

# MOVE

Kia Motors Sustainability Magazine 2017





between



and

human  
nature  
challenge



—  
Do you think that design, technology, performance and convenience are everything that makes a car?

Have you ever considered that cars can be so much more than a mere means of transportation?

What do cars need to do so that the beautiful night sky can be enjoyed by our future generations?

Be it between cars and people, cars and the environment, or cars and the future, Kia Motors is striving to realize new values that can be enjoyed through automobiles. We believe that our hard work, will result in cars that provide greater values to the world's consumers. This is why Kia Motors will never stop taking on fresh new challenges.



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Green Light Project (GLP)



**Niro**  
32.56km/l  
Guinness World Records for Average Fuel Efficiency  
(U.S. cross-continental travel)

## Reader's Guide

Any terminology or additional information associated with certain terms or facts presented in the main body of the text is separately provided on the same page and marked with the icons shown below. The PDF version, with links to relevant websites that contain more details, is available on Kia Motors' official website. Click the title in the Table of Contents to go to that particular section or click the footnote to go to the relevant PDF page or website link.

-  Go to the page in this report with the relevant content or detailed information.
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# Business Highlights

**Sales** ◆ **3.02** million vehicles  
Approx.

In the year 2016, Kia Motors sold 3,018,093 cars\* in the global market, selling over 3 million cars for the third consecutive year. Despite the favorable sales trend in Korea and key advanced markets, Kia Motors sold 1,550,808 cars produced at domestic plants, for a decrease of 10.1% compared to the previous year, as a result of economic stagnation in the emerging market (Russia etc.). However, Kia sold 1,467,285 cars produced in overseas plants, for an increase by 10.7% from the previous year, as a result of improved productivity at its China plant and the commencement of operations at its Mexico plant. In 2017, Kia Motors plans to increase its sales to 3.17 million cars, a 5% increase compared to the previous year, by selling 1,545,000 cars from domestic plants and 1,625,000 cars from overseas plants. This will be made possible through releasing new models, expanding production in China and Mexico, and improving export conditions following economic recovery in emerging markets.

\* Sales : Based on plant sales

**Quality Confidence** ◆ **83** points, **1<sup>st</sup>**

In the 2016 Initial Quality Study (IQS) conducted by J.D. Power, a U.S. market surveyor, Kia Motors scored 83 points, ranking first among 33 brands. Kia Motors is the first Korean auto company to be ranked at the top of the list, as well as the first mainstream brand to be ranked first in the IQS in the last 27 years. In the assessment by vehicle class, Soul and the Sportage (previous generation model) received the "Segment Winner" award in the compact multi-purpose and compact SUV category, respectively. In addition, the Rio (Pride), Cerato/Forte (K3) and Sorento placed in the top three in their respective categories.

**Brand Value** ◆ **6.3** billion  
USD

Kia Motors rose five places from the previous year to 69th according to the Best Global Brands 2016 study announced by the global brand consulting company Interbrand, with estimated brand value of USD 6.3 billion (approx. KRW 6.9 trillion). This represents an increase of 600% from Kia's brand value of USD 900 million recorded in 2006 when the company declared its "design-led management" initiative.







## Global Production

4<sup>th</sup>

In 2016, Kia Motors began production at its new production plant in Pesqueria, Nuevo Leon located in northeastern Mexico. The Mexico plant is Kia Motors' fourth overseas plant following those in China, Europe and the U.S. It is recording the highest productivity of all Kia's automobile plants through directly supplying large modular components\* to the plant and applying an improved one kit system\* using conveyors.

- **Direct Supply of Large Modular Components** : A system for directly supplying large-size modular components (seven of them), such as seats and bumpers, from the plants of partner companies to the vehicle assembly plant.
- **One Kit System** : A system of creating a kit that contains components required for production of one vehicle and supplying it to the assembly line.

## Design Leadership



The Optima (K5) won the "Best of the Best" award while the Sportage was selected as a "Winner" at the 2016 Red Dot Design Award in the Product Design category. In the 2016 International Forum Design Award, the Optima (K5) and Sportage also were awarded in the Product Design category. In addition, Stinger, a premium high-performance sedan, won the Eyes On Design award for Production Car Design Excellence at the 2017 Detroit Motor Show in recognition of its competitive design.

## Global Citizenship

Approx. **5,000** persons

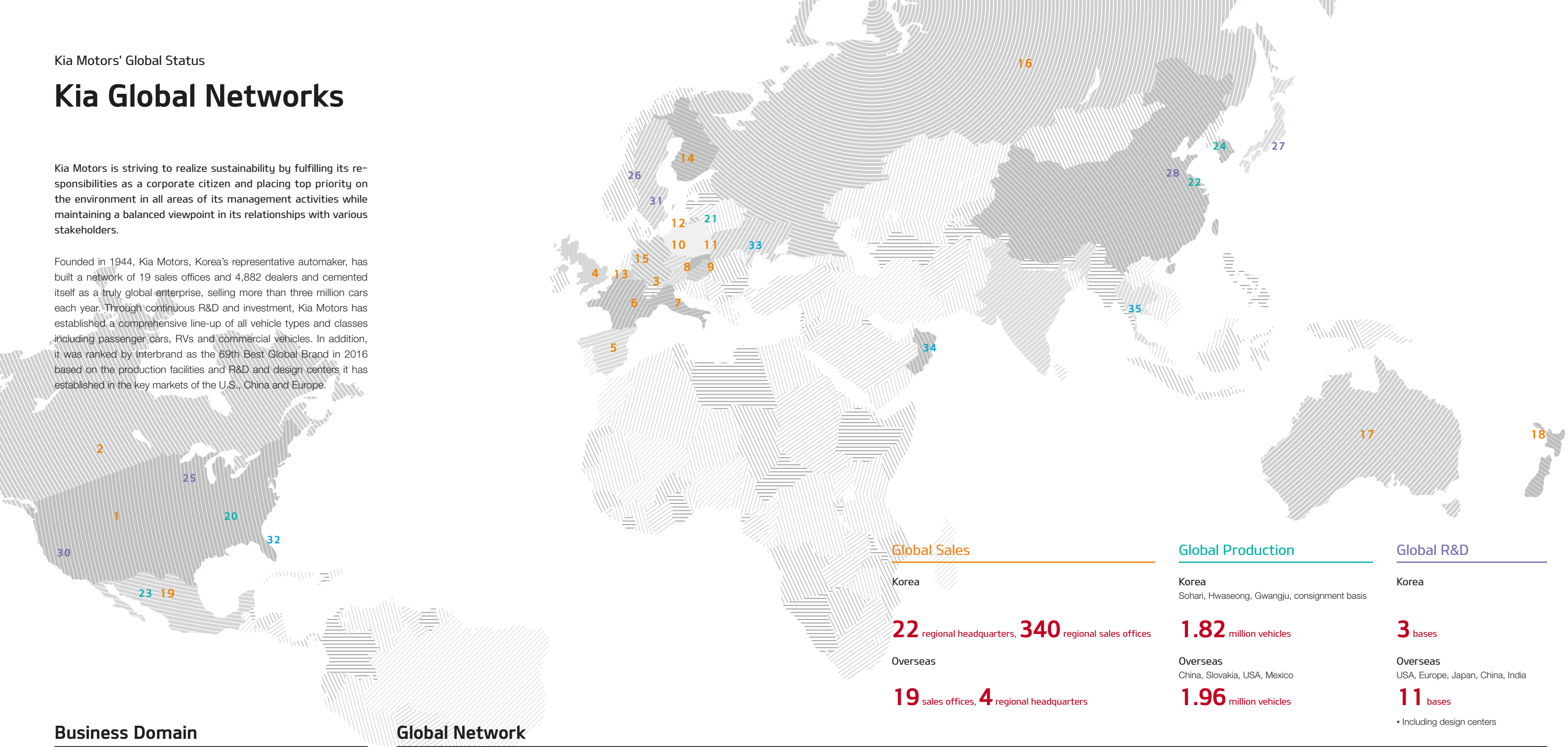
The GLP School, a secondary education facility established for the purpose of improving the educational environment of communities in Africa, produced its first 100 graduates in 2017. Around 5,000 students are currently receiving education at Kia's GLP schools, which are operated in four regions including Tanzania and Malawi. In 2017, Kia Motors plans to build a GLP Automobile Maintenance Center in two African regions and provide vehicle maintenance education to develop these centers into local hubs for job creation.



# Kia Global Networks

Kia Motors is striving to realize sustainability by fulfilling its responsibilities as a corporate citizen and placing top priority on the environment in all areas of its management activities while maintaining a balanced viewpoint in its relationships with various stakeholders.

Founded in 1944, Kia Motors, Korea's representative automaker, has built a network of 19 sales offices and 4,882 dealers and cemented itself as a truly global enterprise, selling more than three million cars each year. Through continuous R&D and investment, Kia Motors has established a comprehensive line-up of all vehicle types and classes including passenger cars, RVs and commercial vehicles. In addition, it was ranked by Interbrand as the 69th Best Global Brand in 2016 based on the production facilities and R&D and design centers it has established in the key markets of the U.S., China and Europe.



## Global Sales

**Korea**  
22 regional headquarters, 340 regional sales offices

**Overseas**  
19 sales offices, 4 regional headquarters

## Global Production

**Korea**  
Sohari, Hwaseong, Gwangju, consignment basis

**1.82 million vehicles**

**Overseas**  
China, Slovakia, USA, Mexico

**1.96 million vehicles**

## Global R&D

**Korea**  
3 bases

**Overseas**  
USA, Europe, Japan, China, India

**11 bases**  
\* Including design centers

## Business Domain

- Passenger Cars** Picanto(Morning), Ray, cee'd, Rio(Pride), K2, Forte/Cerato(K3), Forte/Cerato Koup(K3 Koup), K4, Optima(K5), Cadenza(K7), Quoris/K900(K9)
- RVs** Venga, Soul, Carens/Rondo, KX3, Sportage/KX5, Sorento, Mohave, Grand Carnival/Sedona (Carnival)
- Hybrid Vehicles** Optima(K5) Hybrid, Cadenza(K7) Hybrid, Niro
- Plug-in Hybrid Vehicles** Optima(K5) Plug-in Hybrid
- Electric Vehicles** Ray EV, Soul EV
- Commercial Vehicles** K-Series Trucks (Bongo III), Grandbird Commercial Bus
- CKD (Complete Knock Down)** Automobile components (including engines, etc.)

## Global Network

- Sales & Service**
- Korea** Sales 22 regional headquarters, 340 regional sales offices, 384 dealerships, 11 shipping offices
  - Service** 18 regional service centers, 240 comprehensive service providers, 556 partial service provider
  - Overseas** Sales 19 sales offices, 164 distributors, 4,882 dealers (sales & service)
  - Sales Offices** 1. Kia Motors America | 2. Kia Canada Inc. | 3. Kia Motors Deutschland | 4. Kia Motors U.K. | 5. Kia Motors Iberia | 6. Kia Motors France | 7. Kia Motors Italy | 8. Kia Motors Austria | 9. Kia Motors Hungary | 10. Kia Motors Czech | 11. Kia Motors Slovakia | 12. Kia Motors Polska | 13. Kia Motors Belgium | 14. Kia Motors Sweden | 15. Kia Motors Netherlands | 16. Kia Motors Russia | 17. Kia Motors Australia | 18. Kia Motors New Zealand | 19. Kia Motors Mexico

- Production**
- Korea** Sohari plant (350,000 units), Hwaseong plant (600,000 units), Gwangju plant (620,000 units), Consignment production (250,000 units)
  - Overseas** China plant (890,000 units), Slovakia plant (330,000 units), USA (Georgia) plant (340,000 units), Mexico plant (400,000 units)
  - 20. Kia Motors Manufacturing Georgia (2,697 employees) |
  - 21. Kia Motors Slovakia (Zilina, 3,607 employees) |
  - 22. China plant (Yancheng, 6,706 employees) |
  - 23. Mexico plant (Pesqueria, 2,269 employees) |
  - 24. Corporate headquarters in Korea (3 plants, 3 R&D centers, 18 regional service centers, 340 dealerships, 33,946 employees)

- R&D**
- Korea** Hyundai Motor Group Technology Research Institute (Hwaseong, Gyeonggi-do), Eco-Technology Research Institute (Yongin, Gyeonggi-do), Uiwang Technology Research Institute (Uiwang, Gyeonggi-do)
  - Overseas Technology and Design Centers**
  - Technology Research Centers** 25. USA (Detroit, Chino, Irvine, CPG) | 26. Europe (Russelsheim, Nurburgring, Germany) | 27. Japan (Yokohama) | 28. China (Yantai) | 29. India (Hyderabad)
  - Design Centers** 30. USA (Irvine) | 31. Europe (Frankfurt, Germany)
  - Regional Headquarters**
  - 32. Central & South America (Miami, USA) | 33. Eastern Europe & CIS (Kiev, Ukraine) | 34. Middle East & Africa (Dubai, U.A.E.) | 35. Asia (Kuala Lumpur, Malaysia)

\* As of December 31, 2016  
 • **No. of Vehicles Produced** : Based on annual production volume  
 • **Research Centers** : Adjusted according to R&D sector classification criteria



# CEO Message



With a new paradigm,  
Kia Motors will create a better world

## Kia Motor's Achievements in 2016

It is a great pleasure to be able to introduce Kia Motors' sustainability management through "MOVE," Kia Motors' sustainability magazine, to all stakeholders who have given us their continuous support.

Despite difficult domestic and international market conditions in the era of the "new normal" during which global economic growth remains subdued, Kia Motors has recorded meaningful management achievements in 2016 thanks to the support and cooperation of our stakeholders.

Externally, Kia Motors recorded over KRW 50 trillion in sales for the first time in its history, while maintaining a system that has sold and produced over three million cars for three years in a row thanks in part to the successful operation of its Mexico plant, the company's fourth overseas production base. Internally, Kia Motors won global recognition for its product competitiveness by ranking top among all brands in the 2016 Initial Quality Study (IQS) by J.D. Power, following its top ranking among mainstream brands in 2015.

## Outcomes of Sustainability Management

Based on these outcomes, Kia Motors produced meaningful sustainability management results in 2016. From an economic viewpoint, Kia Motors formed the Transparent Management Committee in order to build a shareholder-friendly management environment that meets global standards while simultaneously strengthening activities that protect the rights and interests of its shareholders. The Transparent Management Committee, in its capacity as an independent organization tasked with protecting the rights and interests of shareholders, not only reflects and introduces shareholders' rights and interests to the Board of Directors in relation to important management items that affect shareholder value and the shareholder return policy, such as dividends, but also plays a major role in promoting closer communication between the Board of Directors and shareholders by attending meetings with domestic investors and NDRs (non-deal roadshows) targeting overseas investors.

From an environmental perspective, Kia Motors is deploying its mid-to long-term road map to improve fuel efficiency by 25% by 2020 (compared to 2014) by replacing 70% of the existing engine line-up, and also to advance into a leadership position in the environment-friendly vehicle market by continuously releasing alternative powertrain vehicles. Last year, Kia Motors opened a new chapter in the low emissions SUV market by releasing the eco-friendly Niro hybrid, while this year it is planning to unveil a plug-in hybrid version of the Niro.

From a social perspective, Kia Motors introduced a "daytime two-shift (eight hours + eight hours) work system" in January 2017 in order to secure employees' health rights and to prepare a stable production system by reducing nighttime work based on constructive labor-management relations. In addition, it is continuously appointing the staff of its internal partners to full-time positions in order to contribute to the creation of more high-quality jobs, which is one of the key issues

in today's employment market.

Moreover, through the "Green Light Project (GLP)," global CSR campaign, Kia Motors supports the independence of local communities by leading the entire process from project planning to operation, moving beyond simple funding. For the first project, which was launched five years ago, Kia Motors has completed the building of an independent operation system, and is planning to transfer the business model to Africa this year. This will be the first ever case of a CSR activity that establishes a sustainable system in an underdeveloped country which improves the quality of life of local residents based on the provision of mobility support.

Meanwhile, between 2016 and 2030, Kia Motors will support the UN's Sustainable Development Goals (SDGs), which are promoted for the purpose of realizing a sustainable society, and will contribute to accomplishing these goals by fulfilling its social responsibilities. To that end, Kia Motors has established initiatives for CSR projects and set promotional goals for each project. In the long-term, Kia Motors will spread these goals across its entire management system.

## Paradigm Shift and Response

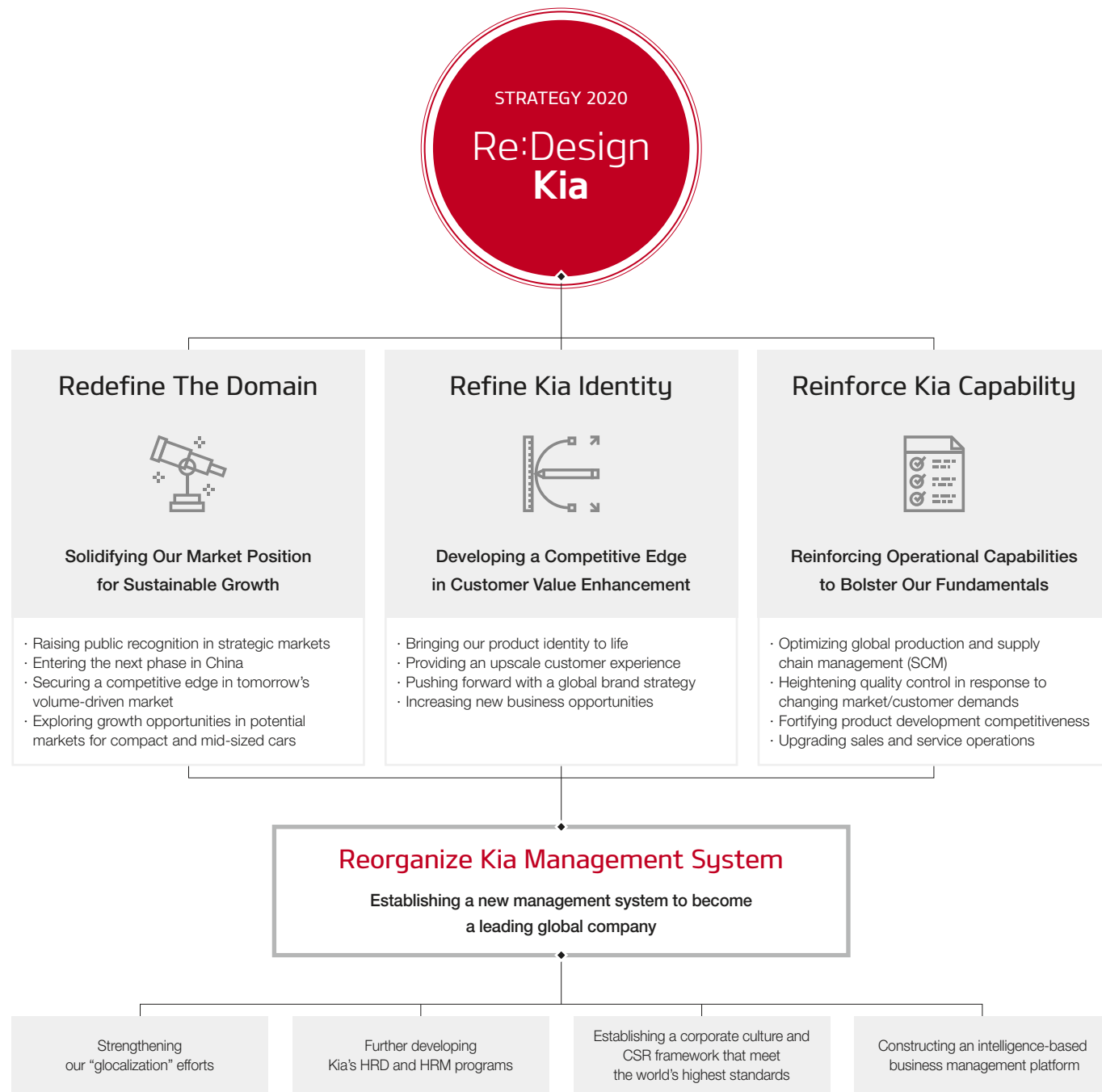
At the World Economic Forum Annual Meeting (Davos Forum) held in January, the "fourth industrial revolution" was discussed as an important issue, and automobiles were forecast to play a pivotal role in the highly anticipated hyper-connected society of the future. With a firm emphasis on customer safety and eco-friendliness, Kia Motors will focus its competencies on the development of "autonomous driving" and "connected car" technologies, and strive to develop fully autonomous driving vehicles by 2030. In addition, the company will actively respond to the forthcoming massive paradigm shift and lead the changes by building a younger and more dynamic organizational culture based on its declaration of "Kia Spirit" in 2016.

Kia Motors, as a global corporate citizen, will remain fully committed to making the world a better place economically, socially and environmentally beyond the mere pursuit of corporate growth. We ask for your continued support and encouragement in the coming years. Thank you.

**Hyoung-Keun (Hank) Lee**  
Vice Chairman & CEO  
March 2017



“ In view of the paradigm shift in society that will be triggered by the fourth industrial revolution, Kia Motors is re-designing itself (Re: Design Kia) according to its “Strategy 2020.” Kia Motors will transform and advance the organization by adhering to its newly declared “Kia Spirit.” ”



# SECTION 01

# A BETTER WAY TO GO

Trend & Strategy · Kia Motors' Response to Change  
Governance · A System for Rational Decision-making  
Materiality Test · Communication Channels and Materiality Test



# Trend & Strategy

## Trend Overview

While the global economic crisis drags on and the world enters a new era characterized by long-term sluggish growth, countries across the world are strengthening their environmental regulations including the control of gas emissions. In particular, the implementation of the Paris Agreement to restrict the Earth's average temperature increase to 1.5°C to 2°C higher than the temperature in the period before industrialization by the end of this century has compelled many companies to come up with a new economic model and growth engine, namely, the "low-carbon economy."

Korea, which is the world's ninth largest producer of greenhouse gas emissions, must face the disapproving gaze of the international community when it comes to its greenhouse gas reduction efforts. Having established an upwardly-adjusted goal in a bid to reduce its greenhouse gas emissions by 37% of the BAU by 2030, Korea is actively responding to climate change by initiating the establishment of the Global Green Growth Institute (GGGI) and hosting the Green Climate Fund (GCF) to support the response to climate change in developing countries. Meanwhile, the UN has agreed on the Sustainable Development Goals (SDGs), following the Millennium Development Goals (MDGs) adopted in 2015, and set out 17 detailed goals and 169 sub-goals to be fulfilled by 2030.

practical matter rather than a vague concept. In addition, the advent of AlphaGo, which took the world by surprise, foretold the rise of AI (artificial intelligence) and ICT (information and communications technologies) in all industrial sectors. As if to prove this prediction, KPMG, a global accounting advisory group, announced "connectivity" and "digitalization" as important keywords that would lead the automobile industry by 2020 following a survey targeting around 200 global automobile industry executives. Having now entered the automobile industry, ICT companies equipped with autonomous driving and smart connectivity technologies, are heralding the fourth industrial revolution in the automobile industry. As a result, fierce competition to dominate the automobile operating system (OS) and the technological standard, the core of the fourth industrial revolution, is under way. To that end, the ICT and automobile industries are actively engaged in heterogeneous M&As and are predicted to make a new breakthrough in the near future.

The growth rate of the global automobile market is expected to hover around 1.9% in 2017 due to a possible delay in export recovery resulting from stagnation of the domestic economy and international demand as well as the spread of protectionism. However, automobile exports are expected to increase in 2017 due to the gradual economic recovery of emerging countries and a market rebound in the U.S., while the production increase rate is also expected to rise naturally based on the automobile industry's innate characteristic of being highly dependent on exports to the U.S. market. In addition, the economy is recovering in emerging resource-exporting countries as a result of an increase in the prices of oil and raw materials and, as consumer confidence is improving in India and Russia, positive forecasts have been made in relation to automobile exports. However, stagnant growth in EU nations and China is expected to impede overall global growth. Moreover, as certain economic risks, including the increased base interest rate in the U.S. and the Brexit issue in the U.K., persist, a full-on recovery in global demand is likely to be delayed. Domestic sales are predicted to decrease as a result of a fall in demand and domestic economic stagnation with the expiration of the government's domestic market activation support policy. With various factors of economic uncertainty - including termination of the consumption tax reduction, a rise in household debts and employment insecurity as a result of increased industrial restructuring - consumer confidence will continue to decline. Nevertheless, the low-interest rate policy and the impact of new car releases could lead to a fresh increase in demand.

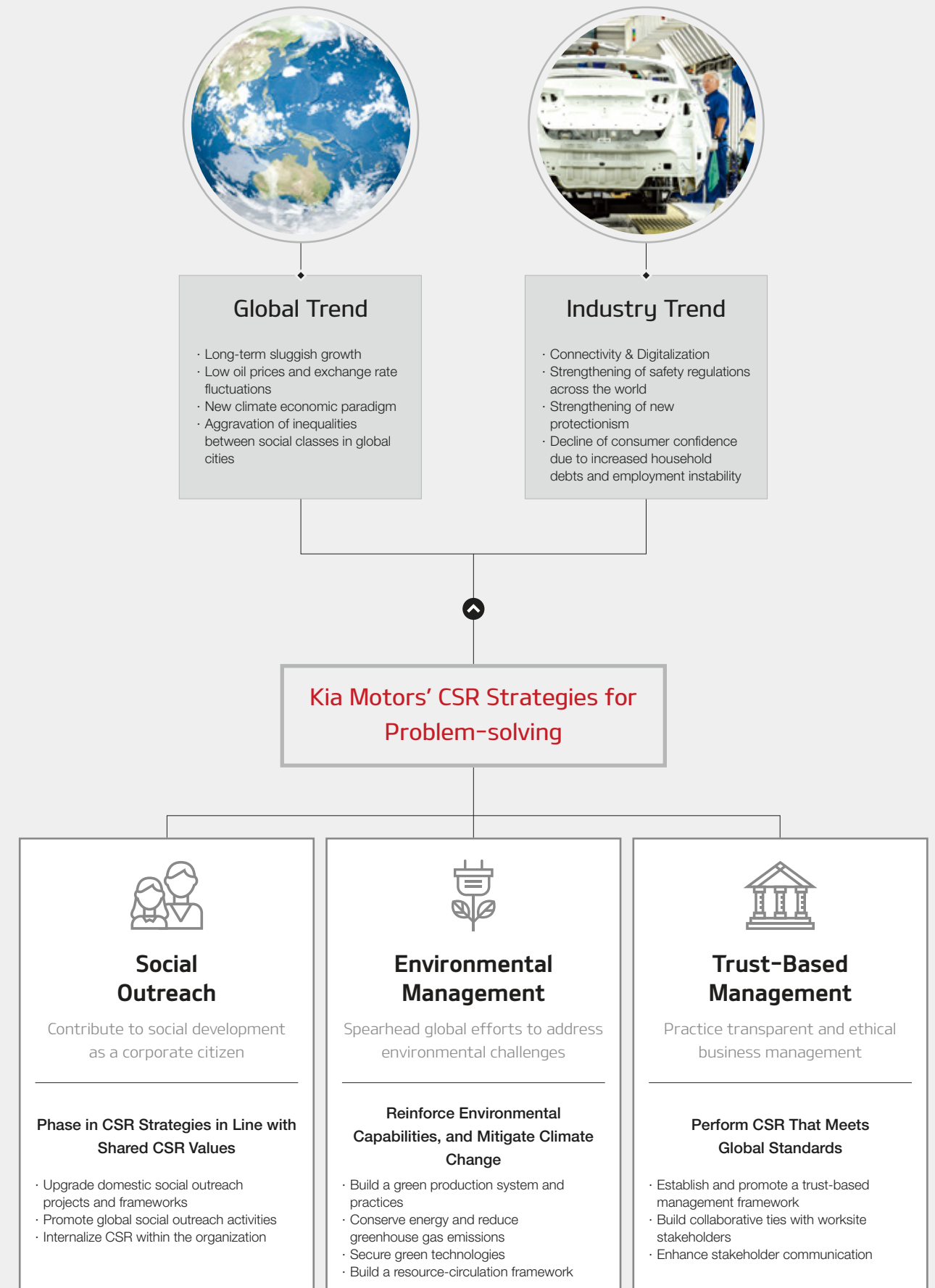
# 1.9%

**Growth Rate Forecast for the Global Automobile Market in 2017**

Hyundai Motor Group Global Business Intelligence Center (GBIC)

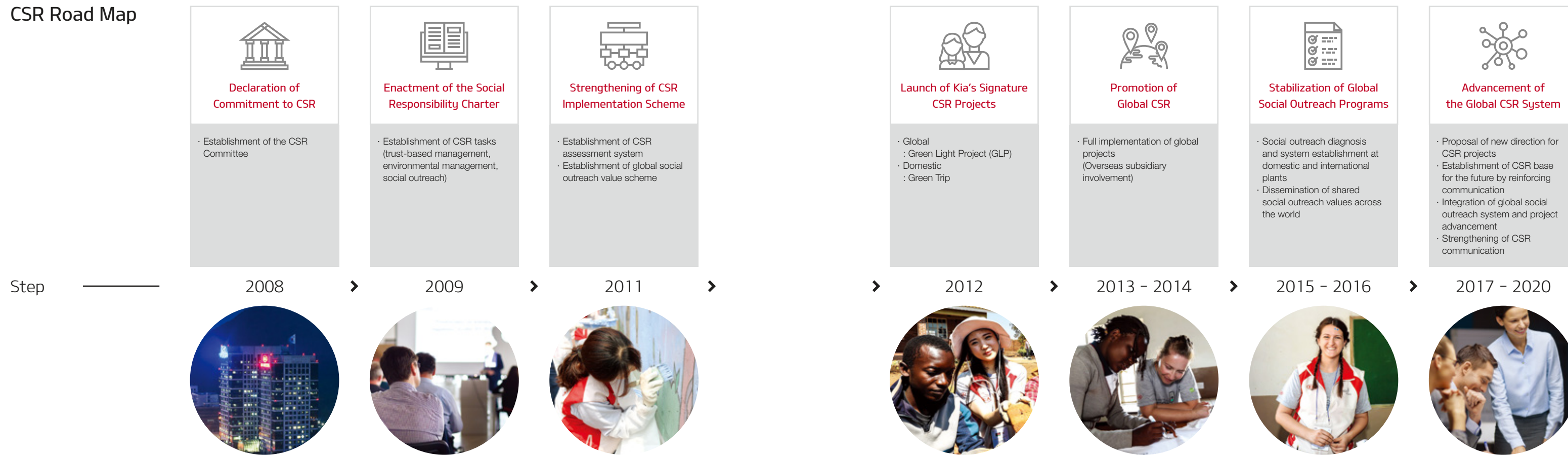


Sustainable development, quality education and alleviation of inequality between countries have been added to the existing agenda of the SDG for the eradication of poverty, the protection of the right to education, and gender equality. Accordingly, CSR has also been specified as a





# CSR Road Map



## CSR Management Framework

In 2008, Kia Motors declared its commitment to CSR management and formed the CSR Committee, a company-wide organization, with the CEO as its chairperson. The CSR Committee is composed of the CEO and executives of trust-based management, environmental management and social outreach organizations. The CSR Management Team, as the organization in charge, functions as the committee's secretary. Through the efforts of the committee, Kia Motors decided on its CSR direction and established a global social outreach value scheme. In 2016, Kia Motors discussed and approved the implementation of the CSR scheme at overseas branches and launched the Global Social Outreach Working-level Committee in order to extend the remit of its social outreach working-level committee to the global stage. From 2008 to 2012, Kia Motors secured a CSR management framework to share the same CSR goals at its worksites around the world. Up until 2016, it had been establishing the CSR scheme at its domestic and overseas worksites in order to spread CSR and stabilize the scheme. From 2017 to 2020, Kia Motors will promote the advancement of the global CSR system in line with its Strategy 2020.

## CSR Progress & Plans by Domain

### Social Outreach

In 2011, Kia Motors established the global social outreach value scheme and set out its main CSR values as promoting the general right of mobility and taking up the challenge to improve the quality of life. The following year gave birth to Kia's signature social outreach projects that aim to bring these new values to life. The first is the "Green Light Project (GLP)," a global initiative, and the second is a domestic effort called the "Green Trip."

For the GLP, Kia Motors is opening at least one additional base each year. During the first five-year phase of the project, a system of self-sustainability has been established and will be extended to local areas. As for the Green Trip, Kia Motors has supported 25,917 people to travel 1,592,032 km, which is equivalent to circling the earth 40 times, as of the end of 2016. In 2015 and 2016, Kia Motors established its social outreach project scheme by creating a social outreach system for each of its domestic and overseas worksites and by developing, and thereby promoting, its signature projects at the local worksite level. This year, Kia Motors will set up a management scheme by strengthening its global CSR operation and management system. By completing a strategic framework consisting of "value scheme - business scheme - management scheme," Kia Motors will promote the integration of its global social outreach scheme and the advancement of its activities.

### Environmental Management

Kia Motors announced its decision to pursue global environmental management in 2003 and set out to establish itself as a global eco-friendly leader. As part of this effort, Kia Motors conducted third-party assurance for the greenhouse gas emissions of its plants and service centers in 2006, for the first time in Korea, and began continuously managing its greenhouse gas footprint. Starting with its plants in Slovakia and China (plants 1 and 2) in 2007, Kia expanded the scope of its third-party assurance to all of its domestic and overseas plants, including the U.S. (Georgia) plant in 2010, China plant 3 in 2014, and the Mexico plant in 2016. Based on this initiative, Kia Motors has been striving to meet its goal of reducing its per-unit greenhouse gas emissions by 30% by 2020 compared with 2008. In 2014, Kia Motors established an exclusive organization, including the Safety & Environment Planning Office, under the direct management of the CEO, and declared its commitment to pursuing safe environmental management. In addition, it announced a fuel economy road map to improve the company's average fuel economy by 25% by 2020 (compared with 2014), together with mid- to long-term eco-friendly strategies (including Hyundai Motor Company) for releasing 28 eco-friendly vehicle models and ranking second in the eco-friendly vehicle market by 2020. Accordingly, in 2016, Kia unveiled the Niro, a dedicated eco-friendly vehicle model, and released the Optima (K5) plug-in hybrid model and the second-generation K7 hybrid model. In addition, Kia Motors completed the development and application of the Kappa 1.4 T-GDi engine and a front wheel-drive 8-speed automatic

transmission. In 2017, Kia Motors aims to further strengthen its status as an eco-friendly brand by releasing the Niro plug-in hybrid model.

### Trust-based Management

Kia Motors is striving to improve its long-term competitiveness by implementing management practices based on sound ethical standards and building ever greater trust with its stakeholders. It has formed the Transparent Management Committee within the Board of Directors in order to supervise the implementation of trust-based management, and has also established, and is encouraging compliance with, the ethics charter and other related regulations that employees are required to observe at the company's worksites. In 2002, Kia Motors introduced the Compliance Program (CP) in a drive to ensure trust-based management, and introduced the compliance management system as a higher-level concept of the CP in 2012 in order to integrate all corporate compliance activities. In 2016, Kia Motors announced the CEO's strong will to practice compliance in the company to all employees six times and expanded related trainings. In addition, it distributed 39 compliance guidelines covering nine legal areas to its worksites, including a compliance handbook. This year, Kia Motors plans to expand its compliance supporting organization for compliance management by designating company-wide compliance support employees and to launch compliance self-audit system. Through these efforts, Kia Motors will establish itself as a respected global company thereby ensuring the legitimacy of its internal decision-making and management activities.

\* CSR: Corporate Social Responsibility



# Transparent and Ethical Governance

Kia Motors has established a framework designed to reflect the interests of its internal and external stakeholders through a range of initiatives, which the management board then takes into account when making decisions. To that end, Kia Motors guarantees independence in the operation of the Board of Directors, and has set up a number of committees under the BOD's control, including the Audit Committee, which represents external stakeholders and monitors corporate management; the Board Nominations Committee, which has the authority to nominate candidates for non-standing directors; and the Transparent Management Committee, which monitors the transparency of inter-affiliate transactions and protects shareholders' rights and interests.

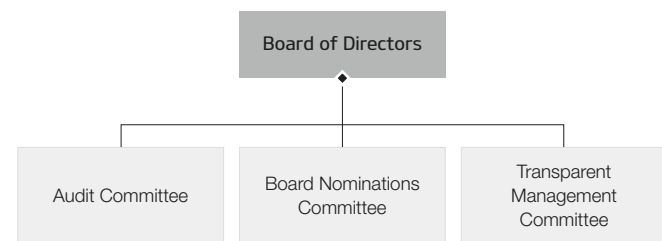
## Board of Directors

Kia Motors' top decision-making body is the Board of Directors. Its members are appointed at the annual general shareholders' meeting (GSM) and speak on behalf of shareholders' and other stakeholders' interests. They also oversee and vote on key business issues in consideration of the company's long-term growth road map. As of the end of 2016, the BOD was composed of three standing directors, one special non-standing director, and five non-standing directors.

The BOD holds regular meetings to vote on key issues after considering the feedback collected from shareholders and employees at the GSM and through investor relations activities. The feedback is then passed on to management for reflection in the crafting of policies. In addition, the Q&A section of the IR website is instrumental in communicating with shareholders and employees.

Ad hoc meetings are convened whenever issues for deliberation arise. The Audit Committee, Board Nominations Committee and Transparent Management Committee support the operation of the BOD with their expertise and efficiency in selecting agenda items according to their relevance. In 2016, the BOD convened nine meetings to receive briefings on the internal accounting control system (IACS) and the status of Kia's autonomous compliance with fair trading regulations, to approve business and investment plans for the coming year, and to deliberate and vote on various agenda items including convocation of the 72nd GSM (for 2015) and approval of the items submitted. A total of 36 agenda items were presented to the BOD, for which the

## Board of Directors and Committees



attendance rate of non-standing directors was 97.8%. At Kia Motors, the CEO chairs the BOD in order to ensure that decisions are made swiftly. This is crucial for an automobile manufacturer because of the short product cycle and the need for large-scale investments in a rapidly changing business environment. In order to safeguard the BOD's independence, the company has established protocol measures to provide agenda items and other related information to all of the directors in advance so that non-standing directors can voice their opinions based on a full understanding of the issues at hand after a thorough review.

Remunerations are made to standing and non-standing board directors mainly in the form of annual base salaries within a set wage ceiling according to their position, and are authorized at the GSM. The remuneration cap for 2016 was set at KRW 10 billion, and only KRW 3.2 billion was actually paid out to the directors.

## Committees

### Audit Committee

Kia Motors' Audit Committee is composed of three non-standing directors, and is chaired by a non-standing director to ensure that it is operated in a transparent and independent fashion. Its main function is to make sure that the company's accounting and business practices are conducted in a fair manner and in compliance with all related laws and regulations. To that end, the committee is entitled to look over sales-related reports from the BOD and to examine the company's overall financial standing.

Kia Motors runs an internal system that allows committee members easy access to pertinent information on the company's business operations. In 2016, the Audit Committee convened seven meetings to deliberate and vote on the dismissal and appointment of external auditors and to receive briefings on the 2015 settlement of accounts and the status of the IACS. A total of 10 agenda items were presented to the Audit Committee, for which the attendance rate of the members was 95.2%.

### Board Nominations Committee

The Board Nominations Committee consists of five members including one standing, one non-executive and three non-standing directors as per the stipulation that "the majority of this committee shall be composed of non-standing directors." It holds the authority to recommend non-standing director candidates for selection at the general shareholders' meeting. In 2016, the committee recommended a non-standing director candidate to the 72nd GSM (2015) through a fair and thorough examination of candidates based on their competencies and expertise.

### Transparent Management Committee

In March 2016, Kia Motors reorganized the existing Ethics Committee into the Transparent Management Committee in order to strengthen

## Board of Directors

as of December 31, 2016

	Name	Position	Background
Standing Directors	Hyoung-Keun Lee	CEO, Chairman of the Board of Directors, Chairman of the Board Nominations Committee	(currently) Vice Chairman & CEO, Kia Motors (formerly) CEO, Kia Motors
	Han-Woo Park	CEO	(currently) CEO, Kia Motors (formerly) Vice President, Kia Motors
	Chun-Soo Han	Standing Director	(currently) Vice President, Kia Motors (formerly) Executive Director, Kia Motors
Special Non-standing Director	Eui-Sun Chung	Member of the Board Nominations Committee	(currently) Vice Chairman, Hyundai Motor (formerly) CEO, Kia Motors
Non-standing Directors	Sang-Gu Nam	Member of the Audit Committee, Member of the Board Nomination Committee, Chairman of the Transparent Management Committee	(currently) Professor Emeritus of Business, Gachon University (formerly) Private Sector Chairperson of the Public Fund Oversight Committee
	Hyun-Kook Hong	Chairman of the Audit Committee, Member of the Transparent Management Committee	(currently) Chairman, Gaduk Tax Consulting Associates (formerly) Auditor, National Tax Services
	Kwi-Nam Lee	Member of the Board Nominations Committee, Member of the Transparent Management Committee	(currently) Counsel, LKN Legal Research Institute (formerly) 61st Minister of Justice of the Republic of Korea
	Won-Joon Kim	Member of the Board Nominations Committee, Member of the Transparent Management Committee	(currently) Counsel, Kim & Chang (formerly) Director of Competition Policy Bureau, Fair Trade Commission
	Doo-Hee Lee	Member of the Audit Committee, Member of the Transparent Management Committee	(currently) Professor of Business, Korea University (formerly) President, Korea Advertising Society

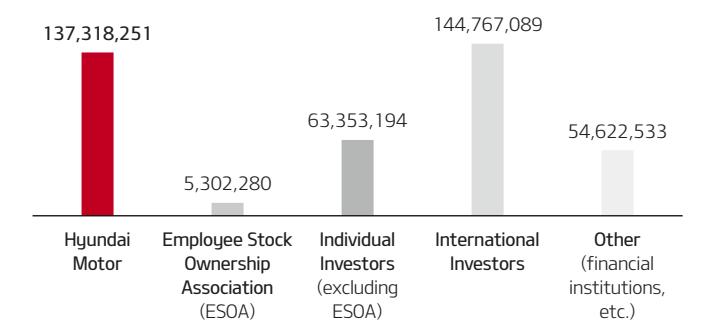
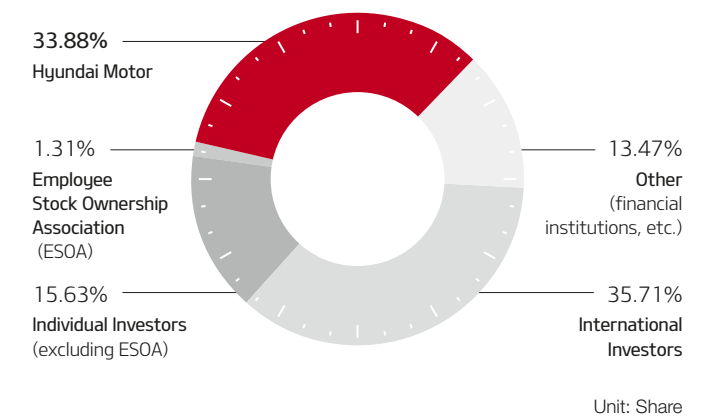
Kia Motors' Transparent Management Committee was formed for the purpose of deliberation and voting on the protection of shareholders' rights and interests, as well as for the promotion of transparent internal transactions and ethical management. In view of its inherent characteristics and roles, its composition is limited to non-standing directors. Currently, all of Kia Motors' non-standing directors (5) are members of the Transparent Management Committee. Based on a resolution of the committee, one of the committee members was appointed to assume responsibility for the protection of shareholders' rights and interests.

The committee votes on matters relating to transactions between people with a special relationship and the protection of shareholders' rights and interests, as prescribed in the Commercial Act, the Monopoly Regulation and Fair Trade Act, and the Financial Investment Services and Capital Markets Act, and deliberates on the implementation of the compliance program, the operation of key policies relating to ethical management and social outreach schemes, and the establishment and revision of the company's code of ethics. Kia Motors' management actively reflects its non-standing directors' opinions on social outreach and ethical management improvements in its future plans. In 2016, the committee convened five meetings and voted on and resolved 22 items including the approval of internal trading and the details of social outreach activities and donations.

In August 2016, the member responsible for protecting shareholders' rights and interests explained the company's governance policy to overseas investors and listened to their opinions at a meeting in Singapore. In October of that year, Kia Motors invited external experts and held a governance seminar as part of its efforts to improve the expertise of the committee members.

## Major Shareholders

as of December 31, 2016





# Interactive Communication and Materiality Test

Kia Motors' stakeholders are diversifying as society becomes increasingly diverse and differentiated. During the company's implementation of its social responsibilities, the opinions of various stakeholders are used to carry out its agenda. Most importantly, it is the company's role to find a balance between the varying interests of different stakeholders. Kia Motors collects the diverse opinions of its stakeholders through detailed communication channels established according to the characteristics of each stakeholder, and thus is striving to equally distribute the benefits of its CSR management to all sectors of society.

## Establishment of Interactive Channel for Stakeholders

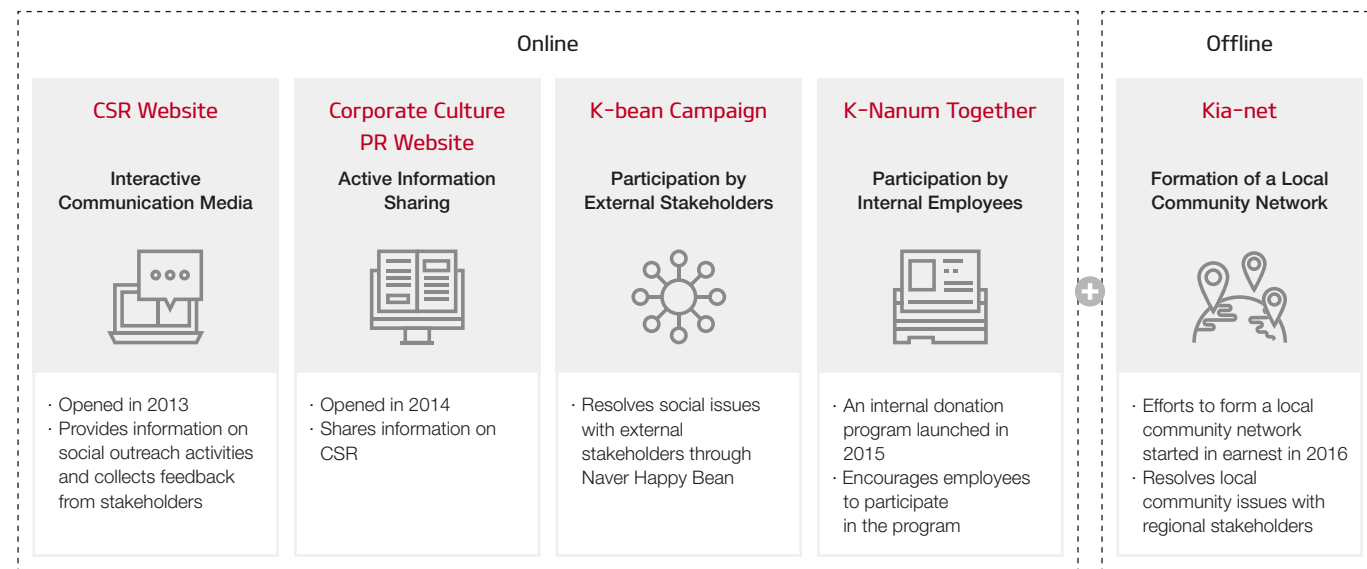
Kia Motors has established a range of online and offline channels through which it aims to improve communication and exchange opinions with its stakeholders. In 2016, it started a network project called "Kia-net" in order to resolve issues in each local community by fostering regular exchange and cooperation with stakeholders in the community. Based on the opinions collected through the project, the company has promoted various social outreach projects that are customized for the local communities concerned. In addition, Kia Motors developed a new app for activating communication with its employees after reflecting the results of a questionnaire survey conducted to evaluate the sentiment of its plant employees (April 2014 - March 2015), and launched and distributed it to all its employees in January 2017. As such, Kia Motors will continuously introduce new channels of communication as and when necessary, supplement

the existing channels, and further activate communication with stakeholders by strengthening the links between each channel.

## Stakeholder Communication Channels

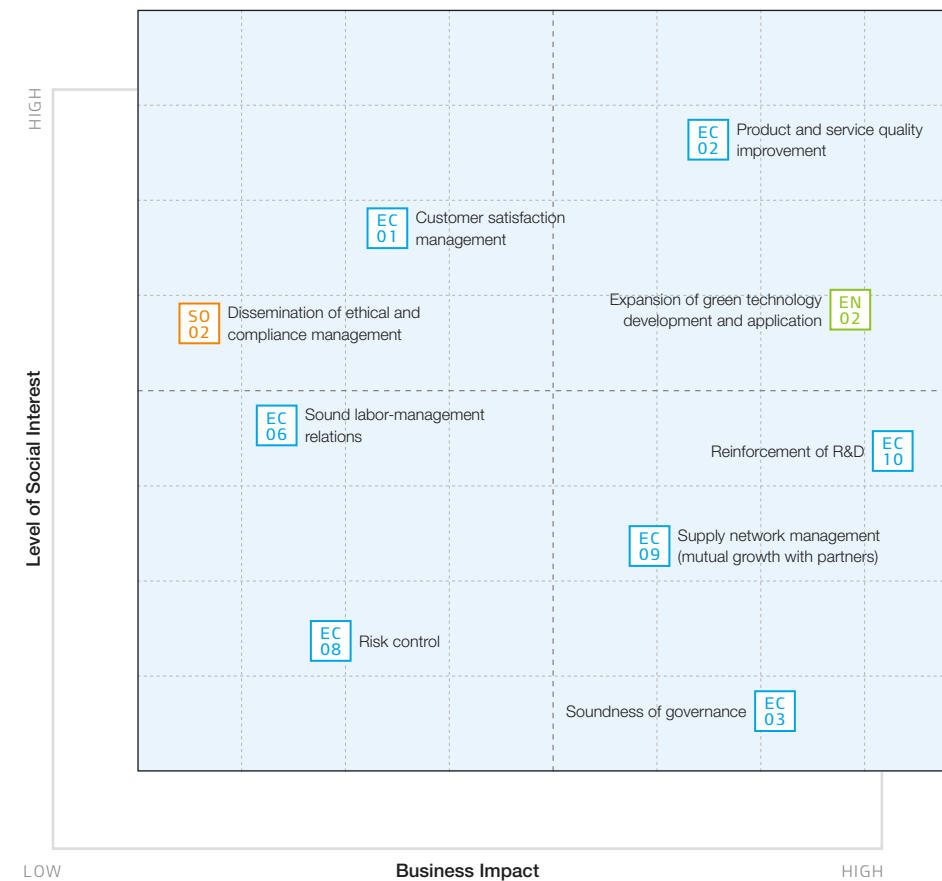
Stakeholder Group	Communication Channels
<b>Customers</b>	Motor shows and new model launch events, test drives, sports sponsorships, customer service, customer satisfaction surveys, clubs, corporate websites, online communication channels (Kia BUZZ/ social media/ K-Bear/ mobile apps), viral videos, K-Lounge, reports(annual reports/sustainability reports/ community relations white papers)
<b>Shareholders &amp; Investors</b>	General shareholders' meeting, investment road shows, corporate websites, SNS, reports
<b>Employees</b>	Labor-Management Council, Employment Stability Committee, Next-Generation Committee, company magazine, CSR newsletter, online communication channels (intranet/ knowledge community/ Kia In), Employee Counseling Center, reports
<b>Partner Companies</b>	Dealer programs (seminars/dealer contests/dealer invitational events), seminars and training programs, win-win web portal, Value Advanced Automotive Trade Zone (VAATZ), procurement headquarters' suggestion box, reports
<b>Local Communities</b>	Social outreach activities and campaigns, corporate websites, exchanges with local communities (regular meetings/public access to Kia plants), corporate information channels (website/ SNS/ reports)

## On/Offline Channels



## Materiality Test

In order to identify key issues, a comprehensive materiality test was conducted in consideration of all corporate policies and their direct/indirect economic effects, laws and regulations, stakeholder surveys, performance and issues of peer groups, and media coverage. Notably, three other factors played a more prominent role in this year's Kia Sustainability Report than in the past, namely, international standards, the sustainability reports published by Fortune 500 automakers, and media analysis. The GRI G4 Guidelines particularly encourage reporting companies to cover key issues that scored higher than the threshold levels preset by the reporting companies themselves. Following this advice, nine key issues were finalized from among 30 relevant issues derived.



## Other Sustainability Management Issues

- Economic Issues**
  - EC04 Employee competency building
  - EC05 Employees' health and safety
  - EC07 Improvement of employees' quality of life (Welfare, GWP)
- Environmental Issues**
  - EN01 Climate change response (energy and GHG)
  - EN03 Establishment and operation of integrated environmental management
  - EN04 Expansion of investment into environmental protection and conservation
  - EN05 Efforts to create an eco-friendly organizational culture
  - EN06 Resource saving and protection
  - EN07 Participation in environmental improvement projects and initiatives
  - EN08 Minimization of environmental pollutant discharge
  - EN09 Minimization of environmental impacts in areas around worksites
  - EN10 Biodiversity management and protection of endangered species
- Social Issues**
  - SO01 Respect for labor and human rights
  - SO03 Prevention of unfair trading (anti-corruption)
  - SO04 Advancement of information management (protection and disclosure)
  - SO05 Fair distribution of economic values
  - SO06 Strategic social outreach activities
  - SO07 Activation of communication with local communities
  - SO08 Global CSR activity promotion
  - SO09 Strengthening of competitiveness of local communities
  - SO10 Expansion of social development investment

## Decision of Key Issues and Core Reporting Items

No.	Key Issues	Core Issues	Page	No.	Key Issues	Core Issues	Page
EC01	Customer satisfaction management	Customers	46, 47, 78	EC09	Supply network management (Mutual growth with partners)	Partner Companies	62-65
EC02	Product and service quality improvement	Products	46-49	EC10	Reinforcement of R&D	Products	24-32, 36-44, Book in Book
EC03	Soundness of governance	Corporate Governance	16-17	EN02	Expansion of green technology development and application	Products	24-27, Book in Book
EC06	Sound labor-management relationship	Employees	58-61	SO02	Dissemination of ethical and compliance management	Employees	82, 83
EC08	Risk control	Economy	12-15				



Fair Opportunity

+

Respect Diversity

++

Self-realization

## between car and human

To some drivers, a car defines their lifestyle.  
For others, it is a partner in a journey towards achieving their dreams.  
So a car is so much more than a mere means of transportation.  
Which is why Kia Motors reflects its vision in its cars.  
For those who drive Kia cars and others who are connected via cars  
Kia Motors will be their partner in their journey towards a better life.  
Numerous dreams are created between humans and cars.  
We are all working towards a better future as we try to realize our dreams.  
Cars matter because they tell our stories.





# Car Manufacturing Underpinned by a Philosophy That Changes Human Life

2016 was an extremely important year for Kia Motors in terms of sustainability management. As the UN's Millennium Development Goals (MDGs) expired, to be followed by the 2030 Sustainable Development Goals (SDGs), the role of "sustainability," hitherto regarded as a somewhat ambiguous development concept, was clarified and presented as a visible and attainable framework. SDGs are composed of five axes, namely, people, prosperity, planet, peace, and partnership. Devised to achieve sustainable development by maintaining a sound balance between these five elements, SDGs are goals that all people in the world must strive to achieve.

With the further detailing of its responsibilities, Kia Motors retraced its footsteps to assess whether it has kept its promise to provide everyone with an opportunity to enjoy the benefits of mobility and to exercise the right to make important decisions in their lives. Kia Motors established the basic principles of "fair opportunity," "respect diversity" and "self-realization" in order to realize these shared values, and has been making efforts to develop a better path. Now, Kia Motors' philosophy of social equality, a better quality of life and social integration is changing people's lives.

## Mutual Growth

To promote mutual growth with its partner companies, Kia Motors has set out three operating strategies for reinforcing partners' global competitiveness, laying the foundation for sustainable growth, and setting up a framework for mutual growth, and is providing active support to its partner companies.

- **Quality Schooling:** 4,329 trainees enrolled in 10 courses (as of 2016)
- **Technical Schooling:** 1,319 trainees enrolled in 8 courses (as of 2016)
- **Cost of Quality & Technical Schooling:** KRW 25 billion (2013 - 2017)
- **No. of Partner Companies Participating in Industrial Innovation Campaign:** 150 (Aug. 2015 - Jul. 2016)
- **No. of Partner Companies for Joint Entry to Overseas Plants:** 700 (as of 2016, including secondary partners)

## Employment Creation

Kia Motors is following the principle of "globalization" (management centering on local human resources) in order to contribute to local economies and execute management according to local conditions.

- **No. of Domestic and Overseas Employees:** 51,357 (as of 2016)
- **Percentage of Overseas Employees Among Total Employees:** 33.9% or 17,411 persons (as of 2016)
- **Percentage of Local Human Resources at Overseas Plants:** 98.0% (as of 2016)
- **Percentage of Managerial and Higher-level Employees at Overseas Plants:** 79.8% (as of 2016)



## Support for Africa

Through the Green Light Project, Kia Motors supports education and village self-sufficiency to eradicate poverty in Africa.

- **Supported Regions:** 9 local communities in 6 countries (cumulative)
- **K-Nanum Together Fund:** Approx. KRW 63 million (based on Green Light Project regular donations in 2016)

## Mobility

Kia Motors operates the Green Trip program to provide the disabled with a variety of travel benefits to ensure their mobility.

- **No. of Participants:** 25,917 people (Jun. 2012 - Dec. 2016)
- **Total Travel Distance:** 1,592,032km, equivalent to circling the earth 40 times

## Childcare Support Scheme

Kia Motors provides a range of childcare supports to help female employees focus on their work.

- **Maternity Leave**
- **No. of Employees on Childcare Leave:** 18 male and 68 female employees (as of 2016)
- **Flexible Work-hours System**
- **Directly Managed Childcare Centers and Worksite-linked Daycare Facilities**

## Employee Training Scheme

Kia Motors offers a range of programs to help employees achieve self-realization and to share its philosophy with overseas employees.

- **Work Exchange Program**
- **Local Expert Program**
- **Employee Training Expenses:** KRW 18.5 billion (as of 2016)



Efficiency

+

Green

++

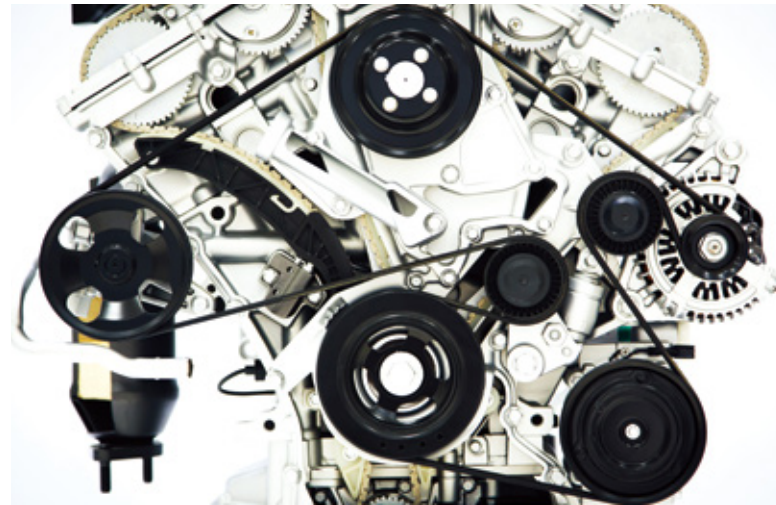
Intelligent

## between car and nature

The roads are packed with cars emitting exhaust gas that is breathed in by humans. Cars exist for humans and must not threaten the space that people inhabit. To this end, Kia Motors painstakingly ponders what technology must do for people and the environment. Each person has different criteria for selecting a car. Nonetheless, Kia Motors hopes that people will choose our cars because they care about their children and the environment.



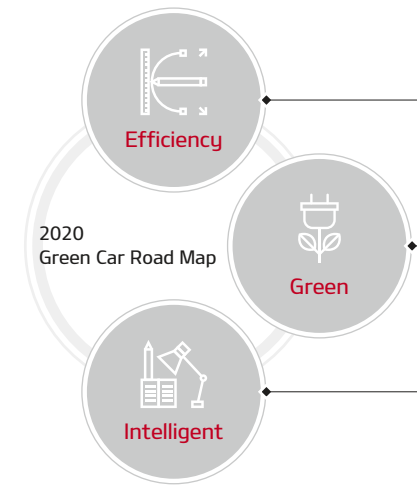




## Kia Motors' Advanced Technologies Are Waging a Battle to Protect the Environment

Rising global temperatures are no longer just a concern for the future. Instead, they are a reality that we must prepare for and respond to without delay. Kia Motors never ceases striving to find out what it can do for the environment. As part of this effort, it announced its Green Car Road Map and R&D investment plan in 2014 and has been implementing them for the last three years.

CO<sub>2</sub> emissions, the main culprit behind global warming, is a major issue that must be resolved by the automobile industry. Kia Motors is endeavoring to achieve the goal of not just reducing CO<sub>2</sub> emissions, but of achieving zero CO<sub>2</sub> emissions. This is why Kia Motors is focusing its competencies on finding a new and renewable energy source other than petroleum instead of simply increasing fuel economy. To establish a sustainable relationship between cars and nature, Kia Motors is keeping the promises it has made by developing practicable and feasible technologies.



- Engines** 70 percent of the current 10-engine lineup to be upgraded with new turbo technologies
- Transmissions** New transmissions under development for higher efficiency and multi-speed capability
- Lightweight** An average of 5 percent reduction in car body weight
- Scope** Applicable to the entire lineup, launching new eco-friendly models
- No. of Models** 14 models
- Types** HEVs (5 models), PHEVs (4 models), EVs (4 models), FCEVs (1 model)
- Safety · Convenience** Higher safety with mass-produced models and the expanded application of ADAS technologies
- Connected Cars** Advanced information communication technologies (ICT) and automotive semiconductors to be developed
- Autonomous Driving** Realization of urban autonomous driving (UAD) by 2020 and fully autonomous driving by 2030

### Green Car Road Map

Kia Motors is pursuing improvements to fuel economy and releasing new models in order to establish itself as an eco-friendly leader. Upon announcing the Green Car Road Map in 2014, Kia Motors set up the goal of expanding its eco-friendly line-up to 11 models. However, the plan was partially adjusted and three electric vehicle models were added to the company's future plans. Accordingly, Kia Motors plans to release 14 eco-friendly models, including five hybrid electric vehicles (HEVs), four plug-in hybrid electric vehicles (PHEVs), four electric vehicles (EVs) and one fuel cell electric vehicle (FCEV), by 2020. In addition, Kia Motors will further consolidate its leadership position in the green car market by releasing an SUV electric vehicle capable

of driving more than 320 km per charge in 2018.

To that end, Kia (along with Hyundai Motor) has invested KRW 24.5 trillion in infrastructure and KRW 27.1 trillion in R&D since 2015 under its 2018 R&D Investment Plan. Of the total amount, KRW 11.3 trillion was invested in green cars and KRW 2 trillion in smart cars, including autonomous driving and connected car technology development.

# 32.56 km/l

**Niro - Guinness World Record for Average Fuel Economy**

Driving 5,979km from LA to New York

### Kia Motors' Green Cars

Kia Motors unveiled the "Niro," compact eco-friendly sport utility vehicle (SUV) in 2016. With CO<sub>2</sub> emissions of only around 90g/km, Niro proved its eco-friendliness by setting a new Guinness World Record when it was driven across the USA this year. Covering a distance of 5,979km (3,715.4miles) from LA to New York, Niro achieved an average fuel economy of 32.56km/l (76.6mpg). This was a whopping 56.3% higher than Niro EX's certified combined fuel economy in the U.S., of 20.83km/l.

Kia Motors will also embark on extensive mass-production of FCEVs following the development of a next-generation hydrogen fuel cell stack with improved durability and efficiency.

The Optima (K5) PHEV, which was unveiled at the 2016 Busan Motor Show, is equipped with a 9.8kWh high-capacity battery and a 50kW motor. It is capable of being driven in both electric and hybrid modes. Equipped with a 2.0 GDI engine, it delivers powerful performance with a maximum output of 156 horsepower (ps) and maximum torque of 19.3kgf.m. When the battery is fully charged, it can drive up to 44km using only the electric motor.



### Kia Motor's Response to International Environmental Laws

Type	Target Vehicles	Base Year	Applicable Laws	Subjects
Europe	All Passenger Vehicle Models	After Sep. 2015	Euro - 6	55% reduction of NOx emissions in diesel models compared to Euro 5
	Newly Certified Models	After Sep. 2017		Mandatory execution of real driving emission (RDE) test on NOx and PN
North America	Newly Certified Models	After 2015	Tier - 3 LEV - III	Additional reduction of hydrocarbon and NOx by 80% compared to Tier 2, Level I Additional reduction of particulate matter (PM) by 70%
Korea	Diesel Models (All Passenger Vehicle Models)	After Sep. 2015	Euro - 6	Same as in Europe
	Newly Certified Diesel Models	After Sep. 2017		Mandatory execution of real driving emission (RDE) test on NOx and PN
	Gasoline/ LPG Models (Optional for Newly Certified Models)	After 2016	LEV - III	Same as in the U.S.



Hassle-free



Delightful Driving



DRIVE WISE

```
function register_menus() {  
  register_nav_menus(  
    array(  
      'main_menu' => __('Main')  
    )  
  );  
}
```



## between car and challenge

Performance, fuel efficiency, and eco-friendliness determine the technological competence of automobiles. Through constant evolution, automobiles have made the lives of people freer. Automobiles of the future will no longer be just a mass of cold metal and an integration of technologies. They will sense people's emotions and read people's minds. The driving experience evolves as automobiles become smarter. Kia Motors strives to create new driving pleasure by studying various environments where cars and people interact.



# Developing Automobiles That Understand Humans

## DRIVE WiSE, Kia's Intelligent Safety Technology Brand

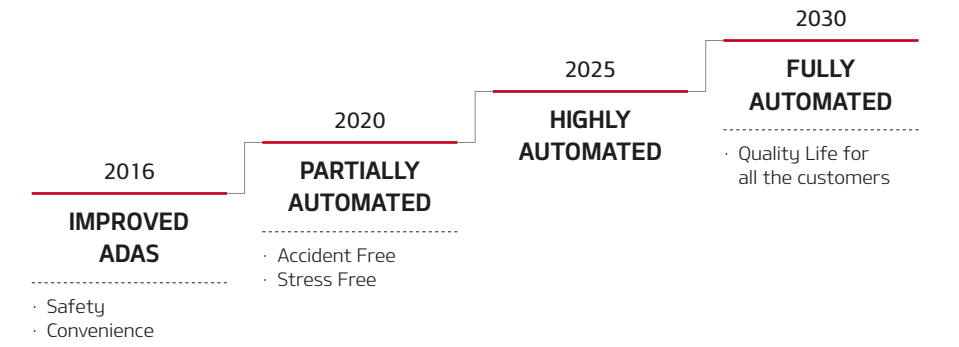


DRIVE WiSE is an intelligent safety technology brand encompassing Kia Motors' high-tech autonomous driving technologies. Under the concept of hassle-free and delightful driving, Kia Motors strives to ensure "pleasant driving" by improving drivers' safety and convenience through the application of autonomous driving technologies.

In addition to the integration of ADAS (advanced driver assistance system) functions, all autonomous driving vehicles of Kia Motors, which will offer superior recognition and control performance, will improve the lives of customers through convergence with telematics, navigation and IT.

### DRIVE WiSE Road Map

Launched in 2016, the DRIVE WiSE brand will commercialize partial autonomous driving technology by 2020 so that drivers are completely free from the risk of accidents as well as the burden and stress of driving. To this end, Kia Motors will invest USD 2 billion into the development of related technologies by 2018 and plans to achieve commercialization of fully automated driving technology by 2030.



### Experiencing the Vision of DRIVE WiSE

At the CES 2016, Kia Motors unveiled an extensive array of ADAS-based new technologies, which are the core of autonomous driving technology and thereby informed the world know that it has taken a huge leap towards its goal of fully autonomous driving by 2030.

The technologies introduced at the event ranged from those currently applied to mass-production models, such as Lane Departure Warning System (LDWS), Lane Keeping Assist System (LKAS) and Autonomous Emergency Braking (AEB), to those developed for application to mass-production models to be released in the future, such as Highway Autonomous Driving (HAD), Traffic Jam Assist (TJA) and autonomous parking. Kia Motors' autonomous driving technologies, as such, were materialized through "the Soul EV autonomous driving" model as the first platform for showcasing the vision of

the DRIVE WiSE brand. At the "Autonomous Driving Virtual Reality Experience Zone" located inside the Kia Motors' CES booth, visitors enjoyed a range of new autonomous driving technologies by driving "Project Soul." The Soul EV autonomous driving model is mounted with a GPS unit and precision map, which calculate the vehicle's accurate location. In addition, sensors attached to the front, back and sides of the vehicle monitor the surrounding area, such as the presence of other vehicles and pedestrians, and reflect the information while driving. Based on the information collected, the Soul EV autonomous driving model assesses the driving conditions and selects a stable route considering the traffic flow. In particular, the vehicle control technology ensures smooth and accurate vehicle control assistance for safer autonomous driving.

### Soul EV Advanced Autonomous Driving Technology



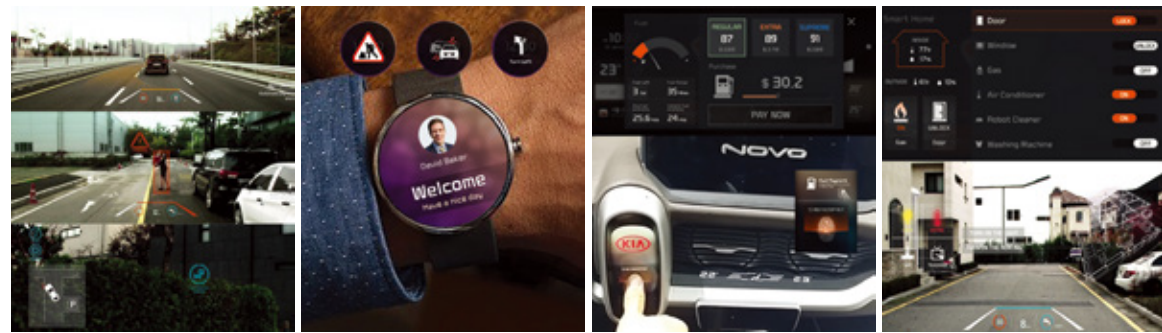


### The Future of Automobile Culture

At CES 2016, Kia Motors exhibited the NOVO, a concept car that reflects the automobile culture we will encounter in the near future based on a range of advanced technologies. With a number of autonomous driving functions and IT convergence technologies applied, the midsize sportback NOVO with advanced autonomous driving, connectivity and smart IT functions, demonstrated the changes to be brought about by the DRIVE WiSE brand in the days ahead.

### NOVO's IT Convergence

In addition, at the UVO 3.0 kiosk, Kia Motors introduced its latest smartphone connectivity technology. UVO eService boasts functions to find a parking space as well as emergency call connection and vehicle diagnosis using a smartphone. Other various smartphone functions utilizing Google Android Auto and Apple CarPlay include map search and music playback through a link between the automobile application and multimedia system. Kia Motors demonstrated that the innovative value of automobiles in the future as suggested by the DRIVE WiSE brand is not something in the distant future.



Partially Automated Driving

Wearable Devices

In-vehicle Payment & Security

Smart Home Service



Concept Car NOVO

# SECTION 02 NEXT VALUE

Economic Value · Creation and Distribution of Economic Value  
Technology Value · Connected and Self-driving Car



# Economic Value

## Sales (based on K-IFRS)

Unit: KRW trillion

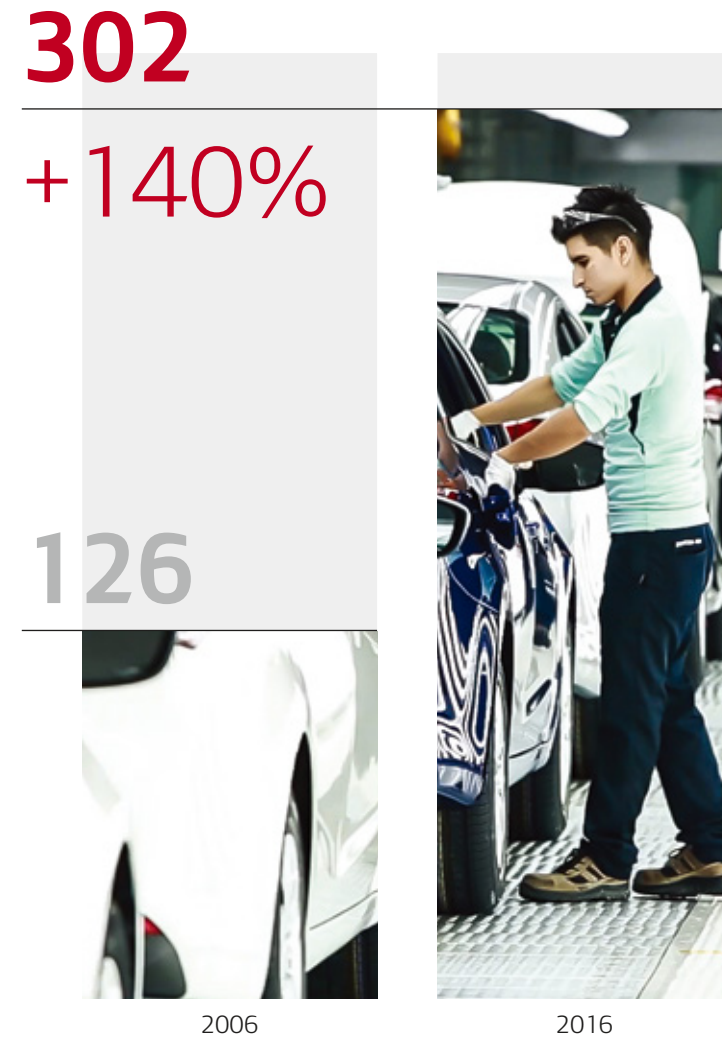


2015	49.5
2014	47.1
2013	47.6
2012	47.2
2011	43.2
2010	35.8
2009	29.4
2008	22.2
2007	20.3

In 2016, Kia Motors recorded KRW 52.7129 trillion in sales and KRW 2.4615 trillion in operating profit. In the domestic market, sales grew by 1.4% thanks to the all-new Cadenza (K7) and the Niro as well as improved sales of RV models, despite the setbacks in production caused by strikes and the expiration of the individual consumption tax reduction benefit in the third quarter. In the U.S. market, sales of the Rio (Pride), Forte/Cerato (K3) and Sportage increased. However, overall sales fell by 6.7%. In Europe, Kia Motors recorded a 9.5% growth in sales, which was led by the Sportage, together with recovery of sales of the Rio (Pride) and Optima (K5). In China, the company posted growth of 1.9% thanks to strong sales of the K2 as well as SUV models including the KX3 and KX5.

## Sales Volume (based on plant sales orders)

Unit: 10,000 vehicles



2015	305
2014	304
2013	283
2012	272
2011	254
2010	213
2009	153
2008	140
2007	136

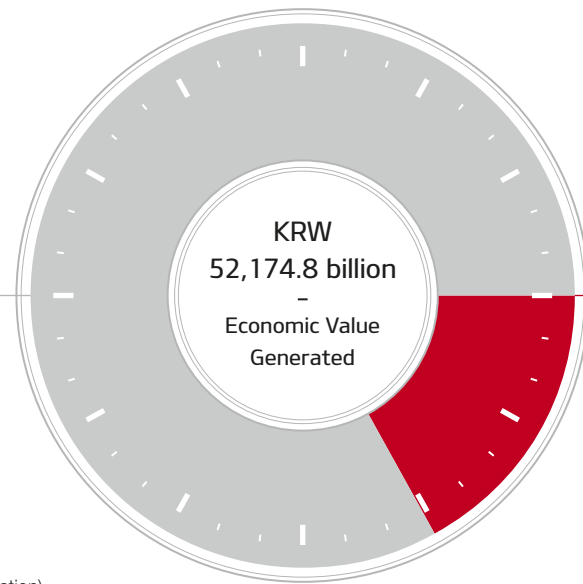
In 2016, Kia Motors sold 3,018,093 cars globally for a decrease of 1.1% from the previous year. In 2017, Kia Motors plans to sell 3.17 million cars, up 5.0% compared to the previous year, including 1,545,000 cars from its domestic plants and 1,625,000 vehicles from its overseas plants, by releasing a range of new models and expanding production at its China and Mexico plants, and by improving the export conditions on the back of expected economic recovery in the emerging markets (based on plant sales orders, including production from overseas plants).

## Creation and Distribution of Economic Value

83.3%

KRW 43,446 billion

Partner Companies



16.7%

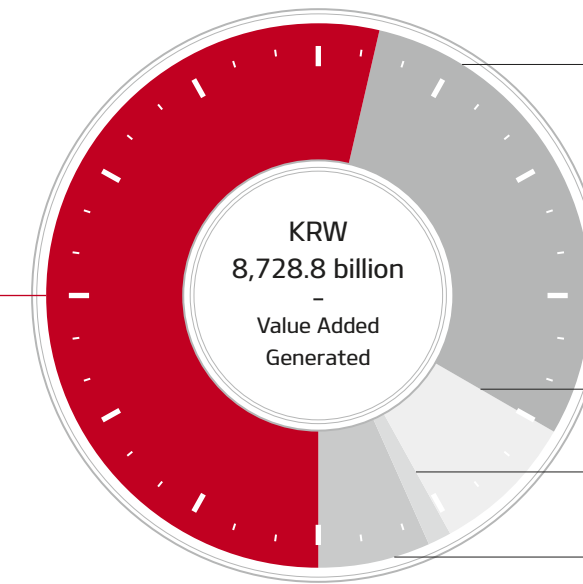
KRW 8,728.8 billion

Value Added Generated

54.63%

KRW 4,768.9 billion

Employees



29.74% · KRW 2,596.2 billion

Kia Motors

8.65% · KRW 754.8 billion

Government

0.33% · KRW 28.7 billion

Local Communities

6.65% · KRW 580.2 billion

Shareholders & Creditors

### Economic Value Generated

Sales + Other Income - (Other Costs + Depreciation)

In 2016, Kia Motors sold 3.02 million cars in the global market, stably maintaining its three-million unit sales and production system for three years in a row. In addition, the company's sales exceeded KRW 50 trillion for the first time ever, recording sales revenue and operating profit of KRW 52.7 trillion and KRW 2.4615 trillion, respectively. The company's industry-leading product competitiveness was recognized by its top place ranking in the JD Power IQS, which was the first time in 27 years that a mainstream brand won top honors. In addition, Kia Motors entered the top 70 on Interbrand's "Best Global Brands" study for the first time with a rank of 69th place thanks to estimated brand value of USD 6.3 billion, a rise of 11% from the previous year.

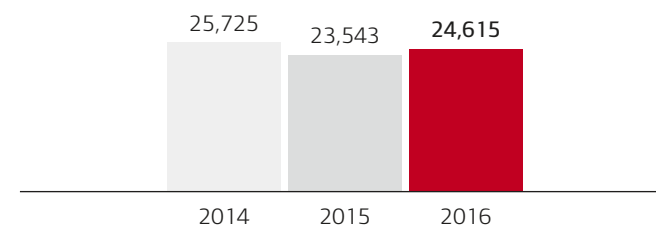
### Performance Results and Goals

Kia Motors' sales volume decreased for the first time since 2000 as a result of a decline in demand caused by intensified competition in the automobile industry and economic stagnation. In Asia/Middle East and Russia, the company's sales dropped by approximately 24% and 9%, respectively. Meanwhile, in the U.S. market, sales fell short of expectations and decreased by 7%. On the other hand, sales volume in Western Europe and Central and South America rose by 10% and 19%, respectively, resulting in an overall global decrease of 1%.

In 2016, Kia Motors released a number of eco-friendly vehicles in close succession. It opened a new chapter in the eco-friendly SUV market by releasing the Niro, the company's first dedicated eco-friendly model, and successively released the Optima (K5) plug-in hybrid and all-new K7 hybrid models. In addition, it is steadily implementing its plan to advance as a leader of the eco-friendly vehicle market by expanding its green vehicle lineup to fourteen models by 2020. As part of this effort, Kia Motors plans to release the Niro plug-in hybrid model in 2017.

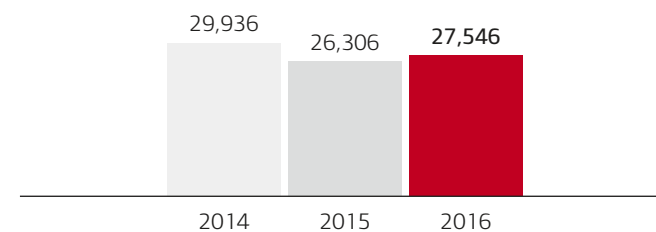
### Operating Profit

Unit: KRW 100 million



### Net Income

Unit: KRW 100 million



### Global Economy and Automobile Market

The growth rate of the global economy in 2017 is forecast to be similar to or slightly higher than that of last year, which experienced growth of approximately 3%. However, the growth rate of automobile sales is expected to be lower than the GDP growth rate as competition is intensifying in the industry. In China, economic stagnation is forecast to continue following a growth rate of around 6% the previous year. The U.S. is expected to achieve growth of approximately 2%, which is higher than the year before. The growth rates of Brazil, Russia and India are

also forecast to be higher than in 2016. However, with fresh political risks resulting from the spread of protectionism, it is difficult to forecast with any certainty how the global economy and the automobile market will perform in 2017.

In times like this, the ability to respond swiftly and flexibly to market changes is of paramount importance. In 2016, Kia Motors completed construction of its Mexico plant and commenced mass production with an annual production volume of 400,000 cars. The company will be able to secure a foundation for a well-timed response to changing market demands on each continent once it has achieved an equitable balance between its domestic and overseas production. Kia Motors is striving to achieve continued sustainable growth by winning the hearts of consumers in overseas markets, primarily by expanding its contributions to local economies based on employment creation and joint market entry with its parts suppliers, as well as by developing new cars that reflect the tastes and preferences of local consumers, reducing logistics costs, and mitigating exchange rate risks.

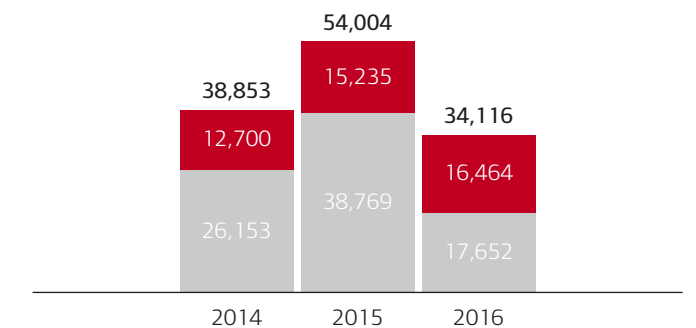
### R&D Investment Road Map

Kia Motors has been implementing its 2018 R&D Investment Road Map since 2015, and will invest KRW 24.5 trillion in infrastructure and KRW 27.1 trillion in R&D (Kia Motors and Hyundai Motor combined) during the four-year period covered by the plan. Of the total amount, KRW 11.3 trillion will be used to develop eco-friendly cars while KRW 2 trillion will be invested in the smart car sector, including the development of autonomous driving and connected car technologies. Kia Motors will also increase its R&D personnel to handle the development of eco-friendly and smart car technology while restructuring the related organizations. Based on these investments, Kia Motors will respond to changes in the automobile industry ahead of its main competitors.

### R&D and Facility Investments

Unit: KRW 100 million

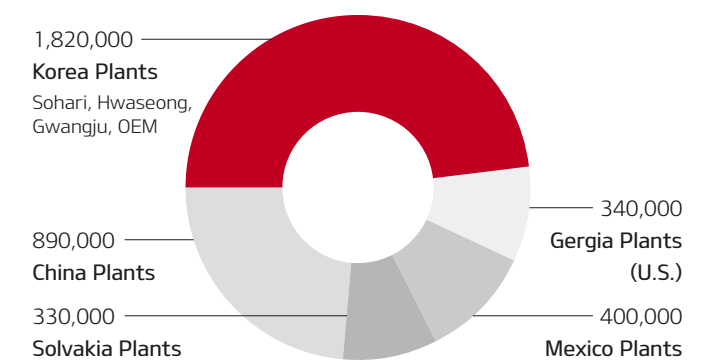
■ Facility investment ■ R&D cost



\* R&D cost recalculated on the basis of the business report (R&D cost added)

### Annual Production by Region

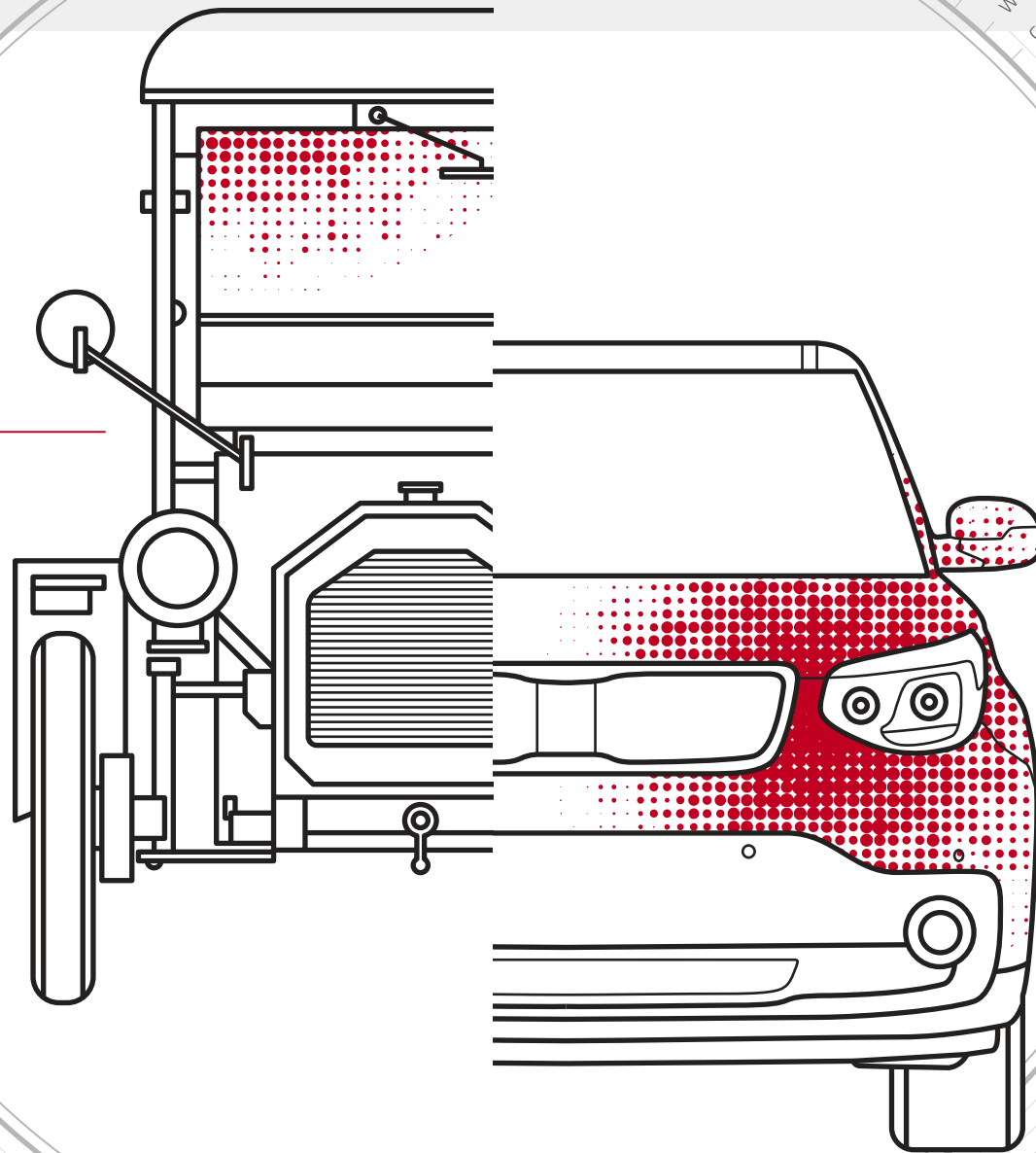
Unit: vehicles





# TECHNOLOGY

The automobile industry is shifting from a mechanical one to an electronic and IT-centered one as a result of changing customers' needs, technological advances, and strengthened regulations. As automobiles have changed from being merely convenient means of transportation to a daily necessity and a business space on the go, the direction of technological evolution is being shifted to focus more on human emotions. In particular, while the focus was placed on individual technology functions in the past, integration of technologies from various fields is accelerating as a result of the convergence between electronic devices and IT to improve fuel economy as well as driver convenience and safety. Connected car technology, which is a subject of common interest in the ICT and automobile industries, has become an established keyword for the future of personal mobility. In addition, as autonomous driving technologies are started to become commercialized, the era of "Car to Life" where automobiles are at the center of our everyday lives has drawn nearer.



- Battery Coil
- Spark Plug
- Radio
- Starter
- Head Lamp

- Wiper Module
- Steering Angle
- Rain Sensor
- Lane Detection
- Sunroof
- Seat Detection
- Window Lifter
- Climate Control
- General Body

- Trunk Lifter
- Trailer Module
- Rear View Camera
- Rear Door
- Rear Park'g Assistance
- Blind Spot Detection
- Tire Pressure Monitor
- Anti Theft Alarm
- Front Door
- Steering Lock
- Immobilizer
- Booster Monitoring
- Braking System
- AV Navigation

- Heating System
- Radio Module
- Suspension

- Engine Control
- Distance Monitor
- Parking Monitor
- Auto Lighting
- Front Camera
- Smart Cruise Control

- Valve Control
- Power Module

# VALUE





# Connected Car

Automakers are increasingly introducing their “future connected” car strategies in a bid to lead a new paradigm shift in the automobile industry. Combined with IT, the automobile is evolving into a high-performance computer on the road as well as a “moving living space” where information is continuously provided to the driver, whose intentions are put into action by the car. By connecting automobiles with our homes, offices, and cities, these new technologies will allow us to make individually customized choices concerning the automobile operating system.



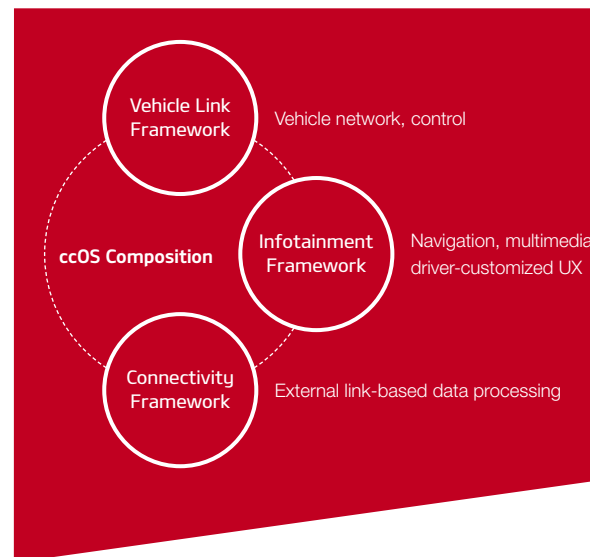
Vehicle Link Framework

Infotainment Framework

Connectivity Framework



Connected Car Operating System  
**ccOS**



**75%**  
Connected Car Ratio in 2020  
BI Intelligence, among global automobile production of 92 million cars

**2020**  
Introduction of Hyper-connected Intelligent Vehicles  
New cars equipped with ccOS (Connected Car Operating System)

## Connected Car Operating System, ccOS

A software platform for the stable establishment of a connectivity environment and the swift processing of big data

Kia Motors joined the race for leadership of the future automobile market by commencing the development of an automobile operating system (OS), a core connected car platform technology. Named “ccOS (Connected Car Operating System),” Kia Motors’ connected car operating system is an advanced software platform designed to stably establish an automobile connectivity environment and swiftly process a massive amount of data. Using open sources such as Linux-based GENIVI, a software platform optimized for connected car service has been developed. Through a number of simulations, including those aimed at securing interoperability between different vehicle types, Kia Motors will release its own ccOS-mounted “hyper-connected intelligent” cars around 2020.

• **GENIVI:** Open source software platform offering comprehensive in-vehicle infotainment functions including navigation, telephone, Internet, music play and location information

## ccOS Technology and Service Scalability

Based on ccOS, Kia Motors plans to expand its connected car technologies and services, including its smartphone and linked services, intelligent remote-control services, full autonomous driving, Smart Traffic and Mobility Hub.

In particular, as automobiles are transforming into network-linked high-performance computers, the introduction of security technologies to prevent the risk of hacking is becoming increasingly important. As ccOS can be utilized as a standardized software platform offering improved interoperability between vehicle types, it will not only ensure a stable connected car service but also reduce the development period and costs. Kia Motors is concurrently developing the four core ccOS technologies, namely, high-performance computing, seamless computing, intelligent computing, and secure computing.



# Self-driving Car

Autonomous driving, previously only possible in movies, was a hot issue at CES 2016.

This state-of-the-art technology, which presents drivers with the ultimate freedom and safety, will soon be available for all to enjoy on the road.

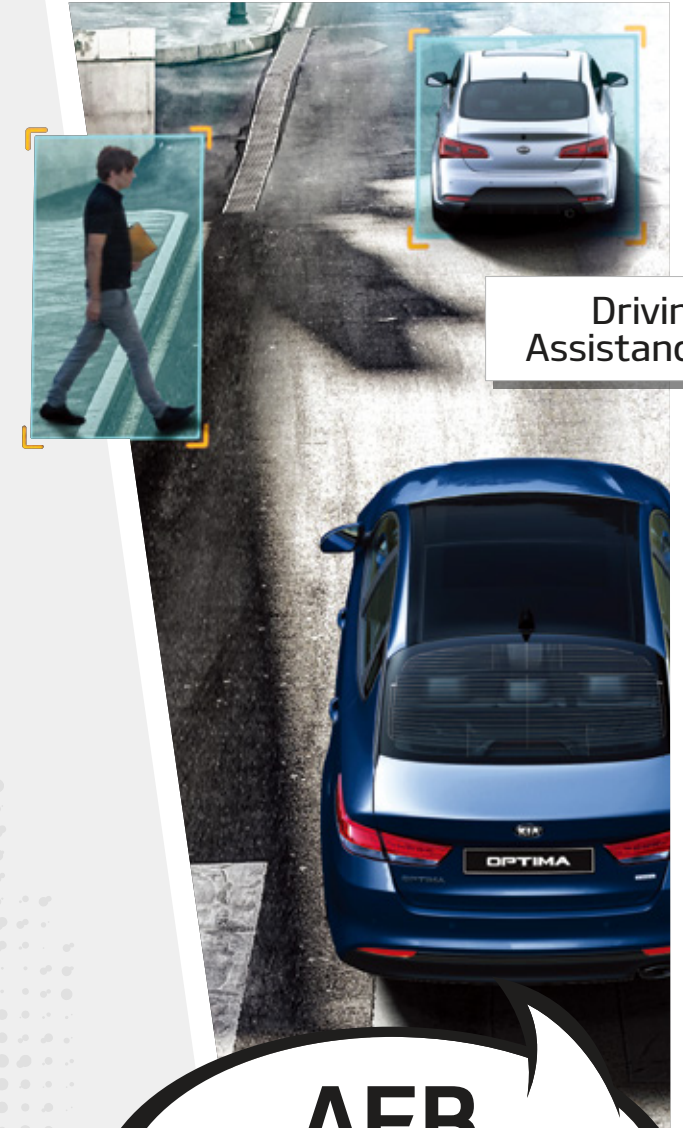
At CES 2016, Kia Motors presented its present status and future vision of autonomous driving technology by unveiling three cars, - the Soul EV autonomous driving vehicle, the Sportage autonomous driving vehicle, and the NOVO, a midsize sportback concept car, along with a range of other exhibits. Advancing steadily towards the goal of "fully autonomous driving" by 2030, Kia Motors will present drivers with a hassle-free, delightful driving experience through its state-of-the-art autonomous driving technology.



## Driving Assistance System

ADAS (Advanced Driver Assistance System) is an advanced technology designed to ensure delightful driving and prevent accidents on the road

- **Autonomous Emergency Braking (AEB):** Emergency braking when a collision with a vehicle or a pedestrian is anticipated in order to minimize damage
- **Forward Collision Warning (FCW):** A warning is issued when the risk of forward collision is detected
- **Blind Spot Detection (BSD):** A warning is issued when another car is in or is approaching a rear blind spot
- **Lane Departure Warning System (LDWS):** A warning is issued when the car departs from a lane without engaging the turn signal
- **Lake Keeping Assist System (LKAS):** As an advanced system that recognizes the forward lane through a camera mounted on the windshield and assists the driver in staying in the lane by controlling the steering wheel
- **Advanced Smart Cruise Control (ASCC):** Detects the distance from the car in front using a radar sensor and maintains a safe distance without separate control
- **Highway Driving Assist (HDA):** Provides integrated lane keeping and clearance control during long-distance driving on a highway or during a traffic jam
- **Traffic Jam Assist (TJA):** Computes lane and nearby vehicle information in a congested section of the road or during a traffic jam and maintains a safe distance from the car in front
- **Smart High Beam Assist (SHBA):** Recognizes light sources emanating from other vehicles and the surrounding areas and automatically turns the high-beam on or off in order to enhance driving convenience at nighttime
- **Dynamic Bending Light (DBL):** Turns on a separate light in the direction of the steering wheel in speed limit zones in order to secure night visibility for safer cornering



Driving Assistance

**AEB**

Autonomous Emergency Braking

Emergency braking when a collision with a vehicle or a pedestrian is anticipated in order to minimize damage

**HBA**

Smart High Beam Assist







## Parking Assistance

### Parking Assistance System

ADAS designed for safe and quick parking that reduces the burden of parking

- **Advanced SPAS:** This system assists parking by searching for a parking space where parallel or perpendicular parking is possible and automatically controls the steering wheel. The driver can conveniently park the car by shifting gears and engaging/disengaging the brake pedal
- **Around View Monitor (AVM):** Four cameras mounted on the outside of the car give a 360 degree view of the area around the vehicle to ensure convenient parking and driving in a confined space
- **Rear Cross Traffic Alert (RCTA):** When a parked car is reversing out of a parking space, this system detects vehicles approaching from the rear sides of the car and issues an alert

## V2X

Vehicle to Everything

Technology to exchange or share information with other vehicles or infrastructure while driving based on the wireless communication network



**Soul EV**  
Autonomous  
Driving  
in Nevada

### Autonomous Driving License in Nevada, U.S

Kia Motors obtained a license from the State of Nevada in the U.S. to test autonomous driving on highways. Compared to other states, Nevada has a stricter set of license issuance requirements including a technical presentation and an on-the-road test.

The Soul EV autonomous driving vehicle, for which the license was issued, is equipped with intelligent high-safety autonomous driving technologies ranging from zonal autonomous driving, and autonomous driving in traffic jams to emergency autonomous driving on the shoulder and narrow road drive assist. In Korea, Kia Motors is also accelerating the commercialization of autonomous driving technologies. Having entered into an MOU with Hwaseong City for V2X system verification, a core technology for autonomous driving vehicle development, Kia Motors can now test autonomous driving systems on actual roads.

# RESPONSIBLE PRODUCTS FOR THE NEXT GENERATION AND NATURE

Kia Motors is striving to find ways to contribute to society with new and innovative technologies in order to fulfill its role as a responsible corporate citizen. In accordance with the 2020 Green Car Road Map which sets out its responsibilities for protecting the global environment, Kia Motors (along with Hyundai Motor) will invest KRW 27 trillion by 2018 with the goal of increasing vehicle fuel economy by 25% by 2020 (compared with 2014). To achieve this goal, Kia Motors' technological innovations are aimed at improving all aspects of a car with the focus on the three keywords of 'efficiency', 'green', and 'intelligent'.

Kia Motors is committed to realizing every possibility in order to create sustainable vehicles for the future.





Parking Assistance

Engine

## Downsizing & Right-sizing



Engine downsizing refers to decreasing the engine displacement. This reduces the weight of the engine, which takes up a large part of the overall weight of the vehicle. It also improves fuel economy by decreasing the number of cylinders and lowering the friction and rotational constraint. However, even if displacement is lowered, vehicle performance should not be compromised. Therefore, output is supplemented using a turbo charger, which supercharges with exhaust gas, and a GDI (gasoline direct injection) system that directly injects high-pressure fuel into the combustion chamber for increased efficiency. These two technologies are integrated into what is known as the turbo GDI engine. Kia Motors has completed a full turbo engine line-up that can be applied to a range of vehicles from economy cars to flagship sedans. In 2016, the company introduced the Kappa 1.4 T-GDI engine. The excellence of this engine was recognized by its inclusion in the 2017 Wards 10 Best Engines by Wards Auto. Engine right-sizing maximizes the fuel economy of a vehicle through development of a high-efficiency engine to maximize the thermal efficiency and then selecting a displacement suitable to each vehicle model. The key of this technology is to optimize combustion in the engine cylinder.

### Emission Gas Reduction Technologies Applied to Direct Injection and Turbo Charged Engines

<ul style="list-style-type: none"> <li>· Diesel Oxidation Catalyst</li> <li>· Diesel Particulate Filter (DPF)</li> </ul>	Removes 90% or more of carbon monoxide (CO), hydrocarbon (HC) and particulate matter (PM)
<ul style="list-style-type: none"> <li>· Lean NOx trap (LNT)</li> </ul>	Reduces NOx by 56%
<ul style="list-style-type: none"> <li>· Exhaust Gas Recirculation (EGR)</li> <li>· LNT</li> <li>· Selective Catalyst Reduction (SCR)</li> </ul>	Satisfies the EURO-6 emission standards (effectuated in September 2014)

Transmission

## Multi-Step, CVT, DCT



The transmission changes the power generated by the engine into rotational force according to the vehicle's speed and delivers it to the wheels. This not only changes the gear step but also allows the engine to operate more freely according to the driver's will under diverse driving conditions. Therefore, increasing the number of gears in the transmission improves fuel economy, acceleration performance and ride quality. However, as multi-stepping complicates the transmission structure and makes it heavier, weight reduction must be implemented concurrently with the increase of steps. Following the independent development of a front wheel drive 6-speed automatic transmission in 2008, Kia Motors has developed a rear wheel drive 8-speed transmission and a 6-speed DCT (double clutch transmission) in 2011, a continuously variable transmission in 2012 and a 7-speed DCT in 2014. In 2016, Kia Motors introduced a new front wheel drive 8-speed automatic transmission for the first time among automakers (OEMs).

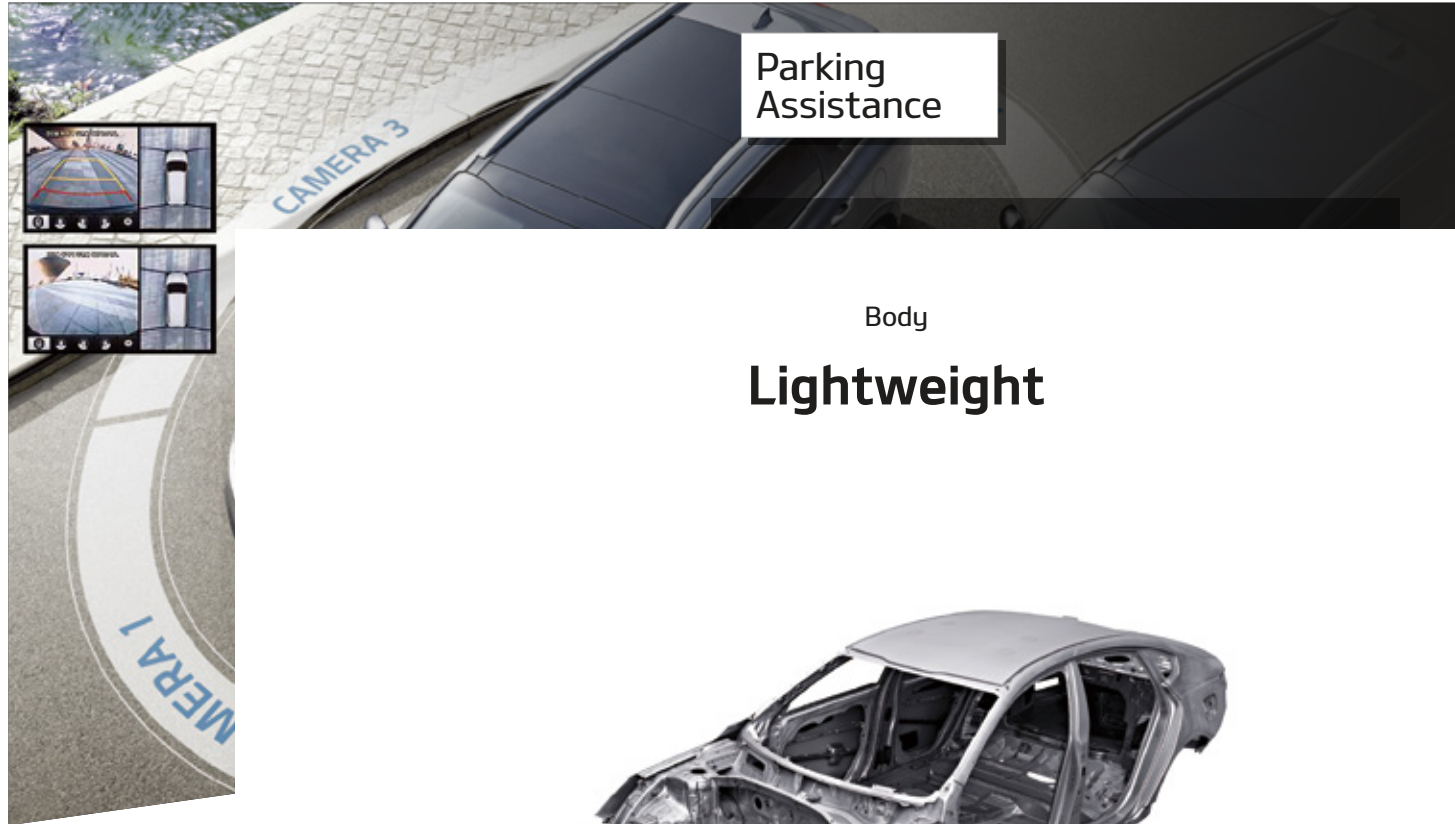
### Features of Kia Motors Transmission

8-speed Automatic Transmission	Double Clutch Transmission
<ul style="list-style-type: none"> <li>· <b>Gear Ratio Range:</b> Expanded by 34% from existing 6-speed transmission</li> <li>· <b>Low-step Area:</b> Acceleration and performance improved</li> <li>· <b>High-step Area:</b> Fuel economy and driving performance improved</li> <li>· <b>Weight:</b> Reduced by 3.5kg from existing 6-speed transmission</li> </ul>	<ul style="list-style-type: none"> <li>· Features with the economic efficiency of a manual transmission and convenience of an automatic transmission</li> <li>· Fuel economy improved by 5 – 7% from the same step automatic transmission</li> </ul>

## Autonomous Driving in Nevada, U.S

Kia Motors obtained a license for test autonomous driving in Nevada, U.S. The license has a stricter set of rules for presentation and an on-the-road test. The Soul EV autonomous driving technology, issued, is equipped with various technologies ranging from lane-keeping in traffic jams to emergency narrow road drive assist. This commercialization of autonomous driving technology is an MOU with Hwasong technology for autonomous driving. Now test autonomous driving.





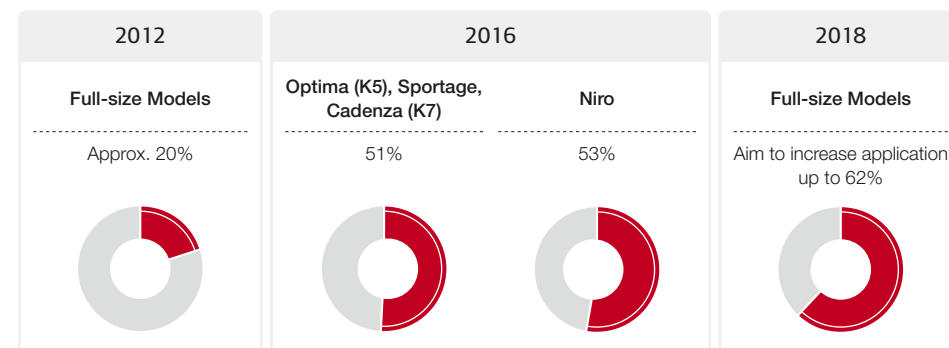
Body  
**Lightweight**



As steel plates account for the largest portion of a vehicle's weight, Kia Motors is continuously increasing the application of safer and more lightweight ultra-high-strength steel plates, as well as using a hot stamping technique to improve body rigidity.

Kia Motors is also concentrating on the development of aluminum, which is 30% lighter than steel, and carbon fiber reinforced plastics (CFRP), which in turn is 30% lighter than aluminum. Although both materials are anywhere from three to twenty times more expensive than steel, Kia Motors is expanding the application of these materials by reducing the number of manufacturing processes and/or developing new techniques. Aluminum is already being used on wheel and powertrain components, and its application is being expanded to the car bodies and chassis. Kia Motors' premium midsize sedans released in the first half of 2017 feature front-wheel shock absorber housing and a front bumper back beam applied with aluminum materials.

**Kia Motors' Ultra High Strength Steel Application**



HEV

**Hybrid Electric Vehicle**



Hybrid vehicles run on two power sources, an engine and an electric motor (an electric motor with higher energy conversion efficiency functions as an auxiliary power unit), that combine to deliver superior fuel efficiency and driving performance compared to ICEVs. In 2011 and 2013, Kia Motors released the Optima (K5) HEV and K7 HEV, both of which are equipped with a parallel hard-type hybrid system, which enables driving in electric vehicle mode only on low-speed sections of road. Kia's independently developed parallel system, in which the motor is installed between the engine and the transmission, produces higher engine performance and fuel efficiency compared to motor capacity. The battery, a key component in determining the performance of an HEV, is of the lithium ion polymer type. Compared to the nickel hydrogen type, it is approximately 30% lighter, and features a quadruple safety design.

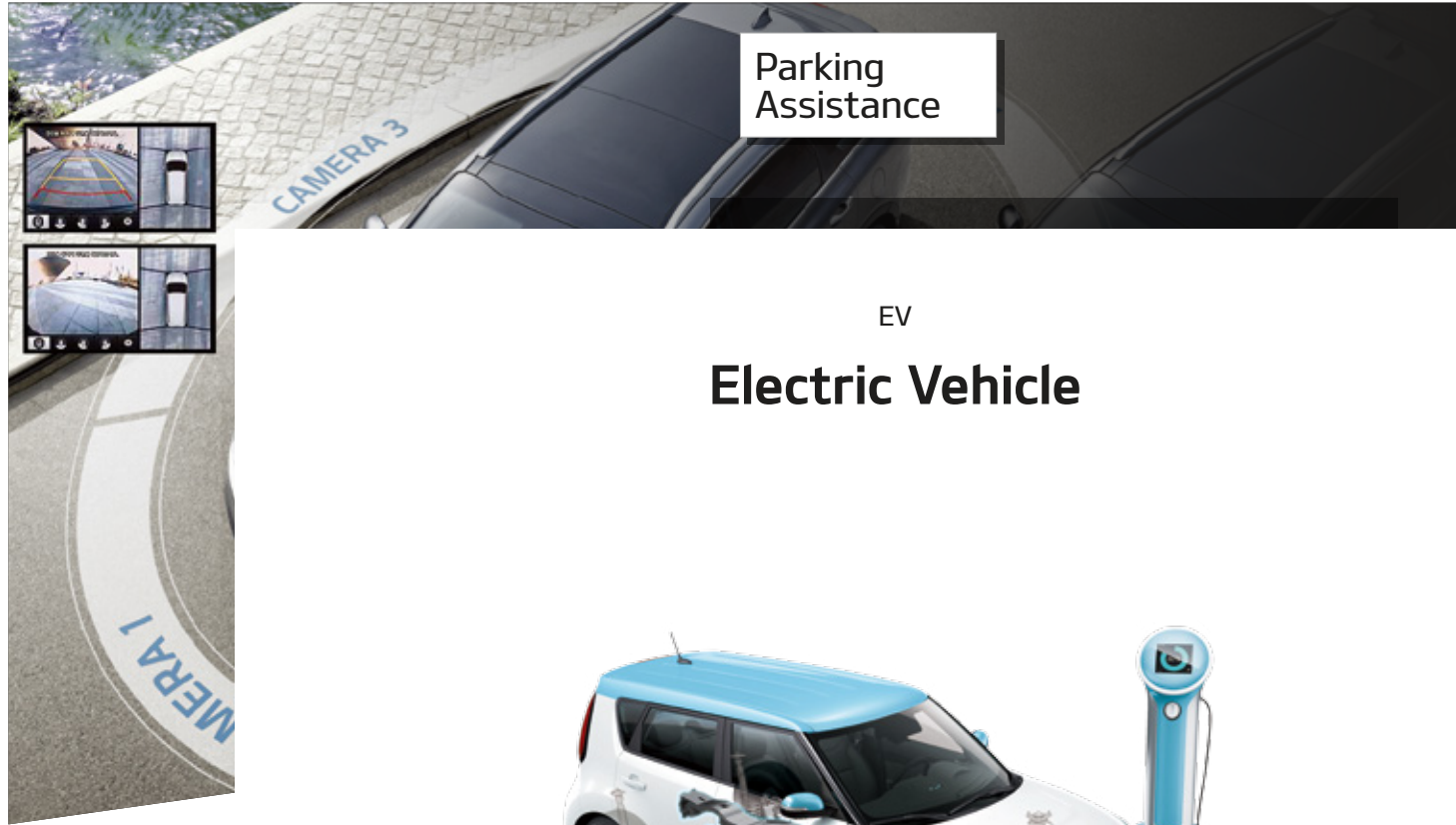
**Kia Motors' Hybrid Models**

	Optima (K5) PHEV	Niro HEV	K7 HEV
<b>Year Released</b>	July 2016	March 2016	November 2016
<b>Specifications</b>	2.0 GDI engine, 50kW motor	1.6 GDI engine, 32kW motor, 6-speed double-clutch transmission	Theta II 2.4 HEV engine, 38kW motor
<b>Fuel Efficiency</b>	Combined fuel economy 16.4km/ℓ  Electric combined fuel economy 4.6km/kWh, EV mode 44km, HEV mode 902km Driving	Combined fuel economy 19.5km/ℓ	Combined fuel economy 16.2km/ℓ  Compared to gasoline model, improvement by 46% (16.2kpl)
<b>CO<sub>2</sub> Emissions</b>	29g/km (2.0GDI PHEV 17-inch tires)	79g/km (1.6GDI HEV 6-inch tires)	97g/km
<b>Other</b>	General 220v power outlet for charging		

**Autonomous Dr  
in Nevada, U.S**

Kia Motors obtained a li test autonomous driving has a stricter set of licer presentation and an on-t The Soul EV autonomo issued, is equipped with nologies ranging from zc ing in traffic jams to emer narrow road drive assist commercialization of aut into an MOU with Hwas technology for autonomo now test autonomous dri





Parking Assistance

EV

## Electric Vehicle



In 2014, Kia Motors released its second full electric vehicle model, the Soul EV, following the Ray. Equipped with an 81.4kW electric motor, the Soul EV produces a maximum output and torque of 111ps and 285Nm, respectively. It also has a 27kWh high-capacity lithium ion battery with the highest cell energy density among vehicles of the same class (200Wh/kg). The mileage per charge is 148km and a quick charge takes approximately 33 minutes (based on a 50kWh battery).

The heat pump system operates the heater with heat generated from electric components and through cooling water circulation to supplement battery efficiency during the cold winter months when the battery efficiency is lowered. In addition, using biomass-based materials and sheets as well as bio-paints for the interior, it obtained Environmental Claim Validation from UL.

In 2016, 1,728 Soul EV vehicles were sold in the U.S., thereby ranking eighth among top-selling electric vehicle models in the country. In Germany's electric vehicle market, it was the best-selling EV model in October. With its marketability recognized, the accumulated sales volume of the Soul EV exceeded 20,000 cars.

**27** kWh

Soul EV Lithium Ion Battery Energy

Cell energy density 200Wh/kg

**148** km

Soul EV's Per-charge Driving Range

Combined energy consumption efficiency 5.0km/kWh

FCEV

## Fuel Cell Electric Vehicle



Having started fuel cell technology development in 1998, Kia Motors proved the durability and technological power of its second-generation Mohave FCEV, which is equipped with a 115kW fuel cell stack (a generator that produces electricity through the reaction between the supplied hydrogen and oxygen) and a 700-bar hydrogen storage unit, by completing the 2,655km course of the Hydrogen Road Tour held in 2009. The Mohave FCEV can drive up to 690km per charge and reach a maximum speed of 160km/h. Low-temperature start-up stability at 20 degrees below zero Celsius has been secured and a detection sensor to prevent hydrogen leakage as a result of collision together with a design to prevent damage to the hydrogen tank and pipes, in the event of a rear collision, are applied. As such, the Mohave FCEV is equipped with safety features that meet the automobile collision-related regulation standards in the U.S.

In 2015, Kia Motors achieved 100% localization of fuel cell system parts. Along with around 200 partner companies, it has since been conducting studies on stack size and cost reduction. In January 2015, Kia Motors established the Center for Creative Economy and Innovation in Gwangju jointly with the Gwangju Metropolitan Government. In 2016, it built a combined energy charging station where both hydrogen and electric vehicles can be charged. In addition, the company is expanding infrastructure by installing fuel converters at compressed natural gas (CNG) and liquefied petroleum gas (LPG) charging stations.

**690** km

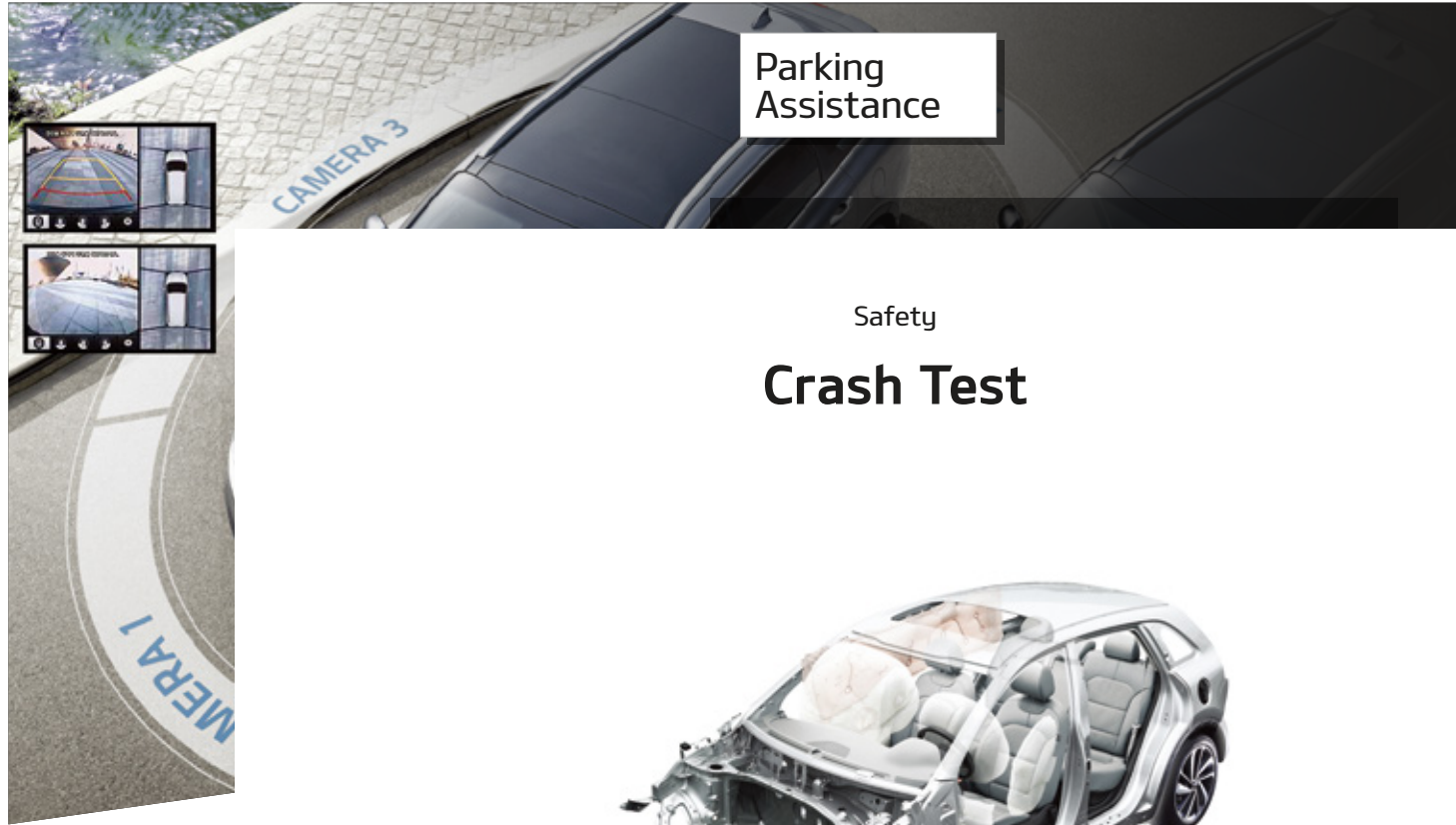
Mohave FCEV's Per-charge Driving Range

Max. speed 160km/h

### Autonomous Driving in Nevada, U.S

Kia Motors obtained a license for test autonomous driving in Nevada, U.S. The license has a stricter set of rules for presentation and an on-site test. The Soul EV autonomous driving license issued, is equipped with technologies ranging from zone control in traffic jams to emergency narrow road drive assist. The commercialization of autonomous driving into an MOU with Hwasung Technology for autonomous driving is now test autonomous driving.





Parking Assistance

Safety  
Crash Test



Kia Motors has established its own crash test laboratories inside its research center and conducts tests by simulating various conditions occurring on the road. Each vehicle is tested around 100 times starting with a computer simulation in the initial phase of development.

In addition, the safety of newly released cars and those going through model year changes is reinforced and their crashworthiness is verified by certified agencies. The all-new Cadenza (K7), which was released in 2016, uses ultra high-strength steel for a 27% increase in strength from previous models. To prevent the engine or transmission from pushing into the passenger compartment, a hot stamping technique is applied to key collision parts including the B-pillar. The scope of hot stamping application has been increased from five parts to 18 and the use of structural adhesives was also increased by more than 6.5 times in comparison to the existing predecessor model. In addition, the Cadenza (K7) comes with nine airbags for considerably improved safety. With these efforts, the Cadenza (K7) was selected as "Safe Car of the Year" in 2016 by the Korea Ministry of Land, Infrastructure and Transport.

**Kia Motors Safety Test Results (2016)**

Region	Korea (KNCAP)	Euro (NCAP)	China (CNCAP)	U.S. (IIHS)
Vehicle	Cadenza (K7), Sportage, Niro	Niro + Safety pack	Optima (K5)	Optima (K5), Sportage, Sorento, Grand Carnival/ Sedona (Carnival)
Rating	Top scores	Top rating	Top rating	Top safety pick

**Autonomous Driving in Nevada, U.S**

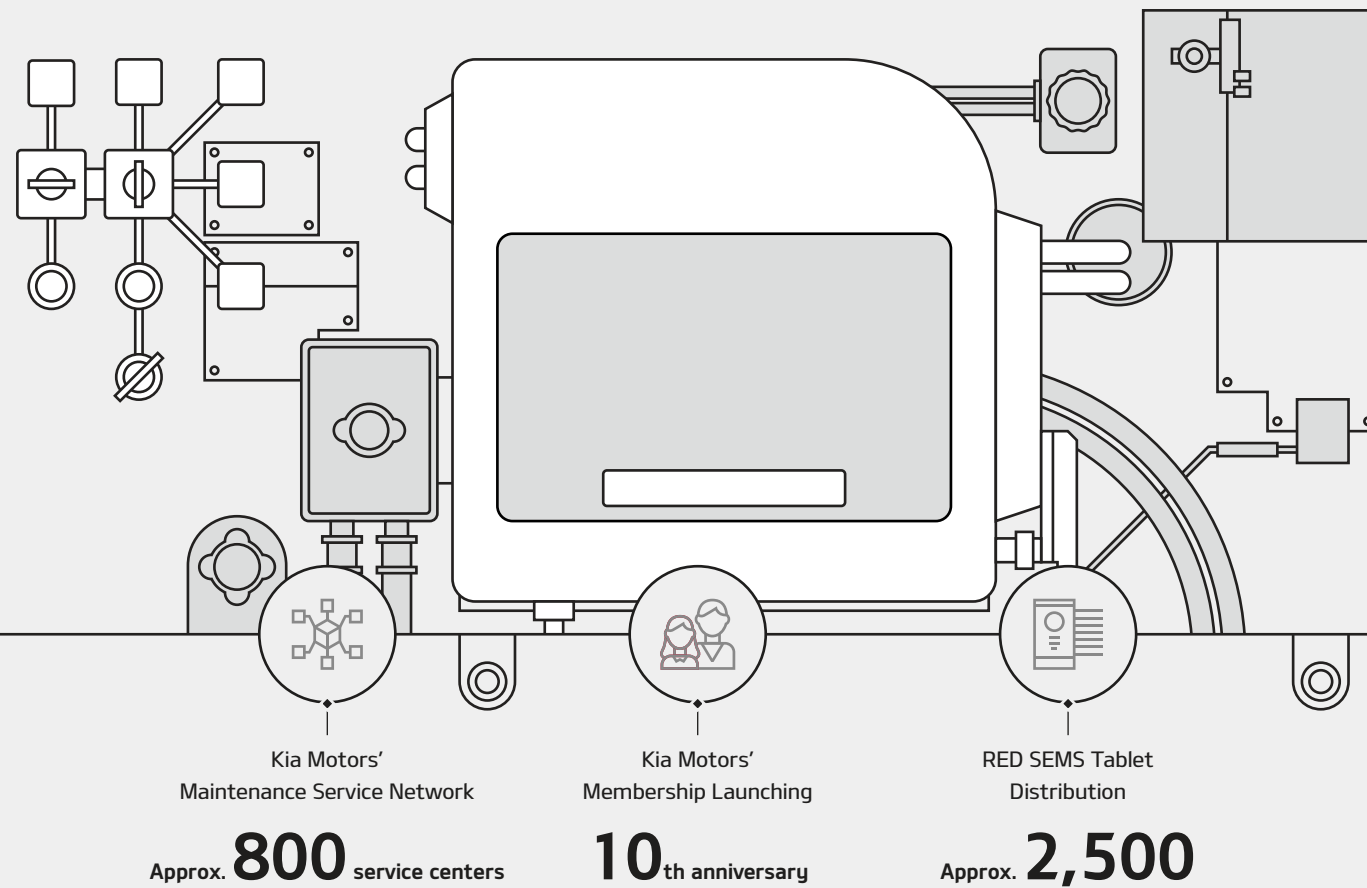
Kia Motors obtained a license to test autonomous driving in Nevada, U.S. The Soul EV autonomous driving technology, which is equipped with various technologies ranging from autonomous driving in traffic jams to emergency narrow road drive assist, is now being commercialized. In addition, Kia signed an MOU with Hwasung Technology for autonomous driving technology. Kia is now testing autonomous driving technology in Nevada, U.S.

SECTION 03  
**MATERIAL ISSUE**

Customers · Progress in Quality and Service  
Environment · Green Promise for the Next Generation  
Employees · Solutions for Mutual Prosperity  
Partner Companies · Creating Sustainable Partnership



# Progress in Quality and Service



## Why Is This Material Issue?

For automobiles, which are linked directly with the lives of customers, service is a factor that is directly related to brand reliability. To this end, global automobile brands search for various ways to attentively listen to the voice of customers and to reflect them in their service by advancing beyond simple marketing activities. A noticeable change is the efforts these companies are making to provide service beyond customers' expectations by communicating more closely with them.

### APPROACH

In order to secure a system of professional and convenient services, friendly staff and pleasant service facilities, Kia Motors has set out extensive promotional directions in three areas - Software (service), Humanware (professional staff) and Hardware (facilities) - and is improving the quality of service by establishing detailed plans for implementation.

### EFFORTS

- RED SEMS: Smart customer reception system utilizing mobile devices during the entire process from vehicle reception to repair and forwarding
- Q Friends: Customized vehicle management mobile application
- K-PLAZA: Digital communication channel for real-time communication with customers
- Kia T-map: Smartphone navigation displayed through in-vehicle monitor

### FUTURE ACTION

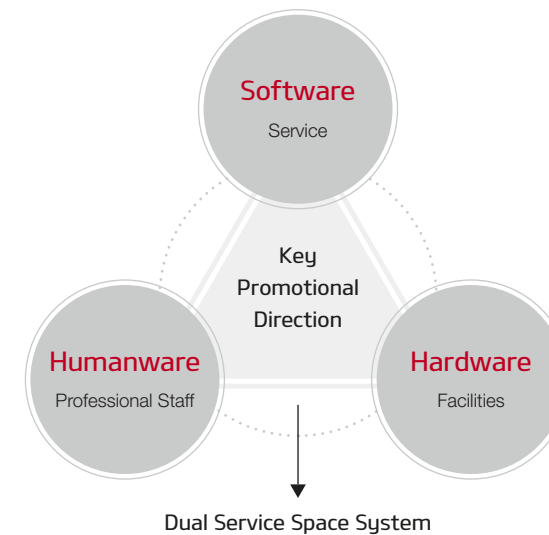
Kia Motors will check the quality of its service through certified surveys each year and listen carefully to the opinions of customers, thus increasing the value of the service directly experienced by its customers.

Kia Motors is striving to center all its product and service planning and marketing activities on consumers. By doing so, Kia Motors obtained "Consumer Centered Management (CCM)" certification\* in 2012 for the first time in the automobile industry. It has since been re-certified every two years, and successfully received certification again in 2016 for the third time. Kia Motors believes that this is the highest form of recognition for its customer-centered management activities performed on the basis of its systematic customer service system. Kia Motors is working hard to provide its customers with the best value and experiences by solving the issues derived through external assessment and from customers' responses on quality and service improvement as directly experienced by customers.

### Direction of Service Promotion

As automobiles are constantly on the move, they need continuous care, thus leading to the importance and necessity of service. The experience of receiving quality service exerts a huge impact on customers in terms of their impression of Kia Motors. A customer's favorable experience with professional and convenient services, friendly staff and pleasant facilities is highly likely to lead to a repurchase or recommendation to other customers, which are the company's intangible assets. Kia Motors has set out extensive promotional directions in the three areas of "Software (service), Humanware (professional staff) and Hardware (facilities)" and is improving the quality of service by establishing detailed implementation plans.

\* **Consumer Centered Management (CCM):** A system where a company's service is assessed by the Korea Consumer Agency and certified by the Fair Trade Commission



Off-line: Service Centers	On-line: Mobile Channels
<ul style="list-style-type: none"> <li>· Leisure facilities for high-quality relaxation</li> <li>· Differentiated cultural facilities according to local characteristics</li> <li>· Driving center providing test drive service</li> </ul>	<ul style="list-style-type: none"> <li>· Advanced remote repair service</li> <li>· Remote diagnosis of vehicle conditions</li> <li>· Emergency roadside service</li> <li>· Vehicle management information and maintenance reservation service</li> <li>· Electronic contract system</li> </ul>

### Evolution of Service Centers

Kia Motors has established a nationwide service network comprised of 18 service centers under the direct management of the head office and around 800 repair shops. Customers can services their cars conveniently anytime, anywhere. In December 2012, Kia Motors opened the Incheon Service Center, a new comprehensive service base, by integrating the existing Incheon Service Center and the Songdo Service Center. The Incheon Service Center offers a one-stop service from maintenance to test rides and vehicle purchase in order to improve customers' convenience. The interior space has been designed to place an emphasis on privacy according to customers' taste. The reception, consulting space and waiting areas are separated in order to minimize the inflow of noise in between the areas. As such, the Incheon Service Center provides a more comfortable and pleasant environment .



### Membership Program

Since 2006, Kia Motors has been operating a membership program to help its customers enjoy their automotive life to the fullest by providing them with a number of services from vehicle purchase to maintenance and disposal, together with various benefits and automobile-related information. In 2015, Kia Motors offered a wide range of vehicle maintenance services and related living services including regular checkups and car care for eight times over eight years, driving classes (for female novice drivers) and car remodeling (interior/ exterior of cars owned by customers by lottery) through its membership program launched under a renewed name, "Kia Red Members." In recognition of its efforts, Kia Motors won top prize at the 2016 National Brand Awards in the automobile membership service category.

### Evolution of Exhibition Centers

For the first time in Korea, Kia Motors introduced 3D hologram displays in its showrooms, which help customers freely experience the company's products. Applied first to the Teheran Showroom and Seocho Showroom in 2016, this technology shows 3D images of Kia cars to visiting customers and passersby. The 3D hologram technology also enables a virtual driving experience. It was introduced for the purpose of solving the inconvenience of customers having to go to another showroom when a model they want to see is not on display at the first showroom they visit. Kia Motors plans to develop its showrooms as differentiated spaces for communication with its customers by increasing the installation of 3D hologram displays, delivering contents that satisfy customers' expectations and expanding customer experience zones.





### Advancement of Safety and Quality Management System

Kia Motors is advancing its safety and quality management system in order to strengthen the preemptive response to foster the competitive power of automobiles, its products, and new quality for the future. In order to secure the intrinsic competitive power of automobiles of not easily breaking down and, above all else, safe, and also to build the competency to respond to the needs for new technology, engine and emotional quality, Kia Motors is continuously evolving its quality infrastructure, systems and HRD by centering on the market and its customers.

### Strengthening of Global Quality Improvement Base

In order to study the market and the user environment, improve quality issues in the field and reflect the results in new car development, Kia Motors is operating the Global Quality Innovation Center\* in five key areas across the globe, in Europe, China, India and Asia/Middle East as well as in North America where the center was opened first in 2012. With employees of partner companies and professional staff working full-time, the Quality Innovation Center swiftly and fundamentally resolves quality issues caused by diverse user environments and market conditions through a joint project with the partner companies by operating a part quality precision analysis lab located within the center.

### Third-generation Quality System

Kia Motors shares market VOC information with all sectors by detailing quality issues and causes through the use of information technology. It also responds to safety and quality issues 24-hours a day through a one-stop system covering everything from automatic selection of improvement parts to receiving complaints, establishing an action plan and remedying customers' grievances.



**First Generation (2003 ~ 2009)**  
**Developed Real-time Tracking System for Global Quality Information**  
 - Application of conveyor concept to automobile production  
 - Real-time tracking of quality improvement status



**Second Generation (2010 ~ 2015)**  
**Bolstered Preventative Quality System by Upgrading Quality System**  
 - Strengthened unit quality system integration and link



**Third Generation (2016 onwards)**  
**Utilizing Advanced IT, Strengthening Safety and Quality Issue Verification, Such as Through Cause Analysis, Automatically Setting Improvement Areas**  
 (strengthening quality analysis multimedia function, supporting artificial intelligence function)

### SQ-STD: Integrated New Car Quality Securement System

An integration of accumulated safety and quality verification expertise, enabling verification of various conditions of product use in the market including the worst conditions through company-wide communication and cooperation

### SQ-VOC: Global Customer Safety and Quality Warning System

Swift improvement and prevention of large-scale quality issues through automatic selection of improvement items and verification of improvement effects (real-time monitoring for recurrence of quality issues, multi-language translation function)

### Reinforcement of Future Quality Response

Kia Motors is establishing an educational infrastructure for training and studying in the field, operating various educational programs and fostering a highly qualified workforce equipped with global top-level quality improvement competencies.

### SQ-Library: Quality Library

Continuous accumulation of H/W\* and S/W\* knowledge and data for future quality response on the basis of safety and quality improvement expertise

### SQ-GTC\*: Global Safety and Quality Preemptive Response Program

New technology and new growth power improvement competency development program to discover, improve and respond to safety and quality issues at an early phase (premium cars, eco-friendly cars, new powertrains, ACEN)

- \* **Quality Innovation Center:** North America (2012. 7~), Europe and China (2012. 11~), India (2013. 7~), Asia and the Middle East (2015. 8~)
- \* **H/W:** Data on hardware and technological information for structural analysis of dismantled components of competitors and new technology/technique-applied parts (approx. 3,300 cases)
- \* **S/W:** Parts function and structural analysis data, global quality case study data and quality improvement research papers (approx. 3,800 cases)
- \* **GTC :** Global Training Course

## Kia Motors' Quality Competitiveness Recognized Across the World

### IQS (JD Power), U.S., 2016

Kia Motors was the first in Korea's automobile industry to be ranked first in the JD Power IQS.

**1<sup>st</sup>**

Ranking among 33 brands

### Segment Winner

Soul (compact urban crossover)/ Sportage (compact SUV)

**2 years in a row**

Gwangju plant 1 won Excellent Quality Plant Award for Asian region

### China IQS (JD Power), 2016

- Fourth in general brand category (45 brands)
- Best Quality Award (Segment Winner): K2 (compact vehicle)

### China CACSI (China Automobile Customer Satisfaction Index), 2016

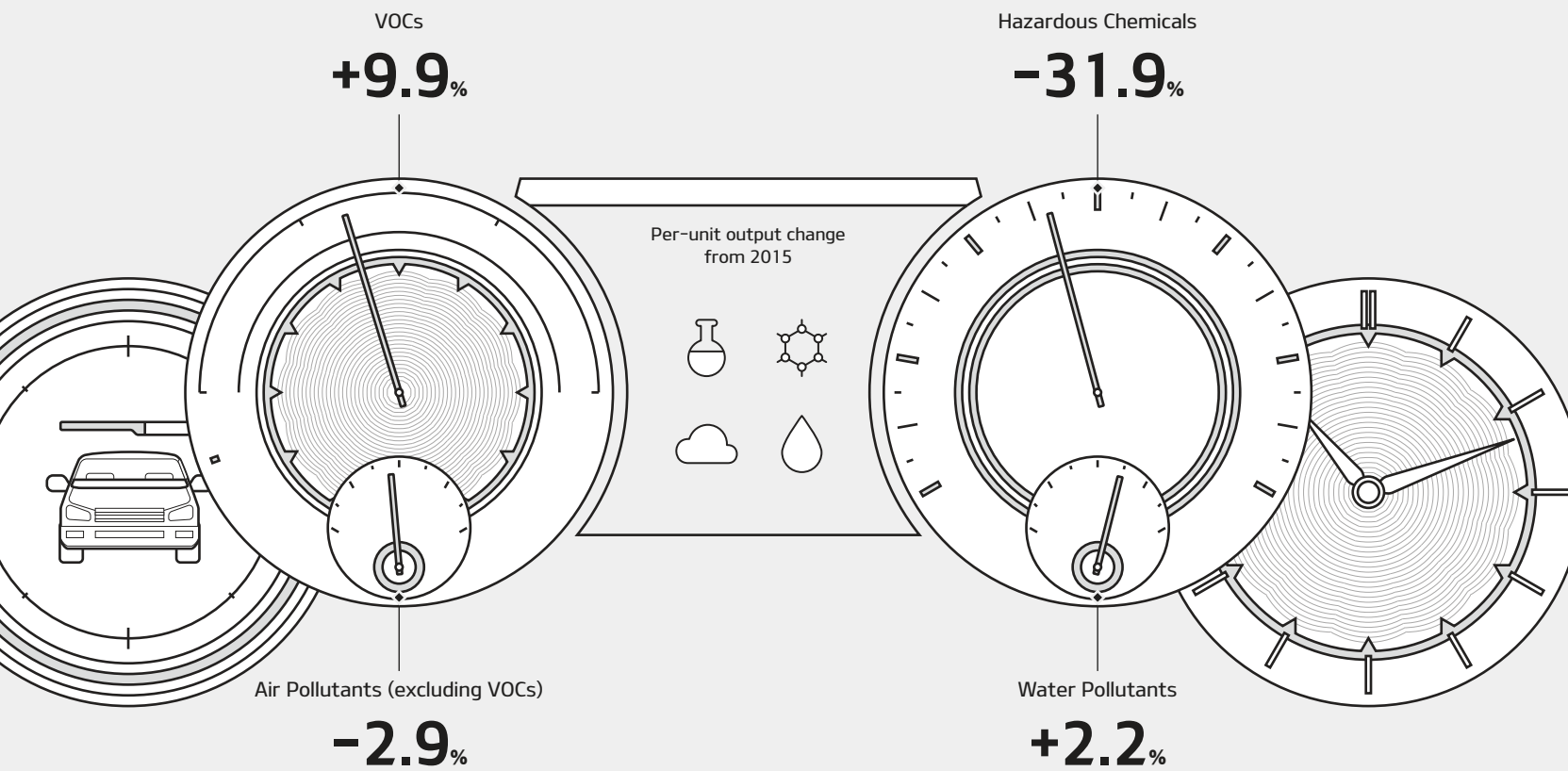
- New Car of the Year: KX5 (midsize SUV)
- Overall Winner: K3, K5

### Germany Autobild Quality Survey, 2016

- Overall Fourth (20 brands)



# Green Promise for the Next Generation



## Why Is This Material Issue?

While the Kyoto Protocol only sets out the duty to reduce emissions, the Paris Agreement, which was signed in 2015, prescribes mandatory setting of and compliance with reduction goals by all of the 195 member states. Korea, as one of the member states, announced a plan to reduce emissions to 37% of the BAU by 2030 and is setting up the implementation plan.

### APPROACH

Kia Motors proclaimed its commitment to global environmental management in 2003 and has set out to position itself as a global eco-friendly leader. It established a resource circulation policy to cover the entire process from raw materials to disposal, executes projects through participation by all sectors, such as R&D, procurement, logistics, production, marketing and service, and reports key issues and status to management. In order to find a way to continue growing while protecting the environment, Kia Motors is increasing the efficiency of material usage and discharge at the same time while cooperating with partner companies.

### EFFORTS

- Build a green production system and practices
- Conserve energy and reduce greenhouse gas emissions
- Secure green technologies
- Build a resource circulation framework

### FUTURE ACTION

Kia Motors is striving to reduce GHG emissions by 7.8% of BAU, the goal of the automobile industry by 2020. In addition, with a target of reducing per-unit GHG emissions by 30% from 2008, Kia Motors is sharing its resource circulation policy for the entire production process from design to disposal with partner companies.



Kia Motors eliminates the use of hazardous substances and reduces the amount of resources and raw materials input from the stage of vehicle design. It also improves efficiency of the power source by minimizing air resistance and vehicle weight. In addition, the vehicles are designed to be easily recycled. As such, Kia Motors is contributing to the promotion of greener life.

### Green Design Procedures

Kia Motors has established a digital system for convenient application of its eco-friendly design policy at worksites. A designer selects materials after checking the environmental impact of the materials through a database, which is operated under Kia Motors' eco-friendly design guide. Then, the designer devises a method to shorten the manufacturing process by simplifying the component structure and improving materials and the assembly mode to ensure easy dismantling. When a design is completed, vehicle dismantling is demonstrated using a virtual 3D model and the dismantling convenience and recyclability of dismantled parts are concurrently assessed. According to the result, the drawings are modified or parts with low recyclability are replaced. Once the drawings are finalized, a test vehicle is manufactured and dismantled. This is followed by a dismantling assessment to compare the time required for dismantling and the number of connected parts with existing data. The comparison data are used as reference in the development of follow-up vehicle models.

### Chemical Substance Control

Regulations on hazardous substances are being fortified across the world. Now, the restricted use of the four heavy metals of lead, mercury,

cadmium, and hexavalent chrome, ozone-depleting substances and hazardous chemicals is universally applied. Kia Motors bans the use of substances restricted by domestic and overseas laws, then develops, and applies, alternative materials to all products. The parts and material weight information collected with the International Material Data System\* (IMDS) is converted into a database under the independently operated e-CMS (e-Chemical Management System). Based on e-CMS, Kia Motors has been managing the chemical substance information of all components and parts used in all vehicles produced since 2005. It is also sharing this information by opening e-CMS to its partner companies.

Environmental regulations implemented in each country include standards for recyclability of automobile parts. Kia Motors effectively responds to the laws and regulations by utilizing Prod Tect, an independently developed system to calculate recyclability, and uses the calculated information as basic data for environmental assessments. Up until now, all vehicles of the Hyundai Motor Group have met the requirements of recyclability certification and related regulations in Korea, Europe, the U.S. and China.

### \* IMDS(International Material Data System)

The parts and materials management system is operated jointly by automakers around the world to meet regulatory standards on hazardous substances. Through IMDS, raw material suppliers, parts suppliers, and automakers share information on the weight and chemical composition of automotive parts



The application of eco-friendly parts to automobiles, which are comprised of around 30,000 parts, ensures sustainability of the automobile industry. Kia Motors is dedicating efforts jointly with its partner companies as it enters into eco-friendly parts supply agreements with partner companies so that the companies use appropriate substances and consider environmental protection in their manufacturing processes. This process complies internally with the independently established environmental standards, which are stricter than the global requirements. Since 2016, Kia Motors has been mandating its partner companies supplying electric parts to obtain EU End of Life Vehicle (ELV) certification, which previously had been applied to general parts only.

**Partnerships in Mitigating Climate Change**

Kia Motors has been assisting partner companies' environmental management practices through the SCEM project since 2003, and supported their development of an integrated GHG management system until 2010. Upon the company's recommendation, all of Kia's primary partners obtained the ISO14001 certification by 2012, and the scope has extended to secondary and tertiary partners through the SCEP program since 2006. Kia Motors expanded the scope of support to secondary and tertiary partners in 2006 and has since been implementing the SCEP\* program with them. The Emissions Trading System (ETS), which was started in earnest recently by the Korean government, and GHG emission regulations that are being reinforced in countries across the world are posing a new trade barrier resulting in detailed losses.

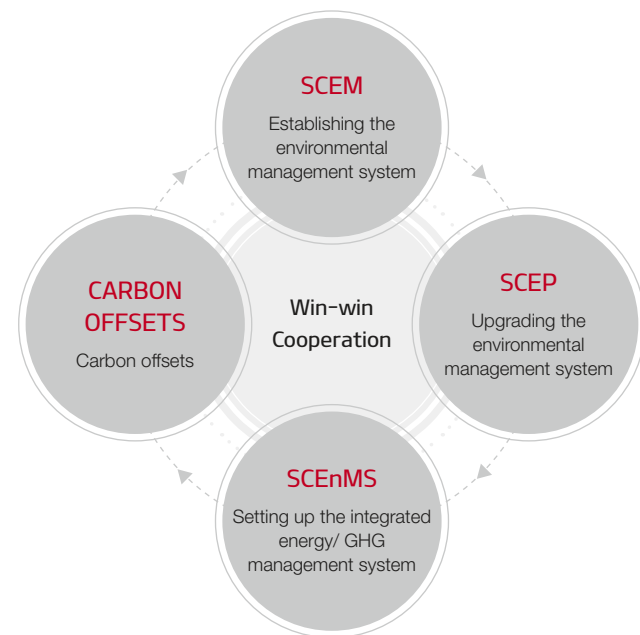
All businesses are alike when it comes to the consequences, but there is no question SMEs, which often lack resources for effective responses or preparation, are more susceptible. Under an agreement with the Korean government, Kia Motors has created a consortium with partner companies and telematics engineering companies to oversee setting up a supply chain energy management system (SCEnMS) for large, medium and small businesses alike.

In 2013, Kia provided the measuring infrastructure and data processing system to ten partner companies. Since then, it has established a consultative body with the participating companies to continuously exchange information and discuss pending issues. With the Green

Growth Partnership\* (GGP), which was launched in April 2014, Kia Motors passed on its energy saving technology and expertise to partner companies and executed improvement through diagnosis by specialists. By the end of 2014, Kia Motors implemented this project with five partner companies.

Kia Motors provides energy-saving technologies and successful cases in a database format by building an information sharing space within its data processing system. Additionally, the company hosts annual meetings for case studies and information exchanges on energy-efficient factories and market trends as well as new technologies for energy conservation.

Starting in 2015, Kia began supporting partners in setting up infrastructure for cutting their greenhouse gas (GHG) emissions. Reducing energy use or substituting renewable energy sources enables partners to not only save on energy bills but also enhance their long-term competitive edge in the era of tougher GHG regulations. Furthermore, the reduced amount of GHG emissions from the supply chain will be used as carbon credits for Kia Motors to offset its direct emissions.



- \* SCEM: Supply Chain Environmental Management
- \* SCEP: Supply Chain Eco Partnership
- \* SCEnMS: Supply Chain Energy Management System
- \* GGP: Green Growth Partnership

\* Emissions Trading System: Greenhouse Gas Information Center and website



Kia Motors produces over three million cars a year. The cost required for each process of automobile production causes a considerably large environmental ripple effect. Focusing on inputs, outputs and discharges at each stage of the production process, Kia Motors establishes and implements a system to reduce its environmental impact.

This effort is not limited to production as it is a comprehensive approach taking into account the aging of production facilities as well as landfill disposal and waste recycling.

**Material Balance of the Auto Manufacturing Process**

On the production line, input, outcome and output are basically in proportion to each other. Kia Motors is striving to reduce the total discharge amount by efficiently changing the process, and thus reducing per-unit material usage and discharge, replacing facilities and systems or increasing waste recycling. Kia Motors established goals for each material based on the discharge amount. In addition, it checks the amounts of inputs, outputs and outcomes over one year and uses the data in setting up additional improvement plans.

In 2016, Kia Motors' production decreased by 8.2% from the previous year and, accordingly, the total amount of raw materials, water resources, hazardous chemicals and energy use dropped by 10.9%, 6.5%, 37.5% and 2.5%, respectively. Air pollutants, water pollutants and GHG emissions also decreased by 10.8%, 6.2% and 2.2%, respectively. However, VOC emissions increased by 0.9%. In the case of waste, the discharged amount decreased by 8% and the recycling rate has been kept over 91.0% for the past three years. Kia Motors is continuously striving to lower the landfill disposal rate to below 1%.

Nevertheless, for VOCs, waste, hazardous chemicals and water resources, per-unit usage (discharge) amount was found to have increased from the year before.

**Raw Materials**

Natural resources are limited, and as users, we are responsible for future resources. If a future task for dealing with finite resources is substitution with renewable materials, our current task for efficient use of the resources is to save them. Of all the raw materials used in the auto-manufacturing process, automotive sheet metal (steel) takes up the biggest proportion, followed by paint, thinner and plastic.

Kia Motors is focusing on reducing per-unit raw material consumption to increase the ratio of products to the raw materials used. It is decreasing the amount of raw material use by improving the production process and checking the amounts of steel, paint and thinner usage in order to increase the recycling rate, and thus reduce waste generation. Compared to 2003, when data collection started, the efficiency of raw material use has improved. In 2016, the total consumption decreased by 10.9% from the previous year.

**Water Resources**

Water is a finite resource too. With no substitute available, water is essential to producing necessities for life, such as energy sources and

food. Exploding population growth and the resultant increase in water consumption, coupled with climate change, have meant that water resources are being depleted. It is no surprise that many political disputes throughout the world are over water resources. According to the United Nations, more than one billion people worldwide already lack access to clean water. Korea is also classified as a potentially water-scarce nation, with its annual per-capita potable water amount falling short of requirements. In a bid to address this issue, Kia Motors is making facility investments and improving water spending practices, while encouraging its employees to conserve water. Per-unit water consumption has been falling each year since 2003. Kia Motors' per-unit water consumption has been less than five tons since 2013.

**Waste**

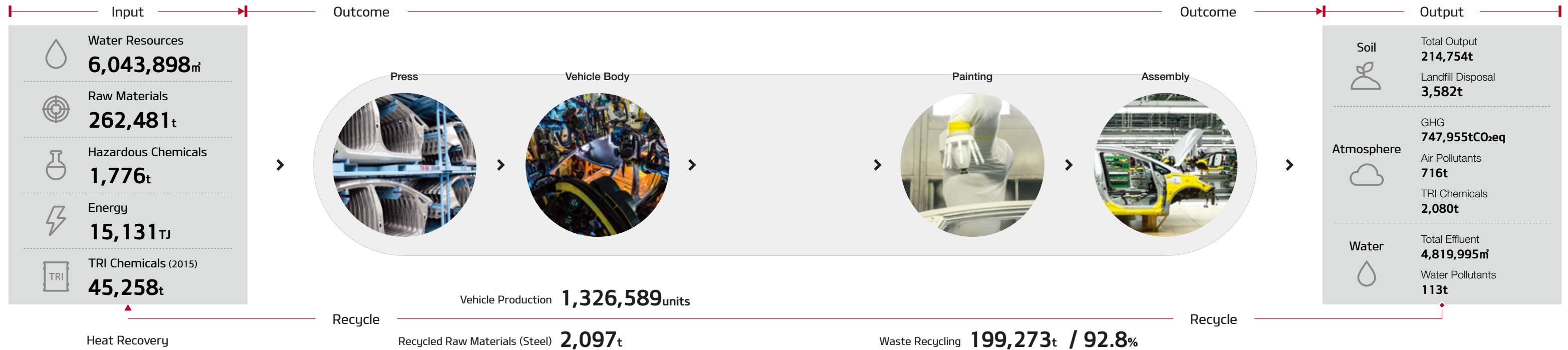
Disposing of used resources rather than recycling or reusing them leads to the exhaustion of limited resources. In addition, it can result in additional environmental loads and costs according to waste treatment through incineration or landfill disposal. In other words, turning waste into a resource is a valuable and meaningful way to protect and preserve nature in addition to simply increasing the continuity of resources.

Kia Motors is making efforts to increase the recycling rate of continuously generated wastes and reduce the per-unit discharge, thus lowering the overall waste discharge volume. It has been maintaining a waste recycling rate of over 90% since 2007 and has kept the percentage of landfill disposal waste causing problems of soil contamination, etc. out of the total final waste generated from its plants below 1%. Since 2008, the Sohari plant has not discarded any landfill disposal waste. The landfill disposal waste ratio of Kia Motors' three plants in 2016 is 1.7%. For landfill disposal and incineration waste that are inevitably generated as a result of technical and economic limitations, Kia Motors is maximizing the recycling rate by administering strict waste separation measures. In addition, the company is promoting continuous improvement by developing recycling companies in order to change its waste treatment method. Compared to 2003, the per-unit discharge amount decreased by 30%. The total amount of discharge in 2016 decreased by 8% from the previous year.

- \* **Scope of Data Collection:** Kia's three domestic plants in Sohari, Hwaseong and Gwangju, Scope 1 (direct) & 2 (indirect emissions from the generation of purchased energy), and vehicle production volume excluding OEM units
- \* **Base Year:** 2003, except for energy and GHG (2008)
- \* **Per-unit Input (output) Volume:** Based on production volume, the input (output) amount involved in the production of one vehicle



## Input-Outcome-Output Flow



### Energy & Greenhouse Gases

Unprecedented heat waves, severe cold, extreme drought, and storms across the world make headlines each year. Extreme weather events, which are increasing in frequency and intensity, are obstructing natural seasonal patterns. This is a warning sign. CO<sub>2</sub> in the atmosphere is the main culprit of climate change and more than 80% of CO<sub>2</sub> is generated from energy consumption.

Kia Motors is paying special attention to reducing CO<sub>2</sub> emissions from its production process. Since 2006, it has been identifying and controlling GHG emissions. In addition, it has been actively participating in the Emissions Trading System (ETS), which began in 2015. The amount of CO<sub>2</sub> emissions from Kia Motors' domestic plants in 2016 was 748,000 tons. Compared to 2008, the per-unit amount reduced by 189kg (753kg ▶ 564kg). This is equivalent to the amount of CO<sub>2</sub> absorbed by 28 30-year-old pine trees over a year. When multiplied with the company's domestic production volume, Kia has achieved a CO<sub>2</sub> reduction effect equivalent to carbon absorption by 38 million pine trees.

\* CO<sub>2</sub> Intake per Pine Tree: 6.6kgCO<sub>2</sub>/tree/year (Korea Forest Service, 2013)

### Environmental Pollutants

In order to reduce environmental pollutant emissions, Kia Motors has established a set of internal standards that are stricter than the legal emission standards (30 percent lower than the legal minimum) for air and water pollutants discharged from its production process. In addition, Kia Motors introduced and has been applying eco-friendly systems by phase to reduce the use of hazardous chemicals. For hazardous chemicals that are inevitably used, it has established a strict preventative system. Kia Motors is contributing to the preservation of the natural environment around its worksites by recycling more than 90% of wastes generated from its production process and, ultimately, reducing the resulting environmental pollutant emissions. As such, Kia Motors is dedicating efforts to minimize the environmental impact of its production sites.

### Air Pollutants

Air pollutants not only affect humans directly through breathing, but also exert considerable impact on the atmospheric environment through mutual chemical reactions and by reacting to the sunlight. Air pollutants generated from the auto-manufacturing process include paint particles and volatile organic compounds (VOCs) from the painting and coating process, dust particles, and gases from combustion. Kia Motors applies a separate measure to collect and control hazardous VOCs. It is operating a system to collect and remove pollutants from painting and other air pollutant discharging facilities. Kia Motors is also striving to reduce air pollutants by monitoring the pollutant discharge status. The amounts of air pollutants and VOC emissions have been continuously decreasing since 2003. In the case of VOCs, however, emissions have increased slightly from the previous year (0.9%, 64 tons).

### Water Pollutants

Water is an essential resource for all living organisms including humans. Kia Motors is making various efforts to reduce not only the amount of industrial water it uses, but also water pollutants discharged from its worksites.

Kia Motors is applying corporate standards that are stricter than the legally mandated discharge standards. In addition, for compliance with the corporate standards and water quality stabilization, it is continuously managing and improving treatment facilities. Moreover, to prevent unexpected spill accidents, the company is monitoring the concentration of water pollutants in discharged water on a regular basis. In 2016, the total water pollutant discharge amount decreased by 6.2% and the per-unit discharge dropped by 40.1% compared to 2003.

### Hazardous Chemicals

Hazardous chemicals are required to be extensively controlled, as they are harmful to both humans and the environment. Since 2007, when the REACH (Registration, Evaluation and Authorization of Chemicals) agreement took effect in the EU, a growing number of nations started to regulate hazardous chemicals worldwide. In Korea, the Chemicals Control Act went into effect in 2015 in line with the international trend of strengthened chemical regulations and for the purpose of reducing the number of chemical accidents taking place in Korea.

Kia Motors has completed a preliminary report to REACH and has continued monitoring the use of REACH-banned chemicals. It abides by the Ministry of Environment's Toxic Release Inventory (TRI) program, a voluntary reporting system for the volume and type of restricted chemicals used and the sources of emission. Kia Motors is substituting hazardous chemicals with safer materials and continuously investing in

the improvement of hazardous chemical handling facilities or conversion to eco-friendly systems (reverse osmotic pure water manufacturing technology). In 2016, the total amount of hazardous chemical used decreased by 1,065 tons compared to 2015. The per-unit amount also decreased by 31.9% from the previous year and 52.2% from 2003.

### 2016 Change in Per-Unit Input/Output Against Base Year Unit: %

Base year	Environmental Pollutants	Fluctuation
2003	Raw Materials Input	-23.8
	Water Resource Input	-32.1
	Waste Output	-29.9
	Air Pollutant Emissions	-54.0
	Water Pollutant Emissions	-40.1
2005	Hazardous Chemicals Input	-52.2
	VOC Emissions	-49.7
2008	GHG Emissions	-25.1

\* TRI chemical figures are for 2015 performance because the 2016 data was not yet available as of the reporting period. TRI chemical results are reported at the end of April of the following year





The emergence of new protectionism as a result of Brexit (Britain's exit from the EU) and the inauguration of President Trump in the U.S. has amplified economic uncertainty worldwide. In line with the resultant changes in the global automotive industry, the logistics environment is also undergoing extensive transformation. Kia Motors is dedicating its efforts to developing each of its production plants into global best facilities by strengthening cost competitiveness and innovating production and marketing processes through elimination of waste and improvement of logistics insufficiencies. To this end, the company is promoting substantial customer-centered improvements through continuous investment.

#### Reducing Damaged Parts

As a characteristic of the manufacturing business, damaged parts are generated in the course of production. Major causes of damage include negligent handling by workers and insufficient safety of containers. Damaged parts lead to environmental problems as a result of losses caused by disposal costs and waste generation. Kia Motors is building a thorough management system for damaged parts generated during its transportation and production processes. It is dedicating efforts to realizing the best logistics quality by securing the safety of parts transporting containers, administering strict receiving inspections, and training parts handlers. Kia Motors is also active in reducing costs arising from parts damage and disposal and preventing environmental pollution. In addition, Kia Motors is reducing costs by recycling damaged parts generated in the course of production and transportation. It is also practicing green logistics to minimize the occurrence of waste.

#### New Shipping Yard for the Central Region

Due to the increasing scale of domestic production and sales since 2014, Kia Motors' shipment schedule has been delayed by approximately 400 cars a day. This has resulted in complaints from customers who purchased vehicles from Kia Motors. Accordingly, Kia plans to improve customer convenience in Chungcheong-do, Gangwon-do and Gyeongsangbuk-do regions, areas where shipping delays occur most frequently, by increasing the number of shipping yards from seven to eight through installation of a new shipping yard for the central region (in Cheongju) (operation scheduled for commencement in April 2017). The chronic problem of insufficient storage and shipping capacity in the central region will be resolved and a more stable delivery service will be provided to customers. Through continuous efforts aimed at improving customer-centered logistics efficiency, Kia Motors is placing the highest priority on customer satisfaction.

#### Optimizing Imported Parts Inventory Management

Kia Motors receives approximately 1,000 components (based on domestic plants) from overseas parts makers. Supply of parts from overseas locations takes a long period of time. In addition, a large amount of unused stock is generated as a result of changes in part specifications according to fluctuations in market demand. To resolve this issue, Kia Motors has established an innovative process for ordering amount estimation and strengthened inventory management monitoring. Full-scale system operation will commence in April 2017. Based on accurate demand prediction, Kia Motors will be able to realize inventory management optimization. This is forecast to generate cost reduction equivalent to 15% and 26% of annual emergency air transportation and inventory expenses, respectively.

Having recognized the benefits of end-of-life vehicle recycling and the associated environmental impacts, countries across the world are actively promoting recycling policies. In Korea, it has become mandatory to recycle more than 95% of vehicle weight since 2015. 85% of scrapped cars are dismantled and recycled. The other 10% are used in electricity production through thermal power generation. Kia Motors shares its eco-friendly dismantling technology with the scrapping industry and continuously invests in resource circulation technologies.

#### Automobile Resource Regeneration Center

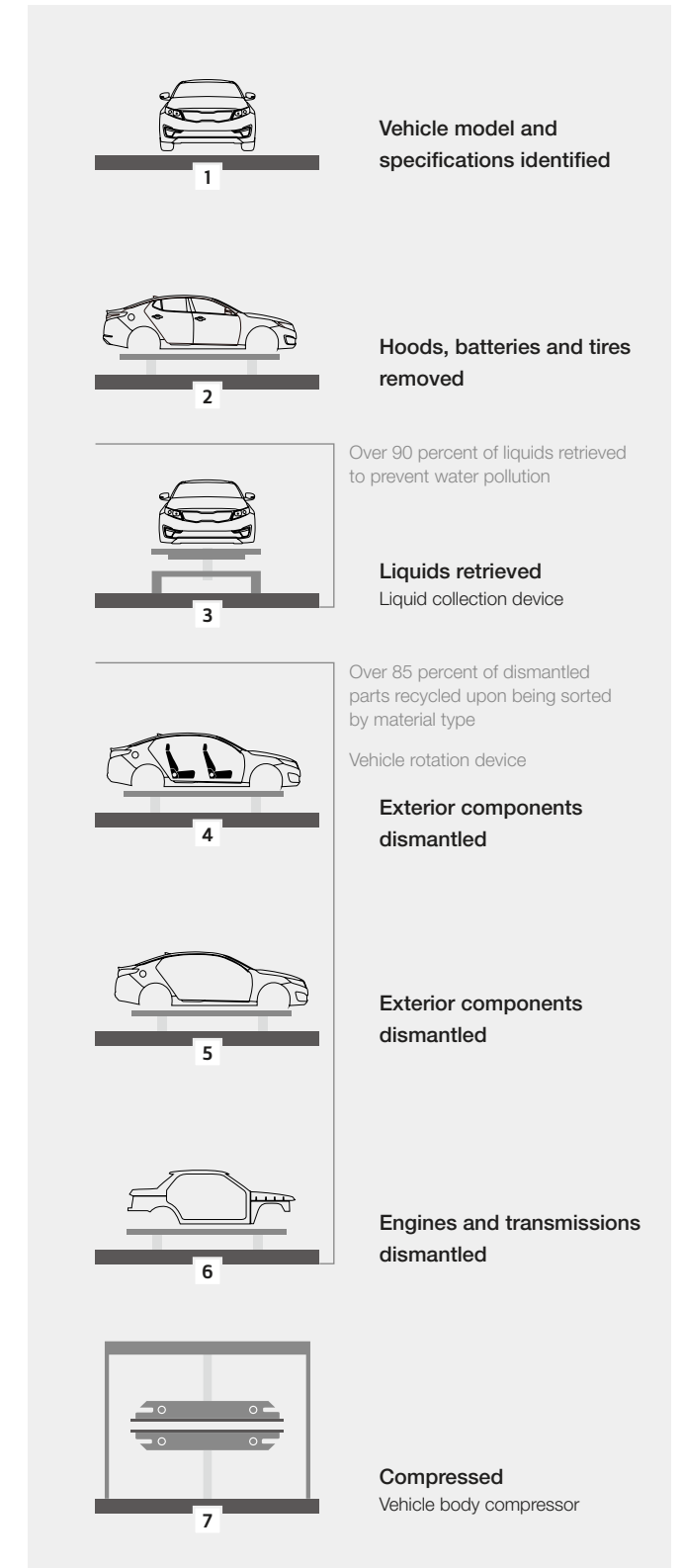
Kia Motors' Automobile Resource Regeneration Center, which has been in operation since 2005, is equipped with a progressive 7-step dismantling system. It dismantles approximately 4,000 test vehicles annually for research purposes and develops eco-friendly dismantling and recycling technologies. The end-of-life vehicle (ELV) dismantling process is carried out in the order of ELV reporting, pre-treatment of tires and battery, removal of liquids, removal of exterior components such as bumpers, removal of interior parts such as seats, removal of the engine and transmission and, finally, compression. Having successfully developed technologies for safely retrieving remaining liquids and fuels, the center is now concentrating its efforts on improving dismantling efficiency and reusing components. The study results and data are delivered to the vehicle development teams to ensure that new models are developed in ways that ensure easily dismantling and recycling. Developed technologies are also being applied to components. As EVs and HEVs are different in structure from those of ICEVs, the center has distributed separate dismantling manuals to automotive dismantling yards. Every year, the center passes on the dismantling technology to around 100 of Korea's 500 dismantling yards.



#### ELV Component Recycling Technologies

The surface of plastic components applied to the interior and exterior of an automobile become worn-out or contaminated over time. Therefore, it is necessary to develop a technology to remove pollutants and reinforce the lowered physical properties. Kia Motors, through technological exchange with its partner companies, developed a technology to recycle plastic components of scrapped cars and is applying it to the mass-production of wheel guards and undercovers. Seats from scrapped cars are turned into luggage partitions to divide the interior spaces of cars. In addition, engine room materials are used to make roof racks or engine covers. Research into the removal of the silicon coating from airbags and use of the material in creating wheel covers is in progress as well.

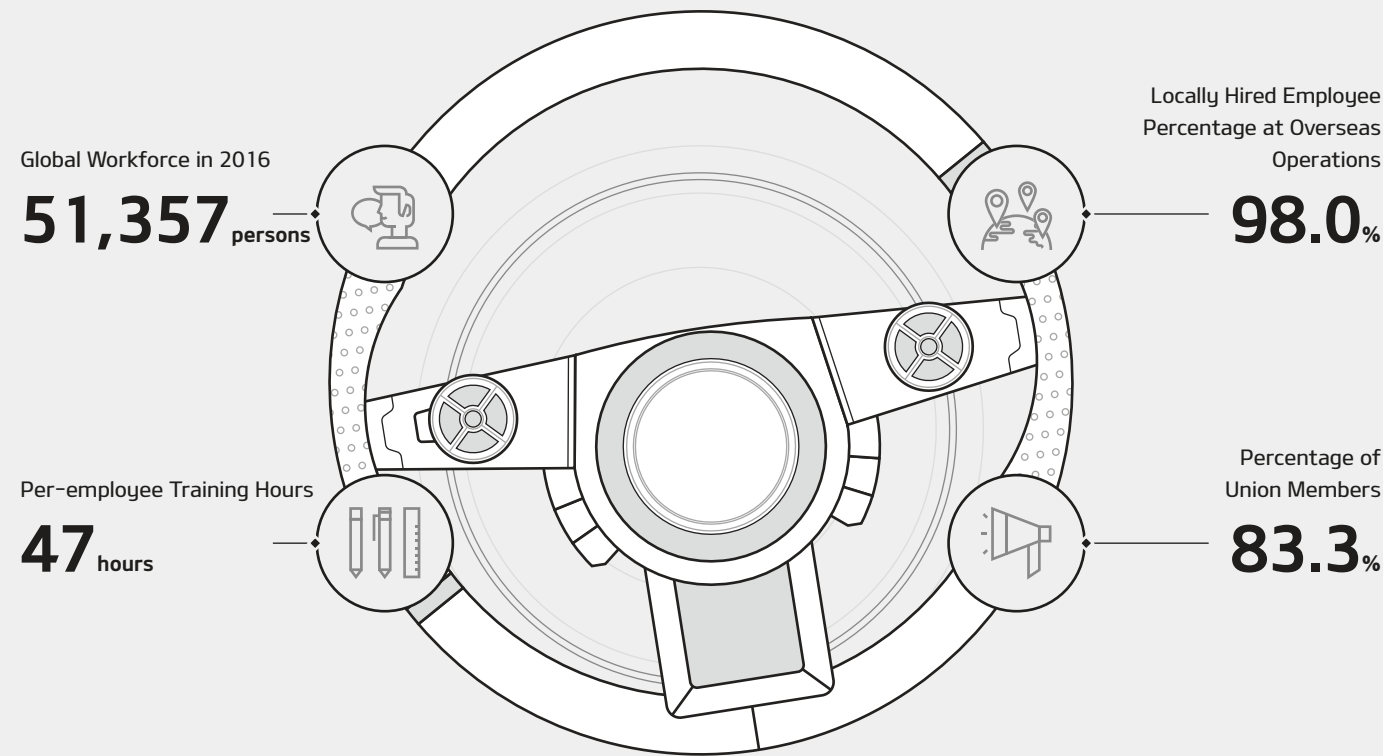
ELV Disposal System Flow Chart





Employees

# Solutions for Mutual Prosperity



## Why Is This Material Issue?

Hyundai Research Institute selected “choice between growth and distribution” as the key issue of the Korean economy in 2017. Many experts are skeptical about the resolution of these two issues, which are regarded as the two hares of the economy that are never to be caught. If the issue of choice is not a solution, job creation, by far, is most important to achieve a balance between growth and distribution. Businesses are responsible for creating a virtuous cycle of growth and distribution through job-centered inclusive growth.

### APPROACH

Kia Motors is implementing composite strategies in preparation for the future while also increasing stable jobs by continuously expanding its employment scale. Kia Motors has established an open corporate culture to not discriminate people based on their gender or nationality. It also offers an appealing working environment where opportunities and compensations are sufficiently provided. Kia Motors also supports employees to improve their job skills and expertise, helps them work efficiently and supports them in enjoying their lives.

### EFFORTS

- New employment in 2016: 356 people (Korea)
- Percentage of employees with disabilities: approximately 3.9% (Korea)
- Percentage of union members with collective bargaining rights: 83.3% (28,285 employees, Korea)
- Locally hired employee percentage at overseas operations: 98.0%
- Promoting a paperless office by establishing video conferencing infrastructure using intranet messenger and document asset system

### FUTURE ACTION

Kia Motors is increasing the number of stable jobs by continuously expanding its employment scale. It has established an open corporate culture that does not discriminate people based on their gender or nationality. It is also striving to create an attractive working environment where opportunities and compensation are sufficiently provided. In addition, the company is searching for ways to improve employees' expertise from a short- and long-term perspective.

According to the “World Employment and Social Outlook,” an annual report recently published by the International Labour Organization (ILO), the issue of unemployment in the world, especially in emerging countries, will impede global economic growth. Fortunately, the unemployment forecast in Korea is relatively lower, at below 4%, compared to other countries. Employment types, however, are expected to be continuously weak.

Kia Motors is striving to alleviate employment and income inequality by continuously expanding the employment scale and promoting stable job creation. Based on its open corporate culture, Kia Motors is also making efforts to establish a working environment where employees can display their competencies to the fullest by providing them with equal opportunities and compensation without discrimination in terms of gender or nationality. Kia Motors' virtuous organizational cycle that helps employees, the center of value creation, to work effectively and enjoy their lives, will leading the company's future growth.

### Equal Opportunities & Fair Compensation

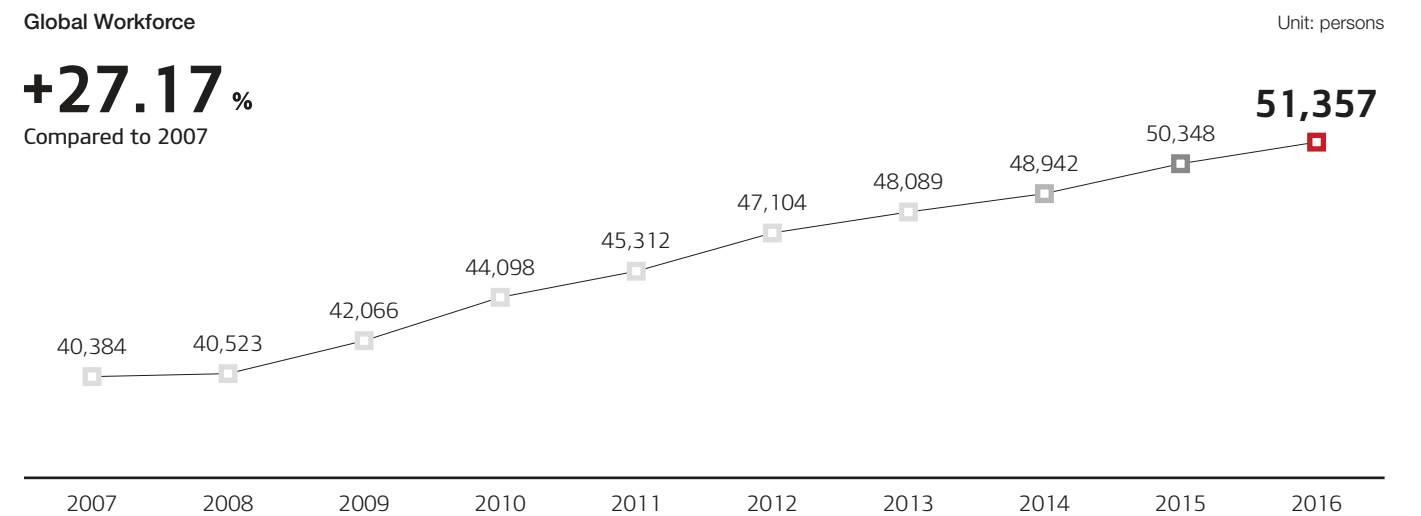
Kia Motors guarantees equal working conditions and opportunities for all employees from around the world. Recruitment procedures are open with no discrimination against gender, nationality, race, religion or social background. The paper review process prioritizes an applicant's competencies and passion.

In 2016, Kia Motors hired 356 new employees in Korea. Out of the total domestic workforce of 33,946 people, disabled employees account for 3.9%. In addition, 83.3% or 28,285 employees are union members with the right to collective bargaining. Kia Motors upholds the three labor rights stipulated in the Constitution of the Republic of Korea and guarantees the right to fair and free union activities as per the Collective Agreement, while consulting the labor union on major issues at quarterly Labor-Management Council meetings.

Kia Motors provides its employees with industry-leading pay and fringe benefits with the uncompromising principle of equality and fairness in compensation and treatment without discrimination against nationality or gender under the corporate bylaws (Collective Agreement Article 25 and Employment Regulation Article 4). Basic pay is determined as per a standardized compensation system according to the duration of service without gender discrimination.

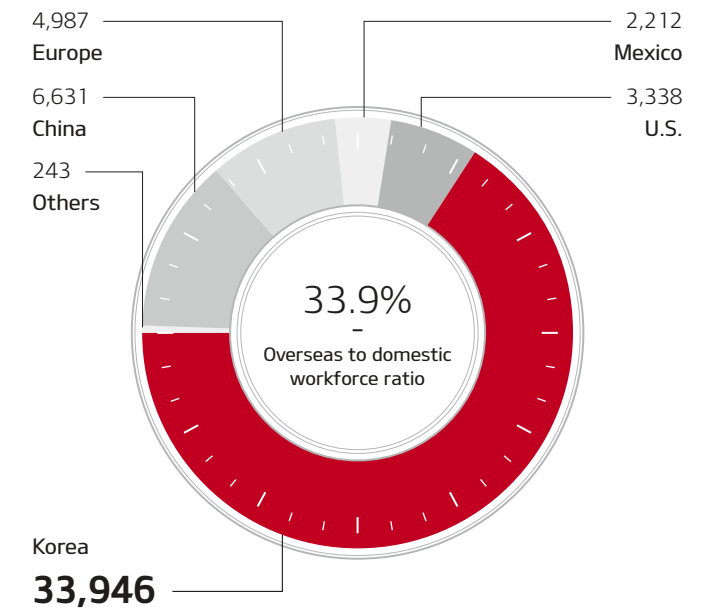
### Global Workforce

**+27.17%**  
Compared to 2007



### Employment by Region

Unit: persons, As of December 31, 2016



\* Others: Asia-Pacific countries (excluding China), the Middle East, and Africa

Kia Motors' overseas worksites hire local residents on their own. Under a globalization policy to contribute to local economies and localize operation practices, Kia Motors is implementing a HR policy to grant preferential rights to residents of areas where its worksites are located. As of 2016, non-Koreans made up 33.9% (17,411 employees) of Kia Motors' entire workforce, which totals 51,357 employees, and 98.0% of its overseas workforce was locally hired. In addition, 79.8% of Kia Motors' overseas management-level staff (1,385 people) was locally hired.



### Upholding Diversity

Kia Motors embraces diversity in its recruitment policy and provides various opportunities for employees to have exchanges with each other to build solidarity and unity as part of one global Kia family. For instance, the Work Exchange Program helps non-Korean employees understand Kia Motors' corporate philosophy and culture, while the Regional Specialist Program offers Korean employees an opportunity to learn the languages and cultures of other regions and to broaden their experiences by working abroad in regions with strategic importance to Kia.

At the same time, Kia Motors continues to raise the portion of female workforce in the long-term by focusing on the competencies of women, which account for half of the global population. As 65% of all Kia employees are involved in production, the majority of female employees are office workers. Accordingly, female employees make up only 2.9%, or 994 people, of Kia Motors' total domestic workforce. However, this figure has increased by 2.9% from the previous year. The number of female managers is also growing steadily each year, totaling 54 as of 2016, which increased by 28.6% from the previous year.

As childrearing is the main cause of female career discontinuity in Korea, Kia Motors is constantly expanding maternity programs in line with the growing number of female employees. On top of legally protected maternity leave before and after childbirth, the company also guarantees a flexible work hour system and childcare leave for employees with preschool-aged children. Kia Motors also plans on expanding the number of corporate daycare centers at worksites, in addition to the first one at the head office building in Yangjae-dong, Seoul that opened in 2013. Family-friendly management practices gained momentum with the launch of a company-wide team under the control of the HR Division in 2014, which is comprised of personnel dispatched from each business division and plant. This initiative helped Kia Motors earn a Family-friendly Business Certificate from the Ministry of Gender Equality and Family that same year.

### Work-Life Balance

The Smart Work Campaign has been in operation at Kia Motors since 2012 to establish a more sensible and productive work process. With the goal of increasing work efficiency and realizing a paperless workplace, documents were computerized on databases; infrastructure was built for video-conferencing on the corporate instant messaging system; other work-related infrastructure, such as our corporate portal, is in operation; and a company-wide campaign is being conducted to improve our business meeting culture and practices. In 2017, Kia Motors plans to establish a portal platform to support all operation areas. In addition, it will extensively promote a campaign to improve communication among employees and to spread a flexible reporting culture. To achieve sustainable growth amidst the rapidly changing management environment, it is essential for Kia Motors to build a corporate culture to lead its own value creation. Hence, Kia Motors is striving to establish a young and dynamic corporate culture based on the Kia Spirit of "Young at Heart." The Kia Spirit begins with these two questions, "What is the value we create?" and "What is the meaning of our work?" The value Kia Motors creates is more than simply automobiles. This is evident in Kia's "A Different Beat" brand essence which encompasses the values that the company intends to deliver to its customers. From the release Korea's first four-wheel drive model as well as the Elan, Korea's first authentic two-seater sports car, and groundbreaking vehicle concepts such as the Soul and Sportage, to design management that is effectuating changes in its corporate system and culture, Kia Motors has been making efforts to deliver the value of "being the first and new."

Kia Motors has been growing hand-in-hand with its young and energetic employees who are always full of curiosity and enthusiasm. Being young means to be young at heart, which goes beyond physical age. A person who has a positive outlook on life and is not afraid to take on new challenges or a person who respects different opinions of others and pursues harmony with them is young at heart. Embodying the lives



### Kia Spirit

Kia Spirit

Young at Heart

Characteristics

Young Heart Mode

Action Guide

## Be Young at Heart



of people who are young at heart, how they work and how an organization of such people functions, Kia Motors announced "Young Heart Mode," which is the Kia Spirit action guide, to all employees in December 2016. "Young Heart Mode" will guide Kia Motors' employees to think and act younger.

A company-wide comprehensive action plan to promote substantial changes in every employee and the organization by internalizing the Kia Spirit will start in 2017. With an organizational activation program, employees will broaden the scope of their consensus. In addition, efforts will be made to improve the HR system, education opportunities and working environment. By doing so, Kia Motors will promote substantial implementation of this plan on the basis of strong management support. Kia Motors will become a young and dynamic organization by setting up a consistent direction for its actions through a reinvigorated corporate culture and related activities at individual plants including overseas operations.

### Managing Health & Safety

Ensuring a safe and healthy workplace where employees enjoy doing their job is important to Kia Motors. To that end, Kia Motors' worksites have industrial medical clinics on their premises to offer physiotherapy treatment for musculoskeletal disorders as well as for general treatment and care. These facilities are open to partner companies' employees as well. Industrial medical clinics offer not only western medical treatment and care, but also oriental medicine and psychological counseling services. In 2016, Kia Motors opened the industrial medical clinic website where plant workers can make reservations for medical treatment as well as check individual health checkup information and treatment details. Through the website, Kia Motors also provides medical information including health information for each account as well as extensive health screening allowances to ensure that employees receive regular checkups and remain healthy. In addition to the legally mandated ex-

aminations for general physical examinations, Kia Motors subsidizes screening for adult diseases. Employees working at Kia Motors for ten years or more or those aged 40 or above can benefit from additional comprehensive physical examinations for one of their family members. Beneficiaries can choose from any type of physical examination the company offers. Up to 50% of the cost of additional physician-advised tests is covered by the company. Kia Motors' group accident insurance policy covers one dental implant and up to three cosmetic surgery procedures for injuries resulting from occupational accidents.

In 2016, a total of 23,574 people (15,844 employees and 7,730 family members) received physicals with the total subsidies amounting to KRW 4.6 billion. As a corporate subscriber to the National Health Insurance Service, Kia Motors' insurance policy also covers employees' immediate family members with medical allowances and other benefits. In 2016, related expenditures stood at KRW 30.1 billion.

In August 2012, Kia Motors launched the Maeum Sanchaek (literally, "Heartfelt Stroll") Counseling Center. The psychological counseling centers located at plants and mobile counseling service provided to sales offices and service centers were used by 2,745 people for 18,884 hours (accumulated) over four years from August 2012 to July 2017. The service is now being expanded to include employees' family members (1,245 cases) and the employees of partner companies. 83.4% of the applicants completed counseling sessions. An analysis on the progresses of those that used this service indicates an improvement in the quality of life, work satisfaction and work efficiency as well as a decrease in absenteeism.



# Partner Companies

## Creating Sustainable Partnership

No. of Quality Schooling Attendees  
**4,329** persons

No. of Technical Schooling Attendees  
**1,319** persons

2013-2017 Donations to Industrial Innovation Campaign  
**KRW 25 billion**

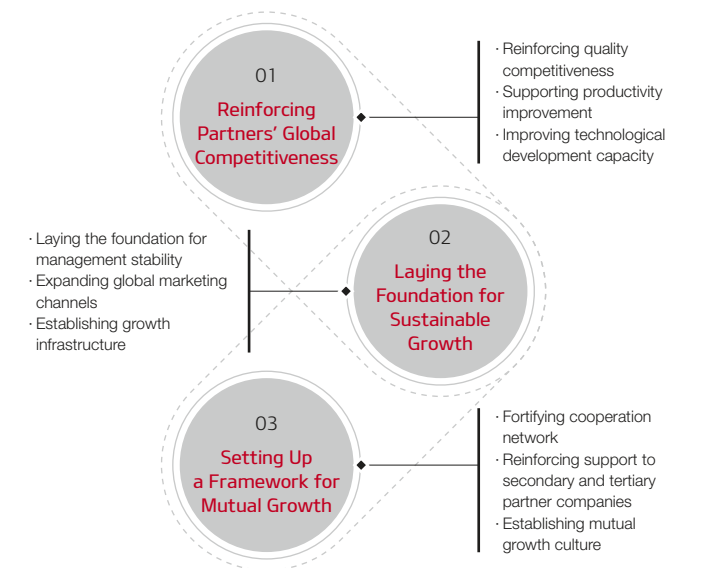
Manufacturing Quality Management Support  
Approx. **4,000** companies

The franchise agreement of Kia Motors does not use terms like "Party A" and "Party B." Instead, to define the relationship with its partners it uses the words "Dong" and "Haeng" ('together' and 'go') which collectively mean 'walking together'. This shows Kia Motors' spirit of mutual growth as it escapes from a vertical relationship and redefines suppliers as its partners for cooperation and mutual growth. Without successful cooperation with partners, Kia Motors could have not been able to provide high-quality products and services to its customers for such a long period of time. Kia Motors will continue to provide various support measures so that its partner companies can build self-supporting competitiveness based on advanced technologies.

### Three Mutual Growth Strategies & Systems

Kia Motors has established three operating strategies for mutual growth and is improving execution by setting up an organization in charge. The three strategies are to reinforce partners' global competitiveness, lay the foundation for sustainable growth and create a framework for mutual growth. Centering on these three strategies, Kia Motors is actively implementing a number of programs to expand the scope of its support to secondary and tertiary partners.

The organization in charge of mutual growth is comprised of the Supplier Cooperation Team and Technology Development Management Team internally and Foundation of Korea Automotive Parts Industry Promotion (KAP) externally. The Supplier Cooperation Team plans and



\* Figures in the text body are the sum of Hyundai Motor and Kia Motors' figures.  
 \* **Data Collection:** Primary parts suppliers (excluding subsidiaries and non-parts specialists with less than 10 percent dependence on Hyundai & Kia Motors), number of partners entering overseas markets alongside Kia includes secondary/tertiary partners (sales/financial indexes to be completed after May 2017, figures from 2015 used, other indexes based on 2016)

executes company-wide mutual growth programs and the Technology Development Management Team takes charge of technical assistance to partner companies. KAP was co-founded in 2002 by Hyundai Motor affiliates and 165 partner companies to promote the advancement of the automotive parts industry. Each year, the Hyundai Motor invests KRW 5 billion as an operating fund.

Kia Motors established 'management by walking about (MBWA)' in 2010 to address the inconveniences of partner companies. In fact, MBWA at secondary partners are accompanied by the representatives of primary partners for tripartite collaboration to find solutions to quality and technological issues. Since 2014, Kia Motors has been contributing KRW 50 billion each year to a fund for financing R&D and HRD of SMEs, IT convergence of manufacturing businesses, and suppliers' entry into overseas markets over a period of five years.

### Why Is This Material Issue?

As global enterprises are faltering in the sole pursuit of profits, many companies have realized the importance of "mutual growth." The efforts of global enterprises to build and expand a sound ecosystem for coexistence with partner companies are a ray of hope amidst the difficult economic environment that surrounds us. Practicing ethical management to fulfill its social responsibilities in addition to investment and support, based on the recognition that competitiveness of partner companies is a shortcut to seizing market leadership, will make a company stand firm for many years to come.

#### APPROACH

Kia Motors' responsibility and duty for its partner companies do not end at simple economic growth. Kia Motors shares its vision with partner companies for mutual growth, passing on technologies to improve their competitive power at the source and support them so that they can build the strength to cope with external variables. It also executes and checks outcomes of detailed strategies so as to ensure that its support policy reaches secondary and tertiary partners that are outside the range of direct support. Since 2001, Kia Motors has been checking the usefulness of its strategies by investigating the external and internal growth of its partner companies on a yearly basis and continuously expanding the scope of its support.

#### EFFORTS

- Donating operating funds of KRW 5 billion every year to KAP
- Contributing a fund of KRW 50 billion each year over five years for financing R&D and HRD of SMEs, IT convergence of manufacturing businesses, and partner companies' advancement into overseas markets
- Operating quality and technical schooling for SMEs
- Managing Mutual Growth Fund and Win-Win Molding Facilities Fund
- Evaluating partner companies' quality, delivery and technological standards according to a quantified criteria and notifying results through an online system (VAATZ)

#### FUTURE ACTION

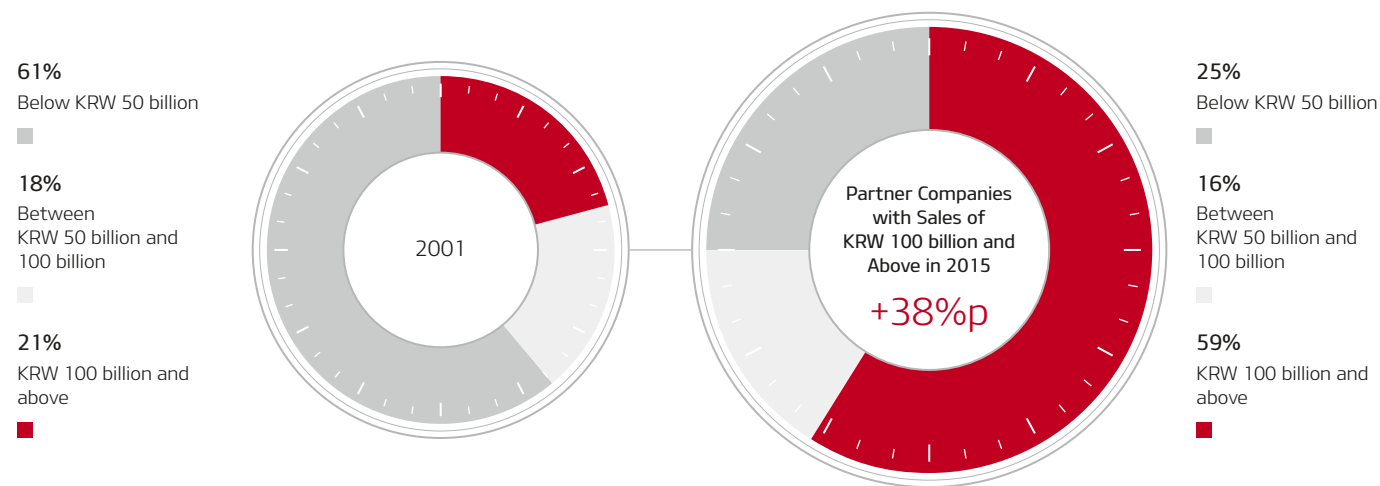
Kia Motors supports its partner companies to build technological power recognized in the global market and self-supporting competitiveness to cope with external variables so as to keep pace with international trends in management.



Partner Companies



## Partner Corporate Size



### Strategy 1. Reinforcing Partners' Global Competitiveness

With clear objectives to improve quality, technology and productivity, Kia Motors provides practical support to its partners in reinforcing their global competitiveness through a dedicated team consisting of experts with on-the-job experience in R&D, procurement, quality control, and production under the KAP umbrella.

The support varies by need, such as training sessions, three-month to one-year stay-overs at sites for instructing, and arranging sessions for information sharing and technology exchanges. Kia Motors also co-develops technologies with partner companies and supports them with patent filings and license protection, with a particular focus on secondary and tertiary partners who often lack opportunities in this regard. In addition to its internally developed programs, Kia Motors seeks collaboration with related entities and primary partners to expand the scope of its activities.

For instance, in 2016, 4,329 trainees completed 10 quality/technology training courses for SMEs and MEs at the Quality School and 1,319 trainees completed eight courses at the Technology School. While offering secondary partners with quality control education by business type, Kia Motors helps them improve working conditions and production processes through technology innovation under the Industrial Innovation campaign. Hyundai Motor Group's automotive affiliates have made a commitment with primary partners and related experts of KRW 25 billion in total over the course of five years from 2013 to 2017 to provide any required assistance. From August 2015 to July 2016, 150 of Kia Motors' partner companies benefited from this program. Additionally, Kia Motors' technicians visit the production lines of secondary and tertiary partners to provide instructions on quality control. A total of 4,000 partner companies including 200 from overseas operations have received this support. Also, a monthly average of 436 engineers from

45 Kia partners participated in Kia Motors' R&D activities to develop new models under the Guest Engineer Program.

### Strategy 2. Laying the Foundation for Sustainable Growth

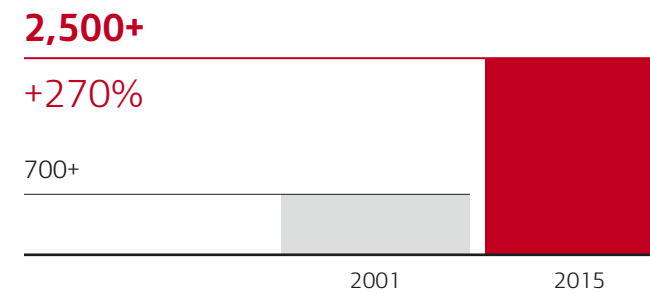
Stable cash flow is critical to sound business management. If a business is to achieve continued growth, it must be able to seize present opportunities to invest in its future. That is part of the reason why Kia Motors pays all its bills and invoices to SME partners in cash. Based on its negotiating advantage arising from massive purchases, Kia Motors either negotiates raw material prices in its favor or organizes bulk purchases to help partners slash their procurement costs. In addition, 10 different funding programs are available for Kia Motors' partner companies according to their needs and uses. Since 2013, the scope of beneficiaries for the Mutual Growth Fund and Win-Win Molding Facilities Fund has expanded to secondary and tertiary partners. In 2016, Kia Motors expanded the eligibility of payment in cash from the previous KRW 300 billion in sales volume to KRW 500 billion to increase support to MEs.

The second objective of laying the foundation for sustainable growth can be achieved by helping partner companies' global market expansion efforts. Hyundai Motor Company and Kia Motors provide all-out support to domestic partners as they advance into overseas markets where Hyundai and Kia's plants are in operation. As of 2016, 700 of Kia Motors' partner companies including secondary partners were active in global markets and the number has been growing each year. Kia Motors' extensive assistance to partners' global expansion activities includes sharing export logistics and assisting with the setup of country of origin certification systems.

Lastly, Kia Motors supports its partners with their recruitment and training of employees and with realizing ideas for reinforcing their

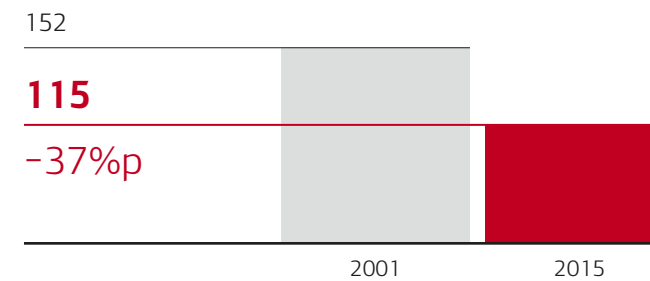
## Average Sales

Unit: KRW 100 million



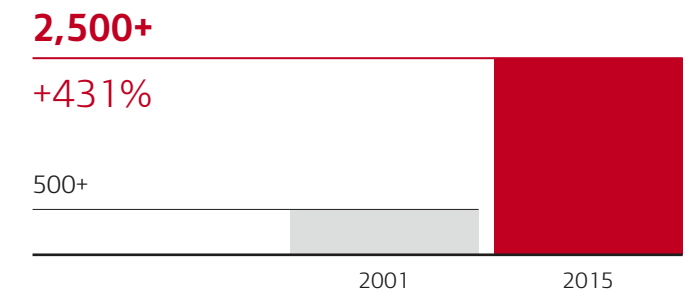
## Debt-to-equity Ratio

Unit: %



## Assets

Unit: KRW 100 million



## No. of Partners Entering Overseas Markets Alongside Kia

Unit: companies



eco-friendly competencies. In a bid to tackle the chronic disparity in SME labor market supply and demand, Kia Motors has held a yearly Partner Job Fair since 2012. In 2016, 325 partner companies including secondary and tertiary partners and service shops participated in the fair. The number of annual new employment recruits by Kia Motors' primary partners in 2016 was 13,600. In 2015, Kia Motors also launched the Employment Stepping Stone Program where it will provide 2,400 young adults with job training and internships at its primary suppliers until 2018. Participants will be joining the eight-week job training course at Hyundai Motor before working three months at one of the Group's primary partners to acquire on-the-job experience and a chance of securing permanent employment.

### Strategy 3. Setting Up a Framework for Mutual Growth

By setting up a framework for mutual growth, Kia Motors aims to establish fair and transparent transactions as well as mutually beneficial growth practices within its corporate culture. Council meetings are designed to help primary partners build cordial partnerships. From quality control and technology development to financing and global expansion assistance, Kia Motors is increasing the scope of all programs to cover the entire supply chain.

Since 2009, Kia Motors has been entering into an Agreement on Mutual Growth with all suppliers every year, offering them support in ethical management and corporate social responsibility management. At the same time, almost all of Kia Motors' partners at home and abroad have obtained OHSAS 18001 certification upon its advice to ensure workplace safety. As a means of ensuring faithful compliance with the agreement and that secondary/ tertiary partners benefit from it, Kia Motors' procurement executives carry out performance evaluations to assess their mutual growth performance. Also, primary partners come

under Kia Motors' review to ensure that they are honoring their settlements with secondary/ tertiary partners. In 2016, Kia Motors earned an "Excellent" grade on the Mutual Growth Index for the third year in a row. The Mutual Growth Index is calculated based on fair transaction/ mutual growth agreement implementation results and SME satisfaction survey results.

Kia Motors has also enacted a Procurement Headquarters' Code of Ethics and Four-pronged Subcontracting Guidelines to ensure ethical practices by departments involved with its partner companies. Operated in a non-disclosed manner for employees of partner companies, the Transparent Procurement Center receives grievances from these employees, delivers them to the relevant departments and promotes the necessary follow-up and improvement activities.

Procurement is conducted through an online system called VAATZ.\* The results are published after evaluation on the submitted bids for product quality, payments and technological competencies according to the Five-Star System scale.



# UN Sustainable Development Goals & Kia Motors

In 2016, SDGs (Sustainable Development Goals) were officially launched with agreement from all of the 193 UN member states. Kia Motors supports SDGs, which are aimed at building a sustainable society, and has proclaimed the will to contribute to their implementation through CSR management. Kia Motors will establish SDGs initiatives in the short run centering on social outreach projects and spread them across its management system in the mid- to long-term.



2016 - 2017

## Introduction

### Establishing Initiatives for SDGs

(focusing on key projects)

- Establishment of GLP/ of Green Trip initiatives
- Reinforcement of GLP/ of the Green Trip Cooperation system

2018 - 2019

## Establishment

### Leading Communication of SDGs

(CSR projects)

- Initiative implementation report (using sustainable report)
- Participation in global forums
- Reorganization of the CSR website

2020 -

## Diffusion

### Establishment of Management System for SDGs

(covering the entire management system)

- Diffusion of SDGs across the company/ performance assessment



# Green Light Project



The Green Light Project (GLP) was planned with the goal of increasing educational and public health rights in underdeveloped countries and promoting the self-reliance of local communities. In order to establish a foundation for education, health and self-reliance to people facing limitations, Kia Motors built the GLP Job Training Center, schools and public health centers in nine local communities in six African countries. Mobility programs to provide vehicle support, in particular, are a success case that clearly reflects the Kia Motors' area of business as an automobile company. Kia Motors' employees have been participating in the GLP since 2013. In 2016, the fourth GLP Employees Volunteer Group, which is comprised of Kia Motors' employees at home and abroad, performed voluntary service activities for ten days in Salima and Lilongwe, Malawi. In addition, through K-Nanum Together, an internal fund raising system, Kia Motors' employees are participating in a 1:1 affiliation campaign with the students of the GLP School. In 2016, approximately KRW 630 million was raised, which was double the amount of the previous year. Celebrating their fifth anniversary in 2017, the GLP bases in Tanzania and Malawi where the project was first launched are soon to undergo project transfers. Kipato House, a self-supporting project site in Tanzania, creates profits by selling school uniforms made by local residents and students. The profits are reinvested in the operation of the GLP School.

In Salima, Malawi, a local project transfer is also scheduled for 2017. GLP public health centers with full-time stationed Korean nurses and mobile clinics treated around 10,000 people in 2016. Considering that approximately 49% of the patients are malaria-infected, a malaria prevention program is provided to local residents. These facilities provide better-quality public health services at only 50% of the cost of public health centers in other regions. The revenues are again used as an operating fund. Kia Motors is also working on a project to provide fertilizers to help the self-reliance of local residents. During the rainy season when it is difficult to secure fertilizers, Kia Motors provides corn fertilizers to increase the production volume. At the same time, profits are generated on the basis of bulk sales through the union. Starting with GLP bases in Tanzania and Malawi, Kia Motors will start expanding local project transfers in 2017 by establishing a sustainability system each year. It will concurrently apply this project model all around the world in addition to Africa. In 2017, a new base will be built in Rwanda where the project will be promoted over the next five years. As such, Kia Motors will continue striving to establish a sustainable self-supporting structure in local communities rather than simply giving them money.

	<b>Ending All Forms of Poverty Everywhere</b> Improving the quality of life by establishing infrastructure, such as GLP Schools
	<b>Promoting Sustainable Economic Growth and Increasing The Number of Quality Jobs</b> Operating self-support projects and promoting local project transfers
	<b>Building Sustainable Cities and Transportation Systems</b> Expanding social infrastructure through mobility service operation

# Green Trip



Green Trip is Kia Motors' signature social outreach program in Korea, in which the company takes the mobility-challenged—those who are most in need of convenient access to mobility but often deprived of it—on various types of trips. Launched in June 2012, the program has provided (as of December 2016) travel opportunities to 25,917 beneficiaries for a total distance of 1,592,032km, which is equivalent to forty round-the-world trips. In 2016 alone, 7,985 beneficiaries, or approximately 30% of the total number, participated in this program. The program largely consists of a standard course that sponsors vehicles used for family trips, and the Harmony Expedition program whereby university students survey the installation of convenience facilities for the disabled in key tourist sites across the country. A total of twelve Easy Move vehicles featuring special driver seats for disabled drivers and wheelchair loading are earmarked solely for the program.

The Home-to-Home service was added to the Green Trip program in 2014 and, as of present, the service covers the entire nation. Based on a business partnership with the Korean Army, Kia Motors also began sponsoring vehicles for parents who do not have a means of transportation available when they wish to visit their sons in the military. In 2017, Kia Motors will also install a base for the eastern part of the capital region to ensure convenient mobility for a greater number of people with disabilities and their families.

<b>Green Trip</b>	<b>Initiatives for Universal Mobility by Supporting Trips for the Disabled</b> · Support for trips for the disabled, development of tourist sites in Korea, and activities aimed at improving mobility
<b>Goals</b>	· Travel support for approx. 10,000 people per year (accumulated total of 60,000 persons by 2020) · Building approx. 1,000 cases of travel data per year (10,000 cases of data to be accumulated by 2020)

	<b>Reducing Inequality Around the Country</b> Support for vehicles equipped with convenience facilities for the disabled Support for trips for the disabled
	<b>Building Sustainable Cities and Transportation System</b> Investigation and improvement of convenience facilities at tourist sites and provision of travel information
	<b>Activation of Partnerships to Improve Means of Implementation</b> Improvement of project outcomes through regional partnerships



## Looking after Future Generations



Red Clover is a program which gives university students the opportunity to plan and perform social outreach activities by themselves. This year, participants carried out team activities on the subject of the "transportation vulnerable," which refers to persons with disabilities, children, pregnant women and foreign nationals, by following Kia Motors' CSR shared value of "mobility." The activities included a campaign to raise public awareness of the mobility of people with disabilities, a campaign for banning illegal parking in school zones to prevent traffic accidents involving children, a campaign to spread a culture of consideration for pregnant women and the Public Transportation Picnic program which aims to improve transportation convenience for people from multicultural backgrounds. The students also organized social performances to share the results of their activities with the public. The Kia EcoDynamics Expedition Camp is an eco-friendly design development program that is aimed at improving the quality of life in developing countries. In 2016, the Kia EcoDynamics Expedition Camp was held in Changkat Bintang, an aboriginal village located near Kuala Lumpur, the capital of Malaysia. The expedition involved 88 participants in total, including 39 from Korea, 39 from the four countries of China, Germany, Sweden and Saudi Arabia, and 10 locals from Malaysia. Through field trips and interviews with local residents, the expedition suggested solutions to resolve environmental issues in outback villag-

es. In 2016, the number of overseas participants increased dramatically, broadening the scope of cultural exchanges among participants. Kia Motors has been continuously implementing traffic safety campaigns since 2005. The SLOW Campaign was designed under the concept of "Stop, Look, Walk!" Using ENZY, the company's brand character, Kia Motors is providing traffic safety education to preschoolers and elementary school students as well as their parents. The education programs include "ENZY DAY," an experience-type program held in cultural centers in department stores, and "ENZY KIT," which is held in cooperation with early childhood educational institutes. In 2016, including a three-week education course in China, Kia Motors offered traffic safety education to 40,336 participants through the ENZY DAY program and to 18,325 persons from 450 institutes through the ENZY KIT program. The accumulated number of educational institutes in 2015 and 2016 came to 1,079, which is equivalent to 8.6% of the early childhood educational institutes in the capital region.

**40,336** persons

Annual no. of Participants in ENZY DAY  
Including 3,063 in China

**Looking after Future Generations**

**Initiatives for Fostering Human Resources for the Future to Contribute to Sustainable Development**

- Promotion of the social change project, fostering of eco-friendly global leaders, dissemination of safety culture

**Goals**

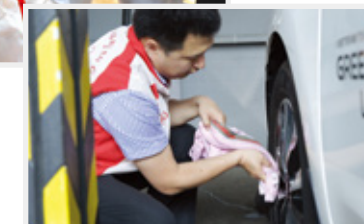
- Implementation of project annually/ increase of participating countries and percentage of overseas participants

**3 GOOD HEALTH AND WELL-BEING** Ensuring Healthy Lives and Promoting Well-being for All  
Launch of a campaign to improve awareness of the transportation vulnerable and traffic safety education to prevent traffic accidents involving children

**4 QUALITY EDUCATION** Guaranteeing Quality Education  
Provision of education to future generations to contribute to sustainable development

**17 PARTNERSHIPS FOR THE GOALS** Expansion of Global Partnerships for Sustainable Development  
Establishment of partnerships with a range of stakeholders in order to achieve SGDs for developing countries

## Employee Volunteerism



Employee participation forms the foundation of all Kia Motors' social outreach activities. After founding its corporate volunteer corps in 2005, Kia Motors changed the volunteer corps system and established the employee-centered "Challenge" and family-centered "K-Family" in 2013. Since 2015, Kia Motors has been holding the "Company-wide Service Week" for two weeks before and after the anniversary of its foundation. During the service week, Kia Motors performs comprehensive environmental improvement activities to ensure safe mobility under the theme of "Mobility," one of its shared social outreach values. In 2016, the Challenge Volunteer Corps, which is composed of 4,311 members from a total of 110 volunteer teams, performed 563 service activities for a total of 16,831 hours, which is an increase of approximately 20% from the previous year (in terms of frequency, service hours and number of participants). The K-Family Volunteer Corps consists of 1,461 members from 471 families, including 198 university students. In addition to regular volunteer service activities, employees participate in various social outreach projects as supporters or self-launched volun-

teer teams. In 2017, Kia Motors will increase the diversity of employee participation in voluntary service activities by introducing the "Voluntary Service Contest."

<b>STEP 1</b> 2005-2015	<b>Building the Voluntary Service Team system and Stabilizing Its Operation</b> <ul style="list-style-type: none"> <li>Launch of the first voluntary service team in 2005</li> <li>Introduction of the "voluntary service week" in 2015 to celebrate the company's foundation (10th anniversary of the service team)</li> </ul>
<b>STEP 2</b> 2016-2020	<b>Internalizing the Voluntary Service Program and Improving Communication</b> <ul style="list-style-type: none"> <li>Expansion of scope to overseas countries</li> </ul>
<b>STEP 3</b> 2021-	<b>Internalizing Voluntary Service of Employees as a Key Element of the Organizational Culture</b> <ul style="list-style-type: none"> <li>Improvement of service team operation with focus on the voluntary service organization</li> <li>Establishment of employees' voluntary service as an integral part of organizational culture</li> </ul>

**Employee Volunteerism**

**Initiatives to Resolve Social Issues in Local Communities (The Poor and Vulnerable)**

- Improvement of residential environment, securing safe mobility, provision of disaster/accident relief

**Goals**

- Each employee to participate in voluntary service once a year or more and for at least four hours ("Nanum Challenge 114 Campaign" based on voluntary participation)

**1 NO POVERTY** Ending All Forms of Poverty Everywhere  
Provision of substantial benefits to the poor and vulnerable

**3 GOOD HEALTH AND WELL-BEING** Ensuring Healthy Lives and Promoting Well-being for Age Groups  
Launch of a campaign to improve awareness of the transportation vulnerable and traffic safety education to prevent children's traffic accidents

**11 SUSTAINABLE CITIES AND COMMUNITIES** Building Sustainable Cities and Transportation System  
Expanding social infrastructure through mobility service operation





## Social Outreach by Worksite

Kia Motors recognizes that the development of the local communities where its plants are located leads to the sustainability of its plants and, ultimately, to the continued development of the company. Accordingly, it examined the social outreach activities performed by each plant and re-established the project scheme according to the company-wide strategic direction for social outreach by reflecting the characteristics of each local community and the operations carried out in each area. The company also promoted an activity to upgrade the social outreach organizations and operating systems at each plant along with the discovery of key projects. In 2015, Kia Motors completed the system improvement for its domestic plants, and, since 2016, it has been promoting key projects on the basis of the improved systems. For its overseas plants, system improvements were carried out in 2016 and their implementation will begin in 2017, centering on the key production subsidiaries. In order to support social outreach activities in local communities, Kia Motors has been holding meetings of its global social outreach consultative body, an extension of the social outreach committee operated in Korea, since the fourth quarter of 2016. Through this quarterly meeting, Kia Motors searches for solutions to social outreach issues at domestic and overseas worksites. It also plans to organize an annual conference for social outreach officers from all domestic and overseas worksites.

## Public Campaign

Kia Motors has been carrying out K-Bean, a public campaign with netizens, for three years since 2014. In 2016, it started a campaign to deliver the value of "Opportunity for Challenge" by advancing from the "Mobility" campaign to renovate the vehicles of the transportation vulnerable. Through this campaign, 1.47 million netizens sent messages of support to Lee Do-yeon and Jeon Mi-gyeong, wheelchair cyclists who competed in the Rio 2016 Paralympic Games, and raised a fund of KRW 21.31 million. Together with Kia Motors' donation of KRW 15 million, the fund was delivered to the cyclists to support their training alongside two latest-model hand cycles. With the heartfelt support of netizens and Kia Motors, Lee Do-yeon won a silver medal by competing in the H1-2-3-4 road race. She made this splendid achievement within only two years of learning how to cycle. For Lee Do-yeon, a mother of three girls and a late bloomer aged over 40, the netizens' support and encouragement served as great encouragement. Through the K-Bean campaign, Kia Motors conducted the GLP Self-supporting Village campaign, its representative global social outreach project, and attracted public attention to Kia Motors' social outreach activities. In 2017, Kia Motors will further strive to carry out even greater social outreach activities with its customers.

## 17 UN Sustainable Development Goals



1. End poverty in all its forms everywhere
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3. Ensure healthy lives and promote well-being for all at all ages
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5. Achieve gender equality and empower all women and girls
6. Ensure availability and sustainable management of water and sanitation for all
7. Ensure access to affordable, reliable, sustainable and modern energy for all
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
10. Reduce inequality within and among countries
11. Make cities and human settlements inclusive, safe, resilient and sustainable
12. Ensure sustainable consumption and production patterns
13. Take urgent action to combat climate change and its impacts
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17. Strengthen the means of implementation and revitalize the global partnership for sustainable development



# SECTION 04 APPENDIX

## Sustainability Management

UN Global Compact

As an adherent to the UN Global Compact (UNGC) since July 2008, Kia Motors upholds the UNGC principles of human rights, labor, environment and anti-corruption. Our progress and commitment are detailed in the pages listed in the table below.

**UNGC Index**

Area	Ten Principles	Coverage (pages)
<b>Human Rights</b>	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	9, 66-73, 75
	Principle 2: make sure they are not complicit in human rights abuses.	78, 80, 81
<b>Labor</b>	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	59, 80
	Principle 4: the elimination of all forms of forced and compulsory labor;	100
	Principle 5: the effective abolition of child labor; and	100
	Principle 6: the elimination of discrimination in respect of employment and occupation.	58-61, 80, 81
<b>Environment</b>	Principle 7: Businesses are asked to support a precautionary approach to environmental challenges;	50-52, 86, 89
	Principle 8: undertake initiatives to promote greater environmental responsibility; and	53-57, 84-90
	Principle 9: encourage the development and diffusion of environmentally-friendly technologies.	22-32, 38-44, Book in Book
<b>Anti-corruption</b>	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	82-83

ISO 26000

The ISO 26000 is an international standard for social responsibility issued in 2010. Kia Motors endeavors to internalize its seven core subjects and their implications, upholding them as standards of social responsibility in all our business management activities, from top to bottom, in the decision-making process at the managerial-level as well as job execution at the working-level.

**ISO 26000 Index**

Seven Core Subjects	Relevant Issues	Coverage (pages)
<b>Organizational Governance</b>	Decision-making process and structure, delegation of power	16, 17
<b>Human Rights</b>	Discrimination and vulnerable groups, human rights risk situations, avoidance of complicity, civil and political rights, economic, social and cultural rights, fundamental rights at work	58-65, 79-83
<b>Labor Practices</b>	Employment and employment relationships, conditions of work and social protection, social dialog, health and safety at work, human development and training in the workplace	58-65, 79-83
<b>Environment</b>	Prevention of pollution, sustainable resource use, climate change mitigation and adaptation, protection and restoration of the natural environment	24-32, 38-44, Book in Book, 50-57, 84-90
<b>Fair Operating Practices</b>	Anti-corruption, responsible political involvement, fair competition, promoting social responsibility in the sphere of influence, respect for property rights	62-65, 82-83
<b>Consumer Issues</b>	Fair marketing, information and contractual practices, protecting consumers' health and safety, sustainable consumption, consumer service, support and dispute resolution, consumer data protection and privacy, education and awareness	24-32, 38-49, 78
<b>Community Involvement and Development</b>	Community involvement, employment creation, technology development, wealth and income creation, social investment, education and culture, health, skills development	24-44, Book in Book, 58-61, 66-73, 79-81

Membership to Associations and Organizations

Association/Organization	Purpose of Membership
<b>Korea Automobile Manufacturers Association (KAMA)</b>	To promote the auto industry; pursue inter-sectoral joint projects
<b>Korea Chamber of Commerce &amp; Industry (Seoul, Gwangmyeong, Hwaseong, Gwangju)</b>	Mandatory membership as per the Chamber of Commerce & Industry Act
<b>Korea Auto Industries Coop. Association (KAICA)</b>	To cooperate with relevant businesses in advancing the auto industry
<b>Korea Standards Association</b>	To promote industrial standardization and quality management
<b>Korea Fair Competition Federation (KFCF)</b>	To share information and opinions with government and businesses in observing fair trade regulations
<b>Korea AEO Association</b>	To promote safety management practices at on Authorized Economic Operators (AEOs)
<b>BEST Forum: Business Ethics and Sustainability Management for Top Performance</b>	To engage in ethical management and CSR work exchanges
<b>Global Compact Network Korea</b>	To uphold the ten principles of the UN Global Compact
<b>Korea Association for Industrial Technology Security (KAITS)</b>	To promote efforts aimed at protecting industrial technologies
<b>Korea Economic Research Institute (KERI)</b>	To conduct comprehensive research on long- and short-term development issues pertaining to Korean businesses and the nation's economy



# Economy

\*Consolidated financial statements for corporate headquarters and overseas subsidiaries are drafted on a consolidated basis according to International Financial Reporting Standards (IFRS)

	2014	2015	2016
<b>Business Performance</b>			
Production Volume (vehicles)	3,049,692	3,040,650	3,024,045
Sales Volume (vehicles)	3,041,685	3,050,834	3,018,093
Sales Revenue	47,097,049	49,521,447	52,712,906
Operating Profit	2,572,549	2,354,273	2,461,480
Cash Flow	2,363,825	3,375,248	3,275,882
Ordinary Income	3,816,316	3,100,266	3,442,034
Net Profit	2,993,593	2,630,600	2,754,640

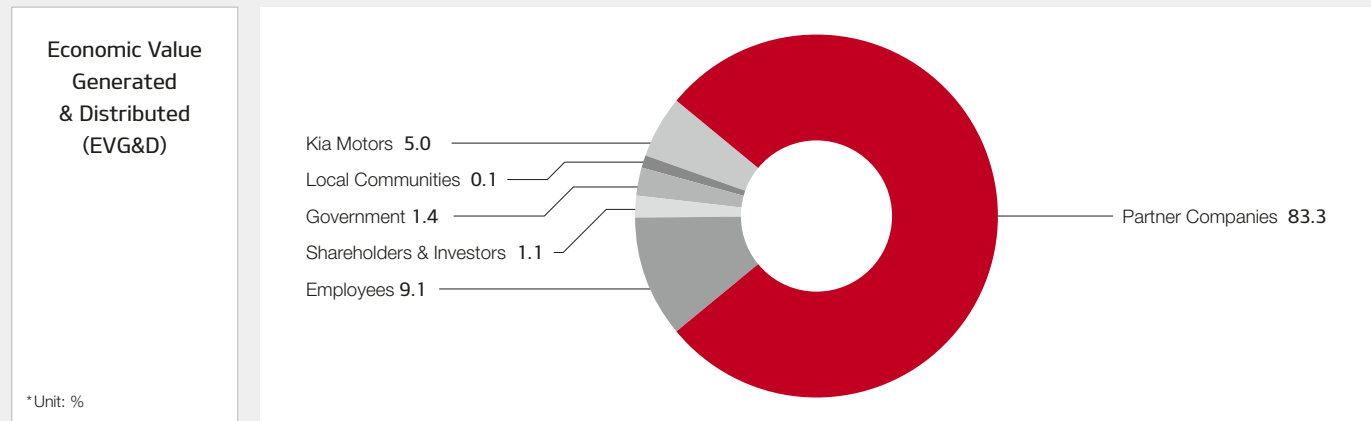
\*Unit: KRW million

	2014	2015	2016
<b>Financial Standing</b>			
Assets	41,044,202	45,980,113	50,889,260
Current Assets	16,655,401	18,390,784	20,912,221
Fixed Assets	24,388,801	27,589,329	29,977,039
Liabilities	18,560,387	21,776,082	24,309,836
Current Liabilities	11,974,388	14,579,485	16,246,900
Fixed Liabilities	6,585,999	7,196,597	8,062,936
Equity	22,483,865	24,204,031	26,579,424
Equity Ratio (capital/ assets)	54.78%	52.64%	52.23%
Debt-To-Equity Ratio (liabilities/ capital)	82.55%	89.97%	91.46%

\*Unit: KRW million

	Detailed Breakdown	2014	2015	2016
<b>Value Distributed to Stakeholders</b>				
Total Value Generated		47,087,015	48,962,402	52,174,846
Sales Revenue		47,097,049	49,521,447	52,712,906
Other Income	Other income - (other costs + depreciation)	(10,034)	(559,045)	(538,060)
Partner Companies	Product & service costs	38,300,949	40,666,452	43,446,035
Value Added Generated		8,786,066	8,295,950	8,728,811
Employees	Wages and benefits	4,721,277	4,809,575	4,768,875
Shareholders	Dividends	404,058	441,025	441,024
Investors	Interest payments	57,240	89,060	139,211
Government	Tax payments (corporate taxes + other taxes)	747,054	730,200	754,753
Local Communities	Donations	26,224	28,399	28,751
Kia Motors	Retained value	2,830,213	2,197,691	2,596,197

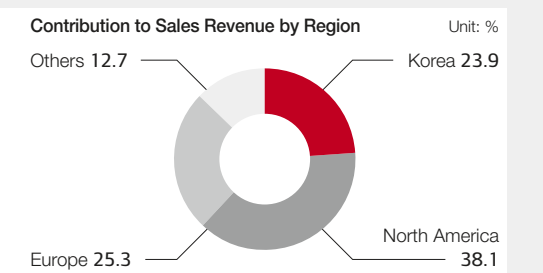
\* Other income = (other operating income + income from investment in affiliated companies + financial income) - other costs (other operating costs + financial costs excluding interest costs and donations) - depreciation costs (depreciation costs + depreciation cost of intangible assets)



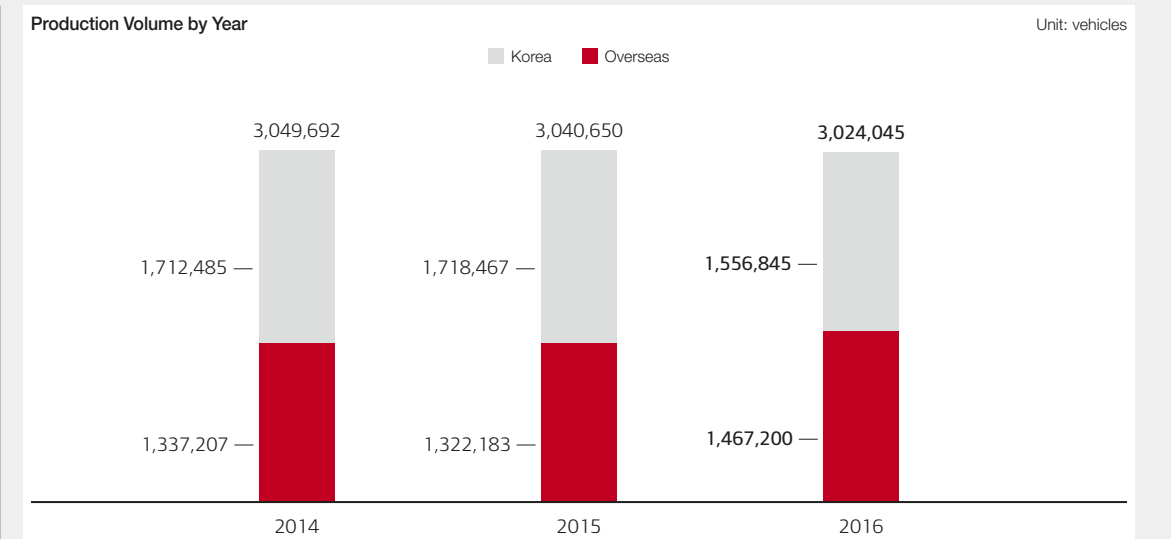
## Sales Revenue by Region

	2014	2015	2016
<b>Sales Revenue by Region</b>			
Sales Revenue	47,097,049	49,521,447	52,712,906
Korea	9,311,265	11,640,861	12,580,145
Outside Korea	37,785,784	37,880,586	40,132,761
North America	16,865,983	18,896,020	20,088,820
Europe	11,892,172	10,889,617	13,343,504
Others	9,027,629	8,094,949	6,700,437

Unit: KRW million



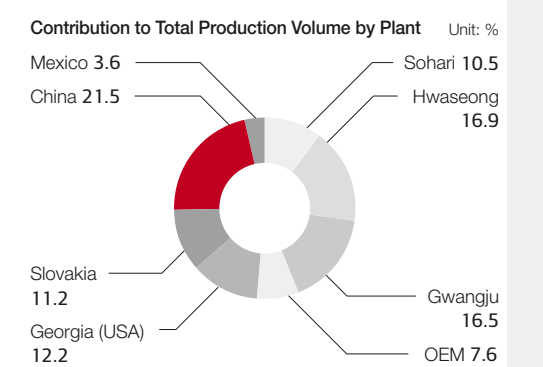
## Production



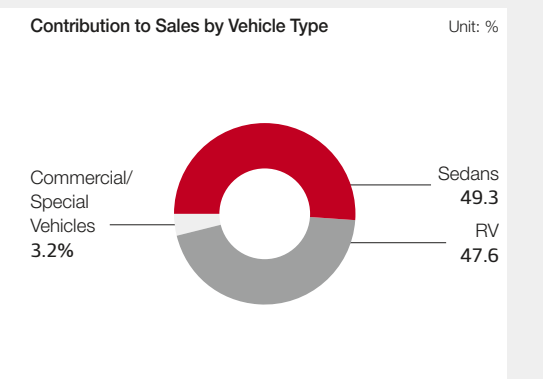
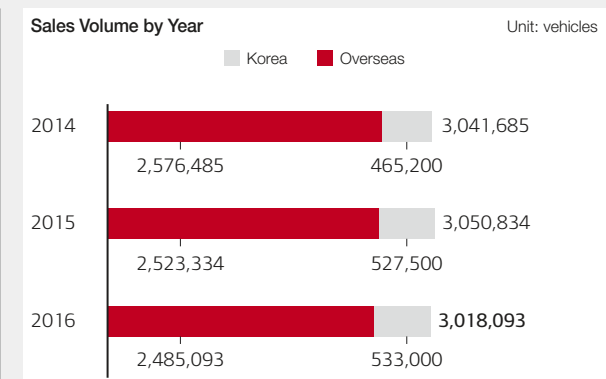
**Production Volume by Plant**

	2014	2015	2016
Sohari	328,517	364,385	318,289
Hwaseong	562,355	546,809	509,620
Gwangju	538,896	533,483	498,680
OEM	282,717	273,790	230,256
Georgia (USA)	369,379	369,063	370,100
Slovakia	323,720	338,020	339,500
China	644,108	615,100	650,100
Mexico	0	0	107,500
Total	3,049,692	3,040,650	3,024,045

Unit: vehicles



## Sales Status



\*Contribution to sales volume by vehicle type and sales volume by year (based on plant sales orders)



# Society ♦ Customers

## Customer Satisfaction Assessment

To ensure the objective assessment and tracking of its performance in sales and service issues from the customer's perspective, Kia Motors commissions a series of customer satisfaction index (CSI) surveys to an external agency every year. Monthly e-mails request feedback from our customers on their most recent purchase of one of our latest models, or on our services at the car lot where they made their purchase. Separately, regular reviews are conducted on the customer reception (eight sessions annually) and over-the-phone response (four sessions annually) attitudes exhibited at our customer contact points. The survey results are published and sent to all relevant staff company-wide, serving as the basis for developing our CS (customer satisfaction) training programs. Furthermore, the Kia Motors Customer Center has completed a fast-track cooperation system called "3-Step Follow-up" whereby customer grievances are addressed, while preventing any similar recurrence in the future. At the same time, the voice of the customers (VOC) program is promoted company-wide to ensure future improvements to our CS practices.

### External

Korea Productivity Center	JoongAng Daily	Korea Management Association Consulting	
National Customer Satisfaction Index (NCSI)	National Brand Awards (NBA)	Call Center Quality Index (KSQI)	Korea Sales Satisfaction Index (KSSI)
Ranked 1st in the micro-compact and RV segments	Recipient of the Automobile Membership Award for the fifth consecutive year	Ranked 1st in the industry for the 4th consecutive year, Best call center for the 13th consecutive year	Ranked 1st in the industry for the 3rd consecutive year

## CS Training

Kia Motors provides regular CS training to all its sales and service employees. Sales staff members receive customized training courses (CS consulting) designed to check their current practices at each regional office, as well as intensive training sessions to help them develop the very best customer reception skills. In addition, the CS premium training course has been opened to train staff members capable of providing high-quality services. Moreover, 1:1 coaching sessions to improve the basic customer reception skills of new employees and image making programs have been provided. As such, differentiated CS training has been conducted a total of 2,202 times targeting 27,285 employees. In 2017, Kia Motors plans to systemize CS field training and expand CS training for managers in order to maximize its effects.

### Sales and Service Training

	2014	2015	2016
No. of Annual Trainees (persons)	41,202	38,538	27,285
Total Training Hours	57,204	54,723	36,227
Per-employee Training Hours (person/ hour)	1.39	1.42	1.33

\* Trainee composition in 2016 can be broken down into 15,596 salespeople (7,925 from regional sales offices including administrative staff and 7,671 from dealerships), 9,377 service staff (3,193 from regional service centers and 6,184 from partner companies) and 2,312 from other departments.

## Customer Information Protection

Kia Motors has been operating the Personal Information Protection Council since 2011 as part of its customer information protection framework, which runs concurrently with the enforcement of the Personal Information Protection Act. In addition, it has established a company-wide cooperation system and is taking measures to ensure security while preparing contingency plans for potential risks. In 2015, Kia Motors obtained the Personal Information Protection Level (PIPL) certification from the Ministry of Government Administration and Home Affairs and built a more systematic management framework. In 2016, it dedicated efforts to strengthening personal information protection by receiving a privacy protection certification follow-up review, which was then integrated into the PIMS (Personal Information Management System). As a result of these efforts, Kia Motors was found to have had absolutely no cases of violations at an inspection conducted by the Ministry of Government Administration and Home Affairs and the Korea Communications Commission, the overseeing government organizations. With this accomplishment, Kia Motors has once again proven that it complies thoroughly with all personal information protection laws and regulations. Kia Motors will continue to do its utmost to prevent personal information invasion accidents and protect customers' personal information by introducing updated systems and physical security devices.

## Product Labeling

All Kia models are labeled with CO<sub>2</sub> emission (g/km) and fuel economy information to ensure that customers make informed purchasing decisions. All new models rolled out since January 2013 are labeled with their weighted combined fuel economy (55 percent for city driving, 45 percent for highway driving) as per the changes to the fuel economy calculation standards.

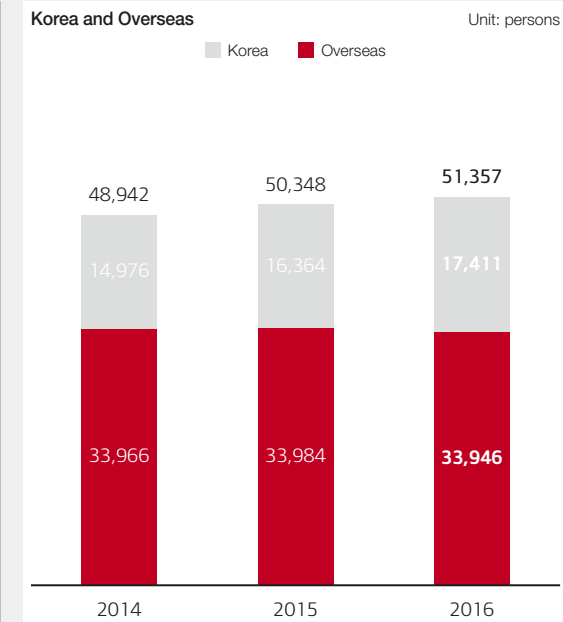
## Customer Marketing Communication

In terms of marketing and corporate external communications, Kia Motors strives to avoid any infringements upon customer privacy, the application of double standards or exercise of undue influence on vulnerable groups. While aligning its marketing communication activities with cultural and ethical norms, Kia Motors also makes sure that its overseas marketing activities conform to local sensibilities through advance research and local canvassing. Kia Motors did not violate any regulations or receive any fines with regard to its marketing communication efforts in 2016.

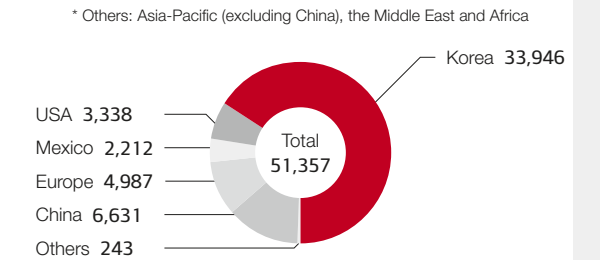
# Society ♦ Employees

## Total Workforce

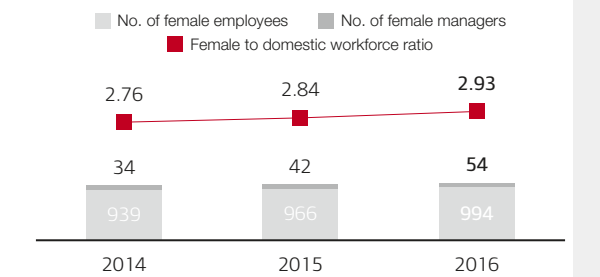
\* As of December 31, 2016  
\* Target: Full-time employees (excluding outsourced employees and interns)



## Workforce by Region

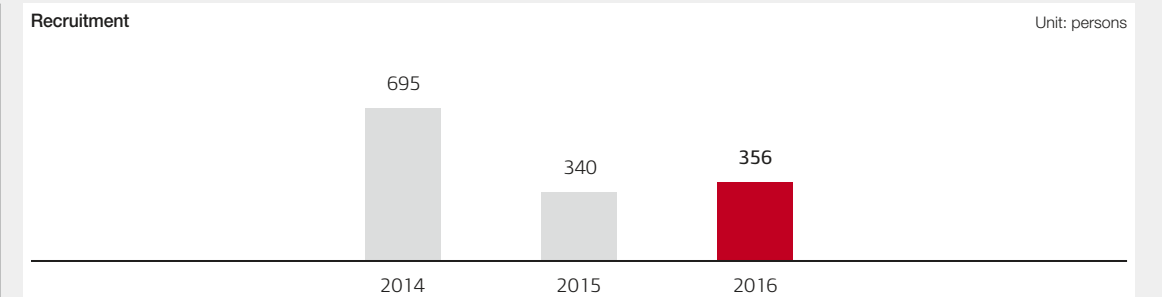


## Female Employees



## Recruitment

\* As of December 31, 2016  
\* Scope: Domestic workplaces  
\* Target: Full-time employees (excluding outsourced employees and interns)  
\* R&D centers are operated in conjunction with Hyundai Motor. R&D center figures herein refer to "non-researchers."



## Recruitment by Region

	2014	2015	2016
Headquarters	76	69	85
Sohari	207	120	80
Hwaseong	203	84	69
Gwangju	120	18	37
Namyang R&D Center	5	4	14
Others	84	45	71
<b>Total</b>	<b>695</b>	<b>340</b>	<b>356</b>

## Recruitment by Age/ Gender

		2016(persons)	Percentage(%)
By Age	Ages 20 - 29	279	78.4
	Ages 30 - 39	65	18.3
	Ages 40 - 49	8	2.2
	Ages 50 and above	4	1.1
By Gender	Male	305	85.7
	Female	51	14.3

## Retirement & Resignation

\* As of December 31, 2016  
\* Scope: Domestic workplaces  
\* Target: Full-time employees (excluding outsourced employees and interns)

## Retirement & Resignation by Region

	2014	2015	2016
Headquarters	35	34	36
Sohari	21	80	63
Hwaseong	23	47	49
Gwangju	24	56	59
Namyang R&D Center	6	3	1
Others	51	117	150
<b>Total</b>	<b>160</b>	<b>337</b>	<b>358</b>

## Retirement & Resignation by Age/ Gender

		2016(persons)	Percentage(%)
By Age	Ages 20 - 29	48	13.4
	Ages 30 - 39	55	15.4
	Ages 40 - 49	51	14.2
	Ages 50 and above	204	57.0
By Gender	Male	336	93.9
	Female	22	6.1



## Wages

Indicator	2014	2015	2016
Average Period of Continuous Service (years)	18.2	19.6	20.4
Annual Wage (KRW Million)	3,540,533	3,576,069	3,403,637

\* Period of continuous service as of the date an employee joins the company.  
 \* The total wage amount was recalculated according to the audit report calculation criteria.  
 \* For wage per person, refer to the audit report and the business report.

## Fringe Benefits

Kia Motors' fringe benefits system does not discriminate between full-time and temporary (or part-time) employees. On top of the legally mandated fringe benefits, Kia Motors provides a wide range of benefit programs to contribute to the quality of life and security of its employees, and to boost their morale for trust-based labor-management relations. In 2016, 86 employees used their legally mandated childcare leave, with 35 employees taking maternity leave (including miscarriage/ stillbirth leave). In addition, nine pregnant employees used the flexible work hour system for an average of 39.4 days each.

### Childcare Leave

No. of Employees on Childcare Leave (persons)		2014	2015	2016
		Male	12	20
	Female	60	75	68
Rate of Return after Childcare Leave (%)		100	100	99

\* **No. of Employees on Childcare Leave:** Employees who took childcare leave for at least one day during the reporting period.  
 \* **Rate of Return after Childcare Leave:** Employees who returned from childcare leave during the reporting period  
 \* If the same employee with several children extends childcare leave for a different child, it is counted separately.

### Fringe Benefit Expenses

	2014	2015	2016
Total Expenses (KRW 100 M)	5,566	5,702	5,927
Per-employee Benefit Expenses (KRW million)	16.60	16.80	17.46

\* Total expenses were recalculated according to the audit report calculation criteria.

## Human Rights

Kia Motors upholds the basic human rights of its employees. Employees can vent their grievance(s) through the intranet-based processing system, where the progress and outcome of the handling of received grievance(s) can also be tracked. Furthermore, in its efforts to prevent sexual harassment and protect human rights, Kia Motors gives its employees semi-annual classes on all the relevant laws, corporate regulations and related punishments. Also, Kia Motors runs the Sexual Harassment Counseling Center within the Employee Counseling Center to prevent such incidents at the source. Separately, the Committee for Female Employee Counseling assists female employees in resolving any problems.

## Human Resource Development

Based on the directive to "establish a high-performance organization for future business value creation," Kia Motors is setting up a human resources fostering scheme and providing a range of HR development programs in order to contribute to improving the competency and performance of its employees at home and abroad. To improve employees' competencies, it is providing job training to develop global top-level experts. In addition, by targeting future leaders, the company is systematically fostering human resources, including future leadership building. Kia Motors is also creating a sound organizational culture so that individual employees and the organization can move in the same direction and pursue the same overall goals together. At the same time, it is providing a consulting service designed to help employees create greater outcomes and resolve their job-related problems. Since 2004, Kia Motors has been offering a post-retirement life design program to employees leaving the company through regular retirement. Under this program, the company offers opportunities for career setting and helps relieve employees' anxiety about retirement. In 2016, a total of 170 retirees participated in the program. Kia Motors was unsparing in its support, providing them with education on subjects including economy, occupation and health. In addition, Kia Motors is organizing human rights educational sessions related to sexual harassment as well as cultural, industrial safety and security education in order to establish human rights practices amid the current global management environment. Through these efforts, Kia Motors is preventing and improving a wide range of human rights violations that are happening or could potentially take place at its worksites. Kia Motors is also making efforts to respect the human rights of all stakeholders that are impacted by its management activities.

### Employee Education & Training

Unit: KRW, hour

Indicator	2014	2015	2016
Per-employee Education & Training Expenses	600,000	470,000	300,000
Per-employee Education & Training Hours	43	33	47
Total Education & Training Expenses	20,000,000,000	19,700,000,000	18,500,000,000

\* Accumulated Number of Employees Who Completed Training in 2016: 290,274

## Labor-management Relations

Kia Motors has established mutually cooperative and productive labor-management relations based on communication and understanding. In this way, it is not only securing customers' trust by providing them with high-quality products and services, but is also sincerely fulfilling its social duties, including giving back to society.

- **Agreement on 8+8 Shift System:** Both labor and management agreed to a change of work pattern to ensure employees' health by reducing nighttime work and establishing a stable production system that maintains the current production volume (entered into effect as of Jan. 3, 2017).
- **Agreement on Special Employment of Partner Companies:** In response to the social issues surrounding part-time employment, Kia Motors has been making efforts to secure quality jobs through discussion and agreement between labor and management. As a result, special employment has been carried out for a total of 1,049 people.
- **Labor-management Social Outreach:** With the social outreach fund raised during collective bargaining, Kia Motors provides the "Kia Dream Scholarship" to children of families suffering from automobile accidents. It is also striving to fulfill its social responsibilities by performing a number of joint labor-management social outreach activities.

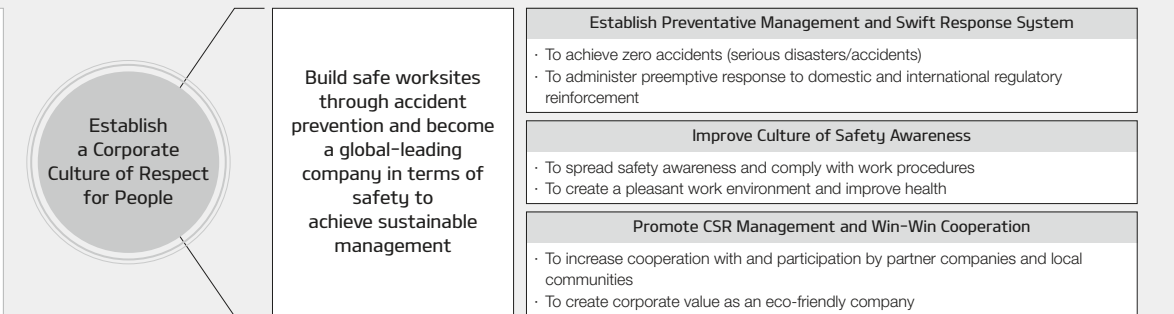
## Health, Safety & Environment (HSE) System

• **Labor Union Association and Collective Bargaining:** Kia Motors guarantees the three primary labor rights according to the Constitution and recognizes various labor union activities within the scope set out by the Collective Agreement. In relation to maintenance and improvement of the working conditions of labor union members, the company decides the details through autonomous collective bargaining.

\* **Notification of Operational Changes:** Duty of notification set forth in Article 17 of the Collective Agreement establishing and abolishing regulations that affect the lives of labor union members, delivering management performance in a document format.

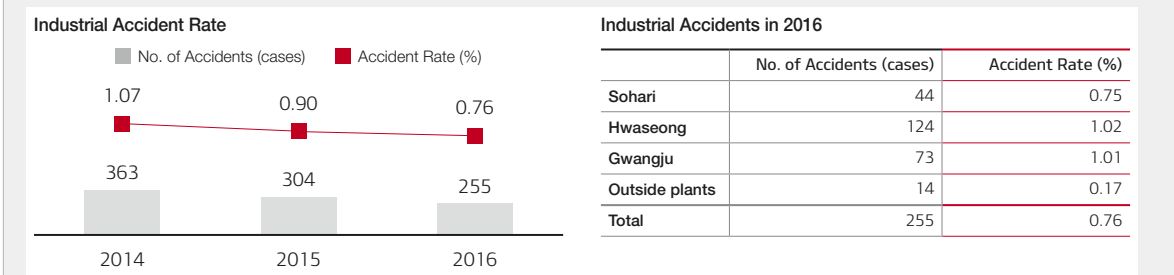
To create eco-friendly and safe production sites, Kia Motors is operating a comprehensive health, safety and environment system (i-HSE). Construction work commences at all Kia worksites only after receiving a permit under i-HSE. In addition, Kia Motors provides related information and educational data so that field workers can check the necessary contents at all times. In 2014, the company upgraded its HSE management system by forming the Production Safety Department which takes charge of safety management of each plant together with the Safety and Environment Planning Division, a company-wide HSE control tower. In the following year, it produced the Safety Facility Guide, a scheme for eliminating risk elements to prevent accidents at worksites, and distributed it so as to prevent the omission of compulsory safety devices in facility investment and to remove major risk elements according to the order of priority. Each plant has adopted self-directed daily/weekly/monthly safety check procedures to detect, control and improve risk factors on site. During the period of MERS-CoV proliferation in 2015, Kia Motors organized an emergency response task force team to block virus diffusion and also prepared an infectious disease response manual. In 2016, when the Zika virus was widespread, it established scenarios for various risk situations on the basis of the "Infectious Disease Response Manual" and distributed guidelines to its domestic and overseas plants, thereby contributing to prevention of the disease. Kia Motors also established a vision for the creation of a company-wide safety culture in the same year. From 2017 to 2020, it plans to secure HSE leadership, establish an award system and activate HSE investment according to a mid- to long-term road map. For this, the company will establish a prevention and swift response system with the goal of achieving zero accidents, improving awareness of safety and the environment, and inducing the participation of its partner companies.

## Safe Work Environment Management Policy



## Preventing and Reacting to Industrial Accidents

Kia Motors maintains safe and agreeable working conditions as stipulated in Article 79 of the Collective Agreement and through the Industrial Health & Safety Committee, which is composed of seven members each from labor and management, at each plant. In addition to the Industrial Health and Safety Committee installed at each business site according to the Occupational Safety and Health Act, a company-wide Industrial Health & Safety Committee convenes labor and management representatives from each plant to discuss and reach agreements on major health and safety issues. The departmental safety and health working-level committee applies resolutions of the company-wide Industrial Health & Safety Committee and the committee of each plant to worksites and implements health and safety measures according to the characteristics of each department. In addition to conducting regular inspections every third year, the company separately assesses the potential risks involved in production line renewal to identify processes that place burden on the musculoskeletal system and establish mid-to-long-term plans to improve such processes. If any musculoskeletal diseases are reported, Kia researches risk factors and takes appropriate measures to improve the work process. Furthermore, Kia Motors has put in place a program to prevent hearing loss from worksite noise and respiratory damage from hazardous airborne substances. All factory and plant workers receive regular health check-ups (ordinary, special, random, and pre-deployment) and can consult with doctors when needed, and the results of their health check-ups are inputted into a computerized database for any possible follow-up measures. Those who are diagnosed as having abnormal symptoms through the health check-up are categorized into three stages according to the risk of cardiovascular disease and receive doctor's consultation, health management collective training, as well as company-wide safety and health training. When an employee is injured through an accident in daily life, he or she will receive compensation during hospitalization through the group accident insurance. The company also offers individualized rehabilitation care (over a period of eight weeks) for employees returning to work after treatment for injuries caused by industrial accidents. Each plant is operated according to the certified i-HSE (Sohari and Gwangju plants: KOSHA 18001, Hwaseong plant: OSHAS 18001/ KOSHA 18001). In addition, Kia Motors strives for accident prevention by complying with standardized safe working methods, providing safety and health training to employees and re-inspecting health and safety facilities. Last year, the number of industrial accidents occurring at Kia Motors' domestic worksites declined by 16%, from 304 cases in 2015 to 255 in 2016. In fact, the frequency of accidents has been decreasing continuously over the last five years.



\* Industrial accident rate formula: Total number of industrial accident workers/total workforce x 100



## Society ♦ Partner Companies

	Type	Unit	Primary Partners	Secondary Partners
Support & Assistance through the Promotion of the Foundation of Korea Automotive Parts Industry	In-House Technical Assistance (Quality/ Technology Volunteer Corps)	12 business types	6	95
	Business Consulting (Partner Support Corps)	6 business areas	31	19
	Technical Schooling	8 courses	1,058	261
	Quality Schooling	10 courses	2,747	1,582
	General Management Training	2 courses	329	91
	Seminars by Business Type	11 business types	1,020	2,362
	Production Management Training	11 business types	26	68

		Payment Method	Payment Cycle
Payments for Goods & Services	Parts for Domestic Use	SME Partners	Cash
		ME Partners (with annual sales of under KRW 500 billion)	Cash
		ME Partners (with annual sales of KRW 500 billion or above)	Cash e-promissory notes (60 days)
		Large Corporations	E-promissory notes (60 days)
Parts for Export		Cash	Monthly

	Type	Program	No. of Sessions	Persons	
Education/Training Programs for Partner Companies	Executive/ Working-level Staff	Quality Competency	Quality seminars and education for quality enhancement of parts	550+	130,000+
		Job Training	Job competency building/assistance education	450+	24,000+
		Quality Awareness	Quality awareness and transparency/ethics education	400+	59,000+
		Total (including overseas worksites)		1,400+	213,000+

**Ethical Management**

Kia Motors defines ethical management as the rectification of wrongful practices or cost structures in order to meet the ethical standards for the benefit of stakeholders, and believes this is an effective means of enhancing the company's long-term competitiveness. In order to secure the momentum for ethical management and monitor the status of its implementation, Kia Motors has formed the Transparent Management Committee under the BOD and assigned it the role of a supervisory organization. In addition, it has established and encourages employees' full compliance with the company's detailed regulations and Charter of Ethics as guidelines to be followed at actual worksites. Furthermore, to raise awareness of ethical management throughout the entire company, it provides education and training on the Fair Trading Act to all its employees. Kia Motors also developed the CP (Compliance Program) in 2002 to ensure the correct implementation and supervision of ethical management, and, since 2012, the company has been operating a compliance management system as an advanced scheme aimed at integrating all its corporate compliance activities.

**Anti-corruption Program**

The CP (Compliance Program) is an internal compliance scheme that a company operates internally for the purpose of following the laws and regulations on fair trade. Kia Motors has registered the CP operating regulations as its work standard and checks the status and progress of their implementation through internal audits. It also shares the details of this standard in company-wide notices and reports the implementation performance to the BOD. In addition, Kia Motors operates the Autonomous Compliance Committee, which is composed of fair trade-related executives and the heads of key departments, together with internal and external training sessions. In 2016, the CEO signaled his determination to practice autonomous compliance on six occasions to all the company's employees, while customized training related to the key issues of fair trade was expanded. By inspecting the CP operational status, Kia awarded departments that achieved an excellent performance in autonomous compliance. As for its partner companies, Kia Motors guarantees them equal opportunities by introducing the principle of competitive bidding for all transactions. In 2012, Kia Motors established a basic supporting organization for compliance management centered on the Chief Compliance Officer appointed by BOD and established corporate compliance control standard and its enforcement serve as the basis for its compliance management activities. Since 2013, Kia Motors has established compliance guidelines for application to its domestic and overseas worksites in relation to the major legal risks that had been identified, and has provided online and off-line compliance training to its employees. In 2016, Kia Motors punished employees who were involved in cases of corruption that were detected through its internal monitoring system, including the Cyber Audit Office, according to the severity of each case. Kia Motors will continue to exert its best efforts to ensure fair competition and transparent work processes by performing strict inspection and prevention activities.

## Society ♦ Partner Companies · Local Communities

Compliance Program Training				
	Period	No. of Sessions	Targets	Subjects
In-house	1H	7	Heads of domestic regional sales offices (8 sessions) and dealers and service center managers	Latest cases related to the Franchise Business Promotion Act and agencies; training on illegal internal trading
	2H	10	Working-level staff from the Apgujeong and Guro Offices among domestic regional sales offices, directors of domestic regional sales offices	Operation of customized courses including unfair transactions and the Act on Fair Labeling and Advertising
Commissioned	1H	4	CP executives and working-level staff	Participation on four occasions in training organized by the Fair Competition Federation on cases of illegal trading and violations of the Act on Fair Labeling and Advertising/fair trading policy
	2H	4		Participation on four occasions in training organized by the Fair Competition Federation on key related laws, the Franchise Business Promotion Act, illegal internal trading and illegal corporate actions

Compliance Training Status in 2016			
	Region	No. of Sessions	Persons
General Compliance Training	Korea	10	205
	Overseas	2	611
Advanced Compliance Training	Korea	29	7,230
	Overseas	1	180
Anti-corruption Training	Korea	21	1,100
	Overseas	2	611

	2014	2015	2016	Total by Sector
Social Welfare	10,306,917,495	11,904,885,000	10,504,828,455	32,716,630,950
Medical Care, Public Health	50,000,000	177,000,000	190,800,000	417,800,000
Education, Schools and Academic Research	4,637,670,700	7,482,683,060	8,552,977,564	20,673,331,324
Arts & Culture, Sports	2,573,671,332	4,151,490,410	5,357,943,388	12,083,105,130
Environment	253,855,000	532,460,000	66,000,000	852,315,000
Emergency & Disaster Relief	1,880,000,000	0	993,835,400	2,873,835,400
International Programs and Activities	3,246,032,416	3,709,434,380	4,427,897,528	11,383,364,324
Others	3,499,000,000	499,335,856	100,500,181	4,098,836,037
<b>Total</b>	<b>26,447,146,943</b>	<b>28,457,288,706</b>	<b>30,194,782,516</b>	<b>85,099,218,165</b>

\* **Scope:** Data collection standard at domestic worksites, expenses qualifying as donations as per the relevant tax laws, cause marketing expenses and sponsorships classified as academic, arts & culture and sporting events.

**Social Outreach Expenditures**

	2014	2015	2016
Annual Involvement (persons)	12,275	11,548	11,270
Total Service Hours	33,968	35,590	36,032
Per-person Service Hours	1.00	1.05	1.06

\* Per-person service hours are the total number of service hours divided by the total number of employees in Korea for the respective year.

**Social Outreach Involvement**



# Environment

## Targets and Performance by Indicator

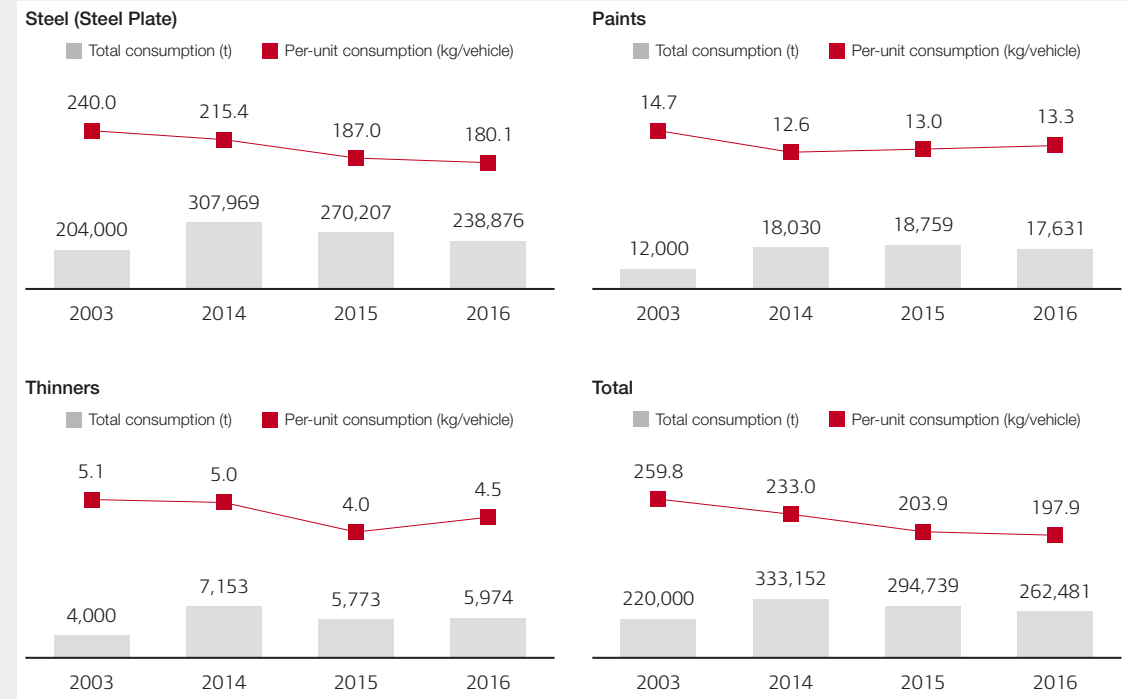
\*Data Collection Target: 3 domestic plants (Sohari, Hwaseong, Gwangju)  
 \*Per-unit Consumption (Discharge): Based on production volume, amount consumed or discharged per automobile produced  
 \*Each value has been rounded off to the first or second decimal place

Based on its environmental management key actions plans, Kia Motors sets targets for key indicators and monitors its performance against them.

	Subcategory			2016			2017 Target
				Target	Performance	Achievement Rate	
Green Growth	Energy (Greenhouse Gas)	tCO <sub>2</sub> e/g	Unit reduction from 2008 level	25.0	25.1	100.4	26.0
Green Production	Air	Dust	Unit reduction from 2003 level	65.0	70.4	108.3	65.0
		SOX		35.0	27.5	78.6	35.0
		NOX		40.0	30.2	75.5	40.0
	Water	COD		50.0	41.2	82.4	50.0
		SS		50.0	15.0	30.0	20.0
	Hazardous Chemicals	Amount Used		40.0	52.2	130.5	60.0
Resource Regeneration	Waste	Recycling	As a percentage of total waste output	92.0	92.8	100.9	93.0
		Landfill Disposal		1.0	1.7	58.8	1.0
		Incineration		6.0	5.5	109.1	5.0
	VOCs	Amount Discharged	Unit reduction from 2005 level	56.0	49.7	88.8	56.0

## Raw Materials

In 2016, the total volume of raw materials consumed declined by 10.9% from 2015, although it showed an increase of 19.3% from 2003. However, the per-unit consumption of raw materials fell by 3.0% from 2015 and by 23.8% from 2003. The per-unit input of steel (not including partner companies' steel usage) decreased by 25.0% from 2003, and both the total and per-unit input dropped from 2015. The per-unit consumption of paints and thinners also decreased - by 9.6% and 11.7%, respectively - from 2003. Leftover zinc-coated steel is sent to steelmakers, while uncoated steel is recycled at the foundry in Gwangju. In 2016, 2,097 tons of steel were recycled, down 5,995 tons from the previous year. The Gwangju plant retrieves thinners and outsources them for recycling, and then reuses the recycled thinners within the plant.



\*Data Collection Target: 3 domestic plants (Sohari, Hwaseong, Gwangju)  
 \*Per-unit Consumption (Discharge): Based on production volume, amount consumed or discharged per automobile produced  
 \*Each value has been rounded off to the first or second decimal place

	Account	Unit	2003	2014	2015	2016
Recycling	Steel (Steel Plate)	t	-	8,544	8,092	2,097
		kg/vehicle	-	5.9	5.6	1.6
	Waste Recycling (Not Reuse)	t	167,145	214,264	218,814	199,273
		kg/vehicle	196.1	149.8	151.5	150.2

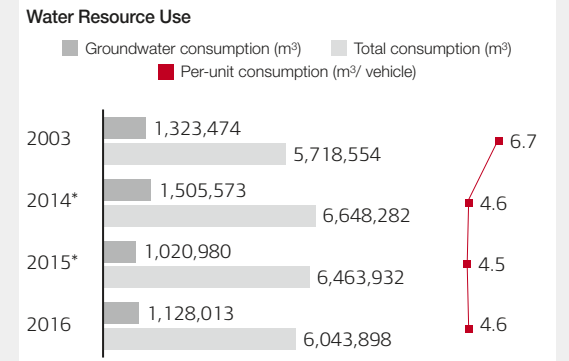
## Water Resources

\*Data Collection Target: 3 domestic plants (Sohari, Hwaseong, Gwangju)  
 \*Per-unit Consumption (Discharge): Based on production volume, amount consumed or discharged per automobile produced  
 \*Each value has been rounded off to the first or second decimal place

Kia Motors gets its water supply from reservoirs that hold more than 200 million tons of water, such as Paldang Dam for its Sohari and Hwaseong plants and Juam Dam for its Gwangju plant). Since 2000, the company has stemmed cooling water overflow, increased the water recovery rate from condensed steam, and conserved lavatory water use by carrying out continuous water conservation campaigns.

In 2016, the company's total production volume decreased slightly and, accordingly, total water resource consumption dropped by 6.5% from the previous year. However, per-unit consumption increased by 2.2%. The efficiency of water input is on the rise, as per-unit consumption declined by 31.3% from 2003, while total consumption increased by 5.7% over the same period.

\*Water resource (groundwater) consumption has been modified according to a change in the method of data collection (2014, 2015), and the per-unit consumption has also been modified.



## Waste Reduction & Recycling

\*Data Collection Target: 3 domestic plants (Sohari, Hwaseong, Gwangju)  
 \*Per-unit Consumption (Discharge): Based on production volume, amount consumed or discharged per automobile produced  
 \*Each value has been rounded off to the first or second decimal place

### Waste Disposal by Method

	2003		2014		2015		2016	
	Total waste (t)	Per-unit waste (kg/vehicle)	Total waste (t)	Per-unit waste (kg/vehicle)	Total waste (t)	Per-unit waste (kg/vehicle)	Total waste (t)	Per-unit waste (kg/vehicle)
Recycling	167,145	196.1	214,264	149.8	218,814	151.5	199,273	150.2
Landfill Disposal	16,931	15.0	2,049	1.4	2,881	2.0	3,582	2.7
Incineration	12,797	19.9	17,469	12.2	11,747	8.1	11,898	9.0
<b>Total</b>	<b>196,873</b>	<b>231.0</b>	<b>233,782</b>	<b>163.6</b>	<b>233,442</b>	<b>161.6</b>	<b>214,753</b>	<b>161.9</b>

Kia Motors has consistently monitored its greenhouse gas (GHG) emissions and maintained a GHG inventory since 2006 when it became the first Korean company to undertake third-party assurance of its GHG emissions on its service and production facilities. In compliance with the Framework Act on Low Carbon, Green Growth, which took effect in 2011, all of Kia Motors' domestic worksites have been tracking and reporting their GHG emissions and energy consumption to the government retroactively since 2007. In 2016, Kia Motors' domestic plants, service centers, sales offices, shipping offices and training centers collectively generated GHG emissions totaling 769,909 tons, of which direct emissions from fuel consumption amounted to 275,087 tons (scope 1) and indirect emissions from electricity use (scope 2) totaled 494,848 tons. Specifically, GHG emissions from the Sohari, Hwaseong and Gwangju plants amounted to 747,955 tons, accounting for approximately 97% of the total emissions from Kia Motors' domestic worksites. Meanwhile, its overseas worksites received their first third-party assurance on GHG emissions at the Slovakia plant and China plants 1 and 2 in 2007. The Georgia plant in the U.S. followed suit in 2010, as did the Chinese plant 3 in 2014, and the Mexico plant in 2016, thus completing the third-party assurance of all of Kia Motors' worksites. In 2016, the total GHG emissions from Kia Motors' overseas worksites stood at 507,434 tons, which can be broken down into 135,449 tons of scope 1 emissions and 371,984 tons of scope 2 emissions.

### GHG Emission Reduction Performance and Goals

Having signed the voluntary agreement (VA) for energy conservation in 2000, Kia Motors is striving to slash its energy consumption and GHG emissions, and has been submitting progress reports to the Korea Energy Management Corporation (KEMCO). As a proponent of the Greenhouse Gas and Energy Target initiative, Kia Motors sets annual reduction goals for its GHG emissions and energy consumption based on the mutual consent of the government, and has been reporting on its progress in this domain since 2011. Kia Motors is also participating in the Emissions Trading Scheme (ETS) that took effect in 2015. Under the scheme, participants are allotted GHG emissions credits which they can exchange or trade in order to control their emissions within the set cap. Kia Motors will continue implementing its reduction initiatives to keep under the target set for the first phase (2015-2017). In the longer run, however, the company has set the goal of curtailing per-unit GHG emissions by 30 percent from 2008 levels, and is looking to achieve the global automotive industry's agreed-upon goal, namely cutting emissions by 7.8 percent compared to the BAU level by 2020.

\*BAU (Business As Usual): Projected total amount of GHG emissions if no reduction measures are taken

### Energy Management System

For the systematic management of energy consumption, Kia Motors is working to attain ISO 50001 (energy management systems) certification. ISO 50001 is an international standard on corporate energy conservation planning and implementation that took effect in June 2011. The Gwangju plant acquired the certification in 2012, followed by the Sohari and Hwaseong plants in 2015.

\*Calculation guidelines: ISO 14064-1 (2006), WRI/WBCSD GHG Protocol (2004)  
 \*Scope 3 is not calculated according to domestic laws  
 \*Greenhouse gas emissions can fluctuate slightly through third-party assurance



## Energy and Greenhouse Gases

### Total Energy Consumption

Unit: 1,000 TJ

Account	2008	2014	2015	2016
Plants	13.1	15.8	15.5	15.1
Others	0.3	0.3	0.4	0.4
<b>Total</b>	<b>13.4</b>	<b>16.1</b>	<b>15.9</b>	<b>15.5</b>

### Total GHG Emissions

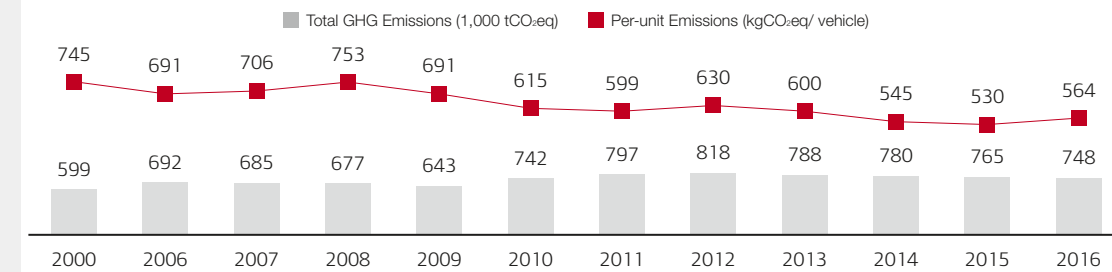
Unit: 1,000 tCO<sub>2</sub>eq

Account	2008	2014	2015	2016
Plants	677	780	765	748
Others	15	14	22	22
<b>Total</b>	<b>692</b>	<b>794</b>	<b>787</b>	<b>770</b>

\*Energy consumption at all domestic worksites (subject to slight fluctuations through third-party assurance)

\*Plants: Sohari, Hwaseong and Gwangju plants / Others: Corporate headquarters, service centers, sales offices, shipping offices, Osan Training Center and Pyeongtaek Port

### Per-unit GHG Emissions



\*Scope: Domestic plants (Sohari, Hwaseong, Gwangju)

\*Emissions Calculation Formula: Scope 1 & 2 emissions based on lower heating value (2000-2006), Operating Guidelines on Greenhouse Gases and Energy Target Management System (Notification No. 2011-29 from the Ministry of Environment [2007 onwards])

### Employee Mobility Emissions

Kia Motors is currently applying a series of measures designed to minimize GHG emissions generated by employee commutes and business trips. Driving to work is discouraged by limiting the issuance of parking passes and enforcing a rotating parking system. At the same time, the company helps employees with their commutes by providing shuttle bus services. At present, some 26,500 employees, or 79% of the company's domestic workforce (33,596 employees), are using the shuttle buses to get to and from work.

In order to reduce business trip distances, Kia Motors has set up a video conference infrastructure at all of its domestic and overseas worksites, while encouraging the use of public transportation and carpools for domestic business trips. Adopted in 2012, the number of carpool business trips surged by 321.0%, rising from 1,554 cases (2.8% of all business trips) in the first year to 4,988 (10.6%) in 2016. Although the total number of business trips increased by 5.0% from 51,616 in 2015 to 54,184 in 2016, the resulting environmental load decreased, with traveling expenses for business trips dropping by 6.9% as a result of the decrease in the number of employees driving to and from work, and from increases in the use of the carpool system and public transportation.

Video conferencing not only cuts CO<sub>2</sub> emissions but also contributes to better meeting practices. Kia Motors' Smart Work Campaign promotes an efficient conferencing culture while providing personal video conferencing equipment to applicants. In 2016, the number of video conferences increased considerably. In fact, around 760,000 video conferences, representing a threefold increase over the previous year (based on Hyundai Motor), were convened during this period. In addition, it established Telepresence\* at head office in December of the same year, and its sales offices in the US and Europe by March 2017 so as to decrease the number of business trips and to ensure accurate and swift decision-making and efficient operations. In addition to the existing video-conference system and facilities, Kia Motors plans to continuously expand its digital conference infrastructure.

	No. of Cases in 2015	No. of Cases in 2016	Comparison with the Previous Year	
Privately-owned Vehicles	16,827	15,809	94.0%	
Express Buses, Nonstop Buses, Airport Shuttles	13,068	15,940	122.0%	
Railway	Express Railway	9,808	9,177	93.6%
	Saemaeul Train	1,135	949	83.6%
Air	394	317	80.5%	
Carpool	4,462	4,988	111.8%	
Other (Subway, Intra-city Buses)	5,922	7,004	118.3%	
<b>Total</b>	<b>51,616</b>	<b>54,184</b>	<b>105.0%</b>	

\*Telepresence: A virtual video conference system that creates the illusion that the participants are actually sitting face to face in the same room via the application of virtual reality (digital display) and Internet technologies. Telepresence is a highly advanced next-generation conference tool that represents a significant step up from the existing video conference system

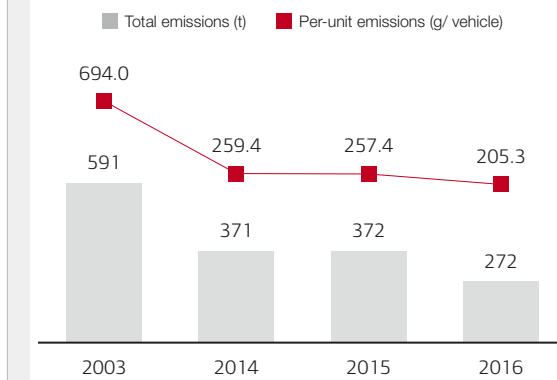
\*Since 2016, business trips without travel expense payment are included in the total number of business trips (intra-city bus and subway trips are processed as intra-city travel expenses)

## Environmental Pollutants

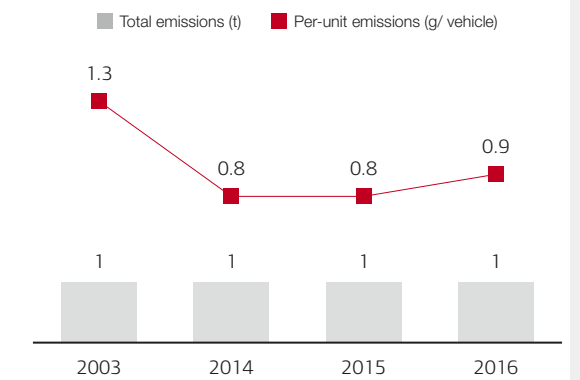
### Air Pollutants

Kia Motors has installed optimal air pollution prevention facilities at all of its plants as part of the drive to minimize its air pollutant emissions. In particular, it is using LNG, a clean fuel, to power the boilers at its domestic plants. In addition, the boilers and other high-polluting facilities at the Sohari and Hwaseong plants are equipped with tele-monitoring systems (TMS) for round-the-clock monitoring. The air pollutants emitted by each worksite are scrupulously controlled according to corporate standards that are only 30 percent of the legal minimum permissible amount. Thus, total GHG emissions for 2016 fell by 10.8% from 2015, while per-unit emissions dropped by 2.9% over the same period. However, against the base year (2003), the total volume and per-unit emissions dropped by 28.4% and 54%, respectively. The per-unit emission reduction since 2003 is equivalent to 27.5% for SO<sub>x</sub>, 30.2% for NO<sub>x</sub> and 70.4% for particulate matter (PM).

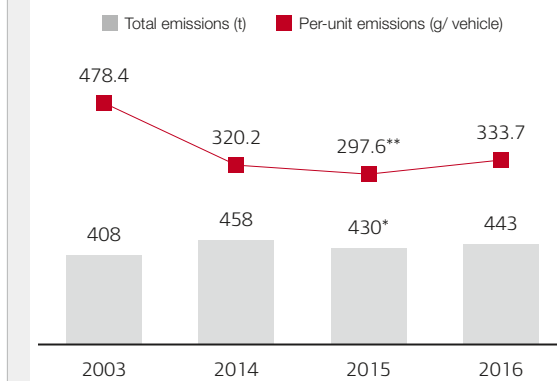
#### Particulate Matter (PM)



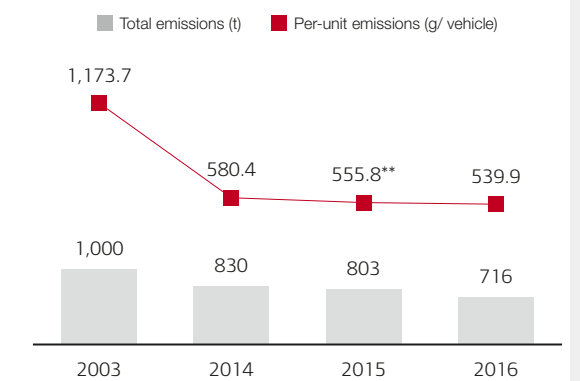
#### SO<sub>x</sub>



#### NO<sub>x</sub>



#### Total



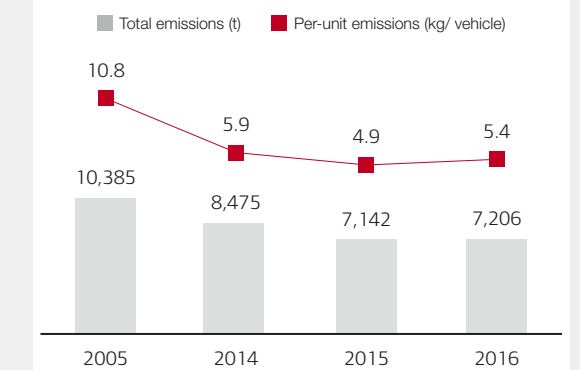
\* NO<sub>x</sub> emissions were amended to 430.0 tons for 2015 (initially reported as 424.0 tons in 2016 due to an error in data collection)

\*\* Per-unit emissions were modified as a result of the modification of NO<sub>x</sub> emissions for 2015. (Per-unit emissions for 2015 were reported as 293.5kg/vehicle.)

### VOCs

VOCs\* are one of the main culprits behind global warming and ozone depletion, generating noticeably unpleasant odors. Kia Motors makes every effort to minimize its use of VOCs and the related emissions in its manufacturing processes. However, VOC emissions in 2016 increased by 0.9% from the previous year, while per-unit emissions rose by 9.9% as a result of a decrease in production volume. Nevertheless, in comparison to the base year (2005), the total and per-unit emissions decreased by 30.6% and 49.7%, respectively.

#### VOC Emissions



\*VOCs: Volatile Organic Compounds



### Environmental Pollutants

#### Water Pollutants & Hazardous Chemicals

Kia Motors has created a database of all the chemical substances applied to its automobiles output since 2005 through the group-wide e-CMS (chemical management system). Furthermore, each plant has installed independent systems to monitor their use of hazardous chemicals on a regular basis. In 2015, the Hwaseong plant replaced the ion-exchange type manufacturing technique applied to its painting process with the reverse osmotic type, thereby minimizing the use of hazardous chemicals. The application of this technique will be gradually expanded to the Sohari and Gwangju plants in phases. In 2016, the total input of hazardous chemicals decreased by 37.5% from the previous year with the per-unit input dropping by 31.9%. Compared to 2003, the total volume and per-unit input fell by 22.2% and 52.2%, respectively. According to the Chemicals Control Act, which took effect in 2015, Kia Motors has reorganized its internal system as part of its management activities to prevent accidents involving hazardous chemicals. As a result, Kia Motors had no cases of accidents or violations of the related laws in 2016. Both production volume and domestic water supply input decreased in 2016. In addition, as the concentration of major water pollutants, such as COD, dropped, the overall volume of water pollutant emissions decreased. As for water pollutant discharge in 2016, the total and per-unit amounts increased by 6.2% and 2.2%, respectively, from the previous year; but the amounts decreased by 6.8% and 40.1%, respectively, compared with the figures for 2003. Since 2003, the per-unit discharge amounts of COD and SS have decreased by 41.2% and 15.0% respectively (as of 2016).



Account	Unit	2003	2013	2014	2015	2016
Hazardous Chemicals	t	2,283	3,440	3,297*	2,840*	1,776
	kg/ vehicle	2.8	2.6	2.3	2.0**	1.3
TRI Chemicals (2013 - 2015)	t	-	41,206	44,756	45,258	-
	kg/ vehicle	-	31.4	31.3	31.3	-

\* The total amount was modified due to an error in hydrogen peroxide data collection in 2014 - 2015 (In 2016, 3,280 tons(2014) and 2,816 tons(2015) were reported as a result of an error in data collection)  
 \*\* Per-unit emissions were modified as a result of modification of the total amount for 2015 (per-unit emissions for 2015 reported as 1.9kg/ vehicle)

\* Others: n-H, T-P, T-N  
 \*BOD (biochemical oxygen demand) is a water pollution indicator similar to COD (chemical oxygen demand), with which it was integrated in 2016  
 \*SS (Suspended Solids): Concentration of solids suspended in water

### Partners' Environmental Management

Kia Motors shares information on controlled chemicals with its partners through the IMDS and its own in-house-developed e-CMS. Changes in environmental regulations and industrial trends are updated during the regular education sessions held for our partner companies in order to promote the elimination of the use of hazardous substances and their substitution with safer substances. Random inspections of our partners' production lines are accompanied with the corresponding disciplinary measures, or corrective requests are made depending on the seriousness of the use or type of substance. The use of any of the four major heavy metals automatically results in a 10-point deduction from a company's quality management score under the Quality Five-Star scheme. As for the IMDS-banned and carcinogenic chemicals, a corrective order is issued and the relevant training and education is mandated. Kia Motors provides its primary partners with environmental management guidelines under the Agreement on the Supply of Eco-Friendly Automotive Parts as signed in 2007. Kia Motors also regularly updates and distributes guidelines on global environmental regulations pertaining to automotive parts manufacturing.

### Environmental Management System

Kia Motors has obtained certification for the environmental management system implemented at its domestic and overseas plants (ISO 14001). Each year, it identifies and thereby improves its environmental management status and related problems through an internal audit and an inspection by a certified organization. In Korea, the environmental management operational standards applied to the three plants and the service business division were integrated in 2014. In 2016, Kia Motors improved the integrated standard prior to its application as a company-wide standard. It plans to upgrade its environmental management system according to ISO 14001:2015 while simultaneously raising the standard of its environmental management system operation through trained internal auditors. By 2018, it will apply ISO 14001:2015 to all worksites. In 2016, Kia Motors provided special and general education on the environment through a specialist institute in order to improve the job competencies of its employees who work in environment-related fields. The company plans to continuously provide this education.

### Environmental Expenditures

Each year, Kia Motors collects data on its environmental improvement and management expenses by classifying them into five categories. Since 2004, it has been collecting data on each type of environmental expenditure by introducing a classification system. In 2015, Kia Motors set up an environmental investment framework to manage air quality, water quality, waste materials and hazardous substances by medium. The company is also promoting improvements in the conversion to eco-friendly facilities so as to fundamentally eradicate environmental issues when executing environmental investments, such as by replacing old facilities and introducing new ones. In 2015, the Hwaseong plant introduced green manufacturing facilities that do not require the use of hazardous chemicals for its painting line, thereby drastically reducing the input of toxic substances. This measure will be applied to other plants in phases. Since 2014, Kia Motors has increased its environmental expenditures, including environmental investments, to achieve continuous reduction of its environmental load. As of 2016, the company spent KRW 87.8 billion on environmental facilities and initiatives over a period of three years.

#### Domestic & Overseas Environmental Expenditures

Unit: KRW 1,000

	Category of Expenditure	2014	2015	2016
Direct Reduction on Environmental Loads	Environmental Investments & Maintenance	20,321,968	33,509,692	21,754,706
Indirect Reduction on Environmental Loads	Employee Environmental Education & Assessments	970,912	831,240	888,906
Waste Disposal & Recycling	Waste Disposal Outsourcing	4,309,483	4,148,675	4,345,902
Environmental Risk Management Costs	Environmental Regulatory Compliance & Accident Prevention	10,080	7,400	0
<b>Total</b>		<b>25,612,443</b>	<b>38,497,007</b>	<b>26,989,514</b>

### Afforestation

Kia Motors is developing eco-friendly and pleasant worksites by creating more green areas in proportion to the increase in areas with buildings. It has strictly controlled soil-polluting factors since 2000 and, as a result, has prevented even a single case of soil contamination during the past fifteen years.

#### Afforestation Status

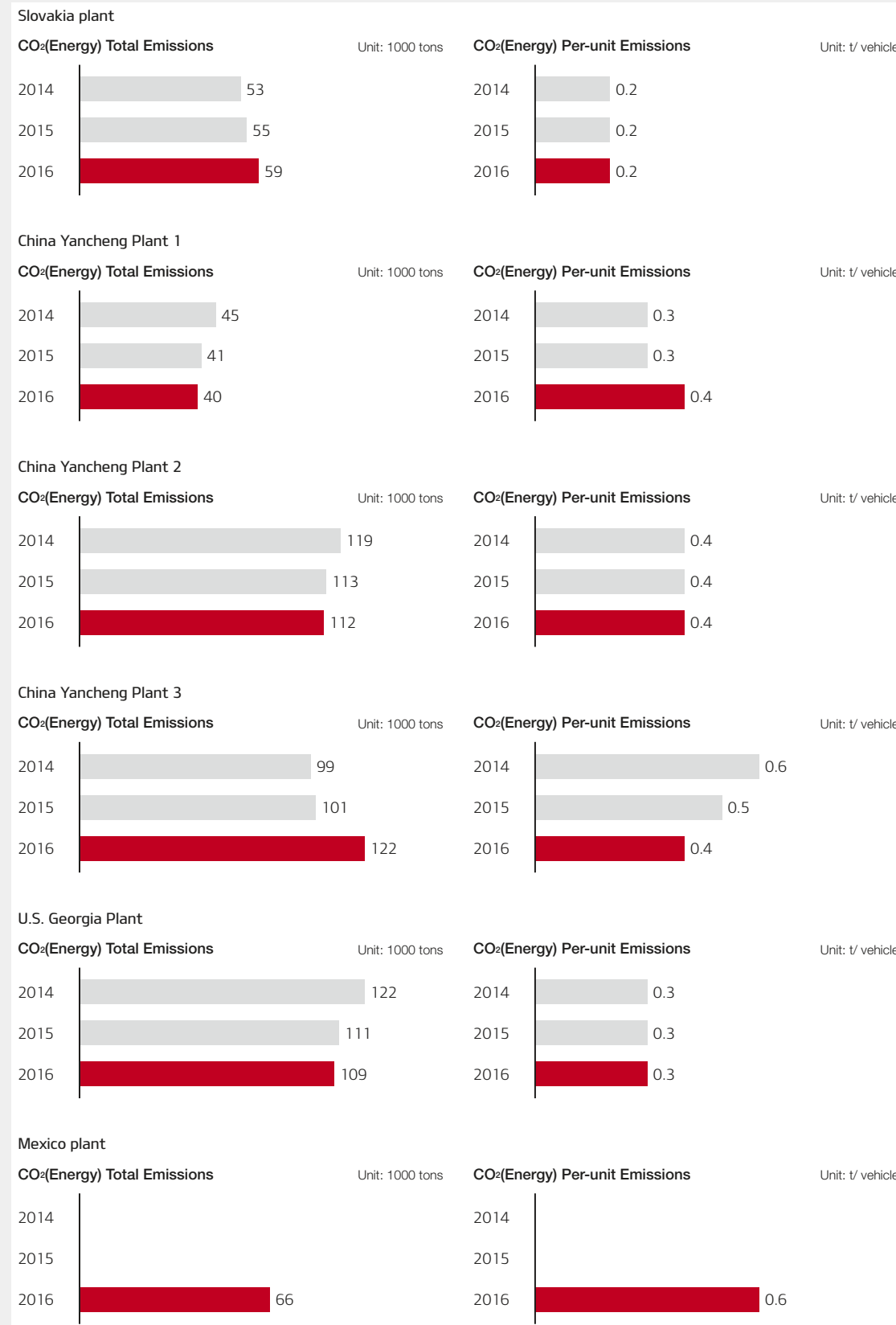
	Sohari	Hwaseong	Gwangju	Slovakia (KMS)
Area (m <sup>2</sup> )	498,908	3,199,636	1,014,941	1,898,288
Building Area (m <sup>2</sup> )	226,539	1,162,072	597,446	288,281
Green Area (m <sup>2</sup> )	74,850	663,848	80,007	1,218,314
Green Ratio (%)	27.5	32.6	19.2	75.7

	China 1(DYK1)	China 2(DYK2)	China 3(DYK3)	Georgia(KMMG)	Mexico(KMM)
Area (m <sup>2</sup> )	405,258	1,473,120	1,470,000	2,611,380	3,338,843
Building Area (m <sup>2</sup> )	90,415	275,536	223,602	225,048	203,583
Green Area (m <sup>2</sup> )	36,752	310,437	337,581	785,487	1,219,021
Green Ratio (%)	11.7	25.9	27.1	32.9	38.9

\* Green area ratio: Green area/ (site area - building area)



**Environmental Performance at Overseas Plants**



\*GHG emissions can fluctuate slightly through third-party assurance.  
\*The Mexico plant began operating in 2016

# Kia Motors Slovakia

## A Responsible Corporate Citizen from Slovakia

Kia Motors Slovakia strives to fulfill the company's vision and become a "lifetime partner in automobiles and beyond," while also working hard for a better future. At the same time, Kia Motors Slovakia is determined to be a responsible corporate citizen. Achieving this goal is beneficial not only for the Zilina region, where Kia Motors built its first European factory, but for all of Slovakia, whether looked at from an economic or social perspective. Thus, a great deal of attention is paid to human resources, education, health, environment and safety, fair and ethical business practices, and customer and supplier care. Because of such approach to social responsibility, Kia Motors Slovakia was on April 4, 2017, awarded the most prestigious CSR award in Slovakia for its activities in 2016 - Via Bona 2016 in the main category Large Responsible Company.

Via Bona means "the right way." The Via Bona Awards have been presented annually since 1998 by the Pontis Foundation, the largest charity group in Slovakia. Winners are selected by assessing the corporate responsibilities of all stakeholders involved in the companies' profit-making activities. This year, ten companies competed in the large enterprises category. Only three companies were selected and Kia Motors Slovakia was the first ever automobile brand to win.



### Environment

Energy savings (17%) and reducing CO<sub>2</sub> emissions (13%) through efficient plant operations

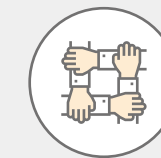
**-17%**  
Energy Savings

**-13%**  
Reducing CO<sub>2</sub> Emissions



### Employees

Actively responding to employees' needs by operating the "Harmony Room" at worksites



### Partners

Selecting and assessing partners based on transparent management (fair bidding)

Managing/supporting partners through regular seminars



### Local Community

**EUR 1.9million**  
Cost Implemented 181 CSR Projects

**521 people**  
Employee Participation in Volunteer Programs

### Milestones

- 2004 **Mar.** KMS established
- 2004 **Apr.** Groundbreaking ceremony for the Slovakia plant
- 2006 **Dec.** Initial production of the cee'd
- 2007 **Apr.** Completion ceremony of the Slovakia plant
- 2007 **Oct.** cee'd production volume exceeded 100,000
- 2007 **Nov.** Slovakia plant received ISO 14001 certification
- 2008 **Apr.** cee'd became the first Korean car to receive ISO 14062 certification from TÜV Nord
- 2009 **Feb.** Kia had the quality production of its vehicles verified Recipient of the Quality Management System ISO 9001 certificate
- 2010 **May.** New engine shop construction begun at Kia Motors Slovakia
- 2011 **Nov.** One millionth engine produced at Kia Motors Slovakia
- 2012 **Jan.** Grand celebration for production of the one millionth car at Kia Motors Slovakia
- 2013 **Mar.** Kia pro\_cee'd GT and cee'd GT make their world debut at Geneva Motor Show
- 2014 **Sep.** Won a European Business Award 2014/15 in the Environmental & Corporate Sustainability category
- 2015 **Apr.** KMS's cumulative production volume exceeded two million vehicles
- 2015 **Aug.** cee'd production volume exceeded one million units
- 2017 **Apr.** KMS was awarded Via Bona 2016 (Large Responsible Company Category)





### Environment

An Environmental Management System at Kia Motors Slovakia is based on corporate social responsibility principles valid for the whole Hyundai Motor Group divided into economical, societal and environmental responsibility. The company implements management systems in order to achieve its environmental responsibility as an outstanding carmaker. Environmental strategy is based on the key factors such as minimization of climate change effect, reduction of gas emission,



recyclability increase and fulfilment of clean production. Throughout the whole manufacturing process, Kia Motors Slovakia takes environment into consideration focusing on car production and R&D activities which are environmentally friendly. Evidence of such behavior is shown in the implementation of the Environmental Management System, which was certified according to the international standard ISO 14001. Among others are certificates received for manufactured car models: LCA - Life Cycle Assessment based on ISO 14040 and Integrating Environmental Aspects into Product Design and Development based on ISO 14062.

The company is a member of several national and international environmental groupings, e.g. membership in the legislative committee of Automotive Industry Association of the Slovak Republic, working groups of ACEA (industrial emissions, process chemicals, REACH), etc. The Environmental Management System commits the company to comply not only with the required legislation, but also with a constant improvement of environmental protection, regular evaluation of environmental performance and growth in environmental awareness of all employees. An important part of the system is regular monitoring and evaluation of consumption of water, energy, materials as well as the amount of waste, waste waters and emissions over the period of one car production, and acceptance of environmental goals for their reduction.

The Kia manufacturing plant reduces its long-term impact on the environment. While using the electric energy in the main plant, the energy effectivity has been improved by 17 percent in the last five years due to implementation of innovative solutions. Also decreased consumption of natural gas has been recorded thanks to which the amount of CO<sub>2</sub> emitted during the car production was reduced by 13 percent in the same period. Kia has confirmed its responsible approach towards the environment by planting 1,258 trees on its premises.

The goal of Kia Motors Slovakia is to proceed in the development of environmental management because environmental protection is a key to a successful business and sustainable development.

### Suppliers

Kia Motors Slovakia takes its supplier chain very seriously, as our success and the quality of our products depend on the quality and excellent performance of our suppliers. When choosing a supplier, the company keeps three key things in mind: quality, delivery time, and price. Kia Motors Slovakia organizes seminars and training sessions for suppliers during which we exchange information and strengthen mutual cooperation. Also, Kia Motors Slovakia is fiscally responsible in terms of payment discipline. In fact, the company is adamant about paying suppliers on time and within the agreed upon contract period, general terms and conditions.

### Customer Care

Kia Motors Slovakia offers its products with a unique seven-year warranty—the longest provided by any car company in Europe. In addition, our sales department communicates with customers at regular conferences and meetings organized in cooperation with the European headquarters for sales and marketing as well as the Korean headquarters. Based on current needs, investigations into problem areas are conducted directly at the related dealer, allowing the company to gather feedback on product quality and overall cooperation.

### Human Resources

As of December 31, 2016, the plant employed a total of 3,625 people, while the average age reached 35 years. The human resources policy at Kia Motors Slovakia stands on the following basic pillars: employee care, transparent communication with employees on horizontal level, highly competitive remuneration system, and wide range of benefits usable in free time as well as improvement of conditions for employees. Since 2005, a unique concept of counselling rooms so-called Harmony rooms have been utilized; Harmony rooms are located directly in production shops, through which employees have an opportunity to actively participate in improvement of the working environment and relationships in the workplace.

Every year the company organizes events for its employees and their family members; the most significant ones being the Kia Family Day and Parents' Day.

In order to increase the level of care for its employees and offer assistance in overcoming personal difficulties, the company prepared a new program of psychological counseling available from December 2016.

### Education

Kia Motors Slovakia has, since its inception, focused on the personal and professional growth of its employees, which the company considers a key to its success. Last year, production and administrative employees attended 345 different types of trainings, including trainings required by law.

The goal of all trainings was to improve their skills and increase their expertise as well as strengthen the work and management competencies. Kia Motors Slovakia also organizes trainings in cooperation with the parent company Kia Motors Corporation. The main objective is to acquire necessary skills and technical knowledge required for production of new models. In 2016, 91 employees attended trainings

in South Korea. Throughout the year 2016, Kia Motors Slovakia's employees were trained for 41,986 hours altogether. For employees with best work results, Kia organizes a motivational program Kia Spirit Up every year in South Korea; last year, 60 of them participated in the program. Kia Motors Slovakia has its own Training Centre.

### Safety at Work

In 2016, several activities in the field of occupational health were carried out focusing on prevention against health damage of employees, especially through medical exams, field evaluation factors of work and workplaces as well as ergonomics. Throughout the year, orientation exams with electromyograph and perimeter were launched at the company's doctor's office, which optimize conditions for selection of employees for certain positions.

This year, in the area of field evaluation of work factors, the company focused on re-evaluation of all positions in the plant that are in contact with chemical agents. At the same time, in cooperation with production related departments and based on results from measurement of work factors (noise, vibration and physical load), a uniform so-called healthiest possible rotation of positions was established during a shift in four production shops, according to which the Regional Office of Public Health in Zilina categorized positions to one of the four work categories.

In ergonomics we successfully managed to improve workplaces, e.g. by supplementing ergonomic pads for underneath the feet and exchanging or determining processes of repairing vibration tools. Moreover, Kia Motors Slovakia purchased ergonomic software that we plan to start using in 2017, thereby contributing to analysis of problematic places and positions in terms of physical load. Suggested solutions of problematic places will be consulted and applied by members of a work group created in 2016 to make workplaces even more effective from ergonomics point of view.



### Making a Difference in The Community

In 2016, Kia Motors Slovakia continued to realize its intention to be a responsible partner for organizations and inhabitants of the Zilina Self-Governing Region by supporting various philanthropic activities. The company supported 181 projects via Kia Motors Slovakia Foundation with the total amount of EUR 1,614,726. The company also donated a financial amount of EUR 375,000 for direct realization of projects. The primary fields of support in 2016 were self-realization of disabled sportsmen, equal opportunities for minority groups, increase of environmental stability and safety, education, culture, development of sports and volunteering of the company employees.

A significant part of the corporate responsibility of Kia Motors Slovakia is the company's volunteering program: blood donation, support of 20 nonprofit organizations via volunteering or help with reconstruction of Zilina Faculty Hospital. In 2016, Kia volunteers worked for 1,875 hours altogether. In the same year, 69 of our employees participated in the largest volunteering event in Slovakia titled Our City, which benefited 10 various organizations in the Zilina region in one day. In 2016, Kia Motors Slovakia Foundation in cooperation with the National Blood Transfusion Service organized three blood donations for administrative employees. The most precious body fluid was donated 57 times. Voluntary blood donations have been organized in Kia Motors Slovakia since 2007.

### Cooperation with Schools

Kia Motors Slovakia has cooperated actively with secondary vocational schools in the Zilina region since 2007; since then it has enabled more than 700 students to obtain practical experience in its production facilities. In the 2016/2017 school year, 39 students finished

vocational practical training in the Kia plant. In the 2016/2017 school year, Kia is participating in the dual education system for the first time. Twenty-two students in total will graduate in Mechanical specialist of car production and Programmer of machining and welding tools and devices. The students have not only been receiving practical experience with the most attractive employer in the Zilina region, they are also going to be guaranteed a working position after their graduation. Six secondary students and two university students have joined the scholarship program at Kia Motors Slovakia in the 2016/2017 school year. Conditions for obtaining scholarships were excellent study results and practical vocational training during their studies. Kia Motors Slovakia offers plant tours of its production shops to secondary vocational school students and technical university students. In 2016, 3,422 students accompanied by their teachers visited the production plant.

### Due Fulfilment of Obligations

Kia Motors Slovakia follows and fulfils all legal obligations, such as filing reports and payment of taxes, insurance and all other obligations under VAT, customs duties and employee-related duties. The company observes the obligations under the statutory audit act, whereby the legally stipulated functions of the audit committee rest with the company's supervisory board. Investment reports about the fulfilment of obligations connected with the drawing of state aid are prepared on a regular basis and provided to the Ministry of Economy of the Slovak Republic. Kia settled all due claims and due liabilities towards all state authorities by December 31, 2016.



## About This Report

### Introduction

Since 2003, Kia Motors has been publishing its annual sustainability report, "MOVE," to disclose its efforts and progress in maintaining and enhancing sustainability and to renew its commitment to proactive action and improvements for its stakeholders by reflecting their feedback. Borrowing from the more liberal structure of magazines, "MOVE" strives to improve its reader-friendliness each year. For this report, we have augmented our analysis of international standards, industry best practices, and media coverage to provide more information of concern to our stakeholders. The 2017 report has been compiled under the theme of "Between Cars and (something)." This report shows which values Kia Motors endeavors to realize between cars and human, cars and nature, and cars and challenge, and how Kia Motors is taking up challenges to advance towards a better world with its stakeholders.

### Reporting Standards

Kia Motors' 2017 Sustainability Report follows the comprehensive GRI Sustainability Reporting Guidelines (G4). Item-for-item coverage ratings and the relevant pages can be found in the GRI Index in the Appendices section.

\* GRI : Global Reporting Initiative

### Reporting & Assurance

All of the information disclosed herein is based on verified materials gathered by the relevant departments of Kia Motors. To enhance its reliability, the DNV GL, a third-party assurance agency, has verified this report. The assurance statement is provided in the Appendices section of this report.

### Reporting Scope & Period

This report covers the period from 2014 to 2016. The quantitative performance data covers trends over the past three years in order to provide a comprehensive overview of all positive and/or negative progress. The base year is listed for systems whose year of adoption is clear. If the point of adoption is 2015-2016, however, only the performance data for the year in question in adoption is included. As for the qualitative performance, this report focuses on 2016 activities and initiatives. The corresponding time period is listed for those activities and efforts that are under way without any significant changes upon their adoption or implementation. The reporting period corresponds to Kia Motors' fiscal year, which is January 1 to December 31. There were no significant changes during the reporting period of the Kia Motors 2017 Sustainability Report.

### Accounting Standards

The tabulation of environmental and socially responsible investments and expenditures meet the accounting standards assured by the Board of Directors, the Audit Committee, and independent auditors, and follow the investment assessment standards adopted in 2004. Details of the environmental and CSR expenditures are provided in the Data Sheet in the Appendices section of this report.

### Reporting Scope

This report covers those of Kia Motors' subsidiaries that are joint stock companies in which it owns 50 percent or more shares, and those overseas offices which are joint-venture corporations. The subjects of the report include domestic worksites (headquarters; Sohari, Hwaseong, and Gwangju plants; technical centers; and service centers) as well as overseas plants such as Dongfeng Yueda Kia (China), Georgia (U.S.), Slovakia and Mexico plants, and the technical centers and worksites of all overseas offices. The data collection schemes were first applied to our Korean worksites followed by our overseas worksites. This means that some of the coverage in this report is confined only to domestic worksites, and is footnoted or noted accordingly in the main text.

### Reporting Cycle & Additional Information

The Korean version of 2017 "MOVE" was published on March 24, 2017 and distributed at the general shareholders' meeting. The English version was published on May 12, 2017. This is the 15th edition of Kia Motors' annual sustainability report.

Please refer to the following resources for additional information.

**Management and Product Information:** Kia Motors' official website and official PR website

**Business Report:** Kia Motors' PR website, Repository of Korea's Corporate Filing to the Financial Supervisory Service

**Department in Charge:** CSR Management Team, Planning Division

(Refer to the "Contact Us" page for contact information)



# Independent Assurance Statement

<p><b>Introduction</b></p>	<p>At request of Kia Motors Corporation (the “Company”), we have reviewed the information presented in 2017 Kia Motors Sustainability Magazine MOVE (the “Report”). The management of the Company is responsible for preparing the Report. Our responsibility is to carry out a limited assurance engagement on the Report and to provide opinions on it based on our review.</p>
<p><b>Procedures Performed</b></p>	<p>Our assurance engagement has been performed to review the Report’s application of the ‘Principles for Defining Report Content’ set out in the “G4 Sustainability Reporting Guidelines”.</p> <p>The procedures we performed for our assurance engagement are as follows:</p> <ul style="list-style-type: none"> <li>· Reviewed the Company’s stakeholder engagement process</li> <li>· Reviewed the Company’s process for determining of material issues.</li> <li>· Reviewed media sources addressing CSR issues during the Reporting period that are relevant to the Company.</li> <li>· Analyzed latest CSR reports published by peers.</li> <li>· Interviewed a selection of people in charge to understand the current status of sustainability performance and the Reporting process during the Reporting period.</li> </ul>
<p><b>Level of Assurance</b></p>	<p>We undertook a limited assurance engagement in accordance with ISAE 3000*. The nature, timing and the extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement.</p> <p><small>*International Standard on Assurance Engagement(Revised) Published by International Auditing and Assurance Standards Board: Assurance Engagements other than Audits or Reviews of Historical Financial Information</small></p>
<p><b>Limitations of Our Review</b></p>	<p>This assurance statement has been prepared solely for distribution to the Management of the Company in accordance with the terms of our engagement. We do not accept or assume any liability or responsibility for any other purpose or to any other person or organization.</p>
<p><b>Our Conclusions</b></p>	<p>The result of our review is outlined below.</p> <p><b>Stakeholder Inclusiveness</b></p> <p>Has the Company identified its key stakeholders and responded to their expectations and interests?</p> <ul style="list-style-type: none"> <li>· We are not aware of any key stakeholder groups which have been excluded from stakeholder engagement process mentioned in the Report.</li> <li>· We are not aware of any matters that would lead us to conclude that the Company has not applied the stakeholder inclusiveness principle in developing the Report.</li> </ul> <p><b>Sustainability Context</b></p> <p>Has the Report presented the Company’s performance in the wider context of sustainability?</p> <ul style="list-style-type: none"> <li>· We are not aware of any matters that would lead us to conclude that the Company has not applied the sustainability context principle in developing the Report.</li> </ul>

<p><b>Materiality</b></p> <p>Has the Report covered material aspects of the Company?</p> <ul style="list-style-type: none"> <li>· We are not aware of any material aspects related to the Company’s CSR performance which have been excluded from the Report.</li> <li>· We are not aware of any matters that would lead us to conclude that the Company has not applied the materiality assessment process in developing the Report.</li> </ul> <p><b>Completeness</b></p> <p>Has the Report included coverage of material aspects and their boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organization’s performance in the reporting period?</p> <ul style="list-style-type: none"> <li>· We are not aware of any matters that would lead us to conclude that the Company has not applied the completeness principle in developing the Report.</li> <li>· We recommend that the Company reports several environmental and social data and performance, which are currently focused on domestic facilities, expanded to the Company’s overseas worksites.</li> </ul>	
<p><b>Independence</b></p>	<p>We comply with the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants.</p>
<p><b>Our Assurance Team</b></p>	<p>Our assurance team is composed of CSR professionals with competencies and experience in assurance engagements.</p>

**Jin-Sug Suh**

Regional Managing Partner  
EY Han Young  
Seoul, Korea  
May 2017





# GRI(G4) Index

● Fully reported ● Partially reported ○ Not reported - Not applicable

	Performance Indicator	Description	Status	Page
<b>1. General Standard Disclosures</b>				
<b>Strategy and Analysis</b>	G4-1	Statement from the most senior decision-maker	●	8, 9
	G4-2	Provides a description of Key Impacts, risks, and opportunities	●	10-15, 20-32
	G4-3	Report the name of the organization	●	6, 7
<b>Organizational Profile</b>	G4-4	The primary brands, products, and services	●	6, 7
	G4-5	The location of the organization's headquarters	●	7, Back cover
	G4-6	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	●	6, 7
	G4-7	The nature of ownership and legal form	●	16, 17
	G4-8	The markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	●	6, 7
	G4-9	Scale of the organization	●	76, 77, 79
	G4-10	Total workforce	●	79
	G4-11	The percentage of total employees covered by collective bargaining agreements	●	58, 59
	G4-12	The organization's supply chain	●	52, 56, 82
	G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	●	6, 7, 16, 17
	G4-14	Whether and how the precautionary approach or principle is addressed by the organization	●	36, 37
	G4-15	List Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	●	9, 73, 75
	G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization	●	75
	G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents	●	6, 7, Refer to our business report
	<b>Identified Material Aspects and Boundaries</b>	G4-18	The process for defining the report content and the Aspect Boundaries	●
G4-19		List all the material Aspects identified in the process for defining report content	●	19, 46, 50, 58, 62
G4-20		For each material Aspect, report Aspect Boundary within the organization	●	19
G4-21		For each material Aspect, report the Aspect Boundary outside the organization	●	19
G4-22		The effect of any restatements of information provided in previous reports, and the reasons for such restatements	●	95
G4-23		Significant changes from previous reporting periods in the Scope and Aspect Boundaries	●	95
<b>Stakeholder Engagement</b>		G4-24	List of stakeholder groups engaged by the organization	●
	G4-25	Basis for identification and selection of stakeholders with whom to engage	●	18
	G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	●	18
	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	●	18, 19
<b>Report Profile</b>	G4-28	Reporting period such as fiscal or calendar year for information provided	●	95
	G4-29	Date of most recent previous report (if any)	●	95
	G4-30	Reporting cycle such as annual, biennial	●	95
	G4-31	Provide the contact point for questions regarding the report or its contents	●	101, Back cover
	G4-32	Report the 'in accordance' option the organization has chosen	●	98-100
	G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report	●	96, 97
<b>Governance</b>	G4-34	Report the governance structure of the organization, including committees of the highest governance body	●	16, 17
	G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	●	16, 17
	G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	●	14-17
	G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	●	16, 17
	G4-38	Report the composition of the highest governance body and its committees	●	16, 17
	G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	●	16
	G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	●	16, 17
	G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed	●	16, 17
	G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	●	16, 17
	G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	●	16, 17
	G4-44	Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	●	16, 17
	G4-45	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	●	16, 17
	G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	●	16, 17
	G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	●	16, 17
	G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	●	16, 17
	G4-49	Report the process for communicating critical concerns to the highest governance body	●	16, 17
	G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	●	16, 17
	G4-51	Report the remuneration policies for the highest governance body and senior executives	●	16, 17
	G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	○	-
	G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	○	-
	G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	●	Refer to our business report
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	●	Refer to our business report	

● Fully reported ● Partially reported ○ Not reported - Not applicable

	Performance Indicator	Description	Status	Page
<b>Ethics and Integrity</b>	G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	●	13-15
	G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	●	82, 83
	G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	●	80-83
<b>2. Specific Standard Disclosures</b>				
<b>Economic</b>				
<b>Economic Performance</b>	G4-EC1	Direct economic value generated and distributed	●	34-37
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	26, 27, 50-57
	G4-EC3	Coverage of the organization's defined benefit plan obligations	●	Corporate pension plan in operation
	G4-EC4	Financial assistance received from government	○	-
<b>Market Presence</b>	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	●	Refer to our business report
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	●	59
<b>Indirect Economic Impacts</b>	G4-EC7	Development and impact of infrastructure investments and services supported	●	66-73
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	●	22, 23, 66-73
<b>Procurement Practices</b>	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	○	-
<b>Environmental</b>				
<b>Materials</b>	G4-EN1	Materials used by weight or volume	●	53-55, 84-90
	G4-EN2	Percentage of materials used that are recycled input materials	●	53-55, 84, 85
<b>Energy</b>	G4-EN3	Energy consumption within the organization	●	53-55, 84-90
	G4-EN4	Energy consumption outside of the organization	●	84-90
	G4-EN5	Energy intensity	●	84-90
	G4-EN6	Reduction of energy consumption	●	50-57, 84-86
	G4-EN7	Reductions in energy requirements of products and services	●	24-32, 38-44
	G4-EN8	Total water withdrawal by source	●	85
<b>Water</b>	G4-EN9	Water sources significantly affected by withdrawal of water	●	85
	G4-EN10	Percentage and total volume of water recycled and reused	●	No reuse/recycling of water resources
<b>Biodiversity</b>	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas	-	-
	G4-EN12	Description of significant impacts of activities, products, and services on Biodiversity	-	-
	G4-EN13	Habitats protected or restored	-	-
	G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	-	-
<b>Emissions</b>	G4-EN15	Direct greenhouse gas(GHG) emissions (scope 1)	●	85, 86
	G4-EN16	Energy indirect greenhouse gas(GHG) emissions (scope 2)	●	85, 86
	G4-EN17	Other indirect greenhouse gas(GHG) emissions (scope 3)	○	-
	G4-EN18	Greenhouse gas (GHG) emissions intensity	●	85, 86, 90
	G4-EN19	Reduction of greenhouse gas(GHG) emissions	●	55, 85, 86, 90
	G4-EN20	Emissions of ozone-depleting substances (ODS)	○	-
	G4-EN21	Nox, Sox, and other significant air emissions	●	54, 55, 87
<b>Effluents and Waste</b>	G4-EN22	Total water discharge by quality and destination	●	53-55, 57, 84, 85
	G4-EN23	Total weight of waste by type and disposal method	●	53-55, 57, 84, 85
	G4-EN24	Total number and volume of significant spills	●	53-55, 57, 84, 85
	G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous	-	-
	G4-EN26	Identify, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	●	55, 88
	<b>Products and Services</b>	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	●
G4-EN28		Percentage of products sold and their packaging materials that are reclaimed by category	●	57
<b>Compliance</b>	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	89
<b>Transport</b>	G4-EN30	Significant environmental impacts of transporting products and other goods and materials of the organization's operations, and transporting members of the workforce	●	56, 86
<b>Overall</b>	G4-EN31	Total environmental protection expenditures and investments by type	●	89
<b>Supplier Environmental Assessment</b>	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	●	65
	G4-EN33	significant actual and potential negative environmental impacts in the supply chain and actions taken	●	65
<b>Environmental Grievance Mechanisms</b>	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	○	-
<b>Labor Practices and Decent Work</b>				
<b>Employment</b>	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	●	79
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	●	80
	G4-LA3	Return to work and retention rates after parental leave, by gender	●	80
<b>Labor/Management Relations</b>	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	●	81
<b>Occupational Health and Safety</b>	G4-LA5	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	●	81



● Fully reported ● Partially reported ○ Not reported - Not applicable

Performance Indicator	Description	Status	Page	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	●	81	
	Workers with high incidence or high risk of diseases related to their occupation	●	81	
	Health and safety topics covered in formal agreements with trade unions	●	81	
Training and Education	G4-LA9	Average hours of training per year per employee, by gender, and by employee category	●	80
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	80
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	○	
Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	●	16, 17, 58-61, 79
Equal Remuneration for Women and Men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	●	59, 80, Refer to our business report
Supplier Assessment for Labor Practices	G4-LA14	Percentage of new suppliers that were screened using labor practice criteria	○	
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	●	65
Labor Practices Grievance Mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	●	80
<b>Human Rights</b>				
Investment	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	○	
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	●	80-83
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	●	80, 81
Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	●	59, 80
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	●	Prohibition of child labor
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	●	Prohibition of compulsory labor
Security Practices	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	○	
Indigenous Rights	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	-	
Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	●	82, 83
Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	●	65
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	○	
Human Rights Grievance Mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	●	80
<b>Society</b>				
Local Communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	●	66-73
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	●	66-73
Anti-corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	●	82, 83
	G4-SO4	Communication and training on anti-corruption policies and procedures	●	82, 83
	G4-SO5	Confirmed incidents of corruption and actions taken	●	83
Public Policy	G4-SO6	Total value of political contributions by country and recipient/beneficiary	●	No political donations made
Anti-competitive Behavior	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	●	No violations of the fair transactions act
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	●	No severe legal violations except for penalties
Supplier Assessment for Impacts on Society	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	●	65
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	●	65
Grievance Mechanisms for Impacts on Society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	○	
<b>Product Responsibility</b>				
Customer Health and Safety	G4-PR1	Percentage of significant products and services categories for which health and safety impacts are assessed for improvement	●	26, 27, 44-49
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	○	
Product and Service Labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant products and services subject to such information requirements	●	78
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	●	No case of violations
	G4-PR5	Results of surveys measuring customer satisfaction	●	78
Marketing Communications	G4-PR6	Sale of banned or disputes products	○	
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	●	78
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●	78
Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	○	

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