

KnowTheChain 2022 ICT Benchmark

Additional Disclosure

Company Name: SK hynix

Date: September 7, 2022

Guidance:

- Please add any additional information you wish to provide under the relevant indicator elements below.
- We welcome examples of leading practices.
- Unless you are sharing leading practices, please limit the information to indicators for which KnowTheChain could not yet identify sufficient information on your website.
- Note KnowTheChain has already undertaken a review of your website. Should you wish to include links to existing disclosure, please specify the page number / section you are referring to.

INDICATOR 1: SUPPLIER CODE OF CONDUCT AND CAPACITY BUILDING

1.1 has a supplier code of conduct that requires suppliers to respect the ILO core labour standards, which include the elimination of forced labour; and requires suppliers to cascade/implement standards that are in line with the company's supplier code of conduct; and

- SK hynix stipulates related information in SK hynix Suppliers Code of Conduct and requires partners to pledge compliance with SK hynix purchase portal (G-PIS) when registering with SK hynix for purchase contracts

1.2 engages in capacity building to enable its suppliers to cascade its supply chain policies that address forced labour to their own supply chains and/or trains suppliers below the first tier on such policies, and measures the effectiveness of capacity building.

- "This Code recommends the establishment of a safe working environment, respect for human rights of employees, environmental responsibility and ethical corporate management of Suppliers. In addition, Suppliers shall not only make effort to comply with the Code, but also require other companies in the downstream supply chain to comply with it as well." (2 page, SK hynix Suppliers Code of Conduct)

INDICATOR 2: MANAGEMENT AND ACCOUNTABILITY

2.1 has a committee, team, program, or officer responsible for the implementation of its supply chain policies that address forced labour; and discloses how incentives for staff (e.g. bonuses, part of employee performance reviews) are tied to improvements in working conditions in supply chains;

- SK hynix explains related matters on page 5, 2021 SK hynix human rights report.

2.2 discloses how it trains relevant decision-makers within the company on risks and policies that address forced labour; and

2.3 has tasked a board member or board committee with oversight of its supply chain policies that address forced labour, and describes how the experiences of affected workers or relevant stakeholders (such as civil society, unions, and workers or their representatives) informed board discussions.

INDICATOR 3: TRACEABILITY AND SUPPLY CHAIN TRANSPARENCY

3.1 the names and addresses of first-tier suppliers;

3.2 the names and locations of below-first-tier suppliers (this does not include raw material suppliers); and

- SK hynix has completed the disclosure of the information in the list of 3TG mineral smelters in the supply chain. (<https://www.skhynix.com/sustainability/UI-FR-SA0902>)

3.3 the sourcing countries of at least three raw materials at high risk of forced labour.

- SK hynix has completed the disclosure of the information in the list of 3TG mineral smelters in the supply chain. (<https://www.skhynix.com/sustainability/UI-FR-SA0902>)

INDICATOR 4: RISK ASSESSMENT

4.1 details on how it conducts human rights supply chain risk or impact assessments that include forced labour risks or assessments that focus specifically on forced labour risks, including through engaging with relevant stakeholders (such as civil society, unions, and workers or their representatives) in countries in which its suppliers operate;

- SK hynix explains related matters on page 9 and page 10, 2021 SK hynix human rights report.

4.2 details on forced labour risks identified in different tiers of its supply chains; and

4.3 how it has consulted with relevant stakeholders (such as civil society, unions, and workers or their representatives) in steps taken to address the risks identified.

- SK hynix explains related matters on page 11, 2021 SK hynix human rights report

INDICATOR 5: DATA ON SUPPLY CHAIN RISKS

5.1 the percentage or number of supply chain workers who are women;

5.2 the percentage or number of supply chain workers who are migrant workers' and

5.3 the percentage or number of supply chain workers that are being paid a living wage.

INDICATOR 6: PURCHASING PRACTICES

6.1 commits to responsible buying practices in its contracts with suppliers;

- Human rights related matters are specified in the supplier code of conduct, and a pledge to comply with the supplier code of conduct is mandatory when signing a contract. (SK hynix Suppliers Code of Conduct]

- The supplier shall work corrective action. (SK hynix standard contract stipulates the following information)

Article 17-2 [Following ESG-related norms]

1. "Contractee" shall continue to support and improve domestic and international published labor/human rights, ethics, safety/health, environmental initiatives, and comply with the SK hynix Suppliers Code of Conduct, the RBA (Responsible Business Alliance) Code and ESG related government regulations.

2. The "Contractee" shall allow the employees and partners of the "Contractee" to regularly share and expand the purpose and contents of paragraph (1) of this Article.

3. "Contractor" may request the "Contractee" to submit the results after conducting a written and on-site inspection to confirm compliance with paragraphs (1) and (2) of this Article, and the "Contractee" shall actively cooperate with the "Contractor". In this case, the "Contractor" may provide free examination or consulting under the supervision of the "Contractor" which may replace the aforementioned examination upon the request of the "Contractee".

4. If non-compliance is found in the "Contractee" as a result of the examination under paragraph 3 of this Article, the "Contractee" shall actively improve the non-compliance.

6.2 describes how it has adopted responsible purchasing practices in the first tier of its supply chains, which includes planning and forecasting, and how it ring-fences labour costs; and

- As stated in 6.1, SK hynix includes in the terms of the standard contract with its partners

6.3 discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labour.

INDICATOR 7: RECRUITMENT-RELATED FEES

7.1 requires that no worker in its supply chains should pay for a job—the costs of recruitment-related fees should be borne not by the worker but by the employer ("Employer Pays Principle");

- SK hynix stipulates related matters in 2.1.1 of the SK hynix Suppliers Code of Conduct Guideline (The supplier shall not require any type of forced, involuntary prison, indentured, bonded (including debt bondage), trafficked or slave labor.)

Minimum requirement [Document Review]

2. Violation of "R2A human trafficking and forced labor - Aug. 2015 definition of commission" such as forced labor according to a labor contract and labor conditions, prison labor, human trafficking, slave labor, demand for excessive commission, and a debt imposed as collateral on condition of recruitment shall be prohibited, and the same applies to manpower recruited through an external entity..

3. Recruitment & Employment

Unless required by applicable law, the worker's deposit shall not be requested. In the case deposit is needed according to law, the supplier shall provide a receipt of the worker's deposit, and the full amount of the relevant deposit shall be refunded within 1 month after termination of employment or an earlier period mandated by law for the deposit refund.

- In addition, SK hynix explains related matters on page 15, 2021 SK hynix human rights report.

In particular, we highlight that all costs incurred in the process of recruiting workers from overseas must be assumed by the employer and that no commissions must be charged to such workers

7.2 provides detail on the implementation of the Employer Pays Principle in its supply chains by demonstrating how it works to prevent the charging of fees to supply chain workers in different supply chain contexts; and

- SK hynix stipulates related matters in 2.1.1 of the SK hynix Suppliers Code of Conduct Guideline (see 7.1 above)

- and also in 2.1.2 (Appropriate and effective policies and procedures are established ensuring that any form of forced labor is not used.) of the SK hynix Suppliers Code of Conduct Guideline.

Minimum requirement [Document Review] 3.

- Other commission fee/security deposit/debt: It must be specified that the supplier shall not charge a commission fee and security deposit in the form of a direct or wage deduction as a single or amortized payment as a part of the employment, or that the worker does not have to be indebted.

7.3 in the event that it discovers that fees have been paid by workers in its supply chains, provides evidence of re-payment of recruitment-related fees to workers. The company describes how it engages with affected workers in the remediation process.

- SK hynix stipulates related matters in 2.1.1 of the SK hynix Suppliers Code of Conduct Guideline (The supplier shall not require any type of forced, involuntary prison, indentured, bonded (including debt bondage), trafficked or slave labor.).

- Minimum requirement [Document Review]

3. Recruitment & Employment-

- The worker shall not be required to pay any commission for recruitment or other similar commission for their employment. If a case is discovered where the worker has paid such commission, the worker shall be reimbursed.

INDICATOR 8: RESPONSIBLE RECRUITMENT

8.1 discloses information on the recruitment agencies used by its suppliers; and

- SK hynix stipulates related matters in 2.1.1 of the SK hynix Suppliers Code of Conduct Guideline (The supplier shall not require any type of forced, involuntary prison, indentured, bonded (including debt bondage), trafficked or slave labor.).

- Minimum requirement [Document Review]

4. For any transactions with a private employment agency(PEA), the PEA shall verify its license, valid permit to operate and certificates, and conduct job interviews with some workers among those recruited or employed to verify whether the hiring requirements were accurately explained. In addition, a periodic audit shall be conducted on the PEA's compliance to applicable laws and conduct policies.

8.2 provides details of how it supports responsible recruitment in its supply chains (e.g. by collaborating with relevant stakeholders to engage policy makers to strengthen recruitment standards).

INDICATOR 9: FREEDOM OF ASSOCIATION

9.1 works with independent local or global trade unions and/or other legitimate worker representatives to improve freedom of association in its supply chains;

- SK hynix stipulates related matters in 2.7.1 of the SK hynix Suppliers Code of Conduct Guideline (Workers can form or enroll in a trade union of their own free will.).

- Minimum requirement [Document Review]

4. In the case of a country where freedom of assembly and rights to bargain collectively are legally bound, the company must support alternative means for legally permitted assembly and collective bargaining.

9.2 discloses that it is party to a global framework agreement that covers its supply chains and/or an enforceable supply chain labour rights agreement with trade unions or worker organisations; and

9.3 discloses the percentage of supply chains covered by collective bargaining agreements.

INDICATOR 10: GRIEVANCE MECHANISM

10.1 takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labour conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives across supply chain tiers; and

- We are operating a whistleblowing website in association with SK Group for all our internal and external stakeholders to freely request human rights-related counselling and submit reports. This website provides service in all local languages of the countries in which we operate in addition to Korean, English, and Chinese.. (8 page, 2021 SK hynix human rights report)

- It is possible to receive reports on personality violations on the SK Ethics Management website.

- Among the subjects of the report, it includes "insufficient verbal abuse, assault, sexual harassment, ostracism, exclusion from work, and instructions for personal affairs among members" (<https://ethics.sk.co.kr/Report/Guide>).

10.2 discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved; and

- Related information is disclosed on page 105 of SK hynix Sustainability Report 2022

10.3 takes steps to ensure that its suppliers' workers or their legitimate representatives are involved in the design and/or performance of the mechanism, to ensure that the workers trust the mechanism.

INDICATOR 11: MONITORING

11.1 its methodology for monitoring the implementation of its supply chain policies addressing forced labour;

- SK hynix stipulates related matters in 2.1.2 of the SK hynix Suppliers Code of Conduct Guideline (Appropriate and effective policies and procedures are established ensuring that any form of forced labor is not used.).

- Minimum requirement [Document Review]

3. Improvement procedures for policy compliance monitoring and for improving the discovery of forced labor must include at least the following measures.

- The policy for prohibiting forced labor shall be applied to both directly and indirectly employed workers.

- A documented work procedure shall be established for checking whether the Tier 1 complies with the prohibition of forced labor.

- Recruitment and employment practice: There must be policies and procedures which prohibit excessive commission fee.
- Dismissal & early retirement: Contract, worker's handbook or training material shall guarantee worker's retirement from the company within applicable laws without penalty, and shall stipulate that the supplier pays the wages for all hours the worker has duly worked upon termination of employment.
- Other commission fee/security deposit/debt: It must be specified that the supplier shall not charge a commission fee and security deposit in the form of a direct or wage deduction as a single or amortized payment as a part of the employment, or that the worker does not have to be indebted.

11.2 the findings of monitoring reports, including details regarding any violations revealed in relation to forced labour and indicators of forced labour, across supply chain tiers; and

- As a result of conducting the Human Rights Impact Assessment (Survey) of in-house partners in the first half of 2022, it is found that it is necessary to promote improvement of internal grievance reporting channels and rest areas.

11.3 the use of worker-driven monitoring (i.e., monitoring undertaken by independent organisations that includes worker participation and is guided by workers' rights and priorities).

INDICATOR 12: REMEDY AND RESPONSE TO ALLEGATIONS

A(1) a process for responding to potential complaints and/or reported violations of policies that address forced labour and how it engages affected stakeholders as part of this process; and

- SK hynix stipulates related matters in the SK hynix Suppliers Code of Conduct Guideline 6.8.2 (A suitable participation procedure or consulting procedure shall be established for facilitating the participation of employees and stakeholders to offer suggestions and ideas in promoting an inclusive culture by various methods.).

- Minimum requirement [Document Review]

1. The official worker participation and consulting procedures must include the following.

- Worker surveys, the suggestion box, labor union, labor-management consultative body consisting of the workers and their representatives, as well as related company rules for implementing improvement steps

2. Worker's suggestions must be reviewed, and a procedure for implementing improvement steps must be established.

A(2) at least two examples of outcomes of its remedy process in practice, covering different supply chain contexts, for its suppliers' workers.

In addition, where an allegation is identified in a company's supply chains:

B.1.1 that it engages in a dialogue with the stakeholders reportedly affected in the allegation(s)

B.1.2 outcomes of the remedy process in the case of the allegation(s); and

B.1.3 evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.

Where an allegation is identified in the company's supply chains, but is denied by the company:

B.2.1 a description of what actions it would take to prevent and remediate the alleged impacts; and

B.2.2 as part of this process, it would engage with affected stakeholders and their representatives.

NON-SCORED RESEARCH

Reporting Legislations

UK Modern Slavery Act: Where applicable, the company discloses at least one statement under the UK Modern Slavery Act.

Yes/No. Please provide link to a publicly available statement.

California Transparency in Supply Chains Act: Where applicable, the company has a disclosure under the California Transparency in Supply Chains Act.

Yes/No. Please provide link to a publicly available statement.

Australia Modern Slavery Act: Where applicable, the company discloses at least one statement under the Australia Modern Slavery Act.

Yes/No. Please provide link to a publicly available statement.

High Risk Sourcing

Please indicate whether your company sources from China or Malaysia. Note where a company does not provide this information, KnowTheChain will review the company's website as well as third party sources to identify relevant information.