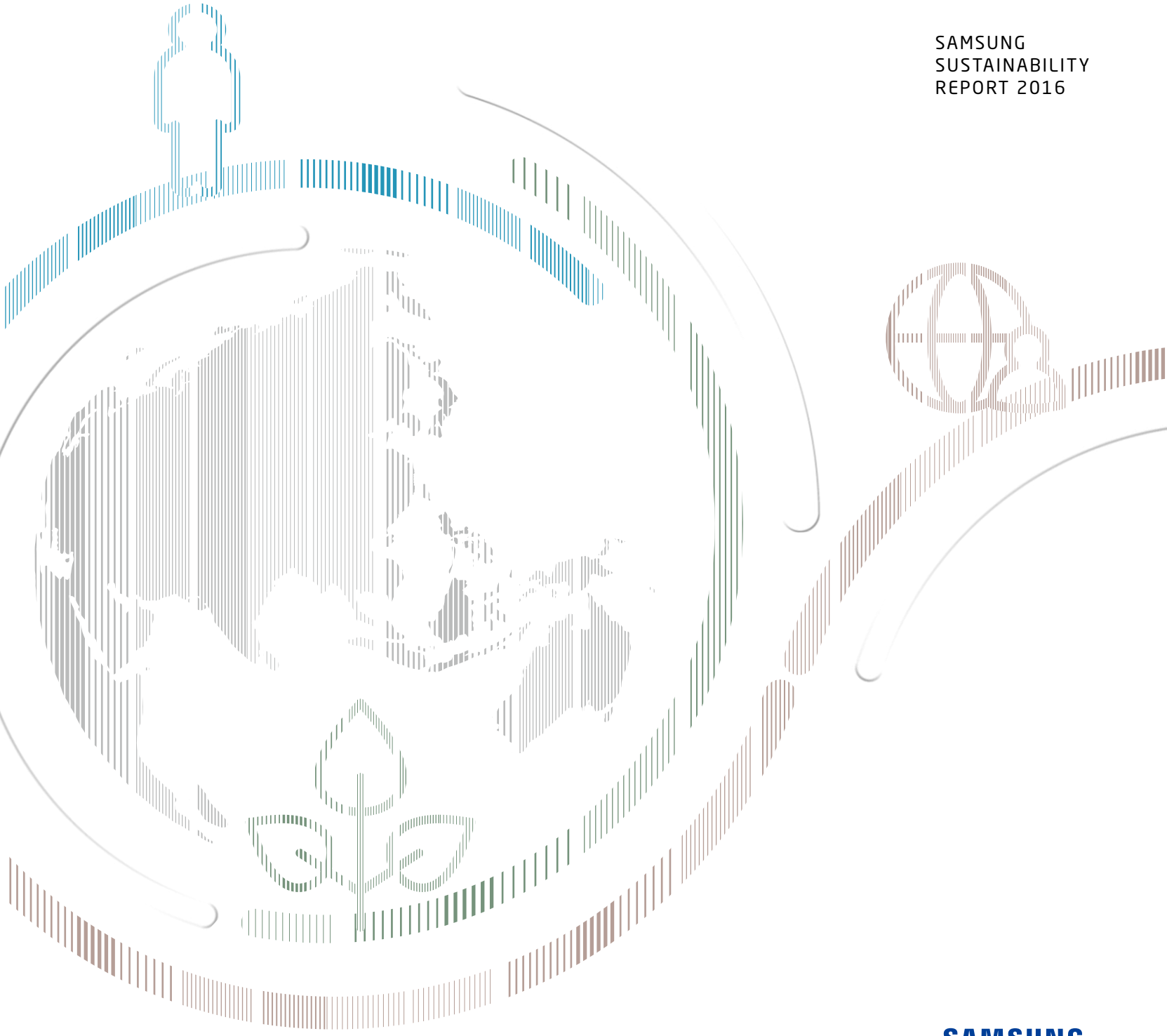
GLOBAL HARMONY with PEOPLE, SOCIETY & ENVIRONMENT

SAMSUNG
SUSTAINABILITY
REPORT 2016



SAMSUNG

Cover Story

The sustainability that Samsung Electronics pursues is the harmonious co-existence and co-development of humans, society, and the environment. We have tried to present the theme of the value "Global Harmony with People, Society & Environment" on the cover of this report using a simple tone and manner along with harmonized colors and graphics. Samsung's activities in 10 different areas that include people, society, and the environment are carried out under the company's business philosophy of devoting our human resources and technology to create superior products and services, thereby contributing to a greater global society. The activities were expressed through the forms of movement that are completed with the combination of detailed lines.

About This Report

Overview

At Samsung Electronics, we believe that we can provide positive value for the world through sustainability management in which we create economic value, protect the environment, and pursue social development.

In order to disclose the results of sustainability management activities with transparency and to communicate with various stakeholders based on this, we are publishing the 9th installment of our sustainability report in 2016.

Reporting Period January 1 to December 31, 2015 (some information up to May 2016 included)
Reporting Scope All worksites and supplier companies (consolidated financial data according to the K-IFRS)
Reporting Standard GRI G4 Guidelines
Assurance Samjong KPMG LLC

Additional Information

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 Newsroom http://news.samsung.com

Contact Information

Corporate Sustainability Management Office
Samsung Electronics, 10th Floor
67, Sejong-daero, Jung-gu, Seoul 04514, Korea
Tel +82-2-2255-7342 **Email** csr.partner@samsung.com

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"

CONTENTS

"Monitoring of the rapidly changing business environment and global trends"

"Problem-solving through joint efforts with all our stakeholders"

"Pursuing synergy by connecting economic value and social value"

CEO MESSAGE

Dear stakeholders,

I sincerely appreciate your continued support of Samsung Electronics.

Although we have experienced many challenges while in the midst of rapid changes throughout global markets and the business environment over the past few years, we have overcome all of them through our bold initiatives and innovation.

At Samsung, we believe our consistent growth is due to our employees, suppliers, and customers. In fact, during this difficult time our employees have worked with unbridled enthusiasm, while our suppliers have been nothing short of great partners and exhibited a win-win spirit. At the same time, customers have continued to express their affection for the company.

Samsung aims to fulfill its social responsibility as a corporate global citizen as well as carry out business activities to maximize the company's profit and shareholder value. To this end, we have established an approach to major sustainability management as follows.

First of all, we will continue to monitor global trends in today's rapidly changing business environment as we identify new risks and opportunities. Based on this approach, we will examine what aspects of our company are not yet satisfactory. We will also prudently recognize where we are as a company before deciding on our future approach, thereby establishing an effective sustainability management strategy.

We are committed to taking part in global initiatives with our stakeholders and exploring improvement measures through joint efforts. A company with a complicated supply chain system like Samsung needs to carry through with joint initiatives alongside its various stakeholders, which include other companies in the same industry, governments from around the world, international organizations, and NGOs.

Finally, we will examine key performance indicators (KPIs) related to sustainability management to create a synergistic effect as we pursue economic and social values together. Furthermore, we sympathize with the direction of UN's Sustainable Development Goals (SDGs) and we will work to align our business activities with this framework.

In 2015, we expressed our determination to pursue responsible business activities by disclosing our newly established Business Conduct Guidelines as promises to be implemented by the company and all its employees. In 2016, we have listened to our many stakeholders in order to complement these guidelines, and have improved policies in the field of labor and human rights.

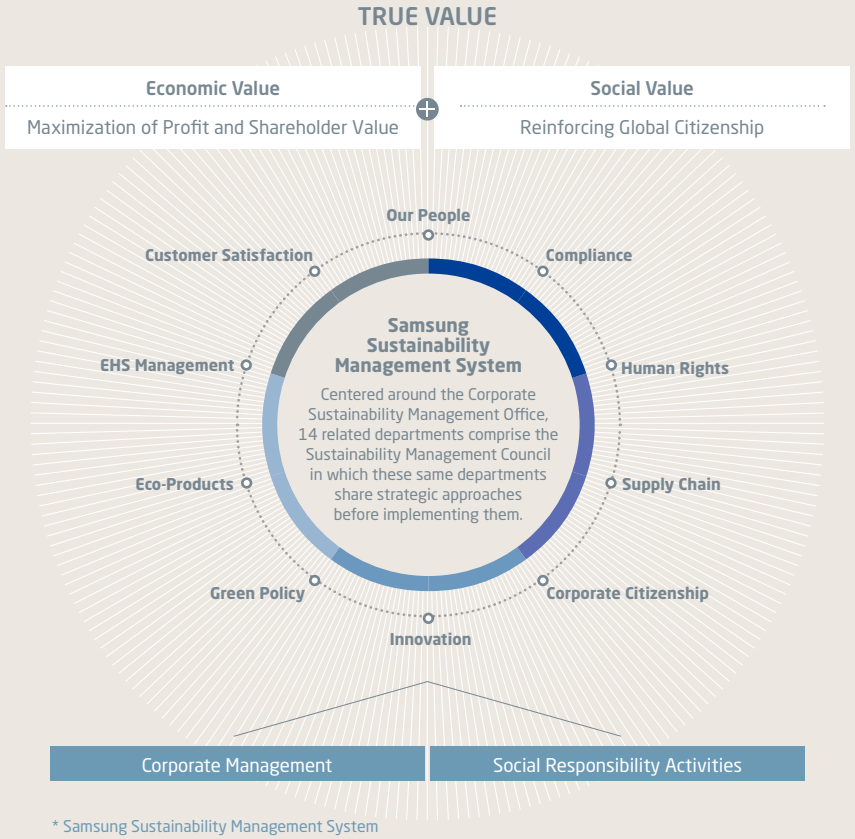
As we move forward, Samsung will continue to fulfill its social responsibility based on the company's business philosophy of creating superior products and services, thereby contributing to a greater global society.

Thank you.

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

SUSTAINABILITY MANAGEMENT FRAMEWORK

"To devote our human resources and technology to create superior products and services, thereby contributing to a greater global society"



* Samsung Sustainability Management System
- 10 Areas: Our People, Compliance, Human Rights, Supply Chain, Corporate Citizenship, Innovation, Green Policy, Eco-Products, EHS Management, Customer Satisfaction
- Organization System: Centered around the Corporate Sustainability Management Office, 14 related departments comprise the Sustainability Management Council in which these same departments share strategic approaches before implementing them.

Since its foundation in 1969, Samsung Electronics has continuously strived to create superior products and services under a business philosophy that focuses on human resources & technology and contributing to humanity. Based on this philosophy, Samsung aims to fulfill its social responsibility as a corporate global citizen as well as carry out business activities to increase the company's economic value. To this end, we conduct various initiatives and programs through the Sustainability Management Council, which consists of 14 related departments that handle issues from 10 different areas, including society and the environment. Concrete performance results from 2015 and future plans for each area are described on the summary page placed in the beginning of each chapter in this report.

Furthermore, Samsung's sustainability management aims to integrate economic value through the maximization of profit and shareholder value, as well as the social value gained through reinforced global citizenship. In order to internalize an integrated perspective that takes into account both financial and non-financial elements, we establish/systemize performance management indicators about current activities to create social value. In 2015, we measured the monetary value of non-financial performance results for the first time (See page 31 of this report). Through progressive efforts such as these, Samsung will fulfill social responsibilities and become an even more sustainable company.

2015 Sustainability Management Approach

Samsung's sustainability management is focused on three main areas, of which Key activities in 2015 are as follows.

1. Recognition of Risks and Opportunities of Sustainability Management

We continuously monitor risks and opportunity factors in the field of sustainability management, such as global policies and regulation trends, changes in the business environment, market conditions in Korea and abroad, and an analysis of prospects. By doing this, we work hard to discern financial risk and rapidly respond to trend changes, thereby securing opportunities to gain a competitive edge and to differentiate ourselves from our competitors. Such activities are disclosed in each chapter and are classified under "Trends & Challenges," "What We Are Doing," and "Future Plans."

Trends & Challenges → What We Are Doing → Future Plans

2. Participation in Global Sustainability Initiatives

At Samsung, we are well aware that joint efforts within the industry and with various stakeholders are important measures for successful sustainability management and social responsibility. Samsung is open to joining as many sustainability initiatives as it can. In fact, the company has been a member of the Electronic Industry Citizenship Coalition (EICC) since 2007 and joined the Global e-Sustainability Initiative (GeSI) in 2015. It is also currently participating in numerous activities through working groups, including the GeSI Human Rights Working Group. Additionally, we respect the spirit and purpose of various international standards, and work hard to adhere to them. In 2015, we updated our Business Conduct Guidelines based on the United Nations Guiding Principles on Human Rights (UNGP), thus adding further stress on our efforts to improve human rights conditions and the labor environment.

3. Connecting Social Responsibility Issues and Businesses

The strategy to fulfill social needs and contribute to improving corporate value at the same time is becoming increasingly necessary. Rather than thinking that carrying out social responsibility activities and doing business are mutually exclusive, we are examining key performance indicators (KPIs) in sustainability management and continuously setting strategies based on the results so that our social considerations are simply embedded in all our business processes. For example, as a global corporate citizen, Samsung is inspired by the launch of UN's Sustainable Development Goals (SDGs) and we will work to align our initiatives with this framework.

UN SDGs (Sustainable Development Goals)

Between 2000 and 2015, the United Nations carried out its Millennium Development Goals (MDGs). At the UN General Assembly in September 2015, the Sustainable Development Goals (SDGs) for the purpose of establishing a sustainable society across the world were then adopted and will be carried out from 2016 to 2030. Major parts of the SDGs include 17 goals and 167 targets, such as ending extreme poverty, fighting inequality and injustice, and dealing with climate change. Samsung supports these efforts by the UN and will do its utmost to maintain the company's sustainable management activities in line with the UN's initiative. For instance, in 2015, we categorized Samsung's sustainability plans and the UN SDGs into several areas, and we will continuously develop concrete tasks to conduct every year.

1 — End poverty in all its forms everywhere
2 — End hunger, improve food security and promote sustainable agriculture
3 — Ensure healthy lives and promote well-being for all at all ages
4 — Ensure quality education and promote lifelong learning opportunities for all
5 — Achieve gender equality and empower all women and girls
6 — Ensure availability and sustainable management of water and sanitation for all
7 — Ensure access to sustainable energy for all
8 — Promote sustainable economic growth, full employment and decent work for all
9 — Build resilient infrastructure, promote sustainable industrialization
10 — Reduce inequality within and among countries
11 — Make cities and human settlements inclusive, safe, resilient and sustainable
12 — Ensure sustainable consumption and production patterns
13 — Take urgent action to combat climate change and its impacts
14 — Conserve and sustainably use the oceans, seas and marine resources
15 — Protect eco systems and preserve biodiversity (forests, deserts, land, etc.)
16 — Establish a fair justice system for all
17 — Strengthen the means of implementation and revitalize the global partnership for sustainable development

MANAGEMENT IDEOLOGY

Since its foundation, Samsung Electronics has continued to grow with a pioneering spirit based on the company's business philosophy: "To devote our human resources and technology to create superior products and services, thereby contributing to a greater global society." The company's value system, consisting of Management Ideology, Core Values, and Management Principles, is rooted in its business philosophy, which serves as guidance for its employees to make major business decisions

Philosophy

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

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, safety, and health.
5. We are a socially responsible corporate citizen.

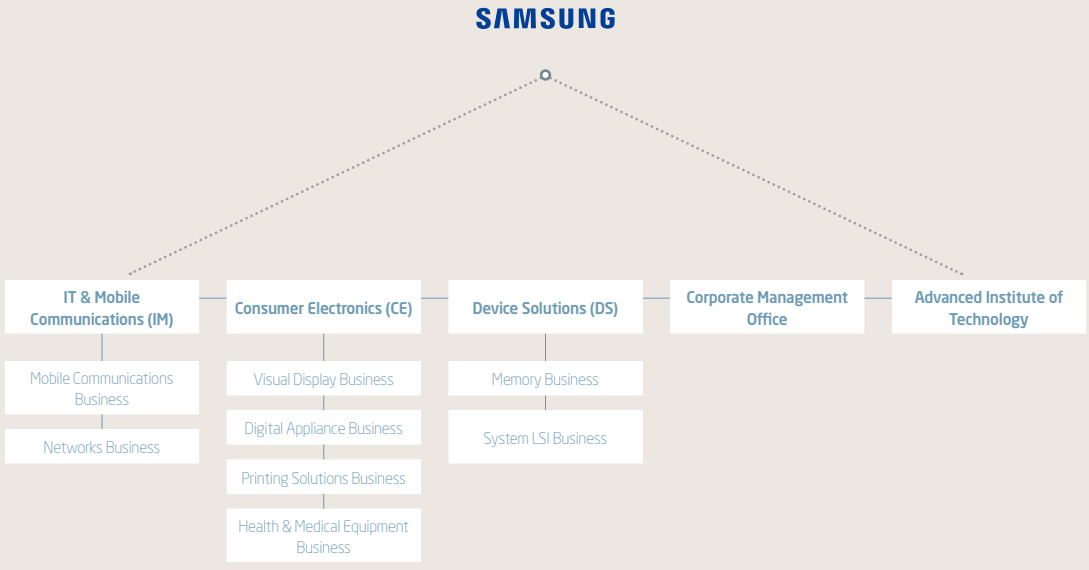
COMPANY PROFILE

Founded in 1969, Samsung Electronics is committed to making even more innovative changes and new value by creating the best products and services that enable customers around the world to enjoy more convenient and smarter lifestyles. Since 2013, Samsung has reinforced a global responsibility management system focusing on three key divisions: IT & Mobile Communications (IM), Consumer Electronics (CE), and Device Solutions (DS), while working hard to bring about a synergistic effect between these divisions. In addition, local subsidiaries under regional headquarters around the world help the company strengthen its capacity as a global company by conducting business activities, such as production, R&D, marketing, and service, each one tailored for specific regions.

Organizational Structure

The three divisions—IM, CE, and DS—are independently operated to strengthen their competitiveness according to the characteristics of their products. The IM division includes telecommunication products such as smartphones, computers, and network systems; the CE division includes 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.

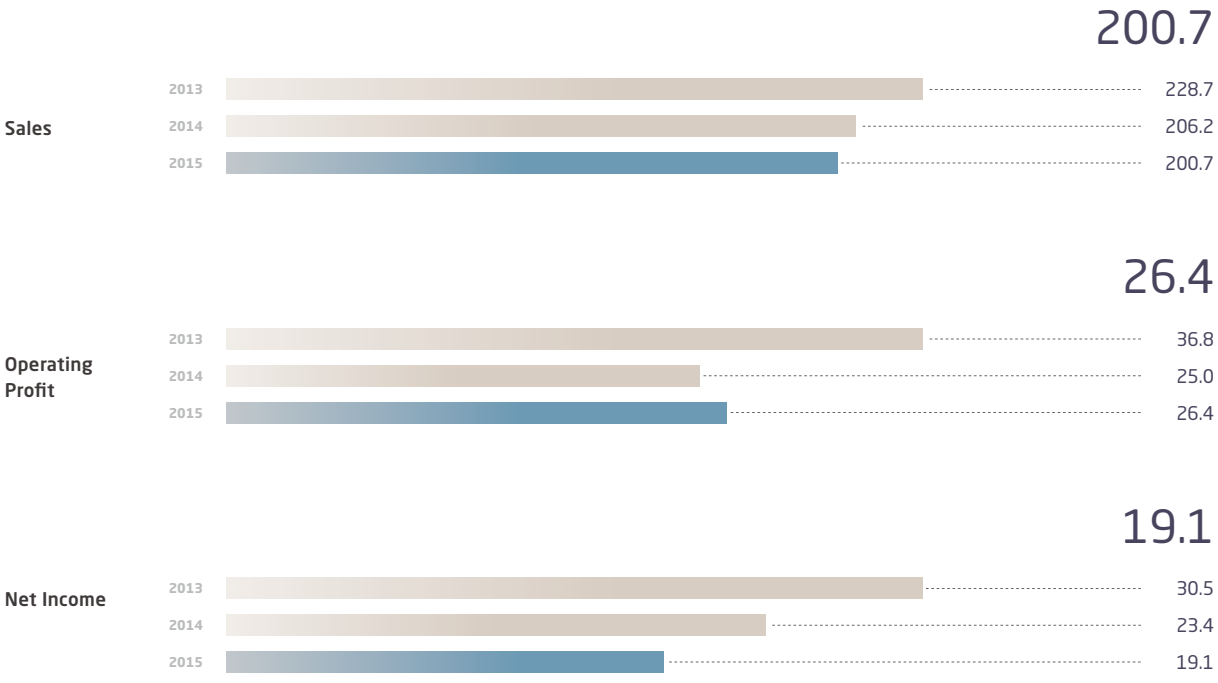
Organizational Chart



BUSINESS PERFORMANCE

In 2015, the world economy showed constant uncertainties, such as changes in U.S. monetary policy, increased volatility in emerging market stock markets, fluctuating exchange rates, and a radical drop in international oil prices. At the same time, Korea's economy also had continuous difficulties, such as increased household debts and the restructuring of the shipbuilding and steel industries. Despite such uncertain economic conditions, Samsung delivered sales of KRW200.7 trillion and earned KRW26.4 trillion in operating profits on a consolidated basis in 2015.From the financial perspective, Samsung maintained a sound financial structure by recording a debt ratio of 35.3 percent, an equity ratio of 73.9 percent, and a return on equity ratio of 11.0 percent on a consolidated basis. In 2015, we maintained our brand value at KRW45.3 billion, the same level of the previous year's figure. According to Interbrand's announcement in October 2015, Samsung has the 7th highest brand value in the world.

Key Business Results (Unit: KRW trillion)



Divisional Sales & Ratio (Unit: KRW trillion)

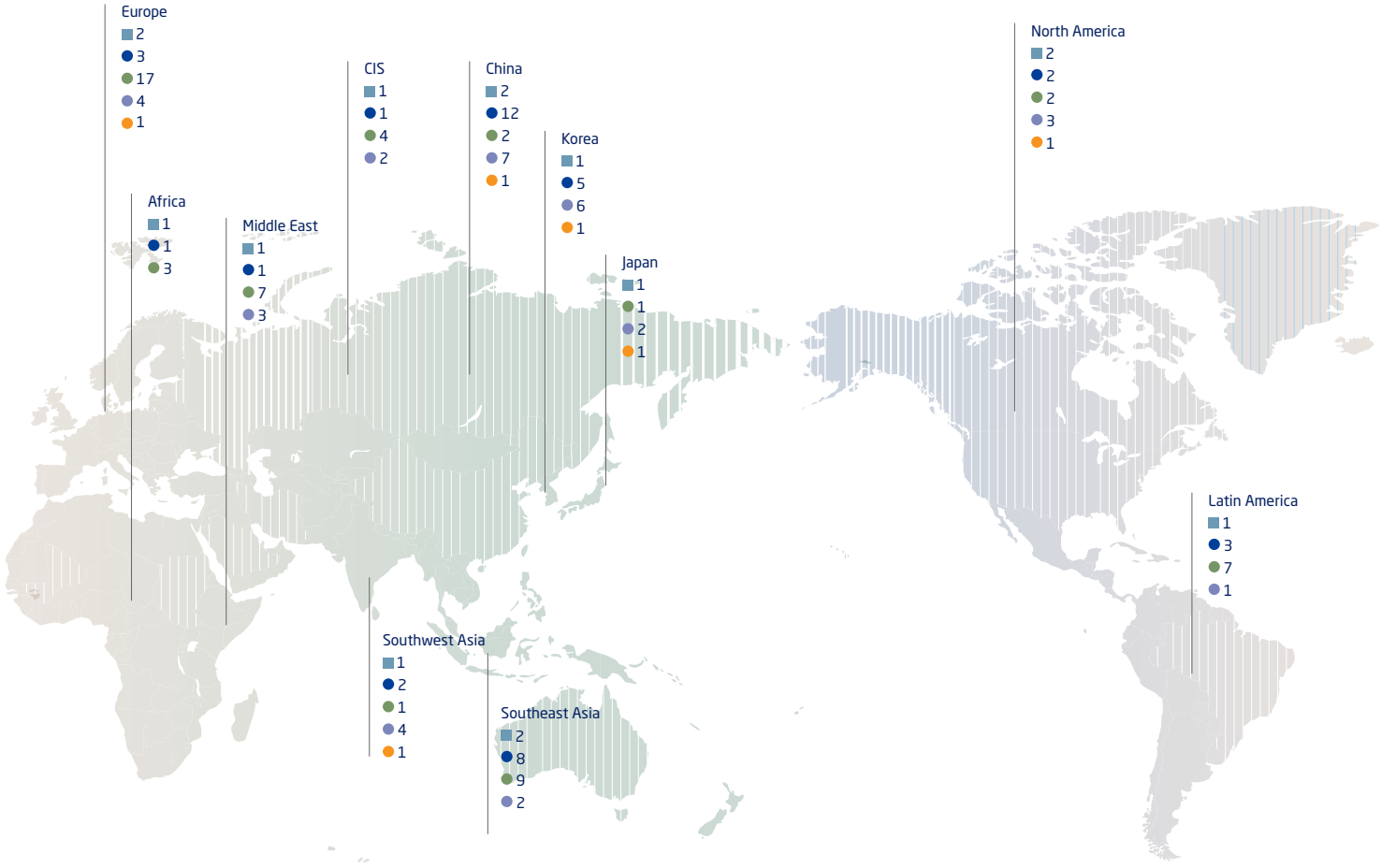
		2013	2014	2015
IM		138.8 (54%)	111.8 (49%)	103.6 (46%)
CE		50.3 (20%)	50.2 (22%)	46.9 (21%)
DS	Semiconductors	37.4 (14%)	39.7 (18%)	47.6 (21%)
	DP	29.8 (12%)	25.7 (11%)	27.5 (12%)

Regional Sales & Ratio (Unit: KRW trillion)

	2013	2014	2015
Americas	69.4 (30%)	68.7 (33%)	68.9 (34%)
Europe (including CIS)	52.7 (23%)	43.0 (21%)	38.6 (19%)
China	40.1 (18%)	33.0 (16%)	31.0 (15%)
Korea	22.8 (10%)	20.7 (10%)	20.8 (10%)
Other	43.7 (19%)	40.8 (20%)	41.3 (22%)

GLOBAL NETWORK

At the end of 2015, Samsung Electronics maintained 199 worldwide operation hubs, including manufacturing subsidiaries, sales subsidiaries, design centers, research centers, and 15 regional head offices worldwide.



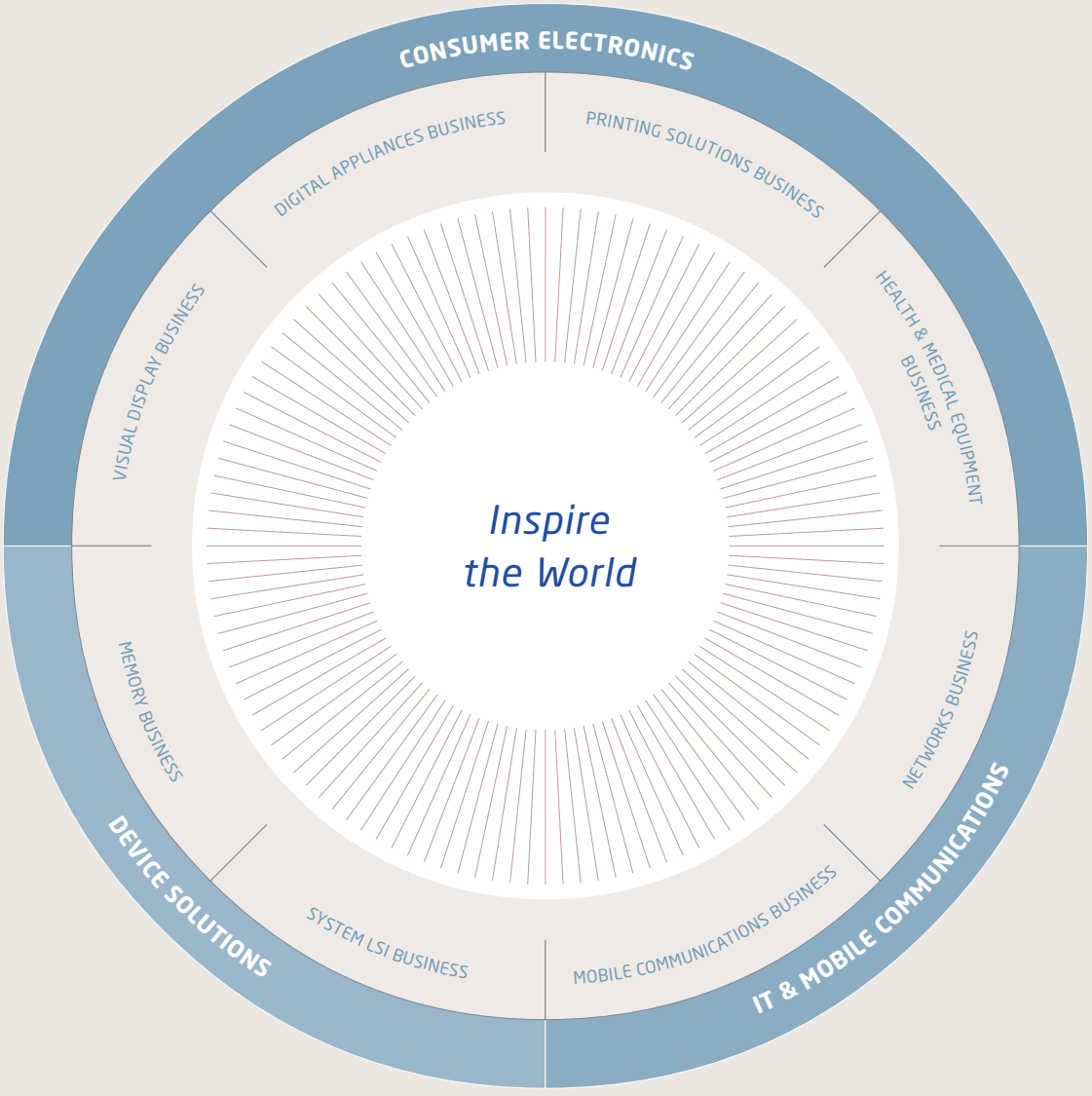
Employees — 325,677 employees in 80 Countries

R&D EXPENDITURE — KRW 14.8 trillion

DESIGNERS — 1,921 persons

15 Regional Head Offices	38 Global Production Bases	53 Global Sales Bases
34 Global R&D Centers	6 Global Design Centers	etc. 53 Others*

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



BUSINESS DIVISIONS

CONSUMER ELECTRONICS DIVISION

Create the Future

VISUAL DISPLAY BUSINESS

By retaining its world-leading market share for the 10th consecutive year in 2015, Samsung once again consolidated its dominant leadership in the global TV market. When we unveiled our SUHD TV, a premium product in a new category all its own, Samsung's highest image quality ever was recognized worldwide. We also released a wireless 360˚ audio system that enables listeners to enjoy high-quality sound in any direction through the application of our unique "ring radiator" technology.

In 2016, the market for both UHD TVs and curved TVs is expected to continue growing, allowing Samsung the chance to further consolidate its leadership in the premium TV market by releasing a variety of different products. In addition, we are playing a leading role in popularizing SUHD TVs, as they have adopted the world's only eco-friendly, next-generation quantum dot display that gives viewers the very best TV-watching experience. Furthermore, SUHD TVs provide an even greater user experience by enabling people to easily take advantage of different features, such as TV programs, videos, and games on one single screen through a new smart hub. At the same time, they can also control both auxiliary devices and the TV with one remote control.

No. 1 Global TV Market Share for 10 Consecutive Years
(Based on 2015 sales, Source: IHS)

27.6%

No. 1 Global UHD TV Market Share
(Based on 2015 sales, Source: IHS)

34.1%

Wireless 360˚ Audio

SUHD TV

AddWash Washing Machine

Inspire the World

Family Hub Refrigerator

DIGITAL APPLIANCES BUSINESS

Samsung works tirelessly to make life more convenient for consumers through innovative products. In 2015, we targeted the premium digital appliance market, and as a result our sales grew significantly in North America and Europe. Along with the sales growth of French Door Refrigerators (FDR), we have been increasing our global market share of digital appliances through strong sales of products that include Food ShowCases. Sales of our AddWash and activ dual wash (two types of Samsung washing machines) effectively reflect the needs of consumers and are becoming more popular with people both in Korea and around the world.

In 2016, we are carrying out a full-scale release of our Family Hub Refrigerator, which features IoT technology, in an effort to present a new kitchen lifestyle for consumers. With a touchscreen on the fridge door and an app on smartphones, the Family Hub Refrigerator allows users to adjust functions for each storage space and check what lies inside. Additionally, real-time product purchases can be made through the fridge in association with distributors and credit card companies. Samsung is determined to establish itself as the undisputed leader in the global digital appliances market by reinforcing its product lineup to meet each specific region's needs. At the same time, we will expand our system air conditioner solutions business and lead the smart home market as we incorporate IoT technology, which is one of Samsung's dominant strengths.

Family Hub Refrigerator & AddWash Washing Machine

CES 2016 Innovation Awards

PRINTING SOLUTIONS BUSINESS

Samsung contributes to increased productivity and efficiency by providing printing solutions and services that are optimized for every office environment. With the full emergence of the mobile and cloud printing market in 2015, the company reinforced its e-document-based services and solutions and launched a more improved Samsung Smart UX Center to establish a highly competent smart office environment. Furthermore, we provide more efficient product quality and service management by utilizing a brand-new style of Smart Document Management Ecosystem that features the application of digital technology. Samsung has received international acclaim from many different organizations for these achievements. For example, Samsung's MultiXpress 7 series (MX7) successfully passed the million-page print test by Industry Analysts, Inc., a leading print industry analyst firm, in 2015.

In 2016, we are planning to launch our Mobile Smart UX Center through the use of smartphones, and then expand it into a printing ecosystem that embraces multipliers, mobile devices, and offices. Samsung plans to actively target the high value-added market by expanding sales of the Smart MultiXpress series, a leading A3 multiplier series that has enjoyed high customer satisfaction results in the global market. In the future, we will strengthen our already profitable business in the corporate market through managed print services (MPS) for partners as we simultaneously reinforce partnerships with multinational companies.

Create the Future

Winner of the Best Product Award in 8 categories

BLI Summer Pick Award

Passed the Million-page Print Test

Industry Analysts

MX7 the Recipient of a Gold Award

2015 iF Design

Smart MultiXpress 7 (MX7)

HS70A Diagnostic Ultrasound System

Inspire the World

GC85A

HEALTH & MEDICAL EQUIPMENT BUSINESS

With a focus on large-sized image diagnosis equipment, Samsung develops a wide range of medical devices, including ultrasound systems, digital X-ray machines, portable CT scanners, and in-vitro diagnostics (IVD), and then sells them to various medical institutions around the world. The strength of all this different medical equipment lies in the combination of cutting-edge technologies in numerous fields, such as imaging, IT semiconductors, and communications. Samsung's HS70A, a premium ultrasound system released in 2015, is widely usable in various fields, from diagnostic imaging and internal medicine to cardiovascular and musculoskeletal departments. Furthermore, the company has released a series of medical equipment that provides convenient diagnoses and excellent image quality along with a plethora of upgraded functions for diagnostic imaging and gynecology. This includes premium digital X-ray machines and the GC85A, RS80A, and RS80A ultrasound systems.

In 2016, the size of the global diagnostic equipment market is forecast to continue growing. Samsung will expand its large-scale distribution channels through the expansion of its ultrasound system lineup and the enhancement of image quality, while also improving our competitiveness in the public bidding market. Moreover, we will continue to reinforce business capabilities in the field of X-ray machines and provide innovative medical equipment through differentiated technology, such as image engines and low-dose radiation.

IT & MOBILE COMMUNICATIONS DIVISION

Create the Future

Galaxy S7 edge

Gear S2

Gear 360

MOBILE COMMUNICATIONS BUSINESS

Samsung firmly maintains its No. 1 position in the global smartphone market by successfully carrying out diverse lineup strategies based on premium smartphone market leadership. In 2015, we continued investing in future growth engines—B2B, mobile payments, wearable devices, and IoT—while also working hard to raise Samsung's brand value as a company that provides the highest value to customers.

In 2016, we will increase our sales of smartphones as we adequately respond to changes in the market environment through reinforced products and continuous streamlining of our lineup. Additionally, we will lead all market growth through cutting-edge innovation as we increase supply and continuously strengthen profitability based on a lineup that focuses on competitive product models not just in high-end markets, but also in low- and mid-priced markets. To achieve this, we will provide the best mobile experience with highly innovative products by thoroughly analyzing customer needs, develop world-class product lineups, innovate mobile payment and mobile security platforms through Samsung Pay and Samsung KNOX, and take the initiative in innovating virtual reality through Gear VR and Gear 360.

No. 1 Mobile Phone Market Share in 2015
(Source: Strategy Analytics)

21.1%

No. 1 Smartphone Market Share in 2015
(Source: Strategy Analytics)

22.2%

No. 2 Tablet Market Share in 2015
(Source: Strategy Analytics)

15.0%

NETWORKS BUSINESS

Samsung is a pioneer in the network equipment market based on its 4G LTE communications technology leadership. For years it has been expanding its presence in the global market while pursuing leadership through newly emerging 5G communications technology and standards. In the world's top LTE markets—Korea, the U.S., and Japan—we are enabling the highest quality communications services as we also provide the latest LTE technology, such as 3-band frequency carrier aggregation (CA) and network function virtualization (NFV) in association with operators. At the same time, we are a trailblazer in developing next-generation communications technology.

In 2016, Samsung will continue to provide leading LTE markets with enhanced LTE technology, including 256QAM (increased communications speed), inter-site CA (CA between different cells), and TDD-FDD 3-band CA. Based on this experience, we will then examine Southeast Asian and other global communications companies that are just now entering the LTE market. In addition, we will consolidate our technology leadership by signing MoUs and conducting new technology demonstrations with leading companies in Korea and overseas to ensure we play a key role in developing solutions in 5G LTE communications technology. Later, we will expand our global cooperation efforts so that we can spearhead the standardization of 5G technology.

Inspire the World

sFemto

C-RAN

DEVICE SOLUTIONS DIVISION

15.36TB SAS SSD
(equipped with 512 of 256Gb V-NAND memory chips)

Create the Future

10-nanometer class 16GB DDR4 SoDIMM
(equipped with 16 of 10nm-class 8Gb DDR4 DRAM chips)

MEMORY BUSINESS

In 2015, Samsung continued to take a leading role in the proliferation of 3D memory products and focused on expanding its premium memory segment by mass-producing 3rd generation (48-layer) 256Gb V-NAND and 128GB TSV DRAM modules. While strengthening its lineup of premium memory products with high-performance, highly energy-efficient and high-capacity memory solutions, Samsung also worked on creating market for next-generation memory.

As a leader in the global memory semiconductor industry for 23 consecutive years, Samsung will further solidify its technological leadership in 2016. In the DRAM sector, Samsung will continue to introduce high-speed products such as 12Gb LPDDR4 DRAM and 4GB HBM2 DRAM with differentiated value ahead of the competition. At the same time, the company will reinforce its product competitiveness by mass-producing high-capacity DRAM products based on advanced 10-nanometer class process technology. In the NAND flash memory area, Samsung will continue to contribute to the growth of the premium storage market as it expands the lineup of high-capacity SSDs and memory cards based on 256Gb V-NAND flash memory.

DRAM Market Share
(based on 2015 sales, Source: IHS)

45.3%

NAND Flash Market Share
(based on 2015 sales, Source: IHS)

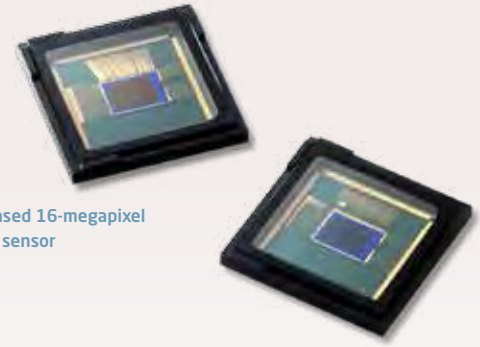
39.1%

SYSTEM LSI BUSINESS

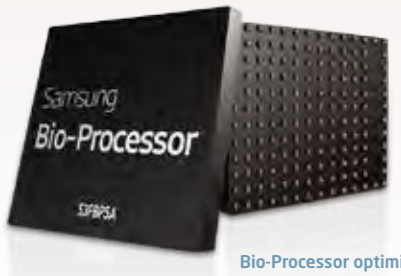
Samsung has continuously reinforced its position in the global market by focusing on SoC, LSI and foundry businesses based on state-of-the-art process technology and the ability to develop next-generation products. In 2015, the company started mass-producing the Exynos 7 Octa (7420), a mobile application processor (AP) fabricated with the industry's first 14nm FinFET process. Another first in the industry was the mass production of a compact high-resolution 16-megapixel mobile image sensor, which reduced the pixel size to 1.0㎛ and adopted our own process technology called ISOCELL.

In 2016, we released the Exynos 8 Octa (8890), a premium mobile AP that employs the 2nd generation 14nm FinFET process. As we move forward, we will continue to expand the application of the cutting-edge 14nm FinFET process technology so that we can quickly respond to market demands for high-performance/low-power features. In addition, we will expand our premium product lineup through high competitiveness to reinforce the foundation for the company's mid- and long-term growth, while also further strengthening our leadership in the foundry business through development of next-generation 10nm process technology as well as a more diverse customer base.

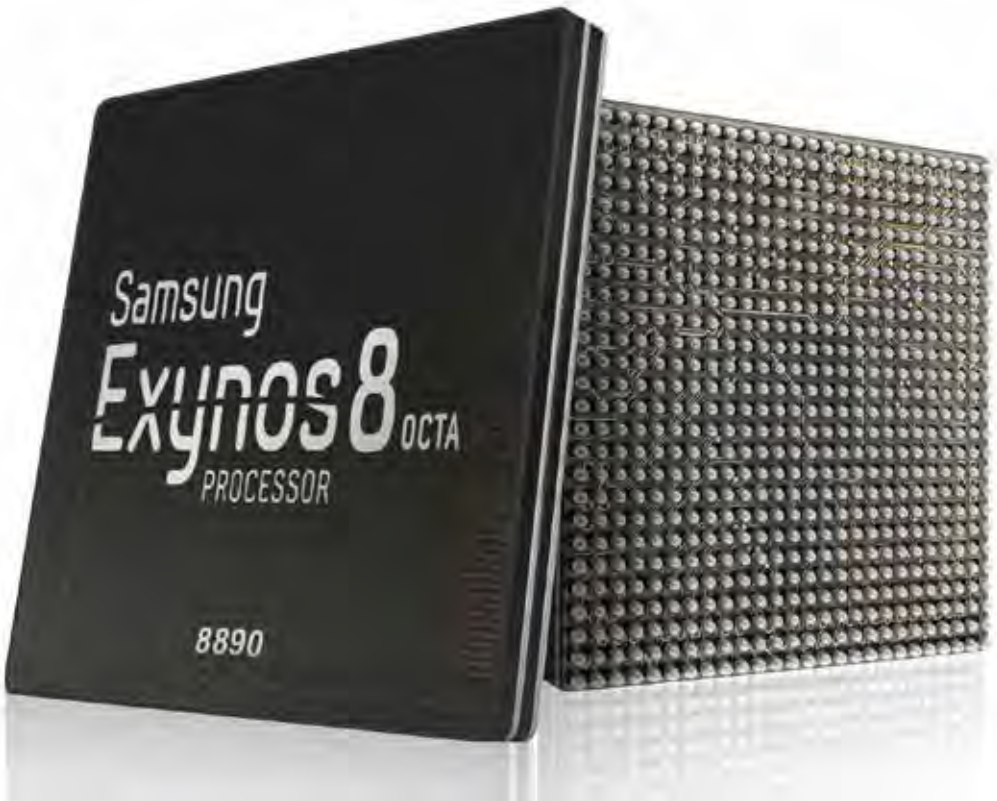
Inspire the World



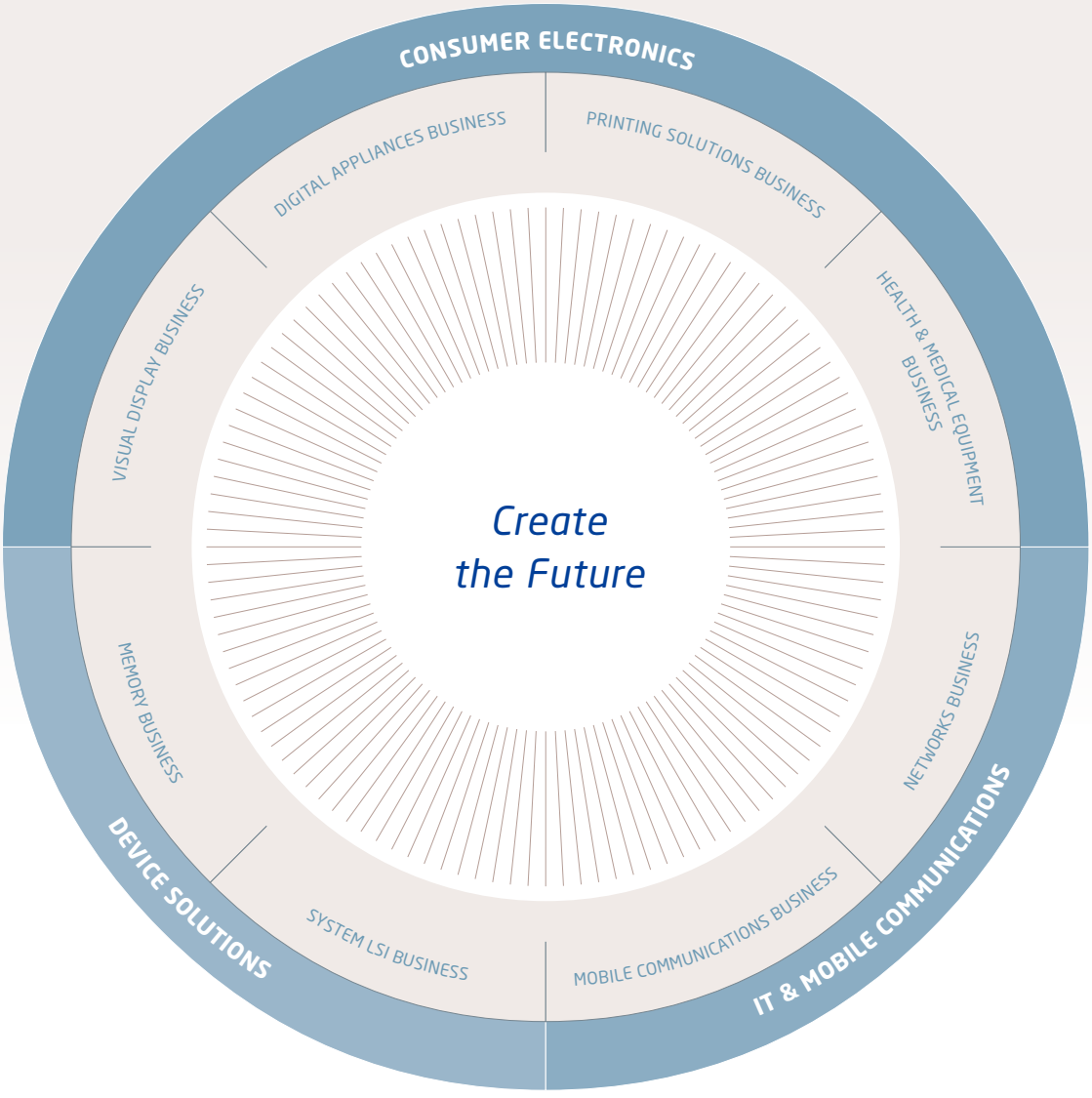
1.0㎛-pixel-based 16-megapixel mobile image sensor



Bio-Processor optimized for next-generation mobile healthcare



Exynos 8 Octa (8890), 2nd generation 14nm-based, integrated one-chip solution for mobile devices


CONSUMER ELECTRONICS
DIGITAL APPLIANCES BUSINESS
PRINTING SOLUTIONS BUSINESS
VISUAL DISPLAY BUSINESS
HEALTH & MEDICAL EQUIPMENT BUSINESS
Create the Future
MEMORY BUSINESS
NETWORKS BUSINESS
DEVICE SOLUTIONS
SYSTEM LSI BUSINESS
MOBILE COMMUNICATIONS BUSINESS
IT & MOBILE COMMUNICATIONS

CORPORATE GOVERNANCE

Samsung aims to maximize corporate value by encouraging management to exert a creative and entrepreneurial spirit based on the principles of transparency and accountability. Under such a spirit, the Board of Directors performs activities in accordance with relevant laws and regulations, our articles of incorporation (AOI), and resolutions made at the annual general shareholders meeting (AGM). The BOD sets corporate management policies, makes major decisions on business execution, and administers the performance of management. In addition, the BOD has established six committees for efficient decision-making and is proactively responding to changes in all regulations and the business environment.

Board of Directors (BOD) Composition

The BOD is composed of four executive directors and five independent directors, an arrangement designed to both guarantee the board's independence and establish a transparent decision-making process with input from a broad spectrum of external experts. The independent directors also 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 to 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 all legal procedures and people with due independence and objectivity are selected after thorough assessment of qualification requirements so that there is no conflict of interest with the company. Those who are full-time employees and affiliated persons of the largest shareholder and the company are not qualified as independent directors. Also, employees who have retired in the last two years are not allowed to assume the position of independent director.

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 related technologies. 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, regional background, and areas of expertise to promote the diversity of the BOD.

BOD Operation and Decision-making

The BOD has one regular meeting every quarter, 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 he/she presents evidence that it is necessary to do so. 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 remote communications 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 their sub-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 amount includes only basic salary and business travel expenses.

Committees under the BOD

During the course of 2015, the BOD conducted eight meetings and handled 21 cases. For swift and efficient decision-making, the BOD has established committees under the BOD in accordance with pertinent laws. The BOD refers major issues requiring expertise and experience in the related fields to the committees to be intensively reviewed by the relevant committees. The BOD currently has six committees: a Management Committee, Audit Committee, Independent Director Recommendation Committee, Related Party Transactions Committee, Compensation Committee, and Corporate Social Responsibility (CSR) Committee.

Management Committee The Management Committee deliberates and decides on matter seither 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 2015, a total of 11 meetings were held.

Audit Committee The Audit Committee, comprised of three independent directors, supervises and supports management through a process of checks and balances to maximize corporate value. The committee is responsible for examining all BOD activities, reporting audit results to the BOD, and managing financial risks. In 2015, 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 2016 for the election of independent directors.

Related Party Transactions Committee This committee enhances corporate transparency and promotes fair trade through compliance programs. All of its three members are independent directors, and a total of seven meetings were held in 2015.

Compensation Committee
The Compensation 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 one meeting was convened in 2015.

CSR Committee
This committee supervises and supports the company's corporate social responsibility (CSR) activities aimed at promoting public welfare. Comprised of five independent directors, the committee operates a research group in connection with external organizations on an ad-hoc basis. The 1st period of the Corporate Ecosystem Development Research Group, under the CSR Committee, researched the company's role and transformation for the development of corporate ecosystem, while the 2nd period of the same research group proposed the direction of corporate transformation according to changes in the global business environment and future-oriented co-prosperity models. Also, the Environmental Safety Research Group conducts research to solve health issues before sending the information to the related division for further management. Furthermore, the CSR Committee will operate a body to oversee social responsibility related risks.

Director Profile

Executive Directors

Oh-Hyun Kwon
- Vice Chairman & CEO (2012-present)
- Head of Advanced Institute of Technology (2013-2015)
- 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)

Jae-Wan Bahk
- IndependentDirector (2016-present)
- Dean, Graduate School of Governance, Sungkyunkwan University (2015-present)
- Professor, Department of Public Administration, Graduate School of Governance, Sungkyunkwan University (1996-present)

RISK MANAGEMENT

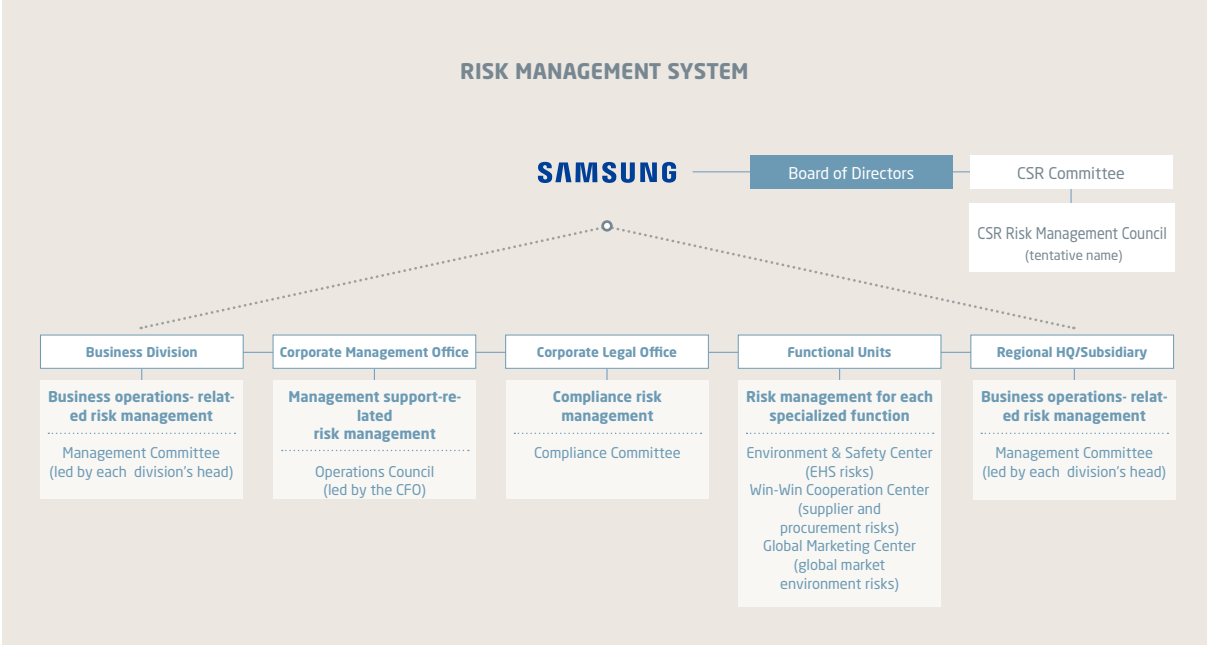
Samsung believes in preemptive responses and systematic risk management, as uncertainties and risk factors are increasing in today's rapidly changing global business environment. Led by top management's commitment to risk management, each business division and unit has established a systematized risk response policy and process. Risk factors are reported to management through employees' regular risk management activities, and effective measures are taken for emergencies. At the same time, we work hard to identify risk factors in advance through stakeholder communication.

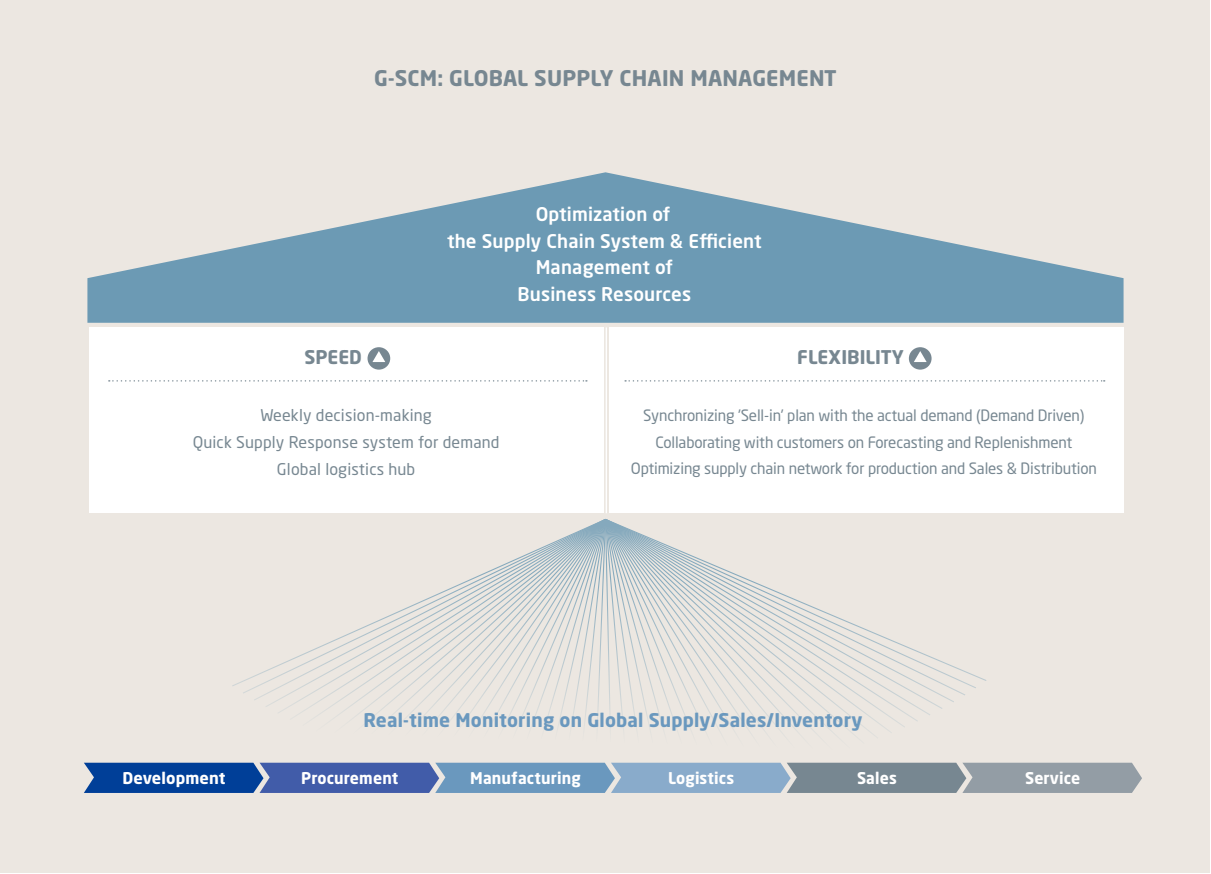
SYSTEMATIC RESPONSE TO RISKS BY EACH BUSINESS DIVISION AND UNIT

Eight business departments (under three business divisions) and the Corporate Management Office—key units of our business operations—are in charge of managing financial risks such as market risks, liquidity risks, and credit risks through our Management Committee, which is led by the top executives at each business division, and the Operations Council, which is led by the CFO. The Corporate Legal Office runs the Compliance Committee to manage compliance risks, and aims to preemptively respond to changing external environment and legal regulation trends. Our functional units include the Environment & Safety Center in charge of EHS risks, the Win-Win Cooperation Center, which manages supplier and procurement risks, and the Global Marketing Center, which deals with global market environment risks. Furthermore, each regional headquarters and subsidiary has a system in place for continuously monitoring and reporting risk factors in each region to the head office.

REINFORCEMENT OF BOD'S SUPERVISION ON RISK MANAGEMENT

In order to reinforce the BOD's supervision of risk management, the establishment of a CSR Risk Management Council (tentative name) under the CSR Committee is being examined. As the company's global presence grows, external stakeholders' interest in risks occurring with respect to corporate social responsibility and sustainability is increasing. The CSR Risk Management Council will analyze and share issues related to these risks to discuss solutions through independent directors, who will supervise the internal management system from an objective perspective.





COMPANY-WIDE RISK MANAGEMENT

Samsung has also established a continuous risk management activity framework through company-wide management systems, along with each unit's risk management functions. The company manages finance and supply chain risks through Global Enterprise Resource Planning (G-ERP) and Global Supply Chain Management (G-SCM). At the same time, it has been able to manage risks throughout the company and prevent risk factors in advance using a self-assessment system through the establishment of various systems such as Global Environment, Health & Safety System (G-EHS) and Global Supplier Relationship Management (G-SRM). In addition, we continuously work hard to improve business efficiency and productivity by standardizing diverse processes and systems located around the world.

Samsung knows that having the highest level of supply chain operation as a global IT company is critical when securing market competitiveness. Real-time monitoring of our global supply chain, which ranges from development, procurement and production to logistics, sales and service, helps the company to detect market changes and abnormal situations, minimizing its supply chain management risks.

BCM: BUSINESS CONTINUITY MANAGEMENT

Samsung conducts a variety of activities to prevent environmental/social/facility risks, such as climate change and disasters worldwide, regional terrorism, and infectious diseases. We have also established a business continuity system at each worksite so that we can supply products and services for customers as scheduled, even if inevitable accidents occur, by minimizing damages and shortening the time period from the occurrence of an accident to the normalization of business operations.

* See page 176 for related content.

MATERIALITY ANALYSIS

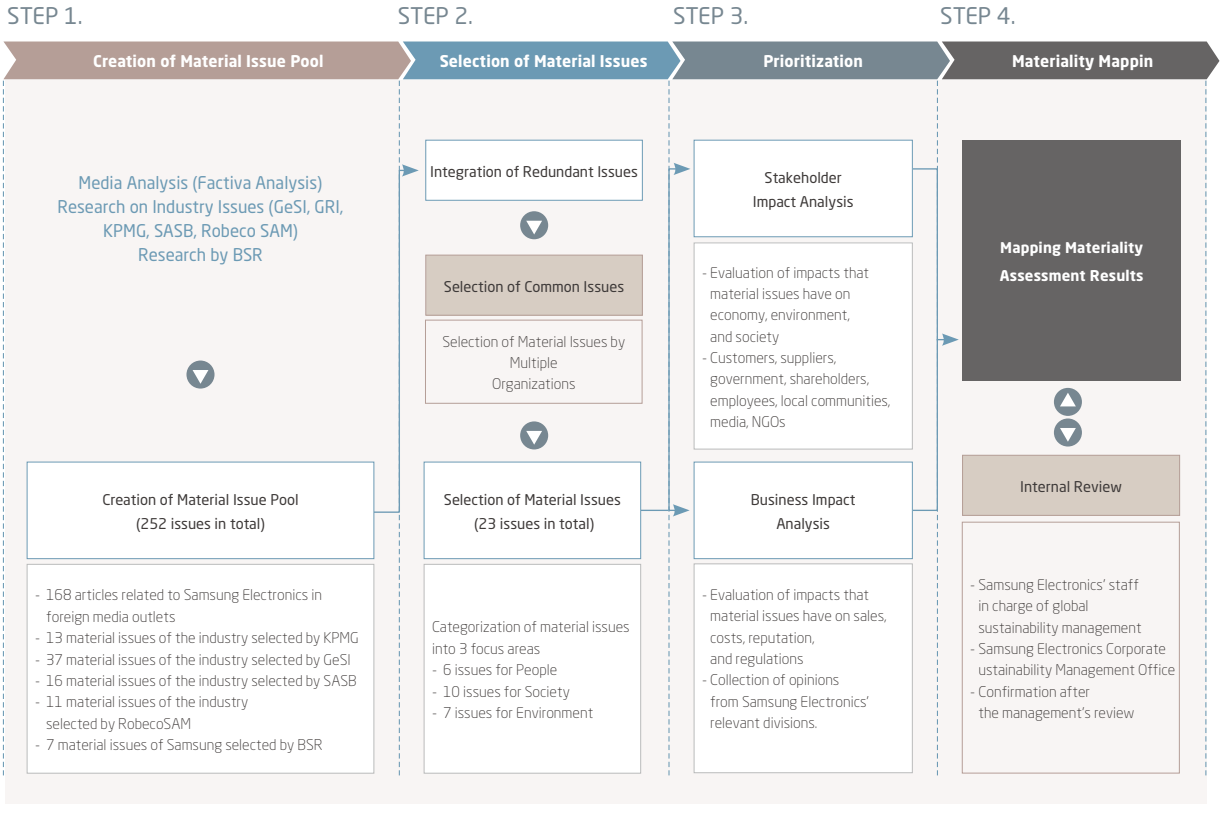
Samsung identifies material issues through materiality assessments and discloses related information in its sustainability report every year in order to communicate with transparency and sincerity by recognizing issues raised by major stakeholders in Korea and abroad as well as improvements to be made. Material issues reflect Samsung's impact on the economy, environment, and society, while they also reflect the corporate information necessary for decision-making by major stakeholders the company defines (employees, customers, governments, shareholders/investors, NGOs, and local communities). The materiality assessment in 2016 was conducted according to the process complemented with the consulting of CSR Europe, a Europe-based sustainability business network.

We have created a material issue pool based on media, industrial environment, global standards and initiatives, and experts' opinions. A total of 24 material issues were then selected for assessment through discussions with relevant divisions at the company. Prioritization of material issues was conducted by combining stakeholder impact (an evaluation of the impact that material issues have on the economy, environment, and society by external stakeholders) and business impact (an evaluation of the impact that material issues have on sales, costs, reputation, and regulations by the company's relevant divisions). In 2016, we additionally reflected feedback and reviews by our global employees on each continent in charge of sustainability management regarding the materiality assessment results. At the same time, we collected opinions through one-on-one interviews with major stakeholders in Europe, such as governments and NGOs, and identified 23 key material issues after a final review and confirmation from Samsung Electronics Corporate Sustainability Management Office and management.

For 23 issues, Samsung's activities and economic, environmental, and social impact in 2015 are disclosed in this report. Also, we are making the level and scope of issue management clear and reflect all of this in the work process through continuous consultation and discussion with relevant divisions. As such, we are securing business continuity by ensuring materiality assessment results are reflected in management's decision-making process and related divisions' business plans.

We will continue to enhance the materiality assessment system by expanding stakeholder engagement in materiality assessment, obtaining feedback on assessment results from stakeholders, and setting countermeasures and future plans for key issues.

Materiality Assessment Process



Key Issues by Area and Assessment Results

PEOPLE

1 Ethical Management & Compliance
2 Board Independence and Diversity
3 Data & Information Security
4 Human Resource Development & Management
5 Fair Labor Practices and Human Rights
6 Workplace Health & Safety
7 Supplier Labor Standards

SOCIETY

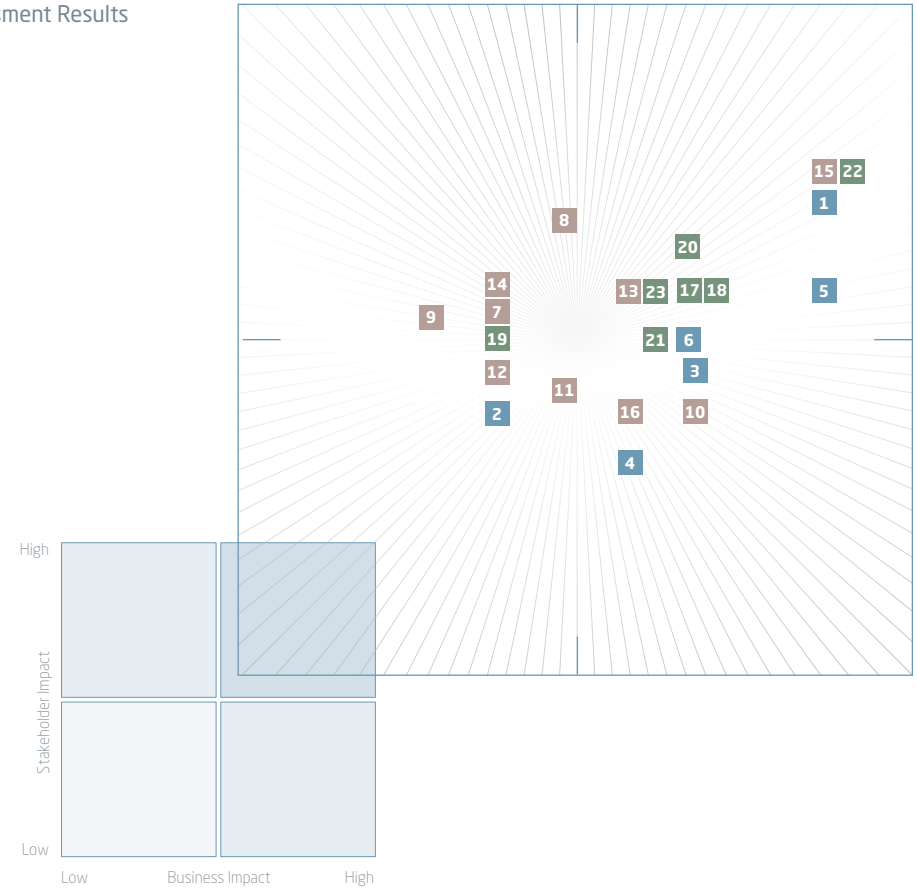
8 Transparency of Information Disclosure
9 Stakeholder Engagement
10 Responsible Procurement
11 Raw Material Risk Management
12 Supplier EHS
13 Co-prosperity with Suppliers
14 Local Community Development
15 Technology Innovation
16 Accessibility Increase

ENVIRONMENT

17 GHG Reduction at Worksites
18 Energy Efficiency
19 Water Risk Management
20 Environmentally-friendly Products & Services
21 Waste Management
22 Hazardous Substance Management
23 E-waste Tackback·Recycling

Materiality Assessment Results

PEOPLE
SOCIETY
ENVIRONMENT



Targets of Material Issues

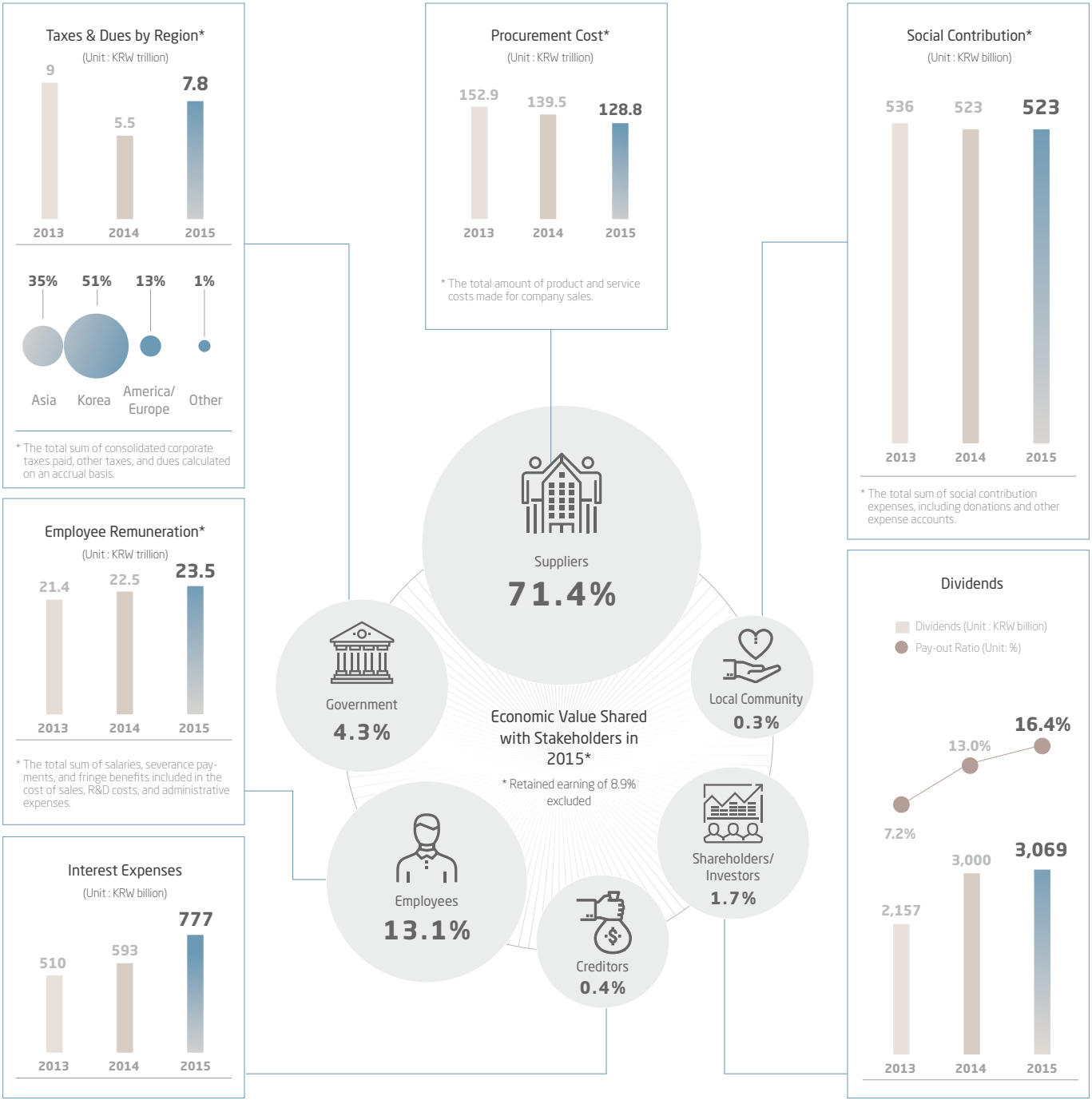
MATERIAL ISSUE	TARGETS	DEADLINE	PROGRESS			PAGE
			More to do	On Track	Done	
Ethical Management & Compliance	Continuous efforts to reduce compliance violations	Every year		●		56-58
Board Independence and Diversity	Prepare the provision that an independent director can be the chairman of the BOD	2016			●	22-23
	Establish the CSR Risk Management Council under the BOD	2016		●		24
Data & Information Security	Reinforce the unit and policies for the protection of personal information	2017		●		59-60
Human Resource Development & Management	Establish processes for systematic human resource development and job competency development (EDP, STaR Session)	2015			●	43-44
Fair Labor Practices and Human Rights	Conduct a human rights impact assessment of employees	2017		●		58, 68-76
	Reinforce cooperation with external organizations such as NGOs regarding major human rights issues	Every year			●	66-67
Workplace Health & Safety	Maintain 100% certification of health and safety management systems at manufacturing sites	Every year			●	168
Supplier Labor Standards	Ban child labor at suppliers' worksites	Every year			●	96-97
	Conduct on-site audits for 100% of selected suppliers for intensive management	Every year			●	95-96
Transparency of Information Disclosure	Disclose policies and activities to prevent forced labor in the supply chain	2017		●		96, 189
Stakeholder Engagement	Identify improvement areas by listening to global opinion leaders in the field of human rights	2016			●	26, 34-35
Responsible Procurement	Achieve third-party verification for 100% of smelters dealing with tantalum, a conflict mineral	Every year			●	103
Raw Material Risk Management	Establish a system to minimize supply chain risks due to natural disasters	2016			●	86, 176
Supplier EHS	Prohibit the use of hazardous substances (benzene, n-Hexane) in suppliers' manufacturing lines	Every year		●		174
Co- prosperity with Suppliers	Provide KRW 50 billion for innovating productivity of secondary suppliers and other SMEs without transactions with Samsung	2017		●		91
	Expand smart factories of domestic SMEs up to 1,000 sites	2017		●		92
Local Community Development	Reinforce cooperation with local stakeholders such as governments and NGOs to spread local community development programs	Every year		●		108-110
Technology Innovation	Lay the foundation for applying IoT to all products	2020		●		135-136
	Make over 1% of our domestic R&D workforce go through C-Lab	2020				126-128
Accessibility Increase	Continue commitment to providing supreme accessibility features embedded in our innovative products and services for the equal benefit to peoples with all abilities	Every year		●		138-140
GHG Reduction at Worksites	Reduce 70% of GHG emissions intensity according to the EM2020 goal (compared to 2008)	2020		●		146
Energy Efficiency	Continuously improve energy efficiency in manufacturing processes	2020		●		168-170
Water Risk Management	Achieve a water resource use intensity of 50 tons/KRW 100 million	2020		●		172-174
Eco-friendly Products & Services	Achieve a development rate of products with the in-house Good Eco Product or higher rating reaching 90%	2020		●		157
	Achieve a cumulative GHG reduction at the product use stage of 250 million tons (started in 2009)	2020		●		146
Waste Management	Achieve a recycling rate of 95% for worksite wastes	2020		●		179-180
Hazardous Substance Management	Reinforce hazardous substance management in manufacturing processes	Every year		●		157-159, 174
	Manage hazardous substances (e.g. PVCs, BFRs, phthalates) in products					
E-waste Tackback·Recycling	3.8 million tons of cumulative e-waste collection	2020		●		156-166

Assessment of the Business Impact from Key Material Issues

Samsung's Material Sustainability Issues	Financial Impact	Samsung's Sustainability Management Value	Business Impact
Stakeholder Engagement	Promotion of relationships through the expansion of stakeholder communication; profitability increase through new product development and new customers secured	Innovation/New Products/ Market Share/Reputation	REVENUE
Technology Innovation	Revenue increase through the development of innovative products and the acquisition of patents	Innovation/New Products	
Eco-friendly Products & Services	Revenue increase through technology development to meet social and environmental demands as well as the creation of innovative products and services	Innovation/New Products	
Accessibility Increase	Revenue increase through new customers and increased market share by developing products and services that all customers, including the socially disadvantaged, can equally use with convenience	New customers/Market Share	
Local Community Development	Local community development and support for welfare to increase customers' purchasing power, which has led to more new customers secured; indirect profitability increase through reinforced corporate brand image	Market Share/Reputation	
GHG Reduction at Worksites	Mid- and long-term cost reduction through the operation of eco-friendly energy	Operational Efficiency	RETURN ON CAPITAL
Energy Efficiency	Cost reduction through improved energy use	Operational Efficiency	
Water Risk Management	Cost reduction through efficiency in water use and reduced wastewater discharge	Operational Efficiency	
E-waste Tackback·Recycling	Cost reduction through the closed loop system, which recycles collected materials to make new products	Operational Efficiency	
Human Resource Development & Management	Cost reduction through the closed loop system, which recycles collected materials to make new products	Human Efficiency	
Ethical Management & Compliance	Cost reduction through the closed loop system, which recycles collected materials to make new products	Ethics/Trust/Reputation/ Consumer Branding	RISK PREMIUM
Data & Information Security	Reduction of risks caused by technology leakage, litigation expenses, and customer secession by protecting corporate and customer information	Trust/Reputation	
Fair Labor Practices and Human Rights	Corporate reputation increase and risk reduction through operations that consider global human rights standards	Ethics/Reputation	
Workplace Health & Safety	Protection of employees and suppliers through worksite safety and accident prevention; risk reduction through the observance of related policies and internal policies	Compliance	
Hazardous Substance Management	Risk reduction regarding health and safety of employees and customers	Compliance	
Waste Management	Risk reduction by meeting regulatory requirements and NGO demands through minimized waste, such as increased recycling and proper handling	Compliance	
Raw Material Risk Management	Risk reduction through the stable supply of raw materials and response to foreign exchange rate risk	Supply Chain	
Supplier EHS	Indirect increase in corporate sustainability management competencies through the reinforcement of suppliers' competencies	Supply Chain	
Supplier Labor Standards	Indirect increase in corporate sustainability management competencies through support for suppliers' technology, funds, and	Supply Chain	MANAGEMENT QUALITY
Co-prosperity with Suppliers	Indirect increase in corporate sustainability management competencies through support for suppliers' technology, funds, and management	Supply Chain/Ethics/Reputation	
Responsible Procurement	Increased social responsibility competencies through raw material procurement that considers social issues	Supply Chain/Ethics/Reputation	
Transparency of Information Disclosure	Increased sustainability management competencies through reinforced communication and reliability between the company and stakeholders	Stakeholder Goodwill/Reputation	
Board Independence and Diversity	Reinforcement of sustainability management competencies, which includes a company's responsibility in ESG (economy, society, and governance)	Innovation/New Products	

ECONOMIC VALUE DISTRIBUTION

Samsung distributes economic value to each stakeholder group as follows.



SOCIETAL VALUE CREATION

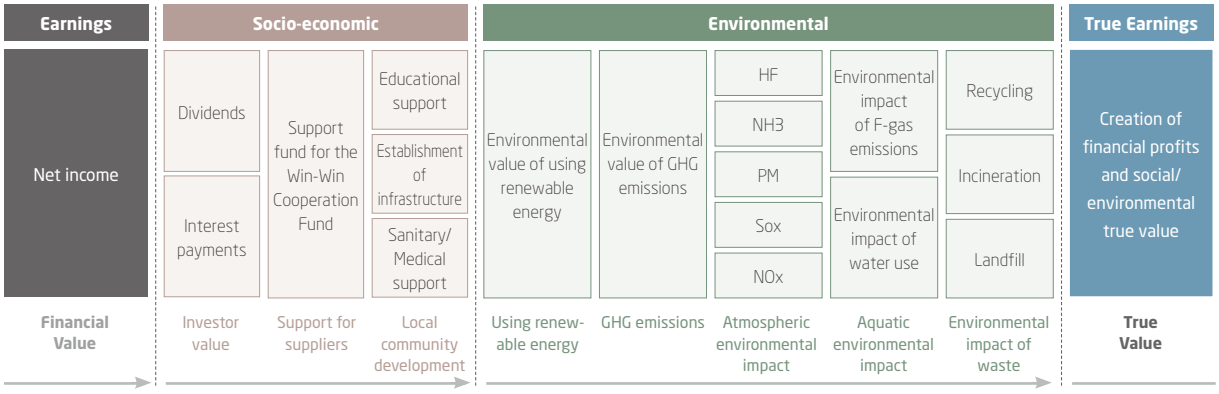
Samsung is committed to contributing to a better world not only by achieving corporate goals through the distribution of economic value in its business activities, but also by creating social value. As it is difficult to actually quantify such activities to create social value, we have established qualitative goals rather than managing quantitative ones. Thus, we are trying the quantification of social and environmental indicators in order to review a series of efforts to create social value, while further exploring our future approach regarding areas to focus on.

To this end, we converted socio-economic and environmental areas of impact into monetary value using KPMG's True Value method. The positive (+) or negative (-) figure for each indicator refers to total social value that Samsung Electronics created or reduced throughout 2015. This is an integrated expression combining "true" and "value," and reflects the value of socio-economic and environmental areas of impact by expanding financial value through business activities.

To select these socio-economic indicators, we organized major activities that contribute to value creation of our stakeholders, such as investors, suppliers, and local communities. Furthermore, for the selection of environmental impact indicators, we measured and reflected positive environmental value caused by the use of new and renewable energy as well as negative environmental impacts due to atmospheric and aquatic impacts and waste discharges. Although we cannot conclude that these indicators reflect the entirety of Samsung's activities, we will continuously systemize and complement them to manage social and environmental goals, and to establish future approaches.

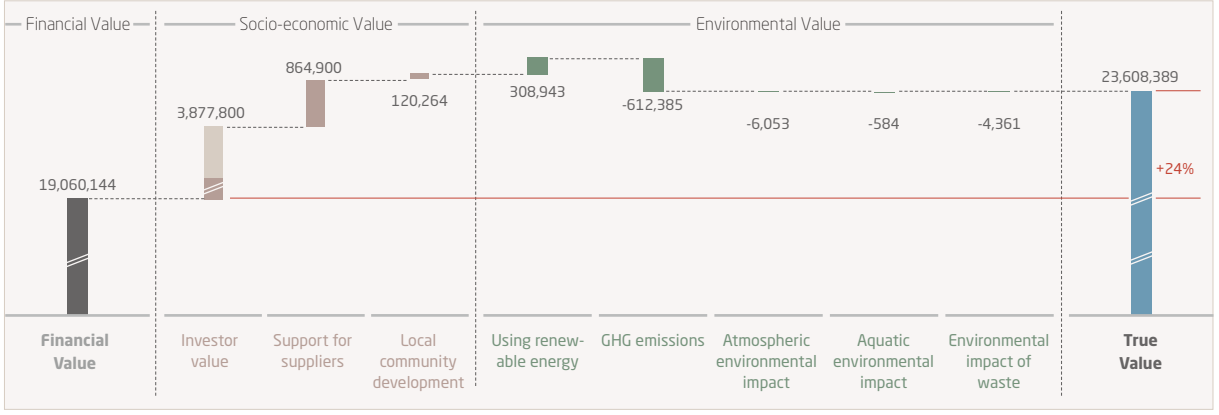
The calculation of true value was conducted by the Corporate Sustainability Management Office in collaboration with KPMG experts.

Structure of Samsung Electronics' True Value



Samsung's financial value in 2015 is KRW 19 trillion, while its true value including socio-economic and environmental value is approximately KRW 23.6 trillion, with a 24 percent increase over the financial value.

(Unit: KRW million)



STAKEHOLDER ENGAGEMENT

Samsung is well aware of the fact that communication with various stakeholders is essential to fulfill its social responsibility as a global corporate citizen. In this regard, we operate diverse communication channels to form a consensus on sustainability management issues and to stablish 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. In 2015, Samsung continued to form a consensus and gathered diverse opinions through active communication with major stakeholders including employees, suppliers, NGOs, shareholders, and investors, while working hard to disclose various types of information with more transparency.

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 stages. Moreover, Samsung is committed to becoming an even more mature company through its efforts to reflect stakeholders' opinions in business management.

Suppliers

Communication Channels

- Programs to support the reinforcement of suppliers' competitiveness
- Hotline
- Meetings with suppliers
- Shared Growth Academy
- Management consulting group for suppliers

Current Activities

- Tech Trans Fair
- Samsung Electronics Supplier Job Fair
- Fund to support suppliers
- Shared Growth Day
- Improvement in Samsung's payment cycle
- Cyber Sinmungo (voice channel) for suppliers

Media

Communication Channels

- Press release mailing
- Samsung Electronics Newsroom (news.samsung.com)

Current Activities

- Support for news gathering
- Media Day

Local Communities

Communication Channels

- Local volunteer center
- Local community council
- Daegu/Gyeongbuk Center for Creative Economy & Innovation

Current Activities

- 5 major social contribution programs
  - Smart School
  - Solve for Tomorrow
  - Tech Institute
  - Nanum Village
  - Care Drive

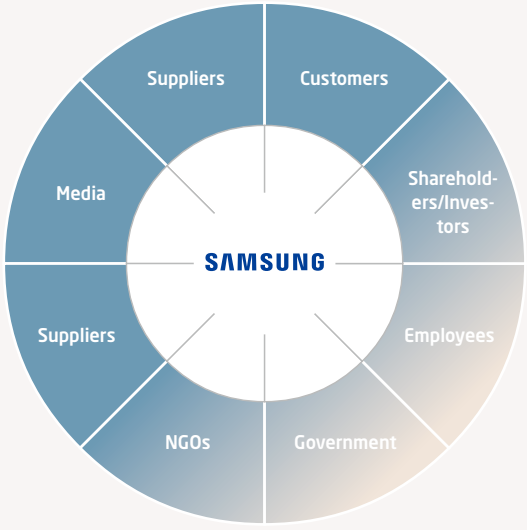
Customers

Communication Channels

- Customer satisfaction surveys by external organizations
- Prosumer activities
- Customer VOC claim processing
- Samsung Electronics Newsroom (news.samsung.com)

Current Activities

- Perception rating by stakeholder group through ReputationIn stitute (Europe)



NGOs/ CSR Councils/Specialized Institutions

Communication Channels

- Business networking events
- NGO meetings
- Electronic Industry Citizenship Coalition (EICC)
- GeSI, BSR, CSR Europe

Current Activities

- Collecting opinions of global NGOs
- Developing a human rights policy jointly with BSR
- Participating in GeSI's human rights working group and SDGs working group
- Participating in the BOD of CSR Europe and discussing the selection of key issues

Shareholders/Investors

Communication Channels

- Investor Relations (IR) meetings
- Annual general meeting of shareholders
- One-on-one meetings • Analyst Day

Current Activities

- Investors Forum (June and November, 2015)
  - Approximately 200 participants, including institutional investors, analysts, and IT experts at home and abroad
  - Explanation of new businesses/technologies such as Samsung Pay, Samsung KNOX, and next-generation NAND flash

Employees

Communication Channels

- Work Council • Counseling centers
- Briefing sessions on management
- Employee satisfaction surveys
- Samsung LiVE • Newsletters
- Opinion submission system (compliance, ethics)

Current Activities

- 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 quarters and future management plans, visions, and strategies
- Employee discussion forum through MOSAIC (July 2015)
  - Online discussion forum under the theme of "Global Personnel Management System Innovation"
  - Over 26,000 employees in total participated with over 1,200 suggestions and comments posted

Governments/Public Authorities

Communication Channels

- Attending Policy gatherings • Attending councils Participation in consultative bodies

Current Activities

- Establishing venture capital channels in collaboration with the government
- Daegu/Gyeongbuk Center for Creative Economy

Stakeholder Communication Case

Our Efforts for Resolution of Leukemia Issue

The leukemia controversy that emerged in Korea related to semiconductor plants began in the latter half of the 2000s, when some employees working at Samsung Electronics' semiconductor production lines developed leukemia. At the time, a civic organization called Banollim, or SHARPS (Supporters for the Health And Rights of People in the Semiconductor industry), raised questions about a suspected occupational disease. During this dispute, Korea's Occupational Safety and Health Research Institute (OSHRI) started carrying out extensive epidemiologic research, while the U.S.-based environmental consulting company Ramboll Environ, Inc. conducted studies of workplace exposure control measures. However, neither found a scientific, causal relationship between workplace conditions at semiconductor production lines and the development of leukemia. There have been similar controversies in the U.S., U.K., and Taiwan, as well as related academic studies done many times in the past. Yet there have been no statistically significant results from any of these research or studies to confirm that working at a semiconductor production line leads to illnesses. Nonetheless, Samsung recognizes this as an important social issue and has worked hard to help address it through open communication with stakeholders despite the lack of a scientific causation.

Entering into Full-scale Negotiations through a Press Conference for "Resolution with Sincerity"

In 2014, Samsung selected three agenda items—financial support, an official apology, and prevention—to start full-scale negotiations with SHARPS. Despite several controversial issues, it provided critical momentum to move forward when CEO Oh-Hyun Kwon expressed our regret at a press conference, and affirmed the company's determination to fully address the situation with sincerity. However, conflict within SHARPS emerged in the first four months of negotiations jeopardizing the process. In fact, six of the eight SHARPS representatives left the organization and formed a Family Committee to demand separate negotiations. In this delicate and complicated situation, which now requires three-party negotiations, the Family Committee proposed a solution through mediation, offering a possible opportunity for a process to solve this challenging problem.

Mediation Committee Advises Compensation as Social Assistance

With the proposal of the Family Committee, former Supreme Court justice and lawyer Ji-Hyung Kim (who specializes in labor law) became the head of the mediation committee, which was launched in December, 2014. The Mediation Committee held six meetings before it announced its recommendation on July 23, 2015. The essence of the mediation was for Samsung to donate KRW 100 billion as social assistance, and to suggest the principles and standards necessary for financial aid, including the diseases to be aided for. Samsung accepted the committee's core recommendation and established a fund worth KRW 100 billion. It also accepted most of the principles and standards presented by the mediation committee as they were. We specifically included former employees of partner companies as recipients of compensation, and raised the assessment standards for financial aid to the level of current wages, which was of the Family Committee's demands. Based on these principles and standards, an independent Compensation Committee was organized, with external experts that included university professors, in September, 2015. The committee prepared detailed action plans for financial aid before Samsung subsequently began implementing them. On September 18, 2015, Samsung started accepting applications for financial aid online, by phone or mail. It then actively assisted applicants by having experts consisting of lawyers and labor attorneys personally visit these people and consult with them. The Family Committee also engaged in the financial aid process. One way it did this was by opening an application channel for compensation.

Financial Aid Disbursement Completed for 110 Applicants

As of the end of 2015, roughly 150 people had applied for financial aid. A total of 110 people or so who were qualified for financial aid through the screening process by the Compensation Committee then received the funds. Those who agreed to the details of the funds also received a written apology from the CEO of Samsung Electronics. Although only one more person had applied for compensation by May 2016, the application desk remains open for anyone who has yet to apply.

Settlement of Prevention Plans with an Agreement between All Concerned Parties

With the Mediation Committee serving as the presider, the three parties—Samsung Electronics, the Family Committee, and SHARPS—finally agreed on prevention plans through the Ombudsman Committee on January 12, 2016. The three parties agreed to appoint Cheol-soo Lee, a professor at Seoul National University's College of Law, as the head of the Ombudsman Committee, and Lee organized the committee by appointing two preventive medicine specialists as its members. The Ombudsman Committee will assess Samsung's semiconductor production lines, advise on conditions to be improved, and check on the implementation process for three years. As for the transparent disclosure of Samsung's worksites to the Ombudsman Committee, the Korean press has reported that Samsung has shown its commitment to openly communicate with society.

1.

2.

1. On January 12, 2016, a signing ceremony for an agreement on prevention plans was held at the law firm Jipyong. The representatives took a photograph after signing the agreement. From left, Samsung Electronics negotiation representative and Senior Vice President Soo-Hyun Baik, chairman of the Mediation Committee and former Supreme Court justice Ji-hyung Kim, the head of the Family Committee, Chang-ho Song, and the head of SHARPS, Sang-ki Hwang.

2. On January 14, 2016, Samsung Electronics CEO Oh-Hyun Kwon (fourth from the left) is seen here taking a photograph after he met with family committee members to deliver a written apology and consolation.

SAMSUNG'S CONTINUOUS EFFORTS FOR SOCIAL RESPONSIBILITY

Samsung's Continuous Efforts for Social Responsibility

Listening to the Voices of Our Employees

Samsung has strong roots in Europe after 33 years of doing business here. This region sets the bar high in terms of socially and environmentally responsible business practices. Consequently, Samsung Europe has become a benchmark for all our global sustainability initiatives. The European sustainability team engages with a wide range of stakeholders to ensure we stay on the front foot. Below we share some examples of how we do this.

Annachiara Torciano

Sustainability Manager, Samsung Electronics Nordic AB

"If sustainability means business somewhere, it is in the Nordic countries. Our customers have integrated environmental criteria in their purchases for a long time. But we see two new trends: a focus on social responsibility and an expectation of increased transparency. We listen to our customers on these topics, and engage with them both publicly and through direct dialogue. The Nordic countries are trend-setters. If Samsung succeeds here, we are in a good place to deliver sustainable business in other parts of the world."

SOCIALLY RESPONSIBLE PUBLIC PROCUREMENT

Northern Europe prides itself in being at the forefront of social responsible business practices. This is reflected in public procurement where social and environmental criteria are becoming increasingly common. Annachiara Torciano, Sustainability Manager at Samsung Electronics Nordic, is just one of many dedicated Samsung employees who work to ensure that our business practices correspond to local stakeholder's needs and expectations.

STAKEHOLDER ENGAGEMENT

Our European sustainability team stepped up its engagement with civil society and thought leaders in 2016 through a series of open dialogue sessions. Focused on the topic of business and human rights, it was a valuable opportunity to gather feedback and ideas for improvement. Violeta Nikolova, European Sustainability Manager in Samsung's Brussels office, initiated the stakeholder engagement session. She also participates in the Human Rights Working Committee of GeSI (Global e-Sustainability Initiative).

ADVICE FROM OUTSIDE STAKEHOLDER

GeSI Chairman's Advice for Sustainability Management

In the first half of 2016, Samsung had a chance to engage with various stakeholders representing international organizations, NGOs, companies, and academia, while also conducting an analysis of material issues from CSR Europe, the official European business network for corporate social responsibility. Among the many stakeholders that took part was Luis Neves, Chairman of the Global e-Sustainability Initiative (GeSI), and Group Sustainability and Climate Protection Officer, at Deutsche Telekom Group.

* Global e-Sustainability Initiative

"As Chairman of GeSI, and as a major customer, I am very encouraged to see Samsung Electronics taking concrete steps to engaging more proactively with stakeholders, to really understand what our priorities are on environmental and social issues. My view is that Samsung should focus first on human rights in the supply chain, based on the UN Guiding Principles. Secondly, Samsung is very well positioned to be involved in the debate around the Internet of Things and the implications for privacy, freedom of expression and data security. I recommend that Samsung recognize such a position and engage in related discussions even more actively."

Luis Neves

Chairman of GeSI and Group Sustainability &
Climate Protection Officer of Deutsche Telekom Group

Violeta Nikolova

Sustainability &
NGO Manager,
Samsung Electronics
Europe Office

"Stakeholder engagement is not new to Samsung Electronics in Europe; in 2014 and 2015 we held a series of roundtable stakeholder events in Brussels on the topic of youth employment and digital skills. In 2016 our team carried out in-depth interviews with thought leaders in the field of business and human rights. Their input helped Samsung to set direction on this topic on global level. Just as importantly, these conversations helped develop mutual understanding."

ADDRESSING CONFLICT MINERALS AND SUPPLY CHAINS

The scope of Samsung's sustainability management is not limited to the company's facilities. We work closely with our partners throughout the supply chain to identify and address potential issues. For example, Samsung joined the Conflict-Free Sourcing Initiative (CFSI) to inform how we work on the issue of conflict minerals in the supply chain. We also joined the Tin Working Group (TWG) to work towards more sustainable tin mining practices in Indonesia.

Cooperation like this is vital as it is impossible for any single organization to solve these complex supply chain issues on its own. Samsung will continue to seek solutions by following a collaborative approach and actively participating in multi-stakeholder initiatives that bring us together with industry peers, local governments, NGOs and sustainability experts. Guillaume Poullaouec, European Environment & Consumer Policy Manager in our Brussels office, is actively involved in this effort.

Guillaume Poullaouec

Environment & Consumer Policy Manager, Samsung Electronics Europe Office

"In a world of limited resources, including extractives, we are mindful of our environmental impact but also about finding solutions to improve the conditions of communities whose livelihoods depend on mining. Until recently my work was focused purely on European Union policy making, but in 2015 I became involved in the Indonesian Tin Working Group. I joined a TWG delegation to Indonesia to gather the government support to this process. Now we are looking at pilot projects which could be launched in 2016!"

GOVERNMENTAL INITIATIVES

Samsung supports several pan-European initiatives, where Government, Business and Civil Society work together. We welcome the chance to play our part in these partnerships.

Wouter van Tol

Sustainability & Citizenship Director Samsung Electronics Europe Office

OUR CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS

At Samsung we measure our success not only in our business achievements, but also by how well we serve our community, protect our planet's resources, and make a difference in people's lives. We welcome the 2030 UN Sustainable Development Goals and we use this framework to align our Sustainability and Citizenship activities.

Evelyn Nicola

Sustainability & Citizenship Manager, Samsung Electronics Europe Office

"While mapping Samsung's sustainability work versus the UN SDGs, I was surprised to see just how much the two already have in common. For example, over the past three years I have worked on our huge Digital Skills program across 28 European countries, which aims to give young people from disadvantaged background a better chance to get a job. This clearly aligns well with SDG 4: Quality Education, and the SDGs also give us inspiration on how to improve further."

"We have made a deliberate effort over recent years to step up our engagement with stakeholders. In early 2016 Samsung was elected onto the Board of Directors of CSR Europe, and we have also teamed up with other companies and European Union leaders on the European Pact 4 Youth. Stakeholder input is particularly important in the area of Business and Human Rights. Are we focusing our resources on the right priorities? What are the latest emerging issues we should consider? How do our own perceptions compare to those of outside experts? Only by speaking to stakeholders do we know whether we are on track to achieve maximum positive impact. There's still much to be done, but I am proud of what we have achieved thanks to the input of many knowledgeable people."

PEOPLE

1. OUR PEOPLE
2. COMPLIANCE
3. HUMAN RIGHTS

Based on the idea that the main power of a company lies in its people, Samsung is committed to establishing a creative environment where all employees can work with pride, while providing opportunities for growth. We also aim to fulfill our social roles and responsibilities as a global company by implementing ethical management while observing all laws and principles. In addition, we will continuously work hard to respect and protect human rights, our most important obligation as a member of a global society.

PEOPLE

1 / PEOPLE

OUR PEOPLE

Material issues

1. Talent management and development
2. Stakeholder engagement and dialogue

OUR VISION

Based on the faith that "a company is nothing but people (people first)," Samsung believes that everyone is a talented person—with unique competencies and potential—and that each one is a driving force moving the world. Therefore, Samsung made human resource management one of its three key management initiatives under its "Vision 2020: Inspiration for a future society, the creation of a new future."

OUR COMMITMENT

We prohibit discrimination due to gender, academic background, race, and age. We also observe all laws and regulations in the countries and local communities where we carry out business and respect the rights of all employees. In addition, we encourage the self-development and creativity of talented people from around the world and aim to strengthen diversity. Furthermore, we support performance-based compensation so that the company can always achieve the very best results.

IN THIS REPORT

Samsung work environments are places where employees can fully display their competencies and bring about the very best results. In this chapter, we describe Samsung's training systems and programs for human resource development, as well as the various activities that ensure a dynamic organizational culture.

TRENDS & CHALLENGES

Economic Recession and Youth Employment Companies need to secure top human resources in order to maintain a competitive edge in today's slow recovery of the global economy. Also, the current youth unemployment crisis is a serious issue around the world. In fact, Korea had the highest youth unemployment rate (ages 16-29) compared to the unemployment rate of core production population (ages 30-54) among all OECD member countries as of 2013. Human resource management is very meaningful in terms of the company's gaining competitiveness and job creation, but is also one of Samsung's social responsibilities as a global company.

Support for Growth and Revelation of Competencies Social and stakeholder expectations for individual employees (both current & retired) are increasing. Accordingly, individual career management and career consulting services are required. To collect employees' creative and diverse opinions, a proper work environment and organizational culture need to be established. For global worksites, local employment based on a fair performance-based system needs to be strengthened to accept diverse ways of thinking and to invigorate communication.

WHAT WE ARE DOING

HR Development for the Future

Operating a three-layer training system consisting of Core, Leadership, and Expertise programs to develop employee competencies and to foster core talent; providing various training programs according to self-assessment results; respecting individual opinions and continuously running the Job Posting program and the Career Consulting Center

Creative Performance-based System

Not only for fair evaluations, rewards, and benefits based on performance, but also an award system to promote employee competency development

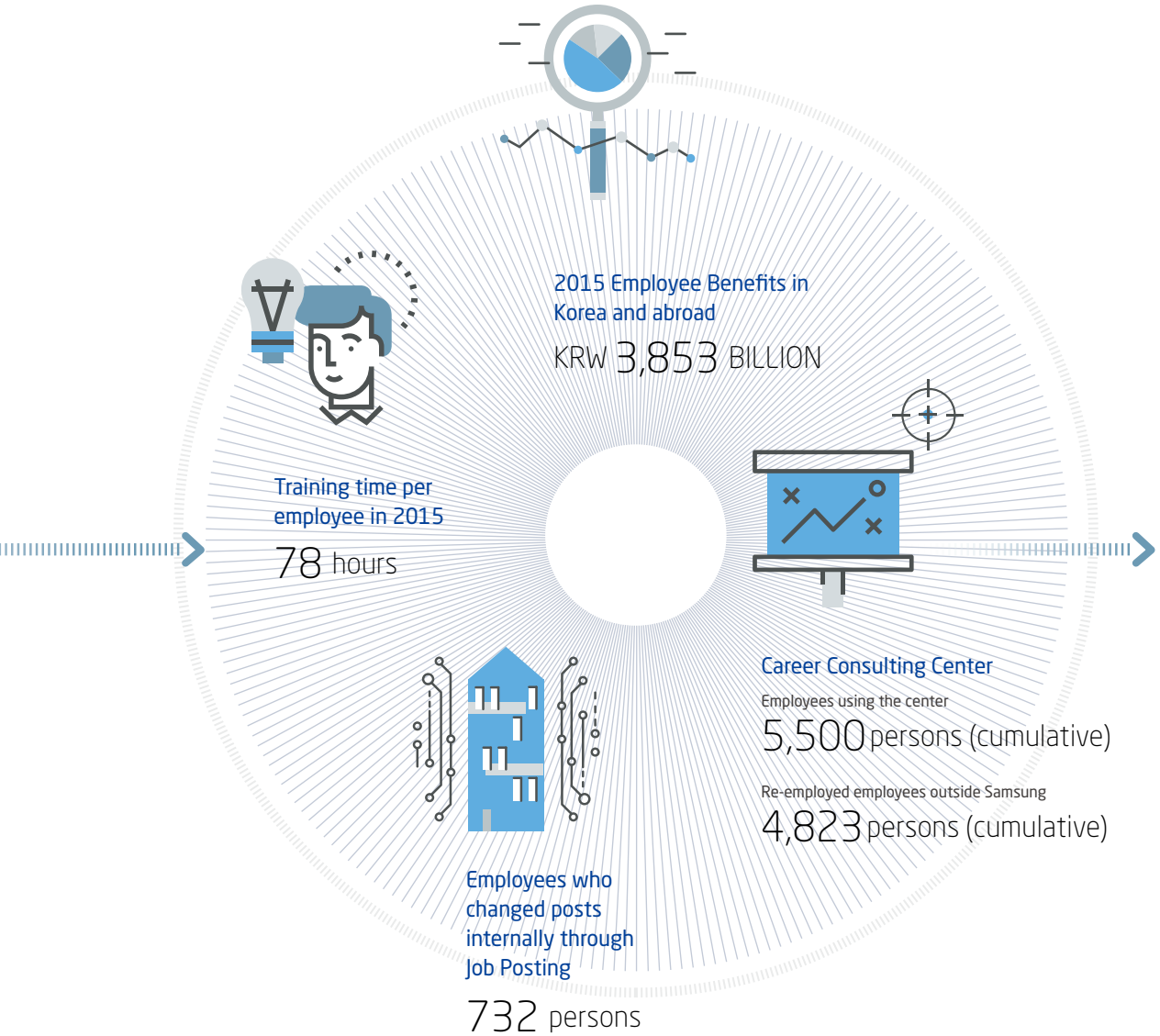
Dynamic Organizational Culture

Establishing an environment where all employees can display their own distinct personalities and talents in a free and creative culture; especially committed to improving organizational vitality through in-house club activities and mental fitness programs

Link to SDGs

[Goal 8] Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value



FUTURE PLANS

1

A Company Where the World's Top Talents Want to Work

One of the qualitative goals of Vision 2020 is to be a company where the world's top talents want to work.

2

Improving Employee Satisfaction

Monitor the results of HR management by continuously collecting feedback from employees, such as through surveys, and establish a clear direction for the future

1

Human Resource Management

Samsung follows a simple business philosophy. We devote our human talent and technology to create superior products and services to help contribute to global society. It is indeed significant that Samsung's business philosophy first mentions "human talent." Based on this belief, we have been focusing on developing and nurturing our employees since the earliest days of our company's foundation, knowing that people lie at the heart of any company. We do encourage our people to reach their full potential by providing the self-regulating and creative environment. Samsung also respects employee diversity and places a priority on protecting the rights of our employees and prohibiting and discrimination by race, age, gender, sexual orientation, ethnicity, disabilities, pregnancy, religion, political inclinations, union membership, nationality or marital status. We are committed to complying with relevant laws and regulations in the countries we carry out our business, while respecting all worker rights. All employees are required to follow 'Employee Code of Conducts and 'Business Conduct Guidelines' at their daily work.

Management System

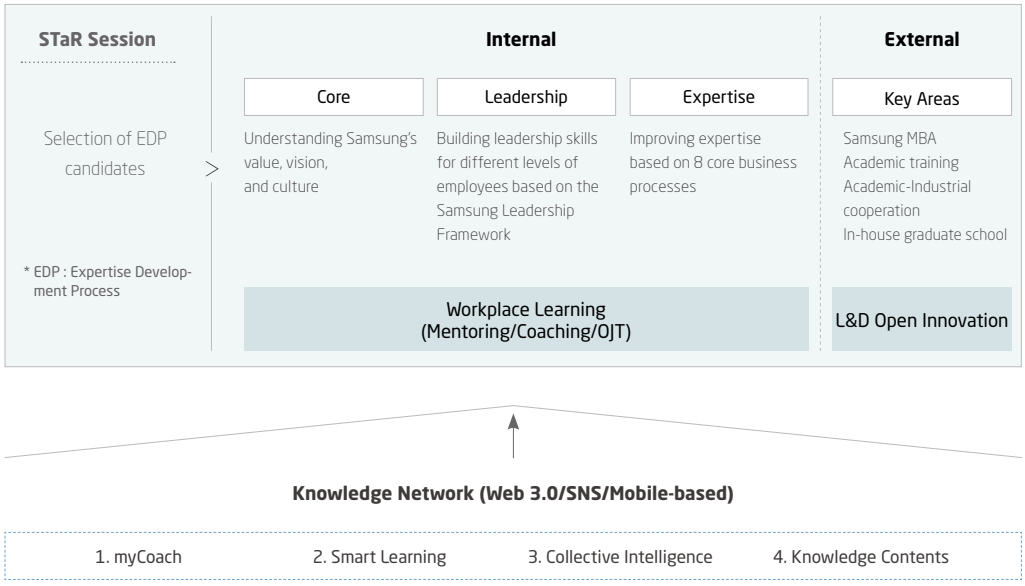
In order to foster human resources for the future, to support employee growth, to establish a creative culture, and to pursue diversity, Samsung operates a well-organized system through specialized units for each goal. Our human resources team includes specialized groups focused on areas such as training and development, organizational capability, and creative culture. HR professionals embedded within each business unit at Samsung have listened to voices from actual worksites as we efficiently cooperate with one another, from the establishment of HR strategies through to their execution.

HR Development for the Future

Learning and Development Process

Samsung supports all of its employees around the world so that they can grow within the same systematic training system. Every year, the company conducts an EDP (Expertise Development Process) assessment for all employees and focuses on self-directed learning by allowing them to set their own annual training plan according to the results of the assessment on individual expertise and skills.

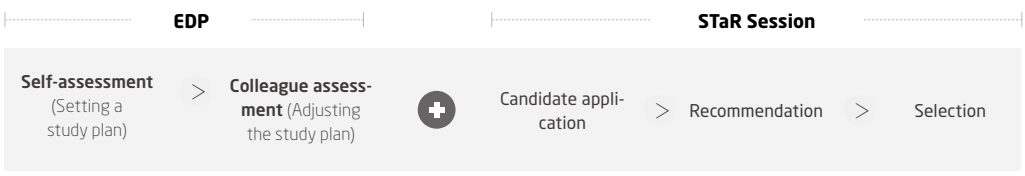
Employee Learning and Development Framework



Assessment and Selection of Candidates

Samsung conducts its STaR (Samsung Talent Review) Sessions in association with its EDP (Expertise Development Process). The STaR Sessions are a comprehensive talent nurturing process that supports employees in designing an individual career path and establishing a clear vision with their supervisor. Through this process employees can apply for various human resource development programs, such as an MBA, academic training, regional expert class, or job expert course. STaR Sessions provide employees with a fair and transparent opportunity in their developmental process through which they can experience a variety of innovation and creative programs, while also allowing the company to build a pool of selected candidates to infuse employee learning and a development system into our strategic and organizational needs. Every year, over 2,000 employees apply for the company's learning and development programs through the STaR Sessions, and Samsung manages the human resource development pool that consists of the most important selected candidates from a mid- and long-term perspective.

Assessment and Selection Process



STaR Session Applicants

Training Programs

Samsung provides training programs tailored to different job levels and positions for all employees around the world based on three pillars— Core Program, Leadership Program, and Expertise Program—so that they share the same vision for our values and future growth. On an annual basis, four million people participate an average of 8 hours with training programs around the world.

Samsung Core Program The goal of the Core Program is to assist all employees in gaining a sense of belonging to the company at Samsung. All new recruits are encouraged to participate in new hire courses before being assigned to their position. All employees also participate in a change leadership seminar on corporate strategy to help them work more proficiently and focus on the multinational arms of a global company.

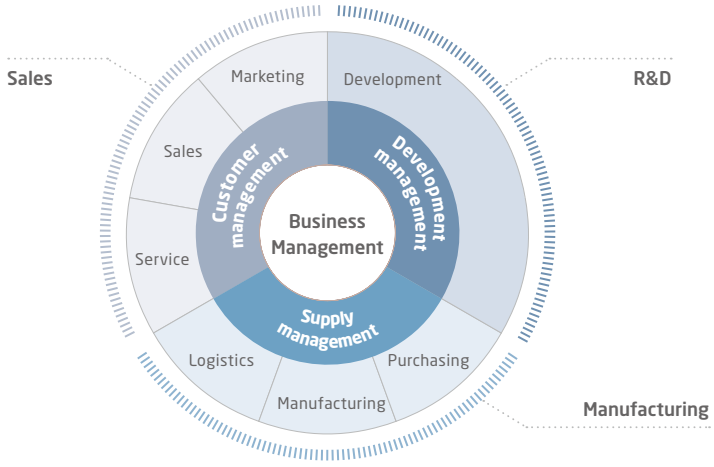
Samsung Leadership Program Nurturing Next-generation Core Leaders. Training for different job levels is conducted based on the Samsung Leadership Framework. Not limited to a simple training program, SLP carries out consistent competency-based personnel management that is closely related to the entire HR process, including recruitment, evaluation, and work force management. Samsung Leadership programs are spreading throughout the company. With that in mind, it supports well-designed programs for core talents including Global Manager Course, Global Director Course, Global Executive Course.

Samsung Leadership Program

5 Leadership Levels	Succession	Leadership Development	Promotion
Subsidiary Leaders		Subsidiary Presidents	
	GEC (Global Executive Course)	Leader of a Function	
Team Leaders	GDC (Global Director Course)	Leader of Managers	Promotion Training
Group Leaders	GMC (Global Manager Course)	Manager of individuals	Promotion Training
Part Leaders		Individual Contributor	
Managers			

Samsung Expertise Program: Developing Industry-leading Experts Samsung offers learning opportunities for employees to become the industry leading expert in respective areas.. In all eight areas—R&D, marketing, sales, service, logistics, purchasing, manufacturing, and business management—each specialized unit, from the Samsung Advanced Technology Research Institute (R&D) and the Samsung Marketing Academy (sales/marketing) to the Global Technology Center (manufacturing) and Global CS Center (service), takes full charge of on-the-job training.

Samsung Expertise Program



2015 Major Learning and Development KPIs

Category	No. of trainees (in million persons, including duplication)	No. of training courses	Training hours per person (Average)	No. of trainers (in persons)
Korea	107	5,295	80	287
Overseas	312	17,907	77	478
Total	419	23,202	78	765

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

	2013	2014	2015
Ratio of L&D expenses to sales (%)	0.05	0.06	0.06
Ratio of L&D expenses to payroll expenses (%)	1.1	1.1	1.1
Average Hours of L&D per person	107.2	95.2	80.0

Ranked 3rd at the 2015 ATD BEST Awards

Samsung was ranked 3rd at the ATD BEST Awards organized by the world's largest educational association, the Association for Talent Development (ADT).

Key Evaluation Criteria

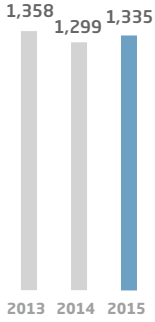
1. Talent development culture: management's interest in a talent development/systematic development system
2. Support for strategic implementation: operation of training programs connected to the company-wide strategy
3. Contribution to performance: the effectiveness and innovativeness of learning

Total L&D Investments (Korea)

(KRW 100 million)

Average L&D expenses per person (Korea)

(KRW 1,000)



R&D Training Courses in 2015

Offline (courses)

18,234

Online (courses)

10,387

US Patent Registration in 2015

(patents)

5,072


1 Seoul R&D Campus
2 Fitness Center

Samsung Seoul R&D Campus

The Center of Openness and Innovation

Samsung established the R&D Center in 2015 with the aim of creating synergistic effect in design and R&D as well as exploring future growth engines. Samsung Seoul R&D Campus has five ten-story buildings and one eight-story building on the land of 330,000 square meters. Currently, over 4,000 employees are working at different parts of the campus including the Design Management Center, Software Center, and DMC R&D Center.

Creative Work Environment

Samsung Seoul R&D Campus was designed to be office space where employees' creative ideation and collaboration are enc ouraged with the keywords of "innovation" and "openness." It is equipped with abundant space for meetings where they can freely share and discuss their ideas. Especially, the Design Center facilitates collaboration and communication between divisions through its open-type ceiling. Besides, the campus supports the environment for higher work efficiency and relaxation with a fitness center, an attached clinic, a refresh room, and a meditation room.

Creative Performance-based System

Based on a performance-based philosophy that says where there is performance, there is a reward, Samsung's fair evaluation and reward system enables talented people to focus on work and achieve the highest performance. We also support employees with their career management not only while they are with the company, but also after they leave Samsung.

Performance Evaluation

Samsung conducts achievement evaluations on the annual performance of employees according to the goals established by the employees themselves. It then uses the results as basic data in rewarding, promoting, developing, and selecting leaders. To manage their performance, the company conducts achievement evaluations in terms of work process and results as well as competency evaluations with respect to individual competencies and career management, which ultimately reinforces the organization's competencies. On top of this, we work hard to ensure the fairness of all evaluations. Performance management consists of four steps: setting goals → interim/regular interviews → evaluations → interviews based on the results. Furthermore, every evaluation is processed through a computerized system. Also, if an employee is not satisfied with the evaluation, they can be re-evaluated after lodging a formal objection. Today, we are continuously improving the evaluation process by providing manuals and regular training for evaluators to ensure absolute fairness.

Performance-based Rewards

Award System

Through its award system, Samsung selects excellent employees who made superior achievements in various areas of work, thereby continuously improving individual competency and motivating employees. This was the inspiration behind establishing the Samsung Award of Honor, which not only rewards people for outstanding achievements, but also plays a role in spreading a spirit of success throughout the organization. Starting with Joe Stinziano in 2012, Samsung Electronics America (SEA) has since produced three recipients of the award. David Das won the award in 2014 and Shane Higby took home the award in 2015. The fact that all three recipients belong to SEA and once worked as part of the Visual Display Business (which has enjoyed the No. 1 global TV market share for 10 straight years) clearly shows the influence that the Samsung Award of Honor has as an instrument to promote the spirit of success.

Selection & Promotion

Samsung continues to foster next-generation leaders by promoting talented people who have greatly contributed to the company's performance. At Samsung, we are particularly focused on workplaces in the fields of R&D and sales & marketing, which collectively represent the foundation for future growth. In addition, we have a personnel management system in place befitting of a leading global company where world-class human resources are selected regardless of gender or nationality and brought together to achieve the very best performance results.

Career Management

Job Posting

Samsung provides employees with the chance to change jobs through the company's Job Posting program so that they can develop their career while still with the company. Job Posting can be conducted anytime when there are job openings. Additionally, all procedures—from announcements and the receiving of applications to the screening process including interviews—are carried out using a computerized system. For the past three years, a total of 1,700 people have succeeded in changing their job, gaining new opportunities for growth along the way.

Career Consulting Center

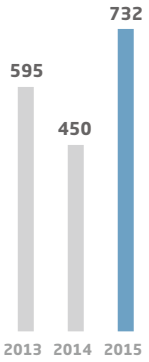
Samsung launched the Career Consulting Center (CCC) in 2001 in order to provide retirees with opportunities for a new start and to support current employees preparing for their future. This is the company's future-planning program to provide employees with practical assistance. The CCC's major functions include job changing education & consulting, career consulting for current employees, and external job matching. Job changing education consists of programs for executives and for starting up new businesses, while some individuals are assisted with employment at small- and mid-sized companies outside Samsung. The CCC is Samsung's human resource development program that offers its employees with new opportunities to prepare for the future, while helping them find solutions for their present-day worries. A well-known example is that of an executive who had 25 years of experience in developing monitors and integrated circuits for TVs, as well as five years of experience in quality assurance, and found employment at a middle-standing company as a plant manager in 2013.

1 Views of the Career Consulting Center

Career Consulting Center

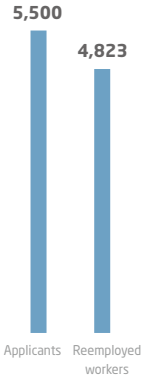
Training programs	External programs	Job placement
· Life Design (for current employees) · Support for changing jobs and startups	· In association with local governments (Moving to farming/fishing/countryside villages) · Acquiring professional licenses	· Government & public organizations · Business partners and other companies

Annual Job Posting Scope



1,777
persons

Reemployment through the Career Consulting Center



Reemployment Rate

87.7%

Dynamic Organizational Culture

Reinforcement of Work Engagement

A Self-regulating Work Environment

Samsung continuously works hard to ensure it supports a quality-oriented work style. Leading examples include flexible working hours, which enable employees to adjust their own working hours depending on individual situations; remote working/working from home; and mobile offices that enable company work on a smartphone. As such, the company continues to improve working hours and working spaces so that people can focus on their particular job regardless of time or space.

Access to Culture

Concerts at the Samsung Electronics Leadership Center

Opened on November 1, 2014, the concert hall at the Samsung Electronics Leadership Center is a 1,200-seat performance hall exclusively for classical music. One to two concerts by famous orchestras or ensembles from Korea or abroad are held every month, with audience members consisting of employees, their families, as well as 200 non-employees, including local residents. These concerts contribute to heightening culture in the local community.

1 Performance by an orchestra
2 Performance by an ensemble

In-house Clubs

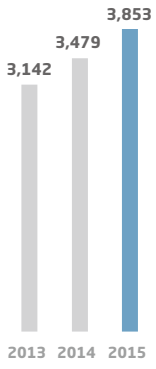
Samsung supports in-house club activities so that employees can learn various aspects of culture and maintain vitality through hobbies. Currently, 69,954 employees are engaged in 1,956 clubs in the fields of sports, leisure, arts & culture, and talent sharing. The in-house club activities are not limited to the company itself, but are also connected to social contribution and support for socially challenged people as seen in programs such as Invitation Performances for Local Residents, Sports Exchange Events with Local Clubs, and Performances at Facilities for the people with disabilities.

Employee Benefits

Samsung offers a number of benefits programs that are designed based on the characteristics of the region where each worksite is located in an effort to improve the quality of employees' lives. We provide not only benefits for employees based on each country's social security system and legal standards, including medical services and insurance, but also support medical checkups, medical expenses, family events, educational expenses, recreational facilities, health-care benefits and selective benefits. In addition, we give consolation money for fire victims in certain situations. Total expenditures for employee benefits increase every year, and in 2015 we spent more than KRW 3.48 trillion.

Expenditure for Employee Benefits

(KRW billion)



Mental Fitness Management

Life Coaching Center

For the purpose of reinforcing employees' mental health and relieving their stress, Samsung operates 14 specialized counselling centers and eight mental fitness clinics inside the company. Staff members at the counselling centers are all specialists who have certified licenses, while the mental fitness clinics have full-time psychiatrists that provide one-on one counselling and treatment for employees experiencing difficulties in marriage, raising children office life, and stress management. The company provides healing programs for employees with heavy workloads and those nearing potential burn-out syndrome in an effort to manage mental fitness risks in advance.

In addition, Samsung operates a mediation room at each business site's counselling center and offers easily accessible theme-based programs such as eating meditation, walking meditation, color therapy, and pain relief programs to provide ways to prevent/handle stress effectively. Individual counseling and treatment information remains confidential according to the counsellors' code of ethics and the Medical Service Law.

Major Programs

Support for work-life balance	Mental health reinforcement	Promoting colleague relationships
Child-rearing coaching, classes for happy couples, and more	Coaching for sleep improvement, anger control, and more	Personality type test workshops, conversation skill coaching, and more

Samsung Electronics Counselling Centers & Psychiatric Clinics

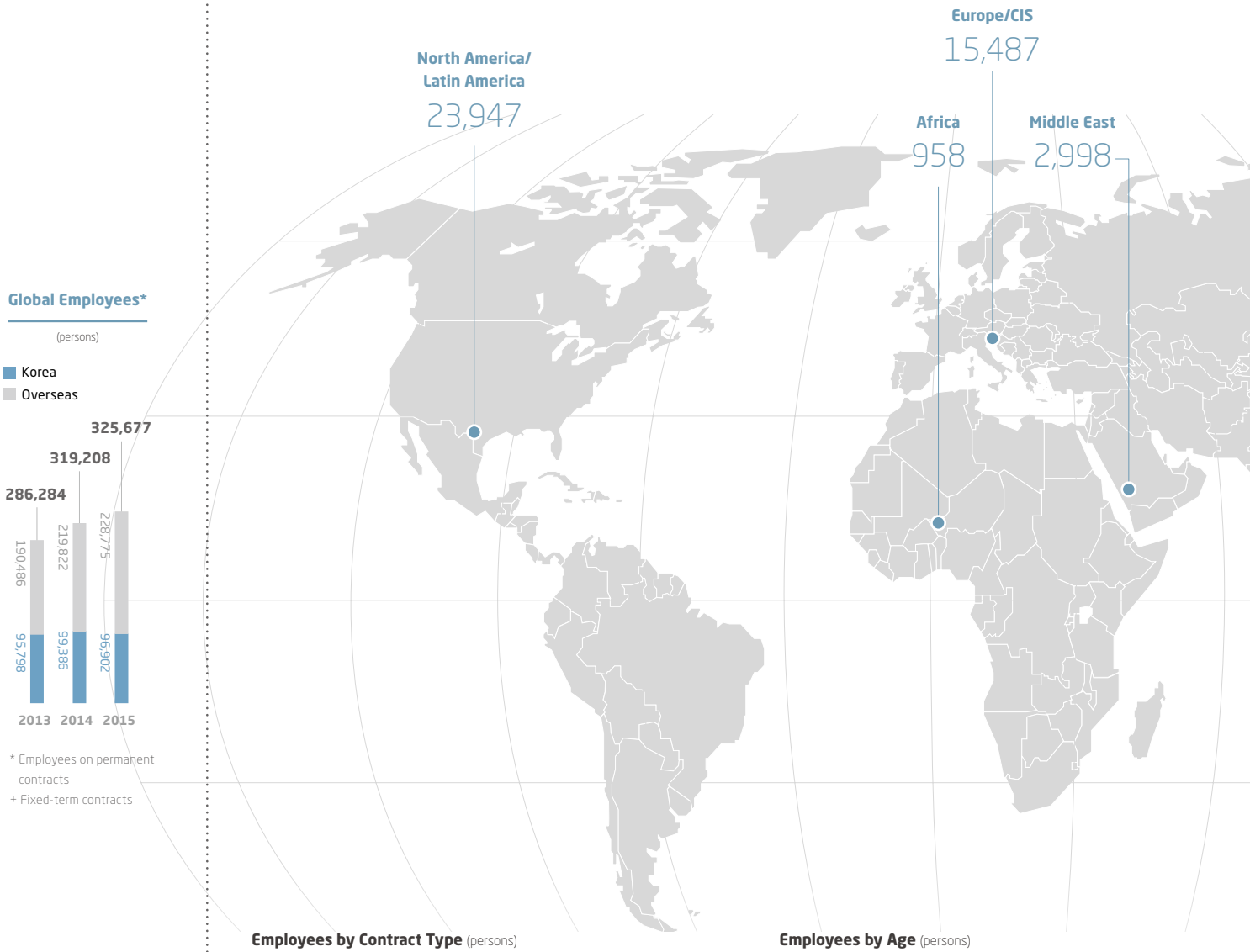
	Counselling centers (places)	Professional counsel-ors (persons)	Psychiatric clinics (places)	Psychiatrists (persons)
Suwon	3	14	1	2
Gumi	2	5	1	1
Gwangju	2	3	1	1
Seoul	2	3	1	1
Giheung	1	4	1	1
Hwaseong	3	10	2	3
Onyang	1	2	1	1
Total	**14**	**41**	**8**	**10**

Healing Campus

The Samsung Electronics Leadership Center operates a Healing Campus for employees and their families every weekend. The campus offers a variety of healing programs that make use of specialized SELC facilities, such as a concert hall, a meditation room, a Rest Park, and a gym. The programs at the Healing Campus include Weekend Family Outings (participants regain strength through freestyle meditation and strolling) and a Couple's Healing Stay (couples have time for true communication over a two-day period).


1 Couple Meditation
2 First Aid Class

Employees Data

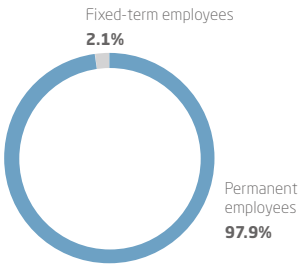


Global Employees*

(persons)

* Employees on permanent contracts
+ Fixed-term contracts

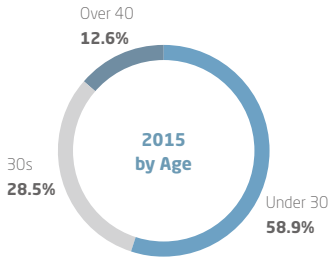
Employees by Contract Type (persons)



	2013	2014	2015
Employees on permanent contracts	275,133	310,036	318,965
Employees on fixed-term contracts	11,151	9,172	6,712

* Korea: non-regular + part-time / Overseas: contractors + apprentices

Employees by Age (persons)



	2013	2014	2015
Under 30	164,173	187,052	191,986
30s	87,134	92,874	92,701
Over 40	34,977	39,282	40,990

Employees by Region (persons)

	2013	2014	2015
Korea	95,798	99,386	96,902
Southeast Asia/ Southwest Asia/Japan	79,601	112,041	140,437
China	60,316	56,492	44,948
North America/ Latin America	28,733	27,996	23,947
Europe/CIS	18,362	18,602	15,487
Middle East	2,612	3,565	2,998
Africa	862	1,126	958

Employee Recruitment by Region (persons)

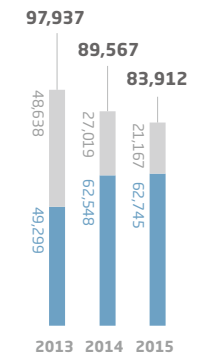
	2013	2014	2015
Southeast Asia/ Southwest Asia/Japan	43,776	55,095	66,695
China	35,634	22,780	8,580
North America/ Latin America	10,744	5,220	6,186
Europe/CIS	5,887	4,010	2,007
Middle East	1,495	1,992	293
Africa	401	470	151
Total	97,937	89,567	83,912

Turnover Rate (%)

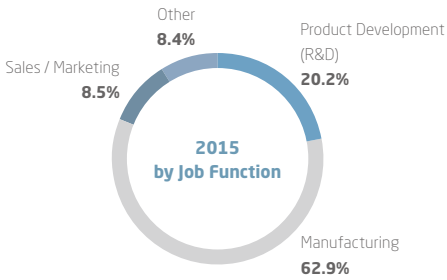
	2013	2014	2015
Korea	2.9	3.1	5.0
Overseas	16.9	19.1	15.9

Overseas Employee Recruitment by Type

(persons)

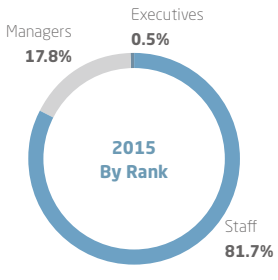


Employees by Job Function (persons)



	2013	2014	2015
Product Development (R&D)	69,230	70,398	65,602
Manufacturing	159,488	188,235	204,943
Sales/Marketing	29,794	31,785	27,788
Other	27,772	28,790	27,344

Employees by Rank (persons)



	2013	2014	2015
Staff*	236,777	261,751	265,944
Managers	48,078	54,447	58,105
Executives	1,429	1,518	1,628

* Including other types (e.g. flextime)

2 / PEOPLE
COMPLIANCE

Material issues

1. Ethical Management and Compliance
2. Data and Information Security

OUR VISION

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. Compliance with laws and ethics is Samsung's No. 1 business principle, and to this end, the company is committed to eliminating any unlawful and unethical acts while fostering an organizational culture of integrity.

OUR COMMITMENT

As a company involved in business activities in countries around the world, Samsung is aware of different laws and regulations as well as practices and aims to carry out its business in fair and ethical ways. 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. We respect everyone's privacy, including our employees and consumers, and we are committed to protecting personal information.

IN THIS REPORT

In order to appropriately respond to the globalization of the business environment and business diversification, along with changes in regulations around the world, Samsung monitors global trends and reinforces compliance through Business Conduct Guidelines and other methods. In this chapter, we introduce our efforts to create shared value through compliance management and data protection.

TRENDS & CHALLENGES

Compliance and Anti-corruption It is necessary to continuously check whether the company's management system to prevent bribery or corruption corresponds to the latest trends and whether it is widely applicable both inside and outside the company. Furthermore, we should ensure Samsung's employees and internal/external stakeholders are all aware of this matter.

Diversification of the Business Environment It is necessary to prevent and actively respond to countless changes and related risks, such as intellectual property risks due to new technology development, fierce competition in the global market, and expansion of the supply chain in developing countries.

WHAT WE ARE DOING

Principles of Compliance Management

Systematically manage the elements of compliance by classifying them into areas including compliance, data protection, security, corruption, and intellectual property rights; apply the 'Global Code of Conduct' and the 'Business Conduct Guidelines' so that employees can do business with clear law-abiding consciousness and a sense of responsibility.

Management System

Systematically manage compliance, ethical management, legal affairs on personal information, patents, and taxes; launch the Global Privacy Office and further strengthen related risk management efforts in 2015.

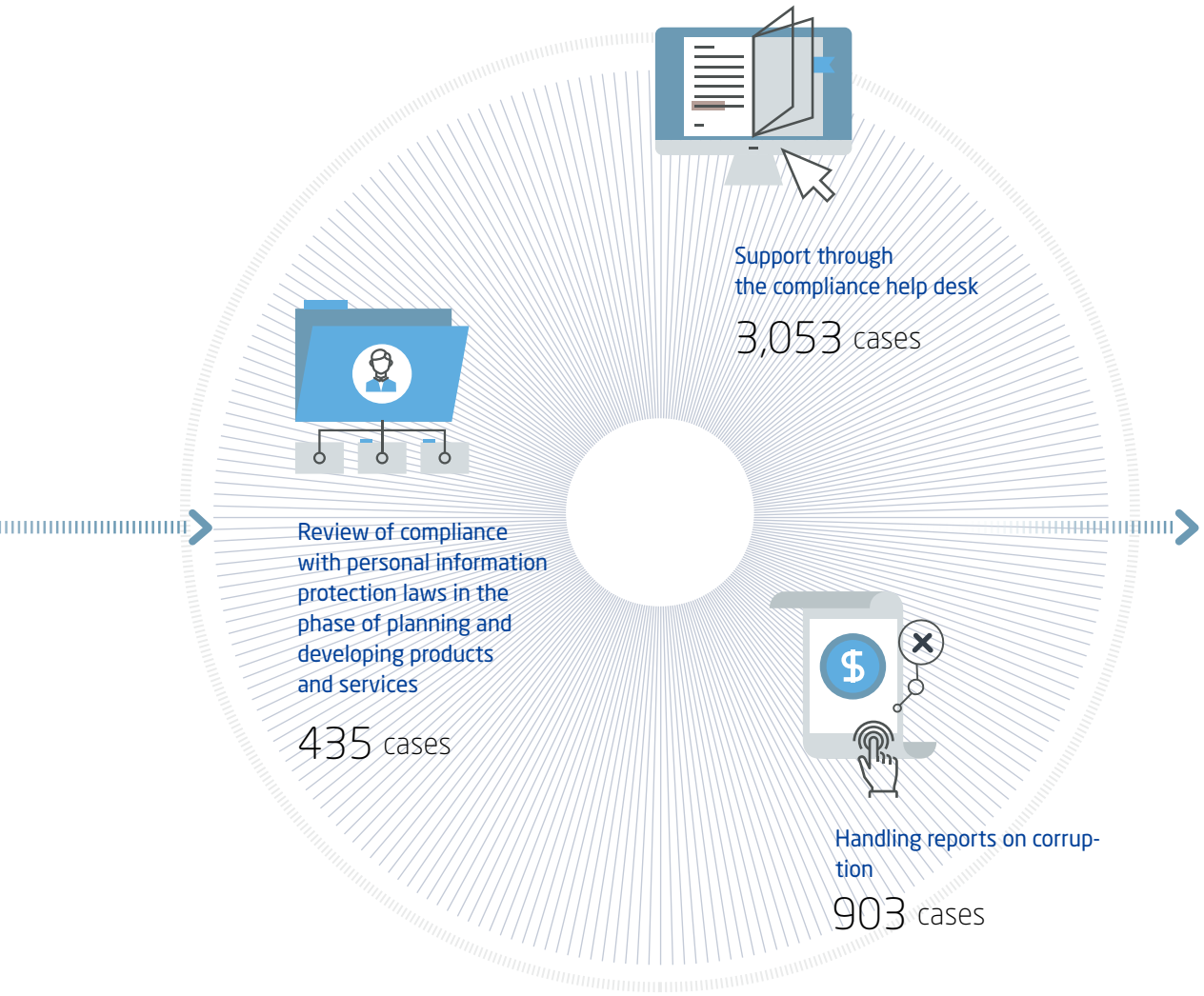
Activities and Programs

Conduct compliance training and anti-corruption activities for all employees as in the previous year; strengthen the program on data protection in 2015

Link to SDGs

[Goal 16] Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels

16.5. Substantially reduces corruption and bribery in all their forms



FUTURE PLANS

1

Raising Employee Awareness of Compliance

Plan to continuously provide/update related training in order to raise awareness of ethical management and compliance company-wide, including global business bases (production subsidiaries, sales subsidiaries, research centers)

2

Reinforcing Cooperation with Regional offices

Enhance the level of company-wide ethical management and firmly establish global compliance, such as promoting compliance and locally customized activities and programs by systematically reinforcing cooperation between relevant divisions at all regional offices(legal affairs, audits, etc.)

2

Organization and Operational Structure

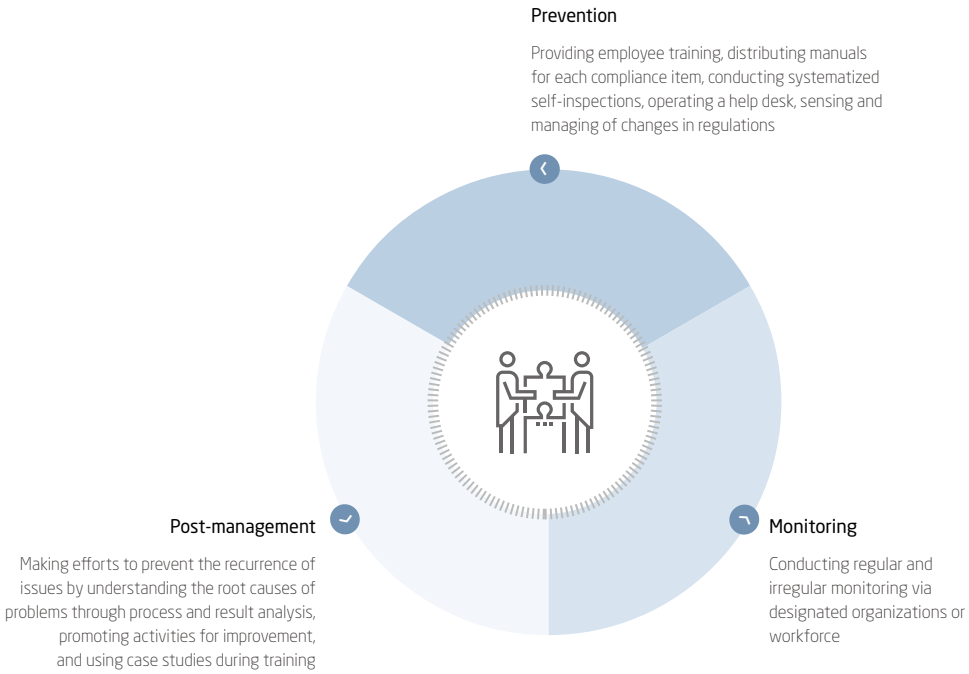
Compliance Program

In order to establish compliance management as part of its organizational culture, Samsung Electronics' compliance programs focused on three key areas: a compliance management system, the prevention of unlawful activities, and responding to changes in the legal environment.

Compliance Framework

We put the highest priority on the prevention of compliance risks through identifying changes in the legal environment and employee training. In addition, we conduct regular & irregular monitoring, and analyze the results of responding to identified issues to prevent any recurrence of risks.

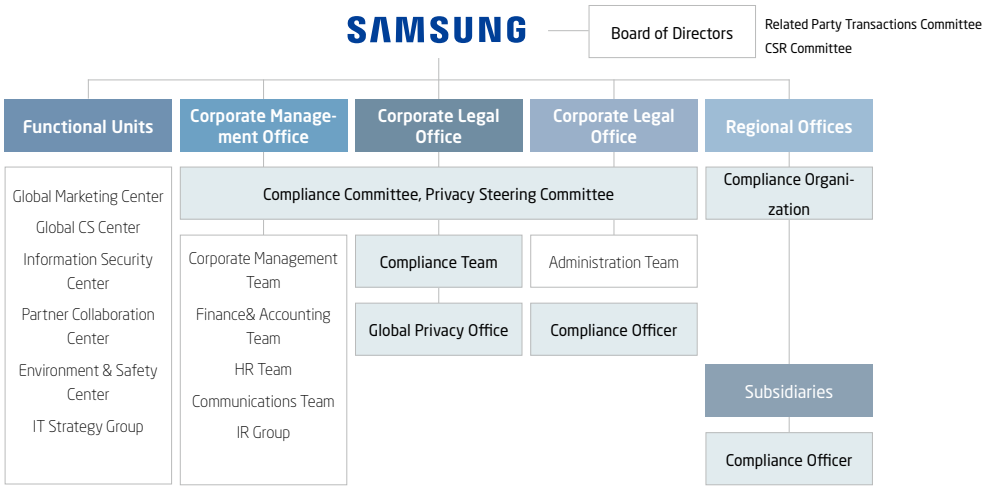
Compliance Management System



Organizational Structure

To implement compliance management, Samsung operates the Compliance Team and the Global Privacy Office, both of which are centered around the Compliance Committee, a top decision-making body on this matter, as well as the Privacy Steering Committee . Also, we operate individual compliance organizations for each business division and overseas regional offices. The compliance organizations for regional offices are responsible for monitoring the compliance management of subsidiaries or branches within their regions and operating localized compliance programs.

Organizational Structure for Compliance Management



Management System

Samsung has established and operated various compliance management systems in the areas of compliance, ethical management, data protection, HR, and IT.

Compliance Management System by Area

Classification	Management Area	Management System
Compliance	Self-inspection, report of compliance violation	Compliance Program Management System (CPMS)
Code of Ethics	Corruption prevention, report of violation	Ethical Management System
Personal information	Data protection regarding products and services	Privacy Legal Management System (PLMS)
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	Global Environment, Health and Safety System (G-EHS)
Commerce/Other	Customs/rules of origin	Global Policy & Procedure Manuals (GPPM) management
		Contract management system

Compliance

Approach

In order to establish a compliance culture—the most basic part of corporate social responsibility—Samsung continuously reinforces its compliance management system and makes law-abiding consciousness the foundation for all business activities and decision-making through the refurbishment of all training and systems. In addition, we operate a compliance program to minimize potential management risks caused by problems such as price fixing and infringement of intellectual property rights, while strengthening responsibility in human rights and EHS.

Key Management Areas

1 Antitrust
2 Intellectual property rights
3 Anti-corruption
4 Consumer protection
5 Trade
6 Labor
7 Environmental safety
8 Subcontracting

Organization

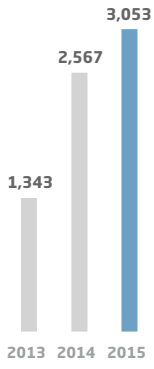
Under the Compliance Committee, there are over 400 staff members, including a company-wide Compliance Team, responsible for compliance management in functional units, business divisions, and overseas subsidiaries to enhance the execution of compliance at work. Staff members in charge of functional units support the Compliance Team, monitor regulations related to their own jobs, and respond to pending issues based on the Compliance Team's recommendations. Also, we have separate compliance officers for business divisions and overseas subsidiaries to respond to regional compliance issues.

Organizational Roles and Responsibilities

Management	Audit & Risk Sensing
Compliance Committee Establishing compliance-related corporate policy · Supporting decision-making of top management on key issues · Supervising the compliance program	**Business Division's Compliance Officer** Examining the compliance program in each business division and providing training · Providing immediate reports on new issues and post-management
Compliance Team Integrated management of the company-wide compliance program · Establishing and revising operational criteria of compliance programs · Providing employee training and conducting integrated management of information on regulations	**Compliance Organization in Regional Offices** Operating the compliance program in regional offices or subsidiaries · Providing immediate reports on new issues and post-management · Providing consultation (help desk) and training in all regions

Inquiries to Help Desk

(Unit: cases)



Compliance Management System

Compliance System

Samsung provides detailed policies and shares the monitoring results from each region through the Compliance Program Management System (CPMS). Furthermore, the company operates a help desk within the CPMS through which employees can request one-on-one consultation with experts when they have inquiries about their work and the relevant laws and regulations.

The number of inquiries to the help desk has continuously increased since April 2011, when the company announced its Compliance Declaration, which is seen as contributing to establishing employees' law-abiding consciousness and actual work processes. Moreover, an anonymous reporting system, operating within the CPMS, also helps to prevent instances of non-compliance. Samsung ensures that the personal information of those who contact the help desk and their reports remain thoroughly confidential so that they will not have any disadvantages due to reporting.

Ethical Management System

Samsung has several channels for reporting violations of its ethical standards in each region via telephone, fax, and the ethical management website. The website (http://sec-audit.com) is available in 14 languages, including English, Japanese, Chinese, and Spanish through 67 Samsung Electronics websites. Reported incidents are classified and processed according to their type. Incidents related to unethical business conduct and customer complaints have been received and successfully resolved, excluding cases in which claims could not be verified, and were unrelated to the company or were found to be factually incorrect. Of all reported cases in 2015, customer complaints were 58 percent and cases related to unethical conduct were 13 percent. 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.

Ethical Management website

http://sec-audit.com

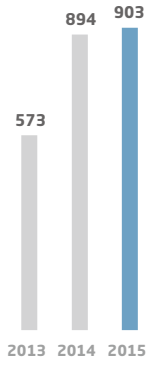
Types of Reports

(Unit: %)

Classification	2013	2014	2015
Unethical Conduct	38	19	13
Customer Complaint	50	56	58
Other	12	25	29

Reports of Ethical Management Violation

(Unit: cases)



Training

Raising Compliance Awareness

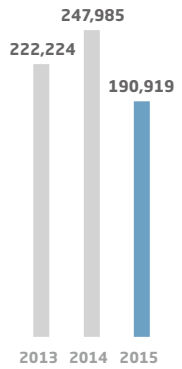
Samsung promotes the company's compliance management for all employees at worksites around the world, while also raising compliance awareness of individual employees. We conduct basic compliance training for all employees at least once a year and offer advanced customized training related to specific job functions and ranks.

Compliance Training Programs

Offline Training				Online Training
Fundamental · Change	Theme by Business · Job Function	Global Mobility	Advanced for Executives	e-Learning
Introductory courses for new and experienced employees	Training on subcontracting and anti-corruption	Courses for employees dispatched to headquarters	Courses for the Global Strategy Council	Courses for data protection and bans on the abuse of dominance

Compliance Training Participants

(Unit: people)

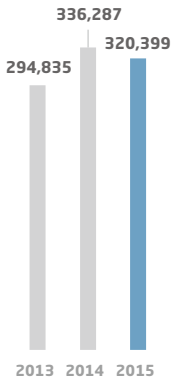


Corruption Prevention Training

To establish an ethical, transparent corporate culture, Samsung conducts corruption prevention training for all employees in Korea and abroad at least once a year in a variety of forms, such as in-person, online and audiovisual training programs. Samsung also shares the Guidelines for Staff and Executives to support employees learning the standards of corruption by themselves, while providing Guidelines for Partners to share the company's policy with business partners.

Corruption Prevention Training Participants

(Unit: persons)



Monitoring

As a global company, Samsung has continuously worked hard to establish an organizational culture that strictly abides by local laws and regulations in every country around the world. Recently, each country's laws and major international organizations' policies towards corporate social responsibility tend to be stricter than before. As a result, it has become even more important to sense changes in legal environments and pre-emptively respond to them. In response to this, Samsung is reinforcing the management of issues such as the environment, human rights, and anti-trust laws, all of which can directly affect business activities. We also respect the spirit and purpose of the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights, thereby working tirelessly to manage risks and identify improvement plans regarding major human rights issues such as child labor, migrant workers, conflict minerals, and personal information protection. Furthermore, we continuously communicate with employees about compliance and ethical obligations through various channels as below. In addition, we conduct regular audits on compliance management at each subsidiary every year to identify weaknesses and conduct improvement activities by analyzing root causes. By doing this, we operate a system to mitigate compliance risks and ultimately prevent risks in advance.

Management System for Changes in the Legal Environment

Classification	Cycle	Description
Ansim Report	Triweekly	Analyzing major law enactments and revisions and sending them to executives
Ansim News Scrap	Daily	Clipping news articles on regulations and sharing them with the persons concerned
Ansim Newsletter for Subsidiaries	Monthly	Headquarters delivering sensing information and messages to subsidiaries
GPRS[1)]	Frequently	Sharing trends of major policies and law enactment of each country
Human Rights Impact Assessment Report	Biannually	Analyzing trends with human rights policies and law enactment of major countries and international organizations; analyzing the corporate responsibility and influence according to the UNGP[2)]

1)GPRS: Global Policy & Relations System / 2)UNGP: United Nations Guiding Principles on Business and Human Rights

Establishing a Compliance System for Subsidiaries after M&As

Samsung is implementing various plans to have technology leadership for future growth engines and carries out M&As and investment in new technology companies and startups. In 2015, we conducted compliance audits for subsidiaries merged through M&As.

We also review non-compliance risks, including issues related to personal information and trade secrets in businesses we plan to carry out through the acquired subsidiaries, offer guidance on areas that do not meet Samsung's global compliance standards, and operate a Post-Merger Integration (PMI) program to reinforce those subsidiaries' compliance system.

- Compliance management activities: Establishing a system to share legal consulting, establishing a contract management process, designating staff in charge of compliance, and providing compliance training

Data Protection

Policy on Personal Information

Samsung announced its Global Policy on Personal Information to reinforce data protection, and has policies in place that reflect regional regulatory environments and local characteristics. We made a checklist to examine personal information risks at each stage of planning, development, operation, and disposal of products and services and then made preventive measures mandatory.

We also provide guides such as Privacy Guidelines and the Data Protection Handbook Employees' Guidelines on Personal Information to support all employees in thoroughly managing personal information they may get while working. For this, we organized a unit exclusively in charge of this issue, and conduct training on personal information protection for all employees.

Three Key Strategies for Data Protection

Reinforcing Units in Charge	Reinforcing Employee Training	Establishing a Data Protection Management System
There is a unit in charge of data protection in the Corporate Legal Office directly under the CEO. Also, each business division appoints lawyers in charge of data protection to raise expertise.	We conduct online/offline training on data protection for all employees according to different job requirements such as planning, R&D, and marketing.	To strengthen data protection from the early stage of developing products and services, we operate a Privacy Legal Management System through which lawyers in charge of this issue review whether the company's policy is reflected throughout the stages of products and services.

For more information on the data protection, see the 'Business Conduct Guidelines'.

Organization

To reinforce personal information protection, Samsung established an organization exclusively in charge of personal information protection in 2015, placing it directly under the head of the Corporate Legal Office. The organization is responsible for establishing strategies of data protection, operating policies, building/reinforcing processes, consulting/supporting privacy legal management, and preventing/auditing security issues regarding products and services. In addition, we designate a Data Protection Officer (DPO) at each business division, regional offices, and major subsidiaries, while reinforcing data protection through a Data Protection Manager (DPM) at each bushiness hub.

Organizational Roles and Responsibilities

Classification	Unit	Description
Management	Privacy Steering Committee	Deciding on key protection measures
		· Deciding on key policies
		· Discussing technological, managerial protection measures
		· Sharing issues and discussing countermeasures for each product/business division
	Global Privacy Office	Operating strategies and policies; establishing processes for data protection
		Consulting/supporting privacy legal ma nagement
		Preventing/auditing security issues regarding products and services
		Employee training and PR
Audit & Risk Sensing	Staff in charge of data protection at business divisions	Auditing data protection programs in business divisions and training
		· Providing immediate reports on new issues and post-management
	Units in charge of data protection at regional offices	Operating a data protection program for each regional office or subsidiary
		· Providing immediate reports on new issues, measures and post-management
		· Providing consulting and training in the region

Operation of PLMS for Product Development Projects

(Unit: number of projects)

Planning
129

Development
305

Use
1

Reinforcing Data Protection Regarding Products and Services

Samsung is committed to protecting users' personal information throughout the process of planning and development of products and services. The company operates its Privacy Legal Management System (PLMS) based on the Privacy by Design approach to review personal information at each stage from legal and technological points of view. PLMS is connected with Product Life-cycle Management (PLM) system, a global R&D project management system in which Samsung's products and services consider data protection from the stages of planning and development. Such efforts by the company are realized through various products and services.

A Case of Reinforced Data Protection: Samsung Pay

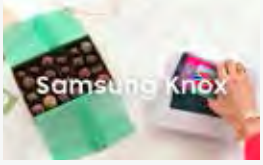
Samsung Pay emerged as the most powerful entity in the mobile payment market after it was released in Korea and the U.S. in 2015. Although we are constantly working hard to increase users' convenience, some people are still hesitant to use it because they worry about security. There are three reasons that Samsung Pay is safe.

Reason 1. Only you can use the fingerprint recognition system

The biggest problem with an ordinary credit card is that anyone can use the card even if one is not its owner or if one did not know its PIN number. Therefore, it causes worry when you lose your credit card or have it stolen. However, Samsung Pay clearly solved this problem. To pay using Samsung Pay, you need to go through a verification process via fingerprint (PIN number is also usable). Payment is possible only with your agreement, so it significantly reduces the danger of theft.

Reason 2. Complete security for all information through 'Digital Token'

Samsung Pay encrypts credit card information and replaces it with a 'Digital Token', a virtual one-time number. Thanks to the tokenization technology, all transactions are done using the one-time token number instead of the credit card number. Even if the number is hacked, it is safe because the actual credit card number cannot be identified through the one-time token number. Also, during the payment process, the card number does not appear on the smartphone screen, so your card number is not exposed to others.



Reason 3. Equipped with KNOX, a top security solution recognized by governments of many countries

Still, some people feel anxious about Samsung Pay even with no need to worry about theft. This is because they worry about hacking. With frequent news on smartphone hacking, such anxiety grows, but Samsung Pay has the most powerful security solution called KNOX. KNOX, installed in Samsung's Galaxy series, monitors malicious software in real time, and thoroughly protects personal information such as payment records from the danger of hacking. The security technology of KNOX is also acknowledged with many mobile security certifications from the U.S. Department of Defense, the U.K. government's CESG, as well as the governments of China, France, Finland, and Russia.

Global Code of Conduct

Samsung established the Global Code of Conduct in 2005 in order to fulfill its responsibility as a global corporate citizen that is expected by its stakeholders, including customers, shareholders and employees, as well as the world. The Global Code of Conduct consists of a preface, five major business principles, 17 specific principles, and 59 action guides. It specifies action guides for a global citizen along with the company's principles in all of its activities based on compliance with laws and ethical standards.

Structure of Global Code of Conduct

			
Preface	5 Major Principles	17 Specific Principles	59 Action Guides
Goal and Purpose	Principle 1. We comply with laws and ethical standards	1-1. We respect dignity and diversity of individuals	Specific Action Guides
		1-2. We compete in accordance with laws and business ethics	
		1-3. We maintain transparency of accounts with accurate recording of transactions	
		1-4 We do not get involved in politics and maintain neutrality	
		1-5 We protect information on individuals and business partners	
	Principle 2. We maintain a clean organizational culture	2-1. We make a strict distinction between public and private affairs in our duties	
		2-2. We protect and respect intellectual properties of the Company and others	
		2-3. We create a sound organizational atmosphere	
		2-4. We maintain the dignity of Samsung Electronics in our external activities	
	Principle 3. We respect customers, shareholders and employees	3-1. We put priority on customer satisfaction in management activities	
		3-2. We pursue management focused on shareholder value	
		3-3. We endeavor to improve our employees' quality of life	
	Principle 4. We care for the environment, health, and safety	4-1. We pursue environment friendly management	
		4-2. We value the health and safety of human beings	
	Principle 5. We are a socially responsible corporate citizen	5-1. We sincerely execute our basic responsibilities as a corporate citizen	
		5-2. We respect the social and cultural values of local communities and practice coexistence	
		5-3. We build up relationships of co-existence and co-prosperity with business partners	

Business Conduct Guidelines

In order to implement sustainability management more specifically in 2015, Samsung established the Business Conduct Guidelines and disclosed it in its sustainability report. Based on the five core values of the company, the guidelines consist of 41 basic guidelines within 14 high-level categories of items, including the preface. The guidelines suggest the standards for employees to abide by while carrying out various business activities.

Today, the demand from various stakeholders such as customers, shareholders, employees, NGOs, and international organizations is gradually increasing, and international society's level of expectation about corporate social responsibility is getting higher. We will continue to complement the Business Conduct Guidelines according to changing global trends and policies.

Structure of Business Conduct Guidelines

Preface
1. Our Commitments and Policies
2. Managing Risks
3. Scope of the Guidelines
4. Using the Guidelines
5. Reporting Violations

People

Human Rights
6. Work Environment
7.Employment Conditions
8. Listening to Our Employees
9. Privacy of Our Employees
10. Equality and Diversity
11. Prevention of Child Labor
12. Prevention of Forced Labor
13. Responsible Sourcing

Health and Safety
14. Employee Health and Safety

Excellence

Customer and Quality Management
15. Responsible Sales and Marketing
16. Product Quality Management

Green Management
17. Environmental Safety Policy
18. Eco-friendly Products and Technology

Change

Accessibility
19. Improving IT Accessibility

Innovative Technology
20. R&D and Innovations

Integrity

Data Protection and Privacy
21. Proprietary Information
22. Protecting the Information of Others
23. Acquiring Information from Third-party
24. Handling Information
25. Insider Trading

Responsible Asset Management
26. Intellectual Property
27. Using Assets and Premises

Fair Competition
28. Anti-trust
29. Fair Contracts
30. Fair Trade
31. Tax Policies

Anti-Corruption
32. Gifts, Hospitality and Lobbying
33. Working with Governments
34. Political Activities

Conflict of Interest
35. Avoiding Conflicts of Interest
36. Public Statements and Social Media Usage

Co-prosperity

Supply Chain Management
37. Supplier Management
38. Co-prosperity Activities
39. Chemical Substances in Product

Corporate Citizenship
40. Creating Shared Value
41. Contributing to Local Communities

Tax Risk Management

We are committed to conducting all business related activities in compliance under the tax policy of 'Law Observance & Transparent Tax Report and Payment' and 'Contribution to the National Finance and Society through Tax Policy Improvement'. In addition, we thoroughly assess various elements related to taxation and put the highest priority on duly complying with tax-related obligations.

Tax Management Policy

Law Observance & Transparent Tax Report and Payment

1	2	3
Samsung complies with the laws and regulations of countries with its business presence, and fulfills its responsibility for transparent tax report and payment. To this end, we maintain an open and transparent relationship with the tax authorities of each country, and provides relevant factual grounds and 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 Assessment

Samsung is committed to preventing all sorts of tax related risks that can occur during 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 considersthe results together with other factors to make a final decision. When we assess tax risks related to business activities, we focus on the following.

Tax Risk Management

Samsung 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 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 related laws and maintains fair trade prices in transactions with-third-parties and persons with special relations. For international transactions as well, we adhere to regulated prices by law and to prevent risk.

Contribution to Local Community Development through Tax Management

Samsung's business and operation contribute to local communities around the world. We are considered as a major taxpayer and investor in many countries and we make a significant contribution to job creation every year. Moreover, we play a critical role in vitalizing 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 transparent tax payment. In addition to paying corporate taxes, we also indirectly contribute to the local economy by paying surtax and withholding tax.

Key criteria to asses tax risks related to business activities

1. Thorough analysis of specific factual grounds
2. Review of local and international tax regulations and practices
3. Scenarios of profits and costs depending on as many plans as possible
4. Possibilities and existence of potential risks
5. Countermeasures to risks

3/ PEOPLE
HUMAN RIGHTS

Material issues

1. Fair labour practices and human rights
2. Workplace health and safety
3. Stakeholder engagement

OUR VISION

Samsung is committed to respecting and protecting human rights, the most important and basic obligation as a member of a global society. We respect and align our policies with various international organizations' agreements and recommendations regarding human rights, and we abide by all laws and regulations in countries and local communities where we conduct our business.

OUR COMMITMENT

Samsung does not discriminate against stakeholders, including employees and customers, due to nationality, race, and/or religion, and does not tolerate any form of forced labor, exploitation, or child labor. We will continuously work hard to establish a pleasant work environment and to prevent accidents by complying with international standards, relevant laws, and internal regulations.

IN THIS REPORT

Society's expectations on how businesses and governments should protect, respect, and remedy human rights are constantly increasing. Samsung welcomes this trend and continuously does its utmost to guarantee employees' rights and improve their health and safety as well as their work environment. In this chapter, we introduce our efforts to prevent human rights violations and to mitigate any negative human rights impact in all our business activities. In addition, we explain our efforts to develop a mutually cooperative labor and management relationship for co-prosperity based on trust along with grievance channels to listen to the opinions of employees regularly.

TRENDS & CHALLENGES

Human Rights & Work Environment in a Value Chain Some suppliers of global companies were reveled to have poor work environments. Certain stakeholders blamed the original contractor's lack of control because the scope of responsibility for a company is expanding from the company itself and its suppliers to the overall value chain. This is one of the issues that today's multinational companies doing business globally face. It requires continuous efforts and must be addressed through cooperation among industry, governments and civil society.

Securing Diversity Diversity is an important element of business management with the development of a global society. Career discontinuity after childbirth or difficulty in achieving a work-life balance still remains an obstacle for career development. Guaranteeing equal employment opportunities for women and people with disabilities, and for all people regardless of race, age and sexual orientation is another aspect of our corporate social responsibility.

Demand or Safety Management Leadership Various industrial accidents are caused by a lack of protective measures or unsystematic reports on incidents. The industrial world is required to respect human rights and minimize risks due to accidents by guaranteeing workplace health and safety and at the same time to improve corporate productivity, thereby contributing to the development of a country's economy.

WHAT WE ARE DOING

1 **Philosophy and Principles**
Samsung respects international human rights and labor standards and as a member of the Electronics Industry Citizenship Coalition (EICC), complies with EICC's Code of Conduct.

2 **Human Rights and Key Management Areas of the Work Environment**
Key management areas selected based on surrounding conditions include the guarantee of voluntary labor, observance of working hours, respect for diversity, and workplace health and safety

3 **Inspection on Human Rights Violations at Worksites**
Assessing worksites' human rights impact to identify and implement improvement tasks; continuously make efforts for increased human rights by operating grievance channels and programs and holding Work Council meetings

4 **Workplace Safety and Health**
Along with systematic accident management based on OHSAS18001, analyzing physical burden factors that could occur during production processes and making a database in order to establish an ergonomic work environment

5 **Pursuit of Diversity**
Pursuing non-discriminatory policies for diversity; adopting an in-house certification program called Samsung Barrier Free (SBF) to promote the well-being of employees with disabilities

6 **Employee Benefits**
Supporting various benefits programs customized for regional characteristics and situations of the region where each worksite is located

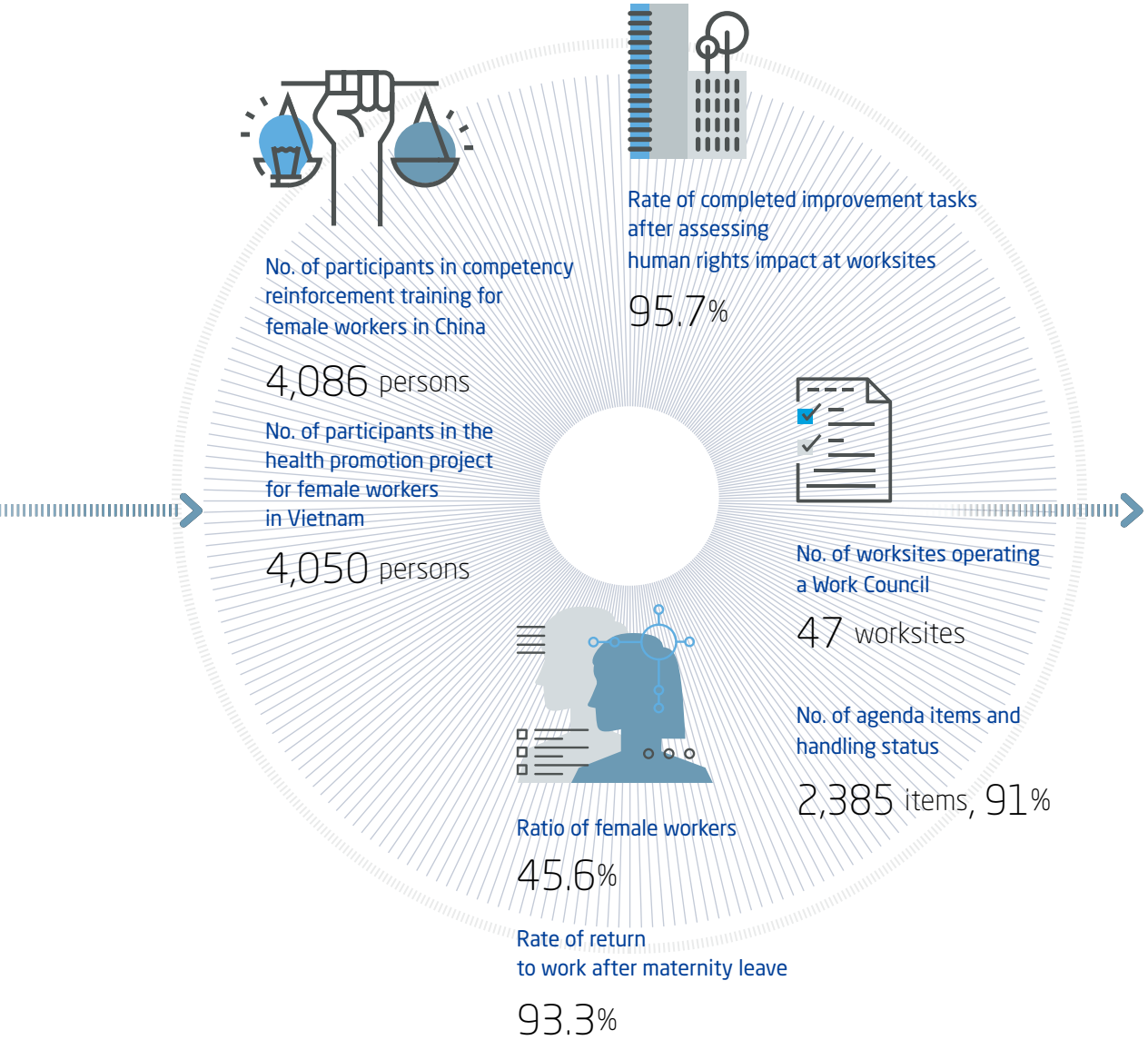
Link to SDGs

[Goal 3] Ensure healthy lives and promote well-being for all at all ages
3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination

[Goal 5] Achieve gender equality and empower all women and girls
5.1 End all forms of discrimination against all women and girls everywhere
5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

[Goal 8] Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms
8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

[Goal 10] Reduce inequality within and among countries
10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status



FUTURE PLANS

1

Raising Employee Awareness about Human Rights

Conduct in-depth training on human rights and focus on case studies for all employees

2

Human Rights Impact Assessment

Analyze human rights risks and their impact to improve the work environment

3

Expansion of Cooperation Efforts/ Partnerships

Conduct business activities that meet the high expectations of external stakeholders

3

Philosophy and Principles

As a global company, Samsung respects the fundamental human rights of every citizen including the rights of its workers pursuant to international human rights principles and standards. Samsung is committed to abiding by all laws and regulations in the countries and local communities where it operates. We also respect the UN Universal Declaration of Human Rights (UDHR) and the UN Guiding Principles on Business and Human Rights (UNGPs). At the same time, as a dedicated member of the Electronics Industry Citizenship Coalition (EICC), Samsung fully complies with EICC's Code of Conduct, a core requirement that takes into account various international standards.

In order to properly implement all of these principles, we abide by the Samsung Code of Conduct, which is based on five major business principles that we announced in 2005, an ethical standard of business conduct in all activities. We consistently work hard to fulfill the social and ethical responsibilities expected from us by stakeholders and cultures around the world based on a high level of in-house regulations. One example of this is our effort for integrating human rights into business management as part of the Business Conduct Guidelines we established in 2015.

Key Areas of Human Rights Protection

At Samsung we are aware of our role and responsibilities with regard to human rights, which is why we do our utmost to mitigate any negative human rights impact. To this end, we have continuously reinforced key management areas including: a guarantee of voluntary labor, observance of working hours, respect for diversity, and workplace health and safety. In addition, we promote our understanding of human rights in cooperation with external stakeholders such as CSR & human rights experts and NGOs, while also developing policies customized for each country and region. In fact, Samsung has selected three specific groups who may be at risk to have their rights violated children , apprentices, and migrant workers. We are constantly improving and updating our policies to better protect their labor rights, including mandatory respect for workers' fundamental rights, such as the prohibition of inhumane or discriminatory treatment, as well as a zero-tolerance policy with respect to child labor.

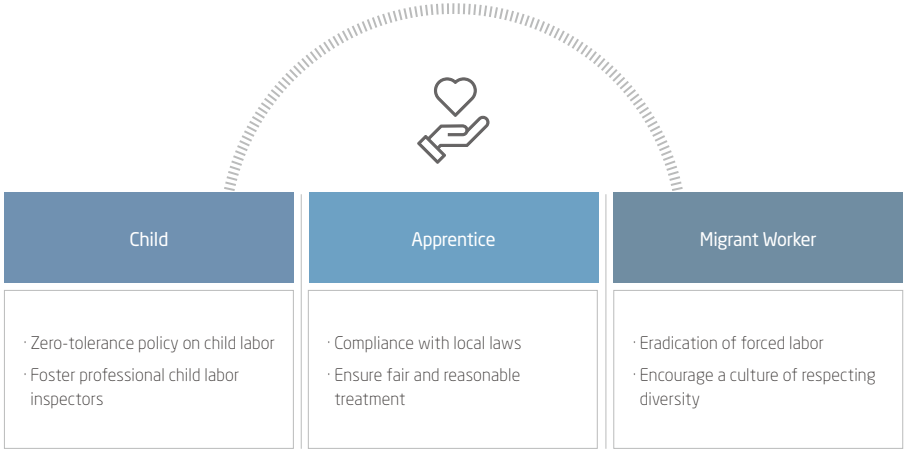
In 2014, we developed and announced a child labor prohibition policy in China. In 2016, we will take a step further to develop guidelines for apprenticeship training in India and guidelines for migrant workers in Malaysia. We expect all facilities at Samsung to follow these guidelines and our expectations with individuals and suppliers in our supply chain will remain the same. To make sure our policies are implemented, we conduct regular on-site inspections and compliance training.

Also, Samsung is aware of its corporate responsibility to eradicate modern slavery and forced labor. As part of this initiative, we welcome changes in the legal environment, such as with the California Transparency in Supply Chains Act and the UK Modern Slavery Act. As such, we are reexamining the company's policies and activities related to modern slavery and forced labor to discern which complementary measures we need to enact as we continue to pursue transparent communication with stakeholders and announce our intentions and detailed plans on how we will help eradicate slave labor.

Areas of Focus on Human Rights Management

1 Guarantee of Voluntary Labor
2 Observance of Working Hours
3 Respect for Diversity
4 Worksite EHS

Protecting Vulnerable Groups



China

Child Labor Prohibition Policy

In 2014, Samsung developed and announced its child labor prohibition policy in association with the Center for Child Rights and Corporate Social Responsibility (CCR CSR), a social enterprise established by Save the Children Sweden, stressing the company's firm intentions to eradicate and prevent child labor. As part of this policy's implementation in 2015, we additionally developed an on-site supplier inspection manual to verify the full compliance with child labor policies and conducted training to educate the content of child labor policies and the proper way to conduct on-site audits for designated managers for supplier management. The designated managers conducted inspections during the two major vacation periods for students to ensure the prevention of labor child labor. By fulfilling sweeping inspections an average of three times or more at 235 suppliers in 2015, we reconfirmed that those companies were thoroughly adhering to our child labor prohibition policy.

Supplier Inspection for Child Labor Prevention

(suppliers)

235

(an average of three times of more inspections)

Malaysia

Guidelines for Migrant Workers

At Samsung Malaysia Electronics, people of different nationalities work together in harmony, regardless if they are from Indonesia, Nepal, or Pakistan, for example. Therefore, respect for cultural diversity and smooth communication between employees are of paramount importance. For this, Samsung encourages its employees to take part in programs and organizational events that allow them to experience firsthand different aspects of these diverse cultures. The Migrant Workers Return Home event is part of this program, in which we select some of our top foreign workers to visit their home country and cover all their expenses. At the same time, Samsung provides various grievance mechanisms such as off-line suggestion box, meetings with migrant workers, to communicate with employees directly and address their concerns. Along with many other activities, we are developing Guidelines for Migrant Workers in cooperation with Business for Social Responsibility (BSR) to help eradicate forced labor, excessive commissions for employment, and any discriminatory treatment which may occur while migrant workers are working in foreign countries.

India

Guidelines for Apprenticeship Training

Samsung developed its Guidelines for Apprenticeship Training in association with Business for Social Responsibility (BSR) and the Indian NGO Partners in Change (PIC) as a way to ensure transparency and compliance related to the process of engagement of apprentices. The Guidelines include the age, minimum wage and the period of apprenticeship as stipulated in the Indian Apprentice Act 1961 and its amended version. It also includes information on how to handle apprentice grievances, job training, and the need to employ apprentices first when there is an employment plan in place for a job position related to the work of an apprentice. Upon releasing our Apprentice Guidelines to the public in 2016, we asked all of Samsung's manufacturing worksites, as well as suppliers and research institutes in India, to comply with the guidelines, which specify the company's obligation to comply with legal standards. Additionally we will begin conducting on-site inspections at Samsung production sites, suppliers' worksites, and Samsung research institutes.

Samsung Electronics Global Production Bases

Number of hub countries

17

Production bases

38

In-house production (%)

90

Overseas Worksite Monitoring System

Assessment Criteria

Areas

7

Criteria

56

Info on criteria

Languages

(English, Chinese, Vietnamese, Spanish)

12

Human Rights Impact at Worksites Risk

Assessment System

Samsung Electronics is a global company that operates 38 production bases in 17 countries around the world. We directly create 90 percent of our own production volume at the world's most advanced worksites. Furthermore, each worksite abides by all in-house our internal policies and standards constantly innovate and often go beyond obligatory standards in order to maintain a safe and healthy work environment.

With the rapid growth in the scope of our international worksites, we started operating a dedicated unit to manage the work environment of overseas worksites in 2013. The dedicated unit at global corporate level assesses compliance management practices and assists in improving the work environment in collaboration with each business division and global worksite.

For example, we have prepared clear standards regarding labor, human rights, EHS, and corporate ethics, while also establishing a global management system so that we can fully implement the various standards required in countries and regions where Samsung worksites are located. In short, the company does its best to solve problems which may be caused by regional differences as quickly as possible and to provide optimized support for each worksite.

As part of such efforts, Samsung adopted an overseas worksite monitoring system to conduct monthly and quarterly assessments on each worksite's compliance level and improvement activities. Thus, worksites are now able to comprehensively check a variety of data accumulated through the in-house system and assess their own weaknesses using self-assessment tools regarding the status of compliance management.

The assessment criteria of the monitoring system is annually updated by reflecting each worksite's employee thoughts and major revisions of regulations related to labor and human rights. Information is systematically classified under 56 criteria in seven areas, and is subsequently provided in the 11 most common languages (including Korean, English, Chinese, and Malaysian) used at our global worksites.

In order to substantiate risk factors that can influence human rights management, Samsung developed a worksite risk analysis system, and has conducted monthly and quarterly risk assessments for all worksites since late 2014. For the most part, we analyze 57 main indicators, 32 internal management indicators concerning the work environment, work conditions, workforce management, and related programs, as well as 25 indicators related to the internal/external environment of the countries where our worksites are located.

At the same time, we do our utmost to recognize in advance a wide range of risk factors and problems that can occur at global worksites and improve them through regular communication between top management and employees (also between managers and working-level employees), while also engaging with the government, NGOs, and academia.

Samsung strives to minimize any disparities between human rights management standards and the compliance level among the company's worksites by operating standardized systems that are applicable for all global worksites and by expanding communication among stakeholders. As a result, we have strengthened the ability of each worksite to more effectively manage when it comes to labor and human rights. What is more is that employee satisfaction is also increasing due to the fact that we are continuously addressing risk factors such as personnel management systems, workforce operations, and the overall work environment as we make every effort to carry out improvements when necessary.

Assessment Activities and Identifying Improvement Tasks

Assessment Activities and Procedures

Samsung conducts its Samsung Expert Diagnosis on the work environment on an annual basis in a bid to assess the compliance management level at every global worksite. To carry out regular audits, we select six auditors for each worksite every quarter from a human resource pool that includes global talents that are regional experts and understand the local culture and language very well. We also single out global labor rights experts such as EICC judges to increase the reliability and objectivity of worksite audits. After the four-week audit procedure is completed, a task force consisting of staff members from the audited business division and EHS experts continuously support improvement activities at each worksite until each and every identified problem is solved.

The worksites to be audited are chosen based on data from worksite monitoring and our risk analysis system. Every quarter, we classify the worksite management level and degree of risk into one of four ratings to then select low-performance or high-risk worksites. The quarterly selection enables a rapid response to workers' rights issues around the world as well as immediate corrective measures to each worksite's risk factors.

When targets for an audit are decided upon based on such a risk assessment, the targeted worksites receive advance notice about the audit. Over the next two weeks, the audit team gathers data for each worksite in advance, including the current status of the worksite and required legal standards, while targeted worksites go through a self-assessment regarding compliance based on a pre-determined audit checklist. The audit team then thoroughly examines the reliability of the self-assessment results in selecting evaluation items and strategies for on-site inspections.

We carry out on-site inspections over the course of one week based on major risks and self-assessment results from the preliminary review. At this time, auditors review various documents to verify the self-assessment results, carrying out one-on-one interviews with employees to assess the management level of each worksite more precisely. More interviewees than EICC's recommended number are selected through random sampling after taking into consideration the characteristics of each job function and the rank of interviewees. In addition, we conduct on-site inspections to look at worksite infrastructure and conduct sampling inspections at major suppliers.

The audit criteria consist of 120 items in a total of 11 areas (53 in-house items, 51 EICC items, 11 items for supplier management, and 5 items classified as "others"). On-site audit results are shared with each worksite's management staff, with each task that needs to be completed classified by type within one week after the audit in order to establish improvement plans and recurrence prevention measures.

In April 2016, we began adding the audit results, improvement plans, and follow-up measures from the worksite to the monitoring system database on a monthly basis so that we can check on the implementation of worksite improvement plans in real-time. Moreover, we have made the business division-driven expert task force's support for local subsidiaries compulsory so as to improve identified tasks more rapidly and with greater efficiency. Therefore, we can now manage improvement results every month for all identified tasks, with the aim of completing improvement measures within six months.

Selection of Audit Targets and Follow-up Measures

Audit Process

1 **Risk Assessment**
- Quarterly classification of worksites' management levels and degrees of risk (4 ratings)

2 **Selection of Target Worksites**
- High-risk worksites

3 **Self-assessment**
- Self-assessment based on the audit checklist

4 **On-site Inspection**
- Audit team's on-site inspection (one week)
- Review of documents and one-on one interviews with employees

5 **Audit Results sharing with the Management**
- Establishment of improvement plans and recurrence prevention measures

Audit Criteria

1 Communication, management of the organization, employee board, emergency response system, workers' rights-related education

2 Labor and human rights, EHS, corporate ethics

3 Suppliers' compliance management

Worksite Audit Results

Average number of improvement tasks per worksite

16.5

Improvement tasks completed at all worksites

95.5%
(126)

Assessment Results

In 2015, we strengthened the audit process, while also improving the procedure to select worksites for auditing and reinforcing follow-up measures to timely resolve detected problems and not just focus on the detection of problems. We conducted internal expert diagnoses of eight worksites two in America, six in East, West, South Asia, that were selected from among the highest risk worksites through the company's in-house evaluation system. As a result, we found a total of 132 improvement tasks.

In principle, the tasks identified through the audit were classified into short-term, mid-term, and long-term tasks, with short-term tasks immediately improved upon during the audit period. For the mid- and long-term tasks, we established improvement plans with the aim of completing them within six months. As a result, five out of the eight worksites completed 100 percent of all improvement tasks, and a total of 126 improvement tasks were carried out at all the worksites, marking a completion rate of 95.5 percent.

Samsung also conducts special diagnoses with each business division's experts every quarter. A special diagnosis is conducted for the purpose of improving overseas worksites' management competency, identifying risk factors in certain areas (including the management of working hours), protecting underprivileged employees, honing the necessary skills for using the monitoring system, and strengthening the organizational culture. Afterwards, we conduct focused consulting on the improvement plans. In 2015, special diagnoses were carried out at a total of 10 worksites in China, the U.S., and East/West/South Asia.

In addition to our internal audits, Samsung production sites are audited by our worldwide customers, such as a large telecommunications service provider. In 2015, our customers conducted seven audits on five Samsung production sites. Third-party audits are carried out by independent auditors and an EICC validated audit process to ensure subjective risk analysis and efficient improvement implementation.

Efforts for the Improvement of Human Rights Impact

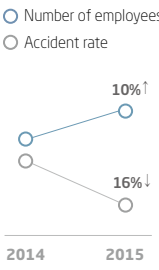
Worker Safety Management

Samsung's ultimate goal is to establish a zero-accident work environment. In order to realize this aim, we conduct risk evaluations based on our EHS management system (OHSAS 18001-certified) at all manufacturing sites, pursuing continuous improvement initiatives based on evaluation results. If an accident occurs during the work process, we conduct a precise safety inspection for the related department to prevent the recurrence of the same accident or a similar accident, while also searching for the fundamental cause of the accident and then making the necessary improvements.

Additionally, we recommend that all departments consider our company-wide safety guidelines for in-house events, including sporting activities, and continuously carry out a traffic safety campaign to promote the non-use of cellphones while walking in order to prevent non-work related accidents such as tripping at a worksite or suffering from an injury at an in-house sporting event.

Although the number of workers in 2015 increased 8.5 percent over 2014 due to the expansion of production subsidiaries, the accident rate actually decreased 15.9 percent as a result of the continuous identification of potential risk factors and improvement activities.

Worker Safety Management



Accident Management

Classification		Employees		Remarks	
		Frequency rate[1]	Accident rate[2]	National accident rate	Accident rate within the manufacturing industry
Korea	2013	0.528	0.086	0.59	0.78
	2014	0.358	0.052	0.53	0.72
	2015	0.332	0.051	-	-
Global	2013	0.328	0.064		
	2014	0.289	0.054		
	2015	0.240	0.045		

1) Frequency rate =(Number of accidents/Annual working hours)*1,000,000
2) Accident rate =(Number of injured workers/Number of workers)*100

Establishment of an Ergonomic Work Environment With the aim of maintaining a highly ergonomic work environment where employees can work in safety and in health, Samsung analyzes the musculoskeletal risk in all its manufacturing processes, identifies tasks to be improved upon, and strengthens the manufacturing process. In fact, our "Ergonomic Work Design Guide" consists of 93 articles in 10 categories that help us reduce the physical burden on workers by taking into account their body size and work characteristics. This then allows us to establish a pleasant work environment when designing and installing manufacturing lines.

Ergonomic Work Design Guide

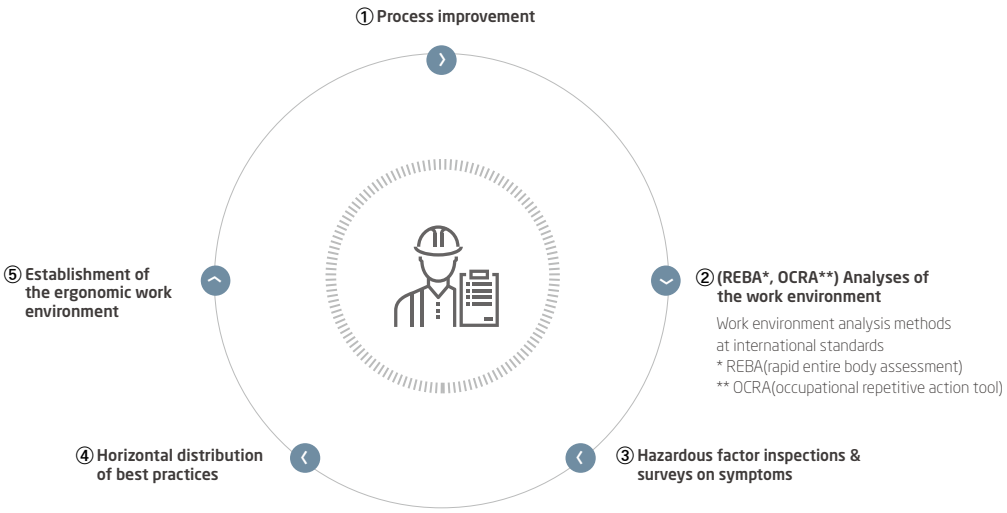
	Category	Number of items	Category	Number of items
Ergonomic Work Design Guide	Common guide for stand-up/seated work	4	Arrangement design of parts to be assembled	4
	Seated work design	10	Motion minimizing design	10
	Stand-up work design	4	Use of body measurement database and guidelines	22
	Weight handling work design	7		
	Hand tool design and applied standards	16	Standards for establishing health promotion centers and staff lounges	2
	Design of work posture standards	14		

In 2015, we established a comprehensive ergonomics management system that includes domestic legal requirements such as hazardous factor inspections and surveys on workers' health-related problems. We distribute the descriptions of best practices in ergonomic improvement and standard operating procedure (SOP) to production subsidiaries in Korea and around the world through this system as we concurrently set up the most appropriate ergonomic work environment and increase employee satisfaction at work through continuous improvement initiatives.

In order to effectively support workers' recovery from fatigue and injury prevention activities, we developed a customized gymnastics video and musculoskeletal disease prevention program that makes use of simple tools and then provided them both to worksites in Korea and overseas.

Samsung goes beyond setting up work environments that do not put a musculoskeletal strain on employees by removing physically burdensome work processes from the design stage through to the systematic management process, helping create a "Happy Work" environment where employees can work with a high level of satisfaction and improve the quality of their lives.

COMPREHENSIVE ERGONOMICS MANAGEMENT SYSTEM



Prevention of Infectious Diseases Every year, infectious diseases such as Ebola, MERS, and the Zika virus break out worldwide. As there is no definitive cure for such diseases, the best way to deal with them is to prevent infection. Samsung continues to monitor regions where these diseases frequently occur and classifies the degree of risk in detail so that it can take the necessary countermeasures, such as banning business trips to high-risk regions.
In 2015, MERS cases started being reported around Korea. Samsung was quick to install thermographic cameras at the gates of its worksites to check employees' temperature and, when necessary, isolate those who had recently visited a hospital where there were MERS-infected patients. As a result of its timely, preemptive actions, the disease did not spread at the six Samsung Electronics worksites in Korea.

1 MERS prevention activity
(using a thermographic camera at a gate)

WiF Results (China)

Trained female workers
4,086
persons

Training results
36,000
hours

Employee Training

Employee Training through Partnerships with Specialized Institutions Samsung ultimately aims at improving the quality of employees' lives by providing various training opportunities for competency reinforcement. We are especially vigilant about offering a variety of training programs in partnership with specialized CSR institutions. At the same time, we single-handedly develop locally customized training programs that reflect overseas worksites' cultural characteristics, running them as required courses for all staff members in order to raise employee awareness about workers' rights.

WiF: A Competency Reinforcement Program for Chinese Female Workers Samsung participates in the Women in Factories (WiF) China project, which was launched by Business for Social Responsibility (BSR) in 2011. WiF's mandate is to provide mid-level manager training and life skills training for female workers, with the goal of developing female workers' abilities and potential at production sites.
Female production workers who are part of the WiF program receive leadership reinforcement training and also learn about stress management and health promotion knowhow. After completing these courses, they conduct their own training to share the valuable lessons from this program with other employees. In 2015, we conducted training for 4,086 female workers in China over a total of 36,000 hours.

Promotion of Female Workers' Health (HERhealth) In order to uphold the rights of female workers, Samsung operates a project called Health Enables Returns (HERhealth), which provides health information for female workers and pursues awareness improvement. The specialized CSR institution, referred to as Business Social Responsibility (BSR), has conducted this project for 250,000 women in 10 countries since 2007 with the aim of not only providing basic health-related knowledge for female production workers, such as information about healthy diets and the prevention of diseases like HIV/AIDS, hepatitis, and tuberculosis, but also raising awareness regarding the importance of women's health.
To improve the quality of life for low-income people and local communities in Vietnam, Samsung carries out training for female workers across the country through a partnership with Life Centre, a local NGO established in 2005 that specializes in health education. Personnel management staff members and female production employees who complete the courses then share the lessons with their colleagues. As a result of such efforts, 4,050 people have completed the training program over a total of 3,700 hours.

In the latter half of 2016, we will conduct training for dissemination through in-house lecturers not only for newly hired employees, but also for workers at supplier companies. Samsung continues to work tirelessly for the improvement of women's rights and interests by supporting female production workers' competency reinforcement. In addition, it supports their psychological/physical healthcare activities through partnerships with NGOs.

Financial Competency Reinforcement Project (HERfinance) Samsung jointly launched a workers' financial competency reinforcement project with BSR in 2015. Starting with India that same year, we are now conducting training alongside local NGOs in Brazil and Mexico.
The project not only aims at providing basic information related to savings, interest rates, loans, and banking, but also at teaching financial planning techniques to the family members of our employees according to their income so that they can have confidence in realizing financial independence.
Since 2015, we fostered 50 in-house educators, some of whom were production employees, jointly with the Indian NGO Sanchayan. Through dissemination and implementation training, we then carried out education sessions for 2,000 production workers. From the second half of 2016 we plan on establishing/implementing an education plan through a partnership with the Mexican NGO Yo quiero Yo puedo and the Brazilian NGO Positive Planet.

1 Manufacturing employee training at Samsung's production subsidiary in Noida, India

Training Programs and Partners by Region

Competency reinforcement training for female production workers
BSR <Since January 2015>

Financial competency reinforcement training for production workers
Sanchayan (India)
<Since October 2015>

Health & hygiene training for female production workers
Life Centre (Vietnam)
<Since May 2015>

Financial competency reinforcement training for production workers
Yo quiero Yo puedo (Mexico), Positive Planet (Brazil) <Since April 2016>

HERhealth Results (Vietnam)

Training results
4,050
persons

Total training time
3,700
hours

HER h Results (India)

Fostering in-house trainers
50
persons

Training results
2,000
persons

Localization Training Programs at Global Worksites Samsung believes it is critical for employees with different cultural backgrounds and values to fully understand the company's business philosophy and core values, and to share the organization's vision and goals, thereby maintaining a sense of unity among all workers.

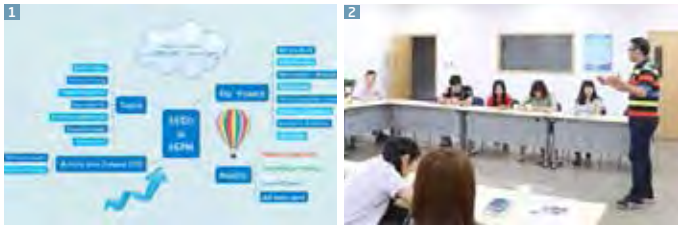
Accordingly, Samsung operates competency reinforcement training programs through partnerships with external stakeholders. Furthermore, we have developed an in-house training program so that all employees at global production subsidiaries can internalize the importance of the company's human rights management as well as share the same vision and corporate culture. Since 2014, we have run the required program for all employees at least once a year.

The program includes a total of 15 courses in six areas, ranging from voluntary competency reinforcement content to relationship management content, such as respect for diversity and prohibition of discrimination and bullying. Also, we operate special localized training for every worksite in which we reflect the country's cultural background and the characteristics of each individual employee's rank and job function.

1-3 Manufacturing employee training at Samsung's Polish production subsidiary
4 Manufacturing employee training at the company's Russian production subsidiary

As of March 2016, 670 in-house trainers had conducted dissemination training with the same program for their colleagues. In 2015, roughly 245,000 employees received training for more than three hours on average.

In 2016, we launched a brand-new mental fitness program that includes segments on emotional control and stress management at work in an effort to improve each employee's work-life balance. We also plan on carrying out awareness improvement training to help prohibit any form of discrimination due to gender, race, nationality, religion, academic background, and/or disability, as well as embracing differences such as age and personal values among the various members of the company based on an open-minded approach.



1 In-house trainers chart of the Polish production subsidiary
2 The in-house trainers' course at the Tianjin production subsidiary

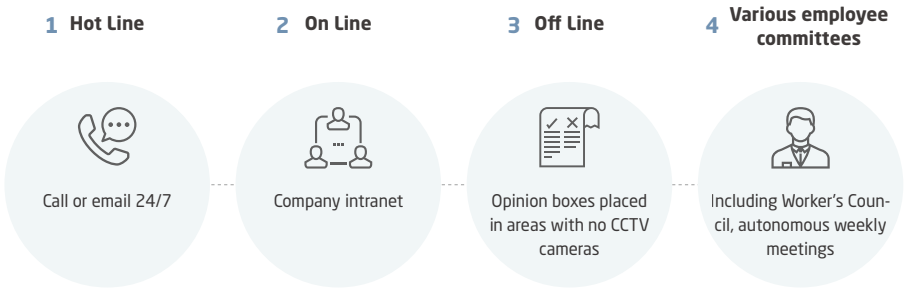
Grievance Channels

In order to protect the human rights of employees and build a positive work environment, Samsung has established communication channels for listening to the thoughts and opinions of employees. We guarantee direct communication between top management and workers through regular management status presentations and same-level employee meetings. Furthermore, we operate online and offline grievance channels at each worksite to take the voice of the employee (VoE) into account and to resolve any lingering issues promptly.

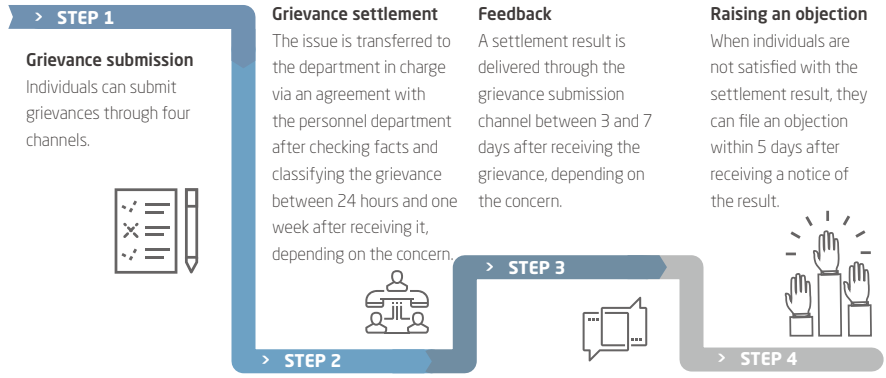
In 2015, we prepared a Grievance Resolution Guidelines, which (opened a grievance channel, allowed for the submitting of grievances, provided a channel to settle grievances, and provided feedback) to address the grievances of employees in a fairer, more immediate way. For global production subsidiaries, we also established four grievance channels (a telephone/Internet hotline, online & offline channels, and employee committees) based on global guidelines. As of March 2016, we are operating a total of 247 grievance settlement programs at 27 worksites.

Grievance Resolution Guidelines

Available Channels



Grievance Procedure



Grievances are classified into 10 types that include working conditions, work environment, personal relations, work matters, and personal problems. When institutional issues, illegal actions, or practices that are in breach of our policies are reported, they are more promptly settled according to in-house standards than are grievances regarding general benefits. Moreover, we have diversified our grievance channels to increase employee accessibility to them, while also striving to minimize the burden of communication by guaranteeing anonymity through the prohibition of disadvantages caused by grievance submissions and the prohibition of attempting to trace the submitter.

In 2016, we began training on the status of grievance channel operations at each worksite for all employees to raise awareness about these channels. Additionally, we started to track key results—the types of grievance submissions, settlement process, settlement results, settlement period compliance for each grievance type/channel, settlement to submission rate, submitters' satisfaction, and employee awareness about the grievance channels—as key performance indicators for all worksites.

Settlement Period

1 **Hotline/Online**
- Within 3 days

2 **Offline/Employee representative body**
- Within 7 days

3 **Degree of satisfaction**
- Follow-up survey on the submitter's satisfaction (5-point basis)

4 **Employee awareness**
- Completion rate of employee training

Meetings Led by Employee Representatives

Meetings held
1,921
times

Total number of participants
24,997
persons

Work Council

Samsung firmly believes in promoting the rights of employees and does its utmost to observe all laws and regulations in the countries and local communities where it operates. We pursue mutually beneficial initiatives based on a culture of mutual respect and consideration between management and employees. Furthermore, we have continuously done our best to maintain a constructive corporate culture based on trust.

Samsung has a Work Council at 47 worksites in Korea and overseas for the purpose of promoting mutually cooperative and successful labor-management relations. At council meetings, management and employees discuss working conditions and the overall work environment together, identifying a wide range of solutions for enhancing employee benefits and rights.

Each Work Council is operated depending on the legislation of the country in question and the characteristics of the specific worksite. As of the end of 2015, a total of 973 employee council members were working for one of these councils. Employee representatives, who are elected by employees independently of management under the principle of direct and secret voting, hold meetings or interviews with on-site workers at least once a week to listen to employee grievances and later discuss related agenda at official council meetings that include management representatives.

In addition to the adjustment of wages and benefits, each worksite's Work Council handles numerous agenda items, such as in-house systems or process improvement, working hour adjustments, worksite safety and medical checkups, to expand the rights and interests of employees. The results are then announced to all employees through the council's online/offline bulletin boards. In Korea, the Work Council held three rounds of negotiations for wage adjustments over a three-month period starting in December 2015, and announced the results of the changes to wages and benefits in early 2016. In 2015, a total of 2,385 agenda items were submitted, with 2,182 items (91 percent) of them resolved.


1 SEHZ, a meeting organized by a representative body for employees
2 TSTC, a meeting organized by a representative body for employees

Agenda Items Handled by Work Council in 2015

Items on the agenda
2,385
cases

Status of Regional Work Councils (as of December 2015)

Classification	No. of Councils	No. of Members (Workers)	Participating Employees
Korea	6	180	96,902 *
China	16	322	41,591
East, West, South Asia/Japan	15	241	125,170
America/Europe/Other	10	230	17,003
Total	47	973	280,666 (87.9% of all employees)

* Except temporary workers

Status of Agenda Items Handled by Work Councils in Korea and Overseas (2015 total)

Classification	Agenda	Ratio	Remarks
Wages/Benefits	286	12%	Wage increase rate/Benefits adjustments
Programs/Systems	288	12%	Personnel management systems/Process management
Organizational Culture	262	11%	Organization activation, awareness change, campaigns
Working Hours	285	12%	Adjustment of overtime hours, taking over the duties of a colleague, compensatory time
Infrastructure	596	25%	Cafeteria, buses, dormitories, fitness centers, parking lots
EHS	193	8%	Worksite safety, medical checkups, musculoskeletal disease prevention
Others	475	20%	-
Total	2,385	100%	-

Pursuit of Diversity

Samsung strives to ensure a corporate atmosphere and environment where people from various backgrounds can maximize their abilities. We believe that creative ideas and excellent performance results can be achieved based on a culture where diversity is highly valued. As such, Samsung runs a variety of programs to support female workers and hires people with disabilities in order to establish a culture in which the acceptance of diversity is second nature to everybody.

Consideration for Female Workers

Samsung is constantly reinforcing systems and programs to support females who work at the company. Also, we work diligently to minimize the career discontinuity of female employees after childbirth, which has resulted in a higher rate of returning to work after maternity leave for our employees. In fact, we run many programs for a healthy work-family balance, such as leaves for fertility treatment, extended parental leaves, and the expansion and establishment of daycare centers.

Ratio of Female Employees

Ratio of Female Employees by Job Function (%)

	2013	2014	2015
Sales/Marketing	31	30	29
Manufacturing	53	54	58
Development	16	17	17
Others	37	38	39
Total	40	42	46

Female Employees by Region (%)

	2013	2014	2015
Korea	26.8	26.9	26.2
Southeast Asia/Southwest Asia/Japan	52.5	57.2	63.5
China	48.9	45.2	43.2
North America/Latin America	37.5	36.6	35.0
Europe/CIS	32.7	33.6	34.3
Middle East	18.6	15.1	13.4
Africa	31.2	34.1	32.8

Support for Female Employees (persons, %)

	2013	2014	2015
Number of employees on maternity leave	1,985	3,376	3,816
Rate of return to work after maternity leave	86.9	91	93.3
Daycare center capacity	2,431 (12 daycares)	2,551 (12 daycares)	2,551 (12 daycares)

Female Employees by Rank

(%)

Employees with Disabilities (2015, Korea)

Support for People with Disabilities

Support for Employment and Work

On top of recruiting people with disabilities to be actively included in society and the business world, Samsung is proud to provide an excellent work environment at the company where all employees can live up to their full potential. In 2005, we adopted a provision for applicants with disabilities during open recruitment. A year later, we started to provide job training tailored for employees with disabilities. By 2011, we had adopted a separate open recruitment program for graduates with disabilities. In addition, we tailor specific job functions to each individual with a disability based on the individual accessibility requirements and needs.

Samsung Barrier Free

To minimize any inconveniences that employees with disabilities feel while working at the company, Samsung continues to complement its facilities in any way it can. For example, we have adopted an in-house certification program called Samsung Barrier Free (SBF) which is even more stringent than legal standards when it comes to providing superb accessibility for the people with disabilities. Since 2011, we have evaluated our major buildings and facilities in Korea based on a convenience test for the people with disabilities, and have improved/installed elevators, restrooms, and low-floor buses at each worksite specifically for individuals with disabilities.

Employees with Disabilities (Korea)

	2013	2014	2015
Number of employees with a disability	1,532	1,668	1,649
Disabled employment rate	1.60	1.68	1.7

SOCIETY

4. SUPPLY CHAIN
5. CORPORATE CITIZENSHIP
6. INNOVATION

Samsung thinks highly of its relationship with customers and partners throughout the whole production process, from product planning to sales, and conducts customer-centered management and win-win management with suppliers. We also pursue better lives for humanity using innovative technologies while at the same time continuously working hard to improve disadvantaged people's accessibility to IT technology. By doing this, we are able to combine the company's business activities and social contribution activities, ultimately promoting the development of a more sustainable society.

SOCIETY

4 / SOCIETY

SUPPLY CHAIN

Material issues

1. Supplier Labour Practices
2. Transparency in Disclosure
3. Stakeholder Engagement
4. Responsible Sourcing
5. Raw Material Risk Management
6. Environmental, Health and Safety Management for Suppliers
7. Shared Growth with Suppliers

OUR VISION

Samsung pursues co-prosperity with all local communities and countries based on a business philosophy of living together as a member of a global society. We also recognize suppliers—our business partners—as strategic companions and aim to establish a sustainable supply chain. Furthermore, we are committed to providing the highest quality products and services for customers' value and satisfaction.

OUR COMMITMENT

We support all of our suppliers so that they can comply with the Samsung Supplier Code of Conduct and operate their business based on local laws and international standards. We manage risks by assessing their work environment, including sustainability aspects like the environment and human rights. We pursue the reinforcement of joint competitiveness and growth through continuous support for suppliers. We also prohibit the use of unethically mined minerals for our products and faithfully conduct overall activities to this end. We do our utmost to understand customer needs, lifestyles, and behavior changes. We also listen to suggestions from customers and partners and reflect them in our business activities, especially when it comes to improving our products and services.

IN THIS REPORT

This chapter introduces Samsung's various activities to establish a healthy corporate ecosystem and a sustainable supply chain. We have added supply chain management strategy and risk management system this year, and expanded the coverage of results and cases of numerous win-win cooperation programs. Furthermore, this chapter includes process improvement to increase transparency and the reliability of results from on-site inspections for supplier work environments. In terms of conflict minerals, we additionally disclose how smelters of each mineral are certified as well as the results of on-site inspections for suppliers.

TRENDS & CHALLENGES

Supply Chain Risks Stakeholders' expectations for the establishment of a sustainable supply chain are increasing. Resilience by rapid recovery scenarios is required when risk occurring, and a proactive system should be built to manage in advance a wide range of issues that may cause supply chain breaks.

Customer Diversification With the expansion of business areas, we need to improve customer satisfaction by providing high-quality services that meet local customers' characteristics and needs. Just as important, prompt measures are necessary to reinforce service systems, with expanded call centers in new markets, including some developing countries.

WHAT WE ARE DOING

1 **Supply Chain System**
Monitoring 50 risk factors in supplier, procurement process, and natural disasters areas

2 **Win-win Cooperation**
Operating win-win program to support suppliers' competitiveness such as finance, employee capability building, and innovation consulting

3 **Management of Suppliers' Work Environment**
Conducting self-assessments, on-site audits, and hot-line based on the Samsung Supplier Code of Conduct

4 **Conflict Minerals**
Prohibit the use of conflict minerals (3TG: tantalum, tin, tungsten, gold) unethically mined in conflict areas in 10 countries, the DRC and its nine adjoining countries; improve suppliers' awareness about this issue and inspect their management status

5 **Listening to the voice from customer**
Running communication channels such as customer contact centers and a website, and ranked no. 1 position in various customer satisfaction surveys in Korea and overseas every year

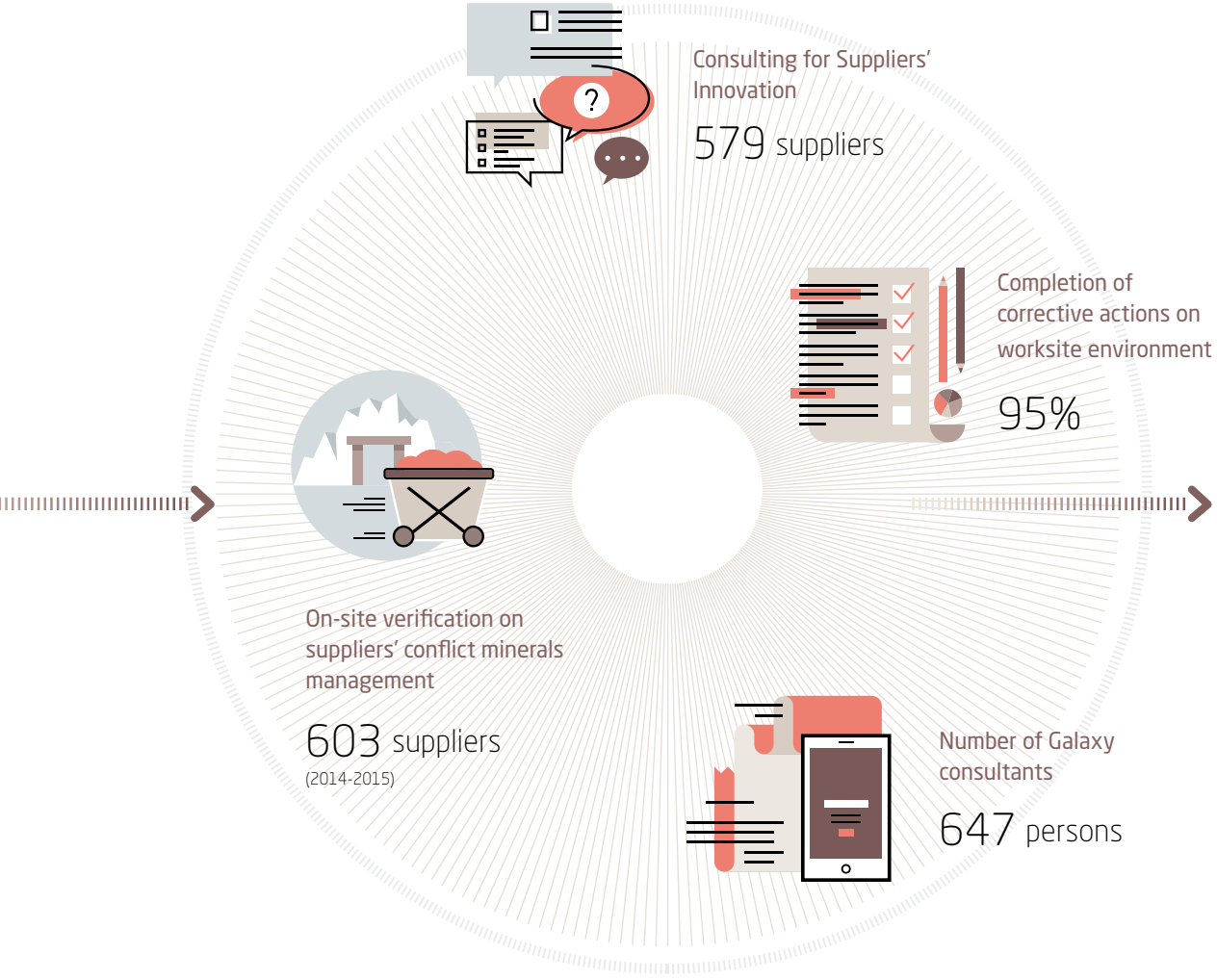
6 **Product Services**
Conducting on-site quality inspections, training, and workshops for service quality control through a standardized process at global service centers and customer contact centers

Link to SDGs

[Goal 3] Ensure healthy lives and promote well-being for all at all ages
3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination

[Goal 8] Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for al
8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms
8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

[Goal 12] Ensure sustainable consumption and production patterns
12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle



FUTURE PLANS

1

Expand win-win programs for local suppliers abroad

2

Expand on-site verification for suppliers regarding the use of conflict minerals

4

Supply Chain Management System

Samsung's supply chain includes over 2,700 suppliers in various industries across the world. In order to establish a sustainable supply chain and competitive business ecosystem, we pursue a supply chain management strategy with the following vision, mission and philosophy.

Supply Chain Management System

Vision
We Buy Value, We Pay Trust

Mission
· Maximize synergy, speed, and efficiency of procurement by nurturing the internal purchasing personnel and optimizing processes & system.
· Establish a sustainable business ecosystem through trustworthy relationships with suppliers and their competitiveness.

Philosophy

1. Fairness
We comply with all laws and regulations in the countries where we carry out purchases, and conduct all of our business transactions in an ethical and lawful manner.

2. Openness
We provide every opportunity to have business with Samsung for any company that is competitive in terms of their technology and costs.

3. Win-Win
We pursues win-win procurement through mutual cooperation so that suppliers can grow their global competitiveness based on Samsung's philosophy.

Supply Chain Management Strategy

Samsung manages its supply chain based on fair and transparent policies. These policies are described in more detail in the Procurement Code of Conduct, Supplier Code of Conduct, and the procurement system. Additionally, to minimize and address various risks that could occur in the supply chain, we clearly define risks and operate an integrated management system. Lastly, we actively support suppliers so that they can continuously grow as we conduct various win-win cooperation initiatives to establish mid- and long-term partnerships with them.

Supply Chain Management Strategy

We Buy Value, We Pay Trust

Supply Chain Policy	Risk Management	Supplier Operation Scheme
· Procurement Code of Conduct · Supplier Code of Conduct · Integrated procurement system	· Supplier risks · Procurement process risks · Natural disasters risks	· Critical supplier management · Supplier evaluation · Risk Management on Sustainability

Supply Chain Policy

Samsung aims to establish fair and transparent trade within the supply chain. To achieve this, we conduct our business based on the Procurement Code of Conduct as well as Supplier Code of Conduct, and also carry out all activities related to the supply chain through our integrated procurement system, G-SRM (Global Supplier Relationship Management).

Global Procurement Code of Conduct

In August 2013, Samsung established a Global Procurement Code of Conduct which consists of standards and principles that procurement personnel must adhere to in all circumstances. Since then, we have made significant changes every year and continue to distribute it through the G-SRM System so that procurement employees across the world can fully understand its content and put its principles into practice at work. The Global Procurement Code of Conduct consists of a Charter of Procurement Practices, Standards and Principles of Procurement, Ethical Standards for Procurement, and Socially Responsible Procurement. Our Ethical Standards for Procurement section conveys our standards and commitment to ethical business practices, to which our procurement employees must adhere to all the time. The company provides procurement staff across the world with offline training and online lectures on our procurement code of conduct, procurement ethics, and the prevention of corruption and mismanagement every year. In 2015, 85 percent of all procurement employees received training through online and/or offline programs.

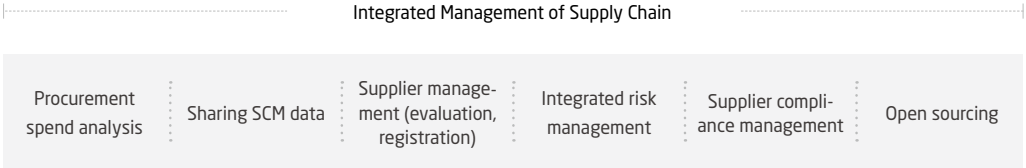
Supplier Code of Conduct

To improve suppliers' work environment, Samsung established a Supplier Code of Conduct based on the EICC Code of Conduct and has gone on to share it with its suppliers. In 2015, we updated the Supplier Code of Conduct to cover provisions regarding the protection of migrant workers' rights in accordance with revisions to the EICC Code of Conduct. Moreover, we created a Supplier Code of Conduct Guide to provide all suppliers in a bid to help them comply with the Supplier Code of Conduct as they carry out law-abiding management practices. The guide allows suppliers to check on details concerning action plans for work environment management by themselves. Furthermore, Samsung visited suppliers in person to offer on-site training on the Supplier Code of Conduct and detailed action plans. To prevent EHS accidents at supplier worksites, Samsung separately produced a Supplier EHS Code of Conduct Guide which it then distributed to suppliers. We also distributed a Supplier EHS Manual and conducted training to encourage suppliers to single out EHS risks and ensure improvement activities on their own.

Integrated Procurement System

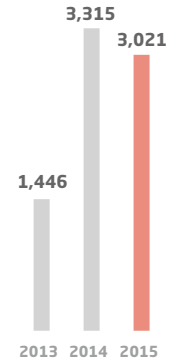
In May 2014, Samsung established an integrated procurement system to be used at all worksites and by suppliers across the world called Global Supplier Relationship Management (G-SRM). This G-SRM system allows us to analyze the detailed costs, cost efficiency, and procurement conditions from each region's suppliers in a multilateral way for 100 percent of purchased parts. Also, we interactively share the SCM information necessary for trading with suppliers through this same system, and use G-SRM for work related to overall supplier management and supply chain risk management. Moreover, we added an integrated work environment management function to the G-SRM system so that suppliers can use it as part of their internal management practices. The Supplier Code of Conduct, Supplier Code of Conduct Guide, and Self-assessment Checklist are shared via G-SRM, while suppliers actively utilize G-SRM for improving their work environment by registering improvement tasks and the status of improvement activities as information becomes available.

G-SRM System



Procurement Code of Conduct Training

(Persons)



* After the Procurement Code of Conduct was established in 2013, online lectures were launched and have been expanded to overseas worksites since 2014.

Areas of Supply Chain Risk Management

1

Supplier Risks

- Management and finance
- Conflict minerals & strategic materials
- EHS & labor/human right
- Hazardous substances

2

Procurement Process Risks

- Corruption & mismanagement
- Fair trade & subcontracting

3

Natural Disaster Risks

- Earthquakes
- Typhoons
- Floods
- Volcanoes

The Amount of Procurement from Critical Suppliers in 2015

93%

of total procurement amount

Risk Management

Samsung operates a sustainable supply chain that timely responds to potential risks inside and outside the chain. To date, we have defined over 50 risk items in key areas (suppliers, procurement process, natural disasters), and now run an integrated management system through our G-SRM System.

Supplier Risks

Samsung have operated the process and system to take advance measures and to address for potential supplier-related risks in the supply chain. By regularly monitoring the financial status of suppliers, compliance with human rights & labor, as well as environment & safety regulations, conflict mineral management, compliance with restrictions on strategic materials, and non-use of hazardous substances, we prevent and manage risk factors in advance using our in-house systems.

Procurement Process Risks

Samsung's ultimate goal in this area is to completely eradicate corruption, mismanagement, and any violation of a regulation that could occur during the procurement process. Abnormal business processes related to corruption and mismanagement are constantly prevented on a fundamental basis through our systems, while all of our business activities are handled with transparency. Moreover, we conduct regular on-site inspections and monitor to check on compliance regarding fair trade and subcontracting.

Natural Disaster Risks

In 2016, Samsung began operating a system to detect natural disasters promptly and to provide analysis of their impact on the supply chain. We receive real-time information in association with other systems at leading global disaster information institutions. When a disaster does occur, the potential impact on each supplier can be automatically analyzed by using supplier location information from our G-SRM System, and any necessary warnings via e-mail and text message can be provided to the purchasers in charge of related suppliers. By doing this, we can disperse the risks throughout the supply chain caused by natural disasters in a timely fashion and minimize their impact on business activities.

Supplier Operation Scheme

On top of establishing strategic partnerships with excellent suppliers based on mutual trust, we operate a fair and transparent supplier registration process, while also reinforcing suppliers' competitiveness and minimizing risks through regular evaluations every year.

Critical Suppliers

Samsung designates and manages intensively the "critical suppliers" which carry out large-scale transactions, maintain excellent business relationship, or have a high dependence on Samsung. Critical suppliers are selected based on an annual analysis of their procurement performance and comprehensive evaluation results. We support these suppliers in a number of ways, such as through innovation activities, funding, and joint technology development, with the aim of guaranteeing a sustainable supply chain. In 2015, about 30 percent of the company's total registered suppliers were selected as critical suppliers. The amount of procurement from these companies makes up 93 percent of our total procurement amount. Those that conduct over 30 percent of their business with Samsung account for roughly 49 percent of all our critical suppliers.

Supplier Contract Management

To implement fair trade policies, we demand a certain level of capacities from suppliers when they enter into a contract with Samsung. In a standard supplier contract form, for example, suppliers are required to comply with ISO 9001 regulations for quality management system assurance, ISO 14001 regulations for environmental management system assurance, and the Samsung Environmental Standards for Hazardous Chemical Substance Management regulations. In addition, there are provisions detailing that these same suppliers must not be involved in labor practices that do not meet international human rights standards, such as child labor, forced labor, or discrimination.
The contract also states that all suppliers must comply with the Samsung Supplier Code of Conduct at all times. Today,

we are reinforcing management so that first-tier suppliers are required to sign a standard contract form with second-tier suppliers. It includes the same level of content adherence required by Samsung for the purpose of producing goods to supply for the company.

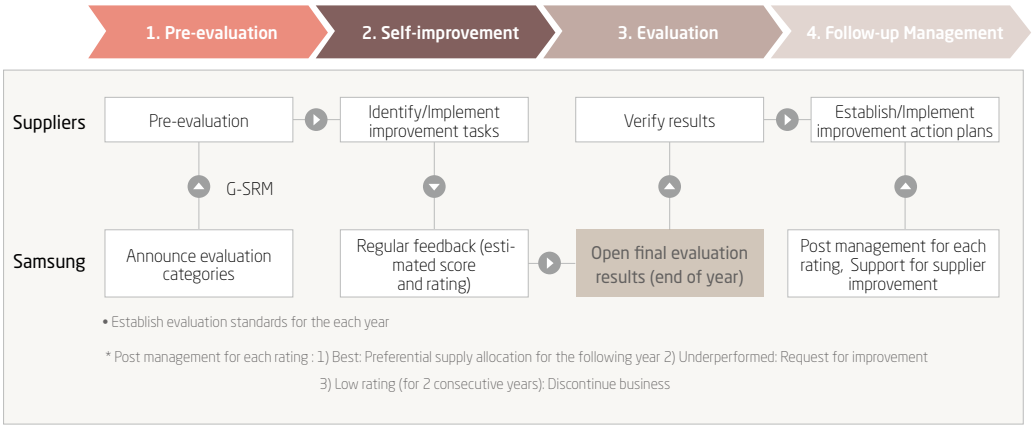
Example of Standard Contract Form for Suppliers

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 aforementioned standards. In addition, suppliers shall follow Samsung's standards for the control of environmentally harmful materials.
2. Suppliers shall comply with the all requirements as stated in the ISO 9001, ISO 14001, and other quality assurance standards approved by Samsung and equivalent to the two aforementioned standards. In addition, suppliers shall follow Samsung's standards for the control of environmentally harmful materials.
3. Suppliers shall guarantee that they comply with all laws, regulations, rules, standards, ordinances, and all 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 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. This includes engaging children under the age of 16 in forced labor or any labor in providing products and services. Furthermore, suppliers shall not discriminate against employees or applicants based on race, skin color, religion, gender, nationality, age, or disability, or any additional matters protected under other applicable standards. Upon the request of Samsung, suppliers shall also prove their compliance with the above requirement in writing. Finally, all Samsung suppliers must comply with the code of conduct for Samsung suppliers.

Supplier Evaluation

Each year, all of our suppliers, except those newly registered within two years, are regularly reviewed in eight categories: technology (T), quality (Q), responsiveness (R), delivery (D), cost (C), environment (E), finance (F), and Law (L). This evaluation aims at improving the competitiveness of suppliers and establishing a sustainable supply chain through self-evaluation, joint improvement activities, and continuous follow-up management. Out of the eight TQRDCEFL evaluation categories, five categories (TQRDC) evaluate business competitiveness that employs Samsung's in-house standards. The remaining categories (EFL) are utilized for supplier risk analysis in terms of sustainable management. Economic risks are analyzed in finance (F), environmental risks are analyzed through environment (E), and social risks are analyzed in the law (L) category. Suppliers with a high rating based on the eight categories at the annual evaluation are given preferential allocation of supply for the following year and the opportunity to participate in the Supplier Support Program. Those with a low rating are required to devise specific plans for improvement, and should there be no improvement at the following evaluation, they enter into a process to discontinue transactions with Samsung.

Evaluation Process



2015 Supplier Evaluation Results

Among all suppliers

86%

of suppliers underwent an annual evaluation

Among the suppliers evaluated in a supplier evaluation

70%

of suppliers received an "Excellence" rating

86%

of suppliers received the same or higher rating compared to the previous year

Comprehensive Evaluation Criteria

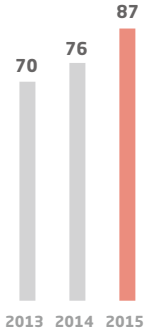
Business Competitiveness	Sustainability Risks
TECHNOLOGY Eight items, including technology patents and R&D investments	**ENVIRONMENT & SAFETY** Five items, including worksite safety and international certification
QUALITY Five items, including failure rate and ISO 9000 certification	**FINANCE** Three items, including credit rating and debt ratio
RESPONSIVENESS Six items, including engagement in Samsung's policies and the non-use of conflict minerals	**LAW** Five items, including labor/human rights at worksites, corruption and other social risks
DELIVERY Six items such as just-in-time warehousing and RTP* response rate	
COST Five items, including transaction amount increase and cost competitiveness	

* RTP: Return to Purchasing Order

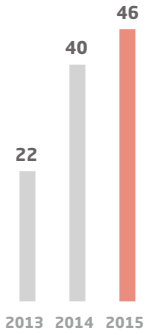
Suppliers' EHS Certification

(%)

ISO 14001



OHSAS 18001



Supplier Risk Management on Sustainability

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 these results, we strengthen the monitoring of suppliers with low credit ratings, while also heightening management of suppliers by pre-analyzing the impact of any credit risks on transactions with them. In 2015, 2.1 percent of all suppliers received a credit rating less than or equal to level 4 (Poor) according to D&B, Inc. (Dun & Bradstreet), a prominent international credit rating agency. Those same suppliers then established countermeasures in tandem with quarterly financial data and conducted proactive management initiatives to prevent future business risks. Regarding the environmental, health & safety (EHS) risks of suppliers, the company carries out focused management by selecting required items suppliers must abide by at worksites, while also requiring ISO 14000 and OHSAS 18000 certification. Based on an analysis of the 2015 evaluation results, we are separately managing 3.8 percent of suppliers, and continuously monitor their improvements. Additionally, we have operated our Eco-Partner Certification System since 2004 in an effort to determine whether suppliers use hazardous chemical substances, and proactively manage the situation on a constant basis. As a result, only companies that do not use hazardous chemical substances can trade with Samsung. We select issues to check, including non-compliance with standards of labor/human rights, negative social issues, and corruption & mismanagement. We then intensively manage suppliers' compliance risks through on-site inspections and close communication. We are especially vigilant and maintain a zero tolerance principle about child labor, while imposing a penalty on suppliers with regulatory violations or corruption, such as giving lower rating on comprehensive supplier evaluations.

Open Sourcing System

Samsung has continuously operated programs to single out business partners with new future-oriented technologies and innovative ideas. In association with a number of international procurement centers (IPCs) that assess each region's technology trends and source new suppliers at strategic locations across the globe, we operate an Open Sourcing process that allows any company with world-class technology and competitive costs to propose a business opportunity with us at any time. Companies that wish to do business with Samsung can make a proposal via procurement portal site (www.secbuy.com) in our G-SRM System and later check on the progress of their offer. As a result of this procurement channel, a total of 900 proposals were reviewed in 2015, with 45 cases adopted for application to our products.

Win-win Cooperation

Based on the belief that our business performance is mutually dependent with our suppliers, Samsung operates diverse win-win cooperation programs in the fields of employee's capability building and competitiveness enhancement program for the suppliers' growth.

Funding Programs

Samsung operates various funding programs to support SMEs that are facing financial difficulties so that they can secure liquidity. In 2005, we began making full cash payments to suppliers, the first time any Korean conglomerate had done this. We also changed the payment cycle from twice a month to four times a month in 2011 and implemented early payments around Korea's traditional holiday seasons, thereby helping to smooth the funding of operations for suppliers.

Mutual Growth Fund

In collaboration with Industrial Bank of Korea, Korea Development Bank, and Woori Bank, Samsung established the Mutual Growth Fund totaling KRW 1 trillion, and operates as a low-interest loan program of up to KRW 9 billion to provide qualified suppliers with funds for technology development, facility investment, and operations. Since 2011, the recipients of financial support have been expanded to include second-tier suppliers.

Mutual Growth Guarantee Program and a Funding Program with Korea Eximbank

Samsung's Mutual Growth Guarantee Program, collaboration between Samsung and the Korea Credit Guarantee Fund or Samsung and the Korea Technology Finance Corporation, allows suppliers that have a letter of guarantee from Samsung to receive low interest rates without an additional bank examination or security deposit. In 2015, a total of KRW 12.6 billion was extended to 19 companies. In addition, we offer a funding program in connection with Korea Eximbank that provides SMEs with funds for their export business. In 2015, a total of 58 companies made use of KRW 251.2 billion in funding.

Public-private Joint Investment for Technology Development

In order to invigorate technological development at Korean SMEs that have new ideas and technological prowess, Samsung has participated in a public-private joint investment program for technology development since November 2013. This program is unique in that it supports a development fund in connection with the Small and Medium Business Administration (SMBA). Samsung and the SMBA have agreed to each raise KRW 10 billion and support SME R&D activities. Each SME can receive an investment of up to KRW 1 billion, totaling up to 75 percent of the entire project development cost. In 2015, Samsung provided approximately KRW 2.4 billion in development funds for five companies.

Win-Win Payment System

Furthermore, we have adopted a win-win payment system that was initiated by the Ministry of Trade, Industry and Energy to ensure there is no disruption with payments not only to first-tier suppliers but also to second-tier suppliers. This payment system allows second-tier suppliers to liquidate their payments—promptly and at low interest rates—from first-tier suppliers that are first paid by Samsung. In 2016, we plan on actively supporting suppliers even further by reflecting the results of first-tier suppliers in their adoption of this win-win payment system in our first-tier supplier evaluation so that more benefits can reach second-tier suppliers.

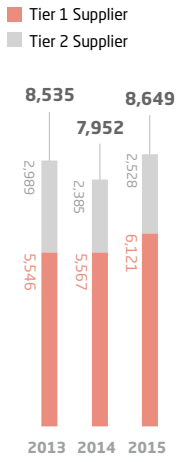
동반성장위원회

Samsung Achieves the Highest Rating in the NCCP's Win-Win Index for Four Consecutive Years from 2012

* NCCP: Korea's National Commission for Corporate Partnership

Status of Mutual Growth Fund

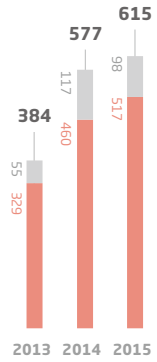
(KRW billion)



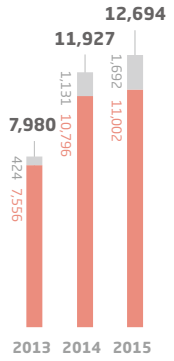
Status of Supplier Training

Tier 1 Supplier
Tier 2 Supplier

No. of participating companies



No. of trainees (persons)



Operation of Samsung Supplier Job Fair

No. of participating companies

Employee's Capability Building Programs

Training Programs Tailored for Suppliers

The training center offers a variety of free training programs tailored for suppliers to strengthen the competencies of their employees. In 2015, we began offering a total of 290 online/offline courses that reflected the training needs of suppliers. By utilizing a training facility exclusively for suppliers, we were able to provide training opportunities for 12,694 employees from 615 companies (both first- and second-tier suppliers). Courses included rank-based training such as new employee orientation and an executive promotion course, specialized job training by level concerning development, manufacturing, quality, and procurement, as well as global training and leadership training.

Supplier Training System

Improving competitiveness through customized training for suppliers

Leadership training	Job training	Online training	Global training	Rank-based training

Support for Supplier Recruitment

Samsung Supplier Job Fair Samsung's Youth Job Center supports young job seekers in their quest for employment, while also standing behind suppliers in their bid to recruit the most talented people. Since 2012, Samsung has held its annual Samsung Supplier Job Fair, providing a venue for suppliers and jobseekers to meet in person. This has contributed to SMEs hiring highly skilled people and helping to resolve the issue of youth unemployment in Korea. In 2015, we expanded the job fair's focus from electronics, heavy industries, and construction to now include Samsung affiliates in the service industry such as Cheil Industries and Hotel Silla, providing a total of 12 affiliates and 197 first- and second-tier suppliers with opportunities to recruit qualified personnel. Additionally, Samsung provided new hires of suppliers with high-quality employee orientation, similar to the orientation for its own recruits, so that these new employees would be empowered to seamlessly enter their workplace and succeed in their position.

1 Opening of 2015 Samsung Supplier Job Fair
2 A scene from the 2015 Samsung Supplier Job Fair

An Employment Stepping Stone In 2015, Samsung began its Employment Stepping Stone program which is aimed at playing an important role as a first step for young job seekers looking to gain employment with Samsung suppliers. Through the program, Samsung will provide 3,000 young job seekers with opportunities for three-month job training and three-month on-site training at suppliers in fields such as electronics and electrical products, equipment & molds, and facilities over a two-year period. All training costs are covered by Samsung.

Employment Stepping Stone Program (6 months)

1 Orientation (2 weeks)
occupational overview, business customs & etiquette

2 General job training (4 weeks)
productivity, quality, logistics, Six Sigma

3 Specialized job training (4 weeks)
electronics and electrical products, equipment & molds, facilities

4 Matching up with participating companies (1 week)
introducing job seekers to suppliers

5 On-site training (3 months)
on-site training at supplier companies

6 Wrap-up (1 week)
establishing future plans, completion ceremony

Competitiveness Enhancement Program

Consulting for Suppliers' Innovation Activities

The Samsung Electronics Consulting Center's Win-Win Consulting Team consists of over 100 executives and general managers from Samsung, all of whom have more than 20 years of experience in their respective fields—including business management, manufacturing, development, and product quality—to support suppliers in carrying out customized innovation activities. Starting with the improvement of certain supplier manufacturing sites in 2013, we expanded our activities into eight areas, from marketing and development to manufacturing and procurement. In 2015, we provided consulting for a total of 146 first- and second-tier suppliers. In 2016, we will expand our support for suppliers' innovation activities to reinforce our support for global manufacturing competitiveness at suppliers located not only in Korea but also in countries around the world.

Case Study: Sungil Innotech Co., Ltd

Founded in 2005, Sungil Innotech based in Korea has achieved continuous sales growth based on differentiated technology: KRW 20.4 billion in 2012, 30.3 billion in 2013, and 41.4 billion in 2014. However, the company experienced great difficulty in 2014 when it suffered a decrease in operating profit. That's when Sungil Innotech asked the Samsung Electronics Consulting Center for assistance in order to overcome a crisis though better innovation throughout the company. Samsung dispatched four consultants, including manufacturing and quality experts, to support Sungil Innotech's large-scale innovation activities. Sungil Innotech made significant strides with the management knowhow gained from Samsung's consultants. In fact, not long after receiving these consulting services from Samsung, Sungil Innotech saw a 30 percent increase in productivity, a 20 percent reduction in manufacturing/processing costs, and a 54 percent improvement in lowering chronic failure rates. Also, through the adoption of an ERP system, Sungil Innotech reduced its inventory period from 12 days to 3.5 days. Speaking about this later on, Sungil Innotech CEO Yim Min-ja said, "We didn't feel the need for innovation when our company was growing. Only when we experienced a loss in operating profit—despite continuous sales growth—did we finally recognize this as a problem, and felt the need for greater innovation throughout the company. Samsung's win-win consultants were able to deliver new and innovative methods to us, allowing our employees to learn how to work more efficiently and to improve our overall business activities. As a result, our management team got us back in the black in 2014. As we move forward, we will continue to secure competitiveness through ceaseless innovation activities based on knowhow obtained from Samsung."

Industry Innovation Campaign

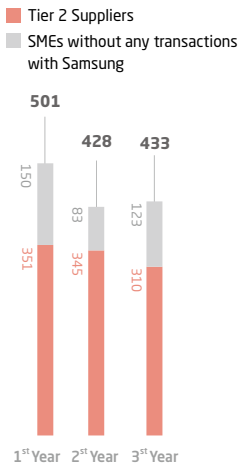
In an effort to support SMEs' productivity innovation by expanding mutual growth, with a focus on large-sized companies and their first-tier suppliers, into second-tier suppliers and other companies, the Ministry of Trade, Industry and Energy initiated the Industry Innovation Campaign in 2013. Since then, Samsung has been actively involved in the campaign. In fact, Samsung has carried out its plan to invest a total of KRW 50 billion for five years, from 2013 to 2017, to support not only its second-tier suppliers but also other SMEs without any transactions with Samsung through consulting for their productivity innovation and the cost of purchasing equipment. Samsung provides support in many ways so that second-tier suppliers and other SMEs which have had difficulty growing through innovation due to poorly equipped worksites and lack of innovation infrastructure can implement their innovation tasks by dispatching Samsung's win-win consultants and external consultants to worksites in an effort to help innovation throughout their business activities. This includes business management, improvement of manufacturing sites, and production technology.

Fostering Small but Strong Companies

Since 2011, Samsung has selected suppliers with potential technological capability and a strong desire for innovation to support so that they can raise their market share high enough to become one of the world's top five, or one of the Korea's top two, leading companies in their respective field(s). The program comprehensively supports these suppliers with technology knowhow, funds, and human resources. Samsung helps these chosen companies fundamentally innovate themselves through funding and cooperation with Samsung's R&D/manufacturing employees, and on-site consulting. We selected 48 companies in total for this program, 14 companies in 2013, 10 companies in 2014, 13 companies in 2015, and 11 companies in 2016 through fair screening by experts both inside and outside the company.

Status of Industry Innovation Campaign

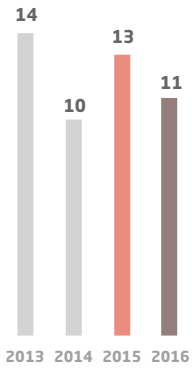
(companies)



*1st Year: Aug. 2013-Jul. 2014
2nd Year: Aug. 2014-Jul. 2015
3rd Year: Aug. 2015-Jul. 2016

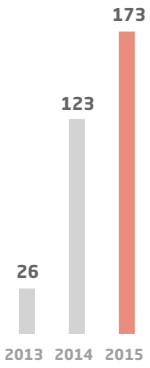
Status of Small but Strong Companies

(companies)



Status of Benefit Sharing

(KRW 100 million)



Benefit Sharing

Samsung runs a benefit sharing program through which we carry out joint activities with suppliers for improvements and the sharing of benefits. Samsung and its suppliers establish common goals such as cost reduction, improvement of quality and productivity, and new technology development. Moreover, we support suppliers with technology, funds, and human resources for achieving goals, and when the goals are successfully reached, we share all benefits with suppliers in the form of cash, expand order volume and patent sharing.

Patent Sharing

In 2015, Samsung shared a total of 27,000 patents that the company had for reinforcing SME technological competitiveness. It then posted a notice of these patents on the webpages for the Daegu Center for Creative Economy & Innovation and the Gyeongbuk Center for Creative Economy & Innovation. If SMEs that wish to utilize those patents apply to share them in the fields they require through these webpages, they are provided with the patent(s) after consulting with Samsung's patent experts on certain issues, one of which is the actual conditions of the contract(s). In addition, Samsung dispatched in-house patent experts to the Daegu and Gyeongbuk centers in 2015 to assist them with consulting on patent matching in the field of technologies that SMEs need, patent application, and utilizing methods so that SMEs can actively use the shared patents.

* For more information on the Case of Patent Sharing, please see Chapter 6.

Smart Factories

Samsung is proud to contribute to the improvement of other Korean companies' manufacturing capacities and to create a competitive corporate ecosystem, including manufacturing sites of suppliers and SMEs with which Samsung does not conduct any direct business with, through advanced information & communications technologies (ICT). For this purpose, we are expanding our Smart Factory program in four areas—automation of manufacturing, process simulation, ultra-precision molds, and factory operation systems—so as to reach 1,000 companies across the country by 2017 as a joint initiative with the Center for Creative Economy & Innovation. In August 2015, Samsung signed an MOU with the Ministry of Trade, Industry and Energy, and in October opened the Creative Economy Support Center, transferring Samsung's world-leading manufacturing knowhow to suppliers and other Korean SMEs.

Case of Smart Factories: Gyeongbuk Center for Creative Economy & Innovation

In 2015, the Gyeongbuk Center for Creative Economy & Innovation supported over 100 SMEs located in Gyeongsangbuk-do in adopting or establishing a smart factory with KRW 20 billion in funds jointly provided by Samsung Electronics and the province of Gyeongsangbuk-do. On top of that, Samsung professional mentors delivered their knowhow to local SMEs (Samsung suppliers: 20%, SMEs without any direct trade with Samsung: 80%). One of those recipient companies was DPM Tech Co., Ltd, which specializes in a dual-injection-adopted manufacturing execution system (MES) and automated parts-cutting equipment. Besides the adoption of a smart factory, Samsung's manufacturing experts stayed on at DPM Tech for some time, only to discover over 400 improvement tasks for the manufacturing site, at which time our experts carried out a number of innovation activities. As a result, orders for DPM Tech cellphone parts and automobile parts increased by 45 percent, from 2 million units to 2.9 million units a month. With Hyunwoo Precision Co., Ltd., they made a direct request to the Gyeongbuk Center for Creative Economy & Innovation for support in adopting a smart factory, and then went on to introduce the process 3D simulation method to its factory. This minimized wasteful movement between manufacturing processes, which ultimately reduced the moving distance when it came to logistics by 55 percent, from 5.13 kilometers to 2.33 kilometers. Also, the company adopted an automated grinding system and increased its productivity by 10 percent.

DPM Tech

Orders

2 million units → 2.9 million units a month

45% ↑

Hyunwoo Precision

Moving distance

5.13km → 2.33km

55% ↓

Supplier Communication

Samsung pursues a variety of communication activities so that it can forge partnerships with suppliers based on mutual trust.

Communication Program

In March 2015, Samsung held a Win-Win Cooperation Day event to provide a venue for mutual benchmarking through the presentation of awards to suppliers that had carried out excellent innovation activities and best practices. In May, we held a Place for Communication on Win-Win Cooperation event for first- and second-tier suppliers to further spread win-win cooperation activities by spreading Samsung's policies and supplier support programs for shared growth. Additionally, Samsung organizes a Win-Win Cooperation Workshop every October in which company executives and suppliers get together to openly discuss win-win cooperation activities and seek out mutually beneficial development plans for cooperation. Samsung also holds a Shared Growth Day event every other month. This gives Samsung's management the chance to visit supplier worksites and carry out consultations on product roadmaps and development. Management also listens to any difficulties suppliers are having, as well as supplier VOCs to help them address their problems, while continuing to engage in active communication for the establishment of solid partnerships with suppliers.

Communication Channels

Since 2008, Samsung has listened to grievances from its first- and second-tier suppliers through various channels, including a direct phone line (+82-80-200-3300) and exclusive e-mail address (ssvoc@samsung.com). The suggestions about co-prosperity has also been received, and these ideas were reflected in our policies to ensure win-win cooperation. Samsung has also been operating an online whistle-blowing system since 2010 through Win-Win Cooperation Portal (www.secbuy.com) channel on its website, in which all of global suppliers can voice their grievances at any time on condition of anonymity. In addition, we have been expanding communication channels to listen more VOCs (voice of customers) by visiting suppliers in person and holding workshops. In 2015, we received a total of 307 VOCs (293 from Korea, 14 from overseas) and addressed all the issues raised by our first- and second-tier suppliers.

Promotion of Cooperation with Suppliers

Samsung has extended its win-win cooperation initiative to its second-tier suppliers from only first-tier suppliers and encouraged cooperation between those two tiers of suppliers in an effort to help them both benefit from the company's goal of co-prosperity. With Samsung's "Hyeopseonghoe," a council made up of the company's suppliers, members have formed another council of trustees with second-tier suppliers that performs a range of activities to establish a culture of fair trade and shared growth between first- and second-tier suppliers. Every year, Hyeopseonghoe organizes meetings with representatives from second-tier suppliers to collect VOCs. Also, it supports second-tier suppliers in enhancing their competitiveness by participating in a variety of Samsung win-win partnership programs.

VOC Handling Rates

100%

1,2 Toptec holds workshops with suppliers to listen to their thoughts and share management issues on a regular basis.

Toptec: An Example of a Win-Win Partnership

Toptec Co., Ltd., a first-tier supplier of Samsung Electronics, formed a council of trustees with 12 suppliers to strengthen its win-win partnership program in 2013. Initially, Toptec developed its win-win cooperation activities with the help of Samsung. Soon after this, however, Samsung expanded its initiatives to help Toptec carry out these activities on its own by paying their bills in advance and supporting innovative plans, a move meant to encourage Toptec's participation on the council. When asked about this, Toptec CEO Lee Jae-hwan commented, "We have grown as a competitive business through the support of Samsung's policy to promote win-win partnerships. As such, we will do whatever we can to support our own suppliers to assist them in becoming more competitive."

Management of Supplier Responsibility

Approach

Samsung Electronics strives to fully implement its human rights commitments throughout its supply chain and respects international agreements for worksite safety assurance. In line with this, we work tirelessly to ensure that work environments at all of our workplaces comply with international standards and guidelines. Every supplier that Samsung does business with is required to conform to our Supplier Code of Conduct. They are also mandated to carry out regular monitoring to identify problems and then carry out improvement measures. To encourage the voluntary adherence of its suppliers, Samsung offers a variety of support to increase their capabilities in managing work environments by educating them about human rights and legal compliance. We also help them single out problems through the establishment of verification processes and facilitate any and all improvement efforts. In addition, through the establishment of sustainable work environments at suppliers, we seek to build an open and transparent responsibility management system for suppliers to maintain highly participation and cooperation between all parties in our supply chain.

Management System

In 2012, the company established a dedicated the supplier responsibility team, and in 2013, we established a workplace management team to manage the workplace environment of overseas production site. The supplier responsibility team is in charge of creating policies on suppliers' responsibility management to create a safe work environment that meets international standards, and to also continually manage these policies. To this end, Samsung assists its suppliers in recognizing risks associated with work environments in advance and identifying improvement measures at once. In cooperation with staff in charge of regional workplace environment management team around the world, the unit evaluates whether overseas worksites comply with local regulations and also provides support tailored for each production site. For instance, it addresses regional issues such as work environment improvement.

Policy Framework for Supply Chain Management

Supplier Responsibility Management Policies

Supplier Code of Conduct Samsung has established a Supplier Code of Conduct which it shares with its suppliers, and is based on the EICC Code of Conduct to improve work environments. We annually update our Supplier Code of Conduct to cover provisions regarding the protection of workers' rights in line with revisions to the EICC Code of Conduct.

Supplier Code of Conduct Guide Samsung's Supplier Code of Conduct Guide aids our suppliers in complying with our Supplier Code of Conduct in order to facilitate their responsibility management system. This guide provides our suppliers with detailed information on how to integrate sustainable practices in their companies.

Self-assessment Checklist Furthermore, we share our Self-assessment Checklist with suppliers to help them better understand conditions surrounding their work environments as they come up with solutions to problems on their own. As such, suppliers are able to carry out self-assessments and identify issues they have to work on independently.

Risk Management for Supplier Responsibility

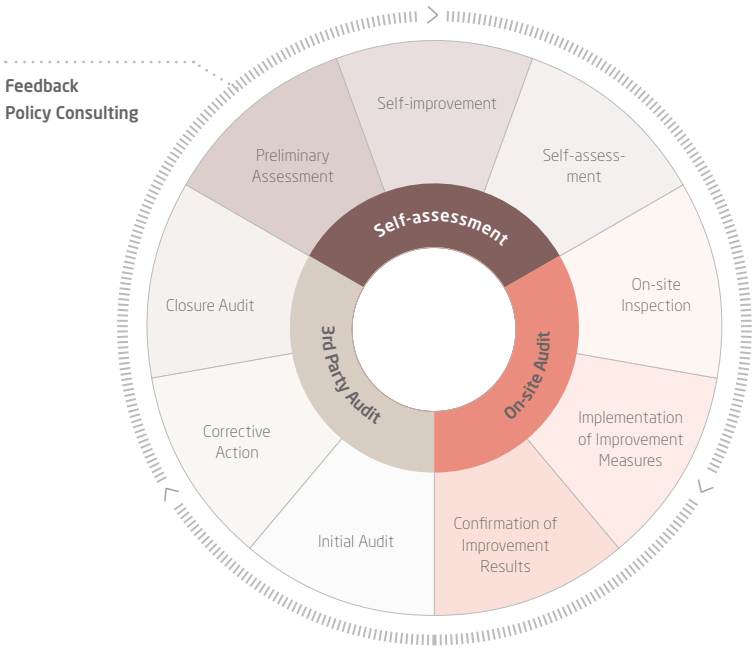
Management Targets

Samsung monitors all risks associated with work environments at all suppliers that are participating in production processes of our products on a real-time basis. Suppliers must meet worksite standards with regard to labor & human rights and EHS as stipulated in the Supplier Code of Conduct, and based on industry-wide standards such as the EICC. This is supervised through on-site audits by Samsung and a third party's strict verification process. In addition, we reflect the outcome of our evaluation on work environment risks annually in a comprehensive supplier evaluation. We use this as a key factor when deciding whether to continue our relationship with suppliers.

Integrated Management Process

Samsung responds to identified risks in a preemptive manner after evaluating those which may be associated with work environment at all production sites at our suppliers based on a thorough analysis of all accumulated data in our internal system. The enhanced risk assessment system introduced in 2014 consists of internal management indicators, work environments and legal compliance, and external indicators, politics and society. Based on a regular analysis of evaluation results, we provide intensive consulting for suppliers that are more exposed to risks, offering them knowhow regarding best practices. Additionally, we evaluate risks at all supplier worksites based on EICC self-assessment standards.

Integrated Management Process of Work Environment



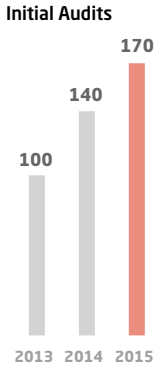
Self-assessment Samsung's suppliers are obliged to carry out a self-assessment at least once a year. They carry out the self-assessment by going over a total of 104 checklist items that reflect each country's social responsibility requirements, which are all based on EICC standards. The checklist consists of two categories, labor & human rights and EHS, with the former including items regarding ethics and management system. After Samsung suppliers identify any self-assessment weaknesses, they immediately devise improvement tasks that are implemented voluntarily by suppliers. Upon receiving approval from the CEO, suppliers need to turn in the outcome of the self-assessment to Samsung. We conduct on-site verifications on 10 percent of all suppliers. By carrying out this process, it lends credibility to the self-assessment. We issue warnings against those carrying out self-assessments improperly and reflect that in our comprehensive supplier evaluation. In 2016, we plan to extend our on-site verifications to 20 percent of our suppliers.

On-site Audit In 2015, Samsung conducted on-site audits at 455 suppliers that were selected as 'priority suppliers' in consideration of their geopolitical location, trade size, past identified issues, and self-assessment results. On-site audits are led by the Samsung unit in charge of suppliers, which conducts an independent audit separate from the procurement unit, as well as by a different unit that is responsible for labor & human rights and EHS issues at worksites. Criteria related to on-site audits are same as self-assessment. Together with our regular on-site audits, we conducted an average of 4.8 surprise and special inspections per supplier in 2015, including audits concerning child employment, the recruitment process, and employment of interns and student workers during vacation periods. For thorough verification,

Work environment improvement in 2015

Status of Cumulative 3rd-party Audits

(cases)



we listened to what supplier executives and employees had to say through interviews and an examination of the workplace environment, after which we came up with final improvement tasks to be addressed in cooperation with suppliers. We then registered these tasks with the Suppliers' Work Environment Management System, with suppliers responsible for implementing improvement measures on their own. Samsung supports the suppliers with policy development and provides consulting for corrective actions. In 2015, 95 percent of improvement tasks raised throughout the year have been implemented.

Third-party Audit For third-party audit, Samsung applies the same standards as the EICC and only uses an EICC-authorized external audit firm. In order to improve transparency and credibility, we conducted the third-party audit on 30 suppliers based on random sampling. In 2015, audit was conducted in a "semi-announced" type, with specific audit schedules not provided in advance to prevent any kind of preliminary preparation prior to the inspection and to ensure more accurate verification. For six suppliers, auditors conducted separate interviews with their employees outside the company premises so that the interviewees could be more candid when describing their work environment and without interruption. Samsung requires all suppliers to address every improvement task identified through third-party audit within three months. Suppliers then need to come up with corrective measures, such as complementary policies, employee education and/or site improvements, before fully carrying them out. Results are verified by a panel of experts through a closure audit three months later.

Results of Third-party Audits

The results of both on-site audits and third-party audits show similar compliance rates. From this, we can confirm that our in-house, on-site audits and improvement activities are reliable. The results of third-party audits on major issues are as follows. Figures represent final compliance rates and reflect the results of improvement measures suggested by the third-party audits.

Compliance Rates by Items

		2014	2015
Labor & Human Rights	Freely chosen employment	99%	99%
	Prohibition of child labor employment	100%	100%
	Protection of minor workers	90%	100%
	Working-hour management	94%	89%
	Guarantee of one day off every seven days	96%	95%
	Wages & Benefits	94%	98%
	Humane treatment	100%	100%
	Non-Discrimination	100%	100%
Health & Safety	Occupational safety	83%	89%
	Emergency preparedness	88%	94%
	Occupational injury and illness	95%	96%
	Physically demanding work	98%	90%
	Machine safeguarding	90%	100%
	Food, Sanitation & Housing	91%	98%
Environment	Pollution prevention & Resource reduction	88%	100%
	Hazardous substances management	87%	99%
	Wastewater/Solid waste management	96%	88%
	Air emissions	96%	98%
	Materials restrictions	100%	100%

		2014	2015
Business Ethics	Business integrity	95%	100%
	No improper advantage	93%	100%
	Disclosure of information	100%	100%
	Intellectual property	98%	100%
	Protection of identity	95%	100%
	Protection of personal information	95%	100%
	Non-retaliation	100%	100%
Management System	Company commitment	95%	100%
	Management responsibility	93%	100%
	Risk assessment & management	93%	100%
	Training	95%	100%
	Communication	93%	100%
	Worker feedback & participation	100%	100%
	Corrective action process	98%	100%
	Improvement objectives	83%	100%

Labor & Human Rights

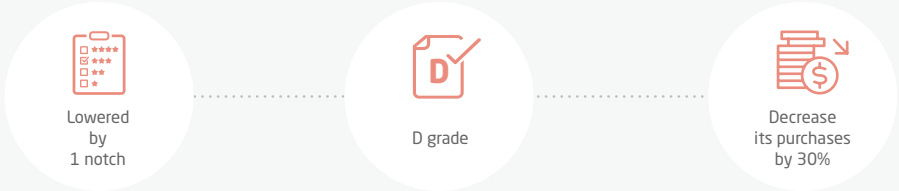
Prohibition on Child Labor & Preventive Measures There were no evidence of child labor cases at suppliers in 2015. Additionally, the company continues to educate managers and human resources staff at suppliers about the recruiting process. As part of this initiative, we have our suppliers verify the identity of all applicants and conduct mandatory face-to-face interviews. We then share the verification results through Samsung's G-SRM System on a monthly basis. In China, Samsung monitors the recruitment process of suppliers twice a year by strengthening its on-site taskforce patrol activities during vacation periods, when there is a high possibility that child workers, interns, and underage laborers will be employed temporarily. Also, the company has expanded its facial recognition system throughout supplier workplaces to block the hiring of children through ID fabrication from the very earliest stages.

Efforts for Working Hour Compliance and Day-off Guarantee In 2015, we sampled three different months from suppliers' a peak, a valley and an average month, and found that the number of work hours in an average week stood at 48 hours over those three months. Even during the peak season, total work hours were less than 52 hours, below the maximum limit of 60 hours per week, while our suppliers' compliance rates reached 89 percent on average, a bit lower than the previous year. This drop was due to a temporary surge in production during the peak season at some suppliers and the introduction of a new technology-based process for new products despite an increased supply in manpower and facility expansion. To improve compliance rates at supplier companies, we analyze data regarding their production capability and output, and make forecasts of estimated overtime work hours. We then help suppliers manage work hours in a preemptive manner by providing them with relevant data. Together with the monitoring of weekly extra work hours at supplier worksites, we have continued to carry out customized support activities, such as assisting workers in charge of equipment maintenance and repair work, which frequently requires overtime hours, to ensure that every supplier conforms to stringent work hour regulations. We are aware of the risk of suppliers forging working hours data and we take such cases very seriously.

Wages and Benefits All of suppliers should pay its employees more than the minimum wage and provide a legal holiday and vacation required in that specific region/country. However, we found that some companies were behind on their monthly wage payments as a result of mismanagement of in-house subcontractor wage payments and a failure to reflect legal revisions related to annual leaves/sick leaves as part of company regulations. Accordingly, Samsung educates suppliers about related policies and urges them to take corrective measures on their own. At the same time, we strictly penalize those suppliers that do not properly improve conditions based on our penalty process by doing things such as downgrading comprehensive supplier evaluations and reducing order volume. Since 2015, we have stepped up our efforts to prevent unfair wage payments and irregular management activities by analyzing individual salary statements as part of our supplier audits.

Penalty Cases

An in-house subcontractor for one of Samsung's primary suppliers is located in Huizhou, China. In 2015, we discovered that they were one to two months behind schedule in dispersing employee wages. We first asked the supplier to take corrective measures. Then, three months later, we learned of similar incidents still taking place and took the following action:



We lowered their evaluation grade by one notch and held it accountable for poor management of the subcontractor

In the final evaluation, the supplier was given a D grade

Consequently, Samsung will decrease its purchases from this supplier by 30 percent in 2016 compared to 2015

Health & Safety

Emergency preparedness program Certain suppliers showed clear problems with their safety measures in 2015, such as not having any emergency exits, a dearth of heat and smoke detectors, insufficient evacuation drills, and unpreparedness with their business resumption procedures. The emergency exit issue was resolved during on-site audits, while also securing a sufficient number of extinguishing agents/devices, and putting up more evacuation maps and emergency exit signs. They were also instructed to have all employees participate in emergency drills. Moreover, they were urged to conduct retraining every year and to establish systematic procedures to prevent any possible emergency situations.

Employee Health Examination Program Workers who work in a process that uses chemicals at some companies were found to have not received a health examination due to the frequent turnover rate. Samsung require these employees to wear appropriate personal protective equipment and encourage all employees at these companies to get a full medical checkup and to ensure monthly monitoring of these health examinations.

Controlling Physically Demanding Work We found certain suppliers with inadequate management of their programs that monitor employees with exposure to excessive physical labor. Samsung requires these companies to take administrative measures in such cases, including regulating physical work hours and rotating jobs, while also putting in place technical measures like the establishment of height-adjustable workbenches and palletizing. Furthermore, suppliers are required to monitor the effects of these measures through evaluations at least once a year.

Safety Control of Dangerous Equipment In 2015, some suppliers failed to furnish mechanical equipment with the proper safety devices and did not conduct regular inspections of insulation materials. In cases such as these, Samsung requires companies to immediately set up a protective wall and safety devices against all possible risk factors that pose a threat to the safety of workers. Our suppliers are currently following our instructions, ensuring that they are equipped with the necessary safety permits for all machine equipment (compulsory permits, licenses, inspection reports, etc.) as legally mandated, and that all equipment is kept in good working condition.

Environment

Strengthened Management of Hazardous Substances Suppliers must operate worker protection programs in order to treat hazardous materials safely such as attaching appropriate labels to the storage containers, installing a second container against chemical leakage and providing MSDS (Material Safety Data Sheet). As such, we instructed them to educate staff about such materials and to take other corrective measures. In addition, we are in progress of process improvement with suppliers.

Control of Wastewater and Solid Waste In 2015, some suppliers were found to be using unauthorized food waste disposal companies and/or discharging oil waste into rain sewage systems. Samsung required these specific companies to educate employees on related policies and to take the appropriate corrective measures. Today, we continue to send some of our workplace environment safety experts to these suppliers to offer consulting on a regular basis.

Ethics

Compliance with Whistle-blower Protection Policy Suppliers need to establish policies for the protection of whistle blowers and procedures to ensure their anonymity. Samsung checks suppliers' notices about such regulations and their operation process, and then monitors compliance through employee interviews and reviews of related records.

Management Systems

Support for Risk Assessment and Business Improvement Goal Setting Samsung learned in 2015 that some suppliers had an inadequate process for identifying, evaluating, and minimizing/easing/controlling risks in the areas of labor & human rights, EHS, and business ethics. These same companies then took corrective measures by using our ERP system and management innovation program in such fields as improvement of management expertise and funding, two aspects which Samsung believes suppliers are unable to carry out on their own.

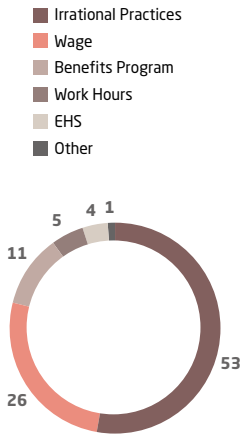
Efforts to Improve Working Conditions in 2015

Grievance Channels

Samsung has run a hotline reporting system since 2012 to protect workers from human rights abuses and violations of work environment regulations that are liable to take place at one of our suppliers. Accordingly, we put up posters about how to report on this subject by using our hotline. What's more is that in 2014 we expanded the reporting options to include mobile phones (via QR code scanning) as well as telephone and email reporting. On top of the reporting channels which Samsung runs, suppliers are required to operate their own hotlines, and we monitor their operation through on-site inspections. Every case received through our hotline is investigated by the appropriate Samsung employee in charge. We guarantee the anonymity of all informants and mandate the prohibition of retaliation. Once a report is made, an informant is contacted within one week by telephone or email on the measures that will be taken in response to their report. If the report is found to be valid, the supplier(s) concerned must demonstrate how improvements will be made within one month, at which time Samsung validates the results of these improvement efforts. In 2015, we received a total of 127 reports from employees at overseas suppliers and replied to 100 percent of them about follow-up measures within one week.

Type of Hotline Reporting

(%)



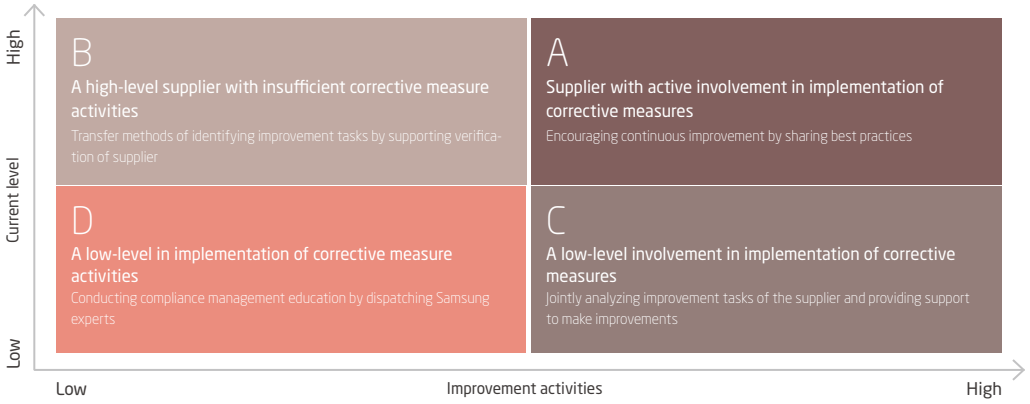
Improvement Programs

Improving the Recruitment Process for Prevention of Child Labor We provide our suppliers with ID scanners (free of charge) so that they can operate an appropriate employment process. In addition, we have strengthened our stance on prohibiting hiring child labor by providing ID scanner and facial recognition system to suppliers in China. We plan to expand providing the facial recognition system to suppliers in other regions.

Fair Work Hour Management System Suppliers have difficulty in managing overtime work hours due to many variables that include monthly changes to human resources and a fluctuating production volume. Samsung took note of these and other difficulties when it established its Prior Management System to provide forecasts and inform about overtime hours based on the supplier's production capacity and production order data.

Strengthening Monitoring for Fair Work and Pay Through supplier audits, we find loopholes in overtime hour management, including fraudulent evidence material. When this happens, we immediately require the supplier to submit an improvement plan, and continuously monitor whether the plan is actually put into action. At Samsung, we are vigilant about monitoring for the input of falsified overtime hours with the overtime management system. As a result, we have strengthened this system by dispatching an official representative to suppliers when they are suspected of entering falsified overtime hours.

Tailored Consulting for Suppliers Based on data registered on the G-SRM system, Samsung classifies its suppliers into one of four groups: A, B, C, or D. This classification is based on an evaluation of the current work environment level and suppliers' improvement activities. In the future, we plan on continuously providing tailored consulting for suppliers in each group.



EHS Management at Subcontractors Samsung requires subcontractor's employees working at our worksites to respect the same environment, health and safety (EHS) standards as Samsung executives and employees. Furthermore, we have supplier CEOs attend regular meetings to share Samsung's safety standards and pending issues. We of course respect the management rights of our suppliers and closely listen to their recommendations on a continual basis. Suppliers that have employees residing at their worksites educate these people about all of Samsung's safety rules, such as individual safety equipment standards, MSDS (material safety data sheet) and chemical substance control guidelines. Samsung regularly carries out inspections at supplier worksites to evaluate their safety education and work environments. We then reflect these assessment results in the supplier selection process.

Suppliers' Day at the Environment Safety Innovation Conference From October 20 to 22, 2015, Samsung hosted over 1,000 participants at its Environment Safety Innovation Conference. On the second day of the conference, we held a Suppliers' Day, sharing cases of supplier environment safety innovation and handing out awards to six companies. Later, we held an education session to learn more about the winning companies' practices. We plan to expand the Suppliers' Day event at future Environment Safety Innovation Conference events, and to establish it as a pivotal way to promote the shared growth of environmental safety culture between Samsung and its suppliers.

Education Programs for Supplier Responsibility

Training for Managers Samsung has developed training programs to strengthen its employees' skillsets. We also offer optimized offline training by job level and function to all employees. The training covers 13 categories in six sectors, from labor and human rights to diversity and anti-discrimination. Additionally, we have created training programs specific to four regions: China, Southeast & Southwest Asia, the Americas, and Europe. In 2015, a total of 854 employees (including those taking more than one program) completed training. In 2016, we will be providing training to all employees at every production site with the goal of training 100 percent of our employees in at least one program. In 2015, we also secured a total of 44 experts by training EICC professional examiners.

Supplier-oriented Training To support training that is tailored to the different legal standards of each country, we conduct training related to work environments for employees at our local subsidiaries and suppliers. The training is provided in the form of regular meetings, workshops, or conferences. Also, for the convenience of production employees, we have developed online training programs and video content in numerous languages, including English, Chinese, and Vietnamese. This is also seen as a form of communication with management and those in charge of work environment management at our supplier worksites. Through this initiative, Samsung and its suppliers have solidified a joint desire to take responsibility in ensuring safe work environments.

Participation in Global Initiatives

Samsung participates in a variety of activities to support not only our supply chain but also the development of an eco-system that is spearheaded by our global suppliers. We seek to be a responsible corporate citizen and play an important role in the sustainable growth of mankind by carrying out responsible corporate initiatives for future generations, as well as related activities for corporate human rights.


1 Supplier-oriented Training
2 Suppliers' Day

Conflict Minerals Management

Recently, human rights violations and environmental degradation caused by the mining of minerals in Indonesia and conflict-affected regions in Africa have both emerged as key global challenges. In response, Samsung strives to improve human rights and help the environment in conflict-affected regions by establishing a responsible supply chain management system and encouraging more suppliers to participate.

Conflict Minerals Management System

1) EICC : Electronic Industry Citizenship Coalition
2) GeSI : Global e-Sustainability Initiative
3) CFSI : Conflict-Free Sourcing Initiative
4) KEA : Korea Electronics Association

Conflict Minerals Management System

Policy on Conflict Minerals

Samsung considers environmental degradation and human rights violations in conflict areas as serious ethical issues. Thus, it has banned the use of conflict minerals (3TG: tantalum, tin, tungsten, gold) that are mined in an unethical manner in conflict regions in 10 countries, including the Democratic Republic of the Congo. Samsung manages the supply chain based on a principle of providing products that are produced through an ethical distribution process and by conducting thorough examinations on the inclusion of conflict minerals in its products.

Conflict Minerals Management Process

To consolidate its Conflict-free System, Samsung implemented due diligence process for conflict minerals in line with the 'OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas'. Furthermore, Samsung provides guidelines to suppliers and raises their awareness about conflict minerals issues through education and support, while also conducting regular investigations into the use of conflict minerals throughout the supply chain. Internally, we review information submitted by suppliers and conduct on-site inspections of companies whose systems require additional verification. In addition, we encourage suppliers to switch to smelters certified by the Conflict-Free Smelter Program (CFSP), and require uncertified smelters in our supply chain to become certified by the CFSP. On top of that, we have established a G-SRM Conflict Minerals Management System to manage conflict minerals more effectively. Samsung manages risks related to conflict minerals in the supply chain and devises realistic solutions together with its suppliers by participating in the Conflict-Free Sourcing Initiative (CFSI), which was co-founded by the Electronic Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI). We are also a member of the Conflict-Free Council, which was organized by the Korea Electronics Association (KEA).

Key Activities in 2015

Raising Supplier Awareness

Agreement Required 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 in various countries, including the Democratic Republic of the Congo, and collects a letter of consent through our system as well. We have also made it mandatory for our suppliers to extend Samsung's conflict-free policy to their sub-suppliers.

Training on Conflict Minerals Samsung offers online/off-line training on conflict minerals policy to executives and staff members responsible for purchasing and sales to improve their capabilities when it comes to conflict minerals management, while also providing a conflict minerals guide and systematic support for suppliers. In fact, we have made online training obligatory. As a result, a total of 1,096 Samsung Electronics executives and employees had received group training on conflict minerals policy by 2015. Additionally, we have developed a management guide on conflict minerals and shared it with all of our suppliers so that they can train and educate their own employees. In a bid to raise supplier awareness about conflict minerals issues, Samsung has offered annual training sessions and workshops to its suppliers since 2011. In 2015, we offered training programs to 310 executives and managers from suppliers concerning Samsung policy on conflict minerals, a manual about the conflict minerals management system, and how to become a CFSP-certified smelter. After carrying out on-site inspections, we offer additional training to suppliers that are inadequately managing conflict minerals.

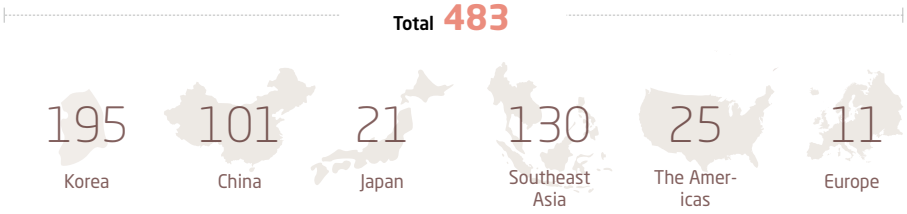
Surveys on the Use of Conflict Minerals

Using the Conflict Minerals Reporting Template (CMRT) between December 2015 and February 2016, Samsung collected information about the use of conflict minerals at suppliers and smelters in its supply chain. In addition, we required our suppliers to extend this policy regarding the ban on conflict minerals to their subcontractors to keep them in line with Samsung corporate policy.

On-site Verification

Samsung verifies all of the information submitted to it by its suppliers in a fair and reasonable way. Following an internal review of the information, we carry out on-site inspections at 483 global suppliers whose systems require additional verification. We also check the credibility of this information and the state of management with suppliers' conflict minerals policies. Based on the credibility of the gathered information and the state of suppliers' conflict minerals management, we classify our suppliers into four groups: A, B, C and D. After learning of best practices in Group A group, we shared them with other suppliers for benchmarking purposes. For suppliers in Group B and Group C, they are required to submit additional evidence reports. We also require those in Group D to submit additional evidence reports and conduct more training. Through these activities, we help our suppliers to check on and improve their conflict minerals management policies and information management systems so that they can strengthen their ability to manage conflict minerals and heighten their due diligence system.

2015 On-site Inspection Results (No. of Supplier's Worksites)



Risk Assessment and Improvement Activities in the Supply Chain

For the expansion of our Conflict-Free System throughout the supply chain, Samsung has requested all of its suppliers not to use conflict minerals, while also continuously urging them to work with CFSP-certified smelters. In addition, we always verify the origin of minerals and the use of conflict minerals based on smelter information submitted by each supplier. We then re-check whether smelters with uncertain origins or without CFSP certification used conflict minerals before instructing them to obtain this certification.

Switching to CFSP-certified Smelters with suppliers Following surveys on the use of conflict minerals, we continually require suppliers doing business with smelters not certified by the CFSP to purchase materials from a smelter certified by a third party. As a result, all of our suppliers that deal in tantalum do business with CFSP-certified smelters as of April in 2016, and up from 99 percent in 2015. With tin, tungsten, and gold, we have continually urged our suppliers to follow our conflict-free policy.

Recommending Smelters to Obtain CFSP Certification Samsung has requested that all smelters handling conflict minerals (3TG: tantalum, tin, tungsten, gold) related to supply materials immediately obtain CFSP certification from a third party. What's more is that we have urged smelters not certified by a third party to join the CFSP based on our conflict-free policy. In fact, since visiting a number of domestic smelters to recommend their participation in CFSP, seven smelters have been listed on the CFSI. For overseas smelters, we have continually asked them to participate in the CFSP through local procurement units. Consequently, 45 tantalum-related smelters all obtained the CFSP by April 2016. We have also encouraged other minerals-related smelters in our supply chain to obtain CFSP certification.

3TG-related Smelters in the Supply Chain

	CFSP		Use of equivalent certification scheme	Smelter self-declared non-use of conflict minerals	Samsung asked smelter to obtain a CFSP certification	Total
	Certification Completed	Certification In Progress				
Tantalum	45	-	-	-	-	45
Tin	59	9	-	1	5	74
Tungsten	30	5	4 (TI-CMC[1])	-	2	41
Gold	81	11	2 (LBMA[2])	3	16	113

1) TI-CMC: Tungsten Industry Conflict Minerals Council
2) LBMA: London Bullion Market Association

Computer Data System-based Management

We operate an internal Trade Compliance System (TCS) under G-SRM for the effective use of conflict minerals information. After systematizing the CMRT—the CFSI's way of examining the use of conflict minerals—in the TCS, we have been able to help our suppliers enter information more conveniently. Also, we provide information regarding CFSP-certified smelters through our system so that our suppliers can identify smelters that are not using conflict minerals. Today, we operate a system designed to manage conflict minerals information by material unit in order to control the use of such materials at the earliest stages of product development. To this end, we monitor the use of conflict minerals and their origins, and push for all suppliers to switch to a certified smelter. We actually make it a rule not to sign contracts with suppliers that have failed to submit conflict minerals information or have used minerals purchased from uncertified smelters. This process was systemized to reinforce our activities in conflict-free business initiatives.

Management of Minerals at Issue

On top of conflict minerals matters, issues regarding human rights violations and environmental degradation caused by the mining of minerals, such as tin on Bangka Island, Indonesia and cobalt in the Democratic Republic of the Congo, are raising concerns among stakeholders. Friends of the Earth (FoE) is an international non-governmental organization (NGO) which alerted that the mining of tin on Bangka Island, Indonesia is destroying key elements of the local marine eco-system, such as coral islands, and is causing damage to the agriculture and fishery industries in surrounding regions.

FoE has urged companies to join forces to address this issue. Therefore, since 2013, we have participated in the Indonesian Tin Working Group (TWG), a working group established to address the issue of tin mining on Bangka Island together with the EICC, likeminded technology companies, and coordinated by the Dutch Sustainable Trade Initiative called IDH. With its renewed support, Samsung is working closely with IDH, the Electronic Industry Citizenship Coalition (EICC) and various other stakeholders, including the local Indonesian government, smelters, companies, and NGOs such as Friends of the Earth, to find a reasonable solution to these concerns. At the end of 2015, Samsung decided to support the TWG Incentives Guide and is looking at pilot projects which could be launched in 2016. In addition, child labor has long been highlighted as a problem at cobalt mines in the Democratic Republic of the Congo and has recently come to garner much attention. Given the nature of this issue, however, joint efforts among governments, NGOs and corporations are urgently needed. Samsung is well aware of the corporate world's responsibilities and roles with problems caused by the mining of minerals. As a result, we have pledged to redouble our efforts and find ways to resolve these challenges by listening to greater numbers of stakeholders and actively participating in joint initiatives.

Customers and Product Services

Based on our vision of "Perfection in Quality beyond Your Imagination," Samsung is committed to providing products and services with the utmost priority on employee product control.

Product Quality Control To secure the highest product quality, Samsung conducts a CS Certification System. We listen to the voice of customers and reflect that from the stage of new product development. We come up with the assessment criteria for CS Certification through a cooperation among quality-related divisions, and product quality is assessed at each stage of development. We also verify whether all products meet customer needs through the executive council and only provide customers with premium quality products. In addition, we reinforce product durability by developing a reliability test that considers a wide range of user environments. Once new products are brought to market, we analyze users' inconveniences and repair information to solve any potential problems, and then apply these results to new models.

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

Communication with Customers

Samsung runs customer contact centers and a dedicated website to deal with customer requirements. By dealing with voice of customers on product purchases, repairs, and instructions, we can effectively resolve all customer inconveniences. Our globally integrated VoC management system allows for 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 carries out a customer satisfaction survey on a regular basis to discover areas for improvement and does its utmost to provide customer-oriented services. The survey results are then 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 by establishing improvement plans. As a result of this initiative, the level of satisfaction with our services has continuously improved since the survey was first introduced in 1994.

Customer Satisfaction Survey Results in 2015

Samsung has received excellent evaluations from customers because of the activities it has run to improve the quality of its products and services, ranking first in customer satisfaction surveys conducted by external organizations in different regions.

Customer Satisfaction Survey Results in 2015

Korea

Korea Management Association Consulting (KMAC)	Korean Standards Association (KSA)	Korea Productivity Center (KPC)
1st in the Korean Customer Satisfaction Index (KCSI)[1]	1st in the Korean Standard Quality Excellence Index (KS-QEI)[4]	1st in the National Customer Satisfaction Index (NCSI)[3]
TVs, refrigerators, washing machines, air conditioners, kimchi refrigerators, smartphones, tablets, PCs, multipliers	TVs, refrigerators, washer dryer combos, air conditioners, kimchi refrigerators, smartphones, tablets, PCs, laser printers	TVs, kimchi refrigerators, air conditioners, smartphones, tablets, PCs
1st in the Korean Service Quality Index (KSQI)[2]	1st in the Korean Standard Service Quality Index (KS-SQI)[5]	
Call center, Indoor & Outdoor Service (cellphones, home appliances)	Home appliances, PCs, smartphone services	
	1st in the Korean Standard Contact Service Quality Index (KS-CQI)[6]	
	Call center	

1) Korean Customer Satisfaction Index
2) Korean Service Quality Index
3) National Customer Satisfaction Index
4) Korean Standard Quality Excellence Index
5) Korean Standard Service Quality Index
6) Korean Standard Contact Service Quality Index

Overseas

Country	Organizer	Result	Target Products/Services
United States	Consumer Report magazine	1st in customer satisfaction	20 products
U.K.	Which magazine	1st in customer satisfaction	10 products
Germany	TEST magazine	1st in customer satisfaction	10 products
	Finanzen	1st in service evaluation	Service evaluation on smartphone manufacturers
France	Que Choisir magazine	1st in customer satisfaction	7 products
Poland	Three organizations, including Jakosci Obslugi	Grand prize at the Customer Satisfaction Awards	Electronics industry category
Columbia	Latin America Call Center Association	Bronze Medal at the Call Center Awards	Only one recipient among all electronics manufacturers

Customer support website

http://www.samsung.com/sec/support

Customer Service Channels

Samsung operates approximately 20,000 service centers and 61 contact centers (1 in Korea, 60 overseas) across the globe to provide rapid 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 Latin America, Africa, and the Middle East. At our contact centers, 10,000 qualified consultants answer service requests and product inquiries. The websites for each country also provide a customer support menu, including a customer self-examination guidance and product instructions. In addition, Samsung is expanding online services to minimize its customers' inconvenience in personally visiting service centers. Customer contact centers utilize a variety of customer support services depending on the needs of each country, such as a tele-consulting service that solves problems by accessing a customer's product through a network, and live chats and e-mail consulting provided on our websites.

Customer Service Channels

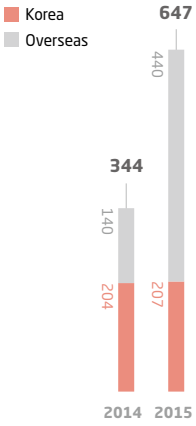
1 Email 2 Live chat 3 Remote support 4 Phone calls 5 Service Center

Galaxy Consultants With the increase of smartphone sales, Samsung has expanded services at retail stores—on top of existing service centers—since 2014 to provide simple repair services, such as software upgrades, on the spot. To this end, we introduced the Galaxy Consultants (smartphone-specific consultants) program, which has received positive consumer feedback since its inception. In 2015, these people work at 158 stores under Samsung's direct management in Korea, and with growing success in the Korean market, we are expanding the program into many other countries, including China. Also, in the case of overseas stores without consultants, we provide simple repair services by general sales staff at the stores.

Strategic Cities for Service Innovation In addition, Samsung has improved its level of services by investing in related systems, human resources, and infrastructure in major cities around the world, with the goal of providing repair services within one hour upon request for smartphones and within 24 hours for large home appliances such as TVs, refrigerators, and washing machines. This service was introduced in 27 cities in 2014, and 106 cities in 2015, with plans to expand the program to 215 cities in 2016.

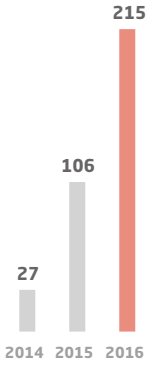
Status of Galaxy Consultants

(persons)



Status of Strategic Cities

(No. of cities)



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. By sharing the guide with sales subsidiaries across the world through our global business process standardization system, we will provide standardized services to people everywhere. Based on this global guide, each regional subsidiary localizes the manual according to their market characteristics, provides employees with training, and shares the manual through the internal knowledge portal site. In 2015, Samsung produced and distributed an in-store service guide in order to expand the service function of retail stores.

Key Service Standards

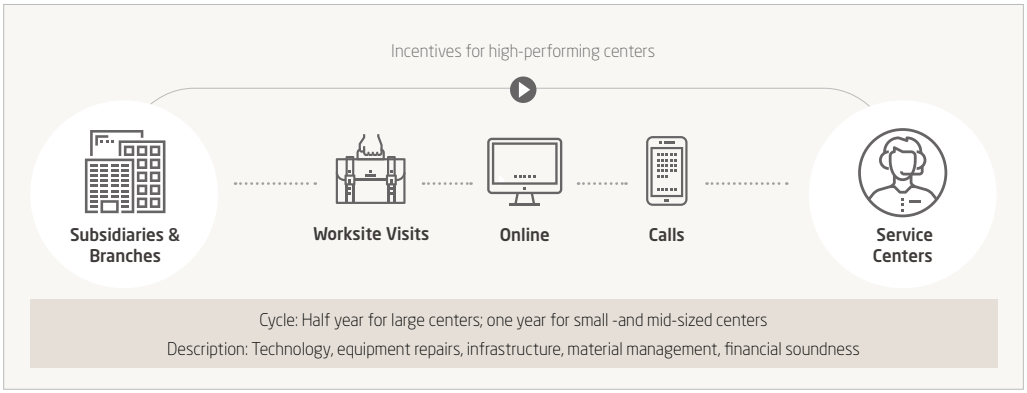
Service Standard Type	Description
Service Standard Operation Manual	Operating manual by service process
	• Contact center, technology consultations, service requests, technology training, repairs, result reports, customer satisfaction calls, expense settlements, and claim management
In-store Service Guide	Guide for adding in-store service functions
	• Definition of in-store services, service functions, layout, etc.
Technical Guide	Technology guide for product repair

Service Quality Control

On-site Inspection

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

Service Center Inspections

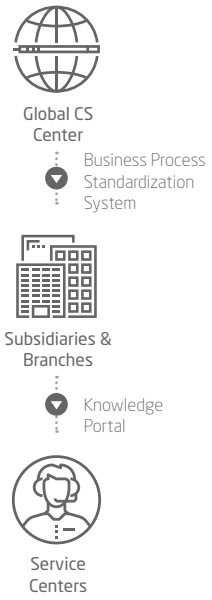


Service Training

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 training or group training (according to the product features and the characteristics of each country) allows employees to check video clips and technology data through the in-house system at any time. Every December, Samsung Electronics' HQ organizes a CS Strategy Workshop to help personnel in each sales corporation, while going over the results of the year and establishing service strategies for the following year. In addition, a series of workshops are frequently held by region—such as North America, China, and Europe—to reinforce service differentiation strategies for each region.

1 Training for Service Center
2 Workshop for CS service strategies

Distribution Process of Standard Guide for Service Quality Control



5 / SOCIETY
CORPORATE CITIZENSHIP

Material issues

1 Developing Local Communities
2 Stakeholder Engagement

OUR VISION

As a member of the global community, Samsung is determined to contribute to society's well-being and create shared value through our technology and innovation.

OUR COMMITMENT

Samsung strives to meet and exceed its social responsibility for sustainable social development and thus contribute to creating a better life for people. In order to solve various social issues related to education, medical care, employment, and the environment, we actively pursue social contribution activities. For example, we share with all of society cutting-edge technologies, which are our core competency, and promote the donation of employee talent.

IN THIS REPORT

Samsung continuously operates locally customized training programs for the benefit of local communities, and provides various types of support so that local residents can cultivate the competencies they need to create a better future through the company's unique technologies and professional workforce. We are especially committed to improving the quality of life for local residents as we pursue sustainable development that minimizes our environmental impact, while also contributing to local communities' economic and social development. In this chapter, we introduce cases of different countries where we work hard to implement corporate citizenship in various areas, including education, local communities, and medical care.

TRENDS & CHALLENGES

Changes in Awareness about Social Contribution There is an increasing expectation for sustainable social contribution programs to solve both social problems and create value for corporations. Companies are expected to directly respond to social problems through creating shared value (CSV) and connecting with UN SDGs.

Measurement and Assessment of Results Leading global companies place an emphasis on impact when analyzing results of their social contribution activities in addition to reporting the numerical results (cost, number of beneficiaries, hours of service).

WHAT WE ARE DOING

Educational Support

Providing Samsung's digital devices and training to reinforce the IT competencies of teenagers in many countries, including Germany, Thailand and Russia

Local Community Development

Laying the foundation for economic independence by way of establishing infrastructure, relieving unemployment, and fostering technical manpower through integrated local services for disadvantaged people and impoverished areas

Medical Support

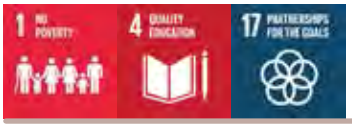
Conducting medical support utilizing the company's capabilities, such as providing remote medical services using mobile devices, installing ultrasonic equipment, and providing educational equipment and materials

Employee Engagement

Having Samsung's employees around the world directly plan and carry out various volunteering programs

Other Implementing locally customized corporate citizenship activities in each country we operate in, while also providing volunteer services and support by establishing a disaster response process in Latin America, where disasters frequently occur

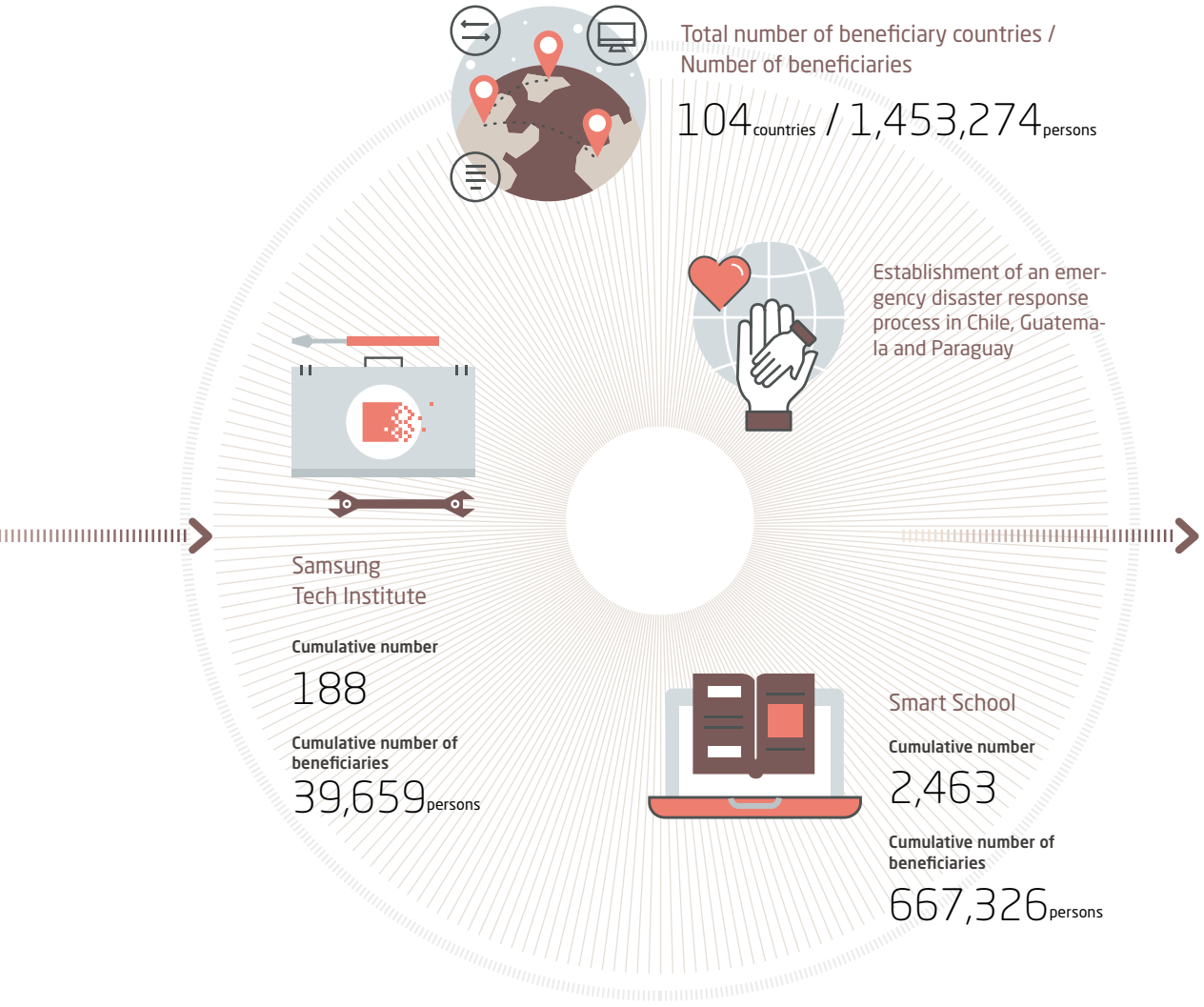
Link to SDGs



[Goal 1] End poverty in all its forms everywhere
1.a Ensure significant mobilization of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries, in particular least developed countries, to implement programmes and policies to end poverty in all its dimensions

[Goal 4] Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations

[Goal 17] Strengthen the means of implementation and revitalize the global partnership for sustainable development
17.7 Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed
17.8 Fully operationalize the technology bank and science, technology and innovation capacity-building mechanism for least developed countries by 2017 and enhance the use of enabling technology, in particular information and communications technology



FUTURE PLANS

1

Reinforcement of Cooperation/ Partnerships

Develop locally customized programs after recognizing their needs through collaborations with various stakeholders, such as experts and NGOs in social contribution areas

2

Sharing Corporate Citizenship Activities Globally

Regularly gather various social contribution feedback and citizenship activities around the world to establish a database and share it company-wide, thereby improving employees' pride and participation in such activities

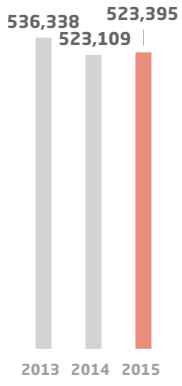
5

Samsung knows that our role in society moves beyond our products, so we work hard to meet its social responsibility in promoting sustainable social development and bettering the lives of people everywhere. By analyzing social issues in each region more deeply and closely cooperating with local stakeholders such as the government and academia, the company is actively participating in efforts to solve important social problems. To this end, we implementCorporate Citizenship programs to address social issues in a wide range of areas, including education, local community development, medical care, and the environment, in line with UN Sustainable Development Goals (SDGs). Furthermore, we operate programs unique to Samsung such as employee volunteer programs and mentoring programs to bring about positive changes in local communities, making full use of employee talent, all of whom voluntarily participate in these initiatives. Based on the belief that our products and technology can be used to ensure a greater future for our neighbors, Samsung shares the company's unique value for the improvement of society. In fact, we run various customized programs for local communities that focus on five major corporate citizenship programs—Samsung Smart School, Solve for Tomorrow, Samsung Tech Institute, Nanum Village, and Care Drive—at our global worksites so that we can contribute to offering fundamental solutions to local community problems instead of merely making cash donations or providing temporary help.

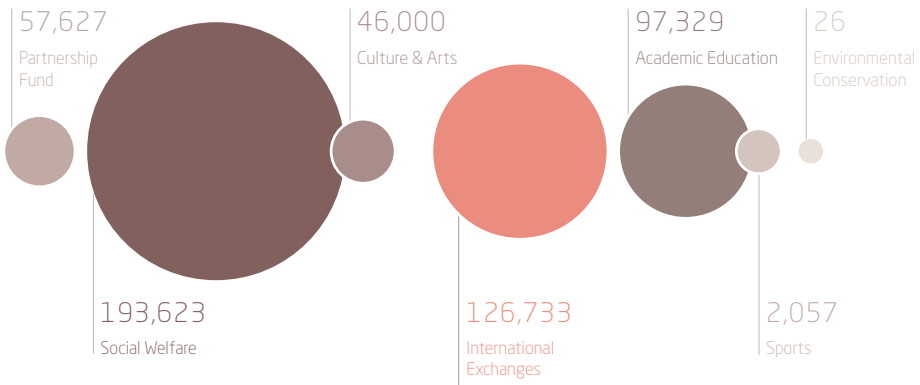
Total number of beneficiaries

Social Contribution Expenses

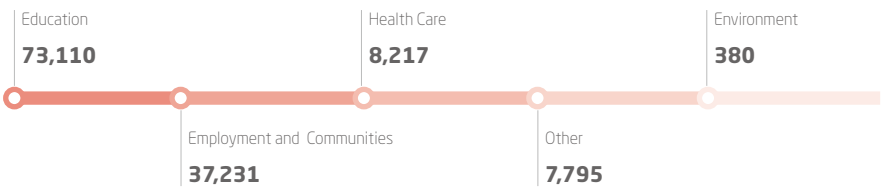
(Unit: KRW million)



Corporate Citizenship Expenses (Unit:KRW million)



Expenses for 5 Key Areas of International Exchanges



Samsung Smart School

In order to bridge the IT accessibility gap, Samsung operates the Samsung Smart School program, fostering creative talents by providing interactive education that draws on digital devices. The Smart School supports educational efforts so that teachers and students have the ability to conduct classes and communicate with each other in real-time no matter where they are. This program is not simply about supporting them with electronic devices, but helping educationally marginalized students gain equal opportunities for education by accessing a high-quality IT environment. Samsung reinforces coding training to strengthen students' software competencies in cooperation with the government and educational organizations and develops a variety of content to improve the quality of education and provide more effective education methods for teachers and students to share together. In 2015, the company supported 224,753 students. Currently, we are working on how to continuously increase the number of beneficiary students so that a larger number of them can improve their knowledge about information technology through IT training, while also being monitored in a way that helps them find employment.

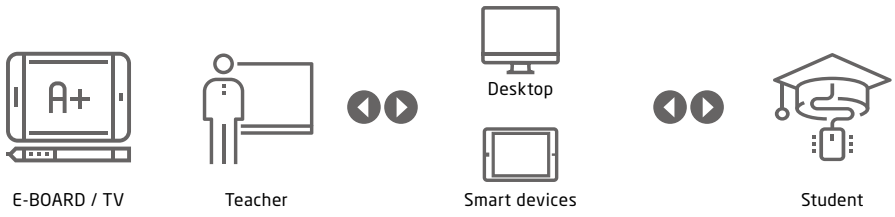
Expenses in 2015

KRW 47,198 million

Cumulative number of beneficiaries

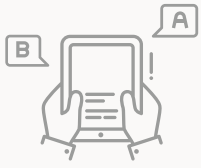
667,326

Smart Learning Environment Using Cutting-edge IT



Interactive Class

Open communication is realized through the real-time sharing of individual tablets and/or PC screens and remote monitoring.



Collaborative Activities

Team activities, group assignments, and group discussions are easily conducted via tablets, helping grow a spirit of teamwork in students.

BENEFIT

Motivational Environment

Teachers frequently examine students' level of understanding lectures and their performance in the form of quizzes. Teachers also provide individual learning opportunities when necessary.

Digital Content

Students can download the curriculum, textbooks and various materials (documents, photos, voice recordings, videos, applications, and URLs) for each course, which ultimately helps improve learning efficiency.

“

I can remember walking past a classroom and seeing the children completely and utterly focused, heads down, completely immersed in their learning and it was such a marked difference from how I'd seen that class learning the year before.

- Jacqueline Willer, Head Teacher of Henwick Primary School (London, UK)

“

I feel there's a clear difference before and after the adoption of the Samsung Smart School program. Students voluntarily searchfor relevant material for their classes and share it with one another using the Galaxy Note. Kids now see these classes not asstudying but as playing.

- Kim Seung-joon, Teacher,Baekhak Elementary School, Yeoncheon, Gyeonggi-do

Samsung Smart Schools in Germany

(2013-2015, cumulative)

Number of Smart Schools

187

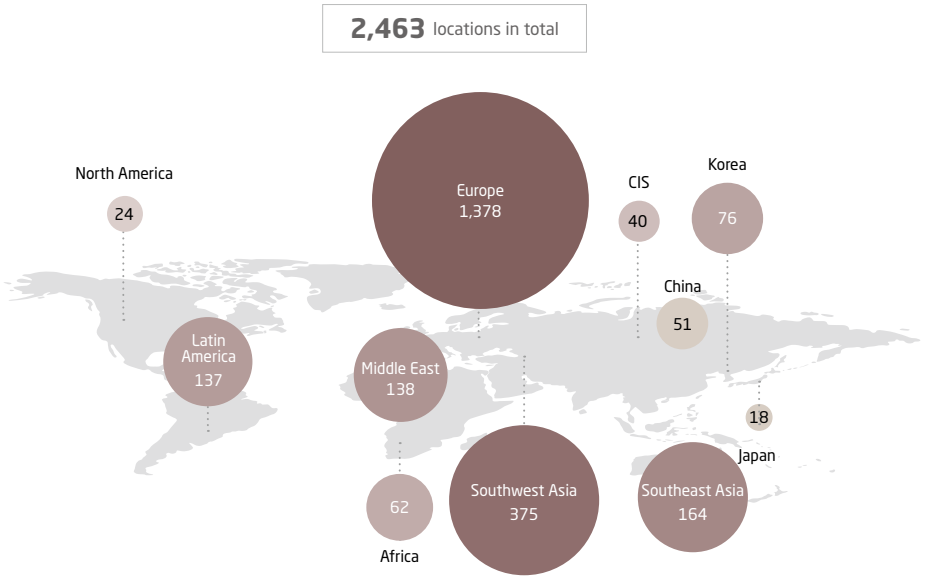
Number of Students

4,675

Number of Teachers

561

Samsung Smart Schools around the World (2013-2015, cumulative)



※ A software training program in Korea (Junior Software Academy) not included - See P. 120

Digital Classroom Project in Germany

Across Germany, Samsung conducts projects like the initiative Rethinking Digital Education (to support digital public education) and the Code Week Award (programming training) to encourage children and teenagers to embrace the spirit of a digital engineer and to inspire them to creatively explore the future by themselves. To reform less developed digital education, Samsung Electronics GmbH draws the attention of the government, educational organizations, and local communities to IT education because the company regards digital competitiveness as an essential capability in today's world. Through the Digital Classroom Project, we support students and teachers so they can experience a digitalized educational environment and develop innovative IT education methods to exchange with one another. Between 2013 and 2015, we carried out a total of 187 Digital Classroom projects in which 4,675 students and 561 teachers participated. We plan on expanding these projects to 293 schools, with 7,334 students and 806 teachers taking part in them, by the end of 2016. To prepare young professionals for the changing demands of job profiles driven by digital transformation processes, Samsung is also a partner of the initiative WorldSkills Germany, helping make young talents excel in their field of work.

Thailand's Samsung Smart Learning Center

Centered on low-income areas, Samsung established Smart Schools at 41 elementary schools in Thailand under the name Samsung Smart Learning Center. In 2016, we will establish six more Smart Learning Centers and will open a total of 60 Smart Learning Centers by 2018, improving the overall quality of IT education in Thailand. Up until now, over 80,000 Thai

students have participated in the Samsung Smart Learning Center (producing over 60,000 graduates) and joined the educational process for solving problems to do with local society using digital devices. As such, these graduates have all benefited from a variety of digital training. From 2016 onwards, we will be giving out Samsung Discovery Kits that include educational content designed to help students find the job they want, distributing them to over 600 schools across Thailand. We expect roughly 60,000 students to receive some form of assistance in choosing their career through these kits.

Samsung
Smart Schools in Thailand

(2013-2015, cumulative)

Number of Smart Schools

41

Number of students

80,000

Samsung Smart School for Child Patients in Russia

In Russia, we opened a Samsung Smart School with a full curriculum covering all school subjects inside a hospital for long-term child patients and their teachers at the Dmitriy Rogachev Federal Center for Pediatric Hematology, Oncology and Immunology. The Russian Ministry of Education and Science, along with renowned professors including Gazprom Dobycha Yamburg from the Russian Academy of Sciences, jointly develops educational content on an ongoing basis, while Samsung provides electronic devices such as electronic boards and tablets. Patients who complete courses at the Samsung Smart School become qualified to write Russia's Unified State Exam. They also receive the same graduate certificate as they would from an ordinary school. For example, one girl named Anna, a cancer patient who was hospitalized in grade 11, was later able to enter the Department of Sports and Tourist Industry Management at the Russian Presidential Academy of National Economy and Public Administration in 2016 by continuing her studies at the Samsung Smart School. In 2015, Samsung Electronics Rus Kaluga (SERK) supported the project by providing roughly USD 120,000 in funding to establish Samsung Smart Schools at three hospitals, one of which is now used as a cutting-edge digital classroom for training teachers at hospital Smart Schools. At present, we are running 30 Samsung Smart Schools across Russia.

Samsung
Smart Schools in Russia

(2013-2015, cumulative)

Number of Smart Schools

30

Smart Schools in association with an NGO in Latin America

In Latin America and the Caribbean, we have provided digital education for 733 teachers and 29,000 students. We have established 38 Smart Schools since 2013 in association with the Ministry of Education in 13 countries and an education-related NGO, Glasswing International. Countries where we have a presence include Panama, Costa Rica, Guatemala, Ecuador, the Dominican Republic, El Salvador, and Venezuela.

Samsung Electronics Latin America (SELA) has a budget put aside for digital education with regular curriculums based on close cooperation with each country's Ministry of Education. It also takes part in every part of the process, from selecting target schools to training teachers and developing curriculum content. In order to prepare educational systems and firmly establish Samsung Smart Schools, we continuously train teachers through a teacher training curriculum that consists of 19 courses. In addition, we have full-time coaches to support smart learning for both teachers and students. At the same time, we train school teachers and local residents so that they can volunteer at Smart Schools, making the Smart School system more smoothly entrenched in each country where it operates.

Samsung Smart Schools
in 13 countries of Latin
America and the Caribbean

(2013-2015, cumulative)

Number of Smart Schools

38

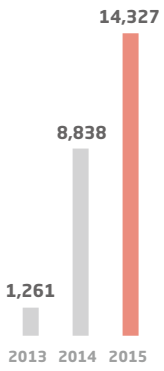
Number of Students

29,000

Number of Teachers

733

Participating Students in Software Training



2015 Software Creation Contest

Total number of teams

923

Total number of participants

2,940

Junior Software Academy

Since July 2013, Samsung has been running a Junior Software Academy in Korea with the purpose of expanding the overall software base and nurturing creative talents, something no other Korean company has done before. The goal of the academy is to support students not yet in college and to offer a variety of software training after school, helping students grow into future leaders that have the ability to think logically and solve problems in a creative way. Samsung provided software training for 1,261 students in 2013, 8,838 students in 2014, and 14,327 students in 2015 through the Junior Software Academy. Furthermore, we develop our own educational content and have provided software training to over 1,000 teachers since 2013 because we recognize the importance of offering quality education for teachers so that they can inspire a love of education in their own students. In fact, our efforts have played a critical role in the Korean government's adopting software as part of a regular school curriculum.

2015 Software Education in Elementary, Middle, and High Schools in Korea

Number of schools
258

Number of participating students
14,327

Trained software instructor
600

Along with this, we hold an annual Junior Software Creation Contest to help teenagers across the country become more interested in software and in crease their skills in the field. In 2015, a total of 2,940 people in 923 teams participated in the contest under the theme "Making Software for Family." The contest became a venue for thousands of teens to increase their interest in software and to develop their computer-related abilities.

INTERVIEW

"Before I took part in the Junior Software Academy, I didn't have any particular dream for the future. Now, however, I dream of being a brilliant programmer who will bring great honor to our country. I truly appreciate the Junior Software Academy, as it helped me discover two treasures: my dream of becoming a programmer and my ability to create great programs that can change the world. In the future, I hope to create some really fantastic programs to help people."

- RohYoo-bin (Yuseok Elementary School, Seoul),a participant in the 2015 Junior Software Academy

"The Junior Software Academy is not just for learning how to work with software, but a platform where students can display their creativity using software through cooperative learning. Two of our school's fifth graders who joined the academy passed the fourth screening and were selected as "brilliant children in fusion information,"as sponsored by a local educational office. The academy provides programs that are highly popular not only with students, but also with parents."

- A teacher who participated in the 2015 Junior Software Academy (Yanggang Elementary School, Seoul)

As a global IT company, Samsung has great respect for nurturing talented people in the fields of science, engineering, technology, and mathematics (STEM). Accordingly, we sponsor a program called 'Solve for Tomorrow' to deliberate on social issues alongside students and explore/execute ideas to contribute to local communities through creative problem solving that draws on STEM subjects. After every student hands in a proposal about a social problem, issue or development of the local environment, some of them are singled out as excellent ideas, with further opportunities and various support then provided to execute these ideas. This program has become a leading example of how to support students' entrepreneurial spirit, while also showing how technology contributes to local communities and the environment. Furthermore, this program encourages students to directly solve social problems as they chase their dreams.

Expenses in 2015

KRW 16,367 million

Cumulative number of beneficiaries

212,135

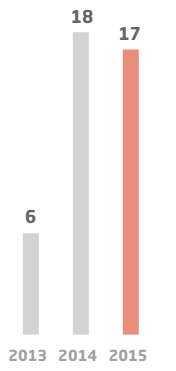
U.S.

In the U.S., Samsung has held a national science competition from elementary to high school student sunder the theme of "Problem Solving Methods Using STEM Subjects" since 2011. Each year, five top school teams are selected, with an awards ceremony later held in Washington D.C. in which STEM Champion Awards are presented by a Congressperson. At the ceremony, senators, governors, and White House educational advisors congratulate the winners and a round table discussion is held on Samsung's social contribution activities as they relate to STEM. One of the 2015 award recipients wasa team from Mississippi's Nicholson Elementary School, which developed a movable robot that can detect obstructions under local drains in order to prepare for floods in local communities. Another winner was a team from Northwest Pennsylvania Collegiate Academy team. They developed a "vertical vegetable garden" which can be used in urban centers that lack the space to grow plants.

China

In China, the Solve for Tomorrow program has been conducted in the form of an idea contest for social change through technology since 2013. Over the last three years, approximately 75,000 students have participated in it. While the program focuses on well-known people's speeches and participants' experience with technology products at prominent universities across the country, the participation rate of students and their interest in the program is gradually increasing. Liang Fengy an from Sichuan University, one of the contest finalists in 2014, acquired a patent for eco-friendly liquid development technology. Later, he started his career as a scientist when he entered the Chinese University of Hong Kong with a graduate school scholarship.

Solve For Tomorrow



2015 Samsung Tomorrow Solution Contest

Total number of teams

1,235

Total number of participants

5,823

Samsung Tomorrow Solution Contest

The Samsung Tomorrow Solution Contest is an annual event held in Korea. Anyone can participate and propose their own creative ideas to address social issues and relieve inconveniences in our everyday lives. They can then take the initiative to implement these same ideas. Samsung employees and expert mentors provide support for contest participants so that they can apply leading solutions to social problems. In 2015, the 3rd Samsung Tomorrow Solution Contest was held, with 5,823 people participating in it as part of 1,235 teams.

Mobile App to Solve Child Abuse

In Korea, child abuse cases have increased more than tenfold over the last five years and are often not reported at all. A mobile app called "I Wish," which was designed for the easy reporting of child abuse, won the Grand Prize in the idea category at the 2015 Samsung Tomorrow Solution Contest.

We are developing more advanced solutions to help people recognize child abuse when witnessing suspected child abuse situations and to facilitate easy and precise reporting.

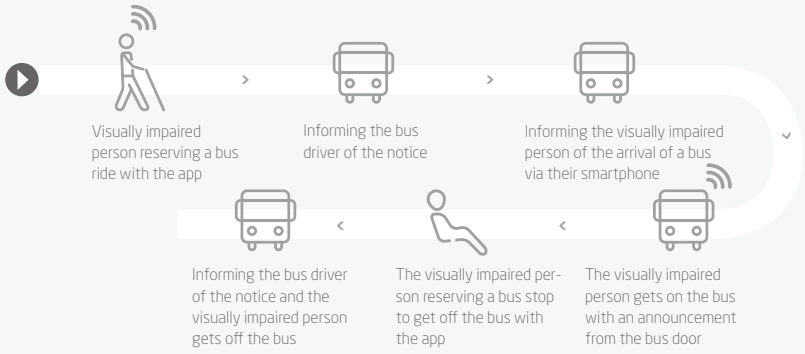
1 Abuse suspected 2 Report received 3 On-site investigation 4 Follow-up measures 5 Child's safety ensured

INTERVIEW

"Before winning the Tomorrow Solution Contest, there were a plethora of obstacles in getting this app out there, but we were able to do so by cooperating with the National Police Agency and child protection services through the contest. Our aim was to make a practical contribution to solving child abuse problems with this app." - 'Ist' Team, Grand Prize winner -

Bus Ride Solution for the Visually Impaired

A bus information app to connect visually impaired people with the proper bus won the Grand Prize in the idea category at the Tomorrow Solution Contest in 2014. The application allows bus drivers to better assist these people. This solution lets visually impaired people input the bus number they want to take. The information is then transmitted to a bus via an electronic traffic information system so that bus drivers learn of the situation before hand and can help the passenger get on the bus at their stop. Visually impaired people can use the TalkBack function (which reads aloud text from a screen) on a smartphone. Since winning the Grand Prize in 2014, problems with the app have been fixed and the new solution will be used for all bus routes across Seoul in 2016 before being expanded to other regions. Samsung is continuously working hard to uncover great ideas for a better world through the Samsung Tomorrow Solution Contest and then help turn these thoughts into reality.



Samsung Tech Institute

Samsung runs all of its Samsung Tech Institutes in conjunction with universities and local governments in order to foster a young and talented workforce. At the same time, it is meant to spur job creation through IT job training, while also laying the foundation for the economic growth of each country it operates in by hiring local citizens. The program cultivates excellent human resources with customized operations to the specific needs of each country in which it operates. For example, it is designed to nurture software experts in advanced countries and offer training for customer service engineers in developing countries. Up until now, we have been operating a total of 188 programs in Africa, the Middle East, Southeast Asia, Latin America, and Europe.

Global Samsung Tech Institutes (2013-2015 cumulative)

188 programs in total

Europe	65	Southeast Asia	20	Africa	8
North America	10	Middle East	12	Japan	1
South America	39	CIS	3		
China	8	Southwest Asia	22		

Expenses in 2015

KRW 18,598 million

Cumulative number of beneficiaries

39,659

France

In 2014, Samsung opened a two year tech institute in France called Samsung Campus to train web developers. This institute aims to support the employment of young people without a high school diploma so that they will not give up on their dreams. The training course represents over 1,600 hours of curriculum in web and mobile app development and is operated by ZUP de CO (an NGO promoting equal opportunity for disadvantaged young people) and EPITECH (a leading IT educational institute). Samsung Campus will produce its first graduates in the second half of 2016 and also see the third class of 50 students join the program at around the same time as Samsung continues to support students in their pursuit of personal dreams. In 2015, Samsung Campus took great pride in winning the LSA Award from LSA, the weekly trade magazine that is a leader in the distribution industry.

> Video game development was my long-time dream. To realize this dream, I worked at an animation center for several years, but I had no hesitation to start learning from the basics of the programming language Scratch for my goal. Naturally, there were moments that it was so difficult for me to give up the course. However, while learning from Samsung Campus, I greatly improved my ability in game development and problem-solving, and I can now work with any web development language. I feel that I can realize my dream to work in the field of video games thanks to Samsung Campus.
>
> - Christoph Aupet, France

China

Since China won its first gold medal in the WorldSkills Competition held in Brazil in 2015, people's interest in technology and job training has been quickly increasing. In light of this, Samsung established a Samsung Tech Institute in the world's most populous country to foster a young and innovative workforce in order to help resolve youth unemployment and improve awareness about technical jobs. We have been running eight Samsung Tech Institutes since 2013, offering service skill training for over 800 young people in association with the Samsung Electronics (Beijing) Service Company (SBSC). Of the 300 people who completed the course, 50 graduates are now working at SBSC as service engineers.

> Even though I participated in WorldSkills on behalf of Shaanxi province, I wasn't able to get a very good job before finally securing employment at Samsung Electronics Shanghai Service Center through the Samsung Tech Institute. While learning about my current job for half a year, I gained more confidence in what I was doing from my boss and from customer compliments. Eventually, I started dreaming of opening my own product repair center thanks to the Samsung Tech Institute.
>
> - Ren Kang, China

Expenses in 2015

KRW 2,961 million

Cumulative number of beneficiaries

204,608

Samsung Nanum Village

Nanum ("sharing") refers to the fact that we share both joy and pain with others. In this spirit, Samsung works hard to ensure the happiness of local communities by deliberating on various social issues in underprivileged regions and finding convenient solutions to hard problems. Samsung Nanum Village is a program designed to address the causes of poverty and lay the foundation for economic independence by providing the comprehensive infrastructure needed for basic living in low-income and underprivileged areas. Established in Vietnam and India, this program aims to improve social infrastructure by building Digital Villages equipped with medical facilities, schools, and a local community service center in each region. Nanum Village does not focus its attention on charities or donations, but on contributions to practically improve the lives and economic independence of local residents. As a result, the effectiveness of this program is highly regarded by global institutions and the media.

Africa

Samsung Digital Village

Samsung has been running Samsung Digital Villages in underprivileged areas that lack electricity in the Republic of South Africa, Nigeria, and Ghana since October 2013. Our goal is to improve the quality of education, medical care, and life overall in local communities by providing solar-powered Internet schools, mobile hospitals, power generators, and LED lights which draw power from solar-power facilities. Furthermore, we support small businesses in surrounding areas in an effort to establish a base for local residents' economic independence, thereby contributing to the creation of comprehensive shared value. As of 2015, we had built 7 Samsung Digital Villages. In the near future, we will be adding four more digital villages in Tanzania, Ethiopia, Kenya, and Zimbabwe. As a result of Samsung's operation of these digital villages, Samsung Electronics Africa was ranked 4th among Africa's Most Innovative Companies in February 2016, according to the American business magazine Fast Company.

Latin America

Gran Chaco Nanum Village, Argentina

In 2013, Samsung founded Nanum Village in Gran Chaco, the poorest area of Northwest Argentina, and has continued to sponsor it ever since then. Gran Chaco is home to native peoples such as the Wichi and Qom and is an isolated area that lacks the most basic infrastructure, including electricity, Internet, and drinking water. In order to improve the quality of people's lives in Gran Chaco, Samsung established a locally optimized infrastructure project in cooperation with the Argentine government and local NGOs (such as Avina, ACDI, Fundacion Gran Chaco, Habitat for Humanity, Fundacion Mundo Sano, and Fundacion Educando). We have been improving the IT environment so that locals can enjoy smooth social exchanges with other areas through the use of digital devices. We have also been providing fundamental Internet education and providing comprehensive local services that include support for economic independence. In 2015, Gran Chaco Nanum Village won second prize in the innovative organization category from the British-Argentina Chamber of Commerce.

Samsung Care Drive

In poverty-stricken regions around the world, as well as certain developing countries in Africa and Asia with less developed medical services, many mothers do not receive any help from doctors when giving birth, which often results in the death of babies. In a bid to help solve this serious health problem, Samsung began the Samsung Care Drive in 2013 to lower the mortality rate of pregnant women and the fetal mortality rate with medical services in local communities in need of basic medical facilities. The Samsung Care Drive is carried out in two ways. First, through Sono School, we provide cutting-edge Samsung equipment and facilities for young doctors in medically vulnerable regions to foster diagnostic medical experts. Second, we support the improvement of local residents' health and quality of life by offering basic health check-up services through Mobile Healthcare Centers—vehicles equipped with facilities for simple check-ups (ophthalmic, dental, and blood)—and treatments for external injuries. In addition, the vehicles are designed to make services available even in remote areas by supplying power through solar-powered panels that have been installed on these vehicles.

Expenses in 2015

KRW 6,404 million

Cumulative number of beneficiaries

152,560

U.S

Support for Mobile Health Centers in Cooperation with Children's Medical Foundation

In association with the Children's Medical Foundation, which consists of doctors, dentists, and volunteers in the U.S., Samsung has offered mobile hospital services for poor children in urban areas since 2014. We also offer remote medical services using mobile devices at the Samsung Innovation Center, which is located inside a hospital bus, in collaboration with professors at the Columbia University Medical Center. Samsung supports the Children's Medical Foundation with 40 Mobile Health Buses that have helped 20,000 people to date, including children, teenagers, and homeless people without medical insurance.

Southeast Asia

Establishment of the Sono School for Maternal and Fetal Health

There are still many parts of Southeast Asia where expectant mothers and fetuses do not receive the proper medical assistance they require because of a lack of medical professionals and/or equipment. Accordingly, Samsung established a total of seven Sono Schools in five regions of Vietnam, Thailand, Indonesia, the Philippines, and Malaysia to foster medical professionals who could promote the health of local residents. In those regions, we have provided ultrasonic equipment, as well as educational apparatuses and materials, and given medical personnel free education on gynecology, fetuses, and cardiology. Additionally, we have prepared a curriculum for our own medical education, which today helps contribute to fostering local medical staff.

Samsung Care Drive in the U.S

Mobile Health Bus (units)

40

Medical services (persons)

20,000

Samsung Care Drive in Southeast Asia

(places)

Establishment of the Sono School

7

Employee Engagement

Samsung conducts a variety of activities for different regions in order to address social problems and bring about a more harmonious society through employees' volunteerism both in Korea and abroad. In particular, we run an employee overseas volunteer program every year through which selected volunteers visit alienated or poor areas overseas for a week to carry out a wide range of projects, such as improving the lives of local children, strengthening the educational environment, and providing IT lectures. Also, we conduct projects to solve local social problems depending on certain regional issues or situations.

Samsung Employee Overseas Volunteer Program

Through Samsung Employee Volunteers, which started with 31 members volunteering in one country in 2010, a total of 1,121 employees have now volunteered in 28 countries on a cumulative basis. They have installed PCs and offered science classes, conducted medical relief activities, and built IT and educational infrastructure to improve local residents' educational environment. They have also conducted various projects to resolve locally customized problems. In 2015, Samsung employees performed volunteering activities in six countries: the Democratic Republic of Congo, Zambia, Uzbekistan, Azerbaijan, Mexico, and Vietnam.

Samsung Employee Overseas Volunteer Program

(Cumulative)

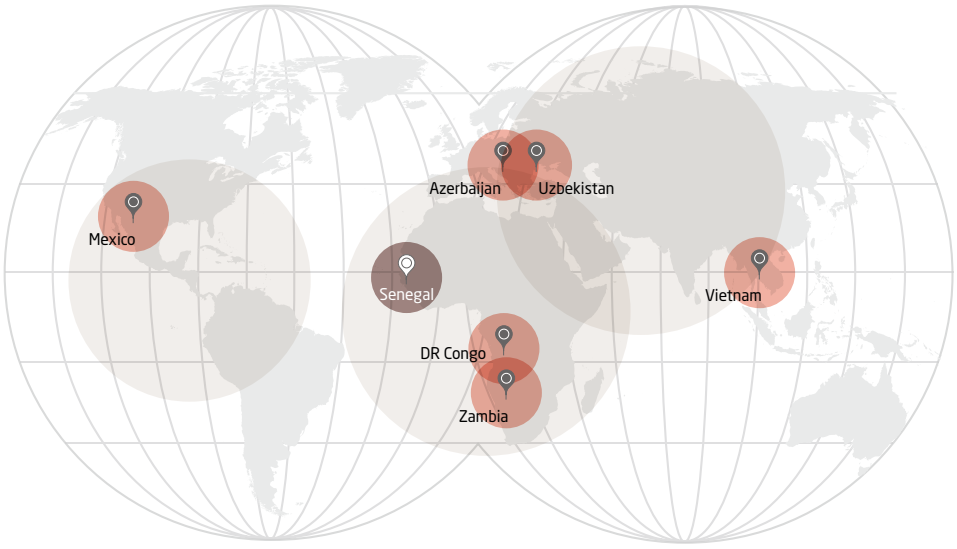
Number of participants

1,121

Dispatched to

28 countries

Samsung Employee Volunteers' Activities



	Number of volunteers	Preparation period	Beneficiaries
2010 (1 country on 1 continent)	31 persons	15 days	50 persons
2015 (6 countries on 4 continents)	195 persons	95 days	1,000 persons

Uzbekistan In September 2015, the Samsung Employee Volunteers conducted training programs on android operating systems, drones, multimedia software, and 3D printing for students in this developing country who are working hard to learn programming skills despite the huge educational challenges at Tashkent University of Information Technologies, a prominent postsecondary school located in the capital city of Uzbekistan. Students trained by the Samsung Employee Volunteers won awards in the android O/S and web programming categories at software competitions held in Uzbekistan later on. In addition, they helped develop a number of useful programs, such as a traffic safety rules app, 3D image games, and a remote medical care app in order to improve upon the inconveniences they experience at school or in everyday life. Through various activities to support young developers, Samsung provided an opportunity to contribute to the development of information and communications technology in Uzbekistan.

Students at Tashkent University of Information Technologies, Uzbekistan

Vietnam Thai Nguyen is a typical Vietnamese farming village. For children with no quality playing facilities and severe motorbike smoke in the neighborhood, Samsung Employee Volunteers offered an eco-friendly form of transportation called "Dalve bicycles," which features lights when the person pedals. Thus, children now help the environment while riding Dalve bicycles.

An eco-friendly means of transportation, Dalve bicycles were given to Vietnamese children

DR Congo In DR Congo, where many people lack electricity, Samsung developed an eco-friendly power-generating LED lantern to help students and to secure safety measures against accidents during nighttime walks. Samsung used solar energy for common use lanterns to make them rechargeable just by shaking the mand without batteries.

"Shake Delight" lighted the darkness in DR Congo

Azerbaijan Air pollution in Azerbaijan is becoming more serious due to rapid industrialization, which includes the oil industry and energy development. Seeing this, Samsung Employee Volunteers produced simple air purifiers using cheap materials. They made air purifiers using easy-to-find materials such as computer cooling fans and automotive air filters, and then spread production methods to NGOs and local residents.

Clean air for Azerbaijan! A simple air purifier.

Zambia Kabwe, which is 100 km away from the capital of Zambia, is a place where people have a lot of difficulty living, as it is one of the world's heavily polluted places. Samsung Employee Volunteers presented hope for local residents by building houses in collaboration with the local government and Habitat for Humanity. In addition, our volunteers distributed lanterns using waste cellphones in consideration of the fact that the region has a high mortality rate due to nighttime traffic accidents.

"Sunlight" for the safety of Zambia

> "While I was looking for a more convenient way to organize individual study schedules, I ended up establishing a computer program for the entire university and created a learning management systemto check assignments. In the past, ideas just floated around my head, but while studying under Samsung lecturers I gained the confidence I needed to actually devise my own computer systems.
>
> - Samadov , the No. 1 ranked student in the web programming category at an IT competition

Employee Volunteering in Korea in 2015

Total time (hours)

933,061

Total number of teams (teams)

2,263

Volunteering time per person (hours)

9.9

“

Although Samsung employees and our students spent a short time together, their sincerity towards our students will be remembered for a long time. Thanks to the cutting-edge TVs and tablets Samsung donated, we were able to deliver vivid stories from around the world to our students.

- Ashin Phin Nyaw BhanTha, Principal of Pann Pyo Let Monastic Education School

Regional Volunteering

Korea In Korea, Samsung volunteers work hard to vitalize local economies through numerous activities, such as helping farming villages and holding direct dealing markets for agricultural and marine products. They also support the socially disadvantaged and senior citizens to improve their quality of lives by providing meals and coal briquettes. Furthermore, our volunteers help teenagers from lower income families to grow as healthy members of society by supporting them with the necessary programs and facilities for independence, as well as teenagers who can no longer live at their community home. In addition, Samsung opened the sixth House for Hope in 2015 to improve the conditions of local community child centers. At the same time, our employees have continuously supported cochlear implantations and rehabilitation for hearing impaired children with financial difficulties since 2006. Since June 2015, they have also supported medical expenses for children and youth under the age of 24 who are suffering from cancer, heart disease, or a rare disorder using special donations to commemorate the 20th anniversary of Samsung's New Management.

Support for hearing impaired children's cochlear implantations and rehabilitation

Myanmar Samsung Electronics' Southeast Asia Headquarters operates the Love and Care volunteer program, which employees from eight subsidiaries in Southeast Asia take part in of their own volition. Love and Care is a global volunteering festival that was first organized by the Samsung Group in October 2015. That same year, 54 employees from Samsung Electronics' Southeast Asia Headquarters and Samsung Electronics Australia provided IT training, as well as food and stationery items, for 400 elementary school students at PannPyo Let Monastic Education School in Yangon, Myanmar. In 2016, the 2nd Love and Care program will be carried out in Cambodia in the first week of October. Moving forward, we will continue carrying out this employee volunteering activity throughout different parts of Asia.

India The Samsung R&D Institute India, Bangalore (SRI-B) has a volunteer group named SEVA, which means "altruistic service beyond culture, religion, or region in Sanskrit". Launched in 2005, SEVA has been involved in a series of continuous volunteering activities for the past 10 years under the goal of "providing vision for local communities and making positive contributions to the environment." SEVA was organized through the voluntary participation of the institute's employees and currently boasts about 150 members who provide educational support for students at schools in surrounding areas. In 2012, employees began donating their talent by mentoring 5,000 students at 75 schools under the college level. Since then, employees have continuously expanded their efforts and now teach English and offer computer training as well. In 2015, they even provided software training for college students. Over the last decade, SEVA members have provided mentoring and given lectures on English and computers for 12,000 students at almost 200 schools. Furthermore, SEVA members are dispatched as employee lecturers to the Samsung Digital Academy (Samsung Tech Institute in India), where the TIZEN, Samsung's own smartphone O/S, is being developed. These same people also regularly teach app development methods to 85 local lecturers. In 2015, the program was conducted four times (8 hours each). In addition, they visit a vocational school operated by the Ministry of Micro, Small and Medium Business Enterprises (MSME) that collaborates with the Samsung Digital Academy on a regular basis to help students gain employment skills and better understand technical work, ultimately helping cultivate greater employment capability.

Brazil Samsung Electronics' Latin America Headquarters (LAHQ) and Samsung Electronica Da Amazonia (SEDA-S) have organized a host of volunteering activities that employees take part in every year to raise their pride as Samsung employees. LAHQ and SEDA-S have nine different volunteer programs in place, including mentoring for underprivileged Brazilian teens, support for visually impaired people to enjoy artistic performances, and education on Korean culture. Through these initiatives, and by distributing annual volunteering calendars to all staff members in advance, we are increasing the rate of employee volunteerism. In fact, employee participation has been on the rise every year, and in 2015 it increased six times more than the previous year, with 56 percent of all employees joining at least one volunteer program. Participants have shared meaningful time with over 1,300 people, including underprivileged Brazilian teens and disabled people.

(Latin America) Emergency Disaster Response in Chile, Guatemala, and Paraguay Due to certain particular regional characteristics, Samsung Electronics Latin America established a disaster response process that enables rapid response to the frequent natural disasters which occur throughout the region. Samsung aims to recognize/repair damages as soon as a disaster occurs, and at the same time minimize any inconveniences to the lives of victims in local communities.

1

Chile The Northern Chile floods in March 2015 affected 26,000 people, with 24 people dying and 69 others gone missing. At the request of Chile's Ministry of Public Works, Transportation & Telecommunications, Samsung donated 30 50-inch LED TVs so that victims could still keep up to date about news of the disaster and learn about missing family members. The company also sent service trucks installed with repair equipment to the region.

2

Guatemala As a result of mudslides in a native village in Santa Catarina Pinula in October 2015, 125 households were buried, 161 people died, and 300 people went missing. Samsung provided emergency relief goods such as TVs and washing machines (worth USD 12,000 in total) for two shelters, while SELA (Latin America & Caribbean region) employees organized a volunteer group to carry out work at disaster recovery sites.

3

Paraguay In December 2015, floods around Asuncion, the capital of Paraguay, led to 130,000 people (25,000 households) fleeing their homes and a state of emergency being declared. Samsung helped victims by donating washing machines for communal use. This included donating washing machines worth of USD 30,000 to Paraguay's National Emergency Secretariat (SEN) to install at 30 shelters (churches, schools, and other public facilities).

6 / SOCIETY
INNOVATION

Material issues

1. Improving Productivity
2. Innovating Technology
3. Support for Technology Access

OUR VISION

The basic principle to define Samsung's future vision is "Inspiration for a future society, the creation of a new future." When we recognize responsibility as a creative leader in the global society, our employees and suppliers can create shared value, and at the same time we can invest our efforts and resources to provide new value for the industry and customers. Samsung aims to create the future that everyone is interested in and anticipates. For this, we work hard to enrich people's lives by concentrating on creative management—one of our three strategic approaches—and to provide inspiration for the future through innovative technologies, products, and designs which contribute to a sustainable future.

OUR COMMITMENT

Samsung's business philosophy, "To devote our human resources and technology to create superior products and services, thereby contributing to a greater global society," is embodied in the company's innovative values, "People, Excellence, Change, Integrity, Co-prosperity." Our innovation not only pursues top-notch technology but also has been developed based on the spirit that it should go together with the sustainability of society. We develop new products through design innovation based on the designing motto "Make It Meaningful," and have worked hard to develop innovative technologies by participating in global consortiums, cooperating with academia, and creating synergistic effects with suppliers and operating research centers. Also, we conduct research on the improvement of accessibility to IT devices and technologies in developing products and services so that everyone can equally benefit from our cutting-edge technologies regardless of their social class.

IN THIS REPORT

The ability to take the lead in the fiercely competitive global market lies in creation and innovation. All employees should move in one direction in order to figure out rapidly changing technological trends and social environment, and pre-emptively reflect them in business strategies for the future. This chapter explains the establishment of an innovative culture in the company and steady R&D investment as well as a variety of efforts to bring about innovation and results.

TRENDS & CHALLENGES

Innovation to Meet Social Needs Instead of innovation to achieve new records focusing on "industry's first," technology development and innovation for resolving global, social issues are required. It is necessary to develop products and services that contribute to a safe, convenient society and create social value. For this, continuous monitoring of social trends and analysis of phenomena are demanded.

WHAT WE ARE DOING

1 **Establishing an Innovative Culture**
Operate small-sized innovative unit C-Labs and in-house crowd sourcing, MOSAIC, to spread creative culture in the company

2 **R&D Investment**
Reinforce business competitiveness by making steady R&D investments regardless of the year's sales

3 **Open Innovation**
Improve Samsung's technological prowess through strategic partnerships and M&As; take the initiative in fostering innovative companies

4 **Productivity Innovation**
Improve productivity by securing manufacturing competitiveness and innovating overall work process

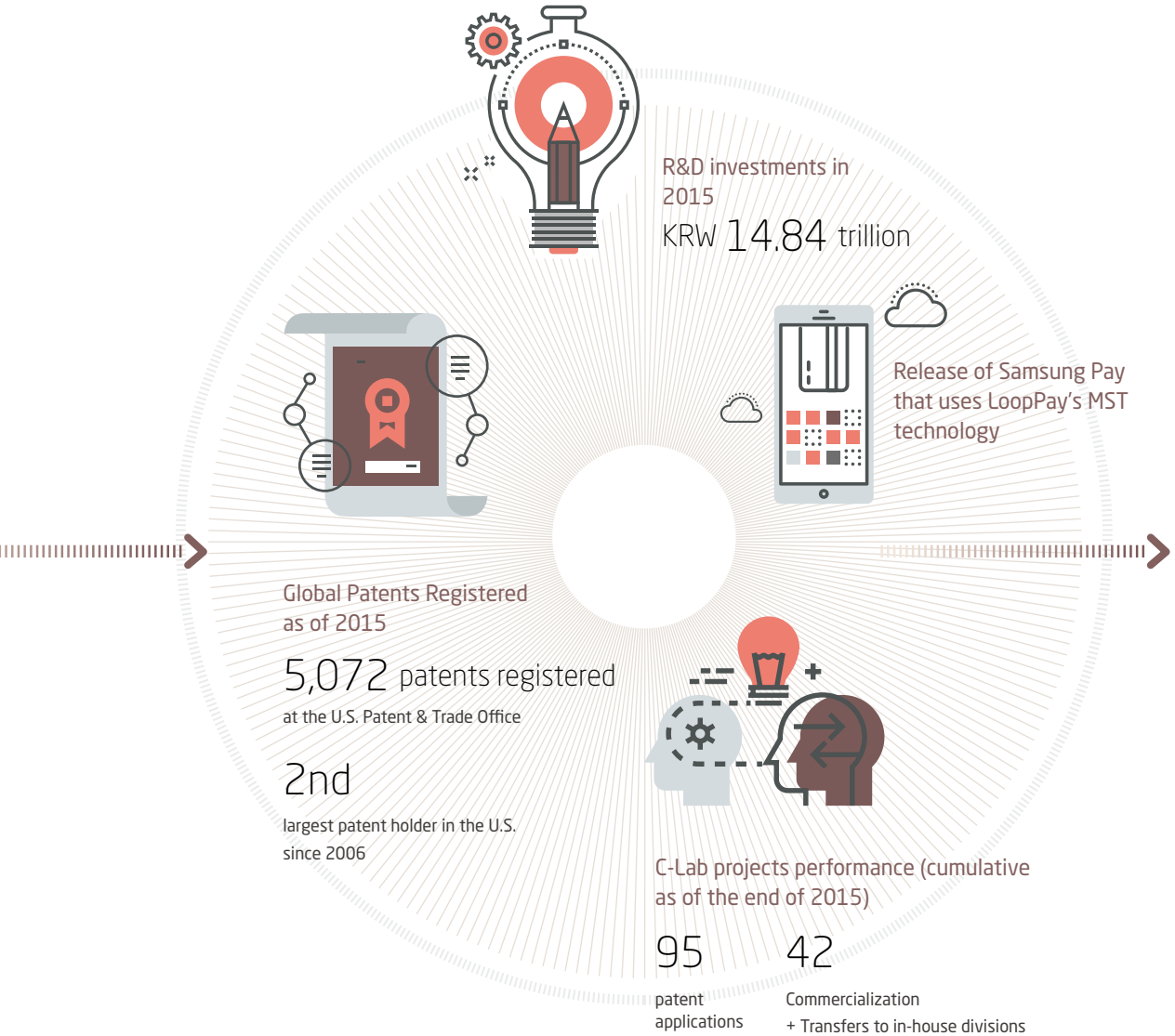
5 **Product Innovation**
Work hard to secure market leadership in various products and services

6 **Innovation in Social Areas**
Apply "4C (Considerate, Comprehensive, Coherent, Co-Create)" accessibility design principles so that all customers can use our products and services in an equal, convenient way

Link to SDGs

[Goal 9] Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation

9.b Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities



FUTURE PLANS

1

Market Trend Monitoring

Continuously collect and analyze the demand and needs of domestic/overseas markets and customers through direct/indirect communication channels to identify innovation items

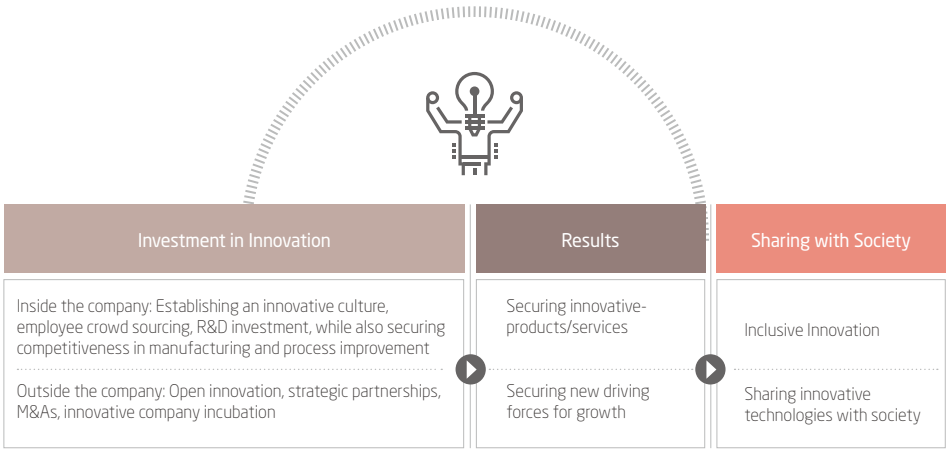
2

Pursuit of Integrated Innovation

Pursue "integrated innovation" for a synergistic effect among business divisions and different entities through interdivisional cooperation, M&As, and strategic partnerships, thereby creating new value

Samsung actively secures innovation and growth engines in order to share new technology and products with society. Internally, the company operates breakthrough programs and systems to establish an innovative culture and invests heavily in R&D and greater productivity. Recently, we have worked hard for "open innovation" in an effort to single out various ideas and business opportunities, resulting in many noteworthy successes. Through such initiatives, we have secured innovativeness and more efficient systems to ensure future growth. On top of using innovative technologies for the sake of profit, we are sharing these same technologies to help bring about a more sustainable society.

Samsung's Innovation



Establishing an Innovative Culture

Small-sized Innovation Unit: C-Lab (Creative Lab)

C-Lab (Creative Lab) allows employees to submit their ideas to the in-house idea competition, while also providing opportunities for winners to focus on the realization of their ideas. The selected ideas may be commercialized as products at Samsung, or used for continued research. Sometimes they are even used commercially at external startups. This is an example of Samsung's new attempt to encourage employees in their voluntary, creative initiatives under the motto of "Failure is okay as long as we follow our hearts."

"Failure is okay as long as we follow our hearts."

Major C-Lab Results by Year

	2013	2014	2015	Cumulative
Number of selected C-Lab projects	27	38	39	104
Completed projects	12	22	38	72
Commercialization + Transfers to in-house divisions	9	16	17	42
External projects for commercialization (spin-offs)	-	-	10	10
No. of participants	108	160	148	416

Number of C-Lab idea suggestions: 2,700 (2013-2015)

Every year, over 2,000 employees freely propose ideas at the C-Lab competition. Selected employees then receive the company's support for each team, made up of three to four people, to concentrate on the realization of their idea for the next six months to one year. Employees at C-Lab are unhampered by their rank and the company's work management, working under a more self-regulatory atmosphere. In addition, new evaluation and compensation systems directly connected with project results have been introduced so that participants can strive only for making notable achievements.

As of 2015, 104 C-Lab projects had been carried out, of which 72 projects were completed. There was a high level of achievement with C-Lab, 52 projects were already commercialized or transferred to different business divisions for further development or launched their own startup companies. In addition, we filed for a total of 95 patent applications through C-Lab. With C-Lab projects that showed great potential as a new business outside the company, we support the establishment of an external startup, and also provide opportunities for the person to rejoin Samsung. (See page 140 for more details)

Since 2013, a total of 416 employees, or an average of 140 people a year, have participated in 104 C-Lab projects. This represents 0.6 percent of Samsung's domestic R&D workforce (SET division-based), and the company has a long-term goal of making one percent (cumulative) of its domestic R&D workforce go through C-Lab by 2020. By doing this, we hope to single out creative business areas that can naturally become a growth engine for the future,and wish that employees who experience C-Lab as a research facility in the style of a start-up will continue to spread our creative organizational culture at work even after projects are completed.

1 Jae-won Kim, who participated in the C-Lab project competition as a "C-Lab senior" (left), and a challenger, Dong-il Won (right), who proposed an app to recommend exercises suitable for team members with music

2-4 Views of C-Lab Space, which opened at Samsung Digital City on May 2, 2015

C-Lab Projects Results
(Cumulative basis)

Idea proposals (cases)
2,700

Selected projects (cases)
104

Patent applications (cases)
95

Goal of making 1% of domestic R&D workforce go through C-Lab

C-Lab

by 2020

Ideas Displayed at International Fairs through C-Lab

Some excellent projects, which started at C-Lab, were recognized for their innovativeness and gained attention on the global market through international fairs. Samsung displayed excellent projects to customers at International Fairs in advance to check the market's response, and will use that feedback to improve upon future projects.

Samsung's Startup Hall at CES 2016

1. rink: Hand Motion Controller for Mobile VR Devices
2. WELT: A Smart Belt to Monitor a User's Weight
3. Telephone Conversation UX TipTalk

rink: Hand Motion Controller for Mobile VR Devices

'rink' is a new controller concept that allows users to control virtual reality (VR) games/multimedia content as if they are actually manipulating the objects. In fact, Rink was developed to be used in VR devices which have relatively more hardware limitations than PCs.

WELT: A Smart Belt to Monitor a User's Weight

Using the imbedded sensor in the belt, WELT identifies a user's waistline, eating habits, quantity of motion, and hours of sitting on a chair to analyze these factors with an app and provide the user with a customized weight management service. Just as with a common belt, a variety of designs are applicable to WELT, which also serves as a fashion item. In cooperation with Samsung C&T Corporation,WELT was also introduced at Samsung Electronics' main exhibition hall as part of The Humanfit brand.

Telephone Conversation UX TipTalk : Using the Human Body as a Medium to Transmit Sound

Tip Talk is a new concept telephone conversation UX developed by a start-up company called Innomdle Lab. The idea started with a C-Lab project, and was separated from Samsung in August 2015. When using a wearable device, you can hear sound without an earphone or headset simply by touching your finger to your ear. This makes it convenient in public places because other people cannot hear the sound of any talking while you can hear a clear sound even at noisy places like performance halls and construction sites. Tip Talk, which comes in the shape of a watch strap, can be connected to a smartphone, enabling the text-to-speech function regardless of whether the watch itself is a smart watch or not.

Salted Venture's Independent Booth for IOFIT at MWC 2016

1

IOFIT's Smart Shoes Solution

IOFIT is a smart shoes solution created by Salted Venture, one of the spin-off startups that began as a C-Lab project from Samsung. Pressure sensors are attached to the outsole of shoes to analyze various data including the number of steps one takes an hour, the time and pressure one's feet touch the ground, the pressure of two feet hitting the ground, and the movement of the center of gravity, providing appropriate exercise information for the wearer in real time.

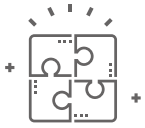
The booth—exclusively for IOFIT products at MWC—was organized with the display area for prototypes as well as an experience area. The booth attracted the attention of visitors with its lively atmosphere, which resembled a sports shop.

Employee Crowdsourcing[1] : MOSAIC

Samsung is generating innovation by bringing together the power of the collective intelligence of its employees through the in-house system MOSAIC, which was created under the slogan "We are smarter than I." Our 300,000 employees have discussed various issues and business ideas through MOSAIC, the in-house collective intelligence system opened in March 2014.

Through MOSAIC, we saw 74 million page views (194,000 visitors) as of December 2015. MOSAIC is very popular among employees as seen by the fact that suggestions of new ideas and postings surpassed 1.6 million by 2015, and the number of average daily users stood at 62,000, with a daily average of 155 ideas and 77 discussions on business issues being held. Also, we have concentrated employees' capabilities through the platform, which is connected to creative achievements. Well-known examples include NFC antenna standardization, which was applied to six kinds of smartphones (200 million units) and contributed to saving KRW 65 billion in costs. Other examples include a system to improve drivers' vision at night and a way to control wearable devices when seton kids mode, both of which led to patents. Recognized for such achievements, MOSAIC received the Korean President's Award at the 4th Korea Knowledge Awards in September 2015. More recently, employees are using MOSAIC to make work processes more efficient and improve the work environment. Samsung expanded MOSAIC to include over 200,000 employees overseas in 2015. In April 2015, a translation service was combined with the system, while a global survey service was also launched. Through these changes, it is expected that more ideas will be secured and developed with greater crowdsourcing.

1) Crowdsourcing: a way of making the general public become involved in the process of producing goods or creative works



"We are smarter than I."

MOSAIC Operation Results

IDEA MARTKET

Through Idea Market, part of MOSAIC's Square section, employees' ideas are led to practical business results, such as commercialization or patent applications. In 2015, these practical results increased by 60 percent over the previous year. In fact, Idea Market became a venue for employees to propose ideas and realize them. For example, our Mobile Communications Business had a contest for employees' opinions to improve development efficiency through Idea Market in 2015. A total of 1,387 ideas were received and over 20 ideas were applied to products. A way to enhance the image quality for the camera of the Galaxy 6 model was also proposed through this contest.

Results of the Mobile Communications Business Contest for Improving Development Efficiency through Idea Market

Classification	No. of Suggested Ideas (cases)	No. of Excellent Suggestions (cases)	Expected Effect in Amount (KRW 100 million)
2014	1,257	26	2,524
2015	4,132	152	1,605
Total	5,389	178	4,129

M-Project

M-Project is a service that helps employees openly recruit team members for implementing the ideas they have suggested. In 2015, five employees voluntarily made a team to solve a problem in using rest rooms by changing some restrooms in the company into "smart restrooms," which attracted great attention.

Key Functions of MOSAIC

IDEA MARTKET
Adding collective intelligence to ideas

DOCS
Effectively making documents

M-STORE
Releasing apps to be assessed

SPARK
Solving issues through collective discussions

QUESTIONS
Connecting problems with experts

M-PROJECT
Planning projects through crowdsourcing

SQUARE
Gathering interested people

COMMUNITY
Facilitating sharing and collaboration

Using Samsung's IoT platform, called SmartThings, the team members developed a service through which employees can check empty slots of restrooms through door sensors and "hub" collecting/sending data to the main server. This smart restroom service is currently being applied to a building in Samsung Digital City, which is located in Suwon, Gyeonggi-do,for a trial application.
Users can check empty slots at restrooms via an application called "Pooroject" (a combination of the words "poo" and "project"). To date, the application's downloads have surpassed 1,500. Today, one-fourth of the 6,000 employees working at the building use this service.

Investment in Innovation

R&D Investments

Samsung has 36 R&D centers across the world to secure core technology for the future and invested KRW 14.8488 trillion in R&D in 2015. Samsung continues its efforts to secure new patents. Since 2006, we have maintained our position as the second largest patent holder according to the U.S. Patent & Trade Office.

Samsung Electronics' Global Patents Registered as of 2015

(as of the end of 2015, cumulative cases)

Korea	30,741
U.S.	38,809
Europe	15,654
China	10,030
Japan	6,746
Other	8,165

R&D Workforce / Amount of Investments

2nd largest patent holder in the U.S. since 2006

1,342
design patents registered as of 2015

5,072
patents registered at the U.S. Patent & Trade Office (2015)

Samsung's LTE/LTE-A SEPs

Ratio of patents held (Unit: %)
17
(over 3,600 cases)

Rank among patent holders
NO. 1
(over 35 companies)

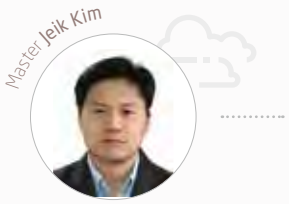
* Taiwan Intellectual Property Office (TIPO)'s 2014 report on patent trends in the telecom industry as released in April 2015

Samsung invests heavily in securing telecommunications patents. In April 2015, the Taiwan Intellectual Property Office (TIPO) released its 2014 report on patent trends in the telecom industry, which said that Samsung has the largest number of standard-essential patents (SEPs) related to LTE/LTE-A. According to this report, Samsung has 17 percent of LTE/LTE-A SEPs (over 3600cases), and was ranked number one among 35 companies. This is the result of TIPO's requesting the National Applied Research Lab to analyze over 6,000 cases of LTE/LTE-A related patent applications registered with the U.S. Patent & Trade Office over a two-year period. Samsung also held 17 percent of all patents in the 2015 version of TIPO's report, and was ranked number one for two consecutive years. As the number of companies having patents in the field of 4G LTE is increasing and competition is accelerating in the market, Samsung will do its utmost to continuously take the lead in the field of LTE/LTE-A SEPs.

Master System

Samsung has operated a Master System to foster in-house experts in different fields of R&D since 2009. A Samsung Master is a leader in the field of technology, and this system was introduced to make researchers continuously grow, while also concentrating on research as experts in their respective field. When one becomes a Master, they can focus on research in their specialized field and become involved in various activities such as patent applications, publication of papers, and attendance at conferences. Samsung was able to secure technology leadership in the fiercely competitive global market largely because of the activities of Masters who fully utilize their expertise in their own field as well as a corporate philosophy that values technology. In December 2015, we appointed six new Masters for 2016. These people have the world's highest level of expertise in the fields of digital TV system software, next-generation 3D displays, and core process and facilities for next-generation semiconductors. There are currently 58 Masters at work. Through this Master System, Samsung will increase its technology and further reinforce industry leadership and business competitiveness for the future.

New Masters in 2016

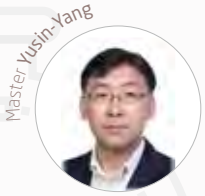


Master Jeik Kim

Master Jeik Kim is a software expert who contributed to making our digital TVs some of the world's best based on technology in designing device drivers and semiconductors for digital TVs

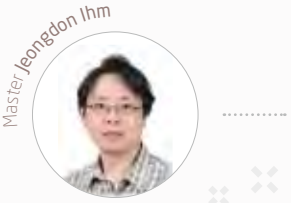
Master Hong-Seok Lee

Master Hong-Seok Lee is an optical design expert who laid the foundation for future display technology by developing next generation 3D display.



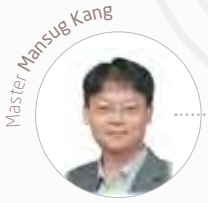
Master Yusin Yang

Master Yusin Yang is a measurement expert who has taken the lead in measurement technology to realize the ultrafine processing of memory products.



Master Jeongdon Ihm

Master Jeongdon Ihm is a circuit design expert who is well-versed in ultra-speed circuit design technology for NAND flash memory.



Master Mansug Kang

Master Mansug Kang is a module process development expert who has contributed to pushing the limit of fine processing for DRAM based on his experience in developing manufacturing processes for ultra-fine thin films.

Master Sunghyup Kim

Master Sunghyup Kim is a simulation expert who has contributed to the quality of semiconductor facilities, manufacturing processes, and the yield rate based on thermal/flow/structural analysis technology.

Efforts for Securing Manufacturing Competitiveness

The Global Technology Center is the control tower that reinforces manufacturing competitiveness at our 31 production sites operated around the world. The center is devoted to maintaining/developing the world's highest manufacturing competitiveness through the standardization and automation of production lines as well as the innovation of related systems and processes. We are working hard to maintain our global manufacturing competencies at a consistently high level by applying the development of new methods and technologies, the standardization of manufacturing processes and systems, and best practices to all of our production sites across the world. Recently, the center developed high precision, advanced technologies like a new ultra-fine metal processing method for premium products, and a new 3D glass manufacturing method as we concentrated on securing consistent quality and cost competitiveness of exterior parts. We are also realizing smart factories for the future through the expansion of automated lines combined with IoT and robots, the Global Manufacturing Execution System (G-MES), and a Global Supply Chain Management (G-SCM).

Realization of Smart Factories

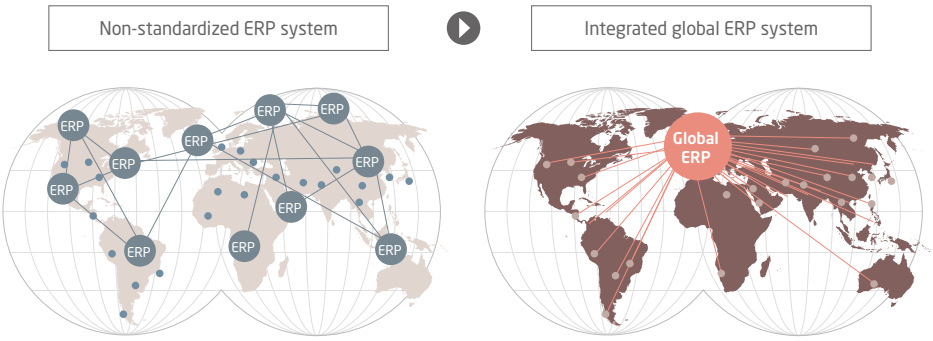
Global Supply Chain Management (G-SCM)

Global Manufacturing Execution System (G-MES)

Process Innovation Management

Samsung improves the speed, flexibility, and visibility of the work process for optimized business operation while also supporting the company's worksites around the world by establishing and implementing sales & supply plans in a rapid and precise way through the standardization of necessary systems in the fields of development, sales, manufacturing, and logistics. Additionally, we not only relay information between in-house units but also closely work with business partners to share information and rapidly respond to changes in the market.

Global Integration of the Company-wide ERP Process



ERP involves the systematic planning and integrated management of a company's business resources. The material mobilization function of procurement, manufacturing, logistics, sales, and services are well combined with accounting and financial functions in the system, providing business information regarding sales, inventory, profits and losses in real time, while also playing a role in supporting rapid decision-making on management.

For three years, from 2006, Samsung changed independently operated ERP systems at different business divisions and worksites into an integrated global system through process standardization. We also selected best practices at each division and region to establish them as company-wide standard processes and to connect all worksites around the world as one system, improving the efficiency of global operations. At the same time, the process reflected the uniqueness of each division and region to increase convenience. Based on real- time information on the company's global business, we laid the foundation for speed management, such as the simultaneous application of the head office's policies to all subsidiaries and saving time in setting up a system according to changes in business base strategies.

Open Innovation

Strategic Partnerships

With the blurring of inter-industry boundaries, fusion-style innovation in many areas is becoming more important. Accordingly, Samsung reinforces market competitiveness through strategic partnerships with global companies in various fields and works hard to provide customers with new and creative products and services. In addition, we are creating further opportunities through partnerships and collaborations with a variety of companies in fashion, social network services, finance, and entertainment, as well as IT companies in the same industry.

Mergers & Acquisitions

Samsung is also securing market leadership by actively merging/acquiring innovative companies. Well-known M&A cases include that of a U.S. IoT (Internet of Things) open platform company, SmartThings, in August 2014, and another U.S. company, LoopPay, in February 2015. LoopPay's magnetic secure transmission (MST) technology was included as a core function of Samsung Pay, which was released in 2015, while SmartThings' IoT open platform also contributed to Samsung's developing Smart Home technology and developing IoT modules including ARTIK.


1,2 Samsung Pay using LoopPay's technology

Incubation of Innovative Companies

Samsung recognizes that the development of technology is realized not simply by a company but through cooperation between people of different ages and countries. As a result, we work hard to realize such cooperation in many ways. In fact, we have carried out M&As with innovative companies, made strategic investments, and carried out incubation for new startups through the Global Innovation Center (GIC), which was established in 2012 under the mission of creating innovative software products by supporting startup entrepreneurs. Furthermore, we launched Accelerator teams in San Francisco, near Silicon Valley, and New York, the center of the global economy, so that startup companies' technologies, human resources, and venture culture could be integrated with Samsung's existing organization. The Samsung Accelerator program employs highly experienced and talented people, and provides them with abundant capital, products, and independence for developing innovative software products.

Local startup entrepreneurs consisting of small-sized startup teams (six people or less in each team) are provided opportunities to make products and services they develop spread via Samsung's global products through the Samsung Accelerator program. Additionally, Samsung has the chance to internalize innovative products and services developed through Silicon Valley-style development processes and away from its existing development processes, while also utilizing leading local human resources. We continue active exchanges with local startup communities through offices in San Francisco and New York, where startup communities are most active in the U.S., as well as Tel Aviv, the capital of startups in Israel. In 2015, the Samsung Accelerator program saw its first commercialized achievements. The Pixie Team developed a product for about one year through Samsung Accelerator before being connected with Samsung's Visual Display Business. Their solution 'Extras' was installed in our smart TVs in 2015.

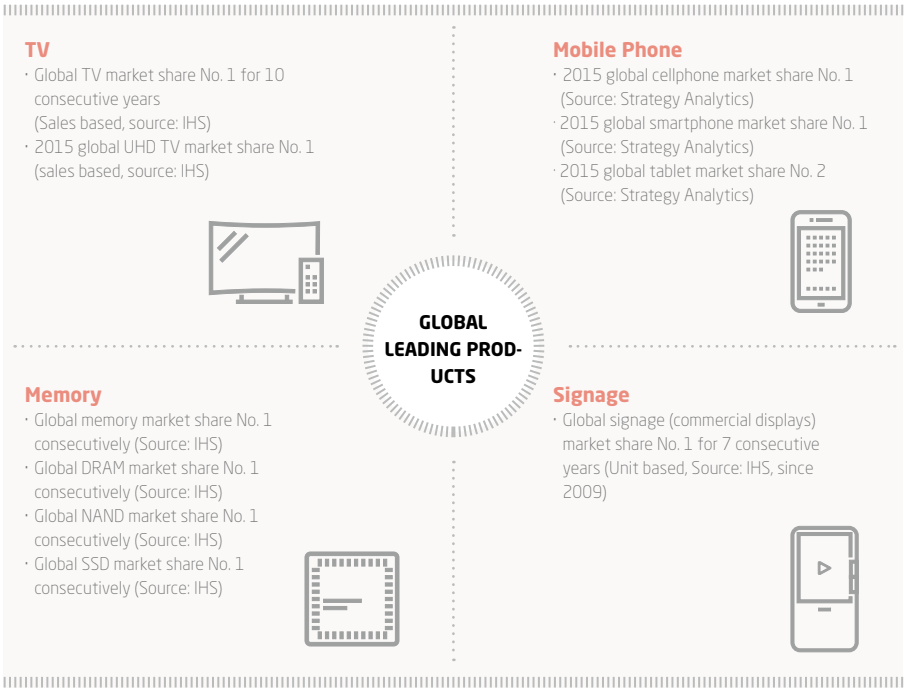

1,2 Samsung Accelerator program

Innovative Products and New Growth Engines

Samsung's Innovative Products

Samsung's ceaseless efforts for innovation have led to achievements in products and services. We have continuously maintained market leadership in various areas and been ranked number one in the industry in many international customer surveys while also receiving numerous awards. Furthermore, we have received excellent results at a variety of design awards for many years.

Samsung's Market-leading Products



iF and IDEA Winners in 2015

No. 1

in overall results at iF (2013-2015)

No. 1

in overall results for the past five years at IDEA (2011-2015)

Samsung's Innovation in 2015

January
- Launched the new 2015 SUHD TV
- Launched the Samsung Z1, the first smartphone to run on Tizen OS
- Introduced the premium home appliance line Chef Collection and activ dual wash

February
- Announced mass production of the industry's first 14nm FinFET mobile AP

March
- Launched the Galaxy S6 and Galaxy S6 Edge
- Launched the new LED signage business

April
- Introduced the new Wireless Audio 360

July
- Launched the SE370 monitor, which is imbedded with a wireless charger function for mobile devices

August
- Launched the Galaxy S6 edge+ and Galaxy Note5
- Began mass production of industry's first 256Gb, V-NAND flash memory
- Launched Samsung Pay in Korea and the U.S.

September
- Launched the Gear S2
- Began mass production of the first 12Gb LPDDR4 mobile DRAM
- Unveiled SLEEPsense, a sleeping pattern analyzing device

October
- Launched the Galaxy View 18.4-inch, the largest Android tablet

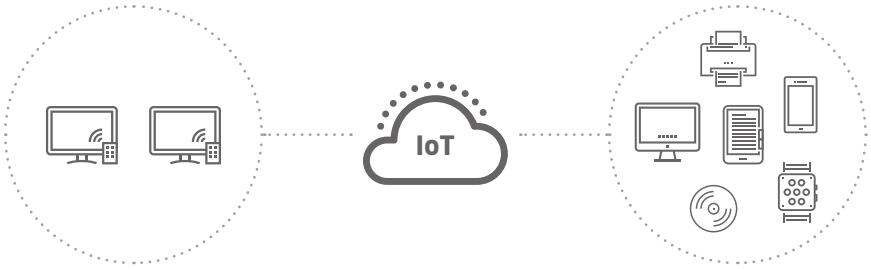
November
- Unveiled Exynos 8 Octa using 14nm FinFET process technology
- Launched the Gear VR Consumer Edition
- Began mass production of the first 128GB TSV DDR4 modules for enterprise servers

Samsung's New Growth Engine

Internet of Things (IoT)

Samsung is fully prepared for the era of Internet of Things (IoT) to come. We accelerated the development of IoT open platforms by acquiring the U.S. company SmartThings in August 2014, and today we are releasing various products and services to realize the IoT era. In addition, we are taking the lead in building the foundation for related services with the goal of applying IoT to all Samsung TV sets by 2017 and to all Samsung hardware by 2020.

Samsung outlines its Internet of Things roadmap



All Samsung televisions will be IoT devices **by 2017**

All Samsung hardware will be IoT-ready **by 2020**

ARTIK: An Open IoT Platform Samsung first released its open IoT platform called ARTIK at the 2nd IoT World held in May 2015. It then released the commercialized version of this product in February 2016 and launched an official partner program, firmly establishing the ARTIK Ecosystem.

The ARTIK platform is an open platform whose development was initiated by the Samsung Strategy & Innovation Center in Silicon Valley. It is a comprehensive IoT platform that provides a hardware developer kit, including processors and storage, as well as software including security and operation systems. When developing IoT services and devices using the ARTIK platform, developers can largely reduce time and costs to realize their ideas rapidly. ARTIK 1 is an ultra-mini module that provides Bluetooth connection and fits small-sized devices that require low power consumption, while ARTIK 5 fits home hub, drone and wearable devices. ARTIK 10 fits home servers and media devices as it provides Wi-Fi and Bluetooth connection. When speaking about this, Curtis Sasaki, the general manager at Samsung Strategy & Innovation Center, said, "As Samsung produces not only parts like semiconductors but also a variety of product groups, it is possible to take the initiative in creating new changes in the IoT market if only we establish a good open ecosystem."

Ecosystems of ARTIK Partners

OS	Solution Tools	Cloud	Security
· Snappy Ubuntu · Tizen · Fedora · Nucleus	· Medium One's data processing & analysis technology · Sensory's/ Soundhound's voice recognition technology · Vayyar's 3D radar technology	· Microsoft's cloud platform Azure developer's kit · Samsung's data collection platform, SAMIIO	· Trustonic's TEE security solutions and services

Solving Social Problems through IoT Besides technology innovation through IoT, Samsung is constantly solving various social problems such as water shortages, traffic congestion, and environmental pollution. For example, California experiences serious droughts because of its warm weather, so the state spends a great deal to help deal with this water shortage problem. After learning about this, Samsung considered how to send wasted water to places where water is truly required using ARTIK from an IoT perspective. Since announcing the ARTIK Challenge back in 2015, we've had a total of 577 registered applicants. We've announced the top finalists and honorable mentions at the Samsung Developer Conference on April 27. We plan to announce the final winner during the first week of July.

Samsung also works hard to solve social issues through partnerships with many IoT- related companies. A leading case is our collaboration with a new company named Boogio to develop sensor pads for the rehabilitation treatment of patients who have difficulty with their balance or moving their body. When patients wear shoes with these pads attached, their motion and pressure are sensed. The method of transmitting real- time data to doctors is currently tested under an agreement with a Florida hospital in the U.S. In addition, we are exploring ways to solve the problem of overusing water resources jointly with Weenat, a French farming solutions company, by measuring data on soil and air to transmit it to farmers' smartphones and let them know of the appropriate quantity of water to use.

Going forward, we will expand our IoT business in all directions through collaboration with companies in various industries such as automobiles, medical care, and public services, and do our best to contribute to solving social problems beyond technological innovation.

Samsung's Innovation Units in Silicon Valley and Major Results

1

SSIC introduced the Artik module—the IoT device development platform based on Samsung's cutting-edge semiconductor solutions

ARTIK

2

GIC acquired SmartThings and LoopPay

SmartThings

LoopPay

3

SRA developed the round display and rotating bezel for the Gear S2, as well as the fingerprint recognition of Samsung Pay

Samsung's Innovative Organization in Silicon Valley for New Growth Engines

Samsung is moving fast in Silicon Valley, the center of innovation, in order to discover new growth engines such as IoT and digital healthcare, while also taking the initiative in new IT ecosystems. We are also laying the foundation for leading the next-generation IT market ecosystem by making an open innovative organization that embraces hardware, software, and platforms in Silicon Valley, and connecting multiple R&D centers for securing core technologies for the future.

Located in Silicon Valley, SSIC, GIC, and SRA has come up with innovative results through active exchanges between one another, strategic investments and partnerships with innovative companies, and also through M&As. SSIC introduced the ARTIK module—the IoT device development platform based on Samsung's cutting-edge semiconductor solution—2015, and has commercialized it with many different companies, while GIC acquired two U.S. companies, SmartThings and LoopPay, thereby contributing to Samsung's securement of core technologies for the future. SmartThings is an IoT-related open platform company and is expected to create a great synergistic effect in the field of smart homes in the future, adding to Samsung's existing products such as semiconductors, smartphones, TVs, and home appliances. Also, LoopPay's magnetic secure transmission (MST) was used as a core technology for Samsung Pay as of 2015. SRA conducts research on various areas such as hardware, software, services, and platforms. It also has active exchanges with many research institutions to secure core technologies for the future. The round display and rotating bezel of Gear S2, which was released as of 2015, and the fingerprint recognition of Samsung Pay, are key achievements by SRA.

Samsung will continue open innovation with various companies through innovative organizations in Silicon Valley. At the same time, the company's R&D centers around the world will concentrate on technology development from a mid- and long-term perspective to further reinforce technology leadership.

*SSIC (Samsung Strategy & Innovation Center)

Established in 2013 under the DS Division, SSIC pursues open innovation singles out newly emerging technologies and possibilities of innovation by using Samsung's global platform. SSIC has offices in Korea, Israel, and the U.K. to discover strategic partners and establish a business ecosystem for win-win partnerships. Key research areas include digital healthcare, a data center, cloud computing, and Human-computer Interface Technologies. Furthermore, the center pays strategic attention to IoT. SSIC provides Samsung's unique ecosystem and resources for strategic partners such as startups and venture businesses in these fields.

In May 2015, SSIC established an open platform called ARTIK that provides comprehensive support of software, drivers, storage, security solutions, development boards, and cloud services, and in June it signed an equity investment agreement with Sigfox, a communications equipment technology venture company in Paris. Also, at the Samsung Developer Conference in April 2016, the center announced the SAMSUNG ARTIK Cloud™, an open data exchange platform designed to connect devices and applications. Through this open standard, SSIC actively exchanges with business leaders, technology innovators, and investors based on solutions that only Samsung can provide for future technology development.

* GIC (Global Innovation Center)

Led by President David Eun, GIC has conducted M&As with innovative companies, made strategic investments, and helped with the incubation of new startups since it was founded in the latter half of 2012. Well-known acquisition cases include the acquisition of the U.S. IoT open platform developer SmartThings in August 2014 and LoopPay in February 2015. LoopPay's magnetic secure transmission (MST) was used as core technology for Samsung Pay, which was released in 2015. SmartThings' IoT open platform also contributes to Samsung's securing smart home technology and developing IoT modules.

We have also launched Accelerator teams in San Francisco, near Silicon Valley, and New York, the center of the global economy so that startup companies' technologies, human resources, and venture culture can be integrated with Samsung's existing organization. In addition, CIG has established strategically cooperative relationships with future-oriented companies in IoT, security solutions, digital health, and virtual reality by supporting them with early stage investments.

* SRA (Samsung Research America)

Located in Mountain View, Silicon Valley, SRA conducts R&D on various aspects, such as hardware, software, services, and platforms.

SRA's keywords in R&D include "intelligence" (devices that can recognize and learn about the surrounding environment and conditions), analysis of "big data" related to individual lives, application of "5G" technology to IoT, and the "maximization of user convenience" through an analysis of user experience.

The round display and rotating bezel of the Gear S2, which was released in 2015, mobile security platform KNOX, and fingerprint recognition have all been significant achievements made by SRA's R&D department.

Furthermore, SRA has seen innovative results in many areas such as hardware, software, and platforms. For example, SRA released a TV interaction platform in the U.S. through which viewers can see SNS content regarding the program on the smart TV screen, or check information on athletes when watching sports with the push of a button on their remote control.

Innovation in Social Areas

Inclusive Innovation

Expansion of Accessibility

Samsung pursues "technological innovation for all" to provide meaning and pleasure for everyone's life. To this end, we apply 4C accessibility experience design principles so that all customers can use our products and services in an equal and convenient way. 4C refers to "considerate," "comprehensive," "coherent," and "co-create," through which we aim to capture a human-centered philosophy—one which accepts diversity and embraces differences—in all of Samsung's products, content, and services.

Samsung's 4C accessibility experience design principles

Considerate	Comprehensive	Coherent	Co-Create
			
Design carefully and in consideration of the user's point of view	Design for all without discrimination	Design that provides the same accessibility to all products	Design created jointly with users

In order to develop products and services based on such principles, Samsung established and has distributed an Accessibility UX Design Guideline and an Accessibility UX Design Checklist company-wide. These guidelines and checklists play the role of a compass when designers and developing staff members consider accessibility, and then realize this goal during the actual product design process.

(U.K.) Samsung Smart TV, Winner of RNIB's Inclusive Society Award

Samsung received the Inclusive Society Award from the Royal National Institute of Blind People (RNIB) in the U.K. in 2016. The company was recognized for its continuous efforts to develop technology so that people with disabilities can easily watch TV. Samsung has worked hard to strengthen accessibility features for the visually impaired since 2014.

Samsung radically improved visually impaired people's TV-watching when it adopted for its smart TVs the voice guide feature to read aloud information on programs and TV settings along with the high contrast screen feature to easily allow reading by showing clear graphic information with white text on an opaque black background.

In addition, Samsung has continuously worked on technology development to improve TV accessibility for people with disabilities in cooperation with the RNIB since 2012. Through efficient cooperation with international organizations, we have collected numerous opinions about TV use that people with disabilities feel uncomfortable about, and developed features to provide easier TV-watching experiences, reflecting the results in our products.

Services for the People with Disabilities

Samsung pays close attention to contributing to addressing social challenges using innovation and technologies. In particular, we present services and applications for the people with disabilities and actively operate them, thereby helping everyone around the world enjoy our products in an optimal way.

Look At Me

http://youtu.be/99TL3hGPw5I

Services for the People with Disabilities

Look At Me

Look At Me is a mobile app to help with the communication of children who have autism by training them to make eye contact with others and to express human feelings. Digital technology and humanity are harmonized in the Look At Me project, which has earned much attention for a mobile device that can bring useful value to people's lives. The campaign for this app received awards in five categories at the Cannes Lions International Festival of Creativity, including the Gold Award in the cyber category and the Silver Award in the mobile category.

Samsung Electronics Canada (SECA) adopted Look At Me in 2015. With SECA's donation of 252,000 dollars, Galaxy Tab S and the Look At Me app were presented to over 200 families with children who have autism in association with the Canadian organization Autism Speaks Canada. Many children with autism showed significant improvement in interpersonal relations and face recognition through this project. In Canada, 2,846 people applied for the Look At Me project, which resulted in high competition, with over 30 local media outlets covering the project, such as The Toronto Star, PSFK, and Adweek. As of May 2016, the video on the Look At Me project had 120,000 hits on YouTube via Samsung Electronics Newsroom

Hearing Hands

https://www.youtube.com/watch?v=UrvaSqN76h4

Hearing Hands

Samsung Electronics Turkey (SETK) has operated sign language service at a video call center since January 2015. There are about 3.5 million hearing-impaired people in Turkey, and Samsung planned the innovative online sign language service in order to relieve their inconveniences as they cannot inquire about products or request repairs through general call centers. This service, called Samsung Duyaneller* (Turkish for "hearing hands"), raised citizen awareness, including lawmakers and civil servants, about the hearing-impaired, and led them to become more interested in sign language training, while also providing momentum for the Grand National Assembly of Turkey to start the "Disability Inclusive Parliament" project.

Hearing Hands on Social Media

Samsung's official channel in Turkey

over 9.9 million views

(as of May 2016)

External channels

over 13 million views

Awards received in Korea and abroad

10회

Sharing Innovative Technologies with Society

Free Opening of Patents

In June 2015, Samsung opened 27,000 registered patents to SMEs in Korea and has provided 3,000 patents for free. In November 2015, we expanded the scope of opening patents to reduce the burden on SMEs in this matter, and have offered all 27,000 patents for free since then. Through this decision, we hope that Korean SMEs can utilize quality patents in the fields of mobile devices, audio & video, communications & networks, home appliances, and semiconductors, while gaining practical help in improving their competitiveness.

Providing SMEs with Free Patents

Korea (cases)

27,000

Improving the Quality of the World's Thinnest Endoscope with Free Patents

GSM Korea, a new medical equipment manufacturer in the industry, succeeded in developing the world's thinnest endoscope in 2015. It was innovative technology to manufacture an endoscope of a mere 0.7 millimeters in thickness, only one-third of a common endoscope. The result is expected to innovatively reduce extreme pain and the long operation time of endoscopies and endoscopic operations. However, the company still faced one major problem: how to improve the low-resolution images while making it so thin. The problem was fatal in medical care where precise imaging is critical. At that time, GSM Korea was granted two patents by Samsung for free and was able to solve the problem. The image processing technology provided by Samsung allowed the realization of even higher resolution images than those of existing products. The achievement was made even more meaningful because the infrastructure of Korea's medical equipment industry was not very good at the time.

Support for Excellent C-Lab Projects Launching Independent Startups

TIPTALK

A new concept of telephone conversation UX which uses the human body as a medium to transmit sound (a watch strap-style available)

Innomdle Lab

IOFIT

A smart shoes solution that monitors and analyzes abnormal walking and posture à Salted Venture

Salted Venture

WALKON

A mobile service app that offers coupons when the user achieves their walking goal

sWallaby

Jamit

An easy and interesting solution to learn how to play the violin

jameasy

Chuk & Chak + PandIT

A projector service solution that creates an interactive screen wherever pasted

jameasy

Fingo

Implementing the app you want most quickly using Deep Link technology (recognizing the situation and recommending apps)

Blue Hack

Skin Printer

A non-toxic mobile printer that prints downloaded/drawn designs on human skin when rubbed over the skin

SketchOn

Prevention of Chronic Disease, Management Service

Remote disease management service platform that provides customized medical service based on users' health record

E2E Health

Detachable mobile device accessories for 3D visualization without glasses

The film and the online platform for a mobile device that allow 3D visualization without glasses

MOPIC

Since 2015, Samsung has supported C-Lab projects that are considered to have great potential as new businesses so that employees can establish startup companies directly, while also providing opportunities for independent business management. In 2015 alone, 10 projects left Samsung and launched their own startup companies. (established 9 startup companies) We pass on management and technology knowhow to independent startups and support their early stabilization and growth. Also, we offer opportunities for those who have tried new businesses to reenter Samsung if they want to, as we value their entrepreneurship and startup experience. Through this, we expect to encourage employees' creative ideas and pioneering spirit as well as single out hidden talents with entrepreneurship, resulting in bringing new changes and an innovative atmosphere to the company.

ENVIRONMENT

7. GREEN POLICY

8. ECO-PRODUCTS

9. EHS MANAGEMENT

Samsung is committed to providing eco-friendly products and services based on a green management ideology to contribute to lives of humanity and the preservation of the world's environment through business activities that respect people and nature. At all worksites, we minimize all environmental impacts, from the purchase of raw materials, development, production, and distribution to use and disposal stages of products. We also apply stricter standards to the management of hazardous materials used for the manufacturing process, implementing EHS management for employees and local communities.

ENVIRONMENT

7 / ENVIRONMENT

GREEN POLICY

Material issues

1. Reducing GHG emissions in the workplace
2. Environmentally-friendly products and service

OUR VISION

Eco-friendly management is part of the Five Samsung Business Principles; demonstrating that the company will do its utmost to conduct business activities that respect and improve the lives of people and conserve the planet's resources. Our Green Management vision is "Providing a Green Experience, Creating a Sustainable Future" and is symbolized under our trademark slogan "PlanetFirst".

OUR COMMITMENT

Samsung is committed to conducting and communicating activities at both strategic and operational levels of the company; to preserve the environment. These activities span across our facilities, at the workplaces of our suppliers, and local communities worldwide. We also strictly adhere to our Environmental Health & Safety (EHS) policies regarding environmental issues related to our facilities and employees.

IN THIS REPORT

Through the work of United Nations Framework Convention on Climate Change (UNFCCC), Paris COP21 in December 2015 and the World Economic Forum in Davos in January 2016 the global economy is unanimously recognizing that climate change is a significant threat to the global economy. Governments have committed to accelerate the shift to a low-carbon economy model. In this chapter, we will introduce what Samsung is doing to respond to climate change through EM2020 (Eco-Management 2020) and our mid-term roadmap for green management. This roadmap includes operation systems, communication activities, and highlights major awards we have received from external organizations.

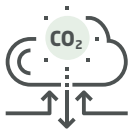
TRENDS & CHALLENGES

Increased risk from climate change According to the IPCC (Intergovernmental Panel on Climate Change), if GHG emissions continue as they are now, global temperatures are expected to rise an average of 1.8℃ by 2050.
For climate change mitigation and adaptation to it, countries worldwide are forecasted to make annual investments of 1 percent of their GDP, or USD 70 billion to 100 billion, by 2050 (Stern Review). Responding to climate change is an urgent task for humanity and a new driving force for industries. Through reduced GHG emissions and clean technology, companies are being asked to contribute to the protection of the global environment, while also creating business opportunities and increasing corporate value.

WHAT WE ARE DOING

Declaration of Green Management and Green Management System

Sharing eco-friendly ideas and our vision through the Green Management Declaration, mid-term roadmap, and Environmental Declaration. Operating various green management councils and an established global green management system to supervise our company wide environmental efforts



EM2020

Through EM2020, second phase of mid-term roadmap, managing GHG emission reduction at the product use stage and the annual reduction rate of GHG emission intensity at worksites, as performance indicators

Green Communication

Communicating with relevant stakeholders on green activities through established channels and external agencies; e.g. the Carbon Disclosure Project and Water Disclosure Project

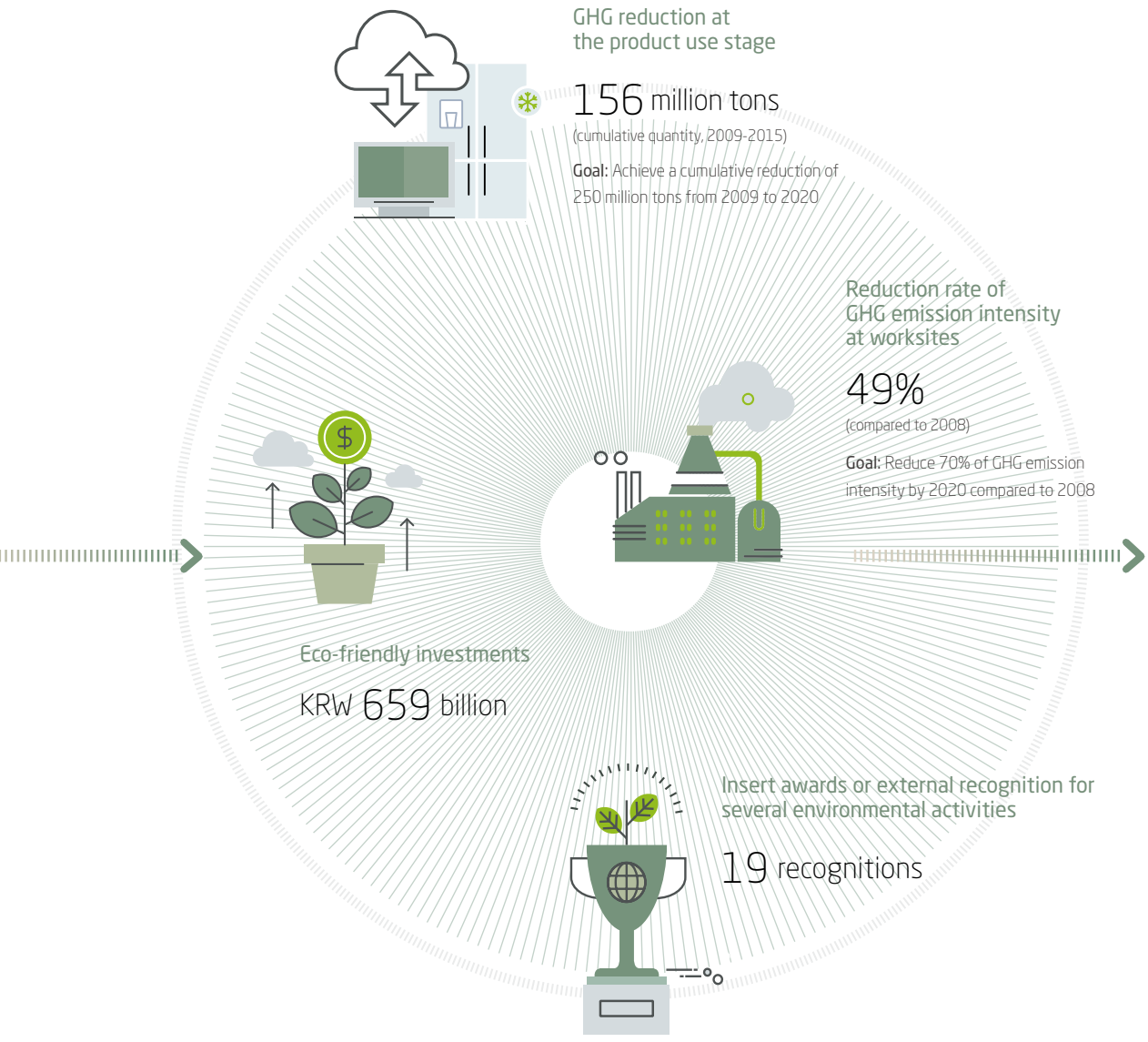
Response to Climate Change

Analyzing climate change risks, and reflecting the results when deciding upon corporate policies according to their importance. We also conduct research projects with external institutions for adaptation to climate change

Link to SDGs

[Goal 7] Ensure access to affordable, reliable, sustainable and modern energy for all
7.a By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fue technology, and promote investment in energy infrastructure and clean energy technology

[Goal 13] Take urgent action to combat climate change and its impacts
13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries



FUTURE PLANS

1

Green Management Activities

Pursue continuous and progressive green management activities such as green management councils, responses to external evaluations, and joint research with academia

7

Green Management

Since its foundation, Samsung has worked tirelessly to fulfill its environmental responsibility. This is demonstrated by the fact that eco-friendly management principles are core values of our business.
We committed to a high degree of environmental protection through the Environmental Declaration of 1992 and reinforced this commitment through the Green Management Declaration in 1996. In 2009, we announced Eco-Management 2013 (EM2013), a mid-term roadmap for green management, and established the slogan PlanetFirst to symbolize a new value system of green management.

Value System of Green Management

Basic Philosophy
Contribute to the prosperity of human life and the conservation of the environment by conducting business activities that respect humanity and nature.

Vision
Providing a Green Experience, Creating a Sustainable Future

Provide customers with a new green experience and lead a sustainable future in a global society through innovative green products and technologies.

Slogan

The slogan PlanetFirst captures Samsung Electronics' determination to pursue corporate social responsibility and sustainable management through business activities that put top priority on the Earth.

Mid-term Roadmap: Eco-Management 2020

Samsung established its mid-term roadmap of Eco-Management 2020 (EM2020) in 2014. The company now manages GHG reduction at the product use stage and during the manufacturing process as key performance indicators (KPIs). We will continue to work hard to provide new value for customers, the environment, and society through eco-friendly innovation activities.

GHG Reduction at the Product Use Stage: Cumulative Reduction of 250 Million Tons from 2009 to 2015

In order to reduce GHG emissions at the product use stage, we continuously improve the energy efficiency of products, with the aim of achieving a cumulative reduction of 250 million tons of GHG emissions at the product use stage from 2009 to 2020. In addition, we reduced approximately 33 million tons of GHG emissions in 2015.

Reduction of GHG Emission Intensity at Worksites: Reduce 70% of Intensity by 2020 Compared to 2008

To reduce GHG emissions at manufacturing sites, Samsung operates facilities with high energy efficiency and treats gases generated during the production process such as F-Gas. By doing this, we aim to reduce 70 percent of 2008 GHG emission intensity levels by 2020. GHG emissions intensity has increased due to the expansion of our global manufacturing sites and production facilities, but we will work hard to reduce absolute emissions by continuously improving energy efficiency at each worksite.

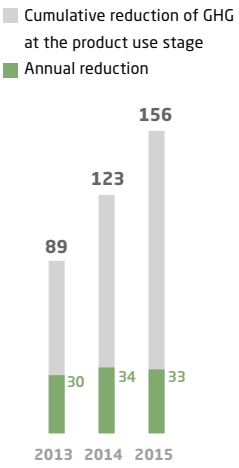
Green Management System

Operation Units

At Samsung, the Global CS (Customer Service) Center and the Environment & Safety Center, under the direct control of the CEO, are in charge of general issues regarding products and environment health and safety, respectively. The Global CS Center handles product environment aspects, such as the establishment of global green management strategies, operation of eco-design processes to develop eco-products, management of hazardous substances in products, responses to product-based energy regulations, and recycling of waste electronic goods worldwide. For its part, the Environment & Safety Center handles overall areas of the environment and safety of global manufacturing sites, including GHG, water resources, and safety & health management.

GHG Reductions at the Product Use Stage

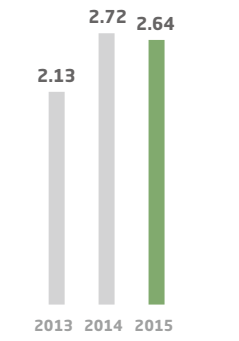
(Unit: million tons of CO_2)



* See Chapter 8 for detailed information on GHG emissions of products

Reduction of GHG Emissions Intensity

(tons of CO_2/ KRW 100 million in sales)



* For more detailed information on GHG emissions, see Chapter 9.

In addition, we regularly operate green management meetings that are joined by related divisions to foster company-wide cooperation and to reinforce green management in all areas of the business. These meetings help the company to monitor stakeholder requirements, and global trends, to consider new business strategies focused with environmental relevance and to promote cooperation of all involved departments in charge of developing eco-products.

Global Green Management System: G-EHS, e-CIMS

Company-wide Meetings for Green Management

	Description	Organizer	No. of Meetings
Environment and Safety Committee	Deliberate on green management strategies and consult on key issues at worksites	CFO	3/year
Eco Council	Establish eco-product development goals and implementation strategies	Head of Global CS Center	2/year
IM/CE Division Synergy Committee	Consult on EHS issues, best practices, and healthcare at worksites	Head of Environment and Safety Center	3/year
DS Division EHS Committee	Consult on key EHS issues	CEO	6/year
Company-wide EHS Manager Council	Consult on the establishment of safety culture, compliance with laws and regulations, and management of chemical substances	Head of Environment and Safety Center	6/year
Company-wide GHG Council	Establish and execute action plans in response to climate change	Head of Environment and Safety Center	4/year

Samsung has developed a Global Environment, Health & Safety System (G-EHS) for the integrated management of EHS areas. Through G-EHS, we have also established a system to share overall information on green management, such as GHG reduction, responses to product environment regulations, prevention of environment and safety accidents, and performance management. In this way, we have maximized the efficiency of internal green management communications.
Moreover, we operate an Environmental Chemicals Integrated Management System (e-CIMS) for our suppliers to prevent the inclusion of hazardous substances in our products by examining documental evidence of material testing and conducting on site audits. Furthermore we encourage our suppliers to establish an environmental management system, as of 2015, 2,018 of Samsung's suppliers had ISO 14001 certification to promote environmental management activities.

Green Investment

Samsung regularly evaluates green investments by considering both economic profitability and the environmental gains obtained through green management. This information is utilized to make reasonable green management decisions.

Green Investment

(KRW 100 million)

Facility investments

3,267

Investments in facilities to prevent air/water/waste pollution at worksites

Operating cost

3,323

Cost of operating facilities to prevent environmental pollution and other expenses

6,590

Total

Green Communication

Samsung annually discloses green management strategies and goals. It also reports to its stakeholders on the company's activities in each area of green management, including GHG emissions, eco-products, eco-friendly social contribution activities, and stakeholder communication programs. Furthermore, on top of transparently disclosing the company's efforts, we operate channels to continuously promote our stakeholders' environmental awareness.
In particular, the company is involved with 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 Channels

Consumers	· Korea) Green Shop · Korea) PlanetFirst school education program · USA) Recycling Direct · Germany) IFA trade fair environmental promotion · Global) Samsung Newsroom articles on environmental topics
Suppliers	· Korea) Support for establishing GHG inventory · Korea) Green procurement guide
Local Communities	· Korea) Semiconductor Plant Communication Council · Germany) No Waste Day · UK) Beach Cleaning
Employees	· Korea) Campaigns to collect e-waste · Global) Green Sales Guides for flagship product

1 Upcycling of electronics in Sweden
2 No Waste Day in Germany

Eco-friendly Social Contribution Activities

In order to fulfill its corporate social responsibility, Samsung conducts a variety of eco-friendly social contribution activities. This includes using products with high energy efficiency with employees and local communities, a campaign to recycle cellphone waste, and volunteering for marine conservation. In fact, in some countries like Korea, Sweden and UK our employees take part in educational programs as lecturers to teach students under the college level about the importance of the environment and to improve their daily habits when it comes to environmental protection by saving/recycling energy and resources.

Response to Climate Change

Analysis of Risks and Opportunities

Samsung analyzes risks and opportunities related to climate change and then prioritises selected issues based on their materiality and influence so that they can be reflected in the company's policies.

Process of Responding to Climate Change

1. Issue Identification
2. Risk and Opportunity Assessment
3. Strategy Development
4. Implementation
5. Result Analysis
6. Goal Re-establishment

Criteria for Analysis of Risks and Opportunities

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

Risk Management and Utilization of Opportunities

Risk Management				Opportunity	
Response Activity	Classification			Classification	Creation Activity
Developing refrigerants with low global warming potential	Carbon tax		Regulatory	International Agreements	Promoting CDM projects at worksites, securing emissions credits
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; and proactively working with standardisation bodies
Developing products with high energy efficiency and acquiring related certification	Regulations on product energy efficiency				
Expanding investments in facilities to prevent and recover from natural disasters	Typhoon and flood damage		Physical	Rise of average temperatures	Reinforcing the energy solutions business for air conditioners and buildings
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 the launch of air purifiers and sterilization washing machines
Strengthening internal green activities and external communication	Corporate reputation		Other	Company evaluations	Identify areas for improvement
Researching consumer insight and expanding development of eco-products	Consumer behavior changes			Customer (B2C and B2B) requests	Preemptive response to customer demand for eco-products

Establishment and Implementation of Strategies

In order to better respond to climate change, Samsung established policies to tackle scope 1, 2 and 3 emissions. This was approached by choosing to reduce GHG emission intensity at worksites and to reduce GHG emissions at the product use stage as key goals and then develop implementation strategies under EM2020, its mid-term roadmap for green management. Additionally, the company continues to explore ways to reduce emissions by monitoring indirect GHG emissions from such factors as employee business trips, logistics, and suppliers.

Climate Change Response Strategies

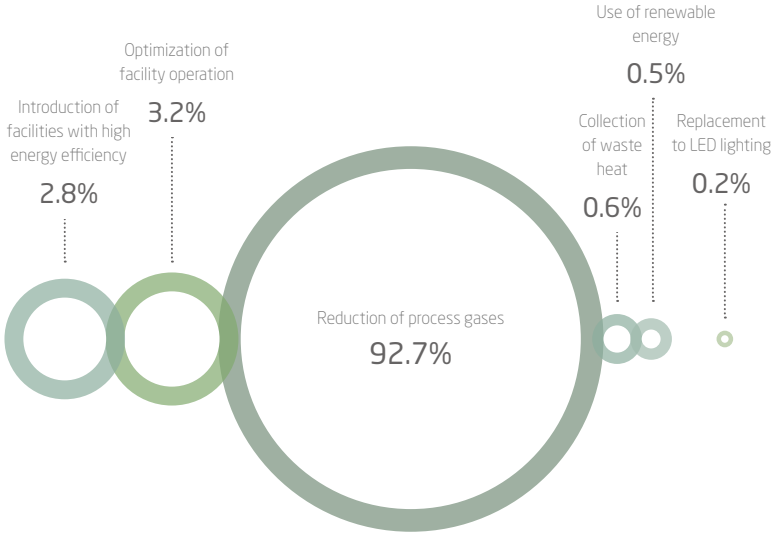
Major Areas	Strategies
Reducing GHG emissions at production sites	-Operating facilities to reduce F-Gas emissions in the semiconductor manufacturing process
	- Managing energy reduction projects and efficient energy consumption
Expanding energy management at worksites	- Establishing an energy management system at all worksites and maintaining certifications (since 2013)
	- Managing energy costs and indicators for each worksite
Reducing GHG emissions from product usage	- Developing/releasing products with high energy efficiency
Managing Scope 3 GHG emissions	- Managing GHG emissions from logistics and employee business trips (since 2009)
Supporting suppliers	- Monitoring suppliers' GHG emissions (since 2012)

GHG Reduction Goals and Reduction Plans

Samsung has set, and closely monitors reduction goals for direct GHG emissions at manufacturing sites and GHG emissions at the product use stage after sales. With electronic products, indirect GHG emissions due to power consumption during the use process are higher than GHG emissions generated during the manufacturing and disposal stages. Therefore we established the goal of reducing GHG emissions at the product use stage through improving the energy efficiency of products. Absolute emissions increase with the expansion of manufacturing sites and the introduction of new facilities associated with the growth of our business therefore we calculate GHG emissions to sales (GHG emission intensity) in order to help us better understand our progress and how to further reduce emissions.

Since 2009, we have operated our own eco-rating system to manage energy efficiency of products systematically, with the aim of achieving a cumulative reduction of 250 million tons of GHG emissions at the product use stage from 2009 to 2020. To achieve our GHG reduction goal in 2016, Samsung operates an F-Gas treatment facility and plans to introduce additional facilities for emission reduction. In addition, we will continue to optimize facility operations through the introduction of facilities with high energy efficiency and high-efficiency lighting equipment, such as LED lighting.

GHG Reduction Plan by Category in 2016 (Korea)



Research in the Field of Climate Change Adaptation

Samsung makes substantial efforts to mitigate climate change through reduction of GHG emissions however we also understand many of the impacts of climate change are already occurring around the world. We therefore pay close attention to the field of climate change adaptation; a strategy to minimize risks due to climate change including changes in ecosystems, industrial changes, and occurrence of disasters, while also maximizing opportunities for sustainable development.

Study on Climate Change Adaptation in Association with SNU

Samsung conducted a joint study on "Corporate Social Responsibility Activities for Climate Change Adaptation" with the Graduate School of Environmental Studies, Seoul National University in 2015. This study analyzed how climate change risks affect socially disadvantaged groups of people and the role of companies in climate change adaptation. It then ultimately chose three tasks to pursue after considering the utility of the tasks and the possibility of adequate implementation. Moving forward, we will actively carry out selected tasks through in-house preparation.

CSR Activities for Climate Change Adaptation

Task 1
Support for drinking water facilities in countries most vulnerable to climate change

Task 2
Low-carbon improvement of residential environments for climate change adaptation

Task 3
Development of educational programs for climate change adaptation

INTERVIEW

Graduate School of Environmental Studies, SNU
Prof. Yun Sun-Jin

What do you think about Samsung and other companies' climate change response activities?

Recently, climate change is rapidly becoming a more serious concern and I think companies that use a lot of energy are responsible for the climate change we see today. Companies will often only look at costs when it comes to the use of energy and not think about the results of this very seriously. However, I believe they should recognize that we obtain energy from nature and therefore take the issue more seriously. I hope Samsung, as a global company, will play a leading role in responding to climate change and also pay more attention to the issue in the future through industry-university research opportunities.

What was your impression while conducting industry-university research on CSR activities for climate change with Samsung Electronics?

While jointly working on this research, Samsung always showed sincerity and a real sense of purpose. They also seemed determined to put our research results into practice by reporting them to the CEO when the project was completed. Samsung could set an example to other companies by acting on climate change.

The industry-university research was done in the field of climate change adaptation. How is that different from the existing climate change response?

The GHG already emitted has accumulated in the atmosphere and continues to cause climate change. Thus, even if we reduce emissions by half, we cannot prevent climate change itself. As a result, we must look closely at how to adapt to the climate change we are facing today. For their own part, companies need to focus on CSR initiatives required for, among things, disadvantaged groups of people and the specific regions hit hardest by climate change. Although many companies today are dedicated to mitigating climate change, they have relatively less interest in climate change adaptation, so I hope Samsung Electronics will take the initiative in addressing the issue.

External Evaluations & Awards

Samsung has been selected as a top company in global eco-friendly evaluations and sustainability rankings due to our continuous GHG reduction initiatives, green worksite management, and the release of eco-products. At the same time, it has received numerous awards worldwide due to its performance in eco-friendly activities.

Best Company in the DJSI WORLD for 7 consecutive years

External Rating of Eco-friendliness

Since joining the Dow Jones Sustainability Index (DJSI) WORLD in 2009, Samsung has been selected as a "Best Company" in its field for seven consecutive years. We have also been included in the Carbon Disclosure Project's CDLI (Carbon Disclosure Leadership Index) as one of the top 50 companies for seven consecutive years. This is clear proof that we are highly rated in various external environmental evaluations.

Result of External Evaluation

Title	Announcement	Description
Dow Jones Sustainability Index (DJSI)	Sept. 2015	Named one of the top companies in the environment sector for the technology & hardware group out of 3,000 companies assessed by the DJSI
Carbon Disclosure Project (CDP)	Sept. 2015	First Korean company to join the Carbon Disclosure Leadership Index (CDLI) for 7 consecutive years
Environmental, Social and Governance (ESG) evaluation	Oct. 2015	Grade A+ in the environment category among all publicly traded companies in Korea

Environmental Awards

Governments and organizations in different countries operate eco-friendly award programs in various forms to promote excellent eco-friendliness of products and encourage green management activities among companies. Below is the list of awards which Samsung has received for the company's eco-products and green management activities such as voluntary collection & recycling of waste products and eco-friendly education programs carried out in numerous countries.

Major Environmental Awards

Recipient	Country	Title	Organizer	Time	Description
Company	Korea	Eco-label Award	Ministry of Environment	Nov. 2015	• Grand Prize in the office equipment category • Excellent utilization of Eco-label
	U.S.	ENERGY STAR Partner of the year Award	U.S. Environmental Protection Agency (EPA)	Apr. 2015	• Top award for sustained excellence for three consecutive years • Top award for climate communications for two consecutive years • PR activities at Times Square, NY
		Sustainable Materials Management (SMM) Gold Award	U.S. Environmental Protection Agency (EPA)	Feb. 2016	• Electronics recycling leadership • Collected and responsibly recycled more than any other manufacturer
		Green Power Partnership	U.S. Environmental Protection Agency (EPA)	Feb. 2016	• 3rd consecutive year ranked in top 100
Products	Korea	Government Prize for New Future Packaging Technology	Ministry of Trade, Industry & Energy	May 2015	• For smartphone &tablet products • Efficient packaging boxes and 100% recycled paper used for packaging
		Energy Winner Award	Consumers Korea	July 2015	• For 9 products including Ceiling Air Conditioner
		Green Product of the Year Award	Green Purchasing Network	Sept. 2015	• For TVs and washing machines • As voted on directly by consumers
	U.K.	Best in Carbon	Carbon Trust	Aug. 2015	• Industry's first low-carbon certification for a smartphone
	U.S.	CES 2016 Innovation Awards	The Consumer Technology Association (CTA)	Jan. 2016	• Eco-Design category • 1st Curved FHD TV made with polyketones
		SMM Electronics Challenge Champion Award	U.S. Environmental Protection Agency (EPA)	Feb. 2016	• Galaxy S6, winner in the product category • 99.9% recyclable • 100% recycled paper packaging box

8 / ENVIRONMENT

ECO-PRODUCTS

Material issues

- Environmentally-friendly products and services
- Energy efficiency
- E-waste tack-back & recycling

OUR VISION

Starting with the product planning and development stages, our vision is to fully uphold our responsibility for the whole product life cycle principle; by minimizing all our product's environmental impacts and improving resource efficiency at all stages of the product life.

OUR COMMITMENT

To analyze our environmental impact contained at each stage of the product life cycle; from design and manufacturing; to purchase and usage; to end-of life processing and disposal. Samsung is committed to constantly improving energy efficiency and recyclability, and reducing hazardous substances in products through an Eco-design Process and Eco-rating System which evaluate the eco-friendliness of all products throughout their life cycle. We fulfill all related global environmental regulations for products and strive towards higher standards through voluntary agreements and labels; to provide our customers with an increasing number and quality of eco-products.

IN THIS REPORT

Customers are increasingly searching for reasons to trust the organization behind the products they choose to purchase. It is important that our sustainability activities meet the high expectations of Samsung's employees, customers and external stakeholders to give the reasons to be confident that they are choosing environmentally responsible products. In this chapter, we introduce our efforts to meet the needs of our customers and stakeholders through reducing our environmental impact at each stage of the product life cycle and highlighting the characteristics of our eco-products.

TRENDS & CHALLENGES

Shifting to a Circular Resource Paradigm The traditional linear model—where resources begin at the acquisition of raw materials and end at the final disposal of products—is increasingly outdated. Manufacturing industries are gradually shifting to a circular resource paradigm. This has been driven by global resource depletion, raw material price volatility and further environmental concerns. Such a shift is being made possible through a close collaboration between companies, industries, and various stakeholders. To accelerate such a positive change, the electronics industry also needs to continue to create added value in products and services by reducing resource consumption and reinforcing the use of recycled resources.

WHAT WE ARE DOING

Monitoring our Goals

Managing eco-product development rate and recycled amount of waste electronic products as our performance indicators. Meeting EM2020 goals for GHG emissions reduction at the product usage stage.

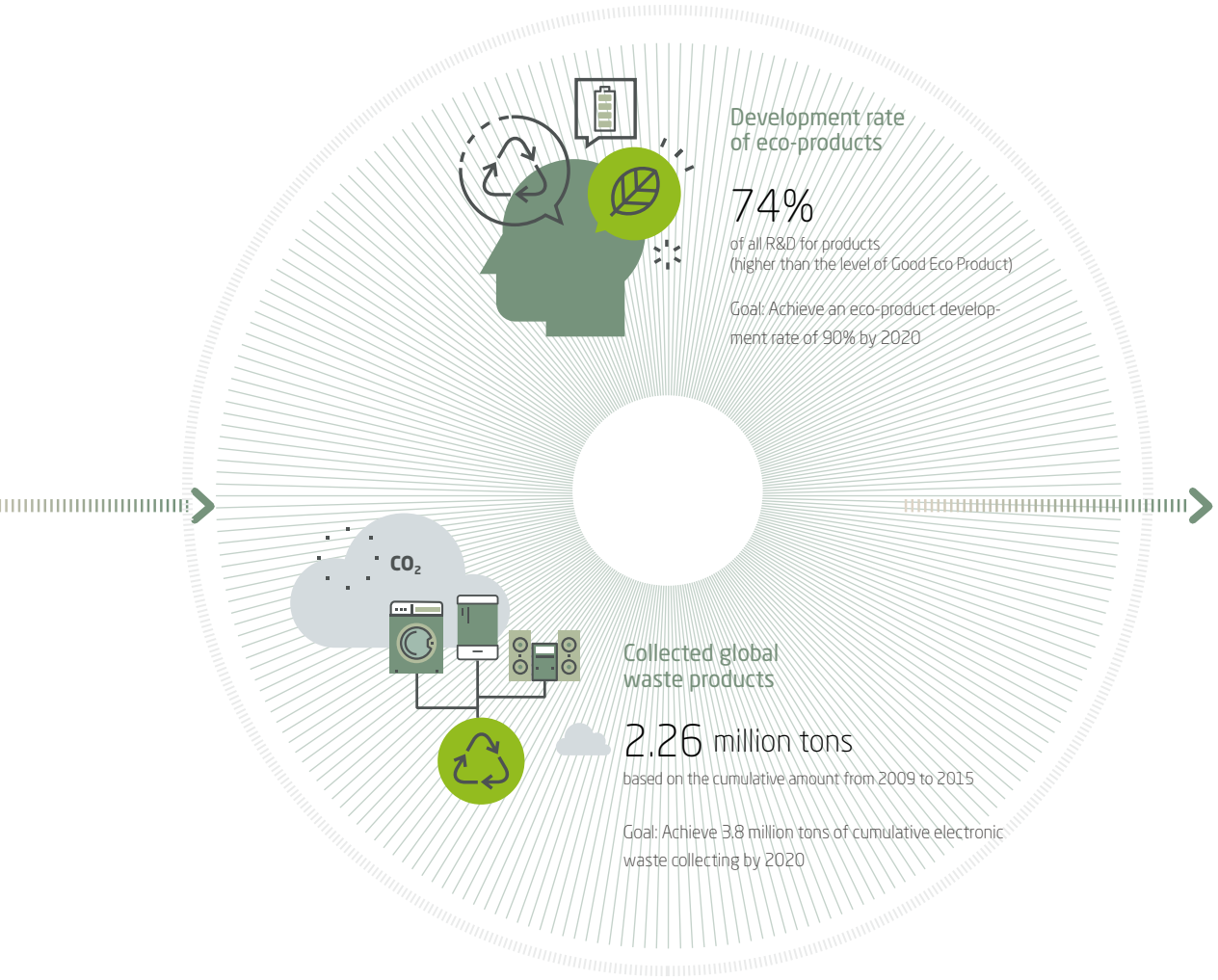
Resource Circulation Management

In order to minimize our environmental impact throughout the entire life cycle, and increase resource efficiency at each stage; we will establish and operate a resource circulation management system.

Link to SDGs

[Goal 7] Ensure access to affordable, reliable, sustainable and modern energy for all
7.3 By 2030, double the global rate of improvement in energy efficiency

[Goal 12] Ensure sustainable consumption and production patterns
12.4 By 2020, achieve environmentally sound management of chemicals and all wastes throughout their life cycle in accordance with agreed-upon international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impact on human health and the environment
12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse



FUTURE PLANS

1

Eco-product Development Rate

90% by 2020

2

Collected Amount of Waste Electronic Products

a cumulative total of 3.8 million tons by 2020 (2009 baseline)

8

Key Green Products in 2015

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 2015 are as follows.

LED TV

(UE60J6150)

- EU Energy Label A++
- Light intensity sensor
- Energy-saving mode
- Auto power down function
- Reduction of product weight by 27% (Compared to UE58H5270AS)

Monitor

(LS27E65UDS)

- Annual power consumption reduced by 36% (Compared to LS27C65UDS)
- Eco-saving function
- Recycled plastic used (30%)
- Sugar cane used for accessory bag (20%)
- Intertek Greenleaf certification

Refrigerator

(RB41J7359SR)

- EU Energy Label A+++
- Twin cooling technology
- Fresh storage function (Fixed temperature maintenance)
- Metal cooling system (High efficient cooling)
- environmentally-friendly refrigerant (R600a)

Air Conditioner

(AF18J9975WWK)

- Ultra-power saving inverter, 75% less energy consumption (Compared to previous inverter)
- PM2.5 filter system (Removal of fine dust)

Washing Machine

(WD9500J)

- Eco-bubble technology
- DD Inverter Motor
- AddWash (No need to drain → Reduction of water use)
- Power saving mode

Printer

(SL-C2680FX)

- Annual power consumption reduced by 15% (Compared to SL-C2670FW)
- Number of parts decreased by 25% (321 → 242)
- Achieving Germany Blue Angel

Laptop

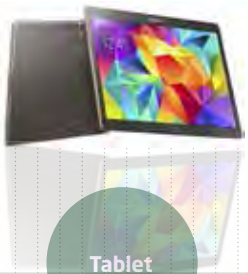
(NT110S1J)

- Mercury-free LED backlight
- Power consumption reduced by 57% (compared to NT900X3C)
- High-efficiency battery (maximum use of 8 hours)
- Recycled plastic used (20%)

Tablet

(Galaxy Tab S)

- High-efficiency charger (charging efficiency 75%)
- Recycled plastic used for the charger (20%)
- 100% recycled paper packaging
- Soybean oil printing for packaging



Smartphone

(Galaxy S6 edge)

- High-efficiency charger (charging efficiency 82%) (standby power of 0.02W)
- Ultra-power saving mode
- Recycled plastic used for the charger (20%)
- 100% recycled paper packaging

SSD

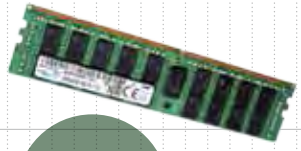
(V-NAND, 2.5" Type)

- Reduction of energy consumption by 30% (Enterprise Storage System) (Compared to the same level HDD)
- No use of halogenated compounds (PVCs, BFRs, CFRs)
- No noise, no vibration, no heat

Memory

(20nm 8Gb DDR4)

- Reduction of energy consumption by 50% (Compared to 64GB DDR4 LRDIMM)
- Doubling server efficiency (Reduction of server operation by half)
- No use of halogenated compounds (PVC, BFRs, CFRs)



Circular Resource Management System

Samsung takes circular economy into consideration when assessing environmental aspects in product design. In order to minimize the environmental impact of our products we release eco-products that consider resource efficiency through the reuse of parts, use of recycled packaging and plastics, and increased recyclability of product parts.

Resource Circulation System and Environmental Objectives at Each Stage

- Purchases: · Supplier purchasing criteria · Suppliers' hazardous substance management
- Design& Production: · Management of hazardous substances related to products · Environmentally-friendly materials · Eco-rating system · Recyclability
- Distribution: · Efficient logistics · Green packaging
- Use: · Products with high energy efficiency · Service operations to improve resource efficiency

Purchase

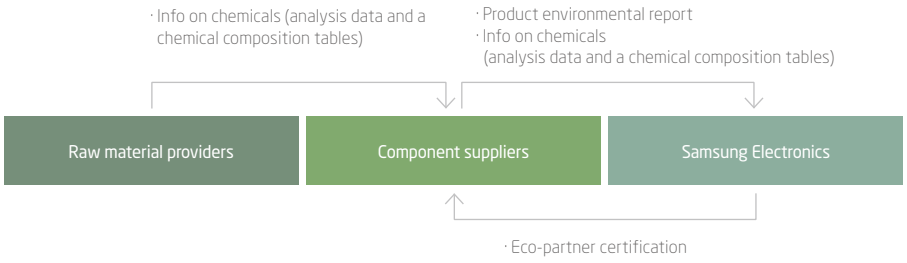
Green Purchasing

Recognizing the importance of being environmentally conscious, in 2007 Samsung established guidelines on the need to purchase eco-products throughout its operations. We have encouraged the purchase of environmentally-friendly office supplies and consumables used in manufacturing processes that puts top priority on purchasing eco-products first.

Eco-partner Certification

Samsung has established a hazardous substance management system regarding raw materials and parts for the company's products, while also operating an Eco-Partner certification system to assess the environmental impact of product components, raw materials, and production processes at our suppliers. We trade only with suppliers that have acquired all necessary eco-related certification. In addition, for the efficient management of our Eco-Partner certification system, we have developed e-CIMS (Environmental-Chemicals Integrated Management System)to monitor hazardous substances used by our suppliers.

Eco-partner Certification Process

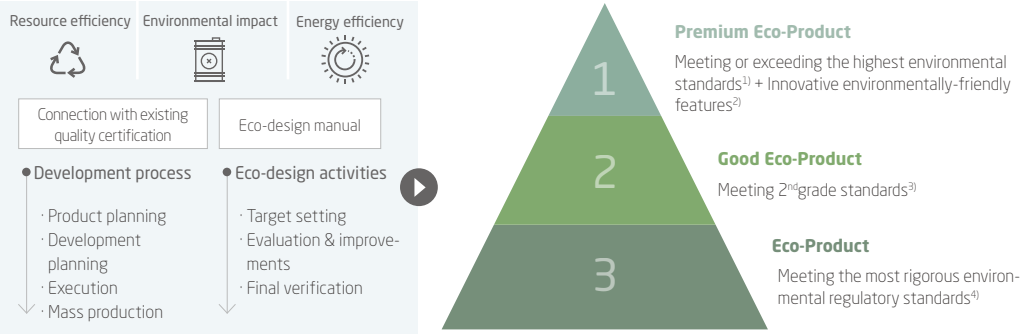


Design & Production

Eco-design and Eco-rating

From 2005, Samsung has an established in-house eco-design process to secure the eco-friendliness of its products from their development stage. Since 2014, we have operated our own eco-rating system which consists of three ratings (Premium Eco-Product, Good Eco-Product, and Eco-Product) that are given to every product development project, while also taking into consideration each country's eco-label standards. Products are assessed from many different perspectives based on elements ranging from basic regulations on energy efficiency, resource efficiency, and environmental impact to newer, more distinguished environmental features such as fulfilling the requirements of voluntary eco-labels. Through continuous revision and evaluation of standards, we reflect new eco features and the latest environmental innovation in our products. Samsung manages the rate of Good Eco-Product level or higher among all product development projects, and we are striving to have 90 percent of new development projects receive the Good Eco-Product stamp of approval or higher by 2020.

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 the Korea Institute for the Advancement of Technology)
3) Compliance with 85-90% of EPEAT Silver and UL Platinum standards
4) Compliance with EU RoHS, packaging, and WEEE regulations (our global products comply with the most strict environmental legislation from around the world; placing many products above the minimum legal requirements in their local countries)

Management of Hazardous Substances in Products

With the reinforcement of environmental regulations such as EU RoHS(Restriction of Hazardous Substances in Electrical and Electronic Equipment) and EU REACH(European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals), Samsung increasingly conducts rigorous inspections and management for raw materials and parts it uses to ensure it provides safe, environmentally-friendly products for customers. Through such efforts, we control the management process so that restricted substances are not unintentionally present in our products.

Controlled Substance Rating

Samsung has its own standard (Regulations on Managing Controlled Substances in Product Environment) in order to manage the use of chemical substances in our products. . We review and enforce its provisions on a regular basis across the company in order to ensure the highest level of compliance is being adhered to.

Controlled Substance Rating

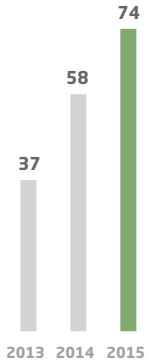
Class I (prohibited substances)	Substances regulated by EU RoHS
Class II (prohibited substances)	Substances managed by all other national laws or international agreements. (e.g. substances causing ozone depletion or global warming)
Class III (substances with a reduction plan)	Substances with our own reduction plan after considering their impact on the environment and on humans (e.g. BFRs, phthalates)
Others (observed substances)	Substances that are expected to be regulated in the future (e.g. candidate substances for EU REACH's SVHC*)

* SVHC: Substances of Very High Concern

Current Status of Eco-product Development

(%)

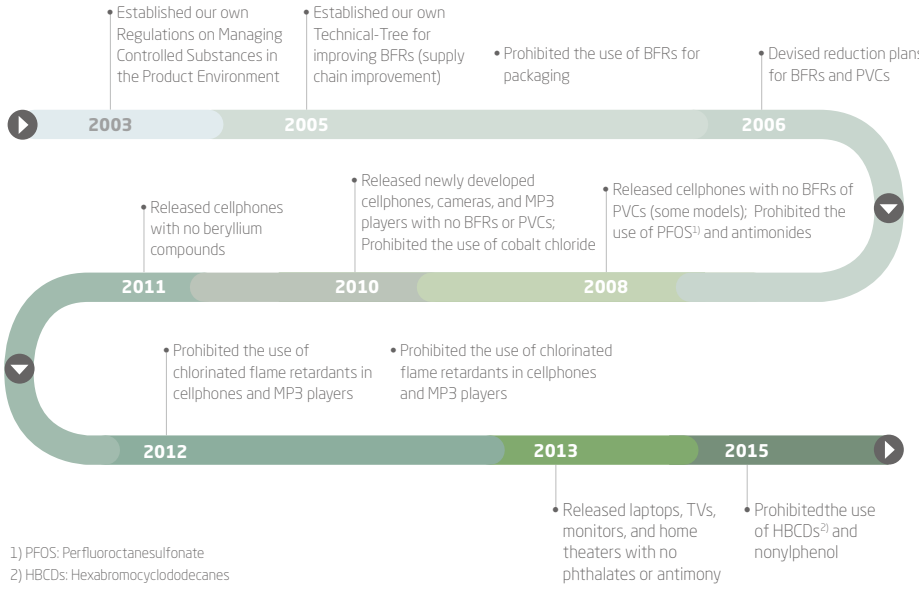
Rate of Good Eco-Product level or higher among all product development projects



History of Hazardous Substance Management

Since 2005, Samsung has maintained an Environmental Analysis Lab for analyzing hazardous substances and volatile organic compounds. It has also acquired KOLAS(Korea Laboratory Accreditation Scheme) certification and the official testing lab license of Germany's BAM Institute(The Federal Institute for Materials Research and Testing). All of these achievements have improved the reliability of chemical analysis and firmly established an in-house monitoring process on restricted substances. Furthermore, we have made voluntary plans to stop using potentially hazardous chemicals like PVCs, BFRs, and phthalates to continuously reduce the use of hazardous substances in our products.

History of Hazardous Substance Management



1) PFOS: Perfluoroctanesulfonate
2) HBCDs: Hexabromocyclododecanes

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

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

Cases of Hazardous Substance Reduction in Major Products

TV

- 2008.1~ **TBBP-A free** All parts
- 2012.1~ **PVC free** Internal wires
- 2013.1~ **Phthalate free** Internal wires
- 2013.1~ **Antimony free** Internal wires
- 2015.1~ **Cadmium free** LED panel *(some models only)

Smartphone

- 2008.1~ **TBBP-A free** All parts
- 2010.1~ **BFRs free** All parts
- 2010.4~ **PVC free** All parts
- 2011.1~ **Phthalate free** All parts
- 2011.1~ **Beryllium free** All parts
- 2012.1~ **Chlorinated Flame Retardants free** All parts
- 2013.1~ **Antimony free** All parts

Expanded Development of Environmentally-friendly Materials

Samsung develops environmentally-friendly materials through collaborative projects between various departments including R&D and quality management. A bio-material using industrial corn was used for the covers of smartphones released in 2015, including the Galaxy J2, Galaxy Z3, Banyan (SM-B350E), and Galaxy O5, while a new material called polyketone that is composed of carbon monoxide generated during the oil refining process was used in TVs for the first time in Samsung.

Easily Recyclable Products

To increase the recycling efficiency of the product, Samsung is designing products to be easy to disassemble and marks a type of material in every plastic parts of the product. In our TVs, the use of screws is being reduced in favor of snap connections which allow a faster and easier disassembly of our devices. In addition, display sets are being marked with a mercury free symbol in order to indicate that they can be recycled mechanically. We are expecting all of these efforts make easy to distinguish materials at the disposal stage and the recycling of plastic parts will be increased.

Case: Environmentally-friendly Materials & Easily Disassemble

1

2

3

1. Polyketone TV - UN55K6200
2. Galaxy S6
3. Laptop

FHD TVs Made with Polyketone

Samsung applied polyketone to its FHD Curved TVs(UN55K6200);the first time this has been accomplished in Samsung. Polyketone is a substance made using carbon monoxide which decreases resource consumption and environmental pollution compared to existing plastic. This material has been 10% used for TV(UN55K6200) speakers, but we are planning to gradually expand its application.

Galaxy S6 with 100% Recyclable Aluminum

Samsung applied 100 percent recyclable aluminum to its smartphones starting with the company's leading smartphone in 2015; the Galaxy S6. Unlike plastic, which is recycled by classifying materials during the disposal process, the single material of aluminum (known as a permanent material) can be recycled without any separate treatment; retaining value and material properties. The same material is now used for the Galaxy S7, which was released in 2016

Galaxy S6 with 100% Recyclable Aluminum

Samsung laptop launched in 2015 (XE500C13 22 other models) which applied connector combination type in components. It is easy to disassemble or replace components.
In addition, more than 25g of plastic applied to a product has been designed to enable anyone to easily disassemble using normal hand tools such as a screwdriver.

Distribution

Efficient Logistics

By making the company's products smaller and lighter, Samsung tries to minimize resource consumption during the production process and to reduce fuel consumption and GHG emissions, which also allows us to transport more products with each journey.

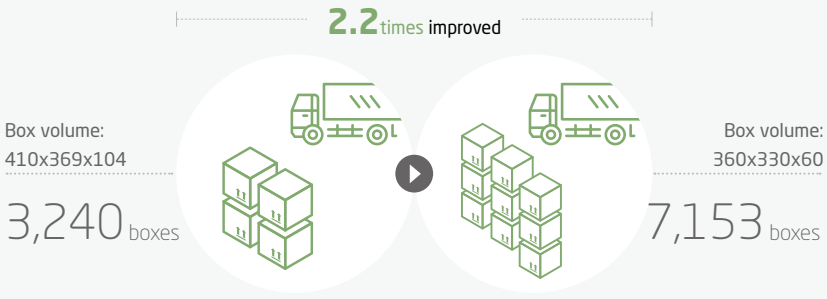
Environmentally-friendly Packaging

Samsung contributes to reducing the environmental impact of its product packaging by developing environmentally-friendly packaging materials. The cases of environmentally-friendly packaging include shrink-wrap packaging for washing machines, recyclable packaging for refrigerators, 100 percent recycled packaging boxes for the Galaxy series smartphones, and Bio-vinyl packaging for TV accessories. Moving forward, we will continue to expand the application of environmentally-friendly packaging materials.

Case: Efficient Logistics & Environmentally-friendly Packaging

Improved Transportation Efficiency of Laptops

For the 2015 NT110S1J laptop, we greatly improved logistics efficiency by making the product and packaging lighter. The volume of the packaging box was reduced by roughly 54 percent, increasing transportation efficiency by 2.2 times compared to the previous model. As a result, GHG emissions generated during the transportation process decreased by 50 percent and the generation of packaging waste was reduced by 35 percent.



* Standard model: NT110S1J (compared to NT900X18)
* Based on a 40ft. container

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2

3

1. Packaging boxes for the Galaxy series
2. FSC Certification
3. Environmentally-friendly ink mark

Galaxy Series with Environmentally-friendly Packaging Materials

Made with 100 percent recycled paper which earned Forest Stewardship Council (FSC) certification, Samsung developed SERP (Samsung Eco-Recycled Paper) to use for the Galaxy series smartphones. The paper reduced the weight of packaging and lowered GHG emissions by 14,398 tons. This led to a decrease of KRW 43.7 billion in logistics expenses and had an equivalent effect of planting 5.18 million trees. Additionally, solvent-free soy ink was used for printing packaging and manuals.

GHG Reduction
14,398

Saving logistics expenses
437

Use & Reuse

Improvement of Product Energy Efficiency

Samsung continuously develops highly energy efficient products that meet higher standards than global energy regulations.Through the company's own eco-rating system we work hard to reduce power consumption and GHG emissions generated during the product use stage.

Saving Power Consumption of Products

Samsung shares information on trends in environmental regulations and technology development among all employees working in the environment field through its company-wide Eco Council twice a year. We also develop products with high energy efficiency through R&D in energy saving technology. Consequently, annual average power consumption reduced by 47 percent compared to 2008 levels.(Based on eight major products released in 2015)

Reduction of GHG Emissions at Product Use Stage

We define indirect GHG emissions as power consumption generated when consumers use our products as "GHG emissions at the product use stage." We convert annual improvement in the energy efficiency of each product into GHG emissions to manage the results. Based on eight major products released in 2015, annual average GHG emissions reduced by 57 percent compared to 2008 levels.

Major Energy Saving Technologies in 2015

In 2015, Samsung developed various energy-saving technologies, including low-power System-on-Chip design for LED TVs, software for the power saving mode on PCs using a chip set motion mode control, and saving of power consumption for the sleep mode on printers and multifunction printers. In fact, we had our leading energy-saving technologies officially recognized when we acquired Green Technology certification in Korea for products with energy saving technology.

Major Energy Reduction Technologies in 2015

TV	PRINTER	PC	WAP (NETWORK)
Low-power System-on-Chip design	Power consumption saving for sleep mode	Software for PC power saving mode using a chip set motion mode control	Power saving automation technology for user and schedule-based wireless RAN

Power Consumption Saving Rate of Products

* Saving of annual average energy consumption of 8 major products (cellphones, laptops, TVs, monitors, refrigerators, washing machines, air conditioners, and printers) compared to 2008 levels.
** Measured based on Korean measurement standards.

GHG Emissions at Product Use Stage

* Calculation scope: 8 major products (cellphones, laptops, TVs, monitors, refrigerators, washing machines, air conditioners, and printers)

High Efficiency heat pump

Energy Saving Technology

Heat Pump: High Efficiency Heat Exchangers

Samsung improved the performance of heat exchangers of air conditioners by between 20 and 30 percent after the company began applying a high efficient micro-channel structure to indoor and outdoor air conditioner units. As a result, our excellent technology in improving energy efficiency was recognized when we received Korean Green Technology certification.

Performance improvement of heat exchangers
20~30%

Recognition for excellent technology
Green Technology certification

Services to Improve Resource Efficiency

To improve resource efficiency, Samsung works hard to extend the periods of product use by offering services such as repairing products, upgrading firmware for performance improvement, and extending warranty coverage periods. Furthermore, we will continue to explore ways to reuse various waste products.

Sales of Refurbished Phones

Sales of Refurbished Phones
https://www.samsung-outlet.com/uk-outlet/home/

Samsung changes parts, reinstalls software, or changes labels for returned products and sells them as refurbished phones for reduced prices. This service is provided in the U.S. and U.K., and contributes to improving resource efficiency by facilitating the reuse of goods which would otherwise just be disposed.

Provision of Firmware Upgrading Software

Samsung provided firmware upgrades via a wireless network and its website for the company's smartphones, TVs, monitors, printers, and PCs to enhance the functions and performance of those products so that consumers can use them for longer periods.

Energy Efficiency Improvement Service

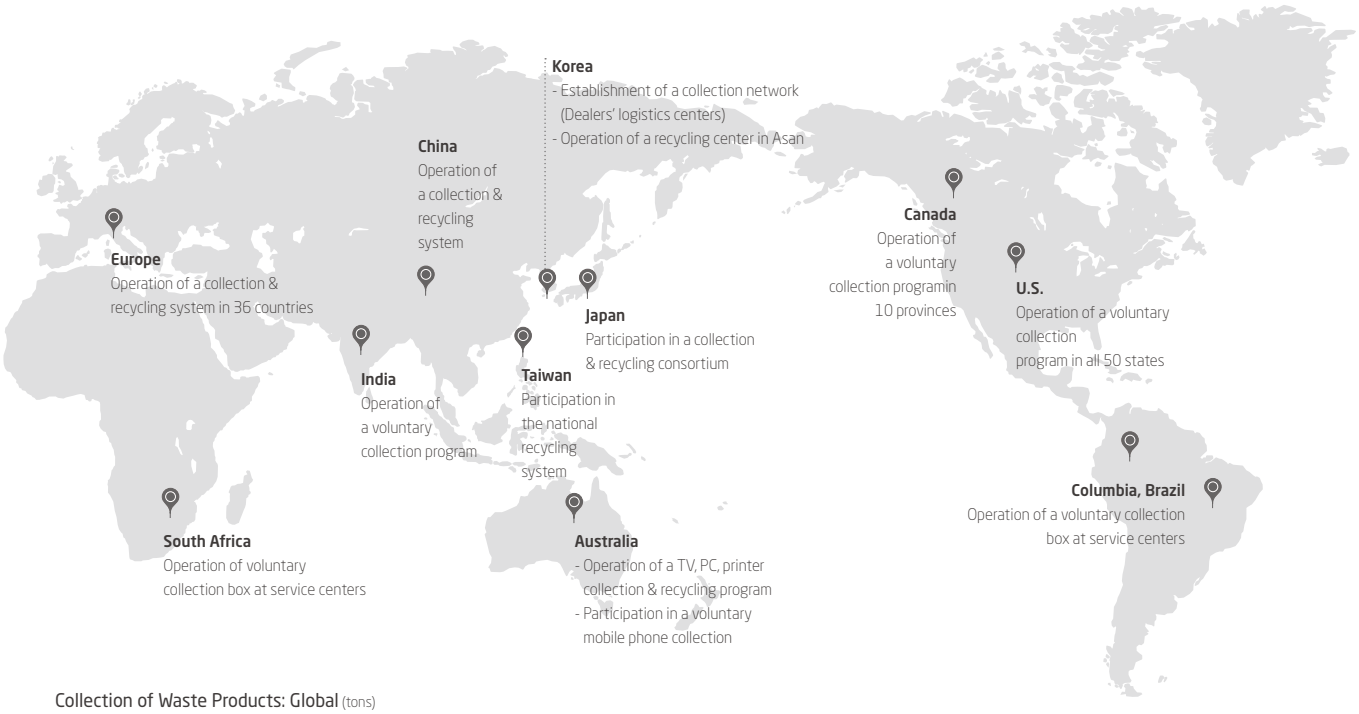
Firmware Upgrade

For smartphones released in 2015, we improved performance such as speed and buffering through firmware, thereby allowing consumers to use their smartphones in an optimized way without purchasing new products.

Collection & Recycling

In addition to designing products which are easy to disassemble, Samsung is making multiple efforts to reuse resources by conducting activities such as the establishment of waste product collection systems, active recycling, and expanded use of recycled materials – specifically plastics.

Global Take-back& Recycling Program



Collection of Waste Products: Global (tons)

	2013	2014	2015
Asia/Oceania	58,447	59,890	86,102
Europe	213,638	259,906	215,227
America	51,936	52,135	54,354
Total	324,021	371,931	355,683

* The figures for the 2014 was corrected

Recycling Product & Packaging: Korea (tons)

	2013	2014	2015
Product	58,447	59,044	79,950
Packaging	4,984	6,549	7,040

Recycling Status by Product: Korea (tons)

Classification	Refrigerators	Washing Machines	Displays	Other
Recycling Quantity	37,689	13,016	4,672	24,573

Total 79,950

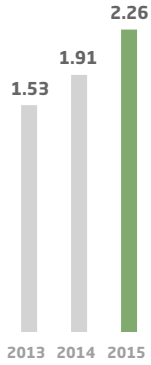
Recycling Status of Resource Reutilization: Korea (tons)

Classification	Scrap Metal	Nonferrous Metal	Synthetic Resin	Glass	Other
Quantity of Resource Reutilization	32,414	12,017	19,572	1,430	3,577

Total 69,010

Cumulative Collecting Quantity: Global

(since 2009, million tons)



Collection & Recycling Activities

Samsung established waste product collection systems in each region and works tirelessly to enhance the collection & recycling of waste products.
Since 2009, we have been running the Samsung Requirements for WEEE Management for suppliers in order to maximize the recycling of waste products and to minimize their environmental impact, while also addressing workers' EHS issues during the collection and treatment process. The requirements include recycling companies' obligation to observe EHS regulations, to manage subcontractors, to prohibit child labor, forced labor and illegal exportation of waste.
We are expanding the closed loop recycling system that uses plastic collected from electronic goods for new products in order to promote recycling.

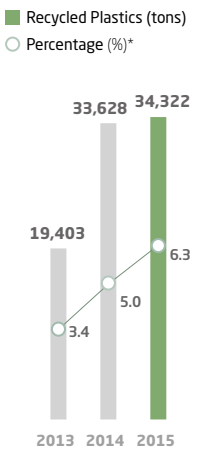
Collection & Recycling Performance

Samsung collected a total of 2.26 million tons of waste products from 2009 to 2015, and aims to collect 3.8 million tons (cumulative) of waste products by 2020.

Use of Recycled Plastics

In an effort to reduce the environmental impact generated from the production process of petroleum-based plastics and to establish a resource circulation society, Samsung uses recycled plastics for some products after classifying, cleaning, and shaping plastics from collected waste products in collaboration with recycling companies. We work hard to expand the application of recycled plastics for Samsung products as we increase our purchase of them, develop new standards for quality of recycled plastics and share new technology with recycled resin suppliers.
In 2015, we applied a total of 34,322 tons of recycled plastics (6.3 percent of total plastic use) to monitors, printers, washing machines, refrigerators, vacuum cleaners, and earphone cases.

Cumulative Quantity of Recycled Plastics Used



*Percentage (%): Use of recycled plastics to total use of plastics

Global Eco-label Certification

Global Eco-labels

Samsung has proudly received eco-label certifications whereby the environmentally-friendly characteristics of its products are certified by third parties. Samsung is obtaining eco-labels from the governments of 11 countries, including Korea, the U.S. and several European countries, as well as environmental certifications from standard institutions such as Underwriters Laboratories (UL) in the U.S. and the CSA in Canada. By the end of 2015, a cumulative total of 2,218 models had acquired eco-label certification.

Status of Global Eco-labels

Asia
846
Korea China Taiwan

Europe
826
EU Germany Sweden Northern Europe Austria Russia

North America
537
Russia UL CSA

Latin America
9
Brazil

Global Carbon Labelling

In 2015, Samsung calculated carbon emissions from various product groups such as cellphones, TVs, washing machines, and vacuum cleaners. Our results were certified by third parties in Korea, the U.K., and Japan. In doing so, we gathered a clearer understanding of the carbon emissions at each life cycle stage of our products and have used the learnings to improve their environmental impact.

Korea: Carbon Emission Label
(certification of low carbon emissions + low carbon products + carbon neutral products)

UK:
Carbon Trust

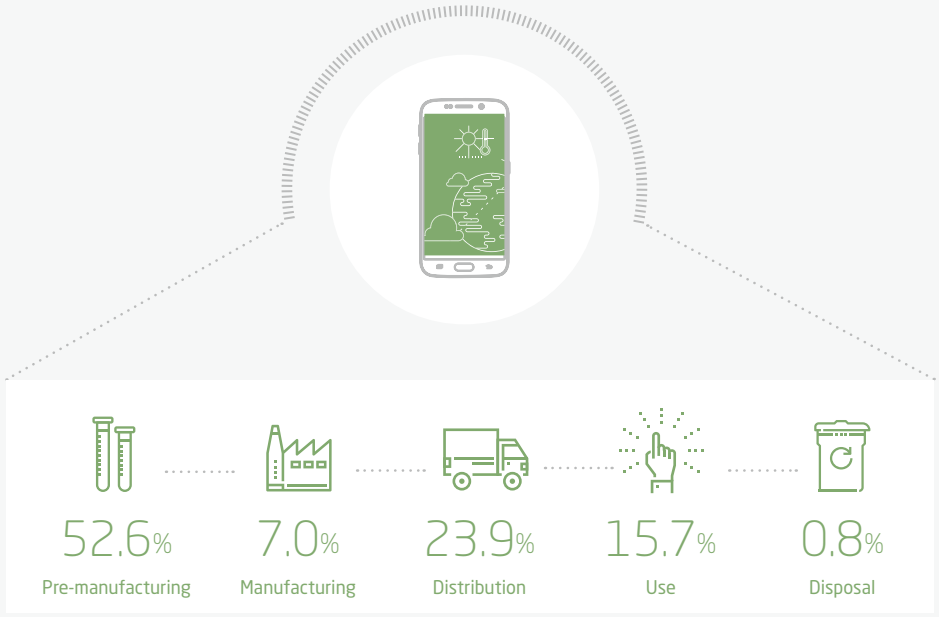
Japan:
Carbon Footprint

Case of LCA for Smartphones

To acquire Sustainable Product Certification (SPC) from UL, Samsung conducted a life cycle assessment (LCA) for its leading smartphones (Galaxy S6 and Galaxy Note 5) based on a total of 12 environmental impact categories, including global warming and ozone layer depletion. The two models showed their largest environmental impact in the areas of pre-manufacturing and distribution,. Based on LCA results, we strive to reduce the environmental impact of our products, for example, by improving energy efficiency and reducing supply chain emissions.

*12 categories: global warming, acidification, eutrophication, ozone layer depletion, formation of photochemical oxidants, human toxicity, freshwater toxicity, seawater toxicity, soil toxicity, primary energy consumption, water use, and waste generation

Results of the Global Warming Impact of the Galaxy S6



9 / ENVIRONMENT
EHS MANAGEMENT

Material issues

1. GHG Reduction at Worksites
2. Energy Efficiency
3. Water Risk Management
4. Waste Management
5. Hazardous Substance Management

OUR VISION

Samsung Electronics' manufacturing sites conduct green management activities by minimizing negative environmental impacts from their production facilities at each stage—from the procurement of raw materials and production to the distribution, use, reuse and disposal phases.

OUR COMMITMENT

According to our main business principle, which emphasizes environment, safety, and health (EHS), Samsung contributes to improving the lives of people everywhere and protecting the environment, thereby leading the way to creating a sustainable society. We develop and manufacture all of our products and services with a priority on our employees and customers safety and environmental protection.

IN THIS REPORT

Resource depletion issues occur in many ways around the globe. According to the United Nations, the world will need 45 percent more energy and 30 percent more water by 2030. In the midst of increasing water scarcity, worsening resource depletion, reduction of biodiversity, and climate change that accelerates all of these issues, Samsung does its best to assure a sustainable future. The starting point for this is the green management across our facilities. In this chapter, we deal with the four key goals of our EHS management as well as eco-friendly efforts in different fields such as GHG emissions, water resources, safety, and waste.

TRENDS & CHALLENGES

Increased Demand for Energy ·Global demand for energy expected to continuously increase due to growing global population, urban concentration, and improved quality of life.
· Expansion of global initiatives against the use of fossil fuels.
· Companies need to maximize energy efficiency and adopt renewable energy for their worksites.

Water Scarcity In 2030, the gap between global water demand and water supply is forecasted to be 40 percent. As water is essential for most human activities, from homes to farming, energy and industry, water scarcity will have an enormous influence on humanity's health, environment, and economic development. Due to their significant use of water resources, industries should take the initiative in the efficient management and recycling of water resources.

WHATWE ARE DOING

EHS Management

Manage the established four key mid- and long term goals for EHS management of our worksites and manage our performance

GHG Gas and Energy

Scope 1, 2, and 3 (part) management of global worksites

Water Resource Management

Examining water resource risks, efforts for reduction of water use, and look at water resources around our worksites and their influence on nearby ecosystems

Waste Management

Operating ways of waste reduction management and recycling

Chemicals

Responding to regulations such as the Act on Registration and Evaluation of Chemical Substances (ARECs) and the Toxic Chemicals Control Act (which goes into effect in 2015); establish a chemical management system

Pollutant Management

Managing air and water pollution caused by the expansion of production lines

Conservation of Biodiversity

Promoting the importance of conservation of biodiversity with employees and reflecting this in business plans

Link to SDGs

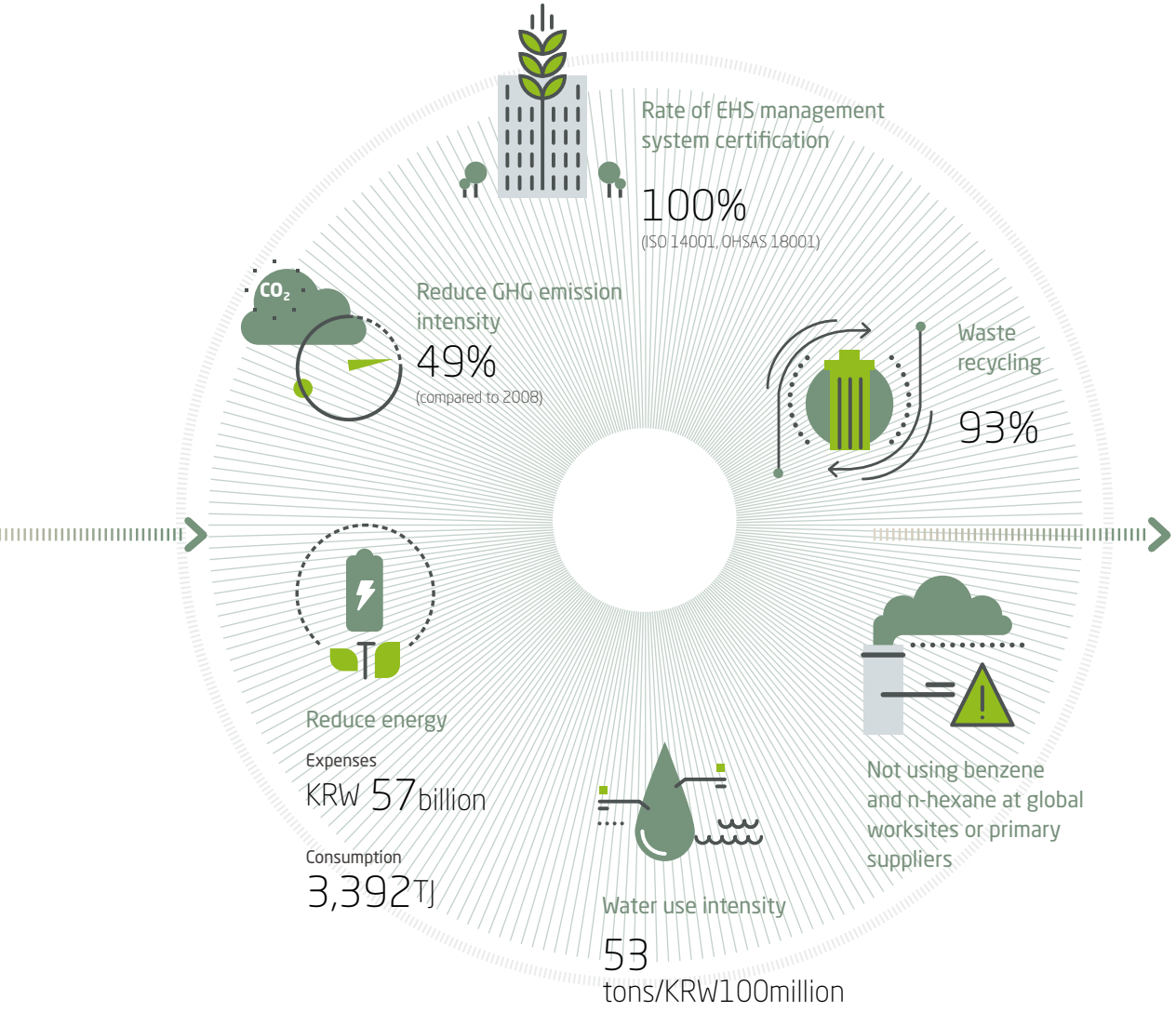
[Goal 3] Ensure healthy lives and promote well-being for all at all ages
3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination

[Goal 6] Ensure availability and sustainable management of water and sanitation for all
6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally

[Goal 7] Ensure access to affordable, reliable, sustainable and modern energy for all
7.3 By 2030, double the global rate of improvement in energy efficiency

[Goal 12] Ensure sustainable consumption and production patterns
12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment

[Goal 15] Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems



FUTURE PLANS

1. Maintain the rate of EHS management system certification at 100%
2. Reduce 70% of GHG emission intensity by 2020 (compared to 2008)
3. Achieve water use intensity by 50 tons/KRW 100 million by 2020
4. Achieve a waste recycling rate of 95% by 2020

9

Major EHS Areas

Samsung set four key mid- and long-term goals for EHS management at in its facilities and concentrates on managing the results of related efforts.

Major EHS Areas

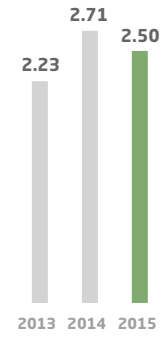
Major Policies	KPI		2020 Goal	Result in 2015	Description
EHS Management System	Rate of EHS management system certification*	ISO14001	100%	100%	This indicates whether the establishment of detailed EHS goals, activities, and review processes are managed across all Samsung facilities. Our goal is to gain or maintain certifications for all of our manufacturing sites.
		OHSAS18001	100%	100%	
GHG Emissions Reduction	KRW-based GHG emissions		1.55 tons of CO_2/ KRW100 million (Reducing by 70% compared to 2008)	2.64 tons of CO_2/ KRW100 million (49% decrease compared to 2008)	This indicator is to manage GHG emissions (Scopes 1-2) in order to respond to global climate change. Samsung aims to reduce GHG emissions that occur in all ranges of our business.
Water Use Reduction	KRW-based water use		50 tons/ KRW100 million**	53 tons/ KRW100 million**	This demonstrates water resource management and reduction of water use at our worksites. Samsung aims to expand water recycling by securing stable water resources.
Expansion of Waste Recycling	Rate of waste recycling		95%	93%	This indicator shows efficiency of recycling resources. Our ultimate goal is to recycle all the waste from our facilities.

* Global 37 manufacturing sites

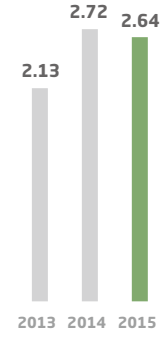
GHG Emissions Intensity

(Tons of CO_2/KRW 100 million in sales)

Korea*



Global**



* KRW-based emissions calculation formula in Korea: Total CO_2 emissions ÷ (HQ based sales / price index(1))
** Global KRW-based emissions formula: sions ÷ (global consolidated sales (2)/price index (1))
(1) Bank of Korea's PPI for the year (2005 PPI = 1)
(2) Sales from the display business are excluded

GHG & Energy Management at Worksites

Samsung manages GHG emissions from its facilities based on international agreements and domestic standards. The company manages the direct emissions of GHG from workplaces (Scope 1) and indirect emissions of GHG from the consumption of electricity and steam at workplaces (Scope 2). In addition, we manage other indirect emissions of GHG from product use, distribution, and business trips (Scope 3).

GHG Management (Scope 1, 2)

We monitor GHG emissions at all our facilities and manage emission goals and results 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. For standards not stipulated in the guidelines, we comply with international standards such as the Intergovernmental Panel on Climate Change (IPCC) Guideline and ISO 14064. Over the past few years, Samsung has completed large-scale manufacturing sites in Vietnam and China, constantly increasing the source of GHG emissions. There was also a drop in sales, but GHG emissions intensity slightly dropped over the previous year as the company continued to adopt highly efficient facilities and reduce gas use in the production process.

GHG Emissions (1,000 tons of CO_2)

Region	Classification	2013	2014	2015
Korea	Scope 1	2,031	2,275	1,821
	Scope 2	4,272	4,500	4,908
	Total	6,303	6,775	6,729
Global	Scope 1	2,221	2,620	2,445
	Scope 2	5,797	6,670	7,747
	Total	8,018	9,290	10,192

GHG Emissions by Gas Type (1,000 tons of CO_2)

Classification	2013	2014	2015
CO_2	6,394	7,366	8,524
CH_4	2	2	2
N_2O	254	290	305
HFCs	149	207	218
PFCs	1,079	1,271	1,018
SF_6	139	153	124
Total	8,018	9,290	10,192

Third-Party Assurance of GHG Emissions

To raise the credibility of our GHG emissions data, we annually conduct 3rd-party audits. In 2015, our GHG emissions data was verified and assured by the Korean Foundation for Quality through documents and on-site inspections.

Management of GHG Emissions from Other Sources (Scope 3)

In order to recognize our potential impact on climate change, manage related risks, and explore new opportunities as we conduct our business, Scope 3 covers GHG emissions from our suppliers, distribution of components and products, business trips of employees, and product use by customers.

Suppliers

Samsung has been monitoring GHG emissions at its suppliers' facilities since 2009. In 2015, we expanded this coverage to include all of our suppliers.

Logistics

Despite the expansion of global manufacturing sites, production, and product sales according to the expansion of our global business, we are minimizing the increase of our GHG emissions from logistics for products, materials, and parts through efficient transportation.

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

Classification	2013	2014	2015
Rail/Road*	98 (1%)	92 (1%)	43 (0.4%)
Airline	2,652 (26%)	4,739 (45%)	4,457 (42.5%)
Shipping	7,455 (73%)	5,777 (54%)	5,978 (57.1%)

* Rail/Road covers Korea only.

Total

Employee Business Trips

In order to minimize GHG emissions due to business trips, Samsung remote meeting alternatives to reduce overseas business trips. For this, we support video conferences and the use of public transportation at all global facilities. As a result, the amount of GHG emissions from employee business trips has continuously declined.

GHG Emissions from Employee Business Trips by Transportation Mode (Korea) (Tons of CO_2)

Classification	2013	2014	2015
Airplane	123,137	115,592	104,050
Car	6,268	4,529	3,091
Taxi	530	415	344
Train	456	376	347
Bus	278	230	185

Total (Korea)

Third-Party Assurance of GHG Emissions

Suppliers' Emissions

(1,000 tons of CO_2)

12,741

in 2014

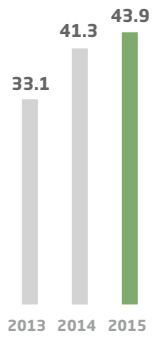
* Coverage changed to all suppliers in 2015
** Calculated based on each supplier's size of transactions with Samsung

Energy Intensity

(GJ/KRW million sales)

Korea*

Global**



* Korea KRW-based energy conversion formula: Energy consumption ÷ (HQ based sales / price index (1))
** Global KRW-based energy conversion formula: total global energy consumption ÷ (global consolidated sales (2) / price index (1))
(1) The Bank of Korea's PPI for the year (2005 PPI = 1)
(2) Sales from Display Business excluded

Worksite Energy Management

With the introduction of new manufacturing facilities and an increase of annual production each year, the amount of energy consumed at facilities has been continuously on the rise. Accordingly, each facilities continuously selects energy reduction activities and tasks, establishes annual plans, and manages energy use through quarterly management.

Electricity and LNG Consumption

(TJ)

Classification	Region	2013	2014	2015
Electricity	Korea	87,826	92,471	100,873
	Global	113,452	127,821	147,530
LNG	Korea	8,111	8,500	9,885
	Global	10,369	11,411	13,096

Activities to Reduce GHG & Energy Consumption

Reduction Activities at Facilities

For the systematic energy consumption management at facilities, Samsung established an energy management system to analyze its energy consumption on a regular basis and carry out targeted energy reduction programs.
In 2015, Samsung conducted 1,710 energy reduction activities at facilities in Korea and reduced 1.23million tons of GHG emissions and 3,392TJ of energy, saving a total of KRW 57billion. F-Gas processing accounted for 87% of the total GHG reduction, and we are continuously carrying out reduction activities through the introduction of photovoltaic facilities and high-efficiency facilities as well as reuse and recycling of waste heat and operational improvements with facilities using energy.

Expansion of Renewable Energy

Samsung has expanded the introduction of renewable energy for its facilities and new buildings. In 2015, the amount of consumed electricity that was replaced by renewable energy reached 92.06GWh, and we will continue to increase the amount along with direct electricity production and green electricity purchases, while also acquiring renewable energy certifications.

GHG & Energy Reduction Activities

GHG Reduction through F-Gas decomposition equipment

Samsung reduced GHG emissions by adopting catalytic oxidative decomposition equipment to handle F-Gas from the semiconductor etching process. The purpose of the semiconductor etching process is to rid unnecessary parts of thin film from the wafer, for which F-Gas has been used and emitted as a process substance. F-Gas treatment equipment decomposes F-Gas at a certain temperature through catalytic response, and Samsung came to decompose about 90 percent or more of CF4 substance. By doing this, Samsung reduced a total of 1,012,000 tons of GHG emissions in 2015.

EPA Green Power Partnership

Samsung Electronics America signed an agreement on renewable energy with the EPA in 2010 and has continuously increased the use of renewable energy since then. As a result, it was named one of the Top 10 Companies in 2015 (by the amount of renewable energy use) in the Tech and Telecom category out of over 1,400 participating companies.

Water Resources

Water resource scarcity is emerging as a serious global issue. Based on its responsibility as a leading company in the global IT industry, Samsung has set water resource management policies, reduction goals, and response strategies to execute. Through this, the company participates in solving problems associated with water resource depletion and minimizes critical risks in business management.

Dealing with Water Resources

Our Belief

"Samsung recognizes water resources as an important asset for a sustainable society and business management, and fulfills its corporate responsibility as a global company by striving to protect them."

Action Plans

1

We work hard to minimize water resource risk in business management.

We evaluate the impact of our business activities including production on water resources to minimize risks and to continuously pursue the introduction of new technology.

2

We recognize the importance of water resources as part of our corporate culture.

We establish the preservation and sustainability of water resources as our corporate culture to make our employees recognize their responsibility for water resource management and consider the company's impact on local communities and the environment with the highest priority.

3

We actively cooperate with external water resource policies.

Based on domestic and overseas guidelines on water resources, we actively cooperate with local governments and central governments of the region where we operate as well as international organizations in establishing and executing policies on water resources.

4

We disclose our water resource policies and activities.

We transparently disclose corporate policies and activities regarding the use of water resources to stakeholders, including local communities.

Water Resource Risk Management

Samsung analyzes risks at each worksite regarding water resource depletion, which is emerging as a global environmental issue, to secure stable water resource supply as well as to analyze how the company's business operation influences water resources and the ecosystem around its facilities. In order to examine water resource risks, we apply to our global manufacturing plants the water resource management methods 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 response strategies 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**[1] (No. of operation sites)
Asia	27	84,816	67,147	Korea (7), India (2)
Latin America	5	7,162	5,215	
Europe/Africa	6	436	221	Poland (1), Egypt (1), Republic of South Africa[2] (1)

1) Reference to water resource management from the Food and Agriculture Organization (FAO)
2) South Africa facility operated from 2015 is included

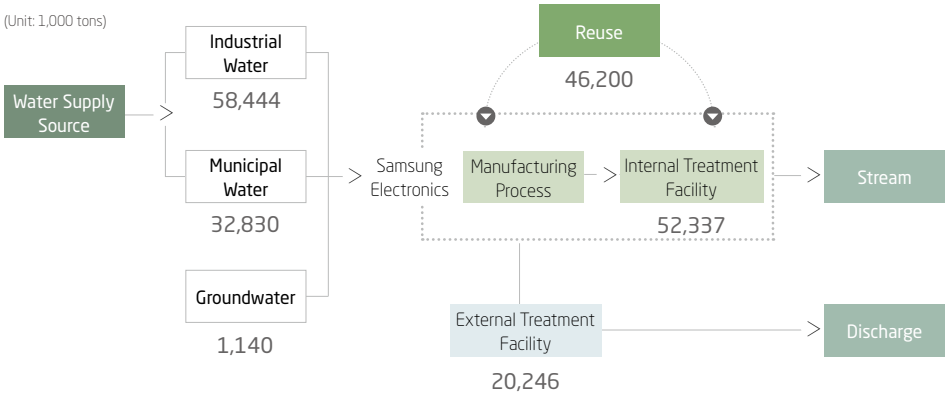
Risk Response Strategies

		Risk Response Strategies
Physical Risks	Worsening water quality	· Securing water quality through a pre-withdrawal treatment process
	Floods	· Forming wetlands and building embankments to prevent flooding of rivers around facilities
	Water cutoff	· Building dual water supply lines and water storage facilities to prevent delayed production
Regulatory Risks	Changes in regulations regarding water use and discharge	· Abiding by stricter in-house standards than each country's legal discharge regulations · Reducing discharge by increasing water recycling
	Efficiency-based legislation	· Examining water efficiency for building new facilities and investment in improving water efficiency of existing facilities
	Uncertainties in new regulations	· Continuous monitoring of global environmental laws and regulations
Reputational Risks	Lawsuits due to wastewater	· Continuous monitoring of effluent · Early establishment of an environmental management system for new manufacturing facilities
	Tarnished image due to wastewater leakage and other factors	· Operating an emergency response system against accidents · Reinforcing internal/external communication regarding water resources

Current Situation in Water Resources

Samsung minimizes water resource risks by building dual main water supply lines and sufficient water storage facilities. On the other hand, 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 legal requirements. With the increase of production at facilities and the establishment of new manufacturing facilities abroad, the amount of water used at facilities has been continuously on the rise. However, Samsung constantly works hard to decrease water use and increase water recycling by carrying out a 3R (reduce, reuse, recycle) campaign. We have reduced water use through various activities. For example, we optimized the amount of water used for producing ultra-pure water, and installed a wastewater treatment system to reuse treated water. As the semiconductor production process becomes more refined, the recovery rate of ultra-pure water is decreasing, but we have increased the reuse of other types of wastewater and the water reuse, which has increased by 22.9 percent over the previous year. Samsung will continue to pursue activities to reduce water resource consumption in order to achieve a consumption intensity of 50 tons/KRW million.

Flow of Water Resources



Water Usage

Classification		Water Usage by Withdrawal Sources (1,000 tons)				Consumption Intensity
		Industrial Water	Municipal Water (Service Water)	Groundwater	Total	(tons/KRW 100 M*)
Korea	2013	47,765	6,080	232	54,077	34
	2014	49,806	7,202	247	57,255	42
	2015	58,444	6,271	203	64,918	48
Global	2013	47,765	19,847	1,069	68,681	35
	2014	49,806	23,659	1,219	74,684	41
	2015	58,444	32,830	1,140	92,414	53

* KOREA: HQ-based sales, Global: Globally-consolidated sales (excluding sales from the display business)

Water Resource Reduction Activities

Samsung's water resource reduction activities include minimizing water use by improving the manufacturing process and maximizing water efficiency by reusing wastewater after purification treatment. As a result, we reused 46,200 thousand tons of wastewater in 2015.

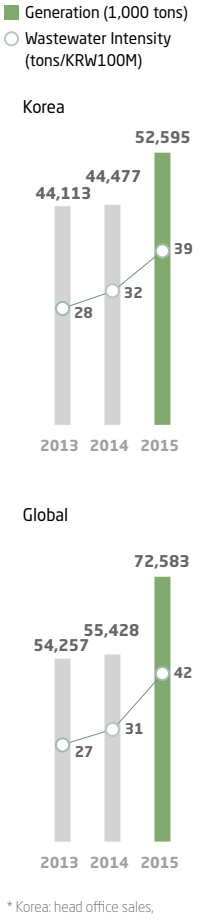
Major Reduction Activities

Optimization of water management inside the utility system and semiconductor anufacturing processes	Reusing water from the wastewater reprocessing system	Reusing water used during the manufacturing process as secondary water
· Optimizing the water used for the production of ultra-pure water and for wet scrubbers, cooling towers, and wastewater treatment facilities	· Reprocessing acid/alkaline wastewater and organic wastewater to be used for the ultra-pure water production system · Using reprocessed wastewater for fire-fighting and landscaping	· Using used ultra-pure water for another process · Reusing condensate water from outdoor air handling units and concentrated water from cooling towers for wet scrubbers

Water Reuse

Classification		Water Reuse		Ultra-Pure Water Recycling		
		Reused Quantity	Reuse Rate	Supply Quantity	Recovery Quantity	Recovery Rate
		(1,000 tons)	(%)	(1,000 tons)	(1,000 tons)	(%)
Korea	2013	34,571	63.9	27,357	12,525	45.8
	2014	32,295	56.4	25,490	11,273	44.2
	2015	37,014	57.0	26,757	11,516	43.0
Global	2013	45,262	65.9	41,143	20,932	50.9
	2014	37,594	50.3	31,782	14,067	44.3
	2015	46,200	50.0	34,397	14,632	42.5

Waste Water Discharge



* Korea: head office sales, Global: global consolidated sales (except displays)

Suppliers' Water Usage

(1,000 tons)

327,638

2014

* Calculated based on each supplier's transaction size with Samsung

Management of Suppliers' Water Resources

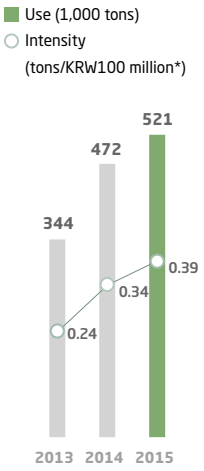
Since 2014, Samsung has managed suppliers' water resource use and operation of wastewater treatment facilities. Going forward, we will continue to reinforce a comprehensive water resource management system inside our supply chain.

Chemical Substance Management

Chemical Substance Management Policy

In order to manage chemical substances, Samsung's related units; its manufacturing, R&D, and purchasing units, are efficiently collaborating with one another. When newly purchasing chemicals, Samsung manages them through the chemical substance management system under a G-EHS system based on the material safety data sheet (MSDS), chemical warranty letters, and letters of confirmation (LOC). Also, we examine the usability of each chemical substance before purchasing it based on the company's own Regulated Substance Management Rules. For allowed chemical substances, we continuously reinforce prevention against potential accidents, such as ensuring there are improved protective equipment boxes and preventive drug boxes for storage and handling facilities. In addition, for the management of the supply chain, we check tier 1 suppliers' restriction of hazardous chemicals (including benzene and n-hexane) through chemical warranty letters every year, and prohibit hazardous chemicals from coming into our worksites. We conduct regular training for employees handling hazardous chemicals at each worksite for the purpose of using chemicals, ways to use them, and countermeasures to possible accidents, while also inspecting storage and handling facilities on an ongoing basis.

Use of Hazardous Materials* (Korea)



* HQ-based sales

Reinforced Responses to Chemical Substance Regulations

In 2015, the Act on Registration and Evaluation of Chemical Substances (ARECs) and the Toxic Chemicals Control Act became effective in Korea. Accordingly, Samsung changed its chemical substance management system, which before then had separately handled chemicals for each product in an integrated management system.

Use of Chemical Substances and Reduction Efforts

With the increasing production of semiconductors, the quantity of chemical substances used at Samsung Electronics is gradually increasing, but the company is constantly reducing the use of chemicals by applying continuous electro-deionization (CEDI) devices to some hazardous chemical substances. Also, we carry out process improvement in order to decrease chemicals used for cleaning parts and pipes during production processes.

1 Separate storage and management of each chemical substance
2 Exclusive storage facility of chemical substances

Chemical Substance Management at Samsung Materials Research Complex

With increasing responsibility for chemical substance management regarding the leakage of hazardous substances, Samsung ensured safety as the company established an exclusive storage facility of chemical substances inside the Samsung Materials Research Complex to separately store dangerous chemicals according to their properties under the Safety Control of Dangerous Substances Act. Besides the chemical substance management system, we established a separate reagent management system to thoroughly manage the quantities of chemical substances used and stored.

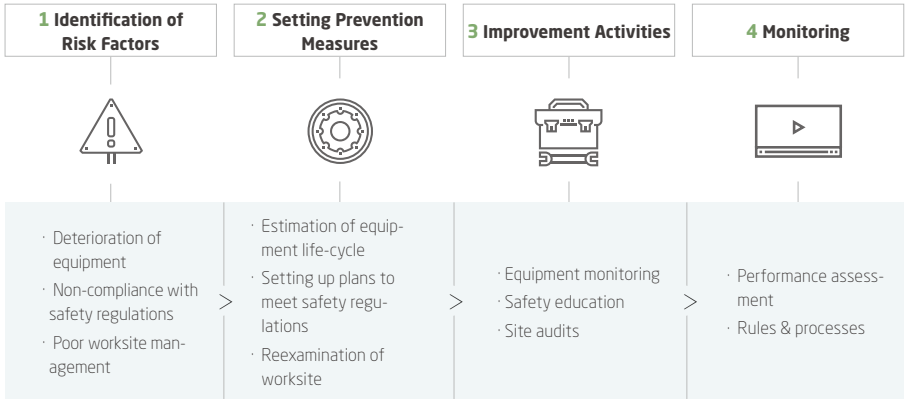
Worksite Safety

In order to provide a safe, pleasant work environment for all employees, Samsung established an accident management process to reinforce employee safety management while promoting a safety management culture through continuous EHS education.

Accident Management System

Samsung conducts regular safety training programs to identify problems caused by the deterioration of equipment in advance and to remove risk factors due to non-compliance with safety regulations. We continuously check potential risk factors to set improvement measures and remove EHS risks in advance through regular monitoring.

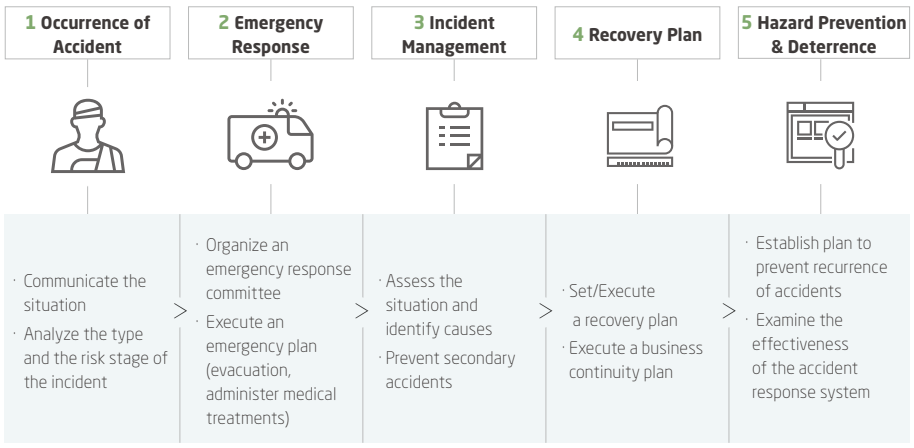
Accident Prevention Process



Accident Response Procedures

In order to prepare for emergency situations, Samsung identified emergency scenarios for different types of accidents. We verify the effectiveness of our response system through regular drills. Furthermore, we carry out emergency evacuation drills and first aid training on a regular basis so that our employees can be evacuated fast and safely.

Accident Response Procedure



Business Continuity Plan

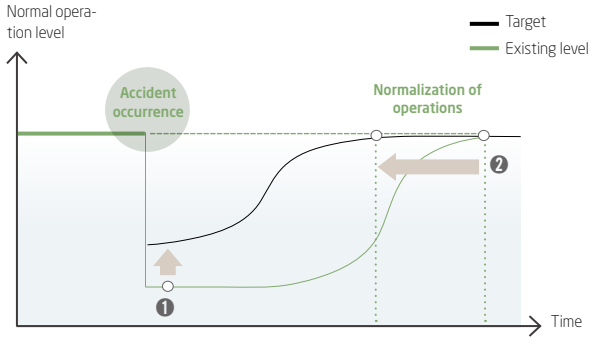
Extreme weather conditions, such as floods, droughts, heat waves, and severe typhoons are occurring due to changes in the climate worldwide. Also, social stability is worsening as seen in conflicts between countries and regional terrorism, while new types of infectious diseases, including Ebola, Middle East respiratory syndrome, and Zika virus, are affecting populations around the world every year. Samsung conducts various activities in order to prevent environmental, social, and facility-related risks in advance. We have established a business continuity system for each worksite so that we can supply products and services for our customers as scheduled even if there are inevitable accidents.

Risks

Natural	Social	Facility-related
Climate change Floods, droughts, heat waves, typhoons	**Conflicts** Terrorism, wars, social riots	**Facilities administration errors** Power failure, water outages, fuel supply outages
Multi-factors Earthquakes, fires, explosions	**Infectious diseases** Influx of infectious diseases	**Improper maintenance** Chemical substance & pollutant leakages

Business Continuity Activity Plan

❶ Minimizing halts in production & reducing damages
❷ Minimizing production delays through the business continuity plan



Certification Received for Business Continuity Management

Samsung Electronics' Gumi branch acquired the ISO 22301 certificate for its business continuity management system, giving it official recognition as a worksite that can provide a stable supply of products for customers. We are examining the effectiveness of our business continuity management system to reinforce it so that we can minimize damages when unexpected accidents occur shorten the time between the occurrence of an accident and the normalization of business operations.

Reinforcement of EHS Capabilities

Samsung recently launched a Safety Culture Office in order to improve employees' EHS awareness and has conducted a variety of related activities, while also holding an annual Environment & Safety Innovation Day for sharing/discussing advanced best practices of EHS innovation. In addition, we provide EHS education for all employees expand the offer of specialized EHS training

Launch of Safety Culture Secretariat

With the aim of establishing the world's highest level of safety culture by 2018, Samsung has established a Safety Culture Secretariat in Jan. 2016 that helps to promote responsible safety behavior. Recently, we conducted an extensive "WALK SMART" campaign via in-house broadcasting and promotional materials for people to control their use of smartphones while walking. Also, we developed a questionnaire to evaluate the level of safety culture and started to use it for regular evaluation of global facilities in 2015. We analyzed insufficient aspects of safety culture to establish mid- and long-term strategies, while reinforcing related training and promotion toward employees. Besides such efforts, we adopted an institutional strategy to reflect our level of safety management in all of the performance goals of management. Our employees will work hard to improve the level of safety culture through active participation in safety management activities.

Mid- and Long-term Goals for Safety Culture

1. Systemization Stage	2. Preemptive Stage	3. Creative Stage
· Development of safety culture pictograms	· Deliverance of management's safety awareness messages	· Expansion of employee-participatory campaigns
· Reinforcement of safety culture education	· Promotion through in-house broadcasting and placards	

1,2 WALK SMART Campaign

WALK SMART Campaign Pictograms

Environment & Safety Innovation Day

Samsung holds an Environment & Safety Innovation Day every year in order to gather EHS capabilities and upgrade its overall worksite management level, using it as an opportunity to share best practices of EHS activities. The Environment & Safety Innovation Day contributes to all executives and employees in sharing the importance of safety and to establishing EHS culture through our innovation practice exhibition—preventing EHS accidents at global facilities—and benchmarking of improved facilities and presentation of best practices. The 2015 Environment & Safety Innovation Day invited heads of 157 suppliers and related people for a "Suppliers' Day" where they shared the results of the Best EHS Partners program conducted during the past year to learn from best partners as benchmarks. Samsung will continue to expand the Environment & Safety Innovation Day as an opportunity for employees and suppliers to experience the needs for change and innovation in safety, and to firmly establish safety culture throughout the company.

Environment & Safety Innovation Day Programs

Classification	Key Features
Innovation Practice Exhibition	Exhibiting best practices selected from on-site improvement activities conducted at Samsung's global manufacturing sites and at suppliers over the past year
Excellent Worksite Benchmarking	Providing various safety experience sites where attendees at the event can find benchmarks and apply best practices to their facilities
Special Lectures on Safety Culture	Inviting lecturers from companies with advanced EHS management to introduce risk practices to overcome risks and share the importance of safety culture
Presentation of Best Practices	Having a best worksite practice contest to provide a learning opportunity for employees through the presentation of final selected practices

1 An event with employees' participation
2 EHS Golden Bell event at Hwaseong worksite

EHS Education

Employee EHS Training

Samsung provides all employees with basic training as required by regulation and also gives hands-on training programs for better education. Samsung's EHS simulation lab educates employees on CPR and response protocol for different emergency situations, while also working hard to prevent accidents and raise safety awareness among employees through regular fire drills and safety culture campaigns.

Specialized EHS Training

In order to improve EHS staff's job skills, Samsung operates specialized programs for different EHS areas. We provide training on regulations in various fields for compliance with EHS regulations. We have also fostered in-house inspectors in ISO14001/OHSAS18001/ ISO50001 certification for the smooth operation of management systems in environment, safety, health, and energy. In addition, we opened licensing courses for professional engineers, master craftsman, and industrial engineers, producing many EHS experts.

2015 EHS Education

General Training (all employees)	Specialized Training (EHS staff)
Required by Regulations New hire orientation, regular training, supervisor training, legally appointed manager training	**Training on Regulations** Basic regulations (Occupational Safety & Health Act, Toxic Chemicals Control Act, Framework Act on Fire Services), new & revised regulations
Hands-on Training CPR training, fire drills	**Fostering in-house inspectors (persons)** ISO14001 (14), OHSAS18001 (14), ISO50001 (36)
	Response to stakeholders EICC response expert course, working-level course for GHG emission trading scheme
	Licensing courses Courses to foster professional engineers, master craftsman, industrial engineers, and fire safety managers

Case: EHS Capability Building

Global EHS Conference

To enhance the level of EHS management at overseas manufacturing sites, Samsung holds a Global EHS Conference every year. In 2015, 39 managers (10 from Samsung Display) in charge of EHS and utility shared cases of EHS accidents and prevention measures as well as best practices as benchmarks. Samsung does its best to create a safe and pleasant work environment at overseas operation sites. It does this by spreading EHS policies and advanced EHS management methods.

1 Fire protection training
2 Suwon worksite's best practice for benchmarking

EHS Golden Bell

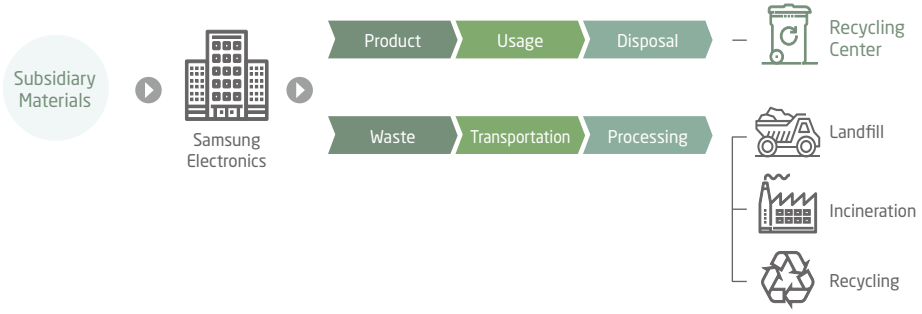
Samsung held the 2nd EHS Golden Bell event in 2015. Over 500 employees in Korea joined the quiz competition on in-house rules and related regulations to share basic EHS knowledge and recognize its importance. Samsung tries to establish a corporate culture that values EHS and to create facilities without accidents through events where employees voluntarily participate in.

1 Exhibition of best practices in EHS
2 A special lecture on safety culture

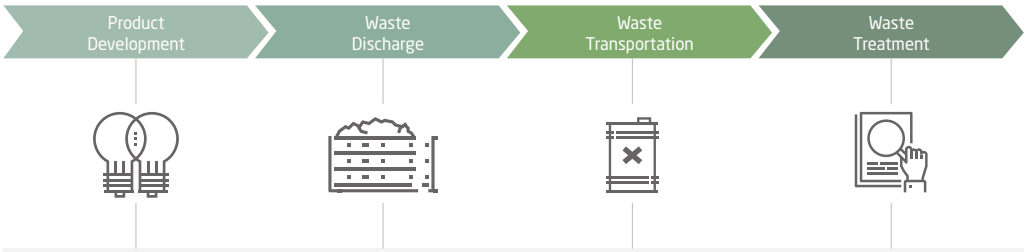
Waste Management

In order to minimize waste generated during the production process, Samsung establishes product design and manufacturing processes that consider resource efficiency. We have also established management plans for each process for lawful treatment and reduction of waste.

Waste Treatment Procedure



Waste Management Plans



- Operation of eco-design evaluation process
- Evaluation of eco-friendliness from the stage of development (resource efficiency, environmental hazards, energy efficiency)

- Establishment of waste recycling goal
- Reinforcement of activities to reduce
- Environmental hazards (developing low-toxic substances; using substitutes & neutralizing toxic substances)

- Compliance with the convention on the control of transboundary movements of hazardous waste
- Monitoring of routes of vehicles carrying waste

- Verification of legal waste treatment through regular visits to waste-processing companies
- Annual environmental assessment of waste-processing companies (operating capability, environmental management)

Waste Discharge and Recycling

Although the amount of waste increased due to newly established overseas manufacturing sites, we are working hard to minimize air pollution caused by incineration and soil pollution caused by landfills, while also expanding the list of waste items to be recycled.

Waste Generation

Classification		Waste Generation (tons)			Waste Intensity
		General Waste	Hazardous Waste*	Total	(tons/KRW 10 million)
Korea	2013	318,104	75,938	394,042	0.25
	2014	369,257	104,643	473,900	0.34
	2015	334,897	133,976	468,873	0.35
Global	2013	544,472	108,853	653,325	0.33
	2014	606,495	171,935	778,430	0.43
	2015	680,614	256,727	937,341	0.54

* Figures were calculated based on different calculation standards by country where operation sites are located.

Waste Processing and Recycling

Classification		Waste Processing (tons)				
		Recycling	Incineration	Landfill	Total	Recycling Rate (%)
Korea	2013	374,694	15,626	3,722	394,042	95
	2014	455,437	12,609	5,854	473,900	96
	2015	449,954	13,623	5,296	468,873	96
Global	2013	601,827	32,340	19,158	653,325	92
	2014	718,251	32,089	28,090	778,430	92
	2015	875,828	31,123	30,390	937,341	93

Pollutant Management

Management of Air Pollutants

Although air pollutant generation increases due to expanded production lines and production volume, Samsung strives to reduce the quantity of pollutant discharge by replacing its boilers with low NOx burner boilers, installing optimal prevention facilities for new and expanded production lines, and continuously performing efficiency enhancement activities at its prevention facilities.

Quantity of Air Pollutant Discharge

(tons)

Classification		Quantity of Air Pollutant Discharge				
		NO_x	SO_x	Dust	NH_3	HF
Korea	2013	342	Minimum Amount	21	2	5
	2014	338	0.1	22	3	5
	2015	372	0.01	16	3	3
Global	2013	585	76	84	N/A	N/A
	2014*	612	164	225	N/A	N/A
	2015	642	117	438	N/A	N/A

* The figures for the 2014 have been corrected due to errors.

Water Pollutants

In response to the increased quantity of released wastewater and water pollutants due to expanded production lines at overseas operation sites, Samsung continuously conducts research to operate pollutant treatment facilities at optimal conditions.

Quantity of Water Pollutant Discharge

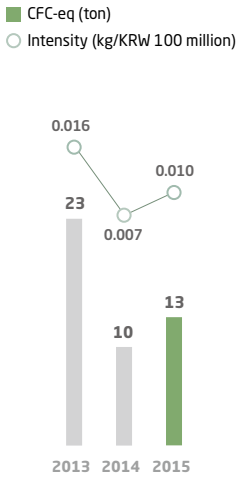
(tons)

Classification		Quantity of Water Pollutant Discharge				
		COD	BOD	SS	F	Heavy metals
Korea	2013	149	55	61	142	9.7
	2014	143	42	35	163	7.0
	2015	165	47	18	166	8.3
Global	2013	376	61	110	188	10.1
	2014	540	128	200	211	7.2
	2015	970	277	436	240	12.7

Management of Ozone-Depleting Substances

Among the ozone-depleting substances defined by the Montreal Protocol, Samsung's domestic operation sites do 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 by replacing them with HFCs that do not harm the ozone layer.

Use of Ozone-Depleting Substances (Korea)



Soil Pollutants

Samsung strives to prevent all potential sources of soil pollution by storing chemicals used in the production processes separately in impermeable storage facilities. In Korea, the company analyzes the soil pollution level every year. In addition, we analyze the components of landfill waste and lawfully 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

Biodiversity Conservation Policy

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. Accordingly, Samsung established the basic idea and action plans to conserve biodiversity by promoting the importance of biodiversity conservation with its employees and by reflecting them in business plans.

Conservation of Biodiversity

Our Belief

"Samsung Electronics recognizes the benefits and influence of the ecosystem and biodiversity. We are committed to minimizing the negative impacts on biodiversity and promoting the activities to conserve the ecosystem.

Action Plans

1	2	3	4
Value Recognition	**Impact Assessment and Reduction**	**Biodiversity Conservation Activities**	**Communication**
All employees consider biodiversity conservation activities as an important value of green management.	Samsung evaluates its impact on the ecosystem and biodiversity throughout the product life-cycle, and works to minimize the negative impacts.	All Samsung operation sites at home and abroad put priority on the regions with high biodiversity value, and conducts biodiversity conservation activities adapted to each region.	Samsung shall consistently communicate with our employees, local communities, NGOs, and stakeholders, and contribute to promoting the biodiversity conservation activities of local communities.

Conservation of Aquatic Ecosystems and Water Quality Improvement Activities

Samsung releases all of the wastewater generated at operation sites into streams after treatment permitted as per all regulations. We also monitor wastewater from worksites that have internal treatment facilities. When there are cases of worksites located inside an industrial complex, we treat wastewater through internal facilities first and again at a terminal treatment plant outside the company before releasing it. We continuously monitor water quality and the aquatic ecosystems of streams where our wastewater is released, and regularly conduct conservation activities for stream ecosystems together with local NGOs, family members of employees, and students of local schools.

World Water Day Event

Samsung conducts preservation activities for streams and marine ecosystems at each manufacturing site around the world to commemorate World Water Day every year. Each worksite carries out purification activities for nearby streams together with local governments, local NGOs, and students. It also conducts preservation activities that include releasing native fish and planting aquatic plants, as well as campaigns and education initiatives for preserving the ecosystems and saving water.

1 A stream purification activity led by the Onyang facility, Korea
2 A beach purification activity led by the Samsung Mexicana S.A. de C.V. in Mexico
3 A stream purification activity carried out by the Samsung India Electronics of Product in India

Research on the Impact of Business on Aquatic Ecosystems

Samsung continuously manages the impact on water quality of nearby streams and ecosystems caused by the company's release of wastewater and rainwater. Worksites periodically request external testing institutions to check the water quality of streams using indicators such as COD, BOD, and pH scale. In particular, semiconductor production sites calculate their impact on aquatic ecosystems jointly with local universities to conduct improvement activities.

Ecological Impact Analysis on Streams

Woncheonrichon Stream, Hwaseong	Osancheon Stream, Giheung	Gokgyocheon Stream, Onyang
Overseer: Kyung Hee University	Overseer: Korea Ecology & Environment Institute (Korean Federation for Environmental Movement Osan)	Overseer: Chungnam National University
· Water temperature: As the temperature of the effluent is similar to that of the stream there is no ecological impact. · Fish: 383 fish, 12 species verified (minnow 35.5%, carp 20.4%) · Ecosystem: Benthic invertebrates verified (midges 78.2%, Branchiura sowerbyi 11.5%) · Ecotoxity: The measurement of effluent shows no impact on the stream.	· Water temperature: As the temperature of the effluent is similar to that of the stream there is no ecological impact. · Fish: 662 fish, 14 species verified (crucian carp 27.3%, bass 18.9%) · Ecosystem: Benthic invertebrates verified (non-insects 62.5%, Diptera & Odonata 12.5%) · Ecotoxity: The measurement of effluent shows no impact on the stream.	· Water temperature: As the temperature of the effluent is similar to that of the stream there is no ecological impact. · Contamination factor: The measurement of BOD, COD, TOC, and SS shows no impact on the stream. · Eutrophication: The measurement of TN and TP shows almost no impact on the stream.

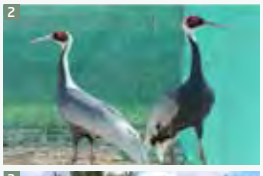
Activities to Protect the Habitats of Endangered Species

Samsung determines which species are endangered and which habitats are threatened in regions where its domestic manufacturing sites are located. It also researches the connection to and impact on the company's worksites to support related research and preservation of habitats.

Water Quality Surveys on Streams

Suwon ····· Woncheonrichon
Hwaseong ·· Woncheonrichon
Giheung ····· Osancheon
Gumi ····· Yigyecheon
Onyang ····· Gokgyocheon

Endangered Species in Regions around Domestic Worksites



1 Suwon worksite's support for the preservation of the Suweon tree frog*
2 Gumi worksite's support for the multiplication of white-naped cranes
3 Onyang worksite's support for the preservation of coastal sand dunes

* Photo courtesy of the Ministry of Environment

Activities to Preserve Endangered Species and Protect Habitats

Research on the Preservation of the Suweon Tree Frog

The Suwon worksite has conducted habitat restoration and research on the preservation of the Suweon tree frog, a Class I endangered species, jointly with the Suwon Research Institute (SRI) since 2013. As a result, they have succeeded in the restoration of Korea's first artificial habitat for the Suweon tree frog.

Multiplication of the White-naped Crane and Preservation of a Habitat for Migratory birds

After the Gumi worksite signed partnership agreements for preserving biodiversity with the Korean government, a local government, and a university for the first time in Korea, it has continuously supported the restoration of the ecosystem in the Haepyeong Wetlands, a habitat for migratory birds, as well as a project to multiply and train the white-naped crane, a bird native to the region.

Preservation of Coastal Sand Dunes

Since 2008, the Geum River Basin Environmental Office and Onyang worksite have supported eco-learning facilities and activities, such as the purification of the sea and the removal of ecology-disturbing plants in order to preserve coastal sand dunes where engendered species such as the Chinese egret and the Mongolian racerunner inhabit.

Violation of EHS Regulations

(cases)

Violation of Rules and Regulations

Samsung applies stricter internal standards than legal requirements to comply with EHS regulations in Korea and abroad. In addition, the company monitors the establishment and revisions of EHS regulations to proactively reflect them through internal standards, while managing risks by examining potential violations of EHS regulations that might occur during employees' various work processes.

BUSINESS CONDUCT GUIDELINES 2016

In 2005, Samsung Electronics introduced the 'Global Code of Conduct' as a reference guide to our approach to accountable and responsible business practices. Over the years, expectations from various entities - including NGOs, governments, customers, shareholders, suppliers and employees - have grown along with our responsibility as a global corporate citizen. In this spirit, Samsung Electronics has updated and revised the 'Business Conduct Guidelines' that provide a specific direction for sustainable management, published for the first time in last year's Sustainability Report.

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Preface

1. Our Commitments and Policies

We at Samsung Electronics ("Samsung") strive to drive positive change and contribute to a better world through our innovative products and services. 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. Samsung 'Global Code of Conduct' is 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. Samsung's employees are ambassadors of our brand and in everything we do, we uphold Samsung's standards of corporate social responsibility, integrity and accountability. These 'Business Conduct Guidelines' were written based on our 'Global Code of Conduct' for this very purpose: to help guide the employees at Samsung in making sound decisions.

Samsung respects and protects the fundamental human rights taking into account international human rights principles and standards set forth in the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the Organization for Economic Co-operation and Development's guidelines for multinational enterprises, the UN Convention on the Rights of the Child, the ILO Declaration on Fundamental Principles and Rights at Work, and the laws of the countries in which we operate.

Samsung is a member of the Electronic Industry Citizenship Coalition (EICC) and we conform to the EICC Code of Conduct and its implementation methods across the company and our suppliers. The EICC Code draws upon internationally recognized standards, in order to advance social and environmental responsibility and business ethics.

2. Managing Risks

- The societal and environmental challenges our world is facing bring about an uncertain business environment and the risks in our business often pertain to consequences in business performance or corporate reputation as well. Samsung approaches these risks in an effort to effectively minimize any harm to our employees and the environment, and to our global business. 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 'Global Code of Conduct' and 'Business Conduct Guidelines'. Samsung relies on the employees' collective effort to prevent and minimize corporate risks.

3. Scope of the Guidelines

- The guidelines apply to all employees at Samsung. Employees whose job description entails purchasing, taxation, marketing, sales and environment-related activities are also expected to work in compliance with additional policies applicable to their job.
- For suppliers of Samsung, we strongly advise that they consider and implement the contents of the 'Business Conduct Guidelines' applicable to their business management, 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 expected 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 'Global Code of Conduct' and other detailed policies on the company intranet when seeking guidance in making decision.

5. Reporting Violations

- Samsung has dedicated channels through which our employees can report violations of 'Business Conduct Guidelines'. 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 websites, and reports are handled discreetly.
- If and when an employee detects instances of non-compliance, or possible non-compliance of '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 required to report the situation.
- We want our employees to feel reassured in communicating with us openly and honestly, without the threat of consequences. Samsung does not, under any circumstance, tolerate retaliation against any employee who makes a good faith report and/or refuses to partake in acts in violation of these guidelines.
- Our reporter compensation system rewards employees who help to prevent significant harm to the integrity of Samsung's businesses by reporting a violation associated with internal, as well as external stakeholders such as our suppliers.
- We also have hotlines and posters with hotline e-mail addresses and phone numbers for the reporting employees to contact, posted at our supplier operation sites in order to prevent human rights violations.

Human Rights

6. Work Environment

- Samsung strives to foster a creative, culturally diverse and collaborative work environment in which rights of all employees are always respected. Samsung does not and will not tolerate discrimination based on race, culture, religion, age and any other grounds pursuant to local law, or any harassment or offensive behaviors of employees that may disrupt the workplace or interfere with works of other employees.
- Samsung provides various employee benefit systems and programs (extended telecommuting period, infertility leave, maternity/paternity leave, child care facilities and more) in order to improve the quality of our employees' lives. Our work spaces are designed to allow our employees with disabilities to work comfortably.
- When giving instructions, supervisors shall not direct subordinates to carry out work that either violates applicable laws as well as Samsung policies and procedures, or is irrelevant to business itself. Involuntary conduct of business, whether driven by physical or mental coercion, is also prohibited.

7. Employment Conditions

- Working hours are decided according to the characteristics of each work area and the related regulations in each country. Wages are determined reasonably and fairly in accordance with relevant laws and standards.
- Samsung's internal 'Regulation on Salaries and Benefits' complies with applicable labor laws and regulations concerning wage, overtime allowance, social insurance, and vacation.
- We adopt globally recognized standards on performance evaluation to ensure that our employees are treated fairly according to their competence and achievement thereby providing talented individuals with a better chance to excel as professionals.

8. Listening to Our Employees

• Samsung endeavors to create the best work environment for our employees. We regularly listen to employee concerns through the communication channels we maintain at every operation site. Moreover, the management attentively listens to employees on the basis of an open communication culture.

• 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 freedom of association in accordance with local laws.

• When experiencing discomfort during work, our employees may use the grievance resolution channel provided at each of our sites. Samsung guarantees the anonymity of employees using the grievance resolution channel and the secrecy of the information collected through the channel.

9. 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 authority.
  - When a legal representative cannot express intention or give prior consent, and when the information is deemed necessary for the imminent benefit of one's life and property.

10. Equality and Diversity

• To respect each individual's human rights, Samsung provides equal opportunities to all qualified employees and applicants per the 'Anti-Discrimination Policy.' We do not discriminate on the basis of 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.

11. Prevention of Child Labor

• Our policy against child labor is based on the UN Convention on the Rights of the Child, The Children's Rights and Business Principles, and ILO Convention. It requires 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 and age verification. Our policy against child labor operates under the "zero tolerance" principle, meaning that child labor at any stage of our business is unacceptable and intolerable. Our policy against child labor supports the best interest of children.

12. Prevention of Forced Labor

• Samsung strongly supports the right of voluntary labor and is committed to banning participation in, or imposition of, forced labor by means of mental or physical bondage in accordance with the California Transparency in Supply Chains Act and the UK Modern Slavery Act. Samsung ensures that its suppliers do not in any way support the illegal activity of slave labor and human trafficking.

• As a member of EICC, Samsung Electronics is committed to the EICC Code of Conduct (Section A. 1) Freely Chosen Employment. This code of conduct strictly prohibits forced labor and protects voluntary labor within Samsung Electronics Corporation as well as in our suppliers.

13. Responsible Sourcing

- We recognize the seriousness of human rights violations and environmental pollution problems caused by the mining of minerals. We strive to provide our customers with products using minerals sourced in an ethical manner based on the responsible management of the supply chain, and strongly prohibit using conflict minerals.

Health and Safety

14. Employee Health and Safety

- Our highest priority is to ensure the health and safety of our employees and communities. We strive to provide a safe working environment for all Samsung employees.
- Samsung focuses on responsible chemical management strategies and measures to safeguard workers from occupational health hazards in accordance with our '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.
- Samsung complies with international standards, related laws and our '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 our '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 ex posed to potential risks. We also refer to the 'Emergency Preparedness and Response Guidelines' to understand and evaluate potential emergencies and accidents such as fire, weather, and leakage of hazardous material in order to be prepared with adequate response procedures.

Customer and Quality Management

15. 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 in 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 do not make false and illegal claims about our competitors and/or their products and services.

16. 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.

Green Management

17. Environmental Safety Policy

- As a global company, we at Samsung put equal efforts into our environmental protection activities at both domestic and international facilities. We established and comply with the 'Environmental Safety Policy' for environmental issues that are related to Samsung, and use this policy to instruct our activities on site and overseas locations , at suppliers facilities, and in local communities.

18. Eco-friendly Products and Technology

- Samsung develops eco-friendly products by endorsing 'Product Stewardship' to minimize the environmental impact that our products have throughout their lifecycles, specifically during the manufacturing, distribution, usage, and disposal. By analyzing the environmental data at each stage of the product lifecycle, we comply with global environmental regulations and voluntary industry standards and have been recognized for the environmental leadership 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 sensitive and hazardous substances used throughout the planning, designing and developing stages.

Accessibility

19. Improving IT Accessibility

- Samsung endeavors to increase the accessibility of IT devices and technologies so that everyone can benefit from advanced technology. All of Samsung's products, content, and services are built around a human-centered philosophy that recognizes diversity and embraces difference. Samsung pursues technological innovation that is available to all users.
- 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.

Innovative Technology

20. 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.

Data Protection and Privacy

21. 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 or intentional 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.

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, or former Samsung employees.
- We do not discuss proprietary information in public places (offline) or on social networks (online).
- We do not work on documents containing proprietary information in public places.

22. Protecting the Information of Others

- Given the course 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 and/or stored. All employees must use the information only when necessary for legitimate business purposes and in terms of pursuant to Samsung's internal policies and applicable laws. 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 activities, 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 'Global Privacy Policy.'
- All employees are expected to comply with data privacy laws in each of the countries we conduct business in, and to keep familiar with the 'Global Privacy Policy' on the Samsung website.

23. Acquiring Information from Third-party

- Information about competitors or external institutions is collected through legal means and in accordance with the 'Guidelines on Competitive Information.'
- Improper or illegal acts can be illustrated as below:
  - Surveillance, wiretapping, hacking, bribery, trespassing or theft
  - Acquiring a competitor's confidential information through an employee of the competitor

Legitimate Means of Collecting Information
Market research institutions, media outlets (newspapers, industry magazines etc.), publicly disclosed information (annual reports, audit reports etc.)

24. Handling Information

- Samsung and our affiliates know how important privacy is to our customers, and we strive to be clear and transparent about how we collect, use, disclose, transfer and store information. Our 'Privacy Policy' provides an overview of our information practices. The Privacy Policy applies to Samsung devices, websites or online applications that refer to or link to the Privacy Policy.
- In the course of our day-to-day businesses, everyone at Samsung creates, stores and disposes of records and information assets. As such, Samsung provides the 'Guidelines on Information Management' for all employees to manage information legitimately and appropriately.
- All employees must manage information accurately, completely and honestly according to the Guidelines on Information Management. Samsung prohibits disclosure of inaccurate or incomplete information that could potentially mislead the recipients of such information.
- 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 our employees to fully cooperate with authorities with the help of our legal department.

25. Insider Trading

- Using and/or disclosing material information about Samsung or a third party for 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.

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 we conduct business.
- 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 near by the facility.

Responsible Asset Management

26. 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, through the 'Prohibition of Using Illegal S/W Policy', we protect our customers, employees and company from illegal software. 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 regarding 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.

27. 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 laws or company policies, create a conflict of interest, incur additional costs or interfere with the employee's work.

Fair Competition

28. Anti-trust

- 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 on fair competition. There is a strict zero tolerance policy in regard to bid rigging and similar conflicts.

29. 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.

30. 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 export controls of each country.
- Our customers and business partners are included and excluded or otherwise updated according to the list of trade embargoes and governmental restrictions. Samsung encourages all of our suppliers and business partners to follow regulations.

31. Tax Policies

- Samsung complies with the laws and regulations of every country we operate in. We keep honest and transparent relationship with local tax authorities and if appropriate 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.

Anti-Corruption

32. 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 give 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.

33. 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.

34. 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.

Conflict of Interest

35. 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 in loyalty. 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 of interest can arise in a situation related to activities outside of work. In some cases, an employee may be permitted to engage in the activity if he or she obtains approval of the manager and take steps to address the conflict. Also, we do not work for an organization that has interests in or with Samsung.

36. 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 Me- dia' in order to prevent the leakage of confidential corporate information.

Supply Chain Management

37. Supplier Management

- Samsung mandates that suppliers with whom we do business must adhere to 'Samsung Suppliers' Code of Conduct' published on our website and referenced in the terms of our agreements.
- Under the Suppliers' Code of Conduct, our suppliers are 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 violation by a supplier, Samsung responds immediately and helps establish measures to prevent reoccurrence. 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.

38. 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.

39. Chemical Substances in Product

- Samsung rigorously monitors the chemical substances used in our products through the management of our supply chain. We follow the provisions of 'Samsung Electronics Standards for Control of Substances concerning 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.

Corporate Citizenship

40. Creating Shared Value

- Samsung employees, wherever they are located, 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.

41. 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.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Samsung Electronics Co., Ltd.

We have audited the accompanying consolidated financial statements of Samsung Electronics Co., Ltd. and its subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS") and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Other Matters

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

February 25, 2016
Seoul, Korea

This report is effective as at February 25, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean won, in thousands of US dollars)

	December 31,2015	December 31,2014	December 31,2015	December 31,2014
Assets	KRW	KRW	USD	USD
Current assets				
Cash and cash equivalents	22,636,744	16,840,766	20,009,497	14,886,207
Short-term financial instruments	44,228,800	41,689,776	39,095,554	36,851,212
Short-term available-for-sale financial assets	4,627,530	3,286,798	4,090,453	2,905,328
Trade receivables	25,168,026	24,694,610	22,246,995	21,828,525
Non-trade receivables	3,352,663	3,539,875	2,963,549	3,129,033
Advances	1,706,003	1,989,470	1,508,002	1,758,570
Prepaid expenses	3,170,632	3,346,593	2,802,645	2,958,184
Inventories	18,811,794	17,317,504	16,628,475	15,307,614
Other current assets	1,035,460	1,795,143	915,283	1,586,797
Assets held-for-sale	77,073	645,491	68,129	570,574
Total current assets	124,814,725	115,146,026	110,328,582	101,782,044
Non-current assets				
Long-term available-for-sale financial assets	8,332,480	12,667,509	7,365,403	11,197,303
Investment in associates and joint ventures	5,276,348	5,232,461	4,663,969	4,625,175
Property, plant and equipment	86,477,110	80,872,950	76,440,476	71,486,741
Intangible assets	5,396,311	4,785,473	4,770,009	4,230,065
Long-term prepaid expenses	4,294,401	4,857,126	3,795,988	4,293,402
Deferred income tax assets	5,589,108	4,526,595	4,940,429	4,001,234
Other non-current assets	1,999,038	2,334,818	1,767,027	2,063,836
Total assets	242,179,521	230,422,958	214,071,883	203,679,800
Liabilities and Equity				
Current liabilities				
Trade and other payables	6,187,291	7,914,704	5,469,187	6,996,114
Short-term borrowings	11,155,425	8,029,299	9,860,713	7,097,409
Other payables	8,864,378	10,318,407	7,835,568	9,120,841
Advances received	1,343,432	1,427,230	1,187,512	1,261,584
Withholdings	992,733	1,161,635	877,515	1,026,814
Accrued expenses	11,628,739	12,876,777	10,279,094	11,382,283
Income tax payable	3,401,625	2,161,109	3,006,828	1,910,288
Current portion of long-term liabilitie	221,548	1,778,667	195,835	1,572,233
Provisions	6,420,603	5,991,510	5,675,420	5,296,128
Other current liabilities	287,135	326,259	253,810	288,393
Liabilities held-for-sale	-	28,316	-	25,030
Total current liabilities	50,502,909	52,013,913	4,641,482	45,977,117
Non-current liabilities				
Debentures	1,230,448	1,355,882	1,087,641	1,198,517
Long-term borrowings	266,542	101,671	235,607	89,871
Long-term other payables	3,041,687	2,562,271	2,688,665	2,264,891
Net defined benefit liabilities	358,820	201,342	317,175	177,974
Deferred income tax liabilities	5,154,792	4,097,811	4,556,521	3,622,214
Provisions	522,378	499,290	461,750	441,342
Other non-current liabilities	2,042,140	1,502,590	1,805,127	1,328,198
Total liabilities	63,119,716	62,334,77	55,793,968	55,100,124
Equity attributable to owners of the parent				
Preferred stock	119,467	119,467	105,602	105,602
Common stock	778,047	778,047	687,746	687,746
Share premium	4,403,893	4,403,893	3,892,772	3,892,772
Retained earnings	185,132,014	169,529,604	163,645,376	149,853,800
Other components of equity	(17,580,451)	(12,729,387)	(15,540,044)	(11,252,000)
Accumulated other comprehensive income attributable to assets held-for- sale	23,797	80,101	21,035	70,804
	172,876,767	162,181,725	152,812,487	143,358,724
Non-controlling interests	6,183,038	5,906,463	5,465,428	5,220,952
Total equity	179,059,805	168,088,188	158,277,915	148,579,676
Total liabilities and equity	242,179,521	230,422,958	214,071,883	203,679,800

CONSOLIDATED STATEMENTS OF INCOME

(In millions of Korean won, in thousands of US dollars) - For the year ended December 31

	2015	2014	2015	2014
Assets	KRW	KRW	USD	USD
Revenue	200,653,482	206,205,987	177,365,404	182,273,479
Cost of sales	123,482,118	128,278,800	109,150,639	113,390,613
Gross profit	77,171,364	77,927,187	68,214,765	68,882,866
Selling and administrative expenses	50,757,922	52,902,116	44,866,898	46,762,235
Operating profit	26,413,442	25,025,071	23,347,867	22,120,631
Other non-operating income	1,685,947	3,801,357	1,490,274	3,360,167
Other non-operating expense	3,723,434	2,259,737	3,291,288	1,997,469
Share of profit of associates and joint ventures	1,101,932	342,516	974,040	302,763
Financial income	10,514,879	8,259,829	9,294,510	7,301,184
Financial expense	10,031,771	7,294,002	8,867,472	6,447,452
Profit before income tax	25,960,995	27,875,034	22,947,931	24,639,824
Income tax expense	6,900,851	4,480,676	6,099,929	3,960,643
Profit for the year	19,060,144	23,394,358	16,848,002	20,679,181
Profit attributable to owners of the parent	18,694,628	23,082,499	16,524,908	20,403,517
Profit attributable to non-controlling interests	365,516	311,859	323,094	275,664
Earnings per share for profit attributable to owners of the parent (in Korean Won, in US dollars)				
- Basic	126,305	153,105	111.65	135.34
- Diluted	126,303	153,096	111.64	135.33

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of Korean won, in thousands of US dollars) - For the year ended December 31

	2015	2014	2015	2014
	KRW	KRW	USD	USD
Profit for the year	19,060,144	23,394,358	16,848,002	20,679,181
Other comprehensive loss				
Items not to be reclassified to profit or loss subsequently:				
Remeasurement of net defined benefit liabilities, net of tax	263,978	(710,318)	233,340	(627,878)
Items to be reclassified to profit or losssubsequently:				
Changes in value of available-for-sale financial assets, net of tax	(414,961)	(232,105)	(366,800)	(205,167)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	(41,261)	(128,932)	(36,472)	(113,968)
Foreign currency translation, net of tax	268,315	(922,059)	237,174	(815,044)
Other comprehensive income (loss) for the year, net of tax	76,071	(1,993,414)	67,242	(1,762,057)
Total comprehensive income for the year	19,136,215	21,400,944	16,915,244	18,917,124
Comprehensive income attributable to :				
Owners of the parent	18,804,189	20,990,732	16,621,753	18,554,523
Non-controlling interests	332,026	410,212	293,491	362,601

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Accumulated other comprehensive income attributable to assets held-for- sale	Equity attributable to owners of the parent	Noncontrolling interests	Total
Balance as at January 1, 2014	119,467	778,047	4,403,89	148,600,282	(9,459,073)	-	144,442,616	5,573,394	150,016,010
Profit for the year	-	-	-	23,082,499	-	-	23,082,499	311,859	23,394,358
Changes in value of available-for-sale financial assets, net of tax	-	-	-	-	(314,069)	-	(314,069)	81,964	(232,105)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	-	-	-	(128,495)	-	(128,495)	(437)	(128,932)
Foreign currency translation, net of tax	-	-	-	-	(954,999)	-	(954,999)	32,940	(922,059)
Remeasurement of net defined benefit liabilities, net of tax	-	-	-	-	(694,204)	-	(694,204)	(16,114)	(710,318)
Classified as held-for-sale	-	-	-	-	(80,101)	80,101	-	-	-
Total comprehensive income (loss)	-	-	-	23,082,499	(2,171,868)	80,101	20,990,732	410,212	21,400,944
Dividends	-	-	-	(2,157,011)	-	-	(2,157,011)	(74,216)	(2,231,227)
Capital transaction under common control	-	-	-	-	(158)	-	(158)	244	86
Changes in consolidated entities	-	-	-	-	-	-	-	569	569
Acquisition of treasury stock	-	-	-	-	(1,125,322)	-	(1,125,322)	-	(1,125,322)
Disposal of treasury stock	-	-	-	-	32,764	-	32,764	-	32,764
Stock option activities	-	-	-	-	(9,436)	-	(9,436)	-	(9,436)
Others	-	-	-	3,834	3,706	-	7,540	(3,740)	3,800
Total transactions with owners	-	-	-	(2,153,177)	(1,098,446)	-	(3,251,623)	(77,143)	(3,328,766)
Balance as at December 31, 2014	119,467	778,047	4,403,893	169,529,604	(12,729,387)	80,101	162,181,725	5,906,463	168,088,188
Balance as at January 1, 2015	119,467	778,047	4,403,89	169,529,604	(12,729,387)	80,101	162,181,725	5,906,463	168,088,188
Profit for the year	-	-	-	18,694,628	-	-	18,694,628	365,516	19,060,144
Changes in value of available-for-sale financial assets, net of tax	-	-	-	-	(348,068)	(24,750)	(372,818)	(42,143)	(414,961)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	-	-	-	12,686	(54,118)	(41,432)	171	(41,261)
Foreign currency translation, net of tax	-	-	-	-	266,061	(1,233)	264,828	3,487	268,315
Remeasurement of net defined benefit liabilities, net of tax	-	-	-	-	258,983	-	258,983	4,995	263,978
Classified as held-for-sale	-	-	-	-	(23,797)	23,797	-	-	-
Total comprehensive income (loss)	-	-	-	18,694,628	165,865	(56,304)	18,804,189	332,026	19,136,215
Dividends	-	-	-	(3,073,481)	-	-	(3,073,481)	(54,603)	(3,128,084)
Capital transaction under common control	-	-	-	-	(5,314)	-	(5,314)	423	(4,891)
Changes in consolidated entities	-	-	-	-	-	-	-	(152)	(152)
Acquisition of treasury stock	-	-	-	-	(5,015,112)	-	(5,015,112)	-	(5,015,112)
Disposal of treasury stock	-	-	-	-	3,406	-	3,406	-	3,406
Stock option activities	-	-	-	-	(806)	-	(806)	-	(806)
Others	-	-	-	(18,737)	897	-	(17,840)	(1,119)	(18,959)
Total transactions with owners	-	-	-	(3,092,218)	(5,016,929)	-	(8,109,147)	(55,451)	(8,164,598)
Balance as at December 31, 2015	119,467	778,047	4,403,893	185,132,014	(17,580,451)	23,797	172,876,767	6,183,038	179,059,805

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars)

	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Accumulated other comprehensive income attributable to assets held-for- sale	Equity attributable to owners of the parent	Noncontrolling interests	Total
Balance as at January 1, 2014	105,602	687,746	3,892,772	131,353,560	(8,361,242)	-	127,678,438	4,926,539	132,604,977
Profit for the year	-	-	-	2,0403,517	-	-	20,403,517	275,664	20,679,181
Changes in value of available-for-sale financial assets, net of tax	-	-	-	-	(2707,618)	-	(277,618)	72,451	(205,167)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	-	-	-	(113,582)	-	(113,582)	(386)	(113,968)
Foreign currency translation, net of tax	-	-	-	-	(844,161)	-	(844,161)	29,117	(815,044)
Remeasurement of net defined benefit liabilities, net of tax	-	-	-	-	(613,634)	-	(613,634)	(14,244)	(627,878)
Classified as held-for-sale	-	-	-	-	(70,804)	70,804	-	-	-
Total comprehensive income (loss)	-	-	-	20,403,517	(1,919,799)	70,804	18,554,522	362,602	18,917,124
Dividends	-	-	-	(1,906,666)	-	-	(1,906,666)	(65,602)	(1,972,268)
Capital transaction under common control	-	-	-	-	(140)	-	(140)	216	76
Changes in consolidated entities	-	-	-	-	-	-	-	503	503
Acquisition of treasury stock	-	-	-	-	(994,716)	-	(994,716)	-	(994,716)
Disposal of treasury stock	-	-	-	-	28,961	-	28,961	-	28,961
Stock option activities	-	-	-	-	(8,341)	-	(8,341)	-	(8,341)
Others	-	-	-	3,389	3,277	-	6,666	(3,306)	3,360
Total transactions with owners	-	-	-	(1,903,277)	(970,959)	-	(2,874,236)	(68,189)	(2,942,425)
Balance as at December 31, 2014	105,602	687,746	3,892,772	149,853,800	(11,252,000)	70,804	143,358,724	5,220,952	148,579,676
Balance as at January 1, 2015	105,602	687,746	3,892,772	149,853,800	(11,252,000)	70,804	143,358,724	5,220,952	148,579,676
Profit for the year	-	-	-	16,524,908	-	-	16,524,908	323,094	16,848,002
Changes in value of available-for-sale financial assets, net of tax	-	-	-	-	(307,671)	(21,877)	(329,548)	(37,252)	(366,800)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	-	-	-	11,214	(47,837)	(36,623)	151	(36,472)
Foreign currency translation, net of tax	-	-	-	-	235,182	(1,090)	34,092	3,082	237,174
Remeasurement of net defined benefit liabilities, net of tax	-	-	-	-	228,925	-	228,925	4,415	233,340
Classified as held-for-sale	-	-	-	-	(21,035)	21,035	-	-	-
Total comprehensive income (loss)	-	-	-	16,524,908	146,615	(49,769)	16,621,754	293,490	16,915,244
Dividends	-	-	-	(2,716,769)	-	-	(2,716,769)	(48,266)	(2,765,035)
Capital transaction under common control	-	-	-	-	(4,697)	-	(4,697)	374	(4,323)
Changes in consolidated entities	-	-	-	-	-	-	-	(134)	(134)
Acquisition of treasury stock	-	-	-	-	(4,433,052)	-	(4,433,052)	-	(4,433,052)
Disposal of treasury stock	-	-	-	-	3,011	-	3,011	-	3,011
Stock option activities	-	-	-	-	(712)	-	(712)	-	(712)
Others	-	-	-	(16,563)	791	-	(15,772)	(988)	(16,760)
Total transactions with owners	-	-	-	(2,733,332)	(4,434,659)	-	(7,167,991)	(49,014)	(7,217,005)
Balance as at December 31, 2015	105,602	687,746	3,892,772	163,645,376	(15,540,044)	21,035	152,812,487	5,465,428	158,277,915

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Korean won, in thousands of US dollars) - For the year ended December 31

	2015	2014	2015	2014
Cash flows from operating activities	KRW	KRW	USD	USD
Profit for the period	19,060,144	23,394,358	16,848,002	20,679,181
Adjustments	29,610,971	22,323,765	26,174,287	19,732,844
Changes in assets and liabilities arising from operating activities	(4,682,032)	(3,837,136)	(4,138,630)	(3,391,794)
Cash generated from operations	43,989,083	41,880,987	38,883,659	37,020,231
Interest received	2,151,741	1,555,373	1,902,007	1,374,855
Interest paid	(748,256)	(463,740)	(661,413)	(409,918)
Dividend received	266,369	1,495,658	235,454	1,322,070
Income tax paid	(5,597,176)	(7,492,889)	(4,947,561)	(6,623,256)
Net cash generated from operating activities	40,061,761	36,975,389	35,412,146	32,683,982
Cash flows from investing activities				
Net increase in short-term financial instruments	(5,762,783)	(1,110,842)	(5,093,948)	(981,916)
Proceeds from disposal of short-term available-for-sale financial assets	2,143,384	1,954,158	1,894,620	1,727,356
Acquisition of short-term available-forsale financial assets	(509,349)	(2,667,610)	(450,233)	(2,358,004)
Proceeds from disposal of long-term financial instruments	3,999,710	94,089	3,535,499	83,169
Acquisition of long-term financial instruments	(132,733)	(3,248,374)	(117,328)	(2,871,364)
Proceeds from disposal of long-term available-for-sale financial assets	200,502	202,904	177,232	179,355
Acquisition of long-term available-forsale financial assets	(232,530)	(6,212,102)	(205,542)	(5,491,118)
Proceeds from disposal of associates and joint ventures	278,009	2,014,430	245,743	1,780,633
Acquisition of associates and joint ventures	(137,917)	(719,800)	(121,910)	(636,259)
Disposal of property, plant and equipment	357,154	385,610	315,702	340,856
Purchases of property, plant and equipment	(25,880,222)	(22,042,943)	(22,876,533)	(19,484,613)
Disposal of intangible assets	1,083	31,731	957	28,048
Purchases of intangible assets	(1,501,881)	(1,324,307)	(1,327,571)	(1,170,606)
Cash outflows from business	(411,445)	(176,625)	(363,692)	(156,127)
combinations Others	421,231	13,273	372,342	11,732
Net cash used in investing activities	(27,167,787)	(32,806,408)	(24,014,662)	(28,998,858)
Cash flows from financing activities				
Net increase in short-term borrowings	3,202,416	1,833,419	2,830,740	1,620,630
Acquisition of treasury stock	(5,015,112)	(1,125,322)	(4,433,052)	(994,716)
Disposal of treasury stock	3,034	27,582	2,682	24,381
Proceeds from long-term borrowings and debentures	192,474	1,740,573	170,135	1,538,560
Repayment of long-term borrowings and debentures	(1,801,465)	(3,299,595)	(1,592,385)	(2,916,640)
Payment of dividends	(3,129,544)	(2,233,905)	(2,766,325)	(1,974,635)
Net increase in non-controlling interests	(25,312)	139	(22,375)	123
Net cash generated(used) in financing activities	(6,573,509)	(3,057,109)	(5,810,580)	(2,702,297)
Effect of exchange rate changes on cash and cash equivalents	(524,487)	(555,886)	(463,614)	(491,369)
Net increase(decrease) in cash and cash equivalents	5,795,978	555,986	5,123,290	491,458
Cash and cash equivalents Beginning of the period	16,840,766	16,284,780	14,886,207	14,394,749
End of the period	22,636,744	16,840,766	20,009,497	14,886,207

APPENDICES

Independent Assurance Statement

We were engaged by Samsung Electronics to provide limited assurance on the 'Samsung Electronics Sustainability Report 2016' for the year ended December 31, 2015 (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 objectives, targets and expectations of Samsung Electronics.

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 Samsung Electronics' financial results and position, the audited financial statements produced on 25 February 2016 should be referred to.

Responsibilities

As stated in the 'Reporting Principles and Standard,' Samsung Electronics is responsible for all content within the Report in respect of the GRI Sustainability Reporting Guidelines (G4). It is the responsibility of Samsung Electronics' 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 Samsung Electronics. 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 Samsung Electronics in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than Samsung Electronics 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 Samsung Electronics' audited financial statements
- Inquiries to gain an understanding of Samsung Electronics' 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 Samsung Electronics' Suwon Digital City(Headquarter) and Taepyeongro office building
- 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 Samsung Electronics

Opinion

- Stakeholder Inclusiveness
  - Samsung Electronics 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
  - Samsung Electronics 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 Samsung Electronics recognizes sustainability comprehensively and applies it to management.
- Materiality
  - Samsung Electronics 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

  - Samsung Electronics 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.

June 2016
KPMG Samjong Accounting Corp.
CEO Kim, Kyo Tai

삼정 KPMG

GRI G4 Core General Standard Disclosure

No.	Description	Status	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	9
G4-4	Primary brands, products, and/or services	●	BUSINESS DIVISIONS	12-20
G4-5	Location of organization's headquarters	●	COMPANY PROFILE, GLOBAL NETWORK	9, 11
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	11
G4-7	Nature of ownership and legal form	○	Refer to the Business Report	http://www.samsung.com/us/aboutsamsung/investor_relations/financial_information/business_report.html
G4-8	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	●	COMPANY PROFILE, GLOBAL NETWORK, BUSINESS DIVISIONS	9, 11, 12-20
G4-9	Scale of the reporting organization	●	BUSINESS PERFORMANCE, GLOBAL NETWORK	10-11
G4-10	The total workforce by employment type, gender, employment contract and region	●	1.OUR PEOPLE	50-51
G4-11	The percentage of total employees covered by collective bargaining agreements	●	3.HUMAN RIGHTS	76
G4-12	Describe the organization's supply chain	●	4.SUPPLY CHAIN	84-88
G4-13	Significant changes during the reporting period relating to size, structure, or ownership or its supply chain	●	COMPANY PROFILE, GLOBAL NETWORK, RISK MANAGEMENT, 2.COMPLIANCE	9-11, 24, 59
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization	●	RISK MANAGEMENT	24-25
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	●	2015 Sustainability Management Approach, 3.HUMAN RIGHTS, BUSINESS CONDUCT GUIDELINE 2016	7, 66, 187
G4-16	List memberships of associations (such as industry associations)	●	STAKEHOLDER ENGAGEMENT	32-36
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/business_report.html
G4-18	Process for defining report content and the Aspect Boundaries and explain how the Reporting Principles has been implemented	●	MATERIALITY ANALYSIS	26-29
G4-19	List all the material Aspects identified in the process for defining report content	●	MATERIALITY ANALYSIS	26-29
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	26-29
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	26-29
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	26-29
Stakeholder engagement				
G4-24	The list of stakeholder groups engaged by the organization.	●	STAKEHOLDER ENGAGEMENT	32-36
G4-25	The basis for identification and selection of stakeholders with whom to engage	●	STAKEHOLDER ENGAGEMENT	32-36
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	●	STAKEHOLDER ENGAGEMENT	32-36
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 ENGAGEMENT	32-36
Report profile				
G4-28	Reporting period (such as fiscal or calendar year) for information provided	●	About This Report	2
G4-29	Date of most recent previous report	○	Refer to the Company website	http://www.samsung.com/us/aboutsamsung/sustainability/sustainabilityreports/

No.	Description	Status	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
G4-32	Table identifying the location of the Standard Disclosures in the report	●	Independent Assurance Statement, GRI G4 Core Disclosure	204-205, 206-211
G4-33	Policy and current practice with regard to seeking external assurance for the report	●	Independent Assurance Statement	204-205
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	22-23
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, 2.COMPLIANCE	8, 61-62

GRI G4 Core Specific Standard Disclosure

No.	Description	Status	Comments	Page
ECONOMIC				
Economic Performance				
GG4-DMA	Disclosure on Management Approach	●	BUSINESS PERFORMANCE	10
G4-EC1	Direct economic value generated and distributed	●	BUSINESS PERFORMANCE, ECONOMIC VALUE DISTRIBUTION	10, 30
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SOCIAL				
Labor practices and decent work				
Employment				
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G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	●	1.OUR PEOPLE_Employee Benefits	49
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Occupational Health and Safety				
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G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	◐	1.OUR PEOPLE	45
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G4-DMA	Disclosure on Management Approach	●	3.HUMAN RIGHTS_Pursuit of Diversity	77
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	●	3.HUMAN RIGHTS_Pursuit of Diversity	77
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G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	◐	BUSINESS CONDUCT GUIDELINE 2016_10)Equality and Diversity	189
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G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	◐	3.HUMAN RIGHTS_Grievance Channels	75
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G4-DMA	Disclosure on Management Approach	●	3.HUMAN RIGHTS, 4.SUPPLY CHAIN	72-74, 86-87
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	●	4.SUPPLY CHAIN_Supplier Contract Management	86-87
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.HUMAN RIGHTS_Employee Training	72-74
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G4-DMA	Disclosure on Management Approach	●	BUSINESS CONDUCT GUIDELINE 2016_10)Equality and Diversity	189
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G4-DMA	Disclosure on Management Approach	●	3.HUMAN RIGHTS	66-68
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G4-DMA	Disclosure on Management Approach	●	3.HUMAN RIGHTS	66-68
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G4-SO2	Operations with significant actual or potential negative impacts on local communities	○	No operations with negative impacts during reporting period	-
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G4-DMA	Disclosure on Management Approach	●	2.COMPLIANCE	52-53
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	◐	2.COMPLIANCE	54-58

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G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	○	Refer to the Business Report	http://www.samsung.com/us/aboutsamsung/investor_relations/financial_information/business_report.html
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Supplier Assessment for Impacts on Society				
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Contributors

Samsung Electronics	SEA	Mark Newton
North America	Regional Policy & Relations Team	Ann Woo · Emily Jansen · Prerna Tomar
Samsung Electronics Europe	SEUK	Kevin Considine · Phillip Carnell
	SEP	Rita Agostinho
	SENA	Annachiara Torciano · Elin Wallberg
	Marketing Team	Mark Hutcheon · Winston Eavis
	Customer Satisfaction Team	David Scuderi · Lydia Butler · Sandeep Rana · Steven Clayton · KR Lee
	Public Affairs Team	Evelyn Nicola · Guillaume Poullaouec · Marianina Vakontiou · Violeta Nikolova · Wouter van Tol
		Sangwoo Kim · Hee-Eun Kim · sang pil chun
Consumer Electronics	Visual Display Business	Jung-Hee Yoon · James Chung
	Digital Appliances Business	Nayoung Lee · Sangmyung Nathalie Lee · Jinny Jung
	Printing Solutions Business	Jasmine Yoo
	Health & Medical Equipment Business	Doug Kim
IT & Mobile Communications	Mobile Communications Business	Sophia Kim · Woongsik Yang
	Networks Business	Young Yoon · dohyun lee
Device Solutions	DS Communications Team	Seonbum Kim · In Young Kim · DONGGI BAE · Janet Oh · Seoungbak Lee
Global Innovation Center		Inkyo Kim · Jaemin Lee · Daniel Lim
Digital Media &	R&D Strategy Team	Kyushik Park · HeungYeop Jang
Communications R&D Center	Administration Team	EunYoung Kuk · Sangjoon Kim · Jangha Cho
	Creativity & Innovation Center	Sang-Yoon Oh · Hye-Jung Oh · Chaehyun Yoo
	Collective Intelligence Office	Yoonkyoung Kang · Solah Han
Corporate Design Center	Design Strategy Team	Minjeong Kim
	UX Center	Hyunkyung Kim · Eun Young Lim
Global Technology Center		Songhwan Kim
Global CS Center		Youngjin Suh · Harry Oh · Irene Lee · wonhee ji · Wansoo Choi · Hwajoo Choi · Myungsuk Ham
Global Marketing Center		sujeong kim · Byounghye Bonnie Nah
Environment & Safety Center		SunTae Kim · Donny Park · Youngseok Yu · Jung Min Cho · Min Hong
Creative Economy Support Center		Weongjoon Yang
Partner Collaboration Center	Corporate Procurement Strategy Team	YOUNG-SEOK KIM · LEE Sangwon
	Partner Collaboration Team	Jong Myoeng Kwak · Induk Kim · Jaemook Kim · Kiyung Park · Sangho Lee · YoonSeong Hwang
	Corporate Public Affairs Team	SeongTaek Jo
Community Relations		Seonghee Kang
Corporate Legal Office		Wonkyung Seo · WonKyung Seong · HaJong Sung · Jenny Chon · Jaewon Cha · Youha Huh · Byeong-Hee Hong
Corporate Management Office	Corporate Management Team	Hong Seong Kim · Sechin Chung · Joonil Jung
	Corporate Finance & Accounting Team	Wonjoon Lee · Changki Hong
	Corporate Human Resources Team	Jordan Kang · Doyoung Kim · Kohong Na · Eunji Park · Park Changsik · hyewon Park · Jongwoo Seo ·
		Mi-Young Song · JeongHak Song · KYUHO LEE · Joseph Rhee · Eunhee Lee · Juyoung Lee · Wu Il Jo ·
		YoungTaek Hong · YoungTaek Hong
	Corporate Communications Team	Dohyon Kim · Young Kim · KIM YoungJin · Ken Noh · Abraham Pai ·Soo Ha Baik · Su Hyeon Baek ·
		Nico BYUN · Mijoo Syn · YoungJun Shin · Soy YOU · SeungJun Lee · IN YONG RHEE · Eunyul Clara Lee ·
		Hyungsub Lee · SunHwa Lim · euiheon jeong · Sunny Cho · Hea-Ryoung Jee · SUYEON CHAE ·
		Daewoo Choe · Rhee Peter · TAE-IL HYUN
	Corporate Business Innovation Team	TAEHUN KWEON · SEONG HO NAM · Ji Song Lee
	Corporate Auditing Team	SukYoun Won
	Investor Relations Group	SangMyeong Kim · SangHyo Kim · D.K. Ahn

Date of Publication	June 30. 2016
Publisher	Oh-Hyun Kwon
Published by	Samsung Electronics
Designed by	IM creative
Report Prepared by	Corporate Sustainability Management Office Sang Mo Im, Kyung Tae Min, Jung Soo Hur, So Young Kim, Seung-tae Kim, Seuri Hong

SAMSUNG