

March 27, 2023

Mr. Euisun Chung  
Chairman  
Board of Directors  
Hyundai Motor Company Headquarters  
12, Heolleung-ro, Seocho-gu  
Seoul, Korea

Dear Chairman Chung,

We are writing to follow-up after our receipt of the February 14<sup>th</sup> letter from Hyundai Investor Relations and to reaffirm our requests for improvements in Hyundai's oversight of labor and human rights. We appreciate that the company has taken some actions to address the child labor crisis in Alabama, but believe these steps are far from sufficient in addressing a problem of this magnitude and question whether it will succeed in preventing child labor in Hyundai's supply chain in the future.

In response to our letters, Hyundai stated that all Tier 1 suppliers supporting the Montgomery, Alabama factory would be required to submit to third-party audits, which have now been completed.<sup>1</sup> While these audits are a necessary first step, we are disappointed in the limited scope of the audit. By only conducting audits on suppliers supporting the Montgomery factory, and focusing exclusively on child labor, Hyundai is failing to ensure that its supply chain as a whole is free of child labor and is potentially ignoring other human and labor rights violations in its supply chain. Hyundai also appears to have only published a summary of the full audit report, making it difficult for investors to develop a full understanding of how Hyundai is addressing its supply chain issues. Another critical weakness is that the summary report failed to include recommendations on how Hyundai can improve its oversight system to prevent human and labor rights violations from reoccurring.<sup>2</sup>

We believe that Hyundai should expand the third-party audits to cover the entirety of its global supply chain, and all its human and labor rights commitments. The full results of these audits and the recommendations made by the auditors must be released publicly for investors to assess Hyundai's performance in meeting said recommendations. Hyundai must be transparent with investors regarding the full extent of the child labor crisis and any other human and labor rights violations in its supply chain.

In addition to our concerns about the limited scope of the audits and the deficiencies of the summary report that was released, we also have concerns about the rigor of the audit and subsequent report. According to the report, Littler Mendelson was retained in August 2022 and concluded the audit in February 2023. In the summary report, Littler Mendelson writes that its "audit did not identify any underage workers at any supplier facility during our audit. We did not find any underage workers during any of our onsite inspections or other audit activities. Further, all suppliers were aware of the child labor accusations made against some HMMA suppliers, and appeared to understand the seriousness of the situation. Each supplier appeared committed to taking steps to ensure against having underage workers in their facilities." However, during the August 2022-February 2023 time period in which Littler Mendelson

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<sup>1</sup> February 23, 2023 - [Hyundai Letter to Shareholders](#)

<sup>2</sup> February 23, 2023 - [Littler Mendelson Report](#)

was conducting its audit, an investigation by Reuters found multiple cases of child labor at four Hyundai supplier factories in Alabama and reported on investigations into child labor usage at up to 6 additional supplier factories by the Department of Labor and other agencies.<sup>3</sup> In fact, during this period SL Alabama, a Hyundai supplier, was fined by the Department of Labor, as well as the Alabama Department of Labor for use of child labor.<sup>4</sup> The inconsistency between the results summarized in Littler Mendelson's report, the findings of investigations conducted by regulatory agencies, and investigative media reports on this crisis bring into question the credibility of Littler Mendelson's audit of Hyundai's Alabama supply chain. As a result, we hope future audits into Hyundai's supply chain are conducted by a different firm.

Hyundai has also stated that to prevent child labor from reoccurring in supplier factories, Hyundai will begin to provide suppliers with compliance training. Once again, while this is a good first step in ensuring that child labor does not reoccur, it cannot be the sole means of prevention. We continue to demand that Hyundai subject factories across its supply chain to ongoing third-party monitoring. A report providing investors with an update on this monitoring should be publicly released annually to ensure that investors are kept up to date on any changes in Hyundai's human and labor rights oversight process and are informed of any new human and labor rights violations in the supply chain.

Throughout our correspondence with Hyundai on the topic of child labor, the company has made vague promises of continuing improvement. The company previously told us in November 2022 that it is committed to "continue to improve our policies, including our 'Supplier Code of Conduct'", and "to improve board structure." However, we have yet to see action on these promises. As a result, we continue to urge Hyundai to publish a new Supplier Code of Conduct with clear and strong language in opposition to child labor and other human and labor rights abuses. Additionally, we urge the Board of Directors to nominate a human rights expert to serve as a director, and to assign oversight of the Human Rights Charter and Supplier Code of Conduct to a committee of the Board of Directors. Finally, Hyundai stated to us that "[a] third-party evaluation of the HMC board is in progress." We would like an update on the status of this evaluation, and an estimate on when the results will be publicly released.

We would be happy to discuss these issues further. Please contact my colleague Mikail Husain at [mhusain@socinvestmentgroup.com](mailto:mhusain@socinvestmentgroup.com).

Sincerely,



Tejal K. Patel  
Executive Director

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<sup>3</sup> [Child workers found throughout Hyundai-Kia supply chain in Alabama \(reuters.com\)](https://www.reuters.com/business/child-workers-found-throughout-hyundai-kia-supply-chain-alabama-2022-11-15/)

<sup>4</sup> [Investigations have found child workers at Hyundai suppliers \(AL\) | rocketcitynow.com](https://www.rocketcitynow.com/news/2022/11/15/investigations-have-found-child-workers-at-hyundai-suppliers-al/)