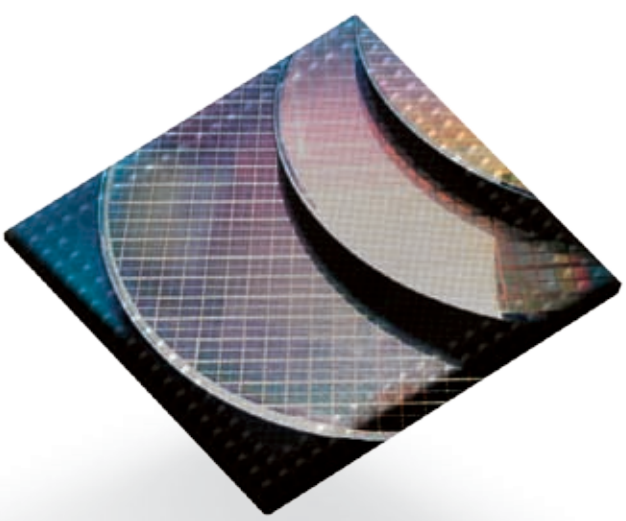
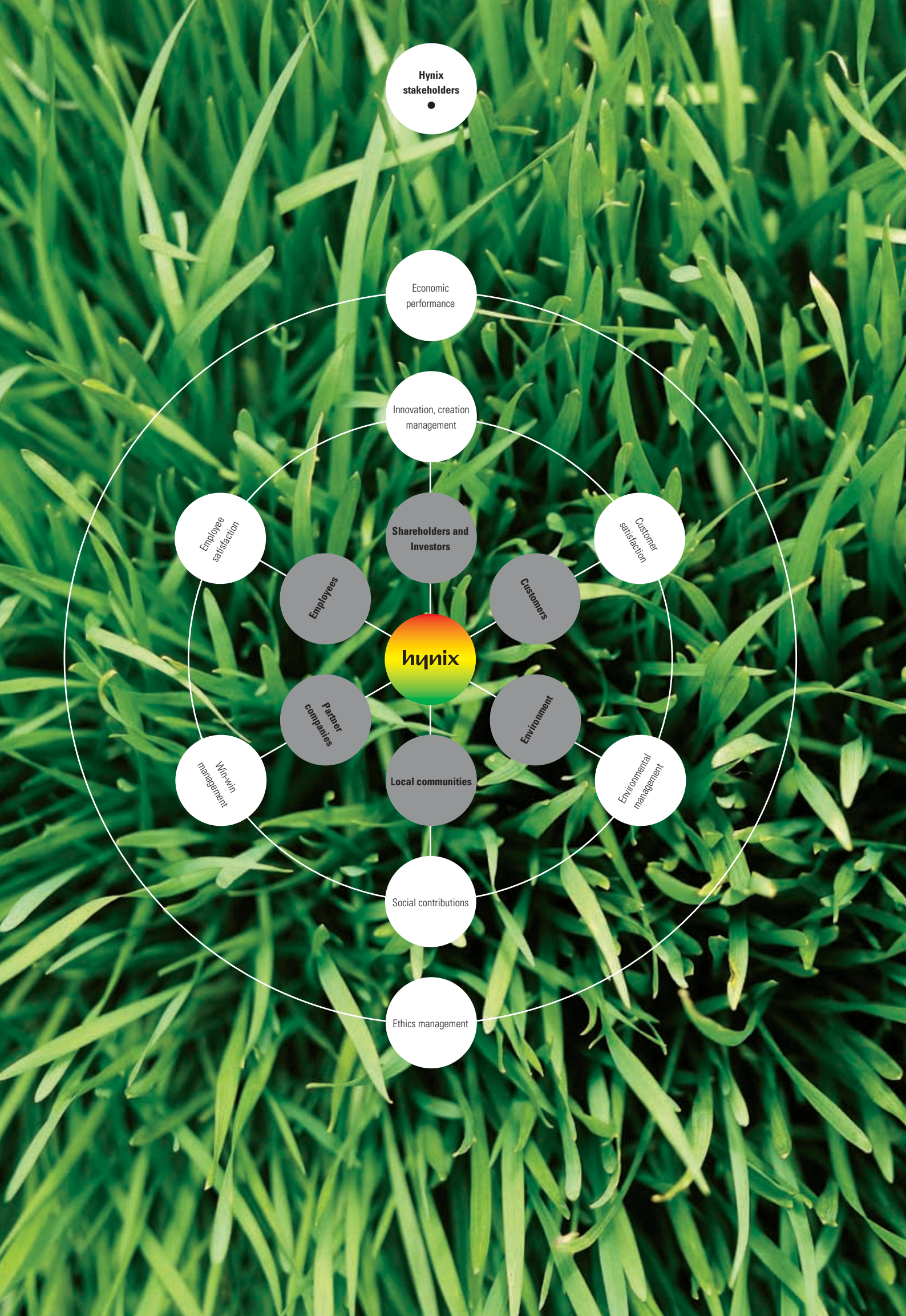
hynix 2008

Sustainability Report

Good Memory



hynix Good memory


Hynix stakeholders
Economic performance
Innovation, creation management
Employee satisfaction
Customer satisfaction
Shareholders and Investors
Employees
Customers
Hynix
Partner companies
Environment
Win-win management
Local communities
Environmental management
Social contributions
Ethics management

Information on the report

- **GRI G3 Guideline application level**
  Hynix Semiconductor is publicly announcing that this sustainability report has been created in the direction of satisfying all requirements of Level A+, among the GRI G3 report application level indicators. The third-party organization that inspected this report confirmed that it should be categorized as "A+" according to the G3 Guideline application levels.

- **Characteristics of the report**
  This first sustainability report of Hynix provides information on the company's economic, social, ethical, and environmental performance as well as its Innovation and creation management performance. This report was validated by a third party for credibility, and the results included in the appendix. The sustainability report, which is issued in both Korean and English, can be downloaded from the company's website. In addition, a document that summarizes the sustainability report has been issued so that readers can view key information on performance in brief.

- **Standards used to create the report**
  This report was created based on the Global Reporting Initiative (GRI) G3 and B.E.S.T Guidelines. Hynix reported that this report satisfies the requirements of Level A+, of the application levels of the GRI G3 Guidelines, and requested the GRI Secretariat to review the document. The results have been written on the logo in the bottom.

- **Scope and period of the report**
  The company's performance from January 2005 to December 2007 is reported sequentially. In the case where it was not possible to collect data, the reason for the missing data was explained. When there was a need to report meaningful activities or performance before 2005 or in 2008, such information was also included. The units of currency adopted in this report are the Korean won (₩) and the US dollar ($). For measurements or weight, such units as the ton, TOE, MMTCE, TC, m^2, m^3, cm^2, g, Inch, nm, and MWh were used. Other units used were described next to the corresponding figures. The sustainability management performance stated in this report applies to the headquarters and domestic business sites. It does, however, include some activities of overseas business sites as well. Reports issued in the future are expected to include the performance of all overseas business sites. Hynix is planning to meet our stakeholders' expectations by issuing a sustainability report every year.

- **Additional information on the report**
  If you need any additional information about this report or have questions, please contact us at the following.

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Department	SM Team, Internal Audit & Consulting Office

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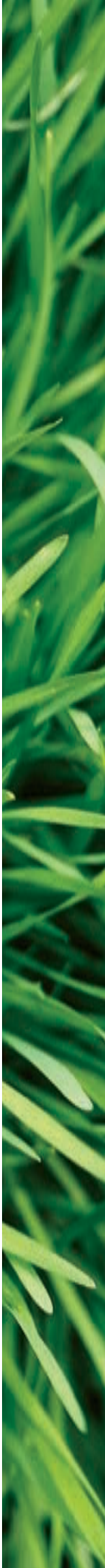
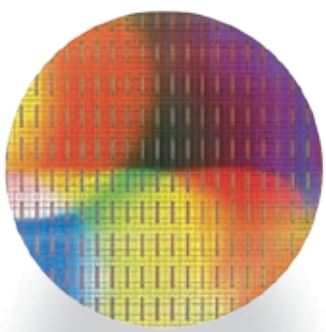


From
the multicolored
memories
of a varied past
to the color
of quality,

Hynix Memory
is going
green for
an eco-friendly
future!



Here at Hynix, where
the memories of the
past are held in harmony
with the memory of
the future, we
manufacture memory
with a difference,
a difference in quality
and sustainability,
a green difference.

Dream
of
becoming
the best.

A
global
semiconductor
company,

Hynix
is
realizing
its
dreams!

Dreaming of a green future where technology works in harmony with the world, of a world open to endless possibilities, where our generation and future generations prosper in accord with nature, Hynix Semiconductor is making this amazing world possible. A mechanism of memory where dreams become reality – Hynix is at the center of this mechanism.

Faithfully fulfilling its social responsibilities for the satisfaction of its stakeholders, Hynix is seeking to become the world's top semiconductor company by continually growing as a responsible and sustainable entity. Hynix has defined knowledge, customer, ethical, and environmental management as its management policies and is aiming to enhance corporate value by strategically executing these policies.

The eco-mark, a symbol of Environmental management, has as its motif the rebirth of nature, combining the images of a sprout and green wings.

The eco-mark is attached to products that stringently comply with Eco-friendly product standards. It embodies the will of Hynix to render service to the nation and customers as well as the strong sense of responsibility among employees who regard the environment as part of themselves.

This strong
commitment is
made by Hynix
to protect
the rights of
human beings
to live in
a better world
with cleaner
environment.

Communicating
with
Nature

Being
Eco-friendly!

Developing
eco-friendly
products
to
protect
the environment!

At
the forefront
of
technology,

Demonstrating
leadership!

Enriching
the
world
through
four
management
policies!

Hynix has defined leading technologies and products, a transparent and clean corporation, maximization of customer value, and a clean natural environment as its management policies and intends to realize them through sustainability management.

Hynix will take a step closer to becoming the world's top semiconductor company based on a sustainability management structure of a global standard.

It will remain in the memories of its customers and stakeholders as a sustainable company that makes the world an affluent place to live in.

Dear Stakeholders,

Thanks to your warm interest and concern, Hynix was ranked as No. 6 in the global semiconductor industry and No. 2 in the memory semiconductor sector in 2007. Having grown into a global semiconductor company that exports to 50 nations across the globe, including the US, EU, and Asia, Hynix will not be satisfied with what it has achieved. In March 2007, Hynix declared "the second founding," with the aim of growing into one of the top three semiconductor companies in the world by 2010. We at Hynix are making strenuous efforts to achieve the company's management vision, which is to become the "world's top semiconductor company."

However, the global memory semiconductor industry experienced stagnation due to excessive supply, resulting from heated competition to expand facilities. Hynix had no choice but to be satisfied with results that did not meet our initial goals. However, Hynix was able to make some noticeable achievements, as a result of continuous efforts despite the stagnation. In August 2007, wafer production exceeded 1 million units per month for the first time, based on equivalent to the 8-inch wafers. The company also posted an annual sales performance of around 8.4 trillion won, thereby achieving a high annual growth rate of 11.42 percent.

Dreaming of a sustainable Hynix

Enduring the next hundred years

Establish a sustainability management structure Despite difficult conditions, Hynix launched the Sustainability management Committee and created a dedicated organization in 2007, with the aim of establishing a foundation for sustainability management, which is the 21st century's new paradigm of corporate management. The Hynix 2008 Sustainability report, which is the first to be issued in the domestic semiconductor industry, is the result of such efforts. It revisited Hynix's corporate management activities from the following perspectives:

Making economic achievements Pursuing profits is a basic requirement of sustainability management. Hynix will boost profitability by developing new products in a timely manner and securing the ability to engage in rapid production. The company will also focus on strengthening R&D capabilities, developing experts, and effectively allocating resources to generate new growth engines for the future.

Fulfilling social responsibilities Hynix will establish more effective policies to satisfy its customers and employees and for win-win cooperation with partner companies. It will more systematically

support socially-neglected neighbors by overhauling the organization that carries out social contribution activities, develop local experts, and strengthen industry-academia cooperation.

Making ethics management all pervasive Ethics management is a management philosophy of Hynix. The ethical mindsets of employees are an intangible risk control system that can prevent potential losses. Hynix will ensure that ethics management becomes more than just a catchphrase, penetrating deep into the organization through a systematic monitoring process.

Strengthening environmental management Hynix has become the first in Korea to adopt an external environment monitoring system and carry out environmental impact evaluations on business sites. The company became a member of the Voluntary Agreement (VA) with the Ministry of Knowledge Economy to reduce greenhouse gas emissions and became the first in the global semiconductor industry to launch the Clean Development Mechanism (CDM) project. Moving forward, Hynix will transparently disclose environmental management achievements through the sustainability report.

Some may think of memory semiconductors as nothing more than "cold" electronic parts. However, they transform into "receptive" products that embody "Good Memory" as they become used by customers. Hynix will make sure that its sustainability report develops into a communication channel used to share "Good Memory" with all stakeholders, and as a means to promote organizational change and innovation.

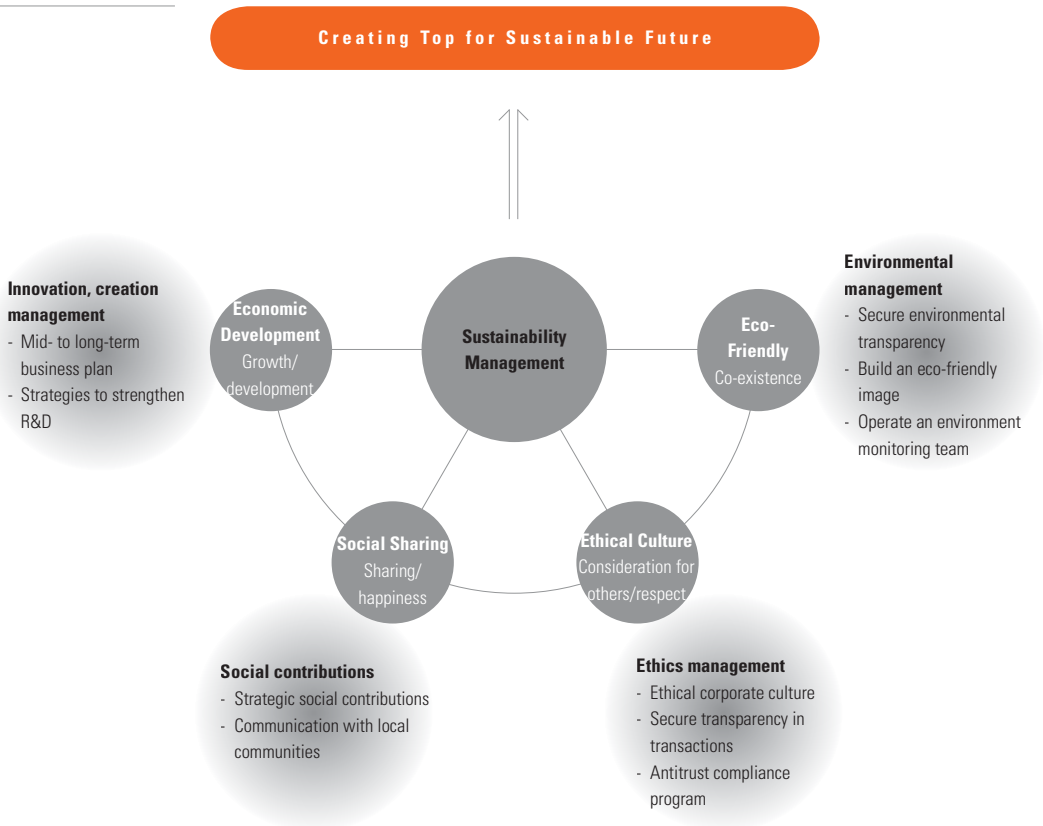
I ask for your continued interest and encouragement so that Hynix can develop into a company that remains sustainable for the next 100 years. Thank you.

April 2008

Chairman and CEO Jong Kap KIM

Enhancing the brand value of Hynix through sustainability management

Efforts for a sustainable future



Roadmap of Sustainability management

Enhance the value and the image of the corporate brand by building a global-level sustainability management structure

Strategies and goals of sustainability management implementation

Hynix has created a roadmap to maximize the company's brand value through the establishment of a global sustainability management system. As an initial step, the company became the first in the domestic semiconductor industry to issue the Sustainability report, with the aim of establishing a foundation for sustainability management. In so doing, the company will be able to present its mid to long-term business model, lay the foundation for making social contributions, develop a high sense of ethics, build an environmental regulation system, and actively respond to such regulations.

As its next step, the company aims to improve its market value and become a part of the DJSI*, for growth and development. By achieving this goal, the company will acquire leading memory technologies and promote contributions to local society. In addition, the company will establish an ethical culture and an Eco-friendly image.

As its final step, the company aims to become a "sustainability leader." This translates into Hynix becoming one of the world's top three semiconductor companies through business diversification and fulfilling its roles as an ethical corporation through social contribution activities.

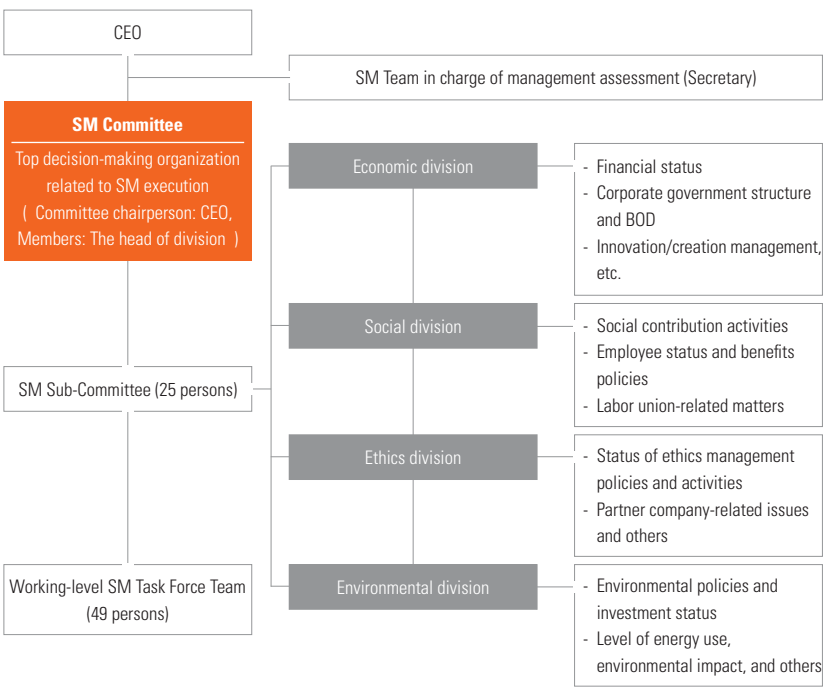
Adoption of a sustainability management structure

Hynix adopted a sustainability management structure that comprehensively considers financial profitability, social responsibilities, ethical transparency, and environmental soundness and that embodies the CEO's strong will towards sustainability management of "Dreaming of a Hynix that will remain sustainable for the next hundred years." Hynix created a dedicated organization for sustainability management (the Sustainability management Team), and formed the Sustainability management Committee, which is chaired by the CEO, as the top decision-making organization for sustainability management.

Formation of the SM Committee and its roles**

The SM Committee of Hynix is a committee established to discuss sustainability management policies and directions and share implementation methods. The committee draws up, evaluates, and executes sustainability management strategies in connection with each business headquarters' strategies. It also aims to secure the ability to put sustainability management into action and to issue reports based on global standards. The committee established the company's policies and principles after going through certain processes. First establishing a long-term vision and execution strategy in relation to maintaining leadership in management activities, after which quantitative and qualitative evaluations were carried out on key responsibilities from economic, social, ethical, and environmental perspectives. By so doing, the committee is building a comprehensive execution structure and process for sustainability management.

Top First SM Committee meeting ('07)
Bottom Kick-off Meeting of the SM Sub-Committee



Activities of the SM Committee

In May 2007, the SM Team was created as an implementation organization, and the SM Sub-Committee was formed, followed by the establishment of a mid to long-term roadmap for sustainability management. The SM Committee is an organization for the implementation of SM directives aimed at making Hynix the "world's top semiconductor company." It consists of members who occupy a head of division or higher job position. The committee held a workshop on sustainability management and shared its plan on building a sustainability management infrastructure. In September 2007, the committee opened a working-level community site on sustainability management as well as a sustainability management site as part of the company's website. The committee is thus making efforts to share and disseminate information on sustainability management.

* **DJSI (Dow Jones Sustainability Indexes)** These indexes were developed by Dow Jones and SAM, a sustainable management evaluation organization. Around 300 outstanding companies were chosen, among roughly 2,500 large corporations that represent 59 different industries in 34 nations around the world. Their stock prices and dividend yields were made into indexes.

** **SM** Sustainability Management

Maintaining a flexible relationship with stakeholders, including the local community and the environment itself

Definition and participation of stakeholders

The key stakeholders of Hynix are those who have an impact on the company's management activities. They were chosen in consideration of mutual interests and transactional relationships. Hynix is carrying out sustainability management, together with its stakeholders, collecting their opinions and reflecting them into overall management activities, and making efforts to meet stakeholders' expectations.

Definition of stakeholders

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

Investors/shareholders Investors refer to all individuals and institutions that have made capital investments into the company. Shareholders refer to the parties actually owning the company. They refer to members of the general stockholders' meeting, which is the top decision-making organization of the company.

Employees Employees are internal stakeholders of Hynix. Internal stakeholders comprise the executives, technical office workers, and full-time workers.

Partner companies Partner companies refer to around 1,400 companies with which Hynix has concluded contracts and is doing business within the field of construction, outsourcing, parts, raw and subsidiary materials, facilities, and general affairs.

Local communities The geographical scope of local communities is defined as the regions where domestic business and where Hynix carries out business activities sites are located. They include citizens, NGOs, universities, and government and public agencies in such regions.

Main communication channels

Category	Activities	Details
Customers	QBR (Quarterly Business Review)	Evaluate customer satisfaction in relation to TQRDC (Technology Quality Responsiveness Delivery Cost)
	QTR (Quarterly Technology Review)	Quarterly meeting held with key customers in relation to future products and technologies
	CCK (Customer Care Kit)	Customer Q&A on the website
Shareholders /investors	Investor Relations event	Presentation for earnings every quarter
	Disclosure	Disclosure made through the website
	Due diligence for credit rating	Monitoring and cooperation for various requests of credit rating agencies
Employees	CEO meeting	Collect information on difficulties faced by employees and implement solutions
	Assessment of satisfaction levels	Held once a year, dealing with issues in HR and ethics management
	Labor-management council	Form a three-layered council – field-oriented, business site-level, and domestic (Icheon, Cheongju) layer – and operate an industrial safety and health committee
	Management presentation	Share management information (Once a quarter)
	System of handling complaints	Services provided by visiting the employees; "Support 1004" (Call center for handling complaints)
Partner companies	HEINET (Hynix e-Procurement Infra Network)	A regular (web) channel for partner company communication
	Partner's Day	Share technology roadmaps with partner companies and promote cooperation
	Meeting with CEOs of partner companies	Collect opinions on what partner companies expect and what difficulties they are facing, and incorporate their opinions Provide information on the status of partner companies and introduce new products
	General assembly of the Hynix Council	Share information on the management status with council member companies (once a year)
Local communities	Cooperation	Sisterhood ties and volunteer activities
Government agencies and public organizations	Invitation and field inspection	Engage in exchanges in relation to the direction of regional development and look for measures for co-existence and harmony
Environment	Environmental monitoring system	Environmental Management Validation Committee activities (10 internal and external experts)
	ESH Exchange Meeting	A regular exchange meeting by business site
	ESH council	Form and operate a council consisting of partner companies and others that have moved into the complex

Environment Based on a clear recognition on the importance of and need for environmental management, the company includes the environment itself within the scope of stakeholders. It is collecting stakeholders' opinions on environmental goals and performance management, evaluations on environmental impact, and other key environmental issues.

Participation of stakeholders

In the process of reporting the company's sustainability management performance, Hynix collected the opinions of the stakeholders in order to identify sustainability management-related issues. The key stakeholders of the company were defined as groups that have a major impact on the company, from both within and from outside of the company. A survey was carried out on their thoughts regarding the sustainability management of Hynix, such as what they expect and what improvements need to be made. Moreover, interviews were held with experts to gain an in-depth understanding of social expectations toward Hynix through recommendations by expert groups, such as corporate associations, research and evaluation agencies, and NGOs.

Survey of stakeholders

A survey was conducted of customers, employees (executives and technical office workers, full-time workers), partner companies, and the local community to discover their thoughts on the sustainability management of Hynix. The survey was carried out from October 29 to November 9, 2007, via regular mail, fax, and email. Based on a total of 985 valid samples, the company was able to identify the status of sustainability management and other key issues. The results of the survey are stated in each chapter of this report.

Interview with experts

To collect more in-depth opinions on sustainability management by Hynix, interviews were held with seven experts who represent corporate associations, research and evaluation agencies, and NGOs in November of 2007. The results of the interviews were leveraged to set a direction for improvements to sustainability management strategies and to come up with implementation tasks. In each chapter of this report are the opinions of the experts as well as the Hynix position in this regard.

Results of a survey on stakeholders

(Unit: case, %)

Category	Characteristics of the population and samples	Target of survey	Distribution	Valid samples	Response rate (%)
Customers	Companies specializing in manufacturing electronic products	- Large foreign corporations	46	10	21.7
Employees	All employees (executives and technical office workers, full-time workers)	- Icheon headquarters, Cheongju plant, Seoul office - Excluding overseas business sites	800	747	93.4
Partner companies	Companies and partners with which Hynix does business	- Domestic and overseas construction companies, as well as raw and subsidiary materials, parts, and equipment suppliers	573	164	28.6
Local communities	Government, local autonomous bodies, the academic sector, associations, and groups	- Central government agencies and public organizations in the Icheon and Cheongju areas - Universities - Domestic industrial and business associations - NGOs	101	64	63.4

Hynix is opening the door to
an affluent society of the future

Sustainability management issues

The sustainability management issues of Hynix were identified through a six-phased IPS Materiality Test™. The reporting priority was categorized into high, medium, and low, according to the level of importance. Materiality evaluation results indicate the key overall issues of sustainability management as the participation of stakeholders, raising awareness towards sustainability management, and antitrust compliance. The key issue for each category of the customers, employees, partner companies, Innovation/creation management, environment, local community, and ethics management was identified as product responsibilities, training and self-development of employees, win-win cooperation and support, technology and product innovation, evaluations on environmental impact, social contribution activities, and ethics management system and strengthening of training, respectively.

Survey results

A survey on stakeholders indicated that 90.0 percent of customers, 77.7 percent of executives and technical office workers, 79.8 percent of full-time workers, 93.7 percent of the citizens of the local community, and 90.8 percent of partner companies have positive opinions about the sustainability of Hynix. By adopting sustainability management, Hynix will draw up more systematic and practical goals in terms of economic, social, ethical, and environmental aspects, and take all possible measures to realize the goals.

Q1. Hynix will become a long-lasting company.

Very much so	10.0%
Relatively so	80.0%
Average	10.0%
Relatively not so	0.0%
Not at all	0.0%

Very much so	31.9%
Relatively so	45.8%
Average	19.1%
Relatively not so	3.2%
Not at all	0.0%

Very much so	49.6%
Relatively so	30.2%
Average	17.0%
Relatively not so	2.6%
Not at all	0.6%

Very much so	42.2%
Relatively so	51.5%
Average	4.7%
Relatively not so	1.6%
Not at all	0.0%

Very much so	44.2%
Relatively so	46.6%
Average	8.0%
Relatively not so	0.6%
Not at all	0.6%

Making Good Memory Great

Opening the door to a sustainable future!

Memories of maternal love and the warm feeling of stability becomes an endless growth engine for a baby. | Hynix seeks to give all stakeholders confidence and gain your trust by adopting a sustainability management system that comprehensively considers economic profitability, social responsibilities, ethical transparency, and environmental soundness. | Hynix is making efforts to create new values to remain a sustainable company for the next 100 years.

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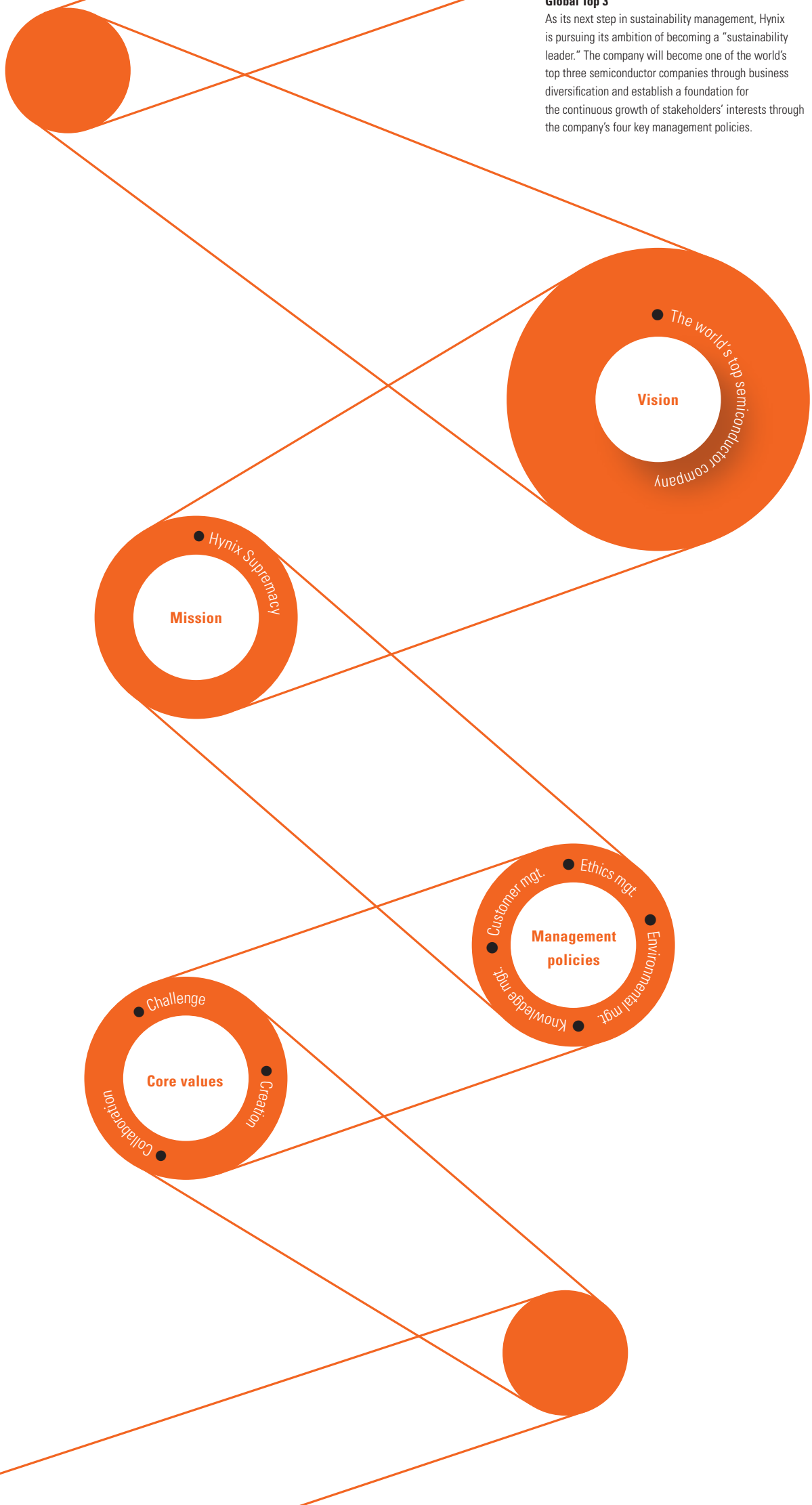
Global Top 3

As its next step in sustainability management, Hynix is pursuing its ambition of becoming a "sustainability leader." The company will become one of the world's top three semiconductor companies through business diversification and establish a foundation for the continuous growth of stakeholders' interests through the company's four key management policies.



Preparing for sustainable growth through an innovative organization

Company Overview

Hyundai Electronics Industries Co., Ltd. was incorporated on February 15, 1983 under the law of the Republic of Korea. The company changed its name to Hynix Semiconductor Inc. in 2001. Hynix has its headquarters in Icheon and branch office in Seoul. Production facilities of the company are located in Icheon and Cheongju, Korea. Also the company has 26 direct sales offices in 16 countries.

Domestic business locations

Corporate status (As of December, 2007)

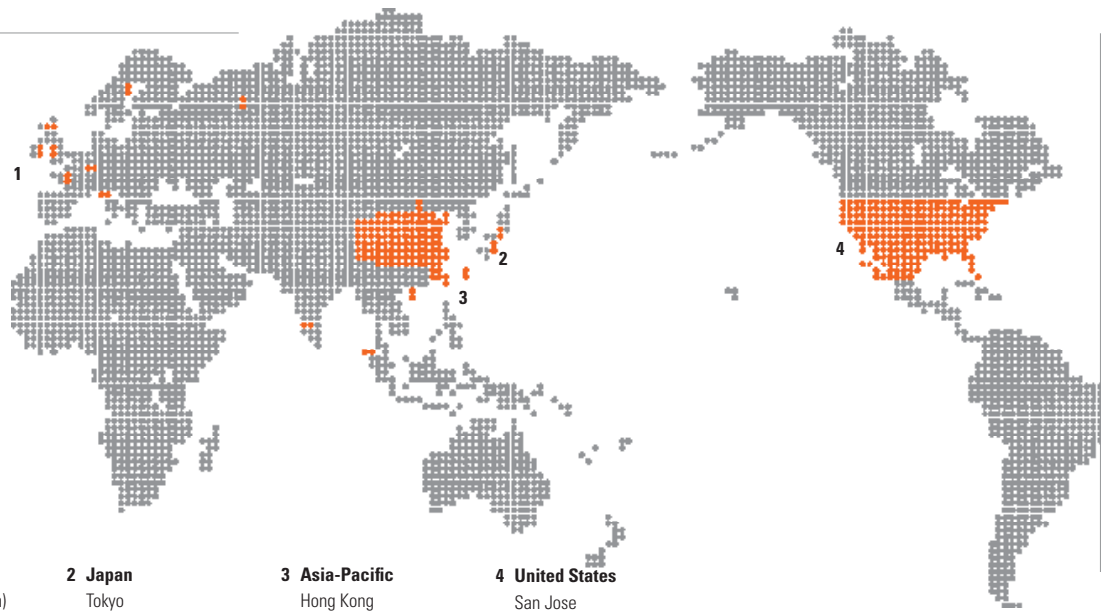
Company name	Hynix Semiconductor Inc.
Date of Establishment	February 1983 (Formerly Hyundai Electronics Industries Co., Ltd.)
Type of industry	Semiconductors and semiconductor-related equipment
Chairman and CEO	Jong Kap KIM
Total assets	14,866.8 billion won
Capital	9,036.3 billion won
Sales	8,433.8 billion won
Employees	18,266 persons
Credit rating	Domestic A- (National Information and Credit Information; 2007), A- (Korea Ratings Corporation; 2007), A- (Korea Investors Service; 2007)
	Overseas Ba2 Stable (Moody's; 2007), BB- Stable (S&P; 2007), BB (Fitch; 2007)

Subsidiaries (As of December, 2007)

Company name	Key business	Equity (%)
ASTEC	Business related to semiconductor manufacturing facility, utility, and business site management as well as training services	98.50
Hyundai Display Technology	Manufacturing and sales of LCDs and electro-luminescence	100.00
Hyundai Unicorns	Baseball team	76.20
QRT Semiconductor	Analyses of semiconductor defects and evaluation of reliability	-

- Hynix is currently in the process of liquidating the Hyundai Unicorns.
- QRT Semiconductor: 100% owned by ASTEC. Plans have been drawn up to split ASTEC in March, 2008.

* **BGA (Ball Grid Array)** A Surface Mount Technology (SMT) package with a solder ball array in the bottom of the Printed Circuit Board (PCB).



Global Network

1 Europe
Weybridge (London)
Limerick (Ireland)
Raunheim (Frankfrut)
Paris
Stockholm
Milan
Moscow
Stirling (Scotland)

2 Japan
Tokyo
Osaka

3 Asia-Pacific
Hong Kong
Beijing
Shenzhen
Shanghai
Singapore
Bangalore
Penang
Taipei

4 United States
San Jose
Houston
Austin
Raleigh
New York
Chicago
Dallas
Atlanta

Overseas subsidiaries

Overseas subsidiaries
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 Hong Kong Ltd. (HSH)
Hynix Semiconductor Japan Inc. (HSJ)
Hynix Semiconductor Taiwan Inc. (HST)
Hynix Semiconductor (Shanghai) Co., Ltd. (HSCS)
Hynix Semiconductor (Wuxi) Ltd. (HSMC)
Hynix Semiconductor Indian Subcontinent Private Ltd. (HSIS)
Hynix-ST Semiconductor Ltd. (HSSL)

Company Alliances

Company Name	Details	Date of alliance
STMicroelectronics	Concluded a cooperative contract on establishing a plant in China	November, 2004
ProMOS	Concluded a license contract on Hynix's DRAM process technologies in exchange for foundry services on ProMOS' 12-inch production line	January, 2005
TESSERA	Changed the license contract on TTC and Micro BGA* Package manufacturing technologies.	March 2005
Innovative Silicon	Concluded a license contract on "ZRAM," a new memory concept	July 2007
Ovonyx	Concluded a license contract on technologies related to "PCRAM," a next-generation memory product	October 2007

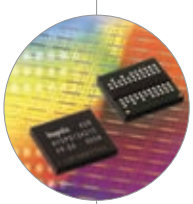
* **Fab** Fabrication facility

** **Yield** Percentage of zero-defect products from the maximum production volume possible.

*** **Net Die** Total chips that are actually made within a wafer

**** **IDM** (Integrated Device Manufacturer) Companies that design, manufacture, and sell semiconductor products directly

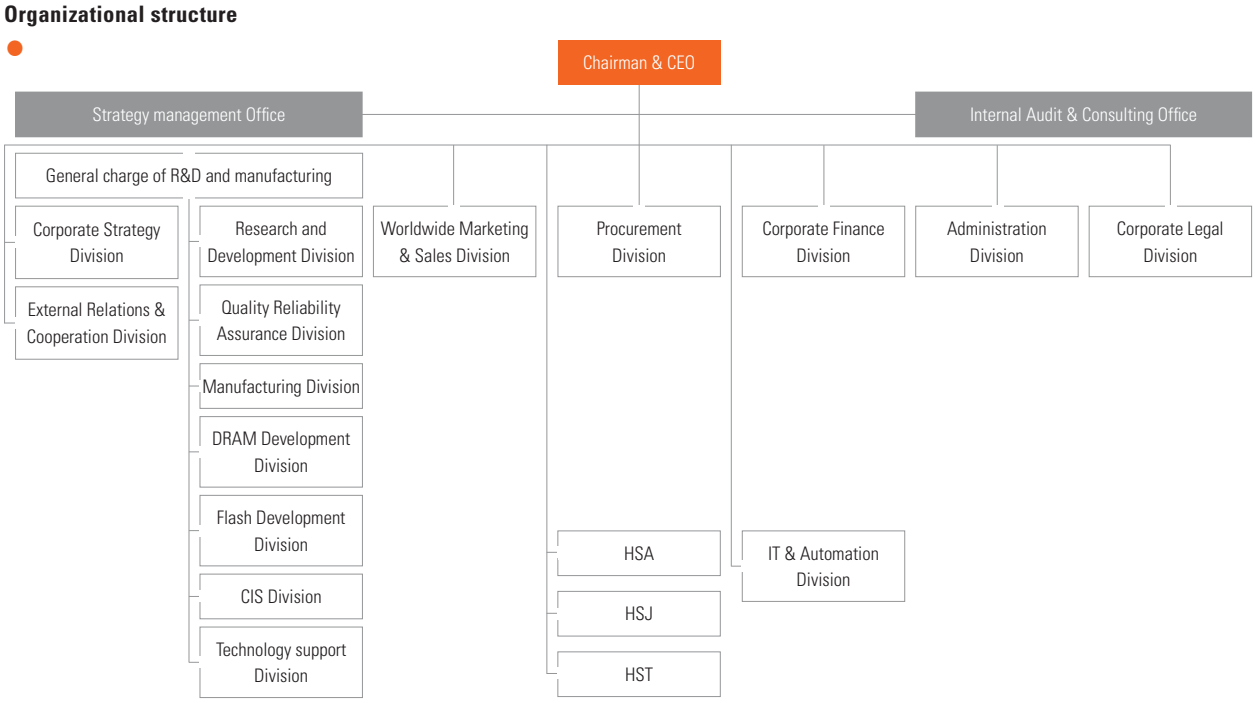
***** **Bit-Growth** A value in percentage that indicates the overall growth rate of memory semiconductors



Corporate History

1983	Feb	Established Hyundai Electronics Co., Ltd.
1996	Dec	Started IPO
1999	Oct	Merged Hyundai Semiconductor Co., Ltd.
2001	Mar	Changed the Company name to 'Hynix Semiconductor Inc.'
	Aug	Completed separation from Hyundai Group
	Oct	Placed under the joint-management agreement with the creditor banks
2002	Jun	Changed Major shareholder to KEB
2003	Apr	Strategically cooperated with STMicroelectronics in flash memory development
	Jun	Established research lab for environment, safety and Health
2004	Aug	Signed contract with Wuxi City government for setting up plant in China
	Oct	Completed sale of non-memory business
2005	Jan	Signed strategic alliance contract with Taiwan's ProMOS Technologies
	Apr	Launched Hynix-ST joint venture construction in Wuxi City, Jiangsu Province, China
	Jul	Emerged from Corporate Restructuring Promotion Act ahead of schedule
2006	Apr	Established semiconductor plant in China (HSMC)
	Sep	Launched 300mm research fab* line
	Oct	Established global manufacturing network with complete construction of Hynix-ST Semiconductor Inc.
2007	Nov	Developed industry's first 1Gb GDDR5 DRAM Acquired Intel validation for 1Gb DDR2 DRAM Signed on CIS business cooperation with SiliconFile

Organizational structure



Leading the high growth semiconductor market with our competitiveness

Business Overview

Memory Semiconductor Industry Overview

Semiconductors are essential components of electronics products and are used in a wide variety of applications such as computer systems, communications equipment and systems, automobiles, consumer electronics, industrial equipment and control systems. According to WSTS (World Semiconductor Trade Statistics) as of Jan. 2008, the worldwide semiconductor integrated circuit, or IC, industry had a total market size of USD 256 billion in 2007, representing an increase of 3% from 2006.

The main categories of semiconductor ICs include micro components, logic ICs, memory ICs and analog ICs. The memory IC market, in which we are focused, generated USD 58 billion in revenues in 2007 according to WSTS, represented 23% of the global semiconductor market. DRAMs were the largest contributor at 54% of the global memory IC market, followed by NAND flash at 25% and NOR flash at 13%, according to WSTS. In terms of the DRAM industry, an important factor needed to become a strong player in the industry is enhancing technology and cost competitiveness by achieving a high yield** levels or increase in Net Die*** per wafer; and by improving the precision of process technologies.

Integrated Device Manufacturers (IDMs)**** refer to companies that design, manufacture, and sell semiconductor products. At present, the top five DRAM manufacturers are IDMs, and their combined market share is 84 percent (Source: Gartner Dataquest; based on sales). These companies are able to realize "economies of scale" in comparison to non-IDM companies, based on overall design capabilities and manufacturing know-how as well as sales strategies that place focus on long-term customers and production capacities. As such, they have a strong hold of the industry. Another key characteristic of the industry is mergers of IDMs.

There is a rise in the possibility of strategic alliances or mergers among companies due to increasing technological barriers and fab construction costs. This is expected to limit memory supply growth in the future. Construction costs for a 12-inch wafer fab are substantially higher than those for an 8-inch wafer fab. Moreover, there are rising technological barriers. These factors have led to an extension of the technology development period and a rise in research and development costs. Among exported items in 2007, semiconductors accounted for 10.5 percent of the total. Semiconductors thus are a critical element of the national economy. Hynix contributes to 22.7 percent of domestic semiconductor exports.

Proportion of semiconductor exports to total exports

(Unit: US$ million, %)

Category	Total exports	Semiconductors	Proportion
2007	371,489	39,046	10.5
2006	325,465	37,360	11.5
2005	284,419	29,986	10.5
2004	253,845	26,516	10.4
2003	193,817	19,535	10.1
2002	162,471	16,631	10.2

Industry's growth potential

DRAM According to forecasts made by Gartner (in November 2007), the computer and memory modules for upgrades accounted for 69 percent of total DRAM demand in 2007; and the overall DRAM market is expected to post a growth rate (Bit Growth)***** of an annual average of 47.2 percent by 2010.

The rise in demand for the mobility of personal computers has resulted in the replacement to laptop computers and a continuous increase in new demand. The percentage of laptops shipped (compared to total computer shipments) is forecast to increase from 35 percent in 2007 to 55 percent in 2011. The DRAM market is forecast to achieve stable growth, in tandem with an increase in demand for DRAMs for graphic and mobile use, in addition to replacements of PCs and new demand.

In addition, sources of demand for DRAM are steadily expanding with progress in digitization. In the case of 3G mobile phones, for example, there is a need for a greater number of DRAM chips in MCP* form for efficient use of space. Digital set-top boxes, digital cameras, and digital game machines are forecast to consume a greater number of DRAMs in terms of quantity as well as capacity. WSTS forecasts that the DRAM market will reach 30.5 billion dollars in 2010.

Flash Memory Digital media growth has brought with it the widespread use of the NAND Flash in mobile data storage devices, such as the USB drive, as well as the Flash card, which is used for digital cameras, MP3 players, mobile phones, Global Positioning System (GPS) devices, and other multimedia home appliances. In particular, the adoption of memory cards in the mobile phone market, such as the 3G mobile phone market, is playing a leading role in triggering a growth in demand for NAND Flash. WSTS (in January 2008) forecasted that the NAND Flash market would demonstrate an annual average growth of 19 percent from 2007 to 2010; and that the NAND Flash would become the fastest growing product in the memory semiconductor market.

The flash business is steadily growing. It is expected that sources of demand for NAND Flash will continually increase, in tandem with developments in the home appliances and mobile and digital audio markets.

For example, the MP3 player was the main source of demand for NAND Flash in 2007. It is forecast that the mobile phone will become the main source of demand in 2008 for NAND Flash as external cards and embedded in phones. In addition to automobile navigation devices, for which demand is increasing, expected sources of demand that are gaining much attention are Portable Multimedia Players (PMPs) and mobile game devices. Once NAND Flash use is expanded to PCs and notebooks, the NAND Flash industry is forecast to continue its long-term growth.

Characteristics of economic fluctuations

The global semiconductor market has been repeating a cycle of boom and bust in line with the silicon cycle** . Another characteristic of the market is that the product lifecycle is short. The size of the industry is significant and similar to the equipment industry. In the past, the industry was tightly linked with business cycles in the US and Europe – the major sources of demand. However, new markets, such as China and India, are emerging as large semiconductor consumers making business cycles less dependent on North America and Europe.

Competitive factors

Key factors that determine competitiveness in the semiconductor business are human resources (R&D and engineering), facility investment capabilities, technological and cost competitiveness, and securing customers. Other factors include financial capabilities, which involve attracting investments in a timely manner, and the ability for timely product releases to meet market needs.

There is heated competition among the major players that have realized economies of scale. Against this backdrop, companies are competing to regularly replace production facilities. In addition, the increased maturity level of manufacturing technologies of leading companies and the timely upgrade to precision processes (tech-migration) have become competitive factors. Yet another factor is the ability to respond to the market based on the product portfolio.

* **MCP** (Multi-Chip Package) A package created by putting two or more different types of chips in a stack

** **Silicon Cycle** The business cycle of the global semiconductor industry

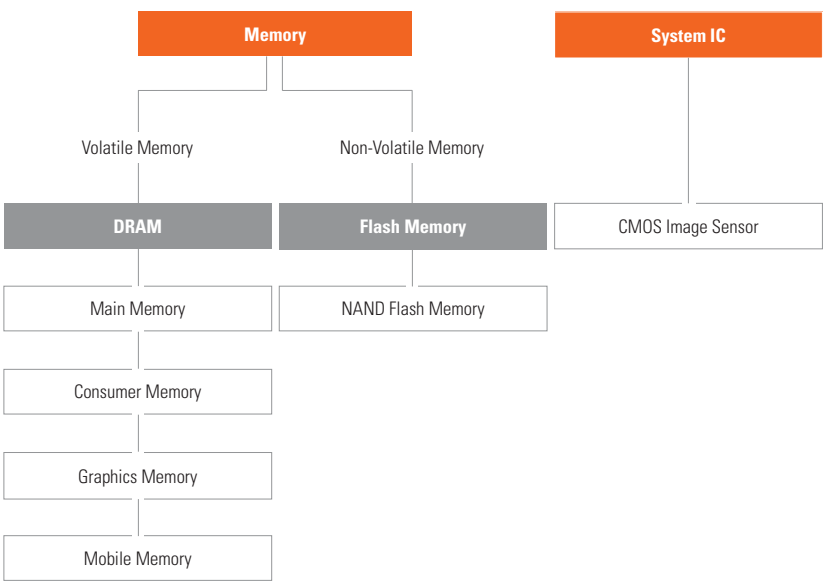
*** **Buffer memory** When the speed at which a device is run is different between two devices, this memory adjusts the speed and time between the two devices.

The company's world-leading technologies are advancing, just like the more extensive product groups, ranging from DRAM to flash memory and CIS

Introduction to key product groups

Semiconductors are usually categorized into memory and System IC semiconductors according to whether they have a storage function. Memory semiconductors are categorized into DRAMs, which is a volatile memory, and flash, which is a non-volatile memory. Once power is disconnected, information is lost in the case of volatile memory products. In contrast, stored information is not lost even when the power is turned off in the case of non-volatile memory products. In mobile phones for example, stored phone numbers are not lost when they are turned off. The key memory semiconductor products manufactured by Hynix are as follows:

Hynix main product groups



DRAM
(Dynamic Random Access Memory)

DRAM is a volatile memory that allows information to be stored only when the power is turned on. It is usually used as graphics memory for videos and 3D games as well as a buffer memory*** for computers. In tandem with the recent digitization of home appliances, its use is spreading to include digital television, digital set-top box, DVD player, and printer. Mobile DRAM is being employed in high-performance mobile phones and PDAs, in line with the exponential growth of various mobile communication devices.

Main Memory Based on cutting-edge semiconductor technologies and high-level production capabilities, Hynix is now manufacturing a high-speed DDR2 product, in addition to the 64Mb, 128Mb, 256Mb, 512Mb, 1Gb, SDRAM, and DDR DRAM. Compared to existing DDR products, the DDR2 DRAM offers a data processing speed that is at least two times faster and has a considerable effect of reducing power use. It is therefore mostly used for desktops, laptops, high-performance servers, and workstations. Based on international-caliber DRAM manufacturing technologies, the company continued research and development to develop a 1Gb large-capacity DDR3 product at the end of 2007.

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Consumer Memory Hynix's main product in the consumer memory sector is the 16M ~ 256M DDR SDRAM. It is being used in various fields, ranging from high-tech digital devices, such as digital televisions, hard disks, DVD drives, car navigation systems, and multi-function printers, to mobile devices, such as digital cameras and MP3 players.

Graphics Memory Hynix became the first company to release the DDR SDRAM product group for graphics in October 1999. This group consists of products that are essential in fully implementing multimedia functions, such as realistic games and videos. Since that time, the company has been leading the market based on the world's fastest speed. Hynix became the first across the globe to announce the 1Gb GDDR5 product in November 2007, in line with the steadily sophisticating multimedia trend. Based on such high-level technologies, Hynix will continually release products that meet consumer needs, thereby leading the graphics memory market.

Mobile Memory The rapid growth of the mobile telecommunication and network industries is opening the door to a "mobile conversions" era, where the functions of various IT products, including mobile phones, televisions, MP3 players, digital cameras, camcorders, game machines, PDAs, and navigation systems, are merged into one mobile product. To respond to this phenomenon and bring in a ubiquitous era, Hynix is manufacturing various mobile memory products, such as the mobile DRAM and MCP.

NAND Flash Memory

NAND Flash memory is a non-volatile memory. It is a data storage-type memory that ensures that stored data is not deleted even when the power is turned off and also consumes a low level of power. Flash memories can be categorized into NOR memory (code storage) and NAND memory (data storage). The NAND Flash memory produced by Hynix is a memory chip that allows for sequential data access. It is appropriate for storing a large volume of data, such as digital videos or pictures.

It is therefore used as embedded memory for various digital devices, such as MP3 players, digital cameras, mobile phones, digital televisions, and video game machines; and as an external memory product, such as flash cards and USB flash drives. Hynix reached a strategic alliance with STMicroelectronics, a global flash memory company, in 2003. Only ten months later, the company developed NAND Flash production capabilities and successfully launched production. Based on continual research and development efforts, Hynix is manufacturing NAND Flash memory products with increased performance.

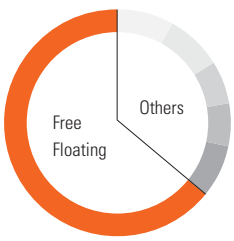
CMOS Image Sensor (CIS)

To take steps forward toward becoming a world-leading semiconductor company, Hynix advanced into the System IC sector again at the end of 2007. The first business – CIS – is the closest link between System IC and existing memory semiconductor businesses. CIS is an imaging device that performs the role of electronic film in digital apparatus. With products for mobile phones and web cameras as the beginning, the company is planning to offer its products in various other fields, including surveillance systems, automobile CMOS Image Sensors, high-end DSLR cameras, and small imaging devices used in medical applications. Hynix is securing a foundation to boost sales by entering the system IC field.

The new Board of Directors (BOD), which is fully independent, creates a transparent and efficient governance structure

Corporate governance

Hynix Shareholding Structure



Korea Exchange Bank	8.2 %
Woori Bank	8.0 %
Korea Development Bank	6.2 %
Shinhan Bank	6.1 %
Other financial institutions	7.5 %
Common shareholders	64.0 %

Shareholder status

The company offered its shares through IPO on December 26, 1996 and its common shares were listed on the Korea Exchange Stock Market Division (formerly Korea Stock Exchange). As of the end of December 2007, the number of total shares outstanding of Hynix Semiconductor is 459,228,628 (100% Common shares), and the Share Management Council has 36% of the company's total shares.

Shareholders are exercising decision-making rights on matters such as changing the company's articles of association, passing a resolution to appoint an executive, and giving approval for financial settlements in the General Shareholder's Meeting.

Formation of the BOD

The BOD consists of three standing directors, including the CEO, and eight outside directors, who are experts in the field of economics, business administration, law, and engineering. The number of outside directors takes up at least 70 percent of the total number of directors. Experts from various fields are also participating in the BOD as outside directors. Hynix complies with regulations related to corporate governance structure stipulated in Korean Commercial Act.

Board of Directors (As of March 28, 2008)

Category	Name	Notes
Standing directors (Three persons)	Kim Jong-kap	CEO, Chairman of the BOD
	Choi Jin-seog	Executive VP and CTO
	Kwon Oh-chul	Senior VP and Head of External Relations & Cooperation Division
Outside directors (Eight persons)	Park Jong-sun	Namkang University (Ph.D.), Taiwan ; Republic of Korea Air Force (Air-commodore)
		Held various posts, such as the director of Samsung Aeronautics Co., Ltd. (KTX-2 department manager)
		Interdisciplinary professor, Korea University
	Cho Dong-sung	Professor, Seoul National University. Harvard Business School (Ph.D.), US
		President of the Korean Academic Society
		Chairperson of the Government Innovation Management Committee
		Joint chairperson of the Small to Medium-sized Company Win-Win Cooperation Committee
	Kim Hyeong-joon	Doctor of engineering. Professor of the Department of Science and Engineering and planning department manager at Seoul National University
		Chief President, System IC 2010 Project of Ministry of Science and Technology
		Director of the Korean Ceramic Society
		Regular member of the Korean Academy of Science and Technology
		President of the working-level group on next-generation semiconductors under the Ministry of Knowledge Economy
	Sohn Sung-ho	Formerly the general manager of the Tokyo branch of the Korea Development Bank as well as the sales planning department manager
	Chung Hong-won	Formerly the inspection director of the Prosecutors' Office, Chief of Legal Research & Training Institute.
		Standing member of National Election Commission
		Counselor of LOGOS LLP.
	Choi Jang-bong	Pittsburgh University (Ph.D.), US
		Formerly the President of Korea Deposit Insurance Corporation(KDIC).
		Chairman of Creditor Financial Institution Arbitration Committee
	Hong Hyeong-pyo	Formerly the Head of Marketing Support Group, KEB
	Paik Kyung-hoon	Formerly the Head of Enterprise Marketing Group of POSCO, Woori Bank

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Process to prevent conflicts of interest

Appointment and dismissal of directors Directors are appointed during a General Shareholders' Meeting. A director is appointed if the majority of the voting rights of the shareholders in attendance are in consent; based on the condition that at least 1/4 of the total number of issued shares are in consent. In particular, when a candidate Audit Committee director is appointed or dismissed, a shareholder who has shares that exceed 3/100 of the total number of issued shares with voting rights cannot exercise voting rights for shares that exceed the 3/100. This ensures that there is independence from major shareholders. A director is dismissed when at least 2/3 of the voting rights of the shareholders in attendance and the majority of the total number of issued shares are in consent.

BOD activities

Year	Key agendas	No. of meetings	Director attendance rate
2007	- Approval for additional financing for a production plant in China - Conclusion of a license and supply contract with Toshiba - Conclusion of a license contract with SanDisk and carrying out a cooperative project - Approval for the 59th business report - Approval for making investments into the new plant in Cheongju - Approval for the adoption of the antitrust compliance program and appointment of the Antitrust Compliance Officer - Updating a TI license contract - Announcement of the code of conduct for directors and adoption of the new BOD system - Carrying out new business on the CMOS Image Sensor - Issuance of non-guaranteed overseas convertible bonds - Issuance of non-guaranteed domestic bonds	12 times	94.6%
2006	- Approval for moving 8-inch equipment to China - Approval for amending internal accounting management regulations - Borrowing foreign currency to use as facility funds - Depositing the surety bond - Increasing the L/C limit - Issuance of non-guaranteed overseas convertible bonds - Approval for investing in China's Probe Test - Issuance of non-guaranteed bonds	13 times	94.1%
2005	- Issuance of non-guaranteed bonds - Delegation of the authority to conclude a contract to purchase a steam supply and power generation plant - Approval for financing a subsidiary - Approval for the issuance of Global Depository Receipts (GDRs) and delegation of the authority to conclude a contract - Approval for making investments into the construction of a 12-inch plant at the Chinese corporation (HSSL)	12 times	93.1%

Director information provision system

How the BOD passes a resolution A BOD meeting is convened by the BOD chairperson or a director separately determined by the BOD. When a BOD meeting is convened, a notification is made to each director at least one day before the meeting in writing or verbal communication. However, when there is consent from all BOD members, a BOD meeting can be held without this convening process.

A BOD resolution is passed when a majority of the directors are in attendance and when the majority of the directors in attendance give their consent. In case of a tie, the chairperson has the right to make the final decision.

The board of directors allows all its directors to join in discussion on the adoption of a resolution by means of a communication system transmitting and receiving visual images and sound simultaneously without the personal attendance of all or part of them. In this case, the director or directors concerned shall be deemed to have attended the meeting.

A director who has special interests in a resolution of BOD meeting may not exercise his/her rights in the resolution process of BOD meeting. In this case, the number of resolution rights that may not be exercised is not included in the number of resolution rights of directors who are attending the meeting.

Adoption of new BOD system

The Hynix BOD passed a resolution to adopt the "new BOD system" on November 23, 2007. Based on such improvements to the system aimed at BOD-centered management, Hynix is making efforts to maximize shareholder profits and corporate value as well as to establish a sustainable and advanced corporate governance structure.

Hynix established and publicly announced the "Code of action for directors," which stipulates that directors engage in "legal and ethics management activities," and in "activities that increase the profits of the company and all shareholders"; and the "director job execution regulations," which stipulate the roles of the directors and the basic principles they need to abide by when executing their tasks. Moreover, Hynix "strengthened BOD operations" by improving the process related to convening and operating the BOD, including the sub-committees and establishing rules for operation. The company went further by building an online "director information provision system (BOD.hynix.com)" that provides various management information in real time and supports the regular exchange of information between directors and the company. By building this system, as the part of adoption of the new BOD system, which focuses on realizing a "ubiquitous BOD." Hynix established a reasonable and transparent corporate governance structure and strengthened the functions and independence of the BOD. With the adoption of the new BOD system, Hynix created the "BOD Secretariat," which is a permanent organization dedicated to supporting the BOD. The company also created and distributed the "director duty guidelines," which cover various information needed for BOD operations. The company is thereby making efforts to fully establish a transparent and efficient governance structure and facilitate BOD operations.

Implementation of the new BOD system

* **COSO** (Committee of Sponsoring Organizations) A non-government organization in the US that conducts research on such issues as management ethics, internal control, and corporate governance

Performance management and evaluation process

As part of efforts to improve corporate governance, the roles and authority of the BOD have been increased and the scope of responsibilities of the BOD is also further expanding. Accordingly, Hynix strengthened its the director' s and officer's liability insurance. In addition, the company will clearly define the roles and responsibilities of the BOD and individual directors; and adopt an evaluation and distinctive compensation system for the BOD and BOD members in a phased manner. The company aims to have the directors engage in sufficient discussions before the adoption of the evaluation system. Hynix also aims to establish and put in place the most appropriate evaluation process.

Regarding remuneration to standing and outside directors, the annual limit is approved at the ordinary General Shareholders' Meeting. Afterwards, the Compensation Committee deliberates, decides, and executes payment, pursuant to the Director Remuneration Regulation. Actual payments made are reported during the following ordinary General Shareholders' Meeting. The following table shows the limit approved at the ordinary General Shareholders' Meeting and the actual payments made for the last three years.

Category	2005	2006	2007
No. of directors (No. of outside directors)	10(7)	11(8)	11(8)
Maximum limit	2 billion won	3 billion won	5 billion won
Total payment	1.37578 billion won	1.6411 billion won	1.679 billion won

Strengthening the efficiency and expertise of the BOD

The semiconductor industry requires quick and efficient decision-making and execution. To this end, Hynix has the CEO chair the BOD. However, the company is reviewing the separation of the BOD chair and the CEO post as a midterm task.

Three sub-committees have been established under the BOD - the Audit Committee, Compensation Committee, and Nomination & Governance Committee - for professional decision-making and efficient and reasonable BOD operations. To further promote the sub-committee system, Hynix has drawn up plans to additionally set up professional sub-committees in various fields as a midterm task.

Deliberation and decision-making organizations within the BOD

Category	Function	Structure	
		Standing directors	Outside directors
Nomination & Governance Committee	Recommends outside director candidates who will be appointed at the General Shareholders' Meeting; assesses the level of efficiency of corporate governance; and deliberates improvement measures in this regard	Kwon Oh-chul (Senior VP and External Relations & Cooperation Division)	Cho Dong-sung (Chairperson) Park Jong-sun
Compensation Committee	Appoints and dismisses the management Deliberates on various matters, such as those related to compensation – salaries and bonuses for management – and changes to or creation of key HR-related systems	Choi Jin-seog (Executive VP and CTO)	Chung Hong-won (Chairperson) Choi Jang-bong Kim Hyeong-joon
Audit Committee	Audits the company's accounting and business activities; and approves the appointment of outside auditors		Sohn Sung-ho (Chairperson) Hong Hyeong-pyo Paik Kyung-hoon

Risk management structure

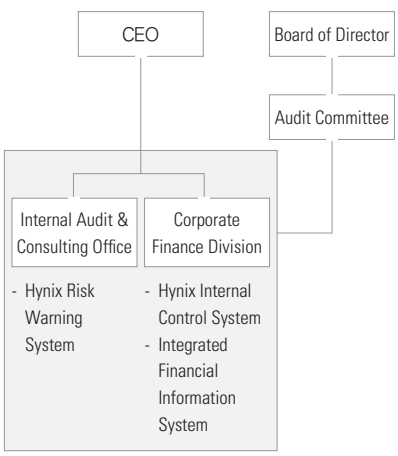
Hynix has built and is operating the "corporate risk management system," based on "COSO*", which is an internal control model used to merge, become aware of, and manage key management risks that can arise while conducting business. With the adoption of the system, Hynix is improving the quality of management in terms of ethics management, internal control, and corporate governance structure.

The corporate risk management system consists of the Hynix Risk Warning System (Hy-RWS) and Hynix Internal Control System (HICS), as well as the Liquidity Alert System, Exchange Risk Management System, and Asset/Liability Monitoring System inside the Integrated Financial Information System (IFIS) - EWS. These systems are seamlessly connected to perform the role of monitoring corporate-level risks.

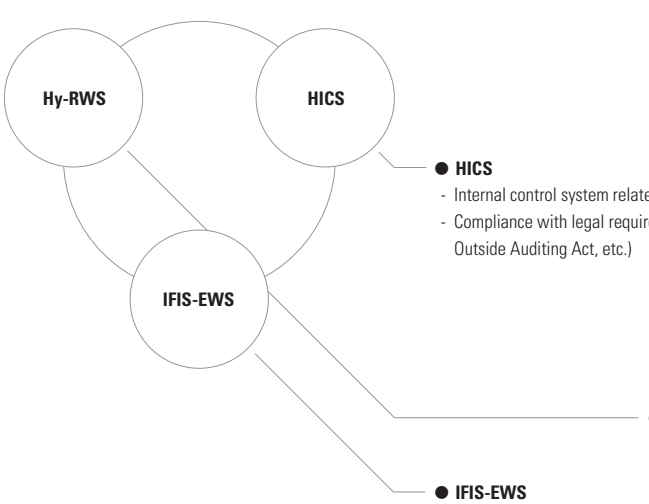
The Hy-RWS is a system of Enterprise Resources Planning (ERP) based online risk monitoring system. It is an internal control system related to compliance with laws and regulations. The biggest characteristic of the Hy-RWS is that risks can be managed in advance through comparative analyses of data; and business team managers can be assigned rights to engage in voluntary monitoring and control, thereby enabling real-time management of risks.

Hynix is operating the HICS to strengthen transparency in corporate accounting. This is an internal control system related to accounting credibility. It satisfies legal requirements, such as the Securities Transaction Act as well as laws and regulations on outside auditing of corporations. It goes further by managing risks related to the overall accounting process by setting appropriate control factors and regularly performing evaluations on execution. The financial risk management systems within IFIS-EWS, such as the liquidity alert, exchange risk management, and asset/liability monitoring systems, quickly respond to changes in the external environment and maintain a stable management environment.

Corporate risk management system structure



Corporate risk management system



- **HICS**
  - Internal control system related to accounting credibility
  - Compliance with legal requirements (Securities Transaction Act, Outside Auditing Act, etc.)
- **Hy-RWS**
  - ERP-based online risk monitoring
  - Internal control system related to compliance with laws and operations
  - Business team managers are given rights to engage in voluntary risk monitoring and control
- **IFIS-EWS**
  - Provides key financial information
  - Processes transactions related to finance, including tangible assets, and manages financial risks

Cultivating Growth from Good Memory

It takes but a moment to compliment someone, but the memory of that single compliment can become a new source of energy and growth. | Despite a difficult period of excess supply as a result of the silicon cycle, Hynix was able to once again become one of the leaders in the industry by featuring the world's top new technologies, thanks to continuous research and development and effective investments. | Hynix is realizing its brand value as the world's top semiconductor company by introducing next-generation memory technologies.

Developing our vision towards growth!

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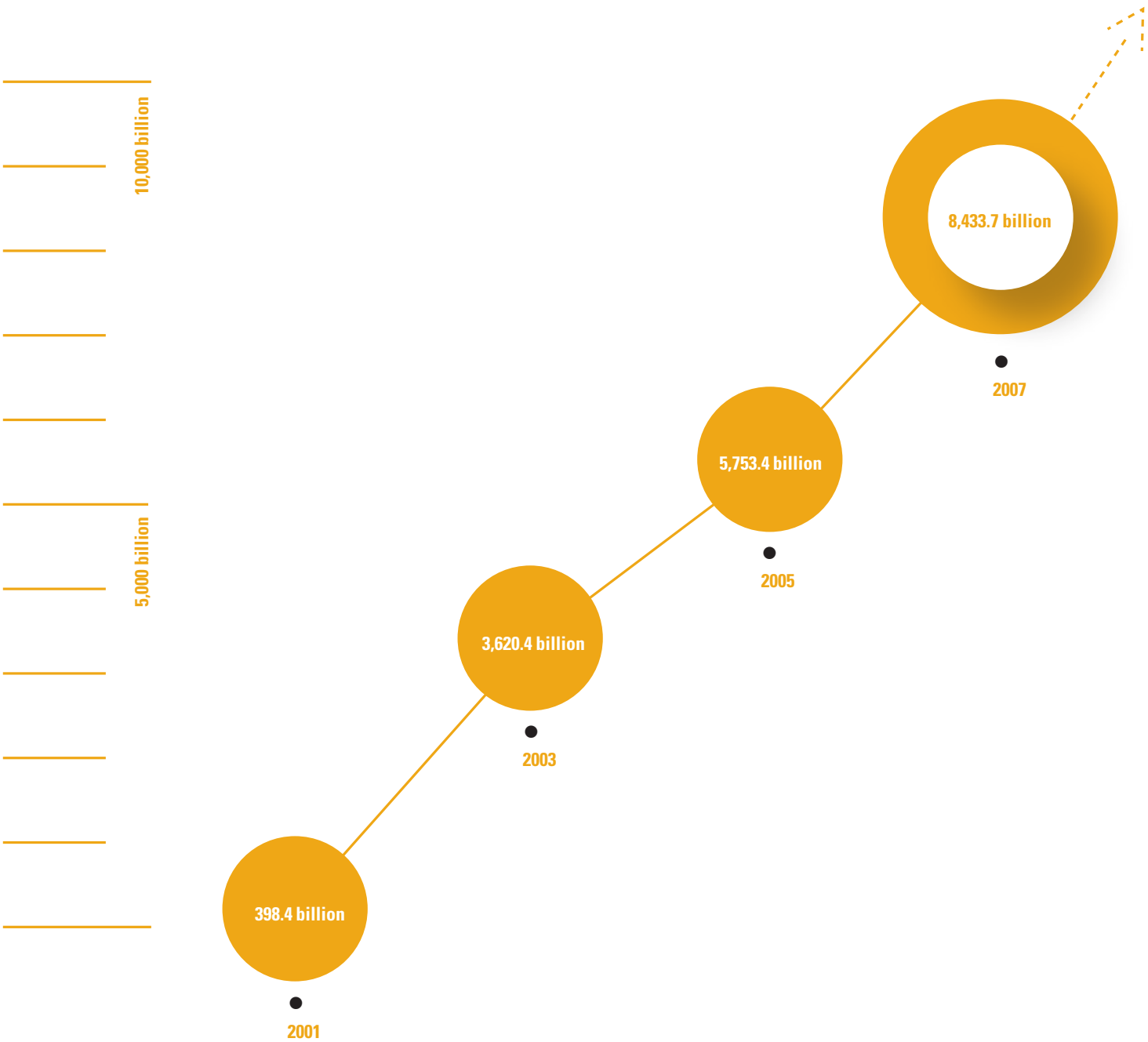


2,162 fold increase

The semiconductor sales volume of Hynix in 2007 reached 8.4337 trillion won, which is a roughly 2,162 fold increase from the 3.9 billion won posted in 1984 when the company's first semiconductor sales were recorded. The company also posted a net profit of 328.5 billion won.

Vision and strategic goals

In 2007, Hynix declared its "second business founding," as well as its vision of becoming "the world's top semiconductor company," and stated mid to long-term goal of growing into "No. 3 in the global semiconductor industry by 2010."

Policies

Hynix is improving the company's memory semiconductor production capacity by strengthening R&D capabilities and improving the manufacturing process in a timely manner, thereby boosting market competitiveness. In particular, Hynix is performing advanced R&D activities and strategically acquiring patents for key technologies in each business area. It is also concluding cross-license agreements with other companies, thereby actively responding to potential "patent infringement" litigation from competitors. Such efforts have contributed to the improvement of the company's financial structure.

Disclosure on Management Approach

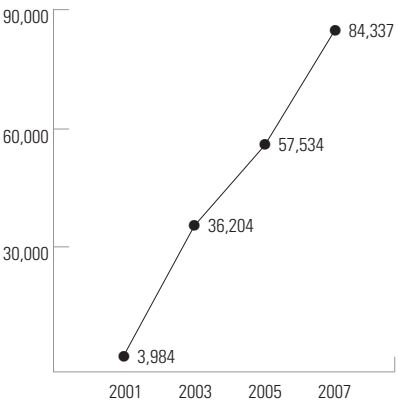
Category			2005	2006	2007
Market performance	Memory semiconductor sales volume (Industry ranking)		5.6 billion dollars (tenth)	7.9 billion dollars (Seventh)	9.1 billion dollars (Sixth)
	DRAM market share (Industry ranking)		16.4% (Second)	16.6% (Second)	21.3% (Second)
	NAND Flash market share (Industry ranking)		12.8% (Third)	17.7% (Third)	17.1% (Third)
R&D and patents	Proportion of R&D investment to total sales volume		5%	5%	6%
	Development of precision process technology	DRAM	90nm	80nm	66nm
		NAND Flash	70nm	60nm	50nm
	No. of patent rights at home and abroad		2,106	3,238	3,260
Sustainability management	Establish a system to execute sustainability management		N/A	N/A	- Launched the SM Committee - Formed SM Sub-Committee - Created the SM Team

Hynix's outstanding performance and achievements at home and abroad prove that its global-leading technologies enhance brand value

Economic goals
- Second business founding

Progress of sales volume growth

(Unit: 10 thousand million won)



When it declared "the second business founding" after the new CEO took his post in 2007, Hynix established its vision of becoming "the world's top semiconductor company" and stated mid to long-term vision and goal of becoming the No. 3 company in the global semiconductor industry.

Key performance

The semiconductor sales volume of Hynix in 2007 reached 8.4338 trillion won, which is roughly 2,162 times more than the 3.9 billion won posted in 1984, when the company's first semiconductor sales were posted. The company also recorded a net income of 328.6 billion won. Hynix recorded an annual growth of 11 percent in the sales volume despite a decrease in sales prices and a rise in raw materials prices. This is the result of appropriate supply and price management, as well as a growth in sales of computer products with a new operating system. Hynix is supplying its products to approximately 600 customers in 50 nations across the globe, including Apple, Dell, HP, IBM, Lenovo, Sony, NEC, Fujitsu and Toshiba.

Achievements by business area

In 2007, sales of DRAM and NAND Flash, which are Hynix's core products, accounted for 72 and 26 percent of total sales, respectively. In the case of DRAM, the company achieved a 150 percent annual increase in shipment volume and acquired a market share of 21.6 percent, thanks to strenuous efforts made to gain a larger market share and an increase in the supply of memory in tandem with the release of Window Vista. In terms of NAND Flash memory, the price went down considerably compared to the previous year, due to the lack of products that lead demand, such as mobile phones. However, the company improved its market competitiveness: It recorded an annual increase in supply of more than 140 percent by raising the percentage of MLC* products, smoothly upgrading the manufacturing process, and increasing its production capacity through research and development.

Nine Billion Dollar Export Tower Award

Achievements at home and abroad

On the 44th Trade Day in 2007, Hynix received the Nine Billion Dollar Export Tower Award. The company received the Four Billion Dollar Export Tower Award in 2004 and the Six Billion Dollar Export Tower Award in 2006. This demonstrates the great potential Hynix has for sustainable growth. The company also continued to stay in the black for 17 quarters through the third quarter of 2007. It has been improving its financial soundness. Hynix continually engaged in R&D activities, cut costs, and expanded production capacity in 2007. Thanks to such efforts, Hynix became the No. 1 company among DRAM manufacturers around the world in terms of sales growth by posting a rate of 18.7 percent. The average DRAM sales price went down, resulting from the mid to long-term stagnation that has occurred in the memory semiconductor industry, the first in six years since 2001. Hynix was able to record the world's highest sales increase despite such unfavorable conditions because the company increased its shipment volume by expanding its production capacity.

Hynix was briefly pushed back to third place in terms of the global market share in the graphics memory market. However, the release of the 80nm-level 512M GDDR3 led to the company retaking the highest global market share with 41 percent. Hynix also became the first in the world to develop the fastest GDDR5 product in the world – a next-generation graphics memory product. By so doing, Hynix laid the foundation to become a leader in graphics memory products, which are playing a leading role in the industry.

* **MLC** Multilevel Cell is a technology used to store many bits per cell in a Flash memory chip.

Investments for long-term growth

R&D investments Hynix has continually made investments into research and development. In 2005 and 2006, the company steadily increased R&D expenses to approximately five percent of the sales volume. In 2007, this figure was increased to around six percent. The company is planning to increase R&D expenses to reach 10 percent of sales volume. In so doing, the company is developing a new next-generation technology each year, such as the 80nm technology in 2006 and 66nm technology in 2007, thereby strengthening its technological leadership.

To boost national industrial competitiveness, Hynix got involved with government projects on developing a next-generation high-density stacked memory technology based on Deep Via* technology; and jointly developing a commercial FeRAM** for mobile use. The company received a national subsidy of 2.3 billion won from 2005 to 2007. Moreover, Hynix developed the world's first 1Gb GDDR5 and 24-die stack NAND Flash multi-chip package as well as the highest-speed and smallest 1Gb mobile DRAM. Hynix will become a company that leads global semiconductor technologies by continually increasing its technological competitiveness.

Brand reputation Hynix has been recognized for its industry-leading technologies, made possible through continual technological developments since its founding. The company is performing a leading role in developing new products never before introduced around the world. It is playing a pioneering role in the market based on the world's highest-level of yield and productivity. It has a global production network that covers Korea, the US, China, and Taiwan, and is continuously developing technologies. Thanks to such factors, the company is now No. 6 in the world in the semiconductor industry, No. 2 in the DRAM industry, and No. 3 in the NAND Flash industry. The reputation of Hynix will grow even further as a leader that presents standards on next-generation memory technologies. Hynix will make efforts to realize its brand value as "the world's top semiconductor company," despite heated competition in the industry.

Growth engine of "Hynix Supremacy" By actively engaging in R&D activities, Hynix develops key technologies in each business area and strategically acquires patents for the technologies. By so doing, the company actively responds to potential "patent infringement" litigation from other companies. Hynix also strategically moves forward with reaching a cross-license with other companies. Through this process, the company aims to achieve its patent management goal of improving patent royalty earnings and contributing to corporate management by generating profits from patents.

To this end, patent-related personnel provide strong support starting from the planning phase of product development. The kind of support given includes providing relevant information and creating a patent roadmap. In addition, thorough analyses are carried out on relevant patents from other companies and the results are shared with the research and development division. Through such means, the company is making active efforts to acquire patent rights.

To raise awareness among researchers of the importance of acquiring patents, Hynix is providing patent training customized for each research team. The company is also strengthening patent training for new employees, thereby raising awareness on patent management among employees, since the beginning of their affiliation with the company.

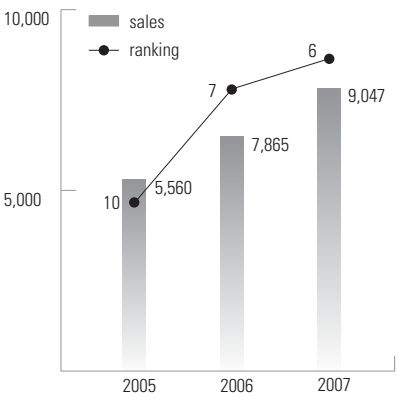
Acquisition of domestic and overseas patent rights between 2005 and 2007

(Unit: case)

Category	2005	2006	2007	Total
Domestic	1,518	2,382	2,492	6,392
Overseas	588	856	768	2,212
Total	2,106	3,238	3,260	8,604

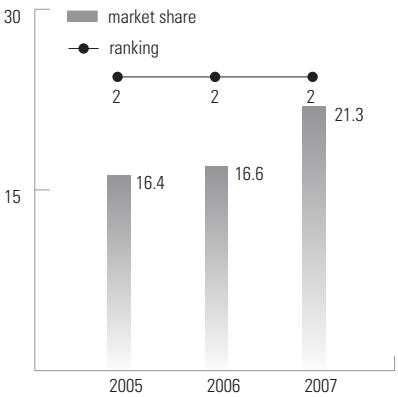
Ranked 6th in the World's Semiconductor Market – Based on sales volume

(Unit: million dollar)



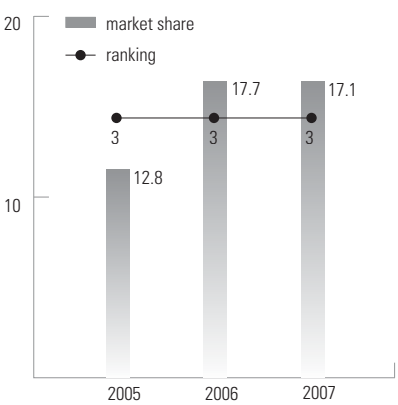
Source: i Suppli, March 2008

Ranked 2nd in the DRAM Market (Unit: %)



Source: i Suppli, March 2008

Ranked 3rd in the NAND Flash Market (Unit: %)



Source: i Suppli, March 2008

* **Via** A process that connects two or more different metal layers

** **FeRAM** FRAM or Ferroelectrics RAM is one type of non-volatile computer memory.

Results of an interview with an expert

Assistant manager Tak Seung-soo of the Korea Semiconductor Industry Association

The semiconductor industry requires continuous investments in facilities. The Korean semiconductor industry is currently under threat from the capital power of Japan, the technological prowess of Taiwan, and the low-cost labor of China. To gain global competitiveness, there is a need to acquire the ability to reduce cost by expanding production capacity. As such, continuous growth is needed. Hynix needs to have regular meetings with the local community and environmental groups to let them know about such characteristics of the industry. Through this process, Hynix must reach an agreement with these parties for their mutual interests.

Hynix's Position

On Trade Day in 2007, Hynix received the Nine Billion Dollar Export Tower Award. However, due to a slow down in the memory semiconductor industry towards the end of 2007, Hynix reported a loss after being in the black for 17 consecutive quarters. Recently, Hynix expanded its business portfolio by re-entering the System IC field. The company secured a future growth engine by entering the CMOS Image Sensor (CIS) field, which is part of the system IC sector. The company is anticipating that this move will result in Hynix securing a stable source of profit and increasing sales.

In addition to generation of profits, Hynix will engage in discussions with various groups, such as NGOs, joining hands with them for the development of the local community and the national industry.

Survey results

Q1. Hynix transparently discloses accounting information to all stakeholders.

Very much so	14.9 %
Relatively so	58.5 %
Average	23.0 %
Relatively not so	2.4 %
Not at all	1.2 %

Very much so	18.2 %
Relatively so	41.7 %
Average	31.7 %
Relatively not so	6.7 %
Not at all	1.7 %

Very much so	19.1 %
Relatively so	51.9 %
Average	25.9 %
Relatively not so	3.1 %
Not at all	0.0 %

Q2. Hynix quickly grasps market trends and responds to them.

Very much so	0.0 %
Relatively so	80.0 %
Average	20.0 %
Relatively not so	0.0 %
Not at all	0.0 %

Very much so	20.6 %
Relatively so	55.2 %
Average	20.6 %
Relatively not so	3.2 %
Not at all	0.4 %

Very much so	29.2 %
Relatively so	50.3 %
Average	18.6 %
Relatively not so	1.9 %
Not at all	0.0 %

A survey on stakeholders shows that 73.4 percent of executives and technical office workers and 71.0 percent of partner companies have a positive view on Hynix's accounting transparency. In contrast, only 59.9 percent of local community members have a positive opinion. In terms of the ability to forecast and respond to the market, 80.0 percent of customers, 75.8 percent of executives and technical office workers, and 79.5 percent of partner companies gave a positive response.

Moving forward, Hynix will more actively promote the sustainability report so that all stakeholders, including the local community, can more easily access information on the company's economic achievements.

Renewing our resolve to achieve goals!

The Promise of Good Memory

It is difficult to accept change, but just as great things come from difficult undertakings, nothing is sweeter than the memory of triumph over a task. | Hynix is focusing on its development of internal experts and R&D to reduce the risk factors that come with growth and to secure long-term profits. | The company is establishing a framework for a creative organizational culture by founding its three elements of innovation – setting goals for sustainable growth, developing growth engines, and forming a performance-oriented organization.

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TPM (Total Productive Maintenance) – TPS (Toyota Production System)

Hynix, which launched innovation activities in the field in 2000, moved forward with Mega Process and mid-manager-centered competency improvements. It is now ramping up its speed in innovation, from top (management) to bottom (field).

2001

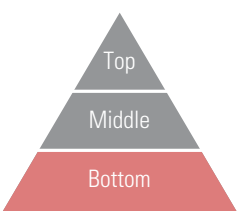
TPM · TPS

2005

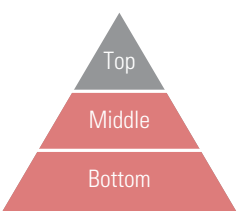
Process and execution power innovation

2007

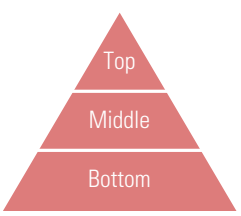
Top-down, customer-orientation



Develop innovation experts in the field and spread a culture of innovation



Horizontal and vertical connection



Share and implement a roadmap on realizing the company's vision

Disclosure on Management Approach

Vision and strategic goals

To realize its vision of becoming the "world's top semiconductor company," Hynix is aiming to build a sustainable innovation infrastructure by striking a balance between top-down and bottom-up field innovation strategies.

Policies

To reduce growth risks and secure long-term profitability, Hynix is establishing a foundation for product and technological competitiveness. It is doing so by innovating the management of managers and employees based on processes. In particular, Hynix is creating a sustainable and creative organizational culture based on the three axes of innovation – setting goals for sustainable growth, securing sustainable growth engines, and creating a performance-oriented organizational environment.

Category			2005	2006	2007
Improved productivity	Wafer		53%	37%	56% (Exceeded 1 million units per month)
	Bit-Growth	DRAM	60%	56%	152%
		NAND Flash	744%	312%	145%
Had employees acquire innovation capabilities			Chose and executed corporate mid-manager-centered innovation tasks	Chose and executed corporate field engineer-centered innovation tasks	Held the First Corporate Innovation Event Carried out mid-manager and working-level employee innovation courses (Working-level employees: 9 times; team managers: 25 times)
Expanded the production infrastructure			- Changed the existing fab (8 inch) to 12 inch fab (One fab) - Commenced 12-inch foundry production (ProMos)	- Changed the existing fab (8 inch) to 12 inch fab (One fab; 12-inch research and development division and production fab) - Construction of an 8-inch and12-inch fab in China (Two Fabs)	- Construction of a new 12-inch production fab (One fab) - Expansion of an existing 12-inch production fab (One fab) - Construction of a back-end process plant (One fab)
Product and technology innovation			- First product certification in the industry (Two cases) - First in the world to develop the highest-speed product (Three cases)	- First product certification in the industry (One case) - First in the world to develop the highest-speed product (Two cases)	- First product certification in the industry (Two cases) - First in the world to develop the highest-speed product (Six cases)

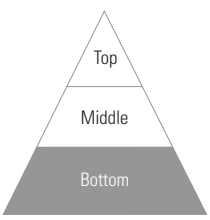
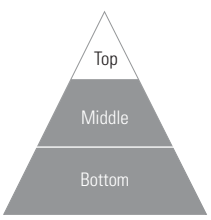
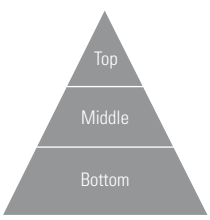
Boosting its competitiveness by leveraging systems designed to enhance management efficiency

Innovation and creation management structure

Hynix ranked number six in terms of sales in the global semiconductor industry by posting the highest sales volume since its foundation in 2007. Based on such achievements, the company is continuously carrying out innovation to grow into the world's top semiconductor company. The management and employees have made concerted efforts to establish a sustainable growth structure through innovation and creation, putting passionate energy into the securing and strengthening of its growth engines.

History of innovation

Hynix has been focusing on improving operational efficiency by spreading the culture of innovation throughout the field through Total Productive Maintenance (TPM), mainly in the manufacturing and research & development sectors. Since 2005, when the company graduated from the debt workout program, Hynix has been making improvements to mid-manager-centered innovation competencies and the corporate-level mega process, through process and execution power innovation. Since declaring the "second business founding" in 2007, the company has been speeding up product, technology, process, and human resource innovation in all areas from top (management) to bottom (the field).

Period	2001	2005	2007
Approach	TPM · TPS	Process and execution power innovation	Top-down, Customer-oriented
Innovation area and performance			
	Develop innovation experts in the field and spread a culture of innovation	Horizontal and vertical connection	Share and implement a roadmap on realizing the company's vision
Details	- Step and proposal-centered activities are carried out by each Headquarters' Innovation Team, with focus on the R&D/manufacturing sector	- Move forward with a focus on cultivating mid-level manager's competence and improving the corporate-level mega process	- Create a strategic roadmap and identify tasks - Spread a corporate marketing culture

CEO leadership for innovation

To make Hynix into a sustainable company for the next hundred years, the company's CEO has been strengthening the innovation management structure, which involves having all employees reach a consensus on innovation and voluntarily implement innovation. The CEO defined "Hynix Supremacy," as the starting point of innovation. He is thereby stressing the importance of making process, human resource, technology, and product innovation an integral part of the company to increase innovation competencies. Hynix will continuously pursue innovation to become the best semiconductor company; one that continually grows based on innovation and creation.

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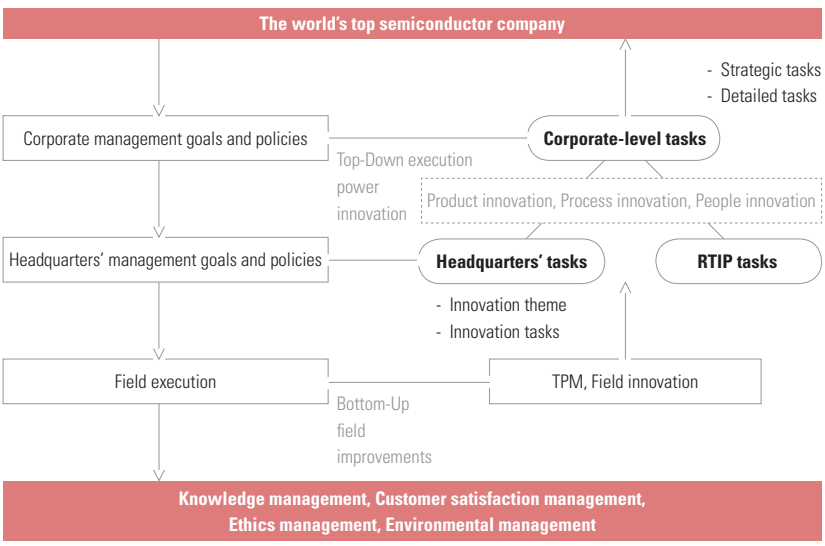
Goals and tasks of innovation management

Hynix is carrying out RTIP (Real Time Interactive Parallel) tasks, headquarters' tasks, corporate-level tasks, field innovation activities, and TPM, based on the slogan "Hynix Supremacy." In so doing, the company aims to seamlessly connect corporate-level management goals and policies as well as connecting headquarters' management goals and policies with the execution of those policies in the field; and create synergy effects based on top-down execution power innovation and bottom-up field improvements.

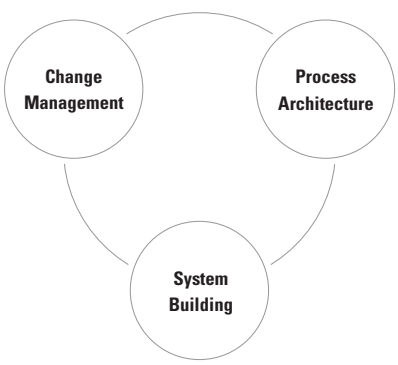


There are a total of nine corporate-level tasks, including customer satisfaction management and the acquisition of the world's highest level of R&D capabilities; and 40 or so detailed strategic tasks that are needed to achieve the goals of each individual corporate-level task. These tasks are being performed by establishing a strategic roadmap that is aimed at achieving the goals and strategic direction of the company.

To expand key process capabilities, the company's Secretariat is executing six tasks – building an integrated base information management system, a strategic business management system, a customer-oriented design-in system, a sales SCM, and a workflow-based information-sharing system. In 2007, Hynix completed the first step involved with building the integrated base information management system and the establishment of a system to evaluate and develop partner companies; thereby expanding the foundation for collaboration. An executive workshop is held, mainly for the head of division, by divisions in order to resolve key issues and meet relevant goals. A total of 14 innovation themes and an estimated 50 tasks are identified, based on which each divisions pursues the establishment of an infrastructure.

RTIP, which represents the process innovation concept of Hynix, is an abbreviation of Real Time Interactive Parallel. It embodies the strong will of the company to connect strategies and responsive measures in real time; timely respond to internal and external changes in the environment; ensure smooth communication among several elements both inside and outside of the company; and establish optimal processes according to memory semiconductor industry characteristics to be completed within the shortest time possible through collaboration.

RTIP Process



- **Real Time** Seamlessly respond to market changes in a timely fashion
- **Interactive** Establish smooth communication and coordination among organizations, processes, and members
- **Parallel** Rapidly handle work in parallel through collaboration

Achievements of innovation/creation

Hynix Risk Warning System

The establishment of a process and infrastructure, and innovation

Hynix is making efforts to pursue product and technology innovation by innovating its processes and infrastructure, which are key factors of innovation. The company is merging existing systems and building new systems to boost management efficiency, cutting down costs, and carrying out field innovation activities to manufacture new products. Hynix is also making achievements by implementing new changes through the realization of creation management, such as advancing into new markets.

Strategic Business Management System (SBMS) Hynix has been working on adopting the Strategic Business Management System (SBMS) since February 2007, with the aim of achieving its vision of becoming the world's top semiconductor company by building a performance/evaluation/monitoring system. Through this system, the company intends to quickly draw up effective business plans and strengthen execution power. The construction of this monitoring/evaluation system is anticipated to entail an increase in voluntary participation, quick decision making, establishment of goals and execution management that is vertically and horizontally connected, as well as the setting of effective goals.

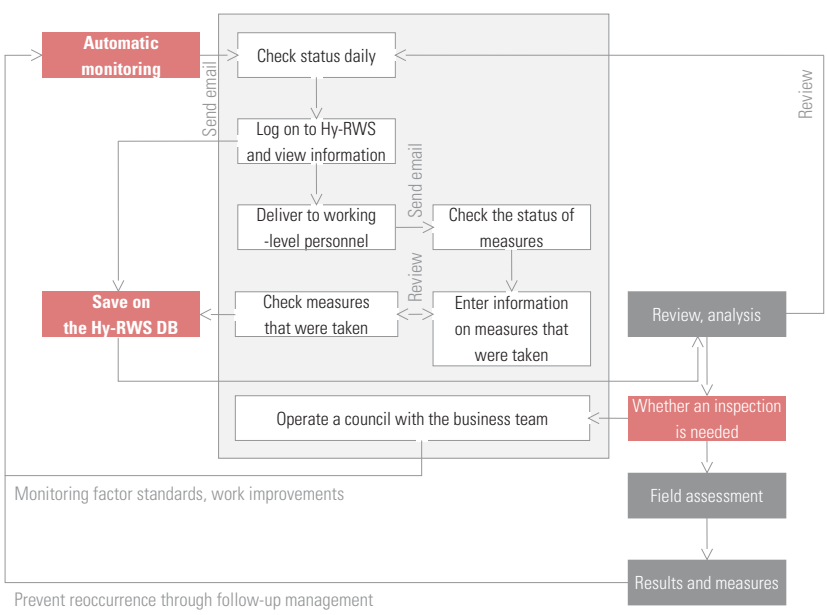
Hynix Risk Warning System (Hy-RWS) Hynix built an internal control system that has an online monitoring and feedback function, with the aim of implementing a regular monitoring structure in tandem with the spread of ethics management and controlling risks associated with work. The adoption of the Hy-RWS has allowed for automatic risk monitoring of domestic business sites as well as overseas sales and production corporations. A voluntary team manager-centered internal control process is being supported by the system. In addition, it has become easy to build and validate the company's internal control structure. It has also become possible to support the early identification of signs of ethics management issues and risks, and voluntary control of such issues and risks. Hy-RWS is the first ERP-based regular monitoring system to be built in the domestic manufacturing sector. Independently developed by Hynix, the company made a domestic patent application in February 2005.

Key functions of Hy-RWS

Hy-RWS defines and manages risks → Risk monitoring → Self-control of monitoring results → Practical assessment management: Four key functions are in place that can support all aspects of assessment work

Hy-RWS operating process

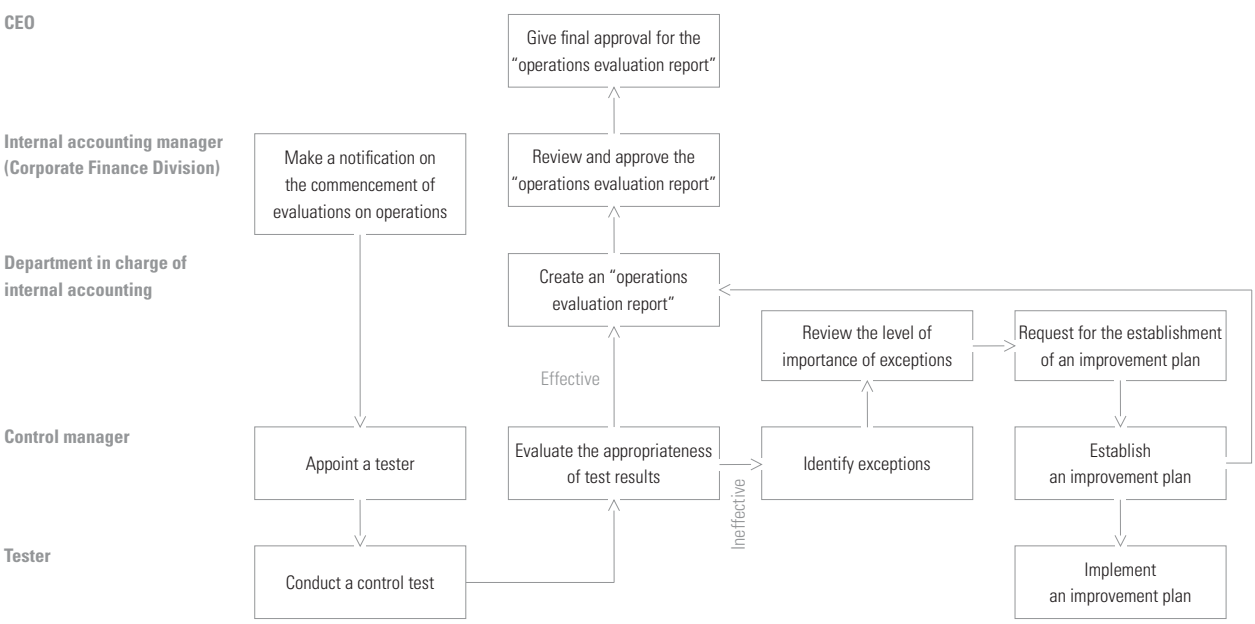
Self Control (Business team manager-centered)



Hynix Internal Control System

Hynix Internal Control System (HICS) Hynix has adopted and is operating an internal accounting management system to make rational judgments on whether financial information that it publicly announces is reliable based on accounting standards. The company designed the system in consideration of general elements of internal control – control environment, risk assessment, control activities, information and communication, and monitoring – and is carrying out regular evaluations. The results of the evaluations are reported to the management, Audit Committee, and BOD. The Audit Committee performs regular assessments on the submitted evaluation results to prevent any risks that can arise from insufficient internal control. Through the adoption of the internal accounting management system, Hynix has satisfied various legal requirements, raised awareness on risk management within the company, and established an environment for the strengthening of corporate accounting transparency.

HICS operation process



Integrated Financial Information System

Integrated Financial Information System (IFIS) IFIS was built with the aim of strengthening the response structure to financial risks and the timely providing of key financial information to support business headquarters and decision-making by the management. IFIS is based on an advanced financial information structure that is realized through the strengthening of internal competencies.

By constructing the system, Hynix was able to merge dispersed financial systems, thereby maximizing work efficiency; and define and supply timely financial information needed to support decision-making by the management in such areas as financial and management accounting and fund management. The system is supporting a management structure that pursues profitability and maintains a stable management environment by giving early alerts on fund liquidity and managing exchange risks.

TPM: Reducing costs and improving productivity through field innovation activities In 2007, Hynix's wafer production exceeded 1 million units a month (8-inch wafers). This means that the wafer production capacity has demonstrated an annual increase of 56 percent. Since 2003, Hynix has been demonstrating the highest level of improvements in the world in wafer production capacity. In 2007, Hynix recorded a 24-percent-higher production capacity level than other leading companies.

In 2007, Hynix was able to cut down the manufacturing costs per wafer by six percent through the implementation of a movement to increase productivity (Bit Growth-DRAM: 152%, NAND Flash: 145%) and cut costs. The company also reduced manufacturing costs by 18 percent through a considerable increase in the productivity of the 12-inch wafer and innovation of the cost structure. Moreover, Hynix is leading the DRAM market by acquiring the world's highest level of cost competitiveness in the DRAM market. This was made possible by a substantial increase in the DRAM production capacity and by successfully securing a production yield in terms of the 80nm.

Establishment of a customer-oriented "design-in" structure Since January 2007, Hynix has been establishing a customer-oriented design-in structure. The aim of the company is to improve its ability to quickly respond to the market for the timely release of products on the market; realize an objective decision-making structure based on visibility; and focus the company's strengths in responding to customers. As a result of such efforts, Hynix was able to acquire corporate-level visibility towards the overall process ranging from identifying new product development opportunities through customers to successfully making business achievements. In addition, the company built an integrated performance indicator structure for the entire process, ranging from identifying new opportunities to releasing new products. This enabled the company to make adjustments from the perspective of achieving overall optimization and to objectively determine its performance. This will ultimately lead to an improvement in market dominance and the development target hit rate, thereby enhancing product competitiveness.

TPM event (June 2007)

Construction of a workflow-based information-sharing system The "workflow-based information-sharing system" is a project that involves building a standardization and information-sharing structure for the research and development division, product development headquarters, and manufacturing headquarters; and for all development work, ranging from the review and decision of new technologies to the full launch of production. The system defines and applies a development work relationship among organizations based on the development flow. By so doing, it supports real-time sharing of information and parallel handling of work. Hynix is taking such steps as part of its efforts in reducing the product development period.

Expansion of an infrastructure for mid to long-term growth The expansion of production capacity is an important factor in the semiconductor memory business. The industry is already making a shift from 8-inch to 12-inch production. In line with such changes in the environment, Hynix is establishing a mid to long-term growth foundation by building a new production fab to increase its 12-inch production capacity; expanded its existing production fabs; and made investments for a second fab at the Wuxi Plant in China. Thanks to such efforts, the proportion of the company's 12-inch production capacity to its overall capacity was raised from 32 percent at the end of 2006 to 51 percent at the end of 2007, proving that the company has gained competitiveness in this field.

In particular, the company is moving forward with the completion of a new production fab in Cheongju, which is planned to manufacture large-capacity NAND Flash products, including 16Gb and 32Gb products, by employing a 40nm-level ultra-precision process to the 12-inch wafer, which boasts a much higher level of productivity than existing wafers. Once construction is completed, Hynix is anticipating to further enhance its competitiveness in the NAND Flash market, for which demand is rapidly growing.

Improvements to Supply Chain Management (SCM) Hynix built a specialized SCM structure that considers the unique characteristics of the semiconductor business, such as the separation of manufacturing, production, and sales plans. With the aim of strengthening key competencies, such as responsiveness, reliability, profitability, and visibility, Hynix set seven major tasks. It took a bottom-up approach to building an integrated supply chain management system, beginning with fab and process-level plans in 2003, followed by the integrated production plan in 2006 and integrated demand plan in 2007.

Improvements were made to data transparency and reliability by moving away from the manual management of sales and production plans based on experience, and instead adopting an approach of managing these plans based on systems and regulations. Other benefits include sharing information among relevant departments and establishing a close cooperative structure. In addition, the focus of business has shifted from manufacturing aimed at improving productivity to sales aimed at improving the customer satisfaction level and enhancing profitability. Hynix is planning to implement SCM in the sales sector and integrate all areas of SCM.

Entering new markets In October 2006, Hynix joined hands with STMicroelectronics, a global semiconductor company, and built a plant at Hynix-ST Semiconductor LTD in Wuxi, Jiangsu Province. This is expected to lead to the strengthening of cooperative ties between the two companies, thereby enhancing the business stability and credibility of the two companies. With the construction of this plant, Hynix has built an additional overseas production facility that can completely prevent trade issues, such as countervailing duty. The company has also previously built a production facility in the US. By building a global production structure that connects Korea with the US and China, Hynix has established a foundation for long-term growth.

Since the early 1990s, Hynix has been maintaining the No. 1 market share position in the Chinese DRAM market. It posted a market share of about 59 percent in the third quarter of 2007. By constructing a joint venture plant in the Chinese market, which is expected to witness an annual average growth of around 25 percent through 2010, Hynix is expected to reinforce its leading position in the Chinese semiconductor market.

Key tasks and achievements of SCM

Seven key tasks of SCM

- Weekly operation structure
- Optimal Product Mix
- Global and optimal production management
- Strengthen the sales-manufacturing collaboration structure
- Strengthen deadline management
- Acquire global visibility
- Standardize base data

Achievements

- Achieved a 12.5 percent increase in demand forecast accuracy by increasing speed in responding to environmental changes
- Actively supporting various Product Mix-related decision making through the sharing of information
- Achieved a 75 percent reduction in the global production plan establishment cycle with the establishment of integrated production plans
- Achieved a 25 percent reduction in the manufacturing cycle and a 53 percent increase in the manufacturing processing volume
- Achieved a 92 percent increase in the acquisition of global visibility through SCM monitoring

Organization and human resource innovation

Evaluation of organizational innovation Hynix has been conducting organizational evaluations since 2006 to establish a foundation to make corporate innovation achievements, clearly define innovation activities, and compensate for achievements. In 2007, the company set nine corporate and headquarter-level innovation strategies and 46 detailed tasks for continuous innovation activities.

Evaluation of and compensation for permanent innovation taskforce teams Hynix is operating permanent taskforce teams to implement the company's strategic tasks. By giving active support to the innovation activities of the taskforce teams, the company's strategic achievements are being maximized. In particular, a separate compensation system has been implemented for employees participating in the taskforce teams to strengthen their motivation to participate. In addition, evaluations are being carried out to achieve goals within the set timeframe. These teams are being operated in all departments, including the sales, marketing, and development departments and are contributing to making practical management achievements.

Advance the new Chinese market

Holding the Corporate Innovation Event Hynix is holding the Corporate Innovation Event to achieve its vision of becoming the "world's top semiconductor company." The company intends to train employees in process and human resource innovation activities; and motivate them through the event.

Hynix held the first innovation event in July 2007 and is planning to make the event a regular one while continuously awarding outstanding employees to make innovation activities an integral part of the company. In fact, Hynix is actively looking into the possibility of increasing the frequency of the event as well as the number of teams that give presentations during the event.

Execution power innovation through training Hynix has been providing training to enhance the execution power of all employees so as to enable them to put innovation into action. The company is offering the latest training programs designed to strengthen the required capabilities step by step; and is incorporating the training performance (level of participation) into innovation execution skill indicators, which are used to evaluate an organization.

Innovation training programs are being provided to executives and team managers. They consist of an innovation workshop aimed at enhancing employees' capabilities in terms of tasks, Critical Success Factors (CSFs), and Key Performance Indicators (KPIs); a team manager innovation course that is designed to enhance the ability to create execution plans and manage tasks; the working-level innovation course that enhances problem-solving skills; and the project leader course that is aimed at ensuring successful task completion. Hynix is currently in the process of creating a TOYOTA Production System (TPS) training program aimed at strengthening employees' determination towards innovation and the innovation culture.

Hynix will do more than ramp up the speed of its existing regular training programs. Starting from 2008, the Marketing Headquarters will provide training aimed at strengthening marketing capabilities to spread the marketing culture. A creative problem-solving approach (Triz) will be disseminated, with a focus on R&D. At a corporate-level, employees are concentrating on benchmarking and learning TPS, which is an innovation concept of TOYOTA.

Held the CTO* Innovation implementation Committee in the first half of 2007

Product and technology innovation

Hynix is making various efforts to strengthen key R&D capabilities to actively respond to the rapidly changing global market. The company is consistently developing future-generation technologies every year and enhancing its technological competitiveness so that when a shift is made into a new technology, no more than 10 percent of the process steps are added. Efforts are being made to secure R&D experts through a global network and by forming industry-academic ties. Focus is being placed on developing experts within the company by enabling employees to voluntarily form a learning organization that combines its culture with business. Hynix is also reaching strategic alliances with domestic and overseas semiconductor companies and consortiums to strengthen its global network. In addition, joint development contracts are being concluded with domestic and overseas equipment and materials companies to carry forward with joint development aimed at securing future technologies.

Development of DRAM technology In 2001, Hynix was placed in a situation where it could not make new investments due to a liquidity crisis. The company had to engage in innovation that involved developing a top-notch technology with minimal investments. The company secured cost competitiveness by succeeding in the development and production of the "chip family project" – a project aimed at developing nano scale technology. The project resulted in the development of the 150nm Blue Chip (BC) in 2002, the 130nm Prime Chip (PC) in 2003, the 100nm Golden Chip (GC) in 2004, and the 90nm Diamond Chip (DC) in 2005 in the DRAM sector.

Based on such achievements in technological innovation, Hynix developed the 512Mb DDR2 using 80nm technology and the 1Gb DDR2 product using 66nm technology in 2006; and became the first in the world to receive qualification from Intel. Hynix has developed products that ensure the highest yield level and the finest quality, to outperform its competitors in technological development. Hynix also achieved twice as much performance compared to its competitors in terms of Refresh**, which is a major characteristic of DRAM products, starting from the 80nm product.

Development of NAND Flash technology The NAND Flash business was launched based on a strategic alliance with STMicroelectronics in 2003. With the 512Mb 120nm Taepung Chip (TC) - which was developed in 2004 - as the beginning, the company developed and successfully launched production of new technologies every year, such as the 90nm Cyclone Chip (CC), the 70nm Hurricane Chip (HC), the 60nm Halla Chip (HL), and the 50nm Keumkang Chip (KK). Hynix achieved noticeable growth within a short period, and succeeded in becoming one of the top three NAND Flash suppliers in the world within three years after entering the business. Hynix was able to accomplish this based on its ability to develop new technologies, such as the 90nm 4Gb MLC, and the world's top production optimization technologies.

* **CTO** (Chief Technology Officer)

** **Refresh** The operation which cycles through a DRAM, reading each row and writing it back again to compensate for the gradual leakage of charge from the capacitors which store the data.

Development of package technology In 2007, the company continued to put more speed into enhancing its development competitiveness based on technological leadership. The company developed the fastest memory module that applies the cutting-edge "wafer level package" technology; and launched the production of the fusion memory DOC (Disk On Chip) H3, targeting products in the high-tech mobile market, such as smart phones.

Acquisition of global-level technological skills Hynix acquired world-leading development and cost competitiveness by becoming the first in the industry to receive a qualification for its high-speed next-generation memory DDR3; developing the world's fastest and smallest 1Gb mobile DRAM; becoming the first in the world to develop a 24-stack NAND Flash multi-chip package; developing the world's first 1Gb GDDR5; receiving qualification from Intel for the 54nm 1Gb DDR2 DRAM; and developing the world's smallest 16Gb NAND Flash product. By so doing, Hynix reaffirmed that it has the best technology skills in developing pioneering products.

To develop next-generation non-volatile memory, which will succeed DRAM and flash memory, Hynix concluded a next-generation memory PCRAM license with Ovonyx of the US and has been moving forward with the joint development of a ZRAM with Switzerland's Innovative Silicon. Based on a roadmap that looks into the future after 2010, Hynix is making preparations to compete in future technologies. Hynix will continue to innovate its R&D sector, thereby making efforts to acquire world-leading technologies. It will maintain industry leadership in the development of 40nm-level technologies and products and improve the R&D sector to acquire the ability to develop next-generation technologies and products. The company will go further by joining the Inter-university Micro Electronics Center (IMEC) to develop 30nm-level next-generation semiconductor technologies and focus on technological innovation to develop the next-generation NAND Flash cell.

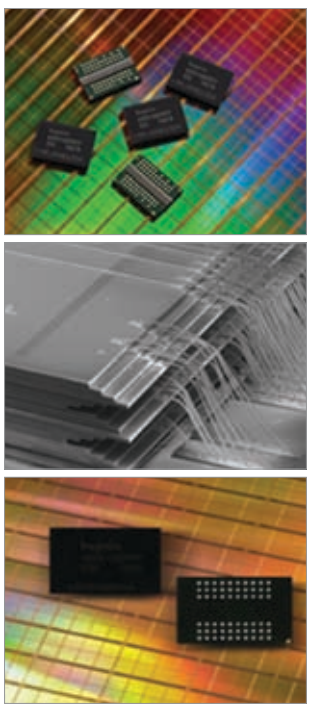
Participating in joint industry-academy developments in the next-generation memory field Since 2004, Hynix has been participating in the "next-generation terabit non-volatile memory project," supported by the Ministry of Knowledge Economy. The company is developing non-volatile terabit (1012bit) memory fundamental technology jointly in the second phase of this project, led by the Ministry of Knowledge Economy, together with the academic sector and other domestic companies in the same industry. In January 2008, a ceremony will be held to conclude an agreement on the joint development of fundamental technology as well as an agreement on the transfer of patent rights of the fundamental technology for the next-generation memory developed in the first-phase of development. In addition, Hynix is planning to join hands with other domestic companies in the same industry to implement the existing second phase projects as well as to engage in the joint development of STT RAM*, which is gaining much attention as a next-generation memory.

Entered the system IC business area Hynix intends to improve the company's value based on stable profits and sales by developing a sustainable growth engine through the expansion of its business portfolio. To this end, the company strengthened its portfolio by re-entering the System IC sector at the end of 2007.

The CMOS Image Sensor (CIS), of the system IC field, is closely related to existing memory semiconductor technologies. Hynix will make efforts to gain technological competitiveness and achieve rapid growth in this field based on its accumulated ultra-micro nano-technologies and stable process technologies, allowing it to take a leading role in the CIS market.

By entering the CIS business, Hynix has improved the profitability of idle production fabs and acquired base design and process technologies for the System IC business. It thereby took its first step toward becoming a comprehensive semiconductor company that supplies both memory and System IC semiconductors and software.

Key product development performance in 2007



Top Developed the world's fastest and smallest 1Gb mobile DRAM (August 2007)
Middle Developed the world's first 24-stack NAND Flash multi-chip package (September 2007)
Bottom Developed the world's first 1Gb GDDR5 (November 2007)

Entering the CMOS Image Sensor business

* **STT RAM** (Spin-Torque Transfer RAM) is a next generation, non-volatile memory solution, said to overcome the limitations of conventional magnetic RAM technologies. It also consumes less power than existing mainstream memories and provides endurance as well as fast read/ write capability.

Results of an interview with an expert

Director Kim Han-gi of the Citizens' Coalition for Economic Justice

Hynix has a big share of the global market in terms of the memory semiconductor industry. In consideration of our nation's current economic conditions, it is extremely important for the semiconductor industry to gain the ability to create jobs and present a blueprint. Hynix has made great achievements since overcoming difficulties during the Korean economic crisis. It should continue to develop future growth engines by engaging in further research and development.

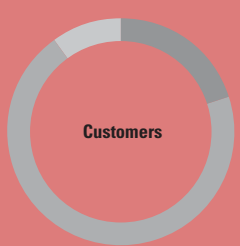
Hynix's Position

Hynix is making various efforts to strengthen its core R&D capabilities. It is placing focus on acquiring R&D experts through its global network, and is also making efforts to establish industry-academy ties and develop internal experts. The technologies of Hynix are at the world's top level. The global-leading technological competencies of Hynix are proven by its development of the world's fastest and smallest 1Gb mobile DRAM, the world's first 24-stack NAND Flash multi-chip package, the world's first 1Gb GDDR5, and the acquisition of a certification for the industry's first high-speed next-generation memory DDR3. Since 2004, Hynix has been participating in the "next-generation terabit non-volatile memory project" led by the Ministry of Knowledge Economy. It is now in the process of developing source technology for this next-generation terabit non-volatile memory. The company has also drawn up plans to join hands with other domestic companies in the industry to develop STT RAM, the market for which will form starting in 2010. Hynix will continue to make strenuous efforts to become the world's top semiconductor company, based on a strong sense of responsibility as a company in the cutting-edge semiconductor industry.

Survey results

A survey of stakeholders indicates that 90.0 percent of customers, 83.3 percent of partner companies, and 81.3 percent of executives and technical office workers have a positive view of Hynix recognizing the importance of innovation. Only 67.9 percent of full-time employees gave a positive response. Hynix will make strenuous efforts to create a corporate culture of innovation and to develop new technologies and products. In addition, information on the company's activities and business performance will be shared as much as possible with stakeholders.

Q1. Hynix places importance on innovation.



Very much so	20.0 %
Relatively so	70.0 %
Average	10.0 %
Relatively not so	0.0 %
Not at all	0.0 %

Very much so	29.1 %
Relatively so	52.2 %
Average	15.1 %
Relatively not so	3.2 %
Not at all	0.4 %

Very much so	33.5 %
Relatively so	34.4 %
Average	28.9 %
Relatively not so	3.2 %
Not at all	0.0 %

Very much so	40.6 %
Relatively so	39.0 %
Average	18.8 %
Relatively not so	1.6 %
Not at all	0.0 %

Very much so	31.4 %
Relatively so	51.9 %
Average	14.8 %
Relatively not so	1.9 %
Not at all	0.0 %

Good Memory the Principles of Purity

Self-worth comes from the satisfaction of a job well done and the memories of moments of truth. Hynix holds these memories dear.

After establishing the code of conduct in June 1, 2000, Hynix revised it three times and made system improvements, thereby raising awareness of ethics management, creating ethically oriented mindsets among employees and establishing a foundation for the legal execution of tasks. Hynix intends to become a transparent and clean company that establishes antitrust compliance practices and fulfills its social responsibilities.

Protecting and projecting our principles!

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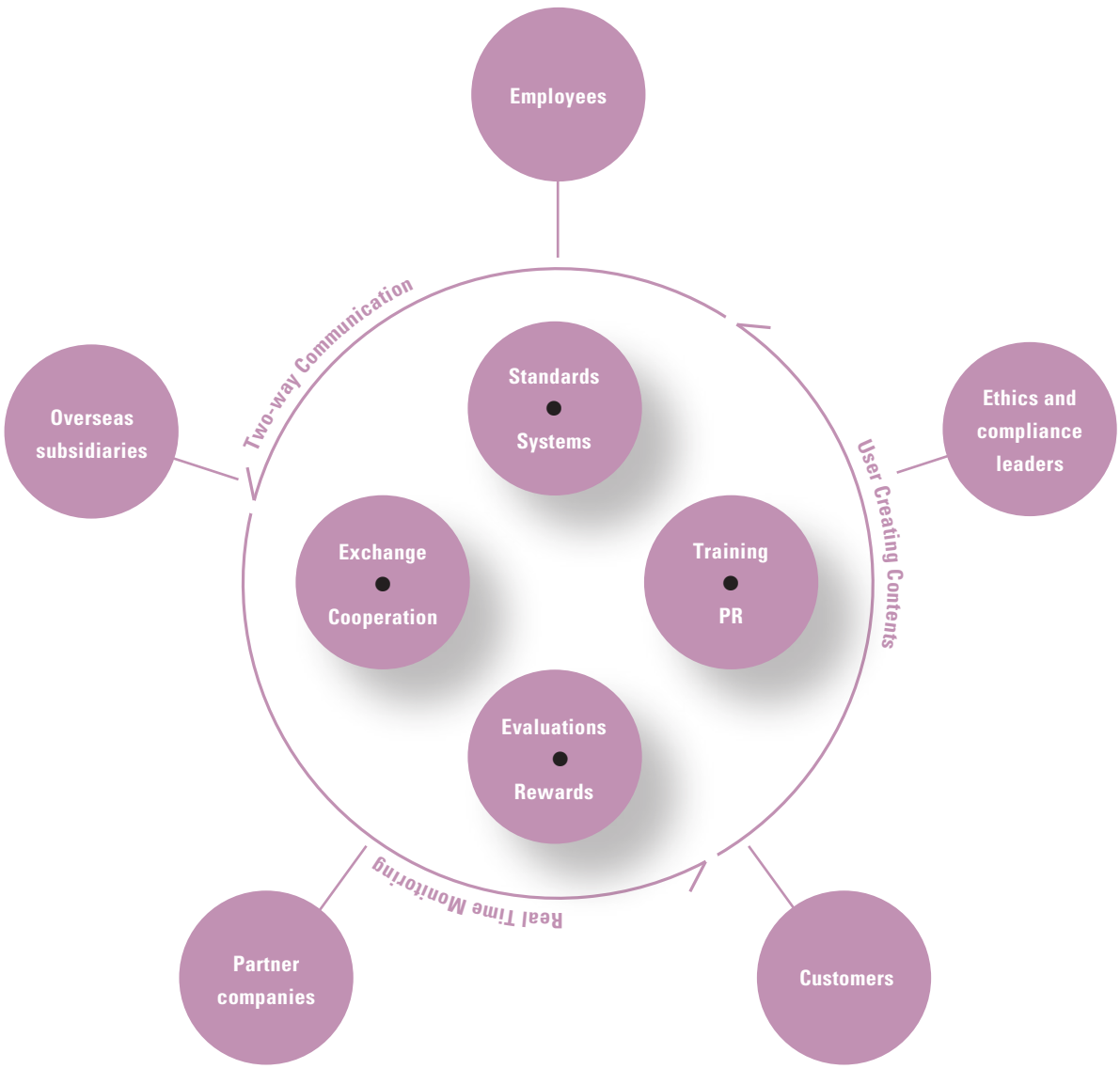


Hynix's Ethics Management System
The HEMS is a smooth communication channel for internal and external stakeholders, as well as a portal system designed to allow for the accumulation, integration, sharing, and voluntary creation of information and the monitoring of ethics management activities.

Vision and strategic goals

Hynix is aiming to become a transparent and clean company that completely fulfills its social responsibilities. It aims to do so by establishing fair business practices and ethically and legally handling tasks, in recognition of the strong demand for ethics management in this era.

Policies

At the end of 2007, Hynix revised its code of conduct and detailed enforcement regulations to respond to the changing domestic and overseas environment while strengthening the ethical mindsets of its employees. Employees are using these as standards for making the right judgments and taking the right actions. In addition, Hynix is more systematically engaging in corporate ethics management by operating HEMS.

Disclosure on Management Approach

Category			2005	2006	2007
Training	Workshop	Domestic	2,139 hours	2,179 hours	2,233 hours
		Overseas	120 hours	366 hours	168 hours
	Ethical classroom in the field		1,648 hours	2,631 hours	1,856 hours
	e-message/cyber training		9 episodes, N/A	13 episodes, N/A	N/A, 2nd place
Evaluation	Overall assessment on ethics management		73.3 points	N/A	72.8 points

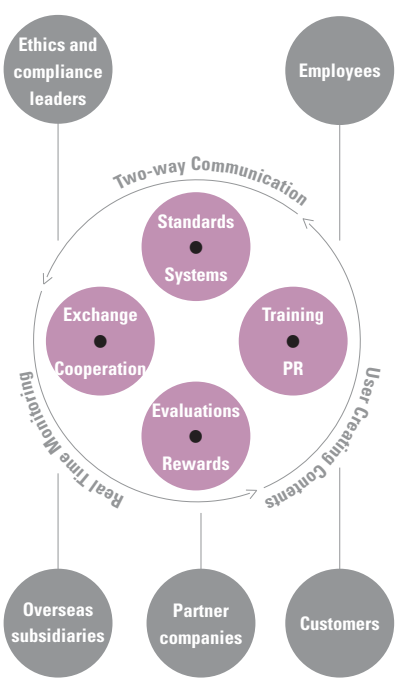
An ethics management system forms the basis of a transparent and clean corporate culture

Vision and goals of ethics management

Hynix is aiming to become a transparent and clean company that wholly fulfills its social responsibilities. It aims to do so by establishing fair business practices and ethically and legally handling tasks, in recognition of the strong need for ethics management in this era. The company established the code of conduct and made a commitment to put the code of conduct into action. The code of conduct refers to standards that all employees need to abide by to make sound judgments on values and to take the proper actions. The code of conduct, which was established on June 1, 2000, was first revised on August 1, 2001, followed by a second revision on May 1, 2003. The revisions were aimed to respond to the rapidly changing domestic and overseas environment and to strengthen the ethical mindsets of employees. A third revision was completed in the second half of 2007, resulting in the public announcement of a new code of conduct on February 5, 2008.

The code of conduct and detailed enforcement regulations were revised so that they can be used as strict and practical guidelines. Details have been added to sections relevant to all stakeholders – customers, shareholders, employees, nation and society, and environment – and more clear and detailed standards have been presented.

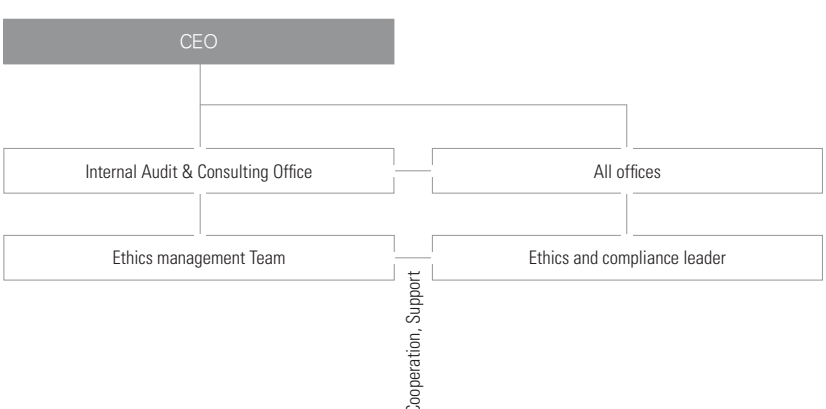
Hynix Ethics Management System



Ethics management implementation structure

Ethics management organization Hynix established an Ethics management Team under the Internal Audit & Consulting Office for corporate-level implementation of ethics management. This team is making efforts to spread ethics management outside the company and boost relevant exchanges; and to meet global standards by establishing the code of conduct and ethics management system as well as by providing training and engaging in PR activities in this regard.

Ethics management organization



Ethics management system Hynix is building the Hynix Ethics Management System (HEMS) by strengthening the ethical actions of employees, facilitating system-based ethics management, and promoting the external spread of ethics management as well as relevant exchanges. HEMS is a smooth communication channel with internal and external stakeholders of Hynix, based on standards, systems, education, PR, evaluation, rewarding, exchanges, and cooperation. It allows for the accumulation, integration, sharing, and voluntary creation of information, making HEMS a portal system designed to allow monitoring of ethics management activities.

A diversified and systematic approach for executing ethics management boosts achievements

Achievements from implementing ethics management

left CEO's pledge on executing ethics management
right Pledge on executing ethics management

With the declaration of the code of conduct in 2000 as a foundation, Hynix has been engaging in a wide array of ethics management activities. These activities are aimed at raising the dignity and pride of employees and promoting the establishment of trust with stakeholders.

Key performance of executing ethics management

2005	2006	2007
- First e-Message - Ethics Class of worksite - Visiting Ethics Class - Evaluated corporate-level ethics management and presented rewards - Regular survey on ethics management - Joint workshop with partner companies - Workshop for new partner companies - Institutionalized workshops for new executives	- Second e-Message - Ethics Class of worksite - Ethics Academy for partner companies - Visiting Ethics Class - Develop Ethics and compliance leaders - Evaluate and reward ethics management - Institutionalized pledge on executing ethics management - Build a global ethics network	- Ethics Class of worksite - Ethics Academy for partner companies - Visiting Ethics Class - Develop ethics and compliance leaders - Evaluate and reward ethics management - Overall assessment of ethics management in 2007 - Pledge on executing ethics management

Implemented the pledge on executing ethics management

Hynix has institutionalized the "pledge on executing ethics management" for all employees, including the CEO. All employees have been required to make a pledge at the beginning of each year since 2006. It is a regular event: When employees conclude an annual salary contract, and when new employees receive training before joining the company, they make a pledge to put ethics management into action.

Ethics management structure

Ethics and compliance leader system The Ethics and compliance leader system involves having an execution leader for the voluntary implementation of ethics management in each unit organization. The execution leader performs a principal role in disseminating corporate ethics management policies, such as through ethics training and counseling, and making the policies an integral part of the relevant organization. This leader monitors whether employees are abiding by the code of conduct, relevant laws and ordinances, and various corporate regulations in the performance of their duties.

Roles and missions of an Ethics and compliance leader

Prohibit personal use of work hours & company property These are declarative regulations that stipulate work hours and prohibit personal use of various items owned by or under the company.

System of stating compliance When a task is performed based on a standard or foundation, the standard or foundation is stated in relevant documents.

Obligation and Responsibility of whistle blowing, protecting whistle-blowers Hynix has made it mandatory for employees to report any violations to realize and completely establish ethics management. An employee who makes such a report is acknowledged as preventing potential risks and the resulting opportunity costs; and will receive protection.

Efforts to prevent corruption Hynix is making strenuous efforts to implement transparent and clean management. Pursuant to the code of conduct, employees are not providing to or demanding from stakeholders, money, other articles, or entertainment while performing their duties. In addition, the company does not get involved with politics, nor does it directly or indirectly provide illegal donations or money to be used for expenses to a political candidate, party, or committee. However, the company can state its position on the enactment of laws or establishment of policies that are related to the company's interests. Moreover, the company respects each employee's political rights, but employees are required to take caution so that their personal opinions are not misunderstood as the company's opinions. Employees are also prohibited from engaging in any political activities within the company. Thanks to such efforts, Hynix has been free from any restraints or fines associated with violations of domestic or overseas laws, regulations or international agreements.

Training and PR on ethics management Hynix is providing ethics management training to employees and partner companies. Training includes basic training by job level, cyber training on ethics, customized Ethics Classes, workshops, seminars, and e-Messages. Hynix is also operating the "customized Ethics Class" and Ethics Academy for partner companies.

Cyber training on ethics management Hynix provided cyber courses on ethics management in 2004 and 2007, as part of its efforts to continually develop an ethical mindset among employees. Technical office workers participated in a one-month basic training course with seven sessions lasting eight hours in 2004. The in-depth training course offered in 2007 was a one-month course with 12 sessions lasting a total of 16 hours. All employees participated in the course. In particular, the 2007 course consisted of more in-depth content, including ethical leadership and decision-making, internal and external trends, and response strategies and measures. A survey on cyber training indicated that employees were able to systematically learn about ethics management, which had been a vague concept to them prior to training. Many expressed that the approach of presenting a different dilemma situation during every session and having the employees enter their opinions was effective.

Training on human rights and business security Hynix is providing training to prevent sexual harassment once a year to all employees. The company is also providing training on human rights, etiquette, and ethics to security, patrol, and safety personnel of partner companies once a year, pursuant to Article 12, Paragraph 2 of the enforcement regulations of the Security Business Act. Expanding and fully establishing a consensus on ethics is an essential element for sustainable growth. It promotes productivity and quality improvements and brings stakeholders together based on trust and harmony.

e-Message

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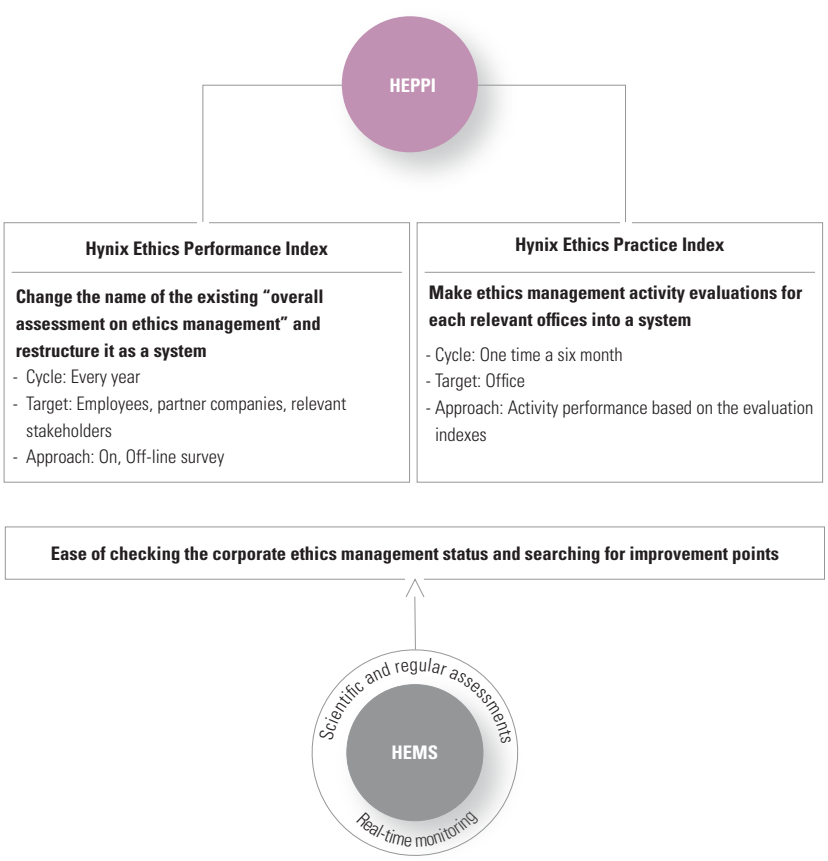
e-Message e-Message has established itself as Hynix's unique ethics management training and PR media. It has enabled employees to gain a more in-depth understanding of ethics management. e-Message started in 2005. The first e-Message was a flash animation on bribery, entertainment, playing golf, and egotism within a department. In 2006, the e-Message spread information on cases that employees might frequently experience, with focus on job ethics, via the company's Intranet. It presented a precious opportunity for all employees to enhance their mindsets towards job ethics and take a close look at the corporate culture.

Monitoring of ethics management activities

HEPPI (Hynix Ethics Practice & Performance Index) HEPPI is a system Hynix is planning to build to regularly and scientifically engage in ethics management evaluations and to strengthen real-time monitoring. The plan is to transform the "overall assessment on ethics management" and ethics management execution activities by organizing them into a system. By renaming the existing evaluation system, Hynix aims to assign a value as the company's unique evaluation index. The company intends to strengthen objective and scientific evaluations based on a computerized system.

Hynix Ethics Practice & Performance Index (HEPPI)



Voluntarily abiding by lavvs and regulations and implementing the antitrust compliance program

Adoption of the antitrust compliance program

Since June 2007, Hynix has been operating the antitrust compliance program to prevent potential losses from business operation and to fully establish Antitrust practices.

Hynix has a leadership position in the memory semiconductor industry, which is an oligopolistic industry in terms of suppliers. Domestic and foreign authorities are paying keen attention to the actions that Hynix takes. In fact, Hynix was placed under some restraints after investigations were carried out by the US and EU a few years ago*. The main regions where Hynix's memory semiconductor products are sold are the US, EU, and Japan. These nations levy a fine or sentence to imprisonment individuals or corporations that violate Antitrust Laws and regulations. There are cases in these nations where the degree of restraints placed is lowered when a violating company is operating the antitrust compliance program. As such, the adoption of this program performs the role of establishing an institutional foundation for receiving such benefits. In the case of Korea, the Fair Trade Commission is encouraging the adoption of the antitrust compliance program. It is doing so by operating a system that involves reducing the level of restraints placed for companies that are setting a model example in operating the antitrust compliance program. It has been operating this system since 2002.

Hynix's Antitrust Compliance Program is a legal compliance system that is being voluntarily operated with the aim of complying Antitrust Laws and regulations so as to prevent violating acts; and engaging in monitoring activities. The adoption of the Antitrust Compliance Program by Hynix demonstrates the will of the company to the market and government that it will voluntarily abide by relevant laws and regulations and engage in fair competition. This program was launched after a one-year preparation period made in close collaboration with professional lawyers in Korea and the US. The program has been designed in consideration of the unique characteristics of the semiconductor industry and the program's potential impact on the company's overall business. Tangible results of adopting and operating the program include the satisfaction of the seven requirements, construction of an internal and external website, and establishment of the Antitrust compliance program for Overseas subsidiaries.

Education of antitrust ('07)

Satisfaction of the seven key requirements

Hynix created a compliance guidebook and manual that contains information on regulations stipulated in the Antitrust Law of Korea, the US, EU, and other nations; extraterritorial application of the Antitrust Law and process for handling antitrust cases; as well as an explanation on regulations stipulated in the domestic Subcontracting Act and information on action standards so that employees do not engage in any violating act. They were distributed in July 2007 to all relevant officials and employees at home and abroad through online and offline communication. In the second half of 2007, Hynix provided training by sector and job level for a total of 168 hours to 1,952 employees. In terms of offline training, Fair Trade Commission officials as well as professors and lawyers with professional knowledge on the Antitrust Law were invited to give lectures. These lectures were on the regulations of Antitrust Laws that officials and employees need to know for corporate management and in performing duties at the company; as well as cases of application of the regulations. In terms of online training, a training program created by the Korea Fair Competition Federation was used for lectures given by internal lecturers on the Antitrust Law. Moreover, the company is sending letters in the names of the antitrust compliance to all officials and employees. It also handled 20 or so counseling cases.

* Refers to Hynix's Auditors' Report

In December 2007, Hynix conducted a survey on all technical office workers to determine the status of Antitrust Law compliance in the first year of adopting the program; and to acquire information on antitrust compliance activities and training effects. By doing so, the company was able to collect basic materials needed to raise awareness among employees about the Antitrust Law and operate various training and promotional programs.

Construction of an internal and external website

Hynix is using its website to make known its strong will to voluntarily comply with antitrust regulations and is performing a leading role in creating a culture of legal compliance. The company is posting information on its compliance program, relevant news, various materials, and an e-Book of the Antitrust Compliance manual. It also built a section on the website that allows for any person to anonymously report any violations of the Antitrust Law.

Moreover, the company intranet enables employees to check if any planned actions might violate the Antitrust Law by using all functions and information on the Antitrust Compliance program. It also allows for employees to view the annual training plans and content. There were two antitrust reports on violations. However, a thorough investigation into the matters, under supervision by the Antitrust Compliance Office, indicated that both cases were not violations. The reporters were notified of the results.

Antitrust Compliance program website

Establishment of the Antitrust Compliance program for overseas subsidiaries

Most of Hynix's sales are from exports. Hence, the company must thoroughly abide by the Antitrust Law of its key trading nations. In January 2008, Hynix opened an independent Antitrust Compliance program website for Hynix Semiconductor America Inc. (HSA), a sales corporation in the US. The website includes key functions of the headquarters' system and incorporates US regulations. The head of the corporation made his strong will to comply with the Antitrust Law. The system is designed so that anonymous reports can be made on violations inside and outside the company. In addition, it has become possible for the corporation to monitor violations of the Antitrust Law by officials and employees before or after such acts take place.

Seven requirements of the antitrust compliance program and performance results

Seven requirements	Performance results
01. The management expresses its resolve for antitrust compliance	- CEO Kim Jong-kap expresses his will towards the antitrust compliance (June 29, 2007) - A public announcement was made on the adoption of the antitrust compliance program (June 29, 2007)
02. Designate antitrust compliance officers	- Designated the head of division as antitrust compliance officers - Their duties and authority were added to company policy
03. Create and distribute the Antitrust compliance manual	- Issued the Antitrust Compliance manual and guidebook - Distributed internally (July 2007)
04. Operate training programs	- Included the programs into the regular training programs of Hynix - Both online and offline training is being provided
05. Establish an internal monitoring structure	- Employees check for any possibilities of violation before or after actions are taken by using the Antitrust Compliance Program website - The Antitrust Compliance Office operates a monitoring system at least once every six months
06. Place restraints on employees who violate relevant laws or regulations	- Cases of violations are presented to the Disciplinary Committee to place restraints - If the violating act is only a slight problem, the Antitrust Compliance Officers take corrective measures.
07. Establish a document management system	- Documents are managed by the Antitrust Compliance Office - The Antitrust Compliance Program website has an archive, counseling section, and a database management system for report details

Results of an interview with an expert

Director Kim Han-gi of the Citizens' Coalition for Economic Justice

There are many domestic companies that have a social contribution team, but only a few have an ethics management team. Hynix has an ethics management team, which proves that the company is well aware of the importance of ethics management. The problem is that the ethics management guidelines in place at many companies are just for show. Hynix needs to make strenuous efforts so that ethics management leads to actual patterns of behavior.

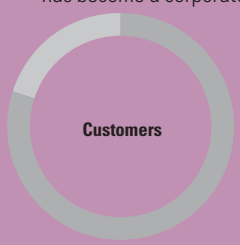
Hynix's Position

Hynix has set up an Ethics management Team under the Internal Audit & Consulting Office for corporate-level implementation of ethics management. The Ethics management Team establishes the code of conduct and relevant systems. It also creates practical training programs, thereby making efforts to spread ethics management outside the company and boost exchanges. In particular, the team is encouraging employees to have a strong mindset on ethics as well as upright patterns of behavior by offering ethics management training courses and implementing the Ethics and compliance leader system. In addition, an independent monitoring system is being built for systematic measuring of ethics management performance.

Survey results

Results of a survey on stakeholders show that 81.5 percent of partner companies have a positive view on Hynix making ethics management a corporate culture. In contrast, full-time employees came in last among stakeholders in terms of having a positive view (49.9 percent). In terms of the level of knowledge employees have toward the company's code of conduct, 71.4 percent of executives and technical office workers gave a positive response. In stark contrast, only 24.3 percent of full-time employees gave a positive response, demonstrating a rather wide gap. Hynix will make further efforts to spread awareness towards ethics sharing knowledge on ethics with outside stakeholders as well as the internal stakeholders – the employees.

Q1. Hynix places priority on ethics in carrying out corporate activities, and ethics management has become a corporate culture.



Very much so	0.0 %
Relatively so	80.0 %
Average	20.0 %
Relatively not so	0.0 %
Not at all	0.0 %

Very much so	18.7 %
Relatively so	57.4 %
Average	22.3 %
Relatively not so	1.6 %
Not at all	0.0 %

Very much so	16.4 %
Relatively so	33.5 %
Average	44.6 %
Relatively not so	5.5 %
Not at all	0.0 %

Q2. I have knowledge about the content of the code of conduct of our company.

Very much so	11.5 %
Relatively so	59.9 %
Average	23.4 %
Relatively not so	4.4 %
Not at all	0.8 %

Very much so	5.7 %
Relatively so	18.6 %
Average	46.8 %
Relatively not so	25.1 %
Not at all	3.8 %

Very much so	21.0 %
Relatively so	46.8 %
Average	27.4 %
Relatively not so	4.8 %
Not at all	0.0 %

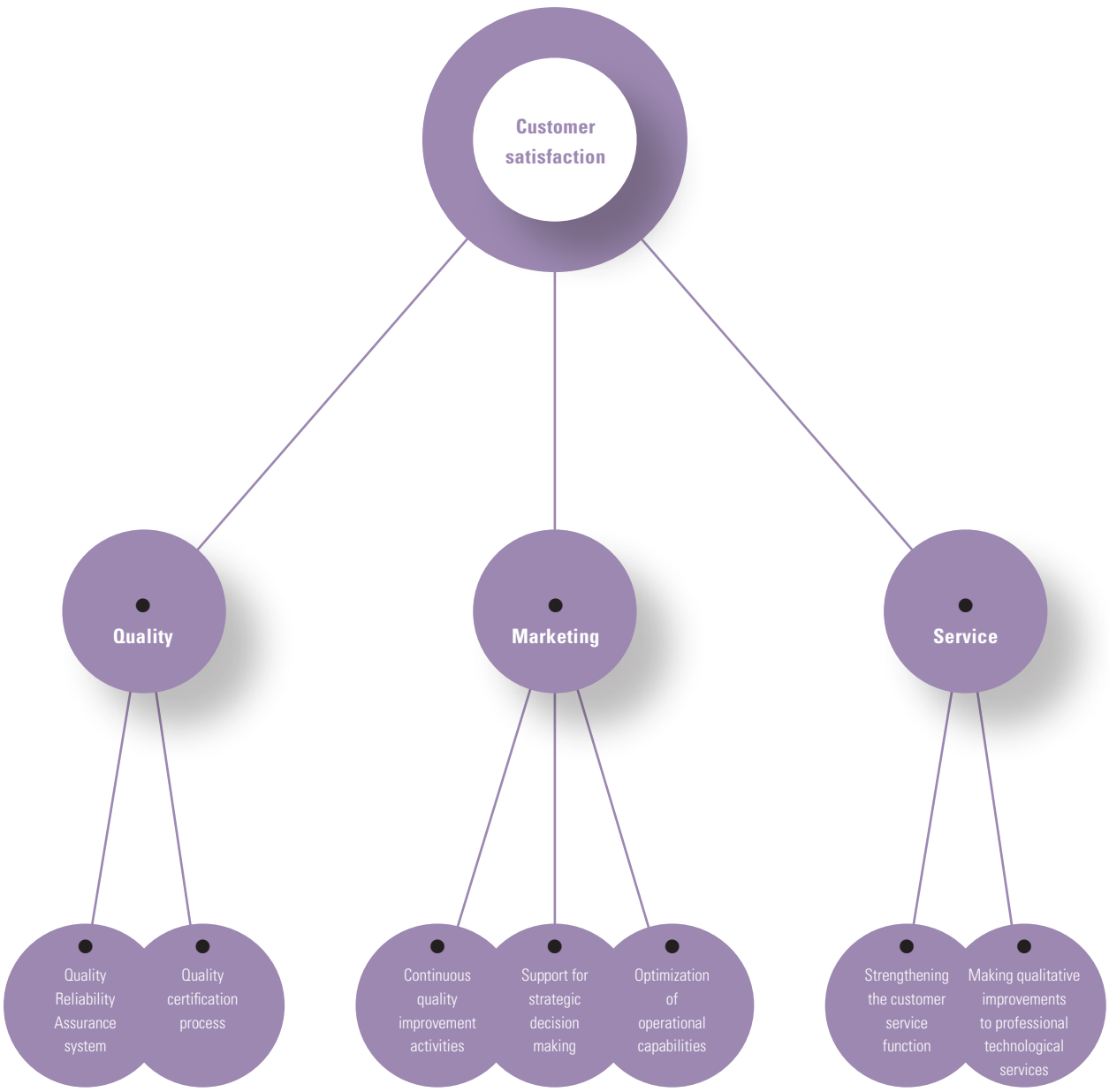
Very much so	29.4 %
Relatively so	52.1 %
Average	16.0 %
Relatively not so	1.8 %
Not at all	0.7 %

Good Memory of Quality Service

The fondest memories come from the creation crafted through sweat and tears. | The products and services that move people's hearts are those based on such earnest endeavors. | Based on the **Products and Services offered in** **Earnest win smiles!** recognition that better quality and services are top-priority tasks to be addressed for customer satisfaction, Hynix is implementing its three top strategic tasks to enhance customer value, while creating various channels for smooth communication with its customers and abiding by domestic and overseas laws, regulations, and guidelines for customer protection.

Execution structure of Customer Satisfaction Management 61

An interview with an expert and survey results 65



QMS (Quality Management System)

Hynix is operating a quality management system in all areas, ranging from R&D to manufacturing, sales, and services. In addition, the company is abiding by laws, regulations, and guidelines to protect its customers at home and abroad.

Disclosure on Management Approach

Vision and strategic goals

Hynix recognizes that quality improvements and high-quality customer services are the top-priority tasks to be addressed for customer satisfaction. Based on this recognition, Hynix is implementing three key strategic tasks: abiding by the Electronic Industry Code of Conduct (EICC), which is an ethical standard in the electronics industry; quickly responding to customer needs through the Customer Care Kit (CCK); and implementing quality marketing.

Policies

Hynix is operating the Quality Management System (QMS) for more systematic R&D, manufacturing, sales, and services; and is abiding by laws, regulations, and guidelines to protect customers at home and abroad. In addition, Hynix is regularly making public notifications according to Process Change Notification (PCN) guidelines to satisfy the rights of customers to know and ultimately to ensure their convenience. These notifications are on any changes in the manufacturing process and raw materials as well as changes at the workplace and partner companies.

Category	2005	2006	2007
Respond to customers' EICC evaluations	N/A	N/A	Dell, Lenovo, Motorola
Respond to customers' TQRDC evaluations average ranking	1.8th place	1.4th place	1.3rd place

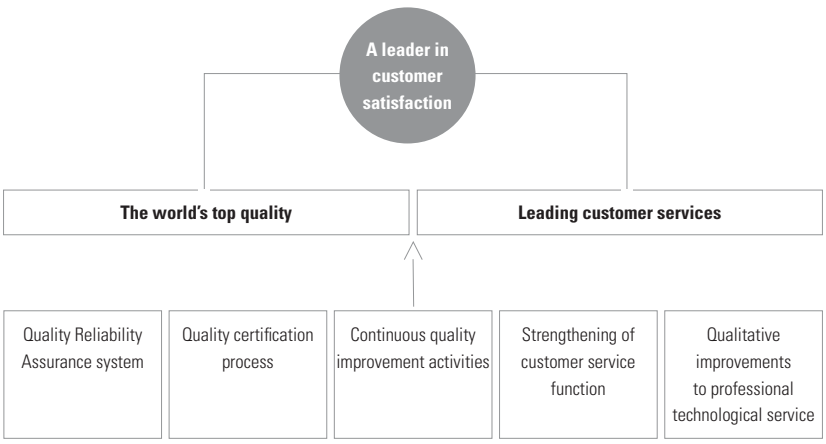
The top-priority tasks for customer satisfaction are placing priority on quality and taking quick action

Execution structure of Customer Satisfaction Management

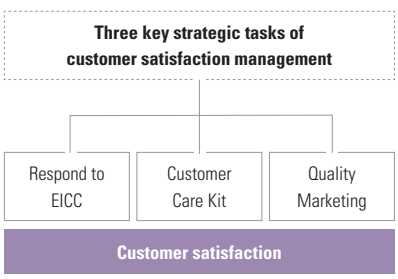
Hynix is establishing a consistent market and technology-oriented strategy structure by strengthening mid to long-term marketing capabilities as well as capabilities in responding to customers. The ultimate goal of Hynix is to have a sustainable business that satisfies its customers. Based on the recognition that making quality improvements is the highest priority task that needs to be addressed for customer satisfaction, Hynix established and executed quality policies.

Quality policies

Management vision on customer satisfaction



Key strategic tasks of customer satisfaction management



Key strategic tasks for customer satisfaction

Hynix is implementing the following three key strategic tasks for customer satisfaction management.

EICC (Electronic Industry Code of Conduct) This is a code of conduct that was jointly established by global electronics companies to fulfill social responsibilities. Hynix is actively responding to customers' EICC evaluations.

Customer Care Kit Hynix is quickly providing accurate responses to customer questions.

Quality Marketing By engaging in focused management of key customers, Hynix is maintaining its No. 1 position in quality scores. Quality improvement activities are being carried out to reduce initial defects in new products and address customer complaints, thereby contributing to improving the operating profit.

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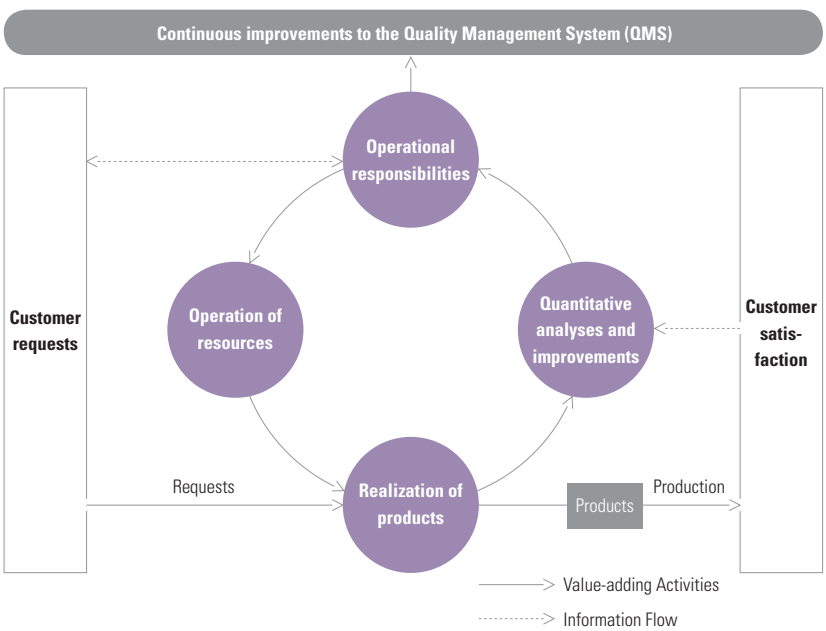
Quality management system for customer satisfaction

Hynix adopted the quality management system to place importance on identifying and meeting customer requirements. This is a system that considers overall processes from a value-added perspective, improves processes based on objective measurements, and stresses the importance of achievements.

Process of the quality management system



Laws, regulations, and guidelines

Compliance with customer-related laws and regulations There were no cases of legal violations during the reporting period, such as cases of civil complaints in relation to consumer safety and health, advertising, and marketing or cases of false or exaggerating representations.

Environmental guidelines Hynix is abiding by international environmental laws, regulations, and guidelines. Because most of the company's customers are in Europe and the US, Hynix is abiding by environmental guidelines set forth by these nations. There was no case of violation of the various guidelines during the reporting period, such as the EU RoHS, China RoHS, WEEE, EU REACH, and EuP.

Laws and regulations on fair competition and prohibition of monopolies Hynix is abiding by the "Act on Monopoly Regulations and Fair Trade, and Enforcement Regulations of the Act." In April every year, the Fair Trade Commission designates corporate groups that need to abide by the equity investment ceiling, mutual investment ceiling, and debt guarantee limit, pursuant to the "Act on Monopoly Regulations and Fair Trade (hereinafter referred to as the "Antitrust law")" among domestic companies that have an equity ratio of more than 30% of another company. On April 4, 2006, Hynix was designated as a corporate group with a mutual investment ceiling and debt guarantee limit.

* **RoHS** Restriction of the use of certain Hazardous Substances in electric and electronic equipment

** **WEEE** (Waste Electrical and Electronic Equipment) Collecting and recycling waste electrical and electronic equipment

*** **REACH** (Registration, Evaluation, and Authorization of Chemicals) New chemicals management system

**** **EuP** Eco-Design of Energy using Products

***** The Antitrust Law is a law on competition aimed at regulating conglomerates such as the jaebol. Established at the end of 1986, the Antitrust Law stipulates regulations on "large corporate groups" to restrain the concentration of economic power. It prohibits acts that restrict competition, such as a company expanding its business size and area by acquiring other companies or establishing subsidiaries, and a company misusing its market dominance.

Communication for customer satisfaction

Provide product information For customer convenience and satisfaction, Hynix is posting product information on its website. It is providing a wide array of detailed information through data books and product catalogues.

Provided product information	Cycle in which information is provided
1. Update product PR information on the website	Twice a year
2. Data book	Every quarter
3. Product Status updates	When a request is made
4. Data sheet	When a request is made
5. Part No. Decoder	When a request is made
6. Simulation File	When a request is made
7. Produce product catalogues (English, Chinese)	Twice a year

- Information from No. 1 to No. 6 is production information that is available on the Hynix website.

Process Change Notification (PCN) To satisfy the rights of customers to know and to ensure customer convenience, Hynix is making public notifications on key changes in products. Hynix categorizes changes into those related to the overall product process, raw materials, work sites, and partner companies. The changes are then stated based on the three levels of risks specified in the PCN guidelines.

PCN guidelines

Level 1	Level 2	Level 3
A fatal risk that has an impact on product reliability	A large risk that has an impact on product performance and development	A small risk that does not have an impact on product reliability, product performance, or production parameters

- There were no cases of voluntary or involuntary product withdrawal during the reporting period.
- There were no cases of complaints related to invading the privacy of consumers during the reporting period.

Result of evaluation of corporate customers in TQRDC

	2005	2006	2007
Average Ranking	1.8th place	1.4th place	1.3rd place

- This is an average of the rank received from Hynix's main customers.

Evaluations of customer satisfaction Hynix is making its utmost efforts to ensure customer satisfaction by offering only the best quality and services. Customer feedback plays a pivotal role in making improvements to product processes and drawing up customer-related plans. Hynix is responding to a quarterly performance evaluation in TQRDC (Technology, Quality, Responsiveness, Delivery, & Cost) through its main customers. The results of the evaluation are compared with those of key competitors. The evaluation cycle and standards are different according to the customer. Hynix's image can be improved when it receives outstanding evaluation results from a leading customer. Hynix is making efforts to improve services and design specifications to achieve semiconductor innovation by actively collecting the opinions of its corporate customers reflecting them in its modifications.

EICC EICC is a code of conduct that was jointly established by companies in the global electronics industry in March 2005 to ensure that social responsibilities are fulfilled. They are standards that ensure that partners and relevant companies provide a safe working environment, respect and be considerate of workers rights, and fulfill environmental responsibilities during the manufacturing process. Hynix's main customers – Dell, HP, IBM, Lenovo, Apple, Sony, and Microsoft – are EICC members. They recently presented standards on labor, ethics, the environment, safety, and health, and are requesting that these standards be followed.

EICC process Based on self-assessment factors, EICC asks whether each company and facility is in compliance with EICC standards in the labor, ethics, environment, safety, and health sectors. It evaluates suppliers through self-assessments, the submission of future plans, and auditing.

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EICC execution steps

Relevant measures taken by Hynix

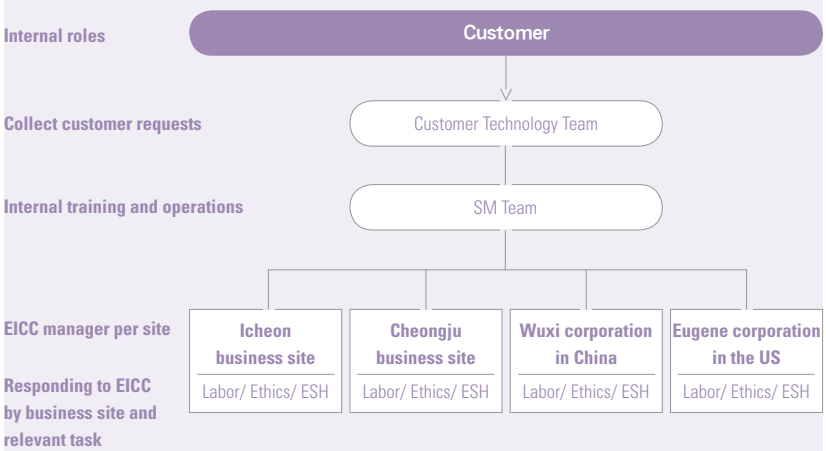
- Internal process

Hynix is responding to EICC by building an internal process that connects various teams, including the Customer and Technology Team, the SM Team, managers of each domestic and overseas business site, as well as relevant teams.

- Response status

Relevant departments at Hynix have been jointly taking measures in relation to Basic Requests (self-assessment), Future Plans (improvement plan after the self-assessment), and Audits that have been requested by various companies, such as Dell and Lenovo, since 2007. The company's core customers are forecast to continue to make such requests.

Internal process to respond to EICC



Responding to customers through sustainability management The Wuxi Corporation of Hynix located in China responded to an EICC audit carried out by Achilles based on a request by Lenovo to meet the expectations of customers, investors, employees, and the public sector for two days on December 4 and 5, 2007. This audit presented an opportunity for Hynix to cooperate with Lenovo, to show transparency in disclosing its process of fulfilling social responsibilities and to receive verification for the capabilities it should have as a sustainable company. In addition, Hynix is actively implementing self-assessments and auditing based on the internal EICC response process for non-EICC customers as well, such as Nokia, Ericsson, and Motorola.

Results of an interview with an expert

CEO Ryu Young-jae of Sustinvest

Of all stakeholders related to corporate management, the customers have the greatest influence. Hynix is engaging in direct communication with its customers by having its key corporate customers conduct a quarterly evaluation. To achieve a higher level of customer satisfaction, the company needs to quickly determine customer needs based on the scorecards filled out by customers and provide feedback. The company needs to make efforts to ensure customer satisfaction by improving product quality.

Hynix's Position

Hynix regards customer satisfaction as the highest-priority task in order to enhance a company's sustainability. To ensure customer satisfaction, Hynix is having its key corporate customers evaluate the company every quarter in terms of technology, quality, responsiveness, delivery, and cost; and is actively responding to EICC evaluations. The valuable opinions that result from customer evaluations are used to make product and service improvements. Moreover, public notifications on key product changes are being frequently made to satisfy the customers' right to know.

Survey results

A survey on stakeholders shows that all customers have a positive opinion on efforts made by Hynix for customer satisfaction. A total of 86.5 percent of executives and technical office workers have a positive view. In terms of Hynix fulfilling its responsibilities toward customers, 80 percent of customers and 78.8 percent of executives and technical office workers had a positive view. Hynix will provide better quality products by strengthening communication with its customers.

Q1. Hynix makes efforts in customer satisfaction.

Very much so	33.3 %
Relatively so	66.7 %
Average	0.0 %
Relatively not so	0.0 %
Not at all	0.0 %

Very much so	31.7 %
Relatively so	54.8 %
Average	12.3 %
Relatively not so	1.2 %
Not at all	0.0 %

Q2. Hynix totally fulfills its responsibilities toward customers.

Very much so	0.0 %
Relatively so	80.0 %
Average	20.0 %
Relatively not so	0.0 %
Not at all	0.0 %

Very much so	16.3 %
Relatively so	62.5 %
Average	19.1 %
Relatively not so	2.1 %
Not at all	0.0 %

Building Trust through Teamwork!

Good Memory from Creative Collaboration

Working together in a culture of creative collaboration creates a communal spirit as memories of joy, sorrow and satisfaction become the foundations of family. | Hynix is leading the way in creating a great workplace by having its three core values – creation, taking on challenges, and collaboration – form the basis of its corporate culture. | Hynix is boosting the employee satisfaction level through policy-based support, such as counseling for employees experiencing difficulties, providing convenience in life, and presenting opportunities for self development.

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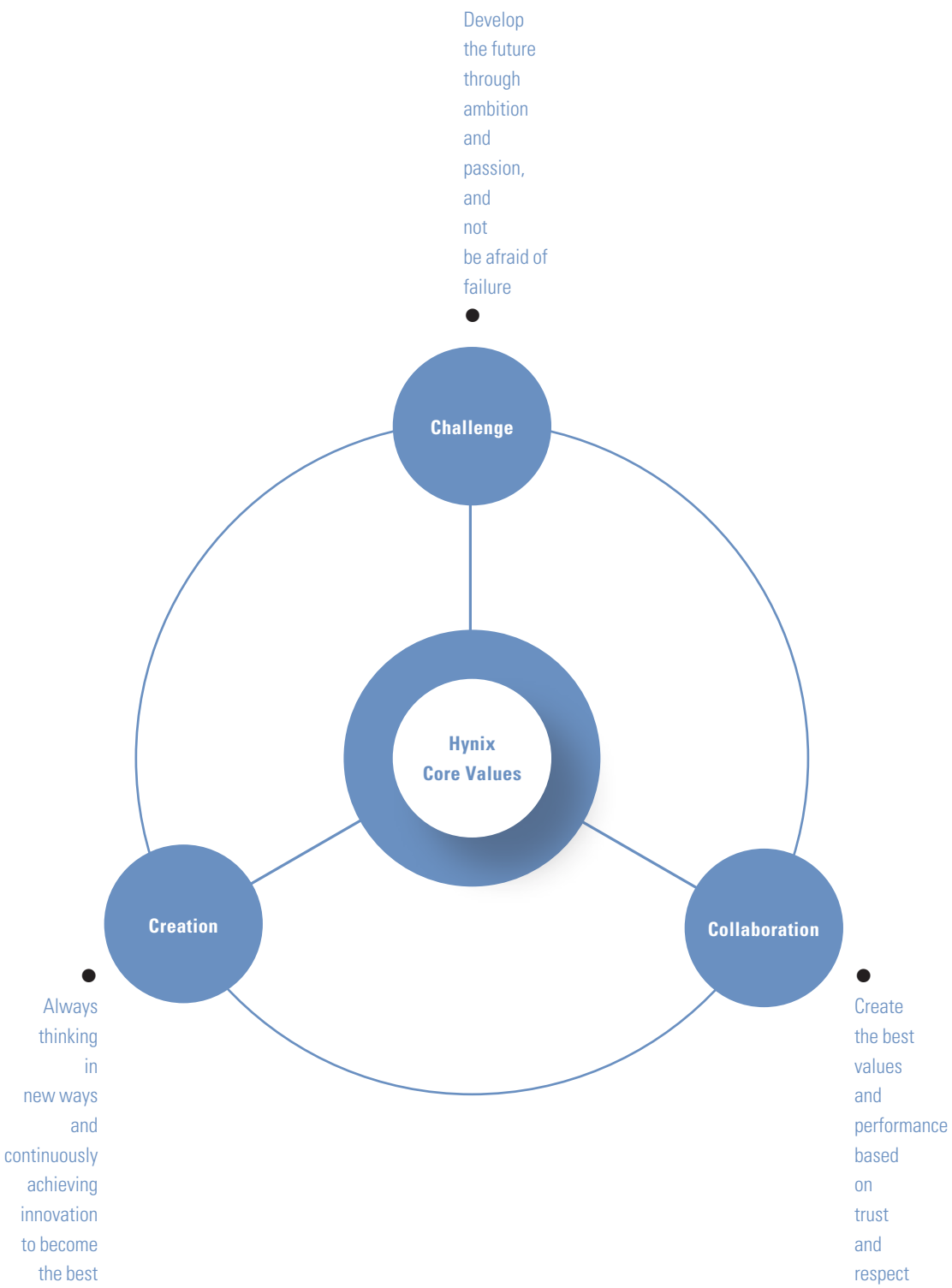


Hynix's core values

The core values of Hynix are key elements of its corporate culture. They promote improvements in teamwork and encourage individuals to fully demonstrate their skills, thereby contributing to enhancing the competencies of the company's human resources.

Vision and strategic goals

Hynix is moving forward with creating a Great Work Place (GWP) based on key corporate culture values, with the aim of achieving employee satisfaction. The company is providing as much policy-based support as possible as a means to stabilize family finances, allow for self development, offer convenience in life, and make counseling available for employees that are experiencing difficulties. In addition, Hynix established a mid to long-term human resource development roadmap in order to become one of the world's top three by 2010. The company is implementing detailed tasks by phase, such as overhauling the training structure and laying a foundation for life-long learning.

Policies

Hynix's code of conduct prohibits discrimination against an employee's gender, academic background, or religion. In addition, equal opportunities are given for training, job rotation, and promotions, according to an employee's skills. Hynix complies with the Labor Standards Act and International Labor Organization (ILO) regulations prohibiting child and forced labor. Hynix also abides by internal regulations on human rights and work conditions pursuant to the collective agreement and employment rules.

Disclosure on Management Approach

Category		2005	2006	2007
Training	Total number of employees who received training	32,402 persons	42,932 persons	60,400 persons
	Training time per employee	53 hours	63 hours	72 hours
	Training expenses per employee	200,000 won	300,000 won	420,000 won
Industrial Safety and Health Committee		Held quarterly	Held quarterly	Held quarterly
Number of labor-management disputes		0	0	0

Core values that are based on trust enhance the competitiveness of Hynix

A corporate culture created by employees

Hynix is making efforts to fully establish a unique corporate culture, the "Great Work Place," based on core values – Challenge, Creation, and Collaboration.

Hynix Core Values	
Challenge	Develop the future through ambition and passion, and not be afraid of failure
Creation	Always think in new ways and continuously achieve innovation to become the best
Collaboration	Create the best values and performance based on trust and respect

Core values of Hynix

The core values function as key elements of corporate culture, encourage improvements in teamwork, boost organizational commitment, and allow employees to make full use of their potential. They are thus contributing to enhancing the competencies of all human resources at the corporate and individual levels.

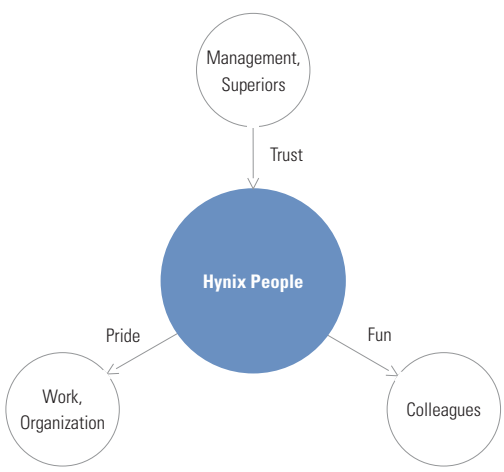
Creating the Great Work Place

In the second half of 2005, Hynix adopted the concept, Great Work Place (GWP), as a new corporate culture methodology, to grow into a global corporation, and disseminated the concept throughout the company. Hynix's GWP corporate culture is a driving force that improves the sustainability of the company by building a trust-based organizational culture through GWP activities. GWP refers to a place where employees trust their superiors and the management; feel proud about their work and organization; and have fun while working with others. The key to GWP is trust.

To create GWP, Hynix's management is giving a presentation on the company's vision both monthly and quarterly, and visiting employees in the field to encourage them. In addition, lunch or dinner meetings are being held among employees of different job levels. In particular, the on and off-line "Let's compliment others" movement, which has been carried out since 2002, as well as various encouragement and award programs are playing a pivotal role in raising employees' sense of pride and loyalty towards the company. Hynix formed a corporate-level GWP implementation organization in 2006, and has been carrying out various activities to boost their pride through employee family programs. Hynix created opportunities for employees to spend precious time with their families by establishing cultural programs, such as summer camps for children and college classes for housewives.

GWP activities performed through a weekend program in which family members participated

Factors of Hynix's GWP



Equal treatment based on personal skills and qualities is what makes job security possible

Employee status

Female employees working in the field

The number of employees working at Hynix at home and abroad reached 18,266 persons at the end of December 2007. There are 11,651 employees at the Icheon headquarters, 5,448 at the Cheongju business site, 367 at the Seoul office, and 800 at overseas business sites. As of the end of 2007, 99.9 percent of the employees are regular employees. Full-time employees and technical office workers account for 99.6 percent of the total employees. The male to female ratio is 47 to 53, with female employees mainly employed as production operators. The average length of employment is 5.4 years (7.2 years for men and 3.7 years for women).

Employee status

Category	No. of employees				Average years of continuous service
	Executives and technical office workers	Full-time workers	Others*	Total	
Man	5,412	3,219	24	8,655	7.2
Woman	921	8,604	46	9,571	3.7
Total	6,333	11,823	70	18,226	5.4

Including technical, professional, and non-regular employees

(Unit: Persons, Year)

As of the end of 2007, the starting salary for new employees with a bachelor's degree is around 32 million won; full-time employees working on operations, maintenance, and repair (who completed military service) is around 26 million won; and production operators is around 22 million won.*

The job creation ratio of Hynix was 14.64 percent in 2007, and the turnover rate was 6.95 percent in the same year, lower than the 7.59 percent posted in 2006, demonstrating job stability. Hynix prohibits discrimination against a specific gender, academic background, or religion, pursuant to regulations stipulated in Chapter 3 of the code of conduct. Hynix presents equal opportunities for training, job rotation, and promotions, according to one's personal skills and qualities, and evaluates and compensates personnel based on fair standards. In particular, Hynix is planning to develop jobs appropriate for the physically challenged and seniors, and gradually expand their employment to fulfill its social responsibilities.

Employment of women and minorities (2005~2007)

Category	Standard employment rate	Employment status and ratio by year					
		2005		2006		2007	
Women	-	6,856	50.8%	8,126	51.0%	9,571	52.5%
Seniors	2.0%	12	0.1%	12	0.1%	12	0.1%
The physically challenged	2.0%	48	0.4%	64	0.4%	85	0.5%

(Unit: Persons)

* Refers to the average annual salary of new employees with a bachelor's degree in Korea's top 500 manufacturing firms (in terms of sales) based on a survey taken by Job Korea, a job information company, in February 2008.

Enhance the satisfaction level of employees by maintaining legal labor relations

Respect for human rights

Preventing illegal labor practices

Hynix is strictly abiding by laws and ordinances on labor relations as well as collective agreement and employment rules to prevent any cases of violation of labor relations' laws, such as the Labor Standards Act. In addition, official documents are frequently sent to the field to provide guidance to employees. Hynix goes further by making strenuous efforts to faithfully implement matters agreed upon between labor and management based on trust.

Managers in supporting organizations (HR, labor-management, and general affairs) frequently make field visits and hold meetings with employees to handle any difficulties that employees are experiencing. They are finding out whether various laws and ordinances on labor relations are being abided by and what kind of difficulties the employees are experiencing. These activities have been expanded to meetings among employees by job level in the field (team managers, field supervisors). Additionally, labor-management negotiation channels have been expanded to check whether laws and ordinances on labor relations and various matters agreed upon between labor and management are being followed; and to receive information on and handle difficulties experienced in the field. Through such processes, legal labor relations are maintained. Moreover, efforts are being made to enhance the satisfaction level of employees by taking care of any difficulties they are experiencing at work.

Prohibiting child and forced labor

Hynix is abiding by ILO regulations on prohibiting child and forced labor. Hynix prohibits unfair labor activities, pursuant to the Labor Standard Act.

A work environment where human rights are respected

Hynix is providing more support and creating more programs because it knows that the growth of employees translates into growth for Hynix

Systems for employee satisfaction

Compensation and rewards Hynix is conducting evaluations and HR operations that focus on employees' skills and performance. An employee with outstanding job performance is presented opportunities to be promoted earlier than others. In addition, an annual salary system for technical office workers has been adopted so that differentiated compensation can be made. Hynix is also giving out incentives based on performance to motivate employees. It is operating an incentive system based on productivity target achievements, which are directly reflected in the company's business performance, and a performance-sharing system, where a certain portion of the company's operating profit is shared.

Hynix is presenting rewards to organizations and individuals on an annual and quarterly basis according to performance and long-term employment. The annual award involves choosing outstanding executives, managers, and employees, and presenting them with commendations and award money. Every quarter, eight employees who have made great achievements in the research, manufacturing, TPM, sales, and support fields are chosen and awarded the Hynix Star award. In addition, incentive money is presented to employees for every five years of service with the company. Additional vacation time is presented to employees for staying with the company every ten years so to allow them time to revitalize. Additionally, organizations with outstanding performance are chosen each year, and are given the "No. 1 Competitiveness Award" and "Challenging Management Prize."

Benefits system Hynix firmly believes that the company can achieve outstanding performance only when its employees are satisfied. Based on this belief, the company has established a wide array of benefits programs so that the employees can enjoy stable and leisurely lives. The benefits programs are designed in consideration of the employees' lifecycle, covering all areas from basic livelihood support to health, education, and culture.

Support for family finances When there are congratulatory or consolatory events at an employee's home, Hynix provides monetary contributions for the events. In particular, when a family member passes away, the company offers additional support, providing funeral materials as well as personnel to help with the funeral. Hynix gives support for medical expenses of employees, spouses, and other family members to lift the burden off their shoulders. The company also provides school expenses for the children of employees through college (at domestic colleges), no matter how many children there are in the family. To ensure a comfortable life after retirement, Hynix created a personal pension, which is different from the national pension, and is also supporting insurance premiums. In addition, when an employee purchases a house or is about to get married, the company lends money at a low interest rate.

Convenience in life Hynix runs company buses in all areas near the company's business sites and in the metropolitan area to make it easier for employees to commute. There is a cafeteria and all employees are given a free meal once a day. Single employees can stay at the company's dormitories. Married employees are provided with rental apartments to relieve the stress of apartment hunting. Hynix is also helping employees manage their health by operating a clinic, dentist, physical therapy center, and physical strength examination room on the company site. In addition, the company has a gym, fitness center, swimming pool, tennis court, and other sports facilities, as well as various convenience facilities, such as a wedding hall, shopping mall, and bank on the company site so that employees can work in comfort and convenience.

Top Cultural experience for the children of employees
Bottom Tourism event for the parents of employees

Supporting leisure life With the establishment of the five-day workweek, there has been a rise in demand for support for leisure activities. To respond to this demand, Hynix devised various measures to support such activities, thus helping employees to revitalize. Hynix established alliances with well-known resorts, entertainment parks, and theme parks, for extra convenience and cost-effective use of the facilities. The company is also developing and operating various cultural programs, such as tour programs for parents of employees, experiential learning activities, and performances. The company is thereby presenting employees and their families with various opportunities to experience culture. Moreover, employees can receive comprehensive travel services within the company, such as the issuing of train and airplane tickets or even passports.

Supporting hobbies and cultural studies Through its cultural center, Hynix is offering various cultural study programs to both employees and their families so as to satisfy their need to live culturally diverse lives and to present them with opportunities to increase their cultural knowledge. Moreover, the company's cultural center regularly operates a family education program, offering distinctive experiential education to employees, their spouses, and children. Hynix is actively supporting club activities to promote the hobbies of employees with roughly 40 clubs being operated in the company.

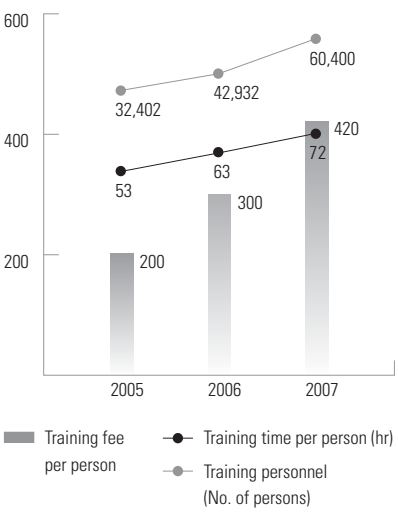
Counseling support There is a legal counseling center and tax counseling center within the company, enabling employees to easily receive counseling for any legal or tax-related issues. The company also has a wedding planning center that provides information on weddings and helps employees prepare for their wedding in a cost-effective manner.

Retirement allowance management and system Hynix is operating a retirement allowance insurance system to ensure the stable payment of retirement allowances. In accordance with the Labor Standards Act, Hynix reserves retirement allowances every year and makes retirement allowance payments when employees retire, in consideration of their period of service and average salary. In addition, the company has adopted a system where an employee can receive a retirement allowance prior to retirement for the period he/she continuously worked for the company on an annual basis, if there is a request made by the employee.

Top Cultural performance for employees
Bottom Cultural lecture at the Culture Center

Training statue and plan

(Unit: thousand won)



Training

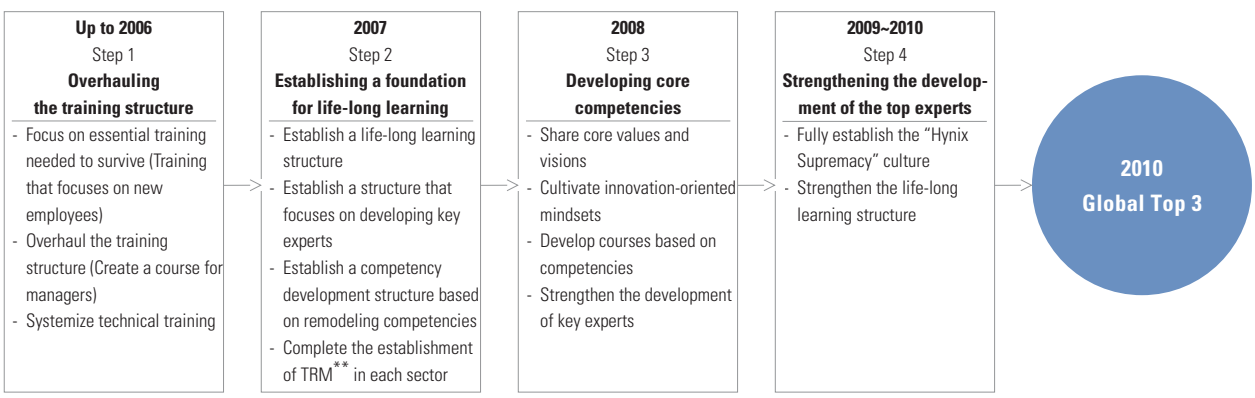
Employee's Career Development Hynix recognizes the need to strengthen the competencies of human resources in the rapidly-changing semiconductor industry. Based on this realization, the company has been creating a self-directed learning culture to develop experts. A wide array of training systems is being operated so that employees can actively respond to environmental changes. Hynix is also drawing up and implementing voluntary learning plans for job skill improvements, which are needed for the growth and development of employees as well as the achievement of the company's vision.

The total number of employees who received training in 2007 reached 60,400 persons, which is a 40.7 percent increase from 2006. Training expenses per person also rose by 40 percent to reach 420,000 won. Hynix is establishing various programs aimed at developing employee's careers, according to mid to long-term strategies established to improve employee competencies; and is actively providing support in this regard. In particular, key personnel are being chosen so that they can be developed into next-generation leaders and global experts, according to a separately designed expert development roadmap.

Four key HRD strategies

Mid to long-term Human Resource Development (HRD) strategies Hynix established a mid to long-term roadmap on human resource development that consists of four strategies and step-by-step tasks. The goal is to develop experts who will realize the mid to long-term business goals of Hynix, in particular becoming one of the world's top three by 2010. The step-by-step tasks are based on the four human resource development strategies of Hynix: support core values and strategies; develop global experts; develop experts who have outstanding skills in performing their duties; and support self-directed learning. The four steps of the roadmap are: establishing a technical training structure and providing training mainly for new employees; establishing a foundation for life-long learning; improving the structure involved with developing key experts; and fully establishing the "Hynix Supremacy" corporate culture while advancing the life-long learning structure.

Mid to long-term HRD strategy roadmap



Life-long learning

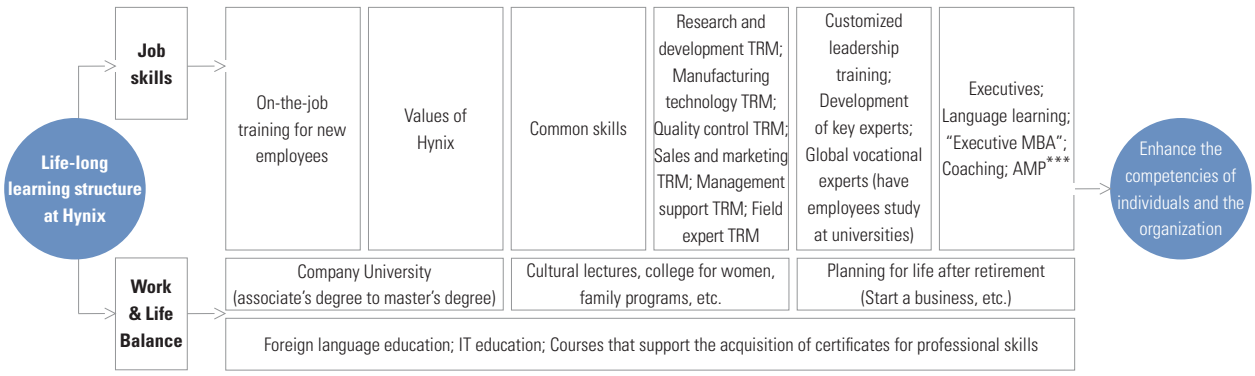
Since declaring itself as a life-long learning corporation in 2007, Hynix has been supporting employees in gaining more experiences and improving their job skills. The aim is to maximize corporate value and improve the employees' quality of life. Hynix ensures that all employees are presented with a minimum number of hours of learning opportunities; establishes working conditions that strike a balance between work, rest, and learning; and places importance on voluntary field-centered learning. This life-long learning model is anticipated to contribute to the balanced development of the organization and the individual lives of the employees. In particular, the company is running a company university (associate's degree, bachelor's degree, and master's degree), providing cultural lectures, running a college for women and housewives, and providing children's education programs on weekends as well as camps during school breaks.

* **SDL** Self Directed Learning

** **TRM** Traning Road Map

*** **AMP** Advanced Management Program

Life-long learning structure



Top The Hynix-Ewha academy for housewives
Bottom The ceremony for presenting Hynix MBA degrees to members of the fourth class (2007)

Main courses

College for Women The College for Women first started at the Cheongju business site in March 2003. Distinctive learning opportunities are being given to full-time female employees working for Hynix in the form of a three-month life-long learning course. The College for Women is designed to raise a sense of pride and loyalty towards the company, thereby reducing the number of employees leaving the company and subsequently improving productivity. The installment of this course will be offered at the Icheon business site starting in the second half of 2008.

No. of people participating in the women's college by business site

(Unit: Person)

Category	2005	2006	2007
Icheon	28	50	-
Cheongju	51	54	30
Total	**79**	**104**	**30**

Hynix MBA This course is for team managers who are next-generation leaders or leaders of organizations involved with generating performance. The course deals with resolving the pending issues of an organization and handling strategic tasks of the future, gaining professional knowledge and a business mindset needed to lead the semiconductor business, and improving troubleshooting skills. The goal is to develop a sense of leadership and a strong mindset geared towards taking on challenges, and to improve the performance of each team. This six-month program was launched in January 2005. The program has been offered five times as of the end of 2007 with the sixth beginning in February 2008. A total of 146 employees have completed the course.

College for Housewives Hynix is providing distinctive, high-quality education to housewives, of employee family members. The company is supporting the formation of communities after the completion of the course to enable life-long learning, and boosting their understanding of the company. The Icheon business site reached an alliance with the Life-long Education Center of Ewha Womans University in July 2006 to provide the course and the Cheongju business site reached a similar alliance with the Life-long Education Center of Chungbuk National University in September 2006. Starting from 2007, the three-month course is being provided once a year by alternating between the Icheon and Cheongju business sites.

Continuously abiding by safety and health codes for a pleasant and safe working environment

Industrial safety and health management

Program to prevent disease and promote health

Industrial Safety and Health Committee The Industrial Safety and Health Committee is the top-level deliberative organization on matters related to practical and voluntary safety and health-related activities. Its goal is to insure a pleasant and safe work environment. The committee consists of the same number of employees from labor and management, and a committee meeting is held once a quarter. It generally discusses key issues related to safety and health and makes relevant improvements. In 2007, discussions were held on carrying out an inspection of the level of hygiene at the company's cafeteria and activities related to preventing safety accidents for new projects. It is also being leveraged as an arena for discussions to maintain strong ties between labor and management.

Employee activities to promote industrial safety and health

Complying with international norms and standards on Environment, Safety, and Health (ESH) The regulations of Hynix's integrated ESH management system include the content of the safety and health management system of the International Labor Organization. The Icheon and Cheongju business sites are carrying out an internal inspection twice a year and an outside inspection once a year. Inspection results indicate that there are no cases of violation of the Labor Standards Act or of industrial safety and health-related laws or ordinances during the last five years.

Program to prevent disease and promote health Hynix places the highest priority on the happiness and health of its employees, which represent the company's future growth engines. It is making strenuous efforts to create a work environment free of accidents or disease. The company's headquarters is running various programs to promote the health of employees. In particular, labor and management joined hands to investigate which processes lead to musculoskeletal disorders in order to prevent such disorders. Managing supervisors in the field were trained to raise awareness on the need to prevent musculoskeletal disorders. In addition, Hynix identified processes that do not necessarily lead to musculoskeletal disorders, but can cause fatigue, and is actively engaging in improvement activities.

Moreover, a physical therapy center has been established at the company site. Physical therapy is being provided regularly to fatigued workers to prevent musculoskeletal disorders and promote the health of employees. Training is also provided, encouraging employees to stretch while they work.

Programs offered to prevent disease and promote health

Category	Items	Details
Prevent disease	Health check	The goal is maintenance of good health and early detection of disease
	Clinic	Health counseling, medical treatment and prescriptions (in connection with a general hospital in the region)
	Managing employees who show signs of having a disease	Health counseling is provided regularly according to the disease
Health check	Campaign to prevent stress at work	Measure the degree of stress, provide information on how to cope with stress, and provide relevant counseling
	Operate a physical strength examination center	Provide information on what kind of exercise is needed to prevent musculoskeletal disorders
	Body composition analysis as part of a campaign to promote health	Prevent disease by providing information on obesity

Industrial safety management Hynix is managing facility safety, building an integrated safety sign system, and engaging in fire-fighting and disaster-prevention management. By doing so, the company aims to prevent safety accidents by improving employees' awareness of safety and health issues, as the ultimate goal of industrial safety management, and to realize a zero-accident workplace. Hynix has set up and is operating safety systems to minimize damages and prevent industrial accidents such as exposure to hazardous materials, chemical materials, gas, and fire.

A standardized system of various signs related to the environment, safety, and health, has been adopted so as to prevent safety accidents that arise from carelessness and mistakes. To minimize personnel and material damage by preventing fire, which is the ultimate goal of fire-fighting and disaster-prevention management, Hynix is providing training and carrying out various relevant activities, such as checking, improving, and engaging in the maintenance of firefighting equipment. Through such safety control efforts, the number of industrial disasters has been steadily reducing since 2005, with zero incidences in 2007.

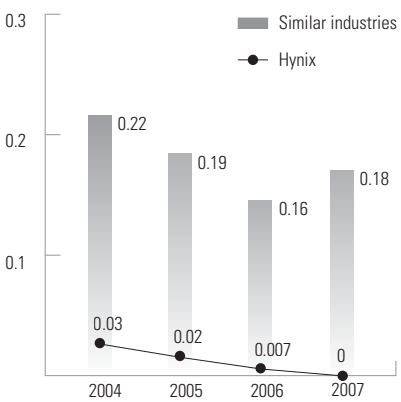
Labor-management negotiations Labor and management shared information and engaged in negotiations on key matters related to safety and health every quarter in 2007; and checked the progress of matters agreed upon between them. In addition, new agenda items are being implemented based on labor-management negotiations.

Results of key meetings held at the Icheon business site in 2007	- Checked the level of hygiene at the cafeteria (jointly by labor and management) - Measures to identify ERT personnel (made changes in how first-aid personnel are identified) - Need to engage in preventive safety management activities and install convex mirrors at new construction sites - Make improvements to reduce noise pollution from the roads
Results of key meetings held at the Cheongju business site in 2007	- Usage status of the physical therapy center - Reviewed matters related to establishing a training center on the environment, safety, and health; smoking zones; and crosswalks at the company site for traffic safety - Reviewed matters related to activities to prevent safety accidents during new projects; carried out activities to prevent safety accidents in clean room elevators; and held deliberations on a safety report on the semiconductor NBE process.

Industrial disaster ratio at Hynix

(Report published by the Ministry of Labor)

(Unit: %)



Sound labor-management relations

Labor union members in 2007

Category	Icheon labor union	Cheongju labor union
- Number of employees that can become labor union members	7,276	4,505
- Number of members	7,087	4,477
Percentage of membership	97%	99%
Higher-level organization		Korean Metal Workers' Association

Labor unions

Hynix has business sites in Icheon and Cheongju. Both labor unions at these sites belong to the Korean Metal Workers' Association. The labor union at the Icheon plant was established in August 1987, while the one at the Cheonju plant was established in February 1990. Freedom of labor union activities is ensured pursuant to the collective labor agreement.

Hynix does not treat labor member unions unfairly for engaging in rightful labor union activities. Hynix has made achievements based on close cooperation and trust between labor and management such as becoming a "business site with zero labor disputes for 25 years" and the "No. 1 company in creating a new labor-management culture," while creating a labor-management culture of win-win cooperation. Hynix is doing so to achieve its management goals against any deterioration in the business environment, and to expand the foundation for mid to long-term growth. Hynix was also chosen as the No. 1 "outstanding company in terms of labor-management cooperation" and has been acknowledged as a company setting a model example in labor-management relations. The company is upholding its dispute-free 25-year tradition, based on a labor-management culture of mutual cooperation. In the past, Hynix experienced a management crisis, resulting from plummeting semiconductor prices and the maturity of several liabilities in a concentrated period of time. Against this backdrop, the labor unions voluntarily made a declaration to overcome the crisis and a resolve to share the burden. The labor unions also played a pivotal part in adopting the no-salary suspension-from-office system, and agreed to a wage freeze as well as the postponement of collective labor negotiations. Moreover, large-scale restructuring efforts were carried out from March 2000 to December 2001, without any conflicts between the labor and management, proving the strong will of labor and management to take a leading role in overcoming the management crisis. These efforts led to the transformation from posting a deficit of 2 trillion won to posting a surplus of 2 trillion won, as well as an early graduation from the workout program (July 12, 2005).

Communication channels between labor and management

Hynix is building a labor-management relationship based on partnership by putting open management into practice, which is founded on mutual trust and participation. In addition, the company is holding a quarterly "management presentation" for team managers as well as labor union representatives. Labor and management are sharing information on sales volumes, ordinary income, net income, liabilities, each business's profits and losses, and business forecasts. Hynix is also providing "visiting services." These services involve having support managers visit employees in the field who find it difficult to go visit the support managers themselves to address difficulties experienced there. During their visit, the support managers receive information on any inconveniences experienced by the field workers or any questions they might have. The Labor-Management Council of Hynix has a three-layer structure. The Labor-Management Sub-Council concentrates on handling difficulties experienced in the field in relation to production. The Labor-Management Council by Business Site discusses agenda items related to labor-management difficulties by region, and has negotiations on matters that require cooperation from the workers. And the Central Labor-Management Council has discussions on improvements to systems that commonly apply to the two business sites. It played a leading role in addressing mutual conflicts and reaching agreements to enable successful restructuring efforts in the past. Moreover, Hynix operates the Regular Labor-Management Council to resolve matters related to difficulties experienced by employees whenever required.

Top Management presentation (2007)
Bottom Visiting services

Results of an interview with an expert

Senior researcher Kim Jong-seong at the New Paradigm Center

Family-friendly management (striking a balance between work and personal life) needs to be considered above all else for sustainability management. This can be achieved by adopting various systems, such as the flexible working system designed to support female employees raising their babies, and innovation in time management to root out inefficient work practices, such as working throughout the night. In addition, a systematic lifelong-learning system needs to be established. There needs to be a practical program that helps employees study what they need. In addition, training should be provided to retired employees to boost the level of organizational commitment among employees.

Hynix's Position

Hynix realizes the importance of achieving a balance between personal life and work. Based on this realization, the company is operating a wide array of programs that aim to support the leisure activities, hobbies, and life-long learning activities of employees. Since declaring itself as a life-long learning corporation in 2007, Hynix has been providing more active support for individuals to gain experiences and improve job skills. In fact, the number of employees receiving training and the number of training hours per employee has been steadily rising since 2005. Hynix allows female employees to take a temporary leave from office for childcare. It is also going further by providing training to employees so that they can find other jobs after retirement and assisting them in finding such jobs. Plans have been drawn up to adopt an efficient work time management program to improve work efficiency. The company will ultimately achieve the balanced development of individuals and the organization by increasing the satisfaction level of its employees.

Survey results

A survey on stakeholders indicates that 45.2 percent of full-time employees and 22.6 percent of executives and technical office workers gave a positive response in striking a balance between work and personal life. Regarding Hynix's efforts to prevent safety accidents at worksites, partner companies came in first in terms of giving a positive response at 87.8 percent. The lowest was 75.6 percent by full-time employees.
Hynix will develop the "create a Great Work Place" culture to create a sound corporate culture.

Q1. I am maintaining balance between work and personal life.

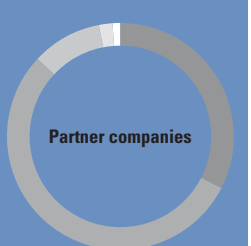
Very much so	2.8 %
Relatively so	19.8 %
Average	38.1 %
Relatively not so	30.2 %
Not at all	9.1 %

Very much so	13.1 %
Relatively so	32.1 %
Average	41.2 %
Relatively not so	10.8 %
Not at all	2.8 %

Q2. Hynix places importance on preventing safety accidents at the worksite.

Very much so	26.3 %
Relatively so	55.0 %
Average	14.3 %
Relatively not so	4.4 %
Not at all	0.0 %

Very much so	39.4 %
Relatively so	36.2 %
Average	20.1 %
Relatively not so	3.9 %
Not at all	0.4 %



Very much so	32.9 %
Relatively so	54.9 %
Average	9.8 %
Relatively not so	1.8 %
Not at all	0.6 %

Creating Good Memory Together

Joining hands to develop a Brighter Future!

Friends and wine both become better with the passage of time. Likewise, having partners that stand by your side makes for happy memories. | Hynix thinks of its partner companies as essential allies in doing business. Based on this recognition, the company is looking for ways to promote joint development by cultivating and giving support to partner companies. | To this end, Hynix established communication channels and win-win cooperation programs, such as Partner's Day, HEINET, Ethics Academy, and Visiting Ethics Class.

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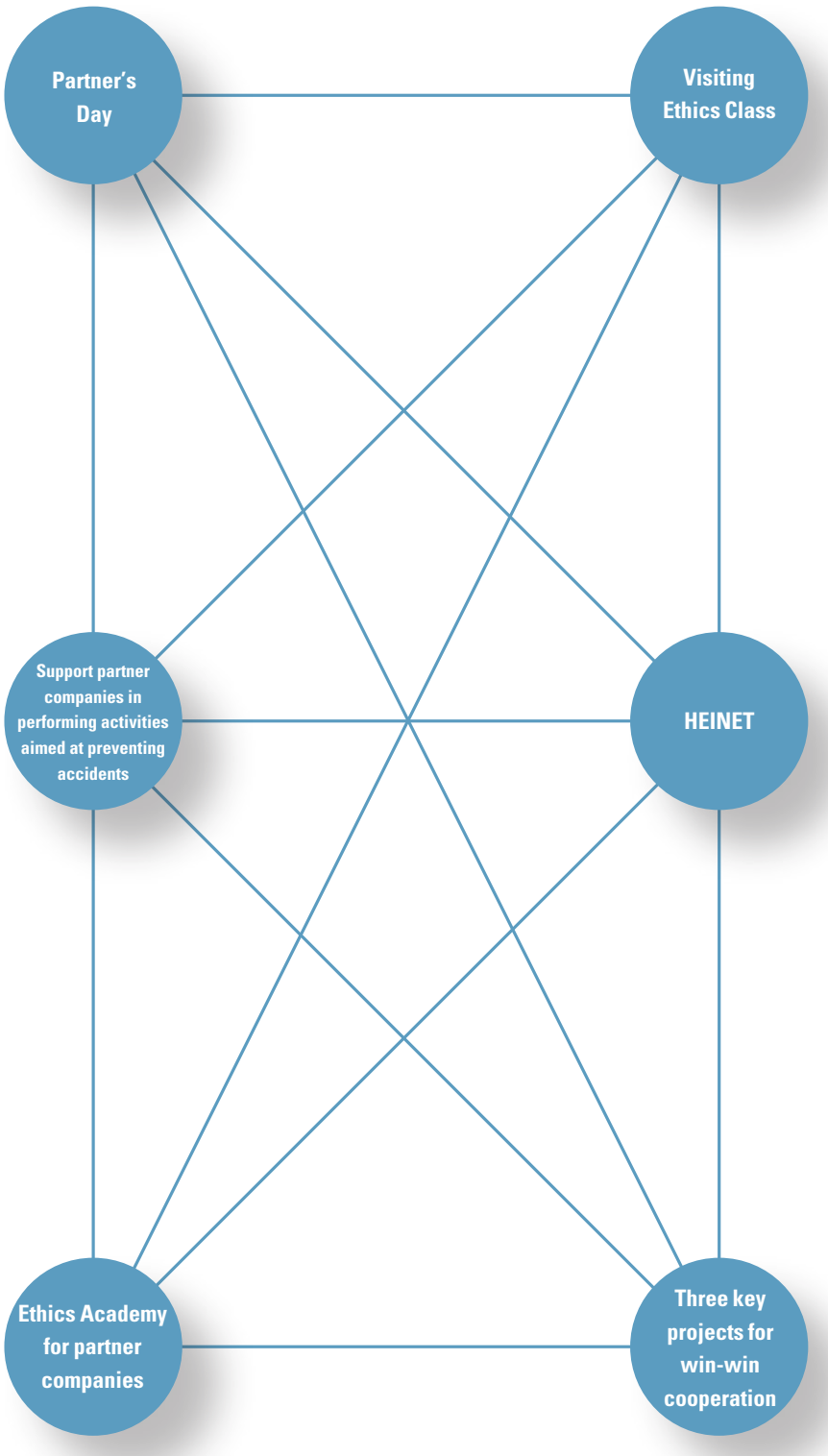


Communication channels with partner companies
As of the end of December 2007, Hynix has around 1,400 partner companies at home and abroad. Hynix is looking for various ways to strengthen ties with these partner companies, which are categorized into strategic companies, collaboration companies, and trade-centered companies.

Vision and strategic goals

Hynix is establishing and implementing execution strategies by phase to promote the development of partner companies. It is performing a leading role in raising awareness of sustainability management by supporting training on ethics management and an evaluation system at partner companies. Based on the recognition that partner companies are Hynix's companions in business, the company is operating programs that promote win-win cooperation between large companies and small to medium-sized companies.

Moreover, the company shared a technology roadmap aimed at developing small to medium-sized companies in September 2007. Plans have been drawn up to fully launch strategies to evaluate and develop partner companies starting from 2008.

Policies

In line with government policies on win-win cooperation among small, mid and large companies, Hynix is formulating and implementing distinctive measures to develop partner companies, based on a partner company development structure and mid to long-term execution strategies. Moreover, the company has become actively involved in various government-led programs, including the source technology commercialization program, performance evaluation fab support program, and a program involved with making contributions to funds that are used to support suppliers.

Disclosure on Management Approach

Category		2005	2006	2007
Spread ethics management among partner companies	Ethics academy training	N/A	7,248	6,312
	Visiting Ethics Class	9	4	11
	Consulting on ethics management provided by making visits	6	6	6
Support for※ partner companies	No. of domestic materials and equipment items that received evaluation and certification	N/A	N/A	26
	Amount of money used to purchase domestic materials and equipment	N/A	N/A	150 billion
	Supporting funds for suppliers	N/A	N/A	36.4 billion

※ An agreement between large companies and small to medium-sized companies that was concluded between large corporations and the Ministry of Knowledge Economy in November 2006.

Growing together with partner companies – outstanding companions of sustainability management

Outline of partner companies

Definition and characteristics of partner companies

Hynix categorizes partner companies into strategic, collaborative, and trade-centered companies according to the proportion of money used to purchase items. The total number of Hynix's partner companies at home and abroad reached 1,400 as of the end of December 2007. Seventeen companies, which are in the top one percent, account for around 50 percent of the total purchase amount. Companies with a purchase amount of less than 1 billion won account for roughly 70 percent of all suppliers. Hynix is formulating differentiated supplier operation strategies based on this supply structure. The company will place priority on strategic companies for strategic collaboration, thereby strengthening partnerships. Hynix will identify and cultivate competitive companies for each item as collaborative companies. In terms of trade-centered companies, Hynix will adopt a strategy to merge purchase quantities.

Cooperation with partner companies

Hynix considers its partner companies as equal companions in actively putting ethics management into place, taking various measures to this end, ranging from the establishment of the "basic plan on executing ethics management, together with partner companies" in 2004 to the holding of the "Ethics Academy" in 2006. A mutual cooperation structure is being built to gain competitiveness in ethics. Hynix recently started operating a "performance evaluation fab" to support domestic partner companies that supply materials and equipment, thereby taking strong action for win-win cooperation. A presentation to share a win-win cooperation technology roadmap was given in September 2007 to share the company's technological strategies with small to medium-sized companies. Furthermore, a Partner's Day was held in October to promote close cooperation with materials and equipment suppliers. Hynix is also giving support for activities carried out by partner companies to prevent safety accidents, and is thus contributing to the safety of the partner company as well as that of the local community.

Hosting the 2007 Hynix Partner's Day

Partner's Day

Hynix held the 2007 Hynix Partner's Day event in Yongpyeong, Gangwon Province from October 4 to 5, 2007. Partner's Day is a program involved with bringing the CEOs of domestic and overseas partner companies together to share Hynix's technology roadmap, thereby promoting cooperation. This was the first such event to take place since the company's founding. The event was planned based on the recognition that mutual cooperation with partner companies, such as equipment, materials, and technology companies, is essential in the semiconductor business, where new processes need to be continually developed and applied to production. Roughly 120 CEOs participated in the first event.

Supported partner companies in preventing safety accidents

Hynix has in place a win-win cooperation and partnership agreement between a mother company and partner companies aimed at supporting the safety and health of employees working at partner companies. This program, for which the Korea Occupational Safety & Health Agency is providing technical support, is being implemented for various reasons: to realize zero disasters, improve the level of safety and health, and reach a consensus on safety and health at partner companies. In particular, Hynix is providing free safety consulting to workplaces that have less than 50 employees and where safety management activities are not being actively performed. The company is thus contributing to preventing disasters at the corresponding companies as well as in the local community.

Creating a distinctive cooperation structure based on objective evaluations of partner companies

Efforts to spread sustainability management

Performance management system of partner companies

Structure to develop partner companies The development of partner companies by Hynix involves conducting evaluations on current conditions and performance and analysis of relationships, based on which differentiated groups are formed and appropriate strategies are implemented. Conducting evaluations involves categorizing partner companies into grades A, B, C and D, based on partner company evaluations. Relationship analyses involve categorizing the relationship between Hynix and a partner company as strategic, collaborative, or trade-centered.

At the end of September 2007, Hynix completed the establishment of the structure to evaluate and cultivate partner companies as part of its efforts to strengthen the competitiveness of its supply chain. This allowed for objective and transparent partner company evaluations, and the establishment of a foundation for differentiated development methods among partner companies. A regular evaluation was carried out during the second half of the year for companies that accounted for 85 percent of the total purchase amount in December 2007. The company is currently focusing on executing differentiated strategies by core, value, improvement, and circulation group, based on evaluation results. This will promote win-win management between Hynix and its partner companies and enhance its procurement competitiveness.

Execution strategies to promote the development of partner companies Hynix established execution strategies by phase to cultivate partner companies. An analysis was carried out on each differentiation strategy. Those strategies that demonstrated analysis results higher than the average in both ease and anticipated effects were chosen as short-term execution strategies.

Short-term execution strategies (Up to 2008)	Select as this year's outstanding company	Designate localized parts that will be given priority
	Increase the contract volume	Expand technological exchanges
	Support localization	Give additional points to the evaluation score when choosing contractors
Midterm execution strategies(2008~2009)	Carry out joint development projects	Assign long-term rights to supply products to the company
	Provide patent rights of Hynix	Provide support for testing and the use of analysis equipment
Long-term execution strategies (After 2010)	Benefit sharing	Lend funds and support loans
	Training to improve quality	Support the use of IT systems

Others were categorized into mid and long-term execution strategies according to the degree of ease and anticipated effects. Hynix also came up with a roadmap to cultivate and boost the competitiveness of partner companies. Preparations were made to execute strategies by 2007. Plans have been formulated to fully execute evaluation and development strategies starting from 2008.

Partner company evaluation process

Evaluation on the current status of partner companies

Due diligence
- Credit evaluation and current status evaluation
- Finalize the current status evaluation based on due diligence information

Evaluation on the performance of partner companies

System evaluation
- Evaluate a partner company's ERP, quality system, and production system

Evaluation by Hynix personnel in each sector
- The service quality and cooperation level by sector are evaluated based on a survey and having all personnel assess relevant materials

Overall evaluation of partner companies

Evaluation on partner companies
- Perform an overall evaluation, including evaluations on current status and performance
- Manage data on the general status of the companies

Partner company evaluation process Partner company evaluations are carried out by making full use of the internal and external management data of Hynix. Personnel in all sectors get involved in the process, including the quality, materials, manufacturing, and procurement sectors. Evaluations are generally carried out twice a year. Credit and current status evaluations are conducted once a year.

There are 29 evaluation parameters in the six areas of management technology, quality, costs, delivery, and cooperation. Evaluation parameters are chosen according to the characteristics of the partner company being evaluated – raw materials, equipment, or parts supplier. An evaluation table is filled out as part of the evaluation process, which is carried out in a sequence of due diligence, system evaluation, evaluation by personnel in each sector, and overall evaluation.

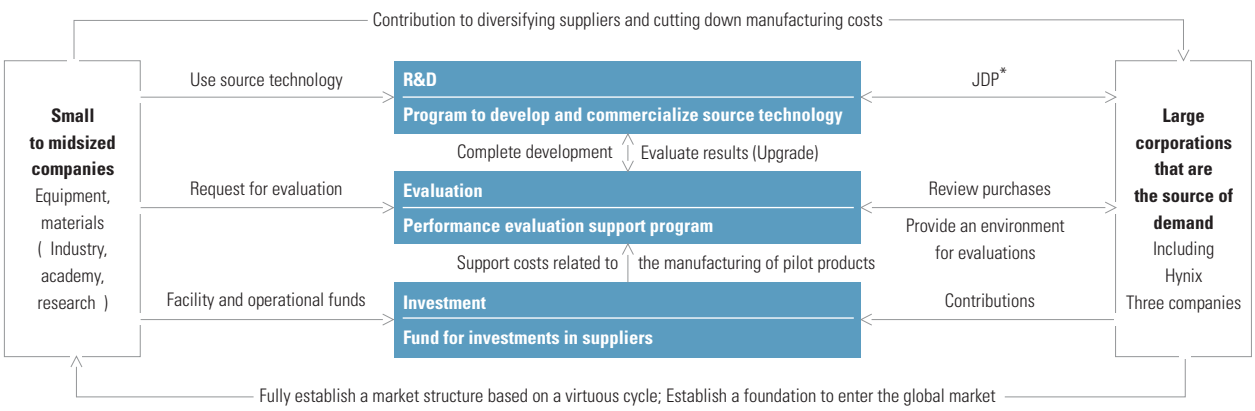
Creating a win-win cooperation organization to support joint efforts on localization and diversification

Win-win cooperation program

The importance of win-win cooperation with partner companies is gaining much attention, and the government is demanding that tangible results be achieved through win-win cooperation between large companies and small to medium-sized companies. As such, there is a need to establish an effective and practical model. Hynix created a win-win cooperation organization to support joint efforts on localization and diversification, and is operating short-term, as well as mid to long-term execution strategy programs.

The win-win programs of Hynix involve establishing differentiated development methods by company, based on a partner company's development structure, and detailing and executing mid to long-term execution strategies. There are also government-led programs that promote win-win cooperation between large and small to medium-sized companies, such as the source technology commercialization program, performance evaluation fab support program, and program to raise funds to support suppliers.

Three key programs for win-win cooperation



Performance evaluation fab (M10)

* **JDP** Joint Development Project

Technology commercialization program

Hynix has been carrying out a program on commercializing nanometer technology to develop sources for 45~22nm semiconductor fabrication equipment. The program was launched in 2007 and is slated for completion in 2011. This program is being carried out in the form of a consortium consisting of the industrial, academic, and research sectors, as well as equipment companies and large corporations. The first-step of the program involved choosing 12 items for commercialization and nine items to secure source technology. It started in September 2007 and the goal is to conclude development by October 2009. Hynix participated in the development of nine next-generation pieces of equipment in 2007, including three involved with metallization and five involving etching.

Performance evaluation fab

Hynix is operating a performance evaluation fab, thereby increasing win-win cooperation with domestic partner companies supplying materials and equipment. The performance evaluation fab refers to giving access to the production fab so as to validate whether the materials and equipment developed by partner companies can actually be applied to production. Hynix has been demonstrating much interest in purchasing local materials and equipment, as can be seen in its operation of some of its production lines as a "fab for localized equipment." The company started operating the performance evaluation fab in February 2007, and completed evaluations

and validation of 14 materials and pieces of equipment that are ready for production. The company purchased around 150 billion won worth of some of the materials and equipment that were evaluated. In terms of the second performance evaluation, which commenced in September 2007, Hynix is engaging in evaluation of 12 cases after receiving requests for evaluation of automation systems, in addition to materials and equipment.

Program to support funds for suppliers

The program to support funds for suppliers is a program involved with having large corporations make contributions to raise funds to invest in supplier companies. An investment fund worth 150 billion won has been raised based on the government budget as well as contributions made by the nation's top three electronics companies, including Hynix. Through this program, facility and operational funds are being provided on credit to equipment, materials, and parts companies. Hynix is also taking part in the "guaranteed loan from the technology guarantee fund," which involves large corporations providing a credit guarantee to suppliers by making special contributions to the Korea Technology Credit Guarantee Fund. At present, Hynix is supporting the development of materials, equipment, and parts by lending around 36.4 billion won to a total of 13 partner companies, including six companies supplying parts and equipment for the front-end process, three companies supplying parts and equipment for the back-end process, and four materials companies.

Ethics Academy course for partner companies

Provided training on ethics management by visiting partner companies (2005~2007)

2005	2006	2007
9 times (9 companies)	4 times (4 companies)	11 times (9 companies)

Ethics Academy for partner companies

Hynix has been making efforts for joint implementation of ethics management with its partner companies as important stakeholders of the company, with the aim of strengthening a cooperative relationship in ethics. Hynix established the Ethics Academy to offer even more services than the Ethics Class, which refers to offering an Ethics Class by visiting partner companies. The Hynix Ethics Academy is a free training course designed for partner companies that are experiencing difficulties in adopting and executing ethics management. It involves sharing cases of ethics management execution activities and providing training on working-level methodologies to implement ethics management that are appropriate for each company's characteristics. 537 people from 283 companies attended the first and second sessions in 2006. The third session in 2007 was attended by 263 people from 124 companies. Hynix is planning to continually expand such activities to present opportunities to each and every partner company and encourage participation.

Visiting Ethics Class

Since 2005, Hynix has been visiting partner companies and providing training on ethics management. The employees at partner companies are trained on overseas developments in ethics management, cases of ethics management at Hynix, and designing a direction for ethics management implementation. The training is receiving a good response from the participants since it consists of lectures that have been customized according to the partner company, including time, location, and even content. An ethics management newsletter is being issued on a regular basis to promote exchanges and training on ethics management provided by making visits. This newsletter is being used as a means of communication to introduce the win-win cooperation programs of Hynix. It also delivers news related to ethics management, such as relevant changes in partner companies as well as visiting Ethics Classes.

HEINET system

Communication with partner companies

Hynix built the "HEINET(Hynix e-Procurement Infra Network)" which is a web-based system, for communication with partner companies. HEINET offers an advanced purchasing process (SRM) that includes placing and receiving orders, bidding, selling off idle equipment, and materials information. The system contributes to productivity improvements and cost reductions for both Hynix and its partner companies; and boosts mutual trust as strategic partners.

In addition, Hynix is enabling its partner companies and all stakeholders to present their opinions and criticisms online. In fact, it received an annual average of 7.7 cases of partner company related complaints between 2005 and 2007, and effectively handled the cases.

No. of cases registered at the Cyber Online Center

2005	2006	2007
7 cases	7 cases	9 cases

Results of an interview with an expert

Team manager Lee Jong-mok of the Korea Federation of Small and Medium Businesses

The advent of the era of global competition has increased the importance of win-win cooperation between large companies and small to medium-sized companies. This is because the competitiveness of small to medium-sized companies that manufacture parts and materials is directly connected to the competitiveness of large corporations and the development of the national economy. By creating a taskforce team on win-win cooperation, Hynix is making efforts in the joint development of technologies with partner companies, in reducing purchasing costs, and in rooting out unsound purchasing practices. There is a need to adopt a performance-sharing system that involves large companies sharing their profits with partner companies. Also, large companies should provide more practical support, such as joint development and investment in technologies.

Hynix's Position

Hynix regards its partner companies as companions in business. It is operating various win-win cooperation programs. The three win-win cooperation programs of Hynix are the source technology commercialization program, performance evaluation fab support program, and a program for raising funds used to support suppliers. In October 2007, Hynix held the Hynix Partner's Day and shared its technology roadmap with partner companies.

The company is currently conducting strategy execution tasks to develop and boost the competitiveness of partner companies. Hynix will continue to promote communication with its partner companies to achieve joint growth.

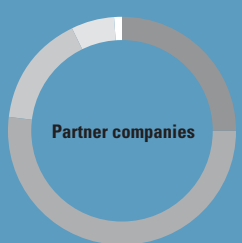
Survey results

A survey on stakeholders shows that 77.4 percent of partner companies and 56.4 percent of executives and technical office workers had a positive view about Hynix implementing a fair process when choosing partner companies. In terms of Hynix prohibiting unreasonable demands to partner companies and operating a partner company support system, 60.8 percent and 57.6 percent of executives and technical office workers gave a positive response, respectively. In contrast, only 51.2 percent and 54.3 percent of partner companies gave a positive response, respectively.

Moving forward, Hynix will fully establish ethical practices in relation to partner companies and further develop partner company support systems, such as the three top projects for win-win cooperation between large and small to medium-sized companies.

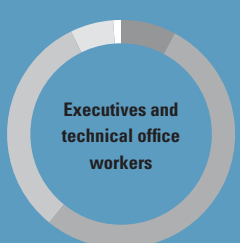
Q1. Hynix goes through a fair process when choosing partner companies.

Very much so	8.4 %
Relatively so	48.0 %
Average	37.2 %
Relatively not so	5.6 %
Not at all	0.8 %



Very much so	25.0 %
Relatively so	52.4 %
Average	15.9 %
Relatively not so	5.5 %
Not at all	1.2 %

Q2. Hynix does not make unreasonable demands on partner companies in terms of business conditions, among others.



Very much so	8.0 %
Relatively so	52.8 %
Average	31.6 %
Relatively not so	6.4 %
Not at all	1.2 %

Very much so	18.3 %
Relatively so	32.9 %
Average	31.1 %
Relatively not so	14.6 %
Not at all	3.1 %

Q3. Hynix is doing an outstanding job of operating a partner company support system for win-win cooperation with partner companies.

Very much so	7.2 %
Relatively so	50.4 %
Average	36.8 %
Relatively not so	5.6 %
Not at all	0.0 %

Very much so	15.2 %
Relatively so	39.1 %
Average	34.1 %
Relatively not so	9.8 %
Not at all	1.8 %

Adding Good Memory to the World

Creating a warm-hearted society of togetherness!

It is in the time we take to help others, however brief, that we shine. Such memories last a lifetime for all involved. | Hynix established more effective and systematic social contribution programs by choosing fields of activity that are in line with the local characteristics of the area where each domestic business site is located. | Hynix is making strenuous efforts to help create happy memories for its neighbors by engaging in various activities, ranging from protecting cultural assets to developing local experts.

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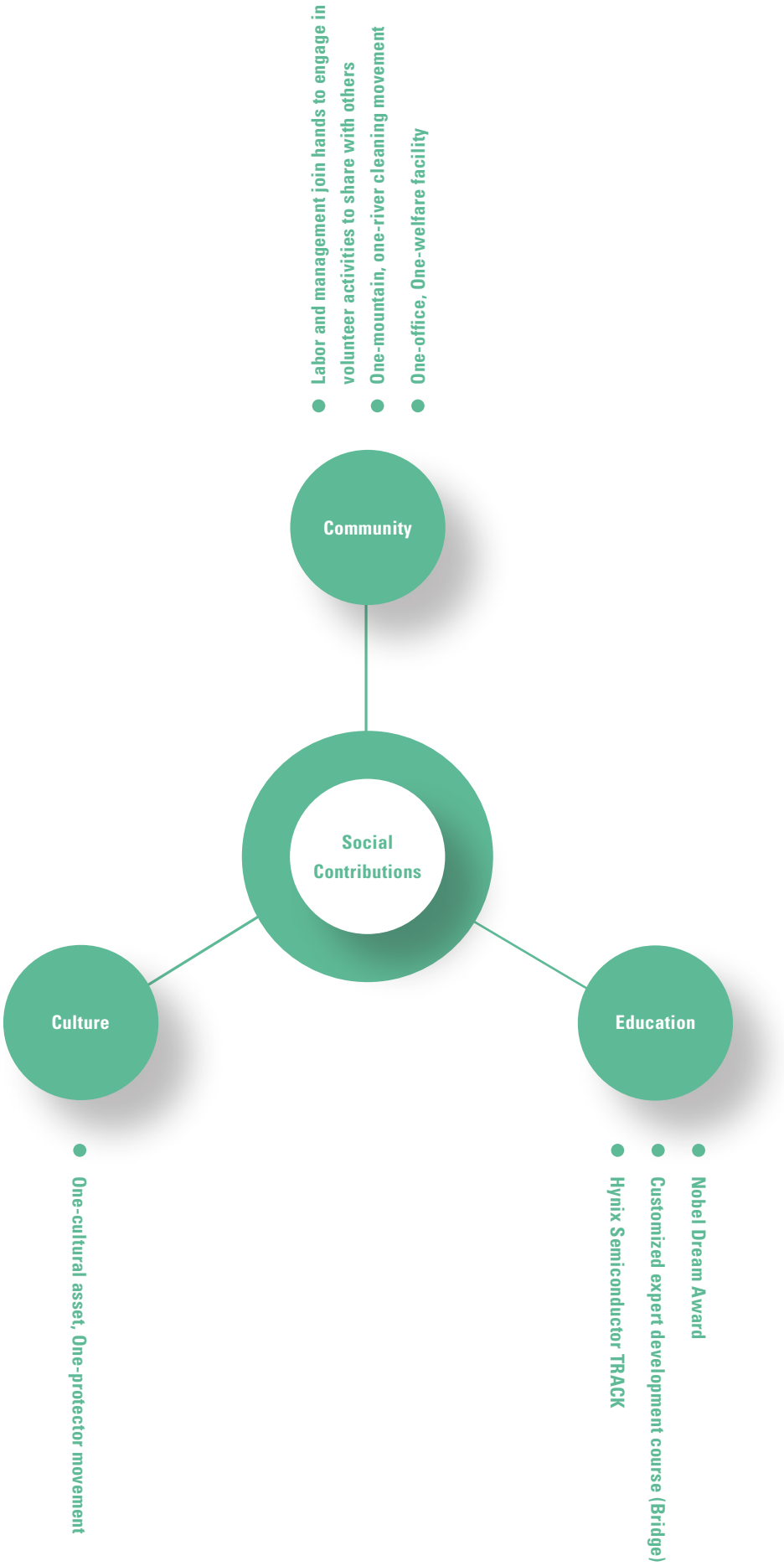


240 teams

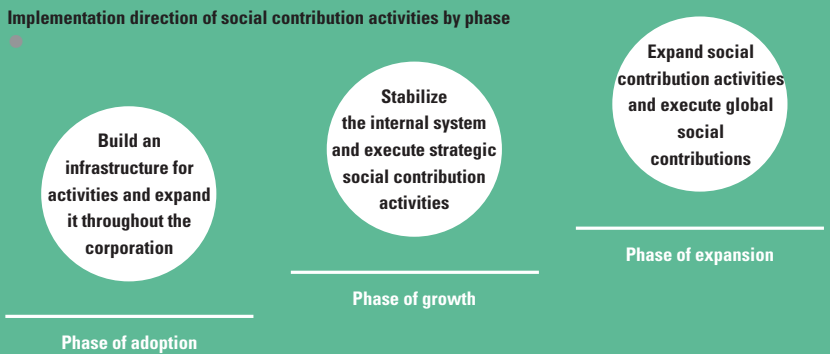
Hynix has been forming internal organizations since 2007 to enable all employees to engage in social contribution activities. There are a total of 240 teams under 61 organizations. The total number of hours of activities reached 2,760 hours.

Disclosure on Management Approach

Vision and strategic goals

Hynix has chosen areas of activity that are appropriate for the local characteristics of each business site, and thus allowed for the implementation of more distinctive programs. The company established basic strategies on social contribution activities that are closely related to the local community, and getting involved in cultural and educational activities.

Implementation direction of social contribution activities by phase



Policies

In 2006, Hynix concluded an agreement with the Cultural Heritage Administration and held a ceremony on the conclusion of the agreement to participate in the One-cultural asset, One-guardian movement. Since then, the company has been actively carrying out activities to preserve cultural assets in Seoul, Icheon, and Cheongju. In addition, it created a Bridge-type industry-academy course in 2007 to develop experts at vocational high schools and local colleges in Icheon.

Category	2005	2006	2007
Donations	0.34 billion	8.24 billion	2.46 billion
Total time spent in conducting volunteer activities ※	N/A	N/A	2,760 hours
Amount given for the Nobel Dream Award (Icheon and Cheongju)	5 million won/person	5 million won/person	4.2 million won/person

※ 2005 and 2006 show the status of activities carried out at personal and team levels; July to December 2007 shows the status of implementation at the corporate level

All employees are participating in social contribution activities that have a close connection with the local community

Outline of social contributions

Key local community-related policies of Hynix

- Establish strategies for social contribution activities performed by Hynix
- Set a direction for social contribution activities that ensure a win-win relationship between the local community and Hynix
- Receive and handle local community requests according to an internal process

Workshop for personnel in charge of moving forward with social contribution activities

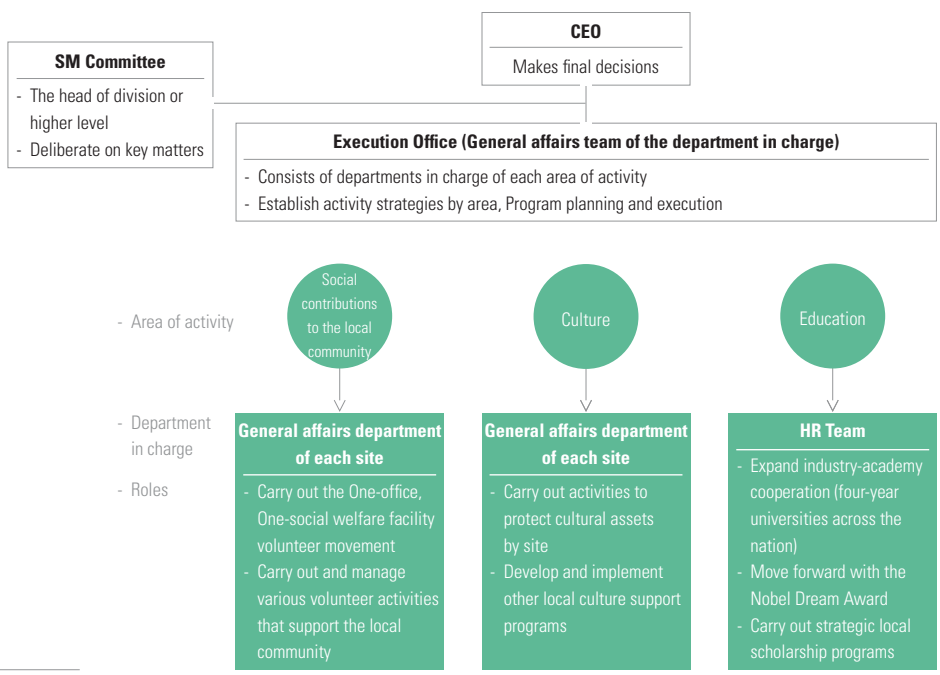
Characteristics of the local community and key issues

The domestic production plants of Hynix are located in Icheon, Gyeonggi Province and Cheongju, North Chungcheong Province. The city of Icheon, where the company's headquarters is located, is at the center of the Southeastern part of Gyeonggi Province. It is a city with cutting-edge industry, tourism, replete with leisure and cultural activities, with a population of 200 thousand. It is a key area in terms of transportation, where the Jungbu Highway connecting the North and South and the Yeongdong Highway connecting the West and East meet. The city of Cheongju is located at the center of North Chungcheong Province. It is a city of education, culture, and history with a population of 600 thousand.

Hynix has close ties with the local community and various stakeholders in Icheon and Cheongju in relation to the expansion of semiconductor plants, in tandem with business growth, and the local environment. Matters that are related to the expansion of the plants, such as balanced regional development, metropolitan area regulations, and environmental issues, are being resolved through continuous dialogue with the government, local autonomous bodies, NGOs, and local residents.

Strategies of social contribution activities

In 2007, Hynix formulated basic strategies on social contribution activities based on the need to spread social contribution activities throughout the company by establishing a social contribution team and to boost the effects of such activities. Hynix chose key areas of activity in consideration of the local community of each business site and the participation of employees. This allowed for focus to be placed on distinctive activities. The areas of activity have been categorized into themes that are closely related to the local community – contributions to the local community, culture, and education. Hynix plans to execute such social contribution activities step by step. In 2007, which was the adoption phase, the company built an infrastructure for activities and expanded participation to the corporate level.



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Organization for social contributions

For systematic social contribution activities in which all employees participate, Hynix formed a social contribution team and internal implementation organization in 2007, enabling systematic social contribution activities. There are a total of 240 teams participating in 61 activity organizations. They are actively carrying out relevant activities, aiming to have all employees get involved in making social contributions.

Communication with the local community

Hynix is maintaining a close relationship with the government and local communities. To fulfill its roles as part of the local community, it became a member of various groups within the region where the company's business sites are located. The company is communicating with the local community through regular gatherings of the groups. Key pending issues or requests are collected by various groups, such as government offices, the Crime Prevention Committee, the Entrepreneur Council, and the Working-level Association of Merchants and Industrialists. These issues or requests are resolved by reflecting them in the company's policies through an internal decision-making process. In particular, Hynix is continually communicating with government ministries and agencies to identify which areas both parties are interested in with regard to the direction of local development and to take relevant action.

One-cultural asset, One-guardian Movement at Changgyeong Palace

One-cultural asset, One-guardian Movement

On April 27, 2006, Hynix held a ceremony on an agreement concluded with the Cultural Heritage Administration to participate in the "One-cultural asset, One-guardian Movement" at Changgyeong Palace. The company thus strengthened its will to provide active cooperation to cultural asset preservation activities. The One-cultural asset, One-guardian Movement refers to a policy that the Cultural Heritage Administration has been implementing since November 2004, with the aim of "creating a citizens' culture of cultivating and enjoying cultural assets." Individuals, schools, civic groups, and corporations participate in the movement to conduct a wide array of activities, such as preserving, managing, and spreading information on cultural assets. Hynix thinks that it has the responsibility as a global corporation to engage in cultural asset preservation activities that are involved with spreading the word across the globe about the excellence of our cultural heritage. This is how the company came to conclude the agreement. The company is engaging in activities related to managing Changgyeong Palace and has donated two Eco-friendly electric cars for the convenience of seniors and the physically challenged who visit the palace. The company decided to provide continuous support as a "cultural asset guardian" by regularly engaging in cleaning activities.

Hynix press release (April 27, 2006)

Nobel Dream Award

Hynix has been giving out the Nobel Dream Award and scholarships to students who graduate with outstanding grades from the company's internal universities as well as middle, high schools and special schools in the regions where the company's business sites are located – the business site in Cheongju, North Chungcheong Province and the company's headquarters in Icheon, Gyeonggi Province. The aim is to develop experts and the local community. The Nobel Dream Award was created in 1996 and celebrated its 12th anniversary in 2007. The award was created with the aim of having teenagers in the local communities where the company's business sites are located develop a strong will and desire for the Nobel Prize and to give them support so that they can grow into key experts that will lead the nation in the future.

Before 2005, students who received the award were limited to the No. 1 student graduating with the highest grades or the student with the highest scores in the college entrance exam. In 2005, however, the scope of students receiving the award was expanded to include students who have excellent graduation scores and come from families facing financial difficulties. The number of awards is being increased every year. The winners are chosen based on recommendations made by the principals. As of 2007, a total of 760 people received the Nobel Dream Award.

Ceremony to present the 12th "Nobel Dream Award" scholarship (2007)

Engaging in various activities and establishing programs to strengthen ties with the local community

Social contribution programs

One-office, One-social contribution activity

Hynix is spreading a culture of sharing to act upon its "good neighbor spirit" and become a company loved by society. To become a company that gives good memories, per the company's slogan, Good Memory, Hynix is actively making social contributions, with a focus on the local community, its culture, and education. The company chose three key areas of activity and strategies to ensure effective social contribution activities that bring about win-win results for both the local community and the company. Based on such areas of activity and strategies, the company is operating a wide array of programs.

Local community Hynix employees regularly participate in volunteer activities in local communities. Volunteer activities are carried out at least once a month at welfare facilities in the local community of each business site, in connection with 61 activity organizations. Employees are improving their self-image, feeling good about themselves by engaging in such activities. This is a leading social contribution activity that effectively demonstrates the spirit of volunteering of Hynix employees in the local community. The Labor-management Volunteer of Sharing organization, which allows for labor and management to strengthen ties through volunteer activities, consists of the Blood Donation Movement that is held four times a year; the Movement to Share Spare Change, which involves collecting change from employees' salaries that is less than 1,000 won to help neighbors in need; and the Movement to Help Flood Victims. Activities by more than ten volunteer clubs within the company also demonstrate the warm-hearted spirit of volunteering of the employees. Such activities include a marathon for the physically challenged, which has been offered continuously since the company's founding, and volunteer activities by employees staying at the company's dormitory. In line with its reputation as a global semiconductor company, Hynix is performing various social contribution activities at overseas business sites located in China and the US. The company is carrying out an environmental protection campaign and marathon-related activities in Wuxi, China, and local volunteer activities at the plant in Eugene, Oregon in the US. The company will more actively engage in global social contribution activities to perform all its roles as a global corporation.

"Bridge" industry-academy course in Icheon

Cultural sector On April 27, 2006, Hynix held a ceremony on an agreement concluded with the Cultural Heritage Administration to participate in the "One-cultural asset, One-guardian Movement" to protect local cultural assets. The company is actively engaging in activities to preserve cultural assets in Seoul, Icheon, and Cheongju. The Changgyeong Palace preservation activities, which have been performed by around 1,500 employees and their families, have become leading social contribution activities in the cultural sector, along with various event programs.

"Bridge" Corporate-sponsored academic course in Icheon

This is a system designed to actively develop customized experts starting from high school. It refers to an industry-academy cooperation structure that includes vocational high schools, technical colleges, and the company. On July 31, 2007, Hynix held a ceremony to conclude an agreement at the Icheon business site. The event was participated in by the Icheon City Mayor, the President of the Korea Polytechnic University, the Dean of the Yeojoo Institute of Technology and Tongwon College, the principals of seven vocational high schools, and the President of the Hynix Council. Hynix plans to start the course after choosing students in 2008. To this end, professors in charge of education visited the company from February 11th to the 29th and received training on the entire semiconductor process.

Hynix News (August 13, 2007)

Education sector Since its founding, Hynix has been making strenuous efforts to achieve educational development, with the aim of developing the local community by cultivating outstanding experts in the area. The company has been making efforts to develop experts in the local community, through the customized expert development course in Icheon (Bridge) as well as through the Nobel Dream Award, which is a leading scholarship program that has been in place since 1996.

Leading the paradigm in the new era through continuous value-creating activities

Performance of social contribution activities

Volunteer activities by the CEO in celebration of the 24th anniversary of the founding of Hynix (2007)

Hynix donated roughly 2.46 billion won, including some industry-academy cooperation expenses, to the local community in 2007. The total number of hours of volunteer activities by employees through the One-office, One-welfare facility by organization was 2,760 hours from August to the end of December 2007, for which tallying of quantitative data is possible.

The amount of the donation made by Hynix has not reached a considerable level as of yet, but the company is engaging in various social contribution activities for joint prosperity with the local community. Various initiatives that the company is regularly carrying out every year demonstrate Hynix's strong will to grow together with the local community. Such activities include the One-mountain, One-river Cleaning Movement; setting aside a portion of the amount used on credit cards (issued by credit card companies with which Hynix has an alliance) to use as development funds for Icheon; giving out free meals to seniors living alone and who have no place to turn to; delivering briquettes at the end of the year; volunteer activities at Taean; and expanding the industry-academy cooperation system by region. Moving forward, Hynix will continue to contribute to developments of the local community by strengthening existing social contribution programs and implementing new systems.

Volunteer activities by the CEO

On October 10, 2007 – the 24th anniversary of the company's founding – 39 employees, including the CEO and executives, visited Eliel, a welfare facility located in Majang-myeon, Icheon City. They experienced the difficulties faced by the physically challenged, planted trees, cleaned the area, and helped people at the facility take a stroll in the mountain. Hynix News (October 15, 2007)

Delivering "briquettes of love"

On December 8, 2007, 31 Hynix employees from the General Affairs Team, Business Team, Export and Import Customs Clearance Team, and Industrial Security Team, as well as employees in the army reserve delivered briquettes to three areas where low-income families live in Siheung-dong, Seongnam City, Gyeonggi Province. Employees who gathered at the Seoul office and Icheon headquarters put on back racks and started moving briquettes. Everybody did their best in moving the briquettes as they were confident that these briquettes would bring warmth to the bodies and hearts of those who are tired from the reality of a cold life – colder than the winter weather. Employees under the General Affairs Office as well as other Hynix employees will remember this day as a day of "warmth."

Top Delivering briquettes of love (2007)
Bottom Industry-academy agreement ceremony for the "Hynix TRACK" (2007)

Hynix News (December 24, 2007)

Conclude a Corporate-sponsored research agreement with three outstanding universities in the region

On June 18, 2007, a ceremony was held to conclude an agreement on operating a "Hynix Semiconductor Track" at the large conference room in the Seoul office building. The aim is to identify and develop outstanding personnel in renowned national universities located in regional areas (Kyungpook National University, Chonnam National University, and Chungbuk National University). This event was attended by executives, including CEO Jong-kap Kim, Executive VP and CTO Jin-seok Choi, Executive VP and Head of the R&D Division Seong-wook Park, Senior VP and Head of the Corporate Legal Division Si-woo Kim, Senior VP and Head of the Manufacturing Division Seung-gyu Han as well as Kyungpook National University President Roh Dong-il, Chonnam National University President Kang Jeong-chae, and Chungbuk National University President Im Dong-cheol. It was a meaningful time where attendees made a commitment towards mutual cooperation and development. The "Hynix Semiconductor TRACK" is an educational program that focuses on developing practical skills. The goal is to develop customized experts through industry-academy cooperation. To this end, practical, customized education will be provided, which involves setting up an educational program at semiconductor-related departments under the engineering college at each university during the next five years (by 2011) and supporting program operating expenses. In addition, around 20 students will be chosen among those who started the first semester of the third year in college to present scholarships through graduation. They will also participate in an internship program during school breaks to improve their practical skills, and then be given an opportunity to work at Hynix. Hynix News (June 25, 2007)

Results of an interview with an expert

Director Im Ji-ae with the Korean Federation for Environmental Movement

Social contribution activities can generally be understood as activities aimed at helping our neglected neighbors or giving support in terms of social and cultural activities. We can also think of the influence that the products a company manufactures have on the society and environment. It is important to continuously manufacture new products. But what is also needed is the development of social contribution programs related to finding ways to make the products usable for longer periods and collecting wastes.

Hynix's Position

Hynix has a social contribution team for making social contributions. There are a total of 240 teams participating in social contribution activities in 61 activity organizations. Social contribution activities can be categorized into local community, cultural, and education sectors. Various initiatives include volunteer activities; the One-cultural asset, One-guardian movement; the Nobel Dream Award, which is a representative scholarship program; and educational activities to develop customized personnel. Moreover, the company conducted life cycle assessments on DRAM and NAND Flash memory products to minimize the environmental impact and extend the lifecycle of products in 2006 and 2007. Hynix will actively adapt evaluation results into the Eco-friendly design of products. In the case of waste treatment, parts suppliers are collecting the wastes separately, and Hynix is operating a dedicated collection system for each type of organic solvent. Moving forward, Hynix will identify the needs of various stakeholders and adopt new social contribution programs, thereby allowing for the sustainable growth of our society.

Survey results

A survey of stakeholders was carried out on the subject of whether they regard Hynix as a partner to the local community and whether they think positively about relevant policies established by the company. Results indicate that 71.4 percent and 66.2 percent of local community members, and executives and technical office workers, respectively, think of the company as a partner and have a positive impression. In terms of positive impressions about Hynix actively carrying out social contribution activities, 72.2 percent of executives and technical office workers gave a positive response, while only 58 percent of local community members gave a positive response. Moving forward, Hynix will boost participation by the entire organization so that policies aimed at helping the local community can be realized.

Q1. Hynix regards the local community as its partner, and establishes policies based on this thought process.

Very much so	11.0 %
Relatively so	55.2 %
Average	30.2 %
Relatively not so	3.6 %
Not at all	0.0 %

Very much so	23.8 %
Relatively so	47.6 %
Average	19.0 %
Relatively not so	9.6 %
Not at all	0.0 %

Q2. Hynix is actively carrying out social contribution activities.

Very much so	19.8 %
Relatively so	52.4 %
Average	24.6 %
Relatively not so	2.8 %
Not at all	0.4 %

Very much so	17.7 %
Relatively so	40.3 %
Average	27.5 %
Relatively not so	12.9 %
Not at all	1.6 %

Very much so	19.9 %
Relatively so	50.6 %
Average	25.7 %
Relatively not so	3.8 %
Not at all	0.0 %

Leading the way to

Good Memory, Green Dreams

an Eco-Friendly future!

Memories of catching dragonflies in youth and searching for crawfish with family, match those of working toward greener business practices. | Hynix abides by domestic and overseas laws, regulations, and agreements on the environment, safety, and health. | It puts the environment first throughout the process of purchasing raw materials, manufacturing products, and disposing materials and is constantly making efforts to keep products, processes, business sites, and the local community green.

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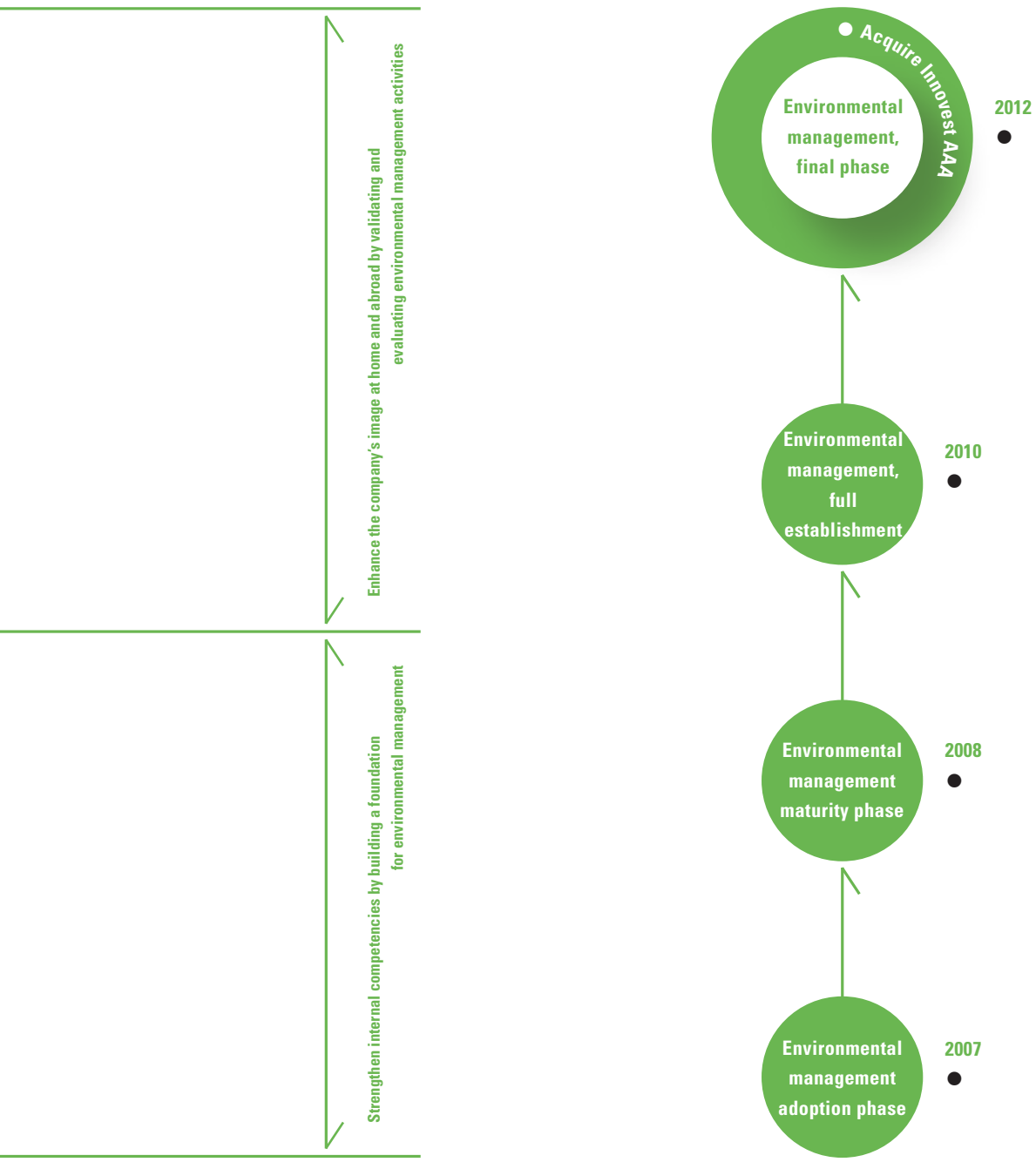


2012 Roadmap

Hynix established a 2012 ESH (Environment, Safety, Health) roadmap to achieve mid to long-term goals in each area of environment, safety, and health. The company is proactively engaging in relevant activities by establishing an operating committee and sub-committee for each field.

Vision and strategic goals

Hynix will provide a clean and safe environment to its customers based on a top-quality ESH (Environment, Safety, Health) system and technological competencies. In this way, Hynix will realize the world's top ESH business sites and achieve its business goals. To this end, the company will move forward with making its products, processes, business sites, and the local community green.

Policies

Hynix is currently focusing on strengthening internal competencies by building a foundation for environmental management. In October 2007, the company held a ceremony to conclude an agreement with the Korean Federation For Environmental Movement regarding operations of the Environmental Management Validation Committee, which is the first external environmental monitoring organization in Korea. By operating the ESH Research Institute, Hynix is implementing national policies and the company's own tasks in relation to semiconductor technologies. Hynix will establish the world's top ESH business sites by carrying out such activities as responding to climate change, making efforts to minimize environmental impact, and engaging in environmental preservation activities.

Disclosure on Management Approach

Category	2005	2006	2007
Environment, safety and health (Reduction of use of electric power, gas, water, and reduction of waste; reduction of PFCs emissions; and other improvements, such as zero disaster activities)	92 cases	139 cases	196 cases
Wafer recycle rate	3.2%	3.0%	3.2%
Environmental investments made in relation to the air, wastewater, and other wastes	23.531 billion	20.521 billion	25.506 billion

Publicly announce its ESH policies and make an environmental declaration of basic policies for sustainability management

Environmental declaration and ESH vision

ESH policies

Hynix considers environment, safety and health as the most important factors in the management decision process and pursues sustainable development by improving environment, safety and health qualitative standards through accumulated experience and technology development. Hynix maintains a closer relationship with its surrounding community. Our goal is the best ESH company in the world.

Hynix adheres to its responsibility and reliability on environment, safety and health issues, including observing of the followings;

1. Observing international agreements and national regulations on environment, safety and health and improving environmental safety and health qualitative standards continuously.
2. Identifying, evaluating and improving of significant environment, safety and health aspects by conducting life cycle assessment from purchasing.
3. Developing environment-friendly products and conserving resources, recycling its wastes through developing cleaner technology, running a environmental management system to be the best ESH company.
4. Develops process safety technology and emergency response capability in a basis of preventive activities to promote a safe and comfortable workplace.
5. Participates in environment, safety and health improvement activities with the community by recognizing social responsibility.

In order to carry out our goals effectively, establishes, implements and health and periodically evaluates environment, safety and health objectives to achieve this policy and practices transparent management on publishing the evaluation result.

Hynix is improving the quality of the environment based on accumulated experiences and technological development. It is building the world's top-quality ESH business sites based on close cooperation with the local community. Hynix, which has entered its "second-founding" phase, publicly announced its ESH policies and made an environmental declaration for sustainability management.

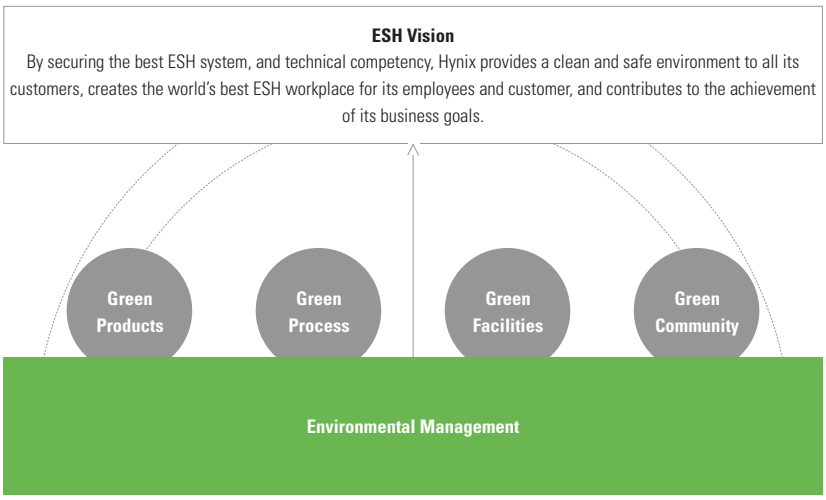
Environmental declaration

- Hynix pursues a future where a clean and safe environment can be continuously maintained, and the benefits offered by the environment can be enjoyed by all citizens.
- A clean and safe environment is a basic need of human beings. It is also the responsibility of all members of society to pass down a clean and safe environment to the next generation. Hynix regards environmental protection activities as an important responsibility for all companies.
- As such, it shall adopt environmental management policies and continuously make efforts for a clean environment as a healthy member of society.

ESH vision

Hynix has presented clear visions and values on the environment, safety, and health. All employees share these visions and values and are taking part in realizing and implementing them.

ESH vision



Improving the efficiency of ESH management by forming an effective organization

ESH goals and management system

Hynix established the ESH 2012 roadmap to achieve mid to long-term goals in each area of ESH. It is setting up an operations committee, sub-committee and taskforce team for each area and is actively engaging in relevant activities to achieve its goals.

2012 Roadmap

Strengthen internal competencies by building a foundation for environmental management

Enhance the company's image at home and abroad by validating and evaluating environmental management activities

2007 Environmental management adoption phase

- Assess the current status of environmental management and establish relevant strategies
- Operate an internal and external environmental monitoring team
- Respond to specific hazardous materials that damage water quality
- Operate local environmental programs
- Offer environmental technologies to small to midsized companies in the region
- Open environmental facilities to the public and enable the public to visit the facilities

2008 Environmental management maturity phase

- Establish a wetland park where people can experience the ecosystem
- Carry out activities that ensure a win-win relationship with small, mid, and large-sized partner companies
- Establish an Eco-friendly purchasing system
- Disclose environmental management information
- Perform research on ecological toxicity
- Develop the ability to respond to environment-related emergencies

2010 Environmental management, full establishment

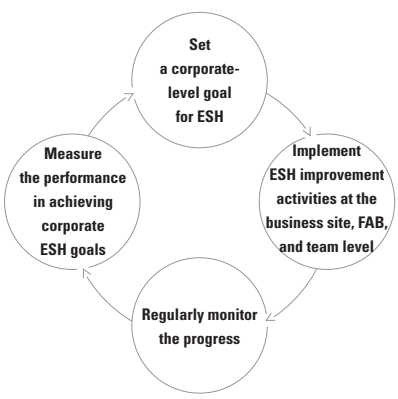
- Build an integrated environmental center
- Fully establish the eco-design
- Build a chemical material management system
- Develop Eco-friendly fab design standards
- Achieve the target on reducing PFCs emissions
- Build an environmental accounting system

2012 Environmental management, final phase

Acquire Innovest AAA

- Become the world's top Eco-friendly company

ESH target management



Hynix's Icheon and Cheongju business sites define detailed targets for each ESH area every year and monitor improvements. The business sites are engaging in systematic target management, based on which operational efficiency and cost reductions are being achieved. The percentage of achievement in comparison to the ESH target was around 90 percent in 2007. Those targets that were not met mainly resulted from inappropriateness of processes. Plans have been formulated to make relevant improvements in 2008.

ESH target and performance of the Icheon and Cheongju business sites in 2007

Category	ESH target (The percentage in the parenthesis is the value for the Cheongju business site)	Plan status (Case)		Improvement status (Case)	
		Icheon	Cheongju	Icheon	Cheongju
Environmental area	1. Reduce the level of use of electric power by 8% (10%)	7	3	7	2
	2. Reduce the level of water use by 12% (10%)	8	2	6	1
	3. Achieve a waste recycling level of 86% (96%)	37	3	35	2
	4. Reduce PFCs emissions	10	-	10	-
	5. Reduce the level of use of chemical drugs and gas by 5% (5%)	26	5	21	2
Safety and health area	6. Zero disaster activities	55	24	54	20
	7. Reduce the number of employees with a possibility of having a disease by 7% (10%)	4	1	4	-
Others	8. Other activities to reduce elements that have an impact on ESH	18	19	16	16
Total (Case)			222		196

* **ISO14001** ISO's (International Organization for Standardization) international environmental standards on EMS (Environmental Management System)

** **OHSAS18001** (Occupational Health & Safety Assessment Series)These refer to standards on the occupational health and safety management system. It is a system that manages and prevents the danger of accidents and disasters in the field.

*** **KOSHA 18001** (Korea Occupational Safety & Health Agency)A system involved with evaluating and certifying the management system of a business site according to certification standards established by the Korea Occupational Safety & Health Agency to establish a voluntary safety and health management system at the business site.

Management system certification

ESH organization

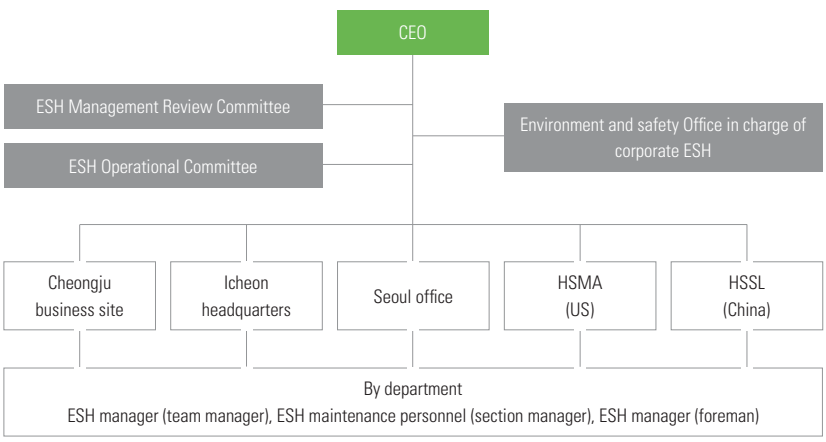
Hynix built and is operating the ESH management system. The company also formed an organization that can manage all aspects of ESH effectively. The ESH Management Review Committee regularly holds management review meetings to ensure the appropriateness of a series of management activities. Through the ESH Operation Committee, Hynix is promoting smooth technological exchanges and tasks between the business sites in terms of environment and safety activities. There is the ESH Office that oversees all matters related to ESH as a working-level organization; and there is an ESH manager in each department. Various activities are being carried out to evaluate and improve the appropriateness of each organizational system.

ESH management system

Hynix is maximizing ESH management by carrying out effective activities through ISO14001*, OHSAS18001**, and KOSHA18001*** program certification. Hynix acquired certification for its environmental management system based on ISO140011) in 1996; and for its safety and health management system based on OHSAS180012) and KOSHA180013) in 2000. In 2001, the ESH management system was integrated for more efficient supervision of the company's management system. In December of the same year, the company received certification from TÜV, an integrated certification organization in the ESH sector, for the effectiveness of the integrated management system.

In 2005, an assessment was performed to switch the certification to the ISO14001: 2004 standard. The company is thus continuously engaging in activities to ensure efficiency and revalidate the effectiveness of the ESH management system. In September 2006, the Wuxi Plant in China acquired ISO140001 certification. By so doing, it contributed to the enhancement of product competitiveness based on production that meets rising customer needs regarding the environment. Through the ESH management system, all employees at Hynix are making their utmost efforts to reduce the impact on the environment, safety, and health. The company is doing more than just complying with ESH laws and regulations; it is making continuous efforts to improve every impact on the environment by research and development, purchasing, storage, production, assembly, shipment, and sales, and other business activities.

ESH organizational chart



Protecting the ESH management system through a strict monitoring system

ESH monitoring system

Top Ceremony for the conclusion of an agreement on the Environmental Validation Committee
Bottom Environmental Validation Committee agreement

Hynix is engaging in environmental management that is "quicker and stricter than legal regulations." For transparent and thorough evaluation on the voluntary actions of Hynix, an internal and external environmental monitoring system has been established and is under operation.

The first external environmental monitoring system in Korea

In October 2007, Hynix held a ceremony commemorating an agreement with the Korean Federation for Environmental Movement regarding operations of the "Environmental Management Validation Committee." The activities of this committee are evaluated as a new effort, in which joint activities are being carried out by a company and environmental group. It has a strong connection to environmental movements and ensures fairness and professionalism as it consists of ten NGO experts and university professors who have been acknowledged for their expertise in their respective fields.

The committee is regularly investigating the environmental management status of the water quality, air quality, and harmful chemical materials inside Hynix business sites as well as in surrounding areas. A general meeting is held once a month, and an investigation team carries out environmental management verification activities. Moving forward, the committee plans to hold a meeting twice a year attended by the CEO of Hynix and the leader of the Korean Federation for Environmental Movement to provide advice to the CEO. Matters reviewed at the meetings will be described in the next sustainability report.

Internal ESH inspection structure

Hynix aims to effectively manage every impact made by ESH management system operations and all relevant activities. To this end, the company is conducting a regular internal inspection at least twice a year. If needed, a special internal investigation is also carried out. An investigation team has been formed so as to validate the management and operations at the Icheon and Cheongju business sites, as well as to allow for the incorporation of more effective measures at one business site into the other business site. Internal investigation plans are drawn up to ensure that an internal investigation considers all elements of ESH.

Internal investigation operation structure

Category	Environmental Management System (EMS), Safety Health Management System (SHMS)	
	Business site operation investigation	System investigation
Investigation carried out by	Team in charge of environment and safety at the business site	Team in charge of environment and safety at the corporate level
Target of investigation	All departments within the business site	Team in charge of environment and safety at the business site
Investigation cycle	Conduct at least once a year	Conduct at least once a year

Internal investigation personnel who conduct internal ESH investigations are chosen according to qualifications set forth by company regulations. Internal training as well as outsourced training is provided to improve the skills of internal investigation personnel. Hynix formed investigation teams that allow mutual inspections between the business sites (Icheon and Cheongju) so as to validate internal ESH investigations from management and operation perspectives. Issues identified after investigations are immediately addressed. Hynix is therefore making all efforts possible on operating the management system. In June 2007, the environmental monitoring team was launched to expand the previous structure, which consisted of an environment and safety team only, to a corporate-level environmental management structure that includes manufacturing headquarters.

Providing environmental training to employees as well as local residents

ESH training and environmental investments

Top Award ceremony for the "prohibition of smoking fund"
Bottom Ceremony held for the completion of the Cheongju NBE (New Back End) wastewater treatment plant

ESH training structure

Hynix is providing various training courses and events, in addition to legally required training, to improve the state of mind of employees with regard to ESH. In so doing, the company is raising awareness towards safety and encouraging participation by employees.

Special lecture on the prohibition of smoking Icheon and Cheongju business sites are providing training on the risks of smoking, the need to stop smoking, cigarette components, and their detrimental effects. They are doing so to raise awareness on the serious impact smoking has and to boost the health of employees.

Operating an ESH class at sister schools As part of social support activities related to firefighting, the Cheongju business site is providing education to nearby elementary school students and teachers on how to report a fire, use a fire extinguisher, and escape, as well as other relevant education at the safety experiential hall. These efforts are helping children establish strong outlooks on safety and learn about what practical measures they should take when an accident occurs.

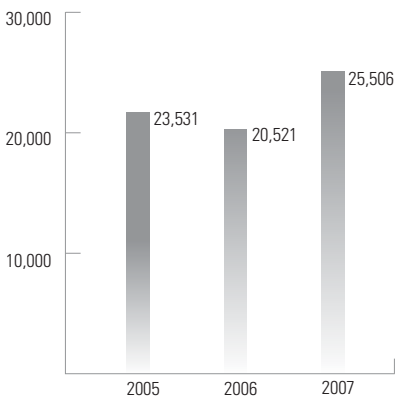
Tour of environmental and safety facilities The onsite tour system is one of many training systems available at Hynix. It allows for participants to experience environmental and safety facilities for themselves by visiting the company's disaster prevention center, filtration plant, wastewater treatment plant, and central monitoring system, thereby enabling rapid learning.

Environmental investments

Hynix is engaging in more systematic environmental management, in tandem with the increase in awareness towards environmental pollution. The company is actively carrying out activities to improve the environment, by increasing investments into the environment. The level of investments made for environmental management has been rapidly increasing since 2005. The budget was executed based on categorization into Air and Climate Protection, Wastewater Management, or Waste Management. Air and climate protection investments were used to set up additional scrubbers* and for repair construction. The wastewater management budget was used for wastewater pipe construction, industry-academy research on TMAH** and MAP***, the installment of relevant treatment systems, and the expansion of the wastewater treatment plant. In addition, the company set up a wafer waste collection center, and repaired and expanded the sulphuric acid waste collection system to manage various wastes.

Investments made in the environment

(Unit: million won)



* **Scrubber** Dust collector, gas scrubber

** **TMAH** (Tetra Methyl Ammonium Hydroxide) Hard-to-dissolve chemicals used at a specific semiconductor manufacturing process

*** **MAP** (Magnesium Ammonium Phosphorous)

Building an integrated environmental system by establishing the ESH Research Institute, the first of its kind in the industry

ESH Research Institute

Key history of the ESH Research Institute

April 2003	Established the ESH Research Institute
May 2003	Became the first in the domestic semiconductor industry to receive approval from the Ministry of Science and Technology for establishing a research institute under the company
2004 ~ Present	Participated in government projects - Process technologies that use water resources; Project on reducing costs through material flow management accounting
March 2006	Issued the first collection of technology research papers
April 2007	Issued the second collection of technology research papers

Global environmental regulations are becoming stronger. Against this backdrop, the importance of the environmental impact of products and production processes of the semiconductor industry is growing. Domestic and overseas semiconductor production technologies are being evaluated as outstanding technologies. However, semiconductor equipment and environmental technologies still have much room for improvement. These include technologies related to core parts and semiconductor materials technologies, such as those related to gas, reagents, and materials. As a measure to address this issue, Hynix became the first in the domestic semiconductor industry to receive approval for the establishment of the ESH Research Institute in 2003 and built an integrated environmental system. It has received certification as an officially-recognized international test organization for all six major RoHS hazardous materials. Detailed and corporate-level research activities are being carried out on ESH, by executing national environment-related projects, engaging in various research activities, evaluating products' impact on the environment, responding to the United Nations Framework Convention on Climate Change, and conducting activities related to cooperation with outside parties.

ESH Research Institute roadmap

1 Step 2005~2007

Establish a foundation

1. Expand joint industry-academy-research projects – Define and implement clean technology projects
2. Assess emission sources (+ IN-OUT stabilization)
3. Activities to remove odor
4. Research based technologies and develop element technologies
5. Perform an evaluation on the entire process of the foundation

2 Step 2008~2010

Generate achievements

1. Build a tool for technology feasibility evaluations
2. Build a system for recycling and making value added materials
   - Develop technologies to recycle wastewater and wastes
   - Develop clean technologies to reduce emission sources
3. Secure infrastructure stability

3 Step 2010~2015

ESH technology integrated at the corporate level

1. Complete a computerized ESH QUAL
2. New project on ESH guidance
3. Complete evaluations on all products and processes

Key projects of the ESH Research Institute (After 2004)

Category	Completed projects	Contributions National projects
Government - run projects	Develop clean production technologies for CMP*	Develop and apply clean technologies, and contribute to the localization of parts
	Develop a methodology for domestic environmental management accounting and expand its application in the industrial sector	Establish an environmental accounting foundation that is appropriate for the company
	Secure technologies related to processes that use water resources (CMP wastewater treatment)	Develop and apply new environmental technologies; Cut down investment expenses
	Create a pilot project on reducing costs through material flow management accounting	Perform cost analysis on the manufacturing process, improve processes, and establish a foundation for environmental accounting
Independent projects	Secure technology to treat difficult-to-dissolve wastewater	Secure technologies used to remove difficult-to-dissolve materials; secure space-efficient technologies
	Basic research on recycling HF and T-N wastewater	- Recycle resources - Increase the recycling rate and cut down treatment costs
	Consulting on lifecycle assessments on products	- Respond to environmental regulations on products (EuP) - Use Eco-friendly products (Eco-design)

Taking a leading role in preventing global warming, by reducing greenhouse gas emissions level and launching a clean development mechanism project

Activities to respond to climate change

CO_2 emission coefficient

(Icheon, Cheongju Business sites)

Type	2005	2006	2007
Electricity	0.42	0.42	0.42
LNG	2.45	2.46	2.46
Steam	0.24	0.24	0.24

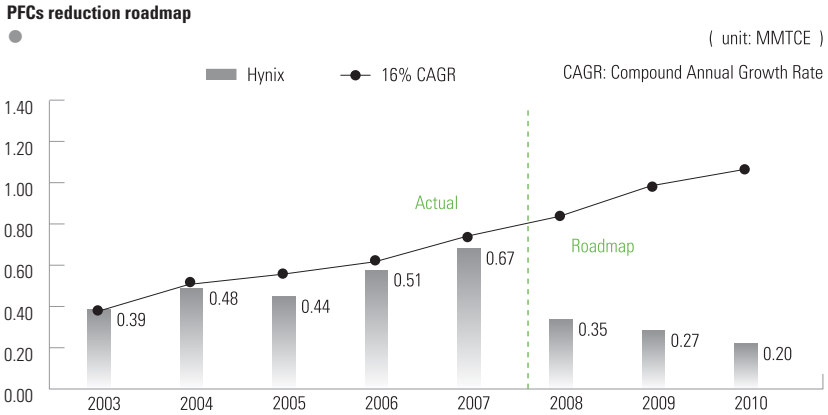
Source: Korea Energy Management Corporation (Electricity, LNG)
IPCC guidelines (Steam)

PFCs level (Icheon, Cheongju Business sites)

Type	2005	2006	2007
PFCs	0.44	0.51	0.67

(Unit : MMTCE**)

PFCs reduction roadmap



Respond to the United Nations Framework Convention on Climate Change

In preparation for the Kyoto Protocol coming into effect in 2008, Hynix is carrying out activities to reduce the level of Perfluorocarbons (PFCs). Even before the effectuation of the Kyoto Protocol, the World Semiconductor Council (WSC) concluded a voluntary agreement with semiconductor companies all across the globe to reduce the level by 10 percent from the 1997 level by 2010. To this end, Hynix established a roadmap, developed relevant technologies, and set up scrubber equipment for PFCs. The company is thus engaging in activities to reduce the greenhouse gas emissions level. In addition, Hynix participated in a program, organized by the Korea Energy Management Corporation (KEMC), that certifies companies for greenhouse gas reduction. The results of our performance in the program are due shortly. The company is planning to continually participate in future validation programs.

Carry out a Clean Development Mechanism (CDM) project

In November 2007, Hynix became the first in the global semiconductor industry to launch a Clean Development Mechanism (CDM) project. The CDM project involves reducing greenhouse gas emissions by investing capital and technologies, and selling the corresponding Certified Emission Reduction in the international market. To this end, Hynix concluded a consulting contract with a professional environmental company in Korea. The company has been building the technological infrastructure to develop alternative cleaning gas emissions, with a low level of greenhouse gas effects in relation to the semiconductor industry. In addition, Hynix organized a taskforce team aimed at cutting down the level of greenhouse gases, such as PFCs, and systemized a greenhouse gas emissions monitoring system.

In 2006, efforts made by Hynix were recognized by the government: The project was officially registered as a "project designed to reduce the level of greenhouse gas emissions" of the Ministry of Knowledge Economy. Moving forward, Hynix will make more efforts to prevent global warming and create profits by accumulating technologies that reduce the carbon level.

Management of the greenhouse gas emissions level

Hynix is thoroughly managing PFCs and CO_2 emissions, which are the main culprits behind greenhouse gases. Growth in the company's business areas has resulted in a slight increase in their emissions levels. However, the company is making efforts to reduce greenhouse gas levels by launching a CDM project and by energy optimization to the overall process system.

* **CMP** (Chemical Mechanical Polish) Chemical mechanical polishing device used for technologies that make semiconductors flat

** **MMTCE** (Million Matric Tons of Carbon Equivalent) Assessments of greenhouse gas emissions level are in tons of carbon equivalent.

Efforts to minimize the impact on the environment

eco-mark

Eco-friendly products

In carrying out core next-generation businesses, Hynix is taking a leading role in developing Eco-friendly technologies, by regulating the use of hazardous materials, and strengthening its environment-related capabilities.

In 2007, Hynix created the eco-mark (logo for Eco-friendly products), embodying the company's resolve to develop into a company respected and loved by all through fulfilling its social responsibilities. The eco-mark is attached to products that have strictly abided by Eco-friendly product standards. The eco-mark can be thought of as a promise made by Hynix to protect the rights of the people to live in a better world and a cleaner environment.

As of 2005, Hynix started to manufacture only lead-free products. The company is manufacturing products that do not use the six most hazardous substances regulated by the EU RoHS Directives that came into effect in July 2006. In the second half of 2007, Hynix completed the development of halogen-free products and is planning to launch production in the second half of 2008.

- Lead-Free + RoHS Compliance (Completed in 2005)
- Lead-Free + RoHS Compliance + Halogen Free (Planned for 2008)

Roadmap for Eco-friendly products

2004	2005	2006	2007	2008
- Develop lead-free products - Validate lead-free reliability	- Produce lead-free and RoHS-compliance products	- Acquire international recognition for RoHS test analysis - Build a computer system on Eco-friendly product information (GPMS)	- Build an Eco-friendly certification system for partner companies (GSCM) - Develop halogen-free products	- Produce halogen-free products - Identify product chemical composition of products (Respond to EU REACH)

Eco-friendly products that meet environmental regulations Environmental regulations in the past were focused on site-oriented regulations, such as restricting emissions and pollutants from industrial wastes. With the advent of the 21st century, however, a shift has been made to product-oriented environmental regulations. This has led to the emergence of various international environmental regulations, such as RoHS, WEEE, EuP, and REACH.

Hynix complies with EU RoHS, which restricts to guidelines that restrict the use of hazardous substances in electric and electronic products. The EU RoHS put into force in July 2006. Hynix is thus manufacturing Eco-friendly products that do not use the six major hazardous substances – Cd, Cr+6, Hg, Pb, PBB, and PBDE. Hynix is identifying the chemical components of products through partner companies to comply with the REACH regulation. The company han been providing customer with Eco-friendly products based on full knowledge of recent international environmental regulations, such as WEEE and EuP. Hynix will continue to actively comply with international environmental regulations, in line with changes in global trends related to the environment.

Environmental regulations on products

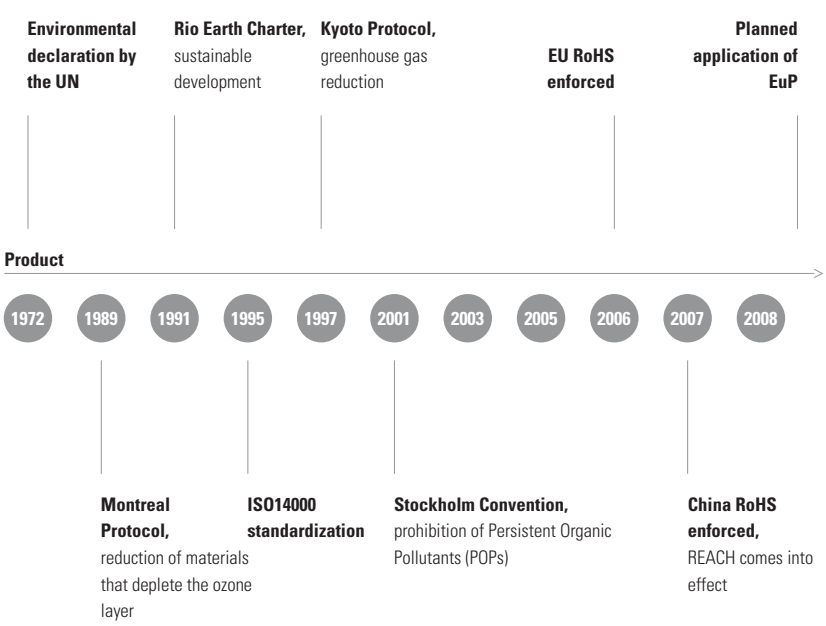
EU RoHS (Enforced in July 2006)
- Restricted the use of six specific hazardous substances
- Lead, cadmium, mercury, hexavalent chromium, PBB and PBDE

China RoHS (Enforced in March 2007)
- Restricted the use of six specific hazardous substances
- Lead, cadmium, mercury, hexavalent chromium, PBB and PBDE
- Self-declaration is essential and there are no exceptional regulations

REACH (Enforced in June 2007)
- Mandatory registration, evaluation, and approval of chemical materials included in products
- Chemical substances without data on safety blocked from sales on the market

EuP (Planned for application in the first half of 2009)
- Restriction of the sale of products that have not been designed in an Eco-friendly manner
- Reflect environmental aspects of product development into the product design and make a relevant report

Trends in international environmental regulations



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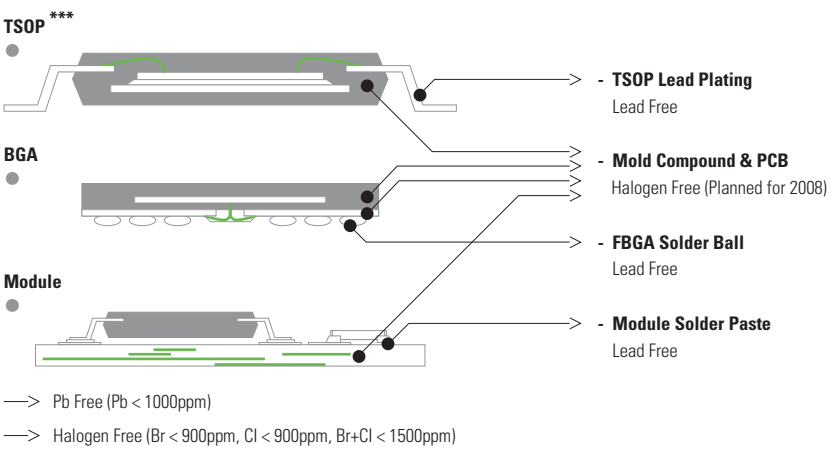
Computerized management system for eco-friendly products

Manufacturing Eco-friendly products Hynix has been manufacturing Pb-free products by removing lead used for coating since 2003. Lead has a harmful effect on the central nervous system of the human body. In 2007, the company developed an Eco-friendly product that removes bromine (Br), which is a halogen material, existing in EMC* and PCB**. Plans have been drawn up to manufacture halogen-free products in 2008. Hynix is setting a good example as an Eco-friendly corporation by managing hazardous substances in existing products and regulating the use of various substances that are harmful to the human body and nature in new products.



Eco-friendly product management system By building various systems used for manufacturing Eco-friendly products, Hynix is making strenuous efforts to produce green, sustainable products.

Green Products Management System (GPMS): A computerized Eco-friendly product management system Hynix is certifying eco-friendly products more reliably and quickly by computerizing various materials on ecological friendliness as well as hazardous substance test scores on products, parts and product component tables.

Green Supplier Chain Management (GSCM): Eco-friendly certification system for partner companies Hynix is carrying out environmental-friendliness evaluations on partner companies. An eco-friendliness certificate is given to partner companies that satisfy certain evaluation standards. Hynix conducts business with only those companies that have received certification. Hynix is also joining hands with partner companies to manage substances that are harmful to the environment, and build and manage an environmental management system at partner companies. By so doing, Hynix is strategically responding to international environmental regulations and satisfying the needs of customers toward Eco-friendly products.

Top left Environmental-friendliness certification for partner companies
Top right Certification as a publicly acknowledged analysis organization (KOLAS)
Bottom Certification as a publicly acknowledged analysis organization (TÜV)

Hazardous substance analysis system In 2005, Hynix established an analysis system for the six hazardous substances regulated by the EU RoHS guidelines. In 2006, the company received certification for a test analysis room from KOLAS and TÜV, and has established an analysis system that is globally certified. The company is expanding its analysis capabilities to cover harmful substances that are growing in number every day, such as the ability to analyze halogen materials, in addition to the six hazardous substances of RoHS.

* **EMC** (Epoxy Molding Compound)

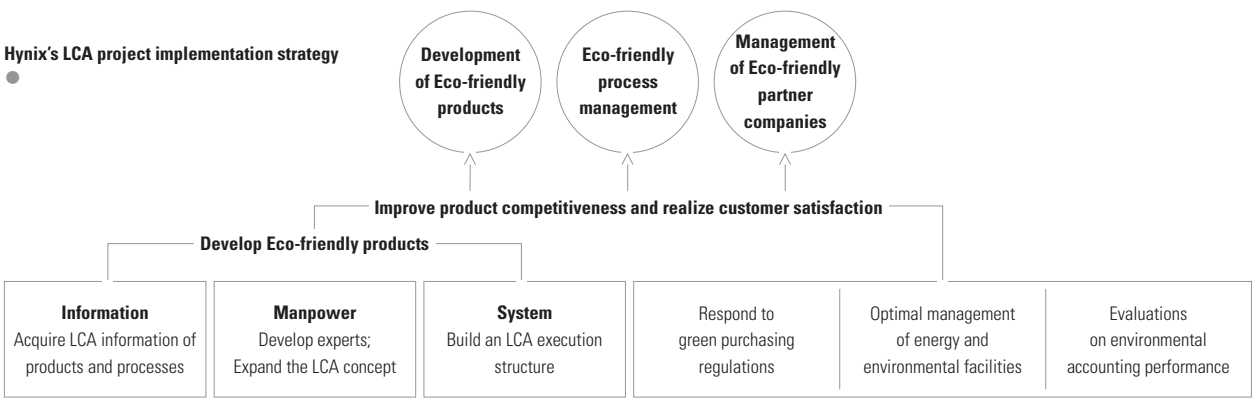
** **PCB** (Printed Circuit Board)

*** **TSOP** (Thin Small Outline Package) This is a SOP [SOIC] semiconductor product with a package thickness of less than 1.0mm. Its package thickness is thin and is small compared to the P-Dip. It is thus widely used in small systems.

Life Cycle Assessment (LCA)

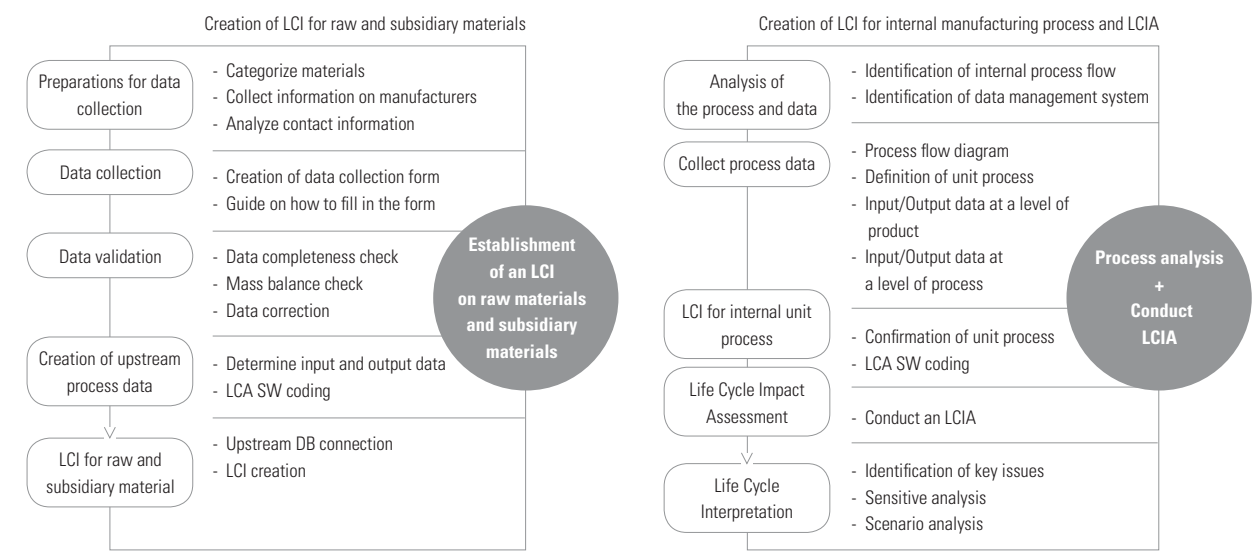
Life Cycle Assessment (LCA) is a method used to quantitatively evaluate the environmental aspects of systems and products by identifying the quantity of substances, energy, and materials that are generated or consumed in the whole life cycle of a product and system, including extracting raw materials, processing the materials, manufacturing, and shipment.

Hynix's LCA project implementation strategy



Hynix carried out LCA on DRAM products in 2006 and NAND Flash memory products in 2007. Hynix carried out a detailed LCA with collecting basic information on the Life Cycle Inventory (LCI) of raw materials from partner companies as well as Hynix's internal process data. Plans have been formulated to conduct corporate LCAs on all products that are manufactured at Hynix. The results from LCAs are expected to be used for Eco-friendly design (Eco-design). Hynix will ultimately make all its products green.

Results of LCAs on products (DRAM, NAND Flash)



Making efforts to reduce the use of water resources, raw materials, and subsidiary resources through reuse and recycling

Use of raw materials and energy

Volume of water resources use

(Icheon, Cheongju business sites)

2005	2006	2007
15,721,430	16,937,740	21,447,436

(Unit: m^3)

Level of use of water resources

The water usage volume of the Icheon and Cheongju plants by year are as follows. The level of use increased every year in tandem with the increase in business size. However, Hynix is implementing a program to cut down the usage volume and to reuse and recycle water resources.

Raw material usage quantity

The main raw materials used by Hynix are wafers, lead frames, and PCBs. The quantity of use of raw materials has increased in tandem with the growth of business each year.

Raw material usage quantity

Type of purchase	Item	2007	2006	2005
Raw material	Wafer	2,592,003	1,421,667	805,725
	Lead Frame	159,944	105,355	98,018
	PCB	162,910	100,676	74,904
	Others	583,031	388,316	325,998
	Sub-total	3,497,887	2,016,014	1,304,645
Stored parts	Spare parts, subsidiary materials	693,425	651,242	460,725
Total		**4,191,312**	**2,667,256**	**1,765,370**

(Unit: Million Won)

Quantity of recycled raw materials that were used

The wafer, which is used for the semiconductor process, takes up more than half of the total value of raw materials used. Wafers are categorized into the prime wafer and test wafer. Only test wafers without patterns are being recycled. The wafer recycling ratio was 3.2 percent in 2005, 3.0 percent in 2006, and 3.2 percent in 2007, based on a conversion to the 8-inch wafer.

Energy usage volume

LNG, which is the only direct energy source that the company consumes, is usually being used for air pollution prevention facilities, such as scrubbers. Electricity and steam energy, which is purchased from an external party, is mainly used in the semiconductor production process. The volume of energy used has been growing in tandem with the increase in the business size each year.

* **TOE** (Ton of Oil Equivalent) This is a caloric value determined by the International Energy Agency (IEA). Different types of energy sources are standardized based on 10 kcal, which is the caloric value of one ton of oil.

** **TC** (Ton of Carbon Equivalent) When various green house gas emissions are based on the volume of carbon dioxide emissions so that they can be compared based on the Global Warming Potential (GWP), they are converted again into the weight of carbon for comparison.

Volume of direct energy use

(Icheon, Cheongju business sites)

Fuel name	2005	2006	2007
LNG	7,482	9,636	11,810

(Unit: TOE*)

Volume of indirect energy use

(Icheon, Cheongju business sites)

Fuel name	2005	2006	2007
Electricity	508,423	553,107	652,989
Steam	45,939	39,504	40,453

(Unit: TOE)

Engaging in various improvement activities to optimize energy use

Efforts to improve energy efficiency and reduce costs

Energy management

For optimization of energy use, Hynix formed a taskforce team that interfaces with the research institute as well as manufacturing, equipment, and facility-related departments, and is engaging in various improvement activities. Activities are being carried out to reduce the unit requirement by optimizing process facility operations. The volume of energy use is being reduced step by step through activities that involve optimizing the manufacturing environment, such as adjusting the temperature and humidity level inside the fab and efficiently rearranging equipment.

The sources of electric power supply at Hynix are the Korea Electric Power Corporation and a cogeneration plant. Steam is being produced and supplied by the cogeneration plant. Hynix has an efficient energy operation system that recycles steam and supplies it to nearby areas.

Usage volume of direct and indirect energy based on the unit requirement

(Icheon and Cheongju business sites)

Fuel name	2005	2006	2007
LNG	0.049	0.049	0.049
Electricity	3.3	2.8	2.7
Steam	0.3	0.2	0.17

(Unit: TOE/m^2)

Voluntary agreement

Hynix concluded a Voluntary Agreement (VA) with the Ministry of Knowledge Economy that involves reducing greenhouse gas emissions and saving energy from December 2005 to December 2010. To this end, the company established a systematic energy reduction and investment plan, and is disclosing information on usage performance every year, such as the volume of energy reduction and improvement in efficiencies. The reduction volume of fuel and electricity, which are indirect energy, reached 53 TOE and 2,909 MWh, respectively, in 2007. This translates into a 388 TC** reduction in the carbon level. In terms of costs, Hynix cut down costs by around 950 million won.

Key improvements made by implementing the VA in 2007

Area	Key improvements	Savings in the corresponding year		
		Quantity of reduction (Fuel: TOE; electricity: MWh/year)	Monetary value of reduction (1 million won)	Volume of carbon reduction (TC)
Fuel	Reduction of steam use, replacement of steam traps	53	57	5
Electronic	Saving electricity during lunchtime	77	5	10
	Replacing fluorescent lamp equipment	123	40	16
	Improvements in the way the climate control machinery is operated	74	24	10
	Saving power from using less lighting	74	24	10
	Installing highly efficient pumps	311	101	41
	Replacement with highly efficient pumps	716	233	94
	Replacement with open cooling towers	934	303	123
	Adjusting the temperature of coolants in refrigerators	600	195	79
Total		**53TOE, 2,909 MWh**	**982**	**388**

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Recycling condensed water

Since the end of 2004, Hynix has been reducing energy use by adopting a condensed water recycling system for heating and warm water at the Godam and Ami dormitories. Condensed water refers to steam produced at the cogeneration plant being used by a heat source facility within the complex and then being condensed, after which it is returned to the cogeneration plant. In the past, condensed water was cooled down and discharged into rivers. However, the adoption of the condensed water recycling system has allowed for collecting and recycling of condensed water, leading to a reduction in water and oil expenses.

Amount of money saved by recycling condensed water

(Unit : 10 thousand Won)

	Money saved from recycling water supply	Money saved from reducing heat recovery	Total amount
Amount saved	43,683	78,778	122,461

Unit cost for water supply: 738 won/TON; unit cost of oil: 296 won/l

Reduction of energy use in logistics

Switch from air shipment to marine shipment Air shipment was used to ship facility materials to Japan, but a switch was made to marine shipment using ferries. In fact, more than 90 percent of facility materials are being shipped using ferries. By employing such a change, Hynix reduced shipment costs as well as CO_2 emissions levels, with the change in fuel.

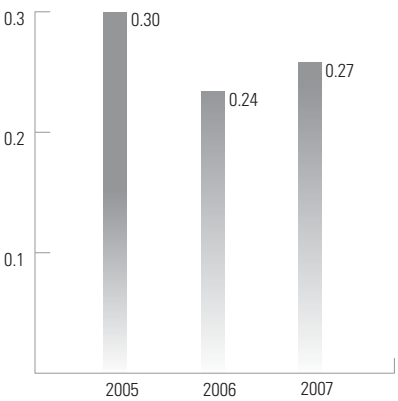
Efficiency in loading freight and in the logistics route Hynix is employing various measures to boost efficiency in loading freight for shipment. After checking the size and types of freight, appropriate vehicles are chosen so that the number of vehicles used is minimized. In addition, the timing for the receipt and issuance of freight has been adjusted to be more exact so as to reduce the time freight vehicles need to wait and as much freight as possible is gathered for shipment. Moreover, the company makes efforts to use the shortest route when making inland shipments to domestic sites and more direct routes for overseas shipments as well. Hynix is minimizing the environmental impact of logistics and shipment by reducing fuel use and pollutants.

Making efforts to reduce pollutants that cannot be avoided during the entire production process at Hynix

Environmental management and preservation activities

Quantity of water pollutants discharged per production area

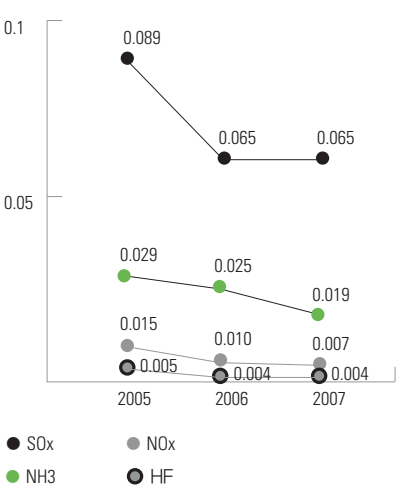
(g / cm²)



(Icheon, Cheongju business sites)

Quantity of air pollutants emitted per production area

(g / cm²)



(Icheon, Cheongju business sites)

Air management

Air pollutant management Hynix is making concerted efforts to minimize the emission of air pollutants. To remove emitted pollutants, the company has set up and is operating optimal pollutant prevention facilities and is managing pollutants by categorizing them according to their characteristics. To minimize the emission of air pollutants, Hynix changed its boiler fuel to LNG, which is clean fuel, in 2000. Hynix is minimizing emitted pollutants by applying strengthened management standards defined by the company, refusing to be satisfied with meeting legal requirements. In particular, the emission level of air pollutants, such as NOx, per production area is being reduced every year.

Hynix is prohibiting the direct use of ozone depletion materials, such as CFCs and HCFC, in the manufacturing process. However, when the company uses refrigerants in refrigerating machines and air conditioning units for plants that contain such materials, it is purchasing products that use the least amount of such materials.

Water management

Water pollutant management The Icheon and Cheongju business sites of Hynix collect water from the Namhan River and Geum River, respectively. After the production process, large volumes of water pollutants are treated and discharged. Consequently, Hynix engages in strict management of water pollutants. In particular, Icheon headquarters must abide by discharge allowance standards that are stricter than other areas because it is located in a clean area, pursuant to laws and regulations on water quality and water ecosystem preservation; and the No. 2 zone in the Special Measure Area of Paldang Lake. Hynix has been treating water pollutants, strengthening systematic water quality management activities to prevent pollutants, and maintaining a level of pollutants lower than the legal standard. Based on a strong sense of responsibility as an eco-friendly company, Hynix is treating and discharging water pollutants based on Eco-friendly management and systematic activities. The company is thus performing a leading role in preserving the ecosystem in the river area.

Management of wastewater treatment plant operations Hynix outsources wastewater treatment plant operations to professional wastewater treatment companies – Astec and Veolia. By having professional companies handle wastewater treatment, Hynix is enabling management companies to pursue operational efficiencies in managing each wastewater treatment factor by acquiring professional wastewater treatment technologies. The volume of wastewater emitted went up during the last three years. However, the volume of water pollutants discharged per production area was 0.27g/cm² in 2007, which is a reduction compared to the 0.30g/cm² in 2005. Hynix is making efforts on improving operational efficiencies in water pollution management by placing focus on managing sources of wastewater discharge in the manufacturing process and through regular monitoring activities.

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Volume of wastewater emitted

● **(Icheon and Cheongju business sites)**

2005	2006	2007
12,095,089	13,646,776	17,355,889

(Unit: m^3)

Strengthening management of emission sources Hynix is operating an analysis center to categorize emission sources and to ensure optimal operation of wastewater treatment facilities. Since November 2006, the company has been operating gas chromatography, which allows for analysis of organic matters, to actively respond to changes in the internal and external environment and for qualitative management of organic matters. It has expanded operations to include the river area since 2007. In addition, plans have been set up to operate the analysis center at nighttime as well. Hynix will fulfill its responsibilities as an Eco-friendly company and preserve the nearby river by strengthening management of emission sources and through optimal management of the wastewater treatment plant.

Development of clean technologies

●

Status of clean technology development and application Hynix has automated the existing TMAH treatment system and completed investments for expansion.

Outline of the TMAH treatment system Hynix completed work involved with improving and expanding the TMAH treatment system, and thus is making efforts to stabilize wastewater treatment. In 2005, Hynix adopted the system to some of its processes and succeeded in operations, thanks to long-term research with research institutes and assessments on field application. Based on this experience, Hynix completed the automation of all processes that emit TMAH in 2006.

Effects of the TMAH treatment system

1. An Eco-friendly water treatment system that maximizes efficiencies in TMAH treatment. Hynix has adopted the Membrane Bio Reactor (MBR), which can maintain the concentration level of high-concentration microorganisms and microorganisms that use difficult-to-dissolve TMAH as the single source of carbon.
2. The system has been validated for its treatment efficiency and tolerance to TMAH toxicity.
3. The system ensures cost-efficient facility and maintenance expenses and a high level of space efficiency compared to similar technologies at home and abroad.
4. By treating TMAH separately, other water-treating processes are not impacted.
5. Small impact on the concentration of TMAH within influents.

Volume of water reused and recycled
(Icheon and Cheongju business sites)

2005	2006	2007
4,460,310	4,478,200	5,076,980

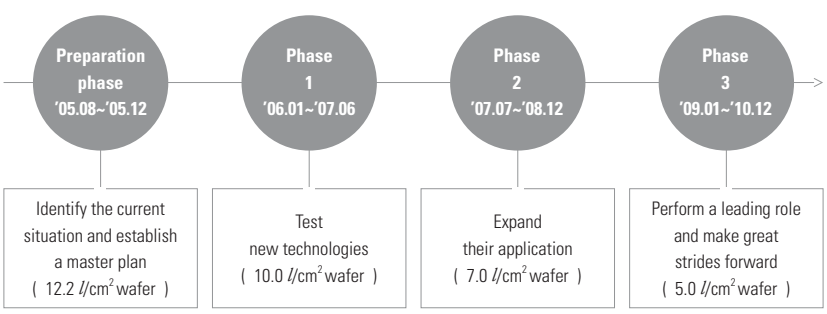
(Unit: m^3)

Water resource management

In 2001, Hynix established a partnership with Veolia, a company with expertise in water treatment and supply. It did so for the stable supply of industrial and domestic water and to ensure the highest quality. A stable water supply system has been built based on the assumption that there will be non-stop operations throughout the year, in consideration of the characteristics of the semiconductor industry.

Hynix is also continually making improvements to the entire process ranging from collecting water to final wastewater treatment to reduce costs by cutting down the volume of water used. These improvements are being made based on system and unit requirement analyses. Thanks to such efforts, Hynix is achieving a unit requirement reduction level of more than 10 percent every year. In 2005, a water use reduction taskforce team was organized to make these activities more systematic and efficient. Personnel from the environment, facility, and manufacturing sectors participated in the taskforce team. By so doing, the company established a mid to long-term water supply system. Measures are being drawn up to reduce usage at each step of water supply. As a result, the water reuse and recycling rate has been increasing every year since 2005.

Plan on mid to long-term reduction of the unit requirement of water



- **Target** Formulate a mid to long-term master plan to ensure a stable water supply within the Hynix complex
- **Taskforce team members** 10 members, including Hynix employees and technical personnel from Astec and Veolia

Soil pollution, noise and vibration management

Soil pollution management Hynix is checking the pollution status of soil by having an inspection organization designated by the Ministry of Environment perform regular inspections pursuant to the Soil Environment Preservation Act. Hynix raised facilities capable of triggering soil pollution so that they are distanced from the floor, enabling personnel to easily check for any leaks. In addition, walls or trenches have been set up to block outside leakage in the event of an accident. Underground facilities have concrete structures that block leakage, in compliance with the Dangerous Substances Safety Management Act; and have touch probe sensors that enable personnel to check for any leakage.

Noise and vibration management Hynix is adhering to environmental standards by setting up soundproof rooms and sound absorbing walls for facilities that make much noise. In particular, the company has set up additional sound absorbing walls in areas that are located close to residential facilities, thereby minimizing the impact of noise.

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Unit requirement of wastes

● **(Icheon and Cheongju business sites)**

2005	2006	2007
0.27	0.37	0.28

(Unit: Ton/m^2)

Waste management

●

Hynix is categorizing wastes into business site waste and designated waste pursuant to the Waste Management Act of the Ministry of Environment, and recycling the wastes accordingly.

1. In the case of business site waste (solid wastes): All sewage sludge is recycled as subsidiary materials of cement. Metal scraps, paper, and absorbents are being processed by professional recycling companies for reuse.
2. In the case of designated wastes (liquid wastes): Waste organic solvents, acids, alkali, and oil that are generated during the production process are treated by outsourcing such tasks to a recycling company and are being recycled (refined).

Waste management process Hynix abides by the Basel Convention, which aims to regulate and control international movements of hazardous wastes. Various wastes and hazardous chemical materials that are generated from the manufacturing process are being legally treated through a strict management structure.

To reduce the level of wastes, Hynix is continually engaging in activities to minimize the quantity of wastes generated during the manufacturing process. Wastes are being managed based on the recognition that they are also resources. Hynix is actively making efforts to develop wastes into resources, by strengthening separate collection of wastes from the waste source; establishment of a dedicated collection system for each type of waste organic solvent to make recycling improvements; and recycling of sulphuric acid through a sulphuric acid recycling system. Such efforts have resulted in the quantity of wastes going down by more than 6,000 tons in 2007 compared to the previous year.

For legal treatment of wastes, Hynix is engaging in online, real-time monitoring of the entire process ranging from the emission of wastes at business sites to its treatment. It is doing so by using the "legal waste treatment information system" of the Korea Environment & Resources Corporation. Prior assessments are made when choosing waste treatment companies and follow-up evaluations are carried out every year to allow for the transparent and appropriate handling of wastes.

Quantity of wastes (Icheon and Cheongju business sites)

● (Unit: Ton)

Waste types	2005	2006	2007
Business site wastes	31,026	59,634	43,243
Designated wastes	9,416	13,077	22,996
Total	**40,442**	**72,711**	**66,239**

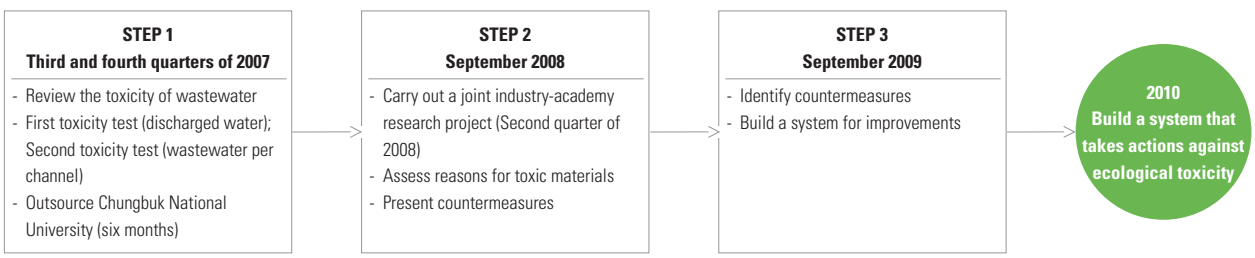
Management of harmful chemical materials

Hynix is providing regular training to ensure that chemical materials are safely handled and managed. In addition, the company is conducting emergency training to prepare for accidents and engaging in inspection activities to prevent environmental accidents. The company set up a system so that new materials receive approval for use after being inspected on their harmfulness and on whether they can be used based on a quality certification system. Moreover, Material Safety Data Sheets (MSDS) are registered online so that information on the properties of matters can be shared at all times. Efforts are being made to reduce the emission of pollutants by continuously cutting down the use of chemical materials through process improvements and optimization and by sharing the results of such activities. Hynix also concluded a voluntary agreement with government agencies and NGOs in relation to reducing the emission of chemical materials. Efforts are being made to reduce the emission of targeted chemical materials to 50 percent of the level of 2001 by 2009.

Starting from 2011, the Ministry of Environment will implement "effluents standards on ecotoxicity" in relation to wastewater discharging facilities; and apply the standards step by step according to the size of business sites. Ecotoxicity refers to wastewater' s level of toxicity to a water flea. Relevant business sites need to set effluents standards based on ecotoxicity to manage industrial wastewater discharging facilities.

Hynix is currently building relevant systems to evaluate how toxic various harmful chemical materials and heavy metals contained in industrial wastewater impact on ecosystem in public waters. The company has been carrying out a joint Industry-academy research program with Chungbuk National University since October 2007. Plans have been drawn up to start an ecological toxicity-related research program within 2008. By implementing phased programs, Hynix is planning to commence operations of an "ecotoxicity treatment system" in 2010.

Roadmap to respond to materials with ecological toxicity



Efforts to protect the ecosystem

The Icheon and Cheongju business sites of Hynix are not located in a legally protected zone that has a high value in terms of biodiversity. There are no animals or plants in the area that are on the endangered species list. However, Hynix is establishing programs designed to protect the ecosystem to answer the requests made by civic environmental groups and to protect the surrounding natural ecosystem. These programs include strengthening training and PR aimed at protecting the ecosystem; creating an ecological wetland; and regularly monitoring the water quality status of the nearby river.

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Activities to clean the local environment

Hynix is carrying out environmental preservation activities to strike harmony between human beings and nature. Each business site is carrying out a "One-company, One-mountain, One-river cleaning movement," which involves choosing one mountain or river to engage in environmental protection activities. Hynix is regularly performing environmental preservation activities such as collecting wastes and removing weeds from unoccupied land in surrounding areas and rivers every six months. These activities include cleaning the Jangnok Stream, Jukdang Stream, and Mt. Seolbong in Icheon, and protecting the environment surrounding the Seoknam Stream and Daecheong Lake in Cheongju.

Complying with environment-related laws and regulations

Environment-related laws and regulations can be categorized into regulations related to the air, hazardous substances, soil, noise and vibration, and wastewater and water quality. Hynix is strictly abiding by these laws and regulations. There have been no cases of violating environment-related laws or regulations or cases of paying a fine during the reporting period. And there have been no cases of leakage of chemical materials.

Top One-company, One-mountain, One-river cleaning movement
Bottom Internal environmental monitoring team activities

Diverse and cooperative ESH management activities lead to win-win effects

Partnership with ESH stakeholders

Top Tenth presentation contest on ESH improvement cases
Bottom Eco-Dream Award ceremony (2007)

Construction and operation of a computerized ESH system Hynix worked on computerizing ESH in connection with the company's management system to allow for effective field-centered ESH activities during the entire process of product manufacturing. This has resulted in easy ESH management. In addition, comprehensive management of accumulated data in the database has enabled the efficient establishment and execution of ESH-related policies.

Presentation contest on ESH improvement cases Hynix started the presentation contest on environmental improvement cases in 1996 to improve employees' mindset toward making environmental improvements and enhance the company's image as an Eco-friendly company. The tenth presentation contest was held in 2007 and was expanded to include all sectors of ESH. Internal and external experts in the ESH field are invited as panelists. By identifying outstanding cases at the Icheon and Cheongju business sites and sharing information on the cases, a close relationship is being maintained between the business sites and awareness towards ESH is being raised.

ESH exchange meetings among business sites To more efficiently carry out ESH work, regular exchange meetings are being held among the Icheon and Cheongju business sites in Korea, the Eugene Plant in the US, and the Wuxi Plant in China. Information on key issues is shared and joint discussions are made to find solutions and appropriate strategies by making mutual visits and giving support. ESH-related employees at each business site are participating in these exchange meetings.

The participation of partner companies in the ESH council Hynix formed an ESH council with partner companies that have moved into the complex as well as subcontracted companies. Cooperative activities are being carried out for win-win strategies, based on a community spirit. ESH issues are resolved together and directions for development are presented.

Communication with the local community For smooth communication with the local community, Hynix invites local residents and environmental groups every year and discloses its environmental facilities and status. It is also joining hands with universities in the region to jointly resolve various environmental issues.

Established the Hynix Eco-Dream Award The ecosystem, where human beings and nature coexist, is an important element that determines the quality of our lives. Hynix created and is giving out the Eco-Dream Award, with the aim of sharing and increasing our efforts toward realizing the hopes presented by a sustained ecosystem. The Hynix Eco-Dream Award is an annual event carried out at each business site in which local NGOs and the media participate.

- Awards are given to individuals and groups who are acknowledged for their merits in preserving and protecting the environment and special awards (objects, locations, etc.) are also presented
- Sub-events include a photo exhibition on the ecosystem, a concert on the subject of the environment, and cultural events related to the environment

Results of an interview with an expert

Team manager Lee Gyeong-yong of KOSHA

Hynix should make strenuous efforts for environmental preservation. It should look into using alternative energy and make changes to processes to reduce the emission of air pollutants, such as NOx and SOx. The company should abide by environmental management standards, such as ISO14001 and KOSHA18001, while making efforts to reduce wastes by extending the lifecycle of products. Hynix should focus on establishing and executing fundamental solutions to environmental issues. And it should go beyond simply abiding by environmental regulations and supervising environmental management.

Hynix's Position

Hynix is fully aware of the importance of environmental management in conducting business. The company has been issuing an ESH report since 1995 and became the first in the industry to establish an ESH Research Institute. The institute is carrying out environmental impact assessments as well as environmental management and research activities. The company is reducing wastes and pollutants by installing additional scrubbers, constructing wastewater pipes, and recycling wafers. It is making additional efforts, such as switching its boiler fuel to LGN, which is clean fuel, in 2000.

In fact, Hynix is doing more than just satisfying legal requirements related to the environment by applying more robust standards that the company itself has established. The Environmental Management Validation Committee, which is the first external monitoring system in Korea, was launched in October 2007, illustrating the strength of Hynix's determination toward establishing environmental management. Hynix will make the utmost efforts to establish itself as the world' s most Eco-friendly company.

Survey results

Results of a survey on stakeholders revealed that 80.8 percent of executives and technical office workers have a positive opinion of Hynix placing importance on environmental management. In contrast, only 60 percent of the customers gave a positive opinion. With regard to Hynix making efforts to minimize the social and environmental impact of products, 85.1 percent of partner companies gave a positive answer, while customers were on the bottom of the list of stakeholders in giving a positive response with 70 percent. Hynix will issue a sustainability report every year to increase customer awareness of the company's environmental management. In addition, the company will continue to comply with international environmental regulations and make greater efforts to develop eco-friendly technologies.

Q1. Hynix regards environmental management as significant.

Very much so	10.0 %
Relatively so	50.0 %
Average	40.0 %
Relatively not so	0.0 %
Not at all	0.0 %

Very much so	22.8 %
Relatively so	58.0 %
Average	15.6 %
Relatively not so	3.2 %
Not at all	0.4 %

Very much so	35.5 %
Relatively so	43.5 %
Average	19.4 %
Relatively not so	1.6 %
Not at all	0.0 %

Q2. Hynix realizes that its products have negative effects on the society and environment, and makes efforts to reduce such effects.

Very much so	20.0 %
Relatively so	50.0 %
Average	30.0 %
Relatively not so	0.0 %
Not at all	0.0 %

Very much so	22.6 %
Relatively so	60.7 %
Average	13.9 %
Relatively not so	2.8 %
Not at all	0.0 %

Very much so	23.8 %
Relatively so	55.6 %
Average	19.0 %
Relatively not so	1.6 %
Not at all	0.0 %

Very much so	28.0 %
Relatively so	57.1 %
Average	14.9 %
Relatively not so	0.0 %
Not at all	0.0 %

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Summary of Financial Statements

Summary of Balance Sheets

(Unit: million won)

Category	2007	2006	2005
Current assets	3,546,824	4,520,403	3,011,213
Quick assets	2,844,931	3,896,321	2,566,371
Inventories	701,893	624,082	444,841
Non-Current assets	11,319,988	9,105,403	7,254,188
Investment assets	2,117,935	1,233,082	754,215
Property & Equipment	8,397,454	6,983,464	5,514,267
Intangible assets	528,756	562,699	598,669
Other non-current assets	275,844	326,158	387,037
Total assets	14,866,812	13,625,807	10,265,401
Current liabilities	2,793,207	2,341,706	1,810,261
Non-current liabilities	3,037,317	2,750,679	2,227,343
Total liabilities	**5,830,525**	**5,092,385**	**4,037,604**
Shareholder's equity	2,313,783	2,312,750	2,256,504
Capital surplus	852,387	786,734	508,775
Capital adjustments	14,661	4,268	2,291
Accumulated other comprehensive income	-53,497	-138,894	-95,947
Retained earnings	5,908,953	5,568,564	3,556,174
Total Shareholders' equity	9,036,288	8,533,422	6,227,797

Summary of Income Statement

(Unit: million won)

Category	2007	2006	2005
Sales	8,433,755	7,569,202	5,753,365
COGS	7,138,899	4,834,121	3,605,765
Gross profit	1,294,855	2,735,081	2,147,601
SG & A	1,037,401	862,588	717,591
Operating profit	257,454	1,872,493	1,430,010
Non-operating income	638,638	764,712	764,067
Non-operating expense	479,262	807,447	670,153
Income before income taxes	416,830	1,829,758	1,523,924
Income tax expense	88,235	-182,632	-293,485
Net income	328,595	2,012,390	1,817,409

Key Financial Ratios

Stability Ratios

Category	2007	2006	2005	Unit
Current ratio	126.98	193.04	166.34	%
Debt ratio	64.52	59.68	64.83	%
Borrowing ratio	21.46	16.22	17.40	%
Interest coverage ratio to operating income	1.77	11.48	8.91	times

Profitability Ratios

Category	2007	2006	2005	Unit
Operating income to sales	3.05	24.74	24.86	%
Net income to sales	3.90	26.59	31.59	%
Net income to total assets	2.31	16.85	19.63	%
Return on equity	3.74	27.27	34.01	%
Operational cash flows to total assets	0.02	26.04	28.96	%

Growth Ratios and Activity Ratios

Category	2007	2006	2005	Unit
Sales growth rate	11.42	31.56	-1.89	%
Operating income growth rate	-86.25	30.94	-22.53	%
Net income growth rate	-83.67	10.73	7.38	%
Total assets growth rate	9.11	32.74	24.35	%
Total assets turnover	0.59	0.63	0.62	times

Code of conduct

Declaration of Ethics Management

01. We will conduct all management activities based on ethical values and in compliance with local, national, and international rules and practices.

02. We will establish a system of transparent and fair transactions, and eradicate any trace of unfairness or corruption.

03. We will internalize ethics management, and strive to spread it to our partner companies.

04. We will establish the Ethics Management Team, and build a practical system which we will continuously work to improve.

05. For the efficient implementation of this declaration, we are making it public for all stakeholders.

Code of Conduct

Chapter 1. Promise to Customers
1. Respect for Customers
2. Creation of Value for Customers
3. Protection of Customers

Chapter 2. Promise to Stockholders and Investors
1. Protection of Profits
2. Guarantee of Rights

Chapter 3. Promise to Employees
1. Respect for Employees
2. Fair Treatment
3. Promotion of Creativity
4. Training of Human Resources

Chapter 4. Employees' Promise
1. Basic Employee Ethics
2. Fair Work Performance
3. Self-Development
4. Ethics among Employees
5. Protection of Company Property and Information
6. Safety and the Prevention of Danger

Chapter 5. Fair Competition and Trade
1. Free Competition
2. Observance of Rules
3. Partner Company

Chapter 6. Promise to Country and Society
1. Responsibility for Country
2. Contribution to Social Development
3. Prohibition of Political Activities
4. Eco-Friendly Management

Detailed enforcement regulations of the code of conduct

The act of providing remuneration to or receiving it from a stakeholder
- Money and other articles
- Entertainment
- Providing convenience
- Guaranteeing future
- Paying back or giving security for liabilities

The act of trading with the company in the name of a stakeholder

The act of making joint investments with a stakeholder, jointly acquiring properties, and borrowing or lending money, among others
- Making joint investments or jointly acquiring properties with a stakeholder
- Property with a value, or shares of a property
- Act of lending or borrowing property, such as money

The act of illegally leaking or using the company's assets

The act of promoting personal gain through the use of confidential company information

The act of manipulating documents and statistics

Neglecting one's duty, neglecting the task of supervising and monitoring, malfeasance, and unreasonable handling of tasks

Other various acts that can damage an individual's reputation and dignity

Subscription to Associations and Groups

Organization	Description of the organization
Domestic	
Gyeonggi Province Conference of Environmental Engineers	Management support group
Citizens' Coalition for Economic Justice (Cheongju)	Management support group
Citizens' Coalition for Scientific Society	Management support group
Ethics management Forum of the Institute for Industrial Policy Studies	Management support group
The Federation of Korean Industries	Management support group
Korea Association for Chief Financial Officers	Management support group
Korea Employers Federation	Management support group
Korea Fair Competition Federation	Management support group
Korea International Trade Association	Management support group
Korea Semiconductor Industry Association	Management support group
Korea Invention Promotion Association	Management support group
Korea Environmental Preservation Association	Management support group
Korea Industrial Safety Association	Legally mandatory for membership
Korea Chamber of Commerce & Industry (Icheon, Cheongju)	Legally mandatory for membership
Korea Electric Engineers Association (Icheon, Cheongju)	Legally mandatory for membership
Korea Radioisotope Association	Production support group
Korea Chemicals Management Association	Production support group
SoC Industry Promotion Center	R&D support group
RosettaNet Korea	R&D support group
Electronics Industry CIO Council	R&D support group
Korea Forum of Chief Information Officers	R&D support group
Korean Society for Supply Chain Management	R&D support group
Consortium of Semiconductor Advanced Research	R&D support group
Korea Industrial Technology Association	R&D support group
Korean Standards Association	R&D support group
Korea Listed Companies Association	Sales support group
Overseas	
World Semiconductor Trade Statistics (WSTS)	Management support group
SD Association (SDA)	R&D support group
Silicon Wafer Engineering & Defect Science Center (SiWEDS)	R&D support group
USB Implementers Forum (USB-IF)	R&D support group
International Microelectronics And Packaging Society (IMAPS)	R&D support group
MultiMediaCard Association (MMCA)	R&D support group
Joint Electron Device Engineering Council (JEDEC)	R&D support group

Prizes, Rewards, and Certifications

Date		Name of the award (presented by)
May	1995	- Received the Industrial Peace Tower Award
August	1996	- Chosen as the second Outstanding Company in Labor-Management Cooperation: a workplace that is rewarding
	1998	- The First Presidential Award for an Outstanding Company in Environmental Management (Ministry of Knowledge Economy)
	1999	- Best Corporation Award for Green Energy (Korean Federation For Environmental Movement, Hankook Ilbo)
May		- Received the Gold Tower of Industrial Service Merit
December		- Chosen as the first company for a New Labor-Man agement Culture
May	2000	- Received the Tin Tower of Industrial Service Merit
December		- Received an award for a new labor-management culture (Ministry of Labor)
		- Ten New Technologies Award, Korean Agency for Technology and Standards Award (Ministry of Knowledge Economy, Korean Agency for Technology and Standards)
		- Received the Minister of Knowledge Economy Award during the First Competitive Exhibition of Semiconductor Technologies in Korea (Korea Semiconductor Industry Association)
April	2001	- Received the Minister of Science and Technology Award on the 34th Science Day (Ministry of Science and Technology, Korea Industrial Technology Association)
September	2002	- Received an industrial medal at the Third Competitive Exhibition of Semiconductor Technologies in Korea (Ministry of Knowledge Economy, Korea Semiconductor Industry Association)
January	2004	- Government reward in celebration of the number of corporate research institutes exceeding 10 thousand; Prime Minister's Award (Ministry of Science and Technology, Korea Industrial Technology Association)
April		- Received the Minister of Science and Technology Award on the 37th Science Day (Ministry of Science and Technology, Korea Industrial Technology Association)
November		- Received the Gold Tower of Industrial Service Merit on the 41st Trade Day (Ministry of Knowledge Economy, Korea International Trade Association)
		- Received the Presidential Award at the First National Environmental Management Award (Ministry of Knowledge Economy)
December		- Received the New Labor-Management Culture Award (Ministry of Labor)
	2005	- Received the Tin Tower of Industrial Service Merit on the 40th Invention Day (The Korean Intellectual Property Office)
March		- Chosen as a company setting a model example of labor-management relations (Ministry of Public Administration and Security)
April		- Received the Minister of Science and Technology Award on the 38th Science Day (Ministry of Science and Technology, Korea Industrial Technology Association)
September		- Received the Prime Minister's Award at the First Korean Semiconductor Technology Award (Ministry of Knowledge Economy, Korea Semiconductor Industry Association)
November		- Received the Steel Tower of Industrial Service Merit
		- Designated as an Eco-friendly company (Ministry of Environment)
October	2006	- Received the Presidential Award at the Second Korean Semiconductor Technology Awards (Ministry of Knowledge Economy, Korea Semiconductor Industry Association)
November		- Received the Six Billion Dollar Export Tower Award on the 43rd Trade Day (Ministry of Knowledge Economy, Korea International Trade Association)
September	2007	- Received the Presidential Award at the Third Korean Semiconductor Technology Awards (Ministry of Knowledge Economy, Korea Semiconductor Industry Association)
November		- Received the Nine Billion Dollar Export Tower Award on the 44th Trade Day (Ministry of Knowledge Economy, Korea International Trade Association)
November		- Received the Korean SCM Award (Korean Society for Supply Chain Management)

GRI Index, B.E.S.T Guideline

● Reported, ◐ Partially Reported, ○ Not Reported, N/A: Not Applicable

GRI Index No.		GRI Index details	B.E.S.T Guideline Index No.	Reporting level	Page
Vision and Strategy	1.1	Statement from the most senior decision-maker of the organization	A_1	●	8~9
	1.2	Description of key impacts, risks, and opportunities	A_2	●	21~22
Organizational Profile	2.1	Name of the organization	A_3	●	18
	2.2	Primary brands, products, and/or services	A_4	●	23~24
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	A_5	●	18, 2
	2.4	Location of organization's headquarters	A_7	●	19
	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 issues covered in the report	A_7	●	19
	2.6	Nature of ownership and legal form	A_8	●	25
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	A_9	●	21~22
	2.8	Scale of the reporting organization, including: * Number of employees; * Net sales (for private sector organizations) or net revenues (for public sector organizations);	A_10	●	18
	2.9	Significant changes during the reporting period regarding size, structure, or ownership	B_8	N/A	-
	2.10	Awards received in the reporting period	CO8	●	126
Report Parameters	3.1	Reporting period for information provided	B_3	●	C2
	3.2	Date of most recent previous report (if any)	B_8	N/A	-
	3.3	Reporting cycle (annual, biennial, etc.)	B_6	●	C2
	3.4	Contact point for questions regarding the report or its contents	B_9	●	C2
	3.5	Process for defining report content	B_10	●	C2
	3.6	Boundary of the report	B_1	●	C2
	3.7	State any specific limitations on the scope or boundary of the report	B_2	●	C2
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and /or between organizations	A_6	●	18
	3.9	Data measurement techniques and the bases of calculations	-	●	C2
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	-	N/A	-
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	B_5	N/A	-
	3.12	Table identifying the location of the Standard Disclosures in the report	B_10	●	127~129
	3.13	Policy and current practice with regard to seeking external assurance for the report	B_7	●	130~131
Management System	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	GR1	●	25~26
Governance, Commitments, and Engagement	4.2	Indicate whether the Chair of the highest governance body is also an executive officer	GR1/GR3	●	25~26
	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	GR2	●	25
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	GR12	●	25
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance	GR7	◐	28
	4.6	Process in place for the highest governance body to ensure conflicts of interest are avoided	GR13	●	26~27
	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	GR4	●	28
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	GR10	●	99, 124~125
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	GR5	○	-
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	GR6	●	11
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	GR11	●	29
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	GR10	●	99, 124~125
	4.13	Memberships in association advocacy organizations in which the organization	A_11	●	126
	4.14	List of stakeholder groups engaged by the organization	C_1/C_2	●	12~13
	4.15	Basis for identification and selection of stakeholders with whom to engage	C_1	●	12~13
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	C_2	●	12~13
	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	C_3	●	15, 35, 47, 57, 65, 79, 87, 95, 120
Economic	EC1	Direct economic value generated and distributed, including revenues, operating costs, employees compensations, donations and other community investment, retained earnings, and payments to capital providers and governments	EC1	●	33~34, 122~123

● Reported, ◐ Partially Reported, ○ Not Reported, N/A: Not Applicable

GRI Index No.		GRI Index details	B.E.S.T Guideline Index No.	Reporting level	Page
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	EC2	◐	105
	EC3	Coverage of the organization's defined benefit plan obligations	EC3	◐	73
	EC4	Significant financial assistance received from government	EC5	●	34
	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	EM4	●	70
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	EC4	○	-
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	EC4	○	-
	EC8	Development and impact of infrastructure investment and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	EC6	◐	93
	EC9	Understanding and describing significant indirect economic impact, including the extent of impacts	EC7	●	46, 93~94
Environmental	EN1	Materials used by weight or volume	EV10	●	110
	EN2	Percentage of materials used that are recycled input materials	EV11	●	110
	EN3	Direct energy consumption by primary energy source.	EV7	●	110
	EN4	Indirect energy consumption by primary source	EV8	●	110
	EN5	Energy saved due to conservation and efficiency improvements	EV5	●	110~112
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	EV5	●	110~112
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	EV5	●	110~112
	EN8	Total water withdrawal by source	EV9	●	110
	EN9	Water sources significantly affected by withdrawal of water	EV20	◐	115
	EN10	Percentage and total volume of water recycled and reused	EV18	●	115
	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	EV22	N/A	-
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	EV22/EV26	N/A	-
	EN13	Habitats protected or restored.	EV27	N/A	-
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	EV6/EV26	◐	117
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	EV28	N/A	-
	EN16	Total direct and indirect greenhouse gas emissions by weight	EV12	●	105
	EN17	Other relevant indirect greenhouse gas emissions by weight	EV13	●	113
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	EV4	◐	105
	EN19	Emissions of ozone-depleting substances by weight	EV14	●	113
	EN20	NOx, SOx, and other significant air emissions by type and weight	EV15	●	113
	EN21	Total water discharge by quality and destination	EV17	●	114
	EN22	Total weight of waste by type and disposal method	EV16	◐	116
	EN23	Total number and volume of significant spills	EV21	●	118
	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	EV29	N/A	-
	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	EV19	◐	113~114, 117
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	EV23	◐	106~109
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	EV24	◐	110
	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	EV31	●	107, 118
	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	EV30	◐	112
	EN30	Total environmental protection expenditures and investments by type	EV1	●	103
Social:	LA1	Total workforce by employment type, employment contract, and region	EM1	●	70
Labor	LA2	Total number and rate of employee turnover by age group, gender, and region	EM5	●	70
Practices and Decent Work	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	EM20	●	72~73
	LA4	Percentage of employees covered by collective bargaining agreements	EM12	●	78
	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	EM13	●	78
	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	EM14	●	76
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	EM19	◐	77

● Reported, ◐ Partially Reported, ○ Not Reported, N/A: Not Applicable

GRI Index No.		GRI Index details	B.E.S.T Guideline Index No.	Reporting level	Page
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	EM18	●	76
	LA9	Health and safety topics covered in formal agreements with trade unions	EM15	●	77
	LA10	Average hours of training per year per employee by employee category	EM27	●	73
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	EM28	●	73~75,103
	LA12	Percentage of employees receiving regular performance and career development reviews	EM29	●	73
	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	EM2	●	70
	LA14	Ratio of basic salary of men to women by employee category	EM3/EM17	◐	70
Social: **Human Rights**	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	PN2	◐	84
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	PN3	◐	84
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	EM30	●	53
	HR4	Total number of incidents of discrimination and actions taken	EM7	●	54
	HR5	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	EM8	●	78
	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	EM9	●	71
	HR7	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	EM10	●	71
	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	EM31	●	53
	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	CO2	●	91
Social: **Society**	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	CO1/CO2	●	91
	SO2	Percentage and total number of business units analyzed for risks related to corruption	CO5	●	53, 124~125
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	CO5	●	53, 124~125
	SO4	Actions taken in response to incidents of corruption	CO5	●	53, 124~125
	SO5	Public policy positions and participation in public policy development and lobbying	CO6	●	53, 124~125
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	CO7	●	53, 124~125
	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	CS3	●	62
	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	CO9	●	55
Social: **Product Responsibility**	PR1	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	CS4	●	109
	PR2	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	CS11	●	62
	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	CS5	●	63
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	CS12	●	62
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	CS9	◐	61~64
	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	CS13	●	62
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	CS14	●	62
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	CS15	●	63
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	CS12	●	62
DMA(Disclosures on Management Approach)				EC	32
				EN	98
				LA	68
				HR	68,82
				SO	90
				PR	60

Report on verification by a third party

To the management of the "Hynix 2008 Sustainability report"

The Institute for Industrial Policy Studies (hereinafter referred to as the "inspector") received a request from Hynix to verify specific information on the "Hynix 2008 Sustainability report (hereinafter referred to as the "report") as an independent third party verification organization. Hynix holds responsibility over collecting and stating information included in this report, and maintaining an information collection system and internal control. The objective of this verification is to present an independent opinion on whether there are any serious errors or distorted views in the information and statements made in this report created by Hynix and on whether the information collection system is functioning appropriately. The following is the third party verification report.

Background and scope of verification

In the report, Hynix specifies information on its efforts related to sustainability management, achievements, and future plans. The inspector reviewed the following matters in this regard:

- **Reasonable verification** Review whether financial information included in economic performance has been appropriately extracted from the audit report on Hynix's 2007 financial statements (Reasonable verification is at a higher level than restricted verification)
- **Restricted verification** Review whether information stated in the corporate outline, innovation and creation management, ethics management, customer satisfaction, employee satisfaction, win-win cooperation, social contributions, and environmental management is appropriate and whether there are any major errors or distortions.

Independence

The inspector did not get involved in the process of creating this report and operated independently from the company to avoid company bias and conflict of interest. The inspector did not have any profit-based interests in the overall business activities of Hynix.

Criteria

The inspector verified the report based on the three principles (materiality, completeness, and responsiveness) of the AA1000 verification criteria; the G3 version of the GRI sustainability report guidelines; and the B.E.S.T Sustainability Reporting guidelines.

Work undertaken and scope

The inspector checked the material, completeness, and responsiveness of this report by going through the following process:

- Reviewed media reports on Hynix
- Reviewed information in the report and the information collection system (internal sustainability management organization, system, and activities)
- Identified high-risk areas and engaged in data sampling to review key information in the report, internal policies, and document and information systems
- Interviewed employees who are in charge of creating sustainability reports and acquiring information for the report
- Interviewed executives who are in charge of sustainability management
- Reviewed whether financial information stated in the report is in line with information on the audit report
- Asked opinions of sustainability management experts

* **AA1000AS** (Assurance Standard) This is a sustainability management verification standard that was developed by AccountAbility – a non-profit organization related to social responsibility management located in England – in 1999. It was developed with the aim of improving the quality of social and ethical accounting, auditing, and reporting, thereby boosting the overall performance and sense of responsibility of organizations.

** **GRI** (Global Reporting Initiative) This refers to sustainability report guidelines established jointly by the UNEP and CERES, an international association of environmental groups, in 1997. The G3 version was officially announced in October 2006.

*** **B.E.S.T Guidelines** (B.E.S.T Sustainability Reporting guidelines) This refers to report guidelines jointly developed by the Korean Ministry of Knowledge Economy, the Korea Chamber of Commerce & Industry, and the Institute for Industrial Policy Studies. The reporting level of corporations is categorized into five steps.

Conclusions

The following are the inspector's opinions after conducting verification according to the abovementioned process. It is the inspector's opinion that the report does not include any major errors or distortions. All material verification results have been included in this verification report. Detailed review results and recommendations have been submitted to Hynix.

- **Materiality** Does this report include information that is most important to Hynix in relation to economic, social, and environmental aspects?
- It is the inspector's opinion that the report does not exclude or omit information that is most important to Hynix. Hynix made efforts to identify issues that have a major impact on stakeholders and main subjects of interest to stakeholders by carrying out internal issue assessments (internal policies, performance indicators, stakeholder surveys) and external issue assessments (domestic and overseas standards and agreements, benchmarking of companies in the same industry, media surveys, interviews with experts). The company placed priority on reporting matters that have a high level of importance or risk. It is recommended that Hynix make its materiality evaluation model more detailed to continuously identify key issues that stakeholders are interested in.

- **Completeness** Is the information included in this report reliable and is the information collection system complete and reasonable?
- The inspector confirmed that Hynix established a SM Committee and is making efforts to implement sustainability management policies and manage relevant performance. The inspector also confirmed that the company established an environmental organization and that it measures and manages environmental data through the ESH management system. It is recommended that SM Committee operations be promoted so that sustainability management issues can be regularly discussed.

- **Responsiveness** Does this report include information that is important to the stakeholders of Hynix?
- It is the inspector's opinion that Hynix conducted surveys on internal and external stakeholders to gather their opinions on sustainability management-related issues; and made efforts to identify information that is important to stakeholders by operating a communication channel for each stakeholder. It is recommended that Hynix specify in more detail what measures it took in relation to the results of communicating with the stakeholders and its future plans.

- After considering the B.E.S.T standard-based reporting ratio of this report and the details of the information, it is the inspector's opinion that this report satisfies 98.9 percent of the third step – expansion – among the five steps of the "B.E.S.T guidelines."

Matters to be considered in the future

This report, which is Hynix's first sustainability report, is extremely meaningful in that it is the first report issued that embodies the will of Hynix towards sustainability management and its achievements. The following is recommended to continually improve the quality of the report and sustainability management performance.

- It is recommended to present a target value for key issues in each area and also present information on the target achievement level. This will show that Hynix is making efforts to keep its promise with the stakeholders.
- It is recommended that when the second report is issued, general information that was repeated in the first report and information with a low level of importance take up a smaller part of the second report. It is also recommended that detailed information be presented in key activities that were performed during the period of the report.
- It is recommended that the level of completeness of the report is raised by disclosing whether information acquired through communication channels with stakeholders is used when engaging in materiality evaluations.

It is recommended that Hynix establish a more systematic sustainability management and report issuance system and make relevant improvements based on this verification report and the separately submitted recommendation letter.

April 1, 2008

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

The Institute for Industrial Policy Studies (IPS)

Founded in 1993, IPS is a professional organization that has been accumulating experience in areas related to ethics management, social responsibility management and sustainability management since 2002. The three officials in the verification committee are experts with majors in general management, accounting, and environment. They are experts who give advice on sustainability management and who give lectures at major domestic universities.

Turning
over
a new leaf.

Tomorrow
grows
ever greener
with
Hynix sustainability
management!

Please fill out the following form to present your opinions or suggestions on this report and send it to us via fax. We will actively reflect the responses in making improvements to the report and carrying out sustainability management activities.

fax 82-31-630-2638 | **e-mail** sustainability@hynix.com

Cut on the dotted line

Reader Survey

hynix

2008

Sustainability Report

1. Which group do you belong to?
   - ☐ Customers
   - ☐ Shareholders
   - ☐ Partner companies
   - ☐ Citizens, social groups, NGOs
   - ☐ Media
   - ☐ Academic sector
   - ☐ Employees
   - ☐ Investors
   - ☐ Government agencies and offices
   - ☐ Sustainability management expert
   - ☐ Local resident and local autonomous body
   - ☐ Others

2. What information are you particularly interested in with regard to Hynix's sustainability report?
   - ☐ Introduction to the company
   - ☐ Content on economic performance
   - ☐ Social responsibilities
   - ☐ Win-win cooperation with partner companies
   - ☐ General content on sustainability management
   - ☐ Environmental management
   - ☐ Employment status and work environment
   - ☐ Communication with stakeholders

3. What section were you most satisfied with?
   - ☐ Introduction to Hynix
   - ☐ Ethics management
   - ☐ Win-win management
   - ☐ Economic achievements
   - ☐ Customer satisfaction
   - ☐ Social contributions
   - ☐ Innovation, creation management
   - ☐ Employee satisfaction
   - ☐ Environmental management

4. What sections need improvement?
   - ☐ Introduction to Hynix
   - ☐ Ethics management
   - ☐ Win-win management
   - ☐ Economic achievements
   - ☐ Customer satisfaction
   - ☐ Social contributions
   - ☐ Innovation, creation management
   - ☐ Employee satisfaction
   - ☐ Environmental management

5. What is your opinion on the following?

	Very much so	Relatively so	Average	Relatively not so	Not at all
- The terminology used was clear and easy to understand.	☐	☐	☐	☐	☐
- Sufficient and useful information was provided on important issues.	☐	☐	☐	☐	☐
- The content of the report is reliable.	☐	☐	☐	☐	☐
- The design is good and helps to clarify the content.	☐	☐	☐	☐	☐

6. Please write down your opinion of the Hynix 2008 Sustainability report.

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