

Second-Party Opinion

Hyundai Mobis Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Hyundai Mobis Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Clean Transportation, Renewable Energy and Energy Efficiency Improvement – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 9.



PROJECT EVALUATION AND SELECTION Hyundai Mobis' respective business units are responsible for identifying potential green projects, and the Business Planning, Strategy and Finance Division will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. Hyundai Mobis has developed an Environmental and Social Risk Policy to identify and manage ESG risks associated with the eligible projects or assets. Sustainalytics considers the risk management systems to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Hyundai Mobis' Finance Division will be responsible for allocating and tracking proceeds to eligible projects using an internal tracking system. Hyundai Mobis intends to allocate all proceeds within three years of issuance. Pending allocation, unallocated proceeds will be temporarily held in cash, cash equivalents or highly stable financial assets that are not associated with carbon-intensive activities. Sustainalytics considers this process to be in line with market practice.



REPORTING Hyundai Mobis commits to report on an annual basis on the allocation and impact of proceeds until full allocation of bond proceeds or full drawdown of the loan proceeds. Allocation and impact reporting will be made available publicly for bonds, and for loans, it will be made available to the lenders. Allocation reporting will include the total amount of proceeds allocated to eligible assets, the proportion of net proceeds used for financing versus refinancing and the balance of unallocated proceeds. Hyundai Mobis has confirmed to Sustainalytics that it will disclose and specify the relevant impact indicators for each use of proceeds in the respective documentation for each transaction under the Framework. Sustainalytics encourages Hyundai Mobis to include potential impact indicator(s) for each use of proceeds category in the Framework for increased transparency and to align with market expectations.

Evaluation date	July 17, 2023
Issuer Location	Seoul, South Korea

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Introduction

Hyundai Mobis Co. Ltd. (“Mobis” or the “Company”) is an automotive parts manufacturer headquartered in Seoul, South Korea, and is part of the Hyundai Motor Group. Mobis’ business segments include: i) automobile modules and parts, ii) aftersales parts, and iv) accessories. The Company is mainly involved in manufacturing and supplying of chassis modules, cockpit modules, front-end modules, safety systems, braking systems, steering systems, lamp systems and air suspension systems. Mobis is focusing its resources on automobile connectivity and electrification solutions. Founded in 1977, the Company employs nearly 33,125 employees as of 2022.

Mobis has developed the Hyundai Mobis Green Finance Framework dated July 2023 (the “Framework”), under which the Company and its subsidiaries¹ intend to issue green bonds or obtain loans² and use the proceeds to finance or refinance, in whole or in part, existing or future projects or assets that are expected to create a positive environmental impact.

The Framework defines eligible green projects or assets under the following three areas:

1. Clean Transportation
2. Renewable Energy
3. Energy Efficiency Improvement

Mobis engaged Sustainalytics to review the Hyundai Mobis Green Finance Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)³ and the Green Loan Principles 2023 (GLP).⁴ The Framework will be published in a separate document. Mobis has confirmed to Sustainalytics that the Framework will not be made public, but will be shared with the banks, investors, financiers and relevant stakeholders as required.

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.14, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Mobis’s management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Mobis representatives have confirmed that: (1) they understand it is the sole responsibility of Mobis to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

¹ Hyundai Mobis has communicated to Sustainalytics that the subsidiaries issuing or obtaining the above-mentioned instruments will either be wholly owned, majority or joint controlled (greater or equal to 50%) by the Company. The Company has further confirmed that it will be responsible for ensuring continual alignment of the issuance with the criteria defined with the Framework.

² For multi-tranche loan facilities, Mobis has communicated to Sustainalytics that in cases where multi-tranche loans are obtained, the Company will categorize as green only those tranches that finance eligible projects under the Framework.

³ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

⁴ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>.

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Mobis.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Mobis is encouraged to update the Framework after 24 (twenty-four) months from the evaluation date, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Mobis has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Hyundai Mobis Green Finance Framework

Sustainalytics is of the opinion that the Hyundai Mobis Green Finance Framework is credible and impactful and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Hyundai Mobis Green Finance Framework:

- Use of Proceeds:
 - The eligible categories – Clean Transportation, Renewable Energy, Energy Efficiency Improvement – are aligned with those recognized by the GBP and GLP. Sustainalytics considers that the eligible categories are expected to contribute to the development of low-carbon transportation and improve the environmental performance of the Company's operations.
 - The proceeds may also finance operational expenses for research and development (R&D) and procurement costs of raw materials and parts, labour costs and expenses, such as rent⁶ and professional fees. Mobis has confirmed to Sustainalytics that all operating expenditures will be directly attributed to eligible projects or assets being considered for financing under the Framework and will not include general corporate expenses. In addition, Mobis has confirmed to Sustainalytics that professional fees of employees in Mobis' corporate office will be excluded from the Framework, which Sustainalytics considers to be in line with market practice.
 - Mobis has established a 36-month look-back period for refinancing its eligible projects or assets, which Sustainalytics considers to be in line with market practice.
 - Sustainalytics has reviewed the eligibility criteria for just those projects that are specified in the Framework dated July 2023.
 - Under the Clean Transportation category, Mobis may finance or refinance the following expenditures:
 - Development and manufacturing of key parts for electric vehicles (EVs). Mobis has communicated to Sustainalytics that key parts may include EV batteries, the power

⁶ Mobis has confirmed to Sustainalytics that rental costs will include capital or financial leases based on the definition on rentals by general accepted accounting principles (GAAP). As per GAAP, a capital lease is "a contract entitling a renter to the temporary use of an asset and is considered a purchase of an asset".

Hayes, A. (2022), "Capital Lease: What It Means in Accounting, 4 Criteria", Investopedia, at: <https://www.investopedia.com/terms/c/capitallease.asp>

- conversion system, drive system⁷ and battery system for EVs, In addition, Mobis has confirmed to Sustainalytics that financing will be limited to plants or facilities that are wholly dedicated to specialized components for EVs.
- Acquisition, construction, operation or maintenance of production bases to manufacture automobile parts of electric vehicles
 - R&D expenditures related to specialized components for EVs, working capital for the procurement of raw materials and parts, labour costs and expenses, such as rent and professional fees
 - Mobis has confirmed to Sustainalytics that such expenditures will be limited to projects or assets that meet the eligibility criteria set under the Clean Transportation category.
 - Mobis has confirmed to Sustainalytics that the financing of the following activities will be excluded from the Framework: i) components intended for use in conventional vehicles powered by fossil fuels and related supply chain; ii) manufacturing of customized door frames, seats and tires for EVs; and iii) procurement or production of batteries and battery components that are not specifically intended for EVs or renewable energy storage applications.
 - Sustainalytics views the expenditures under this category to be in line with market practice.
- Under the Renewable Energy category, Mobis may finance or refinance the acquisition, construction, installation, operation or maintenance of solar photovoltaic (PV) systems, including associated equipment and infrastructure. The Company may also finance the purchase of renewable energy. Mobis has confirmed to Sustainalytics that the purchase of renewable electricity will be through long-term power purchase agreements (PPAs) with a period of more than five years. Sustainalytics views the expenditures under this category to be in line with market practice.
 - Under the Energy Efficiency Improvement category, Mobis may finance or refinance expenditures that support energy efficiency improvements across its factories in order to enable the transition to smart factories.
 - Mobis has communicated to Sustainalytics that such energy efficiency measures will be limited to equipment powered by electricity, such as replacing traditional HVAC systems with energy-efficient alternatives to reduce energy consumption.
 - Sustainalytics views the expenditures under this category to be in line with market practice.
 - Sustainalytics notes that the exclusionary list in the Framework prohibits financing of the following activities: i) fossil fuel-related energy generation and related infrastructure; ii) nuclear energy generation; iii) weapons; and iv) deforestation and degradation of forests. Sustainalytics considers that this exclusion list strengthens the Framework.
- Project Evaluation and Selection:
 - The Company's respective business units are responsible for identifying potential green projects or assets and the Business Planning, Strategy and Finance Division will be responsible for evaluating and selecting projects or assets in line with the Framework's eligibility criteria.
 - Mobis has developed an Environmental and Social Risk Policy to identify and manage ESG risks associated with the eligible projects or assets. In addition, the potential eligible projects or assets will be identified based on compliance with official national and international environmental and social standards, local laws and regulations. This process will be conducted for all allocation decisions made under the Framework. For additional details, see Section 2.
 - Based on the cross-functional oversight for project evaluation and selection, and the presence of an ESG risk management system, Sustainalytics considers this process to be in line with market practice.

⁷ Drive System has power conversion components to drive the electric motor, supply power to the electric load and charge the battery of an electric vehicle. These components are essential for an electric vehicle and include: i) EDU 3-in-1 System incorporates a drive motor, an inverter and a decelerator in a single housing; ii) Traction Motor which is combined, in a modular way, to a decelerator and works as an engine; iii) In-Wheel Motor is fitted to each driving wheel of an electric vehicle and it provides battery and energy efficiency. Additional information available on Mobis' website, at: <https://www.mobis.co.kr/en/tech/tech.do#solution>

- Management of Proceeds:
 - Mobis' Finance Division will be responsible for allocating and tracking proceeds to eligible projects. The proceeds will be tracked through internal information systems.
 - Mobis intends to fully allocate proceeds within three years of issuance. Pending allocation, unallocated proceeds will be temporarily held in cash, cash equivalents or highly stable financial assets that are not associated with carbon-intensive activities.
 - The instruments issued under the Framework may include multi-tranche loan facilities. Mobis has confirmed to Sustainalytics that Mobis will only label tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework. Additionally, the Framework may include revolving credit facilities (RCFs). Mobis has confirmed that it intends to dedicate impending revolving credit facilities as green as per the eligibility criteria of the Framework and that it will only label the eligible tranches as green as per the Framework.
 - Based on the on the presence of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Mobis commits to report on the allocation and impact of proceeds on an annual basis until full allocation of bond proceeds or full drawdown of the loan proceeds. Furthermore, Mobis will carry out annual allocation reporting for RCFs until the loan maturity. Allocation reporting will be publicly available on the Company's website for bonds, and for loans, it will be made available to the lenders.
 - Allocation reporting will include the total amount of proceeds allocated to eligible assets, the proportion of net proceeds used for financing versus refinancing and the balance of unallocated proceeds.
 - Mobis commits to report on the impact of the green financing, where relevant and feasible, in the Company's Sustainability Report. Mobis has confirmed to Sustainalytics that it will disclose and specify the relevant impact indicators for each use of proceeds in the respective documentation for each transaction under the Framework. Sustainalytics encourages the Company to include potential impact indicator(s) for each use of proceeds category in the Framework for increased transparency and to align with market expectations.
 - Based on the annual allocation and impact reporting commitments, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics has determined that the Hyundai Mobis Green Finance Framework aligns with the four core components of the GBP and GLP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Mobis

Contribution to Mobis' sustainability strategy

Mobis' sustainability strategy is underpinned by the following three pillars: i) "green acceleration", ii) "inclusive business" and iii) "responsible growth". Additionally, in 2022, the Company conducted a materiality assessment to identify and prioritize material issues across ESG pillars, including climate change, and develop and expand eco-friendly products.⁸

Under the "green acceleration" pillar, Mobis has set the following priorities: i) achieving net zero; ii) advancing the circular economy; and iii) expanding its eco-friendly product offerings. The Company aims to achieve net zero scope 1 and 2 emissions from its operations by 2040 and net zero scope 3 emissions across the supply chain by 2045. To achieve this goal, Mobis has set an interim target to reduce scope 1, 2 and 3 GHG emissions from its business operations by 30% by 2030 compared to a 2019 baseline year. Furthermore, Mobis has set out companywide carbon-reduction initiatives to achieve its long-term decarbonization goal and interim targets related to GHG emissions from its operations and value chain. Such initiatives mainly include: i) increasing the use of renewable energy through PPA and renewable energy certificates; ii) replacing traditional equipment with energy-efficient alternatives; iii) engaging with suppliers to measure and develop strategies to reduce scope 3 emissions; iv) expanding investment in R&D for low-emission technologies; and v) using eco-friendly vehicles for its business operations.⁹ Furthermore, as one of the key implementation

⁸ Hyundai Mobis, "Hyundai Mobis Sustainability Report 2022", at: <https://www.mobis.co.kr/upload/202209010931451730.pdf>

⁹ Ibid.

measures to achieve carbon neutrality, Mobis joined the RE100 commitment in 2022.¹⁰ The Company aims to increase the share of renewable energy across its business sites by 35% by 2025, 65% by 2030 and reach 100% by 2040.¹¹ As part of its initiative to advance the circular economy, Mobis has set a target to achieve zero waste to landfill in all business sites by 2030. The Company conducts life cycle assessments of its products and takes measures to minimize waste throughout the product life cycle. The Company segregates waste at source and recycles metal scraps, such as iron and aluminium, unused pallets and waste parts generated in distribution centres, and strives to use recycled raw materials for plastic materials used in vehicles. In addition, the Company also turns waste synthetic resin into fuel and remanufactures second-life EV batteries.¹² In addition, Mobis focuses on developing eco-friendly products and technologies, such as high-powered driving systems, high-capacity battery systems required for hybrid vehicles and EVs, as well as chargers and fuel cell systems for hydrogen fuel cell vehicles.¹³

Under the “inclusive business” pillar, Mobis focuses on supply chain management, corporate social responsibility, health and safety governance and gender diversity. Furthermore, under the “responsible growth” pillar, Mobis has established its companywide ESG governance, performance assessment systems, which include a risk management system, fair trade compliance guidelines and shareholder value creation.^{14,15}

Based on the above, Sustainalytics is of the opinion that the Hyundai Mobis Green Finance Framework is aligned with the Company’s overall sustainability strategy and initiatives and will further the Company’s action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include emissions and effluents from operation, e-waste management, occupational health and safety, environmental and social impacts of the supply chain, and business ethics.

Sustainalytics is of the opinion that Mobis is able to manage or mitigate potential risks through implementation of the following:

- To ensure appropriate and effective environmental risk management, Mobis has established an Environmental Management Policy that applies to all its business units, including partners, contractors and joint ventures. This policy outlines the process and measures adopted by the Company to reduce the negative impact on the environment due to its operations, including sustainable consumption of energy and reduction in emissions throughout the entire production process, as well as waste management practices.¹⁶ Hyundai Mobis has also implemented a GHG management system to manage emissions from its operations across its global business units. Furthermore, as of August 2022, the Company reported that 95% of its business sites are certified with ISO 14001 for an effective environmental management system.^{17,18}
- While ensuring adherence to domestic and international regulations to manage toxic effluents, the Company intends to introduce a Chemical Management System that will cover the entire process from purchase to disposal of chemicals used in its operations. Through this system, the handling of chemicals can be tracked at the Company’s manufacturing sites and R&D centres. In addition, Mobis has established internal standards on harmful substances management and is committed to prohibiting, limiting and managing harmful substances in compliance with the applicable regulatory requirements in each country. The Company has also banned the use of four heavy metals (lead, mercury, hexavalent chromium and cadmium) and two types of flame retardant (PBB and PBDE). In addition, the Company has entered into an agreement with its suppliers to restrict the use of hazardous substances, and Mobis aims to minimize the use of hazardous chemicals by identifying substitutes for such chemicals.¹⁹

¹⁰ RE100, at: <https://www.there100.org/>

¹¹ Hyundai Mobis reported that “countries with active renewable energy markets, such as the United States and the Czech Republic, aim to achieve 100% conversion by 2030, while Korea plans to convert 35% by 2030 in consideration of the national renewable energy supply expansion plan.”

¹² Hyundai Mobis, “Hyundai Mobis Sustainability Report 2022”, at: <https://www.mobis.co.kr/upload/202209010931451730.pdf>

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Based on the Hyundai Mobis Sustainability Report 2023, which was reviewed by Sustainalytics as shared by Hyundai Mobis.

¹⁶ Hyundai Mobis, “Environmental Management Policy”, (2022), at: <https://www.mobis.co.kr/upload/202207041111422440.pdf>

¹⁷ Hyundai Mobis, “Hyundai Mobis Sustainability Report 2022”, at: <https://www.mobis.co.kr/upload/202209010931451730.pdf>

¹⁸ Hyundai Mobis, “Environment Management System Certification”, (2022), at: <https://www.mobis.co.kr/upload/202209060935040200.pdf>

¹⁹ Hyundai Mobis, “Hyundai Mobis Sustainability Report 2022”, at: <https://www.mobis.co.kr/upload/202209010931451730.pdf>

- For managing waste derived from its operation including e-waste, conducts life cycle assessments (LCA) for its products to meet the requirement of the battery regulations and Carbon Border Adjustment Mechanism of the EU and regulatory requirements in the countries in which it operates. LCA is conducted for the product's entire life cycle, from the mining of raw materials to production, use and disposal. Furthermore, Mobis manages waste generation at source to reduce the use of raw and subsidiary materials and minimize waste generation throughout the product life cycle.
- To address issues related to occupational health and safety, Mobis has developed the Health and Safety Priority Management policy, which applies to all its employees. Mobis has established health and safety management systems following the ISO 45001 standards. The Company follows all applicable health and safety laws and regulations in the regions in which it operates as part of its commitment to providing its employees with a safe and healthy work environment. Furthermore, the Company has in place safety standards, an emergency response system and measures to prevent occupational accidents, injuries and disasters. In addition, Mobis' health and safety programmes lay out the procedures to eliminate incidents, promote a safe working environment for its employees and protect its business units from accidental harm and damage.^{20,21}
- To avoid violations of human rights, the Company has established a Human Rights Policy, which includes guidelines on the prohibition of forced labour, protection of human rights of local residents and customers, and prohibition of discrimination. The policy is based on the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the International Labour Organization and the OECD Due Diligence Guidance for Responsible Business Conduct.²²
- To address environmental and social risk across its supply chain, the Company has developed a Code of Conduct for Business Partners, which establishes requirements for environmental protection, working conditions and human rights, health and safety, and business ethics. Mobis expects its business partners to follow the relevant laws and internationally recognized environmental, social, and governance standards, and the guidelines provided in the Code of Conduct for Business Partners.²³ Furthermore, to ensure responsible sourcing throughout its supply chain and mitigate risks associated with sourcing conflict minerals, the Company has a Responsible Sourcing Policy for Minerals. The Company will implement ethical and responsible management for conflict minerals based on the OECD guidelines, rules issued by the US Securities and Exchange Commission and the EU conflict mineral regulation.²⁴
- To mitigate risks related to business ethics, Mobis has established the Code of Conduct, which relates to business ethics, regulatory compliance and overall corporate responsibility. The policy provides guidelines regarding work ethics and anti-corruption, conflicts of interest, confidentiality of information and intellectual property rights, labour relations and industrial safety.²⁵

Based on these policies, standards and assessments, Sustainability is of the opinion that Mobis has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All three use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainability has focused on one below where the impact is specifically relevant in the global context.

Importance of clean transportation globally

In 2021, the transportation sector was responsible for 37% of global CO₂ emissions from end-use sectors, with the road sub-sector accounting for approximately 76% of that share.²⁶ According to the International Energy Agency, the transportation sector's emissions need to decline by 3% each year until 2030 to achieve net zero emissions by 2050.²⁷ To achieve this target, there is a need to shift towards electric mobility, such as plug-in hybrid electric vehicles, battery electric vehicles and other zero-emission vehicles, such as fuel cell and hydrogen-based alternatives. Furthermore, to achieve the net zero emissions goal by 2050, the market share

²⁰ Hyundai Mobis, "Safety Management Strategy", at: https://www.mobis.co.kr/kr/sustain/safe_info.do#safe01

²¹ Hyundai Mobis, "Hyundai Mobis Sustainability Report 2022", at: <https://www.mobis.co.kr/upload/202209010931451730.pdf>

²² Hyundai Mobis, "Human Rights Policy", at: <https://www.mobis.co.kr/upload/202203250358414120.pdf>

²³ Hyundai Mobis, "Code of Conduct for Business Partners" (2022), at: <https://www.mobis.co.kr/upload/202203250356300360.pdf>

²⁴ Hyundai Mobis, "Responsible Sourcing Policy for Minerals", (2022), at: <https://www.mobis.co.kr/upload/202212121145160100.pdf>

²⁵ Hyundai Mobis, "Code of Conduct", at: <https://www.mobis.co.kr/upload/202203250358116770.pdf>

²⁶ IEA, "Transport: Improving the sustainability of passenger and freight transport", at: <https://www.iea.org/topics/transport>

²⁷ IEA, "Transport: Sectoral overview", (2022), at: <https://www.iea.org/reports/transport>

of zero-emission vehicles needs to increase from 5% in 2020 to 64% by 2030 and 100% by 2050.²⁸ With the increase in environmental regulations and demand for EVs, the total number of electric cars on the road reached 26 million in 2022, of which nearly 18 million were EVs.²⁹ The global increase in demand for EVs is driving the demand for batteries and related equipment. According to the IEA, the demand for automotive lithium-ion batteries increased by about 65% to 550 GWh in 2022 from about 330 GWh in 2021, mostly driven by electric passenger vehicle sales.³⁰ While batteries play an important role in the decarbonization of the transportation section, it is estimated that the production of EV batteries account for 40-60% of total emissions in EV production.³¹ The energy intensiveness arises from mining key battery materials, including nickel, manganese, cobalt, lithium and graphite, as well as high-temperature operations for some processes in battery production, contributing to the carbon footprint of EV batteries. Sustainable and alternative battery materials and better production processes are key to reducing the carbon footprint of EV batteries. It is estimated that the automotive industry can abate emissions from material production of EVs by 97% with no net increase in material costs by 2030 through the use of recycled aluminium, better green electricity and improved technology.³² For the transportation sector to meet the decarbonization trajectory, it is estimated that USD 5.4 trillion will be needed by 2030.³³

Given the importance of EVs and better battery technologies in the reduction of GHG emissions from the transportation sector, Sustainalytics is of the opinion that Mobis' financing towards the development, manufacturing of auto parts will aid in the decarbonization of the global transportation sector.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Hyundai Mobis Green Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Renewable Energy	7. Affordable and Clean Energy	7.2 Increase substantially the share of renewable energy in the global energy mix
Energy Efficiency Improvement	7. Affordable and Clean Energy	7.3 By 2030 double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

²⁸ International Energy Agency, "Net Zero by 2050 A Roadmap for the Global Energy Sector", (2021), at:

https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

²⁹ Statista, "Worldwide number of battery electric vehicles in use from 2016 to 2022", at: <https://www.statista.com/statistics/270603/worldwide-number-of-hybrid-and-electric-vehicles-since-2009/>

³⁰ IEA, "Global EV Outlook 2023", at: <https://www.iea.org/reports/global-ev-outlook-2023/executive-summary>

³¹ Linder, M. et al. (2023), "The Race to decarbonize Electric Vehicles Batteries", McKinsey and Company, at:

<https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/the-race-to-decarbonize-electric-vehicle-batteries>

³² World Economic Forum and McKinsey & Company, "Forging Ahead: A materials roadmap for the zero-carbon car", at:

http://www3.weforum.org/docs/WEF_Forging_Ahead_2020.pdf

³³ Glasgow Financing Alliance for Net Zero, "Financing Roadmaps", at: <https://www.gfanzero.com/netzerofinancing>

Conclusion

Mobis has developed the Hyundai Mobis Green Finance Framework, under which Mobis and its subsidiaries may issue green bonds or obtain loans, and use the proceeds to finance projects or assets under the Clean Transportation, Renewable Energy and Energy Efficiency Improvement categories. Sustainalytics considers that the projects funded by the green finance proceeds are expected to provide a positive environmental impact.

The Hyundai Mobis Green Finance Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Hyundai Mobis Green Finance Framework is aligned with the overall sustainability strategy of the Company and that the green use of proceeds categories will contribute to the advancement of UN Sustainable Development Goals 7 and 9. Additionally, Sustainalytics is of the opinion that Mobis has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Hyundai Mobis Co. Ltd. is well positioned to issue green bonds and that the Hyundai Mobis Green Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Hyundai Mobis Co.Ltd
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Hyundai Mobis Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	July 17, 2023
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Clean Transportation, Renewable Energy and Energy Efficiency Improvement – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 9.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Hyundai Mobis' respective business units are responsible for identifying potential green projects, and the Business Planning, Strategy and Finance Division will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. Hyundai Mobis has developed an Environmental and Social Risk Policy to identify and manage ESG risks associated with the eligible projects or assets. Sustainalytics considers the risk management systems to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Hyundai Mobis' Finance Division will be responsible for allocating and tracking proceeds to eligible projects using an internal tracking system. Hyundai Mobis intends to allocate all proceeds within three years of issuance. Pending allocation, unallocated proceeds will be temporarily held in cash, cash equivalents or highly stable financial assets that are not associated with carbon-intensive activities. Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Hyundai Mobis commits to report on an annual basis on the allocation and impact of proceeds until full allocation of bond proceeds or full drawdown of the loan proceeds. Allocation and impact reporting will be made available publicly for bonds, and for loans, it will be made available to the lenders. Allocation reporting will include the total amount of proceeds allocated to eligible assets, the proportion of net proceeds used for financing versus refinancing and the balance of unallocated proceeds. Hyundai Mobis has confirmed to Sustainalytics that it will disclose and specify the relevant impact indicator(s) for each use of proceeds in the respective documentation for each transaction under the Framework. Sustainalytics encourages Hyundai Mobis to include potential impact indicators for each use of proceeds category in the Framework for increased transparency and to align with market expectations.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (please specify): the proportion of net proceeds used for financing versus refinancing, and the balance of unallocated proceeds.

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (please specify):

Frequency

- Annual Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify): allocation report
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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For more information, visit www.sustainalytics.com

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