



Hynix  
2010

Sustainability Report

# Good Memory Great Company



hynix

# Good Memory

comes from

# Great Company

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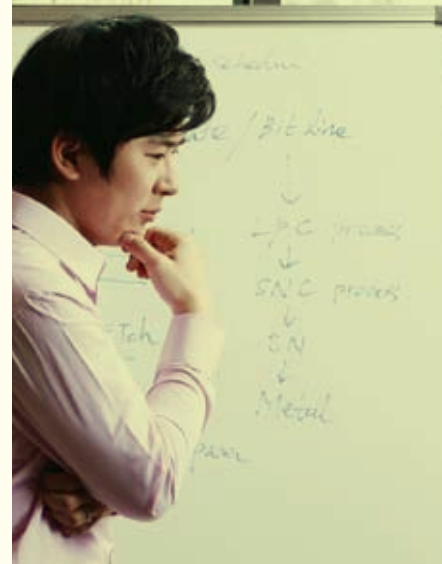
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# ABOUT THIS REPORT

**Hynix**  
**2010**  
**Sustainability Report**

## Report Overview

This report is Hynix's third sustainability report and the first since it joined the United Nations Global Compact in September 2009. Through this report, Hynix is publishing the opinions of various stakeholders, as well as the results of the company's sustainability activities.

## Report Guidelines & Scope

The 2010 Hynix Sustainability Management Report was prepared in accordance with the Global Reporting Initiative (GRI) G3 Guidelines and B.E.S.T. Sustainability Reporting Guidelines. Hynix declares that this report complies with GRI's Application Level A+ rating. This was confirmed following a review by the GRI Secretariat, as is indicated by the certification at the top of this page.

This report provides information on Hynix's performance for the 12-month period beginning January 2009 and ending December 2009. For the time series analysis, data for the past three years (through the end of 2009) was also included, while information from the period before 2009 and after 2010 was included where necessary.

The scope of this report covers the company's headquarters in Icheon, work sites around Korea, and overseas subsidiaries. Financial information is provided on a consolidated basis. A glossary has been added to the appendix for technical terms, abbreviations, and the names of organizations with an asterisk (\*) for which readers may need clarification. This report has been published in Korean, English, and Chinese to guarantee diverse access channels in consideration of Hynix's wide range of stakeholders. All previously published reports are available on Hynix's website in PDF file format. Hynix plans to issue a sustainability report on an annual basis.

## Report Credibility

The content of this report and data collection methods have received third-party assurance, including site inspections from the Institute for Industrial Policy Studies (IPS). All related details are included in the appendix.

## Additional Information Regarding the Report

Stakeholders can leave feedback about this report via email, on the company's website or by phone. Should you require any additional information about this report or if you have any questions, please contact us in any of the following ways.



[www.hynix.com](http://www.hynix.com)

[sustainability@hynix.com](mailto:sustainability@hynix.com)

Tel: +82-31-630-3911

Fax: +82-31-645-8033

Department: Sustainability Management Office

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Good Memory, which contributes to people's happiness,  
comes from a Great Company.

People who create new value one step ahead of customer expectations...  
Key players who establish trust through Win-win Partnership with partner  
companies and a firm commitment to local communities...  
Those who practice eco-friendly activities to create better opportunities and  
possibilities for the next generation...  
Embodying all these traits are the employees at Hynix, a Great Company.

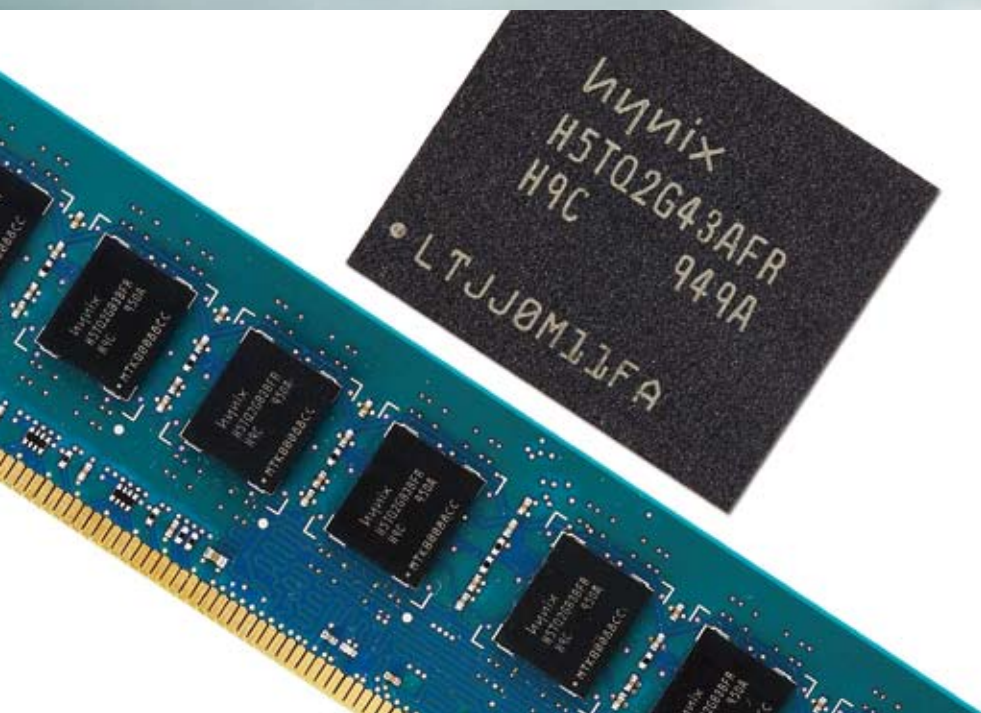
Good memories cherished by everybody –  
We will never relent in our pursuit to ensure Good Memory.

With a Great Company, you can expect a better tomorrow.





# Act &



## COMPUTING MEMORY

40nm class 2Gb DDR3 DRAM

Applying the industry's top 40nm class precision process technology

Ultra-high-speed data transfer (1,333Mbps)

and processing (3.7Gb of data per second)

In the face of a devastating global economic crisis and a slow semiconductor market, a Great Company continues to achieve sustainable results as it overcomes each crisis with unity and passion. Last year, Hynix achieved global technological leadership when it released the world's first 40nm class DRAM product and in sequence a 20nm class NAND Flash product.



# Great Company

## NAND FLASH

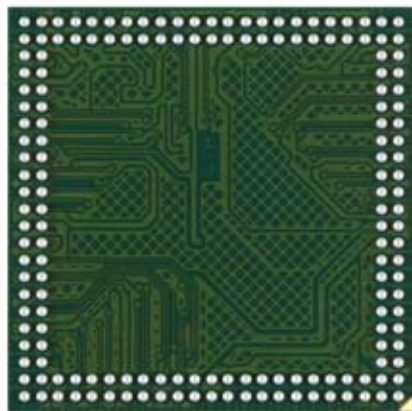
20nm class 64Gb NAND Flash  
Developing and applying cutting-edge noise reduction technology  
Leading the industry in productivity growth and cost competitiveness





Hynix is solidifying its leadership in the global marketplace with its unrivaled understanding of the market and customers, its unique insight into the future, and its continuous cooperation with partner companies. The company is also enhancing new future growth engines by establishing a wide range of product lines in fields that show a great deal of potential. At Hynix, a Great Company always looks one step ahead of the rest and never stops providing hope, ensuring a better future for everybody.

# Hope &



## MOBILE MEMORY

50nm class 4Gb mobile DRAM

The world's first Intel-certified 4Gb mobile DRAM

The largest and fastest mobile product, with a speed of 400Mbps





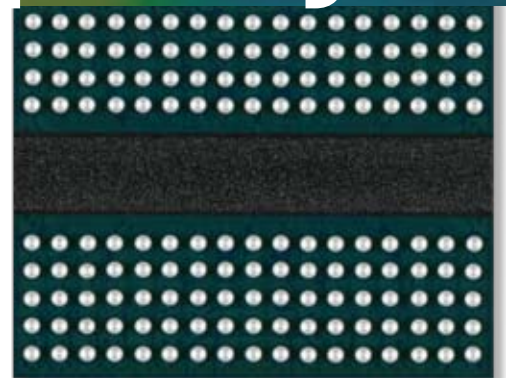
# Great Company

## GRAPHICS MEMORY


40nm class 2Gb graphics DDR5

At 7Gbps, implementing the industry's fastest speed

Establishing itself as an unrivaled graphics DRAM producer with  
new technological breakthroughs every year

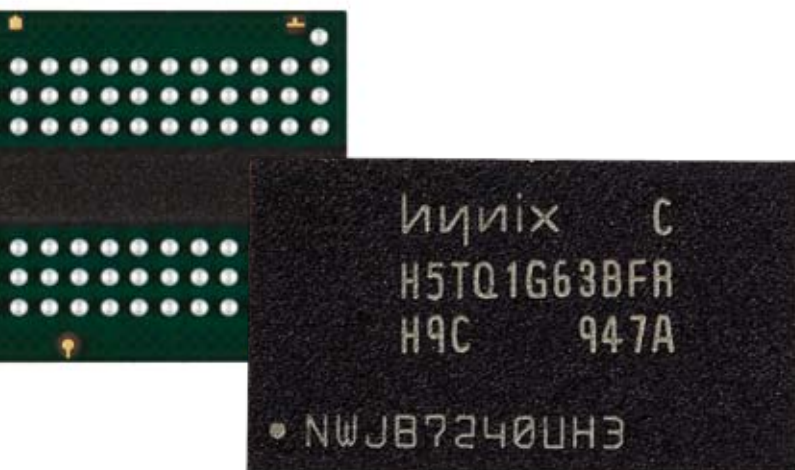






Hynix never stops asking itself what the true role of a corporation is in this day and age, and how best to harmoniously coexist with society. Hynix believes that technological advance and a sustainable future are one in the same. It also considers the environment in every stage of a product's life cycle, from its development and manufacture to its sale, allowing the company to consistently offer eco-friendly, low-power products that significantly reduce electricity consumption. The tremendous encouragement and praise Hynix received last year was not only a great honor befitting a Great Company, but also helped lay the groundwork for further improvement in developing an even more respected corporation.

# Respect &



## COMPUTING MEMORY

50nm class DDR3 SDRAM

The industry's first 50nm class DDR3 carbon labeled product  
Designed to significantly reduce CO<sub>2</sub> emissions



# Great Company

## COMPUTING MEMORY

### Second-generation 1Gb DDR3 DRAM

The industry's leading performance and lowest power consumption  
Green IT products that reduce power consumption through a 1.35V  
low-power design







## Advanced Corporate Governance and Strategies, GOOD MEMORY, Fulfilling Its Social Responsibility, GREAT COMPANY

Hynix is one of the very best workplaces, which is home to the brightest, most qualified people.

In the three years I was a CEO, I worked hard to establish Hynix as a socially responsible and sustainable corporation, but that would not have been possible without your trust and endless council.

Hynix has been working toward long-term growth and development – and not just improving its short-term performance – by following four key management strategies: Knowledge Management, Customer Management, Ethics Management, and Environmental Management. We have also been trying to establish a win-win relationship with our stakeholders and pursue sustainability management in a way that contributes to the development of the nation economically and socially.

As a result of these efforts, Hynix was the recipient of five President's Awards, the highest honor bestowed by the government, including the Ministry of Labor's Best Labor-Management Culture Award. At the same time, we were able to strengthen our reputation as a sustainable company both in Korea and overseas, as our financial performance has improved remarkably.

Hynix Semiconductor has a more advanced corporate governance system in place today because of the separation between the CEO and the Chairman of the BOD. In other words, we have evolved in a way where we have maintained transparent management, while retaining our ability for fast decision-making and the expertise necessary to be a world-class semiconductor maker.

With his depth of experience and unrivaled leadership, I am confident that the new CEO, Mr. Oh Chul Kwon, will play a pivotal role in turning Hynix into the world's top company.

For my own part, I will continue to do everything I can as a Chairman of the BOD. As such, I plan on not only leading Hynix and helping it become the most respected company in the world, and one which practices sustainability management, but also to help make Hynix's BOD a role model for every Korean company.

I kindly ask for your continued support in the future.

Thank you.

April 2010

**Jong Kap Kim**  
Chairman of the BOD Hynix Semiconductor Inc.







## Good Memory, Great Company Contributing to the Sustainable Development of Human Being

It is my sincere pleasure to thank you for your continued support and encouragement. I would also like to extend a warm welcome through this sustainability report, Hynix's first since I became a president and CEO. This is Hynix's third sustainability report, which details the company's efforts and performance in 2009. The report has even more significance because it represents the time we have spent together, as well as the challenges and the future ahead of us.

Despite the faltering semiconductor market that arose in the wake of the global financial crisis in the previous year, Hynix was able to turn itself around with a great performance in the global semiconductor industry thanks to the support of our stakeholders and all the hard work of our employees. By joining the United Nations Global Compact in 2009, we also declared our intention to pursue sustainability management internationally. Since then, Hynix has earnestly supported and observed the principles of the UN Global Compact.

At Hynix, we have a dream to become the world's greatest semiconductor memory chip maker. We believe this leading company should be long-lasting and constantly providing the highest satisfaction as it maintains the greatest standards for all its stakeholders, from its customers, shareholders and employees to society as a whole and the environment. To realize our dream, Hynix is preparing for a new series of challenges by adopting the following management directions.

In order to gain competitiveness as a specialized semiconductor and memory chip maker, we will focus on securing competitiveness and market share as early as possible in the relatively weak NAND Flash memory sector, while remaining competitive in the DRAM industry. As we continue to enhance our existing core competitiveness in productivity with respect to manufacturing and process technology, we will also endeavor to expand our competencies in R&D and marketing. We believe that growth without a firm technological background is a recipe for failure. Furthermore, today's industrial environment requires technology and quality over sheer size or quantity, which is why we put a priority on qualitative development and long-term sustainable growth, not temporary, short-term results. In order to deliver the highest satisfaction and value to each stakeholder, everyone at Hynix is establishing a corporate culture that puts a priority on people and places them at the heart of all corporate principles. In addition, we will continue to pursue corporate social responsibility, such as upholding the highest ethics, protecting the environment, and making social contributions. We will also reflect your invaluable thoughts on our policies through proactive communication with our stakeholders.

I can assure you that we will do our utmost to ensure Hynix is a Great Company that is focused on long-term growth, offering the highest value to stakeholders by taking advantage of every opportunity. At the same time, we will combine our strengths and capabilities, with our long distinguished history, as a basis for future growth.

I kindly ask for your continued support and encouragement in the future.

Thank you.

April 2010

Oh Chul Kwon  
President & CEO Hynix Semiconductor Inc.



## SUSTAINABILITY MANAGEMENT HIGHLIGHTS

### Oh Chul Kwon Takes Office as President & CEO

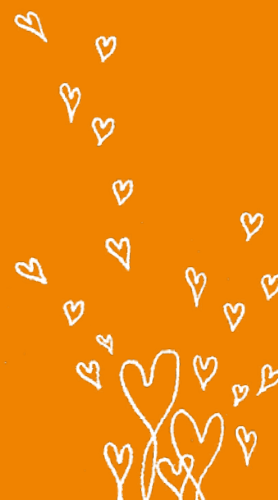
At his inauguration ceremony in March 2010, CEO Oh Chul Kwon expressed his desire "to create a long-lasting, Great Company as the best memory solution provider, with quality-driven growth and one which offers the highest satisfaction and value for all stakeholders". To accomplish this vision, he outlined management principles: focus on core business; secure future competency; build up inner strength; and respect human values.



Hynix is committed to creating values for

Hynix leads the global memory market based on its world-renowned technology. In February 2009, the company developed the world's first 1Gb DDR3 RAM chip, using 44nm process technology resulting in the fastest product of its kind in the industry while minimizing power consumption. In April of the same year, it launched the world's leading 1Gb mobile LPDDR2 (Low Power DDR2) product with 54nm process technology.

Leading the Memory Market with Strong Competitiveness in Technology



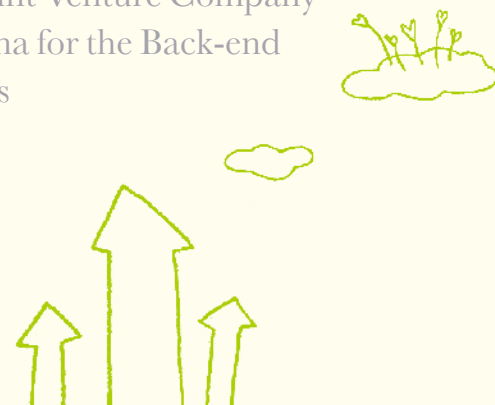
stakeholders and help ensure

### Turnaround in Annual Operating Profit

Thanks to robust markets which saw an increase in sales of DRAM and NAND Flash memory and accompanying price hikes, as well as an improvement in the company's technology and cost competitiveness, Hynix was able to achieve a financial turnaround in just one year, with annual sales of KRW 7,906 billion and an operating profit of KRW 192 billion (a 2% growth in operating margin). In fact, fourth quarter sales in 2009 were particularly strong, reaching KRW 2,799 billion, a 32% increase over the same period the previous year and the highest sales figure in the company's history (based on Korean won).

Hynix established a company through a joint venture for the back-end process in Wuxi, China in May 2009 and signed an MOU to launch a local sales subsidiary. With this, a complete production system of front/back-end process is in place in mainland China, which is expected to cut costs and strengthen the company's status in China, one of the world's fastest growing markets.

Semiconductor Business Grows after Establishment of a Joint Venture Company in China for the Back-end Process



## Enhanced Competitiveness & Development Capabilities through Cooperation

In May 2009, Hynix signed a tri-lateral partnership contract that included the co-development of a controller for NAND Flash applications with Numonyx and Taiwan's Phison Electronics Corp. In September, it also signed an additional agreement to further business cooperation in CMOS Image Sensors with SiliconFile Technologies Inc. These and other efforts make close mutual cooperation and information sharing easier and will lead to increased development capabilities, shortened development periods, and diversification of Hynix's product portfolio.

After employees set up a scholarship fund in July 2009 at their alma mater, Daegu's Yeungjin College, they also donated educational equipment and helped set up an exhibition, conduct teachers' training sessions, and develop text materials on semiconductor manufacturing at Chungbuk Semiconductor High School. Along with the KAIST Educational Program for Semiconductor Industry (KEPSI), which was launched in 1996, Hynix is helping run various university-industry cooperation programs at 13 universities and 3 colleges across the country. All in all, these programs are playing a leading role in nurturing specialized semiconductor professionals by offering students research funds, financial assistance, scholarships, equipment, and internships.

## Nurturing Core Talents & Industry-Academic Cooperation



sustainable development

economically,

socially

and

environmentally.

## Promoting Employee Satisfaction & Improving Corporate Culture

A wide range of efforts have been made to improve systems and boost the morale of the workforce. Hynix's New Job Rotation program lets employees with strong performance records choose the department they want to work in, employee family members are invited to special events and the company hosts summer camps for children. Additionally, employees are having their voices heard through "live polls" (real-time surveys). Issues addressed through this system include the corporate afterwork (drinking) culture, unnecessary overtime, practices that need changing, and an electronic approval system. Hynix Day, the second and fourth Wednesdays every month when employees are allowed to leave work at their appointed hour and spend quality time with their family, is considered one of the most successful examples of improving the company's corporate culture.

## Initiatives to Fulfill Corporate Social Responsibility



Hynix received a carbon label from Korea's Ministry of Environment for its 54nm 1Gb DDR3 chip (H5TQ1G63BFR), the first for a Korean semiconductor memory chip company. Hynix is also doing its best to cut its CO<sub>2</sub> emissions by using materials with low-carbon footprints in the manufacturing of semiconductors. Hynix has not only committed itself to supporting a program called Good Memory Social Contribution in May 2009, but donates a portion of the points accumulated on the Hynix Good Memory credit card. This special credit card is designed, to promote social contribution to worthy causes. In October 2009, Hynix became the first Korean semiconductor chipmaker to join the UN Global Compact. Hynix also publishes accounts of its activities and performance through its annual sustainability report to raise its corporate image as a company which performs its social responsibilities according to international standards.



## COMPANY PROFILE


### Realizing the Value of Sustainability in Every Business & Activity



HSE HSU HSD

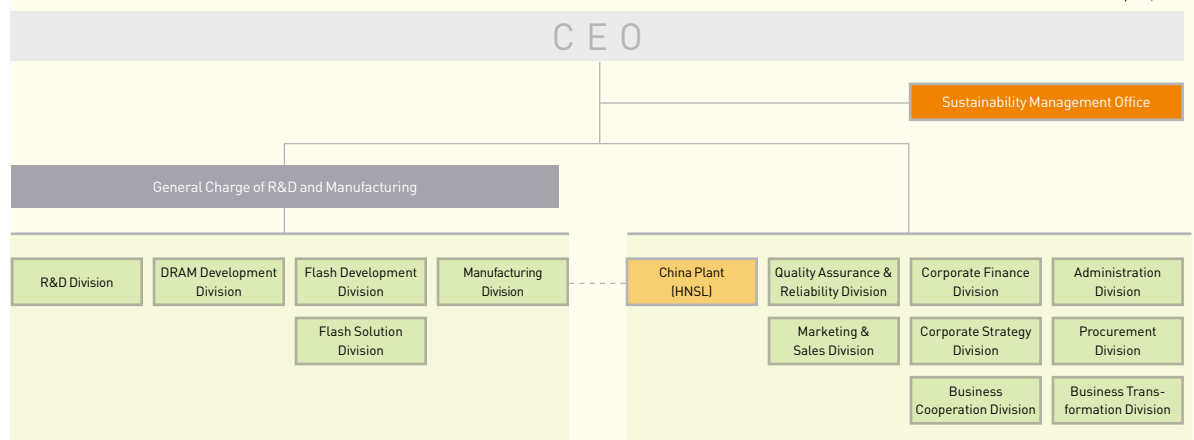
<b>Company Name</b>	Hynix Semiconductor Inc.
<b>Date of Establishment</b>	February 1983 (Formerly Hyundai Electronics Industries Co., Ltd.)
<b>Type of industry</b>	Semiconductors and semiconductor-related equipment
<b>CEO</b>	Oh Chul Kwon
<b>Total assets</b>	KRW 16,303.5 billion
<b>Stockholders' equity</b>	KRW 5,919.3 billion
<b>Sales</b>	KRW 7,906.4 billion
<b>No. of employees</b>	20,251
<b>Credit rating</b>	Domestic BBB+ Stable (National Information and Credit Evaluation) BBB+ Stable (Korea Ratings Corporation) BBB+ Stable (Korea Investors Service) Overseas B1 Negative (Moody's) B+ Stable (S&P)

Hynix is a leading memory semiconductor supplier with a strong global presence. Headquartered in Icheon, Korea, Hynix maintains a sales and marketing office in Seoul, Korea and operates direct sales offices and subsidiaries in 16 countries around the world. Production facilities of the company are located in Icheon and Cheongju, Korea, and Wuxi, China. By endeavoring to maintain its technology and cost competitiveness through continuous investment in R&D, Hynix will continue to secure its solid competitive advantages in the global semiconductor market. Hynix was formerly established in February 1983 as Hyundai Electronics Industries Co., Ltd. before changing its name to Hynix Semiconductor, Inc. in 2001. Hynix's core business is memory semiconductors including DRAM, NAND Flash, and MCP\* (Multi-Chip Package), and its product portfolio has been expanded to the system LSI\* sector by initiating CMOS Image Sensors business in 2007.

 Refer to Hynix's website for more information on its history (About Us > History).

#### ► Organizational Chart

As of April 5, 2010





► Subsidiaries

Category		No. of companies	Company name
Domestic	Listed	2	Hynix Semiconductor Inc. SiliconFile Technologies Inc.
	Unlisted	6	Hynix Engineering Co., Ltd. Hystech Co., Ltd. Hynix HRD Center Co., Ltd. Hylogitech Co., Ltd. Hyundai Display Technology Inc. QRT Semiconductor Inc.
Overseas	Unlisted	14	HSA (Hynix Semiconductor America Inc.) HSMA (Hynix Semiconductor Manufacturing America Inc.) HSD (Hynix Semiconductor Deutschland GmbH) HSE (Hynix Semiconductor Europe Holdings Ltd.) HSU (Hynix Semiconductor U.K. Ltd.) HSS (Hynix Semiconductor Asia Pte. Ltd.) HSH (Hynix Semiconductor Hong Kong Ltd.) HSJ (Hynix Semiconductor Japan Inc.) HST (Hynix Semiconductor Taiwan Inc.) HSCS (Hynix Semiconductor (Shanghai) Co., Ltd.) HNSL (Hynix-Numonyx Semiconductor Ltd.) HSMC (Hynix Semiconductor (Wuxi) Ltd.) HSIS (Hynix Semiconductor Indian Subcontinent Private Ltd.) HITECH (Hitech Semiconductor (Wuxi) Co., Ltd.)
Total		22	-

# Sustainability Performance Management

01

Hynix performs sustainability management activities by establishing a specific vision and strategies in three main categories – the economy, the environment, and society – in order to pursue its goal in a more systematic way for sustainable growth and development. The company is able to enhance sustainability management performance on a consistent basis by allowing organizations in each field to manage their own vision and tasks and monitor their progress.

## Ongoing Efforts to Promote Strategic Sustainability Management, Performance and Goal Management



ECONOMY



ENVIRONMENT

	Economy	Innovation · Creativity	Environment
Vision/Goals	-Long-lasting, Great Company as the best memory solution provider	-Pursue innovation based on efficiency and effectiveness	-Sharing dreams with local communities through Eco-memory
Strategies	-Focus on core businesses -Secure future competency -Build up inner strength	-Enhance task performing capabilities -Waste elimination -Strengthen problem-solving techniques -Nurture innovative talents	-Cut greenhouse gas emissions based on growth rate -Achieve Eco-efficiency Factor $h^2-5$
<b>2009</b> Highlights	-Completed a financial turnaround within the year and secure liquidity -Improved memory R&D	-Performed company-wide /head office assignments -Company campaign for waste elimination -Nurtured change masters -Spread core knowledge and CoP -Built incorporated paperless work environment	-Carried out carbon neutralization activities (Reduced PFCs, plant trees in Carbon Neutral Belt) -EHS system -Established eco-efficiency -Reduced the use of toxic materials -Improved the recycling rate
<b>2010</b> Future Tasks	-Gain a competitive edge by focusing on core competencies -Increase future-oriented core competencies -Dramatically enhance competitiveness in NAND Flash -Secure financial stability	-Innovate work values -Improve innovation capabilities -Strengthen innovation at the company's head office -Establish innovation models by division -Spread innovative training	-Pursue carbon management and issue reports -Introduce a management system to monitor energy goals -Manage water/air quality by emission sources -Green management promotion
Organizations in Charge	Business Management Group, Corporate Strategy Development Group	Business Transformation Division, Innovation Office of Division	ESH, Facility Engineering Group, Quality Assurance & Reliability Division



In 2009, sustainability management continued to take root in Hynix's corporate culture, helping the company fulfill its financial, social and environmental responsibilities as a corporation, while laying the groundwork for sustainable growth. Despite unprecedented challenges in the semiconductor market and global economic woes, Hynix was able to see some significant results last year. By practicing ethical management and customer-oriented management, as well as by strengthening its environmental management, the company raised its value for a wide range of stakeholders.



## SOCIETY

Ethics	Customers	Employees	Labor-Management	Partner Companies	Local Communities
-Ethical corporate culture	-Customer satisfaction through quality management	-Innovate performance evaluations and strengthen human resources capabilities	-Create an enjoyable workplace for employees	-Mutual growth with partner companies through win-win relationship	-World's most socially responsible corporation
-Run cost-effective programs -Encourage strong work ethic -Establish image as a leading company in ethical management	-Enhance customized services	-Respect human values -Encourage strategic performance management through the selection and nurturing of talent -Strengthen human competitiveness	-Win-win labor-management relations -Create a safe and pleasant work environment	-Evaluate and nurture partners based on procurement ethics	-Strengthen ties with community -Enhance the unity and bond of the organization through social contribution -Encourage participation by employee family members
-Pledged Ethics Management -e-Messages from the top management -Activated ethics class for field employees -Created an ethics management character and slogan -Supported overseas manufacturing sites	-Established a foundation to provide the highest quality products and services -Increased on-site inspection of the products -Restored customer trust through quality stabilization	-Established and practiced a customized self-development plan -Encouraged communication with fields (publish EOS results, live polls)	-Family-friendly certified -Win-win labor-management relationship certified	-Mutual assurance fund -Systematic partner companies training -Established support through localized technology programs	-Pushed forward with programs created around local communities -Established Good Memory volunteer group by teams -Family volunteer activities in rural areas
-Make ethical management the company's brand -Complement/Expand programs to practice ethical behavior -Change employees' ethical mindset	-Customer satisfaction through VOC	-Establish a performance management system -Cultivate a horizontal/creative corporate culture -Nurture leaders	-Expand customized benefits-based employees' life cycle	-Spread sustainability management to partners -Strengthen technological support	-Establish self-rule system for volunteer groups -Encourage donations and sharing -Expand partnerships with local communities -Pursue social contribution in line with specific businesses
Sustainability Management Office	Marketing & Sales Division, Quality Assurance & Reliability Division	HR Group	HR Group, Labor & Welfare Group	Materials Purchasing & Partner Collaboration Group, Sustainability Management Office	General Affairs Group, Corporate Culture Team

# Sustainability Management Issues

02

As a global corporate citizen, Hynix is implementing sustainability management based on mutual communication and exchanges with its diverse stakeholders. While communicating with customers, shareholders, investors, employees, partners, local communities, and the environment, Hynix is also increasing the reliability of sustainability management by identifying and responding to major issues inside and outside the company through a multi-tier opinion-gathering process.

## Creating a Sustainable Future with Hynix Stakeholders

Hynix is continuously cooperating and communicating with a variety of stakeholders involved in society, the economy, and the environment in order to accomplish its overall vision of “Long-lasting, Great Company as the best memory solution provider.” Stakeholders are divided into 6 categories: customers, shareholders and investors, employees, partner companies, local communities, and the environment. Hynix is poised to continue practicing sustainability management, based on a trusting relationship, with all its stakeholders.

### Customers

Customers are separated into domestic and overseas categories. By product, they are categorized into DRAM and NAND Flash customers, as well as potential customers of CMOS Image Sensor (CIS) products.

### Shareholders & Investors

Investors refer to all the individuals and institutions that have made a capital investment in the company, while shareholders refer to the parties who actually own a part of the company. Collectively, they refer to members of the general stockholders' meeting, the top decision-making organization at Hynix.

### Employees

Employees are Hynix's internal stakeholders and are made up of executives, technical office workers, and full-time workers.

### Partner Companies

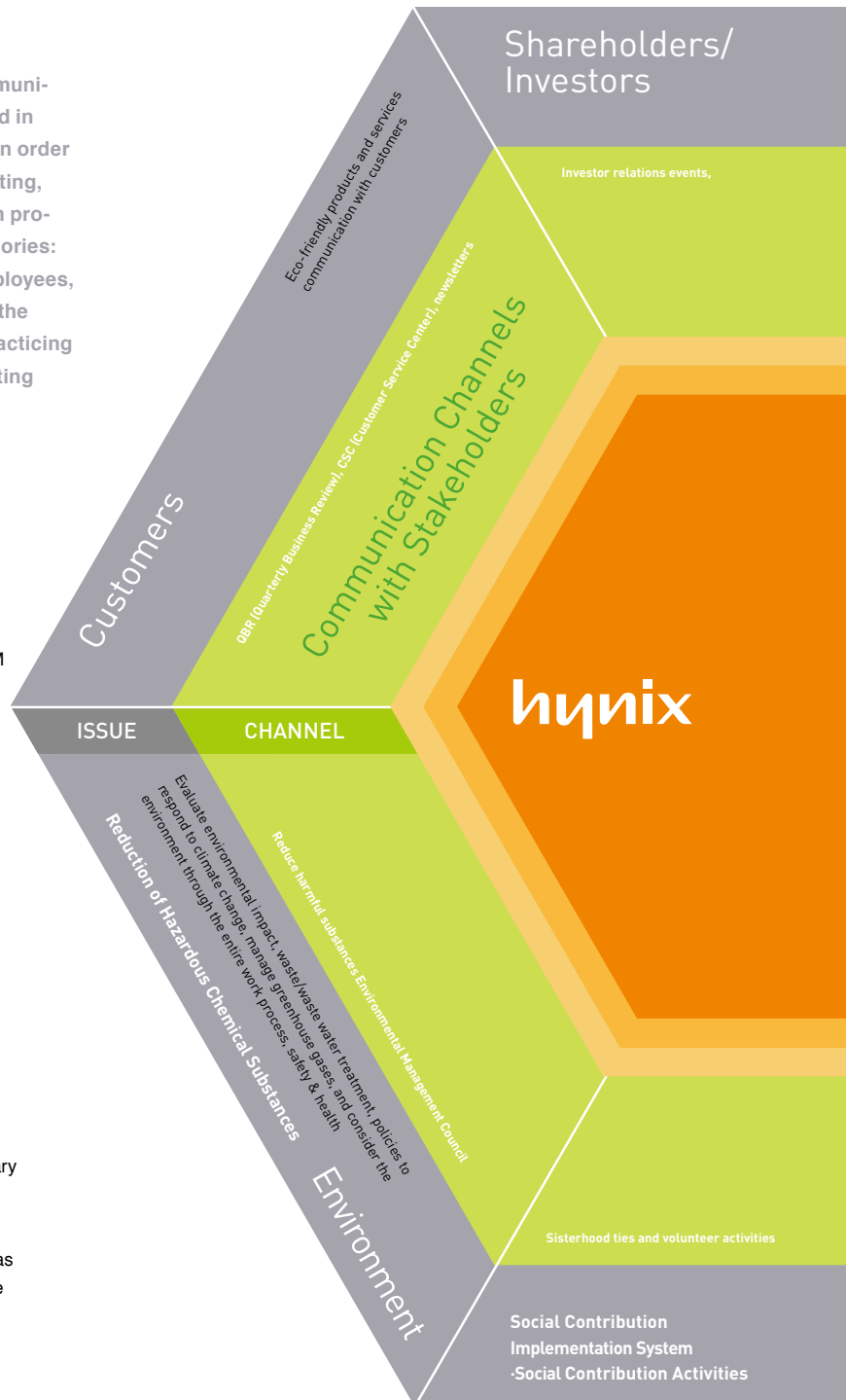
Hynix has signed contracts and is doing business with approximately 1,300 companies in the field of capital equipment, construction, outsourcing, raw and subsidiary materials, facilities, and general affairs.

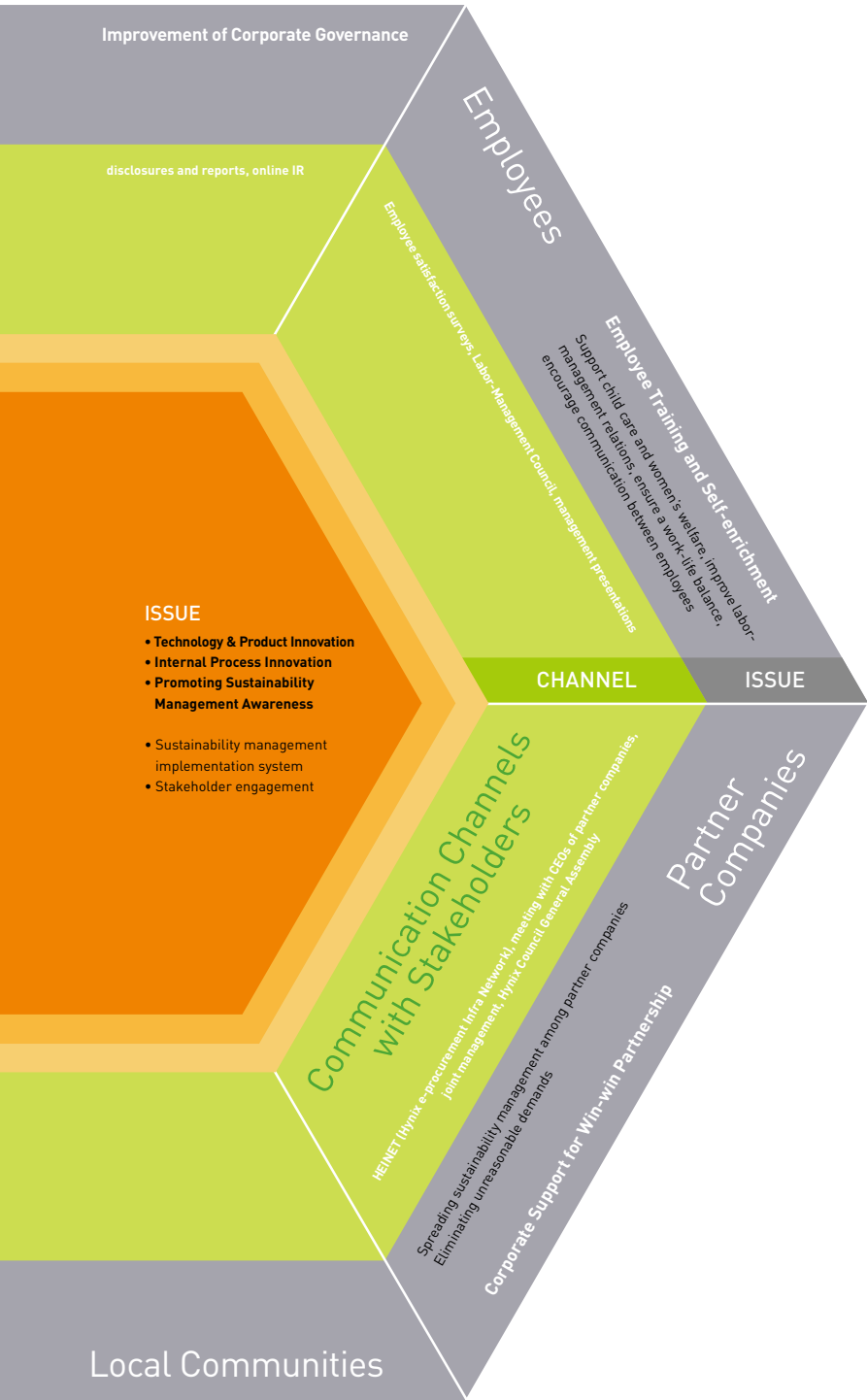
### Local Communities

The geographic scope of local communities is defined as regions where Hynix work sites are situated and include citizens, NGOs, universities, government, and public agencies in said regions.

### Environment

Well aware of the importance of environmental management, Hynix takes into consideration the opinions of stakeholders to help reduce harmful chemical substances, evaluate the impact on the environment, and treat waste/waste water.





## Report on Results of Communication with Stakeholders & Material Issues

Hynix identified 25 major issues using the six-phase test procedure from the IPS Materiality Test™ in the report. Evaluation factors were selected through various methods, including company policies, direct and indirect economic effects, domestic and international regulations and laws, stakeholder participation, benchmarking within the industry, and a media search. Evaluation methods used in each phase are displayed in the following table.

### ► Materiality Test Process

TEST 1	<b>Internal policies</b> Policies and standards, Evaluation data
TEST 2	<b>Direct and indirect economic effects</b> KPIs (Key Performance Indicators)
TEST 3	<b>Domestic and international standards, laws and regulations</b> Relevant laws, Global standard
TEST 4	<b>Stakeholder engagement</b> Surveys (internal and external stakeholders) Interviews (internal managers and external experts)
TEST 5	<b>Peer review</b> Benchmarking sustainability management of leading companies
TEST 6	<b>Media research</b> Research of major news articles between November 2008 and November 2009



## Expert Interviews

# INTERVIEW

## ECONOMY

Korea Exchange

**Director Tae-young Yang**

In Korea there is a growing interest in sustainability management. A socially responsible investment culture is also gaining ground in its capital market. For Hynix to get a better evaluation in the capital market, it has to approach sustainability management as a core management goal of the company not just as a promotional gesture.

**hynix** | Recognizing sustainability management as one of its key management goals, Hynix has created a department for that express purpose and organized a Sustainability Management Committee under the leadership of the CEO to establish a sustainability management system that meets the highest global standards. Hynix has also developed an integrated management system for sustainability management to manage in a systematic way by identifying action plans and quantifying performance results. Based on this system, Hynix is endeavoring to realize its goal of becoming a sustainable corporation and is devising a sustainability management strategy and roadmap in connection to its business strategy in order to deliver higher value and satisfaction to all its stakeholders.

## SOCIETY

FKI Center for Large and  
Small Business Cooperation

**Professor Yi-hwan Kim**

Although corporate social contribution is growing in importance and various activities connected to this are emerging, in most cases these activities don't match the image of the company that is carrying them out. Hynix is well aware of this and needs to pursue social contribution activities to suit its image as a cutting-edge leader in the field of technology.

**hynix** | To nurture professionals in the cutting-edge semiconductor industry of the future, Hynix has been running various industry-academic cooperation programs at universities, colleges, and high schools across the nation since starting a semiconductor program course at KAIST in 1996. In addition, it has been actively engaged in community activities such as memory loss prevention campaigns that are carried out in association with the company's main memory products, while also volunteering in local communities and in rural areas.

## ENVIRONMENT

Green Growth Commission

**Deputy Director Young-ho No**

One of the key issues of sustainability management is the reduction of greenhouse gas emissions. Although the electronics industry is generally not very sensitive about greenhouse gas emissions, Hynix needs to ready itself to match advanced nation standards like those in Europe and position itself as a leader in reducing greenhouse gas emissions as new energy efficiency regulations are inevitably applied to the industry in the near future.

**hynix** | In general, it is unavoidable to release pollutants, including greenhouse gases, during the semiconductor manufacturing process. The electronics industry has agreed to limit the release of pollutants and Hynix has gone one step further by applying stricter environmental regulations for itself. We are also actively participating in the CDM\* business, which is being led by the United Nations.

## Stakeholder Survey Results

# SURVEY

Hynix values communication with all its different stakeholders very highly and carries out surveys on a regular basis to learn what they have to say. Questionnaires are always tailored for each specific group of stakeholders and composed of four categories that include general sustainability management, economy, society, and the environment, with respondents asked to give their answers on a 7-point scale.

Unit: %

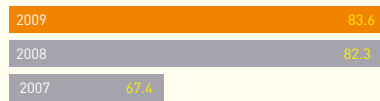
### General Sustainability Management

Q.1 Hynix has an excellent reputation befitting its size and status.



### Sustainability Management\_Corporate Ethics

Q.2 Hynix employees are familiar with the contents in the company's Code of Ethics and Code of Conduct.



### Sustainability Management\_Corporate Governance

Q.3 Hynix needs to stabilize its corporate governance to enhance its management efficiency.



\* New questions on the 2009 survey

### Economy\_Innovation/Creative Management

Q.4 Hynix is quick to adopt new and innovative ideas.



### Society\_Customers

Q.5 The development of eco-friendly products is a key factor in sustainable growth and the overall development of Hynix.



\* New questions on the 2009 survey

### Society\_Employees

Q.6 Compared to other companies, Hynix has excellent childcare benefits and benefits for women.



### Society\_Partner Companies

Q.7 Hynix lends support to partner companies to practice sustainability management.



### Society\_Local Communities

Q.8 Hynix needs to strengthen and expand certain areas for more effective social contribution activities.



\* New questions on the 2009 survey

### Environment

Q.9 Hynix strictly abides by regulations and standards on environmental pollutants.



Q.10 Hynix takes the environment into account throughout the entire product life cycle.



# Sustainability Management Vision and System

03

Hynix is bringing about a systematic organization to strategically pursue sustainability management in order to flourish as a leading company for a sustainable future. The company has established core values and a clear direction for sustainability management, reflecting the diverse opinions of stakeholders as it implements sustainability management tasks across the company via the SM committee.

## Roadmap for Sustainable Development & Sustainability Management Strategies

### Sustainability Management Vision & Strategy

Hynix is establishing a global standard sustainability management system to achieve its goals, which include maintaining advanced technology and products, corporate transparency, strategic social contribution, and preservation of the environment. As a corporate citizen that fulfills its social responsibilities economically, socially, and environmentally, Hynix is dedicated to remaining a “Long-lasting, Great Company as the best memory solution provider” in the mind of its stakeholders. To this end, Hynix is implementing management principles – focus on core business, secure future competency, build up inner strength, and respect human values – that are based on the core values of challenge, creation, and collaboration.

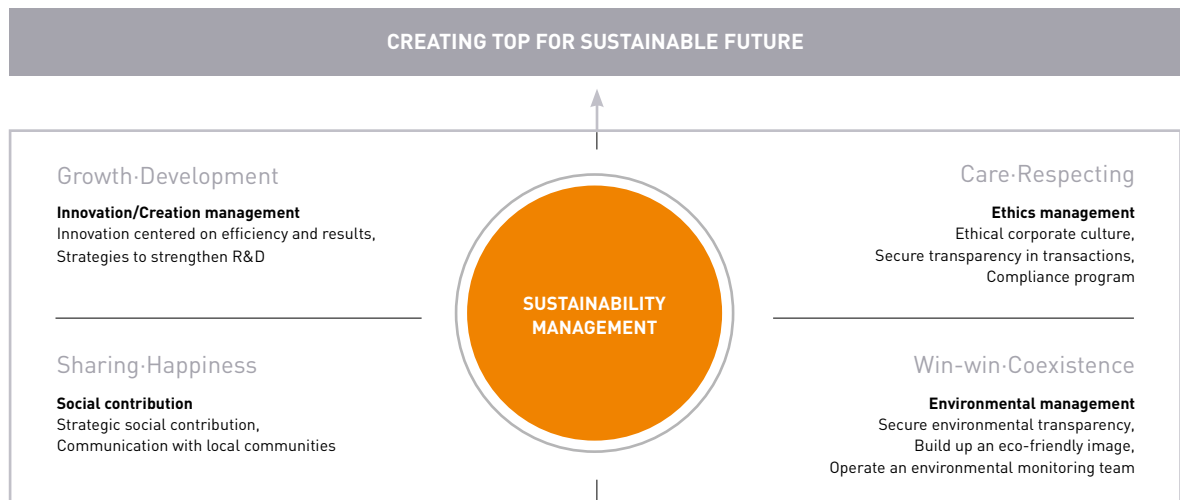
### Sustainability Management System

Hynix is equipped with a management system, made up of the SM Committee, the top-decision making organization, at its center, SM sub-committees, which identify economic, social, ethical and environmental tasks and monitor their progress, and the SM TFT, which implements sustainability management tasks. Based on the new system, Hynix is monitoring its sustainability management strategies and roadmap, addressing risks, and performing tasks across the company while continuing its efforts at reflecting a diverse range of stakeholder voices in management. In January 2010, the Sustainability Management Office was expanded and reorganized to integrate company-wide sustainability management systems, establish consistent strategies and enhance its executive ability.

### In-house Dissemination & Training

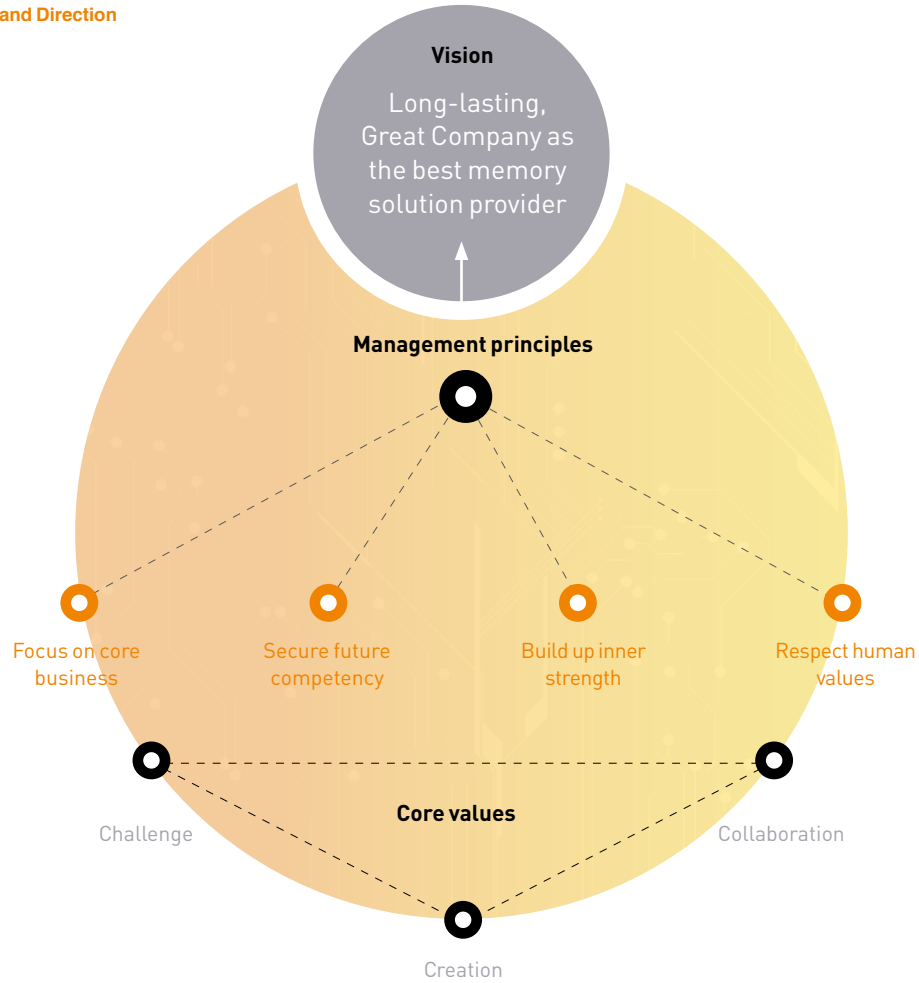
Hynix developed and conducts an online course to raise awareness among employees about the core values and management strategies of sustainability management. In addition, sustainability management-related contents have been added to the orientation curriculum for new employees and new executives. Hynix is committed to developing programs and providing training on a regular basis to create consensus and spread awareness about sustainability management throughout the company.

### ► Direction of Strategic Sustainability Management for Hynix

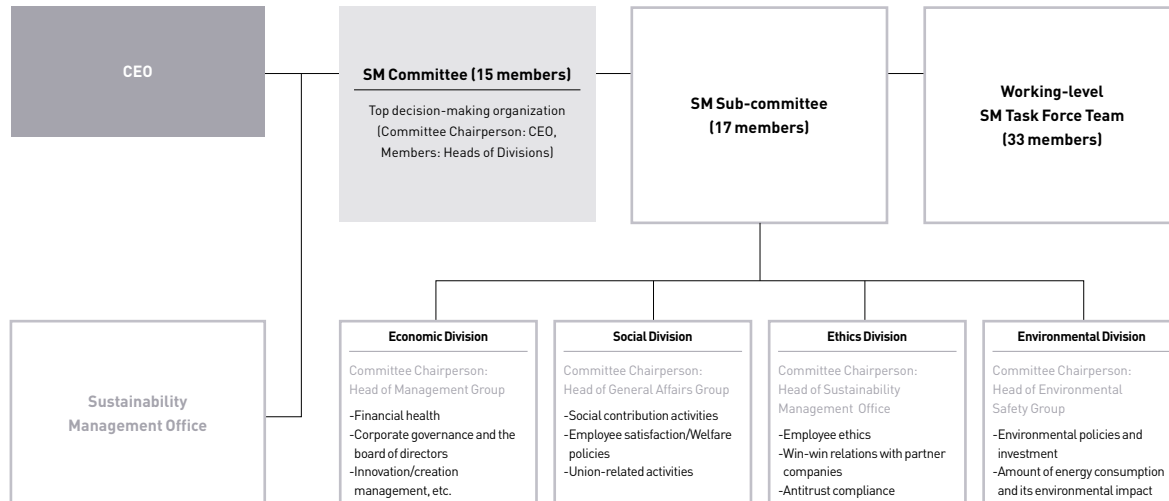




► Sustainability Management and Direction



► Organization in Charge of Sustainability Management



## Joining the UNGC

In September 2009, Hynix became the first Korean semiconductor company to truly fulfill its social responsibility when it joined the United Nations Global Compact\* (UNGC), a UN initiative concerned with the social responsibilities of a corporation.



### ► Joining and Complying with the UN Global Compact

Category	Principles	Relevant Regulations and Directions	GRI	BEST	Page
Human rights	1. We support and respect the protection of internationally proclaimed human rights.	<ul style="list-style-type: none"> <li>Declaration of Ethics Management</li> <li>Code of Conduct, chapter 3: Employee respect</li> </ul>	HR1 HR2 HR3 HR4 HR5 HR6 HR7 HR8 HR9	PN2 PN3 EM7 EM8 EM9 EM10 EM30 EM31 CO2	26/51/ 60/65
	2. We ensure employees are not complicit in the abuses of human rights.	<ul style="list-style-type: none"> <li>Electronics Industry Code of Conduct</li> <li>Terms of Purchase Contract</li> </ul>	HR1 HR2 HR8	PN2 PN3 EM31	26/60
Labor	3. We uphold freedom of association and effectively recognize the right to collective bargaining.	<ul style="list-style-type: none"> <li>Collective Agreement, Article 1 [The only negotiating body]</li> <li>Collective Agreement, Article 6 [Guaranteeing union activities]</li> </ul>	HR5 LA4 LA5	EM8 EM12 EM13	51/56
	4. We uphold the elimination of all forms of forced and compulsory labor.	<ul style="list-style-type: none"> <li>Employment Rules 3: Work</li> <li>Collective Agreement, Article 4 [Work hours/days off/holidays]</li> </ul>	HR7	EM10	51
	5. We uphold the effective abolition of child labor.	<ul style="list-style-type: none"> <li>Employment Rules 1: Hiring</li> <li>Hiring Regulations 5: Limitations on hiring</li> </ul>	HR6	EM9	51
	6. We uphold the elimination of discrimination in respect of employment and occupation.	<ul style="list-style-type: none"> <li>Code of Conduct, chapter 3: Fair treatment</li> <li>Hiring Regulations 4: Hiring principles</li> </ul>	HR4 LA2 LA10 LA13 LA14	EM2 EM3 EM5 EM7 EM17 EM27	26/51~52/ 59
Environment	7. We support a precautionary approach to environmental challenges.	<ul style="list-style-type: none"> <li>Code of Conduct, chapter 6: Eco-friendly management</li> <li>Environment-Safety-Health regulations</li> </ul>	4.11	GR11	31/97
	8. We undertake initiatives to promote greater environmental responsibility.	<ul style="list-style-type: none"> <li>Code of Conduct, chapter 6: Eco-friendly management</li> <li>Environment-Safety-Health regulations</li> </ul>	EN5 EN6 EN7 EN10 EN14 EN18 EN21 EN22 EN26 EN27 EN30	EV1 EV2 EV3 EV4 EV11 EV16 EV17 EV23 EV24 EV26 EV27	72~89
	9. We encourage the development and proliferation of environmentally-friendly technologies.	<ul style="list-style-type: none"> <li>Code of Conduct, chapter 6: Eco-friendly Management</li> <li>Environment-Safety-Health regulations</li> </ul>	EN2 EN5 EN6 EN7 EN10 EN18 EN26 EN27 EN30	EV4 EV5 EV11 EV18 EV23 EV24	72~73/ 77/80/ 83~89
Anti-corruption	10. We work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"> <li>Declaration of Ethics Management</li> <li>Declaration of Fair Trade Compliance</li> <li>Code of Conduct, chapter 4: Fair work performance</li> <li>Code of Conduct, chapter 5: Partner companies</li> <li>Code of Conduct, Operation Regulations</li> </ul>	S02 S03 S04	CO5 EM25 EM26	97

While only 10 years old, Hynix's Declaration of Ethics Management is now a firm part of the company's corporate culture. The Hynix ethics management System is applied throughout the company's work process, with Hynix making Chamsori its corporate character and slogan. Collectively, these measures all symbolize Hynix's dedication to ethical management. As it strengthens communication with its employees and furthers its training to foster ethical practices, Hynix is also laying the groundwork for sustainable survival.

## Ethics Management: Promise of Hynix to Make a More Transparent & Just Society

By conducting business ethically and legally and establishing fair trade, Hynix aims to become a company that is as respected as it is appreciated by fulfilling its social responsibilities.

### Performance of Ethics Management

In 2009, the year that Hynix adopted the ethical corporate culture as a strategy of Ethics Management, the Hynix Ethics Management System (HEMS) was successfully incorporated into the daily work process, made 2009 a significant year for employees, since ethical awareness and behavior become a standard part of Hynix's corporate culture.

### Chamsori, the Ethics Management Character

In celebration of the 10th anniversary since the adoption of Ethics Management at Hynix, the company decided to create a character and a slogan to capture the spirit of ethical management. All employees took part in the effort to make Ethics Management a unique brand for Hynix. The character and the slogan will be used widely, which will help integrate the principles of Ethics Management into every employee's daily work process.

### Read Code of Conduct & Pledge Ethics Management on a Regular Basis

All employees, including the CEO, of Hynix take part in the campaign of 'Pledging the Ethics Management' regularly. Hynix even made its Code of Conduct available as an e-book so that employees can read it and pledge the Ethics Management on-line.

### e-Messages from the Top Management

A total of six messages from the top management have been delivered to employees via e-mail and showed their dedication and initiative for ethics to employees. Such e-messages are unique tools which Hynix draws upon to promote and train the practice of ethical management, and which also contributes to raising awareness about ethics among employees.

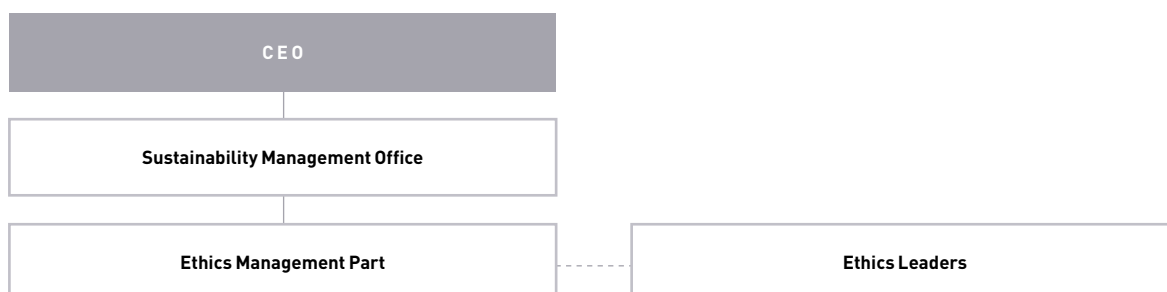
### Visiting Ethics Management Class for Employees

Hynix's visiting Ethics Management classes are a communication channel through which class participants are able to find tailored answers for ethical dilemmas and get training on the ethical management strategies of the company. These classes were held for a total of 608 employees from 15 groups in 2009.

### Ethics Management Consulting

This is consulting that is solely provided to ethics leaders in each office. A person from Ethics Management visits in the field and exchanges various ideas with the ethics leader to determine the assimilation of the place for ethics. The consulting service was provided for 22 ethics leaders in 2009.

### ► Ethics Management Organization





**Character:** Chamsori

**Slogan:** Ethics Management, Promise for the Future

**Description:** In Korean, "chamsori" is a homonym for "chamsoli," which refers to a pine tree that can survive even the harshest conditions. This is meant to symbolize the integrity and beliefs with which Hynix will pursue ethical management to create a transparent company. It also means "a true or right voice" in Korean.



### Ethics Management Workshops at Overseas Subsidiaries

The head and leader employees of HNSL (China Plant) took part in the October 2009 workshop on ethics, at which the compliance and practice of EICC (Electronic Industries Code of Conduct) were reconfirmed and a framework was established to implement Ethics Management strategies and pursue sustainability management.

### Ethics Management Evaluation

Hynix evaluates Ethics Management performances annually to monitor the progress of the company's ethics management development. This gives the company a chance to collect opinions so that it can reflect these views in future policies for stakeholders such as employees, partner companies, and local communities. In 2009, disciplinary measures were taken against employees of Hynix on three separate occasions, and four partner companies were punished with measures that included suspension of trade, cancellation of a contract, and restraint of trade.

### Education on Human Rights

All Hynix employees receive education on sexual harassment prevention. Technical/Office staff have access to online courses, and full-time workers receive off-line training as well. In total, 92.5 percent of Hynix employees received training on human rights in 2009. In addition, in accordance with the rules for operation of Korea's Private Security Law 12 (2), annual training on human rights is provided to employees of partner companies in charge of security and safety at Hynix's Seoul Office as well as its work sites in Icheon and Cheongju.

### Ethics Management in HNSL (China Plant)

C H I N A

#### Examples of Ethics Management Practices

HNSL conducts training sessions on Hynix's Ethics Management for partner companies as well as its employees to ensure it remains an ethical company. It also issued and disseminated an ethics white paper in Chinese to employees, and provided training on ethics through e-message videos and in classrooms. Moreover, workshops on ethics education are held for partner companies to help establish fair and transparent transaction practices.

#### Human Rights Training

New employees receive basic education at work and training on sexual harassment and ethics, as well as the core values and ethics management strategies of the company. Additionally, employees from partner companies who serve in security-related positions are given training to respect human rights and raise awareness about customer service.

### ► Standardized Ethics Management Performance Domestic business sites

Category		2009	2008	2007
Training	Training time (hours)	10,814	5,225	4,257
	Training time per person (hours)	0.55	0.30	0.23
	e-Messages (no. of editions)	6	10	0
Monitoring of Ethics Management activities	*Ethics performance index (scores)	81.8	81.6	72.8
	*Ethics practice index (scores)	82.8	77.4	76.3
Promotion of Ethics Management among partner companies	Visiting ethics class (no. of times)	2	3	11
	Ethics Management consulting visits (no. of times)	5	4	6

\* Ethics performance index: A system of listening to the opinions of stakeholders concerning the company's Ethics Management practices and their recognition

\* Ethics practice index: An internal system of monitoring and evaluating the company's Ethics Management practices by department

01 Awards Ceremony on the 8th Fair Trade Day

02 CP Forum



## Practices for Fair Competition, Healthy Market Environment & Antitrust Compliance

In 2009, Hynix reviewed the results from its Compliance Program (CP), identified weak points and subsequently corrected them.

### Compliance Program Performance

The Korea Fair Trade Commission (KFTC) conducted an evaluation of over 50 companies that introduced a CP in 2009. Hynix received an A rating in the evaluation, making it one of the top five companies according to the KFTC and qualifying Hynix to receive incentives from the KFTC for the next two years.

In addition, on the 8th Fair Trade Day, Hynix's CP manager won Korea's prestigious Prime Minister's award, the first time someone from the semiconductor industry has been so honored, in recognition of the company's efforts to comply with antitrust laws and encourage the Compliance Program throughout the company.

### Compliance Program Forum

Hynix hosted the 16th CP Forum in April 2009. For the event, Hynix invited people connected with the Korea Fair Trade Commission, the Korea Fair Competition Federation, among others. The forum was an excellent opportunity to show the public that Hynix is serious about complying with antitrust laws and raise awareness about CP in the industry.

### Promoting the Compliance Program (CP)

In 2009, Hynix conducted a total of 60 consulting services on fair trade laws and reviewed 500 legal cases involving antitrust and subcontracting issues. In addition, Hynix includes CP activities in performance evaluations for executives through a self-developed "mileage" program, where points are given to individuals, teams and departments based on their compliance activities. Employees had 8 training sessions on antitrust laws and subcontract transactions laws. The lectures were given by in-house instructors from the CP office with field experience, and not by outside lecturers.

 Refer to Hynix's website for more information on its Fair Trade Compliance Program (Sustainability Management> Fair Trade> Fair Trade Compliance Program).

### Self-corrections on the Violation of Subcontract Transaction Laws

After violations were found in a written investigation on subcontract transactions conducted by the KFTC in the first half of 2009, Hynix received a warning. The company immediately reported the unintended violation to management and took all the necessary measures to correct the problem, while also holding training sessions on subcontract transaction laws for all relevant departments. Plus, in order to ensure the same problem doesn't arise again in the future, Hynix will initially prepare a manual for subcontract transactions, followed by a compliance manual on fair trade with the help of external consultants.

### ► Fair Trade Law Training at Hynix in 2009

Date	Target	Course	No. of Trainees
Feb. 10, 2009	New Employees	Prevention of Antitrust Law Violation	102 people
May. 22, 2009	Procurement Division	Special Session on Subcontract Transaction Laws (obligatory price adjustment)	30 people
Jun. 24, 2009	Finance Division	Understanding Subcontract Transaction Laws	20 people
Jun. 25, 2009	Procurement Division	Understanding Subcontract Transaction Laws	40 people
Aug. 4, 2009	New Employee	Understanding Fair Trade Law	41 people
Oct. 15, 2009	Procurement Division	Special Session on Subcontract Transaction Laws (unfair decisions and settlements)	23 people

# Corporate Governance

05

Corporate governance at Hynix has become more transparent and more rational through the separation of the Chairman of the company's BOD and the CEO and through its adoption of a Corporate Governance Charter. Hynix's BOD has earned an excellent reputation for its continuous support of R&D activities, its ability to effectively reach out to employees, and its improved corporate governance. Its "ubiquitous" system of operations has also increased the efficiency of the BOD.


## Rational Decision Making, Transparent Management & Management Centered on the BOD


### Shareholder Status


Hynix is a publicly traded company on the Korea Exchange with 589,638,561 shares outstanding as of the end of December 2009. The Share Management Council, made up of the Korea Finance Corporation, Korea Exchange Bank, Woori Bank, and Shinhan Bank, owns 28% of Hynix's stock. Shareholders exercise decision-making rights on matters such as changing the company's articles of incorporation, making resolutions to appoint directors, and approving settlement of accounts at general shareholders' meetings.

### The Board of Directors (BOD)

The BOD consists of thirteen directors, including four internal directors and eight independent outside directors. In order to establish advanced corporate governance where the BOD is at the center of management, Hynix's CEO and the Chairman of the BOD were separated in March 2010. The number of outside directors makes up 70% of the total number of directors, enabling transparent and rational decision making. The Nomination & Governance Committee appoints outside directors through a fair and transparent process. Four sub-committees operate under the BOD – the Nomination & Governance Committee, the Audit Committee, the Compensation Committee, and the Strategy Committee, which collectively guarantee that professional decisions are carried out and that the BOD is run efficiently. Additionally, an Executive Committee was launched in 2010 to make important management decisions. Outside directors take responsibility as chairperson for each committee, with outside directors comprising more than half of all members, except on the Executive Committee, which guarantees each committee's independence. Salaries for inside and outside directors are approved at regular shareholders' meetings after being decided upon by the Compensation Committee. These salaries are pursuant to the rules about directors' pay, with both the salaries and other financial details reported at the following regular shareholders' meeting. There are also performance evaluations and reward systems in place to assess their roles and functions and to encourage them to practice ethical behavior, while carrying out the social responsibilities required of the company based on the Directors' Code of Conduct. In 2009, 13 BOD meetings were held, with an attendance rate of 99 percent.

 Refer to Hynix's website for more information on its BOD performance (About Us> Corporate Governance > BOD > BOD Performance).

 Refer to the Board of Directors section in Hynix's annual report for more information on evaluations concerning the company's BOD.

 Refer to the Executive Pay section in Hynix's annual report for more information on BOD directors' salaries.

### Separation of the BOD Chairman & CEO

Hynix separated the Chairman of the BOD and the CEO in March 2010 when it appointed Jong Kap Kim as the BOD Chairman and Oh Chul Kwon as the CEO of the company. This enabled the company to implement more advanced corporate governance based on a system of checks and balances, as the BOD Chairman is now in charge of enhancing the role and function of the BOD, while the CEO has control over management.



### "Ubiquitous" BOD Operation Examples

With the help of ubiquitous technology such as an information service system for board directors (<http://bod.hynix.com>) and video conferencing, Hynix has enhanced the information sharing ability and efficiency of all its directors. The company's "ubiquitous" board of directors system was introduced at a forum called Global Boards in a Flat World, hosted by the NACD (National Association of Corporate Directors) in January 2009, and chosen as one of the industry's best practices on several occasions in seminars held by such organizations as the Korean Institute of Directors and Corporate Governance Service.

## ► BOD Status

Category	Name	Experience	Sub-committee
Inside Directors	<b>Jong Kap Kim</b>	Korean Intellectual Property Office Commissioner 1st Vice-secretary, Ministry of Commerce, Industry and Energy CEO, Hynix Semiconductor Inc. Chairman of the BOD, Hynix Semiconductor Inc.	Chairman of the Board of Directors
	<b>Oh Chul Kwon</b>	Director, Strategic Planning Division, Hynix Semiconductor Inc. Director, Office of External Affairs, Hynix Semiconductor Inc. CEO, Chinese Subsidiary, Hynix Semiconductor Inc. CEO, Hynix Semiconductor Inc.	Nomination & Governance Committee Management Committee
	<b>Sung Wook Park</b>	Hynix Semiconductor Inc., U.S. Subsidiary Head of the R&D Center, Hynix Semiconductor Inc. Head of the R&D and Manufacturing Division, Hynix Semiconductor Inc.	Compensation Committee Management Committee
	<b>Min Chul Kim</b>	Corporate Finance Division Director, Hynix Semiconductor Inc. Procurement Division Director, Hynix Semiconductor Inc.	Compensation Committee Management Committee
Outside Directors	<b>Jong Sun Park</b>	ROK Air Force (Air Commodore) Executive Director, Samsung Techwin Co., Ltd. Vice President, Sungeun International Co., Ltd.	Compensation Committee Strategy Committee
	<b>Kab Jong Paek</b>	Director, Office of Planning & Coordination/President, Shinwon Group CEO, Korea Farm Broadcasting (KFB)	Audit Committee Strategy Committee
	<b>In Baik Jeon</b>	Director, Restructuring Office, Hynix Semiconductor Inc. Director, Planning & Administration Division, Hyundai Group CEO, Hyundai UNI	Compensation Committee
	<b>Boo Whan Han</b>	Chief Public Prosecutor, Daejeon High Public Prosecutors' Office Vice-minister, Ministry of Justice/Director of Legal Research and Training Institute	Nomination & Governance Committee Strategy Committee
	<b>Jang Bong Choi</b>	Assistant Governor, Korean Financial Supervisory Service Chairman, Debt Creditors' Restructuring Committee President, Korea Deposit Insurance Corporation	Compensation Committee Strategy Committee
	<b>Byung Tae Jung</b>	Director, Public Health Office/Health Strategy Office, Ministry of Finance Economy CEO, BC Card	Compensation Committee Strategy Committee
	<b>Jae Yong Song</b>	Branch Manager (Yeouido), Korea Foreign Exchange Bank Branch Manager, German Branch of Korea Foreign Exchange Bank Director, Global Product Division	Audit Committee Management Committee
	<b>Hyeong Joon Kim</b>	Chair, Working-level Committee of Next-generation Semiconductors, Ministry of Knowledge Economy/Director, Planning Office, Seoul National University Director	Compensation Committee Strategy Committee
	<b>Chang Ho Kim</b>	Seocho Branch, Sales Division, Woori Bank Director, Sales Support Team, Woori Bank Director, Operations & Support Unit	Audit Committee Compensation Committee

## ► Committee Composition

Committee Organization	Composition and Roles	Outside Directors  / Inside Directors 
<b>Audit Committee</b>	<b>Chairman:</b> Kab Jong Paek   Kab Jong Paek, Jae Yong Song, Chang Ho Kim Audit and Inspection, deliberation of outside directors appointment	
<b>Nomination &amp; Governance Committee</b>	<b>Chairman:</b> Boo Whan Han   Boo Whan Han, Byung Tae Jung, Oh Chul Kwon Recommendation of outside director candidates, qualification of inside director candidates according to relevant laws, articles of corporation, and BOD rules	
<b>Compensation Committee</b>	<b>Chairman:</b> Jang Bong Choi   Jang Bong Choi, Jong Sun Park, Hyeong Joon Kim, In Baik Jeon, Chang Ho Kim, Sung Wook Park, Min Chul Kim Deliberation of agenda on organization, compensation system, and appointment of management according to relevant laws, articles of corporation, and BOD rules	
<b>Strategy Committee</b>	<b>Chairman:</b> Jong Sun Park   Jong Sun Park, Hyeong Joon Kim, Jang Bong Choi, Boo Whan Han, Kab Jong Paek, In Baik Jeon, Byung Tae Jung Enactment and revision of mid- and long-term strategies of the company, major investments, modifying articles of the corporation, mergers, and BOD rules	
<b>Management Committee</b>	<b>Chairman:</b> Oh Chul Kwon   Jae Yong Song, Oh Chul Kwon, Sung Wook Park, Min Chul Kim Deliberation of loans of a certain scale, investments in overseas subsidiaries, business transfers, and major investment plans	




## Adopting Hynix's Corporate Governance Charter



### Adoption of Corporate Governance Charter

By the resolution of its board of directors on November 27, 2009, Hynix created and then published a Corporate Governance Charter in which it declared its principles, the future direction of its corporate governance and the company's determination to pursue transparent management centered on the BOD. The charter consists of five sections – preamble, shareholders, BOD auditing groups, stakeholders, and IPO – and captures the company's resolve to become the world's top semiconductor maker by promoting the interests of all its stakeholders, shareholders, customers and employees alike, in a fair and balanced manner.

 Refer to Hynix's website for more information on its Corporate Governance Charter (About Us > Corporate Governance > Corporate Governance Charter).

### A BOD Committed to Continuous Learning

Hynix provides its BOD members with a variety of opportunities to enhance their expertise. This is not only an opportunity for growth for the BOD but also a chance to create an atmosphere which encourages directors to never stop learning in their effort to establish the most transparent corporate governance. Directors attended international events such as the annual conference for the International Corporate Governance Network (ICGN), held in July 2009 in Australia, the Asian CAE Leadership Forum in October in Malaysia, and the Asian Corporate Governance Association (ACGA) meeting in Beijing in November to discuss characteristics about corporate governance and its future direction. Hynix works hard to make rational and informed decisions at the BOD level by continuing to offer more professional and systematic training.

### Hynix's BOD Reaches Out to Employees

Instead of just exercising its legal or institutional responsibilities, the BOD at Hynix took another step forward by sharing some of its knowledge and experience with employees through a series of different on-site meetings. In the six interviews given for the in-house newsletter in 2009, outside directors talked about their personal lives and gave valuable advice to employees, as well as insight into subjects such as the role of the BOD and Hynix's management strategy. All in all it was a good opportunity for the BOD to draw closer to the company's workforce. On October 2009 and February 2010, crash courses on Leaders' Management were given by some outside directors as a way to share their rich experience and expertise in their respective fields. Hynix's BOD will continue to expand such exchanges with employees through internal channels such as interviews, special lectures, and events.

### Corporate Governance Ratings Upgraded

Since it introduced a new BOD system in November 2007, Hynix has been improving its corporate governance by more clearly delineating BOD-related regulations, issuing a Board of Directors' Manual, establishing a method for board members to share information, setting up a videoconferencing system, and creating a Corporate Governance Charter. These efforts were rewarded when Hynix's corporate governance rating was improved from the previous "good" to "very good" in a 2009 evaluation conducted by the Korea Corporate Governance Service.

Internal and external risk factors related to a corporation's management are rapidly increasing. To address these challenges, Hynix operates a number of company-wide systems, including Hy-RWS (Hynix Risk Warning System), IFIS (Integrated Financial Information System), and HICS (Hynix Internal Control System). Hynix is committed to upholding its responsibility as a trusted corporate citizen by running an internal accounting management system that abides by a strict set of standards and procedures to support transparent and rational decision making.

## Risk Response System for Sustainable Growth; Risk Management

### Hy-RWS: ERP-based Online Risk Monitoring

In order to manage risks related to the effectiveness and efficiency of the work process while also complying with regulations, Hynix has been running Hy-RWS (Hynix Risk Warning System), an ERP (Enterprise Resource Planning)-based online risk monitoring system that supports each team in responding to risks that occur at work, since 2005. As of the end of 2009, 255 items were being monitored at Hynix, with 130 people, including some from overseas subsidiaries, working as members of a voluntary Risk Monitoring and Control Committee.

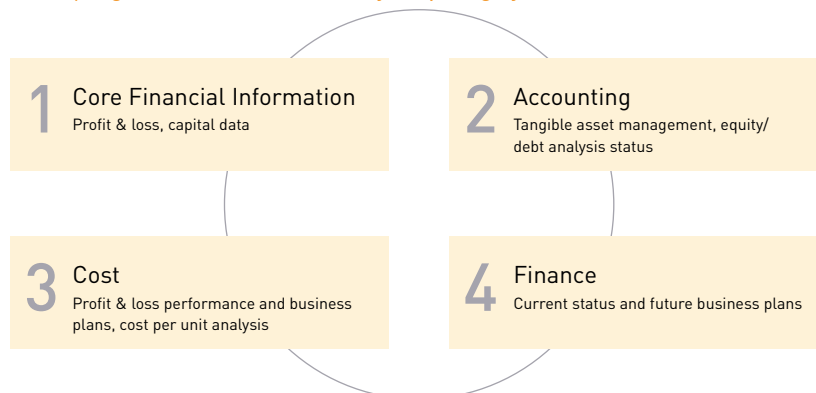
### IFIS: Helping Make Decisions to Achieve Management's Goals

IFIS (Integrated Financial Information System) provides financial information such as cost figures, accounting, and funding to support the decision-making process when it comes to future risks by offering sound predictions.

### A Reliable & Rational Decision-making System

Hynix has adopted an internal accounting control system to determine if its corporate financial statements are prepared in a way that adheres to generally accepted accounting standards. Hynix conducts regular evaluations of design and of management, taking into account such internal accounting control system factors as control environment, risk evaluation, control activities, and information sharing and communication. The results are then published through a report at a BOD meeting and through the company's audit reports after gaining approval from the Audit Committee. At the same time, Hynix is addressing legal standards (laws concerning the external audit of corporations) that include the internal accounting evaluation of overseas subsidiaries to ensure they meet the International Financial Reporting Standards (IFRS) as soon as possible. Hynix plans to proactively respond to the changing external environment, while also complying with all domestic laws and regulations in its effective operation of an internal control system.

### ► IFIS (Integrated Financial Information System) Category & Information Provided

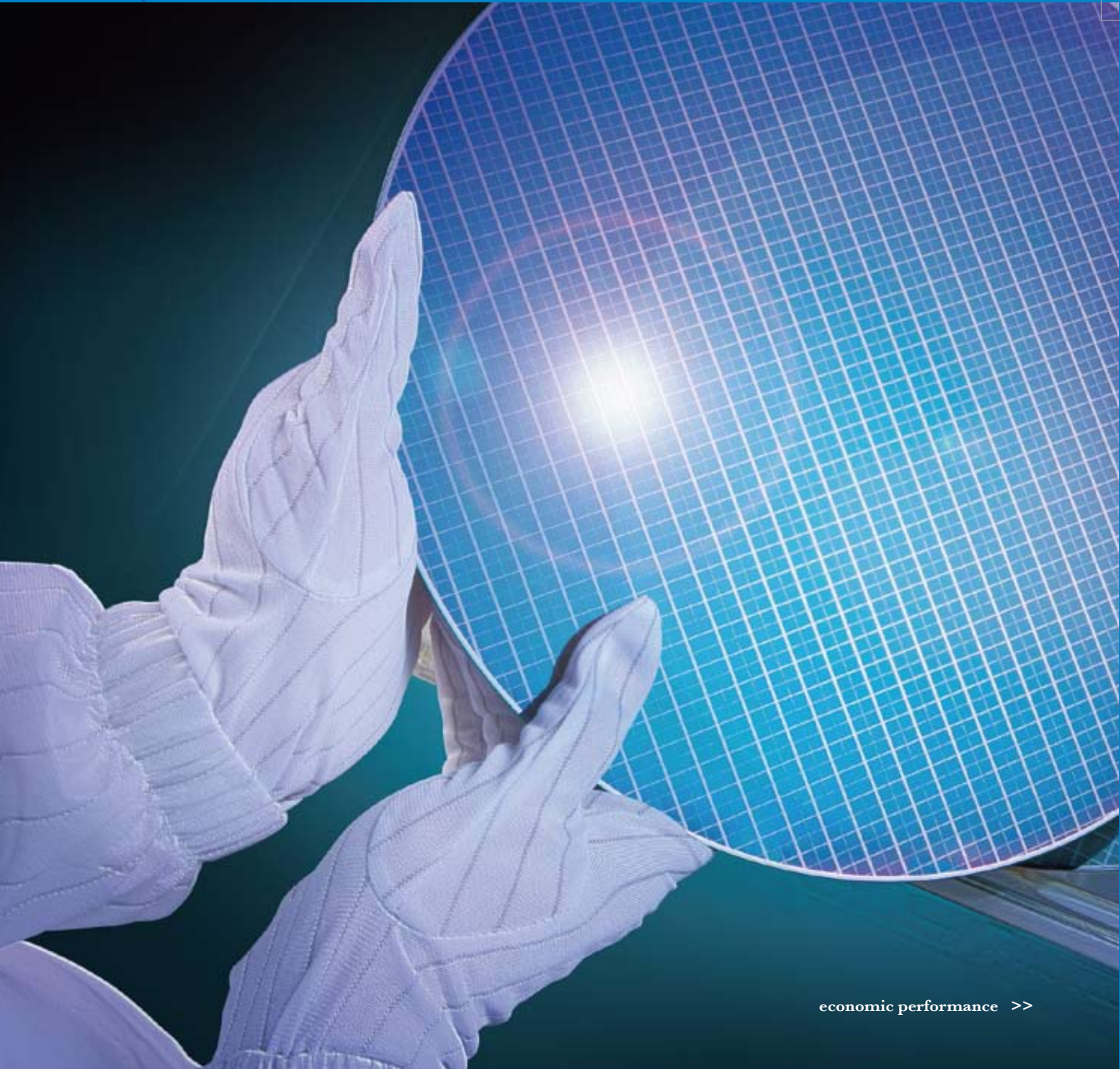


Hynix lends support where needed in making informed decisions about management goals and strategies, improving liquidity forecasts, and establishing a step-by-step risk management system by incorporating and providing financial information through IFIS. IFIS is concerned with practical information and has special options developed for the sake of convenience with respect to items that system users require to meet their specific needs.

# Excellent Performance of a Great Company is...

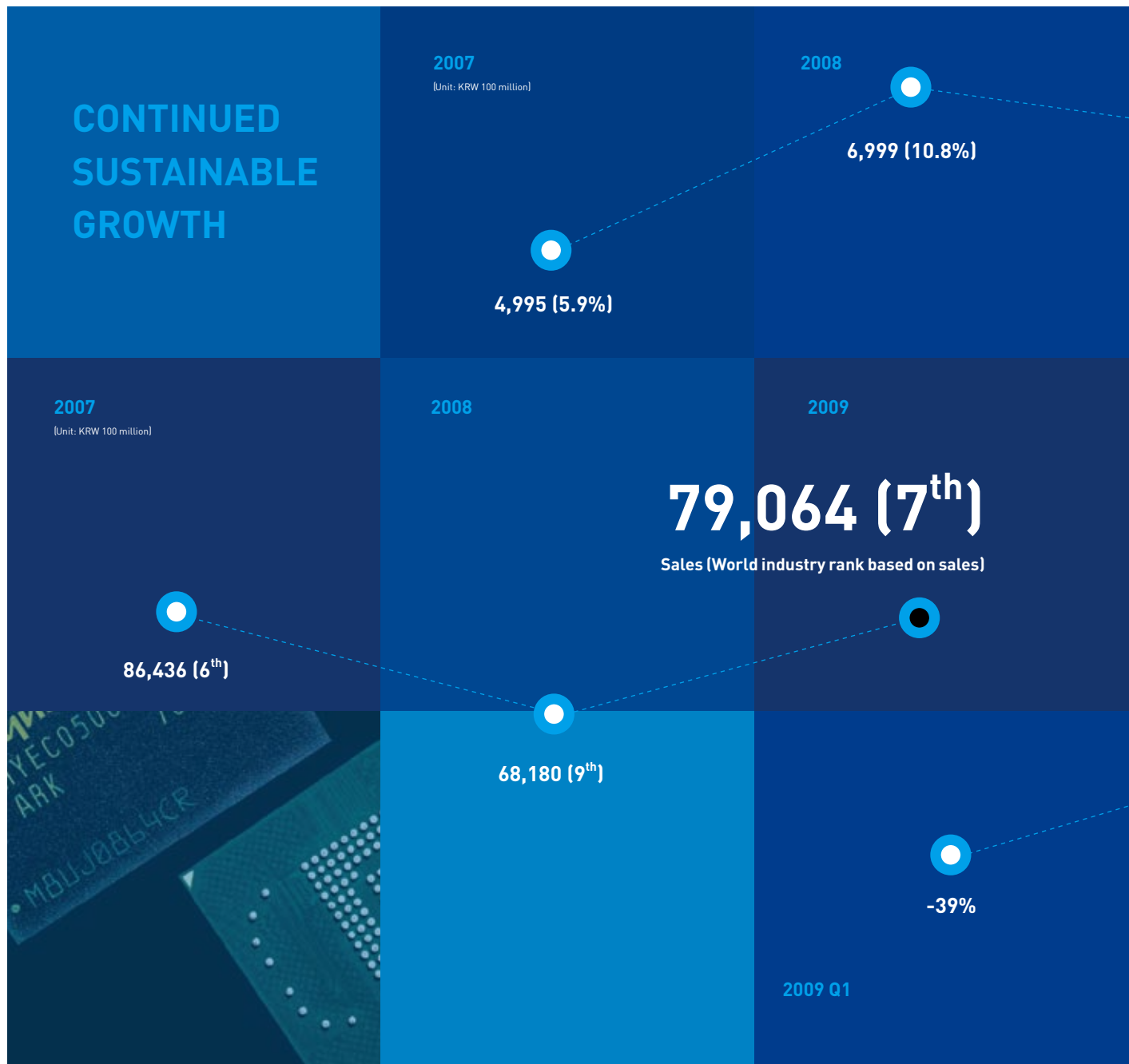
Hynix was able to achieve the industry's highest rate of operating margin in the 4th quarter of 2009, making a financial turnaround within just one year. Thanks to the company's world class technological competencies in the DRAM and NAND Flash markets, an increased portion of high value-added products, and consistent efforts to rationalize management and enhance production efficiency.

Based on this excellent performance, Hynix will continue to build on its already solid groundwork for sustainable growth by focusing on R&D and investment to secure lasting technological leadership, while maintaining innovation as part of its business structure to maximize economic performance.





# Excellent Performance of a Great Company is...





2009



6,728 (9.0%)

R&D Expenditures (R&D Expenditures/Sales, Headquarters)



SUCCEEDED  
IN MAKING  
A DRAMATIC  
TURNAROUND

2009 Q3

2009 Q4

10%



25%

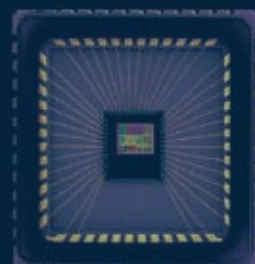
Quarterly Rate of  
Operating Income



-13%

ENHANCED  
TECHNOLOGICAL  
LEADERSHIP

2009 Q2



# Economic Performance: Creation and Distribution

01

Amid a slowdown in the semiconductor industry both in Korea and overseas for the past several years, Hynix has been able to achieve a complete financial turnaround, with sales reaching KRW 7,906 billion, earning it the highest profit rate in the industry in the 4th quarter of 2009. Not only did Hynix make huge strides in the Chinese market, an emerging giant in the world's semiconductor industry, it dominated the Chinese DRAM market with an overwhelming market share with its superior manufacturing and technological competencies.

## Back in the Black with Record High Profit Rate

Sales in 2009 increased 16 percent compared to the same period in the previous year, reaching KRW 7,906 billion, thanks in part to the rise in sales of DRAM and NAND Flash chips and price appreciation on both these products. This was made possible because every Hynix employee worked hard in running a management system, which dealt with emergencies to overcome the financial crisis, and improved risk management by increasing productivity and cutting costs. Hynix made a particularly significant financial turnaround in the third quarter of 2009, just seven quarters after suffering a loss in 2007, with the company posting sales of KRW 2,799 billion in the fourth quarter of 2009, the highest quarterly sales result in its history. It also posted an operating profit of KRW 708 billion in the final quarter of 2009, its second highest result in history and the top figure in the industry, completing the company's financial turnaround within just one year.

**Key Financial Performance Figures** On a consolidated basis, Unit: KRW 100 million

Category	2009	2008	2007
Sales	79,064	68,180	86,436
Operating income	1,920	-19,201	5,137
Rate of operating income	2.43%	-28.16%	5.94%
Net income	-3,326	-47,447	3,639

Refer to Hynix's website for key financial statements (IR > Company Overview Data > Key Financials).

**Sales by Product** On a consolidated basis, Unit: KRW 100 million

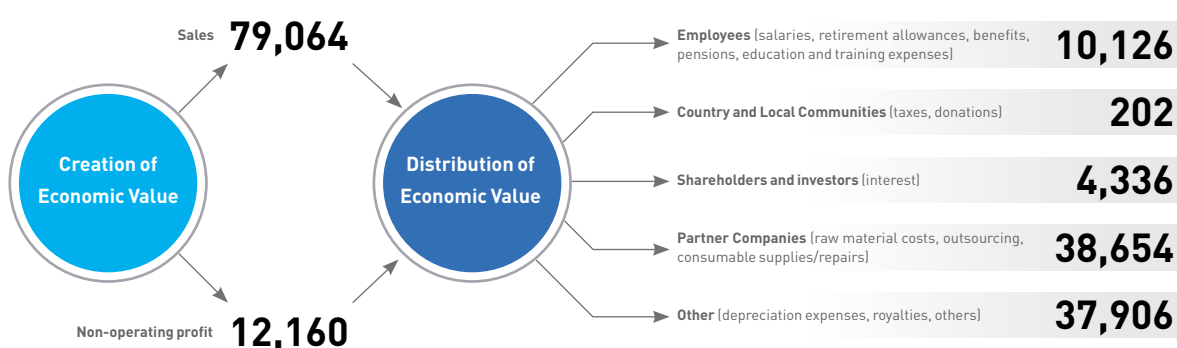
Category	2009	2008	2007
Memory	DRAM	59,878	49,627
	NAND Flash	13,395	14,457
Others	5,791	4,096	2,377
Total	79,064	68,180	86,436

\* The Others category includes sales of MCP, CMOS Image Sensors, royalties, and sales of domestic subsidiaries

## Influence of the Semiconductor Industry on Korea's Economy

Semiconductor chips are indispensable parts of electronic goods used in a wide variety of products including computers, communication equipment, communication systems, cars, digital home appliances, industrial machinery, and control systems. According to 2010 January's World Semiconductor Trade Statistics (WSTS), the world semiconductor market was worth 226 billion dollars, of which memory products comprised about 20 percent at 45 billion dollars. DRAM chips represented the biggest share of the memory market, with about 50 percent of total memory chip sales in 2009, followed by NAND Flash and Nor Flash\* chips making up 33 percent and 10 percent of the market, respectively. The semiconductor industry represents approximately 10 percent of Korea's total exports over the past five years and is the backbone of the country's industries, contributing to manufacturing and exports as core components in end-use applications like computers and home appliances.

► **Distribution of Economic Value** On a consolidated basis, Unit: KRW 100 million



## C H I N A

## Hynix Dominates DRAM Market in China

China emerged as the largest semiconductor market in the world in 2005 in terms of sales. According to data from the 1st quarter of 2010, iSuppli, a global leader in technology value chain research and advisory services, China's semiconductor market was predicted to grow to \$120 billion by 2014, accounting for more than one-third of the world's market.

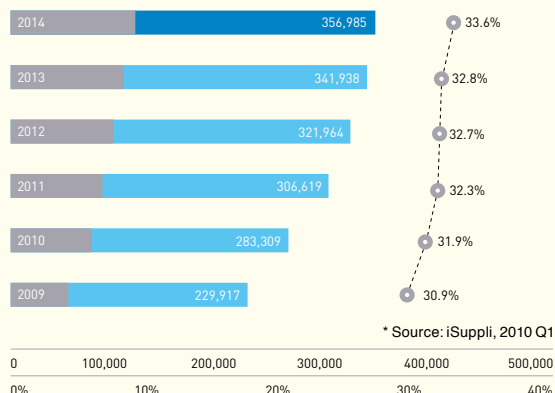
### State of HNSL (China Plant)

HNSL became the largest foreign invested enterprise (FIE) semiconductor chipmaker in Jiangsu after making three investments totaling 5 billion dollars since 2004. Furthermore, it outpaces its Chinese rivals in both production capacity and technology, while dominating the local DRAM market with an approximate 50 percent market share.

### ► Proportion of the Chinese Semiconductor Market to the World Market

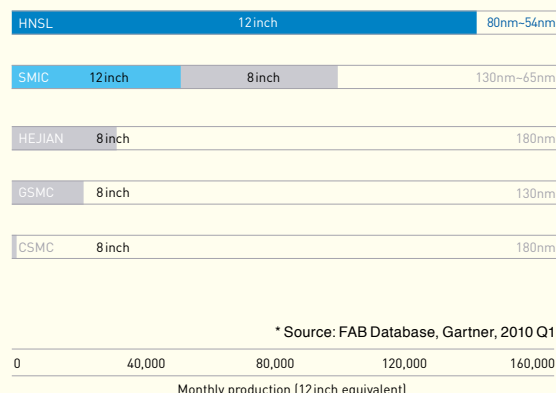
Unit: USD million

Sales in the Chinese market / Sales in the world market /  
Proportion of the Chinese market (%)



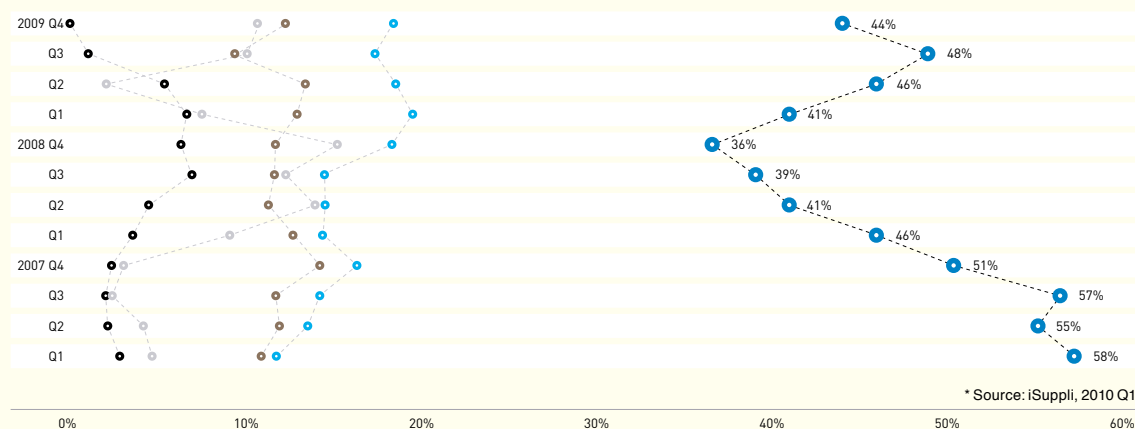
### ► Comparison of Technology/Size of Major Semiconductor Makers in China

Unit: wafers



### ► Market Share in China's DRAM Market

Hynix / Micron / Samsung / Elpida / Qimonda





# Strategies for Sustainable Development

02

In 2009, Hynix focused its efforts on gaining a competitive edge in products to stabilize its profit structure, while continuing to improve its financial structure to secure funds for future investments and liquidity, gain business competitiveness, and procure future growth engines. In addition, the company is expanding its strategic alliances and partnership efforts in various fields following the establishment of HITECH, a joint-venture company for a back-end partnership with Wuxi, China.

## Securing Future Growth Engines & Sustainable Growth

### Securing Financial Stability

Hynix has improved its management structure by focusing on financial stability. Specifically, the company's management is now centered on cash flow and gaining technological competitiveness, increasing its portion of high-value added products, expanding its strategic alliances, and cutting costs. It is also securing liquidity by gradually reducing the total of its loans, currently about KRW 7,000 billion, in case of future economic uncertainties. In addition, the company is stabilizing its financial structure by optimizing the maturity structure of its loans and reducing financial costs through the refinancing and faster repayment of loans with higher interest rates. Hynix will continue to establish a solid foundation for growth by increasing its reserves during economic boom periods, while also stabilizing its scenario management during tough economic times.

### Securing a Competitive Edge

Hynix will ensure a stable profit structure by gaining a competitive edge based on the world's highest capabilities as it continues to lead the DRAM industry by developing 30nm class technology. At the same time, it will bridge any technical gaps it has with competitors in the NAND Flash market by developing 20nm class products.

### Strengthen Competitiveness through Strategic Partnerships

Through strategic partnerships, Hynix is strengthening its business competitiveness. It is also becoming more competitive in terms of its costs by getting involved with projects like HITECH\*, a semiconductor back-end joint venture, while also setting up a complete production system in China to cut production and logistics costs. Furthermore, Hynix is increasing competitiveness in NAND Flash applied fusion products, expanding its memory chip-related businesses, and continuing to form strategic partnerships in various fields, including next-generation memory technology development.

\* HITECH: A company that specializes in the semiconductor back-end process and was established in partnership with the City of Wuxi, China

### ► Current Strategic Partnerships

Date	Partners	Description
May 2009	Numonyx Phison	Three-party co-development of a controller for NAND Flash applications
May 2009	Wuxi, China	Establishment of HITECH, a joint venture company for the semiconductor back-end-process
November 2009	SiliconFile	Launch of a group which co-designs CMOS Image Sensors

Refer to the Rear-end Process Service Contract in the business report for more information about HITECH.



Hynix's top semiconductor technology led to remarkable results in 2009. Part of this success was due to the company's display of technological leadership when it introduced the world's first 40nm class DRAM products, as well as the world's first 30nm class and 20nm class NAND Flash. Hynix increased its sales and market dominance in its core products, including DRAM and NAND Flash chips, as it laid the groundwork for the stable supply of high-quality CMOS Image Sensors, a next-generation growth engine for Hynix.

## R&D Investment: The Driving Force of Technological Evolution in the Semiconductor Industry

Hynix has been active with R&D investment to strengthen its mid- to long-term competitiveness. After increasing R&D investment from about 5 to 6 percent of total sales in 2007 to 10.8 percent in 2008, the company maintained the same R&D investment level in 2009 despite economic downturn. Based on this, Hynix developed 54nm technology in 2008 and 44nm in 2009, a huge technological stride forward for Hynix, who has firmly established itself as an industry leader. As Hynix continues to increase investment into research and development, it will focus its R&D capabilities on securing technological leadership and future growth engines as quickly as possible.

## Technological Leadership: World Firsts Made Possible with Process-On-Chip

Hynix developed 19 different products in 2009, including the LPDDR2 memory controller, by applying precision process technology and the GDDR5 graphics card memory. In addition, Hynix developed technology alongside Numonyx, one of the world's leading flash memory chip makers, to produce 30nm class NAND Flash chips. This was just more proof that Hynix has the highest technological competitiveness in the industry when it comes to NAND Flash chips and DRAM.

### DRAM

Hynix developed the first 1Gb DDR3 DRAM after applying 40nm class process technology in February 2009, the first time this had ever been accomplished. The 40nm class process is a next-generation DRAM process technology which most DRAM chip makers hope to achieve after 2010. However Hynix showed its technological prowess by being the world's first. Hynix expects to continue leading the market with differentiated products that are a generation ahead of the company's closest competitors by developing the world's first graphic and mobile products using the 44nm process in December 2009 and January 2010, respectively. No matter how competitive the business environment becomes, Hynix has readied itself by securing a wide range of product lines, increasing its market share, and developing the industry leading 30nm class process to technology.

### ► R&D Expenditure Trends

Headquarters



### ► DRAM Product Development Leadership

Jan. 5, 2009	World's fastest module for DDR3 server, Intel-certified 4Gb ECC UDIMM
Feb. 8, 2009	Developed world's first 44nm DDR3 DRAM
Apr. 27, 2009	Developed world's best 1Gb mobile LPDDR2
Aug. 10, 2009	World's first Intel-certified 4Gb mobile DRAM
Dec. 20, 2009	Developed world's first 40nm class 2Gb graphics DDR5
Jan. 13, 2010	Developed world's first 40nm class 2Gb mobile DRAM product

### NAND Flash

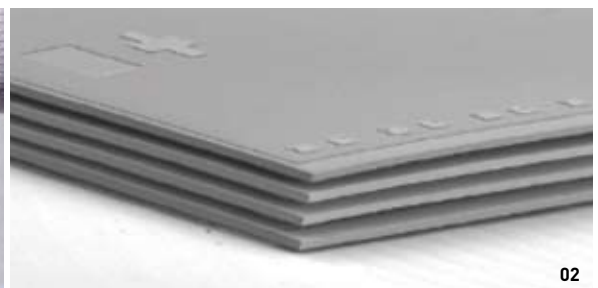
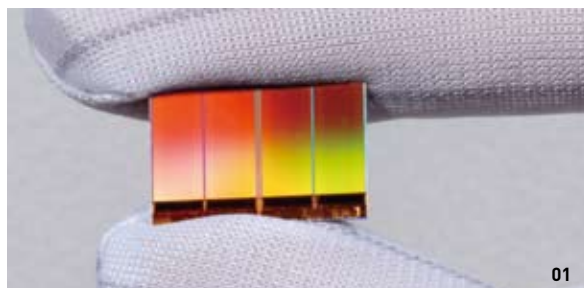
Hynix succeeded in developing 32Gb NAND Flash chips that use 30nm class process technology in August 2009 and a 20nm class 64Gb product just six months later. With the development of noise reduced 20nm class process, Hynix plans to push the limits of NAND technology to produce 10nm class products. With 30nm class process technology Hynix will improve productivity by 100% over the previous generation positioning itself as the strongest competitor in terms of cost in the industry.

### Developing Next Generation Technology

In order to secure future technological advantage, Hynix established a roadmap to prepare for the era after DRAM and NAND Flash chips and to actively develop next-generation semiconductors such as PCRAM\* (Phase-Change RAM), STT RAM\* (Spin-Torque Transfer RAM) and ReRAM\* (Resistance RAM). As such, Hynix is building cooperative partnerships with major companies in the industry and actively participating in government assistance programs to enhance its national competitiveness. Major achievements for the company include the successful development in June 2009 of the 4-stack NAND Flash prototype, using TSV\* chip connection technology in collaboration with packaging services provider Amkor Technology. This next-generation growth engine project was sponsored by Korea's Ministry of Knowledge Economy. This enabled Hynix to secure the cutting-edge chip-stacking technology needed to make packages smaller, faster, more power efficient compared to existing wire-bonding chip-stack packages, thereby responding to customers' demand for an up-to-date packaging technology. Additionally, Hynix is investing in R&D in such projects as next-generation non-volatile memory, commercialization of nanometer semiconductor equipment, and a mutual cooperation project for performance evaluation to explore driving forces of future growth.

01 20nm class 64Gb NAND Flash product


02 4-stack NAND Flash prototype using TSV technology



## 2009 PRODUCT STORY

# DRAM



 Refer to Hynix's website for more information on DRAM (Product > DRAM).

### Main Memory

DRAM sales accounted for about 76 percent of Hynix's total sales in 2009. Main memory accounted for 65 percent of DRAM chip sales and are used in such products as desktop computers, laptops, and servers. In fact, servers represent 27 percent of Hynix's main memory sales and ranked first in market share in the 4th quarter thanks to an increase in sales of DDR3 for servers.

### Consumer Memory

Consumer memory are used in home electronics such as digital TVs, set-top boxes, DVD players and PC peripheral devices such as network equipment, hard/optical drives, printers, and multi-functional machines. Hynix is equipped with a full lineup of products, ranging from 128Mb SDR to the latest 2Gb DDR3 products, all of which meet the needs of customers. Furthermore, Hynix provides KGD\* (known-good die) and FBGA\* (Fine-Pitch Ball Grid Array) packaging to meet the requirements of most applications.

### Graphics Memory


Hynix developed the world's first 44nm 2Gb graphics DDR5, required for high end multimedia functions in games and videos. It also secured technology leadership in the graphics market by increasing market share from 25.2 percent last year to 42.3 percent this year.

### Mobile Memory

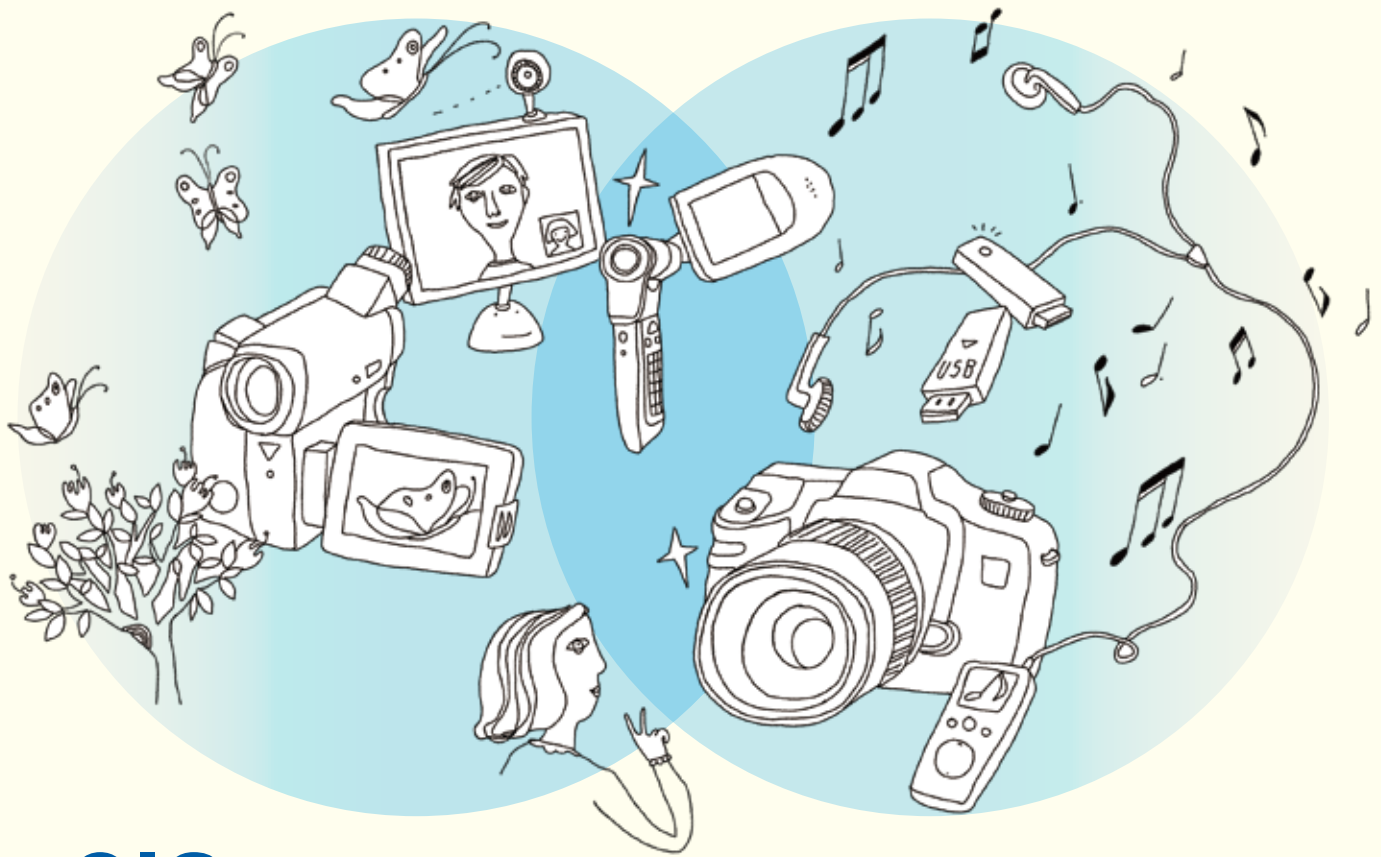
Mobile memory are used in various products that include mobile phones, smart phones, netbooks, digital cameras, and GPS (Global Positioning System) devices and are expected to post the highest growth rate with the acceleration of information and communication convergence. Through consistent investment, Hynix has strengthened its competitiveness and maximized the sale of mobile products, increasing its market share to 17.4 percent.




Thanks to the spread of digital content, NAND Flash chips are commonly used in various applications such as MP3 players/PMPs, digital cameras, camcorders, memory cards, USB memory devices, and other home electronics appliances such as game consoles and navigation devices. Hynix NAND Flash has been widely adopted in mobile handsets, with a PC storage solution based on NAND Flash currently under development. Sales of NAND Flash accounted for 17 percent of total sales in 2009. Today, Hynix is flexibly adjusting the production and sales portion of NAND Flash and DRAM according to changes in the market environment.

 Refer to Hynix's website for more information on NAND Flash (Product> NAND Flash).

## NAND FLASH



## CIS

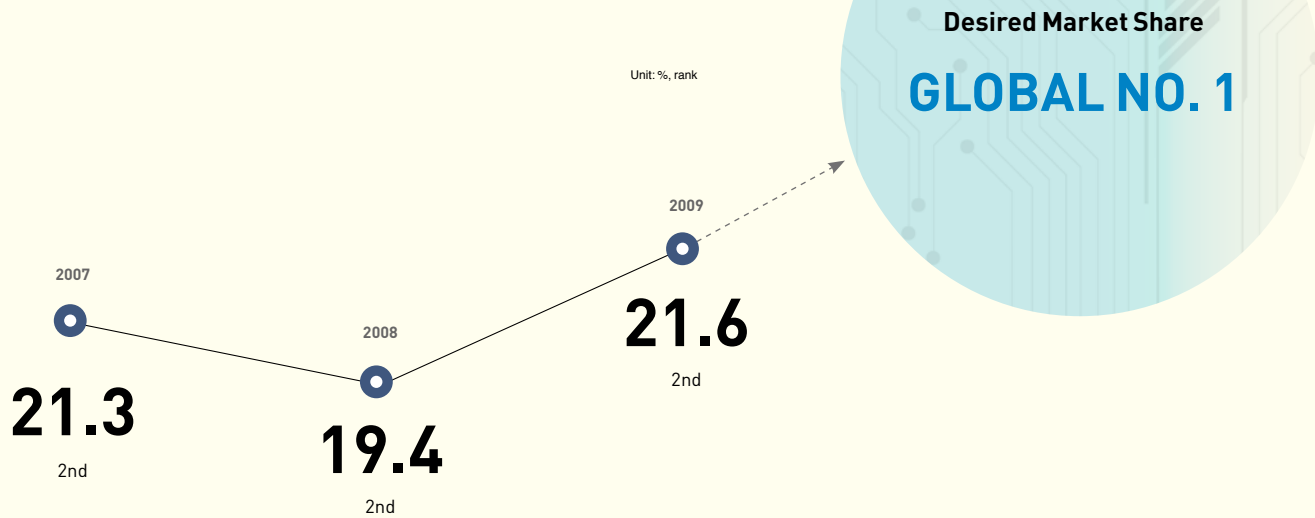
 Refer to Hynix's website for more information on CMOS Image Sensors (Product> CIS).

CMOS Image Sensors are a semiconductor chip serving as a digital film in cameras, including camera phones, digital cameras, and webcams. According to Techno Systems Research Co. Ltd., the shipment of CMOS Image Sensors is expected to grow 18 percent annually until 2013. Since August 2009, Hynix has been supplying 300K and 2-megapixel CMOS Image Sensors for Korean cell phone users. Due to the extraordinarily favorable response and feedback from customers, the number of cell phone models adopting Hynix's CMOS Image Sensor is expected to grow continuously. In February 2009, Hynix began developing 1.3-megapixel CMOS Image Sensors from design stage to quality assurance. The company also laid the foundation for the stable supply of high-quality CMOS Image Sensors by securing more than 90 percent of the 300K-pixel market and 85 percent of the 2-megapixel market based on yield rates. In November 2009, Hynix also completed a roadmap for organization and integrated design so as to reduce inefficiency which resulted in the separate development of products by Hynix, SiliconFile, and Hynix Semiconductor America Inc.'s research center. This has led to more effective project management and an optimal design process, which is expected to increase the company's development capabilities. Hynix aims to develop 5- and 8- megapixel products using the world's smallest 1.4-micron pixel and is currently developing a back-illuminated CMOS Image Sensor and ultra-fine pixel with the goal of entering the DSLR and hybrid camera market in 2011. In the future, Hynix will enhance its position in the CMOS Image Sensor market even further by expanding the scope of its target markets and diversifying applications based on strengthened capabilities.

### ► DRAM Market Share Trends

\* Based on sales (Source: iSuppli), 2010 Q1

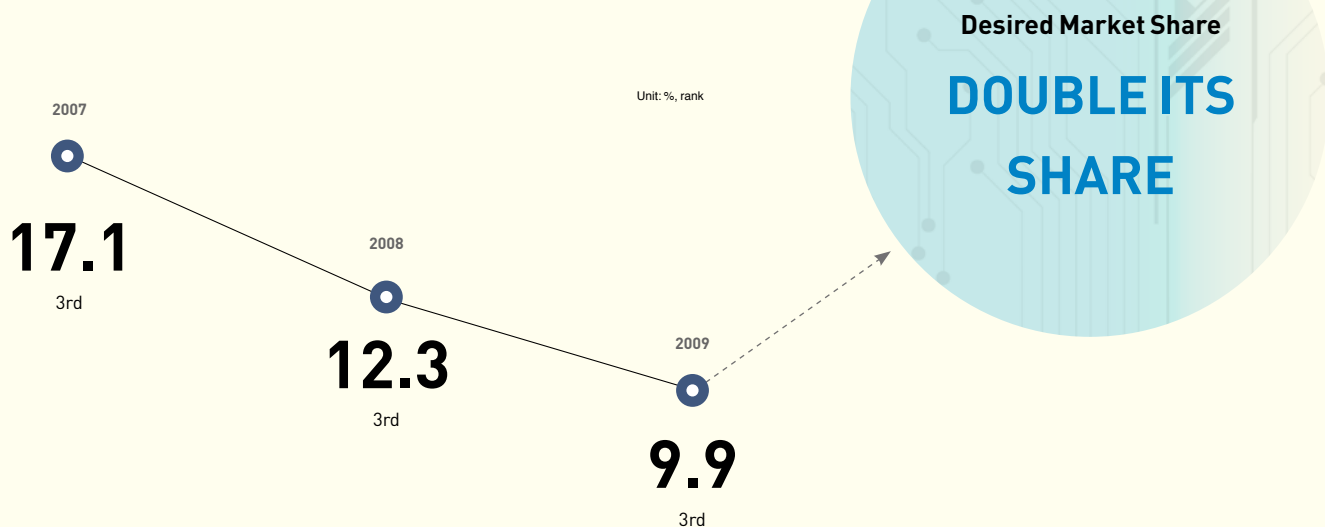
DRAM is Hynix's main business, accounting for about 76 percent of the company's total sales in 2009. With the booming semiconductor market in 2010, Hynix is widening the existing technological gap by successfully converting to 40nm class products and by completing the development of 30nm class products within the year. In addition it is optimizing its high-added value product portfolio and raising the company's status as the world's best DRAM maker.



### ► NAND Flash Market Share Trends

\* Based on sales (Source: iSuppli), 2010 Q1

In 2009, Hynix's NAND Flash business was able to record a higher sales profit rate in relation to its competitors through technological innovation that reduced the technology gap with industry leaders, while also strengthening its cost competitiveness. Hynix began mass producing 20nm class products in 2010, giving it a competitive edge over the rest of the industry as it doubled its manufacturing capacity to continuously increase its market share.

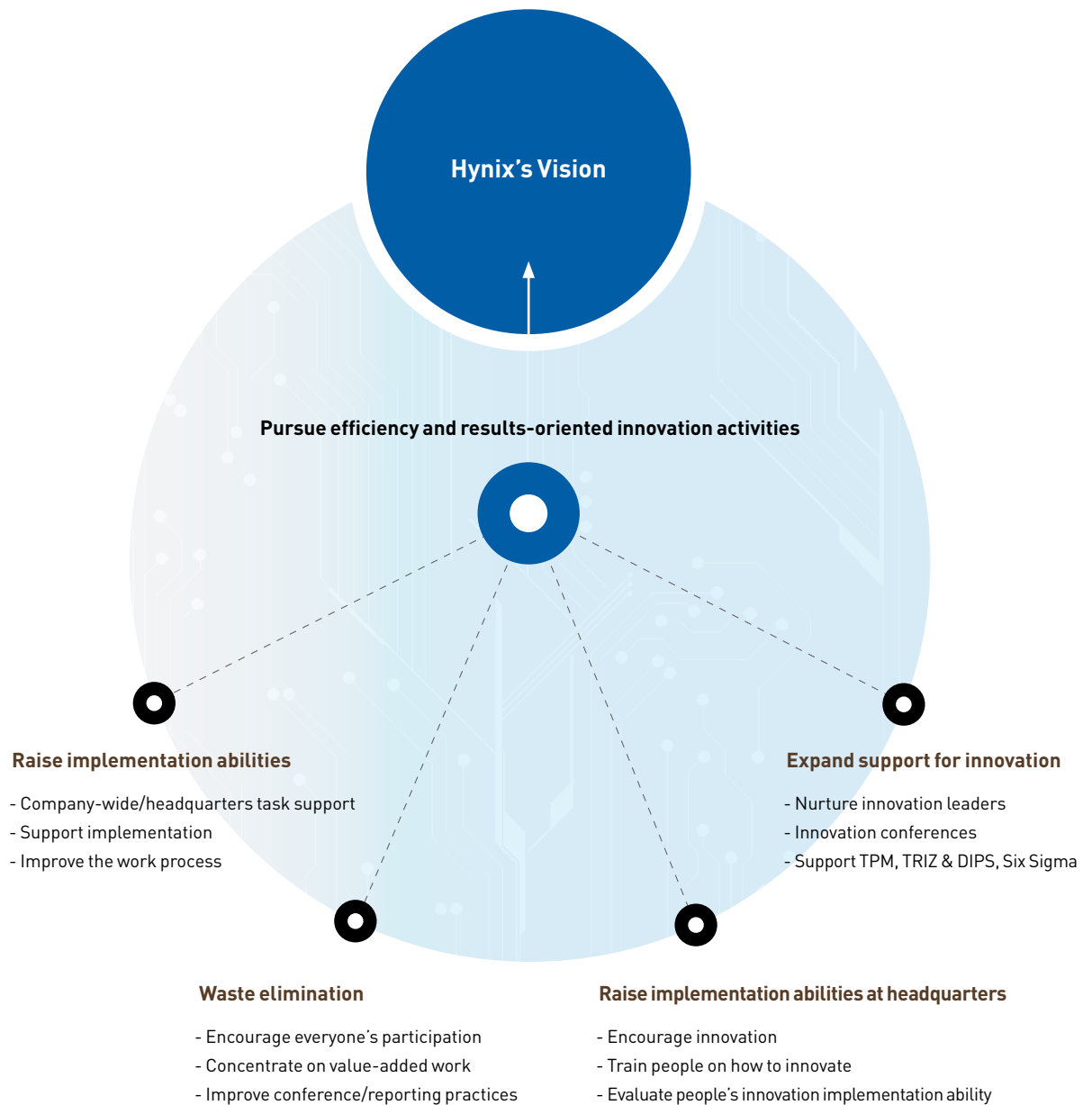


# Innovative/Creative Management

## 04

Hynix moved a little closer to realizing its vision in 2009 by raising the practicability of innovation. Today, it is encouraging and sharing the company's best practices by participating in numerous events inside and outside the company. In addition, it is continuing to support innovation activities by offering training that will nurture talent and lead to innovation, holding innovation conferences, and introducing different business innovation methods such as Sigma Six.

### ► Innovation Management



Damul event at Hynix's manufacturing division



## Innovation Management: Efficiency and Results-oriented Management

Hynix has been pursuing innovation centered on efficiency and results to make sure it realizes its vision. To this end, it has enhanced implementation abilities, staged a campaign to eliminate waste, and is nurturing talents to play a leading role in innovation and improve the quality of innovation activities. Hynix will not stop pursuing innovation so that it can realize the company's vision.

### Improving Implementation Abilities

**Creating a paperless work environment** | Hynix carried out a paperless work environment building project, a company-wide effort to change the way people work. Through simplifying the work process and maximizing work efficiency in such tasks as sharing documents and deliveries the company was able to reduce working hours, while also making strides to change the way people work by moving from paper to electronic documents.

**Carrying out process innovation tasks** | Hynix is consistently involved in stabilizing its supply chain management (including the set-up of a small quantity batch production system) and information sharing system based on the entire workflow, from R&D to manufacturing (HyWIN, Hynix Work Innovation), to innovate the work process. HyWIN is expanding from the previous DRAM sector to include NAND Flash, while the company as a whole is constantly changing the way it works for the better.

**Manufacturing division promotes Damul project** | The Korean word Damul refers to historical activities that explore and restore the politics, culture, history, and philosophy of our ancestors and create a better future based on this. Hynix launched its Damul Project with the aim of recovering the past glory of 17 quarters of straight profits. All of Hynix's employees have worked hard to improve productivity and ensure no defects or quality problems. They were also able to help the company realize a financial turnaround by the fourth quarter of 2009, three quarters ahead of the original timeline. The project has brought about visible results across 4,000 items in the company's four main categories of productivity: growth, yield enhancement, quality improvement, and cost cuts. As a result, the Damul Project was completed after achieving the initial goal of increasing production by at least three percent every month from July to December of 2009. Employees also doubled their efforts to reduce costs while increasing production at the same time. After looking over 6,752 suggestions to cut costs, a total of 5,106 ideas were implemented. Thus, Hynix achieved its goal of making a financial turnaround in the third quarter of 2009 and returned to the black as a result of productivity improvements and cost cutting.

### Waste Elimination

**Concentrating on value-added work with everyone participating** | Hynix encouraged its employees to save time by eliminating waste, using that time instead for new value-added work. The campaign is helping raise the efficiency and effectiveness of the work process by encouraging individual employees to analyze their own work process, while concentrating on value-added work as opposed to spending time on wasteful tasks.

**Improving conference and reporting practices** | Hynix's GD<sup>3</sup> conference principles are defined to improve the existing conferences and meeting practices. GD<sup>3</sup> refers to Good Design (clarification of the purpose, distribution of the materials in advance), Good Discussion (starting on time), and Good Dissection (sending the minutes to relevant parties within one day of the meeting). Through posters and groupware notices, efforts have been made to raise awareness among employees on the principles of conferences, as better practices for holding meetings are established. In order to reduce any delays in obtaining approval from management, an electronic approval process has been promoted within the company. As a result, turnaround time for approval will be regularly monitored to eliminate unnecessary delays.



### Improving Implementation Abilities

**Encouraging innovation** | Company-wide rallies to raise awareness on innovation. In 2009, company-wide conventions to promote innovation took place on two occasions. In the first half of the year, innovation activity performances were evaluated by division and those with strong performances were rewarded. In the second half, the company focused on enhancing capabilities rather than results, while also innovating by exploring, collecting, and spreading best practices in order to share innovative skills throughout the company in a Best Practice Festival. Hynix also tried to realize knowledge management by sharing best practices from the activities promoted within the company, including TPM (Total Productive Maintenance), TRIZ, Six Sigma, DIPS (Double IP System: Increasing Productivity of Intellectual People), and Waste Elimination.

**Innovation awards** | Hynix won the most number of medals, including the gold medal, at the 35th National Quality Awards, which was hosted by the Korean Standards Association, in 2009. One of Hynix's manufacturing lines won the gold medal for three consecutive years, while HNSL (China Plant) had the honor of winning gold on their debut. The R&D department, whose theme was "the standard of R&D becomes the foundation of knowledge management," won the gold prize in the category of CoP (Community of Practice). This was the first award won by a company's R&D team in a Korean competition and provided a good opportunity to promote Hynix's innovation efforts at the R&D level. Moreover, quality Task Force Team (TFT) activities are setting a positive example for desirable innovation by strengthening ties between labor and management, with active support from the company's union as well as the CEO.

### Stronger Support for Innovation Efforts

**Nurturing innovation leaders with training** | The pre-CM (Change Master) course for nurturing innovation leaders at Hynix was completed at the end of 2008 with the company's CM certification test. The curriculum consists of 13 courses spread over three classes that encompass manufacturing/R&D/Indirect Department. After course completion, open to all employees, a total of 39 trainees acquired their SM certification. These 39 trainees will now play a key role in strengthening Hynix's organizational capability to learn and evolve, and be nurtured as innovation leaders themselves. These same people will also take on important roles to innovate in various fields in the future.

**Holding innovation conferences** | Hynix is holding an innovation conference every month to align the direction of company-wide innovation efforts and that of its headquarters. The conference is a venue where direction for innovation can be set and implemented by sharing ideas and best practices related to innovation efforts. Hynix will do all it can to create an atmosphere for continued improvement in innovation at this conference.

**Spreading Six Sigma Methods** | Hynix conducted training sessions and allocated individual assignments on the work process of the manufacturing division and the facilities division from June to September 2009. In December, after the completion of all individual tasks, employees had a chance to share their results and experiences with respect to Six Sigma. In 2010, Hynix will expand its training sessions, complement training materials, and apply this principle to innovate the work process by making decisions based on statistics. Hynix will also carry out innovation through the close ties it enjoys between the company and its headquarters, as well as through its efficient work process, the strengthening of strategic CoP activities, improved innovation capabilities, and the creation of new best practices.

## HNSL (China Plant) Innovation Examples

## C H I N A

HNSL is carrying out TPM (Total Productive Maintenance) activities with the aim of building the world's best semiconductor manufacturing base, as it raises awareness among employees and increases their knowledge to maximize productivity. From managers to engineers to operators, everyone is joining in the effort to cultivate better work habits, identify and eliminate waste out of the work process, set goals for each work process (and realize them), and establish a system of learning through problem solving to ensure a more efficient work system. Engineers in charge of equipment detect problems in each work process in advance through careful planning to achieve zero failure, while maximizing the efficiency of each facility and establishing a set of standards to build a regular maintenance system. These efforts have enabled individual employees to improve their skills as localization efforts have smoothly pushed ahead. HNSL is managing the work process in a systematic manner through across-the-board total productive maintenance (TPM), including the initial stage of building plants, facilities/power/administrative works, and partner companies. This has led to continuous efforts to build a more efficient work system and improve the work process at Hynix.

**Internal and External Results of Innovation** | Thanks to innovation in equipment, manufacturing, quality, costs, and values, HNSL was able to reduce equipment failure by 63 percent, improve productivity by 90 percent through initial management and mass production of products, and cut costs by 35 percent compared to the previous year. This enabled a turnaround for the first time in Hynix's history in the second quarter of 2009, setting a record for operating profit in the shortest period of time for a semiconductor plant. Also, HNSL participated in a competition held by the province of Gyeonggi-do in the electric/electronic facilities section and won the gold prize, going on to win the President's Award in a national competition. It was the first time a TPM semiconductor production line had accomplished this, giving the subsidiary an opportunity to upgrade its innovation activities.

## Patent Management: Efficient Management and Operation of an Intangible Asset & Intellectual Property

### Objective of Patent Management

Through Hynix's R&D activities, it has been developing leading technologies while strategically patenting them at the same time. This has allowed Hynix to respond to patent disputes with other companies and pursue cross-licensing agreements, which has increased royalties for the company. The ultimate objective of Hynix's patent management is to secure core technologies and a leading position in semiconductor technology.

### Patent Management Activities

Hynix allocates experts on patent rights to the very first stage of product development, R&D and planning. This entails researchers and patent personnel working together to review preceding patents, sharing patent information and creating a patent blueprint to analyze and share data on related patents in order to actively patent intellectual property. Hynix's leading intellectual property rights management system allows us to manage proprietary technologies and patents in an efficient, computerized format. Hynix has plans to establish a training system that combines outside patent training courses with an in-house online system, whereby each individual researcher chooses a desired course, with the company providing training for partner companies to share know-how on patent management.

### Intellectual Property Rights Status

As of the end of 2009, Hynix possessed 29,490 patents related to semiconductors. In general, rights of patent registration increase every year. While the total might decrease due to the number of abandoned rights, the existing rights are evaluated whether they should be retained or abandoned annually. A total of 47 people are in charge of applying, registering, managing, and dealing with any conflicts that come up with patent rights, while a wide variety of intellectual property rights are used in production and operation within the company.

# Collaborative Harmony of a Great Company is...

Hynix is doing its best to harmoniously coexist with all its stakeholders by fulfilling its responsibilities as a corporate citizen. These responsibilities include satisfying customers through quality management, engaging employees through family-friendly policies, winning cooperation among small, medium and large partner companies and social contribution activities led by the company's Good Memory Volunteer Group. Hynix is committed to being a corporate citizen that is nothing short of a Great Company, a reliable companion who can continuously develop effective communication channels with a variety of stakeholders on a continuous basis.





# Collaborative Harmony of a Great Company is...



Today, Hynix supplies over 600 customers in 50 countries around the world. As a result of its consistent ability to offer quality products and service customers' needs, the company received top customer satisfaction scores in every category on the 25th Audit in 2009, with an average ranking of 1.3 in the 3<sup>rd</sup> quarter in major customer satisfaction indices. In addition, Hynix has been run a wide variety of win-win programs to help partner companies realize the value of partnerships and cooperation. At the same time, Hynix has supported 31 companies with subsidies totaling more than KRW 50 billion, training 1,151 employees, operating a Tech Doctor System to provide technical advice and consulting services, and participating in green partnership activities.







Hynix's social contribution activities are quite extensive within communities and include programs in education, agriculture, culture, and the environment. In 2009 alone, 7,365 employees based around the Good Memory Volunteer Group put in 28,710 hours worth of social contribution activities. Hynix has achieved meaningful social results through various programs that included Good Memory Social Contribution (for the prevention of dementia), forming ties with communities at Hynix site locations, providing loans to the underprivileged through fund raising, and pursuing industry-academic cooperation.



SHARE



WARMTH



# Customers

01

Hynix engages in customer satisfaction management in every facet of its business and now operates various communication channels to address customer demands and provide customized services. Hynix has built a long and trusted relationship with customers based on a wide range of technological support and cooperation. As a result, it ranked 1.3 on average in major customer evaluations.

## Valuing Customers through Top-Quality Products, Services & Customer Satisfaction Management

By doing its utmost to enhance customized service quality, Hynix is ensuring the highest levels of customer satisfaction through quality management. The company is not only establishing the industry's highest level of quality, but is also creating an efficient system for listening to and reflecting customer feedback.

### Customer Satisfaction Evaluation

Hynix supplies products to roughly 600 customers in 50 countries around the world, including Apple, Dell, HP, IBM, Cisco, Lenovo, Sony, NEC, Fujitsu and Toshiba. From these major client companies, Hynix collects quarterly evaluations on its technology, quality, responsiveness, delivery, and cost (TQRDC) in comparison to competitors. As of the third quarter of 2009, Hynix had earned an average customer rating of 2.6, an improvement of 0.2 points over the previous year. In order to further improve customer satisfaction levels even more, Hynix set up a Council with an objective to Achieve No. 1 Customer Satisfaction. With the goal of implementing customer value-based management activities, the council works to maximize customer satisfaction and to strengthen relationships with customers.

Customer Satisfaction Ranking Unit: rank

Category	2009 (1Q~3Q)	2008	2007
Customer satisfaction	2.6	2.8	1.3

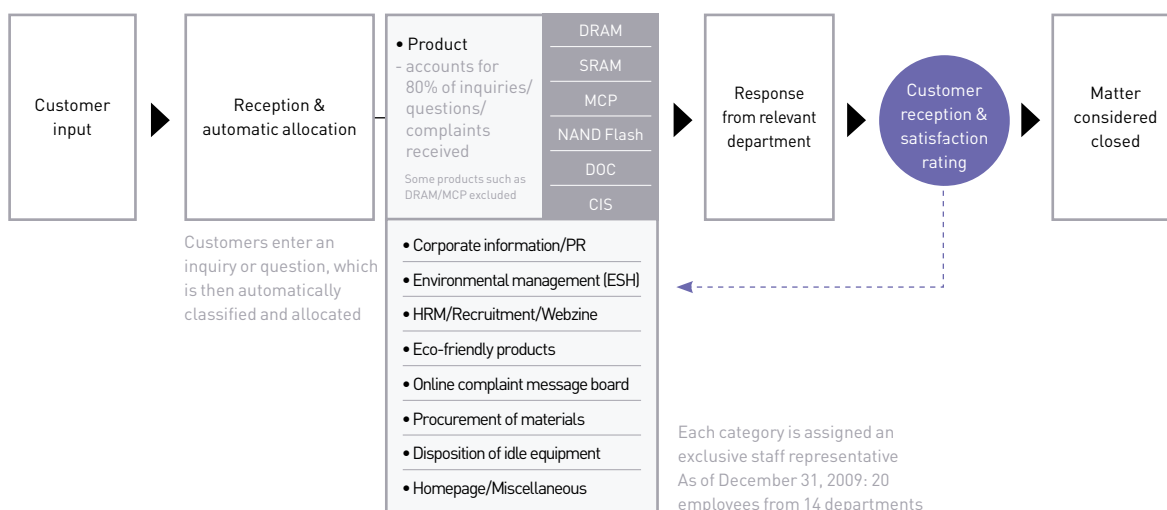
\* Figures represent the average rank Hynix received on the company's TQRDC performance among its five biggest clients: Apple, Dell, HP, Lenovo and Sony.

### Strengthening Customer Response (VOC)

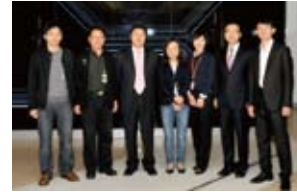
After receiving feedback from customers' internal and external communication channels, Hynix established a swift response system. Internally, the company conducts meetings with individual corporate clients and strategic marketing in order to support client requests and demands. Externally, Hynix has assigned employees from 14 departments to respond to customers in a swift and timely manner through an on-line customer communication system called CSC\*, which responds to customer inquiries and requests within 72 hours of reception. Another channel that deals with customer demands is an online forum where customers can voice their complaints. These communication channels ensure the efficient reception and reflection of customer requests, leading to significant improvements in Hynix's customer relationship management.

\* Customer Support Center (CSC): The former Customer Care Kit (CCK) has been renamed the Customer Support Center (CSC).

### ► CSC Operational Process Flow Chart



Customer technician exchanges



### Customer Information Delivery System

Hynix applies different customized approaches to customer demands through its customer information delivery process.

### Hynix Customers Get the Quality They Want

Hynix conducts a preliminary analysis on defective product received from customers, to determine the cause of the defect. Suggestions on quality improvements are made to customers within seven days of receiving the complaint, ensuring that a recurrence of the same defect is avoided. Concurrently, the company consistently maintains the highest standards of quality to meet customer demands and conducts regular audits on its quality management with customers. Of the 25 audits carried out in 2009, every Hynix customer who responded said they were satisfied with Hynix's customer service.

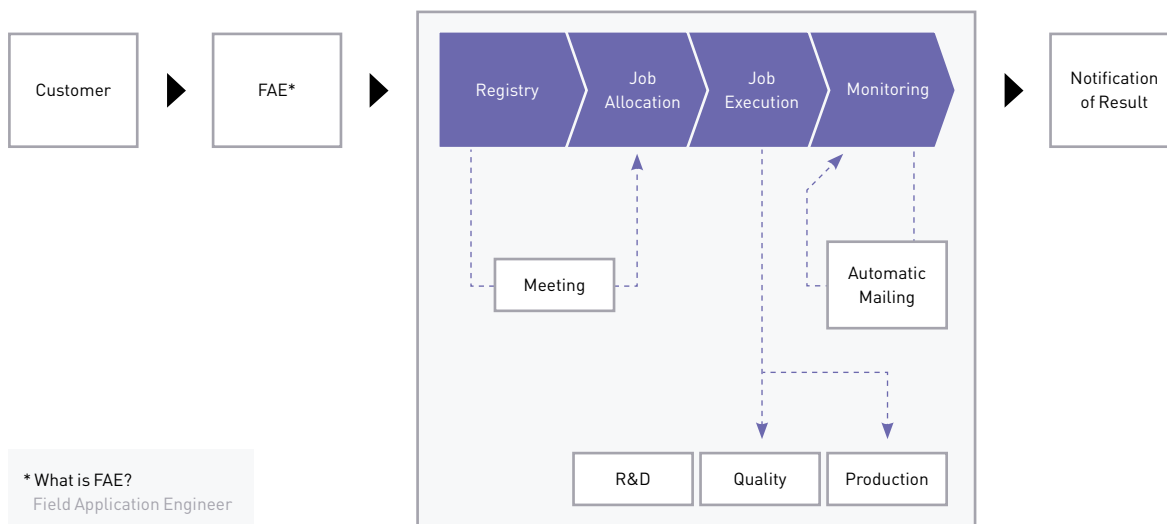
### Customer Technology Support & Cooperation

In order to improve communication with customers and to promote the exchange of ideas on products and technologies, Hynix invites engineers from client firms to headquarters for education programs on the semiconductor production process and quality. Through this initiative, Hynix is also able to provide quality products that customers want in a timely manner. In 2009, engineers from Lenovo, one of Hynix's biggest client firms, were invited to Hynix's head office. At the same time, engineers from Hynix are regularly dispatched to client firms to find common ground from a product's development stage, as a preemptive measure to prevent any possible failures in a client's end use application using Hynix products.

### Hynix Newsletter

The Hynix Newsletter is now published in Japanese, Chinese, and English, which has helped to further improve customers' understanding of the company worldwide. In 2010, Hynix plans to publish a Korean version of the newsletter. A key customer communication channel, the Hynix Newsletter is sent out every month via email and provides extensive information on the current status of the company – such as new product development, the status of certain certifications and new technology trends – to major clients' executives, technologists, and marketing and purchasing staff.

### ▶ Customer Information Delivery Process



## The Best Possible Quality and Services for Customers & Products

### Customer Evaluation on Quality

Hynix is determined to provide products and services of a quality that customers demand. In 2009, its average customer evaluation for quality was 1.3 for the third quarter as ranked by its largest clients.

### Process Change Notification (PCN)

In 2009, Hynix issued 74 PCNs to customers and received approval on 72. Hynix's policy is to issue PCNs three months prior to implementing manufacturing changes to prevent problems at new or existing customers.

### Eco-friendly Products

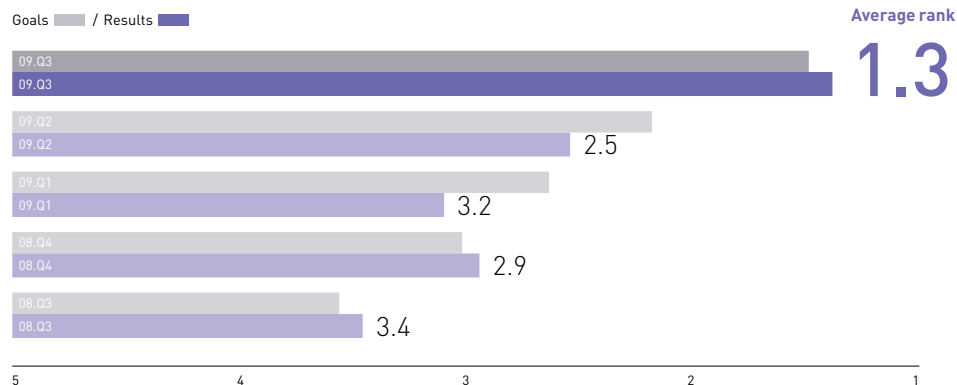
Hynix is committed to reducing CO<sub>2</sub> emissions from its production processes. In particular, it plans to practice Green IT in order to significantly contribute to reducing energy consumption in end-use applications by developing low-power products such as DDR3 memory, which operates at relatively lower power supply voltages.

### Regulations & Guidelines

In compliance with consumer laws and regulations, not a single legal violation was reported against Hynix for the period covered in this report, whether a complaint about the company's business practices in consumer safety and health, advertising and marketing, or false or exaggerated representation. Hynix has always and will continue to abide by Korea's Act on Monopoly Regulations and Fair Trade and Enforcement Regulations of the Act.

As for environmental product guidelines, Hynix abides by international environmental laws, regulations, and guidelines. As many customers operate in Europe and the U.S., Hynix complies with environmental guidelines as set forth by nations in those areas. For the period covered in this report, not a single violation was cited against Hynix with respect to any of the various environmental guidelines it abides by, including the EU's RoHS\*, China's RoHS, WEEE\*, EU REACH\* and EuP\*.

### ► Customer Evaluation on Quality Unit: rank



Employees form a key competitive asset at Hynix. Proud to practice a Family-friendly Management policy so that employees can maintain a healthy work-life balance, Hynix's close labor-management relationship has helped the company overcome the latest global financial crisis, earning recognition for what has been called Hynix's "excellent" labor-management cooperation practices. Hynix's ESH Management policy also contributes to making all of the company's workplaces safe and healthy.

## Great Work Sites for Employees & Employee Satisfaction

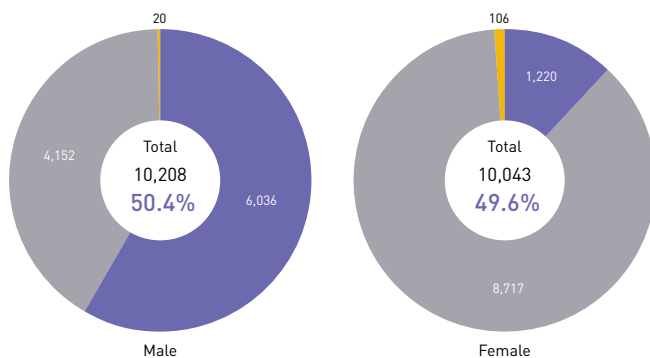
### Employee Status

As of the end of December 2009, a total of 20,251 dedicated employees were working for Hynix. Domestically, 10,951 people work at the company's headquarters in Icheon, while 5,246 people work at the Cheongju Plant, and a further 426 work at the company's Seoul Office. A total of 3,628 Hynix employees work overseas. By gender, there are 10,208 men and 10,043 women, or 50.4% and 49.6% of the company's total workforce, respectively. Full-time workers account for 99.9% of the total workforce and work an average of 6.8 years at Hynix. The 2009 year-end job creation ratio at Hynix stood at -4.8%, with its turnover rate standing at 5.99% for the same period. The negative job creation ratio can be attributed to the decrease in new recruitment as a result of the downturn in global semiconductor markets around the world. For the same reason, employment of the disabled and the aged remained stagnant in 2009. After signing on to the UN Global Compact in September 2009, Hynix now abides by the ten principles as set forth by the initiative and does not discriminate on the basis of gender, race, academic or religious background under any circumstances. It also supports equal opportunities in education, with assignments and promotions based on performance and competencies, as well as fair evaluations and compensation. In 2009, the percentage of female managers rose by 0.1%p from the previous year, reaching 0.8%. In 2009, Hynix paid new employees with bachelor degrees approximately KRW 33 million on average as a starting salary, higher than the average starting salary among Korean manufacturing companies, which stood at KRW 31.3 million. Maintenance of equipment full-time employees working in operations, maintenance and repair (and had completed their obligatory military service) were paid roughly KRW 27 million, while production operators were each paid on average about KRW 24 million as a starting salary.

### Employee Status

as of Dec. 31, 2009, Unit: persons (including overseas work sites)

Executives and technical office workers / Full-time workers / Others

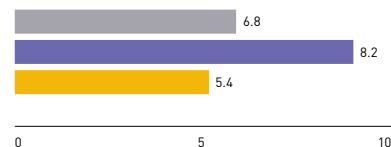


\* Others: technical, professional, and non-regular employees

### Employment Average Number of Working Years

as of Dec. 31, 2009, Unit: persons (including overseas work sites)

Total / Male / Female



### Female Employment by Year

Domestic business sites  
Unit: %

Category	2009	2008	2007
Percentage of female staff	49.9	52.5	54.6
Percentage of female managers	0.8	0.7	0.7

\* Female managers are those above the managerial level among technical office workers.



### ► Minority Employment by Year

Domestic business sites  
Unit: %

Category		2009	2008	2007
Minorities	Percentage of elderly staff	0.1	0.1	0.1
	Percentage of disabled staff	0.55	0.48	0.47

### ► Job Creation Ratio & Turnover Rate

Domestic business sites  
Unit: %

Category		2009	2008	2007
Job creation ratio		-4.8	-1.3	14.6
Turnover rate		5.99	7.51	6.95

## Employee Status at Overseas Subsidiaries

G L O B A L

Hynix's overseas subsidiaries fully abide by the company's code of ethics, local labor-related regulations and the Electronic Industry Code of Conduct (EICC). They also have a zero tolerance policy in effect for any discrimination based on gender, academic or religious background with recruitment, and ensure equal opportunity and merit-based human resource management practices.

### ► HNSL (China Plant) Employment

as of Dec. 31, 2009  
Unit: persons

Category		Executives & technical office workers	Full-time workers	Others	Total
Total		850	2,313	91	3,254
Resident employees	Male	290	124	-	414
	Female	3	-	-	3
Locally employed people	Male	335	839	45	1,219
	Female	222	1,350	46	1,618

\* Others include technical/professional staff

### ► Overseas Subsidiary Employment

as of Dec. 31, 2009  
Unit: persons

Category		Executives & technical office workers
Total		387
HSA	Resident employees	30
	Locally employed people	87
HSCS	Resident employees	22
	Locally employed people	33
HSD	Resident employees	9
	Locally employed people	24
HSH	Resident employees	4
	Locally employed people	15
HSJ	Resident employees	21
	Locally employed people	29
HSS	Resident employees	7
	Locally employed people	18
HST	Resident employees	18
	Locally employed people	42
HSU	Resident employees	4
	Locally employed people	24

## Human Resources Development

**Training and self-development** | Hynix is committed to assist its employees with self-driven education in order to develop their individual job competences in line with the company's vision and strategy. To that end, Hynix has established a mid- to long-term roadmap for human resources development. As such, it operates various training programs to assist employees proactively embrace changes in the industry.

**Training hours** | In 2009, the number of employees who had completed a training course decreased by 48%, year-on-year, to 31,909 people, with training expenses declining 26% from 2008 to KRW 186,000 per person on average. In 2010, Hynix plans to expand its training programs to enhance global competencies for employees above the assistant managerial level in marketing and at customer support. Coupled with this expansion, new employee education programs such as entry-level courses, technical courses and mentoring programs are expected to increase 20%, year-on-year, both in terms of training hours and expenses in 2010.

### Training Program Performance Domestic business sites

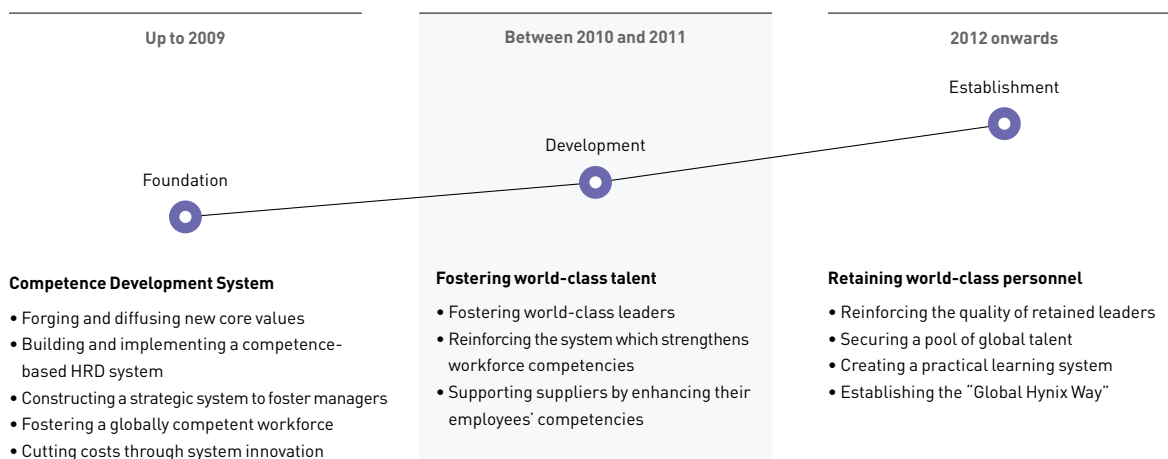
Category	2009	2008	2007
Total no. of trainees (persons)	31,909	61,577	60,400
Training hours per person (hours)	49	66	72
Training expenses per person (KRW thousand)	186	386	420

\* Training expenses per person were calculated by dividing total training expenses by total no. of trainees.

**Training programs** | In 2009, Hynix operated 1,136 training sessions in 305 courses on management training, orientation training, global training, technical training and e-Learning. Employees were free to choose their own curriculum and reading sessions.

**Customized self-development** | Hynix has set up an extensive web-based training system, which analyzes individual capabilities and offers courses that enhance the core competencies required for optimum job performance. Employees can evaluate their own weaknesses and by planning and organizing their own curriculum to improve their competencies. In addition, academic achievements by trainees are reported both to the individual employee and their team heads, who can then offer proper feedback on their performance.

### ► HRD Roadmap



## Training Program Performance in HNSL (China Plant)

C H I N A

In 2010, Hynix aims to lay the foundation for fostering job specialists. To that end, it is reinforcing the number of trainees and training hours in HNSL.

Category	2009	2008	2007
Total no. of trainees (persons)	10,049	14,534	7,783
Training time per person (hours)	41	62	28
Training expenses per person (KRW thousand)	109	165	51

\* 1RMB = KRW 180

## Case Study of HRD in HNSL (China Plant)

### Local Staff Recruitment and Development

HNSL has developed a mid- to long-term roadmap for systematic recruitment and retention of skilled local workers. It operates an on-site university that offers employees many different educational opportunities and helps them realize their full potential. Hynix is also in the midst of setting up a training program at its headquarters for some of its top performers. HNSL looks to single out employees who are competent, pioneering, creative, cooperative, and ethical, establishing systematic training programs based on these qualities and providing employees with opportunities to strengthen their competencies and lifelong learning.

### ► Competency-building System

Job Execution	Common Jobs	Selection & Fostering	Job & Technical Competencies
<ul style="list-style-type: none"> <li>• 62 e-Learning sessions and 31 reading sessions</li> <li>• Performance management</li> <li>• Self-leadership course</li> <li>• Planning the development of competencies</li> <li>• Business writing</li> <li>• Presentation competency development</li> <li>• Creative troubleshooting</li> <li>• Fostering effective facilitators</li> <li>• Effective persuasion</li> <li>• Creative development</li> </ul>	<ul style="list-style-type: none"> <li>• Management policy and core values</li> <li>• Environment &amp; safety/Sexual harassment prevention</li> <li>• MBA course in collaboration with Yonsei University</li> <li>• Cyber language courses</li> <li>• Video language courses</li> <li>• Regular language courses</li> <li>• Courses fostering in-house lecturers</li> <li>• Early adaptation of newly recruited employees</li> </ul>	<ul style="list-style-type: none"> <li>• Intensive language courses (English/Chinese)</li> <li>• Business negotiation</li> <li>• Business writing</li> <li>• Business presentations</li> <li>• Business communication</li> <li>• A course to enhance managerial leadership</li> <li>• Hynix MBA</li> <li>• Executive course</li> </ul>	<ul style="list-style-type: none"> <li>• R&amp;D <ul style="list-style-type: none"> <li>- Competency-building courses on the manufacturing process and device designing</li> </ul> </li> <li>• Product/Production <ul style="list-style-type: none"> <li>- Developing a roadmap for competency-building</li> <li>- Roadmap-based courses</li> </ul> </li> <li>• Marketing <ul style="list-style-type: none"> <li>- Courses to enhance marketing competencies</li> </ul> </li> <li>• Automation-related system <ul style="list-style-type: none"> <li>- Electric/Electronic air pressure/sensor PLC controlling, etc.</li> </ul> </li> <li>• QA/IT, etc. <ul style="list-style-type: none"> <li>- Unix C, Visual C, Excel/PowerPoint</li> </ul> </li> <li>• Technical e-Learning</li> </ul>

Family-friendly Best Practice Certificate Conferment Ceremony



## Family-friendly Management

Hynix's Family-friendly Management policy goes beyond a mere welfare program. Indeed, it aims at improving the quality of life for all its employees, thereby, enhancing their job satisfaction. In addition to its in-house medical center, Hynix operates a nursing room for new mothers at 10 buildings in Icheon and 4 buildings in Cheongju. To respect maternity rights, Hynix also operates daycare centers on its premises. Hynix's dormitories are equipped with a library, a theater, a swimming pool, a fitness center, cooking facilities, club rooms and various other training and cultural facilities, providing employees with many different venues for self-development. In recognition of its efforts to better the lives of its employees, Hynix was awarded a certificate for its excellent performance in Family-friendly Management in 2009 by Korea's Ministry of Health and Welfare (MoHW). Established by the MoHW in 2008, the Family-Friendly Best Practice Certificate program was introduced to promote family-friendly corporate culture among Korean businesses for the balance of life and work.

## Benefits

Hynix operates a number of welfare and benefit programs to ensure employees a healthy and affluent life. Hynix's welfare and benefit programs are designed with the employee life cycle in mind. Covering all areas – from basic livelihood support to health, education and culture – Hynix has actually set up a web-based welfare portal called Hywel (<http://hynix.ezwe.com>) to provide one-stop total welfare service, ranging from information on the company's welfare programs and applications to various other external welfare links that target self-development, work-family balance, culture & leisure and those which seek to make life more convenient for people. Hynix continues to expand the scope of its welfare programs to ensure that it offers only the highest quality services and benefits to its employees and their families. The interim retirement benefits program ensures long-term financial stability for employees.

### ► Family-friendly Management

#### Maternity Program

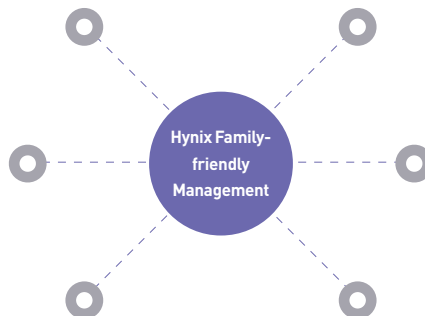
- Maternity program-related legal compliances
  - Preventing pregnant employees from overworking
  - Maternity leaves
- Child-care support
  - Customized child-care programs

#### Health/Safety

- Health check-up
- Medical facilities
- Health improvement activities

#### Work-Life Balance

- Flexible working system
  - Working hours
  - Taking leaves
  - Job circulation, etc.
- Resort condominium-sharing program
- GWP
- Culture center, culture courses
- Events for employees' families



#### Life-learning

- Corporate university, corporate MBA courses
- Female university, Homemaker university
- Mentoring program
- Global study program

#### Welfare and Benefits

- Scholarship fund
- Medical subsidies
- Housing and marriage loans
- Allowances and leaves for congratulations and condolences
- Corporate pension subsidies, etc

#### CSR

- Community service programs
- Scholarship programs for the community
- Industry-Academic collaboration
- Cultural volunteer activities
- Environmental protection activities

Meeting with the CEO



## Labor-Management Cooperate to Overcome Recent Financial Crisis through Communication & Agreement

### Overcoming the Crisis Together

Faced with a liquidity crisis in the midst of the global economic recession in the first half of 2009, labor and management united at Hynix with one shared goal: to overcome the crisis together. As part of these efforts, labor and management agreed upon reduced welfare programs, voluntary retirement measures and collective unpaid vacations, while also freezing wages through the collective bargaining process. At the same time, labor and management at Hynix held a rally for labor-management collaboration to overcome the financial crisis, declaring their joint aim to improve product competitiveness and profitability, and ensure job security. In recognition of the close cooperation between labor and management, Hynix was named the company with the best labor-management cooperation and was awarded a Labor-Management Concession Bargaining Practice certificate from Korea's Ministry of Labor.

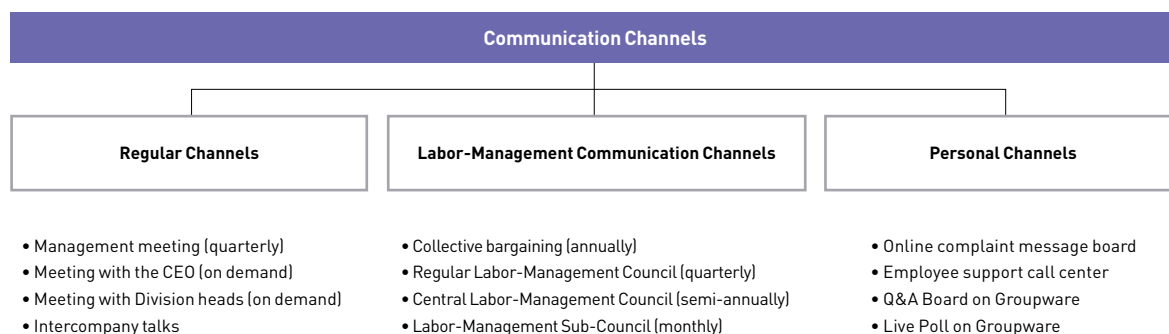
Labor Union Membership as of Dec. 31, 2009

Category	Icheon Labor Union	Cheongju Labor Union
No. of eligible workers (persons)	6,771	4,180
No. of members (persons)	6,634	4,144
Membership rate (%)	97.98	99.14
Affiliated union	Korean Metal Workers' Association	Korean Metal Workers' Association

### Labor-Management Communication

Hynix proactively listens to and reflects on the opinions of employees with regard to working conditions and management issues in general. Communication channels between the labor union and the company include quarterly meetings with the CEO, management meetings, and Business Site Labor-Management Council meetings, all of which allow participants to share information and ideas on a whole range of management issues. A Central Labor-Management Council is also convened every six months to discuss common issues arising from normal business activities at Hynix's Icheon and Cheongju Plants. Additionally, weekly labor-management working-level talks promptly address on-site work issues and problems.

### ► Employees Communication Channels





## Improved Corporate Culture Leads to Innovative Corporate Culture

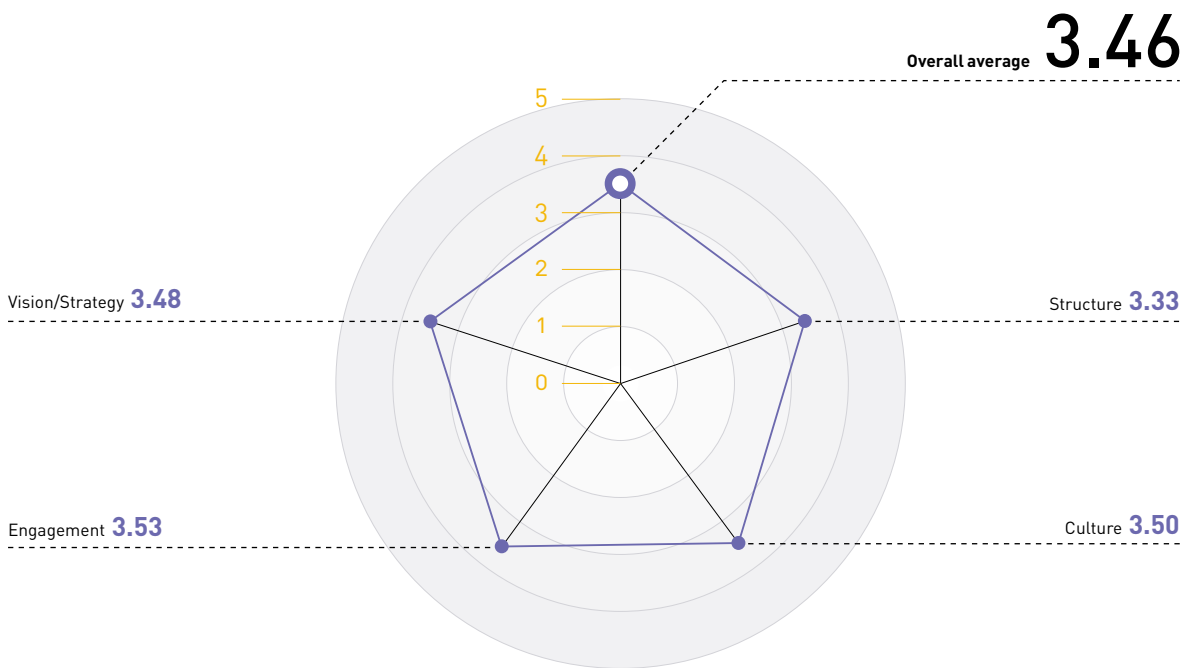
### Corporate Culture Evaluation

In order to bring about organizational diagnosis more effectively, Hynix has adopted a Corporate Culture Evaluation System. In November 2009, after asking employees 35 questions in four categories (strategy, structure, culture and engagement), Hynix earned an average of 3.46 out of 5 on the survey.

### Improving Corporate Culture through Live Polling System

Dedicated to gathering employee opinions and demands on a regular basis, Hynix has conducted live biweekly polls since August 2008. A total of 9,200 employees responded to questions on overtime work, the atmosphere surrounding meetings, the electronic reporting and approval system, drinking with coworkers, and other relevant subjects. Employees' opinions are publicly shared to communicate their views with management and then reflected in management policies and systems, thereby improving employee satisfaction. These measures, which are aimed at increasing trust between different segments of the company, serve as a pivotal driving force behind corporate development.

► 2009 Corporate Culture Evaluation Results Unit: score



## GWP Activities at HNSL (China Plant)

C H I N A



Making kimchi



Clarinet



Company Sports Day



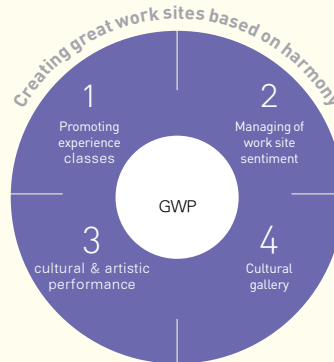
Dormitory Festival

### Promoting experience classes

- Culture/Artistic, handicraft sessions
- 40 sessions monthly

### Cultural and artistic performance

- Inviting Chinese cultural and artistic performance groups to work sites
- In-house club activities and performances
- At least once every quarter (From Oct. 2010 onwards)



### Managing of work site sentiment

- Companywide GWP events
- An average of 500 participants per event

### Building cultural spaces within work sites

- Photo/Event galleries



Play



Performances



Photo gallery



Event gallery

## Employee Satisfaction at Overseas Sales Subsidiaries

G L O B A L

In order to instill better ties among employees at overseas sales subsidiaries, Hynix conducts quarterly management meetings at which important information on business issues is discussed. The Voice of the Employee (VOE) program (occasional program) and employee satisfaction surveys are other ways the company is able to listen to the problems and needs of employees. Furthermore, as part of Hynix's workplace initiative, all sorts of delicacies are shared with employees during Korea's largest holidays, Seollal (Lunar New Year's Day) and Chuseok (Korean Thanksgiving), while sports days for employees' families and many more team-building events are also held throughout the year. Hynix's overseas sales subsidiaries also reward and motivate employees who have been with the company for a significant length of time or who have an excellent performance record by inviting them to visit Korea, enhancing their work motivation even more. Hynix has also set up welfare programs such as regular health check-ups and educational expense subsidies, which has led to increased employee satisfaction at work.



Sports Day at a Taiwanese subsidiary

## Ensuring Industrial Safety and Health Management at Every Work Site

### Industrial Safety and Health Management

Hynix has adopted an integrated Environment, Safety and Health (ESH) Management System in compliance with stipulations as set forth in health and safety management regulations of the International Labor Organization (ILO). Hynix's Icheon and Cheongju Plants undergo internal audits twice every year and receive OHSAS 18001 Industrial Safety and Health Management certificates to ensure compliance with the Korean Industrial Safety and Health Management Act. Consequently, Hynix is able to maintain a lower injury rate than the industry average.

### Industrial Safety and Health Management Committee

Comprised of 20 members – 10 from the company's labor union and 10 from management – this committee holds quarterly meetings. Using trust between labor and management as a basis, the committee offers opportunities to both sides for communicating and exchanging opinions on industrial safety and health management issues. In 2009, many issues were discussed, from in-house transportation safety inspections, safety education, employee health issues (e.g. smoking and an in-house fitness center). Some measures have already been implemented.

### Improving Working Conditions

Hynix runs various programs which are dedicated to accident- and disease-free workplaces. In 2009, the company ran a JUST 10 Minutes session, where environmental safety experts visited workplaces to provide training sessions on-site prior to beginning work. Instructors also briefed employees on major work site incidents and told them how to stretch more effectively to prevent injuries, while also teaching them emergency response procedures.

### Preventing Musculoskeletal Diseases

Hynix set up a task force team (TFT) to investigate any and all processes in the prevention and elimination of factors that lead to musculoskeletal disorders. It also conducted orientation sessions with supervisors and managers on prevention of such diseases. An in-house physical therapy center provides therapy at the center and offers stretching sessions to fatigued workers to prevent fatigue induced musculoskeletal disease.

### ► Industrial Disaster Ratio

Unit: %

Site	2009	2008	2007
Icheon Plant	0.02	0	0
Cheongju Plant	0.02	0	0
HNSL (China Plant)	0.037	0	0
Industry average	0.04	0.04	0.05

\*In 2009, the industry average began referring to the average in the electronics manufacturing industry.

# Partner Companies

03

Hynix pursues mutual growth with its partner companies. In addition to cooperation initiatives, both small and large, the company supports its partner companies by reinforcing and fostering their competitiveness based on fair selection and evaluation procedures. Examples of this include the Hynix Win-win Academy, the Hynix Technical Doctor System and the Hynix Council. In recognition of this, Hynix received a President's Award in the Corporate/Group category at Korea's 2009 Small and Large Business Cooperation Awards.

## Mutually Beneficial Relationships with Partner Companies & Win-win Partnership

### Win-win Partnership Organization

Today's changing business environment calls for strategic partnerships and mutually beneficial relationships with partner companies. As a result, Hynix has organized individual Small and Large Business Cooperation programs to set up an independent organization for a company-wide initiative. In addition, Hynix has upgraded its Win-win Partnership group to a team, reinforcing its commitment to business partnerships.

### Win-win Partnership Goals

Hynix aims to bring about a synergy from its various Win-win Partnership relationships with partner companies. As such, the company is engaged in the localization of technologies and expanding its financial support systems, while also supporting research development and securing core technologies. As a mechanism for Win-win Partnership, the company has created the Hynix Council and its various sub-councils, as well as a Technology Council. In addition, Hynix is engaged in many other Win-win Partnership programs, which take advantage of the company's expertise and experience in the business.

### Evaluation & Fostering of Partner Companies

Hynix conducts an evaluation of its partner companies twice a year in order to foster and support the building of their competencies. With the goal of improving the accuracy and fairness of Hynix's evaluation scheme, there are plans in place to segment the evaluation criteria into five steps in 2010, allowing Hynix to select the best performers and reward them with incentives through pay raises and other such measures. To promote the sustainable growth of partner companies, Hynix evaluates their working environment and safety and ethical management practices and in the future will itemize their social responsibility activities and evaluate their performances.

### Fair Selection of Partner Companies and Complaint Procedure

Any small business aspiring to work with Hynix can apply through Hynix's exclusive portal site for partner companies, the Hynix e-Procurement Intra Network (HEINET). When a request is received via HEINET, applicants are subject to a credit check by an external agency before the Hynix Technology Review Committee evaluates and approves the company as an official partner company. Each procedure and all final results of the evaluation are disclosed on HEINET, ensuring fairness throughout the entire process. In 2009, the company followed up on suggestions posted on its online complaint message board by one of its SME partners, with the results subsequently sent to the petitioner.

### Small and Large Business Cooperation Awards



Hynix was the recipient of a President's Award, the highest honor in the Corporate/Group category, at the 6th Small and Large Business Cooperation Awards for its excellent performance in supporting partner companies to reinforce their competencies through strategic partnerships. Of the 69 applicants from 54 corporations, there were 17 corporate or group winners and 12 individual winners, all of whom were selected after a three-stage review by 27 experts in Win-win Partnership from academic, economic and governmental sectors. Hynix earned high scores for its comprehensive Win-win Partnership initiated by its Win-win Partnership teams on technology development support, cooperation in purchase and sales, as well as technological exchanges. The awards were instituted in 2004 to promote Win-win Partnership between small and large businesses by the Ministry of Knowledge Economy and the FKI Center for Large and Small Business Cooperation.

- 01 Performance evaluation partnership
- 02 Technology exchange session



## Consistently Aiming to Create Shared Values & Win-win Partnership Programs

### Support Programs for Partner Companies

01

**Corporate-Bank Partnership Program** | Hynix runs various Win-win Partnership programs in order to support its partner companies with competitive technologies and to create shared values through cooperation with them. In support of partner companies who were financially distressed because of the slowdown in the semiconductor market, Hynix contributed KRW 3 billion to the Win-win Guarantee Funds, which – through a partnership with Korean banks – financed a total of 31 partners with a total of KRW 50.3 billion.

**Performance Evaluation** | Hynix's Performance Evaluation System (PES), verifies suppliers' product feasibility for mass production at Hynix's production line. In 2007, the program verified 20 items, then 14 items in 2008 and seven more in 2009. In 2010, a total of 8 new items have been verified.

**Proprietary Technology Commercialization Program** | Hynix operates a proprietary two-step project (between 2007 and 2011) for the commercialization of next-generation equipment. In October 2009, the company completed first-stage development of all 8 cases it took on. Initiating the second stage in November 2009, the company took on another five cases, which are currently in review.

### Training Programs for Partner Companies

02

Dedicated to fostering competent partner companies, Hynix consistently implements various education and training programs for its major partner companies. In 2009, a total of 1,151 partner companies company employees completed 6 courses. In 2010, Hynix will train 1,700 people in 18 courses through the Hynix Win-win Academy. Courses include management consulting, technical training on semiconductors, quality technology methods, and innovation courses, as well as business management courses including a CEO & executive seminar, class-based leadership education, and job competency-building.

### Suppliers' Patent Assistance Center

03

In order to prevent patent disputes, Hynix supports its partner companies with several different patent procedures. Although Korean semiconductor equipment and material manufacturers are well aware of the importance of patents, many of them often lack the workforce and the funds for patent analysis and management. In addressing this issue, Hynix began offering education programs and technological support to 7 of its partner companies who qualified for an equipment and material localization project in 2007. In 2008, Hynix transferred knowledge and resources regarding patent management to its partners through Patent Committee meetings. In 2009, Hynix also provided educational and technological support to 5 qualified partner companies, and in 2010 there are plans to build up a more organized support program after forming a task force team with experts from Hynix's Procurement Team, Win-win Partnership Team, Patent Support Team and IT Team.

### Technology Exchange Sessions

04

Hynix exchanges and transfers technology on mass production and R&D activities with partner companies on a regular basis. Specifically, the Mass Production Technology Exchange Program will transfer technology related to equipment and materials for mass production. Hynix has selected 5 partners and 9 items to develop and enhance the company's brand name for this program, with plans to do the same for 8 equipment suppliers and 3 material suppliers in 2010. The R&D Technology Exchange Program engages in the timely development of localized equipment and materials for next-generation prototypes of domestic equipment and material suppliers. In 2009, 91 employees from 21 partner companies attended the program to learn from Hynix's technology roadmap, after which participants broke off into three smaller groups to discuss what they had learned and have their questions answered.



- 03 Signing ceremony for the Hynix Technical Doctor system  
 04 Hynix Council  
 05 Green partnership agreement signing ceremony



### Hynix Technical Doctor System

05

Under the Hynix Technical Doctor system, Hynix organized an exclusive team of technical experts in manufacturing and other areas to support its partner companies when needed. In 2009, 66 Hynix experts supported 13 partners in 20 technological areas. In 2010, the company plans on even more consistent technical support activities, allowing Hynix to help its equipment and material suppliers improve not just their technical competitiveness but to increase their localization ratio for equipment and semiconductor materials as well.

### Hynix Council

06

For the purpose of reinforcing its strategic partnership with partner companies and enhancing their technological competitiveness, while also developing new technology and achieving mutual growth through technology sharing and cooperation, Hynix operates many different committees with its 75 domestic and overseas partner companies. Sharing business plans and information on the current state of technology development during regular meetings and management meetings, Hynix also runs sub-councils with its equipment, component, materials and foreign suppliers for technological cooperation between partner companies and Hynix. Through these sessions, helpful measures are discussed and then implemented for strategic localization, overcoming technical limitations, and various other detailed programs for Win-win Partnership.

### Green Partnership Activities

07

In a bid to jointly respond to environmental issues, Hynix engages in Win-win Partnership with partner companies for various environmental programs. In 2007, the company carried out fact-finding surveys on RoHS materials and later implemented the necessary countermeasures. In 2008, it devised halogen-free process management standards and has been operating a Green Product Management System (GPMS) ever since. In 2009, Hynix entered into green partnership agreements with 53 partner companies, helping them keep track of greenhouse gas emissions. Other initiatives undertaken by Hynix in 2010 include, improving energy efficiency; analyzing and rating energy efficiency; adopting new equipment and facilities with improved energy efficiency; and establishing a low-carbon management system to facilitate an eco-friendly supply chain.

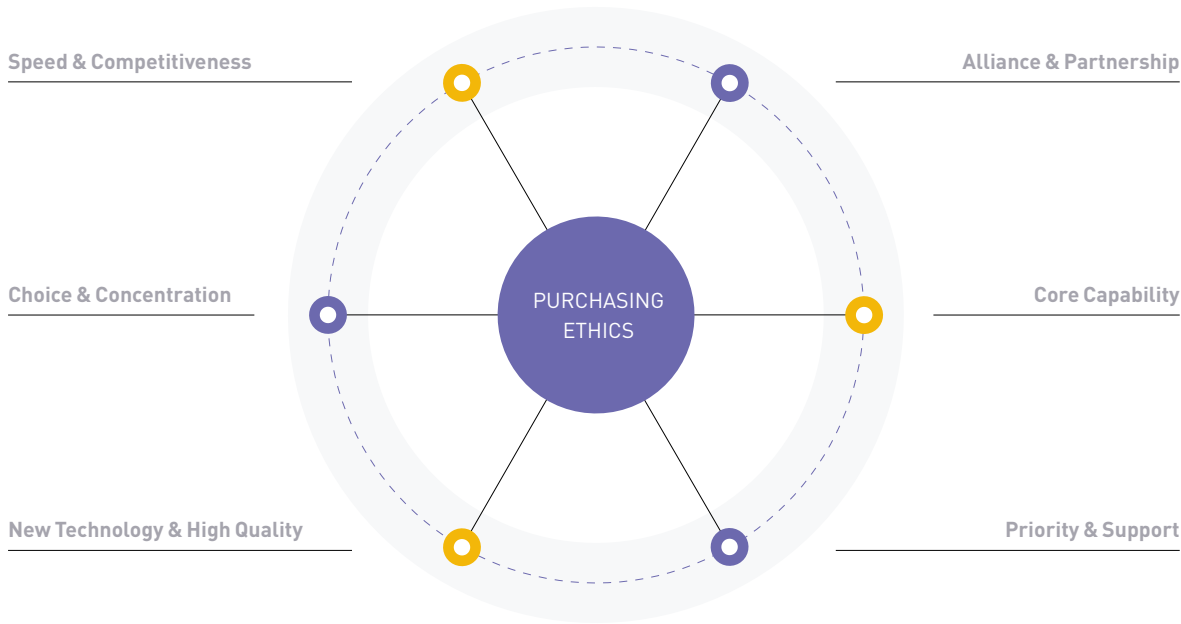
### Promoting Sustainability Management among Partner Companies

08

In an attempt to build a joint response system to deal with corporate social responsibility issues, Hynix promotes sustainability management activities among its partner companies. In 2009, Hynix developed a plan to promote sustainability management practices among partner companies securing pledges from 48 partner companies to abide by the Electronic Industry Code of Conduct (EICC). Additionally, Hynix requested that the partners also conduct self-administered checks for compliance with EICC standards and implement corrective actions if they were non-compliant. In 2010, Hynix will be adopting a system to regularly check if EICC standards are being adhered to and add more partner companies to this program.

► Procurement Guidelines and Suppliers' Policies

Hynix ● / Suppliers ●



Win-win Partnership at HNSL (China Plant)

C H I N A

Local Partner Companies

HNSL maintains Win-win Partnership with 80 different equipment, component and materials suppliers. Hynix started offering lectures on action plans for Ethics Management to partner companies in 2008. That same year it also began signing basic transaction agreements to establish Ethics Management practices at partner companies and to suspend transactions with partners who breach Ethics Management practices. Through its Win-win Partnership programs and an objective evaluation system for its partner companies, Hynix is establishing an ethical and competitive Win-win Partnership system.

Promoting Sustainability Management Practices

In an effort to promote sustainability management practices, HNSL held workshops for 10 partner companies in July 2009 not only to help them better understand the sustainability management and the EICC but also to get their pledge that they would abide by the EICC. Furthermore, Hynix conducted its own EICC survey on partner companies that had signed on to the program and implemented a plan to correct any deviance. Hynix also conducted audits on four of these partner companies. In 2008, HNSL also began receiving audits conducted by some of its customers, such as Apple, Dell, HP, Sun, and Lenovo, to check on Hynix’s corporate social responsibility, while also transparently disclosing these results and all related information.

# Local Communities

04

Hynix always aims to be a respected corporate citizen that shares its "good memory" with local communities. To that end, it is involved in diverse social contribution activities through its Corporate Volunteer Corps and other such programs. In particular, it strives to create happy memories for local communities through various educational, medical, cultural, and environmental programs.

## Social Contributions System: The World's Most Responsible Corporate Citizen

### 'Good Memory Volunteer Corps'

For more effective volunteer activities and enhanced solidarity within the organization, Hynix's existing 61 groups were reorganized into 210 teams. The company launched a Good Memory Committee, which is comprised of CSR officers from each division, to deal with specialized programs at the division level. The committee also holds regular meetings and workshops for quality volunteer activities for both volunteers and beneficiaries. To ensure a prompt response to the special needs and issues of local communities, the company operates independent departments and has assigned specific employees for CSR activities at each of its work sites, such as Icheon and Cheongju Plants, its Seoul Office, and its production line in China.

### Social Contribution Activities

As part of its retrenchment policy in 2009, Hynix cut some of its social contribution subsidies, resulting in shrinking volunteer activities among employees. This was a result of a company policy to no longer mandate volunteer activities from employees. Thus, although the overall rate of participation has dropped, awareness about the value of volunteerism within the organization has grown.

#### Social Contribution Activities Domestic business sites

Category	2009	2008	2007
Donation amount (KRW million)	2,209	599	2,463
Hours of participating in social contribution activities (hours)	28,710	41,376	22,461
Monthly average hours of participating in social contribution activities per employee (hours)	0.14	0.20	0.28
Monthly average hours of participating in social contribution activities per participant (hours)	3.9	3.9	4.0
No. of participants (persons)	7,365	10,487	5,494
Rate of participation (%)	3.60	4.94	6.56

### Working Harder for Greater Volunteer Activities!



The Good Memory Volunteer Corps is comprised of team-based sub-groups, which are all led by group leaders. These groups hold regular workshops, issue newsletters, and exchange information with each other, while also encouraging and supporting each other's activities. In January 2009, an exclusive social contribution system was set up, allowing group leaders to oversee the volunteer activities of their team and share information and knowledge about past performances. Quarterly newsletters are published and provide details about all volunteer activities, which each group leader has individually reported through the social contribution system. The newsletter is not only an excellent external communication tool to report on volunteer activities, but a great way to promote sharing and cultural practices, as well as the sharing of best practices with employees and stakeholders. The company reaffirmed its dedication to the mutual exchange and development of these volunteer activities during its Social Contribution Day, which took place in December 2009 and was attended by 280 guests. During the event, group leaders voted on a calligraphy design to represent the Volunteer Corps name. There were also several lectures given and awards handed out to top volunteers. At the same time, participants shared best practices, reported on 2009 performances, and discussed future plans.

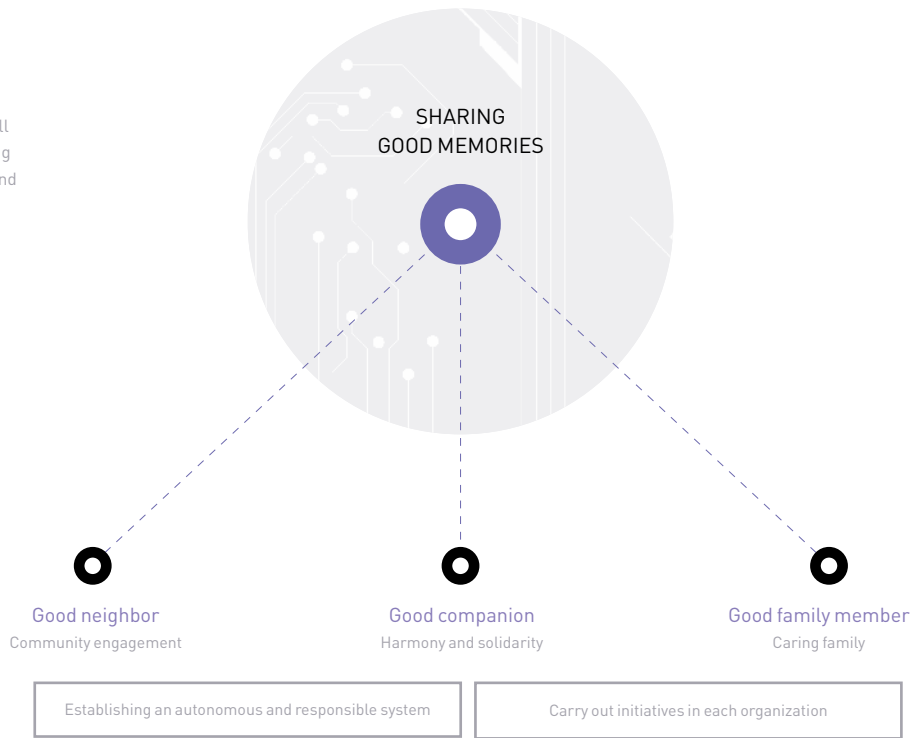
## ► Social Contribution System

### Mission

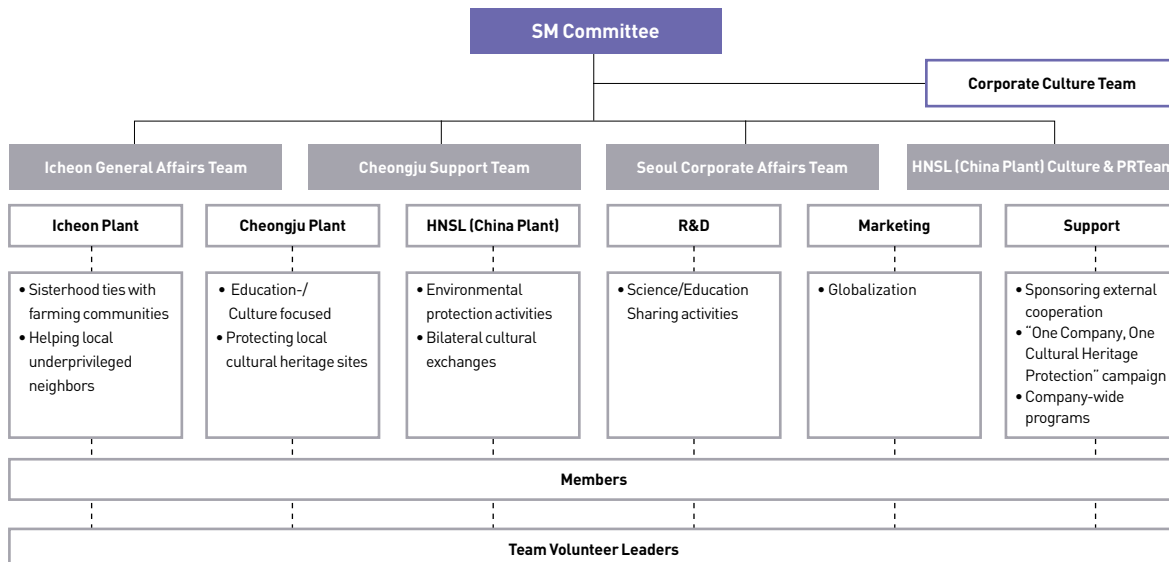
We, the employees of Hynix, vow to build a sustainable company that will last for well past a century by sharing with and caring for our neighbors, and treating them as good companions, good neighbors and good family members.

### Vision

To be the world's most responsible corporate citizen.



## ► “Good Memory” Volunteer Organization



## Social Contribution Programs: Creating Happy Memories with Local Communities

Under its “Good Memory, Great Company” slogan, Hynix has been striving to share good memories with local communities. Dedicated to bringing about a happier society through its campaigns to deliver good memories along with quality memory, Hynix is engaged in diverse social contribution activities to create, conserve and protect the good memories of everyone it comes in contact with.

### Preventing Memory Disorders | “We protect your ‘good memory’.”

Due to the fact that memory, Hynix’s main product, function in computers like brains do in the human body, Hynix also focuses its social contribution activities on helping people protect their “good memories.” Initiatives that Hynix took in 2009 involved various campaigns to prevent memory disorders in elderly local residents around the company’s Icheon and Cheongju Plants, such as free sessions that educated people on how to stave off dementia and group consulting programs. In addition, in-house volunteer groups pay regular visits to dementia patients at senior citizens’ centers in Yeosu and other medical clinics. As part of its dementia prevention and early detection campaign, which is conducted in cooperation with related organizations, Hynix donated KRW 10 million after signing an agreement with the Icheon Mental Health Center and the Cheongju Senior Citizens’ Welfare Center in May 2009 to help prevent memory disorders. Furthermore, the company is planning to run more “memory protection” projects, such as sponsoring the preservation of regional cultural assets and installing “Good Memory Zones” in local communities.

### Sisterhood Ties with Farming Communities | Extending a helping hand to the company’s neighbors!”

Under the strong belief that local residents who live near its work sites in Icheon and Cheongju, Korea and Wuxi, China are the strongest supporters of the company, Hynix engages in a wide range of campaigns to benefit its neighbors. As part of its sisterhood ties with local farming communities, Hynix lends a helping hand, offers medical services, invites residents to events, operates resort condominiums and provides its employees and their families with unique opportunities to experience farming communities firsthand. In the run up to Chuseok (Korean Thanksgiving) in September 2009, Hynix held a farmers market featuring the specialties of the villages with sisterhood ties, which employees responded to very positively by donating about KRW 20 million to the villages. In addition, Hynix sold 35 tons, or KRW 90 million worth, of Icheon rice to employees in a bid to help the farmers of Icheon and to contribute to the region’s economic development. To date, the company has forged sisterhood ties with five farming communities of Gajwa-ri and Dori-ri in Icheon, Pyeongdong Traditional Rice Cake Village in Cheongju, Imsil Baksagol Village in North Jeolla province and Okgye-myeon in Gangneung.

#### ► Memory Disorder Prevention Activities

Icheon Plant	Cheongju Plant
Icheon Mental Health Center	Cheongju Senior Citizens' Welfare Center
<ul style="list-style-type: none"> <li>• Conducting dementia screening tests (400 people participated over two sessions)</li> <li>• Six dementia prevention program sessions (400 people participated)</li> </ul>	<ul style="list-style-type: none"> <li>• Three dementia prevention program sessions (240 people participated)</li> <li>• Eight group consultation program sessions for high-risk groups</li> <li>• Three program sessions for the prevention of dementia at Cheongju's Central Park</li> </ul>



### Good Memory Fundraising Campaigns

Hynix's employees and their families engage in a number of fundraising campaigns, which are always enthusiastically supported by those who are unable to participate. Proceeds from the company's 2009 annual bazaar amounted to KRW 4.8 million and were used to support local disabled and undernourished children in cooperation with the Beautiful Store. In the run up to Lunar New Year's Day, Hynix mounted a Sharing Rice fundraising campaign and donated all the rice it collected from employees to 200 needy households in Icheon and Cheongju. The company also ran a One Person, One Love Chest campaign in which it encouraged employees to share through the company's intranet and the Tree of Hope it had planted at buildings at all of its work sites. The company matched the amount employees had come up with and donated the entire sum, KRW 42 million, to the Community Chest of Korea. The donation will be used to aid marginalized people in Korea and refugees in Haiti. The company's social contribution credit card, the Good Memory Card, had 2,700 cardholders as of the end of 2009, with accrued points being donated to support families in crisis.

### Supporting Underprivileged Families

Hynix firmly believes that a sound family leads to a healthy society. As such, it has developed a social contribution strategy called Good Family Members and is involved in a variety of programs to support underprivileged families. As part of this effort, Hynix provided free health check-ups and ultrasound tests to multicultural families who live in Icheon in June 2009. In addition, the company delivered some daily living necessities to 300 families in Icheon and Cheongju. In the future, Hynix will carry out more programs, such as Hangeul (Korean alphabet) classes for multicultural families.

### Unified Labor-Management Fundraising Campaigns

Employees at Hynix's Icheon and Cheongju Plants rounded up their monthly paychecks to the nearest 1,000 won and donated the amount to local charities, senior citizens, teenage heads of household, and underprivileged families in nearby neighborhoods. Employees also delivered coal briquettes to seniors who live on their own and low-income families, and made kimchi for charities that assist the disabled. The company also provides scholarships to children from low-income families in nearby neighborhoods and periodically invites them to its plants, helping instill dreams of a bright future in them.

- 01 Preventing memory disorders
- 02 Farmers market
- 03 Good Memory fundraising campaign
- 04 Medical services for multicultural families
- 05 Delivery of "Briquettes of Love"
- 06 Kids visit a Hynix plant



### Nobel Dream Award

The Nobel Dream Award was introduced in 1996 with the aim of having teenagers in Icheon and Cheongju – home to two of the company's work sites – develop a strong passion to win a Nobel Prize and grow into future leaders. To date, a total of 942 teens have been recipients of the Nobel Dream Award, with KRW 500 million awarded in total. Despite the recent challenging business environment, Hynix has kept its promise with local communities and maintained the number of winners every year. Ninety-three students who demonstrated excellent academic performance won the 15th Nobel Dream Award, with KRW 60.8 million worth of scholarships being given out. Of this number, 30 were graduates from schools in Icheon (14 middle school graduates, 11 high school graduates and 5 industry-consigned college graduates) and 63 were graduates from schools in Cheongju (32 middle school graduates, 30 high school graduates and 1 industry-consigned college graduate).

### Alliance with Technical Colleges

In an attempt to retain talented future leaders and contribute to local communities, Hynix operates various industry-academic alliance programs with several universities, colleges and technical high schools.

#### ► Alliance with Technical Colleges

##### Hynix Scholarship Students

###### Overview

- Entering into industry-academic alliances with major universities for cooperation in development of next-generation semiconductors and retention of talented researchers

###### Major Activities

- Supporting 13 universities (and 3 colleges) by providing grants, program operating expenses, industry-academic courses, Hynix scholarships and job opportunities.

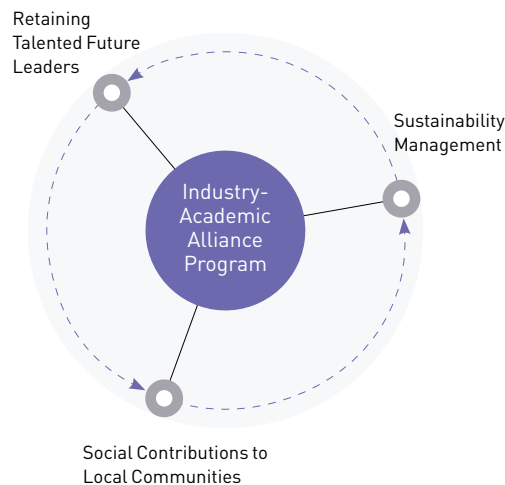
##### Sisterhood Ties with High Schools

###### Overview

- Maintaining sisterhood ties with technical high schools around the country to secure a talented future workforce in the operation of semiconductors

###### Major Activities

- Recruiting students from 105 sister high schools across the nation
- Maintaining relationships with teachers in charge of recruitment
- Improving the competitiveness and prestige of sister high schools through increased employment rate



##### SEEC\*

###### Overview

- Industry-academic alliance with technical colleges ensures the early retention and fostering of semiconductor equipment specialists

###### Major Activities

- Providing idle equipment to schools as educational tools
- Supporting schools and their implementation of a practical curriculum
- Providing opportunities for field trips to the plant (3+1 semester system)
- Having Hynix employees give special lectures and providing special training courses to professors

\* SEEC: Semiconductor Equipment Education Committee

# CHINA



## HNSL (China Plant) Social Contributions

With the aim of becoming the top company with foreign investment in Wuxi – and the most admired company in China – HNSL is faithfully fulfilling its corporate social responsibilities through various social contribution programs for local economic development and underprivileged people in the city. In the sectors of education, medicine, culture and the environment, HNSL is implementing a variety of programs and encouraging employees to actively participate in volunteer programs that extend a helping hand to local communities. In recognition of its contribution to local communities through programs like its medical services at nursing homes, its scholarships to the needy, its environmental protection efforts, and its traffic awareness and etiquette campaigns, HNSL was selected as an “Excellent Corporate Social Responsibility Company” by the City of Wuxi.

**Social contribution program performance** | HNSL entered into partnerships with local charities in Wuxi for volunteer activities, sharing with those most in need and contributing to a happier society. While helping farmers and families with disabled members by harvesting rice, providing scholarships to students of local low-income families, and disinfecting nursing homes, the company also held a “Love Bazaar” in which all employees participated and donated the proceeds to those who needed it most.

**Environmental and social contribution activities** | HNSL is strengthening its corporate image as a socially responsible corporate citizen with high potential for sustainable growth and is instilling pride in its employees through their social contributions. To that effect, the company has taken part in many campaigns for communities throughout Wuxi, China, including the cleaning of Wuxi’s Lake Li, environmental protection in the neighborhood of Lake Taihu, a traffic awareness and etiquette campaign, and an initiative to protect trees at local parks. Furthermore, it is contributing to the local Green Wuxi campaign.

# GLOBAL



## Overseas Sales Subsidiary’s Social Contribution Activities

Hynix Semiconductor America (HSA) supports the Korean-American Scientists and Engineers Association through seminars, as well as activities of the Korean Student Association. Hynix Semiconductor Japan (HSJ) serves as a member director of the Korea Federation of Companies Japan and contributes to the development of local communities. Hynix Semiconductors China Shanghai (HSCS) donated 30,000 yuan to the Red Cross Society of China to aid the refugees of the Sichuan earthquake. Hynix Semiconductors Asia (HSS) contributed to the Chinese Development Assistant Council (CDAC) in order to aid underprivileged people in China. The company also holds regular technical forums in order to strengthen its ties with local marketing channels.

# Sustainable Value of a Great Company is...

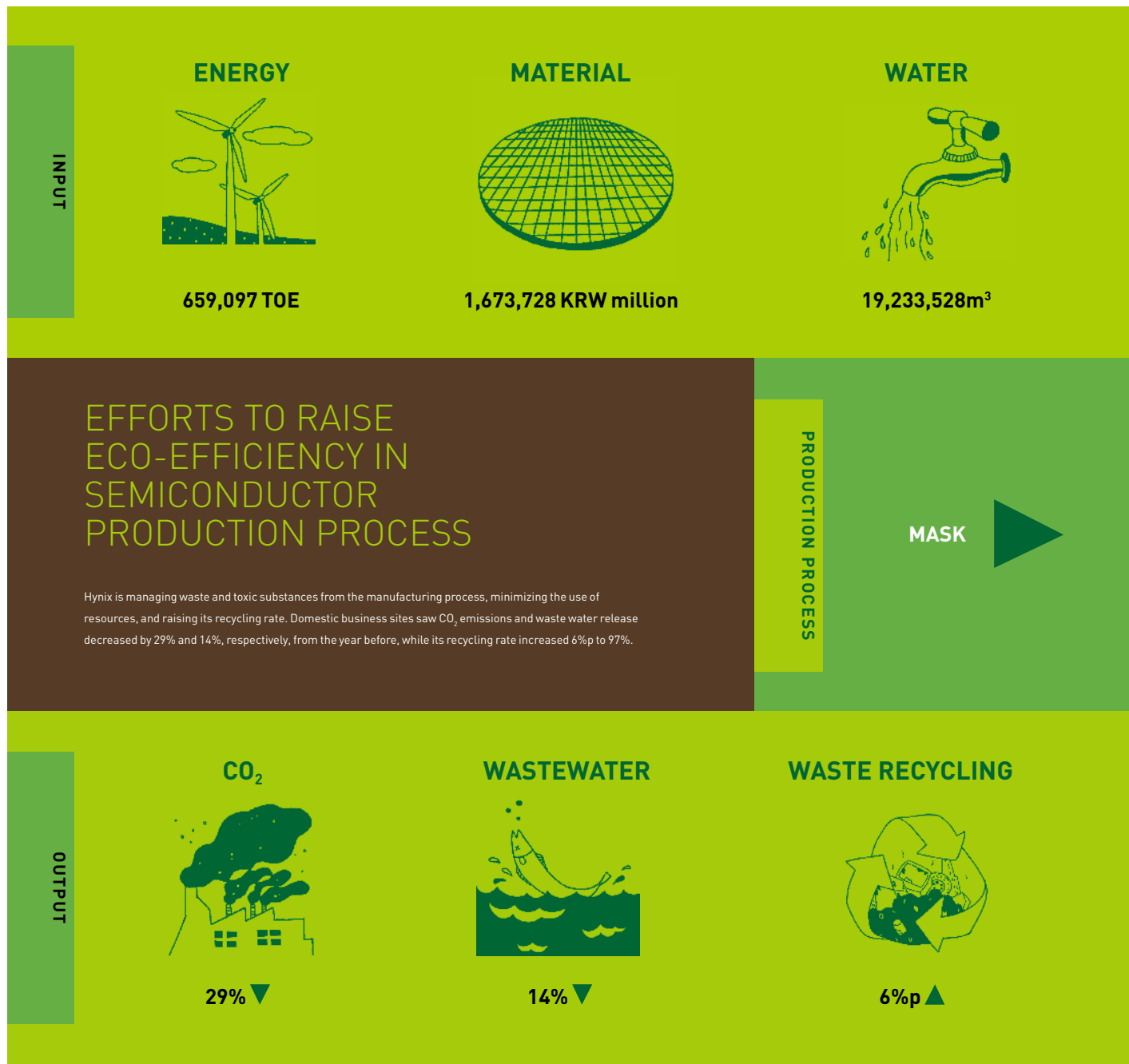
The environment is one of mankind's most important issues to address and one of the most important elements for a sustainable future. Hynix is establishing an eco-friendly product life cycle throughout the entire manufacturing process and contributing to minimizing pollution of the world's ecosystem.

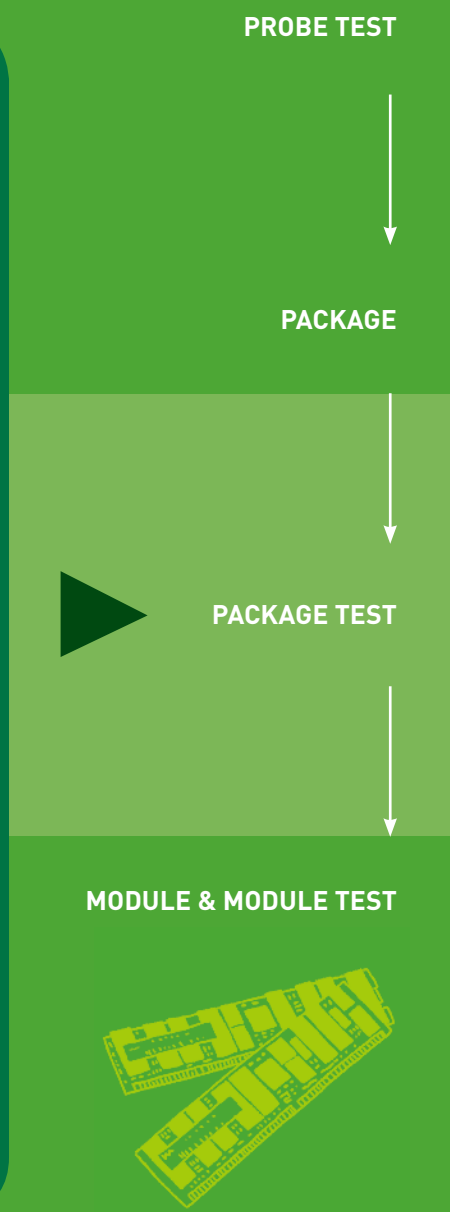
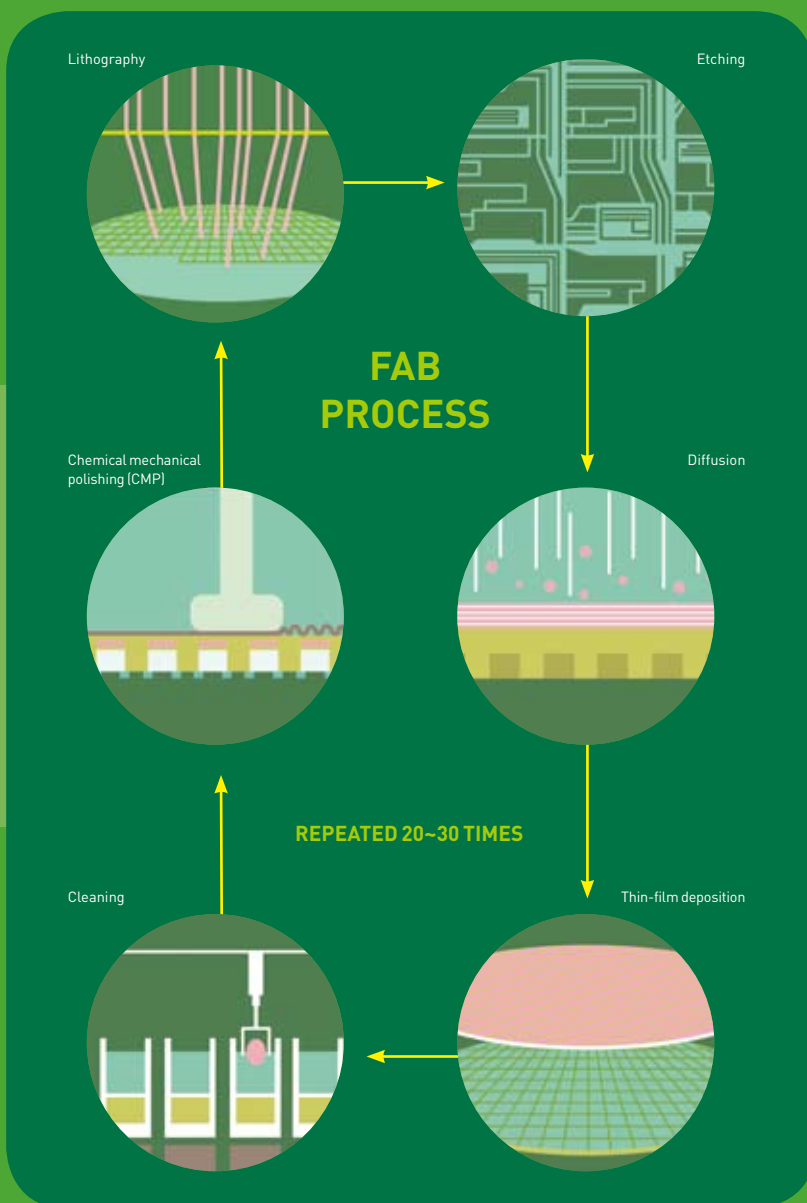
Furthermore, Hynix is committing itself to honoring sustainable values by building a better organized environmental management system and preserving the environment, the world's most important asset of the future.





# Sustainable Value of a Great Company is...





# Responding to Climate Change

01

On top of controlling its greenhouse gas (GHG) emissions at all of its work sites, Hynix will promote GHG-reducing practices with partner companies in the future. Hynix is also optimizing its energy consumption and utilizing eco-friendly energy sources, while improving its recycling and conservation of resources. As a result, Hynix topped the 2009 Carbon Disclosure Leadership Index (CDLI) and was the recipient of a Korean President's Award that same year.

## Reducing Greenhouse Gases: A Proactive Approach to Global Warming

Hynix is controlling its greenhouse gas (GHG) emissions at all of its work places both in Korea and overseas. At its two domestic work sites, Hynix built a GHG inventory\*, from 2005 to 2009, and had a third party verify its reliability. In 2010, the company is planning a GHG inventory at its Chinese subsidiaries. In terms of total emissions, 2.72 million tons of CO<sub>2</sub> was produced at Hynix's domestic plants in 2009, down 29% from the previous year. This decrease was the result of reduced production and a company-wide initiative to curtail perfluorocarbons\* (PFCs). Although the current control covers only direct\* and indirect emissions\*, Hynix plans to expand the scope in the future to include other indirect emissions\*, especially from component and equipment suppliers.

\* Direct emissions: LNG and PFC emissions and vehicles that the company uses

\* Indirect emissions: Emissions from electricity and steam that the company purchases and uses

\* Other indirect emissions: Emissions from external work sites and emissions by suppliers

### Responding to Climate Change

In accordance with the voluntary agreement to reduce PFC emissions with the World Semiconductors Council, Hynix is striving to reduce its PFC emissions by 10% of its 1997 levels by 2010. By applying PFC treatment facilities and remote plasma systems\* (RPS), the company reduced its CO<sub>2</sub> and GHG emissions by 636,000 tons in 2009. In addition, it has been working on Clean Development Mechanism (CDM) measures to secure carbon credits, while also developing several ways to replace the PFC-based chamber cleaning method with an alternative gas that emits fewer GHG emissions, for which Hynix has applied for approval with the UN.

#### ► PFC Emissions

Unit: thousand tons of CO<sub>2</sub>

Category	2009	2008	2007
Korea PFC emissions	1,256	1,892	2,077
China PFC emissions	323	483	471

#### ► GHG Emissions

Unit: thousand tons of CO<sub>2</sub>

Category	2009	2008	2007
Korea total CO <sub>2</sub> equivalent	2,722	3,812	3,625
China total CO <sub>2</sub> equivalent	1,162	1,501	1,270

\* The company's 2009 domestic GHG emissions were verified by BSI Korea, whose report is included in the appendix.

\* Figures from 2008 are different from those in the previous report because the previous report was published before the verification process on GHG inventory was completed and data was based on internal measurements only. The above emissions figures from 2008 and 2009 have all been verified.

\* As of this report, GHG emissions at HNSL (China Plant) include indirect GHG emissions.

- 01 GHG inventory certificate conferment ceremony
- 02 2009 Carbon Disclosure Project Awards
- 03 CDP's Ocean Prize
- 04 2009 Energy Conservation Contributors Awards
- 05 Planting trees around the Carbon Neutral Belt's Daecheong Lake



As a result of its efforts, Hynix ranked at the top of the Carbon Disclosure Leadership Index (CDLI), which was issued by Korea's Carbon Disclosure Project (CDP), and was also awarded the CDP's Ocean Award.

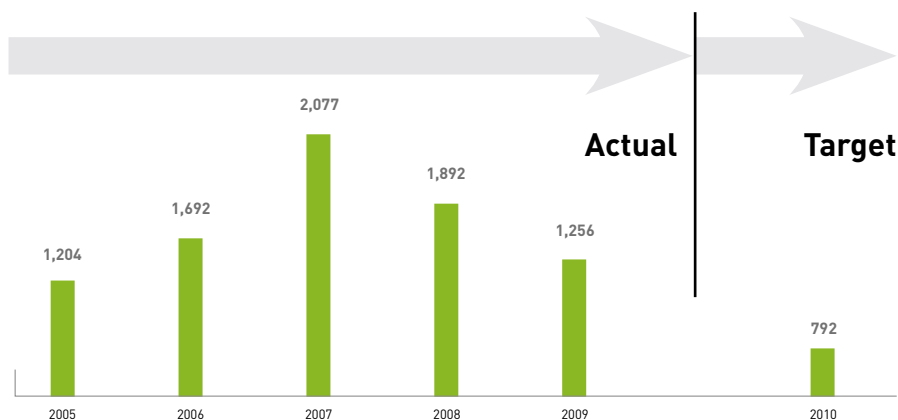
Additionally, Hynix was honored with the President's Award for its performance in responding to climate change at the Ministry of Knowledge Economy's 2009 Energy Conservation Contributors Awards. The award was in recognition of the company's initiatives to address climate change as part of its low-carbon green growth and contribution to national development. Dedicated to reducing carbon emissions, Hynix has built a GHG inventory system, registered the reductions of GHG emissions, and signed a voluntary agreement (VA) with the World Semiconductor Council (WSC) on greenhouse gas reductions. Also, Hynix earned accolades for its treatment of PFCs, which it replaced with an alternative gas in conjunction with the Clean Development Mechanism (CDM) project, making it the first Korean semiconductor company to do so.

#### Carbon Neutral Program (CNP)

Hynix held a signing ceremony in November 2009 for an agreement with the Geum River Basin Environmental Office on water protection and carbon reduction in Korea's Geum River basin. After the signing, Hynix planted 500 trees upstream of Daecheong Lake in Cheongwon, North Chungcheong province along with employees and local residents who attended the event as part of the Carbon Neutral Belt initiative. The Carbon Neutral Program is a cooperative afforestation program between Hynix and the Korean government for the purpose of carbon neutralization. The government purchased the land so that Hynix could plant and manage the trees around Daecheong Lake with the aim of improving water quality and reducing carbon emissions in the vicinity of the lake.

#### ► PFC Emissions Roadmap

Unit: thousand tons of CO<sub>2</sub>



\* Beginning in 2010, Hynix will use thousand-ton CO<sub>2</sub> units for PFC emissions for the sake of consistency in unit usage of GHG emissions.

# Energy Efficiency and Conservation

02

Committed to conserving the planet and the environment, Hynix engages in organized initiatives for energy efficiency, eco-friendly energy sources and recycling, as well as resource conservation. At all its business premises, Hynix promotes the use of eco-friendly energies and strives to save energy and reduce GHG under its voluntary agreement with the government. At the same time, Hynix is consistently enhancing the energy efficiency of its equipment and facilities, while recycling and reusing water and raw materials.

## Energy Efficiency: Voluntary Improvement for Optimized Energy Use

### Energy Use Performance

Based on 2008 performance figures, Hynix has reduced its steam use by 39% through the optimization of air handling units at its Korean plants. Traditional energy sources were replaced with eco-friendly sources, when Hynix replaced the fuel source for steam production, from low-sulfur waxy residual oil, to liquefied neutral gas (LNG).

### Voluntary Agreement on Energy Conservation & GHG Reductions

Hynix concluded a voluntary agreement (VA) with the Ministry of Knowledge Economy on energy conservation and GHG reduction during the period from December 2005 to December 2009. The company has also signed an agreement with the government to get involved in the Negotiated Agreement (NA) pilot program as part of the government's low-carbon green growth initiative. To start, it will implement the pact at its Icheon Plant starting in 2010. According to the NA pact, Hynix will reduce its energy consumption by 1.5% of basic unit on an annual basis to reach the goal of 3.42 TOE\*/m<sup>2</sup> by 2012, a 4.5% reduction from the base line of 3.58 TOE/m<sup>2</sup>. Hynix also plans to apply the NA program to its Cheongju Plant starting from 2011.

\* The base year and base line were set at 3.58 (TOE/m<sup>2</sup>), the average figure from the three years between 2005 and 2007, which also represented the highest three-year basic unit of the figures from 2005 to 2008.

### ► Direct & Indirect Energy Usage

Domestic business sites  
Unit: TOE (TOE/m<sup>2</sup>)

Category		2009	2008	2007
Direct energy	LNG	28,230[0.14]	32,570[0.14]	11,690[0.05]
Indirect energy	Electricity	568,423[2.72]	690,533[3.00]	653,048[2.73]
	Steam	62,444[0.30]	102,815[0.45]	125,564[0.53]
	Total	659,097[3.16]	825,918[3.59]	790,302[3.31]

\*TOE: Ton of Oil Equivalent (10<sup>7</sup> kcal)

### ► Direct & Indirect Energy Usage

HNSL (China Plant)  
Unit: TOE (TOE/m<sup>2</sup>)

Category		2009	2008	2007
Direct energy	LNG	1,289[0.011]	1,040[0.007]	698[0.008]
Indirect energy	Electricity	57,819[0.494]	67,779[0.481]	54,171[0.593]
	Steam	13,137[0.112]	20,281[0.144]	18,146[0.199]
	Total	72,245[0.617]	89,100[0.633]	73,015[0.799]



### ► Negotiated Agreement

Icheon Plant




Category	Base	2012	2011	2010
Energy consumption (TOE)	1,222,668	458,139	398,515	401,902
Energy basic unit (TOE/m <sup>2</sup> )	3.58	3.42	3.53	3.56






► Compliance with the Voluntary Agreement on Energy Conservation and Reduction of Greenhouse Gas Emissions

Icheon Plant				Cheongju Plant			
Quantity of energy reduction							
	2009	2008	2007	2009	2008	2007	
 Fuel	Goal 100	Goal 100	Goal 100	Goal 7	Goal 14	Goal 452	
	Result 75	Result 93	Result 53	Result 91	Result 5,180	Result 77	
 Elec.	Goal 1,097	Goal 8,000	Goal 2,500	Goal 11,178	Goal 11,918	Goal 12,488	
	Result 7,149	Result 8,202	Result 2,909	Result 15,490	Result 10,596	Result 8,577	

Unit: TOE/MWh

Amount of energy reduction							
 Fuel	Goal 78	Goal 100	Goal 90	Goal 2	Goal 5	Goal 188	
	Result 60	Result 137	Result 57	Result 57	Result 2,887	Result 39	
 Elec.	Goal 69	Goal 1,200	Goal 900	Goal 1,433	Goal 789	Goal 1,111	
	Result 593	Result 1,123	Result 925	Result 1,084	Result 644	Result 547	
 Total	Goal 147	Goal 1,300	Goal 990	Goal 1,435	Goal 794	Goal 1,299	
	Result 653	Result 1,260	Result 982	Result 1,141	Result 3,531	Result 586	

Unit: KRW million

Volume of carbon reduction							
 Fuel	Goal 100	Goal 5	Goal 10	Goal 5	Goal 9	Goal 274	
	Result 66	Result 9	Result 5	Result 192	Result 12,094	Result 162	
 Elec.	Goal 494	Goal 1,000	Goal 300	Goal 0	Goal 0	Goal 0	
	Result 3,387	Result 1,075	Result 381	Result 7,160	Result 4,897	Result 3,638	
 Total	Goal 594	Goal 1,005	Goal 310	Goal 5	Goal 9	Goal 274	
	Result 3,453	Result 1,084	Result 386	Result 7,352	Result 16,991	Result 3,800	

Unit: \*TC

\*TC: Ton of Carbon Equivalent

### Energy Conservation Initiative

Committed to energy conservation, Hynix set up an independent company-wide task force team to deal with the energy efficient management of its equipment and facilities. The Energy Efficiency Task Force Team (EETFT) began with the development of measurement equipment and standard guidelines for measuring energy consumption and monitoring the energy efficiency of equipment and facilities at the company's production line. The EETFT is also in charge of implementing energy conservation plans, assessing energy efficiency practices, and formulating energy goals. Hynix will secure energy conservation technology so as to develop highly energy-efficient equipment.

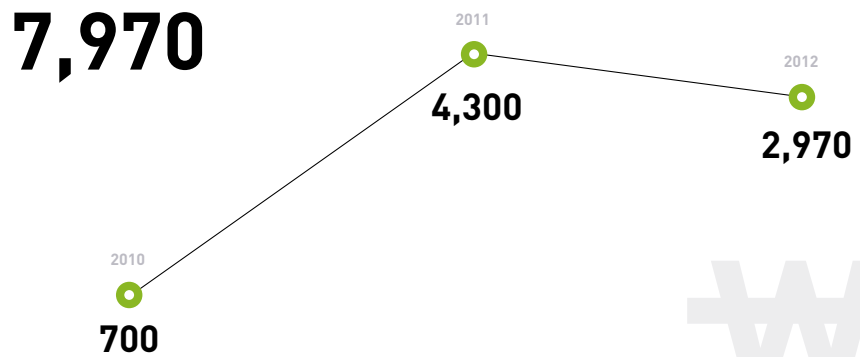
#### ► Energy Conservation Plan

Unit: TOE

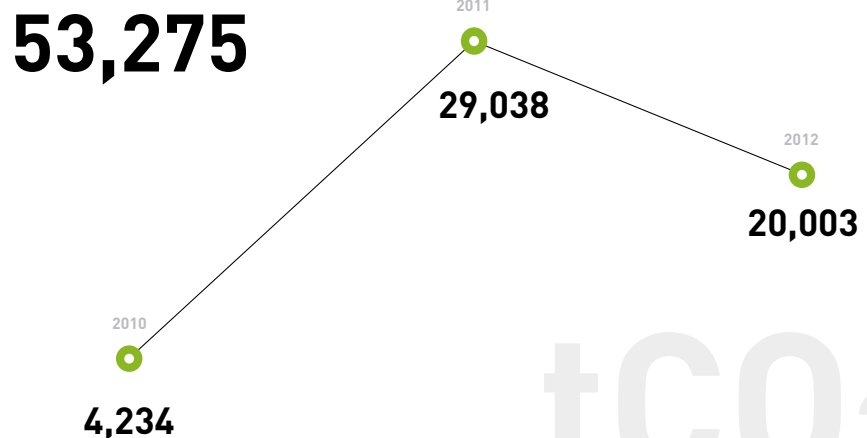
Category	2012	2011	2010	Total	Remarks
Waste heat recovered from cooling water	943	943	943	2,829	
Adoption of water humidifying system	2,762	5,524	-	8,286	Steam reduction
Exhaust heat recovered from boiler	562	-	-	562	
Total	4,267	6,467	943	11,677	

#### ► Expected Results from Energy-saving Activities

Cost reduction effect (Unit: KRW million)



CO<sub>2</sub> Reduction (Unit: ton of CO<sub>2</sub>)



## Reusing Resources & Conservation: Caring for the Environment and the Planet through Eco-friendly Recycling Programs

### Water

Water is a critical resource in the semiconductors industry. Dedicated to minimizing the environmental impact of its water intake, Hynix uses only surface water. The Icheon Plant gets its water from the Namhan River and treats wastewater internally before it is discharged. The Cheongju Plant has a local raw water supplier. In 2009, the two plants used a total of 19,233,528 m<sup>3</sup> of water, down 18% from the previous year, mainly due to the suspension of part of the Icheon production line.

**Water reuse** | In order to minimize water consumption, Hynix reuses some of the ultrapure water used in the semiconductor manufacturing process, which is part of the company's plan to improve its water reuse rate. The rate of water reuse declined in 2009, as the new finer line-width standard adopted by Hynix applied stricter regulations on wastewater recycling. Furthermore, the company is involved in various initiatives and projects to improve the rate of wastewater reuse and reduction of water usage, while also developing new technologies. In fact, Hynix applies a different recycling methodology depending on the type of wastewater in its drive to improve the quality and quantity of reused water.

### Raw Materials

The recycling ratio of used 300mm test wafers declined in 2009 due to the adoption of the ultra-fine processing method and the development of new products, while the recycling of 200mm test wafers improved by 0.9%p over the previous year to reach 2.9%.

#### ► Water Management

Domestic business sites  
Based on 300mm wafers

Category		2009	2008	2007
Water usage	water usage per wafer (m <sup>3</sup> /wafer)	7.5	7.4	6.5
	Water reuse	(Recycling/Water usage) x 100 (%)	21	24

#### ► Usage Volume of Raw Materials Other Than Water

Domestic business sites  
Unit: KRW million

Category		2009	2008	2007
FAB	Wafer	655,059	891,397	810,304
	Others	535,135	619,940	536,065
Back-end	Substrate	120,343	153,499	153,357
	PCB	126,793	167,913	163,709
	Others	236,398	285,249	208,818
Total		1,673,728	2,117,998	1,872,253

#### ► Recycling Ratio of Used Raw Materials

Domestic business sites  
Unit: %

Category		2009	2008	2007
300mm wafer		0.6	1.8	0.9
200mm wafer		2.9	2.0	2.8

#### Water & Rate of Water Reuse

HNSL (China Plant) neutralizes acids and fluorine in wastewater that is to be reused, and also reuses ultrapure water within the production line. Also, the plant reuses cooling water, allowing it to achieve water reuse rates\* for 2008 and 2009 of 94% and 95%, respectively.

\* Rate of water reuse = reused water amount/water inflow amount x 100

# Minimizing Environmental Impact

03

Hynix is as concerned about the environmental impact of its products as it is about customer satisfaction. As a result, the company has established an organization for the preemptive management of air, water quality and wastes. At the same time, Hynix is constantly developing eco-friendly substitutes and expanding production of its eco-friendly products, while engaging in activities to protect ecosystems in the vicinity of the company's plants.

## Minimizing the Environmental Impact: Preemptive Control of Environmental Pollutants

### Controlling Water Quality

In order to reduce effluents, Hynix focuses on the preemptive control of wastewater at its source. The Environmental Safety Team reviews the environmental impact from the initial stages of importing new equipment, to the changing of any manufacturing processes, to the moving of equipment, allowing for intensive control of water pollutants. Hynix also classifies every piece of equipment that emits wastewater or waste liquids by type, and applies a different treatment system depending on the equipment in question. Hynix has also installed a telemonitoring system (TMS) to monitor effluents on a real-time basis. Furthermore, it has expanded the number of hours the analysis laboratory office works during the day and at night, strengthening the company's capacity to monitor its effluents into nearby streams and rivers. Hynix applies stricter internal regulations on its water pollutants, roughly 50 to 80% more stringent than legal standards. One example is its discharging of COD, T-N and F, which it does at a rate that is 10 to 50% more restrictive than legal standards.

### ► Volume of Wastewater and Effluents

Domestic business sites

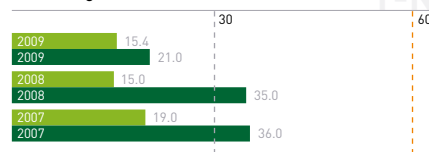
Category	2009	2008	2007
Volume of wastewater [m <sup>3</sup> / wafer]	5.9	5.6	5.3
Effluents [m <sup>3</sup> ]	15,294,186	17,812,756	17,355,889

### ► Water Pollutants

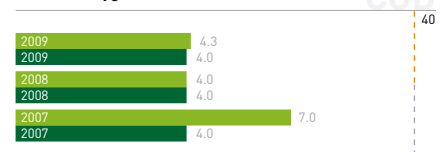
Unit: mg/l

Icheon ■ / Cheongju ■ Legal standard\_Icheon - - - / Legal standard\_Cheongju - - -

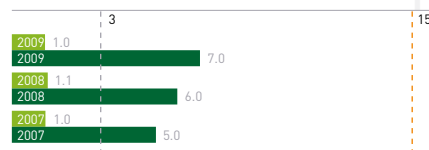
#### Total nitrogen



#### Chemical oxygen demand



#### Fluorine



### ► HNSL (China Plant) Water Pollutants

Unit: mg/l

Category	Legal standard	2009	2008	2007
Ammonia nitrogen [NRB-N]	35	5.7	15.9	17.7
Chemical oxygen demand [COD]	500	23.9	84.0	53.5
Fluorine [F]	10	2.9	5.6	70.9

C H I N A



### Controlling Air Pollutants

By classifying the gas emissions from the semiconductor manufacturing process by type, Hynix applies the optimal treatment methods of wet processing/oxidation/absorption, depending on the type of gas. Air pollutants go through two to three steps in exclusive treatment plants before reaching the end of ventilation. This process removes anywhere between 70 and 96% of air pollutants before emission. By keeping a tight control on air pollutants, Hynix consistently monitors the concentration of chlorine gas on a real-time basis through its TMS. In addition, it also commissions an external agency that is certified in conducting environmental tests and checkups to measure and analyze air pollutant emissions at Hynix twice a month. In situations where the results exceed internal regulations, which are 10 to 20% more stringent than legal standards, follow-up measures call for a cause analysis and intensive efficiency check on the treatment facilities to bring the measurements within specified limits.

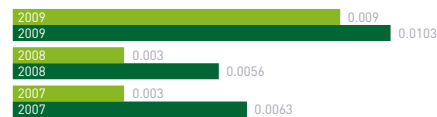
Through this program, Hynix is able to keep its emissions of hydrogen fluoride gas from the production of semiconductors down to 0.8 ppm, a mere 16% of the legal standard (5 ppm), as well as other pollutant emissions at 20 to 60% levels more stringent than legal standards. In order to ensure clean air for local communities, Hynix also installed regenerative thermal oxidation\* (RTO) systems, which use liquefied natural gas (LNG) as fuel to degrade volatile organic compounds\* (VOCs) into CO<sub>2</sub> and steam. After recovering the waste heat from this process, the company reuses the recovered heat for concentrating exhaust gas to enhance energy efficiency.

#### ► Air Pollutant Emissions Concentration

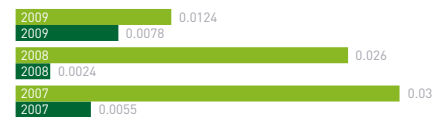
Unit: g/cm<sup>2</sup>

Icheon / Cheongju

##### Fluorine



##### Ammonia



##### Sulfur oxides



##### Nitrogen oxides



##### Chlorine



## C H I N A

#### ► HNSL (China Plant) Air Pollutants

Unit: g/cm<sup>2</sup>

Category	2009	2008	2007
Sulfur oxides [SO <sub>x</sub> ]	0.00011	0.02698	0.00538
Ammonia [NH <sub>3</sub> ]	0.00253	0.00749	0.01022
Nitrogen oxides [NO <sub>x</sub> ]	0.00049	0.00065	0.00868
Fluorine [F]	0.00130	0.00294	0.00871



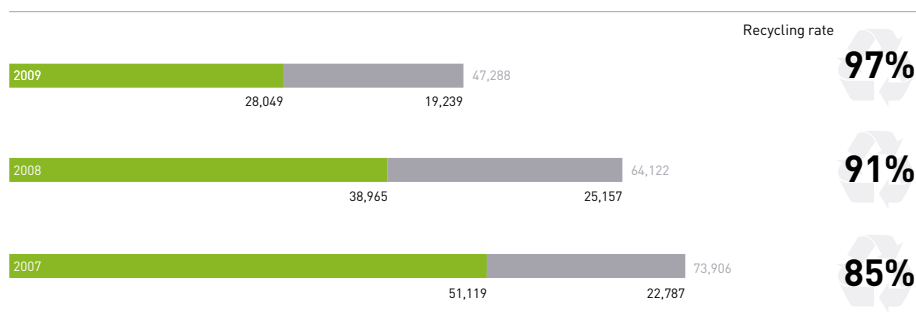
### Waste Management

Hynix is committed to reducing wastes and recycling wastes from all its work sites. To that end, it has established an industry-academic-research cooperation agreement on the development of recycling technologies. After year-long research activities through this cooperation, the company has developed a technology to extract silicon powder from the water suspension after wafer grinding, which is now used in all of its plants. As part of the Eco Industrial Park (EIP) project, Hynix not only sells waste sulfurs to neighboring factories as raw materials, but also operates a round-the-clock monitoring system for waste treatment in a bid to reduce and recycle wastes. It should be noted that Hynix abides by the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, and also operates a strict control system for all wastes and hazardous chemical substances to legally treat and dispose such items. In 2010, Hynix aims to recycle 98% of its wastes by improving its waste management system.

#### ► Waste Management Performance

Domestic business sites  
Unit: tons

General wastes / Designated wastes



#### ► HNSL (China Plant) Waste Management

Unit: tons

C H I N A				
Category	2009	2008	2007	
General wastes	6,286	9,270	13,365	
Designated wastes	12,238	13,775	10,376	
Total	18,524	23,045	23,740	
Reuse rate	15%	11%	19%	

\* Recycling is restricted in China, so Hynix reuses scrap metals, nonferrous metals, and paper scraps.

### Hazardous Chemical Substance Management

In line with heightened regulations on hazardous chemical substances and preemptive pollution prevention measures, Hynix has shifted its focus from conventional post-management of emissions regulations to preemptive management at the source, on raw materials and manufacturing processes.

**Establishing a new material ESH Qualification System** | In order to ensure that no substances prohibited by domestic and international regulations and the VA are contained in the material, we have established since 2008 a new material ESH qualification system that reviews the composition before mass production or procurement. In addition, the company demands from its suppliers certification and a certified third-party report stating that the material at issue does not contain any hazardous substances. These comprehensive systems allow Hynix to prevent the use of any hazardous materials in its products.

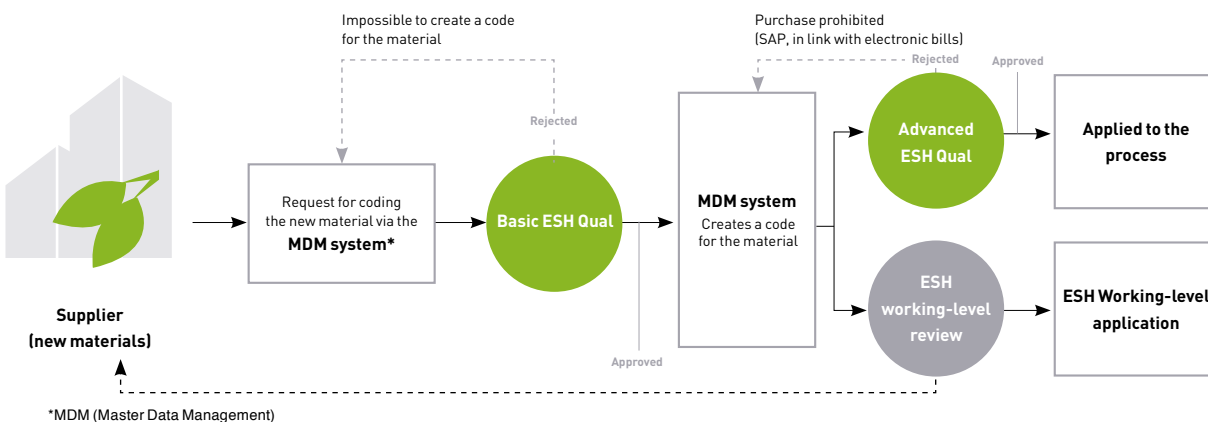
**Developing eco-friendly substitutes** | Even if it is not legally regulated, Hynix develops substitutes for any hazardous substance it works with and applies it to the manufacturing process. For instance, Hynix developed and applied a substitute for dimethylacetamide (DMAC), an organic compound that can cause hepatic injuries. The company also agreed to take part in a voluntary agreement (VA) with the WSC in 2005 and is working towards reducing and ultimately finding a substitute for perfluorooctane sulfonates (PFOS), which are exempt from the ban on photoresist systems and were classified as an Annex B restriction at the general meeting for the signatories of the Stockholm Convention in May 2009.

**Reducing chemicals** | With the end goal of minimizing the environmental impact of its products and processes, Hynix is striving to reduce the amount of chemical substances in its production line. By improving the cleansing process that uses isopropylalcohol\* (IPA) and ammonia, while also adopting a new cleansing process to optimize production technology, the company has reduced the amount of these substances which are released into the environment.

**Reducing the release of chemicals** | In order to reduce the release of hazardous chemical substances, Hynix has a regeneration thermal oxidizer (RTO) that breaks down VOCs. At the same time, it is constantly improving its process technology. Consequently, Hynix has decreased its release of IPA by more than 98% in 2008 when compared to levels from the base year (2002). In recognition of this achievement, Hynix received “best practice” citation from Korea’s Ministry of Environment as part of the 3050 Activities\*, a voluntary agreement on the reduction of the release of chemicals. Even today, Hynix continues to reduce the amount of chemicals it releases. Despite the growth in the use of chemical substances used proportionate to its annual growth in production, Hynix has considerably decreased its basic unit against production through various activities that have reduced air and water pollutants.

\* 3050 Activities: A cooperative program established by civic groups, government authorities, local governments and businesses to reduce the amount of chemicals released from chemical substances in the course of manufacturing and using products through the Pollutant Release and Transfer Register (PRTR) program

### ► New Materials ESH Qualification System Process



### Environmental Impact Management of the Logistics Process

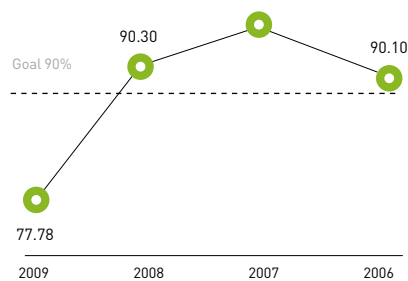
Previously, Hynix improved its logistics expenses and CO<sub>2</sub> emissions by shifting the transportation of facilities, equipment and materials imported from Japan by air, to sea. In 2009, the total volume of imported material fell, thereby falling short of the company's ship transportation ratio.

#### ► Ship Transportation Goals/Results

Domestic business sites

##### Ship transportation rate

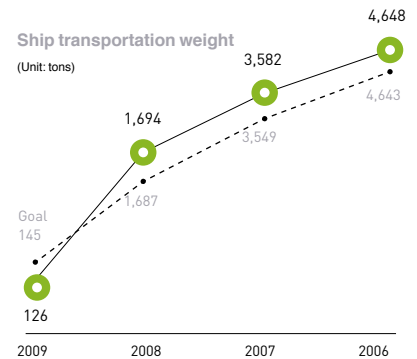
(Unit: %)



\* More than 90% of imported goods are transported by ship

##### Ship transportation weight

(Unit: tons)



### Ecosystem Protection Programs: The Pursuit of Eco-friendly Work Sites

Hynix's domestic plants are not habitats for eco-logically important species or wetlands. Still, the company surveys and analyzes the environmental impact of its effluents on neighboring water ecosystems, which, in the case of its Icheon Plant, means the Namhan River. In fact, Hynix was the first Korean company in the electronics industry to analyze ecotoxicity and monitor the influence of effluents on water quality on a constant basis. In preparation for new ecotoxicity regulations which go into effect in 2011, the company has established a comprehensive response system to control water quality. Surveys on the ecotoxicity of effluents from the company's Icheon and Cheongju Plants show that the quantitative release of these substances at these work sites is still below specifications. In 2009, Hynix assessed the health of neighboring water ecosystems by analyzing the ecotoxicity of two streams, Jukdang and Bokha, the bodies of water into which the company's effluents flow. The quarterly ecotoxicity analysis of neighboring streams indicated 0 TU, which essentially means that Hynix's effluents have no ecotoxic effect on nearby water ecosystems.

#### ► Ecotoxicity (Effect of effluents on ecosystems)

Domestic business sites

Unit: TU\*



\* TU (Toxic Unit): The smallest dose of a toxin which will kill 50% of water fleas; undiluted wastewater is TU1, with TU2 referring to double the amount of diluted toxins

# Environmental Management System

04

Hynix has established a company-wide environmental management system. On top of systematic environmental investment planning, it is also expanding its line of eco-friendly products, such as carbon label products. Hynix works closely with NGOs to ensure its environmental management system remains transparent and reliable. With the ability to verify the eco-friendliness of products during development, Hynix now has an ESH Integrated Management System which ensures that all its work sites are completely safe.

## Environmental Investments & Expenses: Hynix's Commitment to a Sustainable Environment

Hynix classifies its environmental investments as responding to climate change, managing wastewater, and managing wastes. In 2010, the company earmarked funds for the construction of an additional wastewater treatment plant and an EIP building at Solbat Park (near the Cheongju Plant), which will feature an ecopond that can utilize the company's transfer pump, effluents, and scrubber gas analyzers. In addition, Hynix has completed work on a greenhouse gas inventory and developed eco-efficiency factors in order to further enhance the efficiency of its environmental investments, as well as improving the reliability of the company's environmental management.

## Eco-friendly Products: Hynix's Tools for a Sustainable Future

### Carbon Labels

In November 2009, Hynix became the first Korean electronics company to acquire the carbon label certificate. Carbon labeling is a third-party labeling system certified by Korea's Ministry of Environment. The certification was on the company's 50nm class DDR3 item, which was certified to emit 602g of CO<sub>2</sub> throughout the Raw material production from suppliers-transportation-manufacturing process. The 50nm class DDR3 item is mainly used for desktops and laptops. Capable of processing data at a speed of 1,600 Mbps and powered by as little as 1.35 to 1.5 volts of electricity, the 50nm class DDR3 is designed to considerably reduce CO<sub>2</sub> emissions relative to conventional products at the end-user stage. Hynix will continue its R&D activities into low-carbon products and expand mass production of these products by gradually acquiring more carbon labels for its main products.

### Substitution & Reduction of Hazardous Substances

**Response to RoHS and reduction of lead (Pb)** | Most of Hynix's products are lead-free and those with lead are subject to consistent monitoring and reduction processes. In cooperation with suppliers, Hynix aims to become lead-free by 2011.

**Responding to halogen regulations and expanding halogen-free mass production** | Hynix manufactures halogen-free products, most notably free of bromine (Br) and chloride (Cl), and has plans to expand the mass production of zero-halogen products by 2011.

### ► Environmental Investment & Expenses by Work Site

Unit: KRW million

Category	2009	2008	2007
Icheon Plant	17,457	17,980	46,291
Cheongju Plant	9,087	12,438	2,584
Shared	26,793	24,797	36,874

\* The way in which calculations are made for environmental investments and expenses has changed, resulting in a discrepancy between figures reported in 2010 and 2009.

01 Carbon labeling on a 50nm class 1Gb DDR3 SD RAM item

02 Carbon labeling system for products



01

02

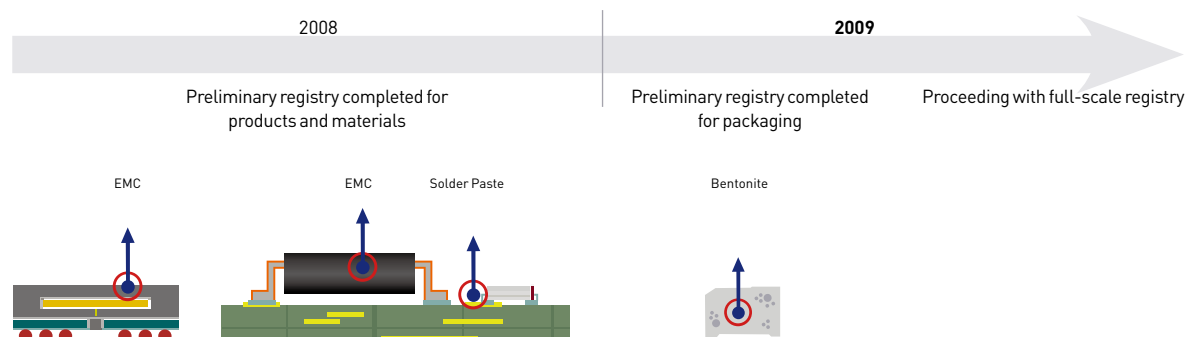
**Responding to REACH and reducing SVHC\* high-risk substances** | In response to the Material Information Disclosure System and the effectuation of the REACH program, which regulates the use of high-risk substances, Hynix has completed an integrated Material Information System for its products and raw materials. This allowed Hynix to guarantee that memory components and modules are free of substances of very high concern (SVHC) by REACH. Furthermore, Hynix has developed raw materials that can be substituted for diboron trioxide, an SVHC included in the glasses used for CMOS Image Sensor products, as well as antimony trioxide, a prohibited flame-resistant substance. Hynix was able to remove both these substances by improving the manufacturing process of its raw material suppliers.

**Use and control of raw materials registered to REACH** | Hynix ensures the eco-friendliness of its products through consistent monitoring and management of the preliminary and full-scale registries of its products – from the material stage to the packing stage – according to the requirements set out by REACH. The materials required for the preliminary registry include packaging material made of Epoxy Molding Compounds (EMCs), a solder paste, and an absorbent packing material called bentonite. The suppliers of these materials have completed preliminary registry of the materials, which is why there is no need for the preliminary registry of Hynix's products. In the meantime, Hynix is sharing the guidelines set forth by the European Chemicals Agency (ECHA) and REACH with all its suppliers, encouraging their participation in a full-scale registry, including a safety assessment report. These activities have prepared the company for REACH regulations and it is currently only using materials that are safe for both humans and the environment.

#### ► Reduction of Hazardous Substances & Mass Production




#### ► REACH Registry



Refer to Hynix's website for more information on reduction of Hazardous Substances & Mass Production (Sustainability > Green Product > Green Hynix > Green Supply Management System).

### Reinforcing Eco-friendly Certificate System & Inspection of Materials and Products

Hynix intensified its preliminary eco-friendly verification process in order to ensure that all products and materials are free of any prohibited substances. From the development stage, employees collect and verify preliminary information before carrying out a second round of verification at the certification stage. Final verification, conducted at the stage of database building, prevents the intervention of hazardous substances at source. This process is conducted through networking with both the company's Green Product Management System (GPMS) and suppliers' management systems. Certified materials undergo analysis and inspection before going into mass production. For those materials which require substantial attention, such as those with solder paste and solder balls, all imported materials are subject to x-ray tests and close inspection. With products, sample materials are selected on a monthly basis for closer examination to see if there are any defects. In Hynix's new business areas, such as SSD\* products, the company verifies and reports on the safety of raw materials and components at the development stage to preemptively catch any defect and ensure its eco-friendliness before product certification.

 Refer to Hynix's website for more information on GPMS (Sustainability > Green Product > Green Hynix > Green Product Management).

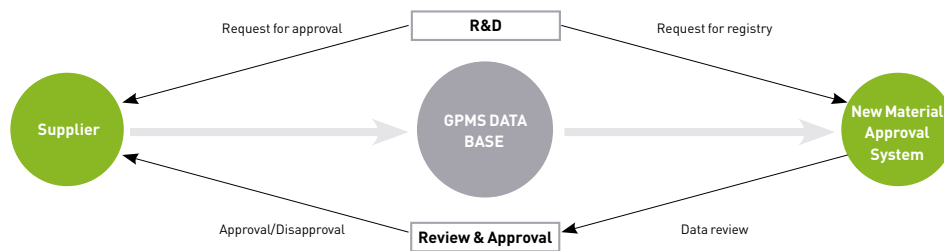
### Win-win Partnership with Raw Material Suppliers

Green products start from green materials and are completed in the final stage of process management. As a result, Hynix visits its suppliers for on-site inspections of raw materials management, process management, and anti-pollution systems. This is done to encourage suppliers to make corrections when necessary, share best practices in terms of correction methods with other suppliers, and enhance the company's overall green supply chain system. Furthermore, in preparation for changes in regulations on hazardous packing material substances, Hynix helps educate suppliers on regulation trends and background information on these changes.

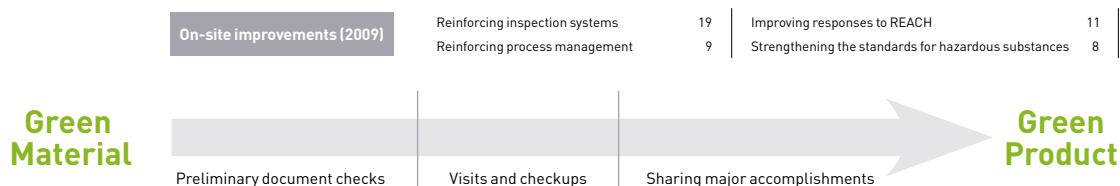
### Main Products in 2010

Hynix is currently renovating its website to transparently disclose green product information, including details about the company's REACH and RoHS certifications, as well as its Material Information Disclosure. Hynix also plans to continue checking for and removing lead, antimony and halogen substances in components that are exempt from regulations.

#### ► New Material Eco-friendliness Verification Process



#### ► Reinforcing the Act of Managing Suppliers' Manufacturing Processes





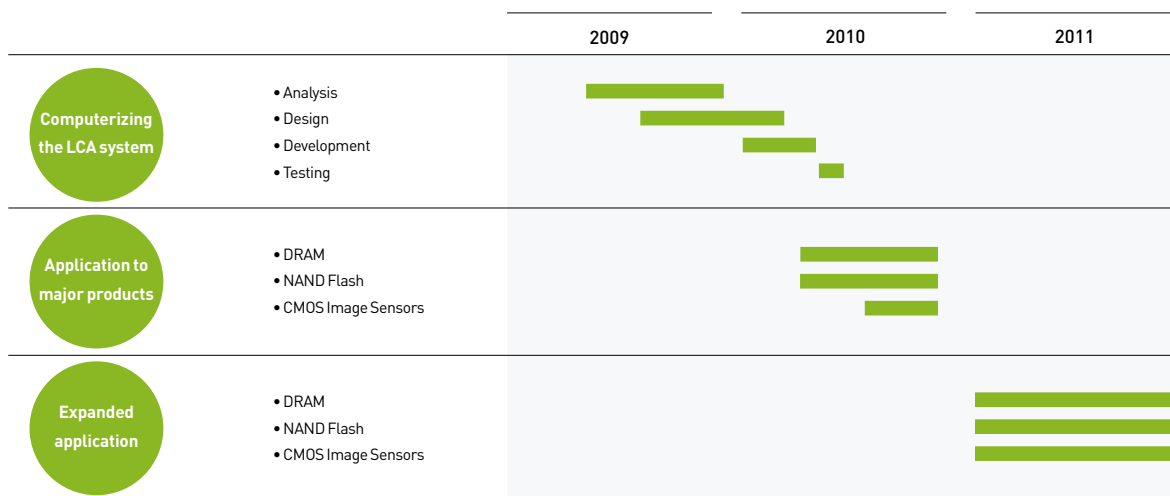
## Environmental Management Advisory Council: Cooperation for Transparent & Reliable Environmental Management Activities

Hynix is working closely with an NGO called the Korea Federation for Environmental Movements (KFEM) to establish the Environmental Management Validation Committee (EMVC) for transparent environmental management validation activities. This led to Hynix implementing practical validation activities in 2008 and then publishing a report on the subject in 2009. The EMVC finished its validation activities in 2008 at which time it reached an agreement to set up an Environmental Management Advisory Council (EMAC) for continued monitoring and improvement of environmental management practices. Accordingly, EMAC, which is headed up by Hynix's CEO, held meetings biannually in 2009 and discussed current social issues concerning environmental policies and general trends in environmental industries. Hynix was consequently able to get the opinions and views of many experts from the private sector on their company's environmental vision and strategies and implement these in the official company policy.

## Life Cycle Assessment\* (LCA): Hynix's Green Certificate System for Products

Hynix carried out LCAs on major DRAM and NAND Flash memory products as early as 2006 and 2007, respectively, identifying major environmental issues as a result. On top of that, the company began constructing a computerized system for LCAs in the second half of 2009. Slated to be completed in the first half of 2010, the computerized LCA System will conduct LCAs on Hynix's main products, with the scope of application being gradually expanded from 2011. By computerizing the LCA system, the company is able to internally identify the areas that could benefit from improvements before developing and mass producing green products. Externally, the company will then provide the assessment results to stakeholders in a transparent manner.

### ► Computerized LCA System Roadmap



### The Factor h<sup>2</sup> logo's meaning

h<sup>2</sup>: Hynix, EE Higher

A circle: Wafer

Five squares: The squares symbolize dies and the five of them symbolize "Factor 5" (by 2015)

Color: Green (eco-friendly)



### Eco-efficiency & Factor h<sup>2</sup> Roadmap

Embracing the eco-efficiency definition as spelled out by the World Business Council for Sustainable Development (WBCSD) in 1994, Hynix developed an eco-efficiency module that evaluates the environmental impact and value of its product in a bid to complement its semiconductors memory business. The module was developed in 2008 and went through a series of reviews by external experts, who evaluated a total of 14 products in three-step case studies. While serving as product and workplace performance indicators within the company, the eco-efficiency index also serves as a tool for its Environmental Declaration of Products (EDP) system, a part of Hynix's green marketing program outside the company. Moreover, Hynix also developed a Factor h<sup>2</sup> Roadmap to achieve Factor 5 by 2015 and will work hard to develop more green products in the future.

#### Eco-efficiency Index

The Hynix Eco-efficiency Index is comprised of the quantification of a product's value, quantified based on its function, and its environmental impact. The main functions of memory semiconductors reflected in this index include density, processing speed, and voltage, with the improvement rate quantified for each function. The quantification of environmental impact includes substance use, greenhouse gas emissions and compliance with the product's environmental regulations.

Product Value ▲

$$\sqrt{wfd \text{ (Density Ratio)}^2 + wfs \text{ (Speed Ratio)}^2 + wfv \text{ (Voltage Ratio)}^2}$$

Environmental Impact ▼

$$\sqrt{wfm \text{ (Material Use Ratio)}^2 + wfg \text{ (Global Warming Ratio)}^2 + wfr \text{ (Regulation Compliance Ratio)}^2}$$

#### ► Eco-efficiency Index Composition

	Composition	Function	Consideration
<div>Product value</div> <div>Environmental impact</div>	Product functions	Function: The initial standards for evaluation	<ul style="list-style-type: none"> <li>• Density: Data storage capacity</li> <li>• Speed: Data processing speed</li> <li>• Voltage</li> </ul>
	Material consumption	Quantification of product input	<ul style="list-style-type: none"> <li>• Wafer • Utility gas • Chemical</li> <li>• Metal • Water • Plastics</li> </ul>
	Global warming	Quantification of CO <sub>2</sub> emissions by product	<ul style="list-style-type: none"> <li>• CO<sub>2</sub> emissions through PFCs and electricity</li> </ul>
	Regulation compliance	Quantification of compliance with product environmental regulations	<ul style="list-style-type: none"> <li>• Hynix Class I: RoHS, Halogen</li> <li>• Hynix Class II: Others</li> </ul>

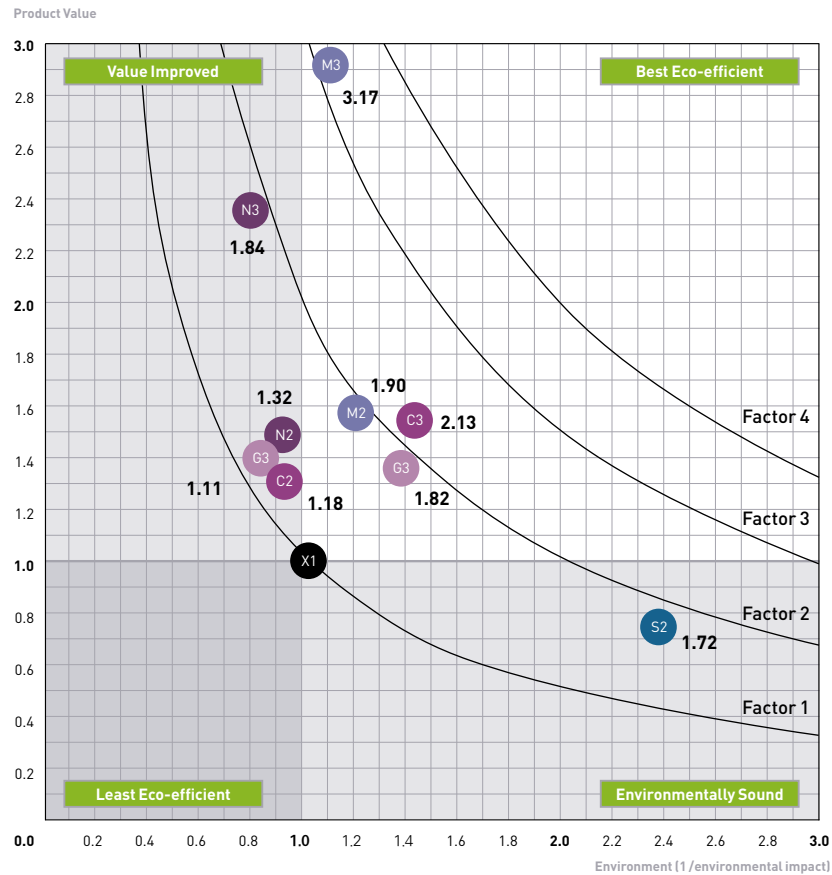
**Brochures in Korean and English**

The Hynix Eco-efficiency brochure is available on the company's website in Korean and English as of June 2010.



The eco-efficiency value can be corroborated in the eco-efficiency portfolio. The following graph expounds on the comparison between each product group. According to the graph, C2 products are 1.18 times more eco-efficient than C1 (X1) products. Even in the same eco-efficiency figure, the inclination of x and y shows the relative contribution to eco-friendliness and product value.

► Eco-efficiency Portfolio

**Product Eco-efficiency Rate****Computing Memory**

C1	Computing 1st round	100%
C2	Computing 2nd round	118%
C3	Computing 3rd round	213%

**Consumer Memory**

N1	Consumer 1st round	100%
N2	Consumer 2nd round	132%
N3	Consumer 3rd round	184%

**Graphics Memory**

G1	Graphics 1st round	100%
G2	Graphics 2nd round	111%
G3	Graphics 3rd round	182%

**NAND Flash Memory MLC\***

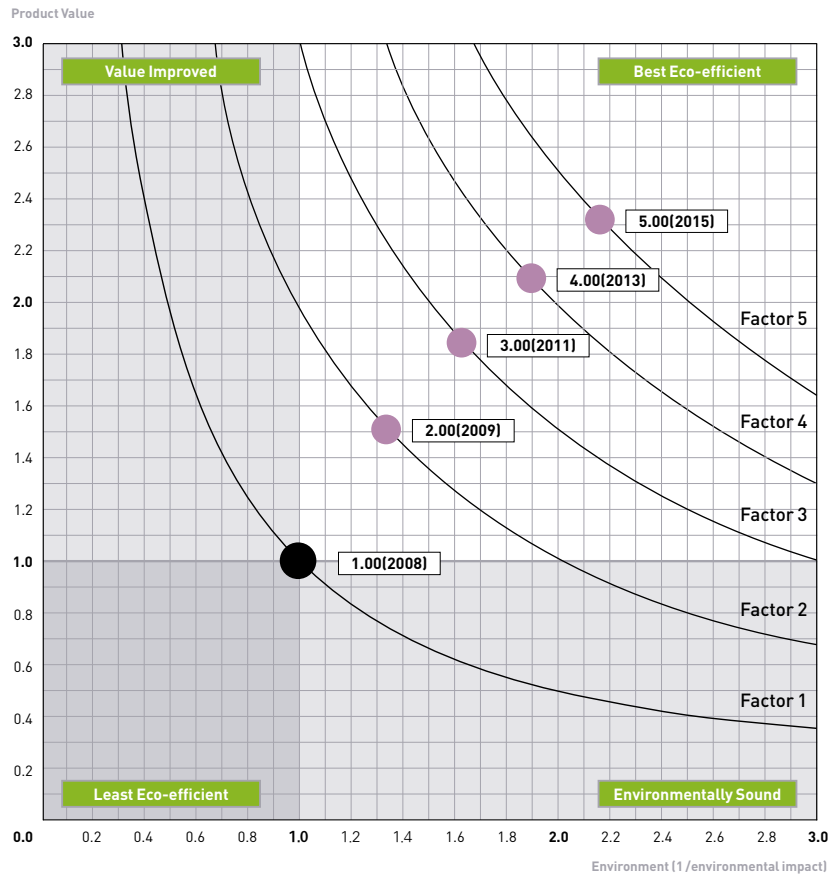
M1	Flash MLC 1st round	100%
M2	Flash MLC 2nd round	190%
M3	Flash MLC 3rd round	317%

**NAND Flash Memory SLC\***

S1	Flash SLC 1st round	100%
S2	Flash SLC 2nd round	172%

Hynix compares a new product's ratio of eco-efficiency value against conventional products in terms of function and environmental impact to calculate its  $h^2$  value. In the Hynix Factor  $h^2$  Roadmap, the term "Factor 5" means that the eco-efficiency value of new products is five times greater than the base products between 2008 and 2015. The eco-efficiency value is the multiple of environmental value (1/environmental impact) and the product value (the quantified figure of the product function). Hynix will utilize these factor values to develop and manufacture high-performance eco-friendly products well into the future.

### ► Factor $h^2$ Definition and Roadmap



#### Factor $h^2$ Definition and Roadmap

$$\text{Factor } h^2 \text{ Definition} = \frac{\text{New Product Eco-efficiency}}{\text{Base Product Eco-efficiency}}$$

#### Interpretation based on the factor size

- Factor 1 = Eco-friendliness and economy equivalent to those of the base product
- Factor 5 = Five-times the eco-friendliness and economy of the base product

#### Interpretation based on inclination of the factor

- Best eco-efficient: Environmentalism and product value improved (white area)
- Environmentally sound: Only environmentalism improved (gray area on the bottom right)
- value Improved: Only product value improved (gray area on the top left)
- Least eco-efficient: Decreased environmentalism and product value (dark gray area on the bottom left)

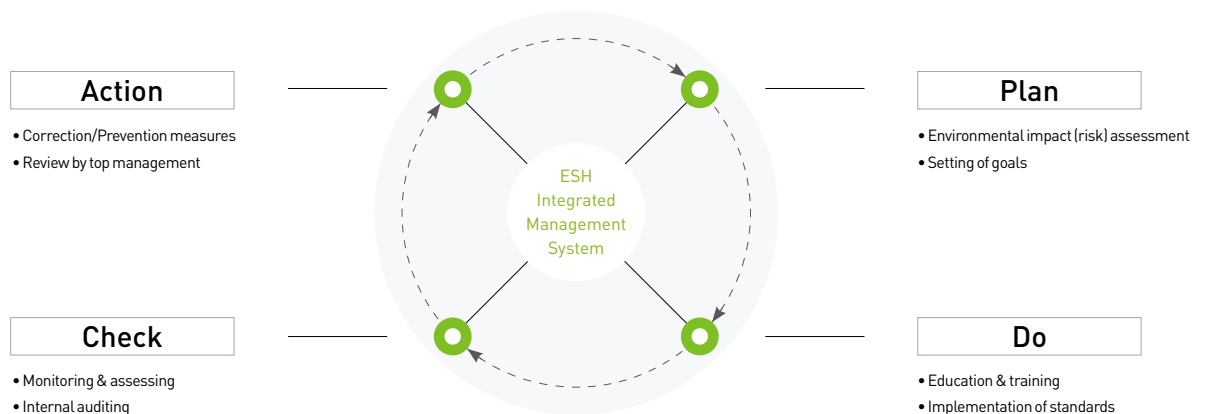
### Environmental Management Certification: Building Safe & Healthy Work Sites

Dedicated to the building of clean, safe work sites, Hynix has come up with its ESH Integrated Management System (ISO14001\*/OHSAS18001\*/KOSHA18001 certificates). Up until now, it has received ESH Integrated Management System certificates on 3 separate occasions for its self-directed environmental, safe and healthy management practices. Every year, Hynix has an external auditor verify the company's effectiveness and conformity to the regulations. The company's ESH Integrated Management System assigns ESH officers to each and every department and team and oversees self-directed environmental, safe and healthy management practices at a working level. In 2009, Hynix conducted a post-management review on its ESH Integrated Management System and had its operational performance verified as conforming to the regulations. Starting from 2010, the company computerized its ESH goals and environmental impact assessment programs to maximize efficiency. It also educated its ESH staff on how to use the new system. For its part, HNSL (China Plant) reacquired the ISO14001 and OHSAS18001 certificates and in the future is committed to proactively responding to international environmental standards and requirements.

- 01 OHSAS18001 (Icheon Plant)
- 02 ISO14001 (Icheon/Cheongju Plant)
- 03 OHSAS18001 (Cheongju Plant)
- 04 OHSAS18001 (HNSL (China Plant))
- 05 ISO14001 (HNSL (China Plant))



### ► ESH Integrated Management System



# Appendix

Financial Information

Management Direction and Declaration

Experts' Opinion

Group/Organization Membership & Awards

Greenhouse Gas Inspection Report

Third Party Assurance Statement

Glossary





## Financial Information | Statements of Financial Position

**Assets** | As of the end of 2009, total assets stand at KRW 16,303.5 billion declined by KRW 272.7 billion from KRW 16,576.2 billion of the end of 2008. By category, current assets grew by KRW 2,157.6 billion to KRW 4,917.1 billion from KRW 2,759.5 billion of 2008, while non-current assets dropped by KRW 2,430.3 billion to KRW 11,386.4 billion from KRW 13,816.7 billion recorded in 2008.

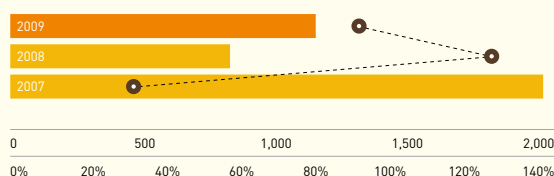
- Primary reason for the current assets increase includes:

- 1) a KRW 799.1 billion rise in cash equivalents due mainly to improved liquidity that was a result of equity financing and increased profitability.
- 2) a KRW 979.4 billion growth in trade receivables mostly attributable to increase in sales revenue.
- 3) a KRW 240.3 billion increase in deferred income tax assets, which was earmarked in light of the anticipated tax benefit expected to be partly realized in 2010 due to net operating loss carried forward.

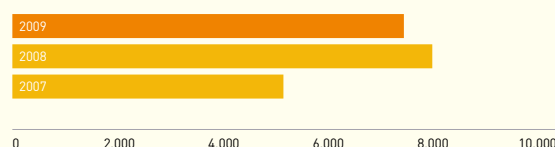
- Primary reason for non-current assets decrease includes:

- 1) a KRW 2,219.6 billion decrease in tangible assets due to depreciation that exceeded capital expenditures and the disposition of some of the company's 200-mm line manufacturing equipment.
- 2) a KRW 196.8 billion drop in deferred income tax assets.

Cash and cash equivalents / Net interest-bearing debt to equity ratio (%) (Unit: KRW billion)



Interest-bearing debts (Unit: KRW billion)



**Liabilities** | Total liabilities totaled KRW 10,384.3 billion as of the end of 2009 reduced by KRW 665.7 billion from KRW 11,500.0 billion of the end of 2008. Although current liabilities increased by KRW 531.7 billion from KRW 5,237.5 billion in 2008 to KRW 5,769.2 billion in 2009, non-current liabilities decreased by KRW 1,197.4 billion from 5,812.5 billion in 2008 to KRW 4,615.0 billion in 2009 lowering total liability level.

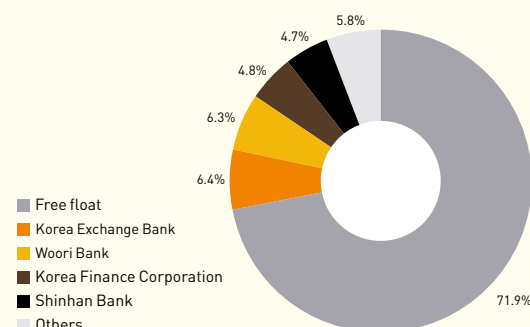
Specifically, the main cause of the current liabilities increase was the KRW 494.1 billion growth in the current portion of long-term borrowings, as the company replaced convertible bonds(CBs) which is available for put option from June 2010 and long-term borrowings with current liabilities. The main reason for the reduced non-current liabilities was the KRW 438.7 billion decrease in convertible bonds and KRW 799.6 billion decrease in long-term borrowings due to the liquidation of overseas CBs and long-term borrowings as well as the deterioration of the exchange rate. The company's net interest-bearing debt balance stood at KRW 5,436.8 billion at the end of 2009, down KRW 1,592.5 billion from KRW 7,029.3 billion at the end of 2008. Accordingly, net interest-bearing debt to equity ratio improved by 35%p, from 127% in 2008 to 92% in 2009.

**Shareholders' Equity** | Shareholders' equity increased by KRW 393.0 billion from KRW 5,526.2 billion at the end of 2008 to KRW 5,919.3 billion at the end of 2009.

- 1) Capital stock and capital surplus grew by KRW 650.2 billion and KRW 374.5 billion respectively through equity financing of 60 million shares in January and 70 million shares in May.
- 2) Net loss amounting to KRW 332.6 billion eroded retained earnings, while minority interest rose by KRW 30.9 billion.
- 3) Gain/loss on overseas operations translation of KRW 336.3 billion occurred mainly by foreign currency translation was reflected in the company's accumulated other comprehensive income.

Refer to Hynix's website for more information on shareholder composition and ownership (IR > Stock Info > General Info).

Category	Total no. of shares	Shareholding ratio
<b>Stock Management Council</b>	<b>165,480,000</b>	<b>28.1%</b>
Korea Exchange Bank	37,742,000	6.4%
Woori Bank	36,877,000	6.3%
Korea Finance Corporation	28,572,000	4.8%
Shinhan Bank	27,979,000	4.7%
Others	34,310,000	5.8%
<b>Free float</b>	<b>424,158,561</b>	<b>71.9%</b>
Domestic institutions	137,397,265	23.3%
Foreign investors	144,391,522	24.5%
Individual investors	142,369,774	24.1%
<b>Total</b>	<b>589,638,561</b>	<b>100.0%</b>



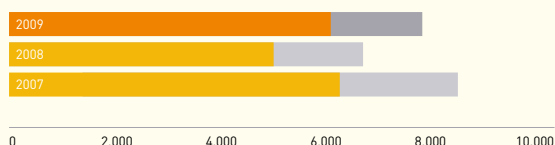
## Statements of Operation

**Sales** Sales in 2009 amounted to KRW 7,906.4 billion recording a 16% increase, or a KRW 1,088.3 billion growth from KRW 6,818.0 billion in 2008. This solid sales performance can mostly be attributed to stable pricing trend of the company's products backed by favorable business condition. Amid global economic recovery, limited supply and surging demand in the memory semiconductor market boosted sales coupled with the Korean won's appreciation.

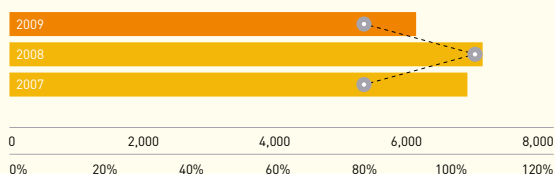
- By business segment, DRAM sales recorded considerable growth with increased shipment offsetting decrease in selling prices. DRAM's contribution to total sales expanded to 76% in 2009 from 73% in 2008. Meanwhile, NAND Flash sales contracted slightly due to the shipment decrease caused from cease of 200-mm production line and drop in average selling price. The sales portion of NAND Flash and other products also experienced a slight decrease, accounting for 24% in 2009 down from 27% in 2008.

**COGS** The cost of goods sold (COGS) reached KRW 6,279.8 billion, down 15% or KRW 1,083.0 billion from KRW 7,363.0 billion in 2008. This decrease can be attributed to the recovery of inventory valuation loss thanks to the surging selling price in 2009. Sharp selling price erosion and the resultant inventory valuation loss were the main culprits to stagnant COGS growth in 2008.

DRAM Sales / NAND Flash & others (Unit: KRW billion)

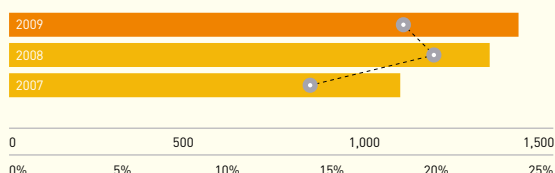


COGS / Ratio of COGS expenses to total sales (%) (Unit: KRW billion)

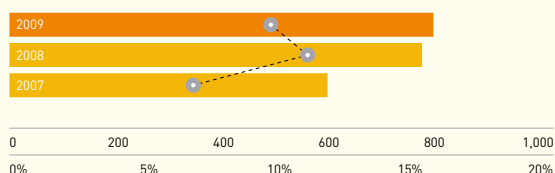


**SG&A Expenses** Selling, general and administrative (SG&A) expenses rose 4% or KRW 59.4 billion to KRW 1,434.6 billion in 2009 from KRW 1,375.1 billion in 2008. This increase mainly resulted from increased payment commissions, including running royalties in addition to higher R&D expenses used in developing new products and technologies.

SG&A expenses / Ratio of SG&A to total sales (%) (Unit: KRW billion)



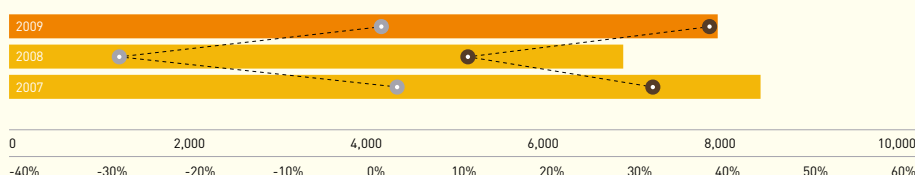
R&D expenses / Ratio of R&D expenses to sales (%) (Unit: KRW billion)



**Non-Operating Income** Non-operating income for 2009 stood at KRW 1,216.0 billion representing a 17% rise, or a KRW 179.9 billion increase, from KRW 1,036.0 billion in 2008. This growth can mainly be attributed to a KRW 222.7 billion increase in net foreign currency transaction and translation gain.

**Non-Operating Expenses** Non-operating expenses dropped by 54%, or KRW 2,111.8 billion, from KRW 3,890.5 billion in 2008 to KRW 1,778.8 billion in 2009. The KRW 19.2 billion growth in interest expenses was offset by the KRW 1,133.2 billion decrease in foreign currency transaction and translation loss. The KRW 778.9 billion in equipment impairment loss stemming from the suspension of the company's 200-mm production line in 2008, was realized as drop in expenses. Derivative valuation loss and other expenses also dropped by KRW 218.9 billion in 2009.

Sales / Rate of operating income (%) / EBITDA ratio (%) (Unit: KRW billion)



## Consolidated Statements of Financial Position

As of December 31, 2009 and 2008

### Hynix Semiconductor Inc. and Subsidiaries

(Unit: KRW thousand)

Accounts	2009	2008
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	1,209,110,638	526,864,162
Short-term financial instruments	309,351,263	192,527,546
Held-to-maturity securities	670	1,645
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩3,447,189 in 2009 (₩10,018,996 in 2008)	1,729,733,111	750,368,618
Other accounts receivable, net of allowance for doubtful accounts of ₩4,068,818 in 2009 (₩7,447,241 in 2008)	234,149,622	62,058,745
Inventories	1,057,279,937	1,092,103,445
Prepaid expenses	97,334,481	97,802,516
Deferred income tax assets	248,463,871	8,162,820
Other current assets	31,667,464	29,565,710
<b>Total current assets</b>	<b>4,917,091,057</b>	<b>2,759,455,207</b>
<b>Non-current assets:</b>		
Long-term financial instruments	1,265,139	4,284,146
Available-for-sale securities	57,543,370	23,237,419
Held-to-maturity securities	530	1,200
Equity method investments	105,358,908	26,045,322
Long-term loans, net of allowance for doubtful accounts of ₩6,136 in 2009 (₩23,603 in 2008)	1,419,226	1,762,030
Long-term accrued revenues, net of allowance for doubtful accounts of ₩1,186,849 in 2009 (₩1,186,849 in 2008)	-	-
Long-term advance payments	141,912,766	172,013,951
Deferred income tax assets	258,837,717	455,605,419
Property, plant and equipment, net	10,143,005,769	12,362,603,290
Intangible assets, net	461,958,108	496,407,601
Investment properties	162,415,720	246,127,310
Other assets	52,725,088	28,677,374
<b>Total non-current assets</b>	<b>11,386,442,341</b>	<b>13,816,765,062</b>
<b>Total assets</b>	<b>16,303,533,398</b>	<b>16,576,220,269</b>

## Hynix Semiconductor Inc. and Subsidiaries

(Unit: KRW thousand)

Accounts	2009	2008
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Trade accounts and notes payable	739,812,588	718,727,692
Short-term borrowings	1,418,774,298	1,554,377,239
Other accounts and notes payable, net of discount on present value	576,872,770	703,999,705
Advances received	522,998,310	253,449,130
Accrued expenses	885,333,471	870,589,804
Income taxes payable	4,417,663	9,243,521
Derivatives payable	33,309,115	46,348,458
Current portion of bonds and long-term borrowings, net of discount on bonds, discount on present value, conversion right adjustments and addition of redemption premium	1,552,026,161	1,057,910,841
Other current liabilities	35,687,896	22,875,770
<b>Total current liabilities</b>	<b>5,769,232,272</b>	<b>5,237,522,160</b>
<b>Non-current liabilities:</b>		
Bonds and long-term borrowings, net of discount on bonds, discount on present value, conversion right adjustments and addition of redemption premium	3,984,442,287	5,136,349,107
Other long-term accounts and notes payable, net of discount on present value	185,365,226	229,298,631
Severance and retirement benefits	351,844,804	314,825,900
Other long-term liabilities	93,370,346	131,984,972
<b>Total non-current liabilities</b>	<b>4,615,022,663</b>	<b>5,812,458,610</b>
<b>Total liabilities</b>	<b>10,384,254,935</b>	<b>11,049,980,770</b>
<b>Equity:</b>		
<b>Equity attributable to holders of the parent:</b>		
Capital stock	2,965,833,030	2,315,654,175
Capital surplus	1,303,527,701	929,002,855
Capital adjustments	5,768,977	5,839,683
Accumulated other comprehensive income	171,315,813	483,642,719
Retained earnings	1,005,936,494	1,356,062,983
<b>Total equity attributable to holders of the parent</b>	<b>5,452,382,015</b>	<b>5,090,202,415</b>
Minority interests	466,896,448	436,037,084
<b>Total equity</b>	<b>5,919,278,463</b>	<b>5,526,239,499</b>
<b>Total liabilities and equity</b>	<b>16,303,533,398</b>	<b>16,576,220,269</b>

## Consolidated Statements of Income

Years ended December 31, 2009 and 2008

### Hynix Semiconductor Inc. and Subsidiaries

(Unit: KRW thousand)

Accounts	2009	2008
<b>Sales</b>	<b>7,906,350,018</b>	<b>6,817,984,885</b>
<b>Cost of sales</b>	<b>6,279,821,110</b>	<b>7,362,955,828</b>
<b>Gross profit (loss)</b>	<b>1,626,528,908</b>	<b>(544,970,943)</b>
<b>Selling and administrative expenses</b>	<b>1,434,559,682</b>	<b>1,375,149,242</b>
<b>Operating income (loss)</b>	<b>191,969,226</b>	<b>(1,920,120,185)</b>
<b>Other income (expenses):</b>		
Interest income	29,977,103	85,256,102
Interest expense	(433,576,400)	(414,669,692)
Rental income	21,933,329	24,431,529
Reversal of allowance for doubtful accounts	1,298,110	19,381,147
Bad debt expenses - other	(518,557)	(2,276,774)
Gain (loss) on foreign currency transactions, net	19,342,018	(236,900,451)
Gain (loss) on foreign currency translation, net	256,080,361	(843,547,474)
Gain on disposal of available-for-sale securities, net	413,140	3,407,109
Equity in earnings of equity method investments, net	413,003	366,317
Gain on disposal of property, plant and equipment, net	100,083,296	110,578,744
Impairment loss on property, plant and equipment	(2,117,842)	(781,003,578)
Depreciation of idle assets	(88,354,227)	(96,735,364)
Gain on disposal of intangible assets, net	-	20,655,081
Impairment loss on investment properties	(63,603,776)	(5,631,755)
Gain on disposal of investment properties	5,718,687	6,314,430
Loss on early redemption of bonds	-	(56,606,769)
Loss on valuation of derivatives	(2,357,094)	(150,178,541)
Miscellaneous loss, net	(391,146,385)	(511,061,165)
Others, net	(16,374,966)	(26,270,246)
	<b>(562,790,200)</b>	<b>(2,854,491,350)</b>
<b>Loss before income taxes</b>	<b>(370,820,974)</b>	<b>(4,774,611,535)</b>
<b>Benefit from income taxes</b>	<b>38,176,877</b>	<b>29,887,227</b>
<b>Net loss</b>	<b>(332,644,097)</b>	<b>(4,744,724,308)</b>
<b>Attributable to:</b>		
Equity holders of the parent	(347,785,270)	(4,719,632,924)
Minority interests	15,141,173	(25,091,384)
	<b>(332,644,097)</b>	<b>(4,744,724,308)</b>
<b>Loss per share</b>		
Basic	(620)	(10,273)
Diluted	(620)	(10,273)

## Management Directions and Declaration



### DECLARATION

#### Declaration of Ethics Management

- We will conduct all management activities based on ethical values and in compliance with local, national, and international rules and practices.
- We will establish a system of transparent and antitrust compliance, while also eradicating any trace of unfairness or corruption.
- We will adopt ethics management within the corporation and strive to spread it to our partner companies.
- We will establish an Ethics Management Team and ensure it becomes a practical system, and continuously work towards its improvement.
- We are making this declaration public for its efficient implementation and for the sake of our stakeholders.

#### Declaration of Fair Trade Compliance Policy

Hynix Semiconductor Inc. declares that it will voluntarily abide by all fair trade rules and regulations in Korea and overseas. It will also strive to practice fair and free competition in order to firmly establish fair trade practices in the semiconductor industry, while creating opportunities for itself to become the top semiconductor company in the world amid intensifying global competition.

- First, Hynix recognizes that the compliance of fair trade laws is the true competitiveness of the company and shall consider it the foremost value of corporate management.
- Second, Hynix shall not conduct any unfair actions whatsoever in order to establish good practices of antitrust in all areas and regions, and shall mutually cooperate with the company's partner companies.
- Third, Hynix shall continuously educate all officials and employees of the company to voluntarily comply with all antitrust laws.
- Fourth, Hynix appoints a compliance official to strengthen the supervisory and monitoring system for compliance of the antitrust law.
- Fifth, Hynix shall do everything within its power to prevent any violation of the antitrust law through the Antitrust Compliance Program. Also, Hynix will do all that it can to identify any violation within the company, if any, and punish the violator(s) according to the relevant disciplinary by-laws.



### POLICY

#### Quality Policy

- The paramount objective of Hynix Semiconductor Inc. is the continued pursuit to become the top semiconductor company in the world. Exuding a pioneering spirit of innovation, and backed up by the company's Four Strategies of Top Management, Hynix provides the very best services and products to its customers by consistently improving quality and competitiveness. Achieving the highest customer satisfaction and continued long term business is the ultimate aim of Hynix. Moreover, employees in every capacity and every level will continually adhere to and advance the following policy:
- **Customer Focus I** To understand current and future customer needs, and provide the company's products and services in a way that exceeds customer expectations.
- **Continual Improvement I** To continually improve the company's performance in R&D, Manufacturing, Quality & Reliability Assurance, and Sales & Service on the basis of an optimized Quality Management System.
- **Involvement of Employees I** To be fully involved in every aspect of the quality improvement needed to achieve the world's highest quality in all our business areas.
- **Mutually Beneficial Relationships I** To enhance relationships with customers, suppliers, and third parties in order to achieve mutual prosperity and satisfaction.

#### Hynix ESH (Environment, Safety and Health) Policy

- Observing international agreements and national regulations on environment, safety and health, while also improving environmental safety and qualitative health standards on a continual basis.
- Identifying, evaluating and improving significant environment, safety and health aspects by conducting life cycle assessments from the purchasing stage.
- Developing eco-friendly products and conserving resources, recycling wastes through cleaner technology, and running an environmental management system that will propel Hynix to become the top ESH company.
- Developing process safety technology and emergency response capabilities on the basis of preventive activities that also promote a safe and comfortable workplace.
- Participating in environment, safety and health improvement activities with the community by recognizing social responsibility.



## Experts' Opinion



### Economic Performance

Professor, Vice Dean, Seoul National University School of Business  
Dong-Ki Lee

ECONOMIC  
PERFORMANCE

The primary responsibility of a business is to generate sustainable economic value. Economic value refers to a stable flow of revenue and overall financial stability, as well as sustainable competitiveness and future growth engines. The successful realization of these values increases corporate value, which helps increase the trust shareholders and investors have of the company, while also contributing to Korea's economy through added exports and the creation of jobs.

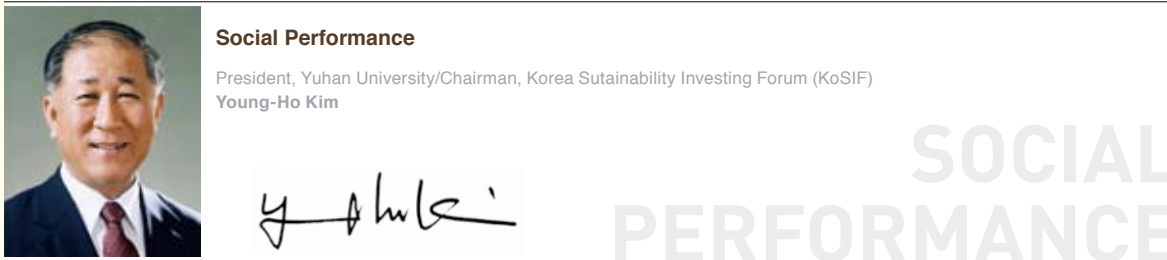
As a result, Hynix was in the black again in 2009 after turning a profit in its operating revenue. Even more notable is the fact that the company saw a 16% rise in sales, posting a profit despite the unfavorable global semiconductor market. The challenge now is to relay this success into a sustainable performance in the future.

In terms of sustainable competitiveness, Hynix made some remarkable achievements in 2009. As an industry leader in D-RAM and NAND Flash technology, the company has also achieved cost competitiveness through enhanced productivity. In the future, Hynix's drive towards innovation will ensure sustainable profits as it focuses on turning theories into practice.

At the same time, Hynix is active in its wide range of R&D activities which seek to pursue future growth engines. In fact, the company is currently reinforcing its highly profitable product line-ups, including its CMOS Image Sensors. In addition, the company is engaging in several strategic partnerships in line with the global trend of open market growth and innovation.

The company's contribution to Korea's economy is another key indicator of economic performance, which is why the company needs to report its performance on exports, job creation and industry-academic cooperation in future reports.

In short, Hynix has implemented its innovation drive in the right direction to enhance its overall performance. The establishment of innovation management as a sustainable system within the company will only further improve Hynix's financial performance and its contribution to Korea's economy.



The report states the social performance of the company is well balanced with the other sections. Hynix's 2010 Sustainability Report shows that the company's social performance is in balance with the report's other sections, all of which fall under the GRI Sustainability Reporting Guidelines.

The report describes the company's initiatives and achievements with respect to its relationship with customers, employees, partner companies and the community. However, it does lack some explanation concerning its relationship with other stakeholders such as financial partners, including banks and fund investors, governmental bodies, regulatory authorities, and the mass media.

The report segmented the social performance section by stakeholder group, while the employer section touches on every issue regarding employment, from human resources development, family-friendly management and welfare benefits to labor-management relations, corporate culture and occupational safety and health. A clear statement, properly presented statistics and fair descriptions facilitate a clear understanding of stated data, but there is a tendency to inundate readers with numbers. A more concise, insightful description would make the report more reader friendly.

For instance, the report lacks information on the company's policies on its reemployment program for retirees and maternity leave programs. Furthermore, although the partner companies section presents the company's policy regarding primary vendors very clearly, there was a dearth of information on the company's relationship with the secondary vendors and subcontractors. Improvements in future reports would include the company's measures to prevent any problems associated with deliveries in the course of transactions between Hynix, its partner companies and its subcontractors.

Also notable in the social performance section is the information about the company's social contribution programs. And while Hynix is active in industrial-academia cooperation, scholarships and education programs, the report lacks a description of how these social contribution activities generate financial profits. An inclusion of how these activities return profits to the company would help explain the link between corporate social responsibility and Hynix's sustainable growth. A large corporation like Hynix is in an exemplary position to establish a strategic relationship between social contribution and a company's financial results.



### Environmental Performance

Professor, College of Business Administration, Chung-Ang University  
Chairman, CDP Korea/Chairman, Korean Accounting Association  
Ji-In Chang

ENVIRONMENTAL  
PERFORMANCE

Hynix's 2010 Sustainability Report, its third since 2008, measures and reports on the company's performance economically, socially and environmentally, following the guidelines as set forth by the Global Reporting Initiative (GRI) G3 Guidelines and B.E.S.T. Sustainability Reporting Guidelines (local guidelines for Korean sustainability reports). In this report, Hynix's environmental performance has been classified into three areas: Responding to Climate Change, Environmental Management Performance, and Environmental Management System.

In Responding to Climate Change, Hynix discusses its control of greenhouse gas emissions at all of its work sites both in Korea and overseas. Of particular note, its two domestic plants have completed a greenhouse gas (GHG) emissions inventory which was subsequently verified by a third-party auditor and has since greatly reduced its GHG emissions. Furthermore, the company plans on enacting the same system at its Chinese plants. As a result of these efforts, Hynix ranked among the top performers in CDP Korea's Carbon Disclosure Leadership Index in 2009 and was the recipient of a President's Award in the Responding to Climate Change category at the Ministry of Knowledge Economy's Energy Conservation Awards. In the future, Hynix will be expanding its GHG inventory so that it applies to all of its work sites. On top of that, the company is required to develop an effective strategy to estimate possible risks in the event of higher GHG emissions regulations and to efficiently deal with stricter regulations.

With Environmental Management Performances, Hynix was the first company in its industry to implement carbon labeling. It is also preemptively replacing and reducing hazardous substances in efficient response to international environmental regulations, as the company felt it was best to reinforce its eco-friendly test process and ensure it had consistent management of hazardous substances through close cooperation with its raw material suppliers. Today, Hynix efficiently manages its water quality and controls the release of its wastes, air pollutants, and toxic chemicals, which has substantially reduced impact on the environment. This is a very significant achievement, one which has expanded to environmental impact control in the company's logistics process. As for its Environmental Management System, Hynix upgraded the Environmental Management Validation Committee that it had established years ago in cooperation with a Korean NGO for transparent validation of its environmental management activities to an Environmental Management Advisory Council, which was led by Hynix's CEO. This was of some importance because this council facilitates an objective validation, while also offering professional insight by experts from the private sector. Moreover, Hynix's initiatives for an advanced environmental management system, such as computerizing the LCA system and having an external expert verify the eco-efficiency Index it developed in 2009, are constantly being evaluated. For instance, a review of Hynix's ESH Integrated Management System found that follow-up measures were appropriately executed, testifying to the stable operation of the Environmental Management System.

Overall, Hynix's 2010 Sustainability Report has been drawn up faithfully according to the highest international standards. Although it is clear from the report that the company's sustainability management performance improved in 2009, there are still a few things which require further improvement.

## Group/Organization Membership & Awards

### ► Subscription to Internal and External Industry and Business Associations

No.	Organization	Position
1	Korea Semiconductor Industry Association	Vice president
2	Chungbuk Employers Federation	Vice president
3	Korea Industrial Technology Association	Vice president
4	SDCA (Secure Digital Card Association)	Director
5	Korea Employers Federation	Director
6	Consortium of Semiconductor Advanced Research	Executive member
7	IMAPS (International Microelectronics and Packaging Society)	Special member
8	The Institute of Electronics Engineering of Korea	Special member
9	Institute of Control, Robotics and Systems	Special member
10	The Institute of Semiconductor Test of Korea	Special member
11	JEDEC (Joint Electron Devices Engineering Council)	General member
12	WSTS (World Semiconductor Trade Statistics)	General member
13	The Institute for Industrial Policy Studies (IPS) B.E.S.T. Forum	General member
14	UN Global Compact Network Korea	General member

### ► Major Prizes and Awards won by Hynix

Date	Prize/Award	Title	Organization
Feb. 18, 2009	30th Anniversary of Korea Industrial Technology Association, Man of Merit for the promotion of Science and Technology	Prime Minister's commendation	Ministry of Education, Science and Technology
Oct. 28, 2009	Best Performer in Responding to Climate Change	Ocean Prize	CDP Korea
Nov. 03, 2009	2009 Small and Large Business Cooperation Awards	President's Award	Ministry of Knowledge Economy
Nov. 12, 2009	Man of Merit for Energy Conservation: Responding to Climate Change	President's Award	Ministry of Knowledge Economy
Nov. 17, 2009	Family Friendly Business Awards	-	Ministry of Health and Welfare
Nov. 25, 2009	Korea National Quality Awards: Facilities sector	President's Award	Ministry of Knowledge Economy
Dec. 02, 2009	Korea Precision Industrial Technology Competition	President's Award	Ministry of Knowledge Economy

### ► Prizes and Awards Won by Hynix Employees

Date	Prize/Award	Title	Organization
Apr. 21, 2009	Man of Merit for the Promotion of Science and Technology	Prime Minister's Commendation	Ministry of Education, Science and Technology
Oct. 29, 2009	Man of Merit for Semiconductor Industrial Technologies	Silver Tower of Industrial Service Merit	Ministry of Knowledge Economy
Nov. 04, 2009	Sustainability Management Awards	Prime Minister's Commendation	Ministry of Knowledge Economy
Nov. 30, 2009	Man of Merit on Trade Day	Industrial Service Medal	Ministry of Knowledge Economy
		President's Award	
		Prime Minister's Commendation	

## Greenhouse Gas Inspection Report

### Hynix Semiconductor Inc.

Icheon Plant (head office), Cheongju Plant and Seoul Office

#### Scope:

The annual GHG emissions for 2009 calendar year inclusive.

The physical scope is within the boundary of the 3 sites mentioned above.

GHG emissions for Scope 1 (Direct-emissions from the plant)

and Scope 2 (indirect-energy related)

As defined in WBCSD/WRI GHG protocol Chapter 4 "Setting Operational Boundaries"

**Data Verified:** The Green House Gas Emissions for the 2009 calendar year as follows:



Scopes		Sites			
		Icheon Plant (head office)	Cheongju Plant	Seoul Office	Sub Total
Direct Emissions (Scope 1)	Stationary	29,705	30,438	88	60,232
	Transport	838	1,046	166	2,049
	Process	339,254	520,646	-	859,900
	Fugitive	869	1	-	870
Indirect Emissions (Scope2)	Electricity	729,122	513,857	839	1,243,818
	Steam	159,168	-	-	159,168
Total (tco <sub>2</sub> e/yr)		1,258,955	1,065,989	1,093	2,326,036

#### GHG Criteria & Protocols used for Verification:

The verification was carried out at the request of the Hynix Semiconductor Inc. Using:

- The Kyoto Protocol to the United Nations Framework Convention on Climate Change – Issued 11. Dec. 1997
- The GHG Protocol to the WBCSD/WRI – Revised March 2004
- IPCC Guideline for National Greenhouse Gas Inventories – Revised 2006
- ISO 14064 Part 1 & 3 – Issued 2006
- BSI GHGEV Manual – Issued Sep. 15. 2009
- As the principal reference documents.

BSI Management Systems standard confidentiality arrangements were in force for all of the activities that were part of the verification.

**Verification Opinion:** As a result of carrying out verification in accordance with the protocols and the best practice mentioned above and the principles of ISO/IEC 17021:2006, it is the opinion of BSI and KOSIF that:

- No material misstatement in the calculations was revealed, good record keeping was demonstrated and
- Date quality was considered acceptable in meeting the key international principles for greenhouse gas emissions verification.

J K Cheon | BSI Korea President

Date : 5. April. 2010

Young Ho Kim | KoSIF Chairman

Date : 5. April. 2010

BSI Korea

21F, Jongno Tower Building , 6 Jongno 2-ga,

Jongno-gu, Seoul

Tel: +82-2- 777 4123



Korea Sustainability Investing Forum (KoSIF)

#1413, King's Garden officetel 2.71, Naesoo-dong,

Jongno-gu, Seoul

Tel: +82-2- 738 1143



## Third Party Assurance Statement

### To the Management of Hynix's 2010 Sustainability Report:

Upon request of Hynix, the Institute for Industrial Policy Studies as a “third party assurance provider” (hereinafter referred to as the “Assurance Provider”) presents the following third party assurance statement on the 2010 Sustainability Management Report of Hynix (hereinafter referred to as the “Report”).

**Accountability and Objective** | Hynix is held accountable for all information and claims contained in the Report including sustainability management goal setting, performance management, data collection and report preparation. The objective of this assurance statement is to check whether the Report is free of material misstatement or bias and whether the data collection systems used are robust, and to offer advice on improving the quality of the Report through identifying sustainable management issues and reviewing its reporting process.

**Independence** | The Assurance Provider has no relations with Hynix regarding any of its for-profit operations and activities. In addition, the Assurance Provider has carried out its assurance process with independence and autonomy as it was not involved in the preparation of the Report except for offering comments in the process.

**Criteria for Assurance** | The Assurance Provider assessed the Report against the following guidelines:

- 1) AA1000 Assurance Standard (2008) <sup>[1]</sup>
- 2) BEST Guideline <sup>[2]</sup>
- 3) Global Reporting Initiative(GRI) G3 Sustainability Reporting Guidelines <sup>[3]</sup>

**Type and Level of Assurance** | The Assurance Provider conducted assurance process for the Report in accordance with Type 1 and Moderate Level of AA1000AS (2008).

- The Assurance Provider evaluated the reliability of the data compiled in the Report for Type 1 assurance, and assessed publicly disclosed information, reporting system and performance management process based on the three core principles of AA1000AS (2008), namely Inclusivity, Materiality and Responsiveness. However, this assurance engagement does not provide the evaluation of the credibility of the offered data.

- The Assurance Provider pursued moderate assurance where sufficient evidence has been obtained and limited sampling has been conducted at each performance sector to support its statement such that the risk of its conclusion being in error is reduced but not reduced to very low but not zero.

**Scope and Methodology** | The Assurance Provider evaluated

- 1) The Inclusivity, Materiality and Responsiveness of the Report and
- 2) The extent of Hynix's adherence to the GRI/BEST Sustainability Reporting Guidelines through the process outlined below:
  - Evaluating the sources of publicly disclosed information and internal parties involved
  - Verifying the performance data collection systems and processes for each function
  - Conducting interviews with each functional manager
  - Completing on-site due diligence focusing on the head office in Icheon, Korea from April 6, 2010 to April 13, 2010
  - Ensuring the financial data in the Report and Hynix's audited financial reports correspond
  - Evaluating the Report for the extent of adherence to the GRI/BEST Guidelines

### Limitations

- Verifying the data and inquiries into each functional manager and information collection manager
- Conducting on-site due diligence in the head office, excluding the Cheongju and China offices among local and overseas presence
- Conducting assurance engagement based on data and publicly available information only during the current reporting period
- Evaluation of the reliability of the performance data being excluded

[1] AA1000 AS(Assurance Standard) is a sustainability reporting standard developed by Accountability in its pursuit to promote overall organizational performance and accountability by improving the quality of social and ethical accounting. As a U. K. based not-for-profit organization focusing on corporate social responsibility and business ethics, Accountability first developed AA1000AS in 1999 and amended the standards in 2008 for application in 2010.

[2] BEST Guideline or BEST Sustainability Reporting Guideline is a guideline for the preparation and assurance of sustainability reporting and offers five levels of reporting quality assessment. It was jointly developed by the Ministry of Knowledge Economy (MKE), the Institute for Industrial Policy Studies (IPS), and the Korea Chamber of Commerce and Industry (KCCI) in the Business Ethics Sustainability Management for Top Performers (BEST) forum in their endeavor to promote sustainability reporting among local companies.

[3] GRI Sustainability Reporting Guidelines were jointly convened by the Coalition for Environmentally Responsible Economies (CERES) and UNEP in 1997. GRI announced the G3 Guideline, the third edition of its sustainability reporting guidelines, in October 2005.



## Conclusions

The Assurance Provider did not find the Report to contain any material misstatements or bias on the basis of the scope, methodology and criteria described above. All material findings of the Assurance Provider are provided herein, and detailed findings and recommendations have been submitted to the management of Hynix.

**Q**

### Inclusivity:

Are there appropriate strategies and processes in place for Hynix's stakeholder engagement with its sustainable growth?

**A**

The Assurance Provider found that Hynix has established and implemented strategies and processes for its stakeholders to take a part in the sustainable growth. Hynix is making company-level efforts to collect opinions through diverse channels such as the Customer Service Center and the Hynix Committee. Moreover, the Report was written based on the suggestions and interests of the stakeholders identified through such efforts. However, the Assurance Provider advises Hynix to disclose how such stakeholder input has been used other than deriving key issues and to which internal policies it has been applied.

**Q**

### Materiality:

Does the Report cover economic, social and environmental issues of the greatest importance to Hynix and its stakeholders?

**A**

It is the Assurance Provider's opinion that Hynix did not omit or withhold any material information from its stakeholders. It has been confirmed that Hynix identified issues of great interest to its internal and external stakeholders through a systematic materiality assessment in the areas of company policies, stakeholder engagement, industry peer review, direct and indirect economic impact, local and global standards and regulations, and media search, and reflected its findings in the Report. However, the Assurance Provider encourages Hynix to conduct a more thorough analysis of key issues to include not only issues of high stakeholder interest but also the potential impact of the organization on each stakeholder as well as potential risk factors in the organization. In addition, Hynix should try to resolve and keep track of repeatedly identified material issues from a time-series perspective, and reveal the changes in trend.

**Q**

### Responsiveness:

Does the Report address the demand and interest of the stakeholders in an appropriate manner?

**A**

The Assurance Provider has confirmed that Hynix has put in effort to identify the demand and interest of its stakeholders via stakeholder-specific communication channels. Hynix has been making a series of efforts to reach out to its key stakeholders through the advisory committee on environmental management, the joint ethics management workshop, and the employee satisfaction survey. Moreover, Hynix has been trying to fully reflect opinions and suggestions identified in the process in the Report. In particular, we highly evaluate Hynix's commitment to collecting the demand and interest of the stakeholders through its unique channels such as QBR(Quarterly Business Review) and HEINET(Hynix e-procurement Infra Network), and responding to such input through the analysis of reader opinions on the Sustainability Management Report from last year. It is recommended that Hynix provide more detailed reporting on its responses to the issues identified through stakeholder communications, and appropriately reflect stakeholder input in the Report based on reader opinions regarding last year's report.

**Application Level of the GRI Standard** | It has been confirmed that the Report meets the requirements for Application Level of "A+."

**Fulfillment Relative to the BEST Guidelines** | In view of the level of reporting rigor and intensity of information provided, the Report meets 99.5% of the reporting requirements for a Level 4 Report among Levels 1 to 5.

#### Trend of the Hynix Sustainability Management Report Fulfillment

Reporting Year	2010	2009	2008
Publications	3rd	2nd	1st
Level	Level 4	Level 4	Level 3
Fulfillment	99.5%	98.5%	98.9%

\* Review result has been converted based on five level fulfillment.

#### Recommendations

The Assurance Provider highly evaluates the 2010 Hynix Sustainability Management Report in comparison to the second sustainability report based on the following reasons:

- 1) Hynix explained its position on expert interview results, allowing a better understanding of future plans and endeavors in each area;
- 2) Hynix strengthened the level of stakeholder confidence in its dedication to sustainable management by publishing achievements such as ethics management violations;
- 3) Hynix demonstrated its dedication to fully reporting sustainable management achievements by actively utilizing homepage and increasing readability with easy-to-find indicators.

We recommend the following factors to be considered for the future publications:

- Establish unique sustainable management philosophy as a leading company in the area of sustainable management
- Tie the future corporate vision and strategies into its sustainable management vision and strategies
- Introduce new stakeholder engagement channels such as symposiums in addition to surveys and interviews
- Analyze and publish the changes in trend regarding key stakeholder-specific issues
- Report on the management achievements and trend regarding key issues identified in the recent three years
- Develop strategies and case studies reflecting stakeholder engagement
- Diversify reporting methods and develop issue-based report structure for future publications

#### Eligibility of IPS as an Assurance Provider

Established in 1993, the Institute for Industrial Policy Studies (IPS) has accumulated broad expertise in the areas of ethics management, corporate social responsibility and sustainable management since 2002, and serves as a third party assurance provider for the sustainability reports published by local companies. IPS has conducted the assurance engagement upon request of Hynix, and assembled a team of five assurance practitioners (Jong-uk, Lee, Dong-su Kim, Dong-won Lee, Jeong-eun Park, Ji-hye Ryu) who are professors at Korea's top universities or professionals with accreditation and extensive experience in sustainability management after majoring in business management, accounting or environmental science.



April 30, 2010

Yoon-Chul Lee  
President, The Institute for Industrial Policy Studies



## Glossary



### \* Clean Development Mechanism (CDM)

An arrangement under the Kyoto Protocol allowing industrialized countries with a greenhouse gas reduction commitment to invest in ventures that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries

### \* EuP (Energy using Product)

A guideline that took effect in August 2005 which mandates the eco-friendly design of all energy consumption products distributed within the EU

### \* Fine Pitch Ball Grid Array (FBGA)

A type of surface mount package with a ball grid interval smaller than 0.8 mm

### \* Greenhouse Gas Inventory (GHG Inventory)

An operational system for the organized listing and management of greenhouse gas emission sources at facilities, processes, and plants for the statistical management of a company's GHG emissions

### \* IPA (Isopropyl alcohol)

A colorless organic solvent with the strong odor of alcohol, IPA is widely used to clean IT products parts including semiconductors and LCDs and is also used as a solvent for paint and ink.

### \* ISO 14001

An international standard for environmental management systems published by the International Standards Organization (ISO)

### \* Known-Good Die (KGD)

A test-completed chip that is ready for bonding within a multi-chip module

### \* KOSHA 18001 (Korea Occupational Safety Health Agency)

A system of evaluating and certifying a business and management system based on the criteria set forth by the Korea Occupational Safety and Health Agency (KOSHA) in order to establish a self-regulated health and safety management system



### \* LCA (Life Cycle Assessment)

A method used to assess the environmental impact of a product throughout its life cycle, from the harvesting of raw materials, manufacturing, and usage to its final disposal, by quantifying its emissions and energy consumption

### \* MCP (Multi-Chip Package)

A semiconductor chip that combines several semiconductors into a single chip

### \* MLC (Multi-Level Cell)

The technology of storing more than a single bit of information in a memory element

### \* NOR Flash

Classified by the electric circuit inside the semiconductor chip, NOR Flash arranges cells horizontally and has a NOR (negation of the OP operator) gate, with fast random access speed

### \* OHSAS 18001 (Occupational Health & Safety Assessment System)

An industrial safety and health management standard meant to prevent and control occupational accidents and injuries

### \* PCRAM (Phase-Change RAM)

A next-generation memory semiconductor made from a new substance called germanium antimony telluride

### \* PFCs (Perfluorocarbon)

A powerful greenhouse gas along with CO<sub>2</sub> and methane (CH<sub>4</sub>)

R ~ S

**\* Re RAM (Resistance RAM)**

A next-generation semiconductor that stores more than one bit of information per memory cell by capturing the reaction of metal oxide against a short electric pulse

**\* REACH (Registration, Evaluation, Authorization and restriction of Chemicals)**

A strict regulation requiring businesses to register more than 30,000 chemicals with the European Chemical Agency that are produced or imported into the EU

**\* Regenerative Thermal Oxidizer (RTO)**

An industrial process for the treatment of exhaust air, including VOCs, which recovers more than 95% of waste heat from exhaust gas by using ceramic regenerative materials that have a broad surface area and little pressure loss

**\* Remote Plasma System (RPS)**

A technology to reduce GHG emissions by inflowing and ionizing the cleansing gas into the plasma generator, thereby improving the rate of decomposing gases used in the CVD process

**\* RoHS(Restriction of Hazardous Substances)**

Directive is designed to overcome legal gaps concerning the restriction of hazardous substances used in electric and electronic appliances and to protect human health and mini

mize environmental impact by limiting the amount of harmful materials used in the manufacturing process.

**\* SLC (Single-Level Cell)**

The technology of storing a single bit of information in a memory element

**\* Solid State Disk (SSD)**

A next-generation large-scale data storage device that achieves faster access and writing speed than HDD, but with less power use, heat and noise generation and which is also shock resistant

**\* STT RAM (Spin-Torque Transfer RAM)**

A next-generation semiconductor that stores data depending on the accord in the magnetization direction of the two layers when charged with an electric current by utilizing the double-layered magnetic tunnel joint structure as a transistor

**\* SVHC (Substances of Very High Concern)**

High-risk environment of hazardous substances

**\* System Large-Scale Integration (LSI)**

A system that integrates the basic electronic systems on a single semiconductor chip and refers to all products, excluding memory, that compile multi-circuit systems with different functions, such as CPUs, video voice data processing integrated circuits (IC) and communication ICs

T ~ W

**\* TOE (Ton of Oil Equivalent)**

A unit of energy released by burning one ton of crude oil

**\* TSV (Through Silicon Via)**

An innovative 3D stacking technology that vertically connects chips without wires

**\* UN Global Compact**

Initiated by former UN Secretary-General Kofi Anan in January 1999 at the annual Davos Forum, the pact sets forth 10 main principles in four categories regarding corporate transparency and social responsibilities

**\* VOCs (Volatile Organic Compounds)**

Organic chemical compounds that easily evaporate into the air, such as paints, adhesives, and petrochemical products among Korean businesses

**\* WEEE(Waste Electrical and Electronic Equipment)**

Management of WEEE (Waste Electrical and Electronic Equipment) Directive

# Great Company Creating Sustainability

A Great Company dedicated the quality of life  
for people everywhere through Good Memory,  
Hynix believes in the power of sustainable values.



#### GRI G3 Guideline Application Level

Hynix Semiconductor is publicly announcing that this sustainability report has been written so that it satisfies all the requirements of Level A+ of the GRI G3 report application level indicators.

The third-party organization that inspected this report confirmed that it should be categorized as A+ according to the G3 Guideline application levels.



This report was printed with soy ink and on eco-friendly paper certified by the FSC\* (Forest Stewardship Council).

\* FSC certification is given to products that use wood produced from forests that are managed in an eco-friendly way.



GRI index	Index details	BEST index	Page
EN25	Significant influences on the reporting organization's discharges of water and runoff	EV19	78
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	EV23	83–89
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	EV24	80
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	EV31	C3 fold out
EN29	Significant environmental impacts of transporting products and members of the workforce of the organization	EV30	82
EN30	Total environmental protection expenditures and investments by type	EV1	83
LA	<b>Social: Labor Practices and Decent Work</b>		
LA1	Total workforce by employment type, employment contract, and region	EM1	51–52
LA2	Total number and rate of employee turnover by age group, gender, and region	EM5	52
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	EM20	55
LA4	Percentage of employees covered by collective bargaining agreements	EM12	56
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	EM13	56
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	EM14	59
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	EM19	59
LA8	Programs in place to assist workforce members, their families, or other members regarding serious diseases	EM18	59
LA9	Health and safety topics covered in formal agreements with trade unions	EM15	59
LA10	Average hours of training per year per employee by employee category	EM27	26
LA11	Programs for skills management and lifelong learning that assist employees in managing career endings	EM28	26
LA12	Percentage of employees receiving regular performance and career development reviews	EM29	53
LA13	Composition of governance bodies and breakdown of employees	EM2	51
LA14	Ratio of basic salary of men to women by employee category	EM3	51
HR	<b>Social: Human Rights</b>		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	PN2	60
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	PN3	60
HR3	Total hours of employee training on aspects of human rights that are relevant to operations	EM30	26
HR4	Total number of incidents of discrimination and actions taken	EM7	51
HR5	Operations identified in which the right to exercise freedom of association may be at significant risk, and the actions	EM8	51
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	EM9	51
HR7	Operations identified as having significant risk for incidents of forced labor, and measures for elimination of forced labor	EM10	51
HR8	Ratio of security personnel trained in the organization's policies or procedures related to human rights	EM31	26
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	CO2	N/A
SO	<b>Social: Society</b>		
SO1	Nature, scope, and effectiveness of any programs that assess and manage the impacts on communities	CO1/CO2	18–19, 65
SO2	Percentage and total number of business units analyzed for risks related to corruption	CO5	C3 fold out
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	CO5	C3 fold out
SO4	Actions taken in response to incidents of corruption	CO5	C3 fold out
SO5	Public policy positions and participation in public policy development and lobbying	CO6	C3 fold out
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	CO7	C3 fold out
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	CS3	27
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	CO9	C3 fold out
PR	<b>Social: Product Responsibility</b>		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement	CS4	86
PR2	Total number of incidents of non-compliance with regulations related to health and safety impacts of products	CS11	50
PR3	Type of product and service information required by procedures	CS5	49–50
PR4	Total number of incidents of non-compliance with regulations related to product information and labeling	CS12	50
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	CS9	48
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	CS13	50
PR7	Total number of incidents of non-compliance with regulations concerning marketing communications	CS14	50
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	CS15	N/A
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	CS12	50

STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)			
DMA EC	Disclosure on Management Approach EC		16
DMA EN	Disclosure on Management Approach EN		16
DMA LA	Disclosure on Management Approach LA		17
DMA HR	Disclosure on Management Approach HR		17
DMA SO	Disclosure on Management Approach SO		17
DMA PR	Disclosure on Management Approach PR		17

N/A

Reported

Not applicable

GRI index	Index details	BEST index	Supplementary explanation
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	CS15	Hynix's consumers are companies and there are no complaints concerning privacy infringement of consumers.
EN13	Habitats protected or restored	EV27	Hynix is not operating in any areas with biodiversity value.
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	EV28	Hynix is not located in any areas with biodiversity value.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	EC4	We provide all suppliers, including local ones, with equal opportunities.
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	CO2	Not specifically reported the violation case during the report period.

## Index related to other media reports and compliance with laws and regulations

GRI index	Index details	BEST index	Supplementary explanation
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	GR12	Specified in the Corporate Governance Charter. Please refer to Hynix's website.
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	GR13	Specified in the Corporate Governance Charter. Please refer to Hynix's website.
SO2	Percentage and total number of business units analyzed for risks related to corruption	CO5	Specified in the Code of Ethics. Please refer to Hynix's website.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	CO5	Specified in the Code of Ethics. Please refer to Hynix's website.
SO4	Actions taken in response to incidents of corruption	CO5	Specified in the Code of Ethics. Please refer to Hynix's website.
SO5	Public policy positions and participation in public policy development and lobbying	CO6	Prohibited by Code of Ethics. Please refer to Hynix's website.
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	CO7	Prohibited by Code of Ethics. Please refer to Hynix's website.
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	CO9	There were no cases of sanctions for noncompliance.
EN19	Emissions of ozone-depleting substances by weight	EV14	No ozone-depleting substances are used in the manufacturing process.
EN23	Total number and volume of significant spills	EV21	There were no cases of spilled chemical substances, oil or fuel.
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	EV31	There were no cases of noncompliance or fines concerning environmental laws or regulations.



Good Memory products make life easier,  
while Good Memory just makes life more beautiful.  
Good Memory is Hynix's corporate slogan.  
It imparts the company's determination to share  
value with every member of society through  
products that are made with unrivaled  
technology and passion.

