Sustainability Report 2015

GLOBAL HARMONY

with People, Society & Environment

SAMSUNG

Contents

Inspire the World
Create the Future!

"To devote our human resource and technology to create superior products and services thereby contributing to a better global society"

About This Report

We at Samsung Electronics push the limits of technology and innovation to deliver aspirational products to people everywhere through. Our technology and innovation are just not limited to our products. We are equally passionate about using our technology and innovation to create a better and sustainable future. In nearly every market where we operate, Samsung is committed to protecting the environment and enabling social development through sharing access to meaningful technology and innovations. We believe the sustainable society and environment is the most important foundation for our sustainability. This report is the eighth installment of Samsung's sustainability story. The report will help our stakeholders to understand our overall sustainability approach and results.

Reporting Period From January 1 to December 31, 2014
(Chapter 3, 4, 9 contains information up to May, 2015)

Reporting Scope All worksites and supplier companies
(consolidated financial data according to the K-IFRS)

Reporting Standard GRI G4 Core Guidelines

Assurance Samjong KPMG LLC

Employees	Suppliers	Customers	Shareholders/ Investors	Local Communities	Government/ Media/ NGO
■	■	■	■		■
■		■			
■	■		■	■	■
	■	■		■	
■				■	■
	■	■	■	■	■
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Samsung Electronics Website	http://www.samsung.com/sec
Sustainability Report Website	http://www.samsung.com/us/aboutsamsung/sustainability/sustainabilityreports/
IR Website	http://www.samsung.com/sec/aboutsamsung/ir/newsMain.do
Samsung Electronics Official Blog	http://www.samsungtomorrow.com

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CEO Message

Dear Stakeholders,

Throughout 2014, we faced challenges from changes in our business environments to volatile markets everywhere. As a result, our sales and profits declined for the first time since the 1997 global financial crisis. However, we remained optimistic and continued to stay focused on strengthening our competitive position led by our global 320,000 employees. And we will continue to turn today's challenges into new foundation for our future growth.

Our management vision has always extended beyond pursuing profit generation and maximizing shareholder values. As a leading global company, we take social and environmental responsibilities very seriously. We actively communicate with our stakeholders to collectively address key material social and environmental issues of our time. In particular, we established the 'Business Conduct Guidelines' this year to further integrate sustainability management throughout the company. And by announcing it within this 2015 sustainability report, we are demonstrating our unwavering commitment to integrity and transparency.

This year's report is organized to highlight our approach to sustainability management in three core areas: 'People', 'Society', and 'Environment'.

First, the 'People' section contains our efforts to improve integrity management, talent development, and workplace environment. Building on one of the company's core value 'Talent First,' we recruit and develop the best global talents around the world and provide a variety of training programs to reach their full potential. Moreover, we make strong efforts to improve the conditions of our workplace and our suppliers.

Next, the 'Society' section highlights our approach to create sustainable business ecosystem by cultivating responsible business practices for our suppliers, distribution networks, and customers. In addition, we present our continued efforts to create a better world through innovation and corporate citizenship programs. In particular, I am proud of our efforts to support our partners worldwide and promote their competitiveness as we forge mutually benefitting partnerships for shared and sustainable growth.

Third, the 'Environment' section provides an overview of our green mangement which focuses on improving workplace environment, health and safety management and developing eco-friendly products. Last year, we increased development of eco-friendly materials and products and reduced GHG emissions to drive our solutions for climate change.

We at Samsung follow a simple business philosophy: 'To devote our talent and technology to creating superior products and services that contribute to a better global society'. To this end, we will continue to make every effort to uphold our commitment to connect effectively our technology, products, and services in ways that improve people's lives and strengthen society at large. Thank you very much.

Oh-Hyun Kwon
Vice Chairman and CEO
Samsung Electronics Co., Ltd.

Management Ideology

Since its foundation, Samsung Electronics has continued to grow with a challenging and pioneering spirit based on the company's business philosophy: "To devote our talent and technology to creating superior products and services that contribute to a better global society". Our value system, consisting of 'Management Philosophy, Core Values, and Management Principles', is rooted in its management ideology, which serves as guidance for our employees to make ethical and responsible business decisions.

Philosophy

We will devote our human resources and technology to create superior products and services thereby contributing to a better global society.

Quite simply, a company is its people. At Samsung, we're dedicated to giving our people a wealth of opportunities to reach their full potential.

People

Values

Excellence

Everything we do at Samsung is driven by an unyielding passion for excellence and an unfaltering commitment to develop the best products and services on the market.

Change

Change is constant and innovation is critical to a company's survival.

Integrity

Operating in an ethical way is the foundation of our business. Everything we do is guided by a moral compass that ensures fairness, respect for all stakeholders and complete transparency.

Co-prosperity

Business cannot be successful unless it creates prosperity and opportunity for people in every community in which we operate around the globe.

Principles

1. We comply with laws and ethical standards.
2. We maintain a clean organizational culture.
3. We respect customers, shareholders, and employees.
4. We care for the environment, health and safety.
5. We are a socially responsible corporate citizen.

Company Profile

Samsung Electronics was established in 1969. Since its inception, we have sought to create positive changes by providing best products and services that enable customers around the world to enjoy more convenient and smarter lifestyles.

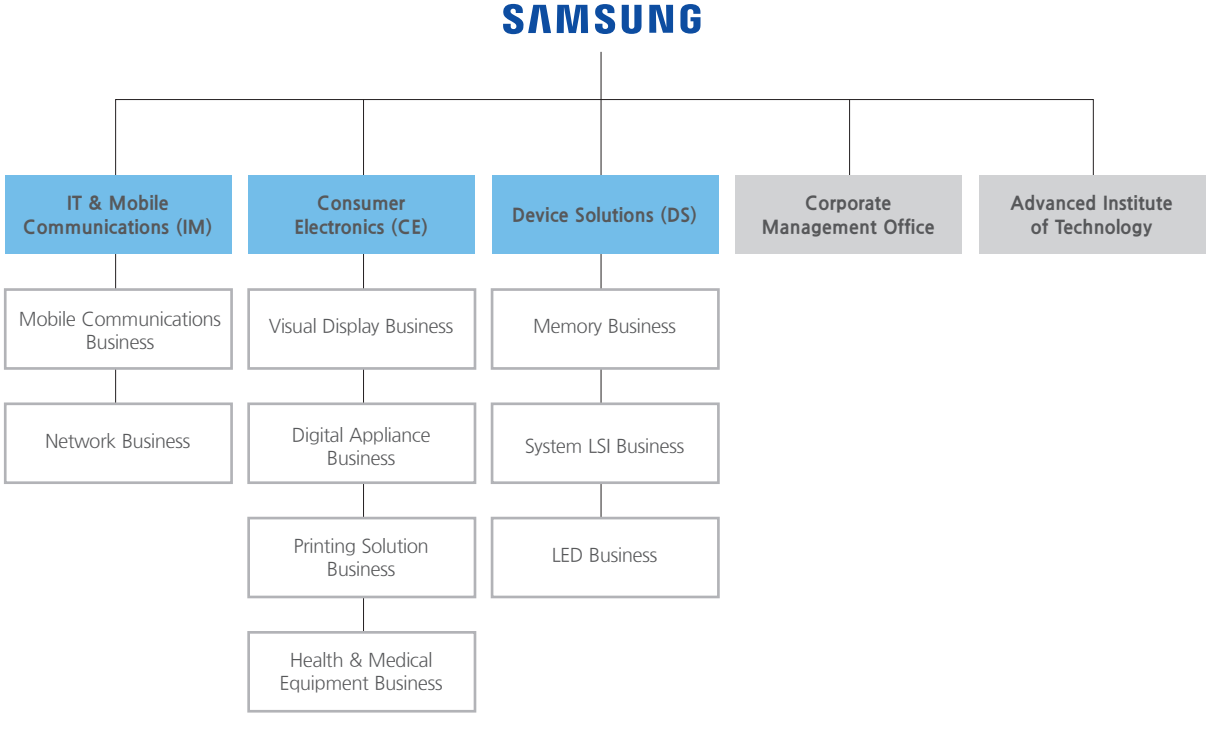
Since 2013, Samsung was reorganized into three key divisions: IT & Mobile Communications (hereinafter 'IM'), Consumer Electronics (hereinafter 'CE'), and Device Solutions (hereinafter 'DS'). These reforms helped Samsung to improve operational oversights while creatinng synergy between divisions. In addition, the local subsidiaries under regional headquarters help the company strengthen its capacity as a global leader by conducting business activities, such as production, R&D, marketing, and service, tailored for each region.

Our headquarter is located in Suwon, Gyeonggi-do, Korea, and the company's IM and CE divisions operate ten regional headquarters and DS division operates five regional headquarters across the globe. By the end of 2014, we maintained operations in 213 offices around the world, including manufacturing subsidiaries, sales subsidiaries, and research centers.

Organizational Structure

The three divisions of IM, CE, and DS are independently operated to strengthen their capabilities required for various prducts from nine different business units. The IM division includes telecommunication products such as smartphones, computers, and network systems, the CE division includes digital TVs, monitors, refrigerators, washing machines, printers, and medical devices, and the DS division manufactures and sells memory products such as DRAM, NAND, and mobile AP in the semiconductor business.

Organizational Chart



Business Divisions and Major Products

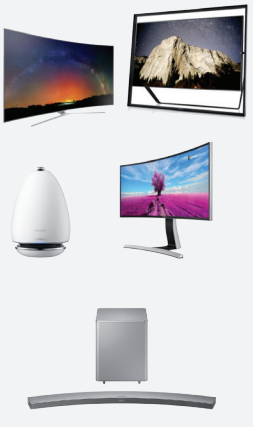
IM Division Samsung continues to lead the global smartphone market with diversified product line up strategy to drive growth in mass market products building on our strength of premium products. The network equipment and solution business unit is helping to develop the 4G communication network infrastructure across the globe. Looking ahead, Samsung continued its investment in future growth engines in 2014, including mobile health care and B2B, and made efforts to provide customers with new values by strengthening its unparalleled R&D capability.

Mobile Business

Network Business

CE Division Samsung has maintained its dominant leadership in the global TV market by earning No.1 global market share for nine consecutive years. In 2013, we unveiled UHD TV and OLED TV, which dramatically improved image quality and resolution, and in 2014, took the lead in the premium TV market that includes UHD TV and Curved TV. The home appliances business division also achieved major growth in the premium market with its innovative new products and differentiated design.

Visual Display Business



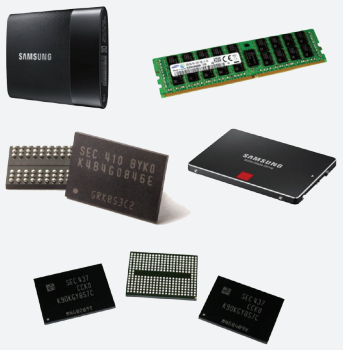
Digital Appliance Business

Printing Solution Business

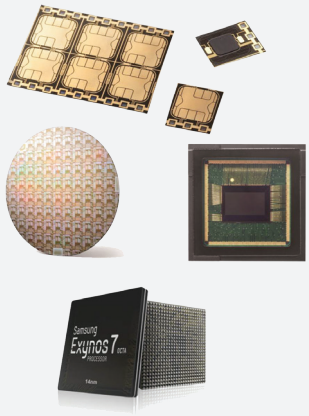
Health & Medical Equipment Business

DS Division In 2014, Samsung completed the development and production of 20-nano DRAM products, securing technology and cost competitiveness nearly two years ahead of its competitors. Looking ahead, we are focused on production of highly profitable memory solutions, and developing solutions for next-generation IT products. With the expected growth in the cloud server and mid-range mobile phone markets, the DS division will expand the differentiated product lineup. As such, we will continue to lead the market as the No. 1 memory manufacture by providing products with real-life applications.

Memory Business



System LSI Business



LED Business

Major Accomplishments in 2014

- 2/20 Launch of the world's first Curved UHD TV in Korea
- 3/8 Introduction of music streaming service 'MILK Music' in the US
- 3/11 Mass production of the world's first 20-nano 4Gb PC DRAM
- 4/11 Global launch of 'Galaxy S5' in 125 countries
- 4/28 Release of 78-inch/105-inch Curved UHD TV
- 5/29 Mass production of the world's first 2G 3D V-NAND
- 9/3 Unpacked 'Galaxy Note4, Note Edge, Gear S, and Gear VR'
- 9/18 Mass production of the world's first 20-nano Mobile DRAM
- 10/21 Mass production of the world's first 20-nano 8Gb DDR4 Server DRAM

Business Performance

In 2014, although we experienced steady recovery of the US economy, the world economy contracted amid lower growth in China coupled with marco headwinds in emerging markets. In addition, weak economic growth in local market continued. Despite facing challenges, Samsung delivered sales of KRW206.2 trillion and earned KRW25 trillion in operating profits in 2014.

From the financial management perspective, Samsung maintained a sound financial structure by recording a debt ratio of 37.1%, equity ratio of 72.9%, and return on equity ratio of 14.7%. In 2014, we increased our brand value to KRW45.5 billion, up 15% from the previous year. According to the Interbrand, Samsung has the 7th highest brand value in the world in 2014. From the business perspective, Samsung was able to consolidate mass production of server DRAM module driven by high performance and large capacity. We also launched premium TV models such as UHD TV and curved TVs featuring differentiated technology and design.

Key Business Results (Unit : KRW trillion)

Sales

Operating Profit

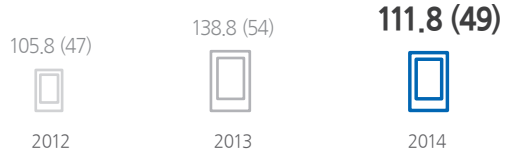
Net Income

Regional Sales and Ratio (Unit: KRW trillion, %)

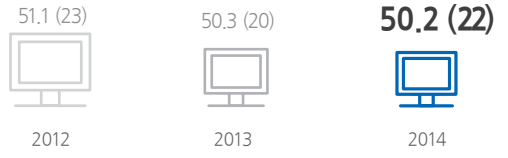
	2012	2013	2014
Americas	58.2 (29)	69.4 (30)	68.7 (33)
Europe (including CIS)	49.5 (25)	52.7 (23)	43.0 (21)
China	28.2 (14)	40.1 (18)	33.0 (16)
Korea	29.2 (14)	22.8 (10)	20.7 (10)
Asia/Africa	36.1 (18)	43.7 (19)	40.8 (20)

Divisional Sales and Ratio (Unit : KRW trillion, %)

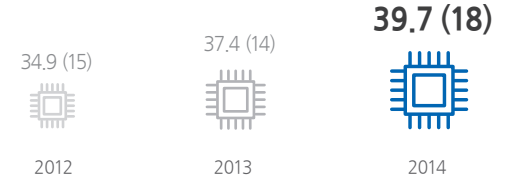
IM



CE

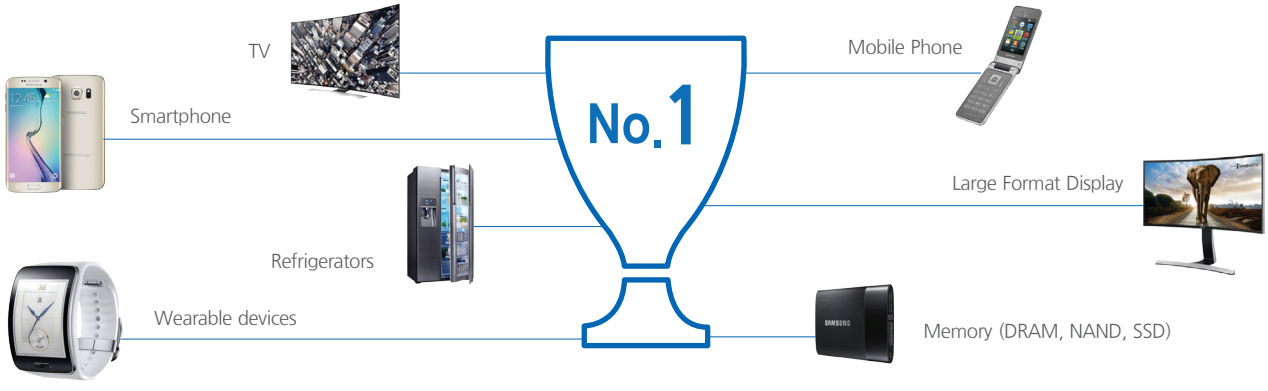


Semiconductor



Display

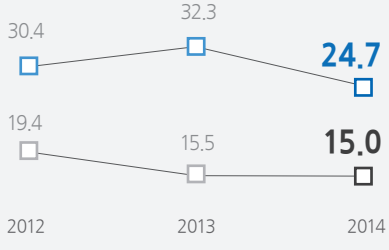
Products with No. 1 Market Share



Market Share (%)

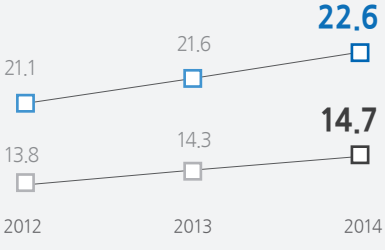
■ Samsung Elecrtronics ■ 2nd company

IM Division - Smartphone



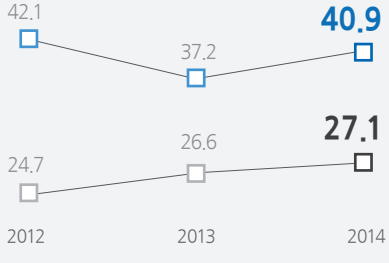
* Strategy analytics, quantity-based

CE Division - TV



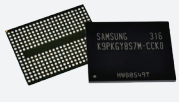
* Display Search, quantity-based

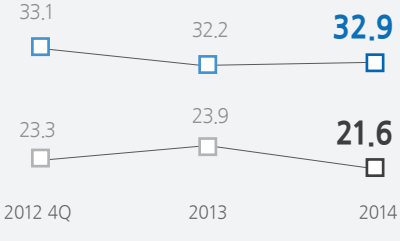
DS Division - DRAM



* IDC, amount-based

DS Division - NAND





* IDC, amount-based (Standards for calculating market share changed after 3Q of 2012)

External Evaluation

- **2** Fast Company 2015 — Most Innovative Companies (in IoT)
- **7** Interbrand 2014 — Best Global Brands
- **11** Interbrand 2014 — Best Global Green Brands
- **3** BCG 2014 — Most Innovative Companies
- **13** Fortune 2014 — Fortune Global 500 Companies
- **10** Forbes 2014 — World's 100 Most Reputable Companies

Global Network

At the end of 2014, Samsung Electronics maintained 213 world-wide operation hubs, including manufacturing subsidiaries, sales subsidiaries, design centers, and research centers. In order to effectively manage its diverse global portfolio, the company employs localization strategies and maintains 15 regional headquarters in North America, Europe, Southeast Asia, and Africa, with its corporate HQ in Korea.

Regional Headquarters

15

Global Production Bases

38

In-house Production Rate **90%**

Global Sales Bases

54

Global R&D Centers

36

R&D Expenses KRW **15.3** trillion

Global Design Centers

6

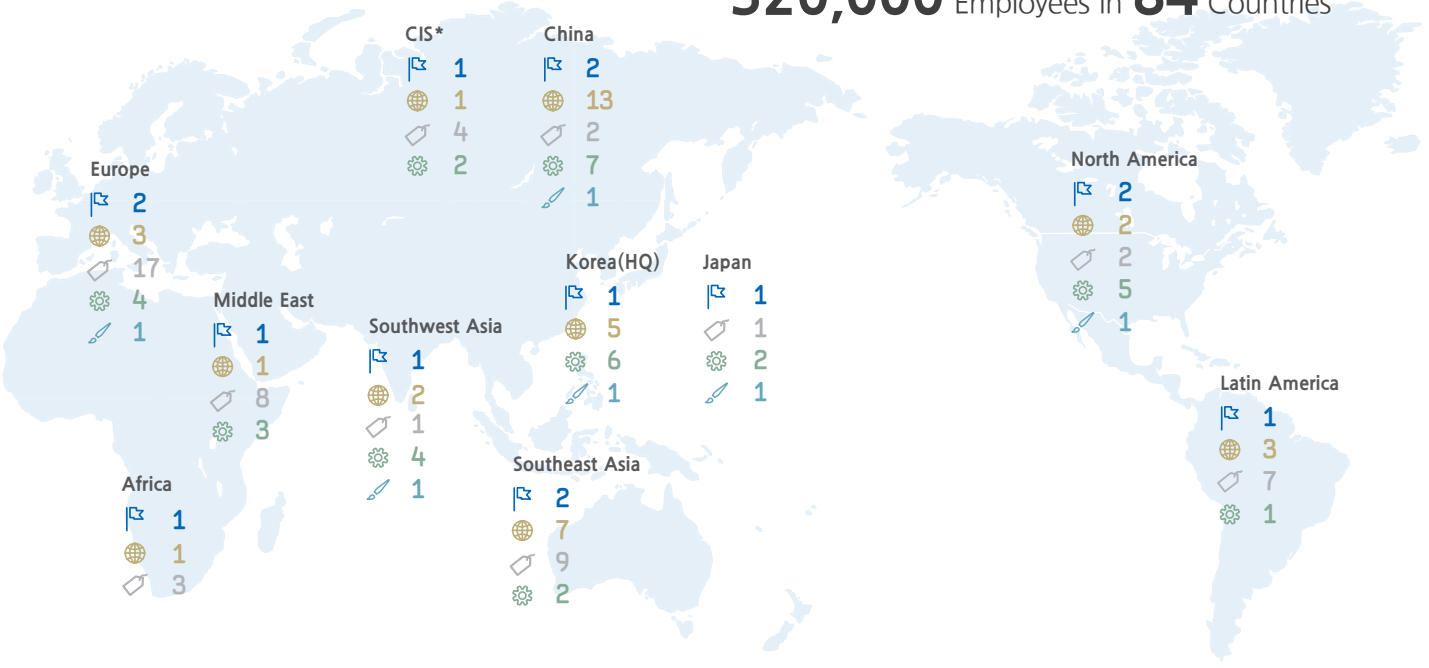
Localized Designers **1,700** persons

Others*

64

*Sales Branches, Service Center, Distribution Bases and etc.

320,000 Employees in **84** Countries



*CIS: Commonwealth of Independent States

Corporate Governance

Samsung strives to enhance its business by encouraging a progressive and entrepreneurial environment based on the highest standards of governance, transparency, and accountability. Under such policy, the Board of Directors administers the performance of management, sets corporate management policies, and makes strategic decisions on business execution. These activities are performed in accordance with relevant laws and regulations, our articles of incorporation (AOI), and the resolutions made at the annual general shareholders meeting (AGM). In addition, the Board established six committees for efficient decision-making and proactively responding to the changes in regulations and business environment.

Board of Directors (BOD) Composition

The BOD is composed of four executive directors and a five-person independent director majority, an arrangement designed to both guarantee the Board's independence and establish a transparent decision-making process with inputs from a broad spectrum of outside experts. The independent directors meet separately from the BOD's executive directors in order to promote a free exchange of ideas on all aspects of the company's management.

Appointment of Directors

In accordance with Article 24 of the Articles of Incorporation, the BOD consists of 3~14 members who are elected at a general meeting of shareholders. All directors are prohibited from engaging in business activities within the same industry without the BOD's approval.

Director Independence Samsung refers to the Korean Commerce Act in judging the independence of non-executive directors. Independent directors are nominated in accordance with the legal procedure and selected after thorough assessment of qualification requirements such as no conflict of interest with the company. Those who are full-time employees, affiliated persons of the largest shareholder, cash loan personnel, and direct ancestors/descendants of directors are not qualified as independent directors. Also, major shareholders or executives who have retired in the last two years are not allowed to assume the position of independent directors.

Expertise and Diversity of Independent Directors In accordance with the Articles of Incorporation, the Independent Directors Recommendation Committee initially selects candidates from among a pool of experts with in-depth knowledge and experience in a variety of areas, including business management, economy, accounting, law, and information & technology. Independent directors are elected from the pool of nominated candidates at a general meeting of shareholders. In addition, the committee strives to nominate candidates regardless of race, gender, age, and nationality to promote the diversity of the Board. As a result, the first woman independent director was elected in 2013.

BOD Operation and Decision-making

The BOD convenes on both regular and extraordinary meetings. Regular meetings are held every quarter in accordance with the Articles of Incorporation, while extraordinary meetings are organized when deemed necessary. The BOD meetings are generally convened by the chairperson, but each director is also entitled to call an emergency meeting when the bills and reasons he or she presents are recognized as necessary. Decisions at the BOD meetings can be made when the majority of the BOD attend and the majority of the attendees agree. Various means of communication such as video conference can be used within the allowable scope permitted by the law. As for the voting right of directors, the principle of 'one person, one vote' is applied to all executive and non-executive directors, and directors with a stake in a specific item are prohibited from exercising their vote.

Evaluation and Compensation

The BOD and the committees conduct self-evaluations of their annual activities and participation rates every year. Compensation for the independent directors is not linked to performance. To ensure independence of our non-executive directors, the compensation includes only basic salary and business travel expenses.

Committees under the BOD

During the course of 2014, the BOD conducted seven meetings and handled 26 cases. For swift and efficient decision-making, the BOD has established committees under the BOD in accordance with pertinent laws. The BOD refers certain matters to the committees to be reviewed by committee members with experience and expertise in the related fields. The BOD currently has six committees: Management Committee, Audit Committee, Independent Director Recommendation Committee, Related Party Transactions Committee, Compensation Committee, and Corporate Social Responsibility (CSR) Committee.

Management Committee The committee deliberates and decides matters either delegated by the BOD or specified in the Articles of Incorporation or the Regulation of the Board of Directors with the aim of enhancing professionalism and efficiency in decision-making. In 2014, a total of thirteen meetings were held.

Audit Committee The Audit Committee, comprised of three independent directors, supervises and supports the management through a process of checks and balances to maximize corporate value. The Committee is responsible for reporting audit results to the BOD and resolving management risks. In 2014, a total of five meetings were convened.

Independent Director Recommendation Committee To secure fairness and independence in selecting independent director candidates, the Independent Director Recommendation Committee is comprised of one executive director and a three-person independent director majority. The Committee was held twice in the first quarter of 2015 for the election of independent directors.

Related Party Transactions Committee The committee enhances corporate transparency and promotes fair trade through compliance programs. All of its three members are independent directors, and a total of six meetings were held in 2014.

Compensation Committee The committee enhances objectivity and transparency in the process of decision-making on directors' remuneration. All of its three members are independent directors, and a total of two meetings were convened in 2014.

CSR Committee The committee supervises and supports the company's Corporate Social Responsibility (CSR) activities and other activities aimed at promoting public welfare. Comprised of five independent directors only, the committee operates a research group in connection with external organizations on an ad-hoc basis. In 2014, the committee carried out 52 individual research projects in eight major categories, including sustainable business ecosystem and co-prosperity.

Director Profile

Executive Directors

Oh-Hyun Kwon
- Vice Chairman & CEO (2012-present)
- Head of Advanced Institute of Technology (2013-present)
- Head of Device Solutions (DS) Division (2011-present)
- Head of Semiconductor Business Division (2008-2011)
- Head of System LSI Business Division (2004-2008)

Bu-Geun Yoon
- President & CEO (2013-present)
- Head of Consumer Electronics (CE) Division (2012-present)
- Person in Charge of CE (2011-2012)
- Head of Image Display Business Division (2007-2011)
- Leader of Development Team of Image Display Business Division (2003-2007)

Jong-Gyun Shin
- President & CEO (2013-present)
- Head of IT & Mobile Communications (IM) Division (2012 - present)
- Person in Charge of IM (2011-2012)
- Head of Mobile Communications Business Division (2009-2011)
- Head of Development Office of Mobile Communications Business Division (2006-2009)

Sang-Hoon Lee
- Head of Corporate Management Office (2012-present)
- Leader of Strategy 1 Team of Future Strategies Office (2010-2012)
- Leader of Business Support Team (2008-2010)
- Strategy Support Team of Strategic Planning Office (2006-2008)

Non-executive Directors

In-Ho Lee
- Independent Director (2010-present)
- Advisor, Shinhan Bank (2009-2011)
- President & CEO, Shinhan Financial Group (2005-2009)
- President & CEO, Shinhan Bank (1999-2003)
- Director, Managing Director, and Executive Director, Shinhan Bank (1991-1999)

Han-Joong Kim
- Independent Director (2012-present)
- President & Chairman, CHA Strategy Committee (2012-present)
- President, Yonsei University (2008-2012)
- Chief Director, The Korean Society for Preventive Medicine (2006-2008)
- Professor, College of Medicine, Yonsei University (1982-2012)

Kwang-Soo Song
- Independent Director (2013-present)
- Advisor, Kim & Chang Law Office (2007-present)
- 33rd Public Prosecutor General, Supreme Public Prosecutor's Office (2003-2005)
- Chief Prosecutor, Daegu Supreme Prosecutors' Office (2002-2003)
- Deputy Minister for Criminal Affairs, Ministry of Justice (2001-2002)

Byeong-Gi Lee
- Independent Director (2012-present)
- Professor, Department of Electrical and Computer Engineering, Seoul National University (1986-present)
- President, IEEE Communications Society (2010-2011)
- Permanent Commissioner, Korea Communications Commission (2008-2010)
- President, Korea Institute of Communication Sciences (2007)

Eun-Mee Kim
- Independent Director (2013-present)
- Dean, Graduate School of International Studies, Ewha Womans University (2005-2007, 2011-present)
- Professor, Graduate School of International Studies, Ewha Womans University (1997-present)
- President, Korea Association of International Development and Cooperation (2011-2012)
- Professor, Department of Sociology, University of Southern California (1987-1997)

Leading Corporate Social Responsibility through Research Group under Board of Directors

Independent Director Byeong-Gi Lee is chairperson of the CSR committee under the Board of Directors, and also president of the Business Ecosystem Development Research Group under the committee. The research group is composed of experts in ventures or SMEs and Samsung Electronics' executives in the field of shared growth collaboration, an arrangement to make research results more objective and professional.

CSR Committee
Independent Director Byeong-Gi Lee

Independent Director Lee described the performance and future plans of the research group by saying, "Outside experts who can represent the needs of society and executives who speak for the company's status of business operation gathered together to discuss and research on a regular basis. I hope our research activities will open a new horizon for the development of the Korean business ecosystem."
The research group conducts diversified research on the contribution of Samsung Electronics to the development of business ecosystem, such as mutual cooperation between ventures and the company and utilization of overseas network and Open Innovation Center. When the committee reports research results to the BOD, the company makes every effort to carry them out through its CSR activities.

"I am very happy to see that the company is actively reflecting our research results on the overall management activities. This joint research between outside experts and a group under the Board is the first of its kind, so we will make our best effort to bear fruit in 2015 as well." Independent Director Lee added that he hoped to see the research results reflected in the CSR activities of Samsung and thereby contribute to the development of sustainable business ecosystem.

Social Responsibility for the Global Leading Company

CSR Committee
Independent Director Eun-Mee Kim

As an expert in international cooperation and social contribution activities for developing countries, Independent Director Eun-Mee Kim has a robust interest in suggesting a strategic direction for Samsung's corporate citizenship activities through the CSR committee. "When it comes to corporate citizenship activities, society has a high level of expectations for global companies. In this regard, the recent corporate citizenship programs that Samsung has carried out all around the world are very impressive."

Conducting research by personally visiting the fields in developing countries, Independent Director Kim said her visit to Samsung Engineering Academy in Kenya in 2013 was an unforgettable experience. There, the company built training facilities, provided IT education free of charge and even hired those who had completed the training as service engineers. Independent Director Kim said, "These programs not only support individuals to have a better life through job creation, but also promote the economic development of developing countries."

"As a global leading company, I believe now is the time for Samsung to take a long-term perspective in performing its CSR activities separately from its short-term profits. The company must pay more attention to not only nurturing IT personnel, but also providing character and language education for both male and female students in developing countries." She added that she will continue to provide advice and consultation to help Samsung fulfill its social responsibility as a global corporate citizen through programs that nurture global talents and promote shared growth collaboration.

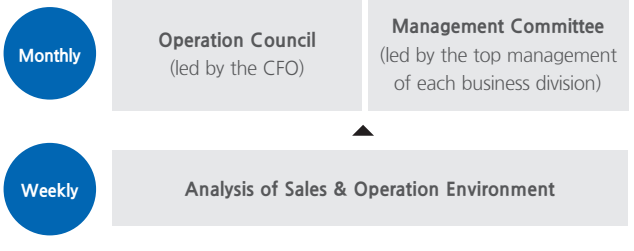
Risk Management

In the era of globalization, Samsung focuses on strengthening its business competitiveness through the management of the system that efficiently responds to financial and business risks and stricter regulations of each country. The establishment of internal risk management systems, such as Global Enterprise Resource Planning (G-ERP) that analyzes financial risks and Global Supply Chain Management (G-SCM) that manages supply chain risks, has enabled the company to effectively deal with company-wide risks and prevent risk factors in advance through self-examination. In addition, we enhance our management efficiency and productivity through the standardization of various processes and systems.

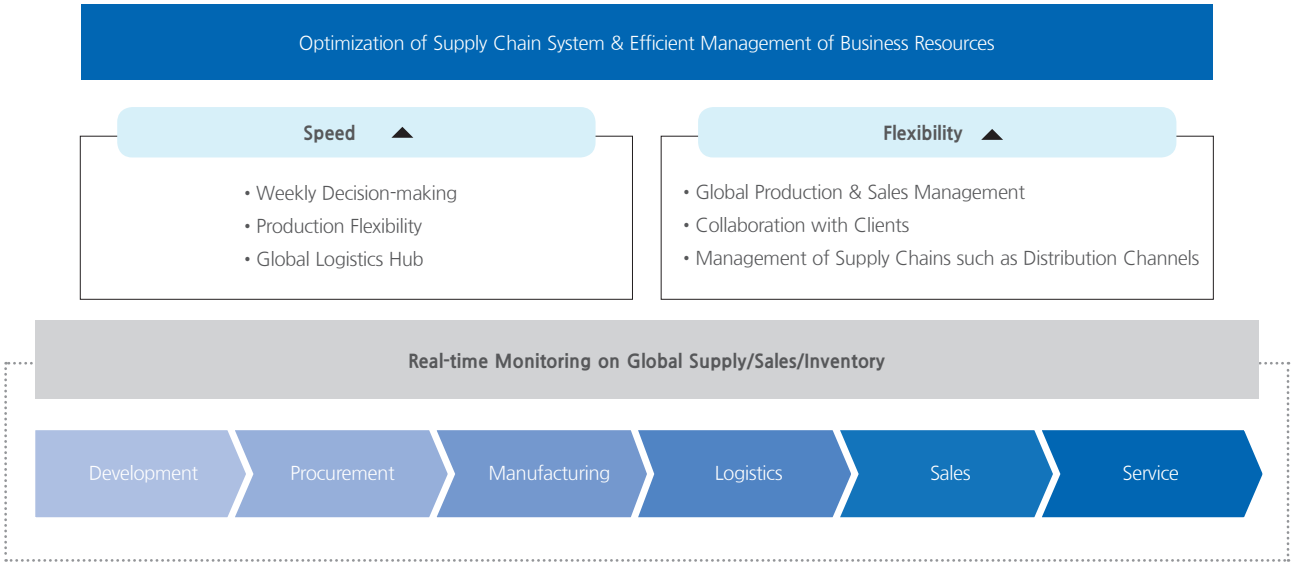
Example of Risk Management through Global SCM

Samsung maintains its comprehensive logistics system that allows the company to maintain dominant position by seamless operations through unpredictable market conditions. To support a world-class global supply chain, we manage our partners by integrating them into our IT infrastructure. Real-time monitoring of our global supply chain ranging from development, procurement, production, logistics, and sales to service helps the company to detect market changes and proactively address unpredictable events. In addition, the establishment of a global production and sales management system by all major product groups allowed the creation of business environment where the company can minimize its management risks. In addition, the Operation Council, overseen by the CFO, regularly reports for financial and business risks to the management. And the Management Committee participated by the top executives of each business division determines business planning, performance, and goals on a monthly and an annual basis.

In 2014, Samsung effectively managed inventory and increased sales efficiency by sharing information with its key clients through the collaboration program 'CPFR (Collaborative Planning Forecasting & Replenishment)' designed to manage risks in the mobile phone distribution network. Accordingly, the inventory of our distributors has been considerably reduced, and information is shared in real-time with its clients and distributors all around the world.



Risk Management System



Tax Management System

We are committed to conducting all business related activities in compliance under the tax policy of 'Law Observance & Honest Tax Report and Payment' and 'Contribution to the National Finance and Society through Tax Policy Improvement'. In addition, the company makes a concerted effort to assessing tax related risks in various aspects and prioritizing compliance with pertinent regulations for risk management.

Tax Management Policy

Law Observance & Honest Tax Report and Payment

- Samsung complies with the laws and regulations of countries with its business presence, and fulfills its responsibility for honest tax report and payment. To this end, we maintain an honest and open relationship with the tax authorities of each country, and provides relevant supporting documents upon request.
- Conducting a variety of business activities in many countries, Samsung recognizes the differences in tax laws of each country, prevents tax risks, and analyzes relevant regulations and practices in doing all kinds of transactions.
- The employees in charge of tax management at all subsidiaries must comply with laws and regulations in accordance with Samsung tax policies, and perform their tasks under the principle of maintaining a transparent relationship with the tax authorities.

Tax Risk Management Samsung Electronics places top priority on compliance when managing various tax risks. The company maintains a decision-making system based on thorough tax risk assessment and review so that it can effectively comply with regulations and practices in all of its business transactions. Moreover, Samsung Electronics files all income tax returns and meets the payment deadline, and documents the evidence of qualifications and grounds for decision-making related to business transactions. The company also maintains a transparent relationship with tax authorities, and responds to their request for materials in a swift and accurate manner.

In regard to local transactions, Samsung complies with the Fair Trade Act and maintains fair trade prices in transactions with third-parties and persons with special relations. As for transactions in other markets, we adhere to regulated prices by law and to prevent risks that could uprise from tax treatment of transfer pricing.

Tax Risk Assessment Samsung is committed to preventing all sorts of tax related risks thanks to the process of transactions of goods and services; mergers and acquisitions; corporate restructuring; international transactions; new business promotions; and transaction structure changes. When business decisions need to be made, the tax division cooperates with external experts to assess presence of any risks, and the relevant division considers the results together with other factors to make a final decision.

Key criteria to asses tax risks related to business activities:

- Thorough analysis of specific facts and relations
- Review of local and international tax regulations and practices
- Scenarios planning on profits and costs
- Possibilities and existence of potential risks
- Countermeasures to risks

Contribution to Local Community Development through Tax Management Samsung is committed to making contributions to local communities wherever we operate. We are considered as a major taxpayer and investor in each country. And we make a meaningful contribution to job creation. Moreover, we play a critical role in revitalizing the local economy through the purchase of products and services from all around the world. In particular, Samsung contributes to the local economy by fulfilling its responsibility for honest tax report and payment.

In addition to paying corporate taxes, we also indirectly contribute to the local economy by paying surtax and withholding tax.

Materiality Analysis

Samsung actively interacts with its major stakeholders at home and abroad to address their concerns related to any social and environmental challenges. We made strong efforts to improve this year's materiality test from the previous year. The one area of major improvement compared to the previous year is that we conducted survey studies with on our key stakeholders with a support from the external consulting firm BSR (Business Social Responsibility). Through the survey study, we heard from opinion leaders of the sustainability area on key materials issues that Samsung must address today. In addition, we included employees' voice by reviewing suggestions and comments they submitted through MOSAIC led online discussion forums.

The materiality assessment was conducted based on stakeholder survey, media analysis, and industrial environment analysis. The level and scope of issue management were clarified through continuous consultation and discussion with the relevant divisions, and the process was revised to reflect the assessments by the management and external stakeholders in the following year's business plans. To this end, Samsung is committed to ensuring that all materiality issues identified through the process are reflected in the management's decision-making process and business plans.

Key Issues by Area

People
- 4 Supplier labor management
- 5 Human Rights and Diversity of Employees
- 6 Human Resource Development
- 8 Compliance Management
- 11 Workplace Health and Safety
- 13 Protection of Intellectual Property Rights
- 15 Board Independence and Diversity

Society
- 1 Technology Innovation for Society
- 2 Information Security and Cyber Terrorism
- 3 Social Contribution
- 7 Transparent Information Disclosure
- 9 Conflict Minerals
- 14 Customer/Product Quality Management
- 17 Supplier Environmental Management
- 19 Material Procurement Risks

Environment
- 10 Eco-friendly Product Development
- 12 Water Risk Management
- 16 GHG & Energy Management
- 18 E-Waste Collection & Recycling
- 20 Waste Processing
- 21 Green Management Policy and System

Materiality Assessment Process

Creation of Material Issue Pool

Stakeholder interviews by BSR
Media Analysis (Factiva Analysis)
Research on Industry Issues (GeSI, GRI, KPMG, SASB, SAM, etc.)
Employee Discussion Forum

Creation of Material Issue Pool (254 issues in total)

- 34 issues selected from 500 articles related to Samsung Electronics in foreign media outlets
- 7 material issues of Samsung selected by BSR
- 17 material issues of the industry selected by KPMG
- 55 material issues of the industry selected by GeSI
- 10 material issues of the industry selected by GRI
- 15 material issues of the industry selected by SASB
- 12 material issues of the industry selected by DJSI
- 104 CSR related issues from Employee Discussion Forum

Selection of Material Issues

Integration of Redundant Issues

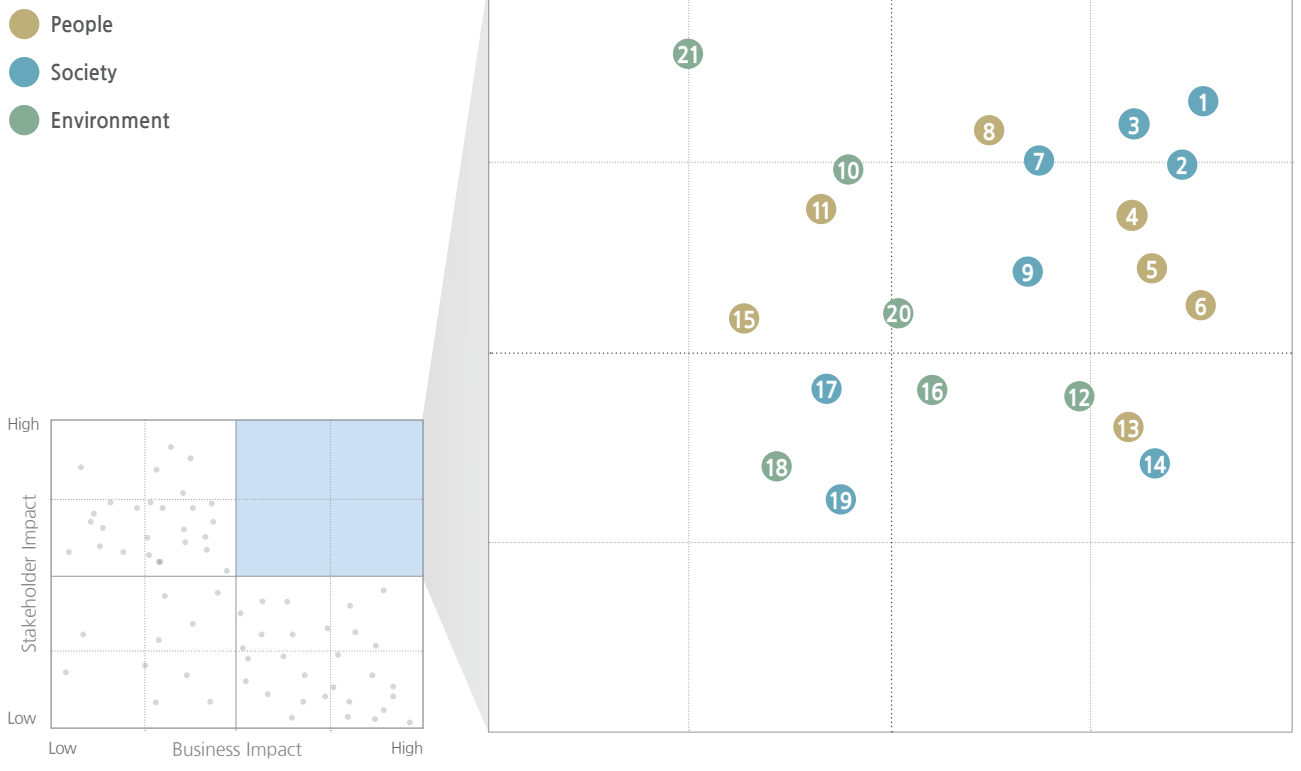
Selection of Common Issues

Selection of Material Issues by Multiple Organizations

Selection of Material Issues (21 issues in total)

- Categorized identified key material issues into 3 focus areas of Samsung's Sustainability Management strategy (People, Society, Environment):
  - 7 issues for People
  - 8 issues for Society
  - 6 issues for Environment

Materiality Assessment Results



Prioritization → **Materiality Mapping**

Stakeholder Impact Analysis

- Customers, suppliers, government, shareholders, employees, local communities, media, NGOs
- Evaluation of impacts that material issues have on economy, environment, and society

Business Impact Analysis

- Evaluation of impacts on sales, costs, reputation, and regulations
- Collection of the opinions of persons in charge of global corporate citizenship

Internal Review

- Samsung Electronics Corporate Sustainability Management Office
- Confirmation after the management's review

Stakeholder Communication

Samsung actively communicates with various stakeholders to fulfill its social responsibility as a global corporate citizen. In this regard, we operate diverse communication channels with stakeholders to manage expectations and to establish a long-term cooperative relationship. Also, we have functional units responsible for communication with each stakeholder group related to their field and to listen to their voices through stakeholder forums, surveys, and on-site visits.

These activities enable Samsung to better understand the latest global trends, detect business opportunities and manage risks in the aspects of the environment and society in the early stage. Ultimately, stakeholders' voices will be reflected in shaping our business and long-term strategy.

Below is a short description of a variety of communication channels and activities that we engage with employees, suppliers, NGOs, and shareholders and investors.

Suppliers

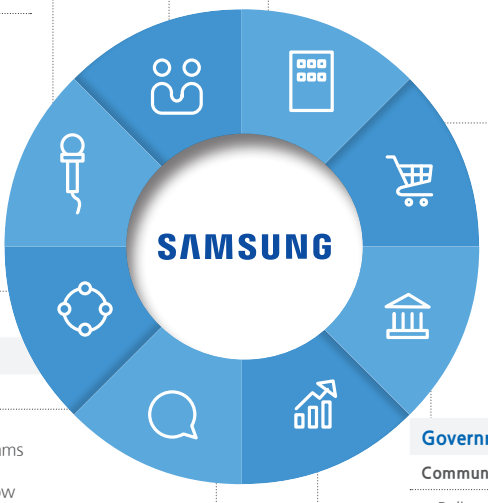
Communication Channels	Current Activities
· Shared Growth Day · Supplier Dialogue Fair · Hot Line · Informal meetings with suppliers	· Supplier Technology Sourcing Fair · Shared Growth Collaboration Academy · Samsung Electronics Supplier Job Fair · Samsung Electronics Supplier Cyber Sinmungo

Employees

Communication Channels	Current Activities
· Labor management councils · Counseling centers · Briefing sessions on management · Employee satisfaction surveys · 'Samsung LiVE' · Newsletters · Opinion submission system (compliance, ethics)	· 'Samsung LiVE' - Presentation of opinions on various issues or improvements in newsgroups of online communication channels · Briefing sessions on management status - Direct communication between top management and employees every quarter - Sharing of management performance in previous quarter and future management plans, visions, and strategies · Employee discussion forums through MOSAIC - Online discussion forum titled 'Plans for Sustainability of Samsung Electronics' led by CFO and participated by all employees

Media

Communication Channels	Current Activities
· Media Day	· Press release distribution



Customers

Communication Channels	Current Activities
· Customer satisfaction surveys by external organizations · Prosumer activities · Customer VOC claim processing · Official blog (Samsung Tomorrow)	· Perception rating by stakeholder group through Reputation Institute (Europe)

Local Community

Communication Channels	Current Activities
· Local volunteer center · Local community council	· 5 major social contribution programs - Smart School - Solve for Tomorrow - Tech Institute - Nanum Village - Care Drive

Government

Communication Channels	Current Activities
· Policy gatherings · Consultations · Consultative bodies	· Venture capital channels in collaboration with the government · Daegu/Gyeongbuk Creative Economy Innovation Center · SME financial services for shared growth management

NGOs

Communication Channels	Current Activities
· Business networking events · NGO gatherings · Electronic Industry Citizenship Coalition (EICC)	· NGO survey - Collection of opinions of global NGOs ① Direction of improvement for sustainable society ② Plans for collaboration to resolve global issues ③ Plans for transparency enhancement through information disclosure

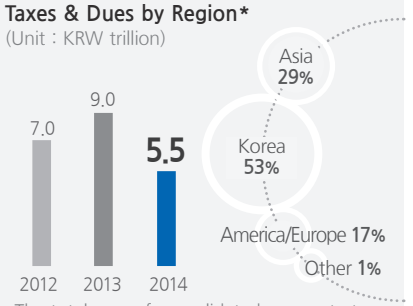
Shareholders/Investors

Communication Channels	Current Activities
· Investor Relations (IR) meetings · Annual general meeting of shareholders · One-on-one meetings · Analyst Day	· Investors Forum (May and October 2014) - Approximately 200 participants, including institutional investors, analysts, and IT experts at home and abroad - Explanation of new businesses/technologies - Sharing of R&D efforts to secure future growth engines

Sharing Economic Value

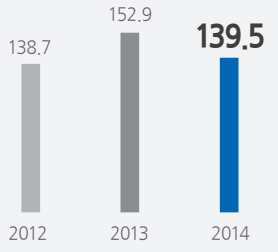
Saumsung recognizes that sustainable business performance is central to creating tangible impact in society. The following chart highlights our efforts to sharing economic values with various stakeholders in 2014.

Taxes & Dues by Region*
(Unit : KRW trillion)



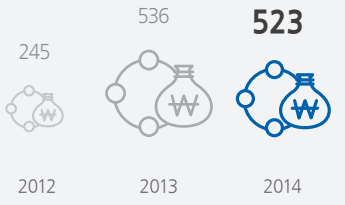
* The total sum of consolidated corporate taxes paid, other taxes, and dues calculated on an accrual basis.

Procurement Cost (Unit : KRW trillion)

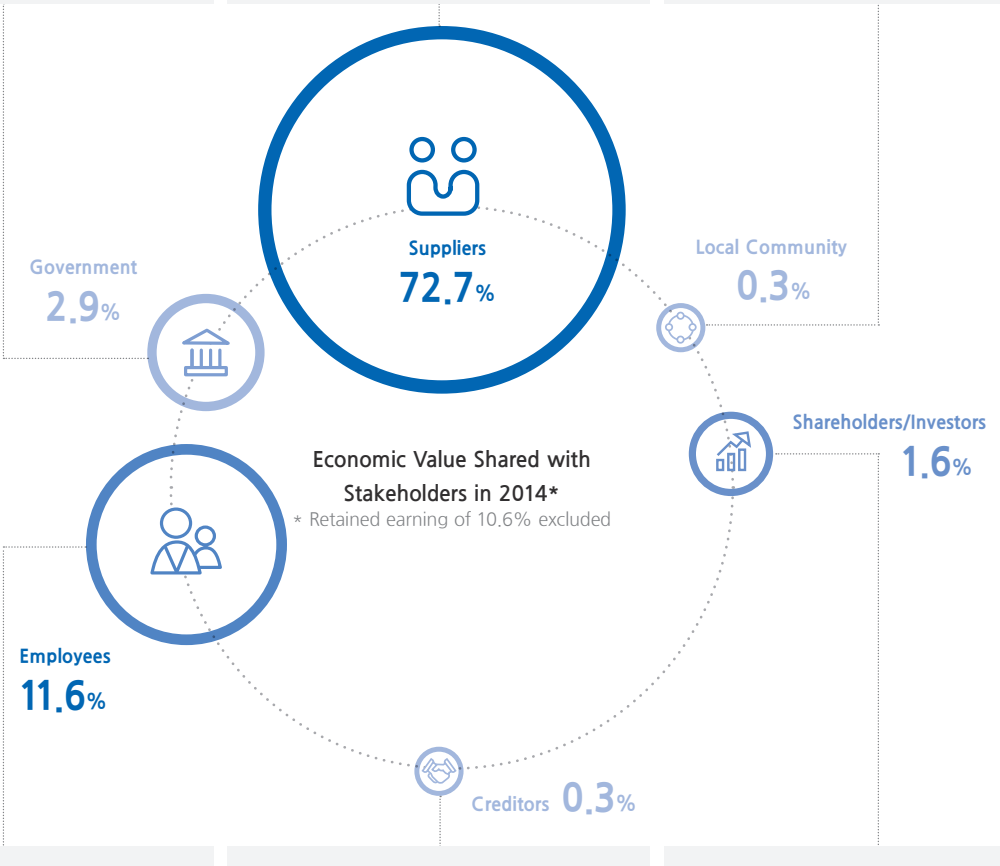


* The total amount of product and service costs made for company sales.

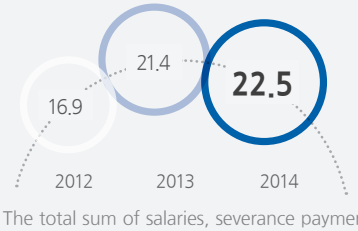
Social Contribution* (Unit : KRW billion)



* The total sum of social contribution expenses, including donations and other expense accounts.

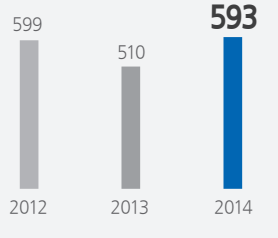


Employee Remuneration* (Unit : KRW trillion)

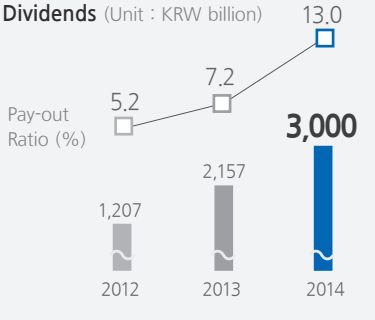


* The total sum of salaries, severance payments, and fringe benefits included in the cost of sales, R&D costs, and administrative expenses.

Interest Expenses (Unit : KRW billion)



Dividends (Unit : KRW billion)



Example of Stakeholder Communication: Online Employee Discussion Forum

In July 2014, Samsung held an online discussion forum with our employees through MOSAIC, an in-house collective intelligence system, to brainstorm on the company's future. The first of its kind, the online forum has been recognized as an innovative means of communication between employees and executives.

Overview

Employees' Response to Discussion Forum

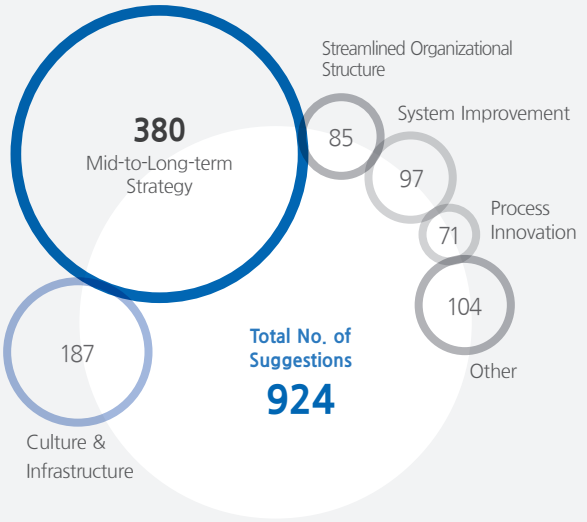
"I think this kind of open discussion on the company's pending issues has significant meaning in itself, and hope the forum to become a unique 'communication culture' of Samsung Electronics."

"I felt a sense of ownership while discussing the future of our company, and could have more trust in my colleagues afterwards."

Discussion Forum in Numbers

- No. of Page Views 479,027
- No. of Participants 69,836
- No. of Postings 4,220

No. of Employee Suggestions by Category

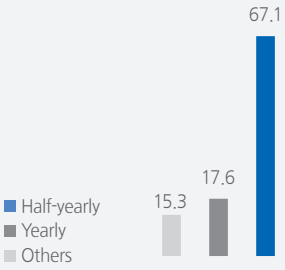


Discussion Forum Progress

1. **Review by the Collective Intelligence Office and consultative groups of each business division**
   Suggestions: 924
   Comments: 3,296
2. **Categorization and in-depth analysis of suggested ideas**
   Selected 18 items based on its relevance, alignment and readiness to the current and future business opportunities
3. **Design targeted implementation strategy**
   Establishment of action plans for each business division

Feedback from Employees (surveyed on July 22~31, 1,150 participants in total)

How often should the company offer this type of open discussion forum for employees? (%)



What do you think about the discussion forum? (%)

How can we improve the forum to make it more meaningful? (%)

Adoption of Employees' ideas in business strategy	31.6
Enhance features on the platform to improve discussion	26.4
Active engagement from the top management	15.5
Others	26.5

PEOPLE

Samsung Electronics embraces its roles and responsibilities as a global corporate citizen driven by high ethical standards and a commitment to lawful business practices. Samsung achieves these goals based on the unique strengths that underpin our excellence: People. At Samsung, we are dedicated to encouraging a creative culture and giving our people a wealth of opportunities to reach their full potential.

1 Compliance Management

2 Human Resource Development

3 Workplace Environment

PEOPLE - Special Report

Conversation with a leading authority on Corporate Sustainability

Professor David R. Grayson
Cranfield University School of Management

Sustainability remains an important topic for business. Regardless of industry, business leaders and organizations are seeking to reduce negative environmental and social impacts while maintaining higher performance. Samsung Electronics is no exception. We are committed to steadily delivering the sustainable performance of the company by being responsible for our employees and the society at large.

Samsung Electronics' Corporate Sustainability Management Office (CSMO) recently interviewed David Grayson, Professor of Corporate Responsibility and Director of the Doughty Centre for Corporate Responsibility at Cranfield University School of Management. David talked to Samsung about the latest trends on corporate sustainability practices taken by global leading companies and reflected on key issues driving such trends.

David, let's begin with a broad question. How exactly do you define corporate sustainability?

> "Corporate Sustainability is a business commitment to sustainable development, an approach that creates long-term shareholder and societal value by embracing the opportunities and managing the risks associated with social, environmental and economic developments. As such, I see it as a higher stage of corporate responsibility maturity; although, I do understand that some see corporate responsibility as the "how" and corporate sustainability as the "what." the goal! to be able to continue into the indefinite future in a resource-constrained world."

The topic of corporate responsibility maturity is interesting. What are the levers that drive big companies to fully integrate corporate sustainability internally?

Multiple! Climate change, depletion of natural resources, pollution and potentially irreversible damage to the natural environment and 'How will nine billion people live reasonably well within the constraints of one planet by mid-century?' Businesses, especially multinational companies like Samsung, are under pressure because of globalization and the growing reach and power of multinationals. But they also face the greater level of scrutiny and pressure for transparency and accountability, which technology and global connectivity like social media encourages. In summary, the levers are increasingly saving money and making money; reducing risk and increasing business opportunities.

While many would see issues concerning mineral sourcing and the working environment as obvious parts of corporate sustainability for ICT companies like Samsung, expectations from key stakeholders, including governments and NGOs, continue to increase beyond our operational footprint. What advice do you have for ICT companies to meet rising demands from key stakeholders on responsible sourcing and workplace management?

Understand your most material Social, Environmental and Economic Impacts! Keep under regular review. Have strategies for minimizing negative impacts and maximizing positive impacts. Maintain regular dialogue with key stakeholders on their perceptions and expectations. Look for insight in unusual places. Engage your employees so they are truly "ambassadors" so, promoting the company, as well as gathering and feeding market & societal insights back.

Samsung is a global company with operations in 213 locations around the world with about 70% of our 320,000 employees located outside of Korea. As such, the role of HR is becoming important for a company's management. How can the HR function help to further strengthen corporate sustainability?

I think HR has a major role in helping to promote corporate sustainability! Firstly, many aspects of corporate sustainability concern how a business behaves to its employees and the workplace impacts it has. For example, diversity and human rights, health and well-being, supporting employees who are juggling their jobs and caring for a loved one who is ill or disabled, creating a learning organization with advancement based on merit, treating employees fairly and with respect, ensuring employees know what is expected of them and that they are empowered to do their jobs, establishing a culture of transparency and mutual accountability, and that there are robust procedures and protection for whistle-blowers.

Secondly, HR professionals can play a crucial role in helping the rest of the business embed responsible business & corporate sustainability practices and helping line-managers to define and set relevant corporate sustainability Key Performance Indicators(KPI) and then link these KPI to employee and board compensation. Thirdly, a genuine commitment to corporate sustainability can help HR professionals fulfill traditional objectives of creating an employer brand of choice with engaged and motivated employees.

Furthermore, HR can partner with those responsible for corporate sustainability to ensure that the proposed and realized benefits of corporate sustainability are aligned and support the organization's business goals and purpose, and importantly, the needs and expectations of employees. Based on this understanding HR can also play a key role in engendering the culture change that is often required significant business change, such as the decision to embrace corporate sustainability. HR could help to ensure the employee's values are congruent with corporate values, incorporating the organization's commitment to corporate sustainability, and helping line-managers to define and set relevant corporate sustainability Key Performance Indicators(KPI) and then link these KPI to employee and board compensations.

Looking ahead, the ICT industry is going through a rapid transformation. We are experiencing convergence of industry, business model, and communication channels. As a result, our customers are constantly exposed to stories about us through various devices and media outlet. This ultimately challenges us to redefine how we approach relationship building with our customers and to maintain a high level of trust with them. From your view, what kind of organizational leadership or communication system should we have in place to communicate most effectively with various stakeholders going forward?

Yes, the world is changing dramatically! As Warren Buffet, the veteran American investor, has often said: "It takes twenty years to build a reputation and it can be destroyed in five minutes nowadays." I am fond of the writing of the Canadian futurist Don Tapscott and he talks about the era of the "Naked Corporation" and that in the era of the Naked Corporation, companies had better be buff! That means that leaders have to be authentic and to be ready to listen as well as talk and to be ready to engage in genuine dialogue.

Corporate sustainability is difficult to measure; especially the business KPIs. Do you have any recommendation on how Samsung should measure and communicate corporate on sustainability KPIs?

First, be clear about most material impacts and then identify relevant S.M.A.R.T targets eg from the Global Reporting Initiative and from the early pioneers of Integrated Reporting. Once you have adopted key targets (eg carbon neutrality, water neutrality, being "Net Positive" in terms of overall impacts), then explain to stakeholders why these are the chosen targets; get their input; and then regularly and honestly communicate progress - including where you are having difficulties in achieving them. I believe part of authentic communication is being prepared to be honest about where the organization is struggling as well as where it is succeeding.

We have often seen from companies that in times of growth, it's easy to invest in such efforts, but in difficult economic times, it becomes less of a priority. Looking across all industries, and not just with regard to Samsung, what do you think is the future of corporate sustainability? Are we seeing a paradigm shift, globally, in terms of how firms view their roles in society or is this just a temporary trend?

I think it will become increasingly seen as the new business normal - an integral part of how you do business if you want to stay in business. "Paradigm shift" is fast becoming an over-used phrase! But yes, I do believe for all the reasons I have been discussing above, that this is not a fad, not a temporary phase but a long-term fundamental shift in the way that we view business in society. The Center I run at Cranfield University School of Management produced a report in Autumn 2014 for Coca-Cola Enterprises, called "Profit with Purpose" exploring some of the reasons for this paradigm shift by surveying 50 CEOs, the current leaders, from leading business schools across Western Europe. and almost 150 MBA students, the future leaders, across Europe. Current and future business leaders both agreed overwhelmingly (88% and 90%, respectively) that businesses should have a social purpose. However, current and future leaders differed dramatically on the question of whether businesses already do have a social purpose (86% versus 19%). The key conclusion from report "Each company needs to define for itself its purpose and its core ideology. It is up to each company to decide whether that embraces social purpose and how that purpose is interpreted in practice. This is the paradigm shift."

A link to the "Profit with Purpose" report: http://www.som.cranfield.ac.uk/som/p23150/Knowledge-Interchange/Management-Themes/Corporate-Responsibility-and-Sustainability/Corporate-Responsibility-and-Sustainability-News/New-research-for-Coca-Cola-Entreprises

This is our last question. How do you see corporate sustainability 10 years from now?

Still very much a work in progress - but the next decade is going to be crucial for the future of humankind and of our planet. We are the first generation to feel the impact of climate change & the last generation that can do something about it. One of our Doughty Centre visiting professors: John Elkington and his organization Volans have just produced an excellent publication: The Stretch Agenda* discussing what businesses need to do in the coming decade to meet the sustainability challenge. I think it should be required reading in all boardrooms and business schools!

*Volans.com/wp-content/uploads/2015/05/The-Stretch-Agenda_digital-version_lo-res.pdf

Thank you very much for your time, David!

About Professor David R. Grayson CBE

David joined Cranfield as director of the new Doughty Centre for Corporate Responsibility in April 2007, after a thirty year career as a social entrepreneur and campaigner for responsible business, diversity, and small business development. He has been a visiting Senior Fellow at the CSR Initiative of the Kennedy School of Government, Harvard for several years and previously a visiting fellow at several UK and American business schools. He has served on various charity and public sector boards over the past 20 plus years, including the boards of the UK National Co-operative Development Agency, The Prince of Wales' Innovation Trust and the Strategic Rail Authority. He chaired the National Disability Council and the Business Link Accreditation Board; in each case appointed by the Major Government and re-appointed by the Blair administration. He is currently chairman of the national charity Carers UK and a regular columnist and editorial advisory board member for The Ethical Corporation.

David speaks, writes and advises regularly on business, society, entrepreneurialism, and future trends for businesses, media and business school around the world. He has published numerous books and articles, including his penultimate book titled "Corporate Responsibility Coalitions: The Past, Present, and Future of Alliances for Sustainability Capitalism" with Jane Nelson, Director of Corporate Responsibility Initiative at Harvard Kennedy School of Government.

PEOPLE

1 COMPLIANCE MANAGEMENT

Samsung Electronics strives to fulfill its roles and responsibilities as a leading global company by practicing compliance-driven management based on relevant laws and principles. To this end, the company is committed to eliminating any unlawful and unethical acts while fostering an organizational culture of integrity.

To cultivate a culture of integrity, Samsung Electronics continuously reinforces its compliance management systems and puts compliance at the heart of all business activities and decision-making processes through employee training and system reviews. In addition, the company operates a compliance program in an effort to minimize potential management risks that could stem from activities such as collusion or intellectual property rights infringement and to strengthen the responsibility for human rights, health and safety, and the environment. In 2015, Samsung Electronics developed new business conduct guidelines for the employee code of conduct to compliance to help ensure that we act with uncompromised integrity worldwide.

Organizational Structure

Samsung Electronics operates compliance teams at all levels of the organization to foster a compliance-focused culture throughout the company. Under the Compliance Committee, a top decision-making body for the company, a global legal affairs & compliance team oversees individual compliance organizations for each business division and overseas regional headquarter. The compliance organizations for regional headquarter office are responsible for monitoring the compliance management of subsidiaries or branches within their regions and operating localized compliance programs.

There are around 400 personnel responsible for compliance management in a global legal affairs & compliance team, nine business divisions and overseas subsidiaries. In addition, staff members from other departments - e.g., marketing, communication, EHS(Environment, Health & Safety) - and regional headquarters provides on-going monitoring on local laws and our world-wide production facilities.

Last year, the internal audit function was strengthened to examine compliance with the internal process and company policies on a regular basis, while the Related Party Transactions Committee under the Board of Directors reinforce standards and management of internal transactions. Moreover, the CSR Committee under the Board of Directors conducted a dedicated research study on compliance culture to enhance expertise in the field of compliance management.

Compliance management: Organizational Roles and Responsibilities

Management

Compliance Committee

Establishing compliance-related corporate policy
- Supporting decision-making of top management on key issues
- Supervising compliance program

Global Legal Affairs & Compliance Team

Integrateing management of company-wide compliance program
- Establishing and revising operational criteria of compliance programs
- Providing employee training and conducting integrated management of information on regulations
- Assessing compliance management and implementing measures for compliance violations
- Setting strategy to address new issues and post-management

Audit and Risk Monitoring

Business Division

Operating and managing compliance program in business division
- Providing immediate report on new issues and post-management

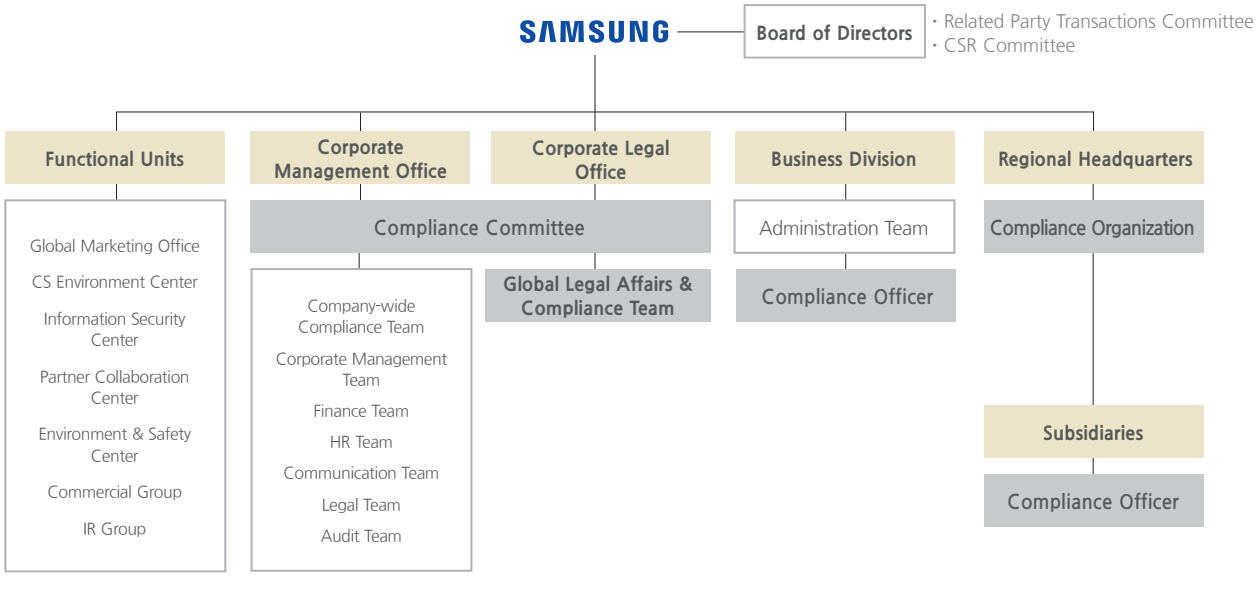
Compliance Team/Group in Regional HQs

Operating compliance program in regional offices
- Providing immediate report on new issues and post-management
- Providing consultation (help desk) and education in the regions

Functional Units

Responding to compliance issues on the concerned functions
- Sensing relevant regulations and establishing manuals
- Providing consultation and education on the concerned areas

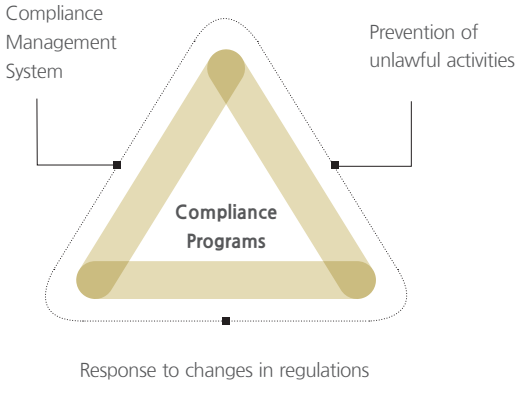
Organizational Structure for Compliance Management



Strategic Direction

In order to establish compliance management as part of its organizational culture, Samsung Electronics' compliance program is focused on three key areas: compliance management system; prevention of unlawful activities; response to changes in regulations.

Compliance Programs



We prioritize the prevention of exposure to compliance-related risks through close monitoring of changes in the regulatory environment and by providing up-to-date compliance training to all employees. In addition, we evaluate and analyze the results of dealing with issues to prevent the recurrence of risks.

Compliance Activity Process

Prevention

Providing employee training, distributing manuals for each compliance item, conducting systematized self-inspection, operating help desks, sensing and managing of regulations for changes

Monitoring

Conducting regular and irregular monitoring via designated organizations or internal inspections

Post-management

Making efforts to prevent the recurrence of issues by understanding the root causes of problems through process and result analysis, promoting activities for improvement, and using case studies during training

Management System

Samsung Electronics maintains comprehensive channels for reporting misconduct, including online channels, and has a clearly communicated non-retaliation policy in 2015 Business Conduct Guidelines. To this end, we have established and operate a variety of systems for compliance management in areas such as compliance, HR, IT and ethical management.

Management Item	Management Goal	Management System
Compliance	Self-inspection, report of compliance violation	Compliance Management System (CPMS)
Code of ethics	Corruption prevention, report of violation	Ethical Management System
Labor and management	Equal employment, evaluation criteria	Samsung Group Recruitment Website
		HR-Partner
	Compliance with labor standards	Integrated absenteeism and tardiness record system (My Portal)
Intellectual property	Ban on illegal use of S/W	IT4U
Environment	Safety of workplace/ product environment	Green management integration system
Commerce/ Other	Customs/rules of origin	Global Policy & Procedure Manuals (GPPM) management
		Contract management system

Compliance Support Systems

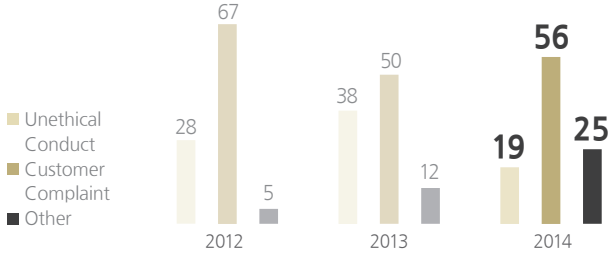
Samsung operates a help desk within the Compliance Program Management System (CPMS) through which employees can request a one-to-one consultation with experts when they have inquiries about their work and the relevant laws and regulations. Moreover, an anonymous reporting system, operating within the CPMS, also helps to prevent instances of non-compliance while ensuring personal information of informants remains confidential so future reporting will not be discouraged. Since the help desk was established in April 2011, the number of inquiries has increased and is considered to be contributing toward creating a more self-aware compliance culture among employees.

Inquiries to Help Desk (Unit: number)

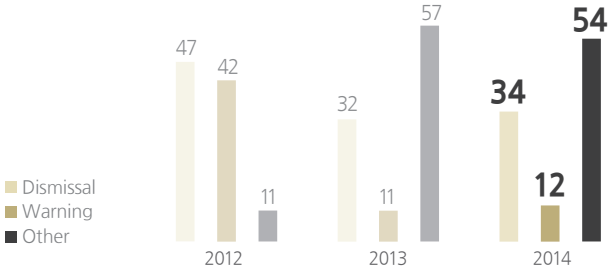
Ethical Management (Anti-Corruption) System Since 2002, Samsung has operated the Ethical Management System, a secure online and telephone communication channel through which employees and other stakeholders can confidentially and anonymously report violations of our ethical standards. The dedicated reporting website (http://sec-audit.com) is available in 14 languages, including English, Japanese, Chinese, and Spanish. The reported incidents are classified and processed according to their type. Over the past three years, 1,820 incidents related to unethical business conduct and customer complaints have been received and successfully resolved, excluding cases in which claims could not be verified, were unrelated to the company or were found to be factually incorrect. In 2014, 894 complaints were reported in customer complaints (56%), unethical conduct (19%), and other (25%). For reports related to unethical conduct, the company first conducts a fact-checking process, and then takes disciplinary action depending on the seriousness of the case.

Reports of Ethical Management Violation (Unit: number)

Types of Reports (%)



Disciplinary Measures on Reports of Corruption (%)



Prevention

Raising Internal Awareness of Compliance Samsung provides compliance training for all employees - both in Korea and around the world - to promote clear understanding of the company's compliance goals and to create a compliance culture. Training programs are designed to provide basic compliance education to all employees with advanced customized training related to specific job requirements.

Compliance Training Participants (Unit: persons)

	Category	No. of Courses
Offline Training	Fundamental ·Change	Six introductory courses for new and experienced employees
	Theme by Business·Job Function	Ten courses for subcontracting and strategic materials
	Specialized for Overseas Employees	Five courses for qualified personnel and employees dispatched to headquarters
	Advanced for Executives	Two courses for the global strategy council
Online Training	Webzine	Two courses on fair trade and preventing inside trading
	e-Learning	Two courses on privacy and personal data protection

Corruption Prevention Training To establish an ethical, transparent corporate culture, Samsung conducts corruption prevention training tailored to different job levels, positions, and job functions at least once a year. We also offer a wide range of in-person, online and audiovisual training programs to enhance the effectiveness of training. Samsung also shares 'Guidelines for Staff and Executives' on corruption prevention on the company intranet and 'Guidelines for Partners' on its major portal websites frequently visited by partner companies.

Corruption Prevention Training (Unit: persons)

Monitoring Regulations

Samsung Electronics has been making continuous efforts to establish an organizational culture that strictly complies with the laws and regulations of countries in which it operates as a responsible global citizen. In recent years, nations and major international organizations have been strengthening their laws and policies on corporate social responsibility. As such, sensing the changes in the legal environment and taking preemptive action has become more important than before.

In this regard, Samsung reinforces the management of issues, such as protecting the environment, human rights and anti-trust, which might have a direct impact on its business activities. We established Human Rights policies aligned with the Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights. Organization for Economic Co-operation and Development guidelines for multinational enterprises, the UN Convention on the Rights of the Child, and the laws of the countries in which we operate. We are actively engaged in risk management and improvement activities regarding major human rights issues such as human trafficking, child labor, immigrant workers, slave labor, conflict minerals and these of personal information. Furthermore, we continuously communicate with our employees on ethical responsibilities through a variety of channels.

Our approach to managing regulatory changes

Ansim Report (Triweekly)	Analyzing major law enactments and revisions and sending them to executives
Ansim News Clipping (Daily)	Clipping news articles on regulations and restrictions and sharing them with the persons concerned
Ansim Newsletter for Subsidiaries (Monthly)	Delivering sensing information and messages to subsidiaries
GPRS* (Frequently)	Sharing trend of major policies and law enactment of each nation
Human Rights Impact Assessment Report (Biannually)	Analyzing the trend of human rights policies and law enactment of major countries and international organizations; analyzing the corporate responsibility and influence according to the Ruggie Framework

* Global Policy & Relations System

Employee Code of Conduct

Samsung implemented its Employee Code of Conduct in 2005 as part of efforts to fulfill its responsibility to stakeholders including customers, shareholders and employees. The Code of Conduct consists of five key principles that guide every decision we make in order to conduct ethical business operations as a global corporate citizen.

Overview of Employee Code of Conduct

Preface	5 Major Principles	17 Specific Principles	60 Action Guides
Goal and Purpose	Principle 1. Comply with laws and ethical standards	1-1 Respect the dignity and diversity of individuals 1-2 Compete fairly in accordance with laws and business ethics 1-3 Maintain accounting transparency through accurate accounting records and disclosure 1-4 Do not intervene in politics and maintain neutrality 1-5 Protect personal and business partner information	Specific action guides
	Principle 2. Maintain a clean organizational culture	2-1 Draw a strict line between public and private affairs in all business activities 2-2 Protect and respect the intellectual property of the company and others 2-3 Create a healthy organizational atmosphere 2-4 Maintain dignity as Samsung Electronics employee	
	Principle 3. Respect customers, shareholders, and employees	3-1 Make customer satisfaction the top priority in business activities 3-2 Pursue shareholder value-oriented management 3-3 Make efforts for the improvement of the 'quality of life' of employees	
	Principle 4. Care for the environment, safety, and health	4-1 Pursue eco-friendly management 4-2 Put emphasis on people's safety and health	
	Principle 5. Fulfill social responsibility as a global corporate citizen	5-1 Perform basic obligations faithfully as a corporate citizen 5-2 Respect local sociocultural characteristics and achieve shared growth 5-3 Establish business partnerships that promote coexistence and co-prosperity	

Business Conduct Guidelines

In 2015, Samsung established the Business Conduct Guidelines for increased transparency with internal and external stakeholders on business management policies and principles that are under internal control. Based on the five core values of the company, the new guidelines consist of 38 basic guidelines within 14 high-level categories of items.

Overview of Business Conduct Guidelines

	Preface	Our core values
		Managing risk
		Scope of the guideline
		Using the guideline
		Reporting violations
People	Work Environment	Responsible workplace
		Listening to our employees
		Respecting human rights
		Respecting diversity
	Health and Safety	Employee health and safety
Excellence	Customer and Quality Management	Responsible sales and marketing
		Product quality management
	Green Management	Environmental safety policy
		Eco-friendly products and technology
Change	IT Accessibility	Improving IT accessibility
	Innovative Technology	R&D and innovation
Integrity	Data Protection and Privacy	Proprietary information
		Protecting the privacy of our employees
		Protecting the information of others
		Acquiring information from a third-party
		Handling information
		Insider trading
	Responsible Asset Management	Intellectual property
		Using assets and premises
	Fair Competition	Antitrust
		Fair contracts
		Fair trade
		Tax policies
	Anti-Corruption	Gifts, hospitality and lobbying
		Working with governments
		Political activities
	Conflict of Interest	Avoiding conflicts of interest
		Public statements and social media usage
Copros-perity	Supplier Management	Managing our supply chain
		Co-prosperity activities
		Responsible sourcing
	Corporate Citizenship	Social contribution
		Contributing local communities

About the 'Business Conduct Guidelines 2015'

Samsung Electronics established the 'Business Conduct Guidelines' that provide a specific direction for sustainable management, and published the guidelines for the first time in the Sustainability Report 2015 (refer to page 139). This is part of the company's effort to perform more accountable business activities by disclosing mandatory standards which applies to all executives and employees. For the establishment of the guidelines, the company first took account of various CSR-related international standards such as OECD Guidelines, and also benchmarked global best practices. Furthermore, the guidelines were completed based on close consultation with the relevant internal divisions.

Samsung Electronics already established and announced the employee code of conduct in 2005. The guidelines (newly established this year) include detailed action guides and specific principles that were excluded from the previous version, and reflect the recent changes in laws and regulations of major countries and the opinions of various stakeholders such as international organizations.

Samsung Electronics expects the new guidelines to be helpful to all employees and the company in fulfilling our social responsibilities while continuing to change the world through its technology and innovation. Although the company has continuously promoted compliance management, this is the first time it is disclosing the ethical guidelines for various areas related to corporate management. Based on the new guidelines, Samsung Electronics employees will perform their duties in a more responsible and faithful manner.

The guidelines will be regularly updated in the future by reflecting new policies for the company's business activities or changes in the local laws and regulations. We will be publishing updated version of the guidelines as a part of the future sustainability reports.

PEOPLE

2 HUMAN RESOURCE DEVELOPMENT

Samsung follows a simple business philosophy. We devote our human talent and technology to create superior products and services to help contribute to a better global society. This has always been the guiding principle of Samsung Electronics. Based on this belief, we place the utmost emphasis on developing and nurturing our employees.

We do this by giving our people the freedom to be creative, by recruiting diverse and global talent, and by providing employees with the resources, opportunities and rewards to help them reach their full potential.

Samsung also strives to promote an ethical work culture throughout the organization by strict adherence to compliance management. We place a priority on protecting the rights of our employees and prohibiting any discrimination by race, age, gender, sexual orientation, ethnicity, disabilities, pregnancy, religion, political inclinations, union membership, nationality or marital status. Moreover, we are committed to complying with relevant laws and regulations in the countries we operate. Our employees are required to strictly follow our 'Employee Code of Conduct' and 'Business Conduct Guidelines', and we have a zero tolerance policy for non-compliance.

Our Approach

At Samsung, we believe the most important part of our continuous growth as the world's leading company is our people. Our future lies in nurturing global talent, which leads to innovation and creativity in our products and services. To achieve our goal, we established a diverse range of policies and initiatives in three areas: next generation leaders, performance based evaluation, and diversity and inclusion.

Next Generation Leaders	Performance-based Evaluation	Diversity and Inclusion
Systemic Training Process Regional Specialist Program Global Mobility	C-Lab MOSAIC	Gender Equality HR Policies Samsung Barrier Free

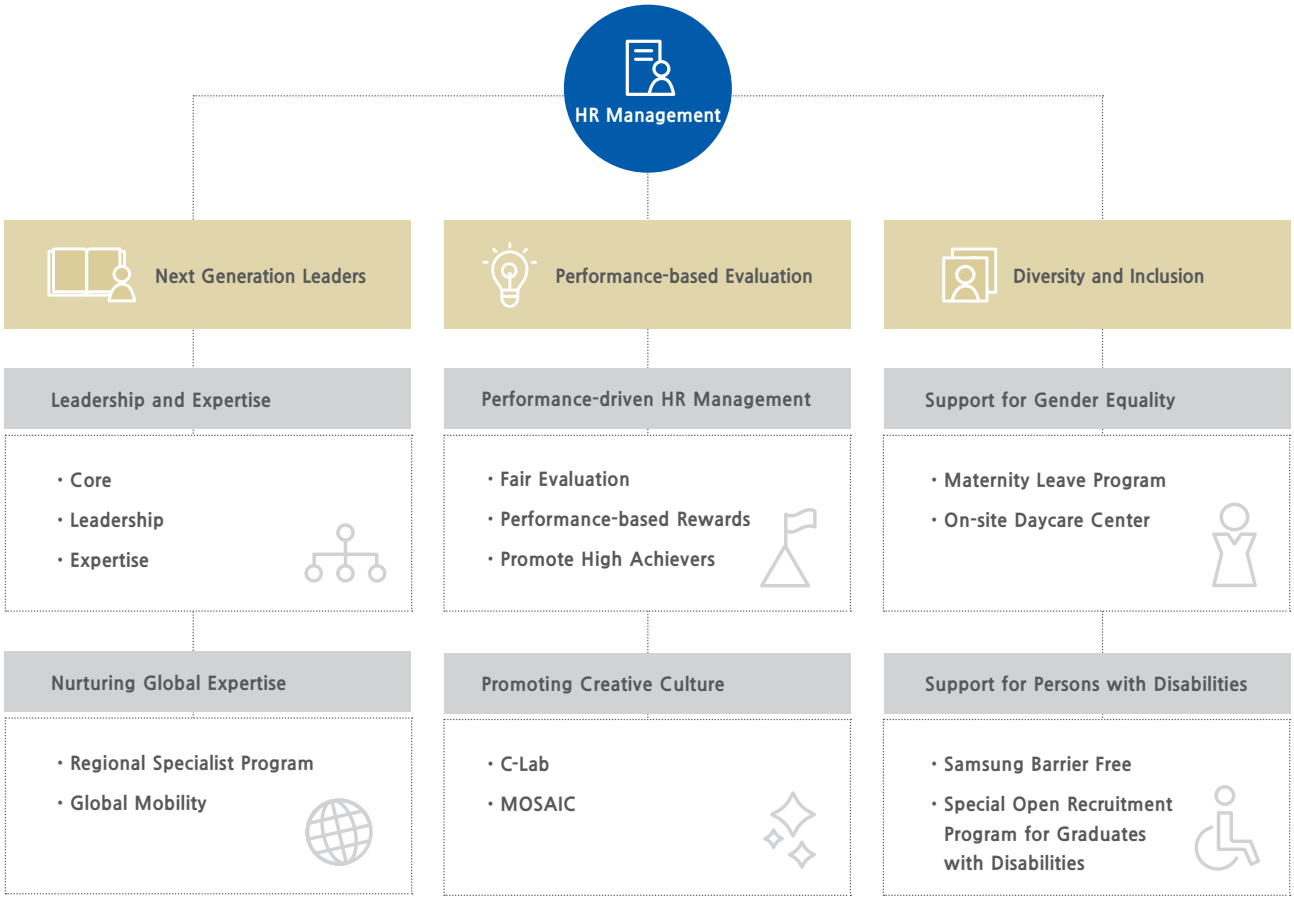
Management System

Our global human resources team advances the company's employee policies and initiatives to recruit, retain and develop talented employees. This team includes specialized groups focused on areas such as training and development, organizational capability and creative culture. In addition to a central team, HR professionals are embedded within each business unit in Samsung to meet the changing needs of our workforce and our business.

In particular, we established the new Samsung Electronics Leadership Center (SELC) to operate a diverse range of training and development programs to build a pipeline of talent and future leaders. In 2014, SELC opened the new 21 acre state-of-the art training campus that can accommodate 2,500 trainees per day. Over 270,000 employees participated in about 1,800 training sessions at SELC during 2014.

Across our businesses, we have a wide range of practices and programs designed to give employees the freedom to be creative and drive innovation. In 2013, we established the Creative Development Center (CDC) to encourage a creative work culture by providing opportunities to employees to take their innovate ideas and develop them further into our products and services. CDC does this through programs such as C-Lab (Creative Lab) and MOSAIC (The Most Open Space for Advice, Intelligence and Creativity). C-Lab provides mentoring and financial resources to support creative projects proposed by employees, while the online brainstorming platform called MOSAIC allows employees to share ideas and suggestions for innovative products and services.

Overview of Human Resource Development Management System



Learning and Development Process

Samsung operates a systemic learning and development system for its employees around the world. Our global learning and development system is built on three pillars: core, leadership and expertise. Building on this, we design and offer tailored training courses to achieve individual's goals according to the results of the Annual EDP (Expertise Development Process) assessment. In addition, we provide opportunities for our employees to work in other markets and experience a variety of innovation and creativity programs with partnering organizations to infuse employee learning and the development systems into our strategic and organizational needs.

Employee Learning and Development Framework

Expertise Development Process (EDP)

Internal

Core	Leadership	Expertise
Understanding Samsung's value, vision, and culture	Building leadership skills required for all employees, ranging from new hires to CEOs	Management skills and expertise, based on 8 core business processes

External

Key Areas

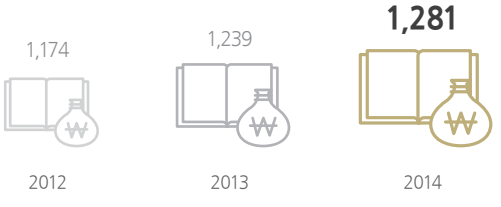
- Samsung MBA
- Academic training
- Academic-industrial cooperation
- In-house graduate school

2014 Major Learning and Development KPIs

	Korea	Overseas	Total
No. of trainees (Including duplication)	1.29 million persons	2.19 million persons	**3.48** million persons
No. of training courses	5,295 courses	22,136 courses	**27,431** courses
Training hours per person (Average)	95 hours	64 hours	**74** hours
No. of trainers	317 persons	669 persons	**986** persons

Learning and Development (L&D) Investments (Korea)

Total L&D Investments (KRW 100 million)

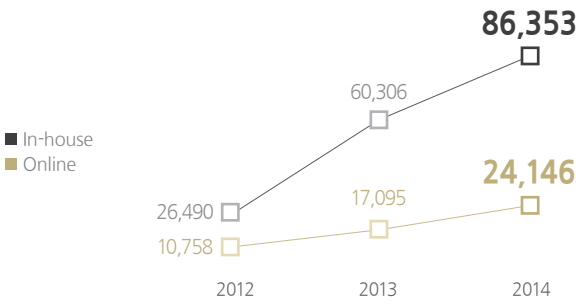


Average L&D expenses per person (KRW 1,000)

	2012	2013	2014
Ratio of L&D expenses to sales (%)	0.06	0.05	0.06
Ratio of L&D expenses to payroll expenses (%)	1.3	1.1	1.1
Average Hours of L&D per person	120	107.2	95.2

L&D Case Study:

R&D Training (Total accumulated number of people over the past 3 years)



US Patent registration (Recent 3-year accumulated, number)

Introduction of Samsung Electronics Leadership Center

Samsung Electronics Leadership Center: home to creative next generation leaders

People are the very driving force behind the global growth of Samsung Electronics. Since the beginning, we have invested resources and energy into the learning and development of our employees based one of our core values : "A company is its people". Over the years, the skills and leadership of our employees have helped us to overcome a variety of challenges we have collectively faced. As we embrace new challenges on the horizon, we will remain committed to 'Talent First' management, and strengthen our efforts to cultivate creative and global talents. In June 2014, Samsung Electronics Leadership Center (SELC) opened a new training campus in Yongin, Korea. The campus shows Samsung's commitment to Talent First management, capable of training over 2,000 people per day with leadership programs designed for our employees around the world. Lee Young-Soon, Vice President of SELC, emphasizes that "the leadership center is leading the company-wide initiative in changing our organizational culture and strives to nurture the next generation of leaders." She further explains, "Unlike other traditional training centers, SELC is equipped with the amenities to provide unique learning experiences, such as a concert hall, meditation room, and park."

Samsung Core Program(SCP): Sharing corporate value and culture with employees

Leadership center VP Grace Lee

Samsung is truly a global company. At the end of 2014, approximately 320,000 executives and staff members are working for Samsung at 213 subsidiaries in 84 countries across the globe. The number of overseas employees is more than double that of local employees, and the gap is continually increasing. As such, our top priority is to unite our global employees of different cultures and languages under a common direction and goal. To this end, we offer the Samsung Core Program to help our global employees understand the company's core values, culture, and strategy. All new recruits at home and abroad also required to participate in SCP before being assigned to their position. The Samsung Electronics Leadership Center has also established a globally integrated learning and development system and offers a number of programs for all employees share the same vision for our values and future growth. For example, all employees participate in a change leadership seminar on corporate strategy and changing environments to help them work with agility and focus across the multinational arms of a global company.

Samsung Leadership Program (SLP): Nurturing next-generation global leaders

SLP is a strategic leadership training program designed to offer opportunities to learn the required leadership and management skills for all Samsung employees, ranging from new employees to CEOs. The program offers learning opportunities on the following five core leadership areas: Driving for Results, Creative Intelligence, Navigating Organizations, Building the Best Teams, and Inspiring Others. These five leadership areas, based on the Samsung Leadership Framework, provides executives and staff members of all levels with the skills to become a team leader. In addition to offering SLP, we also recruit and evaluate our employees based on the Samsung Leadership Framework to ensure our next generation leaders do not go unnoticed or unrewarded at Samsung.

Global standard programs based on The Samsung Leadership Framework are spreading throughout the company. With that in mind, SELC invites and offers on-site training to high achievers in other markets, including a Global Manager Course, Global Director Course, and Global Executive Course. The program not only offers our global talent opportunity to grow into the company's next-generation leaders, but it also offers good networking opportunities, and develops friendships with colleagues from other countries.

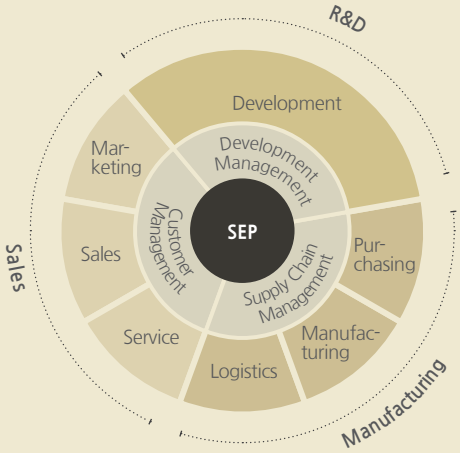
Samsung Leadership Program

Driving for Results	Creative Intelligence	Navigating Organizations	Building the Best Teams	Inspiring Others

	Management	Leadership Development	Promotion
Subsidiary Leaders		Subsidiary Presidents	
Team Leaders	Global Executive Course	Leader of a Function	
Group Leaders	Global Director Course	Leader of Managers	Promotion Training
Part Leaders	Global Manager Course	Leader of Individuals	Promotion Training
Manager		Individual Contributor	

Samsung Expertise Program (SEP): Developing industry leading experts

The Samsung Expertise Program offers learning opportunities for employees on job-related knowledge and the latest technologies across various subject matters. For employees working for departments requiring subject expertise such R&D for Samsung Advanced Technology Research Institute, marketing for Samsung Marketing Academy, and process innovation for Global Technology Center (manufacturing), the program offers a life-timing learning opportunities to become the industry leading experts in respective areas. Overall, SEP offers learning opportunities and job-related trainings in eight areas: R&D, marketing, sales, service, logistics, purchasing, manufacturing, and business management. Along with the Samsung Core Program (SCP), SEP utilizes the annual EDP assessment to assess the expertise and skill level of individuals within a given field, and based on the results employees are free to select the training programs in which they wish to participate. The EDP is conducted during the five week 'STaR Session (Samsung Talent Review Session),' which is designed to evaluate employee's job related knowledge and abilities. We also design tailored training programs and a career development roadmap, aligned with the individual's goals. Ms. Lee says, "The STaR Session is a comprehensive talent nurturing process that supports employees in designing the individual career path with their supervisor." Furthermore, she says, "The SELC will continue to improve program offerings to be recognized as the world's best talent development program, living up to Samsung's status in the global market. Going forward, SELC will play a vital role in the future of Samsung."



Global Programs

Our belief is that 'talent' is the critical success factor that enabled our rapid expansion into the global market. We have promoted integration of diverse cultures and talents across the world through the regional specialist program and the global mobility program. Through these initiatives, we will continue to strengthen our future competitiveness by offering Samsung's global employees the freedom and experiences they want and deserve.

Regional Specialists Program

The regional specialists program was first established in 1990. Over the years, it has become Samsung's signature talent development program. Program participants spend one to two years working in other markets to internalize different languages, cultures, and build relationships with local employees. This encourages each participant to freely design and deliver their own unique learning experience. Furthermore, we developed a dedicated intranet site through which participants can share their valuable experiences with other employees and provide deep insights into local cultures and needs. The program was mentioned in an article published by Harvard Business Review that analyzed the factors behind our global success. Over the past 25 years, around 3,000 talented people from around the world have participated in the program (200 in 2014), an unprecedented example of dedication to global employee training, which represents Samsung's pioneering spirit and commitment to nurturing global talents.

INTERVIEW

"As the first employee to be dispatched to Senegal, Africa, I had to put in a lot of work adjusting to the new language, culture, and environment. Despite many challenges, such as finding accommodation and regular transportation, I truly enjoyed my time there thanks to being completely removed from my day to day work and given the opportunity to immerse myself in the local cultural activities such as batik dyeing, surfing, and horse riding. Also, with support from a group of local residents, I was able to improve my French. The language skills and network that I developed through the program helps me to improve my performance at work every day."

Kim Hye-Min, Manager (Home Appliances Business, Dispatched to Senegal, Africa, in 2013)

Experience of traditional batik dyeing

Volunteering with Samsung Colleagues

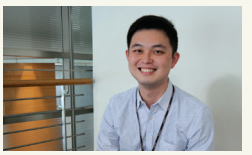
Global Mobility Program

Samsung's Global Mobility Program provides employees outside of Korea with the opportunity of working at Samsung Electronics HQ or other overseas subsidiaries. This program is designed to provide on-the-job training for global employees to help them become global leaders. Since its inception in 2009, approximately 1,000 employees from our global offices have participated in the program.

INTERVIEW

"I was selected for the Global Mobility Program in 2013, and given the opportunity to work at the Digital City campus in Suwon for one and a half years. I applied for the program driven by a simple curiosity: How does HQ make an important business decision? During the program, I was in charge of new process development for customer relationship management. The project also involved meeting with the numerous key stakeholders. This experience helped boost my confidence in dealing with global business partners that I would meet in the future. The Global Mobility Program allowed me to not only gain advanced expertise in my field, but it also helped me to develop relationships with new colleagues in South Korea and to learn about their culture."

Sean Lin (SEA, Dispatched to headquarters in 2013)



At the Digital City, Suwon Korea

Volunteering with South Korean colleagues

Remuneration and Rewards for Talent

To ensure our best talent enjoys working at Samsung and can reach their full potential, we fairly evaluate and reward our employees for great performance with very competitive compensation and benefits.

Our Approach

The main purpose of evaluation is to motivate employees to maximize their performance and job expertise. Also, the Information collected on each employee is used for determining their compensation, promotion, development, and career roadmap. We also believe feedback based on fair evaluation can inspire and motivate throughout the organization.

Performance Evaluation

We conduct achievement evaluation on the annual performance of employees according to the goals established by the employees themselves, and also competency evaluation on individual competency. The evaluation results decide the annual salary of employees, based on which they negotiate their contract with the company. All evaluations are processed through a computerized evaluation system. After the evaluation, employees consult with the evaluator, and if they are not satisfied with the results, they go through a re-evaluation by making a formal objection. Moreover, the achievements of employees are constantly managed according to their goals so that the achievements of the individual and the company are closely connected to ultimately maximize the overall corporate performance.

In addition, we strive to enhance the fairness of evaluation procedures through frequent evaluation, interviews on request prior to evaluation, and interviews regarding evaluation results. We also regularly train evaluators to ensure they are equipped with the knowledge and skills to provide fair evaluation.

Competency-based Promotion

Performance-based compensation is an essential component in the company's personnel management policy. As a part of our efforts to nurture next-generation leaders, Samsung has instituted a HR policy to promote employees based on individual contribution to corporate performance. In addition, the company's promotion system does not discriminate against gender or nationality, living up to our commitment to diversity and inclusion.

Performance-based Talent Management

Every employee should be fairly incentivized to deliver their best results. Based on this simple philosophy, Samsung operates a variety of performance-based rewards programs that motivate employees to demonstrate their ability and maximize their performance. Since the introduction of the new annual salary system in 1997, Samsung adopted an accumulated, performance-based annual salary system in 2010, through which employees with better performance are eligible to receive higher bonuses.

We also reward employees who demonstrate outstanding achievement with the 'Proud Samsung Employee Award' once a year. By providing employees in each field with promotions and rewards, we support our best talents to maximize their skills and knowledge.

Flexible benefits

Samsung provides flexible benefits to employees to the extent permitted by local laws. Our flexible benefits program aims to improve the individual lives of global employees, reflecting varying preferences by location. We provide all regular and non-regular employees with social insurance (including national pension, health insurance, employment insurance, and occupational health and safety insurance), and support their physical examination, medical expenses, and family events. The total expenditures on employee benefits has increased over the years, and, in 2014, we spent over 3.48 trillion KRW to reward our employees.

Expenditure for Employee Benefits (Unit : KRW billion)

Programs to Promote Creative Culture

Creativity is becoming increasingly important for all companies and especially those at the forefront of technology and innovation. Recognizing this trend, we established a variety of programs such as C-Lab and MOSAIC to develop our unique work culture that fosters freedom and creative thinking.

C-Lab

Our C-Lab (Creative Lab) nurtures creative work culture by offering employees the opportunity to take their innovative ideas and develop them further into our products and services. Through C-Lab, Samsung provides personnel and budget resources to support employee-led projects. Employees can undertake projects for as long as they want, and wherever they want. The C-Lab was launched in 2012 with four projects, and expanded across the company in 2013 with the establishment of the Creative Development Center. By 2014, C-Lab filed for approximately 70 patent applications.

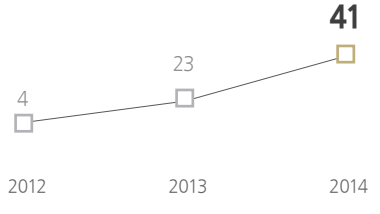
C-Lab Fair

C-Lab at Bangalore R&D Center

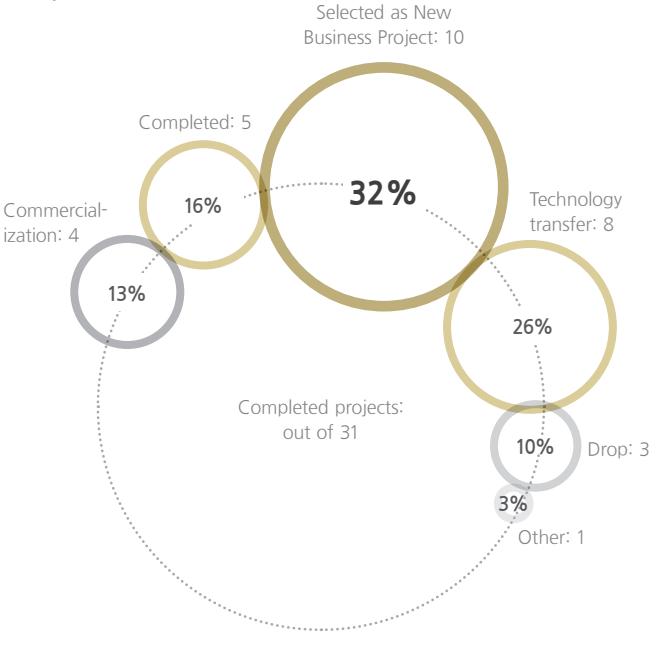
C-Lab Operation Results

Participants (persons)

Applied Research Projects (number)



Project Results



Collective Intelligence System: MOSAIC

MOSAIC is a collective intelligence system that cultivates the sharing of employees' creativity and improvements for business activities driven by their ideas. The MOSAIC system provides a 'platform for open communication' that encourages employees to freely discuss the management challenges and collectively explore far-reaching ideas and problem-solving.

MOSAIC brought together 70,000 executives and staff to organize a company-wide online brainstorming session to discuss the company's future. In addition, we introduced a compensation system called 'COIN System' in MOSAIC to motivate employees to actively participate in idea proposal, evaluation, and discussion.

2014 MOSAIC Performance

MOSAIC
COLLECTIVE INTELLIGENCE OFFICE

Total Page Views
51 million

Total Participants
0.2 million

Total Postings
1.93 million
(suggestions, comments etc.)

Value Creation
99
(commercialization, patent, etc)

Diversity and Inclusion

The rapid expansion of a globally integrated society is encouraging multinational companies like Samsung to consider diversity as a top management priority. Therefore, it is vital that employees with diverse background, across gender, age, nationality, and religion are united by sharing the organization's vision and goals. With this in mind, we promote a culture of diversity throughout the organization with policies aimed at inclusivity and opportunities for all.

Inclusive Workplace

Today, women comprise 27 percent of our workforce in Korea and 49 percent of the company's entire workforce, a ratio that continues to trend upward. To promote more inclusive and creative work environment, we operate a telecommuting system and flexible work schedule so employees with children can spend more time at home if needed. We are expanding the systems and programs for work-family balance, including leave for fertility treatment, longer daycare center operation, and an extended parental leave. We are also making concerted efforts to encourage the next generation of women leaders and promote their professional development in the company by increasing the number of female executives and team leaders, providing leadership trainings and mentoring programs.

Ratio of Women Employees

Women Employees by Job Function (%)

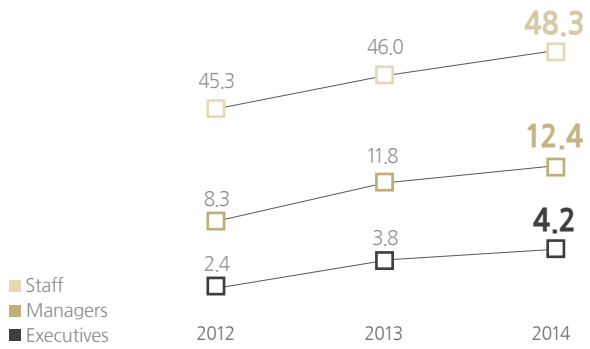
Total 39 40 **42**

	2012	2013	2014
Sales	30	31	30
Manufacturing	52	53	54
Product Development	16	16	17

Women Employees by Region (%)

	2012	2013	2014
Korea	27.1	26.8	26.9
Southeast Asia/ Southwest Asia/Japan	51.7	52.5	57.2
China	49.2	48.9	45.2
North America/ Latin America	37.6	37.5	36.6
Europe/CIS	33.0	32.7	33.6
Middle East	24.1	18.6	15.1
Africa	32.0	31.2	34.1

Women Employees by Rank (%)



Support for Working Mothers (Korea)

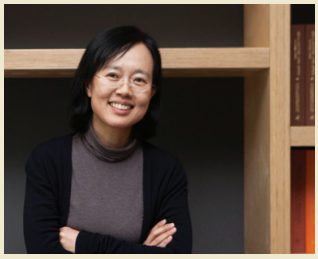
	2012	2013	2014
Rate of return to work after maternity leave (%)	89.3	92.0	91.0
Child Care Center Capacity (persons)	1,434	2,431	2,551
Number of Child Care Center	10	12	12

Meet Women Scientists at Samsung Electronics

The following are interviews with women executives working in R&D.

'Nano Expert' Jang Eun-Joo, the First Female Master at the Advanced Institute of Technology

After invested 13 years in the research and development of nanomaterials, Master Jang has become a leader of the field. In 2013, she was the only female scientist who was inducted as the master within Samsung Electronics, out of 12 newly inducted scientists. Master Jang says, "Nano-Chrystal technology was a brand new field when I first join Samsung in 2002. At first, I was the only scientist working on the subject. Our team and the number of scientist grew eventually as the company clear saw a potential in the technology and set a clear goal for commercialization." Over the years, Master Jang's research areas included LCD and LED TV panels. The recently launched Samsung's SUHD TV with eco-friendly design is one of her finest achievements. Master Jang reminded us that it is possible to pursue your passion and corporate interests at the same time. She mentioned, "The most important factor in success is putting into action." She added, "It is important to have a long-term perspective, no matter what the project or work that you are doing. Even if you fail, you walk away with a lesson that will enable you to do matter and make smart decision in the future."



Master Jang Eun-Joo,
Advanced Institute of Technology

Yoo Mi-Young, Director of Product Software Development Team, Visual Display Business

"Software will define our future." says Ms. Mi-Young Yoo, Vice President of Product Software Development for Samsung Visual Display division. Since joining the company back in 2000, Ms. Yoo has spent her entire career in the software development. In 2004, she successfully led commercialization of 'Digital TV Project.' At the time, all global leading TV manufactures were racing to introduce large-size digital TV models. Under Ms. Yoo's leadership, Samsung won the race and the company has remained TV industry ever since. Today, Software is the new game changer for Samsung." says Ms. Yoo who leads a team of leading software engineers dedicated to designing software that will change people's lives everywhere. What's really surprising is that 20% of the team members are women. "I think women have competitive edge in the field of software development. Because it requires the integration of many small elements and that's what women are good at." says confidently Ms. Yoo.

Vice President Yoo Mi-Young,
Visual Display Business

Persons with disabilities

Samsung values the meaningful contribution that employees with disabilities make to the company. Over the years, we have instituted various programs to recruit and support people with physical challenges. In 2005, we adopted a provision for applicants with disabilities during open recruitment. By 2011, we implemented a separate open recruitment program for graduates with disabilities to provide them with opportunities to live up to their full potential in business world and society. Furthermore, we operate 'the Stepping Stone' internship program for students with disabilities, and offer job trainings tailored for employees with disabilities that began in 2006. Samsung is committed to expanding new initiatives to provide increased employment opportunities for persons with disabilities and cultivating an inclusive work culture that honors, values, and respects all of our employees.

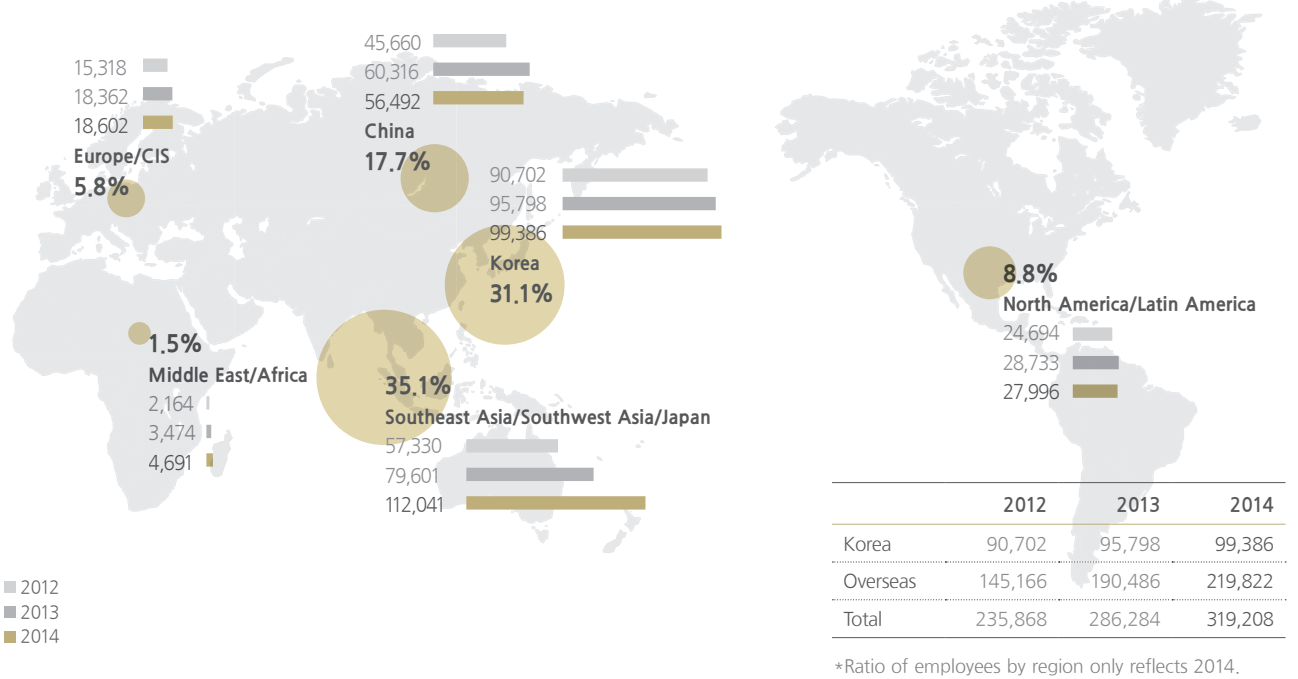
Moreover, we continue to develop job functions for both able-bodied and physically challenged employees and improve workplaces to minimize inconveniences and obstacles that prevent employees from performing their job. To this end, Samsung introduced a new facility certification program, Samsung Barrier Free (SBF) to improve accessibility in all of our facilities. Under the SBF program, our buildings are evaluated, based on a convenience test for persons with disabilities, and we have improved our workplaces to become more disability-friendly by installing elevators, restrooms, and low-floor buses for people.

Employees with Disabilities (Korea)

No. of employees with disabilities (persons)

Ratio of employees with disabilities (%)

Human Resources (persons)



	2012	2013	2014
Korea	90,702	95,798	99,386
Overseas	145,166	190,486	219,822
Total	235,868	286,284	319,208

*Ratio of employees by region only reflects 2014.

Employees by Contract Type

	2012	2013	2014
Regular	223,408	275,133	310,036
Temporary	12,460	11,151	9,172

Employees by Rank

	2012	2013	2014
Staff	192,188	236,777	261,751
Managers	42,422	48,078	54,447
Executives	1,258	1,429	1,518
Others(Flexible etc.)	-	-	1,492

Employees by Age

	2012	2013	2014
Under 20s	129,398	164,173	187,052
30s	76,494	87,134	92,874
Over 40s	29,976	34,977	39,282

Software Personnel

	2012	2013	2014
Korea	18,574	20,097	21,015
Overseas	14,875	20,409	19,512
Total	33,449	40,506	40,527

Employees by Job Function

	2012	2013	2014
Product Development (R&D)	60,495	69,230	70,398
Manufacturing	127,284	159,488	188,235
Sales	24,340	29,794	31,785
Other	23,749	27,772	28,790

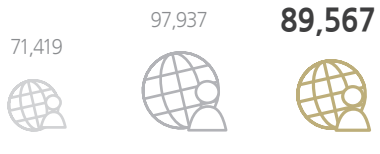
Employee Turnover

		2012	2013	2014
No. of Retirees	Korea	3,527	2,719	3,101
	Overseas	22,068	28,906	39,116
Retirement Rate (%)	Korea	3.9	2.9	3.1
	Overseas	17.2	16.9	19.1

Employee Status in Overseas Markets (Persons)

Employees by Type

Total



	2012	2013	2014
New	41,597	49,299	62,548
Experienced	29,822	48,638	27,019

Employees by Region

	2012	2013	2014
Southeast Asia/ Southwest Asia/ Japan	34,520	43,776	55,095
China	21,329	35,634	22,780
North America/ Latin America	9,713	10,744	5,220
Europe/CIS	4,978	5,887	4,010
Middle East	615	1,495	1,992
Africa	264	401	470
Total	71,419	97,937	89,567

PEOPLE

3 WORKPLACE ENVIRONMENT

Samsung is passionate about providing a great workplace environment that empowers our employees. This is why we're focused on creating a safe and ethical working environment in all our facilities around the world which meets, and in many cases exceeds, the strictest of global standards. To strengthen our efforts, we have advanced monitoring systems to help prevent workplace accidents and our workplace compliance team is dedicated to continual improvements in labor conditions. To protect the employees of our suppliers around the world, we've also established comprehensive systems to identify areas for improvement in working conditions and to implement corrective measures if needed.

Integrated Workplace Management

Samsung operates 38 production hubs in 17 countries across the globe to manufacture more than 90% of our own products. We are committed to creating a safe and clean workplace environment by fostering a culture of compliance at our global production sites. We mandate our employees to comply with the Samsung Electronics Code of Conduct and raise the awareness of compliance through investments in training and education. Moreover, we regularly monitor our production sites to to drive progress and change throughout the company to ensure social and environmental well-being.

Policy

In 2005, we established the 'Samsung Electronics Code of Conduct' based on our five management principles. The code of conduct serves as reference to our legal compliance and business ethics expectations. In 2012, we enacted the 'Samsung Electronics Suppliers Code of Conduct' based on the Electronic Industry Citizenship Coalition's code of conduct. We mandate all of our suppliers to comply with our policy, operate employee education programs, and regularly audit their operation sites to ensure safety and ethical treatment of all employees.

Oversight Structure

Samsung recognizes the importance of providing safe, environmentally friendly, and ethical workplace for all of our employees, contractors and employees of our suppliers. In 2012, we established a dedicated the supplier compliance management team, and in 2013, we established a workplace management team to manage the workplace environment of our production hubs in other markets. They are responsible for managing labor and human rights, safety and health, environment, and ethics management at our worldwide production sites. In addition, they provide various workplace compliance management training to the global workforce.

The workplace management team is responsible for managing workplace environment evaluations, our compliance standards against local regulations and for offering tailored support to various regions. Moreover, the team identifies the risks in our global supply chain workplace environment and mitigates them through close cooperation with the relevant business divisions, including the Environment & Safety Center and corporate sustainability management office.

Risk Management

Samsung conducts comprehensive corporate responsibility risk analysis by our own production facilities analyzing various data accumulated through the internal management system. This allows us to detect workplace-related risks early, and ensure consistent implementation of our standards on environment, worker safety, and business ethics at our production sites across the globe. In 2014, we improved our risk management system to cover a total of 58 categories, including the macroeconomic and political environment conditions of the country in which our production site is located.

In addition, the workplace management team provides on-site consulting for high-risk production sites identified through our risk evaluation due-diligence and a CSR risk assessment based on the EICC self-assessment tool. During consultations, our employees at high-risk production sites receive improvement action steps on 67 categories, including operation of communication channels between production corporations and suppliers, best practices of organizational operation, and compliance management status.

Workplace Risk Evaluation Factors

Internal Operation Indicators	External Environment Indicators
• Employment rights • Changes in production volume • Operation of communication channels	• Unemployment rate • Economic growth rate • Inflation rate • Development imbalances

Our Production Sites

A team of our internal auditors conduct compliance evaluations of our global product sites each year. The selection of production sites for on-site audit is based on risk evaluations. The audit helps us to identify compliance gaps where immediate action is needed. Auditors collaborate with local managers to define root causes and develop comprehensive solutions for improvements. The evaluation check-list is composed of 120 categories in 11 total sectors(53 internally selected categories, 51 EICC categories, 16 supplier management categories).

Internal Audits

Regular announced audits of our production facilities cover factors such as the protection of human rights of workers, the creation of a safe work environment, corporate social responsibility, labor and human rights, safety and health, environment, and ethics. The internal audit team consists of experts from headquarters and business divisions and carries out the audits. The entire audit process takes approximately four weeks. To establish trust and objectivity, a total of six auditors carry out on-site audits for a week, and one-toone in-depth mandatory interviews with employees.

Audit Process

Preliminary Review Data required for a production site audit is gathered two weeks before the audit is conducted. A self-assessment based on the audit checklist, which is aligned to the EICC criteria, is also conducted. Based on the self-assessment results, the key issues and risks of the production site are analyzed and the items to check during the audit are selected. Then the audit directionand plan are set up.

On-site Inspection Samsung conducts on-site inspection of manufacturing plants to check if they comply with the Samsung Electronics Code of Conduct and local regulations. The on-site inspection is conducted for a week and consists of document inspection, employee interviews, on-site audits, and supplier inspection. During the evaluation, suppliers doing business with the audited production site are randomly selected and inspected to check adequacy of our production site's management. If inadequate matters are found in the work environment as a result of the inspection, we request changes to be made to the relevant categories.

Follow-up Management The areas requiring improvement based on the audit results are shared with the manager of production site. The manager then set up short and long-term improvement plans within one week from receiving the audit results, and reports them to the relevant business division and headquarters. Each business division and headquarters assign people in charge of the follow-up management who overlook the process on a monthly basis with the aim to address the improvement tasks within six months. Audit results and improvement performance are brought together via the in-house system, and worksites with poor performance are provided with intensive consulting.

Regular Workplace Inspection Process

1 Preliminary Review

Classification	Description
Data Gathering	· Gather data for workplace audit in advance
Self-assessment	· The current state of workplace, Review key issues, Risk analysis
Audit Strategy Setting	· Select evaluation items and strategies for on-site inspection

2 On-site Inspection

Document Review	· Compliance · Work environment · Corporate ethics
Interview	· On-site manager · Employees · Employee representative
On-site Inspection	· Workplace · Environmental safety system
Supplier Audit	· Workplace environment · Improvement status

3 Follow-up Management

- Report inspection results and share them with worksite
- Set up action plans for major improvement tasks within one week from sharing inspection results
- Close corrective actions within six months; monthly monitoring

Audit Activities in 2014

First Half of Year Samsung conducted internal expert diagnoses of ten worksites, which were selected among the worksites that had not been audited in 2013 and the high-risk worksites identified through an in-house risk evaluation system. Upon the inspection of four worksites in China, two in Southeast Asia, and four in North America, Europe, CIS, and the Middle East, we found 223 improvement tasks in total. Five out of ten worksites made 100% improvement in all tasks, and 213 improvement tasks were completed at all worksites (95.9%).

Second Half of Year In the second half of 2014, Samsung conducted thorough consulting for three worksites in the Middle East and North America which were going through difficulties in work environment improvement due a large number of problems identified during the self-assessment. The audit team consisted of 12 experts from headquarters, each business division, and each worksite. The experts identified a total of eight improvement tasks, supported the identification of improvement measures, and provided education to the relevant personnel in those worksites.

Intensive consulting for a worksite in Brazil Top) On-site manager education Bottom) Education on SCI diagnosis result analysis

Third-party Audit In addition to our internal audits, Samsung product sites are regularly audited by our world-wide customers such as a large telecommunication service provider. In 2014, our customers audited six Samsung production sites, carried out by independent auditors and EICC validated audit process.

Labor Rights

Samsung respects the guidelines of various international organizations and groups, and complies with the EICC Code of Conduct. In 2015, we disclosed the 'Business Conduct Guidelines 2015,' and announced our human rights policy, which addresses our commitment to the protection of employees' human rights, our zero-tolerance policy on child labor, protection of forced labor, and cooperative labor-management relations.

Operation of Labor Council

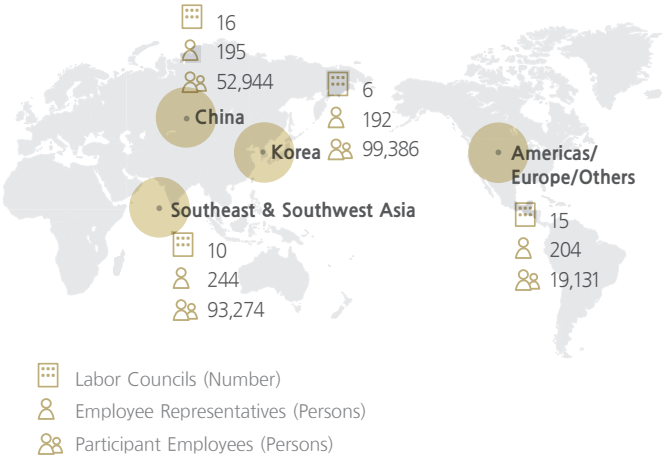
Each worksite of Samsung operates a labor council to promote workers' benefits and rights. Labor councils have worked to facilitate a culture in which management and employees discuss matters regarding working conditions and 260,000 work environment, and work together to resolve the issues. Labor councils are operated in 34 worksites in Korea and abroad, and they represent 260,000 employees, which accounts for 83% of all employees.

Employees have the right to elect an employee representative under the principles of direct voting and anonymous voting. Through meetings and interviews with on-site employees, the elected representative works to identify, address and improve the challenges that employees may be facing in the work environment.

The number of labor council members varies depending on the legislation of the relevant country and the characteristics of each worksite. As of the end of 2014, 835 employee council members are working for the councils. The labor council of each worksite holds regular meetings to discuss the agenda regarding the improvement of employee rights and interests, including wage and working conditions. We recognize the employee representatives as our partners and transparently share our financial and management information, such as business operations, production and HR planning, with the labor councils.

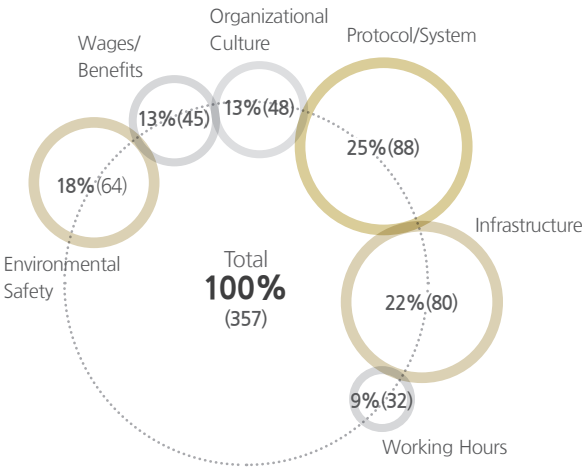
In Korea, the labor council held seven rounds of negotiations for wage adjustment for three months starting December 2014, and then announced the results of the wage and benefits changes to all employees. In addition to wage/benefits adjustments, agenda such as an HR system change, overtime hour adjustment, an worksite infrastructure (cafeteria, dormitory, shuttle bus, etc.) improvements are continuously submitted and handled by the councils. As of the end of 2014, a total of 1,677 agenda items have been submitted and more than 90% of the submitted agenda items have been addressed. Moreover, resolving issues on the agenda by the councils have increased by 7% annually since 2012.

Labor Councils by Region



2014 No. of Concerns Addressed by Labor Councils in Korea

(%, Cases)



Channels for Employee Grievances

Samsung endeavors to protect employees' human rights and create a positive work environment by listening to employees' grievances and resolving them in a reasonable manner. To this end, we operate a grievance settlement process consisting of grievance submission, and feedback. The grievances are largely classified into career development, HR system, personal relations, working condition, and work environment. We are committed to promptly resolving employees' grievances through various communication channels.

Employees' VOC We listen to employee concerns through various communication channels, including but not limited to meetings between employees and management, and online and offline grievance settlement channels that guarantee anonymity. Once employee concerns are reported through available channels, we attempt to resolve the issue promptly within 24 hours or one week at the latest, depending on the concern.

In addition, we offer legal advice through in-house lawyers and counseling services at each operation sites for employees. Furthermore, we have set up an online communication channel called 'Samsung Live' to gather employees' opinions.

Employee Counseling Center Samsung operates various employee counseling centers such as the, Life Coaching Center, which offers counseling services for employees with difficulties in marriage, child-rearing, office life, and more. These services also provide specialized psychological services by adopting diverse programs, including personality tests and stress management education. The counseling staff at the Life Coaching Center are composed of specialists , who have certified licenses and have received systematic education and intensive training. All counseling information remains classified so that employees can comfortably use the counseling centers.

NGO Collaboration Project for Employee Empowerment

Women Empowerment Project in China

Since 2014, Samsung Electronics participating in the 'Women in Factories in China' project, which was launched by BSR(Business for Social Responsibility), a specialized CSR organization. The program provides tailored education opportunities for newly hired women employees and women mid-managers of our product sites in China. For newly hires, the program is designed to provide work and life skills training as a part of new hire orientation. For women managers, the program provide advanced trainings on technical knowledge and leadership. We work with BSR to develop customized life skills training, focusing on stress and health management.

Life skills training

Responsible Supply Chain

Samsung Electronics manufacturing strategy involves both external sourcing and internal building. This is why our global network of approximately 2,800 suppliers are important to us. We rely on our suppliers to source the production materials to manufacture various products from nine businesses in three divisions in timely matter to ensure business continuity. To this end, Samsung requires suppliers to comply with 'Samsung Supplier Code of Conduct' based on principles defined in EICC Code of Conduct. We also hold ourselves accountable to meet or exceed the same standards that we set for our suppliers. Furthermore, we advise our suppliers to identify CSR risks and improvement tasks in advance. In particular, we have set up a compliance management policy, voluntary management system, and integrated management processes so that our suppliers can realign their compliance management system by themselves and implement the system.

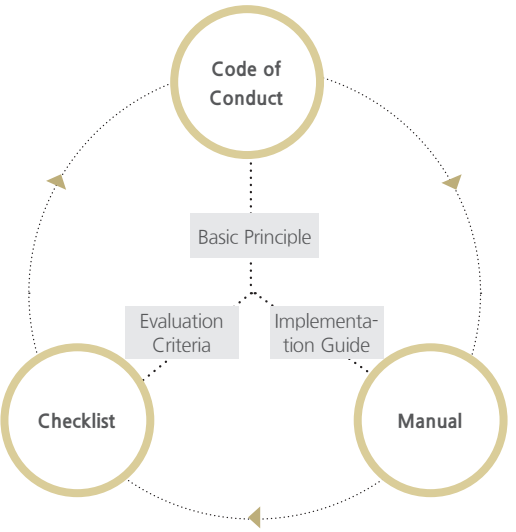
Our Policy

Supplier Code of Conduct Samsung is committed to maintaining sustainable and responsible supply chain. To achieve our goal, we have established a 'Supplier Code of Conduct,' which is based on the EICC Code of Conduct, mandatory requirement for suppliers doing business with Samsung. In particular, we recently updated 'Supplier Code of Conduct' to cover provisions regarding the protection of immigrant workers' rights in line with the revision of the EICC Code of Conduct in 2015.

Code of Conduct Manual We developed a 'Supplier Code of Conduct' manual to ensure our clearly defined principles and policies are carried out in daily business activities of our suppliers. The manual is designed to improve understanding of the code and provide detailed measures for integration of sustainability.

Self-Assessment Checklist Samsung also developed the 'Self-Assessment Checklist' to support suppliers to conduct self-assessemnt once a year. To reinforce our expectations, we integrate self-assessment results into the comprehensive evaluation of suppliers and provide incentives for low-risk suppliers, while penalizing the high risk ones.

Holistic Policy Framework for Supply Chain Management



Furthermore, Samsung regularly visits its suppliers and provides on-site education on its Supplier Code of Conduct and recommends activities for improvements.

Raising Awareness on Policy Samsung holds regional workshops and supplier representative meetings as a forum for continuous communication between management and employees in charge of the compliance of suppliers. Through such communication, we reaffirm our strong commitment for compliance management.

In addition, Samsung offers compliance management education for both local and overseas staff suppliers to provide tailored educational programs reflecting each country's regulations.

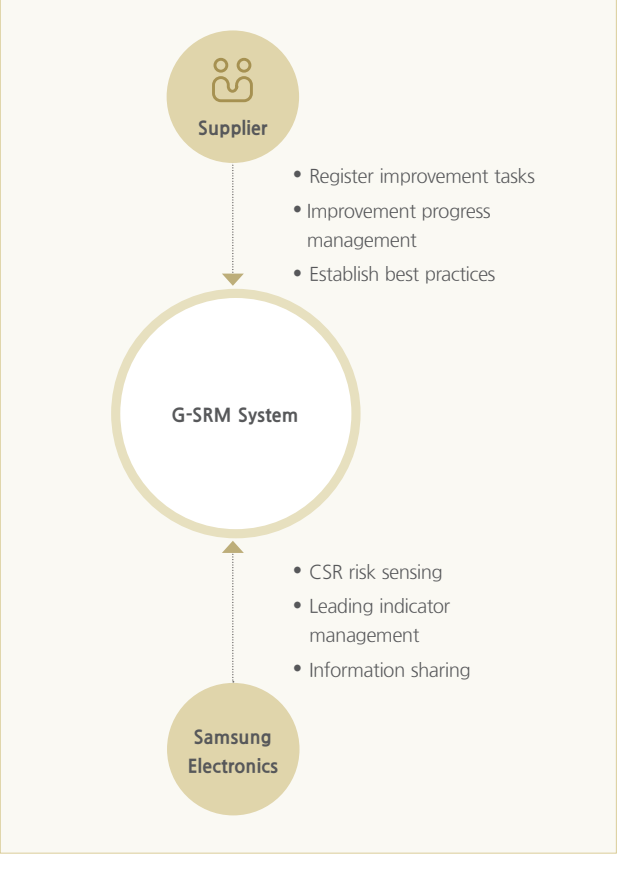
Management System

Samsung offers a variety of tools and processes to manage supplier performance, including an intranet database system called 'G-SRM'. Initially developed to optimize material sourcing, we added a CSR compliance management feature in 2014. In addition, we made all related documents - including 'Supplier Code of Conduct', 'Supplier Code of Conduct Manual', and 'Self-Assessment Checklist' on G-SRM so suppliers can easily download and use them as a part of their internal management purpose.

Through the new feature, suppliers can register the status of improvement actions regarding identified problems through self-assessment and record the status of improvement activities. Best practices among the improvement activities are shared with suppliers to strengthen the improvement activities in the whole supply chain.

Based on the data in the system, Samsung conducts CSR risk evaluation for suppliers. In particular, when it comes to time management, the system analyzes the data of production capacity and production volume of suppliers to forecast overtime occurrences in the future, and share the information with suppliers for improved time management.

Self Management System



Supplier Management Process

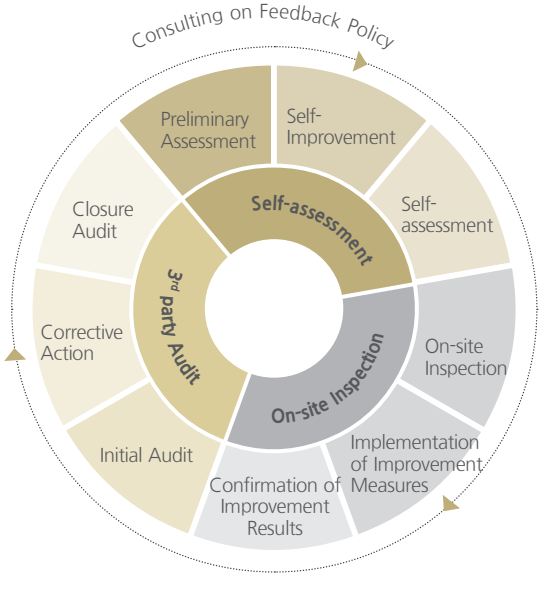
Self-assessment and audits are the critical components of our overall supplier management process. They help us identify high risk problems and design remedial solutions to be implemented by our suppliers. However, we realize that our suppliers must become self-managed in order to truly integrate sustainability in our supply chain and achieve broader reach. To this end, we are committed to providing infrastructure, tools, and guidance (such as the best case examples) to help supplier improve their CSR performance.

Step 1. Self-assessment Suppliers identify areas of improvement through self-assessments, list of improvement tasks, and protectivelyimplement the tasks.

Step 2. On-site Audit We verify the self-assessment of our suppliers and support the effective corrective measures for ongoing improvements. If we find that a supplier's self-assessment was negligent or unfaithful, we issue a warning to the supplier and reflect it in the supplier's evaluation.

Step 3. Third-party Audit To ensure quality and accountability of our supply chain management process, targeted high-risk suppliers undergo independent on-site audits using qualified third-party auditors following the EICC validated audit process.

Integrated Management Process



Audit Result (2014)

Self-assessment

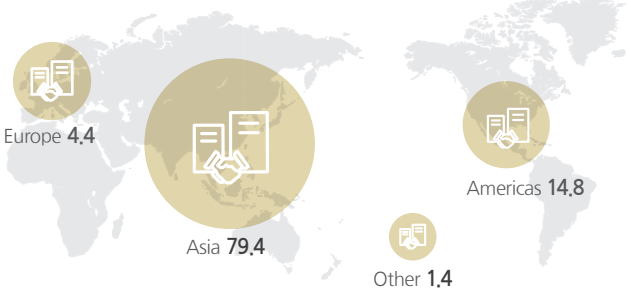
In 2014, all suppliers in our global supply chain participated in the self-assessment. Suppliers analyzed their internal CSR risk factors, selected areas of weakness as improvement tasks, and are independently amending the identified compliance gaps. Moreover, suppliers share information on improvement tasks with us through the system, and we provide additional inputs on proposed tasks, if necessary.

The self-assessment was conducted utilizing the checklist which is prepared based on the EICC criteria and composed of two sections on labor rights and environmental safety. The labor rights section additionally includes the category of ethics and management system. The results of supplier self-assessments that were conducted from August to September are registered on the integrated management system of suppliers and reflected in the supplier evaluation category for transactions in the year.

On-site Audit

Samsung classifies suppliers requiring ongoing supervision into 'priority suppliers', considering the unique characteristics of each country and region, and provides on-site support. According to procurement size by region, we have selected more than 240 suppliers in China and 160 suppliers in Southeast and Southwest Asia as priority suppliers, and have conducted on-site audits for their production facilities in 2014.

Supply Chain Spend Analysis (2014) (%)



Based on the on-site audit results, Samsung provides advice for right and effective improvement. In addition, we impose penalties on suuppliers when other non-compliance factors are found contrary to the self-assessment results.

Results of On-site Audit in 2014 Samsung conducted on-site audit and identified the improvement tasks of our suppliers through the compliance support organization and the personnel from business divisions and subsidiaries.

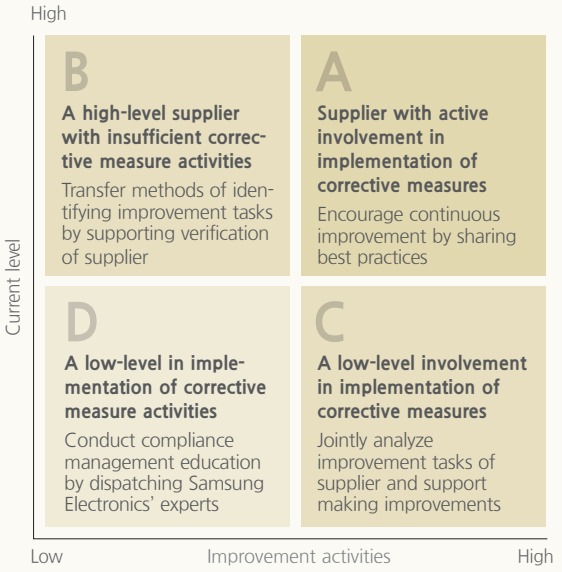
The on-site audit criteria consisted of a total of 104 items guided by the EICC Code of Conduct. For comprehensive evaluation on-site audit was conducted on our suppliers' production sites, including in-person interviews with employees of suppliers. The corrective measures are registered on the compliance management system of suppliers. In 2014, all suppliers that we audited registered corrective measures in the system. While suppliers take self-improvement measures, Samsung provides support through policy checking, direction for improvement and selected the final set of corrective measures to be completed within six months. In 2013, all corrective action items identified during the on-site inspection were fully implemented by early 2014. In 2014, 93% of the newly identified corrective actions based on the strengthened criteria have been implemented as of March 2015.

Corrective Action Implementation Rate of Suppliers in Asian Region (%)

	Labor rights	Environmental safety
China	95	95
Southeast & Southwest Asia	94	90

Tailored Support System for Suppliers

Based on the data registered in the system, Samsung Electronics classifies its suppliers into four group: A, B, C, and D. The classification is based on the evaluation of the current level of compliance management and improvement activities of suppliers, and we plan to continuously provide tailored support to the suppliers in each group.



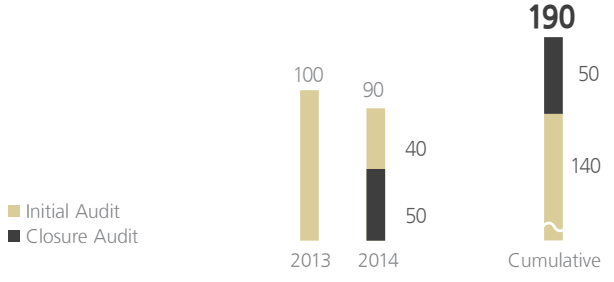
Third-party Audit

To achieve a higher level of compliance management, objective analysis on the current CSR level is essential. To achieve this, Samsung conducted third-party verifications of our suppliers through the verification agency registered with EICC. Suppliers subject to third-party verifications were randomly selected, and the verification cost was sourced by Samsung. In 2014, we carried out a total of 90 third-party audits (40 initial audits, 50 closure audits), and 190 third-party audits have been conducted in total since 2013.

According to the audit results, improvement in many areas were identified in comparison to 2013, but it is evaluated that more efforts are required in areas that need gradual improvement such as overtime management and acquisition of environmental safety approvals and permissions. The overall compliance rate increased by 17% in the last year, and areas for improvement are in the following order: health and safety, labor rights, management system, environment and ethics. Compared to 2013, priority in major violations have significantly decreased, showing overall improvement of the work environment.

Suppliers are managing an improvement timeline, which they established based on their analysis of the areas for improvement in the third party audit. Samsung will impose penalties on the overall transactions, including restriction on product development participation for suppliers that fail to achieve the improvement goal. Further, we plan to consider various measures such as intensifying the selection method of suppliers that are subject to third-party audits, as well as changing the verification process.

3rd Party Audit Implementation
(No. of implementations) - Cumulative



Compliance Rate of Major Categories of 3rd Party Audit

Labor and rights	
Voluntary work	99%
Prohibition of child labor employment	100%
Protection of minor workers	90%
Working-hour management	94%
Guarantee of at least one day-off per week	96%
Wage and benefits	94%
Fair Treatment	100%
Anti-discrimination	100%

Health and safety	
Occupational safety	83%
Emergency preparedness	88%
Occupational hazards and diseases	95%
Physically excessive work	98%
Safety management for dangerous equipment	90%
Hygiene/Food/Housing	91%

Management system	
Compliance system	95%
Management responsibility	93%
Risk assessment	93%
Education	95%
Communication	93%
Employee feedback	100%
Corrective action	98%
Managerial improvement of goal management	83%

Ethics	
Corporate ethics	95%
Prohibition of unfair profit	93%
Information disclosure	100%
Intellectual property	98%
Identity protection	95%
Personal information protection	95%
Prohibition of retaliation	100%

Environment	
Pollution Management	95%
Hazardous substances management	87%
Waste water/solid waste management	96%
Air pollution	96%
Regulation on product contents	100%

Key summary of Third-party Audit by Category

1. Labor · Human Rights

• Child Labor Prohibition and Prevention Activities

According to the third-party audit results, no instances of child labor were found and all suppliers have mandated with our zero-tolerance child labor policy. We strengthened prior preventive measures such as adopting a facial recognition system to eliminate the possibility of child labor employment through ID theft. We identified few suppliers with violation with the minor worker proection standards. For example, some minor workers were lifting heavy objects. We requested suppliers identified with minor worker protection issues to take immediate corrective actions and additional preventive actions, including establishment of fundamental protection policies and procedures for minor workers.

100% compliance with child labor employment prohibition

• Efforts for Working Hour Compliance and Day-off Guarantee

According to the verification results, most of the suppliers have complied with the standard for overtime hours and one day off per week. However, it was found that some suppliers had difficulties due to surging production volume and lack of human resources during peak season, despite their efforts for fundamental improvements such as recruiting more people and expanding facilities. We have informed the suppliers of the need for compliance with overtime hour standards, and have made an effort to restrain the occurrence of uncontrollable overtime work. We also established a system to manage the overtime hours of employees on a monthly basis.

94% compliance with working hour Management

• Social Insurance for all Workers

Most of the suppliers have conformed to legal standards for social insurance. However, some suppliers violated local regulations, including delayed registering social insurance for some workers on grounds of social practice and workers' intention. In response, we have provided educational training to the concerned suppliers regarding our policy, and have requested them to develop fundamental corrective actions and procedures. We have also encouraged them to subscribe to social insurance for all workers by the end of 2015.

94% compliance with wages and benefits

2. Healthcare safety

• Improvement of Employee Medical Checkup Program

According to the verification results, most of the suppliers have complied with management standards for workers in a hazardous process; however, some suppliers were found to miss medical checkup for workers due to the frequent turnover of employees. Samsung Electronics monitored non-compliant suppliers, changes in local regulations, continuously checked the provision of personal protective equipment to the workers, and requested to provide relevant education to the workers. The company also required the operation of a thorough medical checkup program for workers.

83% compliance with occupational safety

3. Environment

• Strengthened Management of Hazardous Substances

According to the verification, some suppliers were found to poorly manage hazardous substances, such as not labeling hazardous substances or not double-layering containers in preparation for water leakage. Samsung Electronics provided the suppliers concerned with education on hazardous substance management and requested for improvement. Along with this, we also regularly dispatches its 'worksite environmental safety experts' to our suppliers to offer consulting.

87% compliance with hazardous substance management

4. Ethics

• Compliance with Whistle-blower Protection Policy

According to the audit, most of Samsung's suppliers were complying with the whistle-blower protection policy and procedure. But it was found that some suppliers did not have a sufficient procedure for guaranteeing anonymity for whistle-blowing. Samsung Electronics immediately requested correction measures, including educating all employees on the protection policy. We also requested postings on regulations at supplier sites for managers and employees.

95% compliance with corporate ethics

5. Management System

• Support for Establishment of Managerial Improvement Goals

The verification results revealed that some B2B processing suppliers were insufficient in setting managerial improvement goals for sustainable development. Samsung Electronics plans to provide support for improvement in the areas that the suppliers encounter difficulties in planning, such as enhancing managerial expertise, financing through the ERP system and managerial innovation program.

83% managerial improvement goal management

Improvement Activities 2014

Prevention of Child Labor

We provide our suppliers with ID scanners (free of charge) to establish the right employment process. In 2014, we introduced facial recognition systems to our 240 key suppliers in China. We have strengthened the process to prohibit hiring child labor. Moreover, we consider expanding the facial recognition system to our suppliers in other regions.

Fair Working-hour

Suppliers have difficulty in overtime hour management due to many variables such as monthly changes in human resources and fluctuating production volume. Samsung Electronics took note of such difficulties and established the 'Prior Management System', which forecasts and informs overtime hours based on the supplier's production capacity and production order data, to support the effective overtime hour management of suppliers.

Fair Work and Pay

Through the supplier audit, we found loopholes in overtime hour management such as fraudulent evidence material. In response, we immediately required the supplier concerned to submit an improvement plan, and have continuously monitored whether the plan was actually put into action.

As a result of this case, we always monitor for the input of falsified overtime hours to the overtime management system. Accordingly, we have strengthened the overtime management system by dispatching an employee to the suppliers suspected of entering falsified overtime hours . The employee checks the overtime hours and whether wages are paid in compliance with Samsung's standards.

External Communication and Outreach

Samsung Electronics communicates with people on various issues through our blog. Recently, we posted a Q&A for frequently asked questions regarding compliance management.

Blog http://global.samsungtomorrow.com/supplier-compliance/

Samsung Electronics and its suppliers are committed to maintaining a work environment in compliance with laws and regulations. We have continuously evaluated all issues regarding the work environment at supplier sites. These issues are often raised by internal and external stakeholders, and we have conducted thorough inspections and announced the progress of each issue.

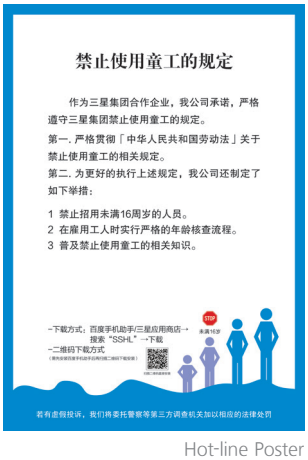
In 2014, stakeholders raised an issues related to employment by a supplier. We immediately dispatched an expert and conducted a complete inspect of the workers. The inspector conducted multi-faceted inspections, such as an investigation of human resources and employment process, as well as work environment and environmental safety. Consequently, some shortfalls concerning the work environment were identified, and we have made continuous effort to improve them.

We also proposed a joint local inspection with the supplier and internal and external stakeholders who raised the issue. However, the inspection was not implemented. Going forward we will continue to communicate to our stakeholders on our efforts toward improving our suppliers' compliance management.

VOC Hot Line Reinforcement

In 2013, we established a hotline reporting system to help report and prevent human rights violations. Information about how to report through the hotline was displayed on posters, which were posted at supplier companies. In 2014, we expanded the reporting options to mobile phones via QR code scanning, as well as telephone and email reporting.

All cases received through the hotline are investigated by Samsung Electronics' employee in charge. We guarantee anonymity of informants and mandates the prohibition of retaliation. Once a report is made, an informant is informed within a week via telephone or email on the measures that will be taken in response to his or her report. If the report is found to be valid, the suppliers concerned must demonstrate improvements within one month, and we validate the improvement results.



Hot-line Poster

Supplier Training

In 2014, Samsung Electronics hosted the 'Compliance Management Oath Ceremony' and the 'Corporate Social Responsibility Exchange Conference" with our suppliers in China. At the conference, which was attended by more than 150 suppliers, we requested the compliance of human rights, labor, and safety regulations and reiterated our zero tolerance policy on child labor.

Supplier employees receiving compliance management training

EHS improvements

From 2014, we have conducted on-site verification of priority suppliers on eight core categories to support the suppliers' environmental safety improvement. To prevent environment safety hazards, we helped to design supplier facilities to meet international standards on fire safety, construction materials, etc. During the winter season, we conducted additional inspections of high-risk suppliers on fire safety equipment and protocol.

On-site inspection of utility facilities

On-site inspection of environmental facilities

Energy Conservation Project

Samsung participated in energy companion projects hosted by the Korea Green Business Association for SMEs and large-sized businesses. Samsung provided consultations to four suppliers, including Simmtech, on energy efficiency and reducing energy waste. As a result, the suppliers and Samsung jointly won the commendation of the president of Korea Energy Management Corporation. In addition, we have been dedicated to improving the level of environmental safety within our supply chain by fostering our relationship with the EHS best partner since 2014, and for spreading best practices of environmental safety. In 2015, we plan to support more suppliers by signing an agreement with Korea Energy Management Corporation, as well as the Korea Green Business Association.

Child Labor Employment Prohibition Project in Collaboration with NGOs

Samsung Electronics adopts a zero-tolerance policy for child labor and suspends transactions with suppliers in the case of violations.

We enacted the child labor prohibition policy describing our strong will to abolish and prevent child labor in partnership with The Center for Child Rights and Corporate Social Responsibility (CCR CSR), a social enterprise established by Save the Children Sweden.

Our child labor prohibition policy is based on the 'UN Convention on the Rights of the Child', 'UNICEF Children's Rights and Business Principles', and 'ILO Convention'.

We have publicly announced our child labor prohibition policy and require all of our subsidiaries, as well as all of our suppliers, to comply with the policy. Accordingly, all of our subsidiaries and suppliers must comply with the strict employment process (age verification) to prevent child labor employment, and in the unlikely event that child labor is found at their worksite, Samsung will provide both financial and logistical supports for child's education and job security after reaching a legal age for employment.

We provide those in charge of employment at supplier companies with regular education on the child labor prohibition policy and we also conduct field inspections. In particular, during middle and high school vacation, when minors often look for jobs, we continuously monitor whether our suppliers comply with the employment process. This preventive inspection is referred to as child labor 'patrol.' In the first half of 2015, we conducted four patrols on average for each of our 235 suppliers.

Education Programs

For Samsung Production Sites

Samsung Electronics has developed education courses to strengthen our employees' skill sets. We have also offered optimized offline education courses, by job levels and functions, to all employees. The courses cover 13 categories in six sectors from labor and human rights to diversity and anti-discrimination.

Additionally, we have created education courses specific to four regions: China, Southeast & Southwest Asia, America, and Europe. The courses comprise of 26 hours of basic courses and 34 hours of intensive courses.

We have also trained 500 instructors at all of our production hubs to educate and train local employees. In 2014, we provided education courses to all employees at every production sites. As a result, 250,000 employees (including duplication) completed the course, and we continue to offer education to each production sites with the aim that 100% of the employees complete the education course.

Training in Huizhou, China (Instructor)

Training in Thailand (Instructor)

Training in Huizhou, China (Employee)

Training in Thailand (Employee)

For Suppliers

To support education tailored to the different legal standards of each country, we conduct compliance management education for employees at our local subsidiaries and suppliers. The education is provided in the form of regular meetings, workshops, or conferences, and is utilized as a forum of communication with the management at our suppliers who are in charge of compliance.

Composition of Education Course

Goal	Integrity	Stability
Category	Building Internal Values	Improving Managing Skills
Target	All Employees	Manager
Contents	Self Competency	Principles
	Positive Thinking Career Philosophy Passionate Life	Back To Basics Proactive Work Behavior
	Relationship Management	Team Management
	Workforce Diversity Worker Representatives	Effective Communication Leader's R&R
	Organizational Commitments	Advanced Skills
	Production Process System Basics	Counseling Skills Fair Evaluation Production Process System Advanced

Supplier Workshop in China

Samsung Electronics has conducted compliance management workshops for suppliers to raise their awareness on compliance management, to share best practices of management processes and to inform them on effective improvement. In October 2014, Samsung Electronics and approximately 150 representations of major suppliers held workshops in Tianjin and Huizhou, China. The workshops included a compliance management declaration ceremony in which suppliers declared to comply with local labor laws and create a safe worksite.

In particular, the workshops served as a forum to reconfirm our compliance management policy, such as prohibition of child labor employment and prohibition of night work and overtime by minor workers. To share our compliance management expertise, M&C Corporation presented on overtime hour reduction through time management, and UI Tech Corporation announced the retirement rate reduction through settlement of employees grievances.

SOCIETY

Samsung Electronics' customer-focused management is grounded in the belief that long-term success depends on cooperation with its customers and supplier companies throughout the entire business activities from product planning to sales. To this end, Samsung strives to build a responsible business ecosystem that will lead to long-term growth and financial sustainability. Furthermore, Samsung operates strategic corporate citizenship programs to deliver innovation solutions for the most challenging societal issues of our time.

4 Business Ecosystem

5 Social Contributions

6 Sustainable Innovation

SOCIETY - Special Report

Manufacturing the future:
'A story of Samsung Electronics' Manufacturing Complex in Vietnam

"750 acres with approximately 100,000 Employees in two plants"

SEV Plant

Samsung Electronics' Manufacturing complex in Vietnam has two operation facilities: SEV plant located in Bắc Ninh Province to the east of Hanoi and SEVT plant in Thai Nguyen Province to the north of Hanoi. A large scale complex, it covers approximately 750 acres of land, equivalent to a mid-size city, with more than 100,000 employees working at two facilities. To give you some perspective of its size, the complex operates more than 480 commuting shuttles on a daily basis, and it consumes over 20 tons of rice everyday. The complex produces a wide range of electronic products that are exported to global markets, including smartphones, tablets, cameras, vacuum cleaners and PCs. Located close to Noi Bai International Airport (air transport), Hai Phong Port (marine transport), and the Chinese border (land transport), the complex offers the best location for logistics.

Mobile phone production line

Most electronics companies today choose to outsource production and set up global supply chains to save money. Despite the current trend, Samsung has kept most of its production 'in-house' and operates global production sites in 17 countries. To make this work, Samsung strives to become localized by embracing local employees and strengthening parterships with the local communities. The Vietnam manufacturing complex is a good example of Samsung's success story.

Putting employee safety first

Samsung's Vietnam manufacturing complex is designed and equipped with a full suite of advanced technologies and features to ensure employee health and safety. For example, hazardous chemical treatment facilities use multi-layer shields to prevent employee exposure to hazardous substances. Also, all machineries in the complex are customized to the average height.

Samsung Electronics mandates all supplier companies to operate with the same high environmental safety standards to which we hold ourselves. Managing productivity and workplace accidents are critical to operating effectively around the globe. Mr. Chulgoo Lee, vice president of HR, emphasized, ""For the stable operation of our Vietnam manufacturing complex, partnership with the business partners is essential." Some local suppliers have facilities that meets high standards, but most do not. To this end, we have selected first and second tier suppliers and established improvement plans accordingly. The plan is designed to support the overall inspection of facilities, including firefighting, safety, and health care, on a quarterly basis. In addition, the environment safety managers from HQ visit local suppliers to consult and support them with improving environmental safety management.

Furthermore, Samsung regularly organizes meetings with supplier companies to foster exchange of the best Environment, Health & Safety(EHS) management practices with each other. Samsung also provides technical assistance to supplier companies to maintain a technically advanced, ethical and responsible supply chain.

Creating caring working environment

Samsung strives to create a caring work environment for employees at the Vietnam manufacturing complex. As most of the employees are from other regions in Vietnam, the company has made great effort to maximize the employees' dormitory. First, we developed dormitories and provided housing for most of employees from other other regions of Vietname. The dormitory has an internet cafe, laundry room, and common kitchen as well as amenities such as supermarket, karaoke, hair salon, gym, and library. The complex also provides onsite healthcare service to employees. Two production plants in the complex have an internal hospital with 11 medical staff, three specialist doctors and eight nurses, who are on standby around-the-clock. Considering that most of its employees are women in their 20's, the complex also operates a range of women-oriented educational programs such as pregnancy and birthing classes. In addition, the in-house cafeteria provides special meals tailored for approximately 600 pregnant women employees. The monthly company newsletter features an informative article on women's health prepared by professional medical staff.

Gym

Market

Samsung Talent Program

Wheelchair donation event

Contributing to Local Community

While Samsung is busy improving workplace environment for its own plants and suppliers, the true measure of its success of localization is to make meaningful contributions to local communities in Vietnam. To achieve our goal, Samsung has established various social contribution programs such as providing vocational training programs and scholarships. Since 2012, the company has implemented the Samsung Talent Program (STP) with Hanoi University of Science and Technology to nuture R&D talents who will lead the future of Vietnam. The students selected for the STP can take computer programming courses on android and java at the Samsung Labs which are equipped with the latest Samsung Electronics' IT products. The best performing students are offered the intership at at Samsung Electronics' R&D center (SVMC), with a focus on developing mobile software for Vietnam and Southeast Asia, located in Hanoi. Moreover, they will be offered job opportunities at Samsung Electronics upon successful completion of the internship. At present, approximately 1,200 software engineers, including 100 graduates of Post & Telecommunication Institute of Technology are working at SVMC. In 2014, we expanded partnerships with Vietnam National University and Hanoi and Post & Telecommunication Institute of Technology to offer STP program to over 420 university students. We are also planning to set up a scholarship fund with a total of USD 192,000 by 2016.

Additional local social contribution programs operated by Samsung Electronics in Vietnam:

- ▶ 'Nanum Village' that builds healthcare center building and support renovation of schools
- ▶ Fostering Vietnamese national players for the International Vocational Training Competition
- ▶ Environmental protection activities in partnership with employee overseas volunteer from Korea HQ
- ▶ Wheelchair donation and blood donation by employees

Technology Transfer "Thank you, Samsung Electronics!"

The local employees of Samsung Electronics Vietnam Manufacturing Complex are helping to share the latest technology with the local communities. In 2014, Samsung established the 'Vietnam Technical Education Center' (in partnership with Samsung Advanced Technology Training Institute) to offer IT technology instructor tranings to 130 local employees. Besides the training program, IT and software engineers from Korea HQ frequently visit Vietnam operation sites to share information on the latest technology from our products and services. To make it a diverse training program, the center plans to expand educational contents to include non-IT related technologies such as metal processing, automation, etc. About 80 in-house instructors completed the program in 2015, and the center is planning to offer program to 24,000 employees per year.

'Win-win strategy of the Vietnam Complex' described by Myeongsup Han, Executive Vice President and Head of Vietnam Manufacturing Complex

Mr. Myeongsup Han, dubbed as 'commander-in-chief' of Vietnam manufacturing complex of Samsung Electronics by local employees, emphasized that the term 'Complex' highlights Samsung Electronics' the global production strategy.

He explained, "Unlike other IT companies outsourcing their entire productions, Samsung Electronics off-shore production to our own facilities overseas, employs local people, transfers technologies to them, and produces the world's best products. Our manufacturing complex, like the one in Vietnam, is designed to organically link people, technology, and supplier by offering the best in class workplace environment."

Mr. Han added, "Samsung Electronics develops its world-wide manufacturing complexes guided by our belief that we cannot produce the world's best products by ourselves. In Vietnam, Samsung has been committed to building the best smartphone production ecosystem."

"It is important to note that we named our operation in Vietnam a **'Manufacturing Complex'** instead of a 'factory'."

Myeongsup Han, Executive Vice President and Head of Vietnam Manufacturing Complex

Regarding human resources development, Mr. Han commented, "Personnel development is not about hiring 100,000 local people. It goes beyond simple job placement to nurturing them with outstanding technical knowledge and capabilities. For this reason, we opened a three-year in-house community college to foster competent technicians and engineers."

In fact, more than 1,200 researchers are working at the software R&D center established in Hanoi, and they are all locally employed and developing software and apps for smartphones sold in Vietnam and Southeast Asia. Moreover, to foster technically specialized talents, Samsung operates STP (Samsung Talent Program), an industry-academia cooperation education program, at Hanoi University of Science and Technology and Post & Telecommunication Institute of Technology (PTIT), and supports labs.

Mr. Han also said "One of the key tasks of the complex is developing top-tier technical and product capabilities in close partnership with local suppliers." He emphasized, "Through our experience in becoming the industry leader of semiconductor, display and mobile phones, Samsung understands the importance of components and the equipment ecosystem. That is why Samsung has implemented various supporting programs to raise its suppliers to become the leader of their own industry."

He further explained, "To this end, Samsung Electronics invests in educational programs to its local suppliers to strengthen capabilities in components, technical transfer, and improve workplace environment."

"In September 2014, Samsung Electronics held a seminar on components that was attended by the Vietnamese government and approximately 20 local supplier companies." said Mr. Han. "We will host more seminars and exhibitions this year to support the local supplier companies in Vietnam to become leading components manufacturers in the world."

Mr. Han revealed that, apart from the intellectual properties that are foundation of our future competitiveness, the company plans to boldly transfer major technologies to its local suppliers. "For now, the key technologies, such as processing technology for the smartphone, are well kept within Samsung. But the company is planning to transfer much of the knowledge to its local suppliers to strengthen its production ecosystem."

"Making a safe and comfortable working environment is one of Samsung Electronics' biggest concerns in this complex." Mr. Han added "Vietnam manufacturing complex, which offers one-stop production from components to products, is complicated and requires large manpower. Therefore, we need to pay special attention to EHS of our facilities."

Mr. Han added, "Samsung has set up an organization dedicated to dealing with EHS and assigned a high-ranking executive to take charge of it. The Company's EHS team provides support for the working environment of employees in the complex as well as the first and second tier suppliers."

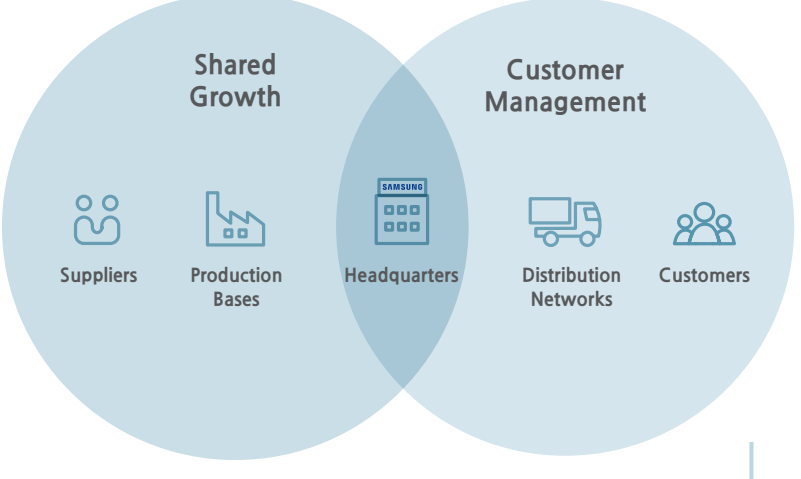
He further said, "We have been actively involved in creating jobs, strengthening employees' competencies, and technology transfer as well as social contribution activities like Nanum Village to coexist as a member of the Vietnamese society. This is Samsung Electronics' small token of appreciation for the Vietnamese society in supporting the company to manufacture the world's best smartphones here in their land."

SOCIETY

4 BUSINESS ECOSYSTEM

A business cannot be successful unless it creates prosperity and opportunity for others. Samsung Electroncis stays true to its core value of 'co-prosperity' by building trust with its suppliers through responsible purchasing and shared growth programs. Furthermore, we take great lengths to drive consumer-focused management by considering customer needs in all stages of business from research and development to product sales and service. Samsung achieves these goals based on a deep mutual trust with our suppliers and customers to create a sustainable business ecosystem. This is a key aspect of how Samsung uses its global network to create positive change for people across the world.

Our Business Ecosystem Connects Suppliers, Production Bases, Distribution Networks, and Customers



Procurement Management

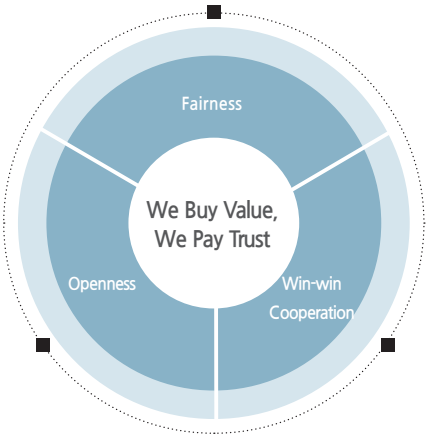
To establish a sustainable and responsible business ecosystem, Samsung is actively engaged in responsible business activities to drive shared growth with its suppliers, and provides active support for SMEs. Based on the following value and principle, the company promotes three strategies for procurement management.

Value We Buy Value, We Pay Trust

Principle

Internally, Samsung aims to optimize synergy, speed and efficiency in all areas of its procurement operations driven by its people, process, and the system. Externally, we maintain a sustainable global supply chain that integrates corporate responsibility and ensures business continuity through accountability and transparency.

Global Procurement Strategy



- **Fairness**
Samsung complies with all laws and regulations in the countries of its purchasing activity, and conducts all of its business activities in an ethical and lawful manner.

- **Openness**
Samsung believes that the competitiveness of its suppliers helps the competitiveness of the company. Any company is welcomed to propose business collaborations with Samsung.

- **Win-win Cooperation**
Samsung promotes cooperation with its suppliers to enhance their competitiveness based on the belief that the company and its suppliers are bound together by a common goal.

Fair Procurement

Samsung strives to establish a transparent business culture with its suppliers to achieve fair purching and provides them with equal opportunities through annual evaluations.

Code of Conduct on Global Purchasing

In August 2013, Samsung established its code of conduct on global purchasing, and provides education on purchasing best practice to its purchasing personnel across the world. The code of conduct consists of the 'Charter of Purchasing Practices', 'Standards and Principles of Purchasing', 'Ethical Standards for Purchasing', and 'Socially Responsible Purchasing'. 'Ethical Standards for Purchasing' communicates our standards and commitment to ethical business practices to which our employees must adhere. In support of this the company has provided online education regarding global purchasing practices to all executives and employees since January 2014.

Ethical Standards for Purchasing

1. We shall perform sound and fair purchasing activities, and pursue ethical behavior based on the awareness that the actions of the individual represent our corporate reputation.
2. We shall comply with the local regulations and business ethics of each country when performing purchasing activities.
3. We shall not pursue personal interests in dealing with the current or potential partners by taking advantage of a superior status or favorable relations.
4. We shall not engage in any activity that might cause financial or material damage, make an unreasonable request, or provide preferential treatment by abusing our authority with our suppliers.
5. We shall not leak or personally use tangible/intangible assets that belong to the company or suppliers, or any other private information acquired during work.
6. We shall use appropriate language and maintain respectful behavior when communicating with stakeholders such as suppliers, and not cause inconvenience to suppliers by calling or visiting their employees more than necessary.
7. We shall accept any responsibilities related to civil/criminal liability and personnel matters should we violate the standards stated above. Samsung Electronics is committed to establish a clean and transparent purchasing organization, and apply the Samsung Employee Business Conduct Guidelines and our ethical management principles to any cases that are not defined in these Ethical Standards for Purchasing.

Fair Trade Commission Guidelines

In an effort to establish fair trade with SMEs in Korea, Samsung follows four Action Plans according to the guidelines of the Fair Trade Commission and has introduced a standardized form of contract for subcontracting. We have posted the details of the guidelines on the Win-win cooperation portal site (www.secpartner.com) so that employees of the company as well as its suppliers can access and utilize them at any time.

Four Guideline Action Plans

Transparent contracting, supplier registration 1	Equal opportunity for trade 2	Establishment and operation of deliberative committee 3	Issuing and preservation of documents 4

Highest Rating in Win-win Index for three Consecutive Years

As a result of the efforts of cooperation programs with supplier companies, Samsung was selected as the Best Company by the Korean National Commission for Corporate Partnership, by achieving the highest rating in the Win-win Index for three consecutive years from 2012 to 2014. The Win-win Index is calculated by adding the assessment results of 'Fair Trade and Shared Growth Agreement Performance' of the Fair Trade Commission and 'SMEs Opinion on Shared Growth' from the the Korean National Commission for Corporate Partnership.

Procurement Process

In 2014, Samsung successfully introduced integrated management system that allows our procurement team to easily conduct diversified cost analysis on purchased components, and has since rolled out the system to Samsung's all operation sites around the world. By understanding breakdown of all directly purchased materials into 700 categories, we can effectively analyze supplier spending, improve cost efficiency, and purchasing activities by region.

There are approximately 2,800 registered suppliers in our global supply chain. Supplier companies that provide 90% total procurement spending are categorized as the 'Critical' suppliers, equal to about 30% of the total registered supplier. We focused our initial procurement evaluation and compliance management on the 'Critical' suppliers, and those with over 30% of the transaction weight in the company account for about 45%.

Supplier Contract Management For the promotion of fair trade, Samsung annually examines the capacity level of its suppliers and manages any associated risks. When entering a contract with Samsung, all suppliers are required to comply with ISO 9001, ISO 14001, and Samsung Environmental Standards for Hazardous Chemical Substance Management. Moreover, they must not be involved in labor practices that do not meet Samsung Human Rights Policy and Standards such as child labor, forced labor, or discrimination.

Example of Standard Form of Contract for Suppliers

1. Suppliers shall comply with the requirements stated in ISO 9001, ISO14001, or other quality assurance standards approved by Samsung and equivalent to the two standards. In addition, suppliers shall follow the Samsung standards for the control of environmentally harmful materials.

2. Suppliers shall guarantee that their products are safe for normal and predictable use and do not contain materials that can harm or endanger the human body. Moreover, suppliers shall assure that the production, distribution, and use of their products do not infringe or misappropriate a third-party's intellectual property rights.

3. Suppliers shall guarantee that they comply with all laws, regulations, rules, standards, and ordinances, as well as relevant international agreements and conventions, that cover environmental protection, employee health and workplace safety, fair labor and employment, child labor, human rights, racial and gender discrimination, anti-corruption, and conflict minerals (including in the Democratic Republic of the Congo) in the areas of their business presence.

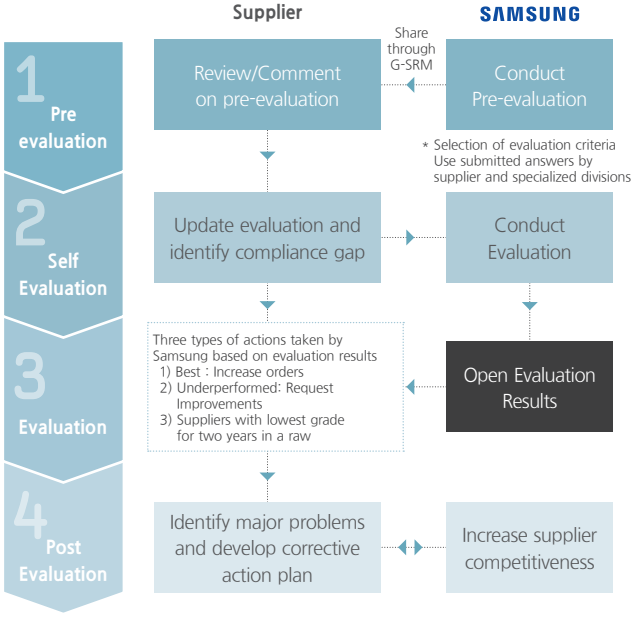
   In the areas that are not stated in the applicable jurisdiction, suppliers shall not be involved with labor practices that are considered inappropriate according to international human rights standards, including engaging children under the age of 16 in forced labor or any labor, in providing products and services.

   Moreover, suppliers shall not discriminate against employees or applicants based on race, skin color, religion, gender, nationality, age, or disability, and any additional matters protected under other applicable standards. Upon the request of Samsung, suppliers shall prove their compliance with the above requirement in writing. Furthermore, all Samsung suppliers must comply with the code of conduct for Samsung suppliers.

Comprehensive Evaluation Process

Each year, all of our registered suppliers, except those newly registered within two years, are reviewed through our comprehensive supplier evaluation based on their achievements and progress. In 2014, our suppliers were evaluated against 43 factors in eight key categories [T(Technology), Q(Quality), R(Responsiveness), D(Delivery), C(Cost), E(Environment & Safety), F(Finance), and L(Law).] To ensure a transparent evaluation process, we shared combined results of the preliminary evaluation with suppliers and provided open period to make adjustments with on-going improvements. Suppliers with high ratings at the annual evaluation based on the eight items are given preferential allocation of supply for the following year and the opportunity to participate in the supplier support program. Those with low ratings are required to present specific plans for improvement, and should there be no improvement at the following evaluation, they go through the process to discontinue the transaction.

Evaluation Process



2014 Supplier Evalutaion Results

TQRDCEFL Evaluation Items

Technology - Eight items such as technology patent and R&D investment

Quality - Five items such as failure rate and ISO 9000 certification

Responsiveness - Six items such as ERP system and certificate of origin

Delivery - Six items such as just-in-time warehousing and RTP response rate

Cost - Five items such as transaction amount increase and cost competitiveness

Environmental & Safety - Five items such as EHS management system and international certification

Finance - Three items such as credit rating and debt ratio

Law - Five items such as labor rights at worksite and corruption

* TQRDC is evaluated based on the results presented by suppliers
** EFL is evaluated by a third-party or a specialized division. Newly registered suppliers receive evaluation prior to signing agreement.

Risk Management Samsung Electronics manages financial risks by conducting an annual evaluation of suppliers' credit ratings based on their financial data through a third-party credit rating agency. Based on the results, Samsung strengthens the monitoring of suppliers with low credit ratings, and also strengthens the management of suppliers by pre-analyzing the impact of the credit risks on transactions with them. In 2014, about 2.4% of total suppliers received credit rating less or equal to level 4 according to D&B credit rating agency. Regarding the environmental & safety risk of suppliers, the company selected and manages eight items with which each operation site must comply. Samsung also requires the achievement of ISO14000 and OHSAS18000.

Based on the supplier risk analysis in 2014, Samsung separately manages 6.6% of suppliers which had risks identified, and conducts a regular monitoring of their improvement. In addition, the company has operated the Eco-Partner Certification System since 2004 in an effort to check whether its suppliers use hazardous chemical substances.

Required Checklist Items for Supplier EHS Management System

- Automatic Fire Detector
- Fire Pump
- Automatic Fire Extinguisher
- Hazardous Material Storage Facility
- Air Pollution Prevention Facility
- Waste Water Treatment Facility
- Designated Waste Storage Facility
- Non-combustible Materials for Buildings

Open Procurement

As part of the efforts to promote open purchasing activities, Samsung strives to discover partners with new future-focused technologies and innovative ideas. By operating seven IPCs (International Procurement Centers) at strategic locations across the globe, the company carries out activities to assess technology trends in regions and source new suppliers.

Korea

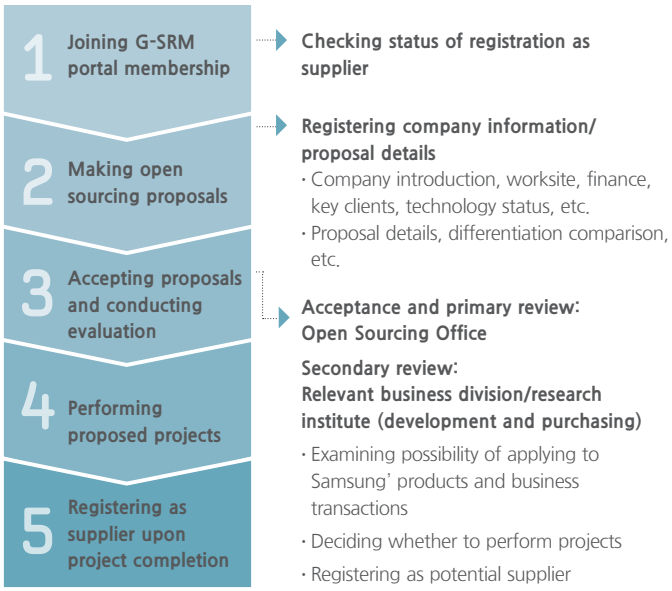
Since November 2013, Samsung has participated in a private and public joint investment program for technology development that supports a development fund in connection with the Small and Medium Business Administration (SMBA). The company and the SMBA each raise a fund of KRW10 billion for a total of KRW20 billion, and support the R&D activities of SMEs. (www.smtech.or.kr or www.secbuy.com) Each SME can receive an investment of up to KRW1 billion within 75% of the total project development cost. In 2014, Samsung provided approximately KRW7.2 billion of development fund for nine companies, contributing to the health of these of SMEs.

Furthermore, Samsung operates the 'Innovative Technology Company Council' (ITCC) to discover talented and highly competent ventures and SMEs, and promote them as its business partners. The company also provides ITCC members with a range of support, including provision of the technology development fund, promotion of joint development projects, and participation in new product development. In 2014, Samsung provided its suppliers with a development fund of KRW16.3 billion and an operating fund of KRW4.8 billion to complete 44 joint projects, resulting in the commercialization of 11 technologies and sales of KRW9.8 billion for suppliers.

Global

Since the establishment of the 'Open Sourcing Office' under the Win-win Cooperation Center in 2011, Samsung has operated the 'Open Sourcing System' that allows any company with excellent technology and competitive costs to propose business at anytime. In 2014, the company established an online system within its purchasing portal site (www.secbuy.com) through which companies can make a proposal and check the examination status. As a result, about 1,000 proposals were examined and 70 companies were selected to conduct joint research in 2014.

Open Sourcing Process



166 Companies Participating in 2014 Sourcing Fair

Samsung Electronics holds a series of sourcing fairs to share information with its suppliers. The purpose is to introduce to the in-house development/purchasing personnel the suggestions from existing suppliers regarding new technologies and low-priced supplies as well as the suggestions of new suppliers, discovered at the IPC. In 2014, a total of seven sourcing fairs were held on new materials, sensors, and super low cost components, participated in by 166 suppliers to examine the application to their products.

Shared Growth

Samsung operates a variety of shared growth programs to enhance the competitiveness of its suppliers, and strives to establish a strong partnership with them based on mutual trust.

Support for Business Management of Suppliers

Samsung established diverse financial programs to support SMEs facing difficulties in raising funds. By creating a supplier support fund of KRW1 trillion, known as the 'Mutual Growth Fund', in collaboration with Industrial Bank of Korea, Korea Development Bank, and Woori Bank, Samsung operates a low-interest loan program of up to KRW9 billion to provide qualified suppliers with funds for technology development, facility investment, and operation. The recipients of financial support have been expanded to secondary suppliers since 2011. In 2014, Samsung provided a total of KRW795.2 billion to 512 suppliers (including KRW238.5 billion to 219 secondary suppliers). Furthermore, Samsung offers the 'Mutual Growth Guarantee Program', which allows suppliers that have a letter of guarantee, issued by Samsung in collaboration with the Korea Credit Guarantee Fund and Korea Technology Finance Corporation, to receive low interest rates of below 2% without an additional bank examination or security deposit. Samsung also offers a funding program in connection with Korea Eximbank, which provides suppliers with funds for export business, and operates a system of cash payment and early payment for the smooth funding operation of suppliers.

Fostering Globally Competitive SMEs

Since 2011, Samsung has operated the 'Globally Competitive SMEs' program that provides comprehensive support in the areas of technology, financing, and human resources to selected suppliers with outstanding technological potential. The program works to assist them in securing competitiveness in the global market. To improve the competitiveness of selected suppliers, Samsung passes on its know-how of success through fund support, joint development, and consulting services. Moreover, we have selected a total of 37 suppliers as 'Globally Competitive SMEs of the Year' (14 in 2013, 10 in 2014, and 13 in 2015) through a screening process carried out by internal and external experts. The number is expected to reach 50 in total by the end of 2015.

WONIK QnC WONIK developed the nation's first quartz ware surface treatment technology and applied it to semiconductor equipment nozzles, succeeding in localizing its products that previously had wholly depended on foreign technologies.

"Just when we were facing the limits to our growth, we could develop the capacity to proactively solve problems through Samsung's program to foster globally competitive SMEs."
- Park Geun-Won, President of WoNIK QnC -

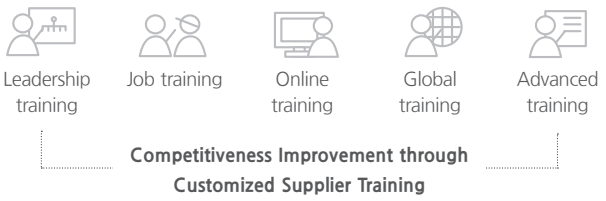
FOOSUNGTECH By developing new construction methods for injection molding, FOOSUNGTECH could save KRW5 billion per year, and secure cost competitiveness in the HDMI connector market where the number of low-cost products has increased.

"Samsung's diverse and customized support program helped our employees realize the importance of innovation, and we will emerge as a globally competitive SME through continuous technology development and innovation."
- Lee Gi-Cheon, President of FOOSUNGTECH -

Shared Growth Academy

In an effort to support and nurture our primary and secondary suppliers in a comprehensive and systematic manner, in June 2013, Samsung established the 'Shared Growth Academy' that consists of an education center, youth job training center, consulting center, and shared growth research lab. The education center offers free education programs tailored for suppliers to strengthen their competency. In 2014, Samsung established a training facility in Suwon wholly for supplier employees, opening 110 courses in total and providing educational opportunities to 11,927 employees across 577 companies.

Global Supplier Training System and Results in 2014



		2012	2013	2014
Companies participated (number)	Tier 1 supplier	206	329	460
	Secondary supplier	13	55	117
Total		219	384	577
Employees educated (number)	Tier 1 supplier	5,233	7,556	10,796
	Secondary supplier	28	424	1,131
Total		5,261	7,980	11,927

Samsung Supplier Job Fair

Samsung Electronics works to provide young people with the opportunities to enhance their employability. Also, to support SMEs in hiring qualified personnel and contribute to solving the issue of young adult unemployment, Samsung has held the 'Samsung Supplier Job Fair' since 2012, providing a venue for suppliers and jobseekers to meet. A total of 158 primary suppliers participated in the fair in 2012, which grew to 250 primary and secondary suppliers in 2013, and also included 10 Samsung affiliates and 189 primary and secondary suppliers in 2014. At the fair, Samsung provides the new recruits of suppliers with high-quality employee orientation and job competency training, similar to the orientation and training for its own recruits, so that the new employees are empowered to smoothly join and succeed in the workforce.

Case Study: KOOKJE ELECTRIC KOREA

Samsung visited KOOKJE ELECTRIC KOREA, which recruited seven talents through the job fair held in June 2014. According to Pyo Dae-Il, the leader of the recruiting team, the company's booth was crowded with visitors thanks to a pre-matching program, recommendations by consultants, and jobseekers who applied for an on-site interview.

Pre-event visit to KOOKJE ELECTRIC KOREA

"We took full advantage of the pre-matching program. We invited jobseekers who were recommended by consultants to our office in advance, taking them to the worksite and explaining about our corporate culture, and then conducted on-site interviews at the job fair." Bae Han-Sol, who joined the company through the fair last year, is now working as a semiconductor equipment specialist in Hwaseong where Samsung's nano-campus is located.

"I was lucky to find out about the job fair. I could find the perfect company for me without wasting time looking around. I majored in mechatronics and wanted to become an engineer, and my matching consultant recommended me to this company." While visiting the company prior to the job fair, he gained a better understanding of what semiconductor engineers do and finally land his dream job.

Bae Han-Sol, Job fair participant hired by KOOKJE ELECTRIC KOREA

According to suppliers, some new employees leave their job within one year, running out of the patience needed to hone their essential skills. However, those recruited at the job fair have a greater understanding of their jobs and a lower resignation rate because they were provided with an in-depth explanation of their jobs before joining their employer. The Samsung Supplier Job Fair not only provides a venue for companies and jobseekers to interact with each other, but also contributes to continuous talent nurturing. The fair serves as a stepping stone of mutual growth through the provision of new employee training and online OA (Office Automation) training.

Supporting SME Innovation

In 2013, we jointly launched the 'Industry Innovation Campaign' program with the Korea Ministry of Trade, Industry & Energy to promote innovation activities of SMEs. For the program, Samsung plan to invest a total of KRW50 billion for five years from 2013 to 2017. The program is design to help all SMEs, including potential companies to do business with us in the future. In addition to financial support, our employees provided management consultations to support their innovation, improving manufacturing sites, and support for production technology. In 2014, Samsung supported a total of 428 companies, including 345 subcontractors.

Benefit Sharing with Suppliers

In an effort to improve the competitiveness of suppliers, Samsung operates a benefit sharing program through which we carry out joint activities for production improvements and share the benefits. Both sides establish common goals, such as reduction of material and processing cost. In addition, the program is designed to improve product quality, productivity, and new technology development. In 2014, we were able to achieve KRW12.3 billion cost savings in our operations and share it with our suppliers through providing financial and technology supports.

Communication and Outreach

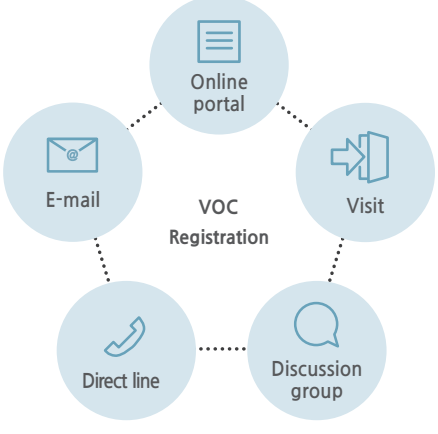
Every March, Samsung holds the 'Win-win Cooperation Day' event that provides a venue for mutual benchmarking through the presentation of awards to suppliers with excellent innovation activities and sharing best practices. In addition, every October, Samsung organizes the 'Win-win Cooperation Workshop' where executives and suppliers gather to openly discuss policies for shared growth. Also, in the first and second half of every year, Samsung prepares a 'Place for Communication on Win-win Cooperation' for primary and secondary suppliers, sharing economic outlook and technology trends data, and to introduce the policy for shared growth.

Finally, Samsung holds the 'Shared Growth Day' event every other month, where the heads of each division visit the worksite of suppliers and have a consultation on product roadmap and development. They also listen to the difficulties and the VOC (Voice of the Customer) of suppliers and, if necessary, solve their problems on the spot through a one-stop approach to finding solutions.

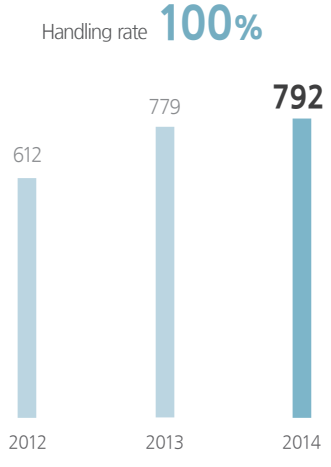
Suppliers' Voice

Samsung operates 'Cyber Sinmungo', the voice channel for suppliers, with the belief that listening to the honest opinions of suppliers is of the utmost importance. Since 2008, Samsung has been collecting the complaints of its primary and secondary suppliers through a direct line (080-200-3300) and e-mail (ssvoc@samsung.com), to better reflect real-life issues in the supplier management policy. Moreover, in 2010, Samsung expanded the communication channels to listen to the concerned voices of overseas suppliers by opening 'Cyber Sinmungo' on its Win-win Cooperation Portal (www.secpartner.com).

Report Registration channel



Report Registration and Handling (cases)



Promotion of Cooperation between Primary and Secondary Suppliers

The members of 'Hyeopseonghoi', a council of Samsung suppliers, formed another council of trustees with secondary suppliers that performs a range of activities to establish a culture of fair trade and mutual growth between primary and secondary suppliers. In the first and second half of every year, Hyeopseonghoi organizes a meeting with the representatives of secondary suppliers to collect the VOC and discuss improvement methods. Also, it supports secondary suppliers to enhance their competitiveness by participating in through the diverse Win-win Cooperation programs of Samsung.

Conflict Minerals Management

Samsung Electronics works to protect the world for the benefit of everyone by reducing our impact on the environment. Recently, human rights violations and environmental degradation caused by the mining of minerals in Indonesia and the conflict regions of Africa emerged as key global issues. In response to this, Samsung strives to provide its customers with products distributed in an ethical manner based on the responsible management of its supply chain.

Conflict Minerals Management System

Basic Policy on Conflict Minerals Samsung considers environmental degradation and human rights violations in conflict areas as serious ethical issues, and bans the use of conflict minerals (3TG: Tantalum, Tin, Tungsten, Gold) that are mined in an unethical manner in the conflict regions of 10 countries, including the Democratic Republic of the Congo. Samsung established the "Conflict Mineral" policy and conducts thorough examinations on the inclusion of conflict minerals in its products, and reinforces its supplier management process.

Conflict Minerals Management System

Basic Policy	Providing customers with products distributed in a legal and ethical manner				
Process	Raising supplier awareness	Investigating the use of conflict minerals in the supply chain	Conducting a reasonable audit and verification of the results	Identifying and evaluating the risk factors in the supply chain	Establishing strategies for risk reduction and reporting the related information
Management System	Establishing an online CMRT system (internal) and TCS system (managing conflict minerals by material unit)				
Cooperation System	Engaging in EICC, GeSI, and CFSI activities				

* CMRT : Conflict Minerals Reporting Template
* TCS : Trade Compliance System
* EICC : Electronic Industry Citizenship Coalition
* GeSI : Global e-Sustainability Initiative
* CFSI : Conflict-Free Sourcing Initiative

Management Process To consolidate its 'Conflict-Free System', Samsung has established and implemented the conflict minerals due diligence process according to the OECD guidelines. Also, Samsung raises supplier awareness of conflict minerals issues through education and support, and conducts regular investigations into the use of conflict minerals throughout the supply chain. In particular, the company encourages its suppliers to work with smelters certified by the Conflict-Free Smelter Program (CFSP), and requires the uncertified smelters in its supply chain to be certified by the CFSP.

Management System Operation While identifying all smelters in the supply chain can prove to be difficult, Samsung is committed to ethical responsibility as a global corporate citizen that cares about its customers, the environment, and human rights. Samsung has established and operates its own conflict minerals management system for the efficient management of information related to conflict minerals.

To strengthen the conflict minerals management of suppliers, Samsung has systematized the Conflict Minerals Reporting Template (CMRT) and made it easier for suppliers to register conflict minerals information. By providing information on smelters that achieve CFSP certification through the system, Samsung supports its suppliers in identifying which smelters in the supply chain do not use conflict minerals. In addition, Samsung has established and operates the internal Trade Compliance System (TCS), which manages conflict minerals information by material unit, in an effort to ban the illegal use of conflict minerals from the early stage of product development. Through this system, Samsung monitors the use and origin of conflict minerals by material unit.

Cooperation System Samsung Electronics manages risks related to conflict minerals in the supply chain and comes up with realistic solutions together with its suppliers, by participating in the Conflict-Free Sourcing Initiative (CFSI), co-founded by the Electronic Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI), and also the 'Conflict-Free Council' organized by the Korea Electronics Association (KEA).

Introduction of Conflict-Free Sourcing Initiative (CFSI)

The CFSI, co-founded by the EICC and the GeSI, is a coalition of over 200 companies committed to identifying the origins of minerals distributed in the global supply chain. To fulfill its purpose, the CFSI has developed the Conflict Minerals Reporting Template (CMRT) to reinforce the collection and disclosure of information on smelters, and also encourages smelters that do not use conflict minerals to participate in the Conflict-Free Smelter Program (CFSP) for independent third-party certification.

Key Activities

Raising Supplier Awareness

Required agreement on the ban of conflict minerals Samsung requires all of its component suppliers to submit an agreement on the ban of illegally distributed minerals from 10 conflict regions of various countries, including the Democratic Republic of the Congo.

Providing education on conflict minerals To raise supplier awareness of conflict mineral issues, Samsung shares the conflict minerals guide, which includes the company's conflict minerals policy, with all of its suppliers through the conflict minerals management system. and Samsung also supports them in using the guide for internal training and business activities.

Since 2011, Samsung has held training and briefing sessions on conflict minerals for its suppliers every year. In 2014, we provided the executives and persons-in-charge of 600 small and medium sized suppliers with training sessions on its corporate policy, how to use the conflict minerals management system, and the shift to CFSP-certified smelters. Also, Samsung offered training on conflict minerals policy to our 3,800 executives and staff members responsible for purchasing and sales.

Supplier Assessment & Ban of Conflict Minerals Using the CMRT, from January to March 2015, Samsung obtained information on the use of conflict minerals by suppliers and the smelters in their supply chain. In addition, we requested our suppliers expand the enforcement of the policy regarding the ban of conflict minerals in line with Samsung corporate policy.

Assessment Results For the expansion of the conflict-free system throughout the supply chain, Samsung requests all of its suppliers not to use conflict minerals, and also continuously urges them to switch to CFSP-certified smelters. By identifying the use of 3TG, origin of minerals, and use of illegal conflict minerals among the smelters that work with its suppliers, the company strives to switch from uncertified smelters to CFS or certified smelters. As a result, the ratio of suppliers that do not use tantalum from conflict areas has increased from 97% in 2014 to 99% in April 2015. Out of 45 smelters that provided Tantalum to our suppliers, 44 smelters are CFS certified. On the use of tin, gold, and tungsten, Samsung continuously recommends our suppliers implement the policy to ban the use of those minerals from conflict areas.

Field Support for Suppliers In 2014, Samsung established a system to check the management status of suppliers that use 3TG in the company's supply chain, and carried it out focusing first on our major suppliers. The system enabled suppliers to examine conflict mineral policy, management organization system, and the conflict mineral information management system, and make the necessary improvements. By 2016, we will conduct on-site inspection of all suppliers using 3TGs to enhance their capacity on conflict mineral management and to strengthen our due diligence system.

Ethical Tin Mining on Bangka Island

Tin, mainly produced in China, Indonesia, and Malaysia, is widely used across the electronics, automobile, and packing industries. Friends of the Earth (FoE), a global NGO, asserts that tin mining on Indonesia's Bangka Island is causing significant damage to the local environment, including the marine ecosystem such as coral islands, as well as the area's industries, including agriculture and fishing. As such, FoE has called on global companies to join forces to address the situation. Samsung is working closely with the EICC and various other stakeholders, including the local Indonesian government, smelters, companies, and NGOs, to find a reasonable solution to these concerns. In 2013, Samsung, along with the EICC and the IDH, joined a working group to address the issue. Samsung and other working group members are carrying out joint efforts, such as urging the major smelter on Bangka Island to also address the situation.

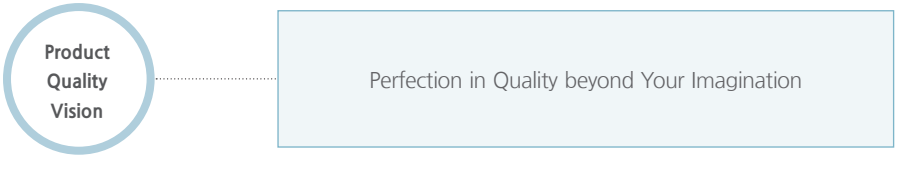
Customer Management System

Samsung is committed to the responsibility principles that must be followed in supply activities from product manufacturing and marketing, to sales so that it can emerge as the most preferred brand in the global market. We effectively manage and secure customer information and identify customer needs through an integrated global system in an effort to provide more customized services. Furthermore, Samsung has strengthened our risk management processes to protect customer information through clear policies and a well organized system.

Customer Management System

Product Quality Control

Based on the vision of 'Global Quality of Products to increase Customer Value and Happiness', Samsung manufactures products with its priority on quality control.



Quality Control For better product quality control, Samsung has adopted the 'Customer Satisfaction (CS) Certification System' to identify and solve problems that might occur with the application of new technologies at new product development stage. Samsung selects the essential criteria for quality control and evaluates the degree of completion at each development stage.

Afterwards, Samsung conducts a final inspection of the products, carried out by the executive council, before launching them into the market. Samsung also strives to improve product durability by developing a reliability test that considers a wide range of user environments. Once new products are unveiled to the market, we focus on analyzing customer inquiries and after-sales service information to identify and solve any potential problems as early as possible.

Safety Assurance To ensure that customers are provided with safe products, Samsung evaluates the factors that might harm the safety of products, such as electric shock, fire, and injury due to any abnormal operating status, considering the real user environment. To this end, Samsung operates a standards laboratory that is certified by 29 global certification authorities.

Responsible Advertising & Marketing

We comply with the code of conduct for labeling and advertising, and the checklist for responsible online marketing activities. Also, Samsung distributes the guidelines for advertising and marketing activities to its employees in an effort to prevent the infringement of intellectual property rights and copyrights. Moreover, Samsung ensures responsible marketing in all channels by checking whether our advertising agencies have any compliance risks and to ensure they follow the guidelines on the use of Samsung Corporate Identity (CI), logo, and brand.

Brand

Any communications aimed at customers, including all advertising, should contain the brand elements of Samsung.

Brand Ideal

Accelerating Discoveries and Possibilities
Samsung enables everyone in the world to experience new possibilities of life through innovation.

Brand Visual Identity

- Designated color
- Designated frame
- Designated font

Brand Personality

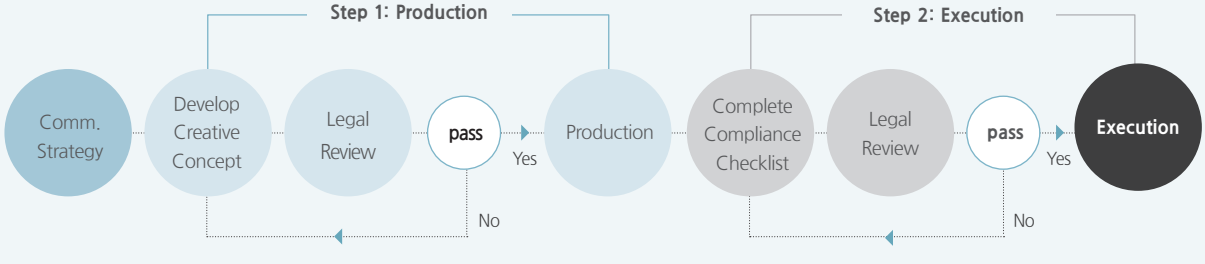
- Inviting
- Dynamic
- Imaginative

Brand Guide

- Samsung Group CI Guideline
- Samung Electronics CI Logo
- Brand Guideline for Promotional Activities
- Brand Logo for Promotional Activities

Marketing and Advertising Contents

All Samsung advertising and marketing campaigns of Samsung should reflect the company's brand value and philosophy to deliver value in keeping with its global brand status in a consistent manner.



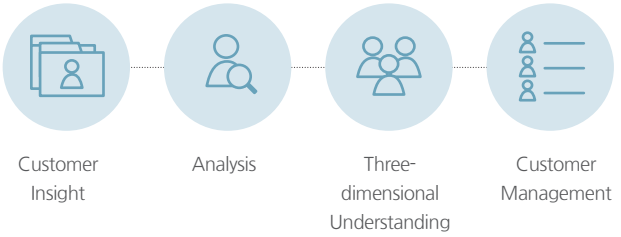
Examples of Non-compliant Advertising

- Negative or incorrect description of competitors or their products
- False claims and product information
- Sexually explicit content
- Content provoking violence or crime
- Defamation or negative descriptions of race, religion, disability, age, sexual orientation, or local culture
- Biased view of specific political party or candidate
- Encouragement of drug or alcohol abuse
- Animal abuse
- Encouragement of bomb/weapon production
- Description of dangerous scenes that children or youth can easily imitate
- Disparaging description of disability or physical condition
- Any other factor that can encourage division

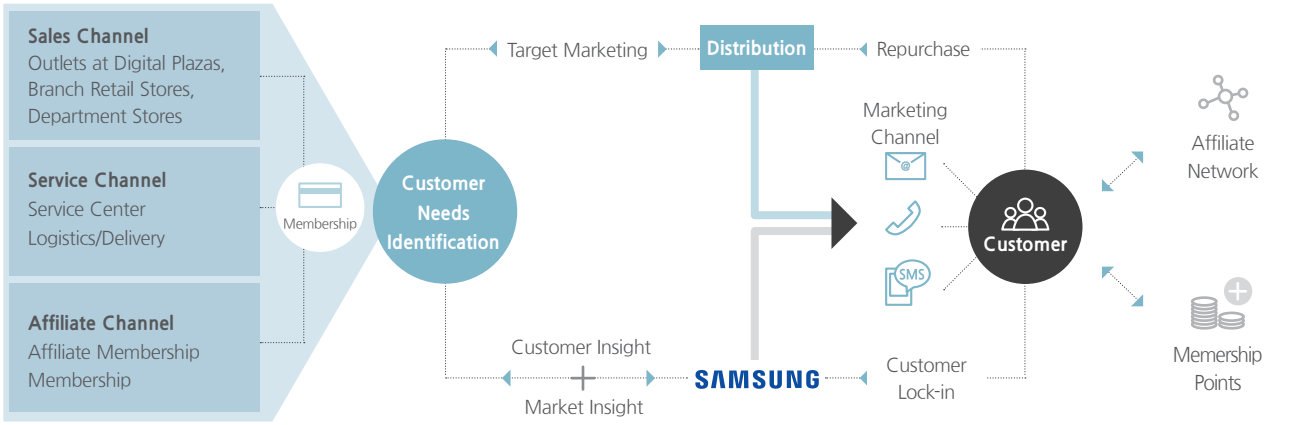
Global CRM

Samsung reinforces its Customer Relationship Management (CRM) activities based on its understanding of customer needs. For instance, Samsung introduced the CRM system in 2004 to effectively respond to customer needs through product delivery and service management, and also the membership system in 2009 to provide customers with a variety of benefits according to their preferences. In 2014, Samsung expanded its CRM marketing channels to include online and mobile and adopted the Global CRM (G-CRM) system.

CRM Key Functions



G-CRM System Operating Process



Application

Samsung strengthens its customer management activities through a diverse range of channels, including online, mobile, social media, as well as offline, through the G-CRM system. In addition, the company strives to secure new customers through membership-based marketing activities.

CRM Marketing Example

① Sales by using service information

A letter of appreciation and notification of benefits to customers whose products were irreparable or who refused to pay for repair service → Managing customers by identifying when brand loyalty might falter

② Customer marketing by using mobile information

Marketing at the launch of new devices through sales promotion channels and social media → Managing customers by analyzing CRM information/big data

Membership System Results in 2014 (Korea)

	August	October
Increase in number of customers (unit : 10,000 persons)	933	1,152
Number of customers for sales promotion (unit : 10,000 persons)	787	883
Sales contribution (unit : KRW100 million)	412	552

Customer & Product Service

Communication with Customers

Samsung operates customer management centers and a dedicated website to deal with customers' requirements. By dealing with the VOC on product purchase, repair, and instructions, Samsung effectively resolves customer complaints. The globally integrated VOC management system enables the analysis of various customer needs, shares them with employees across the company, and utilizes them for product and service improvement.

Customer Satisfaction Survey Samsung conducts a customer satisfaction survey on a regular basis. Through the survey, we aim to discover areas for improvement and make every effort to provide a service that's based on customers, feedback. The survey results are shared with relevant divisions, and items that scored a low level of satisfaction or turned out to be less competitive are improved in a consistent manner. As a result, the level of satisfaction has continuously improved since the survey was first introduced in 1994.

Customer Satisfaction Survey Results in 2014 Through our activities to improve the quality of products and services, Samsung has received extremely positive evaluation from customers, ranking first in a customer satisfaction survey conducted by an independent organization.

Korea

Korean Management Association Consulting (KMAC) 1st in KCSI	TV, refrigerator, washing machine, smartphone, tablet, PC
Korean Standards Association (KSA)1st in KS-QEI	TV, refrigerator, washing machine, air conditioner, kimchi refrigerator, smartphone, tablet, PC, laser printer, digital camera
Korea Productivity Center (KPC)1st in NCSI	TV, refrigerator, washing machine, smartphone, tablet, PC
Korean Management Association Consulting (KMAC) 1st in KSQI	Call center, customer contact point (cell phone, home appliance)
Korean Standards Association (KSA) 1st in KS-SQI	Home appliance, PC, smartphone service
Korean Standards Association (KSA) 1st in KS-SQI	Call center

Overseas

United States	19 products ranked 1st in Consumer Report magazine
UK	7 products ranked 1st in Which magazine
Germany	10 products ranked 1st in TEST magazine
France	7 products ranked 1st in Que Choisir magazine
Poland	Grand prize in customer satisfaction granted by three organizations, including Jakosc Obslugi (ranking 1st in WG & AV service)
Brazil	Service award for best company granted by Consumidor Moderno
Thailand	Best company in quality (granted by the Ministry of Industry of Thailand)

Product Service Center

Samsung operates approximately 20,000 service centers and 59 contact centers (one in South Korea, 58 abroad) across the globe to provide fast and convenient after-sales service. The service centers are operated by retail stores and professional service agencies according to the market characteristics of each country. The number of service centers is on a constant rise in regions where Samsung product sales are increasing, such as Africa and the Middle East.

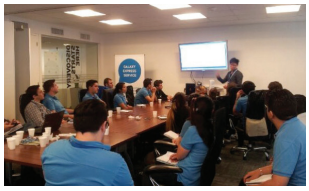
Customer Service Channels

Live Chat | Live Video Chat | Email Us | Remote Support | Call Us

Customer Support Menu on our website: http://www.samsung.com/sec/support

At the contact centers, around 10,000 qualified consultants answer service requests and product inquiries. The websites for each country also provide a customer support menu, which includes customer self-examination guidance and product instructions. Samsung is also increasing the number of online services to allow its customers to receive services having to visit service centers. Samsung offers a variety of customer support services according to the characteristics of each country, such as a tele-consulting service that solves problems by accessing a customer's product through a network, and live chat and e-mail consulting provided on our websites.

With the increase of smartphone sales in 2014, Samsung introduced the Galaxy Consultants to provide simple repair services, such as software upgrades, at retail stores. Galaxy Consultants are smartphone-specific consultants, and in the case of South Korea, they work at approximately 140 stores under direct management. The Galaxy Consultant program has received very positive consumer feedback due to its fast and accurate service, and is currently expanding into more countries such as China. In addition, Samsung has improved the relevant policies and made investment in human resources and infrastructure in 30 major cities abroad, with the goal of providing repair services within one hour upon request for smartphones and within one day for large home appliances such as TVs, washing machines, and refrigerators. The service will be introduced to even more cities in 2015.

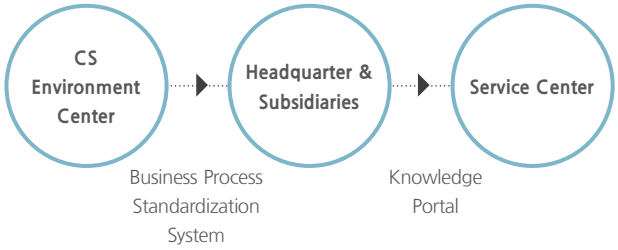


A Galaxy Consultant

Product Service Standards

To ensure the quality of customer services, Samsung has established operational standards for service centers and contact centers and also established a guide for the overall service process. The standards and process are shared by all subsidiaries across the globe through the company-wide business process standardization system, and it effectively provides standardized services to all customers around the world. Based on the company-wide guide, each regional subsidiary localizes the manual according to their market characteristics, provides employees with training, and shares the manuals through the internal knowledge portal site. In 2014, Samsung developed the action guide for customer contact points to promote 'Empathy Service', which is based on the understanding of customers' emotions and proper consideration of their difficulties.

Distribution Process of Standard Guide for Service Quality Assurance

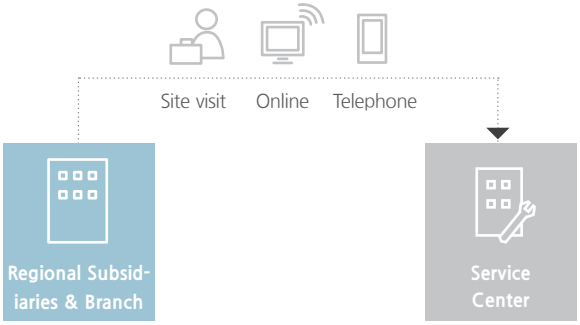


Standard Service Type	Description
SVC Standard Operating Manual	Operating manual by service process - Contact center, technology consultation, service request, technology training, repair, result report, customer satisfaction call, expense settlement, and claim management
Empathy Guide	Action guide for customer contact points to provide emotional care for customers
Technical Guide	Technology guide for product repair

Product Service Management

Since 2014, Samsung has conducted on-site inspection of service quality on a regular basis to confirm the application of service standards at every worksite. We established improvement goals according to the size of the service centers, conducted regular evaluations, and provided incentives such as an increase of commission or an award for centers with high performance.

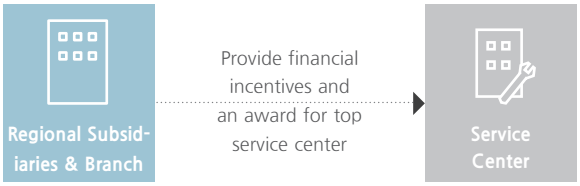
Inspection of After-sales Service Center



Period One year for large appliances, every other year for small and medium appliances

Description Technology, repair equipment and infrastructure, material management, financial soundness, etc.

Incentives for High-performing Centers



Service Quality Management

For the consolidation of company-wide service standards, Samsung provides training programs for service center managers and service engineers on new product repair technology and customer treatment. Remote video education or in-house learning, according to the product features of each country, allows employees to check and acquire video clips and technology data through the internal system at any time. Every December, Samsung Electronics HQ organizes the CS Strategy Workshop for the service personnel of each corporation, to inspect the results of the year and establish service strategies for the following year. In addition, a series of workshops are frequently held by regional headquarters such as those in North America, China, and Europe to create service differentiation strategies for each region.

The CS Strategy Workshop

Customer Data Protection

In an effort to strengthen the protection of customer information, Samsung updated its privacy and information protection policy in 2015 and implemented a series of relevant policies that reflect local regulations and other regional issues. We have also established the privacy compliance checklists for the early detection of risks at each stage from product and service planning to development, operation, and completion. Samsung also provides 'Employee Guidelines on Privacy and Information Protection' and ensures that it is applied to all products and services. In addition, we established a dedicated team to manage a company-wide privacy issues and operate employee trainings to raise awareness of its importance.

3 Pillars of Samsung Privacy Protection Strategy

Operate a dedicated team 1

From an organizational standpoint, Samsung has established a Privacy Compliance desk that sits under the Global Legal Department with direct reporting lines and access to high level executive decision makers. In addition, Samsung has embedded legal counsel with privacy expertise into each of the relevant business units who work exclusively on privacy related matters. This ensures that the proper legal guidance and training is provided to product and service developers.

Employee Education on Privacy 2

Company wide, employees must complete a mandatory online privacy training session. In addition, continued and more focused privacy related training is reinforced at the business unit level, i.e. mobile division, TV division, as well as departmentally, i.e. R&D, marketing. Privacy cannot exist in theory alone or in a vacuum, so the training philisophy for employees is geared to be as practical as possible with 'real-word applications' to ensure that understanding and knowledge is meaningful.

Embed Privacy Protection in all Products and Services 3

The product and service privacy review has been formalized with the launch of our Privacy Legal Management System (PLMS). PLMS monitors and reviews Samsung products and services from the intial planning stage, through the development stage, during the operational phase, right up until the termination phase, i.e. the full lifecycle of a product or service. Products and services cannot be launched unless all of the checkpoints have been successfully addressed by embedded privacy attorneys.

SOCIETY

5 SOCIAL CONTRIBUTIONS

Samsung Electronics works hard to meet its social responsibility and promote sustainable social development and create positive change for people everywhere. Moreover, we implement strategic corporate citizenship programs to support education, health care, employment & community, and environment, which are important social issues of our time. To this end, we at Samsung deploy our technologies and operate skill-based voluntary programs for employees to improve the lives of people and support economic development of areas where we operate.

History of Social Contribution Initiatives

~1993

Donation Activities in Korea

- **1960~** Conservation and vitalization of traditional culture
- **1980~** Daycare center, Health care
- **1990~** Welfare for the disabled

1994~2003

Volunteer Activities in Korea

- Samsung Employee Volunteer Service Program

2004~2012

Global Expansion

- 'Hope for Children' campaign in 2011
- Samsung Employee Overseas Volunteer Service Program

2013~

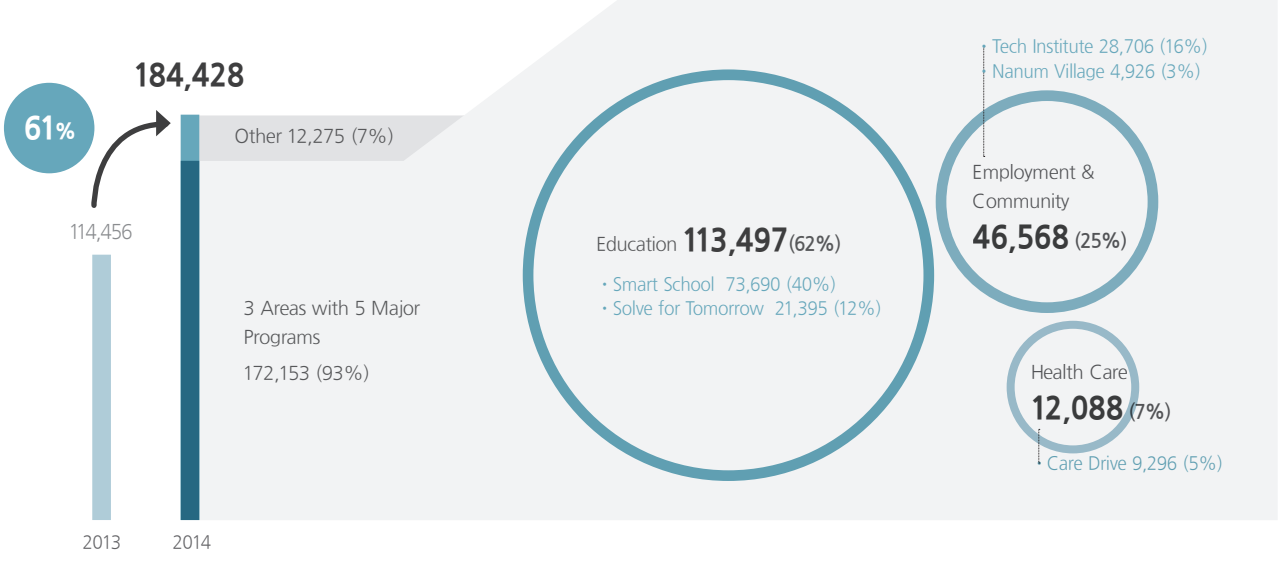
Integration of Global Programs

- Five major programs
  Smart School
  Solve for Tomorrow
  Tech Institute
  Nanum Village
  Care Drive

In order to develop strategic corporate citizenship initiatives, Samsung consulted the UNDP's Millennium Development Goals to identify the most important social and environmental issues of our time. Accordingly, we set global citizenship targets by focusing on the three core areas of education, employment & community, and health care. In 2013, we created five major corporate citizenship programs for each of the three areas and customized programs to reflect the local environment.

Global Corporate Citizenship Programs (Five Programs in Three Areas)

2014 Overseas Investment in Corporate Citizenship (KRW million)



Global Corporate Citizenship Investment (KRW million)

Total

Category	2012	2013	2014
Partnership Fund	600	6,194	**16,530**
Social Causes	86,108	215,360	**170,958**
International Exchanges	59,214	114,456	**184,428**
Culture & Arts	51,443	44,735	**42,077**
Academic Exchanges	45,002	153,682	**107,074**
Environmental Conservation	653	70	**82**
Sports	2,334	1,841	**1,960**

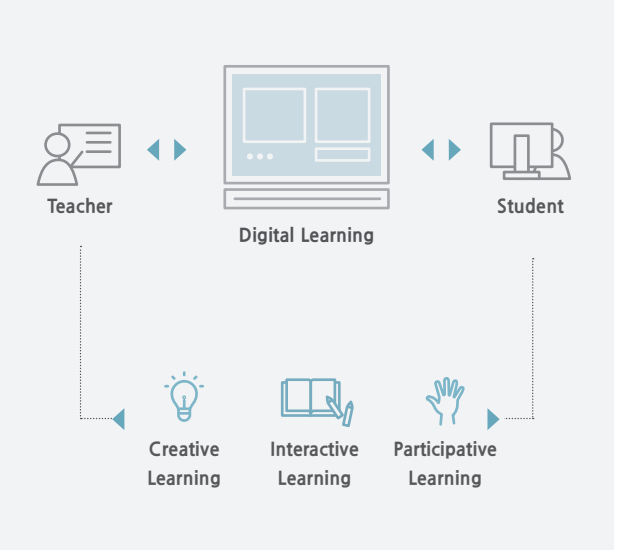
Samsung Smart School

KRW 73.7 biliion | 245,759 beneficiaries

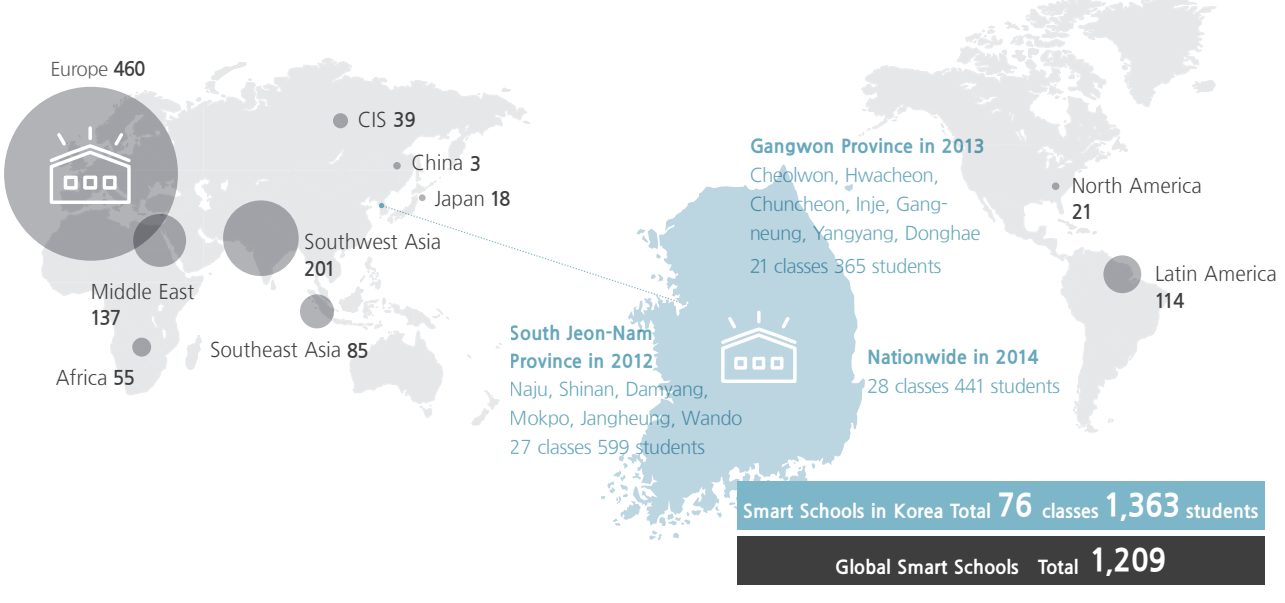
Samsung firmly believes investments in education expand opportunities for young people everywhere while also creating values for the company. The Samsung 'Smart School' program fosters creative talents by providing interactive education programs utilizing our digital devices.

In addition, Samsung strives to reduce regional education gaps and support the nurturing of creative talents by offering a smart educational environment driven by the latest IT technology. In advanced countries, we offer technology enabled science and software programming trainings to underprivileged students with limited opportunities to receive quality education. In emerging markets, our 'Smart School' program provides students living in disadvantaged areas with better educational environments tailored to the local needs, thereby closing education inequality gap in the region. In mid to low-income countries, we focus on providing basic infrastructure, donating IT equipment and books. As of the end of 2014, we maintained operations of 1,209 smart schools around the world.

Helping to nurture global talents with a smart educational environment using the latest IT technology



Status of Global Samsung Smart Schools as of 2014 (Number)



"After introducing Samsung Smart School, people's interest in our school increased, and we could overcome the critical challenge of a decreasing student body."

Sunmo Goo, Teacher at Seosang Elementary School, Chuncheon

"At first, I liked the fact that I could use electronic devices in class. But now, it's very interesting because I can upload the way I solved a problem on cloud and share it with my friends, and then see their solution."

Mino Kwon, 2nd Grade at Anui Middle School, Hamyang

Korea Junior Software Academy

Samsung operates the 'Junior Software Academy' to help students grow into future talents with logical thinking and creative problem-solving skills. Through the education curriculum developed by Samsung employees and school teachers, students who use the software for the first time will find that learning is easy and interesting. Students can run projects to produce their own outputs through in-depth thinking, and team-learning helps them to grow their talent with creativity, problem-solving and integrated thinking abilities.

Performance in 2014

Provided software training for **8,838** students at 225 schools nationwide	Trained more than **300** software instructors	Created a software boom among major stakeholders such as the government, schools, and students and contributed to the government's decision to adopt 'software as a regular subject'

"My dream is to become a teacher, so I want to make programs to teach my future students. I'm going to work hard so that I can make good programs that are helpful to my students."

Participant of Junior Software Academy
Yoonkyung Eom, 5th Grade at Hwacheon Elementary School, Gangwon Province

Case study: Samsung Smart School

Samsung corporate citizenship programs in education are focused on teaching students to effectively use digital technology and reduce digital inequality gaps in emerging countries. To this end, Samsung Smart School program integrates our latest IT technology and smart devices in classrooms, while providing digital educational resources for educators to engage students in math and science.

Improving Applications of Technology in Education

Samsung Coding Masters project in Poland teaches students to use the 'Scratch' coding language developed by MIT. Since 2013, 50,000 children in 630 schools across the country have learned to code through this award-winning program. Engineers from Samsung's R&D center in Warsaw have volunteered as trainers. In addition to teaching kids to code, Samsung provides supports to improve educational technology infrastructure by donating our IT devices and equipment.

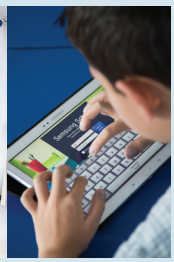
A student practicing coding with a touch screen (Left)
Coding Masters Students(Right)

To expand Smart Schools across the world, Samsung concentrates not only on supplying smart devices, but also training local teachers. Employees of each subsidiary actively support local teachers and students to adapt to digital education with ease by instructing teachers how to use smart devices like interactive whiteboards and Samsung Galaxy Tabs.

Samsung Smart School in India

Expansion to Hospitals and Rehabilitation Centers

Samsung Smart School operates not only in schools, but also within hospitals. Samsung Electronics' Mexico S.A. (SEM), a regional subsidiary, and the Ministry of Health and Welfare of Mexico jointly organized 'Let's continue leaning in local hospitals (Sigamos Aprendiendo en el hospital!)' program at Ignacio Chavez Cardiology Hospital by introducing the Samsung Smart School system. The program was designed to address the difficulties of long-stay pediatric patients who cannot continue learning in schools. Dr. Mercedes Juan Lopez, Mexican Minister of Health and Welfare, expressed her gratitude, stating: "This program organized under humanism, education, and the policy of integration aims to offer hospitalized students learning opportunities, and to help them easily readjust in their schools when they return from hospital. It is so great to see students enjoy learning thanks to Samsung Smart School." In addition, SEM opened Samsung Smart School at the children's hospital 'Hospital Infantil de Mexico Federico Gomez' in October 2014, and at the national rehabilitation center 'Gaby Brimmer' in December 2014.



Smart School in Ignacio Chavez & Federico Gomez Hospital in Mexico

Samsung Smart School in Museums and Concert Halls

In the UK, Samsung Digital Classrooms operate at the British Museum and the Royal Albert Hall. At the British Museum children can learn through educational game applications using augmented reality technology. The Royal Albert Hall Samsung Digital Classroom runs classes to help students learn maths and science through music using technology.

Using a mobile app at the British Museum (Left)
Samsung Digital Classroom in the Royal Albert Hall (Right)

Samsung Smart School reaches children all over the world in various places, including classrooms, hospitals, museums, performance halls, and libraries. Samsung will make strong efforts to build a sustainable smart education environment by not only supplying and installing smart devices, but also improving local teacher readiness and providing digital educational content.

Solve for Tomorrow

KRW 21.4 billion | 111,534 beneficiaries

Samsung leverages crowdsourced ideas to address most pressing social and environmental challenges of our time. For this, we operate the 'Solve for Tomorrow' program, an activity to improve creative problem-solving abilities and nurture future leaders. The program is a contest that gathers ideas to improve the local environment utilizing STEM subjects (Science, Technology, Engineering, and Math). We support the implementation of the best ideas selected from the contest to address social issues and contribute developing the local economies. As of 2014, the contest has been held 24 times.

North & Latin America

In 2014, Samsung organized a video clip contest with the theme of 'measures to solve local community issues using STEM.' More than 2,300 schools throughout the U.S. participated in the contest from which the top five teams were selected through online voting and specialist evaluation, and the award ceremony was held in Washington D.C. on April 30, 2014.

Furthermore, Samsung held the 'Solve for Tomorrow' contest jointly in seven countries; Brazil, Mexico, Argentina, Columbia, Peru, Chile, and Panama. More than 2,200 schools took part in the contest. Nine schools were selected as the winning teams and were invited to the award ceremony hosted in Sao Paulo, Brazil, on December 8 2014.

China & Singapore

In 2014, Samsung held the video clip and science experiment contests in China with six themes, including energy conservation, environmental protection, and health and safety. More than 1,000 schools nationwide participated in the contests, and six winning teams for each theme were selected. We offered the winning teams the opportunity to take part in CES (Consumer Electronics Show), one of the world's largest trade fairs consumer electronics.

In Singapore, Samsung hosted a video clip contest for 500 students from 11 universities, including Singapore Management University, to gather ideas on IT-driven solutions for social problems. We also held workshops for social enterprises and expert seminars attended by entrepreneurs, reporters, and others to assist students to develop creative ideas. The two winning teams were awarded the opportunity to visit Samsung Electronics' HQ in Korea and experience the latest in IT technology.

Samsung Tomorrow Solution Contest (Korea)

The 'Samsung Tomorrow Solution Contest' is a program in which anyone can participate and propose creative ideas to address social issues and implement them. Samsung employees and expert mentors provided active support for the contest participants. Last year, 4,097 participants submitted approximately 1,500 creative solutions for social and environmental issues.

Samsung Tomorrow Solution Lab (Korea)

As part of our commitment to solve social problems leveraging our technology and the expertise of our employees, Samsung created 'Samsung Tomorrow Solution Lab' equipped with a wide range of IT devices. Our employees can voluntarily plan and run social contribution projects to create IT-driven solutions for social and environmental challenges.

Idea: Portable CPR Machine

This contest winning idea allows anyone to effectively use portable CPR machine guided by light and sound.

Idea: Application for Interactive Learning

This contest winning idea offers interactive online platform for students to record their own voice to share with fellow students and teachers, an effective learning method for language and music.

Samsung Tech Institute

KRW **28.7** billion | **15,779** beneficiaries

Samsung created the Samsung Tech Institute in consultation with education partners and government stakeholders to support young people in their transition from education to employment. Through the program, we provide training to meet the needs of employers locally. The program is customized to the specific needs of countries in which it operates. For example, it is designed to nurture software experts in advanced countries, and offers advanced technical skills required for customer service agents in developing countries. In addition, we have applied our product service standards and adopted the company's software development projects as part of the program. As of 2014, we operate a total of 116 Tech Institutes in Europe, Latin America, the Middle East, and Africa.

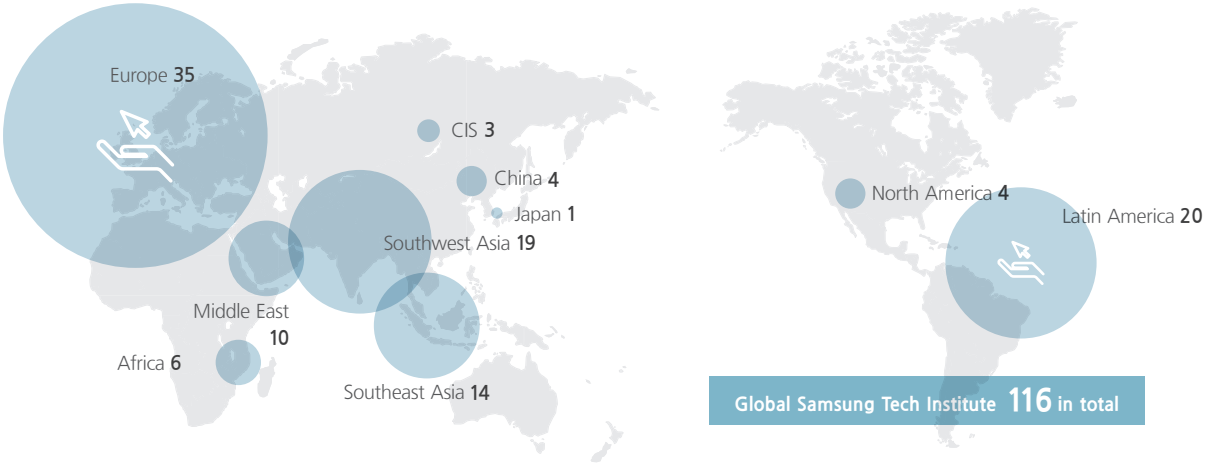
Training Rooms
Equipped with IT equipment and the latest Samsung products

Technical Education for Young People
Software development and computer programming, etc.

Qualifications Achievement
In partnership with issuing agencies, awarding official qualification certificates to trainees when they complete the curriculum

Employment Support Programs
Career counseling, mentorship programs and internship opportunities

Samsung Tech Institutes around the world as of 2014 (Number)



Story of European Tech Institutes In September 2014, Samsung opened a two-year web designer training program called Samsung Campus in Saint-Ouen, where the company's French subsidiary is located, and trained 50 students. Moreover, in collaboration with ESSEC(École Supérieure des Sciences Économiques et Commerciales), a internationally recognized business school, we provide marketing education and operate mentoring programs with the employees of our French subsidiary. In Poland, the company opened two Samsung Labs in 2014 that provide software development training for Smart TVs and Android OS, and management knowledge in areas such as marketing.

Story of Middle East/Africa Tech Institutes In 2014, Samsung Electronics launched 10 Samsung Tech Institutes in the Middle East and Africa, providing training for electronics product installation and after-sales service to nurture service engineers. In addition, we opened Samsung Academy in the engineering department of the University of Jordan, and provided equipment and a curriculum for electronic product repair and IT education. In the Republic of South Africa, we offer training for service jobs like air conditioner installation, and provide young jobseekers with job opportunities such as electronic service engineers when they complete their training at the Samsung Tech Institute.

Samsung Nanum Village

KRW 4.9 billion | 198,110 beneficiaries

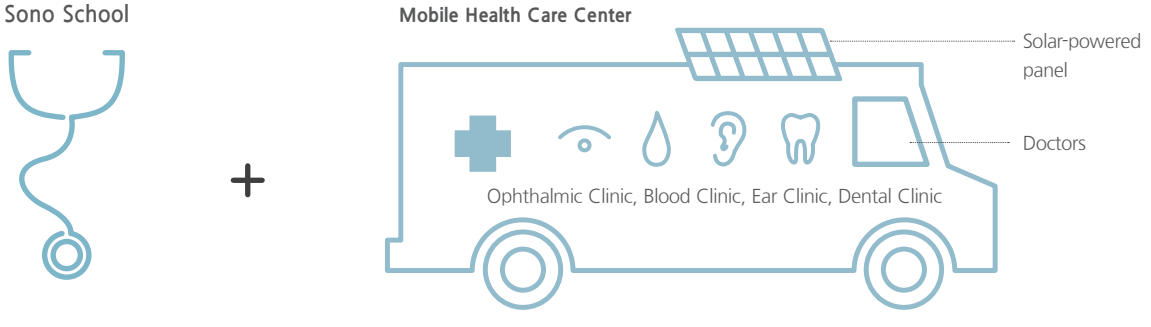
The Korean word 'Nanum' can mean 'dividing something into two or more parts', but it also means 'sharing in triumphs and tribulations'. In this spirit, Samsung created the Samsung Nanum Village program, which is designed to address the causes of poverty and lay the foundation for economic independence by providing the comprehensive infrastructure needed for basic livelihood in low-income and underprivileged areas. The program not only improves the social infrastructure by working with local governments, but also encourages our employees to actively engage in building Nanum Villages.
Through the program, Samsung is delivering on its commitment to foster happiness in local communities by addressing the social problems of deprived areas and helping them with tangible solutions.

Nanum Village in Africa Samsung built Samsung Digital Village to provide solar power generators, schools, mobile hospitals, and remote clinics in underdeveloped areas of Africa that lack electricity. By 2014, we built a total of six Nanum Villages in the Republic of South Africa, Gabon, Congo, Ghana, Nigeria, and Tanzania, and plan to build more in Kenya and Zimbabwe in 2015. In the Republic of South Africa, around 50,000 people use our mobile hospitals and solar-powered internet schools every year, and people have achieved economic independence through a community bakery in the village that uses electricity generated by a solar-powered generator.

Samsung Care Drive

KRW 9.3 billion | 72,576 beneficiaries

Samsung helps people around the world to live a healthy life, thanks to the smart health care system that is accessable anytime, anywhere. As populations around the world age, people are more interested in "living healthier for longer" rather than just wanting longer life expectancy. That's why Samsung strives to develop medical devices that are user-friendly and adapt the latest IT technology. In addition, we offer health care programs that thanks to our products and services promote the health of citizens in developing countries and improve their quality of life. We also operate 'Sono School' to train diagnostic medical experts, and mobile health care centers that provide basic health check-up services. As of 2014, a total of 30 programs are in operation, primarily in China, Russia, and several countries in Africa.



Story of China Care Drive Samsung established 10 Care Drive health care centers in Asia in 2014. In China, we opened two healthcare centers through joint collaboration with the China Medical Foundation in 2013 and four more centers in 2014. We installed ultrasonography devices and other education equipment, and offered theoretical education and practical training on gynecological and fetal ultrasonography to 2,000 medical staff of local Chinese hospitals.

Story of Southeast Asia Care Drive Samsung established six Sono Schools in Vietnam, Thailand, Indonesia, the Philippines, and Malaysia. We arranged education programs in the medical education facility of local hospitals and provided more than 1,500 medical staffs with education on gynecology, the fetus, cardiology, and more.

Other Global Social Contribution Activities

Using the strengths and capabilities of the company, Samsung carries out additional social activities in the United States and around the world.

Mobile Application Academy in North America Since 2012, Samsung Electronics America (SEA) hosts science camps for high school students. At the camp, students develop software applications by themselves and have opportunities to learn about the recent trends of mobile technology from the leaders of the mobile industry and application developers. From June to August 2014, 150 high school students participated in 10 camps held at universities including: UC Berkeley, Georgia Tech, MIT, University of Miami, University of Michigan, University of Pennsylvania, and University of Chicago. In addition, we held mobile application idea contests for the participants, and awarded college scholarships of US $20,000, 10,000, and 5,000 to the top three students, respectively, as well as smartphones for the top five students.

Avatar Kids in Switzerland In collaboration with Swisscom, the largest swiss telecommunications provider, Kindercity, a children's charity, and University Children's Hospital Basel, Samsung offered the 'Avatar Kids' program, which enables long-stay pediatric patients to participate in regular school classes and communicate with their classmates through raising the robot's hand for example. Under the program, a hospitalized student can control a robot with a tablet PC, and raise the robot's hand to answer the teacher's question. In order to create that technology, Samsung developed a mobile application linking the Samsung Galaxy Tab to robots and sponsored six robots in 2014.

Support for Amazon Rainforest Ecosystem in Brazil In collaboration with the Amazon Sustainable Foundation, Samsung engages in various environmental protection activities to support conservation of the Amazonian rainforest ecosystem and help the indigenous tribes of the Amazon. We operate eight schools in the area, providing education to more than 800 students and supporting more than 100 families.

Education Innovation Project in Brazil In collaboration with the Inter-American Development Bank (IDB), Samsung has been operating an education innovation project in Brazil since 2012. We plan to produce math and portuguese education materials for elementary and middle school students, utilizing know-how, local network, and IDB's financial resources, as educational contents of Samsung Smart School after 2015. Samsung will store the best practices of each school in a database, and provide support to reflect them in the education policies in Latin America in collaboration with the local governments. Moreover, we have established an online education infrastructure for 500 public schools in Brazil in partnership with the Telefonica Foundation. We have also donated PCs and the foundation to set up the internet in each school and, as well as provided teachers with education so that students with a poor educational environment are able to benefit.

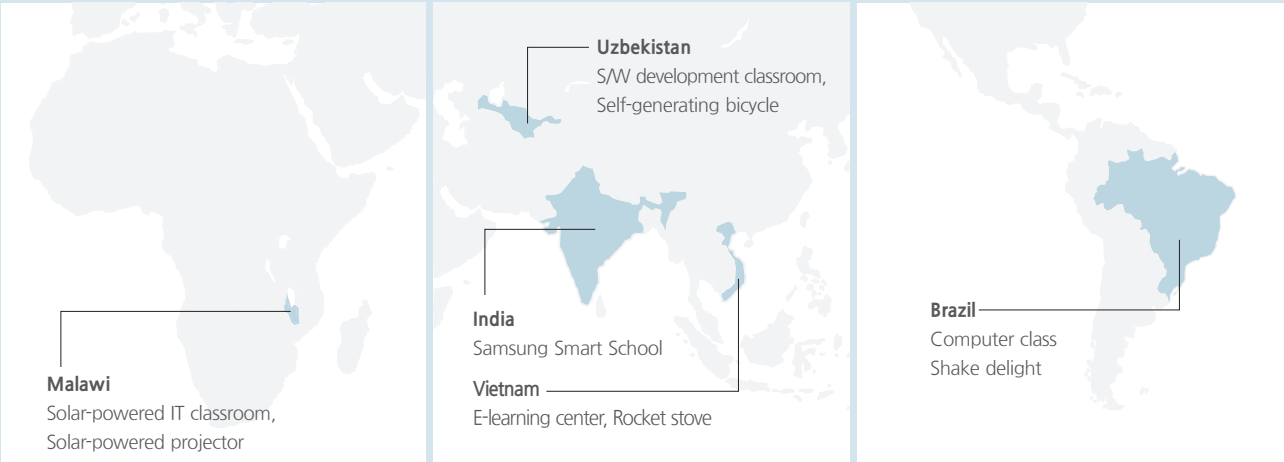
Global Education Project in Collaboration with UNESCO In March 2014, Samsung signed a partnership of comprehensive collaboration for education and culture with UNESCO. Since then, we have partnered with UNESCO to enhance Samsung Smart School programs in Latin America, Vietnam, Russia, Lithuania, Poland, and other regions. Samsung provides the education venues and textbooks, and UNESCO develops the materials on environment, math, and science education, and runs teacher training courses based on its abundant education database. In seven Latin American countries (Brazil, Mexico, Argentina, Panama, Chile, Colombia, and Peru), we signed partnerships with the UNESCO regional office for the Solve the Tomorrow contest in which we collaborate on consultation, setting up evaluation criteria, and mission evaluation.

Employee Volunteer Program

Samsung Employee Overseas Volunteer Service Program

The Samsung Employee Overseas Volunteer Service program is designed to share our employees' knowledge, skills, and experience for a week each. In 2014, our employees volunteered in five countries: Brazil, Vietnam, India, Uzbekistan, and Malawi. Our employees provided IT education to local middle and high school students.

Major Activities of Employee Overseas Volunteer Service Group in 2014



5 countries **6** times **183** volunteers

Electricity-Generating Bicycle of Uzbekistan

In Uzbekistan, Samsung Electronics developed an electric bicycle using locally available materials such as used bikes and motors. We considered the country's frequent blackouts and the prevalence of varicose vein patients. The bicycles generate electricity when pedale encouraging people to exercise their bodies, and while lighting up the nights of Uzbekistan.

Self-generating Flashlights in Brazil

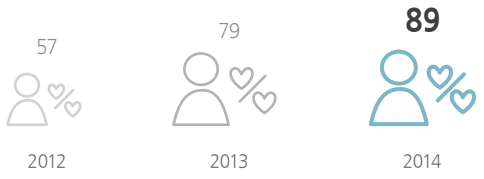
The indigenous tribes of the Amazon rarely have electricity. To address this problem, our employee volunteers designed and developed a flashlight that can be charged by simply shaking the device. An added benefit of the flashlight is that the light at night keeps insects such as mosquitoes in the rainforest away.

Letter from a student from E-Learning center in Vietnam

Dear Sisters, brothers, and beloved friends. Two months have passed already since we parted. I sincerely thank you for always greeting the children with a smile, without expressing any difficulties, when it is hard even for me, a local Vietnamese, to do so. Through the volunteer activity, Samsung Electronics Employee Overseas Volunteer Service Team showed the children in Tuy Hoa village a bigger world and gave them hope, and they also enabled me to learn a lot as well. Now you are back to your daily lives, so you must be very busy. I hope you will always be happy and healthy. I also hope Samsung Electronics Employee Overseas Volunteer Service Team grows and continues to carry out meaningful activities.

November 2014, in Vietnam, Doan Van Thuy

Volunteer Participation Rate (Korea) (%)



Volunteer Hours Per Employee (Korea)

Employee Volunteerism (Korea)

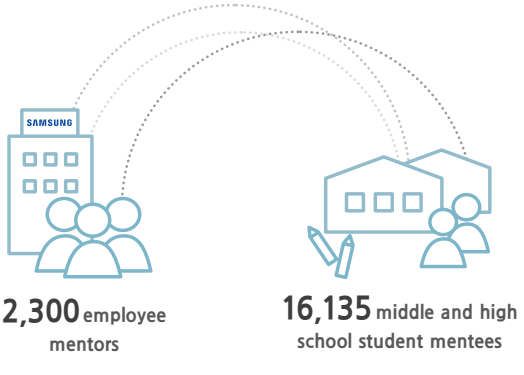
Category	2012	2013	2014
Total Volunteer Hours	857,672	1,063,835	**1,090,150**
Total No. of Volunteers (persons*)	212,209	282,840	**282,373**
No. of Volunteer Teams	1,419	956	**1,997**

* Including duplications

Mentoring Program

Dream Mentoring 'Dream Mentoring' is a program where Samsung Electronics employees help middle and high school students to think about their future careers and dreams, and help them take a step towards achieving them. Samsung Electronics invites students to the workplace to introduce them to the different jobs across the company and to provide them with opportunities to discover their personal aptitude. From there, employees in charge of the sectors that the students express interest in, can serve as mentors.

Dream Mentoring in 2014



Project Mentoring 'Project Mentoring' is a program for by high school and college students studying IT, design, and marketing. During the program, participants have the opportunity to suggest ideas to build a better world and, in the course of materializing their ideas, to learn from Samsung Electronics employee mentors.

College Student Volunteer Service Program

Since 2013, Samsung Electronics operates 'Nanum Volunteer Membership', a college student volunteer service program that shares and carries out the value of sharing. The volunteers plan and carry out regular volunteer activities addressing the local issues known to Samsung Electronics employees, and implement creativity missions to solve a variety of social issues.

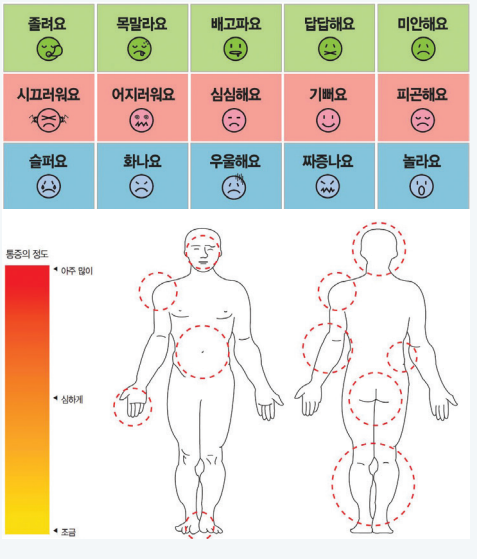
College Students (**275** persons)

Total Volunteered Hours (**11,178** hrs)

No. of Projects Involved (**25**)

Case: College Volunteer Service Program

Among the creativity missions of the college volunteers, the 'calendar keyboard assisting communication of the physically disabled' received positive feedback from the Amyotrophic Lateral Sclerosis (ALS) Association, and is currently used by 60 families of patients with the illness that's also known as Lou Gehrig's disease.



6 SUSTAINABLE INNOVATION

Samsung Electronics uses its global network and innovation to create positive change for people across the world. Indeed, the very reason Samsung innovates today, is to create a better tomorrow. Sustainable innovation is inherent to this philosophy, which is the foundation for everything Samsung does. Other critically important concepts in our philosophy include making an economic contribution to the society, giving priority to resources and the pursuit of rationality. Among them, making an economic contribution to the nation is the most essential, and reflects the company's devotion to society and humanity. Samsung started in 1938 as a small trading company called Samsung Sanghoe. In the 1950s, after the Korean War, it entered the industries of postwar reconstruction and import substitution. Samsung Electronics was established in 1969 with the goal of cultivating the electronics industry for the future good of Korean society, which was still dependent on light industry at the time. Our investments in semiconductor business played a pivotal role in shaping the company's future and its success sprung off to the rest of Korean society to become the global leader in IT research and development. This was a true manifestation of corporate sustainability as well as the realization of making an economic contribution to the nation. Thus, Samsung's innovation has developed based on the idea that we must not only to pursue the best technology for generating economic values, but to generate positive values for the society.

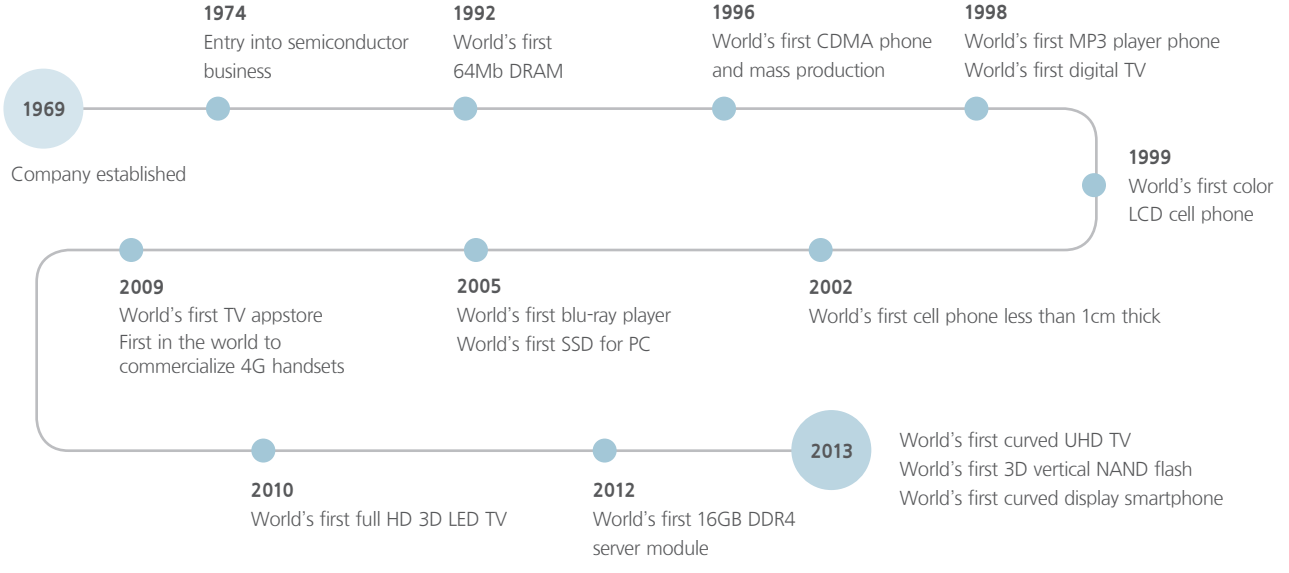
Today, Samsung continues to carry out active R&D investment and new business exploration for sustainable growth. To this end, the company has an in-house R&D organization and fosters 'open innovation', which seeks business ideas and technologies from the outside. Recently, this approach has highlighted IoT (Internet of Things) and the healthcare sector as areas where we can seize new business opportunities. While pursuing technological innovation, Samsung does its utmost to contribute to the development of the local community and ensure that benefits are also distributed to underprivileged regions.

Innovation through R&D

After entering the semiconductor industry in 1974, Samsung became the leader of the DRAM memory chip market in 1992, driven by our constant technological development and investment. Our success in the semiconductor industry flowed into other business areas, which led to enhanced capabilities in product development and manufacturing technology. Samsung introduced the world's first digital TV in 1998, and demonstrated 4G and 5G technology for the first time in the world in 2000. With its leading products and communications technology, Samsung consolidated its status as the leader of technology and innovation in the IT industry.

In recent years, Samsung has been driving the growth of the smartphone market with its premium Galaxy series that employs the latest technology and innovative, premium design. As a result, we have established a clear leadership position in the global smartphone market. To further strengthen our technology leadership, we have launched and operate multiple R&D organizations around the world to build a leading technology ecosystem through differentiated hardware for home appliances and mobile devices, stronger software capacity, and continuous securing of component leadership.

History of Samsung Electronics Technology Innovation



Today, about 70,000 engineers, who account for a quarter of the entire company, perform R&D duties at Samsung R&D centers across the globe. Moreover, through an integrated and automated system based on superior manufacturing and R&D capability, 90% of the products are manufactured by 38 production subsidiaries with the highest industry standards.

Samsung continues its efforts to develop new technology and secure related patents. Since 2006, we have maintained our position as the second largest patent holder according to the US Patent & Trade Office. Moreover, we became the largest patent holder according to the European Patent Office after registering 2,541 patents in 2014.

R&D Workforce

1/4 of total global workforce (2014)

R&D Investments

Daily investment of USD **40** million

#2nd largest patent holder in the US since 2006

4,952 patents registered at the US Patent & Trade Office (2014)

#1st largest patent holder in Europe in 2014

2,541 patents registered at the European Patent Office

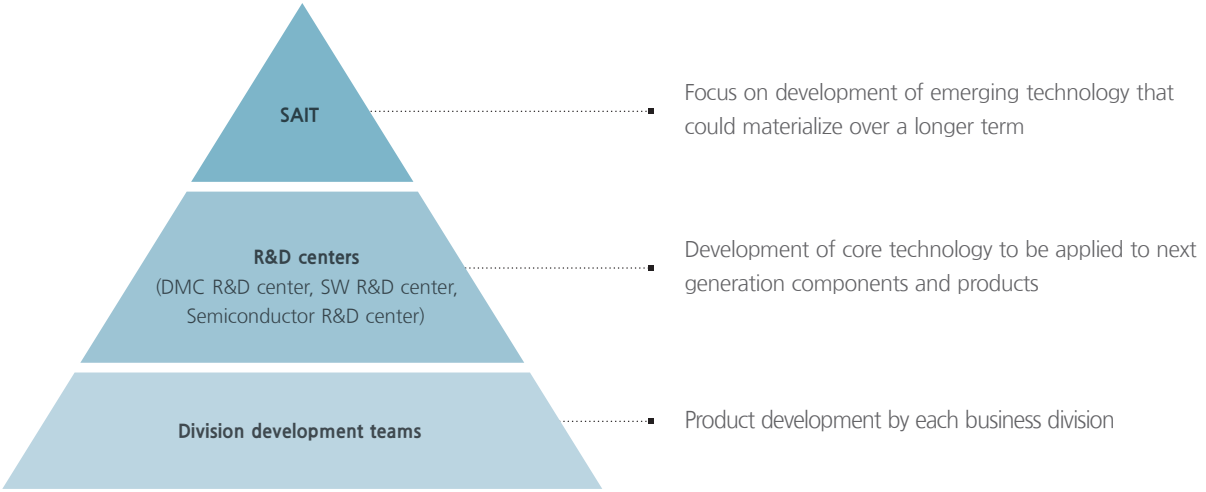
R&D and Process Innovation

To drive deep commitment to technology innovation, Samsung established various R&D centers by function, and strives to develop and spread global technology. Samsung Advanced Institute of Technology (SAIT), Semiconductor R&D center, SW R&D center, and DMC R&D center carry out advanced R&D research and concentrate on emerging technology necessary for commercialization. The development team of each business division applies innovative technology to products.

For effective manufacturing of newly developed products, Samsung operates the Global Technology Center, which leads the production of technological innovation and creates company-wide production synergy. The Management Innovation Team has optimized supply chain management company-wide and standardized the system to be more responsive to market change, and is also continually pursuing process efficiency.

R&D Organizations

Samsung's R&D organizational structure consists of SAIT, each division's R&D center, and each division's development team.



Samsung Advanced Institute of Technology (SAIT) The SAIT was founded in 1987 as the R&D hub of Samsung Group. After merging into Samsung Electronics in 2008, SAIT has conducted research on cutting-edge and longer-term innovative technology with a wide-range of ideas, striving to identify and create continuous future growth engines.

SAIT Research Domain

Future IT	Advanced devices	New materials
· Real 3D	· Advanced Sensors	· Organic Emitting Materials
· High Performance Computing	· Graphene	· Flexible Electronics
· Big Data Analytics	· Metaphotonics	· Advanced Optical Film
· Mobile Healthcare	· Computational Science	· Functional Inorganics
· Recognition		· Nano Carbon Composite
· Mechatronics		· Quantum Dot
		· Next-Generation Battery
		· Biomaterials

R&D Centers

DMC (Digital Media Communications) R&D Center The goal of DMC R&D center is the timely attainment of innovation technology, which will lead product changes in IM (Information Technology & Mobile Communications) and CE (Consumer Electronics), and the strengthening of intellectual properties, a future growth engine. Along with advanced technology development in mobile and digital TV, the center focuses on research surrounding leading technology for the next generation CE and IoT. A total of 24 R&D centers in 15 countries work to secure locally specialized technology.

Software R&D Center Over the last few years, global R&D investment has shifted the focus from hardware to software(SW). Accordingly, Samsung founded the Software R&D center in 2012, and set the goal of sharpening SW capability in IM and CE. To this end, the center conducts research on the technology for areas such as Tizen OS which is its own software platform, security solution, big data, and cloud computing solution. Moreover, 11 global R&D centers in various countries such as the UK, Russia, and India have also been developing software specialized for each region.

Semiconductor R&D Center Since the establishment of Samsung Semiconductor R&D center in 1982, Sasmung has made countless efforts to secure new technology and innovation, achieving the largest market share in the memory sector since 1993 and the mobile AP sector since 2009. As of 2014, the center has expanded into 14 research centers in seven countries, is affiliated with 30 universities across the globe, and participates in five technology consortiums.

Division Product Development Team

Each of the nine business divisions of Samsung runs a development team to identify the best technology for each product and apply it. IM and CE have subdivided their development teams according to product function, such as HW, SW, and advanced product. DS has separated the technology development into chip set design and development for product commercialization.

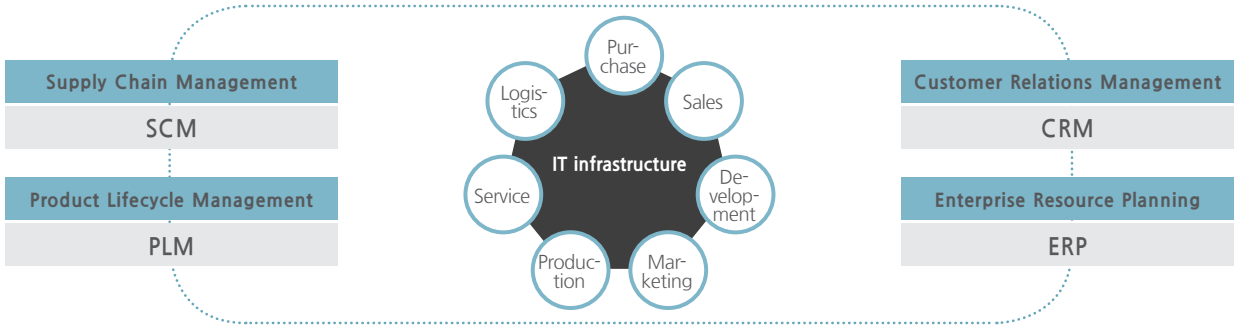
Product Development Team of Nine Business Divisions

IM		CE				DS		
Mobile Communications	Network	Visual Display	Digital Appliance	Printing Solution	Health & Medical Equipment	Memory	System LSI	LED

Process Innovation Organization

Samsung operates the Global Technology Center, which leads production technology innovation and creates company-wide synergy in production. Furthermore, under the Management Innovation Team, we work to optimize operational processes, which includes development, sales, manufacturing, marketing, and logistics, and to advance business management through the establishment of a global standard system.

Seven Major Process Efficiency Systems

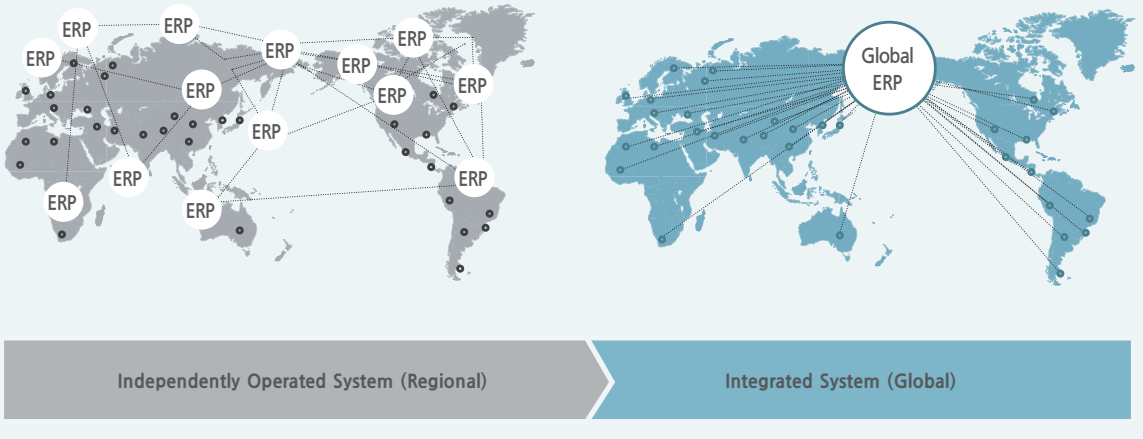


Global Technology Center The Global Technology Center is the control tower that strengthens the competitiveness of our manufacturing bases around the world. The center is devoted to assisting in the standardization of production lines and internalized core components. It is responsible for the development of the core process of rapidly manufacturing quality products, recently introducing a new method for ultra-fine metal processing for premium product manufacturing. At the same time, the center promotes production synergy by utilizing the relevant systems for maximized manufacturing efficiency in areas such as the Global Manufacturing Execution System (G-MES) and Global Supply Chain Management (G-SCM).

Corporate Business Innovation Team The Management Innovation Team sets up the optimum process and system for business operations by improving work speed, flexibility, and visibility. It standardizes the necessary systems for parts such as development, sales, manufacturing, and logistics, and thereby swiftly and accurately helps global workplaces to prepare and execute sales and supply plans. In addition, the team links internal organizations with their customers and boosts information sharing, while responding quickly to market change.

Global ERP, Standardization of Company-wide Process, Global Integration

In 2006, the Management Innovation Team conducted the standardization of the ERP system of each division and operation sites. At the completion of three year project, we had It established a the standard company-wide systematic process which integrated global best practices and connected the entire company worldwide to improve efficiency. Moreover, the process reflected the uniqueness of each division and region to increase convenience. As a result, headquarters can now prepare policies based on real time information from the global business and apply it simultaneously to local subsidiaries across the globe. It can also save time in setting up a system according to changes in base plans. This is how global integration has laid the foundation for 'speed management'.



Open Innovation

In addition to our independent R&D activities, we have also expanded innovation capabilities through open innovation to address rapidly evolving, cutting-edge changes in the industry. We established the 'Global Innovation Center' to promote investment in technology, takeovers, and excellent service, and constantly strengthen new R&D engines necessary for new products and components.

Idea Market

In 2014, Samsung launched 'MOSAIC', a collective knowledge system that picks up creative ideas from within the company and incorporates them into business activities. "Idea Market" is one of the main services of MOSAIC where any employee can propose ideas about services or products whenever they want. We hold company-wide idea challenges on prospective products, such as 'Fresh Refrigerator' and 'Perfect Washing Machine' to hear ideas from the field. The system is also active in developing specialized products for each country, such as the virtual reality contest held at the R&D center in Bangalore, India, in February 2015.

(as of December 2014 since opening Idea Market)

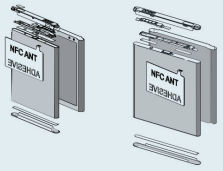
9,890 suggestions of new ideas

17% group participation rate

91 cases of business contribution (31 commercialization, 51 A class patent application, etc.)

Cases of Commercialization

NFC antenna standardization



- Improved function of NFC chip helped reduce its size
- Standardized antenna dimension

→Saved KRW65 billion after adopting 200 million handsets (six types of smartphones) with the new antenna technology

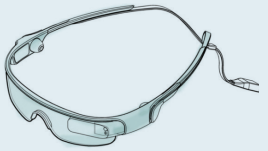
Galaxy note combined with skin view camera

- This technology enables users to check their skin condition

→Sales of 'Pacomeri Cosmetics' products based on Galaxy note

Cases of Patent Application

System to improve driver's vision



- Antiglare system for driving at night

→ registered new IP for the future

Provide new functions for parents using Galaxy Gear

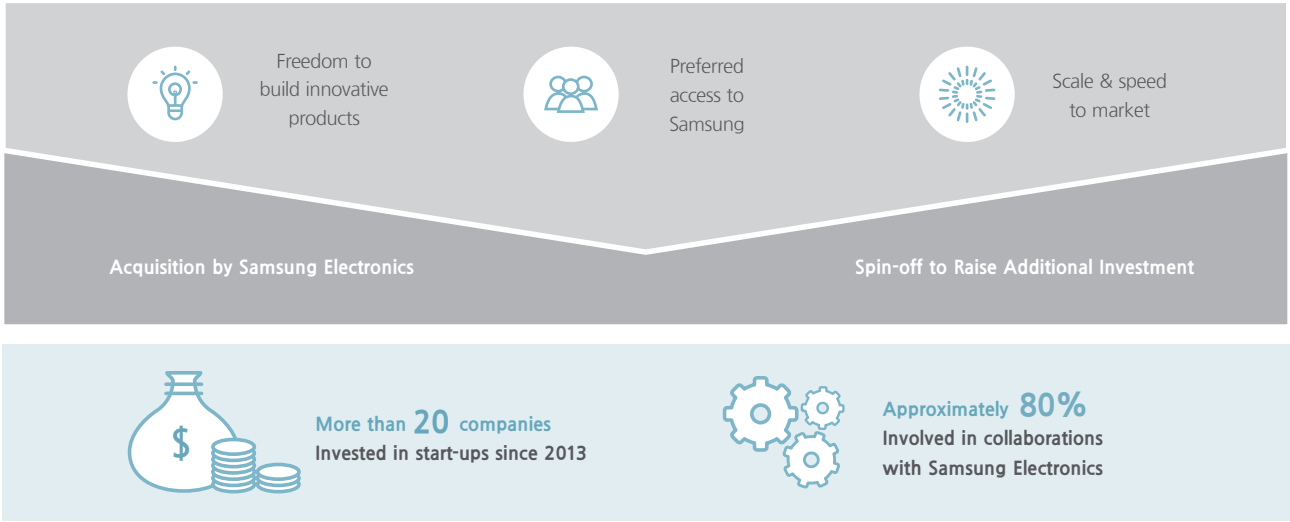
- When 'Kids Mode' is activated, incoming calls and messages can be redirected to wearable devices

→ Applied for A class patent for differentiated function of wearable devices

Global Innovation Center

Samsung is actively seeking opportunities to bring innovative ideas, technologies, and services into the company from outside, along with its in-house R&D efforts. To move quickly and engage with innovative technologies from outside, Samsung established Global Innovation Center(GIC) in San Francisco, New York, Silicon Valley and Suwon in 2013. GIC collaborates with entrepreneurs and startups focused on software and services through various methods including partnerships, acquisitions, and facilitates investments through collaboration with Samsung Venture Investment. In addition, GIC opened the Samsung Accelerator, with locations in New York and San Francisco, to attract and empower seasoned entrepreneurs to independently build innovative products that are accelerated by access to Samsung capital, resources, distribution and decision makers. GIC also supports Samsung's growth through the acquisition and post-merger integration of startups into strategic business aresas including IoT and mobile payments.

Overview of GIC's Samsung Accelerator Program



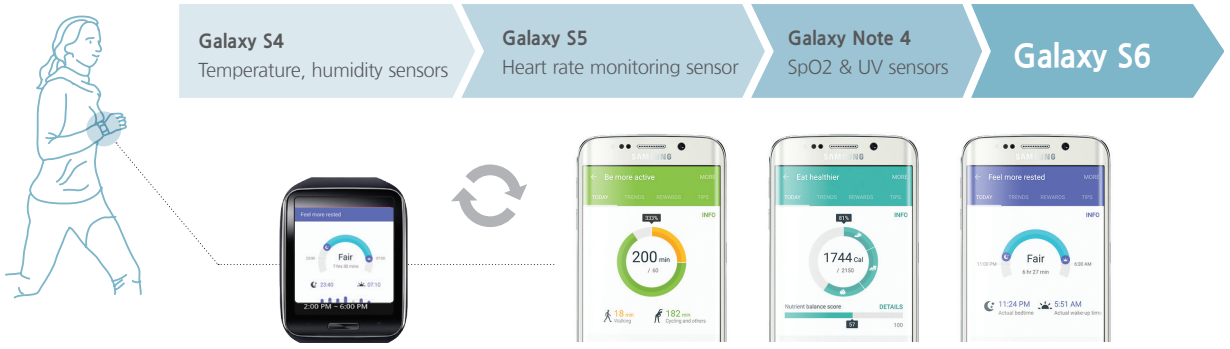
New Business Opportunities for Greater Goods

Samsung makes every effort to develop innovative technology and find new businesses geared towards helping consumers live a convenient and healthy life. Recently, we have focused on the development of IoT (Internet of Things) technology and the products and services of the smart health sector. IoT connects various types of devices in everyday life, while the smart health sector uses mobile devices for health monitoring.

Smart Health

Today, there are increasing social challenges in the field of healthcare, such as an aging population and rising costs of healthcare. Samsung has developed innovative healthcare product lines and relevant services to combat these issues. For example, the S Health service embedded in our smartphone products, ever since Galaxy S4 launched in 2013. This helps users to measure their own activity levels including walking and running, so that they can monitor the amount of exercise they are getting in daily life. Since the Galaxy S5 launched, we have added heart rate monitoring functionality and several sensors compatible with the Galaxy Gear series to collect more data on motion. Samsung will continue to launch specialized healthcare products and services, and provide comprehensive health care services for chronic diseases.

S Health services and embedded sensors

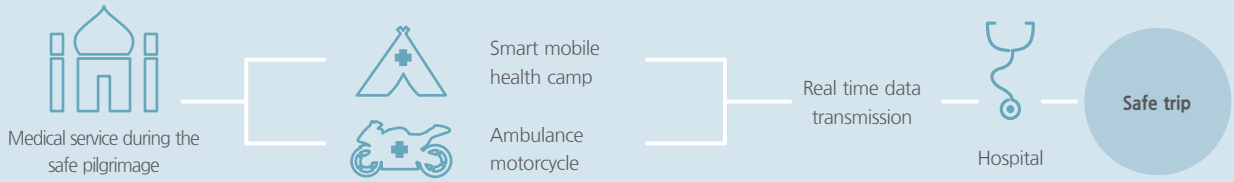


S Health on Galaxy S6

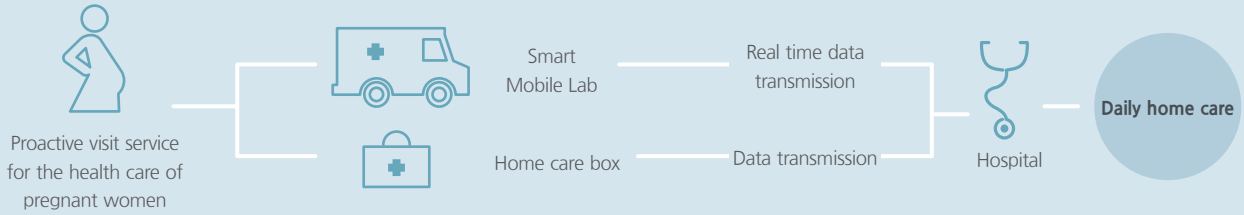
A 'Smart Health Solution' in the Middle East

To provide a 'Smart Health Solution' that reflects the local environment and cultural distinctiveness, Samsung Electronics introduced medical equipment and service specialized in illnesses resulting from the hot climate of the Middle East and to address the rising problem of obesity. In the Middle East, with the average temperature from May to September reaching 45℃, activity levels can be low. For religious reasons, many people live with the elderly in their extended family, and in some under-developed areas awareness of chronic diseases is low. Doctors in these areas are in short supply and long waiting periods of up to two to three months is common. With an understanding of the local culture, Samsung Medical Team has endeavored to improve the medical treatment experience of customers and introduced four types of services that can build the groundwork for a new medical infrastructure.

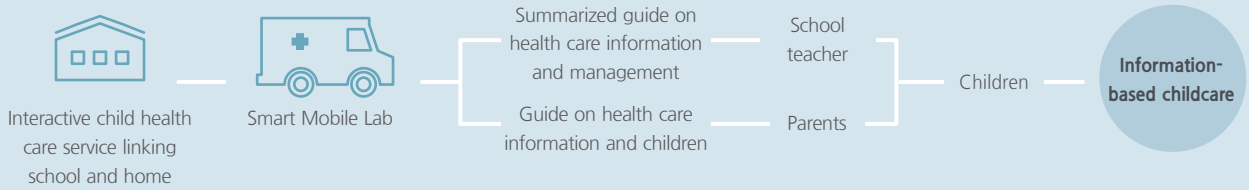
Solution 1: Public Care During December 7~10 on the Islamic calendar, Muslims gather at the Kaaba for their pilgrimage. The number of the crowd usually exceeds 3 million, which makes it difficult to carry out medical treatment or transportation in cases of emergency. For the sake of health and safety of pilgrims, the medical team introduced ambulance motorcycles installed with IVD (In-Vitro Diagnostics) that can transmit the patients' data to nearby hospitals in real time.



Solution 2: Home Care Gestational diabetes is a common problem in the Middle East. Nurses from Samsung Smart Mobile Lab visit families, monitoring the health of the pregnant women with IVD and ultrasound devices and delivering a home care box, a self-diagnostic tool. The box contains a smart blood glucose monitoring device, a smart scale, and Galaxy Gear that enable the pregnant women to measure their daily blood glucose level and transmit the data to the hospital.



Solution 3: School Care Child obesity is on the rise in the Middle East At present, one quarter of children are obese, and it is expected that by 2013, about 20% of the children will have diabetes Samsung Smart Mobile Lab visits children at school, conducts regular check-ups, and continues distance treatment and diagnosis if necessary.



Solution 4: Personal Care Under the Samsung Care Solution, doctors can monitor vital status of patients with IVD and introduce necessary exercise programs and dietary regimen as a part of preventive care. An expert team of trainers, nutritionists, and doctors continue to provide comprehensive healthcare service to patients with customized health management program.

Reference: The WHO Global Health Observatory http://www.who.int/gho/ncd/en/Links to various maps and qualitative data map on obesity and physical inactivity.

Internet of Things

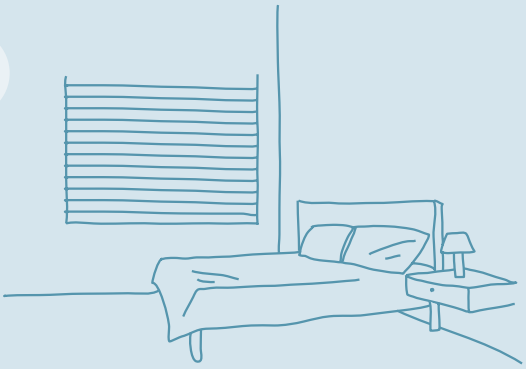
The value of IoT significantly increases through partnership with different industries. Samsung is exploring the IoT opportunity with strategies to create an open platform and develop IoT embedded products. Capitalizing on the advantages as a producer of diverse household appliances, the company aims to create a product and service base to apply IoT to all TV sets by 2017 and to all products by 2020. The company has already developed miniature olfactory sensors, motion sensors, and an advanced on-board memory systems and processors for IoT applications.

In order to create a platform that connects a variety of devices and apps, Samsung acquired the IoT and Smarthome open platform company 'SmartThings' in August 2014. In 2015, developers are expected to invest USD 100 million on IoT service development within the open platform domain. Samsung plans to expand the IoT business into a full range of industries, including cars, healthcare service, education, finance, and government.

IoT makes a smarter world: CES 2015

The Samsung Electronics Booth at CES 2015 realized an IoT service to demonstrate its potential convenience at home.

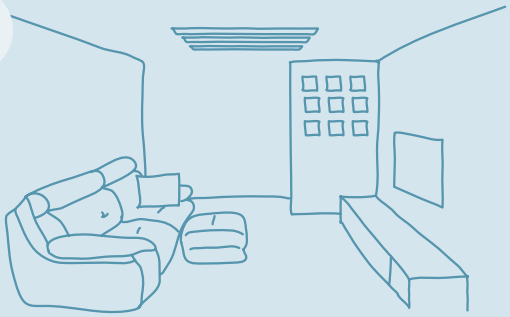
Bed-room



Safe and Economical Smart TV shows a live feed of the home's surroundings and the status of energy consumption through IP cameras, for efficient energy use.

A Pleasant Morning When you wake up in the morning and say "Good Morning" into the Gear S, it automatically activates the lamp, speaker, blinds, and coffee maker.

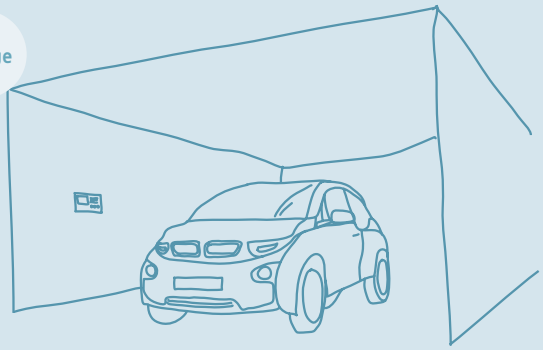
Living Room



Welcome Home When you return home, the built-in sensor detects your presence and activates the outside lamp and door unlocking feature. When you walk further inside, the inside lamp turns on and the speakers start playing music.

Greeting Visitors When there is a visitor, Smart Sense Multi-sensor confirms the visitor with the IP Cam at the door and displays the image on your Smart TV. You can open the door for the guest with the Smart TV remote control.

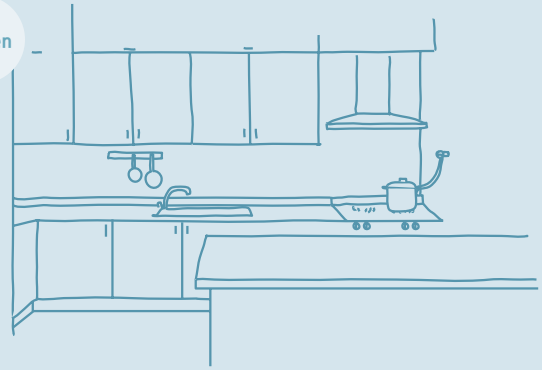
Garage



Auto Parking If you say "Pick me up" into the Gear S, your car automatically drives out of the garage onto the driveway.

Car Control The Samsung Smart TV app can show your car's basic status. It can also turn on the air conditioner, navigation system, and more.

Kitchen



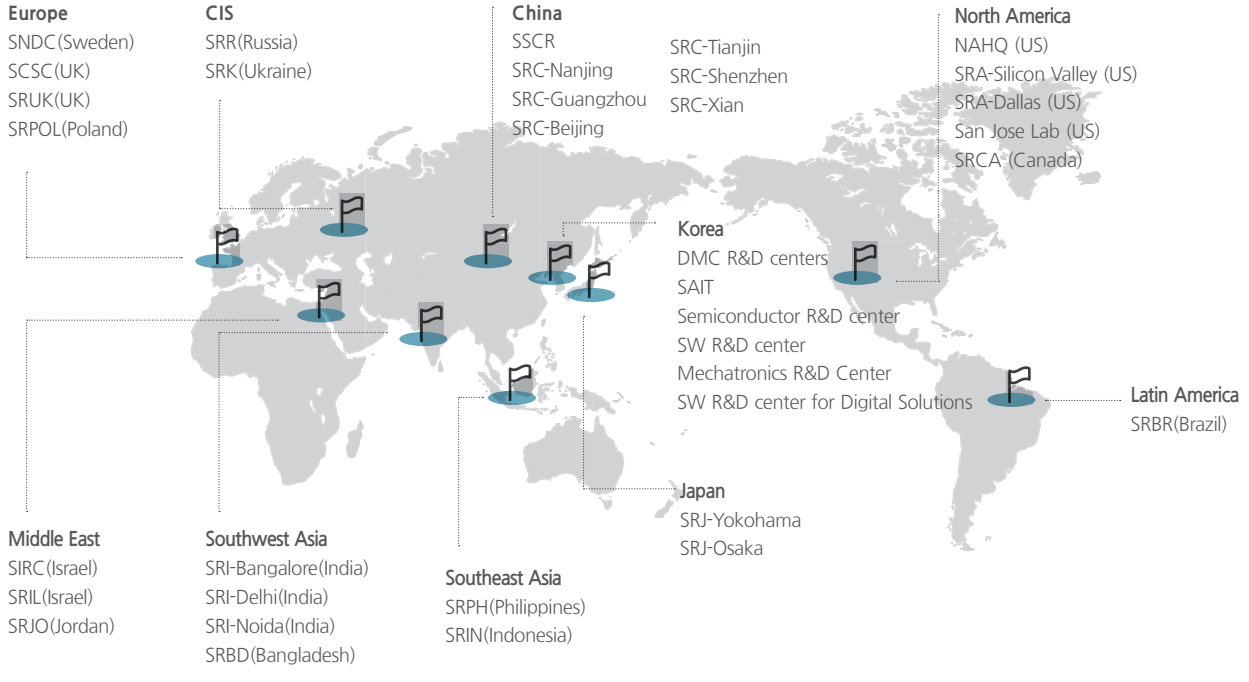
Accident Prevention When there is a leak, the moisture sensor detects it, notifies you to close the valve, and recommends contacting a plumber.

Safe & Secure When You're Away When you leave the house, the air conditioner, lamps, and heater are automatically turned off. The vacuum cleaner runs automatically when the house is empty.

R&D for Local Community Development

Samsung makes every effort to reduce technological inequalities by transferring its world class R&D capabilities through its 36 R&D centers around the world. These R&D centers develop next generation technology and new technology to be applied to TVs, smart phones, and semiconductors. They also customize technology for local cultures, developing specialized services and testing products. Using its R&D capabilities, Samsung Electronics is contributing to local community development by creating job opportunities, investing in infrastructure, and sharing advanced technologies.

Global R&D centers



R&D in Emerging Markets

The goal is to identify new lifestyles through new behavior patterns or practices that can predict future consumer needs and reflect these findings in product innovation. Samsung recently established Samsung R&D centers in developing countries, enhancing the technological capabilities of local employees and developing locally tailored products and services. For example, Samsung Vietnam Mobile R&D center opened in 2012, and the Industry-University Cooperation R&D center was established in Turkey in 2015 for the development of technology needed in the region.

Moreover, Samsung operates six global design centers (London, San Francisco, Shanghai, Tokyo, Delhi, and Seoul) and seven lifestyle R&D centers (London, San Jose, Delhi, Singapore, Beijing, Sao Paulo, and Seoul).

Innovative technology transfer for the realization of creative economies around the world

Support for Daegu Gyeongbuk Creative Economy Innovation Center

To develop the innovative ideas of venture companies into businesses, Samsung set up the Creative Economy Innovation Center, an entrepreneurship incubator, in September 2014 in conjunction with Daegu Metropolitan City. The company gives strong support to the center under the goal of creating new added value based on organic cooperation between Samsung Electronics and venture-entrepreneurs as well as boosting local and national economies through job creation. Through the center, Samsung provides young venture entrepreneurs with education and mentoring in start-ups and technology.

Daegu Creative Economy Innovation Center works with C-Lab (Creative Lab), the cradle for venture incubation. C-Lab started as an in-house venture development program that Samsung runs to boost its culture of innovation based on creativity and the entrepreneurial spirit of employees. Now the program has spread to Daegu Center, with 18 participant teams at present. These teams were selected after a fierce competition that whittled 207 entrants down to one winner. These now cover various areas, including IoT, wearable devices, fashion, games, and imaging. Samsung and Daegu City each invested KRW 10 billion to make a KRW 20 billion fund. From 2015, the company plans to set up the Venture Incubation Fund over the next five years, ensuring continued financial support from ideation to business maturity. Those with promising results will receive additional investment and the necessary support to enter overseas markets.

In December 2014, Samsung Electronics also built the Factory Lab for the successful operation of the newly opened Gyeongbuk Start-up Economy Innovation Center. Befitting its role of business promotion, the Lab highlights Smart Factory Development as its core project. The project aims to innovate the production capabilities and raise the competitiveness of SMEs in Gyeongbuk province. Samsung, a world class manufacturer competitiveness, stations experts at Factory Lab who provide customized consulting and various solutions, such as an economical production management system, jointly developed with partner companies.

Startup teams in C-Lab

In addition, the company provides support funds to help SMEs purchase vital equipment and business solutions. Samsung jointly carries out joint projects with SMEs and runs technology, know-how, and financial support programs for SMEs starting new businesses.

Spreading the Creative Economy Model in Brazil

Having witnessed the possibilities of the creative economy model of Daegu Creative Economy Innovation Center, Samsung is fostering ways to spread this innovative model across the globe. First, in April 2015, Samsung, Daegu Center, and ANPROTEC signed a trilateral MOU for a Brazilian youth start-up cultivation fund. ANPROTEC is the Brazilian Association of Science Parts and Business Incubators. The company plans to use a portion of the fund to foster Brazilian youth start-ups and provides technological support through Samsung's regional R&D center. In order to achieve the goal, Samsung is planning to invest around USD 5 million over the next five years.

Turkey, a successful and innovative emerging market

Emerging markets are very important for Samsung; they are drivers of both growth and of innovation. As such, Samsung is hard at work on successfully entering new and emerging markets. In particular, the company strengthens emerging market strategies through its deep understanding of consumer needs, localized product designs and local knowledge, developed by regional R&D centers.

'S-Lab' in Turkey, a New R&D Cooperation Model for Emerging Markets

The establishment of S-Lab in Turkey, which opened in February 2015, is a good example of Samsung's dynamic emerging market strategies. S-Lab was jointly established by Samsung Electronics Turkey (SETK) and SEMPER Tech, a Turkish IT company, in Techno Park, which is often dubbed the 'Silicon Valley of Turkey'. The lab presents a new R&D collaboration model with local companies that have

deep knowledge of the local cultures. As a result, the center has received strong support from the Turkish Ministry of Science and plans to carry out projects in education solutions, health care, and 4G/LTE, which are areas of keen interest to the Turkish government. Turkey's 'S-Lab' illustrates Samsung's efforts in localization, enlisting the cooperation of local companies, government, and academia.

Service Innovation for Society

Samsung Electronics Turkey (SETK) launched an innovative sign language service at call centers for the hearing-impaired. This service, called 'Duyan Eller' in Turkish and 'Hearing Hands' in English, allows the hearing-impaired to access the homepage through a PC or cell phone and ask questions or registers repair requests via sign language. The service received a warm response in Turkey. Not only from the hearing impaired, but people in general went to the homepage and congratulated SETK on the launch of the service. A special video clip produced to promote the service was uploaded to Facebook and recorded 7 million hits in only three days. Ms. Nevra Sezer, a local Samsung employee who participated in the project, said, "This campaign is a good example of Samsung's philosophy and will contribute to humanity through its technology, used for great products and services."

Digital Inclusion

Samsung works to advance digital inclusion by reducing the technological and information inequalities between social groups and geographic areas resulting from the rapid development of the internet and mobile devices. We are focused on driving technological development that ensures equal access to the internet or digital devices and improves quality of life for all.

Innovative Technology for People with Disabilities

Although the world is changing rapidly with the advancement of PCs and smart devices, many people are unable to use such technolgoies due to physical or mental disabilities. Samsung researches and commercializes specialized technologies for wider accessibility to smart products so that every customer can enjoy the latest technology irrespective of their abilities or disabilities. Moreover, we are developing devices and software specifically designed for people with disabilities.

Products Recognized for Improving Digital Inclusion

Off-Grid TV (H060)

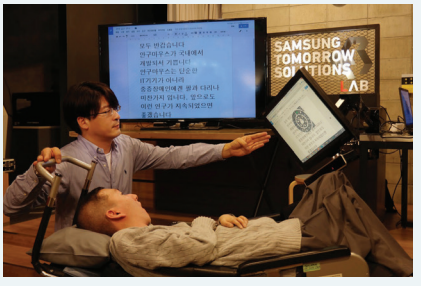
- Use of solar power and battery
- Products for people with no access to electricity
- Won the Global LEAP Off-Grid Award in 2014

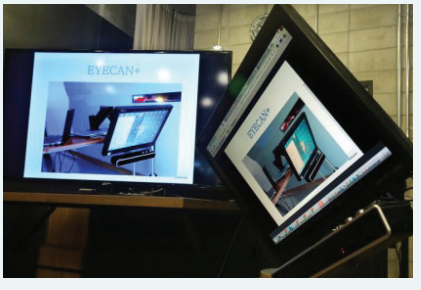
Galaxy Core Advance

- Improved accessibility to the visually or hearing-impaired
- Compatible with customized accessories for the visually-impaired
- Won the Lions Award in 2014

The 'EYECAN+', an Eye Mouse that Controls the PC with Eye Movement

'EYECAN+' is an Eye Mouse that controls the PC with eye movement. EYECAN+ technology uses eye pupils movement to control the mouse, and in turn, the PC user eye's pupils as the computer mouse to control PC, instead of the hand. Engineers at Samsung voluntarily developed the first version of EYECAN in 2011. With simple eye movements, users can write on the PC screen and use the internet. DMC R&D center actively worked on feedback from consumers with disabilities and introduced a more advanced EYECAN+ in 2014 that features greatly enhanced functionality for the improved convenience of users.
To further improve user convenience, EYECAN+ switched its hardware form factor from eye-glasses to a monitor, and its software now employs an improved UX designed to address impaired physical activities. A menu wheel on the screen requires minimum eye movement for its operation. Samsung will begin donating EYECAN+ to private and social organizations starting this year. We also plan to make a 'technology donation' by making the relevant design and technology open source, helping social enterprises and other venture companies further develop the eye mouse.





Dowell Launcher for Smart Phone Users with Disabilities

Smartphones have become a nearly ubiquitous tool, but with limited consideration for the accessibility of people with disabilities. Taking note of such accessibility issues, Samsung, together with a team of student volunteers, developed 'Dowell launcher' for smartphone users with upper limb disabilities who cannot move their hands freely due to, for example, muscular disease or spinal injuries. Similar to EYECAN+, Dowell launcher enables users to click the menu without pressing the icons, as long as their eyes remain focused on a certain place.
From its planning to its development phase, the project engaged people with upper limb disabilities to gain a proper understanding of their needs. Upon reviewing the feedback from users, Samsung developers recognized those with physical impairments have varying degrees of disability, and so require different supportive devices. So the Dowell developers attempted to extend the benefits to the widest spectrum of users possible. For example, the software solution can be run by simply connecting common PC accessories and smartphones with USB-OTC and installing Dowell launcher, without buying any additional devices.

Going forward, Samsung plans to operate training programs on the use of Dowell launcher and distribute it for free in the Android market, pushing ahead with its efforts to improve accessibility for people with disabilities.

Better Accessibility for Remote Areas

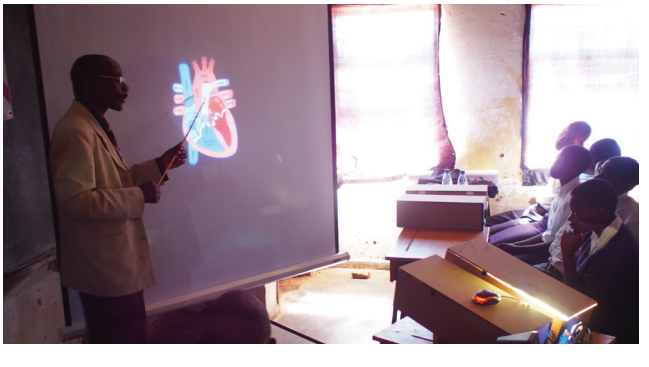
Samsung Electronics provides underprivileged people with better accessibility to our IT products and services. We have transferred technology to areas with less IT resources and infrastructure through numerous educational programs and social contribution programs. Our engineers develop IT products and services to help reduce digital inequality in rural areas. In doing so we help to improve the quality of life of local residents through increased accessibility to IT technology and digital information.

"Shiny" (Mobile Solar-powered Theater) "Africa, a continent with a relative lack of electricity, needs to provide the opportunity for local residents to communicate with one another." These words, from 18 year old Martin, from Malawi were enough to motivate Samsung Electronics employees to brainstorm creative solutions as a part of global employee volunteer program. Samsung employees developed a light source from widely available flashlights and simple bulbs combined with a magnifying glass. By connecting discarded cell phones and photovoltaic panels, they created the 'mobile solar-powered projector'.

In local terms, successful technology should be 'sustainable and practical'. While the price of a conventional projector is around KRW 400,000, the solar-powered theater was developed with old cell phones, and costs only KRW 90,000 excluding the photovoltaic panels. The first Shiny created by Samsung volunteers was presented to citizens of Adulala, Ethiopia. In time, Samsung volunteers provided the technology to 30 local residents.

Samsung employee volunteers also produced 'Shiny for Edu' for Mchitanjiru High School in Malawi, which greatly improved the learning environment. Volunteers focused on improving the classroom environment, which was in poor condition with thick chalk dust in the air threatening the students' health and only one textbook for every ten students. The volunteers applied principles of overhead projectors (OHP) to the existing Shiny to send images and texts to the screen. Solar-powered panels served as the basic energy source, but pre-charged car batteries could also be used in case of emergency. Such stable electricity supplies made 'a sustainable class model' possible.

The Shiny Project by Samsung volunteers does not simply provide a place to watch movies; it provides cultural and learning, opportunities and a chance to change the lives and lifestyle of local residents. An idea by a young African man became a reality when it met with the core technical expertise of Samsung employees. Samsung will always cheer the hopes and dreams of children around the world, and continue its efforts in sustainable innovation.



ENVIRONMENT

Samsung Electronics strives to offer unique green experience for its customers based on the company's green management philosophy which shows our commitments to build a better future for our customers, our environment and society through our green managmenet, respecting both people and nature. To this end, Samsung is committed to minimizing a negative environmental impact from our production facilities at each stage of all products - from raw material acquisition to production to distribution and finally in the use and disposal phases. Furthermore, Samsung is committed to actively addressing climate change wherever technically possible to create a sustainable future for people and our planet.

7 Green Management

8 Eco-Products

9 Green Operation

ENVIRONMENT - Special Reoprt

Eco-friendly Council of Mobile Communications Business of Samsung Electronics

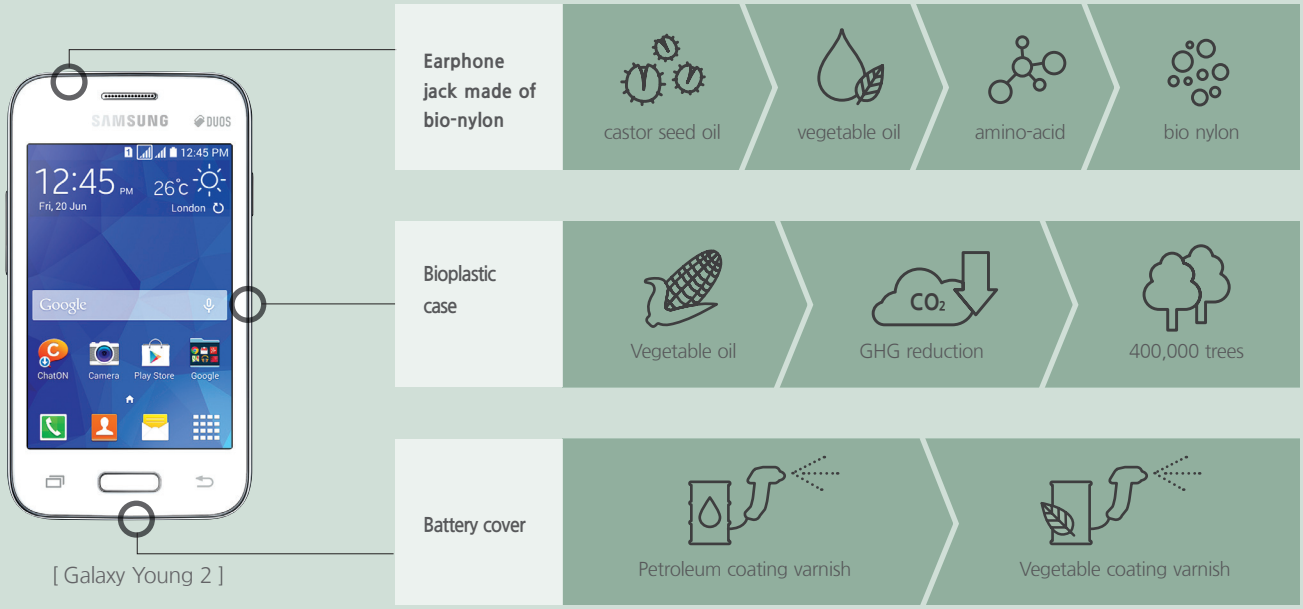
"This is green management!"

The Eco-friendly Council of Mobile Communications Business, a gathering of general managers responsible for environmental issues in the mobile business, joined forces to find solutions to the environmental projects that are difficult for a single group to handle. The council's achievements including the eco-friendly 'Galaxy Young 2' smartphone and biodegradable plastic packaging in response to the UAE government's environmental regulations. Thanks to the outstanding work of the Council, the number of products with eco-friendly certification continues to expand and received record number of awards at home and abroad during the past four years.

In June 2011, the Eco-friendly Council of Mobile Communications Business was established with a purpose to maximize the results of eco-friendly management and actively respond to large and small environment-related issues. Today, the council has 38 acitve members from 13 departments in Mobile Communications Business, including product planning, development, purchase, and design teams. In addition, representatives from CS & Environment Center, DMC R&D Center, and Partner Collaboration Center are participating in the council. Duiring the past four years, the council held more than 40 meetings to deliberate on environmental issues and develop eco-friendly technologies for new products.

Three Secrets of 'Galaxy Young 2'

In July 2014, Samsung Electronics launched a new smartphone called 'Galaxy Young 2.' First released in Europe, it does not look much different from other smartphones. But it has three hidden eco-friendly secrets in its appearance alone.



[Galaxy Young 2]

The first secret is the earphone jack. The part wrapping the earphone jack of 'Galaxy Young 2' uses eco-friendly materials. It is a plastic-like material that is a mixture of 20% bio-nylon, made by adding castor seed oil for stronger heat resistance, and hygroscocipity and petroleum resin. This process saves production cost by 10% compared to when using the original heat-resistant polyamide (PA9T) material.

The second secret is the case. The case of Galaxy Young 2 looks like typical plastic, but it is made of so-called 'bioplastic'. Bioplastic is made by mixing 60% normal plastic, 20% recycled plastic, and 20% bio-resin. Bio-resin is the material made by compounding oil extracted from industrial corn in the form of resin to strengthen shock resistance.

Samsung Electronics applied bioplastic as smartphone case material for the first time. By doing so, the company saved production cost by 10% compared to using the same amount of general plastic, and achieved the same carbon emission reduction effect as planting 400,000 trees.

The third secret is the battery cover. A plastic surface coating varnish made of sugar cane and rapeseed extract is applied to the battery cover of Galaxy Young 2. Given that previous battery covers are made of 100% petroleum materials, 25 tons of petroleum material can be saved every year by simply changing the battery cover material under the assumption of 100 million units of annual sales. Moreover, carbon emission reduction through the material amounts to 76 tons a year.

Amount of carbon emission reduction

76 ton

Mission! Prepare for Environmental Regulation Change of UAE

The Eco-friendly Council meets regularly to discuss about the latest and upcoming changes related to environmental regulations in which country we operate. In results, the council is able to solve large-scale projects such as preparing for the changes in UAE's environmental regulations.

In January 2014, the United Arab Emirates (UAE) government adopted a new legislation to ban the circulation and marketing of non-biodegradable plastic products. As part of the new legistration, it mandated manufacturers and suppliers to register non-biodegrable products, including packaging wrap, bubble wrap and cushioning packging, etc. The misuse of regular plastics in Samsung products could have had a significant negative impact on the company's bottomline. But thanks to the Eco-friendly Council, Samsung had already developed a plastic packaging material that is bio-degradable by microorganisms and begun applying it to new products (Galaxy S4 battery recharger protection vinyl and battery) which launched in April of 2014. The council's bio-degradable plastic packaging material - produced by adding master batch to vinyl - can be completely degraded within 80 days by the solar light and within two years by microorganisms. Application of the new packaging material meant increase of packgaging costs, but the lost business opportunities due to ban on all mobile phones exported to the UAE market could have been much bigger loss.

637 Eco-friendly Certifications and 13 Awards in Four Years

Over the past four years, the Eco-Friendly Council changed how Samsung approached eco-product designed and delivering unique eco-friendly experiences to our customers. Their fine work was recognized by global governments, NGOs, and other stakeholders through numerous certifications and awards. For one example, Samsung received a prestigious the 'EISA Green Mobile Award' in September 2013. This award, granted by EISA (European Imaging and Sound Association), recognizes the best eco-friendly products by category for the year, and Samsung's Galaxy S4 smartphone was nominated as the 'Best Product' in the smartphone category.

Green awards received in mobile product category at Home and Abroad (2014)

Year	Award	Country	Organizer	Sector
Apr. 2011	TreeHugger's Best of Green Awards	USA	TreeHugger	Selected as best eco-friendly mobile phone
Jun. 2011	Green Millennium Awards	USA	Global Green USA	Replenish model (jointly with Sprint)
Aug. 2011	2011 Korea Consumer Well-being Index Certification Award	Korea	Korean Standards Association	No.1 in mobile phone sector
Feb. 2012	iF Material Award	Germany	International Forum Design	Applied natural material 'mother-of-pearl' to external case
Apr. 2012	TreeHugger's Best of Green Awards	USA	TreeHugger	Evergreen model
Aug. 2012	2012 Korea Consumer Well-being Index Certification Award	Korea	Korean Standards Association	Galaxy S3: No. 1
May. 2013	Green IT Award	UK	The Green Award Council	Galaxy Note: No.2
Aug. 2013	2013 Korea Consumer Well-being Index Certification Award	Korea	Korean Standards Association	Galaxy S4: No. 1 in Smart TV
Sep. 2013	EISA Green Mobile Award	Germany	EISA	Gaxlaxy S4 Mobile phone
Oct. 2013	Ecohitech Award	Italy	Assodel	Galaxy S4: Carbon emission reduction award
Feb. 2014	iF Material Award	Germany	International Forum Design	Galaxy S4: Award for 100% recycled paper packaging
Jun. 2014	Future Packaging New Technology Award - Ministry of Trade, Industry and Energy	Korea	Ministry of Trade, Industry & Energy	Excellence award for 100% recycled paper mobilephone box packaging
Aug. 2014	2014 Korea Consumer Well-being Index Certification Award	Korea	Korean Standards Association	Galaxy S5: No. 1

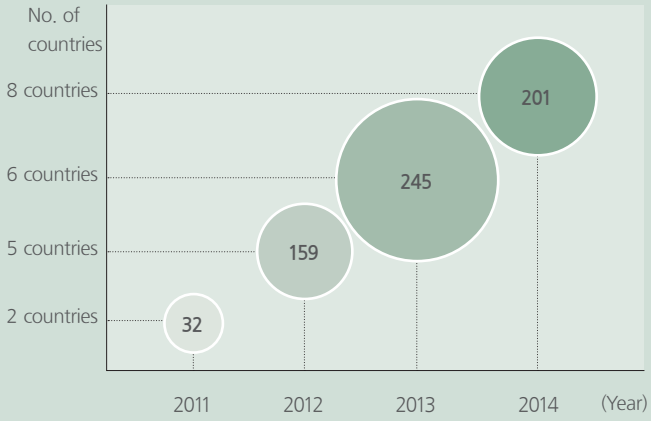
Starting with Galaxy S4 smartphone, Samsung Electronics' smartphones includes various unique eco-friendly features through the work of the Eco-friendly Council:

- ▶ Five-star grade high efficiency battery charger with 75% charging efficiency
- ▶ Improved energy efficiency ratings by adjustable battery usage technology
- ▶ No hazardous substances such as PVC· beryllium ·antimony· phthalate
- ▶ Eco-friendly packaging made with 100% recycled paper and vegetable ink

Galaxy S4 Galaxy S6

Samsung received numerous eco-friendly certifications across the world increased over the years: 32 from two countries in 2011, the first year of the council's establishment; 159 from five countries in 2012; 245 from six countries in 2013; and 201 from eight countries in 2014. Vice President Sangkyu Lee of the Mobile Communications Business says, "Carbon certification issued by Carbon Trust in the UK that Samsung Electronics has received for all flagship smartphones since Galaxy S2 is the proudest achievement of the council". He added that the carbon certification by UK Carbon Trust is a world-renowned certification as it is granted based on the carbon emission amount throughout the process of product manufacturing.

Eco-friendly certification at home and abroad (as of the end of 2014)



Incubator Where Ideas Become Products

Idea	Solution
How about applying a less hazardous and non-bursting additive with stronger compression strength to corrugated paper?	**Introduction of non-toxic corrugated paper containing polyvinylamin, an eco-friendly reinforcing material (September 2011)**
Can we generate cost-savings by expanding usage of eco-friendly materials in packaging?	**Changed enclosed manuals to a simple user's guide, and introduction of 100% recycled paper packaging material (March 2013)**
Can we recycle plastics wastes generated during the production of battery charger cases?	**20% of recycled plastic applied to battery charger case material (June 2013)**

It started from a small idea. But with commitment and confidence, the Eco-friendly Council of Mobile Communications Business successfully completed the environmental projects with a limited potential and guarantees for success. "The Eco-friendly Council is the idea incubator supporting any individual or department to turn their simple ideas into the actual products," said Daesik Bae, a manager of the Mobile Communications Business. He added, "I hope this incubator continues to do what it does best which is to bring together eco-friendly product and service ideas scattered around Samsung and develop them to become applicable technology in our products."

ENVIRONMENT

7 GREEN MANAGEMENT

Since announcing the Environmental Declaration in 1992, Samsung has made great strides toward reducing the impact on the environment wherever technically possible, and tackling urgent environmental problems such as climate change and resource depletion. In 1996, we further strengthened our commitment, by announcing our Green Management Declaration. In 2009 we announced 'Eco-Management 2013 (EM2013)', a medium and long-term roadmap for green management, and established a new value system of green management based on the company's management philosophy and principles. Over the years, Samsung's Eco-Management philosophy has contributed to the prosperity of human lives and the conservation of the environment by doing business activities that respect humanity and nature. To this end, under the slogan 'PlanetFirst', we engage in green management activities to achieve the vision of developing products with environmentally advanced features, thereby providing a unique experience for our customers and leading the way in creating a sustainable future.

Basic Philosophy

Contribute to the prosperity of human life and the conservation of the environment by doing business activities that respect humanity and nature, based on a reverence for life.

Vision

Providing Green Experience, Creating a Sustainable Future
Provide customers with a new green experience and lead a sustainable future in the global society through innovative green products and technologies.

Slogan

PlanetFirst
Fulfill corporate social responsibility and promote sustainable management through business activities that prioritize the planet.

History of Green Management

2011
- Disclosure of Candidate Substances for REACH RVHC
- Established Water Resource Management Policies

2012
- Establishment of e-waste Collection System in Australia

2013
- First Environmental Safety Innovation Forum

2014
- Second Term of Eco-Management Announcement of Mid- to Long-term Roadmap (EM2020)

2010
- Voluntary Ban on Use of Unrestricted Hazardous Substances such as PVC/BFRs (Cell phone)
- Operation of Voluntary e-waste Take-back Program in India

2009
- First Term of Eco-Management Mid-term Strategy (EM2013)
- Establishment of e-CIMS (Environmental Chemicals Integrated Management System)

2008
- Implementation of Eco-Rating System
- Operation of Voluntary Take-back Program in all 50 states of the US

2006
- Response to Regulations on WEEE Recycling
- Elimination of RoHS six Restricted Substances

2005
- Establishment of Laboratory for Hazardous Substance Analysis

2004
- Introduction of Eco-Design Evaluation System
- Introduction of Eco-Partner Certification System for Hazardous Substance Management

1998
- Establishment of e-waste Take-back and Recycling Center in Korea

1996
- Green Management Declaration

1995
- Introduction to Life-cycle Assessment of Product

1992
- Environment Declaration

Eco-Management 2020

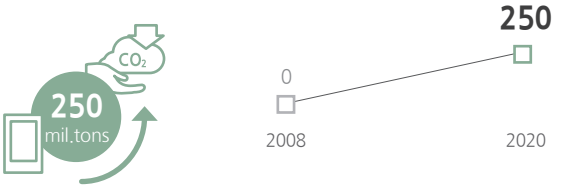
In September 2009, Samsung established 'Eco-Management 2013 (EM2013)', a comprehensive environmental mid- to long-term roadmap, to redefine the company's environmental value system and commit to environmental stewardship in both products and manufacturing facilities. These efforts allowed all products developed by Samsung to meet the internal eco-product rating of 'Good Eco-Product' by the end of 2013. It also allowed Samsung to decrease the greenhouse gas (GHG) emissions intensity at worksites by 53% compared to 2008.

After successfully reaching the environmental performance mid-term goals set by EM2013, Samsung established 'Eco-Management 2020 (EM2020)' in 2014. Under the vision of the new mid-term environmental management plan, we set two core objectives and focused on providing green experience and creating a sustainable future.

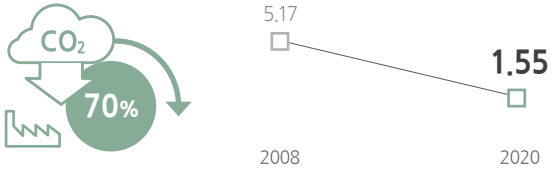
The first objective of EM2020 is to reduce 250 million tons of the total compounded GHG emission at the phase of product usage by 2020. The second objective is reduction of the total GHG emission intensity at our production facilities by 70% compared to 2008 level.

Key Objectives of EM2020

GHG Reductions at the Phase of Product Use (Accumulated)
(mil.tons of CO_2, from 2008)



Reduction of GHG Emissions Intensity
(ton CO_2/KRW 100million, compared to 2008)



Management Structure

Samsung strives to promote systematic environmental management through two independent centers under the direct control of the CEO. First, the Customer Satisfaction & Environment Center (the CS center) is responsible for setting up global green strategies. Furthermore, the CS Center manages various environmental programs, including eco-design, hazardous substance management, and global e-waste recycling. Second, the Environment and Safety Center manages the environmental issues at the company's global worksites such as GHG emissions from the overall operations, including production, distribution, use, and the water resources management. In addition, we operate various environmental management committees to proactively manage environmental-related risks and opportunities across the company.

Committees for Environmental Management

Committees	Description	Organizer	No. of Meetings
Environment and Safety Committee	Deliberate on green management strategies, consultation on key issues	CFO	3 per year
Eco Council	Establish eco-product development goals and implementation strategies	Head of CS Environment Center	2 per year
DS Division EHS Committee	Deliberate on the latest EHS issues	CEO	12 per year
IM/CE Division Synergy Committee	Consult on worksite EHS management	Head of Environment and Safety Center	3 per year
EHS Division Heads Conference	Consult on compliance with laws and regulations, and management of chemical substances	Head of Environment and Safety Center	6 per year
Working Group on Climate Change	Establishment and execution of action plans in response to climate change	Head of Environment and Safety Center	5 per year

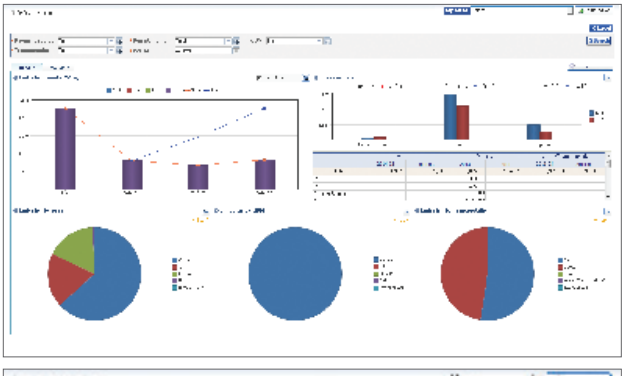
The Environment and Safety Center conducts environmental inspections of all worksites and suppliers to check the current status of green management and make necessary improvements, while examining hazardous substances in products and the energy management status every year. When overseas worksites are newly established or extended, the center inspects environment and safety facilities and infrastructure, and also receives third-party audit every year to maintain ISO14001 and OHSAS 18001 certifications.

Promotion of Green Management

Operation of Green Management System

Through the operation of G-EHS (Global Environment, Health & Safety System), Samsung integrates management of environment-related information such as reduction of greenhouse gas emissions, response to regulations on product environment, and performance management of environmental and safety hazard prevention. Moreover, we operate e-CIMS (Environmental Chemicals Integrated Management System) for our suppliers to prevent the inclusion of hazardous substances in our products by examining whether they have ISO14001 certification and eliminate hazardous substances in their products. As of 2014, approximately 1,325 companies out of the total 2,800 suppliers have been certified by ISO 14001 to promote environmental management activities in a systematic manner.

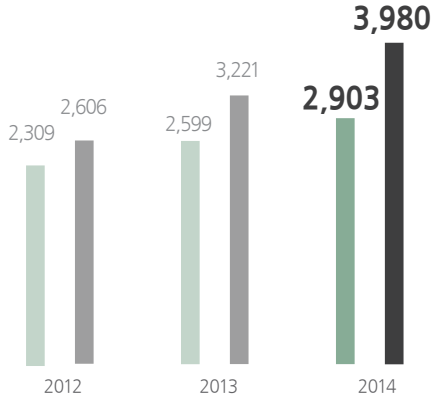
Global Environment, Health and Safety System (G-EHS)



Green Investments and Operational Cost Management

Samsung leverages G-EHS to integrate and manage environmental costs, such as investment in environmental facilities and electricity bills, and to make reasonable green management decisions based on objective cost information.

Green Investment at Worksite (Korea, KRW 100 million)



Facility Investment
Equipment Investment for prevention of air/water/waste pollution

Operating Costs
Costs of equipment operation for environmental pollution prevention and other expenses

Development and Purchase of Eco-Products

Samsung continuously performs green management in such ways as developing products that are eco-friendly and applying green and high-efficiency energy technologies. We also analyze the environmental impact of hazardous substances at supplier sites. Additionally, in 2007, we established guidelines on the benefits of purchasing eco-products, environmental manuals, and regulations on green purchases.

Social Contribution Activities for the Environment

Samsung engages in a variety of eco-friendly volunteer work, eco-product campaigns, and biodiversity conservation activities. Through participating in these eco-friendly activities, our employees recognize the importance of the environment as well as the social responsibility of the company. They also contribute to environmental improvements of the local community.

Off-Grid TV to Africa To improve the quality of life in Africa, Samsung developed the off-grid TV that operates anywhere using both solar charge battery and DC-AC power. We have so far provided free satellite TV and Surge Safe TV, and we are planning to continue developing and providing TVs tailored to these areas.

Campaign to Collect Old Cell Phones in Hungary Our subsidiary in Hungary has conducted the 'Pontvelem Campaign' since 2013 to promote the recycling of electronic wastes and help children to form a habit of recycling. When students return their old cell phones, they are rewarded with points according to the number of phones and use the points to buy stationery or Samsung's electronic products. In 2014, approximately 4,000 students from 403 schools participated in the campaign.

Reforestation of Mangrove Forests in Indonesia Since 2011, Samsung's subsidiary in Indonesia has engaged in various environmental cleanup activities to protect the ecosystem around its worksite. In April 2014, approximately 120 employees participated in the event to protect the marine ecosystem by planting mangrove trees along Marunda beach. Mangrove is an invaluable ecological resource that provides nourishment to the marine ecosystem, serves as an area for carbon storage, and protects the local residents from tidal waves or typhoons.

Internal/External Communication and Outreach

Samsung annually publishes its sustainability report and discloses environmental performance and green activities on the company's website for internal and external stakeholders. In particular, the company engages in the Carbon Disclosure Project and the Water Disclosure Project led by the CDP to disclose its performance and information on climate change and water management.

Green Communication Channel

Global Green Partnership

- UNIDO*-Samsung Partnership for Cambodia
- White-naped Crane Restoration Partnership
- Green Association Activities

* United Nations Industrial Development Organization

Promoting Communication with Employees

- Kwangreungsup Ecology Preservation
- Lovely Spring Picnic
- Old handsets Recycling Campaign
- Raised awareness through Samsung Live
- Launched mobile EHS prevention system

Consumer-customized Campaigns

- Green Shop
- PlanetFirst Summer School
- 'Global Action' Event in Brazil
- Children's Environment Class

Green Community Programs

- Semiconductor Plant Communication Council
- 'No Waste Day' in Germany
- 'World Water Day' Event
- Forest Protection Event in Brazil
- Tree Planting Event in India

Response to Climate Change

Process of Responding to Climate Change To identify and manage risks and opportunities related to climate change, Samsung operates a six-step response process.

Risk Management Process Samsung has established five standards to manage climate change risks and opportunities and conducts various evaluations to prioritize selected issues.

Criteria for Analysis of Climate Change Risks and Opportunities

Stakeholder Importance	Industry Trend	Influence on Samsung Electronics	Internal Capabilities	Probability of occurrence
Interest of stakeholders such as internal/external customers, investors, and evaluators	Competitor and industry's interest in response to concerned issues	Impact on the company's overall strategies/goals (including financial impact)	Human and material resources to respond to concerned issues	Probability of concerned issues occurring and time remaining before implementation of related regulations

Risk Management and Opportunity on Climate Change

Risk Management			Opportunity	
Response Activity	Classification		Classification	Creation Activity
Developing refrigerants with low global warming potential	Carbon Tax	Regulatory	International Agreements	Promoting CDM project at worksite, securing emissions credit
Establishing a system to reduce carbon emissions and to respond to carbon trading	GHG Emissions Trading Scheme		Regulations and standards on product labeling	Expanding acquisition of eco-labels and energy labels
Developing high-efficiency energy products and acquiring certification	Regulations on Product Energy Efficiency			
Expanding investment in facilities to prevent and recover from natural disasters	Typhoon and Flood Damage	Physical	Rise of average temperature	Reinforcing energy solution business for air-conditioner and building
Preparing scenarios on disaster prevention and recovery and investing in heating/air-conditioning facilities	Yellow Dust		Increased air pollution such as yellow dust and fine dust	Expanding launch of air purifier and sterilization washing machine
Strengthening internal green activities and external communication	Corporate Reputation	Other	Corporate reputation	Maintaining top rank in external evaluation and enhancing corporate image
Researching consumer insights and expanding development of eco-products	Consumer Behavior Change		Consumer behavior change	Preemptive response to customer demand for eco-products

Development of Strategic Plan and Implementation Results

Samsung is making various efforts to respond to climate change according to our mid-term goal of green management (EM 2020). First, we established the GHG reduction at worksites and product use stage as key goals and implementation strategies. Moreover, the company supports the energy reduction activities of partners by managing the indirect GHG emissions (Scope 3) from such factors as employee business trips, logistics, and suppliers.

Current Status of Climate Change Response

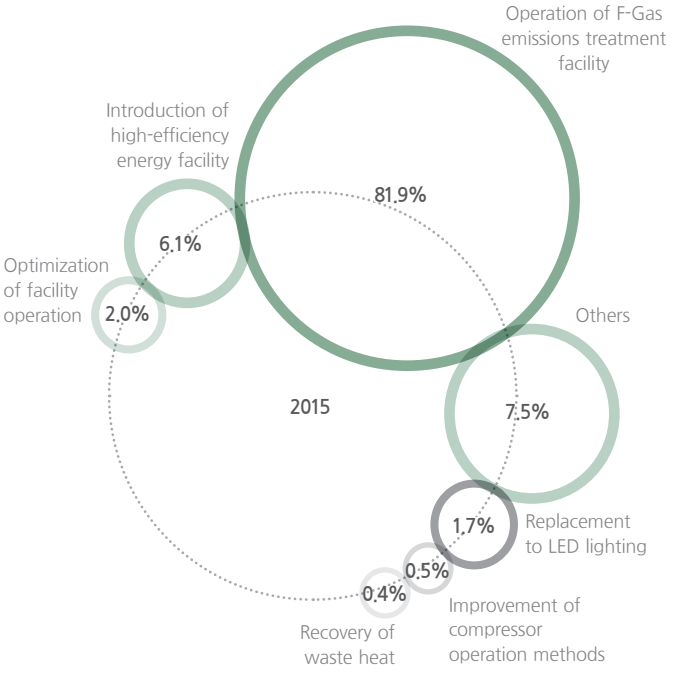
Implementation Goals	Results
Reducing GHG emissions at production sites	Operating facilities to reduce F-Gas emissions and enhancing efficiency of energy consumption in semiconductor manufacturing process
Managing energy consumption at production sites	Acquiring energy management certificate at all global production sites in 2013 Reducing energy cost rate by 18% in 2014 compared to 2008 (1.01%→0.83%)
Reducing GHG emissions from product usage	Reducing average product energy consumption by 42% in 2014 compared to 2008
Managing GHG emissions in Scope 3	Managing GHG emissions from logistics and employee business trips (since 2009)
Supporting suppliers	Providing suppliers with education on how to calculate GHG emissions and managing their GHG emissions (since 2012)

Goals and Objectives

GHG Reduction KPI When selecting our first KPI for GHG reduction, we focused on the amount of GHG emissions compared to sales. Since the absolute amount of reduction is limited due to the annual expansion of our businesses, we selected the reduction of GHG emissions intensity as our first KPI.
The second KPI is related to indirect GHG reduction at the product use stage. Since the amount of indirect GHG emissions from electricity consumption of electronic goods exceeds that of GHG emissions at the manufacturing stage, we selected the reduction of GHG emissions at the product use stage through increase of product energy efficiency as our second KPI.

GHG Reduction Objectives 2015 To achieve the goal of GHG emissions reduction in 2015, Samsung operates an F-Gas emissions treatment facility and plans to introduce additional facilities for emissions reduction. In addition, we will continue to optimize facility operations through the introduction of high-efficiency energy facilities and high-efficiency lighting equipment such as LED lighting.

GHG Reduction Objectives by Categories in 2015



Rating and Awards

Samsung Electronics has been recognized for outstanding environmental management performance in global ESG(Environmental, Social, Governance) assessments such as the DJSI (Dow Jones Sustainability Index) through our continuous efforts to reduce GHG emissions and management of various eco-products. We received 31 global environmental awards in 2014.

Performance in Environmental Ratings in 2014

Since joining DJSI WORLD in 2009, Samsung has been selected as the Best Company for six consecutive years until 2014. We have also been included in the CDLI (Carbon Disclosure Leadership Index) of the CDP (Carbon Disclosure Project) as one of the top 50 companies for six consecutive years since 2009.

Title	Time	Description
DJSI (Dow Jones Sustainability Index) Assessment	September	Ranked top-tier in environment for semiconductor industry group among top 3,000 companies listed on DJSI
CDP (Carbon Disclosure Project) Assessment	September	First Korean company to join CDLI (Carbon Disclosure Leadership Index) for 6 consecutive years
Interbrand's Best Global Green Brand	June	Ranked 11th among 50 best global eco-brands
ESG (Environmental, Social and Governance) evaluation of KCGS (Korea Corporate Governance Service)	October	Grade A in the environmental management among all publicly traded company in Korea

Eco-Awards in 2014

A number of governmental and international organizations across the globe awards companies with environmental stewardship to inform customers of the environmental features of products and to encourage companies to expand their green management activities. Samsung Electronics received a number of eco-awards for our eco-products, including high-efficiency energy refrigerator and TV and water-saving washing machine, as well as the voluntary e-waste recycling program conducted in each country.

Region	Title	Organizer	Time	Description
Global	Global LEAP Award	Clean Energy Ministerial (CEM)	May	Two awards for off-grid TV
Korea	E-daily Angel Company Award	E-daily	February	Grand award for green activities
	Green Star Award	Korean Management Association Consulting (KMAC)	March	Five awards for eco-brand products (TV, washing machine, refrigerator, Kimchi refrigerator, air conditioner)
	Korea Green Management Award	Ministry of Trade, Industry & Energy, Ministry of Environment	June	Presidential award for refrigerator
	Government Prize for New Future Packaging Technology	Ministry of Trade, Industry & Energy	June	Two top prizes, One runner-up prize (Cell phone, vacuum cleaner, home theater)
	Green Product of the Year Award	Green Purchasing Network	June	Green product of the year award for TV
	Energy Winner Award	Consumers Korea	July	Eleven awards for high-efficiency energy products (SSD, TV, air conditioner, laptop, etc)
	Korea Consumer Well-being Index	Korean Standards Association	August	Four awards for well-being brand (Cell phone, washing machine, refrigerator, Kimchi refrigerator)
	Good Brand Award	Dong-A Ilbo	August	Two awards for eco-brand products (Refrigerator, air conditioner)

Region	Title	Organizer	Time	Description
Korea	Green Packaging Awards	Korea Environment Packaging Promotion Institute (KEPI)	October	First runner-up prize for TV
	Korea CDP Award	CDP Council	October	Global leaders for carbon management
	Green Wheel	Ministry of Environment	December	Reduction of energy and GHG emissions by promoting use of bicycle at worksite
	Win-win partnership for energy management among small-, medium-, and large-sized companies	Korea Energy Management Corporation (KEMCO)	December	Support energy reduction of suppliers
United States	CES Innovations Award	CEA (US Consumer Electronic Association)	January	Four awards for eco-design products (TV, washing machine, etc)
	Call2Recycle Recognition	Call2Recycle	April	Achievement award for product battery recycling
	Energy Star Top Pledge Driver-Recognition	EPA (US Environmental Protection Agency)	April	Best company for eco-campaign
	Energy Star Award	EPA (US Environmental Protection Agency)	April	Top award for manufacturing for two consecutive years and excellence award for climate change response
	Green Power Partnership Top 100	EPA (US Environmental Protection Agency)	April	Among top 100 companies for best partnership
	Outstanding Achievement Award	Buyers Laboratory Inc.	July	Energy efficiency award for two multifunction printers
	SMM Champion Award	EPA (US Environmental Protection Agency)	September	Gold tier and champion award for contribution to recycling
	State Electronics Challenge Award	NERC (US Northeast Recycling Council)	October	Achievement award for green activities in the US
	Workplace Charging Challenge Recognition	DoE (US Department of Energy)	November	Achievement award for establishment of electric vehicle charging stations
Germany	iF Design award	International Forum Design	March	Design award for recycled packing material of Galaxy S4
Sweden	Sustainable Brand Index	Sustainable Brand Insight	March	Among top 10 companies in sustainable brand technology
Italy	Sustainable Development Award	Sustainable Development Foundation	November	Award for sustainable TV design
Russia	Reader's Digest Trusted Brands	Reader's Digest	September	Selected as eco-brand for TV
	Green Office Award	Moscow	November	Samsung Russia Service: Award for Green Office Project
	The Best CO_2 Accounting Recognition	Ecobureau GREENS	November	Samsung Russia Service: Achievement award for carbon reduction
China	Top Green Company Award	Daonong Center for Enterprise	May	Samsung Electronics China: Achievement award for green management activities
	Socially Responsible Company Award	Chinese Academy of Social Sciences	November	No. 1 on the Corporate Responsibility Index as a foreign-funded enterprise
India	Golden Peacock Award	Green Foundation of India Indian Leaders Association	July	Award for air conditioner in consumer electronics

A Letter from a Young Cambodian Man

Since July 2012, Samsung Electronics has collaborated with UNIDO (United Nations Industrial Development Organization) and KOICA (Korea International Cooperation Agency) to carry out an international green growth project in Cambodia. With the goals of creating green jobs and protecting the environment, the project focuses on training human resource departments for repair and treatment of e-waste. In addition, Samsung Electronics works with the Ministry of Labor, the Ministry of Environment, and the National Technical Training Institute in Cambodia to foster electronics repair instructors by offering education on repair service and e-waste recycling technology. Electronics repair instructors who complete the specialized training course provide trainings to other repair engineers in five cities in Cambodia. This program creates employment opportunities for young talents of Cambodia, as well as prevents environmental pollution due to the illegal reclamation of e-waste. The following is a letter from Ren, an electronics repair instructor in Cambodia who landed a job through the international green growth partnership program.

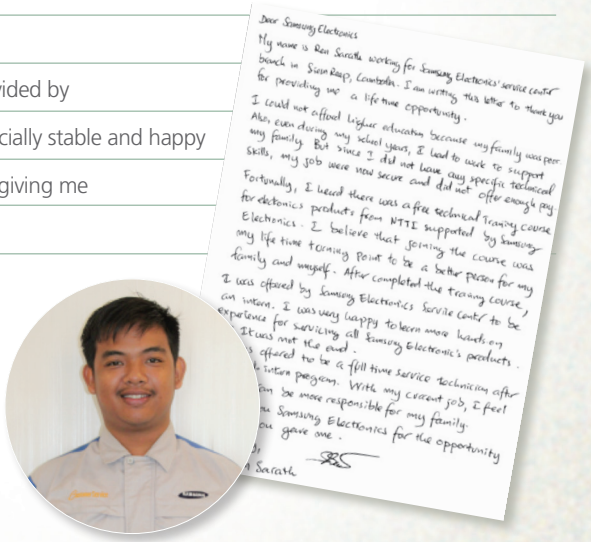
Dear Everyone at Samsung Electronics,

My name is Ren Sarath, and I am currently working at a Samsung Service Center in Siem Reap, Cambodia. I am writing this letter to express my appreciation to Samsung Electronics for giving me the opportunity to make a brand new start. Born into a poor family, I had to make money during my high school days and give up college to support my family.

In 2012, I heard the news that the National Technical Training Institute in Cambodia offers free education on e-waste repair and recycling. Luckily, I was able to join the program, successfully complete the course, and am now currently working at a service center in Siem Reap. My family is so proud of my accomplishments. I would like to express my gratitude to Samsung Electronics for giving me the opportunity to learn excellent techniques related to repair service and e-waste recycling. I wanted to tell you about how much my life and the lives of my family have changed thanks to this program.

I landed a decent job through the free education program provided by Samsung Electronics, and my family is currently leading a financially stable and happy life. Once again, I would like to thank Samsung Electronics for giving me a chance to live a new life.

From Ren Sarath



ENVIRONMENT

8 ECO-PRODUCTS

Eco-Product Stewardship

Samsung is committed to developing environmentally friendly products that have a low environmental impact at each stage of the product life cycle from the acquisition of raw materials, to production and distribution, to the usage and disposal phases.

Purchase	Development · Production	Distribution	Usage	Disposal
· Eco-partner certification	· Eco-design process · Eco-rating · Clean production	· Green logistics · Packaging material reduction	· Product energy efficiency · Green marketing	· E-waste collection/ recycling

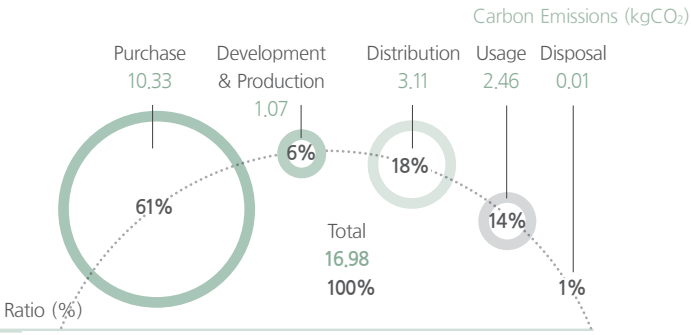
Product Life Cycle Assessment

In 1995, Samsung introduced the Product Life Cycle Assessment (LCA) program, which has evolved and strengthened over the past ten years. Today, we conduct LCAs for representative models of all product categories including TVs, monitors, smartphones and semiconductors. In 2014, 279 models of our products acquired 'Carbon Footprint' certifications for their low-carbon product labeling from Korea, Japan and the United Kingdom. This is an increase of 11% from 2013. In particular, our flagship Galaxy S5 model not only received 'Carbon Footprint' certification from Carbon Trust, a leading low-carbon certification and labeling agency in the UK, but it also acquired a 'Carbon Footprint Reduction' certification for reducing carbon emissions compared to the Galaxy S4 model. Based on the LCA results, we will continue to decrease the environmental impact of our products, such as by reducing GHG emissions at the product usage stage of the life cycle.

Carbon Emissions of Galaxy S5 (according to UK Carbon Trust certification)

UK Carbon Trust certification of Carbon Footprint & Reduction

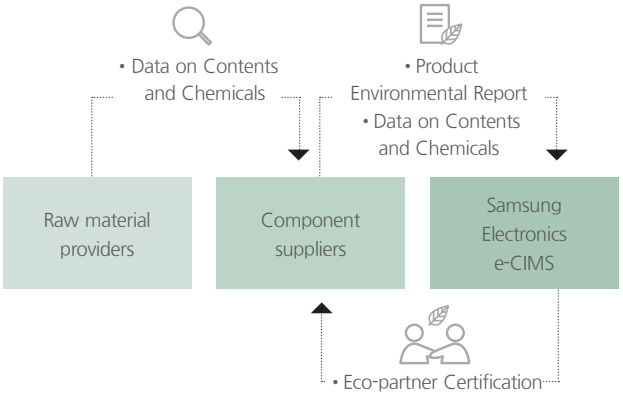
Galaxy S5



Purchase Stage

Samsung instituted the Eco-Partner certification system to assess the environmental impact of product components, raw materials, and production processes in our suppliers. We also developed the e-CIMS (Environmental-Chemicals Integrated Management System) to monitor hazardous substances in the parts and materials within our upstream supply chain. We then use the information in e-CIMS to evaluate our suppliers and certify companies that demonstrate environmental responsibility.

Eco-Partner Certification Process



Development and Production Stage

Eco-Design and Eco-Product Rating

Samsung implements 'Eco-Design' and 'Eco-Product Rating' evaluations to enhance product energy efficiency, recyclability, and to restrict the use of hazardous substances. Through these evaluations, we rate the eco-friendliness of individual products into three categories: Premium Eco-product, Good Eco-product, and Eco-product.

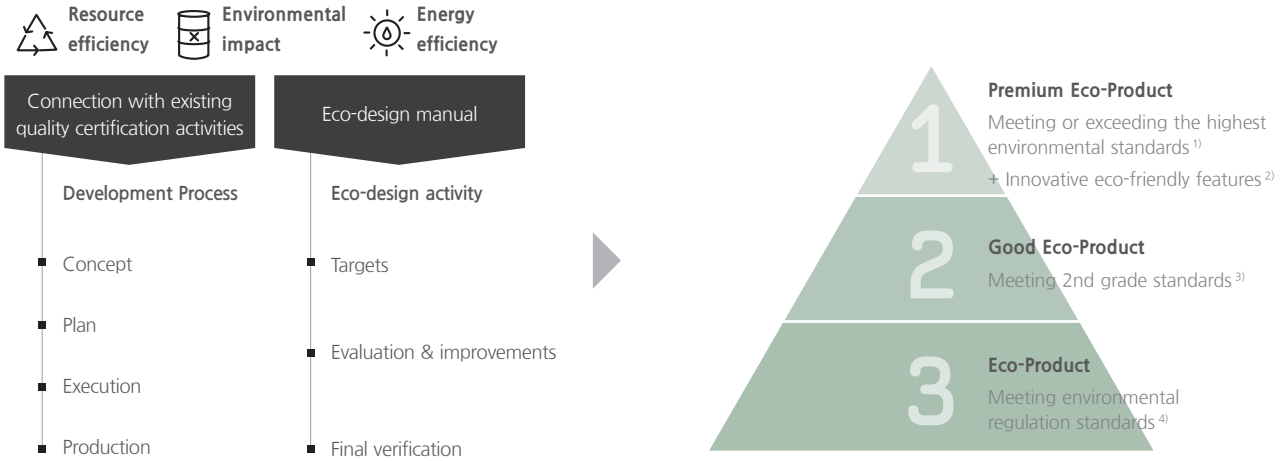
Management of Hazardous Substances

Samsung strictly controls the use of chemicals in our products. In addition to restricting the use of regulated chemicals by EU RoHS standards, we also voluntarily control non-regulated chemicals such as PVC, BFRs, and Phthalate that may cause harm to customers. In 2005, we established the Environment Analysis Lab to analyze harmful effects of hazardous and volatile organic compounds. We also installed a management process to improve control of restricted substances.

More information on the management of chemicals in products is available on the website below.

* www.samsung.com/us >About us > Sustainability > Environment > Chemical Management

Eco-Design Process and Eco-Rating System



1) Compliance with EPEAT Gold and UL Platinum standards

2) Received one of the following certifications: Korea (Energy consumption efficiency 1st grade); EU (Energy label A+++); US (EPA energy star Most Efficient), Green Technology certification (granted by Korea Institute for the Advancement of Technology)

3) Compliance with EPEAT Silver and UL Platinum standards

4) Compliance with EU RoHS, packaging, and WEEE regulations

Eco-friendly Materials and Recycled Plastic

Samsung understands the impact that plastic can have on the environment at the end-of-life and works to ensure that waste is minimized and that plastic is reused. As part of our efforts to recycle resources, we have invented and increased usage of sugar-cane based bio-plastic, eco-friendly enzyme additives, and recycled plastics. In 2014, we launched an eco-smartphone model with a battery cover and an earphone jack that contains 20% bio-materials extracted from corn. We also integrated recycled plastics in the interior of refrigerators and washing machines. In 2014, we increased the amount of total recycled plastic in our products to 3.56%.

Use of Recycled Plastic

Classification	2012	2013	2014
Recycled Plastic(tons)	15,467	19,403	23,561
Percentage(%)	3.12	3.36	3.56

Eco-friendly TV

Over the years, the frequency of replacing electronic products has accelerated driven by technology innovation. This trend resulted in the environmental problem arising from the e-waste collection, which has now become a societal issue. Samsung makes efficient use of resources by applying materials that contain 20% recycled plastic to the products' exterior parts. The use of recycled plastic reduces the use of petroleum-based compounds, the raw material of plastic, and also prevents environmental pollution caused by the treatment of plastic waste.

Back Cover with Recycled Plastic Applied

Recycled Plastic Hidden in Smartphone Charger

Samsung's smartphone charger is an eco-friendly charger, boasting a high charging efficiency of 75% that reduces both charging time and electricity consumption. Another hidden green factor is that the charger is made of recycled plastic. We also apply recycled plastic in TV back covers, and will continuously expand the scope of its application.

Smartphone Charger with Recycled Plastic Applied

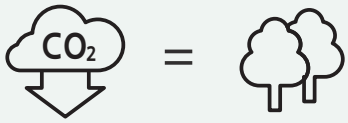
Distribution Stage

Eco-friendly Packaging

Samsung is committed to reducing the environmental impact of our product packaging and have worked to increase the application of non-toxic and recyclable materials. Since 2012, we have been shipping our refrigerators with non-toxic expanded polypropylene (EPP) packaging material, which can be reused around 40 times. We also use 100% recycled paper and soy ink for packaging our TV products and mobile devices.

Recycled Paper for Galaxy Series Packaging

The Galaxy Series, our flagship smartphone model, was the first in the industry to use 100% recycled paper in the product packaging. Moreover, we changed the structure of the packaging box from a cover type to a collapsible type, which allowed the Galaxy smartphone packaging to use less resources and reduced its weight by 55%. Additional benefits of lightweight packaging boxes include cost-savings in logistics and cutting-down GHG emissions from transportation. In 2014, the use of eco-friendly packaging materials for the Galaxy Series led to the reduction of 33,140 tons of carbon emissions per year, which is equivalent to the effect of planting 11,930,000 trees, and saved KRW28.9 billion in logistics due to increased efficiency.



33,140 tons 11,930,000 trees

Eco-friendly TV Packaging

Samsung uses eco-friendly packaging for TV accessories. By using biofilm made of sugar cane for the packaging of manuals and remote controls, the company has reduced GHG emissions by 25% compared to when using petroleum-based films. In addition, the company has also reduced product weight by using 100% recycled paper packaging.

100% Recycled Paper Packaging

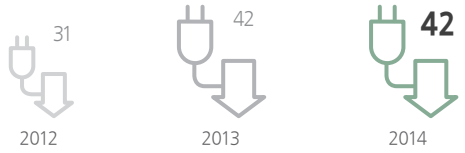
Biofilm Packaging

Usage Stage

Energy-efficient Products

Samsung has developed and continues to implement energy-saving technology from the product design stage to reduce energy consumption of its products. In 2014, we launched a wide range of energy-efficient products, including TVs, refrigerators, and washing machines, which use 30-55% less energy than existing options. In recognition of our efforts, some of our products received the highest grade in the EU Energy Label, while 11 products, including SSD and smart air conditioner, won the top energy award granted by Consumers Korea.

Improvement of Power Consumption of Products* (%)



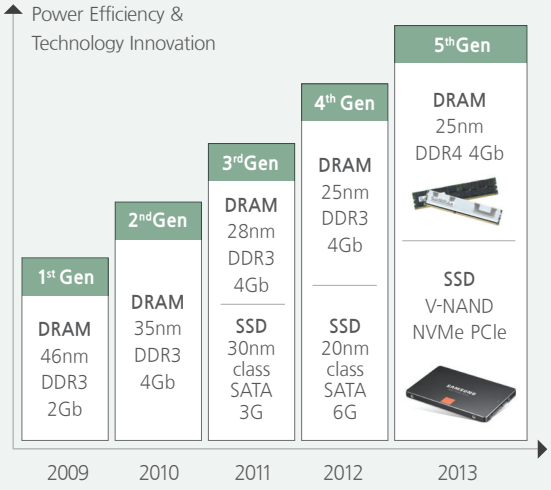
* Improvement of annual average energy consumption of 8 major products (cell phone, TV, refrigerator, washing machine, air conditioner, monitor, laptop, and printer) compared to 2008 level.

Green Memory Solutions for Energy Efficiency

Samsung's 'Green Memory' products enhance energy efficiency of various computing devices, thereby addressing climate change through technological innovation. For example, the 20nm DDR4 memory improves power consumption by 26% compared to the existing DDR3 through low-power design. It also minimizes environmental impact upon disposal due to elimination of endocrine-disrupting halogenated compounds.

If all data servers in the world were replaced with our DDR4 and SSD memory products, GHG emissions would be reduced by approximately 38 million tons. This is equivalent to the effect of planting 990 million 10-year-old pine trees, building 10 thermal power plants, and paying the electricity bill of 3.28 million households for one year.

History of Samsung 'Green Memory'



Refrigerator to Realize Cost Savings

For refrigerators, which are never turned off in a household, a significant reduction in energy consumption is a critical step toward reducing carbon footprint.

In 2014, Samsung unveiled a new French Door refrigerator that significantly reduced power consumption thanks to its twin cooling technology and high-efficiency vacuum insulation materials. Twin cooling technology prevents unnecessary power usage by cooling the fridge and the freezer independently. Moreover, the insulation materials help to keep cool air within the refrigerator. Through this eco-friendly innovation, in 2014, Samsung's new refrigerator model (RS54HDRPBSR) became the first French Door refrigerator to acquire the highest energy efficiency class of the European energy grades according to the EU Commission.

Refrigerator RS54HDRPBSR

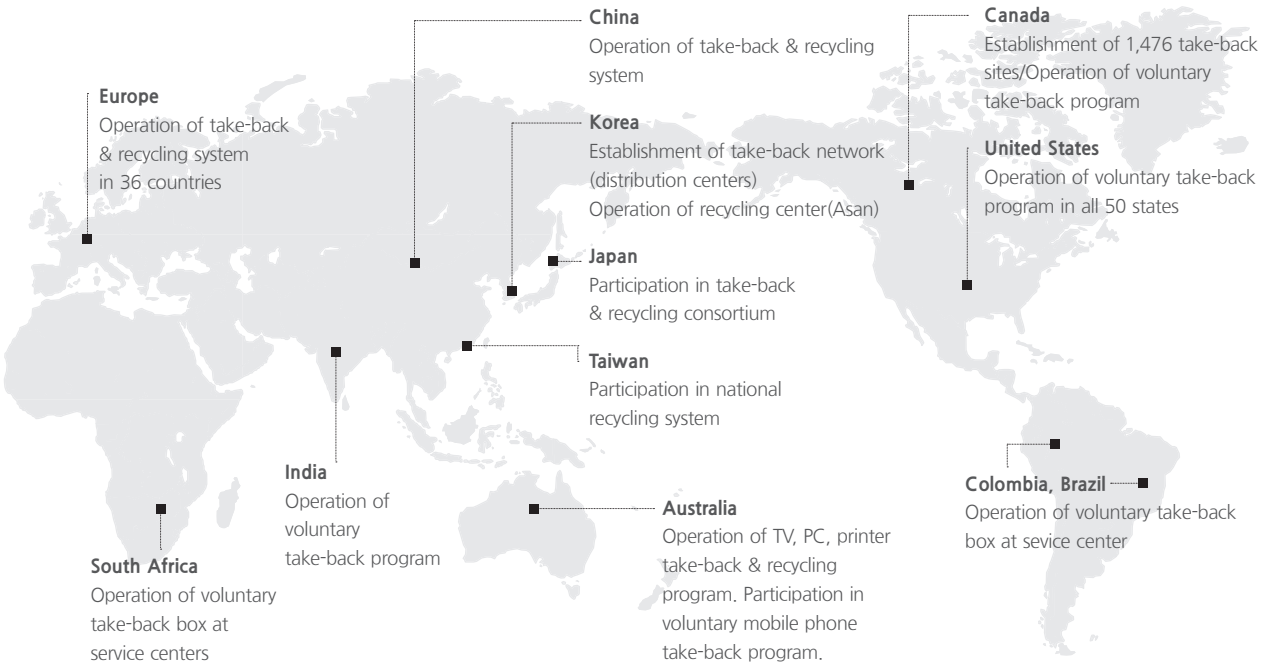
Twin Cooling Technology

Disposal Stage

Take-back & Recycling System

In an effort to promote e-waste collection and recycling, Samsung has introduced the EPR (Extended Producer Responsibility) system and currently operates e-waste take-back programs in 60 countries around the world.

Global Take-back & Recycling System



Take-back & Recycling Performance

Samsung collected and recycled a total of 294,567 tons of e-waste in 60 countries across the globe in 2014.

Take-back & Recycling Quantity: Global (tons)

Classification	2012*	2013*	2014
Asia	52,266	58,447	59,890
Europe	228,114	213,638	182,542
North America	41,965	51,936	52,135
Total	322,345	324,021	294,567

* Recalculated based on 2014 level.

Recycling Status by Product: Korea (tons)

Classification	Large Appliances	Office Devices	Medium Appliances	Small Appliances	Mobile Devices	Total
Recycling Quantity	50,452	4,938	807	2,580	267	59,044

※ Large Appliances (TV, refrigerator, washing machine, air conditioner), Office Devices (computer, printer, copy machine), Medium Appliances (oven, microwave, dishwasher), Small Appliances (air purifier, stereo, vacuum cleaner, etc.)

Status of Resource Reutilization: Korea (tons)

Classification	Scrap Metal	Non-ferrous Metal	Synthetic Resin	Glass	Other	Waste	Total
Quantity of Resource Reutilization	23,938	8,875	14,454	1,056	2,642	8,079	59,044

Status of Recycling Product & Packaging: Korea (tons)

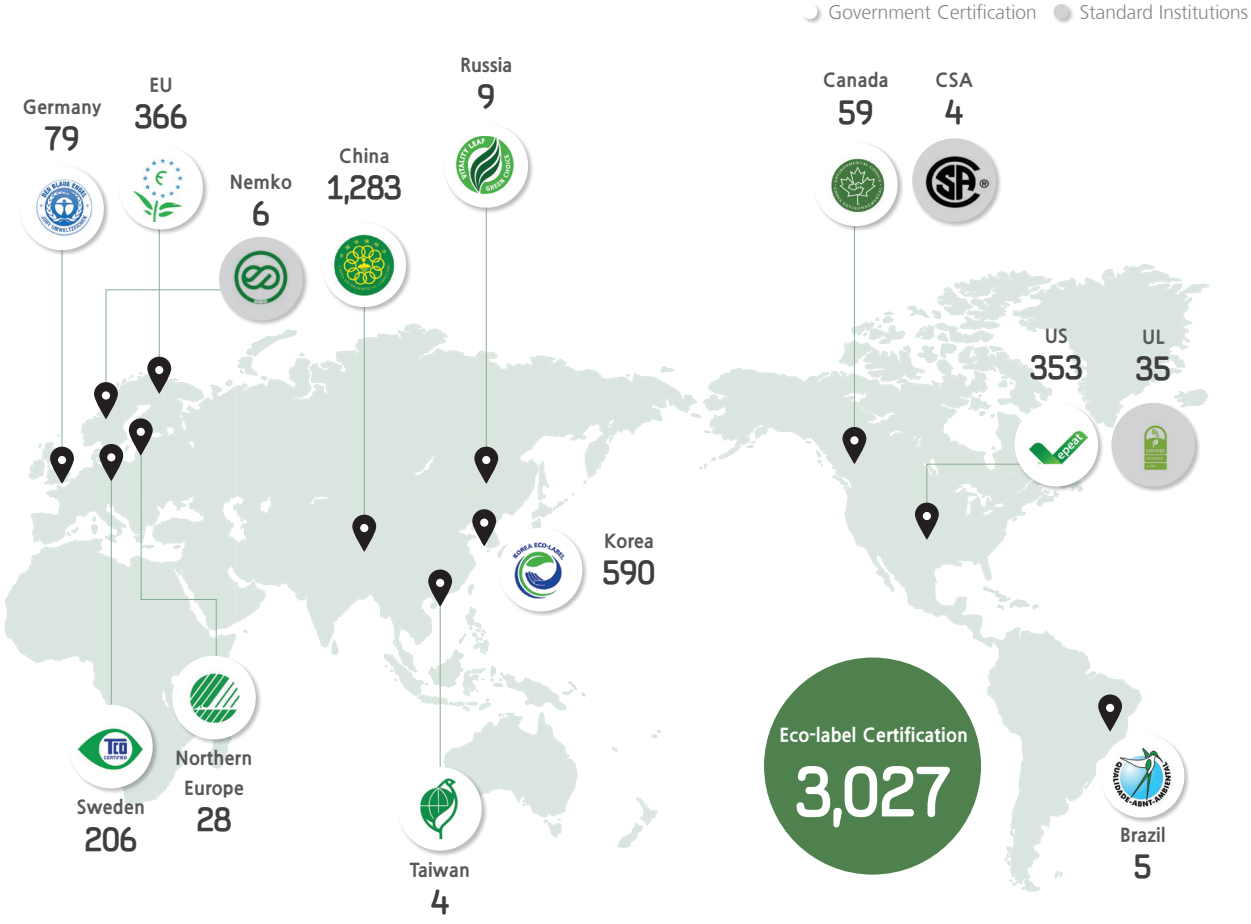
Classification	2012	2013	2014
Product	49,677	58,447	59,044
Packaging	4,993	4,984	6,549

Eco-product Certification

Global Eco-label Certification

Samsung has received international acclaim for the eco-friendliness of its products. By the end of 2014, 3,027 models had acquired eco-product certifications in 11 countries, including Korea, the US, and several European countries, along with eco-label certifications from three standard institutions like the UL (Underwriters Laboratories) in the US.

Global Eco-Product & Label Certification Status (as of the end of 2014)



Global Carbon Labeling

Samsung traces the environmental impact of its products by calculating carbon emissions throughout the product life-cycle. As a result, our products continuously receive carbon labeling certifications from third-party institutions in Korea, the UK, and Japan.

Korea Carbon Reduction Label (certification of low carbon emissions + low carbon products)
271 Models

UK Carbon Trust
5 Models

Japan Carbon Footprint
3 Models

Key Green Products in 2014

Samsung develops products that reduce the use of energy, hazardous substances, and resources, using a variety of green technologies. The key eco-products launched by the company in 2014 are as follows.

Refrigerator (RS54HDRPBSR)
- EU Energy Label A+++
- Twin cooling technology
- High-efficiency vacuum insulation materials
- Built-in eco-sensor
- Eco-friendly refrigerant (R600a)

Air Conditioner (AR09HSSDAWKNEU)
- Highest efficiency cooling energy (SEER 10.1/A+++, SCOP 5.1/A+++)
- Digital inverter technology
- Eco-friendly refrigerant (R410a)

LED TV (UE48H5500)
- EU Energy Label A++
- Illumination sensor
- Energy saving mode
- EU Eco-flower certification
- EU Nordic Swan certification

Washing Machine (WW10H9600EW)
- EU Energy Label A+++
- Automatic detergent dispenser
- Automatic washing course
- Vibration reduction technology

Laptop (NT930X5J)
- Mercury-free LED backlight
- High-efficiency battery (maximum use of 14 hours)
- Eco-friendly aluminum
- Energy Star certification

Smartphone (Galaxy S5)
- High-efficiency charger (standby power of 0.02W)
- 100% recycled paper packaging
- No use of halogenated compounds (PVC, BFRs, CFRs)
- UL 'Green' certification in the US
- Eco-label in Brazil and Russia

Tablet (SM-T800)
- High-efficiency charger (standby power of 0.02W)
- 100% recycled paper packaging
- No use of halogenated compounds (PVC, BFRs, CFRs)
- UL 'Green' certification in the US

Memory (20nm DDR4)
- Improvement of energy consumption by 26% (compared to 20nm DDR3)
- Improvement of energy consumption by 28% (applied to server)
- No use of halogenated compounds (PVC, BFRs, CFRs)

Smartphone (Galaxy Alpha)
- High-efficiency charger (standby power of 0.02W)
- Charger PCM (20%)
- 100% recycled paper packaging
- No use of halogenated compounds (PVC, BFRs, CFRs)

SSD (V-NAND PCIe SSD)
- Improvement of energy efficiency by 167% (compared to equivalent HDD)
- No use of halogenated compounds (PVC, BFRs, CFRs)
- No noise, no vibration, low heat

9 GREEN OPERATION

Samsung Electronics is a committed leader in Environmental, Health and Safety (EHS) management. We established the Environment & Safety Center, which reports directly to the CEO and is responsible for managing the company-wide EHS and energy affairs. The center sets goals and action plans to reduce GHG emissions and conserve water resources throughout the product life-cycle. In addition, the center regularly monitors the global environmental regulations and national policies, and closely collaborates with each business division to implement the company's green operation plan. The Environment & Safety Committee has the most influential decision making position of EHS management, and meets three times per year, as organized by the CFO. The committee evaluates and reports on key workplace safety and health issues to leadership, and also promote the integration of a safe culture throughout the company.

Samsung has implemented a fully integrated EHS management system in all of our global manufacturing plants, which are certified by the internationally recognized ISO 14001 and OHSAS 18001. In addition, we regularly conduct EHS management system audits by third-party certification agencies to maintain the requirements of global standards. To further demonstrate our commitment, since 2013 we manage an energy management system for all existing and new plants.

Our Approach: Workplace EHS Management

EHS Management System | Accident-free Workplace | Reduce GHG Emission | Decrease Water Usage | Increase Waste Recycling

EHS Management

Our commitment to EHS responsibility is evident in our EHS policy. We also established four key performance indicators to evaluate the effectiveness of our EHS management system.

EHS Policy

Along side our business principle which emphasizes EHS, Samsung Electronics contributes to improving the lives of people everywhere and protecting the global environment, thereby leading the way to creating a sustainable society. We develop and manufacture all of our products with the priority of employee and customer safety and environmental protection.

Consolidation of the Global EHS Management System Samsung Electronics complies with the regulations and agreements on EHS, and energy at home and abroad, We apply strict internal management standards to all of our business activities. We train our employees to help them comprehend and follow the EHS management system, and disclose our EHS policies and management performance to internal and external stakeholders.

Principle of Responsibility for Life-Cycle Samsung Electronics purchases raw materials, components, and packaging materials that do not contain hazardous substances. Samsung Electronics is committed to responsibly managing our product life-cycle - from development and production to distribution and disposal - in consideration of the global environment.

Establishment of Eco-friendly Production Process Samsung Electronics strives to reduce our use of chemicals, energy and water resources through the introduction of our optimal clean production technologies, which promote the reuse and recycling of water waste and waste materials, as well as decrease the amount of pollutants and GHG emissions.

Establishment of a Safe Workplace For the establishment of a hazard-free workplace, Samsung Electronics promotes a safety culture throughout the company, and creates activities to improve employee health and reduce safety risks. Moreover, we protect our employees and local residents from external risk factors (such as natural disasters, fire, and infectious diseases), and maintain our emergency response system for business continuity.

Creation of a Shared Growth Partnership Samsung Electronics maintains cooperative partnerships with our suppliers to encourage their compliance with our code of conduct. We share our environmental safety management system and technology with suppliers to create eco-friendly business relations. In addition, we interact with local residents and contribute to the development of local communities.

Four KPIs of EHS Management

EHS Management System Certification The EHS management system certification indicates a comprehensive environmental management system that clearly defines and tracks goals, activities and review processes so that our manufacturing sites operate to the same high global standards.

EHS Management System Certification

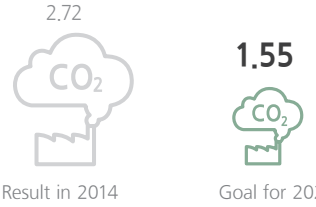
Classification		Acquisition	
		ISO 14001	OHSAS 18001
Result in 2014	Global*(37 workplaces)	100%	100%
Goal for 2020	Global	100%	100%

Strategy
- Standardization of Management System Operation
- Certification registered within a year by new manufacturing plant

* The plant in South Africa, which begun its operation in 2015, is excluded

GHG Emissions To reduce our carbon footprint, Samsung has been setting high GHG reduction goals for our manufacturing process (Scopes 1 and 2) and operations (Scope 3), including logistics, business trips, and customer use.

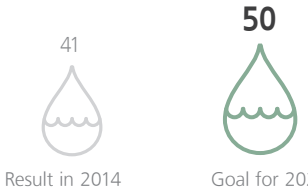
Total GHG Emissions (tons of CO_2/KRW 100M - Sales)



Strategy
- Increase operation of F-gas treatment facilities
- Increase number of high-efficiency plants facilities

Water Use To demonstrate our commitment to water conservation, we have historically set goals to decrease water use from our direct operations.

Total Water Use Reported (tons/KRW 100M - Sales)



Strategy
- Secure stable water supply
- Extend water reuse

Waste Recycling The indicator tracks the progress of our waste management program, which aims to reduce, reuse, and recycle waste from our business activities. Our ultimate goal is to recycle all waste generated from our manufacturing sites worldwide.

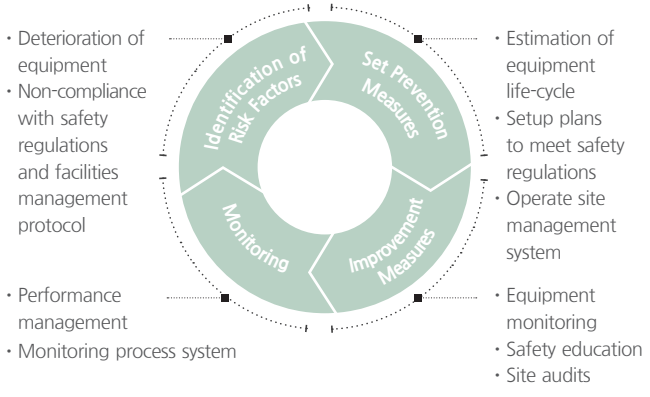
Total Waste Recycled (%)

Strategy
- Establish resource recycling system
- Increase offerings for recycled products
- Reduce waste generation

Employee Safety Management

Workplace Accident Management Process Samsung is committed to providing a safe and accident-free workplace so that our employees live healthier lives. We do this by operating a workplace accident prevention program, improving employee safety measures, and investing in safety education and materials to instill a culture of throughout the company.

Workplace Accident Prevention Process



Workplace Accident Response Procedure

In developing a workplace emergency response plan, Samsung identified scenarios to consider for emergency planning, and regularly carries out emergency drills and first aid training for all employees.

Workplace Accident Response Procedure

1 Occurrence of Accident	• Execute crisis communication plan • Analyze the type and the risk stage of incident
2 Emergency Response	• Organize an emergency response committee • Execute emergency plan (evacuation, administer medical treatments, etc.)
3 Incident Management	• Stabilize the situation to prevent secondary accidents • Assess the situation and identify causes
4 Recovery Plan	• Execute recovery plan including resource management • Analyze business impact and execute business continuity plan
5 Hazard Prevention & Deterrence	• Establish plan to prevent recurrence of accidents • Examine the effectiveness of accident response system

EHS Management

Samsung is committed to creating a safe and pleasant work environment for our employees, and we are guided by OHSAS 18001, an internationally recognized standard for occupational safety and health management. In 2014, the workplace accident rate declined by 15.6%, compared to the previous year, despite a 17.9% increase in the number of employees worldwide. The continuous identification of potential risk factors and improvement activities helped to achieve such success. We will continue to focus on achieving zero workplace accidents by improving the work environment and proactively managing the risk factors.

Status of Occupational Safety and Health Management

Classification		Employee		Remark	
		Frequency of Accident**	Rate of Accident***	Rate of National Accident	Rate of Manufacturing Accident
Korea*	2012	0.452	0.072	0.59	0.84
	2013	0.528	0.086	0.59	0.78
	2014	0.358	0.052	-	-
Global	2012	0.347	0.063		
	2013	0.328	0.064		
	2014	0.289	0.054		

* 39 out of 52 accidents (75%) occurred in Korea in 2014 were unrelated to work (such as injury during sports events).

** Frequency of accident = (number of accident/annual work hours)*1,000,000

*** Rate of Accident = (number of injured workers/number of workers)*100

Ergonomic Workplace Management

Samsung strives to improve our workplace design and environment to ease the physical burden of employees and prevent muscular skeletal diseases. In collaboration with ergonomics experts, Samsung analyzed the factors that can strain the human body during the production process and established a database of the work related to physical performance information to develop the standard work design criteria.

In 2015, we introduced the 'Ergonomics Quality Assurance System' to establish the ergonomic production facilities that reflect the body size and cognitive characteristics of workers. The standard work design criteria is applied in designing all production lines, and only the production lines that meet the criteria are allowed to start their operation and product shipping.

Protecting Employees

Improvement of Personal Protective Equipment Samsung established our internal standards for employee protective equipment, per domestic and international safety and health regulations, as well as OHSAS 18001. In addition, we have created an emergency response system for the occurrence of workplace accidents, such as chemical leaks and established lavatories and shower facilities for emergencies, for the purpose of minimizing employee exposure to accident related injuries.

Standards for Wearable Protective Gears by Job Types

Classification	Job Types	Object of Work	Protective Gear
General	High place work	Machine room, rooftop, etc.	Safety helmet, safety shoes, safety belt, earplug, etc.
	Dust	Grinding, welding, etc.	Safety glasses, protective clothing, dust mask, etc.
	Closed space	Inside tank, manhole, etc.	Safety helmet, safety shoes, safety glasses, protective glove, air-supplied respirator, etc.
Chemicals	Handling/ storage	Utility	Safety glasses, protective clothing, protective glove, safety shoes, gas mask, etc.
	Synthesis/ analysis	Laboratory	Safety glasses, protective gown, safety shoes, gas mask, protective globe, etc.
	Painting/ application	Facility	Safety glasses, protective clothing, protective glove, gas mask, etc.

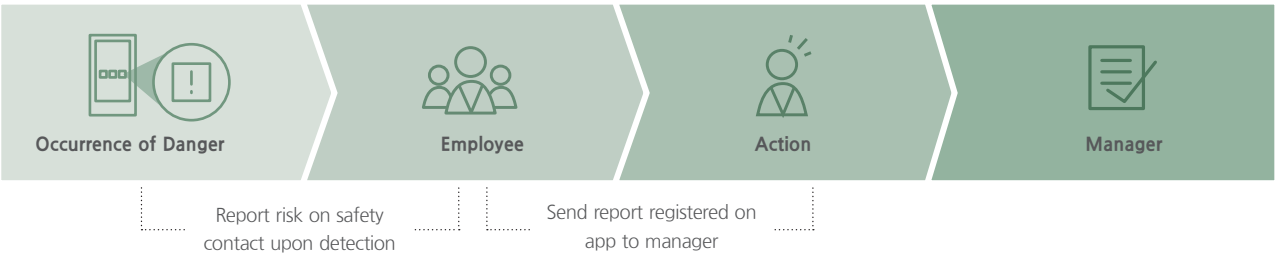
Outdoor emergency washing facility

Indoor emergency washing facility

Personal protective equipment

Protective equipment for emergency

Establishment of Mobile Workplace Safety Reporting System In 2014, Samsung launched a smartphone application called 'Safety Contact' for the management of employee safety and health. The application enables employees to detect unstable operating conditions at the workplace and report them using mobile devices. Once a report is filed, environmental safety managers take the improvement measures, register the results, and send an email to the reporter.



Prevention of Infectious Diseases Samsung recognizes the potential high impact of infectious disease at our production sites around the world. To prevent possible breakout, we regularly monitor and provide health related warnings for employees traveling abroad to conduct business related activities. For infection prevention, Samsung prohibits its employees from going on business trips to infectious areas, and conducts health examinations on those who visited nearby areas upon their return. In case of a breakout, we monitor the spread of the infectious virus on a regular basis and determine if employees at risk will be prohibited from entering workplace.

EHS Education

Hands-on EHS Education Samsung has invested in hands-on EHS education programs for all employees. We have created a simulation lab to educate employees on the importance of EHS management and response protocol for different emergency situations (workplace accidents, exposure to chemicals, fires, etc.). The aim of the education is to prevent accidents by helping employees to understand their safety responsibilities and drive safety awareness throughout the company.

A total of 40,000 employees have participated in the EHS education in 2014.

Education at Simulation Lab

- Fire safety
- Work safety
- Chemical safety
- Safety in everyday life
- Emergency evacuation drill

Overview of EHS Education System

Type	Content	Period
Required by Regulations	New hire orientation	Monthly
	Regular training	Quarterly
	Supervisor training	Biannually
Special Training	Hands-on EHS training	On-going
	On-the-job trainig (EHS, Disastor Prevention)	On-going

2014 Status of EHS Education (Korea) (Unit : persons)

Position	No. of Participants
Principal Engineer, General Manager	5,013
Senior Engineer, Manager	14,097
Assistant Engineer, Engineer	20,858
Total	39,968

Global Conference on EHS

On-the-job trainig (EHS, Disastor Prevention)

To enhance the level of EHS management at global manufacturing sites, Samsung held a global conference where 40 managers in charge of EHS and utility shared their best practice cases, received job training, and discussed EHS issues. In addition, 32 managers of non-manufacturing sites (25 global R&D centers) shared the status of fire prevention and EHS management systems from each region and established plans for improvement. Moreover, the participants visited manufacturing sites such as production lines and EHS and utility facilities at headquarters to learn about the latest updates on EHS policies and management techniques.

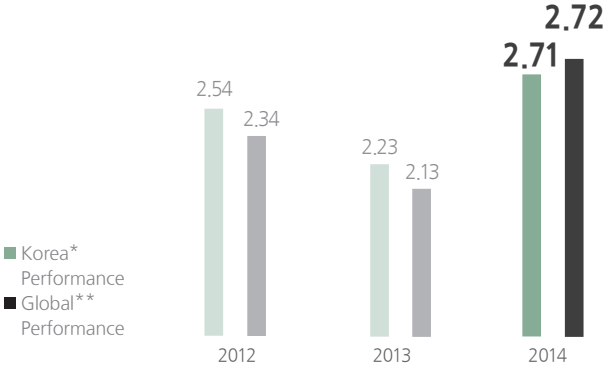
GHG Reduction and Energy Management

To reduce the environmental impacts of GHG emissions, Samsung manages the direct emissions of GHG from workplaces (Scope 1) and indirect emissions of GHG from the consumption of energy and electricity at workplaces (Scope 2). In addition, we manage other indirect emissions of GHG from product use, distribution, and business trips (scope 3). To reduce of GHG at each stage, we have executed a global climate change strategy, including the development of high-efficiency energy products, and improved efficiency in our manufacturing sites.

Scopes 1 and 2

Samsung collects the data on the amount, target, and performance of GHG emissions at all worksites across the globe on a monthly basis through our online green management system, G-EHS. The amount of GHG emissions is calculated by using the methods provided in the GHG management guideline of each country, and for the standards not stipulated in the guidelines, we comply with international standards such as the Intergovernmental Panel on Climate Change(IPCC) Guideline and ISO 14064.

Total GHG Emissions (tons of CO_2 / KRW 100M)



* Korea KRW-based emissions calculation formula : Total CO_2 emissions(1) ÷ (HQ-based sales / price index(2))

** Global KRW-based emissions formula : Total global CO_2 emissions ÷ (Global consolidated sales(3) / price index(2))

(1)Total GHG(converted into CO_2) emissions from manufacturing sites in Korea

(2)The Bank of Korea's PPI for the year (2005 PPI = 1)

(3) Sales from Display Business excluded

GHG Emissions (1,000 tons of CO_2)

Region	Classification	2012	2013	2014
Korea*	Scope 1	1,943	2,031	2,275
	Scope 2	4,061	4,272	4,500
	Total	6,004	6,303	6,775
Global	Scope 1	2,098	2,221	2,620
	Scope 2	5,388	5,797	6,670
	Total	7,486	8,018	9,290

* The GHG emissions of 2009 onward were altered in June 2011 as required by the national guidelines on the GHG reduction goal management system. The changes were verified by a third-party. The recent figures therefore differ from the numbers given in earlier sustainability reports.

GHG Emission by gas type (1,000 tons of CO_2)

Classification	2012	2013	2014
CO_2	5,943	6,394	7,366
CH_4	2	2	2
N_2O	278	254	290
HFCs	134	149	207
PFCs	1,015	1,079	1,271
SF_6	115	139	153
Total	7,487	8,015	9,289

Third-Party Assurance of GHG Emissions

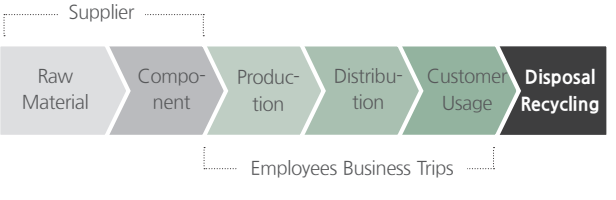
To ensure quality of our GHG emission data, we regularly conduct audits by third-party agencies. In 2014, our GHG emission data was verified and assured by the Korean Foundation for Quality.

Verification statement on 2014 Samsung Electronics Co., Ltd., Greenhouse Gas Emission

Scope 3

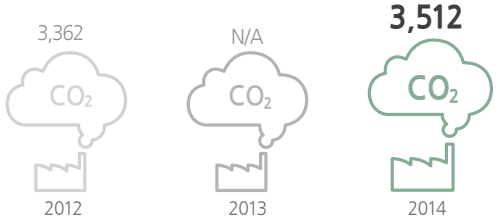
Scope 3 covers GHG emissions from our suppliers, distribution of components and products, business trips of employees, and product use by customers.

Scope 3 Areas of Coverage



Suppliers Samsung has been monitoring GHG emissions at its suppliers' worksites since 2009. In 2014, we improved management by focusing on the primary supplier companies responsible for 90% of transaction with Samsung.

Suppliers' Emissions (1,000 tons of CO_2)



Classification	2012	2013	2014
Emission Intensity (tons of CO_2 / KRW100 M -purchase)	10	N/A	21.1
Energy Consumption (TJ)	69,207	N/A	70,709

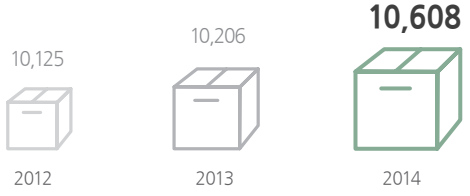
※ The scope of the supplier inspection (those requiring verification) was changed in 2014

※ The scope of the supplier pool covered was 54% of global purchase volume in 2012, 23% of that in 2014.

Distribution Samsung estimates the amount of GHG emissions from domestic and international transportation of products, materials, and components. The GHG emissions from logistics are on the rise along with the expansion of global operation sites, production, and product sales.

GHG Emissions from Logistics by Transportation Mode
(1,000 tons of CO_2)

Total Emissions



Classification	2012	2013	2014
Rail/Road*	87(1%)	98(1%)	92(1%)
Airline	2,952(29%)	2,652(26%)	4,739(45%)
Shipping	7,086(70%)	7,455(73%)	5,777(54%)

* Rail/Road covers Korea only

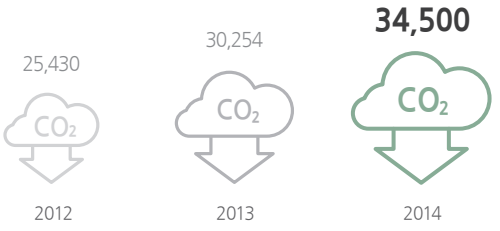
Employee Business Trips Samsung is making efforts to minimize the increase in GHG emissions by reducing unnecessary overseas business trips, encouraging video conferences and the use of public transportation. In 2014, the amount of GHG emissions from employees' business trips via airplane, car, taxi, train, and bus declined slightly from the previous year.

GHG Emissions from Employees' Business Trips by Transportation Mode (Korea) (tons of CO_2)

Classification	2012	2013	2014
Total Emissions	128,042	130,669	121,142
Airplane	120,621	123,137	115,592
Car	6,219	6,268	4,529
Taxi	513	530	415
Train	415	456	376
Bus	274	278	230

Product Usage We take responsibility for GHG released from electricity used to operate our products. While such GHG emissions are indirectly related to our operation, we measure and manage them as a part of our total GHG emission by converting the annual improvement of energy efficiency by product into the total GHG emissions.

GHG Reduction at the Product Usage Phase
(1,000 tons of CO_2)

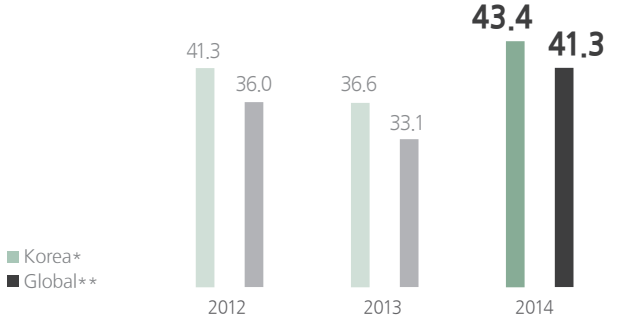


※ Calculation range: all products sold worldwide (components excluded)

On-site Energy Management

With the increase of annual production and the introduction of new manufacturing facilities, the amount of energy consumed at worksites has been on the rise. Accordingly, Samsung adopted 'energy intensity' which indicates the amount of energy consumed to sales, in order to manage our energy consumption.

Energy Intensity (GJ/KRW 100 million)

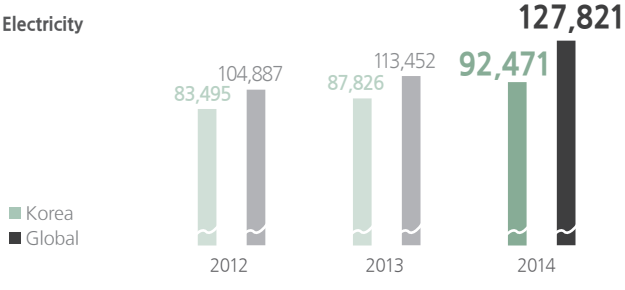


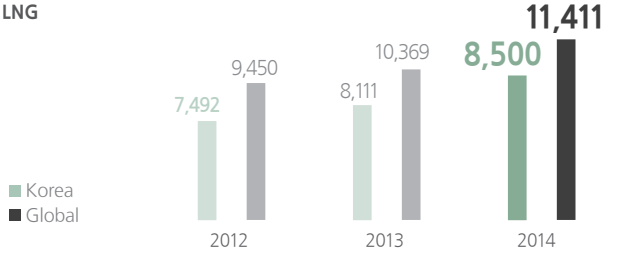
* Korea KRW-based energy conversion formula : Energy consumption[1] ÷ (HQ-based sales / price index[2])

** Global KRW-based energy conversion formula : total global energy consumption ÷ (global consolidated sales[3] / price index[2])

(1)Total energy (GJ) consumption
(2)The Bank of Korea's PPI for the year (2005 PPI = 1)
(3) Sales from Display Business excluded

Electricity and LNG Consumption (TJ)





Energy Reduction Activities and Performance We analyze our energy consumption on a regular basis for the comprehensive management of energy consumption at all global operation sites, and establish the energy management system to promote the targeted energy reduction program.

In 2014, Samsung initiated a total of 1,524 energy reduction activities, such as F-Gas processing and an introduction of photovoltaic facilities, to reduce 1.14 million tons of the total GHG emissions and save KRW 88 billion. F-Gas processing account for 92% of the total GHG reduction. Energy amounting to 1.72 million GJ was saved through the introduction of high-efficiency facilities, reuse and recycling of waste and heat, and the operational improvements in facilities using energy.

Other GHG Reduction Activities

Renewable Energy Samsung is committed to increasing renewable energy usage in our new buildings and operation sites across the globe. In 2014, the amount of consumed electricity that was replaced by renewable energy reached 57.8GWh, and the amount is expected to increase along with direct electricity production, green electricity purchases, and acquiring renewable energy certifications. We recently set up photovoltaic and geothermal systems in the new buildings of the Mobile Research Institute and Electronic Materials Research Institute in Suwon, Korea. Also, the Component Research Institute in Hwaseong, Korea is testing to increase renewable electricity usage through solar-powered renewable energy sources.

Green Buildings In 2010, Samsung installed a photovoltaic facility and an electric car charging station in the office building in Rancho Domingues, California, as part of our effort to raise the environmental awareness of our employees and expand green infrastructure. Last year, we completed the 'Everywhere Grand Challenge 2022' partnership with the US Department of Energy for the expansion of our electric car charging network. In 2014, Samsung's Canadian subsidiary achieved the Leadership in Energy & Environmental Design (LEED) Gold certification, and our research institute in Silicon Valley, California, which has two buildings of 8.8 acres designed according to the LEED Platinum rating.

Water Resource Management

Water Resource Risk Management

Samsung manages the water resource risks at all of our manufacturing plants based on the water resource management tools distributed by the Food and Agriculture Organization(FAO) and the World Business Council for Sustainable Development(WBCSD). We analyze water risks at our operation sites located in water-stressed countries, and have developed emergency plans guided by the Carbon Disclosure Project's (CDP) Water Disclosure recommendations.

Regional Water Balance Quantity

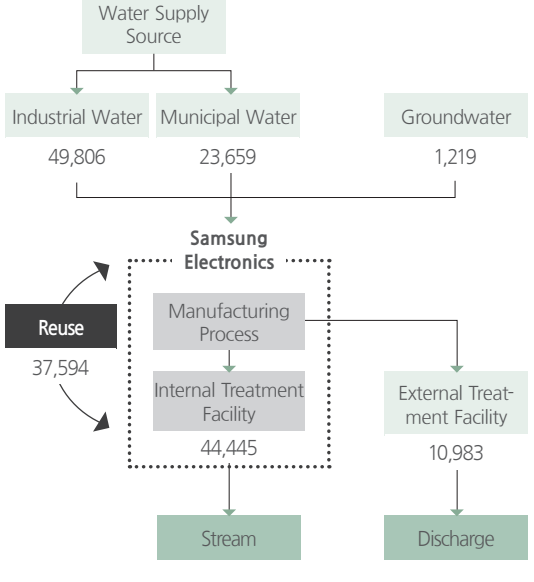
Region	Operation Site (Number)	Withdrawal (1,000 tons)	Discharge (1,000 tons	Water-stressed Countries (No. of operation sites)
Asia	27	68,114	50,946	Korea(5), India(2)
Latin America	5	6,189	4,238	
Europe/Africa	5	381	244	Poland(1), Egypt(1)

※ Reference to water resource management of Food and Agriculture Organization
※ The plant in South Africa which begun its operation in 2015 is excluded.

Water Resource Management System

Samsung minimizes risks associated with potential water shortages by building dual main water supply lines and sufficient water storage facilities. Moreover, waste water released from our operation sites is safely treated through internal and external treatment facilities. When waste water is released through internal treatment facilities, we apply stricter internal standards than the legal requirements.

Flow of Water Resources (As of 2014, Unit : 1,000 tons)



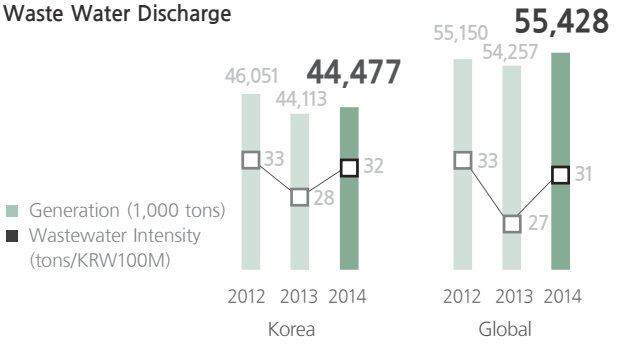
Samsung Electronics is committed to decreasing water use and increasing water recycling by carrying out the 3R (Reduce, Reuse, Recycle) Campaign. In 2014, the establishment of new production subsidiaries led to an increase in the total amount of water use.

Water Usage

Classification		Water Withdrawal (1,000 tons)				Consumption Intensity (tons/KRW 100M*)
		Industrial Water	Municipal Water (Service Water)	Ground-water	Total	
Korea	2012	49,003	6,014	235	55,252	39
	2013	47,765	6,080	232	54,077	34
	2014	49,806	7,202	247	57,255	42
Global	2012	49,003	18,806	827	68,636	41
	2013	47,765	19,847	1,069	68,681	35
	2014	49,806	23,659	1,219	74,684	41

* KOREA: HQ-based sales, Global: Global consolidated sales(exclude sales from Display business)

Waste Water Discharge



Water Recycling

Classification		Recycled Water		Recycled Ultra-Pure Water		
		Recycled Quantity (1,000 tons)	Recycling Rate (%)	Supply Quantity (1,000 tons)	Recovery Quantity (1,000 tons)	Recovery Rate (%)
Korea	2012	34,225	61.9	29,226	13,917	47.6
	2013	34,571	63.9	27,357	12,525	45.8
	2014	32,295	56.4	25,490	11,273	44.2
Global	2012	42,104	61.3	40,988	21,510	52.5
	2013	45,262	65.9	41,143	20,932	50.9
	2014	37,594	50.3	31,782	14,067	44.3

Protection of Aquatic Ecosystem

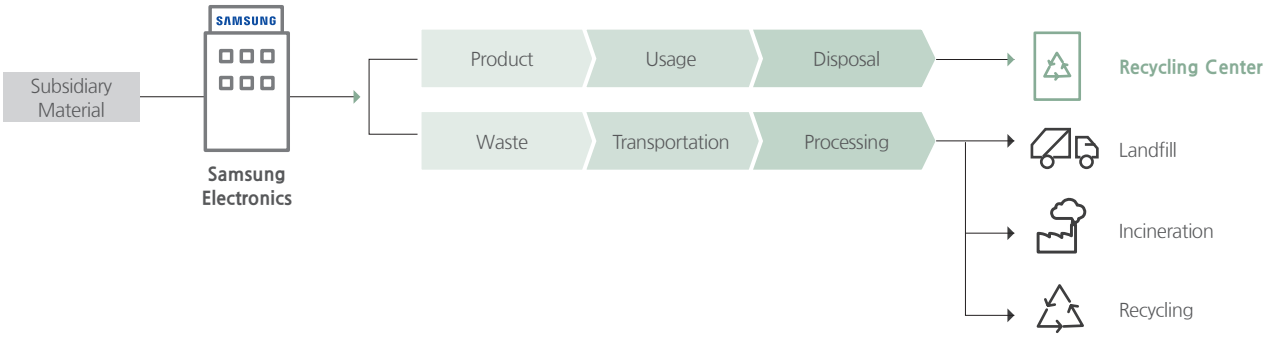
Samsung releases all of the waste water generated at operation sites into streams permitted by the regulations. In addition, we regularly monitor the water quality and ecosystem of the streams, and promote the ecosystem conservation activities with local NGOs, employees' families, and local school students.

Waste Management

Waste Treatment Procedure and Management Strategies

Samsung strives to design eco-products and establish green manufacturing processes that help to minimize the amount of waste generated throughout our operations. In addition, we have established a waste treatment system and developed progressive management strategies to comply with the relevant regulations.

Waste Treatment Procedure



Samsung pursues four progressive strategies to reduce the amount of waste generated in the product manufacturing process.

Procedure	Description
1 Product Development	Eco-design evaluation process operation Evaluation of eco-friendliness from the stage of development
2 Waste Discharge	Establishment of waste-recycling goal Reinforcement of activities to reduce environmental impact
3 Waste Transportation	Compliance with the convention on the control of transboundary movements of hazardous waste Monitoring of routes of vehicles carrying waste
4 Waste Treatment	Verification of legal waste treatment through regular visits to waste-processing companies Annual environmental assessment of waste-processing companies (operating capability, environmental management, etc.)

Waste Discharge and Recycling

Samsung operates activities for reducing the incineration and the use of landfills by expanding the list of waste items which are recyclable.

Waste Generation

Classification		Waste Generation (tons)			Waste Intensity (tons/KRW 100M**)
		General Waste	Hazardous Waste*	Total	
Korea	2012	317,905	61,859	379,764	0.27
	2013	318,104	75,938	394,042	0.25
	2014	369,257	104,643	473,900	0.34
Global	2012	493,349	86,125	579,474	0.34
	2013	544,472	108,853	653,325	0.33
	2014	606,495	171,935	778,430	0.43

* Figures were calculated based on operation site due to different calculation standards by country

** Korea: HQ-based sales, Global: Global consolidated sales (exclude sales from Display business)

Waste Processing and Recycling

Classification		Waste Processing (tons)				Recycling Rate(%)
		Recycling	Incineration (External)	Landfill (External)	Total	
Korea	2012	364,588	9,277	5,899	379,764	96
	2013	374,694	15,626	3,722	394,042	95
	2014	455,437	12,609	5,854	473,900	96
Global	2012	543,233	16,627	19,614	579,474	94
	2013	601,827	32,340	19,158	653,325	92
	2014	718,251	32,089	28,090	778,430	92

Pollutant Management

Management of Air Pollutants

Samsung strives to reduce the quantity of pollutant discharge by replacing our boilers with low NOx burner boilers, installing optimal prevention facilities for new and expanded production lines, and continuously performing efficiency enhancement activities at our prevention facilities.

Quantity of Air Pollutant Discharge (tons)

Classification		NOx*	SOx	Dust	NH_3	HF
Korea	2012*	284	0.008	21	1	8
	2013	342	Minimum Amount	21	2	5
	2014	338	0.1	22	3	5
Global	2012	446	9	45	N/A	N/A
	2013	585	76	84	N/A	N/A
	2014	617	164	459	N/A	N/A

* The figures for NOx generation have been adjusted according to the new calculation standard

Water Pollutant Management

Samsung neutralizes the pollutants we generate to reduce the quantity of discharge, and conducts research on optimal conditions for the neutralization of pollutants.

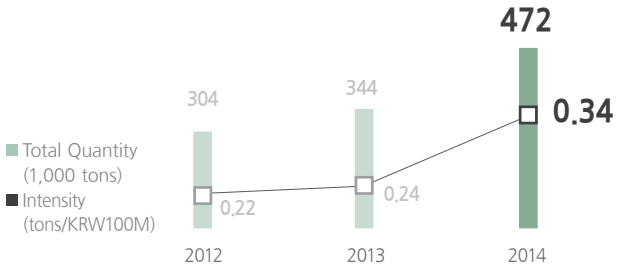
Quantity of Water Pollutant Discharge (tons)

Classification		Generation of Water Contaminants				
		COD	BOD	SS	F	Heavy metals
Korea	2012	143	85	91	175	20.2
	2013	149	55	61	142	9.7
	2014	143	42	35	163	7.0
Global	2012	300	85	154	241	20.6
	2013	376	61	110	188	10.1
	2014	540	128	200	211	7.2

Management of Hazardous Materials

Samsung performs pre-assessments of hazardous materials, per the Material Safety Data Sheet (MSDS), chemical warranty letters, and letters of confirmation at the procurement stage. Permitted chemicals are strictly monitored and countermeasures are in place for emergency situations. We also conduct regular trainings for employees handling hazardous chemicals and inspect storage and handling facilities on an ongoing basis. The amount of chemicals used has increased due to operation of a new semiconductor production plant in Korea. We are committed to reuse chemicals and cut down the total amount consumed by process improvement to reduce overall impact going forward.

Quantity of Hazardous Materials* (Korea)

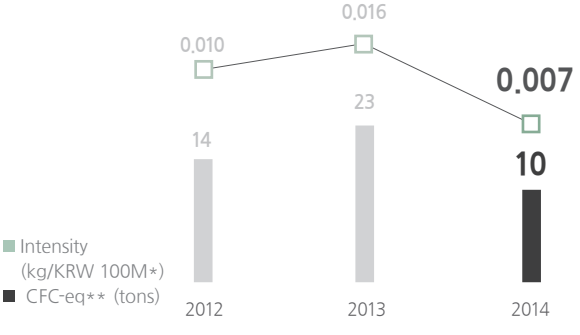


* Figures are based on the Korean Toxic Chemicals Control Act
** Corporate sales basis

Management of Ozone-Depleting Substances

Among the ozone depleting substances defined by the Montreal Protocol, Samsung does not use chlorofluorocarbons (CFCs) that have high Ozone Depletion Potential (ODP). Instead, we use hydrochlorofluorocarbons (HCFCs) with relatively low ODP in refrigerators, cooling equipment refrigerants, and cleaners at our operation sites. Furthermore, we plan to reduce the use of HCFCs by introducing new technologies, while cutting back the use of substances with ODP and replacing them with HFCs that do not destroy the ozone layer.

Use of Ozone Depleting Substances (Korea)



* Corporate sales basis
** Converted amount reflecting the ODP by material

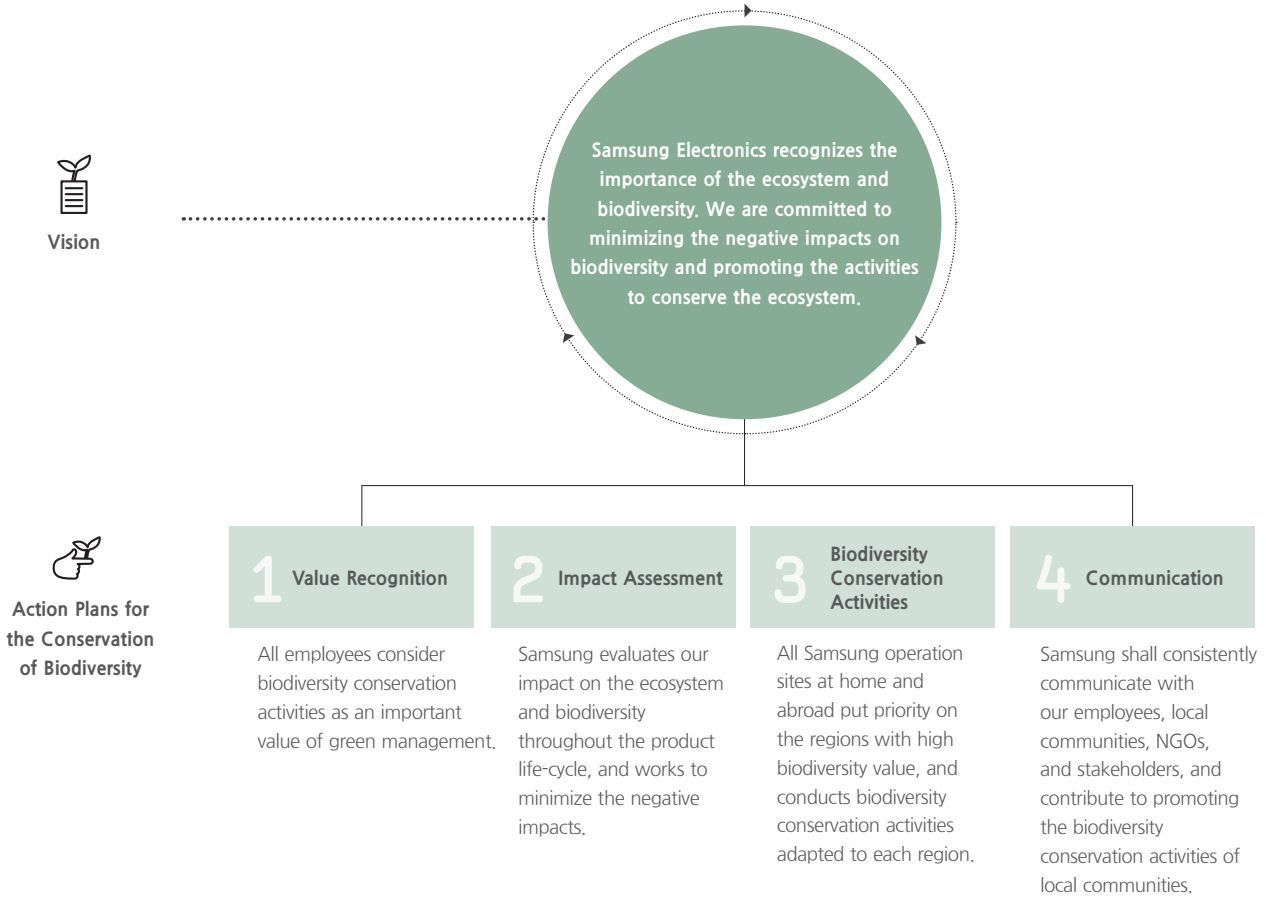
Management of Soil Pollutants

Samsung is committed to preventing soil pollution by storing chemicals used in the production processes separately in impermeable storage facilities. In addition, we analyze the components of landfill waste and process them with legally-designated waste-processing companies. We also regularly visit the waste-processing companies to monitor their compliance with regulations and our standards.

Conservation of Biodiversity

Since the adoption of the Convention on Biological Diversity in 1992, there has been an increased expectation from stakeholders for businesses to actively participate in the conservation and sustainable use of biodiversity. Samsung advocates the importance of conservation of biodiversity to our employees through training and targeted corporate citizenship programs.

Our approach to the Conservation of Biodiversity



BUSINESS CONDUCT GUIDELINES 2015

In 2005, Samsung Electronics established the 'Employee Code of Conduct' as reference points for our approach to accountable and responsible business practices. Over the years, expectations from various stakeholders - including NGOs, governments, customers, shareholders, suppliers and employees - have grown along with our responsibility as a global corporate citizen. In this spirit, Samsung Electronics established the 'Business Conduct Guidelines' that provide a specific direction for sustainable management, and published the guidelines for the first time in this year's Sustainability Report.

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1. Preface

1 Our core values

We at Samsung Electronics strive to be the best of the best in everything we do - by creating innovative products and services through our talent and technology, driving changes and overall contributing to a better world. Our core values **[people, excellence, change, integrity and co-prosperity]** demonstrate our dedication toward a brighter future for mankind, and are at the heart of every decision we make.These guidelines are founded on five Samsung Business Principles and ensure that we are holding ourselves to the highest standards in complying with laws and ethics.

Samsung Business Principles

1. We comply with laws and ethical standards
2. We maintain a clean organizational culture
3. We respect customers, shareholders and employees
4. We care about the environment, health and safety
5. We are a socially responsible corporate citizen

All of us, as Samsung employees, are responsible for maintaining high ethical standards and conducting business with integrity. It is paramount that you recognize, whatever you do and wherever you are, that the corporate value and reputation of Samsung are up to you to uphold. These business conduct guidelines were written for this very purpose: to help guide the employees at Samsung in making sound decisions.

2 Managing our risks

- Risks in our business often pertain to consequences not only in business performance or corporate reputation, but also in terms of environmental, safety and social issues. Samsung assesses the various factors that may become a risk to the company in an uncertain business environment and establishes countermeasures to manage risks effectively.
- In the course of business activities at Samsung, there will inevitably be risks that arise from the ever-changing global society. All employees should be prepared to face such risks swiftly and appropriately, according to their roles and responsibilities.
- It is an employee's right and responsibility to be well-informed, using guidance from the Samsung code of conduct and business conduct guidelines. We rely on our employees' collective effort to prevent and minimize corporate risks.

3 Scope of the guidelines

- The guidelines apply to all employees at Samsung. For employees whose job description entails purchasing, taxation, marketing, sales and environment-related activities, they are also expected to work in compliance with policies applicable to their job.
- The guidelines apply to all employees at Samsung's subsidiaries and controlled affiliates.
- For suppliers of Samsung, we strongly advise that they consider and implement the contents of the 'Business Conduct Guidelines' applicable to their business mangement, while enforcing the mandatory 'Samsung Suppliers' Code of Conduct.'

4 Using the guidelines

- Samsung expects all employees to make the right decisions based on sufficient information.
- When making business decisions for Samsung, all employees are to conduct a self-diagnosis via the 'Business conduct Guidelines' to review whether the problems and outcomes involved in the decision have been adequately considered.
- Along with the guidelines, employees are recommended to refer to our code of conduct and other detailed policies on the company intranet when seeking guidance in making decision.

5 Reporting violations

- Samsung has dedicated reporting channels in Korea and overseas for reporting business violations. Employees may call, send a fax or submit an online report on the Ethical Management website. The website is accessible in 14 languages across 67 different sites, and reports are handled discreetly.
- If and when an employee detects instances of non-compliance, or possible non-compliance business conduct guidelines, the employee is responsible for reporting his or her respective concerns to the 'Reporting Wrongful Practices' tab on the Ethical Management website, the audit team (audit.sec@samsung.com), the tip-off section within the compliance support system, or the compliance team (cp.wb.sec@samsung.com). If an employee becomes subject to illegal, immoral and/or prohibited actions, the employee is encouraged to report the situation.
- We want our employees to feel reassured in communicating with us openly and honestly, without the threat of conse-

quences. Samsung does not, under any circumstance, tolerate penalization against any employee who makes a good faith report and/or refuses to partake in violating acts of these guidelines.

- Our reporter compensation system rewards employees who help to prevent significant loss in Samsung's businesses by reporting a violation associated with external stakeholders such as our suppliers.
- We also have hotlines operating around the clock, as well as posters, which include information such as hotline e-mail addresses and phone numbers, posted at our supplier operation sites in order to prevent human rights violations.

2. Work Environment

6 Responsible workplace

- Samsung's 'Policy on Salaries and Benefits' complies with minimum wage laws and overtime allowance, in addition to social insurance, holidays and vacations.
- We adopt the global standard on performance evaluation to ensure that our employees are treated fairly according to their abilities and achievements, thereby providing talented individuals with a likely chance to develop as professionals.
- When giving directions, supervisors shall not direct subordinates to carry out work that either violates Samsung's rules and processes, or is irrelevant to business itself. Involuntary conduct of business, whether driven by physical or mental coercion, is also prohibited.
- Samsung strives to foster an environment in which employees' physical and mental health are always protected. As such, Samsung does not tolerate any deed that may instigate or encourage an inappropriate work environment, including but not limited to sexual advances (both verbal and physical), sexual harassment and/or abuse, corporal punishment, mental or physical coercion and insult.
- Samsung continuously expands the scope of various welfare systems and programs (extended telecommuting period, infertility leave, maternity/paternity leave, operation of child care facilities and more) in order to improve the quality of our employees' lives. Our work spaces are designed above legal standards, allowing our employees with disabilities to work comfortably.

7 Listening to our employees

- Samsung endeavors to create the best work environment for our employees. We regularly listen to employee VOCs through the online and offline communities we run at every operation site. When experiencing discomfort during work, our employees may use the grievance resolution channel provided at each of our sites. Moreover, Samsung's leadership team attentively listens to employees on the basis of an open communication culture. All information received through our various channels is kept anonymous.

8 Respecting human rights

- Samsung respects individuals' human rights, abides by all labor and human rights laws in each region in which we operate, and strictly enforces a zero-tolerance policy on child labor and forced labor.
- Samsung respects local laws and customs. We take measures to prevent any violation of human rights caused during business. Should a violation occur, we conduct swift investigation and analysis to alleviate any negative effects on human rights.
- In accordance with our 'Samsung Suppliers' Code of Conduct', our suppliers are mandated to strictly abide by a zero tolerance policy on child labor. We do not hesitate to cease dealing with any suppliers violating this policy. When recruiting new employees, we comply with the due processes involved in age validation and identification, as well as local laws that prohibit underage workers (from the statutory minimum age to under 18 years old) from entering into night shifts and harmful work.
- Forced, bonded or indentured labor such as human redemption and trafficking are strictly forbidden. Employees will not be required to surrender any government-issued identification as a condition of employment.
- Our objective is to maintain and develop a mutually cooperative and coexisting employer-employee relationship based on faith and trust. To this end, we recognize and respect our employees' right to the freedom of association in accordance with local laws.
- Working hours are decided upon according to the characteristics of each work area and the related regulations in each country. We do not, however, force overtime work without a mutual agreement to do so. Wage and employment conditions are determined reasonably and fairly in accordance with relevant laws and international standards.
- Our policy on working conditions is documented in various languages so that employees from different parts of the world are able to understand it.

9 Respecting diversity

- To foster a work environment that procures and maintains various talents, Samsung provides equal employment opportunities to all qualified employees and applicants per the 'Anti-Discrimination Policy.' We do not discriminate employees or applicants

for their gender, skin color, race, ethnicity, nationality, religion, age, marital status, sexual preference, sexual identity, social status, disability, pregnancy, military status, protected genetic information, or political affiliation in all processes such as work, promotion, compensation and disciplinary measures.

3 . Health and Safety

10 Employee health and safety

- Samsung's highest priority is to ensure the health and safety of our employees and communities. People are our most important asset, and we strive to provide a safe working environment for all Samsung employees.
- Samsung complies with international standards, related laws and the 'Environmental Safety Policy' on enhancing the safety, health and security of our employees. We follow security guidelines and maintain our work sites on a daily basis.
- According to the 'Work Environment Management Guidelines,' Samsung designs a safe work environment, establishes work procedures, provides personal protection equipment, and conducts regular safety training to prevent workers from being exposed to potential risks (electricity, fire). We also refer to the 'Emergency Preparedness and Response Guidelines' to understand and evaluate potential emergencies and accidents such as fire inclement, weather, and leakage of hazardous material in order to be prepared with adequate response procedures.
- Samsung focuses on responsible chemical management strategies and measures to safeguard workers from occupational health hazards in accordance with the 'Chemical Substance Management Guidelines.'
- In order to eliminate potential risks caused by the deterioration of equipment, our equipment goes through a life expectancy program. Regular safety trainings also contribute to the compliance of safety rules and the health and safety of our employees.

4. Customer and Quality Management

11 Responsible sales and marketing

- All employees are expected to comply with Samsung's 'Guidelines on Indication and Advertisement.' The company brand and logo are to be protected at all times, and should only be used when appropriately authorized.
- Samsung neither engages nor tolerates false, misleading and exaggerated advertisements. Employees must always make sure to only disclose product and service information that can be substantiated.
- In all of our advertising, marketing, sales and general presentation materials, Samsung avoids false and misleading statements about the quality or performance of our product. We also refrain from making false and illegal claims about our competitors and/or their products and services.

12 Product quality management

- Samsung's drive to create superior products and services means that quality and customer satisfaction are part of everything we do at Samsung.
- All employees are encouraged to gain an in-depth understanding of the needs, lifestyle and behavioral changes of our customers. Therefore, we embrace the requests and suggestions made by our customers and partners by reflecting them to improve product design, distribution and services.

5. Green Management

13 Environmental Safety Policy

- As a global company, we at Samsung do not limit our environmental protection activities to the domestic domain. Our activities take place at sites located overseas, on site at suppliers, and in local communities. We have also established and comply with the 'Environmental Safety Policy' for environmental issues that directly related to Samsung.

14 Eco-friendly products and technology

- Samsung develops eco-friendly products by endorsing 'Product Stewardship' to minimize the environmental impacts that our products have throughout their lifecycles, specifically during the manufacturing, selling, usage, and disposal. By analyzing the environmental data at each stage of the product lifecycle, we respond to global environmental regulations and have been recognized for carbon labelling and the environmental declaration of our products.

- Through the 'Eco-design Process' and 'Eco-Rating System,' Samsung aims to increase the energy efficiency and recyclability of our products while continuously reducing the amount of hazardous substances used throughout the planning, designing and developing stages.

6. IT Accessibility

15 Improving IT accessibility

- Samsung endeavors to increase the accessibility of IT devices and technologies so that everyone can benefit from advanced technology.
- To make our products and services more accessible to people with disabilities, we perform an analysis on the different challenges that people with disabilities may face in using IT products and use the results to develop more intuitive interfaces and interaction methods.

7. Innovative Technology

16 R&D and innovation

- Samsung innovates today to create a better tomorrow based on a deep understanding of what people want. We continue to make bold and sustained investments in R&D at facilities around the world, pushing the boundaries of science and technology and exploring culture and lifestyle trends.
- Based on our "Make it Meaningful" design ethos, we develop products that enable more people to interact with technology in new ways.

8. Data Protection and Privacy

17 Proprietary information

- It is paramount that all employees follow the safeguards for managing and protecting proprietary information. We only use and disclose sensitive information when deemed necessary (need-to-know basis).
- We take cautionary measures against inadvertent disclosure of proprietary information. If an employee ceases to work for Samsung for any reason, the employee must continue to maintain confidentiality on information gained during his or her employment.
- The proprietary information of others shall not be obtained through illegitimate means. Any deeds that may instigate or encourage illegal acts are strictly prohibited.
- All employees maintain confidentiality on sensitive information pertaining to customers, business partners, and suppliers.

Example

Proprietary Information
- Includes: earnings and other financial data, business plans and projections, information about current and future products and services, software in object or source code form, personnel information including executive and organizational changes etc.

Cautionary Cases of Information Leakage
- We do not share proprietary information with friends, family, former Samsung employees.
- We do not discuss proprietary information in public places (offline) nor on social networks (online).
- We do not work on documents containing proprietary information in public places.

18 Protecting the privacy of our employees

- Samsung respects the privacy of current and former employees and treats all information with confidentiality and integrity.
- With the exception of the following three occasions, employee consent shall always be required prior to disclosure of personal information:
  - When required due to a particular legal regulation or obligation.
  - When required in performing tasks decided upon by a public organization.

- When a legal representative cannot express intention nor give prior consent, and when the information is deemed necessary for the imminent benefit of one's life and property.

19 Protecting the information of others

- Given thecourse of our day-to-day businesses, it is not unusual to acquire personal information of our customers, suppliers, job seekers, website visitors and so on. There are, however, limits to how such information may be used. All employees are to use the information only when necessary for valid business purposes and in terms of Samsung's internal policies. It is not permissible to change one's personal information without a legitimate right or reason, nor can an employee disclose such information to another party without the necessary legal rights.
- When personal information is needed for business, employees must provide specific and clear reasons why it is needed, in addition to checking whether it is consistent with the business purpose, relevant laws and Samsung's policies.
- We also take extra care in protecting personal information within our products and services that connect to online platform in accordance with the 'Privacy Policy.'
- All employees are expected to comply with data privacy laws in each of the countries we engage, and to keep familiar with the 'Global Policy on Personal Information' via the Samsung website.

20 Acquiring information from a third-party

- Information about competitors or external institutions is collected honestly and ethically, through legitimate means and in accordance with the 'Guidelines on Competitive Information.'
- Improper or illegal acts can be defined as below:
  - Surveillance, wiretapping, hacking, bribery, trespassing or theft
  - Acquiring a competitor's confidential information through an employee of the competitor

Example

Legitimate Means of Collecting Information
Market research institutions, media outlets (newspapers, industry magazines etc.), publically disclosed information (annual reports, audit reports etc.)

21 Handling information

- In the course of our day-to-day businesses, everyone at Samsung creates, stores and disposes of records and information assets whether in hard or soft copy. As such, Samsung provides the 'Guidelines on Information Management' for all employees to manage information legitimately and appropriately.
- All employees are to record and manage information accurately, completely and honestly according to the Guidelines on Information Management. Samsung prohibits disclosure of inaccurate or incomplete information, that could potentially lead to misunderstandings by recipients.
- Samsung complies with the disclosure regulations of countries in which our securities are registered and regulated. In addition, we follow accounting/finance manuals, policies and reporting guidelines in disclosing key managerial information, such as changes in our financial statements, to our shareholders and stakeholders in a timely manner. Furthermore, transaction information is reported and managed accurately based on international standards, national accounting regulations, company standards and regulations. We undergo external audits on a regular basis as well.
- When inspections or inquiries by regulatory authorities take place, we expect from our employees full cooperation with the legal department.

22 Insider trading

- Using and/or disclosing material information about Samsung or an external party for our personal advantage (financial or otherwise) is strictly prohibited.
- 'Material information' refers to non-public information that may have significant influence on an investor's decision to trade in the public securities of a company.

Example

Types of Material Information
- Samsung's financial performances such as revenue and dividend
- Organizational changes such as acquisitions and mergers
- The release of new products and services, breakthroughs in research etc.

- We do not tolerate unjust use of insider information in any of the countries where our businesses are located.
- We are prohibited to trade securities based on insider information. On the same note, should we become aware of the establishment of a new facility or the expansion of a pre-existing facility, we will not invest in property located anywhere near the facility.

9. Responsible Asset Management

23 Intellectual property

- Samsung respects and complies with the laws and/or regulations that govern both the rights to, and protection of intellectual property.
- All employees are urged to protect Samsung's intellectual property and trade secrets according to the 'Guidelines on Trade Secrets.'
- Employees must disclose all intellectual property created in a business capacity. If an employee wishes to file for a patent other than through Samsung, we advise him or her to seek advice and direction from the department in charge of intellectual property prior to filing the patent.
- Prior to installing software from any source onto any computer or digital device provided by Samsung, or prior to use for Samsung business purposes, employees are advised to follow the applicable procedure of the department in charge. Also, we prevent our customers, employees and company to be affected by illegal software through the 'Prohibition of Using Illegal S/W Policy.' When using the Internet, employees shall refrain from actions that may violate IT security or make their device more susceptible to viruses.
- In case where an employee is excused from his or her employment at Samsung, the employee is to return all properties holding information of worth to Samsung and avoid disclosing or using the information at all costs. Samsung has ownership of the intellectual property created during an employee's time as a Samsung employee, even after he or she leaves the position.

24 Using assets and premises

- Samsung's assets and premises shall be used for the sole purpose of conducting business as authorized by management. We do not allow theft, damage or unauthorized use of Samsung's assets and premises. We also prohibit improper use of Samsung's assets and premises by external parties such as friends or family.
- Samsung's assets and premises include physical, financial, intellectual and human resource assets; communication systems; equipment; corporate charge cards; and other supplies.
- Employees shall not use Samsung's assets and premises for personal reasons. However, incidental personal use may be permitted by management, provided that it does not violate the law nor company policies, does not create a conflict of interest, does not issue additional costs and does not interfere with the employee's work.

10. Fair Competition

25 Antitrust

- Samsung complies with all laws and regulations that promote sound and healthy competition, which are commonly known as competition laws, monopoly and fair trade laws. Our 'Fair Trade Policy' prohibits the fixing of prices, bid rigging, distributing markets, abusing market-dominant positions and binding conditional transactions.
- Not only Samsung employees but also contractors and suppliers, are subject to applicable laws and regulations. There is a strict zero tolerance policy in regard to unethical and unlawful bid rigging and similar conflicts.

26 Fair contracts

- Samsung complies with relevant laws in the process of making purchase decisions, negotiating, drawing up contracts and managing contracts. Samsung's suppliers are also subject to the same laws and regulations.
- Without appropriate authorization, all employees are prohibited from making informal agreements regarding Samsung's business. Employees must prepare written contracts in accordance with Samsung's standard contract process, for every relationship formed and maintained with business partners and suppliers on behalf of Samsung.
- Without authorization, employees are not entitled to make new agreements or alter clauses on existing contracts, verbally or in written form. When an update is necessary in terms of the price or the conditions of the contract and/or service, employees must receive approval from management or the department with the proper authority.
- Contracts are not to be entered into or manipulated for the personal and improper benefit of an employee or third party.
- We do not deal with any suspicious entity and we do not compromise our integrity by getting involved in false or irregular deals that are potentially illegal.

27 Fair trade

- Samsung abides by the related laws and regulations of each country when engaging in international trade. In order to export our products, services and technology, we comply with the trade controls of each country.
- Our customers and business partners are included and excluded according to the list of trade embargoes and governmental restrictions. Samsung encourages all of our suppliers and business partners to follow regulations.

28 Tax policies

- Samsung complies with the laws and regulations of every country we operate in. We keep an honest and open relationship with local tax authorities and readily disclose information such upon request.
- As a multinational company operating in many countries, Samsung prevents tax risks by identifying the differences in various local tax laws, and analyzes applicable laws and customs with every deal and transaction. We only conduct business within the parameters of the law.
- All employees with tax-related positions at Samsung must perform their tasks in compliance with both the law and Samsung's specific tax policies, and through a transparent relationship with local tax authorities.

11. Anti-Corruption

29 Gifts, hospitality and lobbying

- Samsung complies with the local anti-corruption laws and regulations according to the 'Anti-Corruption and Bribery Policy.'
- All employees may not pay or take a bribe, directly or through others. Mere indications such as suggestions, promises and approval of bribery are also prohibited. Gifts and acts of hospitality initiated as a consequence of business are impermissible at Samsung.
- When employees become aware of a violation of the guidelines, applicable policies or anti-corruption laws, they must seek out methods to report the issue at hand.

30 Working with governments

- Samsung complies with local laws that apply to government-associated activities, and prohibits acts of improperly influencing government officials.
- In the process of competing for contracts from government entities and government-owned businesses, Samsung's employees do so ethically, transparently, honestly and accurately in compliance with all applicable laws and regulations.
- Employees must follow Samsung's procurement guidelines in dealing with the government and others in the public sector. Should employees become concerned about any real or potential violation of procurement-related law or regulation, they are urged to immediately notify leadership and the compliance department through the aforementioned reporting channels.

31 Political activities

- Samsung respects and advocates an employee's right to participate in political activities. Nonetheless, any decision to become involved in political activities is entirely personal and voluntary, and therefore should be managed on the employee's own time and with his or her own resources.
- Visiting government officials may be considered-and often encouraged-as a means to promote Samsung's products and share Samsung's views on public policies; but employees should note that, unless authorized by the legal affairs department, it is not advised to visit a government official who is running for election 60 days before the election occurs, as it may misconstrue intentions.

12. Conflict of Interest

32 Avoiding conflicts of interest

- When an employee's personal interest clashes with Samsung's and creates a conflict of interest, the employee is expected to act in the best interests of Samsung as opposed to pursuing personal interests or become divided loyalties. In such a situation, the employee should first disclose and seek guidance where necessary from his or her manager or the human resources department.
- A conflict conflict of interest can arise in situation related to outside work activities. In some cases, you may be permitted to engage in the activity if you obtain approval of your manager and take steps to address the conflict. Also, we do not work as an employee of an organization that has interests in or with Samsung.

33 Public statements and social media usage

- When employees must disclose their affiliation with Samsung, or disclose any other information regarding Samsung at a public event such as a seminar or an interview, they are always expected to receive prior authorization from the related department.
- The opinions that an employee voices in a public forum or post on social media belong only to the individual employee. We advise employees to not give the appearance that they are speaking or acting on behalf of Samsung and other employees as a whole.
- Especially when using social media sites and blogs, we take extra care to follow the 'Employee Guidelines for Using Social Media' in order to prevent the leakage of confidential corporate information.

13. Supplier Management

34 Managing our supply chain

- Samsung mandates that suppliers with whom we do business must adhere to 'Samsung Suppliers' Code of Conduct' referenced in the terms of our agreements.
- Our suppliers are also required to comply with international standards and local laws related to human rights, child labor, working hours, forced labor, discrimination and environment.
- Samsung incorporates compliance management into our comprehensive supplier evaluation, along with other basic competencies such as technology, quality, and on-time delivery. Samsung includes CSR elements such as environment and human rights in the comprehensive supplier evaluations to ensure strict compliance to our policies and related laws and international standards are in place. We also monitor continuous compliance through supplier self-check sheets and assessments from internal and third party experts.
- In the case of a serious violation by a supplier, Samsung responds immediately and helps establish measures to prevent re-occurrence. Moreover, our employees are required to evaluate compliance management of new suppliers and are permitted to do business with suppliers operating with the same high standards that we expect of ourselves.
- Samsung recognizes our suppliers and business partners as strategic allies pursuing the shared value of customer satisfaction. Therefore, our employees shall not exert or attempt to exert influence to obtain special treatment for a particular.

35 Co-prosperity activities

- Samsung endeavors to mutually strengthen competitiveness through the support of our suppliers. We therefore establish action plans for co-prosperity, establish a healthy co-prosperity system and ultimately create shared value among Samsung and stakeholders.

36 Responsible sourcing

- Samsung rigorously monitors the chemical substances used in our products through the management of our supply chain. We follow the provisions of 'Regulations on Managing Controlled Substances in Product Environment' to handle legally controlled and voluntarily controlled substances. We also strictly check and control the components and final products to prevent misuse of such substances.
- Samsung recognizes the seriousness of human rights violations and environmental pollution problems of mineral mining in the Democratic Republic of Congo and neighboring countries. Accordingly, we strongly prohibit the use of conflict minerals.

14. Corporate Citizenship

37 Social contribution

- Samsung employees, no matter the location, are expected to carry out their duties and responsibilities as a member of the local community.
- Samsung continuously develops and implements programs that are custom-fit to each community. Our technologies, services and experts provide local youth with the necessary skills and job training needed to build a better future. We actively encourage employees to participate in community service projects in the form of volunteer work, disaster relief and more.

38 Contributing to local communities

- We see it as our responsibility to help enhance the quality of life for the people we serve and the local communities in which we operate.
- By creating employment opportunities in these areas and providing employee training opportunities through business activities, Samsung contributes to the development of the talent in local communities, resulting in greater long-term impact.

APPENDICES

Independent Assurance Report

GRI G4 Index

Independent Assurance Statement

We were engaged by Samsung Electronics ("the Company") to provide limited assurance on the 'Samsung Electronics Sustainability Report 2015' for the year ended December 31, 2014 (further 'the Report').

Context and Scope

Our engagement was designed to provide limited assurance on whether the Report is presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative. We do not provide any assurance on the achievability of the Company's future objectives.

The scope of our engagement conforms to the KPMG Sustainability Assurance Manual™ (KSAM™), including the aspect of "materiality". With regards to financial data, our procedures were limited to verifying that they were correctly derived from audited financial statements. To obtain a thorough understanding of the Company's financial results and position, the audited financial statements produced on 24 February 2015 should be referred to.

Responsibilities

As stated in the 'Reporting Principles and Standard,' the Company is responsible for all content within the Report in respect of the GRI Sustainability Reporting Guidelines (G4). It is the responsibility of the Company's management to establish and maintain appropriate performance management and internal control systems from which the reported sustainability information is derived.

Our responsibility is to perform a limited assurance engagement and to express a conclusion based on the work performed.

Independence

In conducting our engagement, we have complied with the requirements of the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants. We do not engage in any and all activities that may influence our independence from the Company. KPMG has systems and processes in place to monitor compliance with the Code, and to prevent conflicts regarding independence.

Assurance Standards

We conducted our engagement based on the International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board, and also AA1000AS. The standards require that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

Limitations

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement, and consequently does not enable us to obtain assurance on all significant matters that we may become aware of in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

This report has been prepared solely for the Company in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than the Company for our work, or for the conclusions we have reached in the assurance report.

Major Assurance Procedures

Our engagement was designed to provide limited assurance on whether the Report is presented fairly, in all material respects, in accordance with the reporting criteria. Procedures performed to obtain a limited level of assurance on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included the following:

- Confirmation on whether the financial information presented in the Report was correctly derived from the Company's audited financial statements
- Inquiries to gain an understanding of the Company's processes for determining the material issues for key stakeholder groups
- Interviews with relevant staff at corporate and business unit levels responsible for providing the information in the Report
- Visit to the Company's Seocho office building and Suwon operation site
- Comparing the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of the Company

Opinion

- Stakeholder Inclusiveness
  - the Company operates communication channels with key stakeholders such as customers, suppliers, governments, shareholders/investors, employees, local communities, media and NGOs.
  - We are not aware of any key stakeholder group that has been excluded from dialogue in the Report.
- Sustainability Context
  - the Company has established a process to incorporate CSR in management's decision-making and the business management plans of relevant teams, thereby securing continuity.
  - We confirmed that the Company recognizes sustainability comprehensively and applies it to management.
- Materiality
  - The Company conducts a materiality test in determining material issues.
  - We are not aware of any material aspects concerning its sustainability performance which have been excluded from the Report.
- Completeness
  - The Company applies reporting scope, boundary and temporal criteria.
  - In terms of criteria mentioned above, we confirm that the Report is suitable for stakeholders to assess sustainability performance.

Based on the procedures performed, as described above, nothing has come to our attention to indicate that the Report is not presented fairly, in all material respects, in accordance with the reporting criteria.

Recommendation

Without prejudice to our conclusions presented above, we believe the following matters can be considered for improved sustainability reporting:

- The Company analyzes risks, opportunities and other elements that influence the company's sustainable growth. We recommend further disclosure regarding related management strategies and directions, given it does not harm corporate competitiveness. Such disclosure increases credibility regarding Samsung Electronics' sustainable growth for stakeholders.
- The Company is recommended to increase quantitative goal-setting and performance monitoring for its key sustainability activities. Such structure shows stakeholders that the Company is systematically and effectively managing sustainability issues.

We have also discussed the reporting process and our general observations and comments with Samsung Electronics, to which they were very receptive.

KPMG SAMJONG

June 2015
KPMG Samjong Accounting Corp.
CEO Kim, Kyo Tai

Kyo Tai Kim

GRI G4 Core General Standard Disclosure

No.	Description	Status	Assurance	Comments	Page
Strategy and analysis					
G4-1	Statement from the most senior decisionmaker of the organization (incl. strategy relates to sustainability, impacts of the activities in relation to the stakeholders)	●	√	CEO Message	5
Organizational profile					
G4-3	Name of the organization	●	√	Company Profile	7-9
G4-4	Primary brands, products, and/or services	●	√	Business Divisions and Major Products	8-9
G4-5	Location of organization's headquarters	●	√	Company Profile	7-9
G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	●	√	Global Network	12
G4-7	Nature of ownership and legal form	○	√	Refer to the Business Report	-
G4-8	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	●	√	Company Profile, Global Network	7-9, 12
G4-9	Scale of the reporting organization	●	√	Business Performance, Global Network	10-11, 12
G4-10	The total workforce by employment type, gender, employment contract and region	●	√	2.Human Resource Development	34-45
G4-11	The percentage of total employees covered by collective bargaining agreements	●	√	3.Workplace Environment	46-58
G4-12	Describe the organization's supply chain	●	√	4.Business Ecosystem	64-79
G4-13	Significant changes during the reporting period relating to size, structure, or ownership or its supply chain	●	√	Company Profile, Global Network	7-9, 12
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization	●	√	7.Green Management, 8.Eco-products, 9.Green Operation	110, 120, 127
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	●	√	1.Compliance management, 3.Workplace Environment, 4.Business Ecosystem	32, 49, 57, 72-73
G4-16	List memberships of associations (such as industry associations)	●	√	1.Compliance management, 3.Workplace Environment, 4.Business Ecosystem	32, 49, 57, 72-73
Identified material aspects and boundaries					
G4-17	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures (List all entities in the consolidated financial statements)	○	√	Refer to the Business Report http://www.samsung.com/us/aboutsamsung/investor_relations/financial_ information/financial_statement.html	
G4-18	Process for defining report content and the Aspect Boundaries and explain how the Reporting Principles has been implemented	●	√	Materiality Analysis	18-19
G4-19	List all the material Aspects identified in the process for defining report content	●	√	Materiality Analysis	18-19
G4-20	The Aspect Boundary within the organization: Whether the Aspect is material within the organization; The list of entities included in G4-17 for which the Aspect is or is not material; Specific limitation regarding the Aspect Boundary within the organization	●	√	Materiality Analysis	18-19
G4-21	The Aspect Boundary outside the organization: Whether the Aspect is material outside the organization; The list of entities for which the Aspect is material, relate to geographical location; Specific limitation regarding the Aspect Boundary outside the organization	●	√	Materiality Analysis	18-19
G4-22	Explanation the effect of any restatements of information provided in previous reports, and the reasons for such restatements	●	√	Refer to each footnote	All relevant section
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	●	√	Materiality Analysis	18-19
Stakeholder engagement					
G4-24	The list of stakeholder groups engaged by the organization.	●	√	Stakeholder Communication	20-22
G4-25	The basis for identification and selection of stakeholders with whom to engage	●	√	Stakeholder Communication	20-22
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	●	√	Stakeholder Communication	20-22
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting; Report the stakeholder groups that raised each of the key topics and concerns	●	√	Stakeholder Communication	20-22
Report profile					
G4-28	Reporting period (such as fiscal or calendar year) for information provided	●	√	About This Report	2-3
G4-29	Date of most recent previous report	○	√	Refer to the Company website http://www.samsung.com/us/aboutsamsung/sustainability/sustainabilityreports/	

No.	Description	Status	Assurance	Comments	Page
G4-30	Reporting cycle	○	√	Refer to the Company website	http://www.samsung.com/us/aboutsamsung/sustainability/sustainabilityreports/
G4-31	Provide the contact point for questions regarding the report or its contents	●	√	About This Report	2-3
G4-32	Table identifying the location of the Standard Disclosures in the report	●	√	Independent Assurance Statement, GRI G4 Core Disclosure	152-153, 154-159
G4-33	Policy and current practice with regard to seeking external assurance for the report	●	√	Independent Assurance Statement	152-153
Governance					
G4-34	The governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	●	√	Corporate Governance	13-15
Ethics and integrity					
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	●	√	Management Ideology, 1.Compliance management	6, 28-33

GRI G4 Core Specific Standard Disclosure

No.	Description	Status	Assurance	Comments	Page
Economic					
Economic Performance					
G4-DMA	Disclosure on Management Approach	●	√	Business Performance	10-11
G4-EC1	Direct economic value generated and distributed	●	√	Business Performance, Distribution of Direct Economic Value	10-11, 21
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	√	7.Green Management_Response to Climate Change	115-116
G4-EC3	Coverage of the organization's definedbenefit plan obligations	◐	√	Distribution of Direct Economic Value	21
G4-EC4	financial assistance received from government	○	√	-	-
Market Presence					
G4-DMA	Disclosure on Management Approach	●	√	2.Human Resource Development	142
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	◐	√	Business Conduct Guidelines_ 6)Providing a sound work environment	142
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	◐	√	2.Human Resource Development	45
Indirect Economic Impacts					
G4-DMA	Disclosure on Management Approach	●	√	4.Business Ecosystem, 5.Social Contributions, 6.Sustainable Innovation	64, 80, 91
G4-EC7	Development and impact of infrastructure investments and services supported	●	√	4.Business Ecosystem, 5.Social Contributions, 6.Sustainable Innovation	64, 80, 91
G4-EC8	Significant indirect economic impacts, including the extent of impacts	●	√	4.Business Ecosystem, 5.Social Contributions, 6.Sustainable Innovation	64, 80, 91
Procurement Practices					
G4-DMA	Disclosure on Management Approach	●	√	4.Business Ecosystem	65-68
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	●	√	Distribution of Direct Economic Value, 4.Business Ecosystem	21
Environmental					
Materials					
G4-DMA	Disclosure on Management Approach	●	√	8.Eco-products	120-123
G4-EN1	Materials used by weight or volume	●	√	8.Eco-products	120-123
G4-EN2	Percentage of materials used that are recycled input materials	●	√	8.Eco-products	120-123
Energy					
G4-DMA	Disclosure on Management Approach	●	√	7.Green Management, 8.Eco-products, 9.Green Operation	110, 120, 127
G4-EN3	Energy consumption within the organization	●	√	9.Green Operation_GHG Reduction and Energy Management	132-134
G4-EN4	Energy consumption outside of the organization	○	√	Disclose as GHG emission	-
G4-EN5	Energy intensity	●	√	9.Green Operation_GHG Reduction and Energy Management	132-134

No.	Description	Status	Assurance	Comments	Page
G4-EN6	Reduction of energy consumption	●	√	9.Green Operation_GHG Reduction and Energy Management	132-134
G4-EN7	Reductions in energy requirements of products and services	●	√	8.Eco-products_Energy-efficiency Products	123
Water					
G4-DMA	Disclosure on Management Approach	●	√	9.Green Operation_Water Resources Management	135
G4-EN8	Total water withdrawal by source	●	√	9.Green Operation_Water Resources Management	135
G4-EN9	Water sources significantly affected by withdrawal of water	●	√	9.Green Operation_Water Resources Management	135
G4-EN10	Percentage and total volume of water recycled and reused	●	√	9.Green Operation_Water Resources Management	135
Biodiversity					
G4-DMA	Disclosure on Management Approach	●	√	9.Green Operation_Conservation of Biodiversity	138
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	○	√	N/A	-
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	○	√	N/A	-
G4-EN13	Habitats protected or restored	○	√	N/A	-
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	○	√	N/A	-
Emissions					
G4-DMA	Disclosure on Management Approach	●	√	9.Green Operation	127
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	●	√	9.Green Operation_GHG Reduction and Energy Management	132-134
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	●	√	9.Green Operation_GHG Reduction and Energy Management	132-134
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	●	√	9.Green Operation_GHG Reduction and Energy Management	132-134
G4-EN18	Greenhouse gas (GHG) emissions intensity	●	√	9.Green Operation_GHG Reduction and Energy Management	132-134
G4-EN19	Reduction of greenhouse gas (GHG) emissions	●	√	9.Green Operation_GHG Reduction and Energy Management	132-134
G4-EN20	Emissions of ozone-depleting substances (ODS)	●	√	9.Green Operation_Pollutant Management	137-138
G4-EN21	NOx, SOx, and other significant air emissions	●	√	9.Green Operation_Pollutant Management	137-138
Effluents and Waste					
G4-DMA	Disclosure on Management Approach	●	√	9.Green Operation	127
G4-EN22	Total water discharge by quality and destination	●	√	9.Green Operation_Water Resources Management	135
G4-EN23	Total weight of waste by type and disposal method	●	√	9.Green Operation_Waste Management	136
G4-EN24	Total number and volume of significant spills	○	√	No significant spills during reporting period	-
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention2 Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	●	√	9.Green Operation_Waste Management	136
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats ignificantly affected by the organization's discharges of water and runoff	◐	√	9.Green Operation_Water Resources Management	135
Products and Services					
G4-DMA	Disclosure on Management Approach	●	√	8.Eco-products	120
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	●	√	8.Eco-products	122-126
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	●	√	8.Eco-products_Eco-friendly Packaging	122
Compliance					
G4-DMA	Disclosure on Management Approach	○	√	No non-compliance during reporting period	-
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	○	√	No non-compliance during reporting period	-
Transport					
G4-DMA	Disclosure on Management Approach	●	√	9.Green Operation_GHG Reduction and Energy Management	132-134
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	●	√	9.Green Operation_GHG Reduction and Energy Management	132-134
Overall					
G4-DMA	Disclosure on Management Approach	●	√	7.Green Management	110-113
G4-EN31	Total environmental protection expenditures and investments by type	●	√	7.Green Management_Green Investments and Operational Cost Management	113

No.	Description	Status	Assurance	Comments	Page
Supplier environmental assessment					
G4-DMA	Disclosure on Management Approach	●	√	3.Workplace Environment	51-52
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	●	√	3.Workplace Environment	53-54
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	●	√	3.Workplace Environment	54-57
Environmental grievance mechanisms					
G4-DMA	Disclosure on Management Approach	●	√	9.Green Operation	130
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	○	√	N/A	-
Social					
Labor practices and decent work					
Employment					
G4-DMA	Disclosure on Management Approach	●	√	2.Human Resource Development	44-45
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	●	√	2.Human Resource Development_Human Resources	44-45
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	●	√	2.Human Resource Development_Flexible benefits	40
G4-LA3	Return to work and retention rates after parental leave, by gender	◐	√	2.Human Resource Development_Diversity Promotion	42-44
Labor/Management Relations					
G4-DMA	Disclosure on Management Approach	●	√	3.Workplace Environment	49-50
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	○	√	-	-
Occupational Health and Safety					
G4-DMA	Disclosure on Management Approach	●	√	9.Green Operation_Employee Safety Management	129-131
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	○	√	-	-
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	◐	√	9.Green Operation_Employee Health and Safety Management	129
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	○	√	-	-
G4-LA8	Health and safety topics covered in formal agreements with trade unions	○	√	-	-
Training and Education					
G4-DMA	Disclosure on Management Approach	●	√	2.Human Resource Development	34
G4-LA9	Average hours of training per year per employee by gender, and by employee category	◐	√	2.Human Resource Development_Learning and Development Process	36-38
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	◐	√	2.Human Resource Development	36-38
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	◐	√	2.Human Resource Development	36-38
Diversity and Equal Opportunity					
G4-DMA	Disclosure on Management Approach	●	√	2.Human Resource Development_Diversity Promotion	42-44
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	●	√	2.Human Resource Development_Diversity Promotion	42-44
Equal Remuneration for Women and Men					
G4-DMA	Disclosure on Management Approach	●	√	Business Conduct Guidelines_9)Respecting diversity	143
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	◐	√	Business Conduct Guidelines_9)Respecting diversity	143
Supplier Assessment for Labor Practices					
G4-DMA	Disclosure on Management Approach	●	√	3.Workplace Environment	53-54
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	●	√	3.Workplace Environment	53-54
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	●	√	3.Workplace Environment_Third-party Audit: Objective verification of Supplier CSR	54-57
Labor Practices Grievance Mechanisms					
G4-DMA	Disclosure on Management Approach	●	√	3.Workplace Environment	49-50
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	●	√	3.Workplace Environment_Labor Rights Improvement Activities	49-50

No.	Description	Status	Assurance	Comments	Page
Human Rights					
Investment					
G4-DMA	Disclosure on Management Approach	●	√	4.Business Ecosystem	66
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	◐	√	4.Business Ecosystem_Supplier Contract Management	66
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	●	√	3.Workplace Environment_Supply Chain Work Environment Improvement Education Program	58
Non-discrimination					
G4-DMA	Disclosure on Management Approach	●	√	Business Conduct Guidelines_9)Respecting diversity	143
G4-HR3	Total number of incidents of discrimination and corrective actions taken	○	√	-	-
Freedom of Association and Collective Bargaining					
G4-DMA	Disclosure on Management Approach	●	√	3.Workplace Environment, Business Conduct Guidelines_8)Respecting human rights	49, 143
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	●	√	3.Workplace Environment	49
Child Labor					
G4-DMA	Disclosure on Management Approach	●	√	3.Workplace Environment, Business Conduct Guidelines_8)Respecting human rights	57, 143
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	●	√	3.Workplace Environment	54-55
Forced or Compulsory Labor					
G4-DMA	Disclosure on Management Approach	●	√	3.Workplace Environment, Business Conduct Guidelines_8)Respecting human rights	47, 143
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	●	√	3.Workplace Environment	54-55
Security Practices					
G4-DMA	Disclosure on Management Approach	●	√	Business Conduct Guidelines_8)Respecting human rights	143
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	○	√	-	-
Indigenous Rights					
G4-DMA	Disclosure on Management Approach	○	√	-	-
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	○	√	No violations during reporting period	-
Assessment					
G4-DMA	Disclosure on Management Approach	●	√	1.Compliance management	32
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	◐	√	1.Compliance management_Response to Changes in Regulatory Environment	32
Supplier Human Rights Assessment					
G4-DMA	Disclosure on Management Approach	●	√	3.Workplace Environment	53-54
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	●	√	3.Workplace Environment	53-54
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	●	√	3.Workplace Environment	54-57
Human Rights Grievance Mechanisms					
G4-DMA	Disclosure on Management Approach	●	√	3.Workplace Environment	49-50
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	●	√	3.Workplace Environment_Labor Rights Improvement Activities	49-50
Society					
Local Communities					
G4-DMA	Disclosure on Management Approach	●	√	5.Social Contributions	80
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	●	√	5.Social Contributions	82, 86
G4-SO2	Operations with significant actual or potential negative impacts on local communities	○	√	No operations with negative impacts during reporting period	-
Anti-corruption					
G4-DMA	Disclosure on Management Approach	●	√	1.Compliance management	28
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	●	√	1.Compliance management	29-33

No.	Description	Status	Assurance	Comments	Page
G4-SO4	Communication and training on anti-corruption policies and procedures	●	√	1.Compliance management	29-33
G4-SO5	Confirmed incidents of corruption and actions taken	●	√	1.Compliance management	29-33
Public Policy					
G4-DMA	Disclosure on Management Approach	●	√	1.Compliance management	28
G4-SO6	Total value of political contributions by country and recipient/beneficiary	○	√	Our Code of Conduct progibits contribution to political parties	-
Anti-competitive Behavior					
G4-DMA	Disclosure on Management Approach	●	√	1.Compliance management, Business Conduct Guidelines_25)Fair trade	28, 148
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	○	√	-	-
Compliance					
G4-DMA	Disclosure on Management Approach	●	√	1.Compliance management	28
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	○	√	-	-
Supplier Assessment for Impacts on Society					
G4-DMA	Disclosure on Management Approach	●	√	3.Workplace Environment	53-54
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	●	√	3.Workplace Environment	53-54
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	●	√	3.Workplace Environment	54-57
Grievance Mechanisms for Impacts on Society					
G4-DMA	Disclosure on Management Approach	●	√	1.Compliance management	49-50
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	●	√	1.Compliance management	49-50
Product Responsibility					
Customer Health and Safety					
G4-DMA	Disclosure on Management Approach	●	√	4.Business Ecosystem_Product Quality Control	74
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	●	√	4.Business Ecosystem_Product Quality Control	74
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	○	√	No non-compliance during reporting period	-
Product and Service Labeling					
G4-DMA	Disclosure on Management Approach	●	√	8.Eco-products	120
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	●	√	8.Eco-products	125
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	○	√	-	-
G4-PR5	Results of surveys measuring customer satisfaction	◐	√	4.Business Ecosystem_Customer & Product Service	77-79
Marketing Communications					
G4-DMA	Disclosure on Management Approach	●	√	4.Business Ecosystem_Responsible Advertising & Marketing	75
G4-PR6	Sale of banned or disputed products	●	√	4.Business Ecosystem_Responsible Advertising & Marketing	75
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	○	√	-	-
Customer Privacy					
G4-DMA	Disclosure on Management Approach	●	√	4.Business Ecosystem_Customer Information Protection	79
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	○	√	-	-
Compliance					
G4-DMA	Disclosure on Management Approach	●	√	4.Business Ecosystem	77-79
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	○	√	-	-

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