

# **SAMSUNG**

## **Corporate Governance Report FY2018**

**SAMSUNG ELECTRONICS Co., Ltd.**

The Company has prepared this report in accordance with Article 24-2 of the Enforcement Decree of Disclosure Regulations in Securities Markets to provide investors with information regarding the Company's corporate governance. The information in this report is based on the corporate governance status as of December 31, 2018, and changes that occurred as of the reporting date are separately stated. Activities related to corporate governance are from January 1, 2018 to December 31, 2018. If the Korea Stock Exchange guidelines have set a specific period of time for certain information, the information is based on that period.

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# I

## Outline

■ Company name: Samsung Electronics Co., Ltd.

■ Person in charge: Tae-Gyu Kang

Deputy person in charge: Min-Hee Cho

■ Base date: Dec 31, 2018

■ Company outline

| Category of business |         | Assets (consolidated basis) |                  |                     | Listing market |        |          | Belonging to Enterprise Group* |    |
|----------------------|---------|-----------------------------|------------------|---------------------|----------------|--------|----------|--------------------------------|----|
| Non-finance          | Finance | Below KRW 500 bil           | Below KRW 2 tril | KRW 2 tril and over | KOSPI          | KOSDAQ | Unlisted | Yes                            | No |
| 0                    |         |                             |                  | 0                   | 0              |        |          | Samsung                        |    |

\* In accordance with the Monopoly Regulation and Fair Trade Act.

## 1. Corporate governance policy

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### (1) Governance principles and policies

Aiming to be a global leader that grows along with people and local communities, Samsung Electronics Co., Ltd. (the “Company”) operates with a philosophy that states: “We will devote our human resources and technology to create superior products and services, thereby contributing to a better global society.”

Our corporate governance is structured and managed in a transparent manner in accordance with due process. The members of the Board of Directors (the “Board”) are elected by resolution at a general meeting of shareholders and comprise five Executive Directors and six Independent Directors. Executive Directors are elected from candidates recommended by the Board. For Independent Directors, the Independent Director Recommendation Committee, which consists entirely of Independent Directors, recommends candidates through a separate procedure to ensure more deliberate and objective consideration. Information regarding the candidates, along with notice of meeting documents, is provided faithfully to shareholders before a general meeting in the form of reference material so candidates can be evaluated before they are elected into office.

The Board is structured in a way that ensures independent decisions and judgments. In order to enhance independence, Independent Directors make up the majority of the Board, and they hold meetings on an ad hoc basis that exclude the Company’s management members to ensure candid and objective discussions. The Chairman is appointed from among the Directors by a resolution of the Board, in accordance with Article 29 of the Company’s Articles of Incorporation and Article 5 of the Regulations of the Board of Directors. Meanwhile, we have strengthened our institutional system, allowing us to avoid conflicts of interest and prevent self-interests from influencing Board decisions. In accordance with Article 398 of the Commercial Act, transactions between a Director and the Company are limited, and, in accordance with Article 9 of the Regulations of the Board of Directors, a Director is prohibited from exercising voting rights if he or she has a special interest in or even a possibility of a conflict of interest with the Company.

In a rapidly changing business environment, Director expertise is essential as the Board is constantly required to make strategic decisions. The Company’s three mainstay businesses—the Device Solutions (DS), Consumer Electronics (CE), and IT & Mobile Communications (IM) divisions—are directed by leading professionals in the relevant field who practice responsible management as chief executive officers and also participate on the Board. The Board needs diverse perspectives in order to make broad decisions. Independent Directors leverage their expertise and skills in myriad fields, including finance, law, engineering, IT, and public administration, and ESG to contribute to the Board’s informed and objective decision-making process.

Detailed information regarding our corporate governance is available on our website (<https://www.samsung.com/global/ir>) and in our business reports (<https://www.samsung.com/global/ir/reports-disclosures/business-report/>).

### (2) Our corporate governance

#### Ensuring responsible management through the participation of business representatives on the Board

In the rapidly changing IT industry, prompt and strategic decision making is required to remain competitive. Under such an environment, the Company needs Directors who have a high-level of expertise and fully understand our businesses. Accordingly, the Board appoints the heads of the DS, CE, and IM divisions as Executive Directors to participate in the decision-making process. This enables the Board to employ a comprehensive and long-term approach when making management decisions. With heads of the business divisions taking CEO positions, we are practicing responsible management. Meanwhile, our Independent Directors provide abundant expertise in various fields—including finance, law, engineering, IT, public administration, and ESG—and supervise the activities of both management and Executive Directors and offer objective advice.

### Enhancing the Board's efficiency through the delegation of authorities

The Board makes resolutions on matters provided for by the relevant laws and regulations or the Articles of Incorporation, matters delegated by a general meeting of shareholders, as well as on important matters concerning basic policies and execution of the Company's business. While some matters require the review and resolution of the entire Board, others can be reviewed more efficiently by committees of the Board equipped with expertise in the relevant field. The Board has delegated specific responsibilities to six committees, in accordance with Article 28-2 of the Articles of Incorporation and Article 11-2 of the Regulations of the Board of Directors, in order to enhance its operational efficiency. Agendas approved by committees of the Board are immediately reported to all Directors, and if deemed necessary, each Director may call for a meeting of the Board to put the resolutions approved by the committee forward for a vote at a meeting of the Board.

### Improving supervision via committees composed of a majority of Independent Directors

As the Company's business continues to evolve, the Board constantly faces increasingly complex and varied managerial matters. In response, the Board has expanded its responsibilities and established new committees (such as the Related Party Transactions Committee, Compensation Committee, and Governance Committee) to delegate the new roles. These committees consist entirely of Independent Directors who can make independent and objective decisions and expand their responsibility to supervise management from a more diverse perspective. Indeed, the Governance Committee (formerly CSR Committee), established based on a proposal put forth by an Independent Director, is tasked with overseeing the Company's corporate social responsibilities. The Committee has operated research groups (e.g., Corporate Ecosystem Development Research Group, Environmental Safety Research Group) led by Independent Directors to collaborate with outside experts to provide the Company with practical advice. The Committee in April 2017 was reorganized and expanded to include matters related to enhancing shareholder value. The Board will continue its efforts to find new ways to develop the Company.

## 2. Shareholders

### (1) Shareholder rights

(Core principle 1) Shareholder rights

■ Shareholders should have timely access to all information that is necessary to exercise their rights in a legitimate process.

(Specific principle 1-①) Corporations should provide timely access to information concerning the date, location, and agenda of general meetings to allow full participation of shareholders.

### General meeting of shareholders

#### Summary of general meetings

The Company provides shareholders with the date, time, place, and list of agenda items up for resolution around four weeks prior to a general meeting so shareholders can sufficiently review relevant matters before exercising voting rights. The following is a summary of recent shareholders meetings.

<General meetings in the last three years>

|  | The 48th AGM  | The 49th AGM   | The 50th AGM   |
|--|---|--|--|
| Date of resolution on convocation                | Feb 24, 2017<br>(28 days prior to AGM)  | Feb 23, 2018<br>(28 days prior to AGM)   | Feb 26, 2019<br>(22 days prior to AGM)   |
| Date of convocation notice                       | Feb 24, 2017<br>(28 days prior to AGM)  | Feb 23, 2018<br>(28 days prior to AGM)   | Feb 26, 2019<br>(22 days prior to AGM)   |
| Reference material delivery method               | Convocation notice, newspaper notice, electronic disclosure system of FSS and stock exchange, etc.  | Convocation notice, newspaper notice, electronic disclosure system of FSS and stock exchange, etc.   | Convocation notice, newspaper notice, electronic disclosure system of FSS and stock exchange, etc.   |
| Notice method for non-Korean shareholders        | IR English website, English disclosure at London Stock Exchange   | IR English website, English disclosure at London Stock Exchange  | IR English website, English disclosure at London Stock Exchange  |
| Date of meeting                                  | 09:00 (UTC +9) Mar 24, 2017   | 09:00 (UTC +9) Mar 23, 2018  | 09:00 (UTC +9) Mar 20, 2019  |
| AGM on the date of general meeting concentration | -   | Yes  | No   |
| Location of meeting                              | Multifunctional Hall, 5F Samsung Electronics Bldg   | Multifunctional Hall, 5F Samsung Electronics Bldg  | Multifunctional Hall, 5F Samsung Electronics Bldg  |
| Absent Board members                             | Executive Director Jae-Yong Lee and Independent Director Jae-Wan Bahk   | Executive Directors Jae-Yong Lee and Boo-Keun Yoon; Independent Director Jae-Wan Bahk  | Executive Director Jae-Yong Lee  |
| Shareholder remarks                              | <ul style="list-style-type: none"> <li>• Support for agendas</li> <li>• Question on business outlook and strategy</li> <li>• Question on measures to improve governance</li> <li>• Suggestion on shareholder policy</li> <li>• Question on measures to increase transparency of external contributions</li> </ul> | <ul style="list-style-type: none"> <li>• Question on business outlook and strategy</li> <li>• Complaint on product, request for after-sales service</li> <li>• Support for agendas</li> <li>• Request for quicker advancement of meeting</li> <li>• Question on the stock split ratio</li> </ul> | <ul style="list-style-type: none"> <li>• Support for agendas</li> <li>• Question on current business issues</li> <li>• Question on sales strategy of new products</li> <li>• Question on dividend policy</li> <li>• Question on the procedure for Independent Director recommendation</li> </ul> |

The 49th AGM was inevitably held during the date of general meeting concentration as we had set major business schedules before the Korea Listed Companies Association announced the date. For the 50th AGM, we avoided the date of concentration to ensure greater participation of our shareholders.

#### Results of shareholder meetings and exercise of voting rights

The results of the votes on the agenda items at the 49th and 50th AGMs are as set forth below, and the information is available on our website (<https://www.samsung.com/global/ir/governance-csr/general-meeting-of-shareholders/>).

<Voting results of agenda items in the 49th AGM>

| Agenda item | Type of resolution | Details  | Result   | Shares with voting rights | Total votes | Shares for          |  |
|-------------|--------------------|--|----------|---------------------------|-------------|---------------------|--|
|             |                    |  |          |                           |             | Shares against      |  |
| 1           | Ordinary           | Approval of FY17 financial statements                          | Approved | 107,181,792               | 90,958,719  | 90,485,878 (99.48%) |  |
|             |                    |  |          |                           |             | 472,841 (0.52%)     |  |
| 2-1-1       | Ordinary           | Approval of Jeong Kim as an Independent Director               | Approved | 112,121,948               | 95,898,006  | 95,762,561 (99.86%) |  |
|             |                    |  |          |                           |             | 135,445 (0.14%)     |  |
| 2-1-2       | Ordinary           | Approval of Sun-Uk Kim as an Independent Director              | Approved | 112,121,948               | 95,897,849  | 95,313,466 (99.39%) |  |
|             |                    |  |          |                           |             | 584,383 (0.61%)     |  |
| 2-1-3       | Ordinary           | Approval of Byung-Gook Park as an Independent Director         | Approved | 112,121,948               | 95,897,746  | 95,305,152 (99.38%) |  |
|             |                    |  |          |                           |             | 592,594 (0.62%)     |  |
| 2-2-1       | Ordinary           | Approval of Sang-Hoon Lee as an executive director             | Approved | 112,121,948               | 95,896,581  | 59,046,536 (61.57%) |  |
|             |                    |  |          |                           |             | 36,850,045 (38.43%) |  |
| 2-2-2       | Ordinary           | Approval of Ki-Nam Kim as an executive director                | Approved | 112,121,948               | 95,896,363  | 95,106,520 (99.18%) |  |
|             |                    |  |          |                           |             | 789,843 (0.82%)     |  |
| 2-2-3       | Ordinary           | Approval of Hyun-Suk Kim as an executive director              | Approved | 112,121,948               | 95,893,008  | 95,041,605 (99.11%) |  |
|             |                    |  |          |                           |             | 851,403 (0.89%)     |  |
| 2-2-4       | Ordinary           | Approval of Dong-Jin Koh as an executive director              | Approved | 112,121,948               | 95,892,965  | 95,041,562 (99.11%) |  |
|             |                    |  |          |                           |             | 851,403 (0.89%)     |  |
| 2-3         | Ordinary           | Approval of Director Sun-Uk Kim as a member of Audit Committee | Approved | 100,069,754               | 83,839,184  | 83,253,181 (99.30%) |  |
|             |                    |  |          |                           |             | 586,003 (0.70%)     |  |
| 3           | Ordinary           | Approval of remuneration limit for directors                   | Approved | 107,181,792               | 90,951,569  | 90,074,453 (99.04%) |  |
|             |                    |  |          |                           |             | 877,116 (0.96%)     |  |
| 4           | Special            | Approval of stock split and revision of relevant articles      | Approved | 112,121,948               | 90,951,585  | 90,887,427 (99.93%) |  |
|             |                    |  |          |                           |             | 64,158 (0.07%)      |  |

<Voting results of agenda items in the 50th AGM>

| Agenda item | Type of resolution | Details   | Result   | Shares with voting rights | Total votes   | Shares for             |  |
|-------------|--------------------|---|----------|---------------------------|---------------|------------------------|--|
|             |                    |   |          |                           |               | Shares against         |  |
| 1           | Ordinary           | Approval of FY18 financial statements                       | Approved | 5,371,711,812             | 4,258,658,799 | 4,235,910,266 (99.47%) |  |
|             |                    |   |          |                           |               | 22,748,533 (0.53%)     |  |
| 2-1-1       | Ordinary           | Approval of Jae-Wan Bahk as an Independent Director         | Approved | 5,616,195,994             | 4,502,802,396 | 3,215,370,281 (71.41%) |  |
|             |                    |   |          |                           |               | 1,287,432,115 (28.59%) |  |
| 2-1-2       | Ordinary           | Approval of Han-Jo Kim as an Independent Director           | Approved | 5,616,195,994             | 4,502,779,705 | 4,458,521,149 (99.02%) |  |
|             |                    |   |          |                           |               | 44,258,556 (0.98%)     |  |
| 2-1-3       | Ordinary           | Approval of Curie Ahn as an Independent Director            | Approved | 5,616,195,994             | 4,502,461,090 | 4,446,756,338 (98.76%) |  |
|             |                    |   |          |                           |               | 55,704,752 (1.24%)     |  |
| 2-2-1       | Ordinary           | Approval of Jae-Wan Bahk as a member of the Audit Committee | Approved | 5,031,673,197             | 3,917,882,339 | 2,820,715,652 (72.00%) |  |
|             |                    |   |          |                           |               | 1,097,166,687 (28.00%) |  |
| 2-2-2       | Ordinary           | Approval of Han-Jo Kim as a member of the Audit Committee   | Approved | 5,031,673,197             | 3,917,833,434 | 3,872,691,462 (98.85%) |  |
|             |                    |   |          |                           |               | 45,141,972 (1.15%)     |  |
| 3           | Ordinary           | Approval of remuneration limit for directors                | Approved | 5,371,711,812             | 4,257,850,822 | 4,228,572,955 (99.31%) |  |
|             |                    |   |          |                           |               | 29,277,867 (0.69%)     |  |

## Introduction of written ballot and electronic voting, status of proxy solicitation, etc.

The Company solicits voting rights via direct distribution, mail, or fax. The Company has yet to introduce a paper or electronic ballot system, but continues to review ways—including implementing new voting systems—to increase convenience of voting. We will keep making efforts to respect and reflect shareholders' opinions in our decision-making process.

(Specific principle 1-②) The Company should ensure shareholders can propose general meeting agenda items conveniently. Shareholders should be able to freely ask questions and receive explanations regarding meeting agendas suggested by other shareholders.

## Shareholder proposals

In accordance with Article 542-6 of the Commercial Act, shareholders holding 0.5% or more of the shares outstanding (excluding shares not carrying voting rights) over the previous six months have the right to propose agenda items for a general meeting of shareholders—including the nomination of Directors—via written or electronic form at least six weeks prior to the AGM for the previous fiscal year.

The Board writes these proposals in the convocation notice of the annual general meeting, except where such proposals are in violation of statutes or the Articles of Incorporation, and in other cases as prescribed by Article 12 of the Enforcement Decree of the Commercial Act. On the request of the shareholder who made the proposal, the Company includes major points of the proposed agenda item in the convocation notice and the shareholder is given an opportunity to explain the proposal at the general meeting of shareholders.

Information on shareholder proposals is available on our website (<https://www.samsung.com/global/ir/governance-csr/general-meeting-of-shareholders/>). In the recent three years, there have not been any shareholder proposals.

(Specific principle 1-③) Corporations should provide shareholders with sufficient information on the dividend policy and dividend plans. Shareholders' right to receive dividends in accordance with relevant policies should be respected.

## Shareholder return and dividends

### Shareholder return policy and shareholder notice

In October 2017, we announced our shareholder return program for the coming three-year period (i.e., 2018–2020), increasing predictability to the scale of our shareholder return activities. For that period, we will use 50% of our free cash flow for our shareholder return policy and significantly expand dividends, providing annual dividends of approximately KRW 9.6 trillion. In accordance with the policy, we provided an annual dividend of KRW 9.6 trillion in 2018, which is approximately 65% higher than the KRW 5.8 trillion paid in 2017. The Company also started paying quarterly dividends from 1Q17 to provide a consistent amount of dividends throughout the year.

The Company over two stages has cancelled all shares that were held in treasury. The first stage was conducted in May 2017 and the second in December 2018. Overall, we retired approximately 13% of common shares and 16% of preferred shares, which is expected to enhance shareholder value by boosting stock value.

In May 2018, we conducted a 50:1 stock split to increase our investor base and increase liquidity. We believe this decision allowed more investors own stocks of the Company and enjoy the benefits of our significantly expanded dividends.

Alongside our efforts to achieve sustainable growth and boost business results through our differentiated technology and strategic investments, we will also strive to enhance shareholder value through proactive shareholder return policies.

When we establish return policies, distribute dividends, or conduct share repurchases, we provide detailed information to our shareholders via disclosures, earnings calls, and our website. We also inform our shareholders by including this information on the notice of dividend and the letter to shareholders included in the notice of convocation.



### Dividends in the last three years

Under our efforts to enhance shareholder value, the Company's dividends have increased over the last three years as below.

[Unit: KRW]

|      | Settlement month | Share type | Stock dividend | Cash dividend        |                    |                   |       |              |          |
|------|------------------|------------|----------------|----------------------|--------------------|-------------------|-------|--------------|----------|
|      |                  |            |                | Face value per share | Dividend per share | Total dividends   | Yield | Payout ratio |          |
|      |                  |            |                |                      |                    |                   |       | Consolidated | Separate |
| 2018 | December         | Common     | -              | 100                  | 1,416              | 8,453,212,090,800 | 3.7%  | 21.9%        | 29.3%    |
|      |                  | Preferred  | -              | 100                  | 1,417              | 1,166,030,453,900 | 4.6%  |              |          |
| 2017 | December         | Common     | -              | 5,000                | 42,500             | 5,115,665,570,500 | 1.8%  | 14.1%        | 20.2%    |
|      |                  | Preferred  | -              | 5,000                | 42,550             | 710,636,554,950   | 2.2%  |              |          |
| 2016 | December         | Common     | -              | 5,000                | 28,500             | 3,498,143,963,500 | 1.6%  | 17.8%        | 34.5%    |
|      |                  | Preferred  | -              | 5,000                | 28,550             | 493,747,791,700   | 2.0%  |              |          |

※ 2018 figures on a post-split basis.

### Unequal dividends, quarterly dividends, interim dividends in the recent three years

The Company has not distributed unequal dividends in the recent three years. We have distributed interim dividends until 2016 and started quarterly dividends from 2017.

[Unit: KRW]

|      | Quarter  | Share type | Dividend per share | Total dividend    | Date of Board resolution | Face value |
|------|----------|------------|--------------------|-------------------|--------------------------|------------|
| 2018 | 1Q       | Common     | 354                | 2,113,303,022,700 | Apr 26, 2018             | KRW 100    |
|      |          | Preferred  | 354                | 291,301,891,800   |                          |            |
|      | 2Q       | Common     | 354                | 2,113,303,022,700 | Jul 31, 2018             |            |
|      |          | Preferred  | 354                | 291,301,891,800   |                          |            |
|      | 3Q       | Common     | 354                | 2,113,303,022,700 | Oct 31, 2018             |            |
|      |          | Preferred  | 354                | 291,301,891,800   |                          |            |
|      | 4Q       | Common     | 354                | 2,113,303,022,700 | Jan 31, 2019             |            |
|      |          | Preferred  | 355                | 292,124,778,500   |                          |            |
| 2017 | 1Q       | Common     | 7,000              | 852,885,957,000   | Apr 27, 2017             | KRW 5,000  |
|      |          | Preferred  | 7,000              | 119,486,738,000   |                          |            |
|      | 2Q       | Common     | 7,000              | 847,266,357,000   | Jul 27, 2017             |            |
|      |          | Preferred  | 7,000              | 118,081,838,000   |                          |            |
|      | 3Q       | Common     | 7,000              | 842,213,323,000   | Oct 31, 2017             |            |
|      |          | Preferred  | 7,000              | 116,837,665,000   |                          |            |
|      | 4Q       | Common     | 21,500             | 2,573,299,933,500 | Jan 31, 2018             |            |
|      |          | Preferred  | 21,550             | 356,230,313,950   |                          |            |
| 2016 | Interim  | Common     | 1,000              | 123,958,561,000   | Jul 28, 2016             |            |
|      |          | Preferred  | 1,000              | 17,580,920,000    |                          |            |
|      | Year-end | Common     | 27,500             | 3,374,185,402,500 | Jan 24, 2017             |            |
|      |          | Preferred  | 27,550             | 476,166,871,700   |                          |            |

## (2) Equitable treatment of shareholders

(Core principle 2) Equitable treatment of shareholders

■ All shareholders should be provided equal voting rights in accordance with the type and number of their shares. Corporations should make efforts to build a system that makes corporate information available to all shareholders equally without preference.

(Specific principle 2-①) Shareholders' voting rights should not be violated. Corporations should provide sufficient information in a timely and equal manner to all shareholders.

### Issued shares and categories of shares

The total number of shares outstanding as of the reporting date was 6,792,669,250.

| Share type | Number of authorized shares | Number of issued shares | Note |
|------------|-----------------------------|-------------------------|------|
| Common     | 20,000,000,000              | 5,969,782,550           | -    |
| Preferred  | 5,000,000,000               | 822,886,700             | -    |

Preferred shares do not carry voting rights and receive an annual cash dividend that is 1% higher than common shares do based on face value. If dividends are not distributed for common shares, preferred shares may not receive dividends.

In the past three years, a general meeting of a specific category of shareholders has not been held as the requirements for convocation have not been met.

### Communication with shareholders

#### IR events

The Company holds earnings conference calls at the end of January, April, July, and October to report its financial results for the preceding year, first quarter, second quarter and third quarter, respectively. Also, we conduct our Investor Forum at least once a year to help shareholders better understand our business by providing information in areas of high investor interest. For shareholder convenience, we provide live webcasts of the forum and earnings conference calls.

In addition, we continue to engage in and strengthen communication with our shareholders via participating in IR events such as conferences organized by brokerages, investor meetings, etc. Information on IR events since 2018 (as of the reporting date) is presented below and is also available on our website (<https://www.samsung.com/global/ir/ir-events-presentations/events/>).

| Date          | Participants                                   | Form                       | Contents                         |
|---------------|--|----------------------------|----------------------------------|
| <b>2019</b>   |  |                            |                                  |
| May 30        | Domestic institutional investors, etc.         | Broker conference          | Business performance and outlook |
| May 27-29     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| May 23-24     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| May 21-22     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| May 20-23     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| May 16-17     | Domestic/foreign institutional investors, etc. | Broker conference          | Business performance and outlook |
| Apr 30-May 2  | Domestic institutional investors, etc.         | Domestic roadshow          | Business performance and outlook |
| Apr 30        | Domestic/foreign investors, etc.               | Conference call            | 1Q19 Business results and Q&A    |
| Mar 25-28     | Domestic/foreign institutional investors, etc. | Broker conference          | Business performance and outlook |
| Mar 21-22     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Mar 7         | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Mar 4-5       | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Feb 21        | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Jan 31-Feb 15 | Domestic/foreign investors, etc.               | Domestic/overseas roadshow | Business performance and outlook |
| Jan 31        | Domestic/foreign investors, etc.               | Conference call            | 4Q18 Business results and Q&A    |
| Jan 7-8       | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| <b>2018</b>   |  |                            |                                  |
| Dec 3-4       | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |

|               |  |                            |                                  |
|---------------|--|----------------------------|----------------------------------|
| Nov 28–29     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Nov 27        | Domestic institutional investors, etc.         | Broker conference          | Business performance and outlook |
| Nov 19        | Domestic institutional investors, etc.         | Broker conference          | Business performance and outlook |
| Nov 15        | Domestic institutional investors, etc.         | Broker conference          | Business performance and outlook |
| Nov 14–15     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Nov 6–8       | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Oct 31–Nov 2  | Domestic institutional investors, etc.         | Domestic roadshow          | Business performance and outlook |
| Oct 31        | Domestic/foreign investors, etc.               | Conference call            | 3Q18 Business results and Q&A    |
| Sep 18        | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Sep 13        | Domestic institutional investors, etc.         | Broker conference          | Business performance and outlook |
| Sep 11–13     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Sep 3–4       | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Aug 20–24     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Jul 31–Aug 10 | Domestic/foreign investors, etc.               | Domestic/overseas roadshow | Business performance and outlook |
| Jul 31        | Domestic/foreign investors, etc.               | Conference call            | 2Q18 Business results and Q&A    |
| Jun 25–26     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Jun 21        | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Jun 21–22     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Jun 18–22     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Jun 4–7       | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Jun 4         | Domestic/foreign investors, etc.               | Investors Forum            | Major business technologies      |
| May 30–31     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| May 25        | Domestic institutional investors, etc.         | Broker conference          | Business performance and outlook |
| May 23        | Domestic institutional investors, etc.         | Broker conference          | Business performance and outlook |
| May 17–18     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| May 14–15     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| May 10        | Domestic/foreign investors, etc.               | KRX IR                     | Business performance and outlook |
| May 8–9       | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Apr 26–30     | Domestic institutional investors, etc.         | Domestic roadshow          | Business performance and outlook |
| Apr 26        | Domestic/foreign investors, etc.               | Conference call            | 1Q18 Business results and Q&A    |
| Mar 19–21     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Mar 15–16     | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Mar 8–9       | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Mar 5–6       | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |
| Jan 31–Feb 9  | Domestic/foreign institutional investors, etc. | Domestic/overseas roadshow | Business performance and outlook |
| Jan 31        | Domestic/foreign investors, etc.               | Conference call            | 4Q17 Business results and Q&A    |
| Jan 8–9       | Foreign institutional investors, etc.          | Broker conference          | Business performance and outlook |

Other than IR events, we provide the contact information (phone number and email address) of the IR team on our website (<https://www.samsung.com/global/ir/ir-resources/contact/>) to enable convenient communication with shareholders.

### Provision of English material

To meet increasing shareholder demand for information, we provide a wide range of in-depth IR material to enhance understanding of and confidence in the Company. We have worked to increase ease of access to necessary and useful information via our user-friendly website, which provides details on public disclosures, IR events, financial information, stock information, corporate governance, etc. Also, our Articles of Incorporation, business reports, financial information, and corporate information materials can be downloaded; and major events are broadcast live on the website as part of our ongoing efforts to help investors access Company information.

All materials are provided on our English website (<https://www.samsung.com/global/ir>) to provide shareholders with easy access to necessary information. We also provide the contact information (phone number and email address) of the IR team on our website (<https://www.samsung.com/global/ir/ir-resources/contact/>) to enable convenient communication for non-Korean shareholders.

Considering we list GDRs on the London Stock Exchange (“LSE”) for common shares and on the Luxembourg Stock Exchange (“LuxSE”) for preferred shares, we submit English disclosures via the LSE system. The Company does not submit a separate English disclosure via the KIND system but provides disclosures on our English website for the convenience of non-Korean shareholders.

- London stock exchange website: <http://www.londonstockexchange.com/>
- English website: <https://www.samsung.com/global/ir/reports-disclosures/public-disclosure/>

### Public disclosure of corporate information

We make disclosures in a timely manner to faithfully provide corporate information to shareholders. Thanks to these efforts, the Company has never received an ‘unfaithful disclosure corporation’ designation. For high-interest information, such as business result and investment plans, we provide disclosures before making an external announcement.

Since 2Q09, the Company has been providing earnings guidance approximately 3 weeks prior to the earnings call to improve investor understanding.

#### <Public disclosure of corporate information>

| Disclosure date | Title/content                          |
|-----------------|--|
| Apr 30, 2019    | 1Q19 Earnings Release                  |
| Apr 5, 2019     | 1Q19 Pre-Earnings Guidance             |
| Jan 31, 2019    | 4Q18 Earnings Release                  |
| Jan 8, 2019     | 4Q18 Pre-Earnings Guidance             |
| Oct 31, 2018    | Announcement of Capex Plan for FY 2018 |
| Oct 31, 2018    | 3Q18 Earnings Release                  |
| Oct 5, 2018     | 3Q18 Pre-Earnings Guidance             |
| Jul 31, 2018    | 2Q18 Earnings Release                  |
| Jul 6, 2018     | 2Q18 Pre-Earnings Guidance             |
| Apr 26, 2018    | 1Q18 Earnings Release                  |
| Apr 6, 2018     | 1Q18 Pre-Earnings Guidance             |
| Jan 31, 2018    | 4Q17 Earnings Release                  |
| Jan 9, 2018     | 4Q17 Pre-Earnings Guidance             |

## Related-party transactions and self-dealing transactions

### Internal control system for related-party and self-dealing transactions

The Company has internal regulations to prevent related-party or self-dealing transactions that are in management’s or a controlling shareholder’s own interests.

In accordance with Article 40 of the Articles of Incorporation, the Board has the authority over approval of related party transactions; and Article 10 Section 3 and Section 4 of the Regulations of the Board provide that approval of related party transactions and approval of transactions between the Company and director shall be approved by the Board.

The Company has voluntarily established the Related Party Transaction Committee to review related party transactions, aiming to enhance corporate transparency by building a compliance system that promotes fair transactions. The Committee, consisting entirely of Independent Directors, conducts preliminary reviews and approves related party transactions that are worth KRW 5 billion or above, and other transactions that are deemed significant. Also, the Committee receives reports on related party transactions with affiliates and can request detailed reports. For related party transactions that materially violate relevant laws or regulations of the Company, the Committee has the right to propose corrective measures to the Board.

In addition, the Board in February 2017 reinforced procedures related to executing external financial donations. We created a review council to conduct preliminary reviews of donations of over KRW 10 million, while donations exceeding KRW 1 billion require the approval of the Board and are voluntarily disclosed. Details of the Company’s donations are reported quarterly to the Audit Committee, which consists entirely of Independent Directors.

## Transactions with stakeholders (affiliates and subsidiaries, etc.)

### ① Credit offerings for affiliates and subsidiaries

Payment guarantees of overseas affiliates for the purpose of operating fund are as below. There has not been a transaction of domestic debt guarantees and securities.

[Unit: USD 1,000]

| Subsidiary                        | Main creditor   | Guarantee expiry date | Transaction (balance) |          |           |            | Guarantee limit | Interest rate | Beginning date |
|-----------------------------------|-----------------|-----------------------|-----------------------|----------|-----------|------------|-----------------|---------------|----------------|
|                                   |                 |                       | Period start          | Increase | Decrease  | Period end |                 |               |                |
| SEA                               | SMBC            | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 1,423,000       |               | Apr 19, 2018   |
| SEM                               | Santander       | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 546,000         |               | Mar 28, 2018   |
| SAMCOL                            | Citibank        | Jun 13, 2019          | 66,939                | 18,723   | 0         | 85,662     | 168,000         | 5.90%         | Jun 14, 2018   |
| SEDA                              | HSBC            | Dec 17, 2019          | 0                     | 0        | 0         | 0          | 769,000         |               | Jun 14, 2018   |
| SECH                              | Citibank        | Dec 16, 2019          | 14,639                | 0        | (14,639)  | 0          | 178,000         |               | Jun 14, 2018   |
| SEPR                              | BBVA            | Jun 13, 2019          | 40,150                | 18,560   | 0         | 58,710     | 180,000         | 3.50%         | Jun 01, 2018   |
| SSA                               | Citibank        | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 323,000         |               | Jun 14, 2018   |
| SEMAG                             | SocGen          | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 110,000         |               | Nov 09, 2018   |
| SETK                              | BNP             | Jun 13, 2019          | 242,345               | 0        | (177,826) | 64,519     | 822,000         | 25.65%        | Jun 14, 2018   |
| SECE                              | Citibank        | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 75,612          |               | Jul 20, 2018   |
| SEEG                              | HSBC*           | Jun 13, 2019          | 0                     | 0        | 0         | 0          | 50,000          |               | Jun 14, 2018   |
| SEIN                              | BNP             | Nov 08, 2019          | 0                     | 0        | 0         | 0          | 186,000         |               | Jun 14, 2018   |
| SJC                               | Mizuho Bank     | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 892,874         |               | Apr 27, 2018   |
| SEUC                              | Credit Agricole | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 150,000         |               | Jun 14, 2018   |
| SEDAM                             | Citibank        | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 371,000         |               | Jun 14, 2018   |
| SELA                              | Citibank*       | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 50,000          |               | Dec 17, 2018   |
| SEEH                              | HSBC            | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 697,288         |               | Jun 14, 2018   |
| SERK                              | BNP             | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 245,000         |               | Jun 14, 2018   |
| SELV                              | Citibank*       | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 10,000          |               | Dec 17, 2018   |
| SAPL                              | BOA             | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 411,000         |               | Jun 14, 2018   |
| SEV                               | SCB*            | Nov 08, 2019          | 0                     | 0        | 0         | 0          | 15,000          |               | Nov 09, 2018   |
| SAVINA                            | SCB             | Nov 08, 2019          | 0                     | 0        | 0         | 0          | 71,000          |               | Jun 14, 2018   |
| SET                               | SCB*            | Nov 08, 2019          | 0                     | 0        | 0         | 0          | 30,000          |               | Nov 09, 2018   |
| SCIC                              | HSBC            | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 350,000         |               | Jun 14, 2018   |
| SME                               | SCB*            | Nov 08, 2019          | 0                     | 0        | 0         | 0          | 110,000         |               | Nov 09, 2018   |
| SAMEX                             | Citibank*       | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 5,000           |               | Dec 17, 2018   |
| SEASA                             | Citibank*       | Dec 16, 2019          | 0                     | 0        | 0         | 0          | 1,000           |               | Dec 17, 2018   |
| SSAP                              | SCB*            | Nov 08, 2019          | 0                     | 0        | 0         | 0          | 30,000          |               | Nov 09, 2018   |
| SEHK                              | HSBC*           | Jun 13, 2019          | 0                     | 0        | 0         | 0          | 2,000           |               | Jun 14, 2018   |
| SEPM                              | HSBC*           | Jun 13, 2019          | 77,419                | 0        | (69,707)  | 7,712      | 7,712           | 3.17%         | Jun 14, 2018   |
| Adgear                            | BOA*            | Nov 08, 2019          | 0                     | 0        | 0         | 0          | 2,000           |               | Nov 09, 2018   |
| Harman Finance International, SCA | JP Morgan       | May 27, 2022          | 417,900               | 0        | (17,799)  | 400,101    | 400,101         | 2.00%         | May 27, 2015   |
| Total                             |                 |                       | 859,392               | 37,283   | (279,971) | 616,704    | 8,681,587       |               |                |

Note: \*Sole creditor

② Acquisitions and disposals of assets with affiliates and subsidiaries

In 2018, the Company sold assets to or purchased assets from affiliates including SCS (Samsung China Semiconductor LLC.) to increase production capacity of such affiliates. Also, the Company acquired assets including facility equipment from affiliates to improve efficiency of domestic production.

[Unit: KRW million]

| Affiliate        | Transaction type    | Transaction date | Date based on         | Asset type        | Amount  | Gain or loss on disposal |
|------------------|---------------------|------------------|-----------------------|-------------------|---------|--------------------------|
| SCS              | Asset sale/purchase | Dec 5, 2018      | Date of sale/purchase | Machinery, etc.   | 172,001 | 100,363                  |
| SESS             | Asset sale/purchase | Dec 23, 2018     | Date of sale/purchase | Machinery, etc.   | 29,197  | 4,282                    |
| Samsung Pay      | Asset purchase      | May 31, 2018     | Date of purchase      | Intangible assets | 17,181  | -                        |
| Innoetics E.P.E. | Asset purchase      | Mar 23, 2018     | Date of purchase      | Intangible assets | 4,857   | -                        |
| SmartThings      | Asset purchase      | Dec 31, 2018     | Date of purchase      | Intangible assets | 4,808   | -                        |
| SEV              | Asset sale/purchase | Dec 18, 2018     | Date of sale/purchase | Machinery, etc.   | 4,457   | 531                      |
| SAS              | Asset sale          | Oct 10, 2018     | Date of sale          | Machinery, etc.   | 4,103   | 2,946                    |
| SEVT             | Asset sale/purchase | Dec 06, 2018     | Date of sale/purchase | Machinery, etc.   | 3,349   | (44)                     |
| Samsung Display  | Asset purchase      | May 31, 2018     | Date of purchase      | Machinery, etc.   | 1,660   | -                        |
| SII              | Asset sale          | Jul 1, 2018      | Date of sale          | Machinery, etc.   | 695     | 609                      |
| TSTC             | Asset purchase      | Sep 18, 2018     | Date of purchase      | Machinery, etc.   | 627     | -                        |
| SEHC             | Asset sale/purchase | Jul 31, 2018     | Date of sale/purchase | Machinery, etc.   | 608     | (15)                     |
| TSEC             | Asset purchase      | Dec 17, 2018     | Date of purchase      | Machinery, etc.   | 552     | -                        |
| SEHZ             | Asset sale/purchase | Dec 10, 2018     | Date of sale/purchase | Machinery, etc.   | 378     | 3                        |
| SESK             | Asset sale          | Jan 23, 2018     | Date of sale          | Machinery, etc.   | 216     | (163)                    |
| TSLED            | Asset purchase      | Nov 24, 2018     | Date of purchase      | Machinery, etc.   | 187     | -                        |
| SEEG             | Asset sale          | Feb 08, 2018     | Date of sale          | Machinery, etc.   | 143     | (117)                    |

③ Business transactions with affiliates and subsidiaries

In 2018, SEC conducted purchase and sales transactions with SSI (Samsung Semiconductor, Inc.), etc.

[Unit: KRW million]

| Subsidiary | Transaction type | Transaction date  | Items/assets               | Transaction value |
|------------|------------------|-------------------|----------------------------|-------------------|
| SSI        | Sales/purchases  | Jan 2018–Dec 2018 | Semiconductors, etc.       | 28,246,766        |
| SEA        | Sales/purchases  | Jan 2018–Dec 2018 | HHPs, home appliance, etc. | 24,183,905        |
| SSS        | Sales/purchases  | Jan 2018–Dec 2018 | Semiconductors, etc.       | 24,032,406        |
| SEVT       | Sales/purchases  | Jan 2018–Dec 2018 | HHPs, etc.                 | 20,521,807        |
| SEV        | Sales/purchases  | Jan 2018–Dec 2018 | HHPs, etc.                 | 16,334,868        |
| SEHZ       | Sales/purchases  | Jan 2018–Dec 2018 | HHPs and TVs, etc.         | 9,468,981         |

④ Transactions with stakeholders other than affiliates and subsidiaries

As of December 31, 2018, the Company's outstanding loan amount is KRW 122.4 billion for obligations related to support for supplier companies for product competitiveness and mutual development as well as home loan and educational expenses for employee welfare. In addition, the Company provides debt guarantees up to KRW 5.2 billion for employees' loans from financial institutions relating to housing rental.

[Unit: KRW million]

| Company              | Relation                     | Account title    | Loans        |          |          |            |
|----------------------|------------------------------|------------------|--------------|----------|----------|------------|
|                      |                              |                  | Transaction  |          |          |            |
|                      |                              |                  | Period start | Increase | Decrease | Period end |
| SEST Co., Ltd., etc. | Partner company              | Short-term loans | 32,212       | 3,898    | 5,223    | 30,887     |
| Bumjin I&D, etc.     | Partner company and employee | Long-term loans  | 96,323       | 80,879   | 85,675   | 91,527     |
| Total                |                              |                  | 128,535      | 84,777   | 90,898   | 122,414    |

## 3. Board of Directors

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### (1) Roles and responsibilities

(Core principle 3) Role and responsibilities of the Board

■ The Board of Directors should establish business goals and strategies for the interests of the corporation and shareholders and supervise management effectively.

(Specific principle 3-①) The Board of Directors should perform the decision-making and supervisory functions effectively.

(Specific principle 3-②) The Board of Directors should establish and implement a policy on the succession of chief executive officers (including an emergency nomination policy) and a policy on internal control systems (risk assessment, compliance, internal accounting management, etc.) and continue to improve these policies.

The Board plays a key role in business management by making strategic decisions on important business matters from a multi-faceted perspective and through its independent oversight of management. The Company operates the Board and supports its activities by establishing an institutional framework such as the Articles of Incorporation and Regulations of the Board of Directors.

### Support for Board activities

The Company's HR Team supports overall Board activities by holding Board meetings efficiently and in line with the annual business schedule, providing meeting materials sufficiently in advance to give each director time to review meeting agendas, etc. For Independent Directors, we provide additional briefings about meeting agendas and coordinate their opinions prior to the meeting if necessary to ensure that the most appropriate agenda is discussed and resolved at Board meetings.

Major support for Board activities include:

- Support operation of general meeting, Board activities, and Board committee activities
- Provide training and operational support for Independent Directors
- Build database about candidates for Board members
- Provide information to each director for Board resolutions
- Support operational tasks for Board meetings
- Record Board meetings and committee meetings

### Matters to be resolved

The Board makes resolutions on matters provided for by the relevant laws or the Articles of Incorporation, matters delegated by a general meeting of shareholders, and important matters related to the Company's management policies and business operations. In accordance with Article 10 of the Regulations of the Board of Directors, matters to be submitted to the Board are as follows:

1. Convocation of a general meeting of shareholders and matters to be submitted to the meetings
  - Convocation of a general meeting of shareholders
  - Approval of business reports and financial statements
  - Amendment to the Articles of Incorporation
  - Reduction of capital
  - Dissolution, merger, and continuance of the Company
  - Transfer of the whole or an important part of the Company's business, or acquisition of the whole or an important part of other companies that has a material impact on the Company's business
  - Conclusion, alteration, or rescission of contracts regarding leasing the whole business, giving a mandate to manage such business or sharing with another party the entire profits and losses from the business or any similar contract
  - Ex post facto incorporation
  - Appointment or dismissal of directors
  - Issuance of stock below par value
  - Exemption of director's liabilities
  - Dividends
  - Decision to offer stock options
  - Remuneration of directors
  - Election of chairman of the general meeting of shareholders (in the case when the Board is required



- to appoint the chairman of the meeting)
  - Appointment of a person to convoke the general meeting of shareholders (in the case when the Board is required to appoint the chairman of the meeting)
  - Other matters to submit to the general meeting of shareholders
2. Matters related to management
- Establishment of basic principles of the Company's management
  - Approval of management plans, quarterly reports, and semi-annual reports
  - Appointment or dismissal of compliance officers, and establishment, revision, or abolishment of compliance guidelines
3. Matters related to assets or financial affairs
- Transfer of legal reserve to capital
  - Matters related to issuance of shares
    - Issuance of new shares
    - Issuance of convertible bonds and bonds with rights to subscribe for new shares
  - Acquisition, disposition, or retirement of treasury stocks
  - Approval of related party transactions, etc.
    - Transactions made with related parties as defined in the Monopoly Regulation and Fair Trade Act or large-scale internal transactions for related parties as designated in Article 11-2 of the Act
    - Transactions listed in Article 542-9 Section 3 of the Commercial Act with majority shareholders (including their related parties) or related parties (excluding transactions of which the total value has been approved by the Board, in accordance with Section 5 Clause 2 of the Article)
  - Decision to offer stock options (excluding directors)
  - Investment in or disposal of equity in other subsidiaries with a value of 2.5% of the total equity
  - Direct overseas investments with a value of over 2.5% of the total equity
  - Asset revaluation
  - Stock split or reverse split
  - Material changes of accounting standards
  - New debt guarantees or collateral issuances with a value of over 2.5% of the total equity
    - Collateral: Only in the case of providing collateral for others
    - Guarantee: Excludes performance guarantee (e.g., bid, contract, defect, difference guarantee) and tax payment guarantee
  - Loan contract with a value of over 5% of the total equity
  - Listing of its securities on overseas stock exchange
  - Important matters when setting up or withdrawing from a fund for stock buyback
  - Shares forfeited in a capital increase
  - Provisional payment or loan with a value of over 0.5% of the total equity
  - Donation, contribution, or sponsorship of over KRW 1 billion per year
4. Matters related to the Board, Board committees, councils, etc.
- Approval of director holding a position in another company of a competitive and/or similar business field to the Company, and approval of transactions between a director and the Company
  - Appointment of the chairman of the Board
  - Appointment of the CEO and decision to appoint of co-CEOs
  - Appointment and removal of directors to positions and responsibilities
  - Establishment of committees and appointment or removal of committee members
5. Others
- Amendment and abolishment of the Regulations of the Board of Directors and the regulations of each committee
  - Other matters provided for by relevant laws and regulations or the Articles of Incorporation, matters delegated by general meeting of shareholders, and matters deemed necessary by the CEO

## Delegation of authority

The Board can establish committees under the Board and delegate certain responsibilities to the committees in accordance with Article 28-2 of the Articles of Incorporation and Article 11-2 of the Regulations of the Board of Directors, except as otherwise stipulated by relevant laws. Each agenda approved by the Board committees is notified to all Directors, and a Director may call for the convocation of a Board meeting to the chairman of the board to have the resolution approved by the Board if deemed necessary. However, agendas approved by the Audit Committee are excluded to ensure the Committee's independence. Matters resolved at Board meetings are executed by the Company's relevant departments led by the Company's CEO.



## CEO succession plan

The Company's CEOs must possess excellent management skills, have abundant experience and knowledge, and set a clear vision for the Company. Considering these qualities cannot be developed within a short period of time, we operate a system to nurture potential candidates and to systematically expand their roles based on high-level evaluation processes and training strategies. In order to make provisions for unexpected events or changes in the business environment, we manage a pool of candidates from various backgrounds, and with the cooperation of other divisions (such as the HR team), we carry out personnel changes or new appointments when deemed necessary. From the pool, the Board nominates candidates who best meet the requirements in terms of expertise and leadership for the position of Executive Director to be presented and voted on at a general meeting of shareholders. The CEO is elected by a Board resolution in accordance with Article 389 of the Commercial Act, Article 24 of the Articles of Incorporation, and Article 10 of the Regulations of the Board of Directors.

## Risk management

A company's operation is continuously exposed to myriad risks that can occur under a changing business environment, which include uncertainties related to the business, finance, environmental safety, and labor. These risks are managed at a fundamental level, and they are addressed by relevant departments in the Company. However, issues of great importance need be supervised by the Board.

The Company's Governance Committee (formerly the CSR Committee) recognizes risks related to corporate social responsibility as important matters to manage and pursues ways to better address such risks. As a result, the Company in July 2016 created the CSR Risk Management Council to operate under the Governance Committee. The Council supervises the internal management system to address CSR risks and discusses ways to resolve any issues. To ensure the integrity of the process, all Independent Directors and relevant organizations, including the Global Public Affairs team, participate in the Council.

Risks related to finance are managed by the Company's financial management team under the supervision of the Audit Committee. We do not operate a separate Risk Management Council, which is a mandatory requirement for financial companies.

## Compliance and disclosure

In accordance with Article 542-13 of the Commercial Act and Article 10 of Regulations of the Board of Directors, the Company has established compliance standards and appointed a compliance officer. The Compliance Officer reports to the Board whether employees' activities meet compliance requirements. In accordance with the Board Resolution at March 2018, the head of the Corporate Compliance Team serves as the Compliance Officer.

The IR Team and the Finance and Accounting Team are in charge of public disclosure. Relevant organizations reviews required disclosures in a weekly basis through the internal disclosure management system.

## Internal accounting management

In order to ensure credibility in the Company's financial information and disclosures, we operate an internal accounting management system based on an internal accounting management regulation established in accordance with Article 8 of the Act on External Audit of Stock Companies. In accordance with internal regulations, we have established a department which oversees the internal accounting management system activities and a department which supports tasks of the Audit Committee such as assessment of the internal accounting management system. Also, CEOs conduct an annual review on the effectiveness of the internal accounting management system and report the results at the general meeting of shareholders.

## (2) Board composition

(Core principle 4) Composition of the Board

■ The Board of Directors should be constituted to enable efficient decision-making and oversight of management. Directors should be appointed in a transparent manner to reflect the opinions of shareholders.

(Specific principle 4-①) The Board of Directors should be composed in a way that facilitates effective and prudent discussions and decision-making and include an adequate number of Independent Directors to ensure supervisory functions are conducted independently from management and controlling shareholders.

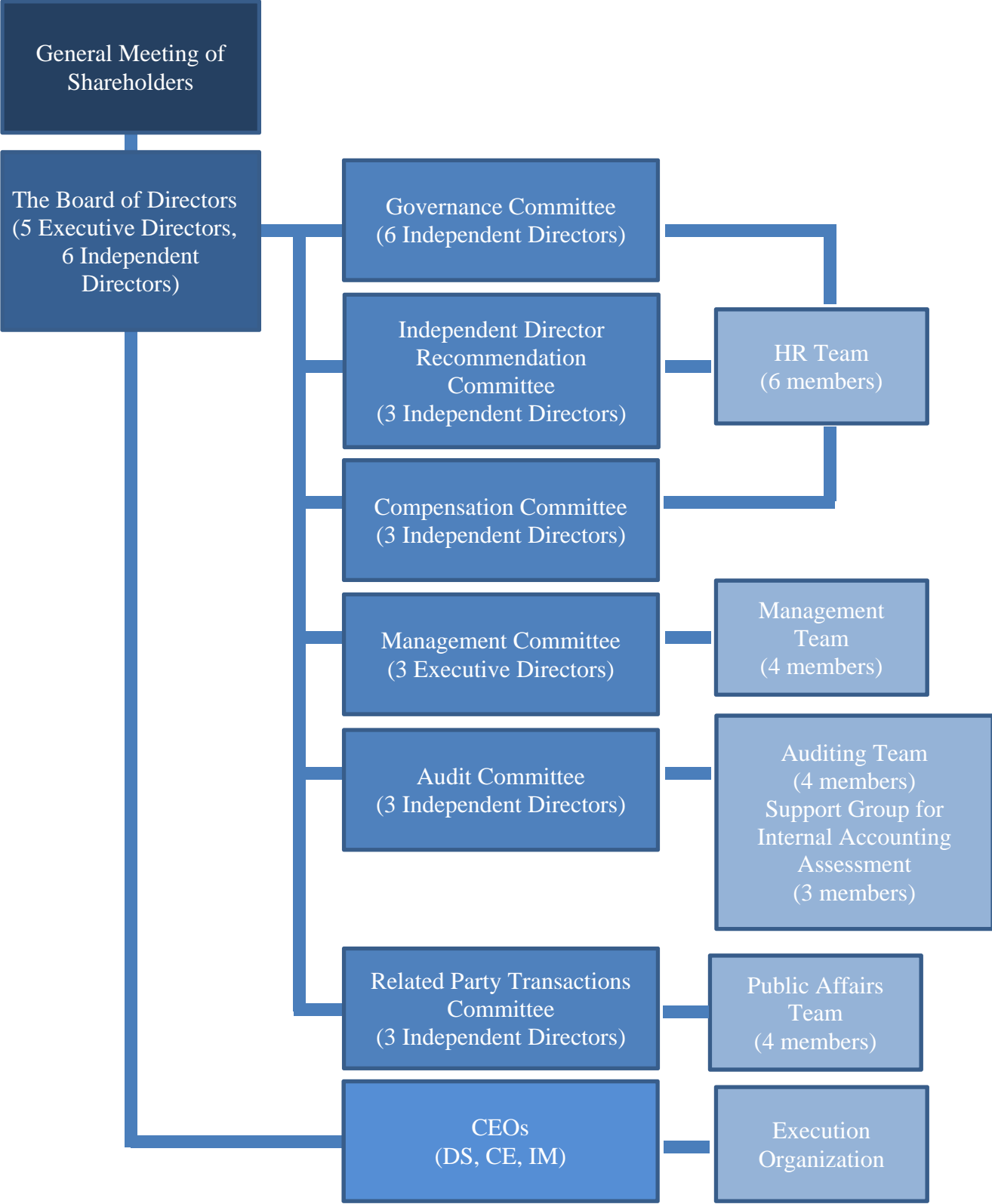
(Specific principle 4-②) The Board of Directors should consist of responsible and competent individuals who can contribute their professional expertise to the Company's business.

(Specific principle 4-③) Fairness and independence should be ensured in the recommendation and appointment process of Directors.

(Specific principle 4-④) A person should not be appointed as a Director if he or she is accountable for damage to corporate value or an infringement upon shareholder rights.

### Organization of support teams for the Board

A general meeting of shareholders is one of the Company's highest decision-making body. It decides on and approves important issues concerning the Company's management, including the election of Directors, amendments to the Articles of Incorporation, approval of financial statements, etc. The Board makes resolutions on matters provided for by the relevant laws and regulations or the Articles of Incorporation, on matters delegated by a general meeting of shareholders, and on important matters concerning basic policies and execution of the Company's business. To increase efficiency of Board activities, the Board supervises and delegates authority to six committees, with related departments tasked in a supporting role. The three Chief Executives appointed by the Board represent the three mainstay business divisions and manage the overall operations of the units.



## Board Composition

The Board shall have at least three but no more than fourteen Directors, in accordance with Article 24 of the Articles of Incorporation. While having more than three Directors is in accordance with Article 383 of the Commercial Act, we believe, considering the size of the company, that the maximum number should not exceed fourteen to ensure efficient decision-making at and management of meetings. As of 2019, the Board consisted of eleven Directors, of which six are Independent Directors. This meets the requirement of Article 542-8 of the Commercial Act, which states that a company shall have at least three Independent Directors and that Independent Directors shall constitute a majority of the Board. Following a Board resolution at the AGM held on March 2018, the roles of CEO and Chairman of the Board have been separated to enhance independence of the Board.

Expertise of each Director is crucial for the Board to make strategic decisions. To that end, heads of each business divisions participate as Executive Directors to practice responsible management. Alongside our Executive Directors, Independent Directors, who are experts in a variety of fields, oversee business management from a balanced and independent perspective. The Company encourages diversity and does not limit Independent Director positions by nationality, gender, etc., to ensure the Board makes business decisions from a balanced perspective.

The Board is built on expertise, independence, and diversity and makes its utmost effort to contribute to business results.

The list of Directors as of the reporting date is as follows.

### < Directors of Samsung Electronics >

| Name            | Position/role   | Term  | Expertise                     | Career   |
|-----------------|---|---|-------------------------------|--|
| Sang-Hoon Lee   | Executive Director<br>• Board Chairman  | Mar 23, 2018–<br>Mar 22, 2021                     | Business support              | • Chairman of the Board<br>• Former Head of Corporate Management Office  |
| Jae-Yong Lee    | -   | Oct 27, 2016–<br>Oct 26, 2019                     | Business strategy             | • Vice Chairman  |
| Ki-Nam Kim      | Executive Director & CEO<br>• Head of Management Committee  | Mar 23, 2018–<br>Mar 22, 2021                     | DS Division                   | • Vice Chairman & CEO; Head of DS division   |
| Hyun-Suk Kim    | Executive Director & CEO<br>• Management Committee  | Mar 23, 2018–<br>Mar 22, 2021                     | CE Division                   | • President & CEO; Head of CE division   |
| Dong-Jin Koh    | Executive Director & CEO<br>• Management Committee  | Mar 23, 2018–<br>Mar 22, 2021                     | IM Division                   | • President & CEO; Head of IM division   |
| Jae-Wan Bahk    | Independent Director<br>• Head of Audit Committee<br>• Related Party Transactions Committee<br>• Compensation Committee<br>• Head of Governance Committee | Mar 11, 2016–<br>Mar 10, 2022<br>(in second term) | Public sector, finance        | • Professor of public administration at Sungkyunkwan University<br>• Former Minister of Economy and Finance                                    |
| Sun-Uk Kim      | Independent Director<br>• Audit Committee<br>• Head of Related Party Transactions Committee<br>• Governance Committee                                     | Mar 23, 2018–<br>Mar 22, 2021                     | Law                           | • Professor Emeritus of School of Law at Ewha Womans University<br>• Former Minister of Government Legislation                                 |
| Byung-Gook Park | Independent Director<br>• Independent Director Recommendation Committee<br>• Compensation Committee<br>• Governance Committee                             | Mar 23, 2018–<br>Mar 22, 2021                     | Semiconductor                 | • Professor of electrical engineering at Seoul National University<br>• Former President of Institute of Electronics and Information Engineers |
| Jeong Kim       | Independent Director<br>• Head of Independent Director Recommendation Committee<br>• Compensation Committee<br>• Governance Committee                     | Mar 23, 2018–<br>Mar 22, 2021                     | IT, business management       | • President of Kiswe Mobile<br>• Former president of Alcatel-Lucent, Bell Lab  |
| Curie Ahn       | Independent Director<br>• Independent Director Recommendation Committee<br>• Governance Committee   | Mar 20, 2019–<br>Mar 19, 2022                     | Medicine, social contribution | • Professor of Nephrology at Seoul National University<br>• Director of Raphael International  |
| Han-Jo Kim      | Independent Director<br>• Audit Committee<br>• Related Party Transactions Committee<br>• Governance Committee   | Mar 20, 2019–<br>Mar 19, 2022                     | Finance, social contribution  | • Chairman of Hana Foundation<br>• Former Vice-Chairman of Hana Financial Group  |

< Director appointment and status changes since 2017 (as of the reporting date)>

|                       | Name            | Date of appointment | Date of term expiration | Date of status change | Reason for status change | Current status |
|-----------------------|-----------------|---------------------|-------------------------|-----------------------|--------------------------|----------------|
| Executive Directors   | Oh-Hyun Kwon    | Mar 16, 2012        | Mar 23, 2018            | Mar 23, 2018          | Retirement               | Non-director   |
|                       | Boo-Keun Yoon   | Mar 15, 2013        | Mar 14, 2019            | Mar 23, 2018          | Resignation              | Non-director   |
|                       | Jong-Kyun Shin  | Mar 15, 2013        | Mar 14, 2019            | Mar 23, 2018          | Resignation              | Non-director   |
|                       | Sang-Hoon Lee   | Mar 23, 2018        | Mar 22, 2021            | Mar 23, 2018          | Appointment              | Incumbent      |
|                       | Ki-Nam Kim      | Mar 23, 2018        | Mar 22, 2021            | Mar 23, 2018          | Appointment              | Incumbent      |
|                       | Hyun-Suk Kim    | Mar 23, 2018        | Mar 22, 2021            | Mar 23, 2018          | Appointment              | Incumbent      |
|                       | Dong-Jin Koh    | Mar 23, 2018        | Mar 22, 2021            | Mar 23, 2018          | Appointment              | Incumbent      |
| Independent Directors | In-Ho Lee       | Mar 19, 2010        | Mar 20, 2019            | Mar 20, 2019          | Retirement               | Retired        |
|                       | Han-Joon Kim    | Mar 16, 2012        | Mar 23, 2018            | Mar 23, 2018          | Retirement               | Retired        |
|                       | Byeong-Gi Lee   | Mar 16, 2012        | Mar 23, 2018            | Mar 23, 2018          | Retirement               | Retired        |
|                       | Kwang-Soo Song  | Mar 15, 2013        | Mar 20, 2019            | Mar 20, 2019          | Retirement               | Retired        |
|                       | Jae-Wan Bahk    | Mar 11, 2016        | Mar 10, 2022            | Mar 20, 2019          | Reappointment            | Incumbent      |
|                       | Sun-Uk Kim      | Mar 23, 2018        | Mar 22, 2021            | Mar 23, 2018          | Appointment              | Incumbent      |
|                       | Byung-Gook Park | Mar 23, 2018        | Mar 22, 2021            | Mar 23, 2018          | Appointment              | Incumbent      |
|                       | Jeong Kim       | Mar 23, 2018        | Mar 22, 2021            | Mar 23, 2018          | Appointment              | Incumbent      |
|                       | Curie Ahn       | Mar 20, 2019        | Mar 19, 2022            | Mar 20, 2019          | Appointment              | Incumbent      |
|                       | Han-Jo Kim      | Mar 20, 2019        | Mar 19, 2022            | Mar 20, 2019          | Appointment              | Incumbent      |

## Composition of Board Committees

| Committee (number of members)   | Members  | Responsibilities   | Notes  |
|---|--|--|--|
| Management Committee (3 Executive Directors)                            | <b>Ki-Nam Kim</b><br>Hyun-Suk Kim<br>Dong-Jin Koh  | • Make resolutions on matters concerning the Company's business and finance and matters provided delegated by the Board  |  |
| Independent Director Recommendation Committee (3 Independent Directors) | <b>Jeong Kim</b><br>Byung-Gook Park<br>Curie Ahn   | • Assess the independence, diversity, and ability of potential candidates for Independent Director positions.<br>• Recommend candidates to the Board   |  |
| Audit Committee (3 Independent Directors)                               | <b>Jae-Wan Bahk</b><br>Sun-Uk Kim<br>Han-Jo Kim  | • Review and audit matters concerning management of the Company, including oversight of the Company's financial situation  |  |
| Related Party Transactions Committee (3 Independent Directors)          | <b>Sun-Uk Kim</b><br>Jae-Wan Bahk<br>Han-Jo Kim  | • Voluntarily comply with fair transaction regulations to enhance corporate transparency   |  |
| Compensation Committee (3 Independent Directors)                        | Jae-Wan Bahk<br>Byung-Gook Park<br>Jeong Kim   | • Ensure objectivity and transparency of the decision-making process for Director compensation   | Head to be appointed at next committee meeting |
| Governance Committee (6 Independent Directors)                          | <b>Jae-Wan Bahk</b><br>Sun-Uk Kim<br>Byung-Gook Park<br>Jeong Kim<br>Curie Ahn<br>Han-Jo Kim | • Established in April 2017 (expanding the role of the CSR committee)<br>• Promote the Company's corporate social responsibility and act to enhance shareholder value<br>• CSR Risk Management Council (under the Governance Committee); supervise the internal management system to address CSR-related risks and discuss ways to resolve relevant issues |  |

Note: Head of committee in bold

## Election of Directors

A Director is elected by a resolution of a general meeting of shareholders, in accordance with Article 382 of the Commercial Act. Executive Director candidates are nominated by the Board and Independent Directors are elected from candidates recommended by the Independent Director Recommendation Committee, according to Article 542-8 of the Commercial Act. In case two or more Directors are appointed, the cumulative voting system provided for in Article 382-2 of the Commercial Code is not applied. The Independent Director Recommendation Committee is a committee under the Board who, after in-depth reviews, recommends Independent Director candidates to be presented at a general meeting of shareholders. The Committee consists entirely of Independent Directors. This meets requirements of Article 542-8 of the Commercial Act, which states that Independent Directors must constitute a majority to ensure the Committee's independence and transparency and that it duly recommends candidates.

A candidate for Independent Director needs to meet the requirements of relevant laws and the Articles of Incorporation, have no material interests with the Company, and be able to fulfill the roles and responsibilities of supervising management from an independent position. The Independent Director Recommendation Committee selects candidates who meet relevant requirements and have abundant knowledge and expertise in areas including business management, economics, accounting, law, technology, etc. Candidates who can independently add a diverse perspective to the Board, regardless of ethnicity, nationality, gender, region of origin, religion, or area of specialty, will have primary consideration.

On the day the Board makes the resolution for convocation, the Company discloses general meeting agendas including details of the meeting and information on Director candidates. We provide the convocation notice and reference material via the DART system (<http://dart.fss.or.kr>) and also send reference material via mail to all shareholders at least two weeks prior to the AGM in accordance with Article 363 of the Commercial Act and Article 17-3 of the Articles of Incorporation.

<Provision of information on Director Candidates since 2018 (as of the reporting date)>

| Date of provision                      | Date of AGM  | Director candidate            | Details  | Note   |
|--|--------------|-------------------------------|--|--|
| Feb 23, 2018<br>(28 days prior to AGM) | Mar 23, 2018 | Sang-Hoon Lee (Executive)     | 1.Date of birth, educational background, career<br>2.Independence (relation to the Company)<br>3.Recommender | Convocation notices include activities of Independent Directors. |
|  |              | Ki-Nam Kim (Executive)        |  |  |
|  |              | Hyun-Suk Kim (Executive)      |  |  |
|  |              | Dong-Jin Koh (Executive)      |  |  |
|  |              | Jeong Kim (Independent)       |  |  |
|  |              | Sun-Uk Kim (Independent)      |  |  |
| Feb 26,2019<br>(22 days prior to AGM)  | Mar 20, 2019 | Byung-Gook Park (Independent) |  |  |
|  |              | Jae-Wan Bahk (Independent)    |  |  |
|  |              | Han-Jo Kim (Independent)      |  |  |
|  |              | Curie Ahn (Independent)       |  |  |

※ Convocation notice is sent to all rightful shareholders at least 14 days prior to the AGM.

In accordance with Article 542-6 of the Commercial Act, shareholders holding 0.5% or more of the shares outstanding (excluding shares not carrying voting rights) over the previous six months have a right to propose agenda items for a general meeting of shareholders, including the nomination of Directors, via written or electronic form, at least six weeks prior to the AGM for the previous fiscal year.

The Board shall accept the proposal as an agenda item of a general meeting of shareholders, state the item in the notice of convocation of the meeting, except where such proposal is in violation of laws or the Articles of Incorporation, or where it is subject to the rejection of a shareholder proposal as stipulated in Article 12 of the Enforcement Degree of the Commercial Act. When requested by the shareholder who made the proposal, the details of the agenda item shall be stated in the notice of the meeting, and the shareholder will be given the opportunity to present the proposal at the meeting.

We listen closely to the opinions of our shareholders and stakeholders. Aside from the established requirements for shareholder proposals, we are continuing to improve the value of the Company and our shareholders by bringing together diverse views and opinions.

## Other information

When appointing executive members, in principle, we exclude any members who have damaged corporate value, violated shareholder rights, or committed embezzlement and dereliction of duty. In accordance with Article 408-2 of the Commercial Act, we seek to maximize efficiency by delegating the responsibilities of decision making, management supervision, and business execution to the Board, which includes the CEOs, instead of adopting an Executive officer system.

### (3) Roles of Independent Directors

(Core principle 5) Responsibilities of Independent Directors

■ An Independent Director should be able to participate in decision making of important business matters and perform supervision of the management with independence.

(Specific principle 5-①) An Independent Director should not have a material relationship with the concerned corporation. When appointing a Director, the corporation must confirm his/her relation with the corporation.

#### Relation with the Company

Independent Directors must meet all requirements set forth in Article 382 and Article 542-8 of the Commercial Act and Article 24 of the Company's Articles of Incorporation. In addition to the legal requirements, we have a number of criteria to meticulously review a candidate's independence, expertise, and experience in order to determine the most appropriate nominee.

Independent Directors should be independent from the Company. We conduct review on each candidate's relation with the Company and any candidate with an independence issue is excluded. Even after appointment, an Independent Director who meets disqualification criteria in accordance with Article 542-8 of the Commercial Act shall lose his or her position. We review the independence of each Independent Director on a regular basis.

<Relationship between Independent Directors and the Company and its subsidiaries/affiliates>

| Name            | Employment by the Company |                      | Transactions with Company in past three years |                      |
|-----------------|---------------------------|----------------------|---|----------------------|
|                 | SEC                       | Subsidiary/affiliate | SEC   | Subsidiary/affiliate |
| Jae-Wan Bahk    | None                      | None                 | None  | None                 |
| Sun-Uk Kim      | None                      | None                 | None  | None                 |
| Byung-Gook Park | None                      | None                 | None  | None                 |
| Jeong Kim       | None                      | None                 | None  | None                 |
| Curie Ahn       | None                      | None                 | None  | None                 |
| Han-Jo Kim      | None                      | None                 | None  | None                 |

The term of Independent Directors is three years as it is for Executive Directors. The years of service of each Independent Director as of the reporting date is presented below.

<Years of service of Independent Directors and reason for long-term service>

| Name            | Period of service (as of end-May) | Reason for serving for more than six years |
|-----------------|-----------------------------------|--|
| Jae-Wan Bahk    | 3 years and 3 months              | N/A  |
| Sun-Uk Kim      | 1 year and 3 months               | N/A  |
| Byung-Gook Park | 1 year and 3 months               | N/A  |
| Jeong Kim       | 1 year and 3 months               | N/A  |
| Curie Ahn       | 3 months                          | N/A  |
| Han-Jo Kim      | 3 months                          | N/A  |



(Specific principle 5-②) Independent Directors should allot sufficient time and effort to performing their duties. The Company should provide Independent Directors with sufficient information and required resources to perform their duties.

## Independent Directors performing duties

The Company operates a variety of programs to help Independent Directors fulfill their responsibilities.

The HR Team is in charge of overall tasks related to Board activities and supports the Board to ensure that the most appropriate agenda is discussed and resolved at the Board meeting. Independent Directors prepare themselves thoroughly to participate in Board activities, which includes reviewing provided information for decision making, discussions, etc. Independent Directors make decisions independently but after full discussion with other Directors. When they participate as members of the Board or its committees, Independent Directors are able to receive support from outside experts, if required.

Independent Directors must have a comprehensive understanding of the Company to make efficient decisions. The Company operates programs (other than Board meetings) that can help enhance understanding of our business operations. We offer orientation programs for newly appointed Independent Directors to facilitate their understanding of the Company and its business operations. Alongside regular visits to domestic and overseas sites and presentations on management plans, we also report major issues as they occur to all Independent Directors. Moreover, Independent Directors are encouraged to attend meetings with institutional investors to communicate and exchange ideas. Through these programs, we ensure that Independent Directors have all the necessary information to carry out their duties.

Aside from meetings with the Company's management, sessions only attended by Independent Directors are arranged to facilitate a candid exchange of opinions on important matters, including ways to enhance shareholder value.

< Meeting sessions only attended by Independent Directors >

| Type    | Date         | Attendance | Topics/details  | Note                                       |
|---------|--------------|------------|---|--|
| Regular | Feb 23, 2018 | 4 of 5     | · Report on IR activities<br>· Report on CSR Risk Management Council agenda items   | First Governance Committee Meeting (2018)  |
| Regular | Apr 26, 2018 | 6 of 6     | · Appointment of the head of committee<br>· Report on IR activities<br>· Report on CSR Risk Management Council agenda items | Second Governance Committee Meeting (2018) |
| Regular | Jul 31, 2018 | 6 of 6     | · Report on IR activities   | Third Governance Committee Meeting (2018)  |
| Regular | Oct 31, 2018 | 6 of 6     | · ERP system upgrade  | Fourth Governance Committee Meeting (2018) |
| Regular | Apr 30, 2019 | 6 of 6     | · Appointment of the head of committee  | First Governance Committee Meeting (2019)  |

※ Unofficial meetings are not included

Independent Directors are permitted to hold concurrent positions, but their present position should be limited to director, executive officer, or auditor of one company besides SEC, in accordance with Article 34 of the Enforcement Decree of the Commercial Act. Concurrent Position of Independent Directors as of the reporting date is presented below.



<Concurrent Position of Independent Directors>

| Name                   | Date of appointment | Date of term expiration | Current occupation   | Concurrent position       |                                |                 |                   |
|------------------------|---------------------|-------------------------|--|---------------------------|--------------------------------|-----------------|-------------------|
|                        |                     |                         |  | Organization              | Position                       | Time of service | Listed / unlisted |
| Jae-Wan Bahk (auditor) | Mar 11, 2016        | Mar 10, 2022            | Professor of public administration at Sungkyunkwan University    | Lotte Shopping            | Independent Director (auditor) | Mar 2016~       | Listed            |
| Sun-Uk Kim (auditor)   | Mar 23, 2018        | Mar 22, 2021            | Professor Emeritus of School of Law at Ewha Womans University    | Posco TJ Park Foundation  | Chief Director                 | Feb 2016~       | N/A               |
| Byung-Gook Park        | Mar 23, 2018        | Mar 22, 2021            | Professor of electrical engineering at Seoul National University | Seoul National University | Professor                      | 1994~           | N/A               |
| Jeong Kim              | Mar 23, 2018        | Mar 22, 2021            | President of Kiswe Mobile  | Kiswe Mobile              | President                      | 2013~           | N/A               |
| Curie Ahn              | Mar 20, 2019        | Mar 19, 2022            | Professor of Nephrology at Seoul National University             | Raphael Nanum Foundation  | Director                       | Jun 2015~       | N/A               |
|                        |                     |                         |  | Vital-Link                | Chief Director                 | Oct 2017~       | N/A               |
|                        |                     |                         |  | Raphael International     | Chief Director                 | Apr 2018~       | N/A               |
| Han-Jo Kim (auditor)   | Mar 20, 2019        | Mar 19, 2022            | Chairman of Hana Foundation                                      | Hana Foundation           | Chief Director                 | Apr 2019~       | N/A               |

## (4) Evaluation of Independent Directors

(Core principle 6) Evaluation of Independent Directors

■ Activities of Independent Directors should be evaluated fairly, and the evaluation results should be reflected appropriately in remuneration and reappointment decisions to encourage active participation.

(Specific principle 6-①) Independent Directors should be evaluated based on their individual performance and remuneration should be determined at an appropriate level, reflecting the responsibilities of and the risk associated with the role, and the time invested in performing the duties.

### Evaluation of Independent Directors

Evaluations of Independent Directors are conducted every year in accordance with internal guidelines to measure the performance of each Director in areas such as attendance rate, contributions, and independence. The Company does not conduct separate external evaluations. The results are used to better support Independent Directors in performing their duties and to review whether the composition of the Board and its committees are appropriate. This is ultimately aimed at improving the efficiency of the Board.

(Specific principle 6-②) The evaluation results of Independent Directors should be used as the basis for determining their remuneration and reappointment.

### Remuneration of Independent Directors

In accordance with Article 388 of the Commercial Act, Article 34 of the Articles of Incorporation, and Article 10 of the Regulations of the Board, the ceiling on Independent Director remuneration is determined by a resolution at a general meeting of shareholders. The Compensation Committee deliberates over a reasonable remuneration limit to be submitted at the general meeting of shareholders, and the remuneration is later determined within the limits set at the meeting.

Under Company policy, an Independent Director's remuneration is not tied to his or her performance. Rather, it is predetermined in order to avoid any inhibitions that may impede participation if compensation is based on performance. Remuneration of Independent Directors is limited to base salary for the time invested in performing their duties and business-related expenses; and it does not include stock options.

## (5) Board Operation

(Core principle 7) Board operation

■ Board meetings should be operated in an efficient and reasonable manner to serve the interests of the corporation and shareholders.

(Specific principle 7-①) Board Meetings should be held regularly. Regulations on the operation of the Board of Directors should be established where the Board's rights and responsibilities along with its operational procedures are specifically stated.

(Specific principle 7-②) The Board of Directors should prepare detailed minutes of every Board meeting and disclose the attendance and voting records of each Director.

### Convocation and operation of meetings of the Board of Directors

In accordance with Article 7 of Regulations of the Board of Directors, Board meetings are categorized as either regular board meetings held every quarter or special meetings that are held on an ad-hoc basis. The Board plans regular meetings at the beginning of the year and holds seven to eight regular meetings each year for matters such as approving quarterly financial statements and convening the AGM. A special or extraordinary meeting can be called when deemed necessary. In accordance with Article 30 of the Articles of Incorporation and Article 8 of the Regulations of the Board of Directors, a meeting of the Board shall be convened by the Chairman of the Board, and the Chairman shall give notice to each Director of the date, time, place, and meeting agenda at least 24 hours prior to the meeting. Directors may request the Chairman to convene a Board meeting when deemed necessary in the performance of duties; and they shall explain the agenda and reasons for such action to the Chairman. If the Chairman rejects a meeting request without a valid reason, the Director who made the request may convene a meeting directly.

In accordance with Article 31 of the Articles of Incorporation and Article 9 of the Regulations of the Board of Directors, the presence of a majority of all Directors shall constitute a quorum for a meeting of the Board and the resolutions of the Board shall be adopted by a majority of the votes of the Directors attending the meeting. In accordance with Article 391 of the Commercial Act, the Board may adopt a resolution without all or some of the Directors being present at the meeting in person if they are present by means of a remote communications system that enables the simultaneous transmission and receipt of the voice of the Directors. In such cases, the relevant Directors shall be deemed as being directly present at the meeting. According to Article 9 of the Regulations of the Board of Directors, voting rights of a Director who has a special interest in the agenda item shall be limited in order to eliminate the possibility of conflict of interest.

The Board prepares minutes of the proceedings and results of the meeting. Names and signatures of all Directors present are affixed to the minutes and then distributed to all Directors to ensure transparency of the decision-making process. The minutes include opinions of individual Directors, those opposed to the agenda, and the reasons for such opposition, if necessary. We do not prepare voice recordings besides the minutes. The outcomes of the Board meetings, attendance rate of each Director, and voting results are disclosed through business reports on a quarterly basis.

### Meetings of the Board of Directors

In 2018, the Board held 8 meetings (7 regular meetings, 1 special meeting)

| Type    | Date   | Notice | Attend. | Agenda item   | Type          | Result   |
|---------|--------|--------|---------|---|---------------|----------|
| Regular | Jan 31 | Jan 29 | 8/9     | Approval of FY17 financial statements and annual business report  | Resolution    | Approved |
|         |        |        |         | Royalty income from Samsung Medison   | Resolution    | Approved |
|         |        |        |         | Approval of plan for 2018 charitable contributions  | Resolution    | Approved |
|         |        |        |         | Charitable contribution to Samsung Dream Scholarship Foundation   | Resolution    | Approved |
|         |        |        |         | Stock split of issued shares  | Resolution    | Approved |
|         |        |        |         | Report on the internal accounting management system   | Reported item | -        |
|         |        |        |         | Assessment of the internal accounting management system   | Reported item | -        |
| Regular | Feb 23 | Feb 22 | 7/9     | Decision to convene the 49th AGM  | Resolution    | Approved |
|         |        |        |         | - Decisions on the 49th AGM agenda items<br>- Reported Items: ① FY17 annual audit report<br>② FY17 annual business report | Resolution    | Approved |

|         |        |        |       |  |               |          |
|---------|--------|--------|-------|--|---------------|----------|
|         |        |        |       | <ul style="list-style-type: none"> <li>- Item 1: Approval of FY17 financial statements, including balance sheet, income statement, and the statement of appropriation of retained earnings (draft), etc.</li> <li>- Item 2: Appointment of Directors <ul style="list-style-type: none"> <li>Item 2-1: Appointment of Independent Directors</li> <li>Item 2-2: Appointment of Executive Directors</li> <li>Item 2-3: Appointment of Audit Committee member</li> </ul> </li> <li>- Item 3: Approval of remuneration limit for Directors</li> <li>- Item 4: Stock split of issued shares and Revision of relevant articles</li> </ul> |               |          |
|         |        |        |       | Test facility development contract and supply transaction with Samsung Display   | Resolution    | Approved |
|         |        |        |       | Donation to Chungnam Samsung Academy   | Resolution    | Approved |
| Regular | Mar 23 | Mar 21 | 10/11 | Appointment of Board Chairman  | Resolution    | Approved |
|         |        |        |       | Appointment of CEO   | Resolution    | Approved |
|         |        |        |       | Appointment of Board committee members   | Resolution    | Approved |
|         |        |        |       | Approval of remuneration for Directors   | Resolution    | Approved |
|         |        |        |       | Appointment of compliance officer  | Resolution    | Approved |
|         |        |        |       | Approval of FY18 business plan   | Resolution    | Approved |
|         |        |        |       | Application for product liability insurance  | Resolution    | Approved |
|         |        |        |       | Donation of electronics to celebrate Samsung's 80th anniversary  | Resolution    | Approved |
| Special | Apr 6  | Apr 4  | 10/11 | Participation in Samsung Heavy Industries' rights offering   | Resolution    | Approved |
| Regular | Apr 26 | Apr 25 | 10/11 | Approval of 1Q18 business report and first quarter dividend  | Resolution    | Approved |
|         |        |        |       | Lease contract with Samsung Life Insurance   | Resolution    | Approved |
|         |        |        |       | Charitable contributions   | Resolution    | Approved |
|         |        |        |       | Application for employee insurance   | Resolution    | Approved |
|         |        |        |       | Acquisition of Samsung Pay and purchase of intellectual property   | Resolution    | Approved |
| Regular | Jul 31 | Jul 27 | 10/11 | Approval of half-year report and second quarter dividends  | Resolution    | Approved |
|         |        |        |       | Lease contract with Samsung Securities   | Resolution    | Approved |
|         |        |        |       | Smart factory support business   | Resolution    | Approved |
|         |        |        |       | Purchase of indemnity insurance  | Resolution    | Approved |
|         |        |        |       | Lease contract with Samsung Display  | Resolution    | Approved |
|         |        |        |       | Report on the charitable contribution of electronics to celebrate the Company's 80th anniversary   | Reported item | -        |
|         |        |        |       | Report on publication of the sustainable report  | Reported item | -        |
| Regular | Oct 31 | Oct 26 | 9/11  | Approval of the 3Q18 business report and third quarter dividend  | Resolution    | Approved |
|         |        |        |       | Operation of Samsung Software Academy for Youth  | Resolution    | Approved |
|         |        |        |       | Application for Venture Capital Union  | Resolution    | Approved |
|         |        |        |       | Report on results of the compliance review   | Reported item | -        |
| Regular | Nov 30 | Nov 27 | 10/11 | Approval of transactions with affiliate person(s)  | Resolution    | Approved |
|         |        |        |       | Payment of retirement pension  | Resolution    | Approved |
|         |        |        |       | Cancellation of shares held in treasury  | Resolution    | Approved |
|         |        |        |       | Charitable contribution to 2019 Annual Fundraising   | Resolution    | Approved |
|         |        |        |       | Provision of performance incentives to secondary suppliers of the DS division  | Resolution    | Approved |

In 2019, as of the reporting date, the Board held 4 regular meetings.

<Board meetings in 2019 (as of the reporting date)>

| Type    | Date   | Notice | Attend. | Agenda item  | Type          | Result   |
|---------|--------|--------|---------|--|---------------|----------|
| Regular | Jan 31 | Jan 28 | 10/11   | Approval of FY18 financial statements and annual business report   | Resolution    | Approved |
|         |        |        |         | Revision of internal accounting management regulations   | Resolution    | Approved |
|         |        |        |         | Approval of business plan for 2019   | Resolution    | Approved |
|         |        |        |         | Lease contract with Samsung Display  | Resolution    | Approved |
|         |        |        |         | Purchase of research equipment and lease contract with Samsung SDI   | Resolution    | Approved |
|         |        |        |         | Approval of the 2019 social contribution matching fund   | Resolution    | Approved |
|         |        |        |         | Charitable contribution to Samsung Dream Scholarship Foundation  | Resolution    | Approved |
|         |        |        |         | Report on the internal accounting management system  | Reported item | -        |
|         |        |        |         | Assessment of the internal accounting management system  | Reported item | -        |
| Regular | Feb 26 | Feb 22 | 9/11    | Decision to convene the 50th AGM   | Resolution    | Approved |
|         |        |        |         | - Decisions on the 50th AGM agenda items<br>- Reported Items: ① FY18 annual audit report<br>② FY18 annual business report<br>③ Report on the internal accounting management system<br>- Item 1: Approval of FY18 financial statements, including balance sheet, income statement, and the statement of appropriation of retained earnings (draft), etc.<br>- Item 2: Appointment of Directors<br>Item 2-1: Appointment of Independent Directors<br>Item 2-2: Appointment of Audit Committee member<br>- Item 3: Approval of remuneration limit for Directors | Resolution    | Approved |
|         |        |        |         | Application for product liability insurance  | Resolution    | Approved |
|         |        |        |         | Sponsoring the WorldSkills Competition   | Resolution    | Approved |
|         |        |        |         | Donation to Chungnam Samsung Academy   | Resolution    | Approved |
|         |        |        |         | Appointment of Board Committee members   | Resolution    | Approved |
| Regular | Mar 20 | Mar 16 | 10/11   | Approval of remuneration for Directors   | Resolution    | Approved |
|         |        |        |         | Approval of performance incentives to suppliers of the DS division   | Resolution    | Approved |
| Regular | Apr 30 | Apr 26 | 10/11   | Approval of 1Q19 business report and first quarter dividend  | Resolution    | Approved |
|         |        |        |         | Application for Venture Capital Union  | Resolution    | Approved |
|         |        |        |         | Purchase of PLP business   | Resolution    | Approved |
|         |        |        |         | Application for employee insurance   | Resolution    | Approved |
|         |        |        |         | Approval of charitable contribution  | Resolution    | Approved |
|         |        |        |         | Approval of contribution to the Korea Occupational Safety & Health Agency  | Resolution    | Approved |
|         |        |        |         | Approval of performance incentives to suppliers of the DS division   | Resolution    | Approved |

< Attendance of Directors in 2018 >

|             | Name            | Jan 31  | Feb 23  | Mar 23  | Apr 6   | Apr 26  | Jul 31  | Oct 31  | Nov 30  | Note      |
|-------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|
| Executive   | Oh-Hyun Kwon    | Present | Present | N/A     | N/A     | N/A     | N/A     | N/A     | N/A     | Retired   |
|             | Boo-Keun Yoon   | Present | Present | N/A     | N/A     | N/A     | N/A     | N/A     | N/A     | Resigned  |
|             | Jong-Kyun Shin  | Present | Present | N/A     | N/A     | N/A     | N/A     | N/A     | N/A     | Resigned  |
|             | Sang-Hoon Lee   | N/A     | N/A     | Present | Present | Present | Present | Present | Present | Appointed |
|             | Jae-Yong Lee    | Absent  | Absent  | Absent  | Absent  | Absent  | Absent  | Absent  | Absent  |           |
|             | Ki-Nam Kim      | N/A     | N/A     | Present | Present | Present | Present | Present | Present | Appointed |
|             | Hyun-Suk Kim    | N/A     | N/A     | Present | Present | Present | Present | Present | Present | Appointed |
|             | Dong-Jin Koh    | N/A     | N/A     | Present | Present | Present | Present | Absent  | Present | Appointed |
| Independent | In-Ho Lee       | Present | Present | Present | Present | Present | Present | Present | Present |           |
|             | Han-Joong Kim   | Present | Present | N/A     | N/A     | N/A     | N/A     | N/A     | N/A     | Retired   |
|             | Kwang-Soo Song  | Present | Absent  | Present | Present | Present | Present | Present | Present |           |
|             | Byeong-Gi Lee   | Present | Present | N/A     | N/A     | N/A     | N/A     | N/A     | N/A     | Retired   |
|             | Jae-Wan Bahk    | Present | Present | Present | Present | Present | Present | Present | Present |           |
|             | Sun-Uk Kim      | N/A     | N/A     | Present | Present | Present | Present | Present | Present | Appointed |
|             | Byung-Gook Park | N/A     | N/A     | Present | Present | Present | Present | Present | Present | Appointed |
|             | Jeong Kim       | N/A     | N/A     | Present | Present | Present | Present | Present | Present | Appointed |

<Attendance of Directors in 2019 (as of the reporting date) >

| Director    | Name            | Jan 31  | Feb 26  | Mar 20  | Apr 30    | Note      |
|-------------|-----------------|---------|---------|---------|-----------|-----------|
| Executive   | Sang-Hoon Lee   | Present | Present | Present | Present   |           |
|             | Jae-Yong Lee    | Absent  | Absent  | Absent  | Absent    |           |
|             | Ki-Nam Kim      | Present | Present | Present | Present   |           |
|             | Hyun-Suk Kim    | Present | Present | Present | Present   |           |
|             | Dong-Jin Koh    | Present | Absent  | Present | Present   |           |
| Independent | In-Ho Lee       | Present | Present | N/A     | N/A       | Retired   |
|             | Kwang-Soo Song  | Present | Present | N/A     | N/A       | Retired   |
|             | Jae-Wan Bahk    | Present | Present | Present | Present   |           |
|             | Sun-Uk Kim      | Present | Present | Present | Present   |           |
|             | Byung-Gook Park | Present | Present | Present | Present   |           |
|             | Jeong Kim       | Present | Present | Present | Present   |           |
|             | Curie Kim       | N/A     | N/A     | Present | Present   | Appointed |
| Han-Jo Kim  | N/A             | N/A     | Present | Present | Appointed |           |

< Attendance and voting results of Directors in the recent three years >

| Name                             | Term of service                                | Attendance (%) |       |       |       | Approval (%) |       |       |       |
|----------------------------------|--|----------------|-------|-------|-------|--------------|-------|-------|-------|
|                                  |  | Overall        | 2018  | 2017  | 2016  | Overall      | 2018  | 2017  | 2016  |
| Oh-Hyun Kwon<br>(Executive)      | Mar 16, 2012–<br>Mar 23, 2018                  | 100.0          | 100.0 | 100.0 | 100.0 | 100.0        | 100.0 | 100.0 | 100.0 |
| Boo-Keun Yoon<br>(Executive)     | Mar 15, 2013–<br>Mar 23, 2018                  | 85.4           | 100.0 | 100.0 | 90.9  | 100.0        | 100.0 | 100.0 | 100.0 |
| Jong-Kyun Shin<br>(Executive)    | Mar 15, 2013–<br>Mar 23, 2018                  | 82.9           | 100.0 | 87.5  | 72.7  | 100.0        | 100.0 | 100.0 | 100.0 |
| Sang-Hoon Lee<br>(Executive)     | Mar 15, 2013–<br>Oct 27, 2016<br>Mar 23, 2018– | 100.0          | 100.0 | -     | 100.0 | 100.0        | 100.0 | -     | 100.0 |
| Jae-Yong Lee<br>(Executive)      | Oct 27, 2016–                                  | 15.8           | -     | -     | 100.0 | 100.0        | -     | -     | 100.0 |
| Ki-Nam Kim<br>(Executive)        | Mar 23, 2018–                                  | 100.0          | 100.0 | -     | -     | 100.0        | 100.0 | -     | -     |
| Hyun-Suk Kim<br>(Executive)      | Mar 23, 2018–                                  | 100.0          | 100.0 | -     | -     | 100.0        | 100.0 | -     | -     |
| Dong-Jin Koh<br>(Executive)      | Mar 23, 2018–                                  | 83.3           | 83.3  | -     | -     | 100.0        | 100.0 | -     | -     |
| In-Ho Lee<br>(Independent)       | Mar 19, 2010–<br>Mar 20, 2019                  | 98.7           | 100.0 | 100.0 | 100.0 | 100.0        | 100.0 | 100.0 | 100.0 |
| Han-Joong Kim<br>(Independent)   | Mar 16, 2012–<br>Mar 23, 2018                  | 100.0          | 100.0 | 100.0 | 100.0 | 100.0        | 100.0 | 100.0 | 100.0 |
| Kwang-Soo Song<br>(Independent)  | Mar 15, 2013–<br>Mar 20, 2019                  | 97.9           | 87.5  | 100.0 | 100.0 | 99.4         | 96.9  | 100.0 | 100.0 |
| Byeong-Gi Lee<br>(Independent)   | Mar 16, 2012–<br>Mar 23, 2018                  | 98.1           | 100.0 | 100.0 | 90.9  | 100.0        | 100.0 | 100.0 | 100.0 |
| Jae-Wan Bahk<br>(Independent)    | Mar 11, 2016–                                  | 96.0           | 100.0 | 87.5  | 100.0 | 100.0        | 100.0 | 100.0 | 100.0 |
| Sun-Uk Kim<br>(Independent)      | Mar 23, 2018–                                  | 100.0          | 100.0 | -     | -     | 100.0        | 100.0 | -     | -     |
| Byung-Gook Park<br>(Independent) | Mar 23, 2018–                                  | 100.0          | 100.0 | -     | -     | 100.0        | 100.0 | -     | -     |
| Jeong Kim<br>(Independent)       | Mar 23, 2018–                                  | 100.0          | 100.0 | -     | -     | 100.0        | 100.0 | -     | -     |

## (6) Board committees

(Core principle 8) Board committees

■ The Board should establish committees dedicated to specific functions and roles for efficient operation of the Board.

(Specific principle 8-①) Committees should be composed of a majority of Independent Directors. The Audit Committee and Compensation Committee should consist entirely of Independent Directors.

(Specific principle 8-②) All matters relating to the structure, operation, and authority of each committee must be stipulated as regulation. All resolutions by Board Committees should be reported to the Board.

### Board committees

The Board has established six committees in accordance with Article 28-2 of the Articles of Incorporation and Article 11-2 of the Regulations of the Board, and has delegated certain responsibilities to the committees to ensure efficient operation of the Board. Excluding the Management Committee, which consists of three Executive Directors to make efficient decisions about business matters, we increased independence across the board by forming all committees entirely with Independent Directors. Each Committee stipulates its organization, operation, and authorities in accordance with the Regulations of the Board of Directors established under a Board resolution. Each agenda approved by the Board committees is provided to all Directors and if deemed necessary, each Director may call for a meeting of the Board to put the resolutions approved by the committee forward for a vote at a meeting of the Board. However, agendas approved by the Audit Committee are excluded to ensure the Audit Committee's independence. Information about the committees and their compositions as of the reporting date is listed below.

### Management Committee

The Management Committee operates under the Regulations of the Board, Regulations of the Management Committee, and resolutions of the Board. It deliberates and decides on matters delegated by the Board. In accordance with Article 28-2 and 28-3 of the Articles of Incorporation, Article 11-2 and 12 of the Regulations of the Board, Article 10 of the Regulations of the Management Committee, the composition and operation of the Committee are determined by the Board. The Committee deliberates and decides on the following matters:

#### 1. General management

- Annual or mid- to long-term management policy and strategy
- Key management strategy
- Business planning and restructuring
- Establishment, relocation, and withdrawal of overseas branches and corporations
- Initiating cooperative efforts, such as strategic partnerships with foreign companies
- Acquisition or disposal of domestic and overseas subsidiaries (provided the value of the transaction exceeds 0.1% of total equity)
- Other major management matters
- Establishment, relocation, and withdrawal of branches and operations
- Appointment or dismissal of supervisors
- Suspension or shutdown of production over 5% of the total production in the recent year
- Licensing agreements, technology transfers, and technology partnerships of over 0.5% of the total equity
- Acquisitions and transfers of patents related to new material and new technology of over 0.5% of the total equity
- Collection and destruction of products corresponding to over 5% of the total sales in the recent business year
- Contracting for over 5% of the total sales in the recent business year
- Contracting or canceling of single sales agencies and suppliers over 5% of the total sales in the recent business year
- Setting basic principles of organization management
- Decision making on basic principles and any changes related to wages, bonuses, and fringe benefits
- Appointments, dismissals, and changes of transfer agents
- Closing of the shareholder register and setting the reference date
- Establishing corporate guidelines for business and management related activities



2. Matters related to finance
- Acquisitions or disposals of equity investments with a value no less than 0.1% and less than 2.5% of the total equity
  - Direct overseas investments with a value no less than 0.1% and less than 2.5% of the total equity
  - New debt guarantee (excluding extension of period) or collateral issuance with a value no less than 0.1% and less than 2.5% of the total equity
    - Collateral: Only in the case of providing collateral for others
    - Guarantee: Excludes performance guarantee (e.g., bid, contract, defect, difference guarantee) and tax payment guarantee
  - New credit agreement contract (excluding extension of period) with a value no less than 0.1% and less than 5% of the total equity
  - Approval of related party transactions:  
 Related party transactions with affiliates involving cash (loans and payments), equity (stocks and bonds) or assets (such as real estate and intangible property rights) with a value no less than KRW 3 billion and less than 5 billion, as defined in the Monopoly Regulation and Fair Trade Act
    - ※ Excluding cases where existing contracts are renewed without significant changes.
  - Insurance of Corporate Bond
  - Acquisition and disposal of real estate with a value of over 0.1% of the total equity, provided the transaction is with the third party
  - Any matters that the CEO deems necessary and important for the business (e.g., capex)
3. All other matters except for those delegated to the Board and other committees in accordance with regulations of the Board.

<Meetings in 2018>

| Date   | Attendance | Agenda item  | Type                                   | Result                           |
|--------|------------|--|--|----------------------------------|
| Jan 30 | 3/3        | - Licensing agreement  | Resolution                             | Approved                         |
| Feb 7  | 3/3        | - Memory investment<br>- Investment in Pyeongtaek complex<br>- Investment in Hwaseong campus                                   | Resolution<br>Resolution<br>Resolution | Approved<br>Approved<br>Approved |
| Mar 12 | 3/3        | - Closing of shareholder register for quarterly dividends<br>- Sublease contract   | Resolution<br>Resolution               | Approved<br>Approved             |
| Mar 26 | 3/3        | - Appointment of the Head of Management Committee<br>- Liquidation of a subsidiary<br>- Lease contract                         | Resolution<br>Resolution<br>Resolution | Approved<br>Approved<br>Approved |
| Apr 26 | 3/3        | - Disposal of overseas subsidiary  | Resolution                             | Approved                         |
| May 18 | 3/3        | - Memory investment<br>- Construction of office building and parking tower at Pyeongtaek complex                               | Resolution<br>Resolution               | Approved<br>Approved             |
| Jun 4  | 3/3        | - Closing of shareholder register for quarterly dividends<br>- Lease contract with Samsung Asset Management                    | Resolution<br>Resolution               | Approved<br>Approved             |
| Aug 17 | 3/3        | - Additional investment in Pyeongtaek complex<br>- Investment in semiconductor   | Resolution<br>Resolution               | Approved<br>Approved             |
| Sep 11 | 3/3        | - ERP system upgrade<br>- Consolidation of an overseas subsidiary<br>- Closing of shareholder register for quarterly dividends | Resolution<br>Resolution<br>Resolution | Approved<br>Approved<br>Approved |
| Oct 19 | 2/3        | - Memory investment<br>- Licensing agreement   | Resolution<br>Resolution               | Approved<br>Approved             |
| Nov 19 | 3/3        | - Relocation of the network business<br>- Construction of new building<br>- Disposal of business                               | Resolution<br>Resolution<br>Resolution | Approved<br>Approved<br>Approved |
| Dec 14 | 3/3        | - Investment in foundry, etc.<br>- Memory investment<br>- Revision of land lease agreement                                     | Resolution<br>Resolution<br>Resolution | Approved<br>Approved<br>Approved |

< Meetings in 2019 (as of the reporting date)>

| Date   | Attendance | Agenda item  | Type   | Result                                       |
|--------|------------|--|--|--|
| Feb 15 | 3/3        | - Licensing Agreement<br>- Consolidation of an overseas subsidiary   | Resolution<br>Resolution                             | Approved<br>Approved                         |
| Mar 8  | 3/3        | - Liquidation of a subsidiary<br>- Closing of shareholder register for quarterly dividend                          | Resolution<br>Resolution                             | Approved<br>Approved                         |
| Apr 5  | 3/3        | - Memory investment<br>- Investment in Pyeongtaek complex<br>- Foundry investment<br>- Liquidation of a subsidiary | Resolution<br>Resolution<br>Resolution<br>Resolution | Approved<br>Approved<br>Approved<br>Approved |

<Attendance in the recent three years>

| Name           | Years of service                           | Attendance (%) |       |       |       |
|----------------|--|----------------|-------|-------|-------|
|                |  | Average        | 2018  | 2017  | 2016  |
| Oh-Hyun Kwon   | Mar 16, 2012–Mar 23, 2018                  | 100.0          | 100.0 | 100.0 | 100.0 |
| Boo-Keun Yoon  | Mar 15, 2013–Mar 23, 2018                  | 92.6           | 100.0 | 100.0 | 85.7  |
| Jong-Kyun Shin | Mar 15, 2013–Mar 23, 2018                  | 74.1           | 100.0 | 80.0  | 64.3  |
| Sang-Hoon Lee  | Mar 15, 2013–Oct 27, 2016<br>Mar 23, 2018~ | 100.0          | -     | -     | 100.0 |
| Ki-Nam Kim     | Mar 23, 2018~                              | 100.0          | 100.0 | -     | -     |
| Hyun-Suk Kim   | Mar 23, 2018~                              | 100.0          | 100.0 | -     | -     |
| Dong-Jin Koh   | Mar 23, 2018~                              | 91.7           | 88.9  | -     | -     |

**Independent Director Recommendation Committee**

The Independent Director Recommendation Committee was established in accordance with Article 542-8 of the Commercial Act, Article 28-5 of the Articles of Incorporation, and Article 12-3 of the Regulations of the Board. The Committee evaluates potential candidates for Independent Directors to be presented at a general meeting of shareholders and recommends candidates to the Board.

<Meetings in 2018>

| Date   | Attendance | Agenda item  | Type       | Result   |
|--------|------------|--|------------|----------|
| Jan 31 | 4/4        | - Deadline for recommendation of Independent Director candidates | Resolution | Approved |
| Feb 21 | 4/4        | - Recommendation of Independent Director candidates              | Resolution | Approved |

<Meetings in 2019 (as of the reporting date)>

| Date   | Attendance | Agenda item  | Type       | Result   |
|--------|------------|--|------------|----------|
| Jan 31 | 3/3        | - Appointment of the Head of the Committee                       | Resolution | Approved |
|        |            | - Deadline for recommendation of Independent Director candidates | Resolution | Approved |
| Feb 25 | 3/3        | - Recommendation of Independent Director candidates              | Resolution | Approved |

<Attendance in the recent three years>

| Name          | Years of service          | Attendance (%) |       |      |       |
|---------------|---------------------------|----------------|-------|------|-------|
|               |                           | Average        | 2018  | 2017 | 2016  |
| Oh-Hyun Kwon  | Mar 16, 2012–Mar 23, 2018 | 100.0          | 100.0 | -    | 100.0 |
| Han-Joong Kim | Mar 16, 2012–Mar 23, 2018 | 100.0          | 100.0 | -    | 100.0 |
| Byeong-Gi Lee | Mar 16, 2012–Mar 23, 2018 | 88.9           | 100.0 | -    | 50.0  |
| Jae-Wan Bahk  | Mar 11, 2016~             | 100.0          | 100.0 | -    | 100.0 |

※ Independent Director Recommendation Committee meetings were not held in 2017, as there were no Independent Director candidates to be elected.

## Related Party Transactions Committee

The Related Party Transactions Committee was established by a resolution of the Board, without legal mandates, to enhance transparency of the Company's management through a voluntary compliance system.

- Right to receive reports on related party transactions:

The Committee can request reports on related party transactions with affiliates

※ According to the Monopoly Regulation and Fair Trade Act, the Related Party Transactions committee is permitted to conduct preliminary reviews of and approve related party transactions worth KRW 5 billion and over, and other transactions that are deemed significant

- Right to order ex officio investigation of related party transactions

- Right to propose corrective measures for related party transactions

### <Meetings in 2018>

| Date   | Attendance | Agenda item   | Type          | Result |
|--------|------------|---|---------------|--------|
| Jan 30 | 3/3        | - Royalty income from Samsung Medison   | Deliberation  | -      |
|        |            | - Report on 4Q17 related party transactions   | Reported item | -      |
| Mar 23 | 3/3        | - Application for product liability insurance   | Deliberation  | -      |
| Apr 6  | 3/3        | - Participation in Samsung Heavy Industries' rights offering  | Deliberation  | -      |
| Apr 25 | 3/3        | - Lease contract with Samsung Life Insurance  | Deliberation  | -      |
|        |            | - Charitable contributions  | Deliberation  |        |
|        |            | - Application for employee insurance  | Deliberation  |        |
|        |            | - Acquisition of Samsung Pay by SEA and purchase of intellectual property in two areas from Samsung Pay | Deliberation  |        |
|        |            | - Report on 1Q18 related party transactions   | Reported item |        |
| Jul 30 | 3/3        | - Lease contract with Samsung Securities  | Deliberation  | -      |
|        |            | - Purchase of indemnity insurance   | Deliberation  |        |
|        |            | - Lease contract with Samsung Display   | Deliberation  |        |
|        |            | - Report on 2Q18 related party transactions   | Reported item |        |
| Oct 30 | 3/3        | - Application for Venture Capital Union   | Deliberation  | -      |
|        |            | - Report on 3Q18 related party transactions   | Reported item | -      |
| Nov 30 | 3/3        | - Payment of retirement pensions  | Deliberation  | -      |
|        |            | - Approval of large-scale goods and services transactions in 2019                                       | Deliberation  | -      |

### <Meetings in 2019 (as of the reporting date)>

| Date   | Attendance | Agenda item   | Type          | Result   |
|--------|------------|---|---------------|----------|
| Jan 30 | 3/3        | - Lease contract with Samsung Display                                 | Deliberation  | -        |
|        |            | - Purchase of research equipment and lease contract with Samsung SDI  | Deliberation  | -        |
|        |            | - Report on 4Q18 related party transactions                           | Reported item | -        |
| Feb 26 | 3/3        | - Application for product liability insurance                         | Deliberation  | -        |
| Apr 29 | 3/3        | - Appointment of the Head of the Related Party Transactions Committee | Resolution    | Approved |
|        |            | - Application for Venture Capital Union                               | Deliberation  | -        |
|        |            | - Purchase of the PLP Business  | Deliberation  | -        |
|        |            | - Application for employee insurance                                  | Deliberation  | -        |
|        |            | - Charitable contributions  | Deliberation  | -        |
|        |            | - Report on 1Q19 related party transactions                           | Reported item | -        |

<Attendance of Directors in the recent three years>

| Name           | Years of service          | Attendance (%) |       |       |       |
|----------------|---------------------------|----------------|-------|-------|-------|
|                |                           | Average        | 2018  | 2017  | 2016  |
| In-Ho Lee      | Mar 19, 2010–Mar 20, 2019 | 98.4           | 100.0 | 100.0 | 100.0 |
| Han-Joong Kim  | Mar 16, 2012–Mar 23, 2018 | 98.0           | 100.0 | 100.0 | 100.0 |
| Kwang-Soo Song | Mar 15, 2013–Mar 20, 2019 | 100.0          | 100.0 | 100.0 | 100.0 |
| Sun-Uk Kim     | Mar 23, 2018~             | 100.0          | 100.0 | -     | -     |

### Compensation Committee

The Compensation Committee was established by a resolution of the Board, without legal mandates, to reinforce transparency and objectiveness of the decision-making process regarding remuneration of Directors. The Committee has the authorities in the follow areas:

- Propose a remuneration limit of Directors at the AGM
- Establish a Director remuneration system
- Other matters delegated by the Board

<Meetings in 2018>

| Date   | Attendance | Agenda item                                       | Type       | Result   |
|--------|------------|---|------------|----------|
| Feb 21 | 3/3        | - Review on 2018 remuneration limit for Directors | Resolution | Approved |

<Meetings in 2019 (as of the reporting date)>

| Date   | Attendance | Agenda item                                       | Type       | Result   |
|--------|------------|---|------------|----------|
| Feb 25 | 3/3        | - Review on 2019 remuneration limit for Directors | Resolution | Approved |

<Attendance in the recent three years>

| Name           | Years of service          | Attendance (%) |       |       |       |
|----------------|---------------------------|----------------|-------|-------|-------|
|                |                           | Average        | 2018  | 2017  | 2016  |
| In-Ho Lee      | Mar 19, 2010–Mar 20, 2019 | 88.9           | 100.0 | 100.0 | 100.0 |
| Byeong-Gi Lee  | Mar 16, 2012–Mar 23, 2018 | 100.0          | 100.0 | 100.0 | 100.0 |
| Kwang-Soo Song | Mar 15, 2013–Mar 20, 2019 | 100.0          | 100.0 | 100.0 | 100.0 |

### Governance Committee

The Governance Committee was established in April 2017 as an expansion of the CSR committee. The Committee was created by a resolution of the Board, without legal mandates, to fulfill the Company's corporate social responsibility and to increase shareholder value. The Governance Committee has authorities in the following areas:

- Matters related to corporate social responsibility
- Matters related to enhancing shareholder value
  - Preliminary review on shareholder return policies
  - Activities to improve shareholder rights and interest
  - Other important management matters that can significantly impact shareholder value.
- Matters related to the establishment, composition, and operation of organizations under the Committee, including research groups, councils, etc.
- Other matters delegated by the Board

<Meetings in 2018>

| Date   | Attendance | Agenda item  | Type          | Result   |
|--------|------------|--|---------------|----------|
| Feb 23 | 4/5        | - Report on updates of IR activities                 | Reported item | -        |
|        |            | - Report on CSR Risk Management Council agenda items | Reported item | -        |
| Apr 26 | 6/6        | - Appointment of the Head of Governance committee    | Resolution    | Approved |
|        |            | - Report on updates of IR activities                 | Reported item | -        |
|        |            | - Report on CSR Risk Management Council agenda items | Reported item | -        |
| Jul 31 | 6/6        | - Report on updates of IR activities                 | Reported item |          |
| Oct 31 | 6/6        | - ERP system upgrade                                 | Reported item |          |

<Meetings in 2019 (as of the reporting date)>

| Date   | Attendance | Agenda item                                       | Type       | Result   |
|--------|------------|---|------------|----------|
| Apr 30 | 6/6        | - Appointment of the Head of Governance committee | Resolution | Approved |

<Attendance of Directors in the recent three years>

| Name            | Years of service           | Attendance(%) |       |       |       |
|-----------------|----------------------------|---------------|-------|-------|-------|
|                 |                            | Average       | 2018  | 2017  | 2016  |
| In-Ho Lee       | Mar 19, 2010-Mar 20, 2019  | 100.0         | 100.0 | 100.0 | 100.0 |
| Han-Joong Kim   | Mar 16, 2012-Mar 23, 2018  | 100.0         | 100.0 | 100.0 | 100.0 |
| Byeong-Gi Lee   | Mar 16, 2012-Mar 23, 2018  | 100.0         | 100.0 | 100.0 | 100.0 |
| Kwang-Soo Song  | Mar 15, 2013- Mar 20, 2019 | 95.2          | 75.0  | 100.0 | 100.0 |
| Jae-Wan Bahk    | Mar 11, 2016-              | 100.0         | 100.0 | 100.0 | 100.0 |
| Sun-Uk Kim      | Mar 23, 2018-              | 100.0         | 100.0 | -     | -     |
| Byung-Gook Park | Mar 23, 2018-              | 100.0         | 100.0 | -     | -     |
| Jeong Kim       | Mar 23, 2018-              | 100.0         | 100.0 | -     | -     |

※ For information on the Audit Committee, please refer to the 『4. Audit System - (1) Audit Committee』 section.

## 4. Audit System

### (1) Audit Committee

(Core principle 9) Audit Committee

■ Audit Committee should perform audit tasks independently from the management and controlling shareholders. Major activities of the audit committee should be disclosed.

(Specific principle 9-①) Audit Committee should maintain independence and expertise.

(Specific principle 9-②) Audit Committee should dutifully perform audit activities such as holding regular meetings and transparently disclosing their activities.

### Audit Committee

#### Composition

The Audit Committee was established in accordance with Article 415-2 and 542-11 of the Commercial Act, Article 28-4 of the Articles of Incorporation, and Article 12-2 of the Regulations of the Board, and is composed of three Directors, in accordance with the respective Articles of Incorporation and the Regulations of the Board of Directors. According to the relevant laws, more than two thirds of the committee members shall be Independent Directors. The Company's Audit Committee consists entirely of Independent Directors to ensure its independence and includes a professional in the area of finance. The head of the Audit Committee is appointed by a resolution of the Committee, and the head shall serve as the chairman of the Committee.

#### < Composition of the Audit Committee >

| Name                   | Audit experience  | Notes |
|------------------------|---|-------|
| Jae-Wan Bahk<br>(head) | <ul style="list-style-type: none"> <li>- Professor at the Department of Public Administration Graduate School of Governance of Sungkyunkwan University (1996-)</li> <li>- Minister of Strategy and Finance (2011-2013)</li> <li>- Minister of Employment and Labor (2010-2011)</li> <li>- Member of the 17th National Assembly (2004-2008)</li> </ul> | -     |
| Sun-Uk Kim             | <ul style="list-style-type: none"> <li>- Professor Emeritus at School of Law of Ewha Womans University (2018-)</li> <li>- Professor at School of Law, Ewha Womans University (1995-2018)</li> <li>- President at Ewha Womans University (2010-2014)</li> <li>- Minister of Government Legislation (2005-2007)</li> </ul>                              | -     |
| Han-Jo Kim             | <ul style="list-style-type: none"> <li>- Chairman of Hana Foundation (2019-)</li> <li>- Chairman of Hana Nanum Foundation (2015-2019)</li> <li>- Vice-Chairman of Hana Financial Group (2015-2016)</li> <li>- President of KEB (2014-2015)</li> <li>- President of KEB Capital (2013-2014)</li> </ul>   | -     |

#### Authority and responsibilities

The Company defines the authorities and responsibilities of the Audit Committee in accordance with the regulation of the Audit Committee, Internal Accounting Control System Guidance, and internal accounting management regulations.

#### <Major Authorities>

- ① Authority to audit business of the Company: The committee can audit overall business of the Company, including tasks performed by the Board and the CEOs.
- ② Authority to request reports on the business status of the Company and investigate assets of the Company: The committee can request Directors or employees to submit reports on the business operated by the Company or investigate the businesses or assets of the Company.
- ③ Authority to receive reports from Directors: Directors shall report to the committee immediately if they find any risks that can have a material impact on the Company.
- ④ Authority to investigate subsidiaries of the Company: A committee of a parent company can request that a committee of a subsidiary submit reports on the company's business, when deemed necessary to perform its duties. When the subsidiary company does not immediately report the business, or the

report needs additional checking, the committee can investigate the business or assets of the subsidiary.

- ⑤ Authority to request a halt of any acts in violation of laws and regulations or the Articles of Incorporation: When a Director's action is in violation of laws or Articles of Incorporation and causes damages that cannot be redeemed, the Committee can request the Director to stop these acts.
- ⑥ Authority to Institute Various Actions: The Committee can institute an action such as a cancellation of convocation, nullification of issuing new shares, or nullification of a capital reduction, and is exempted from collateral obligations.
- ⑦ Authority to request the convocation of a general meeting of shareholders: The Committee can request the convocation of an EGM by submitting a written proposal in which agenda items and reasons for convocation are stated to the Board.
- ⑧ Authority to seek external advice at the expense of the Company
- ⑨ Authority to recommend candidates for external auditors
- ⑩ Any other authority granted to the committee by relevant laws and regulations, the Articles of Incorporation or a Board resolution

#### <Major Responsibilities>

- ① Duty of Care and Due Diligence: Committee members shall execute their duties with such care as is required of good managers.
- ② Duty of investigation on the Annual General Meeting and reporting: Auditors shall examine the agenda items and documents to be submitted by Directors to a general shareholders' meeting and at the general shareholders' meeting shall state their opinions as to whether such agenda items or documents include any matter contrary to any Act, subordinate statute or the articles of incorporation or any considerably unfair matter.
- ③ Duty of investigation on the Board and reporting: When any auditor deems that a director acts or is likely to act in contravention of Acts, subordinate statutes or the articles of incorporation, the auditor shall report such to the Board of Directors.
- ④ Duty of preparing Audit records: Auditors shall prepare records on audit activities, which includes audit procedure and results and each member's names and affix their seals or signs.
- ⑤ Duty of production and reporting of Audit Report: Auditors shall submit to Directors an audit report at least one week prior to the date set for an AGM on balance sheet, income statement, consolidated financial statement, operation report, and other financial statement under relevant regulations submitted six weeks prior to the Annual General Meeting.
- ⑥ Duty under the External Auditing Act: If an auditor finds any wrongful act or any grave fact in violation of statutes or the articles of incorporation concerning a director's performance of duties, the auditor shall follow the Act on External Audit of Stock Companies, Etc. Act and inform the external auditor or the audit committee.

#### Activities of the Audit Committee

The Company stipulates its composition, operation, authorities, responsibilities, etc. in the Regulations Of Audit Committee in accordance with the relevant regulation and article and performs auditing in accordance with the regulations.

The Audit Committee reviews accounting documents, including financial statements and audit process related documents presented by the external auditor, and if needed, requests the external auditor to perform additional reviews on accounting books and records. For reliable disclosure of accounting information, the Audit Committee receives and reviews a report on internal accounting control systems prepared by internal accounting managers. In addition, the Committee attends meetings of the Board and other significant meetings. The Committee receives reports on deliberations of the Management Committee and on business performance from Directors and requests additional reviews and supplementation of data as needed.

The Audit Committee held five meetings in 2018, and all Committee members attended the meetings (Director Kwang-Soo Song was absent for one meeting) and held discussions on seventeen agenda items. Results of meetings are reported to all Directors within two days from the resolution date. Outcomes of deliberation and progress by agenda item are recorded in the minutes.

The Audit Committee shall meet at least once every quarter, and the head of the Committee shall convene a meeting. The head notifies the members of the meeting time and place at least 24 hours in

advance via document, electronic document, fax, or other means of receiving delivery confirmation. However, the meeting notification may be skipped with the consent of all Committee members.

The presence of a majority of all members shall constitute a quorum for a meeting of the Committee and the resolutions of the Committee shall be adopted by a majority of the votes of the members attending the meeting. Committee meetings may take place via electronic means, such as conference call, within the scope provided by relevant laws. All expenses required for meetings or operations of the Committee are provided by the Company.

The Audit Committee performs audit on the internal accounting management system from an independent perspective in accordance with the Internal Accounting Management System Guidance and reports the result to the Board every year. The Audit Committee produces a written report that is kept on record.

If the Committee finds any wrongful act or any grave fact in violation of statutes or the articles of incorporation concerning a director's performance of duties, the auditor shall follow the Act on External Audit of Stock Companies etc., and inform the auditor.

< Activities of the Audit Committee in 2018 >

| Date   | Attendance | Agenda item   | Type          | Result |
|--------|------------|---|---------------|--------|
| Jan 30 | 3/3        | Report on 2017 financial statement and business report          | Reported item | -      |
|        |            | Report on 2017 internal accounting management system activities | Reported item | -      |
|        |            | Report on 4Q17 non-audit activities                             | Reported item | -      |
|        |            | Report on 4Q17 external contributions                           | Reported item | -      |
|        |            | Report on 2017 audit activities                                 | Reported item | -      |
| Feb 23 | 2/3        | Review of the 49th AGM agenda                                   | Deliberation  | -      |
|        |            | Assessment of 2017 activities of internal compliance system     | Reported item | -      |
| Apr 25 | 3/3        | Report on the 1Q18 business report                              | Reported item | -      |
|        |            | Report on 1Q18 non-audit activities                             | Reported item | -      |
|        |            | Report on 1Q18 external contributions                           | Reported item | -      |
| Jul 30 | 3/3        | Report on half-year report                                      | Reported item | -      |
|        |            | Report on 2Q18 non-audit activities                             | Reported item | -      |
|        |            | Report on 2Q18 external contributions                           | Reported item | -      |
|        |            | Report on 1H18 audit activities                                 | Reported item | -      |
| Oct 30 | 3/3        | Report on the 3Q18 business report                              | Reported item | -      |
|        |            | Report on 3Q18 non-audit activities                             | Reported item | -      |
|        |            | Report on 3Q18 external contributions                           | Reported item | -      |

< Meetings in 2019 (as of the reporting date) >

| Date   | Attendance | Agenda item  | Type          | Result   |
|--------|------------|--|---------------|----------|
| Jan 30 | 3/3        | Report on 2018 internal accounting management system activities                  | Reported item | -        |
|        |            | Revision of internal accounting management regulations                           | Resolution    | Approved |
|        |            | Report on 2018 financial statement and business report                           | Reported item | -        |
|        |            | Report on 4Q18 non-audit activities  | Reported item | -        |
|        |            | Report on 4Q18 external contributions  | Reported item | -        |
|        |            | Report on 2018 audit activities  | Reported item | -        |
| Feb 26 | 3/3        | Review of the 50th AGM agenda  | Deliberation  | -        |
|        |            | Assessment of 2018 activities of internal compliance system                      | Reported item | -        |
| Apr 29 | 3/3        | Report on the 1Q19 business report   | Reported item | -        |
|        |            | Report on 1Q19 non-audit activities  | Reported item | -        |
|        |            | Plans for assessment of internal accounting management system activities in 2019 | Reported item | -        |



|  |  |               |          |
|--|--|---------------|----------|
|  | Report on 1Q19 external contributions  | Reported item | -        |
|  | Plans for assessment of 2019 activities of internal compliance system activities | Reported item | -        |
|  | 2019 Audit plans for external auditor and 1Q19 report                            | Reported item | -        |
|  | Appointment of the Head of the Audit Committee                                   | Resolution    | Approved |

< Attendance of Directors in 2018 >

| Name           | Jan 30  | Feb 23  | Apr 25  | Jul 30  | Oct 30  | Note      |
|----------------|---------|---------|---------|---------|---------|-----------|
| In-Ho Lee      | Present | Present | Present | Present | Present |           |
| Kwang-Soo Song | Present | Absent  | Present | Present | Present |           |
| Han-Joong Kim  | Present | Present | N/A     | N/A     | N/A     | Retired   |
| Sun-Uk Kim     | N/A     | N/A     | Present | Present | Present | Appointed |

< Attendance of Directors in 2019 (as of the reporting date) >

| Name           | Jan 30  | Feb 26  | Apr 29  | Note      |
|----------------|---------|---------|---------|-----------|
| In-Ho Lee      | Present | Present | N/A     | Retired   |
| Kwang-Soo Song | Present | Absent  | N/A     | Retired   |
| Sun-Uk Kim     | Present | Present | Present | -         |
| Jae-Wan Bahk   | N/A     | N/A     | Present | Appointed |
| Han-Jo Kim     | N/A     | N/A     | Present | Appointed |

<Attendance of Directors in the recent three years>

| Name           | Years of service          | Attendance (%) |       |       |       |
|----------------|---------------------------|----------------|-------|-------|-------|
|                |                           | Average        | 2018  | 2017  | 2016  |
| In-Ho Lee      | Mar 19, 2010–Mar 20, 2019 | 97.9           | 100.0 | 100.0 | 100.0 |
| Han-Joong Kim  | Mar 16, 2012–Mar 23, 2018 | 96.9           | 100.0 | 100.0 | 100.0 |
| Kwang-Soo Song | Mar 15, 2013–Mar 20, 2019 | 96.6           | 80.0  | 100.0 | 100.0 |
| Sun-Uk Kim     | Mar 23, 2018~             | 100.0          | 100.0 | -     | -     |

**Education programs for the Audit Committee**

In 2018, an education program session for the Audit Committee was not conducted as there were no irregularities related to the Committee's activities. In 2019, we plan to conduct training by external experts, the Finance & Accounting Team, and the Audit Team on the Company's internal accounting management system to increase expertise of auditors.

| Date                       | Team  | Participants                             | Reason for absence | Contents                                       |
|----------------------------|---|--|--------------------|--|
| Apr 29, 2019               | External experts, Finance & Accounting Team, Audit Team | Jae-Wan Bahk<br>Han-Jo Kim<br>Sun-Uk Kim | -                  | Introductory education for the Audit Committee |
| To be determined (in 2019) | -   | -  | -                  | Internal accounting management system, etc.    |

### Support team for the Audit Committee

The Company operates an internal audit team and internal accounting assessment support group to support the audit activities of the Audit Committee. The internal audit team audits performances of the Company's organizations through regular, ad-hoc, and special audits, and reports the results to the Audit Committee twice a year. The internal accounting assessment support provides support for assessment on the establishment and operation of the internal accounting management system of the Audit Committee.

| Team   | Composition  | Service years on team  | Major tasks   |
|--|--|--|---|
| Audit team                                   | 1 Senior Vice President,<br>3 Senior Professionals | Senior Vice President: 5years<br>Senior Professionals: 10 months (average) | Support the Audit Committee                                     |
| Internal accounting assessment support group | 1 Vice President,<br>1 Lawyer,<br>1 Professional   | Vice President: 5 months<br>Lawyer: 5 months<br>Professional: 5 months     | Support assessment of the internal accounting management system |

※ As of the reporting date

## (2) External Auditor

(Core principle 10) External auditor

■ External auditors should perform audits independently from the corporation subject to audit, including the corporation's management and controlling shareholders, to gain trust from stakeholders, including shareholders, about the financial information

(Specific principle 10-①) The Audit Committee should establish and operate a policy for appointment of an external auditor to secure independence and expertise

(Specific principle 10-②) The Audit Committee should constantly communicate with the external auditor in every stage of external audit and reporting of results.

### Appointment procedure for an external auditor

As a listed company, the Audit Committee received a report on plans to appoint an external auditor on January 23, 2017, and on February 22 approved the agenda item to appoint Samil PwC as an external auditor for the three business years from 2017 to 2019.

For the appointment of an external auditor, the Audit Committee reviews proposals of firms and assesses candidates based on objective indicators, such as an audit firm's size, audit capacity, audit feedback, etc.

As an external auditor, Samil PwC followed the agreed auditing time, human resources, remuneration, plan, etc.

### Independence of the external auditor

The results of external auditor's audit activities are reported to the Audit Committee every quarter, and the Committee considers the appropriateness of the audit methodology, cooperation with the internal audit organization, audit authority's sanctions, regular replacement of audit partners, etc.

Also, in order to ensure independence of the auditor, we conduct a preliminary review on all non-audit activities and use other accounting firms to carry out the restricted activities as stated in Article 21 of Certified Public Accountant Act.

Below is detailed information regarding the contract for non-audit services with Samil PwC since.

| < Non-audit service contract description > |               |                           |                   | [Unit: KRW million] |
|--|---------------|---------------------------|-------------------|---------------------|
| Business year                              | Contract date | Audit service description | Period of service | Compensation        |
| 2018                                       | Dec 2016      | Custom tax advisory, etc. | Jan 2018—Dec 2018 | 253                 |
|  | Nov 2017      | Tax advisory              | Jan 2018—Mar 2018 | 194                 |
|  | Dec 2018      | Tax advisory              | Dec 2018—Dec 2018 | 149                 |
|  | Subtotal      |                           |                   | 596                 |
| 1Q19                                       | Feb 2019      | Advisory, etc.            | Feb 2019—Mar 2019 | 10                  |

### Communication between the external auditor and Audit Committee

The Audit Committee receives direct reports from Samil PwC regarding review on quarterly balance sheets and audit on annual balance sheets, and has a question-and-answer session on important matters. If necessary, the Committee requests an additional review on accounting books and related documents and receives the results of the review.

In 2018, the Audit Committee met once or more every quarter to discuss important issues concerning the Company's balance sheet and important business matters with the external auditor and, if necessary, reflected the result of consultation to internal audit activities.

## Other Matters Related to Corporate Governance

### Fulfilling corporate social responsibility

The Company commits to its corporate social responsibility by actively addressing demands from both internal and external stakeholders, including shareholders, customers, and the local community. As a part of these efforts, the Company established the Business Conduct Guideline in 2015—applicable to all employees—and revised and improved it in 2016. The Company has also established and improved a set of relevant policies such as the Child Labor Prohibition Policy (June 2014), Guidelines for Grievance Settlement (July 2015), Guidelines for Apprenticeship Training (April 2016), Migrant Worker Guidelines (December 2016), and Anti-harassment Policy (August 2018).

Also, The Company in April 2017 converted the CSR Committee into the Governance Committee, adding the duty of enhancing shareholder value to its role of fulfilling corporate social responsibilities.

In addition, the Company publishes a Sustainability Report every year to provide stakeholders with the results of economic, social, and environmental value creation in a more transparent manner. Our Sustainability Report is available on our website (<https://www.samsung.com/global/ir/reports-disclosures/sustainability-reports/>).

### Compensation system of employees

The Company first introduced the annual salary system in 1998 and started compensating employees based on the level of responsibility within a position. In 2010, we adopted a cumulative salary system and workers were paid based on individual performances. Also, we employ an incentive system (Target Achievement Incentive and Performance Incentive), under which compensation differs depending on the annual achievement of a business division (target achievement, profit generated, etc.)

In addition, in accordance with compensation regulations, the Company has simplified compensation types to ensure that the system is reasonable. Our basic salary system is, in accordance with compensation regulations, designed to pay workers according to their level, with compensation based on the value of the position, responsibilities, and capacity.

< Total compensation of employees >

[Unit: KRW 100 million]

| Year | Total compensation | Income before taxes | Ratio | No. of employees | Average compensation per employee |
|------|--------------------|---------------------|-------|------------------|-----------------------------------|
| 2017 | 111,335            | 365,336             | 30.5% | 95,158           | 1.17                              |
| 2018 | 117,599            | 443,989             | 26.5% | 98,753           | 1.19                              |

※ Income before taxes, the number of employees and total compensation are on a parent basis, excluding five Executive Directors.

※ The number of employees was calculated based on the average number of employees throughout the year.

# Attached Compliance of Corporate Governance Key Indices

※ As of the Reporting Date (June 3, 2019)

| Category    | Key Indices   | Compliance |
|-------------|---|------------|
| Shareholder | ① Convocation notice 4 weeks prior to the AGM*  | X          |
|             | ② Electronic Voting*  | X          |
|             | ③ Avoiding the date of general meeting concentration *  | O          |
|             | ④ Notice of dividend policy and plans to shareholders once or more a year**   | O          |
| Board       | ⑤ Establishment and operation of succession plan of the CEO (emergency appointment policy included)   | O          |
|             | ⑥ Establishment and operation of internal control policy  | O          |
|             | ⑦ Separation of the Board chairman and CEO  | O          |
|             | ⑧ Adoption of concentrated voting system  | X          |
|             | ⑨ Establishment of a policy to prevent appointment of a Director who is accountable for damage to corporate value or infringement upon shareholder rights | O          |
|             | ⑩ Non-existence of an Independent Director who served more than six years   | O          |
| Auditor     | ⑪ Education program for the Audit Committee once or more a year **  | O          |
|             | ⑫ Establishment of an internal audit team (support team for internal audit tasks)   | X          |
|             | ⑬ Existence of an accounting expert in the Audit Committee  | O          |
|             | ⑭ Meeting of the Audit Committee and the external auditor without the presence of the management once or more a quarter **                                | O          |
|             | ⑮ Procedure that allows access of the Audit Committee to important business matters   | O          |

\* As of the AGM right before the reporting date

\*\* As of the disclosure period

\*\*\* The internal audit team is organized under the Corporate Management Office and is in charge of internal audit tasks and support for the Audit Committee.