

# Creating Value Happy Tomorrow

SK hynix 2014 Sustainability Report





## About this report

### Reporting Purpose

The purpose of this Sustainability Report is to share the vision, strategies, and activities involving the sustainability management that SK hynix pursues with its stakeholders and to ensure that their feedback and opinions are incorporated in corporate policies and decision making.

### Publication Principles and Reporting Term

SK hynix has published the Sustainability Report on an annual basis since 2008. This report is prepared in compliance with the GRI (Global Reporting Initiative) 3.1 and ISO26000 standards. The report covers the period from January to December 2013 and contains data from 2011 to 2013 to ensure that performance indicator trends can be identified. Certain information prior to 2013 or 2014 that is considered important is included as well. The financial information stated in this report has been prepared in accordance with K-IFRS (Korean International Financial Reporting Standards).

### Scope of Business Site

The scope of this report extends to the data regarding all business operations worldwide including the Headquarters of SK hynix in Icheon, Cheongju business site, and Seoul office, as well as the production business site in Wuxi, China. Information about any other overseas company is marked separately.

### Credibility of Report

This report has been validated according to the three principles (materiality, completeness, responsiveness) of AA1000AS (2008) by DNV GL. The result of the validation is stated on pages 74~75.

### What's different from the 2013 Report?

2013 has been a year of many changes and challenges for SK hynix. We took our stakeholders' opinions and areas of interest to heart and focused on our four key topics to deliver insights. Our management performance is also presented in the form of Input-Activity-Output according to the integrated reporting framework. Furthermore, we use DMA (Disclosure on Management Approach) to define our goal and commitment to sustainability management and provide new guidelines and directions.

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# 2013 SK hynix Highlights



## 01 Record-breaking Earnings, Emerged as Global Top 5

Our sales reached KRW 14,165 billion with an operating profit of KRW 3,380 billion (profit rate of 24%) last year. These are our highest earnings since the company was established 30 years ago.

This is largely due to favorable market conditions including an increase in DRAM price and the shipments of NAND Flash as

well as the technology migration processes and improved yields that allowed us to gain competitive edge in the market. For the first time, we are now listed by iSuppli as a Top 5 semiconductor supplier.

At SK hynix, we will continue to drive our growth based on technical innovation and a stable financial structure.



## 02 Leading the Industry in Innovation

Since our merger with SK Group, we have developed new products due to continuous investment and improved R&D performance. We have developed the world's first 8Gb/6Gb LPDDR3 DRAM in response to the market demand for high-end mobile devices. In December we announced a more powerful 8Gb LPDDR4 DRAM of existing LPDDR3 — maintaining our technology leadership in the mobile market. Furthermore, we jointly developed HBM (High Bandwidth Memory), the world's first TSV (Through Silicon Via)-based ultra-high speed memory and AMD (Advanced Micro Devices) ultra high speed memory with AMD as part of our efforts to reinforce our portfolio in response to the need for next generation applications. For NAND Flash, we built a mass-production system for 16 Nano 64Gb MLC that has reduced the size while completing the development of 128Gb products in response to the market demand for large capacity solutions.



## 03 Improved R&D capabilities

In August 2013, we established the "Analysis Center" at the R&D Center in Icheon to enhance our analytical expertise in identifying the physical properties and the causes for defects during our R&D and mass-production process. This will allow us to apply the result of analysis to the development process in real-time and significantly reduce the time requirement.

In November, we established the Storage Media Solutions Center at KAIST to improve our competitive advantage in the NAND Flash solution market. This enables joint research with KAIST for the development of the controller's hardware and software technologies for solutions such as SSD and eMMC.



## 04 Patent Licensing for solving managing uncertainty

In June, 2013, we signed comprehensive license agreement with Rambus. We can now use all the patented technologies held by Rambus for the next 5 years. Several lawsuits raised by the company were also withdrawn, resolving future uncertainty in our business environment.

In July, we entered a cross-license agreement with Samsung Electronics in the semiconductor segment. This eliminates the chance of potential disputes regarding patent issues and allows us to focus on technical innovation.

## 05 Early Recovery of Fire at Wuxi FAB in China

On November 20, 2013, Wuxi FAB in China resumed its full operation (wafer input standard) after the fire that resulted in its shutdown. The recovery took 76 days since the fire on September 4, 2013. The industry and analysts expected it would take more than 6 months, but we were able to expedite the recovery process due to support from the business site

in Icheon and Cheongju as well as the strong contribution of our employees. The Wuxi FAB achieved the same level of productivity as before the incident and resumed its role as the largest DRAM production base in China. We have learned much from this experience and will enhance our safety measures to prevent any industrial accident in the future.





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## ⑥ Strengthening Environment and Health Management

In order to strengthen environment safety, we hold monthly "ESH (Environment, Safety, Health) Management Committee" with CEO as the commissioner to check and improve the corporate-wide compliances with ESH standards. We organized an ESH Advising Committee consisting of academic experts and civic organizations to gain more

objective insights into our environmental management. We have also been engaging in various social contribution activities such as a local river cleaning campaign and tree planting campaign to promote environmental awareness in Icheon and Cheongju where our business sites are located.



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## ⑦ Induction into the 'CDP Hall of Fame'

In October 2013, we made it into the Carbon Management Global Leaders Club, selected by the CDP (Carbon Disclosure Project) Committee Korea for 5 consecutive years, and became the first Korean company to be inducted into the "Hall of Fame." Since we joined the CDP in 2007, we have been recognized for our strong commitment to low carbon management,

leading in the CDLI (Carbon Disclosure Leadership Index) in the IT sector. We acquired the 'Certificate of Carbon Footprint Labeling' from the Ministry of Environment for our 30 Nano-class 4Gb LPDDR2 DRAM and 20 Nano-class 64Gb NAND Flash, which demonstrates our initiative to reduce greenhouse gases and energy consumption.

## ⑧ Join the EICC

In October, 2013, we joined the EICC (Electronics Industry Citizenship Coalition) as part of our commitment to social responsibility as a global electronics manufacturer. This will help us comply with the codes of conduct in 5 key areas (labor, environment, health & safety, ethics, and management system) and respond to the demands of stakeholders to

reach global standards as we take a more realistic and active approach. We will further enhance our professional training and various support programs in line with our Suppliers commitment to social responsibility.



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## ⑨ Named in DJSI World for the Fourth Consecutive Year

We are named in the DJSI (Dow Jones Sustainability Index) World for the fourth consecutive year.

In 2010, SK hynix was added to DJSI World in the Asia Pacific Index for the first time and named Korea Index in 2011. We have also made it on the index for 4 consecutive years and have been consistently recognized as a sustainable company in the global industry. This will help us improve our global positioning in terms of brand reputation and investment analysis.



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## ⑩ Happiness Sharing Activity for Local Communities

We are consistently engaged in social contribution activities for local communities. In particular, approximately KRW 2.4 billion was gathered in 2013 through employees' voluntary participation and the company's matching grant since 2011 under 'Happiness Sharing Fund' to deliver dreams and hope to the children and youth of local communities where business sites are located for sharing activities. A small portion of employees' monthly wages has been donated to support local communities by providing briquettes, scholarships, school uniforms, and so on. At SK hynix, we will continue to help disadvantaged neighbors in need as part of our community support program.



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## CEO Message



**Dear Stakeholders,  
I would like to thank you for  
your continuous interest and support of SK hynix.**

In this 7<sup>th</sup> edition of our Sustainability Report, we mark the major steps that we took to achieve sustainable growth and fulfill our commitment to social responsibility in the aspects of economy, environment, and society.

2013 has been the year for us to step up our game and consolidate our position as a leading chipmaker in the global market. We delivered record-breaking sales and profit and were inducted into the “Carbon Management Global Leaders Club” Hall of Fame. Now, we have been listed on the DJSI World for four consecutive years.

We expect that there will be many challenges and unpredictable obstacles in our business environment this year. Despite unfavorable economic prospects, we will build a strong foundation for sustainable growth through continued technical innovation and high value-added product development and emerge as a global leader in the industry.

With our commitment to the environment and safety as cornerstone for our growth, we will ensure that all employees of our company will unite and work together to prevent industrial accident.

Finally, it is our ultimate goal and guiding principle to share happiness with our stakeholders. In addition to creating value for our stakeholders, we will serve as a key role in social and economic growth, ensure proactive communication, and deliver sustainable values for our society.

Your interest and support are our most powerful driving forces for our success and are greatly appreciated.

Thank you.

April 2014  
Sung-wook Park  
President/CEO of SK hynix



## Company Profile Overview

SK hynix is attaining competitive advantages through continuous research and development and investment to emerge as a Global Semiconductor Leader in the global market.

	<b>Company name</b>	▶ SK hynix Inc.
	<b>CEO</b>	▶ Sung-wook Park
	<b>Address of Headquarter</b>	▶ 2091, Gyeongchung-daero Bubal-eup Icheon Gyeonggi South Korea
	<b>Areas of Business</b>	▶ Manufacture and sales of semiconductor devices
	<b>Number of Employees</b>	▶ 24,683
	<b>Total Assets</b>	▶ KRW 20,797,298 million
	<b>Sales</b>	▶ KRW 14,165,102 million
	<b>Operating Profit</b>	▶ KRW 3,379,785 million
	<b>Website</b>	▶ <a href="http://www.skhynix.com">http://www.skhynix.com</a>

(Consolidated, end of December 2013)

### Credit Rating

Organizations	Rating	Date
NICE Credit Rating	A+	June 27, 2013
Korea Ratings	A+	June 20, 2013
KIS Ratings	A+	June 20, 2013
Moody's	Ba2	August 20, 2013
S&P	BB+	December 5, 2013

### Subsidiaries

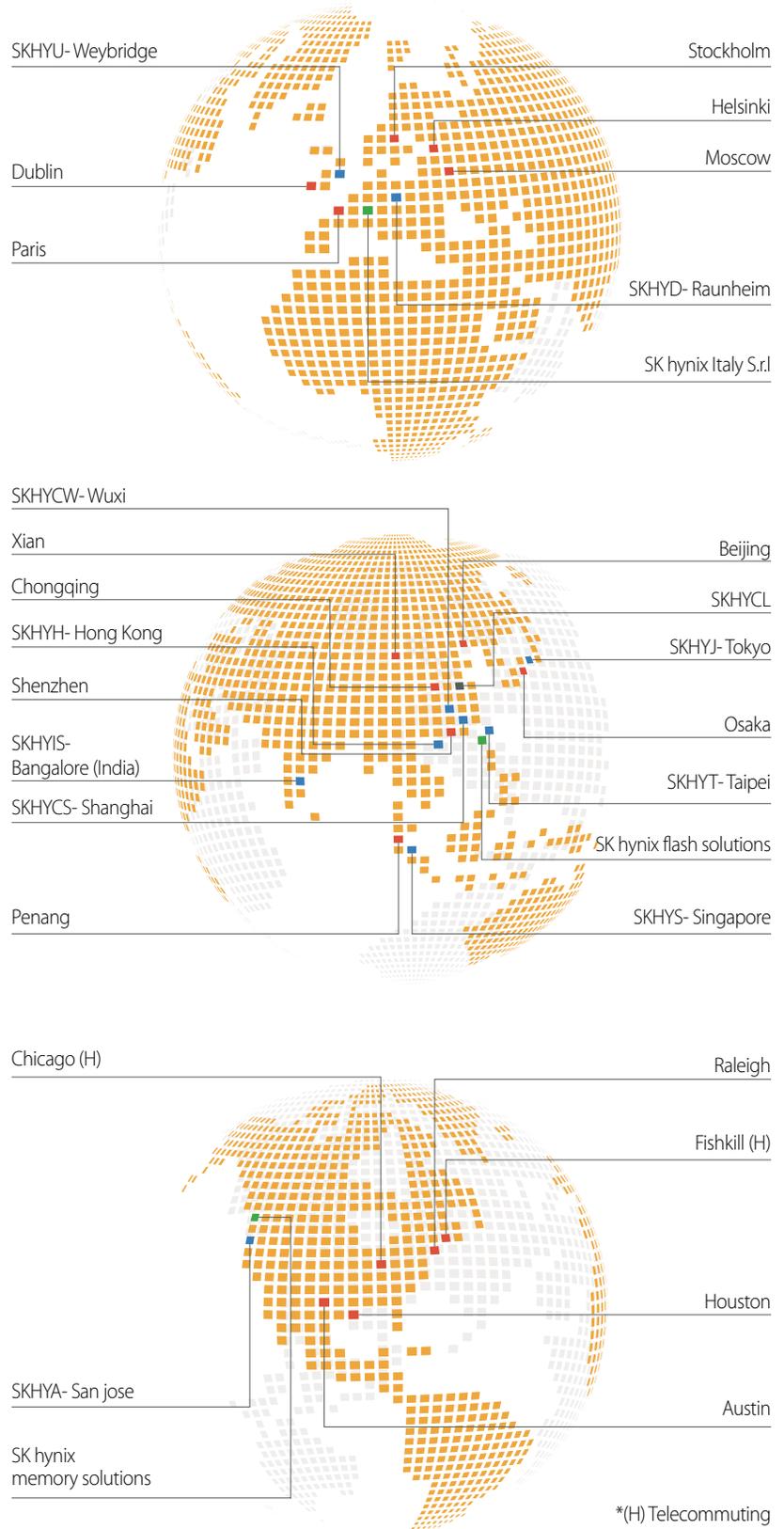
Category	Company Name	Category	Company Name
Domestic	SK hyeng Co., Ltd	Overseas	SK hynix Semiconductor (Shanghai) Co., Ltd. (SKHYCS)
	SK hystec Co., Ltd		SK hynix Japan Inc. (SKHYJ)
Overseas	SK hynix America Inc. (SKHYA)		SK hynix Semiconductor Taiwan Inc. (SKHYT)
	Hynix Semiconductor Manufacturing America Inc. (HSMA)		SK hynix Semiconductor (China) Ltd. (SKHYCL)
	SK hynix Deutschland GmbH (SKHYD)		SK hynix Semiconductor (Wuxi) Ltd. (SKHYMC)
	SK hynix Europe Holding Ltd. (SKHYE)		SK hynix(Wuxi) Semiconductor Sales Ltd. (SKHYCW)
	SK hynix U.K. Ltd. (SKHYU)		SK hynix Italy S.r.l. (SKHYIT)
	SK hynix Asia Pte.Ltd. (SKHYS)		SK hynix memory solutions Inc. (SKHMS)
	SK hynix Semiconductor India Private Ltd. (SKHYIS)		SK hynix Flash Solution Taiwan Ltd. (SKJFST)
	SK hynix Semiconductor Hong Kong Ltd. (SKHYH)		SK APTECH Ltd. (SKAPTECH)
			SK hynix Semiconductor (Chongqing) Ltd. (SKHYCQL)

# Global Network

SK hynix has a production facility in Wuxi, Jiangsu province in China as well as FABs in Icheon, headquarters, and Cheongju in Korea. 10 Sales Subsidiaries in the US, Germany, UK, Japan, Singapore, India, Taiwan, China and Hong Kong along with 16 affiliated sales offices make up its global marketing operations. Three R&D Subsidiaries in US, Italy and Taiwan enhance main R&D functions in Korean headquarters.

## Status of oversea operations

- Production Subsidiary: 1
- Sales Subsidiary: 10
- R&D Subsidiary: 3
- Sales Offices: 16



## Sales by Region

Region	Sales (unit : KRW million)	employees (persons)
South Korea	1,105,083	20,698
North America	5,191,619	296
China	3,038,355	3,460
Asia (excl. China, South Korea)	3,751,737	137
Europe	1,078,309	92

## Global Sites (number)

Region	Subsidiaries	Offices
South Korea	14	16
North America	3	4
China	6	2
Asia (excl. China, South Korea)	2	5
Europe	3	5

\*(H) Telecommuting

# Corporate Governance

## Efficient Operation of Board of Directors

### Composition of Board of Directors

The board of directors is the main decision-making authority of SK hynix's corporate governance structure, working to increase corporate values and achieve sustainable growth. The board consists of 3 executive and 6 non-executive directors; totaling nine with non-executive directors making up more than two-thirds to ensure the independence in making managerial decisions. The limits of their compensation are determined at the annual meeting.

In 2013, 10 board meetings were held, resolving 1.9 agendas on average per meeting. The non-executive directors attended the meetings at a rate of 94%. The audit committee held 8 meetings with 2.4 agendas resolved on average; the meeting attendance rate was 95.8%.

### Board of Directors Subcommittees

#### Audit Committee

**Composition:**  
4 non-executive directors  
(Doo-kyeong Kim, Dai-il Kim, Chang-yang Lee, Jong-won Choi)

**Role:**  
audit accounting, appoint external auditor



#### Non-executive Directors Recommendation Committee

**Composition:**  
1 executive director  
(Sung-wook Park)  
2 non-executive directors  
(Young-jun Park, Sai-ree Yun)

**Role:**  
recommend the candidates for non-executive director



### BOD Training and Workshop



### Executive Directors

Name	Experience	Job Title
<b>Hyung-gyu Lim</b>	<ul style="list-style-type: none"> <li>• Director of Samsung General Technology Center</li> <li>• President of Samsung Strategic Planning New Business Team</li> <li>• (Current) Vice President of ICT Technology and Growth Management under SK Supex Promotion Committee</li> </ul>	-
<b>Sung-wook Park</b>	<ul style="list-style-type: none"> <li>• Managing Director of HAS, SK hynix</li> <li>• Executive Director R&amp;D Center, SK hynix</li> <li>• Vice-President of SK hynix</li> <li>• (Present) CEO/President of SK hynix</li> </ul>	Chairman of Board of Directors Non-executive Directors Recommendation Committee
<b>Joon-ho Kim</b>	<ul style="list-style-type: none"> <li>• Chief Prosecutor of Policy Planning, MOL,</li> <li>• Vice President of Ethics management Div., SK</li> <li>• President of CMS/Chief of Ethics management, SK Energy</li> <li>• President of GMS, SK Telecomm</li> <li>• (Present) Chief of Corporate Center, SK hynix</li> </ul>	-

### Non-executive Directors

Name	Experience	Job Title
<b>Doo-kyeong Kim</b>	<ul style="list-style-type: none"> <li>• Finance Market Team Director, Bank of Korea</li> <li>• Managing Director of Korea Federation of Banks</li> <li>• Advising Professor of Korea Banking Institute</li> </ul>	Audit Committee
<b>Young-june Park</b>	<ul style="list-style-type: none"> <li>• Researcher, US IBM</li> <li>• Senior Researcher, Kumsung Semiconductor</li> <li>• Manager of Seoul University Semiconductor Joint Research Institute (Present) Professor of Electrical Eng., SNU</li> </ul>	Non-executive Directors Recommendation Committee
<b>Sai-ree Yun</b>	<ul style="list-style-type: none"> <li>• 20<sup>th</sup> of Bar Exam</li> <li>• Prosecutor of Busan Supreme Prosecutors' Office</li> <li>• Attorney at Yoon and Partners</li> <li>• (Present) Partner of Yulchon</li> </ul>	Non-executive Directors Recommendation Committee
<b>Dai-il Kim</b>	<ul style="list-style-type: none"> <li>• Professor of Economics, Rice University</li> <li>• Researcher at Korea Development Institute</li> <li>• (Present) Professor of Economics, SNU</li> </ul>	Audit Committee
<b>Chang-yang Lee</b>	<ul style="list-style-type: none"> <li>• 29<sup>th</sup> Public Administration Exam</li> <li>• Manager of Industrial Policy, MOTIE</li> <li>• (Present) Professor of KAIST College of Business</li> </ul>	Audit Committee
<b>Jong-won Choi</b>	<ul style="list-style-type: none"> <li>• 26<sup>th</sup> Public Administration Exam</li> <li>• Policy Evaluator of Fair Trade Commission</li> <li>• Dean of Administration Graduate School of Seoul University</li> <li>• Chief of Management Evaluation Agency of Public Agencies under the Ministry of Strategy and Finance</li> <li>• (Current) Professor of Administration Graduate School at Seoul University</li> </ul>	Audit Committee

(As of March, 2014)

### Non-executive Directors Committee

Non-executive Directors Meeting is consist of only Non-executive Directors members. It is a organized meetings for non-executive directors to discuss the agenda and related topics of the board of directors prior to the BOD meeting to secure the procedure justifiability and objectiveness of the resolution of the BOD meeting. In 2013, 9 meetings were held to review the agenda of the BOD meeting of the BOD meeting in advanced.

### Enhanced efficiency of BOD

At SK hynix, we support the role of the board of directors through the BOD Site and video conference system. We strive to enhance their expertise and help them gain more insights through training programs and workshops. In 2013, we held 3 workshops for the board of directors.

# Compliance Management

## Vision and Goal

If a company does not manage its risks involving legal affairs, it may result in far more losses than earnings while disrupting its foundation for sustainable growth. At SK hynix, we prevent any such loss through compliance activities and enforce fundamental but very important compliance to be practiced voluntarily in all aspects of our business management, resulting in the growth of sustainability management.

As a part of these efforts, we focus on online/offline training programs to make sure that our employees do not violate laws or regulations due to a lack of knowledge.

## Action Strategy and Performance

To minimize loss due to unexpected circumstances, we identify all the risks in legal affairs by category and perform evaluation and training on a regular basis.



In 2012, we carried out a field inspection on 'Internal Contract Mgmt.' under HR and Labor Affairs and 'Infringement on Sales Secret' under IP areas, and presented the result of the inspection to each organization. In 2013, we conducted anti-cartel and subcontract training programs to prevent any violations of sales and purchase regulations.

In addition, we implemented preventative measures and evaluated internal policies and contracts to identify legal risks to ensure full compliance of overseas business operations in Italy, England, and Germany.

### Anti-Cartel Training

Date	Description	Participants (persons)
Jun.	Resident and Local Employees in Japan	20
Jun.	Resident and Local Employees in China	97
Aug. – Nov.	Online Training for Marketing Department	359
Nov.	Marketing Executives/ Team Managers	21
Nov.	Marketing Team	167
Nov.	European Company	36
Dec.	US Company	73

### Subcontract act Training

Date	Description	Participants (persons)
Jun.	Subcontract act Training for PKG and TEST	20
Jul.	Subcontract act Training for SCM and Relevant employees	50

# Ethics Management



**Key Revision Points**

- Separate Code of Ethics from its Practice Guidelines and adopt them into corporate policies.
- Reflect the trend in the EICC\* revisions.
- Enhance the power of execution by reflecting the trend of entertainment and expenditure for congratulations and condolences.

\* EICC : Electronic Industry Citizenship Coalition

## Compliance with Ethics Standard and System

### Seventh Revision of Code of Ethics

In July, 2013, we revised our Code of Ethics in practical details to improve members' understanding of ethics and to ensure that they practice ethics.

### Ethics survey

In order to increase the level of Ethics management, the Ethics survey, which analyzes leaders' and members' Ethics standards, is conducted annually to draw out and improve ethics issues. Employees working in overseas corporate bodies will be included in 2014.

### Pre-approval System for External Lecture

At SK hynix, we implemented "Pre-approval System for External Lecture" as a part of our ethics management program. When giving a lecture based on the knowledge and information acquired during the course of employment, employees need to submit the application form to obtain approval in advance and donate 50% of the compensation to the company voluntarily. In 2013, a total of 16 cases were reported with a donation of KRW 2.9 million.

## Ethics Training Programs

### Offline Ethics Training in the Field

At SK hynix, we are offering True Voice ethics class in organizational units to introduce ethics regulations and the system of the corporation along with various cases. As of 2013 in particular, we mandated biannual ethics training where the leaders of each organization are required to attend to increase the effects of the training. In addition, we implemented an educational system where our staff provides a training program, when requested by our partners, to make sure they follow our ethics guidelines and promote win-win growth. In 2013 about 200 people from 166 suppliers were invited to our ethics training programs.

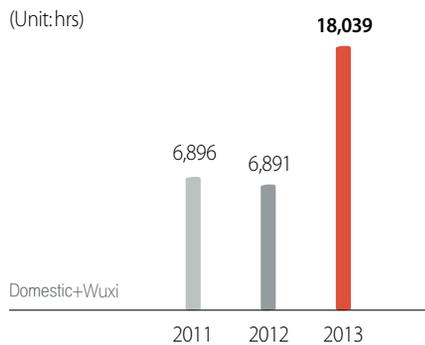
### Ethics Training Focusing on Debate

'Chamsori Voice Ethics Theater', which has a purpose to create a communicative bond between leaders and members, is operated in a way that members discuss amongst themselves after cascade training program in which leaders take the initiative in ethics management and set an example for members. We analyzed unethics practices in the past 6 years and created a video content based on this analysis. These videos are then used by team managers to train their employees and conduct group discussions.

About 8,000 employees participate in this program on a monthly basis, and the opinions shared during the discussion are incorporated into the revision of the Code of Ethics and corporate policies.

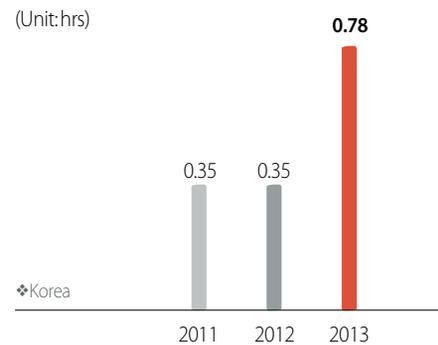
#### Ethics Training

(Unit: hrs)

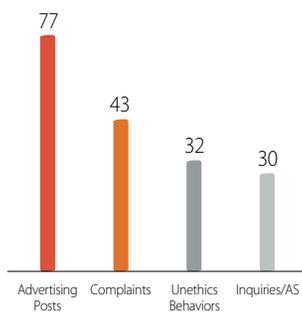


#### Training hrs per person

(Unit: hrs)

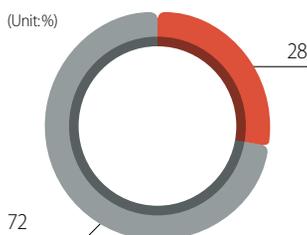


#### Cases by Type



#### Disciplinary Measures

- Severe Disciplinary Actions
- Light Disciplinary Actions



### IT System Operation

#### Cyber Reporting System

At SK hynix, we have operated our Cyber Reporting System since 2000 to make sure that any violation of our Code of Ethics can be reported. The system supports multiple languages (Korean/English/Chinese/Japanese) to increase its accessibility for all stakeholders.

#### Reporting Status

Year	2013	2012	2011
Total report (Cases)	182	210	201
Valid Report (Cases) ♦	62	85	101

♦ ♦ : Cases that have been 'investigated'

### Ethics management in Wuxi FAB

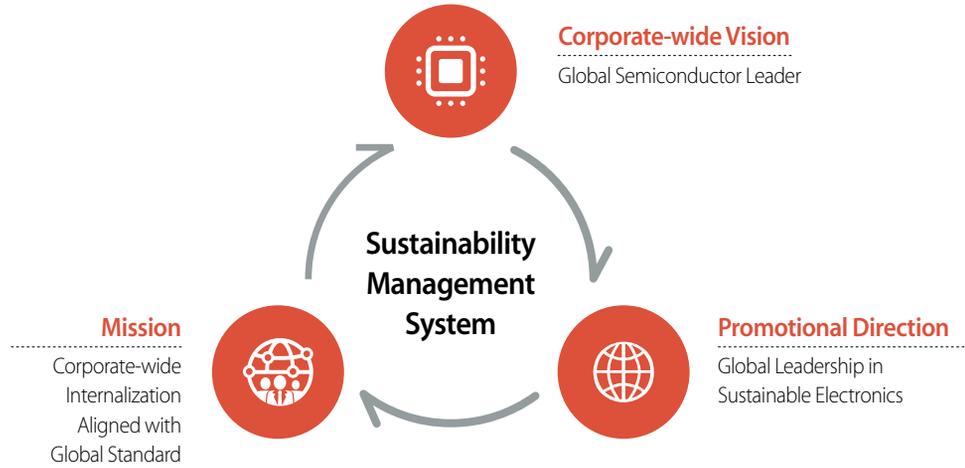
The same ethics policies and systems in Korea apply to Wuxi FAB in China. Relevant information is available on the website in order for all employees and stakeholders to understand and participate in our commitment to ethics business practice.

The ethics committee of Wuxi FAB is managed under the direct supervision of the head of the organization; it focuses on the ethics management system, education and PR, spread of the stakeholders, and other activities to become an ethics company. Ethics Practice leaders are appointed by each team to serve as a guide for ethics business practice.

All the employees are required to complete the ethics programs when joining the company and undergo training at least once every two years. An onsite job ethics class is also provided for each functional/organization unit.

# Sustainability Management

## Corporate-wide Sustainability Management



### Sustainability management Performance

**MEMBER OF**  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

DJSI World/Asia Pacific (4 consecutive years), Korea Index (3 consecutive years) (RobecoSAM, Sept.)

**30**

Top 30 East Asia Enterprises (Hankyoreh Economic Research Institute, Oct.)

**CDP**  
DRIVING SUSTAINABLE ECONOMIES

CDP Carbon Management Global Leaders Club\* Hall of Fame (CDP Korea, Oct.)

**AAA**

KoBEX SM "AAA" (5 consecutive years) (Ministry of Trade, Industry and Energy, Nov.)

한국에서 가장 존경받는 기업

**All Star 30**

Most Respected Korean Enterprises All Star 30 (2 consecutive years) (Korea Management Assoc., Jan. 2014)

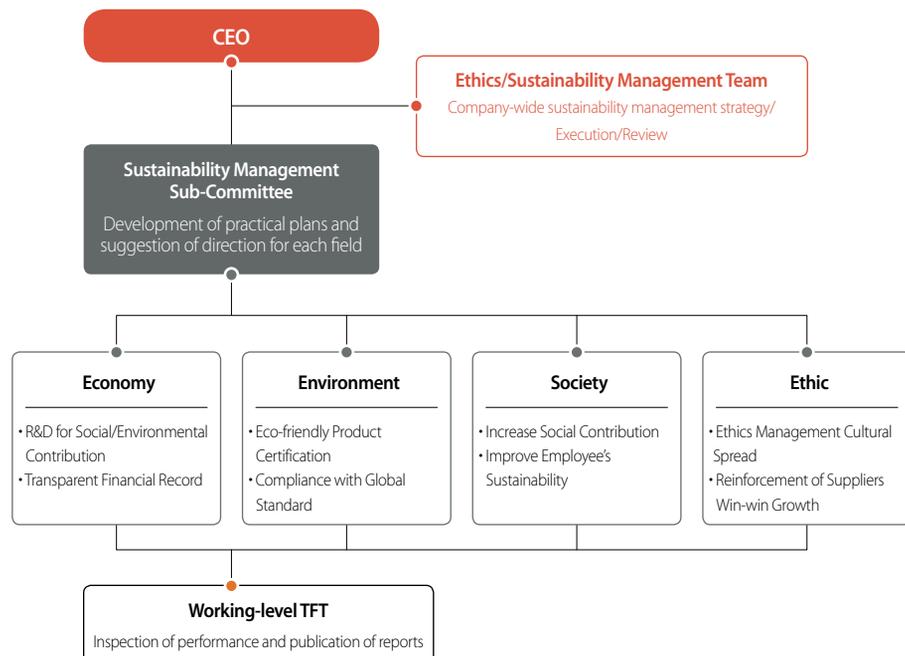
### Areas of Sustainability Management

At SK hynix, we promote sustainability management by focusing on three areas: participation of stakeholders, corporate-wide CSR change management, and CSR risk management

In 2013, we conducted online/offline interviews with our stakeholders in addition to existing communication channels. Various programs will be implemented to ensure further communication in the future. We are also connecting the current tasks with sharing of Global Trend and bench marketing of advanced corporations to continuously find practical assignment and evaluate performance for CSR change management. For minimization of CSR risks, self-questionnaires, education, public relations and consulting are implemented to actively respond to customers' requests.

### Organization for Sustainability Management

To achieve our vision based on specialized, practical business management, sustainability is managed with four special units under the Subcommittee.



**Sustainability Management Goals and Performances**

● : Completed   ● : In Progress   ○ : Not Implemented

Category	Sustainability Management Tasks	2013		2014		Relevant organization	
		Performance	Level	Plan			
Employees	New HR System	Improved the new HR system	●	Establishment of New HR/expanded improvement of compensation system		HR	
	Performance Management	Built E-HR system in line with G-ERP system	●	Evaluate and improve E-HR operation			
	Fair Trade and Voluntary Compliance	Trained for cartel and subcontract act	●	Conduct prevention training and distribute monthly legal trend		Legal Affairs	
	Talent Development and Competitive Advantages		Conducted leadership skill training	●	Establishment of Leadership Pipeline (Leader Fostering System)		HRD
			Supported intervention to solve organizational issues	●	Implementation of employee strengthening Values-up Program		
Communication for Job Satisfaction	Improved new employee development system (Entry to Group → Entry to Company → Step up Program)		●	Build new comer orientation and performance management system			
	Created system benefit videos Increased SK hynel offline partners (20%)		●	Increase communication channels for management and unions/employees		Labor Affairs	
Environment	Corporate-wide Energy Saving Activities	Conducted consulting for energy mgmt.system	○	Introduce energy mgmt.system (ISO 50001)		Facility Tech	
		Reduced energy consumption by 684TJ	●	Expansion of activities to save energy and improve efficiency			
	Hy-CAP Project	• Replaced aging prevention business site in Icheon/Cheongju • Reduced HF (1.1ton)	●	• Increase prevention system standard to the entire FAB		ESH	
	Source Control	Deployed prevention measures based on inspection standard	●	• Conduct preventative inspection per FAB • Enhance safety measures for hazardous jobs			
		Implemented 1 <sup>st</sup> step of regional water system (15,000m <sup>3</sup> /day)	●	Increase regional water supply to 20,000m <sup>3</sup> /day (permission granted)			
	LCA Applicability	• Achieved LCA rate of 91% • Acquired EDP	●	Reach LCA rate of 95%			
	Product Eco-Efficiency	Reached Factor 4.3	●	Reach Factor 4.5			
	Expansion of carbon Certified /Low Carbon Products	Increased product certification (Cumulative 8 product acquired)	●	Increase product certification (Cumulative 10 products)			
	Initiative for Water Source Management	• Responded to CDP Water Disclosure • Developed IPA waste recycling technology	●	• Assess environmental impact • Apply IPA waste recycling technology for mass-production			
	Conflict Mineral	Completed investigation (EICC form, certificate of origin)	●	Prepare checklist and audit companies (3Q)		Quality Assurance	
RoHS, REACH	Entire schedule delayed due to delay in RoHS schedule/secured companies that developed (3 companies)	○	Promote early development of major suppliers e.g. ABCO, Phycomp				
Business Partners	Win-win growth and Fair Trade Agreement	Achieved goal for each item (tech escrow system (15), performance sharing system (6), tech/quality instruction (179))	●	Enhance win-win growth support • Join Industrial Innovation 3.0 • Join technical sharing program		SCM	
	EICC Expansion System	Provided consulting/training for 10 partners	●	Organize EICC workshop for partners Enhance the evaluation system for sustainability for partners • SAQ training/consulting • EICC VAP for partners		Ethics/ Sustainability Management	
Local Society	Fund Raising for 'Happiness Sharing'	Raised fund for 'Happiness Sharing' (KRW 20Bn/3,360 recipients)	●	Increase fund and number of recipients (KRW 24Bn/3,750 recipients)		Corporate Culture	
	IT Science and Art Sponsorship	Organized SK hynix IT Science Exploration Team of 80 children and international tour	●	Increase the number of participants and ensure better experience			
		Supported music lessons for 80 children in Icheon/Cheongju and organized a concert	●	Increase the recipients for Orchestra of Dream			
	Talent Sharing Volunteer Activity	Organized Junior Engineering Class 7 times a year	○	Organize Junior Engineering Class 10 times a year			
		Selected 50 volunteers for SK hynix Pro Bono	●	Organize activities in collaboration with pro bono organizations such as SESNET			
Local Community Projects	4,629 activities/9,676 volunteers	●	Improve monitoring of volunteer activities in collaboration with local communities				
Sustainability Management	Ethics Management Analysis	Scored avg.95.9 in general evaluation/analysis carried out for stakeholders	●	Distribute ethics Management guidebook to partners		Ethics/ Sustainability Management	
	Strategic Response to Global Standard	Certified for EICC VAP in response to global standard (Icheon)	●	Build and update certification mgmt.system for EICC VAP Cheongju/Wuxi			

# Communication with Stakeholders

## SK hynix Stakeholders Communication Channels

### Customers

- QBR (Quarterly Business evaluation)
- CSC (Customer Service Center)
- Product Exhibition and Distribution of Brochures
- Survey
- Web Service in Multi-Languages
- Newsletter

### Employees

- SK hynix Communication Forum
- SK hynix magazine
- ESH Management Committee
- Labor-Management Conference
- Junior Board Operation
- Management Presentation
- Operation Presentation

### Shareholders/Investors

- General Meeting of Shareholders
- Publication of Performance and Conference Call of Performance Presentation
- Investors' Meeting
- Non Deal Road Show
- Domestic and Abroad Conferences



### Suppliers

- General Meeting of Win-win Growth Committee
- Win-win growth Day
- Onsite Chamsori Ethics Class
- CRS Consulting
- Win-win growth Academy
- Chamsori Newsletter

### Local Communities

- Happiness Sharing Fund Committee
- Industry-Academy Program and Affiliation
- Local Children's Center
- Junior Engineering Class

### Government/NGO

- Eco-Management Advisory Committee
- Korea Semiconductor Industry Association
- Federation of Korean Industries
- Korea Chamber of Commerce and Industry
- Social Welfare Join Fund Raise

## Interview with Stakeholders

In 2013, we conducted interviews and online surveys with our stakeholders to identify their needs and expectations and incorporate them into our business practices.

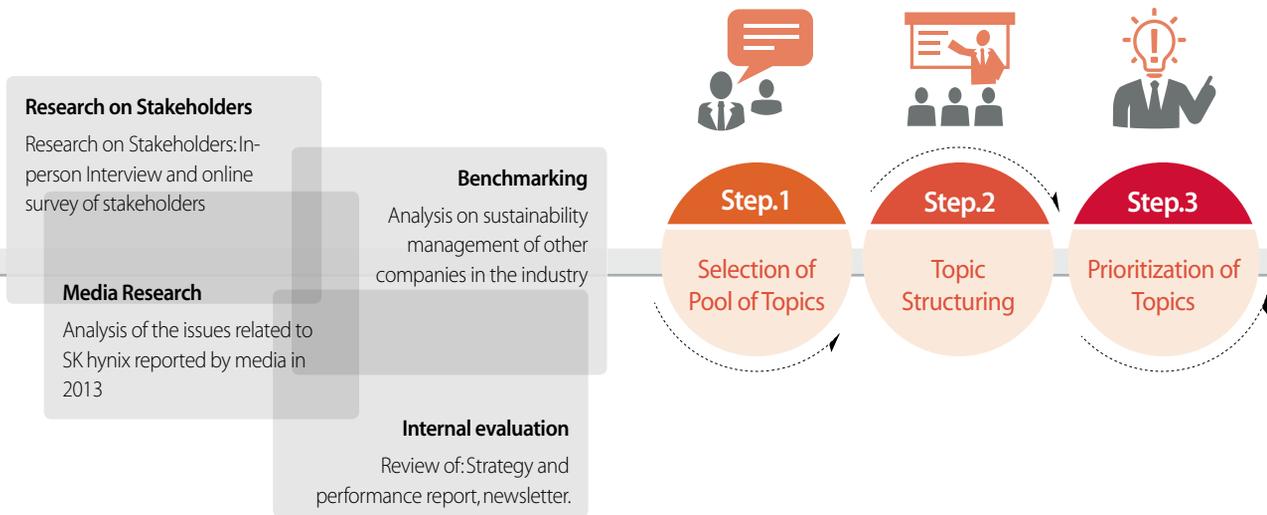
### Interviewees and Topics

Category	Customers	Employees	Suppliers	Local Communities	Shareholders/ Investors
Offline Interview	LG Electronics CSR Department	Relevant CSR Team	Heesung Metal MK Electronics	Citizen's Coalition of Economic Justice Icheon	Hana Daetoo Securities
Online Survey Interview	147 Major customers	Sustainability Management Worklevel TFT and All Employees in the Relevant Departments	177 Major Partners	NGO and NPO in Icheon	Analysts from Major Investors
Online Survey Interview Key Topics	<ul style="list-style-type: none"> <li>• Promote communication with stakeholders</li> <li>• Presentation of business status, technical advantage, sustainability performance, and achievement through sustainability report</li> <li>• Areas of Interest: Risk/hazardous substance control, safety/health of employees, customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Promote CSR activities with focus on local communities</li> <li>• External communication on positive changes made after merger with SK Group</li> <li>• Areas of Interest: Risk/hazardous substance control, more stable employment, anti-corruption system</li> </ul>	<ul style="list-style-type: none"> <li>• Communication with partners on a regular basis</li> <li>• Win-win growth program for risk management and technical training</li> <li>• Areas of Interest: Risk/hazardous substance control, eco-friendly technical innovation and production, positive labor management relationship, social influence of supply chain</li> </ul>	<ul style="list-style-type: none"> <li>• Communication with location communities on a regular basis</li> <li>• Social contribution program tailored to each local community</li> <li>• Areas of Interest: Risk/hazardous substance control, eco-friendly technical innovation and production, employee safety and health, contribution to local communities</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery of sustainability management information on time</li> <li>• Preventative safety measures</li> <li>• Financial performance after merger with SK Group</li> <li>• Areas of Interest: Risk/hazardous substance control, fair performance evaluation, product safety</li> </ul>

# Materiality Test

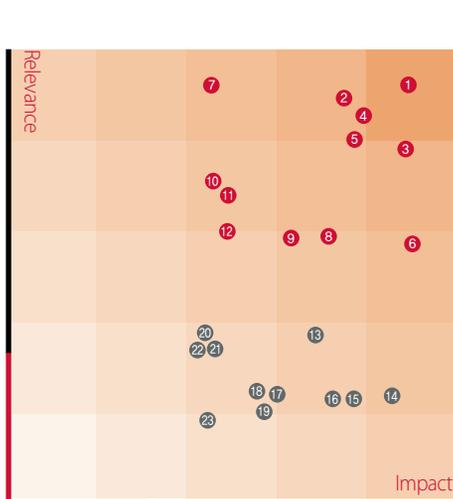
## Implementation of Materiality Test

A pool of topics were selected based on research on stakeholders, benchmarking, media research, and internal evaluation and 23 topics were chosen through topic structuring.



23 topics were selected according to Relevance (with sustainability management) and Impact (on sustainability management) and classified into 12 Key Topics and 11 Other Topics.

### Materiality Issue Map



Key Topics	Other Topics
1 Eco-friendly Technical Innovation and Patent	13 Employment Stability
2 Social Contribution to Local Communities	14 Greenhouse Gas
3 Chemical Substance Control	15 Environmental Management System
4 Labor Management Relationship	16 Training and Career Development
5 Compliance	17 Energy Saving
6 Win-win growth	18 Water Resource Management
7 Performance after Merger with SK Telecomm	19 Waste Management
8 Environmental and Safety Accident Recovery Process	20 Fair Performance Evaluation
9 Customer Satisfaction	21 Product Safety
10 Corporate Culture Innovation	22 Environmental Management Information Discloser
11 Business Competence	23 Employee Performance and Benefits
12 Practical Financial Information Discloser	

❖ Topics of materiality test were drawn based on the aspect level of GRI G4 guidelines

# 4 Material topics to SK hynix

SK hynix reported with a focus on the four key areas in which stakeholders are most interested. Applying the integrated reporting framework defined by IIRC (International Integrated Reporting Council), we focused on the following aspects of each issue: Input, Activity, and Output.



16	Economic Growth
30	Corporate Culture
36	Environment, Health and Safety
46	Supply Chain Management

# DMA

## (Disclosure on Management Approach)

In 2013, the employees of SK hynix's strong dedication, creativity and smart, executive's leadership, SK Group's support was based on factors such as the multifaceted. Despite the ongoing uncertainties in the management environment, we will continue to produce results to faithfully play the role of citizen corporation growing together with society.

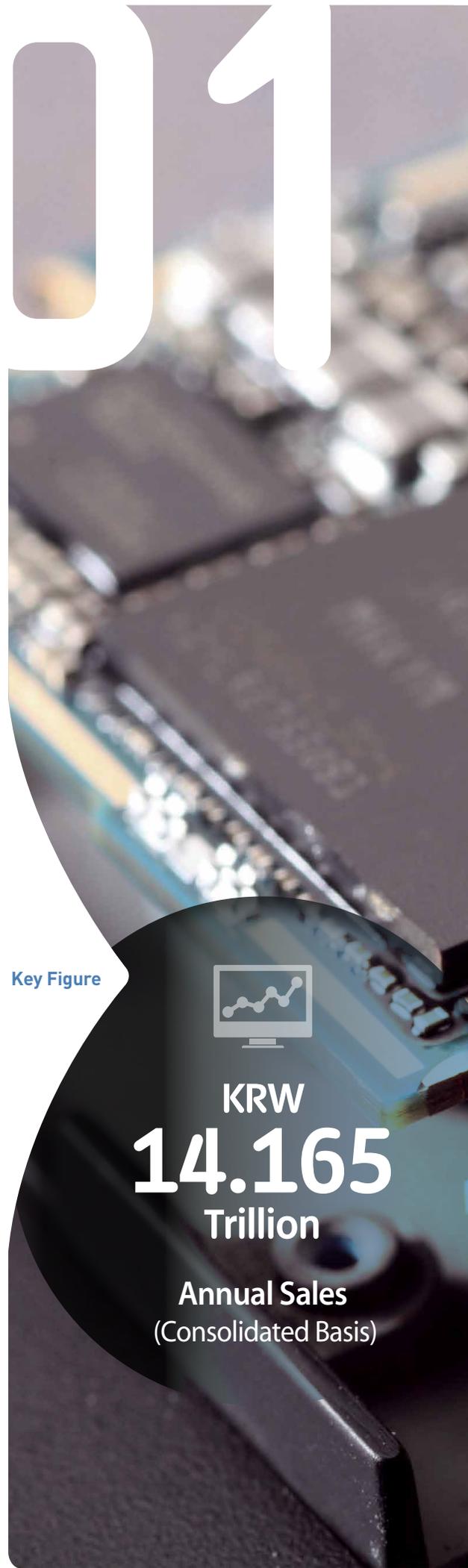
Aspect	DMA
<b>Economic Performance</b>	<p><b>Key Factors for Sustainability Management</b></p> <p>SK hynix became part of SK Group through M&amp;A in 2012 after the walk out caused by unstable business operation in 2001. The merger had positive influence on the company business operation and marketing positioning. The business performance right after the merger was critical for the company continues to grow. SK hynix shares its economic gains and values with the stakeholders in the pursuit of sustainable business management.</p>
	<p><b>Approach Strategy</b></p> <p>We are adopting SK's advanced management system and creating synergistic with SK Group while increasing our investment in the R&amp;D sector to secure leading technologies. More details about our business plans and strategies are stated in Page 25-26.</p>
	<p><b>Performance Evaluation</b></p> <p>In 2013, SK hynix reached KRW 14.165 trillion in sales with KRW 2.873 trillion in net profit, exceeding the market expectation. The third party validated financial information is available on Page 20-23.</p>

Key Figure



**KRW**  
**14.165**  
**Trillion**

**Annual Sales**  
**(Consolidated Basis)**



# Economic Growth



5<sup>th</sup>

Global Ranking  
(iSuppli, Based on sales)



World's First

Development of 16nm  
64 Gb MLC NAND Flash

# Market and Performance Analysis 2013

## Market Analysis 2013

### Market Trend

In 2013, the global semiconductor market grew by 4 percent because of a dramatic growth in the communication sector and turnaround in the vehicle and industrial sector. However, the demand for computer and household appliances is in decline despite an overall trend of recovery.

#### Factors for Increasing Demand

- Wired/wireless communication: 4G market growth
- Automotive: Technical innovation and increasing demand e.g. navigation, telematics
- Industrial: Surging demand for LED lamps and CCTV

#### Factors for Decreasing Demand

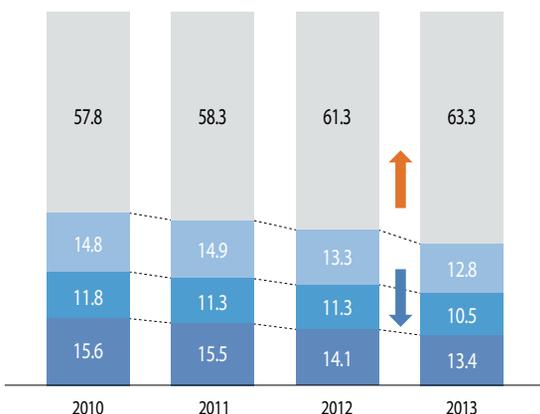
- Computers: Shrinking PC market
- Household appliances: Decreasing demand for mobile devices

### Regional Demand

When it comes to regional demands, emerging markets including China consume 63% of the global chip supplies leading the demand. There is an increasing demand from clustered production business sites in China and India while the demand for finished products is also on the rise from these countries. The 2012 drop of consumption in North America and Europe is recovering, but the concentration in Asia continues.

#### Semiconductor Market Share by Region

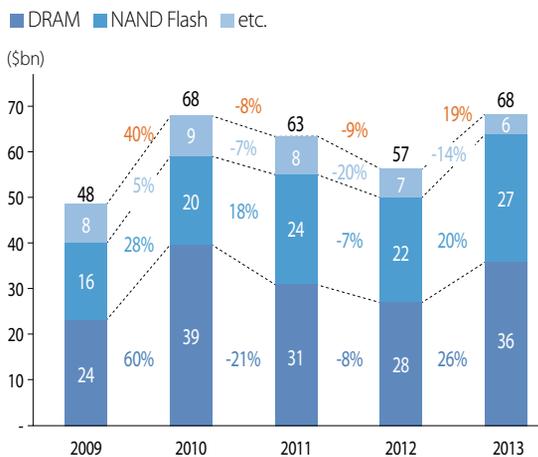
■ North America ■ Japan ■ Europe ■ Asia  
(Unit: %)



### New Trend in Memory Semiconductor Market

The memory semiconductor market grew by 19% last year with USD 68 billion in 2013, because of the restructuring of suppliers and the end of fierce price competition after Elpida Memory's bankruptcy. The increasing demand for mobile devices with a slowdown in supply increase resulted in an overall rise in price.

#### International Trend in Memory Semiconductor Market



#### Price Trend of DRAM DDR3 2Gb



#### Price Trend of NAND Flash MLC 64Gb



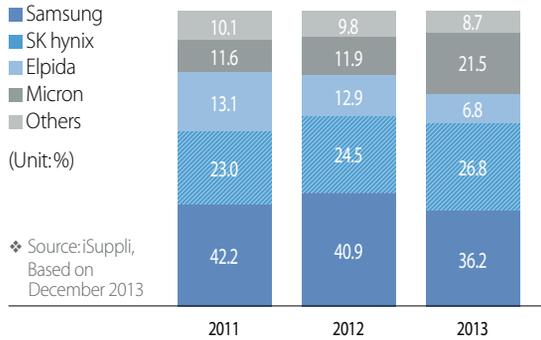
### Market Share

#### DRAM

SK hynix joined Samsung and Micron as one of the three powers in the memory semiconductor market in 2013. As Japan's Elpida, which had the third-largest market share, filed bankruptcy, the

market moved toward a oligopoly structure, reducing variability and creating profits.

**Market Share in DRAM**



**Mobile DRAM Market Share**

(Unit: %)

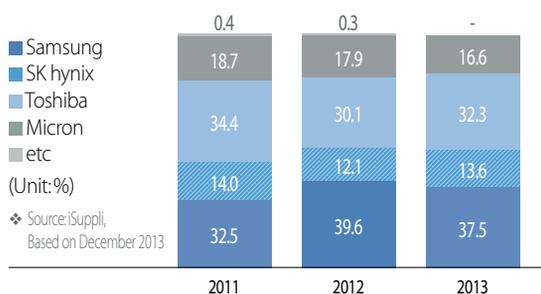
Suppliers	2011	2012	2013
SK hynix	20.0	23.4	22.7
Samsung	53.9	53.3	46.7
Elpida	21.1	20.0	11.6
Micron	4.7	3.0	18.1
Nanya	0.1	0.1	0.7
Winbond	0.2	0.2	0.2
Total	100.0	100.0	100.0

❖ Source: IDC

**NAND Flash**

NAND Flash is continuously growing due to the development in the mobile and storage markets. The market share of NAND Flash is 37.5% for Samsung Electronics and 13.6% for SK hynix based on the sales in 2013 according to iSuppli, a market research institute. SK hynix plans to increase its market share through reinforced capabilities for SSD (Solid State Drive) and mobile eMMC in the future.

**NAND Flash Market Share**



**Competitive Advantages through Synergy of SK Group**

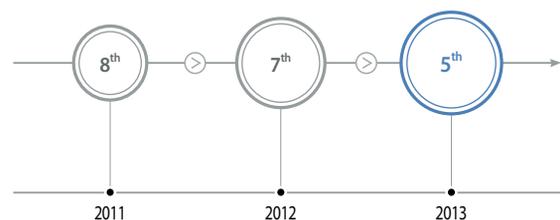
As one of the three key growth drivers for SK Group along with Energy chemistry and ICT (Information & Communication Technology) sectors, SK hynix plays a critical role in its nation's economic progress and increasing exports. After the merger, not only did we experience synergistic effects such as the creation of a new ICT paradigm by combining business performance within the group but it also built a foundation for further growth.

First, we established a vision for long-term growth and through this we are able pursue future-oriented growth strategies. In the past, we had to focus on short-term profit while keeping our investment at minimum under the pressure of the creditors. The incorporation with SK Group allows us to realize our long-term vision and implement strategies.

Second, we are able to invest in a more aggressive, sustainable manner. With the support of SK Group, we acquired such companies as LAMD (US), Ideaflash (Italy), and Innostor eMMC (Taiwan). We recently built back processing FAB in China and are promoting an expansion of FAB in Icheon for a long-term growth. Third, we are planning to expand into system semiconductor business in collaboration with SK Telecomm in the future. We are going to diversify our business portfolio to grow into a total semiconductor solution provider. This will allow us to cooperate with SK Telecomm and build a foundation for us to respond to fast changing market environment by implementing an effective market sensing process.

We set a record in sales and profits due to the creation of business synergy. Our global ranking in the semiconductor industry rose from 8th in 2011 and 7th in 2012 to 5th in 2013 (4th, Foundry TSMC if excepted).

**Global Ranking in Semiconductor Industry (Source: iSuppli)**



# Market and Performance Analysis 2013

66<sup>th</sup> Term : 2013.01.01 ~ 2013.12.3165<sup>th</sup> Term : 2012.01.01 ~ 2012.12.31

## Financial Statement

### Summary Profit and Loss Statement (Consolidated)

(Unit: KRW million)

Subject	66 <sup>th</sup> Term (Current)	65 <sup>th</sup> Term (Previous)	Loss or Gain
Net sales	14,165,102	10,162,210	4,002,892
Cost of Sales	8,864,587	8,550,989	313,598
Gross profit	5,300,515	1,611,221	3,689,294
Selling and administrative expenses	1,920,730	1,838,570	82,160
Operating Income (loss)	3,379,785	(227,349)	3,607,134
Non-operating expenses	304,860	(28,048)	332,908
Profit (loss) before income tax (benefit)	3,074,925	(199,301)	3,274,226
Income tax expense (benefit)	202,068	(40,506)	242,574
Profit (loss) for the year	2,872,857	(158,795)	3,031,652

2013 was a year when the uncertainties in the world economy continued amid the quantitative easing policy of the U.S., depression in the European economy, and financial anxieties in the new markets. The demand for PC experienced unprecedentedly poor showing, but mobile devices such as smartphones and tablet PCs, raised overall demand for memory for mobile devices. The DRAM business completed restructuring to lead firm growth of the memory market.

Despite challenging management conditions following the fire in Wuxi factory, SK hynix produced great results in sales and profits due to favorable memory prices and increased shipments. We also focused on converting the manufacturing process to sell profitable products and improving the production cost to raise productivity.

### Sales

Company sales in 2013 were KRW 14.1651 trillion, which was a 39% increase compared to KRW 10.1622 trillion in 2012 to achieve the largest volume of annual sales due to stable price conditions following the structural changes in the memory market.

### Operating Profit

Our Company in 2013 concentrated on enhancing production cost through amicable memory prices, increased amount of shipping, concentrated won. Transformation of process, and improvement of productivity to record business profits of KRW 3.3798 trillion.

### Non-operating expenses

Non-operating expenses of 2013 were KRW 304.9 billion, which was an increase by KRW 332.9 billion from KRW (28 billion) in 2012. The increase of the non-operating expenses was due to the loss of foreign exchange/conversion profits of 2013 compared to 2012 and the accidental damage from the Wuxi factory fire.

66<sup>th</sup> Term : 2013.01.01 ~ 2013.12.3165<sup>th</sup> Term : 2012.01.01 ~ 2012.12.31

## Condensed Balance Sheet (Consolidated)

(Unit: KRW million)

Subject	66 <sup>th</sup> Term (Current)	65 <sup>th</sup> Term (Previous)	Loss or Gain
<b>Current Assets</b>	6,653,124	5,313,573	1,339,551
Cash and cash equivalents	631,867	658,387	(26,520)
Short-term financial instruments	2,154,532	1,126,229	1,028,303
Trade receivables	1,941,675	1,719,521	222,154
Loans and other receivables	323,759	125,055	198,704
Inventories	1,178,300	1,509,331	(331,031)
Other current assets	422,991	175,050	247,941
<b>Non-current assets</b>	14,144,174	13,335,120	809,054
Investment in jointly controlled entities and associates	107,097	104,100	2,997
Available-for-sale financial assets	158,770	44,297	114,473
Property, plant and equipment	12,129,797	11,586,192	543,605
Intangible assets	1,110,403	983,630	126,773
Other non-current assets	638,107	616,901	21,206
<b>Total Asset</b>	<b>20,797,298</b>	<b>18,648,693</b>	<b>2,148,605</b>
<b>Total liabilities</b>	<b>7,730,439</b>	<b>8,909,251</b>	<b>(1,178,812)</b>
Non-current liabilities	3,078,239	4,441,180	(1,362,941)
Current liabilities	4,652,200	4,468,071	184,129
<b>Total equity</b>	<b>13,066,859</b>	<b>9,739,442</b>	<b>3,327,417</b>
Capital stock	3,568,645	3,488,419	80,226
Capital surplus	3,406,083	3,053,874	352,209
Accumulated other comprehensive income (loss)	(108,807)	(115,402)	6,595
Retained earnings	6,201,322	3,313,265	2,888,057
Non-controlling interest	(384)	(714)	330
<b>Total liabilities and equity</b>	<b>20,797,298</b>	<b>18,648,693</b>	<b>2,148,605</b>

## Assets

Total assets as of the end of 2013 were KRW 20.7973 trillion, which is an increase of KRW 2.1486 trillion from KRW 18.6487 trillion of the previous term (end of 2012). The increase is attributed to an increase of cash equivalents (including short-term financial instruments) following the improvement in sales performance in 2012 and an increase of tangible assets following large-scale investment in business sites.

## Liabilities

The total liabilities as of the end of 2013 were KRW 7.7305 trillion, which is a decrease by KRW 1.1788 trillion compared to the KRW 8.9093 trillion of the previous term (end of 2012). The reduction

was due to the return of loans reducing the total loans by KRW 1.9218 trillion.

## Capital

The total ownership of interest as of the end of 2013 is KRW 13.0669 trillion, which is an increase KRW 3.3275 trillion compared to KRW 9.7394 trillion of the previous term (end of 2012). The increase was due to the increase of profit surplus including the net profit KRW 2.8729 trillion in 2013 and an increase of capital stock and capital surplus through the conversion of convertible bonds into stocks.

## Market and Performance Analysis 2013

66<sup>th</sup> Term : 2013.01.01 ~ 2013.12.3165<sup>th</sup> Term : 2012.01.01 ~ 2012.12.3164<sup>th</sup> Term : 2011.01.01 ~ 2011.12.31

### Statement of Cash Flow (Consolidated)

(Unit: KRW million)

Subject	66 <sup>th</sup> Term (Current)	65 <sup>th</sup> Term (Previous)	64 <sup>th</sup> Term (Previous)
<b>Net cash generated from operating activities</b>	6,372,056	2,211,651	2,855,960
Cash generated from operations	6,521,553	2,420,894	3,079,865
Interest Received	58,888	81,931	68,107
Interest Paid	(199,553)	(275,169)	(275,866)
Dividends Received	17,414	12,098	8,883
Income tax paid	(26,246)	(28,103)	(25,029)
<b>Net cash used in investing activities</b>	(4,892,125)	(4,698,379)	(3,389,264)
Decrease in short-term financial instruments	3,927,831	2,754,789	2,653,392
Increase in short-term financial instruments	(4,956,446)	(3,252,006)	(2,334,896)
Decrease in other financial assets	29,681	-	-
Increase in other financial assets	(276,591)	-	(5,983)
Decrease in loans and other receivables	2,728	11,640	10,249
Increase in loans and other receivables	(5,969)	(8,661)	(7,379)
Proceeds from derivatives	3,656	2,419	19,013
Payments from derivatives	(6,550)	(44,507)	(5,974)
Proceeds from disposal of assets classified as held for sale	-	23	6,931
Acquisition of investments in associates	-	-	(12,180)
Proceeds from disposal of property, plant and equipment	331	11,190	-
Acquisition of property, plant and equipment	(115,564)	(3,618)	(7,897)
Proceeds from disposal of tangible assets	15,509	35,809	14,371
Acquisition of tangible assets	(3,205,797)	(3,772,879)	(3,568,238)
Proceeds from disposal of intangible assets	200	1,226	13,946
Acquisition of intangible assets	(301,496)	(159,072)	(176,111)
Proceeds from disposal of Investment prop-erty	-	-	12,153
Changes in a parent's ownership interest in subsidiaries	-	-	(661)
Acquisition of investments in subsidiaries	(3,648)	(274,732)	-
<b>Net cash provided by (used in) financing activities</b>	(1,499,989)	1,917,122	519,133
Proceeds from borrowings	3,528,687	6,966,003	2,434,510
Repayments of borrowings	(5,028,676)	(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)
<b>Effect of foreign exchange rates on cash and cash equivalents</b>	(6,462)	(15,795)	4,733
<b>Net decrease in cash and cash equivalents (loss)</b>	(26,520)	(585,401)	(9,438)
<b>Cash and cash equivalents at the beginning of year</b>	658,387	1,243,788	1,253,226
<b>Cash and cash equivalents at the end of year</b>	631,867	658,387	1,243,788

## Consolidated Statements of Changes in Equity

(Unit: KRW million)

Category	Capital									
	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				
<b>Balance at January 1, 2011</b>	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	Loss for the year	-	-	-	(56,641)	(56,641)	670	(55,971)	
		Remeasurements of the net defined benefit liability	-	-	-	-	(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 entity and associate	-	-	(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)
<b>Balance at December 31, 2011</b>	2,978,498	1,229,052	107,107	5,762	3,555,323	7,875,742	(471)	7,875,271		
<b>Balance at January 1, 2012</b>	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)	
		Remeasurements of the net defined benefit liability	-	-	-	-	(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 entity and associate	-	-	(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)
Transactions with equity holders of the Parent Company		Issuance of common stock	509,250	1,816,726	-	-	2,325,976	-	2,325,976	
		Exercise of conversion rights	52	210	-	-	262	-	262	
		Exercise of stock options	619	4,440	-	(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
<b>Balance at December 31, 2012</b>	3,488,419	3,053,874	(115,402)	-	3,313,265	9,740,156	(714)	9,739,442		
<b>Balance at January 1, 2013</b>	3,488,419	3,053,874	(115,402)	-	3,313,265	9,740,156	(714)	9,739,442		
Changes in Equity	Comprehensive Income	Profit(loss) for the year	-	-	-	2,872,470	2,872,470	387	2,872,857	
		Remeasurements of the net defined benefit liability	-	-	-	-	15,587	-	15,587	
		Loss on the valuation of available-for-sale financial assets	-	-	(655)	-	-	(655)	-	(655)
		Other comprehensive loss from jointly controlled entity and associate	-	-	(1,226)	-	-	(1,226)	-	(1,226)
		Currency translation differences	-	-	8,476	-	-	8,476	(57)	8,419
		Total comprehensive income	-	-	6,595	-	2,888,057	2,894,652	330	2,894,982
Transactions with equity holders of the Parent Company		Exercise of conversion rights	80,226	352,209	-	-	432,435	-	432,435	
		Total transactions with equity holders of the Parent Company	80,226	352,209	-	-	432,435	-	432,435	
<b>Balance at December 31, 2013</b>	<b>Company</b>	3,406,083	(108,807)	6,201,322	13,067,243	(384)	13,066,859			

# Market and Performance Analysis 2013

## Creation & Distribution of Economic Performance

(Unit: KRW million)

**Sales**



**14,165,102**

Domestic	1,105,083
Americas	5,191,619
China	3,038,355
Asia (excl. China, South Korea)	3,751,737
Europe	1,078,309

**Etc(depreciation cost, etc)**

**(2,965,982)**

**Employees**



**2,138,919**

Salaries	1,732,695
Retirement Benefits	125,495
Employee Welfare and Services	280,729

**Local Communities**



**243,618**

Taxes and Utilities	240,396
Donations	3,222

**Business Partners**



**5,687,104**

Materials Cost	1,986,556
Consumables, Repairs, etc	2,748,091
Outsourcing Costs	952,457

**Company**



**2,872,857**

Reservation Value 2,872,857

**Shareholders and Creditors**



**256,623**

Interest Costs 256,623

# Market Forecast and Strategy for 2014

## Market Forecast for 2014

The memory semiconductor market of 2014 is in a blooming season of effects of industrial reorganization, resulting in sustainable high profits with a continuous supply shortage of DRAM and fierce competition to take the lead in the growing NAND Flash market.

### Forecast of Changes in the Memory Industry Environment

#### Changes in the Demand Environment

**Effects of Economic Recovery**

- **Increase in ICT Demand with the Recovery of Advanced Countries' Economy**
  - Focus on Software (Stagnation Period)
  - Expansion of Hardware (Recovery Period)

**Changes in the Demand for ICT Devices**

- **Increase in Mobile Devices and Sustained Decline in Traditional Computing Devices**
  - Continued Decline of PC with Combination of Wired and Wireless Services, Expansion of Demand for Mobile Devices in Rising Nations

#### Changes in the Supply Environment

**Emergence of Alternative Technology to Process Refinement**

- **Beginning of Mass Production of Products Incorporating 3D NAND Flash Technology**
  - Uncertainty in Resolution of Technological, Economical Issues in Process refinement
  - Emergence of 3D NAND Flash, TSV, DRAM 3D Packaging
- **Increased Importance of Solution Technology**
  - Embedded Solution Combining Software
  - Increased Capacity, Improved Reliability and Performance

**Reorganization of Business Competitive Dynamics**

- **Increased Profitability of DRAM, Intensified Competition for NAND Flash**
  - Rejection of Damaging Competitive Pricing of the Past
  - Concentrated Investment in NAND Flash with Growth Potential

The demand for semiconductors in vehicles is expected to grow with the increase in demand for vehicles in terms of the fields of industry applying semiconductors. The accelerated digitalization of vehicles and increased supply of electric vehicles are likely to result in the increased demand for semiconductors. The mobile market will see gradual growth due to the increased demand for tablets and smartphones in rising nations. The development and distribution of new technologies such as Big Data and Cloud are expected to contribute to tremendous growth in semiconductor equipment related to SSD and storage.

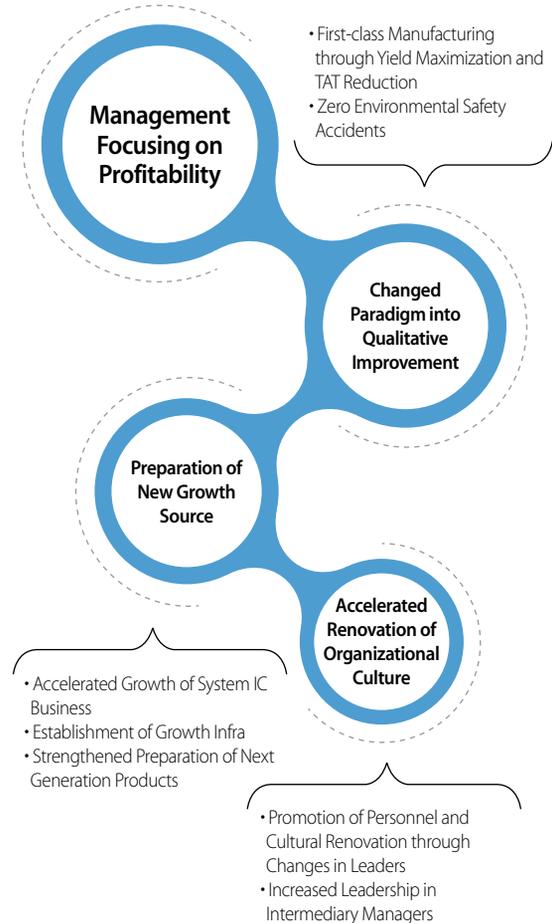
## Strategic Direction for 2014

The customers' demand and relationships with competitors in the semiconductor market are proving more difficult to be predicted year after year. Customers expect high-performing and high-quality products at lower prices, while suppliers are experiencing difficulties responding to customers' demands due to the increasing complexity of the refining process.

SK hynix took the year of 2014 as an opportunity to position itself as a leader in the industry and expand the gap between itself and followers by establishing four strategic directions.

### 4 Company-wide Strategic Directions for 2014

- Establishment of Early Mass Production of DRAM 2y nm
- Completed Internalization of NAND Flash Solution

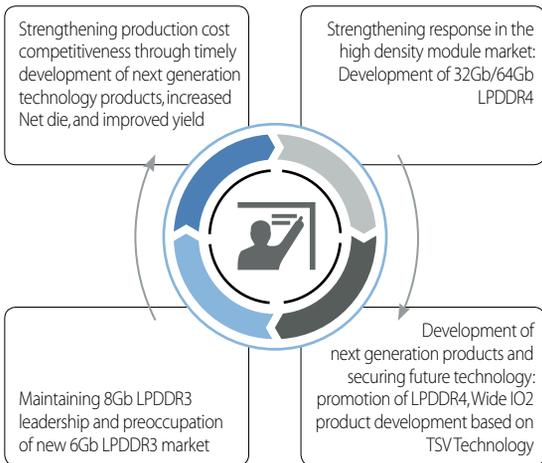


# Market Forecast and Strategy for 2014

## DRAM

In 2013, SK hynix developed the world's first 20 nano-class 6Gb and 8Gb LPDDR3, HBM products, and 20 nano-class 8Gb LPDDR4 products, which are the standard of the next generation mobile DRAM, to enhance mobile product competitiveness even further. Its technological competitiveness will continue to produce early mass production of DRAM 20 nano-class in 2014 and attain competitiveness in the high-speed memory HBM market based on TSV (Through Silicon Via) laminating technology to be power player in the growing Mobile DRAM market.

### DRAM Business Strategies



## NAND Flash

SK hynix built a mass production system of NAND Flash applying the world's first 16 nano process proving its leadership in the Refining Process technology in 2013. The NAND Flash Solution used in the latest smart devices achieve high capacity and performance to emphasize the importance of Controller which regulates performance and quality. In response, SK hynix developed its own Controller Solution to increase its competitiveness by securing the most advanced technology such as 3D NAND Flash Technology in the Storage market.

### NAND Flash Business Strategies

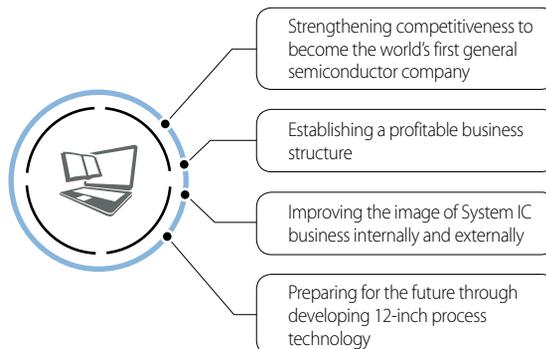


## System IC

The System IC business is in its early stages, but it holds great future potential; System IC is gaining more attention because there are high expectations for its future success.

CIS(CMOS Image Sensor), which is the major product of System IC business, recorded twice as much sales as that of 2013, carrying an equal lineup of products as the leading company with 800 million-resolution BSI (Backside illumination) products. It continues to produce profits and achieve growth every quarter. Our foundry is increasing the number of products annually and the number of customers is increasing both domestically and overseas.

### System IC Business Strategies



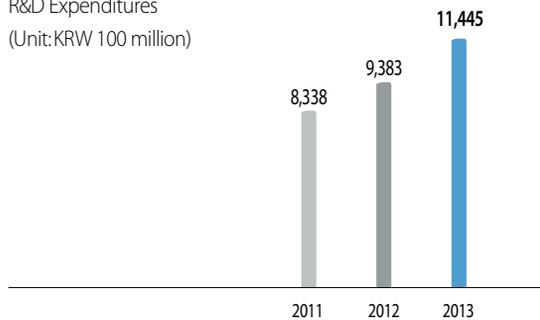
# Strengthen Research and Development

## Strengthening Investment in R&D

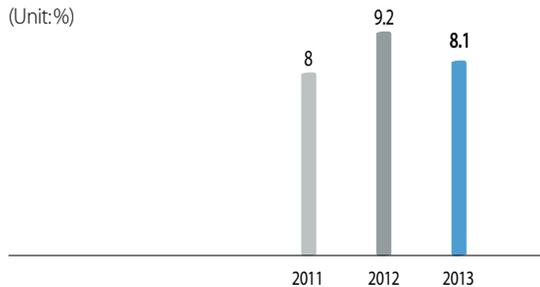
The future of SK hynix depends on continuous investment in R&D and its results. The R&D investment of SK hynix is carefully evaluated and executed based on the technology roadmap from a medium to long-term point of view. It is leading the company to become a 'First mover', not as a 'Fast follower', through effective performance management

### R&D Investment Status

R&D Expenditures  
(Unit: KRW 100 million)



R&D to Sales Ratio  
(Unit: %)



## Increasing R&D Infrastructure

SK hynix took over LAMD (currently SKHMS), an American controller company in June, 2012. From then on, it worked on various infrastructures such as establishment of Flash Solution Design Center in Bundang in September and Storage Media Solutions Center in November, 2013 to gain an advantage in NAND Flash solution market. The Storage Media Solutions Center conducts joint research with KAIST to work with the highest levels of personnel from domestic academic circles. This is expected to significantly increase our competitiveness hardware and software technology of the controller used in SSD, eMMC, and NAND Flash solution products.

## Expanding R&D Collaborative System

### Group R&D

After SK hynix was incorporated into the SK Group, it has been actively pursuing activities for various cooperative efforts on the group scale and the realization of common value.

By participating in the R&D subcommittee that is established under the SUPLEX committing seeking group, SK hynix has considered R&D synergy tasks with other affiliated businesses under the group and looked for ways to find new sources of growth.

SK hynix's area of business is related to both ICT field and Energy-Chemistry field, the two main pillars on which the existing SK Group depends. SK hynix plays a pivotal role in leading the efforts between affiliates to find future sources of growth for the group.

### R&D through External Cooperation

#### Industry-University Cooperation

SK hynix operates industry-university projects with prominent universities in and out of the country to verify future technologies in advance, secure excellent human resources, and provide orientation. As of December 2013, 112 projects with 21 universities in and out of the country are gathering ideas and information from outside, actively utilizing technical IP, and maximizing internal core technological value.

#### Cooperation with the Government

SK hynix actively participated in government-assisted projects in 2013. Through these efforts, it first promoted improvement of technological competitive. Second, it sustained shared growth with domestic small and medium businesses dealing with equipment and materials by jointly together. Third, it is participated in human resource programs, working together with the government, research institutes, and academia to build an ecosystem that supports a virtuous cycle and produces an excellent work force.

#### Consortium

In order to minimize the risks of following uncertain technology and decrease R&D costs SK hynix. It is actively responding to the rapidly-changing R&D environment through joint research activities utilizing the international consortium in the area of research and development.

# Strengthen Research and Development

## Major R&D Results

## OUTPUT

8Gb LPDDR3 DRAM, the first developed in the world, is the optimum solution for mobile memory with high-capacity and low-voltage. It is capable of being built into thin structures and meeting the latest mobile trends. This enabled SK hynix to lead the market with high-performance products suitable for ever-changing mobile devices.

SK hynix mass-produced first-generation products applying the 16 nano process in 2012 for the first time in the world in June, 2013 after developing 20 Nano-class in 2012 in the field of NAND Flash. The reduction in chip size resulted in the latest mass-production of second-generation products, enhancing production cost competitiveness and gaining a competitive edge in the NAND Flash field.

In the field of CIS (CMOS Image Sensor), improved competitiveness through BSI technology and the expansion of the line-up 3 million-resolution and 5 million-resolution products of 90 Nano-class resulted in an increase of 1.9 times in sales from the previous year. The further enhancement of the sensitivity by the modification of pixel structure in the future will provide a steady supply of high-quality products to customers.

### Mobile DRAM with 20 nano-class 8Gb LPDDR3

SK hynix developed the world's first 8Gb LPDDR3 in 2013 to increase the data transmitting speed of pre-existing LPDDR3 at 1.600Mbps to 2.133Mbps to achieve the fastest speed among mobile devices. This is capable of processing three full-HD movies in a second.

### Mobile DRAM with 20 nano-class 6Gb LPDDR3

The four-tier lamination of 6Gb LPDDR3 is the optimum mobile package equipment with characteristics of low-voltage and high-capacity, realizing the high-capacity of 3Gb in one package. It saves standby power by 30% as well as operating power compared to the six-tier lamination of a single 4Gb module, enabling thinner composition of the package in height.

### 16 Nano 64Gb MLC NAND Flash

16 Nano 64Gb MLC NAND Flash, after the successful development and commercialization of the products applying the world's smallest refining process, surpassed current physical limitations when SK hynix developed various element technologies and its application. This increased competitiveness in terms of cost of production as well as technology since this is the world's best NAND Flash.

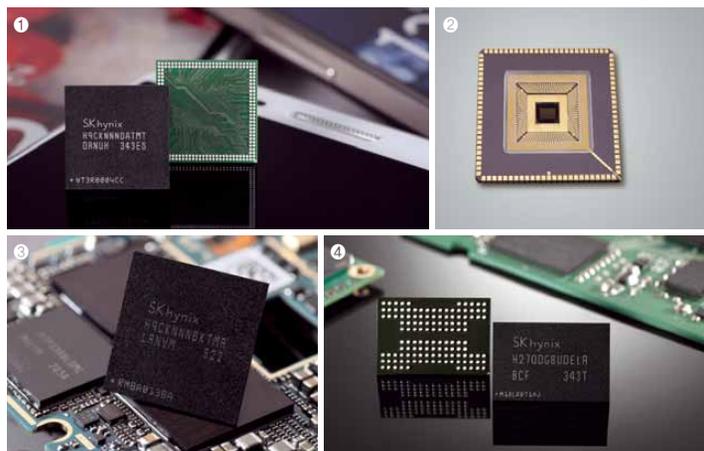
### Development of CIS Products Applying BSI Technology

SK hynix applied BSI (Back-side illumination) in 2013 to finish developing three products of HD (1280 x 720, one million-resolution), FHD (1920 X 1080, 2 million-resolution), 8 million-resolution products. These 8 million-resolution products are the first products in the industry that applied 1.12um pixel and BSI technology to improve sensitivity considerably, thus successfully entering the customer market at the same time as the product was developed.

### 20 nano-class HBM Applying TSV Technology

It is four times as fast as GDDR5, the fastest in the business, and consumes 40% less power. It will be used in super computers, networks, and servers in the future, but it will initially be applied to the high-definition graphic market. HBM products using TSV technology will be commercialized by a stronger product portfolio to continually attain leadership in the memory market.

- ① Mobile DRAM 20 Nano-class 6Gb LPDDR3
- ② CIS HI-841 CLCC
- ③ Mobile DRAM 20 Nano-class 8Gb LPDDR3
- ④ NAND Flash 16 Nano-class 64Gb MLC



## SPECIAL PAGE



## Patent Management of SK hynix

Semiconductors combine numerous technologies and cannot be solely developed by one business, resulting in a high possibility for patent disputes. Recent patent disputes are growing more complicated and diversified, prompting SK hynix to secure 'strong patents' early so that they can be used for preventing disputes in advance.

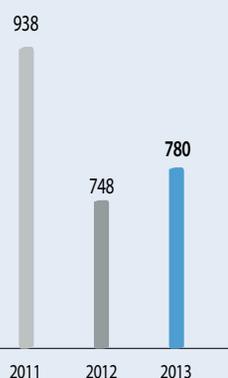
To develop patents that are practical and meet business trends early, various development programs have been in operation for collaboration in terms of R&D from the product planning stage. Excellent patents are awarded separately by joint deliberation within the field of R&D. As a result of these efforts, SK hynix's contribution to the semiconductor industry's growth and promotion of inventions was recognized by being awarded the Presidential Award in 2013 Invention Day in the group invention category.

SK hynix continued its various efforts to strengthen patent competitiveness related to higher-value added premium products (System IC, Solution products). A new system of patent development was created, while excellent patents in and out of the country were actively purchased as part of SK hynix's pursuit to secure excellent patents. Recently, a patent finding program in foreign branches and new foreign investment companies is in the process of preparing to launch, promising a future of stronger patent competitiveness.

### Resolution of Conflict with Rambus Inc.

SK hynix resolved all its conflicts with Rambus Inc. in terms of patent and anti-trust lawsuits, which went on for 13 years in 2013, and entered into a patent license agreement. This victory in patent appeals and anti-trust lawsuits resulted in very favorable conditions, settling all management uncertainty while contributing to financial stability.

■ Status of Patents Registered in the U.S.  
(Unit: Case)



### Agreement with Cross License Agreement with Samsung Electronics

The world's largest and second largest memory companies entered a patent license agreement with each other to quench all future possibilities of patent disputes and to present a win-win model for domestic companies to secure a win-win relationship.

### Reorganization of Patent Portfolio

SK hynix has been reorganizing its patent portfolio to effectively manage patents. The patent rights in areas with a huge possibility of patent disputes, such as the U.S., have been expanded while products meeting the company's middle and long-term business trends are receiving concentrated efforts for patent finding.

# DMA

## (Disclosure on Management Approach)

SK hynix has built its own corporate culture based on SKMS (SK Management System) after being incorporated into the SK Group. SK hynix's corporate culture will help the company and its employees to grow and cultivate a pleasant work environment.

Aspect	DMA	
Labor/ Management Relations	Why is this important for sustainable management?	SK hynix underwent many processes of merger and acquisition to reach its current position. Various elements of corporate culture were adopted to form a harmonious relationship between labor and management. This relationship is now the most important element in SK hynix's sustainability management.
	Strategy in Approach	SK hynix's labor and management relationship is based on the idea of No Sa Bul Ui (勞使不二: The company and the labor union are not two, but one). In pursuit of this, various communication channels are in operation and the "No Sa Bul Ui three projects" (Labor and management's activities in one mind and spirit, pursuit of happiness activities, and CR activities) were executed in 2013.
	Performance Evaluation	Through various efforts to build a constructive labor and management relationship, there have been no labor disputes for 30 consecutive years.

### Key Figure



76%

Rate of Increase in employees' Pride in the Company that after Being Incorporated into the SK Group



# Corporate Culture



Total **81**

Number of Meetings  
between Labor and  
Management



**30**

Consecutive Years

No Labor Disputes

# Innovation of Corporate Culture

## Execution of SKMS

### Embodiment of SUPEX through SKMS

SK hynix regards the happiness of stakeholders as the ultimate value of the corporation. Activities to improve the corporate value are being pursued to satisfy customers continuously, create an environment for employees to be autonomous and motivated, and generate stockholders' value. It is also contributing to economic growth and society through social and cultural activities as well as endeavoring to manage the company according to social norms and ethics standards.

SK Hynix realizes the value in the field of management by following SKMS (SK Management System) management principles such as the 'pursuit of SUPEX through human-oriented management'. The company pursues the SUPEX goal of becoming a 'Global Semiconductor Leader' and has established To-be strategies for systematic implementation.

Therefore, SK hynix will now add its employee's strong potential to SKMS, the management principle of SK Group, as it moves closer to achieving SUPEX's goal of becoming 'the best in the world'.

It will actively communicate with all stakeholders to share value on a continual basis and promote everyone's happiness.

### [ SUPEX Goal / Business Plan ]

While SK heads toward becoming a SUPEX Company as its ultimate goal, it should also establish and pursue Better Company goals that are attainable through the SUPEX Quest within a certain period of time. Better Company goals, in turn, should be cascaded into specific goals and strategies to be implemented by each business unit.

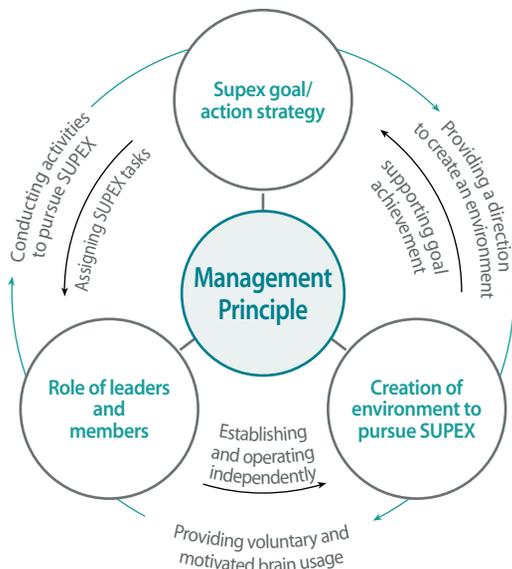
### [ Role of SK People and Leaders ]

All SK People should simultaneously pursue the company's and their personal progress by actively involving themselves in the SUPEX Quest, and leaders should exercise full commitment to inspire the employees to maximize intellectual involvement voluntarily and willingly in attaining Better Company goals.

### [ Internal Environment for the SUPEX Quest ]

The company should establish a favorable environment for the SUPEX Quest, in which SK people can maximize their intellectual involvement voluntarily and willingly in attaining the Better Company goals. The environment for the SUPEX Quest should be reviewed, improved, and upgraded on a regular basis.

### ■ The inter-relationships among key management activities



### Spread and Internalization of SKMS

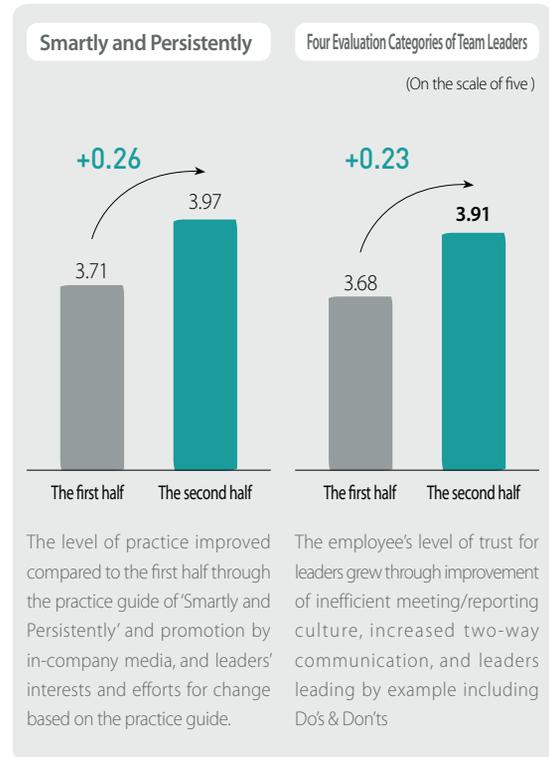
SK hynix was incorporated into the SK Group in 2012 as part of its family to spread SK's management principle of SKMS, which is one of the group's three assets (People, Brand, and SKMS). It provided a workshop to technology and office workers. During the time of workshop, we looked into a clear understanding of the core concept of SKMS, different cases of SUPEX promotion, and especially the changes that need to be made amongst leaders and employees in order to have SK hynix's direction to achieve a mid to long term goals. These efforts enabled the internalization of SKMS management principles within the employees.

❖ Detailed explanations about SKMS and SUPEX can be found at SK Cyber Management Philosophy ([www.skms.or.kr](http://www.skms.or.kr))

### Establishment of ‘Smartly and Persistently’ Corporate Culture

2012 was a year when employees started receiving and internalizing SKMS, and 2013 was a year when VWBE (Voluntarily Willingly Brain Engagement), the core philosophy of SKMS, was materialized according to the characteristics of semiconductor business, thereby establishing a stronger and more excellent corporate culture. For this purpose, SK hynix decided on ‘Smartly and Persistently’ as the specific method of SKMS practice to promote diffusion and internalization within the organization.

For employees to naturally practice ‘Smartly and Persistently’, a variety of changes and innovation efforts in personal/cultural aspects were promoted. Leaders continuously carried out the four tasks, such as improvement of meeting/reporting culture, enhancing quantity and quality of communication, setting examples (sacrifice), and trust building through practice points as pledges for change. Monthly SKMS practice awards were held to motivate employees even more.



## The practice guide of ‘Smartly and Persistently’

Working smartly and persistently is SK hynix employees’ VWBE working attitude and behavior



“The performance of employees in regard to VWBE determines whether a company can continually grow. VWBE, however, is no easy matter. A few words by leaders to employees cannot achieve anything.

That is why I used the word ‘strong’. We cannot just ask them to be strong. We cannot put ourselves in a desperate situation, but all employees should be voluntarily and willingly devoted

to their job as if they are in a crisis. The other key word is ‘smart’. To be smart means to think in depth for new measures and sharing them broadly.

A company’s competitiveness comes from how many ‘Smartly and Persistently’ employees it has. SK hynix’s employees should each be ‘Smartly and Persistently’ to overcome our limits.

- CEO of SK hynix, Sung-Wook Park

# Innovation of Corporate Culture

## Joint activities with SK Group

### Cross-Cultural Encounter with SK Affiliates

Various events such as a tour of the SK Ulsan factory by executives, the Shim Gi Shin program to foster the SK spirit among employees, and a tour of SK Telecom T.um for families of employees were run to instill a spirit of SK Group and a sense of membership.

### Incorporation of SK Group Evaluation System and Communication

SK Group has its own evaluation and development system called EMD (Executive Management Development) to train and foster outstanding executives and experts in a deliberate and systematic manner. In addition, SK hynix introduced policies, business systems, and in-house broadcasting to internalize the advanced management of SK Group and achieve unity.

Gbs is an in-company broadcasting service that uses IPTVs to air joint group broadcasts twice a week and in-company broadcasts three times a week. It delivers trends in ICT and semiconductor, news of the group and messages of executives in a swift and accurate manner to form consensus among affiliates and create communication synergy internally and externally.

### Integrated Education of SK Group

The integrated training of SK group (recruited executive course, recruited employee course, and new employee course) of new employees is provided for newly joined employees of SK hynix to form their identity as an 'SK person', help them adapt early, and produce employees capable of performing tasks independently.

### Joint Social Contribution Activities of SK Group

#### SK Happiness Village Habitat Volunteer Activities

SK hynix participates in the Habitat service work for executives and 200 employees to build an SK Happiness Village in Suwon.

#### SK Happiness Sharing Season Service Work

SK Group designated November and December of each year as 'SK Happiness Sharing Season' encouraging active participation in Kimchi making events, charitable sales, and fundraisers of small donations.

### Participating in Giving Education Exhibition

SK Group's major relatives are jointly participating in educational fairs donation of semiconductor products and programs such as semiconductor lesson training experience.



## Case Study

### Surveys of Employees' Sentiment

A survey was conducted on the changes felt by employees one year after the launch of SK hynix. 717 employees were surveyed from March 12 through March 14, 2013. The survey results showed that the majority of employees "felt a sense of employeeship and pride as part of the SK Group," citing that the increase of business value through the company's growing status in and out of the country and creation of a new corporate culture were the greatest accomplishments.

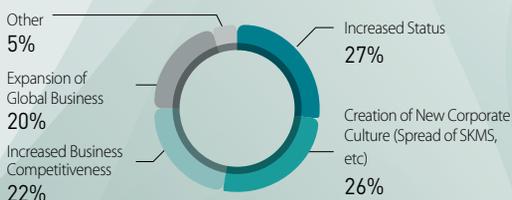
#### Q Do you feel a sense of employeeship as part of SK Group after the launch of SK hynix?

(19%) Very much (52%) **Yes**  
(26%) Average (3%) No (0%) Not at all

#### Q Do you have more pride (satisfaction) for the company after the launch of SK hynix?

(22%) Very much (54%) **Yes**  
(22%) Average (2%) No (0%) Not at all

#### Q What is the greatest accomplishment after the launch of SK hynix?



#### Q What do you expect the most from future SK hynix?



# Win-Win Labor-Management Culture

## Win-Win Labor-Management Culture

### Promotion of No Sa Bul Ui as a Group Bound by a Common Destiny

No Sa Bul Ui (勞使不二: The company and the labor are not two, but one) originated from 1995's "No Sa Bul Ui New Management Declaration". Conflicts between the labor and management have been resolved in this spirit. In 2013, 'No Sa Bul Ui New Culture Promotion Committee,' cofounded by the company and labor union, established the 'Three No Sa Bul Ui Projects' (Labor-Management One Mind and One Spirit, Joint Pursuit of Happiness, and CR Activities) in 2013 to achieve the level of SUPEX in Labor-Management Relations.

#### Three No Sa Bul Ui Projects

##### Labor-Management One Mind One Spirit

- Joint Research Efforts, Learning Partnership Program
- Lecture of Labor-Management Sympathy

##### No Sa Bul Ui Pursuit of Happiness

- Employees' Participation of Events and Company-wide Compliments Campaign
- Sharing Hope between Employees
- Sharing 'Fish-shaped Bun of Love' to Boost Morale

##### No Sa Bul Ui CR Activities

- Stepping Stone Scholarship and Happy Start School Uniform
- Donating Books to Schools and Public Libraries in the District
- Delivery of Coal Briquettes to Recipients of Basic Living Subsidies and Local Organizations
- Blood Drive

## Communication Channels

### Expansion of Channel between Labor and Management

Channels to communicate current issues, solve the employee's complaints and increase the welfare and benefits of the labor were expanded.

The 'Weekly Labor-Management Work-level Meeting,' is held to settle current issues and share information between the labor and management. The pre-existing labor-management council was expanded into a short-term council to respond to difficulties in the field, and to bridge the gap between the labor and management through communication. These efforts has resulted in greater Labor Management harmony and sharing of benefits.

### Establishment of Channel to Share Management Information

The most important element in the win-win relationship of labor and management is the formation and maintenance of a genuine labor-management partnership. The CEO himself explains the quarterly business performance in the "Business Briefing Session." The "Operation Presentation" shares information about the demand in the field and supply of manpower while "Personnel Information Briefing" shares information between labor and management on a monthly basis. Labor-Management meetings are constantly held to encourage open and transparent management.

Category	Details	Result	
Labor-Management Discussion Channel	Collective Bargaining	Bargaining for Wages and Renewing of Collective Agreement	Once
	Regular Council	Discussion of Issues in Each Field of Business	8 Times
	Labor-Management Council for Each Field of Business	Discussion of Issues in Each Field of Business	24 Times
Channel Sharing	Operation Presentation	Explanation of Monthly Development Progress and Production Performance	24 Times
Management Information	Personnel Information Briefing	Sharing of Monthly Personnel Management and Plans	24 Times
Others	Weekly Labor-Management Work-level Meeting	Consultative Body of Major Issues between Labor and Management	104 Times



No Sa Bul Ui Compliments Campaign



No Sa Bul Ui Sharing of Fish-shaped Bun of Love



No Sa Bul Ui Delivery of Charcoal Briquettes of Love



Event Boosting employee's Morale

# DMA

## (Disclosure on Management Approach)

SK hynix has been on the front line to build a sustainable future by fulfilling its environmental, and economic responsibilities through active environmental management. To realize the environmental vision of “Share Dream with Eco-Memory”, new environmental value is created by minimizing environmental impact and developing eco-friendly products.

Aspect	DMA	
<b>Water</b>	Why is this important for sustainability management?	The semiconductor business requires a huge amount of water in its processes. Therefore, stable securing and protection of water and protection of water resources are highly essential for the continual growth of business. Usable water resources, however, are on the decline while the usage of water is on the increase, requiring improved risk management of water resources
	Strategy in Approach	A risk analysis through an external consulting agency was conducted for the effective management of water resources. Based on the result of the analysis, detailed action plan and methods to secure water and treat wastewater were established and promoted.
	Performance Evaluation	SK hynix recycles water, manages the quality of wastewater, and saves water resources. It is also dedicated to water resource management by joining the International Water Resources Initiative. The detailed results can be found on Page 41.
<b>Occupational Health and Safety</b>	Why is this important for sustainability management?	Preemptive prevention of accidents leads to business continuity. Recent accidents and damage related the chemical materials by other domestic companies sparked demands from the government, public, and civil organizations for stricter management within corporations. Safety accidents have a serious impact on employees, local communities, and corporations, and SK hynix is increasing its efforts for prevention.
	Strategy in Approach	SK hynix obtained a certification in Safety and Health Management System (OHSAS18001) and has maintained its safety to continually meet this standard. An environmental impact evaluation and risk evaluation on all places of business, including production sites, are conducted according to the certified system. Various activities, such as strengthening infrastructure for chemical material management, education of employees, and drills in response to chemical material accidents, are used to minimize related risks.
	Performance Evaluation	As the importance of managing safety accidents and first response is gaining prominence, emergency drills are conducted and the BCP (Business Continuity Plan) is in the progress of establishment. In addition, 62 raw-material suppliers were checked for their systems and response to regulations to manage chemical material while the discharge of wastewater was minimized by managing the ecotoxicity value of the wastewater.



Key Figure



KRW

**119** billion

Investment in the environment

# Environment, Health and Safety



**45.7%**

Rate of product with  
carbon labeling



KRW  
**5.5** billion

Energy saved

# Addressing Climate Change

## Strengthening Carbon Management **INPUT**

### Strategy to Climate Change

SK hynix is aware of its social responsibility for environmental issues and puts carbon management into practice to reduce greenhouse gas. In response to international regulations and the threat to the entire earth from greenhouse gas, SK hynix is striving on a company-wide scale to reduce greenhouse gas emissions by 50% by 2015 and achieve Eco-efficiency Factor 5.

### Governance for Climate Change

The Environment Safety Division was newly established to increase the company's practices in responding to climate change. A monthly ESH management meeting is held to report to the CEO, respond to climate change, environmental policies, and trends that have become social issues and make decisions on important matters.

### Risk management

Abnormal climate changes from global warming are increasing uncertainty in management environment and affect overall business. SK hynix actively reacts to the various regulations, physical dangers, and opportunities while strengthening its efforts in carbon management in and out of the country by improving its communication with stakeholders, customer service, and direct reduction of greenhouse gas.

#### Risk / opportunity management process



## Greenhouse gas and Energy Management **OUTPUT**

### Greenhouse Gas and Energy Target Management

SK hynix is under the government's "Greenhouse Gas and Energy Target Management" and annually reports the amounts of greenhouse gas emission from its domestic places of business to the government.

### Development of Technology to Reduce PFCs

PFCs (Perfluorocarbons) gas is one of the six greenhouse gases used in the manufacturing of semiconductor products and is the highest in global warming index. SK hynix improved the accuracy of emission coefficient by developing field measuring technology of PFCs to calculate the amount of emission. NRE (Net Reduction Efficiency) was also developed to calculate the total sum of greenhouse gas, including the byproduct and energy consumption.

SK hynix purchased high-efficiency equipment and effectively managed them by using field PFC measuring technology in the semiconductor industry. This is expected to produce a positive effect in the future emission trading scheme.

### Management of Ozone Depleting Substances

SK hynix established company-wide ODS (Ozone Depleting Substances) Management guidelines including the Montreal Protocol to limit the use of ozone depleting substances during the manufacturing process. The introduction of ODS Zero freezers promotes the minimization of the use of ODS to zero. SK hynix will prohibit the use of ODS substances in the future and endeavor to develop substitute substances.

### Optimum Distribution of Logistics

SK hynix optimized its logistics to reduce greenhouse gas emissions. Equipment from Japan and China are now transported via ship, not air, and products are directly shipped to customers to save shipping costs and reduce CO<sub>2</sub> emissions.

## Recycling Waste Heat

SK hynix recycles waste heat of the cooling tower that disperses the heat from the production equipment outside, building a 'cooling water waste heat collection system' that is used in Clean Room Heating. Out of 13 units under Icheon FAB, 6 units installed in 2013 reduced fuel costs by KRW 530 million. The remaining seven will be completed in 2014, which will likely reduce the cost of steam by KRW one billion annually.

## Expansion of CNB (Carbon Neutral Belt)

SK hynix entered an MOU with Guem River Basin Environmental Office in 2009 to offset CO<sub>2</sub> occurring in the product manufacturing process by annually planting trees in water-front areas surrounding DaeCheong-ho. Two Carbon Neutral Belt events were held along with the Ministry of Environment in 2013 with approximately 500 participants to plant 2,500 Japanese cornelian cherry and birch trees. About 8,400 trees were planted in a water-front area of 61,511m<sup>2</sup> surrounding DaeCheong-ho from 2009 until now.

## Carbon Management Education

SK hynix educates employees to emphasize the importance of addressing climate change and increase awareness on greenhouse gas reduction on a company-wide scale. In 2013, five session-course about the current regulations on greenhouse gas and SK hynix's response were taught.

## External Communication

In 2010, SK hynix published its first carbon management report in the semiconductor Industry. The reports reveals SK hynix's strategies for climate change and results of its carbon management activities. It also contains materials in response to the investors, government, and stakeholders' demands regarding carbon management. In 2012, Green Management information is in regular reports such as business reports. In accordance with the Low-Carbon Green Growth Basic Laws.

## Performance of Greenhouse Gas and Energy Management Activities

### Accomplishment of Greenhouse Gas Emission and Energy Use Reduction

SK hynix observes the greenhouse gas energy goal management system according to the low-carbon green growth basic law. In 2013, we met the requirements set by the government to reduce PFCs gas emission and energy third-party assurance was done on this information.

### Entering the 'CDP Hall of Fame'

SK hynix was included in the CDP Korea Committee's selective group of outstanding carbon management, 'Carbon Management Global Leaders Club' for five consecutive years in 2013, becoming the first Hall of Fame. CDP is a global review project evaluating major corporations' governance structure, risks and opportunities, strategies, financing of greenhouse gas emission, and communication related to climate change issues. SK hynix has received a perfect score of 100 in the Carbon Disclosure Leadership Index (CDLI) required by CDP and entered in the excellent group in the Carbon Performance Leadership Index (CPLI), yet again earning recognition for its top global-level carbon management leadership.

### First in the Semiconductor Business to Obtain EDP

SK hynix is the first in its industry to obtain EDP from the Ministry of Environment for its 20 nano-class 4Gb DDR3 DRAM. This product reduces greenhouse gas emission by 44.8% compared to the pre-existing 30 nano-class 2Gb DDR3 products; this was achieved through process miniaturization and reduced the usage of PFCs gas. By obtaining the EDP certification, SK hynix can disclose environmental information that can be quantify environmental impacts such as green house gas, depletion of resources, impact on the ozone layer, and acidification.

SK hynix will develop eco-friendly products and earn the EDP certification in the future.



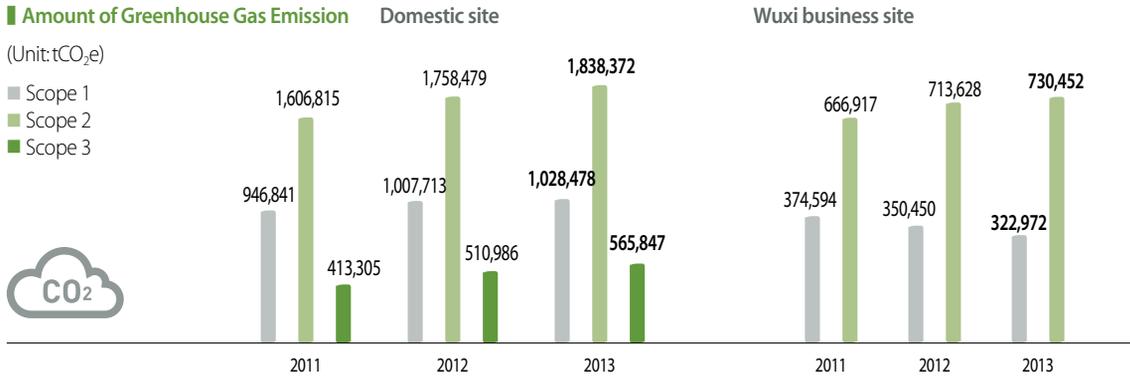
20 nano-class 4Gb DDR3 DRAM that obtained 'Environmental Declaration of Products Certification'

# Addressing climate change

## Amount of Greenhouse Gas Emission

(Unit: tCO<sub>2</sub>e)

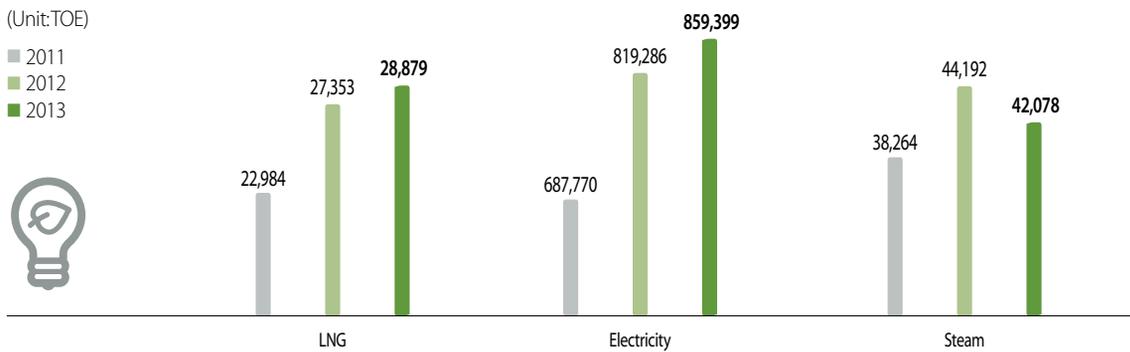
- Scope 1
- Scope 2
- Scope 3



## Consumption per Each Energy Source (Domestic site)

(Unit: TOE)

- 2011
- 2012
- 2013



### Case Study

### Company-wide 'Energy TF Activities' to Reduce Greenhouse Gas Emission

SK hynix established Energy Reduction TFT to implement Energy Target Management System organized by the government on a company-wide scale. Energy TFT consists of Management TF, Sub TF, and collaboration with supporting departments: it identifies tasks to carry out, evaluates the effects of conserving energy, establishes roadmaps, and shares management progress under systematic supervision. New efforts to improve the energy waste, optimize high-efficiency management, recycle waste heat, and develop substitute energy were initiated in 2013. As a result, a total of 684TJ energy was saved in 2013.



#### 1) Introduction of High-efficiency Freezers

Old, low-efficiency freezers were replaced by high-efficiency freezers to conserve electricity. A total of 33 high-efficiency freezers were installed in 2013, expected to save more than KRW 5 billion won annually.

#### 2) Increased Recycling of Waste Heat Disposed in the Cooling Tower

The waste heat disposed in cooling towers is recycled in the heating of the Clean Room to save steam costs. Three new systems will be added to the existing three to reduce steam costs by KRW five hundred million annually.

#### 3) Installation of Electricity-saving Device in Loadlock Pump

These devices conserve electricity in Load lock Pump and N2 usage by reducing the exhaust pressure of manufacturing equipment. Investment in 400 units was made in 2013 and will be followed by more in 2014.

#### 4) Application of Vaporizing Humidifying System

Humidifiers were from the pre-existing steam humidifier to the vaporizing humidifier to produce a cooling effect. This vaporized water and changed the medium of humidification to save costs.

# Water Resource Management

## Building Infrastructure for Water Resource Management

INPUT

### Risks Management

SK hynix manages water resource risks to supply water resources stably during the manufacturing process of semiconductors, which consumes water in large quantities, and to mitigate the dangers of depleting water resources. SK hynix developed a water resource cooperative system with the water resources corporation in 2008 and entered into a water supply contract of 30 thousand tons per day in 2014. A mutual cooperative system with regional offices of the public water service was created to receive water in emergencies under an emergency response plan.

### Establishment Strategies

SK hynix is strategically promoting improved water recycling to effectively manage water resources. The 3370 Project was established to optimize the organic wastewater recycling system in 2013, build an RO (Reverse Osmosis) concentrated water recycling system, and establish a zero discharge system.



#### What is the 3370 Project?

This project aims at reaching increasing the water recycling ratio from 33% (record of 2012) to 70% by 2015.



#### 3370 Project Goals

- Improving water supply capability and response in emergencies
- Saving cost of water
- Fulfilling corporate social responsibility through recycling of resources

### Management System

SK hynix observes the legal standards for discharging wastewater and put TMS (Tele Monitoring System) into operation to monitor the concentration of contaminants in discharged water in real-time. The TMS transmits information about contaminants in wastewater to the Ministry of Environment for transparent disclosure of wastewater management information.

## Water Resource Management Activities

### Recycling of Water Resource

SK hynix promotes water resource saving efforts to save water and reduce the discharge of water pollutants. In 2013, it optimized the washing time of semiconductor wafers and recycled the wastewater used in production, resulting in a 38% recycling of water in domestic business environment. In 2014, it plans to establish a PKG wastewater recycling system (2,000 tons/day) to develop technology to recycle discharged water.

### Management of Waste Water

SK hynix classifies wastewater into different contamination categories, discharging it after treatment at a wastewater plant. The discharged wastewater is compliant with the permissible standard by applying approximately 50~80% internal standard compared to the standard law.

### Participating in Water Resource Initiative

SK hynix participates in the CDP Water Disclosure. The company recognizes the risks to water resources and understands the impact that business activities, water resource recycling and discharged water have on the environment. It completed writing questionnaires for 2013 and registered them online. Systematic management will further secure and enhance the Water Resource Initiative.

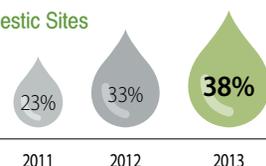
## Performance of Water Resource Management

OUTPUT

### Status of Water Quality Management per Business Site (Unit:mg/l)

Category	business site	2011	2012	2013
COD		5.2	4.2	4.3
T-N	Icheon	16.4	21.4	20.9
F		1.1	1.0	1.0
COD		4.6	5.0	4.8
T-N	Cheongju	21.6	16.3	16.7
F		6.8	6.5	7.2

### Reuse Rate of Water in Domestic Sites



# Chemical Substance Management

## Establishment of Infrastructure for Chemical Substances

### Risk Management

The management of chemical substances shifted to an integrated environmental management method, focusing on their harmfulness to reinforce precautionary preventive efforts to reduce harmfulness. Regulations regarding chemical substance such as EU REACH to protect the environment and public health from the risk of harmful substance, became effective. As a result, preemptive risk management is now in operation.

### Management System

SK hynix operates the GP (Green Procurement) system to be compliant with the domestic and international regulations related to chemical substances and environmental safety. MSDS (Material Safety Data Sheet) of relevant materials, certificates of absence of harmful substances, and analysis report validated by a third party from the suppliers are submitted to test for the presence of banned substances. Only the materials that passed the internal standards can be purchased, and preliminary preventive management of chemical substances is secure in consideration of the lifecycle of chemical substances from entry, use, to disposal.

## Management of Chemical Substances

### Reduction of Chemical Substance Use

SK hynix reduces the use of chemical substances to save costs and minimize impact on the environment by organically working with production, research and development, and procurement teams. The prolonged usage cycle of chemical substances in production, optimization of production technology, and minimization of idling equipment and improvement of processes are all part of the effort. The Cheongju production site selects seven major chemical substances that have the greatest impact on the environment and reduces their usage through TFT activities. Executive tasks, including the adjustment of flow and recipe in chemical substance use during manufacturing processes, simplification of manufacturing processes, and application of substitute chemical substances, were promoted in 2013 to reduce chemical substances.

### Response to Environmental Regulations

13 items were added to EU REACH SVHC (Substances of Very High Concern) for a total of 151 items in 2013. SK hynix compared them to the product composition data base established in GPMS (Green Product Management System) and confirmed that the added 13 items are not used by the company. 10 new harmful substances, however, are added to the list annually. Therefore, SK hynix will upgrade its eco-friendly inspection system to timely respond by means of automatic control.

In response to the demand to prohibit the use of regulated substances such as stibium (Sb) during manufacturing processes, the XRF (X-Ray Fluorescence) examination of raw materials was reinforced. For imports, an examination on six RoHS (Restriction of Hazardous Substance) substances are performed, and RoHS as well as Antimon are examined during shipping.

### Green Verification of SSD Raw material

SK hynix is likely to rely on SSD products with a higher percentage of trade with new suppliers: these require a greater degree of eco-friendly management and efforts than usual raw material suppliers. Therefore, guides are delivered to the suppliers from the early stages of development, and education is provided to conform to SK hynix's green standard through active communication. This ensures that customer requirements and the international standards are met.

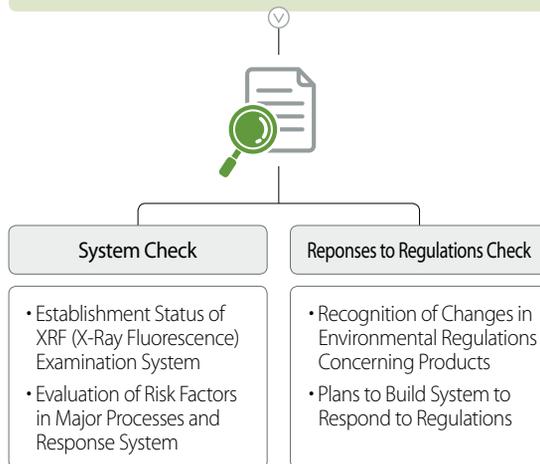


## Performance of Chemical Substance Management **OUTPUT**

### System Inspection of Raw Material Suppliers

SK hynix extensively checks raw material suppliers every other year, particularly their elementary management systems and response systems, and plans to meet major environmental regulations, from the stages of purchasing raw material to final shipping. A total of 62 suppliers were inspected in 2013 with 59 suppliers earning a passing score. On the other hand, the suppliers that failed are assisted in establishing measures and evaluation for future improvement.

#### Regular Evaluation of Raw Material Suppliers System



### Management of Ecotoxicity and Biodiversity

SK hynix manages the impact of wastewater used during processes on the ecosystem. Analysis of ecotoxicity from the second half of 2007 is used to respond to the ecotoxicity discharge management system. The level of ecotoxicity is 50% of the legal limit, an additional internal standard.

In the meantime, 2013 analysis results of Icheon discharged water and stream water (Sinwon-gyo, Jukdang-cheon, Bukha-cheon, and Hongcheon-gyo) showed stable water quality beneath the regulated limit. The ecotoxicity in the surrounding rivers beyond the scope of management is also monitored to contribute to the preservation of bio-diversity of the water eco-system.

#### Current Status of Ecotoxicity Control



#### Case Study

### Execution of Private and Public Joint Drill for Harmful Chemical Substance Accidents

With the recent emergence of harmful chemical substance accidents as a social issue, SK hynix continuously executed emergency drills for the safety of local residents and employees in case of chemical substance leakage accidents. 16 institutions including Icheon City Hall and Fire Department participated in the emergency private and public joint drills to respond to a disaster in the case of hydrofluoric acid leakage accident due to the deterioration of supply pipes within FAB leading to heavy casualties. The drill was a joint effort of 202 people and 21 vehicles including rescue helicopters. Emergency evacuation of employees was followed by an early response by the ERT organization of SK hynix, an emergency rescue at institutions and organizations, and then settlement. For the future establishment of an organic collaborative system with related institutions and the improvement of the responsive capabilities of employees, similar training will continue to be provided.



# Safety and Health Management

## Establishment of Safety and Health Management Infrastructure

INPUT

### Risk Management

Safety and health activities are rising as a part of material issues around the world. In keeping with such a trend, the government is promoting issues related to safety as major governmental projects. Accordingly, SK hynix strengthened safety and health management infrastructures and carried out preemptive safety and health activities to prevent safety accidents and minimize safety and health risks.

### Establishment of Human Error Prevention System

SK hynix established a system to prevent human error to avoid accidents resulting from dangerous behavior by workers. A TFT organization was applied to the PKG manufacturing area to draw up action items and supplement them. A management principle of human resources, SHFG (SK hynix Human Factors Guideline), was established and applied in workshops. The BBS (Behavior Based Safety) program was applied to the semiconductor equipment technology and was reflected in the work manuals for company-wide expansion. The seven golden rules for safety that must be observed by all employees as a part of "keeping the basics" are a part of these safety efforts, and they are signed by all employees and kept nearby.

### Management System

SK hynix developed the Smart Management System, a computerized management system of fire fighting facilities to effectively manage the facilities in the case of emergency accidents within business places. The company has credibility and accuracy in its management system because of automatic examination process of fire protection system using a mobile, which allows real-time examination and data management.

## Reinforced Safety and Health Management Activities

ACTIVITIES

### Conducting Emergency Drills

SK hynix built the field voluntary training system to strengthen its emergency response capability and its ability to respond to emergencies. It reinforced safety and health infrastructures by operating an emergency joint system to respond to harmful chemical substance accidents. The four core objectives of 2014 are training in FAB unit, field voluntary training, building ERT organization, and joint drills with related institutions.

### Operation of ERT

The ERT (Emergency Response Team) organization is in operation to deal with emergency situations. ERT members are trained in various educational programs and field voluntary emergency response training regularly to reinforce their safety and health management capabilities.

The CMS (Central Monitoring System) is conducted to prepare for emergency situations. CMS created 20 types of processes to respond to different categories of emergencies and perform critical functions.

### Total Inspection for Asbestos

SK hynix inspected all building structures for asbestos to improve working conditions. Asbestos were found in 14% of them, and were then removed through risk assessment and four stages of asbestos treatment procedures, during which asbestos were disposed.. In addition, noise, luminance, and chemical substances in places of business were tested through the standardization of working environments.

### Opening of ESH Experience Center

SK hynix opened the ESH (Environment, Safety, Health) Experience Center, which systematically provides a environment, safety, and health experience center in 2013. The center consists of an FAB safety area and a health and safety area to educate employees about first aid and their personal safety and care. It provides practical education through experience, to spreading safety culture among employees. Since the center's opening, approximately 8,442 people from suppliers, external institutions, and local communicates completed education leading to the

opening of another ESH experience center in Cheongju in 2013. SK hynix plans to work with various institutions in the future to publicize the importance of the environment and share safety culture as part of its continued social and environmental responsibility.

### Performance of Health and Safety Activities

SK hynix conducts emergency evacuation drills to improve early response capabilities in case of unexpected accidents or disasters in places of business as a part of its efforts to realize safety.

#### Strengthening emergency response systems

Establishment of Company-wide Integrated Emergency Communication

Investment in Emergency Response System for Harmful Chemical Substance: 9 cases, KRW 1.65 billion



#### Operation of ESH Experience Center

Title of Education	Number of Recipients
Mind Set Practical Education	2,816
ESH Leadership	424
First aid and CPR	363
Executives ESH Management	61
Opening of external institutions	617
Safety education of Suppliers	1,655
Health improvement fitness class	2,506
<b>Total</b>	<b>8,442</b>

#### Conducting Drills for Emergency

Category	Education
Emergency Evacuation Drill	Field Autonomous Training (145 times)
	Emergency Evacuation Training (16 times)
Emergency Response	Unannounced Mobilization Training (21 times, Weekly) -leakage of chemical substance, fire
Joint Drill	ECT Joint Training (twice)
	Joint Training in Each Building
	Joint Civil, Government, and Military Training (once)
Mastering Equipment Use	Mastering Use of ER Equipment's (80 times, four times/weekly)

❖ECT: Emergency Control Tower



#### Case Study

#### Fire in Wuxi FAB, China

A fire occurred in September, 2013 in Wuxi FAB, China during the installation of equipment. Wuxi Fab was fully restored within 76 days in terms of the damage due to the fire, but SK hynix continues to prevent similar accidents from happening in advance. In particular, the responsible team is creating to build BCP in preparation of emergency situations such as disaster or accidents. BCP handles a series of comprehensive activities including prevention of disaster, disaster response, and aftercare. It also systematically monitors risk factors to develop improvement measures under management risk factors to develop improvement measures under management. Furthermore, the "Environmental Management Advisory Committee" consisting of environmental experts and civil organizations is held quarterly to assess the corporation's environmental and safety performance and share improvements from an objective perspective. All employees signed an environmental and safety accident prevention pledge after the Wuxi FAB accident to fully honor the practice points for prevention, promising not to let a similar accident to occur by focusing on preemptive prevention efforts in the future.

#### ※ BCP (Business Continuity Plan) Role

- ① For preliminary prevention, identify risk factors that may lead to an accident or a disaster with the potential to hinder business continuity.
- ② In case of an emergency following an actual disaster, protect tangible and intangible assets of the corporation and swiftly restore core business and infra related to customer products and service to minimize financial and nonfinancial damage on all stakeholders including the corporation, employees, and shareholders.



Regular situation

Preliminary Prevention and Risk Management



Emergency situation

Formation of Emergency Action Committee and General Situation Room, Aftercare Including Restoration

# DMA

## (Disclosure on Management Approach)

SK hynix carries out efforts of shared growth as a global leader with semiconductor suppliers. For sustainable growth with suppliers, a partnership of shared growth was formed to help suppliers reinforce their competitiveness while a stable network of supply is secured through regularly assessing suppliers' environmental, labor, human right and social impact performances.

Aspect	DMA	
<b>Supplier Environmental Assessment</b>	Why is this important for sustainable management?	The stable and sustainable growth of suppliers adds to SK hynix's competitive edge. Many domestic corporations, however, have difficulties in responding to environmental issues in reality. Therefore, SK hynix provides various forms of assistance such as education and consulting for suppliers to reduce their environmental risks.
	Strategy in Approach	Regular consulting for suppliers' sustainability management includes environmental approvals and permits, recycling and reduction of energy and water resources, management of harmful substances, management of waste, and reduction and assessment of air and carbon pollution. SK hynix ultimately strives for the sound development of an industrial eco-system through its environmental management and expanding assistance.
	Performance Evaluation	Improvements on suppliers' nine insufficiencies, including objectives and recycling policies regarding water, energy, and waste, were carried out.
<b>Supplier Assessment for Labor Practices</b>	Why is this important for sustainable management?	The labor environment and human rights issues of suppliers they also impact the other companies dealing with them. SK hynix recognizes such business risks and makes efforts to improve the labor environment of suppliers.
	Strategy in Approach	Many suppliers do not meet the international standard of labor due to the lack of information, knowledge, and as resources. SK hynix provides management assistance for voluntary labor, labor hours, wages and benefits, compliance with labor laws, and labor environment and risks through regular consulting of sustainability management to suppliers.
	Performance Evaluation	44 improvements regarding safety and health were implemented to improve problems including insufficient management of emergency evacuation business site and failure to supply appropriate individual protective gear.

# 04

Key Figure



**KRW**  
**1,134 billion**  
 Total Financial Assistance  
 Amount For suppliers



# Supply Chain Management



**50** Suppliers

Members in win-win  
Growth committee



**1,259**  
People

Participants in  
education for suppliers

# Win-win growth with Suppliers

## Establishment of SCM **INPUT**

### A team in charge of the Win-win Growth

SK hynix has formed a Collaboration team in 2008 to focus on creating synergy through win-win growth activities and finding win-win solutions. This team works with different departments to reinforce the capabilities of suppliers and continually build trust with them.

### Agreement of Win-win growth

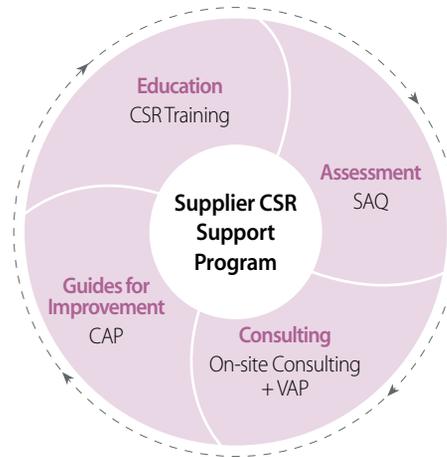
SK hynix signed a win-win growth and fair trade agreement with suppliers in 2011 to prevent unfair trade and increase the competitiveness of business partners or suppliers by assisting in various areas such as technology, education, and finance.

### Strategy and Roadmap

SK hynix expands its win-win growth activities because it sees the needs to maintain a win-win relationship with subcontractors in memory semiconductor industry. It created a road map involving 2nd subcontractors such as performance sharing policies, industry innovation 3.0, and win-win growth insurance; then, with the built-in credibility, it pursues win-win growth activities.

## CSR Support Program for Suppliers

SK hynix established Supply chain CSR management environment based on the suppliers' code of conduct that meets the EICC (Electronic Industry Citizenship Coalition) standard. It plans to build the Support Program for business partners or suppliers to create a win-win growth collaboration system and secure a sound supply network in 2014 to encourage the CSR activities of suppliers. As a corporate citizen, it will continually improve the management procedures of business partners or suppliers to carry out its social responsibilities and complete the development of a sound supply chain.



❖VAP (Validated Audit Process)  
❖CAP (Corrective Action Plan)

## **Case Study** | Supplier CSR Support Program

SK hynix is planning to operate the Supplier CSR program that consists of the four processes of education, assessment, consulting, and guides for improvement to build a sound supply chain.

**Education** | An educational program is implemented to reinforce internal capabilities and execute improvement measures for social and environmental responsibility.

**Evaluation** | SK hynix introduced the evaluation tool of the international standard provided by EICC as a member of EICC. It plans to assess the risk level of suppliers in the top 80% of trade amount through SAQ (Self-Assessment Questionnaire) in 2014. The business partner or supplier categorized into the high-risk Group will be encouraged to voluntarily improve and consult & on-site audit will be implemented as a follow-up improvement.

**Consulting** | For the CSR risk management of suppliers, the level of inspection was raised. 10 major suppliers were consulted in 2013 to reveal 112 deficiencies, thus supporting improvements

on deficiencies. Cases in violation of domestic regulations were not found, and SK hynix intends to continuously manage and monitor for preventative CSR risk management.

**3'rd Party Assurance (VAP)** | To secure the objectivity of evaluation results, CSR consulting of suppliers and a third-party assurance (VAP) supervised by EICC are scheduled to be conducted.

**CAP** | Voluntary improvement by suppliers on risk identified through consulting is encouraged. Sharing of the progress and monitoring to mitigate the CSR risk of suppliers are actively done in consideration of the suppliers' circumstances.

**SCM Activities** **ACTIVITIES**

**Action on Conflict Minerals**

This is required to identify the use of four conflict minerals (tantalum, tin, tungsten, and gold) under the applicable regulations in conflict areas.

**Operation of conflict mineral TFT**

SK hynix operates conflict mineral TFT to understand the use of conflict minerals. TFT collects information on the current status of suppliers using these four minerals through the EICC (Electronic Industry Citizenship Coalition) template and receives certificates of origin to evaluate.

**Responding to Global Regulation**

SK hynix understands the purpose of conflict mineral regulations and engaged in various activities including establishing policies accordingly. First of all, a verification system of conflict minerals was developed and an internal business process was standardized to secure continuity in response to regulations. Next, secondary raw material suppliers involving the refinement and mining were examined. Specific information about the refining and mining businesses were confirmed based on the EICC conflict mineral template. Certificates of origin and analysis were also obtained for credibility of information to reinforce the process. Through the on-site verification, check to the systems of raw material suppliers will be reinforced along with the EICC-GeSI official certification in refining suppliers (CFS List).

**Operation of Communication Channel**

**Win-win Growth Committee**

SK hynix composed and operated a committee of 50 major business partners or suppliers domestic and oversea to build a partnership of shared growth based on mutual trust. The committee shares a roadmap of SK hynix technology and investment direction and participates in efforts to increase technological competitiveness, regular meetings and discussion, and a win-win growth day. In addition, issues and examples related to sustainability management are published in 'Cham Sori Newsletter' on a monthly basis for business partner or supplier.

**Eco-Friendly Presentation for raw material suppliers**

SK hynix holds the eco-friendly Presentation for raw material suppliers to share changes in international green management standards regarding international environmental regulations and actively responds to suppliers' requests. 50 suppliers participated in sharing plans to specify eco-friendly certification units into sub-categories in accordance with international environmental regulatory trends. Demands and action in an industry with regard to the addition of RoHS (Restriction of Hazardous Substance), REACH (Registration, Evaluation, Authorization, restriction of Chemicals) to the group of regulate substance and the omission of exceptions were also shared.

**Spread Safety Culture to suppliers**

SK hynix engages in various activities to share awareness with suppliers as the importance of safety is growing. The 'Safety Pledge' was written to remind them of the importance of safety awareness and to get them to resolve to abide by it. Programs involving joint emergency drills, regular, environmental safety evaluations, and as well as safety gear were introduced for the systematic execution of environmental management by suppliers strengthening their expertise.

**Performance of SCM Activities** **OUTPUT**



## SK hynix's win-win growth

Assistance programs of secondary suppliers for improving productivity are provided.

**Industry Renovation 3.0** | This program starts with the field assessment to reinforce capabilities of secondary and third-tier suppliers. Experts from each field such as management, process, and production technology provide consulting and aid in improving productivity and purchasing equipment. A total of KRW 700 million was awarded to 35 suppliers in 2013.



Financial assistance programs are implemented to provide funds for equipment investment/operation expenses of suppliers.

**Win-win Assurance Fund** | An investment of KRW 3 billion in the Trust Assurance Fund and Technology Assurance Fund for the financial assistance of suppliers contributed to the raising of funds at a scale of KRW 99 billion. So far, assistance was given to 32 suppliers in the amount of KRW 51.8 billion.

**Win-win growth Fund** | Since 2011, win-win growth Fund has been operated to strengthen competitions among suppliers by supporting their operation and technological development fund with low interest rate. In 2013, KRW 68.7 billion was raised and KRW 57.1 billion gave assistance to 34 companies.

**Win-win growth Insurance** | Win-win growth Insurance, a fund arranged to expand financial assistance into secondary suppliers, is used by major companies contributing in the Trust Assurance Fund. The secondary suppliers can sign up and take out a loan only on the credit of primary suppliers. SK hynix provided KRW 2 billion in assistance to 7 secondary suppliers in 2013

**Network Loan** | Network Loan was arranged to facilitate more fluid cash-flow that can lend loans when necessary. One supplier took out a loan of KRW 1.8 billion in 2013.



Financial Assistance

Assistance of Secondary suppliers

**Shared Growth**

Technological Assistance



Assistance programs to reinforce the technological capabilities of suppliers are provided.

**Assistance in New Product Development and Quality Improvement** | The frequent dispatch of SK hynix's engineers enhances quality-control ability through assisting in new product development and the improvement and management of technological problems.

# SPECIAL PAGE

SK hynix readjusts delivery price per unit to prevent suppliers from suffering management difficulties due to changes in the foreign exchange rate and raw material prices. Unit price of the two products were adjusted for nine suppliers in 2013 to give relief worth approximately KRW 300 million.



### Sharing Performance

SK hynix endeavors to spread its fair business partner culture through the system of sharing results. A task force of personnel was established to share results in 2012, and an agreement was made for the autonomous promotion of sharing results between the Ministry of Trade, Industry and Energy, and major companies. Nine companies with 23 tasks have been contracted since 2012; eight tasks were completed to create profits, 50% of which is to be distributed among suppliers.

## Program

Procurement Assistance

Patent Assistance

Educational Assistance



Patent assistance activities including a technology deposit system for suppliers are carried out to prevent patent disputes and increase patent competitiveness.

**Patent Assistance System** | Through the patent assistance system, semiconductor equipment, domestic patents related to raw materials, and utility model technology have been shared with suppliers since 2010.

**Technology Sharing (Gratuitous Transfer of Patent)** | 41 patents have been gratuitously transferred to two suppliers since 2011 so far, and patent consulting was provided to 11 suppliers by SK hynix's patent experts. SK hynix plans to participate in technology sharing in 2014 to contribute to the spread of technology for the sake of public interests and the technology competitiveness of small and medium suppliers, leading the way in spreading win-win growth.

**Technology Deposit System** | The core information of small and medium businesses was stored in the Cooperative Foundation of Small, Medium, and Large Companies for protection. In case of information leakage, a deposit is used to prove the fact of possession under the system.

Educational assistance is provided to employees of suppliers.

**Win-win Academy** | The win-win academy is an educational program for suppliers that provides education in the areas of management consulting assistance, semiconductor technology/quality technology method/technological education including innovation process, CEO and executive seminar/leadership education for each position/improving job-performance. It consists of classroom education, visiting education, and online education. A total of 1,259 people were provided this education in 2013.

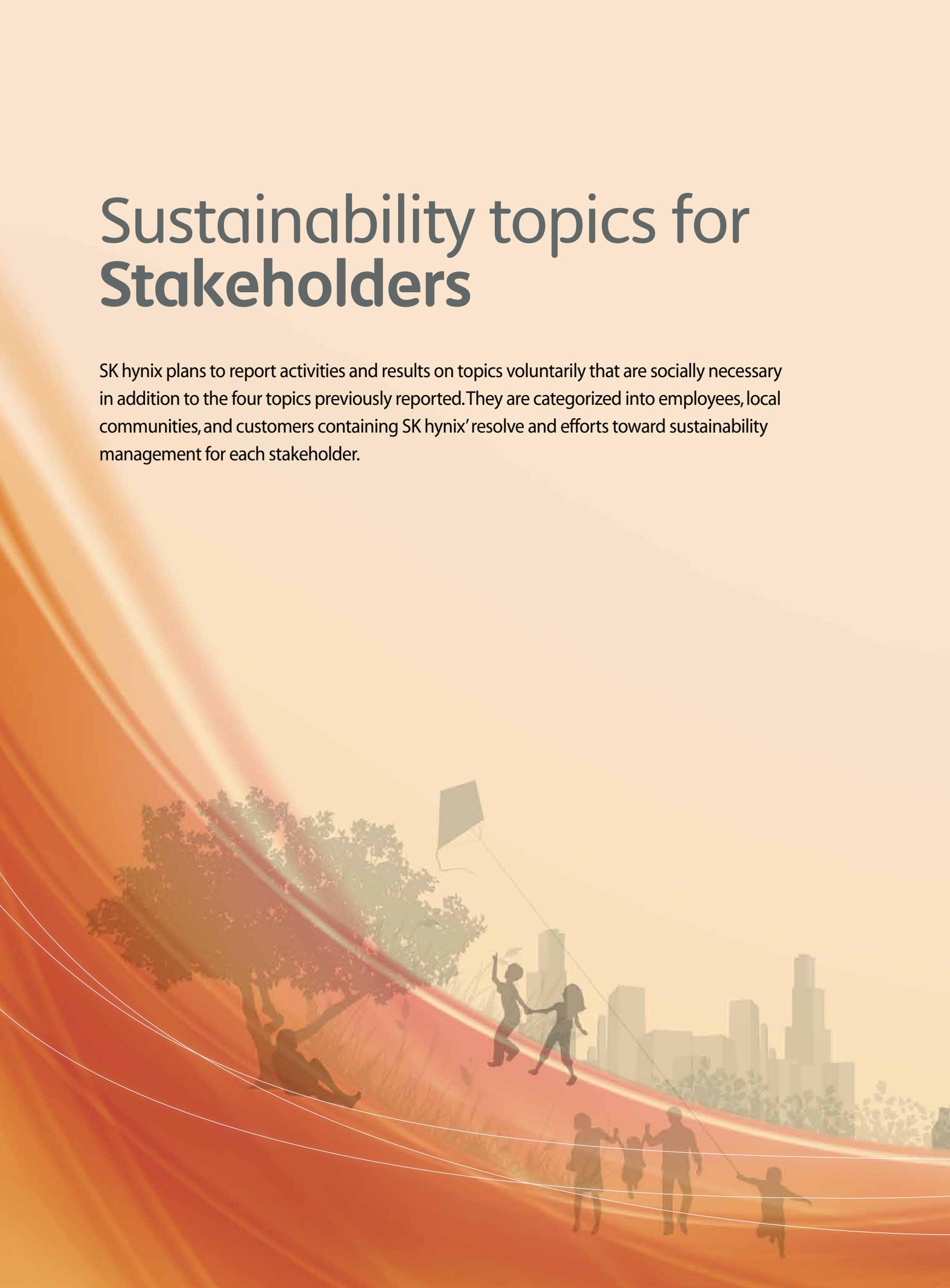
### SK Win-win growth Academy |

SK hynix became a part of SK Group and provides opportunities for its suppliers to receive high quality education through CEO seminars and MBA hosted by SK Group.

- CEO Seminar: Various lectures to CEOs of small and medium suppliers in the areas of management/economy/humanities/society to improve CEOs' management abilities
- MBA: Reinforcing the executives' capabilities through lectures in strategy, accounting/finance, market, human resource/organization

# Sustainability topics for Stakeholders

SK hynix plans to report activities and results on topics voluntarily that are socially necessary in addition to the four topics previously reported. They are categorized into employees, local communities, and customers containing SK hynix' resolve and efforts toward sustainability management for each stakeholder.





56 Customer

58 Employees

62 Local Community

# DMA

## (Disclosure on Management Approach)



Aspect	DMA	
<b>Environmental</b>		
<b>Products and Service</b>	Why is this important for sustainable management?	With the increased social awareness of environmental issues, environmental regulations for products including energy (ErP), harmful substances (RoHS, REACH), recycling (WEEE) are intensifying as well. SK hynix regards these changes in the market as opportunities and aggressively promotes the development of eco-friendly technology and products to reach the goal of leading the industry as No. 1 in the world.
	Strategy in Approach	LCA (Life Cycle Assessment) is used to evaluate environmental impact on major products and minimize elements. The green monitoring system is established to check the use of regulated substances while guidelines are delivered to suppliers along with education.
	Performance Evaluation	Factor 4.3 was achieved, which was an increase of 7.5% compared to the eco-efficiency goal in 2013, through reduction of environmental impact by process upgrades and improvement of product value.
<b>Environmental Grievance Mechanisms</b>	Why is this important for sustainable management?	With the increasing importance of environmental management, relevant laws, and regulations, standards are enacted and revised to present various issues. SK hynix should communicate with stakeholders who are influenced by environmental policies directly/indirectly and understand current the status and problems of SK hynix to minimize risks related to the environment.
	Strategy in Approach	The Environmental Advisory Committee participated by domestic professors and environmental movement associations is in operation.
	Performance Evaluation	Quarterly meetings of the Environmental Advisory Committee since the second half of 2013 have provided expert advice for issues.
<b>Product Responsibility</b>		
<b>Product and Service Labeling</b>	Why is this important for sustainable management?	SK hynix is a B2B (Business-to-Business) corporation that has global enterprises as major customers that require very strict standards for products. Therefore, SK hynix maximizes profitability by supplying quality products to customers with worldclass technology and swiftly responding to customer needs.
	Strategy in Approach	A road map of quality control was established and operated. Real-time conference calls with the person in charge of customer R&D and production sites, and weekly, monthly, and periodic meetings are used to confirm the needs of customers and aggressively apply them in the product development.
	Performance Evaluation	Major businesses regularly administer quality assessment to yield positive results. Dell, a global PC manufacturing company, awarded the grade of BIC (Best in Class) after recognizing SK hynix's competitive and outstanding quality.

# Stakeholder

➔ Key Figure



Aspect	DMA	
<b>Labor practices and decent work</b>		
<b>Training and Education</b>	Why is this important for sustainable management?	The semiconductor market currently faces many challenges such as the reorganization of the industry, limits in refinement processes, and preparation for nextgeneration memory. Amid such circumstances, the importance of development human resources cannot be emphasized enough. It is essential to secure future capabilities to gain a competitive edge among global corporations given the rapidlychanging IT technological trends.
	Strategy in Approach	Continuous investment is made in the training of employees to develop various leadership skills while a long-term training program is in operation that sends an intermediate manager of a Chinese production company to Korean headquarters for a year to increase the competitiveness of Chinese field workers as well as increasing global manufacturing advantages.
	Performance Evaluation	KRW 720 thousand was spent in educating each employee with 54 education hours to further develop their capabilities.The details can be found on page 59.
<b>Society</b>		
<b>Local Communities</b>	Why is this important for sustainable management?	SK hynix has large scale places of business in Icheon, Cheongju, and Wuxi, China and occupies a significant part of the local economy to create direct/indirect economic value such as tax and job openings. The characteristics of the business require large scale investment in business sites, as well as land, manpower, and administrative assistance from local communities. SK hynix will continue to contribute to local communities, growing together to become a corporation with a license to operate.
	Strategy in Approach	For practical improvement and growth in local communities, social contribution activities in close relationship with the area are promoted. Especially, the focus is on self reliance of the social neglected class, maintenance of basic living, and producing future local talent.
	Performance Evaluation	As of 2013, SK hynix spent KRW 3.2 billion in donations, and 9,210 employees participate in social contribution activities.

# Customer

## Customer Satisfaction Management

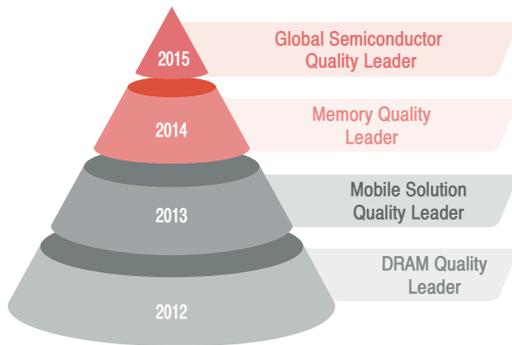
### Quality Guidelines

SK hynix has established three quality principles (Customer happiness, Quality innovation, Involvement of all) based on eight quality management principles to achieve customer satisfaction.

### Roadmap of Quality Management

SK hynix established and operated its Quality Roadmap to secure the best quality. Product quality is being continually reinforced for customer satisfaction, and in-company simulation and assessment tools are being developed to keep up with the rapidly-changing mobile customer environment. SK hynix is developing memory for the next generation in accordance with the customer environment of the present and future. Next-generation memory is currently undergoing joint development to meet and exceed the quality standards for the basic customer environment.

#### Quality Roadmap



## Maximization of Quality Competitiveness through Communication

SK hynix operates OSV (On-site Verification) to check and respond to customer quality trends in real-time to increase quality and competitiveness. FAEs (Field Application Engineer) are dispatched in the field at customer production sites for swift communication and support. Weekly and monthly meetings are conducted to collect and apply VoC quickly. Also, a simulation review system was established using our own technology to secure high quality.

## Hosting of CIS Showcase 2013

SK hynix hosted 'CIS (CMOS Image Sensor) Showcase 2013', introducing its technology and products in China, the largest CIS producing and consuming country in the world, to strengthen its position in the business and expand its cooperation with customers. More than 200 people from 100 companies such as Huawei and ZTE participated. The showcase introduced high-end new products using 8 million-resolution and Full HD with innovative BSI (Back Side Illumination) technology, along with presentations of SK hynix's progress in the CIS business and product competitiveness. Customers had a chance to have their questions answered and have their requests collected, sharing CIS business plans and technical details.

In addition, BSI 13 million-resolution test products and products that removed unnecessary functions to fulfill customers' requests were introduced to target the premium, high-added value market. Expectations were raised after sharing the CIS middle and long-term roadmap and strategies for supply stability. SK hynix plans to increase its CIS market share in China through reinforced promotion of new products and by collecting customer opinions.



Pictures of CIS Showcase

# SPECIAL PAGE



## EICC Response to Earn Trust from Customers



Join the EICC CEO Statement

### SK hynix joins EICC

SK hynix has been actively seeking to join EICC (Electronics Industry Citizenship Coalition) for the pursuit of sustainable happiness with stakeholders and became a member company in October, 2013 by passing EICC Executive evaluation. EICC is a non-profit organization, started by eight global electronic companies such as DELL, IBM, and HP in 2004, with the resolve to fulfil social responsibility. As of February, 2014, EICC has 82 member companies.

EICC enacts the 'Electronic Industry Code of Conduct', which is a practical guideline to be observed, and recommends the observance of duty into the supply chain.

SK hynix upgraded the pre-existing CSR expansion strategy of supply chain according to the global standard and plans to preemptively prevent CSR risks of suppliers by using EICC assessment tools. It will carry out its social responsibility as a global corporation and a member company of EICC to jointly respond to social and environmental issues.

### Operation of EICC VAP\* in Incheon Place of Business

These social and environmental responsibility requests have been steadily increasing in various forms including self-assessment questionnaires, on-site audits, and BCP/M signed by managers.

SK hynix operated EICC VAP in Incheon, one of its places of business, in September, 2013 to effectively deal with such requests and monitor the status of CSR. The areas to improve will be handled according to the global environment through collaboration with relevant agencies. SK hynix's places of business in Cheongju and Wuxi FAB are planning to increase and execute EICC VAP in 2014.

Also, SK hynix will strive to establish transparency of the supply chain by utilizing EICC assessment tools and resources to gain momentum after joining EICC.

\* EICC VAP is a certification program in which a third agency appointed by an EICC organization visits a business requesting EICC VAP to evaluation documents, conduct field investigation, and interview field workers for the observance of the EICC code of conduct (in the aspects of systems, labor, environment, health and safety, ethics, and management system) to find improvements and establish action plans for the purposes of preventing the corporation's CSR risk and earning 'trust' from stakeholders.

# Employees



## Hiring Competent Talent

### Channels to Secure Talent

SK hynix selects capable and excellent talent through various hiring channels. Efforts in pursuit of securing talent include the creation of a DB of major laboratories dealing with

#### Major Hiring Methods to Secure Talent

- Viking-type Hiring**
  - Selection of talent for creativity and passion who enjoy new challenges apart from a method of hiring judging numbers and record
- Recommendation by employees**
  - Selection of talent meeting the needs of current job by employees' recommendations
- Global Hiring Seminar**
  - Seminars and discussion to hire holders of graduate and doctorate degrees from the Top 30 U.S. schools in the area of R&D

semiconductors, technology seminars, and the SK hynix Soccer Cup for Korean students attending schools near Silicon Valley.

### Hiring Based on Diversity

SK hynix gives an aggressive advantage to social minorities such as the low income class, handicapped, and patriots and veterans to practice a non-discriminatory hiring policy. In 2013, 87 females (technical office positions) and seven patriots and veterans (five technical office positions and two full-time positions) were hired. A total of 117 employees hired as handicapped are currently employed as of December, 2013. SK hynix collaborates with local universities and hires their graduates and graduates on the honor roll first to contribute to the development of local communities.



### Case Study

#### Revitalization of Chinese Wuxi FAB Local Economy through Job Opportunities

It is highly important to secure excellent talent early to gain a competitive edge in the international semiconductor market. Chinese Wuxi FAB therefore aggressively utilizes the hiring and fostering knowhow of talent accumulated in Korea. First of all, the academic-industrial collaboration with Nanjing University and the University of Science and Technology of China to secure technical engineers is used to train talent through academic-industrial development funds. Three colleges including Wuxi Vocational School offer the 'SK hynix Course', which is customized education to produce workers for production tasks. Each year, 90 students spend six months in training at SK hynix semiconductor factories before graduation, and students with good records are hired as regular employees. This program supplies excellent talent stably to the company while the local economy gains the benefit of revitalization through the creation of job opportunities.



### Training Global-level Talent

SK hynix is the world's best general semiconductor company, operating various programs to train competent leaders and experts.

### Reestablishment of Leader Training System and Program

The leader training system and program was reestablished to secure essential qualities for future CEOs and SK leaders in connection with SK Academy to produce core human resources.

### Reinforcement of Essential Qualities of All Leaders from Executives to Part Managers.

As a quality semiconductor business, executives to managers focus on their fundamentals in the areas of Leadership, Management, and Globality. To improve leadership skills, yearly leadership education based on assessment is provided while global communication and culture education are offered to execute business with customers and partners in technological collaboration. Experts from in and out of the company will be invited to give education on the reinforcement of management capabilities and broaden the perspective in various fields such as technology beginning in 2014. New managers, executives, and experienced employees receive On Boarding Program to better understand SK Values.

### Training Core Talent (HIPO: High Performer and Potential Pool)

The HIPO is a distinct training system of the SK Group to produce long-term management leaders for the next generation. The

core talent (executives~team manager HIPO) training program strengthens leaders' understanding of SK Values and globalism. GLDP for executives and HLP, GLP for team manager HIPO provide opportunities to think about research topics in the semiconductor business from the perspective of managers to better understand the company's business strategies.

- ❖ GLDP (Global Leadership Development Program)
- ❖ HLP (HIPO Team Leader Program)
- ❖ GLP (Global Team Leader Program)

### Training of Integrated Business Experts and Future Core Technology Talent

SK hynix operates a training system based on work competency diagnosis and growth management program for new employees in order to train new employees to become the world's best integrated work experts. A future core technology talent training program in connection with business. Strategy is also in operation.

### Management Program of New Comers

New employees are educated in semiconductor technology, method of operation, and engineering knowledge to gradually grow in skill and competence during early training. An evaluation of ability is conducted after this education in order to plan individual improvement under the systematic training and management; therefore, employees can become business experts over the course of two years from the point of entering employment.

### Evaluation System of Employees' Abilities

An integrated evaluation and educational system was established to produce business experts by expanding the extent of training from individual responsibilities to relevant tasks and future technology. The evaluation system has five levels of abilities required for each year of employment, determines the individual level of abilities, and establishes self-development plans to improve desired areas. Mutual organic education between all companies and fields is given afterwards to satisfy employees and raise the efficiency of education.

### Training of Future Core Technological Talent

The core technological training program is operated to select the elite talent in areas of core technology related to business strategy and secure technological leadership for the next generation. This program consists of a technology foundation course and specialized course and applies a distinctive method of education focusing on performing tasks. New areas of business will be added in 2014.

# Employees

## Fair Performance Evaluation and Compensation

### Operation of e-HR Performance Management System

SK hynix suggests objectives related to the corporation's strategic directions and reinforces evaluation and compensation accordingly. e-HR, a new performance management system, was developed in 2013 and has been in operation. e-HR maximizes the performance of the organization by connecting performance goals at the individual and organizational level. Constant coaching and communication is utilized to achieve goals and establish a fair evaluation, one of the important elements under the system.

### Fair Performance Evaluation

The general evaluation is given yearly for technological office positions to reveal clear individual job performances. The general evaluation also offers separate job performance evaluation results from the first and second half of the year, yearly capability evaluation, and ranking evaluation between employees. Errors in self-assessment are prevented by using sufficient tools.

The performance evaluation is given to the office employees and technological office positions under Level 5. Ten indexes including Job knowledge, drive, and communication skills are used to evaluate individual abilities, and the evaluation results are reflected in promotion.

### Reasonable Compensation for Performance

SK hynix provides reasonable compensation according to the results of the employee. Unfair discrimination based on sex, education, or religion is prohibited, and a fair standard based on ability and qualification is applied for evaluation and compensation. Performance evaluation is applied to individual compensation, categorized into standard class and performance class. Different ways to increase are applied to the standard class than the performance class. PI (Productivity Incentive) and PS (Profit Sharing) are awarded in addition to individual salaries. PS is commensurate with individual evaluation to promote the emphasis on performance. On the other hand, the average wage of the new employee is 230% of the minimum legal wage and is paid equally, regardless of sex.

## Assistance of Health Management of Employees

### Health Improvement Program

SK hynix provides various programs enhancing employees' physical well-being to create healthy work environment. Major programs include office morning exercises, calorie-burning stair equipment, Pilates and yoga fitness classes, nutritional food in company cafeterias, and clinic services for obesity and smoking.

### Training Leaders of Healthy Stretching

To spread stretching exercises company-wide in 2013, stretching leaders were trained within each department. The stretching leaders teach healthy stretching to employees within the team and demonstrate movement. A total of 535 employees received this education including 127 ESH managers. They run visiting stretching assistance programs to spread stretching in each organization.

### Management of Mind and Body

SK hynix operates the U-Wellness (Ubiquitous-Wellness) program, which is a health and fitness management system with psychiatric counselling for the mental and physical health of its employees.

## Welfare System for Employees

Medical Assistance	Supporting Life Stability	Supporting Family Events	Selective Welfare
<b>Medical expense</b> Support of medical expenses for employees, spouses, family	<b>Tuition Support</b> Support of tuition fees for the children's middle and high school and college /Payment of congratulatory money when the children enter kindergarten, elementary, middle and high school	<b>For Family Events (Expenses, Holidays, and Flowers)</b> Payment in family events and holidays where family events occur	<b>SK Hywel Point Distribution System</b> Distribute SK Hywel point so that individuals can freely select a variety of welfare
<b>Medical Checkup</b> Medical checkup system operated for employees and their families	<b>Loan system for housing and wedding funds</b> low-interest rate loan for leasing or buying a house or wedding fund	<b>Funeral Support Service</b> Support of funeral and goods for condolences	<b>Award for long-term employment</b> Payment of prize money and vacation for employees with five years' continuous employment every five years
	<b>Personal Pension</b> Assistance in individual pension and insurance payments for stable retirement	<b>Support system for disaster recovery</b> Support of expenses to families of members when disaster occurs to them	

## Family-friendly Management

### Operation of Family-friendly Program

#### C.C Value-up Class

The C.C (Corporate Communication) Value-up Class, which is conducted to broaden the employees' collective intelligence by inviting Korea's most well-known people, has now been expanded to include family of employees.

2013's C.C Value-up Class invited Buddhist Monk Hyemin, author of 'Things that Are Visible on a Stop', Doctor Hong-Jun You of 'My Essay of Cultural Remains', Reverend Dong-Yup Cha, author of 'Rainbow Theory', and Artist Young-Man Heo of 'Houseguest' visited to talk to employees about culture and humanities.

#### Children Happy Festival

On Children's Day, the 2,150 family members and children of employees, from Icheon and Cheongju business sites were allowed inside SK hynix's places of businesses. They enjoyed special performances such as dances and taekwondo demonstrations. These activities allowed parents and children to spend quality time with each other. Entertainment also included making puffed rice, face painting, and a large-scale children's playground where children could freely run around.

#### Vacation Camp

The children of employees on summer or winter vacations can attend various camps every year. SK hynix's camps, which have been held since 2010, have had a total of 3,320 attendees (accumulated). The 2013 camps incorporated programs to

share the SK spirit with families of employees. The 2013 camp incorporated programs introducing and sharing the SK spirit with families of employees to win favorable reviews.

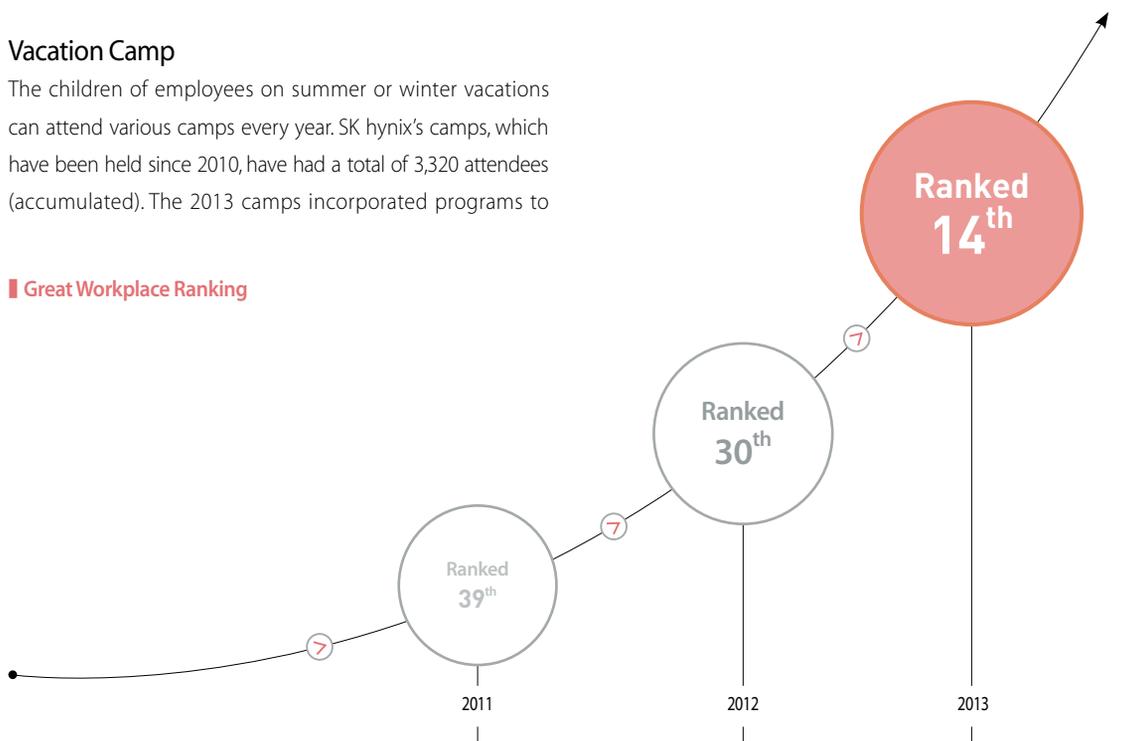
#### Protection of Motherhood

SK hynix follows the government policy on maternal leaves, vacation for spouse's giving birth, and infant care leaves. For the free use of child-care leave for female employees, the 'child-care leave automatic turnover system' is implemented in connection with maternity leave. When pregnant employees work a shift, they are given a two hour break and the DoDami Room is provided as a special place for them to rest. After delivery help and discounts in visiting the ob/gyn's office are also available. As a part of the efforts to create a working environment that is favorable for female employees, SK hynix entered into a women-friendly corporation certification agreement with Cheongju-si.

#### Selected as one of 'Great Workplaces in Korea'

SK hynix was ranked 14th in the 'Korea Great Workplace Index (K-GWPI)' hosted by the Korean Management Association (KMAC) in 2013 through its family-friendly programs and protection of motherhood.

#### Great Workplace Ranking



# Local Community

## Strategic Establishment of Social Contribution

### Happy Memory, Share Happiness

SK hynix is committed to its mission of social contribution to become “the corporation that makes happy memories with local communities by sharing”. It carries out active sharing activities in areas where places of business are located. The Happiness Sharing Fund from employees and the matching donation from the company mark SK hynix’s unique sharing culture. The fund will be used to produce talents in science, train future leaders of science, and support under-privileged children.



## Community-based Social Contribution Activities

### Happiness Sharing Volunteer Group

SK hynix forms volunteer groups in organizational units and focuses on welfare facilities in communities to raise the participation rate in social service works.

The happiness sharing site within the company intranet shares and discusses plans and results of volunteer work while developing volunteer items that meet the needs of the community.

The corporation provides aid and part of the payment of social service work, and it operates programs to support volunteer work during working hours to encourage volunteer services. Volunteer leaders are appointed in each organization to provide regular workshops and support the reinforcement of capabilities.

### Support for Restore Flood Damage

SK hynix sees restoring flood damage occurred in Icheon as its social responsibility. Aid in merchandise as well as around 300

volunteer workers were dispatched to remove soil and build dams and help ease suffering in the local community.

### Sponsoring Prominent Local Festivals

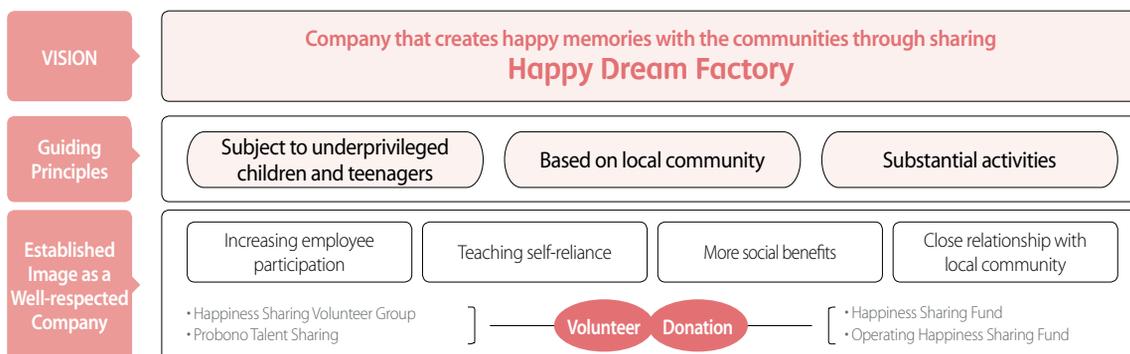
SK hynix sponsors the Icheon Ceramic Festival and Cheongju Jikji Festival, to encourage the development of local arts and culture. The employees and their families are encouraged to actively participate as well.

### Revitalizing Campaign of Traditional Market

SK hynix visits leading local traditional markets to revitalize them and perform volunteer work. Goods purchased with Onnuri Gift Cards\* are delivered to local welfare business site to revitalize local economies.

❖ Onnuri Gift Cards: Gift cards equivalent to cash that can be used in all member traditional markets.

## Social Contribution System

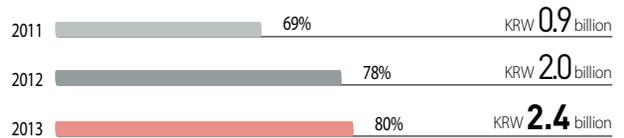




## Happiness Sharing Fund

SK hynix operates the 'Happiness Sharing Fund' participated in by 80% of employees (approximately 16,000) and provides aid to neglected children in the areas where its places of business are located encouraging them to keep their hopes and keep on dreaming.

### The amount and participation rate of happiness Sharing Fund



#### Basic welfare/self-sufficiency support



##### 'Happy Plus Nutritious Meal Support' (1,060 persons)

The volunteer team visits low-income families in Icheon/Cheongju to resolve malnutrition and imbalance of underfed children to supply meals for a week.



##### Hope Nest Eco-friendly Study Room (600 persons)

SK provides eco-friendly study room in local child care centers in order for excluded children can study in clean environment; it seeks to improve IT system environment.



##### Didim Seed Account Sponsorship (500 persons)

SK hynix matches government's aid and members' donation to to prepare low-income youths to be independent after the age of 18.

#### Sponsoring science and art talent



##### Robo Olympiad (300 persons)

Robot classes are provided and Olympiad competitions are held for the children of low-income families to generate interest in the field of science and grow into outstanding scientists in the future.



##### Do Dream Scholarship (890 persons)

Do Dream Scholarships are provided to children/youth with financial difficulties who cannot develop their dreams for education to help them have big dreams for the future.



##### SK hynix dream orchestra (100 persons)

Happiness-sharing dream orchestra is operated for musically talented children who do not receive many cultural benefits due to family environment to encourage them to not give up their dreams.



##### IT Science Expedition (100 persons)

Science field trips to in and out of the country are provided for the children/youth of low-income families who do not have many chances due to their environment and develop their dreams.

### Key Figure in Social Contribution

#### Winner of This Year's Scientific Technology Sharing Award

2013 SCOST Humanitarian Night (First Corporation)

#### Increase of Amount Raised for Happiness Sharing Fund

KRW 2 billion in 2012 → KRW 2.4 billion in '13

#### Grand P rize Winner in Educational Service

CSR Film Festival (The first in SK Group)

#### Expansion of Assistance Scale of Happiness Sharing Fund

1,000 beneficiaries in 2012 → 3,300 beneficiaries in 2013



# Local Community

## Reducing Environmental Impact on Communities

### Management of Atmospheric Environment

SK hynix reduces pollutants from the production stage to manage and maintain a clean air environment in the Metropolitan area and its surrounding areas, including its places of business, while also building monitoring system to prevent the spread of pollutants.

### Real-time Combined Odor Monitoring System

SK hynix established a real-time combined odor monitoring system, which tracks the flow of air exhaust and records the level of odor in places of business, a comfortable work environment and eco-friendly place of business. The understanding of flow of air pollutants will improve the response to environmental and sensing the level of odors will lead to the development of an odor forecast system, as well as the education of employees through public relations with residents and the environmental safety electronic board.

### Reducing the Amount of Air Pollutant Emissions

SK hynix achieved a reduction in the total amount of fluorine compounds, the leading pollutant in the semiconductor industry. The emission of fluorine compounds was 13.9 tons in Icheon/Cheongju, which is 7% less than the amount in 2012. Guidelines for monitoring and management were established to operate the HF total amount system in each factory, replace multi-level systems and decrepit business site, and to improve treatment efficiency. New technology DEMO and expansion of

the optimum management standard were used as a part of the efforts to reduce fluorine compounds emission.

### Waste Management

#### Waste Reduction and Recycling Activities

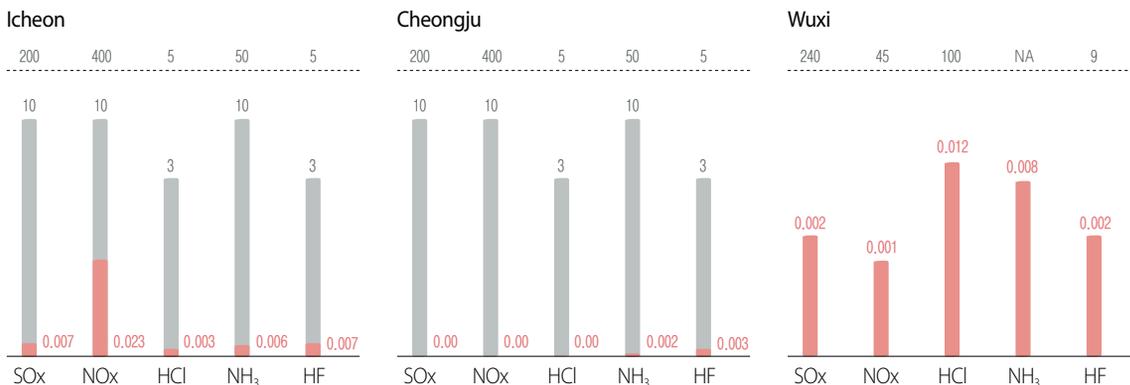
SK hynix categorizes waste occurring in each process into different groups according to the treatment methods of recycling or incineration for daily evaluation and management. The amounts of waste and recycling are analyzed monthly while factors in waste occurrence and waste cost are confirmed for solutions. These efforts to reduce waste reduced the amount of waste by 7,680 tons, and the a recycling rate of 96%.

#### Recycling of Resources

SK hynix minimizes its impact on the environment by reusing the waste liquid generated during production. Technology to concentrate IPA (Isopropyl Alcohol) waste liquid was obtained through collaboration with the EIP (Eco Industrial Park) Business Group and small and medium businesses for the world's first mass production. IPA waste liquid concentration can be used as materials in other industries, and the final treatment generated from concentration can be handled within the place of business. SK hynix will increase the efficiency of resources and minimize contamination by recycling waste material in production. Recycled waste sulfuric acid was supplied to surrounding suppliers to help build an industrial complex where the environment and industry can harmoniously coexist. A total of 14,235 tons of waste sulfuric acid was recycled in 2013.

### Current Status of Air Pollutant Measurement Per Business Site

··· Legal Standards ■ 2013 Measurement ■ Internal Standards  
(Unit: g/cm<sup>3</sup>)



# APPENDIX

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73	Greenhouse Gas Verification Report
74	Independent Assurance Statement

## Sustainability Management Performance

Indicator	Description	Business Site	Unit	2013	2012	2011	2010	2009	
<b>Economy</b>									
R&D Investment	R&D expenditures	All	KRW 100 million	11,445	9,383	8,338	7,903	6,728	
	Percentage of R&D expenditures	All	%	8.1	9.2	8.0	6.5	8.5	
Product Sales	DRAM	All	KRW 100 million	102,130	72,355	73,914	93,654	59,878	
	NAND Flash	All	KRW 100 million	33,855	25,304	27,653	18,199	13,395	
	Others	All	KRW 100 million	5,666	3,963	2,391	9,208	5,791	
Market Share (supply)	DRAM	All	%	26.8	24.6	23.0	21.5	21.6	
	Mobile	All	%	24.1	23.3	23.6	25.6	17.4	
	NAND Flash	All	%	13.6	12.1	12.6	10	9.95	
	Global semiconductor market (Gartner)	All	%	4.0	3.0	3.0	3.4	2.6	
	DRAM market share in China	All	%	23.6	27.4	41.5	45.8	43.9	
<b>Environment (Input)</b>									
Water Use	Total water used	Icheon	Thousands m <sup>3</sup>	18,181	17,327	15,026	13,425	12,240	
		Cheongju	Thousands m <sup>3</sup>	15,294	13,447	10,402	9,635	6,990	
		Wuxi	Thousands m <sup>3</sup>	12,179	11,642	9,759	9,182	8,300	
Energy Use	Total energy used	Domestic	TOE	930,356	890,831	749,019	677,199	611,912	
		Wuxi	TOE	232,969	234,976	92,867	83,395	69,256	
	Total-LNG	Domestic	TOE	28,879	27,353	22,984	18,994	15,730	
		Wuxi	TOE	2,496	2,242	1,659	1,477	1,344	
	Total-Electricity	Domestic	TOE	859,399	819,286	687,770	621,512	568,423	
		Wuxi	TOE	210,794	213,746	73,773	66,394	57,893	
	Total-Steam	Domestic	TOE	42,078	44,192	38,264	36,693	27,759	
		Wuxi	TOE	19,679	18,988	17,435	15,524	10,018	
	Basic unit-Total energy used	Domestic	TOE/m <sup>2</sup>	3.24	3.29	2.97	2.93	2.93	
		Wuxi	TOE/m <sup>2</sup>	2.43	1.93	0.70	0.62	0.59	
	Basic unit-LNG	Domestic	TOE/m <sup>2</sup>	0.1	0.1	0.09	0.08	0.08	
		Wuxi	TOE/m <sup>2</sup>	0.03	0.02	0.01	0.01	0.01	
	Basic unit-Electricity	Domestic	TOE/m <sup>2</sup>	2.99	3.03	2.73	2.69	2.72	
		Wuxi	TOE/m <sup>2</sup>	2.2	1.76	0.56	0.49	0.5	
	Basic unit-Steam	Domestic	TOE/m <sup>2</sup>	0.15	0.16	0.15	0.16	0.13	
		Wuxi	TOE/m <sup>2</sup>	0.21	0.16	0.13	0.12	0.09	
	Raw Materials and Storage Materials used	Total amount used	All	KRW million	3,138,025	3,353,646	3,101,486	4,114,315	3,729,242
		Raw material-Wafer	All	KRW million	474,310	664,740	667,891	2,490,324	2,423,860
Raw material-Lead Frame & Substrate		All	KRW million	151,105	215,255	183,003	159,532	130,768	
Raw material-PCB		All	KRW million	118,213	143,659	163,140	163,407	126,807	
Raw material-Others		All	KRW million	1,197,617	1,220,494	1,066,392	638,405	582,480	
Storage material-S/P, Subsidiary material		All	KRW million	1,196,408	1,109,498	1,021,060	662,647	465,327	
Percentage of recycled raw materials used	300mm	Domestic	%	3.0	1.4	1.2	1.2	0.6	
	200mm	Domestic	%	1.7	0.1	0.1	8.7	2.9	
ESH Investment	ESH expenditure	All	KRW million	118,738	89,993	51,373	35,193	7,415	
<b>Environment (Output)</b>									
GHG Emissions	Total emissions	Domestic	Thousands tCO <sub>2</sub> e	2,867	2,766	2,554	2,443	2,212	
		Wuxi	Thousands tCO <sub>2</sub> e	1,053	1,064	1,042	1,004	917	
Air Pollutant Emissions	Sulfur Oxide (SO <sub>x</sub> )	Icheon	g/cm <sup>2</sup>	0.007	0.008	0.054	0.047	0.048	
		Cheongju	g/cm <sup>2</sup>	0.000	0.002	0.000	0.003	0.000	
		Wuxi	g/cm <sup>2</sup>	0.002	0.001	0.001	0.000	0.000	

❖ The amount of raw materials and storage materials used were modified the standard in 2013.

❖ Product Sales were modified the standard in accordance with the business reports.

Indicator	Description	Business Site	Unit	2013	2012	2011	2010	2009
Air Pollutant Emissions	Ammonia (NH <sub>3</sub> )	Icheon	g/cm <sup>2</sup>	0.006	0.006	0.009	0.016	0.012
		Cheongju	g/cm <sup>2</sup>	0.002	0.006	0.005	0.007	0.008
		Wuxi	g/cm <sup>2</sup>	0.008	0.003	0.006	0.009	0.005
Air Pollutant Emissions	Nitrogen Oxide	Icheon	g/cm <sup>2</sup>	0.023	0.019	0.008	0.007	0.025
		Wuxi	g/cm <sup>2</sup>	0.001	0.001	0.000	0.001	0.001
	Hydrogen Fluoride (HF)	Icheon	g/cm <sup>2</sup>	0.007	0.007	0.005	0.004	0.009
		Cheongju	g/cm <sup>2</sup>	0.003	0.008	0.007	0.009	0.01
	Hydrogen Chloride (HCl)	Icheon	g/cm <sup>2</sup>	0.003	0.000	0.002	0.001	0.003
		Wuxi	g/cm <sup>2</sup>	0.012	0.014	0.011	0.008	0.005
Waste Water Treatment	Wastewater Quantity	Domestic	Thousands m <sup>3</sup>	30,198	25,957	21,789	18,944	15,294
		Wuxi	Thousands m <sup>3</sup>	10,743	9,919	8,631	8,221	7,411
	Basic unit of wastewater quantity	Domestic	m <sup>3</sup> /Wafer	8.0	7.0	6.1	6.0	5.9
		Wuxi	m <sup>3</sup> /Wafer	7.6	5.9	4.8	4.3	4.5
Water Quality Management	Chemical Oxygen Demand (COD)	Icheon	mg/l	4.3	4.2	5.2	4.1	4.3
		Cheongju	mg/l	4.8	5.0	4.6	5.9	4.0
		Wuxi	mg/l	27.1	31.4	30.1	38	19
	Biological Oxygen Demand (BOD)	Icheon	mg/l	3.6	3.0	3.4	2.2	1.8
		Cheongju	mg/l	7.6	8.5	6.4	6.1	2.9
		Wuxi	mg/l	9.21	11.1	11.4	-	-
Waste Water Amount	Total Nitrogen (T-N)	Icheon	mg/l	20.9	21.4	16.4	16.8	15.4
		Cheongju	mg/l	16.7	16.3	21.6	22.3	20.9
		Wuxi	mg/l	30.6	20.8	27.8	-	-
	Fluoride (F)	Icheon	mg/l	1.0	1.0	1.1	1.1	1.0
		Cheongju	mg/l	7.2	6.5	6.8	6.6	6.6
		Wuxi	mg/l	4.8	5.7	2.6	1.4	1.9
Waste Management	Total waste quantity	Domestic	ton	121,629	108,939	82,344	67,198	47,288
		Wuxi	ton	33,801	31,614	27,642	24,613	18,524
	General Waste	Domestic	ton	65,361	67,900	48,025	42,792	28,049
		Wuxi	ton	9,577	9,535	9,464	9,554	6,286
	Designated Water	Domestic	ton	56,268	41,039	34,319	24,406	19,239
		Wuxi	ton	24,224	22,079	18,178	15,059	12,238
	Recycled waste	Domestic	ton	117,127	105,123	75,800	65,444	45,641
		Wuxi	ton	23,780	23,532	14,904	9,813	2,845
	Recycling rate	Domestic	%	96	97	92	97	97
		Wuxi	%	70	75	54	40	15
Volatile Organic Compounds	VOC	Domestic	ton	8.08	10.52	14.98	9.66	35.2
Life Cycle Assessment (LCA)	LCA Application Rate	All	%	90.2	85.4	82.1	73.3	49.7
	Percentage of Carbon label certified products	All	%	45.7	29.3	27.6	7.9	9.7
	Factor h2	All	Factor	4.3	3.9	3.4	2.8	2.4
Ecosystem Protection	Ecotoxicological	Domestic	TU	0.14	0.04	0.07	0.09	0.14
Supply Chain Environmental Impact Management	Business Partners' Environmental performance assessment rate	All	%	2.4	5	-	-	-

## Sustainability Management Performance

Indicator	Description	Business Site	Unit	2013	2012	2011	2010	2009
<b>Society</b>								
Board of Directors Operation	External directors rate	All	%	67	56	56	69	69
	Board of directors participation rate	All	%	94	94	98	98	99
Diversity Index	No. of employ-ees	All	Persons	24,683	24,287	23,430	21,682	20,251
	Executives and office employees (male)	All	Persons	8,124	7,554	7,191	6,352	6,036
	Executives and office employees (female)	All	Persons	1,888	1,785	1,703	1,342	1,220
Diversity Index	Production workers (male)	All	Persons	5,139	5,119	4,839	4,597	4,152
	Production workers (female)	All	Persons	9,524	9,815	9,681	9,252	8,717
	Contract workers (male)	All	Persons	0	0	4	25	20
	Contract workers (female)	All	Persons	8	14	12	114	106
Female Leadership	Female rate	All	%	46.3	47.8	48.6	49.1	48.3
	Female manager rate	All	%	14.3	5.1	4.1	2.5	1.9
Employees with Disabilities	No. of employees with disabilities	All	Persons	117	119	110	101	95
Senior Employees	No. of senior employees	Domestic	Persons	28	12	15	18	15
Employment Status	Employment creation rate	Domestic	%	1.6	3.7	8.3	5.7	(4.8)
	Rate of permanent workers	Domestic	%	99.9	99.9	99.9	-	-
	Laid-off workers	Domestic	Persons	3	5	1	2	4
	Average years of service	Domestic	Years	9.3	8.5	8	7.6	6.9
	Turnover rate	All	%	3.0	4.3	5.5	3.3	6
Status of Maternity and Parental Leave	Return rate after maternity leave	Domestic	%	96	92	87	-	-
	Number of workers who used maternity leave	Domestic	Persons	792	817	734	875	771
	Number of workers who used parental leave	Domestic	Persons	840	898	744	793	475
	Subsidy for parental leave	Domestic	KRW 1000/person	656,720	933,800	480,000	625,600	413,000
Labor-Management Communication	Labor union admission rate	Domestic	%	98.1	99.3	98.0	98.2	98.4
	Labor union communication	Domestic	Times	81	76	42	40	28
Human Resources Development	Total no. of trainees	Domestic	Persons	94,358	87,226	62,737	56,869	65,514
	Training hours per person	Domestic	Hours/person	54	64	60	62	62
	Training expenses per person	Domestic	KRW 1000/person	720	554	439	306	186
Ethics Management Status	Total hours of ethics training	All	Time	18,039	6,891	6,896	10,070	10,814
	Training hours per person	Domestic	Time	0.78	0.35	0.35	0.61	0.55
Customer Satisfaction	Customer satisfaction ranking (TQRDC)	All	Rank	1.36	1.72	2.17	2.46	2.44
	CSR-related responses toward customers' request	All	Cases	73	59	74	35	34
Industrial Safety	Industrial accident rate	Icheon	%	0.00	0.00	0.00	0.01	0.02
		Cheongju	%	0.00	0.02	0.00	0.02	0.02
		Wuxi	%	0.051	0.03	0.15	0.01	0.04
Social Volunteer Activities	Total volunteering hours	Domestic	Time	29,640	45,294	32,543	35,488	28,710
	Total no. of participants	Domestic	Persons	9,210	12,318	8,716	8,954	7,365
	No. of participants in visiting semiconductor class	Domestic	Persons	200	110	50	355	-
	No. of participants in junior engineering class	Domestic	Persons	1,330	393	397	115	-
Charity Activities	Total Donations	All	KRW million	3,222	2,614	1,587	1,679	2,312
	Contributed amount in cash	Domestic	KRW million	881	59	948	1,456	2,209
	Volunteer hours in terms of cash value	Domestic	KRW million	424	696	484	193	-
Win-Win Partnership	Signed the EICC compliance agreement, participating firm	All	Number	1,186	1,034	209	-	-
	EICC onsite inspection participating firm	All	Number	10	20	8	-	-
Supply Network Social Influence Management	Rate of suppliers assessed in terms of human rights and labor performance	All	%	2.4	5	-	-	-

## GRI Guideline Index

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

Category	Code	Code Description	Application Level	Page	Remarks
<b>Profile</b>					
Vision and Strategy	1.1	CEO Message	●	2,3	
	1.2	Description of key impacts, risks and opportunities	●	2,5	
Organization Profile	2.1	Name of the organization	●	4,5	
	2.2	Primary brands, products, and/or services	●	28	
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures	●	4,5	
	2.4	Location of organization's headquarters.	●	4,5	
	2.5	Number of countries where the organization operates	●	4,5	
	2.6	Nature of ownership and legal form	●	4	
	2.7	Scale of the reporting organization	●	5	
	2.8	Characteristics of markets served	●	4,5	
	2.9	Significant changes during the reporting period regarding size, structure, or ownership	●	4,5	
	2.10	Awards received in the reporting period	●	76	
Report Parameters	3.1	Reporting period for information provided	●	Inside cover	
	3.2	Date of most recent previous report	●	Inside cover	
	3.3	Reporting cycle	●	Inside cover	
	3.4	Contact point for questions regarding the report or its contents	●	back cover	
	3.5	Process for defining report content	●	13	
	3.6	Boundaries of the report	●	Inside cover	
	3.7	State any specific limitations on the scope or boundary of the report	●	Inside cover	
	3.8	Basis for reporting on the entities that can significantly affect comparability from period to period and / or between organizations	●	Inside cover	
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques	●	Inside cover	
	3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such re-statement	●	Inside cover	
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	●	Inside cover	
	3.12	GRI Content Index	●	69-71	
	3.13	Policy and current practice with regard to seeking external assurance for the report	●	74,75	
Governance, Commitments and Engagement	4.1	Governance structure of the organization	●	6	
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer	●	6	
	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	●	6	
	4.4	Mechanisms enabling shareholders and employees to provide recommendations or direction to the highest governance body	●	6	
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance	●	6	
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	●	6	
	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.	●	6	
	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	●	32,33	
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance	●	6	
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	●	6	
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	●	38,41,42,44	
	4.12	Externally developed economic/environmental/social charters, principles, or other initiatives to which the organization subscribes or endorses	●	76	
	4.13	Membership in associations (such as industry associations) and / or national / international advocacy organizations	●	76	
	4.14	List of stakeholder groups engaged by the organization	●	12	
	4.15	Basis for identification and selection of stakeholders	●	12	
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	●	12	
	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	●	12	

## GRI Guideline Index

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

Category	Code	Code Description	Application Level	Page	Remarks
<b>Economy</b>					
Economic Performance	EC1	Direct economic value generated and distributed	●	24	
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	38	
	EC3	Coverage of the organization's defined benefit plan obligations	●	58	
	EC4	Significant financial assistance received from government	●	22	
Market Presence	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	●	58	
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	N/A	-	Not application given the industry characteristics
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	●	56	
Indirect Economic Impacts	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	●	60,61	
	EC9	Understanding and describing significant indirect economic impacts	●	24,56	
<b>Environmental</b>					
Raw Material	EN1	Materials used by weight or volume	●	66	
	EN2	Percentage of materials used that are recycled input materials	●	66	
Energy	EN3	Direct energy consumption by primary energy source	●	40,66	
	EN4	Indirect energy consumption by primary source	●	40,66	
	EN5	Energy saved due to conservation and efficiency improvements	●	40	
	EN6	Initiatives to provide energy efficient or renewable energy based products and services	●	40	
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	●	39,40	
Water	EN8	Total water withdrawal by source		66	
	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		41	
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 water 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 water area affected
	EN13	Habitats protected or restored.	N/A	-	No water area affected
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	●	43	
	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 near worksite
Emissions, Effluents and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight	●	40,66	
	EN17	Other relevant indirect greenhouse gas emissions by weight	●	40,66	
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	39,40	
	EN19	Emissions of ozone depleting substances by weight	●	66	
	EN20	NOx, SOx, and other significant air emissions by type and weight	●	66	
	EN21	Total water discharge by quality and destination	●	67	
	EN22	Total weight of waste by type and disposal method	●	67	
	EN23	Total number and volume of significant spills	●	-	No leakage case
Emissions, Effluents and Waste	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	●	-	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	●	39	
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	N/A	-	Not application given the industry
Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	-	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	●	38	
Overall	EN30	Total environmental protection expenditures and investments by type	●	66	
<b>Labor Practices And Decent Work</b>					
Employment	LA1	Total workforce by employment type, employment contract, and region	●	68	
	LA2	Total number and rate of employee turnover by age group, gender, and region	●	68	
	LA3	Benefits provided to full time employees that are not provided to temporary or part time employees, by major operations	●	58	
Labor / Management Relations	LA4	Percentage of employees covered by collective bargaining agreements	●	35	
	LA5	Minimum notice period regarding important operational changes	●	35	

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

Category	Code	Code Description	Application Level	Page	Remarks
Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	●	35,68	
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region	●	68	
Occupational Health and Safety	LA8	Disease and safety management programs in place to assist workforce members, their families, and community members	●	58	
	LA9	Health and safety topics covered in formal agreements with trade unions	●	35	
Training and Education	LA10	Average hours of training per year per employee by employee category	●	68	
	LA11	Programs for skills management and lifelong learning and assist them in managing career endings	●	57	
	LA12	Performance reviews and career development	●	58	
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	●	67,68	
	LA14	Ratio of basic salary of men to women by employee category Percentage and total number of significant investment agreements that include	●	58	
	LA15	Return to work and retention rates after parental leave	●	68	
<b>Society</b>					
Local Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities.	●	60,61	
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	●	7,9,68	
	SO4	Actions taken in response to incidents of corruption	●	9	
Public Policy	SO5	Public policy positions and participation in public policy development and lobbying	●	38,40	
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions	●	-	No cases of participation in party or policies
Anti-Competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior, antitrust, and monopoly practices and their outcomes	●	-	No cases of corruptive competitive behavior
Compliance with Law	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	●	-	No regulated case
	SO9	Operations with significant potential or actual negative impacts on local communities	●	56,60,61	
	SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	●	56,60,61	
<b>Human Rights</b>					
Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses	●	68	
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	●	68	
	HR3	Employee training status in regards to task-related human rights policy	●	68	
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 right	●	-	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
Rights of Indigenous People	HR9	Number of cases regarding the violation of residents' rights and actions taken	●	-	No violation
	HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	●	68	
	HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	●	9	
<b>Product Responsibility</b>					
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 given the 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.	●	-	No violation
	PR5	Practices related to customer satisfaction such as the customer satisfaction survey	●	63,64,68	
Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary rules related to marketing communications	N/A	-	Not application given the industry characteristics
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	●	-	No violation
Customer Privacy	PR8	Total number of complaints regarding breaches of customer privacy and losses of customer data	●	-	No complaint
Compliance with Laws and Regulations	PR9	Monetary value of fines levied for violating laws and regulations on providing products and services	●	-	No violation

# Independent Auditors' Report

## 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 31 st , 2013 and December 31 st , 2012 for SK hynix Inc. 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 31 st, 2013 and December 31 st, 2012 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 25 th ,2014



# Greenhouse Gas Verification Report

## Entity

SK hynix Icheon Head Office, Cheongju Business Site, Seoul Office, Bundang 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
- 8, Seongnam-daero 331 beon-gil, Bundang-gu, Seongnam-si, Gyeonggi-do, Korea

## Period

2013.1.1 ~ 2013.12.31

## Emissions

2,866,850 tCO<sub>2</sub>e

Year	Scope 1 (tCO <sub>2</sub> e)	Scope 2 (tCO <sub>2</sub> e)
2013	1,028,478	1,838,372

- 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.

## Entity

SK hynix Semiconductor(China) Ltd.

## Address

K7&K6-3 plot, Comprehensive Free Trade Zone, Wuxi City, Jiangsu Province, P.R.China

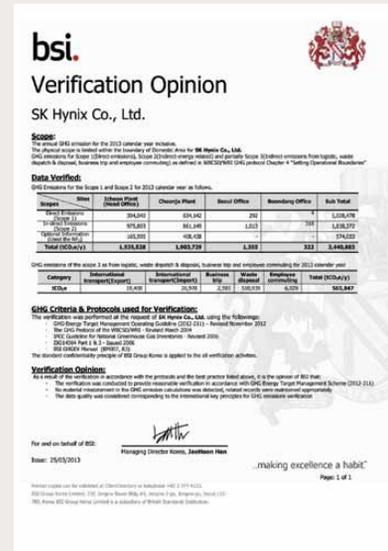
## Period

2013.1.1 ~ 2013.12.31

## Emissions

1,053,424 tCO<sub>2</sub>e

Year	Scope 1 (tCO <sub>2</sub> e)	Scope 2 (tCO <sub>2</sub> e)
2013	322,972	730,452



# Independent Assurance Statement

## Introduction

DNV Certification Ltd. (hereinafter "DNV GL") is commissioned to carry out the assurance engagement of 2014 Sustainability Report (hereinafter "the Report") of SK hynix Inc. (hereinafter "SK hynix"). 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 GL's responsibility in performing the work follows 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 2013. The scope of DNV GL's Assurance Engagement includes only for operations under control in Korea and partial socio-economic data from international operations the review and assessment the following.

- Data and activities related to sustainability that refer to the period between January and December in 2013 as contained in the Report.
- Evaluation of the reporting principles for defining the sustainability report content and the quality as expressed in Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G3.1
- Evaluation of adherence to Accountability principles provided in AA1000 Accountability Principles Standard (APS) 2008 with a moderate level of assurance and Type 1 as stated in AA1000 Assurance Standard 2008.
- Check of GRI Application Level
- Visit to SK hynix Head office and production site in Icheon, Korea in April-May 2014

## Limitation

The engagement excluded the sustainability management, performance and reporting practices of SK hynix suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Any financial information from SK hynix's annual report and company reporting on operations in 2013-2014 or other sources are not included in the scope of the Assurance. Economic performances based on the financial data linked with internal documents and the audited financial statements. The aggregation and calculation process for building economic performances is reviewed and tested by the verification team. The baseline data for Environmental and Social performance are not verified, while the aggregated data are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

## Verification Methodology

The Assurance Engagement was planned and carried out in accordance with the DNV GL Verification Protocol for Sustainability Reporting (VeriSustain™ V4.1) and AA1000AS(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 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 GL 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.
- The accuracy of data verified.

## Conclusion

In DNV GL'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 2013. DNV GL confirms that the Report meets GRI G3.1 Application level 'A+'. Further conclusions and observations on the Adherence to the principles of Inclusivity, Materiality and Responsiveness, as set forth in the AA1000AS (2008) are made below;

**Inclusivity** | SK hynix has engaged with a wide range of stakeholders. 6 main stakeholder groups and the communication channels are identified in the Report such as Customers, Employees, Local communities, Government/NGOs, Shareholders and Investors, and Suppliers. Each business unit/ department identifies the interest and expectations of stakeholders by engaging them with various ways to actively respond to them. On-line stakeholder survey result as well as face-to-face interviews was reflected into the materiality determination process.

**Responsiveness** | Stakeholders' views, interests and expectations sought from stakeholder engagement are considered in the preparation of the Report and in the formulation of sustainability management strategy. SK hynix has monitored, measured and reported the indicators associated with the material aspects. DNV GL evaluates that SK hynix in the Report clearly responds to the material issues determined by stakeholders.

**Materiality** | In addition to the stakeholder research (interview and on-line survey), analysis of media coverage and internal document review are the basis of screening significant issues. External significant issues are also identified by analyzing peer group report and global sustainability standards. SK hynix has mapped out internal and external issues considering relevance with and impact on SK hynix and prioritized sustainability issues that are most material. The output of the process clearly brings out material issues which are covered by the Report.

**Completeness** | The scope and boundary of the Report cover the issues and activities that are of most significance to SK hynix and relevance to its stakeholders. No material omissions are identified in data or information verified.

**Principle of report quality** | The Report provides balanced information. All indicators reported are based on the facts and not biased. Data and information presented in the Report are generally reliable. Presentation on the performance through graphics and charts for the purpose of comparison is adequate.

## 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.

- Setting long and mid-term objectives to achieve sustainability vision and mission
- Reporting quantitative targets to measure the progress of sustainability projects to enhance transparency

## Statement of Competence and Independence

DNV GL 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 GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the verification process.



May 2014, Seoul, Republic of Korea  
In-Kyoon Ahn  
Country Manager

# Awards, Recognitions and Association memberships

## Corporate Award Status

NO	Award and Recognitions	Organization	Title	Date
1	Proud New High School Graduates Age Award	Ministry of Education	• Group (MandT Personnel/ Innovation Team)	Presidential Award 2013.1
2	2013 Commerce and Industry Day	Ministry of Trade, Industry and Energy/ Fourth Economy Group	• Director Geum-Whan Park	Prime Minister's Award 2013.3
3	The 12 <sup>th</sup> Fair Trade Day	Korea Chamber of Commerce and Industry	• Director Sang-Soo Son	Committee Chair Award 2013.4
4	Science Day	Ministry of Education, Science and Technology/ Korean Federation of Science and Technology Societies	• Vice President Gyung-Dong Yu • Vice President Seong-Yong Cha	Presidential Award Prime Minister Award 2013.4
5	Invention Day	Korean Intellectual Property Office/Korea Invention Promotion Association	• Director Young-Ju Kim	Prime Minister Award 2013.5
6	National Productivity Award	Ministry of Trade Industry and Energy/ Korea Productivity Center	• Director Dae-Young Shim • Senior Chang-Ho Cha	Chairman Award Minister Award 2013.9
7	National Productivity Champion Competition		• Highone-task distribution • Sigmania-task distribution	Minister Award 2013.9
8	Korea Precision Industrial Technology Competition	Ministry of Trade Industry and Energy/ Korea assessment Laboratory	• Director Jeom-Dong Lee	Prime Minister Award 2013.10
9	Semiconductor Day	Ministry of Trade Industry and Energy/ Korea Semiconductor Industry Association	• Vice President No-Jeong Gwak • Director Joo-Yup Lee • Director Sang-Jun Han • Directors Jae-Myun Kim and Seong-Woo Yu	Presidential Award Minister Award Minister Award Committee Chair Award 2013.10
10	Parts and Material Technology Award	Ministry of Trade Industry and Energy/ Korea Institute for Advancement of Technology	• Vice President Yun-Seok Jeon	Prime Minister Award 2013.10
11	National Quality Award	Ministry of Trade Industry and Energy/ Korea Standards Association	• Director Jun-Seok Jeong • Director Jin-Yo Park • Senior Min-Young Song	Prime Minister Award Minister Award Minister Award 2013.11
12	National Quality Master		• Senior Ho-Gyung Lee • Senior Du-Hyung Ham	Presidential Award Presidential Award 2013.11
13	Korea Technology Grand Prize	Ministry of Trade Industry and Energy/ Korea Institute for Advancement of Technology	• Vice President Bo-Ryung Ui	Prime Minister Award 2013.11
14	Trade Day	Ministry of Trade Industry and Energy/ Korean Trade Association	• Vice President Sang-Rak Lee • Senior Hak-Seong Mun	Minister Award Minister Award 2013.12

## Association memberships

Category	Association
MARKETING	SEMI
PRODUCTION	The National Quality Award, Korea Standards Association (Icheon and Cheongju), Korea Iotope Association, Korean Environmental Management Association (incorporated), Korea Occupational Hygiene Association, Korea Chemicals Management Association, Chungbuk Association of Environmental and Engineering, Chungbuk Branch of Environment Preservation Association
RESEARCH	Korea Invention Promotion Association, Korea Intellectual Property Association, Institute of Semiconductor Test of Korea, JEDEC, UFSA, SATA-IO, TCG, IEEE, PCI-SIG, SNIA, KMAPS, Korea Institute for Advancement of Technology, MIPI, Korea Semiconductor Research Association, Institute of Electronics and Information Engineers, Si2, Embedded Software System Industry Association, SiWEDS, VCCI, Korea Engineering Academy
SUPPORT	Icheon Chamber of Commerce and Industry, Cheongju Chamber of Commerce and Industry, Korea Electric Power Engineers Association (Icheon and Cheongju), Fire Safety Association (Icheon and Cheongju), the Occupational Safety Association (Seongnam branch branch, Chungbuk), Korea Occupational Nurses Association, Korea International Trade Association, Korea Semiconductor Industry Association, Federation of Korean Industries, KAITS, Korea Employers Federation, Emergency Planning Team of MOTIE, the Korea Fair Competition Federation, WSTS, the Institute for Industrial Policy Studies SM forum, UNGC Korea Network, EICC, the Korea Listed Companies Association, Korea IR Service, Green Business Council (Seoul, economic regions, Chungcheong region), Chungbuk Employers Federation, Business Institute for Sustainable Development, Korea AEO Association, Korean Tariffs Logistics Association, Korea Integrated Logistics Association, South Korea and the CIO Forum, The SCM Society of Korea

**Department** Ethics Management Office

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**Contributors to the production of the report**

(in Korean alphabetical order)

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 [blog.skhynix.com](http://blog.skhynix.com)



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This report has been printed with environmentally-friendly paper that used soy ink.