

# ESG Special Report 2021



Movement that inspires

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## About this Report

This report contains Kia's major ESG (Environmental, Social, and Governance) performance data and activities in 2020. Some information also covers performance data and activities taking place in 2019 and 2021.



As a global corporation dedicated to sustainable management, Kia offers eco-friendly products and services for a sustainable future, including electric vehicles and mobility solutions. This is part of a wider vision in which organizations can grow to help facilitate a sustainable society. To this end, Kia is continually improving various aspects of its business in consideration of ESG and actively managing ESG risks such as climate change, diversity and human rights through innovation and further development across the entire value chain.

The ESG Special Report 2021 has been created to make it easier for stakeholders to see the efforts and achievements realized by Kia. Of particular note is that—for the first time—it presents the company's climate disclosure according to the disclosure recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). At Kia, we promise transparency in sharing our performance data and activities via various channels including sustainability reports and content on our official website.

# ESG Performance

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## ESG Performance

At Kia, we promise transparency in sharing our performance data and activities

# ESG internal improvements

We are reinforcing ESG risk management and undertaking companywide tasks in order to make improvements in all ESG aspects across the management system.

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## → 01

### Strengthening ESG risk management

We have prepared measures to manage actual risks and achieve tangible results by reflecting the ESG factors (establishment of the Human Rights Charter, greenhouse gas (GHG) and waste management, implementation of shareholder-friendly policies, etc.) in the KPIs. We have also reinforced the Board of Directors' role in monitoring the ESG status and response plans.

## → 03

### Disclosing a wider scope of information for better communication

We have created an ESG data website for our stakeholders to easily access the data, thereby enhancing transparency and information accessibility.



ESG data website [↗](#)

## → 02

### Undertaking companywide tasks

We diagnose our level of ESG compliance companywide and establish tasks to make further improvements based on the diagnosis results. We monitor the implementation status through the ESG Council on a regular basis.

**16** | Companywide ESG tasks in 2020

**7** | Companywide ESG tasks in 2021

View all ESG tasks [↗](#)

## → 04


### ESG rating: Grade A

Due to our improvements to our level of ESG compliance, we were given Grade A (one level higher than the previous year) by the Korea Corporate Governance Service (KCGS). We also received Grade A in climate change and water sector from the CDP in recognition of our excellent environmental management performance.



# Environmental

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## 100% renewable energy

Slovakia plant:  
**100% reliance on electricity produced via renewable energy sources**

- The Kia Slovakia plant contributes to carbon emissions reduction and environmental protection by sourcing 100% of its electricity consumption from renewable energy



## 100% water recycling

**Introduction of a zero liquid discharge system to the plant in India (resulting in 100% reuse of wastewater)**

- Inclusion of a wastewater retention system in our India plant (adoption of the system since the plant design phase) for complete recycling and reuse of wastewater in 2019



## Environmental and safety certifications

**Domestic plants: the establishment of integrated environmental and safety management system and the acquisition of international certifications (ISO14001-45001)**

- Worldwide, certifications of three domestic and three overseas plants out of eight plants (75%)
- The plants in the United States and India will obtain the certifications individually by 2021 in accordance with the plan to apply the integrated environmental and safety management systems to our entire global network by 2022



## 219,274 units

**The number of eco-friendly vehicles sold in 2020 (wholesale): 219,274 units**  
- up from 154,050 units in 2019 and 146,919 units in 2018

- An increase of over 42% in sales in 2020 compared to the previous year
- Sales target for eco-friendly vehicles is 1.6 million units for the year 2030



## KRW 300 billion

**First-ever issuance of green bonds valued at KRW 300 billion**

- Issuance of green bonds valued at KRW 300 billion (March 3, 2021) to invest in eco-friendly mobility solutions



## KRW 12.1 billion (2021 goal)

**Transition into an eco-friendly company by increasing overall green investment**

- Green investment of KRW 4.1 billion in 2020
- Allocation of KRW 12.1 billion to establish anti-pollution facilities, etc. in 2021 (triple the budget in 2020)

# Social

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## Mutual growth

### Establishment of the fair competition principles

- Established and unveiled the fair competition principles to ensure fair and transparent competition with the competitors

[Fair Competition Principles](#) 

### ESG assessment of suppliers

- ESG assessment of 20 key suppliers based on ethical management and efforts to reduce environmental impact, etc.
- Based on the results of the assessments, recommendations were made to improve the level of ESG compliance and monitoring of actions was conducted

## Raising awareness of ESG

### 'Move Plus': visual content to raise organizational awareness of ESG provided to employees

- Visual content provided to employees to clarify terms and concepts relating to sustainable management

## Response to Covid-19

### Support for employees and communities in overcoming Covid-19

- Production of KF-94 facemasks for employees and community groups to ensure absolute safety and health wellbeing (in total, 5.2 million facemasks have been produced and the company donated 100,000 facemasks to 16 regional fire departments in 2020)
- Use of the education and training centers as self-isolation facilities

## Human Rights Charter: 60% of employees received education on the Human Rights Charter

### Establishment of a sustainability management policy and provision of education

- Establishment of Kia's Human Rights Charter, Code of Ethics, and Code of Conduct for suppliers
- Education on the Human Rights Charter has been provided to 60% of employees (office workers)

## Charity activities throughout the Covid-19 pandemic

### USA

Donated USD 1 million to the Yards Against Homelessness Campaign to tackle youth homelessness

### Slovakia

Donated EUR 340,000 to the government and hospitals. In addition, donated face masks worth EUR 30,000 to senior citizens to help cope with the Covid-19 pandemic

### Europe

Provided vehicles to medical institutions in Spain and France, etc.

### India

Donated KRW 320 million to a relief fund for Andhra Pradesh, where Kia's plant is located

※ These are just some of the donations made by Kia worldwide. A full report will be provided within the 2021 Sustainability Report.

# Governance

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## Sustainability management

### Establishment of a sustainability management committee within the Board

- The former Transparent Management Committee was assigned an additional role to review ESG agendas to strengthen its role within a companywide sustainable management remit (March 2021)

## Diversity & expertise in the Board of Directors

### Appointment of a female independent director

- Appointment of a female auditor as an independent director to create a board characterized by expertise and diversity (March 2021)

### External training for auditors

- Provision of two training programs to provide the latest information on internal control and audits (Including internal accounting management systems, audit plans, key audit matters, etc.)

## Shareholder value

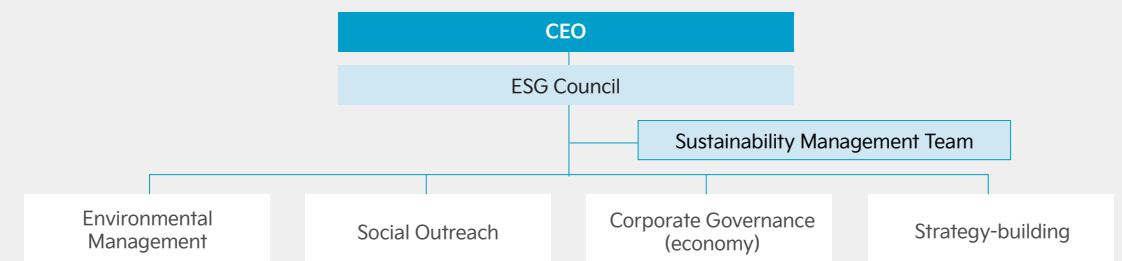
### Implementation of shareholder-friendly policies

- Introduction of an electronic voting system to allow diverse ways to exercise voting rights (previously, voting had to be exercised in person or via a submission of a power of attorney)
- Notice on convening a general shareholder's meeting provided four weeks prior

## ESG Council

### Enhanced operation of the ESG Council

- Semi-annual ESG Council meetings to better respond to ESG issues
- Reporting of results and conclusions from the meeting to the Board and management



# Climate Disclosure

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## Task Force on Climate-related Financial Disclosures (TCFD)

We disclose climate-related information in accordance  
with TCFD recommendations



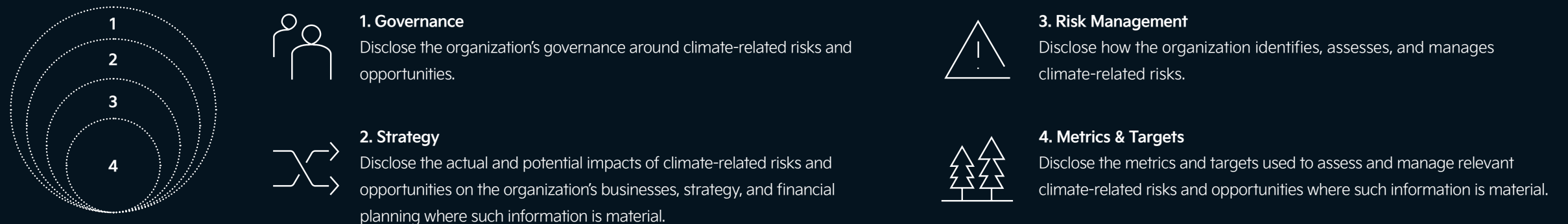
# Climate-related Financial Disclosures

With extreme weather events occurring more frequently due to global warming in recent years, there has been increased awareness of the seriousness of climate change. The international community adopted the Paris Agreement in 2015 to tackle climate change and promised to hold the increase in the global average temperature to below 2°C above pre-industrial levels. Under these circumstances, in 2015, the Financial Stability Board (FSB), an international financial organization, launched the Task Force on Climate-Related Financial Disclosures (TCFD) to demand that companies disclose climate-related information. Then, in 2017, the TCFD presented recommendations on the key elements of disclosures so that the information could be communicated by companies worldwide according to a consistent standard. The TCFD recommendations require transparent disclosure of information in four areas: governance, strategy, risk management, and metrics and targets related to climate change.

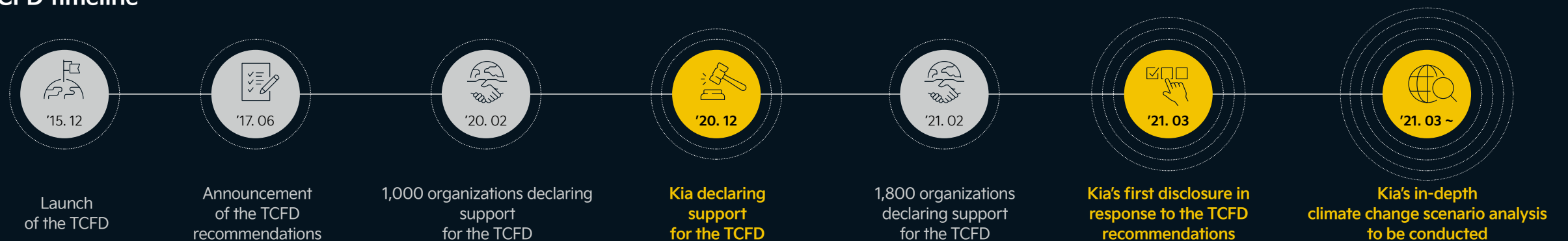
Kia, which declared support for the TCFD in December 2020, has issued this report to disclose its climate-related financial information in accordance with the TCFD recommendations for the first time. At Kia, we promise to continually disclose related information with full transparency in the future.

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## TCFD recommendations



## TCFD timeline



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	TCFD Recommendations	Description
<b>Governance</b>	<p>a) Describe the Board’s oversight of climate-related risks and opportunities:</p> <p><b>CDP _ CC1.1a</b></p>	<p>The Board receives reports on ESG management performance and plans, including climate-related matters, on a regular basis and has responsibility as the final decision-making and management authority. In 2020, the Board received two reports on the ESG agendas and monitored the companywide ESG management status.</p> <p>In March 2021, the sustainability management committee was established under the Board by amending the articles of incorporation. The committee will play a role in deliberating on ESG agendas on major issues such as strategies to counter climate change.</p>
	<p>b) Describe management’s role in assessing and managing risks and opportunities:</p> <p><b>CDP _ CC1.2a</b></p>	<p>With the aim of responding to global environmental regulations and climate change, our management proposed a preemptive transition to electric vehicles and an optimal direction of mobility solution development by putting forth a business strategy called Plan S. We are also operating a Climate Council headed by the head of the Environmental, Health &amp; Safety Center to proactively diagnose and manage climate-related risks and opportunities. The council discusses the risks associated by responding to climate change, mid- and long-term greenhouse gas reduction strategies and targets, discovery of reduction items, and investment decisions. Depending on the gravity of the agenda, decisions are made by reporting to the division managers and the CEO.</p>

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	TCFD Recommendations	Description
<b>Strategy</b>  01 02 <b>03</b> • • • • • •	<p><b>a) Describe the climate-related risks and opportunities the organization has identified over the short-, medium-, and long-term:</b></p> <p><b>CDP _ CC2.3</b></p>	<p>Three key risks have been identified over the short-term: 1) trade barriers related to carbon emissions, such as imposition of carbon taxes; 2) increased costs due to rising emission trading prices and renewable energy purchase costs; and 3) weakened competitiveness of internal combustion engine vehicles due to widespread eco-friendly consumption trends. From a mid- to long-term perspective, we have identified a decline in market share due to delays in the development of low-carbon technologies and eco-friendly vehicles as a major risk.</p> <p>On the other hand, we consider taking a proactive position in the eco-friendly mobility solutions market based on eco-friendly technologies development and innovation as a key opportunity.</p>
	<p><b>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning:</b></p> <p><b>CDP _ CC2.2. CC2.3</b></p>	<p>At Kia, we believe that climate issues should be the core driving force behind business transformation for growth, rather than for risk management. Based on our future strategy, Plan S, we have established specific strategies and action plans for carbon reduction throughout our entire value chain.</p> <p>We expect that failure to cope with the world's more stringent regulations on CO<sub>2</sub> emissions from cars to result in tangible and intangible losses such as enormous cost burdens, reduced sales, and a decline in brand value.</p> <p>We are actively pursuing a transition to EVs to minimize these risks and proactively respond to carbon reduction demands. We plan to increase the proportion of eco-friendly vehicles in our product portfolio to 40% by 2030 based on a global sales target of 4.05 million vehicles, of which 1.60 million will be eco-friendly vehicles.</p>
	<p><b>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario:</b></p> <p><b>CDP _ CC3.1b, CC3.1d</b></p>	<p>We have introduced an energy management system (Global Energy-Greenhouse Gas Management System, or GEMS) at domestic plants to predict and manage greenhouse gas emissions and future emissions from the plants. Based on the forecasts derived from this system, improvements and investments are made to reduce GHG emissions, and the related information is taken into consideration when setting forth management strategies and goals.</p> <p>In the second half of this year, we plan to analyze carbon emissions scenarios, including Scope 3 emissions, and reflect the results of the analysis in the establishment and reorganization of management strategies.</p>

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	TCFD Recommendations	Description
<p><b>Risk management</b></p> <p>01</p> <p>02</p> <p><b>03</b></p> <p>•</p> <p>•</p> <p>•</p> <p>•</p> <p>•</p>	<p><b>a) Describe the organization's processes for identifying and assessing climate-related risks:</b></p> <p><b>CDP _ CC2.2</b></p> <hr/> <p><b>b) Describe the organization's processes for managing climate-related risks:</b></p> <p><b>CDP _ CC2.2</b></p> <hr/> <p><b>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management:</b></p> <p><b>CDP _ CC3.1</b></p>	<p>Potential climate-related risks and opportunities in the value chain are identified and managed by the ESG Council, established to discuss the pending ESG issues of the company.</p> <p>The risk identification and management process occur in the following steps:</p> <p>(1) Identify major risks based on analysis of country-specific policy trends and company status</p> <p>(2) Consult with related sectors (review of countermeasures such as improvement tasks by sector, etc.)</p> <p>(3) Establish and implement short-, mid- and long-term response plans</p> <p>(4) Check the results of the responses on a regular basis</p> <p>We have included ESG factors such as GHG emissions management and environmental impact assessment in the KPI and/or strategic tasks of relevant departments so that climate-related risks can be integrated into the organization's risk management system.</p>

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	TCFD Recommendations	Description
<b>Metrics and targets</b>	<p>a) <b>Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process:</b></p> <p><b>CDP _ CC2.1b, CC7.3</b></p>	<p>In order to measure climate-related risks and opportunities, we are using the global automobile production and sales volumes, the number of parts whose supply has been interrupted by natural disasters, etc. as key indicators. These indicators are used in the evaluation of risks and opportunities and considered when setting business strategies and investment directions.</p>
	<p>b) <b>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks:</b></p> <p><b>CDP _ CC6</b></p>	<p>Scope 1: 369                      Scope 2: 903                      Scope 3: 3,751</p> <p>(unit : 1,000 tCO<sub>2</sub>-eq)</p> <p>※ Based on emissions in 2019 (the data on emissions in 2020 are currently being compiled)</p>
	<p>c) <b>Describe the targets used by the organization to manage climate-related risks and opportunities and performance against the targets:</b></p> <p><b>CDP _ CC4.1</b></p>	<p>To actively reduce GHG emissions, we have set a reduction target of 17.4% compared to the 2016 levels for the year 2025 and 39.9% for the year 2040, based on the absolute amount, with respect to Scopes 1 and 2.</p> <p>Total global GHG emissions (Scopes 1 and 2) in 2019 were approximately 1,138,000 tons of CO<sub>2</sub>eq, which was around 139,000 tons of CO<sub>2</sub>eq less than in 2016, attesting to the rigorous efforts to attain the overall reduction targets.</p> <p>※ Excluding data from the establishment of a new plant in India in 2019</p>

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