

WHAT'S THE DIFFERENCE?

Kia Motors Sustainability Magazine 2009
What has changed and why?

INTERVIEW: PETER SCHREYER

Peter says
"What is design to Kia Motors?"

THINKING ABOUT TOMORROW

Hybrid electric vehicle (HEV) and
fuel-cell electric vehicle (FCEV):
Automotive paradigm shift

KIA MOTORS LINEUP

Product lineup
Spotlight on new models for 2008

ECO-DRIVING GUIDE

Green economics: Guide to smart
driving for better fuel economy

THE PLANET & KIA

Automotive lifecycle and
its impact on Earth's sustainability



MOVE

MOVE



COVER STORY

"MOVE" is the new name of Kia Motors' sustainability report, which chronicles Kia's transition toward bringing positive changes to the world by creating value for its stakeholders while promoting the sharing of common values through the love of cars.

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MOVE

ABOUT THIS REPORT

Since 2003, Kia Motors has been publishing a sustainability report every year to inform its stakeholders of the company's progress on sustainable growth and demonstrate Kia Motors' ongoing commitment to practicing and advancing sustainability management. The annual publication of this report gives Kia Motors the opportunity to reflect upon its sustainability management practices and rectify any shortcomings. It also offers a chance for Kia Motors to reaffirm its resolve to becoming a conscientious company that identifies and acts upon opportunities that enable the co-sustainability of humankind and the Earth.

REPORTING STANDARDS

Kia Motors *Sustainability Magazine 2009* follows the "GRI Sustainability Reporting Guidelines 2006." Item-for-item ratings and relevant pages can be found in the "Appendices."

* GRI: Global Reporting Initiative (<http://www.globalreporting.org>)

REPORTING AND ASSURANCE

All the information contained in this report is based on materials gathered by Kia Motors' Sustainability Reporting Committee, which was established to monitor Kia's sustainability management activities and record relevant progress in an impartial and fair manner. For enhanced reliability, this report has been verified by Solability, a third-party verification organization. The assurance statement can be found in the "Appendices."

REPORTING SCOPE AND PERIOD

This report covers the period from 2006 to 2008 and contains quantitative performance data from the past three years to provide a convenient overview of positive and/or negative progress. As for qualitative performance, this report focuses on 2008 activities. The reporting period corresponds to Kia Motors' fiscal year (January 1 to December 31).

CHANGES

There have not been any major changes.

ACCOUNTING STANDARDS

All economic, social, and environmental data included in this report are consistent with the financial accounting standards approved by the Board of Directors, an internal audit committee and an external auditor. Environmental and social investment and expenditure have been calculated based on the 2004 Investment Evaluation System that incorporates a detailed breakdown by investment type. Please refer to the body of this report for more detailed information on environmental expenditure and social outreach performance.

REPORTING TARGETS

This report covers Kia Motors; subsidiaries that are joint stock companies in which Kia Motors owns 50% or more shares; and overseas subsidiaries that are overseas joint-venture corporations. It also covers Kia Motors' domestic worksites: corporate headquarters; Sohari, Hwaseong and Gwangju plants; R&D headquarters; and service centers, as well as the overseas worksites of overseas subsidiaries: Dongfeng Yueda Kia; Slovakia Plant; and R&D centers. Due to difficulties in collecting data from overseas worksites, Kia Motors' sustainability reports generally focus on the progress and performance of domestic worksites. Kia is working on enhancing its data collection capabilities so that the scope and breadth of the coverage of overseas worksites expand every year.

PUBLICATION SCHEDULE

The Korean version of the *Kia Motors Sustainability Magazine 2009* (issue no. 7) was published on March 6, 2009 and distributed at the General Shareholders' Meeting. The English version was published on May 1. *Kia Motors Sustainability Magazine* (formerly, "Sustainability Report") is an annual publication. The most recent issue prior to *Kia Motors Sustainability Magazine 2009* is the *Kia Motors Sustainability Report 2008*, published on March 21, 2008.

ADDITIONAL INFORMATION

For additional information, please refer to the following resources:

Kia Motors website

<http://www.kiamotors.com>

Kia Motors business report

<http://englishdart.fss.or.kr> (Repository of Korea's Corporate Filing of the Financial Supervisory Service) or <http://www.kmcir.com>

Department in charge

Sustainability Management Team,
Planning Division of Kia Motors
(Please refer to "Contact Us")

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what's the DIFFER



**IN PREPARING
THIS REPORT...**

They say it is too complicated and difficult.

They say isolated pieces of information do not provide the larger picture of “sustainability.”

They say the organization is too dull and dry.

Kia Motor’s seventh annual sustainability report begins with an in-depth reflection on the following proposition:
“A sustainability report is a company’s tool for communicating with its stakeholders.”

ENCE?



In publishing *Sustainability Magazine 2009*,

Kia Motors strives to expand its dialogue with stakeholders around the world. This is not a one-sided report strewn with business performance data and company objectives that merely tell Kia Motors' side of the story. It is the first report that makes an earnest attempt to address the interests and incorporate the viewpoints of Kia Motors' stakeholders.

In this report, Kia Motors has endeavored to honestly and clearly articulate its vision for a sustainable future and the specific steps it is taking toward achieving this vision.

This report is not about generalized statements of progress or vague promises about better things to come. It is made up of detailed accounts of programs and activities currently underway and specific plans for the future.

Kia Motors wanted this report to be interesting and easy to follow for all readers – from those already interested in Kia Motors to those who may pick up this report by chance.

To this end, *Sustainability Magazine 2009* breaks out of the set framework of past sustainability reports. The sleek magazine-style layout and issue-by-issue organization take into consideration the stakeholders' point of view. Data required by the GRI Guidelines but not included in the main text can be found in the "Appendices."

Kia Motors wants to share its story with more people and have more people share their stories with Kia Motors. The strength to face an uncertain future comes from earnest dialogue with stakeholders and the genuine trust that such dialogue creates.

Kia Motors still has much room for improvement, but it also has the determination and resources to make the necessary changes to become better. Kia Motors awaits your feedback on *Sustainability Magazine 2009*.

You, the reader who has opened this report, are a valued Kia Motors' stakeholder.



PARTNERSHIP

Collaboration is necessary for greater value creation

A car, consisting of some 20,000 individual parts, is the product of a collaborative effort that requires countless technologies and involves countless people. Kia Motors practices the true meaning of collaboration – shared growth for a bigger slice of a growing pie.



RESPONSIBILITY

Responsible actions create value with meaning

Kia Motors strives to take every stakeholder into equal consideration right from the start, not after everything is said and done. This is what Kia Motors considers “responsibility.”

VALUE



TRANSPARENCY

The process of value creation must be ethical and transparent

Trust is built on fairness and honesty. Kia Motors believes that only when the process of value creation is ethical and transparent can more value be created through stakeholder trust.



EFFICIENCY

Efficiency is the starting point of value creation.

Creating more, consuming less. Raising efficiency is important because it determines the amount of value we can create. Efficiency is also vital because it holds the key to the kind of life our future generations will lead.



SHARING

The value created must be returned to the stakeholders in a fair and equitable manner.

—
A world in which everyone shares and prospers – this is the kind of world Kia Motors envisions. Kia Motors wants its stakeholders to be a part of every step of the value creation and sharing process.

CREATION

A company's responsibility as a member of the global village begins with value creation. The value created by a business is distributed to its stakeholders, contributes to social development and helps preserve and restore the environment. In this way, a business fuels a virtuous cycle that maintains the sustainability of humankind and the Earth. Kia Motors knows that the creation and distribution of value must be done in accordance with steadfast principles and in a way that benefits all.



ENGAGEMENT

A company must do its part in seeking solutions to the problems we face by creating value.

—
The greater the value a company creates, the greater its influence becomes. Kia Motors aspires to move beyond narrow-minded concerns and reach out to engage the world.

GROWING

The planet Earth sustains itself through a cycle of mutual interactions between the many living organisms and natural elements that constitute it. Similarly, a company grows stronger and realizes sustained growth through the organic linkages with its numerous stakeholders. Kia Motors knows full well that it owes its growth to its stakeholders and that its growing value is not Kia Motors' alone but that of its stakeholders as well.



Customers

- Customers bestow value on a company. A company's value is created when customers choose the company for its attractive products and services. This, in turn, leads to value-adding momentum. Kia Motors engages its customers in an ongoing dialogue with its exceptional products, reasonable prices, innovative technologies, and unique designs.



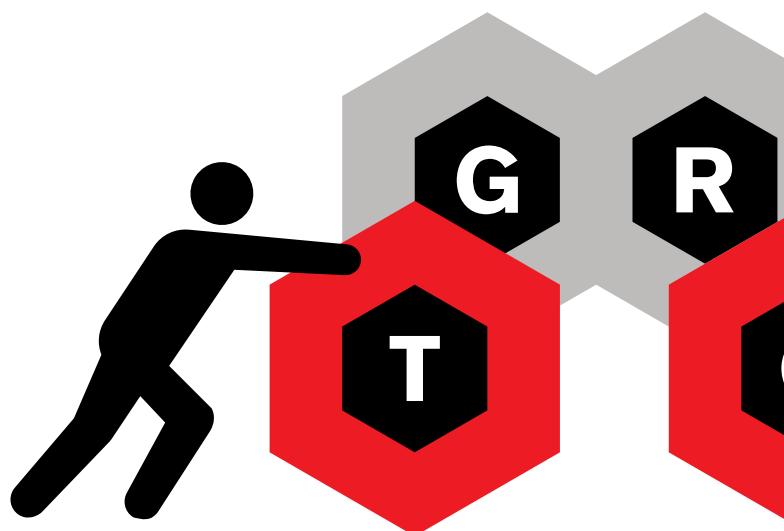
Shareholders and investors

- A company's business activities are made possible through the trust that shareholders and investors place in the company. Kia Motors continues to raise its competitiveness, provides pertinent information to its stakeholders in an equitable manner, promotes a corporate governance structure that balances checks and efficiency and endeavors to return shareholder and investor trust by maximizing shareholder value.



Employees

- Employees are at the forefront of a company's value creation. Kia Motors aims to become a company for which people want to work and in which people are happy to be working. Kia Motors aims to create a work environment in which opportunities are equally distributed, diversity is recognized, and fair evaluation and compensation are offered so that its employees can realize their full potential and constantly build upon their skills and capabilities.



TOGETHER



Partner companies

-

The ecosystem sustains itself and evolves through cooperation and cycles. Likewise, cooperation raises the competitiveness of individual businesses. The enhanced competitiveness creates synergy through cooperation. And in this way, the cycle strengthens the overall business environment. Kia Motors contributes to the stability of its partner companies by fostering transparent and fair relationships with them. By promoting the sustainable development of its partner companies, Kia Motors practices a win-win management style whose focus is not on "I" but on "we."



Society

-

Society forms the bedrock for the survival and growth of a business. Customers, employees, and partner companies are all members of society. A business, too, is a member of society that benefits from it and influences it. Kia Motors takes an interest in social problems and contributes to finding solutions. It works toward becoming a trusted company by giving back to society and by jumpstarting local economies through job creation and infrastructure development.



Earth

-

More often than not, we only appreciate what we no longer have. For the past century, human beings have lived only for ourselves and only for the present. We now know, however, that the Earth does not belong to us alone. It is the one and only habitat we have to leave behind for our children and grandchildren. Kia Motors carries out its due responsibility as a member of the planet we all share.





Energy shortage

-

It is said that there will only be hybrid and fuel cell cars on tomorrow's roads. The hybrid electric vehicles (HEVs) and fuel cell electric vehicles (FCEVs) being developed by Kia Motors will hit the roads in 2009 and 2012, respectively. Many newer versions of Kia models already feature various technologies that raise fuel economy and reduce emissions.



Resource depletion

-

Efficient resource use and recycling enable the sustained utilization of our limited resources, reduce costs, and minimize environmental degradation. Every step of the way – from automobile design to production, Kia Motors has implemented systems to curtail resource use and increase recycling. Kia Motors also makes ongoing improvements to its facilities and processes to raise the company's competitiveness.



Climate change

-

Climate change is accelerating due to manmade carbon emissions, thus seriously endangering our sustainability. As a global automaker, Kia Motors takes active measures to reduce carbon emissions in the production and use of cars. In so doing, Kia Motors is not just resolving the crisis at hand, but it is creating value that will build a sustainable tomorrow.

CHALLENGE &

A challenge well met makes a company stronger. The steep cliff ahead may look overwhelmingly high at first, but once we get to the top, we see a path that will lead us to even greater heights. By making prudent decisions that take advantage of the opportunities that belie crises, we become stronger and more competitive. In seeking solutions to the challenges facing our planet today, Kia Motors creates new opportunities for growth.





Traffic accidents

-
The mobility of automobiles brings convenience and raises the quality of our lives. On the flipside, it also leads to human loss from traffic accidents as well as environmental degradation. Kia Motors develops safer vehicles equipped with technologies that prevent accidents and minimize damage when accidents do occur. Kia Motors also runs educational programs and campaigns to promote motor safety around the world.



Economic recession

-
There are worldwide concerns over the global financial crisis and the contraction of the real economy that may result from it. The automobile industry is no exception as signs of dwindling demand have created anxiety over a potential industry-wide crisis. Nevertheless, Kia Motors looks to the opportunities that every crisis presents. Kia Motors boasts a lineup of subcompact and compact models of exceptional quality and affordable prices. At times like this, Kia Motors' product lineup can attract customers and raise its competitiveness.



Intensifying competition

-
The more markets a company has entered and the larger the company has grown, the competition in which the company finds itself will be that much fiercer. The level of technological advancement and the quality of customer service are evening out while customer expectations are only growing. Under such circumstances, Kia Motors is strengthening its competitiveness by reinforcing the affordability and exceptional quality of its vehicles with a distinctive brand identity and alluring designs.

OPPORTUNITY



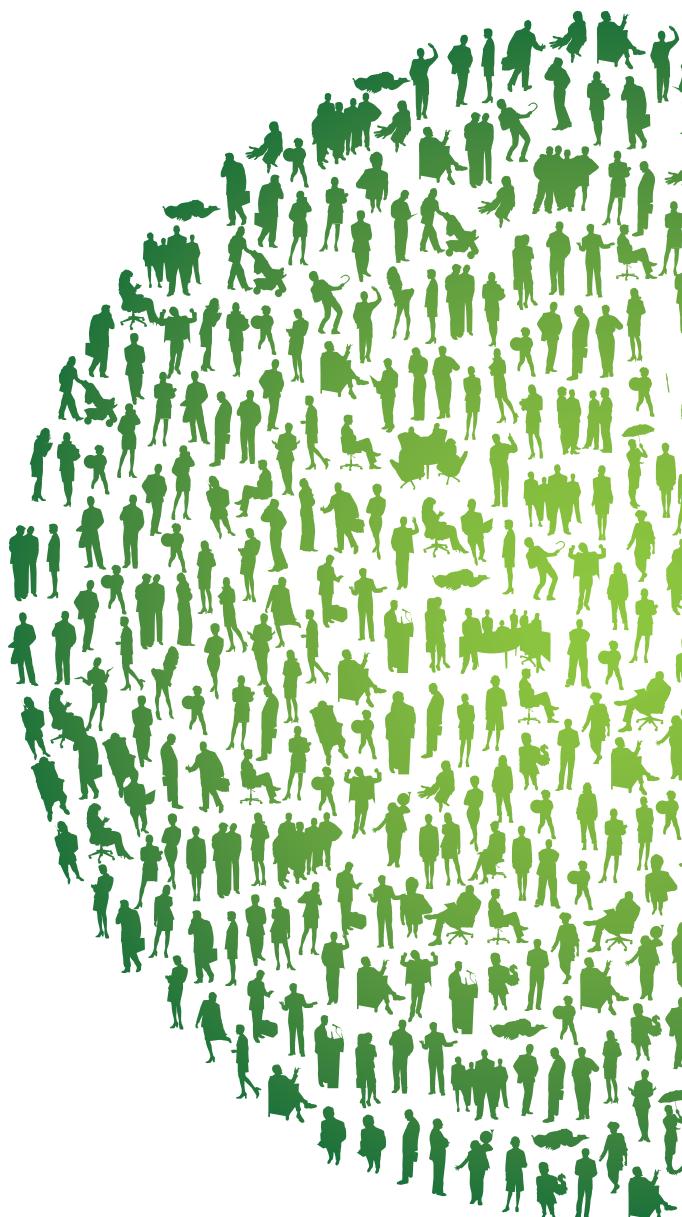
HUMAN BEINGS &



Humanity

-

We are at a point where caring for the Earth is essential to ensuring the sustainability of our own existence. Kia Motors is answering this call for action by striving to raise the value of automotive mobility so that humanity can lead even more plentiful lives. Kia Motors endeavors to develop safer and more convenient cars that are in tune with nature's rhythms.





THE PLANET

The Earth

2

–

Human beings must abandon our self-interested desires for convenience and comfort and take into consideration the well-being of our planet at large. Only then will we be able to safeguard the sustainability of Earth – the only life-sustaining planet of which we know. We all share a common mission of looking beyond the present and taking the future into consideration in order to find a sustainable balance between human wants and the health of our only habitat.

KIA MOTORS AT A GLANCE

Since its founding in 1944, Kia Motors has maintained sustained growth as a leading Korean automaker. It has developed into a global company that boasts 18 overseas subsidiaries and a distribution network consisting of some 4,000 dealers that post a combined annual sales volume of over a million vehicles. Through continuous research, development and investment activities, Kia Motors has come to possess a comprehensive product lineup comprising a full range of vehicle types and classes, including passenger cars, commercial vehicles and buses. Kia Motors has solidified its foundation as a global company by establishing production facilities as well as R&D and design centers in all corners of the globe – from the United States and Japan to China and Europe. Through continued exchanges and interactions with society, Kia Motors endeavors to carry out its responsibilities as a corporate citizen. It strives to maintain sustained growth through greater value creation by making a concerted effort to protect the environment while refraining from actions and behavior that will threaten the world's sustainability. In short, Kia Motors pledges to work even harder to realize human happiness through automobiles.

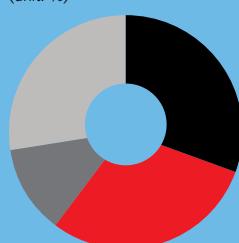
※ Sales data compiled from the non-consolidated financial statements of Kia Motors' worksites in Korea

Total sales volume

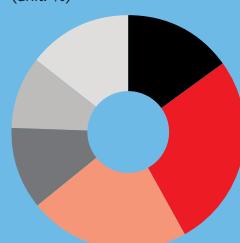
1,397,200 units

KEY FIGURES (as of 31 December 2008)

Share of total sales by region
(unit: %)



Share of total production by facility
(unit: %)



Employees at overseas worksites (unit: persons, %)

	Total number of employees	Local employees	Percentage of local employees
Georgia Plant (USA)	377	325	86%
Slovakia Plant	2,697	2,636	98%
China Plant	3,323	3,272	98%
Total	6,397	6,233	97%

BUSINESS DOMAIN

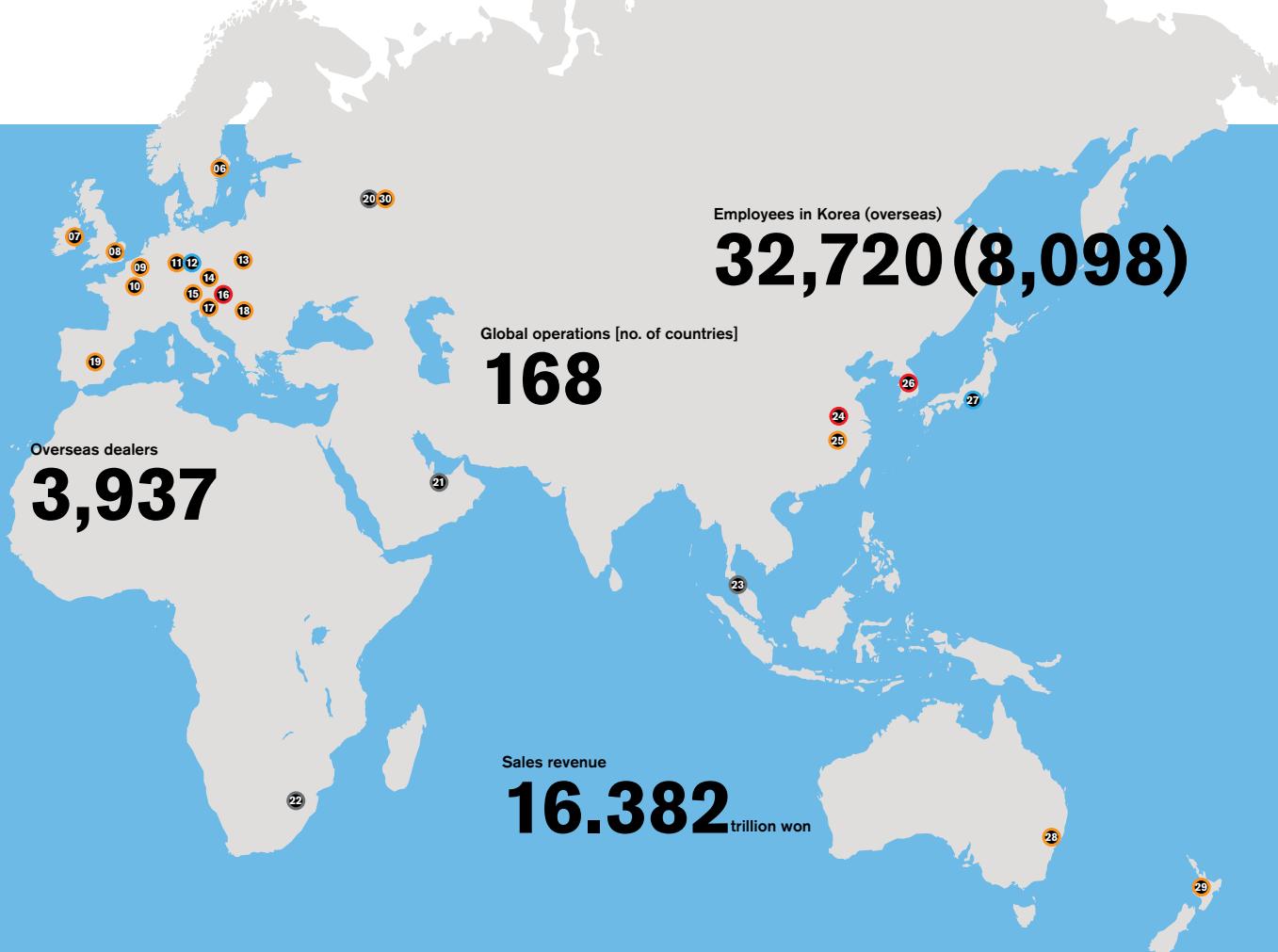
Passenger cars

New Morning (Picanto), Pride (Rio), Forte (New Cerato), Lotze (Optima/Magentis), Opirus (Amanti), Soul, Carens (Rondo), Carnival (Sedona), Sportage, Sorento, Mohave (Borrego)

Commercial vehicles

Bongo III (K Series trucks), New Granbird

CKD (complete knock down) Automobile components (engine, transmission, etc.)



GLOBAL NETWORK

R&D

Korea Namyang R&D Center, Mabuk Eco-Technology Research Institute
Overseas Technical and Design R&D Centers in the United States, Technical Center in Japan, Technical and Design Centers in Europe

Kia Design Center America (Irvine, CA, USA) **01** | Hyundai-Kia America Technical Center (Ann Arbor, MI, USA) **04** | Kia Motors Europe Headquarters/ Technical Center Europe/ Design Center Europe (Frankfurt, Germany) **12** | Kia Japan **27**

Production

Korea Sohari Plant (350,000 units), Hwaseong Plant (600,000 units), Gwangju Plant (420,000 units)

Overseas China Plant (430,000 units), Slovakia Plant (300,000 units), Georgia Plant, USA (300,000 units, in construction)

Kia Motors Manufacturing Georgia, USA **05** | Slovakia Plant/ Kia Motors Slovakia, Žilina (2,697 employees) **16** | China Plant, Jiangsu (3,323 employees) **24** | Corporate Headquarters, Seoul (Korea: 3 plants, 2 R&D centers, 20 regional service centers, 340 dealerships, 32,720 employees) **26**

Sales & Services

Korea Sales_18 regional headquarters, 340 regional sales offices, 416 dealerships, 11 shipping offices
Services_20 regional service centers, 799 service partners, 241 various service providers

Overseas 18 subsidiaries in 168 countries, 151 dealerships, 3,937 dealers (services and sales)

Kia Motors America **02** | Kia Motors Canada **03** | Kia Motors Ireland **07** | Kia Motors UK **08** | Kia Motors Belgium **09** | Kia Motors France **10** | Kia Motors Deutschland **11** | Kia Motors Polska **13** | Kia Motors Czech **14** | Kia Motors Österreich **15** | Kia Motors Central Europe **17** | Kia Motors Hungary **18** | Kia Motors Spain **19** | Kia China Sales Center **25** | Kia Motors Australia **28** | Kia Motors New Zealand **29** | Kia Motors Russia **30**

Others

Central & South America Regional Headquarters (Miami, USA) **06** | Eastern Europe, CIS Regional Headquarters (Moscow, Russia) **20** | Africa & Middle East Regional Headquarters (Dubai, UAE) **21** | South Africa Office **22** | Asia-Pacific Regional Headquarters (Kuala Lumpur, Malaysia) **23**



**ENDEAVORING TO RAISE VALUE
AND FULFILL OUR
RESPONSIBILITY**

"Kia Motors pursues sustainability management that creates economic, environmental and social value through transparent and sound corporate activities. Kia Motors aims to fulfill our responsibility of ensuring that all our stakeholders can partake in a future of shared happiness."

The global automotive industry experienced contraction last year due to the worldwide economic recession. Despite the deterioration of the external business environment, Kia Motors has put its all into becoming a company of even greater substance by stepping up its efforts in sustainability management.

By putting design management at the forefront, Kia Motors has revamped our product lineup and transformed ourselves into a design-oriented company. In short, Kia Motors has begun to hone its distinctive competitive edge. On the strength of such developments, we have also realized economic gains, recording sales growth as well as positive operating profit.

In line with the growing importance of brand management, Kia Motors has been engaged in a wide range of activities – from sports marketing to building a consensus on brand management – to raise our brand value and become an even more beloved global brand. On the production front, we have endeavored to equip ourselves with the capacity to quickly respond to rapidly changing market conditions by putting our flexible production system into full gear.

Kia Motors has strengthened its green orientation by taking a proactive stance in dealing with matters of serious global concern such as climate change and energy depletion. In terms of product development, Kia Motors, right from the design phase, has focused on developing cars with higher fuel economy and lower greenhouse gas emissions than existing models. Kia Motors has equipped our mass-produced cars with eco-friendly driving systems. We have also undertaken far-reaching campaigns to promote eco-driving.

Developing a new growth engine has been another area of focus for Kia Motors. In line with the new national vision "Low Carbon, Green Growth," Kia Motors has accelerated the development of eco-friendly cars, including hybrid and fuel cell vehicles. In order to become a leader in the convergence of information technology and automobiles, we established the Vehicle-IT Innovation Center in Korea.

Kia Motors has realized sustained advances on the quality front as well. For the first time, we entered into the top tiers of *Consumer Reports'* reliability rankings. The United States' *The Car Book* has recommended no less than seven Kia Motors models as "Best Bets." Finally, the Optima (Amanti) full-size sedan received the highest rating in the large-car segment according to Strategic Vision's SmartGreen Index (SGI), an automotive metric that gauges a vehicle's fuel economy and environmental friendliness.

Under the slogan "Moving the World Together," Kia Motors has been steadfast in carrying out our corporate social responsibility. By establishing the Social Responsibility Committee, Kia Motors has laid the foundation for an even more systematic undertaking of our social outreach activities.

Moreover, Kia Motors has joined the UN Global Compact to reaffirm and openly declare our commitment to socially responsible management that meets global standards. We have also activated an internal evaluation committee aimed at promoting fair transactions and shared growth with our partner companies. In effect, Kia Motors has spent 2008 enthusiastically striving for harmony and win-win growth with our many stakeholders.

Kia Motors pursues sustainability management that continuously creates economic, environmental and social value through transparent and sound corporate activities. Kia Motors aims to fulfill our responsibility of ensuring that all our stakeholders can partake in a future of shared happiness.

Such a corporate philosophy will serve as the basis for our continued efforts aimed at improving our model of sustainability management. Kia Motors' goal for 2009 is to further strengthen our quality management – the bedrock of our growth thus far – and provide our customers with world-class products and services. In doing so, we will be laying a stable foundation for creating economic value even in times of global economic turmoil. Furthermore, by launching the world's first LPI electric hybrid car and running a pilot fuel cell vehicle project, Kia Motors will be making a concerted effort at developing a new green growth engine.

By expanding the activities of the Social Responsibility Committee launched last year and forming new channels of communication with our stakeholders, Kia Motors pledges to fulfill our role as a leader in sustainability management. 



SUNG-EUN CHUNG Vice Chairman
March 2009

CORPORATE PHILOSOPHY AND SUSTAINABILITY MANAGEMENT

Kia Motors' business activities are guided by a corporate philosophy that aspires to "create a rich automotive culture for humanity and contribute to the harmony and mutual prosperity of its shareholders, clients and stakeholders based on a spirit of creative challenge."

Kia Motors' management philosophy is founded upon the belief that a car must be more than just a convenient means of transport. Kia Motors believes that a car must transcend this primary objective and be able to provide its owner with a sense of pride and contentment while contributing to the happiness of all relevant stakeholders.

The car is now the most basic and widespread form of transportation for humankind. As such, it impacts the lives of those who do not themselves use cars or work in related industries. Therefore, Kia Motors feels that the term "stakeholder" should encompass everyone who is directly and indirectly affected by cars. Thus, Kia Motors' "stakeholders" include its shareholders, clients, employees, partner companies, local communities and the world at large.

Management policy

Kia Motors has been able to work hard and grow toward the realization of its corporate vision thanks to the driving force of the spirit of creative challenge. The spirit of creative challenge forms the core of Kia Motors' management philosophy, steering it toward becoming a creative and innovative company that can respond proactively to the changes in the business environment. Based on the spirit of creative challenge, Kia Motors endeavors to become a company that is trusted. It endeavors to become a company that feels the pulse of its worksites where the practical, day-to-day business operations take place. And it also endeavors to become a company that undertakes its business activities in a transparent manner under a sound structure of corporate governance. In April 2008, Kia Motors declared its commitment to socially responsible management along with all the subsidiaries of the Hyundai-Kia Automotive Group. Kia Motors formed the Social Responsibility Committee, a comprehensive organizational system, thereby further solidifying the basis for its sustainability management.

Trust management

The mutual trust between employees and the trust employees have in management allow for the smooth flow of business activities and enhance corporate performance. Kia Motors strives to build a corporate culture grounded in trust, as it believes that the trust its employees have in the company leads to stakeholder confidence. Customers, employees and partner companies are all members of society. A business, too, is a member of society; society forms the basis for the company's growth and the company, in turn, can contribute to society's advancement. By engaging in social outreach activities, Kia Motors takes an interest in social problems and contributes to finding solutions. Kia Motors is expanding the scope of its social outreach activities to the world at large.



You can find more information on Kia Motors' social outreach activities on pp. 44-45 and pp. 68-73, relevant website(s) (Hyundai-Kia Automotive Group's social outreach website <http://www.hyundai-kiamotors.com>), and Kia Motors' *Community Relations White Book*.



Worksite management

Kia Motors has enhanced employee satisfaction and product quality by expediting the decision-making process and responding immediately to worksite issues, employee suggestions and workflow management.

Kia Motors' corporate philosophy attaches great importance to its worksites, which serve as the frontlines of its business activities. Such mindset translates into attentive consideration for the onsite locations where its cars are produced and used. Kia Motors launched its environmental management system in 1995 after declaring its commitment to global environmental management in 2003. Kia Motors has worked hard to promote the sustainable use of resources and reduce pollution across the entire production process – from vehicle development and production to sales, use and disposal.

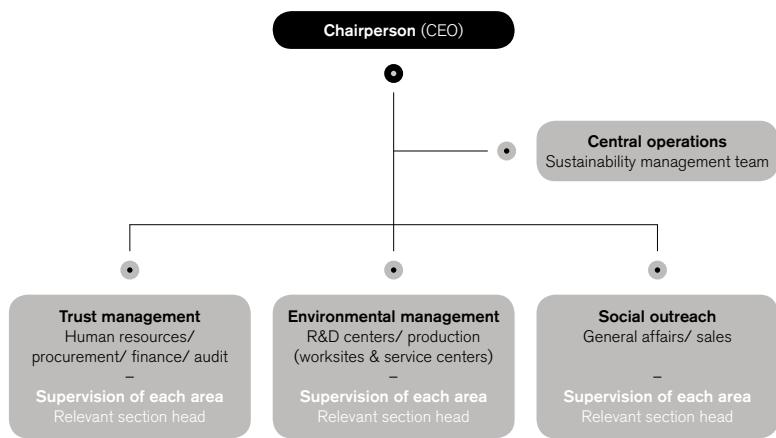
 You can find more information on Kia Motors' efforts and progress as well as future plans regarding environmental management on pp. 46-59 and pp. 81-89 as well as relevant website(s) (Kia Motors website <http://www.kiamotors.com>).

Transparent management

Kia Motors strives to build a system of management wherein the process of checks and balances occur efficiently based on a sound corporate governance structure. Important decision-making is undertaken by the Board of Directors. The Audit Committee, Ethics Committee and the Board Nominating Committee under the Board of Directors ensure the transparency of the decision-making process. Kia Motors aims to bring transparency to all its business activities and build a system founded upon steadfast principles. In 2001, Kia Motors announced its Code of Ethics and enacted the Regulation of Workplace Ethics. It runs a corporate ethics program for its employees. Kia Motors pursues ethical management that aims to rectify wrongful practices and cost structures in accordance with ethical standards. Kia Motors' ethical management strives to give due consideration to relevant stakeholders and create value on a foundation of transparent relationships. Since 2002, Kia Motors has been operating the Cyber Audit Office and Cyber Call-in Center – open to our customers and partner companies – to ensure the proper implementation and oversight of our ethical management. 

 You can find more information on Kia Motors' ethical management as well as the Code of Ethics and Employee Code of Ethics Compliance at relevant website(s) (Cyber Audit Office website <http://audit.kia.co.kr/eng>).

Social Responsibility Committee



CORPORATE GOVERNANCE & THE BOARD OF DIRECTORS

Kia Motors endeavors to secure the transparency and soundness of its corporate management control system and build an institutional framework that enables an evenhanded coordination and regulation of the interests of its employees, shareholders and employees. Kia Motors' management system comprises the Board of Directors and its committees. The committees under the Board of Directors include the Audit Committee, which is responsible for conveying the opinions of outside stakeholders and overseeing the company's business activities, the Board Nominating Committee, and the Ethics Committee, which was established to monitor internal transparency and the progress on ethical management.

Board of Directors

The Board of Directors is at the center of Kia Motors' efforts to expand accountability management and raise management transparency. The Board of Directors, appointed through the General Shareholders' Meeting, is the top decision-making body that serves to promote shareholder and stakeholder interests. It is also responsible for supervising and making decisions on major business activities under the goal of achieving long-term growth. The Board of Directors consists of four inside directors and five outside directors. The Board holds regular meetings as well special meetings, as needed. In 2008, the Board of Directors convened eleven times and voted on twenty-seven items, including business and investment plans and the issuance of corporate bonds. The average attendance rate was 87.3%.

In order to enhance professionalism and efficiency, there are three committees organized under the Board of Directors: Audit Committee, Nominating Committee and Ethics Committee. External and internal board members receive a base annual salary by position level as approved by the General Shareholders' Meeting as well as bonuses linked to corporate business performance. In 2008, the General Shareholders' Meeting set the compensation limit at 10 billion won. The actual payout was 4.96 billion won.

Committees

Audit Committee

The Audit Committee is one of the committees under the Board of Directors. The Audit Committee consists of four outside directors. It is stipulated that the chairman of the Audit Committee must be an outside director. Kia Motors' Audit Committee comprises entirely of outside directors, thereby ensuring its transparency and independence. The major responsibility of the Audit Committee is monitoring the transparency and fairness of Kia Motors' accounting and business practices. It has the authority to demand sales-related reports from the Board of Directors and examine Kia Motors' financial standing. To facilitate the auditing activities of the Audit Committee, Kia Motors has in place an internal system that provides the Audit Committee members easy access to necessary information. The major activities of the Audit Committee in 2008 included the approval of the audit reports and an evaluation of the internal accounting management system.

Board Nominating Committee

The Board Nominating Committee consists of four directors. It is stipulated that at least one half of the Board Nominating Committee must comprise outside directors. In accordance with this mandate, the Board Nominating Committee is made up of two inside directors and two outside directors. It has the authority to recommend candidates for outside directors at the General Shareholders' Meeting.

Ethics Committee

The purpose of the Ethics Committee is to evaluate the transparency of internal transactions and the company's progress on ethical management. Given the nature of its responsibilities, it is stipulated that the Ethics Committee consist solely of outside directors. It is currently made up of five outside directors. The Ethics Committee assesses the transactions between affiliated persons as stipulated by the Monopoly Regulations and Fair Trade Law (FTL) and the Capital Market and Financial Investment Business Act (CMFA). It also monitors Kia Motors' program for voluntary compliance with fair trade regulations. Finally, it evaluates major policies related to ethical management and social outreach programs as well as the enactment, revision and implementation of ethics codes and regulations. 

Board of Directors

(as of 31 December 2008)

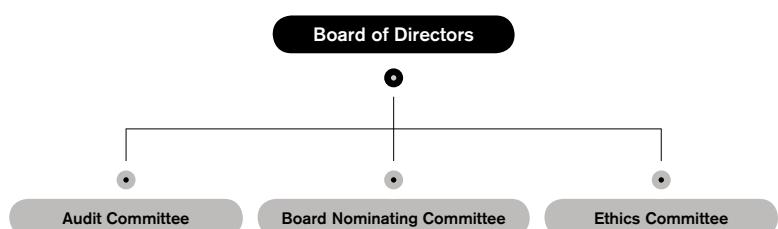
	Name	Position(s)	Status
Internal	Mong-Koo Chung	Chairman of the Board of Directors; Member of the Board Nominating Committee	Standing director
	Eui-Sun Chung	Member of the Board Nominating Committee	Standing director
	Ik-Hwan Kim	-	Non-standing director
	Nam-Hong Cho	-	Non-standing director
External	Hyeon-Guk Hong	Chairperson of the Audit Committee; Member of the Ethics Committee	Non-standing director
	Yul Choi	Member of the Audit Committee; Chairperson of the Ethics Committee	Non-standing director
	Dong-Sung Cho	Member of the Audit Committee; Member of the Ethics Committee; Member of the Board Nominating Committee	Non-standing director
	Doo-Hee Lee	Member of the Audit Committee; Member of the Ethics Committee	Non-standing director
	Gun-Soo Shin	Member of the Ethics Committee; Member of the Board Nominating Committee	Non-standing director

Major shareholders

(as of 31 December 2008)

Shareholder	Number of shares	Holdings ratio
Hyundai Motor	134,285,491	38.7%
Kia Motors Employee Stock Ownership Association	21,341,652	6.1%
Eui-Sun Chung	6,904,500	2.0%

Board of Directors and its Committees



FINDING OPPORTUNITIES IN CHALLENGES

A company faces greater obstacles as it grows and advances into more markets. In addition to the challenges arising from resource and energy depletion as well as greenhouse gas emissions and climate change, the dramatic economic downturn that began last year has presented the auto industry with new challenges – namely, the sharp decline in demand and intensified competition. Kia Motors pledges to turn today's challenges into tomorrow's opportunities by accurately analyzing present conditions and responding proactively and systematically to crises in order to find solutions.

Kia Motors' stance on crisis management

The auto industry is a national backbone industry as well as a prototypical process industry which requires economies of scale. As such, Kia Motors is part of a massive value chain comprising its partner companies and related industries. Therefore, its decisions affect not only Kia Motors but also its outside stakeholders. The rapidly changing market environment demands increasingly expedient and prudent decision making. In order to accurately diagnose and quickly respond to the numerous challenges that confront it, Kia Motors analyzes local and overseas market conditions to devise effective response measures.

Strategy for overcoming the economic crisis

The year 2008 was a very difficult year indeed. It started off with high oil prices and came to a close with a sharp downturn of the world economy caused by the global financial crisis, which spread to the real economy. Advanced nations, such as the United States, EU, and Japan have entered into economic recession, and newly emerging economies, including China, India, as well as Korea, are experiencing a sharp fall in their growth rates. The global economy is considered to have entered into a period of low growth that is projected to last between one to five years. The automobile industry, too, is forecasted to exhibit a general trend of deteriorating profits and financial difficulties resulting from intensified competition. In order to overcome the crisis at hand, U.S. automakers that have applied for government bailout, as well as Japanese and European companies, have already begun selling off assets, reducing inventory, lowering production, reducing the workforce and cutting costs.

Kia Motors endeavors to turn the crisis into opportunity by undertaking up-to-date analysis of current conditions and formulating near-term and long-term responses. Kia Motors has a diverse lineup of cost-competitive subcompact cars, a segment that has grown at an average annual rate of 8% and is projected to maintain a growth rate in the 4% range. Kia Motors' sales are evenly distributed between domestic and overseas markets, and thanks to its efforts at market diversification, Kia Motors possesses a sales network comprising distributors in 168 countries. In order to make up for its relatively low brand recognition, Kia Motors is focusing its efforts on raising its brand value by enhancing the quality competitiveness of its products. Kia Motors is also planning to secure competitiveness for long-term growth by boosting its production capabilities. Based on labor-management cooperation, Kia Motors will revamp its mixed and subcompact model-centered production scheme in order to raise the flexibility of its production system. Kia Motors will take a multi-pronged approach to overcoming the current crisis. For the near term, Kia Motors will enhance its survival capabilities. For the long term, it will lay down the foundation for even more impressive growth once the global economy rebounds.

Building a systematic response system to environmental regulations

In order to overcome the crises of energy and resource depletion and accelerating climate change, the international society is strengthening regulations on sectors that can impact the environment. With the spread of free trade in the global marketplace, environmental regulations can pose as trade barriers. For Kia Motors, whose sales rely heavily on export markets, environmental regulations are a potential risk factor.

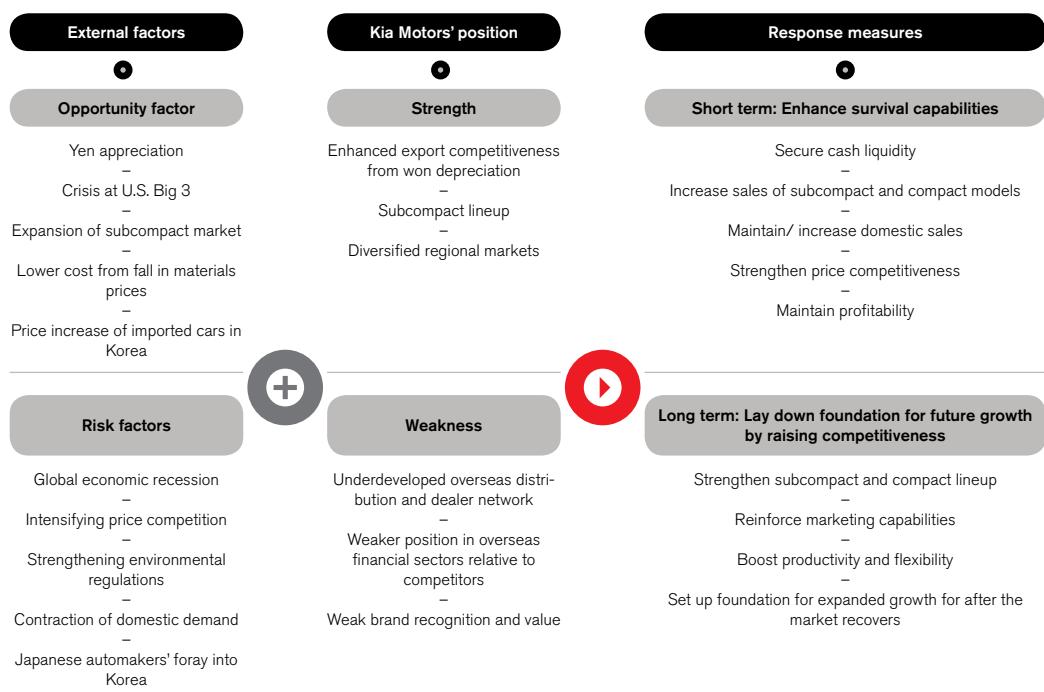
In 2012, the EU will put into effect regulations restricting the emissions of CO₂, the main culprit behind global warming. The United States has in place a business-specific fuel economy standard called Corporate Average Fuel Economy (CAFE). In 2008, China introduced a program to strengthen regulations on the fuel economy of cars; the program is currently in its second phase. Through REACH, the EU regulates chemical substances, which can have a deleterious effect on human health as well as the ecosystem. Both the EU and Japan have set targets to reduce waste materials to 5% of the total weight of end-of-life vehicles by 2015. In short, the scope and level of environmental regulations are continuing to increase.

For the comprehensive management of environmental regulations that are becoming more diverse and stringent around the world, Kia Motors has designed and is operating an information system on environmental issues and regulations. The Global Environmental Regulation Information System (g-ERI), which has been up and running since 2007, provides Kia Motors with timely information about regulatory trends, including environmental regulations registered by various nations at various organizations around the world. g-ERI is accessible to all divisions and departments, including R&D centers, production, sales, and A/S centers, for the effective formulation of preemptive response measures. g-ERI will also be used as a global communication system through which Kia Motors employees in all corners of the world can share information and have discussions on diverse environment-related topics.

Efficient information security

The auto industry is a technology-intensive industry. With the growing collaboration and linkages between information technology and the automobile industry, it is not only important to acquire cutting-edge technologies, but it is just as important to thoroughly and efficiently protect the technologies acquired. The leakage of information related to core vehicle technologies is estimated to cost tens of trillions of won. Kia Motors has developed and operates an airtight security portal system. Kia Motors has also been certified by ISO 27001. Security management personnel and managerial level employees receive annual information security training. Kia Motors has set up and manages a user authentication system for electronic documents and a document security system. In order to prevent information leakage via portable storage devices and the internet, Kia Motors has implemented its information security system at every worksite, both in Korea and overseas. 

Risk management plan based on the analysis of local and overseas conditions



2008



Announces commitment to socially responsible management

In April 2008, Kia Motors, along with the other subsidiaries of the Hyundai-Kia Automotive Group, declared its commitment to socially responsible management and adopted the Resolution on the Fulfillment of Corporate Social Responsibility. By adopting the resolution, Kia Motors demonstrated its resolve to "strive for the sustainable mutual growth of all stakeholders by faithfully carrying out its corporate social responsibility." To this end, Kia Motors has concentrated its efforts on fostering a win-win labor-management culture and promoting mutual growth with its partner companies. Kia Motors has also pledged to precipitate the development of a mass production system for fuel-efficient, eco-friendly vehicles and expand its social outreach activities in order to fulfill its social responsibilities.



Membership to UN Global Compact

In July 2008, Kia Motors joined the UN Global Compact (UNGC). UNGC is the brainchild of former UN Secretary-General Kofi Annan. It is an international policy initiative aimed at encouraging companies to fulfill their social responsibilities. UNGC consists of ten universally accepted principles in four categories: human rights, labor, environment and anti-corruption. UNGC has a membership of some 6,200 businesses and organizations around the world. Kia Motors' declaration on social responsibility management and UNGC membership exemplify its determination to fulfill its responsibilities to society. Kia Motors plans to report its progress on the implementation of the ten UNGC principles every year through its sustainability report.



Soul, wind red dot design award

In March 2009, Soul won the 2009 red dot design award. Along with iF and IDEA, red dot is considered one of the top three most authoritative design awards in the world. The red dot design award is given by Germany's Design Zentrum Nordheim Westfalen. Soul received an honorable mention in the automobile design category. Last November, Soul also won President's Award for Design at the 2008 Design Awards. These awards recognize Kia Motors' efforts and achievement in enhancing brand value through design.



Wins Prime Minister Award for resource recycling

In November 2008, Kia Motors was accorded the Prime Minister Award for Corporate Leadership in Resource Recycling. The Corporate Leadership in Resource Recycling Awards (sponsored by the Ministry of Environment and the Korea Environment & Resource Corporation [ENVICO]) honor businesses that enhance corporate resource recycling capabilities through waste reduction. Kia Motors was recognized for upgrading its sewage sludge treatment methods and reducing its annual sludge output by 2,213 tons and cutting 2.25 billion won in production costs and 1.189 billion won in treatment costs.

NEWS



SUSTAINABILITY

Receives Grand Award for Excellence in Sustainability Management

In October 2008, Kia Motors won top honors in the corporate category for its *Sustainability Report 2008* at the Third Grand Awards for Excellence in Sustainability Management. The Awards are given by the Ministry of Knowledge Economy to public organizations and private companies which, by publishing annual sustainability reports, raise corporate awareness and spread the culture of sustainability management.

Opening of the Automotive IT Innovation Center

Kia Motors, with Hyundai Motor, Microsoft and the Institute for Information Technology Advancement, is fostering the development of automotive IT companies. The Automotive IT Innovation Center was founded to develop new automotive information technologies by providing research funding to small and medium enterprises (SMEs). The inaugural ceremony of the Automotive IT Innovation Center was held in November 2008 at corporate headquarters. The center announced its mid- to long-term business plans. The funding will focus on automotive communication telematics, navigation and location-based services, and automotive human-machine interface. For selected SMEs, the Institute for Information Technology Advancement will provide funding, Kia Motors will lead technology testing and automotive application, and Microsoft will assist with technology development software and support for business expansion into the global market. Technologies developed through this program, after testing and evaluation, will begin to be applied to Kia Motors vehicles starting in the second half of 2010.

Georgia Plant to begin operations at the end of 2009

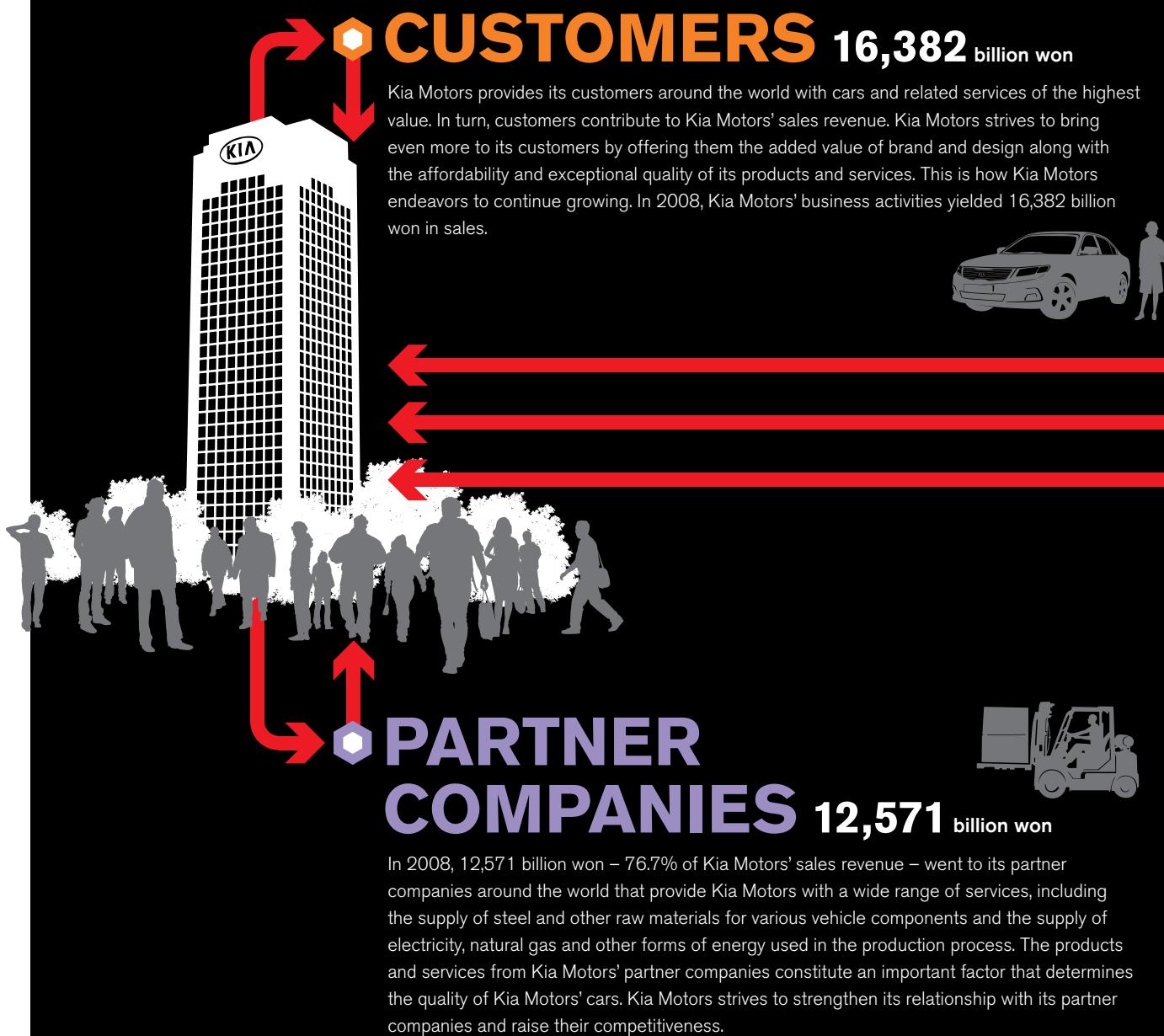
Kia Motors Manufacturing Georgia (KMMG) in the United States is expected to begin operations at the end of this year. Kia Motors has invested 1 billion dollars to construct this manufacturing plant with an annual production capacity of 300,000 units. KMMG is expected to create around 2,500 new jobs for Georgia residents. However, taking into account the twenty-five Kia Motors' partner companies that will also open shop in Georgia, a total of more than 4,500 new jobs are expected to be created. Ahead of the completion of KMMG, a ceremony celebrating the opening of the KMMG Training Center was held in March 2008. The KMMG Training Center was one of the investment incentives offered by the Georgia State Government. The Center, which can accommodate up to 900 trainees, features classrooms, computer/technology education labs and practical training workshops. Kia has opened the Center to area residents to increase exchanges with the local community. In 2006, at the signing ceremony for the KMMG project, the Georgia State Government pledged investment incentives totaling US\$410 million, including the free use of land, free infrastructure development, financial assistance for job creation, support for employee education and training, and various tax relief measures. **m**

ECONOMIC VALUE CHAIN

VALUE THAT KEEPS ON GIVING

Kia Motors grows on the strength of the value it gives to and receives from its stakeholders. Kia Motors collaborates with many people and organizations in carrying out its business activities. Through such collaborative efforts, Kia Motors aims to create better vehicles and services for its customers around the world. It also strives to carry out its responsibilities as a corporate citizen. The diagram below is a simplified representation of the massive value chain comprising Kia Motors and its various stakeholders. It outlines the respective roles that Kia Motors and its stakeholders play and the flow of value between them.

* Data compiled from the non-consolidated financial statements of Kia Motors' worksites in Korea





◆ EMPLOYEES 2,740 billion won

Kia Motors' 32,720 employees are its most valuable assets. Every Kia product and service owes itself to the passion and dedication of its employees. In order to recruit and retain top talent, Kia Motors offers its employees the highest level of compensation in the industry as well as diverse benefits to raise their quality of life. In 2008, Kia Motors spent 2,740 billion won in employee wages and benefits.



◆ SHAREHOLDERS/ CREDITORS 327 billion won

Kia Motors' shareholders – institutional and private investors around the world that hold Kia Motors stocks – are, in effect, the owners of Kia Motors. Through share issues, bond issues and loans from financial institutions, a business secures funds to make large-scale capital investments and finance its business activities. A business fulfills its responsibility to its shareholders by paying them dividends of its profits or making investments to raise the company's value. A business fulfills its obligations to its creditors by paying them interest. In 2008, Kia Motors paid out 327 billion won to its shareholders and creditors.



◆ SOCIETY 29 billion won

A business has the duty to pay the state and local governments a portion of the added value it creates through its business activities. The government uses the tax revenue from companies and private citizens to set up and operate legal and other fundamental social institutions and frameworks that provide a safe environment in which companies can carry out their activities. By engaging in voluntary social outreach activities as a corporate citizen, a business earns the public's trust. In 2008, a combined total of 29 billion won went to taxes and charitable donations and other social outreach activities.

THE POWER TO SURPRISE.

The image shows a person's hand holding a magazine open to a double-page spread. The left page features a black and white advertisement for the Kia Sorento SUV. The car is shown from a front-three-quarter angle, driving through water. The text "Surprising Power" is written in a stylized font above the car. The Kia logo and "SORENTO" are visible on the front grille. The right page features a color photograph of tennis player Rafael Nadal. He is wearing a white cap and a grey tank top, holding a tennis racket. The background is a blurred tennis court with spectators. The website "www.kia.com" is at the bottom right of the photo. A small signature "R. Nadal" is also present. The overall background of the image is a blurred tennis stadium.

KIA
KIA MOTORS

Surprising Power

SORENTO

R. Nadal

Rafael Nadal
KIA MOTORSPORTS OFFICIAL PARTNER

www.kia.com

2008:

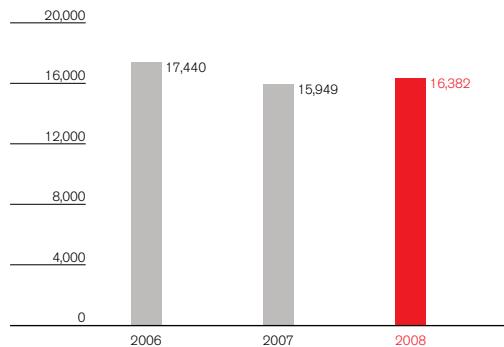
RAISING VALUE AND HARVESTING ITS FRUITS

The business environment has been challenging over the past few years. Nevertheless, rather than short-term gains, Kia Motors has concentrated its efforts on solidifying a firm basis for mid- to long-term growth by strengthening its structural soundness and core capabilities. This persistent effort bore fruit in 2008. Despite the general market downturn, Kia Motors posted 16.3822 trillion won in sales and 308.5 billion won in operating profit, returning to the black after some two years of experiencing operating deficits. It was in 2008 that Kia found itself at the starting line for a major leap forward.

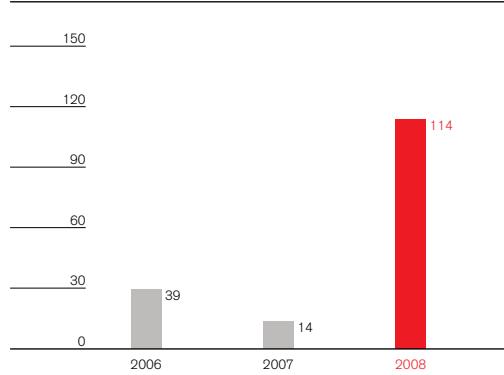
2008 business performance

High oil prices plagued the global economy in the early part of 2008. On the heels of this challenge came the global financial crisis, which has led to a contraction of the real economy. The economic downturn and sluggish growth resulting from the financial crisis have spread throughout the globe. Against this backdrop, automobile sales in the world's largest economies have been at their lowest since the 1970s. Compared to 2007, automobile (passenger cars and light trucks) sales dropped 17% in the United States (source: Autodata) and sales of passenger cars, trucks and buses declined 6.5% in Japan (source: Japan Automobile Manufacturers Association). GM and Chrysler, which have applied for U.S. government bailout assistance, as well as Japanese and EU automakers, are already reducing their workforce and either shutting down their plants or curtailing operations. The economic recession is expected to be protracted, dragging down the value of real estate, stocks and other assets. The credit crunch is projected to lead to a contraction of the installment credit

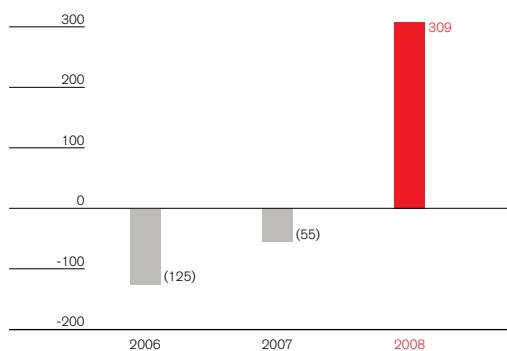
Sales
(unit: billion won)



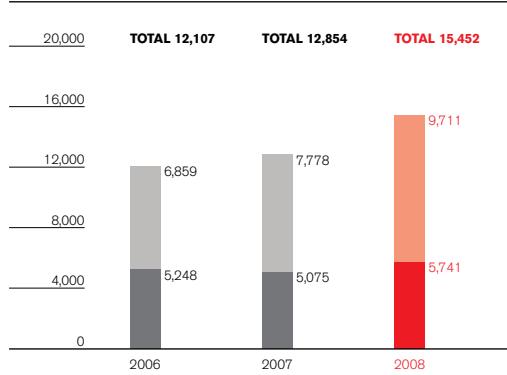
Net profit
(unit: billion won)



Operating profit
(unit: billion won)



Total assets
●Assets ●Liabilities (unit: billion won)



* Data compiled from the non-consolidated financial statements of Kia Motors' worksites in Korea

market, and economic slowdown is expected to lower incomes. Under such circumstances, the automotive industry is forecasted to undergo a major reorganization that will intensify competition, and in the long run, induce corporate restructuring. However, in spite of the worsening conditions in the Korean and overseas automotive markets, Kia Motors' persistent effort to enhance its competitiveness finally bore tangible results: Kia Motors' domestic and international sales grew in 2008. In terms of domestic sales, Kia Motors was the only Korean automaker to have posted positive growth. Furthermore, although the export volume of domestically produced Kia vehicles fell, the sales volume of overseas-produced Kia Motors' vehicles increased by 6% compared to 2007.

Korea: Increase in sales and market share

The Korean automotive market as a whole posted a 5.3% year-on-year decline in sales in 2008. The market, however, responded positively to Kia Motors' new models – New Morning (Picanto), Mohave (Borrego), Lotze Innovation (Optima/ Magentis), Forte (New Cerato) and Soul – and Kia Motors' sales grew by 16% from the year before. Kia Motors was the only Korean automaker to post positive growth. Its market share also rose by 5% from 22.6% at the beginning of the year to around 30% in September 2008 thanks to the launch of five new models. Kia's domestic market share has remained in the 30% range ever since. In 2008, Kia Motors produced 1.055 million units in Korea, which is about a 6% decline from the 1.118 million units manufactured the year before. Domestic sales increased, but the export volume of domestically produced Kia vehicles fell by 12% due to the global economic crisis.

Overseas: Market diversification and strengthening global business capabilities

Although the global automotive market experienced a dramatic

drop in sales, Kia Motors' market share and sales have actually increased in major markets around the world. Kia Motors' market share in the United States entered the 2% range for the very first time, and its sales increased by a whopping 40% in China. Kia Motors has also succeeded in diversifying its markets, which had been heavily concentrated in the United States and the EU. In the newly emerging markets of Central and South America, Africa and the Middle East, sales grew by 32% compared to 2007. Production increased by 36% at the Slovakia Plant and China Plant. Kia Motors' cee'd, the Slovakia Plant's flagship model, won a number of "Car of the Year" awards in Europe and its lineup was diversified. Thanks to such developments, cee'd sales shot up by 68% year-on-year. Kia Motors has striven to strengthen its global business capabilities to realize sustained growth and withstand changing market conditions. And 2008 was the year when the hard work finally started paying off.

Foundation for stellar performance

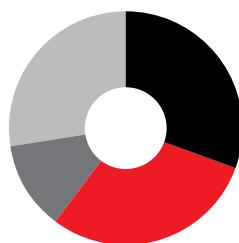
Kia's 2008 performance can be attributed to a sturdy foundation that had been a long time in the making. Despite a challenging business environment over the past few years, Kia Motors has concentrated its efforts on solidifying a firm basis for mid- to long-term growth rather than on immediate gains by strengthening its structural soundness and core capabilities.

Enhanced brand value

In 2005, Kia Motors began pursuing design management in order to raise its brand value through distinctive designs. This effort began to bear fruit with the launch of five new models in 2008. Sales rose, and Kia Motors was lauded for having taken its design competitiveness to the next level. To improve its brand image, Kia Motors also actively engaged in international sports marketing.

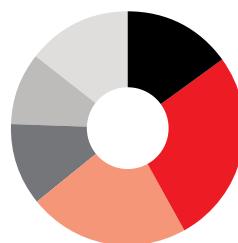
Share of total sales by region

(unit: %)



Share of total production by facility

(unit: %)



It became the major sponsor of the Australian Open; the official sponsor of the Chinese national soccer teams and Atletico de Madrid, a professional Spanish soccer team; a sponsor of UEFA Euro 2008; and a sponsor of X Games Asia. Kia Motors was internationally recognized on the quality front as well. For the first time, Kia Motors entered the top tier of reliability rankings published by *Consumer Reports*, a monthly magazine published by a leading U.S. consumer advocacy group. *The Car Book* (U.S.) recommended no less than seven Kia vehicles as "Best Bets." Furthermore, Kia Motors received high marks in J.D. Power's Initial Quality Study (IQS) on new vehicles produced in China.

Securing a driving force for sustained growth

One of Kia Motors' greatest achievements in 2008 was securing momentum for overcoming the economic crisis and achieving growth through labor-management cooperation. In 2008, Kia Motors laid the framework for flexible production through an agreement between labor and management on operating a mixed production scheme whereby multiple models can be produced on a single production line, thereby enabling Kia to adjust its production according to changing market demands. Due to the global economic crisis, the demand for large cars and RVs is dwindling while the demand for subcompacts and A-segment cars is on the rise. Through a labor-management agreement, the Sohari Plant and the Hwaseong Plant operate mixed production schemes. This setup has enabled the timely supply of Pride (Rio), which is seeing rising local and overseas demand due to the growing popularity of subcompacts. It has also allowed the timely production of Forte (New Cerato), a newly released model that is expected to enjoy high demand for some time to come. The mixed production scheme has also improved Kia Motors' ability to manage its inventory of full-size and RV models.

2009 outlook and plan

Due to the economic crisis, the competition for survival is expected to become more intense than ever before in 2009. Kia Motors has set global leadership as its management objective, which entails securing Kia Motors' foothold in three key areas: market leadership, quality leadership, and profit leadership. Kia Motors plans to focus on strengthening its global sales capabilities and its ability to cope with market changes, which are vital to a company's survival in an environment of intensified competition. To secure its market competitiveness, Kia Motors will launch four new models this year: to the new Sorento CUV; a new luxury sedan; Forte (New Cerato) Coupe; and Forte (New Cerato) LPI Hybrid. It will also begin exporting Forte (New Cerato) and Soul, which were released in the local market in the second half of 2008. Kia Motors will also reinforce its quality management efforts, the driving force behind Kia Motors' growth thus far. Its management action plan for realizing top-notch quality is operating under the banner, "Top three in product quality in three years/ Top five in perceived quality in five years." Kia Motors has its sights set on raising its scores in international quality indices to the highest levels in the industry and will continue to improve the quality of its worksites. Based on stable labor-management relations, Kia Motors will strive to further secure production flexibility and raise productivity in order to respond to changing market demands in a timely manner. It will also work toward solidifying a stable profit structure by expanding the sales of its eco-friendly models that boast high fuel economy and low emissions. ■

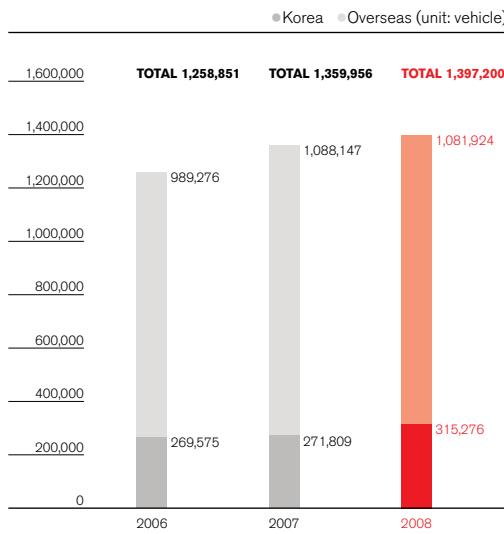
* You can find more information on Kia Motors' 2008 business performance, financial status, production volume by production facility and sales by product type on pp. 75-76.

Production volume



* Sum of the performance figures from Korean and overseas worksites

Sales volume



**“ONLY
THROUGH
DESIGN
CAN WE
CAPTURE
OUR
CUSTOMERS’
HEARTS.”**



PETER SAYS

“WHAT IS DESIGN TO KIA MOTORS?”

In 2005, Kia Motors set its sights on design as its core growth engine of the future. In 2006, Peter Schreyer took the helm of Kia's design management initiative as its Chief Design Officer (CDO). Kia Motors' design management strategy is not just about making its products more aesthetically pleasing on the outside. It is also about “design thinking,” meaning that the pursuit for change and innovation is shared by all Kia Motors' employees. It also has to do with “design acting,” which entails creative actions that bring about a more valuable “design experience” for customers.

Q1

Kia Motors' design management is in its fifth year. Four new models that incorporate Kia Motors' new design philosophy were launched in 2008 and were well received. What is the role of design in cars? And what does design mean to the customer?

Today, cars are no longer just a means of transport but also expressions of lifestyles. Cars are an essential part of our lives, and increasingly more emphasis is being put on their emotional value in terms of bringing us happiness and satisfaction. Design is the primary focus when customers are shopping for cars. A distinctive style equips a vehicle with unique value that makes the car attractive to potential customers. Apple, Starbucks and BMW are beloved brands because they have been able to uphold their brand individuality and identity. And in so doing, their products are regarded by customers as a way of achieving a particular lifestyle they want for themselves. In order for Kia Motors to transition from a “value for money” brand to a “design value” brand, it must present designs that move its customers.

Q2

What is the ultimate goal of Kia Motors' design management? Where does its design management currently stand?

It was deemed that Kia Motors will not be able to survive in the intensely competitive market environment without a distinctive identity that sets it apart not only from other global automakers but also from its sister company, Hyundai Motor. Kia Motors' design management efforts have been carried out to establish a unique identity for Kia. Today's consumers do not look at a car as an independent product unto itself; they regard it as a comprehensive brand. Kia Motors can rival any world-class automaker in terms of quality and technology. It is now time for us to take it to the next level so that our vehicles are sought after for the attractiveness of the Kia brand identity. We have a clear vision, and that is to capture our customers' hearts and communicate with them through our design. This is how we are advancing toward our objective of becoming a successful brand. For Kia Motors, design does not simply mean product design. Needless to say, product design does play an important role. However, what is even more important is the coherence of all the elements that comprise a company and its brand. Kia Motors is currently working on developing a distinctive and coherent design identity, and the general direction has already taken shape. Design will be an important means by which the Kia brand becomes etched in our customers' hearts.



01

“Through design, Kia will develop into an attractive brand of choice that enjoys customer trust. It will maintain its design identity on the one hand, and strive to create distinctive value on the other. This is how Kia Motors, with its unwavering determination, will become a sustainable company that can withstand the test of time.”

Q3

In what ways does design contribute to Kia Motors' efforts aimed at the sustained creation of economic value?

An “emotional car” is one that a customer wants to buy at first glance, without even considering its specifications, price or performance. Kia Motors will be making cars that people want to buy on the merits of its design alone, like the BMW Mini or Audi TT. Our first attempt at such a car was Soul, unveiled last year. Right now, people buy a Kia car because it offers more bang for the buck. Design will play an important role in bringing an emotional appeal to our cars, an appeal that will transcend the rational assessment of quality. It will make the owners of Kia vehicles feel a sense of pride. Such brand preference will increase brand value, serving as the basis for sustained economic value creation. Brand and design will complement one another, increasing the value that Kia Motors creates.

Q5

“The simplicity of the straight line” design philosophy has brought many new changes to Kia Motors. What will upcoming Kia cars look like? How will Kia’s design identity lead to brand value, and how will brand value contribute to the company’s sustainability?

Kia has placed design at the forefront of its endeavors and is working to define its brand image. Therefore, what is vital is how its brand image will be reflected in the new products we will be launching. The design direction that will be incorporated into Kia's new cars will be dynamism, which brings together passion, vitality and fun to express youth and athleticism. Kia Motors' vehicles will have a new face (i.e. the front-end radiator grille). This new face will resemble the nose of a tiger, quirky and strong yet familiar. This design did not start off with the idea of a tiger's nose. Rather, it is the product of many long hours of work aimed at creating a DNA unique to Kia Motors. The interior, too, marks a drastic departure from existing designs, with red lighting and a unique dashboard. From now on, anybody anywhere will know they are looking at a Kia when they see one. Customers are the ones that bring value to a company. Through design, Kia will develop into an attractive brand of choice that enjoys customer trust. It will maintain its design identity on the one hand, and strive to create distinctive value on the other. This is how Kia Motors, with its unwavering determination, will become a sustainable company that can withstand the test of time.

Q4

Please elaborate on Kia Motors' design identity, which you have described as “the simplicity of the straight line.”

Our vehicles strive to be like snowflakes, beautiful structures created by the fission of logical and architectural elements. The concept of “the simplicity of the straight line” was inspired by the name “Kia,” which is simple yet intense and conjures up feelings of openness and being to-the-point. “The simplicity of the straight line” does not simply imply that we will incorporate straight lines in our car designs. Rather, it points to a comprehensive aesthetic that is as simple and as beautiful as a straight line.



02



03

DESIGN MANAGEMENT OVERVIEW

New releases: The family look and innovative designs

In 2008, Kia Motors launched four new models: Mohave (Borrego), Lotze Innovation (Optima/ Magentis), Forte (New Cerato) and Soul. Among them, Lotze Innovation (Optima/ Magentis) was the first to debut the Kia "family look" (i.e. unified radiator grille design). Forte (New Cerato) also dons the family look and so will all Kia models that will be released from now on. The family look will play an important role in solidifying a design identity unique to Kia Motors. Mohave (Borrego) and Soul are the first models to exemplify Kia Motors' new design concept – "the simplicity of the straight line" – and articulate Kia Motors' new design direction.

Kia Motors, a beloved brand

Though design management, Kia Motors has pursued a brand image that conjures youth and dynamism, and such efforts are already bearing fruit. Kia was the number one choice among young (20–35 years old) and women consumers who have purchased a car in Korea. Consumers who chose Kia vehicles comprised 37.5% (3,486 persons) of these segments (source: Korea Automobile Association, September 2008 sales figures). Kia has also advanced in terms of its local market share, which started off at 22.6% at the beginning of 2008 and broke the 30% barrier for the first time in September. Kia's market share has remained in the 30% range ever since. In November 2008, Kia Motors was awarded the President's Award for Design in the design management category at the 2008 Design Awards. In effect, 2008 was a meaningful year for Kia Motors, a year of being recognized for the determined efforts it has placed on the diverse aspects of design management.

Global design network

With the Namyang R&D Center as its global design hub, Kia Motors' independent design centers in the United States and Europe are undertaking automotive research to develop cars that reflect regional trends and capture the hearts of local consumers.

01 Namyang R&D Center (Hwaseong, Gyeonggi-do, Korea)
02 Kia Design Center America (Irvine, CA, USA)
03 Kia Design Center Europe (Frankfurt, Germany)

Q6

Please tell us about the planned new releases that embody Kia's new design concept.

In the first half of 2009 we will be launching the next generation Sorento, and in the second half, Forte (New Cerato) Coupe and Forte LPI Hybrid. We are also planning to unveil a luxury sedan, whose project name is VG. This year will be especially significant in that the production of our eco-friendly hybrids goes into full gear.

Q7

Climate change is a central concern for businesses as well as for the sustainability of humankind and the Earth. How can design be incorporated into environmentally-friendly vehicles that can curb climate change? Please tell us the general direction in which future cars should be headed.

Design is not just about making something look beautiful. It also has to take into consideration both functionality, which brings convenience to our lives, and the environment, in which design elements exist and function. Through the mutual interaction between technology and design, future cars will have streamlined bodies that minimize wind resistance, use recyclable materials that minimize environmental impact, and feature module-type designs that raise the efficiency of the manufacturing process. **m**

TOWARD A RECOGNIZED AND BELOVED BRAND

Kia aspires to be to be an unforgettable and beloved brand. With so many products of similar quality and function out on the market, it is the brand that ultimately determines customer choice. The Kia brand, therefore, will serve as a robust foundation for the company's sustained value creation.



What is brand management?

Kia Motors is pursuing brand management in order to solidify a dynamic and youthful brand image. With the level of technological advancement and the quality of customer service converging, customers are no longer consuming mere products; they are consuming brands and the entire brand experience.

To become a globally beloved brand, Kia Motors devised a mid- to long-term design management plan, whose implementation began in 2005. Since then, Kia Motors has taken systematic steps to raise its brand value. In 2008, for instance, Kia Motors set up a strategic organizational unit specializing in brand development and management.

Truly Kia, anywhere and everywhere!

Consumers can easily encounter Kia Motors and its products at showrooms in all corners of the globe through a global distribution network consisting of some 4,000 dealers in 168 countries; television commercials; and international sporting events, such as the World Cup, NBA games and the Australian Open tennis championship. The ultimate goal of brand management is to present a unique Kia brand image and maintain its consistent presentation at the increasingly diversifying points of customer contact. To this end, Kia Motors is striving to reflect a distinctive and consistent image not only in its vehicles but also in the interior design and layout of its showrooms as well as all other channels of communication with its customers. Furthermore, every year, Kia Motors works with authoritative global consulting firms to determine how it can further enhance its brand image. Kia Motors then issues localized brand guidelines for product, sales and communication strategies to its overseas branches.

Branding ourselves!

Kia can develop into an unforgettable and beloved global brand only when its employees around the world have a clear understanding of the brand's orientation and speak in one voice. Kia Motors runs brand workshops and diverse brand lifestyle programs to foster a consensus on the Kia brand among its employees. In Korea, all employees take classes on Kia Motors' brand orientation. Kia also invites overseas dealers, who are at the frontlines of customer contact, to participate in programs that help them understand Kia's orientation and goal. Moreover, Kia features elements of its brand identity on business cards, envelopes, paper cups and other everyday office supplies with which our employees come in frequent contact. While this may seem trivial, Kia regards it as a way to create an "exciting and enabling" corporate culture that inspires and fosters consensus among its employees regarding the Kia brand. A company's brand is one the most important assets for sustained growth. Brand value, an intangible asset, plays an important role in raising product value and maximizing the emotional satisfaction and loyalty of customers. Kia Motors recognizes the importance of the brand and pursues a systematic, long-term strategy to develop Kia into a powerful brand. 

"THINK GLOBALLY, ACT LOCALLY"

For the first time since its foray into the export market in 1975, Kia Motors reached 1 million units in annual exports in 2007.

In 2008, Kia Motors' accumulated export volume surpassed 8 million units. The global village has already become a single, giant market.

For a company to maintain sustainable growth, it must appeal to more customers in more markets. By developing a highly coordinated global network and localizing its products and services for specific markets, Kia Motors is building a sustainable and global Kia.



Going global

To realize sustainable growth, Kia Motors expanded overseas to break free from the limited size of the domestic market. A production system concentrated on domestic soil exposes a business to risks of exchange rate fluctuations. It also limits the company's ability to respond quickly to diverse customer demands and market changes. Moreover, transporting fully assembled vehicles over long distances costs time and money and produces greenhouse gases. There is also the problem of trade barriers and economic sanctions.

Thinking globally, acting locally

To better respond to various global challenges, Kia Motors has put its all into "thinking globally, acting locally." With the Namyang R&D Center as its hub of technology innovation, Kia Motors has built a global network that consists of technology centers in Japan, Europe and the United States; Design Center Europe, established in 2007; and Design Center America, completed in 2008. Through this global network, Kia Motors is able to undertake localized market and consumer research. Kia's overseas plants manufacture customized vehicles that reflect local consumer demands and preferences. Localized production enables a more fine-tuned adjustment of supply to meet changing demands. The savings on logistics and tariffs are handed down to the customers in the form of more affordable prices. Such price competitiveness raises sales and increases profitability. This is the virtuous cycle of localization. The Slovakia Plant, whose annual production capacity is 300,000 units, produces cee'd, a localized model for European consumers. China Plant, whose combined annual production capacity is 430,000 units, make Cerato (Spectra) for the Chinese market. These market-specific models have been well received and are raising Kia's share of the respective markets. When the Georgia Plant (annual production capacity: 300,000 units) in the United States goes into full operation by the end of 2009, Kia will have in place an overseas production system capable of producing more than 1 million units annually. This will form a reliable foundation that further boosts Kia's ability to respond to the varied demands of its global consumers and market changes.

Kia around the world

For a global company to achieve sustainable growth, it must accept and embrace diversity. A company cannot satisfy the varied needs of its global customers by selling the same product in the same way in all of its markets. While localization is important, what is even more vital to a company's success is raising its fundamental competitiveness and making itself known to as many people as possible. To this end, Kia Motors is engaged in an ongoing effort to enhance product quality. It has established a coordinated quality control system encompassing the entire production process. Kia Motors' efforts to create products of exceptional quality are being recognized by authoritative international organizations. In addition to global management, Kia Motors is working ceaselessly toward defining its design identity and positioning Kia as a powerful global brand. 

PRODUCT LINEUP

SPOTLIGHT ON NEW MODELS IN 2008

Kia Motors boasts a comprehensive and evenly distributed lineup of passenger cars. It is constantly striving to expand its product selection, minimize environmental impact and reduce traffic accidents by releasing all-new and facelifted models every year that meet higher environmental and safety standards.



cee'd



cee'd has proven its safety, becoming the first Korean car to receive a five star rating from Euro NCAP. It has also received environmental certifications from design for the environment (DfE) and life cycle assessment (LCA) (source: Germany's TÜV NORD). cee'd features the idle stop & go system (ISG), which eliminates unnecessary fuel usage and reduces emissions. Moreover, the cast-iron cylinder block (31 kg) has been replaced by an aluminum (16 kg) one, making the car lighter and raising its fuel economy.

LOTZE INNOVATION (OPTIMA/ MAGENTIS)



Lotze Innovation is the first Korean car to adopt the Eco-Driving System. Its fuel economy is 6.5% higher than that of the previous model. Its aluminum engine is 23 kg lighter than the cast-iron version. The U.S. Insurance Institute for Highway Safety (IIHS) named Lotze Innovation a "Top Safety Pick" in the compact category. Lotze Innovation has consistently received high marks in various vehicle safety tests, including rear-end crash and side-impact safety tests.

SOUL



Soul, with its anti-lock braking system (ABS), vehicle dynamics control (VDC), side-impact and side curtain airbags, and active headrests, received perfect scores on U.S. crash tests. Soul has been created through an eco-friendly development process and is made of easily recyclable materials. Soul's eco-friendliness has been proven through the LCA certification. It also satisfies EU's heavy metal regulation standard and has received a certificate of compliance on recyclability from the EU.



SPORTAGE



By improving the fuel economy of the diesel 2 WD A/T model by 6.3%, Sportage has the highest fuel economy among Korean compact crossover SUVs. Its safety features – VDC and passenger-side airbags – have also been reinforced.



OPIRUS (AMANTI)



The U.S. SmartGreen Index, a comprehensive automotive evaluation index, gave Opirus the highest rating in the full-size segment. Opirus also received the highest safety rating in the IIHS crash test. Opirus emits absolutely no dioxin, a carcinogen; uses TPU/TPO, a material that is almost fully recyclable; and features the electronic toll collection system (ETCS) in Korean versions.



CARENS (RONDO)



In 2008, Carens was recognized as a "Best Value" in the annual list of Best Family Cars (Parents Magazine and Edmunds.com), a "Best Bet" (*The Car Book*) and the "Car of the Year" (Australia's Drive.com). CNN Money featured Carens as one of its "8 fuel-sipping SUV alternatives" for the vehicle's excellent fuel economy and spacious interior.

CO₂

Reduction of toxic chemicals



Eco-friendly technology



Lighter body



Fuel economy



Recyclability



Safety



MOHAVE (BORREGO)



Mohave features the eco-friendly, high fuel economy Tau Engine. The engine weighs 10% less than regular similar class engines, reducing the car's overall weight and raising fuel economy. Mohave's eco-friendliness has been proven through the LCA certification. Mohave has been created through an eco-friendly development process and is made of easily recyclable materials. It also satisfies EU's heavy metal regulation standard and has received a certificate of compliance on recyclability from the EU.

NEW MORNING (PICANTO)



With a body that is 40 mm longer, New Morning is that much safer than Morning, its predecessor. The fuel economy of the New Morning automatic transmission has been enhanced by 7.1% from that of the previous model. The engine performance has been enhanced by 3 horsepower to 64 horsepower. This is 12 horsepower greater than models of the same class from other automakers.

FORTE (NEW CERATO)



The 2009 Forte has 7.8% greater fuel economy compared to its predecessor. It features the Eco-Driving System and ETCS. Forte's eco-friendliness has been proven through the LCA certification. Forte has been created through an eco-friendly development process and is made of easily recyclable materials. It also satisfies EU's heavy metal regulation standard and has received a certificate of compliance on recyclability from the EU.



PRIDE (RIO)



The 2008 Pride features the emissions-reducing UCC exhaust system. The 1,500cc VGT diesel model is powered by an eco-friendly diesel engine that fulfills Euro 4 requirements. Pride has one of the highest levels of fuel economy among Korean cars. Pride, with its exceptional fuel economy and affordable price tag, was ranked highest in its segment in J.D. Power's Initial Quality Study (IQS) two years in a row.



CARNIVAL (SEDONA)



Carnival is the only minivan sold in the United States to have been named "Top Ten Best Value" by GAYOT.com. It was also selected by IIHS as a "Top Safety Pick" in its category four years in a row. It also received the highest recommendations from the *The Car Book* and *Consumer Reports*.



SORENTO



Sorento was selected as a "2008 Ideal Vehicle" by AutoPacific in the United States. It has also been named a "Best Bet" by *The Car Book* two years running. Sorento has received five stars, the highest rating, in IIHS crash tests. ■

GREEN ECONOMICS

SMART HABITS THAT SAVE MONEY AND THE EARTH

The world is growing increasingly concerned over global warming, the depletion of fossil fuels and the economic slowdown. Kia Motors believes that when small actions combine, they can bring about big changes that will take us along the road to sustainability. The technology to build cars with high fuel economy and lower greenhouse gas emissions is important for realizing sustainable mobility.

But there is another key element to raising fuel economy: smart driving habits. Kia Motors has adopted the Eco-Driving System and is at the forefront of various efforts to spread economical and ecological driving habits.

Less rush, more vigilance

Eco-driving is a combination of "economical"/ "ecological" and "driving," signifying an economical and ecological way of driving. It is said that around 15-20% of CO₂ emissions, the main culprit of global warming, comes from cars. Korea is the tenth largest emitter of CO₂* in the world and its external energy dependency is at around 97%. Korea has one of the highest rates of traffic fatalities among OECD member nations. Following the rules of eco-driving is not only environmentally friendly and cost effective but also safe.

Starting your car slowly and less abruptly improves fuel economy by 11%. Maintaining a safe distance with the car in front results in a 6% improvement in fuel economy by minimizing sudden acceleration and deceleration. Being lost for 10 minutes reduces fuel economy by 14%, and 100 kg of excess weight you are too lazy to remove from your car lowers fuel economy by 3%. If your tires have 30% less air pressure than needed, it will cost you 300 won per 50 km.

Take a little more time and pay a little more attention. Eco-driving will raise fuel economy by some 30% a year and reduce traffic accidents caused by sudden starts and speeding. According to the Dutch Ministry of Housing, Spatial Planning and the Environment, if the entire world adopts eco-driving habits, we would be able to cut annual vehicle exhaust emissions by 30% (around 27 million tons) from current levels, save about 10 billion liters of fossil fuel and reduce traffic accidents by 30% (around 60,000 cases) every year.

* International Energy Agency (IEA), CO₂ Emissions from Fuel Combustion 2005

Eco-Driving technology helpers



Idle stop & go (ISG)

The ISG function is generally found in manual transmission models. ISG is a new technology created for city driving, which requires many stops and accelerations. ISG automatically shuts down the engine when the car comes to a stop and reignites the engine immediately upon pressing the accelerator. ISG can cut up to 15% of unnecessary fuel usage.



Electronic toll collection system (ETCS)

No stopping is necessary at tollgates because ETCS automatically deducts the toll as a vehicle passes through a toll booth (in Korean-version models only). ETCS is not only convenient, but it also reduces congestion that can build up at the tollgates. Minimizing congestion cuts back on extra fuel consumption resulting from stopping and accelerating. In short, ETCS can contribute to the eco-driving habits of highway motorists.



Fuel-cut

When the car is going downhill and the driver has the foot off the accelerator, the Fuel-Cut function adjusts the fuel injection of the engine control system down to a set rpm or speed. The Korean terrain is mountainous, and thus, the Fuel-Cut function can effectively raise fuel economy. As for city roads, the Fuel-Cut function comes in handy when there is a traffic light change a few hundred meters ahead. Eco-Drive National Campaign Headquarters found Kia Motors' Lotze Innovation (Optima/ Magentis) to have the most effective Fuel-Cut function among Korean compact cars.



Ten commandments for economical, eco-friendly driving (Ministry of Environment)

- 01 Observe the "economical" speed limit (60-80 km/hr)
- 02 Do not step on the accelerator on a downhill slope
- 03 Start slowly
- 04 Avoid idling
- 05 Maintain proper tire air pressure
- 06 Get a monthly vehicle inspection
- 07 Plan your route beforehand
- 08 Empty your trunk
- 09 Buy an eco-friendly car
- 10 Never use comparable fuel or additives



Walking the eco-driving talk

In 2008, Kia Motors launched Lotze Innovation (Optima/ Magentis) in the Korean market featuring a built-in Eco-Driving System. A small "ECO" sign on the dashboard turns different colors according to the car's fuel economy performance. When the car is driving at high fuel economy, the sign turns green. When the car's fuel economy is not as high or the car is not running, the sign turns white. When the fuel economy is low from sudden braking and acceleration and other fuel-inefficient driving habits, the sign turns red. At the Eco-Driving Contest hosted by Kia Motors, the first place winner recorded a fuel economy of 19.6 km/ℓ, and the average fuel economy posted by the twenty participating teams was 16.3 km/ℓ, 40% greater than Lotze Innovation (Optima/ Magentis)'s officially certified fuel economy of 11.5 km/ℓ.

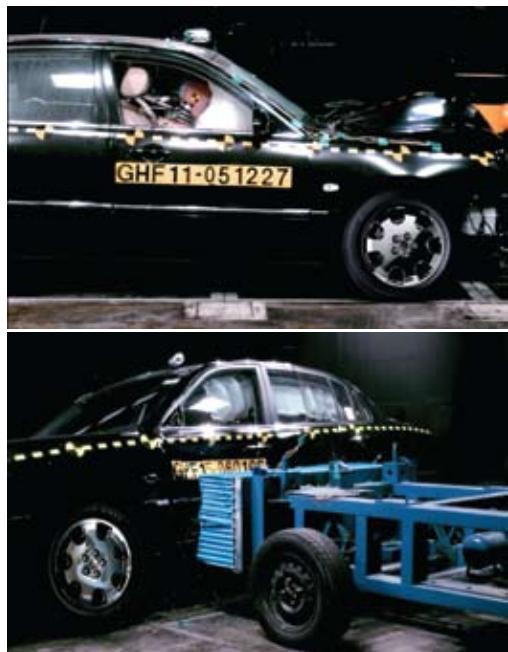
Kia Motors is engaged in an eco-driving campaign to get more motorists to learn about and adopt economical and ecological driving habits. At the Chuncheon Eco Drive Rally, for example, Kia was the event's official vehicle supplier. Kia also plans to introduce the Eco-Driving System to all of its vehicles by the year's end.

Putting eco-driving into practice may entail some inconvenience. But the little inconvenience each of us endures will come together to benefit each of us, our society and the Earth. Kia Motors believes that big changes come from small actions. 

WHY MAKE MORE CONVENIENT AND SAFER CARS?

A company exists and grows when its product is attractive enough to be chosen by a customer. Kia Motors constantly strives to bring its customer more value by enhancing the convenience and safety of its vehicles and improving customer service. Kia wants its cars to ensure customers' safety and capture their hearts.





Staying safe with cars

Kia Motors develops automotive safety systems that actively protect its customers and builds vehicles that minimize damage in the event of a collision. The high marks Kia receives in Korean and overseas safety tests every year is testament to its unwavering commitment to customer safety.

Impact analysis for occupant protection

The crash test laboratories at Kia Motors' Hwaseong Plant and Namyang R&D Center create computer simulations of impact situations. The labs also conduct real crash tests to seek protective mechanisms for ensuring the safety of Kia Motors' customers. Right from the developmental phase, Kia Motors carries out numerous computer simulations and actual crash tests to improve customer safety protection and predict its vehicles' safety performance upon impact. The tests are not limited solely to vehicle performance. They take into consideration people's physical response to imminent impact, their height and weight, and other such characteristics. Kia Motors focuses especially on women and children, who tend to sustain much more serious injuries than men in motor accidents, undertaking comprehensive analyses of their physical attributes. Kia Motors uses the findings from these simulations and tests to develop advanced safety systems, protective features and new safety technologies.

Technologies for occupant safety

Kia Motors is developing technologies and systems to minimize the occurrence of motor accidents and minimize the injury to occupants if traffic accidents do occur. Kia Motors is constantly making improvements to its production facilities and cutting costs to increase the accessibility of its safety systems to a wider range of customers.



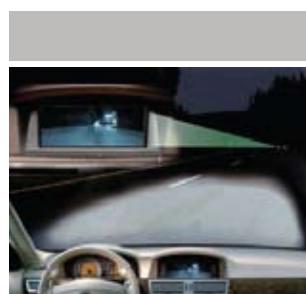
Lane departure warning system (LDWS)

LDWS is an active safety system that prevents traffic accidents. It is activated when the vehicle is going above a set speed limit. It sets off a warning alarm if the driver is about to veer off the lane due to negligence or sleepiness.



Head-up display (HUD)

The HUD function prevents safety accidents that can occur when the driver looks away from the road in order to read the dashboard. It projects a clear display of the car's speed, fuel gauge, and road information on the front window for easy viewing.



Night vision

Night vision is a system that provides more visual information than the human eye can detect in the dark. It enables the driver to sense hazardous road conditions on the night road. The night vision function raises the driver's range of vision to 3-5 times the distance visible with low beam headlamps.



Vehicle dynamics control (VDC)

VDC* is a safety system that includes ABS (antilock brake system) and TCS (traction control system). It is a cutting-edge system that ensures safe driving by controlling the brake and engine output when the vehicle turns, accelerates or brakes suddenly.

* VDC = ESC (electronic stability control) = ESP (electronic stability program)



Striving to move our customers

Under the management policy of putting the customer first, all Kia Motors' employees strive for customer satisfaction. In 2008, Kia employees carried out a customer satisfaction initiative, with the following areas as the centerpiece: becoming a helpful Kia employee, strengthening customer relationships and enhancing Kia Motors' brand image.

Becoming a helpful Kia employee

Kia runs diverse customer service (CS) training programs in order to enhance the customer CS capabilities of all employees – from those at corporate headquarters to those at customer contact points. Employees working at customer contact points, in particular, receive weekly CS educational materials and other regular communications designed to instill a strong “customer first” spirit. Kia undertakes a mystery shopping program whereby CS monitoring agents posing as customers visit Kia Motors' showrooms and other points of sale/service to evaluate the customer service provided. Through the program, ineffective CS is rectified and exceptional CS practices are introduced to all points of customer contact. Furthermore, Kia employs diverse communication channels to receive feedback on its employees' CS performance. Of the Kia employees commended by

customers for high-quality CS, the top CS provider is rewarded and the case is shared with all Kia employees.

Strengthening customer relationships

Kia Motors operates diverse customer service programs to maintain a strong relationship with its customers and identify and manage customer needs and grievances. A comprehensive, step-by-step CS service – a personal call from the branch manager, voice of the customer (VOC) survey and CS Happy Call – enables Kia Motors to communicate with its customers at all levels and points of contact, from vehicle delivery to disposal. Kia also operates a customer newsletter mailing service and an automotive information email service. Furthermore, Kia offers support programs to Korean and overseas businesses that may not have access to systematic CS training. In 2008, it provided CS training to 2,140 workers, including express bus and taxi drivers.

Kia endeavors to offer greater and more diverse opportunities for customers to experience the brand. In 2008, Kia supported various sporting events, sponsoring the 2008 Speed Festival and hosting an Australian Open celebration event in Korea as well as the Opirus (Amanti)/ Mohave (Borrego) Amateur Golf Tournament for Kia customers in Korea. It also strives to expand customer access to



cultural events and undertakes culture marketing activities. In 2008, Kia sponsored the Pusan International Film Festival (PIFF) and held movie-viewing and performance arts-related events. Kia Motors is also active on the internet front, engaging internet users all over the world through its award-winning online communication channels. Kia BUZZ, Kia Motor's global business blog, won in the international PR category at the 2008 Korea PR Awards, and the website for Soul's domestic launch won the grand prize for brand promotion at the 2008 Web Awards Korea.

* You can read about the results of CS evaluation programs on p. 77.

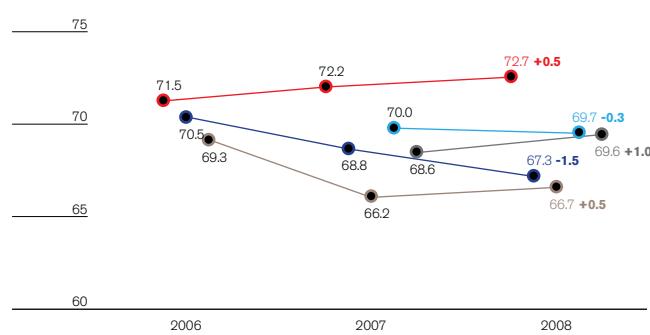
2008 CS performance

▪ Tops Korean Standard-Service Quality Index (KS-SQI) five years running _ Kia Motors was selected as the number one CS company by the KS-SQI survey overseen by the Korea Standards Association. KS-SQI evaluates companies through customer surveys in eight categories: service benefits; satisfaction of customer needs; creative service; fulfillment of promises; response to customer needs, inquiries, etc.; reliability; accessibility; and service environment. Kia Motors received high scores across the board, in all service categories.

- Named Excellent Call Center by Korea Service Quality Index (KSQI) five years running _ Kia Motors was selected as an Excellent Call Center five years in a row (2004-2008) by the Call Center KSQI overseen by the Korea Management Association. Every year, the Call Center KSQI ranks 130 call centers from 17 industries in 16 categories, including accessibility, attitude and professionalism. ■

KS-SQI Survey Results

● Kia Motors ● Company H ● Company G ● Company R ● Company S



BRINGING SAFETY TO CONVENIENCE

Automobiles have brought us happiness and the convenience of mobility. On the flipside, they also cause traffic accidents that lead to pain and tears. Kia Motors believes that the responsibilities of an automaker extend beyond the production facilities to the very roads on which its cars run. Kia Motors wants its cars to provide nothing but positive experiences and happy memories. Therefore, in addition to developing safety technologies for accident prevention, Kia Motors is at the forefront of motor safety campaigns. Under the slogan, "Safe roads we create together," Kia Motors strives to foster a safe world that people, especially children, can enjoy to the fullest.

 You can find more information on Kia's motor safety campaigns on Hyundai-Kia Automotive Group's social outreach website (<http://www.hyundai-kiamotors.com>), and Kia Motors' *Community Relations White Book*.





Kids Auto Park

Kia Motors, in collaboration with the Seoul Metropolitan Government, is building the Kids Auto Park, an experiential motor safety learning center. The Kids Auto Park is being constructed on a site around 3,000 m² in area within the Seoul Grand National Park. It will feature educational and related facilities, including a simulation center, a motor safety license testing center and an auto experiential course. The Kids Auto Park, set to be completed in 2009, will have an annual visitor capacity of around 12,000 persons. It will provide hands-on educational programs for children of six to ten years old. It also plans to issue a "Kids Motor Safety License" to children who complete the motor safety course and pass the license test. The educational programs will break away from the passivity of existing motor safety education programs that focus only on safety tips for pedestrians. By putting the children in the driver's seat, the Kids Auto Park will take a more proactive and dynamic approach to children's motor safety education and traffic accident prevention.

The Hyundai-Kia Automotive Group will undertake the construction and provide operational support, while the Seoul Metropolitan Government will provide the building plot and the Korean Association for Safe Communities will develop and run the educational programs. As such, the Kids Auto Park is lauded as an exemplary government-corporate-citizen partnership project.



School Zone Campaign

Kia Motors is involved in various educational programs for traffic accident prevention and support programs for the victims of traffic accidents. Since 2005, Kia Motors, in collaboration with the Korean Association for Safe Communities, has been running the School Zone Campaign. The campaign aims to safeguard roads and streets to and from schools in order to reduce the number of child traffic fatality rates in Korea, one of the highest among OECD countries. The elderly are taking part as safety monitors to contribute to the campaign, which strives to create a safe environment in which children can play and grow. Government ministries and local governments offer compensation to those participating elderly without income. Thus, the elderly can receive remuneration and contribute to a good cause at the same time. Kia Motors' School Zone Campaign has expanded to include 119 schools in 2008, up from 35 in 2007. Kia Motors also gave a motor safety presentation at the Busan International Motor Show (BIMOS) in May 2008, initiated a "Kids' Commitment to Motor Safety" pledge campaign, and held a nationwide children's poster design contest on "Safe Routes to and from School."



Happy Way Drive

Kia Motors began the Happy Way Drive campaign in 2008 in order to spread a safe and happy automotive culture. It launched an automotive culture campaign website (<http://happyway-drive.com>) and a related blog (<http://blog.naver.com/happyway4u>) so that more people can share and have access to information on motor safety. Kia Motors created three cartoon characters for the website and blog for a fun and exciting introduction to driving etiquette and motor safety.

Kia Motors also accepts applications for the school bus safety signaling system through the website and the blog. This safety system is designed to protect children from motorcycles and other hazards as they get on and off the school bus. When the bus door opens, a sign reading "Children leaving – STOP" pops out from the side of the bus, getting motorists' attention. The system also helps bus drivers keep track of whether the bus door is open or closed, thereby minimizing the risk of driving with the door open. 



01

ROADMAP TO SUSTAINABLE MOBILITY

The rising use of fossil fuel is expected to lead to a severe imbalance between supply and demand by around 2015. Under such circumstances, it has become vital to reduce energy consumption in the transportation sector, which accounts for 30% of the world's total energy use. In order to alleviate climate change, the international community is also strengthening regulations on CO₂ emissions from automobiles, which make up 15-20% of total greenhouse gas emissions. More energy is consumed and more CO₂ is emitted when the cars are on the road than during their manufacturing process. The greatest contribution that Kia Motors can make in combating the global challenges posed by our finite energy supply and climate change is developing more efficient and more environmentally friendly vehicles. Kia Motors is not only working on producing better cars, but it is constantly striving for innovative solutions to raise the efficiency of the manufacturing process and reduce its environmental impact.

Environmental management objectives

Kia Motors' goal is to enhance both economic value and sustainability at the same time. To this end, it has set up a comprehensive environmental management system that serves as the foundation for Kia's efforts to minimize the environmental impact of its production process, from product development to the final phase of manufacturing.



You can find more information on Kia Motors' environmental management, including its Environmental Declaration and environmental policies, in the "Experience Kia" section of Kia Motors' website (<http://www.kiamotors.com>).



02

Environmental management system

All Kia Motors' domestic and overseas worksites are ISO 14001-certified. Kia regularly inspects and makes improvements to its environmental management operations by communicating with its stakeholders and tracking its environmental management performance. Every year, certification authorities assess Kia Motors' performance on its adherence to environmental laws and regulations and its pollution prevention efforts. In addition to external evaluation, Kia Motors runs an internal evaluation and an environmental audit to identify problems with and the effectiveness of its environmental management system. It offers training programs to relevant employees and supports the education and training of potential certification agents. Rewards are also given to departments that outperform. As a result, not a single case of environmental regulation violation was reported at Kia's three local worksites (Sohari, Hwaseong and Gwangju Plants). Kia Motors has also built a clean production system and monitors its annual input-output status in order to reduce resource use and minimize environmental impact across the entire product- and manufacturing-related processes.

* You can find more information on Kia Motors' efforts and performance related to the production process on pp. 56-59.



03

Raising products' environmental value

Raising the environmental soundness of automobiles requires much thought and effort from the get-go. Cars must be designed to be made of recyclable materials that do not have a negative impact on the environment. They must also use the least amount of resources as is possible. An efficient delivery system must be in place to minimize CO₂ emissions that occur between production and sales. An environmentally sound car has to be designed so that its production and delivery processes use less energy and emit less CO₂ than when the car actually hits the road. The car must also be made of materials that can all be recycled at the end of its life. With the Namyang R&D Center in Korea as the hub, Kia Motors has developed an R&D network that spans Japan, the United States and Europe in order to make better cars through international collaboration. Furthermore, the Eco-Technology Research Institute, which features state-of-the-art environmental R&D facilities – a 700-bar hydrogen fueling station, durability test system, electric power system and end-of-life vehicle dismantling system – is concentrating its efforts on developing next-generation green vehicles, technologies to raise fuel economy and cut exhaust emissions, and a clean production system.

You can find more detailed information on Kia Motors' efforts and performance related to product development on the next page. ■



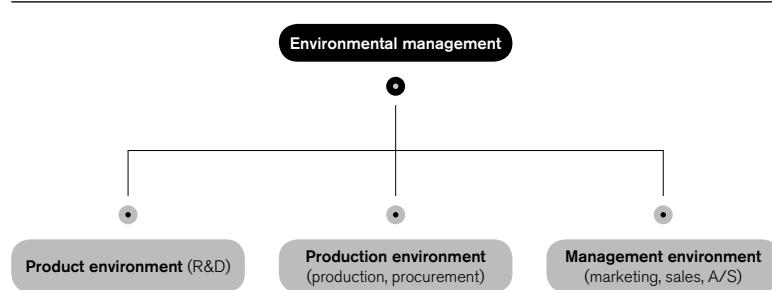
04

- 01 Eco-Technology Research Institute
- 02 Namyang R&D Center
- 03 Technical Center Europe
- 04 Technical Center America
- 05 R&D Center Japan



05

Environmental management objectives

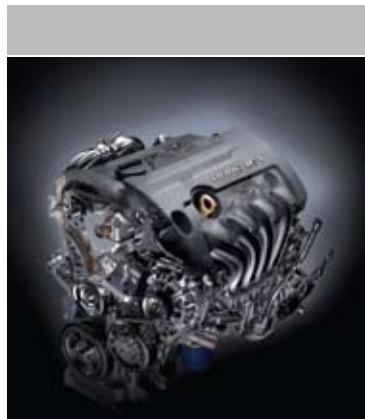


THINKING ABOUT TOMORROW

**HYBRIDS AND FUEL
CELL VEHICLES:**

**AUTOMOTIVE
PARADIGM SHIFT**





01



02

01 LPI HEV 1.6 Engine

02 A hybrid electric vehicle (HEV) is powered by an internal combustion engine and an electric motor, which work together to cut fuel consumption and emissions.

Cars have been running on fossil fuel for some 100 years. However, due to energy depletion and accelerating climate change, an automotive revolution is underway. Air, water, sunlight and plants are some of the contenders in the race for the automotive fuel source of the future. Next-generation automobiles currently garnering the most attention are hybrid electric vehicles (HEVs), which combine the existing internal combustion engine with electricity, and fuel cell electric vehicles (FCEVs), which use oxygen and hydrogen. HEVs emblazoned with the Kia logo will be hitting the roads in 2009, followed by Kia FCEVs in 2012.

Green automotive future

Today's cars, which run on fossil fuels, are expected to be gradually replaced by fuel cell electric vehicles (FCEVs) that do not emit CO₂. Hybrid electric vehicles (HEVs), which represent the intermediate stage between now and the world of FCEVs, are projected to comprise a global market of over 2 million units by 2012. Kia Motors has been working on developing eco-friendly vehicles since the 1980s in an effort to find solutions to the challenges of fossil fuel depletion and environmental degradation. Such efforts have led to visible results: the mass production of the Forte (New Cerato) LPI HEV will begin in 2009, and the Hyundai-Kia Automotive Group is planning to produce 30,000 HEVs by 2010 and 500,000 units by 2018. FCEV mass production is set to begin in 2012, with production goals of 30,000 and 1 million units by 2018 and 2030, respectively.

The production of 500,000 units of HEVs is projected to create 7 trillion won in economic gains and 37,000 new jobs. As for FCEVs, an estimated 88,000 new jobs and 16.8 trillion won in economic gains will have been created by 2030, which is when Kia Motors aims to reach the 1 million-unit production target. The advances in hybrid- and fuel cell-related technologies will also result in the development of new industries, such as electric car and electric scooter industries. This, in turn, will raise demand for electricity. New industries related to hydrogen infrastructure, fueling infrastructure, power generation for homes and portable fuel cells will also emerge. If some 200,000 green vehicles are on the roads by 2013, it is estimated that fossil fuel consumption will decrease by 70,000 kℓ – enough to power 40,000 compact-sized vehicles for a year – and CO₂ emissions will decrease by 310,000 tons.

Hybrid Electric Vehicle (HEV)

HEVs run on two different power sources – an internal combustion engine and an electric motor. Compared to existing cars, which are powered only by an internal combustion engine, HEVs have much higher fuel economy and power performance while emitting significantly less exhaust. The electric motor supplies most of the power when HEVs first start and when they are accelerating. When HEVs come to a stop, the engine is shut off to cut unnecessary fuel use. When HEVs are going uphill or accelerating, the electric motor supplements the driving power, alleviating some of the work that the engine must perform. Electricity consumed at starts and acceleration is recharged with the braking energy generated during deceleration. HEVs show marked improvement in fuel economy and greatly reduce harmful emissions. This is especially true for city driving, which involves many stops and restarts.

Developing the Forte HEV

Since 2005, Kia Motors, in collaboration with the Ministry of Environment, has been running a pilot fleet of HEVs. As of 2008, 4,120 units of Pride (Rio) and





HEV Roadmap



Developed Korea's first electric vehicle



Participated in government pilot program
Supplied 730 units of Pride (Rio) HEVs
(Supplied together with Hyundai Motor's Verna HEVs) (Improved fuel economy by 44% from gasoline version; satisfied emissions qualifications for super ultra low emission vehicle [SULEV])



Expanded participation in government pilot program
Supplied 3,390 units of Pride (Rio) HEVs over 2 years (Supplied together with Hyundai Motor's Verna HEVs)



Mass production of Forte (New Cerato) LPI HEVs
(Improved fuel economy by 50% from gasoline version)



Production of 30,000 units (combined target of Hyundai-Kia Automotive Group)



Mass production of plug-in HEVs (PHEVs)



Production of 500,000 units (combined target of Hyundai-Kia Automotive Group)

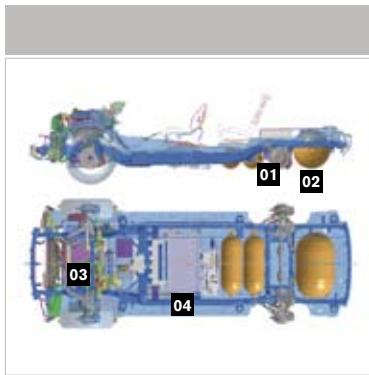
Verna HEVs were manufactured and put on the road. Through this project, Kia Motors has come to develop proprietary HEV technologies. It is also now capable of producing most key components in Korea. Kia Motors has put these newly gained capabilities to work and is planning a 2009 launch of the Forte (New Cerato) LPI HEV, the first hybrid in the world to feature an LPG engine. The Forte (New Cerato) LPI HEV delivers exceptional driving performance and has 50% higher fuel economy than the gasoline version of the same model. The Forte (New Cerato) LPI HEV emits about the same amount of CO₂ (102 g) as the Honda Civic Hybrid (101 g). Furthermore, Kia Motors has succeeded in making all the electric power-related components in Korea. This has set the groundwork for the sustained development of hybrid technologies and has contributed to enhancing the competitiveness of Kia Motors' partner companies. The Forte (New Cerato) LPI HEV will feature the first-ever adoption of lithium polymer batteries, next-generation batteries that are much lighter and have dramatically higher energy density than existing nickel hydrogen batteries. In order to ensure the safety of lithium polymer batteries, Kia Motors has devised a complex safety scheme that enhances not only the safety of the battery cells but also the HEV itself. Lithium polymer batteries have been proven safe and reliable even by the most rigorous safety tests.

Hybrid future

After the 2009 launch of the Forte LPI Hybrid, Kia Motors in 2011 plans to release the next-generation Lotze (Optima/ Magentis), which will feature Kia Motors' proprietary gasoline electric hybrid system. The next-generation Lotze (Optima/ Magentis) will have a full hybrid system, which at low speeds will enable the vehicle to run on the electric motor alone without the help of the internal combustion engine. Kia Motors will unveil the next-generation Lotze (Optima/ Magentis) gasoline HEV in North America following its release in Korea. Thereafter, Kia Motors plans to turn more of its models into HEVs and develop a full-fledged HEV mass production system. Kia Motors is currently developing a plug-in HEV (PHEV) that can be charged at regular households, with the goal of mass producing them by 2013.

Fuel cell electric vehicle (FCEV)

No matter how advanced our technologies become, cars that run on fossil fuels are bound to emit exhaust. Accordingly, an alternative that truly takes the environment into consideration is vehicles that run on something other than fossil fuels. Hydrogen FCEVs, considered the vehicles of tomorrow, run on electricity generated by the chemical reaction between hydrogen and oxygen that power the engine, with the only emission being water. Hydrogen FCEVs can tackle the twin environmental issues of environmental degradation and energy depletion. Moreover, hydrogen FCEV motors are twice as more efficient than internal combustion engines. Yet there are still many obstacles that have to be overcome. In order to commercialize hydrogen FCEVs, an infrastructure of hydrogen fueling stations and related systems and facilities must first be in place. The manufacturing process must also be improved to reduce the excessive energy that is currently required to generate hydrogen. To overcome today's challenges and contribute to the sustainability of humankind and the Earth through automobiles, Kia Motors is continuing its research on technologies that will enable the commercialization of FCEVs.



Mohave Hydrogen FCEV

- 01 Supercapacitor
- 02 Hydrogen tank
- 03 Motor/ inverter/ LDC
- 04 Stack/ BOP

-

Key performance features and specifications

Features	Specifications
Fuel cell stack	115 kW
Auxiliary power system	100-kW supercapacitor
Motor system	110 kW
Hydrogen tank	700 bar
Curb weight	2,250 kg
Maximum speed	160 km/h

Kia Motors' FCEV technology today

Since 1998, Kia Motors has been engaged in developing fuel cell technology, striving to enhance not only the performance but also the marketability of FCEVs. Kia Motors has successfully proven its low-temperature (-20°C) startup technology. It is now focused on overcoming the technological hurdles of improving the durability of fuel cells and lowering their high production cost. Since developing a fuel cell stack* with a maximum output of 2 kW and an output density of 0.2 kW/ℓ in 1999, Kia Motors developed an automotive fuel stack with 80 kW output and 1.0 kW/ℓ output density in September 2005. And in 2007, Kia Motors succeeded in developing a 100-kW stack, which has 25% greater maximum output and 20% greater output density than the existing stack. Kia Motors has secured proprietary technologies for fuel cell system design and has striven to domestically produce major fuel cell components. As a result, Kia Motors can now produce 99% of the key parts in Korea.

* Stack: Fuel cells stacked on top of one another in tens and even hundreds to produce the desired power output

Key technologies of Mohave (Borrego) FCEV

The Mohave (Borrego) FCEV features a 115-kW fuel cell stack – 44% more powerful than the 80 kW stack – and a supercapacitor, a next-generation energy storage unit. The fuel cell stack is built into the Mohave (Borrego) FCEV's underfloor for even weight distribution. This setup enables a more dynamic driving performance and enhances safe maneuverability. With its 700-bar hydrogen storage system, the Mohave (Borrego) FCEV can travel up to 758 km on a single charge, which is comparable to the distance existing mass-produced cars can travel with a single fueling. It can also travel at a speed of up to 160 km/h. The Mohave (Borrego) FCEV is designed to prevent damage to the hydrogen tank and pipes that can be sustained in rear-end collisions. Moreover, the Mohave (Borrego) FCEV is equipped with a hydrogen leak detection sensor and a collision detection sensor to prevent hydrogen leaks during impact. The Mohave FCEV's proven safety features fulfill the requirements of U.S. automobile collision regulations.

Kia Motors' hand in a FCEV future

Kia Motors began its FCEV-related R&D in 1998 and developed its first FCEV in 2000. It has been involved in a FCEV pilot fleet program overseen by the U.S. Department of Energy since 2004. In 2001, Kia Motors won the Michelin Challenge Bibendum, an international green vehicle tournament, and was recognized for its technological capabilities by completing the FCEV road rally. In 2008, Kia Motors also participated in the Hydrogen Road Tour, hosted by the U.S. Department of Energy and the California Fuel Cell Partnership. Kia completed the event's cross-country tour with the Mohave (Borrego) FCEV, which features advanced fuel cell technologies developed and accumulated over the years. Kia Motors has also set up the Hydrogen FCEV Monitoring Project Headquarters at the Korea Institute of Science and Technology. The headquarters monitors real-time data from Kia's hydrogen FCEV pilot fleet in operation around the country. Kia Motors is presently working with some 120 partner companies on developing technologies to create a FCEV that can start at -30°C, is 60% more efficient than existing systems, and can run on a fuel stack that is half the size of current stacks. Kia Motors pledges that through continued R&D it will pave the way for a tomorrow in which everyone can enjoy the benefits, convenience and safety of FCEVs. 



EFFORTS

AIMED AT HARMONIOUS COEXISTENCE OF AUTOMOBILES AND THE EARTH

In the past, the focus of the automotive industry was on proving cars with greater attractiveness, convenience and safety. Now, however, efforts are underway to develop cars that ensure the sustainability of the Earth.

Kia Motors strives to produce cars that not only bring happiness to people but also protect the well-being of our planet.

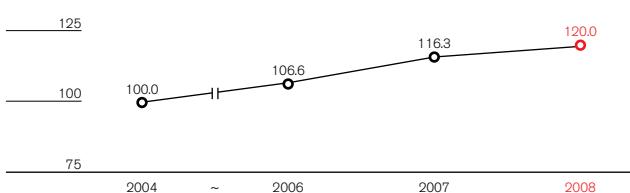
Birth of a Car: Design

There is a long series of processes involved in producing a single vehicle: life cycle assessment (LCA), eco-efficiency assessment, toxic chemicals management and recyclability assessment. The environmental information on Kia Motors' new vehicles, which undergo various and thorough testing procedures, are available on Kia Motors' website (<http://www.kiamotors.com>) and the ECOAS website (<http://ecoas.co.kr>) of the Korea Environment and Resources Corporation (ENVICO).

Tests to minimize environmental impact

LCA is a quantitative assessment of a vehicle's environmental impact throughout its life cycle, from the raw materials used to make the car to the manufacturing process, vehicle usage and vehicle disposal. New models that have passed the LCA are generally assessed to have minimized their environmental impact relative to their previous versions. Along with LCA, eco-efficiency assessment is carried out during the vehicle design phase. Eco-efficiency assessment looks at both the environmental impact and economic value of a car in order to produce vehicles whose environmental impact is minimized but whose economic value is maximized. The eco-efficiency assessment of Kia Motors' vehicles shows a 21% increase in their eco-efficiency in 2008 compared to 2004, the base year. What this means is that Kia Motors is using less resources to make cars that emit less CO₂ relative to its sales revenue.

Eco-efficiency



* Eco-efficiency assessment: Economic value (sales revenue)/Environmental load (total amount of CO₂ emissions and resources used)

Using eco-friendly, recyclable materials

Kia Motors operates e-CMS, an internal chemical substance management system, in order to make cars that do not produce environmentally damaging substances. E-CMS uses material/weight data from the International Material Data System (IMDS)* and manages information on chemical substances at the vehicle model and parts levels. Through e-CMS, Kia Motors identifies



materials that produce toxic substances and replaces them with non-toxic materials in the vehicle design phase. During the design phase, Kia Motors also seeks ways to produce cars that use as many recyclable parts as possible rather than parts that need to be disposed of when vehicles come to the end of their life cycle. Kia Motors has developed the Recyclability Assessment Information System for Homologation (RAIS-H) to evaluate the recyclability of its cars. RAIS-H enables Kia Motors to change a vehicle design by identifying non-recyclable materials and calculating the recyclability rate of the vehicle being designed. For faster and more efficient data management, Kia Motors is working to upgrade its systems by integrating RAIS-H and e-CMS in 2009. In 2007, Kia Motors received the pre-assessment certification from RDW (Department of Road Transport of the Netherlands), an official EU certification agency. This certification recognizes the recycling scheme of each vehicle model by assessing the clean production system of the relevant plant and the vehicle's green car development system. You can find more detailed information on Forte (New Cerato), Soul and cee'd – the resulting products of e-CMS and RAIS-H – as well as environmental assessments and systems in the product information section of Kia Motors' website (www.kiamotors.com).

* International Material Data System (IMDS): Parts and materials management system used by the automotive industry in response to regulations on end-of-life vehicle disposal and dismantling

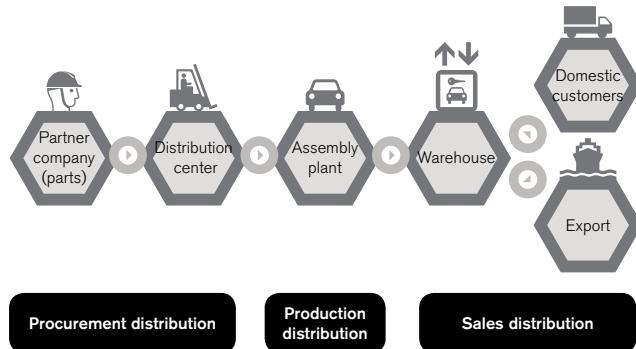
Delivery of a Car: Distribution

Following the design and manufacturing processes, vehicles must go through the distribution phase before meeting their owners. The automotive distribution process involves more than just the delivery of vehicles to points of sale or end-customers. The movement of automotive parts from partner companies to Kia Motors makes up another sizeable portion of the distribution process. Therefore, Kia Motors endeavors to identify problems and find solutions to improve all three major areas of the distribution process: procurement, production and sales.

Automotive distribution system

The automotive industry is a classic assembly industry whereby a small number of automakers use some 20,000 components supplied by numerous partner companies to manufacture cars and sell them to domestic and international customers. "Procurement distribution" is related to the supply of various automotive parts to Kia Motors from partner companies with direct and indirect relationships with Kia Motors. "Production distribution" has to do

with the timely supply of parts to meet the production schedules of vehicle assembly lines. All production distribution activities take place within an individual plant. "Sales distribution" is the process by which assembled vehicles are supplied to the customers. It involves the transporting of vehicles to the warehouse as well as the storage of vehicles at production facilities or local warehouses.



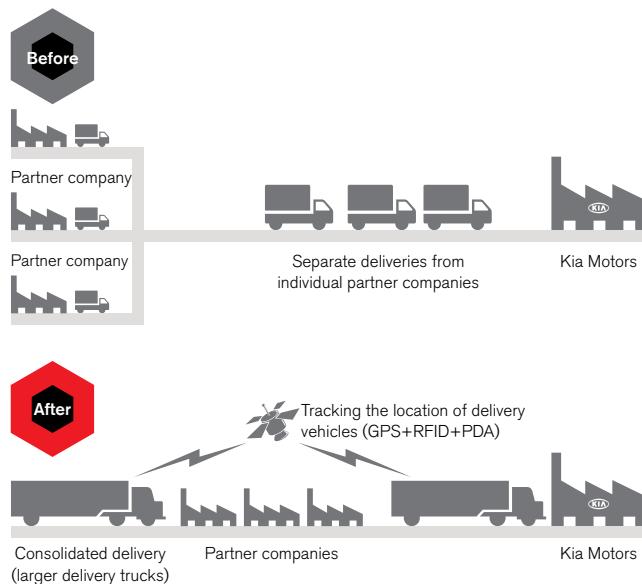
Comprehensive upgrade of the distribution system

In 2007, Kia Motors spent 6.7% of its sales revenue on distribution, and 65% of it was on transport expenses. More than 90% of the transport expenses are attributed to road transport, which uses more energy and generates more CO₂ than rail and ship transport. Moreover, parts delivery vehicles from partner companies make 1,500-3,000 stops per day at each plant. Because these delivery vehicles are operated by individual partner companies, it has been difficult to assess and improve on the overall environmental impact of Kia Motors' distribution system. Kia Motors has set up a consolidated distribution system and distribution center to improve procurement distribution by reducing transport distance, increasing per-vehicle loads and decreasing delivery frequency. Kia Motors is also working on optimizing its sales distribution by adjusting local warehouse operations in Korea according to the changes in regional sales volumes. Kia Motors has also increased the size of its delivery vehicles. Moreover, it is working toward equipping delivery vehicles with RFID tags. The RFID* system will enable Kia Motors to track every delivery vehicle. Kia Motors' partner companies will be provided with information on delivery times so that they can avoid traffic congestion and supply only the necessary amount. Kia Motors is investing 3.38 billion won (government assistance: 2.05 billion won) into its RFID system that is scheduled to be completed this year. The RFID system is expected to reduce delivery frequency by 32%. As for vehicles that transport parts produced at Hyundai-Kia Automotive Group plants, the existing 11-ton trucks



have been replaced by 25-ton trucks, reducing delivery frequency by 22% in 2007 (Hwaseong plant ▶ Gwangju plant) and by 50% in 2008 (Hwaseong plant ▶ Ulsan plant).

※ Radio-Frequency IDentification (RFID): Remote identification technology using tags and readers



Life of a Car: Usage

Countless hours of research go into creating a car. However, a car only comes to have a true *raison d'être* once it finds an owner and hits the road. A car's existential value is created when it begins running, but it is also at this time that a car starts to consume a lot of energy and emit CO₂. Kia undertakes rigorous research and testing at the design phase in order to improve the engine and transmission performance, raise fuel economy and lighten the body. In so doing, Kia Motors is endeavoring to develop vehicles that emit minimal CO₂.

Maximizing efficiency, minimizing emissions

A car's engine is a key automotive component, akin to the human heart. Accordingly, improving engine performance and efficiency is central to improving a vehicle's fuel economy. Forte (New Cerato) and Soul, released in 2008, have grade-one level fuel economy. They are about 15% more fuel-efficient than the previous Cerato. Kia Motors achieved this by improving the efficiency and transmission control of the Gamma 1.6 CVVT gasoline engine (4-speed A/T) in

the existing Cerato model. Kia Motors also applied various eco-friendly technologies and specifications, including motor-driven power steering system (MDPS); silica tires that reduce wear and rolling friction; and power generation control. The 2009 Sportage gasoline model, with improved engine and transmission control efficiency, reduced power steering load and silica tires, has higher fuel economy than its predecessor. The Bongo J2.9 WGT diesel light truck is a low-polluting truck. It features a particulate matter (PM) emissions reduction system that has cut PM emissions to one-sixth that of the existing model. It is also equipped with the Theta 2.4 LPI engine that has reduced NOx emissions, an atmospheric pollutant, by 25%.

Improving transmissions for better driving experience and fuel economy

Along with the engine, the transmission plays an important role in improving fuel economy. The greater the number of gears, the smoother the driving experience and the higher the fuel economy become. Therefore, even with the same engine, a vehicle equipped with a more highly calibrated transmission has better acceleration and fuel economy. The drawback, however, is that such a transmission is more complex, and thus, heavier. This increases the weight of the vehicle. Therefore, the central objective of transmission development is reducing its size and weight while increasing the number of gears. Kia Motors has successfully developed a proprietary 6-speed transmission that is lighter and has significantly fewer parts than the existing 5-speed transmission. This new 6-speed transmission will be adapted to the new Sorento and Carnival. In addition, Kia Motors has elevated its next-generation automotive transmission technology by developing a high-efficiency hybrid CVT transmission for its Gamma LPI hybrid engine. The Forte LPI Hybrid, which is planned for release this year in Korea, will feature this new CVT transmission.

Technologies for going lightweight

A 1% reduction in the weight of a vehicle results in a 0.5-0.6% increase in fuel economy. However, lighter materials are less durable. Therefore, much research has to be done to decrease the thickness and weight while maintaining performance and durability. Kia Motors is replacing steel, which is very heavy, with light yet durable magnesium or aluminum. Kia Motors was the world's first to replace both the back frame and the cushion frame



with super lightweight magnesium alloy die-cast frames, reducing the vehicle weight by around 6 kg. Forged steel has also replaced with aluminum alloy, which has decreased the vehicle weight by an additional 6 kg. In addition, Kia Motors has replaced the materials of a variety of other components, lightening each component by 1-6 kg. As for plastic parts, Kia Motors has applied technologies to decrease their thickness, resulting in a weight reduction of 10-15%.

Expiration of a Car: Disposal Phase

In 2005, Kia Motors established the Automobile Resource Regeneration Center, which has an annual processing capacity of 4,000 units. The Center provides technological support for designing recyclable vehicles and develops recycling technologies to reduce waste by improving the disposal process.

End-of-life vehicle processing system

Kia Motor's Automobile Resource Regeneration Center features a cutting-edge ubiquitous monitoring system that tracks the end-of-life vehicle processing sequence in real-time – from the number of units being processed to the amount of processed recyclable and waste materials. The Center is also working on dismantling systems and devices for distribution in order to support small and medium enterprises that may have difficulties developing proprietary dismantling technologies. As per requests from the government and academia, Kia Motors offers more than ten guided tours of the Center annually to introduce its eco-friendly end-of-life vehicle processing system to the public. The Center has built a cooperative

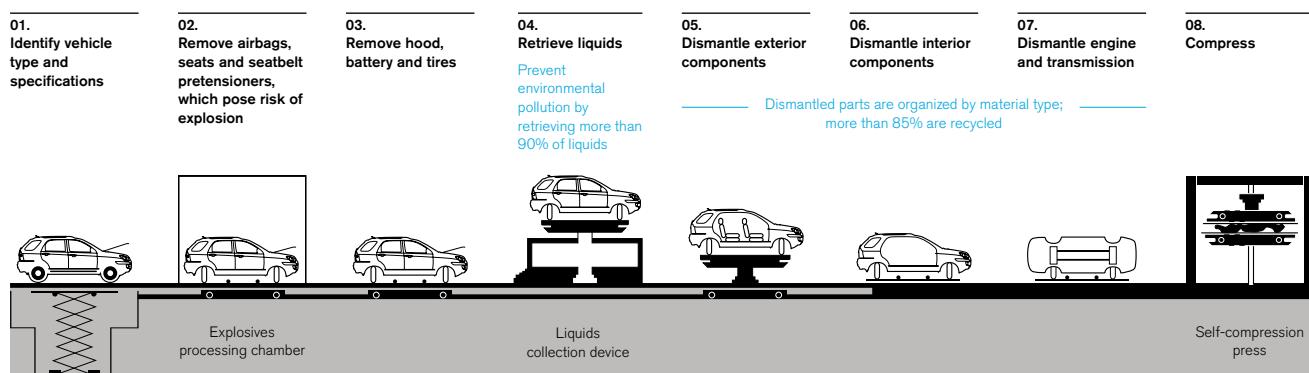
network with the Korean vehicle disposal and dismantling industry and is providing technology and know-how for the establishment of processing standards for the disposal and dismantling of end-of-life vehicles.

Diverse recycling technologies

Kia Motors, through the Automobile Resource Regeneration Center, is researching diverse technologies for recycling the used parts of end-of-life vehicles. Kia aims to raise the recycling rate of automobile shredder residue (ASR) from the current 85% to 95%. To this end, the Center is researching ASR resource regeneration technologies and parts remanufacturing technologies that would restore recyclable used parts to like-new condition. It is also researching technologies to safely retrieve and destroy air conditioner coolants and other harmful substances. Furthermore, the Center has been researching technologies to recycle PET bottles. It has completed the level-one material development phase in 2008. The Center aims to apply this recycled material to the manufacturing of automotive electric motor housing by early 2010 and plans to expand its application to exterior automotive parts in 2011. This is expected to not only reduce waste products but also decrease the weight of vehicles. The Center has also developed technology to recycle rubber scraps, of which more than 2,000 tons are produced every year. The Center has already completed product prototypes and will begin pursuing their mass production in 2009. By 2011, recycled rubber scraps are planned to be used for muffler hangers, mats, and gaskets. **III**

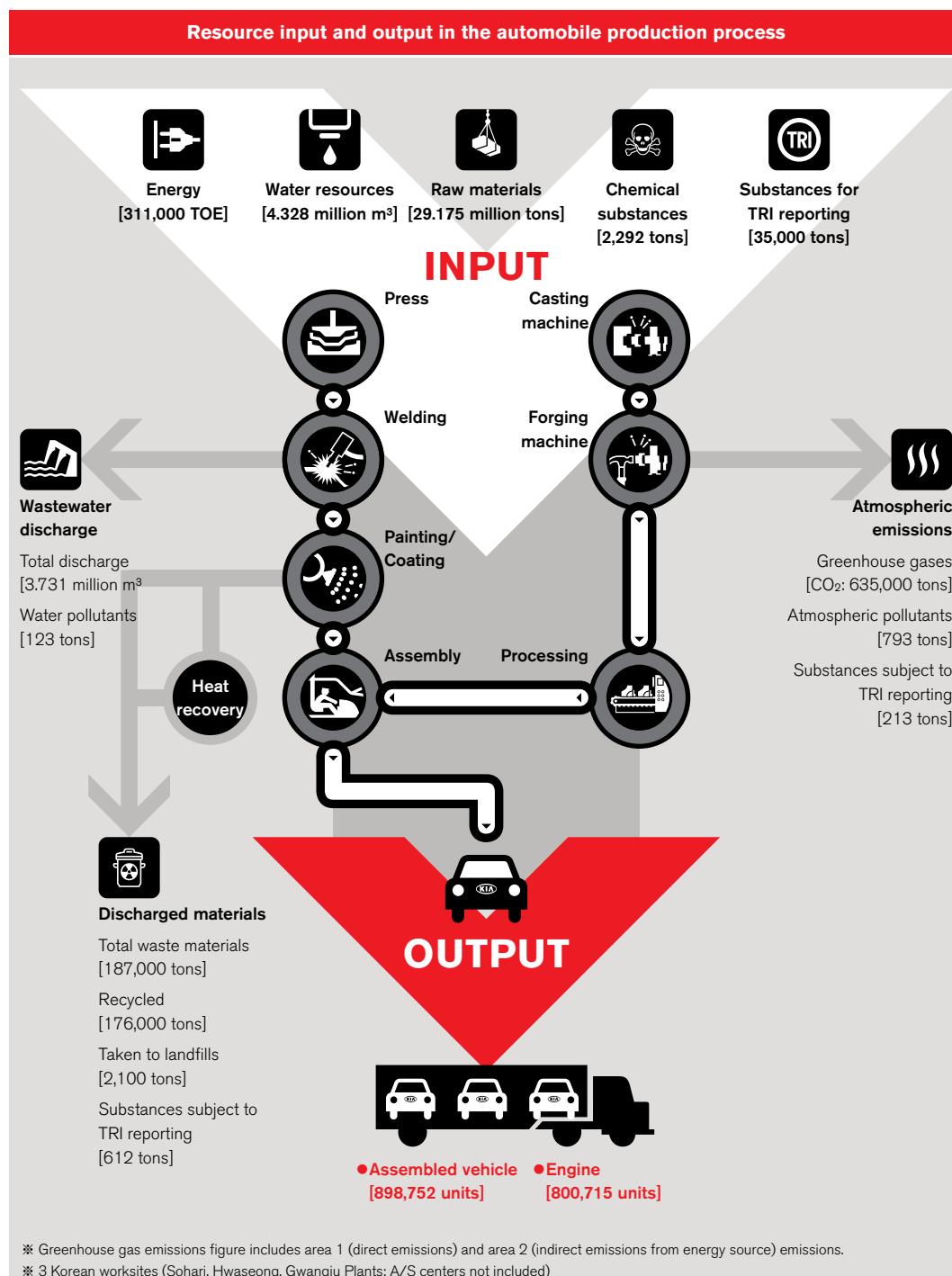
End-of-life vehicle processing sequence

The end-of-life vehicle processing system consists of eight steps. The system is designed to run continuously and successively, so it is capable of handling large loads.



EFFORTS

TO RAISE EFFICIENCY AND LOWER ENVIRONMENTAL IMPACT



* Greenhouse gas emissions figure includes area 1 (direct emissions) and area 2 (indirect emissions from energy source) emissions.

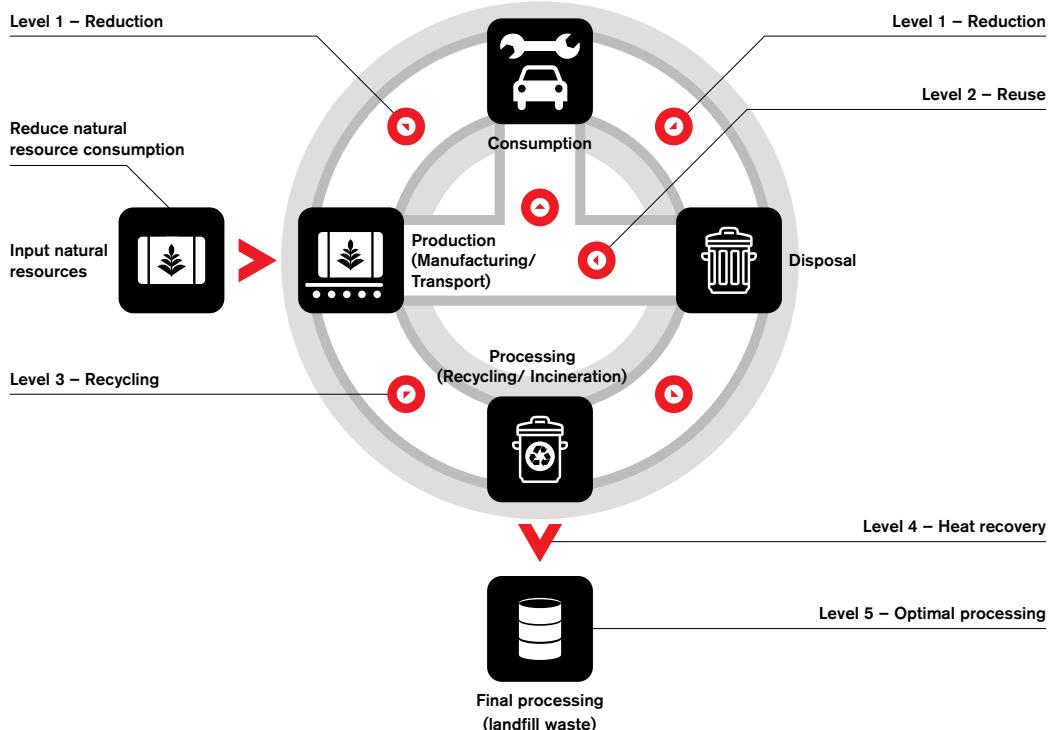
* 3 Korean worksites (Sohari, Hwaseong, Gwangju Plants; A/S centers not included)

Fuel sources and other natural resources are running out. Climate change and environmental pollution caused by industrialization are accelerating. The world is in agreement that we are facing a major crisis. There is also a global consensus that we must raise resource efficiency while minimizing environmental impact. Kia Motors has developed a clean production system to realize resource circulation in the automotive production process and reduce the emissions of greenhouse gases and environmental pollutants. In order to determine the actual results of such efforts and continue to raise efficiency, Kia Motors tabulates the yearly resource input and product output as well as the amount of waste materials and substances generated by its production process.

Efforts toward resource circulation

Resource circulation aims to replace the existing linear model of production-consumption-disposal to a cyclical model that incorporates recycling and heat recovery processes in order to enhance resource efficiency and minimize environmental load. To realize resource circulation, initial resource input must be minimized, manufacturing efficiency must be raised to reduce waste materials, and water materials must be made reusable through a recycling process, so that ultimately the total amount of waste materials generated by the entire production process will be reduced.

Conceptual diagram of resource circulation



Use of raw materials

Raw materials used for automotive production include steel, paint and thinner, aluminum, plastics and various packing materials. Kia Motors strives to reduce the ratio between resource input and product output. Steel, paint and thinner, and wrap guard film – a type of packing material – make up the large bulk of raw materials used for vehicle production. Kia Motors tabulates how much of each material is used in order to keep track of its progress in reducing resource consumption.

* You can find more detailed information on Kia Motors' efforts at reducing resource consumption along with related figures and trends on p. 81.

Reducing waste and increasing recycling

Kia Motors aims to create waste-free production facilities. To this end, it is managing the sources of waste generation and is making improvements to various work processes to reduce waste. The final waste products generated during the automotive production process are incinerated or taken to landfills. Since the 2007 declaration of "zero landfill waste" at all worksites, as of 2008, Kia Motors has reduced waste materials taken to landfills from 3.8% of total waste to 1.1%. The Sohari plant has already attained the 0% target. Kia Motors also received the 2008 Prime Minister Award in resource circulation assessment overseen by the Ministry of Environment for its active participation in the government's waste reduction policy. Starting in 2009, Kia Motors will set a new goal of "zero waste incineration" and work toward recycling those waste materials that are now being incinerated, reducing packaging materials waste and recovering the heat generated during waste incineration. It aims to lower incinerated waste to less than 3% of total waste by 2012. In 2008, 94.1% of the waste materials generated at the three Korean worksites (Sohari, Hwaseong and Gwangju Plants) were recycled. The three worksites recorded a 10% reduction in the total amount of waste generated in producing a single vehicle.

※ You can find annuals figures on the amount of waste (over the last three years) produced by Kia Motors' production process as well as trends related to recycling and landfill waste on p. 82.

Using water resources

According to the UN, 1 billion people in the world do not have access to clean drinking water and this number is climbing steadily. If the current trend continues, it is projected that 1/5 of the world's population will experience severe water shortage by 2025. Kia Motors is doing its utmost to minimize its use of water, an essential resource for us all. It has made facilities investment in order to make even more efficient use of water resources and has striven to make water conservation a part of the Kia Motors lifestyle. In 2008, Kia Motors reduced its water use by 16.7% from the previous year. Compared to 2003, when the water usage measurement standard was put in place, Kia Motors has cut down its use of water resources by 24.1%.

※ You can find more information Kia Motors' efforts at reducing water resource consumption along with related figures and trends on p. 82.

Efforts to alleviate climate change

Kia Motors is working toward cutting its greenhouse gas emissions by decreasing the use of fossil fuels and increasing the use of renewable alternative energy sources. Most of the greenhouse gases emitted by Kia worksites are attributable to the use of energy sources. The large bulk of Kia's energy use in 2008 consists of electric power (63%) and LNG (33%). The total greenhouse gas emissions (area 1 & area 2 combined) at Kia's Korean worksites have shown a consistent decline since 2005: 696,000 tons in 2006; 643,000 tons in 2007; and 635,000 tons in 2008. In order to monitor greenhouse gas emissions and potentially reducible emissions at all of its domestic worksites, including production facilities and A/S centers, Kia Motors is running a greenhouse gas inventory. Kia Motors plans to expand this inventory to include overseas worksites. In June 2008, Kia Motors joined a voluntary emissions reduction pledge along with other Korean companies in 28 industries, including automotive, steel and semiconductor industries. These companies have agreed to collectively cut greenhouse emissions by 40% from 2005 levels by 2020. As a part of this effort, Kia Motors has set a long-term goal of reducing per-unit greenhouse gas emissions by 12.2% from 2005 levels by 2020.

※ You can find more information on Kia Motors' greenhouse gas emissions and projected per-unit reductions from 2000 to 2020 on pp. 82-83.

Kia Motors has also signed a voluntary energy conservation pact in 2000 and has continued to work hard toward reducing energy consumption. It has set up a comprehensive management system for energy and greenhouse gas emissions at all Korean worksites (Sohari, Hwaseong and Gwangju Plants and A/S centers). It has also made energy conservation a part of the Kia Motors lifestyle and has installed machines that make more efficient use of electricity and LNG, Kia Motors' two main energy sources. Kia is also installing equipment powered by renewable alternative energy sources.

※ You can find more detailed information on Kia Motors' energy conservation and greenhouse gas reduction efforts and progress along with its annual energy use and greenhouse gas emissions on pp. 83-84.

Reducing environmental pollutants

Kia Motors endeavors to minimize the environmental load across its entire production process. To this end, it has set internal management standards on atmospheric and water pollutants that are more stringent than government standards. Based on these standards, Kia operates a monitoring system to track the emissions of pollutants. It is also concentrating efforts on reducing waste. Kia is focused not only on the optimal processing of the environmental load generated during the production process but also on using raw materials that include less toxic substances. Kia Motors endeavors to regenerate waste materials and optimize its work processes.

Atmospheric pollutants

Atmospheric pollutants created during the automotive production process include volatile organic compounds (VOCs) and paint particles from painting and coating; dust particles from materials processing; and gaseous substances from combustion. Kia Motors continues to reduce the emissions of atmospheric pollutants by using raw materials that contain less toxic substances, installing equipment that cut or prevent the emission of pollutants, and improving work processes. In 2008, domestic worksites emitted 793 tons of atmospheric pollutants, which is a 4.8% decline from the year before.

* You can find information on atmospheric emissions by each pollutant type along with emissions trends on p. 84.

Water pollutants

Kia Motors is minimizing the discharge of water pollutants by rigorously processing wastewater created by the production process. In order to maintain optimal wastewater processing conditions, it undertakes regular maintenance and update work on its wastewater processing system. It has also set internal standards on discharged water pollutants that are more stringent than government standards. Kia also monitors the concentration of discharged wastewater around the clock through automated and manual measurement systems. Kia Motors' continued efforts are steadily reducing the volume and per-unit discharge of water pollutants.

* You can find information on the discharge of water pollutants by each pollutant type along with discharge trends on p. 85.

Toxic chemical substances

Kia Motors strives to reduce the use of toxic chemical substances that damage the environment and human health. Registration, Evaluation and Authorization of Chemicals (REACH) is a program initiated by the EU in 2007 that aims to minimize the impact of chemical substances and strengthen accountability over their management. REACH is applied to manufactured and imported goods in the EU whose annual input of chemical substances is more than 1 ton. Kia has provided REACH education and training at domestic and overseas worksites as well as partner companies that have expanded overseas with Kia Motors. It has also identified the chemicals controlled by REACH and completed the preliminary registration as per REACH regulations within the designated registration period (June 1 – December 1, 2008). Kia Motors currently uses nine controlled toxic chemicals, including caustic soda, hydrochloric acid and methanol. The heads of relevant departments receive periodic training, and there are regular inspections of relevant departments as well. In 2008, Korean worksites used 2,308 tons of chemical substances, a 16% decrease from the year before and a 9.4% per-unit decrease. m

* You can find more information on Kia Motors' use and discharge of chemical substances and related trends on p. 85.



BUILDING

A COLLECTIVE FUTURE THROUGH ENGAGEMENT

Kia Motors regards sustainability management as a tool for getting one step closer to its stakeholders to engage them in dialogue and encourage their participation. This understanding is based on Kia's belief that earnest communication with its stakeholders and the stakeholder trust that follows give the company the strength to confidently move forward into a future filled with uncertainties. This sustainability report, too, is a channel for engagement. Kia Motors wants to become even more accessible to an even greater number of its stakeholders. To this end, Kia continues to expand its communication channels and pledges to listen to what its stakeholders have to say while translating their opinions into action to build a better tomorrow.



EXPERT'S VIEW

Kia Motors Sustainability Report 2008

Yong-Koo Kim

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Thoughts on Sustainability Report 2008

Kia Motors *Sustainability Report 2008* demonstrated that an effective data collection system was in place that will enable Kia to continue its efforts at tracking its performance in sustainability management and reporting on areas for improvements. Thanks to this system, the report showed marked improvements from *Sustainability Report 2007*. I regard this as an achievement made possible by the determination of Kia Motors' management to meet social demands and the enthusiastic participation of Kia employees. First, *Sustainability Report 2008* comprises special stories on social, economic and environmental issues and does a relatively good job at thoroughly addressing major internal matters related to sustainability management as well as key issues of interest to external stakeholders. Of note, the reader recommendations for improvement in *Sustainability Report 2007* have been effectively addressed in *Sustainability Report 2008*. Moreover, the strategies for sustainability management, their supporting policies and operational systems as well as sustainability management performance are presented in an accessible and organized manner. Although not fully adequate, *Sustainability Report 2008* attempted to be open and transparent regarding the unethical actions and various legal and regulatory violations committed by some of its employees.

Recommendations

1. It is not a good idea to cover up or minimize negative developments. In order to strengthen stakeholder trust, it is better to disclose them, the disciplinary measures taken in relation to them, areas for improvement and measures to prevent their recurrence. I recommend the continued expansion of Kia Motors' openness and transparency in this regard.
2. I suggest that a report be created on risks related to society, environment and ethics (SEE). Such a report should undertake an analysis of the above risks separately from financial risks and discuss whether these risks are being systematically managed by the Board of Directors. To stakeholders, this will serve as an important measure of the company's commitment to fulfilling its corporate social responsibility.
3. I recommend an open disclosure of the accountability and compensation scheme for the members of the Board of Directors as well as other top executives across all areas of corporate activity, including risk management, ethics compliance, health and safety, and the environment. Corporate social responsibility management without a clear system of accountability and rewards cannot expect to improve and advance.

Channels for stakeholder communication and engagement

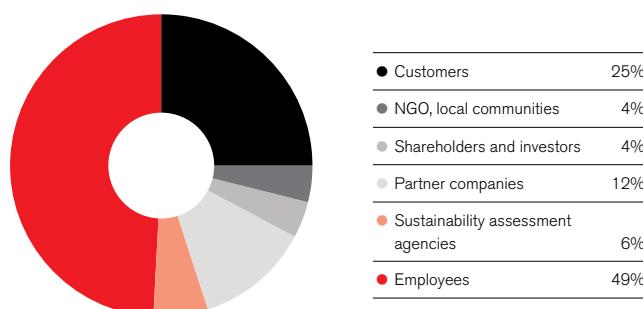
Kia Motors is developing diverse communication channels in order to expand stakeholder communication and participation. It strives to incorporate stakeholder opinions in its business activities and continues to create even more channels for enhanced stakeholder engagement and dialogue. The publication of annual sustainability reports is yet another means for Kia Motors to communicate with its stakeholders. Kia Motors is contemplating ways to include direct stakeholder participation in the creation of its sustainability reports.

Stakeholders	Communication channels
Customers	Customer service, customer satisfaction surveys, online communication channels (Kia BUZZ/ Funkia), reports (annual report/ sustainability report/ Community Relations White Book)
Shareholders and investors	General Shareholders' Meeting, investment road shows, websites, reports
Employees	Labor-Management Council, Employment Stability Committee, Next Generation Committee, company magazine and newsletter for employees, online communication channels (intranet, knowledge community), Employee Counseling Center, reports
Partner companies	Seminars and training programs, procurement web portal (VAATZ), procurement headquarters' suggestion box, reports
Society	Social outreach activities, campaigns, websites, exchanges between worksites and local communities (regular meetings, opening plants to the public), corporate information channels (websites, reports)

Stakeholder survey

In preparing *Sustainability Magazine 2009*, Kia Motors carried out a stakeholder survey to identify stakeholders' areas of interests and to use the results as reference for drafting the report. The survey showed that stakeholders considered the following to be key issues: progress and goals of sustainability management, management leadership, sound labor-management relationship, customer satisfaction, eco-friendly activities, product development strategies, and HEV development. Kia Motors will endeavor to not only include these issues in its sustainability reports but also reflect them in its overall business activities so that the Kia Motors of tomorrow will be the fruit of collaboration between Kia and its stakeholders. **m**

Stakeholder survey participation



* Number of participants: 53 internal and external stakeholders

Key issues: Those issues that 20% or more of internal and external respondents considered important are categorized as "key issues."



THE MAKING OF THE “NEW KIA”

Kia Motors is building a proud workplace based on shared hopes and deep-rooted mutual trust.

This is the “New KIA” that Kia Motors envisions.

Kia Motors aims to create a work environment in which opportunities are equally distributed, hard work rewarded and employee potential realized so that all its employees can lead fulfilling, balanced lives.

Trust:

Corporate culture that opens new doors and embraces diversity

Kia Motors continues to identify internal areas for improvement and undertake gradual changes in order to guarantee all Kia employees equal opportunities, fair compensation and the acceptance of diversity.

Providing more opportunities

Kia Motors strives to bolster local economies and contribute to national economic development by creating new jobs. Every year, Kia Motors recruits new employees through public job announcements. In 2008, labor and management agreed to extend the retirement age from the existing 58 years to 59 years (only to those who apply for the extension), which is expected to contribute to employment stability. In 2008, Kia Motors hired 41 new employees. The total number of Kia Motors' employees in Korea is 32,720 (as of December 31, 2008), and among them, 28,405 employees (85.8%) are union members eligible for collective bargaining. Kia Motors abides by the three labor rights stipulated in the Constitution of the Republic of Korea and guarantees the right to fair and free union activities under the Collective Agreement. Kia Motors has also established the Labor-Management Council, which holds quarterly meetings to seek areas of accord between the company and the labor union.

Door to diversity

Kia Motors' 828 women employees make up about 2.5% of its total workforce. These low figures are attributable to the fact that the large majority of Kia Motors' employees are production workers and that the automotive industry is a machine industry, which traditionally

has had a low female participation rate. Furthermore, women had not been given adequate opportunities nor had they been provided with a nurturing work environment. However, with the increasing importance of the emotional value of cars and the service aspects of the automotive industry, Kia Motors is changing its outlook on women employees. It is endeavoring to provide women with more opportunities and a better work environment to create a workplace where people with diverse talents and skills can work together and demonstrate their capabilities. Kia Motors is opening its door to diversity beyond Korea as well. Currently, Kia Motors' overseas worksites include production facilities in the United States, China and Slovakia as well as sales branches in various other international locations. There are 8,098 employees at overseas worksites, of which 7,803 (around 96%) are local workers. Kia Motors centers its overseas recruitment efforts on local workers in order to contribute to bolstering the local economy. Kia Motors endeavors to create a work environment that takes into consideration local cultures and sensibilities for the happiness and fulfillment of all its employees.

For the long haul

Recruiting talent is important. However, just as important is helping talented workers adjust to the company by providing a fulfilling and satisfying work environment so that they stay with the company for the long haul. Kia Motors runs a mentoring program whereby entry-level staff are assigned mentors in their respective departments. Kia Motors also carefully monitors turnover rates by age, gender and region. Furthermore, Kia Motors works with an outside consulting firm to provide employees facing retirement with career guidance and retirement planning.

Furthermore, Kia Motors offers its employees facing retirement a two-week educational program led by outside instructors who provide information on adjusting to post-retirement life. With the extension of the retirement age, there were no retirees in 2008. Accordingly, there were no post-retirement educational programs in 2008.

Kia Motors has established a company bylaw (Collective Agreement Article 25, Employment Regulation Article 4) for the fair treatment and compensation of all employees. In accordance with this bylaw, Kia Motors provides equal opportunity for compensation and promotion regardless of nationality and gender. Employee wages at all worksites, both in Korea and overseas, are set above the local minimum wage. The base wage rate applies equally to both genders, and wages are paid in accordance with a standardized compensation system determined by the duration of service. Employee evaluation and promotion are undertaken through an objective evaluation process.

Kia Motors also strives to protect the basic human rights of its employees. It runs training programs for the entire workforce to promote human rights protection and prevent sexual harassment. The Sexual Harassment Counseling Center within the Employee Counseling Center works to prevent and resolve sexual harassment issues in the workplace. Moreover, the Committee for Women



Employee Counseling is dedicated to resolving problems that women employees face.

Hope:

**A corporate culture that
raises expectations for
tomorrow**

Kia Motors offers diverse training programs to enable employees to demonstrate their capabilities and develop their potential so that all Kia employees look to the future with hope and aspiration. Kia also runs educational programs for employees' families.

2008 educational policy

Every year, Kia Motors sets a new education policy, establishes new areas of focus and reorganizes its training programs in accordance with the company's business objectives for the year. Kia Motors' 2008 educational policy has four key areas of focus: building an organizational culture of openness, attaining performance targets, strengthening global capabilities and promoting capacity-building education. Kia Motors has its own educational and training facilities through which endeavor to boost employee capabilities in a systematic manner.

Diverse and systematic training programs

Employee education consists of the following major programs: capacity management, education for exceptional talent, employee training, global education, training for specific job responsibilities and duties, and family education. Kia Motors provides educational support so that every employee can continue to enhance his/ her capabilities through educational and training courses best suited for his/ her job position and level. In order to motivate employees to complete their training and educational programs, Kia Motors runs the Educational Completion System. Also, to assess the efficacy of its educational programs and make necessary improvements, Kia Motors has developed an evaluation index.

Every year, an anti-corruption course is offered to all employees, and employees at procurement headquarters are also given quarterly transparency education. In 2008, 808 employees participated in Kia

Motors' educational and training programs. Kia Motors also operates a cyber learning center so that its employees can study according to their own schedule and pace.

In addition to basic educational programs provided to all employees, Kia Motors runs character education (organized into different programs by age group) for its production workers and auto mechanics. Kia Motors also offers educational programs for its employees' families and supports the education of exceptional talent through industry-academia collaboration.

Pride:

**A corporate culture that
places employee health and satisfaction
at the forefront**

Kia Motors strives to create a safe, comfortable, and pleasant work environment for its employees.

Safe and pleasant work environment

In consideration of its employees' health, Kia Motors operates a gym, a sports center and an industrial clinic with in-house physicians. The clinic provides basic medical care and is also equipped with a physical therapy room for musculoskeletal disorders. The clinic is free of charge, thus contributing to maintaining and promoting the health of not only Kia Motors' employees but also that of the employees of its partner companies.

In addition, Kia Motors provides its employees with a variety of regular health checkups. It also runs an online clinic for even more convenient access to health care. Kia Motors has added a traditional oriental medicine clinic to diversify health care options. The immediate families of Kia Motors employees are also offered a variety of medical benefits. Kia Motors subsidizes an array of medical expenses, contributes to their National Health Insurance premium and has built a medical center for employee families. In 2008, 6,046 employees and 4,294 immediate family members took advantage of Kia Motors' health benefits. It spent 11.27 billion won on employee medical benefits in 2008 and also undertakes a worksite inspection every three years in order to look for potential causes of musculoskeletal disorders and improve work processes that burden



the musculoskeletal system. Kia also operates a program aimed at preventing hearing loss, and constantly updates and reorganizes its worksites to create a healthier work environment. In accordance with the Korea Industrial Safety and Health Act, Kia Motors conducts regular, special, periodic and pre-employment health checkups. It also identifies and assesses occupational hazards and strives to minimize hazardous work conditions.

System for health and safety

Kia Motors' top concern is the prevention of work injuries and accidents. This is a priority shared by labor and management, and is stipulated in Article 80 of the Collective Agreement. Every plant has an Industrial Safety and Health Committee, comprising seven representatives each from labor and management. The committees manage their respective worksites to make them safe and pleasant. When needed, a Comprehensive Industrial Safety and Health Committee — comprising the head of each plant — is called into session. In other words, decisions on major issues related to safety and health are based on labor-management agreement.

Kia Motors has also set up an industrial safety and health system (Sohari Plant: KOSHA 18001 certified, Hwaseong Plant: OHSAS 18001 / KOSHA 18001 certified). Managers who are responsible for the health and safety of production workers, as well as musculoskeletal system experts, receive regular specialized training. Kia Motors provides customized rehabilitation care to those who return to the workplace after a work injury or accident. An Integrated System on the Environment, Safety, and Health (i-E SH) has been developed so that Kia employees can have easy access to information and educational materials on the environment, safety and health. Kia Motors also runs the Kia Safety Academy (KSA) that offers courses on the legal aspects of safety and health issues as well as a program geared toward developing internal safety and health inspectors. In 2008, 954 people completed 12 courses.

Benefits that enhance the quality of life

Kia Motors provides the same welfare benefits to full-time, part-time and temporary employees. It offers legally mandated employee benefits: National Health Insurance, Industrial Accident

Compensation Insurance, National Pension, Health Management Scheme and Employment Insurance. In addition, Kia provides services and benefits that bring convenience and comfort to our employees' lives as well as incentive and assistance programs for purchasing homes, retirement planning and wealth management. Kia Motors also accommodates the activities and opinions of the labor union. In 2008, 42 Kia Motors' employees took advantage of the parental leave system, a legally-mandated welfare benefit. These 42 employees took a combined leave of 5,673 days (135 days/person) for childrearing and childcare purposes. Kia undertakes various measures to boost employee morale and contribute to employees' financial stability with the aim of strengthening labor-management trust. In 2008, Kia provided 52 billion won for holiday travel expenses and 40 billion won for vacationing expenses. Also, in order to encourage quality job performance and strengthen job capabilities, Kia Motors offered rewards to 114 high-performing employees in 2008. **■**

* You can find more information on the composition of the workforce as well as detailed data and figures regarding wages, educational/ training expenses and instances of workplace injuries and accidents on pp. 78-79.



New KIA

—

Kia Motors aims to become a company where its employees can work in a fun and exciting environment. To this end, Kia Motors began the "New KIA" campaign in 2008 in order to foster a corporate culture of openness and dialogue. As a part of this campaign, division heads cook for their employees and top-level executives visit worksites to have a heart-to-heart with onsite employees. The campaign also includes events in which people from different divisions can come together to share ideas and knowledge. It also supports brownbag picnics and other fun events. In order to promote a sense of pride and belonging in the company, the campaign hosts the Kia Tigers Day — a day for employees and their families to watch the Kia Tigers (professional baseball team) in action — family contests, and Bring-Your-Spouse-to-Work Day. Other support measures are provided so that Kia employees can hone their expertise and work effectively as a team.

HAND-IN-HAND: CONSIDERATION AND COOPERATION

One dictionary definition of “partner” is “someone that shares.” An automobile is a complex piece of machinery that consists of 20,000 parts, so, an automaker needs to work with partner companies that supply these parts. Kia Motors believes in true partnerships whereby what is shared is not just work but also its rewards. Kia believes that partners must help each other grow through cooperation.

Based on transparent and fair relationships, Kia Motors strives to contribute to the stability and sustained growth of its partner companies.

Cooperation for mutual growth

The goal of Kia Motors' Value Engineering (VE) Proposal System is cutting costs without compromising product value or quality. Through this system, Kia Motors shares the goals and rewards of its cost-cutting efforts with its partner companies. Preliminary negotiations are underway to domestically produce automotive parts that are currently being imported. In this way, Kia Motors aims to cut costs and enhance the competitiveness of its partners. Kia Motors also provides assistance to its partner companies setting up operations near Kia Motors' overseas production facilities. As of 2008, some 200 partner companies have expanded its operations to overseas locations in China, Europe and the United States with the Hyundai-Kia Automotive Group. Kia Motors has a partner assistance program to minimize any difficulties its partner companies may face in setting up overseas operations. It also provides opportunities for overseas expansion to small and medium

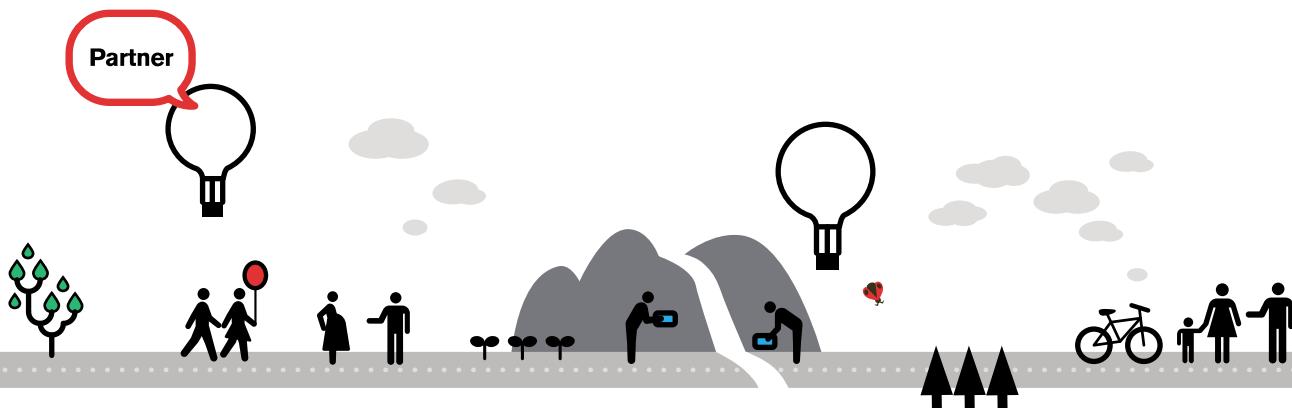
companies that may not have the resources to independently invest in such a venture. As a result, locally-produced parts make up 80% of the total parts used at overseas plants. Thanks the efforts of partner companies, Kia Motors' overseas production facilities are able to receive a stable supply of high-quality parts.

Support for enhancing partner companies' competitiveness

Kia Motors strives to enhance the competitiveness of its partner companies. Internally, it has established the Committee for Promoting Win-Win Cooperation, and externally, it has founded the Foundation of Korea Automotive Parts Industry Promotion. For coordinating the activities related to win-win partnerships, Kia also established the Win-Win Cooperation Working Committee through which it aims to complete the development of the Win-Win Cooperation System by 2009 and expand its support to partners. Every year, Kia hosts the R&D Partnership Tech Day to provide its partner companies with a venue to market and share new technologies. The Foundation of Korea Automotive Parts Industry Promotion is an organization Kia Motors co-founded with 165 partner companies to promote the automotive parts industry. The Foundation operates on an annual funding of around 5 billion won provided by the Hyundai-Kia Automotive Group. It offers technology support and business management guidance to Kia partners. Kia Motors also runs the Guest Engineer Program, which aims to develop technical professionals at its partner companies and reduce the failure rate at product development and design phases. In 2008, 200 engineers from around 60 partner companies participated in the program. For secondary partner companies, Kia operates the SQ Mark certification system to enhance the competitiveness of their products and offers training programs to foster certification agents. In 2008, 2,729 partners received the SQ Mark and 521 employees from partner companies completed the certification agent program.

Support for partner companies' stability

Kia Motors' payments for goods received are processed weekly and in cash to its small and medium partner companies. Kia provides funding support to its partners for the promotion of their business stability as well as for bulk purchases to help cut procurement costs. It operates the Network Loan through which partners can get unsecured, low interest loans for up to 80% of the invoice amount. In 2008, Kia Motors, in collaboration with the Industrial Bank of



Korea, established a 100 billion won loan fund for small and medium companies having difficulty securing funding due to the economic crisis. Kia Motors also put together a 30 billion won Win-Win Cooperation Fund. Kia Motors runs a program to nurture talented employees of its Korean and overseas partners. For its secondary partner companies, Kia Motors conducts job training consortiums and seminars. In 2009, Kia plans to expand educational and training programs for the partner companies of its overseas plants and also offer educational and training programs to its secondary partner companies.

* You can find more information on the activities of the Foundation of Korea Automotive Parts Industry Promotion, status of payments, subsidies for bulk purchases and educational programs for partner companies on p. 80.

Efforts to build transparent and fair relationships

In 2008, Kia Motors, along with the rest of the Hyundai-Kia Automotive Group, signed the Fair Trade Agreement with some 2,400 partner companies. Through the Fair Trade Agreement, Kia has pledged to mediate between its partner companies and subcontractors regarding payment issues if there is a sharp rise in raw materials prices and/or the exchange rate. The Fair Trade Agreement has minimized the potential abuse of power by requiring written agreements for consigning or changing subcontractors. For the implementation of the Fair Trade Agreement, Kia Motors has set three key guidelines on: concluding subcontracting agreements, selecting subcontractors and establishing an internal deliberation committee to oversee transactions with subcontractors. Furthermore, in order to make its raw materials purchasing efficient and transparent, Kia Motors has placed the entire procurement process online with the Value Advanced Automotive Trade Zone (VAATZ) system.

Bidding for a new vehicle project takes place through VAATZ. The bids are assessed on a 5-star rating system that evaluates price, quality, supply and technology capabilities of the bidding companies. Even overseas, the entire process, including parts procurement and the selection and registration of partner companies, takes place online through e-bidding. In this way, Kia Motors provides equal opportunities to all its partner companies around the world. The 5-star rating system — the basis of the e-bidding system operated through VAATZ — is used to objectively evaluate the quality, supply and technology capabilities of the bidding companies. The results

of the assessments are also revealed online. In 2002, the average quality rating for bidding companies was 3 stars (63.6 points). The average rating rose to 4 stars (80 points) in 2008. While only two companies received 5 stars (which come with diverse incentives) in 2002, twenty-one companies were given 5 stars in 2008. As the figures demonstrate, the 5-star rating system is contributing to the overall growth in the quality competitiveness of Kia Motors' partners. In order to promote ethical practices and awareness among procurement specialists, Kia established the Code of Ethics for procurement headquarters and operates the procurement headquarters' suggestion box through which partner companies can file their grievances and seek solutions.

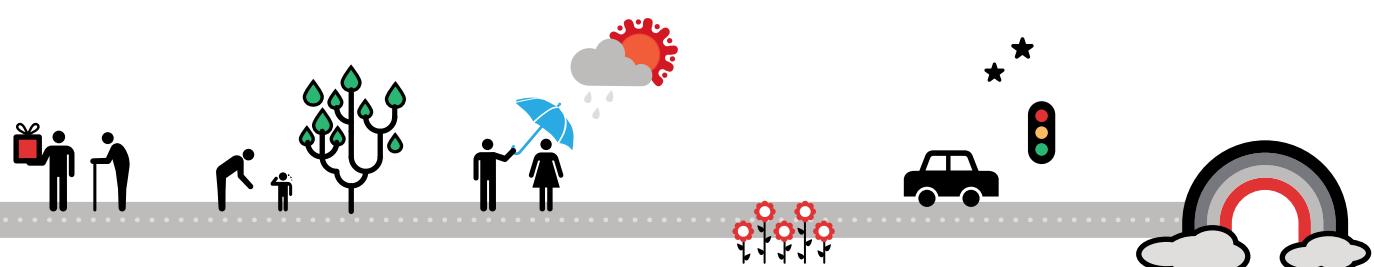
 You can find information on employee violation of ethical standards, punitive measures and their outcomes on the Cyber Audit Office website (<http://audit.kia.co.kr/eng>). You can find information related to the handling of partner company grievances on the VAATZ website (<http://www.vaatz.com/supplier>)

Cooperation for eco-friendly products

In 2007, Kia Motors concluded the Agreement on the Supply of Eco-Friendly Automotive Parts with its primary partner companies in order to respond efficiently to strengthening environmental regulations worldwide. Kia Motors distributes the "Hyundai-Kia Automotive Group Environmental Standards," which lists Kia's environmental standards for automotive parts. To provide its partner companies access to information about parts that contain controlled toxic chemical substances, Kia shares information on the materials used in all of its vehicle models and parts through IMDS*. Through IMDS and e-CMS (an internal chemical substance management system), Kia Motors only approves parts that do not contain harmful chemicals. Kia has also created and distributed "Responding to Environmental Regulations: A Manual for Partner Companies," and conducts annual environmental education programs for the employees of its partners. The Environmental Technology Support Group (comprising three domestic worksites), which Kia Motors organized in 2005, undertakes annual technology support activities for its partner companies. 

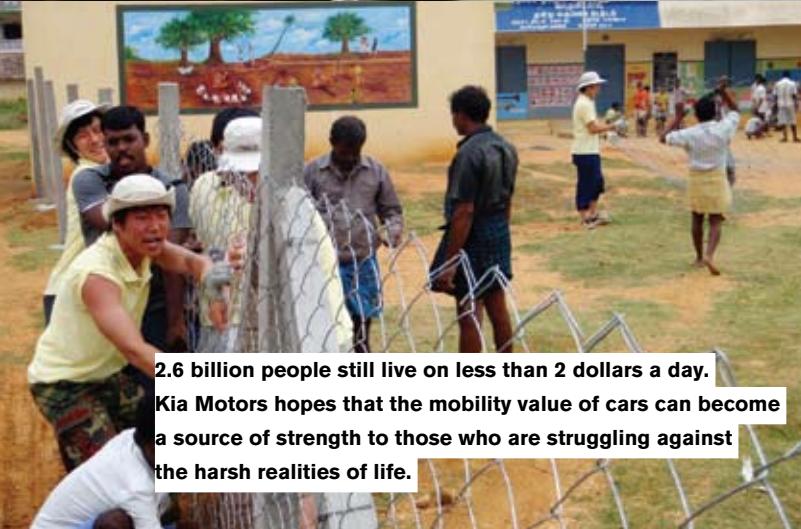
 You can find the Agreement on the Supply of Eco-Friendly Automotive Parts and Hyundai-Kia Automotive Environmental Standards on the VAATZ website (<http://hkmc.vaatz.com/vusr/portal/common/echo.jsp>).

* IMDS: International Material Data System



Sustained value creation and enhanced competitiveness are not just for Kia alone. Kia Motors pursues these goals to be able to share even more with the world.

Kia Motors embarks on a journey of sharing.



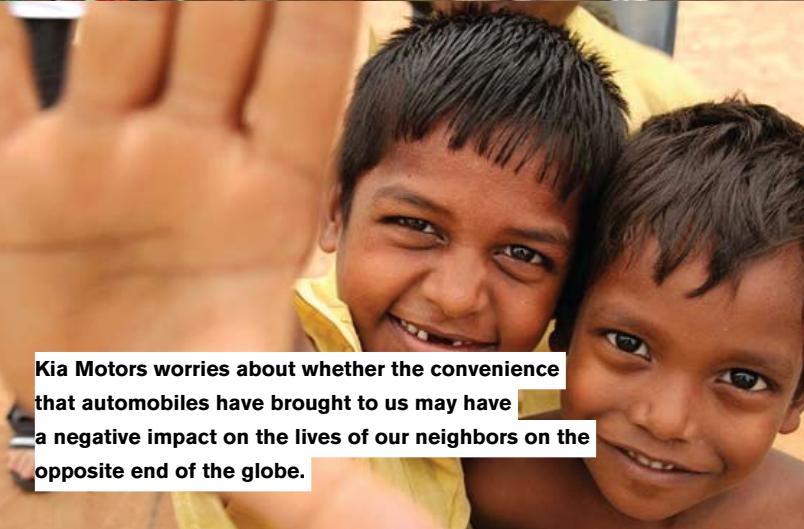
2.6 billion people still live on less than 2 dollars a day.

Kia Motors hopes that the mobility value of cars can become a source of strength to those who are struggling against the harsh realities of life.



Kia Motors reaches out to them, hoping that this small gesture of engagement can transcend physical distances and speak to people's hearts.





The creation of eco-friendly cars is Kia Motors' endeavor at protecting the beautifully simple and tranquil lives of those on the other side of the world.



* Kia-sponsored youth volunteer groups working around the world

DREAMING OF A WORLD WHERE

MOBILITY LEADS TO COMMUNICATION

Kia Motors hopes that through cars, anyone can safely and freely move from one place to another. Kia hopes that through cars, [redacted] we can engage with one another and make the world a warmer place. In order to realize this vision, Kia has designated [redacted] Easy Move (improving mobility for persons with physical disabilities), Safe Move (spreading a culture of motor safety), Green Move (contributing to society through environmental preservation and restoration activities) and Happy Move (volunteering) as the four core areas of [redacted] its social outreach activities and continues to expand their scope.



You can find detailed information on the vision, organizational structure and activities of Kia Motors' social outreach programs on Hyundai-Kia Automotive Group's social outreach website (<http://www.hyundai-kiamotors.com>) and Kia Motors' *Community Relations White Book*.





Easy Move

Taking an interest in those who are less physically able than us is about understanding the meaning of coexistence. It is also a natural and integral part of shared sustainability. According to UN standards, Korea has already become an aging society (with 7% of the population 65 years-of-age or older). At this rate, Korea will become an aged society (with 14% of the population 65 or older) by 2020 and a super-aged society (with 20% of the population 65 or older) by 2026. Kia Motors is carrying out research to enhance the mobility of the transportation-disadvantaged, a segment of the population that will continue to increase. In tandem, Kia is continuing its efforts to develop Easy Move vehicles, which are designed to provide the transportation-disadvantaged with convenient access and use. In September 2006, Kia unveiled the Easy Move versions of Lotze and Carnival, which feature a rear-end wheelchair slope, swivel boarding seat and wheelchair crane. Kia Motors plans to produce Easy Move versions of ten models by 2010.

Kia Motors has continued to make facility improvements in order to bring greater convenience and mobility to those at organizations for persons with disabilities. It has also continued its programs of subsidizing Braille information handsets for the visually impaired and prosthetic limbs and specialized shoes for persons with disabilities. Between 2006 and 2008, Kia Motors has improved the disability-friendliness and safety of 404 organizations for people with disabilities by building wheelchair ramps and installing automatic sliding doors, handrails and shock-absorbent, non-slip floors. Also, in collaboration with the Community Chest of Korea, Kia Motors built two additional A-I Maru facilities in 2008 at welfare centers in the Busan area. "A-i" means children and "maru" means wooden floor in Korean. A-I Maru is a professionally staffed indoor playground with equipment and toys designed specifically for children with disabilities. The professional instructors at A-I Maru conduct diverse programs, including family education and group activities with children without disabilities, so that children with disabilities can grow into proud and healthy members of our community.

Happy Move

Kia Motors aims to create a better society by putting sharing into action and helping those around us who are less privileged. To this end, it has organized 65 volunteer groups at Korean worksites that take part in monthly community service activities. They also organize special holiday activities, such as Sharing the Rice of Love and Sharing the Soup of Love events.

The Family Volunteers, established in May 2007, was enhanced and renamed the "Happy Move Family Volunteers." The founding ceremony was held in May 2008. The group carries out a wide array of volunteer activities in local communities. It also runs the One Family, One Cultural Property campaign, through which participants visit Korean cultural properties at 49 sites, partake in their preservation and provide cleaning and maintenance work in the surrounding areas. Employees and their families have reacted very positively to the program, commenting that it is a wonderful opportunity for the entire family to share a meaningful experience and for children, in particular, to learn about the value of volunteering. Kia employees are involved in a variety of local community service activities, including volunteering at farming communities, charity bazaars, outings with persons with disabilities and social welfare facilities while also performing community cleanup, and environmental protection work. **m**



GLOBAL CITIZENSHIP

Kia Motors supports the Millennium Development Goals (MDGs) of the United Nations Development Programme. The eight MDGs are as listed below along with their icons. Those MDGs that correspond to Kia Motors' social outreach activities are specially marked.



Green Move in Mali

●



Na Coulibaly smiled as she said that her income will jump by at least 25% next year as she will finally be able to sell her jatropha fruit. Mrs. Coulibaly is a farmer in Mali and one of the beneficiaries of an environment program jointly carried out by Kia Motors Netherlands and Kia Motors Sweden.

The program supports poor farmers so that they can grow crops used as alternative fuel sources. This program is bringing visible changes to Mali, one of the countries hardest hit by the effects of climate change. Kia Motors and Trees for Travel, a German non-profit organization, planted more than 1 million trees in Mali. The jatropha tree, which requires very little water, protects other plants and stops the erosion of soil in the northern regions of Mali that are suffering from desertification. The oil from the jatropha fruit is a source of biodiesel, the glycerin in the remaining parts of the fruit is used to make soap and the rind is used as organic fertilizer.

This environment program is being run by Kia Motors subsidiaries and customers in Sweden and the Netherlands. Customers who buy Kia vehicles through the program pay a set annual fee. This fee is used to fund an eco-preservation program whose activities offset the customers' annual CO₂ emissions on the road. Kia Motors is trying to get more customers to participate in this program by sharing the cost of the first-year customer fee.

Nutrition program to safeguard children's health

●



The Central American country of El Salvador has been plagued by internal strife throughout the 20th century. Accordingly, a large portion of the population still lives in abject poverty. It is estimated that 72% of the children in El Salvador are malnourished. Every year, Kia Motors provides US\$60,000 to Fundación POMA, with which it runs a food assistance program aimed at preventing malnutrition and related diseases in children of five years and under, whose brains and bones are in their developmental stages. The program is in operation in the western regions of El Salvador where the rate of child malnutrition is high. Children five years and younger are provided food, and their height and weight are measured every month. Currently, about 78% of the children in the area are reported to be in fair condition. The program also offers educational programs for the mothers of children five years and younger. They learn about healthy eating habits and preparing nutritionally balanced meals so that they can safeguard their children's health. The program also offers food to pregnant and nursing women and provides local hospitals with support to ensure safe deliveries. As a result, 98% of the recent newborns in the area are reported to be healthy. Kia Motors believes that growing children should not be denied basic food because of abject poverty. Kia Motors believes that women should not have to bring their babies into the world in painful and dangerous conditions. Kia Motors, with its stakeholders around the world, will continue to do its part to making this world a better place for all.

Relief fund for regions hit by the 2008 Sichuan earthquake

●



Last May, Kia Motors, along with the rest of the Hyundai-Kia Automotive Group, delivered 16.22 million yuan and relief vehicles to those areas hit by the Sichuan earthquake. The Sichuan earthquake, the largest and most destructive earthquake ever recorded in China, was a disaster of catastrophic proportions that left 90,000 people dead or missing. Since entering the Chinese market in 2002, Kia Motors has been providing support across a wide range of areas, including environmental management, educational materials and equipment, sports and culture. In so doing, Kia Motors strives to become a company that grows with the local community.

Kia Charity & Care

●



Many in the Middle East are still struggling with extreme poverty. They do not have access to the benefits and convenience of modern civilization. As a matter of fact, many do not even have access to the basic necessities for survival, such as food, clothing and shelter. In November 2008, Kia Motors' Middle East & Africa Regional Headquarters held a founding ceremony for Kia Charity & Care, established to actively promote social outreach activities in 14 countries in Africa and the Middle East, including Saudi Arabia, Syria and Morocco. Kia Motors has also established the Social Outreach Committee for the management of the Kia Charity & Care program.

Through the program, Kia Motors plans to set up joint scholarship funds for underprivileged students in conjunction with Kia dealerships. It also plans to provide funding support to relief organizations as well as relief vehicles and supplies to community service groups involved in recovery efforts following natural disasters and other catastrophes. ■

APPENDICES

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SUSTAINABILITY MANAGEMENT/ ECONOMY

* Data compiled from the non-consolidated financial statements of Kia Motors' worksites in Korea

Business performance

	2004	2005	2006	2007	2008
Production volume (vehicles)	1,019,366	1,105,431	1,150,397	1,118,582	1,055,408
Sales volume (vehicles)	1,011,429	1,105,841	1,140,734	1,114,451	1,056,400
Sales revenue	15,257,742	15,999,356	17,439,910	15,948,542	16,382,231
Operating profit	513,063	74,002	(125,291)	(55,404)	308,533
Cash flow	1,621,855	438,760	(231,550)	28,240	697,181
Ordinary income	840,078	689,405	73,213	24,968	67,772
Net income	662,026	680,904	39,337	13,563	113,784

* Excluding CKD vehicles

Financial status

	2004	2005	2006	2007	2008
Total assets	14,399,873	16,034,491	12,106,605	12,853,763	15,452,278
Current assets	6,540,706	7,080,938	3,122,252	3,232,967	3,538,455
Noncurrent assets	7,859,167	8,953,553	8,984,353	9,620,796	11,913,823
Liabilities	5,721,456	5,989,417	6,858,849	7,778,421	9,710,996
Current liabilities	3,620,385	3,479,435	4,103,104	4,196,287	5,194,364
Noncurrent liabilities	2,101,071	2,509,982	2,755,745	3,582,134	4,516,632
Equity	4,780,446	4,960,285	5,247,756	5,075,342	5,741,282
Equity ratio (capital/assets)	34.48%	32.76%	43.35%	39.49%	37.15%
Debt/equity ratio (liabilities/equity)	115.25%	114.03%	130.70%	153.26%	169.14%

Sales by region

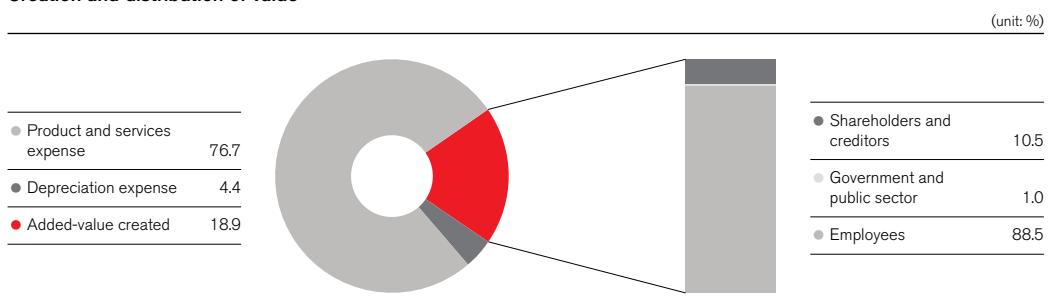
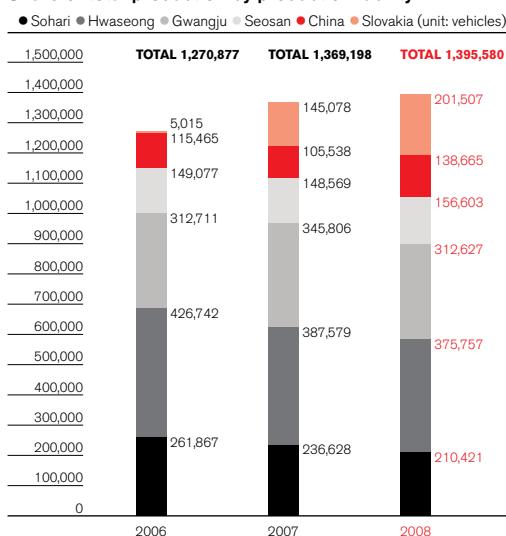
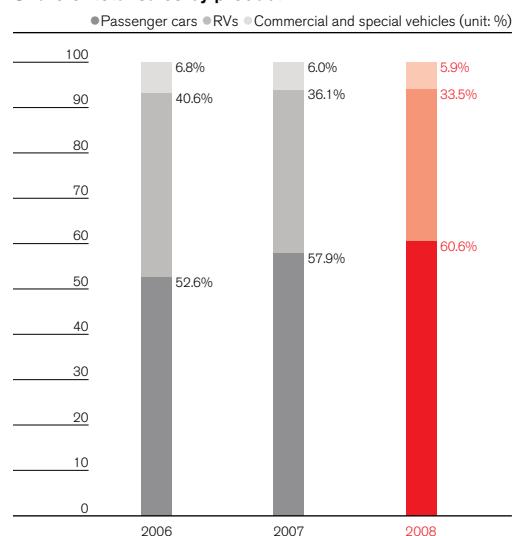
	2004	2005	2006	2007	2008
Total sales revenue	15,257,742	15,999,356	17,439,910	15,948,542	16,382,231
Korea	4,241,228	4,471,757	4,867,129	4,852,075	5,014,792
Overseas	11,016,514	11,527,599	12,572,781	11,096,467	11,367,439
North America	4,989,520	4,297,325	5,144,229	4,879,604	4,878,179
Europe	3,655,789	4,492,756	4,295,839	2,860,028	2,019,347
Others	2,371,205	2,737,518	3,132,713	3,356,835	4,469,913

Memberships to associations and organizations

Organization	Purpose of membership	Organization	Purpose of membership
Federation of Korean Industries (FKI)	Exchange information on business activities; Cooperate on social outreach activities	Korea Business Council for Sustainable Development	Acquire information and conduct exchanges related to sustainability management
Korea Automobile Manufacturers Association (KAMA)	Promote automotive industry and pursue inter-sectoral joint projects (served as KAMA Chair)	The Korea Fair Competition Federation	Acquire information and exchange ideas with the government and other businesses for compliance with fair trade regulations
Korea Chamber of Commerce & Industry (Seoul, Gwangmyeong, Hwaseong, Gwangju)	Mandatory membership as per the Chamber of Commerce and Industry Act	UNGC Korea Network	Observe the ten principles of the Global Compact to strengthen social responsibility management (April 2008)
Korea Auto Industries Coop. Association	Cooperate with relevant businesses for the advancement of the automotive industry	Emergency Planning Network, Ministry of Knowledge Economy	Research, undertake education/ training and cooperate on security-related matters
Korea Management Association	Acquire business information	Defense Industry and Security Association of Gwangju, Jeollanam-do	Cooperate and share information with other businesses on security-related matters
BEST (Business Ethics in the Source of Top Performance) Forum	Conduct projects and exchanges and acquire information related to ethical management		

Stakeholder value creation

	2006	2007	2008
Sales	17,439,910	15,948,542	16,382,231
Product and services expense	14,085,595	12,572,988	12,570,504
Depreciation expense	709,719	676,396	715,200
Added-value created	3,354,315	3,375,554	3,811,727
Wages	2,155,284	2,119,226	2,386,481
Benefits	310,574	333,000	353,480
Taxes	26,097	26,299	29,340
Interest	152,641	220,633	327,226
Dividends	-	-	-
Internal reserves	-	-	-

Creation and distribution of value**Share of total production by production facility****Share of total sales by product**

* Shares of total production and sales are the sums of overseas and domestic production and sales, respectively

SOCIETY – CUSTOMERS

2008 internal and external customer satisfaction (CS) assessments

[Customer call center (tel: 080-200-2000)]

Total no. of calls 413,124 (phone: 387,300; internet: 25,450; others: 344)

- Complaints/ grievances 35,269 (year-on-year increase: 8,368)
- Request improvement measures by complaint/ grievance area

[Voice of the customer (VOC) surveys] Carry out surveys to assess the level of satisfaction in the early after-sale period (2 months after purchase) and collect customer opinions and suggestions (monthly)

Sent out surveys to 143,958 customers ▶ 25,351 customers responded//Comprehensive CS level 73.4 points

- CS by area (sales, service, quality)//Provide feedback on the analysis of complaints/ grievances (monthly)
- Undertake secondary monitoring of customers dissatisfied with major product/ emotional quality, Request improvement measures from relevant area (R&D center, corporate quality division)

[Operate customer assistance centers on the Kia Motors website and the Q membership website]

- Register online requests and operate FAQ
- Online requests processed: 25,450

Recalls

Kia Motors undertakes quality management in order to provide its customers with the highest value and satisfaction through quality automobiles. The quality of Kia vehicles are highly regarded in Korean and overseas markets. In 2008, Kia Motors conducted one recall, which accounts for 3% of the total combined number of recalls in 2008 undertaken by Korean automakers. Kia Motors will further strengthen its quality management in order to prevent any future recalls.

Product labeling

A new regulation issued by the Korean government, effective from August 2008, stipulates fuel economy grade and CO₂ emissions information labeling on vehicles. Along with the existing fuel economy grade labeling, Kia Motors has included CO₂ emissions labeling on all of its vehicles since August 2008.

Customer privacy protection

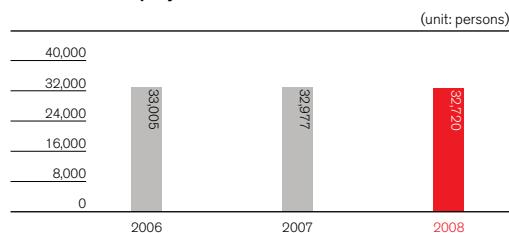
In 2008, Kia Motors did not receive any complaints/ grievances regarding the violation of customer privacy. In order to protect customer privacy, Kia Motors receives customer consent on its privacy protection policy from all customers every time they access the online customer assistance center. All Kia customer service staff members have to sign two confidentiality and nondisclosure agreements – one business-related and the other security-related – upon entering and leaving the company. In 2008, no complaints/ grievances were registered regarding the violation of customer privacy protection or the loss of customer information.

Customer marketing communication

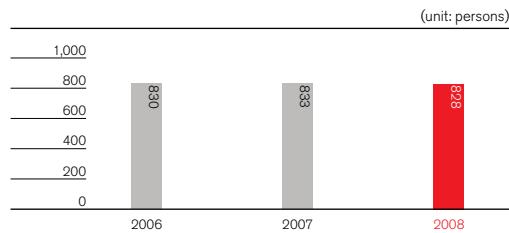
Kia Motors pursues diverse marketing events and other marketing communication activities that do not infringe upon customer privacy, do not apply double standards, do not exercise undue influence on children and conform to generally-accepted cultural and ethical norms. Furthermore, in carrying out marketing communication activities abroad, Kia Motors undertakes prior research and canvasses local opinions for media (television, newspapers, magazines and internet) communications and advertisements so that they conform to local sensibilities. In 2008, there were no instances of regulatory violation or fines incurred related to marketing communication.

SOCIETY – EMPLOYEES

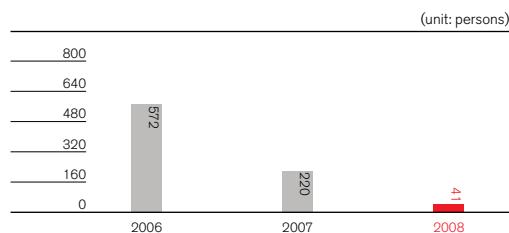
Total no. of employees



Women employees in Korea



Job creation



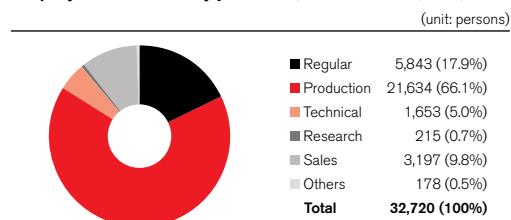
Job creation by region

	2006	2007	2008
Corporate headquarters	52	38	16
Sohari	108	26	5
Hwaseong	278	122	13
Gwangju	99	19	4
R&D centers	17	11	2
Others	18	4	1
Total	572	220	41

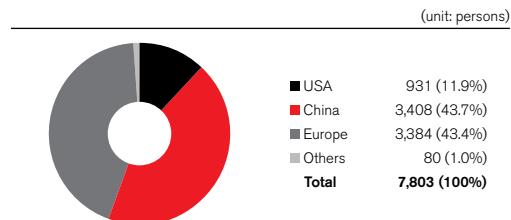
Ban on child labor and forced labor

It is stipulated in Kia Motors' employment regulations that it hires only those workers who are aged 18 years or older. As per Article 62 of the Collective Agreement, Kia Motors does not force its employees to work overtime or work on holidays nor does it unfairly treat its employees for not working on holidays or not working overtime.

Employees in Korea by job area



Overseas employees by region



* Others: Asia, excluding China; Middle East; Africa; Pacific

Employee wages

	2006	2007	2008
Total no. of employees (persons)	33,005	32,977	32,720
Average period of continuous service (years)	13.0	13.0	14.4
Annual wages (million won)	2,155,284	2,119,226	2,386,481
Per person wage (million won)	65.3	64.3	72.2

* Wages include retirement allowance

Retirement and resignation

	2006	2007	2008
Corporate headquarters	80	70	31
Sohari	73	59	7
Hwaseong	46	47	48
Gwangju	68	67	17
R&D centers	7	4	1
Others	77	60	30
Total	351	307	134

Education on sexual harassment prevention

- For all employees twice a year – once in the first half and once in the second half (department-level education led by the department head)
- Related regulations, corporate guidelines on prevention, processing procedure, standards for relevant disciplinary actions and follow-up measures

Education

	2006	2007	2008
Total educational expenses (100 million won)	94	71	63
Per-person educational expense (10,000 won/person)	29	22	19
Per-person education hours (hrs/person)	64	46	42

Benefits by year

	2006	2007	2008
Benefits	3,106	3,330	3,535
Per-person benefits	9.41	10.10	10.80

Key educational areas

	No. of trainees	No. of hours trained
Capacity management	2,414	52,932
Education for exceptional talent	44	3,516
Executive education	62	1,406
Global education	6,538	157,235
Job training	41,384	304,066
Family education	2,329	40,868
Total	52,771	560,023

Benefits by item

	amount
National Pension	63,547
National Health Insurance	50,134
Industrial Accident Compensation Insurance	47,246
Services and convenience measures	126,259
Employment insurance	18,469
Others	47,825
Total	353,480

* "Others" include safety/ health/ hygiene: 16.751 billion won; culture/ recreation: 3.905 billion won; incentives: 21.583 billion won; others: 5.586 billion won

Industrial accidents and leave

In 2008, 655 combined cases of industrial accidents occurred at Korean worksites, including corporate headquarters, sales and maintenance & services. This is six cases fewer than in 2007. Industrial accident leave amounted to a combined total of 95,047 days, which is 7,877 days fewer than in 2007. There were no cases of leave due to disease. Kia Motors is on a collective insurance plan that provides its employees with medical expenses in the event of an accident that occurs in everyday life. Kia maintains a computerized management system of the results of physical examinations so that they can be accessed for the purposes of medical treatments. When reorganizing production lines, improvements are made to equipment design and installation in order to prevent musculoskeletal disorders.

Industrial accidents

	2006	2007	2008
Kia Motors	2.08	2.00	2.00
Manufacturing industry average	1.18	1.10	(N/A)
Transport vehicle manufacturing industry average	1.42	1.33	(N/A)

* Data on 2008 averages not yet compiled for general manufacturing and transport vehicle manufacturing industries will be included in next year's report

Announcement of management changes

Article 14 of the Collective Agreement provides that Kia Motors is required to announce any management changes. Changes that need to be disclosed are those that affect the conditions and status of employees, including the establishment, revision and repealing of regulations concerning the company's name, articles of incorporation and recruitment and human resources policies. Other changes that need to be announced include the appointment and dismissal of executives, changes to the job duties of executives, changes to the position of executives, audit reports, business performance and the decisions of the Board of Directors. Such changes are announced in writing prior to their occurrence.

* Employee data compiled from December 31 figures of the relevant reporting period. "Corporate headquarters" comprises Yangjae, Apgujeong, Wonhyo and overseas employees. "R&D centers" comprise employees at Namyang and Mabuk facilities. "Production facilities" comprise employees at three domestic worksites (Sohari, Hwaseong and Gwangju).

SOCIETY – PARTNER COMPANIES

2008 support and assistance to the Foundation of Korea Automotive Parts Industry Promotion

Support measure	Technological support (Quality Technology Volunteer Team)	Business management instruction (Partner Companies Support Team)	Practical training for secondary partner companies	Academic seminar	Others
Beneficiaries	120 companies	67 companies	166 companies	2 times/yr	Operate automotive parts industry database; Donate used machines and equipment

Bulk buying by year

(unit: 100 million won)

Primary partner companies				Secondary partner companies			
Year	2006	2007	2008	Year	2006	2007	2008
Amount	618	676	680	Amount	25	134	151
* 2009 figures are estimates							
* 2009 figures are estimates							

Key educational areas of the 2008 program to foster exceptional talent in partner companies

Key educational areas	
CEO training (3,000 persons)	Quality innovation education, future CEOs seminar
Job training (16,973 persons)	Professional technical training (87 courses/ 5,400 persons) Seminar by sector (1,900 persons) TPS education for partner companies engaged in product/ technology commercialization (1,340 persons)
Others	Education on FTA point-of-origin rule Tariff reimbursement education Education for the employees of partner companies of overseas plants Environment, security, ethics and work education

Payment for goods received

	Payment type	Payment period
Parts for export	Cash	1 time/month
Parts for domestic use	SME	1 time/week
	Conglomerate	Bill of exchange

Compliance with fair trade regulations

In 2002, Kia Motors implemented the Korea Fair Trade Commission's Compliance Program (CP) and set up a related council in order to prevent violations and solidify the transparency of the procurement system. The Board of Directors appoints a supervisor to manage matters related to fair trade regulations and receives a report at least once every two quarters. The CEO's commitment to observing fair trade regulations is articulated on the internal e-bulletin board. Kia Motors also runs cyber, internal and external educational programs for its employees. In 2008, Kia Motors' CP received a rating of BBB.

None of the cases related to fair trade that had been subject to investigation in 2008 received orders for correction nor were any legal measures taken against them. Investigation is in progress on two cases. Kia Motors will make the necessary corrections if so ordered, continue to monitor areas that are especially at risk for legal violations and strengthen its preventive efforts so that its business activities are conducted in a fair manner.

ENVIRONMENT

* Data compiled from figures from three domestic worksites
(Sohari, Hwaseong and Gwangju Plants)

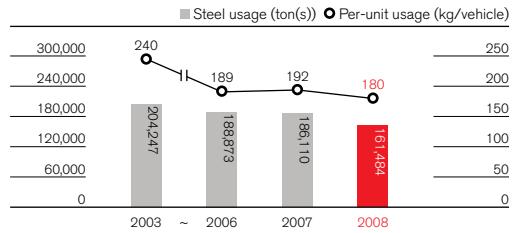
Resource circulation

Raw materials input

01. Steel

In order to reduce the usage of steel – the key ingredient of automotive steel sheets – Kia Motors is seeking ways to raise the material yield of the press process and maximize the utilization of recycled materials. The total amount of steel usage (exclusive of partner companies' usage) in 2008 was 161,484 tons, a 20.9% decrease from 2003, and the per-unit usage (hereafter, based on the number of automobiles produced) declined by 25% per vehicle to 180 kg.

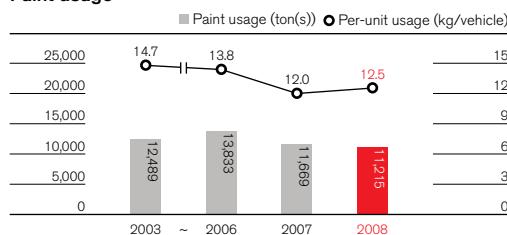
Steel usage



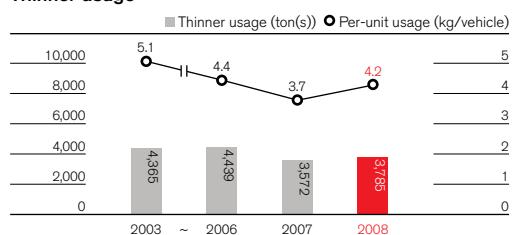
02. Paint and thinner

In order to reduce the usage of paint and thinners during the automotive paint process, Kia Motors has installed automated painting systems called Robobells, which enhance paint transfer efficiency. As for used cleaning thinners, a recycling company collects the entire amount for regeneration and reuse. Per-unit paint usage dropped by 14.8% from 2003, while the total amount of thinner usage decreased by 13.3% and the per-unit usage declined by 17.8%.

Paint usage



Thinner usage

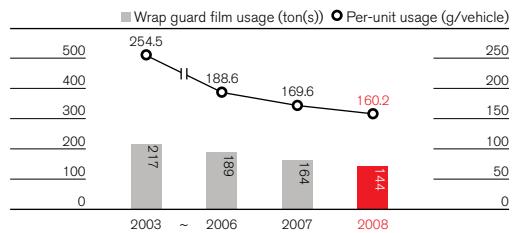


* Paint and thinner usage figures are from the following painting and treatment processes: electrodeposition, surface and top coat

03. Wrap guard film

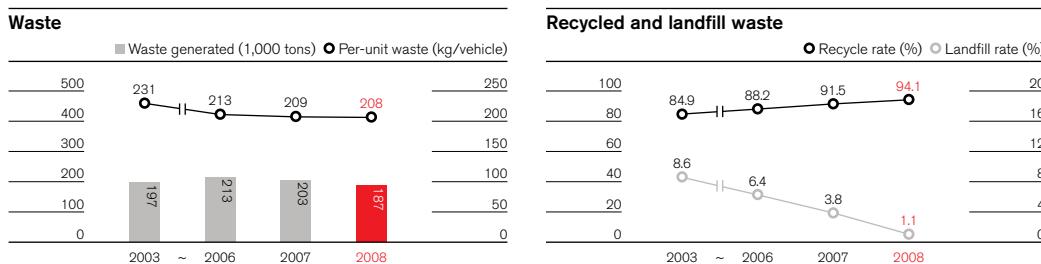
Wrap guard film is a thin protective sheet of polyethylene (PE) applied to the finished body of a vehicle. The total amount of wrap guard film usage decreased by 33.6% from 2003 and the per-unit usage declined by a whopping 37.1%.

Wrap guard film usage

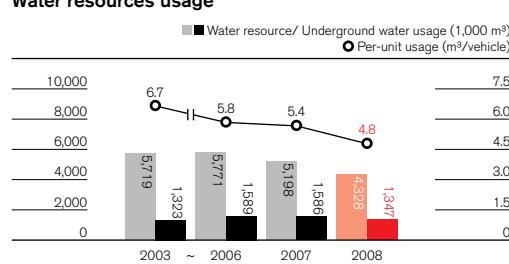
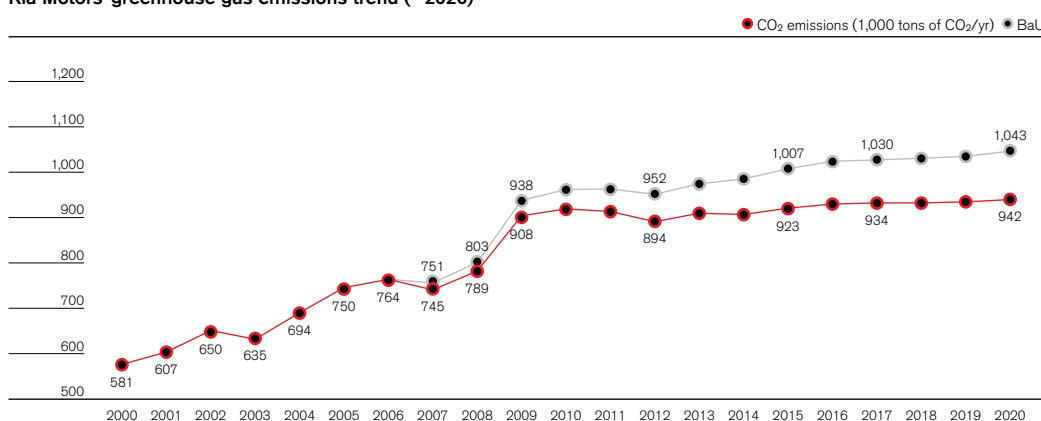


Waste

The total amount of waste generated at the three domestic worksites (Sohari, Hwaseong and Gwangju Plants) in 2008 was 186,918 tons, 94.1% of which was recycled. The amount of waste generated in producing one vehicle decreased by 10% to 208 kg from 231 kg in 2003.

**Water resources**

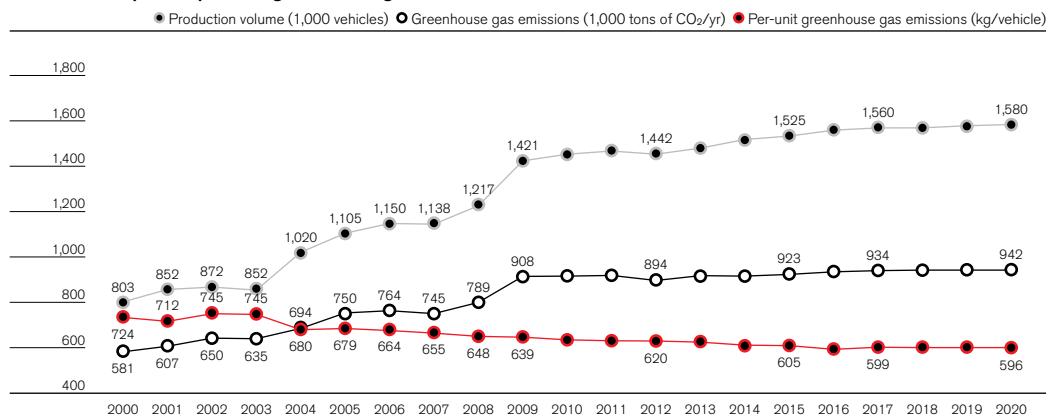
Since 2000, Kia Motors has made facilities investments to improve cooling tower overflow, increase the recovery rate of water from condensed steam and conserve water in lavatories. It has also engaged in internal campaigns. As a result, in 2008, Kia Motors reduced water usage by 24.3% from 2003 and by 10.8% from 2007.

Water resources usage**Efforts to alleviate climate change****Kia Motors' greenhouse gas emissions trend (~2020)**

* BaU (Business as Usual): Indicates emissions, energy usage and per-unit trends if no additional measures are taken after the 2006 emissions reduction plan.

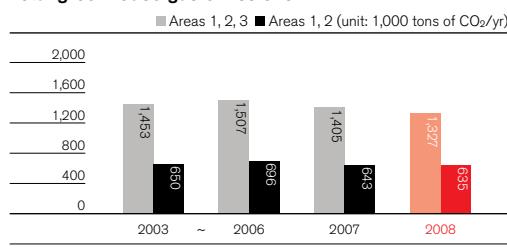
* Criteria for calculating emissions

- Based on lower heating value (LHV); Areas 1, 2, 3
- However, exclusive of area 3 HFC emission (while area 3 HFC emission makes up a significant portion of total greenhouse gas emissions, their increase and decrease are directly proportional to the number of vehicles produced, and thus, has no effect on the per-unit emission reduction targets)
- Exclusive of A/S centers

Kia Motors' expected per-unit greenhouse gas emissions reduction trend**Efforts to curtail energy use and reduce greenhouse gas emissions**

In 2008, Kia Motors invested 1.8 billion won to install induction lamps – high-efficient lighting systems that have a semi-permanent lifespan and cut power usage by 30% – at its three domestic worksites (Sohari, Hwaseong and Gwangju Plants). By replacing existing lighting with induction lamps, Kia Motors has saved 2,070 TOE of power amounting to 770 million won and reduced greenhouse gas emissions by 4,085 tons. Kia Motors also installed an integrated boiler system at the Gwangju Plant, saving 18,900 TOE of LNG and curtailing greenhouse gas emissions by 44,160 tons. The installation of a high-temperature waste heat recovery device has also cut 14,600 TOE of LNG and 44,160 tons of greenhouse gases.

At its service centers around Korea, Kia Motors has installed alternative energy equipment that runs on solar energy and is expected to cut 38 million won in costs and reduce 15 tons of greenhouse gas emissions every year. Kia Motors' ongoing efforts have resulted in the gradual reduction of energy usage since 2007 and greenhouse gas emissions since 2005.

Total greenhouse gas emissions

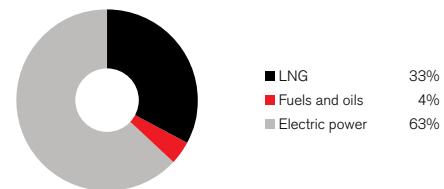
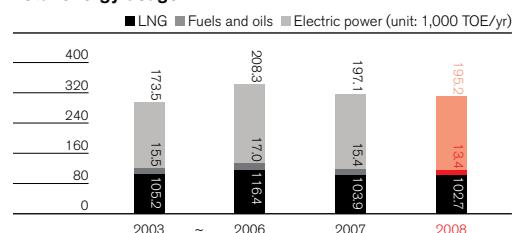
* Direct emissions

- Area 1 (stationary combustion) LNG, LPG (butane), LPG (propane), gasoline, diesel, kerosene (mobile combustion) LPG (butane), LPG (propane), gasoline, diesel
- (fugitive emission) refrigerants (HFC-134a) for freezers, substations (SF6), fugitive emissions generated when charging vehicles with refrigerants
- (process emission) CO₂ welding, detergents

Indirect emissions

- Area 2 (indirect emissions) electric power
- Area 3 (indirect emissions) LPG (butane), gasoline, diesel, refrigerants (HFC-134a) charged into vehicles

* Last year's data may partially change according to the recommendations of DNV, a verification agency that undertakes an annual verification assessment of Kia Motors' greenhouse gas emissions.

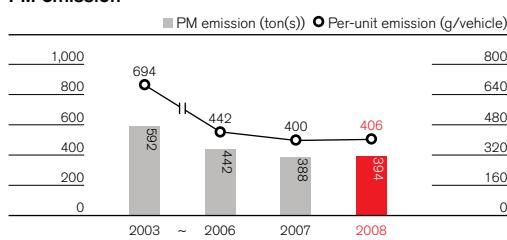
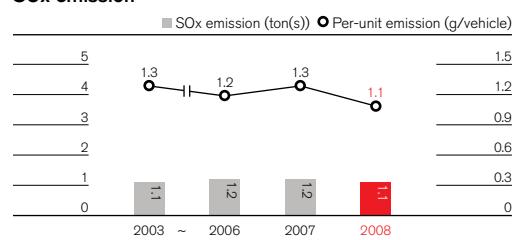
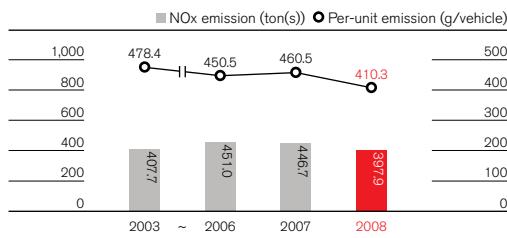
Breakdown of 2008 greenhouse gas emissions**Total energy usage**

* Last year's data may partially change according to the recommendations of DNV, a verification agency that undertakes an annual verification assessment of Kia Motors' greenhouse gas emissions.

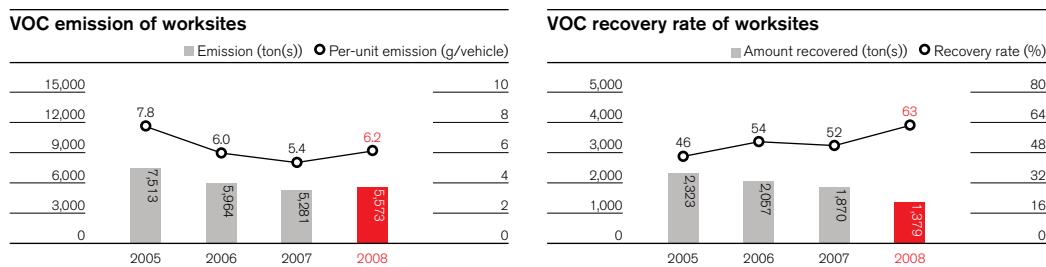
Reduction of environmental pollutants**Atmospheric pollutants**

In 2008, with the goal of reducing the discharge of particulate matters (PM), foul odors and air pollution, Kia Motors invested 740 million won and replaced its air filtration system to a more efficient one that can also process toxic gases. At Sohari and Hwaseong Plants, Kia Motors installed telemetry monitoring systems (TMS) that provide round-the-clock monitoring of the pollutant emissions status of boilers and other high pollutant-emitting systems.

In 2008, Kia Motors' Korean worksites emitted 793 tons of atmospheric pollutants, a 4.8% year-on-year decrease. Compared to last year, NOx and SOx emissions fell by 10.4% and 11.8%, respectively. PM emission increased by 1.6%.

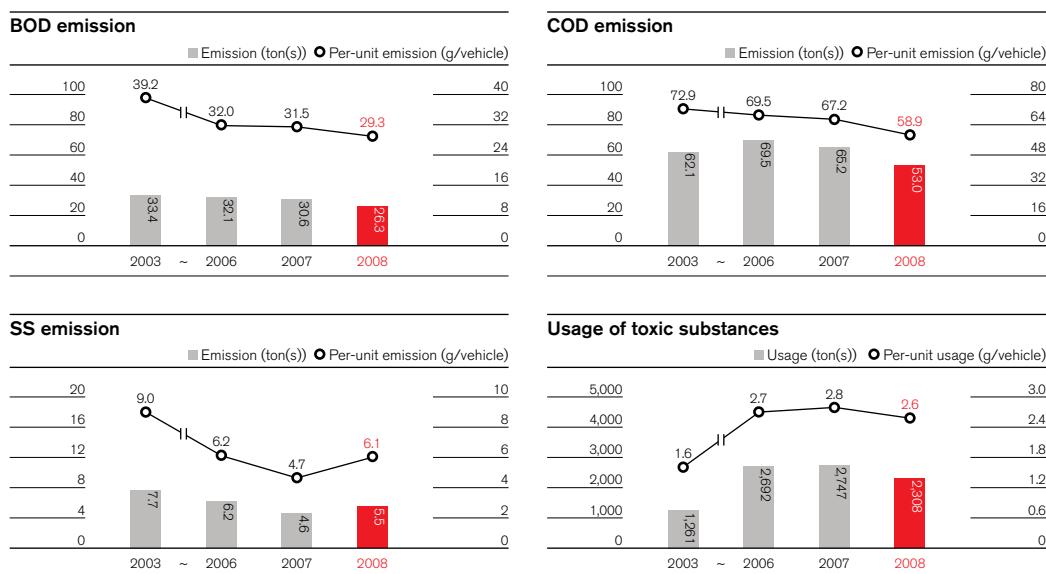
PM emission**SOx emission****NOx emission**

Volatile organic compounds (VOCs) contribute to global warming, destroy the stratospheric ozone layer and cause foul odors. In order to curtail VOC emissions, Kia Motors has replaced materials with high VOC content with those with lower VOC content and has installed high-efficiency automotive painting systems and the regenerative thermal oxidizer (RTO) system. Moreover, in compliance with the provision of the Special Act on Improving the Air Quality of the Seoul Metropolitan Area that mandates the use of emissions monitoring devices, Kia Motors installed automated air quality monitoring systems and fuel flow gauges at Sohari and Hwaseong Plants. The data collected is used for internal monitoring purposes at each plant. The data is also transmitted to relevant environmental and administrative organizations.



Water pollutants and toxic chemicals

In 2008, BOD and SS emissions were curtailed by 21.4% and 28.5%, respectively, from 2003. The per-unit emissions of BOD, COD and SS relative to the total number of vehicles produced decreased by 25.5%, 19.1%, and 32.2%, respectively. Total BOD, COD and SS emissions by year and per-unit BOD, COD and SS emissions by year are as follows:



Environmental management costs

In order to improve upon and manage its environmental protection efforts, Kia Motors tabulates the annual environmental costs of its worksites. Through the Investment Evaluation System that was implemented in 2004, Kia Motors has systematized its investment system and evaluates the cost-saving benefits and returns of its environmental investments by type. The data and information thus gathered are used to draw up environmental investment plans for the following year. Kia Motors used to only compile data on environmental management costs from the three domestic worksites (Sohari, Hwaseong and Gwangju Plants). In 2008, however, Kia Motors expanded the scope to also include an overseas worksite (Slovakia Plant). The total 2008 cost decreased to 17.3 billion won, a 2.3% decrease from last year when figures were compiled only from domestic worksites.

2008 environmental management cost

			(unit: 1,000 won)	Total
Classification	Type			
Environmental management cost	Direct cost for reducing environmental load	Investment and maintenance of environmental equipment and facilities	11,258,878	
	Indirect cost for reducing environmental load	Employee environmental education and environmental assessment	1,419,721	
	Environmental risk management cost	Environmental regulations compliance and accident prevention	159,242	
	Waste processing and recycling cost	Waste management outsourcing	4,204,188	
	Costs associated with social activities for environmental protection	Social outreach activities and afforestation	253,326	
Total environmental management cost			17,295,355	

* Environmental management cost: three Korean worksites (Sohari, Hwaseong, Gwangju), Slovakia Plant; exclusive of A/S centers and China Plant

* Environmental investment: Exclusive of R&D centers

Afforestation

As the building areas of Kia Motors' worksites increase, Kia Motors strives to also expand green areas in order to enhance the eco-friendliness of its worksites. Furthermore, since 2000, Kia Motors has been managing facilities that may emit soil pollutants. So far, there has not been a single case of soil contamination. Kia Motors continues to strengthen its inspection criteria for soil pollution management.

Afforestation status

	(as of December 31, 2008)				
	Sohari	Hwaseong	Gwangju	Slovakia (KMS)	China (DYK)
Site area (m ²)	498,908	3,251,923	1,014,877	1,660,000	450,000
Building area (m ²)	215,439	987,538	399,546	230,623	94,000
Green area (m ²)	24,374	637,000	88,308	1,095,000	38,000
Green rate (%)	8.6	28.1	14.4	76.6	10.7
Afforestation (tree)	22,002	228,752	102,000	2,848	1,853

Employee mobility

Environmental impact of employee commuting and business travel

Energy usage and greenhouse gas emissions generated by employee commuting and business travel also impact the environment. Kia Motors runs a commuter shuttle bus service and restricts the issuance of parking permits to those employees whose title is deputy general manager or higher in order to curtail driving to and from work, which has a significant environmental impact. Currently, around 45 commuter shuttles are in operation for corporate headquarters and around 310 commuter shuttles for domestic production facilities. Survey results show that among Kia Motors' 1,584 regular workers (all employees except production workers) in Korea, 28% of the 5,755 respondents said that they use the commuter shuttle bus service. It has been found that 21% of employees commute by public transportation, on foot or by carpooling and 52% (2,964 employees) commute by car. Kia Motors will expand the scope of its data collection on the modes of transportation its employees in Korea and overseas use for commuting and business travel. In so doing, Kia Motors will endeavor to quantify the environmental impact of employee mobility and include it in future sustainability reports.

Eco-friendly achievements at worksites

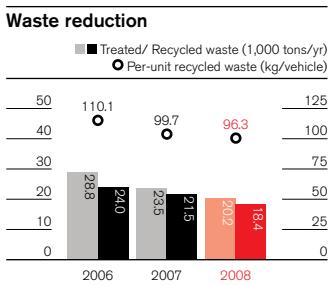
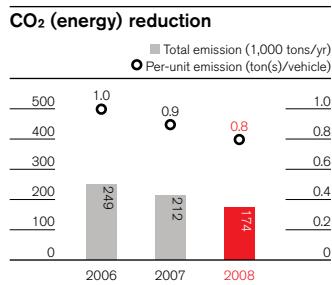


Sohari Plant

- Location: 781-1 Sohadong, Gwangmyeong, Gyeonggi-do
- Employees: 6,769
- Establishment: July 1973
- Flagship products: Grand Carnival (Carnival/ Sedona), Pride (Rio)
- Site area: 498,908 m²
- Building area: 215,439 m²
- ISO 14001 certification: December 2003



Environmental Director and Executive Vice President Jin-Dong Wee Plant Superintendent



Community engagement

As a part of the "One Company: Caretaker of One Mountain and One River" campaign, Sohari Plant employees cleaned up Mount Gureum and Anyang River. The Sohari Plant also runs motor safety campaigns in and around school zones, organizes volunteer meal deliveries to elderly who live alone and organizes the "rice-sharing" program to help lower-income families. Through such community outreach activities, the Sohari Plant maintains a close relationship with its local community.

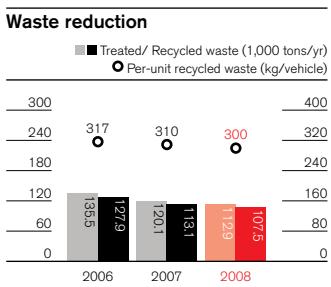
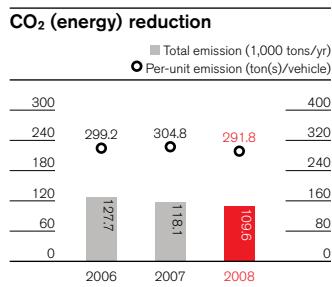


Hwaseong Plant

- Location: 1714 Ihwa-ri, Ujeong-eup, Hwaseong, Gyeonggi-do
- Employees: 12,130
- Establishment: April 1989
- Flagship products: Opirus (Amanti), Lotze (Optima/ Magentis), Sorento, Forte (New Cerato)
- Site area: 3,251,922 m²
- Building area: 987,538 m²
- ISO 14001 certification: April 2003

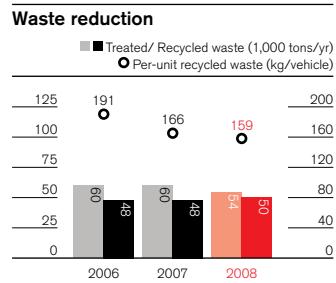
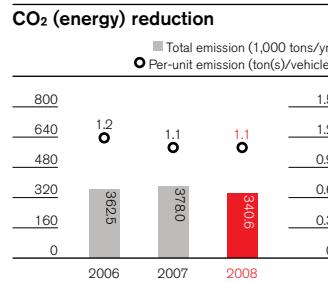


Environmental Director and Vice President Sung-Hoon Kang Plant Superintendent



Community engagement

The Hwaseong Plant continues to carry out environmental clean-up and protection activities around the worksite. It also participates in Ocean Day, sponsored by the Pyeongtaek Regional Maritime Affairs and Port Office, and works with other government offices to carry out environmental clean-up activities in the local community and its surrounding areas.

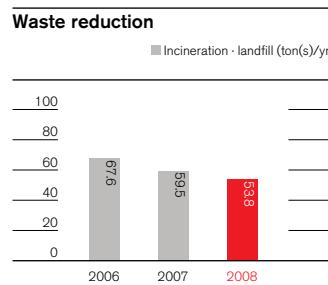


Community engagement

The Gwangju Plant engages the local community by regularly offering plant tours for area residents, disclosing pertinent information and actively engaging in exchanges of ideas and opinions. In 2008, the Gwangju Plant undertook twelve area road clean-up activities with employee volunteers.

Environmental accidents and lawsuits

None



Introduction of new and renewable energy facilities



Environmental clean-up activities



Community engagement

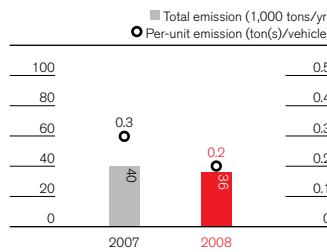
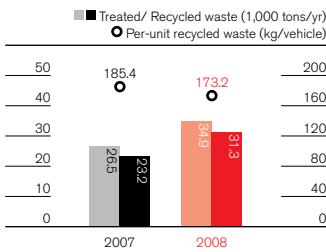
In order to raise their contribution to society and undertake community service activities, the employees of Kia Motors' service centers make monthly visits to old people's homes, nurseries and daycare centers, and to other facilities for the underprivileged segments of the society where they carry out volunteer and support activities.

Environmental accidents and lawsuits

None

**Slovakia Plant**

- Location: Teplicka n/ Vahom, Slovakia
- Employees: 2,770
- Establishment: March 2004
- Flagship products: cee'd, Sportage
- Site area: 1,660,000 m²
- Building area: 230,623 m²
- ISO 14001 certification: November 2007

Environmental Director and President & CEO **In-Kyu Bae****CO₂ (energy) reduction****Waste reduction****REACH education****Environmental accidents and lawsuits**

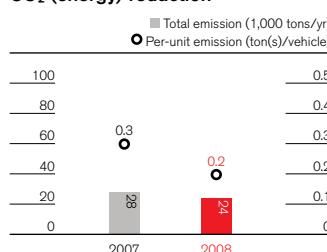
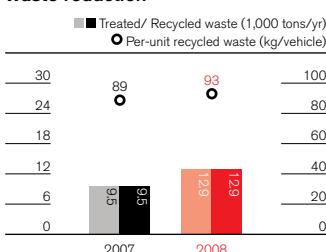
None

Community engagement

The Slovakia Plant regularly offers plant tours to area residents and journalists. It also engages with the local community by providing cars for high school practical training classes.

**China (Yangcheng) Plant**

- Location: Development Zone, Yangcheng, Jiangsu Province, China
- Employees: 3,371
- Establishment: July 2002
- Flagship products: Carnival (Sedona), Optima, Cerato, Rio, Sportage
- Site area: 1,900,800 m²
- Building area: 382,800 m²
- ISO 14001 certification: June 2007

Environmental Director and CEO **Jong-Oak Park****CO₂ (energy) reduction****Waste reduction****Tree-planting to prevent desertification****Environmental accidents and lawsuits**

None

Community engagement

The Yangcheng Plant donates relief vehicles to earthquake sites, provides automotive engines to automotive/ technical training schools and visits welfare centers in order to engage the local community.

ASSURANCE STATEMENT

To the Stakeholders of Kia Motors Corporation

Kia Motors Corporations (hereinafter called "Kia Motors") Sustainability Report 2009 (hereinafter 'The Report') was prepared and structured by the management of Kia Motors, who retains responsibility for the contents and data presented in the report. SolAbility (hereinafter "The Auditor") was assigned by the management of Kia Motors to conduct independent third-party review of the full report. The objective of this review is to externally assure that statements and data presented in this report are free of material misstatements and based on thorough data collection systems.

Assurance Methodology

The Auditor's assurance work has been planned and performed in accordance with leading international standards such as the AA 1000AS. The Report has been evaluated against the following criteria as defined in the AA 1000AS: materiality, completeness and responsiveness. The Report has also been assessed against the reporting criteria as outlined in the Global Reporting Initiative's Sustainability Reporting Guidelines (GRI G3).

Scope of this assurance engagement

The Auditor's assurance engagement covers and reviewed and examined the following:

- Review of whether financial data has been derived adequately and correct from the financial statement audited by external third-party
- Provision of assurance on whether non-financial data is presented in full and free of material misstatement

Assurance process and works undertaken

In order to provide assurance to the stakeholders, The Auditor undertook the following steps during the assurance engagement:

- Reviewed a selection of external media reports and selected group-level documents relating to safety, social, ethical and environmental aspects of Kia Motors' performance, to test the coverage of topics within The Report.
- Conducted interviews with senior managers of Kia Motors
- Reviewed Kia Motors approach to data collection and data management at site and corporate level
- Reviewed internal performance documentation
- Reviewed environmental, health and safety related data from all operational sites and processes to test whether they have been collected, consolidated and reported appropriately at corporate level and the locations visited.
- Conducted 2 site visits, interviewing operational managers, reviewing site data collection and management
- Reviewed stakeholder feedback
- Reviewed Kia Motors processes for determining material issues to be included in The Report
- Performed a peer review of global Sustainability Reports to benchmark disclosure levels

Limitations of this assurance engagement

The scope this assurance engagement was limited to a sample of 2 visits from 3 manufacturing sites in Korea. The Auditor did not conduct any visits to overseas facilities managed by Kia Motors. Our review of data processes included the following data sets: environmental, health & safety as well as sample social data. Our review of these data processes at operations level was limited to the Kia Motors-operated businesses visited.

Our conclusions

On the basis of our review and in accordance with the terms of reference for our work we provide the following conclusions on The Report. Our conclusions should be read in conjunction with the above section on "Assurance process and works undertaken" and "Limitations of this assurance engagement"

Materiality: Has Kia Motors provided a balanced representation of material issues concerning Kia Motors' sustainability performance?

Based on our review:

- We consider that the information contained in The Report covers the most relevant aspects of Kia Motors' sustainability management and performance
- We are not aware of any material aspects concerning Kia Motors' sustainability performance which have been excluded from The Report
- Nothing has come to our attention that causes us to believe that Kia Motors' management has not applied its processes for determining material issues to be included in The Report, as described in "Assurance Methodology"

Completeness: Does Kia Motors have complete information on which to base a judgement of what is material for inclusion in The Report?

Based on our review:

- We have reviewed information or explanation on the statements on Kia Motors' sustainability activities presented in The Report and we are not aware of any misstatements in the assertions made
- Nothing has come to our attention that causes us to believe that health, safety or environmental data presented in The Report has not been properly collected from information reported at operations level.
- We are not aware of any errors that would materially affect Kia Motors health, safety, environmental or social related data as presented in The Report

Responsiveness: How has Kia Motors responded to stakeholder concerns?

Based on our review:

- We are not aware of any additional issues of stakeholder interest that are not currently included in the Report's scope and content. In the future, however, it is recommended that Kia Motors extends its survey pool and diversify its communication channels to acquire more in-depth stakeholder opinions. The Auditor also suggests reporting how Kia Motors applies the collected stakeholder opinions in the materiality test process.

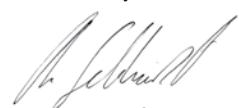
Issued for further consideration by the management of KMC

- We recommend that Kia Motors keeps refining and developing its sustainability management structure across all operations
- We recommend that Kia Motors applies corporate-wide, harmonized data management systems for streamlined site reporting and corporate data analysis including overseas sites
- Extends the presentation of long-term sustainability targets on corporate level

Our independence

The Auditor was not involved in the preparation of any part of The Report, and with the exception of this work has no other affiliation with Kia Motors that might compromise our independence or autonomy or place The Auditor under Kia Motors' influence, therefore ruling out any possible conflicts of interest. As an independent consultancy, we confirm that there have not been any events during 2008 that could impair our independence or objectivity.

February 25, 2009.



Andy Gebhardt

Director, SolAbility Co. Ltd.

GRI (G3) INDEX

PROFILE			
		● Fully Reported	○ Partially Reported
		○ Not Reported	○ Not Applicable
Strategy and analysis			
1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	●	14~15
1.2	Description of key impacts, risks, and opportunities.	●	8, 9, 20~21
Organizational profile			
2.1	Name of the organization.	●	12
2.2	Primary brands, products, and/ or services.	●	12
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●	12~13
2.4	Location of organization's headquarters.	●	13
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	13
2.6	Nature of ownership and legal form.	●	18~19
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries).	●	13
2.8	Scale of the reporting organization.	●	12~13
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	26
2.10	Awards received in the reporting period.	●	23
Report parameters			
3.1	Reporting period (e.g., fiscal/ calendar year) for information provided.	●	3
3.2	Date of most recent previous report (if any).	●	3
3.3	Reporting cycle (annual, biennial, etc.)	●	3
3.4	Contact point for questions regarding the report or its contents.	●	3
3.5	Process for defining report content	●	61
3.6	Boundary of the report	●	3
3.7	State any specific limitations on the scope or boundary of the report	●	3
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/ or between organizations.	●	3
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	●	3
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	●	3
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	3
3.12	Table identifying the location of the Standard Disclosures in the report	●	92~94
3.13	Policy and current practice with regard to seeking external assurance for the report.	●	90~91
Governance, commitments, and engagement			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	18~19
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	19
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/ or non-executive members.	●	19
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	○	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance.	●	18
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	18
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	○	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	16~17
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	○	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	○	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	20~21
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	22
4.13	Memberships in associations and/ or national/ international advocacy organizations.	●	75
4.14	List of stakeholder groups engaged by the organization.	●	61
4.15	Basis for identification and selection of stakeholders with whom to engage.	●	61
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	61
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	●	6, 7, 61

							<input checked="" type="checkbox"/> Fully Reported	<input type="checkbox"/> Partially Reported	<input type="checkbox"/> Not Reported	<input type="checkbox"/> Not Applicable
ECONOMIC PERFORMANCE										
Economic performance	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.		<input checked="" type="checkbox"/>	75~76, 78					
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.		<input checked="" type="checkbox"/>	8, 20, 57~58					
	EC3	Coverage of the organization's defined benefit plan obligations.		<input checked="" type="checkbox"/>	79					
	EC4	Significant financial assistance received from government.		<input type="checkbox"/>	23, 54					
Market presence	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.		<input checked="" type="checkbox"/>	63					
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		<input checked="" type="checkbox"/>	66					
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.		<input type="checkbox"/>						
Indirect economic impacts	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		<input checked="" type="checkbox"/>	70					
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.		<input checked="" type="checkbox"/>	70					
ENVIRONMENT PERFORMANCE										
Materials	EN1	Materials used by weight or volume.		<input checked="" type="checkbox"/>	58, 81					
	EN2	Percentage of materials used that are recycled input materials.		<input checked="" type="checkbox"/>	55~58, 82					
Energy	EN3	Direct energy consumption by primary energy source.		<input type="checkbox"/>	58, 84					
	EN4	Indirect energy consumption by primary source.		<input checked="" type="checkbox"/>	58, 84					
	EN5	Energy saved due to conservation and efficiency improvements.		<input checked="" type="checkbox"/>	83					
	EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.		<input checked="" type="checkbox"/>	42~56					
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.		<input checked="" type="checkbox"/>	83					
Water	EN8	Total water withdrawal by source.		<input checked="" type="checkbox"/>	82					
	EN9	Water sources significantly affected by withdrawal of water.		<input type="checkbox"/>						
	EN10	Percentage and total volume of water recycled and reused.		<input type="checkbox"/>						
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.		<input checked="" type="checkbox"/>	86					
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		<input type="checkbox"/>						
	EN13	Habitats protected or restored.		<input type="checkbox"/>						
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.		<input type="checkbox"/>						
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		<input type="checkbox"/>						
Emissions, effluents, and waste	EN16	Total direct and indirect greenhouse gas emissions by weight.		<input checked="" type="checkbox"/>	83					
	EN17	Other relevant indirect greenhouse gas emissions by weight.		<input checked="" type="checkbox"/>	83					
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.		<input checked="" type="checkbox"/>	38, 57~58, 83					
	EN19	Emissions of ozone-depleting substances by weight.		<input type="checkbox"/>						
	EN20	NOx, SOx, and other significant air emissions by type and weight.		<input checked="" type="checkbox"/>	84					
	EN21	Total water discharge by quality and destination.		<input checked="" type="checkbox"/>	85					
	EN22	Total weight of waste by type and disposal method.		<input checked="" type="checkbox"/>	82					
	EN23	Total number and volume of significant spills.		<input checked="" type="checkbox"/>	86					
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		<input type="checkbox"/>						
Products and services	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.		<input type="checkbox"/>						
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.		<input checked="" type="checkbox"/>	52~57					
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		<input checked="" type="checkbox"/>	55					
Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		<input checked="" type="checkbox"/>	47					
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.		<input checked="" type="checkbox"/>	53					
Overall	EN30	Total environmental protection expenditures and investments by type.		<input checked="" type="checkbox"/>	86					
LABOR PRACTICES & DECENT WORK PERFORMANCE										
Employment	LA1	Total workforce by employment type, employment contract, and region.		<input checked="" type="checkbox"/>	76					
	LA2	Total number and rate of employee turnover by age group, gender, and region.		<input checked="" type="checkbox"/>	76					
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.		<input checked="" type="checkbox"/>	65					
Labor/management relations	LA4	Percentage of employees covered by collective bargaining agreements.		<input checked="" type="checkbox"/>	63					
	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.		<input type="checkbox"/>	79					

				● Fully Reported	○ Partially Reported	○ Not Reported	○ Not Applicable
LABOR PRACTICES & DECENT WORK PERFORMANCE							
Occupational health and safety	LA6	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.		●	65		
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.		●	80		
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		●	64~65		
	LA9	Health and safety topics covered in formal agreements with trade unions.		●	65		
Training and education	LA10	Average hours of training per year per employee by employee category.		●	79		
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		●	63~64		
	LA12	Percentage of employees receiving regular performance and career development reviews.		●	63~64		
Diversity and equal opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.		●	63, 78		
	LA14	Ratio of basic salary of men to women by employee category.		●	63		
HUMAN RIGHTS PERFORMANCE							
Investment and procurement practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.		○			
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.		○			
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		●	64, 78		
Non-discrimination	HR4	Total number of incidents of discrimination and actions taken.		●	64, 78		
Freedom of association and collective bargaining	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.		●	63		
Child labor	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.		●	78		
Forced and compulsory labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.		●	78		
Security practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.		○			
Indigenous rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.		○			
SOCIETY PERFORMANCE							
Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.		●	71, 87~89		
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption.		○			
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.		●	64		
	SO4	Actions taken in response to incidents of corruption.		○			
Public policy	SO5	Public policy positions and participation in public policy development and lobbying.		○			
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		●			
Anti-competitive behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.		●	80		
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		●	80		
PRODUCT RESPONSIBILITY PERFORMANCE							
Customer health and safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		●	40~41, 45		
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.		●	77		
Product and service labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.		●	36~37		
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		●	77		
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		●	42~43		
Marketing communications	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		●	77		
	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.		●	77		
Customer privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		●	77		
Compliance	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		●	77		

**GRI Application Level**

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Kia Motors' Sustainability Magazine 2009 has been prepared in accordance with "GRI G3 Guidelines." Kia Motors rated itself A+ as per the "GRI application level table". The rating was verified by SolAbility, a third-party verification agency.

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Sustainability is not a goal that is realizable through concentrated, short-term effort.

It is an ongoing process of continued interest and improvement toward becoming increasingly sustainable.

The beneficiaries of such a process are all of us and our future generations that will inherit our planet.

That is why everyone should take part in the journey toward sustainability.

Kia Motors aspires to work with all its stakeholders in driving toward a sustainable tomorrow.

KIA MOTORS SUSTAINABILITY MAGAZINE 2009

MOVE

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