GOOD MEMORY
GREAT SPIRIT

Hynix
2011

Sustainability
Report

In order to realize its goal, "Good Memory, Great Company", Hynix has paved the way for a solid growth
and a better future while overcoming various economic, social and environmental challenges.
Behind its success is a great spirit that has made today's Hynix.
Hynix is becoming a global leader that shares the results of its continuous growth with every stakeholder.

hynix

2010

Sustainability Highlights

1. Record High Performance in 2010

In 2010, Hynix achieved consolidated sales of KRW 12.1 trillion and an operating income of 3.27 trillion (an operating income to sales ratio of 27 percent), the highest figures it has ever posted despite declining prices. The company was able to do so by securing cost competitiveness through advanced technology, and by enhancing its product portfolio mainly with high value-added products, such as memory products for mobile/graphic/consumer/server use.

2. Securing Technological Leadership

In August 2010, Hynix further strengthened its NAND Flash business capability by starting mass production of 20nm-class 64Gb NAND Flash chips while also developing highly functional NAND Flash product solutions. In addition, Hynix displayed its industry-leading technology once again when it succeeded in developing the world's first 30nm-class 4Gb DRAM in December 2010.


3. Listed on DJSI World/Asia-Pacific

Hynix was officially listed on the Dow Jones Sustainability Index (DJSI) World/Asia-Pacific in September 2010, fortifying its sustainability management system and improving its brand value as a Long-lasting Great Company. The DJSI chose 14 Korean companies to be added to the index, which now includes 2,500 companies from around the world. Hynix expects its inclusion on the DJSI World/Asia-Pacific to provide it with some excellent opportunities for business with some of the world's top companies, allow access to overseas markets, increase its flow of stable financial resources from global investors, and improve its overall credit rating.

4. 2011 Management Transparency Awards Grand Prize Recipient

In February 2011, Hynix won the Management Transparency Awards' Grand Prize, which is presented by five major Korean economic organizations, including the Korea Employers Federation. The company was lauded for establishing ethics management as a corporate culture, encouraging employees to voluntarily participate in ethics management, and solidifying a labor-management partnership based on mutual trust and in a spirit in which labor and management are not two separate entities. Furthermore, Hynix showed a number of tangible examples of sustainability management through strategic social contribution activities.

Others 9,043 7%

NAND Flash 18,200 15%

Sales Percentage by Product
Total Sales 120,987
(KRW 100 million)

DRAM 93,744 78%
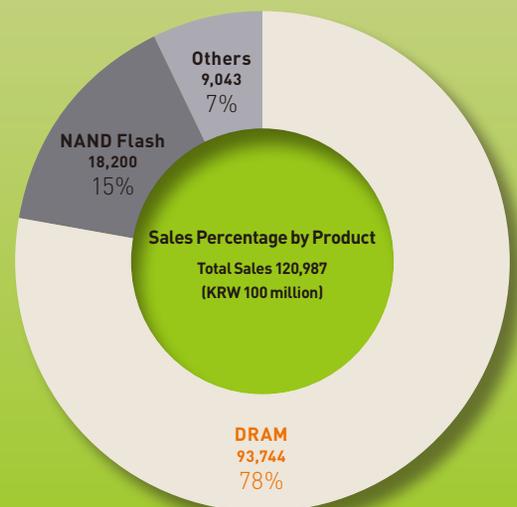
5. New Mileage-type HR Policy

Hynix introduced a (New) HR Policy so that individual employees and the orga-nization can grow alongside each other. Streamlining the existing five positions into three positions - assistant manager, senior manager and director - it also adopted a mileage-type system to deliver fair evaluations and rewards based on an individual's performance and ability. At the same time, it improved organi-zational efficiency and allowed a performance-based culture to take root at the company.

6. Included in Carbon Management Global Leaders Club

Hynix was included in the Carbon Management Global Leaders Club, which con-sists of members that are selected by the Carbon Disclosure Project's (CDP) Ko-rea Committee, in October 2010. Since joining the CDP in 2007, Hynix has earned praise in all areas of information disclosure as requested by the CDP. In fact, Hynix earned a place in Band A, the Carbon Performance Leadership Index's (CPLI) leading group.

Total Greenhouse Gas Emissions – Korean Worksites

3,812

2,723

3,022

| 2008 | 2009 | 2010 |

	(Thousand tons of CO_2)
2010	3,022
2009	2,723
2008	3,812

Social Contribution Participation Rate

48% 2010

43% 2009

59% 2008
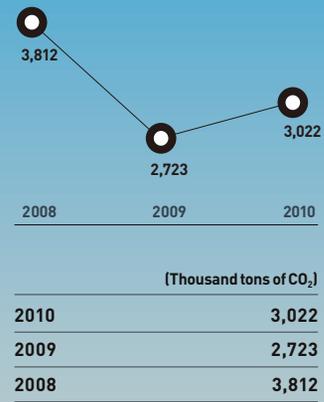
7. Pursuit of Win-Win Partnership as a Successful Community

Hynix held its Partners Day 2010 in October as a way to explore more avenues of joint growth with business partners from Korea and abroad. Hynix President Kwon Oh-Chul, partner company executives, and the heads of 85 business part-ner companies participated in the event, sharing ideas on how to acquire the world's highest abilities in each of their respective fields, as all the companies worked hard to grow together in the spirit of a Successful Community in this age of fierce global competition.

8. Company-Wide Social Contribution

In 2010, Hynix held it's Good Memory Art Street Project in association with sev-eral local festivals. This was part of an effort to beautify underdeveloped areas with art pieces created by local residents and Hynix employees. Hynix filled the entire street with ceramics for the Icheon Ceramics Festival, and contributed a sculpture for the Cheongju Jikji Festival. In addition, the company carried out a number of volunteer activities through its Love Sharing Relay Campaign, mak-ing winter kimchi from 4,000 heads of napa cabbage, delivering 11,000 coal bri-quettes to underprivileged neighbors, and donating over 600 books to the Icheon Children's Library.

Introduction

Issues

Appendix

GOOD MEMORY, GREAT SPIRIT

To realize our dream of being the Best Memory
Solution Provider, Hynix has paved the way for solid growth.
Behind its great success is a great spirit that has made Hynix what it is today.
In the spirit of a Successful Community that ensures
we succeed together, Hynix is becoming a true global leader
that shares the benefits of sustainable growth with all its stakeholders.
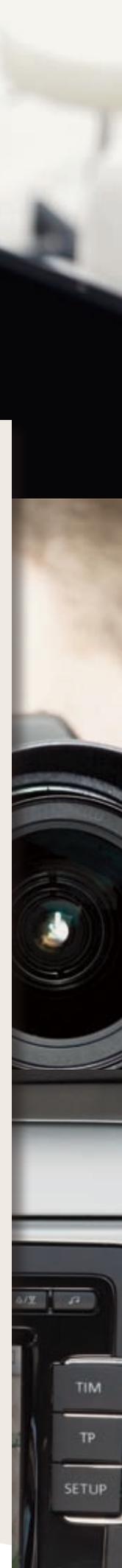
Introduction

DRAM,

Becoming the World's Best

With the industry's leading process technology and innovative design skills,
Hynix has continuously introduced groundbreaking products that are high performance,
and low-energy consuming,
giving it significant advantages over competition and securing global market leadership.
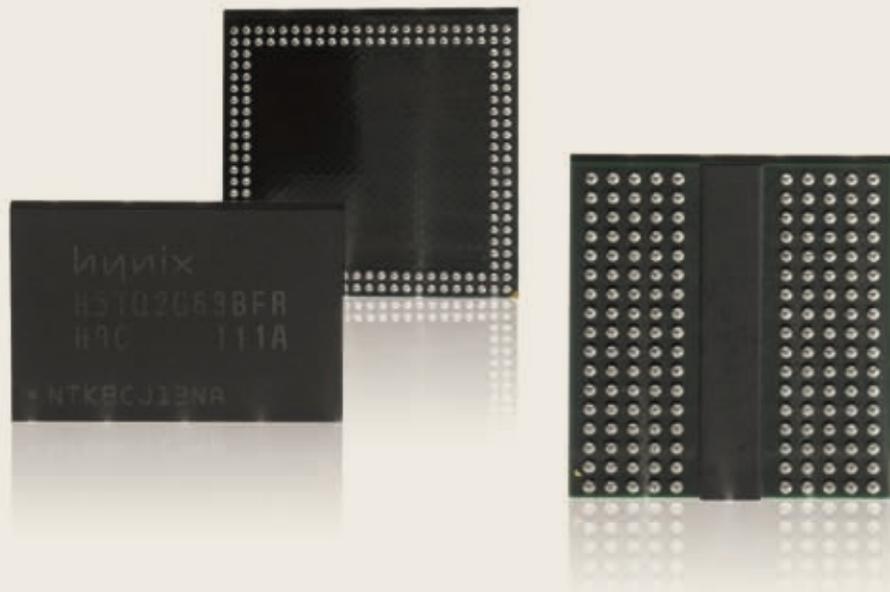
22%

Main Memory In main memory industry, while the importance of commodity products using for desktops has been gradually reducing, products usages for high density servers (which have price premium over commodity DRAM and require high reliability) and notebook PCs (as rising demand of mobility) are becoming more important. According to the International Data Corporation (IDC), the PC market grew by 14 percent in 2010 over the previous year. With the launch of Windows 7 and the rising demand for replacements of corporate PCs, the PC market is expected to grow more than 10 percent in 2011. Adoption of 64-bit operating system, which enables the use of high density memory will have a positive impact on the DRAM market increasing demand for Hynix products.

Servers The adoption of virtualization technology and quad core processors has created a demand for high density memory modules with low power dissipation characteristics. Hynix is the leading supplier of these high performance products which are ideal for use in a wide range of server platforms.

Graphics Memory The market shows steady growth with the development of high-resolution image and 3D graphic technology. By strengthening strategic relationships with major graphics chipset makers, Hynix maintains its dominant market position in the field of graphics memory products for desktop/notebook computers and game consoles.The Company's introduction of a 40nm-class 2Gb GDDR5 in December 2009 could be of assist to secure the world's best technology leadership in a graphics market which requires large density and ultrahigh speed characteristics.

Consumer Memory Consumer memory products are used in such These memory products are used in applications such as digital TVs, set-top-boxes, DVD players; and peripheral devices such as network switches, hard drives, optical drives and printers. Hynix focuses on developing various new products along with consumer application trend, for instance, the Company introduced FBGA(Fine-pitch Ball Grid Array) package type to meet the requirements of highly developed digital gadgets. Hynix is meeting future customer demand with a wide range of product offerings that include extended temperature operation, low power consumption, die stacking for high density and small form factor packaging.

Mobile Memory Used in various mobile devices such as mobile phones, digital cameras and MP3 players, mobile memory is expected to post the highest growth rates in IT applications, as a result of convergence of information and communication. The Smartphone market segment, which requires high density memory, grew in 2010 despite a stagnant mobile phone market. To support this demand, Hynix developed the 40nm 2Gb mobile DDR2 DRAM in January 2010 securing technology leadership in the mobile memory market. Market trends are for higher memory density with lower power consumption in small form factor packaging.

Introduction

NAND Flash,
Core Competencies with a
Strategic Focus
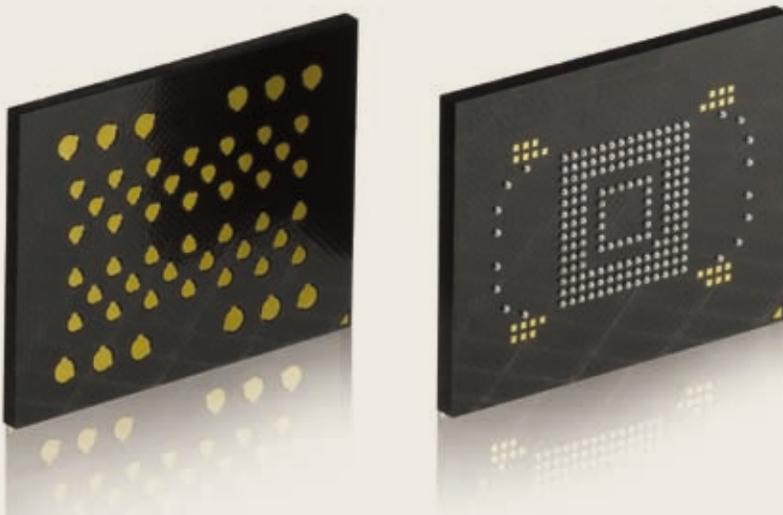
2010 NAND Flash Market Share
(Source: IDC)

With the mass production of the 20nm-class 64 Gb NAND Flash, Hynix secured industry-leading technology and cost competitiveness. Today, it is responding to market changes and various customer needs by developing high-end NAND Flash solution products.

10%

NAND Flash is a semiconductor memory typically used for data storage. In the past, it was mainly used in flash cards, USB drives, MP3 players, and PMPs (Personal Media Players). Recently, demand for NAND Flash products has been rapidly increasing as multimedia functions are expanding in the field of mobile devices, including smartphones and tablet PCs. Furthermore, with new products such as smart TVs and smart cars, and other applications that traditionally used low-density NAND Flash are demanding higher-density NAND Flash memory. In the future, a wide array of NAND Flash storage solutions, such as solid state drives (SSD), will be developed for notebook and server markets. With demand for NAND Flash only expected to increase constantly, Hynix is expanding its market dominance by developing numerous products through active R&D investment and technical partnerships, as well as by strengthening competitiveness. After Hynix began the mass production of 20nm-class 64Gb products in the third quarter of 2010, it has almost doubled its productivity compared to existing 30nm-class 32Gb. Presently, the company is working hard to secure higher cost competitiveness and strengthen its market dominance.

Introduction

CMOS Image Sensor,
Creating New Lifestyles
and New Markets
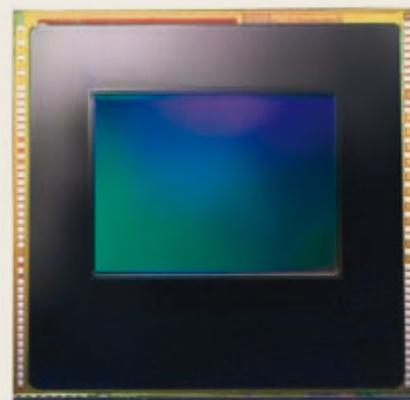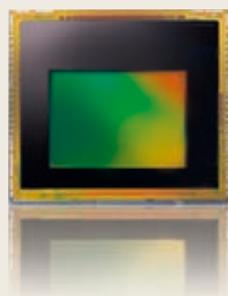
2010 CMOS Image Sensor Revenue
(Unit: KRW billion)

In order to diversify its product portfolio, Hynix reinitiated its CMOS image sensor business in 2007, making use of its core competencies from its existing memory business, and with the aim of ensuring stable profitability and high returns on its investments while also creating a new market that can respond to changes in people's lifestyle.

62.2bn

CMOS Image Sensors are semiconductor chips which serve as digital films in applications, such as camera phones, digital cameras, and webcams. According to Techno-Systems Research, the world wide production of CMOS image sensors is expected to grow approximately 16 percent a year until 2014. Without the need for peripheral circuits, CMOS image sensors are low-energy consumption products that are currently used in cell phones. Recent developments in technology has significantly improved picture quality, as a result of which CMOS Image Sensor use in medical devices, high-end DSLRs and camcorders, automobiles and security equipment is rapidly increasing. While legacy applications use single CMOS image sensors, use of multiple sensors in 3G mobile phones (for pictures and video conferencing) and automobiles increasing rapidly. Furthermore, high resolution sensors are being adopted in Smartphones. Hynix is accelerating its development of high-pixel products (more than five megapixels), and is planning to release a high-pixel product that uses the 90nm-class process and 1.4-micron pixel technology in the first half of 2011. At present, Hynix is implementing a number of marketing initiatives centered around camera phone and laptop webcam markets in China and Taiwan, and is planning to expand its status in the global CMOS image sensor market by diversifying target regions and applications.

Introduction

Company
Profile

Company Profile   (As of Dec. 31, 2010)

Company Name	Hynix Semiconductor Inc.	
Date of Establishment	February 1983 (formerly Hyundai Electronics Industries Co., Ltd.)	
Type of Industry	Semiconductors and semiconductor-related equipment	
CEO	Kwon Oh-Chul	
Total Assets	KRW 17.58 trillion	Consolidated
Stockholders' Equity	KRW 8.17 trillion	
Sales	KRW 12.1 trillion	
Operating Income	KRW 3.27 trillion	
Number of Employees	21,682	
Credit Rating	BBB+ Stable (National Information and Credit Evaluation)	Domestic
	BBB+ Stable (Korea Ratings)	
	BBB+ Stable (Korea Investors Service)	
	Moody's: B1 Stable	Overseas
	S&P: B+ Positive	
Products & Services	The company's main products are memory semiconductor products such as DRAM, NAND Flash, and multi-chip packages (MCP). In 2007, Hynix re-entered the CMOS image sensor business, part of the system LSI sector, and expanded its business areas as a general semiconductor supplier.	

In 2010, Hynix saw record-high achievements in both sales and income. This was the result of an unrelenting spirit to work hard and consistently realize greater possibilities so that the company can provide customers with the highest satisfaction and value as it continues to move toward greater success than ever before.

Hynix is a global company that operates direct sales offices and subsidiaries in 16 countries. Its production facilities are located in Icheon and Cheongju, Korea, and Wuxi, China. Established in February 1983 as Hyundai Electronics Industries Co., Ltd., the company changed its name to Hynix Semiconductor, Inc. in 2001. Today, its core products are memory semiconductors, including DRAM, NAND Flash, and MCPs, while its product portfolio has been expanded to include the system LSI sector when the company's CMOS image sensor business was initiated once again in 2007. Hynix has not just developed the most advanced technology and secured cost competitiveness through continuous R&D and sound investments, but has also concentrated on the development of the highest quality products in order to play a leading role in the global semiconductor market. In 2010, the company established its vision, the Best Memory Solution Provider, Long-lasting Great Company and is actively responding to changes in the business environment based on its core values and management strategies, while also fulfilling its corporate responsibility.

Organizational Chart
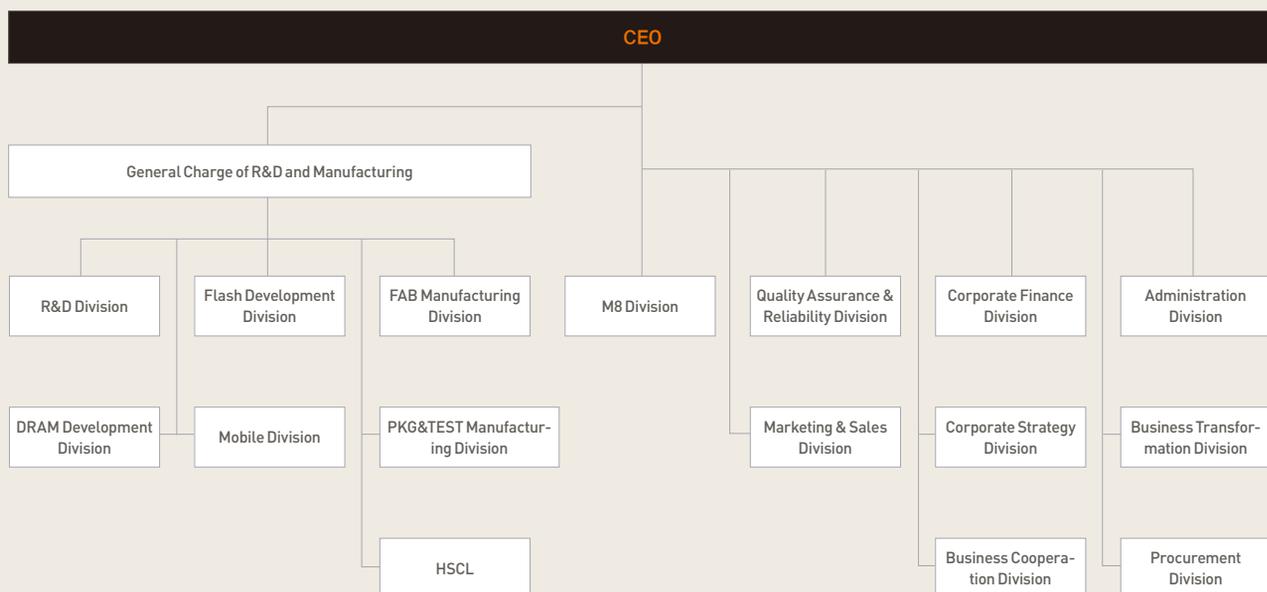
Introduction

HSU, HSE

HSD

HSMA

HSA

HSJ

HSCL, HSMC, HSCW, HITECH **HSCS**

HSH **HST**

HSIS

HSS

Affiliates and Subsidiaries   (As of Dec. 31, 2010)

Category		No. of Companies	Company Name
Domestic	**Listed**	**2**	Hynix Semiconductor Inc.
			SiliconFile Technologies Inc.
	Unlisted	**7**	Hynix Engineering Co., Ltd.
			Hystech Co., Ltd.
			Hynix HRD Center Co., Ltd.
			Hylogitech Co., Ltd.
			Ami Power Co.,Ltd.
			Hyundai Display Technology Inc.
			QRT Semiconductor Inc.
Overseas	**Unlisted**	**15**	Hynix Semiconductor America Inc.(HSA)
			Hynix Semiconductor Manufacturing America Inc.(HSMA)
			Hynix Semiconductor Deutschland GmbH(HSD)
			Hynix Semiconductor Europe Holding Ltd.(HSE)
			Hynix Semiconductor U.K. Ltd.(HSU)
			Hynix Semiconductor Asia Pte.Ltd.(HSS)
			Hynix Semiconductor HongKong Ltd.(HSH)
			Hynix Semiconductor Japan Inc.(HSJ)
			Hynix Semiconductor Taiwan Inc.(HST)
			Hynix Semiconductor(Shanghai) Co.,Ltd.(HSCS)
			Hynix Semiconductor China Ltd.(HSCL)
			Hynix Semiconductor(Wuxi) Ltd.(HSMC)
			Hynix Semiconductor Indian Subcontinent Private Ltd.(HSIS)
			Hitech Semiconductor(Wuxi) Co., Ltd.(HITECH)
			Hynix(Wuxi) Semiconductor Sales Ltd.(HSCW)
Total		**24**	

Good Memory, Great Spirit
Hynix products enable a smarter, richer, happier life.

SUSTAINABLE GROWTH FOR A BRIGHTER FUTURE

Standing behind each and every one of our stakeholders to ensure sustainable growth based on a great spirit.

Dear Hynix stakeholders,

Hynix had a tremendously meaningful year in 2010.

Despite a number of challenges, including unstable global economic conditions and the continuous fall in product prices from the latter half of the year, Hynix achieved consolidated sales of KRW 12.1 trillion and an operating income of KRW 3.27 trillion in 2010, both record high figures for the company.

Such an achievement was made possible because of our efforts at becoming a sustainable company in terms of BOD-centered management, environmental management, and ethics management. Our high level of competitiveness based on advanced technologies and an optimal product portfolio also played a role in achieving these historic results.

Besides a solid economic performance, every company should implement transparent management practices based on a sound corporate governance structure, fulfilling its social responsibility, such as environmental protection. Hynix has pursued sustainability management while focusing on social responsibility rather mere short-term economic performance.

Furthermore, Hynix's BOD continues to provide timely, constructive advice on management's activities, putting the highest priority on protecting the interests of all stakeholders when establishing the company's vision and strategies.

In the *Corporate Governance Watch 2010*, published by the Asia Corporate Governance Association (ACGA), Hynix ranked number one in corporate governance structure among all Korean companies. In February 2011, the company was the recipient of the 7th Management Transparency Awards' Grand Prize, presented by Korea's five major economic organizations, including the Korea Employers Federation. Not surprisingly, everyone at Hynix is extremely proud of being recognized both for the company's corporate governance structure and sustainable growth.

Through BOD-centered management and advanced corporate governance structure, Hynix will continue to create the highest corporate value as it rapidly grows into the the Best Memory Solution Provider, Long-lasting Great Company.

We of course appreciate your continued support and encouragement in the coming year as well.

April 2011
Kim Jong-Kap
Chairman of the BOD, Hynix Semiconductor Inc.

A GREAT
SPIRIT LEADS TO
GREAT SUCCESS

Achieving great success through Hynix's spirit of a Successful Community.

Dear Hynix stakeholders,

Last year, Hynix recorded the highest sales and income figures it has ever seen thanks to your support. As a reflection of our efforts to pursue sustainability management in terms of environmental preservation, society, ethics, and win-win management, Hynix was listed on the Dow Jones Sustainability Index (DJSI) for the first time in the company's history. This officially means that Hynix has had its management activities recognized internationally at the highest global standards.

In 2010, Hynix established its vision of becoming the Best Memory Solution Provider, Long-lasting Great Company. We then set the following management principles: focus on our core businesses, secure future competencies, fortify internal strengths, and respect human values. Hynix reinforced its competitiveness by increasing productivity and shortening the development period of core products. It also improved stability and profitability with its sales structure, and, for the most part, lowered its debt ratio, improving its overall soundness financially. Moreover, a performance-based personnel management system and group-centered learning culture were introduced at the company to assist employees in their continual improvement of their skills and abilities. All the while Hynix has never ceased practicing carbon management, developing eco-friendly products, and carrying out social contribution activities in local communities.

Hynix will continue to contribute to economic growth and social well-being for humankind as it plays the role of a corporate citizen that provides all stakeholders with the highest satisfaction and value.

To ensure we accomplish this, we will continue to realize sustainable growth with the best technology and product competitiveness.

In 2011, the memory semiconductor business is expected to present more opportunities for growth through newly emerging IT and digital devices that are only getting smarter and more mobile. Although fierce competition is expected due to lower semiconductor memory prices and an oversupply of certain products on the market, we will achieve uninterrupted growth by securing ultra-high competitiveness through the development of new technology and products.

Second, we are doing our utmost to improve business efficiency, securing people's trust as we raise customer satisfaction levels.

As memory product applications are diversified, with smartphones and tablet PCs, for example, the demand for memory products is expanding into individually differentiated convergence solutions. In preparation for these related changes in demand, we are improving our work methodologies to maximize output at minimal cost, as we carry out customer satisfaction management by providing total services that range from pre-emptive quality control, R&D and manufacturing to sales and after-sales service. In addition we are supplying customers with the products they want in a timely manner.

Third, Hynix is firmly establishing a corporate culture where people are respected above all else and in the spirit of a Successful Community that ensures mutual success.

For Hynix, Spirit is essential for the competencies of being the Best Memory Solution Provider. Behind any successful organization lies a great spirit. At Hynix, we are not only communicating with stakeholders through our own unique spirit, but implementing a personnel management system and a corporate culture to foster talented human resources who make the most of their abilities.

Lastly, Hynix supports and observes the United Nations Global Compact (UNGC), and conducts socially responsible activities in the truest possible sense, which allows us to grow alongside our stakeholders. In short, Hynix is doing its utmost to maintain its status as the Best Memory Solution Provider, Long-lasting Great Company.

I am extremely grateful to all our stakeholders who have always believed in and supported Hynix, and kindly ask for your continued support in the future.

Thank you.

April 2011
Kwon Oh-Chul
President & CEO, Hynix Semiconductor Inc.

OUR APPROACH TO THIS REPORT

Reporting Period: This report provides information on Hynix's performance for the period beginning January 1, 2010 and ending December 31, 2010. For the time series analysis, quantitative data for the past three years (through to the end of 2010) was also included, while qualitative data from the period until March 2011 was included where necessary. Hynix plans to issue a sustainability report on an annual basis.

Reporting Methods and Cycle: To guarantee diverse access channels in light of Hynix's wide range of stakeholders, this report has been published in Korean, English, and Chinese. All published reports are available on Hynix's website in PDF file format and on smartphones through a QR (Quick Response) Code.

Report Credibility

Writing Process: Hynix organized a task force consisting of employees from every business division who then analyzed the various opinions of stakeholders related to Hynix to ensure all important issues were touched on. The final report dealt with major issues as selected by stakeholders according to their interests and influence on the company's business.

Report Assurance: In order to ensure the fairness and credibility in the writing of this report and its accompanying data, its content has received third-party assurance from Samjong KPMG Inc., an independent auditing organization. All related details are listed on page 94.

Coming Up with the Major Issues

Hynix conducts materiality assessments in order to systematically manage issues that influence the company's management activities, as well as to understand what stakeholders are interested in. The structure of this report was put together through the following five steps.

Report Overview

Hynix aims to become the Best Memory Solution Provider, Long-lasting Great Company. Today more than ever, the company is working hard to fulfill its corporate social responsibility and preserve the environment in addition to creating sustainable economic performance as a leading global company. This report reveals Hynix's desire to share with major stakeholders its sustainability management activities and achievements in 2010 and the company's wish to help create a better future.

Report Guidelines & Scope

Year of Publication: This report is Hynix's fourth sustainability report since the first one was published in 2008. It also represents Hynix's second sustainability report since it joined the United Nations Global Compact in 2009. Since 2009, this report has been published as an integrated document which includes an annual report that focuses on the company's financial performance.

Report Guidelines: This report was prepared in accordance with the Global Reporting Initiative (GRI) G3 Guidelines, while also taking into account the major interests of stakeholders, as well as issues related to the Dow Jones Sustainability Index (DJSI), the Electronics Industry Citizenship Coalition (EICC), and the 10 principles of the UNGC.

Report Boundary: The scope of this report covers sustainability management results at the company's headquarters in Icheon, domestic business sites, and overseas subsidiaries. Financial information is provided on a consolidated basis.

STEP 1	**Identification of Issues**
	Organization of a pool of 1,190 issues Creation of 30 issue categories & themes
STEP 2	**Social Attention**
	Evaluation of materiality through a survey with major stakeholders
STEP 3	**Business on Influence**
	Evaluation of materiality through a survey with employees
STEP 4	**Materiality Evaluation Chart**
	Fixing priority areas in light of social attention and business influence
STEP 5	**Reporting Structure**
	Coming up with major issues

STAKEHOLDER PARTICIPATION

In order to realize its vision of being the Best Memory Solution Provider, Long-lasting Great Company, Hynix has established a means to have continuous exchanges and partnerships with various stakeholders in the fields of economics, society, and the environment. The company separates stakeholders into one of six major categories – customers, shareholders/investors, employees, environment, business partners, and local communities – and will continue to practice sustainability management based on the high level of trust it enjoys with stakeholders.

1. Customers: Those who purchase or would potentially purchase Hynix's products
2. Shareholders/Investors: Those who maximize economic profit by investing in Hynix
3. Employees: Those who directly carry out Hynix's business activities
4. Environment: Those who discuss the impact of Hynix's business activities on the environment.
5. Business Partners: Those who have business relations with Hynix as a supplier of products or services
6. Local Communities: Areas surrounding Hynix business activities

Stakeholders   **Issues**

ISSUE 05. THE SPIRIT OF HARMONY
Local Communities

Love Sharing Relay Campaign
Visiting semiconductor classes
Junior engineering classes
Good Memory Committee
Volunteer leaders' meeting
Industry-academic cooperation programs
Special Science Volunteering Program
The Good Memory Art Street Project

ISSUE 01. THE SPIRIT OF BUSINESS
Customers

channel

QBR (Quarterly Business Review)
CSC (Customer Service Center)
Product exhibitions & distribution of brochures
Surveys
Operation of a multilingual website
Newsletters

ISSUE 04. PARTNERS IN SPIRIT
Business Partners

Hynix Council's general meeting
Partners Day with business partners
Visiting Chamsori ethics management class
for business partners
Win-win Partnership Academy
Briefings for business partners
ESH business partners meeting

hynix

Shareholders/Investors

Stockholders' general meeting
Public announcement of performance
Cyber IR
Investors' meeting
Non-deal roadshow
Conferences domestic and abroad
Sustainability Report

ESH Management Committee
ESH Operations Committee
Carbon Management Committee
Carbon Neutral Belt event
ESH integration system
Presentation competition on
environmental improvement cases

channel

Employee Satisfaction Survey
Hynix Culture Forum
Hynix webzine
Exciting Organizational Culture Committee
Industrial Safety and
Health Management Committee
Labor and Management Council
Management briefing sessions
Operations briefing sessions

ISSUE 03. THE SPIRIT OF NATURE & TECHNOLOGY
Environment

ISSUE 02. PEOPLE WITH SPIRIT
Employees

STEP 1 Identification of Issues

The task force team came up with 1,190 issues related to sustainability management, and classified them into 30 groups to evaluate their materiality.

Media Research: Press releases from 51 Korean and 32 foreign media organizations between November 2007 and November 2010 were analyzed and classified into four parts (general, economy, society, and the environment) and 75 keywords. In the process, how Hynix's sustainability management gained media exposure was revealed and material issues for each group of stakeholders were selected.

Peer Review: By reviewing the sustainability management and sustainability reports of top companies from around the world,

Hynix identified their strengths and weaknesses and broke them down into four parts: general sustainability management, internalization of sustainability management structure, stakeholder-orientedness, and the variety of reporting tools.

Analysis of Global Standards and Guidelines: By analyzing the four global standards and guidelines most closely related to Hynix (UNGC, ISO 26000, GRI G3, EICC), issues suggested by leading organizations related to sustainability management were summarized.

Issue Pool   **Raw Data**   **Categorization**

Peer Review

Various Surveys

External Resources

Global Standards

IR Information

Issue A~G

Internal Resources

Media Research

Previous Sustainability Reports

Management Performance Evaluation Index

Hynix Issues 1,190

Issue 1 | Issue 2 | Issue 3
Issue 4 | | Issue 26
Issue 5 | | Issue 30
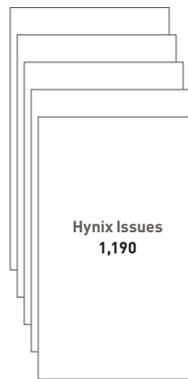
STEP 2 Social Attention   STEP 3 Business on Influence

Issue Evaluation Index:
1. Analysis of social interests and issues: media exposure, sustainability management trends at advanced companies, global standards, stakeholder survey
2. Analysis of influence on management: strategic connections, financial influences, risks and reputation

Hynix became more actively involved in social interest projects after coming up with a process to select issues that the company's major stakeholders thought were most important.

Hynix employees decided how each issue influences business.

Social Interests Survey	
Method: e-mail and telephone	
Period: Dec. 22-31, 2010 (10 days)	
For: 360 Hynix stakeholders (government agencies, NGOs, business partners)	
Respondents: 87 people	
Response rate: 24%	

Influence on Business Survey	
Method: e-mail	
Period: Dec. 22-28, 2010 (7 days)	
For: 31 employees at Hynix's SM Task Force Team (16 in the Economy Division, 5 in the Society Division, 4 in the Ethics Division, 6 in the Environment Division)	
Respondents: 26 people	
Response rate: 84%	

STEP 4 Materiality Evaluation Chart

After identifying Hynix's most important issues, they were classified into priority I and II areas, depending on how they affected the company's social interests and influence on business.
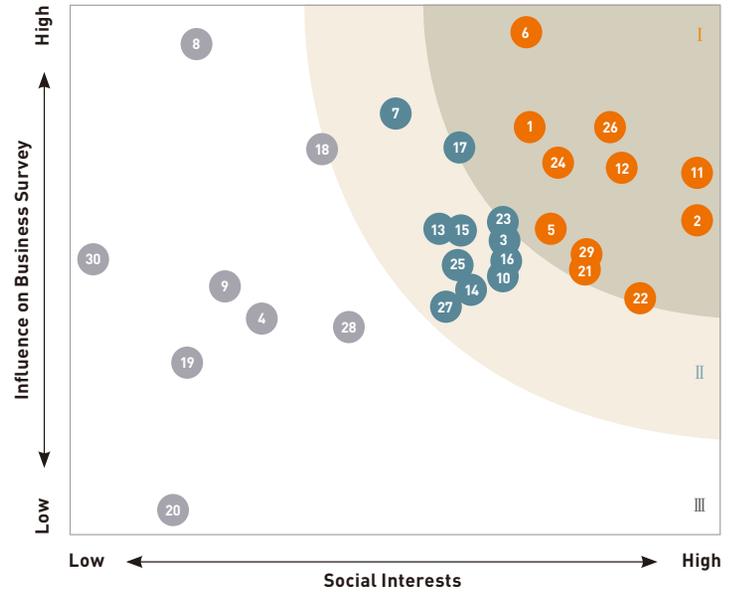
STEP 5 Reporting Structure

Deciding on 5 Major Issues Based on Material Issues

Priority I

Hynix
Sustainability Management
5 Major Issues

Priority II

Anti-corruption/Ethics management	11
Outside communication	2
Labor-management relations	26
Strengthening environmental management	12
Economic performance	6
Employee safety & health	22
Reward & benefits	24
Sustainability management structure	1
Social contribution	29
Corporate governance	5
Employee human rights & diversity	21

The Spirit of Business
Sustainable value creation: financial performance

People with Spirit
A positive, upbeat workplace: employees

The Spirit of Nature & Technology
Efforts to ensure a healthy environment: environmental management

Partners in Spirit
Growing together with partners: business partners

The Spirit of Harmony
Harmony with local communities: local communities

23	Employee Training & Career Development
3	Voluntary compliance with international standards
16	Management of water resources
17	Management of pollution and hazardous materials
10	Creation and maintenance of jobs
7	Financial/non-financial risk management
15	GHG emissions management
13	Eco-friendly product development
25	Employee communication
14	Improvement of energy consumption and efficiency
27	Support for business partners

SUSTAIN-ABILITY MANAGE-MENT

The Best Memory Solution Provider refers to a Long-lasting Great Company that provides all its stakeholders with the highest satisfaction and value through the best memory semiconductors and solution, and which also contributes to the development of the nation and society in general.

A Long-lasting Company is one which pursues sustainable growth. It is also one that puts a priority on qualitative sub-stantiality, fulfills its social responsibility through ethical, environmental, and win-win management policies, and puts constant learning and self-innovation into practice.

A Great Company is one that creates useful value for the world. At the same time, it provides all its stakeholders with the highest satisfaction and value, by respecting people ahead of everything else.

For our employees we provide the best workplace, one where they can make the most of their passion and abilities.

For our customers we ensure the timely supply of the products they need at optimum prices and top quality.

For our shareholders we constantly try to achieve the highest return on investment rates by maximizing corporate value.

For society as a whole we fulfill our corporate social responsibility through ethical, environmental, and win-win management policies.

Hynix aims to be remembered as a Long-lasting Great Company that provides the highest value to stakeholders and contributes to the prosperity of society through its core business, semiconductor memory, while at the same time faithfully fulfilling its social responsibility.

Vision

Hynix's vision is to become the Best Memory Solution Provider, Long-lasting Great Company. The company strives to provide the highest value and satisfaction to all its stakeholders, from employees to shareholders to society, while contributing to the development of the nation and society, and pursuing sustainable growth. To this end, Hynix is implementing the following management principles: focus on our core business, fortify internal strengths, secure future competencies, and respect human values.

Sustainability Management System

In 2010, Hynix developed sustainability tasks and then created a way to monitor them. Three committees unique to Hynix alone (SM Committee, SM Sub-committee, SM Task Force Team) meet semi-annually to discuss strategic policies to strengthen sustainability management and set necessary tasks to carry out. Furthermore, a core SM Index was selected for the quantitative management of Hynix's SM activity results. In order to advance sustainability management globally, Hynix held its Hynix Semiconductor China Ltd. (HSCL) SM Committee meeting in December 2010. It then shared head office's SM strategies, identified HSCL's SM issues, and discussed other relevant issues.

Communication for Sustainability Management

Hynix strives for open communication in order to identify and rapidly respond to stakeholders' interests. In 2010, the company replied to 52 customer inquiry cases and their requests for on-site inspections related to the fulfillment of social responsibility. It also identified the latest industry trends through surveys and interviews with sustainability management test organizations and NGOs domestically and abroad, whose suggestions Hynix then readily embraced. As part of an ongoing effort to promote the company's determination to further sustainability management activities, Hynix issued a Communication on Progress (COP), the UN Global Compact-sponsored report whose 10 principles assist companies in communicating their progress at different levels of sophistication. From December 2010 Hynix began relaying information about the ISO 26000 (international social responsibility standards) on the company-wide intranet over a period of seven weeks on weekly basis, and included sustainability management in regular off-line training programs for new employees, all in the interest of improving employee awareness.

Future Plans

Hynix is establishing a sustainability management execution system inside the company. This will allow it to promote sustainability management, step by step, throughout the entire supply chain. To achieve this, the company will reinforce activities to raise employee awareness about global guidelines and sustainability management trends. It will also develop programs to promote sustainability management with business partners, expanding sustainability management activities throughout the entire supply chain.

The Structure of the SM Committee
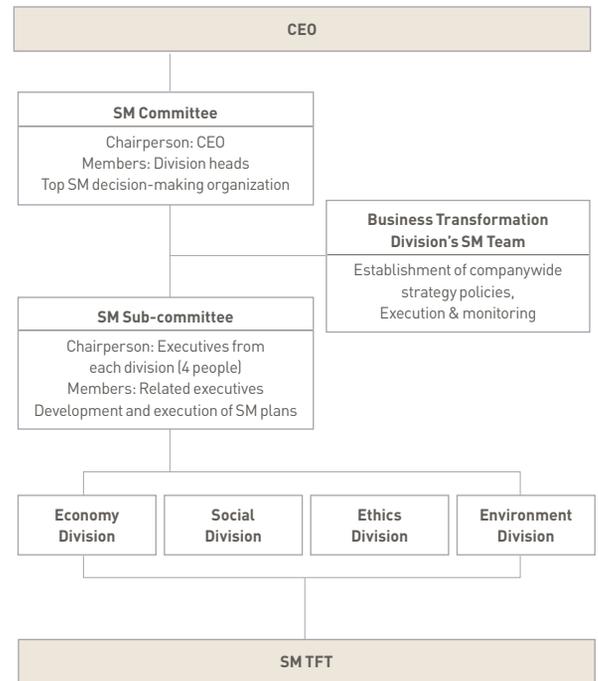
Mid- and Long-Term Sustainability Management Map

2007~2008   Introduction
SM infrastructure established; first report released

2009~2010   Execution
SM system enhanced; integrated reports released

2011~2013   Establishment/Promotion
Promoting SM throughout the whole supply chain; release of practical reports

2014~   Development
Global SM leader; release of web-based reports

<Information on the ISO 26000 is released on a regular basis>

CORPO- RATE GOVER- NANCE

Shareholder Status

Hynix is a publicly traded company that has been listed on the Korea Exchange since December 1996. Creditor financial institutions co-managed the company according to articles of the Corporate Restructuring Promotion Act from October 4, 2001 to July 12, 2005, when the company signed a special agreement on its management with the Stock Management Council so that creditor financial institutions could sell their own shares. The special agreement stipulates that Hynix must discuss in advance with the council any decisions which might have a significant influence on the company's management, such as the appointment of executives, the establishment of annual management plans, investments in subsidiaries, M&As and other strategic projects, and the establishment/operation of corporate governance. Also, it is stipulated that this special agreement last until creditor financial institutions complete the final sale of their shares.

Name of Shareholders	No. of shares	Share-holders' ratio(%)	Business relations with Hynix
Korea Exchange Bank	20,185,000	3.4	
Woori Bank	19,722,000	3.3	
Korea Finance Corporation	15,281,000	2.6	None
Shinhan Bank	14,963,000	2.5	
Others	18,349,000	3.1	
Stock Management Council's total*	88,500,000	15.0	
Domestic institutions' total	195,044,011	33.0	-
Foreign investors' total	99,384,295	16.8	-
Individual investors' total	207,348,248	35.1	-
Total	590,276,554	100.0	

*Shares held by the Stock Management Council are sold on a limited basis at the Korea Stock Exchange and according to decisions reached by the Council.

The Board of Directors (BOD)

Hynix's BOD consists of 13 directors, four internal directors and nine independent outside directors. In order to improve the Board's independence and efficiency, the positions of Hynix CEO and the Chairman of the BOD were separated in 2010. In addition, the number of outside directors now makes up 69 percent of the total number of directors, enabling transparent and rational activities to be carried out. The Nomination & Governance Committee appoints outside directors through a fair and transparent process. Five sub-committees under the BOD – the Nomination & Governance Committee, the Audit Committee, the Compensation Committee, the Strategy Committee, and the Management Committee – collectively guarantee that professional decisions are carried out and that the BOD is run efficiently. As a means to strengthen each committee's independence, outside directors comprise more than half of all members except on the Management Committee. In 2010, 12 BOD meetings were held, with the average attendance rate of outside directors standing at 98 percent, and the meetings themselves allowing the BOD to play its role as management's overseer and advisor.

Operation of the BOD

Category	2010	2009	2008
Ratio of outside directors (%)	69	69	67
BOD meetings (no.)	12	13	12
BOD participation rate (%)	98	99	99

*Refer to Hynix's website for more information on its BOD performance (About Us → Corporate Governance → BOD → BOD performance)

Outside Recognition of BOD's Operation

With a new BOD system that was introduced in 2007, Hynix had the honor of being selected as an Excellent Corporate Governance Company in five areas of corporate governance evaluation, including the protection of shareholders' rights, by Korea's Corporate Governance Service (CGS) in June 2010. It received an extremely strong evaluation in the categories of desirable BOD operation, improvement of management transparency through information disclosure, and active operation of its auditing organization. In November, Hynix was selected as the top Korean company in corporate governance by Corporate Governance Watch 2010, a joint publication between the Asian Corporate Governance Association (ACGA) and the CLSA Asia-Pacific Markets at the ACGA's annual general meeting in Taipei. The publishers evaluated 580 Asian companies from 11 countries in terms of transparency, observation of principles, independence, fairness, and corporate social responsibility. Hynix took the top spot for its continuous efforts to improve corporate governance. In December, Hynix was selected for yet another Excellent Company in Corporate Governance citation at the 2010 CSR Awards ceremony, organized by The Hankyoreh newspaper and the Hankyoreh Economic Research Institute. Hynix was recognized for its establishment of BOD-centered transparent management, including the operation of its BOD information system (BOD.hynix.com). Also, Hynix's operation of its Board was selected as a model case by the Korean Institute of Directors' education program for professionals running BODs.

Ratio of outside directors

69%

BOD participation rate

98%
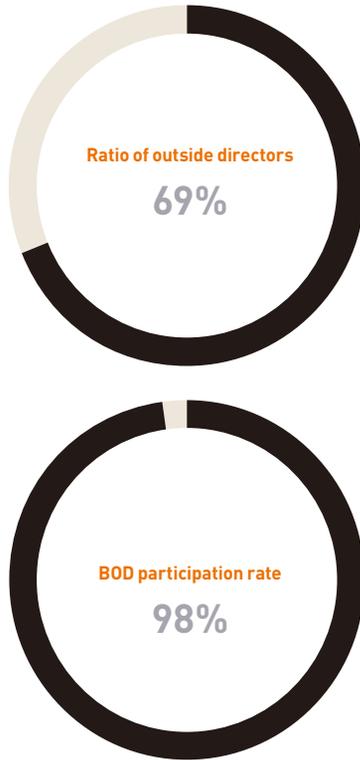
(As of 2010)

Enhancing BOD Member Expertise through Support Programs

Hynix runs support programs so that newly appointed directors may be systematically provided with a variety of information relevant to their new post, ranging from job introduction to corporate governance issues. An orientation session was held in April 2010, followed by an orientation session only for Audit Committee members, allowing them to increase their understanding of the overall semiconductor industry, Hynix's management, and the role of a director. In May, a BOD workshop was held and gave all Board members the chance to think about the company's governance, the current status of the semiconductor industry, future tasks to be achieved, and the most current issues. Furthermore, Hynix provides a Line Tour Program in which outside directors can visit Hynix worksites firsthand and listen to employees opinions on production sites. These opportunities are a way for Board members and employees to strengthen mutual communication between each other, taking the relationship one step further from existing exchanges that make use of special lectures and interviews with employees, which Hynix has done since 2009.

Real Experience Yields a Proactive BOD

Hynix's BOD holds some of its meetings overseas and gathers information on a regular basis concerning global management, which it then reflects in its decision-making process. In May 2010, the company's BOD meeting was held in Wuxi, China, where Hynix Semiconductor China Ltd. (HSCL) is located, giving Board members the chance to visit production sites firsthand and discuss the company's global strategies. In January 2011, the BOD meeting was held in the United States, Hynix's largest market, with Board members receiving reports on the business activities of Hynix

Semiconductor America Inc. (HSA). On that same visit, Board members attended the Consumer Electronics Show (CES) 2011, the largest electronics product fair, to witness the development of the global electronics industry and plan future of Hynix.

A BOD Committed to Continuous Learning and Discussion

Hynix actively provides its BOD members with a variety of opportunities for training and exchanges with global leaders. In April 2010, the BOD chairman and outside directors participated in the Advanced Director Program (ADP), which is run by the Korean Institute of Directors, and attended high-level lectures in six fields, including law and accounting, while sharing information with directors and executives from other companies. In June, the chairperson and members of the Audit Committee traveled to Atlanta to participate in the Institute of Internal Auditors International Conference for the purpose of examining trends in corporate governance and auditing, and to exchange information with representatives from many leading global companies.

BOD members also participated in the annual general meeting of the ICGN (International Corporate Governance Network) that same month, the NACD (National Association of Corporate Directors) in October, and the Asian Corporate Governance Association (ACGA) meeting in November. Board members discussed exemplary corporate governance and strategies befitting the characteristics of each region. In October, BOD members attended the NACD Directors Professional Course in Laguna Beach, California to take an advanced educational program and share opinions on Hynix's strengths and weaknesses. In 2009 and 2010, Hynix pursued quantitative growth of the BOD through various programs, and will do its utmost to maintain advanced corporate governance by continuing to provide various training opportunities for members of its Board of Directors.

1, 2. **A BOD meeting in 2010**
3. **Named an Excellent Company in Corporate Governance in 2010**

ETHICS MANAGE-MENT

Reading the Code of Conduct & Pledging Ethics Management (April 2010)

From 2006 to 2008, all Hynix employees were asked to sign a written pledge to practice ethics management upon finalizing their annual salary contract. Since 2009, however, Hynix has allowed employees to read the company's code of conduct on the Hynix Ethics Management System (HEMS) and to digitally sign the pledge.

Visiting Chamsori Ethics Management Class for Business Partners

When worksites demand ethics management training, the Sustainability Management Team visits each worksite to provide ethics management training, encouraging divisions (such as procurement and sourcing divisions) at stakeholder contact points to receive annual ethics training. Customized classes reflect the requirements necessary at each worksite. Also, Hynix operates what it calls a Visiting Chamsori Ethics Management Class for business partners and visits partner companies upon request to conduct training on the adoption, results, and importance of ethics management.

Ethics Management Articles in the Company Newsletter

On the 10th anniversary of Hynix's declaration of ethics management, the Hynix Newsletter published stories from the past 10 years concerning ethics management in a six-part series.

Chamsori Leaders' Digest

To foster ethical leadership of leading employees (CEO, division heads, group heads), Hynix delivered its "Chamsori Leaders' Digest" by e-mail a total of eight times every other week between September and December 2010. The "Chamsori Leaders' Digest" has also been utilized as a training material resource for employee training programs.

Occupational Ethics Pop-up

In order to enhance interest in ethics management and raise ethics awareness among employees, Hynix has made use of pop-up windows once or twice a month on the company-wide intranet since September 2010.

One-on-One Consultation Visits

Staff members from Hynix's ethics management part in sustainability management team personally visit ethics leaders (51 people as of December 2010) at different worksites to promote ethics by sharing related experiences at the company, while also identifying challenges and sharing best practices with other teams and departments.

Ethics Management Newsletter

Hynix delivers recent news and trends in ethics management to business partners on a regular basis through an online newsletter.

Quantitative Ethics Management Results (At domestic worksites)

Category	2010	2009	2008
Total ethics education (Hours)	10,070	10,814	5,225
Total ethics education per person (Hours)	0.61	0.55	0.30
E-Messages (Number)	8	6	10
Ethics performance index (Score)	82.9	81.8	81.6
Ethics execution index (Score)	86.3	82.8	77.4
Visiting Ethics Management Class (Times)	2	2	3
Visiting Consultations for Ethics Management (Times)	4	5	4

*Ethics performance index: A system to gather opinions from various stakeholders concerning the level of ethics management practice and awareness about it.
*Ethics practice index: A system to monitor/evaluate the degree of each organizational unit's ability to put ethics management into practice.

Respect for Human Rights

Hynix abides by the International Labour Organization's (ILO) ban on child labor and forced labor. In addition, it thoroughly follows all labor-related laws and collective agreements between labor and management. In order to prevent violations, Hynix sends notices to worksites, and regularly checks any potential violations committed at worksites. Furthermore, the company conducts education on sexual harass

ment prevention for all employees through e-learning and off-the-job training. For employees of business partner companies that provide security and safety services at Hynix's domestic worksites, Hynix conducts regular training on security, services, jobs, and new employee training, while ensuring they understand human rights issues as well. Also, new employee training and monthly job training are provided for Hynix employees in charge of security and safety, with an average completion rate of 97 percent.

Fair Trade Compliance Program Performance
Fair Trade Training

To promote the compliance program companywide, Hynix conducted a total of eight training sessions on fair trade for new employees, employees at overseas subsidiaries, and its own Procurement Division. For practical training directly connected to people's jobs, sessions on the Fair Subcontract Transactions Act were conducted for employees of the Procurement Division, and special training was conducted on anti-trust laws and the protection of trade secrets for employees at overseas subsidiaries.

Executives & technical /office workers

99%

Full-time employees

51%
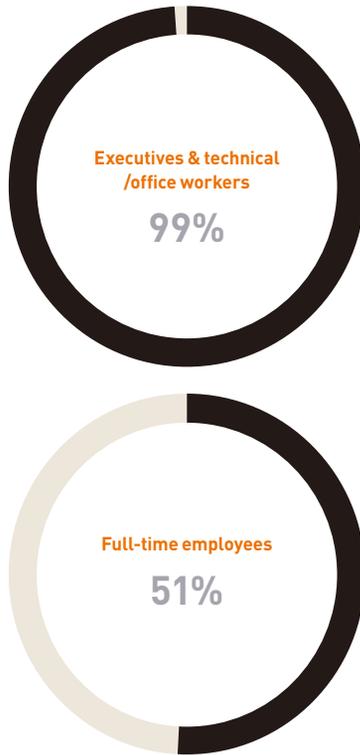
*For full-time employees, reading the Code of Conduct & pledging ethics management is an option.

Code of Conduct Reading Rate & Pledge of Ethics Management

(At domestic worksites, as of 2010)

Examination of Fair Trade Compliance

To promote a culture of fair trade compliance, Hynix intensively checks its subcontract trade agreements with a specialized organization. It then offers feedback to related parts of the company such as the Procurement Division if there is anything to correct, ensuring that the company eliminates any risk of violating the law.

Implementation of 2010 Pledges

In its 2010 sustainability report, Hynix pledged to prepare a manual for subcontract transactions to apply to transactions with subcontractors in 2010. Following this pledge, Hynix came up with its Manual for Deciding on and Adjusting Prices in Transactions with Subcontractors, held a briefing session for Procurement Division staff, and successfully applied the manual to transactions with subcontractors.

Fair Trade Training   (Unit: persons)

NO	Dates	Target	Courses	No. of Trainees
1	Jan. 21, 2010	New employees	Hynix and Fair Trade Law	90
2	Apr. 21, 2010	HSJ (Japan)	Prevention of Antitrust Law Violations and Protection of Trade Secrets	30
3	Apr. 22, 2010	HST (Taiwan)	Prevention of Antitrust Law Violations and Protection of Trade Secrets	20
4	Apr. 29, 2010	Procurement Division	Deciding on and Adjusting Transaction Prices with Subcontractors	36
5	Sep. 16, 2010	Procurement Division	Understanding Fair Subcontract Transactions Act	20
6	Sep. 24, 2010	HSA (U.S.)	Prevention of Antitrust Law Violations	37
7	Nov. 8, 2010	HSS (Singapore)	Prevention of Antitrust Law Violations	16
8	Nov. 11, 2010	HSU (U.K.), HSD (Germany)	Prevention of Antitrust Law Violations	20

Compliance with the Law

In 2010, Hynix committed no legal violations related to fair trade or its customers.

Ethics Management at Hynix Semiconductor China Ltd. (HSCL)
Policies and Programs

HSCL adopted – and has strictly applied/operated – the same ethics management policies and programs as those of headquarters. The Ethics Management Guidebook (Ethics Management White Paper) was issued in Chinese so that employees can more easily put them into practice. The white paper includes practical ethical management guidelines for employees, with the content being shared on the company's website so that all stakeholders can understand HSCL's commitment to ethics management.

Operating Unit

Ethics management at HSCL is conducted by its own independent unit that reports directly to the head of the corporation. The unit carries out both violation prevention programs, such as the operation of policies and programs, training and promotion, and the outward promotion of ethics management, as well as following up to uncover and diagnose any unethical behavior. Furthermore, for the voluntary and efficient practice of ethical management at worksites, the unit selects an ethics leader for each team who then voluntarily plays a leading role in the ethical management of each team.

Ethics Training

HSCL operates ethics training as a required course for all its employees. Training for new employees and recently promoted employees is conducted annually, and an ethics training course for all employees is operated biannually. In addition, HSCL ensures its business partners carry out fair and transparent transactions, while also encouraging them to practice ethics management through letters sent to the companies and ethics management workshops on a continual basis.

Companywide Promotion

Besides regular training programs, HSCL issues its Ethics Weekly Letter, which focuses on examples of ethics practices that can occur in daily lives and helps entrench ethical awareness with employees. The company has also continued to promote ethics management in many ways, such as when HSCL held an ethics knowledge competition and visited ethics classes together with ethics leaders to enhance employee understanding and interest in ethics.

Reporting Systems

HSCL runs a Cyber Opinion Center on its website so that stakeholders, including employees, customers, and business partners, can freely report any potential violations to the company. Reports and information on reporters are strictly protected according to related company rules. People wishing to file a report can also do so in person at the company, or send the reports in via e-mail or by phone.

Hynix CSR Issues

From here, five issues are settled on according to the result of materiality test, which induces material issues for Hynix's sustainability management. The core spirit of addressing these issues -- and each employee's determination to put them into practice -- is shown here. Each part consists of material issues, related activities and results, and future plans.
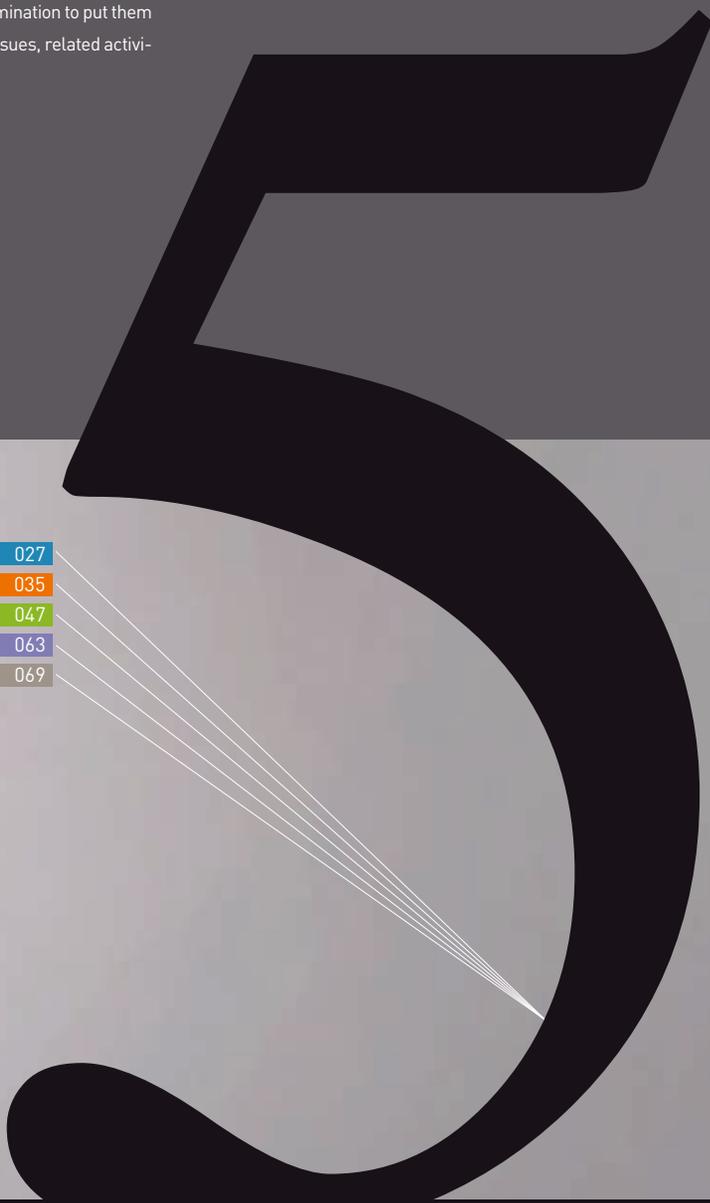
V   **2010 TARGETS**

●   **2010 TARGETS ACHIEVED**

■■■   **2011 PROGRESS**

The introduction to each issue clearly shows all the key facts concerning the issue and is divided into three parts: 2010 targets, targets achieved, and 2011 progress.

ISSUE 01. THE SPIRIT OF BUSINESS

PAGE	Economic Performance
030–031	Business Performance
032–033	Company-wide Risk Management

The spirit of economic growth is about not wavering in the face of challenges no matter what the circumstances.

v 2010
TARGETS

Secure a competitive edge by focusing on a core business
Expand future-oriented core competencies
Strengthen competitiveness of NAND Flash business

● 2010
TARGETS
ACHIEVED

No. 2 in global memory market, with 22 percent of DRAM global market share and 10 percent of NAND Flash market share
Strategic alliance with HP for commercialization of ReRAM
Development of NAND Flash solutions through strategic alliance with Anobit

Adoption of ERM (Enterprise Risk Management)   **new**
Strengthened financial status through reduction of interest-bearing debt   **new**

■■■ 2011
PROGRESS

Progressive internalization of risk management activities   **new**

INTERVIEW

Last year, Hynix achieved not only the highest sales and operating income in its history, but also exhibited its leading technology in the memory industry as it succeeded in the development of the world's first 30nm-class 4Gb DRAM and high performance NAND Flash product solution. Today, Hynix is securing global technological leadership and paving the way for even more solid, sustainable growth based on an unrelenting strength that is the driving force for top economic performance.

**- Chung Sung-Woong, Head of the New Technology
Innovation Team, R&D Division**

creating & sharing

Hynix only becomes stronger when sharing value with its stakeholders. Hynix cooperates with numerous stakeholders when it comes to its management activities, providing the best semiconductors and services for customers around the world while fulfilling its corporate responsibility. The following diagram has simplified Hynix's roles, the various roles of its stakeholders, and the flow of economic value.

(Unit: KRW million)

Creation of economic value

Distribution of economic value

Customers
12,098,667

+

Others
(3,034,642)

Shareholders & Investors
438,995

+

Employees
1,483,164

+

Business Partners
4,515,125

+

Local Communities
58,805

+

The Company
2,567,936
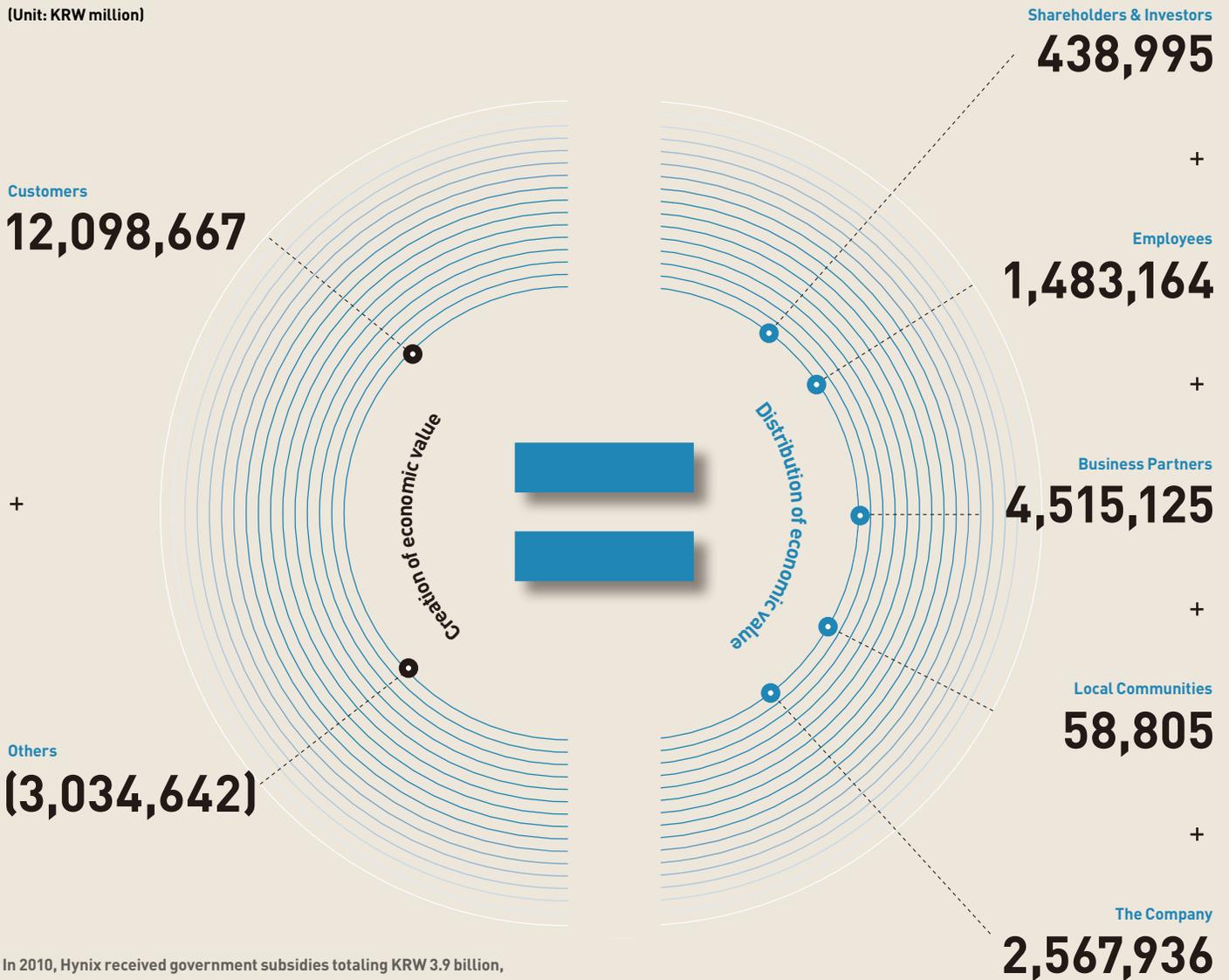
In 2010, Hynix received government subsidies totaling KRW 3.9 billion, which included KRW 2.6 billion of national project subsidies, a 17 percent decrease from 2009.

Hynix created economic value totaling KRW 9,064.0 billion in 2010. It distributed KRW 6,496.1 billion to stakeholders, and deferred the distribution of the remaining KRW 2,567.9 billion for the future of the company.

Customers

Hynix provides semiconductor memory and solutions for customers all around the world. In 2010, the company's sales, or the value created by its customers, reached KRW 12,098.7 billion, a 53 percent increase over the previous year, with 93.5 percent of total sales taking place overseas.

Shareholders and Investors

Hynix's shareholders are the company's real owners, comprising members of the shareholders' general meeting, the company's top decision-making unit. Hynix distributes value to its shareholders in the form of cash dividends. Based on its 2010 performance, Hynix distributed KRW 88.5 billion in cash dividends to shareholders, the largest sum in the company's history. In addition, Hynix raised capital by issuing bonds and receiving loans from financial institutions, paying a total of KRW 350.5 billion in interest.

Employees

The driving force realizing the company's vision, Hynix's employees are internal stakeholders who consist of executives, technical/office workers, and other full-time workers. In 2010, value distributed to employees stood at KRW 1,483.2 billion, with salaries making up the majority of that amount (KRW 1,183.6 billion), followed by benefits (KRW 188.1 billion) and severance pay (KRW 111.5 billion).

Business Partners

Hynix's business partners are the 1,153 companies that it has business relations in equipment, construction, facilities, outsourcing, raw & subsidiary materials, and general affairs. The value distributed to these business partners in 2010 was KRW 4,515.1 billion, of which KRW 1,871.3 billion went to materials, KRW 683.2 billion for business process outsourcing, and about KRW 2 trillion for other consumables and repairs. Today, Hynix continues to pursue improved competitiveness through win-win management.

Local Communities

Hynix is distributing part of the economic value it has created for local communities. In 2010, Hynix paid KRW 57.1 billion in taxes and utilities. True to its commitment to grow alongside the communities it is a part of, Hynix donated KRW 1.7 billion to local communities.

Creation and Distribution of Economic Value   **(Unit: KRW million)**

Category	Stakeholders	Details	2010	2009	2008
Creation of	Customers	Sales	12,098,667	7,906,350	6,817,985
Economic Value	Others	Other income [1]	1,000,291	1,215,967	1,036,049
		Other expenses [2]	(1,207,644)	(1,324,977)	(3,454,778)
		Depreciation expenses [3]	(2,827,289)	(2,795,666)	(2,795,667)
Distribution of	Shareholders & Investors	Dividends [4]	88,541	0	0
Economic Value		Interest expenses	350,454	433,576	414,670
	Employees	Salaries	1,183,571	756,456	848,865
		Severance pay	111,470	79,329	65,049
		Benefits	188,123	160,150	189,996
	Business Partners	Material costs	1,871,252	1,733,721	2,395,744
		Business process outsourcing costs	683,237	322,000	399,430
		Consumables/repairs	1,960,636	1,867,059	2,043,353
	Local Communities	Taxes and utilities [5]	57,133	(20,285)	(9,697)
		Donations	1,672	2,312	903
	The Company	Deferred value	2,567,936	(332,644)	(4,744,724)

1) Other income is non-operating income that includes interest and dividend income, equity method income, gain on disposal of property, and foreign exchange gains.
2) Other expenses include non-operating expenses (except interest expenses), donations, and taxes & utilities.
3) The total of cost of goods sold, R&D expenditures, depreciation expenses included in selling, general, and administrative (SG & A) expenses, depreciation of idle assets, and depreciation of intangible assets.
4) Dividends refer to interim dividends and annual dividends that are decided upon at the following year's general shareholders' meeting.
5) The total of consolidated corporate income tax, taxes and utilities by accrual based accounting.

* Data prior to 2010 was altered according to changes in estimates concerning the creation and distribution of economic value.

BUSINESS PER-FORMANCE

Economic Performance

Global Semiconductor Industry Rankings (by sales)

6   2010

7   2009

9   2008

(Source: Gartner)

In 2010, the semiconductor memory market oscillated a fair amount due to concerns about a slowdown in demand brought on by the financial crisis in certain European countries, as well as the continued decrease in DRAM prices of DRAMs for PCs in the latter half of the year. Nonetheless, Hynix was able to positively respond to market volatilities by adopting next-generation manufacturing process technology in advance and maintaining a distinguished product portfolio. As a result, Hynix recorded its highest sales in history, KRW 12,098.7 billion, a 53 percent increase over the previous year's KRW 7,906.4 billion.

Major Financial Performance

Consolidated sales reached a record high in 2010, KRW 12,098.7 billion, a 53 percent rise over the previous year's KRW 7,906.4 billion. This was a result of product prices staying relatively high due to the rapid recovery of the market in comparison to an average year. Consequently, Hynix was able to record an operating income of KRW 3,273.1 billion, a net income of KRW 2,656.5 billion, and earnings before interest, taxes, depreciation and amortization (EBITDA) of KRW 6,055.7 billion.

As of December 31, 2010, Hynix's capitalization stood at KRW 8,169.5 billion, an increase of 38 percent, or more than KRW 5,919.3 billion, over the end of 2009. Earned surplus also rose due to a net income of KRW 2,656.5 billion, while the company's capital surplus increased by KRW 111.2 billion as a result of its issuance of USD 5 million in convertible bonds.

Sales per Product   (Unit: KRW 100 million)

Category	2010	2009	2008
Total sales	120,987(100%)	79,064(100%)	68,180(100%)
DRAM	93,744(78%)	59,878(76%)	49,627(73%)
NAND Flash	18,200(15%)	13,395(17%)	14,457(21%)
Other sales	9,043(7%)	5,791(7%)	4,096(6%)

* Other sales include the sale of products such as MCP and CMOS image sensors, royalties, and domestic subsidiary sales.

Major Economic Performance

■ Sales (Unit: KRW billion) ● Operating income to sales ratio (%) ● EBITDA margin (%)

2010	**12,099/27/50**
2009	**7,906/2/37**
2008	**6,818/(28)/13**

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

2010	**2,195/5,924/46**
2009	**1,518/6,955/92**
2008	**719/7,749/127**
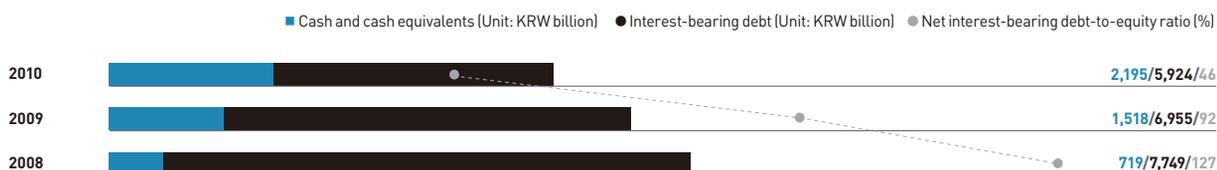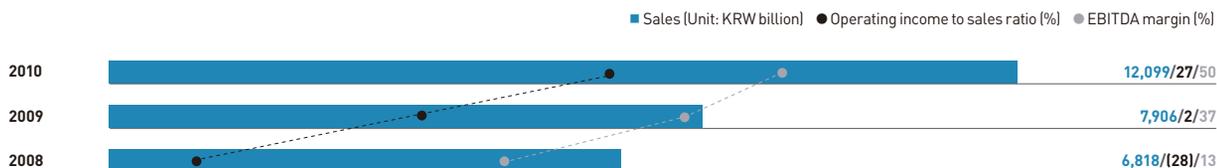
Hynix's Technological Competitiveness

DRAM

Hynix developed 30nm-class high density 4Gb DDR 3 products in 2010, which can meet the requirements of high density premium servers and high-end PCs (high memory density, high quality, and low-power consumption), giving Hynix an edge in the premium market for the future. Also, its 30nm-class 2Gb DDR3 products for servers adopted ultra-low voltage and low-power technology, reducing its energy consumption by 60 percent so that it can better contribute to the development of an eco-friendly IT industry. With the completion in development of 30nm-class DRAM, Hynix is securing the highest technological and cost competitiveness in the industry.

NAND Flash

Hynix began mass producing 20nm-class 64Gb NAND Flash components in 2010, ensuring that it secured the industry's leading technology. With productivity growing by 60 percent in comparison to existing 30nm-class 32Gb products, the company achieved the industry's highest level of cost competitiveness. In addition, Hynix completed the development of new NAND Flash solution products through a strategic alliance with Anobit, an Israeli company which specializes in the design of a high performance NAND Flash Controllers. The high-end product was made by combining Hynix's NAND Flash and Anobit's controller, reducing the number of errors even as it stores data at a higher speed. This has allowed Hynix to adequately respond to industry demand and attract top-tier customers.

Next-Generation Memory

Hynix is increasing future business competitiveness by developing various next-generation memory products, by signing a co-development project with Hewlett-Packard to commercialize ReRAM (Resistive Random Access Memory). Hynix is also securing future technological capabilities, beyond DRAM and NAND Flash, so that it can better respond to market changes and customer needs.

CMOS Image Sensors

As part of its future growth engine, Hynix has been expanding its CMOS image sensor business, which is closely related to memory technology. Since it has begun developing new products through a strategic alliance with SiliconFile Technologies Inc. in November 2007, Hynix completed development on 2-megapixel products in 2009 and 1.3-megapixel and 3-megapixel products in 2010, supplying those products to customers manufacturing mobile devices and laptop computers. In November 2010, Hynix received ISO/TS 16949 certification, an international quality standard for CMOS image sensors, helping it to achieve monthly sales of USD 10 million in November 2010, three years after the launch of this business. As mobile devices became more sophisticated, Hynix started developing 90nm technology and 1.4micron pixel technology in early 2010, providing customers with engineering samples of 3- and 5-megapixel products in January 2011. In the future, Hynix will build on its status as a leading CMOS image sensor maker by providing customers with high value-added products targeting diverse applications.

Investment for Long-Term Growth

Hynix has been committed to investing in R&D to strengthen its mid- and long-term technology. In 2010, its investment to sales ratio decreased slightly due to a rapid growth in sales, though the company increased R&D investment by 19 percent over the previous year. With these investments, Hynix was able to strengthen its technological leadership and achieve a new generation of technology within one year, developing 50nm-class DRAM technology in 2008, 40nm-class technology in 2009, and 30nm-class technology in 2010. At the same time, it developed 40nm-class NAND Flash technology in 2008, 30nm-class technology in 2009, and 20nm-class technology in 2010.

R&D Investment (Unit: KRW 100 million)

Category	2010	2009	2008
R&D expenditures	8,014	6,728	6,999

Regional Sales

Category	Domestic	Americas	Asia	Europe	Total
2010 (%)	6.5	27.1	53.7	12.7	100
2010 (KRW billion)	792	3,282	6,493	1,532	12,099
2009 (KRW billion)	608	1,863	4,449	986	7,906
2008 (KRW billion)	504	1,476	3,868	970	6,818

Regional Sales Percentage

COMPANY-WIDE RISK MANAGEMENT

Introduction of Enterprise Risk Management (ERM)

Hynix is paving the way for sustainable growth by identifying/integrating and systematically managing risks that can affect the attainment of management goals. Through the systematic refinement of risk management, the company is continuously correcting inefficiencies in resource distribution and factors contributing to lower quality, while also minimizing risks by establishing an efficient, organized risk management system.

ERM Framework

Hynix's ERM Framework consists of risk governance, risk management process, and risk management infrastructure. Each part is made up as follows:

Risk Governance defines a mission for risk management, and accordingly defines implementation strategies, rules, and systems related to units that implement risk management.

Risk Management Process defines roles dealing with processes and units that implement risk management strategies and rules. Risk management process is largely divided into a process to manage risks in ordinary circumstances and one to respond to accidents.

Risk Management Infrastructure refers to the definition of the groundwork to operate the risk management process. It consists of management manuals and computer systems to support the work process efficiently; training programs and teaching plans; and the design of communication channels and operations plans. Furthermore, Hynix has organized a risk management map with seven categories (340 types of risks), and classified them into key/middle/low-level risks. The risk management map is used to discover possible risks and will be continuously be improved upon in the future.

---

1 Risk Governance

Strategy	Policy	Governance

2 Risk Management Process ← Risk Management Process

Risk Identification	Risk Evaluation	Response to Risks	Monitoring	Reporting	Continuous Improvement
Define risks Top-down & bottom-up identification	Set evaluation standards, Unique risk evaluation, Risk adjustment, Select risks to manage	Risk analysis, Root cause analysis, Set improvement plans & execution	KRI monitoring, Sensitivity analysis, Risk models	Risk identification/ evaluation/ response report, Risk dashboard	RIMD diagnosis, Independent reviews, Development roadmaps, Establishment/ execution

System Change in an Emergency

Detect Signs	Confirm Crisis	Emergency Response	Restoration & Clearance	Follow-up Management
Crisis identification, Determine crisis level, Prevent/prepare for crisis, Detect signs	Interest, Attention, Warning, Seriousness	Emergency measures, Organize response team, Emergency response	Restore work , Restore infrastructure, Remove crisis warning	Investigate causes, Identify weaknesses, Plan to prevent recurrence of accidents, Execute & check plans BS 25999 Certification

← Crisis Management Process

3 Risk Management Infrastructure

Risk Management Manual	Risk Response Manual (Ordinary circumstances)	Crisis Response Manual (Emergencies)	Risk Management System	Promotion of Risk Management Culture

Risk Management Map

Hynix discovered a wide range of potential risks through company-wide interviews, on-line surveys, and an analysis of internal/external conditions, classifying them into 29 key risks, 154 middle risks, and 157 low-level risks via risk evaluation workshops. Key risks consist of eight management environmental sectors, ten management-based sectors, six operations sectors, four innovation & growth sectors, and one law-abiding sector. Hynix is planning to share its unique risk management map throughout the company for systematic risk management, and will continue to develop this map through a constant identification process.

Future Development Plans

Hynix's mid- and long-term development plans for risk management aim to realize company-wide risk management that can efficiently support integrated and advanced management & responses to risks/crises, as well as enhancing management's decision-making ability with key risks by internalizing risk management activities and raising awareness about them throughout the company. After the establishment of ERM is completed and bases for policies/units/processes are integrated, the company-wide integrated risk management system will become a major component of management's decision-making within two to three years. In addition, the company is planning to strengthen various communication channels, from workers at worksites to outside experts, so that all employees can have a balanced view of risks and opportunities. Also, Hynix is firmly establishing a risk management culture so that the company can provide detailed principles on risk management at each level of the work process.

Risk Management Map

Category	Subcategory				
Governance structure	Corporate governance	BOD governance	Performance system	Risk management review & supervision	Reputation & shareholder relations management
	Ethics management	Ethical culture	Communication	Policies & guidelines	Execution & evaluation of ethics program
Management environment & planning	Sustainability management	Climate change management	Return to local communities	Energy management	SM strategies	Environmental waste management
	External environment	Competitors	Trust	Credit rating	Market trends	Disasters/Catastrophes
	Planning	Business plan	Investment planning	Capital structure planning	Business continuity planning	Knowledge management
	Strategies	Vision/Goals/Strategies	Market/Customers	Alliances	Price strategy	Outsourcing strategies
	Business diversification	M&A strategy	Financial evaluation	M&A procedure	Regulations	Unification after mergers
Management base	Asset management	Land/Buildings	Facilities/Equipment	Environmental management	Physical security	Failure of infrastructure
	Finance	Financial planning/Budget	Accounting	Audit quality management	Insurance/Hedging	Costs
	Human resources	Personnel management policies & guidelines	Stop work	Employee capability management	Education & development	Performance rewards
	Information technology	System halt	Management of problem-solving capabilities	IT portfolio	IT operation	Information security
	Legal counsel	Contract management	Documentation management	Litigation & adjustments	Service contracts	Subcontracts
Innovation & growth	R&D planning	Sample designing	Product design & testing	Innovative technology developments	R&D project management	Product development
	Product development	Development period	Stop of development	Product tests	Product warranty	Product releases
	Sales/Marketing	Brand management	Market research	Marketing strategies	Prediction of customer demands	Sales strategies
Operations	Patents	Patent development/Acquirement	Patent evaluation	Patent management	Patent disposals	Licensing
	Product life cycle	New product development	Product change management	Mass production/Quality	Inventory control	Decision to stop production
	Outsourcing	Evaluation of outsourcing companies	Examination of validity in outsourcing	Selection of outsourcing companies	Signing outsourcing contracts	Management of outsourcing companies
	Moving facilities overseas	Examining the validity of moving facilities overseas	Examination of legal environment	Deciding on the scope of transfers	Expansion of production bases	Technology transfers
	Supply channel management	Selection of business partners	Diversification/Localization	Supply & demand plan	Orders	Warehousing
	Quality assurance	Quality certification standards	Guarantees methods/Technology	Test infrastructure facilities	Sampling	Quality evaluation
	Customer service	Customer service center	Management of claims/complaints	Change management	Delivery control	
Abiding by the law	Abiding by the law	Law-abiding unit	Policies & guidelines	Information management	Laws & regulations	Monitoring & research
Reporting	Reporting	Financial reporting	Compliance with accounting standards	Report on law-abiding status	Tax reporting	Legal reporting

INNOVATION SYSTEMS AND ACTIVITIES

Hynix's Innovation Management

Hynix's Innovation Management

In 2010, Hynix conducted innovation activities to accelerate employee creativity and participation, with the aim of bringing about a culture of self-learning and innovation. As such, it pursued activities to strengthen middle managers' capabilities and problem-solving abilities based on company-wide efforts to integrate innovation systems. Furthermore, process and system improvement activities were carried out so that innovation activities could be connected to performance throughout the company. Also, Hynix holds regular meetings for innovation capability integration to coordinate innovation strategies between different parts of the company and head office.

Innovation Activity Results

Since 2007, Hynix has participated in the Ministry of Knowledge Economy's National Quality Competition. Through quality-improving activities based on small groups that made use of Total Productivity Maintenance (TPM), Hynix is consistently receiving better results in the competition every year. This helped Hynix to be named an Excellent Company in Productivity Improvement by the Korea Productivity Center in 2010, and was made possible because Hynix's many small working-level groups continued to strengthen their capabilities based on active support from the company. Hynix will continue to pursue future-oriented innovation activities by singling out top cases of quality improvement and by supporting employee participation in the National Quality Competition.

Hynix's Innovation Management
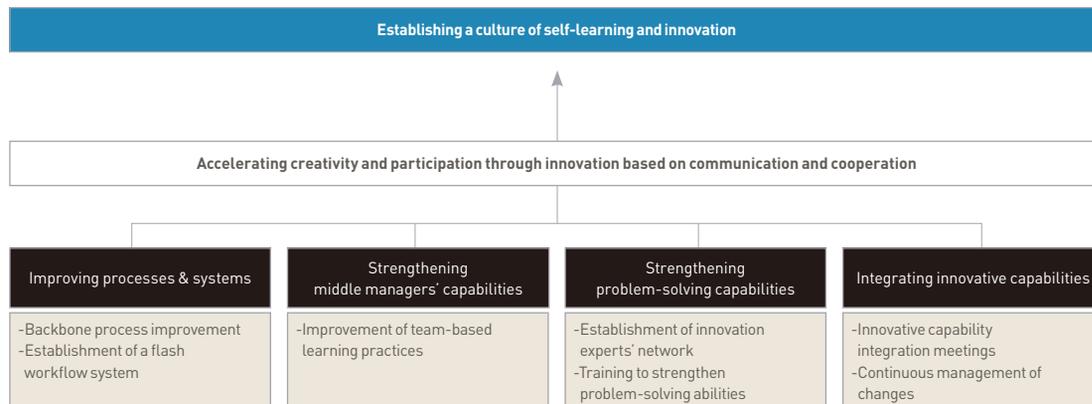
Establishing a culture of self-learning and innovation

Accelerating creativity and participation through innovation based on communication and cooperation

Improving processes & systems	Strengthening middle managers' capabilities	Strengthening problem-solving capabilities	Integrating innovative capabilities
-Backbone process improvement -Establishment of a flash workflow system	-Improvement of team-based learning practices	-Establishment of innovation experts' network -Training to strengthen problem-solving abilities	-Innovative capability integration meetings -Continuous management of changes

The Hynix spirit is about enabling everyone in the company to move toward the same shared goal.

V 2010 TARGETS

Establish a performance management system
Establish a horizontal, creative corporate culture
Foster elite leaders
Expand flexible/customized benefits for employees' life cycle

● 2010 TARGETS ACHIEVED

Adoption of (New) HR Policy
Operation of Vision Academy and Hynix Culture Forum
Establishment of system to foster global leaders and job professionals
Cyber Welfare Center (Hywel) service expanded to
include family members of employees

▪▪▪ 2011 PROGRESS

Establish (New) HR Policy
Develop & apply HyMBO performance management system
Develop programs to foster job specialists &
conduct worksite-focused learning
Establish a flexible benefits environment by improving Hywel's services

INTERVIEW

In 2010, Hynix helped improve and harness employees' capabilities by introducing a performance-based personnel management system and a learning culture centered on organizational units. Today, the company is continuing to grow based on a spirit of unity, and will realize its vision slogan of becoming a Long-lasting Great Company, which is a shared goal at Hynix.

**-Hur Jung-hwa, Computing Marketing Team,
Marketing & Sales Division**

successful community

For a Successful Community, Hynix pursues...
a people-centered culture within a Successful Community. Hynix's biggest asset and source
of competitiveness is its employees, the spirit is why it has created a corporate culture
that sympathizes, communicates, shares and put ideas into practice with its employees.

Challenge

Hynix's corporate culture embodies the spirit of a
Successful Community that has grown naturally
and become rooted in the minds of employees for
the past 30 years.

Hynix's core values – challenge, creation, col-
laboration – are the essence of what the company
pursues, and have become the standards by which
its employees think and act.

sympathy   sharing

realization   communication

Collaboration

Creation

Employees are precisely what have made Hynix what it is today.
They are the driving force behind the company's
realization of it becoming the Best Memory Solution Provider,
Long-lasting Great Company.

Hynix: A Successful Community

(New) HR Policy

Hynix believes that human resources are the best foundation for corporate competitiveness, particularly in the memory semiconductor business, which highly depends on human resources. At the same time, it understands how important it is to maximize and effectively organize employee capabilities in a field where technological competitiveness is so highly valued. Thus, the company has adopted a mileage-type personnel management system so that the organization can develop in a healthy manner by fostering human resources through fair evaluation. For example, instead of a regular promotion program, the mileage-type system converts the results of personnel evaluations into points that can be utilized in overall personnel management, such as handing out rewards, bestowing titles on employees, and selecting core personnel for important tasks.

Positions at Hynix have been simplified into three roles – assistant manager, senior manager, director – with each position assigned to an individual when their mileage reaches the minimum level for that specific position. Also, by evaluating individual performances and abilities on an accumulated basis every year and reflecting these results in rewards, the company can give annual raises to its employees. Executive evaluations look at the performance and abilities of executives on an annual basis, with the subsequent results reflected in their rewards and/or promotion.

Hynix believes that this mileage-type system will help both the organization and individuals increase work engagement and performance.

HR Policy at HSCL – Hynix Semiconductor China Ltd. (HSCL) introduced a (New) HR Policy even earlier than head office in consideration of the realities of the semiconductor business and business environment in China, and has been fostering employees on a long-term basis alongside their joint growth with the company. In July 2010, HSCL adopted the new system, which is characterized by the simplification of positions, an automatic promotion program, distinguished rewards, and the systemization of the (New) HR Policy itself. Recently, HSCL has been modifying the system so that it can be linked with head office's system.

Fair Evaluation & Rewards

To deliver fair evaluations, Hynix conducts performance and competency appraisal(evaluation) depending on a particular employee's role within the company. Performance appraisal(evaluation) are conducted twice a year for office employee(worker) and production employee(worker) whose performance can be clearly judged, with performances evaluated according to individually set goals individually.

The evaluation results are then reflected in the rewards and/or promotion of the person being evaluated. The competency appraisal(evaluation) is conducted for production employee(worker) and office employee(worker)s below Level 5 who take part in the actual production of goods. An individual's ability is evaluated in more than 10 ways, including job knowledge, initiative, and communication skills. After the evaluation, employees can check the results and request a re-deliberation through a formal objection process. All evaluations are done online, and from 2011 Hynix is planning to make use of an e-HR called HyMBO, which will ensure fairer and more reasonable evaluations. The company's rewards are based on each person's performance according to MBO (Management by Objectives). An individual's annual salary is largely divided into base pay and performance-related pay, each of which is differentiated from one's performance.

On top of one's annual salary, Hynix also offers PI (Productivity Incentives) and PS (Profit Sharing). In 2010, the average annual salary for a new employee was approximately KRW 35 million for both male and female workers who had a bachelor's degree. For production employee(worker) in maintenance, and repairs it was around KRW 28 million, and roughly KRW 25 million for full-time operators.

(New) HR Policy

Category	Before the Changes	After the Changes
Positions	Five-level positions	Director, senior manager, assistant manager. Three equal-level positions
Promotions	Regular promotion within four to five years	Abolished
Rewards	Promotion-centered	Performance centered
Mileage	-	Accumulated every year through personnel evaluations

EMPLOYEE COMMUNICA-TION

Employee Satisfaction Survey Results

Category	2010	2009	2008
Employee satisfaction (score)	68	69	73
Survey participation rate (%)	58	31	23

Labor-Management Communication

Category	Content	Frequency	Details
Communication Channels	Collective bargaining	Annually	Bargaining on wages & renewal of collective bargaining
	Central Labor-Management Council	When necessary	Communication about common issues at worksites
	Regular Labor-Management Council	Quarterly	Communication about issues at each worksite
	Small Group Council	Monthly	Communication about each division's issues
Management Info.	Management briefing	Quarterly	Sharing quarterly management information (performance & plans)
	Operations briefing	Monthly	Sharing monthly development situations & production performance
	HR Management meeting	Monthly	Sharing monthly HR status and plans
Other	Weekly Labor-Management working-level talks	Weekly	Communication about important issues between labor and management

Labor Union Membership

(As of Dec. 31 2010)

Category	Icheon	Cheongju
No. of eligible workers (persons)	6,927	4,273
No. of members (persons)	6,782	4,218
Membership rate (%)	97.9	98.7
Affiliated unions	Korean Metal Workers' Association	

Liberal Communication Based on Trust and Respect

At Hynix, employees pursue a liberal communication culture based on trust and respect. In order to unite the corporate vision with each individual's own vision, Hynix launched its Vision Academy in 2010, a place where team leaders learn about vision and values along with other team members. In addition, the company operates a Hynix Culture Forum, to hear the voice of young employees. At the forum, various ideas are put forward to create a Successful Community befitting of a younger generation. Moreover, Hynix is carrying out a number of campaigns, such as creating employee data for a new generation and finding new role models.

Employee Opinion Survey

Since 2007, Hynix has conducted employee satisfaction surveys to continuously improve its personnel management system and increase employee engagement by listening to their opinions. The survey is conducted in different parts, such as personnel management strategies, evaluations, rewards, and employee engagement, with the results being shared among employees to ensure a healthy corporate culture. The satisfaction survey is used as a way for management to gather opinions from all its worksites, while also serving as a way for the HR division to increase employee satisfaction at work. Hynix plans on expanding communication among employees through such satisfaction surveys.

Building Trust between Labor and Management

Management and labor discuss major issues and management information on a regular basis not just through legal negotiations but also through a variety of communication activities, enabling open, participatory management. Since 1995, the company has maintained labor-management relations based on trust and cooperation through a campaign whose slogan is "Labor and management are not two separate entities." As a result, Hynix has not seen a single strike for 28 years. In addition, the company is realizing a win-win partnership between labor and management to expand the foundation for mid- and long-term growth, while achieving management goals in the midst of a challenging business environment.

Labor-Management Communication

In addition to annual collective bargaining, Hynix established a regular labor-management communication system with three stages of communication channels. The company has also increased the effectiveness of its Regular Labor-Management Council and its company-wide Central Labor-Management Council. Through monthly management briefings, operations briefings, and HR Management meetings, the company is openly sharing management information regarding production, R&D, sales, and finance with its labor union. In April 2010, Hynix held a joint declaration ceremony for a Long-lasting Great company, saying it would deliver fair, performance-based rewards by increasing profitability. For its part, the labor union declared that it will work hard to increase cost competitiveness and realize a healthy organizational culture. Hynix has also conducted a total of three training sessions for civil servants in charge of labor-management issues at the request of Korea's Ministry of Public Administration and Security. Hynix received a presidential citation in recognition of its contribution to healthy labor-management relations in December 2010.

Hynix Semiconductor China Ltd. (HSCL)'s Employee Communication

HSCL operates online/offline channels to ensure two-way communication with employees.

Company Magazine

Publishing cycle: bimonthly

Information on divisions and teams, interviews with employees

In-house Broadcasting Station

Video news/news flashes: management policies, news related to the company

Other cultural programs

Installation of in-house TVs and PR

Culture Gallery

Photos from the company's major events, promotional posters, and notices for different groups

Clubs

Sports/Arts & culture/Education

Operation of over 20 clubs

Committee for Creating Better Workplaces

Participants: Eligible Participants: Job group representatives

Monthly meetings

Identification & correction of organizational problems

Customized ways to correct problems

Activities for Employee Satisfaction at Overseas Sales Subsidiaries

Facilitating Communication

1) Management briefings (quarterly, for all employees) to discuss the company's performance, major issues, and semiconductor market trends.

2) Communication meetings (weekly, for employees with positions higher than senior manager level) to explain the company's policies and gather opinions.

3) Meetings classified by job categories at each division (on demand) to reflect opinions & complaints dealing with corporate policies.

Creating Great Workplaces

1) Christmas parties & year-end parties (annually)

2) Team-building & singing contests (quarterly)

3) Gifts on important Korean holidays (New Year's Day and Korean Thanksgiving), employees' birthdays, and wedding anniversaries

4) Employee satisfaction survey (on demand)

Improvement of Job Ability & Global Language Skills

1) Language courses (English, Korean, other languages)

2) Increasing number of books through donations and purchases

3) Training on presentation skills & MS Office software

Efforts to Ensure Top Employees at Overseas Worksites

1) Job training at head office & opportunities to experience Korean culture (13 people in the first half of 2010, 16 in the latter half of the year)

2) Extra pay for long-term employed people

Category	Period	Content
Management briefings	Quarterly	Share thoughts on the company's current condition
Senior manager meetings	Quarterly	Share & discuss thoughts on the current condition of major issues
VOE	Irregularly	Gather opinions from overseas employees

1. **Presidential citation for healthy labor-management relations** 2. **A labor-management joint declaration** 3. **A labor-management joint declaration ceremony**
4. **An overseas subsidiary's Sports Day** 5. **Experiencing Korean culture**

Hynix Webzine —— Internal/External Communication

Launched in 2004, Hyzin is Hynix's official webzine.
A communication channel among workers, employees were responsible for coming up with its name. Since 2005, Hynix has published a company webzine to cover not just issues with the company but outside stakeholders as well. In addition, it has worked hard to promote a friendly image and a corporate culture that puts its priority on people. In 2010, the webzine launched a new section called "Getting to Know Semiconductors." Through two-way communication that draws on readers' messages, the company is sharing stories between and among all its stakeholders. Hyzin is published every month and has an average of 20,000 people visit the website monthly. With 3,800 subscribed readers, the company delivers the webzine by e-mail.

PERSONNEL MANAGE-MENT & BENEFITS

Operation of a web-based welfare portal

Hynix operates a web-based welfare portal called Hywel, which provides employees and their families with access to various welfare programs, as well as information on the company's numerous welfare programs.

Welfare System

Under the belief that the best performance stems from the highest employee satisfaction, Hynix provides a variety of benefit programs to ensure stability and affluence for its workers. In fact, its benefit programs are designed with the employee life cycle in mind, covering all areas from basic livelihood support and health to education and culture.

Family-Friendly Support

When employees have important family events, Hynix provides a certain amount of funds for congratulatory (birth of a child, for example)and condolence (death in the family) purposes, which the company supports with both manpower and goods. To help with medical expenses, Hynix provides subsidies to employees and their family members, in addition to school expenses (paid at a level matching domestic school fees) until an employee's children have graduated from university regardless of the number of children. Furthermore, in order for employees to enjoy more comfortable lives in their old age, Hynix supports them with individual insurance fees on top of the national pension. It also provides low-interest loans for employees when buying a house or getting married.

Amenities

Commuter buses are operated free of charge around Metropolitan Seoul and go to and from all areas surrounding Hynix's worksites. In addition, the company provides one free meal a day for every employee at in-house restaurants, as well as dormitories for single employees and company apartments for married employees. At the same time, Hynix contributes to employees' healthcare by running in-house clinics, dental clinics, physical therapy rooms, and fitness testing rooms. The company also has numerous sports facilities, such as indoor gyms, fitness centers, swimming pools, and tennis courts, as well as in-house wedding halls, shopping malls, and banks.

Leisure

Since the advent of the five-day work week, people's desire for leisure activities has increased. In light of this, Hynix has formed partnerships with well-known resorts and theme parks so that employees can take advantage of these facilities at reduced prices and with greater ease. Hynix also operates its own tours and work-study programs, while providing employees and their families with free packages to watch shows, performances and other diverse cultural events. Finally, Hynix provides general ticketing services for trains and airplanes, and offers free travel consulting.

Hobbies

Hynix has run more than 50 lectures in the fields of art, music, home design, and sports at its in-house culture center. In addition, the company runs family-oriented educational programs on a regular basis, allowing parents and children to enjoy together. Various hobby clubs that range from swimming to marathon running to photography are run voluntarily at Hynix as well.

Consulting Service

Hynix runs an in-house legal advice office for employees. Moreover, it operates a matchmaking office, provides information related to marriage, and helps employees to prepare for inexpensive weddings.

EMPLOYEE DIVERSITY AND HEALTH & SAFETY

Employee Diversity

As of December 31, 2010, 21,682 employees were working for Hynix, with 11,614 of them based at the company's headquarters in Icheon, Korea, 5,413 people at its Cheongju plant, Korea and a further 443 people stationed at the company's Seoul Office. Overseas, the company employs a total of 4,212 people. By gender, Hynix employs 10,974 men and 10,708 women, or 50.6 percent and 49.4 percent of the company's total workforce, respectively. Regular workers account for 99.9 percent of its total workforce and work an average of 7.6 years at Hynix. The 2010 year-end job creation rate at Hynix stood at 5.7 percent, a significant increase over the previous year's figure of 4.8 percent. The turnover rate was 3.29 percent during that same period, which was also lower than the previous year. The percentage of female managers also rose from the previous year, reaching 2.45 percent. As a member of the UN Global Compact, Hynix does not discriminate on the basis of gender, academic or religious background, and respects employee diversity.

Employee Status (As of Dec. 31 2010, Unit: persons, including overseas worksites)

Category		2010	2009	2008
Male	Executives & office employee(worker)	6,352	6,036	6,078
	Production employee(worker)	4,597	4,152	4,229
	Others*	25	20	23
Female	Executives & office employee(worker)	1,342	1,220	1,328
	Production employee(worker)	9,252	8,717	9,751
	Others	114	106	48
Total		21,682	20,251	21,457

*Others: Technical/Specialized part-time workers

Employee Status at Overseas Sales Subsidiaries

(As of Dec. 31 2010, Unit: persons)

Company names	Locally hired staff	Resident/ Dispatched workers
Hynix Semiconductor America Inc.(HSA)	33	78
Hynix Semiconductor Deutschland GmdH(HSD)	9	25
Hynix Semiconductor U.K.Ltd.(HSU)	4	24
Hynix Semiconductor Japan Inc.(HSJ)	21	32
Hynix Semiconductor Asia Pte. LTD.(HSS)	25	18
Hynix Semiconductor Indian Subcontinent Pvt Ltd.(HSIS)	2	3
Hynix Semiconductor Hong Kong Ltd.(HSH)	4	15
Hynix Semiconductor Taiwan Inc.(HST)	4	42
Hynix Semiconductor(Shanghai) Co., Ltd.(HSCS)	20	35
Hynix(Wuxi) Semiconductor Sales Ltd.(HSCW)	-	2
Total	122	274

Female Leadership

(As of Dec. 31 2010, Unit: percent, domestic worksites only)

Category	2010	2009	2008
Percentage of female employees	49.1	48.3	50.4
Percentage of female managers	2.5	1.9	1.9

* Starting with this report, the percentage of female employees at domestic worksites is calculated according to changed in-house standards.
* Starting with this report, the percentage of female managers is calculated as the percentage of female managers among all managers (over the senior manager level).

Employee Status (As of Dec. 31 2010, Unit: persons, including overseas worksites)   ■ Executives & office employee(worker) ■ Production employee(worker) ■ Others

2010   21,682
2009   20,251
2008   21,457

Employee Diversity

(As of Dec. 31, 2010, at domestic worksites)

Category	2010	2009	2008
Job creation rate (%)	5.7	-4.8	-1.3
Turnover rate (%)	3.3	6.0	7.5
Average length of service (years)	7.6	6.9	5.9

Securing Talented Human Resources

Hynix recruits people from university campuses, providing briefings on employment opportunities and onsite consulting. With the aim of helping job seekers understand Hynix more clearly, the company also conducts recruiting events in the U.S. and Japan three times a year, specifically in search of master's and doctorate course students, as well as experienced engineers and MBA students.

Health and Safety Activities

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 with the aim of realizing worksites that are pleasant and safe by deliberating on issues related to employee safety and health, and improvement of the work environment. In 2010, the committee improved sidewalks at its worksites to prevent accidents while employees are going to and from work. The committee also upgraded employee parking lots and expanded the in-house physical therapy rooms, which contributed to the health of employees. In addition, it promoted campaigns to quit smoking by reducing smoking areas in the company, while also discussing ways to prevent accidents, such as in flooded areas, through the improvement of Hynix's facilities. Ultimately, the committee has implemented all agreed upon measures and listened attentively to employee feedback on these results.

Employee Health Management

Hynix runs various health management programs to ensure employees stay healthy and have a pleasant working environment. The company established a computerized health avatar and health index so that employees have access to statistics about their health at a glance. In addition, it conducts customized education on health for each unit in the company by adopting a health grade system for individuals and units. By strengthening industrial health and prevention programs, Hynix has ensured that all its workplaces are safe, and has adopted a hazardous substance monitoring system, as well as a risk evaluation and working environment monitoring system. The company continues to prevent musculoskeletal diseases by analysing working conditions, conducting education on therapy that makes use of video tapes, stretching, promoting a healthy posture, and operating physical therapy rooms. Furthermore, Hynix contributes to employees' satisfaction and health at work through regular walking events, healthy drinking habit campaigns, reducing the number of smoking areas at the company, and the regular operation of a clinic which helps employees quit smoking.

Establishment of Employee Health Avatar

Hynix has come up with quantitative health management standards to determine its employee health index and health visibility. It has also established an employee health avatar within the in-house ESH system.

Industrial Disaster Rate

(As of Dec. 31 2010, Unit: percent)

Site	2010	2009	2008
Industrial accident rate (Icheon, Korea)	0.01	0.02	0.01
Industrial accident rate (Cheongju, Korea)	0.02	0.02	0.00
Industry average (Domestic)	0.04	0.04	0.04
Industrial accident rate (Wuxi, China)	0.01	0.04	0.00

*There is no data available from China's semiconductor industry, although a plan is now in place there to collect said data, compile statistics, and manage them from 2011 through the China Semiconductor Industry Association (CSIA).
*After one accident from 2008 at Hynix's Icheon Plant, Korea was confirmed in 2010, data from 2008 has been corrected.

Effects of the Computerized ESH System

- Foundation for the quantitative management of a health index
- System development linked with check-up results and self-diagnosis
- Function to self-diagnose one's own living habits added (real-time, healthy experience)
- Health management through the comparison of health indexes in the past, present, and future.
- Health guide map offered
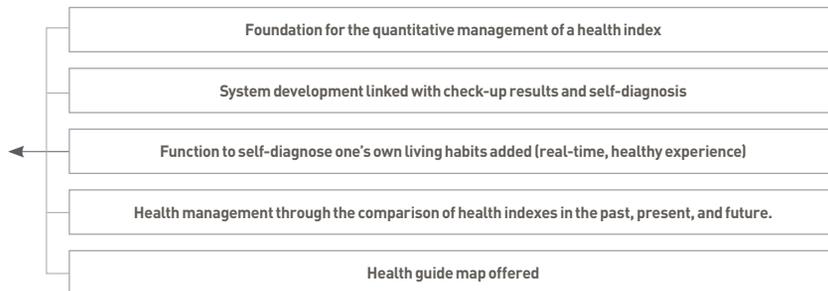
1. **Walking event** 2. **Healthy drinking campaign** 3. **Quit smoking program**

Health Management & Benefits at HSCL Worksite

Monitoring & Management of Working Environment

On a monthly basis, Hynix Semiconductor China Ltd. (HSCL) monitors the concentration of hazardous substances in the working environment through a contractor or on its own, while also strictly managing these levels according to legal standards. Whenever there is something that needs to be corrected, the company starts improvements at once.

Promotion of Health

HSCL has worked hard to promote healthy living habits and improve the health of employees in a number of ways. From March 2010, the company started a fund to help employees quit smoking, and in November it opened a health lounge inside the FAB (fabrication plant) lounge that is equipped with massage chairs, stretching equipment, blood pressure monitoring equipment, and body fat monitors to help relieve fatigue and prevent musculoskeletal diseases. HSCL also conducts seasonal promotional events for disease prevention, and has held a total of 14 health lectures by inviting outside professionals who discuss working environment hygiene, stress, prevention of musculoskeletal diseases, and gynecological diseases.

Infectious Disease Prevention

When H1N1 was prevalent in 2009 and 2010, HSCL set up a response program and took various measures to prevent the disease by checking people's body temperature when they entered the company, giving vaccinations, distributing masks, and employing stronger daily preventive measures. As a result, not a single H1N1 patient was reported at HSCL.

Physical Checkup Management

In line with Chinese law, HSCL conducts checkups for employees who work in any hazardous working environment, such as FAB, before and after job placements, and before retirement. Anyone with abnormal results is provided assistance so that they can work safely, which in some cases may mean transferring to a different workplace. For other employees, general and comprehensive checkups are conducted, and for female employees a biannual female-only checkup is conducted in addition to the aforementioned checkups to prevent female-oriented diseases.

Industrial Safety and Health Management Committee

In order to establish safe worksites and build trust between the company and employees, the Industrial Safety and Health Management Committee was launched in July 2008. The committee consists of both labor and management representatives and corrects problems at worksites by testing and identifying potential risks related to safety and health, while rapidly dealing with related suggestions made by employees through regular meetings and working-level meetings.

Activities (Cases)	2010	2009	2008
Employee suggestions received & handled	33	43	(7-12 months)
ESH examination & improvement	25	52	119

Outside Recognition

Chinese authorities named HSCL a "Base for Founding a Healthy City" and an "Exemplary Company for Jiansu Province's Health" in September and December 2010, respectively, in recognition of its excellent safety and health management for employees, as well as for the fact that the company had no environmental pollution cases, major industrial accidents, or any occurrence of occupational diseases for the past three years.

Benefits

HSCL's advanced benefits system provides a wide variety of facilities for employees, including the highest quality dormitories in the region, free meals, and a shuttle bus service. In addition, various benefit programs are offered such as support for team building and important family events for employees, rewards for long-serving employees, holiday gifts, private accident insurance, and support for monthly communication charges. In 2010, HSCL also began providing no-interest housing loans to employees, helping married employees who have worked at HSCL for more than two years attain affordable housing.

Working environment measurement pass rate

2010	99.8%
2009	99.5%
2008	99.5%

TRAINING & CAREER DEVELOP-MENT

Results of Nurturing Talent

Although the number of trainees decreased in 2010 from the pre-vious year, Hynix has improved the quality of its education as the company exhibits its spirit, creates guidelines to ensure it fosters top specialists, and enhances the competencies of managers in leadership roles and global tasks.

Current Status of Talent Nurturing (Domestic)

Category	2010	2009	2008
Number of trainees (persons)	56,869	65,514	72,734
Training time (hours)	1,132,438	1,064,161	1,340,979
Training cost (thousand won)	5,552,293	3,195,259	6,450,035
Training time per person (hours)	62	62	74
Training cost per person (thousand won)	306	186	358

* This year's report is based on a modified standard of the company's educational curriculum, mak-ing some of the data slightly different from reports in 2008 and 2009.

Fostering Talent

Talent Fostering System

Hynix aims to realize its vision slogan of becoming a Long-lasting Great Company through individuals and the organization alike, growing together based on a Successful Community spirit. To achieve this goal, the company is fostering talent in a substantial and systematic way, such as training specialists, improving global competencies, and training managers in leadership roles.

Internalization of the Hynix Spirit

Hynix continues to conduct leadership training, whereby leaders then train future leaders, for all of its employees so that they can share in Hynix's spirit, vision, core values, and actions, while instill-ing in them the Hynix spirit.

Training Specialists

By identifying professional competencies by task, and by offer-ing a wide range of courses for work-related improvement and educational roadmaps that take into account the many different levels of skills required to complete a task, Hynix is ensuring that its employees are specialists who can bring about the most com-petitive results. In addition, the company the company carries out Individual Development Plan (IDP) by utilizing information on the nurturing and career development of team members.

Talent Fostering Strategies

Grow Together through Systematic Training		
Foster Specialists	Strengthen Global Competencies	Train Managers in Leadership Roles
Develop the necessary courses according to the company's guidelines **Develop programs to foster high-tech personnel** **Overseas corporate exchange programs**	**Create the necessary infrastructure for a global education with tangible results** Create a base for substantial achievements Create a high-quality system for lifelong education	**Prepare for the fostering of every manager's tasks** Develop courses for every manager's tasks Establish a system to implement training results

Individaul Development Plan (IDP)	Internalization of Hynix Spirit

Content of Guidelines to Foster Specialists

Category	Kind	Content
Coaching guide	One	Fostering team members and career development information
Competency development guide	124 job tasks	Defining professional competencies by task
Roadmap for fostering		Training system by tasks and learning

Work Process Standardization

By defining each position's role clearly, identifying the necessary abilities, and delivering a standardized education by position, Hynix has been able to create a unified process to deal with tasks and standardize its work methods.

Early Training of New Employees

Hynix has launched a mentoring system under which new employees receive assistance from experienced workers after they go through organizational orientation to help them adapt to their new setting and achieve quick results on the job. The six-month mentoring system consists of basic on-the-job training, which lasts for two months, as well as fulfilling job assignments through one-on-one mentoring and giving presentations on their completed tasks.

Strengthening Global Competencies

Hynix runs a systematic program to enhance global competencies so that it can secure competitiveness in the global market and attain substantial results. As such, the company offers a diverse range of opportunities for self-development and language learning through domestic and overseas exchange programs to nurture next-generation global leaders, training programs for those set to work overseas, and general education programs to enhance global job competencies.

## Fostering Managers in Leadership Roles

To help managers in leadership roles carry out their jobs successfully, Hynix offers a number of courses on leadership, management and administration, and global tasks. At the same time, it trains potential managers in leadership roles in advance to ensure that they are prepared for promotions, making the job advancement process smoother, while assisting new managers fulfill their new responsibilities more easily. In addition, the company runs a hands-on training program for managers in leadership roles so that they can bring about competitive results.

Promises Fulfilled in 2010
Enhanced Training of Global Competencies

Hynix runs a training program to enhance the global competencies of employees who work at overseas branches or who interact with international clients. In 2010, the company expanded the program and subdivided courses into global business communication, business writing, presentations, and negotiation skills for employees at the assistant manager level in the marketing and other departments as well.

Training System

Training Strategies
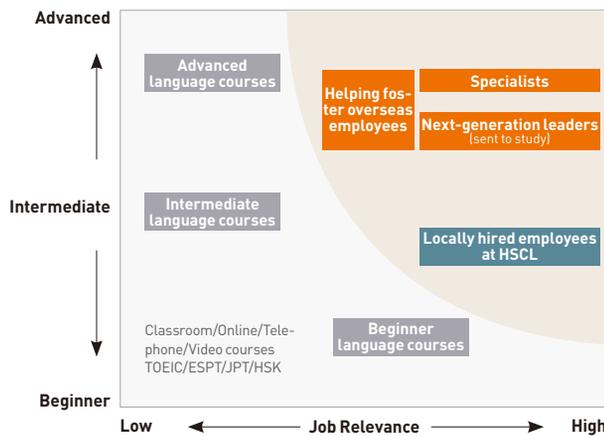
* One-on-one tutoring is provided for employees at a level higher than group head
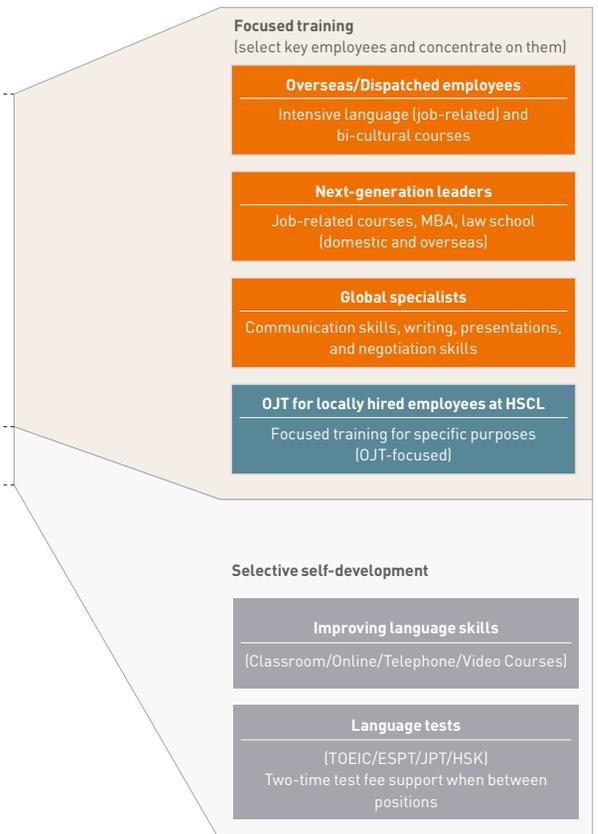
Future
Plans
for Employees

PLAN

Roadmap for Fostering Talent

Establish Infrastructure — Growth Strategy

2009 Basic Competency Training	2010 Establish Talent Fostering System	2011 Foster Specialists	2012 Create Positive Results Centered on Worksites
Competency-based HRD Strategic fostering of managers in leadership roles Establishment of value & corporate culture Maximum return on employment insurance	Creation of guidelines to foster specialists Establishment of fostering system for managers in leadership roles Creation of globally relevant improvement plans Establishment of on-the-job self-development system Promotion/Dissemination of the Hynix spirit	Develop necessary courses based on guidelines Establish a training program for managers in leadership roles that provides courses that reflect the job description. Create a global training basis to bring about top results Enhance ability to carry out the Hynix spirit Execute on-the-job self-development plans	Integration of management strategy Foster talent to lead the future On-the-job learning and training Establish leading corporate culture changes Everyday practice of the Hynix spirit

Fair Evaluation and Rewards Based on a Deep Respect for Human Beings

Hynix is committed to its (New) HR Policy for fair evaluations and rewards based on a deep respect for human beings, in 2011 and for the long term. This will hone the company's competitive edge both domestically and overseas by securing new talent and improving the competencies of existing talent. In 2011, Hynix will develop and then apply a new performance management system called HyMBO to expand the company's merit system through grading incentives based on performance.

Promoting Communication between Employees

Hynix is bringing about a corporate culture in 2011 whereby a Long-lasting Great Company based on the spirit of a Successful Community can share in its success by enhancing communication with employees through more diverse media channels. To begin, Hynix plans to change the current bi-weekly company paper into a monthly magazine, reaching out to employees, family members of employees, and the general public. The new magazine will incorporate the company's vision, values, and identity as a semiconductor maker, sharing these beliefs not just with employees but also with their families and stakeholders. Hynix will also take full advantage of its in-house broadcasting abilities and use them as a communication channel between employees. In addition to delivering company news to employees, Hynix will create promotional videos to share its major achievements as well as its corporate culture with the public. Furthermore, the Hynix Live Poll will be activated through the company's intranet to listen to the needs of employees on a regular basis. The Hynix Live Poll is a real-time questionnaire that releases results transparently the moment responses are made, making two-way communication with employees easier.

Main Tasks of Fostering Talent

In order to foster high-tech personnel, specialists and managers in leadership roles, Hynix is constantly developing courses and running training programs. This will give the company the ability to foster talent who can directly contribute to new achievements after receiving on-the-job training.

Establishing Labor-Management Relations that Create Value

Labor and management will spare no effort in building a relationship that creates value based on the clear understanding that labor and management are not two separate entities, and can work together to create a Long-lasting Great Company.

Increasing Communication between Labor and Management

By expanding regular communication channels to share management information and labor-management issues, Hynix is ensuring a more trusting and cooperative relationship between the two. It is also helping enhance competencies by providing substantial help with employee complaints and support for business partners.

Strengthening Activities for Labor-Management Relations

There are also plans in place to diversify a number of projects, including awareness campaigns, and to develop new ones. At the same time, Hynix is carrying out activities to remind employees that labor and management are not two separate entities strengthening campaigns to raise awareness and increase related marketing initiatives.

More Family-Friendly Programs

Hynix aims to develop family-friendly programs to meet the needs of employees and create a selective welfare environment by improving its Hywel service. In addition, it plans on offering customized services and improved living conditions to raise the satisfaction levels of employees who reside in the company's dormitories, while also providing various educational opportunities and activities to raise awareness for dormitory staff to understand the importance of good service.

The spirit of environmental management is about pursuing a balanced harmony between nature and technology.

∨ 2010 TARGETS

Promote carbon management and publish a related report
Introduce Energy Target Management System
Manage water/Air pollution by sources

● 2010 TARGETS ACHIEVED

Established an organization to respond to climate change;
publication of carbon management report
Joined the government's Energy Target Management pilot project
Established a Source Control System
Promoted Hy-CAP (Hynix Clean Air Project) to realize clean workplaces

Achieved Eco-Efficiency & Factor h^2 factor 2.80   **new**
Created two Carbon Neutral Belts, one in the first half of   **new**
the year and one in the second half

▪▪▪ 2011 PROGRESS

Source Control System
Reducing the amount of hydrogen fluoride through Hy-CAP

Reach Factor 3 by the end of 2011   **new**
Expanding the range of LCA-applied products   **new**

INTERVIEW

Hynix is doing its utmost to protect the environment, mankind's most valuable future asset. As a result, the company joined the Carbon Management Global Leaders Club in 2010 and has been admitted to Band A, the leading group in terms of the Carbon Disclosure Leadership Index (CDLI).

-Flash Development Department, Solution
 Development Team, Team Manager Chang Seung-Ho

share dream with eco-memory

Hynix is working hard to realize its environmental vision of "Share Dream with Eco-Memory" based on four environmental strategies.

Through a collaborative effort between stakeholders that is based on a drive to recycle, proactive responses to climate change, and technological innovation of high-efficiency/ low-power consumption/ low carbon, Hynix is committed to halving the amount of greenhouse gas (GHG) emissions per basic unit by 2015 under the slogan "Do Green 50-15".

Strategy -1

Resource management

Strategy -2

Reduction of GHG emissions

Vision & Slogan

Share Dream with Eco-Memory

Reduction of Greenhouse Gas Emissions per basic unit

50%

(by 2015)

Target →

REACH ECO-EFFICIENCY FACTOR 5

(by 2015)

Green product development

Strategy -3

Supporting communities

Strategy -4

Importance of Environmental Management and Major Issues

The environment is so important now that it has actually become a major indicator of a company's competitiveness. In fact, today a company's response system to the environment is considered part of its corporate value.

As a result, an understanding of the environment, proactive responses to any risks to it, and dealing with environmental issues in a time of low-carbon green growth have become necessary to maintain competitiveness and secure growth potential for the mid- and long term. One risk factor to businesses is losing a competitive edge with respect to regulations. In particular, GHG emission limits are expected to get stricter, while carbon taxes will likely increase costs for companies.

Furthermore, as a growing number of stricter environmental regulations emerge and bring new barriers to trade, Hynix will not be able to maintain its competitiveness in the global market without formulating the appropriate responses. In addition, aggregate emissions control legislation is being introduced to cover a wide variety of sources of pollution, regions, and products, increasing the burden on companies in their use of energy, water resources, and raw materials.

Hynix is addressing these and other risk factors in advance and actually turning them into opportunities. The company will enhance its carbon competitiveness by entering the CDM business and acquiring carbon emission rights by aggressively reducing its GHG emissions. At the same time, it is ensuring its competitive edge by focusing on the development of eco-friendly products with low-power semiconductors and green marketing.

Environmental Organization

Hynix runs an ESH (environment, safety, health management) management system in accordance with ISO 14001/OHSAS 18001/KOSHA 18001 requirements, and manages ESH issues effectively. Not only does Hynix operate an ESH headquarters that is responsible for the entire company, but it also has Environment, Safety and Health operations at each facility. The facility-level departments evaluate the performance of each system in meeting their diverse activities, while improving the system on a regular basis through various measures.

In order to guarantee the company's ESH management activity performance, Hynix's main ESH management committees hold regular management review meetings. Also, to effectively promote technology exchanges among the company's worksites with respect to their environment and safety activities, there are ESH operations committees and technology sub-commissions at each site.

Major Issues Concerning Environmental Management

REGULATIONS

Strengthened domestic and international environmental regulations (toxicity/Prohibition of chemicals)

UN Framework Convention on Climate Change (carbon trading/Energy Target Management System)

ISO certification

CUSTOMERS

Better informed consumers

More green consumers

Product differentiation (low-power products/carbon footprint labeling)

SOCIETY

Socially responsible management

Increasing role of NGOs and local residents

Open discussion of environmental issues (information made public)

Depleting finite energy sources

FINANCE

Corporate investment/Evaluation criteria

Evaluation of intangible corporate value (SRI fund, DJSI, CDP)

CLIMATE
CHANGE

Hynix takes into account the responses of different nations around the world, international agreements, and national policies when trying to understand the risks related to environmental regulations. At the same time, it carries out research on climate change risks, and conducts research on changes in human and cultural resources according to climate change by examining the company's current situation. Other factors such as the company's financial situation, market trends, and the unpredictability of risks are also taken into account. In addition, Hynix constantly reviews risks through an internal risk management system to deal with rapidly changing situations effectively. In fact, Hynix not only manages and improves its risks, but tries to turn them into opportunities at every turn, which is part of its commitment to take the semiconductor industry one step further based on its carbon management system.

Risks & Opportunities

Risks and opportunities associated with climate change have become a vital factor to raising growth potential and competitiveness in a time of low-carbon green growth. One example of this is how Hynix views the Greenhouse Gas and Energy Target Management System as a new opportunity to grow and not simply as a regulation risk. Furthermore, the company is cutting energy costs by managing its GHG emissions and energy consumption in a systematic and efficient manner in an effort to reduce its overall emissions and improve energy efficiency.

Organizations Dealing with Climate Change

The ESH Management Committee, which is chaired by the CEO, is responsible for carbon management, as well as exchanging opinions on a wide range of environmental policies and general trends in the environment industry. Hynix is consolidating its carbon management system under the Carbon Management Steering Committee, which consists of experts from numerous backgrounds who focus on dealing with climate change expeditiously.

Approach to Risks Posed by Climate Change

Hynix's carbon management system identifies and then manages risks and opportunities associated with climate change. After gathering information on tangible and intangible risks, it assesses and prioritizes them on the basis of their potential impact on business and the environment. Following this, a voluntary Internal Control Committee meets to check on the achievement status of management's goals.

Managing Greenhouse Gas Emissions

Inside and outside the country, Hynix manages its GHG emissions at all of its worksites. The two domestic worksites created a GHG inventory from 2005 to 2010, which were then certified by a third party. The worksite in China completed its inventory from 2007 to 2009, after which it acquired third-party certification. Domestically, the company also calculated the amount of emissions from overseas business trips and transportation in the field of indirect emissions with third-party certification. In 2010 the amount of other indirect GHG emissions stood at 299,889 tons of CO_2. Also, Hynix manages information on its business partners' GHG emissions through the green partnership initiated in 2009. Although the semiconductor industry releases less carbon dioxide than other industries, processes such as etching and CVD emit PFCs (perfluorocarbons), one of the six major greenhouse gases.

Approaches to Climate Change Risks

| 01 Identifying Risks | → | 02 Analyzing Risk Influences | → | 03 Prioritizing Risks | → | 04 Assessment & Management |

01 Identifying Risks | Understanding the external environment and the company's status

Understanding internal and external conditions is necessary to respond to climate change. Hynix attends annual WSC meetings well aware of the need for a global response alongside organizations such as Semiconductor Equipment and Materials International (SEMI) and the Korea Semiconductor Industry Association (KSIA). Only by working together can cooperation between companies be promoted in the international semiconductor industry. In Korea, Hynix supplies industrial technology data to help the government set reduction goals for GHG emissions according to the Framework Act on Low Carbon, Green Growth. The company has also been an active participant in seminars and conferences to collect information on climate change and the risk it poses to companies.

02 Analyzing Risk Influences | Analysis and understanding of tangible and intangible influences

Upon identifying risks, they are then divided into tangible and intangible risks. The latter is assessed based on customer trust, image, reputation, and service, while the former is subdivided by cost, product quality, and a quantitative assessment of carbon emissions. Following this, other factors including feasibility, efficiency, environmental impact, and cost are taken into account to establish action plans.

03 Prioritizing Risks | Taking company-wide influence and asset levels into consideration

Hynix considers both the company-wide influence and asset levels in determining risk priorities. Company-wide risks are assessed by how urgent a response is necessary, while also considering the influence on demand.

04 Assessment & Management | Considering different issues and elements related to semiconductors

Currently relevant issues are divided into non-voluntary and voluntary ones. The former includes the GHG target management system and making public information on GHG emissions, while the latter includes PFC reduction agreements and the sharing of facts about carbon. Hynix evaluates the issues and takes their impact into account before reaching a final conclusion and executing the necessary measures. Also, a graded reward system has been introduced to encourage employee participation, with incentives being offered to employees with the best performance in regard to the previously mentioned targets.

(Non-voluntary: The Framework Act on Low Carbon, Green Growth)

GHG Energy Target Management (40%)
Amount of GHG emissions made public (30%)
Carbon tax (10%)
Emissions rights trading tax (20%)

Hynix Importance of Issues
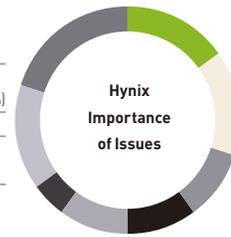
Voluntary Agreement on PFCs Reduction (30%)
Information about carbon made public (30%)
Business partners' GHG management (20%)
Carbon footprint labeling (20%)

(Voluntary)

Current Status of GHG Management

Category	Sub-Category	Worksite	Unit	2010	2009	2008
GHG Emissions	Total emissions	Domestic	Thousand tons of CO_2	3,021.71	2,722.60	3,811.73
	PFCs emissions	Domestic	Thousand tons of CO_2	1,387.19	1,256.46	1,892.25
		Wuxi, China	Thousand tons of CO_2	546.78	483.01	627.60
Energy Consumption	LNG	Domestic	TOE*	18,994	15,730	20,507
		Wuxi, China	TOE	1,477	1,345	1,113
	Electricity	Domestic	TOE	621,512	568,423	690,527
		Wuxi, China	TOE	66,444	57,937	68,586
	Steam	Domestic	TOE	36,693	27,759	38,776
		Wuxi, China	TOE	16,745	10,806	16,702
	Total	Domestic	TOE	677,199	611,912	749,810
		Wuxi, China	TOE	84,666	70,088	86,401

* New statistics on energy use from 2007 to 2009 were reflected in the company's energy inspection at the end of 2009.
* Statistical data on indirect energy does not include vehicles.
*TOE: tons of oil equivalent

■ PFCs emissions 45.9%
■ Others 54.1%

Percentage of GHG Emissions_ Domestic Worksites (As of 2010)
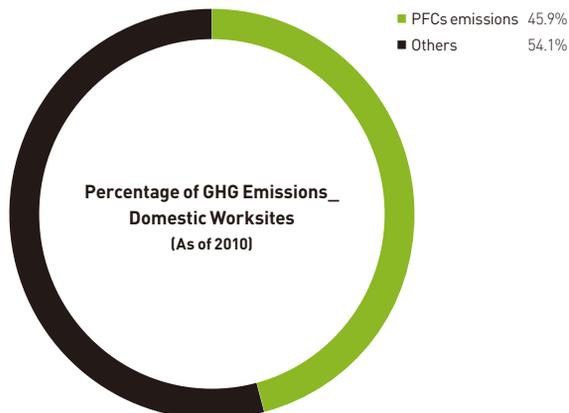
■ LNG 2.8%
■ Electricity 91.8%
■ Steam 5.4%

Percentage of Energy Use_ Domestic Worksites (As of 2010)
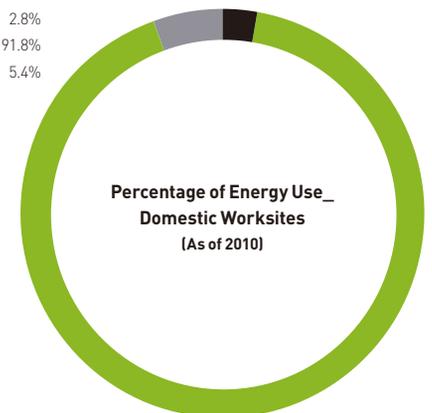
Amount of Energy Used Per Basic Unit

Domestic Worksites				(TOE/m^2)
Category		2010	2009	2008
Direct Energy	LNG	0.08	0.08	0.09
Indirect Energy	Electricity	2.69	2.72	3.00
	Steam	0.16	0.13	0.17
Direct-Indirect Energy	All	2.93	2.93	3.26

Wuxi Worksite, China				(TOE/m^2)
Category		2010	2009	2008
Direct Energy	LNG	0.01	0.01	0.01
Indirect Energy	Electricity	0.49	0.50	0.50
	Steam	0.12	0.09	0.12
Direct-Indirect Energy	All	0.63	0.60	0.63

Energy Use Management

In 2010, Hynix used a total of 677,199 TOE of energy at domestic worksites. This is 10 percent lower than the amount it used in 2008, and a slight increase from that of 2009, when the rate of operations at the company's factories fell sharply due to the global economic crisis. Furthermore, the energy usage per basic unit is improving as well through consistent energy-saving measures every year.

Carbon Management Results

A Member of the Carbon Management Global Leaders Club

In 2010, Hynix was named a member of the Carbon Management Global Leaders Club, a group of companies with the top carbon management practices, by the Carbon Disclosure Project's Korean Committee. In addition, the company has been participating in the Carbon Disclosure Project since 2007, and in 2009 it was awarded the Sea Prize as the leading company in terms of its Carbon Disclosure Leadership Index (CDLI). Today, Hynix is expanding its low-carbon management efforts to business partners. It is also the first Korean company to establish a CDP supply chain, while forming carbon partnerships with business partners. The company is also leading the development of low-power, high-efficiency green semiconductors based on its technological prowess.

Energy-Saving Activities

Hynix has been participating in the government's Energy Target Management Negotiated Agreement pilot project since 2010, and organized a task force team (TFT) to carry out a number of measures to conserve energy. These plans can be categorized into energy recycling, alternative energy development, and highly efficient operations.

Waste Heat Recycling Facility: Waste heat generated from cooling water is recycled to reduce energy consumption, specifically on heating bills during the winter. The facility supplies heat contained in cooling water to source water to raise the temperature, the process that saves energy and reduces carbon emissions. Hynix also makes use of waste heat from waste water treatment plants to save steam used in the manufacturing of ultrapure water. The amount saved every year is roughly 3 billion tons of steam and 16,000 tons of CO_2. This is part of Hynix's ongoing efforts to respond proactively to energy regulations and to realize green workplaces.

Water Spray Mist Humidifier: Semiconductors are sensitive to humidity, so it is vital to manage the humidity in cleanrooms properly. Although Hynix has made use of boiler steam up until now for humidification purposes, it is currently considering introducing a spray-type humidifying facility into cleanrooms to save energy. Water spray mist humidifiers consume only one-eighth the energy used for steam humidifiers, and one trial operation has already proven the effect it has on saving energy and reducing carbon emissions.

Creating Carbon Neutral Belts

In a bid to create a carbon neutral belt (CNB) around the upstream area of Daecheong Lake, Hynix has been taking part in tree-planting activities twice a year with the Geumgang River Basin Environmental Office. Since November 2009, this has been part of the company's commitment to preserve water quality and decrease carbon in the water supply source of the Geumgang watershed. In 2010 alone, Hynix employees helped plant over 1,300 trees around Munui-myeon, Chungcheongbuk-do and around Daecheong Lake with Geumgang River Basin Environmental Officials and local residents in March and November. The company is planning to vastly improve the eco-system and its water quality, while reducing carbon emissions around Daecheong Lake through fundraising activities inside and outside the company and expanding the nearby forest.

Korean Government's Schedule for GHG Energy Target Management System

2010   Sept. 2010   **2011**

Designation of companies to introduce the system (470 companies in total)

Energy-Saving Plans and Achievements

Icheon Worksite, Korea

Category	Unit	2010 Target	2010 Achievement	2009 Target	2009 Achievement	2008 Target	2008 Achievement
Reduced amount of fuel	TOE	266	1,773	100	27	100	0
Reduced amount of electricity	MWh	7,229	4,782	1,097	7,194	8,000	6,950
Reduced fuel cost	million won	555	1,579	78	61	100	0
Reduced electricity cost	million won	703	452	69	594	1,200	1,279
Reduced amount of fuel-based carbon emissions	TC*	1,194	12,143	100	163	5	0
Reduced amount of electricity-based carbon emissions	TC	3,388	2,255	494	3,388	1,000	3,191

Cheongju Worksite, Korea

Category	Unit	2010 Target	2010 Achievement	2009 Target	2009 Achievement	2008 Target	2008 Achievement
Reduced amount of fuel	TOE	0	5	7	5,192	14	3,465
Reduced amount of electricity	MWh	6,150	1,189	11,178	10,596	11,918	17,397
Reduced fuel cost	million won	0	4	2	1,831	5	2,046
Reduced electricity cost	million won	430	83	1,433	660	789	1,262
Reduced amount of fuel-based carbon emissions	TC	0	11	5	11,053	9	7,381
Reduced amount of electricity-based carbon emissions	TC	2,883	561	0	4,990	0	7,989

*Beginning with this report, energy-saving plans and achievements are made public in accordance with the Korea Energy Management Corporation's reporting standards.
*TC: tons of carbon equivalent

Notify the government of general guidelines concerning the Target Management System (Ministry of Environment, Ministry of Knowledge and Economy)

Present reduction targets (Ministry of Knowledge and Economy)

Mar. 2011   **May 2011**   **Sep. 2011**   **Dec. 2011**   **2012**

Submit GHG data to the government after verification

Submit action plan to the government

MINIMIZING OUR ENVIRON-MENTAL IMPACT

Water Resources Management

Worksite	Unit	2010	2009	2008
Amount of water used				
Icheon	thousand m^3	13,425	12,240	16,030
Cheongju	thousand m^3	9,635	6,990	7,420
Wuxi, China	thousand m^3	9,182	8,300	10,058
Recycling rate of water				
Domestic	%	20	19	21
Amount of water used per wafer				
Domestic	m^3/wafer	7.3	7.5	7.4

Wastewater Treatment

Amount of Wastewater   (thousand m^3)

Worksites	Domestic	Wuxi, China
2010	18,944	8,221
2009	15,294	7,411
2008	17,813	8,873

Wastewater Generation Components   (m^3/wafer)

Worksites	Domestic	Wuxi, China
2010	6.0	4.3
2009	5.9	4.5
2008	5.6	4.6

Water Resources Management

Hynix's Icheon worksite takes in approximately 40,000 tons of water daily from the South Han River, purifies it in-house, and then uses it for the production process. Unlike Icheon, the company's Cheongju worksite does not have its own water it needs for industrial use each day is provided from the Korea Water Resources Corporation's multi-regional water supply system at Daecheong Lake. Used water goes through an optimized wastewater treatment system before being discharged, ensuring minimal impact on the environment. This is backed by Hynix's Tele-Metering System (TMS), which is mounted on the outfall and monitors any potential environmental impact factors around the clock.

Water Conservation

In order to save water resources and minimize the release of water pollutants, Hynix has taken a number of proactive measures. In fact, the company optimizes the cleaning time of semiconductor wafers, retreats ultrapure water that was used in the production process, and recycles it for non-potable use. As a result, 20 percent of the water used for industrial purposes is recycled. Hynix plans to increase the recycling rate of water used in the industrial process to 50 percent by 2015 through aggressive conservation methods which include the reuse of discharged water and a reduction in the use of cooling water.

Water Quality Management
Establishment of a Source Control System

In order to minimize the discharge of water pollutants, Hynix adopted a source control system in the second half of 2010, whereby the installment of drain facilities is authorized only after reviewing any potential environmental impact when introducing any new semiconductor production equipment that is a source of pollution-generating wastewater. With a source control system in place, all of the domestic wastewater discharge facilities are managed through a unified system that requires registration prior to introducing or changing discharge facilities. In addition, facilities can be built or moved only after acquiring permission from the ESH department in strict accordance to all related company regulations. Permission is also required prior to changing the company's production process. As a result, the company has been able to ensure an effective wastewater treatment system in a proactive manner while matching the increase or decrease of drain facilities, leading to reduced discharge of water pollutants, and ultimately protecting nature's water.

Wastewater Treatment & Water Quality Management

Hynix is relentless in its improvement of its treatment system and has increased investment in equipment to treat wastewater. In particular, Icheon is managed more strictly and with tighter discharge standards than other worksites because it is located in a special government-sponsored Green Area whose mandate is to protect the water quality of the Lake Paldang watershed. Hynix complies with strict in-house criteria, staying within a range of 50 to 70 percent of maximum legal emissions requirements. In addition, it has conducted comprehensive analyses of the toxic impact on ecosystems from pollutants contained in its production wastewater in preparation for its compliance with Whole Effluent Toxicity (WET) regulations, which went into effect in 2011. Effluence from

worksites at Icheon and Cheongju, Korea have shown stable water quality that satisfies WET regulation criteria (Icheon: less than 1 TU*, Cheongju: less than 2 TU). In the coming years, Hynix will do its utmost to ensure all neighboring aquatic ecosystems remain healthy.

*TU(Toxic Unit): Ecotoxicity value

Air Pollution Management

Establishment of Air Pollutant Monitoring System

In order to minimize air pollution, Hynix imposes stricter emissions standards on itself, a figure that is 40 percent greater than what is mandated by the Clean Air Conservation Act, which it faithfully complies with. The company closely monitors emissions concentration by commissioning a third party to measure air pollutants bimonthly. Of particular note is hydrogen chloride that is released during the semiconductor process, which is monitored in real-time using Hynix's own Tele-Metering System (TMS).

Hy-CAP (Hynix Clean Air Project)

Hynix has been carrying out its own Clean Air Project in an effort to make its worksites cleaner since September 2010. With environmental data being made public, air quality improvement measures taken around its worksites, and GHG and air pollutant emissions reduced, Hynix is helping make the world a greener place. In the years ahead, it will strive to decrease the amount of HF, the gas used in semiconductor manufacturing, used per basic unit.

Building the Optimal Prevention System

Hynix has the most effective prevention system in place to treat air pollutants, enabling the company to separate and treat different gases used in the production of semiconductors. This minimizes the number of by-products created by the mixing of different gases and maximizes the efficiency of all air contaminant treatments. As a result, it has reduced the amount of pollutants per basic unit, most notably HF, by 56 percent at Icheon and by 10 percent at Cheongju compared to 2009 levels. Today, Hynix remains committed to improving air quality through the upgrade of environmental facilities and new investments.

Current Status of Ozone-Depleting Materials Use

Hynix does not use any materials which directly deplete the ozone layer in its manufacturing process, except for refrigerants in its freezers. However, there are plans to replace all refrigerants and refrigerator facilities in accordance with regulations stipulated by the Montreal Convention (Convention for the Unification of Certain Rules for International Carriage by Air).

Waste Treatment

Hynix continuously explores potential recyclable items with a thorough analysis of the first source of waste. Once waste is generated, it is categorized and managed for maximum reuse, with a special system in place to retrieve waste liquid for reuse or recycling. More recently, the company has pursued a number of projects with the goal of creating added value from waste. As a result, Hynix has succeeded in extracting silicon from wastewater from backgrinding and gold from wastewater from the manufacturing process. Furthermore, waste sulfuric acid has been recycled through the company's EIP (Eco Industrial Park) project, carried out with partner communities and other local companies as it shares its findings

with participants. Thanks to such stringent efforts, the company's recycling rate has remained at over 90 percent since 2008, reaching a high of 97 percent in 2010. At the same time, Hynix has been able to create additional revenue totaling KRW 23 billion through recycling waste. The waste management process is managed in real time through a round-the-clock monitoring system. Also, waste treatment that goes through careful management before and after the process enables Hynix to solidify its cooperative relationship with partner companies and take care of waste effectively.

Status of Waste Management

Category	Worksite	2010	2009	2008
General waste (tons)	Domestic	42,792	28,049	38,965
	Wuxi, China	9,554	6,286	9,270
Designated waste (tons)	Domestic	24,406	19,239	25,157
	Wuxi, China	15,059	12,238	14,140
Total amount of waste (tons)	Domestic	67,198	47,288	64,122
	Wuxi, China	24,613	18,524	23,410
Recycled waste (tons)	Domestic	65,444	45,641	58,200
	Wuxi, China	9,813	2,845	2,927
Recycling percentage (%)	Domestic	97	97	91
	Wuxi, China	40	15	13

*Starting from this report, the amount of designated waste does not include empty boxes.

Systems and Results for Minimizing Harmful Chemical Use

Growing stakeholder concerns concerning the dangers of chemical substances has brought about major changes to risk management to minimize the harmful impact of chemicals on people and the environment. Thus, Hynix monitors its release of substances carefully so as not to harm people or the ecosystem. In addition, it has established the Hynix Guidelines to Regulations on Toxic Substances, and runs an EHS Qualification System which checks to see if new materials brought into the company contain prohibited substances, while also reducing risks related to the use of harmful substances.

EHS Qualification System of New Materials

The Hynix Guidelines to Regulations on Toxic Substances designates substances prohibited by the company as well as by Korean and international laws, regulations, and conventions to check if new raw materials contain prohibited substances before purchasing or using them. To this end, the company has established a Green Procurement (GP) system to share information with partners and ensure they do not use materials containing prohibited substances by requiring Material Safety Data Sheets (MSDS) and Material Declaration (MD) sheets, both of which are signed by authorized people from partner companies. With the GP system in place since February 2010, Hynix's communication and information sharing with partners has improved greatly, with a more systematic management of data now in place.

GP 시스템
Green Procurement System

Reducing Chemical Substances

In cooperation with several departments, from the purchasing and manufacturing technology to the R&D Center and ESH, Hynix is working hard to reduce the amount of chemicals it uses with the aim of alleviating the environmental impact of its products and the production process. These efforts include the elimination of waste factors such as stopping the supply of chemicals into dormant equipment, and such process improvement as extending the chemical exchange period and increasing the company's recycling rate. At the same time, Hynix is working with its partners to minimize the use of harmful chemicals by increasing the dilution rate and developing alternative substances.

Early Assessment of Hazards Using Information on Substance Releases

Hynix has evaluated the danger of chemical substances to ecosystems and the human body based on information on the amount released, with each worksite publicly disclosing all information. The evaluation process consists of four steps: hazard identification, dose-response assessment, exposure assessment, and risk characterization. The exposure assessment was carried out using the EUSES* model-based Predicted Environmental Concentrations (PEC), which models behavioral patterns between air, surface water, and soil. Results have shown that the potential hazards to aquatic ecosystems and humans as a result of substance

discharge around Hynix worksites are insignificant. By monitoring risks around worksites, Hynix is making continuous efforts to protect the environment and to promote the health of local residents.

* EUSES Model (European Union System for the Evaluation of Substances Model): a mathematical model for the general assessment of chemical substance risk as suggested by the EU

Enhancing Energy Efficiency & Conservation

Recycling Materials & Resources

Hynix is proactive in dealing with recycling regulations designed to encourage the preservation of resources and to prevent environmental damage during the collection and disposal process. In response to WEEE*, the company has collected and analyzed material information concerning every product it makes. Hynix has also created a database on the non-use of toxic substances and the recycling rate of materials for SSD products to ensure it is fully in line with WEEE regulations. The recycling rate of packaging materials has increased continuously, while resin materials such as IC trays are recycled at a rate of 100 percent (except when destroyed). Hynix is carefully monitoring the recycled materials to ensure they are not contaminated with harmful substances during the recycling process, while also verifying that hazardous chemicals have not been used.

* WEEE (Electrical and Electronic Equipment): Regulations on the disposal of waste electrical and electronic equipment

---

Water Quality Management   ■ 2010 ■ 2009 ■ 2008 (mg/ℓ)

COD (Chemical Oxygen Demand)

Icheon — Legal standard **40**/In-house standard **13**	Cheongju — Legal standard **40**/In-house standard **20**	Wuxi, China
4.1	5.9	38.0
4.3	4.0	19.0
4.0	4.0	40.0

F (Fluoride)

Icheon — Legal standard **3**/In-house standard **2.1**	Cheongju — Legal standard **15**/In-house standard **8**	Wuxi, China
1.1	6.6	1.4
1.0	6.6	1.9
1.1	6.1	13.0

BOD (Biological Oxygen Demand)

Icheon	T-N (Total Nitrogen) — Icheon — Legal standard **30**/In-house standard **25**	Toxicity (Impact of effluents on ecosystems) — Icheon (TU)
2.2	16.8	0.00
1.8	15.4	0.00
2.9	15.2	0.15

Cheongju	Cheongju — Legal standard **60**/In-house standard **45**	Cheongju (TU)
6.1	22.3	0.25
2.9	20.9	0.27
6.0	34.7	0.16

Raw Material Use Expenses Except Water (Domestic) (Unit: million won)

Category	FAB			B/E		
	Water	Others	Substrates	PCBs	Others	Total
2010	666,838	637,312	149,490	163,244	228,242	1,845,126
2009	655,059	535,135	120,343	126,793	236,398	1,673,728
2008	891,397	619,940	153,499	167,913	285,249	2,117,998

* Overseas purchasing costs are excluded.

Percentage of Recycled Material Use (Domestic) (%)

Category	2010	2009	2008
300mm wafers	1.2	0.6	1.8
200mm wafers	8.7	2.9	2.0

Environmental Protection at Hong Kong Sales Subsidiary

When selecting companies to dispose of memory products that are not to be used, Hynix ensures that they comply with environmental and safety standards such as the ISO to minimize pollution. As

such, the company's subsidiary in Hong Kong takes advantage of a logistics center in China to collect packaging materials such as modules and IC trays containing a significant amount of chemicals, and recycle them at the Icheon worksite via different suppliers. As a result, Hynix has been able to reduce its purchase of raw materials and to minimize the discharge of pollutants such as carbon when disposing of waste.

Recycling Rate (Domestic)

97% 2010

97% 2009

91% 2008
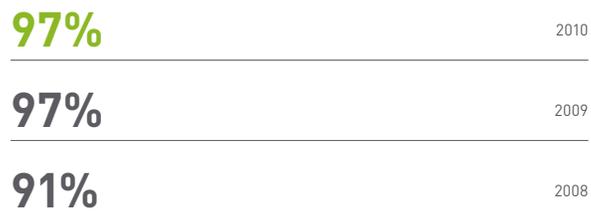
Amount of Air Pollutants Released ■ 2010 ■ 2009 ■ 2008 (mg/l)

Ammonia (NH₃)

Icheon	Legal standard 50/In-house standard 3	Cheongju	Legal standard 50/In-house standard 3	Wuxi, China	
2010	0.016		0.007		0.009
2009	0.012		0.008		0.005
2008	0.026		0.007		0.020

Hydrogen Fluoride (HF)

Icheon	Legal standard 5/In-house standard 1	Cheongju	Legal standard 5/In-house standard 1	Wuxi, China	
2010	0.004		0.009		0.003
2009	0.009		0.010		0.002
2008	0.003		0.006		0.004

Sulfur Oxide (SOx)

Icheon	Legal standard 400/In-house standard 40
2010	0.047
2009	0.048
2008	0.082

Cheongju	Legal standard 400/In-house standard 40
2010	0.003
2009	-
2008	-

Nitrogen Oxide (NOx)

Icheon	Legal standard 200/In-house standard 20
2010	0.007
2009	0.025
2008	0.017

Cheongju	Legal standard 200/In-house standard 20
2010	0.001
2009	0.001
2008	0.001

Hydrochloric Acid (HCL)

Icheon	Legal standard 5/In-house standard 1
2010	0.001
2009	0.003
2008	0.008

Cheongju	Legal standard 5/In-house standard 1
2010	0.008
2009	0.005
2008	0.006

Waste Management (Domestic) ■ General Waste ■ Specified Waste (tons)

2010		2009		2008	
General Waste	42,792	General Waste	28,049	General Waste	38,965
Specified Waste	24,406	Specified Waste	19,239	Specified Waste	25,157

EIP(ECO INDUSTRIAL PARK) *Cheongju Worksite, Korea
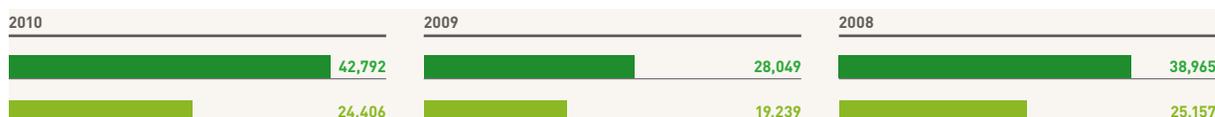
Hynix wants to bring about a future where every member of society can enjoy life in a safe and healthy environment.
In an effort to contribute to a green future, the Cheongju worksite is ensuring an eco-friendly workplace by increasing efficiency through the use of waste materials generated from the complex as materials or energy for other companies, and by establishing a green industrial complex by minimizing pollution for the benefit of the community.

THEME 1 Small Hydropower

Generating electricity using the head of waste-water during the wastewater treatment process (pilot test in progress)

- Small Hydropower Facility (generating electricity)
- Inverters (converting DC to AC)
- MCC (supplying electricity)
- Bio Pond
- Supplying electricity to KEPCO

Step 1
Step 2
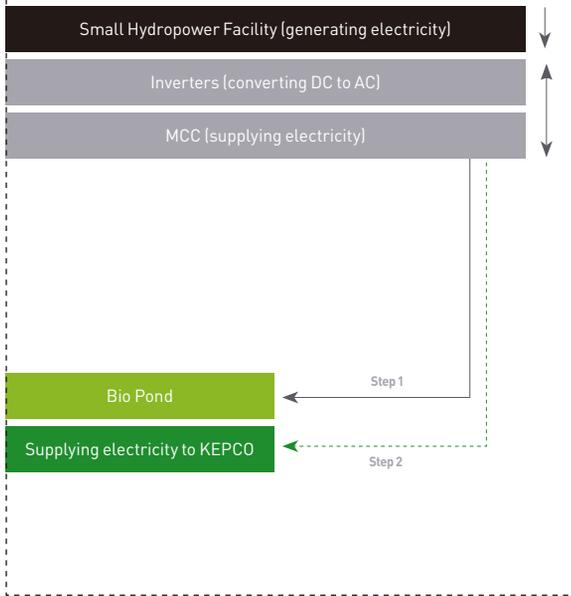
THEME 2 Reusing Wastewater from Backgrinding

Recycling wastewater generated from silicon wafer back-grinding gas industrial water
Creating additional profit with collected silicon (pilot test in progress)

- Water purification plant
- UPW (ultrapure water) raw water tank
- UPW pre-processing
- PKG process
- Recycling system
- Wastewater treatment plant
- Final discharge

Reuses treated water
Collect silicon
Backgrinding wastewater
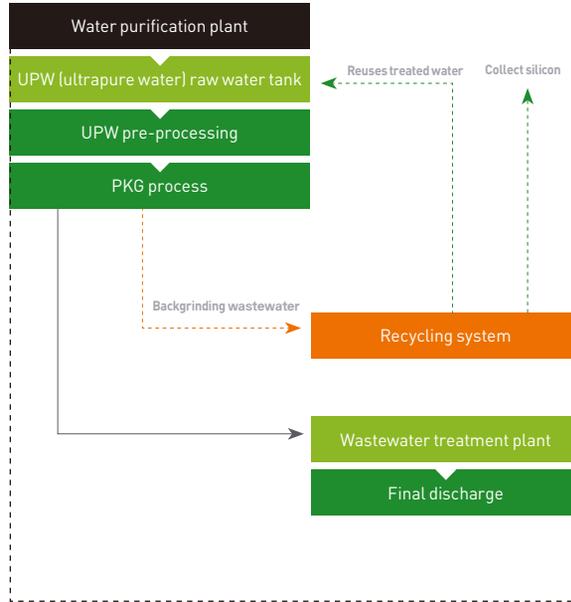
THEME 3 Recovery of Waste Heat from Discharged Water

Recovering waste heat from discharged water and supplying it to communities (design in progress)

- Wastewater Treatment Plant
- Waste Heat Recovery System
- Korea District Heating Corp.

Discharged water (around 20℃)
Supply energy
Discharged water (around 5-8℃)
Communities
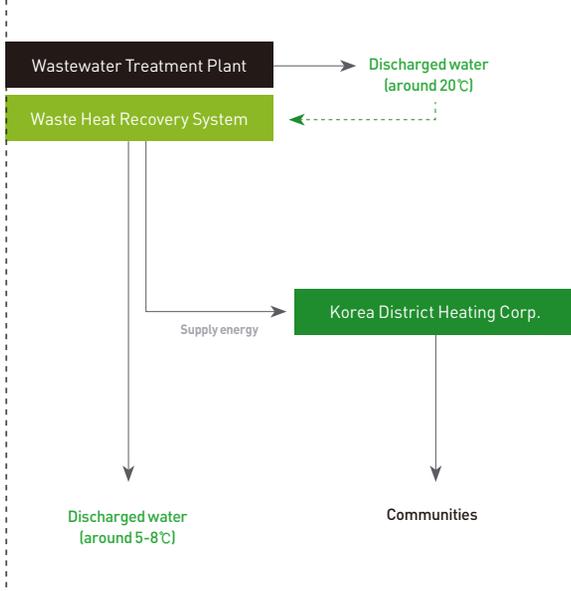
THEME 4 Reusing Waste Sulfur

Recycling waste sulfur from the manufacturing process and then supplying it for local companies
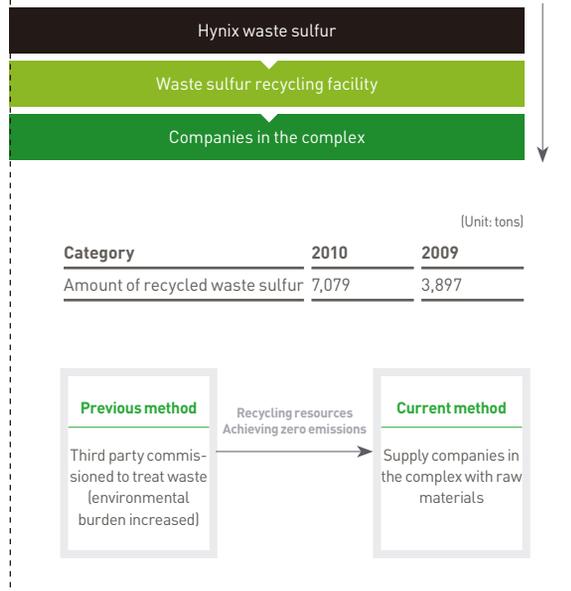
- Hynix waste sulfur
- Waste sulfur recycling facility
- Companies in the complex

(Unit: tons)

Category	2010	2009
Amount of recycled waste sulfur	7,079	3,897

Previous method
Third party commis-sioned to treat waste (environmental burden increased)

Recycling resources
Achieving zero emissions

Current method
Supply companies in the complex with raw materials

ECO-FRIENDLY PRODUCTS

LCA CASE Study
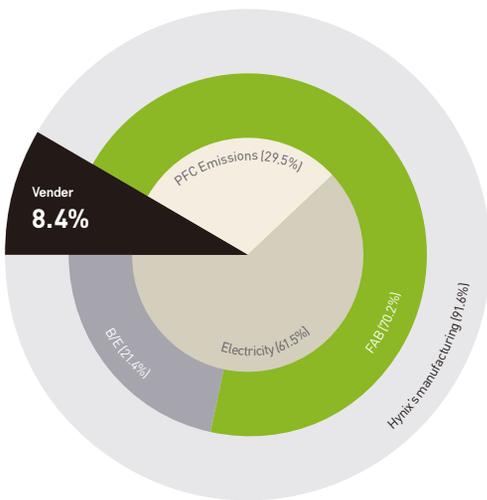
Contribution to Global Warming - 50nm 1Gb GDDR5 Products

1. Probe, package, and package tests are integrated into the B/E (backend) process.
2. With the assumption that the total global warming effect is 100% in terms of 50nm 1Gb DDR5 products, Hynix's influence is 91.6%, while its venders' influence is 8.4%.
3. Of Hynix's influence, 70.2% is by FAB and 21.4% is by B/E.
4. By cause, electricity accounts for 61.5% (FAB, B/E), PFC emissions for 29.5% (FAB), and others for 0.6%.

Carbon Footprint Labeling

Hynix has received numerous certificates for its major products since the carbon footprint labeling system was introduced in 2009, the first of which was a carbon footprint labeling certificate for the company's 1Gb DDR3 SDRAM, produced on the 50nm-class process, in November 2009. Since 2010, Hynix has also been attempting to have its main DRAM and NAND Flash products certified no later than 2011. At the same time, the company plans to participate in the low-carbon certification system set to be introduced in the second half of 2011 by reducing carbon emissions through the saving of energy, extending scrubbers for PFCs, and switching the kinds of gases used in the production process.

Eco-Design

Hynix organized an eco-design taskforce (TF) in the second half of 2010 to establish an eco-design process that reduces the use of resources, increases energy efficiency, decreases the use of harmful substances, and promotes recycling. Plans are now in place to complete the process in 2011 and apply it to production starting in 2012. In addition, Hynix is consulting with eco-design experts in Korea and overseas in an effort to share ideas about the company's eco-designs and other activities related to eco-friendly product development, GPMS&GP, Life Cycle Assessment (LCA), and the Eco-Efficiency Index.

Eco-design TF plans	2011	2012
Create checklist	▰▰▰	
Create guidelines	▰▰▰	
Establish assessment system	▰▰▰	
Apply eco-design process		▰▰▰

Life Cycle Assessment (LCA) of Environmental Impact

Hynix established a computerized LCA system in 2010 that performs assessments on the environmental impact of DRAM and NAND Flash memory products. Hynix is commited to extending the assessment process to new products and to other product lines, such as CMOS image sensors and cover 100 percent of its products by 2015.

LCA Results

Hynix is currently conducting LCAs on DRAM and NAND Flash memory products. That represent roughly 73 percent of the company's total 2010 FAB production.

LCA Results in 2010

Number of LCAs performed	▰▰	21
Percentage of LCAs performed	▰▰▰▰▰	73.3

Status of Eco-Friendly Product Certification   (Unit: percent)

Category	Worksite	2010	2009	2008
Carbon footprint labeling	Total	7.88	9.70	-
Percentage of certified products				
Percentage of LCA applications	Total	73.29	49.70	-

*The carbon footprint labeling system was first introduced in 2009 by the Ministry of Environment.
*The Hynix LCA System was first introduced in 2009.

ECO-EFFICIENCY

Factor h^2 is an index used to measure the environmental impact and improvement of product value of Hynix memory and other products.
Hynix has devoted itself to developing higher value products that are more eco-friendly by defining factor h^2 in a way that enhances eco-efficiency.

Eco-Efficiency & Factor h^2 Roadmap (Product level)

Hynix developed a method to measure a product's eco-efficiency in 2008 and is currently working on decreasing its environmental impact and improving product value five-fold by 2015. In 2010, it successfully developed and produced DRAM and NAND Flash products at factor 2.80, which was 12 percent more than the original goal of 2.50 for the year. In the future, Hynix will strive to realize its goal of factor 5, by improving product quality and overcoming technological and process barriers.

Hynix Factor h^2 Roadmap

Hynix's factor h^2 is a quantitative index which is proof of the company's determination to reach factor 5. The index is calculated as a weighted average of DRAM computing memory and NAND Flash memory sales. In 2010, Hynix achieved factor 2.80.

Eco-Efficiency   (Factor)

Category	Worksites	2010	2009	2008
Factor h^2	Total	2.80	2.37	1.00

Eco-Efficiency Indicator by Product

Computing Memory	Environmental Results		Product Value		Eco-Efficiency
C1 60nm 1Gb DDR2	1.00	X	1.00	=	1.00
C2 60nm 1Gb DDR3	0.90	X	1.32	=	1.18
C3 50nm 1Gb DDR3	1.55	X	1.52	=	2.36
C4 40nm 2Gb DDR3	1.36	X	1.86	=	2.52
Consumer Memory					
N1 80nm 256Mb DDR2	1.00	X	1.00	=	1.00
N2 60nm 512Mb DDR2	0.89	X	1.48	=	1.32
N3 50nm 1Gb DDR2	0.76	X	2.36	=	1.79
N4 50nm 1Gb DDR3	0.72	X	2.72	=	1.97
Graphics Memory					
G1 60nm 512Mb GDDR3	1.00	X	1.00	=	1.00
G2 50nm 1Gb GDDR3	0.85	X	1.38	=	1.17
G3 50nm 1Gb GDDR5	1.12	X	2.39	=	2.67
G4 40nm 2Gb GDDR5	1.09	X	3.10	=	3.39
NAND Flash MLC					
M1 50nm 8Gb	1.00	X	1.00	=	1.00
M2 40nm 16Gb	1.19	X	1.58	=	1.88
M3 40nm 16Gb	1.52	X	1.58	=	2.40
M4 30nm 32Gb	1.24	X	2.92	=	3.62
NAND Flash SLC					
S1 50nm 4Gb	1.00	X	1.00	=	1.00
S2 40nm 1Gb	2.30	X	0.73	=	1.68
S4 40nm 4Gb	1.52	X	1.00	=	1.52

Eco-Efficiency Results by Product
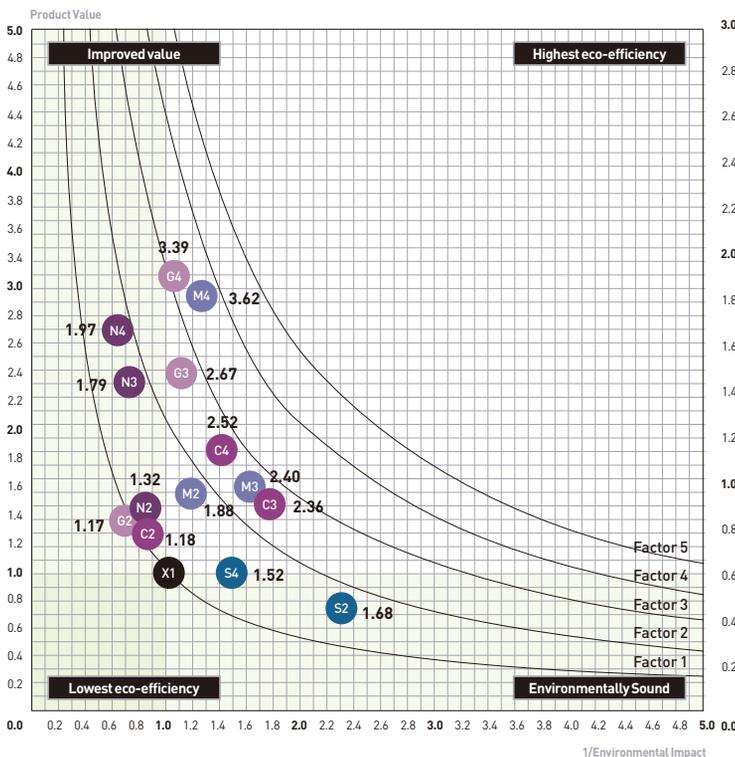
Hynix factor h^2 Roadmap
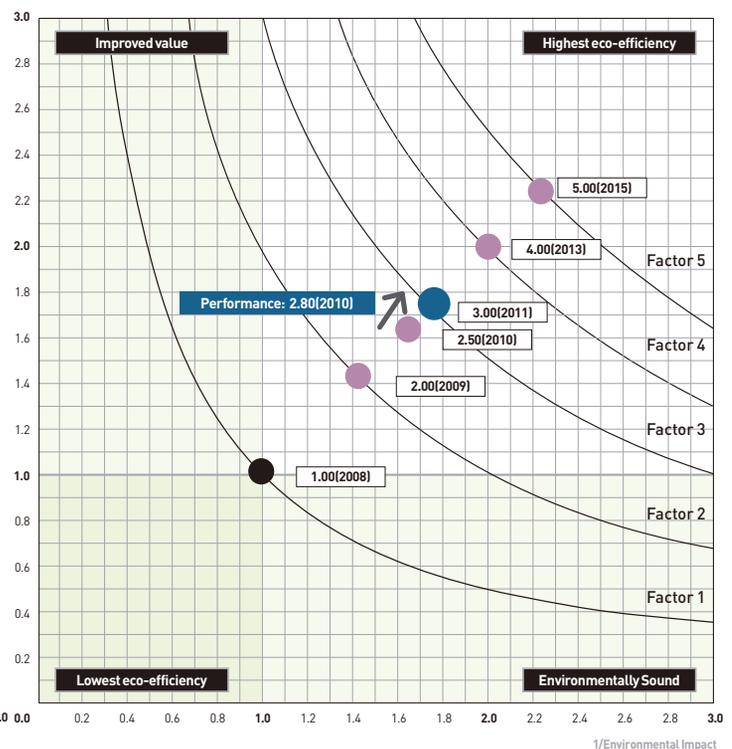
SUPPLY OF ECO-FRIENDLY PRODUCTS

Hynix pursues low-carbon green growth initiatives. With the goal of attaining sustainable growth by protecting the environment and adopting green IT technology to minimize GHG emissions and pollution, the company is developing products to satisfy customer needs for better performance.

Server Memory Products

Hynix is a leader in green IT technology development and the production of the lowest power consuming server memory products. Next generation 30nm-class products, in production since 2010, embody cutting-edge energy-saving technology, consuming only 23 percent of the power compared to previous generation 60nm-class DDR2 products. In fact, if Hynix 30nm-class DDR3 server memory is installed in every server in the world, it would reduce carbon dioxide emissions by 50 million tons annually, Be the equivalent of planting 16.6 million trees.

Graphics Memory Products

Hynix continuously applies innovative technology to decrease power consumption, even in 3D/fullHD graphics, which requiring high picture quality and speed. This reflects the company's determination to adhere to eco-friendly green management, while also satisfying the industry's needs for high performance.
In addition, Hynix's 40nm-class memory products for graphics have reduced power consumption by 35 percent over existing 60nm-class products, with the best performance in the industry. Furthermore, the company has accelerated eco-friendly research and development and successfully reduced power consumption by 27 percent compared to 50nm-class products with devices operating at low volatage of 1.35V. By developing products that consume up to 20-30 percent less energy, the company will continue to provide customers with eco-friendly, competitive products and consolidate its status as a leading green technology developer.

The Benefits of Low-Power Consuming Semiconductors

60nm 1Gb DDR2	
30nm 4Gb DDR3	

Saving 87% in electricity
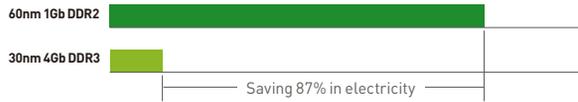
If you installed Hynix 30nm-class DDR products in all the servers around the world for one year, it would...

50	**million tons**	Reduce CO_2 emissions by 50 million tons
16.6	**million trees**	Equivalent to planting 16.6 million trees
8	**trillion won**	Save 8 trillion won in expenses

Compared to Competitors with 50/40nm-class Products in Power Consumption (for 1.5-volt, 1,333Mbps products) ■ Competitors ■ Hynix

60nm	A
	B
50nm	C
	Hynix
40nm	A
	Hynix

Power (watts) 0   1   2   3   4
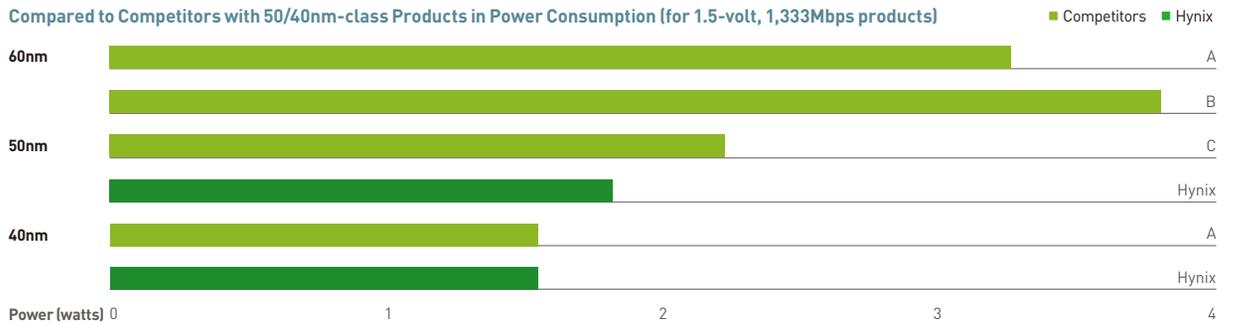
Power Consumption Comparison of Hynix Graphics Memory ■ 60nm-class ■ 50nm-class ■ 40nm-class

1.5V	2.3/1.9/1.5
1.35V	1.5/1.3

Power (Watt)   Reduced 27%   Reduced 35%
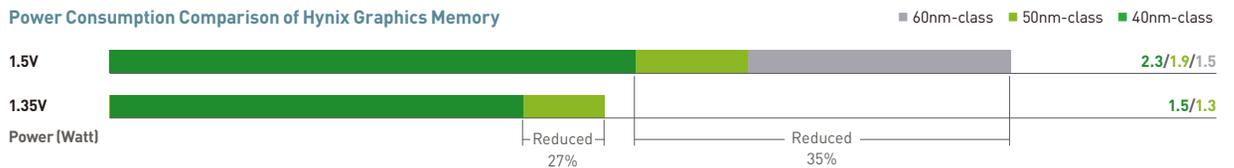
Development of Eco-Friendly Products

Swift Response to Newly Regulated Substances

Hynix always strives to develop eco-friendly materials and products. The development process consists of pre-research on the current status of expected regulation substances, development of alternative materials, and evaluations. In 2010, the company performed research on the use of materials under review for prohibition by RoHS* (HBCDD, DEHP) and 38 candidate materials confirmed by REACH* and SVHC*. The findings showed that phthalates are used as a plasticizer in bonding materials, and are in some resin products. Phthalates are currently being reviewed by both RoHS and REACH for regulatory purposes, and are scheduled to be gradually phased out of production as early as 2012. In response to this, Hynix has alerted the two companies it does business with and who use the material of when the regulation will start and the importance of making changes. Those same companies have already reviewed the situation and secured alternatives to the substance. In 2011, Hynix will develop alternatives to phthalates and assess these eco-friendly products so that it can start commercial production in 2012.

*RoHS (Restriction of Hazardous Substances)
*REACH (Registration, Evaluation, Authorization and Restriction of Chemicals):
 Regulation system to manage new chemical substances
*SVHC (Substances of Very High Concern)

Reduction of Prohibited Substances

In 2010, Hynix continued to decrease the use of, or simply replace, materials that included lead, one of the major prohibited materials by RoHS, as well as antimony and halogen, strongly opposed by many NGOs. Currently, Hynix only uses lead in resistors, which is an exception to regulatory prohibitions. Even with resistors, Hynix has gradually reduced the amount of lead to 200ppm, significantly lower than the RoHS standard of 1,000ppm. In 2010, the company continued to substitute non-halogen products to the point where the rate of halogen-free products reached 80 percent, up from 50 percent in 2009. There are now plans to increase the rate to 100 percent by 2013 at the very latest.

Sharing ESH Best Practices

Hynix held an ESH convention in 2010 which provided an opportunity to share successful cases of ESH, encourage employees to care for the environment, and enhance the company's image as an eco-friendly corporate citizen since its first meeting in 1996. The convention's aim is to cement ties between employees, raise awareness on ESH, and explore best practices by commissioning ESH experts inside and outside the company as judges who identify, share, and follow best practices at worksites. This year, five finalists were selected after a strict screening process from a total of 26 teams. Best practices conducted during the past year were evaluated and rewarded, including a case where carbon emissions reduction was achieved by improving the raw materials and manufacturing process.

Roadmap for Switching to Eco-Friendly Products

Regulations come into effect for:

		2005	2010	2011	2012	2013
EU RoHS	Total replacement of RoHS 1 products					
	Preparation for RoHS 2 and certification					
Halogen-free	Switching to halogen-free products					
	Total replacement					
REACH SVHC	REACH SVCH 1 non-use assurance					
	REACH SVCH 2 non-use assurance					
China RoHS	China RoHS 1 product assurance					
	China RoHS 2 product assurance					
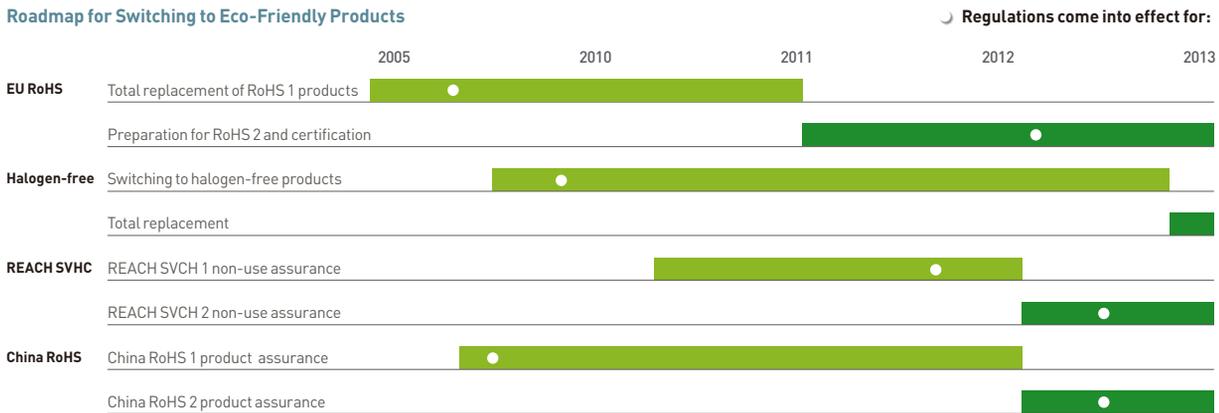
Future Environmental Plans

PLAN

Strengthening Management of GHG/Energy Goals

Hynix will establish an effective system to manage GHG emissions and energy concerns, ensuring tighter control over its carbon emissions. In addition, it will do its utmost to develop low-power and low-carbon green semiconductors with the most advanced technology. Also, for win-win partnership purposes, the company will extend the nation's first CDP supply chain to contribute to a green environment together with its business partners.

Establishment of Source Control

Hynix has worked hard on minimizing the creation of pollutants, as well as the company's impact on safety, health, and the environment through the comprehensive and advanced management of all pollutants. In the future, the company will continue to help source control take root at domestic worksites by strengthening and expanding the control system.

The spirit of partners is about successfully creating synergy between Hynix and its business partners.

∨ 2010
TARGETS

Promote sustainability management with business partners
Add technical support

● 2010
TARGETS
ACHIEVED

Established a roadmap to promote EICC with partners
Identified partner's carbon management levels;
provided training through green partnership project
Opened win-win academy; provided patent education for partners

■■■ 2011
PROGRESS

Extend the list of green partnership members
Create an energy management optimization system
Establish and operate a self-assessment system for partners

INTERVIEW

We're boosting the synergy effect with business partners based on Hynix's spirit of win-win partnership, where both parties thrive together. Our cooperation ranges from technical collaboration to support for sustainability management, such as green partnership. We never stop looking for ways to grow together with partners on a sustainable basis.

**- PKG & TEST Manufacturing Division,
Manufacturing Planning Team 2,
Senior Manager Jin Min-Suck**

successfully creating synergy

Hynix categorizes its business partners as strategic companies, cooperation companies, and transaction-centered companies depending on the amount of business it does with them. As of December 31, 2010, the company's business partners consisted of 948 domestic companies and 205 overseas companies, or 1,153 in total.

Intensifying win-win cooperation with SMEs to foster the semi-conductor equipment/ materials industries

Contribute to diversifying the supply chain and lowering manufacturing costs
through a "lower entrance barrier" approach

Technical Support

Win-win cooperation program

Partners

Hynix

Intensify win-win cooperation with SMEs to foster
semiconductor equipment/ materials industries
(Establishing various support systems in technology,
finance, education, and patents)

PROGRAM

Other Support
(education, patents)

Financial
Support

Establish a virtuous circle market structure and secure bridgeheads to advance into overseas markets

Roadmap for Win-Win Management System

In 2008, Hynix developed its HyWIN system to establish a roadmap for cooperation and to lower the entrance barrier for other companies to enter Hynix's circle of business partners, organizing a win-win cooperation team to practice win-win management activities.

In 2009, the company lent its support to find and then implement win-win partnership activities such as the Performance Evaluation Project, the Proprietary Technology Commercialization Program, and a Win-Win Cooperation Fund worth KRW 99 billion. The company also conducted research and ran a council to find new ways to support industry-related education and patents. Such efforts were rewarded when Hynix was the recipient of a Business Cooperation Presidential Prize.

In 2010, Hynix expanded its support for sub-tier business partners while also furthering its existing cooperative measures. In particular, Hynix extended the range of its win-win collaborative efforts by Shortening payment periods and increasing frequency of cash payments more for raw materials when prices increase, implementing more support items for sub-tier business partners, and expanding financial assistance.

Promoting Sustainability Management with Partners

Hynix is promoting a sense of social responsibility as well as the Electronic Industry Code of Conduct (EICC) to enhance competitiveness and grow alongside its business partners.

In Step 1 (2009-2011), Hynix planned to raise awareness about social responsibility and EICC and to ultimately reach a consensus. To this end, the company has shared its understanding and best practices of social responsibility through different channels inside and outside the company, concluded an agreement to comply with the EICC, and conducted a self assessment for EICC compliance.

In Step 2 (2011-2012), Hynix will help business partners establish a voluntary system to develop and operate their on-offline programs to promote sustainability management, and offer incentives through EICC inspections and evaluations. In addition, the company will support the publication of sustainability reports to encourage business partners to disclose their corporate social responsibility (CSR) activities.

The aim of the final step is to make SM (Sustainability Management) take root at all Hynix's partner companies. In order to achieve this, the company will share best practices, offer incentives based on evaluation results, and encourage them to participate in projects such as fundraising and global CSR activities.

Roadmap for Win-Win Management System

Exploring Additional Win-Win Activities

2011
- Coupling prices with raw material costs
- Implementing more support items for sub-tier business partners
- Expanding financial assistance

Extending the Range of Win-Win Cooperation and Furthering Existing Cooperative Measures

2010
- Strengthening existing activities
- Extending support to sub-tier business partners
- Shortening payment periods and increasing cash payments frequency

Active Implementation of Win-Win Measures

2009
- Technical support (Performance Evaluation Project/Proprietary Technology Commercialization Program)
- Financial support (Win-Win Cooperation Fund worth KRW 99 billion)
- Research/Council on education and patent support
- Recipient of the Business Cooperation Presidential Prize

Organizing a Win-Win Cooperation Team

2008
- Establishing mid- and long-term roadmaps for win-win activities
- Lowering entrance barriers for small companies (HyWIN system)

Promoting Sustainability Management with Partners

Enhancing competitiveness while growing with business partners through the promotion of social responsibility & EICC

Step 1 (2009-2011)	Step 2 (2011-2012)	Step 3 (2013-)
Social responsibility & EICC raising awareness and reaching consensuses	Establishment of a Voluntary System by Business Partner Level	Promoting SM to take root with all business partners
Sharing understanding and best practices of social responsibility - Make use of numerous channels inside and outside the company Agreement to comply with EICC - Full EICC compliance EICC self-assessment - Self-assessment and corrective action plans	Developing/implementing promotion programs (Training) - Diversify through on-offline approaches Preparing evaluation and incentives systems - EICC inspections and evaluations Supporting publication of sustainability reports - Encourage business partners to disclose CSR activities	Consistent promotional efforts, sharing best practices - To sub-tier business partners Offering evaluations and incentives - Inspections and assessments of EICC practices Collective social responsibility activities - Fundraising, joining global CSR activities

GREEN PART-NERSHIP ACTIVITIES

Helping Business Partners Establish Low-Carbon Management Systems

In 2009, Hynix shared its accumulated know-how on estimation and certification of GHG emissions through partnership agreements with 53 companies to deal with environmental issues hand in hand with partners. In 2010, by utilizing a green partnership system, Hynix went one step further and participated in a carbon partnership project sponsored by the government to define a systematic and professional low carbon management system. After assessing the carbon management levels of 10 participant companies as part of the project, Hynix helped them plot a course for the future by presenting action plans and staff training. At the same time, it built a GHG inventory on which to base future carbon emissions reduction strategies.

CDP Supply Chain

The CDP Supply Chain is a CDP program which enables Hynix and business partners to respond to pending issues on climate change. It also allows partner companies to understand the risks and opportunities involved with climate change and to improve their ability to deal with those while enhancing business competitiveness. As part of the CDP supply chain, Hynix made public disclosures on carbon facts about 10 business partners in May 2010, a first for a semiconductor company. This effort has helped Hynix assist business partners to manage their carbon emissions more effectively and to respond more efficiently to climate change issues in general.

Solidifying Green Partnerships with the Materials Industry
Stricter Inspections of Regulated Substance Use

Today, Hynix monitors whether business partners are using newly added harmful substances that are regulated internationally, while encouraging them to certify the non-use of prohibited materials. In 2010, an EU committee added 16 different substances to its list of REACH SVHC high-risk materials, taking the total from 30 to 46, and announced a number of potential RoHS substances, including phthalates and HBCDD, which are to be regulated in the future. In the second half of 2010, Hynix completed a survey on the substance use of 90 raw material suppliers, an examination of their management system, and secured non-use certificates. The company will continue to monitor and aptly respond to the use of harmful substances, which is expected to grow in 2011.

Strengthening Certification of New Partners' Eco-Friendly Management

Hynix has been applying a stricter certification process for new members in the materials industry since the second half of 2010. In fact, it has been performing precise assessments of eco-friendly management from the very start through an analysis of major

---

Materials Industry Inspection Results and Post-Inspection Improvement

Devices

Metals

Resins

L   Focused on preventing chemical contamination during the production process and improving the inspection process →   H

processes, including materials, manufacturing and shipping, in an effort to select eco-friendly companies and to purchase raw materials from them. Specifically, the company inspects material component substance lists, harmful substances lists, and chemical analyses, sharing examples of failures with business partners to raise the certification rate of materials on an annual basis.

Eco-Friendly Inspections of Material Manufacturers & Improvements

Since 2007, Hynix has had partners in the material manufacturing business conduct self-inspections and correct reported problems. In order to ensure more substantial monitoring and improvement compared to its competitors, the company has started eco-friendly inspections of 10 companies that warrant closer attention, carrying out all-around inspections concerning eco-friendly policies, materials, and product process management. As a result, Hynix was able to identify companies that failed to meet its standards after checking the imported materials test system. In addition, the company has monitored and improved contamination risk processes, such as chemical management and cleaning processes. It will continuously look for more practical and meaningful ways to monitor materials manufacturers in 2011 in an effort to bring about an improvement in the overall contamination risk process.

Non-Use of Metals and Rare Earth Metals from Conflict Areas like the Democratic Republic of the Congo (DRC)

In partnership with the United States, Hynix is involved with the regulation of metals that originate from conflict and environmental destruction in those areas. As for prohibited materials like tantalum from the DRC, Hynix has created a database with relevant information such as mine locations, refineries, and non-use certificates through alliances with materials suppliers to effectively respond to regulations. Non-use certificates contain guarantees that metals from conflict areas, including tantalum, gold, and tin, are not used.

Strengthening Green Partnerships with Outsourcing Partners
Examination and Improvement of Outsourcing Partners' Eco-Friendly Systems

Hynix examined and made improvements on outsourcing partners' response systems as environmental regulations such as REACH and RoHS became stricter in the second half of 2010. To deal with an extended REACH SVHC list of prohibited materials, the company checked the data management of materials, harmful substance management in the production process, and shipping inspection management. As a result, Hynix was able to establish a contamination test for harmful substances, increase inspection data of toxic substances, and shorten its inspection cycle. Fur-

thermore, it helped outsourced partners become more aware of the importance of catching up with environmental regulations and acquire ISO 14000 certification.

*XRF: X-ray Fluorescence

Greater GPMS Environmental Information Verification
Module Eco-Friendly Substance List & Establishment of Automation System

In 2010, Hynix created a computer system to list and manage substances for each module product to proactively respond to REACH. Earlier, it had created lists of substances used for major module products and the computer system Hynix built early in 2010 enabled the company to create a database of substance information for individual products, including component chemicals, content, and use, allowing Hynix to respond to regulations and guarantee the non-use of designated substances more effectively. Specifically, the company computerized the substance list by developing logic that connects each module product's materials, standardized substances, and the BOM (Bill of Material) data of the existing Green Product Management System (GPMS). By linking the module development information system (HIDPM) and GPMS, the information is designed to be registered automatically at the same time as the BOM data concerning the product material is registered with the company. In 2011, Hynix will continue to establish a preliminary information verification system through efforts that include the standardization of data at product development stage.

Eco-Friendly Consumption

Since 2009, Hynix has been issuing contracts using a standard purchase contract form which suppliers EICC compliance obligations to product and service suppliers, in order to encourage business partners to abide by EICC requirements so that they can fulfill social responsibility in labor, ethics, safety, health, and the environment.

---

1. **Non-use certificate of metals and rare earth metals from areas of conflict** 2. **Standard purchase contract form** 3. **First carbon partnership meeting** 4. **First CDP supply chain meeting**

SUPPORT FOR BUSINESS PARTNERS

Win-Win Cooperation Fund

Hynix has been running win-win cooperation programs since 2009 to help domestic Small and Medium-sized Enterprises (SMEs) strengthen competitiveness through low-interest financial support based on funds raised by large companies and financial organizations. As of the end of 2010, a total of KRW 51.8 billion had been distributed to 32 business partners.

Hynix Win-Win Academy

Hynix operates a Win-Win Academy which provides diverse educational courses including technology and semiconductor process as part of its effort to grow alongside business partners. In 2010, the company offered eight courses in core tasks (completed by 643 trainees) and 13 e-learning courses (completed by 513 trainees). In March, Hynix held a fair for 10 business partners and delivered a presentation on the introduction of intellectual property rights, tasks process, strategies for applications, registrations of patents, and an online patent management system.

ESH Partner Council

Hynix has been operating an ESH Partner Council for business partners (contractors) to lend its full support in ESH areas, enabling business partners to participate in disaster prevention and safety activities based on a team spirit. As a result, it is conducting safety and health activities more effectively and in a more collaborative relationship.

Business Partner Complaint Status

Year	Cases
2010	7 cases
2009	1 case
2008	17 cases
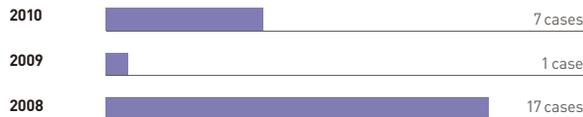
Business Partners Future Plans

PLAN

Green Partnerships

In 2011, Hynix will maximize its energy use through energy audits, and establish a system to optimize the energy management process. At the same time, it will double the company's efforts to help more business partners – more than 53 companies in 2010 – establish a low-carbon management system.

Promoting Sustainability Management with Business Partners

Hynix established a roadmap for complying with EICC codes and for promoting it with all its business partners in 2010. The company will develop training programs to further sustainability management to business partners based on this roadmap and expand training to all partners, starting with contractors, in 2011. Hynix will also support partners to understand their issues by creating a self-audit system and improvement plan. The system will be completed in 2012 and promote sustainability management to business partners through site inspections and interviews.

The spirit of social contribution is about pursuing socially responsible activities and sharing great memories.

V 2010 TARGETS
Establish an autonomous system to run volunteer groups
Expand partnerships in the community
Social contribution to match business descriptions

● 2010 TARGETS ACHIEVED
Launched Good Memory Committee to run specialized programs for each division
Adopted a system to acknowledge volunteer activities after working hours
Established sisterhood relationships with four villages in the Icheon area
Took part in Icheon Ceramics Festival and Cheongju Jikji Festival
Carried out a science volunteer program

▬▬▬ 2011 PROGRESS
Expanding semiconductor classes and junior engineering classes in both numbers and scale
Operating Young Science Leaders Club sessions
Raising more money for the Sharing Good Memory Fund
Increase sisterhood relationships with farming villages, community children's centers, and other welfare facilities in Icheon and Cheongju, Korea

INTERVIEW

Hynix is doing its best to fulfill its social responsibility as a company growing alongside neighboring communities both inside and outside the company. The company's entire workforce participates in a wide variety of volunteer and donation activities, and takes a great interest in fostering talent to help local communities.With more systematic and longer-term social contributions, Hynix is playing a significant role in the development of people's lives and the nation.

- Administration Division, Corporate Affairs Team, Senior Manager, Iim Sang-Hyun

socially respon-
sible activities

Hynix has been active in Sharing Good Memory in local communities since it has promoted itself as a Long-lasting Great Company. In particular, it has focused on fostering talent to lead future communities to share the company's success in the long term. The company has been actively fostering talent
in the sciences in Icheon and Cheongju, Korea as Hynix aims to alleviate the increasing shortage of students majoring in science and engineering there.

Long-lasting Great Company

We are making Good Memories
in communities through sharing.

Inside

Internalization
of Hynix sprit based
on Successful Community

Outside

Embodying the ideal
of a respected company
growing with neighboring
communities

Community Contribution System

Sharing

Good Memory

Sharing
Sisterhood relationships
with local communities
Cultural and artistic contributions
Helping the underprivileged

Hope
Scholarships for teenagers
Expanding the sharing
of overseas companies
Environmental preservation projects

Harmony
Encouraging participation
in Good Memory Volunteering Groups
Operating Joint Volunteer Group inside and
outside the company

Win-Win relationships with communities/Memory of sharing

Enhancing solidarity and harmony through volunteer activities by organization

Dreaming of a better future/Memory of hope

Supporting policies for voluntary participation (cost/system)

Being One by sharing/Memory of harmony

Hynix is making social contributions to promote its values and spirit based on Successful Community. In 2010, the company actively promoted community-based activities in three areas: the memory of sharing for win-win relations with communities, the memory of harmony for being one by sharing, and the memory of hope for dreaming for a better future.

In 2010, the company focused on developing diverse activities to expand specialized programs by division, including semiconductor classes, junior engineering classes, and environmental safety programs. Additionally programs for employees to experience the pleasure and value of volunteering been implemented, such as making kimchi for people and rice cake soup on New Year's Day, have been implemented.

There are also many changes in how employees participate in volunteer activities. To encourage more employees to volunteer, the company changed the rules concerning volunteer work, which used to be done outside work hours. Today, it is possible to volunteer during office hours, with the aid per volunteer having been raised to KRW 10,000. Such changes have enabled many employees to do volunteer work on a regular basis without having to allocate time outside of work, creating a synergy effect of building team spirit as well as making significant social contributions.

Hynix's community contributions are driven by 206 Good Memory Volunteer Groups, which are organized on a team/group basis, and in which all employees are required to participate. The company has also launched the Good Memory Committee, which consists of a person in charge (by division) to help run specialized programs for each division. The committee hosts meetings and workshops regularly to support volunteer activities to satisfy both employees and recipients. In addition, Hynix has a social contribution department and personnel in place at worksites in Icheon and Cheongju, and at the Seoul office and at HSCL, China to rapidly respond to local issues and the unique characteristics of each community.

In 2010, the company held special events to share opinions and best practices, inviting experts to speak on social contribution issues such as sharing, responsibility, and relations. It also met with volunteer group leaders to enhance expertise, and held year-end gatherings for social contribution for volunteering team leaders.

Quantitative Index of Community Contribution (Domestic)

Category	Sub-category	Unit	2010	2009	2008
Social contribution activity	Volunteer time per participant	hours	3.62	3.91	3.90
	Participation rate of social contribution	%	48	43	59
	Volunteer time per employee	hours	1.72	1.69	2.34
Donations	Amount of money donated	KRW million	1,456	2,209	599
	Volunteer activity during office hours	KRW million [1]	193	-	-

1) Converted into average hourly pay for employees.

Volunteer Group Leader Meetings: Sharing, Responsibility, and Relationships

On October 12, 2010, volunteer group leaders throughout the company got together at Icheon worksite's reception hall for a meeting under the theme of "Sharing, Responsibility, and Relationships." Over 50 participants from the event had a chance to share action plans for 2010 and discuss ways to find solutions through SWOT analysis of current activities with social contribution. The Technology Planning Team at the R&D Center, which was named the best organization for its volunteer work, delivered a presentation on the Korean Language Institute for Multicultural Families and Semiconductor Classes. The head of the Administration Division attended, encouraging participants by saying, "I'm so proud of you for trying hard, to share with neighbors, despite your busy work schedule." He then promised to "do anything I need to support social contribution activities of employees by listening to their ideas in meetings." He also said he would give a matching grant for the prize money given to senior researcher Shim Gui-Hwang, who made a presentation on best practices concerning social contribution. The leaders then spent some time exchanging opinions over lunch.

EDUCATION

Science Volunteering Activities

Number of semiconductor class attendees

1st	Seolbong Elementary School	200
2nd	Cheongju citizens (in connection with Jikji Festival)	600
3rd	Special class for gifted students at Bulgok Elementary School	35

Number of junior engineering class attendees

1st	Jangcheon Elementary School, Fifth graders	25
2nd	Jangcheon Elementary School, Fifth and sixth graders	61
3rd	Majang Elementary School, Sixth grade, Class 1 and 2	54

Social Contribution Activities (HSCL)

Semiconductor education	Education on the semiconductor process and field experience for university students
Art education	Color painting courses for students from migrant children schools
Fire safety practice	Training in fire safety for citizens
Handicraft practice	Cake-baking courses for deaf-mute school students

Industry-Academy Cooperation Programs

Hynix is involved in a range of cooperative programs such as scholarships, sisterhood high schools, and SEEC in connection with major universities, colleges, and vocational high schools in the country to secure new talent and improve the reputation of the company, while also practicing sustainability management by giving back to communities. Scholarships are awarded to students at 11 universities and are based on an industry-academy agreement to secure R&D personnel who will lead the next generation of semiconductor research and development with Hynix support in areas including educational expenses, purchase of design equipment, donation of equipment and manufacturing facilities, and lectures from Hynix researchers. At the same time, through sisterhood relations with vocational high schools across the country, Hynix has hired students from 105 sister high schools in 2010 to improve the employment rate of high school graduates, strengthening both the competitiveness and the image of the schools. SEEC is an industry-academy collaboration program aimed at fostering and recruiting professionals in the semiconductor equipment industry. Hynix provides non-operating facilities for educational purposes, offers job-focused curriculum, offers chances to practice at the site (3 + 1 semesters), and sends company executives and professors to deliver lectures.

*SEEC: Semiconductor Equipment Education Committee

Science Education for Communities

Hynix is devoted to fostering the most gifted science students early on as part of an effort to encourage more students to choose science and engineering majors in university, and alleviating the persistent shortage of science majors. In 2010, the company held its Science Volunteering Program to help local students approach science as a fun and easy subject. Starting from research based organizations with the aim of sharing researchers' knowledge and experience with communities, the program, which consists of semiconductor classes and junior engineering classes, is now offered to schools on the outskirts of Icheon and Cheongju, Korea selected by the local Education Office and which meet the criteria for special selection of students from rural villages. The programs are appreciated by volunteer employees as well as students, and represent one of the best cases of the company's volunteer activities in 2010. Semiconductor classes are conducted by Hynix researchers to explain facts about semiconductors to children in a way that can be easily understood. In addition, junior engineering classes comprise science labs which incorporate incorporating interesting engineering technology topics that cannot be learned from textbooks. They are offered once a month for elementary school students in areas outside cities which lack the resources to conduct science experiments.

Social Contribution Activity of HSCL

HSCL has been providing educational services to communities, including schools in underprivileged neighborhoods, deaf-mute schools, and technology colleges, based on the spirit giving back to society and sharing technology. In 2010, HSCL joined a number of volunteer programs and took advantage of employees' expertise, including the sharing of on-the-job knowledge of the semiconductor process, as well as the field training for fire and safety. Also, HSCL provides children from low-income families with different art courses, such as painting and handicrafts, playing a role in encouraging children to express their emotions for healthy development their creativity by giving them opportunities to learn art.

CULTURE

Creating a Good Memory Street

	Creating Icheon Ceramics Street
Period	April 24-July 21, 2010
No. of participants	Over 5,000 citizens + 500 employees
Programs	Drawing on Good Memory ceramic tiles (encouraging participants to donate)
	Ceramics Exchange Workshop
	Inviting Chinese artists for performances
Location of the finished work	Underground pavement in front of Icheon site

	Creating Jikji-Shaped Figures in Cheongju
Period	August 25-September 6, 2010
No. of participants	Over 3,500 citizens + 1,300 employees
Programs	Creating Good Memory Jikji Memory Boards
	Special Exhibit: Hynix and Jikji
Location of the finished work	Cheongju Early Printing Museum

Creating Good Memory Streets in Connection with Local Festivals
Hynix carried out a project to create streets of "art of good memory" during local festivals in 2010. These cultural events are designed to help improve the artistic environment with artwork created by residents and employees. As such, Hynix created a ceramics street for the Icheon Ceramics Festival, and a large-scale Jikji-shaped figure for the Cheongju Jikji Festival with more than 8,500 people.

Sharing Good Memory at the Icheon Ceramics Festival
Hynix opened a ceramic tile booth at the Icheon Ceramics Festival, which was held between April 24-May 16, 2010. The festival featured many interesting events, while Hynix's project of creating a ceramics street of good memory was an example of social contribution through public art, it was designed to enhance the environment of a less-developed area by using artwork created with the help of local citizens. This project was sponsored by several groups, including the Good Memory Volunteer Group, the Social Welfare Society, and a social enterprise called Public Art Freezoom. Together, they all gave visitors an opportunity to make donations while experiencing ceramic tile making. Donated tiles by local citizens during the event were used to create the first "Good Memory Ceramics Street" as part of an underground sidewalk in front of the entrance gate of Hynix headquarters. Hynix will extend this ceramics street to selected public places after consultations with the local government in Icheon. Hynix also invited children from Korean-Chinese families residing in Icheon, Korea to the ceramics festival on Children's Day as part of National Family Month alongside HSCL. In addition, ceramics artists and performance art groups were invited to offer glimpses into unique Chinese culture, including a special mask opera art and tea pouring ceremony, as well as to exchange ceramics culture between the two countries.

Creating a Jikji-Shaped Figure in Cheongju
Hynix set up a booth where visitors could participate in creating Good Memory figures in connection with the 2010 Cheongju Jikji Festival, which was held at Cheongju's Early Printing Museum and Art Center from September 3-6, 2010. This is a good example of a social contribution activity associated with the Best Memory Solution Provider and "jikji," the historic books printed using the top metal type by connecting a local festival to the company's slogan of "Good Memory." During the festival, special Hynix exhibits featured semiconductor classes for elementary school students. People could also take part in creating Good Memory figures, while also having a great time remembering the past as they drew and wrote about good memories on the company's stainless steel board. It also served as a meaningful opportunity for children dream of the future. The artwork created during the 2010 festival was made into five-meter-high towers of Good Memory and placed in the front yard of the Cheongju Early Printing Museum.

1, 2. **Participating in the Icheon Ceramics Festival** 3, 4. **Creating Jikji-Shaped figures at Cheongju**

SHARING WITH COMMUNITIES

Major Activities and Results of Sharing with Local Communities in 2010

Hynix provided a diverse range of volunteer services to support different groups of the underprivileged in 2010, including free rice cakes on New Year's Day, volunteering at nursing homes on Chuseok (with LG Displays), memory loss prevention campaigns for seniors, Korean language institute and cultural asset experiences for multicultural families, sharing kimchi with the underprivileged, and charity bazaars.

Memory Loss (Alzheimer's) Prevention Campaign and Parties for Seniors

Hynix staged a memory loss prevention campaign and held a party for seniors while celebrating World Alzheimer's Day (Sep. 23, 2010) in cooperation with Icheon's Mental Health Center and the Cheongwon-gun Welfare Center for Seniors. The event was attended by over 2,000 senior citizens from Icheon and Cheongju, Korea all of whom had a chance to receive information on Alzheimer's. Other programs included early diagnosis of Alzheimer's, checkups and photos. Also, free meals were provided alongside the performance of Korean folk songs during Chuseok. Hynix has been sponsoring Icheon's Mental Health Center and Cheongwon-gun's Welfare Center for Seniors since it concluded an agreement with the two organizations. In fact, the company has donated KRW 50 million to them, as well as vehicles to assist in memory loss prevention activities.

Hynix Culture Week "Bazaar of Love and Sharing"

Hynix's labor union, employees, and the CEO together staged a campaign called Bazaar of Love and Sharing on October 28, 2010, with every person donating one item. In total, more than 5,000 items were collected at the bazaar, which was held in front of the Icheon head office's Welfare Center. The bazaar was made all the more interesting with other events like special exhibits of donations from students at the in-house culture center, a food stand run by multicultural family members, and a charity auction featuring donated goods from executives. Also, families of employees and residents of sisterhood rural villages were invited to a local farmers' market. All profit from these events was donated in the form of learning materials to a local children's center in the area through the Beautiful Shop. At the same time, old company uniforms were collected at the time of uniform replacement and donated to underprivileged neighbors through the Beautiful Shop as well.

Major Activities and Results from Sharing with Local Communities in 2010

Name of Event	Date	Participating Employees	Main programs
Sharing Good Memory on New Year's Day	Feb. 11	CEO, 40 labor union members/Employees	- Free meals and parties for seniors in Icheon, Korea (500 people)
Fundraiser for victims of Cheonan ship accident	Apr. 29	3,788 employees	- On-offline fundraising at the company (KRW 130 million raised, matching grant included) - Operation of message board
Social contribution about memory loss	Sept. 14	Employee Volunteer Groups	- Donation of KRW 25 million and specialized vehicles to use for memory loss prevention - Party for seniors on World Alzheimer's Day (free photos taken and meals served)
Chuseok volunteering	Sept. 15	50 employees of Hynix and LG Display (LGD)	- Chuseok volunteering with LGD employees - Making rice cakes for seniors at nursing homes, and parties for the elderly during holidays
One Heart Volunteering on Hynix's Foundation Day	Oct. 9	70 people plus the CEO and heads of divisions	- Joint volunteer service made up of employee families and multicultural families - Donation of electronic cart to protect cultural assets (KRW 9 million value)
Making kimchi with labor-management harmony	Nov. 25	CAO employees and the union's Red Cross Volunteer Group (220 people in total)	- Administration Division, labor union members, and Red Cross participation - Provided winter kimchi for over 800 households in Icheon and Cheongju (4,000 heads of cabbage)

Sharing Good Memory on New Year's Day

Hynix held a party called "Sharing Good Memory on New Year's Day," in which it served rice cake soup that 40 employees had helped make to more than 500 seniors from the Icheon area. Fun events like Korean traditional games and other recreational activities were also held. The company also presented a gift set made up of everyday necessities to seniors who live alone and who have difficulty with their mobility.

GOOD MEMORY One Heart Volunteering on Hynix's Foundation Day

On October 9, 2010, Hynix executives, including President Kwon Oh-Chul, and Park Tae-seok and Kim Joon-su, chairmen of the company's Labor Union Committee at Icheon and Cheongju, respectively, as well as the joint volunteer service made up of employees and their family members and multicultural families all participated in the cultural asset preservation activity for Changgyeong Palace. More than 70 volunteers joined the One Heart Volunteering to help clean historic buildings in Changgyeong Palace and prepare the area for winter. They also donated a vehicle for cultural asset management worth KRW 10 million which will be used to help maintain the royal palace. These volunteers to protect cultural assets are from multicultural families and students of the Hynix Good Memory Korean Language Institute, where employees from the Hynix R&D Center have been teaching every week since April 2010. Speaking about this, Hynix President Kwon Oh-Chul stated, "Hynix will maintain the One Heart Volunteering Service to help preserve our nation's cultural assets and ensure they not only look great but last for a very long time, just as our corporate slogan, 'Long-lasting Great Company', implies." Hynix has been involved in volunteer activities every month since forming ties with Changgyeong Palace through a "One Company Protects One Cultural Asset" program in 2006. Thus far, 2,500 Hynix employees have taken part in the program, making it one of the royal palace's top volunteer cultural asset protection services.

Volunteering in Rural Villages

After helping the season's first outdoor rice transplantation amid heavy snow using hot water which was discharged from the company's cogeneration plant, 30 members of a Hynix volunteer group, led by Park Dae-young, the head of the Quality Control Group, and 20 members from the EM Eco-Friendly Research Institute in Icheon, Korea helped out in rural farming villages. The Quality Control Group offered a customized volunteer service for farmers and even helped with the rice harvest in September, making quality rice in Icheon.

Preserving the Environment with Local Communities

Hynix has been working hard to minimize its environmental impact by cleaning the area by cleaning the area around Daecheong Lake and Bumo Mountain, and planting trees. In addition, the company opened an environmental cleanup facility to raise public awareness about the environment and enhance Hynix's reputation as an eco-friendly company. These activities are carried out on a voluntary basis and are performed in synergy with local communities.

Supporting Health & Safety in Communities

Hynix conducts health and safety activities for the underprivileged in the community. Employees volunteer to use their time and share their abilities while repairing fire safety facilities, replacing old equipment, and teaching people how to use fire extinguishers. The company also plans on launching a Medical Volunteer Group, which will help keep local residents healthy.

Results of Promises Kept in 2010

In 2010, Hynix expanded sisterhood villages (Icheon Ami-ri, Dori-ri/Cheongju/Gangneung Okkye, Jeonbuk Imshil) by adding four more villages (Icheon Shinha-ri, Songyechi, Jakchon-ri, and Wondu-ri) to the list. In May 2010, the company held a briefing on "Good Neighbor" activities for personnel from each group, and then assisted one group from a sisterhood village on a voluntary basis. In addition, Hynix is working hard to offer substantial help to local residents by carrying out a wide range of volunteer services, such as helping the season's first outdoor rice-transplantation and offering support in the harvest season.

1, 2. Memory Loss Prevention Campaign and party for seniors 3. HYNIX CULTURE WEEK's Love and Sharing Bazaar 4. Sharing Good Memory on New Year's Day
5. Good Memory One Heart Volunteering on Hynix's Foundation Day 6. Chuseok Volunteering with business partners

HSCL's Spirit of Sharing with Local Communities

In order to meet its social responsibility within Chinese society, HSCL has carried out numerous social contribution activities based on a spirit of sharing. In 2010, HSCL was actively involved in volunteer work at welfare facilities, apartment complexes, and historic sites. Each of the company's volunteer groups formed one-on-one relationships with nursing homes, underprivileged rural villages, social welfare centers, and welfare facilities for the disabled, carrying out volunteer work more than 40 times. In 2010, employees spent 4,989 hours carrying out social contribution work, while the number of participating employees stood at 1,420, or 38.5 percent of the company's workforce. HSCL consistently tries to contribute to Chinese society, and has spent RMB 1.42 million (more than USD 200,000) on social contribution activities. In one case, HSCL donated RMB one million to victims of the earthquake in Qinghai province in May 2010 as part of its corporate responsibility to society.

One group-one facility service

Volunteer service for deaf-mute schools, the underprivileged and disabled, orphanages, and nursing homes

Supporting the disadvantaged during holidays by providing necessities and making dumplings together

Activities to improve the surrounding environment around different communities

One thousand people help protect water resources, and protect the trekking environment

Environmental cleanup for poor villages 1st & 2nd round

Cultural asset protection

Cultural asset protection (former houses of famous people) 1st & 2nd round

Humanitarian donations

Donating RMB one million to people affected by the Qinghai earthquake, with employees donating a further RMB 60,000

Donating RMB 100,000 for underfunded schools in Xinjiang, China

Major Achievements

Recipient of the Honey Bee Prize for the most socially responsible company, awarded by the Chinese Ministry of Commerce's WTO Economic Guide

Recipient of a prize for distinguished service by the Red Cross of Wuxi, China

Recipient of an award in recognition of it being the top group in fulfilling its social responsibility by the City of Wuxi, China

Overseas sales subsidiaries' community services

Programs with Local Colleges

Stanford-Berkeley Hynix Cup Soccer Match (November 6, 2010)

Stanford Hynix Day (December 3, 2010)

Social Contribution

CDAC (Chinese Development Assistant Council) Fund/Employees donating 0.5 percent of their salary

Handicap Welfare Associate donations (voluntary basis)

Donation made to Segate in 2010

Others

Support for sporting events for overseas Korean students, technology exchanges with local universities

Local
Communities
Future Plans

PLAN

In 2011, Hynix is bringing about a volunteer culture carried out on a participatory basis at Hynix by forming a Good Memory Sharing Fund through employee donations. The Good Memory Sharing Fund will be created by employee donations in cooperation with Hynix. It is being used to support teenagers from underprivileged families in local communities, to support needy employees and local residents (SOS Support), and to foster talent in surrounding communities. Hynix plans to focus on fostering talent in future science leaders by taking advantage of the company's strengths as a cutting-edge semiconductor company. It will also increase the number and scale of semiconductor classes and junior engineering classes, while launching a Young Science Leaders Club which will provide special opportunities to students who excel in science. In addition, the company will expand sisterhood relations with farming villages, local children's centers, and welfare facilities in and around Icheon and Cheongju, Korea in an effort to help residents and disadvantaged neighbors. Furthermore, Hynix will continue to carry out activities to improve community environments, such as creating "Good Memory Streets," cleaning up the environment in areas around mountains and streams near the company's worksites, and helping protect local cultural assets.

Main Tasks of 2011
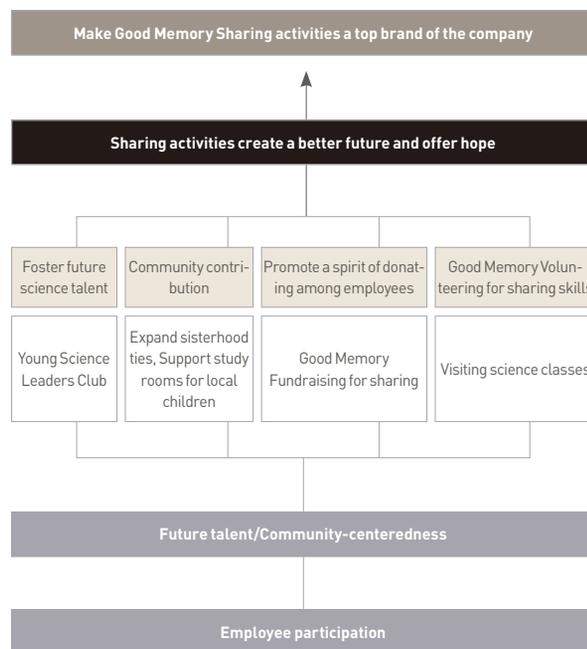
Make Good Memory Sharing activities a top brand of the company

Sharing activities create a better future and offer hope

Foster future science talent	Community contribution	Promote a spirit of donating among employees	Good Memory Volunteering for sharing skills
Young Science Leaders Club	Expand sisterhood ties, Support study rooms for local children	Good Memory Fundraising for sharing	Visiting science classes

Future talent/Community-centeredness

Employee participation

appendix

The appendix consists of performance statements that summarize core results from Hynix's sustainability activities in 2010, an Independent Auditor's Report, financial information, GRI index content verification, compliance with the 10 principles of the UN Global Compact, group/organization membership & awards, a GHG inventory verification statement and third-party assurance statement. This report also includes a performance statement highlighting Hynix's five major issues so that readers can get a better idea of the results from Hynix's 2010 sustainability management at a glance.

Category	Indicator Performance	Worksite	Unit	2010	2009	2008
Creation of economic performance	Sales	All	KRW 100 million	120,987	79,064	68,180
	Operating income	All	KRW 100 million	32,731	1,920	(19,201)
	Non-operating income	All	KRW 100 million	10,003	12,160	10,360
Distribution of economic performance	Corporate income tax	All	KRW 100 million	397	(382)	(299)
	Net income	All	KRW 100 million	26,565	(3,326)	(47,447)
	Salaries	All	KRW 100 million	11,836	7,565	8,489
	Benefits	All	KRW 100 million	1,881	1,602	1,900
	Distribution of economic performance for employees	All	KRW 100 million	14,832	9,959	11,040
	Distribution of economic performance for local communities	All	KRW 100 million	588	(180)	(88)
	Distribution of economic performance for shareholders & investors	All	KRW 100 million	4,390	4,336	4,143
	Distribution of economic performance for business partners	All	KRW 100 million	45,600	40,141	48,225
Market share	DRAM (Source: IDC)	All	%	21.8	22.9	19.2
	Mobile Memory (Source: iSuppli)	All	%	26.5	16.0	13.8
	NAND Flash (Source: IDC)	All	%	9.5	8.3	12.6
	Global semiconductor market (Source: Gartner)	All	%	3.4	2.6	2.3
	DRAM in China (Source: iSuppli)	All	%	46.7	43.9	40.5
Sales per product	DRAM	All	KRW 100 million	93,744	59,878	49,627
	NAND Flash	All	KRW 100 million	18,200	13,395	14,457
	Others	All	KRW 100 million	9,043	5,791	4,096
Corporate governance	Ratio of outside directors (%)	All	%	69	69	67
	No. of BOD meetings	All	Times	12	13	12
	BOD attendance rate	All	%	98	99	99
R&D investment	R&D expenditures	All	KRW 100 million	8,014	6,728	6,999
	Percentage of R&D expenditures	All	%	6.6	8.5	10.2
Customer satisfaction	Customer satisfaction (TQRDC)	All	Rank	2.46	2.44	2.56
	Violations of laws & regulations concerning customer safety (including recalls)	All	Cases	0	0	0
Social contribution	Donations	All	KRW million	1,672	2,312	903
	Volunteer hours per employee	Domestic	Time per person	1.72	1.69	2.34
	Volunteer hours per participant	Domestic	Time per person	3.62	3.91	3.90
	Social contribution participation rate	Domestic	%	48.00	43.32	59.31
Fair trade	Violations of Fair Trade Law	Domestic	Cases	0	0	0
Ethics management	Total ethics education time	Domestic	Hours	10,070	10,814	5,225
	Ethics education time per person	Domestic	Hours	0.61	0.55	0.30
	Ethics performance index	Domestic	Score	82.9	81.8	81.6
	Ethics practice index	Domestic	Score	86.3	82.8	77.4
	Total ethics education time	Wuxi	Minutes	161,460	244,980	142,140
	Ethics education time per person	Wuxi	Minutes	44	75	38
Diversity index	No. of employees	All	Persons	21,682	20,251	21,457
	(Male) Executives & office employees (workers)	All	Persons	6,352	6,036	6,078
	(Male) Full-time workers	All	Persons	4,597	4,152	4,229
	(Male) Others	All	Persons	25	20	23
	(Female) Executives & technical office workers	All	Persons	1,342	1,220	1,328
	(Female) Full-time workers	All	Persons	9,252	8,717	9,751
	(Female) Others	All	Persons	114	106	48
Minority status	Physically challenged employees	Domestic	Persons	101	95	86
	Percentage of physically challenged employees	Domestic	%	0.56	0.55	0.48
	Aged employees	Domestic	Persons	18	15	18
	Percentage of aged employees	Domestic	%	0.1	0.1	0.1
Female leadership	Percentage of females	Domestic	%	49.1	48.3	50.4
	Percentage of female managers	Domestic	%	2.5	1.9	1.9
Employment stability	Job creation rate	Domestic	%	5.7	(4.8)	(1.3)
	Turnover rate	Domestic	%	3.3	6.0	7.5
	Average years of service	Domestic	Years	7.6	6.9	5.9
Employee communication	Employee satisfaction	Domestic	Score	68	69	73
	Employee Opinion Survey participation rate	Domestic	%	58	31	23
Talent fostering	No. of trainees	Domestic	Persons	56,869	65,514	72,734
	Amount of training	Domestic	Hours	1,132,438	1,064,161	1,340,979
	Training expenses	Domestic	KRW 1,000	5,552,293	3,195,259	6,450,035
	Training time per person	Domestic	Time per person	62	62	74
	Training expenses per person	Domestic	KRW 1,000 per person	306	186	358

. . .

Category	Names of Quantitative Performance	Worksite	Unit	2010	2009	2008
Industrial disaster rate	Industrial disaster rate	Icheon	%	0.01	0.02	0.01
		Cheongju	%	0.02	0.02	0.00
		Wuxi	%	0.01	0.04	0.00
Win-win cooperation	Business partners' grievances_ received cases	Domestic	Cases	7	1	17
	Business partners' grievances_ handling rate	Domestic	%	100	100	100
GHG emissions	Total GHG emissions	Domestic	1,000 tons of CO_2	3,021.71	2,722.60	3,811.73
		Wuxi	1,000 tons of CO_2	-	1,040.41	1,299.74
	PFC emissions	Domestic	1,000 tons of CO_2	1,387.19	1,256.46	1,892.25
		Wuxi	1,000 tons of CO_2	546.78	483.01	627.60
Water resources management	Water use	Icheon	$1,000m^3$	13,425	12,240	16,030
		Cheongju	$1,000m^3$	9,635	6,990	7,420
		Wuxi	$1,000m^3$	9,182	8,300	10,058
	Water recycling rate	Domestic	%	20	19	21
	Wastewater quantity	Domestic	$1,000m^3$	18,944	15,294	17,813
		Wuxi	$1,000m^3$	8,221	7,411	8,873
	Water quality management _COD	Icheon	mg/l	4.1	4.3	4.0
		Cheongju	mg/l	5.9	4.0	4.0
		Wuxi	mg/l	38.0	19.0	40.0
	Water quality management _BOD	Icheon	mg/l	2.2	1.8	2.9
		Cheongju	mg/l	6.1	2.9	6.0
	Water Pollutants T-N	Icheon	mg/l	16.8	15.4	15.2
		Cheongju	mg/l	22.3	20.9	34.7
	Water Pollutants F	Icheon	mg/l	1.1	1.0	1.1
		Cheongju	mg/l	6.6	6.6	6.1
		Wuxi	mg/l	1.4	1.9	13.0
Amount of raw materials used	FAB_Wafers	Domestic	KRW million	666,838	655,059	891,397
	FAB_Others	Domestic	KRW million	637,312	535,135	619,940
	B/E_Substrates	Domestic	KRW million	149,490	120,343	153,499
	B/E_PCBs	Domestic	KRW million	163,244	126,793	167,913
	B/E_Others	Domestic	KRW million	228,242	236,398	285,249
Energy use	Total energy used	Domestic	TOE	677,199	611,912	749,810
	LNG	Domestic	TOE	18,994	15,730	20,507
	Electricity	Domestic	TOE	621,512	568,423	690,527
	Steam	Domestic	TOE	36,693	27,759	38,776
	Total energy used	Wuxi	TOE	84,666	70,088	86,401
	LNG	Wuxi	TOE	1,477	1,345	1,113
	Electricity	Wuxi	TOE	66,444	57,937	68,586
	Steam	Wuxi	TOE	16,745	10,806	16,702
Air pollutant management	SOx	Icheon	g/cm^2	0.047	0.048	0.082
		Cheongju	g/cm^2	0.003	-	-
	NH_3	Icheon	g/cm^2	0.016	0.012	0.026
		Cheongju	g/cm^2	0.007	0.008	0.007
		Wuxi	g/cm^2	0.009	0.005	0.020
	NOx	Icheon	g/cm^2	0.007	0.025	0.017
		Wuxi	g/cm^2	0.001	0.001	0.001
	HF	Icheon	g/cm^2	0.004	0.009	0.003
		Cheongju	g/cm^2	0.009	0.010	0.006
		Wuxi	g/cm^2	0.003	0.002	0.004
	HCL	Icheon	g/cm^2	0.001	0.003	0.008
		Wuxi	g/cm^2	0.008	0.005	0.006
Waste management	Total waste quantity	Domestic	ton	67,198	47,288	64,122
		Wuxi	ton	24,613	18,524	23,410
	General wastes	Domestic	ton	42,792	28,049	38,965
		Wuxi	ton	9,554	6,286	9,270
	Designated wastes	Domestic	ton	24,406	19,239	25,157
		Wuxi	ton	15,059	12,238	14,140
	Recycled wastes	Domestic	ton	65.444	45,641	58,200
		Wuxi	ton	9,813	2,845	2,927
	Recycling rate	Domestic	%	97	97	91
		Wuxi	%	40	15	13
Eco-friendly products	Overall process evaluation_ LCA application rate	Domestic	%	73.29	49.70	0.00
	Percentage of carbon label certified products	Domestic	%	7.88	9.70	0.00
	Factor h^2	Domestic	Factor	2.80	2.37	1.00
Environmental investment	Environmental investments	Domestic	KRW million	22,794.00	-	-

Statements of Operations

Sales

Sales reached a record high in 2010, KRW 12,098.7 billion, a 53 percent rise over the previous year's KRW 7,906.4 billion. This was a result of sale prices staying relatively high due to the rapid recovery of the market in comparison to an average year. However, there were certain factors which led to a decrease in sales because of an overall drop in the won-dollar exchange rate. By business segment, DRAM sales increased, along with a price rise, by almost 25 percent over the 2009 average, with DRAM's contribution to total sales increasing slightly, to 78 percent in 2010 from 76 percent in 2009. NAND Flash sales also increased due to an increase in sales which more than offset the drop in prices, even if its contribution to total sales decreased to 15 percent, from 17 percent in 2009.

(Unit: KRW billion)

Year	Sales
2010	12,099
2009	7,906
2008	6,818
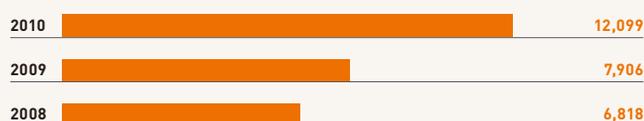
Cost of Goods Sold (COGS)

In 2010, Hynix's COGS stood at KRW 7,319.2 billion, an increase of 17 percent from the company's KRW 6,279.8 billion in 2009. The increase was a result mostly of a substantial increase in DRAM and NAND Flash sales over the previous year.

■ COGS (Unit: KRW billion)　● Contribution to sales (%)

Year	COGS	Contribution to sales
2010	7,319	60
2009	6,280	79
2008	7,363	108
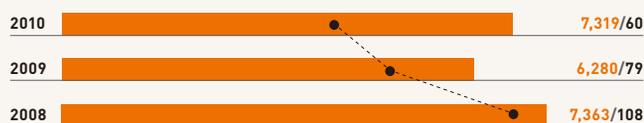
Selling, General and Administrative Expenses (SG&A)

In 2010, the company's SG&A were KRW 1,506.4 billion, an increase of 5 percent from 2009's KRW 1,434.6 billion. This was due largely to the increase in ordinary development expenses related to R&D activities for new products or technology, as well as an increase in labor expenses which came in the wake of incentive payments being made for financial performance in 2010.

■ SG&A (Unit: KRW billion)　● Contribution to sales (%)

Year	SG&A	Contribution to sales
2010	1,506	12
2009	1,435	18
2008	1,375	20
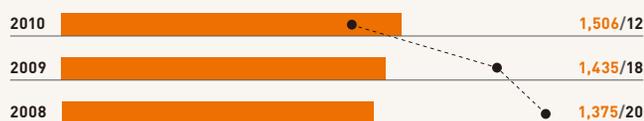
Non-operating Income

Non-operating income for 2010 stood at KRW 1000.3 billion, an 18 percent decrease from KRW 1,216.0 billion in 2009. The main cause of the decrease had to do with foreign currency transaction and translation gains decreasing by KRW 176.4 billion due to fluctuations in foreign exchange rates.

Non-operating Expenses

Non-operating expenses stood at KRW 1,577.2 billion, an 11 percent drop from KRW 1,778.8 billion in 2009. Although foreign currency transaction and translation losses increased by KRW 152.6 billion, other non-operating expenses, including interest expenses, largely decreased, so overall non-operating expenses decreased from 2009.

Statements of Financial Position

Assets

As of the end of 2010, total assets stood at KRW 17,584.2 billion, an increase of KRW 1,280.7 billion from KRW 16,303.5 billion at the end of 2009. The increase was due to current assets growing by KRW 774.8 billion, while non-current assets grew by KRW 506.0 billion, from KRW 11,386.4 billion, to KRW 11,892.4 billion. The primary reasons for the increase in current assets increasing by of KRW 774.8 billion included: 1) a KRW 676.2 billion rise in cash and cash equivalents due to improved cash flow with increased profitability; and 2) An inventory assets increase of KRW 207.7 billion that was the result of productivity increase due to the technology migration and the improvement of the yield rate. The main reason for the non-current assets increase of KRW 506.0 billion was due to a KRW 673.9 billion rise in tangible assets from investment in facilities.

Liabilities

As of the end of 2010, total liabilities stood at KRW 9,414.8 billion, a decrease of KRW 969.5 billion from KRW 10,384.3 billion as of the end of 2009. Current liabilities decreased by KRW 427.7 billion, from KRW 5,769.2 billion, to KRW 5,341.6 billion, while non-current liabilities decreased by KRW 5,418 billion, from 4,615.0 billion in 2009 to KRW 4,073.2 billion in 2010. The primary reason for the decrease in current liabilities is that following the substitution of liquidity with bonds and convertible bonds, short-term borrowings decreased by KRW 907.4 billion, despite the current portion of long-term liabilities increasing by KRW 467.3 billion. The main reason for the decrease in non-current liabilities was a substitution of liquidity with bonds and convertible bonds, despite the company's issuance of USD 5 million in convertible bonds. At of the end of 2010, net interest-bearing debt balance was KRW 3,729.3 billion, a decrease of KRW 1,707.5 billion from KRW 5,436.8 billion as of the end of 2009, while net interest-bearing debt-to-equity ratio stood at 46 percent, a decrease of 46 percentage points from the previous year's 92%.

■ Cash and cash equivalents (Unit: KRW billion)
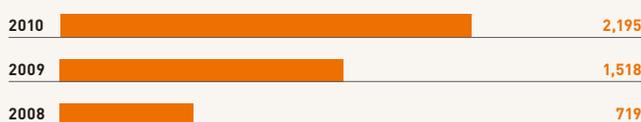
Year	Cash and cash equivalents
2010	2,195
2009	1,518
2008	719

■ Interest-bearing debt (Unit: KRW billion)　● Net interest-bearing debt-to-equity ratio (%)

Year	Interest-bearing debt	Net interest-bearing debt-to-equity ratio
2010	5,924	46
2009	6,955	92
2008	7,749	127
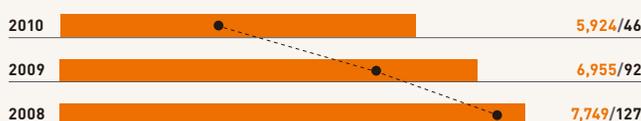
Shareholders' Equity

Total shareholders' equity increased by KRW 2,250.2 billion, from KRW 5,919.3 billion at the end of 2009 to KRW 8,169.5 billion at the end of 2010. Reasons for the increase included: 1) Earned surplus rose due to a net income of KRW 2,656.5 billion; and 2) the company's capital surplus increased by KRW 111.2 billion as a result of its issuance of USD 5 million in convertible bonds.

Independent auditors' report

The Board of Directors and Stockholders
Hynix Semiconductor Inc.

March 9, 2011

We have audited the accompanying consolidated statements of financial position of Hynix Semiconductor Inc. ("Hynix") and its subsidiaries (collectively, the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of Hynix management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of two subsidiaries, including Hynix Semiconductor America Inc., whose total assets constituting approximately 6% and 4% as of December 31, 2010 and 2009, respectively, and total sales constituting approximately 19% and 17% for the years ended December 31, 2010 and 2009, respectively, of the related financial statement amounts (before elimination of inter-company transactions and account balances among consolidated companies). Those financial statements were audited by other auditors whose audit conclusions have been furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the audit conclusions of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the audit conclusions of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the audit conclusions of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hynix Semiconductor Inc. and its subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their financial performance and their cash flows for the years then ended in accordance with accounting principles generally accepted in the Republic of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of financial performance and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those who are knowledgeable about Korean accounting principles and auditing standards and their application in practice.

Yeouido-dong, Yeongdeungpo-gu, Seoul, Korea
Ernst & Young Han Young

Seung Wha Gweon
CEO, Ernst & Young Han Young

This audit report is effective as of March 9, 2011, the auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

(Unit: KRW million)

Consolidated statements of financial position

Hynix Semiconductor Inc. and subsidiaries

As of December 31, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	1,247,409	1,209,110
Short-term financial instruments	947,297	309,351
Held-to-maturity securities	-	1
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩4,177 in 2010 (₩3,447 in 2009)	1,603,650	1,729,733
Other accounts receivable, net of allowance for doubtful accounts of ₩4,788 in 2010 (₩4,069 in 2009)	147,365	234,149
Inventories	1,264,944	1,057,280
Prepaid expenses	87,851	97,334
Deferred income tax assets	353,860	248,464
Other current assets	39,474	31,668
Total current assets	5,691,850	4,917,090
Non-current assets:		
Long-term financial instruments	322	1,265
Available-for-sale securities	52,245	57,543
Held-to-maturity securities	1	1
Equity method investments	103,585	105,359
Long-term loans, net of allowance for doubtful accounts of ₩60 in 2010 (₩6 in 2009)	6,777	1,419
Long-term accrued revenues, net of allowance for doubtful accounts of ₩2 in 2010 (₩1,187 in 2009)	202	-
Long-term advance payments	119,430	141,913
Deferred income tax assets	90,197	258,838
Property, plant and equipment, net	10,816,909	10,143,006
Intangible assets, net	548,972	461,958
Investment properties	53,204	162,416
Other assets	100,557	52,725
Total non-current assets	11,892,401	11,386,443
Total assets	17,584,251	16,303,533
Liabilities and equity		
Current liabilities:		
Trade accounts and notes payable	874,232	739,813
Short-term borrowings	511,389	1,418,774
Other accounts and notes payable, net of discount on present value	654,654	576,873
Advances received	173,961	522,998
Accrued expenses	1,023,796	885,333
Income taxes payable	8,523	4,418
Derivatives payable	47,001	33,309
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	2,019,313	1,552,027
Other current liabilities	28,692	35,688
Total current liabilities	5,341,561	5,769,233
Non-current liabilities:		
Bonds and long-term borrowings, net of discount on bonds, discount on present value, conversion right adjustments and addition of redemption premium	3,393,332	3,984,442
Other long-term accounts and notes payable, net of discount on present value	120,820	185,365
Severance and retirement benefits	415,919	351,845
Other long-term liabilities	143,126	93,370
Total non-current liabilities	4,073,197	4,615,022
Total liabilities	9,414,758	10,384,255
Equity:		
Equity attributable to holders of the parent:	2,969,023	2,965,833
Capital stock	1,414,739	1,303,528
Capital surplus Capital adjustments	5,762	5,769
Accumulated other comprehensive income	126,499	171,316
Retained earnings	3,653,825	1,005,936
Total equity attributable to holders of the parent	8,169,848	5,452,382
Minority interests	(355)	466,896
Total equity	8,169,493	5,919,278
Total liabilities and equity	17,584,251	16,303,533

Consolidated statements of income

Hynix Semiconductor Inc. and subsidiaries

Years ended December 31, 2010 and 2009

(Unit: KRW million)

	2010	2009
Sales	12,098,667	7,906,350
Cost of sales	7,319,191	6,279,821
Gross profit (loss)	4,779,476	1,626,529
Selling and administrative expenses	1,506,387	1,434,560
Operating income (loss)	3,273,089	191,969
Other income (expenses):		
Interest income	68,139	29,977
Interest expense	(350,454)	(433,576)
Rental income	20,261	21,933
Reversal of allowance for doubtful accounts	71	1,298
Bad debt expenses - other	(831)	(519)
Gain (loss) on foreign currency transactions, net	(132,037)	19,342
Gain on foreign currency translation, net	78,403	256,081
Gain on disposal of available-for-sale securities, net	617	413
Equity in earnings of equity method investments, net	329	413
Gain on disposal of property, plant and equipment, net	21,156	100,083
Impairment loss on property, plant and equipment	(289)	(2,118)
Depreciation of idle assets	(31,977)	(88,354)
Impairment loss on investment properties	(7,390)	(63,604)
Loss on disposal of investment properties, net	(26,704)	(10,447)
Loss on early redemption of bonds	(66,344)	-
Loss on valuation of derivatives	(14,581)	(2,357)
Miscellaneous loss, net	(161,064)	(391,146)
Others, net	25,806	(209)
Gain (loss) before income taxes	(576,889)	(562,790)
Benefit from income taxes	2,696,200	(370,821)
Net income	(39,724)	38,177
Attributable to:	2,656,476	(332,644)
Equity holders of the parent	2,647,889	(347,785)
Minority interests	8,587	15,141
Loss per share:	2,656,476	(332,644)
Basic	4,486	(620)
Diluted	4,357	(620)

Consolidated statements of changes in equity

Hynix Semiconductor Inc. and subsidiaries

Years ended December 31, 2010 and 2009

Total	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Minority interests	Total
As of January 1, 2009 (as previously stated)	2,315,654	929,004	5,840	483,643	1,356,062	436,037	5,526,240
Net loss	-	-	-	-	(347,785)	15,141	(332,644)
Exercise of stock options	133	69	(71)	-	-	-	131
Paid-in capital increase	650,000	381,028	-	-	-	-	1,031,028
Exercise of convertible bonds	46	156	-	-	-	-	202
Deferred income taxes recognized directly to equity	-	-	-	(3,952)	-	-	(3,952)
Changes of equity arising from equity method investments	-	-	-	907	-	-	907
Loss on valuation of available-for-sale securities	-	-	-	27,274	-	-	27,274
Foreign currency translation adjustments	-	-	-	(336,556)	-	(51,344)	(387,900)
Effect of changes in subsidiaries' equity interests	-	(6,729)	-	-	(2,341)	67,062	57,992
As of December 31, 2009	2,965,833	1,303,528	5,769	171,316	1,005,936	466,896	5,919,278
As of January 1, 2010	2,965,833	1,303,528	5,769	171,316	1,005,936	466,896	5,919,278
Net income	-	-	-	-	2,647,889	8,587	2,656,476
Exercise of stock options	13	7	(7)	-	-	-	13
Exercise of conversion rights	3,177	11,301	-	-	-	-	14,478
Issuance of convertible bonds	-	131,192	-	-	-	-	131,192
Deferred income taxes recognized directly to equity	-	(29,375)	-	1,223	-	-	(28,152)
Stock-based compensation expenses	-	-	-	(2,033)	-	-	(2,033)
Loss on valuation of available-for-sale securities	-	-	-	(14,255)	-	-	(14,255)
Foreign currency translation adjustments	-	-	-	(29,752)	-	18,829	(10,923)
Effect of changes in subsidiaries' equity interests	-	(1,914)	-	-	-	(494,667)	(496,581)
As of December 31, 2010	2,969,023	1,414,739	5,762	126,499	3,653,825	(355)	8,169,493

(Unit: KRW million)

Consolidated statements of cash flows

Hynix Semiconductor Inc. and subsidiaries

Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Net income (loss)	2,656,475	(332,644)
Adjustments to reconcile net loss to net cash		
provided by (used in) operating activities:		
Provision for severance and retirement benefits	115,140	81,766
Depreciation	2,737,051	2,654,166
Depreciation of idle assets	31,977	88,354
Amortization of intangible assets	58,261	53,146
Research and development costs	114,912	138,067
Interest expense	119,123	102,027
Reversal of allowance for doubtful accounts	(71)	(1,298)
Bad debt expense - other	831	519
Gain on foreign currency translation, net	(77,636)	(252,894)
Equity in earnings of equity method investments, net	(329)	(413)
Gain on disposal of available-for-sale securities, net	(617)	(413)
Gain on disposal of property, plant and equipment, net	(21,156)	(100,083)
Loss on disposal of investment properties, net	26,704	10,447
Impairment loss on property, plant, and equipment	289	2,118
Reversal of allowance for inventories	-	(516,220)
Impairment loss on investment properties	7,390	63,604
Loss on early redemption of bonds	66,344	-
Benefit from income taxes	-	(50,303)
Loss on valuation of derivatives	14,581	2,357
Miscellaneous loss (gain), net	(8,626)	294,928
Others, net	(28,527)	(3,210)
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	267,800	(1,158,694)
Other accounts receivable	(43,157)	(13,367)
Prepaid expenses	(40,487)	(69,117)
Inventories	(210,070)	528,348
Long-term advance payments	(46,400)	(53,934)
Deferred income tax assets	31,358	-
Trade accounts and notes payable	73,054	16,384
Other accounts and notes payable	43,784	(181,581)
Advances received	35,610	297,132
Accrued expenses	196,394	(214,772)
Other long-term accounts and notes payable	38,678	(2,624)
Payments of severance and retirement benefits, net	(51,579)	(44,696)
Other current assets	(156,980)	(2,599)
Other current liabilities	(42,086)	11,860
Others, net	(277)	(5,980)
Total adjustments	3,251,283	1,673,025
Net cash provided by operating activities	5,907,758	1,340,381

(Unit: KRW million)

Consolidated statements of cash flows

Hynix Semiconductor Inc. and subsidiaries

Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from investing activities:		
Increase in short-term financial instruments, net	(640,496)	(125,394)
Decrease (increase) in long-term financial instruments, net	934	(54)
Proceeds from disposal of available-for-sale securities	441	1,070
Proceeds from disposal of investment properties	89,542	31,915
Proceeds from disposal of property, plant and equipment	38,146	278,714
Proceeds from disposal of intangible assets	-	261
Acquisition of available-for-sale securities	(9,557)	(8,083)
Acquisition of equity method investments	-	(77,969)
Acquisition of subsidiaries' equity interests	(496,604)	-
Acquisition of property, plant and equipment	(3,421,017)	(1,012,626)
Acquisition of intangible assets	(148,681)	(22,217)
Derivative transactions, net	(29,572)	(44,623)
Others, net	(92,540)	(25,415)
Net cash used in investing activities	(4,709,404)	(1,004,421)
Cash flows from financing activities:		
Proceeds from issuance of bonds	300,455	199,161
Proceeds from issuance of convertible bonds	557,018	-
Proceeds from long-term borrowings	330,015	14,114
Proceeds from paid-in capital	-	1,031,028
Proceeds from exercise of stock options	13	132
Repayment of short-term borrowings	(903,835)	(109,609)
Repayment of current portion of long-term borrowings	(948,762)	(357,162)
Repayment of long-term borrowings	(475,315)	(481,438)
Bond issuance costs	-	(1)
Stock issuance costs	(13)	-
Decrease in consolidated capital transactions	-	58,276
Net cash provided by (used in) financing activities	(1,140,424)	354,501
Net decrease in cash and cash equivalents from change of subsidiaries in consolidated financial statements	-	-
Change in cash and cash equivalents from foreign currency translation adjustments	(19,631)	(8,215)
Net increase in cash and cash equivalents	38,299	682,246
Cash and cash equivalents at the beginning of the year	1,209,110	526,864
Cash and cash equivalents at the end of the year	1,247,409	1,209,110

GRI INDEX

● Fully Reported ◗ Partly Reported ○ Not Reported   N/AP Not Applicable

Indicator Code	Name of Indicator	Core/ Addition	Details	Application Level	Page
Strategy and Analysis					
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.		CEO's Message	●	14~15
1.2	Description of key impacts, risks, and opportunities.		CEO's Message	●	15
Organization Profile					
2.1	Name of the organization.		Product & Company Introduction	●	8
2.2	Primary brands, products, and/or services.		Product & Company Introduction	●	2~7
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.		Product & Company Introduction	●	10
2.4	Location of organization's headquarters.		Product & Company Introduction	●	9~10
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability reporting.		Product & Company Introduction	●	9~10
2.6	Nature of ownership and legal form.		Corporate Governance	●	22
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).		Product & Company Introduction, Economic Performance	●	2~7, 30~31
2.8	Scale of the reporting organization.		Product & Company Introduction	●	8
2.9	Significant changes during the reporting period regarding size, structure, or ownership.		Corporate Governance	●	22
2.10	Awards received in the reporting period.		2010 Highlights, Group/Organization Membership & Awards	●	C1 (fold-out), 91
Report Parameters					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.		Our Approach to This Report	●	16
3.2	Date of most recent previous report (if any).		Our Approach to This Report	●	16
3.3	Reporting cycle (annual, biennial, etc.)		Our Approach to This Report	●	16
3.4	Contact point for questions regarding the report or its contents.		Sustainability Management Team, Business Transformation Division	●	C4
3.5	Process for defining report content.		Our Approach to This Report	●	16~19
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.		Our Approach to This Report	●	16
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).		Our Approach to This Report	●	16
3.8	Basis for reporting that can significantly affect comparability from period to period and/or between organizations.		Our Approach to This Report	●	16
3.9	Data measurement techniques and the bases of calculations.		Each indicator	●	-
3.10	Explanation of the effect of any re-statements of information provided in earlier reports and the reasons for such re-statement.		Each indicator	●	-
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods.		Each indicator	●	-
3.12	Table identifying the location of the Standard Disclosures in the report.		GRI Index	●	88~89
3.13	Policy and current practice with regard to seeking external assurance for the report.		Our Approach to This Report, Third Party Assurance Statement	●	16, 94, 95
Governance, Commitments, and Engagement					
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.		Corporate Governance	●	22~23
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.		Corporate Governance	●	22
4.3	The number of members of the highest governance body that are independent and/or non-executive members.		Corporate Governance	●	22~23
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		Corporate Governance	◗	22~23
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).		BOD status (See Hynix's website)	●	22
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.		Corporate Governance Charter and Directors' Code of Conduct	●	22
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.		Corporate Governance	●	22~23
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance.		Management policies and declarations	●	92
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance.		Corporate Governance Charter and Directors' Code of Conduct	●	21, 22
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		Corporate Governance Charter and Directors' Code of Conduct	●	21, 22
4.11	Explanation of whether and how the precautionary approach or principle is addressed.		Corporate Governance, Company-wide Risk Management, Climate Change	●	22, 32~33, 50~51

• • •

● Fully Reported ◗ Partly Reported ○ Not Reported   N/AP Not Applicable

Indicator Code	Name of Indicator	Core/ Addition	Details	Application Level	Page
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.		UN Global Compact	●	90
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations		Group/Organization Membership & Awards	●	91
4.14	List of stakeholder groups engaged by the organization.		Our Approach to This Report	●	16~18
4.15	Basis for identification and selection of stakeholders with whom to engage.		Our Approach to This Report	●	16~18
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stake-holder group.		Our Approach to This Report	●	16~18
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.		Our Approach to This Report	●	19
	Disclosure on Economic Management Approach		The Spirit of Business		27
EC01	pensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Core	Economy_Approach	●	28~29
EC02	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Core	Environment_Approach, Climate Change	●	49, 50~51
EC03	Coverage of the organization's defined benefit plan obligations.	Core	Personnel Management & Benefits	●	40
EC04	Significant financial assistance received from government.	Core	Economy_Approach	●	28
EC05	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Addition	Employees_Approach	●	37
EC06	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Core	Business Partners_Approach	◑	65
EC07	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Core	Employee Diversity and Health & Safety	◑	41
EC08	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Core	Climate Change, Minimizing Environmental Impact, Culture, Sharing with Local Communities	●	51, 57, 73, 74~75
EC09	Understanding and describing significant indirect economic impacts.	Addition	Economy_Approach	●	28~29
	Disclosure on Environmental Management Approach		Environment_Approach, Climate Change		47~49
EN01	Materials used by weight or volume.	Core	Minimizing Environmental Impact, 성과요약표	●	58, 80
EN02	Percentage of materials used that are recycled input materials.	Core	Minimizing Environmental Impact	●	58, 80
EN03	Direct energy consumption by primary energy source.	Core	Climate Change, Performance Statements	●	51~52, 80
EN04	Indirect energy consumption by primary source.	Core	Climate Change, Performance Statements	●	51~52, 80
EN05	Energy saved due to conservation and efficiency improvements.	Addition	Climate Change	●	52~53
EN06	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Addition	Eco-friendly Products	●	59~61
EN07	Initiatives to reduce indirect energy consumption and reductions achieved.	Addition	Climate Change	●	52~53
EN08	Total water withdrawal by source.	Core	Minimizing Environmental Impact, Performance Statements	●	54, 80
EN09	Water sources significantly affected by withdrawal of water.	Addition	Minimizing Environmental Impact	●	54
EN10	Percentage and total volume of water recycled and reused.	Addition	Minimizing Environmental Impact, Performance Statements	●	54, 80
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Core	No application	N/AP	–
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Core	No application	N/AP	–
EN13	Habitats protected or restored.	Addition	No application	N/AP	–
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Addition	Minimizing Environmental Impact	●	54, 56
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Addition	No application	N/AP	–
EN16	Total direct and indirect greenhouse gas emissions by weight.	Core	Climate Change, Performance Statements, Greenhouse Gas Inventory Report	●	51, 80, 93
EN17	Other relevant indirect greenhouse gas emissions by weight.	Core	Climate Change, Greenhouse Gas Inventory Report	●	50, 93
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Addition	Environment_Approach, Climate Change	●	49, 52
EN19	Emissions of ozone-depleting substances by weight.	Core	Minimizing Environmental Impact	◑	55
EN20	NOx, SOx, and other significant air emissions by type and weight.	Core	Minimizing Environmental Impact	●	55~57
EN21	Total water discharge by quality and destination.	Core	Minimizing Environmental Impact	●	54~56
EN22	Total weight of waste by type and disposal method.	Core	Minimizing Environmental Impact	●	56~57
EN23	Total number and volume of significant spills.	Core	No significant spills in 2010	●	–
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Addition	No waste transported overseas	N/AP	–
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Addition	Minimizing Environmental Impact	●	54
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Core	Eco-friendly Products	●	59~62
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Core	Minimizing Environmental Impact	●	58

Indicator Code	Name of Indicator	Core/ Addition	Details	Applica-tion Level	Page
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Core	No violations of environmental laws and regulations in 2010	●	-
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Addition	Climate Change	●	50
EN30	Total environmental protection expenditures and investments by type.	Addition	Performance Statements	●	80
	Disclosure on Social Management Approach: Labor Practices and Decent Work		Employees_Approach		36~37
LA01	Total workforce by employment type, employment contract, and region.	Core	Employee Diversity and Health & Safety, Performance Statements	●	41, 79
LA02	Total number and rate of employee turnover by age group, gender, and region.	Core	Employee Diversity and Health & Safety, Performance Statements	◑	42, 79
LA03	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Addition	Personnel Management & Benefits	●	40
LA04	Percentage of employees covered by collective bargaining agreements.	Core	Employee Communication	●	38
LA05	Minimum notice period(s) regarding operational changes.	Addition	Employee Communication	●	38
LA06	Percentage of total workforce represented in formal joint management-worker health and safety committees.	Addition	Employee Diversity and Health & Safety	●	42
LA07	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Core	Employee Diversity and Health & Safety, Performance Statements	●	42, 80
LA08	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Core	Employee Diversity and Health & Safety,, Sharing with Local Communities	●	41~43, 74~75
LA09	Health and safety topics covered in formal agreements with trade unions.	Addition	Employee Diversity and Health & Safety	◑	42
LA10	Average hours of training per year per employee by employee category.	Core	Training & Career Development, Performance Statements	●	44, 79
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Addition	Training & Career Development	◑	44~45
LA12	Percentage of employees receiving regular performance and career development reviews.	Addition	Employees_Approach	●	37
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Core	BOD Status (See Hynix's website and annual report)	●	22
LA14	Ratio of basic salary of men to women by employee category.	Core	Employees_Approach	●	37
	Disclosure on Social Management Approach: Human Rights s		Ethics Management		24~25
HR01	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Core	There were no major investment agreements that separately included this indicator.	●	-
HR02	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Core	Green Partnership Activities	●	67
HR03	Total hours of employee training on policies and procedures concerning aspects of human rights.	Addition	Ethics Management	●	24
HR04	Total number of incidents of discrimination and actions taken.	Core	No violations concerning discrimination in 2010	●	-
HR05	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Core	Employee Communication	●	38
HR06	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Core	Ethics Management	●	24
HR07	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Addition	Ethics Management	●	24
HR08	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Addition	Ethics Management	●	24
HR09	Total number of incidents of violations involving rights of indigenous people and actions taken.	Addition	No violations involving rights of indigenous people in 2010	●	-
	Disclosure on Social Management Approach: Society		Ethics Management, Environment/Local Communities_Approach		24, 48, 70
SO01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities.	Core	Local Communities_Approach, Eco-friendly Products	●	70~71, 59~60
SO02	Percentage and total number of business units analyzed for risks related to corruption.	Core	No application	N/AP	-
SO03	Percentage of employees trained in organization's anti-corruption policies and procedures.	Core	Ethics Management	●	24
SO04	Actions taken in response to incidents of corruption.	Core	Management Policies and Declarations	◑	92
SO05	Public policy positions and participation in public policy development and lobbying.	Core	CEO's Message, Climate Change, Green Partnership Activities	●	15, 50~53, 66~67
SO06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Addition	No contributions to political parties and politicians in 2010	●	-
SO07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Addition	No anti-competitive behavior and monopoly practices in 2010	●	-
SO08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Core	No anti-competitive behavior and monopoly practices in 2010	●	-

· · ·

Indicator Code	Name of Indicator	Core/ Addition	Details	Application Level	Page
	Disclosure on Social Management Approach: Product Responsibility		Product & Company Introduction, Eco-friendly Products		2~7, 59~62
PR01	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Core	Eco-friendly Products	●	59
PR02	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Addition	No violations of laws and regulations concerning products in 2010	●	–
PR03	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Core	Eco-friendly Products, Green Partnership Activities	●	62, 67
PR04	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Addition	No violations of regulations concerning product info and labeling in 2010	●	–
PR05	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Addition	Performance Statements	●	78
PR06	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Core	Our Approach to This Report	◑	17
PR07	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Addition	No violations concerning marketing in 2010	●	–
PR08	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Addition	No violations concerning privacy in 2010	●	–
PR09	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Core	No violations concerning the provision of products and services in 2010	●	–

*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, Samjong KPMG that inspected this report confirmed that it should be categorized as A⁺ according to the G3 Guideline application levels.

UN GLOBAL COMPACT

Category	Principles	Relevant Regulations and Directions	GRI	Page
Human rights	1. We support and respect the protection of internationally proclaimed human rights.	·Declaration of Ethics Management	HR1/HR2/HR3/HR4/HR5/HR6/ HR7/HR8/HR9	24~25, 38, 67
		·Code of Conduct, chapter 3: Employee respect	HR1/HR2/HR8	24, 67
	2. We ensure employees are not complicit in the abuses of human rights.	·Electronics Industry Code of Conduct		
		·Terms of Purchase Contract		
Labor	3. We uphold freedom of association and effectively recognize the right to collective bargaining.	·Collective Agreement, Article 1 [The only negotiating body]	HR5/LA4/LA5	38
		·Collective Agreement, Article 6 [Guaranteeing union activities]		
	4. We uphold the elimination of all forms of forced and compulsory labor.	·Employment Rules 3: Work	HR7	24
		·Collective Agreement, Article 4 [Work hours/days off/holidays]		
	5. We uphold the effective abolition of child labor.	·Employment Rules 1: Hiring	HR6	24
		·Hiring Regulations 5: Limitations on hiring		
	6. We uphold the elimination of discrimination in respect of employment and occupation.	·Code of Conduct, chapter 3: Fair treatment	HR4/LA2/LA10/LA13/LA14	42, 37
		·Hiring Regulations 4: Hiring principles		
Environment	7. We support a precautionary approach to environmental challenges.	·Code of Conduct, chapter 6: Eco-friendly management	4.11	50~51
		·Environment·Safety·Health regulations		
	8. We undertake initiatives to promote greater environmental responsibility.	·Code of Conduct, chapter 6: Eco-friendly management	EN5/EN6/EN7/EN10/EN14/EN18/EN21/EN22/ EN26/EN27/EN30	52~62
		·Environment·Safety·Health regulations		
	9. We encourage the development and proliferation of environmentally-friendly technologies.	·Code of Conduct, chapter 6: Eco-friendly Management	EN2/EN5/EN6/EN7/EN10/EN18 /EN26/EN27/ EN30	58~62
		·Environment·Safety·Health regulations		
Anti-corruption	10. We work against corruption in all its forms, including extortion and bribery.	·Declaration of Ethics Management	SO2/SO3/SO4	24~25
		·Declaration of Fair Trade Compliance		
		·Code of Conduct, chapter 4: Fair work performance		
		·Code of Conduct, chapter 5: Partner companies		
		·Code of Conduct, Operation Regulations		

GROUP/ORGANIZATION MEMBERSHIP & AWARDS

Group/Organization Membership

Korea Fire Safety Association, Korea Electric Engineers Association, Korea Industrial Safety Association, Korea Association of Occupational Health Nurses, Korea International Trade Association, Korea Semiconductor Industry Association, Fair Competition Federation, The Federation of Korean Industries, The Korean Association for Industrial Technology Security, World Futures Forum, Korea Listed Companies Association, Korea IR Service, The Green Company Council, WSTS, Korea Employers Federation, Ministry of Knowledge Economy's National Emergency Planning Commission, BEST Forum: Business Ethics and Sustainability management for Top performance (The Institute for Industrial Policy Studies), UNGC (UN Global Compact) Korea Network, Korea Exim Bank, Korea Invention Promotion Association, Korea Industrial Technology Association, RosettaNet Korea, JEDEC, SDA, SiWEDS, Consortium of Semiconductor Advanced Research (COSAR), IMAPS, MIPI, The Institute of Electronics Engineers of Korea, The Institute of Semiconductor Test of Korea, GSA, VCCI, SATA-IO, MATRIZ, Korea Radioisotope Association , Korea Chemicals Management Association, Chemical Substance Emission Reduction Metropolitan Seoul Area Subcommittee, Korea Integrated Logistics Association (KILA), Korea AEO Promotion Association, Korean Society of Supply Chain Management, Korea Forum of Chief Information Officers, Korean Standards Association (KSA)

2010 Awards from Outside Organizations

Company Awards

Date	Awards & Recognitions	Title	Organization
June 12, 2010	One Company-One Cultural Asset Protection Awards	Cultural Heritage Administrator's Award	Cultural Heritage Administration
June 30, 2010	2010 Good Corporate Governance Awards		Korea Exchange, Korea Corporate Governance Service (KCGS)
Sept. 3, 2010	Jang Young Shil Awards	Minister's Citation	Ministry of Education, Science and Technology, Korea Industrial Technology Association
Sept. 3, 2010	National Productivity Awards	Excellent Company in Productivity Improvement	Ministry of Knowledge Economy, Korea Productivity Center
Oct. 20, 2010	Carbon Management Global Leaders Club		CDP Korea Committee
Nov. 4, 2010	No. 1 in Corporate Governance among Korean companies		Asian Corporate Governance Association, CLSA Asia-Pacific Market
Nov. 17, 2010	Family Friendly Business Awards		Ministry of Health & Welfare
Dec. 9, 2010	Korea Technology Awards	Minister's Citation	Ministry of Knowledge Economy, Korea Institute for Advanced Technology
Dec. 9,2010	Certification for Healthy Labor-Management Relations & Excellent Administrative Agency	Presidential Citation	Ministry of Public Administration and Security
Dec. 15, 2010	Hankyoreh Social Responsibility Awards		Hankyoreh Economic Research Institute
Dec. 29, 2010	Job Creation Supporter Awards	Presidential Citation	Ministry of Employment and Labor
Feb. 16, 2011	Management Transparency Awards		Five major Korean economic organizations

Individual Awards

Date	Awards & Recognitions	Title (Recipient)	Organization
Apr. 21, 2010	Man of Merit at the 43rd Science Day	Prime Minister's Citation (Son Soo-Ik, VP) Minister's Citation (Choi Bong-Ho, Director)	Ministry of Education, Science and Technology
May 19, 2010	Man of Merit for Small & Medium Business	SME Administrator's Award	Ministry of Knowledge Economy, Small & Medium Business Administration
May 19, 2010	46th Annual Invention Day	Bronze Tower Order of Industrial Service Merit (Park Sung-Wook, Vice President)	Korean Intellectual Property Office
Oct. 12, 2010	Man of Merit on Electronics & IT Day	Minister's Citation (Yoon Kun-Sang, VP)	Ministry of Knowledge Economy, Korea Electronics Association
Oct. 29, 2010	Man of Merit on Semiconductors Day	Industrial Service Medal (Kim Dong-Gyun, Senior VP), Minister's Citation (Lee Seok-Kiu, VP), Minister's Citation (Kim Dae-Young, Director)	Ministry of Knowledge Economy, Korea Semiconductor Industry Association
Nov. 23, 2010	National Quality Awards	Prime Minister's Citation (Lee Jong-Su, Director)	Korean Agency for Technology and Standards, Korea Standards Association
Nov. 30, 2010	Man of Merit on Trade Day	Tin Tower Order of Industrial Service Merit (Kim Ji-Bum, Senior VP) Minister's Citation (Choi Jong-Young, Engineer)	Ministry of Knowledge Economy, Korea International Trade Association
Dec. 7, 2010	Corporate Cooperation Awards	Minister's Citation (Kim Jong-Shin, Director)	Ministry of Knowledge Economy, FKI Center for Large and Small Business Association
Dec. 9, 2010	Korea Technology Awards	Prime Minister's Citation (Yang Ye-Seok, VP)	Ministry of Knowledge Economy, Korea Industrial Technology Association
Dec. 14, 2010	Parts & Materials Tech Awards	Minister's Citation (Kim Chang-Reol, VP)	Ministry of Knowledge Economy, Korea Industrial Technology Association

MANGEMENT POLICIES AND DECLARATION

Ethics Management

We, Hynix Semiconductor Inc., recognizing the current need for ethical management, hereby declare our intent to create a transparent and clean corporate culture that performs work in ethical and lawful ways, establishes fair trade, and fulfills all social responsibilities.

- 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 Best Memory Solution Provider 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 antitrust practices 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.

Quality Management

In our pursuit to become the Best Memory Solution Provider in the world, Hynix Semiconductor, Inc. is dedicated to providing the highest quality products to all our customers. Within the framework of our four management principles, we strive to provide the best products to our customers through continuous improvement of quality and competitiveness. To achieve the ultimate goal of being a Long-lasting Great Company, we at Hynix are committed to advancing the following policy and customer satisfaction initiatives.

- Focus on Customer Quality: To understand and meet current and future customer needs, and provide products that exceed customer expectations.
- Secure Future Quality: To reinforce long-term quality competence, competitiveness, and secure quality leadership.
- Strengthen Internal Quality: To continually improve our performance across the entire process, from R&D to sales, by advancing

  the quality management system.
- Enhance Collaboration: To enhance collaboration with customers, subcontractors, and all other parties involved to achieve mutual prosperity

  and satisfaction.

ESH (Environment, Safety and Health) Policy

Hynix considers the environment, safety and health the most important factors in the management decision-making process, and pursues sustainable development by improving qualitative standards to do with the environment, safety and health through our accumulated experience and technology know-how. As a company that maintains a close relationship with its surrounding community, our goal at Hynix is to be the top ESH Company in the world.

- 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 significantly improving the environment, safety and health by conducting life cycle assessments from the purchasing stage.
- Developing eco-friendly products and conserving resources, recycling waste 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 prevention, and promote a safe and comfortable workplace.
- Participating in environment, safety and health improvement activities with the community by recognizing social responsibility.

  In order to carry out our goals effectively, establish, implement and periodically evaluate environment, safety and health objectives to achieve this

  policy and practice transparent management by publishing the evaluation results.

GREENHOUSE GAS INVENTORY REPORT

Entity

Hynix Semiconductor Inc.

Address

136-1, Ami- RiBubal-eubIcheon- si
Kyoungki- do, Korea
1 , Hyangjeong-dong, Hungduk-gu,
cheonngju-si, Chungbuk, Korea
891, Daechi-dong, Kangnam-gu, Seoul, Korea

Period

1 Jan 2010 ~ 31 Dec 2010

Emissions

2,581,466 tCO_2-eq

Year	Scope1(tCO_2-eq)	Scope2(tCO_2-eq)
2010	1,091,696	1,489,770

*SCOPE3 : 335,807 TCO2-EQ(ADDITIONAL)

We hereby certify that all GHG emissions as reported above
are accurate, transparent, and reliable.

21 Mar 2011
KEMCO GHG CERTIFICATION OFFICE

GHG Inventory Verification Statement

No.: 2011-GIV-001

Entity : Hynix Semiconductor Inc.
Address : 136-1, Ami-Ri Bubal-eub Icheon-si
Kyoungki-do, Korea
1, Hyangjeong-dong, Hungduk-gu,
cheonngju-si, Chungbuk, Korea
891, Daechi-dong, Kangnam-gu, Seoul, Korea

Period : 1 Jan 2010 ~ 31 Dec 2010
Emissions : 2,581,466 tCO_2-eq

We hereby certify that all GHG
emissions as reported above
are accurate, transparent, and
reliable.

Date: 21 Mar 2011

KEMCO GHG CERTIFICATION OFFICE

INDEPENDENT ASSURANCE REPORT

We were engaged by Hynix Semiconductor Inc., ('Hynix') to provide assurance on the information presented in the 2011 Sustainability Report ('the Report'). Hynix is responsible for preparing the Report, including the identification of stakeholders and material issues. Our responsibility is to provide an opinion on the Report.

Context and scope

Our engagement was designed to provide limited assurance on whether:

1. Hynix has applied the "AA1000 AccountAbility Principles Standard (2008)";
2. The information in the Report is fairly stated in all material respects, based on the reporting criteria set out on "Our Approach to This Report" (The Green House Gas Emissions verified separately).

The scope of our engagement conforms to the requirements of a Type 2 assurance engagement as set out in the AA1000AS (2008) of AccountAbility, including the aspect of "reliability".

With regard to the financial data included in the key figures on page 28~31, our procedures were limited to verifying that they were correctly derived from Hynix's audited financial statements. To obtain a thorough understanding of Hynix's financial results and financial position, the audited financial statements of Hynix for the year ended 31 December 2010 should be consulted.

Criteria

Hynix applies the criteria set out in the AA1000APS (2008) for the three principles of inclusivity, materiality and responsiveness.
In preparing the report, Hynix applies the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative as set out on "Our Approach to This Report".

Assurance standards

We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE 3000): *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board, and with the Account-Ability 'AA1000 Assurance Standard (2008)'.
Readers should note that limited assurance in ISAE 3000 is consistent with a moderate level of assurance as defined by AA1000AS (2008).
Among other things, these standards contain requirements regarding the independence and competency of the assurance team.
Independence, impartiality and competence
We conducted our engagement in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants which requires, among others, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client, including not being involved in writing the Report. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence, due care, confidentiality and professional behavior. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.
We conducted our engagement with a multidisciplinary team including specialists in AA1000APS/AS, stakeholder engagement, auditing, environmental, social and financial aspects, with experience in similar engagements in the sector.

Work undertaken

Our work included the following activities:

- An evaluation of the results of Hynix's stakeholder consultation processes
- An evaluation of Hynix's processes for determining the material issues for key stakeholder groups
- A media analysis and an internet search for references to Hynix during the reporting period
- Interviews with a selection of Hynix senior managers and key stakeholders to understand the current status of sustainability activities and progress made during the reporting period
- An evaluation of the design, existence and operation of the systems and methods used to collect and process the information reported, including the aggregation of data into information as presented in the Report
- Reviewing the internal documentation and intranet sources
- With regard to the financial data included in the key figures on page 28~31, verifying that they were correctly derived from Hynix's 2010 audited financial statements

During our investigation, we discussed the necessary changes to the Report with Hynix and verified that these changes were adequately incorporated into the final version.

Conclusions

- On the AA1000APS principles of Inclusivity, Materiality and Responsiveness:
- In relation to the principle of inclusivity:
  We are not aware of any key stakeholder groups which have been excluded from dialogue in the Report.
- In relation to the principle of materiality:
  Nothing has come to our attention that causes us to believe that management has not applied its processes for determining material issues to be included in the Report.
  We are not aware of any material aspects concerning its sustainability performance which have been excluded from the Report.
- In relation to the principle of responsiveness:
  With the exception of the issues highlighted in the Report in relation to materiality, we are not aware of any additional issues of stakeholder interest that are not currently being managed by Hynix.
- On the content of the Report:
  Based on the above work, we conclude that the information in the Report does not appear to be unfairly stated.

Comments

Without prejudice to our conclusions presented above, we believe the following matters require attention:
- In order to maximize effective sustainability management, it is critical to set and achieve strategic goals in medium and long term. There is a need for Hynix to establish and develop sustainability strategies.
- In order to improve sustainability management level, it is extremely important to aggregate the information and to manage key performances. There is a need for Hynix to improve the sustainability performance management system.
- We recommend Hynix to make clear in the sustainability report over which subsidiaries it exercises managerial rights, include the performance for these subsidiaries and report the issue related to supply-chain in the scope of the sustainability performance of Hynix.

We have discussed our observations regarding the reporting process and reported outside the scope of our assignment with Hynix management. They were receptive to our comments.

Lee, Keun Mo
Managing Partner
Samjong KPMG Advisory Inc.
Seoul, May 2011

GREAT SPIRIT,
GREAT POSSIBILITY

A way of sustainability management that we have brought about and shared with everyone...
Today, Hynix's great spirit dreams of a brighter future in which everyone around the world is happy.
We are making that dream a reality at Hynix.

FSC

CONTAINS SOYOIL

GOOD MEMORY

GREAT SPIRIT

hynix

Hynix 2011 Sustainability Report

Hynix 2011 Sustainability Report

San 136-1, Ami-ri, Bubal-eub, Icheon-si, Gyeonggi-do, Korea
Business Transformation Division's SM Team
–
tel: +82-31-630-3911
fax: +82-31-645-8033
-
sustainability@hynix.com
www.hynix.com

Good memory