 settlements and the 2017 management plan	Approved	Yes		Yes	Yes	Yes
		2. Agenda for the evaluation of the operation results of the 2016 internal accounting management system	Approved	Yes	Absent	Yes	Yes	Yes
2nd	February 17, 2017	Report Item 1. External auditor's briefing session on the 2017 audit plan	Reported	-	-	-	-	-
3rd	May 2, 2017	Report Item	Reported	-	-	-	-	-
		1. Report on the 2017 1Q settlements						
4th	July 28, 2017	Report Item	Reported	-	-	-	-	-
		1. Report on the 2017 1H settlements						
5th	October 30, 2017	Report Item	Reported	-	-	-	-	-
		1. Report on the 2017 3Q settlements						

Status of the Corporate Governance & Communication Committee

Name of committee	Date of meeting	Agenda contents	Approved or not	Outside director				
				Tae-woon Lee (attendance rate: 100%)	Byung-joo Lee (attendance rate: 83%)	Ji-soo Yu (attendance rate: 83%)	Woo-il Lee (attendance rate: 67%)	Seung-ho Lee (attendance rate: 100%)
				Yes or no				
Corporate Governance & Communication Committee (Former Ethics Committee)	Jan. 26, 2017	1. Approval of financial transactions in accordance with terms and conditions of affiliated financial companies	Approved	Yes		Yes		Yes
		2. Approval of large-scale internal transactions of products and goods	Approved	Yes	Absent	Yes	Yes	Yes
		3. Approval of social contribution activity plans for 2017	Approved	Yes		Yes	Yes	Yes
	Mar. 17, 2017	Report item 1. Report on internal transaction performance for 2016 2. Report on result of implementing fair trade compliance programs 3. Report on result of implementing employees' code of ethics	Reported	-	-	-	-	-
		1. Appointment of Ethics Committee member	Approved	Yes	Yes			Yes
		2. Approval of financial transactions in accordance with terms and conditions of affiliated financial companies	Approved	Yes	Yes	Absent	Absent	Yes
	May 2, 2017	1. Approval of financial transactions in accordance with terms and conditions of affiliated financial companies	Approved	Yes	Yes	Yes		Yes
		2. Approval of large-scale internal transactions of products and goods	Approved	Yes	Yes	Yes	Absent	Yes
		3. Appointment of member for protection of shareholders' rights	Approved	Yes	Yes	Yes		Yes
		4. Approval of participation in capital increase of affiliated companies	Approved	Yes	Yes	Yes		Yes
	Jul. 28, 2017	Report item 1. Report on performance of social contribution activities 2. Report on performance of internal transactions for 1Q of 2017	Reported	-	-	-	-	-
		1. Approval of financial transactions in accordance with terms and conditions of affiliated financial companies	Approved	Yes	Yes	Yes	Yes	Yes
		2. Approval of large-scale internal transactions of products and goods	Approved	Yes	Yes	Yes	Yes	Yes
		Report item 1. Report on performance of social contribution activities 2. Report on result of implementing fair trade compliance programs 3. Report on result of implementing employees' code of ethics 4. Report on performance of internal transactions for the first half of 2017	Reported	-	-	-	-	-
	Oct. 30, 2017	1. Approval of financial transactions in accordance with terms and conditions of affiliated financial companies	Approved	Yes	Yes	Yes	Yes	Yes
		2. Approval of transactions with affiliated companies	Approved	Yes	Yes	Yes	Yes	Yes
	Feb. 8, 2017	Report item 1. Report on performance of social contribution activities 2. Report on performance of internal transactions for 3Q of 2017						
		1. Approval of financial transactions in accordance with terms and conditions of affiliated financial companies	Approved	Yes	Yes	Yes	Yes	Yes
		2. Approval of large-scale internal transactions of products and goods	Approved	Yes	Yes	Yes	Yes	Yes
		3. Approval of transaction limit with the largest shareholders, etc.	Approved	Yes	Yes	Yes	Yes	Yes
		4. Approval of transaction limit among companies with directors, etc	Approved	Yes	Yes	Yes	Yes	Yes

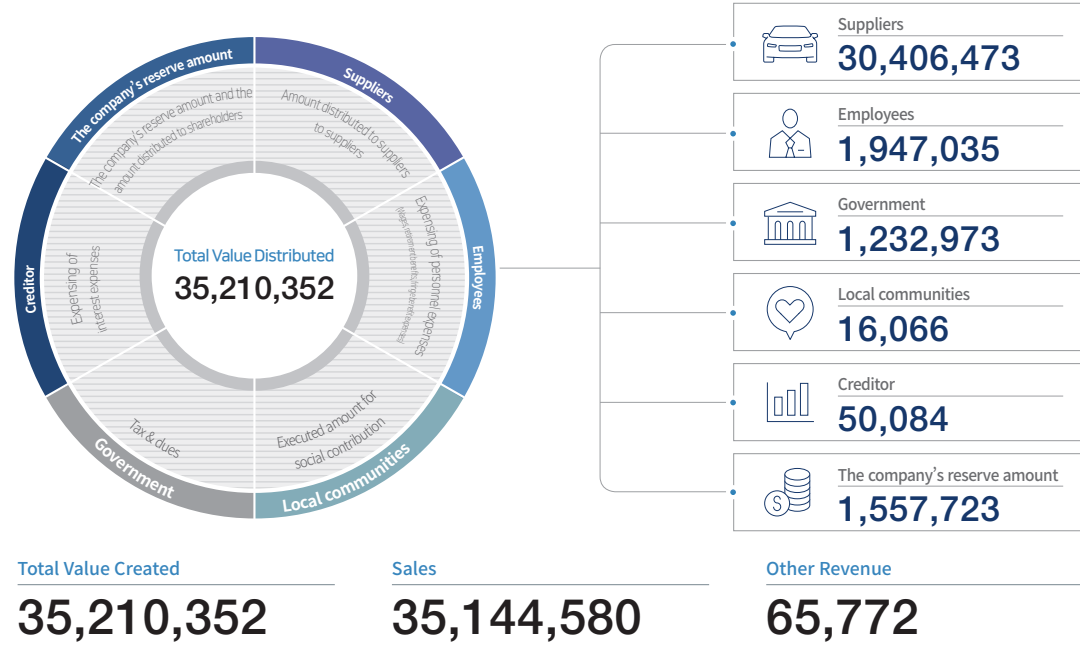
- OVERVIEW
- MATERIAL ISSUES
- CORPORATE ACHIEVEMENTS
- APPENDIX

Management Performance

Hyundai Mobis' ultimate value is not to make sustainable profits, but also share them with its stakeholders. Therefore, we fairly distribute our economic value with stakeholders, aiming to achieve corporate values of sharing and cooperation. In 2017, Hyundai Mobis has created economic value of KRW 35.21 trillion and shared it with all stakeholders.

Creation and Distribution of Economic Value

(Unit: KRW million)



Tax Policy

(1) Tax Strategy

Hyundai Mobis takes the following as its top priority policy: the faithful fulfillment of reporting and paying taxes in accordance with laws and regulations, and the fulfillment of key role in social and economic development through contributing in national finance. In addition, we analyze the risks of domestic and overseas businesses from diverse perspectives, while also faithfully fulfilling our obligation as taxpayers by complying with the laws and regulations of the applicable country.

(2) Tax Organization and Activity

Hyundai Mobis carefully reviews tax risks and established a decision-making system based on it. Besides goods and service transactions that are the basis of business activities, we also review and manage risks related to important changes in business systematically, including new business implementation and changes in transaction structure.

(3) Managing Tax Risks

The key to Hyundai Mobis' management of tax risks is compliance. Also, we maintain transparent relationship with tax authorities and provide related evidences of fact relevance at their request. Moreover, as a global company, we recognize different tax laws according to each country and prevent tax risks. Among business review items by country, accounting and tax affairs are included, but we do not own any subsidiary set up for the purpose of avoiding taxes. We also do not transfer the income of overseas subsidiaries located in a tax haven country. Regarding transfer pricing transactions, Hyundai Mobis recognizes the risks of double taxation caused by competition among tax authorities. In order to resolve this problem, we make it a rule to conduct transactions within the scope of normal prices.

(4) Tax Payment Information by Country and Contribution to Local Communities

Hyundai Mobis pays corporate taxes for its business incomes around the world, while also contributing in raising tax revenues through payment of additional taxes and withholding taxes. In addition, we greatly contributed in policy activation by country through paying tax items according to characteristics of the country where we engage business in (environmental protection tax, social security tax, etc.).

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