

**MAGNACHIP SEMICONDUCTOR CORPORATION  
CLAWBACK POLICY**

**Effective as of October 23, 2017**

**I. Purpose**

MagnaChip Semiconductor Corporation and its subsidiaries (the “Company”) have adopted this Clawback Policy (this “Policy”) to provide for the recoupment of certain executive compensation in the event of an accounting restatement resulting from the Company’s material noncompliance with financial reporting requirements under the federal securities laws. The Board of Directors of the Company (the “Board”) believes that it is in the best interests of the Company and its stockholders to create and maintain a culture that emphasizes integrity and accountability and reinforce the Company’s pay-for-performance compensation philosophy by adopting this Policy.

**II. Administration**

This Policy shall be administered by the Board or, if so designated by the Board, the Company’s Compensation Committee (the “Committee”), in which case references herein to the Board shall be deemed references to the Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

**III. Covered Executives**

This Policy applies to the Company’s current and former executive officers, as determined by the Board, and such other senior executives or employees who may from time to time be deemed subject to the Policy by the Board (“Covered Executives”).

**IV. Recoupment; Accounting Restatement**

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company’s material noncompliance with any financial reporting requirement under U.S. federal securities laws, the Board may, in its sole discretion, require reimbursement or forfeiture of any excess Incentive Compensation (as defined below) received by any Covered Executive during the three (3) completed fiscal years immediately preceding the date on which the Company is required to prepare such accounting restatement; provided that the Board, upon recommendation from the Committee, reasonably, and in good faith, determines that such Covered Executive willfully committed an act of fraud, dishonesty or recklessness in the performance of his or her duties as an executive officer of the Company that contributed to the noncompliance that resulted in the Company’s obligation to prepare the accounting restatement.

## **V. Incentive Compensation**

For purposes of this Policy, “Incentive Compensation” means any of the following; provided that, such compensation is granted, earned or vested based wholly or in part on the attainment of a Financial Reporting Metric during the three (3) year recoupment period:

- Annual bonuses and other short- and long-term cash incentives;
- Stock options;
- Stock appreciation rights;
- Restricted stock;
- Restricted stock units;
- Performance shares;
- Performance units; and
- Any other equity or equity-based awards.

“Financial Reporting Metric” means any metric that is determined and presented in accordance with the accounting principles used in preparing Company financial statements, any other metric that is derived wholly or in part from the foregoing metrics, stock price and total shareholder return, including return on invested capital, adjusted EBITDA and free cash flow. For the avoidance of doubt, this Policy shall not apply to any awards that vest solely based on the recipient’s continued service with the Company.

## **VI. Excess Incentive Compensation: Amount Subject to Recovery**

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Board; provided, however, that there shall be no duplication of recovery under this Policy and any of 15 U.S.C. Section 7243 (Section 304 of The Sarbanes-Oxley Act of 2002) or Section 10D of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

If the Board cannot determine the amount of excess Incentive Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement.

## **VII. Method of Recoupment**

The Board will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder which may include, without limitation:

- Requiring reimbursement of cash Incentive Compensation previously paid;
- Seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards;
- Setting-off the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;

- Cancelling outstanding vested or unvested equity awards; and
- Taking any other remedial and recovery action permitted by law, as determined by the Board.

### **VIII. No Indemnification**

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive Compensation.

### **IX. Interpretation**

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy, including, without limitation, determinations as to whether any current or former Covered Executive willfully committed an act of fraud, dishonesty or recklessness; and what constitutes excess Incentive-Based Compensation.

### **X. Amendment; Termination**

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with any rules or standards adopted by a national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time.

### **XI. Other Recoupment Rights**

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

### **XII. Impracticability**

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Board, or prohibited by applicable law. The Board may decline to pursue recovery of any excess Incentive Compensation if the direct expense paid to recover such amounts would exceed the recoverable amounts.

### **XIII. Successors**

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

### **XIV. Effective Date**

This Policy shall be effective as of the date it is adopted by the Board (the “Effective Date”) and shall only apply to Incentive Compensation that is approved, awarded or granted to Covered Executives on or after that date.