



Smart Tomorrow

SK hynix 2012 Sustainability Report



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Flying
tomorrow together beyond



2011 Sustainability Highlights

01

Spreading SK's "Wings of Happiness" to take another dramatic leap forward

SK hynix became a member of the SK Group in February 2012. Going forward, it will expand its current memory semiconductor business to the total semiconductor business, creating synergies with the SK Group in terms of investments, human resources, marketing, and technology development. At the inauguration ceremony on March 26, 2012, Chey Tae-won, Chairman & CEO of SK hynix, said, "We will turn SK hynix into a global semiconductor leader that will share its successes with the entire nation and the communities in which it operates."

02

Unrivaled technological prowess

SK hynix stabilized the yield rate of its 30nm-class DRAM at an unprecedented speed and brought the portion of 30nm-class DRAM to the mid-40% range. In the area of NAND Flash, it brought its share of 20nm-class products up to the 80% range and created 8-layer stacks using Through Silicon Via (TSV) and DDR4 DRAM.

03

Secured favorable position in patent and antitrust lawsuits against Rambus

In May 2011, the US Court of Appeals overturned the original verdict in a patent lawsuit filed by SK hynix against Rambus by declaring that the defendant's destruction of trial evidence was illegal. Subsequently, SK hynix won the antitrust case brought by Rambus against DRAM manufacturers, when the court ruled in February 2012 that there was no proof of price-fixing. This helped the company obtain a very favorable position in the Rambus cases, which have been dragging on for over twelve years, dramatically reducing management uncertainty.



01

07

Recognized as outstanding carbon management company for third consecutive year

In October, SK hynix joined the Global Carbon Management Leaders Club, a group of companies that have been recognized by the Korean Committee of the Carbon Disclosure Project (CDP) for their advanced carbon management practices. SK hynix was chosen as an outstanding carbon management company for the third year in a row. It received a very high score on the Carbon Disclosure Leadership Index, which rates the completeness of a company's carbon disclosures. In addition, it was included in the highest (A) performance band of the Carbon Performance Leadership Index. In July, the company held a launching ceremony for the Suppliers' Low Carbon Management System Implementation Project. As a result, it received a Minister of Environment commendation in the Corporate & SME Green Partnership category at the 2011 Korea Green Management Awards.

08

Launched Good Memory Sharing Activities to support teenagers living in local communities

As part of its sharing activities with the communities in which it operates, SK hynix carries out a number of Good Memory Sharing Activities in Icheon and Cheongju. In 2011, it accessed its employee-led Good Memory Sharing Fund to launch a prepared breakfast project for malnourished children, eco-friendly study rooms that offer children a pleasant environment in which to study, and a talent development project that nurtures the growth of future scientists.



02

SK hynix aims to become
the world's best semiconductor company
by creating synergies with the SK Group.

04

Formed strategic partnership regarding next-generation memory

In July, SK hynix signed an agreement with Toshiba regarding the joint development and production of STT-MRAM, a next-generation memory. The two companies also agreed to extend their current supply contract and their patent cross-licensing agreement. Toshiba boasts world-class competitiveness in MRAM technology and development, while SK hynix has industry-leading memory semiconductor technology and cost competitiveness. The partnership will change the landscape of the next-generation memory semiconductor market.

05

Recorded operating profit for third year in a row

Demand for IT devices remained sluggish during 2011, due to ongoing global economic uncertainties and natural disasters in Japan and Thailand. Despite this, SK hynix recorded annual revenue of KRW 10.396 trillion, operating profit of KRW 325 billion, and an operating profit margin of 3%. These achievements were due to the company's continuous technology development for nanotechnology and improvements to its product portfolio.

06

Adopted Labor-Management Joint Declaration of Action

In May, SK hynix adopted a Labor-Management Joint Declaration of Action in which it promised to help develop a cooperative labor-management culture rooted in mutual trust and respect. It also held a training session for public officials, labor unions, and private companies, targeting 230 labor-management experts from thirty-one local governments and public institutions. The company's commitment to positive labor-management relations is reflected in its belief that "labor and management are not two separate entities."

09

Strengthened foundations for win-win growth

SK hynix continued to strengthen its foundations for win-win growth with its suppliers. In May, for example, it held a meeting with eighty-two suppliers and gave achievement awards to six outstanding ones from Korea and overseas. It also invited the employees of eighteen of its most outstanding suppliers to a tour of its manufacturing facilities in Wuxi, China. In addition, it signed Win-Win Growth and Fair Trade Agreement with forty-nine of its suppliers, providing them with a variety of technological, training, and financial supports. This includes running a Technological Support Council and a Quality Council, and moving to more frequent account settlements.

10

Won series of industry awards

SK hynix has been widely recognized both at home and abroad for its innovative company initiatives and its efforts to bring about economic justice. In February, it won the grand prize at the Seventh Management Transparency Awards hosted by Korea's five main economic organizations. The award was given for the company's efforts to establish an ethical management culture, build a cooperative labor-management relationship, and build a long-term social contributions infrastructure. It received a Best Economic Justice Award in June. In September, it was awarded a Presidential Citation at the National Productivity Awards, was listed on the Dow Jones Sustainability Index (DJSI) World for the second consecutive year, and won the championship title at the National Productivity Championship. It also received a Presidential Citation at the Korea Logistics Awards in November.



06

09



Company & Product Overview

Business Overview

On February 2012, the company became a member of the SK group. As "SK hynix", it will usher in a new era of "smart IT." Its goal is to become the world's best semiconductor company by creating synergies with other affiliates of the SK Group.

Company Name	SK hynix Inc.
CEOs	Chey Tae-won, Kwon Oh-chul
Type of Business	Semiconductors and related equipment
Date Founded	February 1983 (Formerly Hyundai Electronics Industries Co., Ltd.)

(As of December-end 2011, K-IFRS)

Total Assets	KRW 17.2381 trillion
Shareholders' Equity	KRW 7.8752 trillion
Sales	KRW 10.3958 trillion
Operating Income	KRW 325.474 billion
Number of Employees	23,430
Products & Services	DRAM, NAND Flash, Multi-Chip Packages (MCP), CMOS image sensors (CIS)

Credit Ratings

Category	Agency	Rating	Last Evaluation Date
Domestic	NICE Ratings	A (Stable)	02/16/2012
	Korea Ratings	A (Stable)	02/17/2012
	KIS Ratings	A (Stable)	02/17/2012
Overseas	S&P	BB- (Stable)	02/14/2012
	Moody's	Ba3 (Positive)	02/15/2012

Affiliates and Subsidiaries

(As of April 2012)

Category	No. of Companies	Company Name
Domestic	Listed	SK hynix Inc.
		SiliconFile Technologies Inc.
	Unlisted	Hynix Engineering Co., Ltd.
		Hynix Service Technology Co., Ltd.
		Hynix Human Resources Development Center Co., Ltd.
		Hynix Logistics Technology Co., Ltd.
		Ami Power Co., Ltd.
Overseas		Quality Reliability Technology Semiconductor Co., Ltd.
		SK hynix America Inc. (SKHYA)
		Hynix Semiconductor Manufacturing America Inc. (HSMA)
		SK hynix Deutschland GmbH (SKHYD)
		SK hynix Europe Holding Limited (SKHYE)

History of Merger with SK

2011

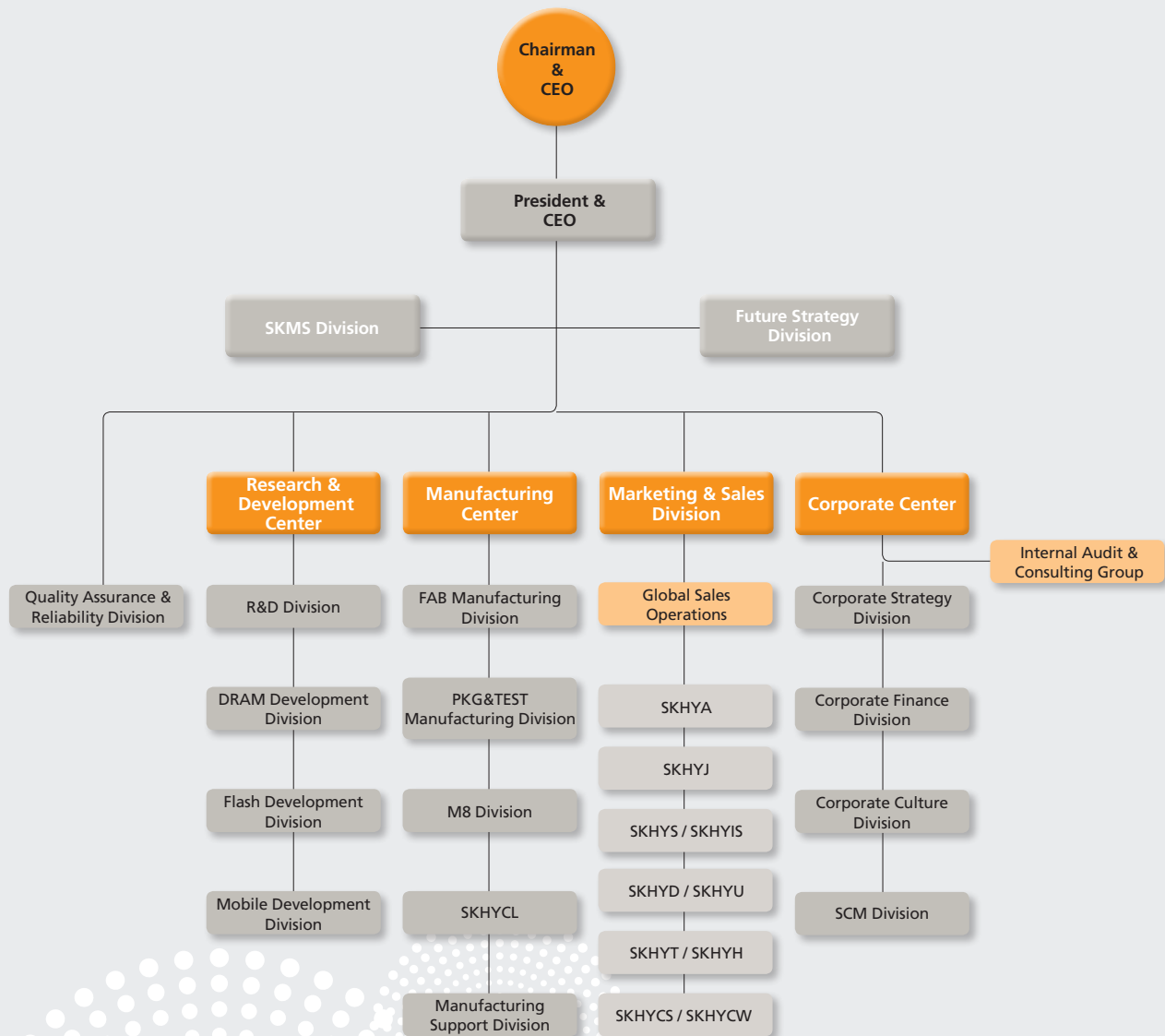
June 21	Hynix's Share Management Council announced bid invitation for major stake in Hynix
July 8	SK Telecom submitted an LOI to acquire Hynix
November 11	SK Telecom was named preferred bidder for Hynix
November 14	The company decided to issue new SK Telecom shares allocated to SK Telecom (101.85 million common shares issued at KRW 23,000 each) SK Telecom signed purchase agreement with the Hynix Share Management Council

2012

February 13	Appointed inside and outside directors at an extraordinary shareholder's meeting
February 14	SK Telecom became Hynix's largest shareholder Chey Tae-won appointed Chairman & CEO Ha Sung-min, President & CEO of SK Telecom appointed as Chairman of SK hynix Board of Directors
March 23	Changed company name to SK hynix Inc. at annual general shareholders' meeting
March 26	Official launch of SK hynix Inc.

Category	No. of Companies	Company Name
Overseas	Unlisted	SK hynix UK Limited (SKHYU)
		SK hynix Asia Pte.Ltd. (SKHYS)
		SK hynix Semiconductor India Pvt. Ltd. (SKHYIS)
		SK hynix Semiconductor Hong Kong Ltd. (SKHYH)
		SK hynix Semiconductor (Shanghai) Co., Ltd. (SKHYCS)
		SK hynix Japan Inc. (SKHYJ)
		SK hynix Semiconductor Taiwan Inc. (SKHYT)
		SK hynix Semiconductor (China) Ltd. (SKHYCL)
		SK hynix Semiconductor (Wuxi) Ltd. (SKHYMC)
		Hitech Semiconductor (Wuxi) Co., Ltd. (HITECH)
		SK hynix (Wuxi) Semiconductor Sales Ltd. (SKHYCW)
Total	23	—

Corporate Organization

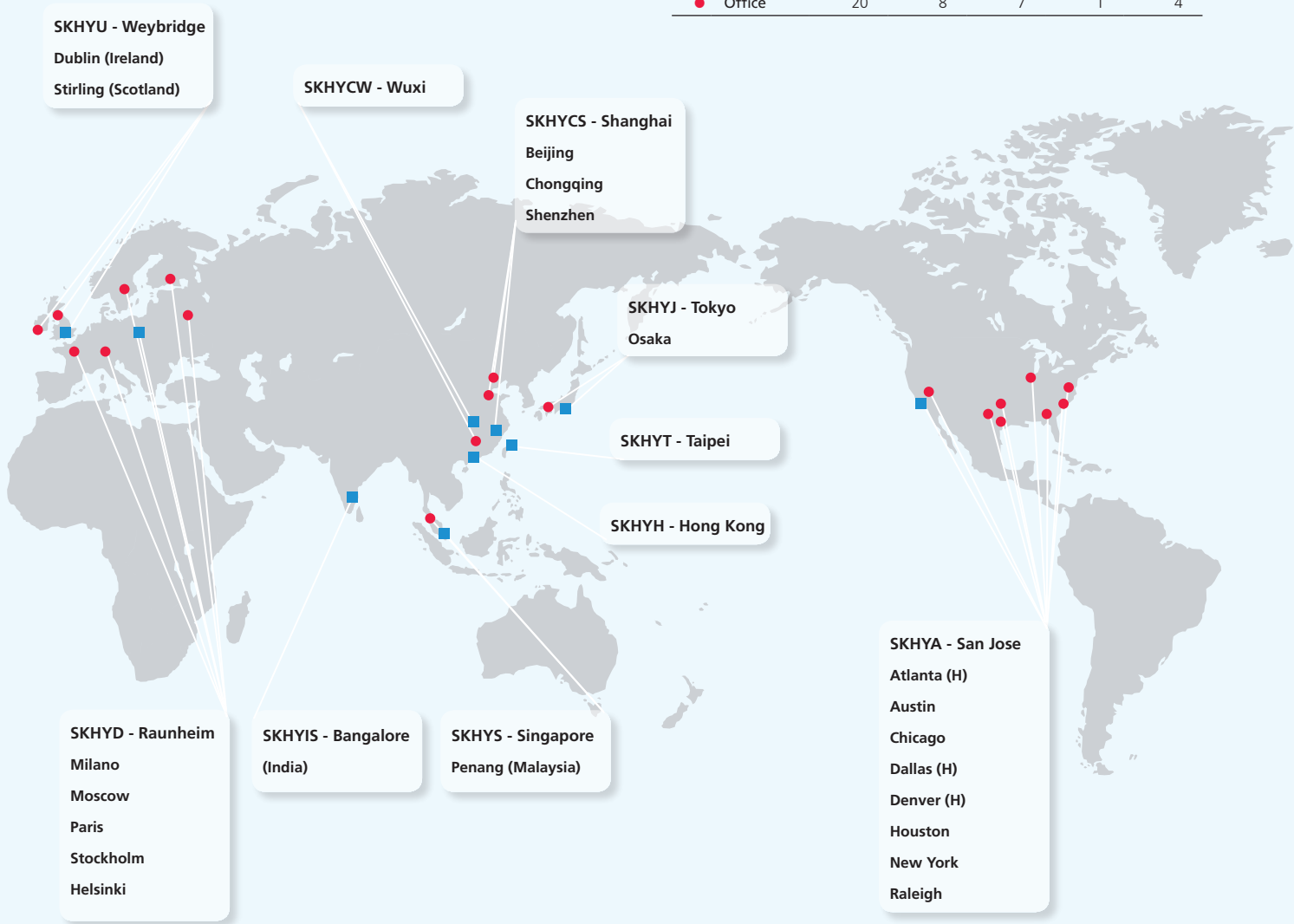


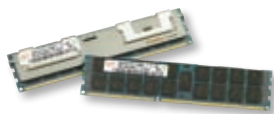
Global Network 🌐

SK hynix is a global company with three manufacturing sites: Icheon and Cheongu in Korea, and Wuxi in China. It operates thirty sales subsidiaries, and has offices in seventeen countries world-wide.

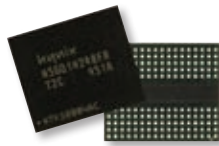
(As of April, 2012)

Category	Total	US	Europe	Japan	Asia
■ Subsidiary	10	1	2	1	6
● Office	20	8	7	1	4

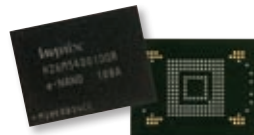




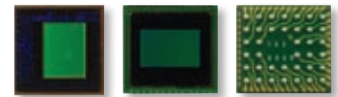
DDR3 RDIMM



40nm-class GDDR5



New NAND



Three types of CIS

Products

SK hynix produces memory semiconductor products, such as DRAM, NAND Flash, and multi-chip packages (MCP). Since 2007, the company has expanded its portfolio to include CMOS image sensors (CIS), a part of the system LSI sector.

Memory Semiconductors

Memory semiconductors are used to store and retain information. In general terms, They can generally be divided into volatile memory and non-volatile memory. With volatile memory products, a constant power supply is needed to retain data, while non-volatile memory products retain data even when the power is turned off. SK hynix produces both volatile memory (DRAM) and non-volatile memory (Flash memory).

DRAM (Dynamic Random Access Memory) DRAM is a type of volatile memory that can store data with a constant power supply. It is usually used as the main memory of a computer or as the graphic memory for videos and 3D games. In line with the recent digitalization of consumer electronics, its use has now been expanded to include digital TVs, smart TVs, DVD players, printers, etc. The dramatic increase in the use of mobile communications devices, such as smart phones and tablet PCs, has resulted in an increased use of mobile DRAM. 📱

Flash Memory Flash memory is a non-volatile memory that ensures data storage even when the power is turned off. It can be categorized into two types: NOR memory (code storage) and NAND memory (data storage). SK hynix produces NAND flash memory, which allows sequential data access. This makes it very suitable for storing large volumes of data, such as digital videos and pictures.

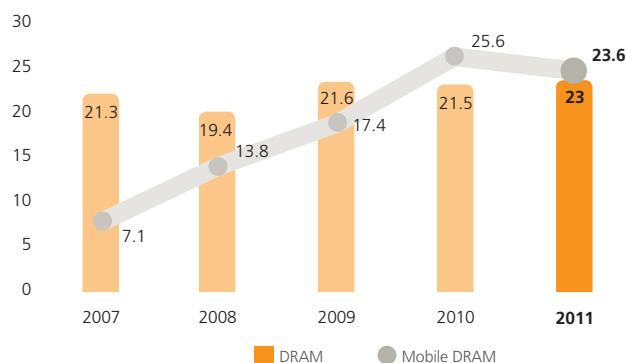
Products that use NAND flash memory include digital cameras, USB flash drives, MP3 players, car navigation systems, solid state drives (SSD), and mobile devices such as smart phones and tablet PCs. The manufacturing process for DRAM can also be utilized in the flash memory business. As a result, manufacturing flash memory chips can provide semiconductor fabrication plant owners with increased profitability with a minimum new investment, while also curbing market fluctuations in the DRAM sector. The flash memory market is now witnessing increased demand for customer-oriented products rather than universal memory ones, making it necessary for market players to develop products that can respond to these needs. 📱

System Large Scale Integrated (LSI) Circuit

CMOS Image Sensors (CIS) This term refers to one type of non-memory semiconductors that are used for information processing. An image sensor is a semiconductor chip that converts light into visual data based on the amount that it has captured. This means that it acts like the "film" in digital cameras and other imaging devices. Image sensors can be categorized into charge coupled devices (CCD) and complementary metal oxide semiconductors (CMOS), depending on how they are manufactured and how they process signals. Due to recent advances in CIS technologies and the ongoing miniaturization of digital imaging devices, the market for CMOS image sensors is expanding into high-end, high-performance products, such as digital single-lens reflex cameras, camcorders, etc. This is happening because the sensors are smaller and boast a low level of energy consumption. This in turn means that technological and cost competitiveness are becoming crucial determinants of a company's success in the CIS market. 📱

Global DRAM Market Share

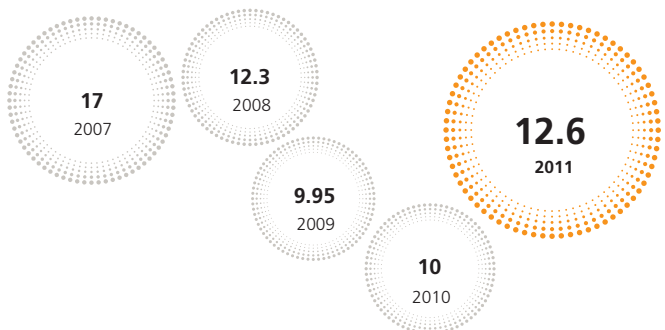
Unit : %



* Source: iSuppli, March 2012

Global NAND Flash Market Share

Unit : %



* Source: iSuppli, March 2012

We will create a happier future with our new name, “SK hynix”

Dear SK hynix stakeholders:

First of all, we would like to thank all of you from bottom of our heart that giving us warm support and continuous encouragement. One very important result of the recent M&A with SK and Hynix is that it is a huge step toward our goal of becoming the world's best semiconductor company. Another is that it gives us the strength and the momentum to make the world a happier and healthier place for everyone to live in.

Year 2011 was a memorable year for SK hynix. Though we faced tough market situation, we continuously put our effort to develop technological updates and to strengthen product portfolios but also to improve our corporate governance and to upgrade our capability for the future.

Due to the world economic crisis, DRAM market was melted down as well and affected us hard to achieve our monetary goal in the second half of 2011. We experienced such extreme changes in our cash flow in most of years. In fiscal year 2011, however, made a profit that shows the new company, SK hynix, has competitiveness and potential to survive in adverse market situations.

Surrounded by many challenges in management environment, we were still able to make a series of positive adjustments on our sustainability management system. These efforts were rewarded by a number of assessment entities in and out of Korea. This includes winning a Management Transparency Award from Korea's five main economic organizations and the Best Economic Justice Award from the Citizens' Coalition for Economic Justice. We were also listed in the “East Asia 30” (FTSE4Good) and the Dow Jones Sustainability Index (DJSI World), for second consecutive year.

After M&A with SK Group, SK hynix is expected to produce even greater result in sustainability management. Before the M&A, Hynix's main goal was to survive in the tough market situation. After re-named as SK hynix, however, we are able to focus on sustainable and continuous growth. To achieve this title, SK hynix will contrib-

ute to all stakeholders including all employees, business partners, shareholders, customers, and the nation as a whole with our sustainability management strategy. This goal will be reached through the company-wide application of the SK Management System (SKMS), which contains the essence of the Group's management philosophy and corporate culture. To ensure that we accomplish this mission, we will focus on three core tasks.

1. We will contribute to enhance semiconductor industry and to prosper people around the world

Unrevealed essence of semiconductor industry has its potential as humanity.

Mobilized and smart digital devices create a new chance in semiconductor business to growth. Tablet PCs, smart phones, and smart TVs, all these new technology devices use semiconductor as well and it ensures that the market expand. SK hynix will keep open our doors to carefully watch new visions and possible threats for our growth and prosperity in semiconductor industry.

2. SK hynix will become the world's best semiconductor company by creating synergies as part of SK Group

SK hynix is well known semiconductor company to the world with its industry-leading technologies. We have been prepared for our next steps to attain world's largest semiconductor market, such as China and other emerging markets. Present preceding conditions created us to achieve more powerful brand images and higher reputation. SK hynix will create synergy with SK telecom by information and comprehension from SK telecom retains. SK hynix will become more comprehensive semiconductor company combining with SK telecom's mobile and communication technologies with ours to deliver world's best technology competitiveness and various business portfolios.

3. SK hynix will retain its commitment to stakeholders' happiness

As a member of the SK Group, SK hynix will develop its social responsibilities even further. We will gain sustainable steady growth



to ensure all stakeholders' happiness. We promise that we will keep supporting the principle of the United Nations Global Compact, ISO 26000 and the EICC Code of Conduct.

Additionally, we will strongly stand against global issues such as use of mineral mine under armed forces conflict area and abuse in human rights. In conclusion, I would like to thank all of our stakeholders once again. I hope our first sustainability report as a SK hynix provides you enough vision and trustworthy. Please give us any feedbacks that could be helpful to our new brand, SK hynix.

Sincerely Yours,

May 2012

Kwon Oh-chul

President & CEO, SK hynix Inc.

About This Report

The Purpose of this Sustainability Report

SK hynix is committed to communicating with its stakeholders and promoting their well-being. The goal of this report is to share our sustainability management achievements in 2011 and to collect our readers' ideas and opinions. This will help us to contribute to a happier and healthier future for people everywhere. Profits are important, but there are other things that are equally necessary.

Report Guidelines

This is our fifth sustainability report, with the first one being published in 2008. It was prepared in accordance with the Global Reporting Initiative (GRI) G3.1 Guidelines and ISO 26000. In the case of the time series analysis, performance indexes for the past three years were also included. Financial information has been provided in accordance with International Financial Reporting Standards (IFRS). SK hynix plans to issue a sustainability report on an annual basis.

Reporting Period and Scope of Business Sites

This report provides information on SK hynix's operating performance for the period beginning January 1, 2011 and ending December 31, 2011. Important information prior to 2011 or for 2012 has been included when and where necessary. It covers all the domestic and overseas business sites run by SK hynix.

Credibility of Report

The contents of this report have been given a "moderate" level of assurance in terms of AA1000AS (2008), an internationally recognized standard for assessing sustainability reports. This was done by Ernst & Young, an independent third-party auditing organization. Further information can be found on pages 98 and 99.

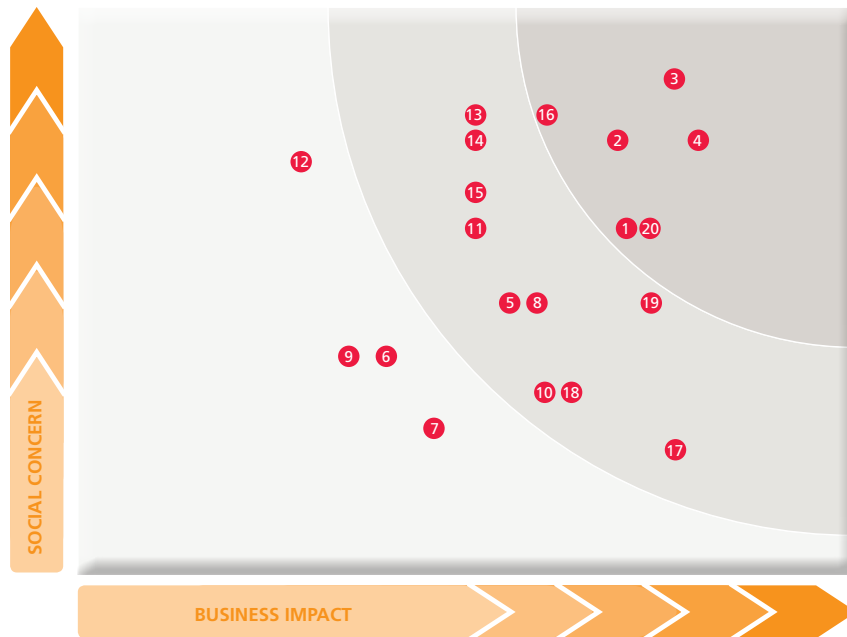
Process of Deriving Major Issues

In accordance with the GRI G3.1 Guidelines, a Materiality Test was conducted to discover issues of primary importance to SK hynix and its stakeholders.

Process of Deriving Major Issues

	Phase I Creating a pool of issues	Phase II Categorizing and selecting materiality test issues	Phase III Prioritizing issues	Phase IV Deriving materiality issues and reporting structure
Objectives	<ul style="list-style-type: none"> Create a pool of issues using the materiality filter 	<ul style="list-style-type: none"> Categorize issues identified in phase I to select materiality issues for the reporting year (except for "must-report" items) 	<ul style="list-style-type: none"> Social concerns/Business impacts: Prioritize issues for each section using prioritization methodology 	<ul style="list-style-type: none"> Derive materiality issues for the reporting year Establish a reporting structure that deals with the materiality issues that have been derived in an efficient and effective manner
Major Activities	<ul style="list-style-type: none"> Benchmarking Media Analyses Analyses of stakeholder participation Review of SM Sub-Committee meeting Group interviews Goals/Targets as defined in the previous sustainability report 	<ul style="list-style-type: none"> Categorizing and prioritizing detailed issues derived from issue pool Selection of "must-report" issues after considering SK hynix's sustainability management strategy and its goals in the previous reporting year Classifying issues for the materiality test 	<ul style="list-style-type: none"> Social Concerns <ul style="list-style-type: none"> Media Coverage Global Standards Review of Stakeholders Business Impacts Analyses of the impact of issues on the company's performance 	<ul style="list-style-type: none"> Final decision on materiality issues Establishing reporting structure and plans after considering SK hynix's capacity
Deliverables	<ul style="list-style-type: none"> Materiality table 	<ul style="list-style-type: none"> Issue categories "Must-Report" issues Issues for the materiality test of the reporting year 	<ul style="list-style-type: none"> Prioritizing social concern issues Prioritizing business impact issues 	<ul style="list-style-type: none"> Materiality issues for the reporting year Reporting plan


Major Issues Derived from Materiality Test



SK hynix Sustainability Management 8 Major Issues







4 Essential Issues

What are our goals for sustainability management?

SK hynix is committed to the happiness of all its stakeholders. It does this by maximizing its performances and creating enhanced values through sustained and sustainable growth.

Sustainability Management |
Communication with Stakeholders |
Corporate Governance | Business Performance



Sustainability Management

SK hynix's Approach to Sustainability Management

SK hynix believes that a company's values should be long-term, sustainable, and executed so that there is a proper balance between its needs and those of its stakeholders. This means that the company will strive to enhance the social values of its stakeholders while creating economic values for itself. By doing so, it will keep growing in tandem with its shareholders, customers, employees, and society as a whole.

Sustainability Management System

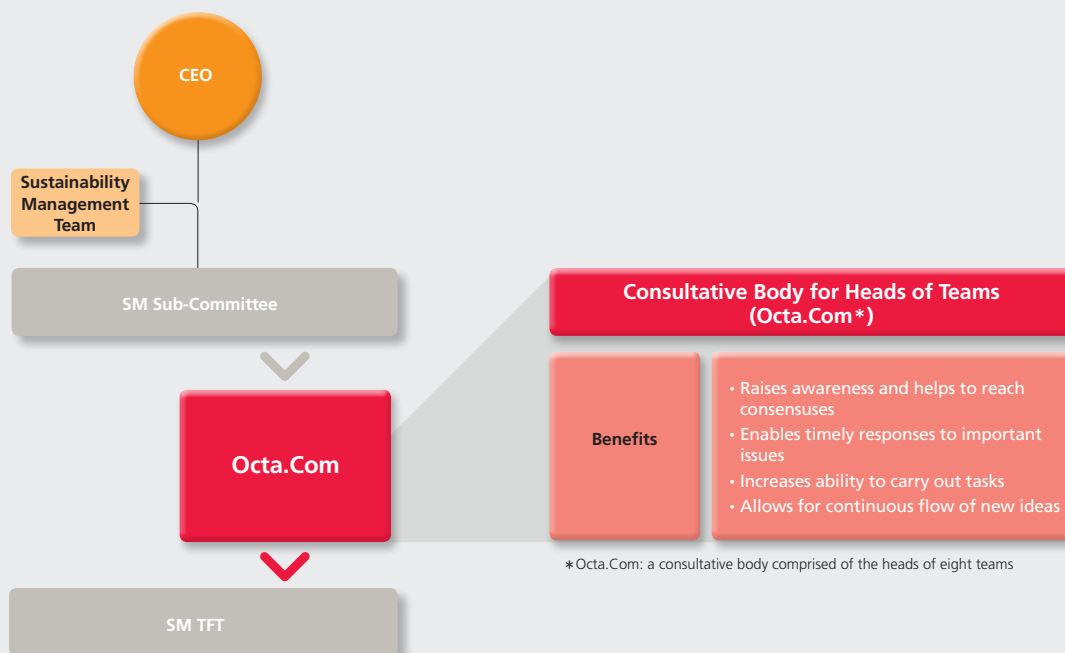
SK hynix can only grow with its stakeholders if it has an efficient and effective sustainability management system in place. Adopting the SK Management System (SKMS), ensures that the company's sustainability management activities are clear, consistent, and com-

prehensible and can respond to any and all changes in its external environment.

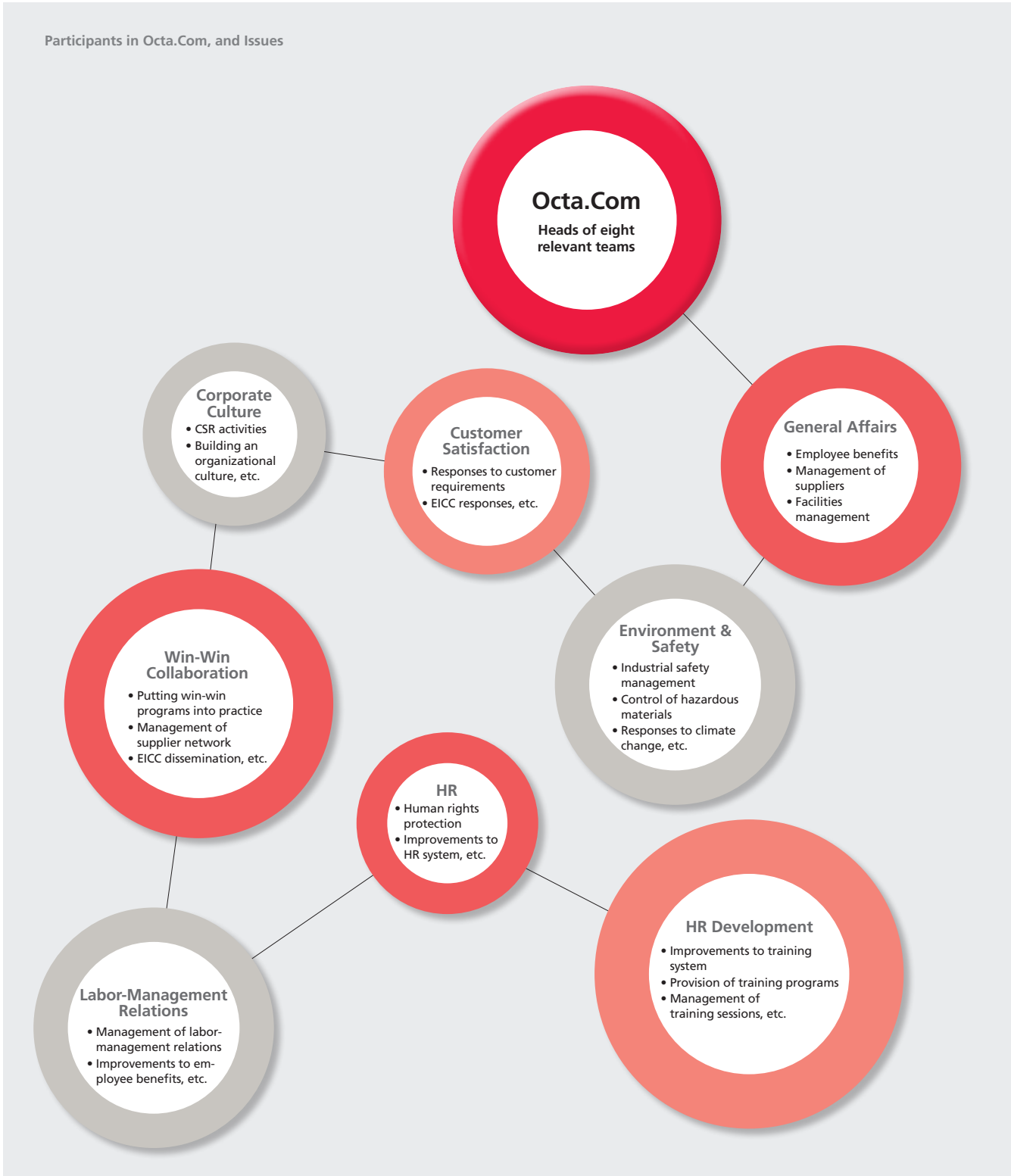
Sustainability Management Activities

SK hynix's sustainability management guidelines are established by its SM Sub-Committee, which is comprised of the heads of its divisions, and SM Task Force. In September, 2011, the company also formed a consultative body called Octa.Com, which is composed of the heads of eight relevant teams. They meet every other month to discuss ways of raising employee awareness of sustainability management issues and putting them into practice. This helps the company to identify its stakeholders' needs and wants. The corporate sustainability management system also contains a Plan-Do-See (PDS) process to ensure that the tasks that the SM Sub-Committee and the Octa Committee develop are carried out in a strategic and systematic manner.

SM Structure of SK hynix



Through sustained growth, SK hynix will create values for all its stakeholders—customers, employees, shareholders, and local communities— as a way of contributing to social and economic development, and the happiness of mankind.



Sustainability Management Goals and Performances

● Achieved ○ Partially Achieved ○ Not Met

Category	Main SM Goals	2011 Performances	Achievement	2012 Plans	Teams in Charge	Page
Endeavor for Employees' Happiness	1 Declaration of human rights and labor policy	• Promulgated policies of human rights and labor	●	• Raise awareness among stakeholders	Human Resources Team	44
	2 Implementation and dissemination of new HR policy	• Simplified positions and adopted mileage-type personnel management system	●	• Institutional improvements to enable new HR policies to take root		45
	3 Strengthening performance management system	• Applied HyMBO performance management system	●	• Increase support for personal career management system	HRD Team	45-48
	4 Human resources development and competitiveness	• Implemented program to foster specialists • Fostered candidates for leadership roles • Operated education committee	●	• Expand program to foster specialists and add more specialties • Develop more courses for each position and improve system for fostering candidates • Revamp system for fostering global talents		52
	5 Improving employee benefits system	• Expanded benefits to include families of employees • Provided mobile SK hywel web service	●	• Improve employee benefits system to encourage participation of employees' families		56
Value Creation through Environmental Management	6 Carrying out company-wide energy reduction initiatives	• Formed task force in charge of energy reduction initiatives	●	• Draw up energy reduction roadmap • Identify areas for potential energy savings and estimate expected payback	ESH R&D Center	57
	7 Evaluation of environmental and economic value of products	• Achieved 13% value increase year over year (Factor 3.0▶3.39)	●	• Achieve Factor 3.5		59
	8 Increasing share of LCA-applied products	• Expanded number by 12% year over year (LCA assessment rate 73.3%▶82.1%)	●	• Maintain LCA assessment rate of at least 80%	Supplier Quality Assurance Team	61
	9 Acquisition of carbon footprint labeling certificate for major products	• Received certificate for 40nm-class 2Gb DDR3 SDRAM • Received certificate for 30nm-class 32Gb NAND Flash MLC	●	• Increase number of certified products to at least five		65
	10 Response to stronger RoHS and REACH regulations	• Checked the development & mass production status of lead-free resistor suppliers	○	• Prepare for the application of lead-free resistors to mass production		66
Win-Win Growth with Business Partners	11 Strengthening source controls	• Conducted environmental impact assessments before installing production equipment – Respond to complaints about noise and odors (achieve zero legal risk) • Implemented health index, which increased by 69%	○	• Reduce number of errors • Establish accident investigation board • Secure environmental infrastructures, including treatment facilities	Environment, Safety and Health Team	72-73
	12 Carry out SK hynix clean air project (Hy-CAP)	• Reduced amount of hydrogen fluoride through enhanced maintenance of main scrubbers	●	• Reduce volume of hydrofluoride emissions from each factory	Partner Collaboration Team	73
	13 Win-Win Growth and Fair Trade Agreement	• Signed Win-Win Growth and Fair Trade Agreement with business partners • Managed win-win growth index	●	• Expand number of items in win-win growth initiatives		74
	14 Measurement of GHG emissions by business partners	• Assessed energy levels of eighteen business partners and drew up action plans	●	• Prepare energy assessment reports on business partners	ESH R&D Center	79
	15 Sharing sustainability management policies and processes with business partners	• Created codes of conduct for business partners • Received EICC compliance pledges from 209 business partners and gave them tools to conduct self-assessments • Visited eight suppliers within the factory complex	●	• Establish an EICC assessment system for business partners	Sustainability Management Team	79
Sharing with Local Communities	16 Fundraising and sharing activities	• Raised KRW 950 million with participation of 13,425 employees (75%) • Launched hope sharing initiatives (e.g., free breakfast deliveries, eco-friendly study rooms)	●	• Expand Sharing Good Memory Fund initiatives	Corporate Culture Team	73
	17 Developing future scientists	• Distributed robot kits to kids at local children's centers • Volunteer group leaders led robot science classes • Taught robot science classes	●	• Run weekly robot science classes (employees participate as instructors on a monthly basis) • Hold SK hynix Robot Olympiad		74
	18 Talent-sharing volunteer activities	• Ran once Visiting Semiconductor Class • Ran 10 times Junior Engineering Class	○	• Expand the number of Visiting Semiconductor Class • Hold 12 times Junior Engineering Class a year		79
	19 Expansion of community-based programs	• Formed sharing relationships with twenty local children's centers in Icheon and Cheongju • Eleven volunteer programs in rural communities	○	• Establish sharing relationships with seven rural villages and families who receive free breakfasts		79
Enterprise Risk Management	20 Incorporation of risk management activities	• Established risk management directions • Improved results in risk management capability assessment (partially integrated management of risks)	●	• Create mid to long-term roadmap by assessing management level of each major risk	Internal Audit & Consulting Team	79

Incorporating Stakeholders' Opinions into SM Activities

SK hynix collects stakeholders' requirements related to sustainability management through diverse channels and responds to them. A case in point is its stakeholder surveys which have been reflected in our annual Sustainability Report. In addition, after receiving seventy-four cases of customer enquiries and requests for on-site diagnoses from the Electronics Industry Citizenship Coalition (EICC) and individual customers in 2011, SK hynix conducted a series of self-assessments and inspections, identifying the issues that had been raised and incorporating them into its management activities. In ad-

dition, sustainability management assessment results from home and abroad, including the Dow Jones Sustainability Index (DJSI), helped the company understand the nature of its SM performance and make improvements. SK hynix makes continuous efforts to translate its sustainability management tasks and core performance data into concrete activities. Its achievements in sustainability management received wide recognition at home and abroad in 2011. For example, it won the Management Transparency Grand Prize and Best Economic Justice Award, and was listed on the Dow Jones Sustainability Index (DJSI) World / Asia-Pacific for two consecutive years.

DJSI World/Asia Pacific/Korea Index Logo



UNGC Logo



Sustainability Management Highlights

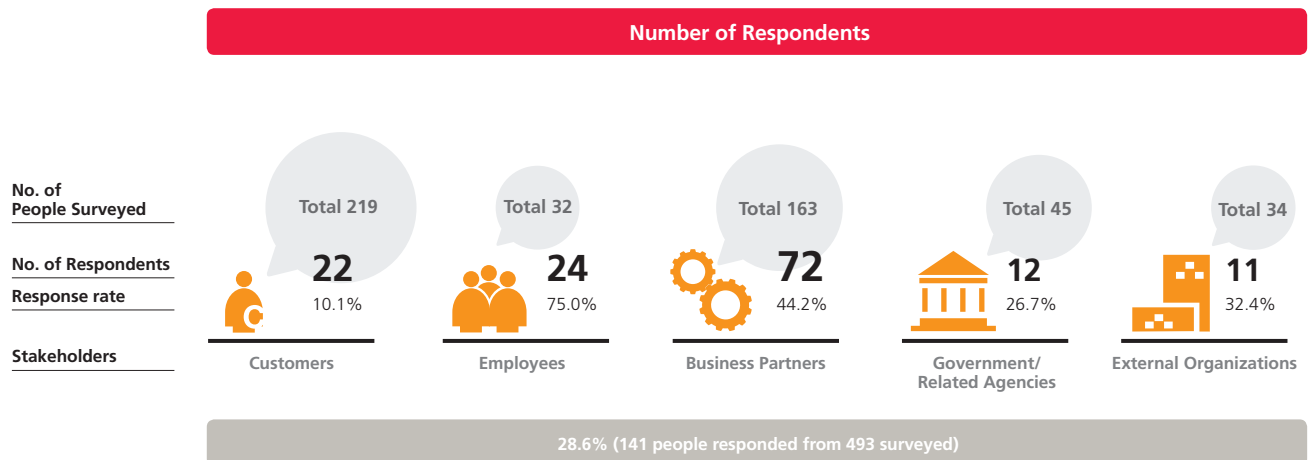
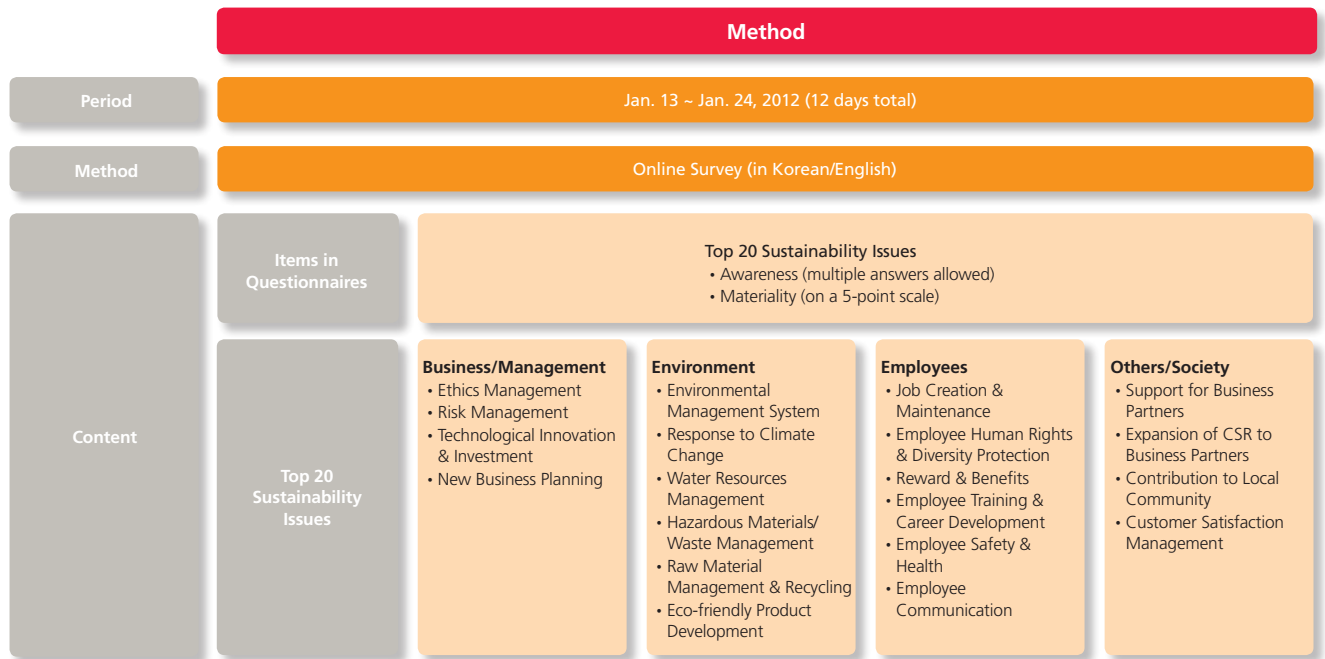
2008	2009	2010	2011
<ul style="list-style-type: none"> • The platinum prize in the semiconductor category at the 2007 Vision Awards Annual Report Competition (League of American Communications Professionals, July) • Ranked fifth in Sustainability Index published by Economic Research Institute for Sustainable Society (ERISS) (Kyunghyang Daily, July) • The 'Bingha Award' given to an outstanding enterprise responding to climate change (Korea's Carbon Disclosure Project (CDP), October) • LOHAS Management Award (Korea Green Foundation, December) 	<ul style="list-style-type: none"> • Joined the United Nations Global Compact (UNGC, September) • A Presidential Citation at the 6th Small and Large Business Cooperation Awards (Ministry of Knowledge Economy, October) • LOHAS Management Award (Korea Green Foundation, October) • The 'Ocean Award' given to an outstanding enterprise responding to climate change (Korea's Carbon Disclosure Project (CDP), October) • Sustainability Management Awards (Ministry of Knowledge Economy, November) • KoBEX SM 'AAA' (Ministry of Knowledge Economy, November) 	<ul style="list-style-type: none"> • Joined DJSI World/Asia Pacific Index (September) • KoBEX SM 'AAA' (Ministry of Knowledge Economy, November) • Hankyoreh Social Responsibility Awards (Hankyoreh Economic Research Institute, December) 	<ul style="list-style-type: none"> • Management Transparency Awards (Five major Korean economic organizations, February) • Best Economic Justice Award (Citizens' Coalition for Economic Justice, June) • 2010 Good Corporate Governance Awards (2010 Good Corporate Governance Awards, June) • Joined DJSI World/Asia Pacific/Korea Index (September) • A Presidential Citation at National Productivity Awards (Ministry of Knowledge Economy, September) • KMAR Sustainability Report Grand Award (Korea Management Association Registrations & Assessments, October) • KoBEX SM 'AAA' for three consecutive years (Ministry of Knowledge Economy, November) • Joined "East Asia 30" (Hankyoreh Economic Research Institute, November)



Communication with Stakeholders



SK hynix values continuous exchanges and partnerships with all its stakeholders—customers, employees, shareholders, business partners, and local communities—in order to realize its ultimate vision of promoting their economic and social well-being.





Corporate Governance

Shareholder Status

SK hynix offered its shares through an IPO at KRW 20,000 per share on December 26, 1996, and its common shares were listed on the Korea Exchange. On February 14, 2012, SK Telecom participated in a paid-in capital increase, and purchased outstanding shares previously held by the Share Management Council. It became the largest shareholder of SK hynix, with a 21% ownership stake. As of February 15, 2012, the total number of shares outstanding was 694,022,374.

Shareholder	Shareholder ownership	No. of shares
SK Telecom	21%	146,100,000
Share Management Council	7%	44,250,000
Domestic institutions	26%	180,937,204
Foreigners	24%	168,599,864
Others	22%	154,135,306
Total	100%	694,022,374

Board of Directors

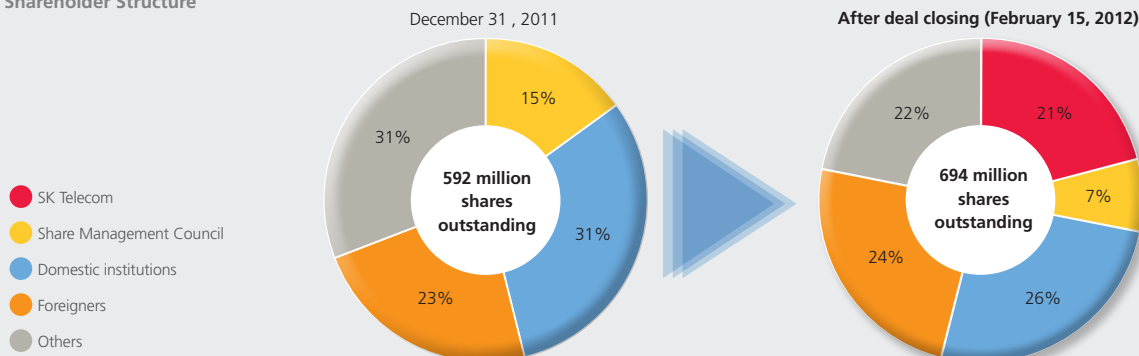
SK hynix's BOD consists of four inside directors and five outside ones. Outside directors who went through a fair endorsement process administered by the Outside Director Recommendation Committee now account for more than 50% of the total number of directors, enabling more transparent and balanced activities to be conducted. In addition, the positions of the Chairman of the BOD and CEO of SK hynix have been separated since 2010 in order to improve the Board's independence and facilitate its advisory and monitoring function on management. The Outside Director Recommendation Committee and the Audit Committee were put in place under the

BOD to ensure objective decision-making and a more efficiently run BOD. Outside directors comprise more than half of both committees, further enhancing each committee's independence. SK hynix's BOD meets on a monthly basis to carry out crucial decisions promptly. Notably, through holding frequent ad-hoc meetings as well as regular conferences, the BOD contributed greatly to making fair and rational decisions in the process of bringing SK Telecom in as the company's new largest shareholder. In 2011, a total of 17 BOD meetings and 14 committee meetings were held, with the average attendance rate of outside directors standing at 98 percent.

Inside Directors

Name	Career Highlights	Position in BOD
Chey Tae-won	<ul style="list-style-type: none"> Chairman & CEO, SK hynix Chairman & CEO, SK Innovation Co., Ltd. Chairman & CEO, SK Holdings Co., Ltd. Former Chairman & CEO, SK Energy 	CEO
Ha Sung-min	<ul style="list-style-type: none"> Chairman of BOD, SK hynix President & CEO, SK Telecom Former President, Mobile Network Operator Business, SK Telecom Former Head of Corporate Center, SK Telecom 	BOD Chairman, Member of Outside Director Recommendation Committee
Kwon Oh-chul	<ul style="list-style-type: none"> President & CEO, SK hynix Former Senior Vice President, Hynix Semiconductor China Ltd. Former Senior Vice President of Strategic Planning 	CEO
Park Sung-wook	<ul style="list-style-type: none"> Executive Vice President, SK hynix Former Senior Vice President of R&D division, R&D and Manufacturing Center Former vice president, Hynix Semiconductor America Inc. 	-

Shareholder Structure



The positions of Chairman of the BOD and CEO of SK hynix have been separated to enhance the Board's independence and facilitate its management advisory and monitoring activities. Outside directors now account for more than 50% of the total number of directors, enabling more transparent and balanced activities to be conducted.

Outside Directors

Name	Career Highlights	Position in BOD
Kim Doo-kyung	<ul style="list-style-type: none"> Advising Professor for Management, Korea Banking Institute (Current) Executive Vice President, Korea Federation of Banks (2007~2010) Director General, Financial Markets Department and Currency Issue Department, Bank of Korea (1974~2007) 	Member of Audit Committee
Park Young-june	<ul style="list-style-type: none"> Professor, Department of Electrical Engineering, Seoul National University (1988~) Senior Research Engineer, GS Semiconductor Institute (1985~1988) Research Associate, IBM 	Member of Outside Director Recommendation Committee
Yun Sai-ree	<ul style="list-style-type: none"> Partner & Lawyer, Yulchon (Current) Lawyer, Yoon & Partners (1989~1997) Prosecutor, Busan District Public Prosecutor's Office (1980~1982) Admitted to bar, Korea (1978) 	Member of Outside Director Recommendation Committee
Kim Dae-il	<ul style="list-style-type: none"> Professor, Department of Economics, Seoul National University (1998~) Researcher, Korea Development Institute (1996~1998) Assistant Professor, Rice University (1992~1996) 	Member of Audit Committee
Lee Chang-yang	<ul style="list-style-type: none"> Professor, KAIST Business School (2000~) Director, Industrial Policy, Ministry of Trade, Industry and Energy (1999~2000) Passed 29th National Higher Civil Servant Examination, Korea (1991) 	Member of Audit Committee

BOD Committee Structure

Committee	Members	Roles
Audit Committee	Three outside directors (Kim Doo-Kyung, Kim Dae-Il, Lee Chang-Yang)	Auditing of accounting / business affairs, appointment of external auditors
Outside Director Recommendation Committee	Two outside directors (Park Young-June, Yun Sai-Ree), one standing director (Ha Sung-Min)	Examination of candidates' qualifications for external director positions, and recommendations of same

Establishing Support Programs for BOD Members

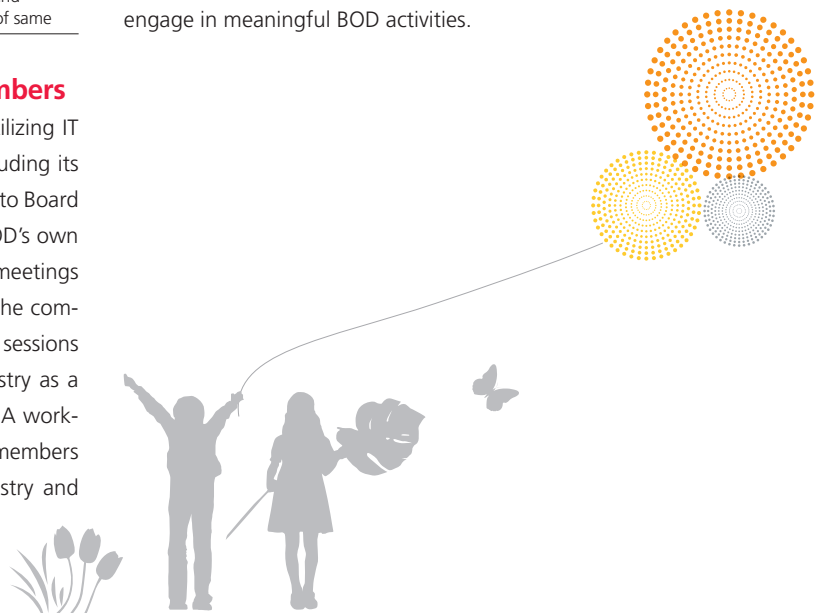
SK hynix has built a ubiquitous business support system utilizing IT technologies. It offers information about the company, including its finances and sales and the BOD's past agendas and minutes, to Board members in real time through a secure network and the BOD's own information system. Members can also participate in Board meetings from abroad by means of video-conferencing. In addition, the company provides newly-appointed directors with orientation sessions about its operations and those of the semiconductor industry as a whole, as well as opportunities to visit its production sites. A workshop for the BOD members that was held in 2011 gave its members a chance to discuss the future of the semiconductor industry and learn about the company's management strategies.

A Globally-Connected BOD

In 2011, the members of SK hynix's Board of Directors made the most of the many opportunities available to help them understand today's global operating environment better. For example, its chairman and outside directors participated in an Advanced Directors' Program hosted by the Korean Institute of Directors. They attended a series of high-level lectures in six fields, including corporate law and accounting, and shared information with directors and executives from other companies. In July, members of the Audit Committee attended the Institute of Internal Auditors International Conference in Kuala Lumpur. They learned about advanced trends in auditing, and exchanged information with representatives of other leading global companies. The BOD members also attended the Directors' Professional Course of the National Association of Corporate Directors in San Francisco, the annual general meeting of the International Corporate Governance Network in Paris, and the annual general meeting of the NACD in Washington, DC. The BOD's own meeting in May was held in Wuxi, China, where the company's SKHYCL subsidiary is located. They received reports on the business activities of the subsidiary, and reviewed SK hynix's global management strategy.

Selected as Company with Good Corporate Governance

SK hynix was named a Company with Good Corporate Governance in the listed companies category by the Corporate Governance Service in June. It received high scores for its efforts to protect shareholders' rights, strengthen the transparency of its management, and engage in meaningful BOD activities.

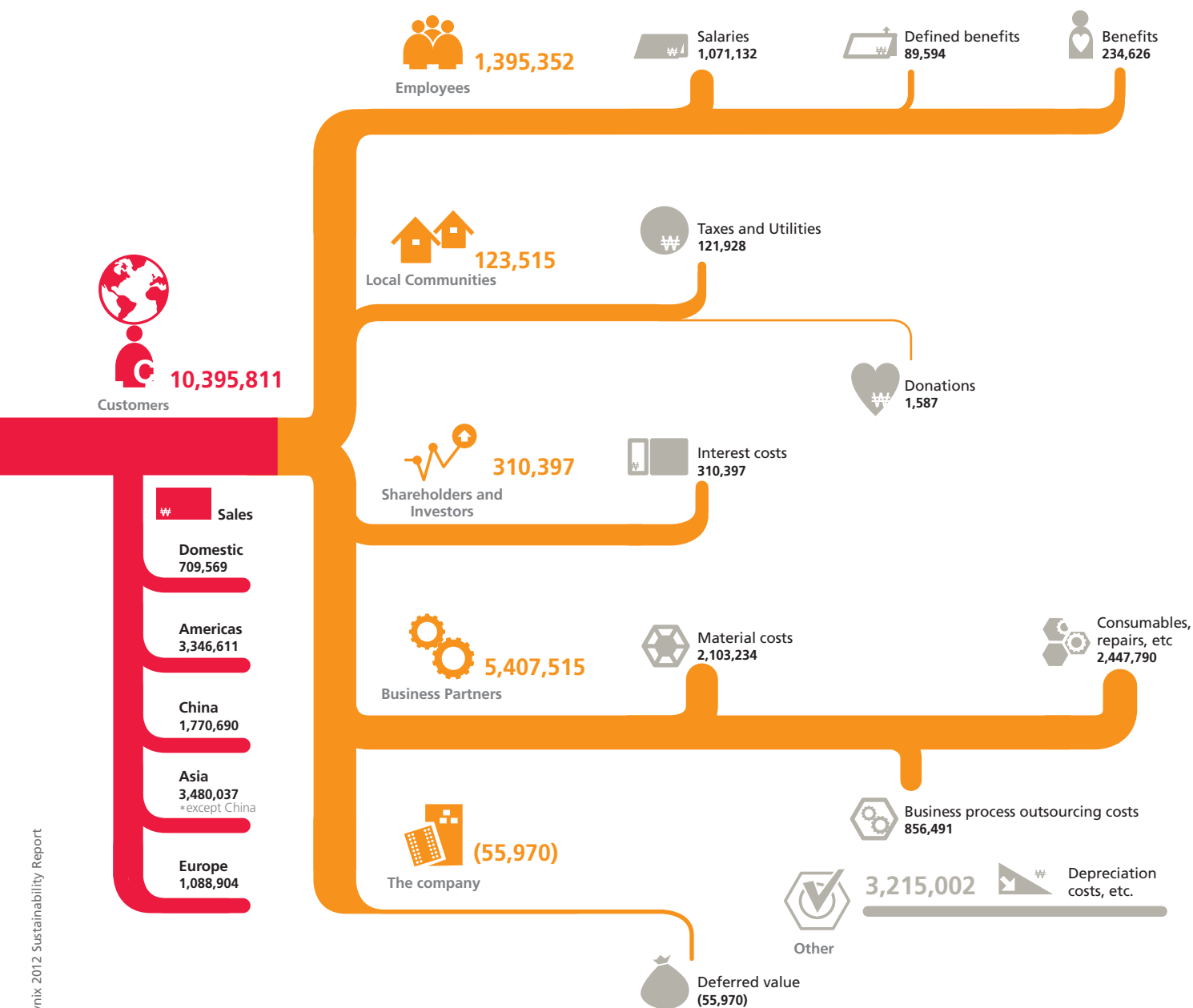


Issue 4 Business Performance

Creating and Sharing Economic Values

SK hynix shares the economic values it creates with all its stakeholders. It also invests in new technologies, and enters into new markets to discover future growth engines.

(Unit: Millions of KRW)



*In 2011, SK hynix received government subsidies totaling KRW 3.8 billion, including KRW 1.2 billion in national project subsidies.

SPECIAL FEATURE

SK hynix Driving Nation's Economic Growth

Semiconductors are one of Korea's key industries, in terms of both production and exports. In 2011, an industry-wide slowdown caused by the ongoing global economic downturn resulted in lower prices for memory semiconductors, as well as a 1.1% reduction in their production and export. Despite this, semiconductors remained one of the country's main export items, accounting for 9.1% of its total. The bulk of these were for memory semiconductors. In 2011, SK hynix was the second-largest memory chip maker with a 23% share of the global DRAM market in terms of sales.

SK hynix in China

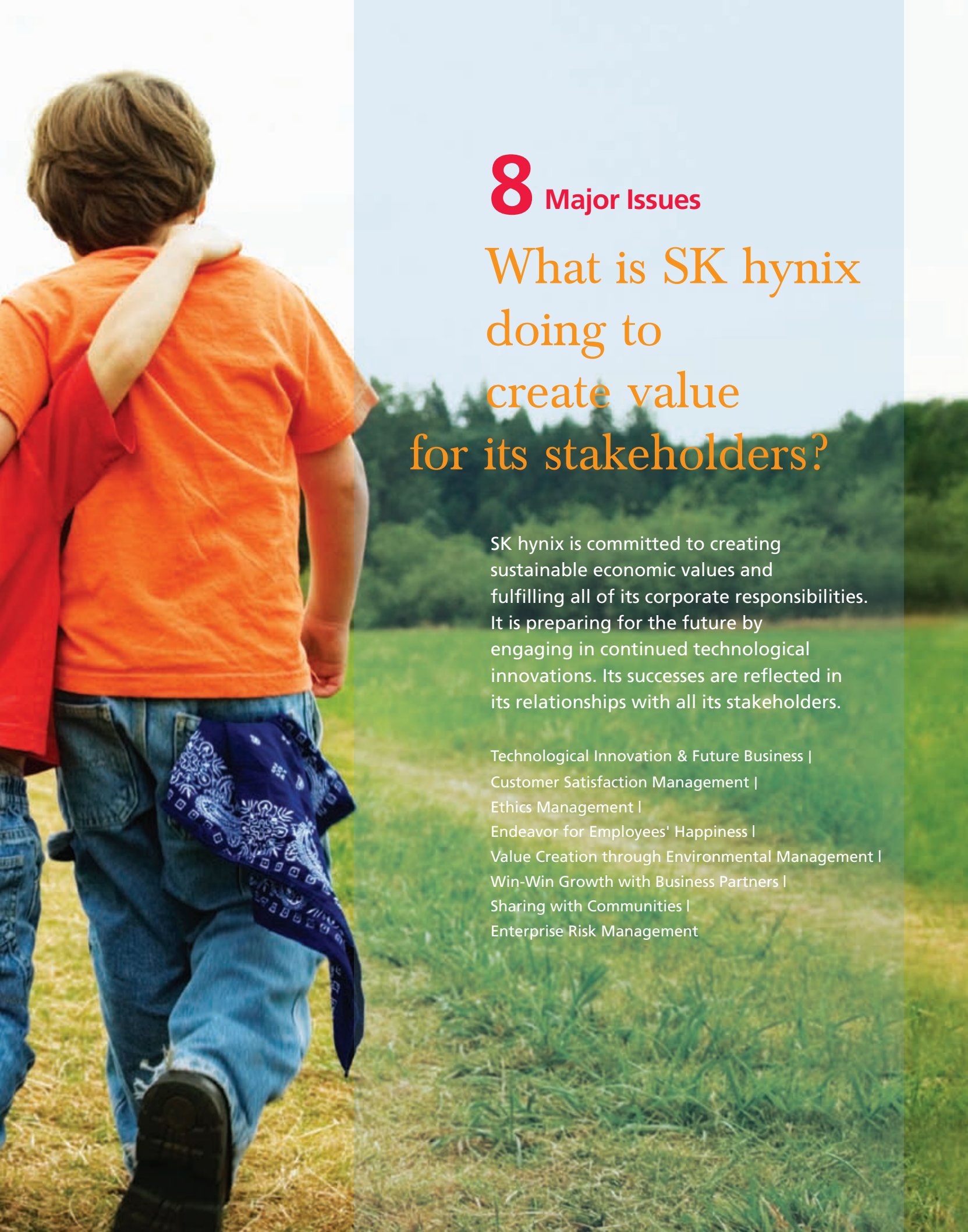
The Chinese semiconductor market is the largest in the world. It is expected to reach \$140 billion and represent more than a third of the global market by 2015, according to data released by iSuppli in the fourth quarter of 2011. SK hynix's Chinese subsidiary, SKHYCL, was founded as a joint venture with STMicro in 2006. It became a 100% subsidiary of the company in 2010 with the transfer to it of STMicro's shares.

SKHYCL currently produces about 50 percent of SK hynix's DRAM, representing about 11 percent of global DRAM production. It has grown into the largest foreign invested enterprise in the city of Wuxi, with 3,800 employees. Going forward, SK hynix will pursue a higher level of localization based on its parent company's China Insider Strategy, which aims to develop future growth engines through China-based globalization.



Chairman,
Chey Tae-won visiting SKHYCL





8 Major Issues

What is SK hynix doing to create value for its stakeholders?

SK hynix is committed to creating sustainable economic values and fulfilling all of its corporate responsibilities. It is preparing for the future by engaging in continued technological innovations. Its successes are reflected in its relationships with all its stakeholders.

Technological Innovation & Future Business |
Customer Satisfaction Management |
Ethics Management |
Endeavor for Employees' Happiness |
Value Creation through Environmental Management |
Win-Win Growth with Business Partners |
Sharing with Communities |
Enterprise Risk Management

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TECHNOLOGICAL INNOVATION & FUTURE BUSINESS

Major Issue

01

Companies must innovate to remain competitive. SK hynix is constantly reinventing itself through continuous investments in research and development. This allows it to maintain its industry leadership and develop technologies that drive its businesses forward.



Technological Innovation

In this era of smart phones and tablets and other mobile devices, it is obvious that the semiconductor memory field is a very promising business to be in. Because demand for digital memory is increasing every day, suppliers are increasingly hard-pressed to keep up with it. There are two reasons for this: a relatively small number of manufacturers, and technological limitations.

Competitiveness in DRAM market

SK hynix stabilized the yield rate of its 30nm-class DRAM at an unprecedented speed in 2011, continuing its successful product development activities. The company's portfolio of DRAM products has also expanded, with its share of high-value-added products standing at over 70%. This has played a very helpful role in allowing it to respond to unfavorable market conditions. SK hynix is now developing products in the 20nm-class process, and will gradually move on to a 10nm-class process. It is also focusing on the development of TSV¹ technology, which enables the stacking of twice as many chips, 50% faster speeds, and 40% less power consumption than the traditional wire bonding process.

¹ TSV is an innovative 3-dimensional technology for stacking chips that doesn't require wires to connect and vertically stack the chips.

Competitiveness in NAND Flash market

SK hynix's development of 20nm-class NAND Flash products allowed it to achieve cost competitiveness within the industry as a whole, adding to its dominance in the High Speed Application market. The company also increased its market share of applied complex products to over 50%, meaning that its NAND Flash products began making a significant contribution to its sales and profits. In addition to continuing its focus on the development of 10nm-class products, it is also

stepping up its efforts to develop 3D NAND for high-density products through the stacking of NAND cells.

Looking to the Future

SK hynix is currently developing PCRAM², STT-MRAM³, and ReRAM⁴, which are all next-generation memories. It is also carrying out joint development projects with leading companies around the world to ensure its future competitiveness. For example, it is cooperating with Toshiba in the development of STT-MRAM and working with HP to develop ReRAM.

² Phase Change Memory, or PCRAM, is a next-generation memory product that detects changes in material status and saves data. It combines the fast speed of DRAM with the non-volatility of flash memory, which retains data even when power is cut off. This bridging of the speed gap between existing storage memory and main memory leads to enhanced system efficiency.

³ Spin Transfer Torque Magnetic Random Access Memory, or STT-MRAM, is a non-volatile memory that takes advantage of the difference in resistance from the reorientation of the magnetization. It has a limitless number of read/write cycles and consumes less power than existing memories, making it useful in a large number of applications.

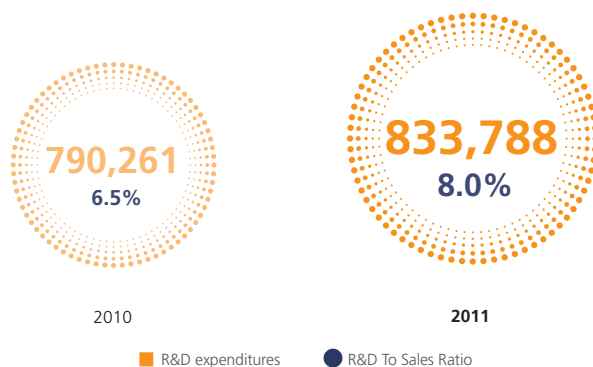
⁴ Resistance Change Random Access Memory, or ReRAM, is a memory semiconductor that uses resistance memory elements whose resistance states are changed by the external application of electric stimuli. It overcomes the limitations of NAND products that are related to both speed and capacity.

CMOS Image Sensors (CIS)

CISs are semiconductor chips that act like digital "film" in mobile and digital imaging devices. SK hynix re-entered the CIS business in 2007 to diversify its product portfolio further and secure future growth engines. Its sales have been doubling every year since. The company provides customers in the mobile market with a wide line-up of products, ranging from 3M-Pixel and 5M-Pixel to 1M HD sensors. In order to keep up with rapidly increasing consumer demand for such high-end mobile products as smart phones and tablet PCs, it is accelerating its development of 1.1μm, Back Side Illumination (BSI) sensors, and ultra-slim solutions. Its present goal is to begin mass production in the second half of 2012. It also plans to diversify their applications to include high-value-added sensors, automobiles, and security devices.

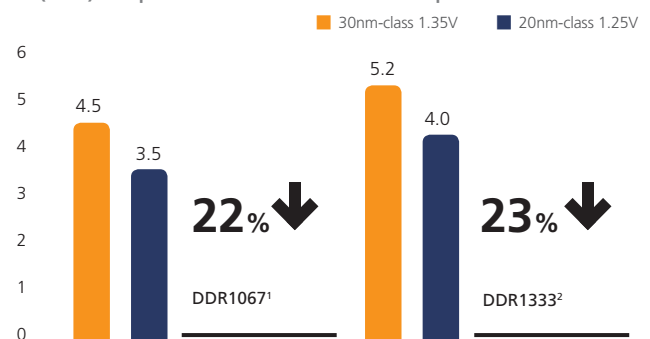
R&D Investments

Unit: Millions of KRW



16GB (2Rx4) Comparison of RDIMM Power Consumption

Unit: Watts



¹ DDR1067: Data transfer rate 1,067 Mbps

² DDR1333: Data transfer rate 1,333 Mbps

Display Driver IC (DDI)

DDI is a semiconductor device that makes calculations and adjustments to the pixels that makes up a display. SK hynix developed driver IC for LCDs in 2010, and is currently working on its mass production. Because of the rising demand for DDIs following the rapid growth of the mobile devices industry, it is also developing smaller DDIs. They are scheduled for mass production in the second half of 2012.

Power Management IC (PMIC)

PMIC is another semiconductor device that controls and adjusts an electronic device's power use. It is found in computers, cell phones, home appliances, industrial equipment, and automobiles. Demand for it is expected to increase exponentially in the future, and SK hynix plans to begin its mass production in 2012.

Investment in R&D

SK hynix engages in intensive R&D efforts to ensure its sustained growth and strengthen its mid- to long-term technological competencies. In 2011, it invested 833.8 billion KRW in R&D, representing 8.0% of its total revenue.

Eco-Friendly, Innovative Products

Computing Memory (4Gb DDR3)

In line with its eco-friendly green management practices, SK hynix is now applying 20nm-class process technology—the industry's highest—to all its 4Gb DDR3 devices. In addition to enhancing its productivity by 60% compared to the existing 30nm-class process, the DDR3 device has an ultra-low operating voltage of 1.25V (compared to 1.35V/1.5V for existing DDR3 devices) and a transfer rate of 1333Mbps. Boasting a maximum transfer rate of 2133Mbps, it can process 4.3Gb of data per second through a 16 bit-wide data bus—the same as the maximum capacity of a single-sided DVD. In addition, using the 20nm-class process enhances its energy efficiency by more than 22% compared to the 30-nm class process. Boasting

an ultra-low operating voltage of 1.25V, it is designed to satisfy the demand for highly-efficient, energy-conserving systems in the upper-level server market.

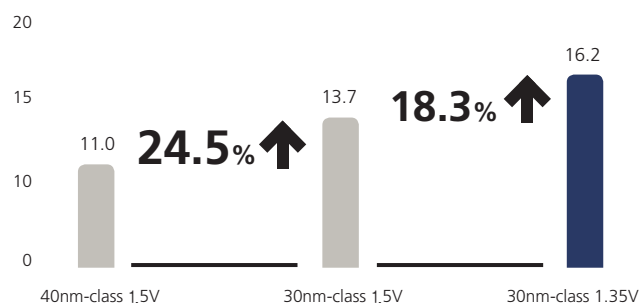
Graphics Memory

The graphics memory must operate at extremely fast speeds in order for a system to convey life-like images on its displays. SK hynix offers such memory solutions through its 30nm-class products, which have a maximum transfer rate of 2,133Mbps. In addition to increased performance, our products consume less power, helping our customers practice green management more effectively. The 30nm-class graphics products that it launched in 2011 consume 24.5% less power compared to the previous 40nm class products. They have a low operating voltage of 1.35V, which increases their overall efficiency by 18.3%.

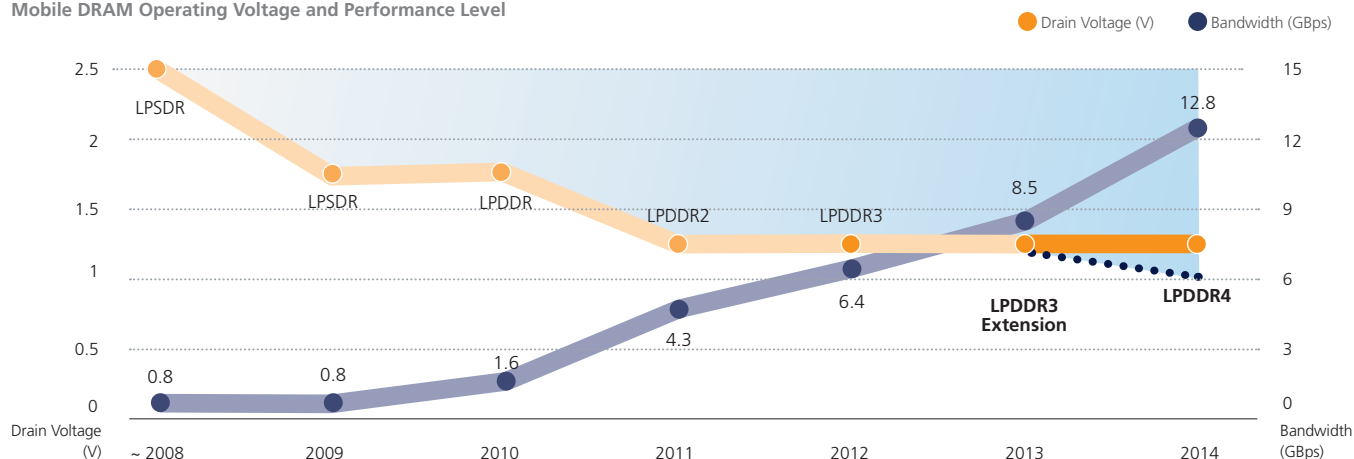
Mobile Memory

The mobile devices industry is pushing for higher performance with equal or less power consumption. At the end of 2011, SK hynix finished the development of its 30nm-class LPDDR3, a next-generation mobile memory. Its successor, LPDDR4, will meet the market's demand for a low-power, high-performance mobile device.

Improved Power Consumption of Graphics Memory Products Unit: GBps/Watt

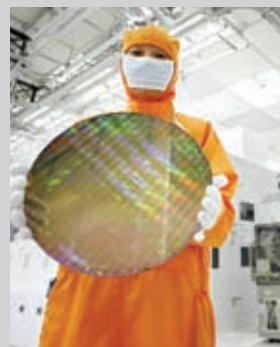


Mobile DRAM Operating Voltage and Performance Level



SPECIAL FEATURE

Mass production of 20nm-class NAND flash products



E2NAND Product Specifications
Package LGA 52 / 2 Channels
Capacity 16GB (1+4-stack) /
32GB (1+8-stack)
64GB (8-stack)

SK hynix became the first company in the world to have its 20nm-class E2NAND1 product certified by key customers in the mobile market. In addition, the company completed the development of a NAND flash solution that combines a 30nm-class 32 Gb NAND flash product with a controller. This was done through its strategic partnership with Anobit, an Israeli design firm. SK hynix hopes to ensure its unrivaled competitiveness in the mobile-embedded market for smart phones, tablet PCs, and other devices through the continuing development of its 20nm-class products.

1 Embedded ECC + Enhanced Efficiency NAND, or E2NAND, is a premium solution that contains a controller with an error correcting code, or ECC, function and a performance-enhancing function. It is a high-capacity, high-performance memory that enhances the reliability of data storage devices by minimizing storage-related errors and extending their storage period.

Strengthening Workplace Innovation Capabilities

SK hynix uses statistical problem-solving methodologies to resolve problems. It trains its employees in the use of these methodologies carries out pilot tasks that take the different circumstances and characteristics of each division into account, and provides the support of experts. In addition to resulting in a number of best practices, these efforts allow the company to accelerate its improvement processes through statistical verification.

Innovations to Processes and Systems

SK hynix makes constant improvements to its product planning and supply chain management processes so that it can respond to changes in an increasingly uncertain market in a prompt and proactive manner. For example, it has accelerated its new product planning and decision-making processes by holding meetings that focus on new products exclusively, implementing a "Bizplus"2 system, and laying the groundwork for speedy and systematic decision-making regarding its product portfolios. In addition, it is making improvements to its supply chain processes by developing demand forecasts and sales plans on a weekly basis. It also makes weekly forecasts of the delivery dates of each division that serves as a contact point for its customers, allowing it to respond to changes in demand and deliveries in a more efficient and effective manner.

2 Bizplus: A system that provides the kind of real-time information that is needed for swift decision-making, including product portfolios, factors affecting decision-making, and customer data.

Improving Team-Oriented Training Fundamentals

The company carries out continuous activities aimed at improving its team-oriented training fundamentals. It does this to strengthen its employees' abilities and increase their motivation. In 2011, the company made improvements to its pilot activities and turned them into company-wide ones, heightening its employees' awareness of the value of training. Compared to 2010, for example, the Net Promoter Score (NPS)3 for each team increased by approximately 81%. The company is also working on the development of more effective implementation methodologies. This is being done through the implementation of a "Second Wave Pilot Project," which is a team-centered learning program based on individual growth and passion.

3 Net Promoter Score (NPS): A means of measuring the percentage of members with positive and negative attitudes

Awards for Innovation Activities

SK hynix won twelve gold prizes and five silver ones at the 37th annual National QCC Championship of the Korea National Quality Awards, winning first place in the overall rankings. It also received a Presidential Citation at the 35th annual National Productivity Awards, the most prestigious award given in the group category.



CUSTOMER SATISFACTION MANAGEMENT

Major Issue

02

SK hynix incorporates customer satisfaction into its management system.
This is based on its belief that strengthening its customer relationship levels is
just as important as enhancing its product quality to create value for its customers.



Customer Satisfaction Management

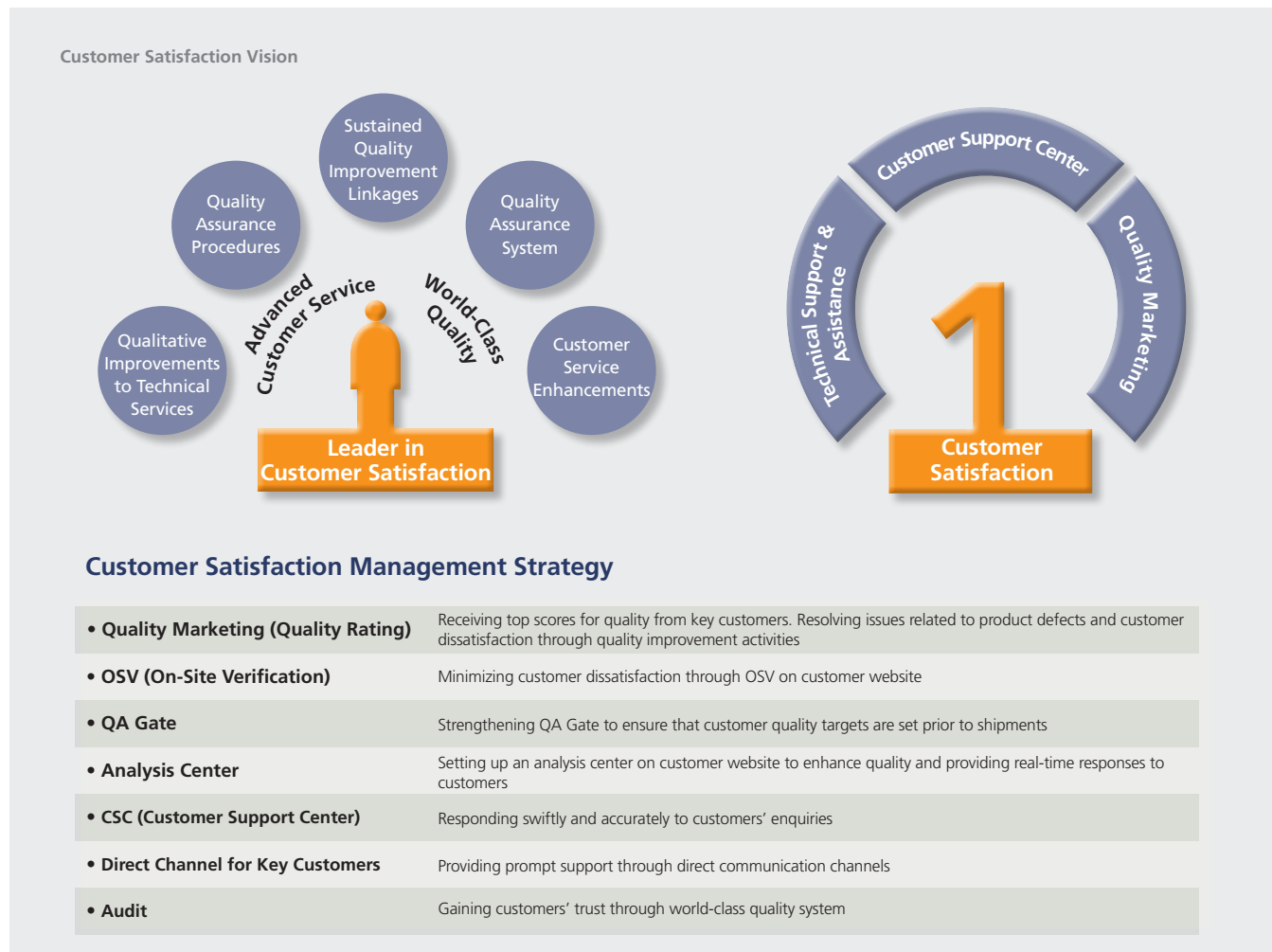
SK hynix is a recognized leader in the field of customer satisfaction management, including a wide range of world-class products, industry-leading quality improvement processes, a state-of-the-art verification and quality assurance system, and high-quality services. It ensures the highest level of customer satisfaction by engaging in a broad array of quality improvement activities. These include Quality Marketing and On-Site Verification (OSV) activities to minimize customer dissatisfaction, monitoring the quality of products before they are shipped, and setting up a product quality analysis center on its customer website. It also offers supports for customer enquiries and technology, and is implementing a wide range of other customer satisfaction management strategies. In addition, the quality of its products is guaranteed through its Customer Audit Inspection process.

Customer Satisfaction Assessments

SK hynix receives quarterly and/or semi-annual scorecards from its key customers. They are used to evaluate it in terms of technology, quality, response and delivery times, and other factors. The company uses these results to maximize its strengths and improve on its weaknesses.

Identifying Customer Needs

SK hynix holds regular meetings to identify and focus on the needs of its customers. It also identifies product quality and system improvement issues through its Voice of Customer (VOC) system. In addition, it provides real-time replies to customer enquiries through its Customer Support Center (CSC), and has set up a Customer Request Reporting Channel on its website that can be accessed in the native language(s) of each country it operates in.



Customer Satisfaction Response Process

Maximizing synergies by improving connections between divisions through response units in each one



Online Customer Request Reporting Channel

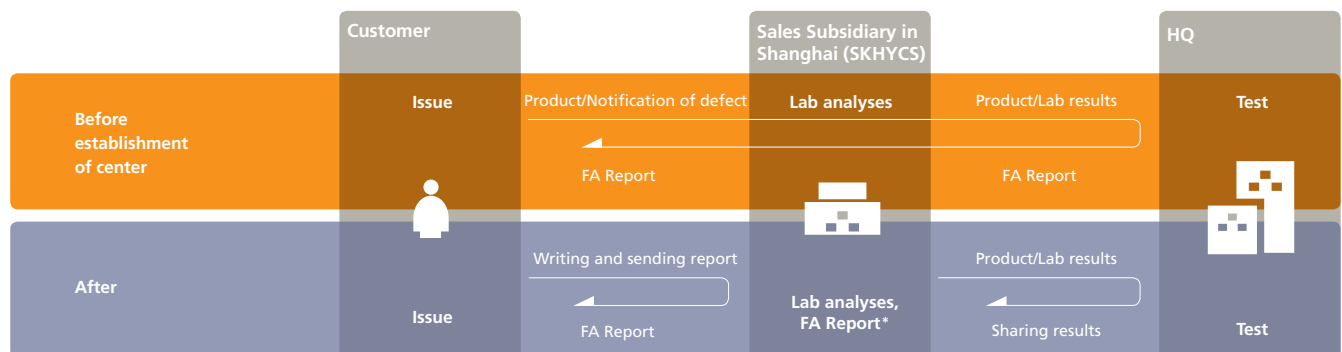


Efforts to Enhance Quality

When a defect is reported, SK hynix immediately replaces the faulty product, analyzes the cause of the problem, and shares the information with the customer. It also uses conference calls to discuss product quality and supply issues with its customers, uses its product analysis center to monitor product quality in real time, and operates a

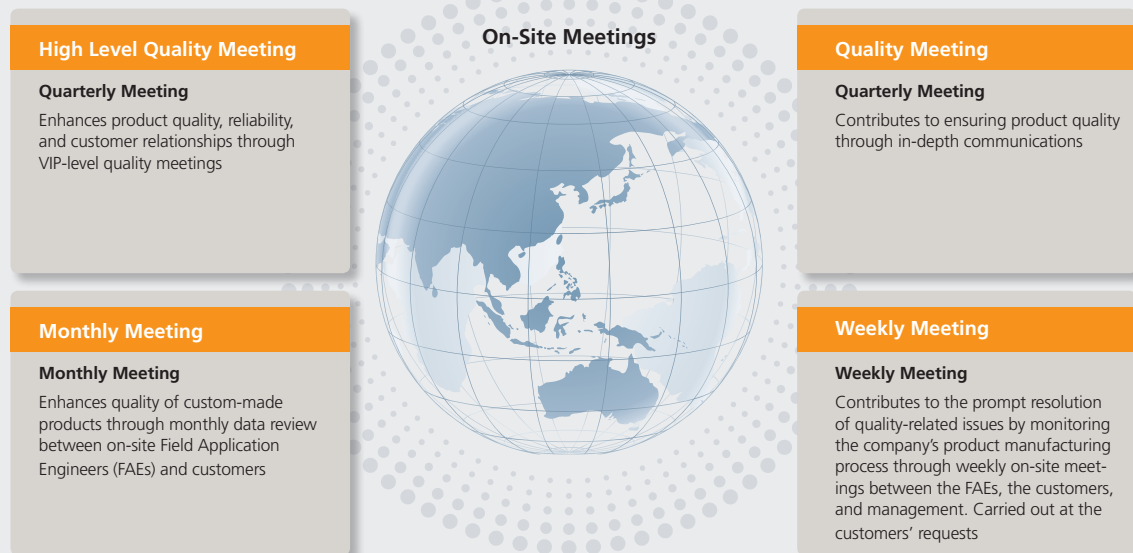
customer satisfaction program called On-Site Verification (OSV) that sends engineers to the customer's worksite(s) to resolve problems with defective products. These efforts enabled SK hynix's domestic and Chinese subsidiaries to pass the customer quality system evaluation 133 times in a row (as of February 2012).

Shortening Response Times through Use of Analysis Center



*FA Report: Failure Analysis Report

On-Site Meetings



SPECIAL FEATURE

AEO AAA Certification

On September 15th, SK hynix was awarded an AAA, the Korea Customs Service's highest authorized economic operator (AEO) certification level. There are currently 181 Korean companies that are officially designated as AEO certificate holders, and SK hynix was the first one to receive an AAA grade except for those that participated in the pilot version. The term "AEO company" refers to a firm that has been recognized for complying with the World Customs Organization's export and import supply chain security standards or equivalent ones. Since SK hynix depends heavily on exports and imports for its sales and purchases, its competitiveness will be greatly enhanced by the swifter and safer logistics services made possible by this certification, including fines and tariff inspection and export and import freight inspection waivers.



AEO Importer Certificate



AEO Exporter Certificate



AEO Certificate Presentation Ceremony



ETHICS MANAGEMENT

Major Issue

03

Starting with the establishment of its Code of Conduct in 2000, SK hynix has been emphasizing ethics management as the guiding principle behind the thoughts and actions of all its employees, from top management to new hires.



Revisions to Code of Conduct

In order to meet the demands of the global management environment and its stakeholders, SK hynix complies with a wide range of international standards, including the Code of Conduct of the Electronic Industry Citizenship Coalition (EICC) and ISO 26000. In May 2011, the company completed the fifth revision of its Code of Conduct, including content related to labor practices, fair trade, human resources development, and a clearer and more concrete definition of its environmental protection and social responsibilities.

Code of Conduct for Each Division

In 2011, SK hynix developed a Code of Conduct for each of its divisions to address the problem of different working conditions at each one. This included conducting surveys of ethics issues, hosting workshops for each division, and gathering the opinions of team and group heads. When these detailed items for the various codes of conduct were compiled, they were confirmed by the CEO.

Reading Code of Conduct and Pledging Adherence to Ethics Management

Starting in 2006, SK hynix has been asking all its employees to read the Code of Conduct and pledge to adhere to the concept of ethics management. They can do so by accessing the company's Ethics Management System. In 2011, 98.5% of its technical and office workers and 75.5% of its full-time employees at its domestic worksites made the pledge.

Mobile Chamsori Ethical Management Class

SK hynix offers its employees and business partners the use of a Mobile Chamsori Ethics Management Class. When a worksite requests

it, members of the company's Sustainability Management Team, which is charged with ethics training, visit it to provide custom-tailored training sessions on employment ethics and examples of corrupt behavior. In 2011, the company provided eighteen such sessions to 1,136 people, including all the employees at its domestic worksites, resident and dispatched workers at SKHYCL, and one business partner.

Gift Return Center

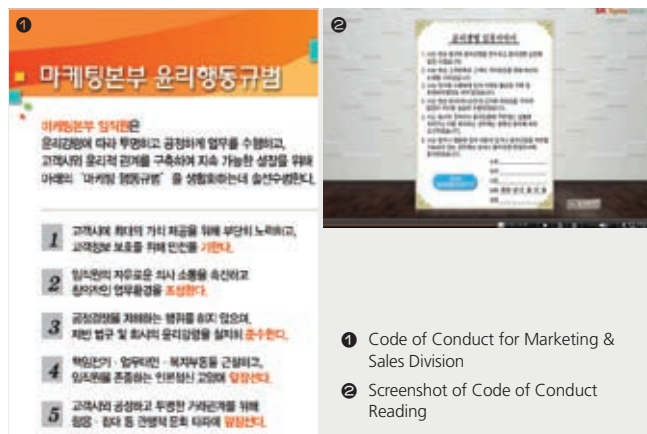
SK hynix operates a Gift Return Center during the Lunar New Year and Chuseok, and when it announces staff appointments every year. In 2011, eight presents were returned to their senders. Gifts with illegible addresses or that were perishable were donated to the underprivileged.

One-On-One Consultations

Staff members from the Sustainability Management Team visit the company's worksites to share their experience and discuss best practices with other teams and departments. The team made ten such visits in 2011.

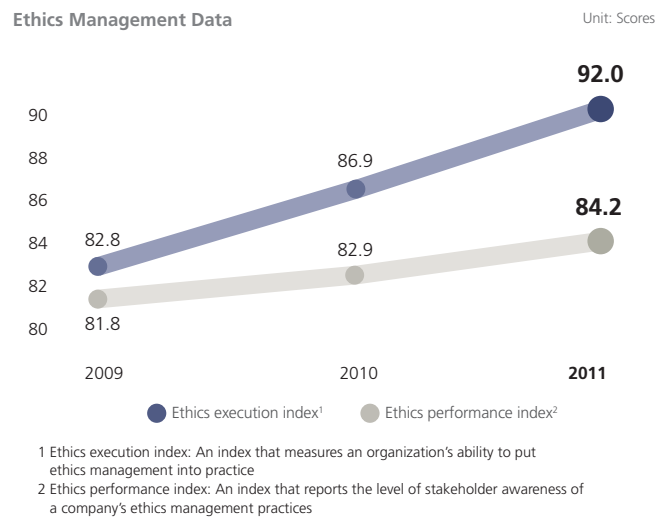
Ethical Management Newsletter

The company publishes the "SK hynix Ethics Management Newsletter" and sends it to its employees and business partners by e-mail. It keeps them informed about trends in ethics management, events and training sessions for ethics team leaders, ethics management training for locally hired staff, results of the Gift Return Center's operations, and so on. Seven issues were published in 2011 and were sent to two thousand business partners.



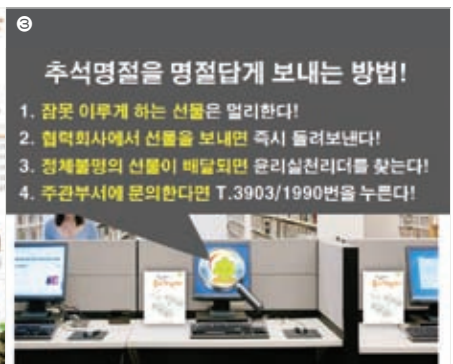
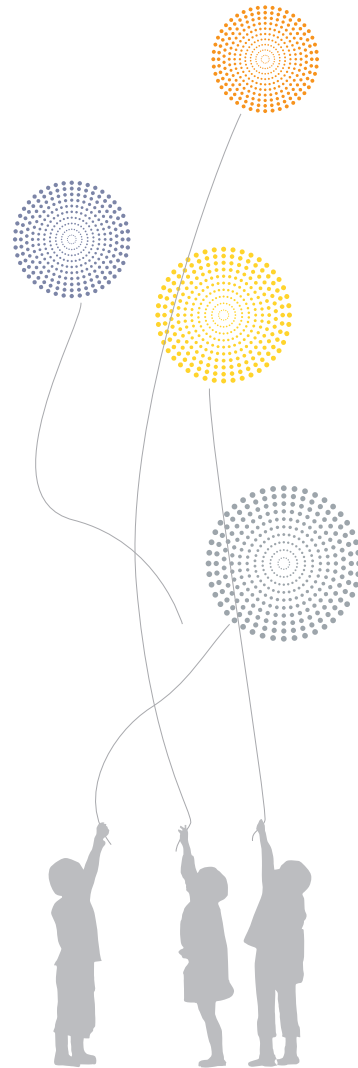
Operation of Ethics Management System

SK hynix's Ethics Management System has been in place since 2008. Designed to facilitate communication with both its internal and external stakeholders, it includes all the company's ethics management activities, such as the Code of Conduct, rules and programs, training, PR, and evaluations and rewards.



Compliance

SK hynix did not violate any laws concerning fair trade or its relationships with its customers in 2011.



① Ethics Management Newsletter ② Ethics Management System ③ Pop-up window signaling that the Gift Return Center is in operation

SPECIAL FEATURE

Ethics Management Activities at SKHYCL in China



Notice of "No-Gift" policy

SKHYCL applies the same ethics management guidelines and programs as those used in Korea. All its employees are required to perform their tasks in accordance with the parent company's principles of ethics management. SKHYCL's website offers information that allows all its stakeholders to understand its commitment to ethics management and participate in ethics management activities. In addition, SKHYCL has a fully independent ethics management unit that reports directly to the head of the company. It is responsible for carrying out all its ethics management activities, including policies and programs, training and promotions, and stakeholder information.

All the employees at SKHYCL receive training in ethical behavior upon joining the company and every other year thereafter. In addition, the company encourages its business partners to practice ethics management by sending them reminder letters every year and prohibiting their employees from giving and receiving holiday gifts. In March 2011, eighty-three of the company's business partners were given training in ethics management and renewed their commitment to practicing it.

Practicing Fair Trade

Training in Fair Trade Practices

SK hynix carries out fair trade training sessions targeting employees in divisions that are responsible for manufacturing and procurement. Their content includes subcontracts, win-win growth, and the Fair Transactions aspects of the Subcontracting Act.

Dates	Target(s)	Course Description	Number of Trainees
March 11	Manufacturing & procurement personnel	Matters dealing with subcontracts	80
June 8	Manufacturing & procurement personnel	Win-win growth and subcontracts	80
August 18	Marketing & sales personnel	Records retention policy	20

Establishing a Win-Win Growth Compliance Infrastructure

As part of its efforts to encourage the voluntary observance of fair trade laws and regulations, SK hynix revised the terms of its procurement contracts with its business partners so that they meet all the standards recommended by the Korean Fair Trade Commission (FTC). The company also adopted the FTC's three guidelines for ensuring win-win relationships.

Document Retention Policy

To minimize the risk of violating court orders requiring record preservation, SK hynix introduced a company-wide standard on document formats after conducting a survey, and set a retention period for each one.

Introduction of Legal Council System

The company analyzed the legal risks inherent in a number of different business areas as a preparatory step towards introducing a legal counsel system. The system, which will take effect in 2012, meets all the requirements of Korea's newly amended company law.

Fair Trade Activities and Achievements

Countries around the world are expanding both the scope and the enforcement of their anti-trust laws. Since even a harmless comment or a gathering with one's market competitors can now be viewed as an illicit activity, Asia's type of corporate culture, which is often linked to family events and personal connections, is especially vulnerable to criticism and legal action.



Cartel prevention training for new hires of the Marketing & Sales Division

SK hynix is well aware of the financial and non-financial risks of cartel activities, since it has already paid fines to the US Department of Justice and the European Commission for DRAM price-fixing and has dealt with a number of civil suits in connection with DRAM, SRAM, and Flash memory products brought by both direct and indirect purchasers. As a result, the company has been conducting cartel prevention training for all the employees of its Marketing & Sales

Division and its overseas sales subsidiaries since 2010. The training as well as anti-trust consulting and PR activities are provided by the International Trade & Relations Team.

Defending against Rambus Lawsuit

SK hynix is a defendant in litigation brought by Rambus Inc. with respect to the alleged infringement of Rambus' patents by SK hynix's SDR SDRAM and DDR SDRAM. The litigation has been filed in Germany, France, the United Kingdom, and the United States. The European Patent Office revoked Rambus' key patents subject to the litigation against SK hynix in the EU's jurisdiction. Accordingly, the litigation in the UK was dismissed, the litigation in France ceased further proceedings, and the litigation in Germany was deferred.

With regard to the litigation in the US, SK hynix objected to the decision of the US District Court for the Northern District of California in March 2009 and filed an appeal with the US Court of Appeals the following April. In May 2012, the US Court of Appeals for the Federal Circuit nullified the original judgment, stating that there had been an illegal destruction of trial evidence by Rambus. It remanded the case to the US District Court for the Northern District of California.

In another action, SK hynix objected to a decision from the Federal Circuit Court of Appeals and filed an appeal to the US Supreme Court over the validity of Rambus' patents in question and its failure to inform the Joint Electron Device Engineering Council about its patented technologies. The Supreme Court declined to hear the case.

Rambus brought another lawsuit against SK hynix and its US subsidiary by alleging that SK hynix's DDR2 and GDDR memory products infringed on other patents that Rambus holds. In addition, Rambus filed an anti-trust lawsuit against SK hynix, its US subsidiary, and other memory chip manufacturers, alleging that they had conspired to prevent Rambus' RDRAM from entering the market. In November 2011, the jury delivered its verdict, stating that the codefendants had not engaged in illegal activities. As a result, the court issued a judgment on February 15, 2012 rejecting Rambus' claims.

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ENDEAVOR FOR EMPLOYEES' HAPPINESS

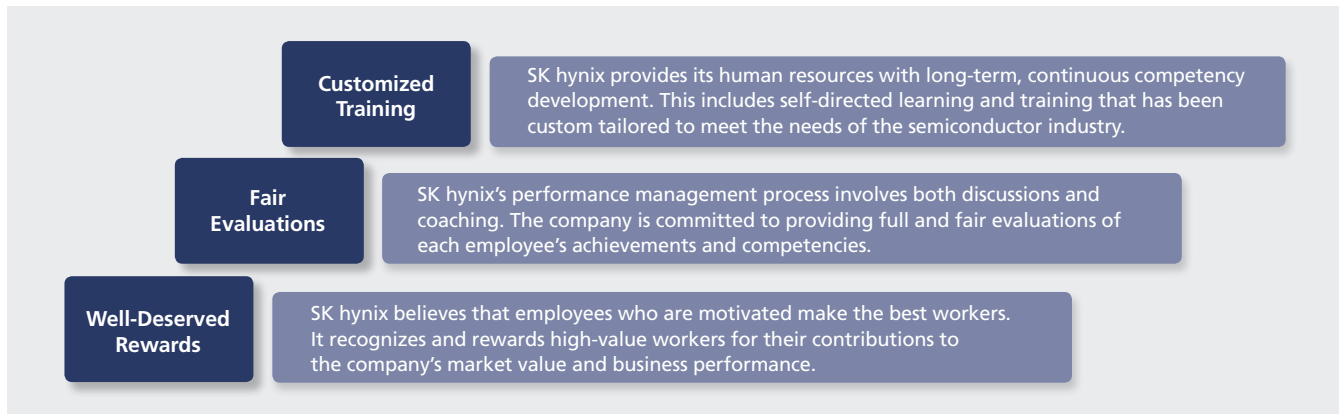
Major Issue

04

SK hynix believes in people-oriented management, and engages with its employees through continuous communications.



Employee-Centered Personnel Management System

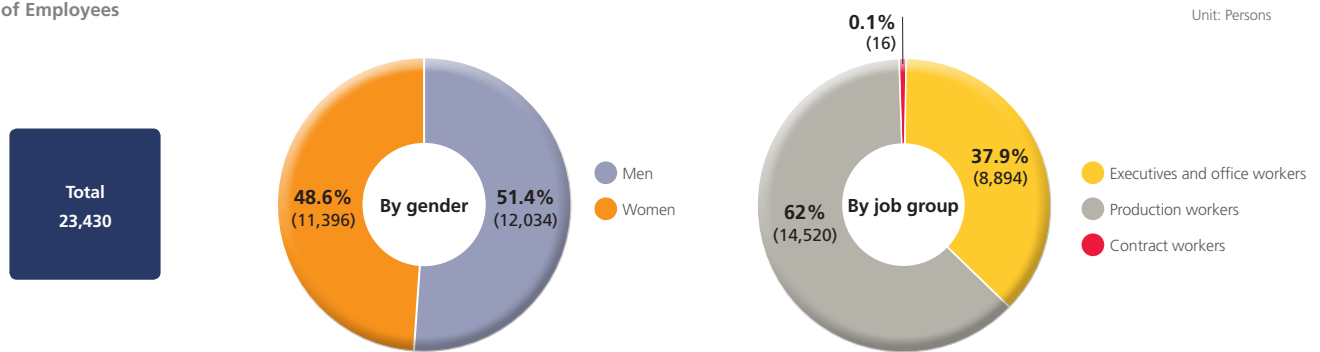


Current Status of Employees

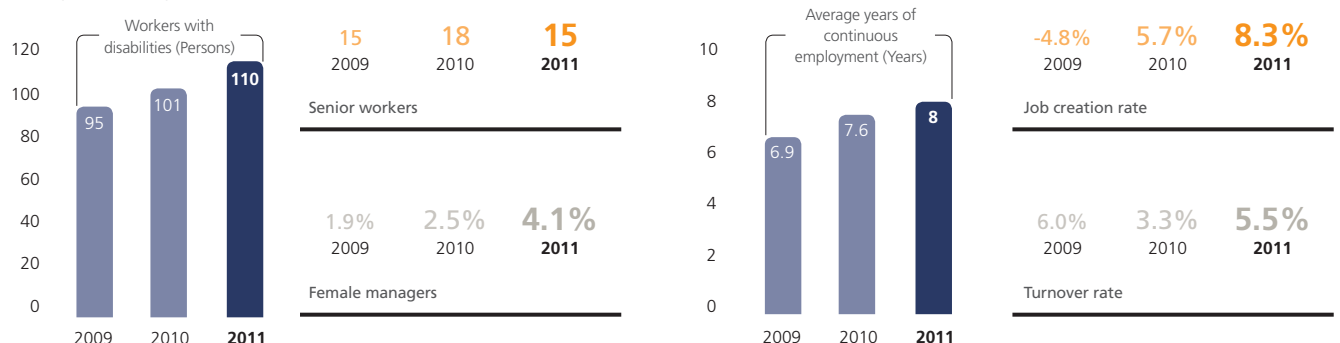
As of the end of 2011, SK hynix had 23,430 employees. 12,585 of them were based at the head office in Icheon, 5,900 at the Cheongju worksite, 416 at the Seoul office, and 61 elsewhere. Another 4,468 were employed overseas.

The number of male and female employees was 12,034 (or 51.4%) and 11,396 (or 48.6%), respectively. Their average number of years of continuous employment was 8.0, and regular workers comprised 99.9% of the workforce. The company's job creation rate was 8.3%, while its turnover rate was 5.5%. Compared to 2010, the number

Status of Employees



Employee Diversity Indicators



of senior workers had fallen by 3 to 15, while those with disabilities had increased by 9 to 110. The percentage of female managers rose to 4.1, continuing its upward trend.

Human Rights and Labor Policy

SK hynix established a Human Rights and Labor Policy in 2011. Based on its philosophy of people-centered management, it includes both philosophical principles and workable guidelines that satisfy the re-

quirements of the Electronics Industry Code of Conduct (EICC) and the UN Global Compact. They also reflect the company's commitment to human rights and global labor standards, especially with regard to respect for human rights; prohibitions against forced labor, child labor, and the employment of minors; working hours; wages; non-discrimination; and freedom of association. These policies are mandatory for all the company's employees, overseas subsidiaries and business partners.

SPECIAL FEATURE

Current Status of Employees at SKHYCL, China

As of the end of December, 2011, a total of 3,944 employees were working at SKHYCL, including 452 from Korea (or 12%) and 3,492 local ones (or 88%). 907 of the local hires were office workers, accounting for 26 percent of the total workforce, while the remainder were production and maintenance workers. The average number of years of continuous employment was 4.1, which was reduced to 3.0 when only local staffers were taken into account. The company's job creation rate was 7.1 percent, and its local job creation rate was 7.2%.

Category	Number of Employees			Average Length of Continuous Employment			Job Creation Rate	
	Sub-Total	Men	Women	Sub-Total	Men	Women		
Total	3,944	2,198	1,746	4.1	4.9	3.1	7.1%	
Korean Workers		452	443	9	12.8	12.9	6.8	6.6%
	Office workers	328	323	5	12.8	12.8	5.2	9.3%
	Production workers	124	120	4	12.7	13.2	8.8	0.0%
Local Hires		3,492	1,755	1,737	3.0	2.9	3.1	7.2%
	Office workers	907	524	383	3.6	3.5	3.8	17.9%
	Production workers	2,585	1,231	1,354	2.8	2.7	2.9	3.9%

Local hires can be broken down by gender into 1,755 men (or 50.3%) and 1,737 women (or 49.7%). The company adheres to all of China's laws regarding gender equality. 22% of the company managers are women.

Fair Evaluations and Rewards

HR Policy

SK hynix's revamped HR policy focuses on fostering long-term human resources who will grow in tandem with the company. It simplifies job positions into three categories (assistant managers, senior managers, and directors), and rewards employees for their performances on a cumulative and continuous basis. The overall goal of the system is to increase the worker's engagement with their jobs and to enhance their performance for the good of themselves and the organization. Subsequent survey results showed that employee satisfaction with the new system continued to increase after its introduction, since it reduced the pressures related to promotions and ensured equitable evaluations.

Evaluation and Reward System

SK hynix ensures that its performance- and competency-based employee evaluations are comprehensive and fair by conducting them in the context of a particular employee's roles and positions within the company. General performance evaluations are conducted twice a year for office employees and senior production employees whose performance can be clearly assessed. They involve qualitative and quantitative assessments of individual performances in four categories that include both main tasks and basic activities. Competency evaluations are conducted for production employees and office employees below Level 5 who take part in the actual production of goods. Ten criteria, including on-the-job knowledge, initiative, and communication skills, are used for the competency evaluation, and the results are reflected in the employees' promotions. Evaluation results are used to determine annual salary increases and calculate the value of performance-related rewards.

Productivity incentives and profit sharing are added to a worker's basic salary. The value of productivity incentives is calculated in line with the company's annual business performance, while profit-sharing is based on individual performances. The company evaluates its employees based on their performances and competencies, and prohibits any discrimination based on their gender, educational background, religion, and so on. In 2011, the average annual starting salary for new hires who had graduated from university was approximately KRW 38 million. It was about KRW 31 million for production employees engaged in equipment maintenance and repairs, and about KRW 27 million for full-time operators.

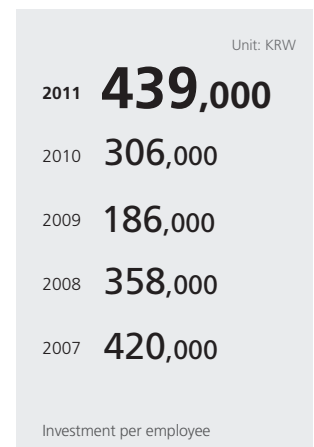
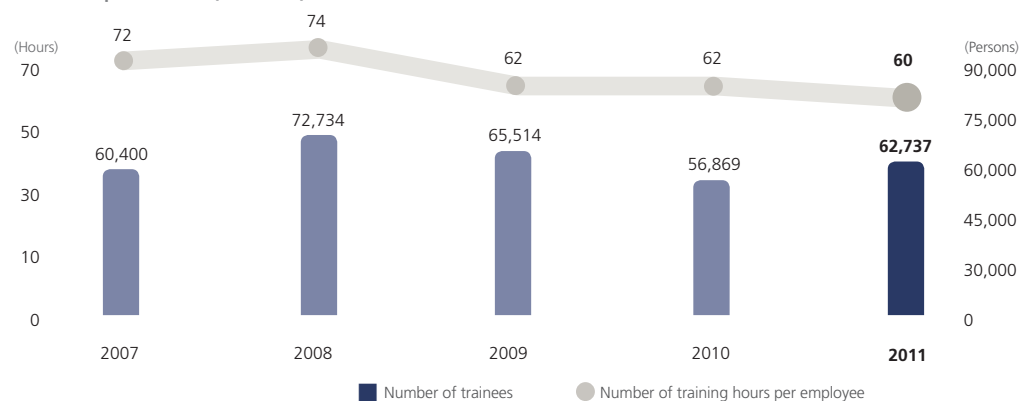
Performance Management

Every employee can request a recalculation of his or her evaluation results through a formal objection process. The evaluation processes are fully computerized. In 2011, SK hynix began operating an e-HR management system called SK hynix Management by Objectives, or HyMBO, which maximizes the organization's performance by linking it to that of each worker. Employees who want to upgrade their performances can work with employment mentors throughout the year, and monitor their own achievements.

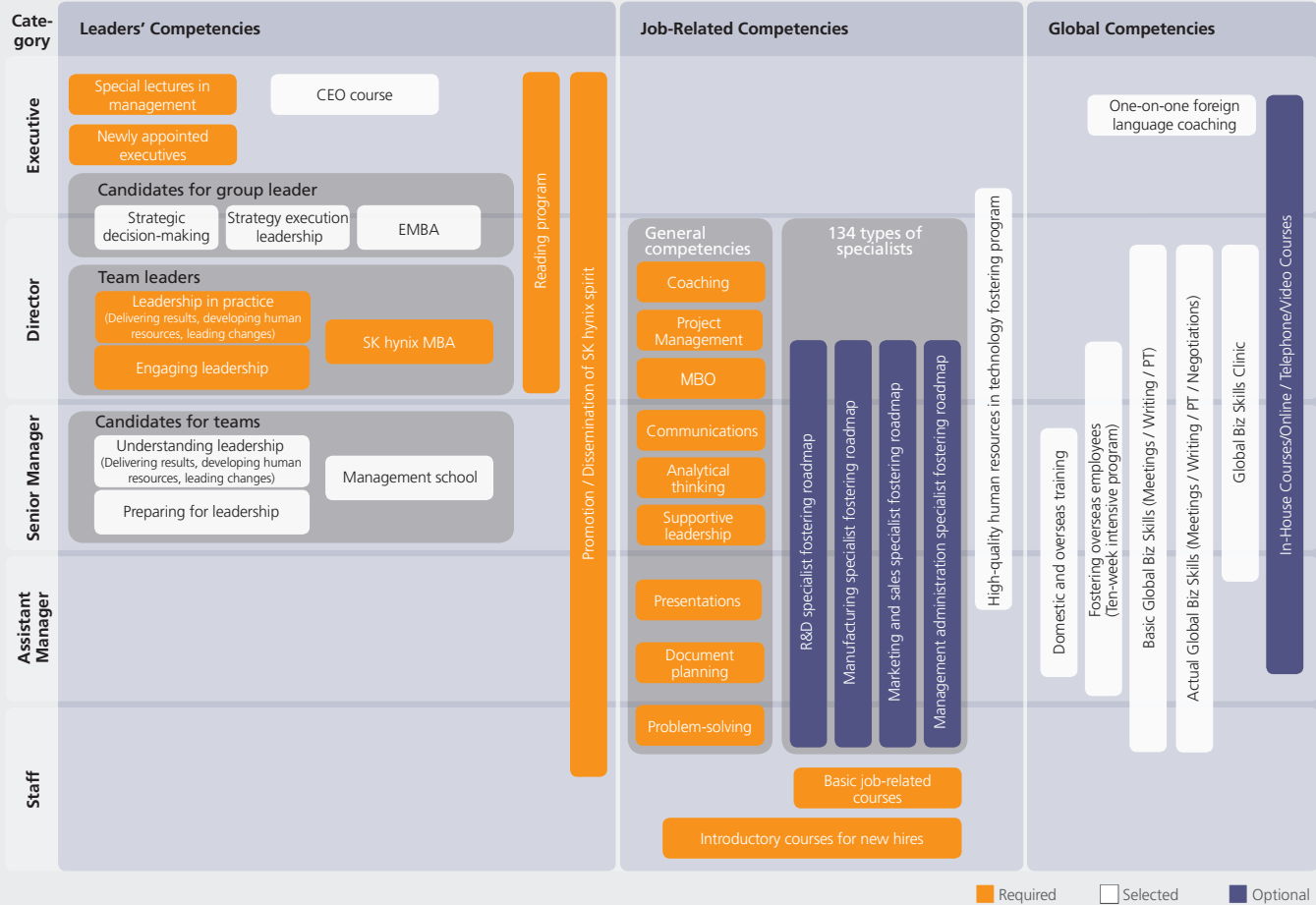
Developing High-Potential Workers

SK hynix has implemented a vertical career development system and a strategic job rotation system as part of its efforts to foster the development of high-potential workers and strengthen its competitiveness. Each employee sets a career development goal using company guidelines, and follows it up through self-directed learning and job rotations. The company's Human Resources Team classifies

HR Development Data (Domestic)



SK hynix Training System



SPECIAL FEATURE

SKHYCL's HR Policy

SKHYCL revised its HR policy in 2010. It upgraded it again in 2011 so that it would dovetail better with the parent company's HR system. Its mileage-based rewards and salary increases led to heightened job performances and reduced the turnover rate of technical engineers and maintenance workers in 2011 by more than 20% compared to the previous year. SKHYCL will develop its HR system even more in 2012 to respond to the steadily rising cost of labor in China.

high performers and potential managers into separate groups and monitors their performance during the job rotation process. In addition, potential managers are offered training in advance to ensure that they have the experience and skills needed for management positions. The revamped HR system also allows for the creation of a pool of team leaders and team leader candidates. Team leaders are re-evaluated every two years.

Training Specialists

SK hynix offers its employees a wide variety of custom-tailored courses to suit their skills and abilities. 292 training courses were offered in 2011, including eighty-four new ones. In addition, four programs were developed for core R&D staff in the area of future growth engines. The company intends to improve its training guidelines even further by taking new technologies and product trends into account. This will include providing more programs that are linked to its strategic initiatives and/or the development of future growth engines.

On-The-Job Education and Training

SK hynix's team leaders offer individual employees coaching to improve their competencies, while teams set self-development plans every year. This is done to ensure that every employee is able to apply what he or she learned in theory to their actual work in practice. Beginning in 2011, the focus of the company's competency development activities shifted from individually-driven planning to field experience led by team leaders. In specific terms, this means that team leaders now offer general guidance after evaluating each member's plan for developing his or her abilities. After it has been finalized through one-on-one consultations with the team leader, the plan is put into action. In 2011, all the company's office workers established their own development plans, with 98% recording higher scores than they what received in 2010.

Developing Specialists

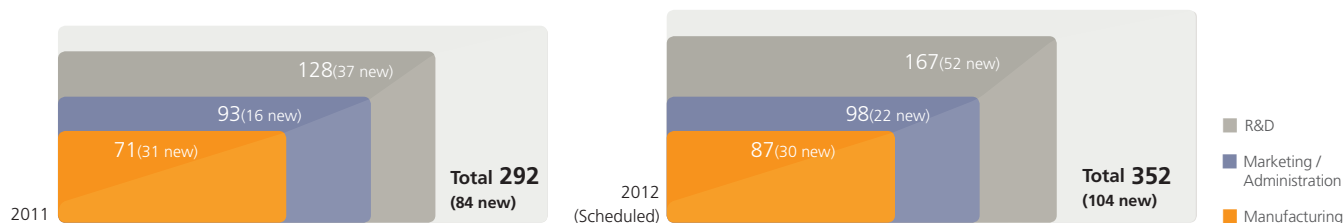


Self-Development Planning Process

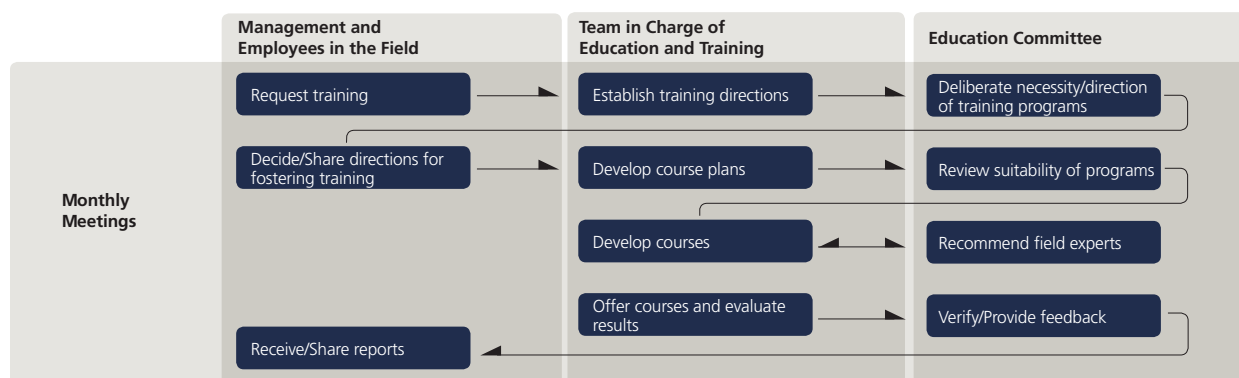


Status of Specialist Development Programs

Unit : No. of Programs



Education Committee Activities



Fostering the Development of Managers

SK hynix selects potential managers early in their careers so they can start meeting their responsibilities early on. Its Human Resources and HRD teams work together to choose high-potential team and group leaders. Then they provide them with about three years of training and education in the company's mid to long-term competency building program. Action-oriented programs that help deliver business results are provided to workers who are currently in leadership positions. Both of these programs were offered in 2011. Going forward, the company intends to develop more courses, including leadership training for team leaders, "on-board" training for newly-appointed executives, and business coaching for managers.

Evaluating Training

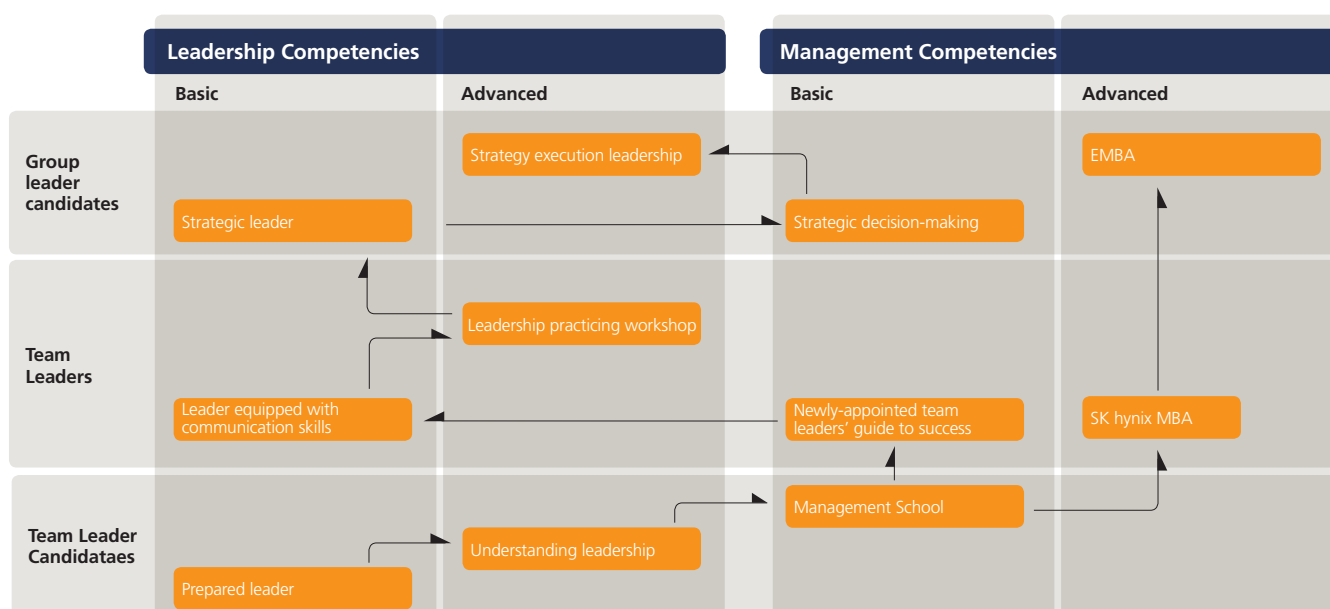
The company's training programs have different evaluation criteria. For new hires, the evaluations focus on their understanding of basic tasks. Transfer candidates undergo a one-on-one interview assessment with an external expert and a ten-week intensive program. The results of both steps are used in selecting which employees are chosen to go overseas. Management candidates present their execution plans and goals to their immediate supervisors after their training, while managers submit their execution plans to share best practices in leadership development.

Operation of Education Committee

The Education Committee was established in 2011. It is composed of thirty team leaders from four job groups: R&D, manufacturing, marketing, and administration. In 2011, one regular meeting and two workshops with in-house instructors were held each month. This allowed the company to lay the groundwork for a training system that produces tangible results based on each employee's job performance. In addition, the committee helped set the future direction for HR development, improve its talent development guidelines for different positions, decide content of future programs aimed at fostering job specialists, and etc.

Target	Evaluation
New hires	Understanding level is evaluated and individual feedback is given by the team leader and mentors
Transfer candidates	One-on-one interviews with an outside expert are conducted, and the results are used in selecting transferees
Manager candidates	Present execution plans and achievements to immediate supervisor after training
Managers (Team leaders)	Present execution plan to trainer *Share best practices after evaluation

Training System for Manager Candidates



Communications with Employees

Horizontal Communications Channels

The goal of horizontal communications is to encourage teamwork and promote group coordination within an organization. SK hynix management shares the company's vision with its employees through a variety of communication channels based on mutual trust and respect, including monthly meetings with group leaders and team leaders and special meetings with outstanding teams. One example of this is the SK hynix Culture Forum. Designed to empower the voices of younger workers and comprising staff members or assistant managers from each business division, its mandate is to come up with ways of creating a more vibrant corporate culture that reflects the wants and needs of the younger generation. The company also operates an "official" communications channel called hyCom. Opinion leaders from each division use it to disseminate the company's vision, inform its workers about changes to its policies and programs, and deal with employee grievances.

Employee Opinion Surveys

SK hynix has been conducting employee satisfaction surveys since 2007. Covering a variety of categories, such as HR strategies, evaluations, rewards, and employee engagement, they serve as a means of gathering opinions from all the company's worksites and measuring employees' satisfaction with their work. All results are shared among the workforce, and the ideas and suggestions that are put forward are taken into consideration in refining the company's procedures and policies.

Labor-Management Relations

The labor-management relationship at SK hynix is positive, congenial, and cooperative. It is based on mutual trust and respect, the company's "employee-first" principle, and its belief that labor and management are not two separate entities. As a result, labor and management engage in a program of active communication in terms of contract negotiations, major issues, and the company's overall management. Thanks to these shared efforts, SK hynix has not experienced a single labor disruption since its founding.

It is considered to be one of the most exemplary cases of a successful industrial relationship in all of Korea.

Labor-Management Communications

In contrast to most labor-management communications, which focus solely on collective bargaining, SK hynix has established three stages of communication channels. They include weekly working-level discussions about major labor-management issues and a small group council that addresses grievances and suggestions emanating from the company's worksites. In addition, each worksite has a regular labor-management council that is part of the company-wide labor-management council.

The company's CEO hosts briefings dealing with its quarterly business performance. Information sessions on its operations and HR management meetings are held on a regular basis. These various communication channels reflect the company's commitment to working in partnership with the labor union.

Internal and External Communications

SK hynix Webzine (Hyzin)

Hyzin started publication in 2004 as another communications channel for the company's employees. In 2005, its readership was expanded to facilitate communications between the employees and the company's external stakeholders. Its format was updated again in 2011 to allow it to deliver a greater variety of information. It is published monthly, and can be delivered via e-mail upon request.

Labor-Management Status

Category	Labor Union at Icheon	Labor Union at Cheongju
Number of Eligible Workers	7,281 persons	4,642 persons
Number of Members	7,182 persons	4,501 persons
Membership Rate	98.6%	97.0%
Affiliated Unions	Korea Metal Workers' Association	

Labor-Management Communications

Category		Description	Frequency
Communications Channel	Collective bargaining	Bargaining about wages and contract renewal	Annually
	Central Labor-Management Council	Communications about issues at all worksites	Ad-hoc
	Regular Labor-Management Council	Communications about issues at specific worksites	Quarterly
	Small Group Council	Communications about issues in each division	Monthly
Management Information Sharing	Operational briefings	Development status and production performance reports	Monthly
	HR management meetings	HR status and plans	Monthly
Other	Weekly labor-management working-level talks	Communications about important issues between labor and management	Weekly

Its number of subscribers soared by 50% to about 5,700 over the previous year.

Company Magazine

SK hynix also publishes a company magazine named SK hynix News. Originally issued as a bi-weekly tabloid newspaper, it was relaunched as a bi-monthly magazine in May 2011. In addition to delivering news of interest to the company's entire community of stakeholders, it contains information on the company's technological competencies and community contribution activities.

Communications at SKHYCL

SKHYCL operates both online and offline channels to ensure smooth and efficient communications with its employees. In addition to holding meetings with employees to listen to their grievances, the company is establishing an advanced and collaborative labor-management culture through labor-management working sessions and regular meetings with the labor union. In addition, each group and team is offered the opportunity to meet with a Korean manager at least once a month. The employees also have a channel through which they can discuss their grievances and plan for their personal growth and development.

SKHYCL Communications Channels

Category	One Goal Talks	Talks with CEO	Labor-management working-level talks
Frequency	Quarterly	Semi-Monthly	Monthly
Description	Regular meetings between management and the labor union	Meetings classified by job categories	Meetings between employees and the labor union

Communications at the European Sales Subsidiary

SKHYD, SK hynix's sales subsidiary in Germany, engages in a wide variety of communications activities. They include management meetings to share information about the company's current business sta-

tus, as well as managers' meetings at which key issues are discussed. It has also put a VOE (Voice of Employees) program in place. In addition, outstanding employees are rewarded and offered a chance to undergo training at the head office. The company also offers a variety of programs that are aimed at boosting employee morale.

Activities Related to Decision-Making

Category	Frequency	Description
Management Briefings	Quarterly (after management performance announcements)	Share information about current status of the company (can be replaced by data sharing)
Senior Managers' Meetings	Quarterly	Discuss current issues
VOE	Non-regular	Gather employee opinions

Selecting Employees with Outstanding Performances

Category	Frequency	Description
Rewards for Employees with Outstanding Performances	Annually	Rewards granted by CEO of Head Office or subsidiary
Training for Employees with Outstanding Performances	Semiannually	Job training at head office and opportunities to experience Korean culture

GWP Activities

Category	Objective	Description
Team Building	Encouraging stronger ties among employees	Support for leisure activities and other team building activities
Logistics Day	Motivating W/H employees	Sports day with BBQ party
Christmas Parties	Motivating employees and helping them feel comfortable with their new place of employment	Singing contests, playing Korean traditional games, gifts
Gifts on major Korean Holidays	Motivating employees and sharing Korean culture	Korean traditional cookies and gifts
Employees' Birthdays and Wedding Anniversaries	Motivating employees and boosting their loyalty to the company	Birthday gifts (unmarried employees), wedding anniversary gifts (married employees)



① March 2012 issue of Hyzin ② March/April 2012 issue of SK hynix News



Stakeholder Interview

“Hope to see more on-site decision-making”



Hello. My name is Karl Hardt. I'm in charge of the sales division at SKHYD. I worked in the semiconductor industry for nineteen years in sales and marketing before I joined SK hynix. I'm impressed by how diligent and passionate its Korean employees are. As a salesman working at the forefront of all sales activities, I wish that more decision-making authority could be delegated to on-site employees to ensure quicker responses to the market. I also hope that this can serve as an opportunity to meet the various stakeholders of SK hynix.

SKHYD in Europe is doing its part to contribute to the sustained growth and bright future of SK hynix.

Take care & Viele Grüße! _ Karl Hardt / SKHYD

Employee Benefits

Employee Benefits

Operating in the belief that the best employee performances start with satisfied workers, SK hynix provides a variety of benefit programs to ensure that its human resources can lead stable and prosperous lives. Designed with the employees' entire life cycle in mind, they range from health and basic livelihood supports to education and culture.

Operation of SK hywel web-based portal

SK hynix developed a web-based benefits portal called SK hywel that provides benefit choices to support the lifestyles of its employees. There is also a mobile version that enables employees to gather information on their cell phones. The company also operates an SK hywel Family Site at www.skhywel.co.kr that provides employees' families with easy access to its various benefit programs.

Family-Friendly Supports

When its employees experience a major family event, SK hynix provides them with congratulatory or condolence payments. When an employee's family member dies, the company assists with the funeral in terms of both manpower and goods. It also provides subsidies to employees and their family members to alleviate the burden of medical expenses, and helps with school expenses until the employee's children have graduated from university. In order to ensure that its employees can enjoy a comfortable life after retirement, it assists them in paying for private insurance coverage on top of the national pension plan. It also offers low-interest loans when employees are buying a house or getting married.

Amenities

Commuter buses operate free of charge in metropolitan Seoul. They go to and from all the areas surrounding SK hynix's worksites. The company provides one free meal a day for every employee at its in-house restaurants, as well as dormitories for single employees and apartments for married ones. It also offers in-house medical and dental clinics, physical therapy rooms, and fitness testing rooms. In addition, it boasts a number of sports facilities, such as indoor gyms, fitness centers, swimming pools, and tennis courts, as well as in-house wedding halls, shopping malls, and banks.

Leisure

With the implementation of the five-day work week, SK hynix came up with various support programs so that its employees can refresh themselves through leisure activities. In addition to forming partnerships with well-known resorts, amusement parks, and theme parks at reduced prices, it operates its own tours and work/study programs, and provides its employees and their families with free packages to watch shows, performances, and other cultural events. It also provides its employees with a ticketing service for trains and airplanes, and offers them free travel advice.

Hobbies

SK hynix runs an in-house cultural center at which its employees and their families can register and take classes together. In addition to lectures, the center offers family-oriented educational programs. The company also operates about forty in-house hobby clubs.



- ① SK hywel web-based benefits portal
- ② Mobile version of SK hywel
- ③ Opening ceremony of psychological consultation center
- ④ ⑤ U-Wellness
- ⑥ ⑦ Awards ceremony for worksites with outstanding health programs

Advisory Service

SK hynix runs an in-house legal and tax office for its employees. It also operates a marriage office.

Creating a Happy and Healthy Workplace

Physical and Mental Health Promotion Project

Maum-Sanchaek, SK hynix's counseling center, helps workers deal with work-related stress and other issues. In addition, the company worked with the Ministry of Knowledge Economy to establish a program called Ubiquitous Wellness (U-Wellness) to help protect its employees' physical and mental health.

Team-Based Health Grade System

SK hynix conducts health assessments for each of its business work units. Working from the health check results of each of its employees, each unit is assigned a health grade rating. It then carries out custom-tailored health training based on the negative factors and offers health promotion advice that is based on its overall grade.

Managing the Work Environment

SK hynix controls the amount of hazardous substances at its work-sites and ensures that they meet all legal standards. In addition, labor and management conduct assessments of the work environment twice a year. Any risk factors that are detected are dealt with immediately.

Promoting Good Health

The company operates a number of health management programs,

including a stop smoking clinic, an obesity program, and gym classes. It promotes healthy lifestyles by reducing the number of smoking areas, installing stairs to help its workers burn off excess calories, making videos to promote healthy drinking habits, and encouraging stretching exercises in its offices.

Medical Checkups

The company's extended its medical check-up program to include employees' families in 2011. The service includes free breast cancer screenings, prenatal and postnatal care, vaccinations, and other types of assistance.

Preventing Infectious Diseases

SK hynix attempts to prevent infectious diseases and germs from spreading through company-wide disinfection activities and Legionnaires' disease and bacteria inspections of its in-house restaurants, drinking fountains, and vending machines.

Prevention Activity	Frequency
Company-wide disinfection	Monthly
Legionnaires' disease inspections	Annually (during the summer)
Bacteria inspections at in-house restaurants	Annually (during the summer)
Bacteria inspections of drinking water	Bi-monthly
Bacteria inspections of vending machines	Quarterly

Outside Recognition

All of SK hynix's worksites obtained Worksite with Outstanding Health Promotion certificates from Korea's Ministry of Employment and Labor in 2011. Its SKHYCL subsidiary in China won plaudits for its health promotion program for female employees.

Stakeholder Interview

“A Mother of Four Gives Thanks to SK hynix's Benefits Programs”



Yoon Su-hyang, a senior production employee, joined SK hynix in August 1988 and has been with the company ever since. She is a “super mom,” who is determined to succeed both in her work and in her child-rearing. Starting with her eldest daughter, Jeong-hui, who is now ten years old, she gave birth to two more daughters, Jeong-eun and Jeong-yeon (aged nine and six), and a son, Jeong-min (aged 4). She has been able to build her long career at SK hynix while also raising four children because she maintains a healthy balance between her work and her family. This was made possible by the various benefit programs that SK hynix has put in place for employees with children. “SK hynix offers all kinds of benefit programs for employees like me who have young children. They include swimming classes for kids in the summer and a ski class in winter, as well as programs that send the children to English villages, farms, and so. The company also helps its employees enjoy cultural activities with their families, such as watching musicals or puppet shows and picnics. It even provides financial assistance to ensure that their children can attend school. It's no wonder that my children are very happy that their mother works for SK hynix.” _Yoon Su-hyang, Engineer, D-PKG Process Management Team



VALUE CREATION THROUGH ENVIRONMENTAL MANAGEMENT

Major Issue

05

SK hynix engages in a wide range of activities related to climate change. It has enhanced the eco-friendliness of its products by obtaining Carbon Footprint labeling, conducting Life Cycle Assessments, and developing a CO₂ Calculator



Addressing Climate Change

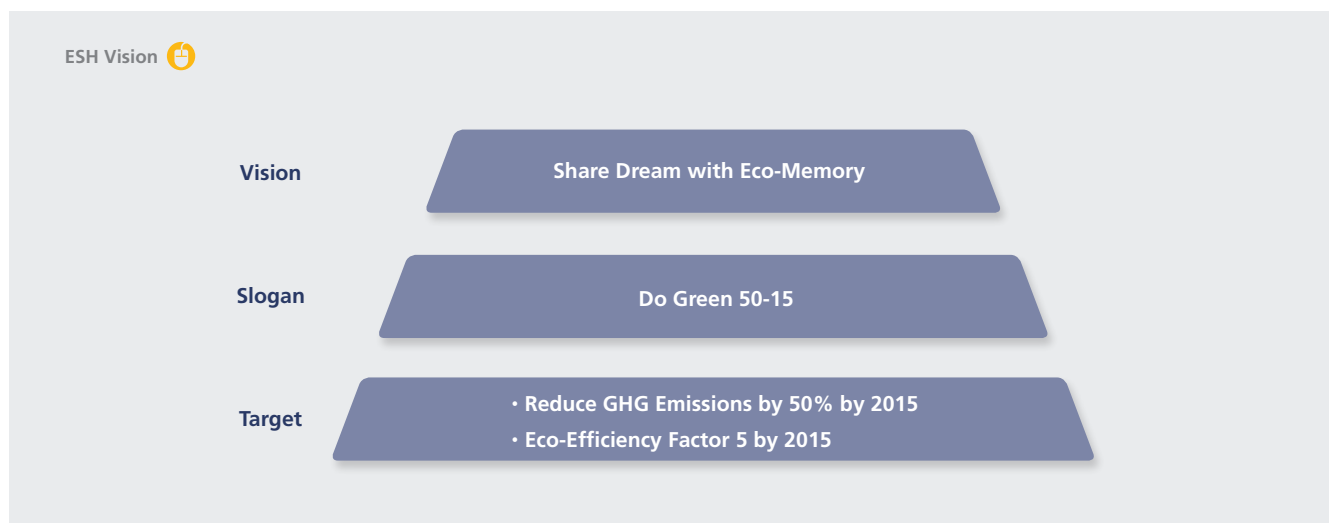
Approaches to Climate Change

SK hynix complies with all of the Korean government's regulations governing its Greenhouse Gas Target Management and Emissions Trading Scheme, as well as all international rules and regulations. It also manages changes in costs and product quality as a result of extreme weather patterns, such as yellow dust, typhoons, and heavy snowfalls, and alterations to its supply network. All risks relating to climate change are assessed by the company's Environment Safety Group. Issues are prioritized depending on the need to respond. They are also reported to management for a company-wide response.

GHG Emissions Inventory

SK hynix manages its GHG emissions at all of its worksites. Its two domestic worksites created a GHG inventory in 2005, and the one in China established its inventory in 2007. The worksites in Korea have been measuring their Scope 3 indirect emissions¹ and managing them through a third-party certification process since 2011. Their total Scope 3 emissions in 2011 stood at 413,000 tons of CO₂ equivalents. The company reduces PFC emissions that occur during semiconductor manufacturing processes by optimizing its operations and using alternative gases.

¹ Emissions caused by overseas business travel, the international shipping of products, and waste disposal



Award from Carbon Disclosure Project Korea

GHGs Emissions

Unit: kilotons of CO₂ equivalent



* Total emissions from all SK hynix worksites are the combined amount of six major greenhouse gases, with the exception of NF₃. Total emissions from the company's domestic worksites are the figures that were reported to the central government under Article 44 of the Framework Act on Low Carbon Green Growth

Participating in Greenhouse Gas and Energy Target Management System

SK hynix participates in the central government's Greenhouse Gas and Energy Target Management System. It also organized a task force to carry out energy conservation on a company-wide level. In contrast to previous measures, which only centered on supply-related departments, the new ones have a much wider scope, ensuring that all the organizations within the company participate in energy saving activities. This goal is enhanced through campaigns to raise its employees' awareness of the need to preserve the environment and conserve energy. Going forward, SK hynix will introduce an energy efficiency grading system for its production equipment, and buy more equipment that has a high level of energy efficiency. It will also secure technologies for low-carbon management and streamline its systems and processes.

Response to CDP, and Outside Recognition

SK hynix has been a member of the Carbon Management Global Leaders Club for three years in a row. This refers to a group of companies selected by the Carbon Disclosure Project (CDP) Korea for their outstanding carbon management practices. It was also awarded "Bada" Prize as Korea's leading company in terms of the Carbon Disclosure Leadership Index (CDLI) in 2008. It also earned a ranking in Band A, the Carbon Performance Leadership Index's leading group, for its activities on behalf of climate change mitigation, adaptation, transparency, etc., on top of the information disclosed as requested by the CDP.

Energy Reduction Activities

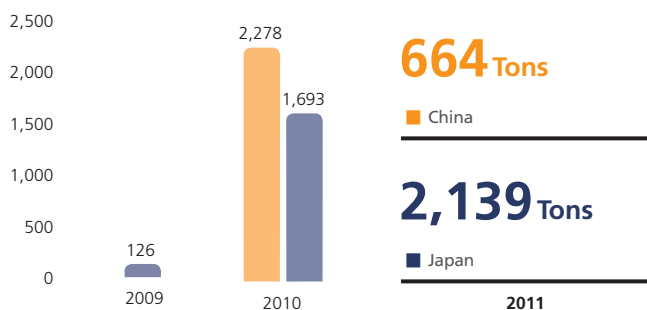
SK hynix's energy reduction activities are three-pronged. They include recycling waste energy, improving the efficiency of equipment, and using alternative energy.

A representative case of energy recycling is the use of waste heat generated from wastewater and coolant to heat industrial water. This system, which was completed in early 2011, resulted in energy reductions worth KRW 4 billion over the year. The company also reduces its energy use by optimizing its processes and increasing the efficiency of its equipment. Given the characteristics of semiconductors, it is vital that a constant temperature and humidity level be maintained in the clean rooms. The company saves some of the energy it uses even when its equipment is not operating by minimizing their overheating and cooling. It also replaced its steam humidifiers with water spray humidifiers. In addition to consuming only a fraction of the energy needed to operate steam humidifiers, they absorb latent heat, producing an extra cooling effect.

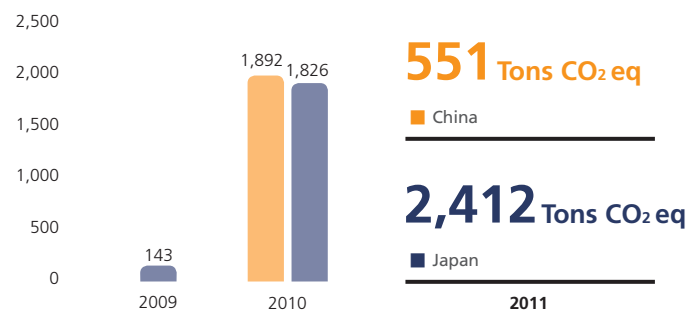
Reducing Carbon Emissions

SK hynix has enhanced its transportation and logistics system by sending equipment for facilities by ferry instead of air between Korea and Japan and between Korea and China. This enables the company to save on transportation costs and reduce its carbon dioxide emissions. 91 percent of its inbound facility equipment from Japan is now transported by ship.

Transport Volume of Ferries



GHG Reductions



Eco-Friendly Products

Carbon Footprint Labeling 🏡

SK hynix has obtained certificates for its major products since carbon footprint labeling was first introduced in 2009. In 2011, the company had its 40nm-class 2Gb DDR3 and 30nm-class 32Gb NAND Flash MLC certified. In the future, it plans to reduce its carbon emissions even more. The company will continue to have its major products certified by developing more shrunken nano processing, changing its design technologies, and reducing its volume of PFC emissions.

Life Cycle Assessments (LCAs)

SK hynix established a computerized LCA system, with a goal of having all its products LCA-covered by 2015. In 2012, it will extend the assessment process to CMOS image sensors.

CO₂ Calculator 🏡

SK hynix developed CO₂ calculator in 2012. This is a tool that helps customers understand the value of saved electricity, helping them to reduce their CO₂ emissions and enhance their contribution to environmental preservation by using high-efficiency products. Its website, www.skhynix.com, provides CO₂ calculators for computing, mobile, and graphics memory products.

Eco-Efficiency Analysis

SK hynix measures the eco-friendliness of its products by using an indicator it developed in 2008. It also defines its Factor h² every year, to help it develop more environmentally friendly products. Its goal is to reach Factor 5 by 2015. Factor 5 means decreasing its environmental impact and improving product values five-fold. In 2011, the company achieved Factor 3.39, 13% higher than its original goal for the year. This was due to its nanofabrication process and other process optimizations.

Eco-Efficiency Brochure 🏡

SK hynix conducted an eco-efficiency analysis of twenty-four of its products made before 2011 with its Computing, Graphics, Mobile, Consumer and NAND Flash memories. It published brochures describing its case studies and eco-efficient methodologies in 2009 and 2011. They are available on the company's website, www.skhynix.com.

Development of Eco-Friendly Materials

SK hynix is striving to reduce its use of hazardous materials and comply with all international standards governing hazardous substances, including the Restriction of Hazardous Substances (RoHS)¹. In the

first quarter of 2011, it conducted a review of all the internationally restricted and/or prohibited substances that were being used in its raw and packaging materials, including halogen and those compiled by RoHS and REACH² SVHC³. When it was found that a raw material contained a relatively high level of a regulated substance (even if it was below the limit), the company shared the results with its suppliers and asked that corrective measures be taken. In addition, the company reduced the level of Br and Cl Halogen contained in its solder paste and film by substituting raw materials and enhancing its process controls. This was done in response to an increasing demand by environmentally conscious people around the world for reductions and restrictions in the use of hazardous substances in packaging materials, since they have such a short life cycle compared to the products inside them. The company also put a stronger approval process in place, and replaced materials having high concentrations of harmful substances. In addition, it reduced its bromine (Br) and chlorine (Cl) levels by cutting the use of packaging materials containing these substances. It will continue to assess its packaging materials going forward. In addition, it will conduct other improvement activities, since its use of packaging materials is expected to increase with the introduction of such new products as solid state drives (SSDs).

1 RoHS (Restriction of Hazardous Substances)

2 REACH (Registration, Evaluation, and Authorization of Chemicals): European regulatory system to manage new chemical substances

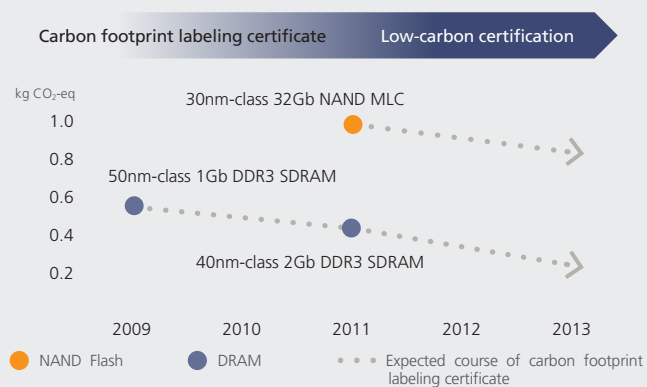
3 SVHC (Substance of Very High Concern)

Response to Enhanced Environmental Regulations 🏡

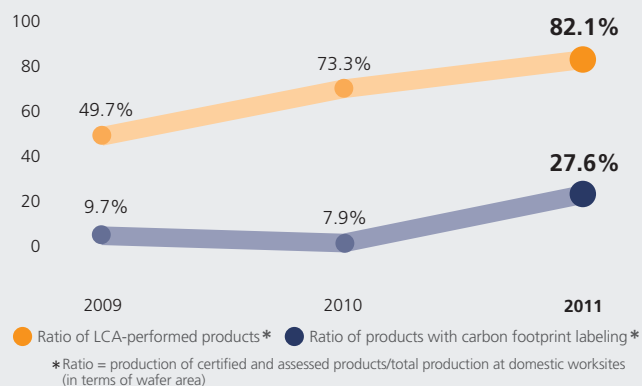
RoHS announced the expansion of its scope, along with the deletion of some exemptions with specific schedules and a plan to add more substances to its list by 2013. Its deletion of the exemptions requires immediate attention, since SK hynix will need to reduce the level of lead contained in its resistors. Some resistors that are widely used in the manufacture of consumer electronics and modules contain lead. Although the application of such resistors is included in the exemptions list, it is scheduled to be deleted in 2013. As a result, SK hynix conducted a review of its resistor suppliers regarding their development and mass production status. It also found suppliers that were capable of developing a Pb-free resistor and encouraged them in its development. The company will assess the new alternative resistor in 2012 and prepare for its mass production.



Carbon Footprint Labeling



Eco-Friendly Product Assessment

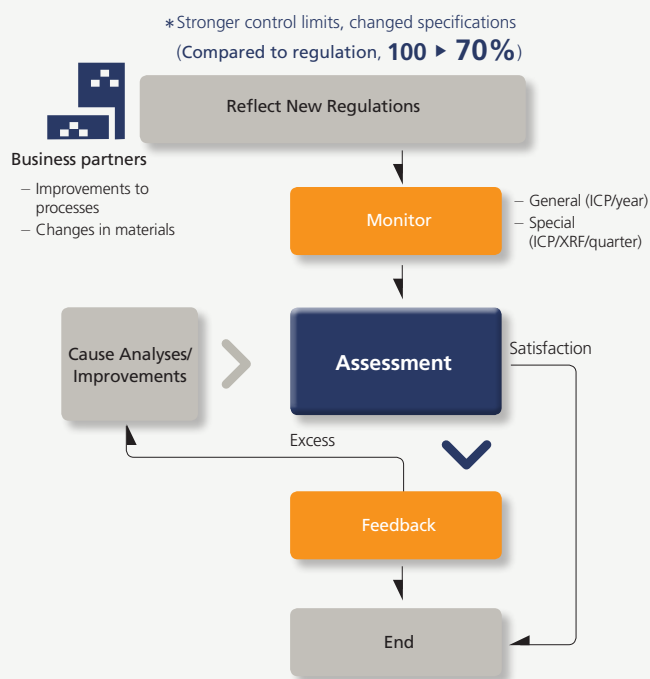


Improved Raw Materials

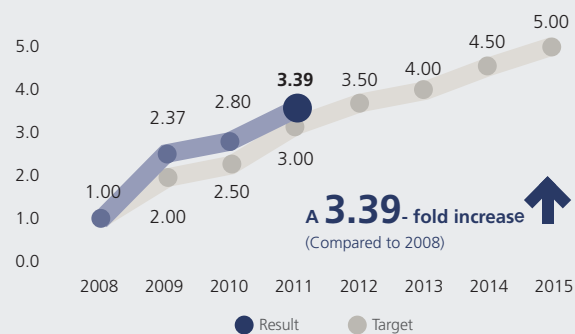
Threshold Limit (Br/Cl < 900ppm)

Materials	Supplier	Substance	Before Improvements	After Improvements
S-Paste	Alpha Metal	Br	700ppm	245ppm
Film Add.	Innox	Cl	600ppm	273ppm
Pack Tape	GP&E	Cl	2,500ppm	267ppm
Box	Jungmoon AD	Cl	600ppm	283ppm

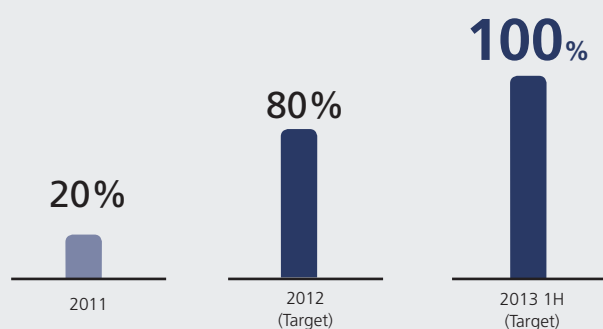
Improved Assessment Flow for Packaging Materials



Eco-Efficiency Assessment Results



Share of Suppliers of Pb-free Resistors



Mass Production Plan for Pb-free Resistor-Applied Products



Minimizing of Environmental Risks

Water-Related Risk Management

SK hynix's Icheon worksite takes in approximately 60,000 tons of water daily from the South Han River. It purifies it in-house and then uses it in its production processes. Unlike Icheon, the Cheongju worksite is provided with about 30,000 tons of water every day by the city of Cheongju. The Icheon worksite established a partnership with Korea Water Resources Corporation in 2008 to guard against any and all possible water risks, given the fact that it uses its own source of water. Under the terms of the partnership, the worksite will be provided with 30,000 tons of water per day by the end of 2012.

Water Conservation

SK hynix has taken a number of measures to save water resources and minimize its release of water pollutants. For example, it optimizes the cleaning time of its semiconductor wafers and reuses waste water used in its manufacturing processes. As a result, 23 percent of the water that was used for industrial purposes at its domestic worksites in 2011 was recycled. In April 2011, the company installed an

organic wastewater treatment facility with a capacity of 2000 tons per day. It uses the treated water in its scrubbers and toilets.

Establishment of Source Control System

SK hynix established an ESH Quality source control system in 2010. This means that drainage facilities for any new semiconductor processing equipment can only be installed after their potential environmental impacts have been analyzed. As a result, the company can now ensure that it has an effective wastewater treatment system in place, leading to reduced discharges of water pollutants and meeting all legal standards for the stable management of its wastewater.

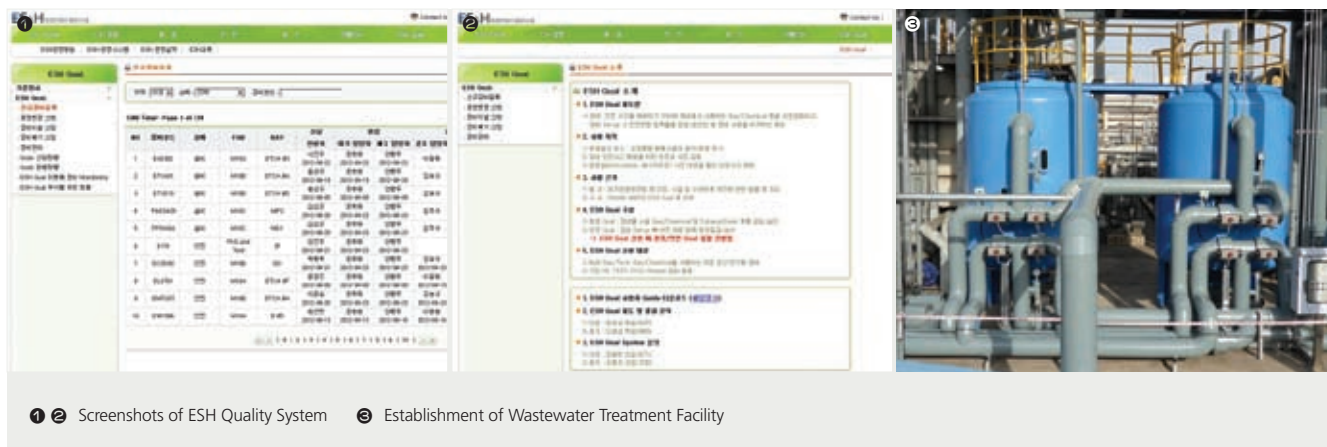
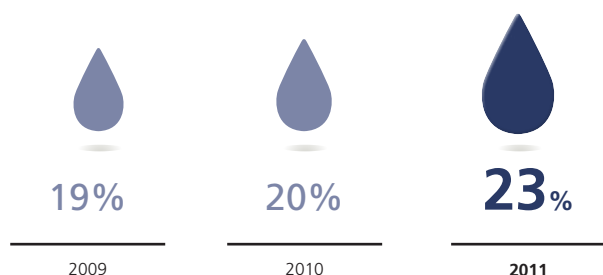
Wastewater Treatment and Water Quality Management

Water pollutants generated at SK hynix's worksites are classified, treated, and discharged through a source control system. The company maintains its pollutant levels at below 50 percent of the maximum legal criteria, ensuring a minimal impact on the ecosystems of the rivers into which the treated water is discharged. This process is backed by the company's Tele-Metering System (TMS), which monitors any potential environmental risks and shares the data with the Ministry of Environment.

Ecotoxicity Management

SK hynix started managing ecotoxicity levels in 2007. This was done to protect the ecosystems of nearby rivers and as part of its preparations for the introduction of Whole Effluent Toxicity (WET) regulations. Because the Icheon worksite is located in a special government-designated water supply source area, it has to comply with

Reuse Rate of Treated Wastewater at Domestic Worksites



much stricter discharge standards. In addition, it has established an in-house standard, committing it to maintain its pollutant level at half the legal requirement. Effluents from the company's worksites at Icheon and Cheongju contain a stable level of water quality that satisfies all WET regulation criteria. They are 1 TU¹ at Icheon, and 2 TU at Cheongju. Ecotoxicity tests taken at nearby rivers showed 0 TU. As a result of these efforts, SK hynix was awarded the grand prize in the first ecotoxicity management best practices contest sponsored by the Ministry of Environment.

1 TU (Toxicity Unit): Effect of effluents on ecosystems

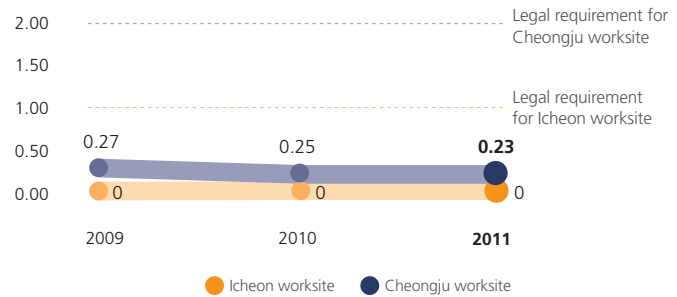
Monitoring Air Pollutants

SK hynix monitors a wide range of air pollutants and complex odors. In 2011, its monitoring activities focused on managing its anti-pollution facilities, discovering the causes of complex odors, and assessing the efficiency of its anti-pollution facilities. The company also uses

TMS to monitor concentrations of HCl in discharges, and conducts regular monitoring and evaluations of Sox, NOx, and air quality near the borders of its worksites.

Ecotoxicity Management

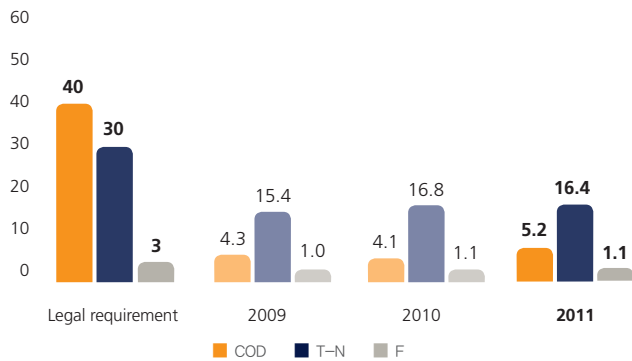
Unit: TU



Water Quality Management through Wastewater Treatment Facilities

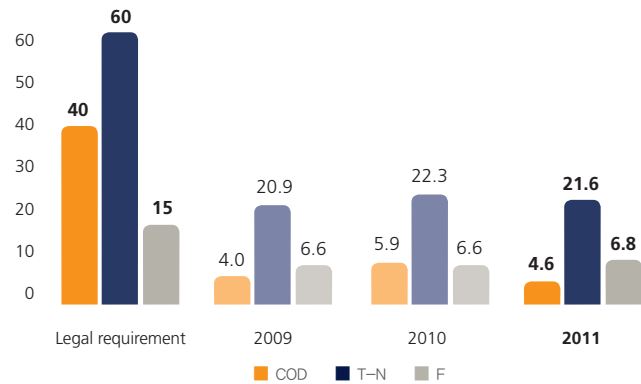
Icheon Worksite

Unit: ppm



Cheongju Worksite

Unit: ppm



Clean Air Project (Hy-CAP)

Hy-CAP refers to SK hynix's program to reduce air pollutants. It is a source control-type method that minimizes the generation of pollutants from the production phase onwards. It includes an Environment, Safety and Health (ESH) qualification system that minimizes the generation of waste gases by installing emission facilities, and an intensive control system that improves the efficiency of the processes that generate PFC gases¹. Starting in 2012, the company will implement a total emissions cap system² to control HF, one of the main pollutants generated in the manufacture of semiconductors.

¹ PFC gases: Perfluorocompound gases are a group of greenhouse gases that are widely used in semiconductor and display manufacturing processes.

² Total emissions cap: A company's cap, or limit, is allocated or sold in the form of emissions permits which represent the right to emit or discharge a specific volume of a specified pollutant. Firms are required to hold a number of permits equivalent to their emissions. The total number of permits cannot exceed the cap, limiting total emissions to that level.

Waste Reduction

SK hynix has made a number of efforts to carry out more recycling activities and reduce its volume of waste. It does this by analyzing the type and amount of waste that it generates in each manufacturing process and installing recycling technologies to counteract them. In 2011, the company recycled many valuable metals from the waste water used in its RDL³ process, leading to dramatic cost savings and a recycling rate of over 90 percent. Since 2009, waste materials have been recycled through the company's Eco Industrial Park (EIP) project, which is carried out in collaboration with the communities in which it operates. In addition, the company strengthened its cooperation with waste treatment companies in 2011 by changing the length of its contract periods, expanding its waste disposal cost linkage system, and conducting regular environmental and safety training activities. Thanks to these efforts, its recycling rate has remained over 90 percent every year, enabling it to use recycled materials for other uses and create additional values worth KRW 23 billion a year.

³ The Redistributed Layer (RDL) process generally involves one or two layers of metal and two or three layers of a polymer dielectric material, such as polyimide or BCB.

Minimizing the Use of Hazardous Chemicals

Reducing the Use of Hazardous Chemicals

SK hynix's business units work together to minimize their use of harmful chemicals. In addition, the company has designated a group of hazardous chemicals considering each chemical's amount of use and its ESH impact. It reduces the use of these chemicals by extending their usage period and recycling, achieving cost savings and reducing their ESH impact at the disposal phase.

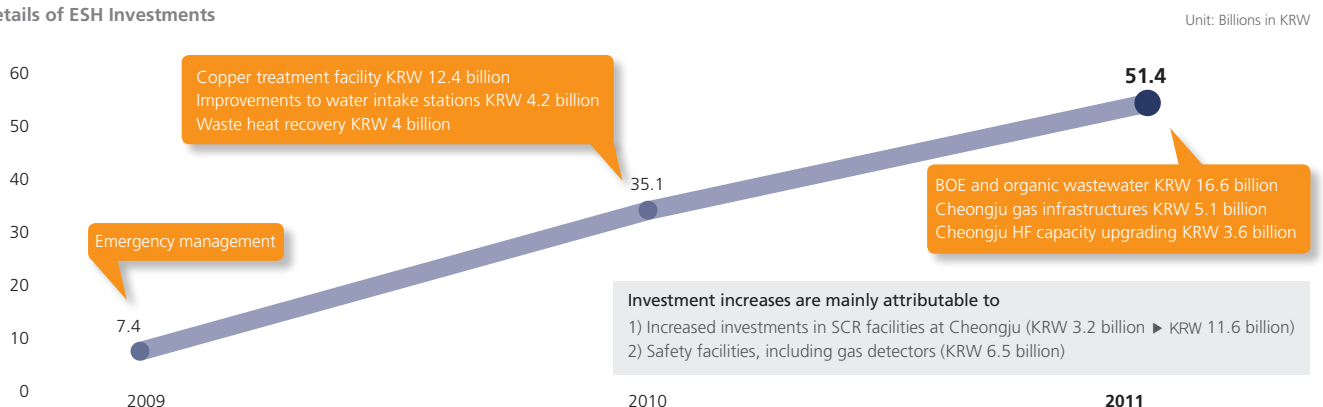
EHS Qualification System for New Materials

As the Rio Earth Summit and the World Summit on Sustainable Development illustrated, the focus of environmental protection is changing from a medium-oriented environmental management to an integrated management system that focuses on the risks associated with using them. In response, SK hynix has established a series of guidelines to its regulations on toxic substances. It also operates an EHS Qualification System to ensure that materials brought into the company do not contain prohibited substances, and established a green procurement (GP) system to share information with its business partners. The ESH Qualification System allows SK hynix to identify materials that contain harmful chemicals and substances used in processes with a high environmental impact. It then develops alternatives, such as N, N-Dimethylacetamide (DMAC) and N-Hexane, through collaborations between its engineers and its business partners. Going forward, the company will expand and strengthen its EHS qualification system to respond to increasing regulations both at home and abroad.

Investments in Environment, Safety and Health (ESH)

SK hynix's ESH investments include environmental protection, health and safety management, and ameliorating the problem of climate

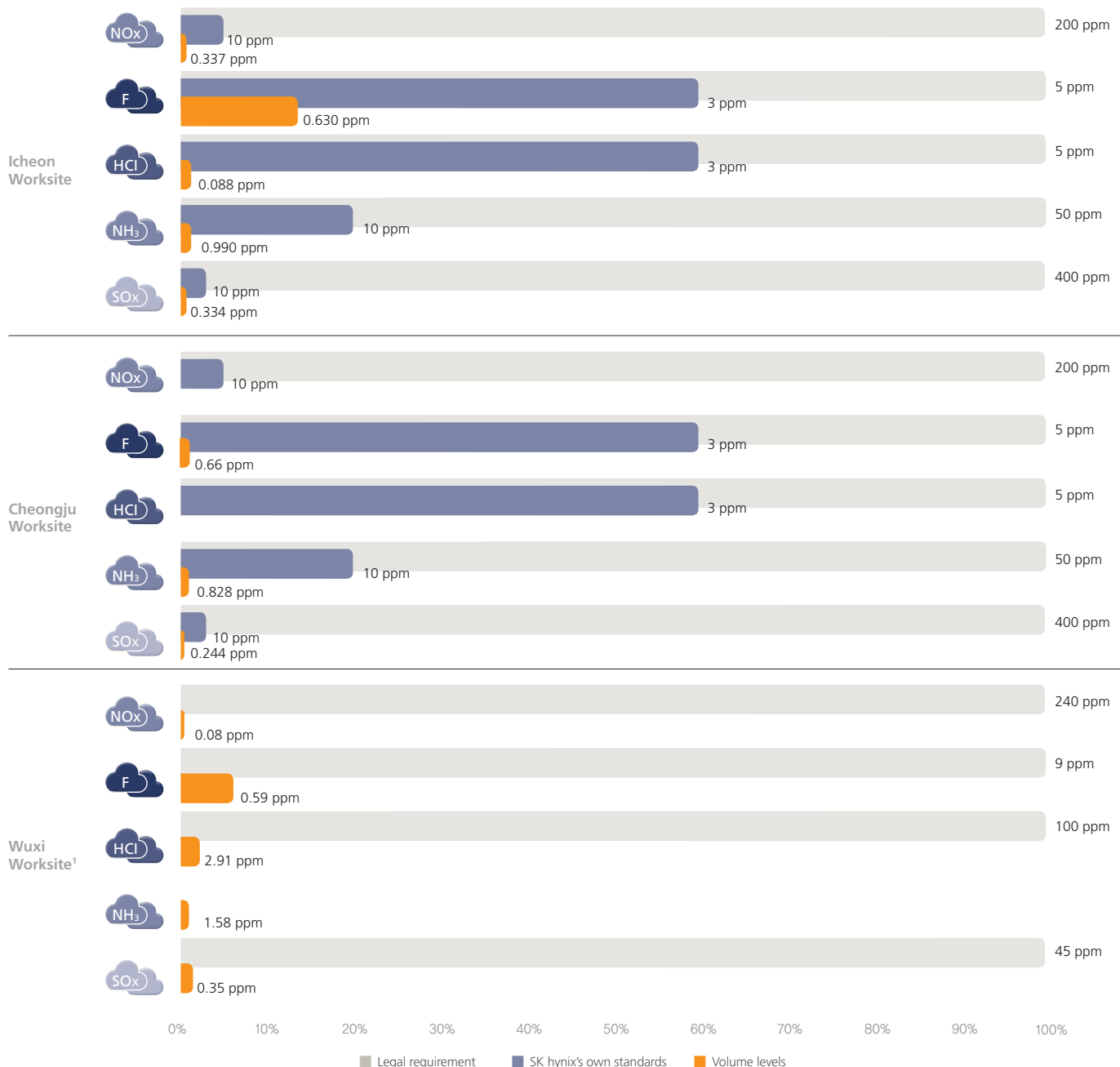
Details of ESH Investments



change. Its investments in 2011 included KRW 16.6 billion for a BOE wastewater treatment facility, KRW 5.1 billion to establish a gas infrastructure, and KRW 11.6 billion for an air pollution cleaning facility at its Cheongju worksite. Its 2012 investment plans include installing a pollution prevention monitoring system for its major manufacturing

lines and a wastewater treatment and reuse system to minimize the environmental impact of its business and preserve water resources. Other investments include the establishment of a GHG monitoring system and pilot tests for photo-voltaic generation facilities and electricity-saving pumps.

Air Pollutant Emissions Compared to Legal Requirement



¹ The Wuxi worksite is subject to both concentration and total emissions cap regulations. There are no in-house volume criteria due to strict total emissions caps, and no criteria for NH₃ concentrations. There are only total emissions caps.

SPECIAL FEATURE

Fog as a Source of Energy?

“One solution that solves two problems: energy use and complaints from local residents”

A simple but state-of-the-art waste heat recovery system has resolved a fog issue that had been generating complaints from residents living near SY hynix's plant in Icheon, resulting in a friendlier and more positive relationship and saving the company approximately KRW 4 billion in energy costs into the bargain. The roads near the plant had been suffering from foggy conditions for over twenty years. The fog was created when the temperature of the vapors from the plant's effluents and cooling towers exceeded that of the ambient air, making driving extremely dangerous. Because the discharge of hot water and steam into the atmosphere was a necessary part of the semiconductor manufacturing process, something innovative needed to be done to resolve the problem. The answer was both simple and innovative. SK hynix installed six waste heat recovery systems that lowered the temperature of the effluent and the steam by 50%. Each system consists of two pipes, which hot and cold water flow through alternately so that everything mixes.

In the first stage, the 20°C effluent and 4°C industrial water mix together, bringing the overall temperature to approximately 10°C. As a result, the temperature of the effluent at discharge ranges from 10 to 15°C. In the second stage, the industrial water from stage one exchanges heat with the 30°C steam, bringing the temperature down to about 25°C. In stage three, the industrial water from stage two, whose temperature is now about 21°C, is ready for use by the plant's equipment. Because it has been heated in stages one and two, the process that was formerly needed to raise the industrial water to a temperature of 21°C is now rendered superfluous. In order to obtain the ultrapure, de-ionized water that is necessary for the plant's manufacturing processes, the temperature of the plant's industrial water must be raised from 4°C to 21-23°C. Using steam for this results costs approximately KRW 4.2 billion a year. Using the heat from the hot effluent and the steam means that the company can increase the temperature of the industrial water and save money by using less steam. A simple and innovative solution to a vexing problem!



Effluent pump room



Construction work on the pipe carrying effluent #1



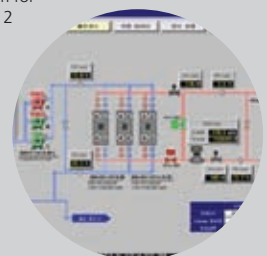
Heat exchange room for effluents #1 and 2



Heat exchange system



Heat exchange pipe for cooling towers



Operation monitor

A vertical line of nine circles on the left side of the page. The top eight circles are white, and the ninth circle at the bottom is dark blue.

WIN-WIN GROWTH WITH BUSINESS PARTNERS

Major Issue

06

SK hynix has signed Win-Win Growth and Fair Trade Agreement with all its business partners to prevent unfair practices.

After the agreement have been signed, the company provides its partners with technological, training, and financial support. It also helps them to set up a sustainability management system that boosts their ability to manage risks.



Initiatives for Win-Win Growth

Win-Win Growth Agreement

SK hynix has signed Win-Win Growth and Fair Trade Agreement with all of its subcontractors to prevent unreasonable transaction practices and achieve mutual growth with its business partners. It currently provides technological, training-related, and financial support to those who have signed the agreement, and plans to increase their number in 2012.

Establishment of Consultative Body

SK hynix has formed a consultative body of eighty-two domestic and international key business partners. This was done to strengthen the company's technological competitiveness and its partnerships with its business partners, and to develop new technologies through sharing and collaboration.

SK hynix shares its business goals and technological developments through regular meetings and briefing sessions with its partners. In

addition, it holds smaller meetings that are categorized according to the type of equipment, components, and raw materials. Through these meetings, SK hynix pursues diverse programs for mutual growth that aim to achieve strategic localization through technological cooperation with its business partners and to overcome the technological limitations of next-generation products. Other measures to boost the competitiveness of the company and its partners include offering annual rewards to high-performing partners.

Support Programs for Business Partners

Technological Supports

• Performance Evaluation Program

The purpose of this program is to allow SK hynix to evaluate and certify the quality of the equipment, materials, and components that its business partners have developed. The program was first launched

Win-Win Growth Strategy



Win-Win Growth Roadmap

SK hynix's win-win growth activities are based on trust and respect

Expansion ~ 2011

Continuity 2012 ~

Establishment 2008 ~

Financial Assistance

- Formed task force
- Introduced win-win growth program
- Established system for registering new partners

Signing of Win-Win Growth agreements

- Assisted win-win and established programs
 - Win-Win Assistance Fund
 - Win-Win Growth Fund
 - Selected high-performing business partners
- Equipment commercialization project, phases one and two
- First to sixth performance evaluation programs
- Established Win-Win Academy
- Set up patent assistance system
- Signed win-win growth agreements and monitored win-win growth index

Review of Performance Sharing Program

- Expanding win-win growth activities
 - Payment settlements (increase cash settlements)
 - Promoting sub-group activities
 - Technology Escrow
 - Mutual Growth Insurance
- Win-win growth activities rooted in enhanced communications
 - Review of launch of Partners' Day overseas
- Signing Win-Win Growth and Fair Trade Agreement for 2012

in 2007. Since then, the company has evaluated sixty-four items and certified and purchased forty-five of them, saving it KRW 743 billion in import costs.

• Commercialization of Equipment Created with Original Technologies

SK hynix has launched a project that involves developing next-generation semiconductor equipment. This was done to assist Korea-based equipment manufacturers to increase their competitiveness. Eight first-phase business initiatives have been completed, and the company is working on five second-phase ones.

Financial Assistance

• Win-Win Growth Fund

The Win-Win Growth Fund was created in 2011 to strengthen the competitiveness of SK hynix's business partners by providing them with low-interest funding for management and technological development. The fund totals KRW 51 billion. KRW 16.5 billion of it has been disbursed to ten partners so far.

• Win-Win Growth Insurance

SK hynix has created the scale of KRW 9.6 billion Win-Win Growth Insurance Fund to provide financial assistance for its secondary partners and to minimize the financial impact that might result from the possible bankruptcy of a high-level partner. Its trust guarantee funds are operated by large corporations that award contracts to smaller businesses. A secondary partner can sign up for the insurance and take out a loan on preferable terms when its primary partner's guarantee is provided.

Patent Assistance

In order to prevent patent disputes, SK hynix provides its business partners with assistance related to their patented technologies. In 2007, it offered training and technological assistance to seven companies that specialize in the production of semiconductor equipment

and materials. In 2008, it shared its patent management knowledge at a meeting on patented technologies. In 2010, it set up a system that discloses which patents can be sold or given away, enabling its partners to acquire patents they need. In 2011, it gave seven of its patents to two business partners at no charge and dispatched patent experts to five others to offer them patent advice.

Training Supports

SK hynix's Win-Win Academy is a training program that was launched in 2010 to provide its business partners with assistance in employee training. In 2011, 1,236 employees of its business partners received such training. In addition, the company rewarded partners with outstanding training records. The Win-Win Academy offers assistance in management consulting and technological training in semiconductor technology, including high-quality technology techniques and innovation processes. It also provides management training, such as CEO and executive seminars, leadership training for each level of the organization, and skills enhancement. The trainings are given in the form of group, in-house, or on-line sessions.

Green Partnerships

Calculation and Verification of Partners' GHG Emissions

As part of its win-win cooperation efforts, SK hynix helps its business partners build their own eco-friendly management frameworks. It has been participating in the Korean government's carbon partnership project for two years. The program assists a large company's business partners in building their own carbon management systems. In the first year, the company established the initiatives needed to build a carbon management system for ten of its business partners, reducing their GHG emissions by approximately 12,000 tons of CO2 equivalents. In 2011, the program was expanded to include eighteen partners, seventeen of which were given energy evaluations. Going forward, SK hynix will identify best practices and share them with all its business partners.



- ① General meeting
- ② Presentation about assistance available through Win-Win Growth and Fair Trade Agreement
- ③ Launch meeting for second-year carbon partnerships
- ④ Second-year working level workshops
- ⑤ In-house training for companies participating in carbon partnerships

Assistance for Partners' Sustainability Management Systems

Programs for Promoting Business Partners' Sustainability Management

SK hynix has devised a roadmap that helps its business partners to set up their own sustainability management systems. This was done to ensure a framework for mutual growth by reinforcing risk management activities across the company's entire supply chain. It has also launched a number of programs to promote sustainability management among its business partners. Going forward, it will monitor their progress by establishing a risk management system. It will also select the business partners it will continue to support based on evaluation criteria used by its SCM Division.

Code of Conduct for Business Partners

In March 2011, SK hynix established the SK hynix Code of Conduct for Business Partners to ensure that they are protected against risks relating to sustainability management. Based on the Electronic Industry Code of Conduct established by the Electronic Industry Citizenship Coalition, or EICC, it includes clauses governing minerals produced in conflict areas.

Presentations on EICC

SK hynix provides training sessions in the EICC for all the members of its SCM Division. It also conducts training for designated employees at each partner company so that internal training can follow. In addition, the company provided information about the importance of corporate social responsibilities and the EICC at a meeting with the heads of its subsidiaries and business partners.

EICC Compliance Pledge

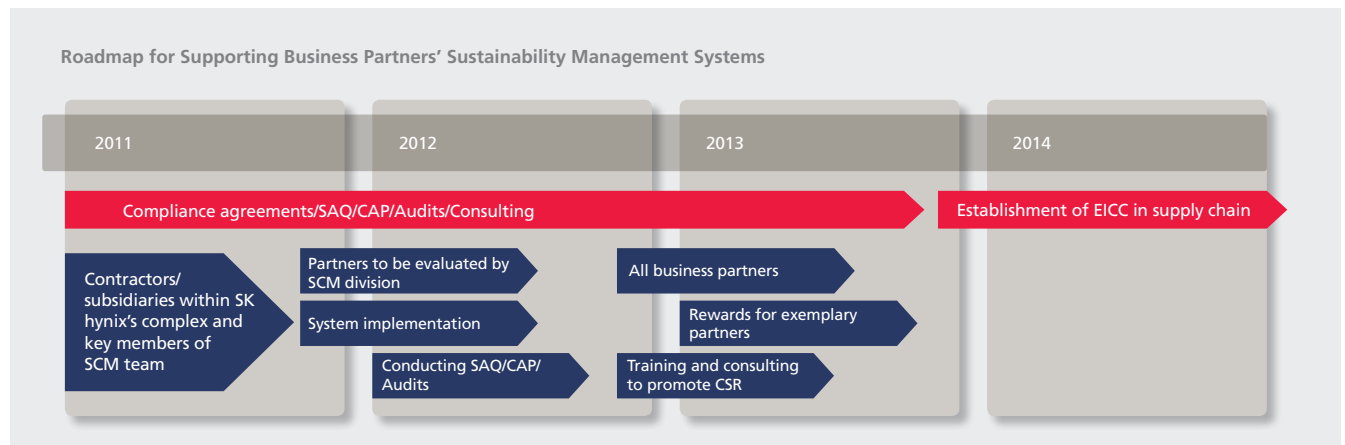
SK hynix received compliance pledges for the SK hynix Code of Conduct for Business Partners from 209 of its key partners. This helped promote the company's Code of Conduct and drew its business partners' attention to the importance of practicing sustainability management.

EICC Self-Evaluations

202 of the company's business partners that had agreed to comply with the EICC chose to evaluate themselves. SK hynix helped these companies to take stock of their current status and establish improvement measures. It also selected twenty-three partners who

Overview of SK hynix's Code of Conduct for Business Partners

Category	Description
Labor and Human Rights	Prohibition of discrimination; humane treatment; voluntary employment; prohibition of child labor; compliance with working hours; fair treatment; freedom of association
Health and Safety	Industrial safety; hygiene control; establishment of emergency measures; disaster and disease controls; reduction of dangers related to physical labor; equipment safety
Environment	Authorizations related to the environment; hazmat/waste management; prevention of environmental pollution; resource conservation; regulations governing materials used in products; meeting customer needs
Management System	Declaration of voluntary compliance; clarification of management responsibilities; evaluation and management of ethical risks; managing goals and performance evaluations; training programs; monitoring compliance with transaction guidelines
Legal Mining of Raw Materials	Clarification of sources of raw materials used throughout the supply chain; assurance that materials have no direct or indirect links to conflict disputes
Ethics	Free competition; legal compliance; voluntary compliance with fair trade statutes; development of win-win programs; integrity; good faith



were exposed to a high level of risk, provided them with feedback on their weaknesses, and helped them to establish improvement plans.

On-Site Visits and Interviews with Employees

SK hynix visited eight business partners within its complex to inspect their human and labor rights conditions. It also conducted on-site interviews regarding their working environments. This contributed to raising their awareness of the need for on-site sustainability management, and ensured continuing improvements through the voluntary participation of their employees.

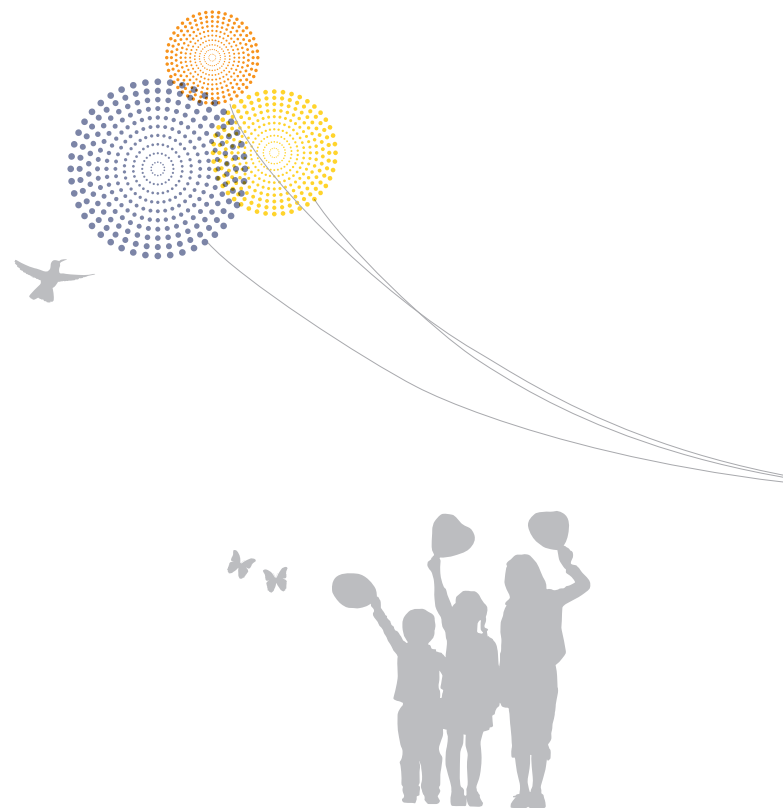
Managing Business Partners and Programs

In order to comply with the Ministry of Labor's In-house Subcontracting Workers Protection Guidelines, SK hynix is planning to enhance its programs aimed at improving the treatment of its business partners' employees. For example, it has raised the job satisfaction level of these workers by prioritizing the "improvements to treatment of workers" category in its evaluations of its in-house business partners. In addition, it holds monthly meetings with their representatives to identify their grievances and devise solutions. It has also formed a consultative body with representatives of its business partners to discuss issues and improvements related to the company's operations and policies.

Promotion of Sustainability Management among SKHYCL's Business Partners

SKHYCL is committed to complying with EICC and embracing all of its corporate social responsibilities. Beginning in 2007, its levels of EICC compliance and sustainability management have been evaluated by Apple, IBM, Dell, Sun, Lenovo, and other key customers. All the issues identified by these customers have been resolved. In addition, the company is modifying its policies and systems to ensure that they comply with the EICC. In addition, SKHYCL is helping its partners to

realize the importance of CSR and ensure their future competitiveness. This is done by enhancing its management training programs that are based on the EICC. In 2009, it conducted EICC training for ten of its partners, and had them sign an EICC compliance pledge. It also uses self-evaluations and on-site inspections to promote sustainability management among its business partners. It held an EICC compliance workshop for twenty of its business partners in 2011, and plans to continue promoting the need for sustainability management through on-site inspections and guidance in 2012.



- ① EICC Compliance Pledge Ceremony
- ② ③ Interview with on-site worker for a business partner in SK hynix's complex
- ④ EICC workshop for SKHYCL business partners

Management of Raw and Subsidiary Materials Suppliers

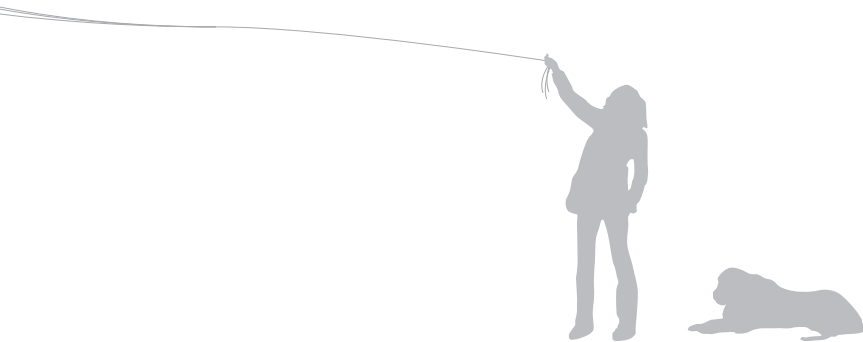
Ban on Using Minerals from the Democratic Republic of Congo and Other Conflict Areas

The Dodd-Frank Wall Street Reform and Consumer Protection Act that was passed by the United States Senate in July 2010 includes clauses that ban the use of tantalum, tungsten, tin, and gold produced in nine conflict areas in Africa, including the Democratic Republic of Congo. Under this statute, all manufacturers that are listed in the United States must report their use of conflict minerals to the Securities and Exchange Commission starting in June 2012. A number of SK hynix's customers are listed manufacturers in the US. Even before this Act was passed, however, SK hynix was gathering information from all of its raw and subsidiary material suppliers and securing letters of guarantee regarding the source of their materials and their smelting facilities. In 2011, it conducted a survey of all

of its raw and subsidiary material suppliers, using information and guarantee forms provided by the EICC. Based on the information it received, the company discovered that fifty-four of its suppliers were using metals related to conflict minerals. It then gathered detailed information on these suppliers and their refineries and extraction companies. This included their names, the countries in which they were headquartered, business locations, and the people in charge. After this was done, SK hynix was able to confirm that all their materials had been extracted from areas not related to the conflict areas in question. Some suppliers only submitted letters of guarantee, claiming that all the other information was confidential. In the future, SK hynix will obtain the information it needs by signing confidentiality agreements.

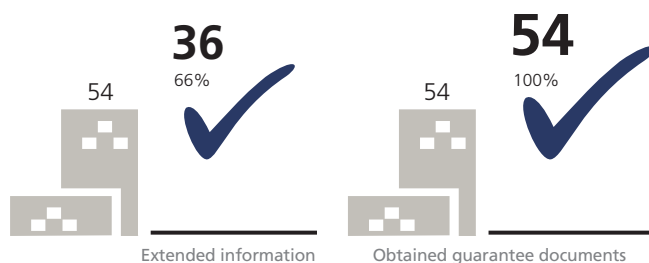
Improving the Green Evaluation System for New Suppliers

SK hynix operates a Green Product Management System, or GPMS, to enhance the environmental management capabilities of its new raw and subsidiary material suppliers. In 2011, it created a screening system based on international environmental standards to select and evaluate its suppliers. When a new supplier is registered in its Master Data Management (MDM) program, it undergoes an overall evaluation. Since this process is linked to the GPMS, the evaluation automatically includes an assessment of the supplier's eco-friendliness. Once the supplier has reviewed the evaluation categories and provided the required data, SK hynix evaluates it and provides the results in the form of feedback.

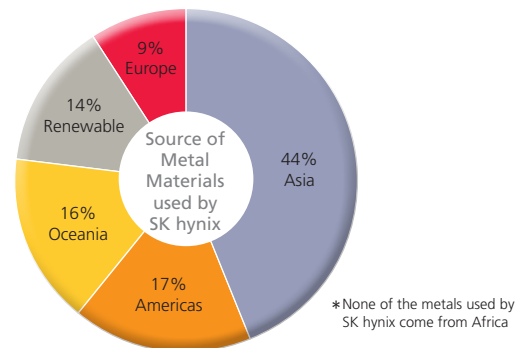


Verification of Raw and Subsidiary Suppliers

Unit: Number of companies



Source of Metal Materials used by SK hynix

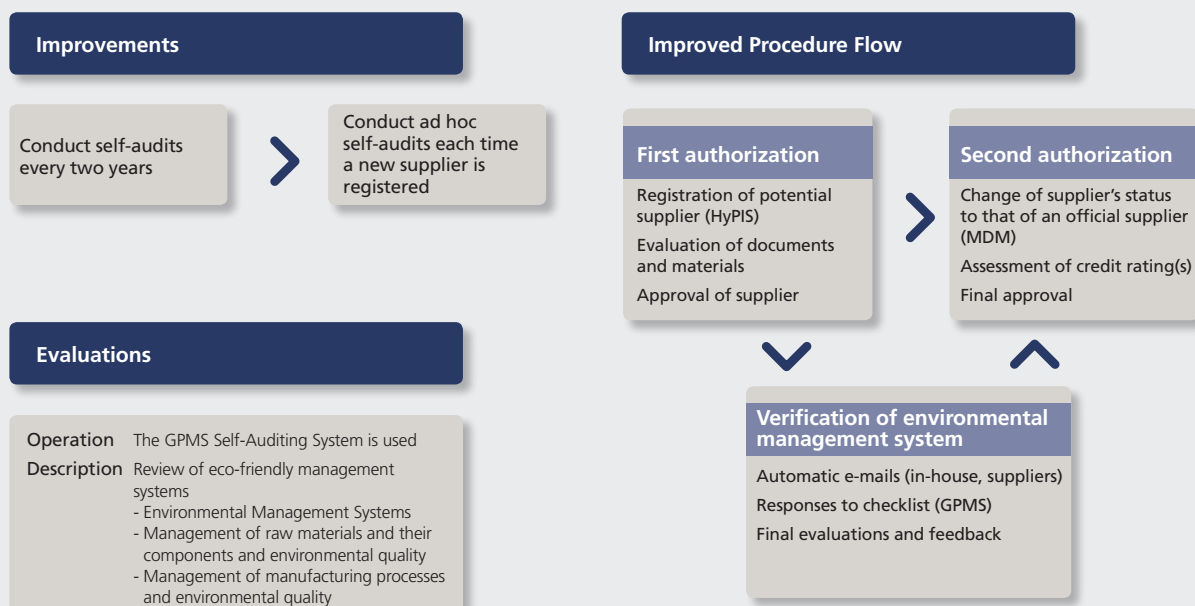


Response to REACH Regulations

In 2011, the Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) expanded its Substances of Very High Concern (SVHC) list to include fifty-three substances, adding twenty-seven more to the list. In response to this change, SK

hynix surveyed all of its raw and subsidiary materials suppliers and reviewed the information about its products to find out if any of the new SVHCs had been used in them. The results showed that none of them had been. The company will continue with its verification of new products and their constituent materials in 2012.

Establishing Verification Procedures for Eco-Friendliness of New Suppliers



Stakeholder Interview

“Becoming a Leading Clean Room Company”



The Shinsung Group is one of SK hynix's most longtime partners. From its M1 in 1986 to its current M11 FAB it has emerged as a leader in clean room technology supporting SK hynix's growth. It has also installed clean room HVAC equipment for SKHYCL, meeting all its needs without requiring a set repair period. The Group's development of FAB Automation equipment, which was achieved while it was expanding its M10 FAB, was part of a win-win project with SK hynix and an exemplary success case enabled by that company's technological assistance. Shinsung ENG has been able to come as far as it has thanks to a mutually beneficial relationship with SK hynix that is based on trust and respect. I hope that this partnership will always remain strong, since it is a collaborative and cooperative relationship that ensures prosperity and long-term profits for both parties. When a company provides a business partner with work and assistance to help it grow, it allows that partner to provide the larger company with its own state-of-the-art technologies and reliable products for its own sustainable growth. _Lee Wan-keun, Chairman, Shinsung Group

SHARING WITH COMMUNITIES

Major Issue

07

SK hynix is committed to growing with the communities in which it operates. This is done through skills development programs and community-based sharing activities.



The Good Memory Sharing Fund

SK hynix's Good Memory Sharing Fund is bankrolled by employee donations and matching funds from the company. As of December 31, 2011, the fund was worth KRW 937.9 million, with the voluntary participation of 13,425 employees at its domestic worksites.

The Good Memory Sharing Fund

The purpose of the fund is to help in spreading a culture of sharing and engaging with the communities in which SK hynix operates. The fund represents our commitment to achieving success shared with local communities.

•Employees' Voluntary Contributions

The Good Memory Sharing Fund started as a "Leadership Oblige Fund", and has since expanded to include all the employees at the company's domestic worksites. Information sessions about it were held for group heads and above from January 24 to February 25, 2011, and the fund was created with the participation of all the eligible members. Special lectures on sharing were given to team leaders in March, and the fund was expanded to include all the employees at the company's domestic worksites in April. Its membership has reached 15,162 as of March 23, 2012.

•The Good Memory Sharing Fund Operation Committee

SK hynix has formed a committee to ensure that the fund is used properly and transparently. It includes the CEO and the labor union leaders at the company's Icheon and Cheongju worksites as co-presidents, as well as eighteen other members, including representatives

from the labor union, office workers, in-house volunteer clubs, and outside advisors. The committee held three meetings in 2011.

•Collecting Employees' Opinions

In order to encourage donations and create a culture of sharing, the company collected ideas and suggestions from its employees and tried to create a consensus among them. This included holding thirty classes from February until April to describe the fund's purpose and solicit donations. In addition, it held a "100 minute discussion" forum, in which outside experts and employees discussed ways to bankroll the fund.

Main Activities of the Good Memory Sharing Fund in 2011

Company	Activities	Target
Jan. ~ Feb.	Information sessions on the Leadership Oblige Fund	Group leaders and above
Feb. ~ Apr.	"Visiting Donation" classes	In-house council
Mar.	Leadership oblige fund campaign	Team leaders and above
Apr. ~ May	Expanded Employees voluntary contribution campaign	All employees
May	100 minute discussion forum	Outside experts and employees (67people)
Jun.	Establishment of "The Good Memory Sharing Fund" operation committee and kick-off meeting	Council members (CEO and 17 people)
Aug.	MOU signing	Community Chest in Gyeonoggi and North Chungcheong provinces
Dec.	The 3rd fund operation committee meeting	Fund operation committee, volunteer clubs, outside guests

Social Contributions Strategies



• **MOU with Community Chest in Gyeonggi and North Chungcheong Provinces**

SK hynix signed an MOU with the Community Chest in Gyeonggi and North Chungcheong Provinces, in which SK hynix's worksites are located, to ensure that the fund is being used appropriately.

Good Memory Sharing Programs

The Good Memory Sharing Fund is used to carry out a wide range of programs that help children. This includes helping teenagers from underprivileged families and fostering the development of talented young people.

Helping Malnourished Children

SK hynix provided free breakfasts to two hundred malnourished children in Icheon and Cheongju in 2011, after receiving recommendations from local governments, education offices, and local children's centers. The company also established a breakfast-box center, contributing to job creation for lower-income people. Employees help with preparing, packing, and delivering the breakfasts on a weekly basis. Going forward, SK hynix plans to expand the program and initiate similar ones. It will also provide nutritious side dishes to ensure that children from poor families have balanced meals.

Eco-Friendly Community Children's Center

The company supported facility improvements to thirteen community children's centers and provided pleasant eco-friendly study rooms for about 380 children. At the third meeting of the fund operation committee, the CEO and labor union leaders presented a signboard

for the centers, adding to the meaning of the program. In 2012, the company will help to improve the facilities at fifteen centers in Icheon and Cheongju.

Fostering Future Science Leaders

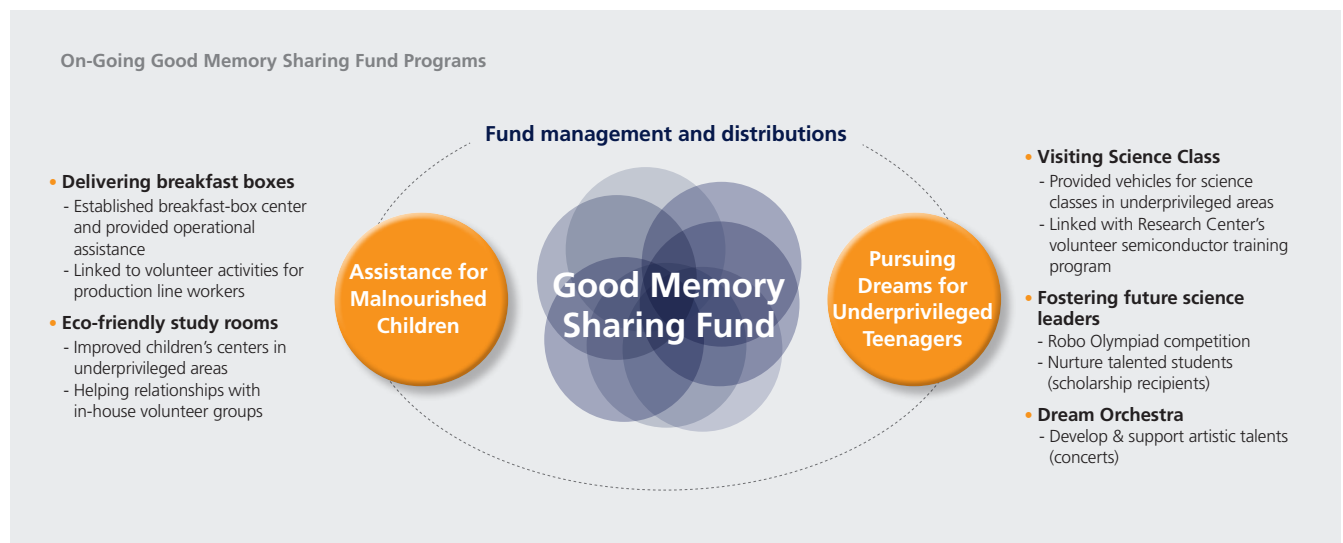
SK hynix also runs programs to find children who have an aptitude for science but are financially or geographically disadvantaged, and provides them with long-term financial assistance. As part of this program, the company delivered two hundred robotics kits to ten local children's centers and ran a weekly robotics science class. It also sponsors a Good Memory Robo Olympiad to instill an interest in science through robotics and encourage children to study science. In addition, the Good Memory Sharing Volunteer Group runs science classes, with employees acting as teachers. They are held at eighteen children's centers every month. In October, the company will hold the Robo Olympiad.

Employee Volunteer Activities

SK hynix carries out volunteer activities that allow it to engage with the communities in which it operates and help the underprivileged. 732 volunteer activities took place in 2011.

Skills Sharing

SK hynix encourages its employees to offer their talents to programs that help address issues in the communities in which it operates. The company held a talent donation workshop in November 2011 that was attended by its volunteer group leaders.



•Semiconductor Classes

SK hynix has been running classes since 2010 to help students learn about semiconductors and IT and spark their interest in science. The classes include of wearing clean room garments, field trips to semiconductor fabrication facilities, and lectures about semiconductors that can be easily understood by elementary and middle school students. Going forward, the company plans to enrich the curriculum by introducing classes in assembling semiconductors and enhancing creative thinking using TRIZ.

•Junior Engineering Classes

SK hynix offers monthly junior engineering classes to elementary school students in rural and remote areas that are lacking in educational resources. They comprise science labs on interesting topics in engineering and technology. On October 6, in commemoration of the company's founding, its CEO, labor union leaders, and in-house volunteers visited the Sadong Elementary School in Icheon to teach a junior engineering class to students in grades five and six.

Junior Engineering Classes Conducted in 2011

Date	Target	No. of participants
Jan. 19	4th/5th/6th graders, Icheon Office of Education	23
Feb. 11	3rd graders, Jinga Elementary School	24
Mar. 16	4th/5th graders, Daeseo Elementary School	28
Apr. 20	3rd/4th graders, Doji Elementary School	42
May 18	5th/6th graders, Baeksa Elementary School	34
Jun. 22	4th/5th/6th graders, Songgok Elementary School	34
Jul. 13	4th graders, Shindun Elementary School	64
Sep. 28	5th/6th graders, Jangcheon Elementary School	39
Oct. 6	5th/6th graders, Sadong Elementary School	80
Nov. 30	5th/6th graders, Yulmyeon Elementary School	29
Total		397

•Fire and Safety Training

SK hynix provides training in fire prevention as part of its health and safety activities. Led by SK hynix employees who have fire safety certificates and supported by the Cheongju Seobu Fire Station, they provide information related to fire safety to children, senior citizens, and the underprivileged.

Community-Based Programs

SK hynix's approach to community engagement reflects its commitment to the communities in which it does business. It has been op-

Fire and Safety Training

Year	Number of sessions	Number of participants
2008	8	625
2009	14	855
2010	13	975
2011	13	1,010

erating a One Group, One Farming Village volunteer program since 2009. This includes preservation and protection activities to minimize the environmental impact of its business and reduce GHG emissions in the Geum River. They are carried out in collaboration with the cities of Icheon and Cheongju and the Ministry of Environment . In addition, company volunteers visit senior citizens' facilities on a semi-annual basis. In November 2011, 200 SK hynix employees, including its CAO and labor union leaders from Icheon and Cheongju, made kimchi for the underprivileged living in communities in which it operates.

Sharing in Living Campaign

SK hynix initiated a Sharing in Living Campaign to raise funds for New Year's Day gifts for underprivileged children. Donations of SK hywel benefit points, as well as donations by individuals and groups, raised KRW 9.8 million. This was used to buy gifts for children of ten community children's centers in Icheon and Cheongju, and four more recommended ones by the Community Chest in Gyeonggi and North Chungcheong Provinces.

Communitu-based Sharing Activities

Name of event	Date	Participating Employees	Main Programs
Volunteer Activities on SK hynix's Foundation Day	Oct. 6	Forty people plus CEO and division leaders	Icheon ▶ Junior Engineering Class Cheongju ▶ Eco-friendly study rooms
Making kimchi	Nov. 5	CAO, employees, labor union, and Red Cross volunteer group	Provided kimchi to over 600 households in Icheon and Cheongju



Eco-friendly study room program



Good Memory Sharing Program MOU



Free breakfast delivery program



Developing future science leaders program



Semiconductor class for middle school talented students in Gangnam

SPECIAL FEATURE

Global Social Contributions Activities

Chinese manufacturing subsidiary (SKHYCL)

SKHYCL engages with the communities in which it operates through a variety of social contribution activities. They include programs for the underprivileged and senior citizens' facilities, as well as technology-related programs for teenagers and university students. In 2011, 1,247 employees, representing 31.6% of the company's total workforce, took part in community programs for a total of 3,908 hours, with costs amounting to CNY 2,210,000. The company will continue with its leadership role in 2012, addressing such issues as health care, housing, the environment, and education.

SKHYCL's Social Contributions Programs

Name of event	Category	Description
One Group, One Facility relationship program	Senior citizens' facility	- Health maintenance - Medical services, disinfecting window screens - Making holiday food
	Orphanage/facility for the disabled	- Helping children with cerebral palsy to become independent - Creative art classes for children
	School for immigrant children	- Inviting students on a company tour - Volunteer activities at schools for the physically and mentally disabled
	Remote villages	- Improving villages' environments
Education	Semiconductor classes	- On-site training for university students with semiconductor majors in the use of manufacturing equipment
	Fire safety training	- Hands-on training and environmental safety programs for elementary school children
Volunteer Programs	Cultural events	- Volunteering at local cultural festivals - Protecting cultural assets
	Water protection	- Promoting water protection in collaboration with local residents - Visits to treatment facilities
	Safety programs	- Traffic safety activities, including traffic order and no queue-jumping campaigns
Donations and assistance	Schools in less-well-off areas	- Donating computers to a school for the children of immigrant families in Wuxi
	Sports activities	- Sponsoring 2011 FIG World Cup Series in trampoline and gymnastics
Major achievements	Award from city of Wuxi	- Awards in group category in 2011
	Participation in Shanghai CSR Forum	- CSR Forum hosted by the Consulate General of Korea in Shanghai to present its business as an exemplary CSR case



Art class at an orphanage



Environmental conservation at a remote village



Computers donated to a local school



Making dumplings at a seniors' center

Japanese Sales Subsidiary (SKHYJ)

SK hynix sent JPY 2 million in disaster relief funds to the Japanese Red Cross Society to assist victims of the earthquake that struck the country in March 2011. It also raised JPY 1.215 million in a fundraising event attended by current and former transferees and local staff at SKHYJ.



Receipt for JPY 2 million donation to the Japanese Red Cross Society



Areas damaged by the disaster, and relief goods prepared by SKHYJ

A vertical line of nine circles on the left side of the page. The top eight circles are white, and the bottom circle is dark blue.

ENTERPRISE RISK MANAGEMENT

Major Issue

08

SK hynix's enterprise risk management (ERM) system allows the company to analyze major risks and their implications, establish countermeasures to combat them, and carry out improvements. In addition, the company strengthens its employees' risk management skills through training and by carrying out promotional activities.



The purpose of the ERM system is to enhance the company's ability to manage risks. Its features include risk governance, risk management processes, and a risk management infrastructure. The governance aspect includes policy setting and the actual establishment of the system, while the risk management process part includes establishing response measures through a thorough analysis of the causes and effects of major risks and then carrying them out. The infrastructure portion is mainly concerned with creating an awareness of the need for risk management among the company's employees.

Risk Management Policies

SK hynix's risk management policies outline the principles and criteria that backstop the company's risk management processes.

Organization

SK hynix has appointed a Risk Manager (RM¹) and established an organization to handle its risk management processes. The organization carries out all of the company's risk management activities, including designing the framework of the ERM. The company also has a Cross Function Team (CFT)². This is a sub-committee whose members include the risk managers of each group and staff members in charge of each risk. Its function is to establish methods of managing for all major risks.

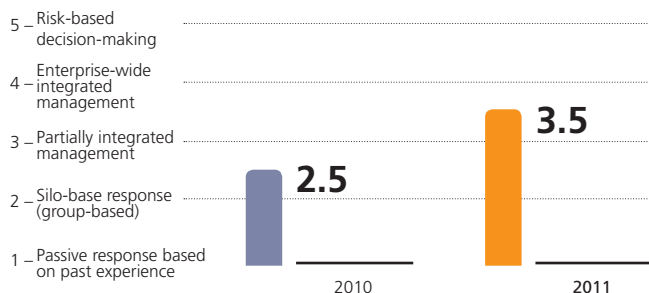
1 RM: Risk Manager / 2 CFT: Cross Function Team

Process

Risk managers from all relevant departments and the CFT work together to analyze the causes and effects of major risks, set up responses to them, derive Key Risk Indicators, or KRIs, and write a manual.

2011 ERM capability evaluation

Level – management level



*Result of ERM capability evaluation in terms of seven criteria

1. Policy 2. Governing structure and organization 3. Technology and required resources
4. Communications 5. Verification and approval 6. Process methodology 7. Business continuity

Educational and Promotional Activities

One way that SK hynix raises its workers' awareness of the need for risk management is through an employee survey. It has also incorporated risk management training into the existing program for risk managers and new hires, and carries out additional training on the necessity of risk management for employees of major divisions and groups. In addition, the company's in-house newsletter ran an article on the need for risk management awareness in an attempt to share it with all its stakeholders.

ERM Capability Evaluation

The ERM capability evaluation that was conducted in 2010 enabled the company to learn about its ERM level, establish an improvement plan, and execute it. As a result, the 2011 evaluation results showed that its standing had improved from a Silo-based risk management level in 2010 to a partially integrated one.

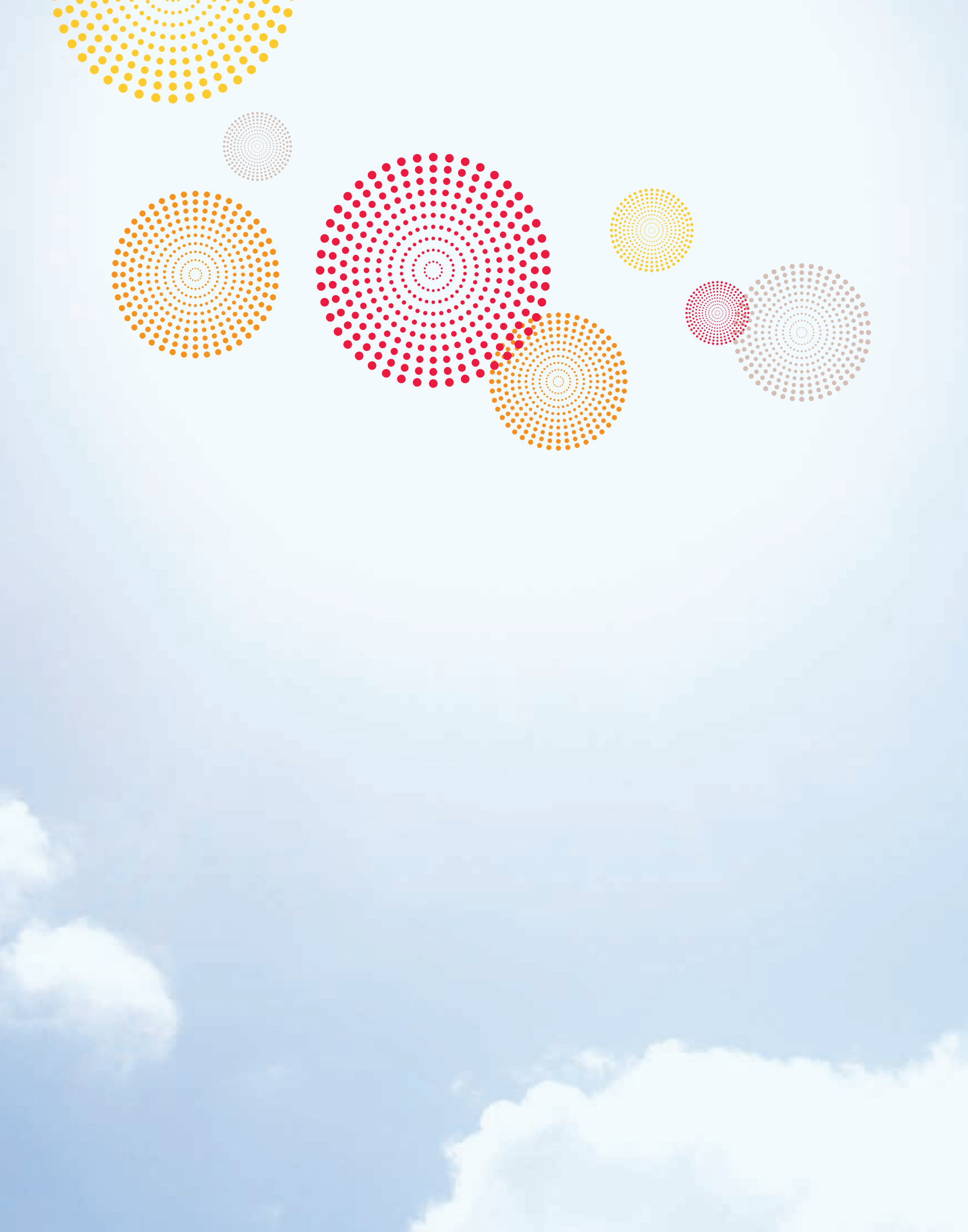
SK hynix's ERM Policy

One of SK hynix's primary goals is to be a company that grows by managing for global economic uncertainties, constant changes in its management environment, and other risk factors that can influence the achievement of its management objectives.

- SK hynix will introduce an ERM system that meets all internationally recognized risk management standards
- It will establish an organization that is devoted exclusively to ERM and continuously improve it.
- It will establish an ERM process that identifies, evaluates, and responds to risks
- It will spread an ERM culture company-wide to ensure that it is incorporated into all its business activities.
- It will disclose its ERM activities to all its stakeholders

Mid to Long-Term Direction for ERM Development





A young girl with long dark hair, wearing a white sleeveless dress, is seen from the side, holding a colorful pinwheel on a wooden stick. She is looking up at the sky. The background is a bright blue sky with some white clouds. The pinwheel has eight colorful petals in shades of red, orange, yellow, green, blue, and pink.

Appendix

Sustainability Management
Performance Statements

Report of Independent Auditors

Financial Information

Sustainability Management Policy

Awards, Recognitions and Membership
Associations

Greenhouse Gas Verification Report

GRI Guideline Index

UN Global Compact

ISO 26000 Implementation

Independent Assurance Report

Sustainability Management Performance Statements [Indicators]

Performance Indicator	Description	Worksite	Unit	2011	2010	2009	2008	2007
· Economic Performance								
R&D investment	R&D expenditures	All	KRW 100 million	8,338	7,903	6,728	6,999	4,995
	Percentage of R&D expenditures	All	%	8.0	6.5	8.5	10.2	5.9
Sales per product	DRAM	All	KRW 100 million	66,500	93,654	59,878	49,627	62,114
	NAND Flash	All	KRW 100 million	22,709	18,199	13,395	14,457	21,945
	Others	All	KRW 100 million	14,749	9,208	5,791	4,096	2,377
Market share (iSuppli)	DRAM	All	%	23.0	21.5	21.6	19.4	21.3
	Mobile	All	%	23.6	25.6	17.4	13.8	7.1
	NAND Flash	All	%	12.6	10	9.95	12.3	17.0
	Global semiconductor market	All	%	3.0	3.4	2.6	2.3	3.4
	DRAM in China	All	%	41.5	45.8	43.9	40.5	55.6
· Environmental Data (Input)								
Water use	Total water use	Icheon	Thousands m ³	15,026	13,425	12,240	16,030	15,680
		Cheongju	Thousands m ³	10,402	9,635	6,990	7,420	5,770
		Wuxi	Thousands m ³	9,759	9,182	8,300	10,058	7,567
Energy use	Total-total energy used	Domestic	TOE	749,019	677,199	611,912	749,810	705,252
		Wuxi	TOE	92,867	83,395	69,256	85,132	-
	Total-LNG	Domestic	TOE	22,984	18,994	15,730	20,507	11,810
		Wuxi	TOE	1,659	1,477	1,344	1,113	-
	Total-electricity	Domestic	TOE	687,770	621,512	568,423	690,527	652,989
		Wuxi	TOE	73,773	66,394	57,893	68,535	-
	Total-steam	Domestic	TOE	38,264	36,693	27,759	38,776	40,453
		Wuxi	TOE	17,435	15,524	10,018	15,484	-
	Basic unit-total energy used	Domestic	TOE/m ²	2.97	2.93	2.93	3.26	2.92
		Wuxi	TOE/m ²	0.70	0.62	0.59	0.63	-
	Basic unit-LNG	Domestic	TOE/m ²	0.09	0.08	0.08	0.09	0.05
		Wuxi	TOE/m ²	0.01	0.01	0.01	0.01	-
	Basic unit-electricity	Domestic	TOE/m ²	2.73	2.69	2.72	3.00	2.70
		Wuxi	TOE/m ²	0.56	0.49	0.50	0.50	-
	Basic unit-steam	Domestic	TOE/m ²	0.15	0.16	0.13	0.17	0.17
		Wuxi	TOE/m ²	0.13	0.12	0.09	0.11	-
Amount of raw materials used	Total amount used	All	KRW million	3,101,486	4,114,317	3,729,243	4,633,407	4,191,312
	Raw material-Wafer	All	KRW million	667,891	2,490,324	2,423,860	3,096,170	2,592,003
	Raw material-Lead Frame	All	KRW million	183,003	159,532	130,768	166,804	159,944
	Raw material-PCB	All	KRW million	163,140	163,407	126,807	181,738	162,910
	Raw material-Others	All	KRW million	1,066,392	638,405	582,480	659,748	583,031
	Supplies-S/P-sub-materials	All	KRW million	1,021,060	662,647	465,327	528,946	693,425
Percentage of recycled raw materials used	300mm	Domestic	%	1.9	1.2	0.6	1.8	0.9
	200mm	Domestic	%	0.5	8.7	2.9	2.0	2.8
ESH investment	ESH expenditure	All	KRW million	51,373	35,193	7,415	-	-
· Environmental Data (Output)								
GHG emissions	Total emissions	Domestic	Kt CO ₂ eq	2,554	2,443	2,212	2,982	3,152
		Wuxi	Kt CO ₂ eq	1,042	1,004	917	1,183	967
Air pollutant emissions	Sulfur oxides (SO _x)	Icheon	g/cm ²	0.054	0.047	0.048	0.082	0.118
		Cheongju	g/cm ²	0	0.003	0	0	-
		Wuxi	g/cm ²	0.001	0	0	0	0.0054
	Ammonia (NH ₃)	Icheon	g/cm ²	0.009	0.016	0.012	0.026	0.03
		Cheongju	g/cm ²	0.005	0.007	0.008	0.007	0.0055
		Wuxi	g/cm ²	0.006	0.009	0.005	0.02	0.0102
	Nitrogen oxides (NO _x)	Icheon	g/cm ²	0.008	0.007	0.025	0.017	0.012
		Wuxi	g/cm ²	0.000	0.001	0.001	0.001	0.0087
	Hydrogen fluoride (HF)	Icheon	g/cm ²	0.005	0.004	0.009	0.003	0.003
		Cheongju	g/cm ²	0.007	0.009	0.01	0.006	0.0063
	Hydrogen chloride (HCl)	Wuxi	g/cm ²	0.001	0.003	0.002	0.004	0.0087
		Icheon	g/cm ²	0.002	0.001	0.003	0.008	0.008
		Wuxi	g/cm ²	0.011	0.008	0.005	0.006	-
Waste water management	Waste water quantity	Domestic	Thousands m ³	21,789	18,944	15,294	17,813	17,356
		Wuxi	Thousands m ³	8,631	8,221	7,411	8,873	-
	Basic unit of waste water quantity	Domestic	m ³ /wafer	6.1	6.0	5.9	5.6	5.3
Water quality management	Chemical Oxygen Demand (COD)	Wuxi		4.8	4.3	4.5	4.6	-
		Icheon	mg/l	5.2	4.1	4.3	4.0	7.0
		Cheongju	mg/l	4.6	5.9	4.0	4.3	4.0
	Biochemical Oxygen Demand (BOD)	Wuxi	mg/l	30.1	38.0	19.0	40.0	53.5
		Icheon	mg/l	3.4	2.2	1.8	3.0	5.0
		Cheongju	mg/l	6.4	6.1	2.9	6.0	5.5
		Wuxi	mg/l	11.4	-	-	-	-

* The energy data on Wuxi worksite before 2011 was adjusted to China's new TOE conversion factor

* From 2011, the financial information and raw/subsidiary material usage apply to SK hynix and its subsidiaries in compliance with report disclosure standards

Performance Indicator	Description	Worksite	Unit	2011	2010	2009	2008	2007
Water quality management	Total Nitrogen (T-N)	Icheon	mg/l	16.4	16.8	15.4	15	19
		Cheongju	mg/l	21.6	22.3	20.9	34.7	36
		Wuxi	mg/l	27.8	-	-	-	-
	Fluoride (F)	Icheon	mg/l	1.1	1.1	1.0	1.1	1.0
		Cheongju	mg/l	6.8	6.6	6.6	6.1	5.0
		Wuxi	mg/l	2.6	1.4	1.9	13.0	70.9
Waste management	Total waste quantity	Domestic	Ton	82,344	67,198	47,288	64,122	73,905
		Wuxi	Ton	27,642	24,613	18,524	23,410	23,741
	General wastes	Domestic	Ton	48,025	42,792	28,049	38,965	51,119
		Wuxi	Ton	9,464	9,554	6,286	9,270	13,365
	Designated wastes	Domestic	Ton	34,319	24,406	19,239	25,157	22,787
		Wuxi	Ton	18,178	15,059	12,238	14,140	10,376
	Recycled wastes	Domestic	Ton	75,800	65,444	45,641	58,200	43,812
		Wuxi	Ton	14,904	9,813	2,845	2,927	-
	Recycling rate	Domestic	%	92	97	97	91	82
		Wuxi	%	54	40	15	13	-
Volatile Organic Compounds	VOC	Domestic	Ton	8.08	4.36	10.5	12.5	66
Life Cycle Assessment (LCA)	LCA application rate	All	%	82.1	73.3	49.7	-	-
	Percentage of carbon label certified products	All	%	27.6	7.9	9.7	-	-
	Factor h ²	All	Factor	3.39	2.80	2.37	1.00	-
Ecosystem protection	Ecotoxicity	Domestic	TU	0.07	0.09	0.14	0.20	0.30
· Social Data								
Board of Directors	Percentage of external directors	All	%	56	69	69	67	73
	BOD participation rate	All	%	98	98	99	99	95
Diversity index	No. of employees	All	Persons	23,430	21,682	20,251	21,457	-
	Executives & office employees (Male)	All	Persons	7,191	6,352	6,036	6,078	-
	Executives & office workers (Female)	All	Persons	1,703	1,342	1,220	1,328	-
	Production workers (Male)	All	Persons	4,839	4,597	4,152	4,229	-
	Production workers (Female)	All	Persons	9,681	9,252	8,717	9,751	-
	Contract workers (Male)	All	Persons	4	25	20	23	-
	Contract workers (Female)	All	Persons	12	114	106	48	-
Female leadership	Percentage of females	All	%	48.6	49.1	48.3	50.4	52.4
	Percentage of female managers	All	%	4.1	2.5	1.9	1.9	-
Employees with disabilities	No. employees with disabilities	All	Persons	110	101	95	86	85
Senior employees	No. of senior employees	Domestic	Persons	15	18	15	18	19
Employment status	Job creation rate	Domestic	%	8.3	5.7	-4.8	-1.3	14.6
	No. of dismissed employees	Domestic	Persons	1	2	4	5	-
	Average years of service	Domestic	Years	8	7.6	6.9	5.9	5.4
	Turnover rate	All	%	5.5	3.3	6.0	7.5	7.0
Maternity and parental leave	Return-to-work rate following maternity and parental leave	Domestic	%	87	-	-	-	-
	No. employees who used maternity leave	Domestic	Persons	734	875	771	605	528
	No. employees who used parental leave	Domestic	Persons	744	793	475	428	316
	Monetary support for employees on parental leave	Domestic	KRW 1000	480,000	625,600	413,000	364,400	151,000
Labor-management communication	The rate of union membership	Domestic	%	98.0	98.2	98.4	97.7	98.2
	Communication with labor unions	Domestic	Sessions	42	40	28	28	28
Human resources development	Total No. of trainees	Domestic	Persons	62,737	56,869	65,514	72,734	60,400
	Training hours per person	Domestic	Hours/person	60	62	62	74	72
	Training expenses per person	Domestic	KRW 1000/person	439	306	186	358	420
Ethics management	Total ethics training hours	All	Hours	6,896	10,070	10,814	5,225	4,257
	Training hours per person	Domestic	Hours	0.35	0.61	0.55	0.3	0.23
	Ethics performance index	Domestic	Score	84.2	82.9	81.8	81.6	72.8
	Ethics practice index	Domestic	Score	92.0	86.9	82.8	77.4	76.3
Customer satisfaction	Customer satisfaction (TQRDC)	All	Ranking	2.17	2.46	2.44	2.56	1.30
	No. of CSR-related customer request received	All	Cases	74	35	34	27	6
Industrial safety	Industrial accident rate	Icheon	%	0	0.01	0.02	0.01	0
		Cheongju	%	0	0.02	0.02	0	0
Volunteer activities	Total volunteering hours	Domestic	Hours	32,543	35,488	28,710	41,376	-
	Total No. of participants	Domestic	Persons	8,716	8,954	7,365	10,487	-
	No. of participants in Visiting Semiconductor Class	Domestic	Persons	50	355	-	-	-
	No. of participants in Junior Engineering Class	Domestic	Persons	397	115	-	-	-
Donation	Total amount of donation	All	KRW million	1,587	1,672	2,312	903	2,460
	Amount donated in cash	Domestic	KRW million	948	1,456	2,209	599	-
	Monetary value of volunteer activities in working time	Domestic	KRW million	484	193	-	-	-
Sustainability management spread to business partners	Green partnership member companies	Domestic	Number	18	10	53	-	-
	Companies that signed EICC compliance pledge	All	Number	209	-	-	-	-
	Companies that participated EICC self-assessment	All	Number	202	-	-	-	-
	Companies that participated EICC field assessment	All	Number	8	-	-	-	-

Report of Independent Auditors

To the Shareholders and Board of Directors of SK hynix Inc.

We have audited the accompanying consolidated statement of financial position of SK hynix Inc. and its subsidiaries (collectively the Group) as of December 31, 2011, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, expressed in Korean won. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Group as of and for the year ended December 31, 2010, presented herein for comparative purposes, were audited by other auditors whose report dated March 12, 2012, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. In our opinion, the consolidated financial statements, referred to above, present fairly, in all material




외부감사인의 감사보고서

주식회사 하이닉스반도체
주주 및 이사회 귀중

본 감사인은 첨부된 주식회사 하이닉스반도체와 그 종속기업의 2011년 12월 31일 현재 연결재무상태표와 동일로 종료되는 회계연도의 연결포괄손익계산서, 연결자본변동표 및 연결현금흐름표를 감사하였습니다. 이 연결재무제표를 작성할 책임은 회사 경영자에게 있으며 본 감사인의 책임은 동 연결재무제표에 대하여 감사를 실시하고 이를 근거로 이 연결재무제표에 대하여 의견을 표명하는 데 있습니다. 비교표시된 2010년 12월 31일로 종료하는 회계연도의 연결재무제표는 원영회계법인에 감사하였으며 동 감사인의 2012년 3월 12일자 감사의견은 적절의견이었습니다.

본 감사인은 대한민국의 회계감사기준에 따라 감사를 실시하였습니다. 이 기준은 본 감사인이 재무제표가 중요하게 평가되지 않는다는 것을 합리적으로 확신하도록 감사를 계획하고 실시할 것을 요구하고 있습니다. 감사는 재무제표의 금액과 골시내용을 뒷받침하는 감사증거에 대하여 시사의 방법을 적용하여 검증하는 것을 포함하고 있습니다. 또한 감사는 재무제표의 전반적인 표시내용에 대한 평가뿐만 아니라 재무제표 작성을 위해 경영자가 적용한 회계원칙과 유의적 회계추정에 대한 평가를 포함하고 있습니다. 본 감사인이 실시한 감사가 잠시적인 표명을 위한 합리적인 근거를 제공하고 있다고 본 감사인은 믿습니다.

본 감사인의 의견으로는 상기 연결재무제표가 주식회사 하이닉스반도체와 그 종속기업의 2011년 12월 31일 현재 재무상태와 동일로 종료되는 회계연도의 재무성과 및 현금흐름의 내용을 한국채택국제회계기준에 따라 중요성의 관점에서 적절하게 표시하고 있습니다.

삼정회계법인 서울특별시 중구 남대문로 2가 101번지 13층(전화: 140-0021) 서울중앙회계사무소 200호 (140-0060) www.samill.com



* The entity name used in this report is Hynix Semiconductor Inc., the company name the entity had at the time of the report.



respects, the financial position of SK hynix Inc. and its subsidiaries as of December 31, 2011, and their financial performance and cash flows for the year then ended in accordance with Korean IFRS.

As discussed in Note 44 to the consolidated financial statements, the Share Management Council and the Company entered into a share purchase agreement with SK Telecom Co., Ltd., on November 14, 2011. In accordance with the terms of this agreement, SK Telecom Co., Ltd., on February 14, 2012, purchased 44.25 million shares of the Company from the Share Management Council and acquired newly issued 101.85 million shares of the Company through an allotment to a third party. Consequently, SK Telecom Co., Ltd. acquired 146.1 million shares of common stock of the Company, representing approximately 21.05% of the outstanding common stock and became a largest shareholder of the Company.

Seoul, Korea
March 12, 2012

CEO of Samil PricewaterhouseCoopers

安 旻 圭

* This report is effective as of March 12, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Financial Information

Consolidated Statements of Financial Position

Unit: millions in KRW

	December 31, 2011	December 31, 2010
Assets		
I. Current assets	4,936,850	5,416,086
Cash and cash equivalents	1,243,788	1,253,226
Short-term financial instruments	632,139	948,476
Trade receivables	1,540,925	1,604,952
Loans and other receivables	212,641	167,684
Inventories	1,183,608	1,281,519
Assets classified as held for sale	29,033	53,204
Other financial assets	1	-
Other current assets	94,715	107,025
II. Non-current assets	12,301,298	11,996,031
Investments in jointly controlled entities and associates	103,613	98,163
Available-for-sale financial assets	47,492	57,044
Property, plant and equipment	10,899,308	10,590,580
Intangible assets	707,648	603,653
Investment property	31,168	37,186
Loans and other receivables	38,461	93,093
Other financial assets	3,441	8,085
Deferred income tax assets	315,718	388,773
Other non-current assets	154,449	119,454
Total assets	17,238,148	17,412,117
Liabilities		
I. Current liabilities	4,817,286	5,349,559
Trade payables	678,408	875,174
Other payables	516,724	649,797
Other non-trade payables	345,878	494,635
Provisions	353,467	532,123
Other financial liabilities	38,678	4,805
Borrowings	2,830,426	2,577,707
Other current liabilities	42,535	206,730
Current tax liabilities	11,170	8,588
II. Non-current liabilities	4,545,591	4,154,982
Borrowings	3,946,039	3,476,982
Other non-trade payables	94,326	232,893
Defined benefit liabilities	458,699	359,062
Other financial liabilities	7,796	54,963
Other financial liabilities	38,731	31,082
Total liabilities	9,362,877	9,504,541
Equity		
I. Equity attributable to owners of the Parent Company	7,875,742	7,905,923
Capital stock	2,978,498	2,969,023
Capital surplus	1,229,052	1,193,100
Accumulated other comprehensive income	107,107	(23,261)
Other components of equity	5,762	5,762
Retained earnings	3,555,323	3,761,299
II. Non-controlling interest	(471)	1,653
Total equity	7,875,271	7,907,576
Total liabilities and equity	17,238,148	17,412,117

Consolidated Statements of Comprehensive Income

Unit: millions in KRW

	2011	2010
I. Net sales	10,395,811	12,106,090
II. Cost of sales	8,721,257	7,643,517
III. Gross profit	1,674,554	4,462,573
Selling, administration and ordinary development expenses	1,569,335	1,461,172
Other operating income	350,334	147,852
Other operating expenses	130,079	173,982
IV. Operating income	325,474	2,975,271
Financial income	630,310	866,522
Financial expenses	911,399	1,034,489
Income from jointly controlled entities and associates	10,533	2,120
Other non-operating income	1,621	47,263
Other non-operating expenses	11,392	190,305
V. Profit before income tax	45,147	2,666,382
Income tax expense	101,118	68,807
VI. Profit(loss) for the year	(55,971)	2,597,575
VII. Other comprehensive income(loss)	68,850	(103,395)
Change in value of available-for-sale financial assets	7,129	(28,947)
Currency translation differences	123,236	(14,989)
Actuarial loss on defined benefit liability	(735)	(2,033)
Actuarial loss on defined benefit liability	(60,780)	(57,426)
VIII. Total comprehensive income for the year	12,879	2,494,180
Profit(loss) for the period attributable to:		
Equity holders of the Parent Company	(56,641)	2,620,962
Non-controlling interest	670	(23,387)
Total comprehensive income for the year		
Equity holders of the Parent Company	12,947	2,524,853
Non-controlling interest	(68)	(30,673)
Earnings(loss) per share attributable		
Basic earnings(loss) per share	(96)	4,440
Diluted earnings(loss) per share	(96)	4,171

Consolidated Statements of Changes in Equity

Unit: millions in KRW

Category	Attributable to equity holders of the Parent Company						Non-controlling Interest	Total Equity
	Paid-in Capital	Capital Surplus	Accumulated Other Comprehensive Income (loss)	Other Components of Equity	Retained Earnings	Total		
Balance at January 1, 2010	2,965,833	1,238,089	15,428	5,769	1,201,918	5,427,037	472,619	5,899,656
Changes in Equity								
Comprehensive income:								
Profit for the year	-	-	-	-	2,620,962	2,620,962	(23,387)	2,597,575
Actuarial loss on defined benefit liabilities	-	-	-	-	(57,420)	(57,420)	(6)	(57,426)
Loss on the valuation of available-for-sale financial assets	-	-	(12,958)	-	-	(12,958)	(15,989)	(28,947)
Other comprehensive income of jointly controlled entities and associates	-	-	(2,033)	-	-	(2,033)	-	(2,033)
Currency translation differences	-	-	(23,698)	-	-	(23,698)	8,709	(14,989)
Total comprehensive income	-	-	(38,689)	-	2,563,542	2,524,853	(30,673)	2,494,180
Transactions with equity holders of the Parent Company :								
Exercise of stock options	13	7	-	(7)	-	13	-	13
Exercise of conversion rights	3,177	11,314	-	-	-	14,491	-	14,491
Changes in subsidiaries' interests	-	(56,310)	-	-	-	(56,310)	(440,293)	(496,603)
Others	-	-	-	-	(4,161)	(4,161)	-	(4,161)
Total transactions with equity holders of the Parent Company	3,190	(44,989)	-	(7)	(4,161)	(45,967)	(440,293)	(486,260)
Balance at December 31, 2010	2,969,023	1,193,100	(23,261)	5,762	3,761,299	7,905,923	1,653	7,907,576
Balance at January 1, 2011	2,969,023	1,193,100	(23,261)	5,762	3,761,299	7,905,923	1,653	7,907,576
Changes in Equity								
Comprehensive income :								
Profit(loss) for the year	-	-	-	-	(56,641)	(56,641)	670	(55,971)
Actuarial loss on defined benefit liabilities	-	-	-	-	(60,780)	(60,780)	-	(60,780)
Gain(loss) on the valuation of available-for-sale financial assets	-	-	7,905	-	-	7,905	(776)	7,129
Other comprehensive income of jointly controlled entities and associates	-	-	(735)	-	-	(735)	-	(735)
Currency translation differences	-	-	123,198	-	-	123,198	38	123,236
Total comprehensive income	-	-	130,368	-	(117,421)	12,947	(68)	12,879
Transactions with equity holders of the Parent Company :								
Dividends	-	-	-	-	(88,541)	(88,541)	-	(88,541)
Exercise of conversion rights	9,475	36,193	-	-	-	45,668	-	45,668
Changes in scope of consolidation	-	-	-	-	-	-	(2,056)	(2,056)
Others	-	(241)	-	-	(14)	(255)	-	(255)
Total transactions with equity holders of the Parent Company	9,475	35,952	-	-	(88,555)	(43,128)	(2,056)	(45,184)
Balance at December 31, 2011	2,978,498	1,229,052	107,107	5,762	3,555,323	7,875,742	(471)	7,875,271

Consolidated Statements of Cash Flows

Unit: millions in KRW

Category	2011	2010
I. Cash flows from operating activities		
Cash generated from operations	3,079,193	6,153,749
Interest received	68,107	67,732
Interest paid	(275,866)	(334,144)
Dividends received	8,883	-
Income tax paid	(24,357)	(3,796)
II. Cash flows from investing activities		
Decrease in other financial assets	325,552	-
Increase in other financial assets	-	(721,526)
Proceeds from disposal of held for sales assets	6,931	-
Decrease in short-term loans	9,403	-
Increase in short-term loans	(4,621)	(21,806)
Acquisition of investments in associates	(12,180)	(496,604)
Decrease in available-for-sale	-	441
Acquisition of available-for-sale financial assets	(7,897)	(9,557)
Decrease in long-term loans	601	-
Increase in long-term loans	(910)	(18,342)
Proceeds from disposal of property, plant and equipment	14,371	127,688
Acquisition of property, plant and equipment	(3,568,238)	(3,391,910)
Proceeds from disposal of intangible assets	13,946	-
Acquisition of intangible assets	(176,111)	(151,856)
Proceeds from disposal of investment property	12,153	-
Loss of control to subsidiaries	(661)	-
Payments from other investing activities	(1,603)	-
III. Cash flows from financing activities		
Proceeds from borrowings	2,434,510	1,187,488
Repayments of borrowings	(1,826,595)	(2,327,912)
Dividends paid	(88,541)	-
Acquisition of non-controlling interest	(241)	-
IV. Effect of exchange rates on cash and cash equivalents		
	4,733	(18,775)
V. Net increase (decrease) in cash and cash equivalents		
	(9,438)	40,870
VI. Cash and cash equivalents at the beginning of year		
	1,253,226	1,212,356
VII. Cash and cash equivalents at the end of year		
	1,243,788	1,253,226

Sustainability Management Policy

Ethics Management Declaration

- We will conduct all management activities based on ethical values and in compliance with local, national, and international rules and practices.
- We will establish a system of transparent and fair transactions, and eradicate any trace of unfairness or corruption.
- We will internalize ethics managements, and strive to spread it to our partner companies.
- We will establish the Ethics Management Team, and build a practical system, which we will continuously work to improve.
- For the efficient implementation of this declaration, we are making it public for all stakeholders.

Human Rights and Labor Policy

- SK hynix respects its employees' dignity and worthiness as human beings to fulfill the management philosophy of "Long-Lasting Great Company".
- SK hynix assures to maintain decent labor conditions for all employees based on humanistic spirit.
- SK hynix upholds and respects human rights and labor standards defined by such international organizations as the UN and ILO, and doesn't discriminate employees based on gender, race, national origin, religion, or age.
- SK hynix is committed to conduct business in compliance with EICC and labor laws of all country and region where it operates, and the such code of conduct is mandatory for all of its suppliers, vendors and business partners to follow as well.

Guidelines

01 Respect for human rights SK hynix respects all employees as equal human beings, and prohibits violation of human rights under all and any circumstances.

02 Prohibition of forced labor SK hynix does not compel any employee to work against their will by mental and physical bondage, and will not demand that employees surrender any government-issued identification, such as passport, to the company as a condition of employment.

03 Prohibition of child labor SK hynix does not employ children and youths under the age of 15 or younger.

04 Employment of minors SK hynix may employ individuals under the age of 18 or younger in compliance with labor laws, though must not place them in hazardous and dangerous location.

05 Working hours SK hynix shall comply with local labor laws in respect to regular working hours, overtime and allowance for overtime.

06 Wage SK hynix's labor wage shall exceed the minimum wage standard set forth by the local labor law.

07 Non-discrimination SK hynix does not discriminate against any individuals in employment, wage and promotions because of their gender, race, national origin, religion, or age.

08 Freedom of association SK hynix guarantees freedom of association and collective bargaining without distinction, and no retaliation may arise as a consequence of the exercise of such rights.

Environmental Declaration

SK hynix places its highest priority on the environment, safety and health at every stage of its operations, improving its environment, safety and health levels through R&D and skills development. It works for the improvement of the environment, safety and health based on close cooperation with the communities in which it operates, and hopes to develop the world's best worksite in terms of the environment, safety and health.

SK hynix will fulfill all of its responsibilities and duties regarding environmental, safety and health issues, including observing the following;

ESH Policy

- Observing all international conventions and domestic laws and making incessant efforts to improve the quality level of the environment, safety and health.
- Identifying the factor affecting the environment, safety and health to evaluate them for improvement at every stage of business operations for the supply of goods and services including the purchase of the raw materials, product production and its disposal.
- Carrying out the R&D activities to develop the environment-friendly products and secure clean technology, saving the resources and promoting their recycling. Actively operating the environmental technology guidance and the environment monitoring programs to achieve the highest level of environmental management.

- Securing the techniques for the safe manufacturing processes based on the preventive measures and the capability coping with an emergency situation to set up a safe and pleasant working environment.
- Participating in the community's environmental, safety and health activities, motivated by social awareness.

For this, setting the goals for environmental, safety and health activities to promote an improvement campaign and to put into practice transparent environment management by evaluating the outcome and by making it known periodically both internally and externally.

SK hynix Supplier Code of Conduct

Labor and Human Rights The subcontractors must strive to create a work site that is completely free from illegal discrimination and harassment in its employment practices, and should have no unreasonable restriction, severe or inhumane treatment of workers. In addition, all work should be accomplished voluntarily, and the freedom of working ages, working hours, wages and labor union memberships established by current laws and regulations should be provided.

Health and Safety The subcontractors must remove all risk factors for industrial safety, take preventive measures to ensure safety, and provide appropriate individual safety equipment to workers in order to prevent exposure to risk factors. Also, damages should be minimized by establishing the appropriate countermeasures and response procedures. In addition procedures and systems to manage industrial disasters and work-related illnesses should be established. All facilities should be provided clean and maintained, physical labor risk should be controlled in advance, and the safety risks of production facilities and other equipment should be evaluated.

Environment The subcontractors should follow the environmental permit, reporting requirements, and environmental/quality management standards of our company. Furthermore, the related laws for solid waste, waste water and air pollutants should be obeyed, and efforts should be made to prevent environmental pollution and reduce resource use. Related laws or regulations on products containing certain regulated substances and all customer requirements should be obeyed.

Management System The subcontractor should follow the related laws, regulations and customer requirements by selecting and establishing a management system. In relation to this, an expression of willingness to comply, clear management responsibility, compliance to related laws and regulations, recognition and monitoring of customer requirements, risk evaluation and management of ethics related to company management, goals and evaluation of performance, training programs for related persons, and regular self-evaluation will be used to determine whether the subcontractors are following our business policy.

Legal Operation of Raw Materials The subcontractors should clarify the source of raw materials distributed in the whole supply chain, and assure/manage that their products do not contain [conflict] minerals or their derivatives determined to be directly or indirectly financing or benefit armed groups in the DRC or an adjoining country (Sudan, Uganda, Rwanda, Burundi, United Republic of Tanzania, Zambia, Angola, Central African Republic etc.).

Ethics All subcontractors doing business with our company should pursue free competition in business relationships, follow all laws and regulations completely for all business activities, perform business by respecting the business customs, and work consistently to ensure that their businesses follow the laws of our fair trade compliance system. Furthermore, various programs should be developed and performed for mutual promotion with the subcontractors. Mutual efforts are required to maintain ethical and fair business practices.

All subcontractors doing business with our company have an obligation to follow the above contents, and will be evaluated to ensure compliance. The contents may be changed to reflect the changing circumstances of the global business environment.

Fair Trade Compliance Declaration

SK hynix hereby declares that it will endeavor to put free and fair trade principles into practice and comply with both domestic and international fair trade laws and regulations.

- The company will promote the fair trade practice as the highest value of corporate management and recognize it as true competitiveness.
- The company does not engage in any unfair act in all areas of its business and business operations to establish order for fair trade, and cooperate with its business partners on a true partnership basis.
- The company keeps training the entire employees, so that they will comply with the fair trade laws and regulations.
- The company appoints a manager responsible for compliance with the fair trade laws and regulations ensuring compliance
- The company operates a voluntary compliance system to prevent any violation and punish the violation of its own accord.

Awards, Recognitions and Association Memberships

Company Awards

Awards & Recognitions	Organization	Date	Title
7th Management Transparency Awards	Five major Korean economic organizations	Feb. 2011	Grand Prize
Korea Green Management Awards	Ministry of Environment	Jun. 2011	Minister's Citation
20th Korea Economic Justice Award	Citizens' Coalition for Economic Justice	Jun. 2011	Grand Prize
Korea Productivity Award	Ministry of Knowledge Economy	Sep. 2011	Presidential Citation
Standard Day Award	Ministry of Knowledge Economy	Oct. 2011	Prime Minister's Citation
Korea Logistics Award	Ministry of Land, Transport and Maritime Affairs	Nov. 2011	Presidential Citation

Individual Awards

Awards & Recognitions	Organization	Date	Recipient	Title
Man of Merit on Water Day	Ministry of Environment	Mar. 2011	Choi Byung-og, Senior Manager	Minister's Citation
Man of Merit on Science Day	Ministry of Education, Science and Technology	Apr. 2011	Park Sung-ki, VP	Minister's Citation
			Ahn In-joo, VP	Prime Minister's Citation
Man of Merit on May Day	Ministry of Employment and Labor	May. 2011	Park Tae-seok, Senior Engineer	Prime Minister's Citation
Man of Merit on Invention Day	Korea Invention Promotion Association	Jun. 2011	Lee Jae-jin, Research Fellow	Prime Minister's Citation
Man of Merit on No Tobacco Day	Ministry of Environment	Jun. 2011	Lee Kyung-wha, Senior Manager	Minister's Citation
Man of Merit on Environment Day	Ministry of Environment	Jun. 2011	Lee Moon-ha, Director	Minister's Citation
Korea Electrical Safety Award	Ministry of Public Administration and Security	Jun. 2011	Lee Jang-hyung, Director	Prime Minister's Citation
Man of Merit on Semiconductors Day	Ministry of Knowledge Economy	Nov. 2011	Choi Chun-yup, VP	Presidential Citation
			Cho Don-gu, Director	Minister's Citation
			Kim Woong-hee, Director	Minister's Citation
Man of Merit for industrial technology safety	Ministry of Knowledge Economy	Nov. 2011	Shim Chun-sik, Director	Minister's Citation
Man of Merit for semiconductor material performance assessment	Ministry of Knowledge Economy	Nov. 2011	Choi Geun-min, VP	Minister's Citation
Large and Small Business Cooperation Award	Ministry of Knowledge Economy	Nov. 2011	Doo Sung-kyu, Managing Director	Minister's Citation
Man of Merit on GHG target management	Ministry of Knowledge Economy	Nov. 2011	Choi Eun-kyung, Senior Manager	Minister's Citation
Award winning at ecotoxicity contest	Ministry of Environment	Nov. 2011	Bae Eun-seok, Assistant Manager	Minister's Citation
			Choi Seok-hun, VP	Presidential Citation
Award winning for building healthy labor-management relation	Ministry of Public Administration and Security	Dec. 2011	Hur Hyun-kuk, Director	Minister's Citation
			Choi Kwang-moon, Director	Minister's Citation
			Kim Young-sam, Senior Engineer	Minister's Citation
			Lee In-yong, Senior Engineer	Minister's Citation
Korea Technology Grand Award	Ministry of Knowledge Economy	Dec. 2011	Jeong Jae-goan, VP	Minister's Citation
Man of Merit for energy savings	Ministry of Environment	Dec. 2011	Jeong Yun-yeong, VP	Industrial Service Medal
Man of Merit on Trade Day	Ministry of Knowledge Economy	Dec. 2011	Yoon Sang-kyun, Executive VP	Silver Tower Order of Industrial Service Merit
Korea National Quality Award	Ministry of Knowledge Economy	Dec. 2011	Yoon Tae-kap, Director	Minister's Citation
			Lim Jong-man, Senior Manager	Minister's Citation

Group/Organization Memberships

Required	Korea Chamber of Commerce (Icheon, Chengju), Korea Fire Safety Association (Icheon, Chengju), Korea Electric Engineers Association (Icheon, Chengju), Korea Industrial Safety Association (Sungnam Branch), Korea Industrial Safety Association (Chungbuk Branch), Korean Association of Occupational Health Nurses
Management Support	Korea International Trade Association, Korea Semiconductor Industry Association, Fair Competition Federation, The Federation of Korean Industries, The Korean Association for Industrial Technology Security, Korea Listed Companies Association, Korea IR Service, The Green Company Council (Gyeonggi & Seoul), WSTS, Korea Employers Federation, Ministry of Knowledge Economy's National Emergency Planning Commission, BEST Forum: Business Ethics and Sustainability management for Top performance (The Institute for Industrial Policy Studies), UNGC (UN Global Compact) Korea Network, The Green Company Council (Chungcheong area), Chungbuk Employers Federation
R&D Support	Korea Invention Promotion Association, Korea Intellectual Property Association, Korea Industrial Technology Association, RosettaNet Korea, SDA, UFSA, SIWEDS, Consortium of Semiconductor Advanced Research (COSAR), IIMAPS, MIPI, The Institute of Electronics Engineers of Korea, The Institute of Semiconductor Test of Korea, GSA, SATO-IO, PCI-SIG, JEDEC
Production Support	Korea Radioisotope Association, Korea Chemicals Management Association, Chemical Substance Emission Reduction Metropolitan Seoul Area Subcommittee, Korea Integrated Logistics Association (KILA), Korea AEO Promotion Association, Korea Customs Logistics Association, Korean Society of Supply Chain Management, Korea Forum of Chief Information Officers, Korean Standards Association (KSA) (Icheon, Chengju), Korea Environmental Preservation Association Chungbuk Charter, Korea National Quality Award winners council, Association of Environmental Technologists in Chungbuk, Korea Environmental Management Association
Sales Support	SEMI

Greenhouse Gas Verification Report

SK hynix Inc.

Entity

SK hynix Inc. Icheon Head Office, Cheongju Worksite, Seoul Office

Address

- 2091, Gyungchung-daero, Bubal-eub, Icheon-si, Gyeonggi, Korea
- 215, Daeshin-ro, Hungduk-gu, Cheongju-si, Chungbuk, Korea
- 424, Teheran-ro, Gangnam-gu, Seoul, Korea

Period

01/01/2011 ~ 12/31/2011

Emissions

2,553,655 tCO₂ eq

Year	Scope1 (tCO ₂ eq)	Scope2 (tCO ₂ eq)
2011	946,841	1,606,815

- We found no major issues in calculating greenhouse gas emissions and related data is considered to be appropriately maintained.
- The quality level of the data meets major international GHGs verification standards.



Verification Statement

Hynix Semiconductor Co., Ltd.



Scope:
The annual GHG emission for 2011 calendar year inclusive.
The physical scope is within the boundary of Domestic Area for Hynix Semiconductor Co., Ltd.
GHG emissions for Scope 1(Direct-emissions from the plant), Scope 2(indirect-energy related) and partially Scope 3(indirect-emissions from logistic, commuting etc.) as defined in WBCSD/WRI GHG protocol Chapter 4 "Setting Operational Boundaries"

Data Verified:
The Scope 1 and Scope 2 GHG Emissions for 2011 calendar year as follows:

Scopes	Sites	Icheon plant (head office)	Cheongju plant	Seoul office	Sub Total
Direct Emissions (Scope1)		401,355	545,211	275	946,841
Indirect Emissions (Scope2)		950,631	654,717	1,167	1,606,815
Total (tCO₂/yr)		1,352,285	1,199,928	1,442	2,553,655

The Scope 3 GHG emissions as from logistic, waste dispatch & disposal and business trip for 2011 calendar year

Category	International transport(Export)	International transport(import)	Business Trip	Waste Disposal	Total
tCO ₂ e (2011Year)	27,877.8	38,748.5	616.3	345,862.3	413,305

GHG Criteria & Protocols used for Verification:
The verification was carried out at the request of Hynix Semiconductor Co., Ltd. using:
 • The Kyoto Protocol to the United Nations Framework Convention on Climate Change-11 December 1997
 • The GHG Protocol of the WBCSD/WRI - Revised March 2004
 • IPCC Guideline for National Greenhouse Gas Inventories - Revised 2006
 • ISO14064 Part 1 & 3 - Issued 2006
 • BSI GHG EV Manual (KM007 R0) - Issued Jan. 2011
 • GHG-ENERGY Target Management Scheme (2011-20) - only applied to the controlled entity

The BSI Group Korea's standard confidentiality principle is applied to the all verification activities.

Verification Opinion:
As a result of carrying out verification in accordance with the protocols and the best practice mentioned above, it is the opinion of BSI that:
 • No material misstatement in the calculations was revealed, good record keeping was demonstrated and
 • Data quality was considered acceptable in meeting the key international principles for greenhouse gas emissions verification.

Signed: 

J. K. Cheon / President, BSI Group Korea
Date: 29 March 2012

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* The inventory presented in this report does not include Nitrogen trifluoride (NF₃), which does not fall under any of the categories of the Kyoto Protocol.
 * The entity name used in this report is Hynix Semiconductor Inc., the company name the entity had at the time of the verification.

Greenhouse Gas Verification Report

SK hynix Inc.

Entity

SK hynix Semiconductor (China) Ltd.

Address

- K7 plot, Export Processing Zone Wuxi, Jiangsu, China

Period

01/01/2010 ~ 12/31/2010

01/01/2011 ~ 12/31/2011

Emissions

1,003,772 tCO₂ eq/2010

1,041,551 tCO₂ eq/2011

Year	Scope1 (tCtO ₂ eq)	Scope2 (tCtO ₂ eq)
2010	404,148	599,623
2011	374,594	666,917

- In SGS's opinion the presented GHG assertion
 - is materially correct and is a fair representation of the GHG data and information, and
 - is prepared in accordance with ISO 14064-1:2006 and WRI-Protocol on GHG quantification, monitoring and reporting.



March, 28, 2012
Certification Manager Soongon Park

GRI Guideline Index

● Fully Reported ● Partly Reported ○ Not Reported N/A Not Applicable

Category	Code	Name of Indicator	Global Compact	Application Level	Page	Remarks
Profile						
Strategy and Analysis	1.1	CEO Message		●	10	
	1.2	Description of key impacts, risks and opportunities		●	10	
Organizational Profile	2.1	Name of the organization		●	6	
	2.2	Primary brands, products, and/or services.		●	6, 9	
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures		●	7	
	2.4	Location of organization's headquarters.		●	102	
	2.5	Number of countries where the organization operates		●	8	
	2.6	Nature of ownership and legal form		●	6	
	2.7	Characteristics of Markets served		●	6	
	2.8	Scale of the reporting organization		●	6	
	2.9	Significant changes during the reporting period regarding size, structure, or ownership		●	22	
	2.10	Awards received in the reporting period		●	91	
Report Parameters	3.1	Reporting period for information provided		●	12	
	3.2	Date of most recent previous report		●	12	
	3.3	Reporting cycle		●	12	
	3.4	Contact point for questions regarding the report or its contents		●	102	
	3.5	Process for defining report content		●	12	
	3.6	Boundaries of the report		●	12	
	3.7	State any specific limitations on the scope or boundary of the report		●	12	
	3.8	Basis for reporting on the entities that can significantly affect comparability from period to period and / or between organizations		●	12	
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques		●	12	
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement		●	12	
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report		●	12	
	3.12	GRI Content Index		●	94-96	
	3.13	Policy and current practice with regard to seeking external assurance for the report		●	98-99	
Governance, Commitments and Engagement	4.1	Governance structure of the organization		●	22-23	
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer		●	22-23	
	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		●	22-23	
	4.4	Mechanisms enabling shareholders and employees to provide recommendations or direction to the highest governance body		●	22-23	
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance		●	22-23	
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		●	22-23	
	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.		●	22-23	
	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		●	22-23	
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance		●	22-23	
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance		●	22-23	
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization		●	22-23	
	4.12	Externally developed economic/environmental/social charters, principles, or other initiatives to which the organization subscribes or endorses		●	89	
	4.13	Membership in associations (such as industry associations) and / or national / international advocacy organizations		●	91	
	4.14	List of stakeholder groups engaged by the organization		●	20-21	
	4.15	Basis for identification and selection of stakeholders		●	20-21	
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		●	20-21	
	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		●	20-21	
Economic						
Disclosure on Management Approach						
Economic Performance	EC01	Direct economic value generated and distributed		●	24	
	EC02	Financial implications and other risks and opportunities for the organization's activities due to climate change		●	55	
	EC03	Coverage of the organization's defined benefit plan obligations		●	52	
	EC04	Significant financial assistance received from government		●	24	
Market Presence	EC05	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.		●	45	
	EC06	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		●	44	
	EC07	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.		●	44	
Indirect Economic Impacts	EC08	Development and impact of infrastructure investments and services provided primarily for public benefit		●	72-74	
	EC09	Understanding and describing significant indirect economic impacts.		●	24	
Environmental						
Disclosure on Management Approach						
Source	EN01	Materials used by weight or volume		●	82	
	EN02	Percentage of materials used that are recycled input materials.	Principle 7	●	82	
Energy	EN03	Direct energy consumption by primary energy source.		●	82	
	EN04	Indirect energy consumption by primary source.		●	82	

● Fully Reported ◐ Partly Reported ○ Not Reported N/A Not Applicable

Category	Code	Name of Indicator	Global Compact	Application Level	Page	Remarks
Water	EN05	Energy saved due to conservation and efficiency improvements.	Principle 8	●	56	
	EN06	Initiatives to provide energy-efficient or renewable energy based products and services	Principle 9	●	56	
	EN07	Initiatives to reduce indirect energy consumption and reductions achieved	Principle 8	●	56	
	EN08	Total water withdrawal by source		●	82	
	EN09	Water sources significantly affected by withdrawal of water	Principle 8	N/A	-	No water area affected
	EN10	Percentage and total volume of water recycled and reused.	Principle 8	●	●	
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.	Principle 8	N/A	-	No area affected
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Principle 8	N/A	-	No area affected
	EN13	Habitats protected or restored.	Principle 8	N/A	-	No area related
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Principle 8	●	59	
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Principle 8	N/A	-	No endangered species near worksite
Emissions, Effluents and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight.		●	82	
	EN17	Other relevant indirect greenhouse gas emissions by weight.	Principle 9	N/A	-	No management data available
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Principle 9	●	56	
	EN19	Emissions of ozone-depleting substances by weight.		N/A	-	No materials destructing ozone layer
	EN20	NOx, SOx, and other significant air emissions by type and weight.		●	82	
	EN21	Total water discharge by quality and destination.		●	82	
	EN22	Total weight of waste by type and disposal method.		●	83	
	EN23	Total number and volume of significant spills.		N/A	-	No leakage case
	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.		N/A	-	No case reported
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.	Principle 8	N/A	-	No water areas/habitat affected
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Principle 8	N/A	-	Not application given the industry characteristics
Compliance	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Principle 7	N/A	-	Not application given the industry characteristics
	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Principle 8	N/A	-	No violation
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.	Principle 8	●	56	
Overall	EN30	Total environmental protection expenditures and investments by type.	Principle 8	●	61, 82	
Labor Practices and Decent Work		Disclosure on Management Approach				
Employment	LA01	Total workforce by employment type, employment contract, and region.		●	83	
	LA02	Total number and rate of employee turnover by age group, gender, and region.		●	83	
	LA03	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.		●	52-53	
	LA15	Return to work and retention rates after parental leave, by gender.		●	83	
Labor / Management Relations	LA04	Percentage of employees covered by collective bargaining agreements	Principle 3	●	49	
	LA05	Minimum notice period regarding important operational changes		●	49-50	
Occupational Health and Safety	LA06	Percentage of total workforce represented in formal joint management-worker health and safety committees	Principle 3	●	49-50	
	LA07	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region		●	83	
	LA08	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, and community members regarding serious diseases		●	72-74	
	LA09	Health and safety topics covered in formal agreements with trade unions	Principle 3	●	53	
Training and Education	LA10	Average hours of training per year per employee by employee category		●	83	
	LA11	Programs for skills management and lifelong learning and assist them in managing career endings		●	-	Refer to website > Recruitment > HR
	LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Principle 6	●	83	
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	Principle 6	●	22, 43	
	LA14	Ratio of basic salary of men to women by employee category	Principle 6	●	45	
Human Rights		Disclosure on Management Approach				
Investment and Procurement Practices	HR01	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Principle 2	N/A	-	No human rights status check when signing investment agreement of selecting supplier
	HR02	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Principle 2	N/A	-	
	HR03	Total hours of employee training on policies and procedures concerning aspects of human rights	Principle 2	●	83	
Non-Discrimination	HR04	Total number of incidents of discrimination and actions taken.	Principle 1	●	-	No discrimination
Freedom of Association and Collective Bargaining	HR05	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.	Principle 1	N/A	-	N/A
Child Labor	HR06	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Principle 5	●	-	Complied with law and thus child / forced labor cases
Forced and Compulsory Labor	HR07	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.	Principle 4	●	-	
Security Practices	HR08	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Principle 1	●	-	Completed by all security staff
Indigenous Rights	HR09	Total number of incidents of violations involving rights of indigenous people and actions taken.	Principle 2	●	-	No violation
Assessment	HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		●	83	
Remediation	HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.		●	44	

● Fully Reported ● Partly Reported ○ Not Reported N/A Not Applicable

Category	Code	Name of Indicator	Global Compact	Application Level	Page	Remarks
Society						
Local Community						
	SO01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities.		●	72-74	
Corruption						
	SO02	Percentage and total number of business units analyzed for risks related to corruption.	Principle 10	●	-	100%
	SO03	Percentage of employees trained in organization's anti-corruption policies and procedures.	Principle 10	●	83	
	SO04	Actions taken in response to incidents of corruption.	Principle 10	●	38-40	
Public Policy						
	SO05	Public policy positions and participation in public policy development and lobbying.		N/A		No participation
	SO06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		N/A		No donation
Anti-competitive Behavior						
	SO07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Principle 10	N/A		No unfair competition
	SO08	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations		N/A	-	No regulated case
	SO09	Operations with significant potential or actual negative impacts on local communities.		●	-	No worksite having negative impact
	SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		●	72-74	
Product Responsibility						
Customer Health and Safety						
	PR01	Life cycle stages in which health and safety impacts of products and services are assessed for improvement		N/A	-	Not application given the industry characteristics
	PR02	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		N/A	-	No violation
Product and Service Labeling						
	PR03	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		●	-	100%
	PR04	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		N/A	-	No violation
	PR05	Practices related to customer satisfaction		●	33-35	
Marketing Communication						
	PR06	Programs for adherence to laws, standards, and voluntary rules related to marketing communications, including advertising, promotion, and sponsorship		●	41	
	PR07	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.		N/A	-	No violation
Customer Privacy						
	PR08	Total number of complaints regarding breaches of customer privacy and losses of customer data		N/A	-	No complaint
Compliance with Laws and Regulations						
	PR09	Monetary value of fines levied for violating laws and regulations on providing products and services		N/A	-	No violation

* GRI G3 Guideline Application Level

SK hynix is publicly announcing that this sustainability report has been written so that it satisfies all the requirements of Level A+ of the GRI G3 report application level indicators. The third-party organization that inspected this report, Ernst & Young Han Young, confirmed that it should be categorized as A+ according to the G3 Guideline application levels.

UN Global Compact

Category	The Ten Principles	Relevant Regulations and Directions	GRI	Page
Human Rights	1. We support and respect the protection of internationally proclaimed human rights.	• Declaration of Ethics Management • Code of Conduct, chapter 3: Employee respect	HR1 / HR2 / HR3 / HR4 / HR5 / HR6 / HR7 / HR8 / HR9	37-41, 44, 69
	2. We ensure employees are not complicit in the abuses of human rights.	• Electronics Industry Code of Conduct • Terms of Purchase Contract	HR1 / HR2 / HR8	38, 69
Labour Standards	3. We uphold freedom of association and effectively recognize the right to collective bargaining.	• Collective Agreement, Article 1 [The only negotiating body] • Collective Agreement, Article 6 [Guaranteeing union activities]	HR5 / LA4 / LA5	49
	4. We uphold the elimination of all forms of forced and compulsory labor.	• Employment Rules 3: Work • Collective Agreement, Article 4 [Work hours/days off/holidays]	HR7	44
	5. We uphold the effective abolition of child labor.	• Employment Rules 1: Hiring • Hiring Regulations 5: Limitations on hiring	HR6	44
	6. We uphold the elimination of discrimination in respect of employment and occupation.	• Code of Conduct, chapter 3: Fair treatment • Hiring Regulations 4: Hiring principles	HR4 / LA2 / LA10 / LA13 / LA14	44-45
Environment	7. We support a precautionary approach to environmental challenges.	• Code of Conduct, chapter 6: Eco-friendly management • Environment-Safety-Health regulations		55-56
	8. We undertake initiatives to promote greater environmental responsibility.	• Code of Conduct, chapter 6: Eco-friendly management • Environment-Safety-Health regulations	EN5 / EN6 / EN7 / EN10 / EN14 / EN18 / EN21 / EN22 / EN26 / EN27 / EN30	59-62
	9. We encourage the development and proliferation of environmentally-friendly technologies.	• Code of Conduct, chapter 6: Eco-friendly Management • Environment-Safety-Health regulations	EN2 / EN5 / EN6 / EN7 / EN10 / EN18 / EN26 / EN27 / EN30	57-58
Anti-Corruption	10. We work against corruption in all its forms, including extortion and bribery.	• Declaration of Ethics Management • Declaration of Fair Trade Compliance • Code of Conduct, chapter 4: Fair work performance • Code of Conduct, chapter 5: Partner companies • Code of Conduct, Operation Regulations	SO2 / SO3 / SO4	38-41

ISO 26000 Implementation

● Fully Reported ◐ Partly Reported ○ Not Reported N/A Not Applicable

Core Subject	Core Issues	Page (Page referrals to GRI index)	Reporting Level
6.2 Organizational governance	6.2.3 Decision-making processes and structures	1.1, 1.2, 2.3, 4.1 ~ 4.17	●
	6.3.3 Due diligence	HR1, HR2, HR5, HR6, HR7	●
	6.3.4 Human rights risk situations	HR5, HR6, HR7	●
	6.3.5 Avoidance of complicity	HR1, HR2, HR3, HR5, HR6, HR7, HR8	●
6.3 Human rights	6.3.6 Resolving grievances	HR1, HR4, HR9	●
	6.3.7 Discrimination and vulnerable groups	HR4, HR6, HR7, HR9, LA13, LA14	◐
	6.3.8 Civil and political rights	HR5, HR9	●
	6.3.9 Economic, social and cultural rights	SO1, PR1, PR2, EC8, EC9	●
	6.3.10 Fundamental principles and rights at work	HR4, HR5, HR6, HR7, Labor DMA, LA4, LA14	◐
6.4 Labour practices	6.4.3 Employment and employment relationships	HR2, HR4, HR5, HR8, LA1, LA2, LA3, LA4, LA5, LA13, LA14	◐
	6.4.4 Conditions of work and social protection	LA3, LA4, LA5, LA14, EC5	◐
	6.4.5 Social dialogue	HR5, LA4, LA5	◐
	6.4.6 Health and safety at work	LA6, LA7, LA8, LA9	●
6.5 The environment	6.4.7 Human development and training in the workplace	LA10, LA11, LA12	●
	6.5.3 Prevention of pollution	EN19 ~ EN24	●
	6.5.4 Sustainable resource use	EN1 ~ EN10, EN25, EN26, EN27, EN29	◐
	6.5.5 Climate change mitigation and adaptation	EC2, EN16 ~ EN18	●
6.6 Fair operating practices	6.5.6 Protection of the environment, biodiversity and restoration of natural habitats	EN11 ~ EN15, EN25	●
	6.6.3 Anti-corruption	SO2, SO3, SO4	●
	6.6.4 Responsible political involvement	SO5, SO6	●
	6.6.5 Fair competition	SO7	●
6.7 Consumer issues	6.6.6 Promoting social responsibility in the value chain	HR2, HR8, PR1, PR2, EC6, EC9, EN26, EN29	◐
	6.6.7 Respect for property rights	HR9, SO1, SO7, SO8, EC9	●
	6.7.3 Fair marketing, factual and unbiased information and fair contractual practices	PR3, PR4, PR6, PR7	●
	6.7.4 Protecting consumers' health and safety	PR1, PR2, PR3, PR4, PR5	●
6.8 Community involvement and development	6.7.5 Sustainable consumption	PR1, PR2, PR3, PR4, PR5, EN26, EN27	●
	6.7.6 Consumer service, support, and complaint and dispute resolution	PR3, PR4, PR5, PR6, PR7, PR9	●
	6.7.7 Consumer data protection and privacy	PR8	●
	6.7.8 Access to essential services	PR5, EC9	●
6.8 Community involvement and development	6.7.9 Education and awareness	PR3, PR4, PR5, PR6, PR7	●
	6.8.3 Community involvement	SO5, SO6, LA8, EC1, EC8	●
	6.8.4 Education and culture	LA8, EC8	●
	6.8.5 Employment creation and skills development	SO1, LA11, EC6, EC7, EC8, EC9	●
6.8 Community involvement and development	6.8.6 Technology development and access	EC8, EC9	●
	6.8.7 Wealth and income creation	SO1, SO8, EC1, EC6, EC7, EC8, EC9	●
	6.8.8 Health	LA8	●
	6.8.9 Social investment	EC1, EC8, EC9	●



Independent Assurance Report

To the management of SK hynix:

At SK hynix's request, we have reviewed the information presented in the 2012 sustainability report (the "report"). The management of SK hynix is responsible for preparing the report. Our responsibility is to carry out a limited assurance engagement on the report and to provide opinions on it based on our review.

What we did to form our conclusions

We conducted our engagement in accordance with ISAE3000¹ and the requirements of a Type 2 assurance engagement as defined by AA1000AS (2008)²

We performed the following procedures to form our conclusion on the report:

- Evaluated SK hynix's processes for stakeholder engagement.
- Reviewed SK hynix's processes for determining material issues of stakeholder groups.
- Searched the media coverage of SK hynix's sustainability issues during the applicable reporting period.
- Reviewed recently reported sustainability issues of SK hynix's competitors.
- Interviewed a selection of people in charge to better understand the current status of SK hynix's sustainability performance and the reporting process during the reporting period.
- Reviewed selected data regarding SK hynix's sustainability performance, supporting evidence for assertions, and information from corporate-wide systems.
- Reviewed SK hynix's process for collecting and consolidating sustainability performance data.
- Reviewed whether financial performance data has been extracted properly from the company's 2011 audited financial statements.

Level of assurance

We undertook a limited assurance engagement in accordance with ISAE3000. A limited assurance engagement is less in scope than a reasonable assurance engagement. Consequently, the nature, timing and the extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

The limitations of our review

We excluded GHG (Greenhouse Gas) emissions and environmental performance data from overseas operations in our limited assurance engagement. We also did not review environmental and social performance data prior to 2010. However, we did review financial performance data based on the company's 2011 audited financial statements.

Our conclusions

The result of our review is outlined below.

Inclusivity

Has SK hynix been engaging with stakeholders across the business to develop its approach to sustainability?

- We are not aware of any key stakeholder groups that have been excluded from the stakeholder engagement process outlined in the report.
- We are not aware of any matters that would lead us to conclude that SK hynix has not applied the inclusivity principle in developing its approach to sustainability.

Materiality

Has SK hynix provided a balanced representation of material issues concerning SK hynix's sustainability performance?

- We are not aware of any material aspects concerning SK hynix's sustainability performance which have been excluded from the report.
- Nothing has come to our attention that causes us to believe that SK hynix management has not applied its processes for determining material issues to be included in the Report.

1. International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by International Federation of the Accountants
2. AA1000AS(2008) - The second edition of the AA1000 Assurance Standard from the Institute of Social and Ethical Accountability

Responsiveness

Has SK hynix responded to stakeholder concerns?

- We are not aware of any matters that would lead us to conclude that SK hynix has not applied the responsiveness principle in considering the matters to be reported.

Completeness and accuracy of performance information

How complete and accurate is the economic, customer, environment, employee, partner and local community activity data in the report?

- Except for some performance data from the company's overseas operations, we did not find any reported contents that have been exempted from the economic, customer, environmental, employee, partner, or local community activity data.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from SK hynix's reporting process.

How plausible are the statements and claims within the report?

- We are not aware of any misstatements of information or explanation used to support statements and claims on SK hynix's sustainability activities presented in the report.

Observations and areas for improvement

Without prejudice against our conclusions presented above, we believe the following matters require attention.

- In order to reflect the opinions of diverse stakeholders, periodic communication channels must be established and through these channels, a system to decide on material issues must be improved.
- In terms of providing the performance data through reports, it is necessary to maintain a balance between positive and negative.
- In the case of some sustainability performance data, a system to generate, aggregate and report the data must be improved. Also, quantitative targets for the sustainable performance data need to be consolidated and a way to report the progress compared to the target should be considered.

Independence

We comply with the Ethical Standard issued by International Federation of Accountants (IFAC).

Our assurance team

This assurance engagement was performed by our engagement team.

Seung Wha Gweon
Country Managing Partner
Ernst & Young Han Young
May 2012

Ernst & Young Han Young

Growing
together for
better tomorrow







SK's "Wings of Happiness" emblem symbolizes its goal of contributing to people's happiness by pursuing the happiness of its stakeholders. They reflect SK's spirit of Super Excellence soaring toward the global market, and express SK's core values of happiness and dedication to its customers. This is done by adding the color red, which represents SK's pride, to the color orange, which indicates happiness, warmth, and charm. Just as the two wings of the "Wings of Happiness" can only fly high when they are in harmony and balance, SK's sustainability can only be achieved when it and its shareholders, management, employees, and business partners are all happy.



www.skhynix.com

SK hynix 2012 Sustainability Report



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