아름다운 동행

MOBIS Sustainability Report 2013

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LASTING COMPANIONSHIP

with further steps to sustainability

MOBIS Sustainability Report 2013

HYUNDAI MOBIS

contents

WE ENVISION A BETTER WORLD, WITH FURTHER STEPS TO SUSTAINABILITY.

Cover Story Dots connect to lay a line and lines merge to create an area. Dots in different colors make intersections in harmony to create a richer and more beautiful light. These dots symbolize each and every small hand that endeavors and cares. At MOBIS, we seek harmony with wide-ranging stakeholders and we ensure that our customers always come first in everything we do, just as see that each dot never loses its own distinctive color. Such commitments and endeavors are expressed in these dots as they gather together, interconnect to each other and disperse into a wider space.

With Further Steps to Sustainability Our commitment to looking back on the 'Lasting Companionship' over the years and making further progress in the upcoming years is represented through "with further steps". We take a step further toward sustainability and envision a better world.

Company Overview

Company Name	MOBIS Co., Ltd.
CEO & Vice Chairman	Jun Ho-suck
Date of Establishment	June 25, 1977 (Listed on the Korea Stock Exchange on Sep. 5, 1989)
Headquarters	International Tower, 203 Teheran Road, Gangnam-gu, Seoul, Korea

Since our establishment in 1977, we at MOBIS have made steady progress to evolve into Korea's representative top-notch automobile parts manufacturer. Today, we rank 8th in the global automotive parts industry and are leading the world-wide market as a truly global company. Our operational capabilities are intensively invested in the following major business areas: Module Assembly that produces and supplies three types of core modules (chassis modules, cockpit modules and front-end modules), Core Parts Manufacturing that delivers eco-friendly and intelligent parts and After Sales Parts business that markets after-sales components consumed by all Hyundai and Kia vehicles that are on the road in Korea and abroad.

Module Assembly

As a leader in 'parts modulization', a field that is revolutionizing the 21st-century automobile industry, we at MOBIS manufacture three types of core modules (chassis modules, cockpit modules and front-end modules) and deliver them to carmakers in the Just-In-Sequence (JIS) manner. To this end, we are engaged in the R&D process of carmakers ranging from the initial new vehicle development stage to design and testing. This enables us to develop and produce cutting-edge modules that take a vehicle's characteristics into account so as to bolster the ability of newly-developed vehicles in delivering their highest-possible performance.

Core Parts Manufacturing

We manufacture wide-ranging core automobile parts that help improve vehicle convenience & eco-friendliness, passenger safety, driving performance, and fuel efficiency through highly advanced, cutting-edge technology. As a response to the rapidly growing eco-friendly and intelligent automobile market, we are committed to developing high value-added cutting-edge technology that combines automobile system technologies with electronic control technologies (intelligent core parts & electronic chassis and safety devices) while accelerating our endeavors to develop advanced safety vehicle parts. Specifically, we supply traction motors and battery systems for hybrid vehicles and we believe that strengthening our own technological capabilities on core eco-friendly vehicle parts and developing key technology concerning plug-in hybrid vehicles and fuel cell systems will put us on the map as a market leader.

After Sales Parts

MOBIS is a supplier of After Sales Parts for Hyundai and Kia vehicles in Korea and abroad. The development of a large-scale infrastructure that includes state-of-the-art logistics systems and the maintenance & management of 1.75 million parts for 185 vehicle models, allow us to deliver parts quickly and accurately whenever the need arises. It is in this way that we are able to offer the best-possible after-sales service to Hyundai and Kia vehicle owners.

* For information on our operations, structural organization & legal ownership structure or major changes in the organizational structure and ownership structure during the reporting period, please refer to our '36th Business Report' disclosed through the Korean Financial Supervisory Service's electronic disclosure website at http://dart.fss.or.kr.

2012 Credit Ratings

Korea		Overseas	
Korea Ratings Corporation	Korea Investors Service	Moody's	Standard & Poor's
AA+	AA+	Baa1 (STABLE)	BBB+ (STABLE)

Sales (KRW million)

2010	22,143,540
2011	26,294,579
2012	30,789,019

30,789,019

Asset (KRW million)

2010	18,298,130
2011	22,575,648
2012	30,046,996

30,046,996

Shareholders' Equity (KRW million)

2010	10,960,479
2011	13,794,556
2012	17,039,714

17,039,714

Employees in Korea (No. of persons)

2010	6,324
2011	7,027
2012	7,181

7,181

R&D Workforce (No. of persons)

2010	1,425
2011	1,791
2012	1,884

1,884

Global Ranking (Ranking)

*Automotive News

2009	12
2010	10
2011	8

8

* R&D workforce includes researchers at the R&D Center, the Quality Center, and the Technology R&D Center as well as office workers (Administrative assistant ~ General Managers).
* As Automotive News rankings are published in mid June every year, our 2012 ranking is not disclosed in this report.

Vision 2020

In conjunction with Hyundai Motor Group, MOBIS established its own management philosophy system that consisted of its business philosophy, vision and core values. It is under this framework that we lead the future of automotive technology. Likewise, we rely on creative talent, top-notch quality and outstanding technology while we advance sustainable development with stakeholders, under the goal of growing into one of the 'Global Top 5' companies by 2020.

Business Philosophy

A sound business philosophy provides the most fundamental reason and purpose for a company's market existence and it also forms the foundation for the operations of a business. At MOBIS, our business philosophy aims to 'think creatively and challenge ceaselessly to create a new future and thus contribute to realizing the dream of humankind'. This philosophy implies that we take unlimited responsibility for the needs of our stakeholders, never fall into complacency and keep challenging ourselves to realize what is possible while advancing a humane culture.

Sustainability Management Strategy

Under the goal of becoming 'The Sustainable Value Provider', which constitutes the 2020 mid/long-term social responsibility strategy of Hyundai Motor Group, our sustainability management strategy aims to create and broadly share sustainable future values with all our stakeholders and advance balanced growth that spans across our society, the environment and the economy. To effectively undertake this strategy, our CSR Team under the Business Cooperation and PR Group is responsible for practical operations in advancing socially-responsible management through close cooperation with relevant departments.

Target (Stakeholder)	Vision	Core Subjects proposed by ISO 26000
Local Community	Driver of shared growth	Community involvement and development
Customer	Provider of sustainable mobility	Consumer issues
Supplier	Trusted partner	Fair operation practices
Global Community	Transparent company	Organizational governance
Shareholder, Investor	Trustworthy company	Organizational governance
Employee	Best workplace	Human rights, Labour practices
Entire Stakeholders	Leader in climate change adaptation	The environment

Social Responsibility Charter

We at MOBIS declare the Social Responsibility Charter and share its values with all our stakeholders in a bid to fulfill our role as a global corporate citizen. We do this by striking the right balance between growth and sharing, through our corporate culture of respect and trust.
At MOBIS, trust-based management, environmental management and social contribution form the basis of our business operations and are thus consistently undertaken. Furthermore, we recognize that our long-term sustainable growth is guaranteed through the fulfillment of social responsibility. We ensure that in fulfilling our social responsibility, we benefit our staff, suppliers, shareholders, customers and communities, along with the entire sphere of humanity.
We assist our employees in realizing their potential and in building mutually beneficial relationships with suppliers.
We enhance shareholder value and deliver trust and an impressive experience to our customers.
We contribute to the co-prosperity of humanity as a global corporate citizen.

CEO & President Message

We ensure stability in our business operations for sustainable growth, while fulfilling our social responsibility through an unrivaled competitive edge. We also communicate and unite with our stakeholders to promote a business environment that pursues shared growth. I believe that such endeavors will help us to deliver balanced growth and build a mature corporate culture, thus serving as an integral part in the foundation for a sustainable world for the next generations to come.

Jun Ho-suck
President & CEO
MOBIS Co., Ltd.

Q - What is the underlying force behind sustainability management at MOBIS?

A - As an automobile parts manufacturer, we have made remarkable progress over the last decade. Recently, we placed 8th in the global automobile parts industry, taking a step closer to achieving our vision of becoming one of the global top five companies by 2020. For us to move towards sustainable growth in the upcoming years, we need to strike the right balance in our social, environmental and economic performance through the fundamental 'reorganization of our corporate DNAs', moving beyond the 'economy of scale'. Such endeavors are based on our customer-driven core value that guides us to fully commit ourselves to care for each and every stakeholder.

Q - What were your major accomplishments in 2012?

A - In 2012, we completed our business plans according to our initial plans, even in the face of global economic downturn. Our module and parts plants were newly constructed or expanded, specifically in emerging markets. This assisted us in winning numerous contracts from overseas carmakers while making continued progress towards becoming a 'leading automotive parts provider in the future'. Meanwhile, we attended international automotive parts exhibitions with suppliers and shared with them our accumulated knowledge on production lines in order to help enhance their global competitive edge. I believe that such endeavors will drive our progress towards sustainable development.

Furthermore, we stepped up our efforts to develop eco-friendly auto parts while launching the MOBIS Forest project to further advance eco-friendly management in conjunction with Jincheon-gun and the National Nature Trust as a way to respond to global trends concerning climate change. Our 'Sharing MOBIS Transparent Umbrellas' program is under continual operation to promote children's traffic safety, while Junior Engineering Academy programs were expanded to promote science education for children. Our commitment to the shared journey we took with our stakeholders enabled us to be listed on the Dow Jones Sustainability World Index once again in 2012 from 2011, which recognized our accomplishments in consistently advancing sustainability management.

Q - MOBIS proposed 'seeking a balanced development through stable sustainability management' as its sustainability management task for 2012. Would you please tell us about what you have done at MOBIS in undertaking this task?

A - It has been four years since we publicly declared our commitment to sustainable development with the publication of our first sustainability report in 2010. Our top priority at this point in time is to pursue stability in our business operations for a balanced development in the social, environmental and economic sectors. This is why we at MOBIS provided strengthened support in such wide-ranging areas as building processes to establish R&D infrastructure and develop future-oriented auto parts, supply chain innovation, shared growth and social-giving initiatives and the creation of customer-driven values. Moreover, continued assistance is offered to establish systems that enable employees to independently build stronger capacity in their respective fields. We believe that in so doing, we will be able to pursue shared growth with our stakeholders.

Q - What is your future plan for sustainability management at MOBIS?

A - We will build on our unmatched competitive edge in quality and technology that was developed over the years, so as to move beyond being Korea's representative auto parts manufacturer into a leader with a strong presence in the global market. We will also take a step further to communicate with and respect our stakeholders, so as to move towards a better future together and to deliver the value that our stakeholders truly need. Your continued trust and interest in MOBIS will be greatly appreciated in leading our endeavors to a success. Thank you.

Corporate Governance Structure

Governance structure serves as a mechanism to protect investors who play a key role in the development of the capital market. Specifically, a transparent and ethical governance structure impacts both a company's reputation concerning business ethics and its contributions to the environment and local communities, as well as its long-term success.

Shareholder Status

The total number of issued shares amounted to 97,369,321 (common stocks: 97,343,863, preferred stocks 25,458) as of the end of 2012. The largest shareholders and affiliate persons own approximately 30% of the total shares while minority shareholders account for approximately 54% of the total, which is translated into 1% of the issued shares.

Equity Ownership and Shareholder Composition	Common Stock	Preferred Stock
Foreigners	47,055,801 shares (48.3%)	504 shares (2.0%)
Domestic Institutional Shareholders	14,132,058 shares (14.5%)	23,200 shares (91.1%)
Domestic Individual Shareholders	4,981,869 shares (5.1%)	1,754 shares (6.9%)
Largest Shareholders	29,367,519 shares (30.2%)	-
Treasury Shares	1,806,616 shares (1.9%)	-

Towards Balanced Corporate Governance

As of March 31, 2013, our Board of Directors (BOD) consisted of nine directors: four internal and five external. Under the BOD are the three operating subcommittees: the Audit Committee, the Ethics Committee and the Outside Director Recommendation Committee. The Ethics Committee and the Audit Committee are chaired by outside directors to ensure the independence of our outside directors. As a supervisor of our business and accounting operations, the Audit Committee has the authority to request directors to report on business operations and to investigate the status of business conduct and assets.

Category	2010	2011	2012
Percentage of Outside Directors (%)	42.9 (3/7 persons)	62.5 (5/8 persons)	55.6 (5/9 persons)

Director Appointment and Compensation

Our inside director candidates are recommended by the BOD and outside director candidates are recommended by the Outside Director Recommendation Committee based on their expertise in their respective specialty areas, who are then appointed at the general shareholder meeting. Once appointed, our outside directors are obligated to submit the 'Qualification Certificate', which describes their independence from our business operations, legal qualifications and any other pertinent information, to the Korea Exchange. General shareholder meetings are held to present the performance of the BOD and top management as part of the overall business result briefing and to set a limit on director compensation. (Total compensation approved in 2012: KRW 10 billion)

Category	2010	2011	2012
No. of Meetings Held	11	8	9
Attendance of Outside Directors	88	93	94

Corporate Governance for Trust-based Management, Social Contribution and Environmental Management

Our Ethics Committee has been up and running within the BOD since 2008 in order to strengthen transparent management and expand an ethical corporate culture. Composed of five outside directors as of March 2013, the committee ensures improved reliability and transparency in our business conduct through the following activities: review of our compliance with monopoly and fair trade regulations (as well as voluntary fair trade compliance programs), review of arms-length transactions that are defined under Korean commercial law, review of major policies related to ethics management and social contribution initiatives, revision of ethics standards and evaluation of our compliance with such standards. The Business Coordination Group is operated as a bureau of the Ethics Committee to help advance trust-based management and undertake social-giving programs and is also responsible for company-wide environmental management.

Major Activities of the Ethics Committee in 2012

Date	Major Agenda	Approval	Attendance (No.of persons)
Jan. 27, 2012	1. Transaction limits concerning largest shareholders in 2012	Approved	4 (5)
	2. 2012 social contribution plans		
Feb. 24, 2012	1. Financial transactions with financial affiliates under relevant terms	Approved	5 (5)
Mar. 16, 2012	1. Large-scale arms-length transactions	Approved	5 (5)
Apr. 29, 2012	1. Financial transactions with financial affiliates under relevant terms	Approved	5 (5)
	2. Transactions between MOBIS and BOD members		
Jun. 29, 2012	1. Large-scale arms-length transactions	Approved	4 (5)
Jul. 27, 2012	1. Financial transactions with financial affiliates under relevant terms	Approved	5 (5)
	2. Large-scale arms-length transactions concerning products and services		
Aug. 29, 2012	1. Large-scale arms-length transactions	Approved	4 (5)
Oct. 26, 2012	1. Financial transactions with financial affiliates under relevant terms	Approved	5 (5)
	2. Real estate transactions with affiliate persons		
	3. Participation in paid-in capital increase of financial affiliates		
Dec. 15, 2012	1. Financial transactions with financial affiliates under relevant terms	Approved	5 (5)
	2. Large-scale arms-length transactions concerning products and services		

BOD Composition (As of Mar. 31, 2013)

Category	Name	Position	Responsibility/Additional Job	Audit Committee	Ethics Committee	Outside Director Recommendation Committee
Inside Directors	Chung Mong-koo	Chairman	Chief Executive Officer			
	Jun Ho-suck	President	Chief Executive Officer			Chair
	Chung Eui-sun	Vice Chairman	Director			Member
	Choi Byung-chul	Vice President	Director			
Outside Directors	Park Chan-wook	Director	CEO, P&B Tax Affairs Consulting	Chair	Member	
	Lee Tae-woon	Director	Chief Lawyer, The One Law Firm	Member	Chair	
	Lee Byung-joo	Director	Advisor, Bae, Kim & Lee LLC	Member	Member	Member
	Lee Woo-il	Director	Professor, Department of Mechanical and Aerospace Engineering, Seoul National University	Member	Member	Member
	Kim Ki-chan	Director	Dean of the Business School, The Catholic University of Korea	Member	Member	Member

Risk Management

Our company-wide risk management system enables us to proactively respond to such increasing macro-level risks as: frequently-occurring large-scale man-made or natural disasters, growing uncertainties in the global economy, intensifying competition in the same line of business and diversifying technology. Specifically, our risk management operations, which were previously undertaken in a fragmented manner by respective departments, were integrated on a company-wide level in 2012 with an aim to enhance their efficiency. In so doing, we ensure that information concerning both small and large risks across the company is presented to the top management comprehensively and swiftly.

Our definition of risks includes potential factors that may affect our sustainability management in addition to all types of accidents that negatively impact our endeavors to achieve strategic, operational and financial targets and reduce shareholder values. Once defined, these risks are subject to risk and impact level analyses to select sector-specific key risks. Such key risks are organized by cases of occurrence and are classified by management type while relevant processes are established, which enables us to develop risk mitigation and avoidance measures. Furthermore, we offer strong support to assist employees in building improved risk-handling capacity and thus to improve our practical risk response capability. Relevant departments cooperate to supplement existing risk response procedures as a way to further complete our risk management system. Our future plan is to operate the Risk Management Committee (composed of executives) to proactively address potential risks that may have significant and serious damage to our operations and to serve as a decision-making body that ensures integrated and swift responses.

Economic, Environmental Risk

Political, economic, industrial and market changes in major countries, the impact and risk of competitor trends on our business conduct (including M&A) and our corresponding responses are analyzed and briefed to the top management regularly. Furthermore, the global financial market and changing exchange rates ($, ¥, £) are closely observed, analyzed and reported for their impact on our operations while oil prices in respective producing nations are consistently monitored to help establish response plans for changing oil prices.

Financial Risk

Bonds and debts denominated in foreign currencies are managed systematically to ensure that our currency risk exposure is assessed, managed and reported regularly—while interest rate risks are managed to minimize uncertainties regarding changing interest rates—as well as net interest expenses. Moreover, credit risks are reviewed to maintain standard transactions and investments while liquidity risks are managed to regularly predict and adjust funds receipts and disbursements.

Social, Environmental Regulation Risk

Our Chief of Planning Division was appointed as the compliance officer and voluntary compliance monitoring programs are under operation to ensure our compliance with fair trade regulations. In addition, a chemicals information system enables us to track global environmental regulations and effectively control the discharge of environmental pollutants while our GHG management system helps us respond to climate change. Furthermore, our participation in such domestic and international initiatives as the Dow Jones Sustainability Index and the Carbon Disclosure Project that are known for their credibility, enables us to address ISO 26000 requirements and other major issues concerning socially-responsible management and thus set balanced directions for sustainable development.

Operational Risk

Operational risks refer to the occurrence or possibility of operational errors and irregularities due to issues related to employees, operational processes or operational systems. Such risks are subject to early warning systems and intensive management through our web-based, self-initiated risk management system (RMS) while 54 key risk indicators (KRI) are evaluated consistently. In so doing, we aim to minimize the occurrence of operational risks, improve the reliability of internal control and use auditing resources efficiently.

Natural Disaster Risk

Such large-scale issues as unpredictable natural disasters, wars and transnational conflicts are analyzed for their impact on our operations and measures are developed to minimize any damage that may occur, which allows for close cooperation and coordinated response among business divisions. In 2012, our manuals were revised and supplemented to address natural (heavy snowfall and monsoon) and man-made disasters.

* ISO 26000: International standards on organizational social responsibility established by ISO (Published in November 2010)

Corporate Ethics

More than ever, businesses are currently faced with an ever-greater demand for ethics management. This is why we at MOBIS have established our own ethics standards to comply with business ethics and are doing business ethically in the broadly-defined spectrum of ethics standards that ranges from fundamental corporate responsibility to socially-accepted and expected responsibility. All MOBIS employees are committed to advancing ethics management and nurturing a transparent and fair corporate culture as a driver behind sustainable growth.

Organizational Structure and Management System for Ethical Operations

We are building on our ethics management systems in a bid to widen the boundary of our ethical responsibility in our entire business conduct. We operate the Ethics Charter, the Code of Ethics, and the Ethical Behavioral Guidelines for Employees, while our Ethics Committee (composed entirely of outside directors), is responsible for making decisions concerning ethics management initiatives in order to strengthen transparent management and expand an ethical corporate culture. Furthermore, annual internal audits are performed in respective sectors and the Cyber Audit Office allows anyone either within the company or outside of it, to report unethical practices while conducting physical audits on such complaints. The office also protects the confidentiality of the informants and immediately provides feedback on how the unethical practices that were reported by suppliers, employees or customers were handled. We ensure that not just unethical practices, but also all types of irregularities and unreasonable practices that may cause losses to the company, are thoroughly investigated and subject to stringent follow-up measures. These measures include process improvements and personnel reassignments. Meanwhile, the company-wide annual compliance audits enable us to assess the level of ethical operations and make sustained improvements.

Ethics Management Advanced by Employees

We have 74 ethics leaders who are dedicated to encouraging employees to comply with ethics standards and to expanding such standards across the company. Our ethics leaders gather ethics-related issues in their respective divisions and organizations and provide training on ethics standard issues while serving as the primary consultants to help address employee grievances. In 2012, two rounds of ethics management training were offered in conjunction with the Anti-Corruption & Civil Rights Commission so as to assist ethics leaders in developing a deeper knowledge on ethics management (May, November). We also published the Ethics Standards E-Book (cp.mobis.co.kr/ebook/ebook.htm) to make it more readily-available and accessible for employees. The E-Book outlined basic concepts of ethics standards, case studies as guiding principles for ethical decision-making, and guidelines that are in accordance with ethics management trends (FCPA, online communication). The book was also translated into English and Chinese so that it could be distributed to our overseas sites. In so doing, we could disseminate our standards for the value judgment of ethical behaviors, as well as detailed codes of conduct, to our overseas sites.

In September 2012, we provided group training on ethics management to 355 employees in the Procurement Division to assist them in developing ethics awareness customized for their respective job duties. This will be further complemented by online compliance training courses (ethics management, fair trade, information security, sexual harassment prevention) to be developed for all employees to minimize business risks that may occur due to unethical behavior or regulatory violations. (Such courses are being offered to all office workers and 4,668 contract workers in the 1st half of 2013)

* FCPA: Foreign Corrupt Practices Act

01 **Chief of Planning Division, Executive Vice President, Kim Seung-tack**

As international anti-bribery round-table discussions develop and ethics management increasingly becomes a significant part of business norms and standards, businesses are faced with an ever-greater demand for ethics management. Any effective response to such systems and standards requires that we develop anti-corruption and anti-bribery policies that are based on management principles, undervtake programs and training to share legal regulations and in-house rules with employees, and promote the internal whistle-blower program to fundamentally prevent any potential corruptive practice. It is from this perspective that we at MOBIS ensure that our top management takes the initiative to advance ethics management and provide sustained training so that all employees practice ethics management in their daily operations.

02 **Chief of Parts Sales Division, Executive Vice President, Chung Tae-hwan**

Parts Sales Division is at the forefront of customer contact points and as such, we are establishing management systems to improve our transparency in doing business with dealers. Specifically, we introduced various plans and systems to encourage dealers to check and supervise each other while improving fairness in authorizing dealers through the use of newspaper notices followed by competitive bidding. Meanwhile, we are aware that the scope of our business transactions extends to cover supplies that are procured for our internal consumption, in addition to products that are developed and delivered. To ensure the fairness of such transactions, we receive bids from multiple companies and apply internal criteria to review these bids fairly. We will develop, maintain and strengthen more sophisticated systems to embed ethics management throughout our entire business conduct.

03 **Chief of Procurement Division, Senior Vice President, Hyun Hyung-joo**

A key factor for ethics management lies in the clear awareness that MOBIS and its suppliers are not involved in a hierarchical relationship, but rather need to cooperate as partners. In addition, exhaustive ethics management training is required to prevent ethics-related issues. We at MOBIS also need to assist suppliers in advancing ethics management. A large portion of our business operations (including sales, quality & production and purchasing), directly interface with our suppliers. This is why all of our business divisions need to join forces to ethically manage and why these endeavors need to be systemized, so as to enable regular monitoring and to establish a transparent and fair corporate culture.

Stakeholder Engagement & Materiality Analysis

Material Issues

Stakeholder Needs

Stakeholder Channels

Corporate Needs

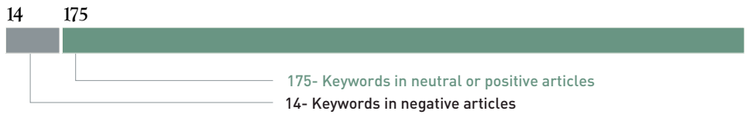
It is the common need of both MOBIS and its stakeholders that we base our initiatives on socially-responsible management. We take the perspective of socially-responsible management in selecting eight major stakeholder groups and creating sustainable value with them.

Materiality Test and Key Findings

To identify issues that are material to us and our stakeholders, we conducted the materiality test based on global sustainability management trends and internal/external opinions surveys.

Media Analysis

The 2012 media analyses were conducted of 1,758 news articles that were assessed in accordance with article characteristics, levels of media recognition, and levels of media exposure within the reporting period. The results demonstrated that 92.6% of these articles were neutral or positive. Positive articles were concerned with our improved competitive edge in technology and quality, shared growth programs, logistics rationalization initiatives, global contract-awarding activities, human resource development and social contribution programs while negative articles were related to non-regular workers, part unit prices, and cross shareholding. Domestic media outlets positively viewed our achievements in ranking us 8th in the global parts manufacturing industry and being listed in the Dow Jones Sustainability World Index.



Stakeholder Survey

We conducted online surveys of 655 internal/external stakeholders to identify their level of awareness of our sustainability management as well as material issues to be included in this report. It was demonstrated that 76% of the respondents considered sustainability management issues as 'material' and their top priority concerned (investment in core capacity).

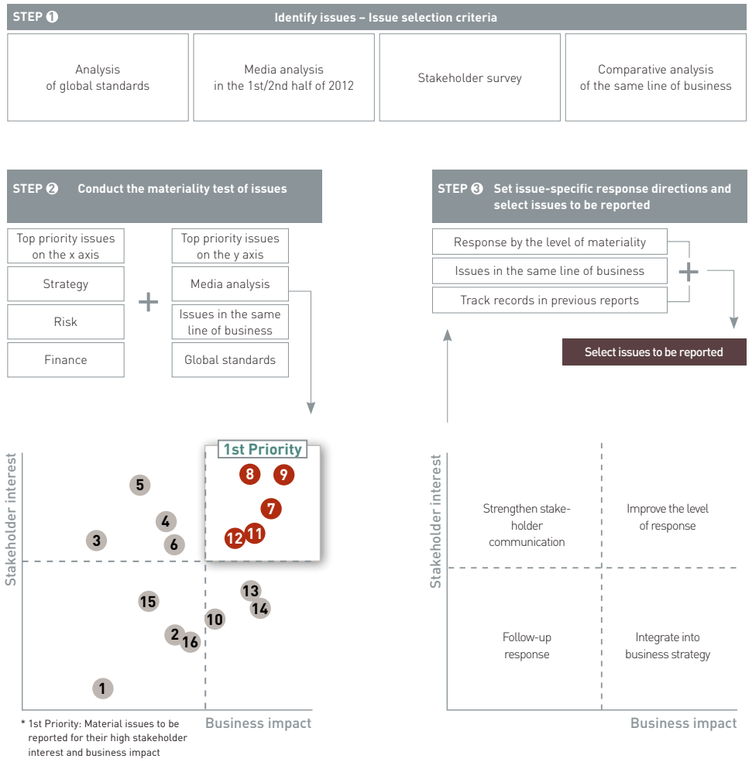
By individual stakeholder group, (Pursuit of shared happiness in society) and (Communication of sustainability management) were considered as material in addition to such long-established issues as (Shared growth) and (Customer-driven management). Meanwhile, more advanced surveys were conducted of 46 employees who represent MOBIS on the basis of their level of strategy-setting, level of financial impact and impact on our corporate reputation. The outcomes produced such keywords as (Investment in core capacity), (Advancement into the global market), and (Shared growth) that have the greatest impact on our busiess operations.

Comprehensive analyses of the survey results found a significant gap between those issues that stakeholders considered as material in the business and social sectors (out of the 25 sustainability management issues) and how they perceived the current level of MOBIS is on such issues. This prompted us to strengthen communication on our sustainability management initiatives, so as to reduce such perception gaps.

Global Standards and Industry Benchmarking

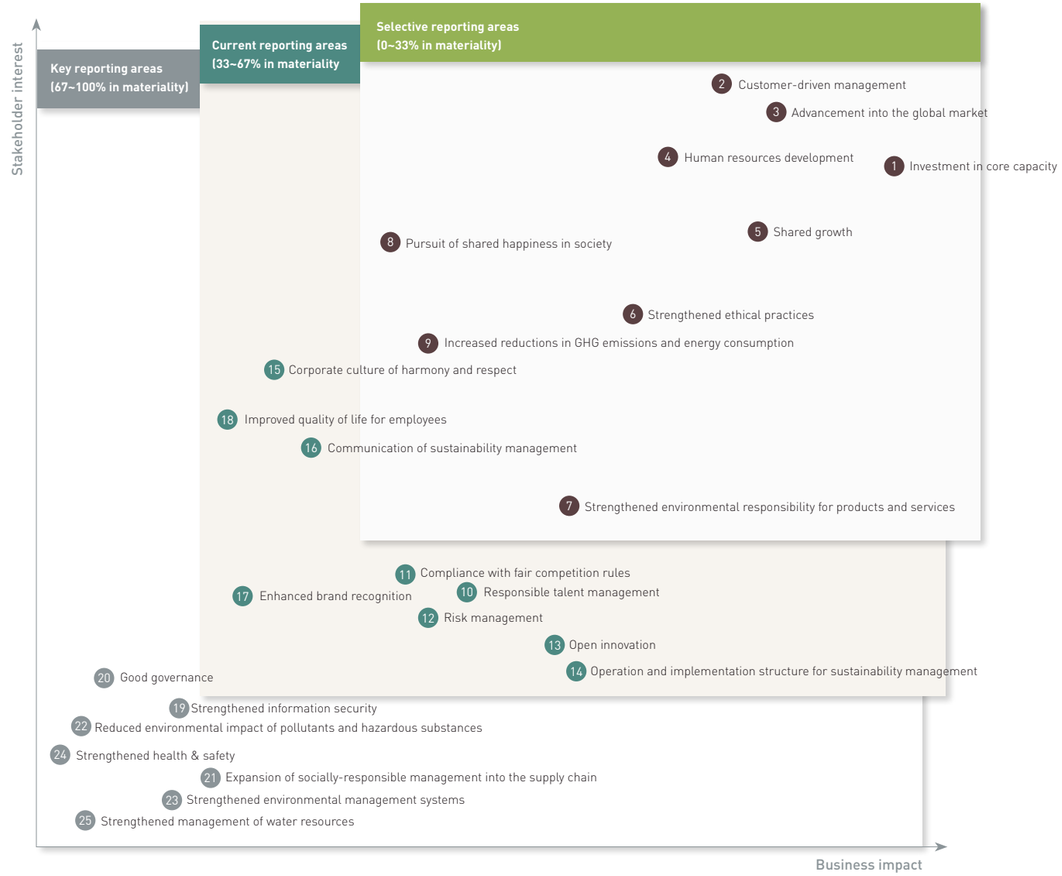
We reviewed and analyzed such sustainability management standards as ISO 26000, the GRI Guidelines, the Dow Jones Sustainability Management Index, and the Carbon Disclosure Project and also benchmarked sustainability management practices of competitors in the same line of business. The former reflected the frequency of each issue proposed by respective standards as well as the comprehensiveness and materiality of standards while the latter included the assessment of the level of competitors' sustainability reporting on the 25 material issues that we chose in order to identify the common issues that are considered material in the industry. The analyses of sustainability management standards generated such material issues as (Increased reductions in GHG emissions and energy consumption), (Corporate culture of harmony and respect) and (Strengthened ethical practices) while top priority issues found in our competitors' sustainability reports included (Increased reductions in GHG emissions and energy consumption), (Pursuit of shared happiness in society) and (Customer-driven management).

Materiality Test Flow



Material Sustainability Management Issue Index

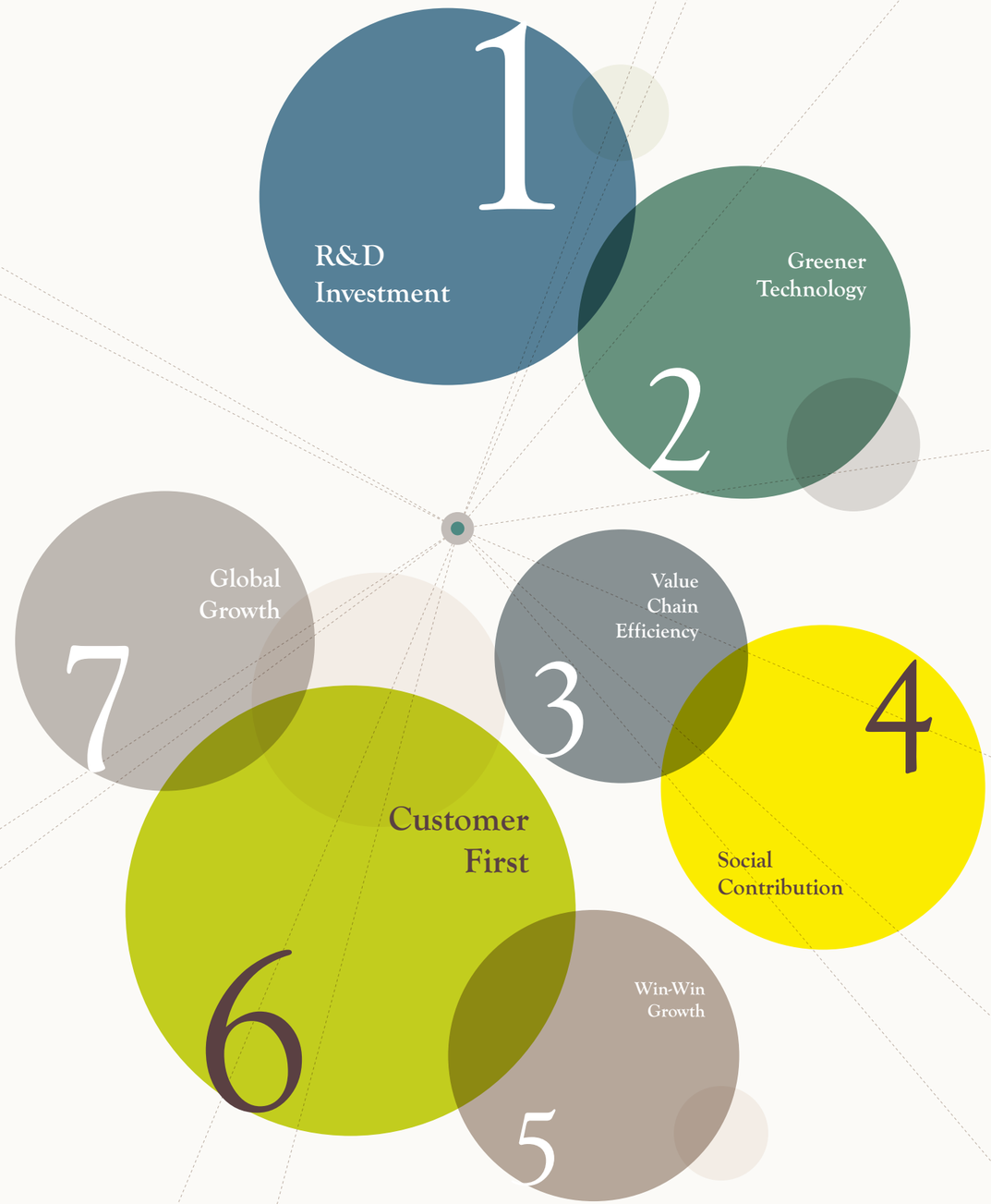
Ranking	Issue	Details	PAGE
1	Investment in core capacity	Invest in high value-added cutting-edge technology such as future-oriented eco-friendly and intelligent automotive parts	20~23
2	Customer-driven management	Quality management, product social responsibility, transparency in products and services, gathering of customer's voice	40~43, 57~59
3	Advancement into the global market	Expand the global customer base, build stronger non-captive capacity, strengthen global parts sales	44~47
4	Human resources development	Nurture talent to secure global competitive edge	47, 53
5	Shared growth	Pursue shared growth through support for suppliers and dealers	36~39, 54~55
6	Strengthened ethical practices	Compliance, anti-corruption, improve ethical practices of the organization/employees	12~13, 55
7	Strengthened environmental responsibility for products and services	Minimize products' environmental footprint in consideration of their life cycle	24~27
8	Pursuit of shared happiness in society	Make direct/indirect contributions to society and local communities	32~35, 60~61
9	Increased reductions in GHG emissions and energy consumption	Ensure an integrated management of GHG emissions and energy consumption, expand leadership in responding to climate change	28~31, 62~64



with further steps to sustainability

Reporting of Material Issues

* Material sustainability management issues and our best practices



1.

R&D investment

Even in the face of fiercer competition, we build stronger R&D capabilities through an increased investment in future-oriented cutting-edge technology for sustainable development. In 2012, we expanded the technology infrastructure and undertook stronger open innovation initiatives in accordance with evolving automotive trends while introducing innovative processes to establish customer trust and respond to changing automobile market environments.

We are strengthening our technology development infrastructure, network and processes as a way to proactively develop core technology that will lead the future vehicle market. Our Automotive Electronics Lab Building was constructed to serve as an incubator for the development of eco-friendly, intelligent parts technology while CTO (Chief Technology Officer) Forums, technology forums and other forms of technology exchange were expanded to reinforce the technology development network with suppliers, academia and other stakeholders. Furthermore, our global development processes are integrated to improve customer trust in quality in accordance with the growing share of electric automotive parts. In so doing, we aim to deliver 'global top-notch products' through the expansion of investments in both tangible and intangible enablers for strengthened technological capabilities and thus firmly establish a virtuous growth cycle where qualitative growth in technology and quality drives quantitative growth.

* Global top-notch product development strategy: We chose ten products to be developed under our global top-notch product strategy (brake & steering parts, airbag, radar, eco-friendly parts that include electric traction motors, inverters and other core electric vehicle parts, and infortainment systems).

A showroom within the Automotive Electronics Lab Building

Investment in Technology Development Infrastructure

We announced our corporate strategy to focus on the three major businesses of 'IT convergence electric parts', 'eco-friendly core parts' and 'module integration systems' by 2020. In a bid to build stronger capacity in developing electric parts that include wide-ranging electric devices, the Automotive Electronics Lab Building was newly constructed within our Yongin R&D Center located in Yongin, Gyeonggi Province. Situated on a 48,737m^2 area of land with KRW 60 billion invested in facilities alone, the Automotive electronics Research Center will be responsible for developing intelligent system core parts, eco-friendly electronic device technology and IT convergence parts.

Status of Major R&D Infrastructure (Land and buildings) (Unit: m^2)

Yongin R&D Center
Land area: 115,134m^2
Building area: 90,033m^2
Building structure: Research Building, Test Building, Automotive Electronics Lab Building

Automotive Electronics Lab Building
Land area: 73,286m^2
Building area: 48,737m^2
Building structure: Research Building, Test Building

Uiwang R&D Center
Land area: 27,233m^2
Building area: 33,121m^2
Building structure: Research Building, Test Building

Investment in Stronger Research Collaboration

In a bid to build consensus on our R&D goals with stakeholders and thus increase synergistic effects from our R&D endeavors, we operate CTO Forums that aim to pursue shared growth with suppliers as well as technology forums that aim to promote an industry-academia technology exchange. In addition, we are an active participant in government-led R&D projects and joint new technology research projects. In 2012, 34 gatherings took place as part of our CTO Forums, which were attended by 335 participants (including chief technology officers) from 138 suppliers to produce 80 cases of R&D outcomes covering proposals for new technology and processes, operational process improvements and quality enhancement measures. Meanwhile, our technology forums led to 53 cases of R&D achievements that included the patent application concerning V2X-aligned SCC system as well as the identification of industry-academia research tasks through 35 rounds of expert seminars attended by 12 universities and 13 rounds of standing advisory activities. In undertaking government-led R&D projects and joint new technology research projects, a total of 26 tasks are under progress, including proactive/reactive safety integration systems to prevent accidents and reduce passenger injuries as well as key parts of green car EMB (Electro-Mechanical Brake) actuators.

* V2X: IT Convergence-enabled vehicles
* SCC: Smart Cruise Control (Automotive function to keep a safe distance to other traffic ahead)

Investment in Improved Reliability in R&D

Stronger Global Electric Parts Development Process: With the rapidly-increasing share of electric and electronic automotive parts, the possibility of accidents that occur due to system errors is rising accordingly. Thus, we at MOBIS, in various ways, are committed to ensure higher customer trust in product quality through the introduction of global development processes. We were Level 3 –certified for CMMI (Capability Maturity Model Integration), a global model that evaluates the maturity of product development capabilities, in 2011 while our SCC (Smart Cruise Control) and LKAS (Lane Keeping Assistance System) were certified under ISO 26262, the international standard on automotive functional safety in 2012. Currently, we are building on our parts development processes with a goal to further expand the scope of our certified parts. Concerning AUTOSAR (Automotive Open System Architecture), an open automotive software standard that is applicable to parts manufacturers, car makers and tool developers in developing software, we plan to independently develop AUTOSAR 4.0 platform software that consists of 51 modules and to expand its application to all our products by 2015. As part of our endeavor to improve software and system development processes, we are integrating development processes regarding A-SPICE (Automotive Software Process Improvement & Capability dEtermination), a European automobile industry's standard development process, under the goal of obtaining the product and software development process certification in 2013.

Technological Capacity Diagnosis and Improvement Systems Operated for Customers: In order to respond to the 'Technology 5 Star' assessment scheme supervised by our customers, relevant divisions in the company—from design, quality, manufacturing and production technology—to purchase and sales, are engaged to analyze major product functions and customer requirements. The outcomes, in turn, are used in preparing design guides and checklists on the basis of DFMEA (Design Failure Mode and Effects Analysis) and thus are reflected in our improvement management plans. As another way to fully integrate the feedback from our customers and the market, we define the five-phase DFSS (Design For Six Sigma) process that spans from product development to mass production and launching and apply engineering-based tools in each phase of the process.

R&D Expenditures (Unit: KRW million)

2010	266,160
2011	322,279
2012	357,863

MOBIS
R&D Division R&D Planning Group
Director, Cho Seo-goo

At MOBIS, we hire and foster outstanding talent as a source for future key technology while investing in expanding R&D infrastructure (such as the construction of the Automotive Electronics Lab Building). Furthermore, technology forums held in conjunction with suppliers and academia enable us to extend the scope of open technological innovation on the basis of the industry-academia-research institute network. Our competitive edge in technology and quality is enhanced through the compliance with global standard processes in developing technology. As the recent share of electric vehicle parts is increasing even faster, we are faced with the challenge of addressing complexity and higher quality demands. As such, it is highly critical that we focus on establishing and implementing systemized global standard development processes so as to ensure safety and improve the product reliability of electric part systems in designing parts software. At MOBIS, we ensure that our R&D endeavors comply with such global standard processes as ISO 26262 (international functional safety standard), CMMI-L3 certification (indicator of the maturity of software development capability), and AUTOSAR (open standard software for automobiles) so as to establish our competitive edge and reliability with our products. Moreover, DFSS and DFMEA activities are undertaken consistently from the design phase in order to accurately reflect customer requirements and prevent product errors. We believe that such R&D initiatives will drive us towards sustainable growth in conjunction with customers, shareholders and suppliers and enable us to move beyond a global auto parts manufacturer into a global top-notch company that leads the market through unrivaled technological capability.

2. greener technology

Today, the driver behind the growth of the automobile industry lies in a technological leadership that enables the advance development of eco-friendly and future-oriented intelligent vehicles. As a global leader in the automobile parts industry, we build and implement our own mid/long-term roadmap to develop eco-friendly parts as a response to climate change while focusing on developing market-leading technology for future-oriented intelligent vehicles.

[Directions and Targets in Developing Eco-friendly Vehicle Part Technology]

2015 SECURE TECHNOLOGY AND COMPETITIVE EDGE IN QUALITY

Develop market-leading technology
Expand the share of commonly-used parts

2012 ESTABLISH TECHNOLOGICAL COMPETITIVE EDGE

Foster talent and improve expertise
Strengthen design processes and DFMEA

2010 LAY THE FOUNDATION

Secure mass production design capability
Develop testing and evaluation systems

Developing Parts for Eco-friendly Vehicles

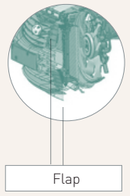
Eco-friendly vehicles are not yet fully matured but are poised to become the core of the global automobile market with an unmatched competitive edge in the near future. This is why we at MOBIS will recruit more researchers and dramatically increase R&D investment by 2015 as a way to establish our competitive edge in eco-friendly technology in advance.

Mass Production of Key FCEV Parts

We completed the development of our key parts for fuel cell electric vehicles (FCEV) in December 2012 and initiated their mass production at our Chungju plant in March 2013. Included in these key parts are traction motors, power electronic parts, lithium-ion-polymer battery packages and power module complete, which are mounted on Hyundai Motors' Tucson ix FCEV. Specifically, the 100kW large-capacity high-speed traction motor which was independently developed by MOBIS, is able to generate a maximum output of 134 horsepower and a maximum speed of 160km/h. In addition to such outstanding performance, the motor also boasts a drastically enhanced competitive edge in price, as it does not consume a permanent magnet made from an expensive rare earth resource. Consumption of such resources has become such a controversial issue, triggering a war over the scarce resources. The power electronic parts used for Tucson ix FCEV are responsible for controlling the power of the traction motor and ensure stable power management, which is critical for fuel cell electric vehicles that have twice as many electronic parts as their hybrid counterparts. Specifically, the low voltage DC-DC converter which reduces the high voltage of between 240~450V generated by fuel cells into 14V which is more appropriate for vehicles, constitutes a significant improvement from the previous 1.7kW converter mounted on hybrid vehicles to a 4kW high output one. Power module complete are capable of generating up to 100kW of power and serve as a key part to power FCEVs. We also independently developed fuel processing system to be applied to these modules. The hydrogen supply device is able to supply 1,200 liters of hydrogen per minute and its hydrogen utilization was enhanced to almost 100% through the use of technology that re-circulates hydrogen (that was not consumed) for chemical reactions in electricity generation devices.

Developing Intelligent, Eco-friendly Technology

Our eco-friendly and intelligent 'Active AirFlap' system was honored with the Semi-Grand Prize in the invention segment at the 'Seoul International Invention Fair' hosted by the Korean Intellectual Property Office in 2012. The system blocks the flow of air into vehicles when cooling is unnecessary through the on-off flap inside the front bumper grill. This helps reduce running resistance and improve aerodynamic performance and thus increase fuel efficiency. The system proved its benefits in enhancing fuel efficiency by 2.3% and reducing the emission of pollutants by approximately 15% through shortened engine warm-up times. If installed on every vehicle in Korea, the system is expected to replace the import of crude oil worth KRW 150 million every year. The Active AirFlap system was used for YF Sonata HEV for the first time in Korea.



Function: Located in the rear side of the front bumper, the on-off flap is controlled in accordance with driving conditions to improve aerodynamic performance and fuel efficiency as well as cooling/heating efficiency.

Features: Compact structure and improved aerodynamic performance made possible through the relocation of the mounting area from the front-end module to the bumper

Improved stability and durability through the adoption of direct-connection and duel-link structures concerning the flap and the actuator

Manual on-off flap operations available, strengthened fail safety functionality

Daelim University College
Dept. of Automotive Engineering
Professor, Kim Pill-soo

As 'eco-friendly' and 'high fuel-efficiency' are receiving attention as dominant key words in the automobile industry, eco-friendliness is emerging as the most critical direction to take in developing vehicles and parts. Research on eco-friendly factors is undertaken in two overarching directions: one is to focus on conventional internal combustion engines and the other is to explore new concepts that use new types of energy to power vehicles such as hybrid vehicles, electric vehicles and fuel cell vehicles. Specifically, fuel cell vehicles are significantly meaningful as they are zero-pollution vehicles and Hyundai Motors' Tucson ix FCEV, the world's first mass-produced FCEV, is equipped with MOBIS's eco-friendly parts that are combined with such key parts as fuel cell stacks (energy source) and is considered to have paved the way for future vehicles. For MOBIS to evolve into a global green parts manufacturer, it needs to fully utilize its R&D capabilities concerning electric/electronic parts, cutting-edge hardware composition (application specific integrated circuit), maximized preventive safety and convenient devices, IT-enabled intelligent systems and the evolution to smartphone-enabled smart cars.

Achievements in Developing Eco-friendly Automotive Parts

Development of Mass-producible Electric Driving Parts for Tucson ix FCEV

Period	Mass Production Plan
Feb. 2011 ~ Dec. 2012 (23 months)	Jan. 2013 ~ (1,000 vehicles slated for three years)

Major Features

- World's first mass-producible, independently developed fuel cell electric vehicle
- Driving range of up to 594km upon hydrogen-charging (High fuel efficiency of 27.8km/l, on the basis of NEDC European fuel efficiency testing criteria) is available when translated on the basis of gasoline consumption
- Outstanding low temperature startability at - 20℃ and under
- Honored with the top '2013 Future Auto Award' (at the Brussels Motor Show, Belgium)

Traction motor
100kW/Induction motor

Inverter
136kVA (water-cooling type)

PMC
100kW fuel cell module
FPS: Series-type hydrogen recirculation
BPCU: Air blower (8kW) Air pump (1kW)

LDC
4kW (water-cooling type)

BHDC
21kW (water-cooling type)

Battery system
180V/0.95kWh

Durability design: 160,000km
Driving range: 594km

* PMC: Power Module Complete (fuel cell module) * BPM: Blower Pump Control Unit (air blower, water pump control)
* LDC: Low Voltage DC/DC Converter (low voltage DC converter) * FPS: Fuel Processing System (hydrogen fuel processing system)
* BHDC: Bi-directional HV/DC/DC Converter (high voltage DC converter)

Development of Mass-producible Electric Driving Parts for Non-step CNG Hybrid Bus

Period	Mass Production Plan
Jan. 2011 ~ Dec. 2012 (24 months)	Mar. 2013 ~ (10,000 buses slated for 10 years)

Major Features

- The majority of the major parts such as electric motors and batteries were domestically developed
- KRW 12 million in annual fuel cost savings possible per 100,000 km due to 700,000km durability design and a 40% improvement in fuel efficiency
- 104tCO_2 in annual GHG emissions (160tCO_2 in diesel bus, 137tCO_2 in CNG bus)
- All intra-city buses will be gradually replaced with CNG hybrid buses by 2020 (Ministry of Environment)

Durability design: 700,000km
40% improvement in fuel efficiency (2.8km/l)
KRW 12 million in savings (per 100,000km annually)

HCU
32bit high-performance micom

Battery system
360V/3.8kWh

BMS: 192-cell management

Traction motor
60kW/permanent magnet-type

Inverter
112kVA (water-cooling)

* HCU: Hybrid Control Unit (hybrid system controller) * BMS: Battery Management System (battery management device)

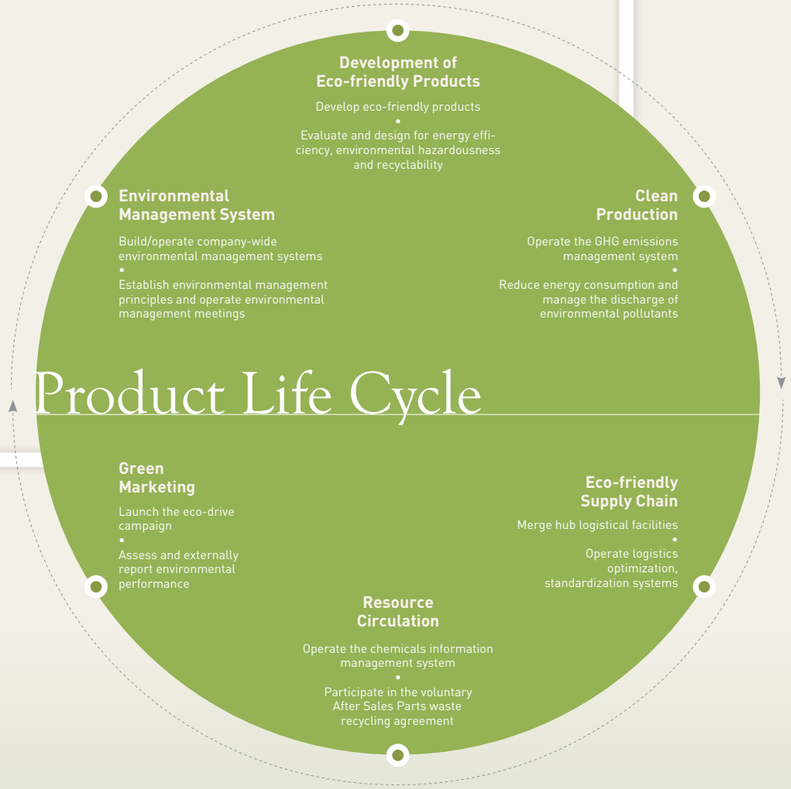
3. value chain efficiency

34.6 billion ↓
Cost savings achieved through the service parts warehouse operation system between 2004 and 2012

3,091 tCO_2/year ↓
Reductions in CO_2 emissions made through optimized domestic transportation

15.28 billion ↓
Expected savings between 2012 and 2013 through the CKD integration system

9.77 billion ↓
Cost savings in Korea and abroad that are expected upon the completion of the global transportation optimization project in 2014
* KRW 4.06 billion in Korea, KRW 5.71 billion overseas



In order to establish a resource circulation structure and minimize our environmental footprint, we are undertaking diverse initiatives to fulfill our environmental responsibility in the entire value chain and product life cycle that ranges from the procurement of raw materials to the use of products and their disposal. Included in such endeavors and ingrained into our daily operations, are our eco-friendly design, reductions in GHG emissions and energy consumption and the management of hazardous substances. Specifically, our logistics optimization project assists us in creating corporate value and also serves as a great contributor to preventing global warming.

Optimized Transportation

Our domestic and overseas transportation optimization project allowed us to make our global supply chain more efficient. Once completed in 2014, this global project will lead to KRW 9.77 billion of transportation cost saving annually. Meanwhile, our domestic transportation optimization project is expected to reduce the driving distance of vehicles by 710,227km annually, which translates to 3,091tCO_2 in annual carbon emissions reductions. Furthermore, the phased-in introduction of CNG vehicles will help us contribute to reducing the emission of air pollutants.

* Benefits of CNG vehicles: 100% reduction in exhaust gas, 20% reduction in CO_2 emissions and more than 70% reduction in ozone depleting substances compared to diesel vehicles

Efficient Logistics through the Establishment of the CIMS (CKD Integration Management System)

Our CIMS aims to advance the CKD logistics management. In 2012, a total of KRW 9.15 billion was saved in logistical costs through the sophistication of global logistics/inventory tracking and logistical performance management. Our goal for 2013 is to achieve KRW 6.13 billion in savings. The CIMS also enables us to decrease the share of both air transportation and expensive routes and to increase the filling rate, contributing to the prevention of global warming in addition to saving on logistics costs.

* CKD: Complete Knock Down
* CIMS: CKD Integration Management System

Cost Savings from Improved Logistics Efficiency Achieved through the CIMS (Unit: KRW 100 million)

Savings Item	2012 Achievement	2013 Target	Total Savings
Reduced share of air transportation	18.0	22.5	40.5
Reduced share of expensive routes	73.5	15.2	88.7
Increased filling rates	-	23.6	23.6
Total	91.5	61.3	152.8

* Filling rate: Logistical loads per unit area

Achievements of the Distribution Optimization Project

Quantitative Achievements

Domestic
- **Savings in transportation cost: 9.2%, KRW 4.06 billion/year**
  In-house savings (KRW 2.88 billion), delivery (KRW 200 million), procurement shipping & logistics operation (KRW 980 million)
- Contribute to preventing global warming through reduced CO_2 emissions 3,091tCO_2/year (KRW 15 million generated in profit through the transactions of carbon allowances, on the basis of KRW 5,000 per 1tCO_2 in accordance with KCER)

Overseas
- **Savings in transportation cost: 1.4%, KRW 5.71 billion/year**
  Operational improvement (KRW 2.35 billion), integration of logistical volume (KRW 1.13 billion), re-selection of logistical partners (KRW 2.23 billion)

Qualitative Achievements

Domestic
- Reduce the lead time of logistical process (Parts center transfer & direct supply source supply)
- Increased efficiency of logistical operations: Improved workability through reduced transfer senders and equalized in-coming volume
- Contribute to preventing global warming and building an eco-friendly brand image: Reduced emissions of air pollutants

Overseas
- **Develop systems to select and evaluate shipping service providers**
  Prepare standard contract forms and selection-related standard forms, establish evaluation process
- **Establish AS warehouse operation and management standards for global branch offices**
  Develop standard contracting guidelines concerning warehouse management process and outsourcing

Rippling Effects

Domestic
- Improve supply speed in the supply chain (suppliers, MOBIS, dealers)
- Strengthen global operational capabilities through the optimization of global distribution and lay the basis to optimize procurement and deliver transportation for manufacturing plants
- Optimize production plans through the demonstration of actual benefits of optimization models
- Optimize hub strategies and logistical operations

Overseas
- Enhance verification capabilities and fairness in selecting shipping service providers through the compliance with selection system standards
- Reinforce integrated logistical management capabilities on the basis of regional distribution strategies

* KCER: Korea Certified Emission Reduction

Cost Savings by Major Transportation Optimization Project in Korea and Abroad (Annual savings: KRW 9.77 billion) (Unit: KRW 100 million/year)

	Transportation Optimization in Korea	Savings (40.6)		Transportation Optimization Abroad	Savings (57.1)
In-house transportation	Establish transit transfer routes among distribution centers	25.5	**Operational improvement**	Improve transportation-related operation (adjustment of transportation territory, packaging integration, adjustment of contract terms, etc.)	23.5
	Integrated transportation of transfer volume of regional sites Enhance route flexibility through the integrated contract of transfer vehicles	3.3			
Delivery	Operate transfer/direct delivery/express vehicles for multiple purposes Optimize the ratio of contract vehicles and freight vehicles	2.0	**Freight integration**	Introduce integrated bidding for shipping service providers of each subsidiary	11.3
Procurement transportation	Integrated transportation of low-volume, low-frequency items through the circular transportation of direct supply sources	0.3	**Re-selection of service providers**	Conducting bidding process to find competitive shipping service providers	22.3
	Establish transit transfer systems among panel item suppliers	5.1			
Logistics operations	Introduce new vehicles with higher loading efficiency Operate eco-friendly logistics systems through the use of CNG vehicles Establish TMS in the transfer/delivery/procurement areas Take a system-driven approach in planning and management	4.4			

Service Parts Warehouse Operational System

Service parts warehouse operational systems refer to the overall systems that support logistics operations and management in our Korean and overseas business sites. The development and application of the PLUS system in 2004, the WOS system in 2008, and the SPMS system in 2012 allowed us to save KRW 34.6 billion in costs by the end of 2012 and to contribute to reducing energy consumption and CO_2 emissions.

* PLUS: PDA based Logistics in Ubiquitous System
* WOS: Warehouse Optimization System
* SPMS: Service parts Productivity Management System

Establishing Comprehensive GHG Emissions Reduction Targets

In 2012, we performed company-wide potential GHG reduction assessments (including suppliers operating within our business sites) and set our mid/long-term goal of reducing GHG emissions by 7.8% against BAU (Business As Usual) by 2020. In 2013, when our endeavors are initiated to reach this target, we will work together with in-house suppliers to reduce CO_2 emissions by 2,117tCO_2 to 151,315tCO_2 (1.38% reduction against BAU).

Set GHG Emissions Reduction Targets through the Inclusion of In-house Suppliers (Unit: tCO_2)

Year	BAU	Reduction Rate	Emission Target	Target Reduction
2013	153,432	1.38%	151,315	2,117
2016	198,486	4.87%	188,820	9,666
2020	286,792	7.80%	264,422	22,370

* Including GHG emissions generated by suppliers who exist as separate entities within our business sites

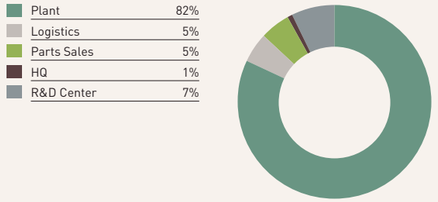
Improved Hazardous Chemicals Management of Suppliers

Our MCMS (MOBIS Chemical Management System) has been up and running since 2009 to ensure the comprehensive management of part-specific chemicals information in alignment with automotive parts information. MCMS allows us to register the chemical information of parts manufactured by suppliers, closely verify registered information and to perform compatibility analyses of environmental regulations and customer requirements. Furthermore, the approval of chemicals information granted by customers is considered a mandatory item of our first article approval process and the result is integrated into our project deliberation procedures.

We believe that supplier engagement is highly critical in the effective management of harmful substances. Therefore, we have provided regular environmental regulation briefings to suppliers since 2011 to help supplier employees better understand hazardous chemicals and environmental regulations. In 2012, such briefings were offered to 385 employees from 303 suppliers to share latest trends concerning environmental regulations and to further encourage them to participate in our MCMS.

* IMDS: International Material Data System

Site-specific Target Reductions in 2013



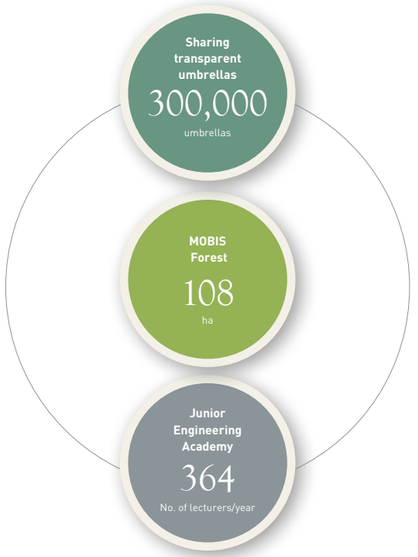
LRQA Korea
Managing Director, Yoo Sang-keun

It is extremely positive that consensus regarding businesses needing to fulfill their social responsibility as a member of society is rising, in consideration of the current situation in Korea. Playing a pivotal role in the Korean automobile industry, MOBIS is efficiently operating its own environmental management system in accordance with standards proposed by international standard-setting organizations and is committed to meeting its social responsibility in the environmental sector through the development of environmental principles and the operation of environmental meetings. Furthermore, it has been verifying its GHG emissions voluntarily for the past three years as a proactive response to the Korean government's GHG policies, even though it is not subject to the government's GHG target management system. I expect that the executives and all the other employees at MOBIS will develop an awareness that the company's environmental responsibility is not just limited to the current generation, but extends to future generations as well. Therefore, it is necessary to take more systemic and effective action.

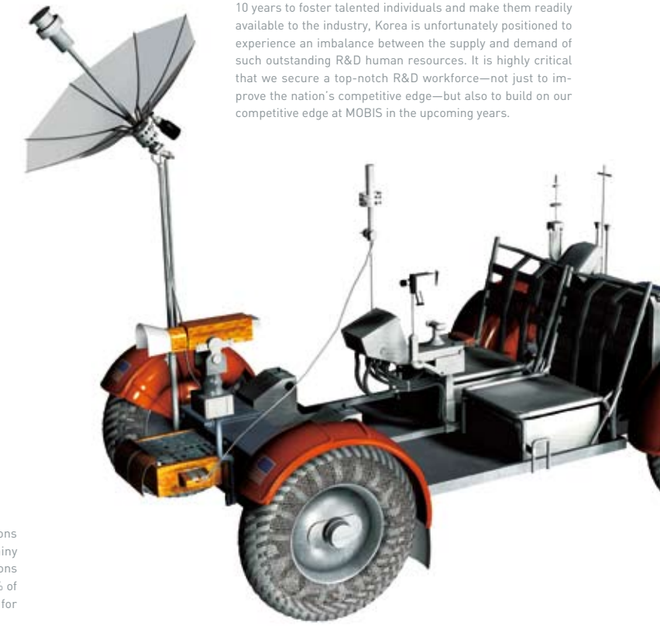
4.

social contribution

As a responsible member of the global community, MOBIS practices its business philosophy of love and sharing. It is under the slogan "MOBIS believes in sharing and making the world a better place" that we continue our 'beautiful journey' together with our stakeholders.



Due to the more than a decade long reluctance for students to major in science and engineering, we are suffering from an absolute shortage of advanced science and technology experts and specifically, an R&D workforce in Korea, compared to rising demands. It leads to a growing concern that Korea's national competitive edge will weaken accordingly. As it takes 10 years to foster talented individuals and make them readily available to the industry, Korea is unfortunately positioned to experience an imbalance between the supply and demand of such outstanding R&D human resources. It is highly critical that we secure a top-notch R&D workforce—not just to improve the nation's competitive edge—but also to build on our competitive edge at MOBIS in the upcoming years.



While the fatality per 100 traffic accidents is 2.2 persons on sunny days, the number rises to 3.0 persons on rainy days. Furthermore, the fatality ratio from human collisions is a whopping 45.1% while car collisions account for 32% of total on rainy days. This demonstrates the urgent need for campaign initiatives that ensure safety on rainy days.

Sharing Transparent Umbrellas for Traffic Safety for Children

Our commitment to reducing child traffic accidents continued in 2012. Specifically, a total of 100,000 transparent umbrellas were distributed to 158 schools through internal/external promotional activities. In relation to this signature CSR program, we conducted satisfaction surveys of 450 stakeholders (including teachers and parents) at 36 elementary schools. It turned out that their satisfaction level was fairly high (with 83.1 points) and respondents showed an increased awareness of the necessity and benefits of transparent umbrellas.

MOBIS Forest

Our 'MOBIS Forest' project is under progress to preserve the natural environment and to fulfill our social responsibility in mitigating climate change. The MOBIS Forest will be created on a land of 108ha in the vicinity of Hwasan-ri, Chopyeong-myeon, Jincheon-gun, North Chungcheong Province over the next decade with KRW 10 billion in investment. With the opening ceremony held on April 12, 2013, the project began in full through the collaboration with MOBIS, Jincheon-gun Office, and the National Nature Trust. Once completed, the forest is expected to help revitalize the local economy as an attractive tourist destination in alignment with diverse events and programs. We will take this project as an opportunity to build closer ties with the local community where we operate and expand employee engagement.

Junior Engineering Academy

Our Junior Engineering Academy program was expanded with specialized program content in an aim to encourage young students to be interested in science and to address the reluctance to major in science and engineering, which is emerging as a serious national issue.

In 2013, new child-friendly teaching materials were developed concerning such cutting-edge automobile parts as lane departure warning and vehicle collision detections, while existing solar energy vehicles were upgraded in a bid to improve the quality of program courses. Furthermore, the number of participating schools increased, from six (located near our research center), to 14, while the pool of lecturers was created through the voluntary participation of 100 in-house experts from nine business sites (the number of lecturers volunteering year-round amounts to 364). Our employees who volunteer as primary or assistant lecturers under the Junior Engineering Academy program benefit from additional incentives: their volunteering hours will be recognized as training hours (given that such activities are undertaken as part of working operations) and top-performing lecturers are recognized at the end of the year.

Social Contribution Programs Independently Undertaken by MOBIS

① Declaration ceremony for the Transparent Umbrella Campaign for Children's Traffic Safety
② Training for Junior Engineering Academy lecturers
③ Junior Engineering Academy courses
④ Bird's eye view of MOBIS Forest
⑤ Opening ceremony of the MOBIS Forest project

Set GHG Emission Reduction (Unit: points)

Category	Design satisfaction	Quality satisfaction	Benefits of guidebooks	Benefits for wet-road safety	Contributions to increased social awareness	Campaign awareness	Corporate brand awareness	Contributions to corporate brand image
2012	89.2	81.9	89.9	94.7	91.4	49.9	76.0	91.9
2011	84.8	-	83.9	88.8	82.9	-	-	83.5

Jincheon County Office, Department of Forest and Livestock Manager, Park Heui-soo

The MOBIS Forest site boasts a fascinating landscape and is the top tourist destination in Jincheon-gun and has the Nongdari, a stone bridge that has a thousand-year history, the Chopyeong reservoir, and a youth training center nearby. I'm sure that the MOBIS Forest will help enhance the brand image of MOBIS as a clean and eco-friendly company and contribute to the local economy in Jincheon-gun. This reforestation project is a joint venture between Jincheon-gun, who provides the land, and MOBIS who will invest KRW 10 billion over the next decade. Undertaken in conjunction with local people to respond to low carbon green growth, the project will constitute a good example through which MOBIS and Jincheon-gun can pursue mutual benefits and create shared values. If the MOBIS Forest is to seek a significant growth, just as Nongdari maintained its one thousand year history, it is critical that neighboring areas are developed as tourist destinations, so as to boost the income level of the local economy. The Nongdari bridge and the Chopyeong reservoir may play a central role in developing various programs that are aligned with the MOBIS Forest, including the facilitation of the Nongdari Festival and specialized support for local cultural resources.

Korea Childsafe Foundation Manager, Lee Ah-young

Car-related accidents tend to occur more frequently on rainy days than on sunny days. What's more, the percentage of human collisions is much higher than car collisions on such rainy days. Therefore, safety initiatives need to be taken more thoroughly to ensure the safety of pedestrians on rainy days. The Sharing MOBIS Transparent Umbrellas program offers a pleasant gift to children and takes a step further to prevent a variety of dangerous accidents on rainy days. The traffic safety guidebook also helps raise awareness of traffic safety by encouraging children to write down various traffic safety rules and play games to learn such rules. I would say that transparent umbrellas and traffic safety guidebooks constitute the best pair of tools to serve as a guardian for children. As I visualize the 100,000 children on a rainy day opening the transparent umbrellas that were distributed under the project, which not only sounds pleasing but also seeks public good, I feel deeply grateful to MOBIS as one of the people responsible for undertaking the project. I hope that MOBIS continues to take the lead in preventing child-related safety accidents with its Kids First mindset.

Korea Engineering Academy General Manager, Nam Sang-uk

It is widely accepted that a nation's competitive edge in the 21st century will be determined by its capability in science and technology. This is why it should be a national priority to broadly promote science and technology. Specifically, a social atmosphere that values science will be created over the long haul by encouraging young children to develop positive views and an interest in science. MOBIS's Junior Engineering Academy program utilizes its own staff who are working at the forefront of the automobile industry as volunteer lecturers to teach science to students at local elementary schools. It is such an innovative approach as it is related to cutting-edge industrial technology rather than basic science. Furthermore, it is not limited to mere financial donations to the education budget or promotional efforts for science and engineering, but extends to involve MOBIS employees to directly visit elementary schools to offer educational courses. In so doing, MOBIS is able to build closer ties with the local community where they are based and beneficiary schools are able to enhance the quality of their education through practical and diversified experiments and exercises. Furthermore, it helps lay the foundation to induce students to develop a questioning mind and interest in science and thus to foster outstanding talent in science on a national level. For this program to evolve even further, educational content that engages children in an easier and more interesting way should be developed and distributed. In this regard, MOBIS needs to extend its interest and support in encouraging children to develop their creativity through experience-based programs.

5.
win-win growth

MOBIS and our SME suppliers are committed to the compliance with subcontracting regulations, as well as mutual assistance and cooperation through the application of the four guidelines developed to establish fairness in subcontracting transactions. Furthermore, we seek strategic mutual-beneficial cooperation in order to build a stronger competitive edge both for MOBIS and suppliers through the 'seven beautiful pledges'.

Status of the Suppliers who Signed the 4th Subcontracting Agreement

Suppliers by Region (No. of suppliers)

Total purchase (KRW 100 million)
Average purchase per supplier (KRW 100 million)

SEOUL-INCHEON
248
11,938(39%)
48(21%)

CHUNGCHEONG
73
6,989(23%)
96(42%)

GYEONGSANG
175
10,334(33%)
59(26%)

JEOLLA
63
1,529(5%)
24(11%)

Total
559
30,790
55

Enhance the Level of Suppliers through Strengthened Mutually-beneficial Cooperation and Expand Substantial Mutually-beneficial Cooperation

Compliance with the Subcontracting Agreement and the 'Seven Beautiful Pledges'

Since 2008, we have been signing the subcontracting agreement with our suppliers as a way to establish fairness in making transactions with suppliers and as a way to fully commit ourselves to shared growth. As part of such endeavors, four major guidelines were developed in May 2009 and have been up and running ever since to promote fair subcontracting practices. These include guidelines for signing contracts with suppliers, guidelines for registering and handling new suppliers, and guidelines for installing and operating the internal subcontract transaction deliberation committee. In 2012, we signed the subcontracting agreement with a total of 559 suppliers and our purchase from these suppliers amounted to KRW 3.079 trillion. We have also kept the 'Seven Beautiful Pledges', a shared growth program that reflects our comparative advantages, since 2010 on the basis of the subcontract agreement signed with suppliers. These pledges are categorized into seven themes that include funding support for suppliers, R&D cooperation and training support and represent a mutually-beneficial message as a solution to the growing gap between large companies and SMEs. For further details on achievements made through the pledges, please refer to page 54 in the social performance section of this report.

Case Study-Automotive lamp parts developed domestically through the joint efforts among large companies and tier 1 & tier 2 suppliers

Finetex EnE, a nano technology company, and MOBIS succeeded in developing an automotive lamp part through entirely domestic technology and this was presented as a best practice case of sharing the benefit of joint efforts by the National Commission for Corporate Partnership. The commission shared our success that was achieved jointly with Finetex EnE in developing a vent cap which had previously been entirely dependent on imports from Japan and highly appreciated its contributions in reducing trade deficits with Japan. Vent caps are responsible for the balancing internal pressure in a vehicle and Finetex EnE and MOBIS worked together in developing fiber materials that play a central role in controlling air and humidity, which also led to the technology certificate that was obtained jointly. Woochang, a tier 1 supplier, is expected to generate KRW 16.5 billion in sales through the launching of a new vent cap manufactured through this technology while Finetex EnE is expected to post KRW 2.6 billion in sales over the next five years. This new vent cap is mounted on the Kia Motors' K5 model and may include Chrysler as another client. The commission mentioned that this success "constitutes an achievement made possible through the joint endeavors between the large company and tier 1 & tier 2 suppliers".

Status of Suppliers Who Signed the Subcontracting Agreement

(Purchase: As of the end of 2012, KRW 100 million)

Category	1st phase	2nd phase	3rd phase	4th phase
Period	2008.9.1~ 2009.8.31	2010.6.8~ 2011.3.28	2011.4.1~ 2011.12.31	2012.1.31~ 2013.1.30
Suppliers	586	629	615	559
Purchase	22,111	30,210	33,522	30,790

Purchase from Suppliers Who Signed the 4th Subcontracting Agreement by Industry Segment (Unit: KRW 100 million)

Category	Total	%
Module (chassis, interior parts)	10,634	35
Parts (brake, steering, lamp, airbag, hybrid)	5,655	18
Eectric parts	8,996	29
Others (driving, chassis, air-conditioning, packaging, others)	5,505	18
Total	30,790	100

Domestically-developed nano membrane-enabled functional vent-caps for automobile lamp applications

Joint R&D: Jan. 2010~Dec. 2011
Verification of mass-producibility and quality: Jan. 2012~Dec. 2012
Production: Jan. 2013~

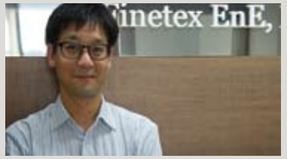
Major Achievements Regarding Shared Growth Initiatives

Category	2010	2011	2012
Signing the subcontracting agreement	629 suppliers	615 suppliers	559 suppliers
Paying tooling expenses in cash to suppliers	-	-	23 suppliers, KRW 7.65 billion
Expanding support for suppliers in making interest payment	-	4 suppliers, KRW 27 million	30 suppliers, KRW 460 million
Investigating the status of suppliers in spending loans	-	-	16 suppliers, 18 rounds of inspections
Awarding outstanding tier 1 suppliers concerning shared growth	4 suppliers	4 suppliers	3 suppliers
Surveying SME suppliers of their view on shared growth initiatives	-	1st survey: 150 suppliers, 2nd survey: 100 suppliers	1st survey: 250 suppliers, 2nd survey: 150 suppliers
Operating the internal deliberation committee	Monthly	Monthly	Monthly
(H-FESTIVAL)-Holding cultural performance for supplier employees	-	205 suppliers	449 suppliers

MOBIS
R&D Division Material research team
Principal Research Engineer,
Lee Keun-hyung

Innovate through cooperation – Once the idea arose to use nano materials for automotive parts, MOBIS started to work with Finetex EnE who owned source technology to apply its technology to the manufacturing of automotive parts. The majority of the joint R&D projects between large companies and their SME counterparts are undertaken as government-led projects or it is often SMEs who generate research ideas, which are then introduced to large companies to be developed. Our project, however, was just the opposite in that MOBIS came up with the idea first and verified its feasibility and then proposed it to its SME suppliers to undertake a joint R&D project. The result was astonishing: a rare and outstanding benefit-sharing model was established where each participant produced outcomes in their own specialty fields and cooperated with one another to complete one single task. The seven beautiful pledges demonstrated their benefits for shared growth through this project, which is still under progress.

Finetex EnE, Inc.
Marketing team
Manager, Kim Hyung-ryul



The value of technology is recognized when it is translated into a product – Our success in becoming the world's first to commercialize nano fiber membranes through electrospinning secured $73 million in investments from Morgan Stanley, which demonstrated our unique technological strength. MOBIS recognized our technology as a breakthrough in replacing imported materials with domestically-developed ones and proposed first to work with us. This eventually generated the success in commercializing vent caps that are responsible for controlling the internal pressure of automotive lamp parts after two years of research work. Nano fiber (produced through electrospinning) is simple to manufacture and even boasts a significant improvement on account that it is both waterproof and permeable. It is also appropriate in dissipating internal heat to the outside of a part. While vent-caps have been entirely dependent upon imports from Japan, the success of MOBIS and Finetex EnE in developing domestically-produced vent-caps will lay the foundation for the application of nano technology to other automotive parts.

Woochang
Managing director,
Yang Bong-keun

Benefit-sharing that fully utilizes and coordinates one another's capability – Working with MOBIS as one of its tier 1 suppliers since 1986, Woochang is a manufacturer of automotive fog lamps. While undertaking a R&D project to independently develop automotive lamps, we were faced with a challenge in reliability assessment and this temporarily halted the project. It was around this time that MOBIS proposed to jointly develop such lamps, which we agreed to do under the condition that we would be in charge of mass-producing the parts once the project proved to be successful. Such projects to domestically develop parts that would replace imports and share resulting benefits generate outcomes that are much more valuable than a mere temporary sharing of profits. The success of this project implied that we would be able to supply commonly-used parts under the purchase-conditional agreement, which is identical to a sole-sourcing contract. This was an unprecedented condition as it allowed us, as a sole provider who does not need to compete against anyone, to deliver the type of parts that are consumed in the range of 8 to 10 per every new vehicle of Hyundai Motors which produces 7 million new vehicles on average per year.

6. customer first

MOBIS is primarily engaged in business-to-business operations through the production and sales of automotive parts to car makers. Specifically, we are responsible for supplying After Sales Parts to the Hyundai-Kia Motors to assist the car manufacturer in retaining its world-class competitive edge. While we undertake company-wide quality innovation initiatives to help improve the quality of customer vehicles, we also build a systemic After Sales Parts supply network to enable customers to purchase the parts required for vehicle maintenance easily and quickly. In so doing, we ensure that we do everything in our power to enhance customer satisfaction.

Quality Management

Our sustainable growth is mainly attributable to the customer-driven quality management initiatives that were launched in 2002. Our commitment to quality management drives us to deliver impressive customer experience beyond customer expectations and fulfill our role as a reliable partner for them.

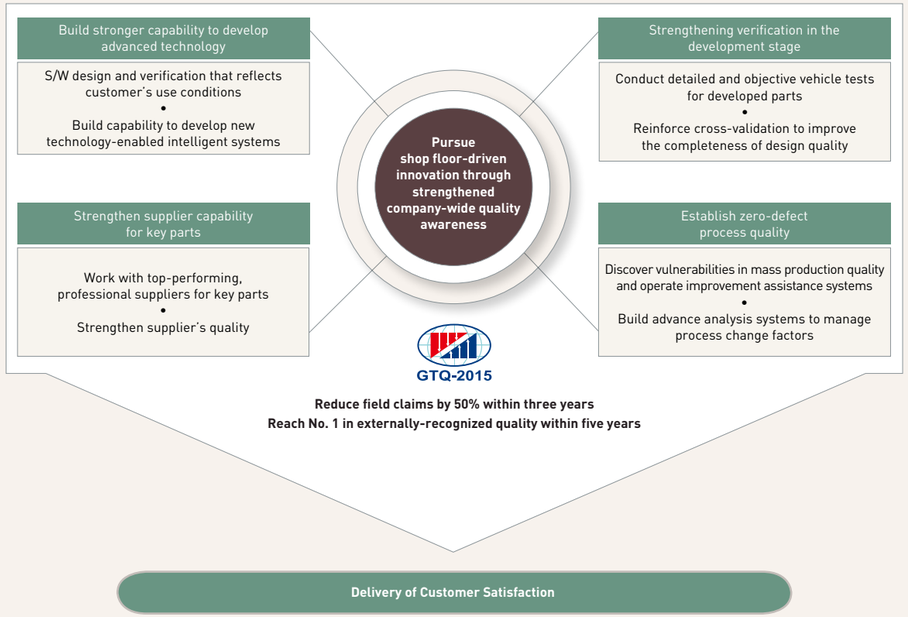
At MOBIS, company-wide quality innovation initiatives have been undertaken since 2011 as a way to quickly develop technology for electronic control parts that are increasingly sophisticated and intelligent amid intensifying competition and to ensure perfect product quality. As part of our mid/long-term strategy to achieve world-class quality by 2015, we aim to reduce field claims by 50% over the next three years and to reach No. 1 in externally-recognized quality over the next five years. In 2011, when the strategy was first initiated, 52 improvement tasks were identified and completed across the board, in order to establish a system to prevent quality issues. Since 2012, our focus has been to build stronger improvement capabilities under shop-floor driven leadership on the basis of quality awareness. As such, 54 strategic tasks and 49 plant-specific tasks were identified and have been under progress to attain quality management goals.

Quality Management Advanced Together with Customers

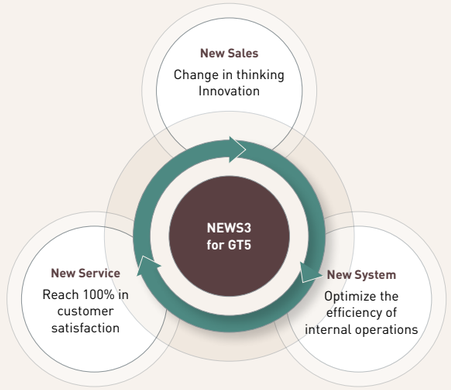
In order to deliver close-to-perfect quality for improved customer satisfaction, our quality management system monitors VOC in real time to ensure improvement while a Global Information Center is under operation to this end. Such real-time monitoring of various customer voices that are raised all over the world and reporting of the outcomes to the top management allows us to address such requirements in the shortest time frame possible, while minimizing resulting risks. Our VOC gathering spans a broad spectrum of areas—ranging from IQS and VDS published annually by the JD Power in the U.S., quality information acquired from customers, competitors and automobile clubs—to comprehensive customer satisfaction in the five categories of business environment, technological capability, delivery, cost and quality and customer complaints submitted through overseas expatriate workers. We also ensure that such VOSs are promptly integrated into our endeavors to improve the quality of products and services so as to deliver global top-notch quality that can truly impress customers. We will fully commit ourselves to lending an ear to our customers and moving towards a quality management system that advances together with our customers.

* VOC: Voice Of Customer, customer requirements
* VDS: Vehicle Dependability Study, durable quality index-The number of problems per 100 vehicles which are three years and older
* IQS: Initial Quality Study-A customer satisfaction index published across the world in the automotive sector by J.S. Power, a U.S.-based consumer satisfaction index survey organization, to show the number of consumer complaints per 100 new vehicles which are 3 months and older (the lower the index, the better the vehicle quality)
* GTQ-2015: Global Top Quality-2015

GTQ-2015 Strategy



Operational Guidelines for Sales of Parts



Customer Value-driven Management through Stronger Dealer Support

We established an industry-leading distribution network to maintain optimized parts supply rates and to continue to assist parts dealers in building stronger capacity so as to reinforce our own competitive edge in the After Sales Parts business and to enhance the quality of customer services. Specifically, we provide training programs to owners and the staff of our parts dealers to help strengthen their HR capabilities, as well as support programs—spanning from management consulting & guardian program, handling defective inventory—to loans for facility investment assistance in improving management and building stronger service capabilities. Furthermore, we maintain sustained communication channels that include dealer conferences, policy seminars and outstanding dealer seminars. We will pursue shared growth with After Sales Parts dealers so as to expand and strengthen customer-driven services, both in the automobile and parts markets.

Endeavors to Develop a Customer Satisfaction Mindset and Create Customer Value

In addition to supplying After Sales Parts to car makers, we aim to deliver even better services at the direct contact points with individual customers. This is why we provide continued CS training and undertake service improvement programs for our own employees, as well as dealer staff. We also hold 'Before Service' events independently from other services for vehicle manufacturers so that we can directly interact with customers and provide services they truly need as way to deliver customer-driven value and get closer to them. These events are primarily campaigns launched to examine multimedia systems installed in customer vehicles free of charge, upgrade navigation maps, make functional inspections & provide user manual assistance, and offer such consumables as washing liquids free of charge. In so doing, we create a customer satisfaction-oriented culture that enables us to think from customer's perspective and take action even before customer requests rise. Meanwhile, it encourages customers to assume a different view of MOBIS, as we transform ourselves into a customer-initiated service provider.

At MOBIS, wide-ranging campaigns are under operation to establish a company-wide customer satisfaction culture and help employees develop a customer satisfaction-driven mindset. In addition, annual themes are chosen such as individual change, organizational change, organizational revitalization and performance generation and are published weekly in flash-format webzines that focus on the necessary requirements for a customer satisfaction culture. In so doing, we provide an opportunity to employees to build consensus on the importance of customer satisfaction every week.

Youngeun corporation
President, Cho Hang-min

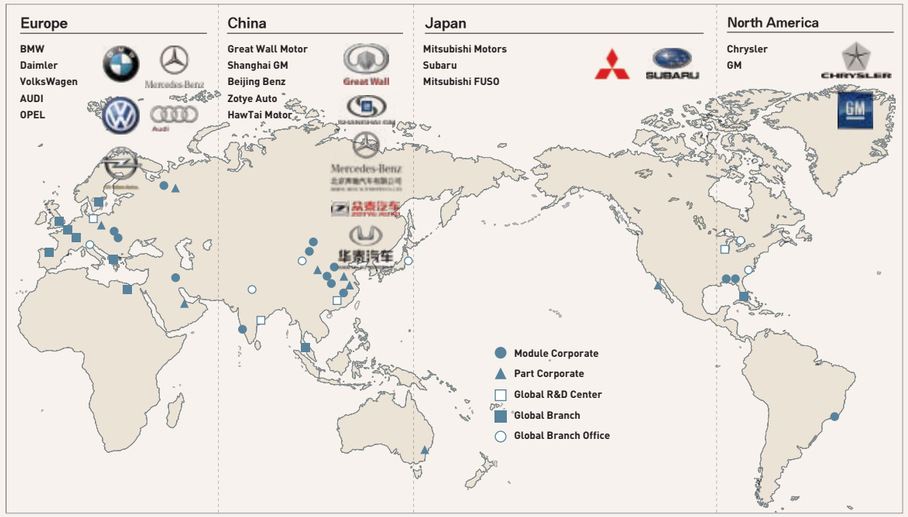
Youngeun corporation always thinks from the customer's perspective. We understand customers and sincerely respond to their requests to earn their trust. Such commitment delivers customer satisfaction that leads to recurring customers. If we can maintain long-term relationships with customers for ten years and beyond, it creates customer values that cannot be translated in any monetary term. Dealers, in conjunction with MOBIS, bear responsibility for customer services. In addition to the regular training courses provided by MOBIS, we offer our own CS courses and diverse benefit packages to help our staff build stronger CS capabilities. We believe that by joining forces between dealers and MOBIS in promoting and advertising the benefits of genuine parts, we will be able to earn even more customer trust in genuine Hyundai Kia Motors parts. As such, we at Youngeun corporation will take a customer-driven approach to our business conduct.

7.

global growth

In the face of on-going structural reform, the global automobile industry is challenged by numerous risk factors that may cause sluggish growth and deteriorating profitability. As emerging markets, compact cars and eco-friendly vehicles are garnering attention as key words that will determine the competition landscape in the market and structural changes are exerting their full impact across the automobile industry. Our response to such changing market conditions is centered around such global strategies as: undertaking the GOM (Global Operation Management) project to ensure the stronger capability of global operational hubs, taking stronger global marketing initiatives, and fostering global talent (including an outstanding R&D workforce), as a way to pursue sustained quantitative and qualitative growth.

MOBIS Customers among Global Car Makers



Enhanced Standing in the Global Market

We have continued to improve our ranking in the 'global automotive parts supplier list' published by the [Global Automotive News], a prestigious auto magazine in the U.S.: we ranked 27th in 2007, 12th in 2009, 10th in 2010 and 8th in 2011. As we outperformed leading companies in the advanced nations of Europe, North America and Japan and made it to the global top 8 in just ten years since we initiated the auto parts business, it is widely recognized as a highly significant achievement in elevating the status of the Korean automotive parts industry, as well as MOBIS.

* Automotive News: http://www.autonews.com
* Our 2012 ranking is not available in this report as the rankings are published in mid-June every year.

Build Stronger Capabilities of Global Operational Hubs (GOM: Global Operation Management)

Included in our programs to help overseas branches build stronger capabilities are assistance for operational improvement, the development of operational standards, and gatherings to promote exchange among locally-hired employees. We used independently developed diagnostic tools to identify 16 issues, which were addressed through assistance for operational improvement in such areas as the advancement of maintenance operation system, the improvement of stability in raw materials and logistics, and BOM precision ratio. In addition, a total of 14 operational standards were registered in our integrated corporate policies. This included seven newly-set standards, five supplemented Korean standards, and two HQ standards, to ensure the sustained management of improvement tasks. These standards were also translated into English and Chinese to help with the more efficient management of locally-hired staff. Furthermore, five gatherings were held in attendance of 11 overseas offices to help these local employees build stronger capabilities through the sharing of each other's operations. Such themes included the increased stability in molding and coating operations, strengthened inventory stability, enhanced operational stability of newly-built plants, stable specification management and the improvement of manufacturing technology.

* BOM: Bill Of Material

Enhanced Status in the Global Market

Ranking	2007	2010	2011	Sales ($ million)
1	Robert Bosch	Robert Bosch	Robert Bosch	39,753
2	Denso	Denso	Denso	34,153
3	Magna	Continental	Continental	30,521
4	Continental	Aisin Seiki	Magna	28,300
8	Delphi	ZF Friedrichshafen	MOBIS	18,864
10	Aisin Seiki	MOBIS	Delphi	16,041
27	MOBIS	Dana Holding	Borg Warner	7,115

Stronger Global Marketing Initiatives

In accordance with our strategy to achieve sustainable growth through an expanded global presence, we set a goal of increasing the share of non-captive sales of key parts to 20% of a total of (KRW 8 trillion, including modules). To this end, we are establishing region-specific specialization strategies, developing market-specific customized products, and securing local operational hubs as a way to improve our product competitive edge and seek organizational expansion. Presently, we supply lamps, brakes, electric parts and chassis modules to BMW, Daimler, Volkswagen, GM, Chrysler, Mitsubishi, Subaru and Great Wall Motor while increasing the share of high-end parts, as well as orders awarded on the basis of strategic partnerships. Furthermore, we undertake proactive marketing initiatives specifically for technology-intensive high value-added products such as smart headlamps, smart boosters, and ADAS (Advanced Driver Assist System). We also focus on our major projects through market research, benchmarking and stronger product planning capabilities. Furthermore, we launch sustained marketing activities (including technology exhibitions), as a way to build a stronger customer base in the advanced automobile market.

Such endeavors are complemented by the development of business portfolios customized for such emerging markets as China and India. In January 2012, our local office in Delhi was established to initiate proactive marketing initiatives for local automobile makers, in addition to market research activities to understand product specifications, relevant regulations and the consumer appetite in the local Indian market. The global R&D network that connects China, India and Korea that is to be built in the upcoming years will enable us to take diversified approaches in reducing raw material costs through the increased local purchasing of parts and undertaking further activities for improved product competitive edge and launching R&D programs to deliver low-cost designs and develop specifications. We also offered multiple technology exhibitions that targeted overseas major car manufacturers. In 2012, Chrysler of the U.S., Suzuki of Japan and Renault of France were invited to seminars that presented our key parts technology as well as emerging technology. This led to more active exchanges, including technology promotions and proposals to participate in future development programs.

* Non-Captive: External sales (on the basis of overseas OE customers)

Foster Global Talent

We set our own talent development roadmap to reinforce our global business operational capabilities and are undertaking sustained global HRD programs, with an emphasis on the five tasks defined in relation to our Hyundai MOBIS Business Academy.

Firstly, HMBA-2015 aims to build a corporate culture of communication and cooperation in accordance with our core values through integrating these values into our daily operations and undertaking organizational revitalization programs. In 2012, the scope of our core-value seminars was extended to overseas sites in order to better practice core values and facilitate communication with employees. These seminars allowed us to establish the Employee Code of Conduct and detailed implementation measures. Presently, such seminars are operated by a total of 35 lecturers who were independently developed by MOBIS to disseminate core values.

Secondly, we assist individual employees who are working in the job positions and titles defined under our leadership pipeline in building stronger capacity, while fostering key talent as a way to achieve leadership dynamics. In 2012, 33 team leaders received team leader capacity enhancement training, which helped them develop task implementation capacity in various situations that may occur in their daily operations that demand their outstanding leadership skills.

Thirdly, we expand a culture of self-initiated learning to assist employees in enhancing their job expertise through systemized sector-specific, job-specific training. To this end, a sector-specific job training system was established and SDL (Self Directed Learning)-based job training courses were developed. Specifically, the four educational tasks of fostering technology experts, facilitating level-specific training, strengthening R&D management capability and establishing systemized operations were defined in order to nurture technology talent. These tasks are currently under progress in accordance with our R&D workforce development roadmap. In 2012, 1,795 researchers received 52,955 hours of training, which translated into 29.5 hours of training per researcher. Our goal for 2013 is to increase this to 32.7 hours per researcher.

Fourthly, we helped employees improve their global communication capacity, fostered global leaders and strengthened our global capacity in consideration of the specific features of overseas branches as a way to foster global talent. In 2012, our global leader candidate training was expanded: a total of 31 global leaders were selected to receive training before being assigned to 18 overseas branches. Our intensive global language courses enabled 132 employees to learn language skills through video and telephone calls.

Fifthly, we are reinforcing our learning resource management system and HRD network in a bid to improve our HRD management capability and systematically assist HMBA-2015. In December 2012, 'Global e-Campus', our integrated learning system, opened to establish a systemic and self-initiated learning culture across the company. The Global e-Campus allows our employees to apply for and take training courses both on/offline, share company-wide content and knowledge, and receive analysis outcomes of their educational achievements. In addition, this program extended the scope of offline learning space to enable our employees to share and discuss learning materials in real time.

with further steps to sustainability

General Sustainability Performance Overview

social, environmental & economic performance

It is essential to measure and manage sustainability management achievements in advancing sustainability management and communicating with stakeholders. At MOBIS, we use monitoring processes that reflect our distinctive features to report our social, environmental and economic accomplishments that are geared toward a better tomorrow.

Social Performance

Why Is This Important?

Since its inception in 1977, MOBIS has evolved into Korea's largest automotive parts supplier with KRW 30.8 trillion in sales and 19,000 employees in Korea and abroad. As we continue to grow in size, it is more critical than ever that we build cooperative relationships with stakeholders to pursue sustainable growth. Specifically, respect for employees, shared growth, customer-driven focus, and contributions to local communities are emerging as major management issues that will determine our sustainable growth amid the prolonged global economic downturn.

Our Approach

Not only do we care for our stakeholders through our essential business operations, such as the development of new products that promote customer safety, but also through other diverse initiatives, such as the child traffic safety campaign. Likewise, our commitment to fostering future engineers helps motivate little scientists in local communities and goes further to instill a sense of ownership in the mindset of our employees and to drive them to pursue self-development. Furthermore, our endeavors to create green and flourishing forests strengthen our commitment in the development of eco-friendly parts. We believe that each and every step that we take to care for society comes together to lay the foundation to deliver a product quality that leads to the greatest customer value and establishes a strong and reliable supply chain.

Total number of employees (against the previous year) – No. of persons +2.19%
2011: 7,027 → 2012: 7,181

Number of locally-recruited employees at overseas branches (against the previous year) – No. of persons +25.02%
2011: 9,559 → 2012: 11,951

Total annual wage paid (against the previous year) - KRW million +13.75%
2011: 522,221 → 2012: 594,001

Training hours per employee (against the previous year) – Hours +13.75%
2011: 80 → 2012: 91

Training expenses per employee (against the previous year) – KRW 10,000 +18.09%
2011: 94 → 2012: 111

Risk & Opportunities Around Us

By 2015, the Korean automobile market will experience the sluggish sales of domestically-produced vehicles and a sustained increase of imported vehicles due to free trade agreements. As such, we at MOBIS will continue to focus on the domestic market while concentrating our capability on the global market in order to achieve our ambitious vision to become one of the global top five automotive parts suppliers by 2020.

As businesses are faced with increasingly stringent guidelines regarding corporate social responsibility concerning human rights, product responsibility for customers and business ethics (specifically in the EU and other advanced nations), the global market is expected to suffer intensifying trade conflicts between countries and economic blocks, as well as other types of non-tariff barriers. Korea cannot be an exception in this undeniable global trend, which is demonstrated by 'economic democratization', a new policy key phrase proposed by the new administration.

As such changing business conditions require businesses to take into account social responsibility as well as financial stability, they pose grave risks to our operations at MOBIS. Therefore, we are doing everything in our power in the entire spectrum of our socially-related operations in order to turn such risks into opportunities. Our respect for our employees, shared growth initiatives, customer-driven focus and contributions to the local community in which we are based enable us to generate synergistic effects towards sustainable growth.

01/ Employee Value Enhancement

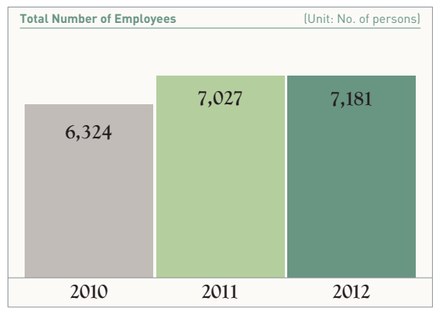
Prolonged low economic growth makes our employees feel less safe and discourages our corporate culture. Even in the face of such difficulties, we need to enhance our organizational vitality and the engagement of each employee's job and ensure efficiency in managing human resources. This can be achieved through fairness and through fostering pioneering leaders while strengthening communication that emphasizes healing and lending an ear to the voices on the shop floor. It is our philosophy of respecting employees that we base our HR management in accordance with objective and trustworthy principles and standards. In so doing, we aim to encourage employees to make their own contributions to attain our corporate goals in a voluntary and proactive manner. Thus, both the growth of MOBIS and individual employees is pursued.

Status of Employees

As a leader in the future of automotive technology, we strive to hire more outstanding talent both in Korea and abroad, as a way to reinforce our R&D capability. Our status as a truly global company is demonstrated by an increasing share of locally-recruited employees and our respect for diversity is ensured through the recruitment of an increasing number of female employees. Furthermore, we provide diverse welfare and benefit programs so as to enhance the quality of life for our employees, ensure stability in their livelihood and boost their morale.

* All data, aside from that concerning locally-recruited employees at our overseas branches, was aggregated at our Korean business sites and the statistical base was completed on December 31, 2012. General information on employees is described in our previous sustainability reports (2010–2012).

Total Number of Employees (Unit: No. of persons)



Number of Locally-hired Employees at Overseas Branches (Unit: No. of persons)

Region	2010	2011	2012
Americas	1,791	2,320	3,140
Europe	1,960	2,597	3,334
Asia Pacific	714	617	1,170
China	3,305	4,025	4,307
Total	7,770	9,559	11,951

Percentage of Locally-hired Employees in Manager Positions (Unit: %)

2010	2011	2012
26	28	26

Employees by Age Group (Unit: No. of persons)

Age Group	2010	2011	2012
19 years old	19	12	11
20–29 years old	725	1,091	1,039
30–39 years old	2,576	2,648	2,617
40–49 years old	2,371	2,507	2,579
Over 50 years old	633	769	935

Employment Data (Unit: No. of persons)

Category	2010	2011	2012
Job Creation*			
Office workers (No. of persons)	59	125	157
Researchers (No. of persons)*	125	223	126
Share of researchers in the total new recruits (%)	67.9	64.1	44.5
Average Length of Service			
Korea (No. of years)	13.0	12.4	12.8
Retiree Data			
Retirees (No. of persons)	242	183	157
Retirement rate (%)	3.8	2.6	2.2

* Excluding temporary employees
* Including those at the R&D Center, the Quality Center, and the Production Engineering R&D Center

Employee Wage and Welfare (Unit: KRW million)

Category	2010	2011	2012
Total annual wage paid	452,016	522,221	594,001
Wage paid per employee	73	83	85
Retirement allowances*	32,448	38,693	42,108
Welfare and benefits expenses*	84,709	96,375	108,775

* Sales & administrative expenses, cost of sales and other special accounts

Respect for Employees

At MOBIS, we respect the rights and diversity of our employees in accordance with the ten principles proposed by the [UN Global Compact] and the [UN Charter on Human Rights]. While female employees account for less than 10% of the total number of employees due to the inherent characteristics of the manufacturing industry, we expect their engagement will widen in the upcoming years with the increase of status of women in Korea and abroad.

Labor-Management Culture of Harmony

Our quarterly Labor-Management Council meetings and collective bargaining negotiations allow us to maximize labor-management cooperation, while annual labor-management business presentations help broaden mutual understanding and promote harmonious and cooperative relationships between the two. We are in full compliance with the general regulations related to employee human rights and labor management. Consultations with the labor union are made through the Occupation Stabilization Committee regarding major agenda items that are related to structural changes, such as business transfers.

* Matters that require a prior notice in accordance with Article 39 and 40 of the Collective Agreement
- 90-day prior notice should be given before the signing of the agreement in the case of merges, transfers or split-sales
- 60-day prior notice should be given before setting plans for outsourcing or subcontracting a portion of or the entire operations regarding production, research or parts
- The labor union should be immediately notified of any personnel reshuffling or re-training undertaken due to managerial/technical reasons

Achievements in Hiring Women Workers

Category	2010	2011	2012
Female employees (No. of persons)	572	637	682
Percentage of female employees (%)	9.0	9.1	9.5

* We at MOBIS prevent child labor (all new hires must be at least 18) or forced labor, in accordance with the ten UN Global Compact principles and relevant regulations.
* Our male and female employees are equally paid in annual average wages (those in managerial positions as well as general workers).

Use of Paid Childbirth Leave and Maternity Leave

Category	2010	2011	2012
Use of paid childbirth leave			
No. of employees who took the leave (No. of persons)	65	68	75
Length of childbirth leave (No. of days)	4,398	4,754	5,324
Length of childbirth leave per employee (No. of days)	68	70	71
Use of paid maternity leave			
No. of employees who took the leave (No. of persons)	19	41	69
Length of maternity leave (No. of days)	2,368	4,991	10,901
Length of maternity leave per employee (No. of days)	125	122	158

Employees with Disabilities

Category	2010	2011	2012
Employees with disabilities (No. of persons)	132	128	129
Percentage of employees with disabilities (%)	2.1	1.8	1.8

* Creating jobs for approximately 400,000 people with disabilities (as of 2012) annually (when those hired by our suppliers are accounted for, in addition to those hired by MOBIS).
* Employee grievances are handled by division-level planning teams or the HR department. or the HR department. Major issues raised by employees are addressed by the Ombudsman Committee and the Labor-Management Council in accordance with internal regulations.

Right to Organize and Employee Participation

Category	2010	2011	2012
Employees eligible for collective bargaining (No. of persons)	4,298	4,778	4,674
Employees eligible for collective bargaining (%)	68.0	68.0	65.1

Improvement of Employee Health and Safety

We operate the Occupational Safety & Health Committee at each of our plants and sites, as well as the Group-level hotline, to handle major safety accidents. Our plan is to build a global-wide safety management operational system by 2014. Meanwhile, our health check-up management system enables us to systematically fulfill our responsibility for taking care of the health of our employees. In 2012, 1,120 eligible employees and 1,001 of their family members benefited from our comprehensive health check-up program worth KRW 550 million, in addition to a general check-up program for employees.

Leave of Absence Taken Due to Industrial Injuries

Category	2010	2011	2012
Injured employees (No. of persons)	10	8	10
Leave of absence (No. of days)	3,673	3,002	3,326
Injury Leave (%)	15.3	11.4	12.0

* Number of lost working days per year per 10,000 employees

General Health Check-up for Eligible Employees

Category		Recipient Employees (No. of persons)	Eligible Employees (No. of persons)	Recipient Employees (%)	Expenditure (KRW million)	Note
Basic items	2010	4,118	3,577	87	-	Government contributions
	2011	5,745	5,519	96	-	
	2012	6,125	5,889	96	-	
Additional items	2010	6,029	5,305	88	362	Government contributions
	2011	6,289	5,657	90	433	
	2012	6,710	6,218	93	307	

Talent Development

Our HMBA-2015 (Hyundai MOBIS Business Academy) aims to foster talented individuals. This program allows us to identify the key capabilities required to generate outcomes and nurture global talent through the five core missions. HMBA-2015 serves as an enabler for elevating our company-wide capacity to the highest-possible level through the maximization of each individual employee's capacity and the reinforcement of internal communication and cooperation. We will utilize this program as an incubator to systematically develop global talent and next-generation leaders who will take the lead in reaching our goal of becoming one of the 'global top five in the automobile parts industry'.

* We assist our employees in obtaining job-related certificates in order to encourage them to reach their potential and develop job expertise.

> It is through the well-planned development of key talent and the translation of these competent individuals into organizational capacity for chemical synergistic effects that we are able to grow into a globally-competitive company.
>
> **Jun Ho-suck, President & CEO of MOBIS (from the 2013 New Year's Message)**

Fair Performance Evaluation

We follow the three major HR principles: performance based, job based and operating excellence in building systematic HR systems while establishing clear standards and processes in operating such systems. In so doing, we motivate our employees and revitalize the organization. Furthermore, we ensure fairness in performance evaluations through the combination of: capacity evaluations that include top-down assessments (basic capacity, leadership capacity and job capacity) bottom-up assessments (leadership assessments) and organizational evaluations, in addition to performance evaluations that are conducted of an individual employee's distinctive job scope.

Outcomes of Core Value Seminars

Category	Team (HQ)	No. of Attendees	No. of Seminars Held
Team-specific Core value seminars	265	3,724	265
HQ seminars	Entire HQ (departments)	368	16

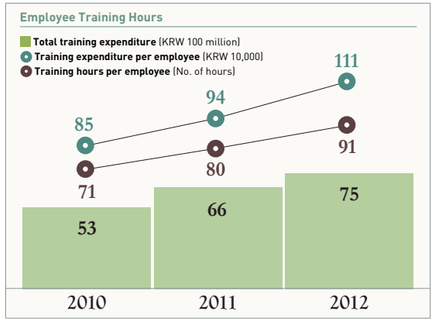
Composition of Training Courses

(Unit: No. of courses)

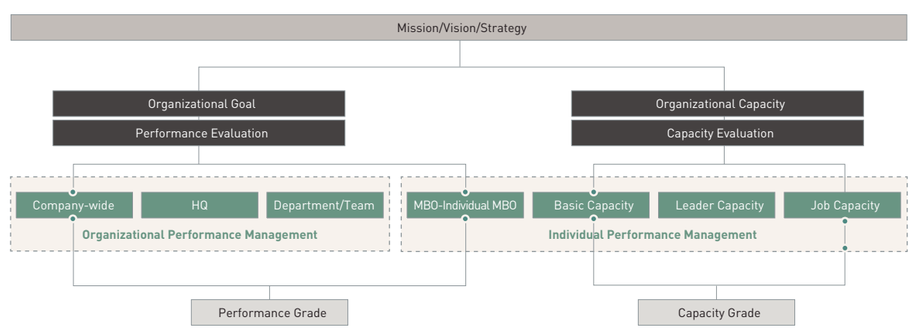
Category	2010	2011	2012
Job training	435	465	504
Job level-specific training*	14	16	26
Global training	34	40	45
Others*	7	8	14
Total	490	529	589

* Leadership and etc. * Organizational culture, labor relations and etc.

Employee Training Hours



Performance Evaluation System



02/ Shared Growth

We fully reflect our unique features as an auto parts manufacturer onto our shared-growth policy and thus align our distinctive business areas with the needs of suppliers and dealers in order to generate synergistic effects. At MOBIS, we are keenly aware that all our suppliers and dealers are valuable customers, as well as business partners. It is from this perspective that we pursue shared growth, so that we can assist suppliers in strengthening their independence and help dealers in stabilizing their operations. We believe that the strengthened quality capacity of suppliers and the improved services of dealers, delivered through close collaboration, will drive our commitment towards a strengthened competitive edge for our customers and a truly impressive customer experience.

Suppliers

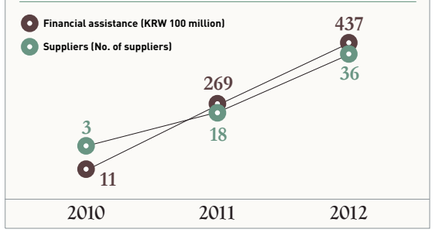
Our 'Seven Beautiful Pledges', announced in September 2010, aimed to offer substantial assistance to our suppliers and we have been fully abiding by these pledges ever since. Our commitment to a culture of fair transactions with suppliers also enables us to fulfill our role and responsibility as a partner in this era of unlimited competition. In 2012, we never spared our efforts to help suppliers strengthen their independence. Specifically, our fair trade standard agreement allowed for price adjustments for those raw materials whose market prices fell or rose by more than 5% or when suppliers requested such adjustments. This led to KRW 162.1 billion in cost increases in total for both large and SME suppliers and KRW 626.4 billion in the purchasing of raw materials at relatively lower prices for suppliers in return for component supplies.

Major Outcomes of the Seven Beautiful Pledges

Category	Details	2010	2011	2012
Financial aid to suppliers	Financial assistance	KRW 1.1 billion	KRW 26.9 billion	KRW 43.7 billion
	Suppliers	Three supplies	18 suppliers	36 suppliers
R&D cooperation to foster self-growth of SME companies	Assistance for testing at the Shanghai Technology Support Center	15,360 occasions	15,532 occasions	15,098 occasions
	CTO Forum	30 suppliers	40 suppliers	138 suppliers
	Disclosure of patents in the sole possession of MOBIS		155 disclosures	160 disclosures
Continued assistance for tier 2, tier 3 suppliers	MSQ program	108 suppliers, 150 employees	274 suppliers, 323 employees	166 suppliers, 179 employees
	Subcontracts signed among tier 1 and tier 2 suppliers		100 suppliers	202 suppliers
Education and training support	Training support	828 suppliers	1,014 suppliers	901 suppliers
	No. of trainees	1,290 trainees	1,511 trainees	1,924 trainees
Program to strengthen communication with suppliers	Operation of cooperation meetings	110 suppliers	164 suppliers	164 suppliers
Assistance for ethics management and a culture of fair trade with suppliers	Results of CP assessments	Grade BB	Grade BB	Grade BBB*
	Payment method for SME suppliers	Cash payment	Cash payment	Cash payment
Performance sharing and other mutually beneficial cooperation support	Purchasing of raw materials at relatively lower prices for suppliers in return for component supplies as well as cost increases	KRW 627.4 billion	KRW 819.9 billion	KRW 788.5 billion
	PMI*	KRW 7.4 billion	KRW 7.3 billion	KRW 8.1 billion

* PMI: Partner Managed Inventory (supplier order-awarding and delivery technique) * A grade obtained in Jan. 1, 2013

Financial Aid to Suppliers



Increases in financial assistance for suppliers
(Unit: %)
62.5

Increases in the number of beneficiary suppliers
(Unit: %)
100

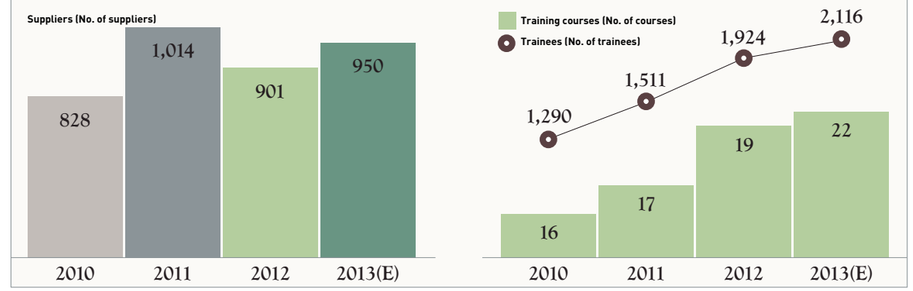
Loan Assistance for Suppliers (Unit: KRW 100 million)

1	2	3	Total
158	195.34	83.6	436.94
Win Win Growth Fund No. 1	Win Win Growth Fund No. 2	Loans taken to assist supplier operations	

Training Guidance for Suppliers in 2012
Increases in the number of courses (Unit: %)
11.8

Training Guidance for Suppliers in 2012
Increases in the number of trainees (Unit: %)
27.3

Annual Status of Training/Guidance (in alignment with the Foundation of Korea Automotive Parts Industry Promotion)



Programs to Strengthen Supplier Communication (Unit: No. of occasions)

Program	No. of Occasions (yearly)	Details
Cooperation conferences (general meetings)	1	Inspiring business management thinking among member suppliers and presenting MOBIS's purchasing policies
Cooperation conferences (executive meetings)	1	Approval of cooperation conference budgets and operations by the executive board
After Sales Parts policy seminar	3	Providing instructions on MOBIS's After Sales Parts sales policy and supplier support plans
CEO meetings for Tier 1 suppliers	3	Awarding top performing suppliers (module, After Sales Parts sales) and sharing business performance results
CEO meetings for Tier 2 suppliers	2	Providing details on shared growth programs, policies and the MOBIS vision for Tier 2 suppliers
Team-building hiking events for suppliers	1	Identifying and handling difficulties faced by suppliers
Fruit baskets awarded to top performing suppliers	1	Providing baskets of seasonal fruits to suppliers
Overseas suppliers invitational seminars	1	Presentation and sharing of information on overseas quality standards, business ethics, technology, laws and regulations
Overseas suppliers seminars (India, China)	2	Presenting MOBIS policy and awarding top performing suppliers for shared growth
Regional suppliers workshops	3	Exchanging information and proposals among 3 regional (central, east and west) suppliers
CTO cooperation conferences	34	Sharing MOBIS R&D policies and TRM information
Distribution of H-Festival tickets	13	Holding cultural performance events for supplier employees

* Our Supplier Code of Conduct sets out the ethical standards for suppliers in the economic, social and environmental fields.

Voluntary Compliance with Fair Trade Regulations

Since the launching of the Compliance Program (CP) for fair trade in December 2002, the CP Council was established and our commitment to the compliance program was publicly declared in order to raise employees' compliance mindset. The council is responsible for monitoring regulatory violations, making preventive operational consultations and running the whistle-blower program, while offering regular training programs to prevent regulatory violations before they occur. Specifically, intensive training was provided to those departments with high risks of such violations and related executives. Meanwhile, best practices are rewarded through additional advantages granted in performance appraisals, as well as other types of incentives, in order to motivate employees to comply with the program. In addition, the Compliance Office performs annual regular audits to ensure self-initiated inspections and sustained operational improvement. These endeavors enabled us to consistently receive excellent grades in the CP assessments since 2008.

Dealers

We provide education & training programs to help our dealers strengthen their management and HR capacity and motivate them to conduct business in a more stable manner through diverse assistance programs, such as management consulting. Furthermore, Dealer Council meetings and policy seminars help maintain proactive communication between us and our dealers. We will further drive our shared growth programs for after sales part dealers, so as to strengthen our customer-initiated focus in serving the automobile and auto parts markets.

Communication Programs (Unit: No. of occasions)

Program	No. of Occasions (yearly)	Details
Dealer policy seminars	1	Sharing business plans and policies with dealer owners
Dealer's Council Executives meetings	4	Discussing major current issues
Regional sales promotion meetings	1	Discussing promotional plans by region and business area/Listening to business difficulties and suggestions
Seminars with the best performing dealers	1	Presenting and awarding best practices of top-performing dealers/Closing the accounts of the Dealer's Council & discussing its operational plans
Overseas field trip for top-performing dealers	1	Assisting CEOs of top-performing dealers in taking field trips to overseas MOBIS branches

Training Assistance Programs (Unit: No. of persons)

Program	Details	2010	2011	2012
Business Academy for Dealers	Three-day courses at the Business Academy for Dealers	192	299	273
	Courses on leadership and inventory & logistics management, special lectures for top-performing dealers			
Leaders' course	Fostering opinions leaders who are capable of presenting and sharing the role and vision of dealers	30	32	32
Job competency-building education for employees	Job competency training to help strengthen the capacity of dealer employees	-	330	330
	Part technology information and inventory & logistics management, use of computing programs, CS, and etc.			

Dealer Capacity Building Programs in 2012

1 **Management Consulting**
Dispatching MOBIS employees who are certified management consultants for four weeks per dealer

Diagnosing the issues with overall management covering organizational management, sales & promotion, inventory & logistics and identifying improvement tasks

2 **National Best Practice Competition**
Selecting four top-performing dealers in regional sales & promotion and outstanding management consulting outcomes respectively

Sharing performance through the presentation of best practices and awarding the 'Dealer Management Innovation Grand Prize'

3 **Dealer Mentoring Program**
Achieving management improvement and offering investment advice through the mentoring program that engages top-performing dealers and those subject to management consulting

45 mentor-mentee pairs in 2012

4 **Improving Dealer's Inventory Control**
Assisting dealers in controlling inventory management costs and improving distribution quality through the partial compensation of product defects that occur due to the storage or distribution process

Training for Overseas Dealers

Category	Training Content	Results
Online	Web-based year-round training	216 trainees in 2011
	Basic qualifications & parts information, management process	820 trainees in 2012
Offline	Fostering part experts at dealers	APEX I: 269 trainees between 2009 and 2010
	Sales and marketing & part operation (inventory and logistics)	APEX II: 195 trainees in 2011
		IPOT: 87 trainees in 2012

* APEX: Achieve Parts Excellence (Fostering part experts at dealers)
* IPOT: Intensive Parts Operation Training (Fostering part experts at dealers under the supervision of MPME (overseas subsidiary)

03/ Customer-driven Management

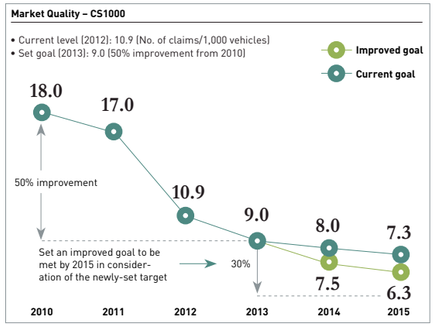
To ensure sustainable growth, our top priority should be the pursuit of a qualitative competitive edge rather than quantitative growth. This is why we at MOBIS are committed to supplying top-notch, perfect-quality parts that deliver a truly impressive and comfortable experience to our customers.

Taking a Customer-driven Approach in Improving Competitive Edge in Quality

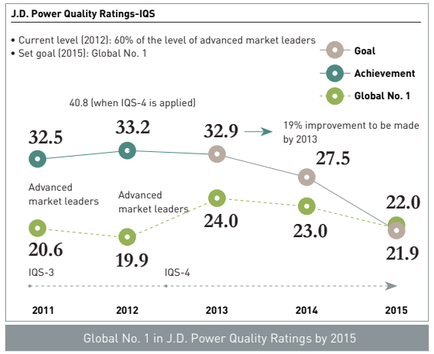
At MOBIS, we believe that best-in-class product quality should be our top priority in serving our customers and thus are advancing quality management in a systemic way. As a result, our CS1000 index, which shows the number of customer claims raised per 1,000 new vehicles sold, improved by 36% from the previous year to 10.9 points in 2012. We are also well-positioned to reach our goal of reducing customer claims by 50% by 2013 as part of our mid/long-term quality improvement strategy. However, we will not fall into complacency. We will continue to set targets for an improved competitive edge in quality by 2015 in order to push ourselves towards delivering even higher customer satisfaction. Furthermore, sustained improvements towards better IQS (Initial Quality Survey, globally standardized indicator) outcomes will be made, including assessments and presentations of new products under the supervision of J.D. Power. In so doing, we will be fully committed to becoming the global No. 1 parts manufacturer in quality capability by 2015.

* CS1000: Customer Satisfaction 1000 (initial claims per 1,000 vehicles): The number of claims raised within the first three months after the launching of a new vehicle model, divided by the number of vehicles sold and multiplied by 1,000 (the lower the number, the higher the quality)-No. of claims/No. of vehicles sold x 1,000
* IQS: Initial Quality Study (initial quality complaint study): A study conducted by J.D. Power (U.S.-based consumer satisfaction index study organization) of consumers who have driven their new vehicle for the past three months to identify any defects they experienced in the first three months of their purchase. The outcomes are described as the number of complaints raised per 100 vehicles (the lower the number, the higher the quality)

Mid/long-term Quality Goals

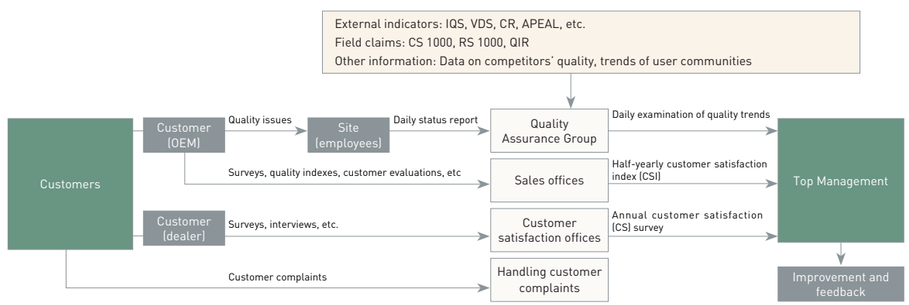


50% Improvement in Customer Claims (CS1000) by 2013



Global No. 1 in J.D. Power Quality Ratings by 2015

Quality-related VOC Management System



* RS 1000: Reliability Satisfaction (durability-related claims per 1,000 vehicles): Indication of the number of claims raised within the first 10–12 months after sales, multiplied by 1,000 (vehicles sold within six months of the inventory period)
* VDS: Vehicle Dependability Study (durable quality study): Indication of the number of problems found within the first three years after sales per 100 vehicles
* CR: Consumer Report * APEAL: Automotive Performance, Execution and Layout Study (Automotive satisfaction survey) * QIR: Quality Information Report

Customer Satisfaction Initiatives

As our corporate culture values customer satisfaction as its top priority, we provide various training courses that specifically target customer contact points in an aim to further disseminate customer satisfaction management. For our dealers, we provided 'Dealers' CS Master KEY courses' in 2011 to be completed by 958 dealer employees while offering 'CS Golden KEY courses' in 2012 for 590 dealer employees who had already completed CS Master KEY courses the previous year. Meanwhile, our 'Parts Sales Office CS Leadership' courses, 'CS Clinic' courses and 'Customer Handling Skill Improvement' courses enable our employees to enhance their job competency and service capability at customer contact points. In so doing, we move towards even better services for our customers.

> Being a manufacturer and supplier of automotive parts for vehicles that have become an essential part of our life to deliver the utmost impressive and comfortable experience to customers and becoming a company that values the safety and happiness of customers as its top priority, this is the raison d'être for us at MOBIS.
>
> Jun Ho-suck, President & CEO of MOBIS (from his 2013 New Year's Message)

Information Security

Through our integrated security management system, we arrange organizational responses and operate a vulnerability diagnosis system along with a security control system that guards against external security threats while operating an early warning system, a document security system (Digital Rights Management) and an encryption system against internal threats. Furthermore, regular security training is provided to employees to help them raise security awareness through the establishment of security regulations and the development of security training programs. Recently, we have been developing security measures for the 'Smart Work' environment and working to prevent security threats caused by social network services and websites. This was further complemented by the strengthening of devices for customer data privacy.

Completion of the Dealers' CS Master KEY and CS Golden KEY Courses

1 2012: Dealer employees who completed the CS Golden KEY courses (Unit: No. of persons) **590**

↑

2 2011: Dealer employees who completed the Dealers' CS Master KEY courses (Unit: No. of persons) **958**

* The advanced CS Golden KEY courses were provided to those who completed the previous year's courses

Customer Satisfaction Survey

(Unit: points)

Category	2010	2011	2012
CSI (retail)	86.5	90.5	91.8
DSI (wholesale)	73.0	76.8	80.2

Dealer Outcomes in CS Management and Training

Category	2010	2011	2012
Training hours by employee (No. of hours)	11	7.1	7.2
Trainees (No. of persons)	730	1,352	859

CS Webzine and Awarding Employees with Outstanding CS performance

CS Webzine	Awarding Employees with Outstanding CS Performance	Awarding Dealers with Outstanding CS Performance
Sharing key CS values and establishing a customer-driven mindset through the publication of phase-specific content (individual change → organizational change → organizational revitalization →performance generation)	Creating a customer-centered CS culture through awarding employees who generated outstanding CS outcomes at customer contact points	Improving customer services and advancing CS management through sustained CS training for dealers and the measurement of service levels
41 webzines were posted between Mar.~Dec. 2012 (55 postings a year)	Target: Direct/indirect company-wide operational hubs and their employees (including dealers)	2011: 76 dealers awarded/2012: 73 dealers awarded
Addressing such monthly themes as creativity, workplace etiquette, operational improvement, self-management, communication, cooperation, smart work, crisis management, customer satisfaction and performance generation	Selecting and awarding employees through the internal deliberation of positive customer feedback gathered through various channels and improvements made of corporate brand image	Granting window decals that certify dealers with outstanding CS performance through dealer CS monitoring (70 points and above) and withdrawing decals from those dealers who fail to meet the standard score through annual monitoring

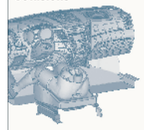
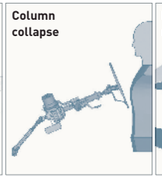
Information Security Program Outcomes in 2012

Revitalization of the security portal and expansion of security infrastructure	Revising customer information protection management regulations and other 21 regulations
Reinforcement of security control activities	Taking stronger action to prevent security breaches covering a D-DOS response system, analysis of malicious codes and 24-hour security control
Prevention of security accidents	Reinforcing accident prevention including strengthened security training for employees and the development of document security systems
Sustained implementation of security certification programs	Undertaking operations continually to obtain ISO 27001, the international security standard, for Korean business sites

Development of Technology for Customer Safety

To minimize passenger injury in the event of vehicle collisions and satisfy legal requirements concerning passenger safety, we perform wide-ranging collision and safety analyses. As vehicles evolve from a mere mode of transportation to an essential and special factor in improving a person's quality of life, the focus of our technology development is shifting toward enhanced customer convenience.

Analyses Performed for Passenger Safety

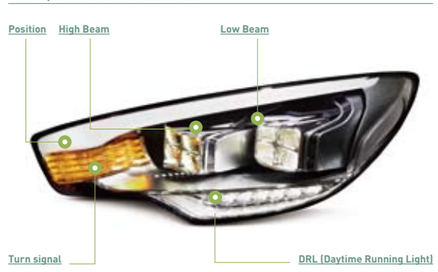
Head & knee Collisions	Pedestrian protection	Column collapse	Frontal occupant response	Side passenger response	Individual/Optimization analysis
					
Minimizing damage to a passenger's head and knees when they collide with vehicle interior materials	Evaluating the safety function of protecting pedestrians by hitting the lower/upper leg of a dummy against the front of cars	Analyzing the energy absorption structure to prevent the column from pressing against the chest of occupants in the event of a head-on car crash	Analyzing the damage to passengers that may be caused by such constraint systems as airbags in front of the driver's seat and the passenger seat	Analyzing damage to a passenger in the event of car body deformation, including curtain/side airbags	Performing analyses to optimize the safety of products in the event of slight displacement caused by the shock following a collision

Development of Parts that Contribute to Better Visibility

AFLS (Adaptive Front Lighting System), the LED-enabled intelligent light control system we developed at MOBIS, was mounted on Kia Motor's K9 model. Full AFLS is capable of automatically controlling the lighting angle and the level of luminescence (without any manual operation on the part of the driver) under diverse driving conditions (curved roads, urban areas, highways, crossings) and weather conditions (bad weather). This represents a significant improvement from the previous AFLS technology which simply controlled the angle of the headlight in accordance with the direction of the steering wheel on curved roads.

In urban areas, where relatively sufficient lighting is provided (even at night), full AFLS directs the car's headlights to allow for a wider lighted area, while reducing forward lighting, in order to prevent accidents that could occur in blind spots. On highways, this cutting-edge technology lowers the lighting angle so that it concentrates the beam and secures an increased visibility ahead. Moreover, it controls the direction of beams on rainy days to prevent headlight beams to be reflected on raindrops that may blind oncoming drivers in the opposite lane. It requires the least amount of LED elements (compared to competitor technology), and delivers best-in-class performance, in terms of the size of its optical systems. Our full AFLS, entirely based upon domestic technology, is expected to replace imports worth KRW 44 billion per 100,000 vehicles produced. While developing K9's full LED AFLS, we were honored with three technology awards granted by the Ministry of Trade, Industry and Commerce and 15 patent applications were made.

Development of K9 Full LED AFLS



Technological Excellence of World's First Full LED AFLS Mounted on K9

Category		K9	Competitor Vehicle A	Competitor Vehicle B
No. of Low LEDs		4	10	3
No. of High LEDs		4 (Korea's first)	3	Halogen
Optical Performance (m)	Long distance	95	70	85
	Optical width	25 → 30 Variable	24	21
AFLS Application	Dynamic Bend'g	0	X	X
	Curved roads	0	0	X
	Urban areas	0	0	X
	Highway	0	0	X
	HBA	0	X	X

04/ Social Contribution Initiatives

It is when you take action to show your love for others that you make this world a better place. It is when you share your love that your shared love fills this world with hope. We strive to be the salt and light in the world through our social contribution initiatives, which in turn enables us to put our corporate philosophy of love and sharing into action. We look for the less fortunate in our society so that we may listen to their voice and continue taking a 'beautiful journey' as a responsible member of the local community where we are based.

Social Contribution Programs in Korea

We have undertaken various social-giving programs in the local communities where we operate since 2003 under the slogan of 'The Joy of Sharing'. Included in these programs are: independent social contribution programs, the 'One Company-One Village Sisterhood Ties' program to revitalize the rural economy and promote urban-rural exchanges, the 'Plant-specific Volunteer Corps' program operated in conjunction with local charities with whom we have sisterhood ties, and the blood drive program.

MOBIS's Social Contribution Strategy

Vision	**Creating value through the strategic branding of our social contribution initiatives** * We at MOBIS, as the sustainable provider, create sustainable future value with all stakeholders and share the outcomes in a balanced way.	
Goal	To create shared value in order to take a beautiful journey together for a sustainable future	Ensuring that every action that we take including social contribution initiatives is geared toward the enhancement of corporate value while undertaking social-giving initiatives to pursue shared growth and fulfill our social responsibility
	To take a beautiful journey together for the less privileged	Utilizing MOBIS's unique business expertise to care for and support the less privileged
	To achieve the value of MOBIS as a professional auto parts provider	Undertake strategic social contribution initiatives on the basis of MOBIS's distinctive features and business conditions

Status of the Sharing MOBIS Transparent Umbrellas Program

Year	No. of Umbrellas Distributed	Beneficiaries	Major Activities	Period
2010	100,000	219 elementary schools	Distributing transparent umbrellas, traffic safety education for children	Sep. 10~ Oct. 28
2011	100,000	179 elementary schools	Distributing transparent umbrellas, traffic safety painting contest (5 regions), declaring the social pledge to traffic safety, awarding outstanding contributors	Jun. 2~Jul. 5
2012	100,000	Beneficiary schools chosen through public applications	Distributing transparent umbrellas and traffic safety guidebooks, Offering onsite traffic safety education	May

Status of the Blood Drive Program

(Unit: No. of persons)

Category	2010	2011	2012
Participants	410	453	459

Status of Employee Volunteerism

Category	2010	2011	2012
Volunteering corps (No. of corps)	81	95	101
Volunteering hours (No. of hours)	14,013	14,111	14,903
Volunteers (No. of persons)	4,927	4,990	4,949
Support for the Basket of Love program (KRW)	23,800,000	15,860,000	14,680,000

Status of the One Company-One Village Sisterhood Program and Transactions Made at the Farmer's Market

(Unit: KRW million)

Category	Sister Village	Date of Establishing the Sisterhood Ties	Specialty Produce Traded at the Farmer's Market	2010	2011	2012
HQ	Deongnyeon-ri, Chungju City	Sep. 28, 2006	Apples	11	14	21
R&D Center	Yulhyun-ri, Icheon City	Jun. 8, 2007	Rice	1	5	0
Ulsan	Yong-ri, Ulju-gun	Jun. 8, 2007	Pears	43	45	53
Gyeongin	Goseong-ri, Gongju City	Jun. 8, 2007	Chestnuts	6	-	3
Changwon	Mosan-ri, Changwon City	Nov. 18, 2008	Persimmons	5	13	7
Gimcheon	Yanggak-ri, Gimcheon City	Apr. 14, 2012	Plums			7
Total				66	77	91

Global Social Contribution Initiatives

We provide scholarship assistance and support sister organizations in respective countries where our overseas branches are based in order to contribute to the local community as a global corporate citizen. Specifically, our 'Global MOBIS Fund', launched in 2008, allows our expatriate workers and our locally-hired employees at overseas branches to contribute a portion of their salary to the fund, to which MOBIS contributes equal amounts in matching grants, in order to extend helping hands to those in need. This program is based on our belief that our overseas branches should not only contribute to the development of the local community where they are based, but also do their utmost to serve potential global customers. As such, our global social contribution programs are customized for distinctive local features.

Social Contribution Initiatives Undertaken in Conjunction with Other Hyundai Motor Group Affiliates

Under the motto of 'Moving the World Together', the Hyundai Motor Group puts its corporate philosophy into action as a global corporate citizen so as to help the less fortunate in the world. As such, we at MOBIS are undertaking wide-ranging programs to strengthen our partnership with the Group and to pursue harmony within the community where we are located.

Employee Volunteers Sent Overseas Annually
(Unit: No. of persons) 1,000

Support for the Smile Microcredit Bank Foundation in 2012
(Unit: KRW 100 million) 45

Outcomes of the Social Contribution Initiatives Undertaken in Conjunction with Other Hyundai Motor Group Affiliates

Happy Move Global Youth Volunteer Corps	Global Poverty Eradication Campaign (White Band Campaign)	Hyundai Motor Group Smile Microcredit Bank Foundation	Social Enterprise: Easy Move	Traffic Safety School for Children: Kids Auto Park
Fostering young future global leaders	The UN-sponsored International Day for the Eradication of Poverty (Oct. 17)	Providing financial aid to financially distressed, low-income people to help them stand on their own	A social enterprise that produces assistive devices for the mobility- challenged	Public campaign aimed at promoting traffic safety for children
Korea's largest overseas volunteer corps in the private sector (1,000 volunteers a year) **Offering advantages to undergraduate students from low-income familites to provide opportunities** Class 8: Jan.~Feb. of 2012 Donations: KRW 136 million Class 9: Jul.~Aug. of 2012 Donations: KRW 260 million	**Providing emergency relief to Sahel in the sub-saharan region of Africa** **Launching a voluntary donation campaign to purchase water purification tablet kits** Donations made by MOBIS and its employees: KRW 33.86 million	**The Hyundai Motor Group donated KRW 20 billion in 2011 to create the fund** (KRW 60 billion accumulated by the Group) **Operating 15 branches and selling 17 representative** financial vehicles Offering loans worth KRW 60.9 billion between 2010 and 2012 **MOBIS contributed** KRW 4.5 billion in 2010 KRW 4.5 billion in 2011 KRW 4.5 billion in 2012	**Established through the investments made by MOBIS, Hyundai Motors and Kia Motors** **MOBIS invested** KRW 221 million in 2010 KRW 397 million in 2011 KRW 134 million in 2012 Sustained equity ownership (7.8%) due to the Group-wide policy to support such social enterprises that produce assistive devices for the mobility-challenged	**Providing firsthand traffic safety experiences to allow kids to sit in the driver's seat** **MOBIS contributed** KRW 50 million in 2010 KRW 80 million in 2011 KRW 53 million in 2012 **No. of visitors** 12,849 in 2010 13,788 in 2011 17,063 in 2012 Another Kids Auto Park is to open in Yancheng City, China (Jan. 2014)

Environmental Performance

Why Is This Important?

MOBIS has grown into a truly global company that operates 29 plants and 36 parts sales offices worldwide. As we grew in size, so did our consumption of raw materials and energy. In 2012, in Korea alone, we used 878,458 tons of raw materials and 2,660TJ of energy. With this, we bear even greater responsibility for the environment and ecosystems that surround us. We witness increasingly stringent regulations on exhaust gas, fuel efficiency and hazardous substances across the world. This implies that our business operations today and sustainable growth in the future cannot be guaranteed without securing the eco-friendliness of our products.

Our Approach

We care for the environment through the establishment of new growth drivers and sustainable operational systems covering the development of eco-friendly parts and the improvement of the internal process efficiency. As a parts supplier working with car makers, ensuring the environmental reliability of our products is no longer an option. Thus, we verify the chemical data of our parts from the purchasing phase and work proactively to reduce weight in the design phase in order to help car makers meet fuel efficiency standards. In addition to our Just-In-Sequence process which aimed to increase the efficiency of manufacturing process and reduce the consumption of resources, we took a step further to introduce recycling process, develop primerless paints, simplify manufacturing processes and enhance the efficiency of facilities and equipment, so as to reduce the consumption of resources, hazardous substances, energy and GHG emissions.

Energy consumption in Korea and abroad (against the previous year) – TJ
5,296 in 2011 → 5,220 in 2012 **-1.44%**

Recycling of waste (against the previous year) – Ton
9,068 in 2011 → 12,036 in 2012 **+32.73%**

Intensity-based GHG emissions (against the previous year) – tCO_2/KRW 100 million
1.4 in 2011 → 1.1 in 2012 **-21.43%**

Consumption of water resources (against the previous year) – 1,000 tons
1,483 in 2011 → 1,115 in 2012 **-24.81%**

Risk & Opportunities Around Us

The slowdown of the global economy is prompting governments across the world to take proactive action regarding environmental issues. As both advanced and developing nations need to boost their economy to create more jobs, environmental regulations concerning climate change and hazardous substances are increasingly functioning as regulatory barriers.

Not only does climate change cause a rise in sea level and abnormally high temperatures; it also causes geopolitical risks while exerting chain effects on rising oil prices and fluctuations in exchange rates. Nowadays, environmental responsibilities are emerging as critical management issues that require intensive interest and commitment. Specifically, in the automobile industry, where heated competition is taking place over fuel efficiency, it is widely accepted that a company's sustainability is determined by its capability to respond to such environmental issues.

As our business operations grow rapidly in size, so does our energy consumption. In particular, it is challenging to address different environmental regulations in respective countries with a growing number of our global operational hubs. We are determined to take a head-on approach to such a difficulty and turn it into an opportunity. This means that we not only satisfy environmental regulations in Korea and abroad, but also optimize our operations through improved efficiency in the consumption of energy and resources. Furthermore, we are committed to developing eco-friendly technology for future vehicles such as hybrid vehicles and hydrogen fuel cell vehicles, which allows us to earn great trust from stakeholders as an eco-friendly company.

01/ Environment Management System

In order to minimize our environmental footprint in the entire spectrum of our business conduct, we set forth company-wide environmental principles and comply with ISO 14001, the international standard on environmental management systems. In addition, we continue to reduce our GHG emissions & energy consumption, manage hazardous substances and environmental pollution and undertake clean production and recycling practices as a way to enhance our environmental sustainability. Furthermore, we facilitate green communication through green marketing and environmental performance assessments in a bid to make our environmental management successful.

02/ General Environment Management Performance

We measure and analyze our consumption and discharge of major raw materials and energy that are required for our business operations and manufacturing processes in quantitative terms. In so doing, we comprehensively evaluate the environmental impact of our business conduct and explore most efficient responses so as to reduce our environmental footprint in the entire spectrum of our business operations.

Consumption of Raw Materials

Due to continued increase in sales and production volume, our consumption of metals, plastics and solvents rose by 31.7%, 11.5% and 13.8% respectively in 2012 from the previous year to 344,235 tons, 14,161 tons and 520,062 tons. Their consumption measured against sales amounted to 2.04 tons, 0.08 tons and 3.08 tons per KRW 100 million respectively.

GHG Emissions Reduction Initiatives

MGMS (MOBIS Greenhouse gas Management System) was launched in 2011 to allow for the strict management of our GHG emissions. Our GHG emissions were verified by a third-party service provider in accordance with the verification standards stipulated in ISO14064-3:2006 so as to ensure the reliability of emission data at each of our business sites and improve the operational efficiency through a system-based approach.

GHG emissions assurance statement awarding ceremony

GHG Emissions Assurance Statement

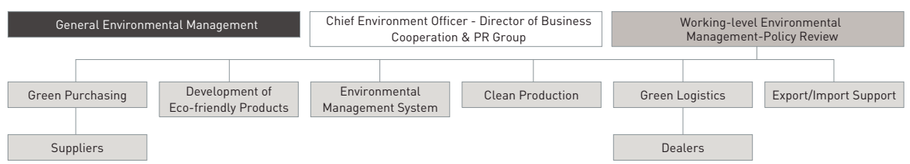
Consumption of Raw Materials

Category	Unit	2010	2011	2012
Consumption of raw materials (Korea)	Ton	870,595	731,021	878,458
Metals	Ton	238,960	261,464	344,235
Intensity-based consumption	Ton/KRW 100 million	1.7	1.6	2.0
Plastics	Ton	5,478	12,699	14,161
Intensity-based consumption	Ton/KRW 100 million	0.04	0.08	0.08
Solvents	Ton	626,157	456,858	520,062
Intensity-based consumption	Ton/KRW 100 million	4.57	2.88	3.08

GHG Emissions

Category	Unit	2010	2011	2012
GHG emissions (Korea and abroad)	tCO_2eq	336,279	357,127	332,924
Intensity-based emissions	tCO_2eq/ KRW 100 million	1.5	1.4	1.1
GHG emissions (Korea)	tCO_2eq	123,379	128,686	138,043
GHG emissions (abroad)	tCO_2eq	212,900	228,441	194,881

Company-wide Environmental Management System



Energy Consumption

Our primary energy source is electricity: we consumed 4,358TJ of electricity, which accounted for 83% of our total energy consumption in 2012. While it is inevitable that our energy consumtion increases in accordance with growing production volumes, we are committed to reducing our energy use through company-wide energy saving initiatives that include the introduction of high-efficiency plant facilities, the development of new eco-friendly facilities and the wide-ranging improvements of utilities. Furthermore, we continue to save energy through more efficient logistics. Such endeavors lead to sustained decreases in our energy consumption against sales in the face of growing energy use. Specifically, our energy efficiency improvement projects enabled us to surpass the initial reduction target of 1,654tCO_2 in 2012. In 2013, we set the target of reducing 2,117tCO_2 in energy use, which will be translated into KRW 1.06 billion in saved energy expenses.

> Not only do we advance environmental management. but also we will never neglect our responsibility as a global auto parts provider.
>
> Jun Ho-suck, President & CEO of MOBIS (from his remarks at the MOBIS Forest launching ceremony in 2013)

Waste and Recycling Management

In 2012, our Korean sites generated a total of 20,756 tons of waste: 12,036 tons or 58% of the total was recycled and 36% of the total was incinerated. We continue to work with car makers to improve the recycling rate of scrap cars. As part of such efforts, we signed the 'voluntary agreement on the recovery and recycling of waste plastics' with the Ministry of Environment in order to increase the recycling of plastic after sales parts, such as bumpers and molding. When waste plastics are ground, their selling price ranges between KRW 800~900 per kilogram and if they are ground, pressed and turned into recycled resources, the price rises to between KRW 1,100~1,200 per kilogram, which demonstrates that they are more valuable resources than general scrap metals. In 2012, the sales of designated and general waste rose 144% from the previous year to generate KRW 12.2 billion in profit.

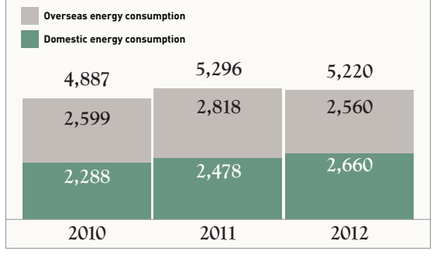
Domestic and Overseas Total Energy Consumption

Category	Unit	2010	2011	2012
Energy consumption	TJ	4,887	5,296	5,220
Intensity-based energy consumption (Korea and abroad)	TJ/KRW 100 million	0.022	0.020	0.017

Domestic Energy Consumption (Unit: TJ)

Category	2010	2011	2012
Energy consumption	2,288	2,478	2,660
Electricity	1,821	1,920	2,191
Gas	429	531	429
Fuel	38	27	40

Total Energy Consumption in Korea and Abroad (Unit: TJ)



Overseas Energy Consumption (Unit: TJ)

Category	2010	2011	2012
Energy consumption	2,599	2,818	2,560
Electricity	2,217	2,363	2,167
Gas	298	363	302
Fuel	25	36	30
Others (steam)	59	56	61

* The reductions in 2013 are due to the transfer of our transmission plant in Beijing to WIA.

Domestic and Overseas Consumption by Energy Source (Unit: %)

Category	2010	2011	2012
Electricity	83	81	84
Gas	15	17	14
Fuel	1	1	1
Others (steam)	1	1	1

Waste Discharge and Recycling

Category	Unit	2010	2011	2012
Waste discharge	Ton	17,499	14,553	20,756
Intensity-based discharge	Ton/KRW 100 million	0.13	0.09	0.12
Recyled volume	Ton	11,608	9,068	12,036
Recyling rate	%	66	62	58
Incineration rate	%	30	32	36
Landfilling rate	%	4	6	6

Management of Environmental Pollutant Discharge

We reduce environmental pollutants continuously through the deployment of air, water and soil pollutant control facilities and the regular monitoring of such pollutants, while undertaking thorough facility inspections to prevent pollutants from being discharged. Our auto part plants generate such air pollutants as dust from the pre-treatment process and VOCs from the coating process. In response to growing social concerns over odors and VOCs, we process VOCs that are generated through manufacturing processes through the regenerative thermal oxidation (R.T.O) device in order to minimize their discharge into the atmosphere. Furthermore, a condensed R.T.O system, which is an improved version of the R.T.O. system, enables us to turn pollutants into heat source energy for oxidation. In so doing, we reduce our fuel consumption and contribute to the abatement of GHG emissions.

Our coating process opted for water-soluble coating materials that emit less air pollutants in order to minimize the emission of air pollutants. In addition, sustained efforts are made to improve the quality of air through the replacement of conventional fuel with cleaner fuel, the optimization of environmental facilities for reduced utilities, the replacement of old atmospheric control facilities, and the oxidation of odor-causing substances through the electrolysis of scrubber cleaning water. It is the cleaning process that generates the most wastewater, which is sent to either wastewater treatment facilities located at each site for discharging or sewage disposal facilities for re-treatmnet. To ensure such water pollutants are strictly managed, we set our own in-house treatment criteria at 50% of the legal threshold or under.

* VOCs: Volatile Organic Compound
* R.T.O: Regenerative Thermal Oxidizer

Re-manufacturing of Audio and AVN Parts

We operate MRCs as our global multimedia service centers under our direct ownership or through agents in North America, Europe, China, India, Australia and Turkey. Any audio and AVN products that malfunctioned while being used by customers are collected and subject to rigorous quality testing. This testing covers inspections, repair and verifications for the products to be re-manufactured as as-new products. These re-manufactured products are then distributed to local dealers in respective areas.

* MRC: Multimedia Remanufacturing Center (Multimedia service center)
* AVN: AUDIO VIDEO NAVIGATION (Automotive audio, video and navigation system)
* We primarily consume industrial water and tap water. Some of our parts sales offices use underground water.
* Respective sites take their own initiative in reducing water consumption.
  (1) Water-collecting facility to recycle condense water generated from the coating line
  (2) Recovery of boiler condense water
  (3) Improvement of the cooling tower system
* We do not have our own electricity generation facilities and the majority of our sites are located within industrial complexes and thus do not have significant impact on biodiversity and ecosystems.
* There was no waste that was shipped overseas during the reporting period.

Generation and Emission Concentration of Air Pollutants

Category	Unit	Legal Threshold	In-house Threshold	2010	2011	2012
Air pollutants generated	Ton			39	89	60
Intensity-based generation	kg/KRW 100 million			0.65	0.24	0.35
NOx (nitrogen oxides)	ppm	200	40	3.2	3.5	0.7
SOx (sulfur oxides)	ppm	500	100	4.6	4.5	1.7
Dust	mg/m^3	100	30	11.1	4.6	9.7

Total Consumption of Water Resources & Pollutant Generation

Category	Unit	2010	2011	2012
Total consumption of water resources	1,000 tons	1,343	1,483	1,115
Intensity-based consumption	Ton/KRW 100 million	9.8	9.3	6.6
Total water pollutants discharged	Ton	15.8	20.5	19.6
Total intensity-based discharge	kg/KRW 100 million	0.12	0.13	0.12

Water Quality at the Wastewater Treatment Facility (Unit: ppm)

Category	Legal Threshold	In-house Threshold	2010	2011	2012
BOD (Bio-chemical Oxygen Demand)	120	60	9.8	11.5	16.5
COD (Chemical Oxygen Demand)	130	65	25.0	16.5	19.7
SS (Suspended Substances)	120	60	9.6	8.8	11.3
TN (Total Nitrogen)	60	30	5.1	7.4	11.7

Economic Performance

Why Is This Important?

The pursuit of profit-making alone does not provide a perfect description of a wide-spectrum of business activities conducted by a company. When a company generates profits in accounting terms, it does not necessarily mean that the company made the best-possible achievements in the entire business conduct. We need to keep attracting new customers in order to seek the continuity of our business operations through the virtuous cycle of creating value and distributing such value to stakeholders. To understand the actual business conditions that surround us, we need to take a closer look at the market, our customers, society and people and recognize that they are externalities in their nature.

Our Approach

We ensure that 'impressive customer experience' is engrained in distributing economic value to our stakeholders in a bid to build stronger cooperative relationships with all our stakeholders as potential customers. Our sustainability management initiatives span the entire business conduct—ranging from investment in core capacity, the development of eco-friendly parts from customer-centered perspectives, a more efficient supply chain, and shared growth in order to assist our customers in improving their competitive edge and positioning themselves as a top brand. In so doing, we offer diverse added value to stakeholders while delivering our core value, achieving our long-term vision and generating business profits, all of which contribute to responsible operations. We are determined to firmly establish a virtuous cycle of creating values and distributing such values as a way to ensure our sustained growth in the future.

Sales
(against the previous year)-KRW 100 million
2011: 262,946 → 2012: 307,890 **+17.09%**

Gross Margin
(against the previous year)-KRW 100 million
2011: 40,377 → 2012: 45,442 **+12.54%**

Operating Profit
(against the previous year)-KRW 100 million
2011: 26,373 → 2012: 29,064 **+10.20%**

Income Before Income Tax
(against the previous year)-KRW 100 million
2011: 40,630 → 2012: 46,073 **+13.40%**

Net Income
(against the previous year)-KRW 100 million
2011: 30,268 → 2012: 35,420 **+17.02%**

Risk & Opportunities Around Us

Globally, both advanced and developing nations are suffering full sluggish economic growth and regional gaps are widening. Such low economic growth naturally drives governments to make aggressive interventions as a way to address social inequalities that are caused by high unemployment rates. It is widely viewed, both internally and externally, that the enhancement of shareholder values as the purpose of any company should be interpreted as making profits responsibly rather than simply just making profits. As a company grows in size, its scope of responsibility broadens accordingly. If a company does not conduct business responsibly and only pursues the creation of wealth alone, criticism may be raised against the company, especially since we live in an era with an increasing wealth gap. As the capital market changes this way, socially-responsible investments are spreading across Korean society, as evidenced in the expanding role of public pension funds and the increasing share of the responsible operations of a company in their credit rating assessments.

Our sales are highly dependent on the Hyundai Motor Group due to the vertically-aligned group structure, established under the motto of 'from molten metal to a vehicle'. While such vertical governance is considered appropriate for the specialized auto industry, review is underway of alternatives that take growth and distribution (in political and social terms), into account. Externally, the global auto industry is stagnating due to economic crises, which resulted in the cut-throat competition to win auto part orders. As a way to flexibly respond to these changing conditions, we are strengthening our risk management capacity and independently developing competitive technology while hiring experienced talent who were driven out of their career paths due to the economic crisis. In so doing, we use risks to build an even stronger competitive edge.

01/ Creation and Distribution of Economic Values

In 2012, we continued to increase our sales and investment returns. As we are fully aware that such economic achievements were possible through cooperation with stakeholders, we share these added economic values with wide-ranging stakeholders.

In 2012 alone, we generated KRW 30.789 trillion in customer sales, which rose by 17.1% from the previous year. Our investment, financial and other activities (aside from sales) generated KRW 1.7626 trillion.

Our net income rose 17.0% from the previous year to KRW 3.542 trillion: KRW 181.6 billion was paid as dividends to shareholders and the rest was retained for our future growth. The interest paid to creditors fell by 26.4% from the previous year to KRW 48.3 billion. The payments made to suppliers rose by 17.5% from the previous year to KRW 26.0369 trillion. While salary payments (including welfare and benefits) and retirement payments increased by 20.4% from the previous year to KRW 1.3366 trillion, donations dropped by 15.1% in 2012 from the previous year to KRW 13.42 billion. The corporate taxes we paid to the Korean government rose by 5.0% from the previous year to KRW 1.116 trillion.

Creation of Economic Values

Category	Definition
Customers (sales)	Sales stated on the income statement
Others	Non-operating income

Distribution of Economic Values

Category	Definition
MOBIS (retained earnings)	Retained earnings and dividends paid to shareholders
Creditors	Interest payments treated as expenses in the current term
Employees	Labor cost treated as expenses in the current term (Wage, retirement benefits, welfare and benefits)
Suppliers	Payments to suppliers out of the expenses made in relation to sales
Communities	Expenditures made in the current term regarding social contribution programs
Governments	Taxes treated as expenses in the current term (excluding taxes that were turned into assets)
Investors	Cash dividends

Creation of Economic Values (Unit: KRW million)

total **32,093,215**

Sales	Others
30,789,019	1,762,605

Economic Values Distributed by Stakeholder Group (Unit: KRW million)

MOBIS (retained earnings)	3,542,013
Creditors	48,295
Employees	1,336,639
Suppliers	26,036,872
Communities	13,423
Governments	1,115,973
Investors	181,570

02/ Business Outcomes

In 2012, the upswing in car sales led to massive increases in the sales of our major business areas, both in Korea and abroad, and this enabled us to improve on our business results. In a consolidated way, our sales in 2012 rose by 17.1% from the previous year to KRW 30.789 trillion, operating profits increased by 10.2% to KRW 2.9064 trillion and our net income rose by 17.0% to KRW 3.542 trillion. Such results set new records since our inception.

Our sales in the Module and Parts Manufacturing business grew remarkably due to: an expanded supply of major parts such as MDPS and airbags, an increased supply of modules for such Chrysler models as Jeep Wrangler, Grand Cherokee and Dodge Durango, the launching of new Hyundai Kia Motor models in the Chinese and North American markets, the initiation of mass production at the Russian subsidiary, an increased supply of modules in Czech and Slovakia and a rise in the sales of Grandeur HG and other new models in Korea. After Sales Parts business continued to grow steadily in 2012 in alignment with the increasing number of Hyundai Kia Motor vehicles on the road in Korea and abroad.

* MDPS: Motor Driven Power Steering

Earnings Results & Financial Statements (Unit: KRW 100 million)

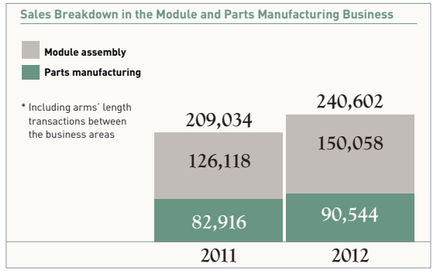
Item	2011	2012	Increase or Decrease (%)
Sales	262,946 (100%)	307,890 (100.0%)	17.1
Gross Profit	40,377 (15.4%)	45,442 (14.8%)	12.5
Operating Profit	26,373 (10.0%)	29,064 (9.4%)	10.2
Pre-Tax Profit	40,630 (15.5%)	46,073 (15.0%)	13.4
Net Profit	30,268 (11.5%)	35,420 (11.5%)	17.0
Asset	225,756 (100%)	300,470 (100%)	33.1
Cash and Cash Equivalents	20,592 (9.1%)	27,962 (9.3%)	35.8
Liability	87,810 (38.9%)	130,073 (43.3%)	48.1
Debt	27,798 (12.3%)	25,709 (8.6%)	-7.5
Shareholders' Equity	137,946 (61.1%)	170,397 (56.7%)	23.5
Capital Stock	4,911 (2.2%)	4,911 (1.6%)	0.0
L/E Ratio	63.7	76.3	-

Earnings by Business Division (Unit: KRW 100 million)

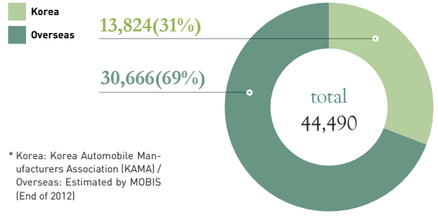
Category		Module and Parts Manufacturing	After Sales Parts	Finance
2011	Sales	209,034	53,912	-
	Operating Profit	14,715	12,198	-
	Operating Profit (%)	6.8	22.6	-
2012	Sales	240,602 (15.1% ↑)	58,891 (9.2% ↑)	8,397
	Operating Profit	16,377 (15.5% ↑)	13,330 (9.3% ↑)	-643
	Operating Profit (%)	6.8	22.6	-7.7

*Module and Parts Manufacturing: Increased production stability and production volume of module plants – Russia (Solaris), Czech (Ceed), Georgia (AN)/Mass production initiated in new plants (Beijing Module Plant (3), Brazil) * After Sales Parts: Continued increase in UIO (Unit in Operation) in Korea and abroad/Continued expansion of the After Sales Parts and accessory markets in Korea and abroad through stronger marketing initiatives/ Continued reinforcement of market surveillance in China * Financing: Building basic infrastructure for business growth

Sales Breakdown in the Module and Parts Manufacturing Business



No. of Hyundai Kia Motors Vehicles on the Road in Korea and Abroad in 2013
(Unit: 1,000 vehicles)



* Korea: Korea Automobile Manufacturers Association (KAMA) / Overseas: Estimated by MOBIS (End of 2012)

03/ Status of Overseas Subsidiaries

The Korean automobile market is expected to experience sluggish sales and a continued increase of imported vehicles. Thus, it is highly critical for us to advance into emerging markets and attract new customers. MOBIS is fully committed to tapping into the global market through outstanding marketability & brand value, a stable distribution network and a strong warrantee program.

Module and Parts Manufacturing Business

The top priority of our Module and Parts Manufacturing business will be to expand global manufacturing hubs in order to assist our customers in reaching their global production and sales targets. To this end, plants located in such manufacturing hubs as China, the U.S., India and Europe will strengthen their independent management system to improve our product's competitive edge while the construction of our Beijing Module Plant (3) (mass production to be initiated in Jul.) and Brazilian plant (mass production to be initiated in Sep.) will be completed as planned. This will allow us to secure global manufacturing hubs in 8 countries and 15 regions across the world, except for Korea.

North America: The chassis module supply contract awarded by Chrysler prompted us to build and operate a module plant in the states of Ohio and Michigan, in the U.S., in addition to supplying headlamps for its major models. Furthermore, we are a supplier of ICS and parking brakes for GM.
* ICS: Integrated Center Stack (Integrated switch module)

Europe: We supply audio parts and IBSs to Daimler and provide lamps to BMW and Volkswagen.
* IBS: Intelligent Battery Sensor

Japan: We supply cutting-edge LED headlamps and PAS parts to Mitsubishi and lamps to Subaru.
* PAS: Parking Assistance System

Other Markets: We are working closely with the newly-established China Business Division to attract Chinese customers. In India, we set up sales offices to market our electric parts and airbags (in full), in this emerging market. Furthermore, we held technology exhibitions for Chrysler of the U.S., Suzuki of Japan and Renault of France, which were followed by technology meetings and consultations regarding joint projects.

After Sales Parts Business

To maintain the optimal parts supply rate, we established an industry-leading distribution network that consisted of four regional headquarters, 23 sales offices, four logistics centers, 43 maintenance parts and 2,136 dealers in Korea. Globally, we operate 10 subsidiaries, one regional office, 477 sales offices and 11,262 dealers in 193 countries around the world, which enables us to supply parts that meet local needs through overseas logistical hubs.

Europe (Unit: $ million)

Category	2011	2012	±	(%)
Module and Parts Manufacturing	2,028	2,442	414	20.4
After Sales Parts	807	848	41	5.1
Total	2,835	3,290	455	16.1

* Improved stability in the mass production of Russian and Czech subsidiaries & increased sales of Solaris and Ceed

Americas (Unit: $ million)

Category	2011	2012	±	(%)
Module and Parts Manufacturing	3,757	4,688	931	24.8
After Sales Parts	527	626	99	18.8
Total	4,285	5,315	1,030	24.0

* The sales of AN (Santa Fe) was initiated while the sales of Avante and K5 increased/ Mass production started in the Brazilian plant/ The sales of Chrysler rose

China (Unit: $ million)

Category	2011	2012	±	(%)
Module and Parts Manufacturing	6,456	7,295	839	13.0
After Sales Parts	456	609	153	33.6
Total	6,912	7,904	992	14.4

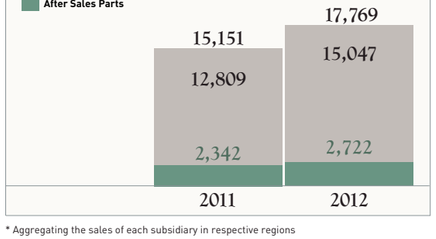
* The sales of new Avante, Santa Fe and K3 increased/ Mass production started in Beijing Module Plant (3)/Stronger market surveillance continued

Others (Unit: $ million)

Category	2011	2012	±	(%)
Module and Parts Manufacturing	568	622	54	9.5
After Sales Parts	552	638	86	15.6
Total	1,120	1,260	140	12.5

* Sales rose due to stronger marketing activities/Other regions include India, the Middle East and Australia

Total Sales of Overseas Subsidiaries (Unit: $ million)



* Aggregating the sales of each subsidiary in respective regions

appendix

General Sustainability Management Issues

UN Global Compact
MOBIS joined the UN Global Compact (UNGC) on June 2, 2008. As an international agreement proposed by the former UN Secretary General Kofi Annan in 2000 to urge businesses to play a stronger role in fulfilling their social responsibility, UNGC outlines the 10 principles in the four areas of: human rights, labour, the environment and anti-corruption. We strongly support the ten UNGC principles and are fully committed to abiding by these principles in our entire business conduct. Our achievements in doing so are presented in this report.

UN Global Compact – 10 Principles

Human Rights	Principle1	Businesses should support and respect the protection of internationally proclaimed human rights; and	51-53p
	Principle2	make sure that they are not complicit in human rights abuses.	51-53p
Labour	Principle3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	51-53p
	Principle4	the elimination of all forms of forced and compulsory labour;	51-53p
	Principle5	the effective abolition of child labour; and	51-53p
	Principle6	the elimination of discrimination in respect of employment and occupation.	51-53p
Environment	Principle7	Businesses should support a precautionary approach to environmental challenges;	25-31, 62-65p
	Principle8	undertake initiatives to promote greater environmental responsibility; and	25-31, 62-65p
	Principle9	encourage the development and diffusion of environmentally friendly technologies	25-31, 62-65p
Anti-corruption	Principle 10	Businesses should work against all forms of corruption, including extortion and bribery.	12-13, 71p

Joining Global SRI Assessment Programs
In 2012, we joined various socially-responsible investment assessment programs provided by external organizations such as the Dow Jones Sustainability Index (DJSI), the Carbon Disclosure Project (CDP) and KOBEX SM, designed to diagnose a business' social, environmental, ethical and CSR performance, as well as its financial performance. We ensure that the feedback from these diagnostic service providers helps us compare our current status of socially-responsible management against that of domestic and overseas market leaders and industry-specific best practices so that we can offer even greater value to our stakeholders.

Industry Association Membership Status

Federation of Korean Industries	Exchange of information on business management, collaboration on CSR activities
Korea Chamber of Commerce and Industry	Mandatory requirement by law to join this chamber
Korea Auto Industries Coop. Association	Collaboration among relevant companies for the advancement of the automobile industry
Fair Competition Federation	Exchange of information and opinions with government agencies and member companies for compliance with fair trade guidelines
UN Global Compact Korea Network	Commitment to abiding by the 10 principles of the UN Global Compact
Korea Economic Research Institute	Research on short-term and long-term issues relevant to the development of the Korean economy and Korean businesses
Korea Automotive Recyclers Association	Promotion of environmental protection by the auto industry and recycling of automobiles
Korea Intellectual Property Protection Association	Promotion of industrial development and strengthening of an international competitive edge through the protection of intellectual property rights in Korea and abroad
Korea Industrial Technology Association	Revitalized technology cooperation network and strengthened technology innovation capacity
Korean Society of Automotive Engineers	Advancement of automotive technology through the active exchange of information on relevant academic technology
Korean Academy of Motor Industry	Advancement of the automotive industry through seminars and networking among experts

Awards Received

Presidential Award at the 12th Korean Digital Management Innovation Awards	Jul. 19, 2012
National Quality Grand Prize at the National Quality Management Competition	Nov. 21, 2012
Semi-Grand Prize at the 2012 Seoul International Invention Fair	Dec. 3, 2012
Knowledge and Economy Minister's Award at the 2nd Korean Green Car Awards	Jan. 27, 2012
Gold Tower Order of Industrial Service Merit Awarded to CEO Jun Ho-suck on the 49th Trade Day	Dec. 5, 2012
Joined the Dow Jones Sustainability World Index	Sep. 8, 2012

Regulatory Compliance

* Environment, products and customers

Category	2010	2011	2012
No. of cases and volume of significantly hazardous substances that are discharged	None	None	None
Penalties and No. of non-monetary sanctions imposed due to the violation of environmental regulations	None	None	None
No. of violations concerning customer's information protection	None	None	None
No. of regulatory violations concerning market communication	None	None	None
No. of violations of regulations and voluntary principles concerning product/service information & labeling	None	None	None
Penalties imposed due to the violation of laws and regulations concerning products and services	None	None	None

* MOBIS fully abides by the Indication & Advertising Act under the Fair Trade Law in its advertisements, promotions, sponsorships and other marketing communication activities. Our compliance program handbook outlines the overview of the Indication & Advertising Act, possible sanctions, and behavioral guidelines for employees.

GHG Assurance Report

Terms of Engagement
This Assurance Statement has been prepared for Hyundai MOBIS, Korea

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by Hyundai MOBIS to assure its GHG Inventory Report for the calendar year 2012 and summarised in Table 1 below (hereafter referred to as "the Report"). The Hyundai MOBIS data as presented in the GHG Report have been prepared in accordance with GHG Target Management Scheme for quantification and reporting of greenhouse gas emissions in Korea. The Report relates to direct GHG emissions and energy indirect GHG emissions

Management Responsibility
The management of Hyundai MOBIS was responsible for preparing the Report and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with Hyundai MOBIS

Ultimately, the Report has been approved by, and remains the responsibility of Hyundai MOBIS

LRQA's Approach
Our verification has been conducted in accordance with GHG Target Management Scheme in Korea: Specification with guidance for verification of greenhouse gas assertions to provide reasonable assurance that the Hyundai MOBIS.

In order to form our conclusions we have:
- Conducted site tours of the facilities and reviewed processes related to the management of GHG emissions data and records
- Interviewed relevant staff of the organization responsible for managing and maintaining raw and consolidated data, and
- Verified the historical data and information at an aggregated level for the calendar year 2012.

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 a 5% level of materiality.

LRQA's Opinion
Based on LRQA's approach we have found that the GHG data as presented in the Inventory Report of GHG emission and the amount energy used within the Report are materially correct, subject to the following qualifications:
- The emissions of contracted corporations located in the Hyundai MOBIS Corporation's premises have been included within the GHG data.

LRQA's Recommendations
Based on the specification with guidance in Korean GHG Target Management Scheme, Hyundai MOBIS is recommended to:

- Perform appropriate QA/QC related with the data collection, consolidation, process of calculation and result in accordance with the specification with guidance (article 53. QA/QC)

Dated: 14 March 2013
SANG-KEUN YOO
On behalf of Lloyd's Register Quality Assurance Ltd.
17th Floor, Singsong Building, 25-4, Yeouido-dong, Yeongdeungpo-gu, Seoul, 150-878, Republic of Korea

Table1. GHG emissions reported in the Hyundai MOBIS GHG Inventory Report for the calendar year 2012.

Scope (as defined within GHG Target Management Scheme in Korea)	**2012**
Direct GHG Emissions	26,787
Energy Indirect GHG Emissions	111,256
Total GHG Emissions	**138,043**
Data is presented in tonnes of CO_2 equivalent	

Independent Assurance Report

To the Management of Hyundai Mobis
The Institute for Industrial Policy Studies (hereafter "Auditor") was engaged by Hyundai Mobis to review information specified in its 2013 Sustainability Report (hereafter "Report") to provide an independent third-party assurance on the reported content. On the basis of the above, the Auditor presents the following independent statement of assurance.

Accountability and Objective
Hyundai Mobis is held accountable for all information and claims contained in the Report including sustainability management goal setting, performance management, data collection and report preparation. The Assurance Provider has no relations with Hyundai Mobis regarding any of its for-profit operations and activities. In addition, the Assurance Provider has carried out its assurance process with independence and autonomy as it was not involved in the preparation of the Report except for offering comments in the process.

Type and Level of Assurance
For the purpose of this assurance, the Report was reviewed against the following reporting criteria.
1) AA1000 Assurance Standard (2008)
2) GRI G3.1 Sustainability Management Reporting Guidelines

Scope of Assurance	Assurance Type/ Level	Assurance Criteria
Compliance with the three core AA1000S (2008) principles of Inclusivity, Materiality, and Responsiveness	Type II	The three AA1000AS (2008) principles and IPS Assurance Manual standards IPS Performance Indicators Assurance Criteria ™
GRI-checked GRI reporting level	Moderate Level	GRI G3.1 Sustainability Reporting Guidelines

Work Undertaken and Scope
The Auditor confirmed 1) the inclusivity, materiality, and responsiveness of the reported content; 2) the reliability of the reported performance data; and 3) the Report's level of compliance against GRI Sustainability Reporting Guidelines through the process outlined below.

- Written interviews with persons responsible for each of the performance dimensions and persons in charge of collecting performance data to assess the adequacy of the information contained in the Report
- A review of the Company's materiality testing process and findings
- A review of the Company's stakeholder engagement process
- An on-site review of the Headquarter office to review the Company's raw sustainability performance data as well as system and processes for data collection and reporting
- A review of the source data underlying key performance outcomes across the economic, social, and environmental dimensions
- A review of the completeness and accuracy of the reported content through sample testing of key material issues

Limitations
For the purpose of this assurance, the Auditor undertook in a review centered around the Company's Headquarter Office covering available data, disclosed information, performance indicators etc., relevant for the reporting period. The Audit Report was reviewed to assess the Company's financial performance - a part of the economic dimension of sustainability. For data on greenhouse gas emissions, the Auditor referenced greenhouse gas data validated by an independent third party provider.

Assurance Findings
Based on the assurance scope, methodology, and assessment criteria presented herein, the Auditor did not find the Report to contain any material misstatements or bias. With regard to the reliability of the reported data, The Auditor did not find any data errors or data otherwise deemed to have been collected under inappropriate conditions that could have a material impact on the data contained in the Report. Key assurance findings from the Auditor are included herein, and detailed account of all assurance results and recommendations have been submitted to the management of Hyundai Mobis.

[Inclusivity]
Is the Company's stakeholder engagement strategy-setting and related processes adequate?

The Auditor took note of continuous efforts by the Company to establish processes for stakeholder engagement, based on the recognition that stakeholder participation is important in implementing sustainability management. The Auditor also noted efforts to incorporate stakeholder comments collected through various engagement channels in the Company's business management activities.

The following points were found to be particularly commendable.

- Efforts to introduce channels for collecting stakeholder views, as well as efforts to identify stakeholder and Company needs by stakeholder group to improve stakeholder engagement while also making better use of the collected information
- Efforts to expand the expertise of its Report through interviews with persons responsible for the following areas - strengthening research capabilities, environmentally-friendly technologies, the environmental impact of its corporate value chain, social contributions, shared growth, customer satisfaction; in addition to efforts to engage with a broader scope of stakeholders to assess their views

Going forward, however, the Company is advised to establish its processes for collecting stakeholder views in a way that better reflects their needs, while also enlarging the scope of its engagement to cover more stakeholder groups within the value chain - ranging from expert groups to regular consumers - and reporting on the expanded coverage. Additionally, the Auditor recommends providing a stronger current account of various business decisions regarding findings from stakeholder engagement, while also presenting case studies as examples.

[Materiality]

Does the Report contain information of the highest material importance to Hyundai Mobis stakeholders across the economic, social, and environmental dimensions?
It is the Auditor's view that the Report does not omit or exclude issues of importance to the stakeholders of Hyundai Mobis. The Company carried out various activities - including an analysis of global standards, an analysis of media reports during the 1st and 2nd half of 2012, stakeholder surveys, same industry peer comparisons, etc. – while also conducting materiality assessments, setting the overall direction for the Company's response, and selecting issues to be covered in its Report. Based on this work, the Company narrowed down its "core report" items, versus "current status" or "optional" report items, to ensure that the Report centered on the most important of the performance outcomes required by its stakeholders.

The following points were found to be particularly commendable.

- Efforts to assess issues of great importance to Hyundai Mobis, by identifying performance data of material importance to its stakeholders by reflecting the level of stakeholder interest and potential business impact.
- Structuring the Report around "core report" items, while

1) AA1000AS (Assurance Standard): Sustainability reporting assurance standards were developed by AccountAbility, a U.K.-based non-profit organization working in the field of socially responsible management since 1999, in an aim to improve the quality of social and ethical accounting, assurance and reporting and to enhance organizational performance and accountability. The revised 2008 edition has been applied to the 2010 edition.
2) GRI G3.1 guidelines: Sustainability reporting guidelines were jointly developed by CERES (association of international environmental organizations) and UNEP in 1997. The G3 edition was published in October 2006 and the G3.1 edition improved upon the previous edition with its extended and supplemented scope of Human Rights, Gender Issues and Local Community Categories and was published in March 2011. The G4 edition was published in May 2013

presenting the performance outcomes of "current status" or "optional" items in a separate "general status" section of the Report, to ensure that non-core performance outcomes were also accounted for in the Report without omission.

Going forward, the Auditor recommends developing its processes for identifying material issues further so that various methods of collecting stakeholder views reflecting a greater range of perspectives including analytic methodologies to assess the internal and external environment are reflected. The Company is also advised to develop a process for managing and reporting on year-to-year changes observed in its core material issues to track and report on change trends while also sharing the current status of the Company's management of those issues.

[Responsiveness]
Does the Report provide an adequate response to stakeholder demands and interests?
The Auditor confirmed efforts by Hyundai Mobis to respond to key issues of interest and concern to its stakeholders by providing an account of the collected views in its Report as well as its response outcomes.

The following points were found to be particularly commendable.

- The Report outlines the current status of the Company's response to various stakeholder-specific materiality findings (ex. monitoring of quality information, quality satisfaction surveys, communication with executive sales agencies, collaborative council etc. with regard to its communication program with business partners)
- The Report discloses the Company's response to issues of material importance to itself by highlighting key issues and outcomes for items included in the "core" dimension of the Report

Going forward, the Auditor suggests providing a detailed outline of future plans and objectives while also introducing a system that can be used in reporting on the level of the Company's response relative to its stated goals. The Auditor also suggests taking stock of all existing channels to make sure none are perfunctory in nature, while also building a channel that is more readily accessible to all stakeholders.

[Level of GRI Application]
Relative to the GRI G3.1 Guidelines, the Report was found to conform to an "A+" level of application.

[Performance Indicators]
With regard to the performance indicators presented in the Report, on the basis of our review of the reported content, the Auditor found the underlying data collection system to be adequate and did not find any material errors that can either bias the Company's judgment or compromise the reliability of its data.

Recommendations
As the fourth Report by Hyundai Mobis, the Auditor found its "2013 Sustainability Report" commendable in the following respects. The Report (1) provides greater focus on the non-financial performance outcomes in addition to its account of financial results to improve the relevance of its sustainability reporting; (2) provides an account of the key activities of its ethics committee so that readers can assess what kind of actual sustainability management activities the highest decision-making body in the Company is engaged in; and (3) reports on the core-most sustainability issues, by adopting a set of criteria for determining and selecting key material issues, Report contents, and performance outcomes etc.

For future reports, the Auditor recommends considering the following.

- Establish a sustainability management and reporting system that is linked with the Company's vision and core values
- Provide a stronger account of its DMA goals, results, and future plans through both quantitative and qualitative data
- Present time-series performance outcomes (ex. Yoy times series, peer industry comparisons, etc.) to enhance the comparability of future reports
- Strengthen reporting on any negative issues or inadequate outcomes
- Structure future reports to be more clear and concise

Independence
Apart from this independent assurance undertaking, the Auditor was not involved in the preparation of any part of the Report, and has no commercial affiliation with Hyundai Mobis that might compromise our independence.

Qualifications of the Auditor
Commissioned by Hyundai Mobis as the Auditor for this assurance undertaking, the Institute for Industrial Policy Studies (IPS) was established in 1993 and has since developed into a specialized institution with broad expertise in the areas of business ethics, CSR, and sustainability management since 2002. The Auditor is composed of experts in business management, accounting, and environmental science including professors at Korea's top universities and practitioners with professional accreditation and extensive experience in sustainability management.

May 27, 2013
Kim, Jae-Eun
President, The Institute for Industrial Policy Studies

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000-24

GRI Index

Corporate Overview

Indicators		Managerial Issues Report Contens	Reporting Level	Page	Note
Strategy and Analysis	1.1	Statement from most senior decision-maker in organization	●	4–7, 13, 58, 64	
	1.2	Description of key impacts, risks, and opportunities	●	50, 63, 66	
Organizational Profile	2.1	Name of organization	●	2	
	2.2	Primary brands, products, and/or services	●	2, 24–27, 69	
	2.3	Operational structure	●	Business report	MOBIS's 36th-term business report disclosed at http://dart.fss.or.kr
	2.4	Location of organization's headquarters	●	2	
	2.5	Location of overseas branch offices and sites	●	46–47, 69	http://www.mobis.co.kr
	2.6	Nature of ownership and legal form	●	Business report	http://www.mobis.co.kr
	2.7	Markets served	●	46–47, 69	http://www.mobis.co.kr
	2.8	Scale of the reporting organization	●	2–3, 66–69	
	2.9	Significant changes during reporting period regarding size, structure, or owneship	●	Business report	MOBIS's 36th-term business report disclosed at http://dart.fss.or.kr
	2.10	Awards received in reporting period	●	71	
Report Parameters	3.1	Reporting period (e.g., fiscal/calendar year) for information provided	●	79	
	3.2	Date of most recent previous report (if any)	●	79	
	3.3	Reporting cycle (annual, biennial, etc.)	●	79	
	3.4	Contact point for questions regarding the report or its contents	●	80	
	3.5	Process for defining report content	●	14–17	
	3.6	Boundaries of report	●	79	
	3.7	State any specific limitations on the scope or boundary of report	●	79	
	3.8	Basis for reporting on comparability from period to period and/or between organizations	●	Business report	MOBIS's 36th-term business report disclosed at http://dart.fss.or.kr
	3.9	Data measurement techniques and bases of calculations for data, including performance index	●	72, 74–79	
	3.10	Explanation of the effects of & reasons for any re-statements of information provided in earlier reports	●	79	
	3.11	Significant changes from previous reporting periods applied in the report	●	79	
	3.12	Table identifying the location of the Standard Disclosures in the report	●	75–77	
	3.13	Policy and current practices with regard to seeking external assurances for the report	●	72–75	
Governance	4.1	Governance structure of organization	●	9	
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer	●	9	
	4.3	Number of members of highest governance body that are independent and/or non-executive members	●	9	
	4.4	Mechanisms for shareholders and employees to provide recommendations or directions to highest governance body	●	4–5	
	4.5	Compensation for members of highest governance body, senior managers, and executives	●	8–9	
	4.6	Processes in place for highest governance body to ensure conflicts of interest are avoided	●	9	
	4.7	Process for determining the qualifications and expertise of the members of the highest governance body	●	9	A_7 of MOBIS's 36th-term business report disclosed athttp://dart.fss.or.kr
	4.8	Internally developed statements of mission or values, codes of conduct, and principles	●	4–5	
	4.9	Procedures of highest governance body for management of economic, environmental, and social performances	●	8–9	
	4.10	Processes for evaluating highest governance body's own performance	●	8–9	A_7 of MOBIS's 36th-term business report disclosed athttp://dart.fss.or.kr
	4.11	Whether and how the precautionary approach or principle is addressed by the organization	●	10–11, 12–13	
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives	●	71	
	4.13	Membership in associations and/or national/international advocacy organizations	●	71	
	4.14	List of stakeholder groups engaged by the organization	●	14	
	4.15	Basis for identification and selection of stakeholders with whom to engage	●	14–17	
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and stakeholder group	●	14–17	
	4.17	Key topics and concerns raised through stakeholder engagement, and responses to them	●	14–17	

Economic Performance Indicators

Indicators		Managerial Issues Report Contens	Reporting Level	Page	Note
EC		Disclosure on Management Approach	◐	66	
Economic Performance	EC1	Direct economic value generated and distributed	●	67	
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	62	
	EC3	Coverage of the organization's defined benefit plan obligations	◐	67	Employees are assisted in making contributions to the National Pension Fund
	EC4	Significant financial assistance received from government	●	-	No such assistance was received
Market Presence	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	●	51–52	
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	●	12–13, 36–39	
	EC7	Procedures for local hiring and proportion of senior management hired from the local community	◐	51	
Indirect Economic Impacts	EC8	Infrastructure investments and services provided primarily for public benefit	●	32–35, 60–61	
	EC9	Understanding and describing significant indirect economic impacts	●	60–61, 67	

Environmental Performance Indicators

Indicators		Managerial Issues Report Contens	Reporting Level	Page	Note
EN		Disclosure on Management Approach	◐	62	
Materials	EN1	Materials used by weight or volume	●	63	
	EN2	Percentage of materials used that are recycled input materials	●	64	
Energy	EN3	Direct energy consumption by primary energy source	●	64	
	EN4	Indirect energy consumption by primary source	●	64	
	EN5	Energy saved due to conservation and efficiency improvements	●	26–27, 64	
	EN6	Reductions in energy requirements as a result of energy-efficient-or renewable energy-based products and services	●	26–27, 64	
	EN7	Indirect energy conservation businesses and achievements	●	28–31	
Water	EN8	Total water withdrawal by source	●	65	
	EN9	Water sources significantly affected by withdrawal of water	●	65	
	EN10	Percentage and total volume of water recycled and reused	◐	65	To be measured in the upcoming years
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity	●	33–34	
	EN12	Description of significant impacts of activities, products, and services on biodiversity	●	65	
	EN13	Habitats protected or restored	●	32–34	
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	●	33–34, 60	
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	N/A	-	
Emissions, Effluents, and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight	●	28–31, 64	
	EN17	Other relevant indirect greenhouse gas emissions by weight	◐	28–30	
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	28–31, 64	
	EN19	Emissions of ozone-depleting substances by weight	○	-	To be measured in the upcoming years
	EN20	NOx, SOx, and other significant air emissions by type and weight	●	65	
	EN21	Total water discharge by quality and destination	●	65	
	EN22	Total weight of waste by type and disposal method	●	64	
	EN23	Total number and volume of significant spills	●	71	No such spills occurred
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII	●	65	
	EN25	Name of water bodies significantly affected by the reporting organization's discharges of water and runoff	●	65	
Products and Services	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	24–31	
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	●	65	
Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	●	71	No such incidents of non-compliance occurred
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	●	28–30	
Overall	EN30	Total environmental protection expenditures and investments by type	●	23, 28–31	

Labor Practices and Decent Work Performance Indicators

Indicators		Managerial Issues Report Contens	Reporting Level	Page	Note
LA		Disclosure on Management Approach	●	50	
Employment	LA1	Total workforce by employment type, employment contract, and region	●	51–52	
	LA2	Total number and rate of employee turnover by age group, gender, and region	●	51	
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	●	67	
Labor/Management Relations	LA4	Percentage of employees covered by collective bargaining agreements	●	52	
	LA5	Minimum notice period(s) regarding operational changes	●	52	
Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management worker-health and safety committees	●	52	
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	●	52	
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members	●	52	
	LA9	Health and safety topics covered in formal agreements with trade unions	●	52	
Training and Education	LA10	Average hours of training per year per employee	●	50–53	
	LA11	Programs for skills management and lifelong learning and assistance in managing career endings	●	65	
	LA12	Percentage of employees receiving regular performance and career development reviews	●	52–53	
Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	●	51–52	
	LA14	Ratio of basic salary of men to women by employee category	●	52	
Equal Remuneration for Women and Men	LA15	Return to work and retention rates after parental leave, by gender	●	52	

Human Rights Performance Indicators

Indicators		Managerial Issues Report Contens	Reporting Level	Page	Note
HR		Disclosure on Management Approach	●	50	
Investment and Procurement Practices, Non-Discrimination	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	○	-	To be aggregated in the upcoming years
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights	○	-	To be aggregated in the upcoming years
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including percentage of employees trained	◐	12, 55	To be aggregated in the upcoming years
	HR4	Total number of incidents of discrimination and actions taken	○	-	To be aggregated in the upcoming years
Freedom of Association and Collective Bargaining	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk	●	51–52	
Child Labor	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken	●	51–52	
Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or labor, and measures taken	●	51–52	
Security Practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning human rights relevant to operations	◐	12, 58	
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	N/A	-	
Assessment	HR10	Percentage and total number of operations that have been subject to human rights reviews and/ or impact assessment	◐	12	
Remediation	HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	◐	52	

Society Performance Indicators

Indicators		Managerial Issues Report Contens	Reporting Level	Page	Note
SO		Disclosure on Management Approach	◐	50	
Local Communities	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities	◐	34	
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption	◐	12	
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	◐	12, 55	
Public Policy	SO4	Actions taken in response to incidents of corruption	◐	12	No reports were submitted
	SO5	Public policy positions and participation in public policy development and lobbying	◐	71	
Anti-Competitive Behavior	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	N/A	-	Prohibited by law
Unfair Competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices, and outcomes	●	Business report	A_10 of MOBIS's 36th-term business report disclosed at http://dart.fss.or.kr
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	●	73, Business report	A_10 of MOBIS's 36th-term business report disclosed at http://dart.fss.or.kr
Local Communities	SO9	Operations with significant potential or actual negative impacts on local communities	●	-	There are no such operations
	SO10	Prevention and mitigation measures implemented in operations with significantpotential or actual negative impacts on local communities	N/A	-	65

Responsibility Performance Indicators

Indicators		Managerial Issues Report Contens	Reporting Level	Page	Note
PR		Disclosure on Management Approach	◐	50	
Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed, and percentage of significant products and services categories subject to such procedures	●	59	
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	●	73	No such incidents of non-compliance occurred
Product and Service Labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	◐	-	http://www.mobis.co.kr
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	●	73	No such incidents of non-compliance occurred
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	●	57–58	
Marketing Communications	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	●	71	
	PR7	Total number of incidents of non-compliance with regulations and voluntarycodes concerning marketing communications	●	71	No such incidents of non-compliance occurred
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of easures customer privacy and losses of customer data	●	71	No such complaints were raised
	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	●	71	No such complaints were raised

MOBIS WILL ENDEAVOR AFTER PASSION FOR TECHNOLOGY AND HUMAN TOUCH TOWARDS BRIGHTER TOMORROW.

MOBIS moves towards a brighter tomorrow through passion for technological advancement and empathy for humankind.

about this report

Report Overview

As Korea's largest automotive parts manufacturer with a wide-ranging business portfolio that covers an After Sales Parts business in addition to automotive Module and core Parts Manufacturing, we present our fourth sustainability report as a way to provide accurate and transparent information regarding our social responsibility initiatives in the social, environmental and economic sectors for all our stakeholders. We conducted the materiality test through our engagement with major stakeholders, as we did the previous year, in order to analyze material sustainability management issues. This report represents our endeavors to paint a comprehensive picture of our initiatives and accomplishments at MOBIS so that we are able to listen to the ideas and suggestions of our stakeholders and meet their expectations.

Reporting Structure

This report consists of five sectors: the company overview, material issues, social performance, environmental performance and economic performance. Major accomplishments and stakeholder interest are outlined in prioritized order. You may refer to the Appendix section that appears at the end of this report for detailed data on sector-specific performance, additional reporting categories and the GRI Index table.

Reporting Standards

Our sustainability report was prepared against the GRI (Global Reporting Initiatives) G3.1 guidelines.

Reporting Period

This reports spans the period between January 1, 2012 and December 31, 2012 and presents three year's worth of quantitative data between 2010 and 2012. In addition, a portion of the major issues in the first half of 2013 were highlighted. Financial data was presented in a consolidated manner.

Reporting Scope

This report primarily includes the data and performance of our HQ, plants, R&D Center and sales offices. A portion of the data is dedicated to our overseas business sites (GHG emissions, local recruitment, and regional sales). The scope of our sustainability reporting will be extended in the upcoming years.

Reporting Boundary and Major Changes in Measurement Methodology

The financial data in this report was presented in accordance with K-FIRS as a response to the introduction of international accounting standards. Energy consumption and GHG emissions data was prepared on the basis of emissions verification outcomes.

Assurance

This report was assured by the Institute for Industrial Policy Studies to ensure the reliability of the report content and the assurance statement appears in the appendix.

For Further Information

Website: http://www.mobis.co.kr
Business Reports: http://dart.fss.or.kr (Electronic disclosure system the Financial Supervisory Service)

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