

# **SAMSUNG**

## **Corporate Governance Report 2017**

**SAMSUNG ELECTRONICS Co., Ltd.**

The Company has prepared this report in accordance with Article 8.7(2) of the Enforcement Decree of Disclosure Regulations in Securities Markets to provide investors with information regarding the Company's corporate governance. The information in this report is based on the corporate governance status as of March 31, 2017, and changes that occurred after the reporting date of September 29, 2017 are separately stated. Activities related to corporate governance, unless stated elsewhere, are from January 1, 2016 to the reporting date (September 29, 2017).

# Table of contents

I . Our Corporate Governance .....	1
II. Shareholders .....	5
1. Shareholder Rights .....	5
2. Equitable Treatment of Shareholders .....	8
III. Board of Directors .....	10
1. Roles and Responsibilities .....	10
2. Composition and Appointment of Directors .....	12
3. Independent Directors .....	14
4. Operation .....	15
5. Committees .....	20
6. Evaluation and Remuneration of Independent Directors .....	27
IV. Audit System .....	28
1. Internal Auditor .....	28
2. External Auditor .....	31
V. Other Matters Related to Corporate Governance.....	33

# I

# Our Corporate Governance

## Governance principles and policies

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

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

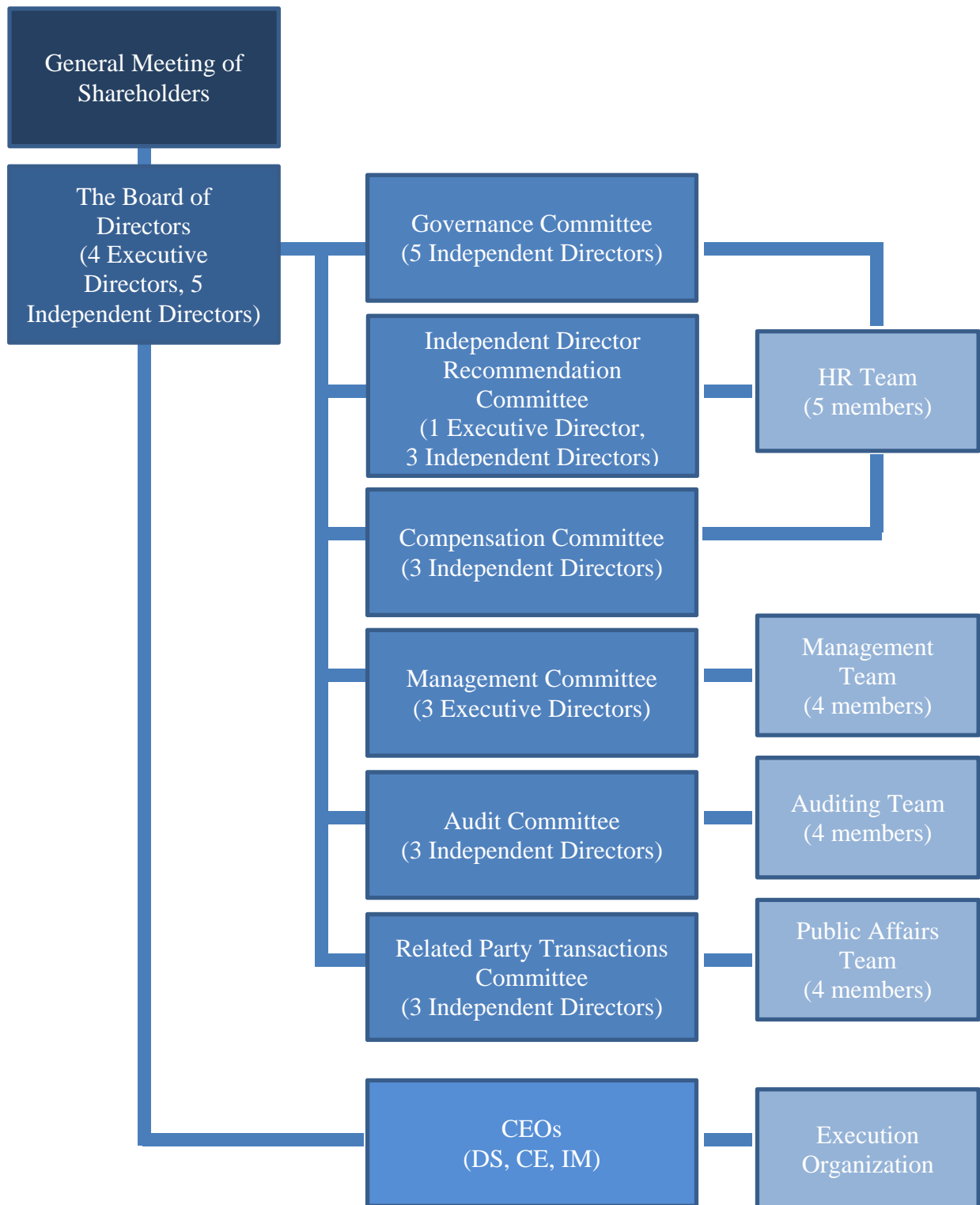
The Board is structured in a way that ensures independent decisions and judgments. In order to enhance independence, Independent Directors comprise the majority of the Board and hold meetings on an ad hoc basis that exclude the Company’s management members to ensure candid and objective discussions.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

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

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

## Organization

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



## Our corporate governance

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

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

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

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

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

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

## The Board and its Committees

Organization	Composition (Independent Directors/total Directors)	Chairman/Head (Executive/Independent)	Responsibility
Board of Directors	5/9	Oh-Hyun Kwon (Executive)	<ul style="list-style-type: none"> <li>• Make resolutions on matters provided for by the relevant laws and regulations or the Articles of Incorporation, matters delegated by a general meeting of shareholders, as well as on important matters concerning basic policies and execution of the Company's business.</li> <li>• Supervise management.</li> </ul>
Management Committee	0/3	Oh-Hyun Kwon (Executive)	<ul style="list-style-type: none"> <li>• Deliberate and decide on matters related to finance, general management, and on matters specifically delegated by the Board.</li> </ul>
Audit Committee	3/3	In-Ho Lee (Independent)	<ul style="list-style-type: none"> <li>• Review and audit matters concerning management of the Company, including the Company's financial situation.</li> </ul>
Independent Director Recommendation Committee	3/4	Han-Joong Kim (Independent)	<ul style="list-style-type: none"> <li>• Assess the independence, diversity, and ability of potential candidates for Independent Director positions.</li> <li>• Recommend candidates to the Board.</li> </ul>
Related Party Transactions Committee	3/3	In-Ho Lee (Independent)	<ul style="list-style-type: none"> <li>• Voluntarily comply with fair transaction regulations to enhance corporate transparency.</li> </ul>
Compensation Committee	3/3	Kwang-Soo Song (Independent)	<ul style="list-style-type: none"> <li>• Ensure the objectivity and transparency of the decision-making process for Director compensation.</li> </ul>
Governance Committee	5/5	Byeong-Gi Lee (Independent)	<ul style="list-style-type: none"> <li>• Established in April 2017 (expanding the role of the CSR committee).</li> <li>• Promote the Company's corporate social responsibility and act to enhance shareholder value.</li> <li>• CSR Risk Management Council (under the Governance Committee); supervises the internal management system to address CSR-related risks and discusses ways to resolve relevant issues.</li> </ul>

## 1. Shareholder Rights

### Convocation of meetings

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

<Summary of shareholder meetings within the last three years>

	The 46 <sup>th</sup> AGM	The 47 <sup>th</sup> AGM	Extraordinary general meeting	The 48 <sup>th</sup> AGM
Date of the Board's resolution (convocation notice)	Feb 13, 2015 (Feb 13, 2015)	Feb 12, 2016 (Feb 12, 2016)	Sep 12, 2016 (Sep 29, 2016)	Feb 24, 2017 (Feb 24, 2017)
Date and time	Mar 13, 2015 9:00 a.m.	Mar 11, 2016 9:00 a.m.	Oct 27, 2016 10:00 a.m.	Mar 24, 2017 9:00 a.m.
Location	Multifunctional Hall, 5F Samsung Electronics Bldg	Multifunctional Hall, 5F Samsung Electronics Bldg	Multifunctional Hall, 5F Samsung Electronics Bldg	Multifunctional Hall, 5F Samsung Electronics Bldg
Duration	1h 50m	3h 23m	1h 15m	1h 40m
Attendance of members of the Board	9 (100%)	9 (100%)	9 (100%)	7 (Absent: Executive Director Jae-Yong Lee, Independent Director Jae-Wan Bahk)
Convocation notice in English	✓	✓	✓	✓

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

There were 93.4 million shares present at the 48<sup>th</sup> AGM held on March 24, 2017, and there were no shareholder proposals submitted at the meeting.

The results of the votes on the agenda items at the 48<sup>th</sup> AGM are as set forth below, and the information is available on our website (<http://www.samsung.com/global/ir/governance-csr/general-meeting-of-shareholders/>).

<Voting results of agenda items in the 48<sup>th</sup> AGM>

	Method of adopting resolutions	Agenda Item	For	Against
Agenda 1	Ordinary resolution	Approval of FY16 financial statements, including the balance sheet, income statement, and statement of appropriation of retained earnings, etc.	98.52%	1.48%
Agenda 2	Ordinary resolution	Approval of remuneration limit for Directors	97.22%	2.78%

At an extraordinary general meeting held on October 27, 2016, agenda item 1 (approval of the printing solutions business spin-off) and agenda item 2 (approval of Jae-Yong Lee as an Executive Director) were approved and adopted as drafted.

<Voting results of agenda items in the extraordinary general meeting>

	Method of adopting resolutions	Agenda Item	For	Against
Agenda 1	Ordinary resolution	Approval of the printing solutions business spin-off	99.96%	0.04%
Agenda 2	Ordinary resolution	Approval of Jae-Yong Lee as an Executive Director	95.98%	4.02%

## Shareholder return and dividends

In addition to efforts to strengthen our competitiveness, the Company has adopted a basic principle of proactive shareholder returns, and in 2015 announced a three-year shareholder return program covering 2015-2017. Under a special share buyback and cancellation program of KRW 11.4 trillion, the Company repurchased and cancelled shares over October 2015 to September 2016.

In November 2016, we increased the scale of the existing shareholder return program significantly, boosting dividend payment by 30% compared to the level in the previous year. Also, we initiated quarterly dividend payments in the first quarter of 2017 to provide more evenly distributed dividends to our shareholders. The Company and management, by announcing our enhanced shareholder return policy, have demonstrated an even stronger commitment to improving shareholder value.

Based on this policy, we paid out KRW 4 trillion in dividends in 2016, and are now carrying out a share repurchase and cancellation program worth KRW 9.3 trillion. As of the reporting date, we have completed the second phase (approximately KRW 5 trillion) and are currently in the third phase (approximately KRW 2 trillion).

Separately, we have decided to cancel treasury shares as a way of enhancing shareholder value. The Board in April 2017 resolved to cancel existing treasury shares, and as of May 2, we have cancelled 50% of the holdings, or 8,990,843 common shares and 1,614,847 preferred shares. The remaining treasury shares are subject to cancellation in 2018 following a resolution of the Board.



As a result of our efforts to enhance shareholder value, the Company's dividends and share buybacks have increased over the last three years.

< Shareholder returns in the last three years >

(Unit: KRW billion)

		2014	2015	2016	1H17
Dividends	Total payout	3,000	3,068.7	3,991.9	1,937.7
	Dividend per share (KRW, common)	20,000	21,000	28,500	14,000
	Payout ratio	13.0%	16.4%	17.8%	-
	Dividend yield (per common share)	1.5%	1.6%	1.6%	-
Share buyback		2,445.9	4,252.8	7,139.3	4,975.8
Total shareholder return		5,445.9	7,321.6	11,131.2	6,913.5

※ The amount of shares purchased in 2014 is based on the completion of the share buyback program over Nov 27, 2014-Jan 26, 2015.

※ The amount of shares purchased in 2015 is based on the completion of the first phase of 2015 special buyback program over Oct 30, 2015-Jan 12, 2016.

※ 1H 2017: Dividend = The sum of the first and second quarter dividends

Share buyback = Shares repurchased during the first and second phases in 2017 (January-July);  
excludes the third phase as it was in progress as of the reporting date.

### Cases of noncompliance (not adopting an electronic voting system)

We do not currently use an electronic voting system, but will continue to review various methods, including the adoption of such a system, to help our shareholders exercise their voting rights in an easier and more convenient manner. We value shareholder opinions and are committed to reflecting them in our decision-making process.

## 2. Equitable Treatment of Shareholders

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### Shares outstanding

The total number of shares outstanding as of the reporting date was 148,187,074. The total number of shares permitted to be issued as specified in the Articles of Incorporation is 500,000,000 (face value of KRW 5,000). Currently, the Company has issued 129,768,494 shares of registered common stock (87.6%) and 18,418,580 shares of registered preferred stock (12.4%). Preferred shares do not carry voting rights, and pay a 1% higher dividend rate annually than do common shares based on face value. When dividends are not paid on common stock, no dividends may be paid on preferred stock.

### IR events

The Company holds earnings conference calls at the end of January, April, July, and October to report its financial results for the preceding year, first quarter, second quarter and third quarter, respectively. From the second quarter of 2009, the Company has provided preliminary results about three weeks ahead of the earnings conference call to help enhance investor understanding. We strive to help shareholders better understand our business by providing information in areas of high investor interest. For shareholder convenience, we conduct our Investor Forum at least once a year and live webcasts of earnings conference calls.

In addition, we continue to engage in and strengthen communication with our shareholders via participating in over 300 meetings annually through IR events such as investor forums and conferences organized by brokerages, investor road-shows and conference calls, and if necessary, direct meetings with the management. Information on IR events can be found on our website (<http://www.samsung.com/global/ir/ir-events-presentations/events/>) and also in disclosures submitted to Korea Investor's Network Disclosure (KIND) (<http://kind.krx.co.kr>).

### Public disclosure of corporate information

Information related to the Company is available on our website (<http://www.samsung.com/us>), and also on disclosure systems such as DART (<http://dart.fss.or.kr>) and KIND (<http://kind.krx.co.kr>).

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

Meanwhile, since 2003, we have compiled detailed information on our corporate governance and have provided the content under a separate section within the IR website (<http://www.samsung.com/global/ir/>).

## Internal control procedure for related-party or self-dealing transactions

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

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

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

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

## Cases of noncompliance (not publishing English disclosures on KIND)

The Company has GDRs for common shares and preferred shares listed on the London Stock Exchange (LSE) and the Luxembourg Stock Exchange, respectively, and submits public disclosures in English through the LSE system. Although we do not submit public disclosures in English through KIND in a separate format, we offer English-version disclosures on our website to provide foreign shareholders with easy access to information.

- London Stock Exchange <http://www.londonstockexchange.com/>
- Our website in English <http://www.samsung.com/global/ir/news/public-disclosure/>

## 1. Roles and Responsibilities

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### Matters to be resolved

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

1. Convocation of a general meeting of shareholders and matters to be submitted to the meetings
  - Convocation of a general meeting of shareholders
  - Approval of business reports and financial statements
  - Amendment to the Articles of Incorporation
  - Reduction of capital
  - Dissolution, merger, and continuance of the Company
  - Transfer of the whole or an important part of the Company's business, or acquisition of the whole or an important part of other companies that has a material impact on the Company's business
  - Conclusion, alteration, or rescission of contracts regarding leasing the whole business, giving a mandate to manage such business or sharing with another party the entire profits and losses from the business or any similar contract
  - Ex post facto incorporation
  - Appointment or dismissal of Directors
  - Issuance of stock below par value
  - Exemption of Director's liabilities
  - Dividends
  - Decision to offer stock options
  - Remuneration of Directors
  - Election of chairman of the general meeting of shareholders (in the case when the Board is required to appoint the chairman of the meeting)
  - Appointment of a person to convoke the general meeting of shareholders (in the case when the Board is required to appoint the chairman of the meeting)
  - Other matters to submit to the general meeting of shareholders
2. Matters related to management
  - Establishment of basic principles of the Company's management
  - Approval of management plans, quarterly reports, and semi-annual reports
  - Appointment or dismissal of compliance officers, and establishment, revision, or abolishment of compliance guidelines
3. Matters related to assets or financial affairs
  - Transfer of legal reserve to capital
  - Matters related to issuance of shares
    - Issuance of new shares
    - Issuance of convertible bonds and bonds with rights to subscribe for new shares
  - Acquisition, disposition, or retirement of treasury stocks
  - Approval of related party transactions, etc.
    - Transactions made with related parties as defined in the Monopoly Regulation and Fair Trade Act or large-scale internal transactions for related parties as designated in Article 11-2 of the Act
    - Transactions listed in Article 542-9 Section 3 of the Commercial Act with majority shareholders (including their related parties) or related parties (excluding transactions of which the total value has been approved by the Board, in accordance with Section 5 Clause 2 of the Article)
  - Decision to offer stock options (excluding Directors)
  - Investment in or disposal of equity in other subsidiaries with a value of 2.5% of the total equity
  - Direct overseas investments with a value of over 2.5% of the total equity
  - Asset revaluation
  - Stock split or reverse split

- Material changes of accounting standards
  - New debt guarantees or collateral issuances with a value of over 2.5% of the total equity
    - Collateral: Only in the case of providing collateral for others
    - Guarantee: Excludes performance guarantee (eg, bid, contract, defect, difference guarantee) and tax payment guarantee
  - Loan contract with a value of over 5% of the total equity
  - Listing of its securities on overseas stock exchanges
  - Important matters when setting up or withdrawing from a fund for stock buyback
  - Allocation of shares issued in capital increase
  - Provisional payment or loan with a value of over 0.5% of the total equity
  - Donation, contribution, or sponsorship of over KRW 1 billion per year
4. Matters related to the Board, Board committees, councils, etc.
- Approval of Director holding a position in another company of a competitive and/or similar business field to the Company, and approval of transactions between a Director and the Company
  - Appointment of the chairman of the Board
  - Appointment of the CEO and decision to appoint of co-CEOs
  - Appointment and removal of Directors to positions and responsibilities
  - Establishment of committees and appointment or removal of committee members
5. Others
- Amendment and abolishment of the Regulations of the Board of Directors and the regulations of each committee
  - Other matters provided for by relevant laws and regulations or the Articles of Incorporation, matters delegated by general meeting of shareholders, and matters deemed necessary by the CEO

## Delegation of authority

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

## CEO succession plan

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

## Risk management

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

The Company's CSR Committee (which expanded into the Governance Committee) recognizes risks related to corporate social responsibility as important matters to manage and pursues ways to better address such risks. As a result, the CSR Risk Management Council was created in July 2016 under the Committee. The Council supervises the internal management system to address CSR risks and discusses ways to resolve the issues. To ensure the integrity of the process, all five Independent Directors participate in the Council and meet with relevant organizations, such as the communication team, every quarter.

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

## 2. Composition and Appointment of Directors

### Composition

The Board shall have at least three but no more than fourteen Directors, in accordance with Article 24 of the Articles of Incorporation. While having more than three Directors is in accordance with Article 383 of the Commercial Act, we believe that the maximum number should not exceed fourteen to ensure efficient decision-making at and management of meetings. As of 2017, the Board comprises nine Directors, of which five members are Independent Directors. This meets the requirement of Article 542-8 of the Commercial Act, which states that a company shall have at least three Independent Directors and that Independent Directors shall constitute a majority of the Board. The list of Directors as of the reporting date is as follows.

< Directors of Samsung Electronics >

Name	Title	Career	Date of appointment	Term expiration Date	Committee
Oh-Hyun Kwon	Vice Chairman & CEO	Vice Chairman & CEO of Samsung Electronics Head of DS division	Mar 16, 2012	Mar 15, 2018	Management Committee Independent Director Recommendation Committee
Boo-Keun Yoon	President & CEO	President & CEO of Samsung Electronics Head of CE division	Mar 15, 2013	Mar 14, 2019	Management Committee
Jong-Kyun Shin	President & CEO	President & CEO of Samsung Electronics Head of IM division	Mar 15, 2013	Mar 14, 2019	Management Committee
Jae-Yong Lee	Vice Chairman	Vice Chairman of Samsung Electronics	Oct 27, 2016	Oct 27, 2019	
In-Ho Lee	Independent Director	Former CEO of Shinhan Financial Group Former President of Shinhan Bank	Mar 19, 2010	Mar 18, 2019	Audit Committee Related Party Transactions Committee Compensation Committee Governance Committee
Han-Joong Kim	Independent Director	Chairman of CHA Strategy Committee Former President of Yonsei University	Mar 16, 2012	Mar 15, 2018	Audit Committee Related Party Transactions Committee Independent Director Recommendation Committee Governance Committee
Kwang-Soo Song	Independent Director	Advisor of Kim & Chang Law Office Former Prosecutor General of Supreme Prosecutors' Office	Mar 15, 2013	Mar 14, 2019	Audit Committee Related Party Transactions Committee Compensation Committee Governance Committee

Byeong-Gi Lee	Independent Director	Professor Emeritus of Seoul National University Former Professor of Electrical and Computer Engineering at Seoul National University	Mar 16, 2012	Mar 15, 2018	Independent Director Recommendation Committee Compensation Committee Governance Committee
Jae-Wan Bahk	Independent Director	Professor of Public Administration at Sungkyunkwan University Former Minister of Strategy and Finance	Mar 11, 2016	Mar 11, 2019	Independent Director Recommendation Committee Governance Committee

## Election of Independent Directors and the Independent Director Recommendation Committee

A Director is elected by a resolution of a general meeting of shareholders, in accordance with Article 382 of the Commercial Act, and an Independent Director is elected from candidates recommended by the Independent Director Recommendation Committee, according to Article 542-8 of the Commercial Act. The Independent Director Recommendation Committee is a committee under the Board whose role is to recommend Independent Director candidates to be presented at a general meeting of shareholders, after an in-depth review. The Committee consists of three Independent Directors and one Executive Director. This meets the requirement of Article 542-8 of the Commercial Act, which states that Independent Directors must constitute a majority of in order to ensure the Committee's independence and transparency.

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

## Minority shareholders' opinion in electing Directors

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

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

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

## Cases of noncompliance (not electing a lead Independent Director & not adopting an Executive officer system)

The Independent Director with the longest tenure represents and coordinates the other Independent Directors, taking on a similar responsibility as that of a lead Independent Director. We seek to maximize efficiency by delegating the responsibilities of decision making, management supervision, and business execution to the Board, which includes the CEOs, instead of adopting an Executive officer system.

### 3. Independent Directors

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

The Company operates a variety of programs to help Independent Directors fulfill their responsibilities. We offer orientation programs for newly appointed Independent Directors to facilitate their understanding of the Company and its business operations. We also report major issues to them as they occur, while regular visits to domestic and overseas sites and presentations by management help give insight into how the Company is run. Independent Directors are encouraged to attend meetings with institutional investors to communicate and exchange ideas with investors. Through these programs, we ensure that Independent Directors have all the necessary information to make important decisions.

Aside from regular meetings with the Company's management, sessions only attended by Independent Directors are arranged to facilitate a candid exchange of opinions on the Company's management. When they participate as members of the Board or its committees, Independent Directors are able to receive support from outside experts, if required. The HR team is in charge of supporting Independent Directors.



## 4. Operation

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### Convocation and operation of meetings of the Board

The Board holds seven to eight regular meetings each year, for matters such as approving quarterly financial statements and convening the AGM. A special or extraordinary meeting can be called when deemed necessary. In accordance with Article 30 of the Articles of Incorporation and Article 8 of the Regulations of the Board of Directors, a meeting of the Board shall be convened by the Chairman of the Board, and the Chairman shall give notice to each Director of the date, time, place, and meeting agenda at least 24 hours prior to the meeting. Directors may request the Chairman to convene a Board meeting when deemed necessary to perform his duties and shall explain the agenda and reasons to the Chairman. If the Chairman rejects a meeting request without a valid reason, the Director who made the request may convene a meeting directly.

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

The proceedings of the meeting shall be recorded in the minutes, including the agenda, details, results, those opposed to the agenda, and the reasons for such opposition. Names and signatures of all Directors present shall be affixed to the minutes, which shall be distributed to all Directors to ensure transparency of the decision-making process. The outcomes of the Board meetings, attendance rate, and voting results are disclosed through business reports on a quarterly basis.

### Meetings of the Board

In 2016, the Board held 11 meetings (7 regular meetings, 4 special meetings).

#### 1<sup>st</sup> meeting: Jan 28, 2016

Agenda Item	Type	Result
Approval of FY15 financial statements and annual business report	Resolution	Approved
Buyback and cancellation of treasury stocks	Resolution	Approved
Disposal of Samsung Card shares	Resolution	Approved
Approval of FY16 business plan	Resolution	Approved
Appointment of compliance officer	Resolution	Approved
Report on the internal accounting management system	Reported item	-
Assessment of the internal accounting management system	Reported item	-

### 2<sup>nd</sup> meeting: Feb 12, 2016

Agenda Item	Type	Result
Decision to convene the 47th (FY15) AGM	Resolution	Approved
Finalization of the 47th AGM agenda items - Reported items: Annual audit report; annual business report - Item 1: Approval of FY15 financial statements, including balance sheet, income statement, and the statement of appropriation of retained earnings, etc. - Item 2: Appointment of Directors - Item 2-1: Appointment of Independent Directors Item 2-1-1: Appointment of In-Ho Lee as an Independent Director Item 2-1-2: Appointment of Kwang-Soo Song as an Independent Director Item 2-1-3: Appointment of Jae-Wan Bahk as an Independent Director - Item 2-2: Appointment of Executive Directors - Item 2-3: Appointment of Audit Committee members - Item 3: Approval of remuneration limit of Directors - Item 4: Approval of amendments to the Articles of Incorporation	Resolution	Approved
Approval of changes in large-scale goods and services transactions in 2016	Resolution	Approved
Report on the results of 2015 compliance review	Reported item	-

### 3<sup>rd</sup> meeting: Mar 11, 2016

Agenda Item	Type	Result
Revision to Regulation of the Board of Directors	Resolution	Approved
Appointment of Chairman of the Board	Resolution	Approved
Appointment of CEO and Directors	Resolution	Approved
Appointment of Committee members	Resolution	Approved
Setting the remuneration of Directors	Resolution	Approved
Cancellation of real estate contracts with Samsung Life Insurance	Resolution	Approved
Donation	Resolution	Approved

### 4<sup>th</sup> meeting: Apr 28, 2016

Agenda Item	Type	Result
Approval of the 1Q16 financial statements and business report	Resolution	Approved
Buyback and cancellation of treasury stocks	Resolution	Approved
Property leasing contract with Samsung Life Insurance	Resolution	Approved
Acquisition of Samsung Biologics shares	Resolution	Approved
Donation to Sungkyunkwan University	Resolution	Approved
Approval of holding a concurrent position as Executive Director in Samsung Display	Resolution	Approved

#### 5<sup>th</sup> meeting: May 20, 2016

Agenda Item	Type	Result
Property leasing contract with Samsung Display	Resolution	Approved
Approval of Greenhouse gas emissions trading with Samsung Display	Resolution	Approved

#### 6<sup>th</sup> meeting: Jul 28, 2016

Agenda Item	Type	Result
Approval of the 1H16 financial statements, half-year business report, and June quarterly dividend	Resolution	Approved
Buyback and cancellation of treasury stocks	Resolution	Approved
Revision to management committee regulations	Resolution	Approved
Revision to CSR committee regulations	Resolution	Approved
Application for property insurance	Resolution	Approved
Application for Venture Capital Union	Resolution	Approved

#### 7<sup>th</sup> meeting: Sep 12, 2016

Agenda Item	Type	Result
Disposal of printing solutions business	Resolution	Approved
Approval of the printing solutions business Spin-off	Resolution	Approved
Decision to convene an Extraordinary General Shareholders Meeting (EGM)	Resolution	Approved
Finalization of the EGM agenda items - Reported item: Audit report - Item 1: Approval of the printing solutions business Spin-off - Item 2: Appointment of Jae-Yong Lee as an Executive Director	Resolution	Approved
Closing of shareholder register and the record date for EGM	Resolution	Approved
Disposal of Samsung Biologics shares	Resolution	Approved

#### 8<sup>th</sup> meeting: Oct 27, 2016

Agenda Item	Type	Results
Approval of the 3Q16 financial statements and business report	Resolution	Approved
Participation in Samsung Heavy Industries rights offering	Resolution	Approved
Purchase of shares of Cheil Worldwide	Resolution	Approved
Property leasing contract with Samsung Securities	Resolution	Approved
Sale of real estate to Samsung Life Insurance	Resolution	Approved
Establishment and operation of Lifelong Learning center	Resolution	Approved
Application for Venture Capital Union	Resolution	Approved
Donation to Samsung Life Public Welfare Foundation	Resolution	Approved

**9<sup>th</sup> meeting: Nov 2, 2016**

Agenda Item	Type	Result
Report and disclosure of spin-off completion of printing solutions business	Resolution	Approved
Revision to the Board of Director Regulations	Resolution	Approved

**10<sup>th</sup> meeting: Nov 14, 2016**

Agenda Item	Type	Result
Acquisition of Harman International Industries	Resolution	Approved

**11<sup>th</sup> meeting: Nov 29, 2016**

Agenda Item	Type	Result
Approval of transactions with affiliate person(s)	Resolution	Approved
Payment of retirement pensions	Resolution	Approved
Approval of mid to long-term shareholder value enhancement plans	Resolution	Approved
Purchase of facility of Samsung Display	Resolution	Approved
Report on the results of compliance review	Reported item	-

In 2017, the Board held 6 meetings (5 regular meetings, 1 special meeting).

**1<sup>st</sup> meeting: Jan 24, 2017**

Agenda Item	Type	Result
Approval of FY16 financial statements and annual business report	Resolution	Approved
Buyback and cancellation of treasury stocks	Resolution	Approved
Panel development contract with Samsung Display	Resolution	Approved
Report on the internal accounting management system	Reported item	-
Assessment of the internal accounting management system	Reported item	-

**2<sup>nd</sup> meeting: Feb 24, 2017**

Agenda Item	Type	Result
Decision to convene the 48 <sup>th</sup> (FY16) AGM	Resolution	Approved
Finalization of the 48 <sup>th</sup> AGM agenda items - Reported items: Annual audit report; annual business report - Item 1: Approval of FY16 financial statements, including balance sheet, income statement, and the statement of appropriation of retained earnings, etc. - Item 2: Approval of remuneration limit for Directors	Resolution	Approved
Guidelines for external contributions (draft)	Resolution	Approved
Application for product liability insurance	Resolution	Approved
Progress on initiatives to enhance shareholder value	Reported item	-

**3<sup>rd</sup> meeting: Mar 24, 2017**

Agenda Item	Type	Result
Set the remuneration of Directors	Resolution	Approved
Approval of management plans for Social Contribution Fund for 2017	Resolution	Approved
Sponsorship of the WorldSkills Competition	Resolution	Approved
Establishment and operation of Governance Committee (draft)	Reported item	-

**4<sup>th</sup> meeting: Apr 27, 2017**

Agenda Item	Type	Result
Approval of the 1Q17 financial statements, business report and March quarterly dividend	Resolution	Approved
Buyback and cancellation of treasury stocks	Resolution	Approved
Cancellation of shares held in treasury	Resolution	Approved
Revision to CSR committee regulations	Resolution	Approved
Donation	Resolution	Approved
Property leasing contract with Samsung Display and compensation for the disposal of a property	Resolution	Approved
Facility development contract with Samsung Display	Resolution	Approved
Result of the holding company review	Reported item	-

**5<sup>th</sup> meeting: Jun 12, 2017**

Agenda Item	Type	Result
Property leasing contract with Samsung Display	Resolution	Approved
Approval of test facility supply transactions with Samsung Display	Resolution	Approved

**6<sup>th</sup> meeting: Jul 27, 2017**

Agenda Item	Type	Result
Approval of the 1H17 financial statements, half-year business report and June quarterly dividend	Resolution	Approved
Buyback and cancellation of treasury stocks	Resolution	Approved
Application for property insurance	Resolution	Approved
Panel development contract with Samsung Display	Resolution	Approved

## 5. Committees

### Composition

The Board has established six committees in accordance with Article 28-2 of the Articles of Incorporation and Article 11-2 of the Regulations of the Board, and has delegated certain responsibilities to the committees to ensure efficient operation of the Board. Information about the committees and their compositions are listed below.

Committee	Composition	Members	Responsibility and Authority
Management Committee	3 Executive Directors	Oh-Hyun Kwon, Boo-Keun Yoon, Jong-Kyun Shin	See below
Audit Committee	3 Independent Directors	In-Ho Lee, Han-Joong Kim, Kwang-Soo Song	See below
Independent Director Recommendation Committee	3 Independent Directors, 1 Executive Director	Han-Joong Kim, Byeong-Gi Lee, Jae-Wan Bahk, Oh-Hyun Kwon	See below
Related Party Transactions Committee	3 Independent Directors	In-Ho Lee, Han-Joong Kim, Kwang-Soo Song	See below
Compensation Committee	3 Independent Directors	Kwang-Soo Song, In-Ho Lee, Byeong-Gi Lee	See below
Governance Committee	5 Independent Directors	Byeong-Gi Lee, In-Ho Lee, Han-Joong Kim, Kwang-Soo Song, Jae-Wan Bahk	See below

### Management Committee

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

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

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

#### Independent Director Recommendation Committee

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

#### Related Party Transactions Committee

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

- Right to receive reports on related party transactions:  
 The Committee can request reports on related party transactions with affiliates
  - ※ According to the Monopoly Regulation and Fair Trade Act, the Related Party Transactions committee is permitted to conduct preliminary reviews of and approve related party transactions worth KRW 5 billion and over, and other transactions that are deemed significant
- Right to order ex officio investigation of related party transactions
- Right to propose corrective measures for related party transactions

#### Compensation Committee

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

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

## Governance Committee

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

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



## Committee Activities

### Management Committee (2016)

Date	Agenda Item	Type	Result
Jan 28	- Greenhouse gas emissions trading - Liquidation of a subsidiary - Establishment of a regional office	Resolution Resolution Resolution	Approved Approved Approved
Feb 17	- Patent license agreement - Memory investment	Resolution Resolution	Approved Approved
Mar 30	- Establishment of a regional office - Additional investment in Pyeongtaek complex	Resolution Resolution	Approved Approved
Apr 28	- Memory investment	Resolution	Approved
May 20	- Stake acquisition of a regional office - Establishment of a subsidiary	Resolution Resolution	Approved Approved
Jun 9	- Stake acquisition of a regional office - Memory investment - Closing of shareholder register for June quarterly dividends	Resolution Resolution Resolution	Approved Approved Approved
Jun 29	- Patent license agreement - Establishment of a regional office - Real estate contract	Resolution Resolution Resolution	Approved Approved Approved
Jul 28	- Memory investment and investment in a subsidiary - Liquidation of a subsidiary - Liquidation of a marketing corporate entity	Resolution Resolution Resolution	Approved Approved Approved
Aug 11	- Stake acquisition of a subsidiary	Resolution	Approved
Sep 1	- Disposal of assets	Resolution	Approved
Sep 28	- Establishment of a subsidiary - Stake acquisition of a subsidiary - Real estate contract	Resolution Resolution Resolution	Approved Approved Approved
Oct 24	- Liquidation of a subsidiary - Memory investment	Resolution Resolution	Approved Approved
Nov 29	- Additional investment in Pyeongtaek complex - S.LSI investment	Resolution Resolution	Approved Approved
Dec 20	- Memory investment ※ Reported item - Proposals from investors	Resolution  -	Approved  -

### Management Committee (2017)

Date	Agenda Item	Type	Result
Jan 24	- Memory investment - S.LSI investment	Resolution Resolution	Approved Approved
Feb 24	- Memory investment - Liquidation of an overseas subsidiary	Resolution Resolution	Approved Approved
Mar 8	- Closing of shareholder register for quarterly dividends	Resolution	Approved
Apr 24	- S.LSI Investment - Investment in Pyeongtaek complex - Capital increase for regional office - Rental contract	Resolution Resolution Resolution Resolution	Approved Approved Approved Approved
Jun 12	- Memory investment - Investment in a test and packaging center	Resolution Resolution	Approved Approved

	- Closing of shareholder register for quarterly dividends - Withdrawal of a subsidiary liquidation plan	Resolution Resolution	Approved Approved
Jul 27	- Memory Investment - Construction of parking facilities at Hwasung campus - Establishment of a regional office - Establishment of a regional office	Resolution Resolution Resolution Resolution	Approved Approved Approved Approved
Aug 28	- Investment in a regional office - Lifting of limits on account receivable collateral loans	Resolution Resolution	Approved Approved
Sep 12	- Closing of shareholder register for quarterly dividends	Resolution	Approved

#### Independent Director Recommendation Committee (2016)

Date	Agenda Item	Type	Result
Jan 28	- Deadline for recommendation of Independent Director candidates	Resolution	Approved
Feb 5	- Recommendation of Independent Director candidates	Resolution	Approved

※ In March 2016, Eun-Mee Kim retired upon the expiration of her term, and Jae-Wan Bahk was newly appointed as an Independent Director. Independent Director Recommendation Committee meetings were not held in 2017, as there were no Independent Director candidates to be elected.

### Related Party Transactions Committee (2016)

Date	Agenda Item	Type	Result
Jan 27	- Prior review on large-scale related party transactions 1) Disposal of Samsung Card shares	Deliberation	-
	- Report on 4Q15 related party transactions	Reported item	-
Feb 12	- Prior review on large-scale related party transactions 1) Approval of changes in large-scale goods and services transactions in 2016	Deliberation	-
Mar 11	- Prior review on large-scale related party transactions 1) Cancellation of real estate lease contracts with Samsung Life Insurance 2) Donation	Deliberation	-
Apr 27	- Approval items 1) Appointment of the head of Related Party Transactions Committee	Resolution	Approved
	- Prior review on large-scale related party transactions 1) Acquisition of Samsung Biologics shares 2) Donation to Sungkyunkwan University 3) Property leasing contract with Samsung Life Insurance	Deliberation	-
	- Report on 1Q16 related party transactions	Reported item	-
May 20	- Prior review on large-scale related party transactions 1) Property leasing contract with Samsung Display 2) Approval of greenhouse gas emissions trading with Samsung Display	Deliberation	-
Jul 27	- Prior review on large-scale related party transactions 1) Application for property insurance 2) Application for Venture Capital Union	Deliberation	-
	- Report on 2Q16 related party transactions	Reported item	-
Sep 12	- Prior review on large-scale related party transactions 1) Disposal of Samsung Biologics shares	Deliberation	-
Oct 26	- Prior review on large-scale related party transactions 1) Participation in Samsung Heavy Industries rights offering 2) Purchase of shares 3) Property leasing contract with Samsung Securities 4) Sale of real estate to Samsung Life Insurance 5) Application for Venture Capital Union 6) Donation to Samsung Life Public Welfare Foundation	Deliberation	-
	- Report on 3Q16 related party transactions	Reported item	-
Nov 29	- Prior review on large-scale related party transactions 1) Approval of large-scale goods and services transactions in 2017 2) Payment of retirement pensions	Deliberation	-

### Related Party Transactions Committee (2017)

Date	Agenda Item	Type	Result
Jan 23	- Report on 4Q16 related party transaction	Reported item	-
Feb 22	- Prior review on large-scale related party transactions 1) Application for product liability insurance	Deliberation	-
Apr 26	- Prior review on large-scale related party transactions 1) Donation 2) Property leasing contract with Samsung Display and compensation for the disposal of a property	Deliberation	-
	- Report on 1Q17 related party transactions	Reported item	-
Jun 12	- Prior review on large-scale related party transactions 1) Property leasing contract with Samsung Display	Deliberation	-

Jul 26	- Prior review on large-scale related party transactions 1) Application for property insurance - Report on 2Q17 related party transactions	Deliberation Reported item	- -
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#### Compensation Committee (2016)

Date	Agenda Item	Type	Result
Feb 05, 2016	- Prior review on 2016 remuneration ceiling for Directors	Resolution	Approved

#### Compensation Committee (2017)

Date	Agenda Item	Type	Result
Feb 22, 2017	- Appointment of head of the Independent Director Recommendation Committee	Resolution	Approved
	- Prior review on 2017 remuneration ceiling for Directors	Resolution	Approved

#### Governance Committee (2016)

Date	Agenda Item	Type	Result
Apr 28	- Review on establishment of Risk Management Council	Deliberation	-
May 20	- Review on risk management plans	Deliberation	Approved
	- Research results and findings of the 2nd term research committee for the advancement of corporate ecosystem	Reported item	-
Jul 28	- Establishment of CSR Risk Management Council	Resolution	Approved
Nov 29	- Report on 4Q16 results of CSR Risk Management Council	Reported item	-

※ The Governance Committee was expanded from the CSR committee and will carry out activities to increase shareholder value in addition to the activities previously handled by the CSR Committee.

#### Governance Committee (2017)

Date	Agenda Item	Type	Result
Feb 24	- Report on 1Q17 results of CSR Risk Management Council	Reported item	-
Apr 27	- Report on updates of IR activities	Reported item	-
	- Report on 2Q17 results of CSR Risk Management Council	Reported item	-
Jun 12	- Review on establishment of corporate governance charter	Resolution	Approved
	- Review on Governance Committee operation	Resolution	Approved
Jul 27	- Report on updates of IR activities	Reported item	-
	- Report on 3Q17 results of CSR Risk Management Council	Reported item	-

※ For information on the Audit Committee, please refer to the 『IV. Audit System - 1. Internal Auditor』 section.

## 6. Evaluation and Remuneration of Independent Directors

### Evaluation of Independent Directors

The Board and its committees undergo self-evaluations on their annual activities to check for any deficiencies in the Board's operations or violations of relevant laws, the Articles of Incorporation, the Regulations of the Board, or the regulations of each committee, and to identify ways to improve the effectiveness of the Board. The evaluation of Independent Directors is conducted every year and measures the performance of each Director, including attendance rate, contributions, and independence. The results are used to better support the Independent Directors in performing their duties and to review whether the composition of the Board and its committees are appropriate. This is ultimately aimed at improving the efficiency of the Board.

### Remuneration of Independent Directors

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

Under Company policy, an Independent Director's remuneration is not tied to his performance. Rather, it is predetermined in order to avoid any inhibitions that may impede participation if compensation is based on performance. Remuneration of Independent Directors is limited to base salary and business-related expenses.

Remuneration paid to Independent Directors in 2016 is as follows:

(Unit: KRW million)

	Number of persons	Total amount of remuneration	Average remuneration per Director
Independent Directors (excluding members of the Audit Committee)	2	188	90
Members of the Audit Committee	3	256	85

※ "Number of persons" is the number of Independent Directors as of the end of 2016, but "Total amount of remuneration" (excluding members of the audit committee) includes the remuneration of Eun-Mee Kim, who retired in March 2016.

### Cases of Noncompliance (no external evaluation system of Independent Directors)

The Company regularly evaluates the performance of Independent Directors based on criteria such as meeting attendance, contributions, and independence, and does not conduct separate external evaluations.

## 1. Internal Auditor

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### Audit Committee

#### Composition

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

#### Authority

The Audit Committee has the following authorities in order to fulfill its duties.

- ① Authority to audit business of the Company: The committee can audit overall business of the Company, including tasks performed by the Board and the CEO.
- ② Authority to request reports on the business status of the Company and investigate assets of the Company: The committee can request Directors or employees to submit reports on the business operated by the Company or investigate the businesses or assets of the Company.
- ③ Authority to receive reports from Directors: Directors shall report to the committee immediately if they find any risks that can have a material impact on the Company.
- ④ Authority to investigate subsidiaries of the Company: A committee of a parent company can request that a committee of a subsidiary submit reports on the company's business, when deemed necessary to perform its duties. When the subsidiary company does not immediately report the business, or the report needs additional checking, the committee can investigate the business or assets of the subsidiary.
- ⑤ Authority to request a halt of any acts in violation of laws and regulations or the Articles of Incorporation: When a Director's action is in violation of laws or Articles of Incorporation and causes damages that cannot be redeemed, the Committee can request the Director to stop these acts.
- ⑥ Authority to Institute Various Actions: The Committee can institute an action such as a cancellation of convocation, nullification of issuing new shares, or nullification of a capital reduction, and is exempted from collateral obligations.
- ⑦ Authority to request the convocation of a general meeting of shareholders: The Committee can request the convocation of an EGM by submitting a written proposal in which agenda items and reasons for convocation are stated to the Board.
- ⑧ Authority to seek external advice at the expense of the Company
- ⑨ Authority to recommend candidates for external auditors
- ⑩ Any other authority granted to the committee by relevant laws and regulations, the Articles of Incorporation or a Board resolution

## Activities of the Audit Committee

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

The Audit Committee held six meetings in 2016, and all Committee members attended the meetings and held discussions on fifteen agenda items, including one item to be considered and fourteen deliberation items. Results of meetings are reported to all Directors within two days from the resolution date. Outcomes of deliberation and progress by agenda item are recorded in the minutes.

The Audit Committee shall meet at least once every quarter, and the head of the Committee shall convene a meeting. The head notifies the members of the meeting time and place at least 24 hours in advance via document, electronic document, fax, or other means of receiving delivery confirmation. However, the meeting notification may be skipped with the consent of all Committee members.

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

### < Major Activities of the Audit Committee in 2016 >

Date	Agenda	Type	Result
Jan 27	- Report on 2015 financial statements and annual business report - Report on 2015 internal accounting management system activities - Report on 4Q15 non-audit activities - Report on 2015 audit activities	Reported item Reported item Reported item Reported item	- - - -
Feb 12	- Review of the 47th AGM agenda - Assessment of 2015 activities of internal compliance system	Deliberation Reported item	- -
Apr 27	- Appointment of the head of Audit Committee - Report on 1Q16 financial statements and business report - Report on 1Q16 non-audit activities	Approved Reported item Reported item	Approved - -
Jul 27	- Report on 1H16 financial statements and half-year business report - Report on 2Q16 non-audit activities - Report on 1H16 audit activities	Reported item Reported item Reported item	- - -
Sep 12	- Review of the 48th EGM agenda	Deliberation	-
Oct 26	- Report on 3Q16 financial statements and business report - Report on 3Q16 non-audit activities	Reported item Reported item	- -

<Major Activities of Audit Committee in 2017>

Date	Agenda	Type	Result
Jan 23	- Report on 2016 financial statements and annual business report - Report on 2016 internal accounting management system activities - Report on 4Q16 non-audit activities - Report on 2016 audit activities - Report on plans to appoint external auditor	Reported item Reported item Reported item Reported item Reported item	- - - - -
Feb 22	- Approval of appointment of external auditor	Resolution	Approved
Feb 24	- Review on the 48th AGM agenda - Assessment of 2016 activities of internal compliance system	Deliberation Reported item	- -
Apr 26	- Report on 1Q17 financial statements and business report - Report on 1Q17 non-audit activities - Report on 1Q17 external contributions	Reported item Reported item Reported item	- - -
Jul 26	- Report on 1H17 financial statements and half-year business report - Report on 2Q17 non-audit activities - Report on 2Q17 external contributions - Report on 1H17 audit activities	Reported item Reported item Reported item Reported item	- - - -

### Other internal support and auditors

The Company has appointed a compliance officer, in accordance with Article 542-13 of the Commercial Act, to ensure that the Company is adhering to compliance guidelines. The compliance officer shall observe whether the management, executives and employees are abiding by the laws and regulations and whether the Company is being managed properly, and report the outcomes to the Board.

<Compliance Officer>

Name	Current Position	Academic Background	Appointment Date
Sang-Joo Lee	Corporate Compliance Team leader at Samsung Electronics Legal Affairs Office	Doctor of Law (School of Law, Korea University) / Master of Public Administration (Graduate School of Public Administration, Harvard University)	Jan 28, 2016

Also, the Company has an internal audit team to support the audit activities of the Audit Committee. The team audits performances of the Company's organizations through regular, ad-hoc, and special audits, and reports the results to the Audit Committee twice a year.



## 2. External Auditor

### Appointment procedure for an external auditor

As a listed company, we appoint and allow an external auditor to conduct audits for three consecutive business years, in accordance with Article 4-2 of Act on External Audit of Stock Companies (Appointment of Auditor of Stock-Listed Corporation). The Audit Committee approves the appointment of an external auditor.

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

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

### Independence of the external auditor

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

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

Below is detailed information regarding the contract for non-audit services with Samil PwC since 2016.

< Non-Audit Service Contract Description >

(Unit: KRW million)

Business year	Contract date	No-audit service description	Period of service	Compensation
49 <sup>th</sup> (first half)	Jan 2017	Tax Advisory	Jan-Jun 2017	28
	Dec 2016	Custom Tax Advisory, etc.	Jan-Jun 2017	251
	Subtotal			279
48 <sup>th</sup> (previous year)	Dec 2016	Tax Advisory	Dec 2016	220
	Feb 2016	Custom Tax Advisory, etc.	Jan-Dec 2016	1,133
	Subtotal			1,353

### Attendance of the external auditor at the AGM

Although mandatory attendance of the external auditor is not stipulated in the Articles of Incorporation, the external auditor at the Company's request has attended the AGM every year.

## Process of reporting important information identified during external auditor's activities

The Audit Committee receives direct reports from Samil PwC after each quarter's closing audit, and has a question-and-answer session on important matters. If necessary, the Committee requests an additional review by the accounting firm on accounting books and related documents and receives the results of the review.

Samil PwC reported the results of the financial statement audit for the business year 2015 at the first Audit Committee meeting held on January 27, 2016. At the 3<sup>rd</sup> Audit Committee meeting held on April 27, 2016, the accounting firm reported the results of financial statement audit for the first quarter of 2016, while the results of financial statement audit for the first half were reported at the 4th Audit Committee meeting held on July 27, 2016, and the results of financial statements audit for the third quarter were reported at the 6th Audit Committee meeting held on October 26, 2016.

In 2017, the financial statements audit results for the business year 2016 were reported at the 1st Audit Committee meeting held on January 23, and the results for the first quarter of 2017 were reported at the 4<sup>th</sup> Audit Committee meeting held on April 26. The results of the financial statement audit for the first half were reported at the 5<sup>th</sup> Audit Committee meeting held on July 26, 2017.

# Other Matters Related to Corporate Governance

## Fulfilling corporate social responsibility

The Company commits to its corporate social responsibility by actively addressing demands from both internal and external stakeholders, including shareholders, customers, and the local community. As a part of this effort, the Company has established a set of relevant policies such as the Child Labor Prohibition Policy (June 2014), Guidelines for Apprenticeship Training (April 2016), and Migrant Worker Guidelines (December 2016).

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

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

## Compensation system of employees

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

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

< Total compensation of employees >

(Unit: KRW billion)

Year	Total compensation	Income before taxes	Ratio	Number of employees	Average compensation per employee (KRW million)
2015	9,959.5	14,352.6	69.4%	98,895	101
2016	10,240.6	14,725.1	69.5%	95,460	107

※ Income before taxes, the number of employees, and total compensation are based on employees at the Company's Headquarters and excludes four Executive Directors.

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