

# SK hynix Tax Strategy – Worldwide

## Introduction

SK hynix operates globally with subsidiaries in 18 countries. As a global leader in the semiconductor industry, we are dedicated to providing products with state-of-the-art technology that connect the world and make people's lives better.

Since our business can have a critical impact on the economy and society, we are deeply aware of our social responsibility in relation to tax. We meet our social duty voluntarily by completing our tax compliance requirements on time in each and every country we operate in. We comply with taxation regulations, not only because we are obliged to, but also because we believe that as a part of society, it is our self-imposed duty to grow responsively alongside it. To achieve our duty in relation to taxation, we aim to:

- Understand and comply with tax laws, including the legislator's spirit and intention of tax legislation
- Recognize an appropriate amount of tax to each and every tax jurisdiction\*\* we operate in, based on value creation
- Prepare, submit and retain pertinent tax information in required forms on time, as required by tax laws and tax authorities
- Employ appropriately qualified and trained tax professionals, whom have knowledge and an understanding of our business
- Utilize professional tax advisers when intricate, uncertain or significant tax issues require specialized knowledge

## 1. Approach to tax risk management and governance

We have established policies and processes in place that are designed to ensure the integrity of our tax filings and all other tax compliance obligations worldwide. Our internal tax management team aims to deliver to the highest standards to effectively manage tax risk.

Our aim to be compliant with tax laws helps to protect us against the impact that taxation risk may have on our future value creation.

### 1) Ensuring Global Compliance

We aim to abide by the compliance principles of each country where our business operates in. We

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*Our published tax strategy applies to the SK Hynix Group, including SK Hynix UK Limited and is relevant for all UK taxes and duties. It has been satisfies Schedule 19 of the UK Finance Act 2016 in respect of the period ending 31 December 2022.*

aim to perform all our tax compliance duties including reporting and making tax payments in accordance with local tax laws as well as submitting relevant documents and data to tax authorities when required.

## 2) Transparent Trade

We have established a Transfer Pricing policy based on the 'arm's length principle' that is generally accepted by all jurisdictions who abide by OECD principles and we strive to pay the proper amount of tax in each and every tax jurisdiction where income is generated.

Our finance division headquarter are responsible for the administration, preparation, revision and approval of our Transfer Pricing policy. The Global Head of Tax / Accounting presents any material revisions to the Transfer Pricing policy to the Audit / Compliance Committee of the Board on a quarterly basis.

## 3) Preparation of BEPS Documentation

In accordance with OECD's (Organization for Economic Co-operation and Development) BEPS (Base Erosion and Profit Shifting) action plan, a considerable number of jurisdictions have promulgated revised tax laws. We understand the intent and context of the BEPS action plan and strive to comply with it by establishing updated policies and processes in line with these revised laws. We also aim to be compliant with our global Country by Country Reporting requirements.

## **2. Our attitude towards tax planning**

We do not engage in any aggressive tax planning, including abusing tax havens, low tax jurisdictions or exploit the tax structure as a method of tax evasion. And we act with a resolute mindset in the spirit of being a responsible tax payer.

We strive to work tax efficiently as part of our overall business strategy, aiming to create the most value possible, whilst contributing to society. As part of our overall business strategy, we will consider a range of tax outcomes to a potential transaction as long as they support an underlying commercial rationale, support our value creation and ultimately our contribution to society. We work towards satisfying the interests of stakeholders such as society, employees and shareholders etc. by legitimate means with advice from professional tax advisers where necessary. Our intercompany transactions are performed based on the arm's length principle, which is periodically updated in consideration of change in our business environment. We view our social responsibility highly and strive not to impair trust between society and ourselves with regard to tax planning.

## **3. The level of tax risk we are prepared to accept**

We endeavor to comply with the tax laws in each jurisdiction in which we operate. However, we

acknowledge that the elimination of all tax risk is impractical to the complexity of tax legislation and differences in interpretation that may arise. However, the Group is committed to the identification and monitoring of relevant significant tax risks. In these circumstances we will seek the guidance of professional tax advisors. In addition international tax laws are frequently revised and new laws added, therefore we seek to remain aware of these and act appropriately.

Our policies and governance focus on monitoring and identifying uncertain tax issues at the earliest possible moment. Where any tax law is unclear or subject to interpretation and this would have a significant business impact, we will engage with external tax advisers to ensure we remain compliant in all our operations and to ensure appropriate discussions and disclosure to tax authorities where applicable.

#### **4. Our approach to dealings with Tax Authorities**

Our engagement with Tax Authorities is an important and essential part of our taxation related activities. We aim for our engagement, with Tax Authorities, to be transparent, honest and professional. We believe that such an approach will enable us to mitigate or clear uncertainty in the most efficient way possible. Upon the request of Tax Authorities, we aim to provide relevant information through local accounting manager under control of global head of tax & accounting in a timely manner. We are also prepared to invest considerable efforts to reach an agreement with Tax Authorities when each party has a different point of view.

\* Tax jurisdiction: An area subject to its own distinct tax regulations, such as a municipality, city, county, or country.