

Lead the Charge Scorecard: Findings for Hyundai & Kia

Key takeaways:

- Although Hyundai and Kia have been making significant strides in boosting their EV production, they both have a long way to go with regards to an equitable, sustainable and fossil-free supply chain: both automakers perform poorly on both climate and environment, and human rights in our scorecard. However, noticeably Hyundai has made more progress than Kia in both categories: receiving 9% for climate and environment (vs. Kia's 4%) and 13% on human rights (vs. Kia's 7%).
- Both companies have set 2045 carbon neutrality targets with interim targets, although they are not verified by the SBT. Hyundai has made more progress than Kia on scope 3 emissions disclosure (Kia does not break down its scope 3 emissions disclosure due to purchased goods and services).
- However, neither automakers have disclosed much in the way of concrete actions to reduce the emissions and environmental impacts of the steel, aluminum and batteries in their cars (particularly Kia which scored 0% on both the steel and aluminum categories). Moreover, both automakers had their scores brought down by receiving one of the worst scores on climate lobbying by the automotive industry from InfluenceMap (only Toyota scores lower).
- Notably, however, Hyundai is one of only 3 automakers (the others being Renault and Volvo) that disclose the current percentage of scrap / secondary steel and aluminum used in their annual production cycles. However, this disclosure has not been accompanied by a target to increase the volume of recycled steel and aluminum in its production cycle (unlike Volvo, who has done so).
- Similarly, both automakers have made some concrete commitments to human rights, responsible sourcing and workers' rights, they have taken few measures to identify, prevent, mitigate and remedy human rights abuses in their supply chain. The lack of such measures are evidenced by reports exposing Hyundai's poor record on workers' rights, including exposes on using child labour at suppliers and one of its subsidiaries in the U.S., criticisms it has received in South Korea for major workplace safety violations, and lawsuits that is facing for racial discrimination in the United States.

The detail:

- **Fossil free and environmentally sustainable supply chains (general):** Hyundai has made more progress on scope 3 emissions disclosure, for which Kia only received partial points as they do not disaggregate their scope 3 emissions due to upstream purchased goods and services. Both companies have also set 2045 carbon neutrality targets, but these have not been verified by the SBT. Good progress made on scope 3 emissions disclosure and in requiring and incentivizing suppliers to set science-based targets and take actions to reduce their GHG emissions. Both companies require suppliers to develop water management plans, but they do not require them to set targets or report on water usage (both companies also do not disclose water usage in their supply chain).
 - Neither companies have committed to having their suppliers provide science-based targets for GHG emissions and they do not disclose the number of suppliers that have set SBTs, however they do provide limited information about processes they have put in place to monitor suppliers for compliance with GHG emissions targets.

- **Fossil free and environmentally sustainable steel:** Hyundai scored points for disclosing the amount of recycled steel used in its production cycle (one of only 3 autos to do so) and for providing information on how it considers how to improve the recoverability of steel in its manufacturing process.
 - Kia scored 0 on this indicator. Neither automakers are members of Responsible Steel or Steel Zero, they have not set targets to increase the volume of fossil free or recycled steel in their production cycles, and they have not displayed any use of supply chain levers to incentivize investment and production of fossil free steel.

- **Fossil free and environmentally sustainable aluminium:** Hyundai scored points for disclosing the amount of recycled aluminum used in its production cycle (one of only 3 autos to do so).
 - Kia scored 0 on this indicator. Neither automakers are members of the First Movers Group on aluminum, they have not set targets to increase the volume of low-CO2 or recycled aluminum in their production cycles, and they have not displayed any use of supply chain levers to incentivize investment and production of fossil free aluminum.

- **Fossil free and environmentally sustainable batteries:** Both companies received points for providing information on the closed loop processes they have put into place to increase the % of batteries being recycled at end of life. Kia also received partial points for disclosing information on the R&D they have been conducting to increase battery recyclability (through their 'Waste Battery Circulation System').

- Neither company has set targets for battery recycling, to reduce the emissions of its battery supply chains or to reduce its reliance on energy intensive minerals and neither provides information about the current percentage of batteries being recycled. Neither company is also a member of the global battery alliance and they do not disclose any R&D they are doing into battery chemistries so as to reduce their use of high intensity minerals.
- **Respect for human rights (general):** Hyundai performs stronger than Kia in this category. Both companies have standalone human rights policies and a supplier code of conduct that explicitly references human rights, which they “recommend” (but do not require) their suppliers to cascade to their own suppliers.

However, Hyundai received additional points for also stating they a process in place for identifying salient human rights risks (although they do not provide any detail), for naming the generic human rights risks in their supply chain, requiring Tier 1 and Tier 2 suppliers to provide information on conformance with their SCoC to an evaluation index, and submit data/documentation to verify their submissions, and for having an in-house grievance mechanism (Kia did not score any points for any of these indicators).

- **Responsible sourcing of transition minerals:** Hyundai and Kia Hyundai and Kia have a shared responsible minerals policy that applies to CAHRAs and cobalt, and other minerals that "pose human rights violations or environmental destruction issues in the mining process".
 - Both companies scored 0% for the other indicators in this category - indicating a lack of processes and mechanisms to ensure the effective implementation of their responsible minerals policy.
- **Respect for Indigenous Peoples’ rights:** Both companies scored 0% on this indicator. We could not find any reference to Indigenous Peoples’ rights, UNDRIP or FPIC in any of their reporting.
- **Respect for workers’ rights:** Both companies’ human rights policies and SCoCs reference commit to the ILO Declaration of Fundamental Principles and Rights at Work, mentioning each of the 5 principles. They also both received points for stating that they have a collective agreement in place with the union in the headquartered country.
 - Both companies scored 0% for the other indicators in this category - indicating a lack of processes and mechanisms to ensure the effective implementation of their commitments to workers’ rights.