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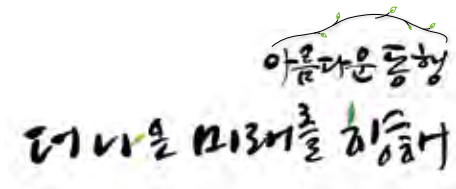
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SCIENCE TO SUSTAINABILITY

MOBIS SUSTAINABILITY REPORT 2011



MOBIS



This Report contains information on the vision MOBIS has to create a better world and its effort to realize this vision. Our new logo symbolizes harmonious coexistence. The logo represents the type of partner that MOBIS strives to be in relation to our key stakeholders including customers, local communities and suppliers. The phrase 'Lasting Companionship' signifies MOBIS' spirit to exert concerted effort along with the society for a better future. Also, the title: 'Toward a better future' manifests MOBIS' commitment to practice social responsibility as a leading global citizen.

## SCIENCE TO SUSTAINABILITY

The slogan : 'SCIENCE TO SUSTAINABILITY' portrays MOBIS' willpower and capacity in utilizing '*driving science*' to express a higher level of socially responsible commitments. MOBIS' '*driving science*' stands for the volition to develop cutting edge automotive parts to a state of science.

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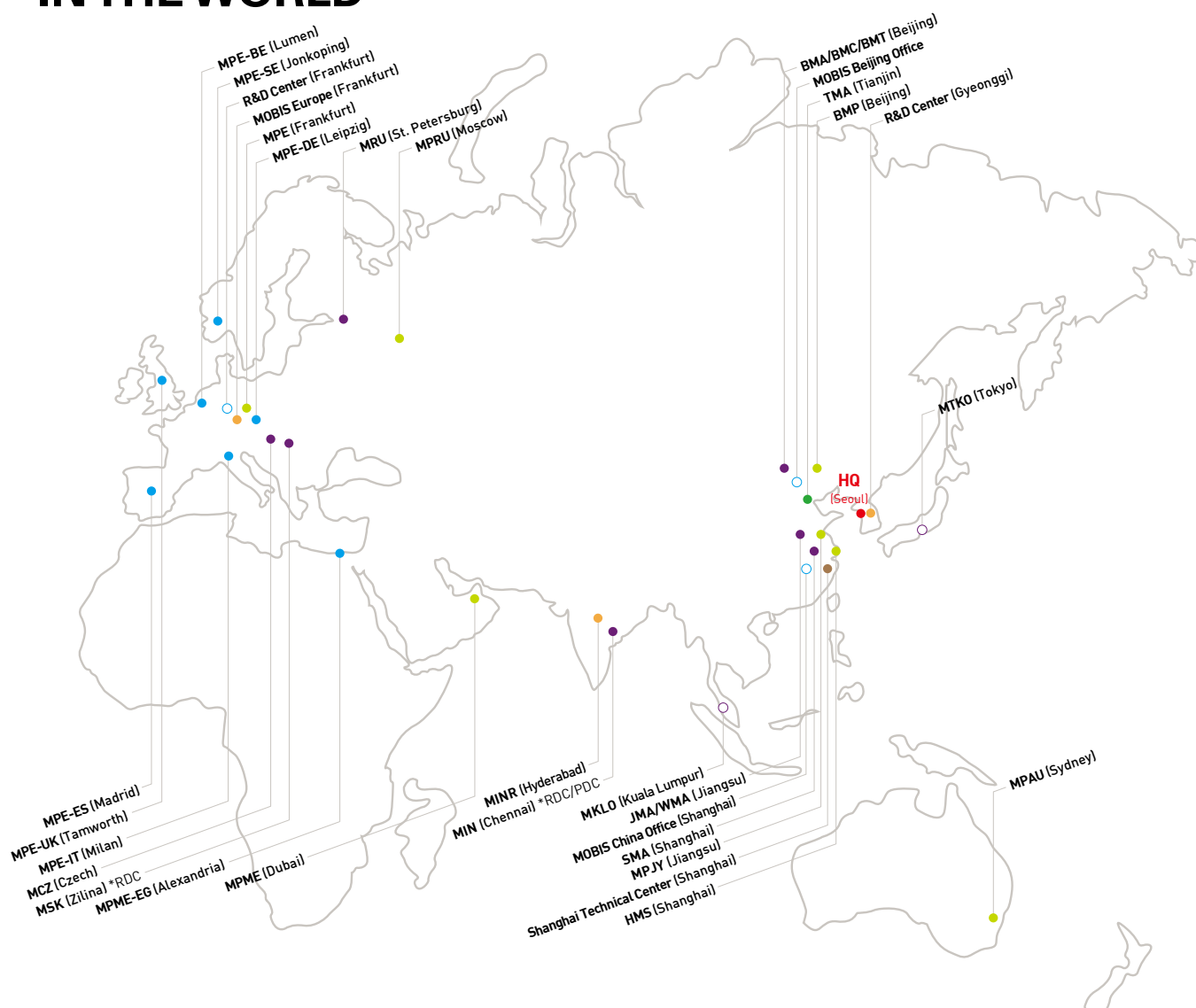
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About the Report

# MOBIS IN THE WORLD



## COMPANY OVERVIEW

Name of Company	Mobis Co., Ltd
Vice Chairman & CEO	Suk-soo Chung
Headquarter Address	679-4 Seoul International Tower, Yeoksam1-dong, Gangnam-gu, Seoul, 135-977, Korea
Type of Business & Key Products	Module & Core parts manufacturing, Aftermarket Service Parts Business
Number of Employees	Domestic 6,661 Overseas 8,042
Sales(Parent)	13,696 Billion KRW

**MOBIS**

## BUSINESS AREA

### Module Parts Manufacturing

As a leading automotive module manufacturer, MOBIS manufactures and supplies Chassis Module, Cockpit Module and Front End Module to both Hyundai and Kia Motor along with other automakers.

### Aftermarket Service Parts Business

We have established a strong domestic distribution network that consists of direct sales offices and dealerships in order to ensure timely delivery of necessary service parts for all Hyundai and Kia Motor customers. We have also established an advanced global parts distribution network capable of delivering exact service parts in demand of over 39 million Hyundai and Kia vehicles around the globe.

### Core Parts Manufacturing

**Core Parts for optimal vehicle performance and improved safety :** MEB (MOBIS Electronic Brake), ESC (Electronic Stability Control), smart airbag system, and MDPS (Motor Driven Power Steering) system.

**Core Parts for environment friendly vehicles :** electric motor, inverter, IPM (Integrated Package Module), energy efficient LED headlamps.

**Core Parts for smart vehicle system :** ECU (Electronic Control Unit), IBS (Intelligent Battery Sensor), TPMS (Tire Pressure Monitoring System), AOS (Automatic Occupant Sensor), BCM (Body Control Module), SCC (Smart Cruise Control), PAS (Parking Assistance System) and Multimedia system including Audio and AVN (Audio Video Navigation) systems.





## KOREA

**6,661** EMPLOYEES

SALES : 13,696 billion KRW

## CHINA

**3,415** EMPLOYEES

SALES : 5,589 million USD

## EUROPE

**2,024** EMPLOYEES

SALES : 2,151 million USD

## AMERICA

**1,855** EMPLOYEES

SALES : 3,026 million USD

## ETC.

**748** EMPLOYEES

SALES : 1,003 million USD

(INDIA/MIDDLE EAST/OCEANIA)

## INTRODUCTION

Founded in 1977 as Hyundai Precision & Industries Corporation, the company has concentrated its efforts in the automotive parts business. In October 21<sup>st</sup> 2000, the company was renamed MOBIS, an auto parts specialist making continued progress.

MOBIS began modularization of auto parts in early 2000, and succeeded in becoming one of the leading automotive modular part manufacturers. We managed to achieve significant growth by focusing on the manufacture of modular parts and core components, as well as the sales of service parts, all of which structurally support one another. Compared to ten years ago, MOBIS has achieved a sales increase of 6.9-fold, an increase in operating profit of 9.0-fold and increased R&D investment of 23.2-fold. Aggregate market value of MOBIS has increased by 72.5-fold. We are sharing the fruits of our business growth with our stakeholders. In 2009, MOBIS was ranked as the twelfth largest automotive parts company in the world. As a supplier of more than 1.65 million automotive parts employed in 179 mass produced vehicles, MOBIS has established a global business network in order to effectively serve our customers.

※ Automotive News, Top 100 Global Suppliers

Faced with an increasing emphasis on safety, convenience and environmental-friendliness, we expect to face a new type of market competition. Since we declared on our new vision for new growth, we are especially concentrating on the development of parts for improving environmental performance and smart functions of vehicles as a part of our effort to become a responsible corporate citizen that contributes to the creation of sustainable value for our stakeholders.

# CHAIRMAN MESSAGE



Realizing the vision of  
‘Lasting Companionship’ with  
customers, local communities  
and suppliers

It gives me great pleasure to share MOBIS' second Sustainability Report with customers, investors, and all our stakeholders.

Amid management environment in which global automotive industry underwent internal and external crisis, employees and suppliers of Hyundai Motor Group have wisely strengthened its global reputation through determination and challenging spirit. 2010 was a significant year in terms of achieving growth and attracting global attention through the inauguration of Dangjin steel mills that maximized synergy effect between steel and automotive industry.

Such remarkable growth was made possible by MOBIS' ceaseless efforts for technology development, manufacture of cutting-edge core parts, the accomplishment of unique quality management system and vast infrastructure that backed up Hyundai Motor Group to enforce its capabilities at global market.

Especially in 2010, after the renaming and transformation to a specialized automotive parts manufacturer, MOBIS met its tenth year since its 'Second Foundation'. In past ten years, MOBIS achieved striking outcomes showing increase in sales by seven-fold and its aggregate market value by seventy-fold. At this very moment, MOBIS is continuously strengthening its capacity to become a true leader in the global automotive market through creation of core values for the future.

The increased global profile of MOBIS is leading to strengthened corporate citizenship, working as a key driver to progress socially responsible practices.

In 2011, Hyundai Motor Group has announced a new management vision that calls for harmonious growth in conjunction with stakeholders and to create the highest value through business activities that respect humanity in line with environment protection.

I firmly believe that MOBIS' second Sustainability Report will fulfill its role as another growth driver that powers 'Lasting Companionship' with local society and stakeholders, promoting the realization of human-based, future oriented values.

We ask continued interest and support for MOBIS in achieving its vision to become a true global leader and we wish all of you a year of great health and happiness. Thank you.

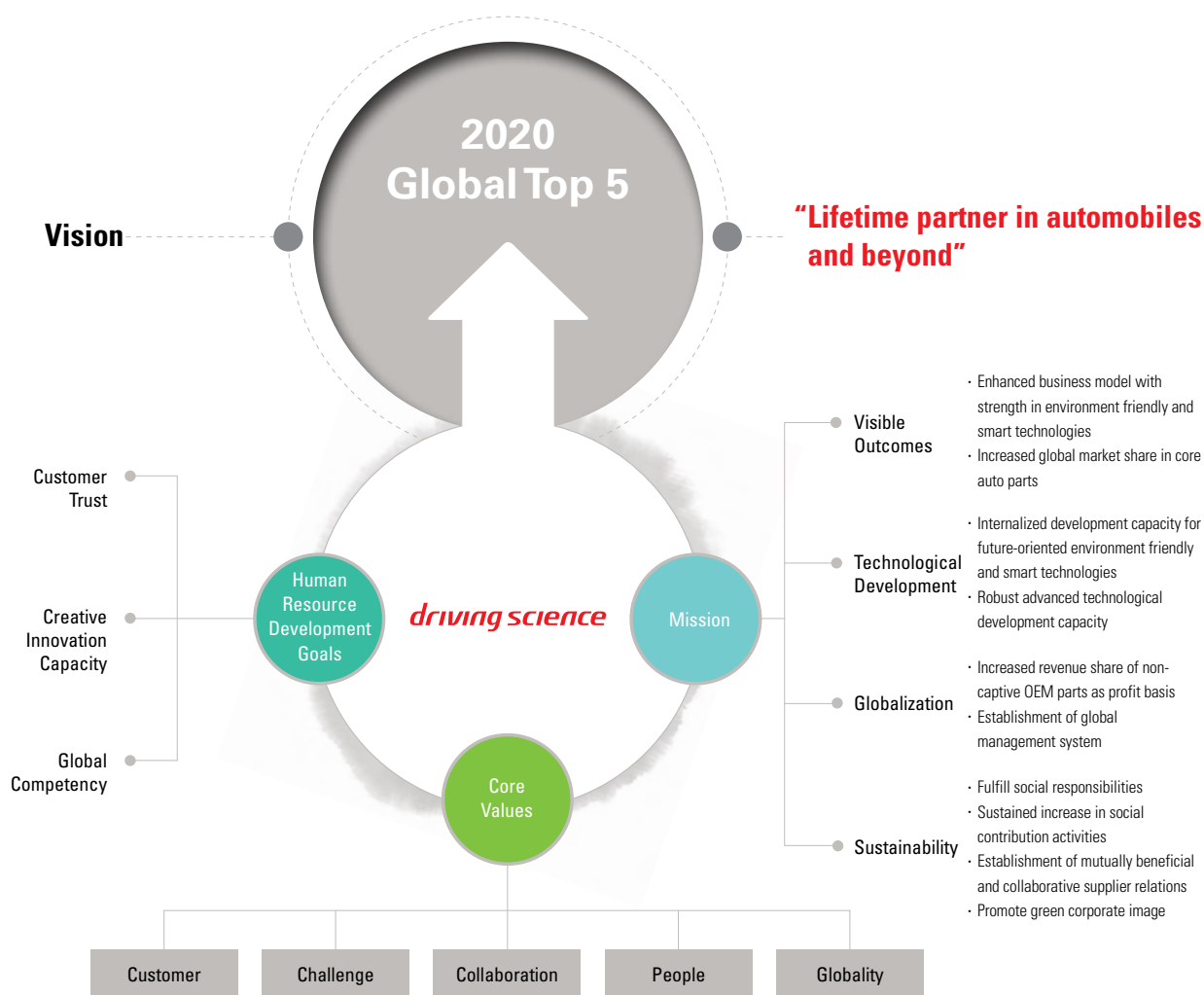
July 2011

**Mong-koo Chung**, Chairman  
Hyundai Motor Group

# Vision 2020 Global Top 5

In July 2009, MOBIS meeting the 32nd anniversary of its foundation, announced its long-term vision and following strategies to become one of world's top 5 auto parts manufacturers by 2020. In light of the management philosophy: 'Creating new value with high-tech auto parts providing improved safety and environment protection,' MOBIS is endeavoring to become a technology leader in the global industry through successful operation of future oriented, environment friendly and smart parts business, and furthermore, present a trusted corporate citizen that contributes to the sustainability of mankind, society, and the environment.

## Vision 2020 Global Top 5



※ The five core values were stated in the new management philosophy of Hyundai Motor Group announced in 2011

# VICE CHAIRMAN & CEO MESSAGE

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## Creating a Better Future

MOBIS published its first Sustainability Report in 2010. It was the first Sustainability Report by the company, as well as the first Report by an automotive parts company in Korea. The publication of the Report marked our symbolic first step forward in fulfilling social responsibility and becoming a trusted corporate citizen.

MOBIS has made great strides with tremendous growth in the automotive industry over the past ten years. In 2011, we are continuing to create greater value for the future and leapfrog into becoming a global leader in the industry. I would like to sincerely thank all our customers and our stakeholders for their continued support. Our second Sustainability Report is a statement of our pledge as a responsible corporate citizen.

A vehicle can only be operated when thousands of parts operate in harmony. Likewise, MOBIS is working with our stakeholders to make a better world for all in the spirit of 'Lasting Companionship'. For example, we have launched a strengthened shared growth commitment to the 'Seven Beautiful Pledges' in order to promote stronger growth with suppliers. We are also conducting various social contribution activities as a part of our 'Joy of Sharing'. Our 'Transparent Umbrella for School Children' is an example of a unique social contribution activity designed to fulfill our social responsibility as an automotive parts company. We distributed 100,000 transparent umbrellas to school children of 229 schools in 2010 alone.

We are also making a sustained effort to protect clean environments for a better tomorrow. Our environment management scope covers all stages of the business process from planning to sales and disposal of the products. We are striving to minimize the environmental impact associated with our products with a keen sense of responsibility. Greenhouse gas reduction is one of the most important motivations of our environment management, and we are developing low carbon technologies to achieve a reduction in all processes from design to disposal and realize a low carbon green society. We are also strengthening our management of hazardous materials and have established a resource recycling structure.

MOBIS aims to contribute to the creation of a more prosperous world by pursuing shared growth, increased social contributions, strict environment management, quality improvement and sustained economic value creation. Last year, we managed to achieve 13,696 billion KRW in sales up 28.8% from a year ago. We shared the fruits of our growth with our stakeholders including investors and shareholders. We are growing steadily, and we will continue to innovate in management and invest significantly in R&D for future technologies to ensure sustained growth.

I would like to assure everyone that MOBIS' CSR management will continue to evolve over time, addressing social issues in an increasingly effective manner. I ask for continued support and interest from our customers and stakeholders to help us realize our sustainability management goals.

Thank you.



July 2011

**Suk-soo Chung**, Vice Chairman & CEO  
MOBIS Co., Ltd.

# SHARED GROWTH

**MOBIS maintains a sustainable management strategy that creates a synergetic effect from unique CSR activities that link its traditional business operations to the needs of relevant stakeholders by fully utilizing the strengths of its specialty as an auto parts manufacturer.**

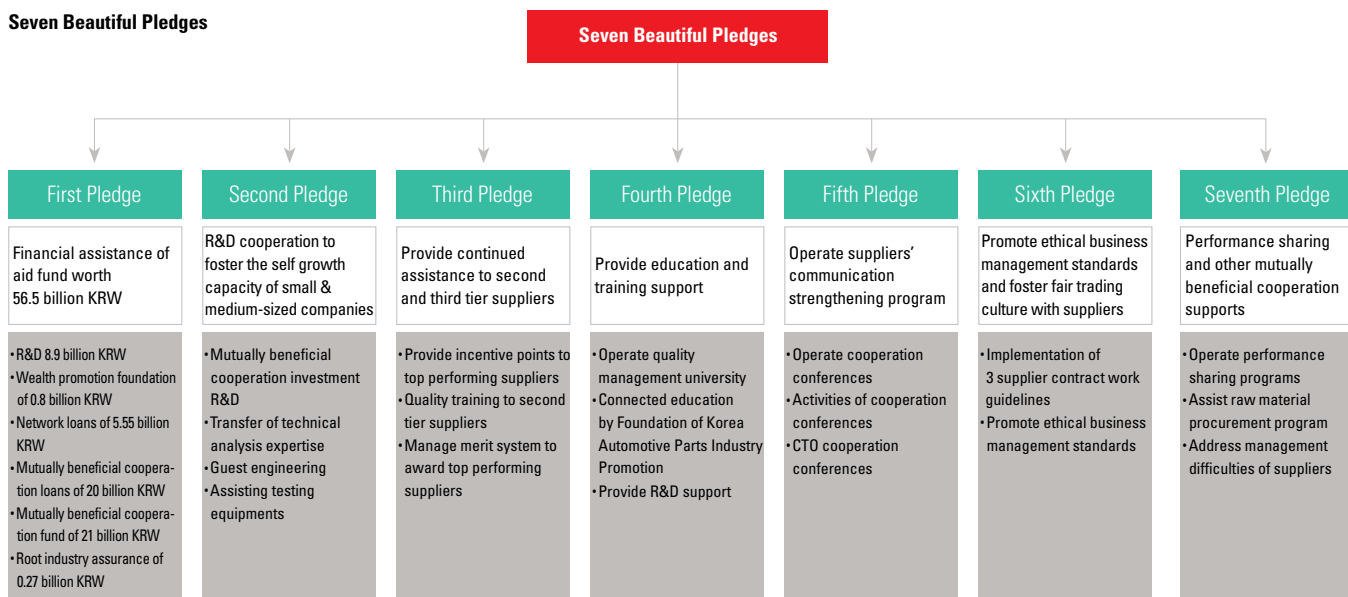
## Seven Beautiful Pledges

In September 2010, MOBIS launched the declaration of the 'Seven Beautiful Pledges' to provide practical help to suppliers through refurbishing existing 'Shared Growth' programs such as export assistance, technical consulting, mutually beneficial cooperation financial assistance, information and cultural exchanges and many more. At the same time, it aims to strengthen the ability of suppliers to grow independently in the longer term. The pledges include 350 billion KRW worth of financial support, performance sharing and other programs in

the 'Shared Growth' assistance package. In particular, the 'Beautiful Pledges' has solidified through the R&D cooperation investment decision made at the CTO forum and the application of a performance sharing model.

In addition, through the 'Seven Beautiful Pledges', MOBIS is doing its best to build 'Win-Win Partnerships' with suppliers and local dealers by sharing a common perception that the improvements to the supply network leads to the improvements of product competitiveness.

### Seven Beautiful Pledges



### **First Pledge** Provide financial assistance and expand cash payments to small and medium-sized companies

MOBIS is the first company in Korea that implemented a cash-based payment policy to help suppliers financially regardless of the size of payment. Furthermore, 56.5 billion KRW worth of financial funding was created to assist supplier financial operations. In particular, MOBIS financial assistance programs help small business establishments with low credit and such a financial program is actively in operation.

### **Second Pledge** Expanding R&D cooperation

Nurturing new technology and product development capacity based on solid R&D infrastructure is an essential requirement for small and medium-sized companies to grow independently. MOBIS operates R&D financial assistance, transfer of technical analysis expertise, guest engineering, testing equipment assistance, and joint research strengthening programs to foster supplier R&D capacity.



**Third Pledge** Expanding the scope of assistance to second and third tier suppliers

In order to diffuse the MOBIS 'Shared Growth' strategy to the auto parts manufacturing industry as a whole, we assign incentive points to those top performing suppliers providing assistance to second and third tier suppliers. Furthermore, MOBIS operates a training program for acquiring high quality certification where the main program targets are second and third tier suppliers who are relatively disadvantaged in quality and technology aspects.

**Fourth Pledge** Expanding the operation of education and training assistance programs for suppliers

Education is a key force for driving growth. MOBIS provides practical and diverse education and training programs to suppliers in order to bolster the growth of suppliers. In conjunction with the Foundation of Korea Automotive Parts Industry Promotion, MOBIS provides elementary quality training and R&D design transfer programs to suppliers in addition to 6 sigma education and other quality improvement programs. Also, the MOBIS management academy and other specialized training programs are in operation to meet the training needs of managers from local sales dealers and future managers.

**Fifth Pledge** Expanding the operation of programs that strengthen communication with suppliers

A mutual understanding between people is achieved only when there is smooth communication between them. Similarly an open communication channel is crucial in building sustainable shared growth with suppliers. MOBIS strives to maintain open communication channels with suppliers by holding regular seminars, providing assistances to 14 sales sectors, CTO council and two R&D sectors, funding overseas training, sending seasonal fruit baskets and a variety of other activities.

**Sixth Pledge** Fostering a fair trade culture with suppliers and promoting ethical business management standards

Through the declaration of new ethical business management standards in November 2010, the standards for transparent management practices within the company and during transactions with suppliers have been significantly raised. Regular inspections are carried out to verify the status of implementing three supplier contract work guidelines. The compliance of fair trade practices is ensured through a series of educational and training programs. A website is available to receive the reporting of violations on fair trade practices and to provide consulting services.

**Seventh Pledge** Expanding the scope of cooperation and assistance to resolve management obstacles

We encourage suppliers to accompany us in attending international auto parts exhibitions so that they can open up new export channels. MOBIS maintains an active procurement system that enables direct procurement of raw materials of the supplied products on behalf of suppliers. Particularly, MOBIS attempts to provide assistance in determining purchase prices that reflect the fluctuations of the cost of raw materials.

## Interview



### A trustworthy companion in the era of unlimited competition

Chae-soo Moon • CEO & President, Myunghwa IND.CO., LTD

MOBIS takes great pride in its high standards of sociability with suppliers. For such a reason, Myunghwa's close partnership with MOBIS often becomes the envy of suppliers. Thanks to MOBIS' quality management training, we were able to expedite our quality improvement process. Keeping up this momentum, we are also conducting quality improvement campaigns to promote shared growth among second and third tier suppliers. As a first phase, we implemented quality improvement campaigns with 14 suppliers. The result was very positive improving the working environment significantly. We have plans to launch the second phase with 30 more suppliers. In addition, the MOBIS New Partnership 21 enabled us to establish new overseas business opportunities. We hope to continue to be a trustworthy companion by leading new automotive technology R&D with assistance from MOBIS.

Children involved in traffic accidents are a serious issue that we are well aware of as a automotive parts manufacturer. We are trying to alleviate this issue by providing transparent umbrellas to school children. In 2010, we distributed custom-made transparent umbrellas to 100,000 students in their 1st to 3rd grades. We also created an educational CD to help educate children on traffic safety as a preventive measure. We recognize that transparent umbrellas alone can not prevent all child-related traffic accidents, but we hope that our initiative contributes to the reduction in the number of accidents and by raising awareness. Additionally, we plan to distribute another 100,000 umbrellas to elementary school students in 2011. We also plan to hold a traffic safety campaign poster contest to raise awareness on child-related traffic accidents and educate children on traffic safety.

## ‘Transparent Umbrellas’ for Improved Child-related Traffic Safety

Last year, more than 18,000 cases of child-related traffic accidents occurred, which accounted for 8% of all traffic accidents. The number of child who died in traffic accidents was approximately 2.3 per 100,000 people in Korea, according to 2007 data, which is 20% higher than the

OECD average. Automobiles allow their drivers to travel faster in a more convenient manner. However, such convenience should not come at the loss of young lives. It is unfortunate that our children, the future of our society, are exposed to the danger of traffic accidents, and we must

### Transparent umbrella distribution campaign



Traffic safety education CD



Transparent umbrella handover ceremony

Traffic safety education for children





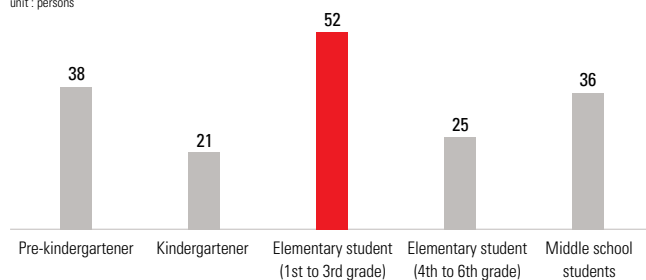
make an effort to protect our children as a first priority. MOBIS decided to take a small step toward the reduction of the child traffic accident rate as an automotive parts company. On September 9, 2010, we began distributing transparent umbrellas and educational CDs to students at Woosin Elementary School located in Seoul, putting our CSR slogan of 'Lasting Companionship' into practice. The National Assembly Committee of Land, Transport and Maritime Affairs, the Korea Transportation Safety Authority, and the Korea Association for Safety Communities participated in this initiative as partners.

The special transparent umbrella has a transparent canopy made of a reinforced vinyl material, allowing its users to better monitor traffic movement around them, potentially contributing to the prevention of traffic accidents due to limited visibility caused by non-transparent umbrellas. The special vinyl is three times thicker than the material found on commonly-sold models, while the pole and frame is made of lightweight materials including aluminum and reinforced fiber plastic materials making it both sturdy and suitable for children. The special vinyl also has a reflective layer, reflecting light to make children carrying the umbrella more visible to drivers. An emergency whistle is attached to the umbrella to allow the children to more effectively grab the attention of people nearby for help. We conducted a survey of parents and teachers of students who received the umbrella and made changes to the program for 2011.

#### Statistics on child-related traffic accidents (2008, S.Korea)

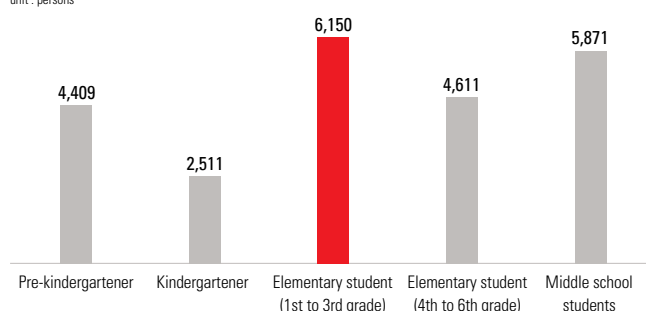
##### No. of traffic accidents resulting in death

unit : persons



##### No. of traffic accident injuries

unit : persons



## Interview



### We call them 'Safety Umbrellas'

Gi-baek Sung • Teacher, Woosin Elementary School

People often forget that school is a place for learning much more than just academic subjects. Children learn the basic skills necessary for living in a modern society at elementary school and traffic safety is one necessity. I recently read an article on the increase of traffic accidents near schools. MOBIS' traffic safety campaign gives me hope for an improvement for this serious problem. The transparent umbrella distribution was a particularly effective program which raised awareness on traffic safety. Children and parents both greatly appreciated the initiative. Everyone refers to it as safety umbrellas at our school. Although I am always concerned about safety of my students, I feel less concerned on rainy days about their safety knowing that they will be carrying the safety umbrellas. The transparent umbrella was a simple and effective tool for increasing traffic safety for children. I look forward to MOBIS' next traffic safety promotion activity.

## TECHNOLOGY DEVELOPMENT

Automotive parts companies are in intense competition to develop improved automotive parts especially for environmental performance improvement and in-house development capacity. MOBIS is focusing on in-house development of advanced technologies for application in smart green vehicles to strengthen its global status as an advanced automotive parts company with technology leadership.

# In-house Development of Environment friendly LED Lamps

LED is receiving the spotlight as the future of automotive lighting systems. In short, LED is increasingly replacing HID lights which were introduced as replacement for halogen lights. We expect the LED automotive lighting system market to increase substantially. LED head lamps are a product of highly refined technologies in optical science, lens manufacture, heat dissipation systems, ECU modules and solid state electronics. Currently, it is only employed in top of the line vehicles including the Lexus 600h (high-beam only), the Audi R8 (high-low beams) and the Cadillac Escalade (high-low beams).

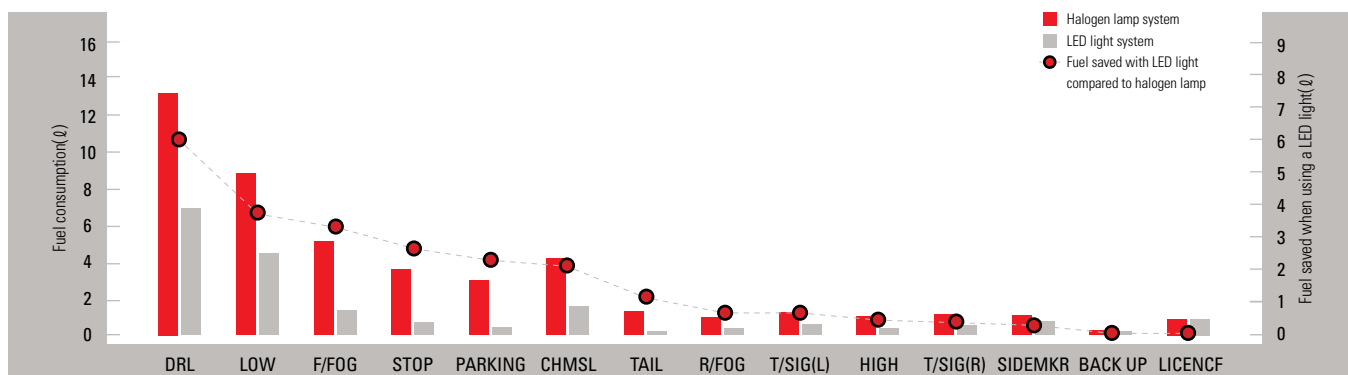


MOBIS' multi-function LED lighting system

Collaborating with Samsung LED and SMEs specializing in core technologies such as Sekonix and Apack, Seoul National University and Korea Photonics Technology Institute, MOBIS succeeded in creating a high-intensity LED system using domestically developed components. In addition to improved performance characteristics, the new LED head lamp is smaller and employs a fewer number of parts than before making it more suitable for mass production. Successful development of high-reflectance (90%) reflectors and light-weight (42g) plastic aspheric lenses contributed to increased light intensity from 15% to 40%.

We employed the Adaptive Front Light System (AFLS) in the LED head lamp which change direction of the lighting according to road conditions, weather and driving conditions, making it suitable for top of the line vehicles. Four academic theses have been written, while 11 patent applications have been filed on the technologies employed in the LED light.

Fuel consumption for function (Source : UMTRI data)



## ■ Environmental and technological benefits due to LED lighting system development

### Technological benefits

1. Improved cost competitiveness with domestic technology/supply base (15.4% cost reduction)
2. Reduced dependency on imported parts: rate of domestic sourcing : 98% (2% of parts/materials imported)
  - Use of domestically sourced parts leads to increased business opportunities for local suppliers of approximately 44 billion KRW per 100,000 vehicles using LED head lamps.
3. Increased supplier technological capacity and reduced technology royalty payments
  - Secured technologies for the LED lighting system, heat dissipation system and combination lamp operation mechanism
4. Decrease in night time accidents with improved night vision and road conditions



LED combination headlamp

### Environmental benefits

1. Reduced fuel consumption and CO<sub>2</sub> emissions (compared to halogen lamps)
  - CO<sub>2</sub> emission reduction by 110 kg/year (110,000 tonCO<sub>2</sub> reduction per million vehicles)
  - Fuel saving of 43.6 liters per year (assuming 20,000 km/year) which can lead to a substantial savings in fuel costs of 75,000 KRW per year (assuming gasoline price of 1,720 KRW per liter)
2. Reduced cost associated with maintenance and disposal of head lamps
  - ※Halogen lamp have 50% reduced light intensity after 300 hrs of use, requiring replacement of bulbs every two years.

Company	Development status
MOBIS	Completed rotation-type shield operation mechanism : 8 patents Low Beam : maximum range (100m), width (33m) High Beam : maximum range (156m), width (26m) Reduction in overall size and number of parts : reduced by 15%
Samsung LED	High-intensity LED : 700 lumen achieved Changed LED vertical chip and completed testing on reliability of chip-level coating technology
Ceratron	Applied plating lines on ceramic board for LED and optimized plating condition and plating process
Dipetm	Developed Metal-Base PCB with heat transfer performance improved to over 95% Completed prototype production – filed patent application for the technology
Seoul National University	Developed coating mode adjustment technology for reflective cavity sizes Developed board cover adjustment technology for reflective cavity with varying density
Apack	Optimized heat resistance of heat dissipation module in LED combination lamp to 2.5 K/w (two patents pending) Optimized size and weight of the module and completed reliability testing
Korea Photonics Technology Institute	Approved use of adjusted test value for the amount of heat dissipated at the active layer Designed LED heat model and heat dissipation system for the chip
Sekonix	Developed high-reflectance (90%) and light-weight (42g) plastic aspheric lens and high transparency reflector (90%) Completed reliability testing for micro structure improvement and adjustment of plastic aspheric lens focus distance Planning for reliability testing using two PC types, PMMA UV additives

## Interview



### Aiming to be the world best

**In-heum Park** ● General Manager, MOBIS Advance Lamp Technology R&D Team

The advanced lamp research team succeeded in developing an LED head lamp, which has been imported from overseas suppliers. The new LED head lamp consumes only 20 to 30 watts of electricity, much lower than conventional lamps. It is also durable enough to last as long as the vehicle in which it is installed, contributing to reduced disposal of automotive parts. Thanks to in-house development and domestic sourcing, we are expecting a more stable supply of LED head lamps at up to 15% lower price. I believe we surprised the world with our new cutting-edge technology. Our achievement is even more meaningful because we managed to complete development of the lamp in just one year. At MOBIS, we firmly believe in achieving our goals regardless of the condition we are in. I am confident that we will continue to surprise the world with even more remarkable success using our core spirit as a driving force.

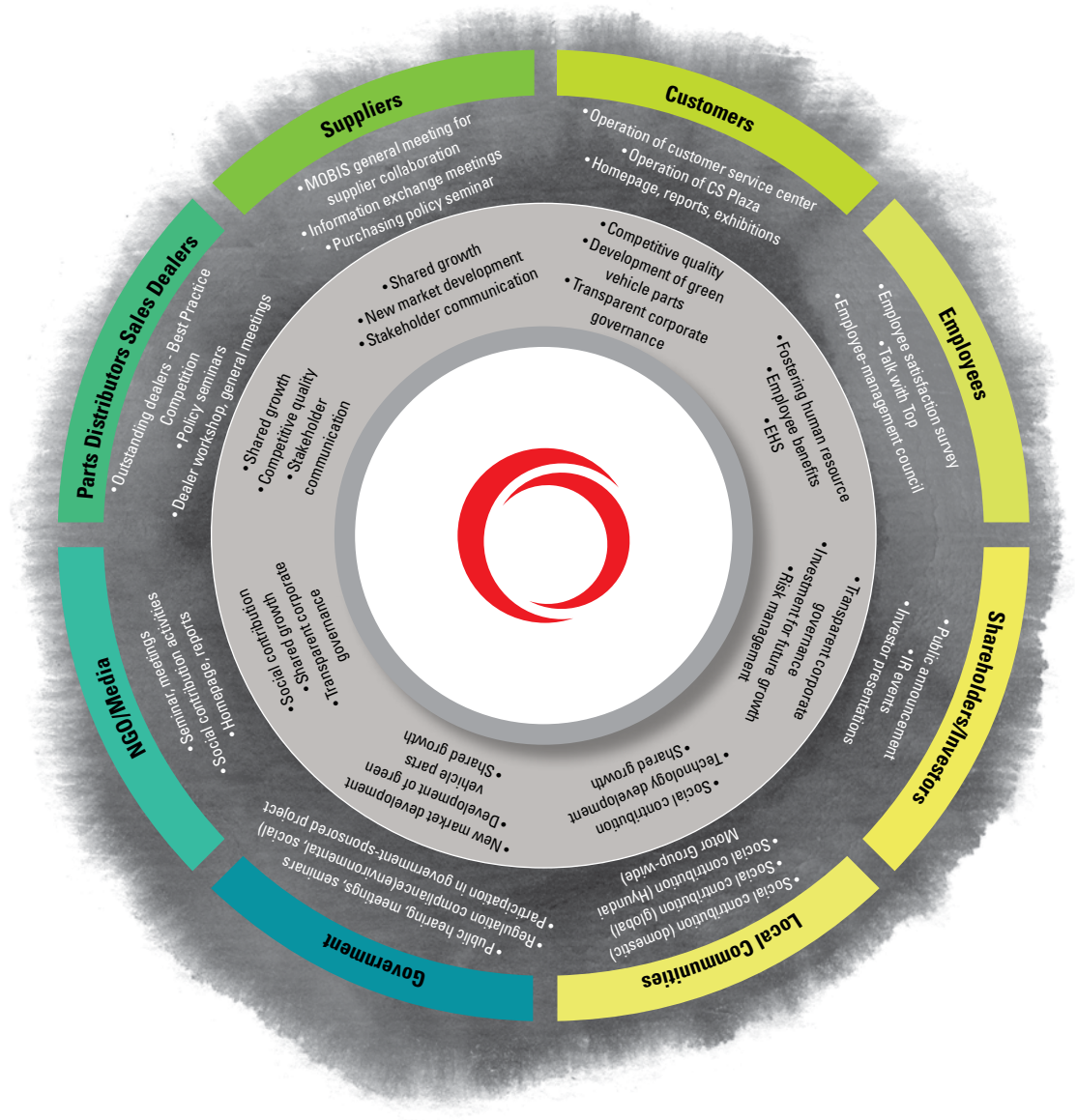
# CSR MANAGEMENT



# Stakeholder Materiality

Stakeholder communication is essential to achieve the sustained growth of a company. We have established various communication channels in order to respond to stakeholders more effectively and strengthen our foundation for innovation and change.

MOBIS' stakeholder mapping



## Materiality Test Process

We conducted a stakeholder survey to identify priority issues and conducted an assessment of internal priorities in order to identify issues that are most important for MOBIS and our stakeholders, and more over, to ensure sustainable management at MOBIS. The findings provide guidance for determining focal areas for the 2011 MOBIS Sustainability Report.

## Identification of External Priority Issues

### ■ Media Analysis

An extensive media surveys on newspapers, public television and radio stations were conducted to identify issues of high importance for external stakeholders. A total of 588 separate pieces of media data consisting of 523 newspaper articles and 65 television media clips on MOBIS were collected and analyzed to identify key issues with high relevance for sustainable management.

### ■ Stakeholder Survey

An e-mail survey was conducted in order to collect key stakeholder opinions. A total of 215 stakeholders including the supplier cooperation council, the R&D collaboration council, government agencies, sales dealers, media, industry groups, academia and customers were surveyed for feedback.

### ■ Benchmarking Leading Competitors and Analysis of Global CSR Indicators

An analysis of leading competitors' selection of priority issue was conducted for reference. The ISO 26000 and GRI indicators were also used to identify commonly-accepted priority issues and assess sustainability management status of MOBIS.

## Materiality test process

### Identification of external priority issues

#### External priority issues

- Sustainability management issues for MOBIS
  - ※ Keywords for priority issues shared growth, social contribution, stakeholder dialogue, Fair competition, R&D and etc. (24 keywords in total)

#### External priority identification method

- Media coverage analysis, stakeholder survey, CSR indicators, analysis of leading competitor practice

1

### Analysis of impact on MOBIS

#### Analysis of impact on MOBIS

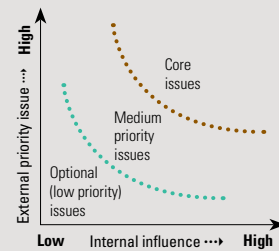
- Comparison of external issues and internal management policies, analysis of impact on MOBIS
- Strategy for strengthening future growth capacity
- Strategy for advanced global business management
- Strategy for continual strengthening of growth engine

2

### Decision on reporting priorities

#### Charting priority issues

- External priority issue & internal influence



3

※ The materiality test process was designed using AA1000 Assurance Standard's materiality principles as a guideline

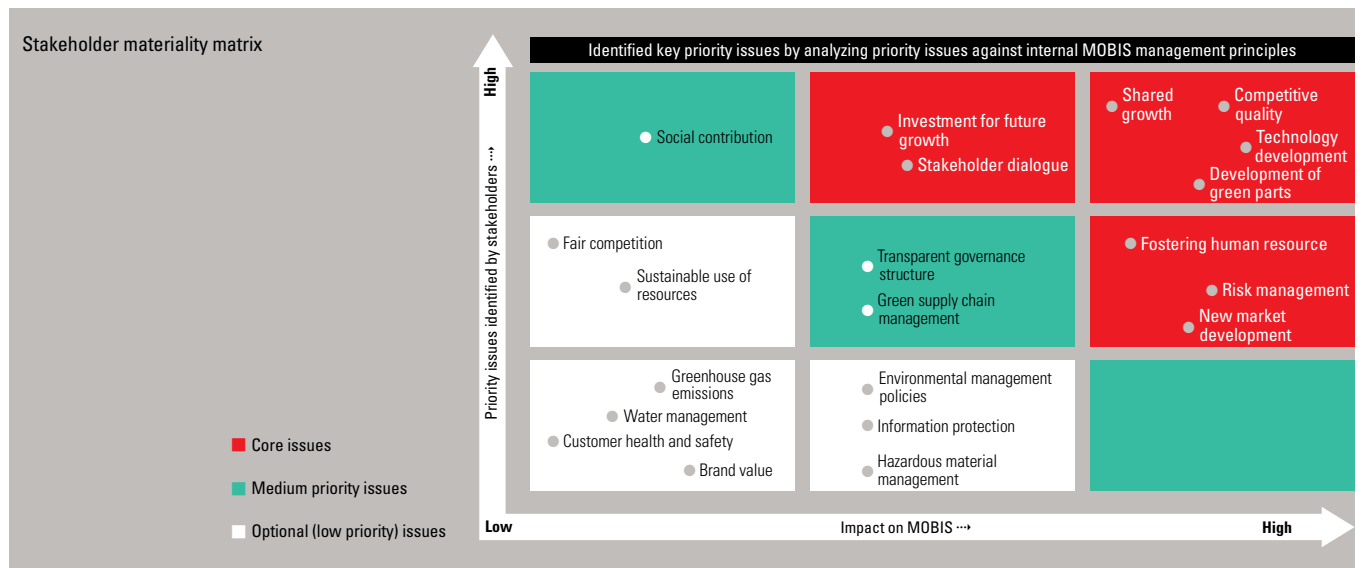
## Analysis of Impact on MOBIS

The issues selected by outside stakeholders as priority issues were analyzed for potential impact on MOBIS in light of the company's management philosophy, KPI, current policy issues, core values and more. The issues were then classified into different priority groups.

### ■ Management Policy

- Strengthen core capacity for future growth → Development of smart IT convergence electronics and green technologies, establishment of global No.1 product development technology, strengthened core technology foundation by partnering with advanced companies and by hiring top talent
- Advanced global business management → Strengthen global organizational capacity, establish a global quality management system
- Continuous strengthening of growth engine → Increased overseas OEM export volume/development of new businesses, focus on growth of suppliers and strengthen win-win cooperation structure, increased focus on strengthening our core business model

## Reporting priority mapping



Issue	Reporting details	Reference page
Competitive quality	GTO-2015 (Achieve top quality in global market by 2015), performance test for maximum customer	43-46
Technology development	Development of smart IT convergence electronics technologies and green technologies (for increased customer safety and convenience, CO <sub>2</sub> emissions reduction technologies)	12-13, 54-59, 72
Development of green vehicle parts		
Shared growth	'Seven Beautiful Pledges' for shared growth, dealer support program (training and etc.)	8-9, 26-30, 70
Fostering human resources	MOBIS HR development vision and strategic direction, human resource development structure (establishment of HRD strategic structure, training programs)	41-42
Investment for future growth	Increase global market share, develop new growth engine via management innovation, development world No.1 products, increase R&D investment	69-72
Risk management	Risk management system, pre-emptive risk management activities (scenario-based management)	22-23

# CSR Management Structure

In 2009, we established a CSR committee to instill a strengthened understanding of need for CSR management and increase internal capacity to implement CSR activities. Corporate philosophy that values environmental stewardship and respect for humanity and society.

## ■ Management Structure

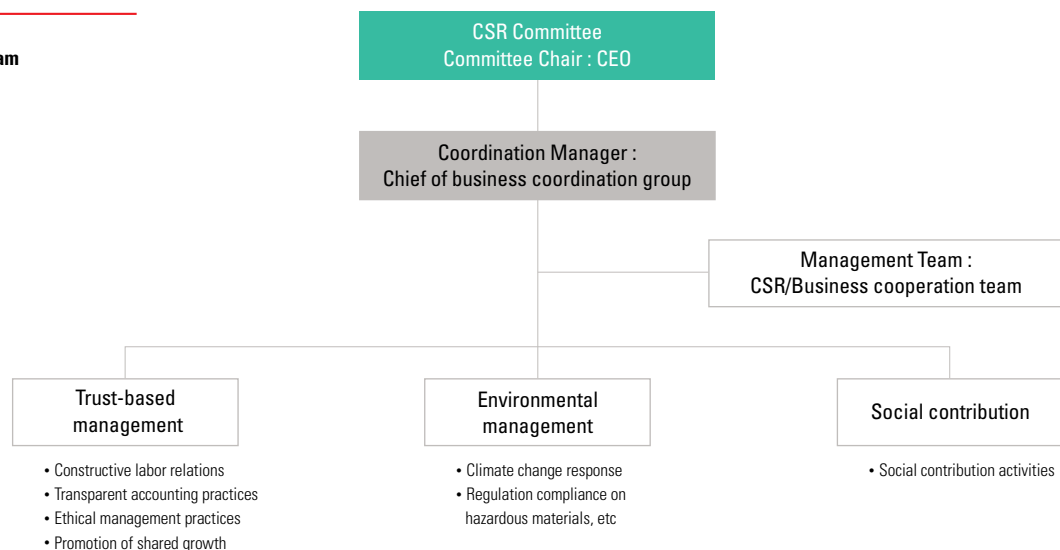
The CSR committee coordinates management of various in-company committees by fostering organic network among them in order to manage implementation of activities that are in line with trust-based management, environment management and social contribution strategies. The CSR team was also established as a window for communication with internal and external stakeholders. Additionally, the CSR team supports and coordinates activities for each CSR management area, communicates with stakeholders and publishes the Sustainability Report.

MOBIS also joined the UN Global Compact in July 2008 to pursue business and public interest in a balanced manner. A corporate CSR task force was organized in 2009, under supervision of the Hyundai Motor Group CSR Committee. The task force created the '2020 CSR Implementation Strategy'.

## ■ Implementation Structure

MOBIS announced its will to pursue mutually beneficial cooperation with all stakeholders based on trust. Since then we have been making a continued effort to improve our CSR management activities by instilling trust-based management practices, improved environment management and social contribution activities. Building constructive labor-management relationships, transparent accounting practices, promotion of more ethical business management and shared growth are examples of on-going efforts as a part of trust-based management. For improved environmental management, we are reducing energy use to tackle climate change and placed strict policies on the use of hazardous substances in line with strengthening global regulations. We are also conducting a wide range of social contribution activities in collaboration with our stakeholders including suppliers to realize our vision under the slogan of 'Lasting Companionship'.

CSR committee organization diagram





# Ethical Management

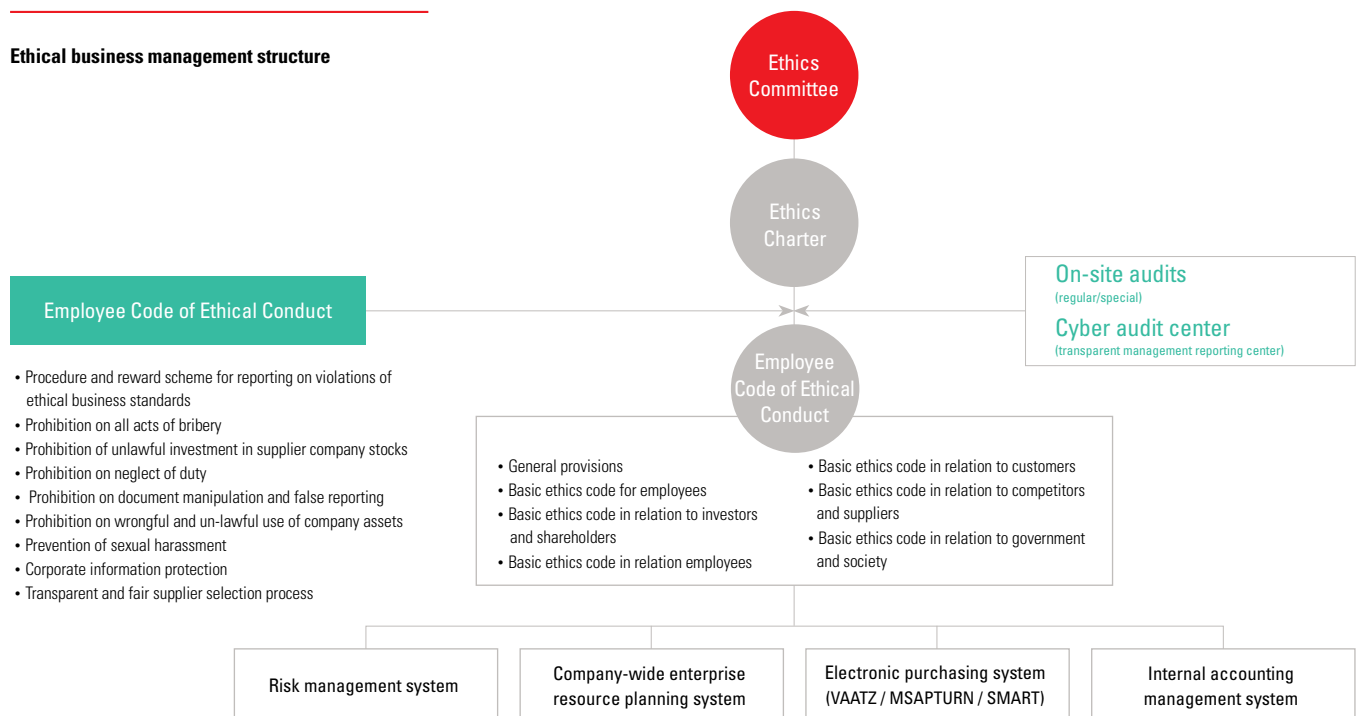
MOBIS has made a continual effort to establish an ethical management system since the announcement of the code of business ethics in 2002. For instance, we implemented a company-wide enterprise resource planning system for the standardization of the internal control process, in addition to the implementation of a computerized purchasing and sales price list to ensure business opportunities for most competitive suppliers. The improved internal accounting system and IT system security system, as well as other tertiary systems were implemented as well. We are currently focusing on ethical business management training and publicity campaigns to deeply entrench ethical business practices as an integral part of MOBIS.

## ■ Management Structure

MOBIS established an ethical management promotion structure in order to foster a fair and just corporate culture. The ethics committee is an independent committee created for the monitor and management of achievements of the social contribution activities, as a subcommittee positioned within the board of directors. Within the CSR committee, there is a working-level group consisting of MOBIS employees in charge of managing ethical business practice status. Other measures for promoting ethical management practices include an ethics charter, an ethical business practices guideline handbook for employees, an employee code of conduct, on-site audits, a cyber audit center and more.

The employee code of ethical conduct was revised to provide much more concrete and practical guidelines for implementation of ethical business management. The supplier ethical code of conduct and the purchasing division code of ethics were also created to increase transparency and fair business practices in MOBIS' purchasing activities.

## Ethical business management structure





Seminar for employee ethical practices



Our original ethics charter was not as clearly written and thus, it was not very effective at providing clear guidelines on employee conduct. The employee code of ethical conduct, which consists of eight principles, did not provide clear guidance either. Recognizing their limitations, we revised them in 2010. We also revised the 'Guideline on Employee Ethical Business Conduct' changing its four comprehensive yet vague principles into ten principles which provides guidance on specific areas of potential ethical dilemmas in business conduct.

#### Key achievements

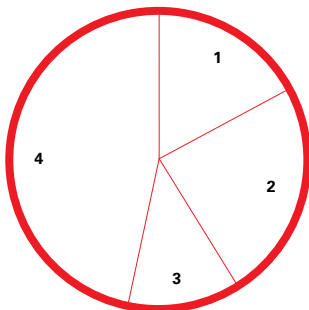
Area	Activities	Date	Note
Establishment of infrastructure for management	Established a dedicated team in charge and work R&R	April 2010	
Assessment and improvement measures	Conducted compliance audit	October 2010	
Documentation on rules	Revised code of business ethics	November 2010	
Education and publicity	Launched ethical business management webpage	May 2010	www.mobis.co.kr
	Provided training for new MOBIS employees	Quarterly	New recruits
	Launching of ethical business leaders group and entry education	November 2010	Ethical business leaders
	Online ethical business management program (6 courses)	Year-around	
	Online employee ethical management action pledge	January 2011	Employees
	CEO video message on ethical business management		
	Publication of manual on code of business ethics	May 2011	

#### On-site audits scope (2010)

Domestic ● 5 divisions 10 teams

Overseas ● 8 subsidiaries

#### Cyber audits processed (2010)



1. Customer service problems	7 cases
2. Complaints	10 cases
3. Quality problems	4 cases
4. Other	23 cases
<b>Total</b>	<b>44 cases</b>

#### ■ Verification Process of Implementation Status

A dedicated team establishes an annual audit plan and conducts internal audits on a regular basis following established internal rules and procedures. In addition, on-site audits are conducted when petitions and complaints are filed following the cyber audit office's processing procedures. The Cyber Audit Office receives reports on unfair business conduct including bribery and biased selection of suppliers for contracts, as well as wrongful requests and suspicious business conduct by suppliers, employees and customers.

The Cyber Audit Office is also open to reports on unethical conduct, wrongful decisions that lead to unnecessary loss of company resources, and more from both internal and external sources. Each report is investigated thoroughly and actions including process improvement and personnel affairs measures are taken. The reporters are strictly protected to ensure that they are protected from any negative consequences. We also conduct company-wide compliance audits on ethical business management activities to assess our status and bring continued improvement in ethical business management.

# Corporate Governance Structure

**A solid governance structure is an essential foundation of effective business management in today's fast-changing global economy. We are making a sustained effort to further strengthen the governance structure at MOBIS by introducing a range of devices and mechanisms for strengthened checks and balances, in addition to increasing the independence, expertise and transparency of the board of directors.**

## ■ Board of Directors Composition

In order to improved transparency and promote ethical management, more than half of the members of the MOBIS board of directors now consists of outside directors. The directors are making contributions to the successful global operation of MOBIS with their expertise in business management, law and engineering.

### - Ensuring Independence of Board of Directors

The outside director candidates recommendation committee at MOBIS was established as guided by relevant laws, and the board of directors operation rules. As dictated by the 8th clauses of article 542 of the Korean commercial law, the number of outside directors must be greater than or equal to the number of directors who serve on the recommendation committee.

### - Audit Committee

MOBIS established an audit committee in line with 11th and 12th clauses of article 542 of the Korean commercial law. Any directors approved at the general meeting of the shareholders are allowed to serve on the committee. The audit committee may make requests to directors to report on operations and examine company assets at anytime. The audit committee may also request the presence of relevant executives and employees, as well as external auditors in meeting as it sees fit. It can also request to hire outside experts for consultation when deemed necessary.

### - Ethics Committee

MOBIS established the ethics committee, composed of all five outside directors, in order to promote transparent business management and foster ethical corporate culture.

### - Compensation for Directors and Executives

Compensation for outside directors and executive directors is paid within a limit approved at the general shareholder's meeting. In the 2010 general shareholder's meeting, 10 billion KRW was approved as the maximum limit on compensation.

## Board of directors composition (As of 2011)

	Name and responsibility	Key career experience	Board of directors and committee composition			
			Board of directors	Audit committee	Ethics committee	Outside director candidates recommendation committee
Internal directors (4)	Mong-koo Chung Chairman (Overall management)		○			
	Eui-sun Chung Vice Chairman (Planning/IT)		○			○
	Suk-soo Chung CEO & Vice Chairman (Chairman of the board)		○			○
	Ho-suk Jun CEO, President		○			
Outside directors (5)	Tae-woon Lee Outside director (Legal advice)	Chief Lawyer, The One Law Corporation	○	○	○	
	Chan-wook Park Outside director (Financial advice)	CEO, P&B Tax Affairs Consulting	○	○	○	
	Byung-joo Lee Outside director (Fair trade advice)	Advisor, Bae, Kim & Lee LLC.	○	○	○	
	Ki-chan Kim Outside director (Management strategy)	Dean of Business School, The Catholic University of Korea	○	○	○	○
	Woo-il Lee Outside director (R&D)	Professor, Department of Mechanical and Aerospace Engineering, Seoul National University	○	○	○	○

※Outside directors, who participate in MOBIS' board of directors, are top experts in business management, law and engineering. They are making active contributions to ensure that MOBIS embraces transparent business practices, fulfills its legal and ethical responsibilities, and becomes a leading automotive parts company.

※Please refer to our web site at [www.mobis.co.kr](http://www.mobis.co.kr) or the 34th MOBIS Business Report posted on the Financial Supervisory Service's DART system website (<http://dart.fss.or.kr>) for the board of directors meeting summaries.



## Risk management process



### ■ Anticipatory Risk Management Activities

#### - Scenario-based Business Management

We are actively increasing the use of scenario-based business management, including business simulations with multiple variable factors, in order to be better prepared with response plans for various risks in which MOBIS may be exposed.

For instance, the strategy planning office analyzed the business impact of major global events such as the Iceland volcano eruption (April 2010), the democratic movement in North Africa and the Middle East (October, December 2010), the Japan Earthquake (March 2011) and oil price hikes in the range of \$110~150 per barrel (April 2011). A list of potential mitigation measures were identified as a result.

#### - Performance Indicator Management

We are measuring performance of different business divisions using a 'Balanced Scorecard' system which focuses on quantitative performance indicators. Each performance indicator, created as a result of a great deal of communication among relevant MOBIS teams, includes core success factors within the indicator. Therefore, quantitative assessment in each performance area indicates capacity for managing risk and opportunity.

In establishment of response plans and improvement measures, we focus on multiple perspectives of customer-focus, process-focus, learning and growth-focus, and financial-focus. Our ultimate goal is to create sustainable value for stakeholders.

#### - Business Status Monitoring Activities and Risk Reporting Structure

Business risks of all types are reported to top management via various company meetings. MOBIS has a total of ten management meetings that are conducted on a regular basis including a management strategy meeting, a technology strategy meeting, a quality management meeting, divisional meetings and a video conference with head of overseas subsidiaries. We are also pursuing more prompt and active responses to business environmental changes by increasing information collection channels, establishment of an information database and a regular reporting structure.

Currently, important changes on economic and social environmental issues are collected via Business Strategy & Planning sub-Group, Business Coordination Group, Global Business Group and the R&D center. The collected information is then classified as priority or non-priority information and then reported to relevant top management members accordingly.



더 나은 세상을

For a Better World for All

위해

## Social Achievements

A corporation cannot continue to grow in a vacuum. It must be firmly rooted in society and its organization in order to better predict the future and have a wider perspective. In its corporate activities, MOBIS chose 'people' as the focus of our work to foster 'Lasting Companionship.' Our corporate philosophy, which values cooperation and sharing; as well as consideration of customers, suppliers, employees and the local community as valuable companions; is not only helping to fulfill our corporate responsibilities, but also helping us to achieve success more wisely. We are committed to creating and sharing sustainable values with customers, suppliers, employees and local communities in order to realize a brighter, happier and more prosperous world.

MOBIS is working with stakeholders for greater mutual benefit in order to achieve a more prosperous and sustainable society.



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# Shared Growth

**Just like countless little streams merging to form a great ocean and thousands of auto parts integrated together with a single purpose, MOBIS pursues a harmonious and balanced 'shared growth' program with suppliers. As a lifetime companion, MOBIS advocates 'Seven Beautiful Pledges' to systematically develop supplier capacity and potential strengths.**

## The Overview of Shared Growth

Through 'Seven Beautiful Pledges', MOBIS is doing its best to build a 'Win-Win Partnership' with suppliers and local dealers by sharing the common perception that improvements to the supply network leads to improvements of product competitiveness. Systematic assistance is provided to yield real support to suppliers and create a firm basis for self growth in the long term. In September 2010, MOBIS launched the declaration of a master plan of 'Seven Beautiful Pledges' to provide practical help to suppliers through integrating existing 'Shared Growth' programs run by individual headquarters such as export assistance, technical consulting, mutually beneficial cooperative financial assistance, information, cultural exchange and more. At the same time, it aims to strengthen the ability of suppliers to grow independently in the long-term. The pledges include 350 billion KRW worth of financial and performance sharing in the 'Shared Growth' assistance package. In particular, the 'Beautiful Pledges' have been solidified through the R&D cooperation investment decisions made at the CTO forum and the application of a performance sharing model.

**SOCIAL VALUE**

## Seven Beautiful Pledges

### ■ The First Pledge – Financial Assistance

- The first MOBIS pledge is to provide financial assistance to suppliers. Financial assistance is provided in the form of a mutually beneficial cooperation fund, loans for business operation expenses and others in order to assist supplier R&D activities and to cover the expenses of business operations and equipment investments. In particular, MOBIS provides a guarantee for payment to small suppliers with bad credit so that they are able to make a loan.
- In 2010, 5.9 billion KRW was provided to eleven establishments of which 900 million KRW was provided to two establishments in the form of loans for business operation expenses, while 5 billion KRW was provided to nine establishments in the form of a mutually beneficial cooperation fund.
- In addition, discounts of 1~2% in the interest rate relative to the market interest rate are available to suppliers.

### Low interest rate benefits

Units: 100 million KRW

Name of assistance funds	2009	2010	2011
Mutually beneficial cooperation fund	32.3	50	250
Loans for business operation expense	9	9	30

### ■ The Second Pledge – Expanding R&D cooperation to strengthen the self-growth of small and medium-sized enterprises (SMEs)

- MOBIS reinforces R&D cooperation with small and medium-sized suppliers with the goal of nurturing their technological capacity. MOBIS provides R&D financial assistance, transfer of technical analysis expertise, guest engineering, testing equipment assistance, and joint research strengthening programs. Through such cooperation programs, we expect a successful transfer of 'customized technology' to suppliers. The Shanghai Technology Support Center provides assistance on testing equipment to suppliers and domestic research laboratories are actively addressing the demands of assistance on testing equipment support.





R&D cooperation conferences  
Seminars for CEOs of second-tier suppliers

#### ■ The Third Pledge – Expanding the scope of assistance to second and third tier suppliers

- MOBIS pursues an active policy of expanding support to second and third tier suppliers. We award top performing suppliers who have excellent records of maintaining mutually beneficial cooperation with second and third tier suppliers. Furthermore, MSQ (Mobis Supplier Quality), a quality certification system for MOBIS suppliers, is in operation in order to sharpen the quality competitiveness of suppliers. MOBIS also provides education and training programs to cultivate expertise. MOBIS emphasizes its role as a trustworthy companion by sharing our R&D, procurement and quality policies to the CEOs of second-tier suppliers through regular seminars and workshops.
- MSQ Performances, Mid-long Term Operation Plan  
MOBIS offers a unique evaluation system for first and second tier supplies in the pressing and processing sector that are excluded from the Hyundai-Kia Motors' SQ evaluation scheme for 14 sectors under the medium and long term plans and performance results of MSQ implementation. MOBIS continues to provide on-site training with hands on experience, to assist suppliers to secure high quality standards. In 2011, MOBIS is focusing on early adoption and stabilization of MSQ through active implementation through nurturing experts and quality improvements.

#### Results of supporting second and third tier suppliers

Category	Results for 2011	Remarks
Financial assistance	400 million KRW for 2 suppliers	
MSQ training	227 suppliers (279 persons)	
Foundation of Korea automotive parts industry promotion connection training	255 suppliers (348 persons)	
Seminars for second tier suppliers	360 suppliers	
Awarding first tier suppliers with excellent records of supporting second tier suppliers	4 suppliers	Myunghwa IND.CO., LTD Namyang IND.CO., LTD Najeon CO., LTD Winnercom.CO., LTD

#### ■ The Fourth Pledge – Supporting education and training assistance programs for suppliers

- MOBIS provides practical and diverse education and training programs to suppliers. Currently, MOBIS runs four corporate training programs for quality improvements, 17 external training programs in conjunction with the Foundation of Korea Automotive Parts Industry Promotion, two technical R&D training programs, and other training programs customized to meet the demands of different sectors. Through such programs, the objective of providing practical assistance to suppliers is accomplished through strengthening the capacity of suppliers to secure high quality standards and the capacity to grow independently.

#### Overview of education & training program

Category	Course	Contents
MQMS	Sharing quality thinking	Analyzing process capability and control charts TRIZ training
	Reinforcing quality capacity	Expert training course for 6 sigma improvements Expert guidance on 6 sigma projects
External training programs in conjunction with the Foundation of Korea Automotive Parts Industry Promotion	Fundamental technology support	On-site technical training and 8 other courses
	Establishing quality system	Practical course for new auto parts development and 4 other courses
	Business management improvements assistance	Operating supplier support council and 3 other courses
Suppliers technical R&D training program	CAD training	Software and module training utilizing CATIA
	Fundamental engineering training	Fundamental design training for sturdy designs



MOBIS cooperation conferences and seminars

### External training programs in conjunction with the Foundation of Korea Automotive Parts Industry Promotion

Category	2010 performance results	
	No. of suppliers	Participants (Persons)
On-site technical training	29	29
TPS	36	138
Introduction to automotive industry	32	54
Practical course for new auto parts development	40	122
Injection	28	46
Welding	15	23
Plating	19	27
Painting	15	20
Molding (Press)	25	26
Technology seminar	286	400
SQ/MSQ	69	107
SQ level up	21	22
MSQ (Elementary/Expert course)	213	276
<b>Total</b>	<b>828</b>	<b>1,290</b>

#### ■ The Fifth Pledge - Operation of programs that strengthen communication with suppliers

- The fifth pledge is the operation of programs that strengthen communication with suppliers. MOBIS has established a cooperation conference that includes 164 domestic suppliers with top performance. The cooperation conference is held annually and reinforced through the activities of the executive board and the member companies. Through the cooperation conference, MOBIS seeks to increase mutual interests with suppliers. In addition, MOBIS utilizes the cooperation conference as an opportunity to find common ground for joint development with suppliers. MOBIS holds seminars on its procurement policy for suppliers in order to drive the policy home to all participants. Special management lectures are also provided to enrich management strategy with the suppliers.
- MOBIS selects and awards top performing suppliers by giving special opportunities to participate in various events hosted by MOBIS (Overseas benchmarking of top performing company, Opportunity to visit overseas MOBIS offices). As an effort to strengthen communications, events such as the research CTO forum and CTO cooperation conferences were newly established in 2010. In the light of reinforcing the foundation for shared growth, MOBIS recognizes the efforts of first tier suppliers in the provision of assistance to second tier suppliers by awarding those organizations with various perks. Furthermore, since 2003 MOBIS offers fruit baskets to top performing suppliers during the hot summer season to form a bond of sympathy.

### Communication with suppliers

Events	Number (annual)	Contents
Cooperation conference (General meeting)	1	Inspire 'Business management thinking' among member suppliers and laying out the MOBIS procurement policy
Cooperation conference (Executive board meeting)	2	Approval of budget and operational standing issues of cooperation conferences by the executive board
A/S auto parts policy seminar	1	Providing instructions on MOBIS A/S policy and support schemes
CEO meeting for first tier suppliers	1	Awarding top performing suppliers (Module, A/S) and sharing business performance
CEO meeting for second tier suppliers	1	Providing details on shared growth program, policies and vision of MOBIS to second tier suppliers
Team building hiking events for suppliers	1	Identifying difficulties faced by suppliers and exploring possible methods to resolve them
Fruit baskets to top performing suppliers	1	Providing fruit baskets to suppliers
Overseas suppliers invitational seminars	2	Presentation on sharing of information on overseas quality standards, business ethics, technology, laws and regulations
Overseas suppliers seminar (India, China)	1	Presenting MOBIS policy and awarding top performing suppliers for shared growth
Regional suppliers workshop	4	Exchange of information and proposals among 3 regional (Central, East and West) suppliers
MIP suppliers workshop	1	Strengthening Automotive (Ulsan, Sohari, Kwangju, hwasung plants) MIP cooperation
Logistics suppliers seminar	1	Reducing import cost through sharing logistics information and training
CTO cooperation conferences	1	Sharing MOBIS R&D policy and TRM
CTO forum	4	Identifying business difficulties on product/Technology developments by 6 sectors



CP website screen  
MSAPTURN website screen

• **CP (Compliance Program)**  
Fair trade voluntary compliance program

• **MSAPTURN**  
(Mobis Sourcing And Price Tracking Unified Robust Network)  
Supplier selection system

Overseas auto parts exhibition held by PSA of France  
English learning camp for children of supplier company employees



- MOBIS also puts a high priority on strengthening communication with overseas suppliers. MOBIS holds local events for overseas suppliers and invites them to the events in Korea for solidarity. Through such events, the corporate vision for future and the deeper understanding of MOBIS' current policies are effectively shared.

#### ■ The Sixth Pledge - Fostering a fair trade culture with suppliers and promoting ethical business management standards

- The aim of the sixth pledge is to adopt a fair trade business culture and ethical management standards with suppliers. MOBIS operates an internal review committee once a month to supervise any corruption or irrational operations in regards to price hikes on products due to increases in raw material costs or determining technology service fees for suppliers. MOBIS adopts and enforces three contract work guidelines to ensure implementation of fair trade. MOBIS also supports the adoption of a fair trade compliance program (CP) between first and second tier suppliers. As an implementation measure, MOBIS encourages the conclusion of subcontracts between first and second tier suppliers. The ultimate goal is to diffuse the culture of shared growth down to first and second tier suppliers in order to fully realize mutually beneficial and collaborative supplier relations.

- 'PROWEB (<http://proweb.mobis.co.kr>)' has been launched to facilitate better communication with our suppliers. The code of conduct is posted on the site to remind all employees of the importance of ethical business practices. A real-time ethical business management monitoring structure was also established to continue enhancing our sense of ethics in business conduct.

Moreover, we established a purchasing system which handles entire purchasing process from posting of orders to the payment with maximum transparency and efficiency. Project contracts for new vehicle models are processed fairly with price, quality, delivery, five star rating and management status as criteria using the custom MOBIS suppliers selection system, the MSAPTURN.

#### ■ The Seventh Pledge – Sharing performance experiences and other mutually beneficial and collaborative support

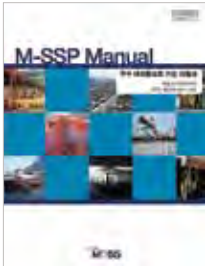
- The last pledge is to share the performance experiences of MOBIS with our suppliers and expand the scope of assistance. We encourage suppliers to accompany us in attending international auto parts exhibitions so that they can open new export channels. MOBIS maintains an active procurement system that enables direct procurement of raw materials of the supplied products on the behalf of suppliers so that the purchase price appropriately reflects the fluctuations in the cost of raw materials. We also provide an overseas training and education program not only to the employees of suppliers but to their children providing emotional support to our suppliers and accomplishing mutually beneficial and collaborative supplier relations. In 2010, MOBIS provided 450 billion KRW worth of raw materials to suppliers for auto parts fabrication. We plan to expand the number of participating suppliers and the size of procurement in order to alleviate the suppliers' procurement burden. In 2010, the addition to product unit price due to increases in raw material costs amounted to 186 billion KRW. Through such profit sharing measures with suppliers, MOBIS is truly pursuing the meaning of shared growth.

- As an example of performance sharing, PMI (Partner Managed Inventory) performance in 2010 amounted to 7.43 billion KRW. MOBIS plans to build a procurement estimation system in order to minimize the storage space problems due to managing supplier inventories.

#### Increase in unit cost and direct procurement of raw materials

Units : 100 million KRW

Results in 2010	Remarks
Increase in unit price	1,855
Direct procurement of raw material - Electrical parts	2,211
Direct procurement of raw material - Steel plate	2,089
Direct procurement of raw material - Aluminum	82
Direct procurement of raw material - PC+ABS	37
Direct procurement of raw material - AS parts	84



Business management training for dealers  
Business management consulting for dealers

## Assistance Programs for Dealers

MOBIS recognizes the fact that the source of competitiveness for A/S parts is closely connected to the competitiveness of auto parts dealers. Therefore, MOBIS is doing its best to contribute to the development of dealers. Business management training is provided to dealers to equip each with advanced management techniques. Additionally, business management consulting is provided to dealers to improve the conditions of management. A mentor program called 'Big-Brother' is in operation to serve the needs of dealers. Best Practice Competition is hosted by MOBIS to strengthen the capacity of dealers.

### ■ Supporting Education & Training

#### - Business Management Training for Dealers

MOBIS is the first in Korea to hold a three-day business management training seminar for dealers annually starting in 2009. The training covers business property management, inventory and logistics management, leadership and management in general. Through 2010, nine training sessions have been provided to a total of 233 people. In 2011, we have plans to provide five training sessions to a total of 150 people.

#### - Business Management Consulting for Dealers

Since 2010, MOBIS has provided business management consulting for dealers to improve their management conditions and to strengthen their capacity. MOBIS employees who have completed the management consultant training course diagnose dealer management practices in general including the business psychology of managers, operations and marketing, inventory/logistics management and other vital areas of management. They identify improvement projects based on the diagnosis and implement appropriate improvement activities. Starting with 19 dealers in 2010, the consulting services are planned to be expanded to 60 dealers in 2011.

#### - Big Brother Scheme, Dealers - Best Practice Competition

MOBIS endorses a mentor program called 'Big-Brother' to provide necessary assistance to dealers who wish to improve their business practices. During business management consulting for dealers in 2010, the benchmarking case studies of outstanding dealers and their advice were very effective, and the mentorship program is an outcome of this useful experience. MOBIS Dealers - Best Practice Competition was implemented to award and share the performance and experience of a dealer who is selected as the best dealer from the 'Making of number one dealer' project in 2010. Through this competition, we expect that dealers will have opportunities to share their best practices with others and it will provide motivation for voluntary change for future success and growth.

## Communication with dealers

Event	No. of events held	Contents
Dealer policy seminars	1/year	<ul style="list-style-type: none"> <li>Target participants are managers from auto parts dealers</li> <li>Sharing business plans and policies</li> </ul>
Product center policy seminars	1/year	<ul style="list-style-type: none"> <li>Target participants are managers from auto parts dealers</li> <li>Sharing business plans and policies</li> </ul>
Presidents' meeting for cooperation conferences	2/year	<ul style="list-style-type: none"> <li>Discussing current challenging issues faced by dealers</li> </ul>
Regional sales marketing meeting	Occasional	<ul style="list-style-type: none"> <li>Discussing options for sales promotion by region/ business</li> <li>Identifying business difficulties of dealers</li> </ul>
Dealers cooperation conferences (general meeting)	1/year	<ul style="list-style-type: none"> <li>Discussing plans for operating dealers cooperation conferences and settling major issues</li> <li>Annual settlements of the conference and appointment of new officers</li> </ul>

Dealers - Best Practice Competition

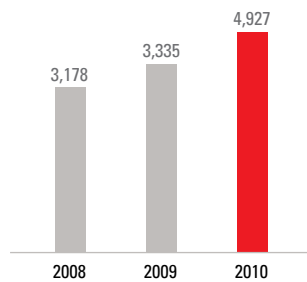


# Social Contribution

The world is a happy, trustworthy and bright place to live because there is a spirit of sharing and companionship that fill us with hope. To make the world a better place to live, MOBIS is fulfilling our corporate philosophy of love and sharing. Under the corporate philosophy of harmony with the community, and as the corporate citizen of our community, MOBIS actively pursues 'social contribution activities with effective communication'. As an auto parts manufacturing company, MOBIS campaigns for 'responsible and unique social contribution activities'. MOBIS strives to expand the scope of its social contribution activities to overseas through 'global social contribution activities'. Through such social contribution activities, we are making continued progress on building 'Lasting Companionship'.

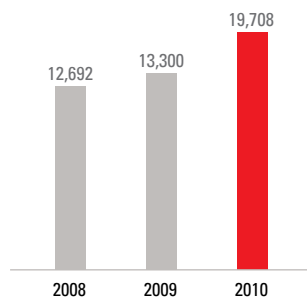
Number of volunteers (accumulated)

Unit : persons



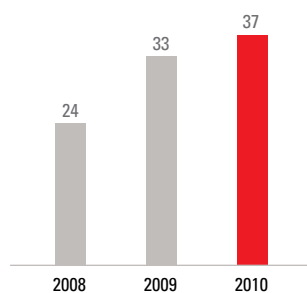
Volunteer hours

Unit : hours



Number of volunteer corps

Unit : corps



MOBIS strives to go beyond being a 'Good Company' and makes another giant leap to become a 'Great Company' and a 'Respectable Company'. In order to become a 'Great Company', MOBIS is determined to build 'Lasting Companionship' with our customers, shareholders, suppliers and local communities. Since 2003, MOBIS has launched various social contribution activities under the name of 'Joy of Sharing' which includes the 'MOBIS Fund', 'Volunteer Activities of Each Business Division', 'One to One Rural Community Support Program' and others. Particularly in 2010, MOBIS, as a responsible auto parts manufacturing company, implemented a 'Transparent Umbrellas Sharing Campaign' to increase children's the awareness of traffic safety.

More than 229 schools with more than 100,000 children participated in the campaign. In addition, MOBIS and other group affiliates jointly established the Smile Microcredit Bank Foundation that specializes in granting small loans for low income families. Easy Move Co. Ltd. was created to expand employment services to socially vulnerable people. MOBIS also continues to provide assistance to the Kids Auto Park for traffic safety. The operating costs for social contribution activities in 2010 amounted to 16.08 billion KRW and that accounts for 0.89% of our after tax revenue.

## MOBIS Social Contribution

### ■ Sharing of MOBIS Transparent Umbrella

MOBIS designated the 'Sharing of MOBIS Transparent Umbrella' program as our main social contribution activity. On September 9, 2010, MOBIS officially declared the initiation of the 'Sharing of MOBIS Transparent Umbrella' program and held several traffic safety classes mainly near the MOBIS plants, where we handed out MOBIS transparent umbrellas. MOBIS plans to continuously implement the 'Sharing of MOBIS Transparent Umbrella' social contribution activity. MOBIS is intending to become a leader in creating a traffic safety environment for children by developing various traffic accident prevention programs.

## Domestic Social Contribution Activities

### ■ Social Contribution : Three Themes

#### - MOBIS Fund

As a member of a socially responsible corporation in this society, since 2003 MOBIS has provided scholarships for traffic accident victims by creating the 'MOBIS Fund'. The 'MOBIS Fund' was created using donations by our employees and a matching grant provided by the company. Annually, 100 million KRW is donated to the fund. Selected scholarship recipients are entitled to financial awards and additional financial assistance is provided to cover their school uniform expenses. They are also given the opportunity to visit MOBIS R&D centers and plants. They are also invited to participate in winter camps and other diverse cultural programs provided by MOBIS. These programs enable each to be more ambitious, and we are proud to take part in giving them hope for future. We have plans to extend such programs to our overseas plants by creating the 'Global MOBIS Fund' which is in line with our global management policy.





MOBIS Fund  
One to One Rural Community Support Program

#### - Volunteer Activities of Each Business Division

Since 2003, under the slogan of 'Joy of Sharing', MOBIS has been initiating social contribution activities at the corporate level where all employees participate in a systematic way. The 'Relay of Sharing' held every weekend with more than 40 social welfare organizations, where MOBIS built a support-oriented relationship, has resulted in not only support in goods but also includes physical volunteer services. Such volunteer services include home improvements, environmental cleanups, cleaning and repairing facilities, bathing the disabled, tutoring and just having fun with kids. MOBIS is committed to diffusing the culture of social contributions through diverse types of volunteer activities.

#### - One to One Rural Community Support Program

Since 2006, MOBIS built a support-oriented relationship with five villages under the program of 'One to One Rural Community Support' to provide labor during the farming season and to help each community operate a direct trading market for farm produce. MOBIS employees also benefit from the program through opportunities to experience rural life-styles and to buy environmentally-friendly farm produce at reasonable prices. The farmers get much needed labor help and new sales routes through the program. In this way, the program pioneers common ground where city and rural farming communities can jointly prosper. Last year, MOBIS was selected as the top performing social contribution enterprise. We will not be complacent with the current performance, and we will continue to show our affections towards rural communities by providing practical assistance.

#### One to One Rural Community Support Agreement Status

Category	H.Q	R&D Center	Ulsan Plant	Gyung-in Plant	Changwon Plant
Towns supported	Chungju-si Deongnyeong-ri	Icheon-si Yulhyun-ri	Uiju-gun Yong-ri	Gongju-si Goseong-ri	Changwon-si Mosan-ri
Support agreement signing date	2006.9.28	2007.6.8	2007.6.8	2007.6.8	2008.11.18
Key produces	Apples	Rice	Pears	Chestnuts	Persimmons

#### ■ Major Social Contribution Programs

##### - In-kind Contribution

MOBIS employees are conscious of the environment and the importance of saving resources. With a spirit of sharing and thriftiness, MOBIS employees collect recyclable goods every year and deliver them to social welfare organizations to make our world a beautiful place to live. Since 2003, more than 60,000 electronic goods, clothing, exercise equipment, and other recyclable goods have been collected, and sales revenue of 64.7 million KRW was recorded. This sales revenue was donated to needy neighbors through the 'Beautiful Store'. Through such activities, we are one step closer in making a beautiful world filled with social contributions that trigger an environmentally-friendly transformation through recycling of products.

Global Blood Drive campaign



##### - Global Blood Drive Campaign

In 2004, MOBIS launched a blood drive campaign which is very popular among employees. MOBIS employees are showing their affection for their neighbors by actively and voluntarily participating in the blood drive campaign. Under the motto of 'Moving the World Together', the blood campaign's aim is not just to share blood but to share life with our neighbors. The campaign also aims to relieve the shortage of blood, which has emerged as a serious social issue and to raise public awareness that blood donation is a beautiful action that can save the lives of other people. In addition, the campaign attempts to correct the misunderstanding that blood donation negatively affects personal health.

#### - Nobel Project (Junior Engineering Academy)

As a part of the Nobel Project, which aims to cultivate science prodigies, MOBIS has been offering early exposure to science classes through the Junior Engineering Academy. The Junior Engineering Academy is working closely with the National Academy of Engineering of Korea to provide science classes every month to elementary schools at nearby research institutes, as well as in the Kyungin, Ulsan, Changwon, and Jincheon areas. MOBIS employees are involved in the program as instructors. Through this project, students get their first exposure to the basic scientific principles through making model airplanes, telescopes, flashlight and other scientific devices. For the instructors, the program is an excellent volunteering opportunity to share their knowledge. MOBIS will put forward more effort in the future to find easy and interesting ways to teach advanced scientific principles. Also, more investments will be readied to cultivate future scientists and engineers.

#### - Volunteer Activities During Holiday Seasons

MOBIS makes special visits during every holiday and at the end of the year. MOBIS visits 51 social welfare organizations located near the plants to perform volunteer activities. The volunteer activities aim to share our love with those in need which include cleaning, providing meals to the elderly, delivering meals, bathing services for children, delivering fuel, sharing consumer goods, making kimchi and other various volunteer activities. During the traditional holiday, MOBIS purchases 200 million KRW worth of traditional market gift certificates in order to foster traditional markets and local economies. Traditional market gift certificates are used to purchase goods from traditional markets, and the goods are provided to the elderly living alone, as well as the 51 social welfare organizations who have concluded an MOU with MOBIS. MOBIS is committed in spending time with our needy neighbors during the holiday seasons.

#### - Volunteer Activities by Basketball Team

The MOBIS professional basketball team, based in Ulsan, is engaged in various volunteer activities under the motto of 'realizing love of neighbors through basketball'. Whenever the basketball team makes a three-point shot, gets a rebound, or makes an assist, MOBIS makes a donation to a charity in the Ulsan area which is called 'Basket of Love'. Other volunteer activities include invitations for disabled people and children from low income households to basketball games. During the off-season, the players visit local kindergartens to donate books, and they have quality time by reading books to children. Furthermore, basketball rims are given to local elementary, junior high and high schools, while basketball games are held to increase the children's interest in basketball.

#### - Establishing the Social Contribution Award

MOBIS established the Social Contribution Award to recognize the efforts of individuals and organizations which have made positive contributions to our society in special ways. The awards are given to those employees who have anonymously been helping others by sacrificing their own time. For example, an employee has provided free photo taking services for the elderly to be used for funerals. Another employee has provided volunteer coaching services to visually impaired athletes. Through this program, MOBIS is attempting to create an atmosphere of volunteerism throughout the company inducing employees to think of others and voluntarily participate in helping those in need. We will continue to instill a tradition of volunteerism by identifying those employees who have made exemplary efforts of providing volunteer services which in turn motivate other employees to follow.

Junior Engineering Academy  
Volunteer activities during holiday seasons



## Global Social Contribution Activities

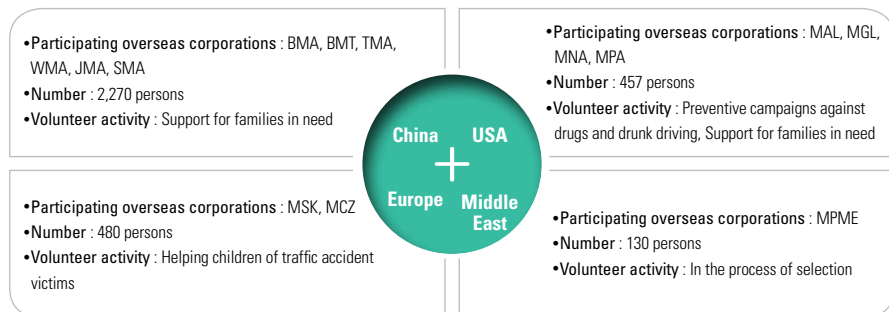
The aspirations of MOBIS to become a 'Global Top 5' company, the leading auto parts maker in Korea, and a global leader in world class auto parts manufacturing are not limited to business ventures such as R&D and quality improvements but to areas of social contribution. The unique culture of 'Lasting Companionship' through social contribution activities at MOBIS continues overseas. MOBIS firmly believes that overseas offices should also actively return part of the profits to the local communities in spirit of sharing. Oversea offices are implementing various social contribution programs tailored to local state of affairs.

### ■ Global Social Contribution Activities Status

#### - Global MOBIS Fund

The scope of the Global MOBIS Fund, which was initiated since 2008, has expanded to 13 MOBIS-affiliated overseas corporations. MOBIS-affiliated overseas corporations in China, the USA, Europe, the Middle East and other regions actively participate in activities of showing their compassion to others by donating a small part of their salaries to a matching gift fund where the company matches all contributions. The number of participants and the size of the matching funds are increasing, and we have plans to expand the scope of the fund in 2011, which in turn, reflects the growing presence of MOBIS as a major global company.

#### The status of MOBIS Fund participation by MOBIS-affiliated overseas corporations



## Collaborative Social Contribution Activities with Other Hyundai Motor Group Companies

The Hyundai Motor Group is making an active contribution to helping families in need under the motto of 'Moving the World Together'. MOBIS is also making a concerted effort to contribute with many programs in partnership for social contribution.

### ■ Happy Move Global Youth Volunteer Corps

In July 2008, we created the 'Happy Move Global Youth Volunteer Corps', the biggest private overseas volunteer group in Korea. It was created in collaboration with 10 companies including MOBIS, the Hyundai Motor Company, and the Kia Motors Company as a means of providing the future leaders of Korea with an opportunity to contribute to the global society and also learn useful lessons. 1,000 college student volunteers participate in the program during vacation periods, spending two weeks in China, India, Brazil, Egypt, the Philippines or other various locations, where the contribute volunteer work and learn about the local culture. Special consideration is given to students from low income families who are not able to afford the high cost of overseas trips. MOBIS also provides transportation and passport issuance fees to the selected students from low income families. As a socially responsible global company, the Hyundai Motor Group is determined to provide continuous support to the Global Youth Volunteer Corps in order to strengthen the future competitiveness of Korea by making investments in cultivating young global talent.

Happy Move Global Youth Volunteer Corps







Hyundai Motor Group Smile Microcredit Bank Foundation  
Launching social enterprise Easy Move Inc.  
Children's Traffic Safety Experience Center

#### ■ The 2010 Global Poverty Eradication Campaign

On the International Day for the Eradication of Poverty (Oct. 17, 2010) all MOBIS employees participated in the White Band campaign. The campaign is a global initiative launched for supporting and raising awareness on poverty. NGOs, governments and companies in over 120 countries participated in the campaign by wearing white bands and hanging banners on their buildings. Banners were hung over the major overseas MOBIS business sites in China, India and Slovakia and 5,000 white bands were purchased and distributed to MOBIS employees to raise public awareness on poverty, as well awareness within the MOBIS. Voluntary fund-raising and letter writing event were conducted for undernourished children.

#### ■ Hyundai Motor Group Smile Microcredit Bank Foundation

Working with the Hyundai Motor Company, the Kia Motors, Hyundai Steel, Hyundai Cards and Hyundai Capital, MOBIS established the 'Smile Microcredit Bank Foundation' in December 2009. The foundation is established with the goal of helping low income families with low credit ratings to establish a foundation for economic self-sufficiency, by providing small loans, consultation service for people who want to start their own business, provision of job information, and assistance for credit recovery. The foundation has granted 730 loans in sum of 7.9 billion KRW. The Hyundai Motor Group has contributed addition capital of 20 billion KRW in 2010 and plans to contribute additional 200 billion KRW over next 10 years. MOBIS contributed 4.5 billion KRW in 2010 and plans to make an additional contribution of 45 billion KRW over following 10 years to make more resource available for supporting low income families.

#### ■ Social Enterprise – Easy Move Inc.

In August 2010, MOBIS established a social enterprise named Easy Move Inc. The Easy Move Inc. was initially funded by MOBIS, Hyundai Motor Company and the Kia Motors. Some shares of the Easy Move Inc. were then donated to non-profit foundations, setting an example of social enterprise with multi-stakeholder ownership. The primary mission of Easy Move is provision of job opportunities through production and sales of products and services. Investing two third of its profit for social contribution activities is also mandated in its article of incorporation. The Easy Move will focus on production and provision of after sales-service of driver aid equipment for the handicapped and elderly, enhancing mobility and helping them live independently. MOBIS, in collaboration of Hyundai Motor Company and the Kia Motors, plans to invest 2.9 billion KRW in Easy Move over the next three years to help it firmly establish its root.

#### ■ Traffic Safety School for Children – The Kids Auto Park

Working with Hyundai Motor Group member companies and the Seoul Metropolitan Government, we created the Traffic Safety Education Park for Children in the Seoul Children's Park located in Neung-dong. The park, named the 'Kids Auto Park', has various educational and other auto-related facilities including virtual auto accident experience lesson using 3D visuals, safety belt training, pedestrian safety education and mock vehicle driving experience. The training programs are all designed for providing realistic experience rather than just class roombased education. A special 'Children's Traffic Safety License' is given to children who complete the course and pass the traffic safety test. We plan to continue focus on helping children, who are most vulnerable to traffic accidents, by offering advanced traffic safety education programs.

# Employees

Employees are our priority focus in social contribution management at MOBIS. We are recruiting creatively talented people on a regular basis through an open recruiting process which is managed under fair personnel affairs policies that set a high standard for the society. We are also strengthening job security, establishment of trust, promotion of health and safety, and provision of personal development opportunities to become a responsible employer. We take special care in establishing a systematic training system for fostering human resources with creative innovation capacity and global competency in order to contribute to the realization of a better world for all humanity. Our focus on training is not just for increased capacity at MOBIS but for strengthening of core capacity for the overall society.

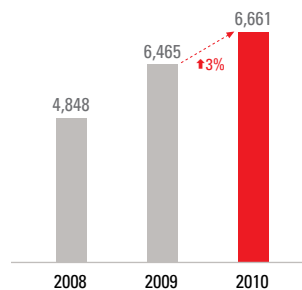
## Employee Status

### Job Creation

As of December 2010, 6,661 employees were directly employed by MOBIS, 6,389 are based in Korea and 272 are based in overseas locations, excluding local hired employees in overseas operation sites. We had a 3% increase in our work force compared to the previous year, directly contributing to job creation in Korea and also overseas. Our businesses also contribute indirectly to the creation of thousands of jobs in relevant sectors.

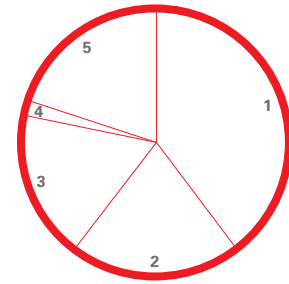
Total number of employees

Unit : persons



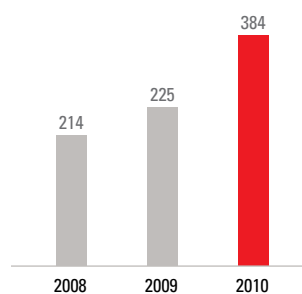
Domestically-based employee status by job types

1. Administration	39.9%
2. Site operation	20.8%
3. Manufacturing	18.4%
4. Contracted workers	0.7%
5. Others	20.2%



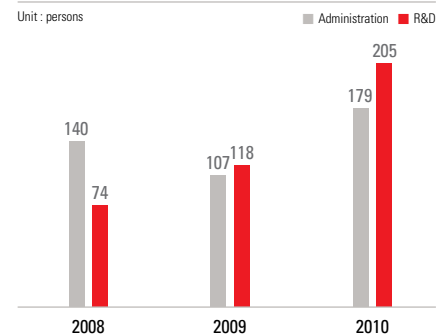
Job creation status

Unit : persons



Job creation status by job types

Unit : persons



※ Excluding outsourced workers

### ■ Equal Opportunity Employment Policy (Human Resources Management with Respect to Human Rights and Diversity)

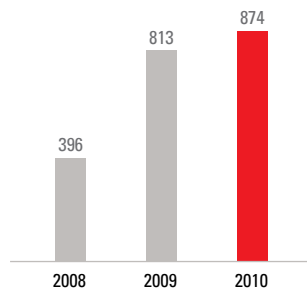
MOBIS is abiding to the ten UN Global Compact principles and the UN Human Rights Charter. All local labor laws and the guidelines of the International Labor Organization is strictly respected in all MOBIS operation sites. Following the international standard labor practice, child labor and forced labor is strictly prohibited and all employees are equally respected. All employees participate in mandatory training session on the prevention of sexual harassment, conducted by the head of section they belong. The training session is designed to prevent sexual harassment cases and promote strict abidance to relevant laws.

Respecting diversity and person dignity, MOBIS is striving to ensure equal opportunities to all people regardless of gender, nationality, race or religious belief. As a result, the number of females and people with disabilities hired, in addition to foreign nationals are on increasing trend. The number of female employees is 847, which is 13% of the MOBIS workforce, and an increase of 7.5% compared to the previous year. The number of people with disabilities hired is 132, which is 2% of our work force and an increase of 26.9% compared to the year before. Due to the special characteristics of the auto parts industry that involve a great deal of mechanical work, the portion of females and people with disabilities are relatively small in numbers. However, this status is expected to change gradually as society continues to evolve. We plan to make a greater effort to provide equal opportunities to females and social minorities, while also supporting these groups in any other way possible.

The size of total workforce engaged in overseas operation is 8,314. Over 97% of the employees, 8,042 staffs, were locally hired. All MOBIS operation sites are strictly abiding to equal opportunity hiring principles for all people regardless of gender, nationality, race or religious beliefs.

No. of female employees

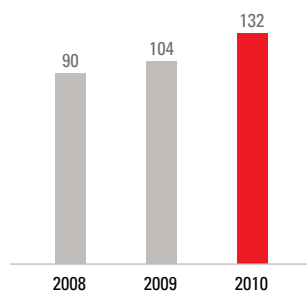
Unit : persons



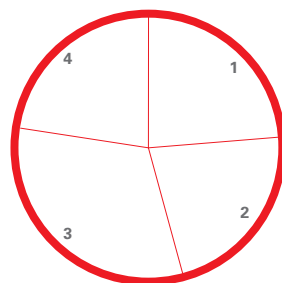
※ Including outsourced workers

No. of people with disabilities hired

Unit : persons

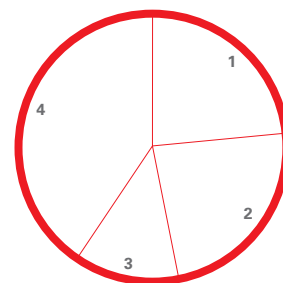


Employee status by region (Domestic)



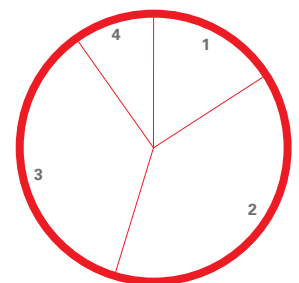
1. HQ **23.8%**  
 2. R&D center **22.2%**  
 3. Plants **31.6%**  
 4. Parts **22.4%**  
**Total 6,389 persons**

Employee status by region (Overseas)



1. U.S. **23.5%**  
 2. Europe **23.5%**  
 3. Asia pacific **12.5%**  
 4. China **40.5%**  
**Total 272 persons**

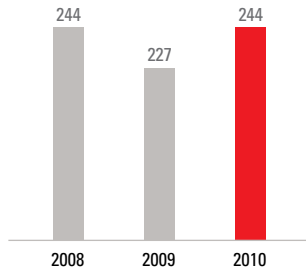
Employee status by age groups



1. 20's **16.0%**  
 2. 30's **38.9%**  
 3. 40's **35.6%**  
 4. 50's **9.5%**

### Number of retirees

Unit : persons



※ Excluding outsourced workers

### ■ Fair Performance Evaluation and Retiree Benefits

All MOBIS employees are given equal opportunities regardless of gender or nationality, and are subjected to a standardized pay system and fair evaluation. A mentoring system has been implemented to help new entry level employees quickly adapt to the MOBIS corporate culture and begin their professional career in a smooth manner. A special compensation program is in place for long-serving employees and employees who retire after long service for MOBIS, the total compensation paid in 2010 was 4.3 billion Korean won. We also provide special family overseas vacation packages for employees during their 20th years of service. Beginning in 2011, a new pension system will be implemented, which will allow the retirees to have a stable income during their postretirement life.

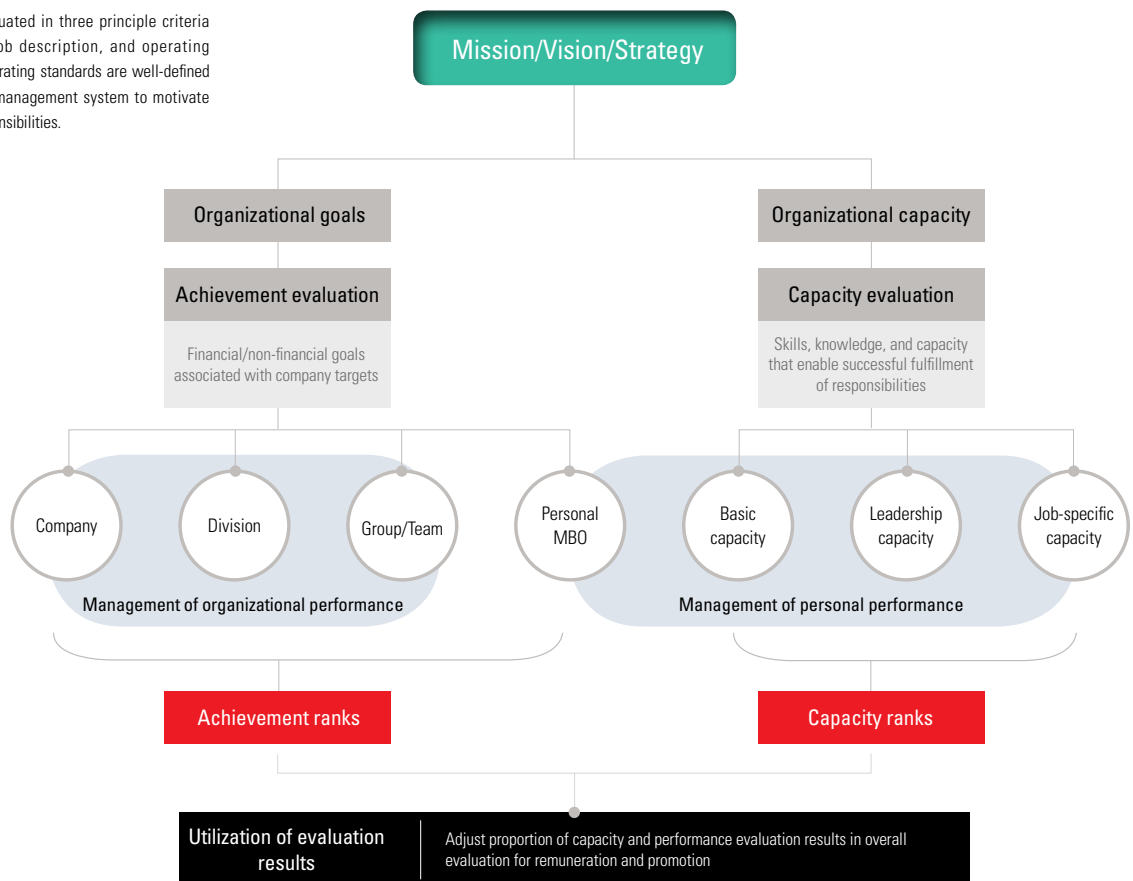
### Employee salary paid

Category	2008	2009	2010
Total number of employees (persons)	4,848	6,465	6,661
Average duration of employment (years)	13.3	12.7	13.0
Total annual salary paid (million KRW)	287,800	373,110	452,016
Per employee salary paid (million KRW)	63.7	65.4	73.3

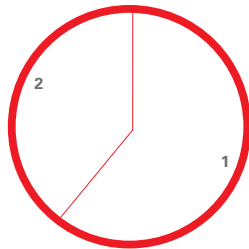
※ Salary figures includes retirement compensation. All employees are subjected to identical pay scheme regardless of their gender.

### Employee performance evaluation system

All MOBIS employees are evaluated in three principle criteria including job performance, job description, and operating excellence. The process and operating standards are well-defined in the MOBIS personal affairs management system to motivate employees to focus on their responsibilities.



Proportion of workers subjected to collective bargaining

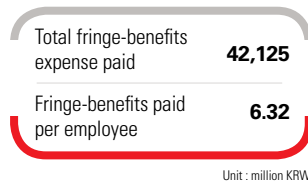


1. Non-members **61.3%**  
 2. Union members **38.7%**  
**Total No. of employees 6,661 persons**

● Decisions that must be communicated to the union before public announcement, as agreed in articles 39 and 40 of the Collective Labor Agreement

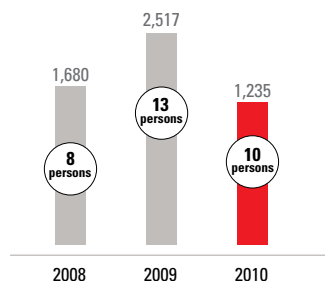
- Matters in regards to merger, take over and sales of business units must be communicated 90 days prior to signing of the contract.
- Matters in regards to production, R&D, production of parts in whole or in collaboration with outside agents must be communicated 60 days prior to the establishment of the plan.
- Matters in regards to relocation and reassignment of duties for technical and management needs, and re-training must be communicated to the trade union immediately.

#### 2010 Employee fringe benefits expense



Number of off days due workplace accidents

Unit : day offs ○ Number of affected employees



#### ■ Job Stability and Establishment of Labor-Management Trust

As of December 2010, 2,577 employees have joined the trade union, which is about 38.7% of the total employees. MOBIS guarantees the right to form unions, representative bodies, and collective bargaining, as also guaranteed by the labor laws in Korea. A labor-management council meeting is held on quarterly basis to find areas of constructive collaboration. A number of training programs and support measures are provided to improve labor-management relations and to ensure greater mutual benefits.

#### ■ Improving Workplace Health and Quality of Life

MOBIS provides a uniform fringe benefits package to all employees. The benefits package includes financial support for special personal events, special discounts on cars, parts and repair work, children's education expense support, holiday gifts and holiday travel expense subsidies. Other benefits includes personal pension subsidy, medical expense subsidies and regular health check-ups by age groups and job types. In 2010, 4,755 employees benefited from the Health Benefit Program, as did 12,351 employee family members, in the amount of 2.8 billion KRW. The Employee Health Benefit expenses include expenses for abdomen ultrasonic waves, tumor marker test, breast ultrasonography, uterine cervical cancer test, which are not required by the Occupational Health and Safety Act. The total number of maternity leave days taken by female employees was 2,368 days, 125 days per employee by 19 employees. Additionally, we introduced work place hazard prevention measures to promote employee health. The 'Great Work Place' initiative was launched for the active collection of new ideas beyond taking innovative measures to truly enhance the work environment for MOBIS employees. Other initiatives including healthy behavior encouragement program; 'Power Sponsorship', which allows MOBIS employees to access hospital, gym facilities, and other facilities at a discounted rate; employee library; and business status briefings for employees were also implemented to foster a more positive corporate culture.

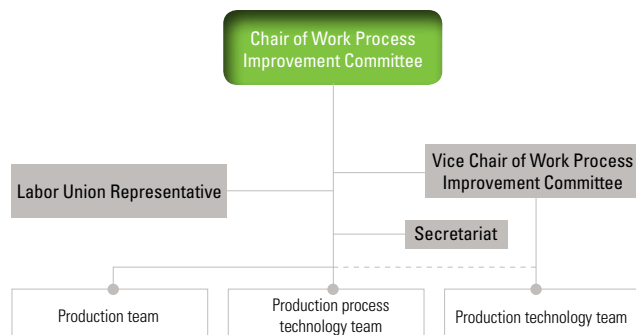
#### Fringe benefit expense items

Unit : million KRW

Type	Amount spent
National pension	11,873
National health insurance	13,316
Occupational health and safety insurance	3,270
Unemployment insurance	4,374
Health/Safety/Hygiene	3,576
Employee hobby club support	129
Tuition support	5,587
<b>Total</b>	<b>42,125</b>

#### ■ Occupational Health and Safety

We have also taken measures to reduce noise levels, implemented a hearing protection program, and eliminated identified factors that may lead to musculoskeletal disorders in the work process, in order to create a safer work place for our employees.





Employee children backpacking tour

### ■ Cultivating Positive Corporate Culture

A large number of international companies are striving to improve their corporate culture. Many are observing their efforts with great interest. MOBIS experienced tremendous growth by focusing on 'hard' aspects of the company. Now, we need to focus on qualitative growth for the refinement of 'soft' aspects of the company including management philosophy and balanced corporate culture. Over time, corporate culture instills the management philosophy of its members and shapes their internal criteria for value judgment. Therefore, refined DNA of corporate culture needs to be cultivated and instilled deeply into the company's culture in order to ensure sustained growth of the MOBIS.

We conduct employee satisfaction surveys each year to collect their opinion on how we are doing in making MOBIS a great company to work for with a great work environment and personal development opportunities. The survey consists of questions on 12 areas including work environment, fringe benefits and personnel affairs which are key issues in employee satisfaction. The survey results are analyzed and key issues are identified to address areas of improvement.

In 2010, two surveys on change management and job satisfaction were conducted in March and April, respectively to identify key demands of employees on corporate culture change. Another survey, the 'Corporate Culture Assessment' survey, was conducted in September 2010 to assess the current status of the corporate culture and directions for improvement to create a better corporate culture at MOBIS.

The survey results indicated that employees wished to maintain the existing rank-oriented (seniority) culture which contributed to fast growth. At the same time, however, MOBIS employees indicated that MOBIS needs to become more flexible and agile so that we can adapt to fast changing business environments. Many also expressed that we need to place greater emphasis on creativity through strong training and development programs. Overall, employees wanted cultivate a strongly collaborative culture with a focus on improving the existing corporate culture.

We have summarized employee's opinions on a collaborative corporate culture with focus on reform in the form of five principles as follows.

### 2010 Employee satisfaction survey result

(score out of Max. 6 points)

2009	Area	2010	Change
4.03	Overall satisfaction	4.12	▲0.09
4.39	Business environment and vision	4.51	▲0.12
3.85	Communication	3.76	▼0.09
4.43	Job responsibility	4.60	▲0.17
4.08	Leadership	4.29	▲0.21
4.19	Inter-colleague relationship/Teamwork	4.24	▲0.05
3.65	Workplace environment	3.70	▲0.05
4.26	Change/Innovation	4.17	▼0.09
3.82	Training	3.83	▲0.01
3.53	Salary/Remuneration	3.73	▲0.20
3.72	Performance evaluation/Promotion	3.70	▼0.02
3.58	Personnel affairs/Others	3.99	▲0.41

**First,** We shall implement changes and innovations to foster an innovative and creative corporate culture which enables us to quickly respond to market changes.

**Second,** We shall streamline work processes and remove factors that lead to inefficient use of resources.

**Third,** We shall diversify communication channels and facilitate stronger communication among employees of different ranks.

**Fourth,** We shall create a culture of stronger collaboration with stronger team work with shared understanding.

**Fifth,** We shall implement activities necessary for strengthening of development support programs for employees.



New-recruit welcoming ceremony

## Employee Development

### ■ Human Resource Development Structure

Using our five core values of customer first, challenge, collaboration, respect for people, and globality as a basis, we aim to develop MOBIS employees as people with strong global competency who win customer trust and pursue creative innovation.

First, we firmly believe that MOBIS employees should be able to win customer trust by listening to other's opinions with an open mind, while respectfully sharing their knowledge and experience with people of all areas of expertise. Second, MOBIS employees should be able to detach themselves from ideas that led to past successes and actively provide creative solutions using their knowledge and insight on changing business environments. Lastly, we believe that MOBIS employees should have global competency with in-depth knowledge in their areas of expertise, command of local languages, and a global mindset.

Our human resource development strategy is aligned with the realization our corporate vision to become a 'Global Top 5' automotive parts company by 2020. We established a new Human Resource Development office in December 2010 to strengthen our efforts to foster human resources with the capacity to contribute to realizing the long-term company objective. We also declared 2011 as the 'Year of MOBIS Human Resource Development Structure Foundation'. We are currently in the process of developing a long-term human resource development strategy.

### MOBIS HR development vision and strategic direction





In addition, we are cultivating an organizational culture based on enhanced communication, collaboration and sharing of core values with other members of the Hyundai Motor Group. We are also cultivating leaders with global competency within the organization through leadership capacity enhancement training, establishment of a leadership structure, and role models in different job ranks. We have also established an integrated Learning Management System (LMS) for the operation and management of employee training programs including development, delivery, evaluation and management of educational content.

The MOBIS human resource development program structure is designed not only to improve work-related skills but nurture personal development at maximum capacity.

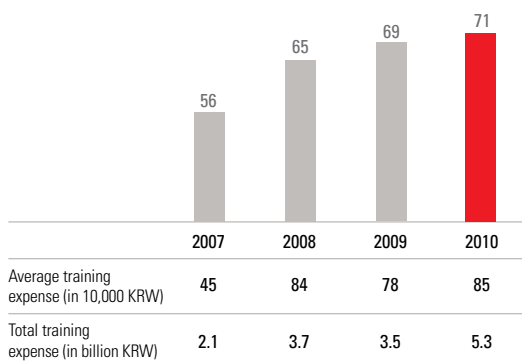
We offer more than 490 training courses designed to increase help promoting both employee and corporate values in areas including job skills, introductory courses, job rank-specific skills training, leadership skills, and IT courses. We are also operating an online learning center which offers more than 260 courses on business management, foreign languages, common job skills, leadership, IT and many more. In-house and outside experts also offer special lectures and training sessions for enhanced learning opportunities.

We place special emphasis on enhancing the global competency of our employees by offering highly structured foreign language training, operating the MOBIS foreign language dormitory, and the global frontier programs. Training programs for locally-recruited staff working in overseas subsidiaries includes job skills interchange sessions at manufacturing plants and R&D centers, global manager training courses, and a traditional Korean cultural experience. The programs are designed with emphasis on increasing understanding about MOBIS' core values and culture by employees.

In 2010, our employees received 71 hours of training on average, which was increased by two hours from the previous year. Training expenses also increased by 70,000 KRW from 780,000 KRW in 2009 to 850,000 KRW in 2010.

Change in average training hours

Unit : hours



Training program composition

Unit : courses



# Customers

**Companies cannot exist without the support of its customers. Recognizing customer satisfaction as a driving force for innovation, we are endeavoring to improve quality of products and services with greater value. We will continue to strive to deliver the best possible products of the highest quality and safety to our customers using our customer-oriented quality management as guidance.**

## Quality Management for Greater Customer Satisfaction

Insuring best quality for customer satisfaction is a top priority issue in CSR management at MOBIS. We have made a sustained effort in quality management for customers since our foundation. Our quality management target has evolved from zero defects to beyond flawless quality that truly impresses customers. We are attempting to deliver value beyond our customer's expectations for complete customer satisfaction and safety. Quality and safety issues have once again become a top priority due to large scale recalls by Toyota. As the largest automotive parts manufacturer in Korea, we felt responsible for insuring the quality and safety of our products. In early 2010, MOBIS conducted a special inspection on 198 suppliers on the management status of safety-related parts in order to raise awareness of the importance of quality and safety. Measures were also taken to strengthen quality issue prevention measures. In October 2010, we also launched a special task force on safety related parts. The task force identified 16 issues and began addressing those issues that required improvement with a completion date of December 2011.

### ■ Global Top Quality by 2015 (GTQ-2015)



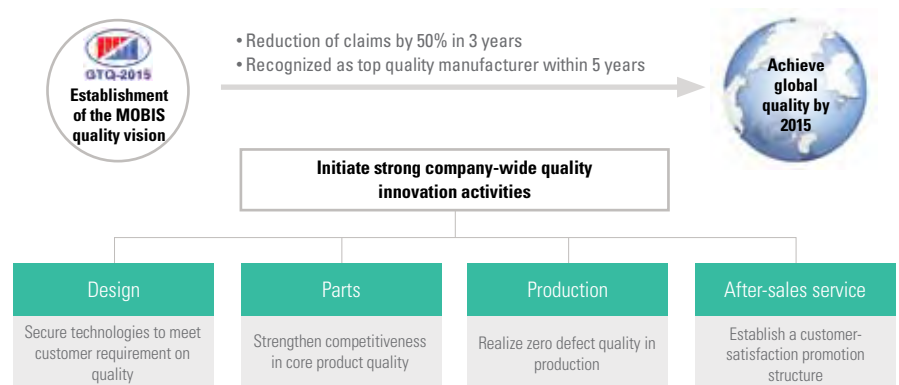
Launch of GTQ-2015 campaign

We expect explosive increases in the demand for green and smart vehicles in the near future. Naturally, demand for electric motors, batteries for hybrid electric vehicles, and electric vehicles will increase significantly. Likewise, components for electronic vehicle control system and advanced safety systems for smart vehicles will increase significantly. Such an increase in electric and electronic components will engender both opportunities and risks. For example, unlike more predictable mechanical problems, we are likely to experience issues related to less obvious yet potentially critical electronic signal processing and control errors, most of which could be directly detrimental to safety of both drivers and pedestrians.

Therefore, we will focus on building technology capacity for development and production of integrated chassis/safety system, green vehicle core components, and IT convergence electronics components which will serve as the three main elements of MOBIS in its race to Global Top 5 by 2020.

## GTQ : Global Top Quality

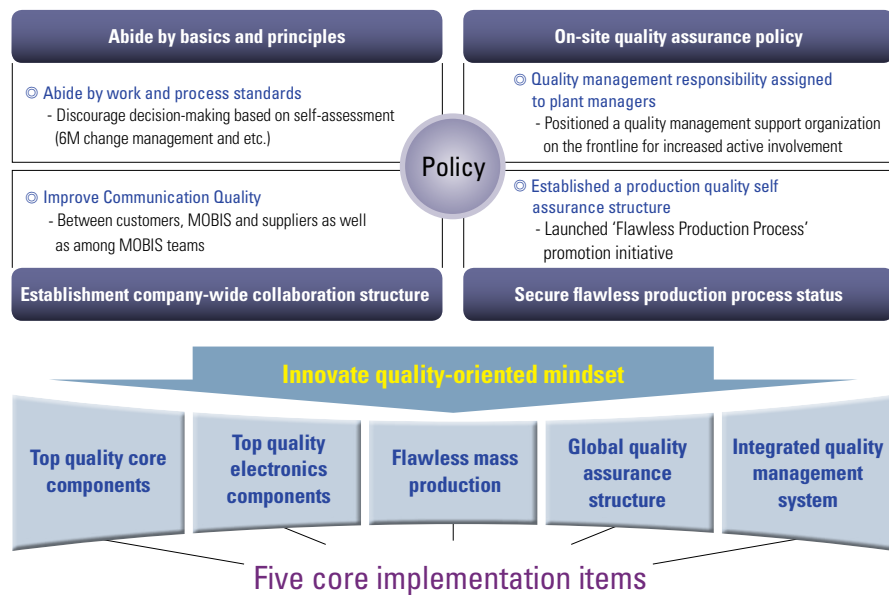
### Global Top Quality - 2015 Company Quality Innovation Activities



In light of increasing quality problems even among the top global companies, we feel the necessity to strengthen quality and safety management efforts. We launched the global quality innovation initiative with a clear goal of achieving perfect quality and safety with 'GTQ-2015' as a goal.

Our aim is to achieve the quality standards stated in our 2015 goal earlier than planned. We set an interim goal of reducing defect claims by 50% by 2013. We also established four principle policies, five core implementation tasks, and 47 specific tasks in areas relevant to quality management including designing, manufacturing, and providing after sales parts distribution to achieve global top quality by 2015.

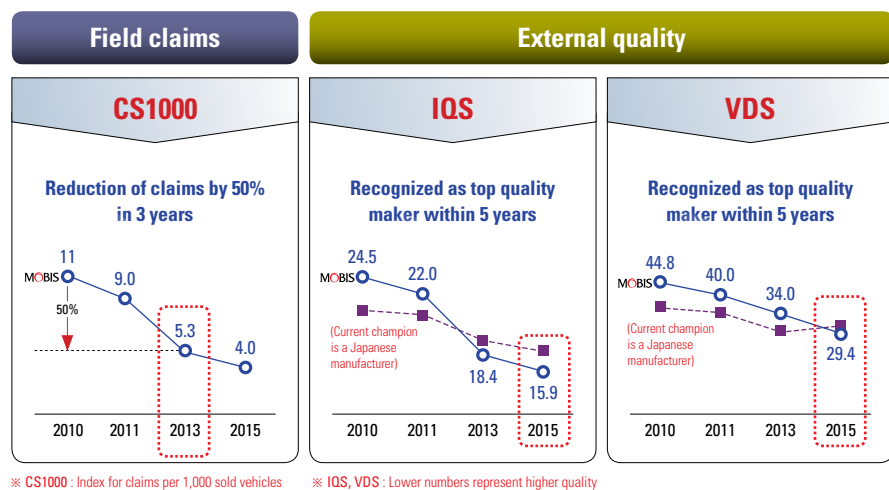
#### GTQ-2015 implementation strategy



#### GTQ-2015 target

##### • Initial Quality Study and Vehicle Dependability Study

JD Power and Associates is a marketing information services company specializing in consumer satisfaction surveys for the automobile market. The Initial Quality Study is conducted with new vehicle buyers after 90 days and asks about how many problems they have experienced. The Vehicle Dependability Study measures problems experienced by the original owners of three-year-old vehicles. Overall scores for both IQS and VDS are determined by the number of problems experienced per 100 vehicles (PP 100) with a lower score indicating higher quality.





Sled test for airbag technology development  
AVM (Around View Monitor)

### Technology R&D for Customer Safety

We are making a sustained effort to develop new technologies to increase convenience and safety while creating greater value for customers. We sincerely hope that our technologies enhance customer safety and give them peace of mind.











#### ■ Development of Parts for Enhanced Customer Safety

We produce automobile parts and systems that actively enhance vehicle safety by preventing accidents as well as products that can protect vehicle occupants in the event of a crash. We are also strongly investing in production processes and technologies to reduce the price of our products in order to make our products affordable for a greater number of people.

The IP low-mounted knee airbag can be installed beneath the instrument panel to protect passenger's knees and legs. When installed, our knee airbag is not visible to drivers thus it can be used in all vehicle models regardless of vehicle design.

We also developed AVM (Around View Monitor) which assists drivers to park their vehicles by allowing the driver to see what is located around the car and therefore reducing the risk of an accident. MOBIS will continue to produce active safety products that help prevent accidents as well as conventional safety enhancement products in order to better protect our customers from accidents.






### Key safety-related parts

										
Product	Airbag	MEB	MDPS	SCC	SPAS	LDWS LKA	TPMS	AVM PGS	PAS	AFLS
Function	Passenger Protection	Electronic brake control system	Electronically controlled steering system	Smart cruise control system	Blind spot monitoring/Warning	Lane keeping assistance/Warning	Tire pressure monitoring/Warning	Camera-parking assistance system	Parking assistance	Light directional changing head lamps
Note	MP	MP	MP	DC	DC	RMP	MP	RMP	MP	DC

※ MP : Mass production    ※ DC : Development completed    ※ RMP : Ready for mass production

### ■ Product Testing for Maximum Safety

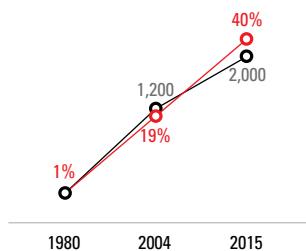
We place great emphasis on meticulous product testing to improve the reliability of all MOBIS products. MOBIS forecasts product performance from the initial stage of development and conducts a series of tests such as rig, field, HILS, NVH tests and more to acquire data on product characteristics which are then used for reliability improvements.

<b>Rig test</b>		<p>Tests durability, strength and performance to insure product reliability</p> <p>Products tested : MEB/CBS/MDPS/EPB/Chassis</p> <p>Test performed : performance, strength, noise, environmental performance, endurance</p> <p>Equipment used : dynamo, other performance testing equipments (ex : environmental performance)</p>
<b>Field test</b>		<p>Tests conducted with real vehicles on proving grounds and real roads in various locations in Korea and overseas</p>
		<p>Regulation assessment, performance testing, reliability testing, failsafe/malfunction test</p> <p>Fleet durability test (Korea, Sweden, Harbin(China))</p> <p>Overseas road test (Death Valley, Spain, North America)</p> <p>Equipment used : DAS, steering robot, Steering Force and Angle Meter</p>
<b>HILS</b>		<p>Prior assessment in under virtual simulation environment</p> <p>Products tested : MEB/Integrated Chassis Control/MDPS/EPB/ASV</p> <p>Test performed : Performance test, fail-safe/malfunction test</p> <p>Equipment used : HIL simulation testers for each product</p>
<b>NVH</b>		<p>Assessment of noise, vibration, harshness and durability</p> <p>Products tested : steering, suspension, motor (HEV)</p> <p>Test performed : real vehicle test, independent part test, sound quality analysis</p> <p>Equipment used : anechoic room, sound quality analysis system</p>

### MOBIS winter testing ground

#### Sales and proportion of electronics parts in total vehicle cost

Unit : 100 million USD



※ McKinsey & Company, 2006



Arjeplog, Sweden



Wanaka, New Zealand

### ■ ISO 26262 Certification

The proportion of electronic components in automobiles is rapidly increasing according to increment of usage in vehicles for enhanced driver convenience and safety. Possibility of accident is increasing due to complexity. As a result, electronic system error is also rising continuously.

We are developing our products in accordance with Global Development Standard (CMMI) in order to obtain reliability in changing trend of markets and planning to obtain functional safety certification (ISO 26262) by 2013. We believe our core responsibility is insuring the highest product reliability by adopting best available technology for maximizing driver and passenger' safety and convenience.

## Supplying Genuine Parts for Customer Safety

Genuine parts meet identical specifications and performance requirements set by the vehicle manufacturer, and thus, they are certified and supplied by the vehicle manufacturers. Many automobile experts say that both requirements must be met in order for the parts to be classified as genuine parts. In addition to providing genuine parts for new vehicles, MOBIS is insuring customer convenience and vehicle safety by supplying genuine parts after-product warranty periods.

Basically, genuine parts are identical to the original parts used in the manufacture of the vehicle in terms of materials and performance. Manufacturers of genuine parts also take responsibility for their reliability. All parts produced by MOBIS are designed and produced to insure optimal performance on the road. Our parts are also produced under strict supervision and tested to insure highest reliability. By contrast, imitation parts are released into market without systematic reliability tests or sales process. Not only have these parts infringed on intellectual property rights, but they also expose their users into significant risk of accident. Moreover, buyers of imitation parts will not be compensated in case the product fails.

In December 2006, the Trade Information Patent Association (TIPA) was established in collaboration with the Korea Customs Service and private companies to protect customers from the risks associated with use of imitation parts. MOBIS joined the TIPA and has been identifying illegally fabricated parts and removing them from the market.

### Imitation airbag inflation test

- Genuine airbags fully inflate within 45~50 milliseconds, while imitation airbags tested did not inflate fully nor quickly enough due to weak internal pressure.
- Driver safety is likely to be marginalized in accidents that involve airbag inflation if imitation airbags are used.



### Change in fabricated Hyundai & Kia automobiles parts trading volume

	2008		2009		2010	
	Identified incidents	Amount in billion KRW	Identified incidents	Amount in billion KRW	Identified incidents	Amount in billion KRW
<b>Total</b>	<b>42</b>	<b>6.3</b>	<b>173</b>	<b>21.1</b>	<b>210</b>	<b>33.7</b>
Domestic	13	3.7	8	3.4	12	3.7
Overseas	29	2.6	165	17.7	198	30

### Supply of Service Parts for Customers

We believe we are responsible for every single customer on the road who needs our parts, wherever they are, in order to insure their highest satisfaction. So, we established an efficient distribution network equipped with a cutting-edge logistics system and a computerized inventory management process in order to efficiently supply more than 1.65 million different parts for 179 different vehicle models. We will continue to invest in the supply network to insure that all Hyundai and Kia vehicle owners are supplied with automotive parts they need.

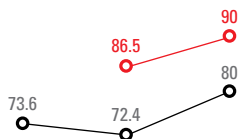
### Customer Satisfaction Activities

We have established various communication channels for collecting and responding to customer inquiries and opinions on our products and services. We also conduct the MCSI (MOBIS Customer Satisfaction Index) survey on a regular basis and report the results to top management and relevant departments for improvement. With our philosophy of 'customer-first' management, we will continue to pay close attention to customer voices and improve customer satisfaction to deliver the best services and products.

We are conducting a range of customer service training programs for staff with direct point-of-contact with customers as a part of our customer-first management system. For example, we conducted 'Open Customer Service' training on customer-value oriented management and customer satisfaction improvement measures with 345 dealership employees managed by 17 service centers. Fostering job-specific skill trainers and training of new-recruits as well as employees with customer service-related responsibilities are keys in promoting customer satisfaction, and we are making a significant effort in that area. We also developed an Adobe-flashed based online training program on how to improve service call reception and distributed the program to all dealerships.

MCSI (MOBIS Customer Satisfaction Index) survey

Unit : points      ● Retail      ● Wholesale



2010 1 <sup>st</sup> half	2010 2 <sup>nd</sup> half	2011 target

### Status of training programs for dealerships on customer satisfaction management

Year	2006	2007	2008	2009	2010
Trainees	1,353	1,335	151	2,021	730
Training hours	6hrs	11hrs	8hrs	20hrs	11hrs

※The 2009 data includes e-learning (1,397 persons/16 hours)

### Facts of Interest



### 277,000 components managed with unique bar code for delivery in 24 hours to any part of Korea

We invested 98 billion KRW to establish the Asan Logistics Center which supplies service parts to 74 sales offices in 201 countries.

Asan holds 164,000 and 113,000 parts for use in the overseas and Korean markets respectively. The Asan Logistics Center employs advanced technologies including an advanced bar code system, a digital peaking system and steel fiber reinforced concrete to deliver optimal logistics service to insure delivery of requested parts to anywhere in Korea within 24 hours.



## Status on customer inquires and responses by inquiry type

Unit : cases

Inquirer	Specification, Modification	Part number	Part supply	Inventory, Price	Complaints	Goods	Others	Total	POR
Vehicle owners	148,059	14,283	48,632	27,825	8,235	1,159	5,524	<b>253,717</b>	42.5%
Dealerships	114,718	11,846	10,343	6,875	2,175	513	2,249	<b>148,719</b>	24.9%
Affiliated maintenance service provider	84,280	7,781	10,412	6,536	3,007	514	2,032	<b>114,562</b>	19.2%
Maintenance service provider	25,311	2,011	2,519	1,997	2,327	10	279	<b>34,454</b>	5.8%
Sales shops	2,355	194	151	297	11	0	8	<b>3,016</b>	0.5%
Others	31,351	2,401	3,556	3,629	540	24	752	<b>42,253</b>	7.1%
<b>Annual total</b>	<b>406,074</b>	<b>38,516</b>	<b>75,613</b>	<b>47,159</b>	<b>16,295</b>	<b>2,220</b>	<b>10,844</b>	<b>596,721</b>	<b>100%</b>
POR	68.1%	6.5%	12.7%	7.9%	2.7%	0.4%	1.8%	<b>100%</b>	-



Security training



ISO 27001 certification

## Customer Information Protection

The importance of customer information protection is increasing with emergence of the information technology society. We recognize that customer information protection is the foundation of customer trust and an important constituent of competitiveness and so, we have established an integrated enhanced security management system (ESM) and 18 information management principles.

The system encrypts all documents and data for protection, and we also have real-time security monitoring system in place. The security managers and employees who handle customer information are also trained on a regular basis to keep up to date. Our R&D center and Jincheon plant have received ISO 27001 certification and security improvements are being made by the renewal of post-certification evaluation.

## Information security management status

Area	Note
Security policy (18 principles in place)	Areas covered in the MOBIS security policy: Information, document, check-up, personnel affairs information, outside workforce, asset classification, physical security, accounts and administration authority, network, database, server, application system, security system, business continuity, user security and computer emergency response
Integrated security system	Digital Rights Management (DRM) : Encryption protection of information assets (2008-) Media control system : Disabled use of USB memory, external HDD and DVD (2008-) Centralized document management : Server based computing to manage information assets (2010-) Active directory : Electronics equipment, user genuineation management (2010-) Early warning system : Prevention of overuse and abuse of information (2009-)
Security training	Security manager capacity building courses Employee security awareness training courses
ISO 27001 certification and post-certification audits	ISO 27001 certification given to - Scope of certification : R&D center, Jincheon plant - Year of certification : 2008 (audits : twice a year)

- The number of noncompliance cases filed for violation of customer information protection and marketing standards in past three years is zero.

# ENVIRONMENTAL VALUE



Better Technology for  
a Green Tomorrow

푸른 미래를 위한  
더 나은 기술

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1. Efficient Resource Use
2. Clean Production

# Environmental Achievements

An optimal environment of sufficient soil nutrients, water, sunlight and wind needs to be provided for a prolonged period of time in order for a tree sapling to grow into a majestic tree. We believe that environment management is much like fostering a sapling as an investment in a better future.

**MOBIS** has established a strategic environment management system and is striving to contribute to the realization of a greener society.

We are developing green technologies for tackling climate change and complying with all environmental regulations as our part of environment management.





# Environment Management System

Environmental protection and economic development are twin targets MOBIS is striving to achieve. We are aiming to minimize negative environmental impacts, while creating and sharing economic, social, and cultural benefits with stakeholders.

At MOBIS, our environment management scope includes climate change, hazardous materials management and air pollution management throughout all of the life-cycle stages of our products from planning to disposal. We have also established a long-term environment management strategy to build capacity to meet future environmental regulation standards early on, established an environmental management system and implemented advanced practices as a leading green automotive parts manufacturer.

## Environment Strategy

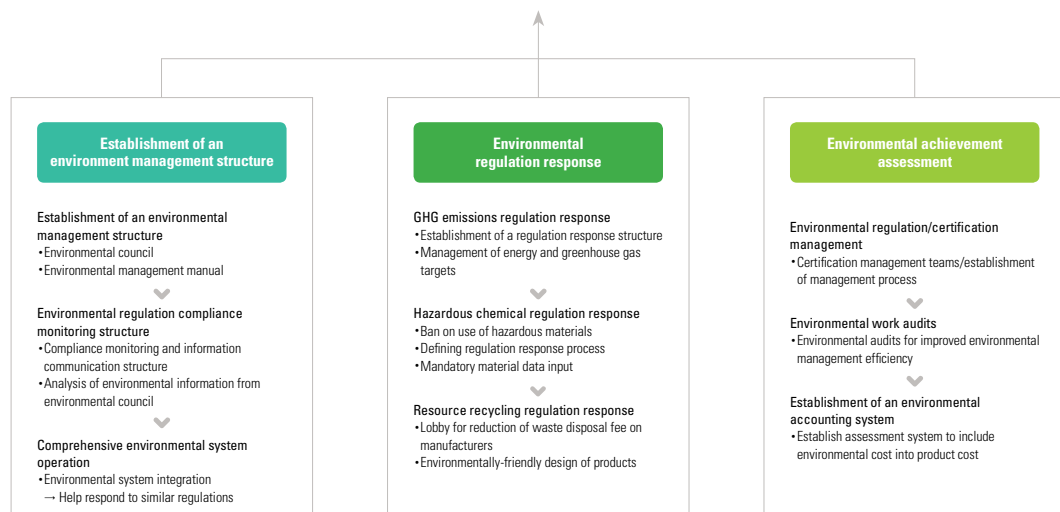
Climate change and environmental issues have become high-profile global issues and their influence on international trade is also increasing. The responsibility of manufacturers to manage environmental problems is also increasing from the impact of the production process to all life-cycle environmental impacts including disposal of products. Environmental regulations are becoming increasingly focused on the comprehensive environmental performance of products and services.

Regulation of automobile CO<sub>2</sub> emissions has been strengthened to 130 g/km by 2015 and 95 g/km by 2020 in the European Union. The U.S. has adopted 250 g/mile as their new standard by 2016. Several environmental incidents, including the detection of excessive amount of lead in children's toys in the U.S. and the use of melanin in food products in China, have heightened the awareness for the need for improved health safety management. The EU has already created a strong policy on chemical use, 'REACH' and there is a growing movement for the introduction of more stringent regulations in the U.S. and China.

Instead of taking a passive stance by resisting the regulations, MOBIS recognizes environmental regulation response as a key in strengthening competitiveness. We are strengthening comprehensive response capacity with clear goals and direction to strengthen our environmental management structure. Nine key tasks in three core strategy areas were also identified for speedy implementation as a part of our active response to environmental regulations and issues.

## Strategic environmental target

Establishment of environment management structure for proactive response to environmental regulations and issues



- **ELV** (End of Life Vehicle)  
Directive on recycling of vehicles

- **REACH** (Registration, Evaluation and Authorization of Chemicals)  
Regulation on use of chemicals

### Technology Development with Life-cycle Considerations

Environment management at MOBIS encompasses all life-cycle stages from planning and design of products to disposal with a goal of minimizing the negative impact on the global environment.

Pre-assessment of environmental impact at the product planning stage, analysis of product environmental regulations (ex: ELV, REACH), the reduction of product weight for reduced environmental impact, and the incorporation of the Design for Disassembly (DfD) concept are some of the activities we are carrying out to reduce the environmental impact of our products. We have also installed high-efficiency inverters and lighting at production plants to reduce water and energy use in addition to minimizing waste disposal to contribute to a direct and indirect reduction of greenhouse gas emissions associated with our business activities.

Reducing the environmental impact associated with distribution, use and disposal of our products is also an important focus of our activities and we are improving our distribution system, our management of environmentally harmful materials, and our recycling program.

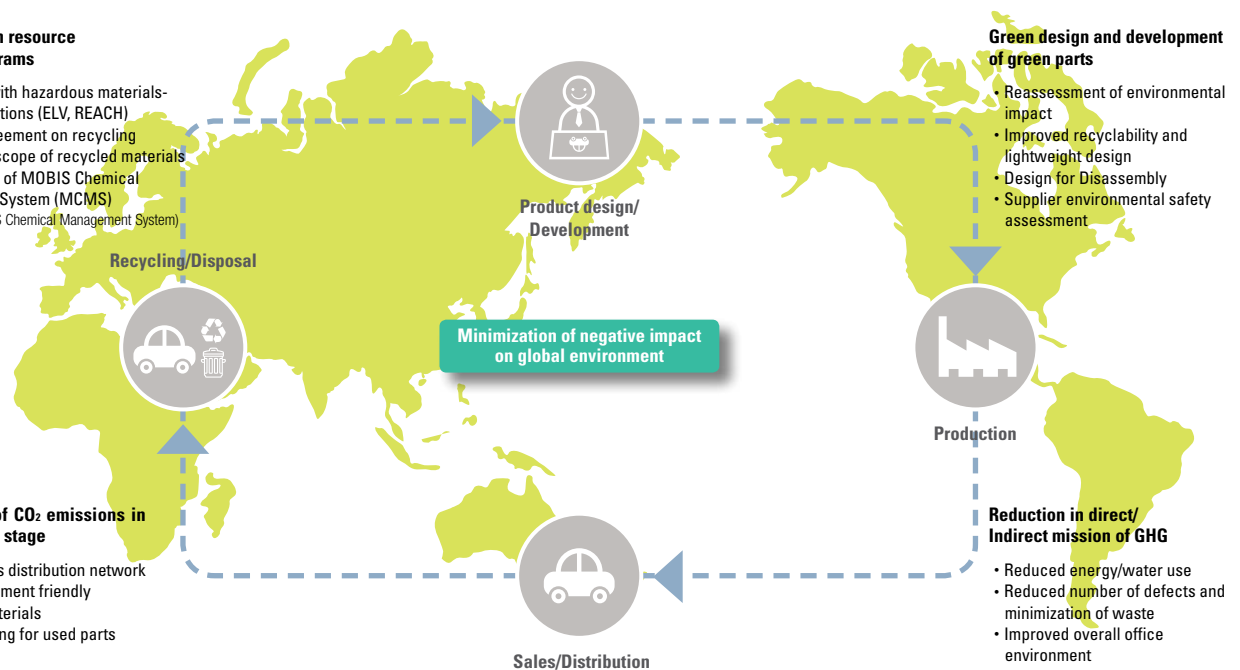
#### Environment management activities by product life-cycle

##### Participation in resource recycling programs

- Compliance with hazardous materials-related regulations (ELV, REACH)
- Voluntary agreement on recycling
- Expansion of scope of recycled materials
- Establishment of MOBIS Chemical Management System (MCMS)  
※ MCMS (MOBIS Chemical Management System)

##### Minimization of CO<sub>2</sub> emissions in the distribution stage

- Improved parts distribution network
- Use of environment friendly packaging materials
- Green marketing for used parts



### Establishment of the Environment Management System

We have established an ISO 14001-certified environment management system in order to more effectively respond to environmental regulations, contribute to voluntary environmental protection and cleaning and minimizing the release of pollutants. As of 2010, 14 plants, 33 parts sales offices and 11 manufacturing plants had been certified ISO 14001.

MOBIS has set a long-term goal of minimizing the negative impact due to its business activities and is implementing sustained improvement activities through our ISO 14001-certified environment management system. We are monitoring our progress at each operational site by measuring changes using environmental indicators on a regular basis. Annual environment audits are also conducted to assess the status of the environment management at each operation site.

# Climate Change Response

**MOBIS is well aware of societal demands to tackle climate change, one of the prime global issues that have yet to be resolved. As a global automotive parts manufacturer, we will take action to fulfill our responsibility. We are reducing greenhouse gas (GHG) emissions in all activities including designing and production of parts. Development of low-carbon green growth technologies including the development of environment friendly materials and production processes are also an important focus of our environment management for turning the vision of a low-carbon society into a reality in nearest possible time.**

## Green Vehicle Component Development

In February 2010, MOBIS established a new company, 'HL Green Power', in partnership with LG Chemicals for production of battery packs for green vehicles. We plan to construct a battery production plant in the Uiwang industrial complex with an annual production capacity of 200,000 battery packs. The new plant will provide a stable supply of battery packs for green vehicle application boosting MOBIS' global competitiveness.

MOBIS is already supplying core components for hybrid vehicles including electric motors, HSG, HPCU and BPA for the Sonata Hybrid and the K5 Hybrid which were launched in May 2011. We are developing core green vehicle components and electronics systems, in addition to lightweight and high-efficiency parts in close collaboration with automakers from the vehicle design phase in order to contribute to the production of greener vehicles that consume less fuel and emit less CO<sub>2</sub>.



**HSG (Hybrid Starter & Generator)**



**BPA (Battery Package Assy)**



**HPCU (Hybrid Power Control Unit)**



**Electric motor for hybrid electric drive system**





- **HPCU** : Hybrid Power Control Unit (Inverter+Converter)
- **HSG** : Hybrid Starter and Generator

#### ■ Development of Core Green Vehicle Components

The hybrid drive system being developed by MOBIS consists of an electric motor which propels vehicle with an engine; a Hybrid Power Control Unit (HPCU) which controls the electric motor; a battery module which stores and supplies electricity to the system; and a Hybrid Starter and Generator (HSG) which generates electricity, while stopping and starting the engine as needed.

Our electric motor is a core component of a hybrid vehicle system which propels the vehicle from a stand-still and provides extra boost during acceleration. It also serves as a generator during deceleration and charges the battery module. The HPCU, in one modular package, consists of two inverters that controls the electric propulsion motor and the HSG, and a converter that supplies power to electronic parts while charging an auxiliary battery. Through such technological developments, the power density of HPCU was increased.

The Battery Package Assembly (BPA) is the main source of power for the electric propulsion system and vehicle operation. A BPA unit consists of a lithium-ion polymer battery module, a Battery Management System (BMS), a battery cooling blower, and a Power Relay Assembly (PRA) for supply/cut down of electric power.

The HSG unit charges the hybrid battery pack by generating electricity from the engine when the charge is low. The engines of hybrid electric vehicles stop when the vehicle is at a stand-still. The HSG automatically restarts the engine when the brakes are released leaving both the engine and electric motor available for propulsion of the vehicle.

In addition to supplying electric drive system components for hybrid vehicles, we also began to supply proprietary electric vehicle components for EVs built for demonstration programs. MOBIS has also taken on advanced technology research for motors, inverters, BPA and more for electric and fuel cell electric vehicle applications scheduled for supply to automakers in the future.

#### ■ High-efficiency Parts Development Status

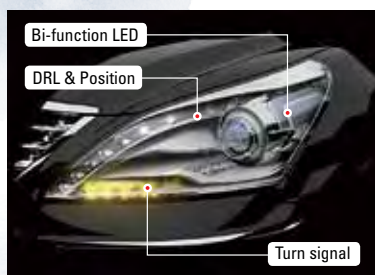
##### - Bi-function LED AFLS Overview

Unlike light bulbs, LEDs are semiconductor devices which emit exceptionally high amounts of lights in terms of electricity consumption. LEDs are also very durable making it an ideal green component. The Bi-function LED AFLS is an intelligent lighting system made using green LED technology.

Bi-function LED AFLS can function as both high-beam and low-beam lights using advanced optical systems. In addition to excellent performance characteristics, the new LED headlamp is smaller and employs fewer parts than before making it 15% less expensive to produce. The system creates light patterns most ideal for road conditions.

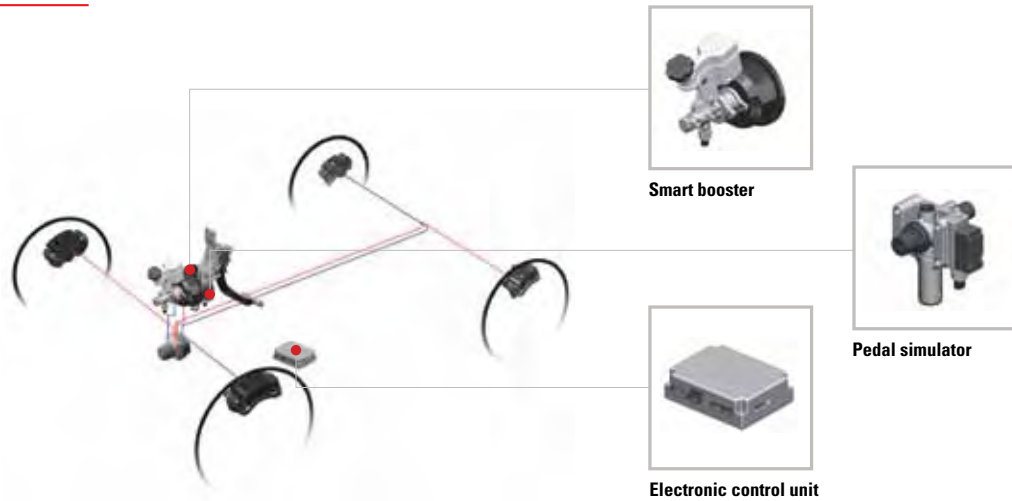
LED lamps are also extremely durable, lasting more than 10,000 hours, making replacement unnecessary during vehicle life. Due to its higher energy efficiency, it contributes to saving of 44 liters of gasoline and a reduction of 110 kg of CO<sub>2</sub> when compared to conventional lamps for every 20,000 km driven. Application of LED lamps will continue to increase starting with hybrid electric vehicle and electric vehicle models. Our advanced lamp research team will continue to focus on the development of more intelligent and energy efficient lighting systems for market applications in order to achieve further reductions in GHG emissions.

Bi-function LED AFLS



- **AFLS** (Adaptive Front Lighting System)
- **DRL** (Daytime Running Light)

## Smart booster



### - Smart Booster

Vehicles with electric drive systems using electric motors such as HEVs use the motor to convert kinetic energy from the vehicle into electricity, the conversion of which leads to the deceleration of brakes. The process is commonly referred to as regenerative braking. The smart booster consists of a motor-driven booster, a pedal simulator and an ECU (Electronic Control Unit). The system detects and determines the level of desired deceleration and operates the motor to apply the appropriate level of braking.

We are striving to develop smart booster and advanced regenerative brake technologies in order to further increase the energy efficiency of hybrid vehicles, extend the distance driven per fill-up and achieve a reduction in greenhouse gas emissions.

### - Environment friendly Head Lamps

A new paint recycling technique was employed in the production of the lens for head lamps. Using the new technique, paint that did not adhere to the coating surface is collected and reused, lowering paint loss from 75% to 20%. The cost of painting is also reduced by 60%.

The lamp bezels that can be used directly for vacuum aluminum coating without application of primer and lightweight reflectors using low-density glass hollow spheres were developed for applications. The physical characteristics of the materials used for the reflector were optimized by using hollow glass spheres and other filler materials. Molding conditions were also optimized considering the use of hollow glass spheres with weaker hardness.

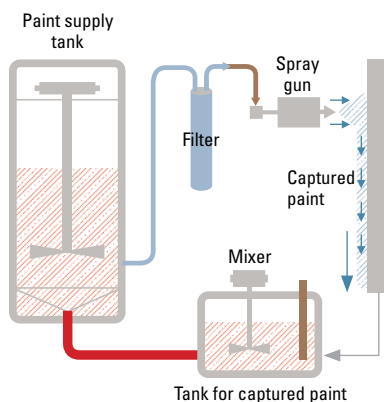
Overall, the lightweight reflector with hollow glass spheres is 20% lighter than previous models at identical production cost contributing to reduced emissions and increased fuel efficiency.

### - Fuel-efficiency First Navigation

When activated, the fuel-efficiency first navigation function identifies the most fuel efficient travel path for the trip through simulation using the map data and live transport protocol experts group traffic data.

The New Fuel-efficiency First option was added with software upgrades without having to add any new hardware. Test results indicated that the new fuel efficiency paths lead to as much as 7% improvement in fuel efficiency. We will further improve the system to provide even more detailed and intelligent driver assistance information such as when to slow down and blind spots by utilizing vehicle sensors and real time road data.

## Environment friendly headlamp manufacturing process



### ■ Lightweight Part Development Status

Lightweight parts development is one of the core green technology development areas as it can contribute to improved fuel efficiency and reduced GHG emissions. We are focusing on improving part design, as well as developing and employing lighter alternative materials in order to reduce the amount of materials used and the weight reduction of each automotive part we produce. In fact, our material research team is devoting its resource to finding alternative materials and recycling of resources.

#### - Hot-formed Coupled Torsion Beam Axle (CTBA)

MOBIS developed the hot-forming process and applied it to the production of the Coupled Torsion Beam Axle (CTBA) used in the Elantra and Accent. The hot-formed CTBA has increased tensile strength and durability while weighing 12% lighter, both of which contributes to a significant reduction in vehicle mass. We plan to expand the use of hot-forming for the suspension system of mid-size and compact vehicles. Use of aluminum lower arm and carrier of the front and rear wheels of the Sonata Hybrid also contributed to a total weight reduction in the Sonata Hybrid.

#### Hot stamping line process



#### - Brakes

MOBIS is developing light weight brakes through researching ways to utilize less components, adopting alternative materials and enhancing strengths improvement design. Recently, MOBIS successfully developed a 15% lighter tierod booster scheduled for application. This was achieved by enabling thinner parts structure through design modification.

Also, MOBIS has developed an 18% lighter master cylinder by employing a fixed seal, utilizing less parts, improving body manufacturing process and securing oil movement channel. Meanwhile calipers light weighted by 30% through switching body material from cast iron to aluminum alloy have been adopted to vehicles in production.



Tie rod booster



Aluminum caliper

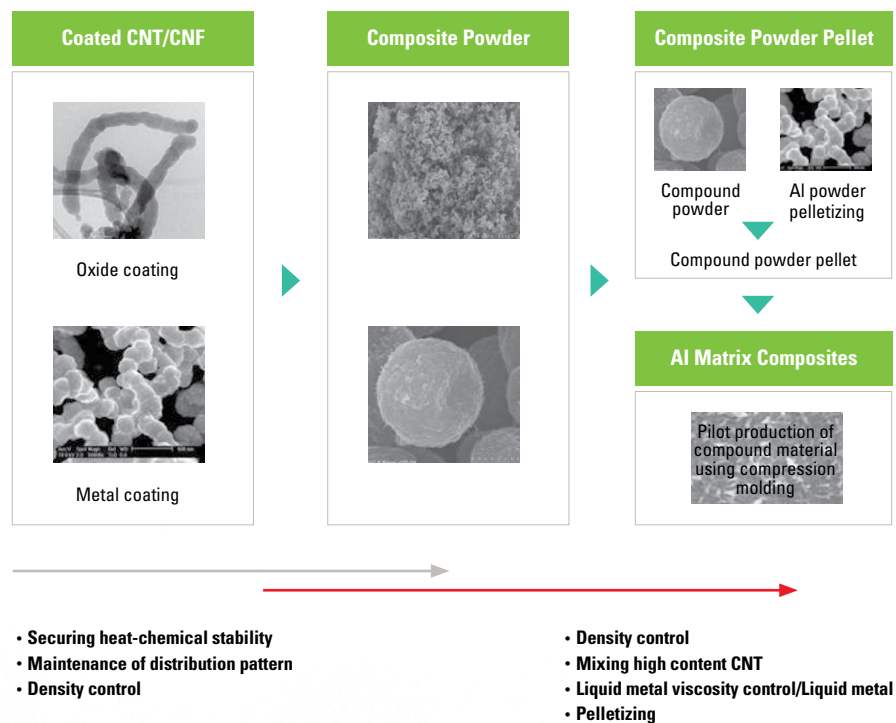


Flanger-type master cylinder

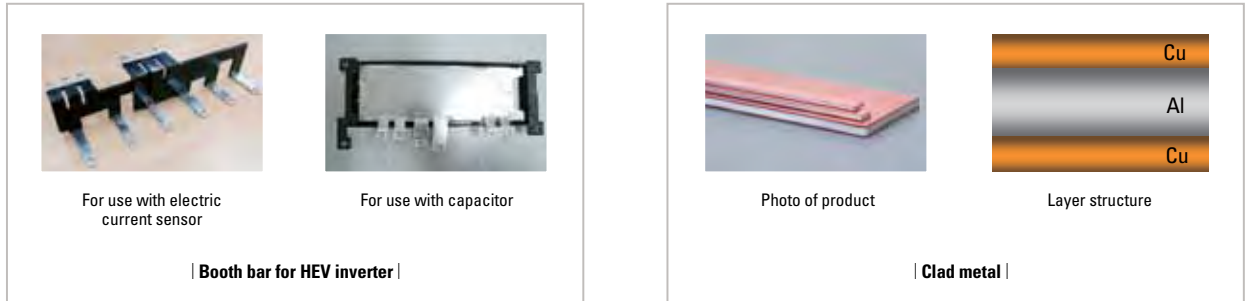
### - Development of Nano-compound Material for Ultra Lightweight Structures

Despite the considerable progress we have already made in weight reduction, we aim to develop nano-compound materials that will allow 50% reduction in weight when compared to aluminum or cast iron. We are currently researching how to secure desirable heat-chemical stability, maintenance of dispersion characteristics, and density control.

We also simultaneously conducting 2nd phase research on a pelletizing method of creating small ball-shaped materials by achieving ideal liquid metal viscosity by mixing high content CNT.



### Booth bar and clad metal for HEV inverter



#### - Booth Bar for HEV Inverter

A booth bar is a plate-shaped electric component used for electrically connecting electronic components. Currently, booth bars are made using copper. However, we are trying to develop booth bars made of clad metals with more than two layers of metals on a single or on both sides.

The electric conductivity and the surface resistance of clad metals in high frequency circuits is roughly identical to copper. The density of clad metals is 40% to 50% of copper and thus lighter than copper. We expect booth bar made of clad metal to be 20% lighter when compared to copper.

### Greenhouse Gas Reduction Activities

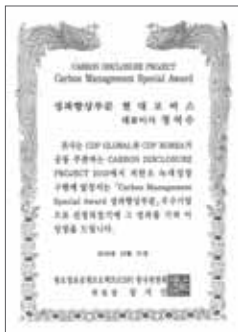
We recognize that response to climate change is a matter of the utmost importance. GHG emissions at major operation sites both in Korea and overseas are in progress. At the same time, we have established reduction targets and implemented various reduction measures as well as development of reduction technologies.

#### ■ Greenhouse Gas Emissions Management Activities

We began working on the establishment of a new GHG emission management system in October 2010. The system, designed for more effective management of GHG emissions from domestic operation sites was launched in May 2011. We are in the process of collecting overseas GHG emissions data to use for the evaluation of potential impacts of local GHG regulations in each region of operation.

Our management scope includes all six GHG gases including CO<sub>2</sub>, PFC, HFC, SF<sub>6</sub>, N<sub>2</sub>O and CH<sub>4</sub> covered in the Kyoto Protocol. We have already developed reduction plans for select operational sites. GHG emissions management is designed to meet the reporting requirements defined in the GHG energy target management policy designed to deliver objectives in the basic law on low carbon green growth legislation in Korea. We will produce a detailed GHG emissions report using the system and submit it to the Korean government this summer.

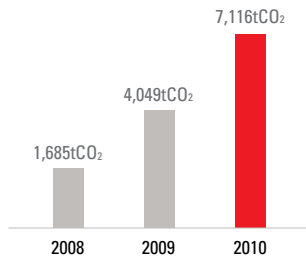
We will have the GHG report reviewed by a certified third-party agent for assurance. We will also calculate reduction potential, set long-term reduction targets and implement reduction measures. MOBIS received a management special award for the best progress made in performance for the Carbon Disclosure Project Korea 2010.



Selected for best progress  
made in Carbon Disclosure Project

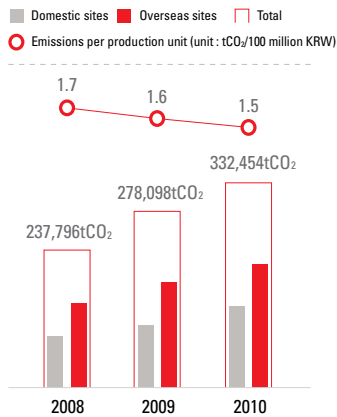


## GHG emissions reduction



※ Cumulative reduction amount

## GHG emissions



※ Previous emissions data was calculated again using the new GHG emissions management system

## ■ Direct Emissions Reduction Activities

## - Reduction in Electricity Use

We have been employing various technologies including energy efficiency improvement, energy waste factor removal and productivity increases in order to minimize environmental impact since 2007. Since electricity use at production sites accounts for the majority of GHG emissions by MOBIS, we have been concentrating on energy efficiency management prior to 2010 and several measures including the installation of high-efficiency inverters and high-efficiency LED lights were implemented. As of December 2010, cumulative electricity savings were 16,100 Mwh.

We plan to continue GHG reduction activities by installing high-efficiency inverters in more plants and employing induction barrel heating technologies.

## - Application of Induction Barrel Heating Technology

A barrel is a component of the injection molding machine that heats up plastic materials into molds for production of lamps and bumpers.

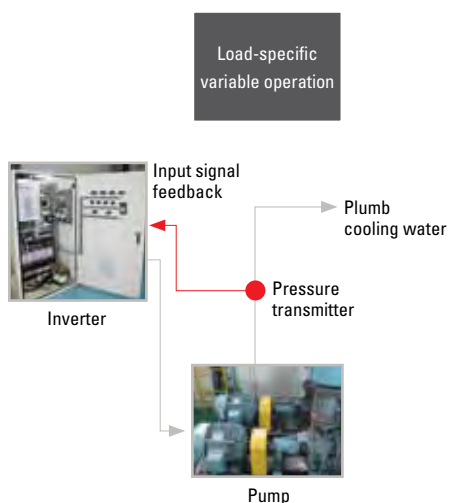
The conventional band heating method indirectly transfers heat with efficiency of 30~60%. By contrast, the new induction barrel heating method directly heats the plastic using high frequency induction with over 95% energy efficiency leading to approximately 50% energy savings. Waste plastic generated at the beginning of production each day has also decreased by 50%.

## - High-efficiency Inverters and Lighting System Improvements

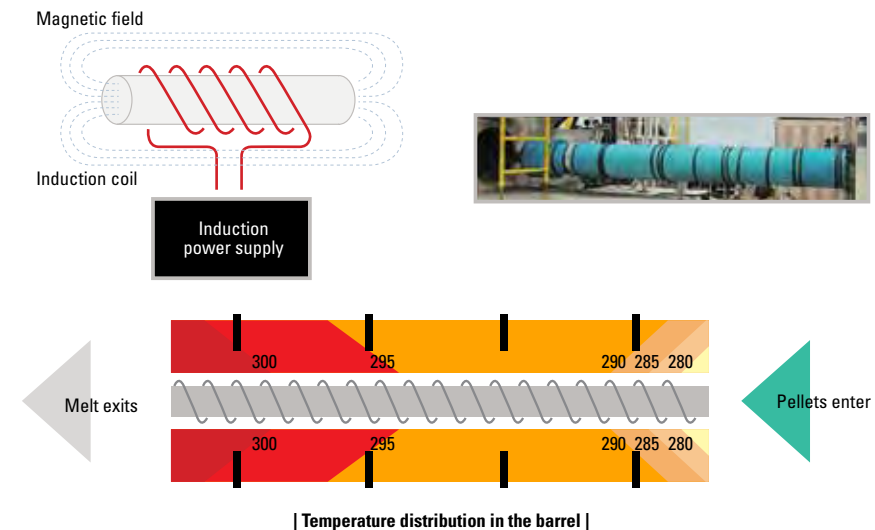
Following the internal energy savings plan with a focus on achieving energy efficiency improvement, we have installed high-efficiency compressor inverters and installed air-dryers to increase use of recycled air in order to achieve energy saving.

We are installing high-efficiency inverters (washer and pumps in all plants) and LED lights (MIN- India plant) in more plants. The induction barrel heating technology will be applied in domestic plants for transfer of know-how and technology to overseas plants and suppliers to follow in order to continue reduce electricity use and carbon emissions.

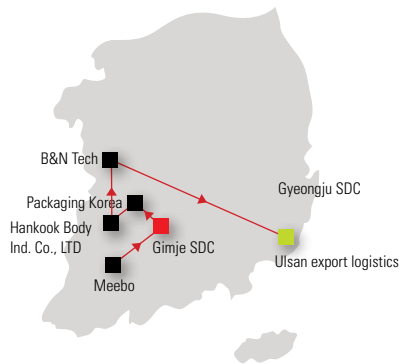
## Energy efficiency improvement with installation of high-efficiency inverters



## Barrel heating technology using induction coils







Optimization of parts logistics routes



Video interview with overseas applicants



Eco-driving campaign

### ■ Indirect Emissions Reduction Activities

We have taken a number of measures such as turning off lights during off hours, reducing employee travel with the use of video conferencing for interviewing overseas applicants and dramatically reducing our indirect GHG emissions. A leave your car at home policy was also implemented to encourage the use of mass transportation and reduce energy consumption associated with employee commutes and short-distance business trips.

### - Improving Logistics

The number of trips taken to deliver service parts which are requested infrequently only in small volume was reduced by combining trips. Logistics hubs were also established in city centers to reduce fuel loss due to traffic congestion. A new policy on flexible routing was also implemented to reduce logistics costs, fuel consumption and GHG emissions by reducing the amount of distance driven with higher loading density.

### - Video Conference System

All members of the value chain including MOBIS employees, suppliers and members of the Hyundai Motor Group can participate in video conferences. Up to 300 people participate at once. In 2010, 254 seminars, 40,798 video conferences and 1,264,152 video calls were conducted. The system enables our members to discuss issues and allow us to quickly respond to new situations in the fast-paced IT era. In addition to more efficient business management, the system also contributes to an overall increase in communications.

The video conferencing system is proving to be equally useful as face to face interviews in recruiting of new, talented employees. Job applicants can log onto our video conferencing system at a location of their convenience for an interview. The applicants may also send resumes and other support materials in real time during the interview allowing for a comprehensive and in-depth interview. There is also strong environmental benefits of reducing GHG emissions due to reduced travel and economic benefits of saving on travel expenses.

### ■ Eco-driving Campaign with Genuine Parts

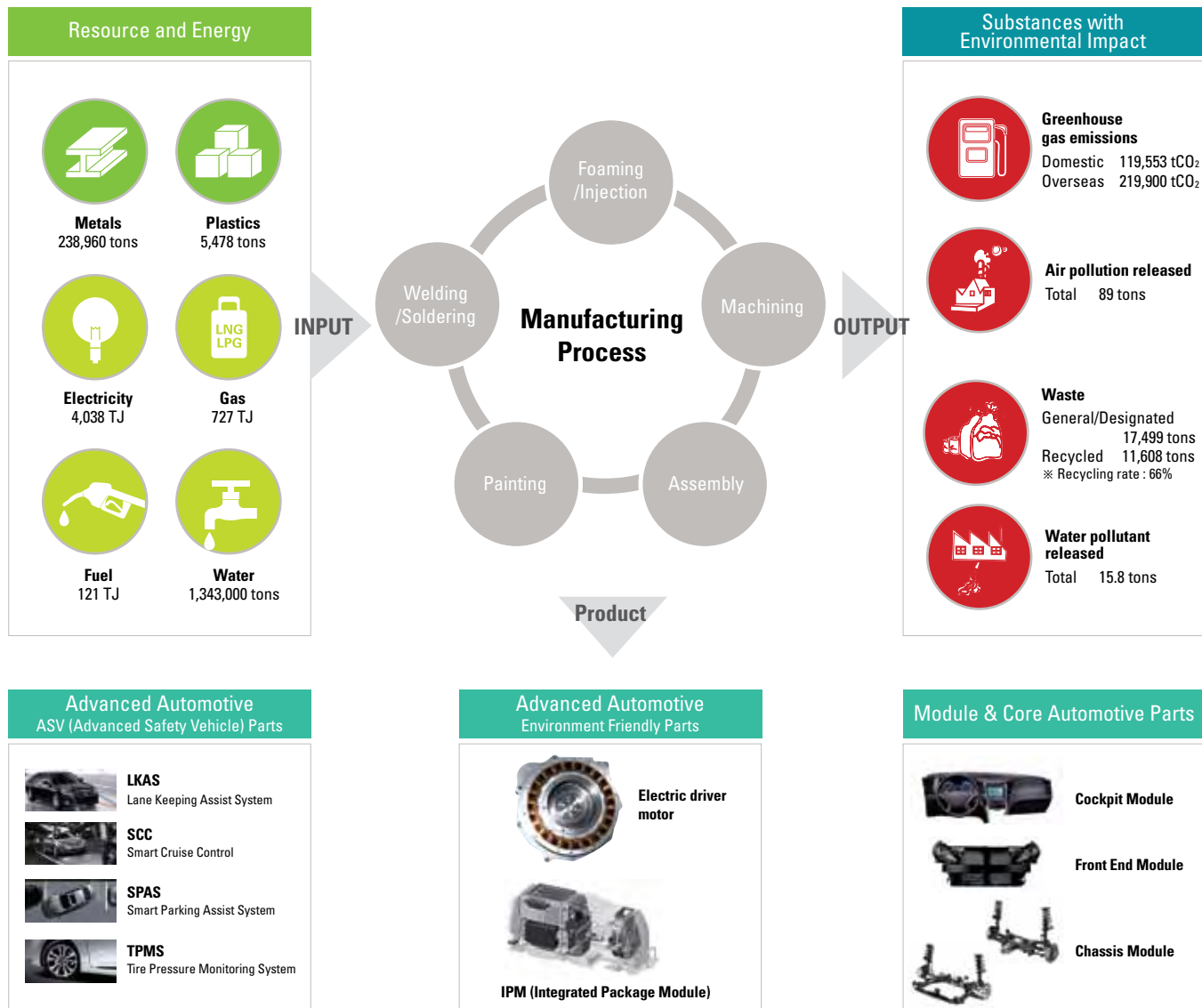
We have been conducting the 'Eco-driving with Genuine Parts' campaign since 2008 in collaboration with the Korea Transportation Safety Authority (KTSA) and a Korean NGO which campaigns for prolonging the life of vehicles to a minimum of 10 years for reduced environmental impact. In addition to educating participants on green driving behaviors, the campaign is also designed to raise the awareness on the benefits of good maintenance including GHG emissions reduction and energy savings.

We plan to reach out to 1.6 million drivers including drivers who had their vehicles inspected at the KTSA, driver clubs and female drivers. A social network service-based activity will also be conducted to communicate the campaign's messages. We also plan to sponsor 'King of Eco-driving Contest' which will be held in June, hosted by the Ministry of Environment and the Civil Service Motoring Association. We plan to give out hand-held fans to help reduce fuel consumption due to air conditioner use. MOBIS will continue to support environmental campaigns to achieve GHG emissions and energy consumption reductions.

# Input & Output Assessment 2010

MOBIS collects and analyzes data on the amount of energy and materials used in production activities. The analysis results are then used to assess our impact on the environment and identify responses to reduce the environmental impact associated with our business activities.

## Input and output at manufacturing plants

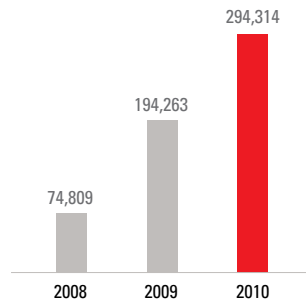


※ The amount of GHG emissions and energy (electricity, gas, fuel) consumption is the sum of data on all MOBIS operation sites in Korea and overseas

# Efficient Resource Use and Clean Production

Number of improvement ideas suggested

Unit : ideas



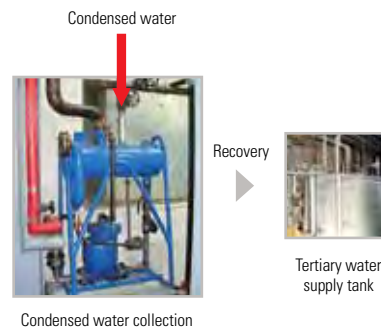
※ Improvement ideas suggested at all MOBIS operation sites through an online suggestion system is collected and assessed for potential

## Efficient Resource Use

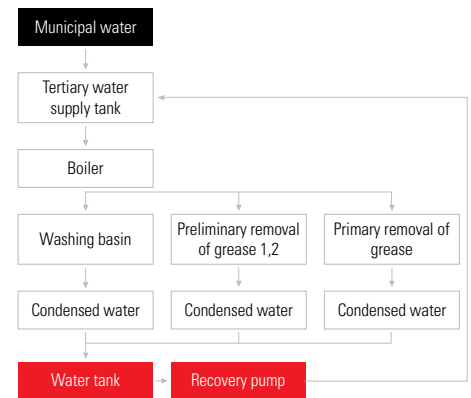
We focused on increased recycling of resources which are otherwise simply consumed and disposed of in addition to reuse of waste heat at production sites in order to promote more efficient resource use and to reduce overall environmental impact. Our employees are encouraged to make suggestions and implement them at MOBIS operation sites they work at achieving innovation. We especially value employee-led innovations because we know that small improvements made at one site can lead to substantial benefits when assimilated by other MOBIS sites worldwide. In 2010, more than 290,000 suggestions were made globally.

Recycling of condensed water generated after use of steam at the paint shop by installing a recycling facility at the Ulsan plant was an exemplary change which has lead to a savings of 9,126 tons of water and 56,700m³ of natural gas.

Improved collection facility for condensed water from steam used at the paint shop



Condensed water recovery system diagram

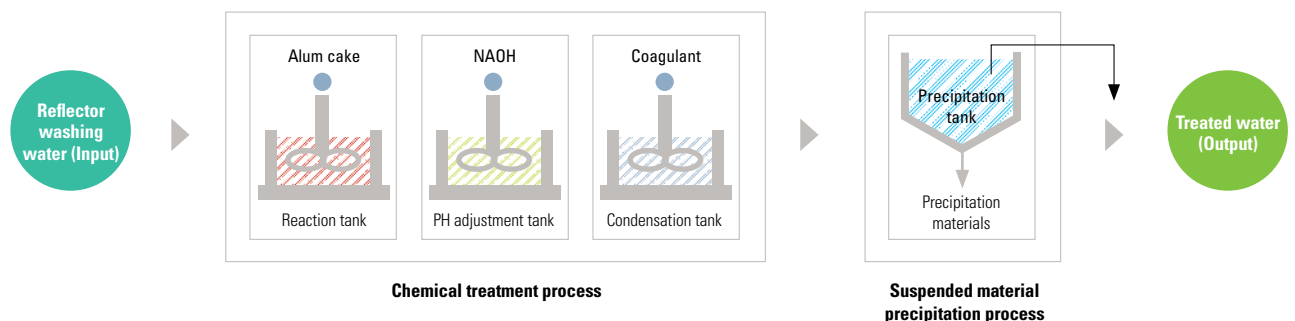


## Clean Production

We are employing clean production methods including the installation of pollution prevention devices to eliminate pollution at the source and the reduction and recycling of wastes in order to reduce the environmental impact and foster a more pleasant work environment. We are also abiding internal standards on air and water pollution release which is more stringent compared to regulation standards. We recorded 100% compliance for the past three years without a single violation or an accidental release of pollutants.

We are especially proud of our clean production effort made at the Gimcheon plant where reflectors for vehicle lamps are produced. Despite the number of chemicals used, our advanced precipitation method is contributing to ultra low Biological Oxygen Demand (BOD) which is far lower than the regulatory standards.

### Reflector washing water cleaning process



ECONOMIC  
VALUE

어제보다

Toward a More Prosperous Tomorrow

더 큰 내일을 향해



# Economic Achievements

**Making the world a more prosperous place is the core responsibility and reason for the existence of all corporations. MOBIS pursues a customer-first and quality-first management policy in its business activities including product development, marketing activities, and customer services.**

**We are also expanding our business scope to wider overseas regions to deliver value to a greater number of stakeholders. Our reputation in the global automotive market is quickly increasing as we see the result of our efforts.**

MOBIS is making sustained investments in the development of new technologies and superior products in order to secure our competitiveness and achieve sustainable growth.

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## Distribution of Economic Values

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## Business Management

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2. 2010 Business Performance by Business Division

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1. Global Automotive Parts Company Ranking
2. Expansion into Global Markets

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## Sustained Growth

1. Identifying New Sources of Growth through Business Innovation
2. Investment for Future Growth



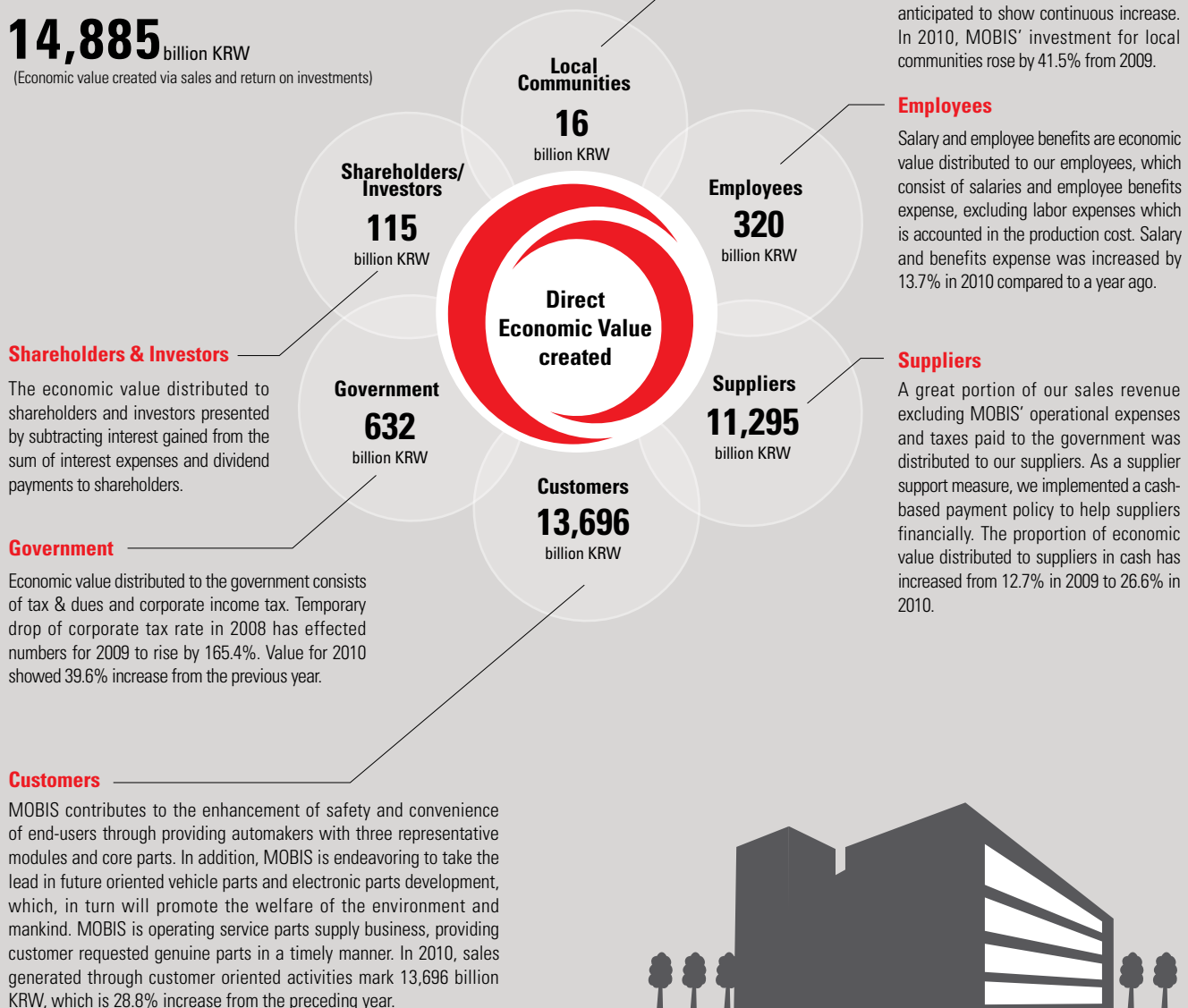
# Distribution of Economic Values

In 2010, MOBIS has achieved continuous growth in sales and investment returns through sustained effort in all areas of business. Knowing that the outcome are the results of concerted cooperation, MOBIS is sharing its economic gains with various stakeholders.

## Direct Economic Value Created

Numbers indicated represent sales revenue, gains from financial investments, profits and expenses from asset sales. MOBIS is managing sustained sales increase from module parts supply to automakers and the supply of after sales service parts through global and domestic distribution network. Despite uncertainties for business recovery, MOBIS has achieved sales increase of 28.8% from the previous year.

**14,885** billion KRW  
(Economic value created via sales and return on investments)





# Business Management

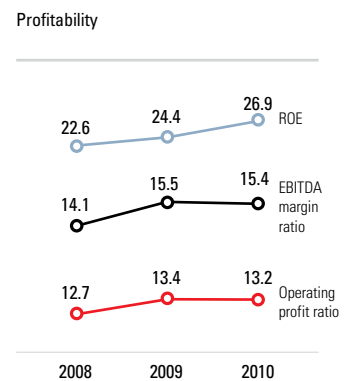
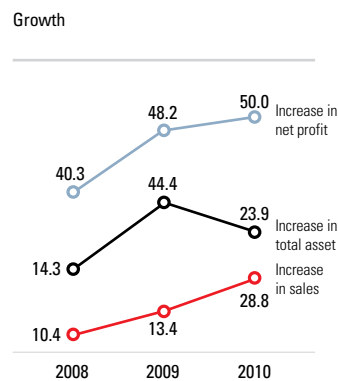
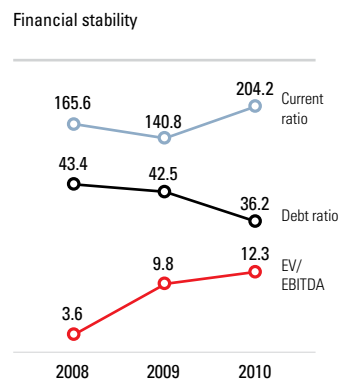
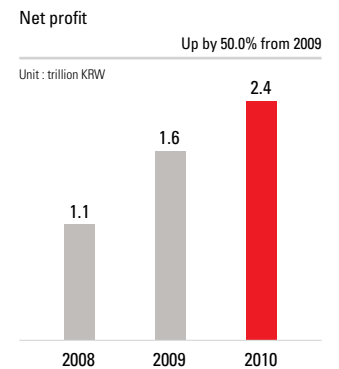
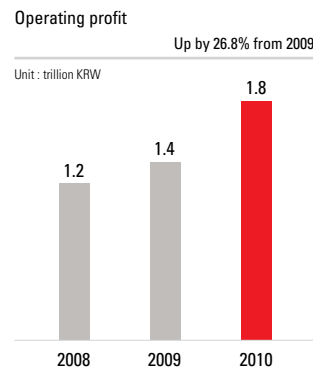
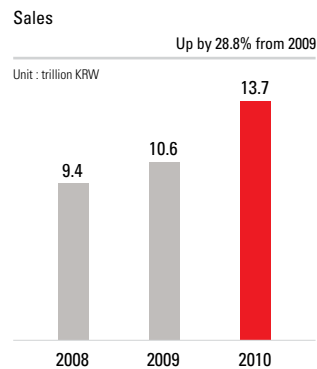
The global automotive market is steadily recovering through consumption stimulation measures by governments and as restructuring of major automakers progress. While concerns for business recovery trend remain, year automotive industries in 2010 faced a major paradigm shift with core market transition and the acceleration of competition to develop future oriented vehicles.

## Business Performance

MOBIS recorded 9,373 billion KRW in 2008 and achieved 13,696 billion KRW in sales in 2010. Sales increased by 28.8% in 2010 compared to 2008 largely due to the recovery of the automotive market as a result of restructuring by automakers and the implementation of economic stimulus measures. Operating profit was 1,803 billion KRW, which is an increase of 26.8%. The operating profit ratio has decreased by 0.2% to 13.2%. The net profits for 2010 increased by 50% to 2,423 billion KRW.

All these achievements were made possible due to the number of automobiles produced by client companies, increase of sales due to a steady increase in UIO, favorable shift in exchange rates, increased productivity and cost reductions due to improved logistics. Strong exports and increased profits earned by overseas subsidiaries, calculated using the equity method and reduction in losses due to hedging on exchange rates, also contributed to this year's exceptional performance.

※MOBIS is planning to adopt International Financial Reporting Standards (IFRS) starting in 2011 for preparation of its financial statement. A task force was organized to analyze differences in existing internal standards and the IFRS. The task force also established new accounting policies in line with IFRS. We have upgraded individual accounting systems, established a network among the systems, and conducted both onsite and off the job training for staff in charge of accounting work



## 2010 Business Performance by Business Division

### ■ Module & Core Parts Sales

Module parts sales results are directly correlated with sales of automobiles. Thanks to strong automobiles sales, module parts sales increased to 9,844 billion KRW up by 36.8% from a year ago.

Domestic sales growth of 2010 was driven by the popularity of YF Sonata and Tucson IX, increase in core parts supply volume including brakes, motor driven power steering system and module parts triggered by the launch of K5 and Sportage R, and the merger with Autonet.Co., Ltd. that contributed to sales increase of electronic parts.

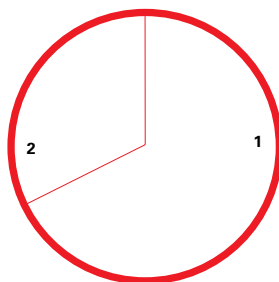
Overseas Hyundai and Kia vehicle sales have also increased at North America, China and India, due to quality improvements and design innovations. This has led to an increase in exports of core components including airbags, lamps, and the motor-driven power steering system. We expect a shift in core demand for automobiles from advanced economies to emerging economies. As the adoption of electric propulsion systems increase, intensified competitions for the production of green cars beginning with hybrid electric vehicles and electric vehicles are expected. In order to achieve sustainable sales growth, we are preparing to increase production of electric vehicle systems and green vehicle parts in line with future vehicle development schemes of Hyundai and Kia Motor Company.

### ■ Aftermarket Service Parts Business

Parts sales continued to increase in 2010 with an increased number of Hyundai and Kia vehicles on the road. Sales of new vehicles are significantly affected by changes in economy yet sales of service parts for repairs and maintenance needs are not affected by the change in the economy.

We have established a tight-woven, industry-leading distribution network which consists of four regional sales offices, 17 parts centers, five logistics centers, 42 parts teams, and 2,000 dealerships in Korea. We have also established a strong overseas parts distribution network which consists of eight subsidiaries, one regional office, 450 dealerships and 9,400 dealer shops enabling efficient distribution of parts, which provides MOBIS with a competitive advantage. The sustained increase in automobile units in operation and a strong distribution network, the increasing average age of vehicle on the road, and the demand for service parts is expected to continue to increase leading to steady growth in part sales.

Module & core parts sales  
(9,844 billion KRW) 71.9%

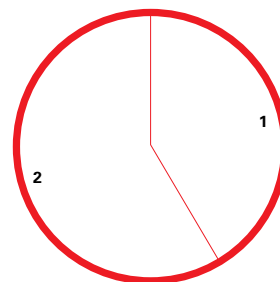


1. Exports 68.6%
2. Domestic sales 31.4%

#### ※ Reasons for change in sales

The sales of module parts has increased by 36.8% from a year ago due to strong sales of automobiles in Korea and overseas due to the economic recovery

Aftermarket service parts business  
(3,852 billion KRW) 28.1%



1. Exports 44.4%
2. Domestic sales 55.6%

#### ※ Reasons for change in sales

The sales of parts has increased by 12% due to an increased number of Hyundai and Kia vehicle units in operation (UIO)

# Global MOBIS

**MOBIS is steadily increasing its mark as a global company. We are increasing marketing activities such as technology exhibitions to increased sales to overseas automakers in advanced markets. We are also increasing our customer base by developing tailored products for emerging automobile markets such as China and India, while establishing a comprehensive product line-up with premium, mid-range and low-cost parts for different regions and customer groups. We are also establishing local business bases for improved customer service provisions and cost competitiveness.**

## Customer portfolio



## Global Automotive Parts Company Ranking

According to the global auto parts supplier rankings published by the global automotive news, one of the most authoritative automobile magazines in the U.S., the ranking of MOBIS has increased steadily from 27th in 2007 to 12th in 2009. Becoming one of the top ten auto parts suppliers in the world since launching of MOBIS only ten years ago is a significant achievement considering the strong competition by European, North American and Japanese parts manufacturers with much longer histories and reputations. We have established long-term sales targets and investment plans to become a 'Global Top 5 Auto Parts Supplier in 2020' by focusing on activities including development of cutting-edge smart and environmental technologies and expansion of overseas business bases.

## Global automotive parts company ranking

Rank	2007	2008	2009	Sales (in million USD)
1	Robert Bosch	Robert Bosch	Denso	28,731
2	Denso	Denso	Robert Bosch	25,617
3	Magna	Continental AG	Aisin Seiki	20,585
4	Continental AG	Magna	Continental AG	18,744
11	TRW Automotive Inc.	Lear Corp.	TRW Automotive Inc.	11,600
12	Valeo SA	Toyota Boshoku	MOBIS	11,209
13	BASF Group	ThyssenKrupp	Valeo SA	10,400
14	Yazaki Corp.	Yazaki Corp.	Toyota Boshoku	10,250
19	Dana Corp.	MOBIS	Hitachi Automotive	6,564
27	MOBIS	Hitachi Automotive	Toyota Gosei Co.	5,200

Source : Automotive News, Top 100 Global Suppliers

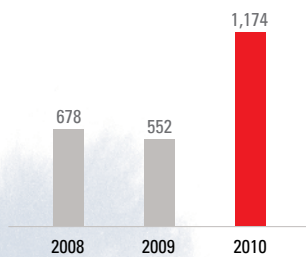
※ The 2010 ranking will be announced in June 2011

## Expansion into Global Markets

With cutting-edge technologies and environmental technologies as our strength, we are increasing our businesses with global automakers. We are currently supplying brakes, lamps, electronics components, audio and chassis modules to BMW, Daimler, GM, Chrysler, Volkswagen, Mitsubishi, Gieely automobiles and many others. We plan to supply products with greater added value such as LED head lamps, electronic stability control systems and smart infotainment systems. We plan to increase the proportion of overseas sales to 15% by 2015 from a current proportion of 7%. We also plan to hold tech fairs in collaboration with suppliers to create overseas sales opportunities for them leading to shared growth.

## Total sales to global automakers

Units : million USD



## Status of sales to global automakers

Units : million USD

Parts	Parts	Remaining order as of Dec. 2010	2011	
			Chrysler and etc.	Expected remaining order
Chassis	Chrysler, GM etc.	207	282	451
Body	BMW, VW etc.	980	450	1,323
Electronic	Daimler, GM etc.	566	287	739
Parts totals	-	1,753	1,019	2,513
Module (Chassis)	Chrysler and etc.	5,673	1,159	5,583
<b>Total</b>		<b>7,426</b>	<b>2,178</b>	<b>8,096</b>

## • Global OE marketing activities

We hold tech fairs and technology seminars to demonstrate cutting-edge products and technologies to global automakers such as Ford and BMW.



PSA tech fair



Ford tech fair



Mitsubishi tech show



BMW tech fair

# Sustained Growth

**MOBIS is increasing investment in R&D of new technologies and identifying new sources of growth through business innovation in order to achieve sustainable growth.**



Value innovation management – phase two

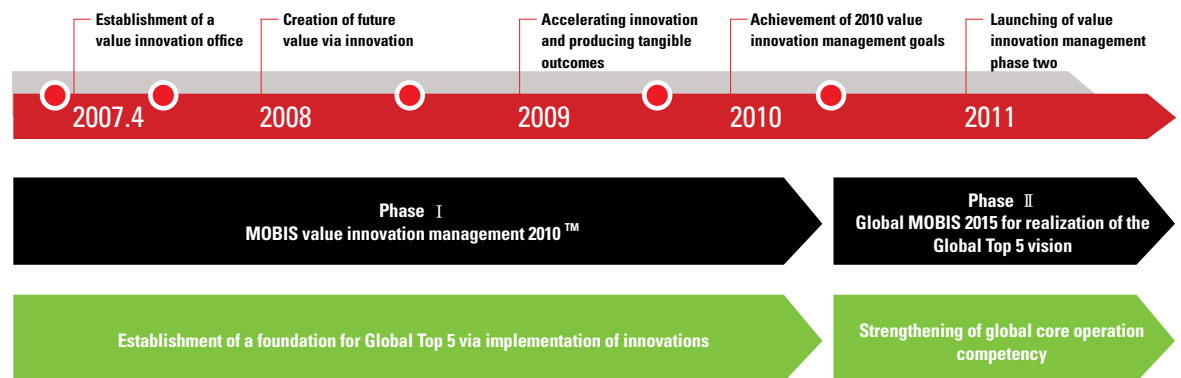
## Identifying New Sources of Growth through Business Innovation

Top management MOBIS felt the need to identify new sources of growth and established a Business Innovation Office for the task. Since then, the team has conducted 'Phase One Activities for MOBIS Value Innovation Management' up to 2010. 'Phase two activities for MOBIS value innovation management' was launched in 2011.

During the first phase, the activities were focused on improving the business structure via innovation in operation, securing cost competitiveness and identification of new businesses and technology innovation for sustainable growth. The activities were focused on the innovation for growth and operation innovation. More specifically, we focused on R&D operational efficiency, manufacturing productivity increases, strengthened global purchasing capacity, strengthened dealership sales capacity, strengthened competitiveness in logistics operation and management of sustained changes. In addition to improvements made in each area, we were also able to established company-wide shared understanding on the need for changes as well as the innovation and direction of the changes.

The phase one activities built the foundation for achieving our vision. Building on the success of the achievements from phase one activities, the goal of the second phase activities were to establish a springboard for MOBIS' staggering growth in becoming a global top five company. We conducted internal and external analysis on eight focal areas which are securing globally competitive technological capacity, increased quality management and service provision capacity, increased productivity, increased complexity management, cost reduction and value enhancement, strengthened global operation and collaboration, fostering organizational culture and human resource development, and preparation for the future. We have come up with 33 innovation activities for the eight focal areas.

## Status of MOBIS value innovation management activities



## Example of investment for future growth



In-house development of semiconductor chips for automobile applications



Korea Precision Industrial Technology Competition won the Minister of Knowledge Economy Award



Won the 4th Best Technology Award

## Investment for Future Growth

MOBIS is preparing to capitalize on the expansion of green and smart vehicles. Using more than 550 new technologies and a new product roadmap as a basis, we have begun selection of competitive products for strategic development to develop each as best in market product. This is a clear departure from our traditional 'catch-up' strategy, aiming to spearhead future market opportunities by developing propriety products. We plan to make unprecedented investment in R&D and hire top R&D experts.

### ■ R&D Investment Status

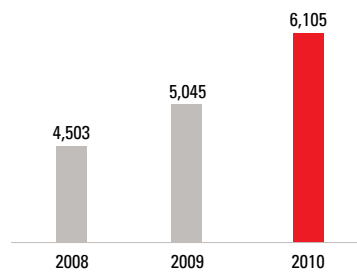
Aiming to achieve sustainable growth via success in R&D, we plan to significantly increase R&D expenses from 277.2 billion KRW in 2010 to 650 billion KRW by 2015. In the past, the majority of new recruits had a background in mechanical or industrial engineering. However, we plan to hire new talent in electronics engineering, computer science, information technology, semiconductors and other areas to diversify R&D capacity. Overall, we plan to expand our R&D team to 3,000 researchers by 2015.

### ■ R&D Awards and Technology Certifications Received

MOBIS received 'New Technology' certification by the Ministry of Knowledge Economy for its 'automatic conversion LED head lamp manufacturing technology'. We also had the honor of receiving the 4th Best Technology Award from the Ministry of Knowledge Economy for the successful completion of the multi-functional LED head lamp and the core component development project.

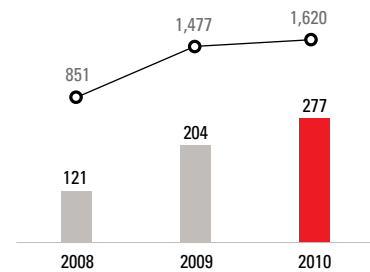
### Total No. of patent application filed (accumulated)

Unit : patent applications



### No. of R&D staff and R&D investment status

■ R&D Investment expense (Unit : billion KRW) ● R&D personnel (Unit : person)



※ No. of R&D staff included researchers from Production Technology Research Center and Quality Research Center



# APPENDIX

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- Sustainability Management – General Issues
- Environmental Data
- Third-party Assurance Report
- GRI Index
- About the Report



## Sustainability Management – General Issues

### UN Global Compact

MOBIS joined the UN Global Compact (UNGC) on July 2nd of 2008. Designed to encourage businesses worldwide to adopt sustainable and socially responsible policies, under guidance of the UN Secretary-General Kofi Annan, the UNGC consists of 10 principles in 4 business management areas including human rights, labor, environment and anti-corruption. Thousands of companies in over 100 nations have joined the UNGC.

UNGC Index		
Category	The 10 principles of UN Global Compact	Reference page No.
Human rights	<b>Principle 1</b> Businesses should support and respect the protection of internationally proclaimed human rights.	37
	<b>Principle 2</b> Make sure that they are not complicit in human rights abuses.	37, 20
Labor	<b>Principle 3</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	39
	<b>Principle 4</b> The elimination of all forms of forced and compulsory labor.	37
	<b>Principle 5</b> The effective abolition of child labour.	37
	<b>Principle 6</b> The elimination of discrimination in respect of employment and occupation.	37
	<b>Principle 7</b> Businesses should support a precautionary approach to environmental challenges.	7, 52-61
Environment	<b>Principle 8</b> Undertake initiatives to promote greater environmental responsibility.	7, 52-61
	<b>Principle 9</b> Encourage the development and diffusion of environment friendly technologies.	7, 52-61
Anti-corruption	<b>Principle 10</b> Businesses should work against corruption in all its forms, including extortion and bribery.	19-20

Industry Association Membership Status	
Name of organization	Purpose of participation
Federation of Korean Industries	Exchange of information on business management, collaboration on CSR activities
Korea Chamber of Commerce and Industry	Mandatory requirement by the law on chamber of commerce and industry
Korea Auto Industries Coop. Association	Collaboration among relevant companies for advancement of automotive industry
Fair Competition Federation	Exchange of information and opinions among government agencies and member companies for compliance on fair trade guidelines
UN Global Compact Korea Network	Commitment to abide with the 10 principles of UN Global Compact
Korea Economic Research Institute	Research on short-term and long-terms issues relevant to development of Korean economy and corporations
Korea Automotive Recyclers Association	Promotion of improved environmental protection effort by auto industry and recycling of automobiles
Korea Intellectual Property Protection Association	Advancement of industries and increased international competitiveness via increased protection of intellectual properties
Korea Industrial Technology Association	Improved technology cooperation network and strengthened technology innovation capacity
Korea Society of Automotive Engineers	Advancement of automotive technologies through active exchange of information on relevant technologies
Korean Academy of Motor Industry	Advancement of automotive industry through networking of experts and seminars

### ISO 26000 and CSR Indicators of MOBIS

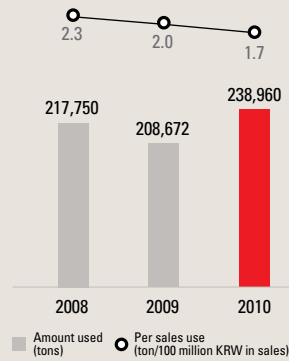
ISO 26000 is an international standard designed as a guidance on social responsibility which includes a range of CSR issues. It was launched by the International Organization for Standardization on November 2011. The ISO 26000 define social responsibility as 'Responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior'. Climate change has been identified as the most relevant social responsibility issue for automotive parts industry.

We are developing CSR indicators based on the 7 principles of social responsibility defined in ISO 26000. The CSR indicators will cover strategies and implementation actions for fulfillment of social responsibility. Designed as a set of guideline rather than performance assessment tool, the indicators will help us assess our performance in fulfillment of social responsibilities, provide a sense of direction for future activities and encourage voluntary participation of MOBIS employees in social responsibility management activities.

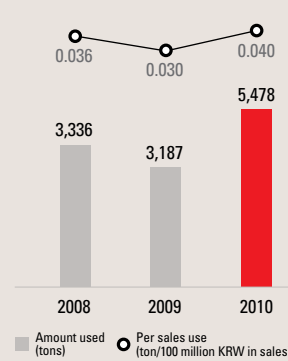
## Environmental Data

### Raw material use (Domestic)

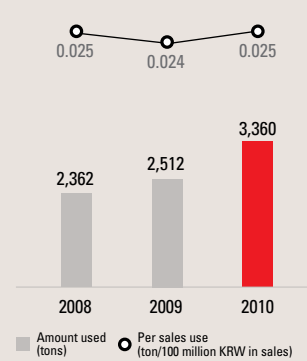
Metal use



Plastic use



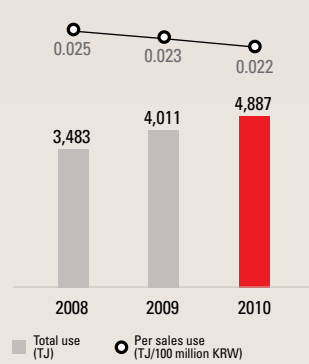
Solvent use



※ Reporting scope will be expanded to include overseas sites.

### Energy use (Global)

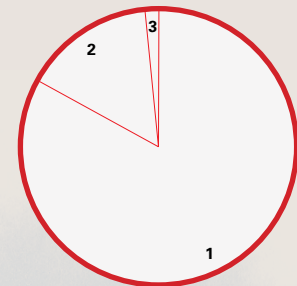
Energy use by type



※ GHG emission data was recalculated using the GHG Emission Management System.

Energy use mix

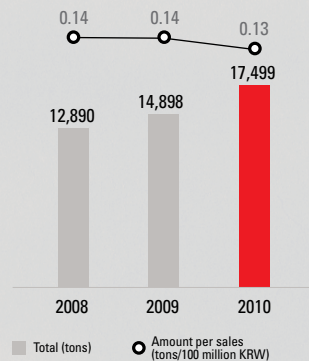
1. Electricity	83%
2. Gas	15%
3. Other fuels	2%



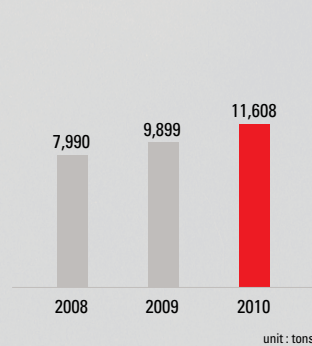
※ MOBIS does not have any electricity generation facility on its operation sites. Majority of operation sites are located within industrial parks and therefore impact on biodiversity and ecological impact is not significant.

### Waste generated & Resource recycled (Domestic)

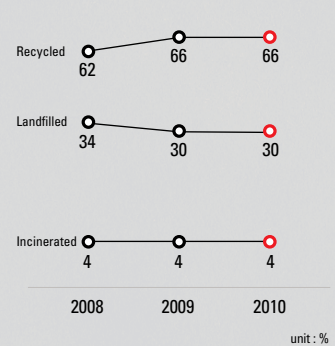
Waste generated



Resource recycled



Recycling rate



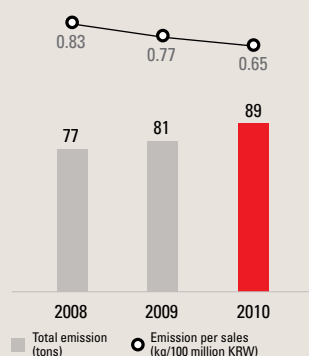
※ Reporting scope will be expanded to include overseas sites.



## Environmental Data

### Air pollution

Change in air pollution emission (Domestic)



※Reporting scope will be expanded to include overseas sites.

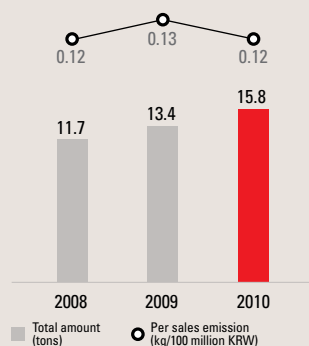
#### Air pollution management standard and actual emission

Pollutant type	Unit	Regulation standard	Internal MOBIS standard	2008	2009	2010
NOx	ppm	200	40	2.6	3.5	3.2
SOx	ppm	500	100	2.3	2.3	4.6
Particulate matters	mg/m <sup>3</sup>	100	30	9.2	7.8	11.1

※Annual emission data is in average concentration.

### Water pollution

Water pollution discharge status



※Reporting scope will be expanded to include overseas sites.

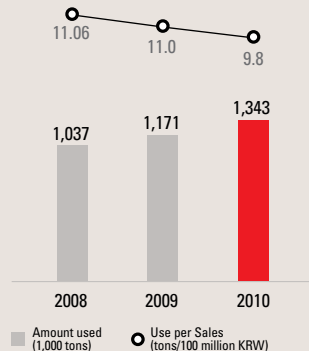
#### Water quality status at waste water treatment facilities

Pollutant type	Unit	Regulation standard	Management standard	2008	2009	2010
BOD (Biological Oxygen Demand)	mg/l	120	60	7.4	6.4	9.8
COD (Chemical Oxygen Demand)	mg/l	130	65	16.6	16.0	25.0
TN	mg/l	60	30	5.2	4.9	5.1
SS (Suspended Substance)	mg/l	120	60	5.4	7.1	9.6

※Annual emission data is in average concentration.

### Water use

Water use (Domestic)



#### Water use

Type	Unit	2008		2009		2010	
		Total	Per sales	Total	Per sales	Total	Per sales
Water	1,000tons	1,037	11.06	1,171	11.0	1,343	9.8

※Majority of MOBIS facilities use only industrial water and municipal water supplies. A small number of parts manufacturing sites use ground water, which accounts for 0.8% of total water use. Reporting scope will be expanded to include overseas sites.

## Third-party Assurance Report

### Scope and objectives

MOBIS commissioned Two Tomorrows (Asia) Limited to undertake independent assurance of its 2011 Sustainability Report.

The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide moderate level, Type 1 assurance, which includes evaluation of adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness (the Principles).

We undertook no checking of sustainability performance data and consequently offer no assurance over performance data or associated claims included in the Report. Although we did check that financial data from the separate Annual Report had been consistently reproduced in the Sustainability Report, any claims relating to financial information are excluded from the scope of this assurance process.

### Responsibilities of the directors of MOBIS and of the assurance providers

The directors of MOBIS have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of MOBIS. However our statement represents our independent opinion and is intended to inform all of MOBIS' stakeholders. We adopt a balanced approach towards all of MOBIS' stakeholders.

We were not involved in the preparation of any part of the Report. We have no other contract with MOBIS and this is the second year that we have provided the independent assurance. Our team comprised Min-gu Jun, project leader, Todd Cort, Principal Consultant, as well as In-mog Yang, Young-jae Ryu, and Jong-jae Kim. Further information, including individual competencies relating to the team can be found at: [www.twotomorrow.com](http://www.twotomorrow.com).

### Basis of our opinion

Our work was designed to gather evidence with the objective of providing moderate level, Type 1 assurance as defined in the AA1000AS (2008). We undertook the following activities:

- Review of MOBIS' process for identifying and evaluating material issues;
- Benchmark of the MOBIS materiality process and issues against peers using the previous year's Sustainability Report;
- Interviews with 5 executive management team and managers responsible for managing non-financial issues in Seoul headquarters and the Mabuk technology research center. Interviewees were suggested by Two Tomorrows and agreed with MOBIS;
- Sampling review of supporting evidence for key claims in the Report;
- Review and feedback on drafts of the Report and the Global Reporting Initiative (GRI) index in the report.

### Findings

We reviewed and provided feedback on drafts of the Report and where necessary changes were made. On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe MOBIS' adherence to the Principles of the AA1000APS.

### Observations

Without affecting our assurance opinion we also provide the following observations.

In the Report, MOBIS announces several strategic objectives: a long term vision of 'Global Top 5'; a managing philosophy of 'creating new value with improved safety and environmental protection by developing high-tech auto parts that set a new industry standard'; and a group level long-term strategy for 2020 social responsibility. The consistency of these messages in the report would benefit by explaining how these strategic objectives will be achieved through management, communication and improved performance of the sustainability issues identified as material to the company.

We recommend that MOBIS ensures the integration of its sustainability strategy and core company vision. To accomplish this, we recommend that MOBIS establish processes to include stakeholder's social and environmental concerns during the development of the corporate vision as well as sustainability risks and opportunities identified through the materiality process.

### Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

- While MOBIS has various stakeholder communication channels, the current practice of collecting stakeholder opinions is focused primarily on constructing the report. We believe that there is room for improvement in the engagement practices with respect to both scale (current engagement focuses on regional stakeholders), as well as a commitment to regular and systematic stakeholder engagement to identify social, environmental and governance issues' risks and opportunities. We recommend that MOBIS establish a documented stakeholder engagement process that defines purpose and scope of engagement, and that enables continuous improvement through the identification and engagement with stakeholders based on systematic mapping of stakeholder groups. Such a formal engagement process would also form a strong foundation for disseminating sustainability management at the operational level in the future so long as the process is implemented with the participation of cross-functional team members.
- Stakeholder engagement processes should also be developed at the senior management level to collect direct feedback from a wide range of stakeholders. This could be achieved by establishing a formal mechanism for the company to review stakeholder concerns during key management decisions. One possible mechanism is to convene a stakeholder panel to provide feedback to senior management on the corporate vision and strategy implementation.
- MOBIS discusses a strong life-cycle approach to technology development to minimize environmental impact during planning, design, manufacture and end-

## Third-party Assurance Report

of-life. In the future, we recommend that MOBIS improves the inclusivity of the life-cycle assessment by discussing engagement mechanisms to understand stakeholders' key issues and suggestions at each stage of the product life-cycle.

- MOBIS emphasizes 'mutual growth with suppliers' as a material sustainability issue and discusses its response around '7 Promises'. MOBIS should discuss its communication activities with suppliers to understand their needs and requests and disclose supplier priorities by linking to the '7 Promises'.

### Material issues are those which are necessary for stakeholders to make informed judgments concerning MOBIS and its impacts.

- The materiality assessment process conducted based on AA1000 standards' 5 part materiality test is reported for the first time. This process establishes a good foundation for systematic identification and reporting of material sustainability issues. We recommend that MOBIS improves the materiality assessment process by defining assumptions, methodology and criteria for determining 'thresholds' (at what point is an issue considered 'material'). The materiality process should also be integrated with the management of corporate risk indicators. We also recommend that MOBIS defines the procedures of review and approval of the materiality process by senior management.
- While the CEO message emphasises issues such as greenhouse gas emissions, hazardous materials and resource recycling, most of the key issues defined in the materiality process concern product development such as quality improvement, technology development and development of environment friendly parts. We recommend that MOBIS focus on those challenges of sustainable development to which the company can provide significant contributions and that drive business success. We also recommend further explanation of the relevance of these sustainability challenges in terms of the company's risks and opportunities.
- The environmental strategy should reflect the highest stakeholder and business priorities. We recommend that MOBIS align the environmental strategy with core business priorities by reviewing and updating the environmental strategy using internal and external stakeholders' feedback such as company policy, strategic commitments and environmental issues identified by peers.

### Responsiveness concerns the extent to which an organisation responds to stakeholder issues.

- Generally the divisional sustainability programs and performance are described in qualitative terms rather than a discussion of performance against targets. We recommend that MOBIS determine the priority of response based on the maturity of issues, and disclose performance in terms of risk mitigation or against specific targets. Also the reporting of performance should be balanced to show both positive and negative.
- MOBIS' response to 'mutual growth with suppliers' would benefit from specific, time dependant and achievable targets for the '7 Promises' as well as consistent communication of progress against these targets.
- As identified in the practices of global peer companies, current activities of mutual growth for suppliers' needs to be expanded to include environmental, health and safety performance of suppliers. The impact of suppliers' environmental and social performance on purchasing decision could be expanded and MOBIS should consider conducting assessments of environmental and social risks of suppliers globally.
- Engagement mechanisms should ensure that senior management is involved to proactively and openly address controversial, negative or challenging stakeholder issues.
- Compared to peers, MOBIS provides relatively little discussion of diversity, health and safety issues for employees. We recommend that MOBIS provide additional discussion of the processes to identify, assess and respond to employee priorities.

**Two Tomorrows (Asia) Limited**  
**Seoul, Korea**  
**31st May 2011**



**AA1000**  
Licensed Assurance Provider  
000-2

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Project Director

**Min-gu Jun**  
Project Leader

**Todd Cort**  
Principal Consultant

**In-mog Yang**  
Lead Associate

**Young-jae Ryu**  
Lead Associate

Two Tomorrows (Asia) Limited trading as Two Tomorrows was formed from the merger of Csrnetwork and Sd3 in January 2009. Two Tomorrows is an international consultancy that helps companies to perform better and create value by doing business in a sustainable way. [www.twotomorrows.com](http://www.twotomorrows.com)



## GRI Index

N/A (Not Applicable)

Category	Sub-category	Section	Type	Description of Indicators	Page
1. Strategy and Analysis		1.1		Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	4, 6
		1.2		Organization and sustainability : Description of key impacts, risks and opportunities	4, 6, 52-53, 67
2. Organizational Profile		2.1		Name of the organization	2-3
		2.2		Primary brands, products and services	2-3, 48
		2.3		Operational structure of the organization, including main divisions, operation companies, subsidiaries and joint ventures	2-3
		2.4		Location of organization's headquarters	2-3
		2.5		Number of countries in which the organization operates, and the names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the Report	2-3
		2.6		Nature of ownership and legal form	2-3
		2.7		Markets served (regions, business area, customer / beneficiary types)	2-3, 69-70
		2.8		Scales of the reporting organization	2-3, 68
		2.9		Significant changes during the reporting period regarding size, structure, or ownership	2-3
		2.10		Awards received in the reporting period	59, 72
3. Report Parameters	Report Profile	3.1		Reporting period	82
		3.2		Date of most recent previous Report (if any)	82
		3.3		Reporting cycle (annual, biennial, etc.)	82
		3.4		Contact point for questions regarding the Report or its contents	82
		3.5		Defining Report content	82
		3.6		Boundary of the Report	82
		3.7		State any specific limitations on the scope or boundary of the Report	82
		3.8		Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and / or between organizations	82
		3.9		Data measurement techniques and the bases of calculations	82
		3.10		Explanation of the effect of any re-statement of information provided in earlier Reports, and the reasons for such re-statement	82
		3.11		Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	82
	GRI Content Index	3.12		GRI content table	79-81
	Assurance	3.13		External assurance	77-78
4. Governance, Commitments, and Engagement	Governance	4.1		Governance structure of the organization	21
		4.2		Indicate whether the chair of the highest governance body is also an executive administrative officer	21
		4.3		For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and / or non-executive members	21
		4.4		Mechanisms for shareholders and employees to provide recommendations or directions to the highest governance body	15,18-19
		4.5		Linkage between compensation for members of the highest governance body for guiding the organization's performance	21
		4.6		Processes in place for the highest governance body to ensure conflicts of interest are avoided	21
		4.7		Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and the social topics	21
		4.8		Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation	6, 18-19, 38, 41, 43-44, 52-53
		4.9		Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities	21
		4.10		Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	21
	Commitments to External Initiatives	4.11		Explanation of whether and how the precautionary approach or principle is addressed by the organization	16, 22-23
		4.12		Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	37, 74
		4.13		Memberships in associations and / or national / international advocacy organizations	74
		4.14		List of stakeholder groups engaged by the organization	15
		4.15		Basis for identification and selection of stakeholders with whom to engage	15
		4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	15-16
		4.17		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	16-17

## GRI Index

N/A (Not Applicable)

Category	Sub-category	Section	Type	Description of Indicators	Page
Economic	Management Approach	5.1		Disclosure on Management Approach on Economic Issues	6
	Market Presence	EC1	Core	Direct economic value generated and distributed	66-67
		EC2	Core	Financial implications and other risks and opportunities for the organization's activities due to climate change	52, 54-61
		EC3	Core	Coverage of the organization's defined benefit plan obligations	38, 66
		EC4	Core	Significant financial assistance received from government	
	Market Presence	EC5	Additional	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	38
		EC6	Core	Policy, practices, and proportion of spending on locally-based suppliers	8-9, 26-30
		EC7	Core	Policy, practices, and proportion of senior management hired from the local community at significant locations of operation	36-37
	Indirect Economic Impacts	EC8	Core	Development and impact of infrastructure investments and services provided primarily for public benefit (by types)	10-11, 31-35, 66
		EC9	Additional	Understanding and describing significant indirect economic impacts, including the extent of impacts	36, 72
Environmental	Management Approach	5.2		Disclosure on Management Approach on environmental issues	6-7, 52
	Materials	EN1	Core	Materials used by weight or volume	62, 75
		EN2	Core	Percentage of materials used that are recycled input materials	62, 75
	Energy	EN3	Core	Direct energy consumption by primary energy source	62, 75
		EN4	Core	Indirect energy consumption by primary energy source	62, 75
		EN5	Additional	Energy saved due to conservation and efficiency improvements	60
		EN6	Additional	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements	60
		EN7	Additional	Initiatives to reduce indirect energy consumption and reductions achieved	54-59, 61
	Water	EN8	Core	Total water withdrawal by source	62-76
		EN9	Additional	Water sources significantly affected by withdrawal of water	76
		EN10	Additional	Percentage and total volume of water recycled and reused	63
	Biodiversity	EN11	Core	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	75
		EN12	Core	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected area	75
		EN13	Additional	Habitats protected or restored	
		EN14	Additional	Strategies, current actions, and future plans for managing impacts on biodiversity	52-53
		EN15	Additional	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	Core	Total direct and indirect greenhouse gas emissions by weight	62, 75
		EN17	Core	Other relevant indirect greenhouse gas emissions by weight	62
		EN18	Additional	Initiatives to reduce greenhouse gas emissions and reductions achieved	59-63
		EN19	Core	Emissions of ozone-depleting substances by weight	59-60
		EN20	Core	NOx, SOx and other significant air emissions by type and weight	62, 76
		EN21	Core	Total water discharge by quality and destination	62, 76
		EN22	Core	Total weight of waste by type and disposal method	62, 75
		EN23	Core	Total number and volume of significant spills	63
		EN24	Core	Weight of transported, imported, exported, or treated waste deemed hazardous under the Basel Convention and percentage of transported waste shipped internationally	N/A
		EN25	Core	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	N/A
	Products and Services	EN26	Core	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	54-61
		EN27	Core	Percentage of products sold and their packaging materials that are reclaimed by category	
		EN28	Core	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	63
		EN29	Additional	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	61
		EN30	Additional	Total environmental protection expenditures and investments by type	
Labor Practices and Decent Work	Management Approach	5.3		Disclosure on Management Approach on Labor Practices and Decent Work	6-8, 18-20, 41, 43-44
	Employment	LA1	Core	Total workforce by employment type, employment contract, and region	36-37
		LA2	Core	Total number and rate of employee turnover by age group, gender and region	38
		LA3	Additional	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	39
	Labor / Management Relations	LA4	Core	Percentage of employees covered by collective bargaining agreements	39
		LA5	Core	Minimum notice period (s) regarding significant operational changes (& its inclusion in the collective bargaining)	39

Category	Sub-category	Section	Type	Description of Indicators	Page
Human Rights	Occupational Health and Safety	LA6	Additional	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	39
		LA7	Core	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities (by regions)	39
		LA8	Core	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	39
		LA9	Additional	Health and safety topics covered in formal agreements with trade unions	39
	Training and Education	LA10	Core	Average hours of training per year per employee by employee category	42
		LA11	Additional	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	42
		LA12	Additional	Percentage of employees receiving regular performance and career development reviews.	39
	Diversity and Equal Opportunity	LA13	Core	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	21, 36-37
		LA14	Core	Ratio of basic salary of men to women by employee category	38
	Investment and Procurement Practices	HR1	Core	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	
		HR2	Core	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	
		HR3	Additional	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	20
	Non-discrimination	HR4	Core	Total number of incidents of discrimination and actions taken	37
	Freedom of Association and collective bargaining	HR5	Core	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and measures taken to ensure freedom of association and collective bargaining	39
	Child Labor	HR6	Core	Operations identified as having significant risk for incidents of child labor	37, 74
	Forced and Compulsory Labor	HR7	Core	Operations identified as having significant risk for incidents of forced or compulsory labor and measures taken for prevention	37, 74
Society	Security Practices	HR8	Additional	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	20
	Indigenous Rights	HR9	Additional	Total number of incidents of violations involving rights of indigenous people and actions taken	N/A
	Community	S01	Core	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities	52-63
		S02	Core	Percentage and total number of business units analyzed for risks related to corruption	
	Corruption	S03	Core	Percentage of employees trained in organization's anti-corruption policies and procedures	20
		S04	Core	Actions taken in response to incidents of corruption	20
	Public Policy	S05	Core	Public policy positions and participation in public policy development and lobbying	15, 74
		S06	Additional	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	N/A
	Anti-competitive Behavior	S07	Additional	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	49
	Compliance	S08	Core	Monetary value of significant fines and total numbers of non-monetary sanctions for non-compliance with laws and regulations	49
Product Responsibility	Customer Health and Safety	PR1	Core	Life-cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	43-47
		PR2	Additional	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	49
	Product and Service Labeling	PR3	Core	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	48
		PR4	Additional	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	49
		PR5	Additional	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	43-44, 48
	Marketing	PR6	Core	Programs for adherence to laws, standards and voluntary codes related marketing communications, including advertising, promotion and sponsorship	
	Communi-cations	PR7	Additional	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	49
	Customer Privacy	PR8	Additional	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	49
	Compliance	PR9	Additional	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	49



## About the Report

### About MOBIS 2011 Sustainability Report

MOBIS is an auto parts manufacturer which specializes in the sales of after sales service parts, module parts production, and the export of parts. This year, we would like to provide detailed information on our social contribution activities, environmental management, and economic achievements in our business operations by publishing our very first Sustainability Report. For this year's Report, we conducted our first materiality test with participation of various stakeholders in order to identify priority issues and assess potential impact of each issue on the MOBIS operation. The materiality test result provided guidance on management direction for achieving sustainable growth for both MOBIS and our stakeholders. The test result also provided guidance on design of the Report for improved communication with stakeholders on priority issues. MOBIS will continue to share our achievements in sustainable managements including environmental protection and social contribution activities via publication of Sustainability Reports. MOBIS will strive to achieve balanced development in consideration of human, social and environmental needs, while communicating our efforts via the continued publication of the Sustainability Reports.

#### Structure of the Report

This Report is organized into four parts : CSR Management, Social Contribution Achievements, Environmental Achievements, and Economic Achievements, to allow different stakeholders to conveniently find information on topics of their interest.

Additional details and information on relevant issues and the GRI Index are also included as attachments.

#### Reporting Standard

The third edition (G3) of the Global Reporting Initiative (GRI) Guideline was used as the reporting standard for the MOBIS 2010 Sustainability Report. Indices other than the main GRI index were also employed for disclosure of more detailed information on key issues.

#### Reporting Period

The reporting period is the calendar year of 2010, from January 1st to December 31st. MOBIS plans to produce Sustainability Reports on an annual basis.

#### Reporting Boundary

Information in regards to the MOBIS HQ, manufacturing sites, R&D center and regional offices are included in this year's Report with the addition of limited coverage on greenhouse gas emission and social contribution activities of overseas sites and operations. We plan to expand our reporting boundary in the future.

#### Assurance of the Report

The Report received third party review for assurance. The assurance Report by Two Tomorrows, a specialized sustainability report assurance company, is included in the Appendix.

#### Additional Details

Additional details can be found at following websites.

- The MOBIS Website : [www.MOBIS.co.kr](http://www.MOBIS.co.kr)

- Korea Financial Supervisory Service : <http://dart.fss.or.kr>

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