

# Smart Solutions, Happy Life

SK hynix 2015 Sustainability Report



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## 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 into 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 published in compliance with the GRI (Global Reporting Initiative) 4.0 and ISO26000 standards.

The report covers the period from January to December 2014 and contains data from 2012 to 2014 to ensure that performance indicator trends can be identified. Certain information prior to 2014 or 2015 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

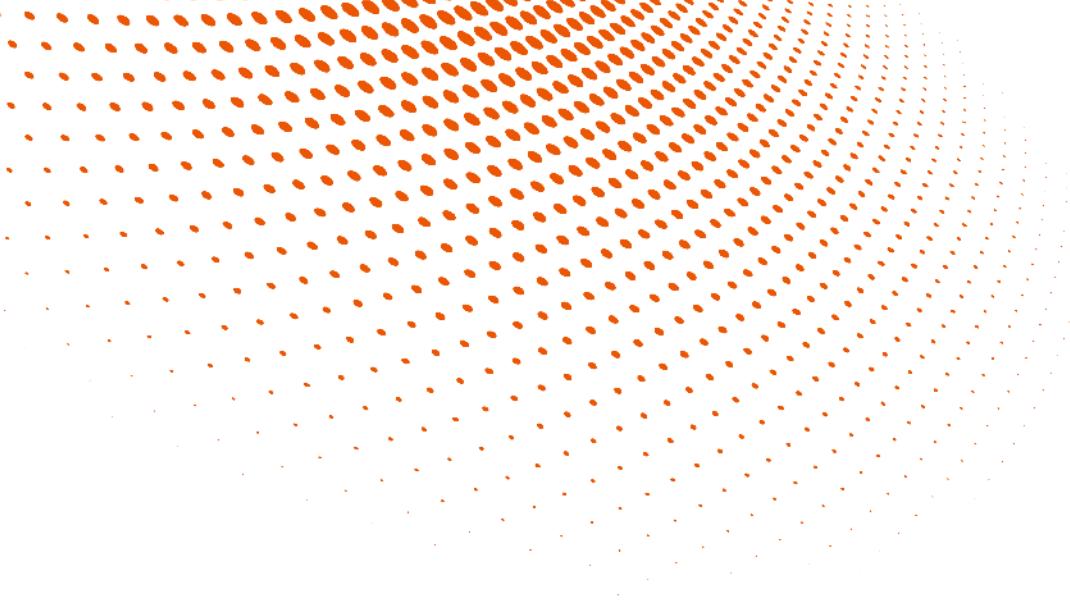
The scope of this report extends to the data regarding all business operations worldwide including the Headquarters of SK hynix in Icheon, Cheongju business site, and Seoul office, as well as the production business site in Wuxi, China. Information about any other overseas company is marked separately.

## Credibility of the 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 shown on pages 85-86.



To achieve the vision of becoming the "Best memory semiconductor solution company", SK hynix implements innovative and creative management for growth and development, social contribution for sharing and happiness, environmental management for mutual growth and coexistence and value of ethics management for consideration and respect. Beyond the "Best memory semiconductor solution company", SK hynix will continuously strive to become a responsible and sustainable company leading balanced growth in society and the environment.



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# 2014 SK hynix Highlights

## Achieved the largest business profits in history

In 2014, SK hynix recorded 17 trillion 126 billion won in sales and 5 trillion and 109 billion won in business profits, an increase of 21% and 51% respectively compared to last year. These figures indicate the company's largest business profits since its foundation. Based on technology competitiveness through investment in R&D, SK hynix will continue its growth.



62p

## Made an exemplary case for industrial field with "Industrial Health Verification Committee"

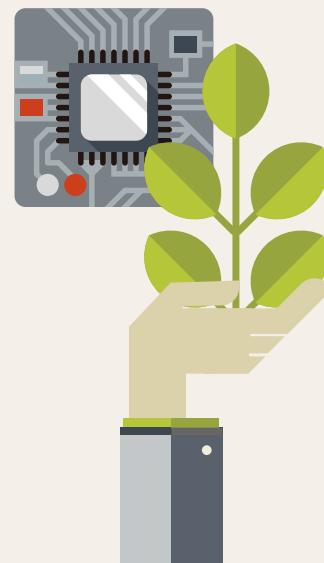
SK hynix operates an "Industrial Health Verification Committee," which consists of external experts, civil groups and representatives from labor union and management. The committee not only conducts an objective survey for the current status of the working environment but also establishes an advanced system to manage the health sector in a regular and systemic way.



31p

## Leading the super high speed memory market

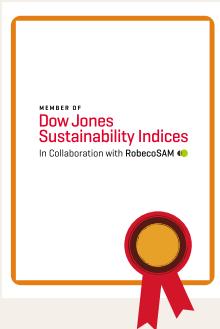
SK hynix has continuously developed 128GB for the first time in the world, following 8GB DDR4-based 64GB. By acquiring overseas carbon labeling for 20 Nano 4GB DDR3 DRAM for the first time in the industry, the company also leads the eco-friendly product market.



12p

## Named in Dow Jones Sustainability Index (DJSI WORLD) for five consecutive years

As SK hynix has continuously joined the DJSI WORLD, which assesses a company's sustainability such as corporate financial performances, environmental and social value, SK hynix has solidified its status as a remarkable global company.



### Minimize the use of conflict minerals

49p

To minimize the use of conflict mineral resources in the entire production process, SK hynix has expanded the scope of regulations on conflict minerals with the ultimate aim of producing products using only raw materials at the refinery with no use of conflict minerals.

### Acquired the international certificate for business continuity management (ISO 22301)

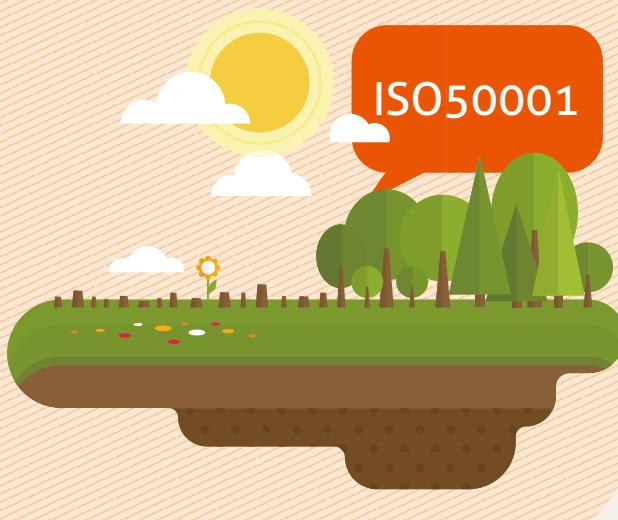
34p

In 2014, SK hynix established its business continuity management system to cope with disasters swiftly. On January 11, 2015, the company acquired the international certificate of ISO 22301 (business continuity management system).

### Proved the best level of competitiveness in coping with climate change

39p

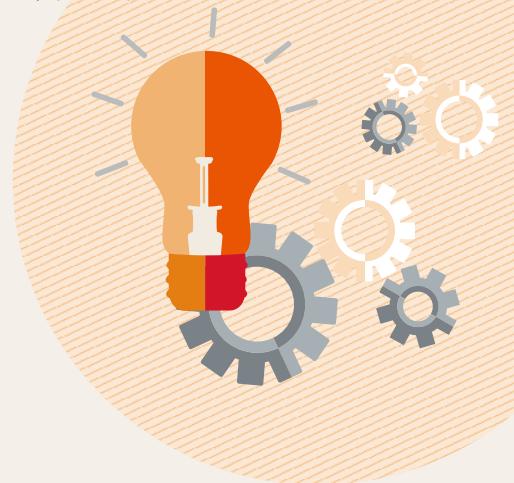
SK hynix maintained its status as a "Gold Club" at "Hall of Fame for Carbon Management Honors Club" for two years in a row. Plus, as Icheon Business Site acquired the certificate for "Energy Management System (ISO50001)" to prepare the foundation for systemic management regarding energy use, the company has strived to cope with climate change by carrying out proactive activities to reduce greenhouse gas and save energy.



### Strengthened win-win growth with secondary suppliers

47p

SK hynix has expanded and strengthened existing activities for win-win growth, which focused on primary suppliers, to secondary suppliers. The company will continuously expand win-win growth programs for secondary suppliers and improve the payment system by introducing a win-win growth payment system.



### Fostered talent in the IT business

53p

SK hynix fosters talent in the IT industry by operating a program for visiting scientific facilities and mentoring program with scientists for students who want to work in the scientific industry in the future. The company will make extensive efforts to become a representative company for fostering scientifically talented people in the IT power nation by vitalizing the natural sciences and engineering sector and engineering sector.



## CEO MESSAGE



**Dear respected stakeholders,  
I would like to express my sincere gratitude for  
your support and care for SK hynix.**

After committing to achieving profitability-based management and qualitative growth despite the intensified competition in the global market, SK hynix achieved the largest performances in sales and business profits for two consecutive years in 2014. In addition to these economic performances, the company has made great efforts to fulfill its social and environmental responsibility and become a trustworthy and respectable company with transparent and ethics management.

As a result, SK hynix's efforts and performance for sustainable management have been recognized externally. The company has been included in DJSI World, the world-renowned CSR assessment index, for five consecutive years as well as the Gold Club of Carbon Management Hall of Fame selected by CDP (Carbon Disclosure Project) for two consecutive years, and received the prize from the 2nd Most Trusted Company in Korea by the government.

Published as the 8th report, SK hynix Sustainability Report includes external needs and interests in detail by selecting nine major issues by conducting a feasibility study regarding the company and similar industries as well as interview and survey for stakeholders. I believe that the value of a respected company can be found in fair and transparent management activities which are built up from an unhidden foundation. SK hynix has not only strengthened ethics management activities at home and abroad but also strived to share corporate value with society based on its responsibility for the environment and win-win growth with suppliers.

By developing eco-friendly products with high energy efficiency and saving energy in the process, SK hynix has shared environmental and economic value with society and expanded the company's ethics management value and guidelines to the entire business including CSR consulting and operation of various programs to strengthen capability of suppliers. Further, to help employees to work in a safer environment, the company has strengthened the overall industrial safety system by reorganizing the health and safety environment and operating an Industrial Health Verification Committee, which consists of internal and external experts.

For sustainable growth of SK hynix, support and interest from stakeholders give significant help. I hope you give continuous support and care for SK hynix's continuous endeavors towards the new goal of the "Best memory semiconductor solution company."

Thank you very much.

**April 2015  
Park Sung-wook  
President & CEO of SK hynix**

박승우

# COMPANY PROFILE

SK hynix has four production facilities in Wuxi and Chongqing, China as well as domestic business sites in Icheon and Cheongju. As a global company, SK hynix also operates sales subsidiaries in ten countries including the U.S., U.K., Germany, Singapore, Hong Kong, India, Japan, Taiwan and China, and four R&D corporate bodies in Italy, U.S., Taiwan and Belarus. Based on its 30-year-old know-how for production and operation of semiconductor business, SK hynix makes efforts to secure competitiveness in technology and costs and lead the global semiconductor market by conducting continuous R&D activities and investment.

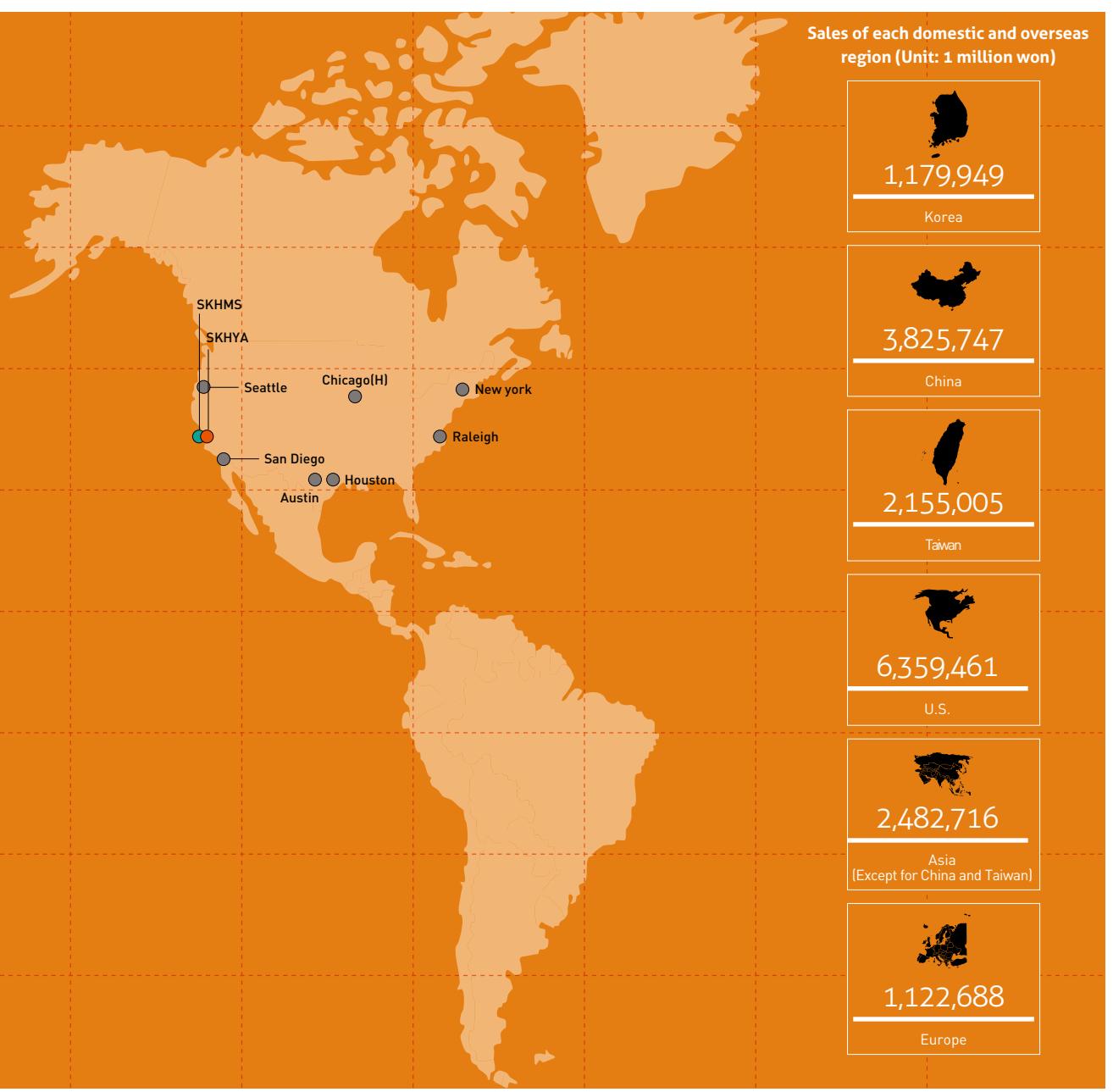
## Global Network



## Company profile

As of end December 2014

Company name	SK hynix
CEO	Park Sung-wook
Date established	February 1983
Area of business	Manufacture and sales of semiconductor devices
Address of headquarters	2091, Gyeongchung-daero, Bubal-eup, Icheon, Gyeonggi, South Korea
Products and services	<b>Memory semiconductor</b> DRAM, NAND Flash, MCP(Multi-Chip Package), etc. <b>Non-memory semiconductor</b> CIS(CMOS Image Sensor), etc.



# BUSINESS OVERVIEW

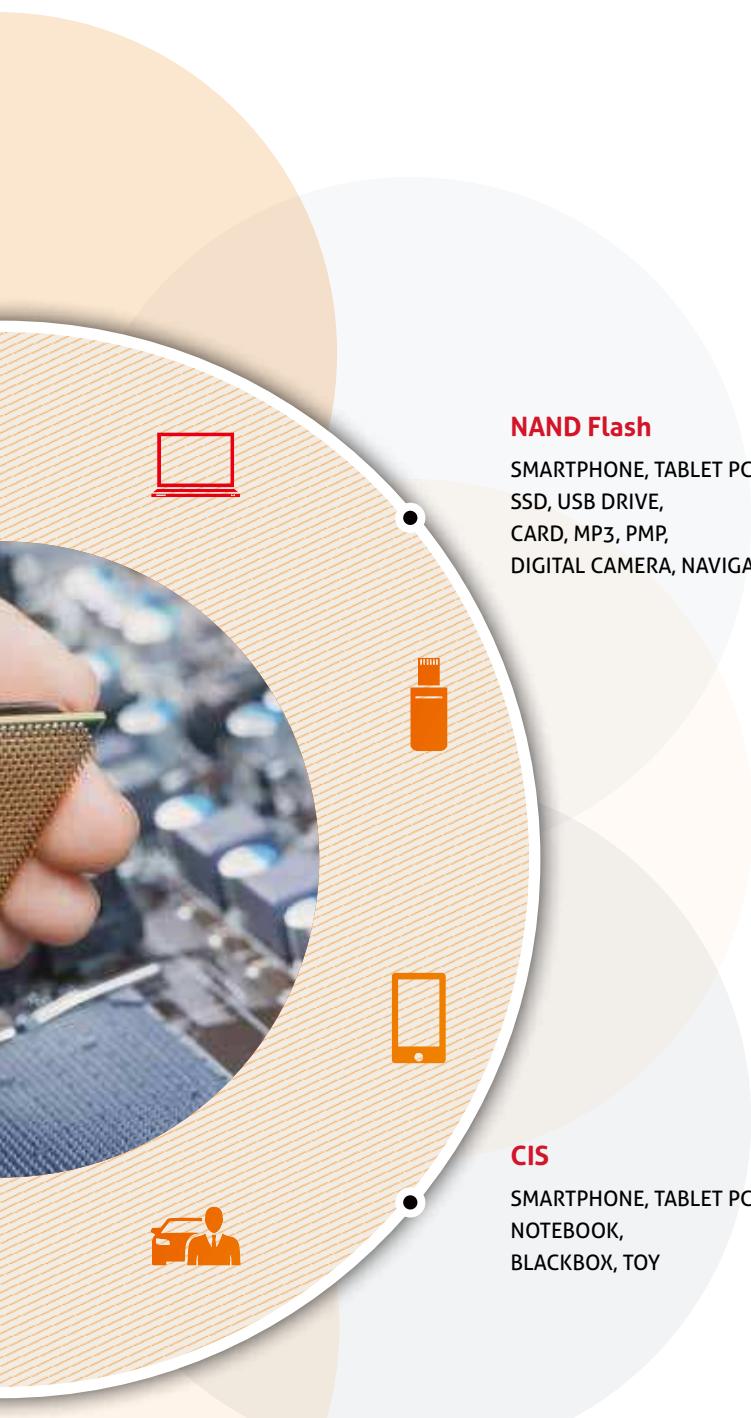
The semiconductor industry is divided into memory semiconductor and non-memory semiconductor. SK hynix produces DRAM & NAND Flash in the memory semiconductor and CIS in the non-memory semiconductor.

## DRAM

By securing the industry's best-level of nano fabrication technology through continuous research and development, SK hynix produces DRAM products with the world's best performance and stability by conducting strict quality assurance. DRAM is volatile memory for storing information only while the power is on. It is mainly used for the main memory of a computer and graphics memory to develop video clips and 3D games. The existing DRAM market was greatly affected by the company's cycle of replacing PCs due to dependency on demands for PC, but as mobile devices such as smartphones and tablet PCs have recently markedly increased and home appliances such as smart TVs and smart refrigerators became digitalized, major demands for DRAM have dispersed. Consequently, business fluctuation has been reduced compared to the past.

Further, economic variability has weakened compared to previously as demands for graphics memory have increased to handle an increasing amount of distribution of high-definition contents. As demands for DRAM as well as an increasing amount of equipment for handling massive contents due to diversification of digital devices increase, it is expected that demands for DRAM will continue. SK hynix will maintain its most outstanding technology level in the industry through innovative research and development and lead the global DRAM business by meeting various needs of the market. The company continuously develops premium products with high capacity and performance which use lower amount of electricity than existing products but improve capacity and process speed significantly.





### NAND Flash

SMARTPHONE, TABLET PC,  
SSD, USB DRIVE,  
CARD, MP3, PMP,  
DIGITAL CAMERA, NAVIGATION

### CIS

SMARTPHONE, TABLET PC,  
NOTEBOOK,  
BLACKBOX, TOY

### NAND flash

NAND flash is non-volatile memory in which stored data is not erased even when the power is off. As this is suitable for saving massive amount of information such as digital video clips and photos, NAND flash is widely used in a digital camera, USB drive, MP3 player, automobile navigation, SSD (Solid State Drive) and mobile devices such as smartphones and tablet PCs.

Recently, the scope of application has diversified to include smartphones, tablet PCs, SSD (Solid State Drive) beyond regularly used memory such as MP3, PMP, digital cameras and navigation as well as increasing demands for customized products. Under these circumstances, it has been more important to develop application products and deal closely with customers. To keep up with this pace, SK hynix has continuously developed products and enhanced the process speed and storage capacity. As well as producing SLC (SINGLE LEVEL CELL), MLC (MULTI LEVEL CELL) and TLC (TRIPLE LEVEL CELL)-type NAND flash, the company manufactures a wide range of products from 128MB to 1TB. With not only single NAND flash products but also MCP (Multi-Chip Package), embedded NAND flash and SSD, SK hynix provides the premium-level of NAND solution to meet various customer needs.

### CIS

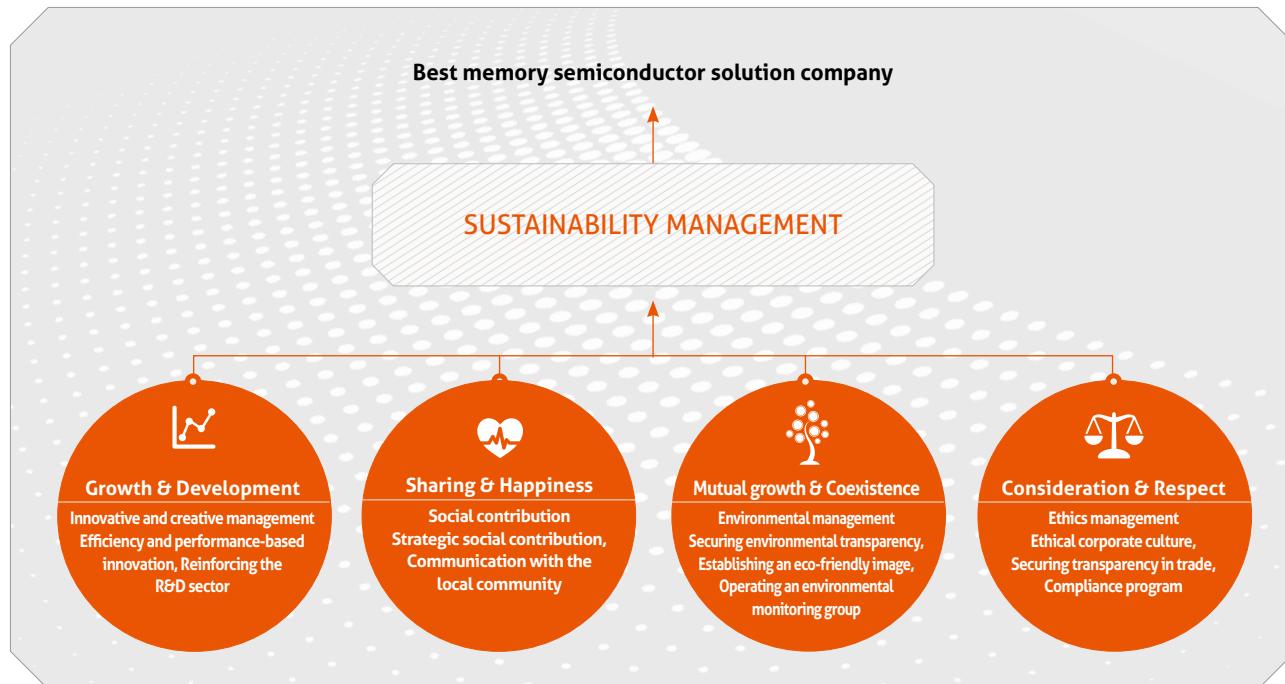
As a non-memory semiconductor acting as electronic film in various IT devices, CIS (CMOS IMAGE SENSOR) is a product whose production process is closely related to memory semiconductor technology despite being a non-memory semiconductor. As digital filming devices have recently become smaller, the scope of utilizing visual information through CIS with its small size and low electricity consumption has gradually expanded. The market has been also expanded through convergence with various industries including automobile black box, rear camera and smart TV. Based on its technology competitiveness which is gained in the memory semiconductor sector, SK hynix has successfully started a CIS business and provided various sectors with products such as portable and smartphone cameras, web cameras and small filming devices for medical use. To supply products meeting various customer needs, the company strives to lead the CIS business by securing high-definition and micro-fabrication technology.

# STRATEGY : PARTNER FOR NEW POSSIBILITY

System for carrying out sustainability management

## Strategy for sustainability management

With the aim of becoming the "Best Memory semiconductor solution company," SK hynix has established a system for sustainable management and drawn and implemented detailed initiatives. By linking overall sustainable management activities with SK Management System (SKMS), which is management system by SK Group, the company creates values for stakeholders such as customers, employees and shareholders as well as contributing to economic development.



## Performances



## Sustainability management goals and performances

Completed ● - In progress ○ - Not implemented ○

Sustainability management goals	Performance for 2014	Level	Plan for 2015
<b>Employees</b>			
Introducing and expanding new HR	Improved and expanded a new HR settlement/compensation system	●	Improving/Supplementing issues regarding new HR operation
Reinforcing systemic performance management	Reviewed/Supplemented issues in operating E-HR	●	Stabilizing E-HR and improving a team assessment system
Spreading culture of autonomous compliance with fair trade	Conducted education to prevent cartel and subcontract and distributed the current legal issues on a monthly basis	●	Implementing preventive education for internal trade, cartel and subcontract and distributing the current legal issues on a monthly basis
Fostering talent and raising competitiveness	Established "Leadership Pipeline" (system for fostering leaders) Implemented values-up programs for employees Established a system for early settlement of new employees and growth management	● ● ●	Strengthening SKMS for company-wide leaders and employees Establishing statistical decision-making culture (Mind+ Capability) Enhancing employees' global capability
Reinforcing communication to enhance happiness for employees	Expanded channels for labor-management communication and employees	●	Operating strategically reinforced labor-management communication and employees
<b>Environment</b>			
Implementing company-wide energy-saving activities	Introduced the energy management system (certificate of ISO 50001)	●	Spreading the energy management system (all business sites)
Conducting a project to achieve clean business sites [Hy-CAP]	Expanded activities for saving energy and enhancing efficiency	●	Reducing the amount of energy use and managing energy systematically
Establishing source control	Expanded the optimal prevention facilities to the entire FAB	●	Managing the amount of discharging specific air hazardous materials [HF, HCl]
Broadening the scope of LCA-applied products	Implemented preventive checks for each FAB	●	Securing safety by conducting M14 ESH Qual. at the right time
Assessing product environmental impacts and economic value	Reinforced safety management for risky tasks	●	Preventing accidents by operating a safety system of patrolling a dangerous area
Expanding products with carbon label/low-carbon certification	Supplied regional water of 20,000 m³/day (Completed approval for use)	●	Completing achievement of mid- and long-term tasks
Securing the initiative regarding water resource	Achieved 95% of the rate of LCA assessment	●	Completing achievement of mid- and long-term tasks
Coping with regulations on mineral resource conflicts	Achieved Factor 4.5	●	Completing achievement of tasks one year earlier compared to the mid- and long-term plan
Dealing with stricter RoHS and REACH regulations	Expanded certified products (certified products accumulated to ten) Implemented assessment for impact on the environment and ecosystem Applied recycling technology for IPA waste liquid Making a checklist and auditing suppliers Induced major suppliers such as ABCO, Phycomp to develop the system at an early stage	● ● ● ● ●	Certifying 15 products based on accumulation Assessing once every three years and disclosing the result Expanding to Cheongju Site Auditing new suppliers and updating the current status [June] Assessing raw materials, certifying products and application to mass production (December)
<b>Suppliers</b>			
Win-win growth and fair trade agreement	Reinforced support for win-win growth Participated in Industrial Innovation 3.0 Participated in the technology sharing project	● ● ●	Applying a win-win growth payment system Implementing a contest for technology development Improving payment conditions
Establishing a system for spreading EICC for suppliers	Implemented consulting with ten suppliers Conducted EICC VAP[Validated Audit Process] for three suppliers	● ●	Strengthening a system for external verification (External consulting verification and expansion of applying EICC AVP) Distributing CSR Guide Book for suppliers
<b>Local community</b>			
Making a happiness-sharing fund and sharing projects	Implemented Happiness Sharing Fund [2.4 billion won in donation/3,750 beneficiaries] - Happiness Plus Nutritious Meals (Weekly portion of side dishes) - DoDream Scholarship (Supported scholarship for study) - Hope Nest Study Room (Supported IT PC Zone for a regional children's center) - Didim Seed Account (Supported the cost for social independence) - IT Science Expedition (Science field trip program) - Robo Olympiad (Robot education/Contest) - Happiness Sharing Dream Orchestra (Supported the orchestra/talented children)	●	Expanding Happiness Sharing Fund and its beneficiaries (2.7 billion won in donation/5,500 beneficiaries)
Supporting talents for IT, science and arts	Helped scientifically talented but disadvantaged children and young students in Icheon and Cheongju Selected 100 students for "IT Science Expedition" and conducted field trips at home and abroad Providing 310 children from low-income households with robot education and holding a Robo Olympiad to find talent in science	●	Operating a participation-based IT Science Expedition program
	Selected 90 orchestra members for children and young students from low-income households Selected and supported ten musically talented students (Two students entered into the college of music and two joined arts high school) Held "Happiness Sharing Concert" with local residents	●	Developing Robo Olympiad qualitatively to foster creative talented students for the science industry Holding "Happy Science Technology Contest" as a nation-based contest for creative programming HW/SW
		●	Extending efforts to find musically talented students for Happiness Sharing Dream Orchestra
Increasing volunteer works for sharing talents	Held Junior Engineering Class 14 times Selected 12 pro bono experts at SK hynix	● ●	Expanding the number of elementary schools for Junior Engineering Class Expanding pro bono activities in connection with SK Group
Expanding region-based business	Supported nine non-profit groups and social companies 6,282 employees participated in local community voluntary works 890 times	●	Supporting vitalization of the local economy (Supporting local festivals and purchasing gift certificates) Carrying out voluntary works meeting needs from employees and local community
<b>Sustainability management</b>			
Strengthening diagnosis for level of ethics management	Establish the framework to measure the level of ethics management	●	Completing establishment of internal framework and reviewing feasibility for external verification
Dealing with and utilizing global standards in a strategic way	Verified EICC VAP for Wuxi FAB, China, and Cheongju, Korea	●	Implement the EICC VAP to the Icheon site

# STAKEHOLDER ENGAGEMENT & MATERIALITY TEST

## Materiality test

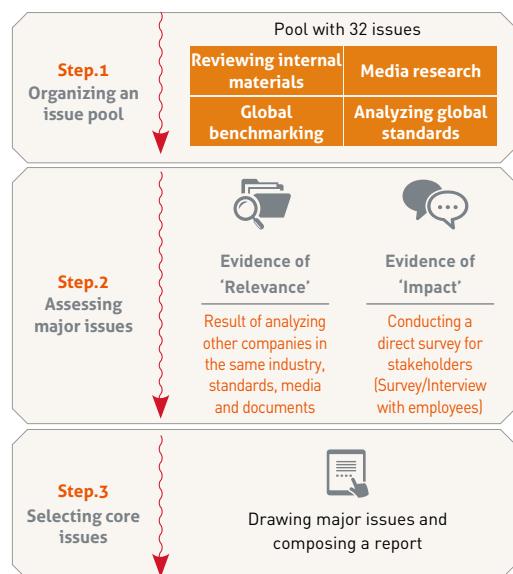
### Procedure for materiality test

Based on the following systemized methods for the materiality test, SK hynix selects issues which are considered important by internal and external stakeholders and applied these issues to the company's sustainability report. The company has collected various stakeholders' opinions by conducting a survey for major stakeholders and interview with external experts and determined priorities in the reported issues by implementing in-depth discussions for drawn tasks and analyzing them comprehensively.

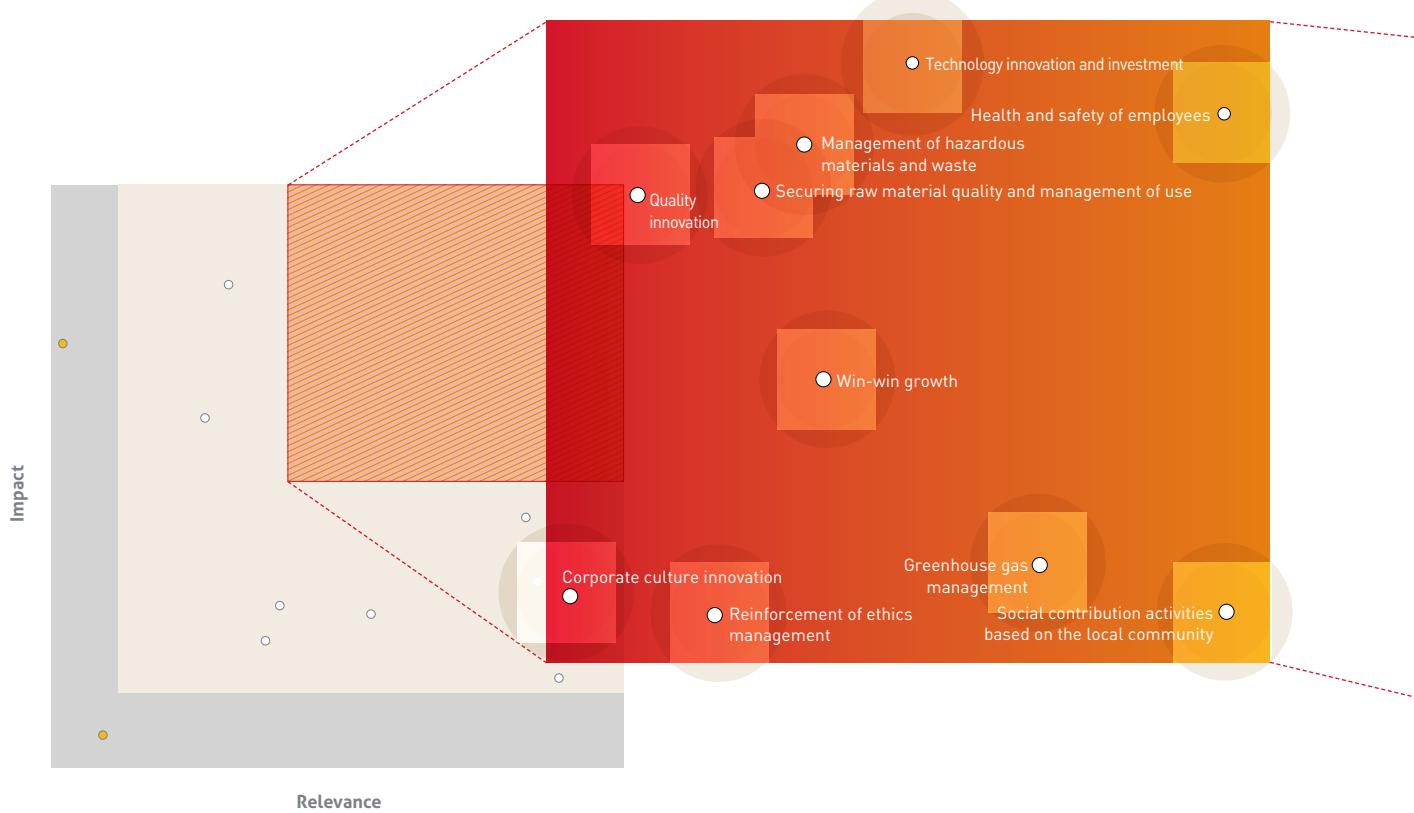
### Result of materiality test

SK hynix selected a total of ten issues and reflected them in the report in priority, considering impacts of stakeholders, business, and relevance with sustainability management. These ten core issues are intensively reported on each page along with other important factors for a company to deal with.

### Process for materiality test



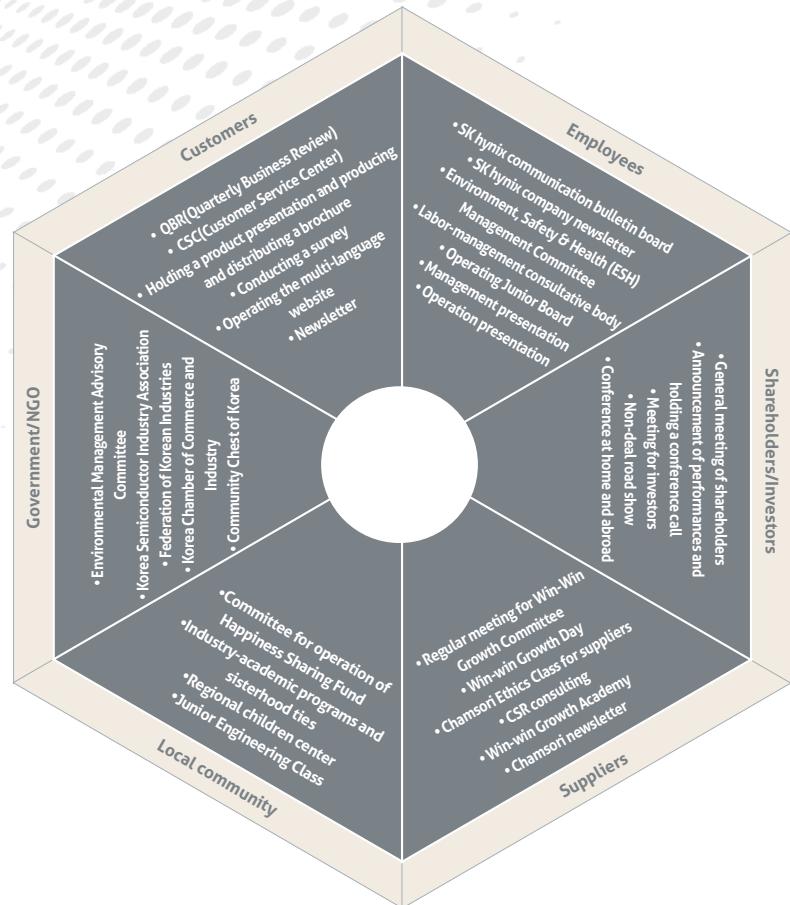
### Matrix for materiality test



## Communication with stakeholders

### Participation system of stakeholders

SK hynix defines major stakeholders as customers, employees, shareholders/investors, suppliers, local community and government/NGO. By operating various communication channels considering the characteristics of each stakeholder, the company collects opinions and shares SK hynix's sustainability management issues with stakeholders.



### Internal and external impacts of issues

SK hynix writes the report based on core issues which are selected by the material test.

The company manages these issues by identifying their impacts on internal and external stakeholders of SK hynix.



Core issues	Internal and external impacts				
	Customers	Employees	Suppliers	Local community	Govern-ment/NGO
Technology innovation and investment	<input type="radio"/>	<input checked="" type="radio"/>			
Quality innovation	<input checked="" type="radio"/>	<input checked="" type="radio"/>			
Reinforcement of ethics management	<input checked="" type="radio"/>	<input checked="" type="radio"/>		<input type="radio"/>	
Corporate culture innovation	<input checked="" type="radio"/>				
Health and safety for employees	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Greenhouse gas management	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Management of hazardous materials and waste	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Win-win growth	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>		
Securing raw material quality and management of use	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>		
Social contribution activities based on the local community	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>		

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Issue 4. Building a Safe Working Environment	30-34p
Issue 5. Responding to Climate Change	35-39p
Issue 6. Management of Hazardous Substances and Waste	40-43p
Issue 7. Win-Win Growth With Suppliers	44-47p
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● Direct impacts   -   ○ Indirect impacts

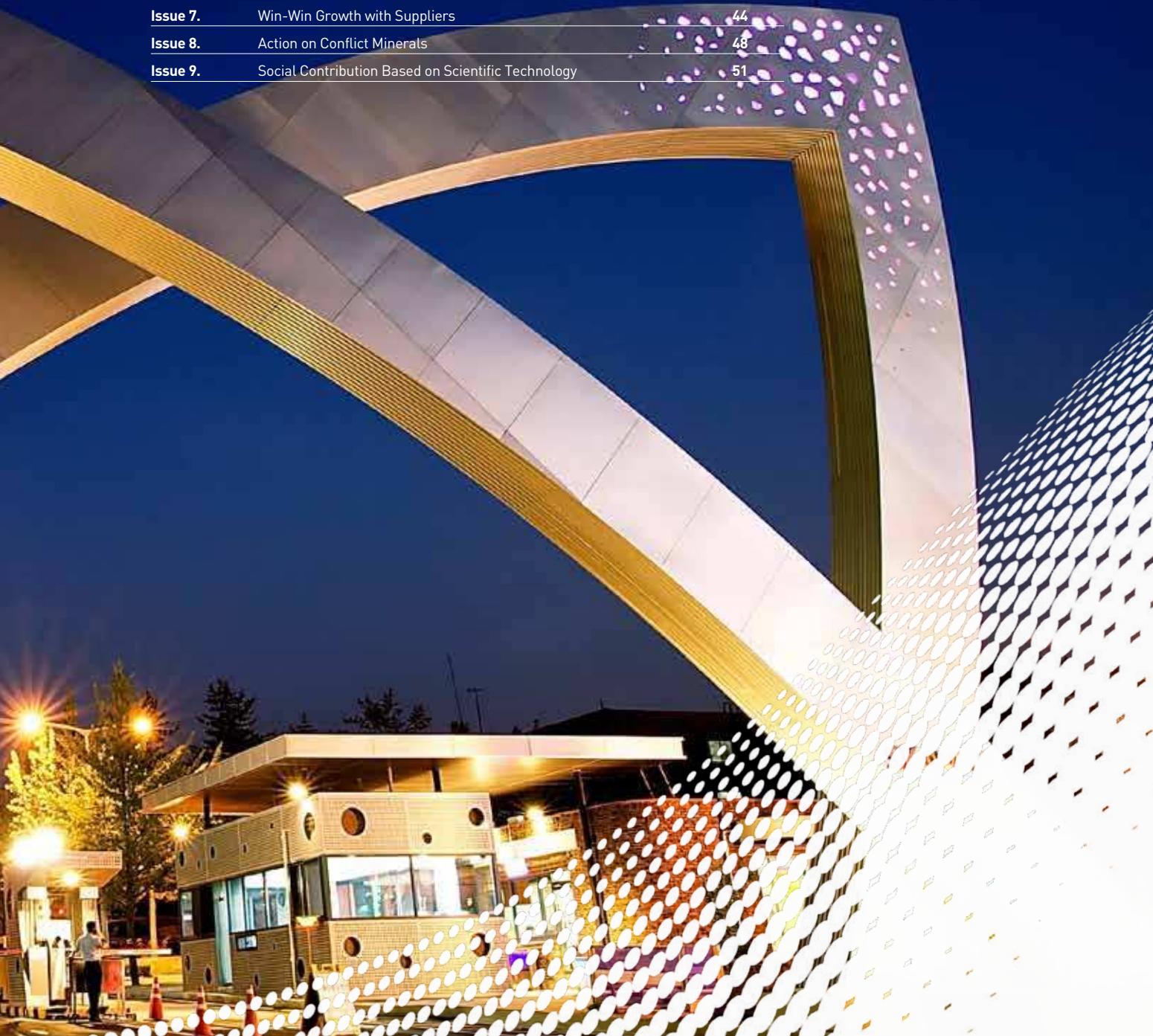


**SK** hynix



# VALUE CREATING ACTIVITIES

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Issue  
**01**

# CREATING CORPORATE VALUE THROUGH QUALITY INNOVATION

## 2014 Efforts

Innovating R&D infrastructure and process

Reinforcing product stability through communication with customers and quality assurance

Strengthening strategic patent management, based on R&D



## Business Context

As the mobile market is expanding, customized applications have become popular. Along with this trend, the necessity for memory to incorporate these applications is also increased. Flexibility of hardware has also become an important issue with the emergence of wearable devices. Under these circumstances, the development of innovative memory technology to deal with the rapidly changing milieu of smart devices has become more significant. As the importance of corporate competitive elements is shifting from tangible assets to intelligent assets, patent conflicts due to intensified technology competition have become more complicated and diverse.

## Social/Environmental Context

Thanks to the popularity of IoT (Smart products, Internet of Things), the health care market has been turned into an IT-focused market and products immediately identifying and meeting consumers' needs have been launched. There is a growing need for semiconductors that can be grafted to new services and applications. With the characteristics of the technology-intensive market, minimizing risks for patent conflicts is another important issue to secure stable competition and best products.

## Our Approach

SK hynix focuses on developing future advanced elements to raise product competitiveness. To lead the market trend, the company develops products for customer needs by identifying and presenting specifications that are needed by consumers. We are leading the market by way of developing new products proactively and securing next-generation products and technology to secure competitiveness in the changing market environment. Our company has become a first mover in technology by developing advanced patent management for the protection of relevant technology and reinforced responses for potential conflicts. SK hynix will further promote future technology and solidify our status as a leading company in the semiconductor market.

## Future Action

- Establishing a roadmap for future technology and developing technology
- Dealing with the expanding non-mobile market
- Making a strong patent portfolio and spreading company-wide patent culture

### 1. Creating Corporate Value through Quality Innovation

2. Transparent and Efficient Management Activities
3. Strengthening Human Capital on the Basis of Creative Corporate Culture
4. Building a Safe Working Environment
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### Innovating R&D infrastructure and process

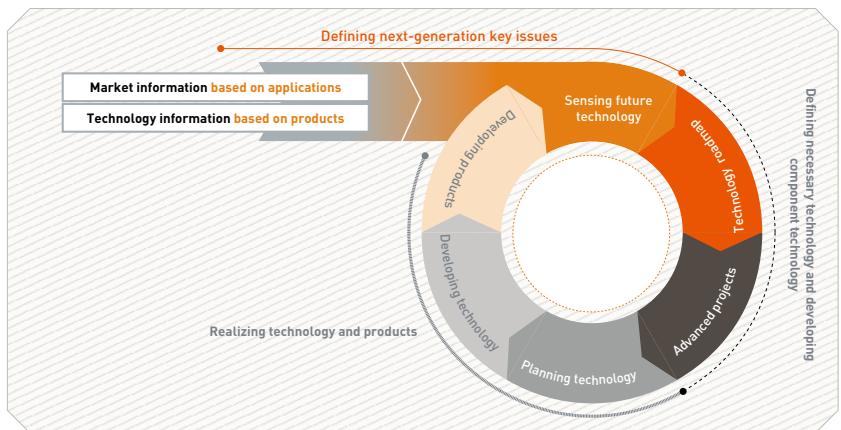
#### Strengthening the R&D system

Technological competitiveness is a source of sustainable growth for SK hynix. To maximize this strength, the company has strived to ensure our existing competitiveness, "Time to Market" quality, and cost competitiveness, deal with market changes proactively, pioneer new markets, and surpass technical limitations. Towards achieving these aims, we are raising our technological competitiveness by expanding investments in the R&D sector continuously. Since securing advanced technology competitiveness in DRAM and NAND has continuously led the company's growth, SK hynix reinforces capability in making new memory products and System IC business to prepare for taking leaps forward into becoming the "Best memory semiconductor solution company".

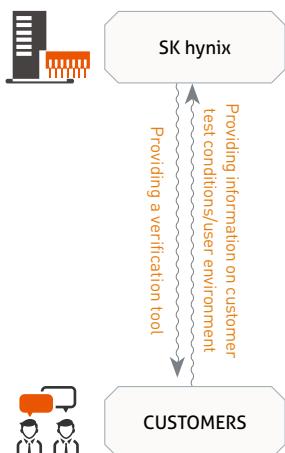
#### Operating a systemic product development cycle

SK hynix has strengthened its product development cycle and R&D process and leads the semiconductor industry by developing new products continuously. The R&D cycle is composed mainly of component technology development, technology development, and product development. First, the company develops component technology by exploring new schemes, new materials, and new processes for applying to next-generation products as well as developing the necessary technology by assessing its value. Only technology which passes the procedure for verifying technology based on this process can be used in developing core products and spin-off products. To respond to changes in the market and technology more aggressively, the company has not only secured competitiveness in technology and conducted various development activities, but also produced innovative products through company-wide systemic cooperation in the process of creating products.

Product development cycle



#### Reinforcing product stability



#### Reinforcing product stability through communication with customers and quality assurance

##### Reinforcing product stability through communication with customers

Due to changes in the ICT environment, the ratio of mobile products has continuously increased. SK hynix has strengthened cooperation with customers to supplement its comparatively less experience in product development compared to rival companies. Through cooperation, we have identified the environment for customer evaluations and the user environment and conducted product tests to increase the detection rate of defects. By reflecting these characteristics in development, the company utilizes these changes as a source for making better-quality products. In addition, we have strengthened on-site verification activities to deal with customers and secure customer satisfaction. The company provides customers with a test tool to detect defects in products so that customers can identify and analyze poor quality in memory. Through these efforts, the company has created a foundation for win-win growth with customers by identifying causes of defects and responding rapidly.

##### Reinforcing product credibility based on quality assurance

SK hynix has established a roadmap for quality assurance technology to improve quality assurance methods for rapidly changing products along with an increase in new tech-

nology products such as TSV, 3D products and controller-embedded products. The company has also reinforced feedback activities in the development stage by analyzing and assessing new materials, new processes, and next-generation product risks and continuously improved examination methods to detect new types of defects. Through these activities, the company increased the credibility level in TSV-based HBM products and 3D NAND products in 2014. Plus, we have nurtured experts in detecting and analyzing poor quality to ensure quality assurance for software as well as firmware whose importance is on the rise due to the expansion and growth of mobile products. We have performed remarkably well in the sector for firmware, achieving quality assurance capability in the short term by focusing on tasks related to detecting and improving problems at an early stage. SK hynix will provide developed customer services by establishing a more systemic software quality assurance system.

#### **Strengthening strategic patent management based on R&D**

As a product which is combined with numerous technologies, semiconductors have a high possibility for patent conflicts because one company cannot exclusively develop all the related technologies. With more complicated types of conflicts, SK hynix has recently strived to minimize risks by securing "strong patents" at an early stage and managing and addressing conflicts optimally.

#### **Establishing a global patent development system to strengthen response for patents**

SK hynix has prepared for establishing a global patent development system to reinforce response in patent conflicts and minimize expenses for royalties. First, the company has made the foundation for identifying the best patents by establishing a patent development system for overseas business operations and overseas investment companies. Based on these systems, we have established a patent management system for overseas business operations such as SKHMS(Location: U.S.), SKHYFST(Location: Taiwan), etc. The company has set up the patent development process, which is customized for on-site environment for each overseas business operation. As for SKHMS, the patent development process supplementing the existing problems has enhanced patent development activities and raised awareness for patent development by providing a patent map (patent information study) for core technology. The company will intensively develop patents which are customized for on-site projects by completing consultation for major projects continuously as well as securing next-generation technology-related competitiveness by purchasing the best patents proactively.

#### **Securing patents at an early stage through R&D and reinforced cooperation**

SK hynix reinforces cooperation with the R&D sector to develop patents which can be utilized and follows business trends at an early stage. First, the company has raised patent competitiveness in high value-added products such as System IC and solution products along with the changed environment for demands in the semiconductor market. We have conducted patents development activities suitable for expected trends by selecting core product technology and analyzing technology trends comprehensively. For these goals, the company operates various development programs for cooperation with the R&D sector from the planning stage. Separate compensation is offered for remarkable patents by reviewing patents with the R&D sector jointly. The company has prepared measures to improve a job invention compensation system by reflecting the amended Invention Promotion Act and latest judicial precedents, and implemented an improved version of the system by rationalizing the standard for each stage of application and compensation for each type. SK hynix will secure future core patents at an early stage and reinforce development of R&D-focused strategic patents.

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## Major R&D Performances

### Developing HBM for the first time in the world

In September 2014, SK hynix developed HBM (High Bandwidth Memory) product by applying TSV technology for the first time in the industry. HBM is an application which can encompass high-performance and high-capability devices such as high-end graphic systems, networks, and supercomputers.

### Developing 128GB DDR4 module as the largest capacity for the first time in the world

By utilizing TSV technology, the company has succeeded in developing the maximum 128GB module, which is double the 64GB, the maximum capacity of the existing 20-nano 8GB DDR4 module. The module realizes 2133Mbps, which is faster than 1333Mbps which is the transmission speed of the existing DDR3 and processes data of 17GB a second through a module with 64 I/O. The operating voltage has also decreased from 1.35V of DDR3 to 1.2V.

### 20Nano LPDDR4 Mobile DRAM

Following the world's first development, 8G LPDDR4, which was successfully mass produced in 2014, has a data transmission speed of over 3200Mbps, more than twice as fast as 1600Mbps, the speed of the existing LPDDR3. As for operating voltage, it is the highest-speed and lowest-voltage mobile product realizing 1.1V, which is lower than 1.2V of LPDDR3. Developed after 8GB LPDDR4, 6GB LP-DDR4 transmits data at 3200Mbps for a second, which is the highest interface speed, as well as reducing power consumption. It will provide 3GB ultra-slim, ultra-mini and ultra-high speed solution, which is required by smartphone and tablet products.

### Developing 20Nano 8GB WIO2

As a type of next-generation high-performance mobile DRAM, it is the first product applying 20 Nano process. It is a low-electricity and high-performance product, which reinforces low-electricity characteristics in 1.0V operating voltage such as LPDDR4 and enhances data processing speed by increasing the number of input/output (I/O) to 512.

### Developing TLC NAND

As 16NANO 128GB TLC NAND has been developed, which can store 1.5times data compared to MLC in the same structure through changes in data storage, SK hynix has raised market competitiveness even further.

### Developing 3D NAND

SK hynix has succeeded in developing layering 3D NAND by applying a new process. In addition to securing higher credibility and better characteristics than the existing 2D method, the company has prepared a technology bridge to enter into the 3D NAND market.

### Developing 20Nano 240/480GB Enterprise SSD

As a product using self-developed controller and FW (Firm Ware), this product can protect all data safely, even if power is suddenly blocked thanks to its power loss protection function. Plus, it is optimized for server systems as it maintains continuous performances and transmission specifications in any environment.

### Developing 10Nano 128GB MLC Client SSD

SK hynix has developed NAND Flash, improving hardware performances compared to the existing controllers and reducing electricity consumption in sleep mode by over 300%.

### Developing 10Nano eMMC

SK hynix has developed CI MCP products by using 10 Nano eMMC 4.5, which will be embedded in distribution smartphones. As the development of high-performance eMMC 5.0 has been completed, it will be used for high-performance smartphones by major handset companies. It is expected to contribute to increasing sales along with an expanded smartphone market.

## INTERVIEW

The status of SK hynix in the market has continuously improved over the last ten years, and its investment value has remarkably enhanced. A prosperous semiconductor market in an unstable global economy has helped SK hynix achieve stable growth. Plus, after the company has strived to reduce operation costs for the past several years to adapt to intensified changes in the business trend, the company has finally achieved its current business profits. As it is also expected to generate synergy effects thanks to the merger with SK Group, the chances of sustainable growth for SK hynix look positive. To develop this sustainability of SK hynix, I hope that the company puts more emphasis on credibility of information shown in the report. Although positive performances are impor-

tant, it also seems important to show concern regarding negative elements and efforts and directions for overcoming such issues. Regardless of whether SK hynix continues its high growth or expands new business through these activities, we have no doubt that we can assure investors that SK hynix is a sustainable company with investment value. If the company continues to strive to recruit various talented people, it would be helpful in leaping forward into becoming a global company. I hope SK hynix makes a portfolio for the next ten or twenty years, not just for the near future.

Claire Kyung Min Kim, CFA (Daeshin Securities)

Issue  
**02**

# TRANSPARENT AND EFFICIENT MANAGEMENT ACTIVITIES

## 2014 Efforts

**Strengthening the ethics management system by managing ethical risks and diversifying communication channels**

**Conducting customized ethical education for each employee group**

**Supporting ethical management by suppliers through education and consulting services**

**Reinforcing ethical management at overseas business sites**

**Reinforcing compliance management**

## Business Context

As management environment has become more complicated, it has become more important to operate a company with the highest ethical awareness and responsibility. The company is not free from the responsibility of unethical behavior happened in the supply chain, which can have a negative impact on corporate value. Under these circumstances, sustainable management is necessary to prepare a solid ethics management system beyond complying with the regulations as well as reinforcing communication with internal and external stakeholders.

## Social/Environmental Context

Enhancing corporate ethics can be an important issue not only for securing soundness in the company, but also for addressing issues for corporate stakeholders such as suppliers and the local community. Regulations regarding fair trade have been strengthened, in addition to increasing the level of interest by the government in win-win growth.

## Our Approach

SK hynix aims to have corporate culture for fulfilling social responsibility as the CEO and all employees conduct jobs ethically and establish a fair trade order. To prevent unethical practices through ethics management, SK hynix has established a system for integrated ethics management to expand the scope of activities, not only for SK hynix but also its supply chain.

## Future Action

- Reinforcing support for ethics management by suppliers
- Expanding compliance management proactively to overseas business operations

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## Strengthening the ethics management system by managing ethical risks and diversifying communication channels

### 5-Risk Management

Based on the result of examination for group affiliates, SK hynix has selected five types of major risks. The company conducted a risk check for each ethical issue for all types of business sites including subsidiaries, overseas production, and sales operations and implemented measures for prevention and improvement of drawn issues.

#### Strengthening ethical risk monitoring

With the self-purification system establishing the monitoring activity for preventing potential ethical risks, SK hynix conducts monitoring for five major sectors such as personnel, cost, purchase, BP, and facilities every six months. The company has expanded prior check activities, which were conducted by focusing on domestic business sites, to Wuxi FAB, China. We have broadened the sector for prevention activities by carrying out intensive monitoring at the headquarters level. The company has implemented efficient and systemic prevention activities by applying the G-ERP System, which was newly launched in 2014, to ethical risk monitoring.

#### Operating various unethical report channels

SK hynix operates various report channels to prevent employees from carrying out unethical practices. As a representative report system, the Cyber Reporting System is operated in four different languages--Korean, English, Chinese and Japanese--to ensure convenient accessibility for all stakeholders. Employees can also use offline channels including telephone, fax, and mail. The company has reinforced prevention activities for sex-related unethical practices for employees by operating "Dodeurim", a consultation channel for sexual harassment. We have also instituted the whistle-blower protection program which prevents divulging the identities of people who receive consultation or report a case so that employees can proactively report unethical practices. Since September 2014, the company has begun to operate a report compensation system in which compensation at a maximum of 100 million won can be made when reporting unethical cases that may lead to increased corporate profits or prevention of loss. To make unethical reporting channel a window for communication and consultation for employees' grievances, we will further diversify education and promotion.

### 5-Risk Management

Major items for check	
Follow-up system for investment cases reported to the Board of Directors	
RM system for new businesses/transactions by overseas business operations	
System preventing false/fabricated transactions for new businesses	
Current state and system for managing seals	
Appropriateness of a system for management of cost/purchase	

Groups for diagnosis	
<b>Headquarters</b>	
<b>Overseas business operations</b>	
<b>Subsidiaries</b>	

Overseas business operations	
	<b>14</b>

[1 production operation, 10 sales operations, 3 technology centers]

Subsidiaries	
	<b>3</b>

[SK hystec / SK hyeng / Siliconfile]

### Ethics education system

Education Target	Basic	Specialized (visiting)	Level
Executives			
Technology office workers	Entry education	BP contact point <sup>2)</sup> Customer contact point <sup>2)</sup>	Sharing ethical issues
Full-time workers	Online education <sup>1)</sup>	Cascading education by on-site managers	New team managers
Other companies		Subsidiaries Suppliers	Workshops for department/division directors Workshops for ethical leaders

1) Since 2015, watching video clips covering seven major ethical issues is conducted as mandatory education (video clips are updated every year).

2) This education should be conducted once every two to three years. For groups with high potential for ethical risks, workshops are conducted every year after considering the groups' needs and characteristics.

### **Conducting customized ethics education for each employee group**

As for the goal for ethics education, SK hynix aims to develop ethical thinking and its implementation for all employees. Ethics education is conducted for three major types: basic education for all employees, specialized education for groups or levels with high

potential ethical risks that are selected through various surveys and consulting studies, and education for each level targeting team leaders, part leaders, and supervisors. In 2014, SK hynix conducted customized education by presenting the guidelines for potential cases based on ethics and dilemmas, targeting groups related to the overseas production site, TSC(Technology Steering Committee), procurement and investment meeting business partners and groups related to the marketing, sales and overseas sales operations meeting customers. The company has strived to address ethically risky sectors by operating ethics programs for on-site leaders such as supervisors. In 2015, SK hynix will enhance basic ethical awareness for all employees by conducting mandatory online ethics education and arrange for education through group-based discussion focusing on leaders. We will lay the ground for the ethics management by expanding the targets of visiting education groups, to shift workers and reinforce ethics education programs by developing content after considering job and regional characteristics.



Workshops for ethics leaders

### **Supporting ethics management by suppliers through education and consulting**

#### **Conducting ethics education programs**

SK hynix makes great efforts in realizing win-win growth based on ethics management by introducing and supporting ethics systems and programs for not only the company's employees but also suppliers. The company expanded education programs from 200 workers at 166 suppliers in 2013 to 390 workers at 212 suppliers in 2014. For Partners Day implemented in March, representatives from 49 companies were invited to share ethics management strategies and emphasize the necessity of ethics management, which contributed to raising ethical awareness.

### **Reinforcing ethics management at overseas production sites**

#### **"Self-purification system" as a prior monitoring system at Wuxi FAB, China**

In May 2014, Wuxi FAB, China established the self-purification system for five sectors such as HR, finance, procurement, materials and facilities. In July, the self-purification activities were conducted in each department by designating Chinese local managers as people in charge. 32 major issues were set up and 104 checklist items were defined, including employee recruitment, working hours, assessment, budget, authenticity of costs, procurement process, cost payment, bidding, supplier management, unethical practices, etc. Based on these efforts, the company has thoroughly analyzed systems, processes, and rationality in the relevant sectors and implemented improvements for eleven identified issues. SK hynix will implement self-purification activities on a biannual basis.

### **Conducting social and environmental onsite audit at Wuxi FAB, China**

As a leading company in the semiconductor industry, SK hynix has expanded ethics management guidelines, raising standards to a higher level, for local business sites to meet industrial standards and client needs. In September 2014, we conducted self assessment by headquarters and EICC audit by the 3rd party was conducted to Wuxi Fab for and EICC audit by the 3rd party was conducted to Wuxi Fab for labor, health, safety, corporate ethics, and management system based on EICC Code of Conduct. From February to September, the company received on-site audits by important clients such as Amazon, HuaWei, Oracle, Apple, etc. and improved issues by identifying with the clients' requests for improvements.

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[1] Ethical education for new employees  
[2] Education materials for Anti-trust

### Ethics education activities for Wuxi FAB, China

The responsible team focuses on education and promotion to improve the ethical level for all employees. These education efforts and promotion activities are conducted in various ways under the leadership of ethics leaders of each department, including ethical education for all employees, new employees, and special ethics education for each department. We are carrying out the ethics activities such as EWL (Ethics Weekly Letter), oath for ethical management implementation, survey for ethical management, selecting Ethics King & Queen, etc.

### Reinforcing compliance management

**Checking compliance for internal transactions and subcontracts:** To prevent employees from violating relevant regulation in internal transactions and subcontracts, SK hynix conducted compliance checks for internal transactions and subcontracts that are similar to the actual examination, from July to August in 2014. After the examination, the company conducted the education to employees by drawing a guideline to resolve identified inadequacies.

**Checking Anti-trust compliance:** To prevent anti-trust violations, SK hynix implemented examinations for employees who have meetings with rival companies and customers. Through a series of examinations, the company has been able to raise awareness of anti-trust for employees. The company has provided education intensively by focusing on relevant regulation and cautions in jobs by offering anti-trust online intensive education for employees in the marketing sector of overseas business operations.

**Checking compliance for environment, safety and health:** To make an eco-friendly and safe business site, SK hynix has conducted examinations for environment, safety, and health at domestic business sites from March 2014 by organizing E-TF with external professional institutions. For elements that need improvement as determined in the checks, the company has implemented improvements by dividing issues into short, mid, and long term.

**Checking compliance for sales confidentiality such as Intellectual Property rights:** SK hynix has reinforced education for preventing the leakage of sales confidentiality. In 2014, the company implemented education for preventing leakage of sales confidentiality 12 times in total for 515 employees who frequently communicate with customers and suppliers. The company has enhanced understanding of regulation such as Unfair Competition Prevention and Trade Secret Protection Law and emphasized factors for compliance, which employees must keep in mind.

### INTERVIEW

I am in charge of managing ethical education and system improvement in the Ethical Management Team. SK hynix has shown ethical management at the higher level of global standards, such as EICC, and minimized potential risks in ethics management based on our ethics management system and various programs. We strongly enhances ethical awareness continuously through proactive education and communication. Plus, we have conducted customized and visiting education by identifying necessary ethical management standards for job and level so that all employees can clearly carry out ethical management. The company has promoted spreading ethical awareness with the theme of "Ethics of leaders lead to ethics of the company" by strengthening ethical education based on leaders. In 2014, SK hynix conducted the assessment for the in-

ternal ethics management status and has plans to expand assessment for external sectors. We also strive to examine and improve potential ethical risks by using the "Ethics Survey" to identify the current ethical condition of employees. In 2015, the company will implement education encompassing the overall job sectors by expanding ethical education to the production sector, including rooting out unethical practices, providing anti-corruption education, and ensuring diligence and responsibility.

**Min-young Kim, Senior manager  
(Ethics Management Team, SK hynix)**

Issue  
**03**

# STRENGTHENING HUMAN CAPITAL ON THE BASIS OF CREATIVE CORPORATE CULTURE

## 2014 Efforts

Reinforcing corporate culture through leadership and followership

Programs to establish the local corporate culture

Strengthening communication among employees

## Business Context

As the cycle of shifting new technology is getting faster through continuous business diversification, the importance of making swift decisions and agreement by leader-employees have been highlighted. It has become important for leaders and employees to internalize the same values to deal with ever-changing management environment suitable for SK hynix's values.

## Social/Environmental Context

As internal and external interests for a good working environment have increased, which urges the improvement in the labor environment, the importance of labor-management communication has been emphasized to create values that can satisfy all employees.

## Our Approach

SK hynix is carrying out "DREAM FACTORY 2014" to raise the levels of happiness and pride among our employees. Through these efforts, the company creates a good working environment where employees proactively conduct their work by reinforcing understanding, relationships, and pride for SK hynix.

Good company to work for

Company promoting families' happiness

Company sharing happiness

Company recognized by external agencies

## Future Action

- Expanding enthusiastic culture and creating cooperative culture to enhance fulfillment of SKMS
- Achieving "ONE SPIRIT" by leader- employees
- Reinforcing followership of employees
- Improving performance and capability-based wage structure
- Enhancing engagement and cooperation by labor union and management (reinforcing social responsibility, etc.)

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### Reinforcing leadership and followership



### Realizing followership of employees



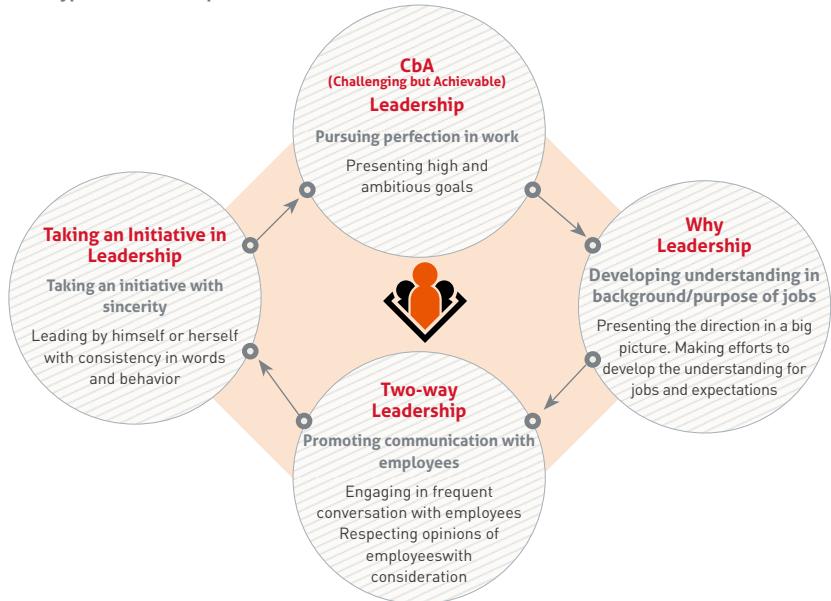
### Reinforcing corporate culture through leadership and followership

When business strategies and executive ability synergistically create benefits in the ever-changing semiconductor market, we can overcome crises and achieve global standard performances. "Company-wide intensive executive ability" can be achieved through leaders' leadership and the followership of employees. SK hynix operates various programs to establish a corporate culture that internalizes these two merits.

### Strengthening leadership of supervisors

SK hynix has started "Smart & Persistent" management by focusing on leaders. Under the assumption that "Once a leader changes, the employees will also be affected and change," SK hynix is promoting changes in the leadership of leaders. By establishing four virtues in leadership, we are raising the expected level of leadership, including part leaders to team leader, team leaders to executives such as the director of the group or head office, and executives to the CEO.

### Four types of leadership for leaders



SK hynix strived to expand leaders' effects on employees by conducting "executive workshops," "team leader workshops," "part-leader workshops," and the "program to reinforce the leadership of part leader" to reinforce leaders' leadership and share the company's strategies. The company is conducting practical assessment of leaders' leadership by collecting opinions from employees who are directly affected. Based on this assessment for leadership, the differences in leaders and employees' awareness of leadership are analyzed, and all employees deliberate on and define the type of leadership that is practically needed, based on opinions from the employees. In this process, we have supplemented shortcomings by conducting relevant education to reinforce leadership capabilities suitable for employees' needs. In the future, the company will improve leadership by carrying out leadership assessments.

### Realizing followership of employees

SK hynix recognizes that company performances can be significantly affected depending on the kind of "followership" that the majority of the employees (followers) follow in the semiconductor industry, which experiences numerous changes. In consideration of this, the company is enhancing employees' creativity and executive ability and reinforcing followership by conducting workshops to create continuous performance and enact improvements to realize the "Smart & Persistent" standard. This year's company-wide workshop showed a high attendance rate of 99.3%. 6,271 employees participated in the event out of 6,315 employees in total. Through this workshop, employees have become aware of the necessity of "VWBE(Voluntarily Willingly Brain Engagement) Followership," and based on these changes, three kinds of followership have been established.

### **Expanding leadership education for production workers**

To share a single goal and awareness of executive ability by all employees and prepare for future improvements, SK hynix implemented education for all employees for the first time since its foundation. The company conducted “company-wide workshops for department and team leaders” to help them more effectively carry out their roles as leaders. SK hynix also defined roles and implementation measures to develop stronger mindsets and better work environments as on-site leaders, as well as shared the current state of company management. In this process, SK hynix also shared directions for business strategies and future business plans. SK hynix will create a working environment where every member of the company, from the CEO to the new employee, can generate performances through “one spirit” by conducting workshops and continuously sharing the company’s visions and strategic directions.



Expanding exchanges with Korean students at prestigious local universities (SK hynix Cup Soccer Match)

### **Programs to establish the local corporate culture**

SK hynix established a road map for determining local corporate culture from 2014 to 2016. The company strives to recruit and appoint local people who are well aware of the local culture and sentiment as on-site leaders instead of employees from headquarters. To help local employees develop sufficient leader capabilities, we carried out the “G-HR Project” and made greater efforts in fostering local leaders by making localization plans for each corporate affiliate by 2016. With successful localization, there are high expectations that all employees will carry out their work voluntarily and willingly as they develop greater motivation and have “visions for development.” Increasing the number of local leaders is also expected to create a synergy effect. The company will continuously carry out localization by focusing on local leaders and expand jobs and positions that will be available for localization by 2016.

### **Operating programs for adapting local culture**

To reinforce the adaptability of newly appointed resident workers and dispatched employees at the early stage of appointment, SK hynix provides education and local living guidelines that cover the local personnel system and treatment, educational system, housing and issuing visa, industrial security, and ethics management. We support employees to easily and swiftly obtain an understanding of local conditions through programs that introduce them to their local culture.

### **Strengthening global communication**

#### **Establishing global business centers**

Capability for communication in the global business site can have a great impact on management performance. SK hynix’s overseas sales comprise more than 90% of its total sales, and the company proactively carries out various exchanges with global partner companies. Under these circumstances, the company has newly established a group in charge of providing customized services for points of contact in global busi-

## **CASE STUDY**

### **Locally specialized corporate culture by the U.S. corporate body**

#### **Reforming a personnel system specialized in the local conditions**

In 2014, SK hynix carried out the “G-HR Project” to reform the corporate body’s personnel system in cooperation with the head office’s HR Department. The G-HR Project includes various programs such as a competitive on-site compensation system to allow recruitment of local talent, a system to foster local talent by managing career paths, a more systemic personnel assessment system by utilizing the global management support system, and a reinforced education program for spreading SKMS culture and exchanging various human and cultural properties between the head office and corporate body. Through this project, the company completed integration of personnel assessment systems of the head office and corporate body in the U.S. region in the second half of 2014.

#### **Expanding exchanges with Korean students from prestigious local universities**

SK hynix has solidified a continuous network with Korean students at the universities in the U.S. The company promoted education and harmony by holding an invitation event for Korean students at prominent universities in Silicon Valley, such as Stanford University and the University of California, Berkeley. Students and corporate body employees watched a SK promotion video clip, attended a banquet, and participated in sports events such as soccer and tug-of-war game. The company broadened exchange with talented Korean students in the U.S. by holding the SK hynix Cup Soccer Match with students from prestigious U.S. universities such as Harvard University and Massachusetts Institute of Technology (MIT).

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### Hi-tong

#### Management-tong

Sharing messages from CEO and executives

#### Discussion-tong

Discussing issues regarding business, human resources, and culture

#### Open-tong

Sharing various themes with open minds

### Result of Culture Survey 2014



83.8% positive response  
(increased by 9.5% compared to last year)



Excellence in sharing the company's goals and leading changes by leaders

### Assessment items for SK hynix Culture Survey

SUPEX Spirit

SUPEX goal and strategy

Leading changes by a leader

Creating environment in pursuit of SUPEX

Employees' VWBE and happiness

"Smart & Persistent" (VWBE)

"Smart & Persistent"

Four conditions of leadership

Ways to work

ness. We have also improved employees' capabilities by enhancing global communication education and developing customized programs for each group. Major programs include "Biz. On-site Coaching," "I-BEP (Intensive Business English Program)," and the "E-mail Clinic." The company provides services for writing and translating materials to ensure smoother communication with global business partners, including professional interpretation services, technical documents, PT, and research.

### Operating various consultative channels to build sound labor-management relations

SK hynix operates various consultative channels for each level of employee to address major labor-management issues and employees' complaints and enhance welfare. In 2014, the company discussed agendas regarding employment stability and enhancing happiness, dealing with issues such as the extension of retirement age and wage peak system. We have determined policies to cope with changes in management conditions through reasonable and cooperative labor-management consultation, including the issue of establishing the Chongqing Package & Test site in China. In addition to the "Management Presentation" in which CEO directly explains management performances for each quarter, both the labor union and management engage in management through "Operation Presentation" for the current state of development and production and "Sharing the Current Condition of Human Resources," dealing with the current state of on-site personnel supply and demand. The company will expand labor-management communication channels more systematically, and based on this expansion, we will build a "value-creative relationship," creating common values for labor union and management beyond simple labor-management cooperation.

### "Hi-tong" as an in-company anonymous communication website

To accelerate business innovation, human resources, and company culture and promote liberal communication culture among employees, SK hynix has launched and operated "Hi-tong" as an in-company communication website. Employees can anonymously write posts and make replies on bulletin boards such as "Discussion-tong" and "Open-tong" by using their registered nicknames. Regardless of the group, position, and status, various discussion themes are being proactively proposed, information is being shared, and users are already suggesting improvements. "Hi-tong" is utilized as a forum for listening to various opinions and honest thoughts from employees. Safe and interactive communication is being enabled among employees as proposals and requests are immediately conveyed to the relevant departments, who then give feedback through their replies.

### "SK hynix Culture Survey" to diagnose corporate culture

SK hynix conducts the "SK hynix Culture Survey" to draw meaningful results and carry out business in the proper direction and make changes in the corporate culture. Through this diagnosis, the current state of "Smart & Persistent" for executing changes is checked, as well as reinforcing SUPEX Spirit and creating a desirable corporate culture by establishing measures for improvement.

## INTERVIEW

I am in charge of spreading SKMS and vitalizing SK hynix's corporate culture. The company's direction for corporate culture is realizing "Smartly and Persistently," which reflects the characteristics of the semiconductor business based on our company's corporate foundation, SKMS. In 2014, we continuously emphasized four kinds of leadership (CbA, Why, Two-way, Taking the lead) from the perspective of "Smartly and Persistently". The company conducts culture surveys to check whether these four types of leadership are achieved in actual business sites, thus improving leadership in the company because feedback is given to leaders through this process. SK hynix focuses on opportunities to develop employees who will voluntarily and autonomously engage in their work and achieve performances by conducting a company-wide followership

workshop, reinforcing employees' sense of followership. In 2015, with the advanced goal of "Smartly and Persistently" for each stage of execution, SK hynix emphasizes "intensity and eagerness" to help individuals achieve their own goals and leads them to the direction of focusing on "overall optimization" in performance. For this aim, the company held a workshop for all leaders (executives, team leaders/PL) under the theme of strengthening the company's essential competitiveness (eagerness and overall optimization), and we have improved and operated relevant systems and tasks from this perspective.

**Rac-shin Choi, Senior manager  
(SKMS Team, SK hynix)**

Issue  
**04**

# BUILDING A SAFE WORKING ENVIRONMENT

## 2014 Efforts

**Strengthening the safety management system**

**Making an effort to reinforce on-site safety**

**Reinforcing health and safety at overseas business sites**

**Managing health and safety for suppliers**

## Business Context

Health and safety at business sites can have a great impact not only on employees, but also on the local community. After the fire accident at Wuxi Fab, China in September 2013, safety regulations and instruction checks by the Chinese municipality and government have been reinforced. Overall, requests for improving health and safety by the government and local community in the country where business is carried out, have increased. Customers have continuously requested safety measures in the production process to supply products in a stable manner.

## Social/Environmental Context

The interest of stakeholders in hazardous chemical substances has been gradually increasing. Groups like NGOs and local residents have also requested companies to implement health and safety checks for the company's activities and processes involved in producing goods and services, as well as improve these processes.

## Our Approach

SK hynix has established our KPI index and relevant strategies to create a safe working environment and secure a zero level for environment safety accidents. The company has strived to establish an environment for health and safety by making TF for complying with regulation (E-TF) to achieve a zero level of legal issues regarding environmental safety.

## Future Action

- Major accidents at the ZERO level
- Judicial and administrative actions (penalty) for environmental safety at the ZERO level
- Minimizing minor accidents

1. Creating Corporate Value through Quality Innovation
2. Transparent and Efficient Management Activities
3. Strengthening Human Capital on the Basis of Creative Corporate Culture
- 4. Building a Safe Working Environment**
5. Responding to Climate Change
6. Management of Hazardous Substances and Waste
7. Win-win Growth with Suppliers
8. Action on Conflict Minerals
9. Social Contribution Based on Scientific Technology

### Strengthening the safety Management System

#### Measuring the environment of workplaces

SK hynix has created pleasant workplaces by regularly measuring working environments more than once biannually in cooperation with external professional institutions. To secure transparency in the process and result, both the labor union and management measure the conditions of workplaces. The result of the check is shared not only through in-company bulletins for all company employees, but also with labor union and staff members in charge of health and safety for each team. In 2014, the exposure level was 15% lower than the level required by the relevant laws. This result has been achieved through compulsively wearing personal protection gear for preventive checks, complying with working procedures, and continuously implementing on-site monitoring activities. The company will strive to maintain healthy workplaces by continuously identifying and improving risk elements.

### Operating the TF for preventing high-risk utility accidents

In response to the fire accident at Wuxi FAB, China, SK hynix has expanded the existing measures for preventing chemical substance accidents and applied them to all business sites. The company has closely checked overall high-risk utility supply facilities, such as those dealing with toxic and combustible gas and strong acid and alkali chemical substances, to prevent accidents. SK hynix has also established an emergency blocking system for high-risk utility. We have strengthened safety education for workers by analyzing previous accidents and identifying and improving risk elements, as well as enhanced safety in carrying out procedures. SK hynix will implement various preventive activities for similar accidents by conducting assessment for risk and analyzing previous cases.

### Making an Effort to Reinforce On-site Safety

#### Securing safety for equipment and facilities

To prevent safety accidents in advance, SK hynix implements safety checks before operating equipment by conducting the ESH Qual. System. Although we have operated the system only for specific equipment, the company has begun to check every facility and equipment to secure fundamental safety for installment and shift. We have also established a new standard for meeting the level of hardware and applied it to our facilities and equipment after consulting with manufacturers to design and produce devices in consideration of safety from the production stage. Through these efforts, the company secures sufficient safety before equipment and facilities are transported and operated in the FAB. SK hynix will improve and operate the ESH Qual. Final Check System by operating the prior approval system for safety management plans regarding moving and carrying equipment and facilities and reinforcing on-site examination for the work permission system for risky jobs.

## I N P U T

### Strengthening the industrial safety system through checks and external communication

Photo of activity by Industrial Health Verification Committee



As health issues regarding hematosis diseases such as leukemia spread to the company through media news in July 2014, SK hynix has organized the Industrial Health Verification Committee to deal with relevant issues. With a total of 11 people consisting of seven academic experts and four representatives from labor union and management, the Industrial Health Verification Committee has acquired overall authority from the company to strictly examine the company's health issues and draw improvement measures. Founded in October 2014, the committee began to carry out activities from December of the same year. The committee has visited business sites

in Cheongju and Icheon to identify the current state of overall health conditions and production processes and collected basic materials to establish a system on the basis of the "Job Exposure Matrix (identifying relations among personnel data, working environment, using chemical substances and disease)." Based on the survey of the current working conditions, SK hynix will create an advanced system by which entire health-related sectors such as health and prevention can be systematically managed on a regular basis so that our industrial sites can become future-oriented exemplary cases in health and safety.

### Operating Safety Index System

SK hynix implements self-assessment for major safety management elements by department and operates the "Safety Index System" to identify the result. In 2014, the company developed safety indexes to raise safety awareness and standards at business sites and achieved a score of 91.8, a company-wide average. We will enhance the safety level of the entire industry and establish the safety culture by applying this system not only to company employees, but also to suppliers.



1 Implementing random comprehensive drills

2 Activities for reinforcing health and safety for Wuxi FAB in China

### Implementing random comprehensive drills

SK hynix has changed safety accident evacuation drills, carrying them out as random comprehensive drills since 2014 to identify the actual level at which emergency measures are taken and check whether the emergency response groups and procedures are efficient. With the previous drills, each mission for groups is conducted by following a previously written scenario at the predicted point. This type of drill is useful for learning R&R (Role and Responsibility) for each group, but is insufficient for developing actual instantaneous responses for numerous variables. To resolve this, the company has begun to implement random comprehensive drills without any prior notice. Random comprehensive drills are conducted twelve times a year, and participants can get indirect experience for actual accidents since all the information is not disclosed and the drills are carried out without notice. With the help of this newly adopted system, employees can learn response know-how and develop the ability to respond to actual accidents. We will continuously develop our drill system to enable every member to swiftly respond to accidents at the early stage depending on the individual mission cards based on the emergency response manual.

### Reinforcing Health and Safety at Overseas Business Sites

#### Maintaining a zero level for human-made accidents and occupational diseases in employees at Wuxi FAB, China

SK hynix has not only complied with local health and safety regulations but also strengthened health and safety management based on the experiences of headquarters to prevent occupational diseases for dispatched and local employees and ensure their health. The company carries out various activities strictly such as special examinations, consignment measurements for working

environments each month, and assessments to prevent occupational risks on a biannual basis, which is a legal requirement in China. We also conduct customized health and safety education on a quarterly basis for each job type that presents occupational hazards. This includes staff members in charge of handling chemical substances, employees working at cafeteria, or employees dealing with flammable materials. In terms of the health promotion sector, the company has conducted free medical treatment and consultation every quarter by inviting professional doctors to the company. Through these efforts, we have provided employees with medical convenience and promoted their health conditions. As a result, there were no cases of occupational diseases or relevant cases in 2014. In 2015, SK hynix will examine health levels by establishing a tool for assessing and analyzing the health conditions of employees and carry out activities to improve health conditions for employees whose health level is low. Furthermore, as the birth control policy in China has been relaxed and the number of pregnant mothers has increased, the company plans to operate health programs for would-be mothers. We will also create a culture in which each member will protect and take care of his or her health independently, by conducting various health and safety education activities, advertisements, and health promotion activities.

### Golden Rules Pledge and Implementation

To enhance the safety awareness and to strengthen activities to keep the basic rules and after the Wuxi fire accident, SK hynix has updated the Golden Rules System, our mandatory environmental safety regulations.

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Health and safety education for suppliers

### Applying for insurance in charge of environmental pollution

In 2014, SK hynix conducted assessment for detailed environmental risks for Wuxi FAB, China in cooperation with the Wuxi municipal government and environmental experts. To prepare for potential environmental accidents by reflecting on the result of the assessment, the company subscribed to the "insurance in charge of environmental pollution." Through this subscription, a damaged third party can get compensation in the event of environmental accidents. This has enabled the company to strengthen health and safety conditions and its social responsibility for overseas business sites.

### Managing Health and Safety for Suppliers

#### Conducting health and safety education for suppliers

SK hynix lays a great emphasis on the importance of health and safety for employees of suppliers. To raise the interest of suppliers in safety management and improve their capabilities, the company implements regular health and safety education for suppliers' employees every year. A total of 1,424 employees of suppliers have received safety education for the 63 sessions, and pledges for Golden Rules have been acquired from 69 suppliers. We have achieved a zero level of safety accidents and legal issues by announcing exemplary cases for environmental health and safety and providing support for a program to experience safety protection gear sponsored by 3M Korea. SK hynix had led the movement for identifying and improving best cases in the environmental health and safety sector, using and managing protective gear when handling chemical substances.

#### Providing support in managing on-site risks for suppliers

SK hynix has re-established the standard for risk assessment to draw and improve potential risk elements in suppliers' working sites. The company has not only developed tools for assessment for each type and taught risk assessment to supervisors, but also continuously conducted activities to remove hazardous elements through technical support. In cooperation with the company's safety managers and suppliers' managers, on-site checks are continuously implemented to manage on-site risks for suppliers. We will proactively support their acquisition of occupational health and safety management certification.

#### Raising suppliers' awareness of health and safety

With the aim of achieving continuous non-accident business sites, SK hynix has held a resolution event for ESH zero-accidents and a prayer ritual for the safety of suppliers, which are attended by the on-site directors of suppliers and ESH employees in charge. Employees bonded over the importance of environmental safety through these events, and the company has led aggressive engagement and support for prevention of safety accidents. We will continue to provide support and build interest to create safe working environments for suppliers.

#### Activities for employees' health management in 2014

Supporting female health management and education programs	Psychological consultation center	Health checks for employees and providing medical support	U-WELLNESS health promotion and web-based health management program	High-blood pressure clinic	Obesity clinic	Non-smoking policy	First aid education
 Conducting health improvement activities for fetuses and motherhood by targeting pregnant women	 Operating "Mind Strolling," a psychological consultation center to secure harmony in body and soul for company employees.	 Implementing health check program and providing medical services	 Operating a program through group exercise for three sessions (12 weeks) for a year	 Trial operation of highblood pressure clinic service with health planners	 Regularly operating obesity clinic for employeeswith high level of obesity	 Operating non-smoking clinic all-year	 Operating education programs for CPR and automatic cardioverter
Providing iron and folic acid supplements and conducting prior-birth education for pregnant women, health programs for single women and campaign for preventing breast cancer	One-on-one consultation with professional psychological consultants, operating a program for managing mental crises, providing education for mental health, and managing work-related stress	Adding cerebrovascular and cardiovascular/ reproduction toxicity test among items for health check, providing special medical lectures by professional doctors	Analyzing physical conditions before and after operating a program and identifying improvements, improving habits for exercise	One-on-one consultation between health planner and employee, comparing health improvements, and conducting education for improving lifestyle habits	Providing medical consultation, exercise education, and medical information	Expanding health education and non-smoking areas	Placing automatic cardioverter at each building, operating relevant education programs

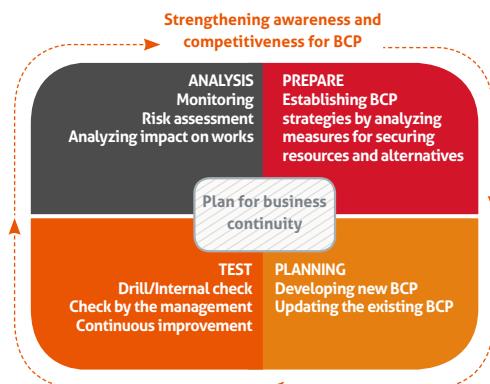
## Business Continuity Planning (BCP)

### Establishing a system for Business Continuity Planning

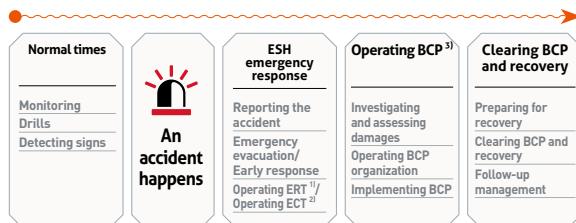
SK hynix has established a system for Business Continuity Planning (BCP)<sup>1)</sup> to conduct swift response, recovery, and business normalization at the early stage by following plans prepared for unexpected emergency situations such as disasters and accidents. The company has regularly carried out various activities to reinforce executive ability by planning for separate targets such as company-wide, campus, and department level, and conducting drills on a regular basis. As the company organized the TF since June 2014, we have implemented activities for building a BCP system based in the Icheon and Cheongju Campus. In 2015, the company will expand the scope of the established system to Wuxi and Chongqing, which are our bases for overseas production.

1) Business Continuity Planning (BCP) refers to a management system for normalizing the overall business by minimizing damage and shocks in case of actual disasters and accidents and restoring core tasks within the target period.

### Business Continuity Planning System



### Process for Business Continuity Planning



1) ERT: Emergency Response Team

2) ECT: Emergency Control Tower

3) BCP: Business Continuity Planning

### Acquisition of ISO 22301

As the international standard for Business Continuity Management, ISO 22301 is the certificate for corporate capability to normalize corporate activities by restoring core business within the minimum period in case the business is suspended due to various disasters and accidents. SK hynix has laid the ground for BCP by acquiring ISO 22301 certification for the company's BCP system on January 11, 2015.

### BCP drills

BCP drills check the response and recovery system and planning documents for virtual emergency situations. These drills are intended to identify whether the BCP operation system is normally operated and the BCP procedure can be actually implemented, verify whether each mission for different groups is completed, identify improvements, and reinforce the executive ability of BCP. SK hynix will strive to secure efficiency in responding to crises and improve recovery process by implementing company-wide BCP drills on a regular basis.

## I N T E R V I E W

I am in charge of examining the corporate environment, safety, and health system at DNVGL. As the interest in corporate health and safety has recently been on the rise, the importance of our management system and safety culture has gradually expanded, as well as the importance of an advanced management system to comply with stricter laws and regulations. To deal with these external environments, SK hynix has successfully implemented its health and safety management system. The company is raising company-wide awareness of safety by operating the Safety Index System as well as the ten major items of the Golden Rules. I was impressed by the company's activities such as checking issues regarding safety environment in advance through the 'ESH Qual. Procedure' for adopting facilities and equipment. If the facilities have proven to be insufficient, the company has demonstrated good preventive management to bring in better equipment and facilities

for the company. I have found that the company expanded and applied its system to the health and safety issues of suppliers by conducting assessment for suppliers and subcontractors. Of course, SK hynix is currently implementing Occupational Health & Safety Management system very admirably, but I hope that the company will maintain and implement an improved system by carrying out activities for reinforced internal review to establish the world's best advanced health and safety system. It has also been thought that the system needs to be developed to reinforce safety management based on on-site departments through suitable safety management education for each position/job. This would reinforce followership with laws and regulations by conducting assessment of the observance of health and safety regulations applicable to each department.

Lee Ban-seok, Examiner  
(Risk Management Team,DNVGL Co., Ltd.)

Issue  
05

# RESPONDING TO CLIMATE CHANGE

## 2014 Efforts

**Activities for Reducing GHG Emissions and Energy**

**Expanding Carbon Labeling for Products**

**Developing Eco-friendly and Energy-efficient Products**

**Spreading Internal and External Awareness of Climate Changes**

## Business Context

With global environmental regulations getting stricter, the Korean government has also reinforced environmental regulations through measures such as the GHG emissions target management system and cap-and-trade system. In regard to exporting goods, carbon labeling was presented as the international standard for ISO 14067, and the possibility that it may become a trade barrier has been increased. With the continuous increase in energy cost, raising competitiveness in production cost has become more important by improving efficiency of energy use.

## Social/Environmental Context

As stakeholders' interest in regard to the response to the climate change has increased, various NGOs and local residents have requested companies to responsibly conduct their activities under stricter environmental standards. When companies do not fulfill their environmental responsibility, their image as well as financial performance can be adversely affected, thus increasing the necessity for companies to proactively take steps to protect the environment.

## Our Approach

SK hynix is leading the adoption of GHG emission reduction technology by establishing the foundation for coping with climate change. The company has expanded the development of low-electricity, high-capacity, and high-performance products by dealing with higher customer and market demands for eco-friendly products. As for external affairs, the company will contribute to spreading low-carbon green management in the industry by supporting suppliers and supply chain to establish policies for better coping with climate change.

## Future Action

- Implementing POST 2015, goal for reducing GHG emissions
- Accumulating 15 carbon labeling certificates
- Commercializing low-electricity "ECO MEMORY" through "NEW MEMORY"

# 88

Saving expenses by reducing the amount of energy use  
(Unit: 100 million won)

## Activities for Reducing GHG Emissions and Energy

### Reducing energy in the process of production

SK hynix reduces environmental impacts by effectively recycling wasted energy sources in the production process. For example, the company replaces steam necessary for heating clean rooms with recycled heat waste from the cooling tower to reduce the amount of steam, a resource which the company uses the most. For the humidification of the clean room, we have adopted the method of evaporating water and then removing heating used in the process by utilizing the cooling effect of the evaporation process. We have addressed overheating effects by adopting a hot water circulation system to prevent conditioning equipment from freezing in winter. Thanks to these efforts, the use of steam in 2014 was reduced by 121,000 tons, saving 8.8 billion won.

### Reducing electricity use by applying high-efficiency devices

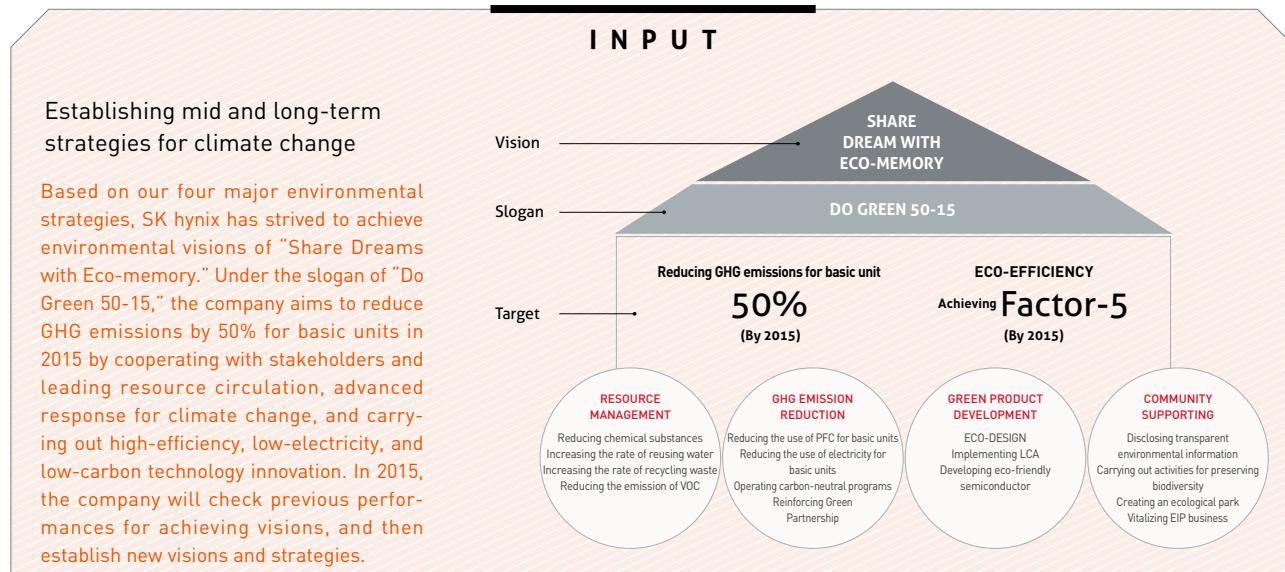
SK hynix has reduced the amount of electricity use by changing refrigerators using massive amounts of electricity into high-energy-efficiency products in summer. Through these efforts, the company has reduced the amount of electricity use by 17,000MW, saving 1.78 billion won in expenses. We have minimized electricity use by optimizing the temperatures of cold water exit and entry and load factor, which have a great impact on the efficiency of refrigerators.

### Implementing monitoring activities for energy use

SK hynix has continuously monitored energy conditions by selecting major energy sources that can use massive amounts of energy, as well as have a high possibility of reducing energy use from continuous performance. The company has checked the daily amount of energy use by installing meters. Based on our examinations, we are identifying whether the amount of use is adequate by checking and analyzing factors that influence the amount of energy use.

### Optimum Distribution of Logistics

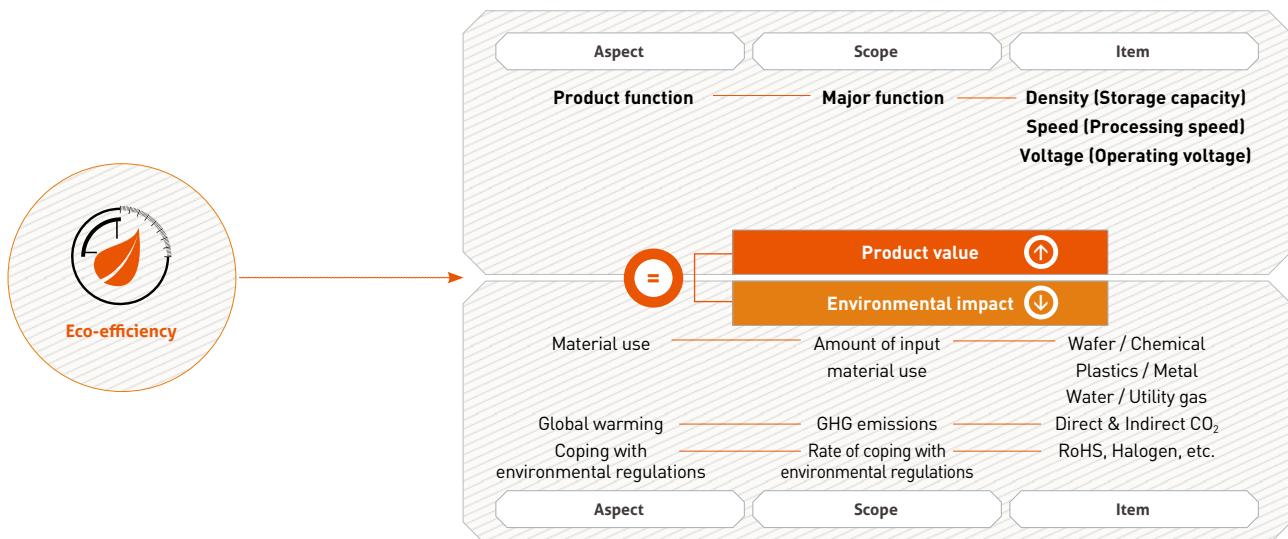
To optimize logistics and delivery, SK hynix is reducing GHG emissions. First, we have reduced logistics expenses by 60-70% by using marine transportation in importing equipment from Japan and China. The company reduced CO<sub>2</sub> emissions by 1,154 tons as of 2014 through this measure. We also changed external packaging materials, switching from disposable paper to reusable plastic, for importing half-finished wafers from the Chinese production site. This also reduced packing time from two hours to one hour. Through these efforts, we have reduced carbon emissions as well as saved annual expenses worth one billion won. The company also saved 4.1 billion won in annual distribution expenses by streamlining logistics and delivery through a direct product delivery system. We will continuously reduce logistics expenses and cut carbon emissions by improving our packaging and enacting efficient logistics.



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### Assessing products' environmental and economic values

SK hynix assesses products' economic and environmental value every year by using "eco-efficiency" to estimate products' performance and environmental characteristics. The eco-efficiency index is divided into product value and environmental impact. The former indicates the level of improvement in major functions of products, and the latter signifies the amount of used materials and GHG emissions. For example, as the company conducted the nanoprocess and optimized the process to reduce the line width of semiconductor circuits, we have achieved Factor 5.13 in 2014, one year ahead of our original goal. Factor 5.13 means that reduction in environment impacts and improved value for products have increased by 5.13 times compared to 2008. This is one of the results of our efforts to continuously improve product performances and our environmental merits. In 2015, we will strive to enhance our products' environmental and functional value as well as disclose our performances in developing eco-friendly products by drawing the value of Factor H<sup>2</sup> as a quantitative index.



### Result of assessment of SK HYNIX FACTOR H<sup>2</sup>



### Expanding Carbon Labeling for Products

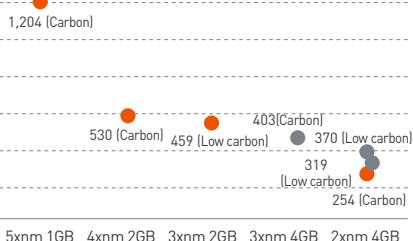
#### Securing the certificate for Environmental Declaration of Products

In 2014, SK hynix acquired the certificate of environmental labeling (Environmental Declaration of Products, EDP) for our 16-nano 64 GB NAND Flash products. This certificate is the first such case for a NAND Flash product and the second certificate for all our products, following our 20-nano 4 GB DDR3 products in 2013. The EDP is significant in that it is opening the environmental information of products, quantifying various environmental impact scopes such as GHG emissions, resource consumption, impact on the ozone layer, and acidification. SK hynix will continuously lead eco-friendly movements by expanding our certifications.

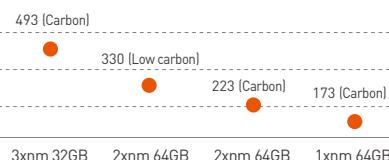
### Result of carbon labeling in major products for each technology

Mobile ● - Computing ●

#### DRAM (g CO<sub>2</sub>/2GB-eq)



#### NAND Flash (g CO<sub>2</sub>/16GB-eq)



## Developing Eco-friendly and Energy-efficient Products

### Expanding low-carbon mobile products

SK hynix has expanded the scope of certification each year after acquiring carbon labeling certification for our products in 2009, a first time in the industry. In 2014, the company reduced the amount of generated steam and GHG emissions from production by shifting to micro-processes and optimizing ventilation facilities. Through these efforts, the company has expanded low-carbon certification<sup>1)</sup> from DRAM and NAND Flash for existing PCs and servers to the growing mobile DRAM market. Acquired products include 20-nano 4 GB LPDDR2 and LPDDR3 mobile DRAM. As of 2014, the percentage of products acquiring carbon labeling certificates at domestic business sites is 54.1%.

1) Low-carbon labeling certificate: Hosted by the Korea Environmental Industry and Technology Institute, this system certifies a product as a "low-carbon labeling product" when it meets the GHG emissions standard presented by the Ministry of Environment.

### Developing low-electricity and high-performance products

The recent ICT trend is to expand hardware in various ways to deal with explosively increasing mobile devices and the exponential increase in data processes by data centers. SK hynix reduces operational costs by increasing the processing speed of memory devices through low-electricity DRAM and NAND Flash products and improving freezing methods.

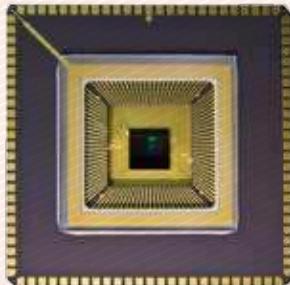
### Spreading Internal and External Awareness of Climate Changes

#### Creating low-carbon corporate culture

To establish an awareness in which employees understand that "Saving electricity starts with me," and make it part of our corporate culture, SK hynix carries out the "Five Commandments for Saving Electricity" company-wide. This entails maintaining adequate indoor temperatures in the summer (26-28°C), turning off lights, pulling off the plug of electronic appliances, walking instead of using elevators, and turning off PCs and monitors. The company has reduced the amount of electricity use during vulnerable times for saving energy by operating the "Energy Inspector System," which monitors the current state of electricity use by patrolling business sites. We are striving to manage energy use in summer by operating ventilation systems for non-production facilities such as offices and welfare facilities in turn, which used to regularly operate electricity, during intensive electricity reduction periods (August 5-30) and peak times (10:00-11:00, 14:00-17:00).

## CASE STUDY

### Developing low-voltage semiconductor HI-544 product



To produce low-electricity semiconductors, SK hynix has developed a product with 5 million pixels(Hi-544) by applying Smart TG<sup>1)</sup> 1.0 in June 2014. As Smart TG 1.0 is embedded with MCU<sup>2)</sup>, the size is reduced by 20% compared to existing TG-applied products. It also reduces electricity consumption by 50% and improves Dark Noise by 25%. The company has completed development of Smart 2.0 by upgrading the performance of Smart TG 1.0. We will apply this new performance to our newly developed 5 million-pixel (Hi-552) and 8 million-pixel products (Hi-842).

1) TG (Timing Generator):A device that controls each function of CIS sensor

2) MCU (Micro Controller Unit):A processor for controlling CIS sensor

□ HI-543 (TG) ■ HI-544 (SMART TG 1.0)

20% ↓

Reducing the size

50% ↓

Reducing electricity consumption

25% ↓

Improving DARK NOISE

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[1] Carbon management education for suppliers  
[2] CDP Hall of Fame

#### **Conducting carbon management education for suppliers**

SK hynix provides suppliers with know-hows for carbon management to enhance their willingness to reduce GHG emissions and strengthen their capability to cope with climate change. Through eco-design education for suppliers, the company has enabled the calculation of the carbon performance of suppliers' materials. Targeting 30 suppliers, we have carried out education regarding calculation of greenhouse inventory and management of the GHG emission reduction index. The company will provide more suppliers with greater support to establish a system to cope with climate change.

#### **Providing suppliers with support to establish an environmental impact management system**

SK hynix is leading the movement to establish a carbon management system for suppliers. First, the company set reduction goals for each year from 2011 to 2015 and established a plan for implementation with four suppliers in Gyeonggi-do Province by engaging in the "STOP CO<sub>2</sub> Mentoring Project" hosted by the Gyeonggi-do Provincial Government. The company has established a system for dealing with chemical substance-related regulations of 15 suppliers by participating in the "project for making partnerships for chemical substances with SK hynix suppliers," which is the government-led project by the Ministry of the Ministry of Trade, Industry and Energy from July 2014. The project will continue until June 2016, and the company will provide more support to establish a system dealing with chemical substances by promoting the participation of more suppliers.

#### **Joining "CDP Hall of Fame" in two consecutive years**

In 2014, SK hynix joined the "Hall of Fame" for attaining the best status of the "Carbon Management Honors Club," which is selected by the CDP Korea Committee, for the first time in Korea. This year, the company has maintained our "Gold Club" status for two consecutive years. Joining the Hall of Fame as the best company for coping with climate change for five years in a row, SK hynix was included in the "Carbon Disclosure Leadership Index<sup>1)</sup>" by acquiring a score of 100 out of 100 in the opening score. The company has also been included in the "Carbon Performance Leadership Index<sup>2)</sup>" for its performance score. SK hynix will not only proactively disclose information regarding carbon management through CDP, but also carry out activities for reducing greenhouse gas and energy use.

1) Carbon Disclosure Leadership Index (CDLI): SK hynix is in the top 10% for its opening score.

2) Carbon Performance Leadership Index (CPLI): SK hynix is in the top 10% and A-band for its performance score.

## INTERVIEW

Korea has started to implement a nation-based cap-and-trade system since 2015. An amended version of the National Pensions Act has been passed to notify about environmental, social, and governance structure information on investment targets. A bill for a revised version of the Capital Market Act is being proposed to notify about CSR activities in the business report. SK hynix has maintained a high level in various sectors such as governance structure for coping with climate change, reduction activities, and communication with external stakeholders. The company has continuously been assessed as the best company in coping with climate change and reduction for CDP. In 2014, it joined CDP Korea Hall of Fame for two consecutive years, and earned its place in the A-list. SK hynix has also accomplished expansion of water areas through carbon reduction activities and greenhouse gas reductions by developing technology, such as GHG emission measurement and reduction technology, and establishing a system for assessing a greenhouse gas removal system. In terms of external communication, the company is not only the first in Korea's IT and semiconductor industry to publish a carbon management report and disclose it to stakeholders, but the company also communicates

with various stakeholders including global investors through CDP every year. The company shows exemplary cases as it operates the Environmental Management Advisory Committee, which is composed of NGOs, academia, and experts to receive advice in protecting the overall environment, the first in Korea. It also enhances transparency by disclosing information. When production equipment consuming a large amount of energy in the micro-process production is introduced for developing cutting-edge products, the total amount of GHG emissions will further increase: it is therefore necessary to develop and apply reduction technology to address these problems and deal with the cap-and-trade system more effectively by maintaining carbon partnerships with suppliers and helping partners to reduce carbon emissions in the supply chain. As the energy basic unit is relatively higher, I hope that SK hynix makes great efforts in fulfilling its responsibility and role as the best company in coping with climate change by seeking appropriate measures.

**Chairman Kim Yeong-ho (Korea Sustainability Investing Forum, KoSIF)**

Issue  
**06**

# MANAGEMENT OF HAZARDOUS SUBSTANCES AND WASTES

## 2014 Efforts

**Strengthening a System for Managing the Amount of Chemical Substances Use**

**Reinforcing a Waste Management System**

**Creating Economic and Environmental Value through Waste Resources**

**Managing Hazardous Substances for Overseas Business Sites**

### Business Context

As the Toxic Chemical Substances Control Act and Act on Registration and Assessment of Chemical Substances begins to take effect from January 2015, the standards for the management of chemical substances by business operators have become stricter. New waste is being produced due to the development of new semiconductor technology and miniaturization of processes, prompting the need for new kinds of recycling technology.

### Social/Environmental Context

After the hydrofluoric acid accident in Gumi in September 2012, there has been a stronger push to reinforce the management of chemical substances. Due to causalities from humidifier germicide, the overall social interest in hazardous chemical substances is growing.

### Our Approach

SK hynix is operating a monitoring system for the entire process to secure the safe management of hazardous chemical substances and waste. The company strives to achieve a zero level of accidents and optimization of recycling resources from prior registration for delivery to remaking resources for shipping out.

### Future Action

- Establishing a safe business site without chemical substance accidents
- Separating, collecting, and storing regular/designated wastes from sources
- Finding companies with new technologies for dealing with waste

1. Creating Corporate Value through Quality Innovation
2. Transparent and Efficient Management Activities
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4. Building a Safe Working Environment
5. Responding to Climate Change
- 6. Management of Hazardous Substances and Waste**
7. Win-win Growth with Suppliers
8. Action on Conflict Minerals
9. Social Contribution Based on Scientific Technology

### Strengthening the System for Managing the Use of Chemical Substances

**Reducing environmental impact by managing the amount of chemical substance use**

SK hynix is systemically co-operating with departments for production, research and development, and procurement to manage the use of hazardous chemical substances in the entire production process. For newly adopted materials for semiconductors, the company checks harmful substances by using the ESH Qual. System. Before carrying out the process including purchasing materials, we check whether materials have any hazardous elements and whether they can be used. Suppliers can only provide their materials when they pass the standards by submitting various documents in advance, including test reports for 28 kinds of specific water quality hazardous substances, analysis reports for 11 kinds of hazardous substances, and a certificate proving that 400 kinds of SK hynix prohibited substances are not used. The company has systematized information by registering a Material Safety Data Sheet (MSDS) on the computer so that employees can easily reference materials. Through improving and optimizing this process, we have strived to reduce the amount of chemical substance use, share relevant results, and root out pollutants.

### Reinforcing response for chemical substance regulations

From January 2015, the Toxic Chemical Substances Control Act and Act on Registration and Assessment of Chemical Substances have begun to take effect. SK hynix has not only established our own standards for managing hazardous chemical substances, which are stricter than the law, but also built an integrated chemical substances management system by integrating the existing systems for each type of chemical substance. The company has reinforced limitations for carrying harmful substances by expanding the existing scope of environmental impact assessment, which was carried out for purchased materials, to apply to materials delivered for testing.

### Vitalizing communication for reducing environmental impact

To ensure communication on issues related to environmental impacts on external areas due to the use of hazardous chemical substances, SK hynix has expanded relevant activities for suppliers and local community residents. In 2014, the company organized the Local Residents Communication Committee to introduce our efforts to reduce environmental impacts. We will continuously reinforce the role of this committee to promote participation by local residents and reflect the various opinions collected from the committee to management activities. The company has shared operational measures with regard to chemical substances by carrying out communication about hazardous chemical substances with about 80 suppliers. Especially, SK hynix has contributed to improving suppliers' capability to manage hazardous chemical substances by holding a presentation event to share the content of the revised regulation for suppliers that had difficulty in identifying the newly enacted laws in 2014. This event was held twice and was attended by about 300 participants. The company will expand the number of participants and companies for providing education on hazardous substances.

## I N P U T

### Establishing Integrated Chemical Substances Management System

SK hynix has established the Integrated Chemical Substances Management System to manage the entire process from entry to use. Through this system, environmental impacts can be analyzed over the entire process. Pollution can be prevented by managing the chemical substances entry GPI(Green Procurement) system, facilities that handle imported chemical substances and hazardous chemical substances, and the amount of chemical substance use. It is possible to minimize social and environmental impact that can be caused by hazardous and chemical substances and comply with various laws and regulations such as the Toxic Chemical Substances Control Act and Act on Registration and Assessment of Chemical Substances.



### Reinforcing the Waste Management System

#### Improving the Waste management system

SK hynix has improved its waste management system to manage waste in a safer way. With the aim of preventing accidents, we separate waste from the point of generating regular and designated waste and deal with each item safely. In 2014, the company established a waste warehouse and operated in-company professional subcontractors, managing waste to strengthen management infrastructure. With the implementation of garbage bags for designated waste, we have blocked their combining with regular waste. In dealing with waste liquid, two people are required to work together so that waste is safely treated. We will continuously improve waste management facilities and working environments.

#### Selecting and managing companies for treating wastes

To ensure safe waste management, SK hynix conducts on-site prior assessment for selecting transaction companies. After signing a contract, we check whether waste is properly stored and handled in accordance with environmental regulation through on-site follow-up assessment. The company checks safety and firefighting sectors to identify whether chemical waste such as waste acid and waste organic agents is safely managed. We also manage generated waste to be safely treated until the final stage by using the All-baro System, a legal waste processing system.

### Creating Economic and Environmental Value through Waste Resources

#### Creating economic value through waste resources

SK hynix has reduced expenses and created added value by recycling waste and improving treatment methods. In 2014, the company identified a total of twelve items and created economic value worth 1.3 billion won. For instance, we have found and begun working with a new company recycling waste copper sulfate liquid, which used to be evaporated after neutralization. Through these efforts, the company has not only saved processing expenses, but also created added value by separating, recycling, and selling waste CMP PAD and waste MASK, which used to be incinerated. The company also generated economic value by separating, selecting, and selling items with rare metals among metal waste. SK hynix will continuously find recyclable waste and improve added value by subdividing waste types based on sources.

#### Carrying out re-circulation of resources

SK hynix minimizes environmental load by recycling waste liquid, which is generated from processes. Thanks to co-operative tasks with suppliers, the company has secured IPA (Isopropyl Alcohol) waste liquid enrichment technology, and commercialized and used enriched waste as materials in other industries. In cooperation with the EIP (Eco Industrial Park) project team, we have enhanced material efficiency and minimized pollution by establishing a waste resource reuse system in the industrial complex, using generated waste as materials and energy for other companies. As the company recycles waste sulfuric acid to allow in-house suppliers as well as nearby suppliers to utilize it, we have contributed to establishing a resource-circulatory industrial complex where environment and industry coexist. In 2014, a total of 16,094 tons of waste sulfuric acid were recycled.

#### Recycling waste liquid



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### Managing Hazardous Substances for Overseas Business Sites

#### Wuxi FAB hazardous substances monitoring system

SK hynix has continuously strived to reduce environmental pollutants in the production process by establishing optimal environmental protection facilities and professional environmental management organizations at Wuxi FAB, China. To minimize the discharging of water pollutants, the company operates the ESH Qual. System, analyzing environmental impacts from the stage of introducing semiconductor production equipment and approving launching discharge facilities. We have efficiently treated air pollutants as much as possible by separating and dealing with each type of gas emitted in the process of semiconductor production, using different types of gases depending on the characteristics. The company has also consigned the job of measuring pollutants on a quarterly basis, measured water quality twice a day, and monitored air quality on a monthly basis. Thanks to this management system, there have been no environmental pollution accidents since the foundation of Wuxi FAB.

#### Improving and investing in facilities to minimize environmental pollutants

Wuxi FAB has strived to minimize the discharging of environmental pollutants by complying with its own standards, which are set above the legal standard with regard to discharging environmental pollutants. The company has continuously invested in environmental protection facilities in the air quality, water quality, and waste sector. In 2014, we raised the level of dealing with air pollutants from Stage 2 to Stage 3 to strengthen efficiency in processing. The company is also minimizing water pollutants by expanding and constructing a system for treating organic waste-water to respond to the government's NH<sup>3</sup>-N discharge restriction due to the geographical characteristics of Taihu region and protect the ecological environment in Wuxi.

## INTERVIEW

I am in charge of managing chemical substances which are used by SK hynix. Our company conducts environmental impact assessment from purchasing chemical substances to the period after using these materials, and we use chemical substances that meet the relevant standard. As the Toxic Chemical Substances Control Act and Act on Registration and Assessment of Chemical Substances began to take effect since 2015, the company's relevant standards for hazardous chemical substances have been raised higher than the legal standards and established an integrated chemical substances management system by integrating the existing systems for each chemical substance. Other than this internal management, the company has taken the opportunity to reduce the company's environmental impact by organizing a Local Residents Communication Committee and introduce external environmental

impacts. We will gradually strengthen the committee's role. In cooperation with 80 suppliers and senior companies, SK hynix has opened communication regarding hazardous chemical substances and shared our operating measures for dealing with chemical substances. We held a presentation event for suppliers that had difficulties in swiftly identifying and dealing with the newly enacted legislation. By sharing the revised content in the relevant legislation, we have also supported the capability of our suppliers for hazardous substance management. In 2015, SK hynix will further enhance activities for managing hazardous substances to comply with the above-mentioned laws.

**Kyung-sun Shin, Senior manager  
(Environment Safety Office, SK hynix)**

Issue  
**07**

# WIN-WIN GROWTH WITH SUPPLIERS

## 2014 Efforts

**Reinforcing communication with suppliers**

**Win-win Growth Academy to strengthen capability of employees at suppliers**

**Providing support for raising competitiveness of suppliers**

## Business Context

The government has put win-win growth as a priority in the national policy and requested for win-win growth between large companies and suppliers. As the importance of networks between global business operation and companies has increased, the need for win-win growth between customers and suppliers has become even more important. Win-win growth has been recognized as a necessity beyond voluntary implementation.

## Social/Environmental Context

With requests for win-win growth, the major elements for win-win growth include not only win-win growth with suppliers but also the identification of overall risks in the supply chain and their improvements in areas such as human rights, environment, and labor sectors for suppliers. As awareness of win-win growth has increased through identifying and improving potential risks in the supply chain for suppliers, win-win growth has become the basis for corporate management and CSR.

## Our Approach

SK hynix has established and executed win-win growth strategies in connection with the company's management philosophy.

**Establishing industrial ecosystem based on win-win growth culture**

**Carrying out proactive win-win growth activities fulfilling government policy**

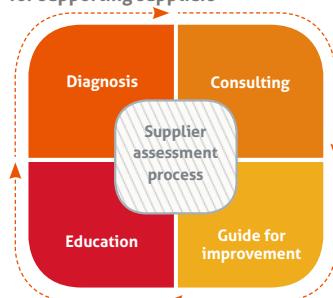
**Creating synergy effects through cooperation with win-win Growth Committee**

## Future Action

- Adopting a win-win growth payment system to improve a payment system for the 2nd & 3rd tier suppliers
- Carrying out measures for directly supporting suppliers by holding a technology contest
- Revising and disclosing internal regulations by reflecting four major fair trade guidelines

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### Strengthening an assessment system for supporting suppliers



#### Education

SK hynix has provided employees of 74 suppliers with CRS education by conducting group education and visiting education for EICC<sup>1)</sup> and CSR mega-trends.

#### Diagnosis

In 2014, SK hynix conducted EICC SAQ (Self-assessment Questionnaire) for major raw material suppliers (100 companies) with the top 80% and over, based on transaction expenses. Through this assessment, the company has identified potential high-risk suppliers and selected them as targets for intensive management.

#### Consulting

SK hynix has launched the verification process based on EICC AVP<sup>2)</sup> to control CSR risks of suppliers. In 2014, the company implemented consulting for ten major suppliers, identified 74 cases for insufficient factors, and supported improvement activities.

#### Verification by the 3<sup>rd</sup> party (EICC VAP)

As a member of EICC, SK hynix provided six suppliers with the EICC VAP other than CSR consulting for suppliers.

#### Corrective Action Plan

SK hynix has recommended suppliers to have the corrective action plan for drawn risks. As well as inducing voluntary improvements by suppliers, the company has monitored the current condition of CSR sector by sharing the process regularly.

1) EICC (Electronic Industry Citizenship Coalition/Electronic Industry Code of Conduct): It refers to Electronics Industry Citizenship Coalition and Electronics Industry Code of Conduct (labor, environment, health/safety, ethics, management system).

2) EICC VAPI(Validated Audit Process): VAP audit provides a unique combination of depth and quality assurance in an independent, sharable qualified 3rd Party end-to-end audit service focused on improving business practices in regards to the EICC code.



CSR workshop for suppliers (Wuxi FAB, China)

### Reinforcing communication with suppliers

#### Expanding communication channels with suppliers

SK hynix has continuously communicated with suppliers for win-win growth. With this aim in mind, the company has implemented various activities for the CEOs of 50 major suppliers, including general meetings by the Win-win Growth council, regular meetings with each division, meetings for executives and presidents, and Win-win Growth Day. For Win-win Growth Day with the presidents of the council, the company has strived to reinforce strategic partnerships and enhance pride for suppliers of SK hynix by selecting and awarding the best suppliers with remarkable performances in technology innovation, win-win growth and environment, and the safety sectors. Through the Environmental Safety and Health Committee, the company shares various opinions with suppliers in the industrial complex for major issues in the environmental safety and health sectors on a monthly basis. The company will reinforce communication activities for suppliers in China as production facilities in China have expanded.

#### CSR workshops for suppliers

Since the company joined the EICC on October 10, 2013, SK hynix has made a great effort to spread EICC Code of Conduct to the supply chain. In 2014, the company operated workshops for staff members in charge of managing personnel and environmental matters at suppliers other than visiting CSR consulting for suppliers, which is conducted on a regular basis. At workshops, we shared concrete measures for spreading EICC to the internal sectors based on the understanding of EICC and introduced the process for EICC VAP. Starting in 2014, the company will remove CSR risks for suppliers by spreading EICC to the overall supply chain and expand workshops to promote CSR activities meeting global standards.

#### Regularly publishing CSR newsletters for suppliers

SK hynix has regularly published "Chamsori Newsletter" for suppliers to raise awareness of CSR and reinforce suppliers' execution ability. Published in Korean and Chinese version, Chamsori Newsletter organizes major necessary items for suppliers and "CSR activities (ethics management, CSR management, EICC activities and responses to the customers' requests)" in the form of Q&A to play the role as a guideline for participating in CSR activities by suppliers. Beyond publishing the newsletter, the company will support suppliers to improve conditions voluntarily by making a guidebook with the guidelines for CSR.

#### Win-win Growth Academy to strengthen capability of employees at suppliers

SK hynix operates "Win-Win Growth Academy" as an education support program for employees at suppliers. This is a program to support securing the best human resources in various sectors by selecting suppliers that have potential technical capability and a strong will for management innovation. As of 2014, the company has operated a total of 45 programs for suppliers and provided support to strengthen the capability of employees at suppliers by supporting the establishment of an education system and development of customized education programs and conducting education sessions by best-quality visiting lecturers.

#### Programs for reinforcing job capability for suppliers

SK hynix has supported all employees to acquire semiconductor-related basic knowledge and identify the characteristics of the semiconductor industry and future trends through various specialized programs, including customized special lectures and open group education.

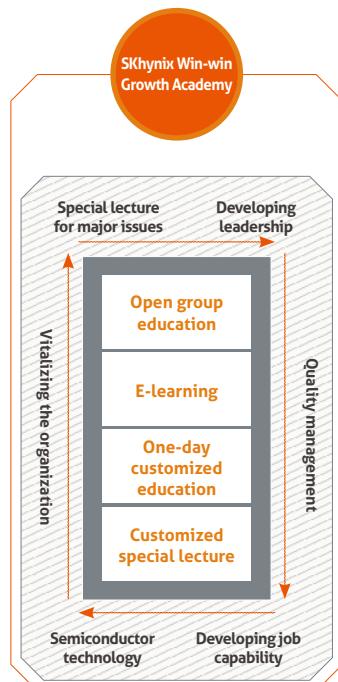
#### A world made by semiconductor

- Structure and characteristics of the semiconductor industry
- Future trends in the semiconductor industry
- Characteristics of semiconductor products
- Semiconductor product line-up

#### Materials and process of making semiconductor

- Cleanliness of process input semiconductor line in making wafer
- Cleanliness management and line entry procedure
- Necessary elements for the semiconductor process
- Process of design and making devices
- Front-end process (FAB) / Back-end process (B/E)

Roadmap for strengthening job capability for suppliers



### Visiting CSR consulting for suppliers

#### Supplier visiting CSR consulting

To listen to on-site voices from suppliers and consider practical solutions, SK hynix conducted visiting CSR consulting for 11 suppliers (ten domestic suppliers and one Chinese supplier) in 2014. As a result of consulting based on the EICC Code of Conduct (labor, environment, health/safety, ethics, management system), a total of 75 insufficient elements were identified, and support for improving relevant issues was provided. Plus, as the Package & Test site was additionally established in Chongqing, China, in 2014, it has been more important to carry out win-win growth management with the suppliers in China. Under these circumstances, SK hynix will assess CSR risks for the supply chain in Korea and China and provide the optimal solution for identified issues. In 2015, the company will raise CSR competitiveness in the supply chain by expanding targets for EICC VAP.

### Operation of Patent Assistance System

As the company launched Patent Assistance System in 2010, SK hynix has opened possessed domestic patents and utility models regarding semiconductor devices and raw materials for suppliers and enabled application for the free transfer of patents on a regular basis. Plus, the company has carried out consultation for complaints over IP (Intellectual Property) and supported activities for addressing issues by operating "Patent Complaint Consultation Center" as an IP online consultation center.

### Supporting improvement of patent competitiveness for suppliers

In 2014, SK hynix conducted patent consulting by supporting patent professional employees from SK hynix for four suppliers. The company has participated in a system for sharing technology for the first time as a large company by signing an "MOU for spreading technology sharing" with the Ministry of Trade, Industry, and Energy and the Korea Institute for Advancement of Technology (KIAT) and determined to transfer 41 patents free of charge for 15 suppliers. These efforts are expected to help raise technology competitiveness in suppliers and spread win-win growth culture between large companies and suppliers. The company received the "Achievement Award for Technology Business" in the 2014 Technology Best Awards, thanks to its performances in free patent transfer and consulting for suppliers over several years, contribution to developing technology business, and efforts for sharing technology. SK hynix will expand the scope of supporting patents for win-win growth with suppliers and develop programs to strengthen competitiveness in suppliers.

### Improving payment methods

SK hynix has contributed to lifting suppliers' burden for payment by expanding the number of payments from twice to three times a month and shortening payment periods. The company has helped stable management and welfare improvement for suppliers by providing payments early before national holidays. The company will give more practical help for suppliers' management by introducing a win-win growth payment system, which can reduce payment periods, even for the 2nd and 3rd tier suppliers.

## INTERVIEW

As a primary supplier of SK hynix, DAEDUCK Electronics has provided semiconductor substrate from 2005 and conducted joint technology development. Through the organization for win-win growth by SK hynix, we have received a system for supporting enhancement of capability, which made us feel that SK hynix puts great emphasis on win-win growth with suppliers. Among various support efforts, education support is the most helpful assistance for us. This has been a great help in developing job capability for engineers and employees through education and training in the technology sector. Management meetings are operated twice a year to solidify interest between SK hynix and DAEDUCK Electronics, and the best and talented people have been recruited by our

company participating in the SK Career Fair as a primary supplier. SK hynix has also helped suppliers to recognize the importance of CSR and improve sustainability. As for annual supplier assessment, support from relevant departments at SK hynix led to a more effective examination for impacts on ethics, human rights, safety and environment. Mid-sized firms usually have difficulties in conducting CSR proactively due to the low internal and external interest. I believe that mid-sized companies have been able to carry out CSR with greater interest as SK hynix has conducted and emphasized supplier assessment.

**Leo Joeng, Deputy Senior manager (Daeduck Electronics)**

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## SPECIAL

### SK hynix's WIN-WIN GROWTH PROGRAM



#### Management support

**Industrial Innovation 3.0:** This program provides expert consulting in each sector such as management, process, and production technology and supports expense for purchasing facilities to raise productivity through on-site diagnosis for improving capability for the 2nd and 3rd tier suppliers. In 2014, a total of 700 million won was offered to 35 companies.

**Management Doctor System:** This program improves the management environment of suppliers and addresses management problems through a triangular cooperation system among SK hynix, suppliers, and management advisory committee at Federation of the Korean Industries. Consulting was conducted for seven suppliers from 2012 to 2014.



#### Technology support

**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.

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

**Technology Sharing (Free Transfer of Patent):** 82 patents have been transferred with no cost to 21 suppliers from 2011 to 2014, and patent consulting was provided to 15 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 interest 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. In 2014, the company paid deposits for 31 cases of technology from 11 suppliers

**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 voluntary promotion of sharing results between the Ministry of Trade, Industry and Energy, and major companies. From 2012 to 2014, 11 suppliers with 28 tasks have been contracted. Nine tasks were completed to create profits, which are shared with suppliers by guaranteeing supply quantity and compensating costs.



#### Financial support

**Win-win Growth Fund:** Since 2011, the Win-Win growth Fund has been operated to strengthen competition among suppliers by supporting their operation and technological development fund with a low interest rate. In 2014, KRW 92.7 billion was raised, and KRW 74.9 billion gave assistance to 44 companies.

**Win-win Growth Insurance:** Win-win growth Insurance, a fund arranged to expand financial assistance to secondary suppliers, is used by major companies contributing to the Trust Assurance Fund. The secondary suppliers can sign up and take a loan only on the credit of primary suppliers. SK hynix provided KRW 3.8 billion in assistance to 11 secondary suppliers in 2014.

**Network Loan:** Network Loan was arranged to facilitate more fluid cash-flow that can lend when necessary. Two suppliers took a loan of KRW 1.6 billion in 2014.



#### Education support

**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, education by visiting lecturers, and online education. A total of 1,270 people were provided this education in 2014.

**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, marketing, human resource/organization

Issue  
08

# ACTION ON CONFLICT MINERALS

## 2014 Efforts

**Strengthening Policy for Dealing with Conflict Mineral Resources**

**Improving Suppliers' Awareness and Conducting Education**

**Expanding CFS Certification**

**Checking the Current State of Suppliers on the Basis of EICC**

### Business Context

Companies listed in American Stock Exchange are required to report the current state of conflict mineral use. Other than the U.S., European countries and Australia are reviewing the regulation of similar legislation that stipulate reporting and restricting the use of conflict minerals. Depending on these requests from the industry, the current state of conflict resource use is likely to develop into corporate risks.

### Social/Environmental Context

Conflict minerals are generally mined in the environment in violation of human rights and labor rights, including forced labor and low-wage labor. Due to irrational and illegal mining processes, the environment in the region has been destroyed by inducing water pollution through heavy metal and soil pollution.

### Our Approach

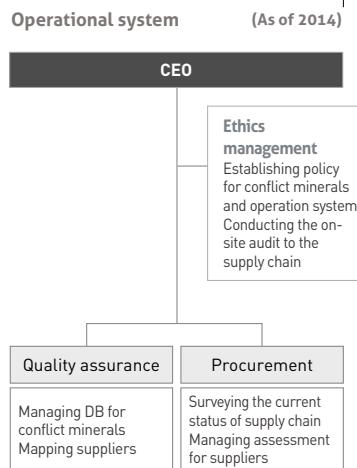
To minimize the use of conflict minerals in the entire production process, SK hynix has expanded activities for regulating the use of conflict minerals to the supply chain and opened the current state of using these resources in a transparent manner. The company has the ultimate goal of producing products by using only raw materials from CFS<sup>1)</sup>-accredited refineries, which do not use conflict minerals. In 2014, the company reinforced our policy for dealing with conflict minerals and identified CFS-accredited refineries in the supply chain.

### Future Action

- Establishing an integrated system for managing the current state of using conflict minerals based on the unit of raw materials and products
- Expanding the application of CFS<sup>1)</sup>-accredited refineries in the supply chain by conducting the status survey

1) CFS (CONFLICT FREE SMELTER): A refinery which restricts the use of conflict minerals

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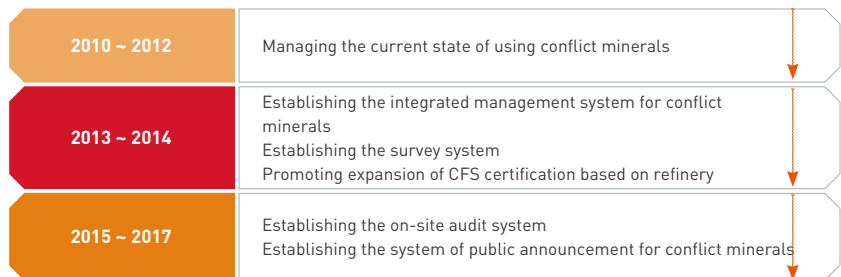
## Conflict minerals



Conflict minerals regulated by the U.S. Securities and Exchange Commission (SEC) refer to four minerals [tin, tantalum, tungsten, and gold] which are mined from conflict areas, including the Democratic Republic of Congo (DRC) and adjacent countries. These countries cause various social issues such as environmental pollution and human rights issues such as violating the human rights of local residents and exploiting labor by the government army or rebels in the process of mining minerals. As the "Dodd-Frank Wall Street Reform and Consumer Protection Act," which includes provisions on regulating conflict minerals, took effect in July 2010, global companies in the electronic industry have been urged to respond to these current situations more aggressively.

## Strengthening policy for dealing with conflict mineral resources

As SK hynix fully understands the social significance in restricting the use of conflict minerals, the company has systemically responded by refusing to use conflict resources in the production process. We have established a management process for conflict minerals and identified the current state of conflict resource use in the supply chain on a regular basis. Based on the work process, we inspect and manage refineries for raw materials. The company will expand not only voluntary reports by suppliers, but also the scope of CFS certification.

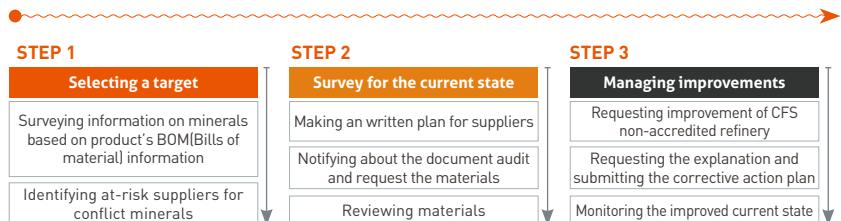


## Operating system

Based on continuously conducted TF for conflict minerals, SK hynix has established a process for managing and operating conflict minerals among departments of the procurement, ethics management and quality control. The company developed an internal control system, fixing responsibilities and roles for each group to establish and implement internal control policy. We are sharing these plans for handling and operating conflict minerals with our suppliers and reporting the current state of conflict minerals use in a transparent way.

## Survey for the current state

SK hynix has identified 33 suppliers that use potential conflict minerals, including already regulated resources by utilizing a database for information on subsidiary materials to control hazardous substances in products such as the existing REACH and RoHS. Based on the EICC report for suppliers in the identified risk group, the company inspected the current state of conflict mineral use twice in 2014. As a result, none of our suppliers used conflict minerals. The location of the mining company is irrelevant to conflict regions such as Asia and Australia, and we've recommended non-CFS-accredited companies to acquire certification. The company will expand the scope of status survey for each supplier to raise its credibility in the result of the survey.



## Improving Suppliers' Awareness and Conducting Education

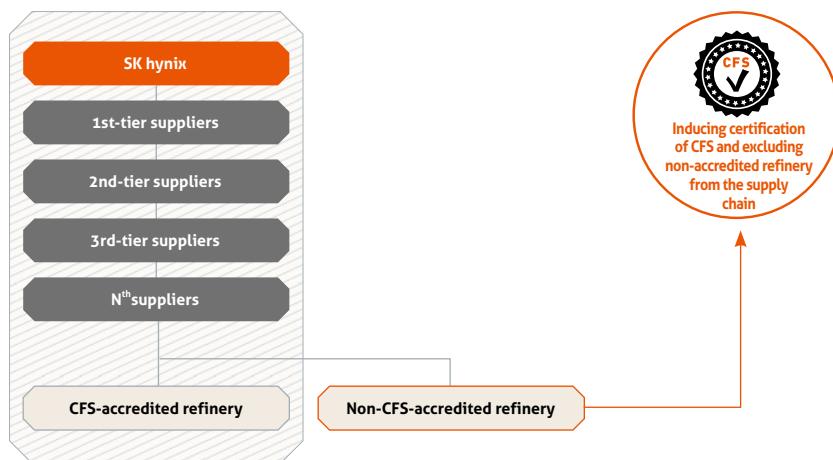
To determine the country of origin for used minerals, a great deal of effort and expenses are spent since the entire process, from refinery to the supply chain, needs to be inspected and managed. Under these circumstances, SK hynix has found and executed optimal strategies in strengthening cooperation and building better business relationships with suppliers, based on a mutual understanding about the risks of using conflict minerals. Through these efforts, global trends for conflict mineral regulation are being shared through newsletters sent to all suppliers, as well as sharing and conducting education for our operational strategies for conflict minerals. In 2014, the company conducted the visiting educations for 10 suppliers and will expand educations to enhance suppliers' awareness.

### Expanding CFS Certification

In 2014, SK hynix conducted a status survey to identify the current status of CFS certification<sup>1)</sup> for suppliers. As a result of survey for the first half of 2014, some non-CFS-accredited refineries were identified. For these refineries trading with suppliers, the company requested them to complete certification in 2014 and set the goal to change refineries if accreditation is still not attained. We have achieved overall shift by providing education and identifying the current state of certification on a regular basis. In 2015, we will make greater efforts for checking the current status of changed refineries and expanding certifications to the non-CFS-accredited refineries by conducting a regular survey for new and existing suppliers. SK hynix will proactively deal with global regulations and reinforce survey content by reflecting the stricter IPC 1755<sup>2)</sup> as a standard for conflict minerals into inspection for suppliers.

1) CFS certification (CFSP: Conflict Free Smelter Program, Program for verifying a CFSI-hosted refinery)

2) IPC 17552) IPC 1755 (Standard for inspecting companies and verifying conflict minerals by IPC Association)



### INTERVIEW

I have had few inconveniences in communication with SK hynix since the company is very proactive in communication and shows immediate response for requests. As a staff member in charge of managing CSR and environment, the CSR activities by SK hynix seem excellent. I would like to praise the company for being an EICC member. While Korea has a low rate of being a member in the EICC, SK hynix carries out its activities as an EICC member, leading the industry. The company secures a reasonable quality control and properly responds to the supply chain checklist requested by our company. In regard to the Sustainability Report by SK hynix, I found that the company shows sufficient performance

for most CSR sectors, but it would be necessary to supplement the management of the supply chain. I hope that SK hynix will proactively engage in sharing and reinforcing CSR activities and continue to resolve the problems associated with conflict minerals, a major issue in the current semiconductor business, to become a global leader. Although these activities would not immediately lead to corporate profits, I hope SK hynix will contribute to developing the industry by dealing with the current situations more proactively.

Global Customer for SK hynix

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09

# SOCIAL CONTRIBUTION BASED ON SCIENTIFIC TECHNOLOGY

## 2014 Efforts

**Activities for Fostering  
Scientifically Talented People**

**Mutual development with the  
local community**



### Business Context

Recent social contribution activities have been carried out not only for donations, but also for addressing issues in the local community based on the company's values and capability in the direction of achieving win-win growth by supporting the development of the local community. Therefore, it has been important to identify the needs of stakeholders and carry out strategic social contribution by improving and developing needs.

### Social/Environmental Context

Expectations of the public role of companies in creating economic profits as well as addressing social issues have been increased.

### Our Approach

Beyond realizing happiness and pride among our employees, SK hynix establishes differentiated CSR activities to secure win-win growth with the local community. We work to enhance our corporate reputation through social contribution strategies and strive to execute these activities.

**Strategies for social contribution**

**Supporting disadvantaged children and young students to have dreams and hopes**

**Carrying out activities based on the local community where business sites are located**

**Conducting practical business based on sincerity**

### Future Action

SK hynix aims to carry out sincere social contribution activities, which are needed by the local community. The company will strengthen social contribution strategies by reflecting our business characteristics.

#### Activities for fostering scientifically talented students

**Intensively fostering "Hynstein" as IT creative and scientifically talented students**

**Creating value in the local community through a continuous virtuous cycle by making the foundation for creating shared value (CSV)**

### Strategic Social Contribution Activities

With the mission for making social contribution as a "Company Creating Happiness with the Local Community through Sharing," SK hynix has carried out various sharing activities with sincerity by focusing on regions where business sites are located. The Happiness Sharing Fund has become part of the company's unique sharing culture: funds are raised by employees' voluntary participation and one-on-one matching donation. As the fund is raised by voluntary engagement, it is one of the best and leading examples among domestic companies. As of 2014, 85.4% (about 17,500 employees) of all company employees have participated in raising funds, which are used to foster creative and scientifically talented students and support disadvantaged children in the local community.

### Monitoring social contribution performances

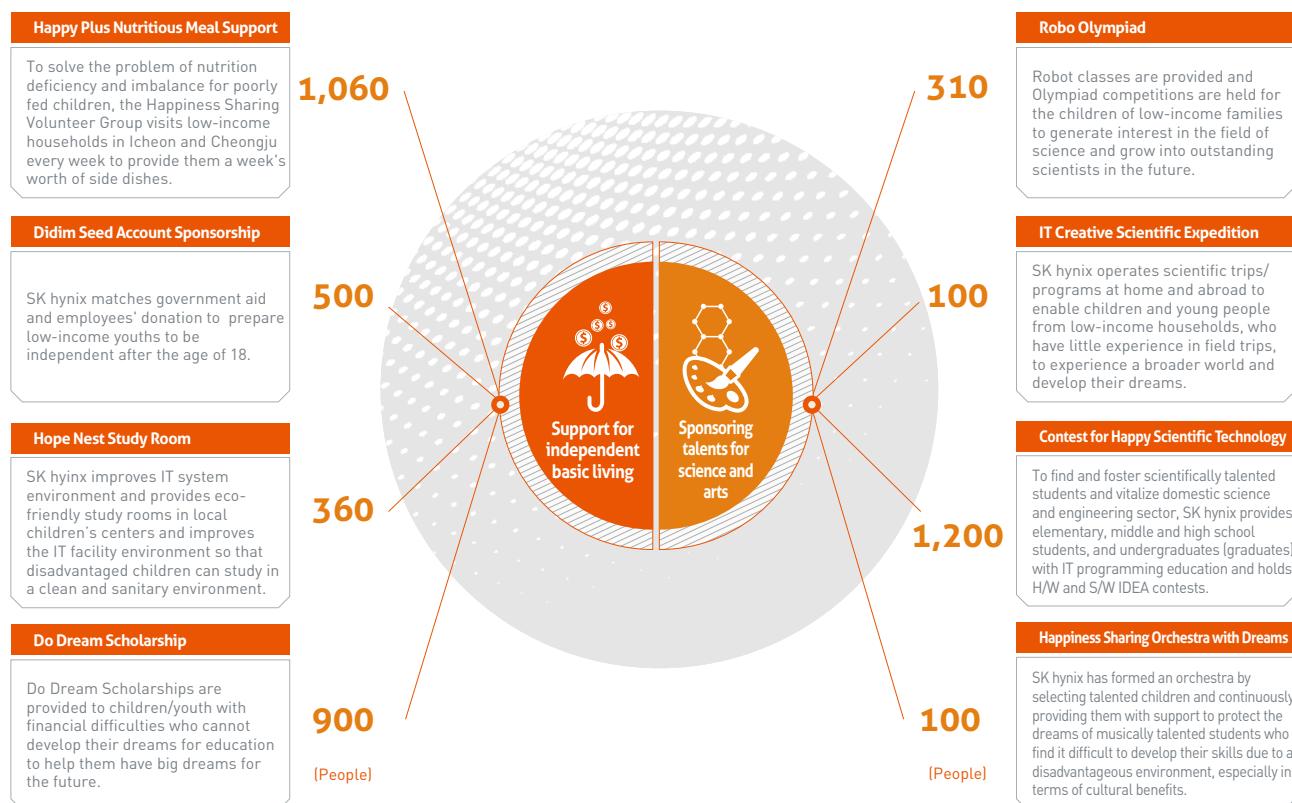
SK hynix has secured transparency in the Happiness Sharing Fund, which is raised by voluntary participation, by operating the year-end committee and conducting financial audits. The company checks whether funds are suitably used for the original purpose of the project and whether there are any other sectors where more funds can be obtained through regular monitoring by the Community Chest of Korea, which is consigned to operate the fund. The company also provides vests, vehicles, and expenses through the Happiness Sharing Fund website when employees do voluntary work. It also monitors the current state of voluntary work by checking advanced plans and follow-up results.

### Activities for Fostering Scientifically Talented People

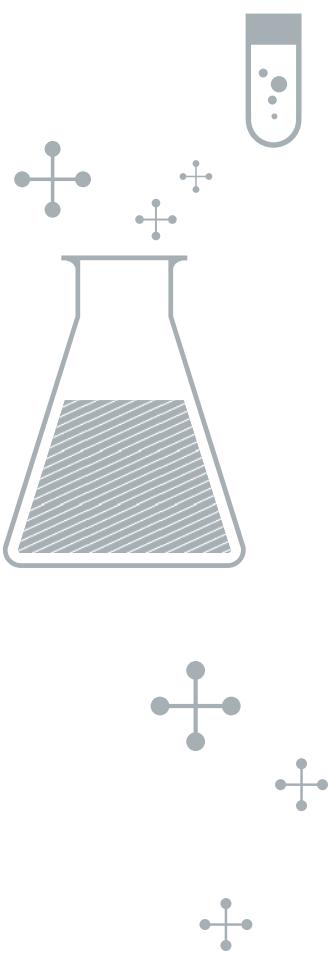
As the second leading global memory semiconductor producer, SK hynix has developed and operated a program in connection with its business characteristics for fostering talented IT students. The company has carried out various projects to find and nurture "Hynstein"<sup>1)</sup> creative scientifically talented people in the future IT sector, and become a representative company that trains talented people by revitalizing the science and engineering sector.

1) Hynstein: A word made by combining Hynix + Einstein, signifying the willingness of SK hynix to foster future talent for the scientific sector

#### Performance of social contribution activities in 2014



1. Creating Corporate Value through Quality Innovation
2. Transparent and Efficient Management Activities
3. Strengthening Human Capital on the Basis of Creative Corporate Culture
4. Building a Safe Working Environment
5. Responding to Climate Change
6. Management of Hazardous Substances and Waste
7. Win-win Growth with Suppliers
8. Action on Conflict Minerals
- 9. Social Contribution Based on Scientific Technology**



### Robo Olympiad

SK hynix provides science education and robot kits to help low-income household children, who have talent but cannot pursue their dreams due to tough living conditions, to actually become scientists in the future. The company has supported children at the regional children center to develop their interest in science and find their talent. By holding a year-end contest, we have also recognized children's creativity and passion for science. The company provides the prize winners with continuous support such as offering field trips to scientific facilities at home and abroad. A young student who received the prize from the Robo Olympiad Contest for both this and last year was selected as a prospect for Robo and was awarded a prize by the Creative Science Education Research Institute for participating in "International Robot Conference Robocon Contest 2014." SK hynix will continuously strive to find more prospects in science sector.

### IT Creative Scientific Expedition

SK hynix operates "IT Creative Scientific Expedition" to help children and young people from low-income households, with little experience in field trips due to environmental causes, to experience a broader world and develop their dreams. The IT Creative Scientific Expedition is a project for supporting students to become creative scientifically talented people by providing high quality science education to talented elementary and middle school students. The group also operates science field trip programs at home and abroad and scientist mentoring programs. For instance, an elementary school student, who went to Daedeok Science Complex as one of the first IT Expeditions, experienced mentoring with KAIST students, developed his interest and talent in science, and got an opportunity to visit the Education Institute for the Gifted at Cheongju National University of Education.

### Contest for Happy Scientific Technology

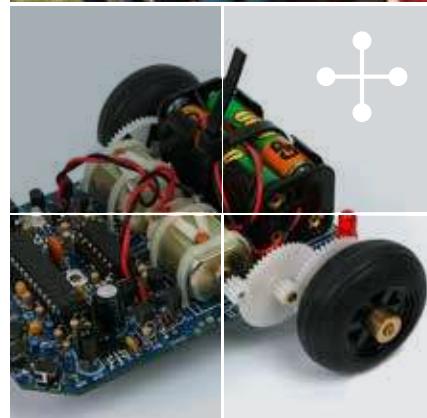
SK hynix holds an engineering program contest, which can be helpful for the socially disadvantaged by finding creative IT talent and utilizing advanced IT. Launched in October 2014, IT-utilizing idea contests are being held in four sectors, including child protection, senior welfare, living convenience for the disabled, and space exploration for middle and high school students and undergraduates (graduates). The company provides education and devices to allow participants to develop consolidated solutions between hardware and software by using "Raspberry Pi<sup>1)</sup>" a miniature single PC. We have created a place not only for vitalizing IT education and promoting scientific technology, but also for sharing talent through IT technology.

1) Raspberry Pi: A miniature single board PC made by the "Raspberry Pi Foundation," a British science education charity, to provide computers for children in third-world nations.

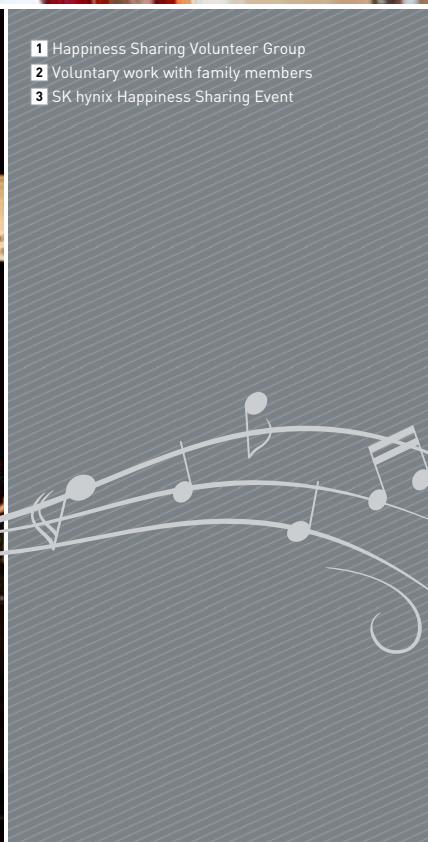
1 Robo Olympiad

2 3 IT Creative Scientific Expedition





- 1 Happiness Sharing Volunteer Group
- 2 Voluntary work with family members
- 3 SK hynix Happiness Sharing Event



1. Creating Corporate Value through Quality Innovation
  2. Transparent and Efficient Management Activities
  3. Strengthening Human Capital on the Basis of Creative Corporate Culture
  4. Building a Safe Working Environment
  5. Responding to Climate Change
  6. Management of Hazardous Substances and Waste
  7. Win-win Growth with Suppliers
  8. Action on Conflict Minerals
- 9. Social Contribution Based on Scientific Technology**



1 Happiness Sharing Volunteer Group

2 Happiness Sharing Orchestra with Dreams

## Win-win Growth with the Local Community

### Happiness Sharing Volunteer Group

SK hynix organizes the "Happiness Sharing Volunteer Group," a team-based voluntary group with all employees, to conduct voluntary work on a regular basis. The company provides various kinds of support to promote engagement, such as permitting voluntary work during work hours, offering a fund for voluntary work, and awarding prizes for the best voluntary group and volunteer worker. We have reinforced our volunteering capabilities by appointing volunteer leaders in charge of voluntary works and holding regular workshops.

### SK hynix Happiness Sharing Event

SK hynix has held the SK hynix Happiness Sharing Event to communicate and achieve unity with the local community for sharing happiness. The company also conveys its efforts in sharing happiness to local residents through performances by the "Happiness Sharing Orchestra with Dreams." We have made various meaningful efforts to share and form bonds with the local community: we operate a market for directly trading local specialties to vitalize the local economy and hold a writing contest for elementary, middle and high school students.

### Happiness Sharing Orchestra with Dreams

SK hynix provides orchestra education and music lessons to protect the dreams of musically talented students who find it difficult to develop their skills due to a disadvantageous environment in terms of cultural benefit. The company supports cultural experiences and emotional stability for disadvantaged children by organizing this orchestra. Focusing on the regional children center, the company provides musical instruments and personal lessons by selecting talented children through auditions. The Icheon Municipal Government has signed an MOU with SK hynix to provide children with the overall educational necessities such as practice rooms and transportation means. As a result of these efforts, a student who received support from this program for fostering the musically gifted at the regional children center has passed an arts high school, and her talent has been broadly recognized.

### Voluntary work with family members

SK hynix conducts voluntary work once a year as well as over a year for not only company employees but also their own family members to execute the happiness of sharing together. As family members participate in voluntary work, they create good memories of sharing. Involving employees' families in this kind of positive volunteer work also enhances the pride of SK hynix employees in their company: it's a win-win situation for everyone involved.

## I N T E R V I E W

SK hynix has a close relation with the Chamber of Commerce with the aim of developing the local economy in Icheon. The Chamber of Commerce has received help from SK hynix for internal activities and played the role of its partner, supporting each other and realizing win-win growth. As economic, social, and environmental activities in Icheon cannot be conducted without SK hynix, the company plays a pivotal role in leading local economic activities and has massive influence. SK hynix selects locally talented students by working with the regional school. For example, the company has provided a high school in Janghowon, Icheon with practice equipment and prioritized the selection of its high school graduates when hiring. The company purchases locally produced products for their materials and food materials and mainly procures the necessary construction materials and labor force from Icheon to estab-

lish the M14 Plant. SK hynix has also led vitalization of the local economy by sharing its profits and contributing to operating and supporting insufficient facilities in Icheon. This contribution work includes providing scholarship and local cultural performances. In addition to economic support, the company has carried out various social contribution activities and environmental impact management. Currently, SK hynix is the best leader in the semiconductor industry. As the company continues to operate business by focusing on the semiconductor market, I should warn that it is risky in terms of stability to only continue business in a single industry. It would be great to expand business areas for dispersing management risks.

**Jin-seong Lim, Department head  
(Icheon Chamber of Commerce & Industry)**

# PERFORMANCE REVIEW

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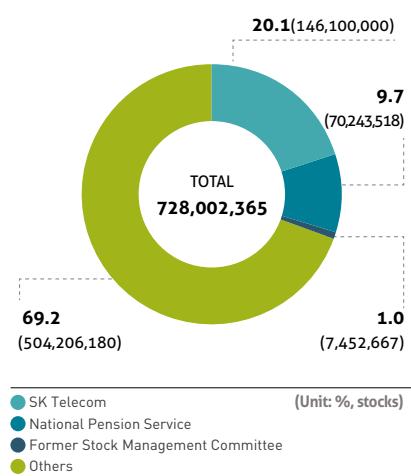




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# GOVERNANCE

Composition of shareholders (As of end December 2014)



Executive directors (As of end December 2014)

Name	Experience	Job title
Lim Hyung-kyu	<ul style="list-style-type: none"> <li>President &amp; CEO, Samsung Advanced Institute of Technology</li> <li>President of Samsung Strategic Planning New Business Team</li> <li>(Current) Vice Chairman, IC Technology &amp; Growth, SK SUPEX Council</li> </ul>	
Park Sung-wook	<ul style="list-style-type: none"> <li>Director engineering / Vice president, hynix Manufacturing America</li> <li>(Senior vice president, Memory Research Center, SK hynix)</li> <li>Executive vice president at SK hynix</li> <li>(Current) CEO &amp; President of SK hynix</li> </ul>	Chairman of Board of Directors /Non executive Directors Recommendation Committee
Kim Joon-ho	<ul style="list-style-type: none"> <li>Executive Officer and Chief Prosecutor, Ministry of Justice</li> <li>Vice President of Ethics management Div., SK</li> <li>President, Corporate Management Service, SK Energy, Co., Ltd. &amp; Head of Ethics Management Divisional Group, SK Holdings, Co., Ltd.</li> <li>President of GMS, SK Telecomm</li> <li>(Current) President &amp; Head of Corporate Center, SK hynix</li> </ul>	

## Current state of shareholders

SK hynix executed an initial public offering on December 26, 1996, and took the company public with common stocks for Korea Stock Exchange. Currently, SK Telecom is the largest shareholder having 20.1% of all stocks, increasing capital by issuing new stocks and acquiring old shares on February 14, 2012. As of December 31, 2014, the number of listed shares of SK hynix is 728,002,365.

## Composition of Board of Directors

The board of directors of SK hynix is the highest decision-making authority of SK hynix's corporate governance structure. The board of directors is working to increase corporate values and tries to achieve sustainable growth. The board consists of nine directors, including three executive directors and six non executive directors. Plus, SK hynix operates two sub-committees, Audit Committee and Non executive Directors Recommendation Committee, to secure a professionalism in the decision-making process and to operate the Board of Directors more efficiently. With the aim of reinforcing the independence of the Board of Directors and to establish a transparent and sound governance structure, the rate of non executive directors is maintained at 50% or above out of nine directors. Without prior consent from the Board of Directors, transaction which belongs to the company's sales sector cannot be implemented through calculation by a non executive director or third party, and a non executive director cannot play a role as a partner with unlimited liability or director of another company. Further, the company limits the number of concurrent positions as non executive director and auditor at fewer than two roles.

## Independency, transparency and professionalism in appointing a director

In order to appoint executive directors and non executive directors, consultation at a general meeting of shareholders is required. Candidates for executive directors are selected by recommendation at the Board of Directors' meeting, while those for non executive directors are selected by recommendation at Non executive Directors Recommendation Committee. To secure independence for non executive directors, which is stipulated in the Korean Commerce Law, SK hynix strictly complies with legal bases for disqualification of non executive directors. The company strictly limits largest shareholders, special stakeholders and people with shares of 10% and over as well as the number of concurrent positions as non executive director and auditor at fewer than two roles for another company to restrict director and indirect interests and fulfill jobs faithfully. Further, SK hynix appoints directors with extensive knowledge and hands-on experience in relevant sectors such as management, finance, ethics, fair management and semiconductor industry

Non executive directors (As of end December 2014)

Name	Experience	Job title
Kim Doo-kyung	<ul style="list-style-type: none"> <li>Director General, Financial Markets Division and Currency Issue Division, Bank of Korea</li> <li>Vice President, Korea Federation of Banks</li> <li>Advising Professor of Korea Banking Institute</li> </ul>	Audit Committee Chairman
Park Young-june	<ul style="list-style-type: none"> <li>Research associate, IBM U.S.</li> <li>Executive Officer and Chief Prosecutor, Ministry of Justice</li> <li>(Current) Professor of Electrical Eng., Seoul National University</li> </ul>	Non executive Directors Recommendation Committee Chairman
Yun Sai-ree	<ul style="list-style-type: none"> <li>Prosecutor, Busan District Public Prosecutors' Office</li> <li>Lawyer, Yoon &amp; Partners</li> <li>(Current) Managing partner &amp; lawyer of Yulchon(law firm)</li> </ul>	Non executive Directors Recommendation Committee
Kim Dai-il	<ul style="list-style-type: none"> <li>Assistant Professor, Economics Department, Rice University</li> <li>Research Fellow, Korea Development Institute</li> <li>(Current) Professor of Economics, Seoul National University</li> </ul>	Audit Committee
Lee Chang-yang	<ul style="list-style-type: none"> <li>Head of industrial policy division,</li> <li>Ministry of Commerce, Industry and Energy</li> <li>(Current) Professor at KAIST Business School</li> </ul>	Audit Committee
Choi Jong-won	<ul style="list-style-type: none"> <li>Chief of Management Evaluation Agency of Public Agencies under the Ministry of Strategy and Finance</li> <li>(Current) Professor, Seoul National University, Graduate School of Public Administration</li> </ul>	Audit Committee

## 1. Governance

2. Economic Performance & Distribution
3. Counteracting Bribery
4. Human and Labour Rights
5. Customer and Supply Chain relations
6. Created Social Capital
7. Environment, Safety and Health

**Sub-committee under the Board of Directors (December 2014)**

**Audit Committee  
(Four non executive directors)**

Authority: Accounting and business audit of the company / Appointment of external auditors

Agendas for 2014: Report for assessment of the current status of operating the internal accounting management system / Appointment of external auditors / Audit report / Statement (draft) for the internal monitoring system

**Recommendation Committee for Non executive Directors  
(Two non executive directors and one executive director)**

Authority: Recommending and examining candidates for non executive directors in accordance with relevant legislations, articles of association and regulations of the Board of Directors

Agendas for 2014: Recommendation (draft) of candidates for non executive directors for the 66th General Meeting of Shareholders

and the Board of Directors consists of two management experts, one financial expert, two legal and ethics experts and one expert in the semiconductor industry to secure professionalism and diversity in various sectors. The company has also conducted various education support activities such as providing major current management issues and latest industrial trends on a regular basis to enhance the industrial understanding of non executive directors and to strengthen professionalism.

### **Operation of the Board of Directors**

#### **Advanced operation of the Board of Directors**

SK hynix establishes an advanced operation system of the Board of Directors by utilizing IT technology. All directors can participate in a meeting and carry out their jobs without constraints in time and place by utilizing the network and video conference system with IT devices and security, which are provided by the company. In particular, the BOD Site, which is operated by SK hynix, provides a variety of information on the company such as materials on a meeting and financial and sales information. In 2014, a total of nine meetings were held for the Board of Directors and eight meetings were held for the committee. The average attendance rate of non executive directors is 91.7%, which indicates their proactive engagement. The Board of Directors of SK hynix constantly strives to maintain a system at the global compliance level by changing various systems and regulations regarding management and industry (fair trade, subcontract, etc.) and checking and supplementing the current status of the company.

### **Operation of Non executive Directors Committee**

In order to bring in opinions to the Board of Directors' meeting, SK hynix operates Non executive Directors Committee which is composed of only non executive directors, this committee implements prior deliberations and shares various opinions aggressively regarding the proposed agendas and relevant issues. These efforts help the management make a decision and significantly contribute to enhancing the independence and professionalism of the Board of Directors. Further, the committee secures fairness, objectivity and legitimacy in the procedure of making transactions by checking contents of the business transaction of the affiliates in the group in advance.

### **Communication with the Board of Directors**

The Board of Directors communicates with stakeholders through internal and external communication channels including formal announcement. By holding general meetings with stakeholders, the board conducts the highest decision-making process and provides shareholders and stakeholders with management information swiftly by announcing major decisions in management immediately. In addition, the Board of Directors communicates with employees smoothly by using in-company bulletin boards and various proposal systems in which anyone at the company can suggest various ideas to the CEO and receive answers.

## **INDEPENDENCE OF NON EXECUTIVE DIRECTORS**

**SK hynix defines the standard for identifying independence of non executive directors based on the 'Commercial Law' to help the Board of Directors fulfill its role of 'checks and balances'**

Standards for judging independence of non executive directors at SK hynix (Disqualification of independence, Article 382 of the Commerce Law)

1. Director, executive and employee working for the commerce of the company or director, auditor, executive and employee who worked for the commerce of the company within the past two years
2. Largest shareholder, his or her spouse and lineal and collateral ascendant
3. In cases where the largest shareholder is a corporate body, its director, auditor, executive and employee
4. Spouse and lineal and collateral ascendant of director, auditor, executive and employee
5. Director, auditor, executive and employee of the company's holding company or subsidiary
6. Director, auditor, executive and employee of a corporate body which has an important interest such as having transactions with the company
7. Director, auditor, executive and employee of a company where the company's director, executive and employee are director or executive

### Remuneration of the Board of Directors (As of end December 2014)

Current status of the Board of Directors: 9 directors	
Executive directors	Non executive directors
<b>3</b> Number of people (People)	<b>6</b> Number of people (People)
<b>2,821</b> Total amount of payment (1 million won)	<b>428</b> Total amount of payment (1 million won)
<b>882</b> Average amount of payment for each person (1 million won)	<b>74</b> Average amount of payment for each person (1 million won)
<b>Remuneration (Annual income and incentives)</b>	
<b>1,361</b> Person who receives the highest remuneration [a]	
<b>80</b> Median value of remuneration for employees [b]	
<b>17.0</b> Ratio [a/b]	

### Assessment for the Board of Directors

SK hynix assesses whether directors have professionalism with regard to business and technology of the company and fulfill activities proactively each year. Also, the company examines their social and environmental performances such as fair trade, win-win growth and GHG emissions reduction. Based on assessment, the company determines remuneration and severance pay through resolution in a general meeting with shareholders, and after the resolution, compensation is given in a fair and transparent manner in accordance with regulations for payment. Plus, in cases of reappointment by Non executive Directors Recommendation Committee after termination of office, records of the existing activities for the Board of Directors are applied.

### Sustainability management governance

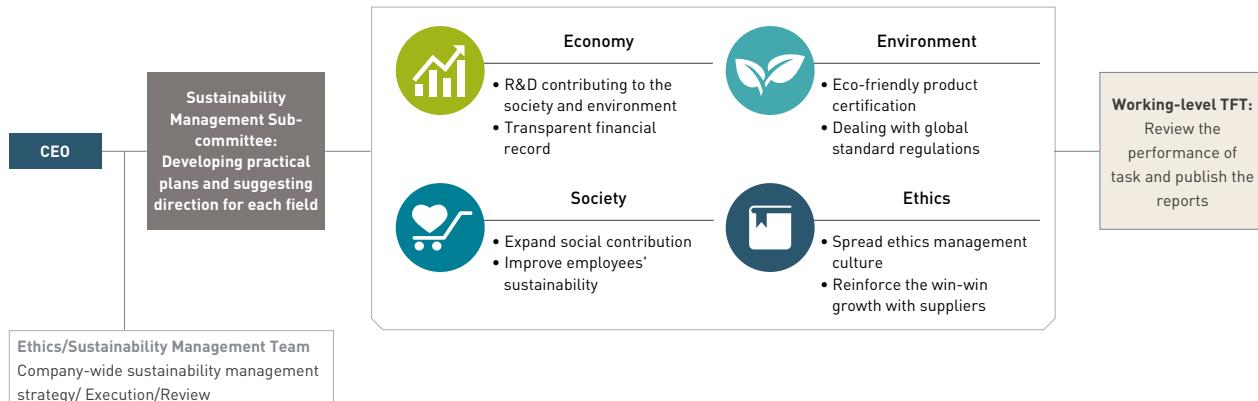
#### Composition of sustainability management governance

To implement systemic sustainable management along with its mid- and long-term vision, SK hynix forms a Sustainability Management Sub-Committee for executives in each sector including economy, society, ethics and environment. To strengthen the ability to maintain sustainable management, the company also operates a regular consultative group (Octa.Com) which plays a bridge between the sub-committee and task force team for sustainability management.

#### Operation of sustainability governance

SK hynix Sustainability Management Sub-Committee has been commissioned with authority for society and environment from the Board of Directors and plans and manages overall activities for sustainability management. In particular, the sub-committee has carried out risk management regarding sustainability management such as ethics management, fair trade and mutual growth and also has checked whether the company takes measures for improvement. From the results of a meeting, major issues are reported to the Board of Directors. Also, through materiality test in the sustainability report the sub-committee gives the final approval for publication of the sustainability report. By operating a consultative body which is composed of eight major team leaders regarding sustainability management (Octa. Com), the company not only spreads awareness of sustainability management and forms a bond of sympathy but also pursues development of sustainability management by drawing and carrying out tasks for each group. With the sub-committee, the company shares understanding of management activities in social and environmental sectors by sharing current trends for sustainability management, drawing relevant tasks, consulting for publication of sustainability report and cooperating with tasks for responding to DJSI assessment.

### Sustainability management governance



## Risk management

### Enterprise Risk Management (ERM)

SK hynix strives to lay the foundation for a sustainable growth by identifying and integrating risks/crises which can have an impact on achieving management goals through risk management. The company will reduce inefficiency in distributing resources and quality reduction elements by reforming risk management and minimize management risks by operating an effective risk management system.

### Major issues for risk management by SK hynix

SK hynix manages risks in various sectors including risks for management foundation such as financial management and operational process, law-abiding practice, innovation and growth. In particular, through internal & external analysis for the current status, the company has identified potential emerging risks in safety, health and environment and responded to those risks by analyzing them strategically.

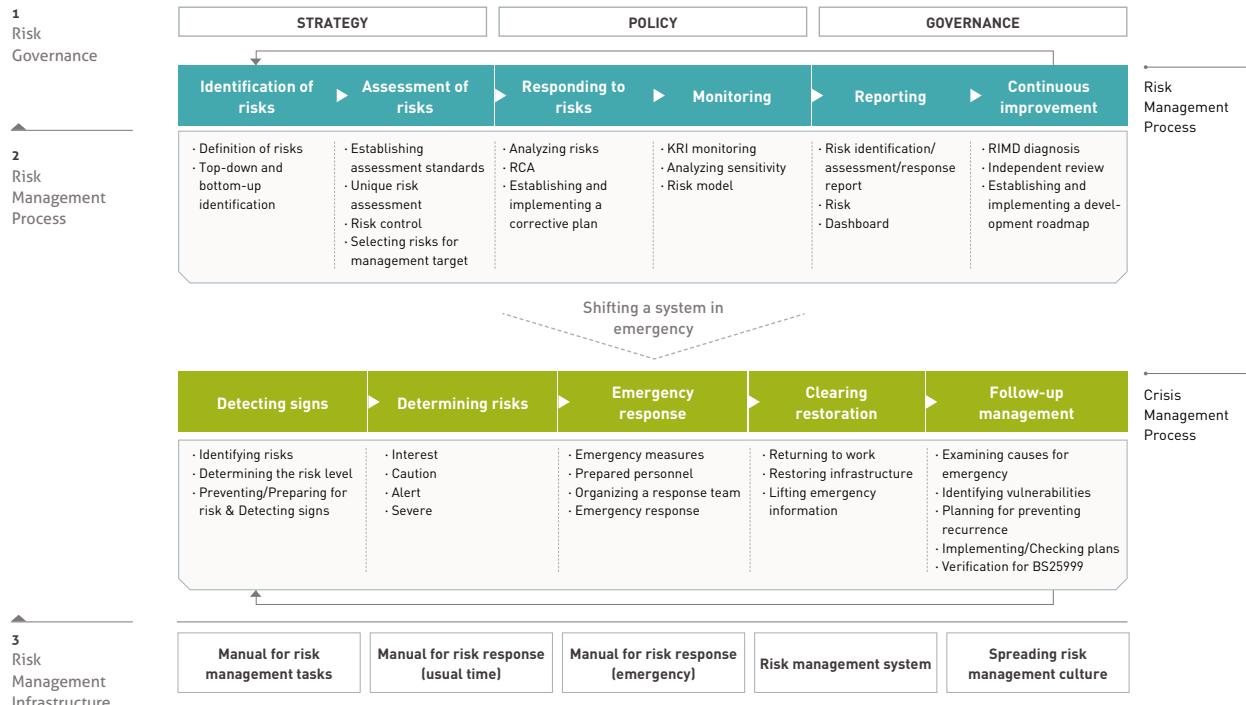
[Refer to page 30] ←

**Safety and health risks:** Being a company that creates economic value in the direct semiconductor production process, it is imperative to improve productivity through the safety and health of employees. In particular, it is considered that emergency situations such as unexpected disasters and accidents will have a significant impact on corporate economic performances. Further, regulations on safety and health in production sites in Korea and China with major production plants have been intensified. Under these circumstances, SK hynix carries out activities to minimize risks.

[Refer to page 35] ←

**Environmental risks:** As the semiconductor production process uses a massive amount of energy therefore, the climate change risks become major agenda, various domestic and overseas regulations have been reinforced. Emission trading system for 2015 has already been implemented, and the government has set up a national goal of reducing GHG emissions by 30% compared to BAU by 2020. Meanwhile, it is expected that uncertainty due to lower GHG emissions allocation compared to expected emissions from production will have negative impacts such as having an environmental liability on future business. To cope with these changes, the company has carried out various activities.

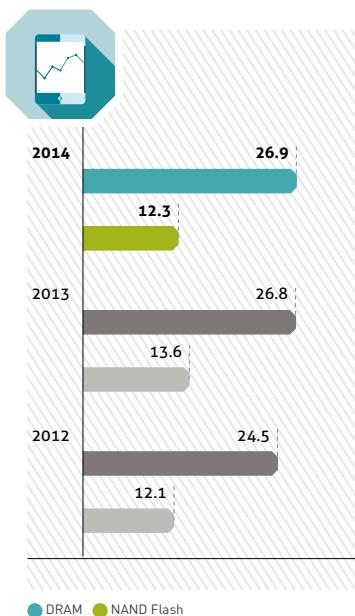
## Risk management process



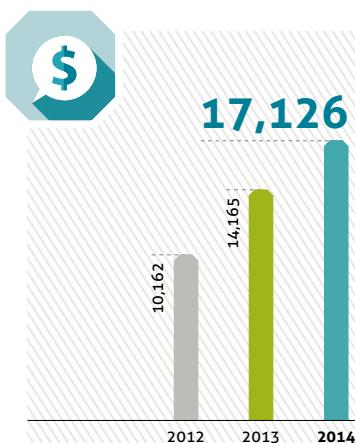
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## ECONOMIC PERFORMANCE & DISTRIBUTION

Market shares of DRAM and NAND Flash (Unit: %)



Sales (Unit: 1 billion won)



### Market trends

In 2014, the global semiconductor market grew about 8% compared to last year. We appreciate the strong growth of data-processing semiconductors and communications semiconductors as well as shifting into the growth of semiconductors for home appliances, the memory semiconductor market grew about 17%, which equaled USD 80 billion in 2014 compared to last year. As for DRAM, a shortage of DRAM supply due to the industry reorganization has led to high profitability, while NAND Flash has had an increase in overall memory price as the supply and demand conditions have improved thanks to increasing demands for mobile devices.

### Market share for DRAM

In 2014, the DRAM market created stable profits following the previous year. SK hynix will proactively deal with demands from the market and customers in 2015 based on performances of 2014 when the company developed a 128GB DDR4 Module with maximum capacity and Wide I/O2 Mobile DRAM for the first time in the world.

### Market share for NAND Flash

Although the NAND Flash market has continued to have a stable demand due to increasing demands based on mobile products and the growth of the SSD market for PCs, SK hynix's market share decreased because of the fact that the company shifted part of NAND Flash production facilities into DRAM production facilities in the first half of 2014 to raise profitability. This year, the company will expand the market share by beginning mass production of TLC and 3D NAND products.

Summary of creating economic performances (Unit: 1 billion won)

Item	2012	2013	2014
Income Sheet			
Sales	10,162	14,165	<b>17,126</b>
Gross margin	1,611	5,301	<b>7,664</b>
Operating profit	(227)	3,380	<b>5,109</b>
Pre-tax profit	(199)	3,075	<b>5,048</b>
Corporate tax	(41)	202	<b>853</b>
Net income	(159)	2,873	<b>4,195</b>
Balance Sheet			
Total assets	18,648	20,797	<b>26,883</b>
Total borrowings <sup>1)</sup>	6,472	4,550	<b>4,175</b>

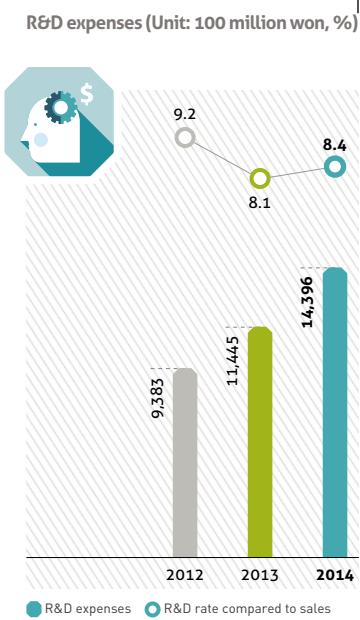
1) Total borrowings = Short-term borrowings + Current portion of long-term debts + Corporate bonds + Long-term borrowings

Distribution of economic performance (Unit: 1 million won)

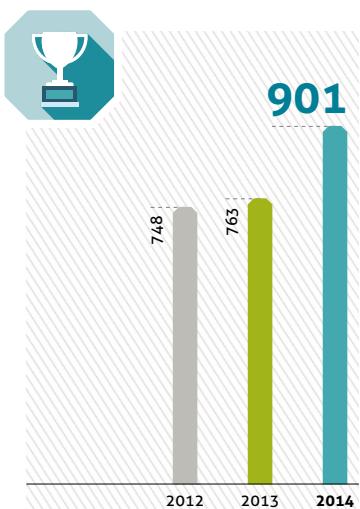
Stakeholder	Item	2012	2013	2014
Employees	Wage	1,348,171	1,732,695	<b>2,164,619</b>
	Retirement allowance	107,730	125,495	<b>143,432</b>
	Fringe benefit	258,545	280,729	<b>327,693</b>
Local community	Tax and dues	(21,493)	240,396	<b>883,689</b>
	Donation	2,614	3,222	<b>16,111</b>
Suppliers	Material cost	2,286,719	1,986,556	<b>2,033,215</b>
	Consumables/	2,169,328	2,748,091	<b>2,885,088</b>
	Repair expenses, etc.			
	Processing costs paid to subcontractors	1,015,512	952,457	<b>1,018,075</b>
Company	Reservation value	(158,795)	2,872,857	<b>3,976,769</b>
	Interest expenses	317,926	256,623	<b>170,363</b>
Stakeholders and investors				

## 1. Governance

- 2. Economic Performance & Distribution**
- 3. Countering Bribery
- 4. Human and Labour Rights
- 5. Customer and Supply Chain relations
- 6. Created Social Capital
- 7. Environment, Safety and Health



**Current status of U.S. patent registration (Unit: Case)**



## Major financial achievement and distribution of economic performance

In 2014, SK hynix achieved 17.1 trillion won in sales, compared to sales in the previous year. Plus, with shifting micro-process and improving yield rate based on increased price of DRAM and stable growth of NAND Flash demands, the company achieved an operating profit of 5 trillion and 109.4 billion won. Net income has also increased continuously, and stands at 4 trillion and 195.1 billion won.

SK hynix shares economic value, which is created from business activities, with stakeholders and proactively invests in pioneering in the global market and developing new technology to seek future growth.

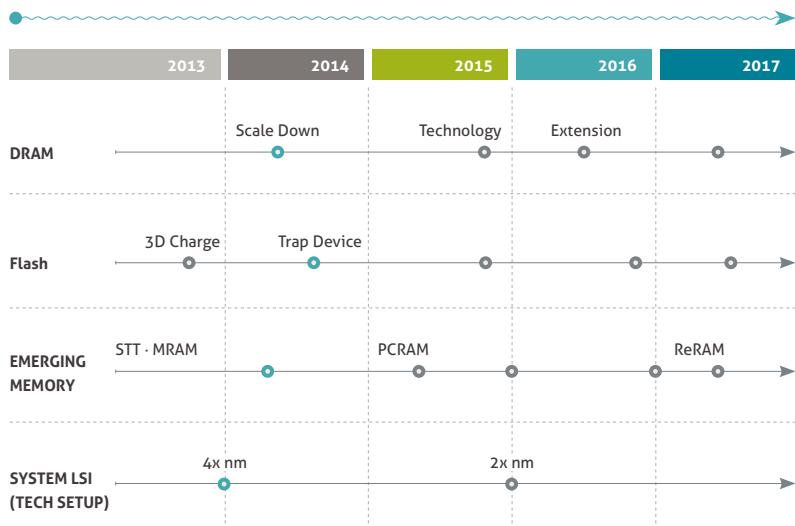
## Strategies for technology innovation

Levels of performance and quality which are demanded by customers have become more diversified and advanced, and the gap in technology and cost competitiveness between leaders and followers is gradually expanding. Under these circumstances, it has become important to establish technology development strategies based on technology innovation and secure business competitiveness. SK hynix believes that the source of creating corporate competitiveness comes from creative research and development performances, so the company strives to establish R&D strategies based on Future Technology Research Institute. We have checked advanced future technology in various countries by establishing overseas technology centers and introduced "EVA+ (Economic Value Added Plus) Achievement To-be Model" to innovate working methods.

## R&D performances

SK hynix has intensively invested in the R&D sector to improve technical skills. With this aim in mind, in 2014, the company made a great effort to develop technical skills by investing 1 trillion and 439.6 billion won in R&D. As these investments include about 700 R&D projects, the company has conducted various technology developments from advanced R&D for the memory and non-memory sector for product development.

## R&D roadmap



## Patent management

SK hynix operates various development programs to cooperate with R&D sector from the planning stage to develop patents which can be actually utilized and are suitable for business trends at an early stage. Further, the company provides separate compensations for best patents by examining patents jointly with R&D sector. In 2014, SK hynix applied a total of 901 U.S. patents, which increased by 18% compared to last year.

03

# COUNTERING BRIBERY

## Ethics management

### Policy and organization for ethics management

SK hynix Ethics Management Division focuses on establishing ethics management as the company's corporate culture by encouraging each employee to have an ethical mindset and internalize its implementation. In addition, based on these efforts, SK hynix strives to become a globally recognized ethical company. Particularly, we have operated various ethics programs for characteristics of each group, level and job and have implemented systemic and intensive activities by focusing on preventing unethical activities through prior consulting for sectors and jobs with a high risk of unethical practices. In addition, the division provides various kinds of support to spread the company's ethics management activities to subsidiaries and suppliers.

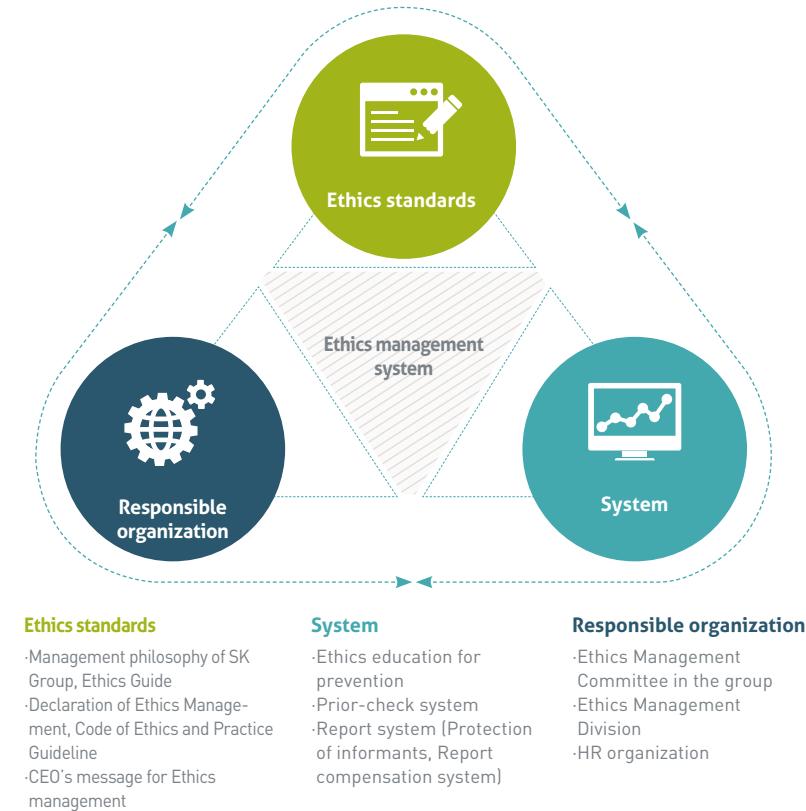
### Code of Ethics

SK hynix Code of Ethics, which was first established in 2000, is composed of a Declaration of Ethics Management and Code of Ethics and Practice Guidelines. As the standard for reasonable and transparent decision-making process and practices by employees, this code applies to all employees of SK hynix, located in Korea, China, U.S., Europe, Japan and etc. With this guideline, we strive to become a more trusted and respected company by achieving corporate ethics at the global level. In September 2014, the 8th Code of Ethics was revised to enable employees to have a better understanding of ethics standards and implement them more proactively. In this revision, we attempted to reflect demands from customers and global standards (For example, EICC) and current trends, which are continuously updating, such as protection of underage people and prohibition of child labor, reinforcing human rights policy to employees including suppliers, prohibition of retaliation to the person who reports unethical practice, emphasizing an ethics leader in each team to act proactively etc. Further, we have published "Ethics

Organizations for ethics management  
(As of 2014)



Ethics management system



1. Governance
2. Economic Performance & Distribution
- 3. Counteracting Bribery**
4. Human and Labour Rights
5. Customer and Supply Chain relations
6. Created Social Capital
7. Environment, Safety and Health

64.65

Management Jisik-in", a Q&A collection for revised Code of Ethics with major revisions for each situation to enhance the understanding level of employees.

#### Performance of ethics management

In 2014, SK hynix conducted off-line education to 5,911 employees for a total of 135 times including education programs by visiting experts on the largest scale since the launch.

#### Performance of ethics management

Category	Unit	2012	2013	2014
Hours for ethics education	Hour	6,891	18,039	<b>8,340</b>
Hours for ethics management for each person	Hour	0.35	0.78	<b>0.40</b>
Total reports for Cyber Reporting System	Case	210	182	<b>216</b>
Valid reports for Cyber Reporting System	Case	85	62	<b>101</b>
Measures for unethical practices	%	-	17 (54) <sup>a)</sup>	<b>25 (47)<sup>a)</sup></b>

<sup>a)</sup> 1) Severe disciplinary action (Light disciplinary action)

#### Compliance program

##### Compliance program

A compliance program is the system which is managed by a company to comply with regulations regarding applicable laws and rules. Introduction of the program indicates the company's willingness to comply with relevant regulations and law. SK hynix compliance program has been designed and operated by considering characteristics of the semiconductor industry and impacts on overall business.

##### Compliance program implementation check

It is a program to check whether employees carry out their jobs by complying with applicable laws and regulations. SK hynix manages its compliance with the laws and regulations such as internal transactions and subcontracts on a regular basis.

##### Compliance activities to prevent cartel

SK hynix implements cartel prevention education for employees of the marketing division at headquarters and conducts on-and off-line prevention education for overseas sales corporate bodies.

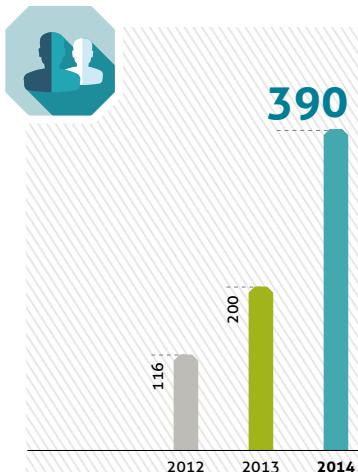
#### Ethics management education for suppliers

SK hynix shares corporate ethics standards and code of ethics with suppliers for the overall business operation and realizes the value of win-win relationships along with a desirable transaction culture. In 2014, the company conducted education for 195 hours for a total of 390 employees.

Hours for ethics education for each person (Unit: Hours)



Number of suppliers' employees participated in the ethics education (Unit: People)



#### Ethics management education for suppliers

Category	Unit	2012	2013	2014
Number of implemented programs	Number	21	13	<b>18</b>
Number of participants	People	116	200	<b>390</b>
Participation hours	Hours	58	100	<b>195</b>

04

## HUMAN AND LABOUR RIGHTS

### Talent management

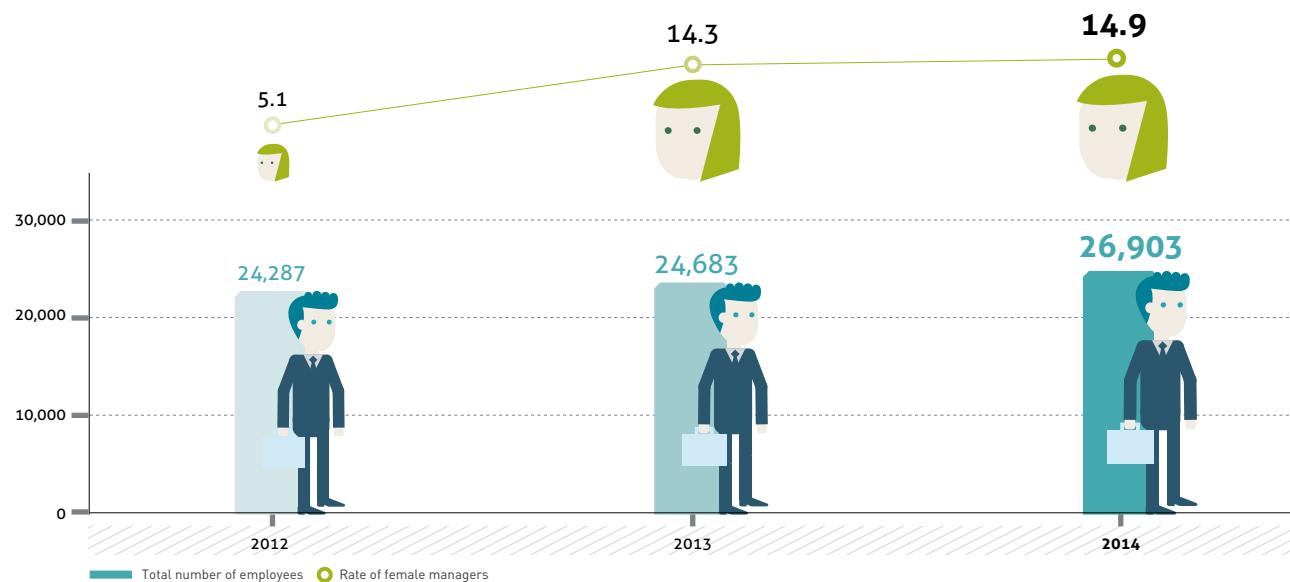
In 2011, SK hynix established and announced "Human Rights & Labor Policy of SK hynix" based on people oriented management. This policy is composed of main text and detailed guidelines. In particular, it states a total of eight major items such as respecting human rights, prohibition of forced labor, prohibition of child labor, labor by underage employees, working hours, wage, prohibition of discrimination, and freedom of association. It has reflected the willingness to implement global standards regarding human rights and labor by encompassing EICC, UN Global Compact and etc. In addition, as Human Rights & Labor Policy of SK hynix has been expanded to all suppliers as well as employees and overseas corporate bodies, the company has striven to spread human rights and labor policy. As of December 2014, the number of SK hynix employees is 26,903. Among them there are 36 senior employees and 120 employees with disabilities, an increase compared to last year.

### Current status of employees

Category	Unit	2012	2013	2014
Number of employees <sup>1)</sup>	People	24,287	24,683	<b>26,903</b>
Executives and technical office positions (male) <sup>2)</sup>	People	7,554	8,124	<b>9,277</b>
Executives and technical office positions (female) <sup>2)</sup>	People	1,785	1,888	<b>2,275</b>
Production employees (male) <sup>3)</sup>	People	5,119	5,139	<b>5,538</b>
Production employees (female) <sup>3)</sup>	People	9,815	9,524	<b>9,791</b>
Contract employees (male)	People	0	0	<b>5</b>
Contract employees (female)	People	14	8	<b>17</b>
Rate of regular employees	%	99.9	99.9	<b>99.9</b>
Rate of female employees	%	47.8	46.3	<b>44.9</b>
Rate of female managers <sup>4)</sup>	%	5.1	14.3	<b>14.9</b>
Number of employees with disabilities	People	119	117	<b>120</b>
Number of senior employees <sup>5)</sup>	People	12	28	<b>36</b>

1) Including local employees 2) Including professional + local employees 3) Including functional employees + local employees  
 4) (Female managers and above + Female supervisors)/(Company-wide managers and above + Supervisors of production employees)\*100  
 5) People in the age of 55 and over more than one year of employment

Total number of employees and rate of female managers (Unit : People, %)



1. Governance
2. Economic Performance & Distribution
3. Counteracting Bribery
- 4. Human and Labour Rights**
5. Customer and Supply Chain relations
6. Created Social Capital
7. Environment, Safety and Health

#### Talent recruiting

SK hynix puts great efforts to achieve employment competitiveness by believing in the philosophy that "human beings" are the best asset of a company. The company has recently carried out recruitment activities by focusing on the R&D sector to ensure our competitiveness in the future and introduced and continuously supplemented and developed industrial-academic programs to educate newly employed personnel in the mid- and long-term. As of the end of December 2014, the rate of job creation by SK hynix is 9.0%, and turnover rate is 2.6%.

#### Current status of employment

Category	Unit	2012	2013	2014
Rate of job creation <sup>1)</sup>	%	3.7	1.6	9.0
Number of dismissed employees <sup>2)</sup>	People	5	3	1
Turnover rate <sup>2)</sup>	%	4.3	3.0	2.6
Average job duration <sup>3)</sup>	Year	8.5	9.3	9.7

1) [Number of employees for the year – Number of employees for the previous year]/Number of employees for the previous year\*100

2) Based on the domestic market 3) Based on headquarters

#### Current status of employees at each region and overseas recruitment

SK hynix has conducted recruitment by utilizing overseas corporate bodies to secure global talents. In particular, with the aim of recruiting talent in the next-generation strategic sectors (SoC/SSD/Mobile), the company has secured core talent by accepting recommendations from external recruitment institutions and employees. In China, Chongqing Package & Test site was established in 2014 to recruit more than 1,000 local employees, while U.S. and European regions merged local memory solution and design companies with high competitiveness and recruited many talented employees in 2013-2014.

#### Current status of employees at each region (Unit: People)

Category	2012	2013	2014
Korea	20,572	20,698	21,558
U.S.	86	285	395
China	3,458	3,534	4,693
Asia <sup>1)</sup>	71	69	46
Europe	100	97	211

1)Excluding Korea, India, Singapore and Japan

#### Composition of employees at each region in 2014 (Unit : People)

**26,903 in total**



**Education hours and investment cost  
for each person**  
(Unit: Hours/person, 1,000won/person)



● Education hours per each person  
● Investment cost per each person

**Fostering the talent**

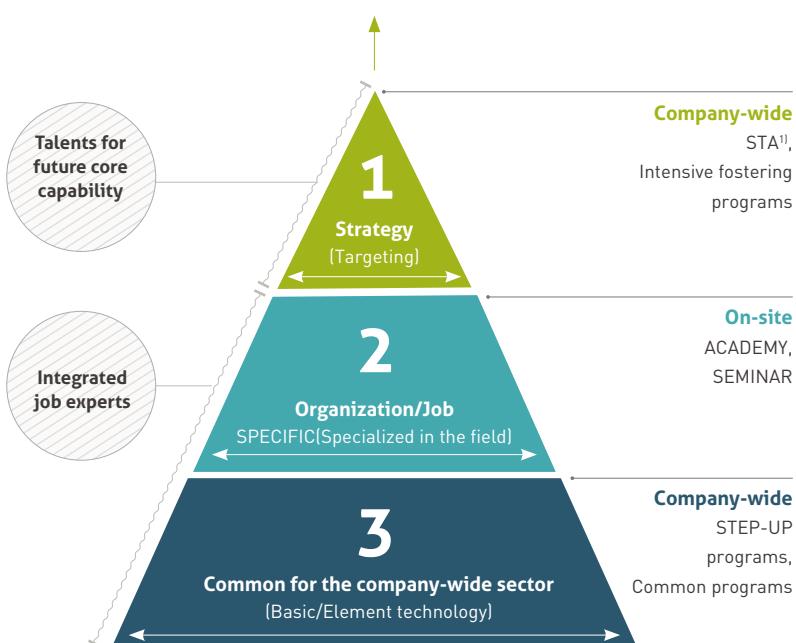
SK hynix has focused on reinforcing basic characteristics of each sector such as leadership, management, and globality from all the way up from leaders down to the employees to meet characteristics of the semiconductor industry. The company has expanded the scope of capability development, which applies to each individual jobs, to relevant jobs and future technology to secure capability for future development. Through these efforts, we have been able to make an upgraded assessment and education system to develop employees into professionals. In addition, the company developed methods for the assessment of job capability to allow team-based management. We have also focused on strategic fostering of talented employees, including but not limited to, cross-function courses with integrated perspectives, intensive fostering programs, STA (Strategic Tech Academy) programs in connection with business strategies.

**Education performance (Based on the domestic status)**

Category	Unit	2012	2013	2014
Total number of employees for education	People	87,226	94,358	<b>161,988</b>
Education hours per each person	Hours/person	64	54	<b>64</b>
Investments per each person	1,000 won/person	554	720	<b>920</b>

**System for fostering the talent**

**Fostering talented employees under company-wide and on-site responsibility  
by focusing development of "talents for future core capability" and  
"integrated job experts"**



1) Strategic Tech Academy

1. Governance
2. Economic Performance & Distribution
3. Counteracting Bribery
- 4. Human and Labour Rights**
5. Customer and Supply Chain relations
6. Created Social Capital
7. Environment, Safety and Health

### Fair compensation upon performance

#### Performance Management System

SK hynix suggests objectives related to the corporation's strategic directions and reinforces evaluation and compensation to the employees 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 to the individual and organizational level. Constant coaching and communication were conducted to achieve goals and systemic support is provided to ensure a fair evaluation.

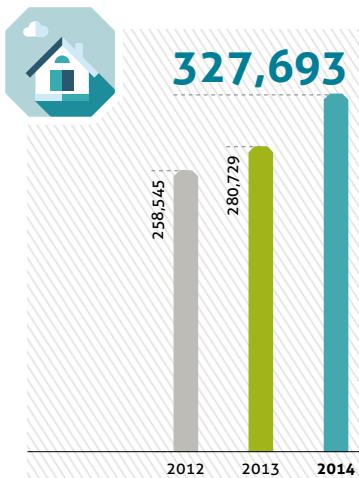
#### Fair performance evaluation

The general evaluation is given yearly for technical office positions to judge clearly individual job performances. The general evaluation prevents employees from having errors in self-assessment through separate job performance evaluation results from the first and second half of the year, yearly capability evaluation, and ranking evaluation between employees. The performance evaluation is given to the production employees and technical office positions under Level 5. Ten indexes including job function related knowledge, drive, and communication skills are used to evaluate individual abilities, and the evaluation results are reflected in the promotion process.

#### Reasonable compensation for performance

SK hynix provides reasonable compensation depending on the results of employees' performance without any unfair discrimination based on sex, education, or religion. With regard to individual compensation, performance evaluation determines basic wage increasement depending on assessment rankings and it also applies different levels of additional compensation. 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 newly hired production employee is 230% of the minimum legal wage and is paid equally, regardless of sex.

Welfare expenses (Unit: 1 million won)



#### Welfare benefits for employees

With the belief that "Creating the best performance should begin with the satisfaction of employees as internal customers," SK hynix provides various welfare systems to allow employees to have a stable and leisurely life, such as support for living stability, work convenience and leisure life. The company operates Hywel, a welfare portal by SK hynix for selective welfare, to encourage employees to receive benefits from the company's welfare system conveniently and use various welfare contents through points.

#### Welfare policy

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



**Current status of retirement pension  
(As of end of 2014)**

**Opening date**

**December 15, 2014**

**Managed expenses**

(Unit: 100 million won)

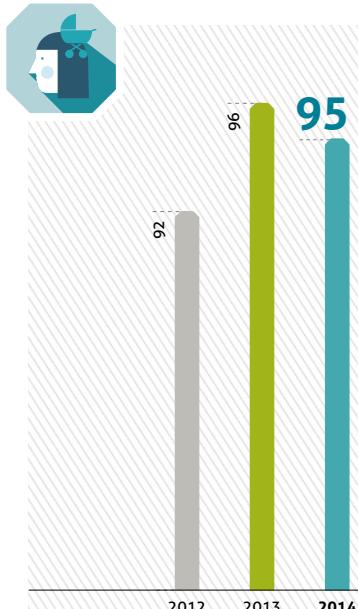
**4,005**

**Subscribed employees**

(Unit : People)

**20,061**

**Rate of returning to work after  
child-care leave (Unit : %)**



**Retirement pension**

SK hynix operates the Defined Benefit (DB)<sup>1)</sup> retirement pension system to help employees prepare for a stable income after their retirement. As of end of 2014, a total of 400.5 billion won is operated.

1) DB: As Defined Benefit retirement pension, it is a system where retirement benefits, which are received at the time of retirement, are fixed in advance by working institution and average wage.

**Maternity protection program**

SK hynix supports various maternity protection programs to prevent female employees from stopping their career due to pregnancy and childbirth. For the free use of child-care leave for female employees, the "child-care leave automatic switch system" is implemented in connection with maternity leave. Also, 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 obstetrics and gynecology are also available. In 2014, SK hynix was again certified as the best family-friendly company by the Ministry of Gender Equality and Family of Korea.

**Current status of maternity leave and child-care leave**

Category	Unit	2012	2013	2014
Rate of returning to work after child-care leave <sup>1)</sup>	%	92	96	95
Number of employees using maternity leave <sup>2)</sup>	People	817	792	724
Number of employees using child-care leave <sup>3)</sup>	People	898	840	873
Subsidy for child-care leave <sup>4)</sup>	1,000 won	933,800	656,720	898,279
Rate of working for 12 months and over after returning to work <sup>5)</sup>	%	-	94.7	88.8

1) [The number of employees to return to work in 2014 – The number of employees that resigned on the date they returned to work in 2014] / [The number of employees to return to work in 2014]\*100

2) Number of employees availing maternity leave in 2014 (except for miscarriage) 3) Number of employees availing child-care leave in 2014

4) Based on the domestic status 5) [Employees returning to work in 2013 – Employees resuming work for less than one year after returning to work]/[Employees returning to work in 2013]\*100

**Labor-management relations**

With the spirit of "No Sa Bul Ui (The company and the labor union are not separated and cooperate each other.)", SK hynix has established cooperative labor-management relations based on labor-focused principle, mutual trust and respect. The company conducts transparent management activities by guaranteeing freedom of association and collective bargaining rights and sharing major current issues and management information such as legal issues between labor union and management on a regular basis. Further, the company not only decides wage increases through labor-management collective bargaining each year but also improves working conditions for employees and addresses various issues by operating the three-stage labor-management committee including business site, business department and the entire company. The company also deals with current issues at an early stage by operating "Weekly Labor Management Work Level Meeting" and labor-management meetings on a regular basis.

**Rate of application for the labor union and dealing with complaints**

Category	Unit	2012	2013	2014
Rate of join for the labor union	%	98.84	98.08	98.32
Labor union communication <sup>1)</sup>	Number	76	81	76

1) Based on the domestic status

1. Governance
2. Economic Performance & Distribution
3. Counteracting Bribery
- 4. Human and Labour Rights**
5. Customer and Supply Chain relations
6. Created Social Capital
7. Environment, Safety and Health

### Security management

#### Strategies and background for security management

SK hynix strives to establish the mutual security culture and business sites with zero security accidents by optimizing a security system and encouraging employees' active participation.

#### Reinforcing security to prevent information leaks

SK hynix is in compliance with internal policies regarding industrial security. Department in charge of security is managing security-related issues through each selected security staff member and implement prevention activities on a regular basis. To strengthen the implementation for security by headquarters as well as overseas corporate bodies, the company strives to protect sales confidentiality by distributing each guideline suitable for local conditions. Also, each entrance and exit area at all business sites of SK hynix have physical protection measures with 24-hour security guards and checkpoints. In 2014, the company integrated entrance management systems for each business site and improved the system so that real-time based entrance history can be recorded. SK hynix also operates firewall, system detecting and blocking intrusion to prevent information leakage due to network hacking incidents. The company has continuously supplemented vulnerabilities on the computing system by identifying them through mock hacking.

#### System and performances for management of security guards

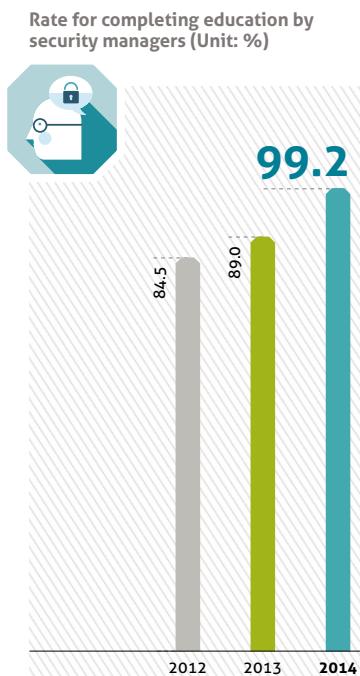
To protect the company's assets including business confidential information, SK hynix appoints and places security guards 24-hours a day with three-group and two-shift system outside of business sites and at the entrance of each building. These security guards conduct their jobs in accordance with a security manual based on the company's internal regulations and participate in various education programs such as job, service, industrial safety and sexual harassment on a regular basis to improve job skills. Also, the company strives to reinforce capability and give motivation through capability assessment and awards for best security guards.

#### Management of complaints over security

To deal with complaints and requests from employees regarding security, SK hynix operates the Q&A section for security on the industrial security portal site. As well as opinions from employees, visitors can report security-related complaints on the portal site of SK hynix for reservation. Also, the company takes measures to address complaints and prevents grievances from happening again. In 2014, a total of 12 complaints were reported, which were addressed by the relevant procedure.

#### Education for security managers

SK hynix implements education program to help security managers to be fully aware of security-related information. In 2014, 99.2% of all security managers received education for "industry security" and "personal information protection", and education will be expanded to overseas business operations in China.



1) Security-related education,  
Personal information protection

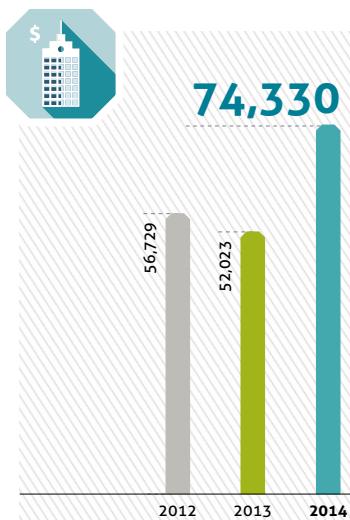
#### Policy directions for security control

2013	2014	2015
Systemizing preventive security activities	Establishing the security culture to achieve zero-level of security accidents	Establishing security culture with employees

05

# CUSTOMER AND SUPPLY CHAIN RELATIONS

Purchase expenses for suppliers  
(Unit: 100 million won)



Organization for carrying out the mutual growth

## Win-win Cooperation Team

- 1 Managing mutual growth index and government-led initiatives**
- 2 Technical support**  
(Performance Sharing System & Technology Deposit System)
- 3 Financial support**  
(Win-win Growth Fund & Semiconductor Fund)
- 4 Management Support**  
(Management Doctor System & Win-win Growth Academy)

## Current status of suppliers and transactions

SK hynix puts a lot of efforts to lead the mutual growth as a global leader in the semiconductor industry. In 2014, the number of major suppliers dealing with SK hynix was 631, and it has increased each year. The total amount of purchase from suppliers in 2014 was 7 trillion and 400 billion won, of which equipment accounted for 39%, raw materials for 25%, infrastructure for 19% and spare parts for 14%. Further, the company encourages purchasing local products with the aim of sharing corporate performances with the local community. In 2014, Wuxi FAB, China purchased products worth 177.9 billion won in total from Chinese local suppliers.

### Current status of transactions with suppliers (Unit: 100 million won)

Category	2012	2013	2014
Number of suppliers <sup>1)</sup>	595	590	<b>631</b>
Total amount for purchase	56,729	52,023	<b>74,330</b>
EQUIPMENT	22,675	19,105	<b>29,346</b>
RAW MATERIAL	19,625	16,977	<b>18,701</b>
INFRA-STRUCTURE	5,506	5,098	<b>13,936</b>
SPARE PARTS	7,958	8,682	<b>10,568</b>
Cost for local purchase <sup>2)</sup>	965	2,161	<b>1,779</b>

1) 500 million won and over in transaction 2) Based on Chinese operations

## Win-Win growth

### Strategies and roadmap for mutual growth

SK hynix expands its win-win growth activities because we value the need to maintain a win-win relationship with suppliers in the memory semiconductor industry. We created a road map involving second suppliers such as performance-sharing policies, industry innovation 3.0, and win-win growth insurance and then, with the built-in credibility, we pursue win-win growth activities.

### Strategies for win-win growth



#### Establishing the ecosystem for mutual growth

- Establishing a supportive system for finance, technology and education
- Win-win growth committee, agreement of win-win growth
- Expanding the mutual growth with secondary suppliers

#### Fair trade

- Setting fair trade culture based on responsibility and transparency
- Complying with Subcontract Act and Fair Trade Act

#### Raising global competitiveness

- Qualitative growth by promoting technology development
- Supporting suppliers to improve management capability

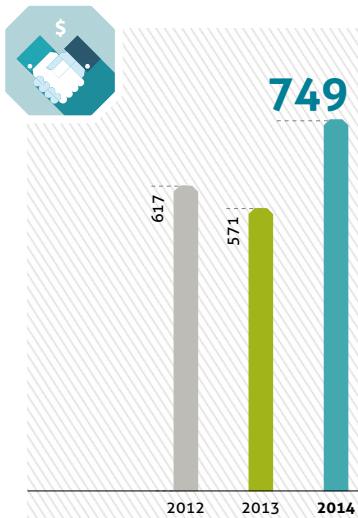
## Win-win growth organization

Since 2009, SK hynix has operated win-win cooperation team in charge of managing win-win growth activities. This team has reinforced capability and built trust between large companies and suppliers. Also, with the aim of promoting practical supportive effects, the team signed an "Agreement for Mutual Growth and Fair Trade" with the Fair Trade Commission. As well as running technology, financial and management support programs, the company has carried out various programs by expanding the performance sharing system and supporting secondary suppliers to address polarization between large companies and suppliers to secure competitiveness.

1. Governance
2. Economic Performance & Distribution
3. Counteracting Bribery
4. Human and Labour Rights
- 5. Customer and Supply Chain relations**
6. Created Social Capital
7. Environment, Safety and Health

**72.73**

Total amount of support for the mutual growth (Unit: 100 million won)



#### Performances for the mutual growth

Category	Unit	2012	2013	2014
Total amount for supporting the mutual growth	100 million won	617	571	749
Number of suppliers agreeing upon the mutual growth	Number	57	50	55
Number of member suppliers for Win-win Growth Committee	Number	82	50	50

#### CSR performances by suppliers

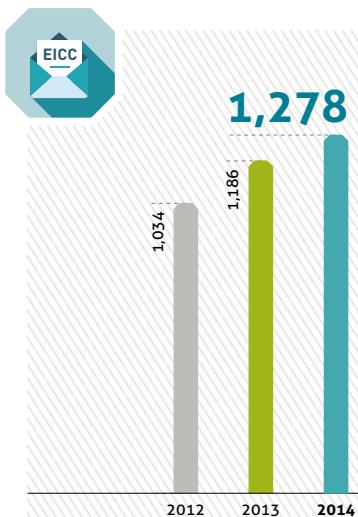
##### Current status of CSR assessment for suppliers

SK hynix conducts CSR assessment for suppliers. In 2014, 101 suppliers for CSR self-assessment were completed, and the company conducted CSR consulting for ten suppliers with the lowest assessment result and EICC VAP(Validated Audit Process by the 3rd party) for three suppliers.

##### Social and environmental impact management for the supply chain

SK hynix manages potential risks regarding the sustainable management in the supply chain by assessing human rights, labor and environmental performances by suppliers and lays the foundation for a sustainable mutual growth. Also, the company shares "SK hynix Code of Conduct for Suppliers" to implement the duty in the EICC code of conduct for spreading the code to the entire supply chain. SK hynix's suppliers will establish a sustainable management system as a global company and fulfill social responsibilities as corporate citizens by complying with the regulations. In 2014, the number of suppliers signing the agreement for compliance with EICC was 1,278, and the number of suppliers for on-site audit was 13 .

Number of Suppliers signing the agreement for compliance with the EICC (Unit: Number)

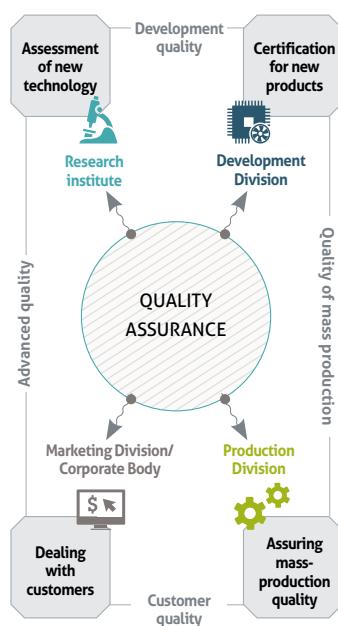


#### CSR performances (Unit: Case)

Category	Unit	2012	2013	2014
Self-assessment using the EICC tool	Domestic	0	0	101
	Overseas	0	0	23
Number of on-site audit for suppliers	Domestic	20	10	13
	Overseas	0	5	5

##### Social and environmental impact management for the supply chain

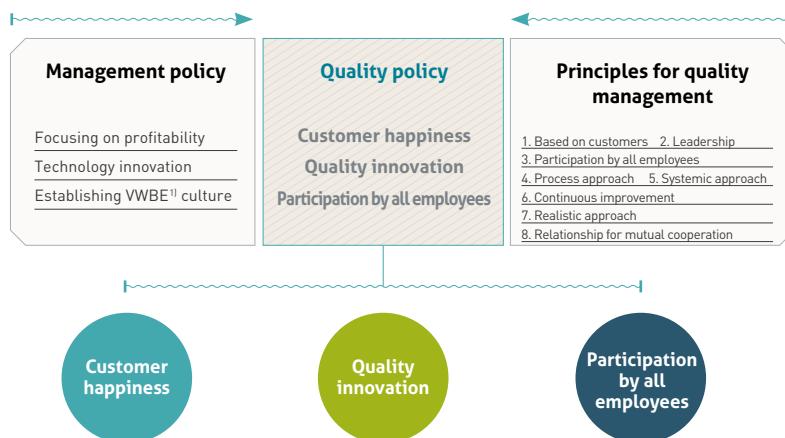
Category	Unit	2012	2013	2014
Suppliers signing the agreement for compliance with the EICC	Number	1,034	1,186	1,278
Suppliers for on-site audit	Number	20	10	13
Rate of suppliers that human rights and labor performances were assessed	%	5.0	2.4	2.4
Rate of suppliers that environmental performances were assessed	%	5.0	2.4	2.4

**SK hynix's quality assurance system****Policy and system for quality management**

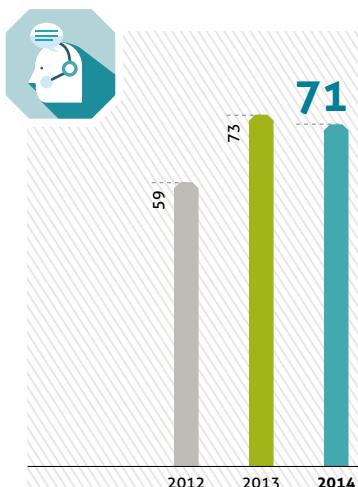
SK hynix continues a company-wide quality management to provide customers with the best-quality products. The company has recently developed an assessment system using its own technology, which can simulate various customer environments to enhance quality by strengthening the assessment of mobile products which leads the ICT (Information & Communication Technology). Further, the company has secured high-quality standards by utilizing various assessment methods. As the customer business environment has been changed, we have also introduced new technology to deal with new types of customer applications. The company prevents risks which can be caused by new technology and focuses on activities for quality assurance. SK hynix has also continued to make efforts to increase various achievements to build trust with customers by strengthening quality from the product development stage and to the final products.

**Performances for customer satisfaction management**

SK hynix improves its customer satisfaction level by categorizing customers and using different customer satisfaction activities per customers. The company has also proactively handled CSR-related requests.

**Quality policy by SK hynix**

Number of cases for dealing with customer requests regarding CSR (Unit: %)



With the aim of becoming the "Best memory semiconductor solution company", SK hynix should raise quality competitiveness and provide customers with the best-quality products based on three major management principles. Plus, the company pursues the continuous happiness of stakeholders by achieving customer happiness and "Eva Plus" through continuous implementation of this quality policy.

1) VWBE: Voluntarily Willingly Brain Engagement

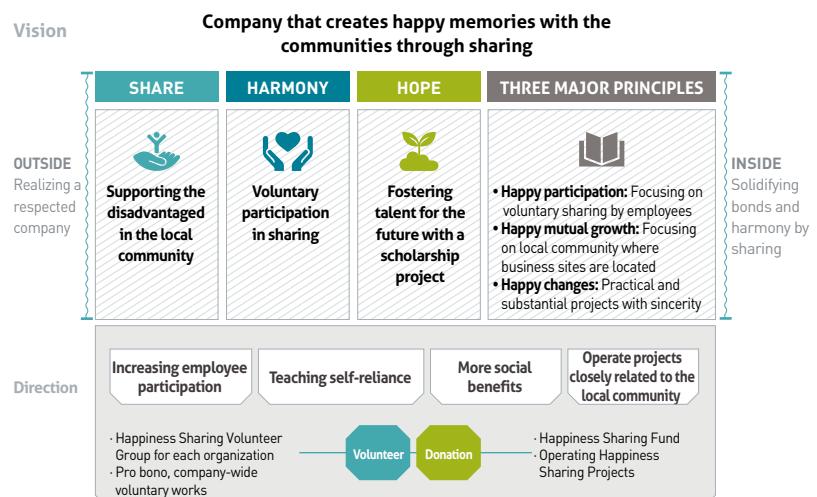
06

## CREATED SOCIAL CAPITAL

### Performances for social contribution

SK hynix has carried out social contribution activities in various sectors other than volunteer work for mutual growth with the local community. With the belief that the development of the local community leads to the continuous development of a company, SK hynix has raised donations and continued sponsorship for balanced development in the region where business sites are located. The company has increased the size of donation and social contribution investments by over three times compared to 2013 based on performances to fulfill corporate social responsibilities and duties. Further, the company appreciates the voluntary participation of employees and one-on-one support by the company, we have been leading to increase the levels of happiness in the local community by increasing Happiness Sharing Fund (2.4 billion won in 2013 → 2.7 billion won in 2014). In 2014, the company carried out various social contribution activities reflecting the business characteristics such as Junior Engineering Class and Robo Olympiad as a level beyond simple volunteer works such as cleaning and environment purification works.

### Social contribution system by SK hynix



### Current status of participation in volunteer activities by employees (based on domestic status)

Category	Unit	2012	2013	2014
Total hours for participating in volunteer activities <sup>1)</sup>	Hours	45,294	29,640	19,060
Number of employees participating in volunteer activities <sup>1)</sup>	People	12,318	9,210	6,282
Number of participation <sup>1)</sup>	Number	1,309	1,097	890
Hours for participating in volunteer activities by each employee <sup>2)</sup>	Hours	2.36	1.52	0.90
Participation rate <sup>3)</sup>	%	64	47	30

1) Total of activity performances on the in-company website for social contribution

2) Participation hours/Number of domestic employees

3) Number of participating employees/Number of domestic employees

### Current status of social contribution activities

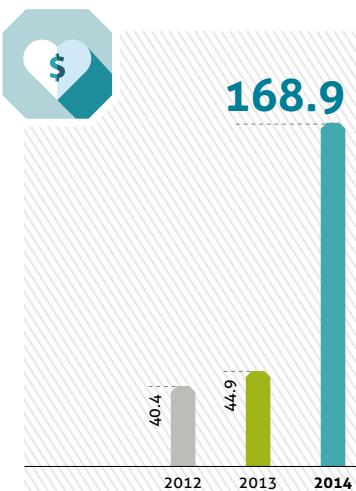
Category	Unit	2012	2013	2014
Investments for social contribution	100 million won	40.4	44.9	168.9 <sup>1)</sup>
Total contributions	100 million won	26	32	161
Total amount of Happiness Sharing Fund	100 million won	20	24	27
Contributions in cash <sup>2)</sup>	100 million won	0.6	8.8	20.9
Cash value of volunteer activity in working hours <sup>3)</sup>	100 million won	7	4	3
Number of participants in Junior Engineering Class <sup>4)</sup>	People	393	433	461

1) Expanding donation participation such as social contributions by SK Group    2) Designated contributions

3) Calculated by the hourly wage of employees in domestic sites in 2014

4) Number of elementary school students who received benefits

Investments for social contribution  
(Unit: 100 million won)



07

# ENVIRONMENT, SAFETY AND HEALTH

## Coping with climate change

### Governance for coping with climate change

SK hynix operates ESH Management Committee, the highest decision-making institution with regard to climate change and environmental management. The committee discusses and determines important policies and strategies regarding environmental management such as responding to the government-led energy target management system and goals for reducing GHG emissions. A committee meeting is conducted on a monthly basis to report issues and to obtain decisions regarding climate change and ESH major issues to the management including the CEO.

### Risk management

Using risk management system, SK hynix identifies risks followed by the low-electricity products, GHG emissions, yellow dust and typhoons. After the company identifies the risks, we manage the risks in order not to affect the company's financial loss. In addition, with the Environment Safety Integrated System, the company manages and assesses risks in operating facilities and assets with regard to climate change.

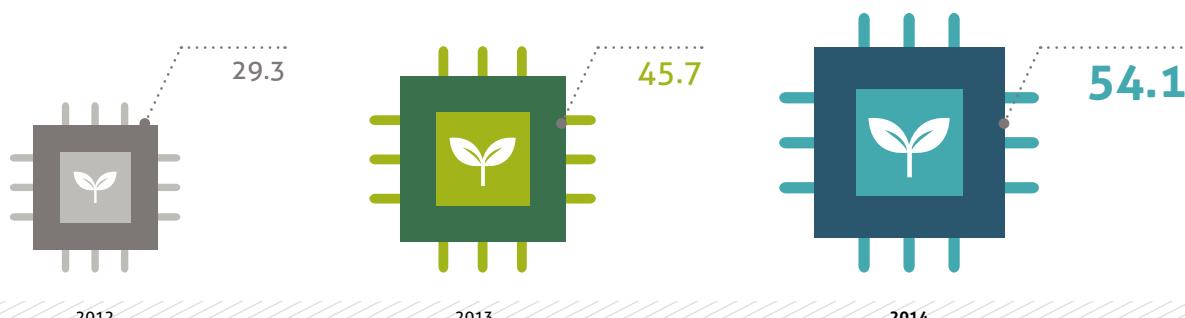
### Management of GHG emissions

In 2014, as M12 equipment was acquired and M7B line operated successfully due to increased production, the number of processes and the amount of electricity used has been also increased. Along with these changes, the amount of GHG emissions increased compared to 2013. SK hynix has continuously carried out various reduction activities such as efforts to reduce the amount of energy used to alleviate the trend of increasing greenhouse gases, which are generated from the production process.

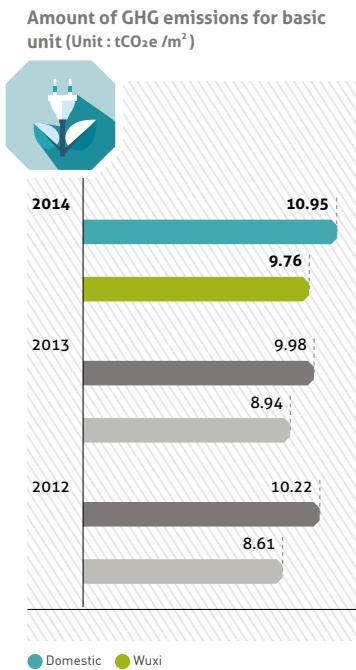
### Expanding carbon label certified products/low-carbon certified products

Since the carbon label certification system has been implemented in 2009, SK hynix has acquired carbon label certificates for major products. In 2014, the company achieved a total of 11 certified products. In 2015, the company will expand the scope of certification not only for carbon labeling but also for water labeling.

Rate of carbon label certified products (Unit: %, Based on the domestic business operations)



1. Governance
  2. Economic Performance & Distribution
  3. Counteracting Bribery
  4. Human and Labour Rights
  5. Customer and Supply Chain relations
  6. Created Social Capital
- 7. Environment, Safety and Health**



**Amount of GHG emissions (Unit: tCO<sub>2</sub>e)**

Category	2012	2013	2014
Domestic	Scope 1	1,007,713	1,028,478
	Scope 2	1,758,479	1,838,372
	Scope 3	510,986	565,847
Wuxi	Scope 1	350,450	322,972
	Scope 2	713,628	730,452

**Amount of GHG emissions for basic unit (Unit : tCO<sub>2</sub>e/m<sup>2</sup>)**

Category	2012	2013	2014
Domestic	Scope 1	3.73	3.58
	Scope 2	6.49	6.40
Wuxi	Scope 1	2.83	2.74
	Scope 2	5.78	6.20



**Amount of energy use (Unit : TOE)**

Category	2012	2013	2014
Domestic	Total amount of use	890,831	930,356
	LNG	27,353	28,879
	Electricity	819,286	859,399
	Steam	44,192	42,078
Wuxi	Total amount of use	234,976	232,969
	LNG	2,242	2,496
	Electricity	213,746	210,794
	Steam	18,988	19,679

**Amount of energy use for basic unit (Unit: TOE/m<sup>2</sup>)**

Category	2012	2013	2014
Domestic	Total amount of use	3.29	3.24
	LNG	0.10	0.10
	Electricity	3.03	2.99
	Steam	0.16	0.15
Wuxi	Total amount of use	1.93	2.43
	LNG	0.02	0.03
	Electricity	1.76	2.20
	Steam	0.16	0.21

Amount of water use (Unit : 1,000m<sup>3</sup>, %)

### Water resource management

#### Establishing infrastructure for water resource management

SK hynix puts a lot of efforts in water resource management due to characteristics of the semiconductor production business, which uses a large amount of water. As well as managing a stable supply of water in the production process, the company manages the current status of water resources supplied to SK hynix to minimize the risks of a lack of water resources. The company emphasizes on reusing water resources and processing discharging wastewater by considering not only the value of water supply in the process but also the impacts of discharging wastewater on the ecosystem. Further, the company established a water supply cooperation system with K-Water in 2011 and signed a contract to supply 20,000 tons of water a day in 2014. Through mutual cooperation with the local water supply office, we operate an emergency response system to be provided with water in emergency. By setting up PKG wastewater recycling system in 2014, SK hynix has expanded the infrastructure to manage water resources more efficiently.

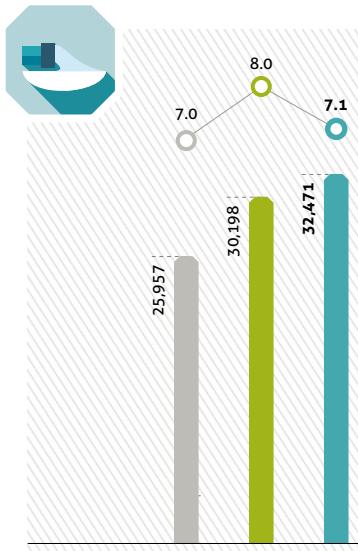
#### System and performances for wastewater management

SK hynix has established and operated Tele Monitoring System (TMS), which can identify the concentration of pollutants in discharging wastewater on a real-time basis, to discharge and handle wastewater in a more stable way by complying with legal standards. Also, the company discloses information on wastewater treatment in a transparent manner by sending information on pollutants in discharged wastewater on a real-time basis through TMS to the Ministry of Environment of Korea. The company discharges generated wastewater by separating it based on pollution characteristics and processing it at each appropriate wastewater treatment facility. As company standards which are stricter by 50-80% than legal standards are applied to discharged wastewater, SK hynix strives to preserve the environment for the discharging stream.

#### Recycling of water resource

SK hynix promotes water resource-saving efforts to save water and reduce the discharge of water pollutants. In 2013, SK hynix optimized the time for washing semiconductor wafers and recycled wastewater from the process. In 2014, the company established a system for recycling PKG wastewater (2,000 tons/day). Consequently, company-wide recycling rate for 2014 is 34.6%.

\*Starting with the 2015 Sustainability Report, Calculation Formula for Water Recycling Ratio to Change ("Total volume of water recycled / [Total water consumption - Total volume of water recycled]" → "Total volume of water recycled / Total water consumption")

Amount of domestic waste water  
(Unit : 1,000m<sup>3</sup>, m<sup>3</sup>/wafer)

#### Amount of water use

Category	Unit	2012	2013	2014
Amount of water use	Icheon	1,000m <sup>3</sup>	17,327	18,181
	Cheongju		13,447	15,294
	Wuxi		11,642	12,179
Amount of water recycling	Icheon	1,000m <sup>3</sup>	4,144	4,683
	Cheongju		3,241	4,531
	Wuxi		5,078	5,083
Rate of company-wide recycling <sup>1)</sup>	%	29.4	31.3	34.6

1) Formula for recycling rate: Amount of water recycling / Amount of water in use

1. Governance
  2. Economic Performance & Distribution
  3. Counteracting Bribery
  4. Human and Labour Rights
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  6. Created Social Capital
- 7. Environment, Safety and Health**

**Amount of waste water**

Category	Unit	2012	2013	2014
Amount of waste water	Domestic 1,000m <sup>3</sup>	25,957	30,198	<b>32,471</b>
	Wuxi	9,919	10,743	<b>11,756</b>
Amount of wastewater for basic unit	Domestic m <sup>3</sup> /wafer	7.0	8.0	<b>7.1</b>
	Wuxi	5.9	7.6	<b>7.1</b>

**Current status of water quality management at each business site (Unit : mg/l)**

Category	2012	2013	2014
Chemical Oxygen Demand (COD)	Icheon	4.2	4.3
	Cheongju	5.0	4.8
	Wuxi	31.4	27.1
Biochemical Oxygen Demand (BOD)	Icheon	3.0	3.6
	Cheongju	8.5	7.6
	Wuxi	11.1	9.21
Total nitrogen (T-N)	Icheon	21.4	20.9
	Cheongju	16.3	16.7
	Wuxi	20.8	30.6
Fluorine (F)	Icheon	1.0	1.0
	Cheongju	6.5	7.2
	Wuxi	5.7	4.8

**Air quality management****System for managing air pollutant emissions**

SK hynix conducts real-time based monitoring activities for overall complex odor and air pollutants to prevent secondary damage in advance due to expansion of air pollutants. Through accredited measurement companies, the company examines internal and external air pollutants and optimizes processing efficiency in the final prevention facilities.

**Reducing the amount of air pollutant emissions**

In its earnest effort to realize a completely clean workplace, SK hynix has achieved a reduction in the total amount of fluorine compounds, the leading pollutant in the semiconductor industry. In 2014, the annual emission of fluorine compounds from the Icheon and Cheongju plants amounted to 11.4 tons, a whopping reduction of 17% compared to the figure of 2013 (13.9 tons). To ensure continuous reductions in the emission of fluoride compounds, the company established guidelines for monitoring and management of the emission in 2014. Moreover, SK hynix implemented the total quantity system of fluoride compounds discharge at each site, replaced multi-level treatment systems and decrepit prevention facilities, and improved treatment efficiency through the DEMO application of new technologies and the expansion of the optimum management standards for the final prevention facilities.

**Air pollutant emissions for basic unit: Icheon (Unit : g/cm<sup>2</sup>)**

<b>Category</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
SOx	0.008	0.007	<b>0.005</b>
NH <sub>3</sub>	0.006	0.006	<b>0.005</b>
NOx	0.019	0.023	<b>0.037</b>
HF	0.007	0.007	<b>0.006</b>
HCl	0.000	0.003	<b>0.001</b>

**Air pollutant emissions for basic unit: Cheongju (Unit : g/cm<sup>2</sup>)**

<b>Category</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
SOx	0.002	0.000	<b>0.002</b>
NH <sub>3</sub>	0.006	0.002	<b>0.003</b>
HF	0.008	0.003	<b>0.003</b>

**Air pollutant emissions for basic unit: Wuxi (Unit : g/cm<sup>2</sup>)**

<b>Category</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
SOx	0.001	0.002	<b>0.001</b>
NH <sub>3</sub>	0.003	0.008	<b>0.005</b>
NOx	0.001	0.001	<b>0.001</b>
HF	0.001	0.002	<b>0.003</b>
HCl	0.014	0.012	<b>0.005</b>

1. Governance
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**80.81**

#### Management of resource use and wastewater

Amount of resource use (Unit : 1 million won)

Category	2012	2013	2014
Total amount of raw materials used	3,353,646	3,138,025	<b>3,286,340</b>
Wafer <sup>1)</sup>	664,740	474,310	<b>418,717</b>
Lead Frame & Substrate <sup>1)</sup>	215,255	151,105	<b>179,535</b>
PCB <sup>1)</sup>	143,659	118,213	<b>123,286</b>
Others <sup>1)</sup>	1,220,494	1,197,617	<b>1,260,828</b>
S/P, minor materials <sup>2)</sup>	1,109,498	1,196,408	<b>1,303,973</b>

1) Raw materials 2) Storage products

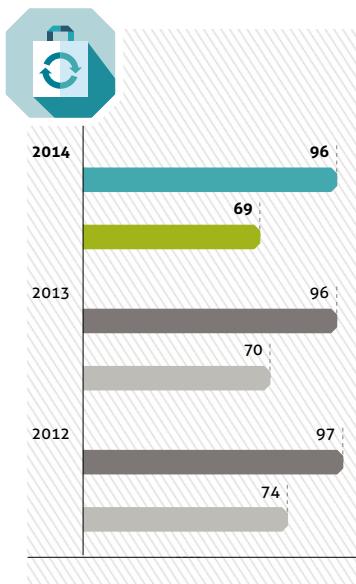
Rate of using recycling materials (Unit : %)

Category	2012	2013	2014
300mm	1.4	3.0	<b>4.0</b>
200mm	0.1	1.7	<b>5.0</b>

Current status of domestic wastes

Category	Unit	2012	2013	2014
Total waste quantity	ton	108,939	121,652	<b>114,945</b>
General waste	ton	67,900	65,384	<b>48,582</b>
Designated waste	ton	41,039	56,268	<b>66,363</b>
Recycled waste	ton	105,123	117,150	<b>110,776</b>
Recycling rate	%	97	96	<b>96</b>

Rate of recycled waste (Unit : %)



Current status of wastewater in Wuxi

Category	Unit	2012	2013	2014
Total waste quantity	ton	31,614	33,801	<b>43,509</b>
General waste	ton	9,535	9,577	<b>17,704</b>
Designated waste	ton	22,079	24,224	<b>25,805</b>
Recycled waste	ton	23,532	23,780	<b>30,089</b>
Recycling rate	%	74	70	<b>69</b>

SK hynix manages waste generated in each process depending on processing methods. The company has achieved 96% in domestic recycling rate. In 2014, there was no major violation case regarding waste<sup>1)</sup>. Plus, the company has implemented follow-up assessment and education on a regular basis for waste processing companies to deal with waste in a transparent and legal manner. The total amount of waste has slightly increased compared to 2013 due to an increase in construction waste and metal waste (general waste) as the company renovated the production line in the Chinese business site, improved working conditions and newly established a warehouse for risky chemical substances.

1) Major violation cases refer to legal violation cases which caused social and environmental problems in the management process and were levied 10,000 U.S. dollars or over in penalties [as of the foreign currency on December 31, 2014].



### Environmental impact management

#### Investment for environmental safety

Investments for environmental safety have continuously increased from 2014 to prevent major accidents regarding environmental safety and minimize legal risks regarding environmental safety. As SK hynix appointed 2014 as the first year for pursuing the zero tolerance for environmental and health accidents, the company has invested 123.1 billion won in improving preventive safety and emergency response ability by installing clean room closed-circuit televisions and investing in scrubbers. In 2015, the company will invest 216.9 billion won for domestic and overseas business sites and make various investments such as expanding and supplementing facilities for wastewater treatment plants in Icheon and Cheongju business site, adding the emergency response personnel access counting system and scrubbers and installing gas leak detectors.

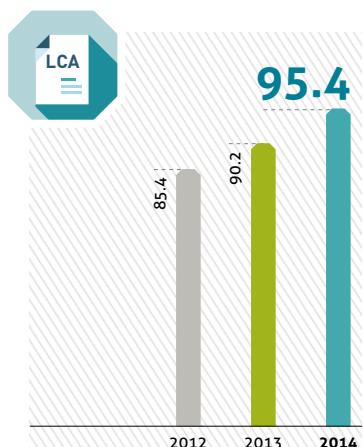
#### Expanding the scope of LCA-applied products

SK hynix has established LCA (Life Cycle Assessment) computing system to expand assessment for the entire process by 2015 to examine the environmental impacts of major products, and minimize the components. In 2014, the company achieved 95.4% of the LCA assessment rate based on domestic business sites. In 2015, we will expand the scope of LCA implementation to both the process and the equipment and provide it both to customers and internal and external stakeholders with transparent results of the whole assessment process.

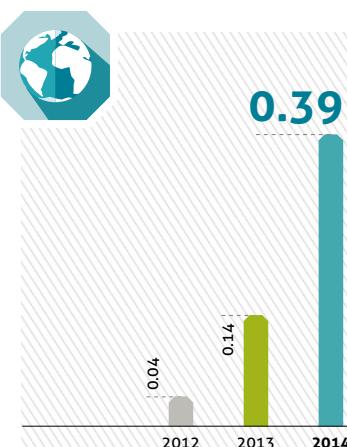
### Biodiversity management

As SK hynix manages the negative impacts which can be caused by production processes on the diversity of water organisms, the company discharges wastewater in the process stably through processing plants. In 2014, we conducted an impact assessment for representative test species in the food chain (microalgae, water flea, minnow and luminescent bacteria) from discharging water and stream in Icheon (Jukdang stream, Bokha stream & Namhan river) in cooperation with an external professional research institute. The result indicated that there was no impact from discharging water to the water ecosystem of the neighboring stream. The company will conduct regular monitoring activities to preserve various water organisms. We also carry out "One Company and One Stream Purification Activity" theme which all employees participate in water organisms protection. In 2014, the company conducted purification activities for Jukdang river near Icheon discharging outlet. With the beginning of management for clean and purified water, SK hynix will exist mutually with water organisms and fulfill its social responsibilities for environmental protection.

LCA application rate based on the domestic sites (Unit : %)



Current status of eco-toxicity management (Unit : TU)



※ Average of analyzed eco-toxicity of water flea from discharging water in Icheon and Cheongju [Legal standards: TU 1 for Icheon, TU 2 for Cheongju]

1. Governance
2. Economic Performance & Distribution
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- 7. Environment, Safety and Health**

#### Current status of safety and health management

##### Industrial Safety and Health Committee

SK hynix has formed the Industrial Safety and Health Committee to prevent risks and health hazards for employees at business sites and to consult on important issues of industrial health with the labor union. The committee is composed of the same number of members from the labor union and the management within ten members as well as representatives of the labor union and business sites. Main meetings were conducted on a quarterly basis at Icheon and Cheongju business sites, and safety and health issues for employees are being improved by holding separate temporary meetings.

##### Safety and health risk management

Safety and health activities have been becoming important issues globally. Along with this trend, the government has prepared major initiatives regarding safety issues. SK hynix has prevented accidents and minimized risks regarding safety and health issues by reinforcing relevant infrastructure and carrying out pre-emptive safety and health activities.

##### Establishing a system for preventing human error

SK hynix has established a human error prevention system to prevent accidents which are caused by unsafe activities by employees. The company has drawn and supplemented activity items by organizing TF at the PKG production sector and established and applied SHFG (SK hynix Human Factors Guideline) as a guideline for personnel factors at business sites. Also, we have started and applied BBS (Behavior-Based Safety) program to semiconductor equipment technology and expanded it to the entire company by reflecting it in the work standards.

##### Management system

SK hynix has established Smart Management System, a firefighting management system, to cope with accidents and to ensure efficient management for firefighting facilities. The company has gained credibility and accuracy by creating automation processes for checking mobile firefighting facilities and carrying out real-time based examination, searching previous records and data computing management.

##### Management for safety and health performances

Based on KOSHA 18001 and OHSAS 18001, SK hynix has operated the company's safety and health system systematically and controlled safety accidents. Through environmental improvements to reinforce on-site safety management and prevent accidents, the company has maintained the safety management system meeting global standards, secured and fostered remarkable professional personnel for safety and health and conducted practical on-site preventive activities for safety accidents.

#### Current status of safety and health performance and accidents

Category	Unit	2012	2013	2014
Number of employees for supporting health check-up	People	22,047	20,388	24,627
Expenses for supporting health check-up	100 million won	39	35	45
Rate of industrial accidents	Icheon	0.00	0.00	0.00
	Cheongju	0.02	0.00	0.01
	Wuxi	0.042	0.051	0.03

# APPENDIX

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**1. Independent Assurance Statement**

2. Independent Auditors' Report
3. Greenhouse Gas Verification Report
4. GRI Guideline Index
5. UN Global Compact
6. Awards, Recognitions and Association memberships

## Independent Assurance Statement

### Introduction

DNV GL Business Assurance Korea Ltd. (hereinafter "DNV GL") is commissioned to carry out the assurance engagement of the 2015 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's stakeholders are the intended recipients of the assurance statement.

### Scope of Assurance

This Assurance Engagement covered data and information presented only in the report. The scope of DNV GL's Assurance Engagement includes the review and assessment of followings:

- Evaluation of the reporting principles for defining the sustainability report content and the quality in the Global Reporting Initiative [GRI] Sustainability Reporting Guidelines 4.0
- Evaluation of adherence to Accountability principles provided in AA1000 Accountability Principles Standard [APS]2008 with a moderate level of assurance and Type 1 & Type 2(Applied to specific performance information)
- Check of GRI 4.0 Disclosure option
- Visit to Icheon and Chungju plants of SK hynix

### Limitation

The engagement excludes the sustainability management, performance and reporting practices of SK hynix's 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 were cross-checked with internal documents and the audited financial statements. The aggregation and calculation process for building economic performances are 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 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 (VeriSustainTM V.4.1) and AA1000AS(2008). 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. In accordance with the Protocol, the Report was evaluated with regard to the following criteria: DNV GL has examined and reviewed documents, data and other information made available by SK hynix. 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 in the Report.
- The accuracy of data
- Principles of AA1000 Accountability Principles Standard(2008)
- Disclosure option of GRI G4.0

### 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 2014. The report is prepared "In accordance with Core option" of GRI G4.0. Further opinions with accountability principles are made as follow;

### Inclusivity

SK hynix has engaged with a wide range of stakeholders. Internal and external stakeholders were identified. SK hynix derived expectations and interests of stakeholders from a survey and a research. Issues were drawn and prioritized through a materiality aspect assessment. Main issues were clearly represented in the report. In our view, the level at which the Report adheres to the principle of Inclusivity is 'Good'.

### Materiality

SK hynix has formed a sustainability issue pool by analysing international sustainability standards, media news, issues addressed by industry peer group and internal documents. The issue pool is the basis of screening relevant issues. SK hynix has mapped out the significance and influence of issues and prioritized sustainability issues that are most material. The output of the process clearly brings out material issues. In our view, the level at which the Report adheres to the principle of Materiality is 'Good'.

### Responsiveness:

Stakeholders' views, interests and expectations are considered in the preparation of the Report and in the formulation of sustainability management strategy. SK hynix has stated CSR strategy and sustainability governance in the Report. The material issues are provided in the report, which improves the responsiveness. In our view, the level at which the Report adheres to the principle of Responsiveness is 'Good'.

### Findings in relation to specific sustainability performance information:

DNV GL has evaluated the reliability of data and information about water use, waste water, waste, air pollutants, occupational accidents, toxic chemical control for Type 2 Assurance. DNV GL has interviewed the personnel responsible for the data and information in order to figure out the generation, aggregation and processing of data and information and reviewed the relevant documents and records based on which the statements in the Report are addressed. The reporting of the sustainability performance presented in the Report makes it possible to understand the company's impact in economic, social and environmental areas, as well as the company's achievements in those regards. SK hynix has developed an effective methodology for gathering the specific information and data respectively for reporting. The personnel responsible for the data are able to demonstrate to trace the origin and interpret the data in a reliable manner as per internal process. Therefore, the specific data and information are found to be identifiable and traceable. From our analysis of the data and information and SK hynix's processes, DNV GL concludes that the data and information included in the Report are the results of stable and repeatable activities.

### Opportunities for Improvement

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

- Assessment of materiality is the process to define topics or performance to be reported from expectations and interests of the internal and external stakeholders. It is recommended to keep improving the engagement process in order to reflect external stakeholders' expectations and interests in balance with internal stakeholders'.
- The systematic data control process could increase the reliability of the information to be reported.

### 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.

April 2015

Seoul, Republic of Korea



In-Kyoon Ahn Country Manager

A handwritten signature in black ink, appearing to read "Ahn" followed by a surname.

## Independent Auditors' Report

**The Board of Directors and  
Shareholders of SK hynix**

February 17, 2015

The auditor has audited the consolidated financial statements of SK hynix Inc. as well as its subsidiaries. These consolidated financial statements include the current consolidated financial statement as of December 31, 2014, consolidated profit and loss statement in the report period which ends at the same period, changes in equity, cash flow statement, summary of significant accounting policy, and other explanatory information.

### Management's responsibility for consolidated financial statements

The management has the responsibility for not only writing these consolidated financial statements and marking it fairly in accordance with K-IFRS, but also dealing with internal control, which is decided as being necessary in writing consolidated financial statements without significant distortions due to dishonesty and errors.

### Auditor's responsibility

The auditor is responsible for expressing an opinion for the consolidated financial statements based on the executed audit. The auditor implemented audit in accordance with Korea's standard for accounting audit. This standard requires the auditor to comply with ethics requirements and to plan and execute the audit to ensure reasonable conviction that the consolidated financial statements have no significant distortions. Audit includes execution of procedure to acquire evidence of the price for consolidated financial statements and audit for announcement. Selection of procedure can differ depending on the judgment of an auditor, including assessment of risks for marking significant distortions in consolidated financial statements due to dishonesty and errors. In estimating these risks, the auditor considers internal control with regard to writing consolidated financial statements and marking it fairly by a company to design the appropriate audit process. However, this is not about expressing an opinion for effects of internal control. Audit also includes not only assessment for overall indication of consolidated financial statements but also appropriateness of accounting policy, which is applied by the management to write the consolidated financial statements, and rationality of accounting estimate drawn by the management.

The auditor believes that the acquired evidence for audit is sufficient and appropriate evidence for an opinion on audit.

### Opinion for audit

From the viewpoint of the auditor, the company's consolidated financial statements fairly indicate SK hynix and its subsidiaries' current financial condition as of December 31, 2014, and financial performances and cash flow in the reporting period, which ends on the same day, with the perspective of significance in accordance with K-IFRS.

### Others

SK hynix and its subsidiaries' consolidated financial statements in the reporting period, which ends December 31, 2013, were audited by other auditor in accordance with the previous standard for accounting audit, and the auditor's appropriate opinion was expressed in the audit report which was released on February 25, 2014.

**Samjung KPMG**  
**CEO Kim Kyo-tae**



\* This audit report is effective as of the day of publishing the report (February 17, 2015). In the period from the day of releasing the audit report to when the report is read, incidents or situations which can have a significant impact on the company's attached consolidated financial statements can happen and lead to an amendment of this audit report.

## Greenhouse Gas Verification Report



**bsi.**

### Scope

The annual GHG emission for the 2014 calendar year inclusive.

The physical scope is limited within the boundary of Domestic Area for SK hynix Co., Ltd.

GHG emissions for Scope 1(Direct-emissions), Scope 2(Indirect-energy related) and partially Scope 3(Indirect-emissions from logistic, waste dispatch & disposal, business trip and employee commuting) as defined in WBCSD/WRI GHG protocol Chapter 4 "Setting Operational Boundaries"

### Data Verified

GHG Emissions for the Scope 1 and Scope 2 for 2014 calendar year as follows.

Category	Icheon Campus	Cheonju Compus	Seoul Office	Boondang Campus	Sub Total
Direct Emissions (Scope 1)	461,747	771,054	972	16	1,233,789
In-direct Emissions (Scope 2)	1,021,271	952,111	834	1,556	1,975,772
Optional Information [Used the NF <sub>3</sub> ]	182,086	398,635	-	-	580,721
Total (tCO <sub>2</sub> e/y)	<b>1,665,104</b>	<b>2,122,800</b>	<b>1,806</b>	<b>1,572</b>	<b>3,790,282</b>

GHG emissions of the scope 3 as from logistic, waste dispatch & disposal, business trip and employee commuting for 2014 calendar year.

Category	International transport(Export)	International transport(Import)	Business trip	Waste disposal	Employee commuting	Total (tCO <sub>2</sub> e/y)
tCO <sub>2</sub> e	18,873	43,386	3,303	487,797	7,261	<b>560,619</b>

### GHG Criteria & Protocols used for Verification

The verification was performed at the request of SK hynix Co., Ltd. using the followings:

- GHG-Energy Target Management Operating Guideline (Act No. 2014-186) – Revised Oct 2014
- The GHG Protocol of the WBCSD/WRI - Revised March 2004
- IPCC Guideline for National Greenhouse Gas Inventories - Revised 2006
- ISO14064 Part 1 & 3 - Issued 2006
- BSI GHGEV Manual [KM007, R 5]

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

### Verification Opinion

As a result of the verification in accordance with the protocols and the best practice listed above, it is the opinion of BSI that:

- The verification was conducted to provide reasonable verification in accordance with GHG Energy Target Management Scheme
- No material misstatement in the GHG emission calculations was detected, related records were maintained appropriately
- The data quality was considered corresponding to the international key principles for GHG emissions verification

For and on behalf of BSI:

Issue: 31/03/2015

Managing Director Korea, **JogHo Lee**

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## GRI GUIDELINE INDEX

Indicator	Index	Core	Description	Application level	Fully Reported		Partly Reported	N/A Not Applicable
					Page	External verification		
<b>General index</b>								
Strategy and Analysis	G4-1	Core	Statement from the most senior decision-maker	●	6-7		●	
	G4-2		Provides a description of Key impacts, risks, and opportunities	●	6, 7, 14, 15, Issue DMA, 60, 61		●	
Organizational Profile	G4-3	Core	Report the name of the organization	●	8-9		●	
	G4-4	Core	The primary brands, products, and services	●	10-11		●	
	G4-5	Core	The location of the organization's headquarters	●	8-9		●	
	G4-6	Core	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	●	8, 9		●	
	G4-7	Core	The nature of ownership and legal form	●	58		●	
	G4-8	Core	The markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	●	10-11, 62-63		●	
	G4-9	Core	Scale of the organizations	●	66, 67		●	
	G4-10	Core	Total workforce	●	70		●	
	G4-11	Core	The percentage of total employees covered by collective bargaining agreements	●	8, 9, 62, 72, 73		●	
	G4-12	Core	The organization's supply chain	●	2 (about this report)		●	
	G4-13	Core	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	●				
	G4-14	Core	Whether and how the precautionary approach or principle is addressed by the organization	●	43, 60, 61, 64, 65, 74, 76-83		●	
	G4-15	Core	List Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	●	88, 93, 94		●	
	G4-16	Core	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization	●	88, 93, 94		●	
Identified Material Aspects And Boundaries	G4-17	Core	All entities included in the organization's consolidated financial statements or equivalent documents	●	8, 9		●	
	G4-18	Core	The process for defining the report content and the Aspect Boundaries	●	14, 15		●	
	G4-19	Core	List all the material Aspects identified in the process for defining report content	●	14, 15		●	
	G4-20	Core	For each material Aspect, report Aspect Boundary within the organization	●	15		●	
	G4-21	Core	For each material Aspect, report the Aspect Boundary outside the organization	●	15		●	
	G4-22	Core	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	●	2 (about this report)		●	
Stakeholder Engagement	G4-23	Core	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	●	2 (about this report)		●	
	G4-24	Core	List of stakeholder groups engaged by the organization	●	15		●	
	G4-25	Core	Basis for identification and selection of stakeholders with whom to engage	●	15		●	
	G4-26	Core	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	●	14, 15		●	
	G4-27	Core	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	●	15		●	
Report Profile	G4-28	Core	Reporting period (such as fiscal or calendar year) for information provided	●	2 (about this report)		●	
	G4-29	Core	Date of most recent previous report (if any)	●	2 (about this report)		●	
	G4-30	Core	Reporting cycle (such as annual, biannual)	●	2 (about this report)		●	
	G4-31	Core	Provide the contact point for questions regarding the report or its contents	●	2 (about this report)		●	
	G4-32	Core	GRI Index ('In accordance' option, GRI Content index, and the external assurance report)	●	2 (about this report)		●	
Governance	G4-33	Core	Policy and current practice with regard to seeking external assurance for the report	●	85, 86		●	
	G4-34	Core	Report the governance structure of the organization, including committees of the highest governance body	●	58-60		●	
	G4-35		Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	●	60		●	
	G4-36		Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	●	60		●	
	G4-37		Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics If consultation is delegated, describe to whom and any feedback processes to the highest governance body	●	60		●	
	G4-38		Report the composition of the highest governance body and its committees	●	58, 59		●	
	G4-39		Report whether the Chair of the highest governance body is also an executive officer	●	58, 59		●	
	G4-40		Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	●	58, 59		●	
	G4-41		Report processes for the highest governance body to ensure conflicts of interest are avoided and managed	●	58, 59		●	
	G4-42		Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	●	58, 60		●	

## GRI GUIDELINE INDEX

Indicator	Index	Core	Description	Fully Reported		Partly Reported	N/A Not Applicable	External verification
				Application level	Page			
Governance	G4-43		Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	●	59, 60		●	
	G4-45		The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	●	58, 59, 60		●	
	G4-46		Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	●	60		●	
	G4-47		Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	●	59, 60		●	
	G4-48		Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	●	60		●	
	G4-49		Report the process for communicating critical concerns to the highest governance body	●	59		●	
	G4-50		Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	●	17, 60		●	
	G4-51		Report the remuneration policies for the highest governance body and senior executives	●	59		●	
	G4-54		Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	●	59		●	
	G4-56	Core	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	●	64, 65		●	
Ethics and Integrity	G4-57		Report the internal and external mechanisms for seeking advice on ethics and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	●	23, 64, 65		●	
	G4-58		Report the internal and external mechanisms for reporting concerns about unethics or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	●	23, 64, 65		●	

Indicator	Index	Description	Application level	Page	ISO 26000	External verification
<b>Detailed index</b>						
<b>Economic</b>						
Economic Performance	G4-EC1	Direct economic value generated and distributed	●	62, 63, 75, 87	6.8.1-6.8.2, 6.8.3, 6.8.7, 6.8.9	●
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	35-38	6.5.5	●
	G4-EC3	Coverage of the organization's defined benefit plan obligations	●	70	6.8.7	●
	G4-EC4	Financial assistance received from government	●	N/A	—	●
Market Presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	●	69		●
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	●	67		●
Indirect Economic Impacts	G4-EC7	Development and impact of infrastructure investments and services supported	●	51-55, 75	6.3.9, 6.8.1-6.8.2, 6.8.7, 6.8.9	●
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	●	14, 15, 51-55	6.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8.1-6.8.2, 6.8.5, 6.8.7, 6.8.9	●
Procurement Practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	●	72		●
<b>Environmental</b>						
Materials	G4-DMA	Disclosure on management approach	●	48		
	G4-EN1	Materials used by weight or volume	●	81	6.5.4	●
Energy	G4-EN2	Percentage of materials used that are recycled input materials	●	81	6.5.4	●
	G4-DMA	Disclosure on management approach	●	35		
	G4-EN3	Energy consumption within the organization	●	77	6.5.4	●
	G4-EN4	Energy consumption outside of the organization	●	36, 38, 39		
	G4-EN5	Energy intensity	●	77	6.5.4	●
Water	G4-EN6	Reduction of energy consumption	●	36, 37, 77	6.5.4, 6.5.5	●
	G4-EN7	Reductions in energy requirements of products and services	●	38, 77	6.5.4, 6.5.5	●
	G4-EN8	Total water withdrawal by source	●	78	6.5.4	●
Biodiversity	G4-EN9	Water sources significantly affected by withdrawal of water	●	78		●
	G4-EN10	Percentage and total volume of water recycled and reused	●	78	6.5.4	●
	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas	●	82		●
Emissions	G4-EN12	Description of significant impacts of activities, products, and services on Biodiversity	●	N/A		●
	G4-EN13	Habitats protected or restored	●	N/A		●
	G4-EN14	Number of IUCN red list species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk	●	N/A		●
	G4-DMA	Disclosure on management approach	●	35		
	G4-EN15	Direct greenhouse gas(GHG) emissions (scope 1)	●	77	6.5.5	●
	G4-EN16	Energy indirect greenhouse gas(GHG) emissions (scope 2)	●	77	6.5.5	●

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## GRI GUIDELINE INDEX

Indicator	Index	Description	Application level	Fully Reported	Partly Reported	N/A Not Applicable	External verification
<b>Detailed index</b>							
<b>Environmental</b>							
Emissions	G4-EN17	Other indirect greenhouse gas(GHG) emissions [scope 3]	●	36, 38, 39			●
	G4-EN18	Greenhouse gas(GHG) emissions intensity	●	77		6.5.5	●
	G4-EN19	Reduction of greenhouse gas(GHG) emissions	●	36, 37, 77		6.5.5	●
	G4-EN20	Emissions of ozone-depleting substances (ODS)	●	Not used			●
	G4-EN21	Nox, Sox, and other significant air emissions	●	80			●
Effluents and Waste	G4-DMA	Disclosure on management approach	●	40			
	G4-EN22	Total water discharge by quality and destination	●	78, 82		6.5.3, 6.5.4	●
	G4-EN23	Total weight of waste by type and disposal methoda	●	81		6.5.3	●
	G4-EN24	Total number and volume of significant spills	●	0 (zero) case		6.5.3	●
	G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the basel convention annex I, II, III, and Viii, and percentage of transported waste shipped internationally	●	None			●
	G4-EN26	Identity, size, proteted status, and biodiversity value of water bodies and realted habitats significantly affected by the organization's discharges of water and runoff	●	N/A			●
Products and Services	G4-DMA	Disclosure on management approach	●	18			
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	●	37, 38, 76		6.5.3, 6.5.4, 6.5.5, 6.7.5	●
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	-	It is not important due to industrial characteristics		6.5.3, 6.5.4, 6.7.5	●
Compliance	G4-EN29	Monetary value of significatn fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	0 (zero) case		4.6	●
Transport	G4-EN30	Significant environmental impacts of transporting products and other goods and materials ofr the organization's operations,, and transporting members of the workforce	●	36			●
Overall	G4-EN31	Total environmental protection expenditures and investments by type	●	82		6.5.1-6.5.2	●
Supplier Environmental Assessment	G4-EN33	Significant actual and potential engative environmental impacts in the supply chain and actions taken	●	73			●
Environmental Griev- ance Mechanisms	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	●	39		6.3.6	●
<b>Labor Practices and Decent Work</b>							
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	●	67		6.4.3	●
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	●	69, 70		6.4.4, 6.8.7	●
	G4-LA3	Return to work and retention rates after parental leave, by gender	●	70		6.4.4	●
Labor/Management Relations	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	●	No regulations, but notify the union			●
Occupational Health and Safety	G4-DMA	Disclosure on management approach	●	30			
	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	●	82		6.4.6	●
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	●	83		6.4.6, 6.8.8	●
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	●	31-33		6.4.6, 6.8.8	●
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	●	83		6.4.6	●
Training and Education	G4-LA9	Average hours of training per year per employee, by gender, and by employee category	●	68		6.4.7	●
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	70		6.4.7, 6.8.5	●
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	●	69		6.4.7	●
Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	●	58, 66		6.2.3, 6.3.7, 6.3.10, 6.4.3	●
Equal remuneratio for women and men	G4-LA13	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	●	69		6.3.7, 6.3.10, 6.4.3, 6.4.4	●
Supplier Assessment for Labor Practices	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	●	73			●
Labor Practices	G4-DMA	Disclosure on management approach	●	26			
Grievance Mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	●	28, 29, 45, 70		6.3.6	●

## GRI GUIDELINE INDEX

Indicator	Index	Description	Application level	● Fully Reported ○ Partly Reported N/A Not Applicable	Page	ISO 26000	External verification
<b>Detailed index</b>							
<b>Human Rights</b>							
Investment	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	●	64, 65		6.3.5	●
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	●	No discrimination cases	6.3.6, 6.3.7, 6.3.10, 6.4.3		●
Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	●	66, 70	6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.5, 6.6.6		●
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	●	66			●
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	●	66			●
Security Practices	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	●	71			●
Indigenous Rights	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	●	No cases for violation on human rights	6.3.4, 6.3.6, 6.3.7, 6.3.8, 6.6.7, 6.8.3		●
Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	●	64, 65, 73	6.3.3, 6.3.4, 6.3.5		●
Supplier Human Rights Assessment	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	●	73			●
Human Rights Grievance Mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	●	28, 29, 45, 70		6.3.6	●
<b>Society</b>							
Local Communities	G4-DMA	Disclosure on management approach	●	51			
	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	●	51-55	6.3.9, 6.5.1-6.5.2, 6.5.3, 6.8		●
Anti-corruption	G4-SO2	Operations with significant actual and potential negative impacts on local communities	●	40-43	6.3.9, 6.5.3, 6.8		●
	G4-DMA	Disclosure on management approach	●	22			
	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	●	24, 25	6.6.1-6.6.2, 6.6.3		●
	G4-SO4	Communication and training on anti-corruption policies and procedures	●	23-25, 65	6.6.1-6.6.2, 6.6.3, 6.6.6		●
Public Policy	G4-SO5	Confirmed incidents of corruption and actions taken	●	65	6.6.1-6.6.2, 6.6.3		●
	G4-SO6	Total value of political contributions by country and recipient/beneficiary	●	N/A			●
Anti-competitive Behavior	G4-DMA	Disclosure on management approach	●	22			
	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	●	25, 64, 65	6.6.1-6.6.2, 6.6.5, 6.6.7		●
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	●	64, 65		4.6	●
Supplier Assessment for Impacts on Society	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	●	24, 65			●
Grievance Mechanisms for Impacts on Society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	●	52-55, 28, 29, 45, 70	6.3.6, 6.6.1-6.6.2, 6.8.1-6.8.2		●
<b>Product Responsibility</b>							
Customer Health and Safety	G4-DMA	Disclosure on management approach	●	18			
	G4-PR1	Percentage of significant products and services categories for which health and safety impacts are assessed for improvement	●	19, 20	6.7.1-6.7.2, 6.7.4, 6.7.5, 6.8.8		●
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	●	0 [zero] case	4.6, 6.7.1-6.7.2, 6.7.4, 6.7.5, 6.8.8		●
Product and Service Labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant products and services subject to such information requirements	●	37, 38	6.7.1-6.7.2, 6.7.3, 6.7.4, 6.7.5, 6.7.9		●
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	●	0 [zero] case	4.6, 6.7.1-6.7.2, 6.7.3, 6.7.4, 6.7.5, 6.7.9		●
Marketing Communications	G4-PR5	Results of surveys measuring customer satisfaction	●	74	6.7.1-6.7.2, 6.7.6		●
	G4-PR6	Sale of banned or disputes products	●	48-50			●
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	●	0 [zero] case	4.6, 6.7.1-6.7.2, 6.7.3		●
	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●	71	6.7.1-6.7.2, 6.7.7		●
Customer Privacy Compliant	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	●	0 [zero] case	4.6, 6.7.1-6.7.2, 6.7.6		●

1. Independent Assurance Statement
2. Independent Auditors' Report
3. Greenhouse Gas Verification Report
4. GRI Guideline Index
- 5. UN Global Compact**
6. Awards, Recognitions and Association memberships

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## UN Global Compact

SK hynix abides by the UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption. We reflect global standards for sustainability management and stand firmly on our will to carry out social responsible management, to carry out our social responsibility and our role as a global sustainability management corporate leader representing Korea.

Category	Principle	GRI Indicator	Page
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	HR1, HR2, HR3, HR4, HR5, HR6, HR10	64, 65, 66, 70
	Principle 2: make sure that they are not complicit in human rights abuses.	HR3, HR7	71, 92
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.	HR4, LA4, G4-11 HR6 HR5 HR3, LA1, LA9, LA12, LA13	70, 91 66 66 58, 66, 67, 68, 69, 92
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.	G4-14 EN12, EN13, EN19, EN22, EN23, EN27, EN31 EN6, EN7, EN10, EN19, EN27	43, 60, 61, 64, 65, 74, 76-83 58, 66, 67, 68, 69, 92 81, 82 36, 37, 38, 76, 77, 78
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	SO3, SO4, SO5	23, 24, 25, 59, 65

## Awards, Recognitions and Association memberships

### Corporate Award Status

No	Awards and recognitions	Organization	Title		Date
1	Merit for Science Day	Ministry of Science, ICT, and Future Planning	Director Lee Byeong-gi	Minister Award	Apr. 21, 2014
2	Merit for Invention Promotion at Invention Day	Korean Intellectual Property Office	Director Lee Jong-cheon	Prime Minister Award	May 16, 2014
3	National Productivity Award	Ministry of Trade, Industry and Energy	Director Gwon Jae-sun	Minister Award	Sep. 03 2014
4	Trusted Company in Korea	Ministry of Trade, Industry and Energy	Group sector	Committee Chair Award	Oct. 14, 2014
5	Semiconductor Day	Ministry of Trade, Industry and Energy	Vice President Kim Hyeon-gon	Industrial Prize	Oct. 23, 2014
6	Semiconductor Day	Ministry of Trade, Industry and Energy	Director KoSeung-jong	Minister Award	Oct. 23, 2014
			Director Hwang Seong-min		
			Director Kim Jong-hwan		
7	IR52 Jang Yeong-silAward	Ministry of Science, ICT, and Future Planning	Employee Jeon Su-ho	Minister Award	Nov. 05 2014
			Senior Lee Eung-cheol		
8	Korea Technology Grand Prize	Ministry of Trade, Industry, and Energy	Vice President Park Geun-wu	Industrial Prize	Nov. 13, 2014
9	Award for Energy-saving Contributor	Ministry of Trade, Industry, and Energy	Director Yang Seong-cheol	Prime Minister Award	Nov. 19, 2014
10	National Quality Award	Ministry of Trade, Industry, and Energy	Senior Wu Jung-beom	Minister Award	Nov. 19, 2014
			Director Choi Eun-gwang		
11	Top of Export for Trade Day	Ministry of Trade, Industry, and Energy		10 billion dollars	Dec. 5, 2014
12	Merit for Trade Day	Ministry of Trade, Industry, and Energy	Senior Jang Gwang-deok	Prime Minister Award	Dec. 5, 2014
			Vice President GwonYeong-gil	Bronze Tower Order of Industrial Service Merit	Dec. 5, 2014

### Association memberships

Category	Association
MARKETING	SEMI
PRODUCTION	The National Quality Award, Korea Standards Association (Icheon and Cheongju), Korean Association for Radiation Application, Korean Environmental Management Association, Korea Occupational Hygiene Association, Korea Chemicals Management Association, Chungbuk Association of Environmental and Engineering, Chungbuk Branch of Environment Preservation Association
RESEARCH	Korea Intellectual Property Association, Korea Industrial Technology Association, Korea Invention Promotion Association, The Institute of Semiconductor Test of Korea, Consortium of Semiconductor Advanced Research, National Academy of Engineering of Korea, Embedded Software System Industry Association, Institute of Electronics and Information Engineers, IEEE, JEDEC, KMAPS, MIPI, P CI-SIG, SATA-IO, Si2, SiWEDS, SNIA, Society for Technical Communication, TCG, U FSA, VCCI
SUPPORT	Gyeonggi Employers Federation, Gyeonggi and Seoul region - Green Business Council, Korea Industrial Safety Association (Seongnam and Chungbuk branch), Institute for Industrial Policy Studies Yoon-Kyung SM forum, Emergency Planning Team of MOTIE, Metropolitan Process Safety Institute, Icheon Chamber of Commerce and Industry, Federation of Korean Industries, Cheongju Chamber of Commerce and Industry, Chungbuk Employers Federation, Chungcheong region - Green Business Council, AEO Association, South Korea and the CIO Forum, Korea IR Service, SCM Society of Korea, Institute of Internal Auditors, Korea Employers Federation, Korea Fair Competition Federation, Korean Customs Logistics Association, Korea International Trade Association, Korea Semiconductor Industry Association, The Corrosion Science Society of Korea, Korea IoT Association, Korean Association Occupational Health Nurses, KAITS, Korea Listed Companies Association, Korea Fire Safety Association (Icheon and Cheongju), Korea Electric Engineers Association (Icheon and Cheongju), Korea Integrate Logistics Association (KILA), EICC, Gen-Z Consortium, GSA, KBCSD, Open Computer Project, OpenPower Foundation, UN SGDs Association, UNGC Korea Network, WSTS

**Department:** Corporate Relations Division

**Contributors to the production of the report**

(in Korean alphabetical order)

Tae-young Kang	Min-young Kim	Chang-seop Kim	Hyun-jun Song	So-jung Lee	Seo-young Jeong
Hee-jung Kang	Young-seob Kim	Pan-seon Kim	Kyung-sun Shin	Yong-je Lee	Jeong-hee Jeong
Seong-kwon Ko	Young-soo Kim	Hyung-gun Kim	Eun-sun Shin	Yong-hoon Lee	Pil-seok Jung
Kwang-rok Kim	Yong-rae Kim	Sang-guen Min	Byeong-doo Yang	In-ju Lee	Rac-shin Choi
Deok-hyun Kim	Yong-bum Kim	Young-jun Park	Seung-hun Yang	Han-ho Lee	Eun-kyung Choi
Moon-su Kim	Yong-seung Kim	Hyun-ju Park	Woo-jin Yeo	Jin-kook Im	Jin Choi
Mi-sook Kim	Jong-chan Kim	Hyang-yeon Song	Dae-keun Oh	Sang-jae Jung	In-suk Chu

---

**Website** [www.skhynix.com](http://www.skhynix.com)  
**POC** 424, Teheran-ro, Gangnam-gu, Seoul  
**TEL** 02)3459-3649  
**E-Mail** [sustainability@skhynix.com](mailto:sustainability@skhynix.com)  
**Designed by** IM creative **Published on** Published by SK hynix Inc.

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