

DECLARATION OF UNDERSTANDING

of 3 November 2006 Entered into between:

- (1) **Hyundai Motor Manufacturing Czech s.r.o.**, a company established under the laws of the Czech Republic, with its registered office at Ostrava, Hrabová, Axis Office Park Ostrava – Budova B, Na rovince 874, Post code 720 00 (“HMMC”),
- (2) **Moravia-Silesia Region**, one of 14 regions of the Czech Republic, with its head office at 28. října 117, 702 18 Ostrava (“MSR”),
- (3) **Ministry of Industry and Trade**, with its head office at Na Františku 32, 110 15 Praha 1 (“MIT”)
- (4) **Investment and Business Development Agency CzechInvest**, a contributory organisation of Ministry of Industry and Trade, with its head office at Štěpánská 15, 120 00 Praha 2, (“CzechInvest”),
- (5) **Ekologický právní servis**, a civic association being a legal entity in its own right formed under Act No. 83/1990 on civic associations, with its head office at Převrátilská 330, 390 01 Tábor (“EPS”)
- (6) **Beskydčan - an association for the renewal and sustainability of quality of environment in Moravskoslezské Beskydy**, a civic association being a legal entity in its own right formed under Act No. 83/1990 on civic associations, with its head office at Muchovice 393, 739 14 Ostravice (“Beskydčan”)
- (7) **Půda pro život**, a civic association being a legal entity in its own right formed under Act No. 83/1990 on civic associations, with its head office at Nošovice 35, 739 51 Dobrá (“Půda pro život”)
- (8) **Děti Země – Club for sustainable transportation**, a civic association being a legal entity in its own right formed under Act No. 83/1990 on civic associations, with its head office at Cejl 48/50, 602 00 Brno (“Děti Země”)

Parties (1), (2), (3) and (4) are herein referred to as the “H-Project Parties”, parties (5), (6), (7) and (8) are herein referred to as the “Civic Associations”.

Whereas:

- HMMC was incorporated in the Czech Republic to construct and operate an automobile manufacturing plant (the “Plant”) on the Nošovice site in the Moravia-Silesia Region of the Czech Republic
- Moravia-Silesia Region is responsible for development of Industrial Zone Nošovice (herein referred to as Industrial Zone) including construction of technical and transport infrastructure

- CzechInvest is responsible for foreign direct inward investment promotion and development including support for development of industrial zones in the Czech Republic

H-Project Parties represent that the development, construction and operation of the Plant will positively contribute to the economic and social development of the Moravia-Silesia Region and the Czech Republic as a whole.

Whereas:

- EPS is a non-governmental, non-profit and non-political organisation of lawyers working to defend the environment and human rights through legal means, and promote, among other things, international corporate responsibility
- Beskydčan is a non-governmental, non-profit organisation whose main goal is the protection of nature, the landscape and the environment of Moravskoslezské Beskydy by legal means, including practical activities and involvement in the decision-making processes
- Půda pro život works to defend the quality of life, health and environment of local citizens near the Nošovice Industrial Zone
- Děti Země work, through their activities, to protect nature, the landscape and the environment, participate in decision-making processes and support the general public, provide public control of observance of the law and promote environmental perspectives in relation to concepts, policies, zoning plans and specific developments in order to improve the quality of life of the citizens and sustainable state of the environment in the Czech Republic.

The Civic Associations declare that the design and implementation of the Industrial Zone and Plant entail potential environmental, social and economic risks not only for the Moravia-Silesia Region, but also for the Czech Republic as a whole.

Now, therefore, upon and in consideration for the mutual promises and covenants contained herein, the Parties hereto agree as follows:

The Parties to this Declaration agree that its purpose is, inter alia, to eliminate, mitigate and compensate for the potential negative impact of the Plant and Industrial Zone on the environment, nature and landscape, human health and the property of the involved persons throughout the existence of the Plant and the Industrial Zone and their potential negative influence.

The purpose of this Declaration is also to ensure other permanent systemic changes and to strengthen respect for human rights and principles of sustainable development during the design and implementation of similar developments on the territory of the Czech Republic.

The parties to this Declaration jointly condemn the anonymous threats that certain former land owners in the Industrial Zone faced, as acts that are at odds with the principles of a democratic state and the rule of law.

Because the H-project Parties ensured the Civic Association Parties that:

- 1 HMMC and MSR undertake, in all legal proceedings related to the Industrial Zone and Plant and within their respective competencies, to fulfil all material

and formal requirements of Czech law and exert all efforts to ensure that all decisions of relevant administrative authorities concerning the Industrial Zone and Plant are made in accordance with Czech law and involve terms sufficient in number and quality for the protection of public interest, including but not limited to the protection of the environment, health, and lives of the citizens.

- 2 HMMC undertakes to apply for the issuance of an integrated permit under Act No. 76/2000 on integrated prevention for all process units within the Plant and to exert all efforts to ensure that it obtains such integrated permit prior to the approval of the trial operation.
- 3 MSR, MIT and CzechInvest undertake to immediately and permanently terminate the implementation of the Šilheřovice Industrial Zone and Dolní Lutyně Industrial Zone. MSR furthermore undertakes to focus on the renewal of unused industrial facilities (“brownfields”) on the territory of the entire Moravia-Silesia Region instead of developing industrial zones on “greenfields”.
- 4 MIT and Czechinvest undertake to prefer reclaiming of brownfields to developing industrial zones on greenfields in order to ensure sustainable development of the industrial property market in the Czech Republic during the 2007 – 2013 programming period.

For this purpose:

- MIT and CzechInvest shall submit the Property Programme (the “Programme”) as part of the Business and Innovation Operating Programme, which will create prerequisites for the provision of a higher amount of public assistance for brownfields projects, i.e. the possibility of drawing up to 100% of a project’s capital expenditures, to the European Commission for approval by 31 December 2006.
- MIT and CzechInvest shall support greenfields industrial zone implementation projects as part of the Programme implementation only in the event that the applicant indicates and proves that it is incapable, in the respective place and time, to develop a similar industrial zone on brownfields, or that an industrial zone developed on brownfields at the respective place and time is not large enough given the realistic or potential demand on the part of the investors and the requirements of the region.
- MIT and CzechInvest shall only support the implementation of greenfields projects in accordance with zoning documentation when implementing the Programme.
- MIT and CzechInvest shall prefer projects of extension of existing industrial zones to projects of implementation of industrial zones without connection to developed industrial land when implementing the Programme.
- MIT and CzechInvest shall support property development as part of the Programme during all phases of the property’s lifecycle – preparation, construction, development, retrofit, reclaiming – in order to support sustainable development of the territory.
- MIT and CzechInvest shall ensure the creation of a publicly accessible national brownfields database based on brownfields search studies and other resources by the end of 2007.

- MIT and CzechInvest shall submit a draft national brownfields reclaiming strategy to the Government of the Czech Republic by the end of 2007.
 - MIT and CzechInvest shall organise seminars on national level and in all regions in 2007 – 2008 focused on the issues surrounding brownfields and the promotion of them, all for the purpose of finding backers for reclaiming projects.
- 5 HMMC and MSR undertake as part of their respective Project competencies to meet all requirements and compensatory measures specified in the Statement of the Ministry of Environment on the Environmental Impact Assessment Documentation concerning the “Hyundai Motor Company Manufacturing Plant in the Nošovice Industrial Zone” dated 5 May 2006 (“EIA Statement”) concerning the development and operation of the Plant and the construction of technology and transport infrastructure in the Industrial Zone. HMMC and MSR undertake to implement the recommendations contained in the EIA Statement as specified in more detail in Schedule 1 to this Declaration.
 - 6 In addition to the compensation specified in the EIA Statement, HMMC replanted approximately 900 trees instead of clearing them in the Industrial Zone area.
 - 7 In addition to compensations defined in the EIA statement, based on Government Resolution No: 550 MSR is ready in close collaboration with Ministry of Transport, Ministry of Environment, Administration of Protected Landscape Area Beskydy and with Civic Associations to develop, construct and maintain natural corridor for big mammals between Silesia Beskydy and Moravia-Silesia Beskydy. Civic Associations will be part of the project team, will participate in the selection of a suitable corridor route, and will actively support negotiations with the citizens and representatives of the involved municipalities during the discussions on the required zoning change and during the project preparation in terms of property law. Civic Associations are entitled to participate in the management and maintenance of the corridor.
 - 8 Based on Government Resolution No: 550 of 2006 MSR as well as Motorway Directorate (“MD”) and Railway Directorate (“RD”) are obliged to implement all necessary anti-noise measures along public roads and railways to protect the citizens of Dobrá, Nošovice and Nižní Lhoty from traffic created by carriers and suppliers of HMMC. When zoning, approving, and constructing new projects, permanent housing comfort of the inhabitants will be ensured in all material aspects (pursuant to Section 13(1) of Decree No. 137/1998).
 - 9 HMMC acknowledges its obligation to minimise externalities occurring in relation to the Plant operation, and thus it undertakes in the preparation of its transport/logistic plan (“Transport Plan”) it will have respect to both its economic interests and the public interest in minimising the negative impacts of transportation on the environment. Within 6 months after the commencement of trial production, HMMC shall submit the Transport Plan and an explanation report to the Civic Associations. The Civic Associations are entitled to have this report assessed by an independent automotive industry logistics expert; a contract with an expert selected by the Civic Associations will be executed by HMMC. If, based on a reasonable consideration of the circumstances, the expert reaches the conclusion that the Transport Plan does not take public

interest sufficiently into consideration, s(he) shall propose in writing the appropriate changes to the Transport Plan and submit an explanation of and justification for such changes. HMMC and the Civic Associations will then act in good faith with the objective of reaching an agreement concerning the proposed changes to the Transport Plan. If HMMC and the Civic Associations fail to reach an agreement within three months from the commencement of the negotiations due to inadequate commitment from HMMC, the Civic Associations will be entitled to require HMMC to announce, by means of an advertisement published in a Czech nationwide daily, that HMMC has breached this Declaration.

- 10 Based on Government Resolution No: 550 of 2006 (items II.3 and IV.3) and its Appendix 3, the Railway Directorate shall optimise the Ostrava Kunčice – Frýdek-Místek – Český Těšín and Bystřice nad Olší – Mosty u Jablunkova [railway] routes at the expense of State Fund of Transport Infrastructure in the amount over 9 billion CZK so that HMMC may maximise usage of railway instead of motorway.
- 11 HMMC undertakes to take all steps necessary for it to meet the EMAS II standards as defined in Regulation (EC) no. 761/2001 of the European Parliament and participate in the EMAS II scheme. HMMC shall commence the activities necessary to fulfil this obligation within two years of HMMC's public announcement of the commencement of the mass production at the Plant and shall exert all efforts in order to introduce EMAS II within 4 years from such announcement.
- 12 HMMC undertakes to produce, with a two-year periodicity, a sustainability report on its activities based on the Sustainability Reporting Guidelines introduced by the Global Reporting Initiative; the report shall make up a part of a sustainability report of the entire Hyundai Motor Company group. HMMC shall commence the activities necessary to fulfil this obligation within two years of HMMC's public announcement of the commencement of the mass production at the Plant.

HMMC undertakes, in excess of the requirements of the applicable legal provisions, to accept the restrictions for truck transportation with maximum acceptable weight above 7.5 tonnes as follows:

- | | |
|--|---------------|
| - On Saturdays in July and August: | 7 am – 8 pm |
| - 12 more Saturdays during the calendar year | 7 am – 8 pm |
| - On Sundays throughout the entire year | 0 am – 10 pm |
| - On public holidays | 7 am – 10 pm. |

- 13 To support civic society and community programmes within the territory affected by the operation of the Plant, HMMC undertakes to found a foundation or an endowment fund pursuant to Act No. 227/1997 on foundations and endowment funds, and to contribute thereto with an amount of CZK 20 million in the following instalments: CZK 5 million by the end of 2006; CZK 5 million more by the end of June 2007; CZK 5 million more by the end of December 2007; and the remaining CZK 5 million by the end of June 2008. HMMC furthermore undertakes to support such foundation (fund) every year from 2009 with contributions in the range of millions of CZK. HMMC and MSR shall each propose one member of the management board and supervisory board of the foundation (fund), and the Civic Associations shall propose 2 other members of

the management board and 2 other members of the supervisory board. The foundation (fund's) finances shall be distributed on the basis of agreement between HMMC, MSR and the Civic Associations, namely for projects contributing to environmental protection and improvement, leading to environmental awareness and protection, or promotion of the environment with the aim of attracting general public; this support is excluded in advance for any projects that could be in substantial discord with the objectives of the Civic Associations.

- 14 In addition to the requirements set out in the appropriate permit to modify the landscaping HMMC shall implement recommendations 2 through 10 included in the study prepared by LÖW & spol., s. r. o. on 7 September 2006 as provided in more detail in Schedule 2 to this Declaration.

MSR shall exert all efforts to meet the above recommendations related to the territory outside the Plant property.

Then Civic Association Parties ensure the H-project Parties that

- A. The Civic Associations respect functional delimitation of Industrial zone Nošovice as it was defined within Master plan of Large Territorial Unit Beskydy, approved by Government of the Czech Republic on 25.3.2006, of which the binding part was declared by Announcement of Ministry of Regional Development within Part 59 of Collection of Law in 2002 and within Master plan of Municipality of Nošovice including it's changes No. 1, approved by the Assembly of Nošovice Municipality on 31.7.2004, of which the binding part is included within Municipal Decree No. 2/2001 and changes No. 2, approved by the Assembly of Nošovice Municipality on 10.5.2006, of which the binding part is included within Municipal Decree No. 1/2005 and within Master Plan of Municipality of Nižní Lhoty including it's changes No. 1, approved by the Assembly of Nižní Lhoty Municipality on 3.10.2001, of which the binding part is included within Municipal Decree No. 1/2001. The Civic Associations declare that they will not carry any steps aimed at the revision of the above zoning plans.
- B. The Civic Associations find the Statement of Ministry of Environment to the Environmental Impact Assessment Documentation of "Hyundai Motor Company Manufacturing Plant in the Nošovice Industrial Zone" that was issued on 5.5.2006 as the basic document assessing impacts of Hyundai Motor Company manufacturing plant. EPS is covenanting to withdraw, by 31 December 2006 its action against the above-mentioned Statement of Ministry of Environment dated 4.7.2006 and filed with the Municipal Court in Prague on 7.7.2006 with reference number 8 Ca 193/2006.
- C. In light of HMMC and MSK's covenant specified in Item 15 of this Declaration, the Civic Associations respect the decision of the Authority of the Moravia-Silesia Region dated 2 October 2006 (which became enforceable on 5 October

2006) ref. no. MSK 144691/2006 on the appeal by EPS dated 4 August 2006 against Decision of Municipality Office of Frýdek-Místek dated 7 July 2006, reference number OŽPaZ/3385-4/2006/Kos/246 regarding approval for interference of the Plant with the character of landscape.

- D. The Civic Associations respect the decision of the Czech Ministry of Environment, Department for the Implementation of the State Administration IX in relation to the appeal by Děti Země dated 11 August 2006 against decision of Administration of Protected Landscape Area Beskydy dated 21.7.2006, reference number BAR/101/36 regarding exception to prohibition on specially protected animals in connection with construction of the Plant.
- E. The Civic Associations will not appeal against Decision of Municipality Office of Dobrá dated 29 September 2006, reference number SÚ 600/2006-328/Ko regarding planning permit for anti-noise embankment, top-soil and sub-soil removal and land levelling I based on proposal of MSR and relevant file documentation well known to the Civic Associations.
- F. The Civic Associations will not appeal against Decision of Municipality Office of Dobrá, reference number SÚ 689/2006-328/Ko regarding planning permit for land levelling II and grading works based on proposal of HMMC.
- G. Civic Association Parties will not appeal against Decision of Municipality Office of Dobrá, reference number SÚ 690/2006-328/Ko regarding planning permit for the Plant based on proposal of HMMC.
- H. The Civic Associations shall exert reasonable effort in order to ensure that their members and any other representatives will not establish any new association with the aim to circumvent the principles of this Declaration. If another civic association takes interest in participation in permit process of Plant and Industrial Zone, the Civic Associations will exercise their best efforts to persuade the representatives of such association to join this Declaration and follow the principles of this Declaration.

The Civic Associations will also not support any party acting in contradiction to the principles of this Declaration, namely asking unreasonable requirements towards the H-project Parties.

- I. The Civic Associations are entitled to participate in administrative proceedings concerning the development, construction and approval of the operation of the Plant and Industrial Zone. However, the Civic Associations undertake not to raise any objections or appeals and not to initiate any legal steps in relation to any administrative proceedings concerning the development, construction and approval of the operation of the Plant and Industrial Zone; not to be actively involved in any manner in the design preparation phase, construction phase, and approval of the Plant and Industrial Zone's operation; and not to initiate or

support such activity by their members or other civic associations or their members.

The Parties to the Declaration have agreed upon the following co-operation in the preparation of design documentations pertaining to the Plant and Industrial Zone:

- The proponent (HMMC, MSR) shall inform the Civic Associations with the relevant design documentation, either before or during the administrative proceedings.
- Individual Civic Associations can inform the proponent of their objections and comments on the relevant documentation within 7 days after the delivery of the request for inspecting the relevant documentation.

Final provisions:

- I. If HMMC fails to meet any one of its obligations arising from this Declaration, the Civic Associations shall publish at HMMC's cost an announcement in the form of an advertisement sized at least 1/3 of a newspaper page, containing an unambiguous piece of information stating that HMMC has breached its obligations under this Declaration, stating the specific provision hereof that was breached, describing the facts, and providing an explanation of their opinion. The announcement shall be published in one of the following important European media, at HMMC's discretion: *The Guardian, Die Zeit, Frankfurter Allgemeine Zeitung, Der Spiegel, Le Figaro, Le Monde*; in two of the following Czech media, at HMMC's discretion: *Ekonom, Hospodářské noviny, MF Dnes, Lidové noviny, Právo*; and in two of the following regional dailies, at HMMC's discretion: *Moravskoslezský deník, Frýdecko-místecký a Tříinecký deník, Listy moravskoslezské*, and *MF Dnes'* regional supplement for Moravia-Silesia Region.
- II. If MSR, (MIT) or CzechInvest fail to meet any one of their obligations arising from this Declaration, the Civic Associations shall publish at MSK, MPO or CzechInvest's cost an announcement in the form of an advertisement sized at least 1/3 of a newspaper page, containing an unambiguous piece of information stating that MSK, MPO or CzechInvest have breached their obligations under this Declaration, stating the specific provision hereof that was breached, describing the facts, and providing an explanation of their opinion. The announcement shall be published in two of the following Czech media, at the discretion of MSK, (MPO) or CzechInvest: *Ekonom, Hospodářské noviny, MF Dnes, Lidové noviny, Právo*; and in two of the following regional dailies at the discretion of MSK, (MPO) or CzechInvest: *Moravskoslezský deník, Frýdecko-místecký a tříinecký deník, Listy moravskoslezské*, and *MF Dnes'* regional supplement for Moravia-Silesia Region.
- III. If any Civic Association fails to meet any one of its obligations arising from this Declaration, then upon a joint written request from the H-Project Parties the

Civic Association that breached its obligation shall publish at its cost an announcement in the form of an advertisement sized at least 1/4 of a newspaper page, containing an unambiguous piece of information stating that it has breached its obligation under this Declaration, stating the specific provision hereof that was breached, describing the facts, and providing an explanation of its opinion. The announcement shall be published, at the H-Project Parties' discretion, in two of the following Czech media: *MF Dnes*, *Lidové noviny*, *Právo*, *Ekolist*, *Respekt*; and in two of the regional dailies at the Civic Associations' discretion: *Moravskoslezský deník*, *Frýdecko-místecký a třinecký deník*, *Listy moravskoslezské*, and *MF Dnes'* regional supplement for Moravia-Silesia Region.

- IV. The entitlement to publish the advertisement under the above provisions comes into existence for the entitled Party after the expiry in vain of a period of 15 days from the delivery of a notification about the breach of this Declaration to the relevant Party, containing the request to remedy such breach. If the relevant Party fails to choose the proposed media to publish the advertisement in within 15 days from the delivery of the request, the entitled Party shall choose the media itself.
- V. This Declaration and the information about its signature by all of its Parties shall be published at a joint press conference of all Parties at the soonest possible and suitable date (preliminary agreement: 20 November 2006). The Parties shall publish the full text of this Declaration.
- VI. H-Project Parties acknowledge that the Civic Associations hereby undertake to take certain one-off procedural steps, which compensate for them the final loss of certain rights in respect of relevant administrative proceedings. On the other side, H-Project Parties hereby undertake activities that need to be delivered on a long-term basis or permanently in order to fulfil the purpose of the Declaration. In light of this, all Parties agree that the Declaration is concluded for a definite period of time, specifically the period of construction and operation of the Plant.
- VII. Between 2007 and 2013, H-Project Parties will send the Civic Associations, upon their request, reports on the fulfilment of individual provisions of this Declaration. Each of the H-Project Parties shall be responsible for the preparation and sending of reports to the extent of its activities and obligations. Reports and documents evidencing the fulfilment of this Declaration shall be sent no later than 30 days after the reception of the relevant request from the Civic Associations.
- VIII. If the Regional Assembly of the Moravia-Silesia Region fails to approve the change of the zoning documentation relevant for the fulfilment of its obligation under Item 3 of this Declaration by 31 December 2006, the Civic Associations will cease to be bound by their obligations vis-à-vis the MSR hereunder.

IX. This Declaration is executed in 8 (eight) counterparts in English and in 8 (eight) counterparts in Czech. In case of discrepancy between the Czech and English counterparts hereof, the Czech version shall prevail.

In witness whereof, this Declaration has been entered into as of the date first above written, given in Ostrava:

For and on behalf of Hyundai Motor Manufacturing Czech, s.r.o.

Name:

Title:

For and on behalf of Moravia-Silesia Region

Name:

Title:

For and on behalf of the Ministry of Industry and Trade

Name:

Title:

For and on behalf of CzechInvest

Name:

Title:

For and on behalf of EPS

Name:

Title:

For and on behalf of Beskydčan

Name:

Title:

For and on behalf of Půda pro život

Name:

Title:

For and on behalf of Děti Země

Name:

Title: