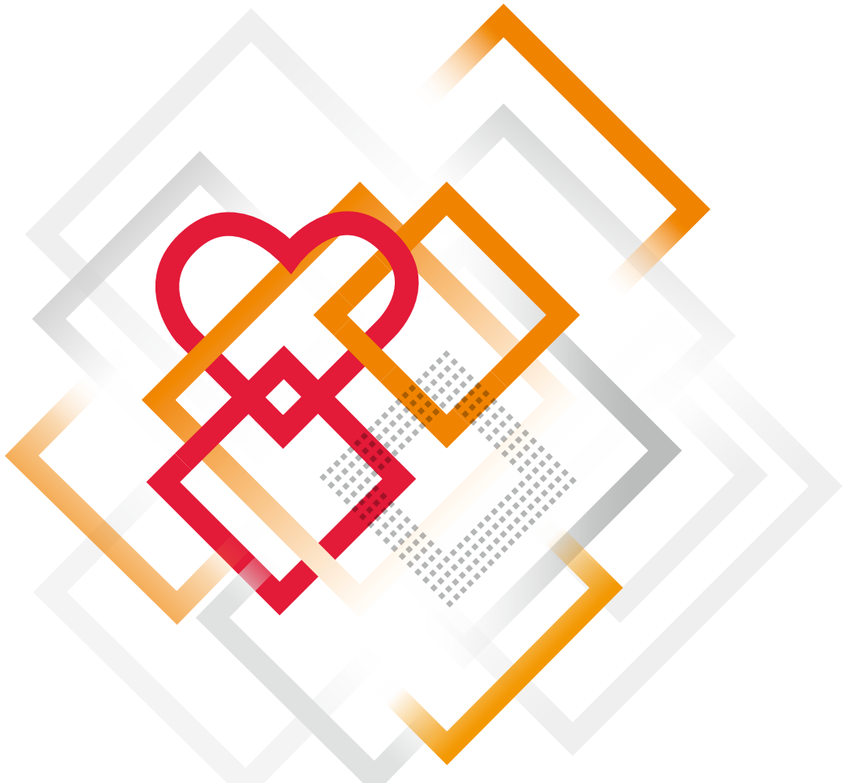


Creating Value

SK hynix 2013 Sustainability Report

Happy Tomorrow

SK's "Wings of Happiness" represents SK's will and contribution to the pursuit of our stakeholders' happiness. Just like how the harmony and balance of the pair of wings enable us to reach soaring heights, sustainable development will be viable if the customer, the company, the shareholders, the management and its employees, and the company's business partners are happy together.

SK hynix Integrated Reporting

SK hynix is leading our stakeholder-focused management in order to become the best comprehensive semiconductor company in the world. In order to create stakeholder value which complies with the characteristics of the semiconductor production industry as well as the corporate's development strategy, the annual report which focuses on financial status and the sustainability report that focuses on non-financial issues, are being integrated to be disclosed to our stakeholders. In this 2013 Sustainability Report, by disclosing the economic, social, environmental values derived from the MPRS strategy based on the business cycle of the products in mutual interconnection with performance, we have endeavored to upgrade the substantiality and reliability of the contents of the report.

Starting in 2010, SK hynix has integrated the sustainability report with the annual report, reporting the main activities and performances (KPI). In this 2013 sustainability report and hereafter, the MPRS cycle which integrates the overall production process and the created stakholders' value will be interconnected to report the corporate strategy and it's changes in the market environment and impact. Therefore, transparency and true meaning of a value-integrated report have been developed.

SK hynix, as the leading semiconductor company in the world, is expanding its relationship with diverse customers in the market, business partners, local and employees. In this process, diverse sustainability management issues are being encountered in particular, the establishment of an ethical corporate culture based on a high standards of corporate governance, promotion of Win-Win growth with business partners, and preservation of an environmentally friendly production process. Also, the possibility of communication with stakeholder is being expanded through the establishment of the integrated sustainability management strategy. The trust received by our stakeholders is deemed as an asset that is incomparable because it is the engine of creating corporate value.

SK hynix Integrated Reporting Structure

SK hynix Integrated Reporting Implementation

SK hynix Integrated Reporting Implementation has the purpose of synthesizing diverse systems and activities for creating stakeholders' value based on the sustainability management integrated strategy structure.

The business cycle of SK hynix is being operated through a virtuous cycle of R&D, Production and Marketing. Based on superior personnel and technology, investment in R&D is expanding which leads to the best synthesized semiconductor production. Also, by promoting the superiority of products through diverse channels, new profit generation is being created. Moreover, sustainable value is being created from diverse support systems and activities for our products to be stably supplied to our customers, and such value is being shared with stakeholders.

Introduction of Stakeholder Value Creation Process

STEP 1_ Making Sustainable Products

This step represents the overall management activities from investment in R&D for production and production processes, to marketing activities and sales.

STEP 2_Managing Sustainable Governance

This step represents the activities in regards to the establishment of enterprise-scale sustainability management such as the promotion of ethics and law abiding management based on a developed corporate governance.

STEP 3_ Building Corporate Sustainability

This step represents the safe environment and human resource system that is being supported so that management activities from product planning and production to sales are soundly executed.

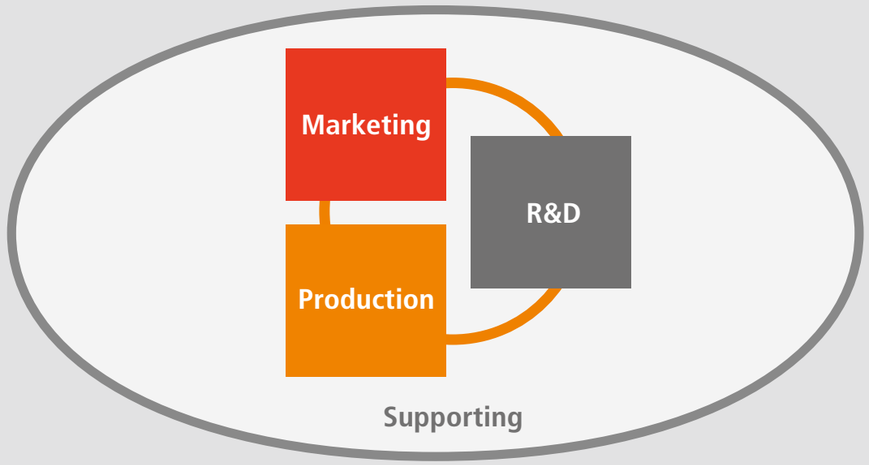
STEP 4_ Sharing Stakeholder Values

The values refer to value creation from the overall process of production, in relation to economic, social, and environmental values according to the respective stakeholders, and represents the value flow from the invested asset to output asset.

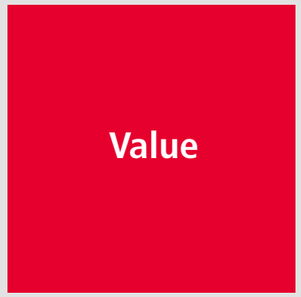
The Stakeholders' Main Issues

The 'SK hynix Materiality Test Process' has been carried out in order to interpret the issues concerned by diverse stakeholders who are managing and encountering the company's semiconductor business. The stakeholders' level of influence has been analyzed through surveys and research analysis regarding foreign and domestic stakeholders, benchmarking, and media research. With this, the business level of influence has been analyzed based on the strategic priority and the respective issues' significance and this combination allowed us to determine materiality issues within the report.

SK hynix Business Cycle (MPRS)



Stakeholder Value Creation

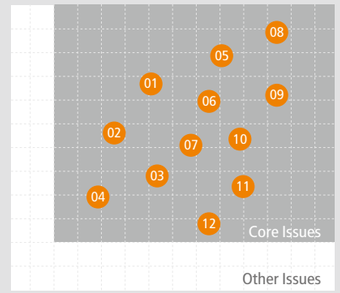


Materiality Issue Derivation Process

STEP 1. Sustainability Management Issue Derivation → STEP 2. Developing SK hynix Standard Index → STEP 3. Redesigning the Issue Pool → STEP 4. Materiality Test

Media Analysis	Benchmarking Analysis
SR Standard Issue Analysis	Sustainability Management Issue Analysis According to Industries

→ Synthesis of Global Sustainability Management Issues → Development of SK hynix Sustainability Management Standard Index → Internal & External Issue Assessment →



01. Product Quality & Recall Control
02. Complete Protection of Customer Information
03. Securing of Stable Recruitment
04. Securing Quality in Raw Materials and Utilization Control
05. Quality Innovation for Improving Customer Satisfaction
06. Enhancement of Risk Responsiveness
07. Fair Performance Assessment and Compensation
08. R&D Performance Creation
09. Prevention of Generation and Release of Significant Hazardous Substances
10. Direct & Indirect Greenhouse Gas Emission Control
11. Creation and Distribution of Economic Value
12. Assurance of Employee's work and life balance

Integrated Value Creation Development

SK hynix is willing to contribute to building a sustainable society and enhancing stakeholders' value with the basis of products and services created through the integrated value creation process. Going beyond products sales and creating profits, the company will do its best to act as a corporate citizen that creates social and environmental values through its production process as well as its products for customer use.

Main Cases of Value Creation

Cooperative Business in Assessing Performance

Assessed 74 items – Approved 54 items

Creation of Substitution Effect Reaching KRW 789.7 Billion Per Annum

Recycling the Resources

Waste Regeneration Rate – 96.5%

Creation of KRW 27 Billion Worth of Added Value Per Annum

Future Science Talents Development

Held the Robo Olympiad – 1 time, 200 participants

Held the Junior Engineering Class – 10 times, 393 participants

STEP 5. Integrated Value System Interconnection

Integrated Value Creation System	Major Issues through Materiality Test	Page
Marketing	Complete Protection of Customer Information	43
Production	Securing Quality in Raw Materials and Utilization Control	25-26
	Product Quality & Recall Control	27
	Quality Innovation for Improving Customer Satisfaction	28-29
R&D	R&D Performance Creation	22-23
Supporting	Fair Performance Assessment and Compensation	55
	Securing of Stable Recruitment	56
	Assurance of Employee's work and life balance	57
	Enhancement of Risk Responsiveness	91
Value	Direct & Indirect Greenhouse Gas Emission Control	66
	Prevention of Generation and Release of Significant Hazardous Substances	71
	Creation and Distribution of Economic Value	80

Overview

SK hynix Integrated Reporting
02 CEO Message
04 2012 Sustainability Highlights
06 Company Profile
07 Global Network
08 Corporate Culture
11 Sustainability Management

Making Sustainable Products

17 Future Product Planning
21 Global Product Management
25 Stable Product Quality Control

Managing Sustainable Governance

34 Advanced Corporate Governance
36 Enterprise Ethics Management Implementation
40 Compliance Management System
42 Patents and Industry Security

Building Corporate Sustainability

46 Building Safe and Health Working Environment
50 Improvement of the Employees' Sustainability

Sharing Stakeholder Values

61 Growth with Partners
65 Environmental Management
75 Win-Win Development Community

Appendix

80 Communication with Stakeholders
Creation & Distribution of Economic Performance
81 Sustainability Management Performance Statements
84 Awards, Recognitions and Association Memberships
85 Corporate Organization
86 Financial Information
90 Sustainability Management Policy
92 GRI Index
94 UN Global Compact
95 ISO26000
96 Audit Report from the Independent Auditor
97 Greenhouse Gas Verification Report
98 Independent Assurance Report
100 About This Report

CEO Message

Dear SK hynix stakeholders,

Last year was a meaningful year where the company met SK to launch the new SK hynix while overcoming the long economic recession and challenges.

I am sincerely thankful for the stakeholders' unchanging love and dedication to the new SK hynix. Approaching the 30th anniversary this year, SK hynix aims for a brighter future, and will stand strong to become the "world's best semiconductor company".

Recently, SK hynix has encountered a rapidly changing semiconductor market that requires something different than that of the past. If 'production cost competition' based on the technology of granulation was the main focus of competition in the past, currently the 'diversity' and 'timeliness' of the product being delivered to the customer at a set time in regards to the demand for function and quality are being emphasized as the main factors. Also, with the sustainability of the corporation that produces goods, the whole process from production to sales is being assessed in terms of social and environmental value creation, and interconnecting an integrated way of thinking is critical to corporate value.

SK hynix, as a global semiconductor producing company, has endeavored to become a sustainable company that exerts social responsibility. As a result, by 2012, we were able to be included in the Dow Jones Sustainability Indexes World for three consecutive years, the East Asia 30 corporations (FTSE4Good) for two consecutive years, and the Carbon Management Global Leader's Club (CDP Korean Committee) for four consecutive years. We will continue to lead, responding to the rapidly changing external environment and carrying out our responsibility as a corporate citizen.

There is a saying that the future, despite being unpredictable, is the present to those who challenge and create. We promise to carry out the activities shown below in order to adapt to the new environment and establish the basis for sustainable growth based on preparation for the future through our efforts.

First, we will foster sustainable development by acquiring the growth competency through technologically innovative leadership.

We will go forward to prepare the next generation's software memory, by responding to the rapidly changing memory semiconductor market through acceleration in technology-focused growth based on financial stability, which is the basic requirement for sustainable growth. We will not stop to accommodate the changes in the market by combining marketing, production, R&D, and support, and develop new markets by interpreting the consumers' demand and producing the Best Solution goods.

Second, we will position ourselves as a sustainable company by integrating the creation of values.

Hereafter, SK hynix will pursue integrated value creation and value sharing as its sustainability management goal, which includes the consideration of the product's life cycle. In order to interconnect the company's growth with the social and environmental value creation, we will follow the right direction and reflect upon it in the establishment of our management strategy.

Third, we will become a company that is trusted and respected through our ethics management culture.

SK hynix will infuse ethical consciousness to employees and will actively create an ethics management culture so that the ethical consciousness can be the basis for all elements that constitute the company. In addition, as a member of society, we will take the initiative to spread the ethical culture to our stakeholders.

We ask for your continuous courtesy of warm interest and encouragement.
Thank you.

April 2013, SK hynix President and CEO Park Sung-wook

2012 Sustainability Highlights

1. Appointment of the New CEO Park Sung-wook, Acceleration for Future Growth via Technological Leadership

In the official meeting held by the Board of Directors (BOD) on February 19th, 2013, Park Sung-wook, the former Director of Research and Development, was appointed as the company's CEO. He is our company's leading expert on technology and has diverse field experiences, having been formerly appointed as the Director of the U.S Production Branch, the Director of Research, and the Director in charge of Research & Development and Manufacturing. With improved finances in place, we expect to see growth in earnest through 'technological leadership'.

2. Establishing Corporate Culture that pursues "SUPEX Company"

As SK hynix joined the SK Group in February 2012, a new corporate culture that seeks to harmonize as a group is in place. In particular, we are consolidating the company's system by diffusing the management via the SKMS (SK Management System) traning and establishing practical guidelines for 'To-be Model' and the SKMS in pursuit of becoming a SUPEX Company.

3. Preparation for the Future through Strategic Partnerships

In April 2012, SK hynix completed an agreement for the cross license for mutual use of patents and supply of NAND Flash products with Spencer, an American flash memory solution company. From this, the possibility of global patent disputes has been reduced, and we were able to acquire a stable supply source for the high added-value embedded SLC NAND flash. In June, SK hynix signed a contract with IBM in regards to the collaborative development as well as the technology license of the next generation's memory product, PCRAM (Phase Change Random Access Memory), and expect the next generation's memory technology along with the STT-MRAM and ReRAM to gain competitiveness.

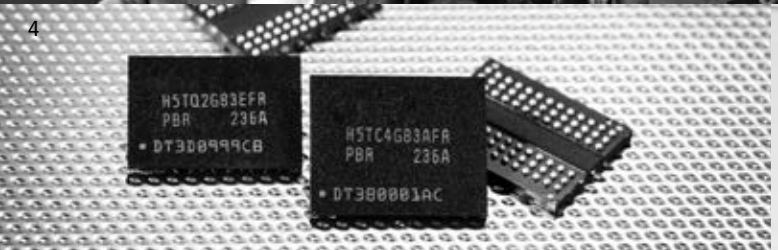
4. Launching of Memory Solutions to Respond to the Mobile Era

SK hynix is continuously responding to the customer demand by launching products that live up to the mobile industry's growth, such as the Ultrabook, Tablet PC, etc. In June 2012, the SSD (Solid State Drive) product for consumers which the high-speed SATA III interface has been applied and the highly efficient NAND Flash has been installed for faster speed and better stability, was launched. In September the 20nm-class DDR3LRS (Reduced Standby) DRAM for mobile devices, which approximately 70% of standby power has been reduced compared to the existing 30nm-class DDR3L product, has been launched to respond to the new market for mid-low priced Ultrabooks and Tablet PCs.

1

2

3



4

5

5. Full-fledged Operation of the Cheongju M12 Production Line

In June 2012, the building completion ceremony of Cheongju was held. Chey Tae-won, the chairman of SK group, decided on continuous investments regardless of the global economic recession and showed the will to foster the M12 production line as the global headquarters. The M12 production line is designed so that NAND Flash and DRAM can be compatibly produced. Also, it has plans to continuously expand its production scale, notably of the high added-value memory semiconductors to be quick to respond to the rapid changes in the market environment.

6. Achieved the Sustainability Management Award Twice

In November 2012, SK hynix was awarded with the Minister's Award from the Ministry of Knowledge Economy from the <7th Sustainability Management Award> organized by the Ministry of Knowledge Economy and Small and Medium Business Administration. Starting in 2008, the company has issued annual sustainability reports that included information on environmental management, Win-Win partnership, and social contribution. The performance of such activities were recognized so that the company received the grand award for the private corporate sector in 2008 and again in 2012.

7. Expansion of High Value-Added Portfolio

Despite the industrial difficulties during 2012, by joining the SK Group, the company was able to make investments that reached KRW 3.85 trillion by accelerating refining processes. Through improved financial, our technology has reached a saliently advanced level compared to other foreign competitors. For DRAM, the 20nm-class product has quickly attained the greatest yield rate while SK hynix increased the portion of imbedded solution products such as eMMC and MCP for NAND Flash. Also, the CIS business which deals with system semiconductors, has reached $20 million in monthly revenue resulting in enhanced profitability and SK hynix also striving to secure technical competences.

8. Enhancement of NAND Flash Solution Capacity

The importance of improving the capacity of NAND Flash Solutions through procurement of high-performance controllers with the IT industry's trend of mobiles is growing. In accordance, in June 2012, SK hynix acquired LAMD, a US Controller-producing company, Ideaflash S.r.l, an Italian NAND Flash development company, and established the 'Flash Solution Design Center' which takes charge of controller hardware design and software development to enhance the capacity of NAND Flash by securing the global R&D network.

9. Achieved the President's Award for the National Volunteer Work Contest

SK hynix is promoting a meal delivery program for local undernourished children through the 'Good Memory Sharing Fund' that is composed of employees' donations. Also, it is providing scholarships for local students and carrying out scholarship programs through collaboration with universities and high schools. In addition, it is carrying out social contribution activities in diverse areas. For example, supporting domestic employees to participate in global volunteer work. Being recognized for such devotion, in December 2012, SK hynix received the highest award for the group segment awarded by president, in the <7th National Volunteer Work Contest> that was organized by the Ministry of Security and Public Administration, VKorea, and KFVC.

10. Labor and Management Cooperation Declaration towards a New Future

In May 2012, the labor and management cooperatively held an implementation declaration ceremony in the headquarters located in Gyeonggi-do Icheon and adopted the declaration of practice. As a part of the SK Group, SK hynix set 2012 as the starting year for the pursuit of happiness together with the labor and the management, and we are promoting management activities that aim for collaborative challenge and creativity. By adopting the labor and management declaration that includes issues such as creating the labor union's lively working atmosphere, enhancing the production cost competitiveness, and cooperative labor and management culture, we have pledged to have a 'one family' sentiment to actively cooperate for the happiness of the entire company as well as the stakeholders.

Company Profile

Company Profile

SK hynix is leading the semiconductor industry in the IT field with its technological leadership. By maximizing synergies with the SK Group, SK hynix is on the path to becoming the 'world's best semiconductor company'.

Company Profile

Company Name	SK hynix Inc.
CEOs	Chey Tae-won, Park Sung-wook
Date Founded	Feb 1983 (founding date of former Hyundai Electronics Industries Co., Ltd.)
Type of Business	Manufacturing and Sales of Semiconductor Devices
Headquarters	2091 Gyeongchung-daero Bubal-eub Icheon Gyeonggi-do, Korea
Products and Services	DRAM, NAND Flash, MCP (Multi-Chip Package) and other memory semiconductor devices
	CIS (CMOS Image Sensor) and other non-memory semiconductor devices

2012.12.31 Consolidated_ Unit: KRW million

Total Assets	18,648,693
Total Shareholders' Equity	9,739,442
Sales	10,162,210
Operational Profit (Loss)	(227,349)
Number of Employees	20,551 (Domestic)
	24,287 (Including overseas subsidiaries)

Credit Rating

Category	Rating Institution	Credit Ratings	Date
Domestic	NICE Credit Ratings	A	2012. 08. 22
	Korea Ratings	A	2012. 08. 22
	KIS Ratings	A	2012. 08. 22
Foreign	Moody's	Ba3	2012. 02. 15
	S&P	BB	2013. 02. 22

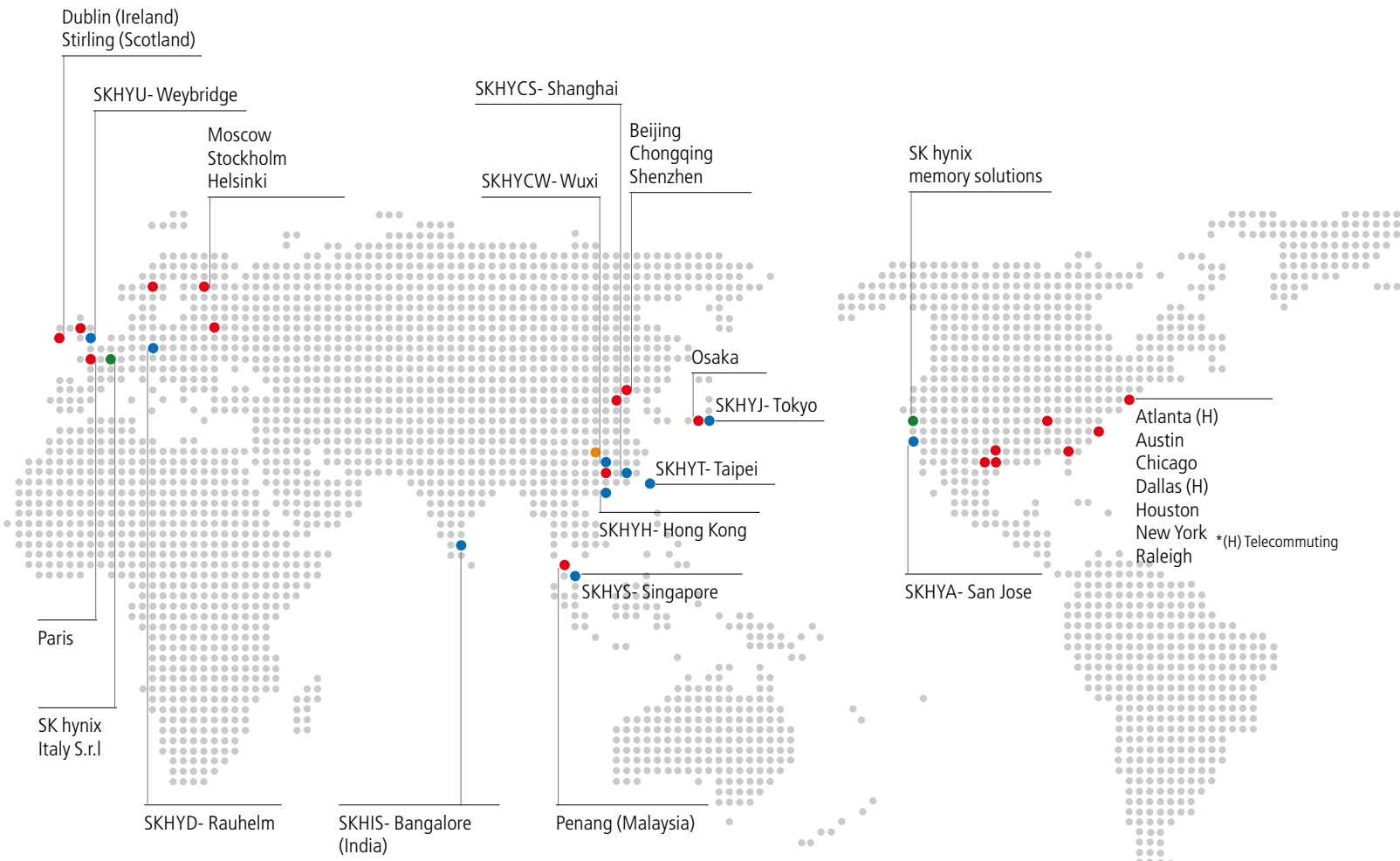
Subsidiaries and Affiliates_ December 2012

Location	Name of Subsidiary
Domestic	SK hyeng Co., Ltd
	SK hystec Co., Ltd
	Amipower Co., Ltd
Overseas	SK hynix America Inc. (SKHYA)
	Hynix Semiconductor Manufacturing America Inc. (HSMA)
	SK hynix Deutschland GmbH (SKHYD)
	SK hynix Europe Holding Ltd. (SKHYE)
	SK hynix UK Ltd. (SKHYU)
	SK hynix Asia Pte.Ltd. (SKHYS)

Location	Company Name
Overseas	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)
	SK hynix (Wuxi) Semiconductor Sales Ltd. (SKHYCW)
	SK hynix Italy S.r.l. (SKHYIT)
	SK hynix memory solutions Inc. (Company name changed as of Feb 2013)

Global Network

SK hynix has set up production plants in Icheon, CheongJu, and Wuxi in China, and is building and operating 31 global networks across 16 countries.



Category	Total
Production Site	1
Sales Corporation	10
Technology Corporation	2
Sales Office	18

Regional Sales and Employees _ Unit: KRW million / number

Category	Sales	Employees
Korea	771,396	20,551
China	1,901,742	3,482
Asia (excluding Korea, China)	2,852,579	59
Americas	3,827,725	93
Europe	808,768	102

Regional Sites _ Unit: number

Category	Corporate Body	Office
Total	13	18
China	3	3
Asia (excluding Korea, China)	5	2
Americas	2	7
Europe	3	6

Corporate Culture

SKMS (SK Management System)

The SKMS, which was established in 1979, has a unique business philosophy as well as an implementation method where all of SK's employees have integrated based on their experience in regards to actual business as well as the research and other endeavors.

The SKMS was established to enhance the management level through infusion of proper management fundamentals to all employees and enabling them to use these as the communication decision standard, and ultimately to acquire a global competitive advantage. The corporate perspective stated in the SKMS is that 'the operation must realize continuous stability and growth so that it can perpetually exist and develop, and this value creation is for the customers, employees, and shareholders, in order to contribute to social development, economic development, and human prosperity. As such, the SK Group points out the stakeholders' happiness as the corporation's ultimate objective in pursuit of value.

SK hynix regards the stakeholders' happiness as the ultimate value of the company. The company is promoting activities that can strengthen company value by constantly satisfying the customers, providing an environment where each employee can work voluntarily and willingly and thus enhancing shareholder value. Also, along with the contribution to economic development, we are giving our best effort in contributions to society through social and cultural activities, and management that complies with social mandates and ethics standards.

In order to realize the company's pursued value in management, it is following the SKMS business principle 'pursuit of SUPEX through human-centered management'. The SUPEX goal of SK hynix is to be the 'Global Semiconductor Leader', and in order to achieve the SUPEX goal, the To-be strategy has been established and systematically implemented.

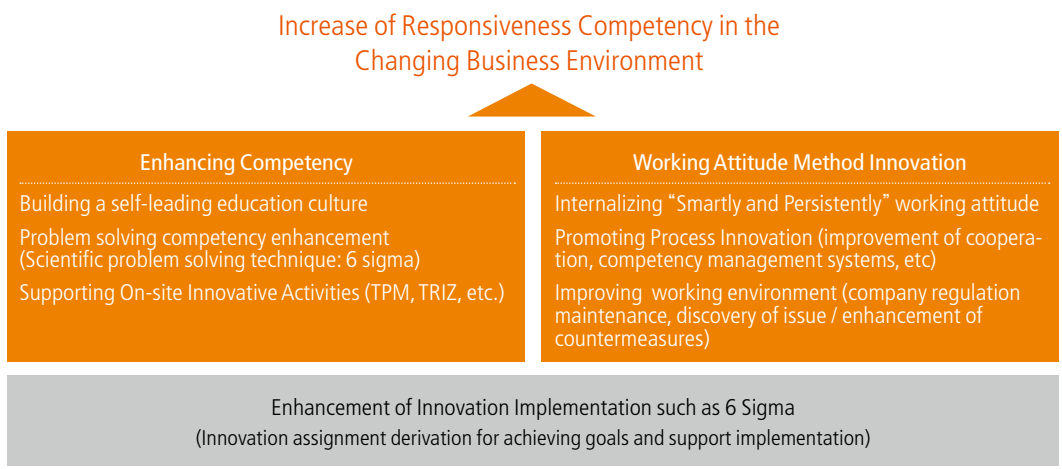
* SUPEX: Refers to the Super Excellent level, which is the maximum level that can be achieved by human effort. The company will aim for the SUPEX level in terms of our management activities. However, in reality, immediately achieving the SUPEX goal is difficult. Instead, achieving a viable level of a 'Better Company' goal considering the company's time and accessible resources, and repeating the process of setting and achieving this goal can ultimately lead to achieving the SUPEX goal.

In the 1980s, there were approximately 40 memory semiconductor companies and now there are only three remaining. In particular, SK hynix has challenged the level of what people thought to be impossible for the last 30 years, and finally has stood strong as a leader in the memory semiconductor industry. In this process, the employees of SK hynix have acquired valuable traits such as strong concentration, a challenging attitude that does not fear limitations, and cooperation through mutual encouragement.

Now, SK hynix will strive for the SUPEX goal, which is the 'world's best', by aggregating the strong employee competency based on the SKMS management philosophy of the SK Group. The company will continue to actively communicate with the stakeholders and continuously provide value and let happiness grow for everyone, together.

SK hynix Management Innovation Strategy

SK hynix carried out innovative activities focusing on 'increasing future competition competency for the changing environment' in 2012. Therefore, 'competency strengthening activities' were expanded, 'improvement of working methods' were continuously implemented, and innovative assignments to respond to the core issues have been derived and implemented. In particular, after joining the SK Group in 2012, through the interconnection of the implementation innovative activities of the SKMS, the SK Group's management system, the innovation implementation competency has been expanded for the creation of a strong corporate culture.



Integrated Innovation Competency

SK hynix and its respective departments are regularly holding innovation integrated conferences to share innovative strategies and interconnect in an innovative direction. In 2012, to promote the innovative activities interconnected with the SKMS, the innovative action plans for each area were rendered to be reflected in the 'The SKMS Leader Practice Outline', and through this, the innovative direction of the company has been clarified, and it contributed to creating a culture where employees actively practice innovation in their work.

In 2013, the integrated conference for standardizing innovation is to be held so that countermeasure solutions are actively discussed and that the system is enhanced by reflecting the voices on-site, and we will endeavor to make the innovative activities contribute to the company's performance amid the SKMS practice and harmony.

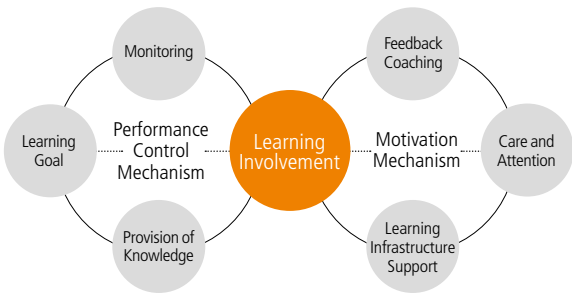
System Innovation | In accordance with the increased difficulty and diversity of technological developments, in 2012 we improved the decision making process for technology developments which enhances the internal strategy by regularly reviewing future products and technology trends for the purpose of leading new technology and development in a timely manner. Also, in order to quickly respond to the changes in the global management environment, we promote the G-ERP (Global Enterprise Resource Preservation). We will standardize information and processes between departments and subsidiaries, and acquire the basis for superior operation systems through global human resource management systems, and equipment and facilities integrated management.

On-site Innovation | Various innovation methods (6 sigma, TRIZ, etc.) based on TPM (Total Productive Maintenance) are being adopted suitably at the respective sites and are being constantly promoted. In order to reflect the voices from the site that fit with the characteristics of the semiconductor industry, rather than a uniform method, in 2012, the site's environmental safety has been set as the top priority to prevent accidents and irrationalities have been improved from continuous group activities and proposals. Also, the contents regarding the increase of future competitiveness and scientific problem-solving through the site's engineer expert system have been stated in the SKMS leader practice guideline. Such innovative activities are being continuously activated.

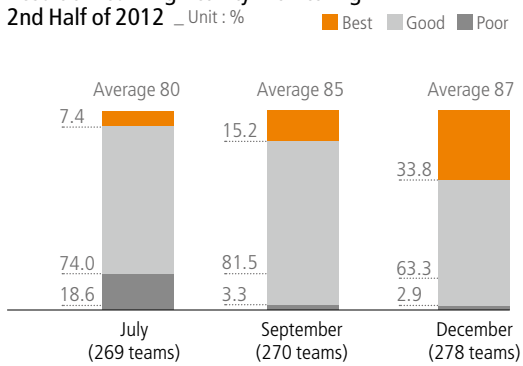
Internalization of Innovation Activities

The employees of SK hynix are pursuing active innovative activities based on the SKMS management philosophy, and performing the management principles of pursuing SUPEX through human-centered management.

Team-Learning Promotion Process

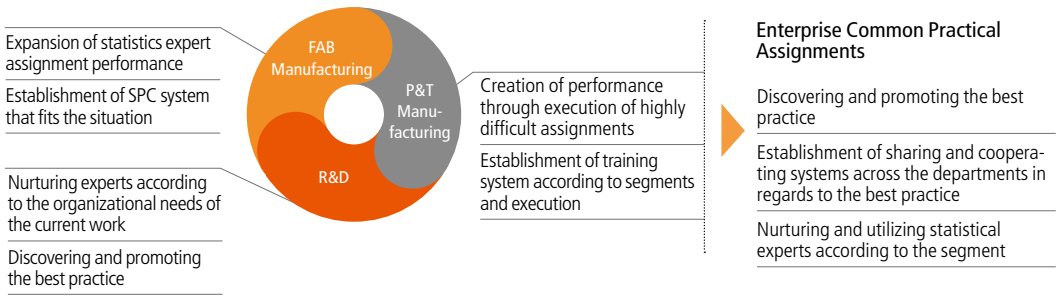


Result of Learning Activity Monitoring in 2nd Half of 2012 _ Unit : %

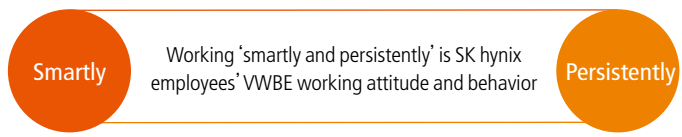


6 Sigma Innovation | We are expanding the utilization of the 6 sigma tool in order to enhance the scientific problem-solving on sites as a part of endeavors to overcome the technological limitation of miniaturization. We are striving to approach the on-site problems in a scientific and analytic manner based on statistical cognition flow and solution methodology for difficult problems. Also, through nurturing of statistical experts, we are endeavoring to execute the innovative assignments and guidance in regards to on-site problem-solving.

6 Sigma Innovation Activity Process



'Smartly and Persistently' Working Implementation Guide



Thinking	Brain Engagement (Maximization of brain activity)
Detail	Carefully Considering
New Idea	Creating New Ideas
Speak-Up	Actively Stating and Sharing

Doing	Voluntarily Willingly (Sense of ownership→voluntary / willingness)
Ownership	Having Strong Goal-orientations
Initiative	Initiatively
Breakthrough	Surely Achieving

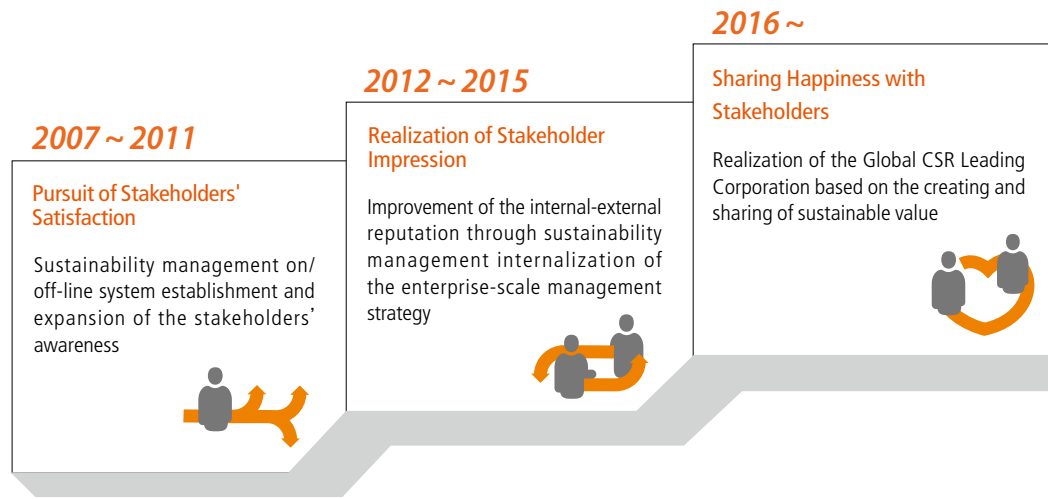
*VWBE: Voluntarily Willingly Brain Engagement

Sustainability Management

Sustainability Management Implementation Strategy

Based on the SKMS, which is the management execution principle of the SK Group, SK hynix is forming an advanced corporate culture and concentrating on enhancing the ability for systematic sustainability management to position itself as a respected company. By creating value for our stakeholders including the customers, employees, and shareholders, focusing on establishing an ethical corporate culture and transparent corporate governance, we are willing to contribute to the social and economic development and human happiness.

Sustainability Management Road Map



Sustainability Management Implementation Organization

SK hynix is forming the SM Sub-Committee for executives according to the economic, social, ethical and environmental aspects in order to promote systematic sustainability management in accordance with the mid-long term vision. In addition, we are operating the cooperation organization (Octa.Com), which consists of 8 main team leaders regarding sustainability management, to expand awareness and to form common ground in relation with sustainability management and promote execution assignments according to the respective organization segments. Therefore we are endeavoring to develop sustainability management as a top priority.

SK hynix Sustainability Management Implementation Organization

Sustainability Management Activity Performance

2009

- Joined the United Nations Global Compact (UNGC, September)
- President's Grand Award for small-medium enterprise(SME) (Ministry of Knowledge Economy, October)
- LOHAS Management Excellence Award (Environment Foundation, October)
- 'Ocean Award' for the best company to respond to the climate changes (Korea Committee, October)
- Sustainability Management Awards, enterpriser segment (Ministry of Knowledge Economy, November)
- KoBEX SM 'AAA'(Ministry of Knowledge Economy, November)

2010

- Inclusion to DJSI World / Asia Pacific (Robeco SAM, September)
- KoBEX SM 'AAA' (Ministry of Knowledge Economy, November)
- Excellent CSR corporation for corporate governance (Hankyoreh, December)

2011

- Transparent Management Grand Award (Economy 5 Group, February)
- Economy Justice Corporation Grand Award (CCEJ, June)
- Selected as the excellent company for corporate governance (CGS, June)
- Inclusion to DJSI World / Asia Pacific / Korea Index (Robeco SAM, September)
- President's Award for National Productivity Grand Award (Ministry of Knowledge Economy, September)
- KMAR Sustainability Report Award (KMAR, October)
- KoBEX SM 'AAA' for 3 consecutive years (Ministry of Knowledge Economy, November)
- Inclusion to East Asia 30 (Hankyoreh Economic Research, November)

2012

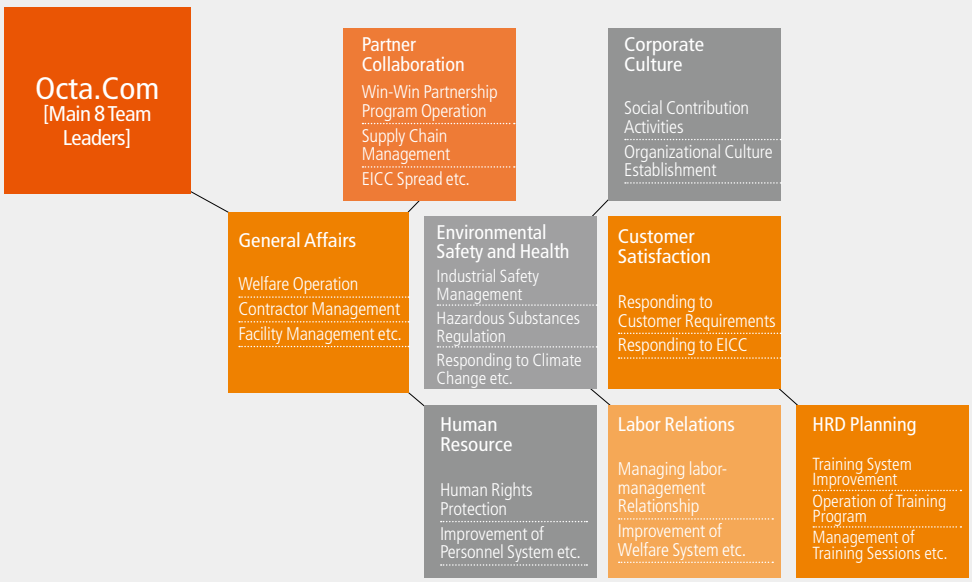
- Selected as the excellent company for corporate governance (CGS, June)
- Inclusion to DJSI World / Asia Pacific Index (Robeco SAM, September)
- Inclusion to DJSI Korea Index for 2 consecutive years (Robeco SAM, September)
- Best company for carbon management for 4 consecutive years (CDP Korea Committee, October)
- Inclusion to East Asia 30 for 2 consecutive years (Hankyoreh Economic research, October)
- KoBEX SM 'AAA' rating for 4 consecutive years (Ministry of Knowledge Economy, November)
- 7th Sustainability Management Award, private corporation segment (Ministry of Knowledge Economy, November)
- 7th National Volunteer Work Contest, Social Devotion Segment, President's Award (Ministry of Public Administration, December)

Case Study 01

Leader Focused Committee (Octa.Com) Operation

SK hynix is operating the regular committee (Octa.Com) based on eight team leaders of the main aspects of sustainability management to expand internal awareness of sustainability management and acquire execution. In the Team Leader Committee (Octa.Com), which acts as a bridge between the SM Subcommittee and SM TFT, we are striving to understand the social and economic aspects by including and sharing of sustainability management trends, derivation of execution assignments of sustainability management, negotiations on sustainability reports, and negotiation of responding to the DJSI assessment. The team leader organization was held four times in 2012.

Octa.Com Participants and Related Issues

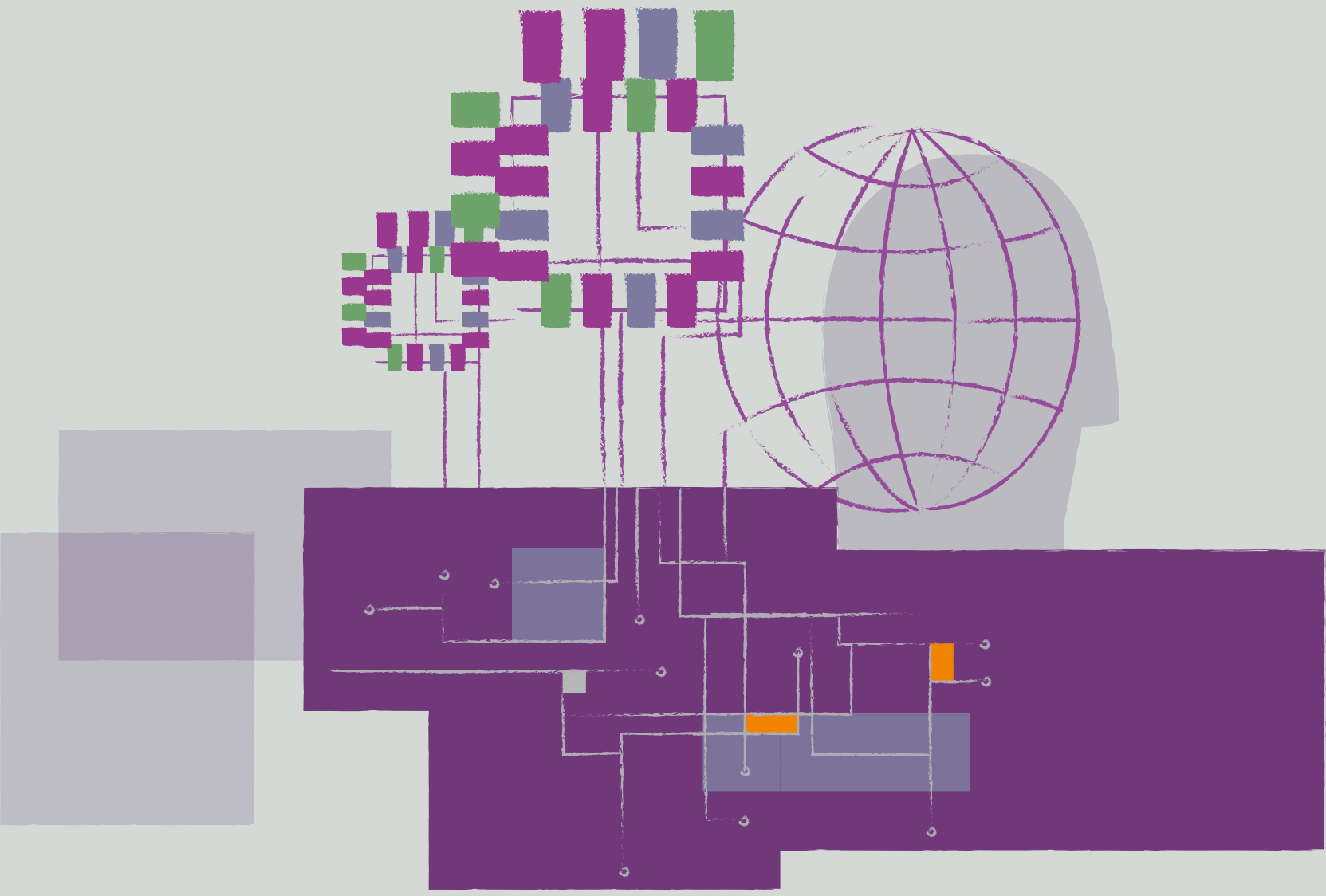


Sustainability Management Goals and Performances

Category	Sustainability Management Main Goals	2012 Performances	Achievements	2013 Plans	Teams in Charge
Employee	Declaration of human rights and labor policies	Visiting the major business partners and introducing SK hynix's human rights and labor policy	●	Plans for sustainability expansion and introduction	Human Resource Team
	Implementation and dissemination of new HR policy	Reviewing and deriving improvement of new HR policy	●	Execution and settlement of new HR system improvement policy	
	Strengthening performance management system	Realization of HyMBO system, and establishment of the regular updating process for individuals	◐	Reviewing in conjunction with the G-ERP system	
		Execution of strategic personnel reassignment	◐	NRP execution based on individual CDP	
	Personnel nurturing and enhancement of competitiveness	Revision of nurture guide for job experts	●	Development of Specialized Intensive Program according to strategy area	HRD Planning Team
		Process development for HIPO nurturing	●	Settlement and program update of autonomous HIPO system	
		Re-establishment of the global talents nurturing system	●	Activation of bottom-up organizational culture	
	Establishing selective welfare system through improvement of welfare service	Renewal of welfare portal system (SK hywel) - Open since January 1st, 2013	●	Enhancement of system stabilization and welfare communication	Labor Relations Team
Environment	Carrying out company-wide energy reduction activities	Establishment of enterprise energy reduction roadmap	●	Adoption of energy management system	Electrical Engineering Team 1
		Discovery of energy reduction items and interpretation of their effects	●	Discovery of energy reduction item and interpretation of the effects	
	SK hynix Clean Air Project	Monitoring for HF emission by FAB (16.2% reduction of total domestic emission by 2011)	●	Application of the emission level for each FAB Monitoring of HF emission compared to the government regulations and Managing HF source control	Environment Safety Health Team
	Source Control Settlement	Operating Human Error Prevention TFT Establishment of prevention guideline of human-related accidents and improvement activities (2nd stage)	●	Development of FAB human error prevention activities (stage 3) - Review of procedure and monitoring	
		Documentation of Human Error management guideline			
		· Revision of accident investigation management rule · Establishing accident management system	●	· Operation of Accident Investigation Committee (human / materials accident area, if occurred) · Establishing accidents management system (Stage II. Analysis & Statistic)	
		· Contract of wide-area water supply system · Establishment of a new organic waste processing facility	●	Adoption of wide area water	
	Expansion of LCA-applied product range	Achieving 85.4% for the LCA assessment rate	●	Maintaining 90% of the LCA assessment rate	ESH R&D Center
	Expanding Green Partnership	Carbon partnership government's assignment in May 2012 (Assessment result: Success)	●	Discovering global partnerships in 2013	
	Evaluation of environmental and economic value of products	Accomplishment of Factor 3.90	●	Factor 4.0 accomplished	
	Acquisition of carbon labeling certification for major products	Expansion of certified product - Carbon Footprint (3 cases), Low-carbon certification (2 cases)	●	Expansion of verified products (8 cumulatively verified products)	
Business Partners	Responding to the toughen RoHS, REACH regulations	Induction and completion of the development of multi-company resistor's raw materials	●	Selection of verification firm (1Q) / Verification of parts and products (2Q) / Establishment of mass-production system (3Q)	Supplier Quality Assurance Team
	Win-Win growth and fair trade agreement	Expansion of the execution item for Win-Win growth (New: Performance sharing system, Technological depository, Network theory)	●	Expansion of detailed execution of solutions for respective items (technological depository system: 5 cases →10 cases, performance sharing system: 3 cases → 6 cases, technology / quality guidance: 156 cases → 170 cases)	Partner Collaboration Team
	Measurement and verification of business partners GHG emissions	Execution of 18 business partners' energy diagnosis and completion of energy diagnosis report	●	Building of business partners' greenhouse gas inventory and supporting verification	ESH Research Center
	Spreading business partner's sustainability management	Visit assessments on business partners and consulting (20 companies)	●	Execution of visiting assessment to the business partners and EICC expansion training	Ethics Management Team
Local Community	Fundraising and sharing programs	Carried out meal provision program for undernourished children (500 people) Carried out Robo Olympiad program (200 people)	●	Expansion of distribution program of Good Memories Sharing Fund (Beneficiaries: 3,000 people)	Corporate Culture Team
	Nurturing of Future Scientists	Education from professional lecturer 1/week and in-company lecturer 1/month	●	Hold the second SK hynix Robo Olympiad	
		Execution of Robo Olympiad (200 participants) Award from the Mayor of Icheon / Minister of training to the children	●	Instrument education and presentation for children from low-income households in the community	
	Talent sharing volunteer activities	Semiconductor class room in the 2012 Korea's education donation exhibition (11 times, 110 participants)	●	Junior engineering classes, 10 classes per year	
		Junior Engineering Class 10 times per year	●	SK hynix adoption of Pro Bono	
	Expansion of community-based programs	Brother-sisterhood affiliation with 7 agricultural villages in the community	●	Enhancement of partnership through community festival sponsorship	
		Development of Robo Olympiad program for selected children from the awardees	◐	Execution of volunteer work among the families of employees who are associated with the community	

Making Sustainable Products

SK hynix is putting its best effort into providing products of which the function and quality meets the customers' request. We will actively respond to the changes in the semiconductor by accelerating our technology-base and acquire differentiated competitiveness in the next generation semiconductor.



Future Product planning

SK hynix is developing outstanding technology through collaborative technology development with global companies and pursuing continuous performance improvements based on the enhancement of product technology competitiveness.

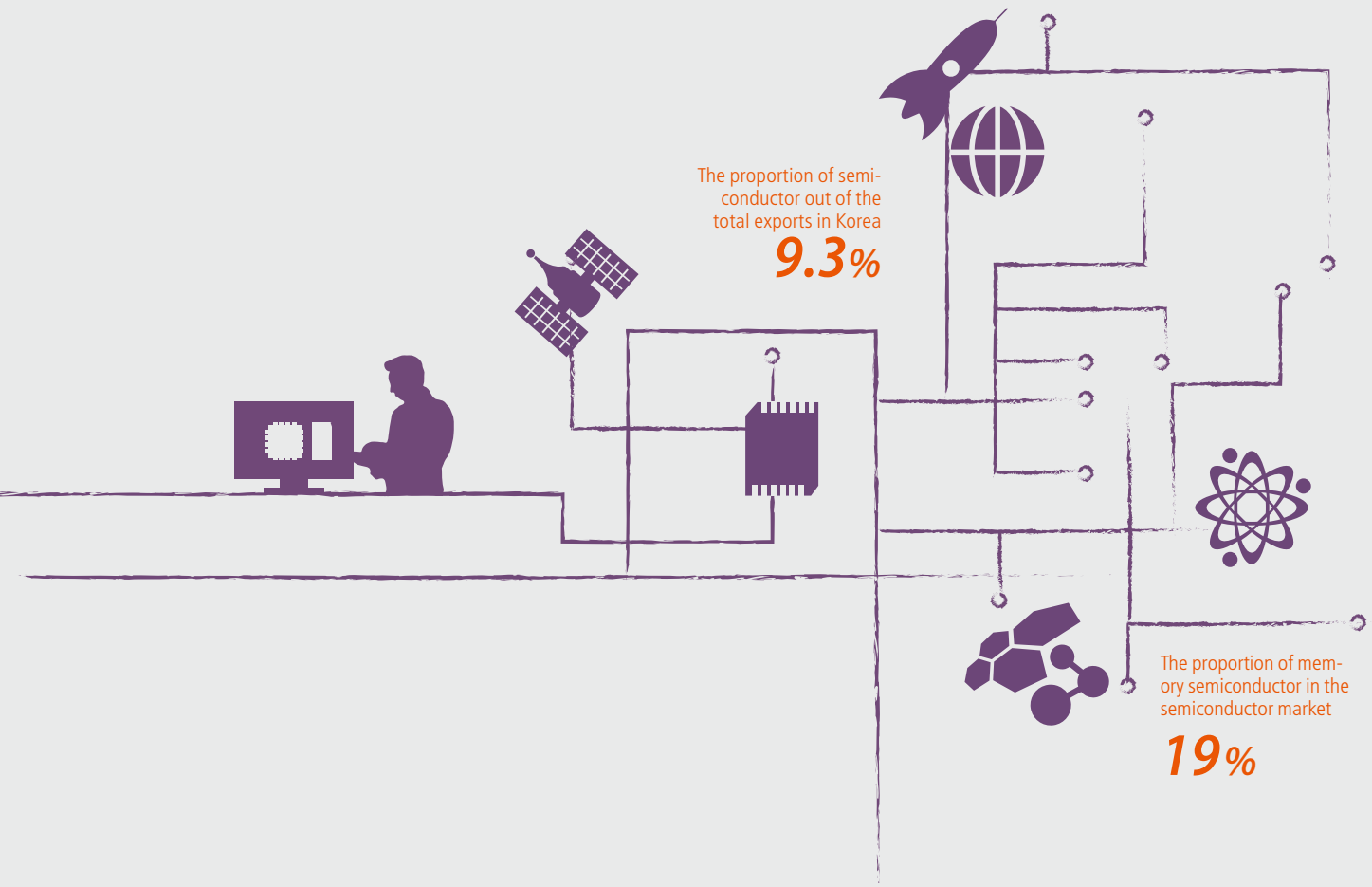
Global Product Management

SK hynix is focusing on producing its main products which are DRAM, NAND Flash, and memory semiconductors, and it is increasing its competitiveness in newly expanding businesses such as the CIS business in the system LSI area.

Stable Product Quality Control

SK hynix is acquiring customer-first quality competitiveness through continuous quality improvement activities, and with the advanced customer service development, it is endeavoring to go a step further to increase customer satisfaction.

FUTURE PRODUCT PLANNING



Vision & Strategy

SK hynix is endeavoring to lead the future technology development by corresponding with the global semiconductor market business cycle. SK hynix will work even harder in order to launch products that can exceed the technical limitations and increase the customer convenience at the right time with the company's launching strategy, along with R&D competitiveness.

Future Product Planning

Future Technology Innovation

Future technology innovation begins with the process of overcoming the limitations of physical manufacturing technology and creating new value. SK hynix is focusing on acquiring cutting-edge technology through collaborative development with diverse companies in order to acquire long term technology competitiveness through future technology innovation.

Semiconductor Market Trends

The world's semiconductor market has experienced repeated booms and recessions following the silicon cycle, and retained the characteristic of a short life. Also, it has the trait of a large-scale device industry and simultaneously shows comparatively high correlation with the economic situation of the Americas and Europe, which is where the main demand originates. Recently, the weight of China, India, and newly emerging market are increasing as well. Based on the recent semiconductor's smart phone and tablet PC markets' growth, it is expected that the demand for memory semiconductors will continue to grow accordingly. In particular, it is expected that the demand for mobile memory will continuously grow due to the increasing demand from the newly emerging markets as well as the popularization of smart phones. As such, SK hynix is planning to focus on high-profit products with the transition of R&D and process technology in order to respond to the uncertain world economy and memory market situation.

Technology Innovation Strategy

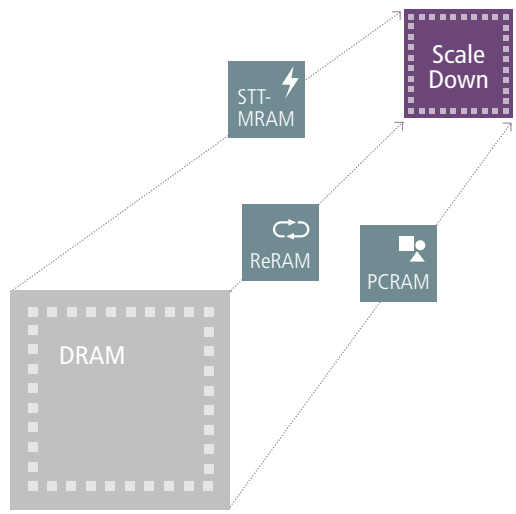
Our customers' requests of functionality and quality level are becoming more diverse and advanced, and the technological and production cost competitiveness gap between the leading companies and the laggard companies is widening. The establishment of a technological development strategies, which has become the basis of technological innovation more than ever, and the acquisition of business competitiveness based on that strategy have become an important element. SK hynix has determined that the basis of competitiveness arises from creative R&D performance, and therefore plans to focus on establishing technological development strategy through future technological researchers. In addition, technology centers will be installed at diverse locations in foreign countries which will enable the enhancement of technological inspection, and as the working method of innovation, the To-be Model is being adopted to accomplish the EVA+ (Economic Value Added Plus).

Overcoming the Technology Limitation

The widespread memory devices of today are soon going to reach their limitation in terms of technological development. SK hynix is enhancing its technological competitiveness by creating a technological roadmap to overcome such technological limitation. Moreover, to enhance the development of element technology, the work force will be re-dispatched to the leading element technology development area. Also, by predicting where future technology will be heading and to be able to respond to this prediction, the research task system is being enhanced

Future Technology Development

SK hynix is continuously rethinking and designing responsive strategies in relation to technology innovation in order to overcome the limitations of the DRAM's Scale Down. The STT RAM, which is non-volatile and uses the difference in resistance according to the normal and reverse direction of the magnetic material, the ReRAM, which utilizes the material characteristic of the varying resistance due to external voltage and current, and the PC RAM, a type of memory which uses the change in material phase, are some examples of the next-generation software memory that SK hynix is developing in collaboration with the leading providers.



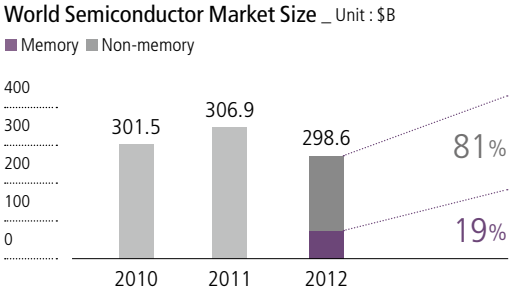
SK hynix Product Development History

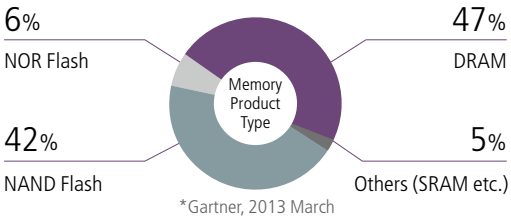
SK hynix, as a producer of synthesized semiconductors, focuses on DRAM, NAND Flash and MCP (Multi-Chip Package) as its main products. Since 2007, it has expanded its business scope and competency which can be seen with its re-entry to the CSI (CMOS Image Sensor) business of the System LSI area.

Semiconductor Industry Characteristics

Semiconductor industry is one of the important key industries in terms of Korea's industrial production and exports. In 2012, semiconductor exports experienced a 0.1% reduction compared to the previous year due to the semiconductor market's stagnation following the world economic recession. However, semiconductors still cover 9.3% of Korea's total export value, maintaining a significant position as an export item. As such, the semiconductor, as a significant element of the key industry and also referred to as the 'industry's rice', is being utilized inevitably as a main component in all IT products. Now, it is being broadly utilized in our everyday lives in diverse areas such as computers, communication devices, communication systems, cars, and consumer electronics.

World Semiconductor Market Size _ Unit : $B





*Gartner, 2013 March

Product Category and Utilization

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, and can be categorized largely into the Nor type (code storage) and the NAND type (data storage). The NAND Flash produced by SK hynix is a non-volatile memory chip that enables access to sequential data, and is extremely adequate for saving high-capacity information such as videos or digital pictures

Computing Memory

2008 5x nm 1Gb DDR3

2010 4x nm 2Gb DDR3

2013 2x nm 4Gb DDR3

SSD Memory

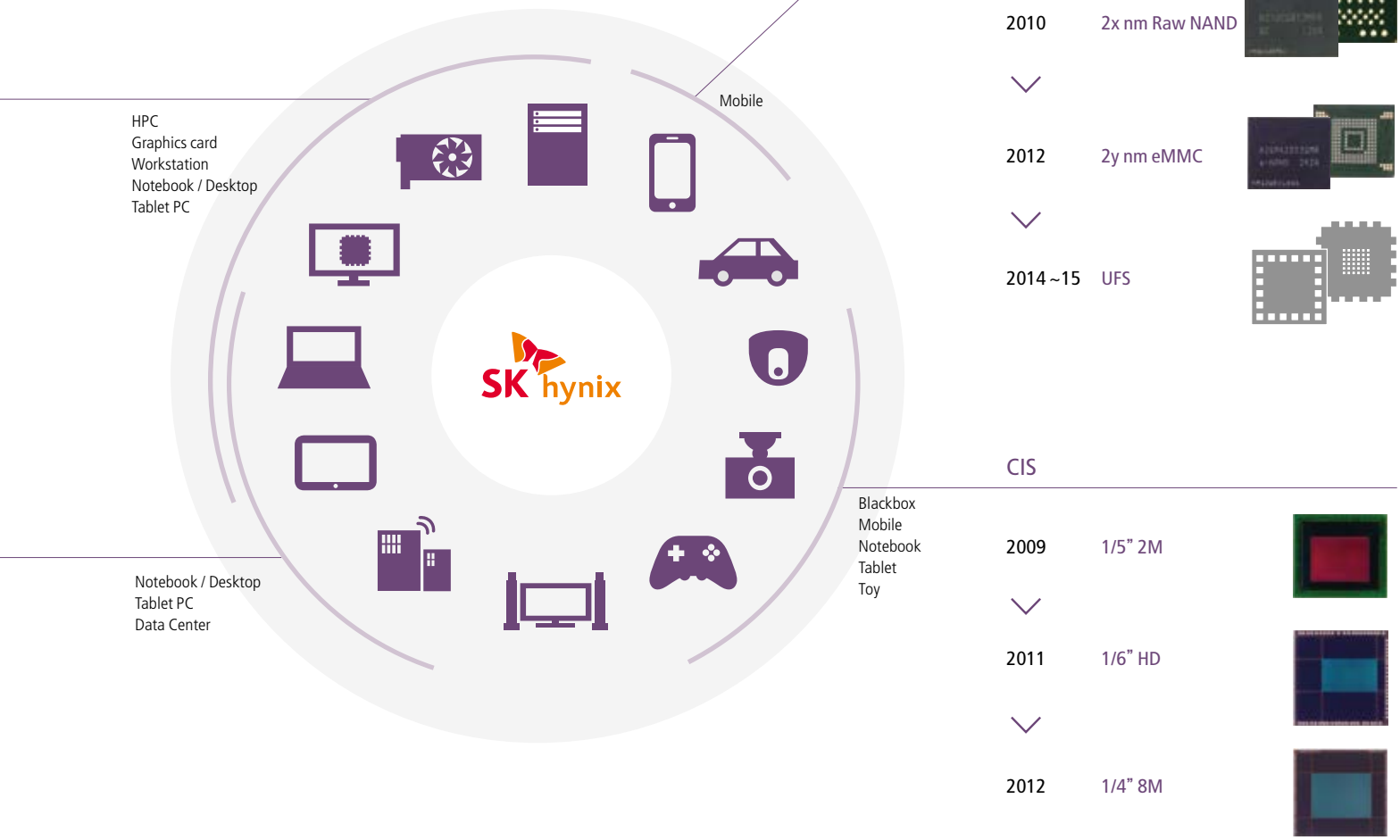
2011 32GB

2013 128GB

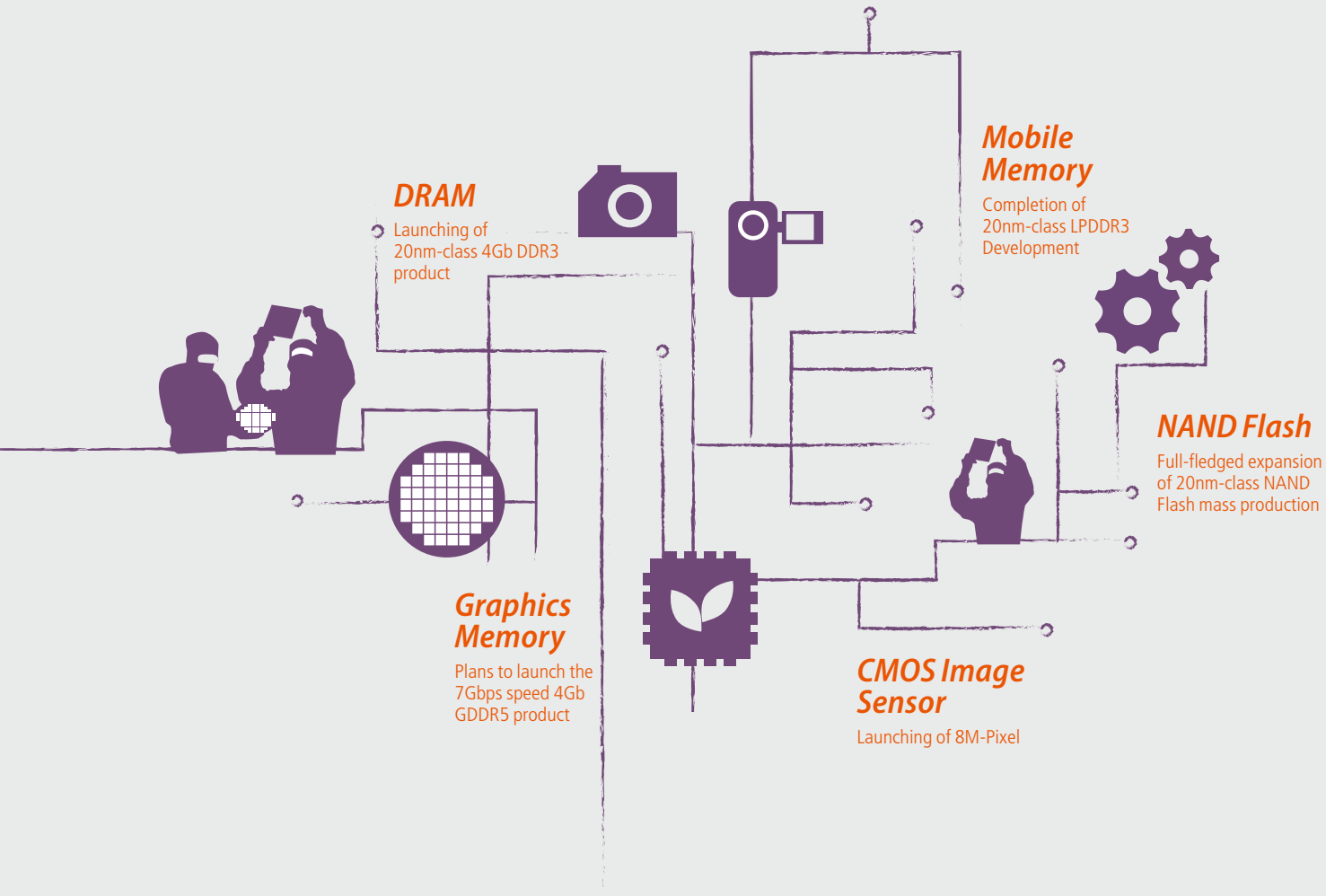
CIS (CMOS Image Sensor) | As a type of image sensor system semiconductor, it is a semiconductor device that transforms light into an electric signal which shows the image and carries out a role similar to an analog camera's film in the mobile and digital picturing device. It is categorized into CCD (Charge Coupled Device) and CMOS (Complementary Metal Oxide Semiconductor), and due to the recent rapid growth and high-end traits, it is becoming smaller and consuming less power , and the CMOS image sensor which enables integration is being broadly utilized.

DDI (Display Driver IC) | The DDI (Display Driver IC) is a semiconductor device that makes calculations and adjustments to the pixels that make up the display of LCDs and AMOLEDs. According to size and use, it is largely categorized into Large Panel DDI which is used in TVs, laptops and tablets, and Small Panel DDI which is used in mobile devices such as cell-phones.

PMIC (Power Management IC) | The PMIC is a semiconductor device that controls and adjusts the power used in the electronic device, and is also used in computers, cell phones, consumer electronics, industrial systems and automobiles.



GLOBAL PRODUCT MANAGEMENT



Vision & Strategy

SK hynix is putting its full efforts to produce stabilized goods based on the acquisition of future technology. By conducting research on the trends of the global semiconductor market and launching high-tech products in accordance with the flow of the global market, the company is contributing to the sustainable growth of the global electronics communication industry.

Global Product Management

Investment on R&D

SK hynix is focusing on continuous R&D investments based on continuous profit creation and the To-be Model for medium to long term technology competitiveness enhancement. Also, by creating a technology roadmap to supply the necessary technology on time, the next-generation memory products and application developments are being focused for the creation of new growth engines.

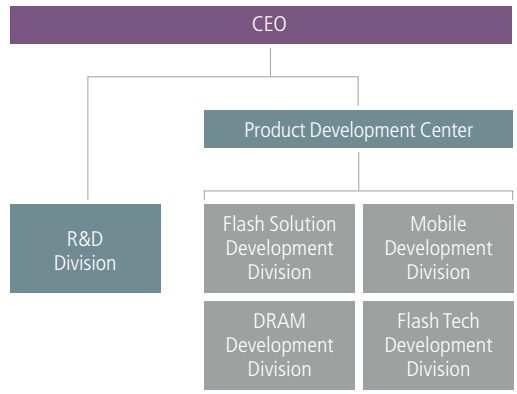
R&D Development Innovation

Amid a rapidly changing market environment coupled with technological uncertainty, enhancing the responsiveness towards the external environment, and becoming the First Mover from a Fast Follower is greatly important. SK hynix, innovating the work system for this change, has harmonized TPM so that the employees can autonomously discover and assess the insufficient areas to improve upon. Moreover, the customers' requirements as well as elements that influence the product's traits must be clearly identified, and the rising of new problems must be quickly predicted so that leading product development is possible. We are encouraging to maximize the perfection of work execution through the advancement activities of proactive management.

TPM Implementation System

Based on philosophy and principle, the R&D TPM system, which sets a 'pillar' constituted with 12 traits and elements for R&D, does not aim to do something new but co create something 'well or the best way possible '. In order to implement such a pillar more effectively, the 'organization' for decision making carries out regular inspections and provides feedback, and if the standardized tool is necessary, 'specialized techniques' can be used. Lastly there is the 'event' for the activation and motivation of innovation activities.

R&D Organization

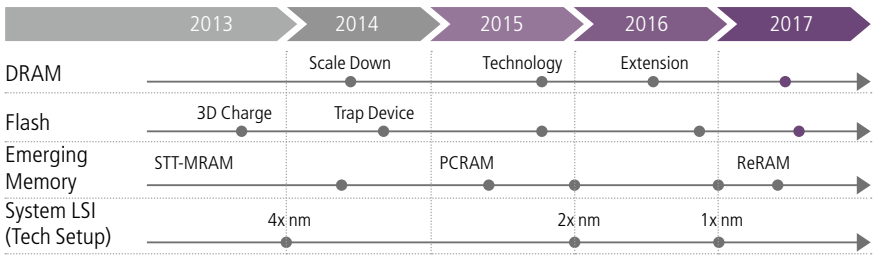


R&D Investment Status and Cost

Category	2010	2011	2012
R&D Expenditures (KRW 100 million)	7,903	8,338	9,383
R&D To Sales Ratio	6.5	8.0	9.2

※ R&D Development Cost / Sales *100

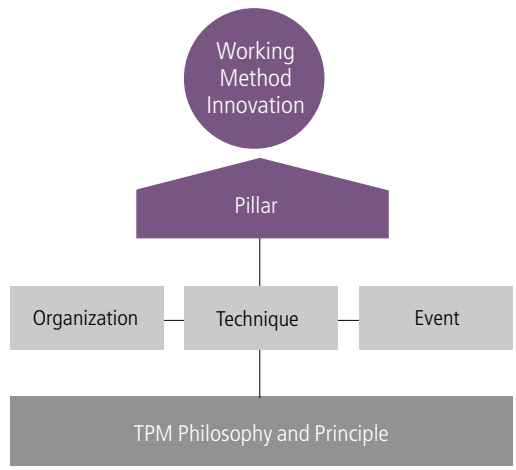
R&D Roadmap



R&D TPM Roadmap

First innovation period 2002~2006	Second innovation period 2007~2011	Third innovation period 2012~2016
Visual Planning	Development System Upgrade	Completion of SK hynix Type Development System
Establishment of Innovation Basis	Innovation Acceleration	Creation of Innovation Synergy

TPM Philosophy and Principle



Research Technology Performance

SK hynix is leading the next-generation semiconductor market by acquiring leading technology competency in the growing global semiconductor market with smart phones, tablet PCs, etc. To do this, the company is focusing on not only the R&D of the next-generation memory technology, but also on developing the technology competency in the non-memory semiconductor area.

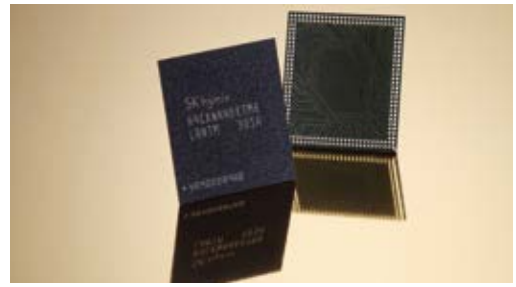
DRAM

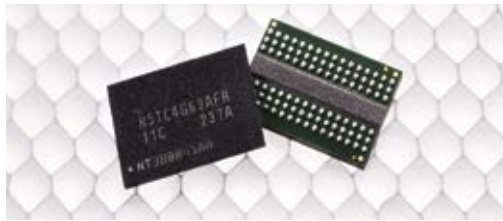
Computing Memory | SK hynix's 20nm-class 4Gb DDR3 product, as a main product of Computing Application, has improved cost competitiveness and refining process technology compared to the 30nm-class level products, and complies with the low-electricity requirement, high speed and high capacity characteristics of the demanded high specification servers and PCs. In particular, the lowest 1.25V can be reached with super low voltage support which reduces energy consumption of approximately 60% of the past products, and therefore contains the environmentally friendly trait that complies with the Green IT era. Also, in terms of the server industry, the Register-DIMM and Load Reduced DIMM that are safe, are lined up to 64GB max and is leading the high-capacity module trend.

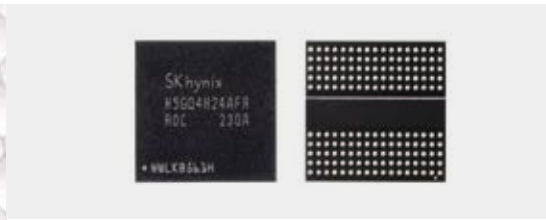
Mobile Memory | SK hynix has developed the 30nm-class 4Gb LPDDR3, which is a high capacity product, and is panned for mass production. Also, in addition, of the development of 20nm-class LPDDR3 is expected to be completed this year. According to the high performance of the mobile devices, the requirements of mobile DRAMs which have significant impact on the device's performance are becoming more and more demanding. In order to comply with such high performance and low power, SK hynix is endeavoring to develop the LPDDR3 and LPDDR3E as well as the next-generation mobile memory LPDDR4 and Wide I / O2.

Computing Memory
SODIMM UDIMM RDIMM

Mobile Memory
3x nm 8Gb LPDDR3







Graphics Memory
4Gb DDR3 | 2Gb GDDR5

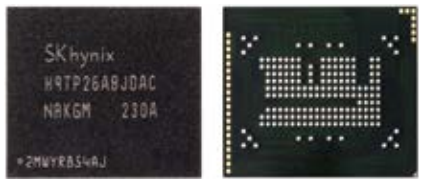
Graphics Memory | Due to SK hynix's endless product research and development, it is taking the lead in the graphic memory market. The 4Gb GDDR5 product, which uses the 7Gbps speed required by the High-End graphic application area has been introduced. This product supports the increase of density and 1.35V as standard, which reduces approximately 20% of consumed electricity compared to the 1.5V product. Also, besides the graphic application, it is also used in the high-performance computer application area such as super computer and widely used GPU Architecture (GPGPU).

NAND Flash

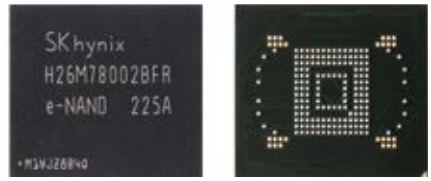
Since the second half of 2012, SK hynix has expanded mass-production of the 20nm-class NAND Flash. Based on the 20nm-class product competitiveness, the eMMC and SSD, which are used in smart phones and tablet PCs, have experienced sales growth over two folds annually. In order to enhance the competitiveness of such a complex application, the company acquired LAMD in the second half of 2012 developing autonomous controller technology. With such technological competitiveness, the company plans to launch the new eMMC and SSD that are applied with LAMD controllers in the second half of 2013, and this is expected to provide a further boost to the company's technological differentiation strategy. Also, through continuous new product launches, SK hynix will participate in creating products that meet the high-quality requirement of the High-End customers.

CIS (CMOS Image Sensor) | As part of the future growth engine, SK hynix is currently endeavoring to explore the CIS business which has an extremely significant correlation with memory technology. Beginning in November 2007, since the company started to develop products in strategic cooperation with SiliconFile, which possesses design technology, we have had a broad range of products from 0.3M-pixel to 8M-pixel.

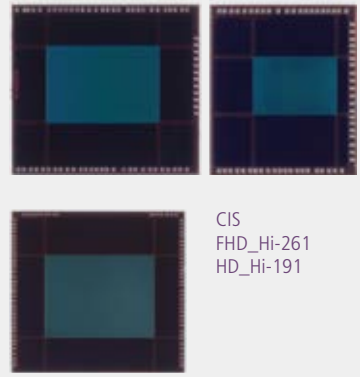
In 2012, the development of BSI (Back Side Illumination), which enables the increase of the image sensor capacity, was complemented and applied to the HD (High Definition 1M-pixel class)products and FHD (Full HD, 2M-pixel class) products, and eight million pixel products. Also, in November 2010, the company acquired the certification of ISO16949, which is an international certification standard. SK hynix plans to stay firm as the leading CIS company providing high added-value products and diverse application products to the customers in the future.



CI-MCP
2y nm 32GB eMMC +
3x nm 8Gb LPDDR2



NAND Flash
2y nm 64GB eMMC

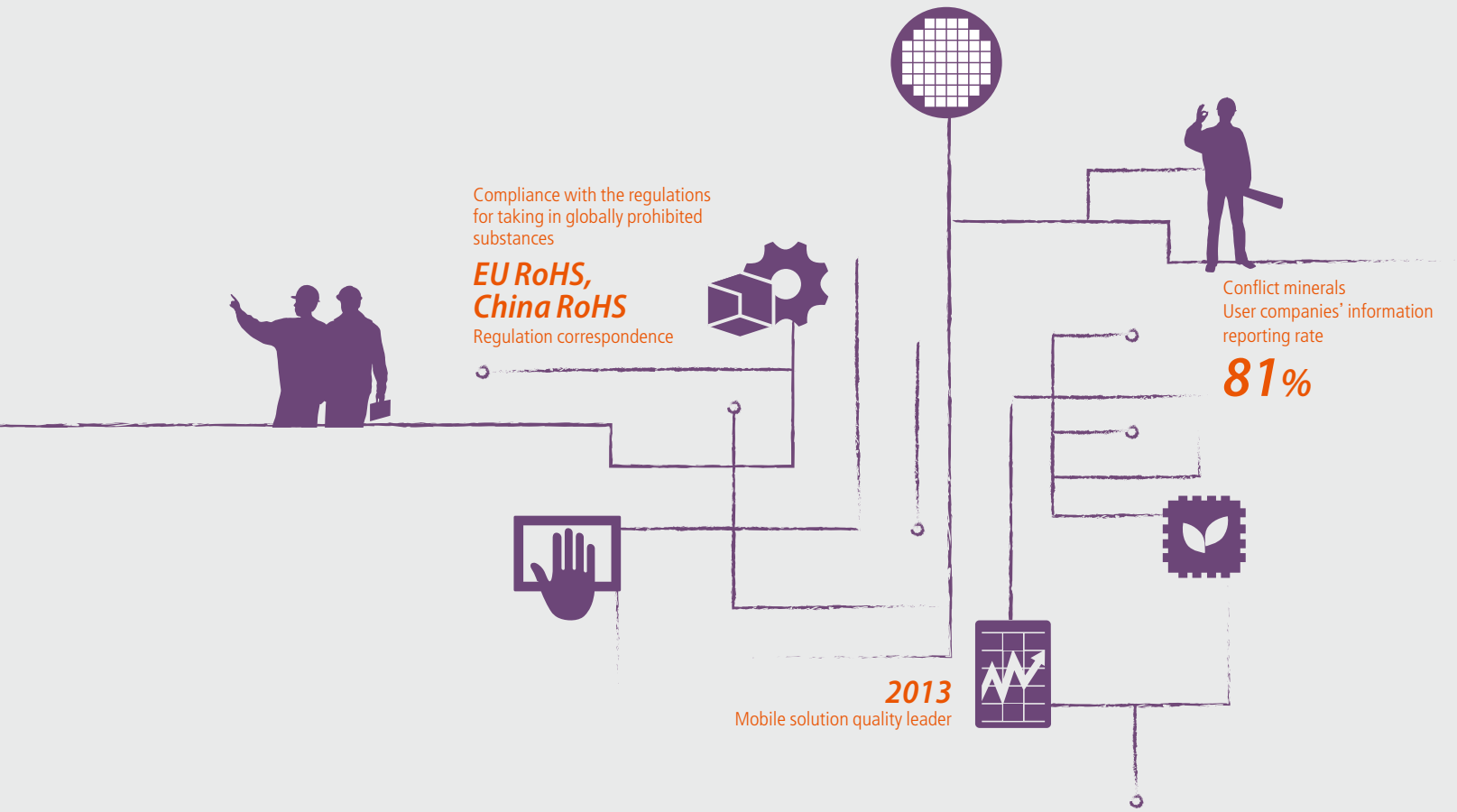


CIS
FHD_Hi-261
HD_Hi-191

DDI (Display Driver IC) | SK hynix has completed the development of DDI for big screen panels and has been proceeding with the mass production of foundries since 2010. Since 2012, the demand for tablets and large high-definition TVs has been increasing, and the product development of DDI and its mass production have been accelerated accordingly. Meanwhile, for small panel DDIs, development will be completed in 2013 followed by mass production of foundaries within this year, and low-power and high-definition products are being developed in compliance with the recent smart phone technology trend.

PMIC (Power Management IC) | In 2012, SK hynix completed the development of the 0.18㎛ BCDMOS (complex high voltage device) for displays, and is in the process of mass-producing foundries. Based on the highly integrated digital circuit, the company is targeting the System on a Chip technology, which realizes diverse functions in chip. Also, in order to respond to the recent rapid growth of the mobile market demand, the company is planning to expand the range of products so that we can expand operations into the electrical parts of automobiles.

STABLE PRODUCT QUALITY CONTROL



Vision & Strategy

SK hynix is striving to meet the expectations of various customers in regards to quality, based on stabilized product quality control. From the adoption of raw materials to the overall production process, the quality control system has been constructed and operated in accordance with the international standard and innovation activities for enterprise-scale quality improvement and promotion.

Stable Product Quality Control

Raw Materials Control

In order to manufacture and sell high-quality semiconductors in domestic as well as foreign production sites, there is a need for stable supply and quality management. SK hynix, in order to comply with global environmental regulations and mandates, operate the production process in a sound manner. SK hynix is sustaining management of raw materials adoption by reflecting various assessment elements.

Adoption of Environmental-Friendly Raw Materials

SK hynix complies with international hazardous substances control standards, such as the RoHS, in terms of its adoption of raw materials. In 2012, it applied control standards not only on the raw materials that were used, but also on package materials so that prohibited substances based on international standards such as RoHS, REACH, SVHC, and Halogen were limited. As such, in order to respond to the international trend and acquire environmental safety more actively, the company enhanced the procedure for environmental assessment, and has discontinued or replaced package materials that exceeded the standard limit. In addition, even if the portion of the regulated substances contained is within the standard limit, for those that showed a relatively large amount of content, the company is sharing the status with the supplier and collaboratively executing the reduction activities. In 2013, the increase of new parts and package materials use is expected. Accordingly the company, we will continue to make pre-validations and improvements.

Responding to the EU RoHS Regulations

In July 2011 the EU RoHS (Restriction of Hazardous Substance) was publicly announced new subject which are adoption of CE (Communaute Europeenne) certification, additional deleting the exception items and including additional plans for prohibited substances, the revised version (EU RoHS 2). Of the revised contents, after interpreting the primary subject items for responding to the CE verification, the module product was shown to have a match, and therefore the DoC (Declaration of Conformity) and Technical Document for the assurance of the non-use of RoHS prohibited substances were completed. Based on this, we are planning to attach the CE certification mark on module products starting in April 2013. Meanwhile, in the next revised version, substances such as carcinogenic substances, over ten of which are acknowledged to be hazardous such as HBCDD, Phthalate and nano substances are to be added to the prohibition plan by July 2014, and the utilization status of raw materials related with these to-be prohibited substances have been interpreted and their non-use was verified. Furthermore, in 2013, the aforementioned substances' analytical standard is to be interpreted and an autonomous analyzing system will be established.

*SK hynix is continuously investigating substances and products by establishing an analyzing system for the existing RoHS six major prohibited substances.

2012 Status of Main Regulations Conformity

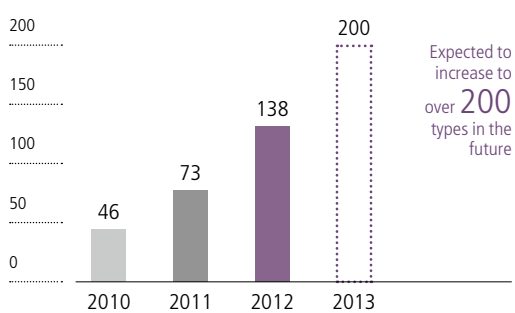
Responding to the China RoHS Regulations

In November 2011, the Chinese government announced that the certification method would change from self-declared assurance methods to autonomous certification methods regarding the China RoHS regulations through the revised version. The certification system applies to not only all electronics and electronic finished products, but also to parts as well, and the component analysis and overall management system must be assessed. In 2012, in order to respond to the certification system, SK hynix has improved the insufficient contents by re-inspecting the pollution prevention system from the material's importation to the final shipment. As an example, in April 2012, enterprise-scale expansion of the RoHS XRF inspection system in regards to the final shipment products including Cheong Ju were carried out, Beginning in 2014, in accordance with the changes to the enforced certification system plan, preparations regarding the certification were completed such as the completion of selection of representative products and overall submittal materials.

Responding to the EU REACH Regulations

The EU REACH (Registration, Evaluation, Authorization, Restriction of Chemicals) regulates one to report the traded materials across Europe to the ECHA (European Chemicals Agency) or report or receive approval regarding highly hazardous substances referred to as SVHC, which has been broadened to 138 types from 73 types in 2012. SK hynix's products are finished goods that report and conform to the approval clause of SVHC substance use, and for additional substances, comparisons and reviews are carried out through a substance control database. After confirming the presence of substances partially used on raw materials, the company consulted the relevant raw material supplier and confirmed that the detected substance had been removed in the manufacturing process. Such validation for additional substances is to be carried out continuously in the future.

REACH SVHC List Status (Unit : type)

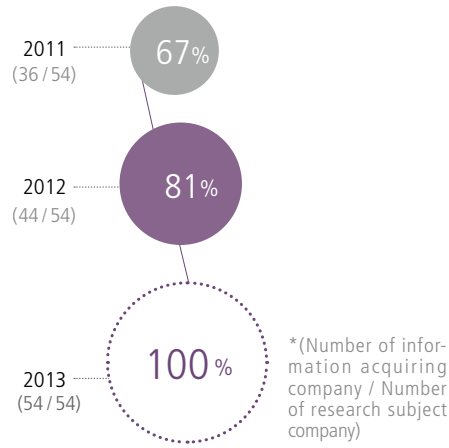


Conflicted Area Mineral Use Prevention

The purpose of regulations for mineral use in conflicted areas are to protect human rights in the Democratic Republic of the Congo and neighboring countries, and the regulation has taken effect through legislation of the United States Financial Reform Act since August 2012. According to the law, the companies listed in the SEC (Securities and Exchange Commission) must report (CMR: Conflict Mineral Report) the management status such as the use of minerals from conflicted areas and company audit by June 2014. In 2012, among the users of conflicted area minerals, they continuously shared significant issues and induced participation of anonymous sources, acquiring an information report rate of approximately 81 percent. Moreover, the company has received 61 questions regarding the conflicted area's minerals from customers and institutions, and is currently reporting the status of mining and refining companies of conflicted minerals through the standard format of EICC-GeSI.

In 2013, an additional format that aims to enhance the determination regarding the effectiveness of materials under the supervision of IPC (The Institute for Interconnecting and Package Electronic Circuits) is planned to be announced. Also, the company plans to transparently disclose the industry information after verifying the viability of the information through re-execution of surveys to business partners with the new format. In addition, actual surveys are expected to be conducted to verify the effectiveness, and accordingly, internal audits will be carried out as well as audits to main business partners based on the OECD Conflicted Minerals Actual Investigation Guide which is the standard for actual investigation.

Substances Information Acquiring Company Status and 2013 Plan



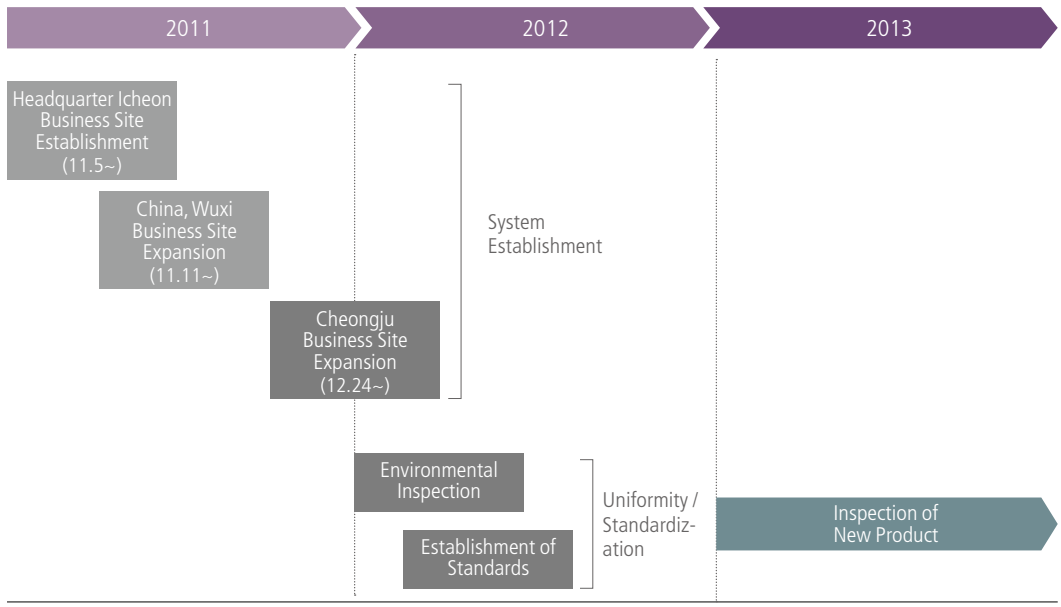
Production Quality Control

SK hynix is striving to acquire the world's best quality through continuous quality improvement activities and enhancement of verification and quality assurance systems. By establishing a high-end quality marketing system to achieve customer satisfaction, customer dissatisfaction rate can be reduced, and monitoring can be carried out before shipment so that customer confidence in product quality can be strengthened.

RoHS XRF (X-Ray Fluorescence) Checking and Expanding the Inspection System

In May 2011, for the first time at the Icheon business site, SK hynix has established the hazardous substance inspection system in accordance with the RoHS regulations on shipment products. Afterwards, the system was incrementally expanded to the China Wuxi business site in November 2011, as well as the Cheong Ju business site in April 2012, so that the RoHS XRF inspection system could be completed across the enterprise. After the establishment of the system, the inspection procedures of each business site were compared so that the detailed inspection standards such as the subject product, inspection cycle, sampling, etc. could be uniformed and standardized. Also, by establishing the computation system in regards to the inspection records, a system that enables feedback through data utilization of the manager after direct computation of the inspection results has been utilized. In 2013, the company plans to conduct continuous system upgrades such as the alteration of subject products to new and existing products by checking the inspection status.

XRF Establishment Status



Customer Quality Assurance System

SK hynix's quality assurance consists of new technology evaluation, new product certifications, quality assurance processes of mass production which are all activities purposed for customer satisfaction. Also, the company is pursuing the greatest level of customer satisfaction through the establishment and sustainment of an overall quality control system for the creation of high quality product.

Revision of Quality Policy and Quality Management Principle

SK hynix has revised the quality policy to the basis of 3 major management policies that includes 'profitability focus, technology innovation, and creation of VWBE culture' as well as the 8 major quality management principles to improve the quality competitiveness and gain customer confidence.

The quality policy is to sustain its relevance with the management policy, to be used to express the overall intention and direction of the management's quality, and to be used for a frame necessary for the establishment of investigation items and quality goals for the basic requirements of sustaining the certification in regards to the ISO international quality standard system.

SK hynix Quality Strategy

SK hynix is continuously striving to provide customers with the best quality products based on the company's quality management. Recently, the company developed an evaluation system that simulates various customer circumstances for the enhancement of mobile product evaluation, which is leading ICT (Information & Communication Technology) with its own technology, and acquired high quality standards through various evaluation methods. Moreover, in order to respond to the new types of customers' application in accordance with the changes in the customers' utilization environment, the company is focusing on preventing risk derived from the activities related with assuring quality assurance as well as an adoption of new technology. The company is striving to create and secure customers' trust by assuring the level of products' completeness by enhancing the quality from the development stage.

SK hynix Quality Policy

SK hynix which intends to become the world's best synthesized semiconductor company, will increase its level of competitiveness based on the 3 major management principles to provide customers with the best quality. Also, all employees will pursue stakeholders' happiness through continuous implementation of this quality policy, making our customers happy and Eva Plus.

* EVA (Economic Value Added)

Customer Satisfaction

Exceed the customers' standards of quality to provide products that surpass the customers' expectations and continuously pursue their happiness.

Quality Innovation

Increase the quality competency via continued quality innovation and secure quality leadership to continuously create profit.

Everyone's Participation

Participate and put all our strength into improving the qualities of all areas based on VWBE organization culture.

SK hynix Quality Assurance System

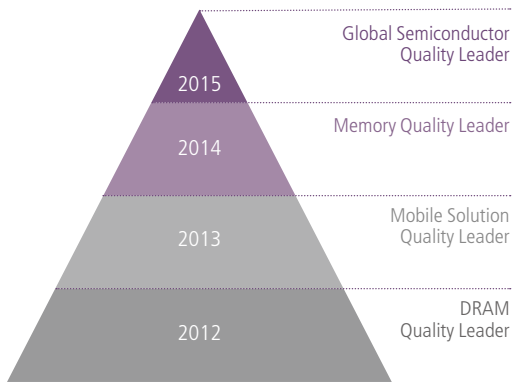
Customer Quality Control Roadmap

A medium-long term roadmap is being established and operated for assuring the best quality competitiveness for mobile solution (Mobile / NAND) products based on the quality competitiveness of the DRAM segment. Based on implementation of practical assignments purposed for multi-dimensional quality improvement activities and assuring of competitiveness, the company has created a roadmap detailing how the company aims to become the 'mobile solution quality leader' in 2013, the 'memory quality leader' in 2014, and the overall 'global semiconductor quality leader'. To realize this, the company is conducting diverse activities, going beyond the acquisition of memory analyzing capabilities to system level by concentrating on assuring mobile product quality and self-developing application tester that evaluates the customers' environment for the next-generation of mobile solution products. Furthermore, the company is conducting diverse quality improvements and system reinforcements such as internalizing the leading element technology of the PCRAM · STTMRAM · ReRAM through strategic collaborative development cooperation for assuring the level of completeness of development in regards to the next-generation of software memory in 2015. Thereafter, developing evaluation technology to interpret risk in relation to quality aspects in advance.

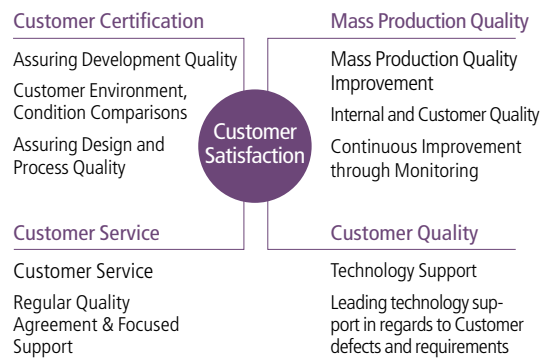
Quality Assurance Activity Performance

SK hynix is continuously receiving superior quality evaluation from major customers based on its quality stability maneuvers and quality support activities. SK hynix's quality competitiveness is proving itself as in the case where Dell, a global PC manufacturer, presented the 30nm-class product as the BIC (Best-In-Class) grade. Also, despite its late entry to the mobile products market, it has accomplished continuous sales growth through consistent quality competitiveness. Such performance is related to the company's continuous quality system development coordinated with systematic establishment endeavors combined with the autonomous knowledge in regards to quality systems required by international standards, and the company will continuously do its best to continuously manage customer quality.

Quality Roadmap



Quality Assurance Activities for Customer Satisfaction

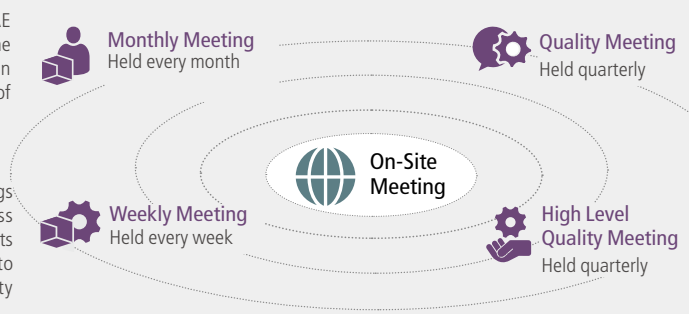


Case Study 02

Assuring of Global Quality Control Reliability

Between the customers and the On-Site FAE (Field Application Engineer) requested by the customers, the On-Site customized quality can be enhanced through weekly data reviews of customer customization

Through On-Site FAE and weekly meetings between customers & workers, the process and production situation of SK hynix products are interpreted and therefore contribute to accomplishing quick solutions on quality issues



Carry out in-depth communication regarding the product quality of SK hynix, through the quality meetings where quality engineers participate, and therefore contribute to the quality stabilization

Every month the quality meeting, where the Vice President level Directors participate, is held to enhance the quality, improve cooperative relationships as well as raise the level of trust of the SK hynix product

Social and Environmental Assessment Management of Products

Minimizing the social and environmental risks that occur in the process of manufacturing the products and delivering superior products continuously to the customers are what SK hynix is targeting. SK hynix is in compliance with global social, environmental assessment standards, and conducting active expansion activities.

SK hynix's approach towards Manufacturing Socially and Environmentally Friendly Products

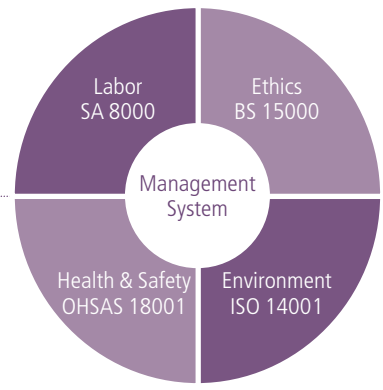
Minimization of environmental impacts during the process of manufacturing products as well as improvement on working condition and environments are contents that are emphasized by the EICC (Electronic Industry Citizenship Coalition) that is organized for electronic companies' social responsibility. SK hynix is endeavoring to create a socially and environmentally friendly product, and the company believes this is the direction to improve the product's quality that customers can trust. Most of the customers of SK hynix are members of the EICC, and for 6 years, approximately 70 customers have requested for the compliance with EICC Code of Conduct and have assessed whether it was complied or not.

Also, the level of EICC assessment by customers have become stricter and has reflected the increasing trend of requirements, and SK hynix has enhanced the effort to apply the code of conduct compliance activities according to the EICC and respective customers. The code of conduct related to human rights, labor policy, and business partners in EICC Code 4.0, which was revised in 2012, is reflected in the ethical code of conduct. Through efforts in sustainable productions, the EICC expansion activities are being conducted not only by SK hynix, but also by its affiliates. Also, the pursued direction of SK hynix is to become a sustainable company along with its business partners in the future.

EICC Code of Conduct

- Freely Chosen Employment
- Child Labor Avoidance
- Working Hours
- Wages and Benefits
- Humane Treatment
- Non-Discrimination
- Freedom of Association

- Occupational Safety
- Emergency Preparedness
- Occupational Injury and Illness
- Industrial Hygiene
- Physically Demanding Work
- Machine Safeguarding
- Sanitation, Food, and Housing



- Business Integrity
- No Improper Advantage
- Disclosing of Information
- Intellectual Property
- Fair Business, Advertising and Competition
- Protection of Identity

- Environmental Permits and Reporting
- Pollution Prevention and Resource Reduction
- Hazardous Substances
- Wastewater and Solid Waste
- Product Content Restrictions

EICC Code of Conducts Compliance Assessment System

Stage 1 Organization Assessment (OA)	Stage 2 Self-Assessment Diagnosis (SAQ)	Stage 3 On-site Audit
Selection of assessment subject through basic risk assessment	Execution of self-diagnosis through detailed risk assessment for each item	Interpreting the realities through auditing the site & interviews

* OA : Organizational Assessment
* SAQ : Self Assessment Questionnaire

Assuring of Customer Companies' Trust through Strategic EICC Response

SK hynix has close cooperative system with related departments to quickly respond to the customer request for EICC (SAQ, On-Site Audit etc), and to maximize customer satisfaction.

For on-site audit plan requests from the customer to verify whether SK hynix is complying with the EICC code of conducts, SK hynix is strategically responding to the customer requests so that the schedule is set by having a negotiation with related organizations regarding the requested issue with the EICC organizing entity as the primary principal axis. Initial response processes such as the selection of supervisor for field work and execution of communication are set, and the issues that are the core subject of the field audit is interpreted.

By closely analyzing the recent customer companies' requests, we found out that there has been rising interest on social and economic issues as well as conflicted minerals. Also, through the pre-meeting that the Ethics Management Team had with, SCM and the Outsourcing Environmental Quality Assurance Team, the role for respective departments were assigned-external trend interpretation, analysis, surveys targeted at business partners, establishment of on-site audit plans, discussion about future plans and the company has been putting its effort on preparing countermeasures in diverse aspects. In the past, there was an actual case where the customer company asked for verification that the raw materials of the supplies from the business partners were not conflicted minerals, and for the top management's signature to support it, and the company had quickly responded to the requested issue through close cooperation with the related departments.

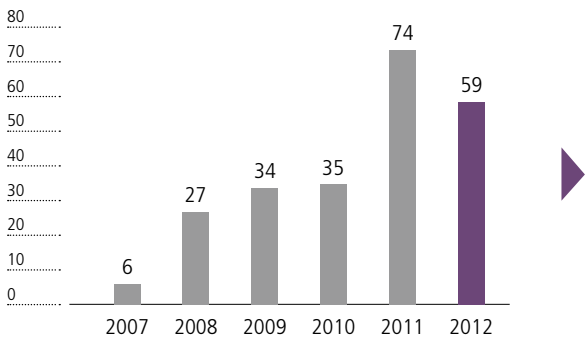
SK hynix is fulfilling its corporate social responsibility in order to create sustainable happiness with its stakeholders, and is leading the compliance and expansion of perception in regards to autonomous EICC code of conduct through the training / promotion towards internal employees, establishment of EICC perception expansion roadmap and provision of sustainability management consulting to the business partners.

Customer Companies' Main Requests

Category	Requirements
EICC Regulation	Human Rights : Revision of disciplinary regulation contents, compliance in working hours
	Environment & Safety : Conducting emergency drills for all employees and management of exit sign lightings
	Management System : Signing the EICC compliance, insertion of EICC compliance article on the supply contract
Other Issues	Spreading CSR to business partners and establishment of on-site audit process
	Verification of origin of raw material
	Requests of enterprise risk management such as adoption of BCP/M

Trend of Customers' EICC Request

EICC Response Status



*Composition of supervising organization's (May 2007)
*SK hynix global strategic customers: approximately 70 companies

Contents

- On-Site Audit
- Submission of CAP*
- SAQ
- Acknowledgement Signature
- BCP/M*
- Greenhouse Gas
- Conflict Minerals

*CAP (Corrective Action Plan)
*BCP/M (Business Continuity Plan / Management)

Managing Sustainable Governance

SK hynix is implementing the internalization of enterprise ethics management based on its advanced corporate governance. Voluntary compliance of fair trade is being activated based on a transparent management environment, and new growth opportunities are being prepared through the integrated risk management operation.

Advanced Corporate Governance

SK hynix creates the stakeholders' happiness through the operation of an advanced and transparent Board of Directors, and is striving for the development of sustainable corporation.

Enterprise Ethics Management Implementation

SK hynix is operating the ethics management supervisory organization for the purpose of setting an ethical corporate culture, and is promoting ethics management to be rendered as a culture and lifestyle in the mid-long term.

Compliance Management System

To make SK hynix's compliance management and its compliance spirit clear, and concise with the employees, the company is leading the way in fair-trade voluntary compliance activities.

Patent and Industry Security

SK hynix is focusing on securing of strong patents early with the prevention of disputes. Also, creating a Win-Win growth infrastructure that is created by sharing patent development policies with business partners.

Advanced Corporate Governance

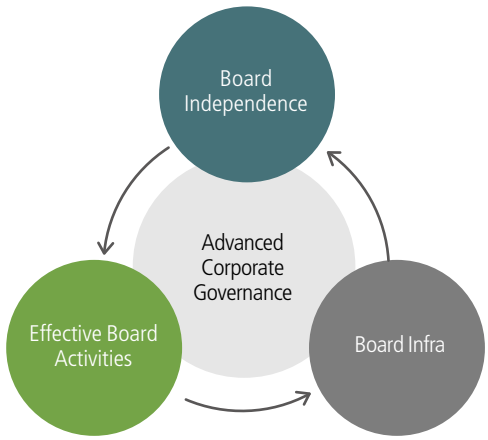
Composition of the Board of Directors

Decent corporate governance acts as a foundation that allows a company to secure its stakeholders' trust and to carry out responsible management activities. By directing and executing high standards of corporate governance including enhancement of the role and responsibility of the Board of Directors, and independent professional audit institution, SK hynix makes efforts for balanced promotion of the interest of all stakeholders such as shareholders, clients, and employees.

Board of Directors Composition

The Board of SK hynix is composed of a total of nine members, four of which are inside directors and five of which are outside. The chairman of the Board has been separated from the CEO since 2010 in order to enhance the transparency and independency of the corporate governance, and the portion of outside directors exceeds 50%. In 2012, the Board held 14 meetings, and the audit committee nine meetings. The attendance rate in such meetings of the outside directors showed 93.9%. Remuneration for outside directors is provided within the limitation level approved on a yearly basis at the general shareholders' meeting.

Board of Directors Operation System



Composition of Board of Directors

Inside Directors

Name	Career Highlights	Board of Directors Activities
Chey Tae-won	President & CEO of SK Energy	CEO
	(Current) President & CEO of SK Innovation	
	(Current) President & CEO of SK Holdings	
	(Current) President & CEO of SK hynix	
Ha Sung-min	Head of Corporate Center, SK Telecom	Chairman of BOD Member of Outside Director Recommendation Committee
	MNO Biz CEO of SK Telecom	
	(Current) President & CEO of SK Telecom	
	(Current) Chairman of BOD, SK hynix	
Park Seong- wook	Vice President, Hynix Manufacturing America	CEO
	Senior Vice President, Memory Research Center, Hynix	
	Executive Vice President of SK hynix	
	(Current) President & CEO of SK hynix	
Kim Joon-ho	Executive Officer and Chief Prosecutor, Ministry of Justice	-
	Ltd. & Head of Ethics Management Divisional Group, SK Holdings	
	President, Corporate Management Service, SK Energy	
	President of GMS, SK Telecom	
	(Current) President & Head of Corporate Center, SK hynix	

Outside Directors

Name	Career Highlights	Board of Directors Activities
Kim Doo-kyung	Director General, Financial Markets Division and Currency Issue Division, Bank of Korea	Member of Audit Committee
	Vice President, Korea Federation of Banks	
	Korea Banking Institute Professional Advisor Professor	
Park Young-june	Research associate, IBM East Fishkill	Outside Director Recommendation Committee
	Geum Sung Semiconductor Chief Researcher	
	(Current) Professor at Seoul National University (School of Electrical Engineering)	
Yun Sai-ree	Admitted to the Bar (1978), Korea	Outside Director Recommendation Committee
	Prosecutor, Busan District Public Prosecutors' Office	
	Lawyer, Yoon & Partners	
	(Current) Managing partner & lawyer of Yulchon (law firm)	
Kim Dai-il	Assistant Professor, Economics Department, Rice University	Member of Audit Committee
	Research Fellow, Korea Development Institute	
	(Current) Professor of economics at Seoul National University	
Lee Chang-yang	Passed high civil service Exam (1985)	Member of Audit Committee
	Head of industrial policy division, Ministry of Commerce, Industry and Energy	
	(Current) Professor at KAIST Business School	

Operation of the Board of Directors

As the highest-level decision making body regarding the company's management, the SK hynix Board places the enhancement of corporate value and development of the company as the company's ultimate goal. The Board retains an independent authority to oversee the management of the company, with putting the utmost emphasis on compliance with ethical standards as well as the law.

Advanced Operation of Board of Directors

SK hynix, in accordance with high-tech business characteristics, is establishing an advanced Board of Directors' operation system utilizing information technology. All directors are able to participate in a meeting at any place through securitized network and video conference systems. In particular, the Board website of the company does not confine itself to simply providing meeting materials, but enables the members of the Board to access inclusive company information such as financial and sales.

Outside Directors Committee

SK hynix has a committee that consists of only outside directors. This committee gives significant help to the top management's decision making process because it conducts in-depth preliminary review of meeting agenda and management-related issues before a Board meeting is held. Such procedure is also contributing a lot to the Board's independency and professionalism. Furthermore, the committee reviews the company's transactions with the group's subsidiaries prior to the official meeting, so as to secure the fairness, objectiveness and procedural justifiability of such transactions.

Selected as 2012 ESG Superior Corporation

SK hynix received the highest rating of 'A+' for the last 3 consecutive years for the ESG (Environment Social Governance) assessment by the Corporate Governance Service (CGS), being recognized for its decent and transparent corporate governance and for its endeavors for board of director-centered management practices.

Subcommittee under the Board of Directors

SK hynix has established and operated two separate subcommittees, the Audit Committee and the Outside Director Recommendation Committee, within the Board, to secure expertise in decision making and to support the efficient operation of the Board.

Audit Committee | The Audit Committee performs the auditing of the company's accounting and the monitoring of management and selects the external auditor. The Audit Committee is constituted with 3 outside directors who are selected by the general meeting of shareholders and among these 3, at least 1 person shall be an expert in accounting or finance.

Outside Director Recommendation Committee | The Outside Director Recommendation Committee assesses the qualification of candidates for outside directors in accordance with the related law, the articles of incorporation and the Board regulations, and recommends appropriate candidates to the general meeting of shareholders. This committee is constituted with 2 outside directors and 1 inside director.

Committee Composition

Committee Organization	Composition and Role
Audit Committee	3 Outside Directors (Kim Doo-kyung, Kim Dai-il, Lee Chang-yang)
	Audit regarding the accounting and tasks, selection of external auditor
Outside Director Recommendation Committee	2 Outside Directors (Park Young-june, Yun Sai-ree) 1 Inside Director (Ha Sung-min)
	Assessment of the qualifications of the Outside Director Recommendation Committee

Enterprise Ethics Management Implementation

Ethics Management Principle & System

SK hynix recognizes the rational era for ethics management, and is therefore striving to execute work complying with morality as well as the law to establish fair-trade. Targeting transparent and a clean corporate culture to complete its social responsibility, the company is establishing ethics management principles so that all employees can understand the moral mandates and their work ethics firmly.

Ethics Management Policy & Organization

SK hynix is operating the Ethics Management Group under direct supervision of the CEO in order to settle ethics management within and to create a system that can inspect whether the ethics management program has been adequately executed. The Ethics Management Group executes the overall operations related to ethics management and provides support so that specific activities can be conducted.

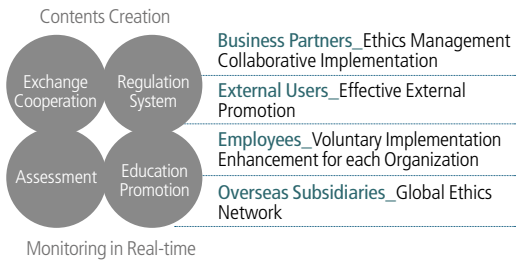
Code of Conduct

SK hynix plans to create value for the various stakeholders (customers, investors, shareholders, employees, etc.) based on the SKMS as its corporate management system. By instituting the code of conduct and operating it, the decision-making and behaviors will have a standard to follow which can contribute to fair and transparent business activities in relation to all employees based on an enterprise-scale ethics management system. The SK hynix Code of Conduct institutionalized in 2000 has been based on domestic as well as international guidelines such as ISO26000, UNGC (UN Global Compact), EICC (Electronic Industry Code of Conduct), and went through its 6th revision in July 2012.

Ethics Management System (HEMS: SK hynix Ethics Management System)

Through sound communication among internal and external stakeholders, SK hynix is actively spreading ethics management. In particular, the company constructed an ethics management system, which enabled the accumulation, integration, sharing, and self-generation of information as well as the monitoring of ethics management activities so that the employees and stakeholders are able to efficiently manage the ethics management-related issues. The ethics management system includes overall ethics management ranging from the peruse of the code of conduct, electronic signing of the implementation pledge, training and promotion of the ethics management system, to the consultation and reporting system.

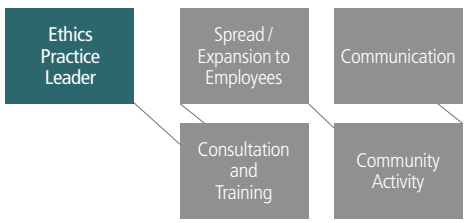
SK hynix Ethics Management System (http://ethics.skhynix.com)



Ethics Practice Leader | SK hynix is operating the ethics practice leader system to systematically practice ethics management. The purpose of this system lies in increasing the employees' voluntary level of practice and in establishing a monitoring system to settle ethics management as a corporate culture. In order to do this, the ethics practice leader who is selected for each organization unit, shall lead the voluntary practice by spreading the ethics management policies such as ethics training, and consultation within the relevant organization.

Ethics Management Organization _ March 2013

Ethics Practice Leader Concept



Ethics Management Activities

SK hynix is currently conducting various ethics management-related activities in order to actively practice ethics management. The company plans to spread ethics management consciousness to the stakeholders including the employees, and is therefore establishing and managing the ethics management strategy actively in a standardized fashion, in accordance with the ethics management willingness as well as strategy.

Sexual Harassment Reporting Channel
UCC Contest

Ethical Regulation & System Enhancement

Establishment of a Sexual Harassment Reporting Channel | In order to enhance the responsiveness against sexual harassment issues and to eradicate such events from occurring in and outside of the company parameters, SK hynix has established a sexual harassment reporting channel. By increasing the existing reporting boxes to 47 inside the company building, the offline channels were supplemented and online channels through system pop-ups and banners have been newly created. The reported events will be investigated through a strict process to determine disciplinary actions. In 2012, there were three reports of sexual harassment; two of which were judged to be invalid and 1 was judged so that light disciplinary action was taken.

Cyber Reporting System | In order to settle and expand a fair and ethical corporate culture, the cyber reporting system has been in operation since 2000, and reporting violations have been regulated as a duty rather than an option. Also, the reporter's identity kept entirely confidential in accordance with the "immoral, illegal behavior reporting duty & reporter protection regulation", and any disadvantages or mistreatments are completely restricted from occurring.

Gift Returning Center | SK hynix is operating the gift returning center during the new year, Chuseok, or HR appointments and is conducting promotions through the Intranet notice board. In 2012, eight gifts were submitted which accordingly were returned to the sender or donated to the local community.

Ethics Management Training & Promotion

In accordance with the system that is purposed for the practicing of voluntary ethics management from the employees, ethics training has been conducted such as "Visiting Chamsori Ethics Class" and "Visiting Ethics Consulting", so that the employees' ethical consciousness would improve while increasing the practical effect of ethics management.

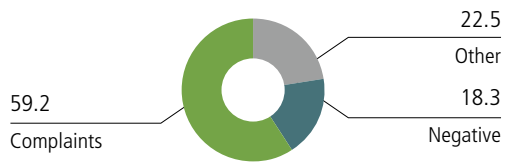
Visiting Chamsori Ethics Class | SK hynix is carrying out the "Visiting Chamsori Ethics Class" at worksite group units in order to infuse moral mandates and establish a continuous ethics management system. If training is requested from a department, the department in charge of ethics management directly visits the site and conducts the ethics training, and the contents are composed in relation to the participants mainly ranging from code of conduct, specific execution rules, SK hynix policy introduction, to immoral cases. Also, the training is also conducted for business partners that request for ethics management training in order to raise ethical awareness. In 2012, there were seven "Visiting Chamsori Ethics Class" where 348 employees were involved for 260 hours.

Cyber Reporting System Operation Result

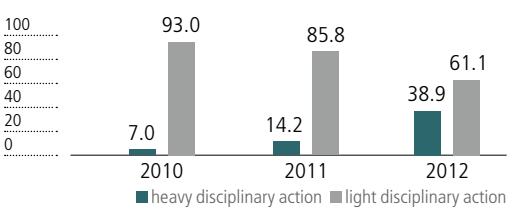
Recent 3 Year Reporting Trend

Year	2010	2011	2012
Cases	151	201	218

2012 Type of Reporting _Unit : %



Actions Taken for Negative Reports _Unit : %



Ethics Training Status

Type	Title	Participants (persons)	Participation Time(hours)
Online	2012 ethics management practice pledge	15,806	3,952
	2012 ethics management total diagnosis	5,963	1,193
	UCC contest	10,593	394
Offline	Entry training for new employees	1,093	1,093
	Visiting Chamsori Ethics Class	358	260

Ethics Management UCC (User Created Contents) Contest | For the expansion of in-company ethics management consciousness, the basis for ethics management has been set focusing on participation of the employees, and UCC contest were conducted. UCCs, which were produced using the nearby elements to enrich uniqueness and humor, enabled the employees in relation to ethics management to receive the feeling of familiarity and sympathy. 104 UCC were submitted and the best 5 out of 15 good pieces were promoted across the enterprise.

Ethics Management Assessment

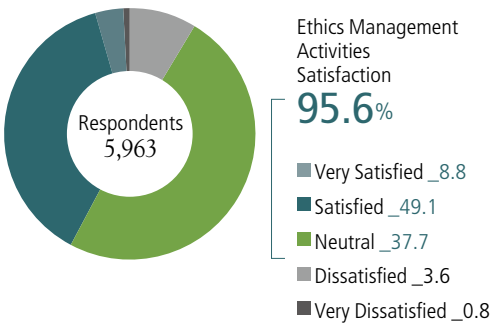
SK hynix Self-Control System | Although increasing the ethical consciousness of the employees through ethics management activities are important, what is more critical is that the consciousness actually leads to ethical behavior. Therefore, the company has realized that a practical systematic device would be necessary for a new ethics management model, and therefore established the Self-Control System that is purposed for voluntary activities that prevent immoral events for main areas which are: HR, costs, purchasing / BP (Business Partner), and equipment. Through the immoral events five year trend analysis as well as the enterprise-scale ethics practice leader workshop and the 'Top five ethical issues' were derived and based on the pilot test from the organizing department regarding the setting of monitoring items and system operations. The Self-Control System guideline was established and the monitoring items were complemented and derived. In 2013, the company is planning for regular monitoring activities and consciousness expanding activities for all employees with the organizing entity in the center.

Ethics Management Total Diagnosis

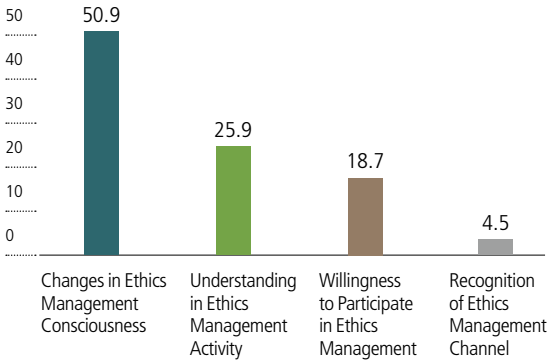
The company has conducted a total diagnosis on ethics management in order to derive the main assignments to assess the ethics management practical activities, measure the employees' ethical level, and enhance ethics management. As a result of research on ethics management awareness through online surveys of all employees, out of 5,963 participants 95.6% showed that they have been generally satisfied. In terms of the changes in the ethics management activities, the majority selected 'changes in ethics management-related consciousness', 'ethics management activities understanding', and 'willingness to participate in ethics management' in order.

Result of Ethics Management Activities Research

Ethics Management Activities Satisfaction _ Unit : %



Changes Experienced from Ethics Management Activities _ Unit : %



Ethics Management in the Chinese Production Subsidiary, Wuxi FAB

The Wuxi FAB's ethics management organization conducts its task in the form of an independent entity directly under the head of subsidiary in regards to achieve their goals that are purposed to improve ethics management such as the operation of the ethics management policy and system, training and promotion, expansion activity of stakeholders, etc.

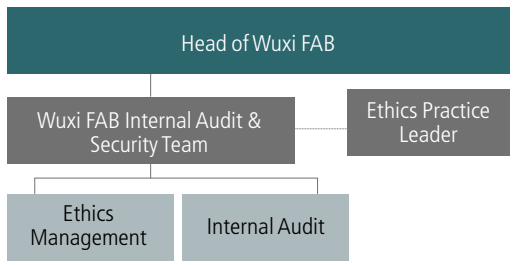
Ethics Management System

The Wuxi FAB's ethics management policy and system is operated with identical standard as the Korean headquarters, and related contents are disclosed on the homepage so that all employees as well as stakeholders of the company are able to understand and participate in the company's ethics management ideals and willingness to practice.

*FAB: Fabrication

SKHYCL Ethics Management Organization

_ March 2013



Ethics Management Activities

Ethics Training | The Wuxi FAB is systemized so that all employees can receive an ethics training. When joining the company, the ethics training course is an essential condition, and upon joining, there are re-training courses regularly once every two years. Aside from the regular ethics training process, the visiting ethics classes upon request from individual function and organization are being operated identically as the Korean headquarters. Furthermore, in 2012, visiting ethics classes collaboratively with the ethics practice leaders were carried out where 32 teams participated as the audience on the subject of work ethics.

Wuxi FAB Ethics Training Status

Category	2010	2011	2012
Total training Time (minutes)	106,320	149,160	106,680
Training Participants (persons)	1,237	2,017	1,613
Training Time per Person (hours)	0.48	0.63	0.47

Ethics Management UCC Contest | In the Wuxi FAB UCC contest was conducted in order to expand the ethical corporate culture and form common ground through the employees' voluntary participation. 140 cases were submitted where superior cases was rewarded, and the selected superior cases were actively utilized as training materials.

Spreading of Ethics Management to Business Partners | Endeavors to spread ethics management to Chinese business partners are being made. As in the case of the Korean headquarters, the giving and receiving of presents during traditional Chinese holidays is being prohibited, and special letters are continuously being sent to suggest practicing management according to the moral compliance of the business partners. In May 2012, workshops were carried out for the purpose of spreading ethical compliance management, which set a place for the people to pledge their willingness to comply with ethics management, having 76 main firms business partners as participants.

Cyber Reporting Operation | For unethical cases that violate the ethics management policy, Cyber Reporting, an online reporting channel is being operated for the employees, customers, business partners, and stakeholders to freely report. The received contents and identity of the reporter is strictly protected under the related regulation, and safely managed by the staff who have pledged to secure confidentiality. Aside from Cyber Reporting, there are various reporting channels in operation such as an in-company reporting box, e-mail, and telephone.

Compliance Management System

Compliance Support

SK hynix has a clear will to pursue compliance management, and is expanding the enterprise compliance management culture by establishing an effective prevention system. By appointing the chief compliance officer and establishing a compliance inspection process, which would lead to fair competition, the company is aspiring to conduct decent corporate management.

Appointing the Chief Compliance Officer

In order to prevent legal risks related to direct and indirect losses or damage to the company employees from occurring and to improve corporate value, SK hynix appointed a chief compliance officer to support compliance management of the company.

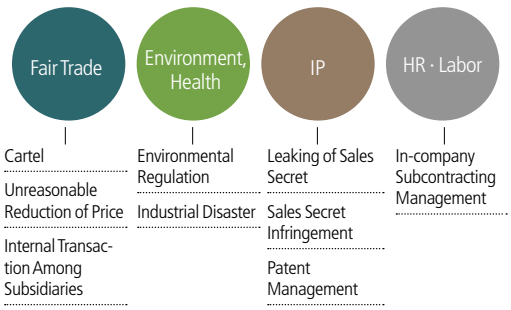
Compliance Control Regulation Enactment

The compliance control regulation which includes overall contents regarding the compliance support organization's role as well as compliance control system and can create a company legal risk prevention system and was enacted to be executed.

Main Legal Risk Selection

Assessment regarding how frequently the event is likely to occur (occurrence possibility) and how much influence the occurred event will bring to the company (level of influence) was conducted to select nine main risks in accordance with four areas.

Main Legal Risk



Main Legal Risk Inspection

Training was carried out through on-site audits, interviews with staff, inspection of records, etc., Also, diagnosis of legal risk and issues that needed improvement were complemented to improve the employees awareness of the regulated rules. The first half of 2012 concerning in-company subcontracting management and the second half of 2012 concerning sales secret infringement.

Compliance of Law

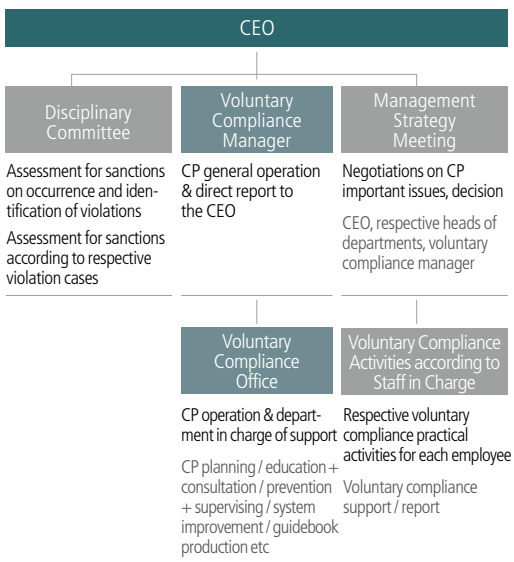
There were no violations in regards to fair trade and customer-related law during 2012.

Fair Trade Voluntary Compliance Activities

SK hynix has been pursuing fair and free competitive practices to create order in the semiconductor industry's fair trade and has been conducting activities purposed for voluntary compliance to the overall regulations in regards to domestic and foreign fair trade.

Fair Trade Voluntary Compliance Execution Inspection | SK hynix voluntary compliance execution inspection is composed of before and after inspection, and a monitoring system. When the employees are implementing tasks that have the possibility of violating the fair trade regulation, they have to log into the pre fair trade voluntary compliance program and understand the provided checklist that states the possible violation behaviors. Therefore such violations are prevented beforehand, and later whether the checklist has been executed is inspected so that violating behaviors can be identified as early as possible.

Voluntary Compliance Office Organization



Fair Trade Compliance Program | The Compliance Program is a voluntary compliance system that helps a company to voluntarily follow the fair-trade related mandate. The adoption of this program is a signal towards the market and the government, meaning that a company is voluntarily willing to follow the mandates and to conduct fair competition. SK hynix's Compliance Program is designed to take the semiconductor industry's unique traits and the impact on the overall tasks into consideration.

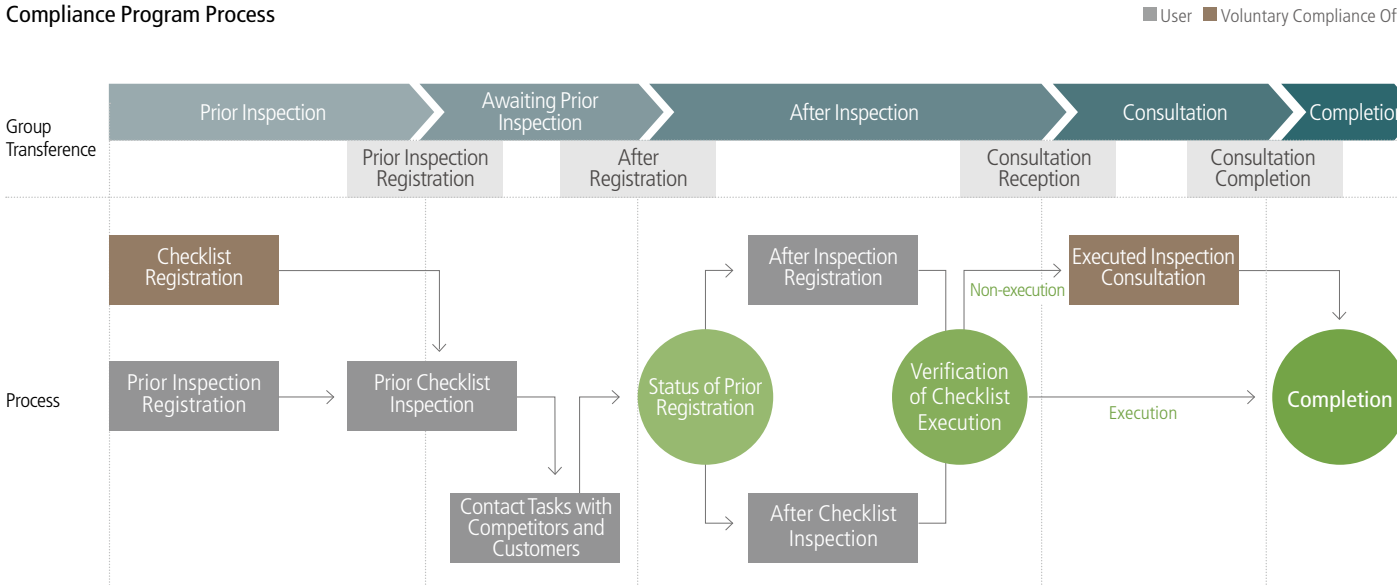
Internal Trade Compliance Activities | By enacting the regulation in relation to trade procedure with the subsidiaries, the company has restricted trade with subsidiaries so that it is only viable if the actual and, procedural justifications are met. All departments that conduct internal trade must receive confirmation from the Legal Affairs Department after it reviews the situation's reasonability. Also, the company is placing efforts to increase consciousness about the compliance of internal trades through employees training in the related departments in regards to precautionary contents when trading with subsidiaries.

Cartel Prevention Compliance Activities | Across various countries of the world, there shows an increase trend in the application of anti-trust laws and enhancement level of sanctions. This is due to unintentional statements or meetings with competitors that can be misunderstood as cartel behaviors, and also the corporate culture in which gatherings through special occasions and personal networks can contradict with the cartel standards in other cultures. SK hynix is educating employees in the headquarters' Marketing Department to prevent cartels, and is also providing preventive training and promotion activities as well as consulting services to the foreign sales subsidiaries.

Compliance Program Process

STEP 01	STEP 02	STEP 03
- CEO declared the Compliance Program Policy - Enactment of company's regulations in relation with the compliance program operation - Appointment of the Voluntary Compliance Manager - Entrusting adequate authority and responsibility - Establishment of internal control system	- Production of handbooks and guidebooks - Execution of fair-trade regulation compliance training - Monitoring of the fair-trade regulation compliance - Sanctions in regards to violation of the law	- Efficient / systematic management of documents - Assessment on program operation performance - Improvement of procedure and system - Cooperation with the competition authorities

Compliance Program Process



Patents and Industry Security

Technology Patent Management

The semiconductor industry, where SK hynix is focused on, is a highly technology intensive industry and intellectual properties such as technology patents are most valuable intangible assets that are difficult to measure their value and are beyond achievement resulting from R&D activity. The company is endeavoring to protect its intellectual properties and enhance technology competitiveness

Patent Management Goal

Early Acquisition of Strong Patent & Prevention of Patent Disputes | Patent disputes are increasing in the semiconductor area, which has become even more complex due to the advent of the patent troll (NPE: Non-Practicing Entity). SK hynix has a goal to improve current-royalty balance by reducing royalty payment, and minimize the company's management risk as well as efficiently defend the patent litigation and develop a strong patent that can be utilized in patent disputes or litigations. Therefore, the company is focusing on the early achieving of patents and preventing patent disputes.

Patent Development & Protection Activities

R&D Support Activity | To develop patents that can be utilized in actual litigations and that fit with the business trend, patent development engineer has supported R&D engineer's creative activities. For example, in 2011, Consultation Office for R&D engineers was opened, where patent development engineer is present to provide consultation for catching a engineer's creative ideas and to develop strong patents from their ideas strategically. The Evaluation Committee has been composed collaboratively with the R&D Division to evaluate and develop R&D engineer's inventions and compensate for the best inventions chosen by the Committee.

U.S. Patent Registration Status _ Unit : cases

Patent Portfolio Re-organization | Through reevaluation of the retaining patents, SK hynix is re-organizing its patent portfolio. The company have had high portion of Korean patent registrations, but, is putting emphasis on acquiring patents in foreign countries, i.e. U.S., where there showed to be a lot of patent litigations. Currently in the U.S there are over 7000 patents retained by the company, and although there might be slight reductions due to the re-organizing of the portfolio, the company is putting its full effort into developing patents aiming at future businesses.

Business Partner Patent Support

SK hynix is endeavoring to prevent business partners' patent disputes. Since 2011, consulting services on intellectual property have been provided to business partners that lacked a professional workforce, and the company have transferred it's patents to the Partners free of charge. In the past two years, seven partners were provided with consulting service in regards to the partners' patent analysis and patent management direction, and some patents were transferred to five partners. In addition, SK hynix is sharing the patent development policy and know-how and pursuing win-win growth with its business partners.

Case Study 03

Rambus Patent Infringement Lawsuit

In August 2000, the patent infringement litigation between Rambus and SK hynix was begun in the United States District Court for the Northern District of California ("Court"), and in March 2009, the Court entered judgment against SK hynix in the amount of approximately $400M and awarded Rambus on-going royalties of 1.0% or 4.25% of U.S. sales of DRAM products until April 17, 2010. However, in May 2011, the United States Court of Appeals for the Federal Circuit vacated the original judgment issued by the Court concluding the Court used the wrong legal standard in deciding Rambus's unlawful destruction of document at a time litigation was reasonably foreseeable ("spoliation") and remanded the case for further proceedings to the Court. In September 2012, the remanded court issued its decision on Rambus's spoliation issue finding that Rambus engaged in spoliation and concluded that the appropriate sanction is to strike from the evidence supporting a royalty in excess of reasonable and non-discriminatory terms. No decision has issued to date.

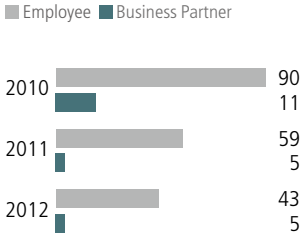
Security Management

The security management of all tangible and intangible assets including the top talents and intellectual properties can be seen as a source to enhance the company's competitiveness. SK hynix recognizes that the industry security activities can significantly influence the current as well as future growth potentials of the company, and therefore is striving to establish a self-participating security culture.

Security Management Roadmap

Pursuing the highest level of security environment to completely eliminate security infringements

Performance of Visiting Customized Security Training Operation (Unit: classes)



Security Management Strategy & Implementation Background

SK hynix has a goal to pursue the highest level of security environment that eliminates security infringements. By 2012, the company established an integrated security system and is focusing on systemization of preventive security activities through expansion of promotion and improvement of security analysis competency. For settling a voluntary security culture where employees voluntarily eliminate security infringements, the company plans to continuously implement the industry security process and system advancement.

Industry Security Activities

SK hynix is placing emphasis on preventing the leaking of high-tech information and customer information, and is operating industry security activities by distinguishing the areas to managerial protection, physical protection, technological protection. Also, by carrying out the 'visiting security training' to improve the employees security awareness, and to induce them to voluntarily participate. The company is focusing on enhancing security training, and is putting all its efforts into educating and managing the security agents.

Prevention of Information Leaks

Managerial Protection | SK hynix is instituting and operating industrial security regulations. Unconstrained to only the organization in charge of security tasks, the security issue is taken seriously from an enterprise level by appointing a security staff for each team to quickly and systematically deliver and execute the security problems and situations. Sales secrets such as customers' information are immediately encrypted and thus restricted except to the staff, and detailed procedures for taking out documents is regulated and operated so that external leaks are blocked.

Physical Protection | All business sites of SK hynix are applied with access control systems, and therefore only employees with the access cards are allowed to enter and exit, and restricted areas, controlled areas, and special security areas are separately distinguished and operated. Each access area is operated with a security agent 7 days a week, and for all insiders that access a building, x-ray search and metal detectors are used so that sales secrets can be effectively protected.

Technological Protection | In order to prevent information leaks from hacking in the networks, firewalls, infringement prevention and blocking systems, and harmful traffic systems have been created and operated. In order to transfer the headquarters', as well as the foreign subsidiary's important technological information safely, an encrypted communication method is being applied, and weaknesses within the network are self-diagnosed and self-treated in an adequate manner, and simulative infringement tests on hacking are carried out so that immediate reinforcement and improvements are applied if any problem is discovered.

Security Training Enhancement

SK hynix is conducting the 'Visiting Security Training' to spread employees' security consciousness. The security training is designed so that the contents match with the requested department's tasks, and security Training is being provided not only to employees, but also the in-company business partners. In 2012 there were 43 classes for employees, and 5 classes for the in-company business partners in regards to 'Visiting Security Training'.

Security Complaint Management

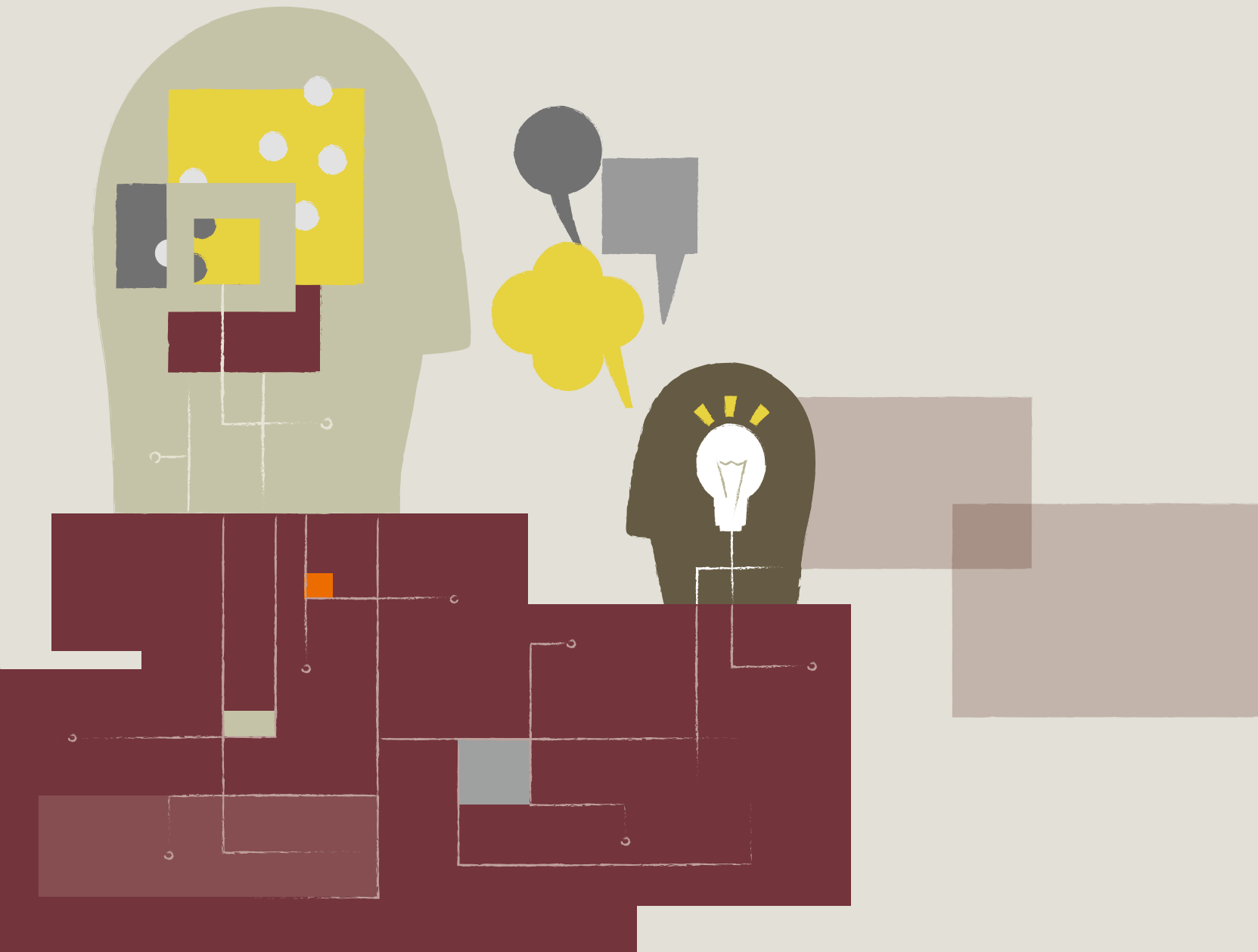
SK hynix is operating a security complaint reception system for handling the employees' complaints and suggestions in regards to security. The system is not constrained to the employees only, but is also available to visitors where the homepage as well as intranet are both accessible. For the reported complaints, the situation is confirmed followed by soluble actions and training to prevent from re-occurrence. In 2012, there were 14 received complaints which were all improved and taken action according to the complaint handling procedure.

Security Agent Management

SK hynix is putting its effort on thorough management of security agents for the prevention of industrial information leaks and employees safety. The security agents are dispatched within the business site in a form of three teams and two shifts, and are able to carry out task activities after taking training courses in accordance with the security task manual which was self-produced by SK hynix. Aside from this, various training is being conducted regarding security, and the improvement of security agents' task performance is being encouraged through task assessments.

Building Corporate Sustainability

SK hynix is implementing systematic environmental improvement activities within the production sites so that all employees can improve their productivity safely in the safe working environments. In addition, sustainability potential is being enhanced based on rational labor and management relationship.



Building Safe and Healthy Working Environment

SK hynix is creating a safe working environment through systematic environmental improvement management such as safety management of production sites and enhancement of health management.

Improvement of the Employees' Sustainability

SK hynix is pursuing a rational labor and management relationship through the improvement of mutual stakeholders based on communication with the employees, and the company is supporting various activities so that the employees can improve sustainability.

Building Safe and Healthy Working Environment

Enhancement of Safety Health Management

As prior removal of hazardous elements related to safety in the production sites has been highlighted to be a critical element of the work environment, SK hynix is creating safe environments through systematic environmental improvement management such as the enhancement of safety management in production sites and employee's health management.

Management of Accident Prevention in Safety Areas

Establishment of a Human Error Prevention System | In order to prevent disasters derived from workers' unsafe behaviors, SK hynix has created the Human Error Prevention system. At the first stage, it is applied to the PKG manufacturing area, and as for the activities, they are composed of the Task Force (TF) organization. The improvement task is being executed to derive and complement the activity items through event interpretation. Furthermore, the SHFG (SK hynix Human Factors Guideline) has been established and the control standard has been rendered to be applied. At the second stage, the BBS (Behavior Based Safety) program was operated, and in the future the company plans to establish a system of which the human error prevention standard form is recorded and spread within the enterprise so that safety accidents reach zero.

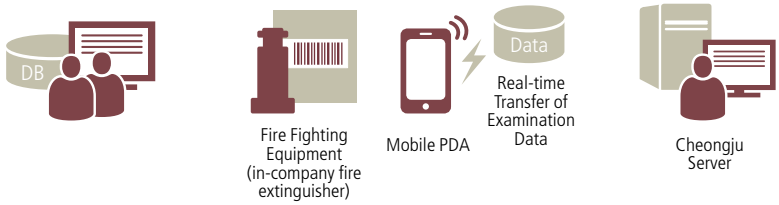
*PKG : Package

Human Error Prevention System Roadmap

2010~2011 Adoption Period	PKG Manufacturing Area	- Recording of 22 items in the SHFG (SK hynix Human Factors Guideline) - Securing of Behavior Observation Program
2012 Growth Period	R&D Center Equipment Technology Area	- Applying SHFG - Operating BBS Program
2013~ Development, Stabilizing Period	Manufacturing Technology & Production of the Enterprise	- Planning on spreading the application of SHFG standard / BBS throughout the enterprise

Firefighting Facility Inspection Task Automation Process Using Mobile

1. Inspection Subject Category / Search (Input DB)
2. Purchasing of Mobile & Bar Code Printer, OS Establishment
3. Inspection & Extension of Coverage



Emergency Drills

SK hynix is carrying out emergency drills training on a regular basis to improve the initial responsive ability in case of unexpected accidents or disasters in the production site. In addition, uninformed or random training systems have been expanded and executed to increase the handling ability of hazardous materials, and emphasis on the contents of training has transferred from fire prevention-focused training to hazardous materials training. In 2012, 96 emergency drills have been conducted and 11,617 employees participated. Also, emergency drills for dormitory residents is being conducted, and in the second half of 2012, 5,377 residents out of 5,524 participated in the exercise, showing a 97% participation rate.

ERT Organization (Emergency Response Team)

Organization	Special ERT 398 participants (Line ERT 469 participants)
Composition	ESH, Facility Engineering, Electricity Engineering, Manufacturing, Gas infra
Task	Initial responding, emergency contact, emergency action, rescue, first aid, recovery support

Emergency Exit Training

Fire Fighting Equipment Inspection (Smart Management System)

In order to efficiently manage the firefighting facility in case of an emergency accident in the business site, SK hynix has created the Smart Management System which is a computerized management system for the firefighting facility. The automatic process for inspection tasks in the fire facility is realized, utilizing mobile devices, in order to solve complex management of the numerous equipment records due to inspection carried out by hand, and to alleviate time as well as human resource waste. Through computerization of firefighting facility management, the inspection data's precision is secured, the equipment's real-time status inspection as well as record check is possible, and location detection of respective firefighting facilities has become easier so that effective counteractions during firefighting inspection have become viable.

Comprehensive Safety Index System

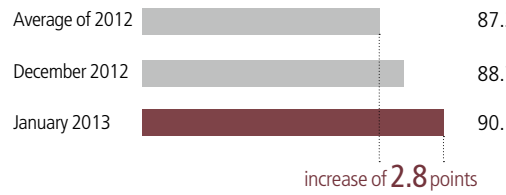
SK hynix is operating a comprehensive safety index system and a voluntary safety diagnosis program, in order to interpret potential risk factors in the production site beforehand. Using the comprehensive safety index system, the on-site working department in regards to production can voluntarily diagnose safety health management status in accordance with comprehensive safety index assessment items, and the non-conformances can be complemented or improved. The execution of a comprehensive safety index system has enabled the employees' legal compliance consciousness in regards to safety to improve, and has contributed to production line safety level improvement. The company is planning to adopt a reward system in relation to the index so that there will be free competition amongst the on-site departments and thus lead to an improved safety level.

Chemical Safety Management

SK hynix is using several harmful substances and hazardous chemicals, which is inevitable in the semiconductor process. The company is making sure that these substances are managed safely in compliance with the toxic chemical control act, high-pressure gas safety control act, and safety control of dangerous substances act. By operating the chemical & gas leak monitoring system, material supply system with storage system is monitored over two to three folds for 24 hours a day, 365 days a year. Aside from this, MSDS training and management for each process is being executed, and safety protection outfits and tools have been prepared so that the workers mandatorily have to put them on. Also, enterprise chemical data has been secured, and for the supply network, appearance and harmfulness are being managed. Also, the pre-approval system is being operated before the adoption and utilization of new materials.

Icheon Business Site's Comprehensive Safety Index Assessment Result _ Unit : points

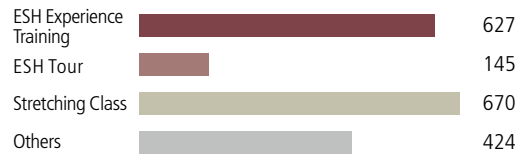
Acquired **90.1** points in average Acquired **A** Rating



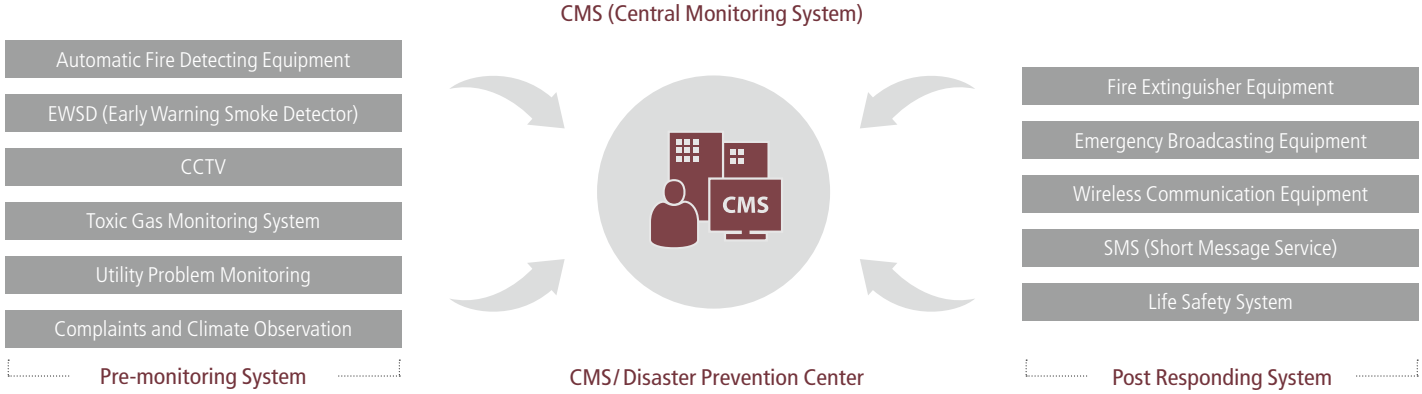
ESH Experience Training Center

SK hynix has invested approximately KRW 900 million in the construction of an ESH experience center in the past two years since 2011, and has begun operation starting in September of last year, receiving 1,866 visitors. SK hynix's employees have been trained using skills of safety equipments with experience (using fire extinguisher, evacuation at blackout, etc). We focus on our employees have ESH mind and could use safety equipments at emergency. Also, we plan to set-up another ESH experience training center in Cheongju-site in 2013.

2012 ESH Experience Training Center Operation Performance _ Unit : persons



Chemical & Gas Leak Monitoring System

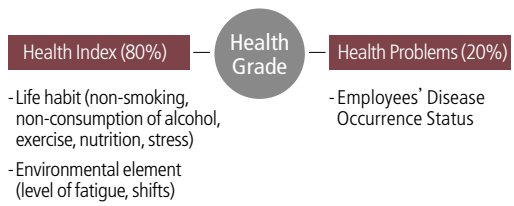


Employee Health Management

Expanding Medical checkup program and the level of public health for the employees and their families have become a very important element in all industries. SK hynix recognizes the necessity of health improvements of the employees and their families, and therefore has adopted the health management program and is concurrently improving the system.

Division-Based Health Grade System

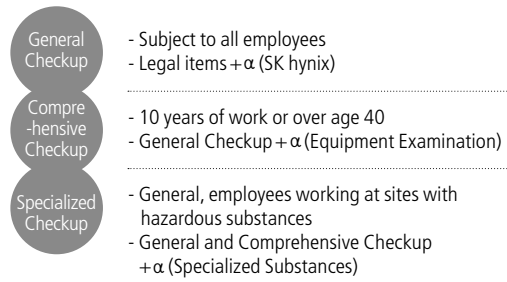
The Division-Based Health Grade System is being operated in order to perceive the employees' current health status and to infuse the willingness to improve health through the voluntary health management system. The health grade system calculates the medical check up result and the life habit elements on questionnaire into a health index, and is utilized as the health assessment in the organization unit.



Medical Checkup Management & Medical Service

In order to prevent general diseases and occupational diseases in advance, and to protect and sustain the employee health, medical checkups are being conducted for every employee. For the sake of convenience, medical checkup, systems such as direct reservation, and provision of health information have been established and operated, and such support is even expanded to the employees' families. In addition, the vaccination and specialized checkup from the medical checkup institution are provided, and the physical therapy room is being operated in the business sites.

Medical Checkup Category



Health Promotion Activity

Various health promotion programs are being conducted to create a lively working culture through the improvement of employees' physical stamina. As the main programs, execution and expansion of office morning exercises, installation of calories steps, provision of a health gymnastic class from a professional Pilates and Yoga instructor, management of nutrition in the cafeteria, and service support in regards to no smoking clinics are all examples of the diverse health improvement programs currently being operated. As a result of such activities, the Icheon and Cheongju business sites have been selected as 'Business Site with outstanding Health Promotion' from 2011 to the present day, and are being externally acknowledged.

Physical and Mental Health Promotion Project | In order to allow the employees to be healthy in terms of harmonization of physical and mental health, the 'Maum-Sanchaek,' which is counselling center to treat stress from work and other problems, and 'U-wellness' (Ubiquitous-Wellness) which is a website-based physical health management systems are being operated. In 2012, 400 counselling were conducted to 107 people. Through the programs 10% of stress level was reduced, and for 'U-Wellness', the employees' physical recovery rate improved by 81.7%. Meanwhile, in the Chinese production site,130 individuals participated in the program and psychological health classes were provided.

No Smoking & No Alcohol Business Site Promotion | Mid-long term plans for settling a no smoking culture are being promoted on a step-by-step basis, and realization of the no-smoking business site is targeted as a goal by 2015. To discourage employees from smoking, support programs such as the no-smoking clinic and the no-smoking fund are being operated, and the no-alcohol education program is being conducted for employees in order to settle a decent drinking culture by changing the perception of the drinking culture and to prevent alcohol abuse. Moreover, an in-company broadcasting (GBS) program is provided, which promotes information to motivate employees to refrain from smoking and excessive drinking. Meanwhile, there are also in-company notice boards as well as education from the external professional institutions that deliver no-smoking and temperance perception expansion information and activities.

Business Site with outstanding Health Promotion Certification

Work Environment Measurement & Industrial Public Health

Labor and management are jointly measuring the work environment on a regular basis in regards to the environment's exposure level to hazardous materials. By fixing the measurement point in regards to work environment measurement in 2012, the company has interpreted the comparison of measurement result trends, and has enhanced management flexibility. Also, the company has regularly shared the results with all employees through meetings and in-company notice boards. The company will constantly endeavor to sustain a healthy business site by interpreting harmful factors and improving the conditions.

Work Environment Management

Work Environment Measurement Management	2 times / year
Internal Environment Measurement Management	1 time / year
Asbestos Management	frequently
Radiation Management	frequently

Physical and Mental Health Promotion Project

Maum-Sanchaek: Counselling Center

Work Stress Analysis	Management Subject Selection	Program Application	Result Analysis and Interconnection
Utilization of Industrial Complex Assessment Tools Research & Analysis (KOSS)	High-danger Sector, Team (Individual: Absolute Assessment / Team: Relative Assessment)	Maum-Sanchaek after Pre-inspection Program Application	Derivation of Post-inspection Analysis Improvement Solution Combination with External Institution Interconnected Treatment

U-Wellness: Improvement of Physical Ability & Web-based Health Management Comprehensive Program

Program Development & Improvement	Management Subject Recruitment and Selection	Program Application	Result Analysis & Improvement Assessment
U-wellness Optimization (Program Improvement Activities)	Overweight Sector, Health Management Sector, Health Grade Sector (Screening Interconnection)	12 Weeks Program Application (Support improvement by stage)	Prior-Post Physical Ability Analysis, Bio-information Analysis (Improvement Interpretation)

No-smoking Business Site Implementation Road Map

Management of lower-than-5% smoking rate through realization of no-smoking business site

phase 1 ~2005	phase 2 2006~2009	phase 3 2010~2015	phase 4 2016~2020
No-smoking Inducement Phase	No-smoking Activation Phase	No-smoking Settling Phase	No-smoking Culture Stabilization Phase
Smoking Rate 50% ↓ - No-smoking Motivation (Voluntary) - No-smoking Program Implementation - No-smoking Environment Creation	Smoking Rate 30% ↓ - No-smoking Motivation (Materialization) - No-smoking Program Diversification - No-smoking Environment Creation - Establishment of HR System Regulation	Smoking Rate 15% ↓ - No-smoking Motivation (Push type) - No-smoking Program Stabilization - No-smoking Environment Creation - Reinforcement of HR System Regulation	Smoking Rate 5% ↓ - No-smoking Motivation (Pull+Push type) - No-smoking Program Reinforcement - No-smoking Environment Creation - HR System Regulation Stabilization

Improvement of the Employees' Sustainability

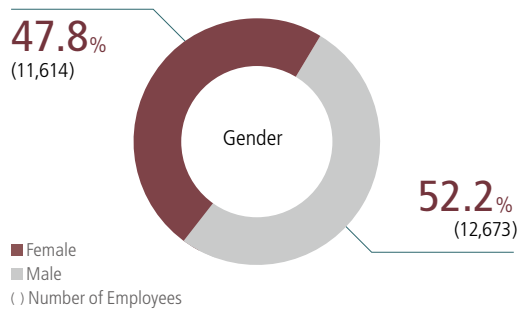
Improvement of the Employees' Sustainability

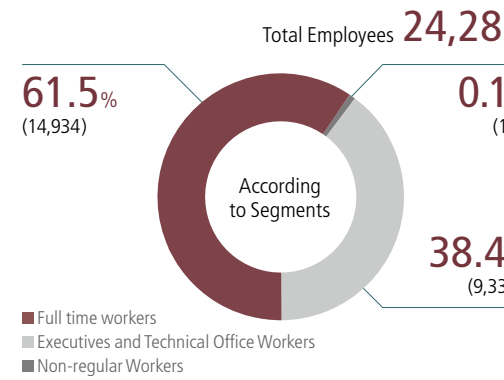
SK hynix is encouraging work quality improvement through ideal work-life balance based on the company's corporate culture that takes importance in people. Mutual understanding will be expanded through continuous communication activities among employees and therefore reasonable and health labor-management culture is to be pursued.

Employee Status

At the end of December 2012, SK hynix had a total of 24,287 employees. According to work site segments, in the Icheon headquarter there were 12,604 employees, in the Cheongju business site 6,737 employees, in the Seoul office 448 employees, in other domestic areas 143 employees, and in foreign corporations 4,355 employees. According to segmentation by gender, there were 12,673 males and 11,614 females, representing 52.2% and 47.8% of all employees, respectively. The average turnover rate was 8.5 years, and regular employees constitute 99.9% of total employees. Employment creation rate was 3.7% at the end of December 2012, and the turnover rate was 4.3%. There were 12 senior workers employed, which is a decrease of 3 people compared to the previous year, and there were 119 disabled employees, which is an increase of 9 people compared to the previous year. Also, in 2012, in terms of domestic employees, female managers increased by 5% compared to 2011, and the figures show an increasing trend.

Employee Status

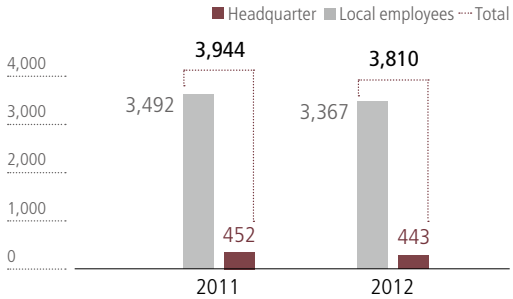




Employees Diversity Index

China Wuxi FAB employee Status | In Wuxi FAB there are 3,810 employees currently working (at the end of December 2012), and the number of dispatched employees from the headquarters shows 443 employees while the numbers of local employees shows 3,367 employees. Among the local employees, there are 562 engineers, 218 office workers, and 2,587 production workers in the FAB, and we are continuously expanding the recruitment of engineers as well as technicians.

China Production Subsidiary Employee Rate_Unit : person



Securing Human Resources

SK hynix is endeavoring to secure recruitment competitiveness under its philosophy that 'people' are the greatest asset of a company. Recently, recruitment activities are focused on R&D personnel, which is critical to securing future competitiveness, and not only are employees recruited through open recruiting, but also academic-industrial collaborative programs have been adopted, promoted, and developed to secure mid to long term workforce as well. In addition, recruitment through foreign corporate bodies to acquire Global talent has been underway. In particular, to acquire the talents of the next-generation's strategic area (SoC / SSD / Mobile), the company is securing major personnel through external headhunters and employees' recommendations. Furthermore, in 2013, aside from regular recruitment activities, the advancement of recruitment strategy, enhancement of recruitment network, and employment brand improvement were set as critical assignments so that the company plans to continuously endeavor to secure customized personnel to prepare for the next-generation strategic area.

Securing Wuxi FAB Personnel

The Wuxi FAB is endeavoring to recruit people of talent based on the personnel recruiting system of the headquarters, taking into consideration the abundant human resources of China as well as the rareness of semiconductor-related talent in China. Workers are mainly recruited from the Jiangsu province because there is the potential problem of adapting, and therefore difficulty in sustaining the workforce if recruited from the entire mainland of China. Also, regular academic-industrial collaborations with famous semiconductor universities in Jiangsu province or the nearby Huadong province are being promoted to recruit people of talent.

Securing People of Talent through Academic-Industrial Collaboration | The Wuxi FAB has contracted the Academic-Industrial Collaboration with Nanjing University and China University of Science and Technology, which are both included in the top ten Chinese universities as of 2010, and every year ten scholarship students are selected for people of talent recruitment. Aside from this, in order to nurture maintenance agents for on-site equipment, in two famous community colleges in Wuxi, the 'SK hynix Course' was open for 30 students, and a program that allows entrance to the company after learning specialized knowledge has been implemented. In 2013, SK hynix plans to add one university and one community college in Wuxi for collaboration with academia in order to secure more talented workers.

Personnel Recruitment Channel

Category	Major Recruitment Program	Details
Goal-type Personnel Recruitment	Viking-type Personnel Selection	Breaking away from the spec-oriented recruitment method, adoption of selecting Viking-type workers who have great talent and passion
	Search Firm / Employee Recommendation	Active recruitment through search firm and employee recommendation for core talents who meet the needs of SK hynix
	Execution of Research Center Seminar	Establishment of core research center DB related with semiconductors, and execution of technology seminar
Global Personnel Recruitment	Global Recruitment Session	Company recruitment session and conference targeting the top 30 engineering universities in USA to recruit people with masters and doctors degrees in the R&D areas
	Sporting Event	Held the SK hynix Soccer Cup nearby the renowned universities in Silicon Valley targeting Korean student associations to improve the corporate image
	Recruitment of Talents at Any Time	Utilization of diverse channels such as foreign subsidiary, SK hynix scholarship students, Internal employees recommendation etc.

Human Resource System

SK hynix is setting an assessment and reward system that continuously reflects performance and competency through the adoption of a new HR system. Simplifying the stages of the HR system into 3 (Assistant manager-Senior manager-Director) positions, which is welcomed by the employees, SK hynix intends to create competitive performance through task immersion.

Setting and Improving the HR System

SK hynix assures comprehensive and fair assessment by allowing employees to pursue competitive performance creation while removing organizational as well as individual distress over promotion. In 2012, SK hynix went a step further to search for methods to improve the HR system and secure the company's competitiveness, which ultimately leads to a virtuous cycle of performance and reward. In 2013, internal fairness in regards to rewards and external competitiveness have been sustained, and the solution to efficiently manage the workforce and employee cost and performance-orientation has been derived and is being implemented.

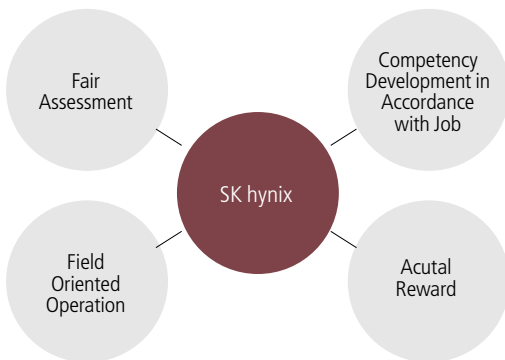
China Wuxi FAB HR System Operation Performance

SK hynix has adopted a new HR system since 2010, taking into consideration the high reliability of the human workforce in the semiconductor industry, China's business environment, employees' characteristics, and has operated it to pursue the employees' long-term nurturance as well as Win-Win growth of the company. In 2011, the revision to mileage system was made so that interconnection with the headquarters in terms of the HR system was enhanced, and actual individual task performance and reward was linked so that the employees would experience enhanced willingness to work and receive adequate rewards. In particular, in 2012, the turnover rate of engineers showed to be 5.9%, which was lower than the previous year of 8%, contributing to the sustainment of the employees' competency. Also, after conducting a survey on the internal employees, the results showed that their understanding of the HR system had greatly improved, and accordingly, the overall satisfaction on the HR system has improved.

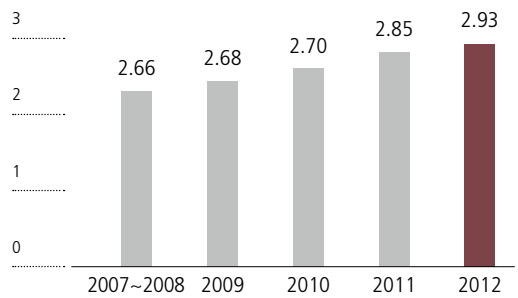
Employee Satisfaction Survey

Employee satisfaction survey has been conducted since 2007 with the distinguished areas of HR strategy, assessment, reward and immersion level, in order to reinforce and improve the HR system based on employee opinions. In particular, since 2012, the Culture Survey, which is a common survey method for the SK Group, was adopted so that the current cultural level could be interpreted and that the implementation for changes could be checked. Meanwhile, SK hynix is deriving and implementing future improvement assignments to construct a strong and superior corporate culture. The Culture Survey is carrying out the role of a counter for top management to listen to the voices on site, and is a means for the HR team to improve task satisfaction of employees. In 2012, the result of a employee satisfaction survey showed a relatively high respondence rate of 61.5%, and a high reliability level of 90.4%, and the satisfaction level for the HR system is incrementally increasing. SK hynix will continue to actively reflect employee opinion through satisfaction survey to improve the employee satisfaction level.

HR Operation Principle



HR Satisfaction Research _ Unit : score



*2007~2010 results were converted from 5-point scale to 4-point scale
4-point scale_ 4 Agree very much / 3 Agree / 2 Disagree / 1 Disagree very much

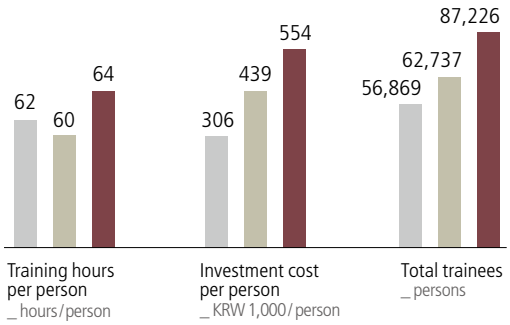
HR Development

Based on our new HR system, SK hynix is undertaking various strategic human resource development activities which sets forth to strengthen employee competency and capacity. As HR competency is critical in semiconductor business, job rotation system, function expert development and field-oriented active training are currently in practice in order to maximize employee competency and to bring about performance.

HR Development Strategy

Through systemization of vertical career development and strategic job rotation system, SK hynix enables each employee to refer to a career development guide offered by the company through which individuals could establish personal career development plans.

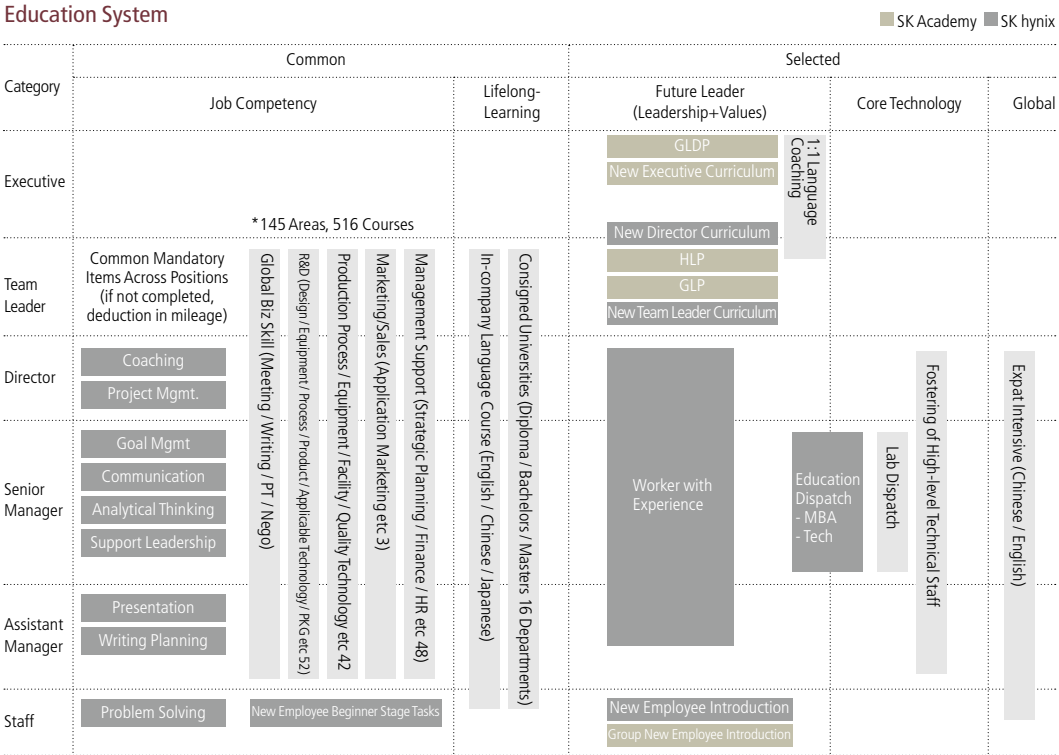
Human Resource Development



Systemization of Education Curriculum Evaluation

By providing evaluation measures to assess whether education curriculums are planned and executed according to the purpose of the education program, appropriate feedback and evaluation of the education curriculum in operation is systemized. As a part of the new employee early training program, the new employees' understanding of the task are assessed and adequate feedbacks are provided to the relevant team leaders and mentors as data materials for the purpose of the employees' continuous learning. For expatriate candidates, a 10-week focused program along with 1:1 interview with external expert are used for short-listing candidates. Short-listed candidates for the role are to report the candidates' plans and results upon completion of training to the first-in-line seniors in the function who are to subsequently assess the level of the candidates' leadership and whether the plans set have been reflected in the results. Also, the department that oversees the process is finding and sharing cases of those who have portrayed distinctive leadership.

Education System



GLDP (Global Leader Development Program)
HLP (HIPO Team Leader Program-Executive Candidate)
GLP (Global Team Leader Program-Executive Candidate)

*MPR/S Educational Training Roadmap based on Job Competency according to Sector

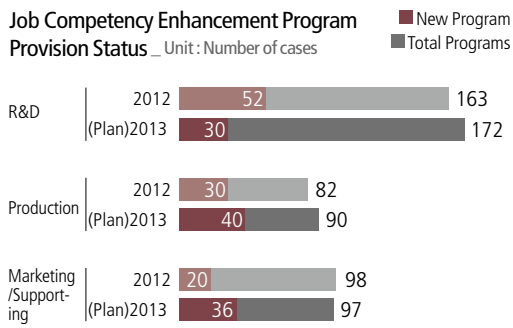
Training Curriculum for Each Subject

Category	Process Evaluation
New employees	Upon assessment of the level of understanding, new employees receive individual feedback from their team leader and mentor
Expatriate candidate	1:1 interview with external expert used as basis for selection
Position candidate	Submit plan and result upon completion of training to first-in-line senior
Person in charge of position (Team Head)	Assess leadership based on plans upon completion of training and provide feedback to candidate (Identify and share distinctive leader as Best Practice)
Common (All curriculums)	Responses to all curriculums are to be assessed and to be used for improvement

Job Competency Enhancement | In order to create competitive performance based on function expertise, all employees are provided with a customized curriculum for each function. A group of 250 internal function specialists come up with a development guide and training curriculums in need annually, and a training plan is operated after 100 internal training instructors undergo final review. Through the function specialist development program, the team leader assists to nurture team members and supports the setting up of individual development plans. In 2012, 343 programs, including 102 new curriculums have been offered and five separate programs for R&D have been developed and operated to acquire future growth engines.

Job Competency Enhancement Process

Job Competency Enhancement Program Provision Status _ Unit : Number of cases



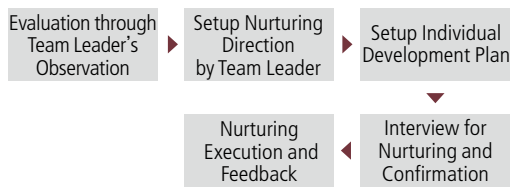
Individual Development Plan

The team leader facilitates the necessary learning required for team members to carry out work in the field and provides coaching to enhance individual competency. Team members participate in planned learning upon establishing individual development plans. Since 2011, through consistent feedback as a result of strengthening monitoring of development execution and mailing system, the individual development plan execution rate achieved 99.1% in 2012, an increase of 0.2% compared to the 2011 of 98.9%.

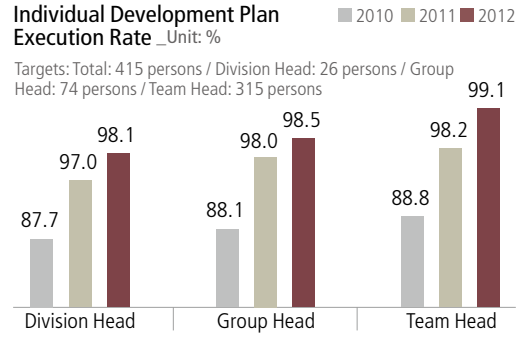
HIPO Development System | HIPO (High Performer & Potential Pool) Development System is SK Group's distinct HR development system designed to foster the next generation of managerial leaders in the long run. Through strict evaluations held annually, short-listed individuals from each function are provided with overseas field experience to augment global management competency and with unreserved corporate-wide support to acquire strategic insight tailored to the industry and understanding of work, people, and culture.

Operation of a Company Training Committee | The Company training committee consists of 30 committee members, including the Head of Committee, as the employees equivalent to the team leader position of expertise in four job functions consisting of R&D, Production, Marketing and Supporting. Through refining development guides of each function, evaluation of HR training programs including fostering internal instructors, the committee plays a role in laying the foundation for training to bring about the practical results. In 2012, one monthly committee meeting and two monthly workshops with the internal representative instructor were held to draw the HR nurturing direction to which the field characteristics were reflected and to set the basis of training that sets forth to bring about practical results after refining the development guide of each function and evaluating the direction to foster internal instructors.

Individual Development Planning Process



Individual Development Plan Execution Rate _Unit: %



Performance Reward

SK hynix has strived to develop human resources and to achieve collective success of both the individual and the organization through fair assessment and reward. In order to support the competitive performance through establishment of a new HR system, overall assessment and competency evaluation are carried out regardless of position. In accordance with the results, the increased proportion to the annual performance is provided.

Overall Competency Assessment

Overall assessment of office employees & senior engineer and above is undertaken twice a year where three segments including focus tasks (level of goal achievement, quality of performance), base activities and individual competencies are factored in, and qualitative and quantitative aspects of three segments are reflected to measure individual performance. In case of production worker and some of office worker, competency and individual assessment are carried out which covers job knowledge, initiative and communication skills.

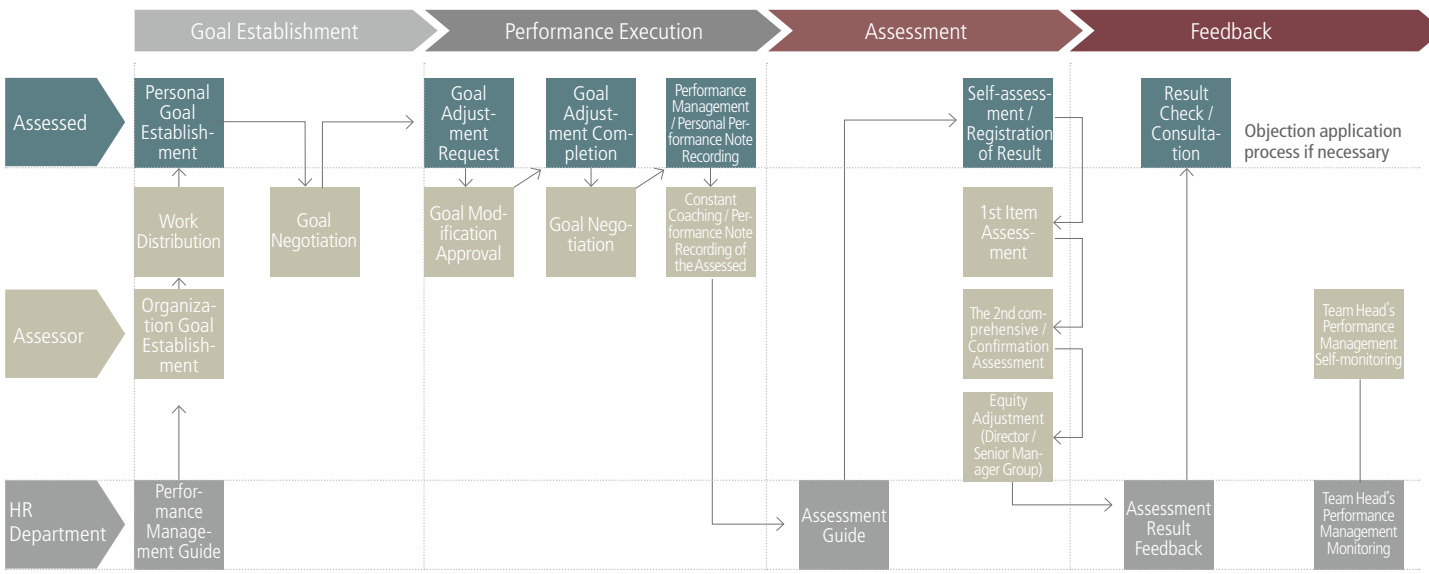
Performance Reward

The overall competency assessment results are not only reflected in employee promotion, but also in individual reward, categorized as the base and performance pay, so that base pay increase rate is determined by the mileage of assessment and performance pay is additionally applied accordingly. Apart from annual salary, PI (Productivity Incentive) and PS (Profit Sharing) are distributed according to management performance. PS in particular facilitates performance orientation as pay is distributed according to individual assessment. In 2012, the salary at entry level for both men and women who graduated from university is equal at KRW 39 million, the salary for personnel in equipment maintenance is KRW 32 million, and operator salary is KRW 29 million.

Performance Management System

SK hynix operates HyMBO, a performance management system to more systematically manage employee performance. Through HyMBO, all employees are provided with coaching and communication to achieve goals at all times and through enabling of evaluator to self evaluate and monitor, the system is supported to conduct a more fair assessment of our employees. All employees are able to object to their personal performance, and through the objection process, reassessment is undertaken. We are interconnecting organizational and personal goals through the system to facilitate effective performance, and thus are managing employees performance in a competitive manner. Currently we are implementing E-HR to support optimized human resource work based on SAP, which is expected to open in the second half of 2014.

Performance Management Process



Labor-Management Relationship

Through our belief that company and labor union is one at SK hynix, principle of placing employee first and labor management relationship based on mutual trust and respect have been established. Transparent management activities are practiced through periodical sharing of primary current issue and management information such as legal discussion status between labor and management.

Establishment of Mutually Interdependent Labor Relationship

Through efforts between company and labor to facilitate Win-Win partnership, SK hynix has been maintaining its tradition of no labor dispute for 30 years since the company foundation. In addition, we have been selected as a model company that represents good labor relationship through being accredited as the company to provide private sector labor practice to public officials.

Horizontal Communication Channel

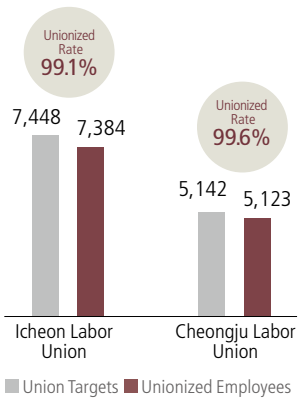
In order to facilitate horizontal communication, SK hynix operates HyCom, an official communication channel that consists of about 60 opinion leaders, each of whom is a representative per group company-wide. HyCOM consists of 6 channels after having considered business site and occupational group and plays a role in sharing amendments in corporate policies and visions on a monthly basis. SK hynix strives to facilitate free communication amongst employees and to enable diverse suggestions from the field to be shared with management through HyCom. In 2012, in order to come up with ideas for corporate goal of achieving EVA Plus, each channel prepared ideas for presentation in workshop. We have been expanding our areas through these initiatives to identify management policy ideas.

Communication between Labor and Management

SK hynix has exited from the existing collective bargaining oriented communication method between labor and management and instead has implemented a three level communication channel to facilitate constant discussion and sharing of labor management issues and hardships dealt with by employees. We are operating a Weekly Labor Management Working-level Meeting to facilitate sharing of current issues and information regarding labor and management between working-level staff. In addition, we are operating a "Work Unit, Talk Council" monthly in order to obtain information regarding hardships dealt with by each department, and suggestions at field level. Furthermore, we have quarterly labor management conferences in each business site, Icheon and Cheongju. When a labor and management issue at a corporate-wide level arises, a "Central Labor and Management Council" is held in order to promptly be briefed on current issues and have problems solved smoothly. In connection, we also operate a standard channel to share information on general information regarding corporate management. The CEO has quarterly briefing sessions where quarterly management performance is shared before all employees of the company. Briefing sessions on R&D performance and plans, labor and management, sharing sessions on current status, and planning on HR operations are carried out for open and transparent management.

Current Status on Labor Union

_unit: persons



*As of late Dec. 2012
*Higher organization to labor union: Federation of Korean Trade Union Metal Association

Labor Management Communication Activities

*Collective bargaining, Central Labor Management Council is a corporate-wide unit activity (Other activities are operated at each business site)

Category		Information	Performance (2012)	Note
Labor Management Discussion Channel	Collective Bargaining	Wage and collective agreement extended bargaining	1 Time	Annually
	Central Labor and Management Council	Labor management discussion on common issue across business site	3 Times	Ad-hoc
	Regular Labor and Management Council	Labor management discussion issues per business site	8 Times	Quarterly
	Work Unit, Talk Council	Labor management discussion issues at department level	24 Times	Monthly
Management Information Sharing Channel	Operation Briefing	Sharing monthly development status and manufacturing performance	24 Times	Monthly
	Sharing Session on Human Resource	Sharing monthly personnel operation status and plan	24 Times	Monthly
Etc	Weekly Labor Management Working-Level Meeting	Constant consultative body of primary issues between labor and management	104 Times	Weekly

Case Study 04

Labor and Management As One Body

For the sake of harmony between labor and management, SK hynix persists on labor and management as one body, which is founded upon the belief that the company and labor are not separate. Through the founding basis of labor and management as one mentality which is "the Company and the labor union are not two, but one", it is understood that conflicts between labor and management ultimately lead to both the company and its employees falling behind, and it all began with the amendment of the "new management through labor and management as one proclamation" in 1995 for Win-Win growth between employees and the company. The company and labor union are operating the "Committee for initiation of new culture through labor and management as one" as initiation body through which reasonable labor management culture and healthy organizational culture can take place. In addition, it operates various businesses to motivate its employees, developing human resources in the local area, etc. Furthermore, through donation activities, we are spreading love and care for our neighbors through consistent initiation of support activities provided to the unprivileged in local society.

Activities based on consensus between labor and management	- Labor and management joint research activities, learning partnership program - Consensus building, communication and lectures for labor and management
Activities to pursue mutual happiness between labor and management	- Employee participation events, develop corporate-wide appraisal campaign - Employee hope sharing activities
Joint CR activities between labor and management	- Stepping Stone scholarship and Happy Start school uniform - Donation of books to schools and public libraries near the business sites - Coal delivery with love provided to local facility community and beneficiary targets of basic livelihood

Employee Welfare System

SK hynix, through belief of "starting with the satisfaction of our employees as internal customers to bring about best performance", is operating a diverse welfare system including provision of support for life stability, work convenience, leisure, and other programs to provide employees with a stable and relaxing life.

Supporting Household Finance

SK hynix supports employees with household finance by categorizing into segments consisting of family event, medical, tuition, and personal pension. In the case where an employee has a family event, payment for family event support is distributed and in case of funeral, relevant items used for funerals are provided along with supporting staff. Not only do the employees benefit from medical fee support, but also the employees' families are supported as well. In addition, tuition fee up to when children graduate from college is fully provided where the amount of support is standardized at local university tuition fee levels. Personal pension is provided for employees' retirement life where the company supports the insurance fee.

Supporting Life Stability and Work Convenience

To alleviate the inconvenience of transportation to the Icheon and Cheongju sites, the commuting bus system is operated at metropolitan areas and near our business site. In addition, dormitories and apartments for employees are provided along with a company cafeteria which is free of charge. Furthermore, for employee convenience, there is medical care support including an internal hospital, a dental care, a physical therapy room, a physical checkup room along with facilities for sports, an internal wedding hall, shopping mall, banks, etc.

Supporting Leisure

To provide plenty of rest to our employees through hobbies, a variety of welfare support systems are available. Through partnerships with famous resorts and theme parks, our employees are able to use the facilities at a reasonable price, and through operation of an internal tour service, information and services in relation to traveling are provided.

Supporting Hobbies and Culture

Through the internal culture center, SK hynix provides the opportunity for employees to enjoy a variety of cultural classes with their families to meet their needs for cultural activities and to gather cultural knowledge simultaneously. In addition, there are approximately 40 hobby clubs internally where the company actively supports the clubs.

Consultation Support

In order to solve legal and tax issues, a legal and tax consultation office is operated internally for employees. Through the consultation office, relevant consultation is given where questions can be answered. In addition, a marriage consultation office is operated where single employees are provided with information regarding marriage and support is provided so that economical marriage can be arranged.

Employee Welfare Policy

Medical Support

Medical Fee
Support medical fee to employees, spouses, family

Medical Checkup
Medical checkup system operated for employees and their family

Supporting Life Stability

Tuition Support
Middle school, high school, college tuition support for children / congratulatory

Financing Support for Housing and Marriage Fund
Low interest financing to support rental and purchase of housing and marriage

Personal Pension
Supporting pension insurance for stability upon retirement

Supporting Family Events

For Family Events (Expenses, Holidays, and Flowers)
Provision of fees for family events and holidays where family events occur

Funeral Support Service
In case of funeral, a system for supporting funerals along with relevant items

System to Support Disaster Recovery
In case of a disaster within an employee's family, support expenses for condolence

Selective Welfare

SK Hywel Point Distribution System
Distribute SK Hywel point so that individuals can freely select a variety of welfare

Remuneration for Long-term Employment

Remuneration System for Long-term Employment
Remuneration system is effective starting at five years of employment and in five year intervals long-term employees are remunerated with pay and holidays

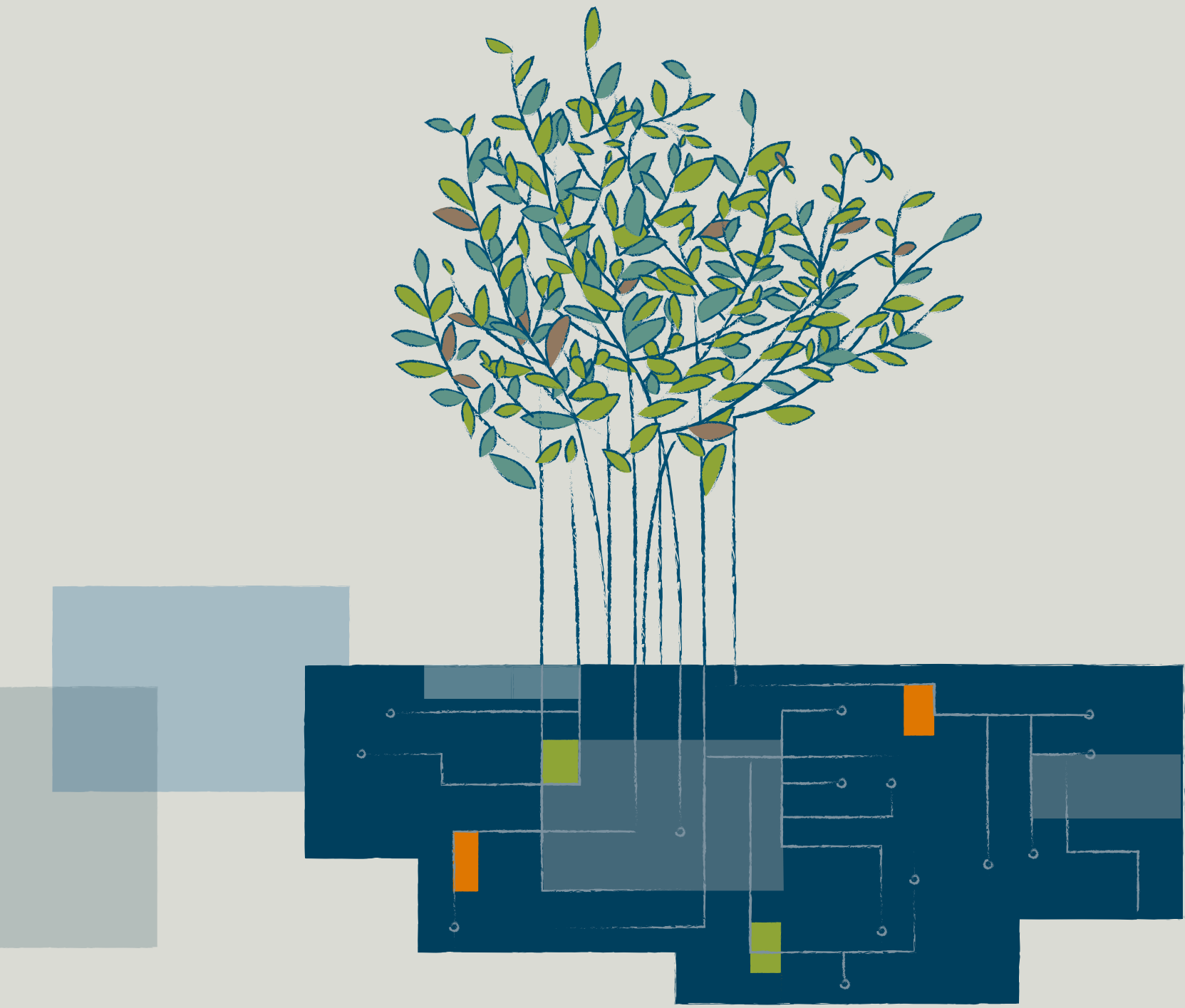
Case Study 05

Cyber Welfare Center "SK hywel"

SK hynix has implemented and is operating SK hywel, a cyber welfare center where employees of the company can receive information on corporate welfare and are able to select a wide variety of welfare services. In order to make our corporate welfare available to our employees' family members as well, we are operating 'SK hywel Family Site' (www.skhywel.co.kr), thus achieving an approachable, family-oriented welfare environment. In addition, our mobile web for SK hywel is also operated, thus achieving ubiquitous service that employees can use anywhere at anytime.

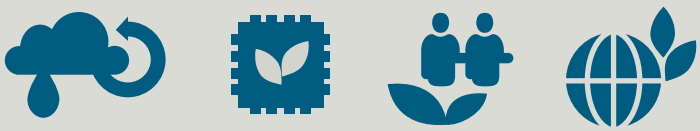
Sharing Stakeholder Values

SK hynix is picturing a sustainable future through mutual growth with our partners. Through strict quality control and development of environment-friendly products, we are actively participating in value creation of local society.



Growth with Partners

Through implementation of a Win-Win growth partnership with our partners, SK hynix is establishing the leading partnership with assistance in strengthening our partners' global competency.



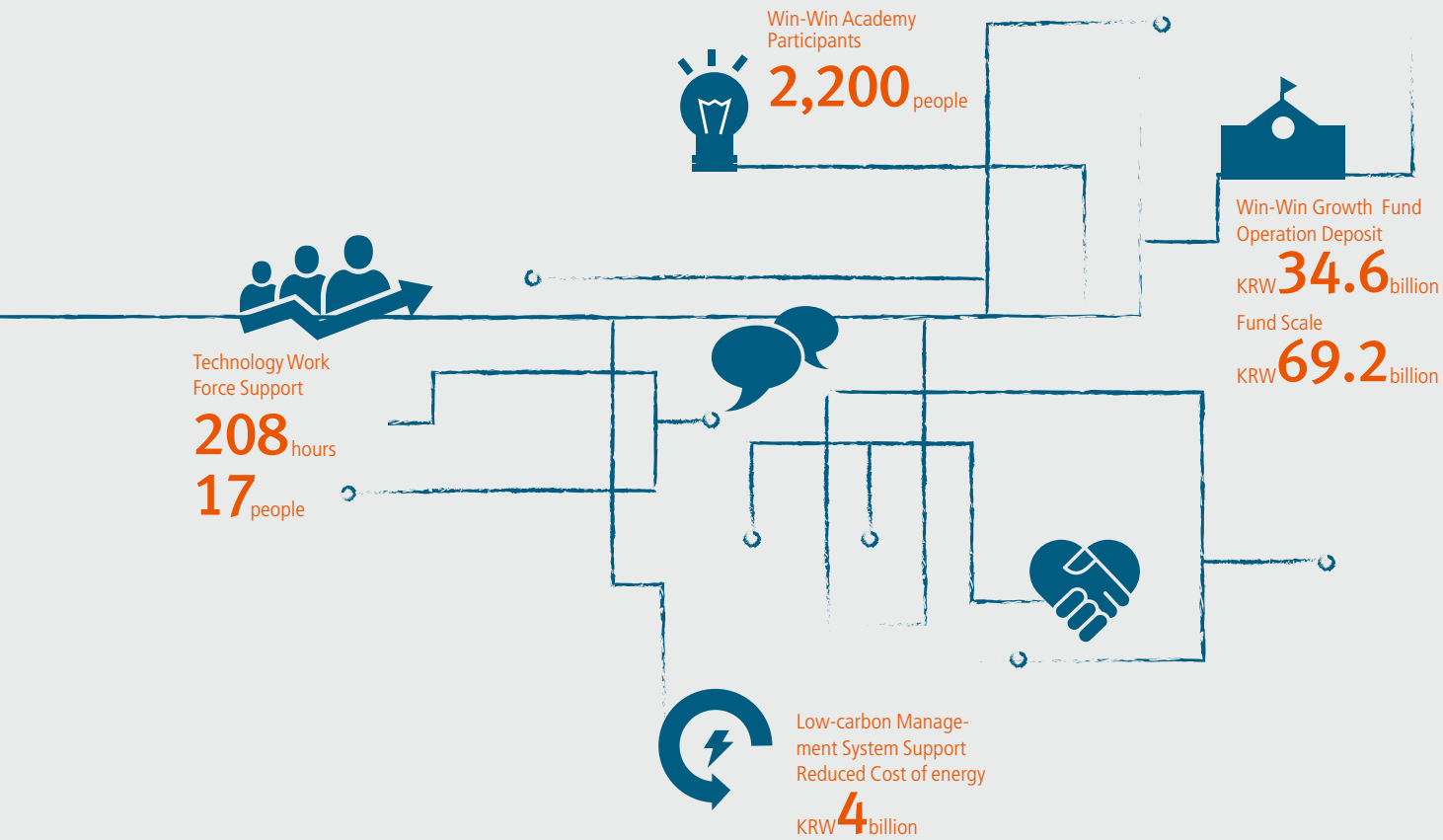
Environmental Management

With the goal of achieving our environmental vision "Sharing Dreams with Eco-Memory", SK hynix is creating new environmental value through reducing environmental effects by the execution of environmental policies and eco-friendly product development.

Win-Win Development Community

Based on trust, SK hynix is supporting development of a healthy community culture together with our local society through various social contributions and the creation of social value through mutual development.

GROWTH WITH PARTNERS



Vision & Strategy

SK hynix is promoting diverse supporting activities for the Win-Win growth with its partners so that it can gain recognition as a company that is supportive to the partners' growth potentials as well as a company that has competitiveness in the world. SK hynix is selecting superior partners and enhancing partnerships through the SK hynix Council to enhance partnerships into the world's leading partnerships.

Growh with Partners

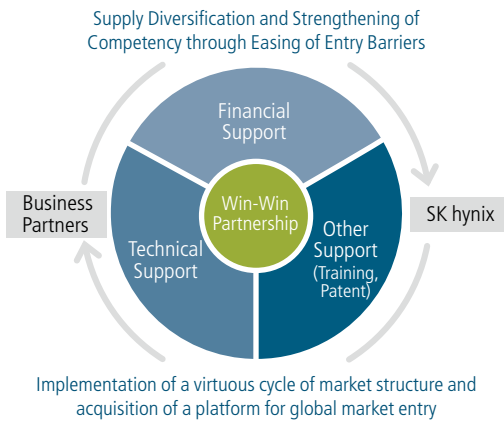
Global Leading Partnership

Corporate social responsibility is becoming mandatory as opposed to an option in the semi-conductor market, which is becoming a more competitive and complicated management environment. SK hynix sets forth to lead the Win-Win growth corporate culture aligned with our status as the global leader in the semi-conductor industry.

Background on Initiation of Win-Win Growth

Based on Win-Win partnership with our partners, SK hynix, as part of activity to initiate Win-Win partnership, is providing programs in areas related to finance, technology and patents to our partners. In addition, we are attaining a platform to enter the global market through supply diversification, strengthening competency and implementation of a virtuous cycle of market structure.

Win-Win Growth Goals



Win-Win Growth Strategy and Roadmap

Based on trust, SK hynix has established the Win-Win growth roadmap to specify the initiation of Win-Win growth since 2008. Throughout these years, we have consistently strived to set the infrastructure for Win-Win growth of which our efforts include organizing a team specifically for this purpose, developing a program, and implementing a new organization registration system. Since 2012, we have strived to provide our business partners with more practical support to expand our Win-Win partnership program of which our efforts include an increase of cash payment, promotion of activities under roles and responsibility, provision of Win-Win growth insurance, etc.

Win-Win Growth Roadmap

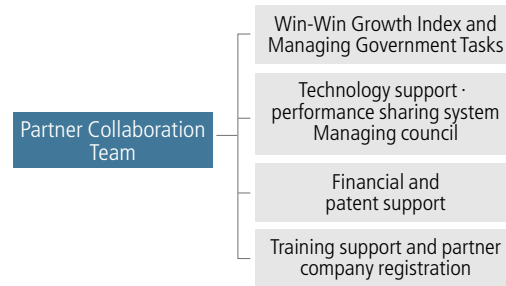
SK hynix's Win-Win Growth Activities based on Trust with Partners

Adoption Stage 2008~	Growth Stage ~2011	Maturity Stage 2012~
Financial Support	Win-Win Growth Partnership Agreement	Introduction of a Performance Sharing System
- Organizing Task Force - Introduction of Win-Win Growth Program - Establishment of New Organization Registration System	- Partner Support / Program Establishment - Signing a Win-Win Growth Partnership Agreement and Managing Win-Win Growth Index	- Expansion of practical Win-Win Growth activities - Win-Win Growth Activities based on Communication - Signing an Agreement for Win-Win Growth and Fair Trade

Propelling Organization for Win-Win Growth

Partner Collaboration Team | Since 2008, SK hynix has been operating a Partner Collaboration team accountable for Win-Win growth activities. Through the team, the activities for competency enhancement between large companies and SMEs and trust building activities are undertaken. In order to increase the practical support effect, we have established the Win-Win growth and fair trade agreement with the Fair Trade Committee. In addition, we are operating diverse support programs such as technology, financial support, implementation of a performance sharing system, training support, etc. We are also actively participating in the government's Win-Win growth policy and are striving to resolve the polarization issue between large companies and SMEs, and acquire competency.

Partner Collaboration Team Organization Structure



SK hynix Council

In order to make strategic partnerships with partner companies, SK hynix has formulated and is operating a council with 82 partner companies. The board is committed to activities to strengthen technology, competency, and development of new technology through technology sharing and cooperation with its partners. Through standard general meetings and management information briefings, we are sharing business goals and the current status of technological development and are discussing diverse Win-Win assistance programs through separate meetings with equipment, parts, raw materials, and foreign organizations. In addition, we are selecting the model business partner to increase the purchasing proportion and provide diverse incentives to tighten the partnership.

Partnership Made for Win-Win Growth

As part of a way to establish mutual growth with our partners, SK hynix has established a Win-Win growth and fair trade agreement with all subcontractors in order to prevent unreasonable trades. SK hynix assists subcontractors with technology, training and financing programs. In 2012, apart from subcontractors, eight new suppliers for parts were added to our band of agreement, thus we are continuously expanding the base of our partners.

Management Policy for Win-Win growth | For desirable Win-Win growth, SK hynix has defined its primary management policy and is abiding by regulations with regards to contracting, selecting partners, and issuing and preserving documentation. In addition, reasonable trade practices are being established with our partners through an internal assessment committee.

Current Status of Partnerships Made for Win-Win Growth
_Unit: number of companies

	Number of Companies Signed for Partnership
2012	57
2011	49

Improvement of Partner Eco-friendly Assessment System

We are operating the Green Product Management System (GPMS), a system that enables SK hynix and our partners to enhance our environmental management competency and share environmental policies. During the process of selecting and evaluating partners, we are undertaking in-depth evaluation that meets global environmental standards and thus are contributing to enhance the environmental responsiveness of our partners. As a result of verifying the newly added SSD product raw materials information in 2012, according to environmental regulations such as RoHS and REACH, we have verified that SSD products do not use any prohibited materials. We set forth to increase partners for materials, check new parts together, and revise information on material through improvement of our eco-friendly assessment system.

Current Status of Raw & Parts Suppliers Verification
_Unit: number of companies

	Information verified	Warranty verified
2012	44	54
2011	36	54

Establishment of Partners Sustainability Management System

SK hynix supports the establishment of partners sustainability management system through which the basis for Win-Win growth is made as sustainability management risks that can occur with supply networks are managed.

Expansion of Partners Code of Conduct | Majority of our customers at SK hynix are EICC members (Electronics Industry Citizenship Coalition). In connection, in order to execute our duty of expanding the EICC code of conduct to all supply networks, we are spreading the SK hynix & partners code of conduct to our suppliers. As SK hynix and our partners adhere to these regulations and equip ourselves with a sustainability management system as a global company, we set forth to lead the way of fulfilling our social responsibility as corporate citizens.

Operation of Partners Sustainability Management Assessment System | In order for SK hynix to evaluate and manage the partners' sustainability management, we are operating a sustainability management assessment system. Based on the EICC code of conduct, partner assessment of sustainability management undergoes three steps including compliance assessment, periodical assessment, and on-site audits in areas of environment, safety, health, labor, human rights, and ethics. In 2012, 20 target companies were assessed in the report and analysis of lacking areas were provided to the partners to facilitate continuous improvement. We set forth to increase the target partners for our sustainability management assessment and to expand the supply network sustainable system through management of the assessment system and monitoring.

Case Study 06

Holding the SK hynix Council Workshop

Through our annual SK hynix Council Workshop, SK hynix provides a platform for interaction with a total of 82 partners and discusses Win-Win growth and Win-Win partnership. The history of SK Group, its culture, the current status of subsidiaries along with Win-Win growth programs are introduced in the workshop where SK's core management philosophy, spreading happiness for all its stakeholders, is shared. Through our council workshops at SK hynix in the future, we expect to share the meaning of Win-Win growth as sharing of joy and happiness with our partners and hope for the workshop to serve as a platform to create a greater synergy through mutual understanding and cooperation.

Summary of Code of conduct for SK hynix Partner Companies

Category	Main contents
Labor rights and human rights	Non-Discrimination, Humane Treatment, Freely Chosen Employment, Child Labor Avoidance, Working Hours, Fair Treatment, Freedom of Association
Health safety	Occupational Safety, Industrial Hygiene, Emergency Preparedness, Occupational Injury and Illness, Reduction of Dangers Related to Physical Labor, Machine Safeguarding
Environment	Environmental Permits and Reporting, Management of Hazardous Material, Pollution Prevention and Resource Reduction, Fulfillment of Customer Requirements
Management system	Declaration of Compliance Program, Clarification of Management Responsibility, Assessment and Management of Ethical Risks, Goal Management and Performance Evaluation, Operation of Training Programs, Monitoring Compliance with Trade Policy Compliance
Legal Mining raw materials	Clarification of Source of Raw materials used throughout the supply chain, Assurance that materials have no direct or indirect links to conflict issues
Ethics	Free Competition, Legal Compliance, Fair Trade Compliance, Development of Win-Win Programs, Business Integrity, Good Faith

Special Feature 01
Win-Win Growth Value Creation in Supply Chain

SK hynix Win-Win Growth Value Creation Map at Glance

Resource

Financial
Fund to support Win-Win Growth KRW 34.6 billion

Human
- 17 technical staff dispatched, dispatch hours 208 hours
- Support the training to 2,232 people in partner companies, hours 219 hours

Material (Product)
Test support for partners; equipment and materials 19 cases, equivalent to KRW 4.85 billion

Intellectual Capital (Intangible)
Patents and technology sharing 32 cases

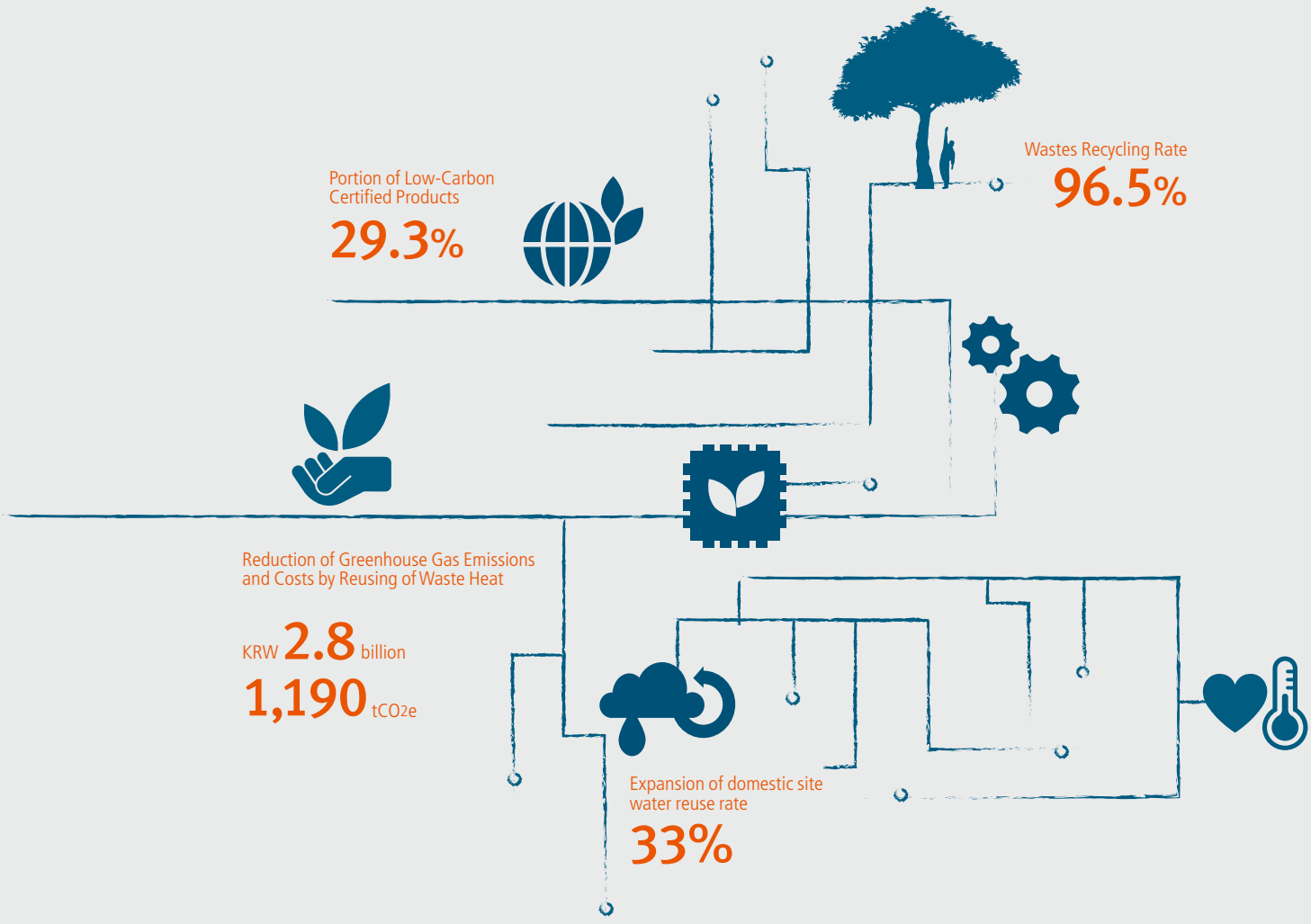
Area / Activities / Details

Area	Activities	Details
Technology	Technical HR support	Periodical dispatch of technical personnel for product development and research assistance
	Performance assessment cooperative business	Testing and results verification of partner's equipment, materials and parts
	Industrial infusion original technology development business	Progressing with projects in areas of etching, cleaning and measuring
Purchasing	Active adjustment system of delivery unit price	Operation of an effective adjustment system
Education	Win-Win academy	Task competency building training in management consulting, semiconductor quality technology, etc
	SK Win-Win academy	Education on management competency for CEOs and executives at small and medium sized partners.
Patent	Patent technology support	Support activities in relation to patent technology and training
Finance	Mutual growth fund	Operation of partners, low interest financing for funds to develop technology
	Network loan	Debt financing support program on rolling basis
Eco-friendliness	Support for low-carbon management system	Support with carbon management know-how, technology and inventory setup

2012 Performance

Technical HR support	Performance assessment cooperative business	Industrial infusion original technology development business	Active adjustment system of delivery unit price	Win-Win academy	SK Win-Win academy	Patent technology support	Mutual growth fund	Network loan	Support for low-carbon management system
Target 3 companies	Assessment 74 items	Target 3 companies	Target 5 companies	Number of trainees 2,200 people	Number of trainees 19 people	Patentsold free of charge 32 patents	Target 28 companies	Target 1 company	Target 18 companies
Number of people supported 17 people	Verification 54 items	Project currently in progress	Target item 8 items			Patent consulting 2 cases	Deposit amount KRW 34.6 billion	Donated amount KRW 2 billion	Reduction of greenhouse gases 20,000 Ton (2010-2012)
Support hours 208 hours	Import substitution effect KRW 789.7 billion		Effect Over KRW 0.8 billion annually				Size of fund built KRW 69.2 billion		Reduction of energy cost KRW 4 billion
							Performance KRW 61.7 billion		

ENVIRONMENTAL MANAGEMENT



Vision & Strategy

SK hynix continuously discloses the information and data in a transparent manner and establishes supply chain's carbon management system to strategically address climate change. Moreover, the environmental impact near the business sites is always being inspected and the impact of wastewater and chemical substances are being managed by measurements so that the environmental impact on the community can be minimized.

Environmental Management

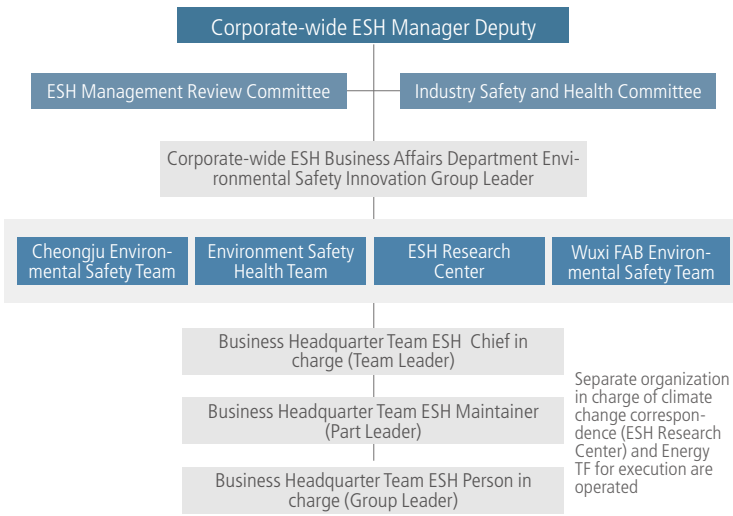
Climate Change Management

Owing to global warming, the extreme weather events are increasing the uncertainties of the business environment and the impacts followed by are affecting the company on the whole. In order to wisely overcome the age of climate change , SK hynix is operating a strategic carbon management system to increase the ability to cope with climate change.

Operation of Carbon Management System

Climate Change Responsive Strategies | To dynamically respond to the rapidly changing external environment and address climate change issues, activities in response to climate change are managed from short and mid-to-long term perspectives. From a short-term perspective, while responding to government's target management system, we facilitate the climate change responses activities by setting a GHG reduction target for one year. From a mid-to long term perspective, we are trying to build up an eco-friendly workplace, reduce GHG emissions intensity by 50% (compared with 2008) by 2015 for low-power products production and achieve Eco-efficiency Factor 5.

Climate Change Responding Organization | SK hynix's carbon management is getting organized by ESH Management Review Committee. The committee is leading establishment and management of GHG reduction targets, responses to various environmental policies which are becoming social issues, analysis of the overall trend of environmental businesses. Every half a year, the committee will be launched to report to the CEO on the policies responding to climate change and making decisions on important cases.



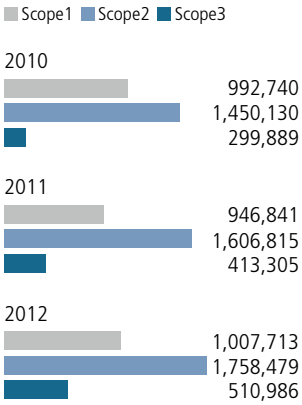
Climate Change Risk Management | Risks and opportunities associated with climate change are identified from various perspectives and pre-correspondence plans are made to minimize the impact of climate change. Not only is the risk management expected to reduce the emission of GHG, but also contribute to developing eco-friendly products, increasing market share, and positively effecting our stock price and equity through external evaluation. Key risks are registered in Hy-RWS: SK hynix Risk Warning System under ERM (Enterprise Risk Management) and are periodically reported to the senior management.

Risks and Opportunity Associated with Climate Change

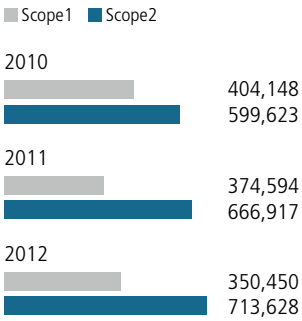
STEP 1 Identification	Trading system of greenhouse gas emissions	Fuel & Energy regulation
		Product labeling
	Unexpected climate change	Product efficiency regulation
	Corporate reputation	Customer behavior change
	Customer behavior change	Abnormal climate
STEP 2 Assessment and response	Issue	
	Risk	
	Opportunity	
	Response	
	Performance	
STEP 3 Monitoring	Risk Management System Operation	
	Monitoring activities per department in charge	
STEP 4 Reporting	Operation of ESH Management Review Committee	
	Hold twice or more annually	
	Identification of risk / opportunity, assess, respond and report	
STEP 5 Improvement	Establish and execute improvement plans	
	Execute independent assessment	

Greenhouse Gas Total Emission Status _단위: tCO_2e

Domestic Business Site



Foreign Business Site _Wuxi



Systematic Management of GHG and Energy

Establish of GHG Inventory | SK hynix established GHG inventory two domestic manufacturing sites in Icheon and Cheongju, Korea along with one manufacturing site in Jiangsu Wuxi, China. In particular, other indirect emission, Scope 3 such as transportation of purchased raw materials or materials, business trips and disposal or treatment waste, etc. is measured where calculated results are verified by a third party for objectivity and reliability.

Supply Chain GHG Management | SK hynix has built carbon management system to control GHG emissions of our supply chain since 2010. Through the signing of MOU with partner companies and Korea Energy Management-Corporation, inventory verification is supported and we set forth to increase participating partners to improve our supply chain's carbon competitiveness.

Disclosure of GHG and Energy | Through communication channels, we are providing information related to greenhouse gases and energy to stakeholders, such as investing organizations, government, etc. In particular, we were the first in the semiconductor industry to release a carbon management report since 2010, where we revealed diverse activities undertaken in response to climate change and our performance, hence widely announcing our continuity and intentions of carbon management activities. In addition, as the green disclosure became effective in 2012, we have included green information in our annual reports ever since.

Addressing GHG & Energy Target Management System

As we are subject to the GHG & Energy Target Management system, SK hynix has to measure GHG emissions and have them verified by a third-party as we are required to report our GHG data each year. In order to achieve emission goals, we are operating energy efficiency TF, many activities were preformed such as analysis of energy consumption of production divides and facilities, discovery of reduction items, operation efficiency optimization, consumption calculation and establishment of standard indicators. The activity was further extended in 2011 to GHG-Energy Target Management System which created opportunities to expand the energy reduction activities on a company level. Particularly, Target Management System TF operates to concentrate on reducing on-site waste, efficiency optimization, recycling waste heat, and alternative energy-centered reduction technique discovery.

Efforts to Reduce Greenhouse Gases

Compliance with Voluntary Agreements on GHG Emissions Reduction | SK hynix came into agreement with the World Semiconductor Council (WSC) on voluntary reduction of greenhouse gases by installing PFC reduction equipment, substituting alternative gases and optimizing processes. We achieved our goal of reducing PFC emissions by at least 10 percent below 1997 levels by 2010. In addition, in 2010 and 2011, we joined the energy target management pilot program initiated by the Ministry of Knowledge Economy to discover various items for energy saving, where we received recognition as a result of our reduction performance.

*PFCs : Perfluorinated compounds

Supporting Low Carbon Management System of Partner Companies | SK hynix initiated a program with partner companies to build a low-carbon economy from June 2012 in order to disseminate the practice of carbon management to improve the competitiveness of partner companies. The program is estimated to have generated economic benefits of more than KRW 40 billion which includes 20,000 tons of GHG emissions reduction and energy saving over the past two years through various activities such as carbon management evaluation and assessment, carbon management roadmap drafting, GHG emissions monitoring, and carbon management expert education.

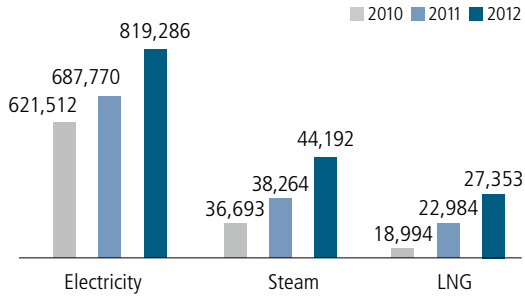
Case Study 07

GHG Reduction By Recycling Waste Heat

As the powder produced during the Chamber Cleaning of process devices would block the pipe connecting the pump and scrubber, N_2 is being heated and used to avoid the blockage. To heat N_2 electricity is consumed, the used N_2 will release waste heat. SK hynix established system improvement plan in which any waste factor is removed by optimizing the electricity use and recycling the waste heat. The operation costs are cut by KRW 2.8 billion per year and 1,190 tons of GHG emissions can be reduced.

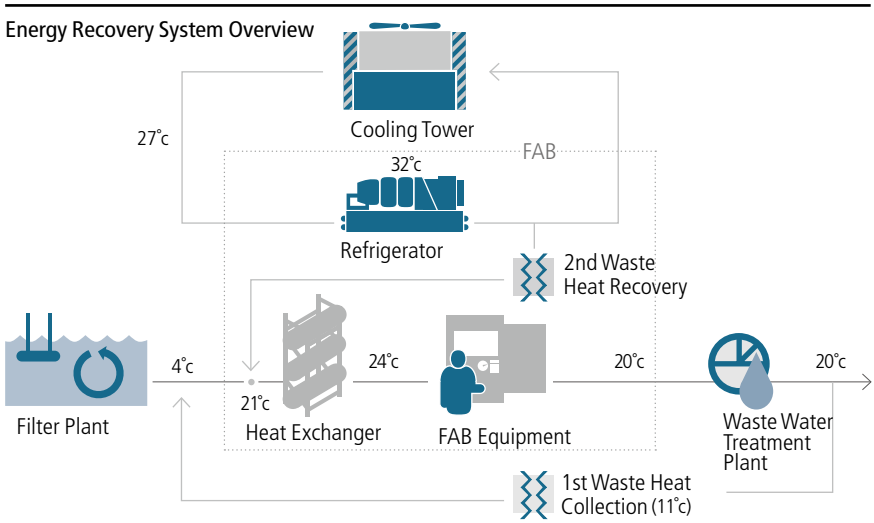
Maximization of Energy Recycling | Electricity, steam, LNG, etc. are used as energy sources during the product manufacturing process. Manufacturing equipment and facilities in installation are the main source of energy use where electricity is used the most. In order to reduce the amount of electricity used, we are operating a waste heat collecting system that reduces the temperature of discharged water and vapor by half. Using this system, approximately KRW 4 billion worth of energy costs were reduced last year. We are also practicing other energy reduction activities such as optimization of facilities that consume energy and operation of humidification systems using alternative energy.

Current Status of Use Per Energy Source _Unit: TOE



PFCs Reduction Activities | In order to accurately calculate and assess the process efficiency of PFCs abatement system, we developed CRE (Carbon emission Reduction Efficiency) which generates overall GHG that incorporating by-product and energy consumption with Korea Research Institute of Standards and Science (KRISS). By using on-site PFCs calculation tool for the semiconductor industry, we purchase highly efficient equipments by comparing different abatement systems and realize efficiency management. Furthermore, SK hynix is reducing PFCs emission used during Chamber Cleaning at large scale by using the gas which has a lower GWP in the Cleaning Process of CVD process.

Energy Recovery System Overview



Optimization of PFCs Reducing Facilities | I In order to optimize the PFC reducing facilities, a PFC Scrubber evaluation standard is operated. The evaluation is divided into DEMO evaluation, regular evaluation and operation evaluation and were reflected in the purchase to maintain products with high PFCs process efficiency and contribute to GHG reduction in business sites.

Delivery Optimization | SK hynix is reducing the greenhouse gas emission through optimization of shipment transportation. The company has changed the transportation system of equipments being imported from Japan and China from air transportation to shipment as well as the delivery method to the customer into direct delivery to reduce the CO_2 emission.

Establishment of ODS Management System | From 2013, the reduction of the use of ODS HCFC will begin followed by the Montreal Protocol regarding ODS. SK hynix is promoting zero ODS use through the ODS (Ozone Depletion Substances) management system to fulfill reduction of ODS at company level. We respond to the domestic / oversea environmental regulations and demands of our clients by mandating the entire company to use ODP Zero refrigerants, building management roadmap such as replacing old CFC refrigerator to new HFC refrigerator. In addition, we expect these measures to greatly help the company address the climate change-related risks and energy reduction.

Fostering a Low-carbon Culture throughout Company | SK hynix is spreading the understanding regarding the importance of carbon reduction activities among employees. We publicize the activities through intranet and educate newly hires the importance of climate change responses and needs to reduce energy and GHG emissions. To overcome the electricity supply crisis in summer 2012, SK hynix conducted a series of energy conservation campaigns such as strengthening office energy conservation management to maintain the office room temperature at 26 - 28℃ on a company level.

Respond to CDP | SK hynix has been participating in CDP since 2008. Every year CDP evaluates the responses of major corporate in the world to climate change issues and selects the outstanding corporate in carbon management. CDP Korea also selected us for the fourth consecutive year to be the Carbon Management Global Leaders Club, demonstrating our sincere and continuous efforts to move towards carbon management.

Water Environment Management

SK hynix is striving to save water resources and to minimize the water pollution waste. We are facilitating safe management of water environments through operation of Task Force (TF) dedicated to working together with each relevant department in saving water resources and reducing environmental pollution materials.

Responding to Water Resource Risk

In order to strengthen stability of the water supply within the Icheon site, we are initiating implementation of wide waterworks and have signed an agreement for its construction and for use of the water with the Korea Water Resources Corporation. Through this, we are progressing with the construction of wide waterworks that is able to supply 20,000 tons of water daily and conducting preliminary response activities to manage the water resource risk.

Activities for Water Resource Reduction

For activities to reduce water resources, we are increasing the reusing rate of waste water produced during the manufacturing processes and minimizing the cleaning time of semiconductor wafers, resulting in an increase of the recovery rate of Ultra-pure Water (UPW).

Prior Environmental Review

In order to manage the effects derived from diverse materials used as a result of innovation and development of manufacturing processes of semiconductors, we have a system in place for prior environmental review. Through prior environmental review, we are able to both achieve research and development of semiconductor manufacturing process and review the adequate methods for processing pollutants, thus we expect to minimize the level of production of water pollutants and increase the processing efficiency processing pollutants. In order to create this system, SK hynix has formed a Task Force (TF) consisting of 26 teams, including the R&D Center, Manufacturing and Procurement Teams, and is implementing pilot testing of a computer system connected to the manufacturing and procurement systems. Once the pilot test has been completed, the company will make amendments to its rules and establish a pre-environmental impact assessment system.

Operation of Waste Water Plant and Water Quality Management

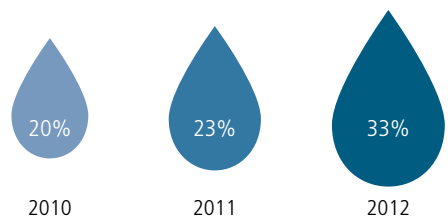
SK hynix separates pollutants and processes them in a waste water plant that fits to each characteristic of the pollutant prior to release. We are applying internal standards that are approximately 50-80% of the level of legal standards on released waste water and are thus striving to preserve the water ecology of estuarine wetlands, not to mention compliance with the water standards of effluence. Also, through operation of Tele Monitoring System (TMS), we are able to send real time information on waste water release and pollutants to the Ministry of Environment and are thus transparently disclosing information on management of processing waste water.

Current Status of Water Quality Management per Business Site_Unit: ppm

Icheon Site Water Quality Management	Legal Standard	2010	2011	2012
COD	40	4.1	5.2	4.2
T-N	30	16.8	16.4	21.4
F	3	1.1	1.1	1.0

Cheongju Site Water Quality Management	Legal Standard	2010	2011	2012
COD	40	5.9	4.6	5.0
T-N	60	22.3	21.6	16.3
F	15	6.6	6.8	6.5

Reuse Rate of Water in Domestic Sites



Management of Atmospheric Environment

SK hynix is initiating a clean workplace to minimize the production of pollutants. In order to manage and maintain a clean atmospheric environment in metropolitan areas including business sites, we are not only minimizing the production of pollutants from the manufacturing stage, but also we are preventing the spread of air pollutants through implementation of an air pollutant material monitoring system.

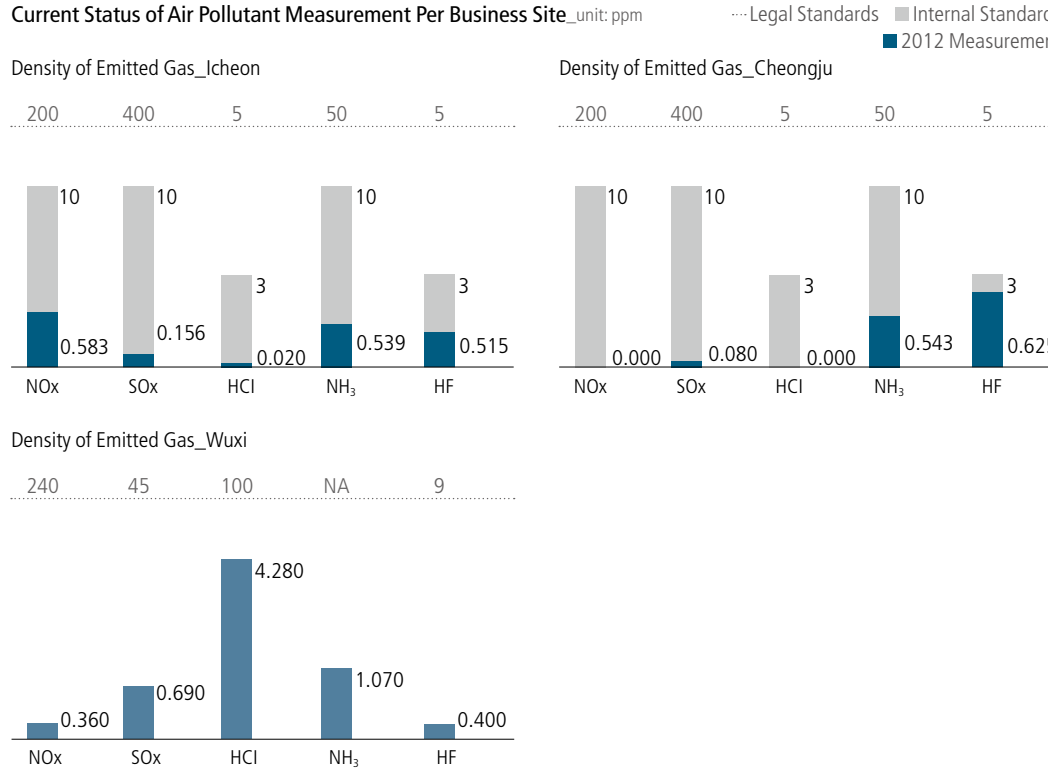
Project for a Clean Workplace

To contribute to reducing Hydrogen Fluoride (HF), we have set standards for monitoring and management through the HF total production system, inaction that has been prepared per FAB. In addition, through optimization of operation conditions of air prevention facilities and strengthening maintenance and investment activities for air prevention facilities, we have attained performance of reducing HF production by 15% compared to the amount produced in 2011. In addition, through internal establishment of an environment council in the Icheon site, we have opened a hotline for all employees in order to make an immediate action possible to be undertaken in response to pollutants. SK hynix's efforts to create a clean workplace have been recognized, and we have thus been selected as a model case for total production management by the Ministry of Environment and have been awarded the Metropolitan Air Quality Management Office Republic of Korea award.

Establishment of an Air Pollutant Monitoring System

In order to prevent environmental effect as a result of expansion of air pollutants, we are monitoring complex odor and air pollutants in real time. Testing of air pollutant monitoring systems was completed in 2012, and we are measuring internal and external air pollutants through certified measuring organizations. We are striving for optimization of processing efficiency of final prevention facilities through the measured air pollutant results.

Current Status of Air Pollutant Measurement Per Business Site_unit: ppm



There is no legal regulation of NH3 in China

Resource Recirculation Management

In order to reduce the production amount of waste material, SK hynix is striving to minimize the production amount from the manufacturing stage. We are recreating the recyclable items into newly added values and are actively reducing environmental impact.

Waste Material Reduction and Recycling Activities

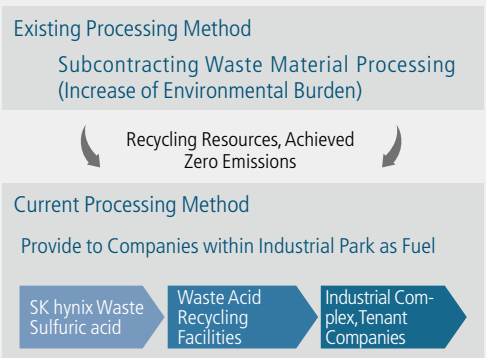
SK hynix sets the guideline for emitting waste materials through which strengthening of separation and collection from production sources and recycling enhancements are undertaken as part of our efforts to recycle waste materials resourcefully. As a result, rare metal and high carbon in metal that are used and wasted in the manufacturing process have been separated and disposed. Through these waste material management activities, we have reused 96% of waste materials in 2012 and created added value of approximately KRW 27 billion. In addition, we have strengthened the preliminary assessment and credibility evaluation when selecting subcontractors for waste material processing, and are conducting annual post-evaluations, legal training, etc. are hence processing waste materials in a transparent and legitimate manner.

Activities for Resource Recycling | For resource recycling to take place, we are recycling waste water used in processes and are thus actively reducing environmental impact. Through Win-Win Partnership with SMEs, we have attained a technology to make Buffered Oxide Etchant (BOE) waste water that is used in semiconductor manufacturing process highly dense, which we expect to reduce nitrogen emission and the processing costs within business site.

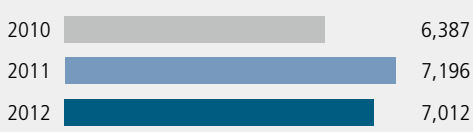
Case Study 08

Creation of a Resource Recycling Industrial Park

Through establishment of a reuse system of water resources within industrial parks, we are leading the establishment of Eco Industrial Parks. Eco Industrial Park refers to a green industrial park that reuses waste materials emitted within the industrial park as other companies' fuel or energy to achieve high resource efficiency and pollution reduction. Waste Sulfuric acid emitted during the semiconductor manufacturing process is supplied to partner companies nearby to achieve a recycling rate of waste materials, and through pursuit of a project to create an ecological park within 'Solbat park' located in Cheongju industrial complex, we set forth to establish an industrial complex characterized by resource recycling where environment and industry coexist.



Current Status of Waste Sulfuric Acid Recycling_ unit: ton



Chemical Material Management

SK hynix has created the 'SK hynix regulation of hazardous material guideline' and is operating it in response to ESH regulations, which are strengthened annually and due to increase social requests. In addition, through a green procurement system, hazardous materials in all chemical materials used in all processes are verified to eliminate components that affect the environment in advance.

Establishment and Operation of Green Procurement (Green Procurement, GP System)

SK hynix is operating a GP system to monitor whether materials are regulated locally and globally, starting from a chemical material procurement stage. The GP system is a data base (DB) system that collects and stores data on the product environment provided by raw and part material suppliers, and through comprehensive information based on this system, purchasing possibility is evaluated. In the Icheon site, due to its location characteristics, material safety data sheet (MSDS), component statement, detection grade report and certain components are verified prior to purchase where these activities are undertaken to verify that certain materials are hazardous to water quality, and RoHS regulated materials are included.

Activities to Reduce Chemical Materials

In order to change the paradigm from post-processing oriented pollution control to prevention oriented source control, we are conducting activities to reduce the amount of chemical agents. Through fluid cooperation of each area including process, R&D, ESH, and procurement, we are conducting activities for reducing chemical materials to minimize environmental pollution. In particular, environmental effect and amount of use are considered to select the primary reduction target coupled by an extension of cycle of the chemical materials used, simplification of the manufacturing process, and development of new processes and technology to minimize costs and environmental impact simultaneously.

Verification of New Materials ESH | For materials deemed hazardous and materials with high ESH harmfulness, partners and process engineers develop alternative materials or change the process. In addition, the verification system is strengthened and alternative materials are developed to minimize the ESH impact.

Ecotoxicity and Biodiversity

SK hynix is controlling the impact that waste water used in processes causes to water ecology. Since the second half of 2007, we are responding to ecotoxicity production control systems through analysis of ecotoxicity, and internally ecotoxicity standards are additionally setup at 50% of legal regulation and are complied with. In addition, the water quality discharge is stable and meets the regulated level, and we are monitoring the ecotoxicity of a nearby river which extends beyond the discharge control scope, and thus we are contributing to the preservation of biodiversity in water ecology.

Current Status of Ecotoxicity Control

_Unit: TU (Toxicity Unit)

Category	2010	2011	2012
Ecotoxicity	0.09	0.07	0.04

Material Control System

Eco-Friendly Products

SK hynix conducts an evaluation of environmental impact on primary products produced in order to minimize environmental impacts. The company makes use of a series of product environmental assessment tools such as Eco-Efficiency, LCA, Carbon Footprint, CO_2 Calculator, etc. in order to improve a product value and lower an environmental negative impact.

Eco-efficiency

SK hynix has developed the eco-efficiency indicator in order to evaluate an environmental impact and value of a product. It also defines its Factor h^2 every year with the goal of achieving factor 5 by 2015. Factor 5 means decreasing its environmental impact and improving product value five-fold at the same time. In 2012, we achieved Factor 3.90, which was 11% higher than our goal, 3.50, due to the successful nano-fabrication and innovative improvement of product performance.

LCA: Life Cycle Assessment

SK hynix is conducting a series of LCAs to cover all of the products in 2015 by using the computerized LCA system. In 2013, it will extend the assessment process to DRAM module and NAND application. We also plan to provide ecological profiles regarding Life Cycle Assessment with relevant stakeholders such as customers.

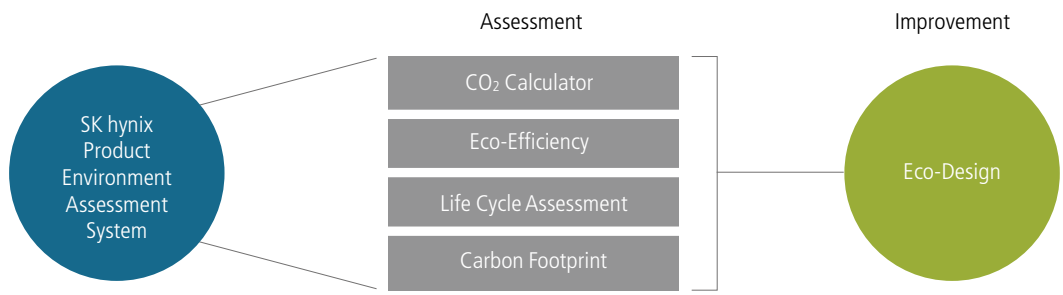
Carbon Footprint

SK hynix has obtained certificates for its major products since Carbon Footprint labeling was first introduced in 2009. In 2012, we have received two low-carbon certification for 30nm class 2Gb DDR3 SDRAM and 20nm class 64Gb NAND Flash Memory. The low-carbon products are certified by the Ministry of Environment Korea to the companies which manufacture products with low carbon emission below to the baseline level. In the future, we plan to expand product categories for Carbon Footprint into mobile products and more.

CO_2 Calculator

SK hynix has developed CO_2 calculator. This is a tool that helps customers understand the value of saved electricity, their contribution to environmental preservation by using its products. Its website, www.skhynix.com, provides CO_2 Calculator for computing, mobile, and graphics memory products. In 2012, SK hynix developed the SSD TCO (Total Cost of Ownership) and CO_2 calculator that features in showing the cost efficient and environmental characters of SSD (Solid State Drive) product compared to conventional Hard Disk Drive by means of opening a website (www.skhynix.com/ssd). As a result, customers can see the cost benefits and amounts of reduced greenhouse gas emission by purchasing SSD product of SK hynix.

SK hynix Product Environment Assessment Structure System



Special Feature 02
Environmental Value Creation Through Eco-friendly Management

SK hynix Environmental Value Creation Map at Glance

Resource

Financial
ESH Investment Amount
KRW 89.993 billion

Human Resource
Environmental Safety Team, Cheongju Environmental Safety Team, ESH Research Center
Number of Employees: 198 people

Natural
- Use of Water Resources 42,416,000 ton
- Energy Consumption 1,125,807 TOE
- Raw Materials (Total Cost) KRW 3,204,798 million
- Recycling material 300mm : 1.4% 200mm : 0.1%

Social Network
The Number of Entrances to the Environmental-Related Community and Council Association

Area / Activities / Details

Climate Change	Water	Air	Resource	Chemical Material	Product Environmental Impact
Carbon Management System	Water Resource Management System	Air Management System	Waste Management System	Chemical Management System	Product Assessment System
- Provision of Greenhouse Gas / Energy - Information & Management - Establishment of a carbon management system within the supply network - Low Carbon Culture	- Improvement of waste water reusing rate - Environmental impact pre-review	- Measurement and control of Air Pollutants - Optimization of air pollutant prevention facilities	- Recycle & Reusing Wastes - Creation of resource circulating industrial park	- Control of hazardous material - Extension of chemical using cycle	- Assessment of product's eco-friendliness value - Provision of product environmental impact

2012 Performance

Total Greenhouse Gas Emission
Domestic 2,766,192
Wuxi 1,064,078
_unit : tCO_2e

Chemical Oxygen Requirement
Icheon 4.2
Cheongju 5.0
Wuxi 31.4

Biological Oxygen Requirement
Icheon 3.0
Cheongju 8.5
Wuxi 11.1
_unit : mg/l

Sulfur Oxides (SOx)
Icheon 0.156
Cheongju 0.080
Wuxi 0.690

Ammonia (NH_3)
Icheon 0.539
Cheongju 0.543
Wuxi 1.070

Nitrogen Oxides (NOx)
Icheon 0.583
Cheongju 0.000
Wuxi 0.360

Hydrogen Fluorine (HF)
Icheon 0.515
Cheongju 0.625
Wuxi 0.400

Hydrogen Chloride (HCl)
Icheon 0.020
Wuxi 4.280
_unit : ppm

Total Amount of Waste
Domestic 108,939
Wuxi 31,614

Non-hazardous waste
Domestic 67,900
Wuxi 9,535

Hazardous waste
Domestic 41,039
Wuxi 22,079

Recycled Waste
Domestic 105,123
Wuxi 23,532
_unit : ton

Recycling Rate
Domestic 96.5%
Wuxi 74.7%

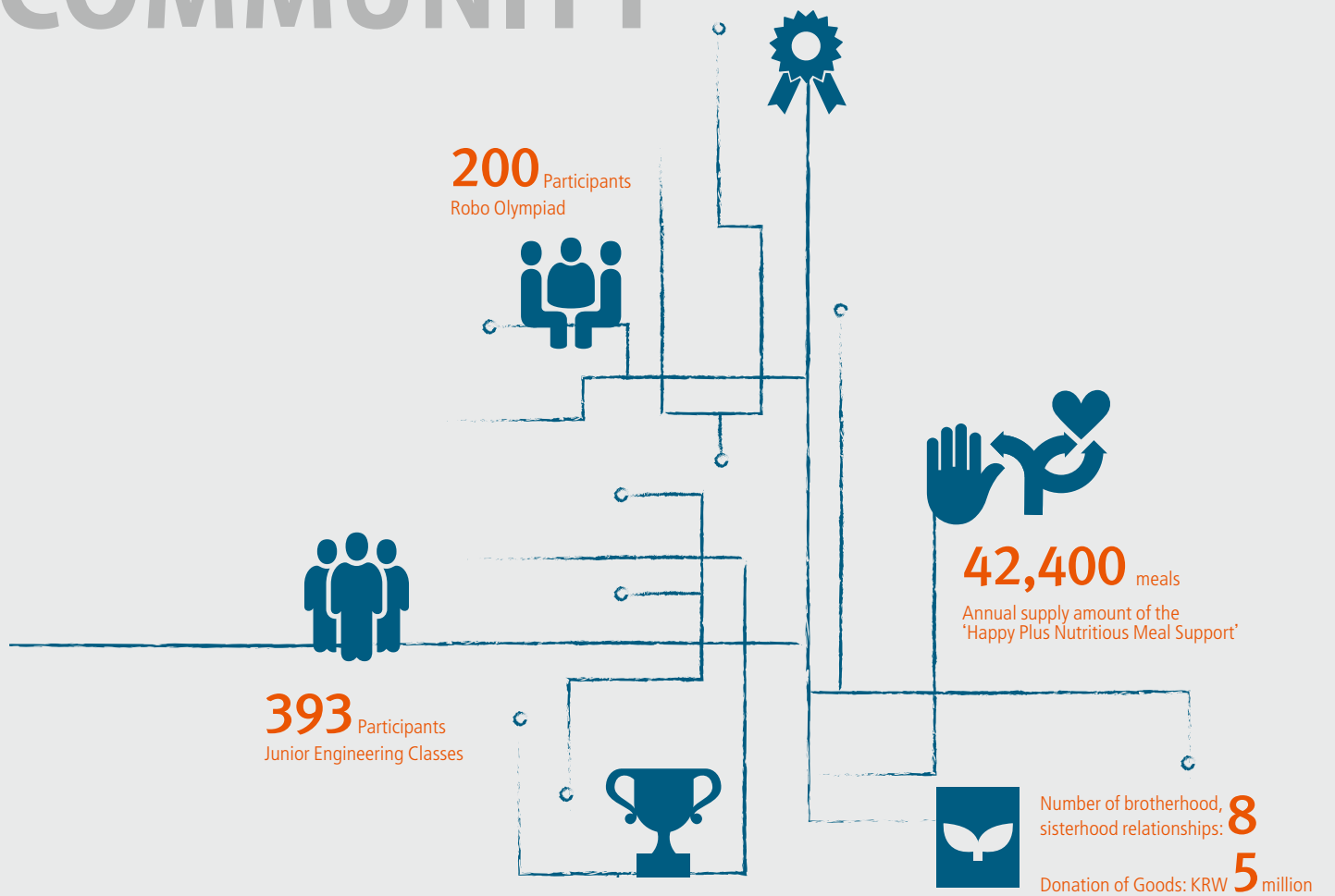
Ecotoxicity
0.04 TU

LCA Operation Rate
85.4%

Carbon Footprint Labeling
29.3%

Factor h^2
3.90

WIN-WIN DEVELOPMENT COMMUNITY



Vision & Strategy

SK hynix is rising as a growth partner by developing the community and sharing the fruits of our efforts. Based on voluntary sharing events, the company is increasing its cooperation with the community by supporting underprivileged groups, and promoting scholarship projects to nurture future talent so the company can gain the trust and respect of the community.

Win-Win Development Community

Contributive Activity of SK Group

Through augmentation of communication between employees and the local community, SK hynix sets forth to contribute to social development. Through the good memory sharing fund, we are initiating financial support for the potential expansion of social and cultural development. We are providing hopes and dreams to under-privileged neighbors in our society.

SK One Spirit

SK hynix, as a member of the SK Group, is participating in a variety of social contribution activities. We are participating in donation for education, Pro-Bono volunteer activities, and are playing the role both separately and collectively with the group in contributing to society. We are, in particular, supporting programs with emphasis on the semiconductor industry and thus lending a hand to carrying out specific group social contribution activities. SK hynix efforts are currently underway to make the most of and creating happy memories with the community through the warm SK One Spirit.

Social Contribution Activity Participation Performance

	2010	2011	2012
Participation Rate _ %	48	53	64
No. of Participants _ Persons	8,954	8,716	12,318
No. of Participation _ Times	665	734	1,309
Volunteer Participation Hours per 1 Member _ Hour	1.72	1.91	2.36
Cumulative Participation Hours _ Hour	35,488	32,543	45,294
Social Contribution Investment Amount _ KRW hundred million	19.0	26.7	40.4

* The social contribution investment amount is composed of the company's donation, employee's fund, and event expenses

SK hynix Social Contribution System

Mission Company that creates happy memories with the communities through sharing

Principles Happy Memory, Share Happiness

Three Guiding Principles: Happy Participation / Happy Win-Win / Happy Changes

Outside — Established image as a well-respected company

- **SHARE** — Helping the underprivileged
- **HARMONY** — Voluntary Sharing
- **HOPE** — Developing people's talents and providing them with scholarships

Inside — Increasing unity and harmony through sharing

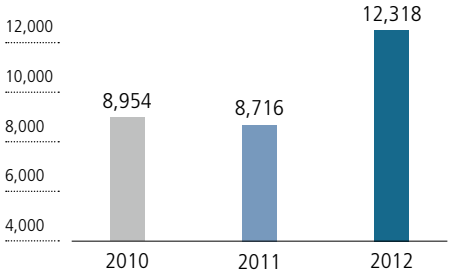
Pursuit Unit

- Good Memory Volunteer Service Team Per Organization
- Pro-Bono, Corporate Wide Volunteer Activity

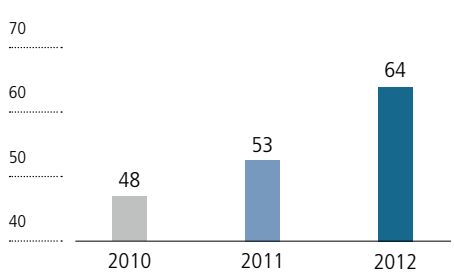
Volunteer / Donation

- Good Memory Sharing Fund
- Good Memory Operating Program

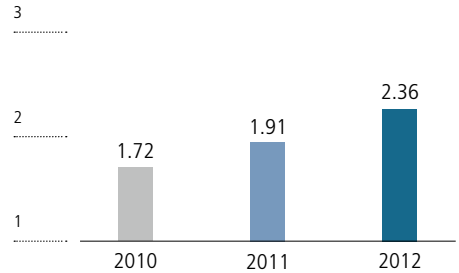
Total Participants _ Unit : Persons



Volunteer Activities Participation Rate _ Unit : %



Volunteer Hours per 1 Employee _ Unit: Hour



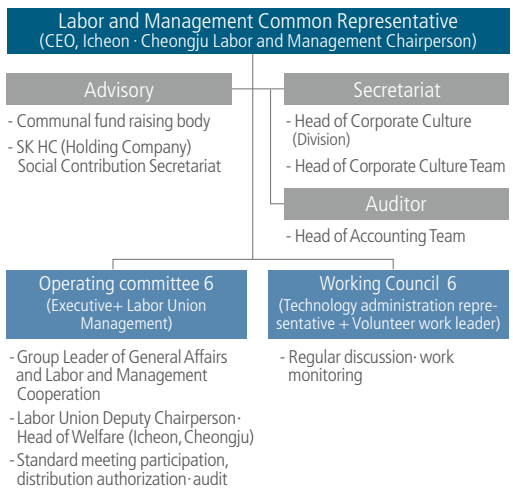
Good Memory Sharing Fund

SK hynix has begun to promote the activities of financial support for maximizing to realize the value of community development and socio-economics. Running Good Memories Sharing Fund and the Community Development Fund, both have contributed to the growth and development of the business community in a way that adds one hope to donate.

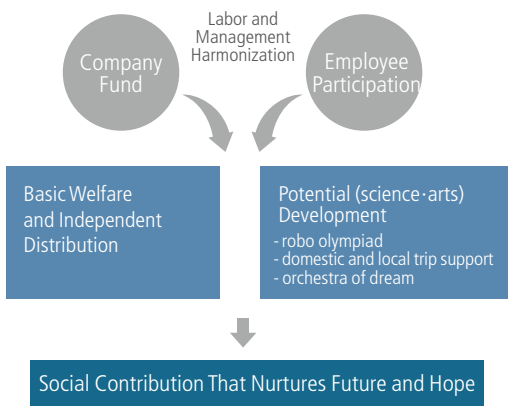
Fund Operation Council

In order to transparently and preciously use the funds created, SK hynix is operating the council for funds. The funds go through the operating council and are used upon retrieval of authorization from the representative of labor and management, and employee donation activities are operated in a way that enables their selection according to their will. The council controls and oversees the overall accumulation and expenditure of the funds, and the standard council is held annually.

Council Organization Funds



Direction of Good Memory Sharing Fund Social Contribution Work



Status of Existing Volunteer Work

Happy Plus Nutritious Meal Support | We have established a support center in order to provide breakfast and side dishes to underprivileged children, and we are searching for children whom are not supported by other organizations to extend our support. SK hynix is regularly providing meals through employee volunteer work so that the malnutrition of children and teenagers and the imbalance of the local community can be alleviated.

Hope Shelter Eco-friendly Study Room Support Work | In order to have young children in the local society continue their studies freely in an eco-friendly environment, we have supplied eco-friendly construction materials for nine local children centers in Icheon and Cheongju and have progressed with internal and external construction.

Future Scientific HR Development Support Work | With 20 locations including welfare centers and local children centers in the Icheon and Cheongju areas as a foundation, we are supporting low income households with Robot-Making Support and Olympiad competitions to encourage dreams through motivating participating children fostering future technology specialists so that we are contributing to the development of the nation and the industry.

New Supporitng Business Plans

Not only does SK hynix expand upon existing funding programs, we are also initiating new programs to support more local communities and neighbors for growth. Diverse programs are provided such as scholarships for under-privileged children, an asset creation support program and orchestra support group to identify human resources in the field of culture and arts, and the opportunity to travel overseas. Through a variety of practical programs, we would like to facilitate larger local commu-Win-Win growth.

Good Memory Sharing Project

SK hynix is implementing various volunteer program activities for its employees and their families. By opening the prosperity sharing site, the employees and the community are mutually sharing opinions and discovering new items that can contribute socially. Accordingly, we are contributing to the growth and development of the regional community which is a firm pillar and foundation of the company.

Community Based Social Contribution

SK hynix is forming a sense of unity and commonality within the local community through volunteer work. Through sharing, it is discovering even greater value. As the 'good neighbor & relative', the company is expanding the brotherhood and sisterhood with the farms near the business sites, thus participating in real contribution and inducing the employees and their families in volunteer work. Moreover, as a part of volunteer work for the underprivileged, the 'Happy Plus Nutritious Meal Support' is being operated through the one person one hope donation fund. In November in November 2012, 700 internal employees and related company employees had participated in the program, who performed Kimjang with 75,000 heads of napa cabbage to make Kimchi and opened the sharing event to deliver to the underprivileged community.

SK Happiness Sharing Bazaar

The SK Happiness Sharing Bazaar, a highlighted sharing program of the SK Group that started in 2004, is being conducted to share the social value of SK happiness sharing by holding activities with citizens. In December 2011, SK hynix donated goods (such as USBs) worth KRW 5 million.

Talent Sharing Project

The 'Junior Engineering Class' was carried out with basic experiments to infuse interest regarding science in elementary school students 10 times in 2012, and 393 participants were involved. Also, 'SK Pro Bono Volunteer Program' which employees with specialized talents provided management consulting to social and 'Maeum' corporations showed that 71 group volunteers participated, resulting in an extremely high rate of participation of 86%. Meanwhile, the 'Semiconductor Class,' which is a program that helps teenagers to better understand the semiconductor and IT, and create interest in science, became one of the '2012 Education Donation Exhibition' programs, and has been reborn by introducing more diverse sub-programs such as the assembly of semiconductor kits and the TRIZ (creative problem-solving technique) experience.

China Wuxi FAB Social Contribution Status

Program	Subject / Topic	Category	Program Details
One Group, One Facility Relationship	Elderly	Nursing home	Regular visits and medical service to the elderly, encouraged by setting a facility room to escape from hot summer
			Made traditional food during the traditional holidays such as Boreum, Dano, Chuseok
	Children	Orphanage	Regular treatment service for children with cerebral palsy, accompanied through the cultural museum experience
		Special needs schools	Provided education for handicapped children, regular visits to the ballet group and the science association, invitation concert
Volunteer	Education	Migrant poverty schools	Inviting students from underprivileged schools for migrants and providing a company tour
		Fire safety training	Emergency drills in school and continuously implemented cultural exchange activities.
			Operated summer camp-firefighting safety experience for elementary school students, crafts, museum tours
		Traffic safety	Volunteer work for directing traffic near elementary schools
	Environment	Korean education	Provided education and cultural exchange for university students in the Korean language departments
	Culture	Mountain, river protection	SK hynix regular implementation of clean environmental activity on the streets and parks nearby
Donation	Donation of Goods	No-smoking day no-smoking activity	Promoted the no-smoking activity on May 31st, the no-smoking day
		Donation of used TV	Donated used TVs to the facility for elderly people
		Donation of used PC	Donated used PCs to the handicapped people subject to welfare charity
Major Achievements	Awards	Wuxi new district government	Awarded as the social leading corporation in Wuxi New District

Case Study 09

Implementation of Global Social Contribution Activities (China)

SK hynix China Wuxi FAB is implementing a variety of social contributions along with the local community in order to create reliable, health and lively community culture pursuing mutual success. Group volunteer activities by inter-connecting the regional welfare facility into a 1:1 form, as well as life, health, basic order, and environmental protection voluntary activities were promoted to develop the regional society with the community. In 2012, there were 1,375 employees, 35.2% of the total employees, who participated in volunteer work, and the volunteer activity expenditure was 206,700 RMB. In 2013, it plans to become the representative foreign-funded company in China that fulfills its social responsibility by expanding the scope of social contribution activities of the employees and their families.

Special Feature 03
Social Value Creation through the Communities Development

SK hynix Social Value Creation at Glance

Resource

Financial
Investment in Social Contribution
KRW 4.02 billion

Human
Volunteer Work Participants 12,318
(2.36 hours per person)

Intellectual (Intangible)
SK Pro Bono Operation

Social Network
Contribution to the Community Network Operating

Area

- Basic Welfare & Independence
- Talent Development
- Regional Society Contribution

Activities

Basic Welfare & Independence		Talent Development		Regional Society Contribution	
Happy Plus Nutritious Meal Support	Hope Nest Eco-Friendly Study Room Support	Future Science Support for HR Development	Talent Sharing Project	Community-Based Social Contribution	SK Happy Sharing Bazaar

Details

Basic Welfare & Independence		Talent Development		Regional Society Contribution	
Establishment of a breakfast provision center & the search for blind spot subjects who are unable to benefit from the system	Eco-friendly materials support for an Eco-friendly space for the regional children's center	Opening of an Olympiad contest so that underprivileged children and teenagers can have dreams about science	Operation of experimental classes so that elementary school students can have interest in science	Brotherhood and sisterhood relationships with the farms nearby the worksite, and doing volunteer work for the underprivileged	Opening of the Sharing Bazaar from purchased SK hynix products or other products produced within the region.

2012 Performance

Basic Welfare & Independence		Talent Development		Regional Society Contribution	
Annual Meal Supply Amount 42,400 meals	Icheon & Cheongju Region Environmental Improvement in 9 Children's Center	Number of Olympiads Held 1 time Number of Olympiad Participants 200 persons	Number of Junior Engineering Classes 10 times Number of Participants 393 persons Pro Bono Activities 71 persons	Number of Sister-brotherhood relationships 8 cases Goods Donation Amount KRW 5 million	

APPENDIX

80 Communication with Stakeholders
Creation & Distribution of Economic Performance
81 Sustainability Management Performance Statements
84 Awards, Recognitions and Association Memberships
85 Corporate Organization
86 Financial Information
90 Sustainability Management Policy
92 GRI Index
94 UN Global Compact
95 ISO26000
96 Audit Report from the Independent Auditor
97 Greenhouse Gas Verification Report
98 Independent Assurance Report
100 About This Report

Communication with Stakeholders

Communication Channel with Stakeholders

Customers

- QBR (Quarterly Business Review)
- CSC (Customer Service Center)
- Product exhibition & brochure production / distribution
- Surveys
- Multi-language homepage operation
- Newsletter

Business Partners

- SK hynix Council's general meeting
- Partner's Day with business partners
- Visiting Chamsori Ethics Management Class for business partners
- Win-Win Academy
- Sessions for business partners
- ESH business partners meeting

Local Communities

- Love Sharing Relay Campaign
- Visiting Semiconductor Class
- Junior Engineer Class
- Good Memory Committee
- Volunteer work leader conference
- Academic programs & brother-sisterhood relationship
- Science specified volunteer work activities
- The Good memory Art Street Project

Employees

- Satisfaction research
- SK hynix culture forum
- SK hynix Webzine
- Exciting organizational culture implementation committee
- Industry Safety Public Health Committee
- Labor-Management Council
- Management session
- Operation session
- HyCom

Shareholders/Investors

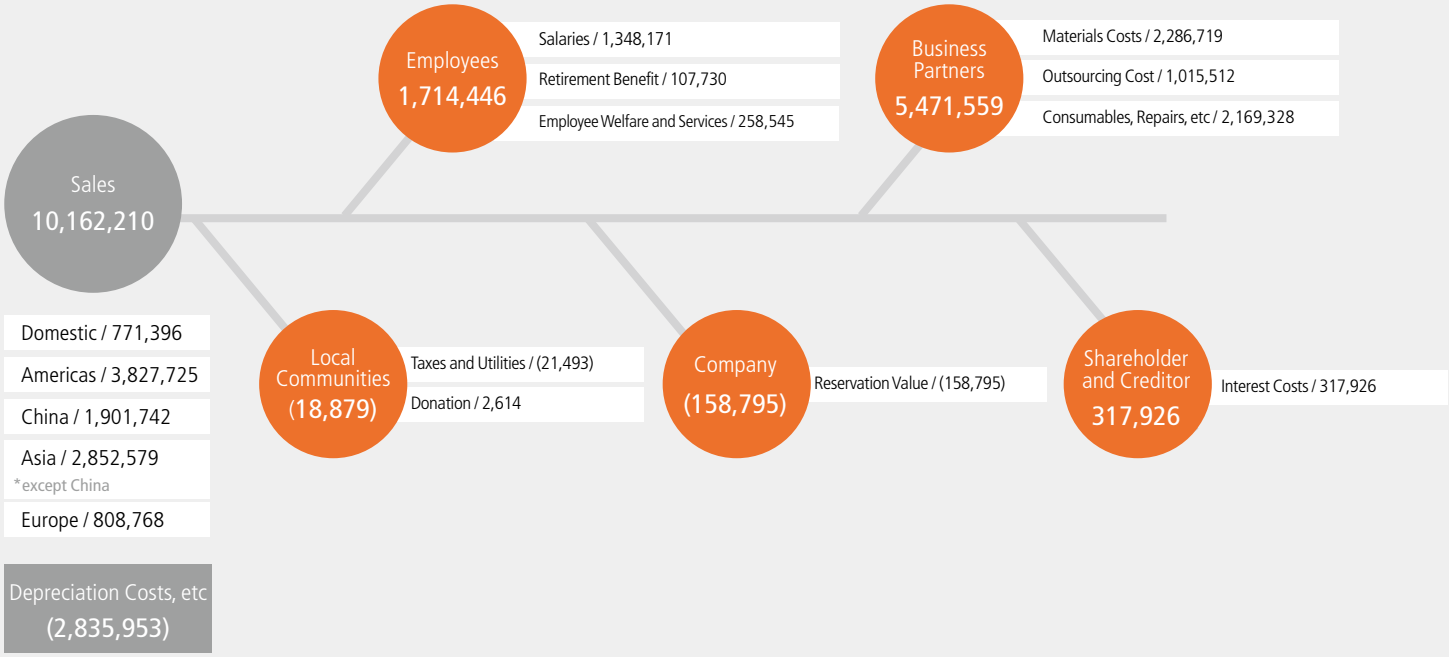
- General meeting of shareholders
- Performance public disclosure & session
- Cyber IR
- Investor meeting
- Non Deal Road Show
- Domestic & Foreign Conference
- Sustainability Management Report

Environment

- ESH Management Committee (Environmental Management Advisory Committee)
- Green Company Council
- Carbon Neutral Belt Creation Event
- Environmental Safety Health Integrated System
- ESH improvement case presentation contest

Creation & Distribution of Economic Performance

_ Unit: KRW million



Sustainability Management Performance Statements
[Quantitative Performance Chart]

Performance Indicator		Description	Business Site	Unit	2012	2011	2010	2009	2008
Economic Performance	R&D Investment	R&D expenditures	All	KRW 100 million	9,383	8,338	7,903	6,728	6,999
		Percentage of R&D expenditures	All	%	9.2	8.0	6.5	8.5	10.2
	Product Sales	DRAM	All	KRW 100 million	63,114	66,500	93,654	59,878	49,627
		NAND Flash	All	KRW 100 million	20,039	22,709	18,199	13,395	14,457
		Others	All	KRW 100 million	18,469	14,749	9,208	5,791	4,096
	Market Share (iSuppli)	DRAM	All	%	24.6	23.0	21.5	21.6	19.4
		Mobile	All	%	23.3	23.6	25.6	17.4	13.8
		NAND Flash	All	%	12.1	12.6	10.0	9.95	12.3
		Global semiconductor market (Gartner)	All	%	3.0	3.0	3.4	2.6	2.3
		DRAM market share in China	All	%	27.4	41.5	45.8	43.9	40.5
	Wage Rate	Compensation difference between top salary & mid-level salary	All	%	1,710	1,809	1,642	1,741	2,026
		Compensation difference between top salary & lowest salary	All	%	2,621	2,882	2,627	2,732	2,807
		Growth difference between average salary growth rate & top salary growth rate	All	%	44.1	62.0	52.0	35.0	57.0
Environmental Data (Input)	Water Use	Total water used	Icheon	Thousands m^3	17,327	15,026	13,425	12,240	16,030
			Cheongju	Thousands m^3	13,447	10,402	9,635	6,990	7,420
			Wuxi	Thousands m^3	11,642	9,759	9,182	8,300	10,058
	Energy Use	Total energy used	Domestic	TOE	890,831	749,019	677,199	611,912	749,810
			Wuxi	TOE	234,976	92,867	83,395	69,256	85,132
		Total-LNG	Domestic	TOE	27,353	22,984	18,994	15,730	20,507
			Wuxi	TOE	2,242	1,659	1,477	1,344	1,113
		Total-Electricity	Domestic	TOE	819,286	687,770	621,512	568,423	690,527
			Wuxi	TOE	213,746	73,773	66,394	57,893	68,586
		Total-Steam	Domestic	TOE	44,192	38,264	36,693	27,759	38,776
			Wuxi	TOE	18,988	17,435	15,524	10,018	15,484
		Basic unit-Total energy used	Domestic	TOE/m^2	3.39	2.97	2.93	2.93	3.26
			Wuxi	TOE/m^2	1.99	0.70	0.62	0.59	0.63
		Basic unit-LNG	Domestic	TOE/m^2	0.10	0.09	0.08	0.08	0.09
			Wuxi	TOE/m^2	0.02	0.01	0.01	0.01	0.01
		Basic unit-Electricity	Domestic	TOE/m^2	3.12	2.73	2.69	2.72	3.00
			Wuxi	TOE/m^2	1.81	0.56	0.49	0.50	0.50
		Basic unit-Steam	Domestic	TOE/m^2	0.17	0.15	0.16	0.13	0.17
			Wuxi	TOE/m^2	0.16	0.13	0.12	0.09	0.11
	Raw Materials & Storage Materials used	Total amount used	All	KRW million	2,532,168	3,008,171	4,114,317	3,729,243	4,633,407
		Raw material-Wafer	All	KRW million	589,171	574,576	2,490,324	2,423,860	3,096,170
		Raw material-Lead Frame	All	KRW million	8,862	183,003	159,532	130,768	166,804
		Raw material-PCB	All	KRW million	143,604	163,140	163,407	126,807	181,738
		Raw material-Others	All	KRW million	1,166,616	1,066,392	638,405	582,480	659,748
		Storage material-S/P, Subsidiary material	All	KRW million	523,914	1,021,060	662,647	465,327	528,946
	Percentage of recycled raw materials used	300mm	Domestic	%	1.4	1.2	1.2	0.6	1.8
		200mm	Domestic	%	0.1	0.1	8.7	2.9	2.0
	ESH Investment	ESH expenditure	All	KRW million	89,993	51,373	35,193	7,415	-
Environmental Data (Output)	GHG Emissions	Total emissions	Domestic	Thousands tCO_2e	2,766	2,554	2,443	2,212	2,982
			Wuxi	Thousands tCO_2e	1,064	1,042	1,004	917	1,183
	Air Pollutant Emissions	Sulfer Oxide (SO_X)	Icheon	g/cm^2	0.008	0.054	0.047	0.048	0.082
			Cheongju	g/cm^2	0.002	0.000	0.003	0.000	0.000
			Wuxi	g/cm^2	0.001	0.001	0.000	0.000	0.000
		Amonia (NH_3)	Icheon	g/cm^2	0.006	0.009	0.016	0.012	0.026
			Cheongju	g/cm^2	0.006	0.005	0.007	0.008	0.007
			Wuxi	g/cm^2	0.003	0.006	0.009	0.005	0.02
		Nitrogen Oxide (NO_X)	Icheon	g/cm^2	0.019	0.008	0.007	0.025	0.017
			Wuxi	g/cm^2	0.001	0.000	0.001	0.001	0.001

* The energy consumption data of Wuxi FAB, China prior to 2011 is reported with the adjustment in accordance with the TOE conversion figure in China.
* The financial information, raw materials and storage materials consumption are reported in accordance with the business reports disclosure standards from 2011 in the consolidated form.
* The domestic energy consumption data is reported with the adjustment in accordance with the TOE conversion figures.
* The water resources used in the Cheongju business site have been reported using the notification from 2012.

Performance Indicator		Description	Business Site	Unit	2012	2011	2010	2009	2008
Environmental Data (Output)	Air Pollution Emissions	Hydrogen Flouride (HF)	Icheon	g/cm²	0.007	0.005	0.004	0.009	0.003
			Cheongju	g/cm²	0.008	0.007	0.009	0.010	0.006
			Wuxi	g/cm²	0.001	0.001	0.003	0.002	0.004
		Hydrogen Chloride (HCl)	Icheon	g/cm²	0.000	0.002	0.001	0.003	0.008
			Wuxi	g/cm²	0.014	0.011	0.008	0.005	0.006
	Waste Water Management	Wastewater Quantity	Domestic	Thousands m³	25,957	21,789	18,944	15,294	17,813
			Wuxi	Thousands m³	9,919	8,631	8,221	7,411	8,873
		Basic unit of wastewater quantity	Domestic	m³/Wafer	7.0	6.1	6.0	5.9	5.6
			Wuxi	m³/Wafer	5.9	4.8	4.3	4.5	4.6
	Water Quality Management	Chemical Oxygen Demand (COD)	Icheon	mg/l	4.2	5.2	4.1	4.3	4.0
			Cheongju	mg/l	5.0	4.6	5.9	4.0	4.3
			Wuxi	mg/l	31.4	30.1	38.0	19.0	40.0
		Biological Oxygen Demand (BOD)	Icheon	mg/l	3.0	3.4	2.2	1.8	3.0
			Cheongju	mg/l	8.5	6.4	6.1	2.9	6.0
			Wuxi	mg/l	11.1	11.4	-	-	-
	Waste Water Amount	Total Nitrogen	Icheon	mg/l	21.4	16.4	16.8	15.4	15.0
			Cheongju	mg/l	16.3	21.6	22.3	20.9	34.7
			Wuxi	mg/l	20.8	27.8	-	-	-
		Fluoride	Icheon	mg/l	1.0	1.1	1.1	1.0	1.1
			Cheongju	mg/l	6.5	6.8	6.6	6.6	6.1
			Wuxi	mg/l	5.7	2.6	1.4	1.9	13.0
	Waste Management	Total waste quantity	Domestic	ton	108,939	82,344	67,198	47,288	64,122
			Wuxi	ton	31,614	27,642	24,613	18,524	23,410
		Non-Hazardous Waste	Domestic	ton	67,900	48,025	42,792	28,049	38,965
			Wuxi	ton	9,535	9,464	9,554	6,286	9,270
		Hazardous Waste	Domestic	ton	41,039	34,319	24,406	19,239	25,157
			Wuxi	ton	22,079	18,178	15,059	12,238	14,140
		Recycled waste	Domestic	ton	105,123	75,800	65,444	45,641	58,200
			Wuxi	ton	23,532	14,904	9,813	2,845	2,927
		Recycling rate	Domestic	%	97	92	97	97	91
			Wuxi	%	75	54	40	15	13
	Volatile Organic Compounds	VOC	Domestic	ton	10.52	14.98	9.66	35.2	52.87
	Life Cycle Assessment (LCA)	LCA	All	%	85.4	82.1	73.3	49.7	-
		Percentage of Carbon label certified products	All	%	29.3	27.6	7.9	9.7	-
		Factor h²	All	Factor	3.90	3.39	2.80	2.37	1.00
	Ecosystem Protection	Eco-toxicological	Domestic	TU	0.04	0.07	0.09	0.14	0.20
	Supply Chain Environmental Impact Management	Business Partners' Environmental performance assessment rate	All	%	5	-	-	-	-

Social Data	Board of Directors Operation	External directors rate	All	%	56	56	69	69	67
		Board of directors participation rate	All	%	94	98	98	99	99
	Diversity Index	No. of employees	All	Persons	24,287	23,430	21,682	20,251	21,457
		Executives and office employees (male)	All	Persons	7,554	7,191	6,352	6,036	6,078
		Executives and office employees (female)	All	Persons	1,785	1,703	1,342	1,220	1,328
		Production workers (male)	All	Persons	5,119	4,839	4,597	4,152	4,229
		Production workers (female)	All	Persons	9,815	9,681	9,252	8,717	9,751
		Contract workers (male)	All	Persons	0	4	25	20	23
		Contract workers (female)	All	Persons	14	12	114	106	48
	Female Leadership	Female rate	All	%	47.8	48.6	49.1	48.3	50.4
		Female manager rate	All	%	5.1	4.1	2.5	1.9	1.9
	Employees with Disabilities	No. of employees with disabilities	All	Persons	119	110	101	95	86
	Senior Employees	No. of senior employees	Domestic	Persons	12	15	18	15	18
		Employment creation rate	Domestic	%	3.7	8.3	5.7	-4.8	-1.3

Performance Indicator		Description	Business Site	Unit	2012	2011	2010	2009	2008
Social Data	Employment Status	Laid-off workers	Domestic	Persons	5	1	2	4	5
		Average years of service	Domestic	Year	8.5	8.0	7.6	6.9	5.9
		Turnover rate	All	%	4.3	5.5	3.3	6.0	7.5
	Status of Maternity & Parental Leave	Return rate after maternity leave	Domestic	%	92	87	-	-	-
		Number of workers who used maternity leave	Domestic	Persons	817	734	875	771	605
		Number of workers who used parental leave	Domestic	Persons	898	744	793	475	428
		Subsidy for parental leave	Domestic	KRW 1000	933,800	480,000	625,600	413,000	364,400
	Labor-Management Communication	Labor union admission rate	Domestic	%	99.3	98.0	98.2	98.4	97.7
		Labor union communication	Domestic	Sessions	76	42	40	28	28
	Human Resources Development	Total No. of trainees	Domestic	Persons	87,226	62,737	56,869	65,514	72,734
		Training per person	Domestic	Time/Persons	64	60	62	62	74
		Training expenses per person	Domestic	KRW 1000/person	554	439	306	186	358
	Ethics Management Status	Total ethics training hours	All	Time	6,891	6,896	10,070	10,814	5,225
		Training hours per person	Domestic	Time	0.35	0.35	0.61	0.55	0.30
		Ethics performance index	Domestic	Score	83.5	92.0	86.9	82.8	77.4
	Customer Satisfaction	Customer satisfaction ranking (TQRDC)	All	Ranking	1.72	2.17	2.46	2.44	2.56
		CSR-related responses toward customers' request	All	Cases	59	74	35	34	27
	Industrial Safety	Industrial accident rate	Icheon	%	0.00	0.00	0.01	0.02	0.01
			Cheong Ju	%	0.02	0.00	0.02	0.02	0.00
			Wuxi	%	0.03	0.15	0.01	0.04	0.16
	Social Volunteer Activities	Total volunteering hours	Domestic	Time	45,294	32,543	35,488	28,710	41,376
		Total No. of participants	Domestic	Persons	12,318	8,716	8,954	7,365	10,487
		No. of participants in visiting semiconductor class	Domestic	Persons	110	50	355	-	-
		No. of participants in junior engineering class	Domestic	Persons	393	397	115	-	-
	Charity Activities	Total Donations	All	KRW million	2,614	1,587	1,679	2,312	903
		Contributed amount in cash	Domestic	KRW million	59	948	1,456	2,209	599
		Volunteer hours in terms of cash value	Domestic	KRW million	696	484	193	-	-
	Win-Win Partnership	Green Partnership member	Domestic	Number	18	18	10	53	-
		Signed the EICC-compliance agreement, participating firm	All	Number	1,034	209	-	-	-
		EICC on-site inspection participating firm	All	Number	20	8	-	-	-
	Supply Network Social Influence Management	Rate of suppliers assessed in terms of human rights and labor performance	All	%	5	-	-	-	-

Awards, Recognitions and Association Memberships

Corporate Award Status

Date	Award & Recognitions	Recipient	Position	Title
2012.12	2012 Korea Technology Grand Award	Ahn Kun-ok	VP	Prime Minister's Award
	8th IT Fusion Entrepreneur Award	Kim Kyeong-rho	Director	Minister's Award
	48th Trade Day Contributor Award	Kim Byung-kyoon	Director	
2012.11	IR52 Jang Yeong Sil Award	Lee Hwa-seob	Senior Manager	Minister's Award
		Oh Ji-hwan	Junior Engineer	
	2012 Energy Saving Contributor Award	Kim Duk-hyun	Senior Manager	Minister's Award
		Kim Yong -soo	Assistant Manager	Governor of Gyeonggi-do Award
	National Quality Award Quality Master	Lee Oh-nam	Junior Engineer	President's Award
		Park Chan-ho	Junior Engineer	
		Lee Kwang-ho	Junior Engineer	
		Kim Sung-bok	Junior Engineer	
	National Quality Award Contributor	Park Suk-hee	Junior Engineer	Minister's Award
		Kim Jung-sic	Junior Engineer	
	Greenhouse Gas, Energy Goal Management Contributor Award	Min Sang-geun	Senior Manager	Minister's Award
	2012 Material Parts Technology Award	Park Sung-kye	Research Fellow	Medal
	Nation-wide Quality Circles Contest Gyeonggi-do Nine Times Losing Streak Commemoration Award	Koh Gwang-duk	Senior VP	Governor of Gyeonggi-do Award
		Jung Jun-seok	Director	
		Jang Woo-chang	Senior Manager	
		Heo Yeong-cheol	Senior Manager	
		Kim Kyoung-hee	Senior Engineer	
		Ham Doo-hyun	Junior Engineer	
	50th Fire-fighting Day Contributor Award	Kim Chul-geun	Director	Minister's Award
	Fifth Semiconductor Day Contributor Award	Kwon Min-hyun	Senior Manager	
	Korea Precision Industries Technology Contest	Kim Tae-hoon	Director	Prime Minister's Award
	Fifth Semiconductor Day Contributor Award	Cho Tae-hun	Director	Head of Group Award
		Park Kil-hwan	Senior Engineer	Minister's Award
	Decent Labor-Management Relationship Establishment Contributor Award	Han Min-gu	Senior Manager	Minister's Award
		Lee Jang-ho	Senior Engineer	
		Kim Ji-hoon	Assistant Manager	
2012.09	2012 Electricity Management Contributor Award	Kim Sang-geun	VP	President's Award
	2012 National Productivity Grand Award	Baek Su-dae	Senior Engineer	Minister's Award
		Yang Hyo-suk	Junior Engineer	
		Kim Yong-gun	VP	Industry Medal
2012.06	2012 Quality Management Contest Contributor Award	Lee Oh-nam	Junior Engineer	Governor of Gyeongi-do Award
		Kim Sung-bok	Junior Engineer	
	47th Creation Day Contributor Award	Bok Chel-kyu	Research Fellow	Congratulatory Encouragement
	2012 Worker's Day Contributor Award	Son Chul -ho	Senior Engineer	Governor of Gyeongi-do Award
		An Young-suk	Senior Engineer	
2012.04	2012 Science Technology Promotion Contributor Award	Hur Yong-jin	Technology Fellow	Minister's Award
	2012 Male-Female Fair Employment Contributor Award	Nam Geon-wook	VP	President's Award
2012.03	39th Commerce Day Award	Kim Hyung-joo	Director	Governor of Gyeonggi-do Award
		Seo Seong-jin	Director	Prime Minister's Award
	Taxpayers' Day Contributor Award	Cho Yong-seok	Director	Minister's Award
2012.01	2011 Environmental Contributor End of Year Award	Park No-hyuck	Assistant Manager	

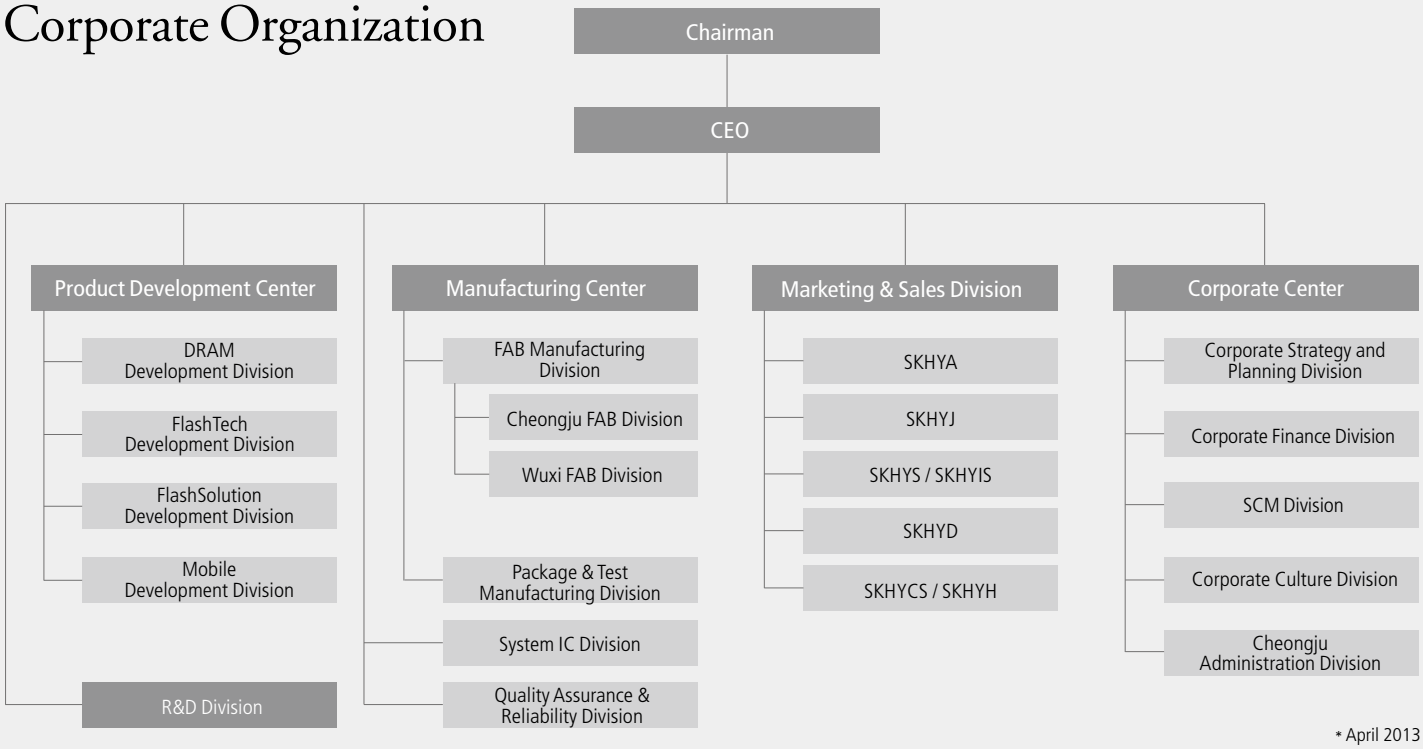
Corporate Award Status

Date	Award & Recognitions	Organization	Title
2012.12	Third Korea-China Corporate Management Grand Award	Ministry of Knowledge Economy / Trade Association, Joong Ang Ilbo	Minister's Award
	7th National Volunteer Work Contest	Administration Safety Department / Korea Volunteer Work Association	President's Award
2012.11	Seventh Sustainability Management Grand Award	Ministry of Knowledge Economy, Small and Medium Business Administration	Minister's Award
	IR52 Jang Yeong Sil Award	Ministry of Education, Science Technology and Korea Industrial Technology Association	Minister's Award
2012.09	Superior Standardization Contest	Ministry of Knowledge Economy / Korean Standardization Association	Minister's Award

Organization Membership

Category	Organization
Mandatory Affiliation Group (9)	Chamber of Commerce and Industry (Icheon and Cheongju), Fire Safety Association (Icheon and Cheongju), Korea Electric Power Engineers Association (Icheon and Cheongju), the Occupational Safety Association (Seongnam branch branch, Chungbuk), Korea Occupational Nurses Association
Management Support Group (15)	Korea International Trade Association, Korea Semiconductor Industry Association, Federation of Korean Industries, KAITS, the Korea Listed Companies Association, the Korea Fair Competition Federation, WSTS Korean IR Council, Korea Employers Federation, the Ministry of Knowledge Economy, Emergency Planning Council, Chungbuk Employees Federation, the Institute for Industrial Policy Studies SM forum, UNGC Korea Network, Green Business Council (Seoul, economic regions, Chungcheong region)
Research and Development Support Group (20)	Korea Invention Promotion Association, the Korean Intellectual Property Association, the Korea Industrial Technology Association, JEDEC, MIPI SDA, UFSA, SATA-IO, TCG, IEEE, PCI-SIG, SNIA, Korea Semiconductor Test Association, SiWEDS, KMAPS, VCCI, the Korea Semiconductor Research Association, Institute of Electronics Engineers of Korea, CMC, Si2
Product Support Group (14)	Business Council Korea Association of Isotopes, Korea Integrated Logistics Association, Korean Tariffs Logistics Association, Korea AEO Association, The SCM Society of Korea, South Korea and the CIO Forum, Korea Standards Association (Icheon and Cheongju), the National Quality Award, Korea Environmental Preservation Association, Chungbuk Council, Employee Federation, Korea Chemicals Management Association, Chungbuk Environmental Technician Federation, Korea Environment Management Association, the Korea Industrial Hygiene Association
Sales Support Group (1)	SEMI
(Total)	**59 groups**

Corporate Organization



* April 2013

Financial Information

Consolidated Statement of Financial Position

Unit: KRW million

		December 31, 2012		December 31, 2011	
Assets	**Current assets**		5,313,573		4,936,850
	Cash and cash equivalents	658,387		1,243,788	
	Short-term financial instruments	1,126,229		632,139	
	Trade receivables	1,719,521		1,540,925	
	Loans and other receivable	125,055		201,999	
	Inventories	1,509,331		1,183,608	
	Assets classified as held for sale	26,958		29,033	
	Current tax assets	12,719		10,642	
	Other financial assets	-		1	
	Other current assets	135,373		94,715	
	Non-current assets		13,335,120		12,301,298
	Investment in jointly controlled entities and associates	104,100		103,613	
	Available-for-sale financial assets	44,297		47,492	
	Property, plant and equipment	11,586,192		10,899,308	
	Intangible assets	983,630		707,648	
	Investment property	29,888		31,168	
	Loans and other receivable	19,127		38,461	
	Other financial assets	525		3,441	
	Deferred income tax assets	378,366		315,718	
	Other non-current assets	188,995		154,449	
	Total Asset		18,648,693		17,238,148
Liabilities	**Current liabilities**		4,441,180		4,817,286
	Trade payables	592,738		678,408	
	Other payables	381,260		516,724	
	Other non-trade payables	361,076		345,878	
	Provisions	330,615		353,467	
	Other financial liabilities	17,020		38,678	
	Borrowings	2,719,197		2,830,426	
	Other current Liabilities	25,906		42,535	
	Current tax liabilities	13,368		11,170	
	Non-current liabilities		4,468,071		4,545,591
	Borrowings	3,752,779		3,946,039	
	Other non-trade payables	97,533		94,326	
	Defined benefit liabilities	575,096		458,699	
	Other financial liabilities	1,615		7,796	
	Other non-current liabilities	41,048		38,731	
	Total liabilities		8,909,251		9,362,877
Equity	**Equity attributable to owners of the Parent Company**		9,740,156		7,875,742
	Capital stock	3,488,419		2,978,498	
	Capital surplus	3,053,874		1,229,052	
	Accumulated other comprehensive income (loss)	(115,402)		107,107	
	Other components of equity	-		5,762	
	Retained earnings	3,313,265		3,555,323	
	Non-controlling interest		(714)		(471)
	Total equity		9,739,442		7,875,271
	Total liabilities and equity		18,648,693		17,238,148

Consolidated Statements of Comprehensive Income

Unit: KRW million

		December 31, 2012		December 31, 2012
Net Sales		10,162,210		10,395,811
Cost of sales		8,550,989		8,704,921
Gross profit		1,611,221		1,690,890
Selling and administrative expenses	1,838,570		1,321,795	
Operating Income (loss)		(227,349)		369,095
Financial income	689,709		630,310	
Finance expenses	682,594		911,399	
Income from jointly controlled entities and associates	16,713		10,533	
Other non-operating income	67,130		72,446	
Other non-operating expenses	62,910		125,838	
Profit (loss) before income tax (benefit)		(199,301)		45,147
Income tax expense (benefit)	(40,506)		101,118	
Loss for the year		(158,795)		(55,971)
Other comprehensive income (loss)		(305,601)		68,850
Change in value of available-for-sale financial assets	(1,896)		7,129	
Currency translation differences	(216,490)		123,236	
Other comprehensive income from	(4,343)		(735)	
Actuarial loss on defined benefits liabilities	(82,872)		(60,780)	
Total comprehensive income (loss) for the year		(464,396)		12,879
Loss for the year attributable to:				
Equity holders of the Parent Company	(158,886)		(56,641)	
Non-controlling interest	91		670	
Total comprehensive income (loss) for the year attributable to:				
Equity holders of the Parent Company	(464,267)		12,947	
Non-controlling interest	(129)		(68)	
Earning (loss) per share attributable to the equity holders of the Parent Company for the year				
Basic loss per share		(233)		(96)
Diluted loss per share		(233)		(96)

Consolidated Statements of Changes in Equity

Unit: KRW million

Category		Attributable to equity holders of the Parent Company						Non-controlling interest	Total Equity
		Capital Stock	Capital Surplus	Accumulated Other Comprehensive Income (loss)	Other Components of Equity	Retained Earnings	Total		
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 on the valuation of available-for-sale financial assets	-	-	7,905	-	-	7,905	(776)	7,129
	Other comprehensive loss from jointly controlled entities and associates	-	-	(735)	-	-	(735)	-	(735)
	Currency translation differences	-	-	123,198	-	-	123,198	38	123,236
	Total comprehensive income (loss)	-	-	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 the 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
	Balance at January 1, 2012	2,978,498	1,229,052	107,107	5,762	3,555,323	7,875,742	(471)	7,875,271
Changes in Equity	**Comprehensive Income**								
	Loss for the year	-	-	-	-	(158,886)	(158,886)	91	(158,795)
	Actuarial loss on defined benefit liabilities	-	-	-	-	(82,872)	(82,872)	-	(82,872)
	Loss on the valuation of available-for-sale financial assets	-	-	(1,896)	-	-	(1,896)	-	(1,896)
	Other comprehensive loss from jointly controlled entities and associates	-	-	(4,343)	-	-	(4,343)	-	(4,343)
	Currency translation differences	-	-	(216,270)	-	-	(216,270)	(220)	(216,490)
	Total comprehensive loss	-	-	(222,509)	-	(241,758)	(464,267)	(129)	(464,396)
	Transaction with equity holders of the Parent Company								
	Increase of share capital	509,250	1,816,726	-	-	-	2,325,976	-	2,325,976
	Exercise of conversion rights	52	210	-	-	-	262	-	262
	Exercise of stock options	619	4,400	-	(2,200)	-	2,819	-	2,819
	Expiration of stock options	-	3,562	-	(3,562)	-	-	-	-
	Changes in the Parent's ownership interest in subsidiaries	-	(76)	-	-	-	(76)	(105)	(181)
	Others	-	-	-	-	(300)	(300)	(9)	(309)
	Total transaction with equity holders of the Parent Company	509,921	1,824,822	-	(5,762)	(300)	2,328,681	(114)	2,328,567
	Balance at December 31, 2012	3,488,419	3,053,874	(115,402)	-	3,313,265	9,740,156	(714)	9,739,442

Consolidated Statements of Cash Flows

Unit: KRW million

Category		December 31, 2012		December 31, 2011
Net cash generated from operating activities		2,211,651		2,855,960
Cash generated from operations	2,420,894		3,079,865	
Interest received	81,931		68,107	
Interest paid	(275,169)		(275,866)	
Net cash used in investing activities	12,098		8,883	
Income tax paid	(28,103)		(25,029)	
Net cash used in investing activities		(4,698,379)		(3,389,264)
Decrease in short-term financial instruments	2,754,789		2,653,392	
Increase in short-term financial instruments	(3,252,006)		(2,334,896)	
Increase in other financial assets	-		(5,983)	
Receipt of government grants	153		67	
Decrease in loans and other receivables	11,487		10,182	
Increase in loans and other receivables	(8,661)		(7,379)	
Proceeds from derivatives	2,419		19,013	
Payments from derivatives	(44,507)		(5,974)	
Proceeds from disposal of assets classified as held for sale	23		6,931	
Proceeds from disposal of available-for-sale financial assets	11,190		-	
Acquisition of available-for-sale financial assets	(3,618)		(7,897)	
Proceeds from disposal of property, plant and equipment	35,809		14,371	
Acquisition of property, plant and equipment	(3,772,879)		(3,568,238)	
Proceeds from disposal of Intangible assets	1,226		13,946	
Acquisition of intangible assets	(159,072)		(176,111)	
Proceeds from disposal of Investment property	-		12,153	
Acquisition of investments in associates	-		(12,180)	
Acquisition of investments in subsidiaries	(274,732)		-	
Changes in a parent's ownership interest in subsidiaries	-		(661)	
Net cash provided by financing activities		1,917,122		519,133
Proceeds from borrowings	6,966,003		2,434,510	
Repayments of borrowings	(7,377,491)		(1,826,595)	
Proceeds from issuance of common stock	2,328,791		-	
Changes in a parent's ownership interest in subsidiaries	(181)		(241)	
Dividends paid	-		(88,541)	
Effect of foreign exchange rates on cash and cash equivalents		(15,795)		4,733
Net decrease in cash and cash equivalents		(585,401)		(9,438)
Cash and cash equivalents at the beginning of year		1,243,788		1,253,226
Cash and cash equivalents at the end of year		658,387		1,243,788

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 make a sustainable happiness come true.
- 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

Respect for human rights	SK hynix respects all employees as equal human beings, and prohibits violation of human rights under all and any circumstances.
Prohibition of forced labor	SK hynix does not compel any employee to work against their will by mental and physical bondage including slavery or trafficking of persons, and will not demand that employees surrender any government-issued identification, such as passport, to the company as a condition of employment.
Prohibition of child labor	SK hynix does not employ children and youths under the age of 15 or younger.
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.
Working hours	SK hynix shall comply with local labor laws in respect to regular working hours, overtime and allowance for overtime.
Wage	SK hynix's labor wage shall exceed the minimum wage standard set forth by the local labor law.
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.
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.

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

  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 without any forced labor such as slavery or trafficking of persons, 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 and Raw Material

  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.

Compliance Declaration for Fair Trade

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.

Risk Management Policy

SK hynix systematically manages the overall risk factors that influence the accomplishment of the management's goals, such as global economic uncertainty and management environmental changes, so that the company can sustainably grow.

- The company adopts an enterprise risk management system in compliance with global guidelines.
- Set an organization that manages enterprise risk and establishes a risk management system which shall be constantly improved.
- Establish a risk management process that identifies, assesses, responds to monitors and improves risks.
- Spread risk management culture so that risk management can be internalized within the tasks of personnel.
- Disclose risk management activities to the stakeholders and mutually cooperate.

GRI Index

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

Category		Code	Code Description	Application level	Page	Remarks
Profile	Vision & Strategy	1.1	CEO Message	●	2-3	
		1.2	Description of key impacts, risks and opportunities	●	2-3	
	Organization Profile	2.1	Name of the organization	●	6	
		2.2	Primary brands, products, and/or services	●	6	
		2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures	●	6	
		2.4	Location of organization's headquarters.	●	6	
		2.5	Number of countries where the organization operates	●	6-7	
		2.6	Nature of ownership and legal form	●	6	
		2.7	Characteristics of markets served	●	7	
		2.8	Scale of the reporting organization	●	6	
		2.9	Significant changes during the reporting period regarding size, structure, or ownership	●	9	
		2.10	Awards received in the reporting period	●	84-85	
	Report Parameters	3.1	Reporting period for information provided	●	100	
		3.2	Date of most recent previous report	●	100	
		3.3	Reporting cycle	●	100	
		3.4	Contact point for questions regarding the report or its contents	●	100	
		3.5	Process for defining report content	●	inside cover	
		3.6	Boundaries of the report	●	100	
		3.7	State any specific limitations on the scope or boundary of the report	●	100	
		3.8	Basis for reporting on the entities that can significantly affect comparability from period to period and / or between organizations	●	100	
		3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques	●	100	
		3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	●	100	
		3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	●	100	
		3.12	GRI Content Index	●	98-99	
		3.13	Policy and current practice with regard to seeking external assurance for the report	●	98	
	Governance, Commitments and Engagement	4.1	Governance structure of the organization	●	34	
		4.2	Indicate whether the Chair of the highest governance body is also an executive officer	●	34	
		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	●	34	
		4.4	Mechanisms enabling shareholders and employees to provide recommendations or direction to the highest governance body	●	35	
		4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance	●	34	
		4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	●	35	
		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.	●	35	
		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	●	8	
		4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance	●	35	
		4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	◐	35	
		4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	●	91	
		4.12	Externally developed economic/environmental/social charters, principles, or other initiatives to which the organization subscribes or endorses	●	90, 92-95	
		4.13	Membership in associations(such as industry associations) and / or national / international advocacy organizations	●	95	
		4.14	List of stakeholder groups engaged by the organization	●	80	
		4.15	Basis for identification and selection of stakeholders	●	80	
		4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	●	80	
		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	●	80	
Economy	Economic Performance	EC1	Direct economic value generated and distributed	●	80	
		EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	65	
		EC3	Coverage of the organization's defined benefit plan obligations	●	57	
		EC4	Significant financial assistance received from government	●	89	
	Market Presence	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	●	55	
		EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	◐	25-26	
		EC7	현Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	●	51	
	Indirect Economic Impacts	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	●	76-77	
		EC9	Understanding and describing significant indirect economic impacts	●	80	
Environmental	Raw Material	EN1	Materials used by weight or volume	●	81	
		EN2	Percentage of materials used that are recycled input materials	●	81	
	Energy	EN3	Direct energy consumption by primary energy source	●	81	
		EN4	Indirect energy consumption by primary source	●	81	

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

Category		Code	Code Description	Application level	Page	Remarks
Environmental	Water	EN5	Energy saved due to conservation and efficiency improvements	●	66	
		EN6	Initiatives to provide energy-efficient or renewable energy based products and services	●	66	
		EN7	Initiatives to reduce indirect energy consumption and reductions achieved	●	66	
		EN8	Total water withdrawal by source	●	81	
		EN9	Water sources significantly affected by withdrawal of water	N/A	-	No water area affected
		EN10	Percentage and total volume of water recycled and reused	●	68	
	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.	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	N/A	-	No area affected
		EN13	Habitats protected or restored.	N/A	-	No area related
		EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	●	71	
		EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	N/A	-	No endangered species nearworksite
	Emissions, Effluents and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight	●	81	
		EN17	Other relevant indirect greenhouse gas emissions by weight	●	81	
		EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	66	
		EN19	Emissions of ozone-depleting substances by weight	◐	67	
		EN20	NOx, SOx, and other significant air emissions by type and weight	●	81	
		EN21	Total water discharge by quality and destination	●	81	
		EN22	Total weight of waste by type and disposal method	●	82	
		EN23	Total number and volume of significant spills	N/A	-	No leakage case
		EN24	Eight 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
		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	N/A	-	No water areas/habitat affected
	Products and Services	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	72	
		EN27	Percentage of products sold and their packaging materials that are reclaimed by category	N/A	-	Not application given the industry characteristics
	Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	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	●	67	
	Overall	EN30	Total environmental protection expenditures and investments by type	●	81	
Labor Practices and Decent Work	Employment	LA1	Total workforce by employment type, employment contract, and region	●	50-51,82	
		LA2	Total number and rate of employee turnover by age group, gender, and region	●	82	
		LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	57	
		LA15	Return to work and retention rates after parental leave	●	83	
	Labor / Management Relations	LA4	Percentage of employees covered by collective bargaining agreements	●	56	
		LA5	Minimum notice period regarding important operational changes	●	56	
	Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	●	56	
		LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region	●	83	
		LA8	Disease and safety management programs in place to assist workforce members, their families, and community members	●	57	
		LA9	Health and safety topics covered in formal agreements with trade unions	●	48-49	
	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	●	53-54	
		LA12	Performance reviews and career development	●	55	
	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	●	34, 82	
		LA14	Ratio of basic salary of men to women by employee category	●	55	
Human Rights	Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses	●	83	
		HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	◐	30-31,83	
		HR3	Employee training status in regards to task-related human rights policy	●	83	
	Non-Discrimination	HR4	Total number of incidents of discrimination and actions taken	●	-	No discrimination
	Freedom of Association and Collective Bargaining	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	N/A	-	No related business site or suppliers
	Child Labor	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	●	-	No cases of child labor or forced labor
	Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	●	-	
	Security Practices	HR8	Percentage of security personnel trained in the organization's policies concerning aspects of human rights that are relevant to operations	●	-	100% completion of security staffs
	Indigenous Rights	HR9	Number of cases regarding the violation of residents' rights and actions taken	●	-	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	●	37, 39	

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

Category		Code	Code Description	Application level	Page	Remarks
Society	Local Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities.	●	76-77	
	Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption	●	-	Execution in all business sites
		SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	●	83	
		SO4	Actions taken in response to incidents of corruption	●	37	
	Public Policy	SO5	Public policy positions and participation in public policy development and lobbying	●	34,40-41	
		SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions	N/A	-	No cases of participation in party or politics
	Anti-competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	N/A	-	No cases of corruptive competitive behavior
	Compliance with Law	SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	N/A	-	No regulated case
		SO9	Operations with significant potential or actual negative impacts on local communities	●	68-71	
		SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	●	68-71	
Product Respon-sibility	Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement	N/A	-	Not application giventhe industry characteristics
		PR2	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	PR3	Type of product and service information required by procedures	●	-	100%
		PR4	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
		PR5	Practices related to customer satisfaction such as the customer satisfaction survey	●	28-31	
	Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary rules related to marketing communications	●	41	
		PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	N/A	-	No violation
	Customer Privacy	PR8	Total number of complaints regarding breaches of customer privacy and losses of customer data	N/A	-	No complaint
	Compliance with Laws&Regulations	PR9	Monetary value of fines levied for violating laws and regulations on providing products and services	N/A	-	No violation

GRI G3.1 Guideline Application Level The 2013 sustainability report published by SK hynix has met the requirements to achieve the 'A+' level of the GRI G3.1 report standard chart, and also it has received the assessment that it is adequate for the 'A+' rating from DNV, a third party verification institution.

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	HR1, HR2, HR3, HR4, HR5, HR6, HR7, HR8, HR9	36-41
		Code of Conduct, chapter 3: Employee respect		
		Human rights & labor policy		
	2. We ensure employees are not complicit in the abuses of human rights.	Electronics Industry Code of Conduct	HR1, HR2, HR8	37, 62
		Terms of Purchase Contract		
		Human rights & labor policy		
Labour Standards	3. We uphold freedom of association and effectively recognize the right to collective bargaining.	Collective Agreement, Article 1 [The only negotiating body	HR5, LA4, LA5	56
		Collective Agreement, Article 6 [Guaranteeing union activities]		
		Human rights & labor policy		
	4. We uphold the elimination of all forms of forced and compulsory labor.	Employment Rules 3: Work	HR7	37, 56-57, 62
		Collective Agreement, Article 4 [Work hours/days off/holidays]		
		Human rights & labor policy		
	5. We uphold the effective abolition of child labor.	Employment Rules 1: Hiring	HR6	50-51, 62
		Hiring Regulations 5: Limitations on hiring		
		Human rights & labor policy		
	6. We uphold the elimination of discrimination in respect of employment and occupation.	Code of Conduct, chapter 3: Fair treatment	HR4,LA2,LA10,LA13, LA14	52-55
		Hiring Regulations 4: Hiring principles		
		Human rights & labor policy		
Environment	7. We support a precautionary approach to environmental challenges.	Code of Conduct, chapter 6: Eco-friendly management		65-67
		Environment·Safety·Health regulations		
	8. We undertake initiatives to promote greater environmental responsibility.	Code of Conduct, chapter 6: Eco-friendly management	EN5, EN6, EN7, EN10, EN14, EN18, EN21, EN22, EN26, EN27, EN30	68-72
		Environment·Safety·Health regulations		
	9. We encourage the development and proliferation of environmentally -friendly technologies.	Code of Conduct, chapter 6: Eco-friendly Management	EN2, EN5, EN6, EN7, EN10, EN18, EN26, EN27, EN30	22-23, 72
		Environment·Safety·Health regulations		
Anti-corruption	10. We work against corruption in all its forms, including extortion and bribery.	Declaration of Ethics Management	SO2, SO3, SO4	36-41
		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		

ISO 26000

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

Core Topic	Core Issue	Page (GRI index page insertion)	Reporting Level
6.2 Organizational Governance	6.2.3 Decision-making processes & structures	1.1, 1.2, 2.3 ,4.1 ~ 4.17	●
6.3 Human Rights	6.3.3 Due diligence	HR1, HR2, HR5, HR6, HR7	●
	6.3.4 Human rights risk situations	HR5, HR6, HR7	●
	6.3.5 Avoidance or complicity	HR1, HR2, HR3, HR5, HR6, HR7, HR8	●
	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 Labor 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	●
	6.4.7 Human development and training in the workplace	LA10, LA11, LA12	●
6.5 The Environment	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	●
	6.5.6 Protection of the environment, biodiversity and restoration of natural habitats	EN11 ~ EN15, EN25	◐
6.6 Fair Operating Practices	6.6.3 Anti-corruption	SO2, SO3, SO4	●
	6.6.4 Responsible political involvement	SO5, SO6	◐
	6.6.5 Fair competition	SO7	●
	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 Consumer Issues	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	●
	6.7.5 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	●
	6.7.9 Education and awareness	PR3, PR4, PR5, PR6, PR7	●
6.8 Community Involvement and Development	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	●
	6.8.6 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	●

Audit Report from the Independent Auditor

The Board of Directors and Shareholders of SK hynix

The auditor has audited the consolidated income statement, changes in equity and cash flow statement in accordance with the ending period that corresponds with the consolidated financial statement for December 31st, 2012 and December 31st, 2011 for SK hynix Inc. (formerly, hynix Semiconductor) as well as its subsidiaries. The responsibility of the documentation of this consolidated financial statement lies with the company's CEO, and the auditor has the responsibility to execute audits of the corresponding consolidated financial statement and give opinions based on the audit.

The auditor has executed the audit based on the K-IFRS standard. This standard requires the auditor to plan and execute the audit so that it can reasonably verify that significant distortions are not displayed. The audit includes the application of suggestions regarding the auditing evidence that supports the verification. In addition, the audit not only displays the assessment of the overall consolidated financial statement, but also the assessment of accounting principles and significant estimates conducted by the CEO. The auditor firmly believes that this audit provides reasonable evidence of the auditor's indication.

From the viewpoint of the auditor, SK hynix and its subsidiaries' financial performances and cash flow contents of December 31st, 2012 and December 31st, 2011 reflected in the aforementioned consolidated financial statement, are indicated adequately in accordance with the significance perspective based on the IFRS standard adopted by Korea.

Samil Pricewaterhouse Coopers CEO An Kyung-tae

February 20th ,2013

安昊台

Greenhouse Gas Verification Report

Entity

SK hynix Icheon Head Office, Cheongju Business Site, Seoul Office

Address

· 2091 Gyeongchungdae-ro Bubaleub Icheon Gyeonggi
· 337 Jigjidae-ro 2 Beltway 959 / 215 Daeshin-ro Heungdeuk-gu Cheongju Chungbuk
· 424 Teheran-ro Gangnamgu Seoul

Period

2012.1.1 ~ 2012.12.31

Emissions

2,766,192 tCO_2e

Year	Scope 1(tCO_2e)	Scope 2(tCO_2e)
2012	1,007,713	1,758,479

· This verification was executed for the provision of verification based on the reasonable assurance level of the Greenhouse Gas/Energy Goal Management Operation Guideline.
· There have been no signs of errors, omissions, or false records that could significantly affect the 'ADEQUATE' results that were detected from the verification activities that were executed.
· The qualitative aspect of the data complies with the major international principles of verification.

bsi.
Verification Opinion
SKHynix Inc.

Entity

SK hynix Semiconductor(China) Ltd.

Address

K7&K6-3 plot, Export Processing Zone Wuxi, Jiangsu 214028, China

Period

2012.1.1 ~ 2012.12.31

Emissions

1,064,078 tCO_2e

Year	Scope 1(tCO_2e)	Scope 2(tCO_2e)
2012	350,450	713,628

bsi.
Opinion Statement
Greenhouse Gases Emissions Verification

Independent Assurance Report

Introduction

Det Norske Veritas Certification Ltd. (hereinafter referred to as 'DNV') is commissioned to carry out assurance engagement on SK hynix Inc. (hereinafter referred to as 'SK hynix') 2013 Sustainability Report (hereinafter referred to as 'the Report'). This engagement focused on the information provided in the Report and the underlying management and reporting processes.
SK hynix is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV 's responsibility in performing the work commissioned is solely to the management of SK hynix, in accordance with terms of reference and scope of work agreed. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and authentic. SK hynix' stakeholders are the intended recipients of the assurance statement.

Scope of Assurance

This Assurance Engagement covered data from the calendar year 2012. SK hynix's reporting boundaries include all operations in Korea over which SK hynix's management exercises significant control and "WUXI FAB". The scope of DNV's Assurance Engagement, as agreed with SK hynix included the verification of:

- Data and activities related to sustainability that refer to the period between January 2012 and December 2012 as contained in the Report.
- Evaluation of the reporting principles for defining the sustainability report content and the quality as expressed in the Sustainability Reporting Guidelines GRI G3.1.
- Evaluation of Accountability Principles and Performance Information (Type 1) and evaluation of specific data and information in regards to water, waste and ethics (Type 2) with a moderate level of assurance, according to AA1000 Accountability Principles Standard 2008 and AA1000 Assurance Standard 2008.
- Check of GRI Application Level
- Our verification was carried out during April 2013. We visited SK hynix Head office and Icheon production site

Limitations

The engagement excluded the sustainability management, performance and reporting practices of SK hynix's suppliers, contractors and any third-parties mentioned in the Report. DNV did not interview external stakeholders as a part of this Assurance Engagement. Economic performances including financial data were cross-checked at the head-office with internal documents and audited financial statements.

Verification Methodology

This Assurance Engagement was planned and carried out in accordance with the DNV Verification Protocol for Sustainability Reporting (V.4.1) (www.dnv.com/cr) and AA1000 AS (2008). In accordance with the Protocol, the Report was evaluated with regard to the following criteria:

- Adherence to the principles of inclusivity, Materiality and Responsiveness, as set forth in the AA1000 AS(2008)
- The GRI G3.1, specifically with respect to all the requirements for the 'A+' application level

As a part of the verification, we challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls.
We examined and reviewed documents, data and other information made available to DNV by SK hynix. We acquired the information and technical data from the certified management systems. We performed sample-based audits of;

- The process for determining the materiality of the contents to be included in the Report.
- The process for generating, gathering and managing the quantitative and qualitative data included in the Report.

We interviewed a group of 10 people within the company who are involved in the operational management of matters covered in the Report.

Conclusions

In DNV's opinion, and based on the scope of this Assurance Engagement, the Report provides a reliable and fair representation of SK hynix's sustainability strategy, policy, practices and performance in 2012. DNV confirms that the Report meets GRI G3.1 Application level 'A+'. Further conclusions and observations on the adoption of reporting principles and specific performance information are made below.

Stakeholder Inclusivity_ SK hynix has engaged with a wide range of stakeholders regarding sustainability issues via survey and interview. The stakeholder engagement covers a wide range of stakeholders. Stakeholder communication channels are stated in detail in the Report. Respective business units identify the interest of stakeholders by engaging them with various ways. SK hynix's "WUXI FAB" in China is one of the main manufacturing sites. SK hynix needs to enhance the engagement with the local employees and local communities in China to identify their expectations and concerns that should be integrated into the sustainability management strategy. In our view, the level at which the Report adheres to the principle of Inclusivity is 'Good'.

Responsiveness_ Stakeholders' views, interests and expectations sought from stakeholder communications are considered in the preparation of the Report and in the formulation of SK hynix's sustainability management approach. The Report communicates the response on material issues with clarity. In our view, the level at which the Report adheres to the principle of Responsiveness is 'Good'.

Materiality_ External significant issues are identified by analysing peer group report and global sustainability standards. Analysis of media coverage and industry sustainability management issue are the basis of screening significant issues. SK hynix has mapped out internal and external issues and prioritize sustainability issues that are most material. The Report generally provides an account of performance on the issues that are the most significant to SK hynix' activities and which are the most relevant to its stakeholders. In our view, the level at which the Report adheres to the principle of Materiality is 'Good'.

Completeness_ The scope and boundary of the Report cover the issues and activities that are the most significant to SK hynix and relevant to its stakeholders. No material omissions are identified in data or information verified. In our view, the level at which the Report adheres to the principle of Completeness is 'Good'.

Principle of report quality_ Data and information presented in the report are generally reliable. Data and information owner has demonstrated to understand the data compilation. However, integrated data management needs to be established by recording the origin of data and information and storing the original data in the system. The control of the data and information about the sustainability performance should be improved. In our view, the level at which the Report adheres to the principle of Neutrality and Reliability are 'Acceptable'.

Findings in Relation to Specific Sustainability Performance Information

DNV has evaluated the nature and extent of SK hynix's adherence to the AA1000 Account Ability Principles as for Type 1 as described above. In addition, the reliability of the environmental performance (especially water consumption and waste generation) as well as ethical performance is evaluated. DNV has interviewed the responsible personnel for the data of water consumption and waste generation, and ethics management in order to figure out the generation, aggregation and processing of data and information. The verification team has reviewed the relevant documents and records based on which the statements in the Report are addressed. SK hynix has developed an effective methodology for gathering the specific information and data to use in the Report. The specific data and information were found to be identifiable and traceable. The responsible personnel for the data were able to demonstrate the origin and interpretation of the data in a reliable manner. From our analysis of the data and information, and SK hynix's processes that generate them, we conclude that the data and information included in the Report are the results of stable and repeatable activities.

Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported to SK hynix's management. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement.

·It is recommended to develop sustainability vision and long-term objectives and establish quantitative targets to enhance future measurement and reporting of performance.

Statement of Competence and Independence

DNV is a leading provider of sustainability services, including the verification of sustainability reports. Our environmental and social assurance specialists operate in over 100 countries. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV maintains complete impartiality toward interviewed stakeholders during the verification process. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Seoul, Korea
2013 April

Project Manager
Seung Hyun Kwak

Country Manager
In Kyoon Ahn

Assurance Engagement Reviewer
Antonio Astone

DNV BUSINESS ASSURANCE

AA1000 Licensed Assurance Provider 000-10

About This Report

Report Guidelines and Reporting Period

SK hynix is transparently delivering the company's economic, environmental, and social performance after reviewing the GRI (Global Reporting Initiative) 'G3.1' and ISO 26000, which are the guidelines for the Sustainability Report

The SK hynix Sustainability Report which is the sixth version since the first publication in 2008, has included five-year data from 2008~2012 so that the performance trends could be interpreted. Moreover, information on performance prior to 2012 and performance in 2013 were also included for those that were deemed to be critical. Also, the financial information included in this report was documented under the K-IFRS (K-IFRS: Korean International Financial Reporting Standards). SK hynix plans to continuously publish the Sustainability Report annually.

Reporting Period and Scope of Business Site

SK hynix's domestic sites, which are the head office (Icheon business site), Cheongju business site, Seoul office, etc. as well as China subsidiary's (Wuxi) data are included, and the data of other corporate bodies in overseas are separately stated.

Reliability of Report

This report has gone through the verification procedure based on the three major principles of AA1000AS(2008) DML from DNV, a global verification institution, in order to secure enhanced reliability. The results of the procedure have been reported on page 98~99

SK hynix 2013 Sustainability Report

Issue Date_ 2013 May
Issued by_SK hynix
Designed by_ Reddot Branding
Verification organization_DNV Certification Co., Ltd

2013

2012

2011

Cover Story

The cover provided symbolic visualization of the sustainability vision of SK hynix, creating a happy future with the customers through the new value creation. The simple image of semiconductor chips, which is the company's symbolic icon, is endlessly connected, expanded, and developed, which expresses the creation of new value and prosperity.

http://www.skhynix.com

2091 Gyeongchung-daero Bubal-eub Icheon-si Gyeonggi-do, Korea
SK hynix Ethics Management Group Ethics Management Team
Tel_82-31-630-3951 Fax_82-31-645-8033
E-mail_sustainability@skhynix.com

MIX
Paper from responsible sources
FSC™ C110010

PRINTED WITH SOY INK
This report has been printed with environmentally-friendly paper that used the chlorine-free bleached pulp (ECF) and soy ink.

SK hynix