

2008-2009

# SUSTAINABILITY REPORT

SAMSUNG ELECTRONICS

Harmony with  
People,  
Society &  
Environment



# About This Report

## **This is the Second Sustainability Report of Samsung Electronics.**

Celebrating its 40<sup>th</sup> anniversary, Samsung Electronics continues its endeavors to overcome the global economic crisis and to solidify its global presence and reputation as a world leading company. This report conveys the efforts and sustainability performances of the company during the year 2008. Opinions and suggestions for the improvement of this report are welcomed.

### **Reporting Principles**

Compiled with the G3 Guidelines of the Global Reporting Initiative (GRI) and AA1000APS, the 2009 Samsung Electronics Sustainability Report includes the company's profiles as well as its economic, environmental, and social performance indicators to ensure the full sharing of information across all sectors. As a new feature in comparison with the previous report, this report contains the company's CSR vision and strategies. The financial data included in this report generally represents the corporation's consolidated figures that encompass the performances of Samsung Electronics' overseas plants. The environmental and social performance information mainly reflects the domestic subsidiaries of Samsung Electronics. The data that pertains only to the performance of its Global has been footnoted accordingly. Samsung Electronics will continue to strengthen its data collecting process to expand the scope of its reporting for future periods.

### **Reporting Period**

The reporting period covers all business activities from January 1 to December 31, 2008. Quantitative data is reported in three year trends from 2006 to 2008. The qualitative data primarily focuses on the year of 2008, with some coverage extending to March, 2009, where appropriate.

### **Report Preparation Process**

In preparation of this report, a task force team was organized consisting of staff from all pertinent departments to analyze stakeholder opinions on the company. Based on the analysis results, major sustainability issues were identified for this report. Samsung Electronics acquired an assurance statement by an independent professional organization, certifying the credibility of the report's contents. The statement is available on pages 78~79.

For further details on this report, please visit the company's website at <http://www.samsung.com/us/aboutsamsung/index.html>.

## For More Information and Websites

Information	Website
IR website	<a href="http://www.samsung.com/sec/aboutsamsung/ir/newsMain.do">www.samsung.com/sec/aboutsamsung/ir/newsMain.do</a>
Anycall Dreamers	<a href="http://www.anycalldreamers.com">www.anycalldreamers.com</a>
Zaigenia	<a href="http://cafe.naver.com/zaigenia">http://cafe.naver.com/zaigenia</a>
Prinity (Samsung Printer Panel)	<a href="http://www.prinity.com">www.prinity.com</a>
Energy Star	<a href="http://www.energystar.gov">www.energystar.gov</a>
Chinese Energy Conservation Program	<a href="http://www.cecp.org.cn">www.cecp.org.cn</a>
Semiconductor Business Website	<a href="http://www.samsung.com/sec/business/semiconductor/index.html">www.samsung.com/sec/business/semiconductor/index.html</a>
Mobile phone Business Website	<a href="http://Uk.samsungmobile.com">Uk.samsungmobile.com</a>
Star Programme (recovery of waste toner cartridges)	<a href="http://www.samsung.com/printer/star">www.samsung.com/printer/star</a>
Recovering and recycling of scrapped mobile phones	<a href="http://www.samsungmobile.com">www.samsungmobile.com</a>

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Amidst the brisk endeavors in the business sector to make sure that companies' business activities are aligned with sustainable development, a growing number of stakeholders are demanding that corporations take on greater responsibilities for the social and environmental impacts of their businesses. In answer to that social call, Samsung Electronics has improved its internal processes to better collect and listen to its stakeholder's opinions and has prepared its company-wide sustainability vision and strategies in reflection of this feedback.



The five major categories stated above which are addressed in this 2009 Sustainability Report – Integrity Management, Green Management, Social Contributions, Products & Services, and Partner Collaboration – were identified in consideration of their social priority and impact on the business operations of Samsung Electronics. This report further segmented the five major categories into nine material issues: building a creative corporate culture; respecting global diversity; addressing climate change; realizing green convergence; pursuing a happier society; strengthening product competitiveness; innovative customer satisfaction service; strengthening the Win<sup>3</sup> partnership; and supporting the innovation initiatives of its partners.

## CEO Message

# Dear Stakeholders, I'd like to first express my appreciation for your continued support and encouragement.

We are publishing this 2009 Sustainability Report to share our business activities and performances in the areas of the economy, the environment and the society with our stakeholders, under the belief that corporate sustainable management begins with open communications with its stakeholders.

"Sustainability Management" has become the key to successful business operations in recent years, drawing global environmental and social issues into the spotlight, demanding greater corporate responsibility in the conduct of its business. In response to the social call, we are committed to our endeavors in partner collaboration for the benefit of all stakeholders as reflected in our management philosophy of "Devoting its talent and technology to creating superior products and services that contribute to a better global society."

In 2008, Samsung Electronics made consistent progress in the development of its major strategic business sectors of Semiconductors, Mobile Phones, LCDs and TVs by introducing innovative products that create new consumer values and improving the efficiency of its global supply chain.

In the Green Management initiatives, we have acquired environmental certificates for 1,900 models in eight major product groups in Europe and the U.S. Our activities for a green workplace, energy conservation and greenhouse gas emission reduction have also contributed to solidifying the foundation for green growth.

From a social aspect, we reinforced mutual trust-based partnerships with our business partners, while proactively carrying out diverse support programs for its less privileged neighbors and volunteer activities in local communities. In particular, we offer technology classes and consulting sessions for youth in Korea and overseas, helping them prepare for the future. We have spent KRW 191.0 billion, in these social contribution activities.

In 2008, we also reorganized our sustainability management organization, laying the groundwork for our leadership in digital convergence innovation, customer satisfaction and corporate citizenship.

**“Samsung Electronics creates new values for all its stakeholders and contributes to building a prosperous and happier future.”**

Our extensive initiatives in the economic, environmental and social arenas were widely recognized in the number of awards we received. Most notably, we were named as one of the “World’s 50 Most Admired Companies” by Fortune Magazine in May 2009. Not content to rest on this laurel, we will continue in the company’s efforts to live up to its reputation as a leading global company. I’d like to take this opportunity to deliver our deepest appreciation for the continued interest and support of our valued stakeholders in this report and our sustainability management. While actively listening to and collecting the opinions of our stakeholders, we will strive to become a highly respected and admired company in the eyes of the world and our customers.

We appreciate your continued support and encouragement as we surmount our challenges and create a new and prosperous future.

Thank you.



Yoon-Woo Lee  
Vice Chairman & CEO, Samsung Electronics

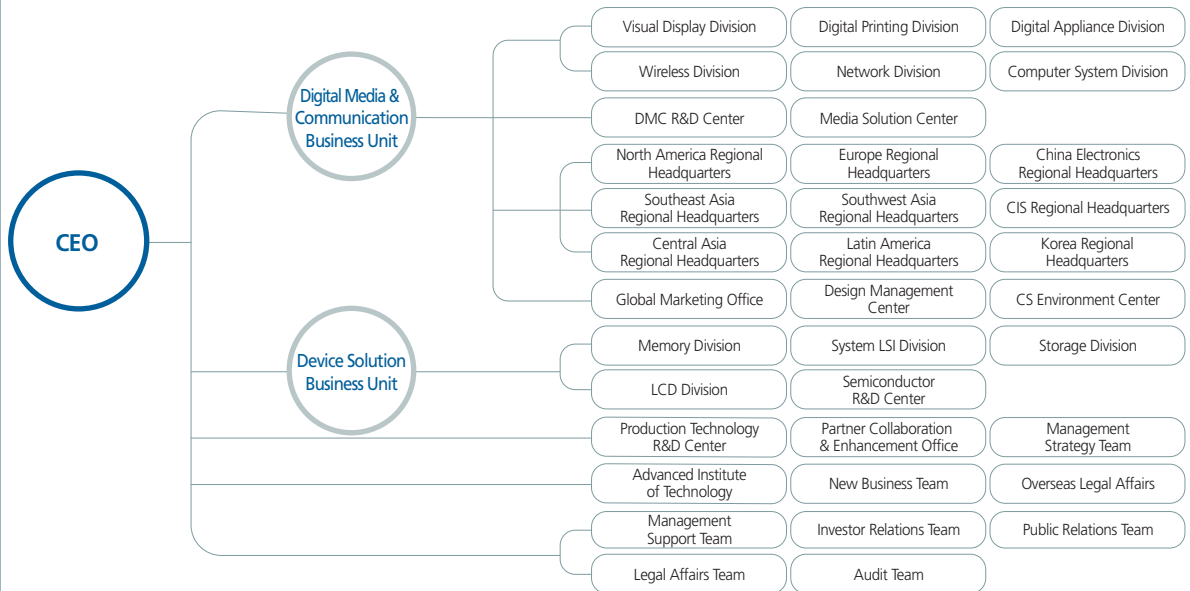


# About Samsung Electronics

## Company Overview

Founded in 1969 in Suwon, Gyeonggi-do, Korea, Samsung Electronics Co., Ltd. manufactures and sells a wide variety of electronic products, communication devices, and semiconductors. In January 2009, we restructured our organizational structure to better reflect the respective characteristics of each business sector and the common technology, market and customer base denominators within its businesses, thereby creating synergies. The previous six division-based system was separated into a Digital Media & Communications (DMC) business unit and a Device Solution (DS) business unit.

Today, its global presence includes a total of 111 subsidiaries in the form of production subsidiaries, sales subsidiaries, distribution subsidiaries, research laboratories and eight overseas business divisions representing North America, Europe, China, Southeast Asia, Southwest Asia, Central and South America, CIS, the Middle East and Africa.



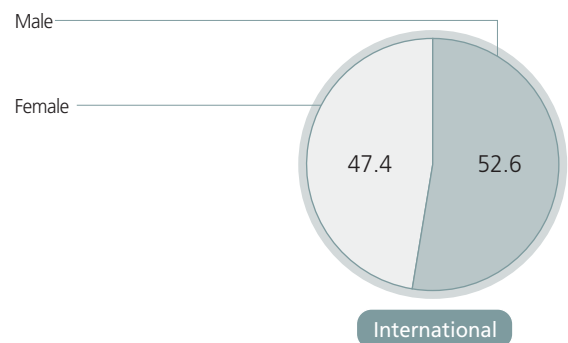
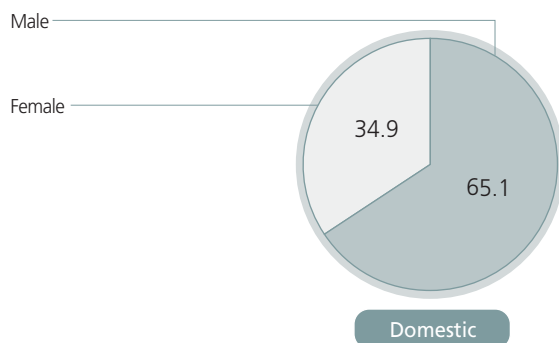
\* As of January 2009

## Employment Status

As of the end of 2008, Samsung Electronics' total global employment stands at 161,700, which break down into 84,464 working in Korea (80,084 regular workers, 900 contractors, 3,356 interns and 124 others) and 77,236 overseas (65,746 regular workers, 2,008 contractors, 4,483 interns and 4,999 temporary workers). Of the total employees, locally-hired employees in overseas plants accounted for 48% and non-regular workforce numbers 39,308 persons consisting of 17,470 in Korea (subcontractors and outsourced) and 21,838 persons overseas (subcontractors, outsourced and promoters). The number is expected to grow further given the corporate policy of global localization and initiatives to recruit a talented, globally diverse workforce. On the other hand, R&D members number 42,100, taking up about 26% of the total staff, of which 34,400 are in Korea. Also aware of the importance and social call for an expanded female workforce, Samsung Electronics sets quotas for female staff by corporate policy. As a result, we expect that the number of female managers and executive members will continuously increase.

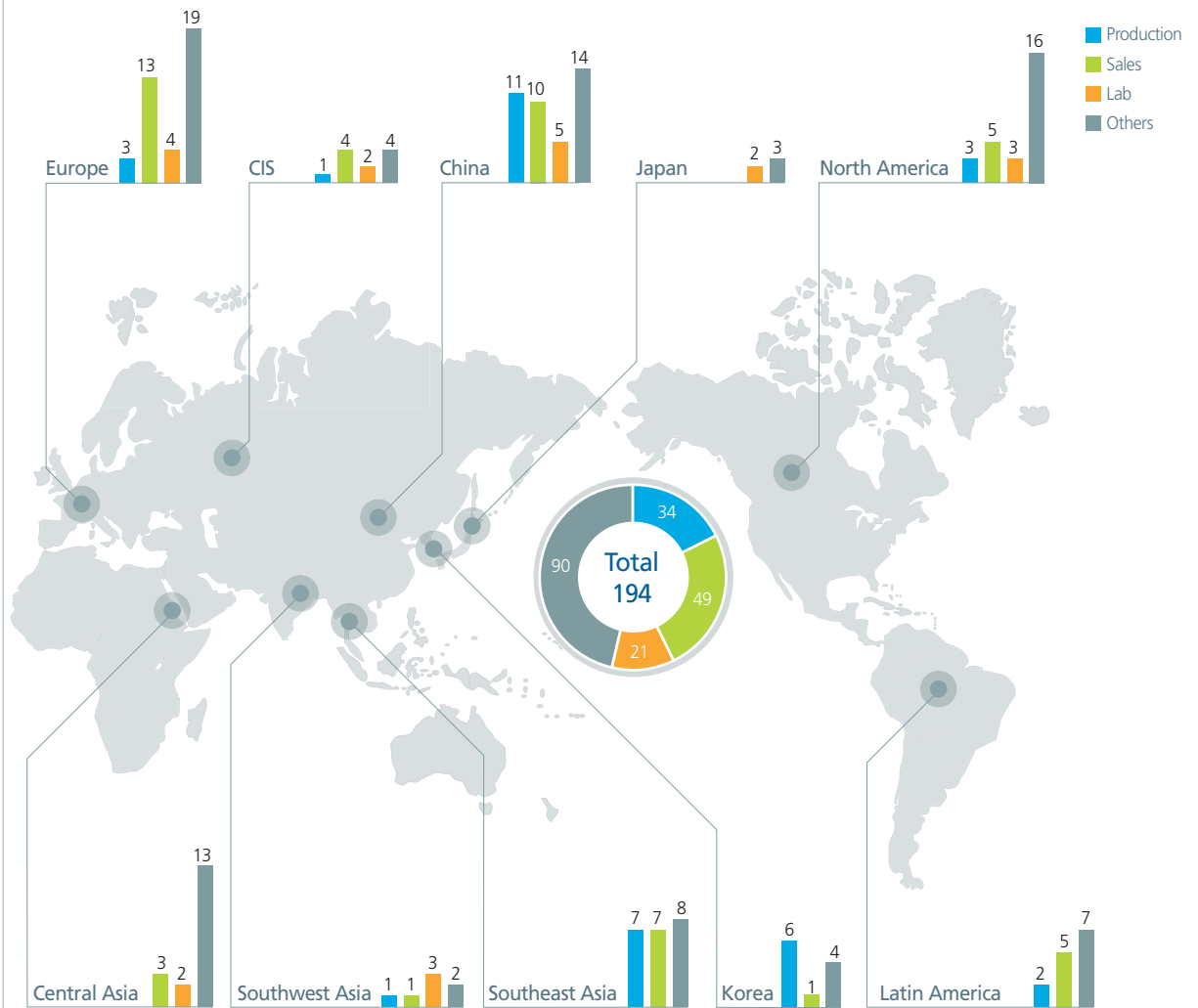
· Out of the 84,464 domestic workforce as of 2008

1. By grade: 935 executives, 23,204 managers, 60,318 staffs
2. By age: 42,894 under 30, 40,829 between 30 and 50, 741 above 50
3. Minority: 486 disabled (0.6%)





## Global Network



### Subsidiaries in Korea

Name	Business	Products & Services	Stake	Reference
Samsung Gwangju Electronics	Production, Sales	Refrigerator, AC, WM, vacuum cleaner, etc.	94%	
Samsung Card	Finance	Credit card, cash advance, credit card loan, lease, bill discount	37%	KRX listed, Samsung Life 28%
Secron	Production, Sales	Semiconductor production equipment, parts for precision casting	51%	Towa 49%
Semes	Production, Sales	Semiconductor production equipment, FPD products (LCD equipment)	63%	Dai Nippon Screen MFG 22%
Steco	Production, Sales	Semiconductor package (TCP, COF)	51%	Toray Industries 49%
Samsung Electronics Service	Service, Wholesale, Retail	Home appliance repair service	83%	
Living Plaza	Sales	Wholesale and retail of electric / electronic products	100%	
Samsung Electronics Logitech	Service, Logistics	Central Distribution Center, Product delivery, installation, recollection, storage, and shipment	100%	
S-LCD	Production, Sales	LCD products	50%	Sony 50%
SEHF Korea	Production, Sales	Optical cables	100%	
Blue Wings F / C	Sports Service	Professional soccer team	100%	



### Production Subsidiaries Overseas

Name	Business	Products & Services	Stake	Location
SAMEX	Production	CTV, monitor, mobile phone	100%	Mexico
SEM	Production, Sales	Refrigerator, AC, etc.	100%	Mexico
SAS	Production	Memory	100%	USA
SERK	Production	CTV, monitor	100%	Russia
SEH	Production, Sales	CTV	100%	Hungary
SESK	Production	CTV, monitor, AV products	100%	Slovakia
SELSK	Production	LCD	100%	Slovakia
TTSEC	Production	CTV	96%	Tianjin (China)
TSED	Production	Monitor	80%	Tianjin (China)
TSEC	Production	AV products	91%	Tianjin (China)
TSTC	Production	Mobile phone	90%	Tianjin (China)
SSDP	Production	Printer	100%	Shandong (China)
SSKMT	Production	Mobile phone	60%	Shenzhen (China)
SEHZ	Production	AV products	100%	Huizhou (China)
SEHF	Production	Optical cables	100%	Hainan (China)
SEHK	Production	CTV, monitor	100%	Zhongshan (China)
SSEC	Production	Refrigerator, AC, etc.	88%	Suzhou (China)
SESC	Production	Computer	100%	Suzhou (China)
SESS	Production	Memory, system LSI, module	100%	Suzhou (China)
SESL	Production	LCD panel	100%	Suzhou (China)
SSW	Production	Semiconductor wafers	50%	Singapore
SEIN	Production, Sales	CTV, monitor, AV products, ODD	100%	Indonesia
TSE	Production, Sales	CTV, monitor WM, kitchen appliances, etc.	92%	Thailand
SAVINA	Production, Sales	CTV, monitor, AV products	80%	Vietnam
SDMA	Production	CTV, monitor	100%	Malaysia
SEMA	Production	Microwave, vacuum cleaner, etc.	100%	Malaysia
SEPHL	Production	ODD	100%	Philippines
SEDA	Production, Sales	CTV, mobile phone, monitor, AV product, HDD, etc.	100%	Brazil
SIEL	Production, Sales	CTV, monitor	100%	India
STI	Production	Mobile phone	100%	India
SEV	Production	Mobile Phone	100%	Vietnam
SSEC-E	Production	SET	100%	Suzhou, China

# Sustainable Management System

## CSR Management

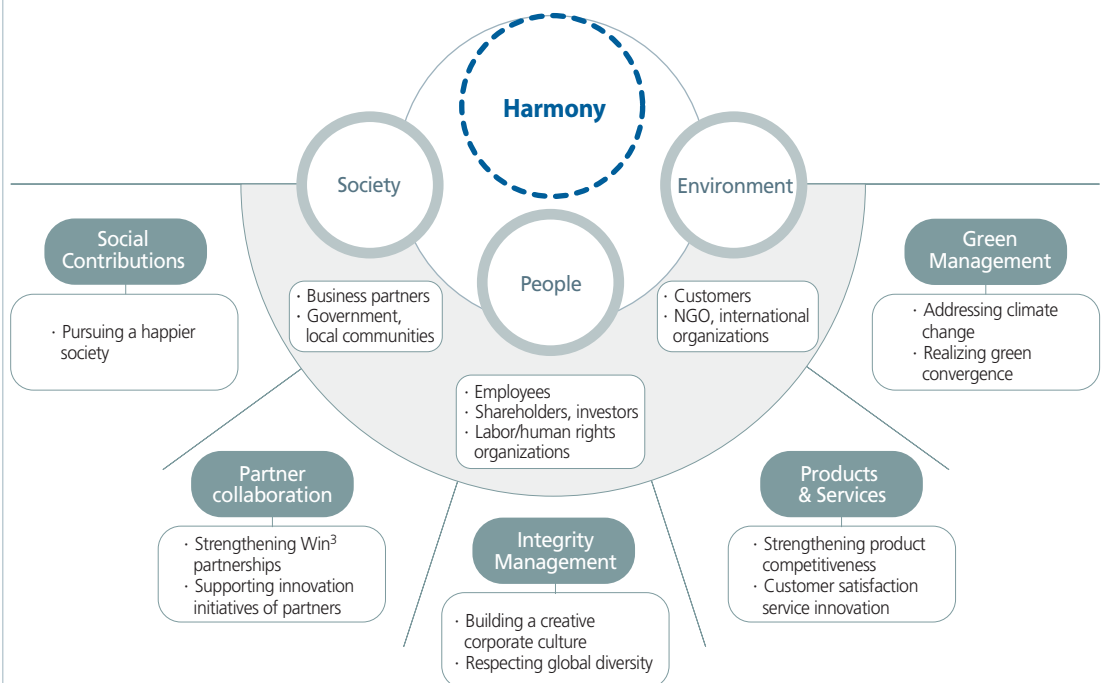
At Samsung Electronics, the aim of CSR management is to promote mutual growth with its stakeholders through Samsung's corporate vision of "Leading Digital Convergence Innovation" and its CSR vision of "Global Harmony with People, Society and Environment," ultimately become a widely respected corporate citizen. To that end, a CSR Liaison Office was set up under the CEO's supervision in January 2009, to build a company-wide consensus and organize its corporate social responsibility practice. With the launch of the CSR Liaison Office, we devised a company-wide CSR mid-term strategy, centralized its CSR communication channels, and established CSR meeting programs as part of its internal CSR infrastructure.

Samsung Electronics' CSR initiatives are classified into Integrity Management, Green Management, Social Contribution, Products & Services and Partner Collaboration with business partners. We ensure that business activities are closely connected with our CSR activities in response to stakeholder needs and major issues. Chaired by the CEO, Partner Collaboration Executive Meetings are held twice a year as official CSR meetings. In the meetings, the executive management in charge of the five CSR initiatives decide on CSR policies, check the performances of each division, and come up with follow up action items and measures reflective of the major CSR issues and trends. Partner Collaboration & Enhancement Office also holds quarterly working-level meetings. Samsung Electronics will continue to share and implement its CSR initiatives while maintaining communications with its stakeholders to collect and reflect their opinions in the company's future CSR activities.



## CSR Strategies

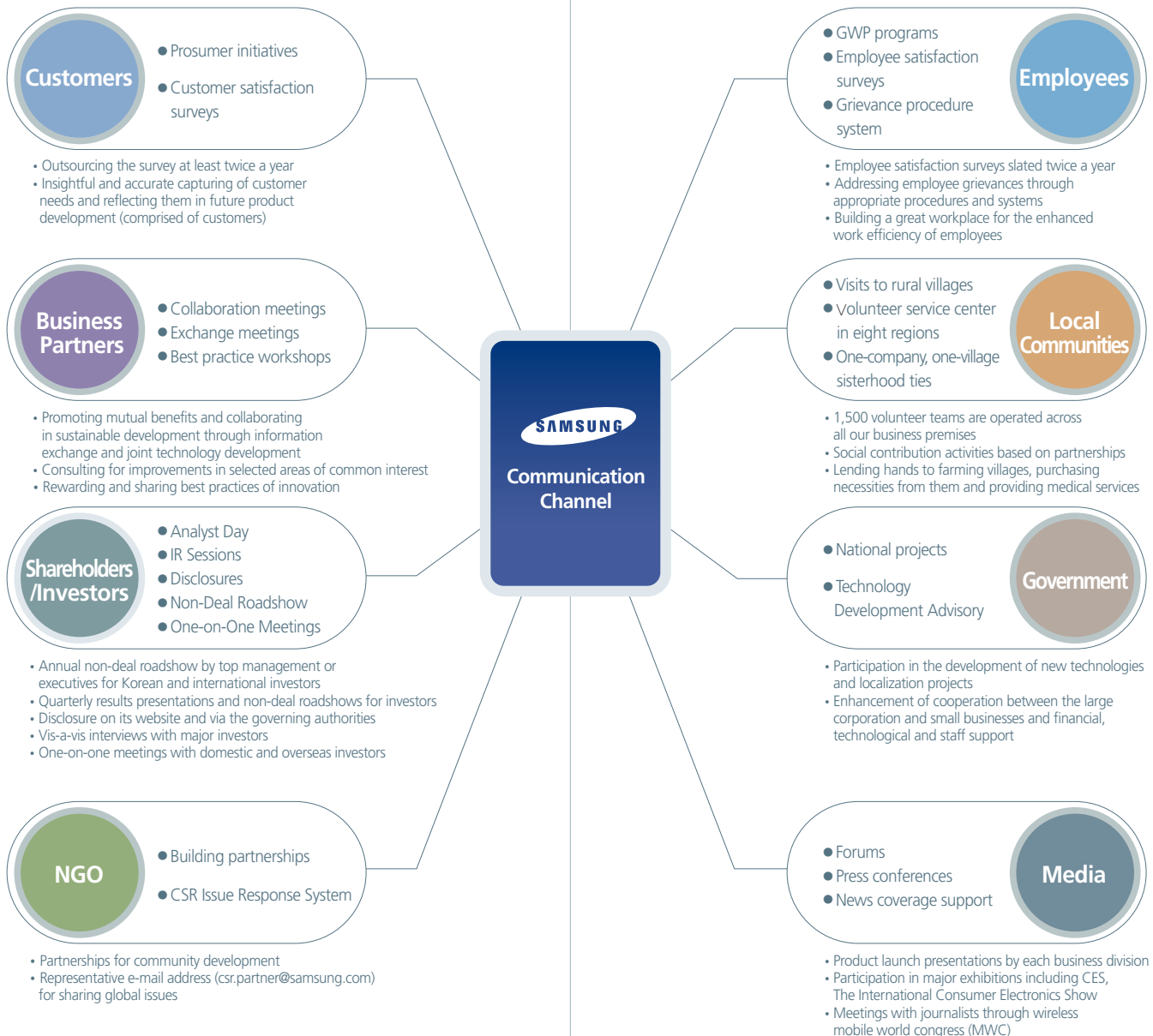
Under the CSR vision of "Global Harmony with People, Society and Environment," Samsung Electronics strives to build a society where people, society and the environment coexist in harmony.



# Stakeholder Engagement

## Stakeholder Communication Channels

Samsung Electronics has expanded and reinforced its communication channels with its stakeholders to listen to and reflect their opinions in its business operations. All suggestions and interests of stakeholders are directly delivered to top management via the internal reporting process. The CSR Liaison Office shares stakeholder opinions and grievances with the pertinent departments by the CSR-NET system to promptly respond to the raised issues.



## Corporate Governance

The Board of Directors is the corporation's highest decision-making body and is assigned the oversight and fiduciary responsibilities under the Korean Commerce Act and the Samsung Electronics Articles of Incorporation. Qualified shareholders can submit proposals to the company through the Board of Directors, which then presents them on the agenda at the General Shareholders Meeting for consideration and approval.

### ● Composition of BOD

As of March 2009, five out of nine BOD members are independent directors to ensure the independency and transparency of the Board's decision-making process. The composition changed from seven independent directors to the current five outside directors as decided in the 2009 Regular General Shareholders' meeting in order to more flexibly respond to rapidly-changing business environments and enhance the operating efficiency of the BOD. Under the Articles of Incorporation, the Outside Directors Recommendation Committee first selects candidates from a pool of professionals with expertise or experience in business management, economics, accounting, law, or relevant technologies, and then submits their final candidates for the approval of the shareholders at the General Shareholders Meeting. The independent directors conduct separate meetings of their own to work on their recommendations.

All directors are prohibited from engaging in business activities within the same industry without the approval of the board. This arrangement is to prevent conflict of interests, as specified in the Korean Commerce Act and the Samsung Electronics Articles of Incorporation.

List of Directors				
Title	Name	Gender	Position	Tasks
CEO, Vice Chairman	Yoon-Woo Lee	M	Head of DS Business Unit and chairman of the board of directors	Overall corporate management and Device Solution (DS) management
President	Gee-Sung Choi	M	Head of DMC Business Unit	Digital Media & Communication (DMC) management
President	Ju-Hwa Yun	M	Audit Team manager	Corporate Auditing
Vice President	Sang-Hoon Lee	M	Business Support Team manager	Overall corporate strategy
Independent Director	Kap-Hyun Lee	M	Former President & CEO / Korea Exchange Bank	Overall management
Independent Director	Dong-Min Yoon	M	Attorney-at-law / Kim & Chang Law Office	Overall management
Independent Director	Chae-Woong Lee	M	Professor of Economics / Sung Kyun Kwan University	Overall management
Independent Director	Goran S. Malm	M	Chairman & CEO / Boathouse Ltd.	Overall management
Independent Director	Oh-Soo Park	M	Professor of Business Admin / Seoul National University	Overall management

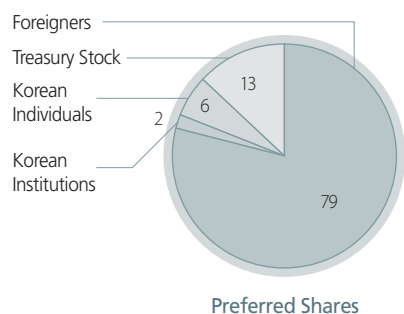
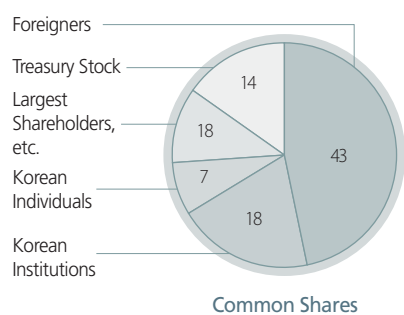
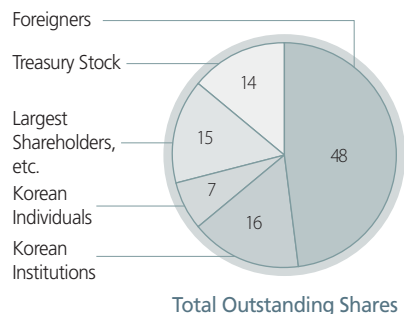
Corporate Governance and IR Awards		
Organization	Date	Awards
Finance Asia	June 2008	Best Managed Companies in Korea (No. 1),
		Most Committed to Corporate Governance in Korea (No. 1),
		Best IR in Korea (No. 1),
		Best CFO in Korea (NO. 1)
Money Today	September 2008	Grand prize at the "2008 Money Today IR Awards"
Asia Money	December 2008	Best Overall for Corporate Governance in Korea
		Best for Disclosure and Transparency in Korea
		Best for Responsibilities of Management and the BOD
		Best for Shareholders' Rights and Equitable Treatment
		Best for Investor Relations in Korea
		Best IRO in Korea

### ● BOD Roles and Operation

In 2008, a total of five BOD meetings were held to address 23 agenda items. The three-year average attendance rate (2006-2008) of the BOD stands at 86%. The BOD has four committees: Management Committee, Audit Committee, Outside Director Recommendation Committee, and Internal Transaction Committee. We do not have a separate, dedicated committee for corporate governance, as the function is performed by the Internal Transaction Committee. The Audit Committee, comprised of three independent directors, supervises and supports the management to maximize corporate value.

### Composition of Shareholders

(Unit: %)



### 2008 BOD Committees and Functions

Committee	Functions	Members
Management Committee	Deliberates and decides matters either delegated by the Board of Directors, 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	Yoon-Woo Lee (chair) Gee-Sung Choi, Sang-Hoon Lee
Audit Committee	Conducts auditing functions under the stipulation of governing regulations, Articles of Incorporation and Audit Committee Regulations	Kap-Hyun Lee (chair), Chae-Woong Lee, Oh-Soo Park
Outside Director Recommendation Committee	Recommends candidates for outside director under the governing regulations, Articles of Incorporation and Board of Directors regulations	Chae-Woong Lee (chair), Oh-Soo Park, Yoon-Woo Lee, Gee-Sung Choi
Internal Transaction Committee	Enhances corporate transparency and promotes fair transactions through compliance programs	Kap-Hyun Lee (chair), Chae-Woong Lee, Oh-Soo Park

\* Further details are available at <http://dart.fss.or.kr>

### 2008 BOD Activities

No.	Date	Agenda	Status	Independent Directors Attendance
1	Jan. 15, 2008	Two agenda items including approval of the financial statement and operating report of the 39 <sup>th</sup> Fiscal Year	Approved	7 / 7
2	Mar. 4, 2008	Five agenda items including convening of the 39 <sup>th</sup> general shareholders' meeting	Approved	6 / 7
3	Apr. 25, 2008	Four agenda items including approval of the 1 <sup>st</sup> quarter report of the 40 <sup>th</sup> Fiscal Year	Approved	7 / 7
4	July 25, 2008	Seven agenda items including approval of the 1 <sup>st</sup> half of year financial statements, half-year report, and interim dividend for the 40 <sup>th</sup> Fiscal Year	Approved	7 / 7
5	Oct. 24, 2008	Five agenda items including approval of the 3Q financial statements for the 40 <sup>th</sup> Fiscal Year	Approved	7 / 7

\* Further details are available on our IR website at [http://www.samsung.com/us/aboutsamsung/ir/corporategovernance/boardofdirectors/IR\\_BoardComposition.html](http://www.samsung.com/us/aboutsamsung/ir/corporategovernance/boardofdirectors/IR_BoardComposition.html)

### ● Evaluation and Compensation

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

### ● Shareholder Composition

Samsung Electronics is currently listed on the Korea Exchange (KRX). As of the end of 2008, there were 170,132,764 total shares outstanding, (147,299,337 common stock and 22,833,427 preferred stock). For the convenience of foreign investors, we issue global depository receipts (GDR) in overseas markets. Common stock is traded on the London Stock Exchange and preferred stock is traded on the Luxembourg Stock Exchange. As of the end of 2008, the largest shareholder and related parties owned approximately 15% of the total outstanding shares, including preferred stock. Treasury stock accounts for 14% and foreign shareholders own approximately 48% of the shares.

\* Further details are available on our IR website at [http://www.samsung.com/us/aboutsamsung/ir/corporategovernance/boardofdirectors/IR\\_BoardComposition.html](http://www.samsung.com/us/aboutsamsung/ir/corporategovernance/boardofdirectors/IR_BoardComposition.html)

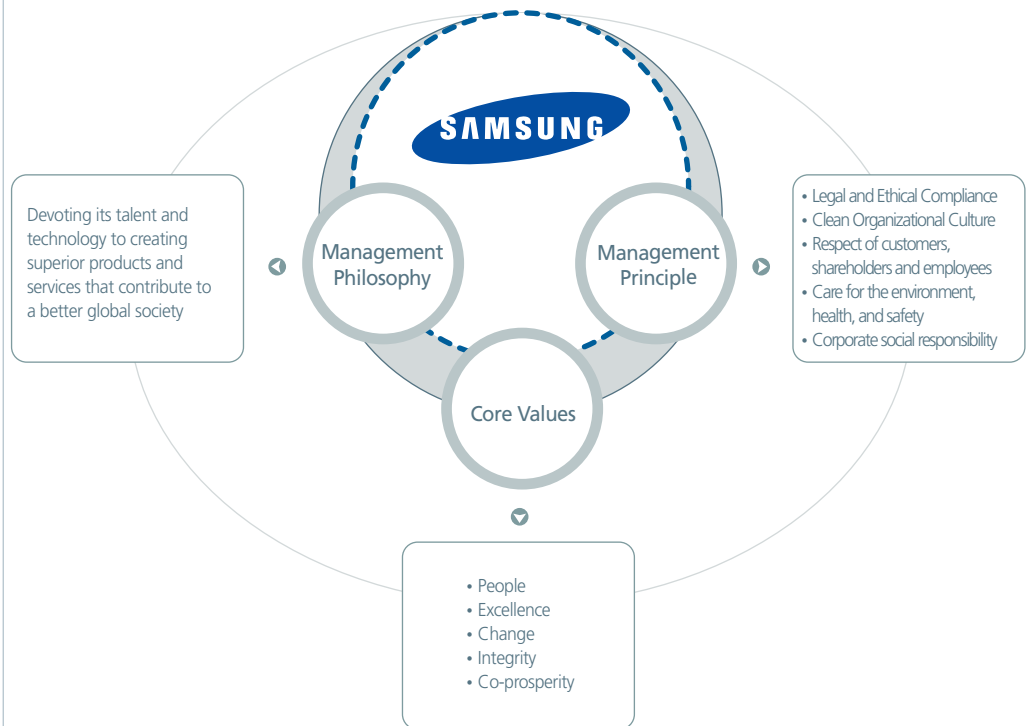
## Corporate Ethics



As a global company with approximately 160,000 employees and operations in 61 countries worldwide, Samsung Electronics is fully committed to complying with local laws and regulations as well as applying a strict global code of conduct to all employees. It believes that ethical management is not only a tool for responding to the rapid changes in the global business environment, but also a vehicle for building trust with its various stakeholders including customers, shareholders, employees, business partners, and local communities. With an aim to become one of the most ethical companies in the world that is respected by its stakeholders, Samsung Electronics continues to train its employees and operate monitoring systems, while practicing fair and transparent corporate management.

### ● Values & Code of Conduct

Samsung Electronics endeavors to become a world leading company by following its management philosophy of “Devoting its talent and technology to creating superior products and services that contribute to a better global society.” Samsung Electronics’ value chain of “Management Philosophy, Core Values and Management Principles” is rooted in this management philosophy and constitutes the spiritual guidelines for all its employees in their effort to realize the corporate vision of being a world leader.



In an expression of its commitment to corporate social responsibility as a world leading company, Samsung Electronics announced the “Five Samsung Business Principles” in 2005. The principles serve as the foundation for its global code of conduct in compliance with legal and ethical standards and the fulfillment of its corporate social responsibilities.

The global code of conduct sets forth detailed behavioral guidelines and judgmental standards for Samsung Electronics’ employees as members of a world leading company. The code of conduct includes elimination of nationality or gender discrimination, transparent disclosure of business information, customer information protection and partner collaboration. All of Samsung Electronics employees will abide by this code of conduct in their relationship with their peers and customers.

## Samsung Electronics Global Code of Conduct

### I . Preface

### II. Samsung Electronics Global Code of Conduct

#### Principle 1.

We comply with all laws and ethical standards.

- 1-1. We respect the dignity and diversity of individuals.
- 1-2. We compete in accordance with the law 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 the 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 prosperous co-existence.
- 5-3. We build relationships of co-existence and co-prosperity with our business partners.

'Appendix' Obligation to observe code of conduct

## Ethical Management Organization & Programs

### ■ Audit System

Samsung Electronics operates an independent audit team to monitor and encourage the ethics practice of the company and its employees. Consisting of experts with more than 10 years of experience in a number of fields, the team utilizes various systems and networks for the efficient auditing of the large-scale organization.

### ■ Cyber Auditors

The Cyber Audit program was launched in 2002 to incorporate integrity into the corporate culture of both domestic and overseas businesses of Samsung Electronics. The web-based portal is now available in five languages including English, Russian, Japanese, Chinese and Bahasa Malaysian and will be further expanded in the future.

The program not only encourages the employees' compliance with the Code of Conduct but also provides behavioral guidelines and defines corruption. It also serves as an online vehicle for the direct reporting of corruption and other irregular activities allowing access for all stakeholders. Reporting can also be made via phone or fax.

### ■ Anti-Corruption Education Program

Samsung Electronics conducts regular anti-corruption education programs for all employees to encourage them to practice ethics in the fulfillment of their daily duties. We produce and distribute educational videos in 22 different languages to help all the locally-hired employees in its overseas plants to fully understand Samsung's Global Code of Conduct. The video contents include the rationale for its Code of Conduct and its five principles, real life infringement cases, related documents, how to access the Cyber Audit program and how to report violations.

### ■ Audit Committee

The Audit Committee is an independent committee under the Board of Directors to support and monitor management in its efforts to maximize corporate values. Its duties include auditing internal accounting functions, evaluating the job performance of directors, requesting submission of operating reports and convocation of the General Shareholders Meeting.





# Major Reporting Areas

## Materiality Test

Samsung Electronics has conducted materiality tests since 2008 to identify important sustainability issues of high social concern that have impact on the company. We identified these issues of high priority to our stakeholders, which have high potential influence on our business, through a three-step procedure.

### Issue Selection

#### In Reflection of External Factors

- Frequency of media exposure: analysis of media coverage of Samsung Electronics between 2006 and 2008 in approximately 88 global media outlets
- Electronic industry analysis: reviewing and benchmarking the sustainability reports and activities of other major electronics / electric companies
- Global trend analysis: identifying major sustainability issues through the study of sustainability guidelines and criteria published by major organizations including the GRI (Global Reporting Initiative), EICC (Electronic Industry Code of Conduct) and GeSI (Global e-Sustainability Initiative)
- Global rating agency analysis: analysis of questionnaires by major global sustainability rating agencies such as SAM, EIRIS and Innovest

#### In Reflection of Internal Issues

- Analysis of Samsung Electronics' CSR vision
- Analysis of Samsung Electronics' mid-to long-term growth strategies and CSR activities and performances in the five major CSR areas

## Identification of Major Issues

The materiality tests take into account social concerns and business impact.

#### Criteria for Social Concern

1. Frequency of media coverage
2. Major requirements for global standards
3. Response to issues of the electric / electronics business

#### Criteria for Business Impact

1. Conformity to the vision and strategies
2. Financial influence
3. Risk Management

By following the above criteria, nine material issues have been identified in the areas of the five CSR categories including Integrity Management, Green Management, Social Contributions, Products & Services, and Partner Collaboration.



## 2008 vs. 2009 Material Issues

Category	2008	2009
Integrity Management	<ul style="list-style-type: none"> <li>• Talent management</li> <li>• Creating economic values</li> </ul>	<ul style="list-style-type: none"> <li>• Building a creative corporate culture</li> <li>• Respecting global diversity</li> </ul>
Green Management	<ul style="list-style-type: none"> <li>• Addressing climate change</li> <li>• Developing eco-friendly products</li> <li>• Eco-friendly business premises</li> </ul>	<ul style="list-style-type: none"> <li>• Addressing climate change</li> <li>• Realizing green convergence</li> </ul>
Social Contribution	<ul style="list-style-type: none"> <li>• Promoting community development</li> </ul>	<ul style="list-style-type: none"> <li>• Pursuing a happier society</li> </ul>
Products & Services	<ul style="list-style-type: none"> <li>• Customer satisfaction management</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening product competitiveness</li> <li>• Innovative customer satisfaction service</li> </ul>
Partner Collaboration	–	<ul style="list-style-type: none"> <li>• Strengthening Win³ partnerships</li> <li>• Supporting innovation initiatives of partners</li> </ul>

# Integrity Management

Building a Creative Corporate Culture | Respecting Global Diversity

# Business Creation

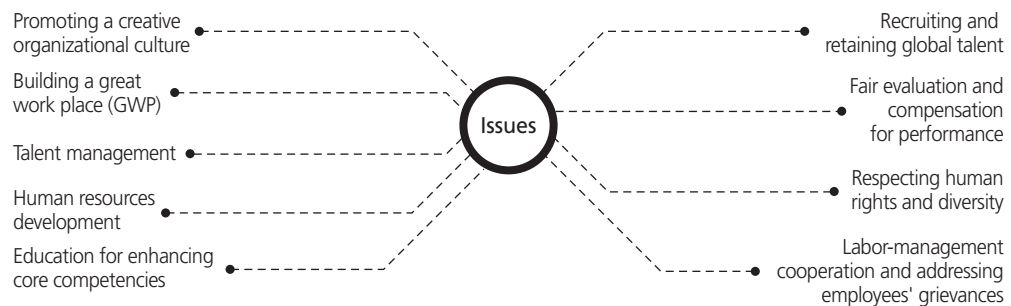
Corporate value comes from efficiency, which originates from the corporate culture and a talented workforce. Samsung Electronics pursues the utmost efficiency through a life / work balance and candid communications with employees in addition to transparent business practices. Samsung Electronics practices the value of “Talent Management” in its daily business activities.

Business Creation is all around us.

## Vision Building a Creative Corporate Culture for Sustainable Development



## Priority Issues in Integrity Management at Samsung Electronics



## Our Plan for 2009

- Expanding the "Flexible Time" program
- Conducting employee education of at least 100 person-hours per employee
- Selecting and employing talented disabled vocational trainees

## Integrity Management

# Building a Creative Corporate Culture



Annual Employee Education Person-Hours



Hyun-Jun Choi, Staff  
Design Technology Team, System LSI. Business Division

Su-Jin Roh, Staff  
Sales 2 Group,  
System. LSI Business Division

## Highlight in 2008

- Adopting “Flexible Time” program to maximize employee creativity
- Monitoring “Over-time Work” to help improve life quality of employees

Very High: ☺ High: ☺ Low: ☹

### Material issues regarding “Building a Creative Corporate Culture”

Issues Identified	Stakeholder Impact							Samsung Electronics' Response
	C	E	I	L	G	P	N	
Promoting a creative organizational culture	☺	☺	☺	☺	☺	☺	☺	Encouraging suggestions for work process improvement, adopting “Flexible Time” program and continuing to improve working environments
Building a Great Work Place (GWP)	☺	☺	☺	☺	☺	☺	☺	Utilizing GWP index in corporate culture analysis and strengthening corporate culture improvement initiatives
Talent management	☺	☺	☺	☺	☺	☺	☺	Retaining competent workforce, supporting employees' self-development for competence-building, providing sound corporate environments
Human resources development	☺	☺	☺	☺	☺	☺	☺	Operating education programs to nurture next-generation leadership, global competency, and job specialists
Education for enhancing core competencies	☺	☺	☺	☺	☺	☺	☺	Training in major functions and jobs, providing training programs related to work-site operations of each business division

\* C - Customers, E - Employees, I - Investors / Shareholders, L - Local Communities, G - Government, P - Partners, N - NGO, NPO

## Promoting a Creative Organizational Culture

### ● Encouraging Suggestions for Work Process Improvement

Samsung Electronics implements various programs to support employees' suggestions so that ideas can bear fruit. We offer incentives for the filing of patents, provide a knowledge management system to share expertise and knowledge amongst employees, and support community activities. We also offer incentives for idea suggestions to encourage our employees to proactively participate in knowledge sharing within Samsung Electronics. As a result, a total of 3,515 patents were filed in the U.S. in 2008.

### ● Adopting a Flexible Time program

Samsung Electronics adopted a "Flexible Time" test program in 2008 in selected business divisions to maximize the creativity of its employees. This test was the expression of our determination to shift from a time management-based corporate culture to a creativity-oriented corporate culture. Under the program, employees are empowered to flexibly manage their office hours as long as they work a total of eight hours each day. If this test proves successful, we will expand the program to a company-wide level.

### ● Work-Life Balance

Because social norms have changed, an increasing number of female workers are participating in economic activities and retaining high potential employees has become the key to successful business operations. Happiness has become the overarching value of employees' quality life, giving rise to greater social interest in balancing work and life. Therefore, Samsung Electronics also supports and encourages the employees to balance their work and life. In case anyone works overtime, their supervisor and the employee are notified to insure they comply with the legal overtime work requirements. For the creativity of the employees, Samsung Electronics also provides vacations for self-management and other vacation programs including family theme tour packages.

### ● Welfare Programs

Samsung Electronics shares and cares about its employees' concerns over their health, children's education and post-retirement life and helps them prepare for their future in order to enhance employee satisfaction and provide better working environments. In addition to the basic legal welfare programs such as premium subsidies for National Pension, Industrial Accident Compensation Insurance and Employment Insurance, we also provide medical subsidies, a corporate pension program, work-out facilities and condominium rental services.



## Interview with Stakeholders

### We believe that a creative corporate culture grows from the quest for new technologies and application

At Samsung Electronics, we believe that a creative corporate culture grows out of the technological search for innovation and its application. When I first developed the "Bubble washing machine," we were able to successfully launch the prototype through effective communications that were based on the fine-tuning of different views and perspectives on development, marketing, product planning and sales through thousands of discussions.

However, researchers inherently looked for "innovative" ideas and

technologies. A number of failures and prejudices from the trials and errors of the development process were the largest obstacles in putting "innovative" ideas into practice. This barrier can be broken down to build stronger assurances through a number of verifications and databases. Nevertheless, these procedures can sometimes result in a waste of time. I think we need to reduce the waste with more open-minded thoughts and perspectives.



Hyun-Sook Kim, senior engineer, the developer of Bubble Washing Machine

## Building a Great Work Place (GWP)



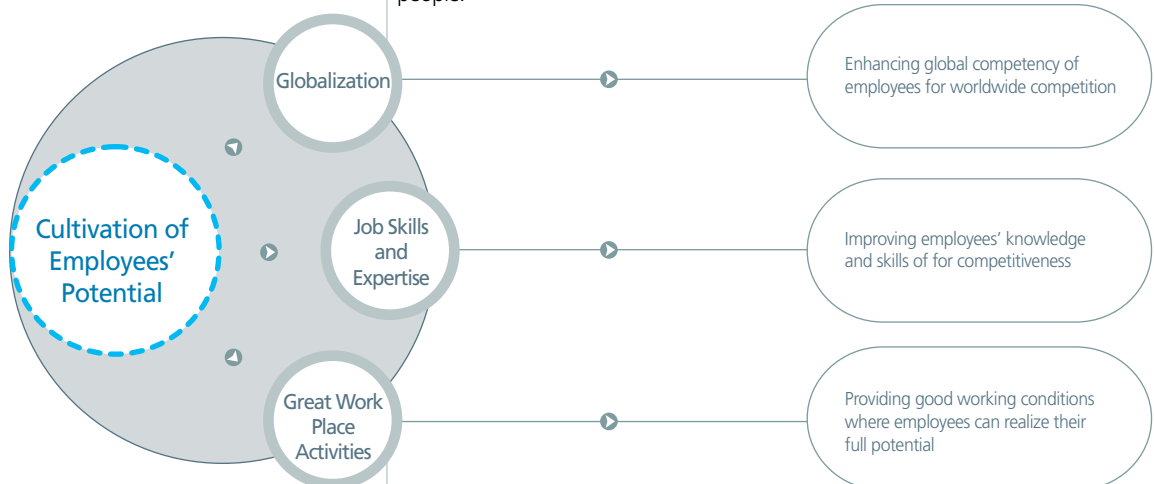
With an aim to realize a "Great Work Place (GWP)," Samsung Electronics has analyzed its corporate culture by utilizing the confidence index of 「The 100 Best Companies to Work For」 by Fortune Magazine since 1998. In 2007, we concluded a global contract with the "Great Place To Work (GPTW)" of the U.S. for a confidence index survey of our domestic and overseas workforces, which contribute to building a corporate culture that fits our global stature. Based on the GWP analysis results, each division and department prepare and implement improvement plans to build a GWP by filling the gaps in the five survey categories which are of trust, respect, fairness, pride and solidarity. Also, 400 GWP officers supervise and implement corporate culture improvement activities at each workplace.

Based on the belief that sharing best practices is one of the most effective ways to build the GWP, Samsung Electronics operates a separate GWP portal within its intranet and publishes the GWP magazine to share best practices of improving corporate culture and GWP-related information. In particular, the semiconductor and LCD business divisions hold GWP Awards to encourage pertinent departments and employees to share their GWP activities and performances, every year-end.

## Talent Management

Samsung Electronics believes the tradition of valuing "People" is the key to building a creative corporate culture. "People" are the most valuable asset as we carry out our business activities based on the principles of human respect. To ensure sustainable growth in this rapidly changing business environment, we strongly believe that it is critical to recruit and retain talented people with creative, enterprising spirits and competent employees who can flexibly respond to fierce international competition and globalization.

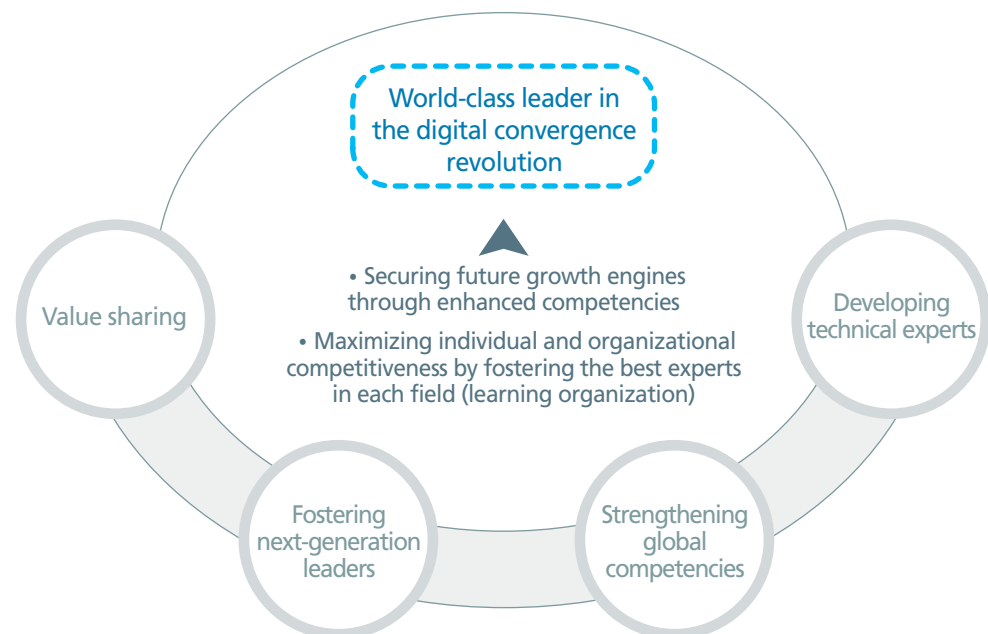
Samsung Electronics abides by the international labor standards and local labor regulations to enhance employee value, while eliminating discrimination based on gender, race, religion, social position or payment or illegal labor practices such as child or forced labor at the source. At the same time, we implement a variety of GWP activities to build the greatest work place based on a creative and enterprising corporate culture, thereby attracting and retaining the most talented people.



## Human Resource Development

Samsung Electronics has a systematic program where the Human Resources Management (HRM), education and working departments organically collaborate in human resource development. In addition to its own education programs, Samsung Electronics also operates various outsourced programs through partnerships with globally prominent universities and regional specialists to foster a globally competent workforce. Focused on learners, worksites and mission implementation, the aim of Samsung Electronics' HRD program is to have the education bear actual fruit in business performances. The HRD organization has a dual system, which includes a company-wide technical research center that promotes the common core competencies and division-level education organizations that are in charge of the specialized techniques required for each business unit and onsite practice.

Samsung Electronics' HRD program employs a "Selection and Focus" strategy to enhance digital core competencies to realize the vision of a world leading company. The digital core competencies have four principles, which are value sharing, fostering next-generation leaders, strengthening global competencies and developing technical experts.



### ● "Value Sharing" as a Constituent

"Value Sharing" is intended to share our management philosophy, principle, vision and core values and to solidify our collective determination to pursue continued change. In that context, we operate differentiated programs by trainee groups of new employees, experienced new employees and grade level-based change courses (managers, team leaders and executives).

### ● Next Generation Leadership Programs

In order to nurture next-generation leaders who will take the lead in the future initiatives of leading the digital convergence revolution and becoming a world leading company, Samsung Electronics strategically selects and fosters next-generation leaders from talented managers and executives, and maintains a pool of high potential employees at each grade level.

### ● Global Pool of Talent

Samsung Electronics runs a number of systematic foreign language courses to help employees sharpen their global competencies in English, Chinese, Japanese and other languages. The one-year course of regional specialist program course trains the candidate pool for future overseas assignments and provides preliminary education on working requirements and conditions of overseas plants. Intensive courses are separately prepared for short-noticed overseas assignments. At the same time, we also send our people to MBA programs at domestic and internationally prominent universities to enhance their global competencies in HRM, planning and finance.

## Education for Enhancing Core Competencies



### ● Technical Experts Training

Samsung Electronics strategically operates internal and external education programs to foster a globally competent workforce. Technical expert courses foster competent specialists in the fields of human resources management, planning, finance, procurement, marketing, quality assurance, design and patent management. Samsung Electronics professional university also presents systematic education programs, helping the employees achieve their potential. We also have separate R&D courses in partnership with Korea's prominent universities and other academic courses to foster competent R&D experts.

#### Yearly No. of Trainees and Education Hours

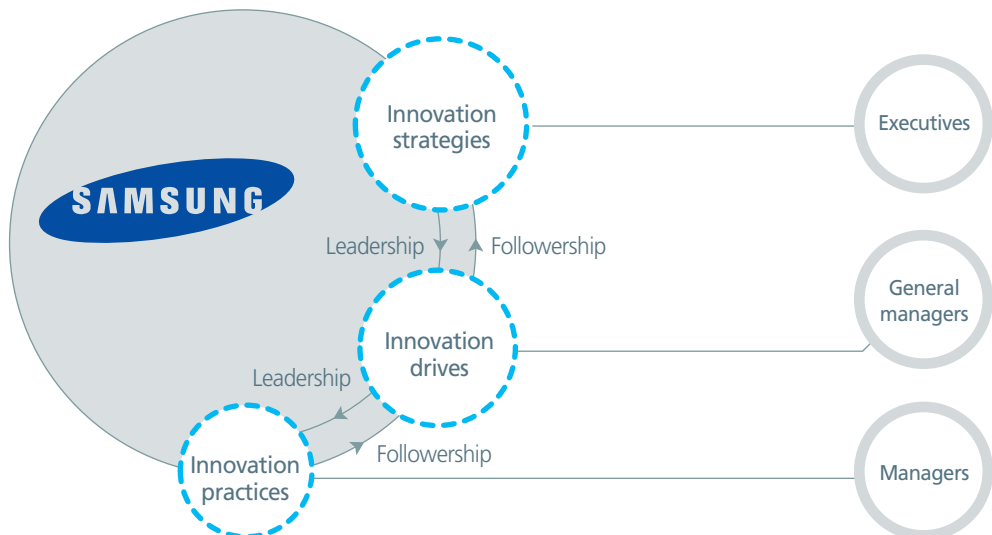
Category	2006	2007	2008	Remarks
Total no. of trainees (10,000 persons)	29.6 (16.5)	29.8 (17.8)	29.3 (17.1)	No. of trainees who have completed each course ( ): e-learning
Education person-hour (10,000 hours)	961 (334)	891 (363)	918 (379)	The "Number of trainees who completed each course X education hours" ( ): e-learning
Per capita education person-hour (hour / year)	112	105	109	

Samsung Electronics' core competence enhancement program has a dual system of technical courses and division-level courses. Our human resources development centers include the Samsung Leadership Development Center (SLDC) that propagates change and innovation, Samsung Institute of Global Marketing (SIGM) that fosters marketing experts, and Samsung Advanced Technology Institute (SATTI) that nurtures specialized technicians. The division-level courses develop and operate specialized courses catering to the specific needs of each business area.

### ● Coping with Environmental Changes

SLDC fosters "Change Agents," who will spearhead the building of a world leading corporate culture that can flexibly respond to environmental changes and expedite management innovations.

#### Change Management Education





● **Division-level Courses**

The division-level courses are composed of diverse self-development programs that meet the individual needs of each business area such as technical courses, foreign languages and computerization.

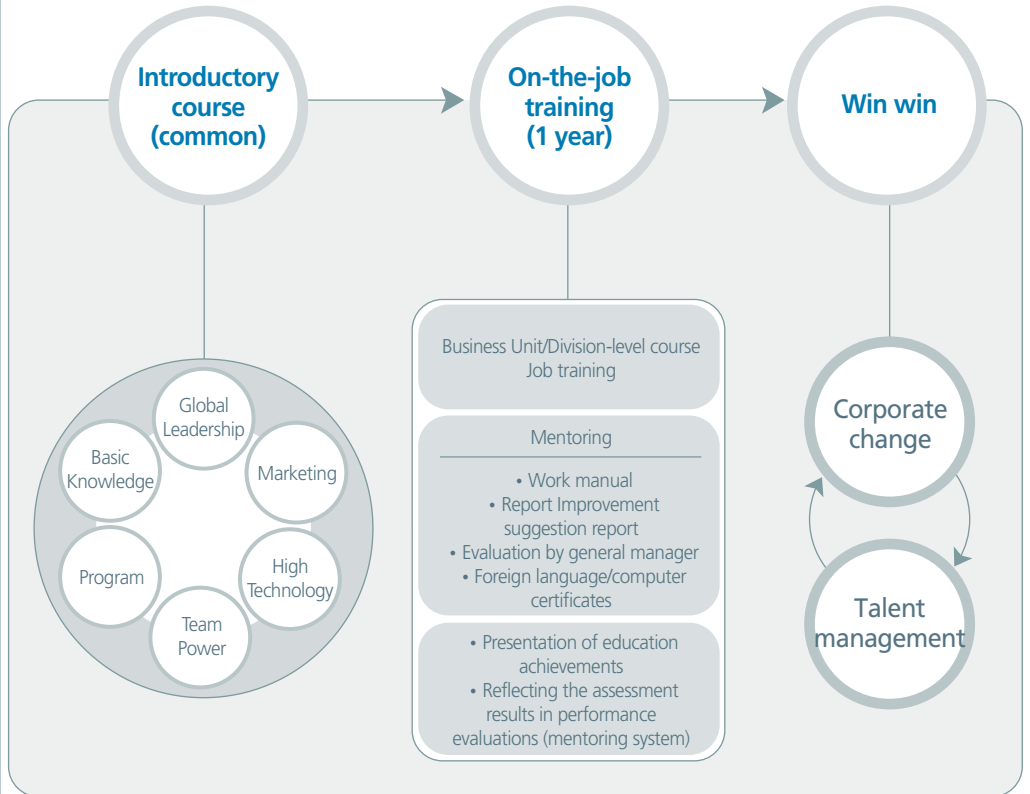
- Class-based courses: courses for the newly-promoted and new employees
- Technical courses: product-specialized course, basic technology course, production and manufacturing technique course
- Quality courses: quality management course, Six Sigma course
- Foreign language courses: speech course and test preparation course
- Computerization courses: computer course, test (e-Test) preparation course
- Others: communications / organization activation courses

● **New Employee Education**

Samsung Electronics helps new employees early adapt to work through new employee courses that focus on corporate values and core competence enhancement. The one-year course provides a systematic program encompassing basic knowledge and job training. In addition, specialized mentoring program maximizes the self-development of new employees and their competence enhancement.



**New Employee Education Program**



● **Supporting Career Development & Reemployment**

Samsung Electronics operates a Career Development Center (CDC), which provides consultation services for future careers, and reemployment training courses in order to support the employees in sharpening their competitiveness for their retirement.

# Respecting Global Diversity



Locally-hired Foreign Workers Ratio

Aliaksei Ivaniukovich, Assistant Engineer Design Technology Team, System. LSI Business Division

## Highlight in 2008

- Received “True Company” award for excellent performance in disabled employment (September 2008)
- Achieved 48% in locally-hired foreign workers as a percent of the total workforce through expanded employment of talented overseas workers

Very High: (🔋) High: (🔋) Low: (🔋)

Issues Identified	Stakeholder Impact							Samsung Electronics' Response
	C	E	I	L	G	P	N	
Recruiting and retaining global talent	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	Recruiting and retaining competent talents
Fair evaluation and compensation for performance	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	Conducting fair performance evaluation and compensation programs
Respecting human rights and diversity	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	Maintaining cooperative labor-management relations, grievance handling, denunciation of illegal practices regarding human rights
Labor-management cooperation and addressing employees' grievances	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	Providing equal opportunities and prohibition of discrimination, expanded female and disabled employments

\* C - Customers, E - Employees, I - Investors / Shareholders, L - Local Communities, G - Government, P - Partners, N - NGO, NPO

## Recruiting and Retaining Global Talent

Samsung Electronics believes that global expansion and new business expansion are critical to the sustainable growth of the company. Therefore, a variety of programs are in place to recruit and retain global talent. Samsung Electronics' international recruiting officer (IRO) is at the forefront of these initiatives, searching and attracting competent people in various fields in China, India, Russia, the U.S. and worldwide.



Foreign workers are assigned mentors who support them in adapting to their work early on and are provided with regular meetings with executive management. The Global Help Desk assists foreign workers with handling troubles and issues arising in the course of their daily private lives.

- 6,639 (7.7%) domestic regular employees retired in 2008
- 1,761 male (retirement rate 3.2%), 4,878 female (retirement rate 16.5%)

## Fair Evaluation and Compensation for Performance

Samsung Electronics evaluates the achievements of individual employees every year along with their competency evaluation. Annual salaries are graded based on the comprehensive evaluation results, and respective annual employment contracts are concluded. Samsung Electronics' fair performance evaluation schemes include interim management systems and formal objection procedures to prevent unfairness in the evaluation scheme.

Under the principles of "Non-discriminatory Compensation" and "Performance-based Compensation," Samsung Electronics strives to ensure fairness and competitiveness in its compensation schemes. Accordingly, we apply the identical rate to the same position grades, irrespective of gender, nationality, religion, social position or age. Compensation is differentiated only according to performance. The compensation is delivered in the forms of basic salary and performance-based incentives. The basic salary has a set table of grade-based schemes and the incentives are differentially paid according to achievements against targets. The incentive program is divided into individual performance incentives and group performance incentives. The group performance incentives program is also segmented into productivity incentive and profit sharing. The global compensation system basically follows a merit based adjustment method, with local discretion in setting wage systems in compliance with the local regulations of each nation.



## Interview with Stakeholders

### Samsung Electronics generates 85% of its sales in overseas markets and half of the regular staff are foreign workers.

Close to 85% of Samsung Electronics' revenues originate overseas and around half of Samsung Electronics employees are non-Korean. In my opinion, the three most important points for the definition of globalization are global decision making, global mindset, and global culture. All globally active companies, including Samsung Electronics face these three challenges and the one that can achieve them effectively,

efficiently and comparatively fast will be successful in the long run. I also strongly believe in diversity because when allied correctly, it leads to better business decisions. Samsung Electronics has been actively working on increasing the number of women and foreigners. It is always satisfying and refreshing to see how the future leaders of Samsung Electronics embrace and value diversity within the context of their daily job.



Johan Depretera, Executive Director,  
Corporate Management Team, Samsung Electronics

**Samsung Electronics Compensation Structure & Operation - Domestic**

Basic Salary	Individual Performance Incentives	Group Performance Incentives		Others
		Productivity Incentives	Profit Sharing	
Identical rates by grade	Differentiated rates in proportion to individual performance	Paid in proportion to business performance every six months	Annual payment according to company's business results	High potential employee incentives

**● Equal Opportunity and Non-discrimination**

The Samsung Code of Conduct prohibits discrimination in employment, assignment, promotion, payment, education and retirement based on academic and / or regional backgrounds, gender, religion and race. In order to promote female workers' participation in economic activities, Samsung Electronics applies quotas for new recruitment.

· In 2008, Samsung Electronics has no cases of violation of the anti-discrimination regulations including gender discrimination.

**● Prohibition of Forced and / or Child Labor**

Samsung Electronics strictly prohibits forced labor and child labor under aged 15 by the Employment Standards Act. Korea was a signatory to the International Labor Organization (ILO) in 1991 and ratified the international convention on child labor. In strict accordance with the international convention, we prohibit forced and child labor in all our business premises including overseas plants, while complying with local regulations.

We ensure that all our employees are aged over 18 years. In case of hiring an underage person, we collect and keep in custody a copy of their family records with their age and the signed, written consent of their parent or guardian.

**● Human Rights Education**

Samsung Electronics conducts regular education courses to help employees build a desirable human network and protect human rights. We have a "Mutual-Respect Corporate Culture" course and "Workplace Manners" course. The mutual-respect corporate culture course is an annual mandatory course for all employees to help them protect human rights, prevent sexual harassment and improve relationships.

**● Diversity**

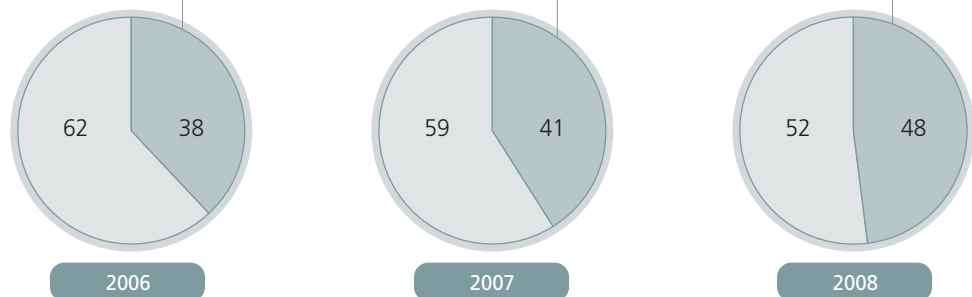
Female workers account for 35% of Samsung Electronics' total workforce in Korea. Given the female recruitment quota policy, the number will continue to rise and, accordingly, the number of female managers will increase within the company. Adopting a disabled vocational trainee program, we encourage and promote disabled employment. We also assist the physically-challenged with medical expenses, facilities and other welfare programs. In recognition of these efforts to promote disabled employment, Samsung Electronics was awarded the grand prize of "True Company" by the Ministry of Labor in September 2008.

Based on the belief that talented international workers play an important role in the global expansion, we have continued to expand the proportion of foreign workers over the years. As a result, locally-hired foreign workers made up 48% of the overseas workforce as of 2008.

**Samsung Electronics Global Workforce**

(Unit: %)

Foreign workers portion



## Labor-management Cooperation and Addressing Employees' Grievances



### ● Building Cooperative Labor-management Relations

Samsung Electronics does not have a labor union that was established under the Korean Labor Union Law. Therefore, a collective bargaining agreement does not apply to our employees. Instead, we have the Labor Council (similar to the Work Council in the Europe), which discusses and resolves issues regarding workers' welfare and working conditions under the Act on the Promotion of Worker Participation and Cooperation. The Labor Council is a labor-management cooperation mechanism to reflect employees' opinions in business activities and realize corporate democracy. The Council works on improving working conditions, consults and cooperates with the company on corporate issues of common interest, contributing to the mutual development of the company and the employees. We also implement a variety of activities to help our employees better understand the business operations and motivate them to work harder in a bid to enhance competitiveness and productivity.

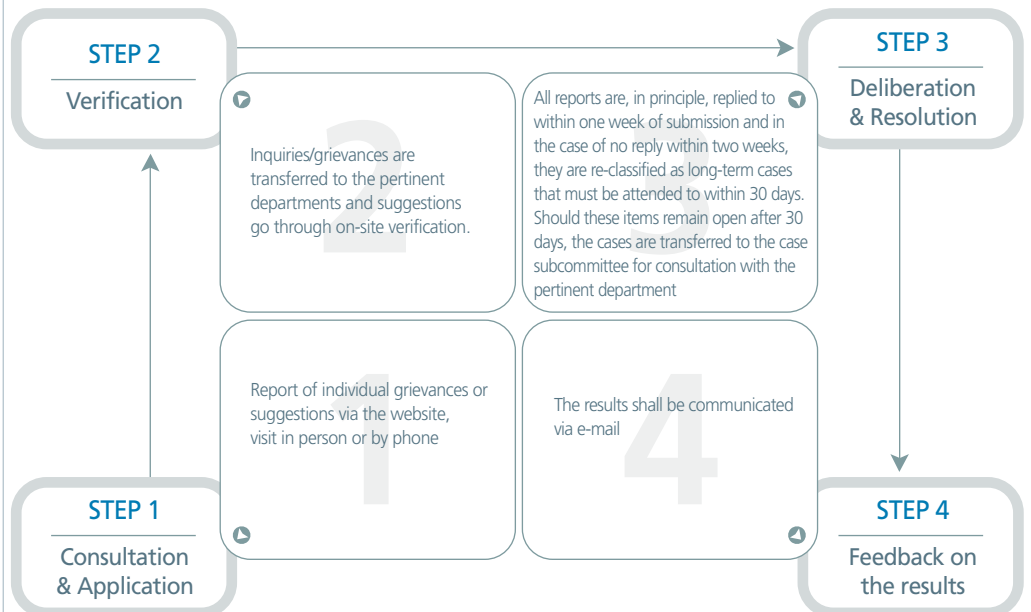
- Any material changes in the business operations such as addition, elimination or change to the business portfolios are disclosed under the Securities and Exchange Law. In particular, any changes in the business operations that entail lay-offs shall be notified and discussed at least 50day prior to the event with the representative of the workers (the representative of the Labor Council in case of Samsung Electronics) under the Labor Standards Act.- Paragraph 3, Article 3 of Labor Standards Act

### ● Addressing Employee Grievances

Korean Constitution Law stipulates freedom of association and the three labor rights including collective bargaining. In addition, labor and management discusses business issues on a regular basis at the Labor Council and the company strives to address employees' grievances and resolve their complaints. We operate employees' representative bodies not only in domestic but also at our overseas plants under the respective local laws and regulations.

Samsung Electronics operates a separate website including a Hot-Line to efficiently and effectively address employees' grievances. Any employee can request improvement, correction of irregularities or inconveniences at work, to which we sincerely take actions. The requests are processed under anonymity, eliminating disadvantages. We also operate ombudsman and consulting specialists to ensure a pleasant work life for our employees.

### Employee Grievance Handling Process



# Green Management

Addressing Climate Change | Realizing Green Convergence

# Green Emotion

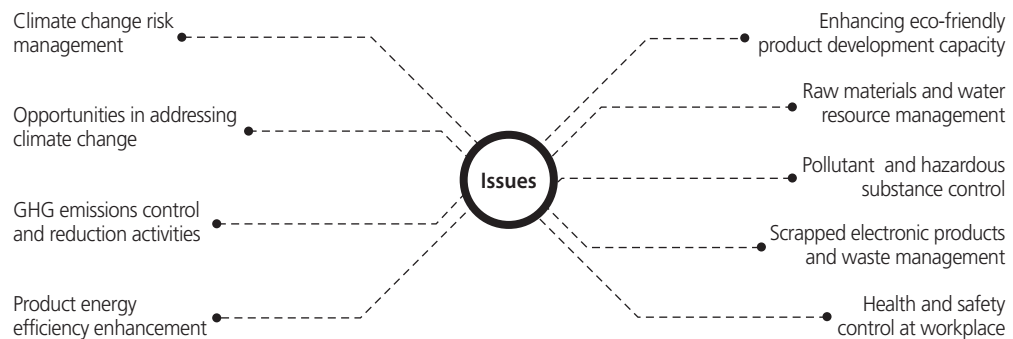
Human beings have come from Nature. Green is inherent to our existence. Samsung Electronics keeps this in mind and cares for the environment and the future of humanity throughout the lifecycles of its products from raw materials, product R&D, use, and disposal, through to recycling. Our initiatives perpetuate a green ecology, every day.

Green Emotion is all around us.





### Priority Issues in Green Management at Samsung Electronics



### Our Plan for 2009

- Achieving the GHG emission goal (6.85 ton CO<sub>2</sub>/ KRW100 million)
- Establishing an eco-design assessment system with an eco product grading system
- Acquiring ISO14001 and OHSAS18001 certificates at all overseas plants
- Setting up green management vision and mid-term strategies

## Green Management

# Addressing Climate Change



Standby Power 1W Achievement Ratio Compared to the Previous Year

Gil-Ah Lee, Staff  
Environmental Planning Group,  
CS Environment Center

### Highlight in 2008

- Reduced GHG emissions by 5% in comparison with the 2007 level
- Revised the calculation formula of carbon emission intensity and annual targets for GHG emission control
- Increased the portion of products with under 1W standby power by 20% in comparison with the previous year

Very High: (🔋) High: (🔋) Low: (🔋)

#### Material issues regarding "Addressing Climate Change"

Issues Identified	Stakeholder Impact							Samsung Electronics' Response
	C	E	I	L	G	P	N	
Climate change risk management	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	Understanding regulation risks, assuming future financial impact and participating in CDP program, etc.
Opportunities in addressing climate change	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	Developing new business opportunities in solar power cell and LED, carbon credit projects, etc.
GHG emissions control and reduction activities	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	Building GHG inventory, setting and controlling carbon emission intensity of each business division, etc.
Product energy efficiency enhancement	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	Minimizing standby power of products and enhancing energy efficiency, etc.

\* C - Customers, E - Employees, I - Investors / Shareholders, L - Local Communities, G - Government, P - Partners, N - NGO, NPO



## Climate Change Risk Management

Samsung Electronics' extensive product line-up ranges from component products such as Semiconductors and LCD panels to Home Appliances and IT products produced and sold around the world, making the company inherently vulnerable to a myriad of regulations, as opposed to others with a more simplified product line-up. Therefore, we strive to minimize the legal compliance expenses and preemptively prevent potential risks through initiatives in voluntary GHG reduction and the development of an inventory system to manage relevant legal responses.

### Risk Category

#### New Regulation Risks

- Limits on total GHG emissions at each business premise and emissions trading
- Obligatory reporting of carbon emission amounts at business premises
- Taxation on the GHG in finished products
- Product carbon labeling system
- Strict requirements on product energy efficiency

#### Physical Change Risks

- Damages to the business premises due to typhoons and floods in Southeast Asia
- Yellow dust from China due to desertification
- Water shortages due to extraordinarily hot weather and drought

#### Other Risks

- Increased expenses due to unstable supply of energy and resources caused by climate change
- Functional failures in the supply chain including business partners, transportation and distribution due to regulations, physical conditions and other factors
- Undermined reputation and reduction in corporate value resulting from the stakeholders' real time monitoring of our progress in addressing climate change [via CDP (Carbon Disclosure Project) · DJSI (Dow Jones Sustainability Index) · Green Peace, etc.]
- Changing consumer sentiment and market competition

### Risk Responses

#### Voluntary GHG Reduction

- Signatory to the 1999 Voluntary PFCs Reduction Agreement by World Semiconductor Council (WSC) (Korea is obliged to reduce emissions by 10% of the 1997 level by 2010)
- Signatory to the Voluntary Energy Reduction Agreement with the Korea Energy Management Corporation (KEMCO) (eight plants in Korea)

#### Response System

- Built an Eco Design system in 2008: designing and developing products in consideration of carbon emissions and the energy efficiency of products
- Operating risk response processes by plant

#### Enhancing Product Energy Efficiency

- Continuing to expand products with under 1W standby power
- Continued improvement of energy consumption efficiency and acquiring energy conservation marks



## Interview with Stakeholders

# The product development policies play an important role in promoting a carbon-lean and low energy lifestyle amongst consumers

As Korea's leading company, Samsung Electronics is expected to pay keen attention to new business models created from opportunities in addressing climate change while responding to climate change risk factors. While GHG's are emitted both in the process of production and usage, most companies only focus on reducing GHG's in the production stage. With the growing recognition of the importance of reducing GHG emissions in the process of using and disposing of products, however, the EU and many other developed countries are stepping up their GHG

emission regulations on product usage as well as production.

As a global company with a competitive edge in electric and electronic product development and production, Samsung Electronics plays an important role in promoting a carbon-lean and low energy lifestyle amongst our consumers. We expect Samsung Electronics will continue to make a consistent effort in developing and producing carbon-lean eco-friendly products in the future.



Mr. Gwang-Lim Choi, Team Manager, Business Institute for Sustainable Development (BISD)

## Opportunities in Addressing Climate Change

Risk comes with opportunities for companies who are prepared. Aware of this, Samsung Electronics aims to turn the risks arising from climate change into new business opportunities.

### ● Legal Opportunities

Samsung Electronics has analyzed opportunities in the regulatory area and found the following potential competitive edges.

- **Emissions Trading Scheme:** Samsung Electronics has a plan for the Clean Disclosure Mechanism (CDM) project on reducing processed GHG emissions from the semiconductor and LCD factories, such as PFC and SF6, which will generate a new profit base for the company.
- **Renewable Energy Development and Purchase:** In the European countries and the U.S., companies are allowed to buy or sell a certain portion of their renewable energy. A similar regulation is about to be instituted in Korea as well. Therefore, it is highly expected that market demand for the solar power cell that we are currently developing, will significantly grow.
- **Expanded Market Size for Low-energy Products and Components (Memories and LCD Panels, etc.):** Samsung Electronics makes sure that its products meet the respective energy-related legal requirements of each country and maintain the highest energy efficiency grades. It also provides products that satisfy the energy criteria for U.S. Energy Star and Chinese Energy Conservation Certification. We also maintain environmental certifications in the countries in which we operate, including the EU, Germany, Sweden, U.S. and Korea, by applying strict standards. Samsung Electronics' product energy conservation efforts are widely recognized as proven performers through its receipt of the Energy Star Excellent Award and Energy Award by a Korean consumer group. All in all, Samsung Electronics sees opportunities to take the lead in the future eco-friendly market with its continued development and production of high energy-efficient products.

### ● Opportunities in Physical Changes

In order to adapt to the changing living conditions such as hot weather, floods and water shortages that arise from climate change, new market demands are forecast to emerge in home appliances such as high efficiency air conditioners, water purifiers and other electronic devices. In addition, the prospective artificial rain business and weather forecasting system will give rise to new market demands for high-performance computers and semiconductors, presenting new business opportunities for Samsung Electronics.

### ● Other Opportunities

While proactively striving to reduce GHG emissions, Samsung Electronics plans to launch more energy-efficient, eco-friendly products, which will improve its corporate image and brand value, garnering favorable reputations from NGOs, investment rating agencies and the media.

## GHG Emissions Control

Samsung Electronics currently monitors and controls GHG emissions from all of its eight plants in Korea and 30 overseas production plants and will be expanding this control to overseas sales points and R&D centers. It has acquired a third-party verification by the KEMCO on its GHG emissions in Korea for two consecutive years in 2007 and 2008.

When establishing GHG inventories for each plant, a "Control Approach" was applied to boundaries, which include affiliates and overseas plants in which Samsung Electronics holds at least a 50% stake. In 2008, the scope was expanded to include 30 overseas production plants. The operational boundaries were defined as Scope 1 (direct emission) and Scope 2 (indirect emission) as defined by the ISO14064-1 and WRI GHG Protocols. Total emissions increased 10.6% from the previous year to 9,320,000 tons of CO<sub>2</sub> from our global plants in 2008 due to expanded production following capital investments. Samsung Electronics' main businesses, Semiconductors and LCD production processes inevitably generate large amounts of GHGs, especially PFCs and SF6. To control these emissions, we adopted efficient reduction facilities and successfully reduced direct emissions. As a result, the indirect emissions from electricity use are higher than direct

emissions. The carbon emission intensity against sales of domestic plants stood at 7.44 ton CO<sub>2</sub> / KRW100 million, down 5% in comparison with the previous year. It also plans a GHG inventory covering the entire product lifecycle in order to cut down on other indirect GHG emissions (Scope 3). This includes all the GHG emissions by and from our component suppliers, product use, logistics and disposal activities.

GHG Emissions Intensity				
(Unit: ton CO <sub>2</sub> / KRW100 million)				
Year	2006	2007	2008 <sup>(*)</sup>	2009 (Target)
GHG Emissions	8.86	7.83	7.44	6.85

(\*) Emission intensity calculation formula: Total CO<sub>2</sub> emissions<sup>(1)</sup> ÷ (sales / price index<sup>(2)</sup>)

(1) Total GHG (CO<sub>2</sub> equivalent) emissions at manufacturing plants in Korea

(2) Producer Price Index of applicable year announced by Bank of Korea (2005 = 1)

(applying three indexes of semiconductor · LCD · electronic components · computer · AV and telecommunications devices)

Greenhouse Gas Emissions		
(Unit: 1000 ton CO <sub>2</sub> )		
Category	2008	
Domestic	Direct	3,723
	Indirect	4,369
	Total	8,092
Overseas	Direct	320
	Indirect	907
	Total	1,227
Company-wide	Direct	4,042
	Indirect	5,277
	Total	9,319

Electricity & LNG Consumption Domestic		
Category	2008	
Domestic	Electricity (Mwh)	10,260
	LNG (1,000 Nm <sup>3</sup> )	140
Overseas	Electricity (Mwh)	1,360
	LNG (1,000 Nm <sup>3</sup> )	21
Total	Electricity (Mwh)	11,620
	LNG (1,000 Nm <sup>3</sup> )	161

## GHG Emissions Reduction Activities

In 2008, more than 90% of GHG emissions by Samsung Electronics came from electricity and GHG use in the domestic semiconductor and LCD production lines. Therefore, we are striving to eliminate PFCs and SF<sub>6</sub> from these processes and enhance energy efficiency so as to reduce company-wide GHG emissions. In particular, the semiconductor plant entered into the 1999 PFCs Voluntary Reduction Agreement with the World Semiconductor Council (WSC), promising to reduce PFC use in the semiconductor process by 10% of 1997's level by 2010. Applying PFC treatment facilities and Remote Plasma Generators (RPG) to the vapor deposition process, GHG emissions decreased in 2008 by 12,000 tons. In the meantime, electricity accounts for 90% of overall energy consumption by Samsung Electronics in the semiconductor manufacturing process, 10% of which comes from vacuum pumps.



As part of energy conservation initiative, Samsung Electronics joined hands with the facility provider to apply high-efficiency, low-power vacuum pump technology. It encouraged purchase of low-power pumps in consideration of their adaptability and energy efficiency. As a result, GHG emissions decreased by 3,500 tons CO<sub>2</sub> / year.

## Product Energy Efficiency Enhancement

In responding to the climate change, a number of countries are encouraging companies to reduce the standby power of electronic products as part of their GHG reduction initiatives. Standby power refers to the power consumed by an appliance in "Standby" mode. It is a significant amount compared to the normal power consumed when they are in use mode.

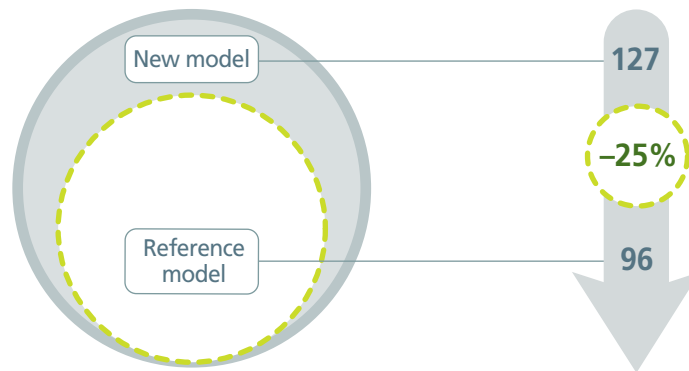
Samsung Electronics has endeavored to minimize its standby power of the products and has achieved 1W standby power for its product line-up of TVs, printers, monitors, laptop PCs, washing machines and microwaves, increasing the 1W standby-power achievement by 20% of overall products from the previous year. By the end of 2009, we aim to achieve 100% 1W standby power on all our products.

In addition to the initiatives to reduce standby power, Samsung Electronics also continues to improve the energy efficiency of all finished products and components. Most notably, the new bubble washing machine (model no.: SEW-HAR149AUW) brought about innovative change in washing machine technology, improving annual energy efficiency by 25% versus traditional drum-type washing machines (reference model no.: SEW- HVR149ATA). This is tantamount to reducing 13kg CO<sub>2</sub> per year. The innovative new product also uses 23% less water than the reference model, which can amount to 5,760L water savings per annum.

In the component sector, low-power Solid State Disk (SSD) technology, an energy conservation product, features a function that can replace the conventional Hard Disk Drive (HDD). Laptops employing this SSD demonstrate significant improvements in function and reliability, while saving energy and operational expenses (70% of HDD with same capacity). The high energy efficiency of the SSD can be translated into 50% energy conservation compared to a HDD with the same capacity and less energy consumption due to its low heat generation. In addition to the energy conserving feature, the SSD also enables quick booting with superior reliability and many other high performance functions. These product energy efficiency improvement activities bore fruit as we acquired Korea's voluntary energy conservation certification. Most conspicuously, our desktop PC (DM-Z69) won the "Standby Power Award" by "Consumers Korea" for the second year in 2008 in recognition of its high energy efficiency. Furthermore, Samsung Electronics' LCD TV, LCD monitor, laptop PC and printer were named as "2008 Energy Winner Products" in the categories of energy efficiency and standby power.

#### Bubble Drum-type Washing Machine Annual Power Consumption Comparison

(Unit: kWh / year)



#### 2008 Energy Winner Awarded Products

Category	Winner Model	Product	
Energy Efficiency	LCD TV [LN52A750R1F]	TV	
Standby Power	Desktop PC [DM-Z69]	PC	
Energy Winner Award (Green Appliance)	Energy Efficiency	LCD Monitor [T240]	
		FAC AC [HP-U187H]	Air conditioner
		Residential Automatic WM [SEW-PA128N]	Washing machine
		Laptop PC [NT-P55]	PC
	Standby Power	TFT-LCD [T220]	Monitor
		Color Laser Printer [CLP-310NK]	Printer
	Color Laser All-in-One [CLX-3175FNK]	All-in-One	



## Green Management

# Realizing Green Convergence



LCD Waste Glass Recycling Rate

\* **What is Green Convergence?** A new type of green convergence products that employ environment-friendly technologies in all Samsung Electronics products. Green Convergence is Samsung Electronics' unique philosophy to realize the carbon-lean green growth initiative.

Youn-Ha Chung, Senior Manager  
Product Environment Group,  
CS Environment Center

## Highlight in 2008

- Acquired six global environmental certifications (greatest number amongst global electronics companies)
- Recovered and recycled about 250,000 tons of disposed electronic appliances in most of our business operations in Korea, Japan, Europe and the U.S. (29% increase from the previous year)
- Recycled the LCD waste glass into subsidiary materials to achieve savings of KRW 410 million with an 85% recycling rate
- 34 of our 38 plants, excluding the newly established ones, acquired ISO and OHSAS certifications.
- Ranked 1<sup>st</sup> in the eco-friendly company assessment at the Green Peace Global IT Company Awards in the first quarter of 2008

Very High: 🟢 High: 🟡 Low: 🟠

### Material issues regarding "Realizing Green Convergence"

Issues Identified	Stakeholder Impact							Samsung Electronics' Response
	C	E	I	L	G	P	N	
Enhancing eco-friendly product development capacity	🟢	🟢	🟢	🟡	🟢	🟢	🟢	Managing the eco-friendly activities in the supply chain, strengthening eco design assessment system, launching strategic products in each product category and eco-friendly raw and subsidiary materials
Raw materials and water resource management	🟡	🟢	🟡	🟢	🟢	🟡	🟢	Expanding water reuse
Pollutant and hazardous substance control	🟡	🟢	🟡	🟢	🟢	🟢	🟢	Ensuring intensive control of hazardous materials and minimizing Ozone Depleting Substances (ODS)
Scrapped electronic products and waste management	🟢	🟢	🟢	🟢	🟢	🟡	🟢	Recovering and recycling of waste products
Health and safety control at workplace	🟡	🟢	🟢	🟢	🟢	🟢	🟢	Establishing ESH system in overseas plants, acquiring certifications, managing risks such as legal violations and health & safety activities, etc.

\* C - Customers, E - Employees, I - Investors / Shareholders, L - Local Communities, G - Government, P - Partners, N - NGO, NPO

## Enhancing Eco-friendly Product Development Capacity

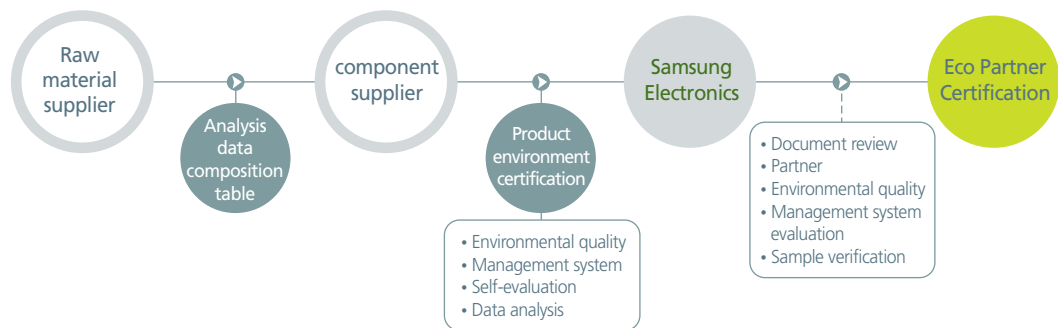
Samsung Electronics cooperates with business partners to minimize the environmental impact of products throughout their lifecycles from development, production, distribution and use to disposal. The Supply Chain Environmental Management (SCEM) program includes "Eco Partner Certification," "Eco Design Assessment" in the development of eco-friendly products, "Eco Label" for eco-friendly marketing and identity building and a global system for recovering and recycling waste products.

The Samsung Eco Partner Certification is for global business partners. In 2008, 482 new business partners were issued the certification based on the assessment of their environmental management processes and their components supplied to Samsung Electronics. As a result, 2,031 companies were also awarded recertification. The Eco Partner Certification program is operated by 193 Eco Partner auditors who have completed internal education programs. In 2005, Samsung Electronics launched a laboratory equipped with state-of-the-art analysis equipment for analyzing minerals, organics and Volatile Organic Compounds (VOC) to secure an independent hazardous substance analysis capacity, setting the platform for eliminating hazardous substances from the products through the extensive analysis of those substances subject to regulations in the future, as well as the currently regulated substances.

The laboratory acquired certifications from a number of international test labs such as UL (September 2005), KOLAS (Feb. 2006), BAM (Mar. 2007) in recognition of the reliability of its analyzed data and standardized analysis methodologies for 34 substances. In addition, Samsung Electronics rendered Eco Partner Analysis Lab certification to 26 Korean analysis labs to help partners save analysis expenses and secure greater reliability of their analyzed data.

In response to the impending effectiveness of REACH, an EU regulation imposing obligatory registration of all chemical substances manufactured in or imported to the EU territories in amounts exceeding one ton annually, Samsung Electronics has

### Eco Partner Certification Process



### Interview with Stakeholders

## Along with our own environment-friendly marketing campaigns, we focus on omni-directional external communications

Under the vision of contributing to sustainable growth and supporting a balanced life, we aim to realize the highest level of eco-status by providing the best eco-friendly products and services to our customers and business partners. Our eco-friendly marketing activities and omni-directional external communications are focused on this objective.

However, these eco-friendly products inevitably entail an increase in

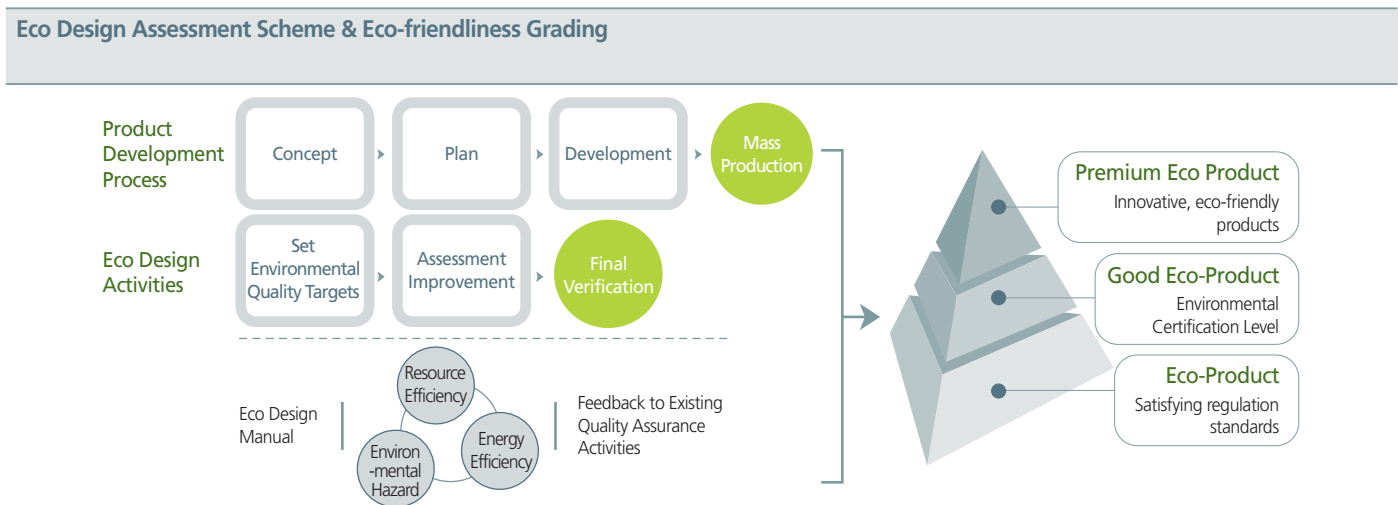
development and marketing expenses to manufacture the same feature, requiring political support to encourage consumers' green purchase decisions. Therefore, it is vital to exert greater efforts in selecting eco-features of products through a thorough analysis of green consumers, and to create new green markets and eco mega-trends through relevant product development activities in cooperation with the industry.



Mr. Seung-Teak Oh, Senior engineer of the "Corn Phone" at Samsung Electronics

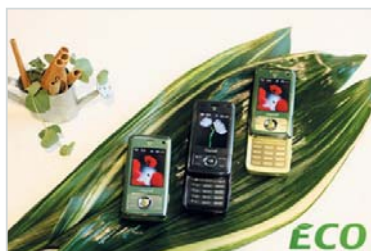
conducted preliminary analysis of all subject substances and components of products since 2006 and has worked on appropriate countermeasures. Based on the results, we have completed the preliminary registration of all substances used in our products such as printer toner, ink and some other substances such as solder that are used in the manufacturing processes, in cooperation with our partners supplying the components.

While ensuring eco-friendliness by setting the foundation for hazardous substance control in components at the source, Samsung Electronics has established an infrastructure to further enhance the eco-friendly competitiveness of products. Since we first adopted the Life Cycle Assessment (LCA) method for our products in 1995, we have improved the efficiency of the eco-friendliness assessment process through various improvement initiatives. In 2004, Samsung Electronics adopted the "Eco Design Assessment Process" and system, which evaluates products in 40 categories including resource efficiency, energy conservation and eco-friendly materials in compliance with global environmental regulations such as RoHS, WEEE, EuP, while satisfying consumer demand for eco-friendly products.



### ● Eco-friendly Product Development

Samsung Electronics has been widely recognized with a number of environmental awards and acquisition of environmental certifications on its eco-friendly products. Starting with the mobile phone that employs bio plastic and eliminates halogen substances, it launched an assortment of environment-friendly products. Since 2007, we have strategically worked hard to acquire environmental certifications in major global markets such as the U.S., Europe and China. As of the end of December 2008, Samsung Electronics held six environmental certifications from Korea (EDP), China, U.S. (EPEAT), Germany (Blue Angel), Sweden (TCO) and EU (Eco-Power) on 1,900 models in seven product groups including printers, PCs, monitors, TVs, DVDs, refrigerators, and washing machines, the largest number of certifications won by a single electronic company in the world. In addition, "Bordeaux LCD TV" won the presidential prize in the TV product category of the "Korea Environmental Management Awards," Korea's only environmental awards granted by the government that began in 2006. In 2008, Samsung Electronics' color laser printer won the same prize at the same Awards. In March 2008, Samsung Electronics ranked first as the most environment-friendly company as assessed by Green Peace amongst 18 global IT companies. In search of new marketing tools and an environment-friendly identity, Samsung Electronics will further intensify the self-inspection of future products and strives to acquire more environmental certifications to achieve objective recognition of its environment-friendly products.



### Samsung Electronics' Environment-friendly Products

#### ● Corn Phone

Samsung Electronics has launched environment-friendly mobile phones that use corn starch as a component material (SCH-W510) and mobile phones free of hazardous substances containing environmental hormones such as bromine flame-retardants or PVC. Launched at the end of June 2008, the W510 employs bio plastics that use corn starch as the material for the battery cover and other exterior

surfaces, which will naturally decompose when buried underground, preventing soil pollution. Coated with antibacterial paint, the product has minimized hazardous substance use that might be harmful to the human system or the environment. Launched in the run up to the 2008 Beijing Olympic Games, F268 did not use any bromine flame-retardants or PVC in the main frame or accessories such as battery chargers or headsets. In addition, the product features a "Charge Alarm" function that notifies the user upon the completion of the battery charge.

● **Mercury-free LED Backlight Unit Monitor**

Launched in 2007, the SyncMaster XL20 model employs an LED backlight unit, a first in Korea. While conventional LCD monitors contain mercury in the backlight unit, the LED backlight unit is an environment-friendly material free of mercury. The XL20 model can realize 114% of color reproduction, enabling delicate and diverse color representation on the monitor screen, drawing the keen interests of designers, photographers and the publishing industry.













● **Ultra Low Power Refrigerator and Air Conditioner**

Zipel Sapphire (model no.: SRT 686PPGE) employs an ultra low power digital inverter technology and ultra vacuum insulation, reducing monthly power consumption to 27.4kWh or 14% compared to conventional products. This is less than half the power consumption, compared to 10 years ago when the Zipel refrigerator first appeared in the market. The refrigerant uses R600a, which is graded zero on the ozone depletion index, minimizing global warming, and the bloating agent also applies cyclopentane. As for the system air conditioners that are usually installed in large-sized buildings, we achieved high energy efficiency by applying the high-efficiency cycling technology that automatically controls the capacity according to the actual cooling / warming capacity loading. It also uses the environment-friendly R410a refrigerant that is graded zero on the ozone depletion index.

● **Other Eco-friendly products**

The residential washing machine, New Wave Series (SEW-QA137AR), minimizes its standby power under 1W, saving 30% of the energy used by conventional models. The low-noise vacuum cleaner "Stealth" has significantly reduced noise to only 10% of a traditional vacuum cleaner, or 59dB, by improving the internal structure design, motor, cyclone and brush noise. Equipped with a HEPA 13 filter that filters 99.97 % of minute dust of 0.3µm using silver nano technology, it is a healthy product and also contributes to resource conservation thanks to its semi-permanent washable filters and dust bin.

**Eco-Friendly Products in 2008**

Picture	Model	Green Feature	Picture	Model	Green Feature
	LCD TV LN46A780R2F	<ul style="list-style-type: none"> <li>• Applying local dimming technology</li> <li>• Reduced power output</li> <li>• Mercury-free LED lamp</li> <li>• Dual injection frame</li> </ul>		Refrigerator SRT746VWMM	<ul style="list-style-type: none"> <li>• High-efficiency with vacuum insulation</li> <li>• Low power output, low noise</li> <li>• Employing environment-friendly refrigerant R-600a</li> </ul>
	Monitor XL24	<ul style="list-style-type: none"> <li>• Reduced power output (LED)</li> <li>• Mercury-free LED lamp</li> </ul>		Air Conditioner HPN-U187HF	<ul style="list-style-type: none"> <li>• Lowest rated power output</li> <li>• Employing environment-friendly refrigerant R-410a</li> <li>• Super purity system (independent operation)</li> <li>• Employing environment-friendly, antibacterial filter</li> </ul>
	Color Laser All-in-One CLX-3175	<ul style="list-style-type: none"> <li>• Presidential prize at th "Korea Environmental Management Awards"</li> <li>• Non-noise technology</li> <li>• Compact design</li> </ul>		Vacuum Cleaner VC-SB932Z	<ul style="list-style-type: none"> <li>• Lowest noise</li> <li>• German SLG certification</li> <li>• British Allergy Foundation (BAF) certification</li> </ul>
	Mobile Phone SCH-W510, SGH-E200E, GT-S3030	<ul style="list-style-type: none"> <li>• Applying bio plastics</li> <li>• BFR free exterior components</li> <li>• Recycled wrappings</li> </ul>		SPI SA-C600W	<ul style="list-style-type: none"> <li>• Active air purification without filter</li> <li>• Eliminating virus and fungi</li> <li>• Neutralizing active oxygen</li> </ul>
	Laptop X360	<ul style="list-style-type: none"> <li>• Employing ultra high-capacity battery</li> <li>• Employing antibacterial silvernano keyboard</li> <li>• RoHS, Eco marks</li> </ul>		Memory DDR2 1.55V 4GB	<ul style="list-style-type: none"> <li>• Lead-free memory</li> </ul>
	Washing Machine SEW- HAR149AUW	<ul style="list-style-type: none"> <li>• Industry-lowest power output</li> <li>• Lowest water consumption</li> <li>• Reduced laundering time span</li> </ul>		HDD N3 1.8 inch	<ul style="list-style-type: none"> <li>• Small-sized and low-power design</li> <li>• Halogen-free</li> </ul>



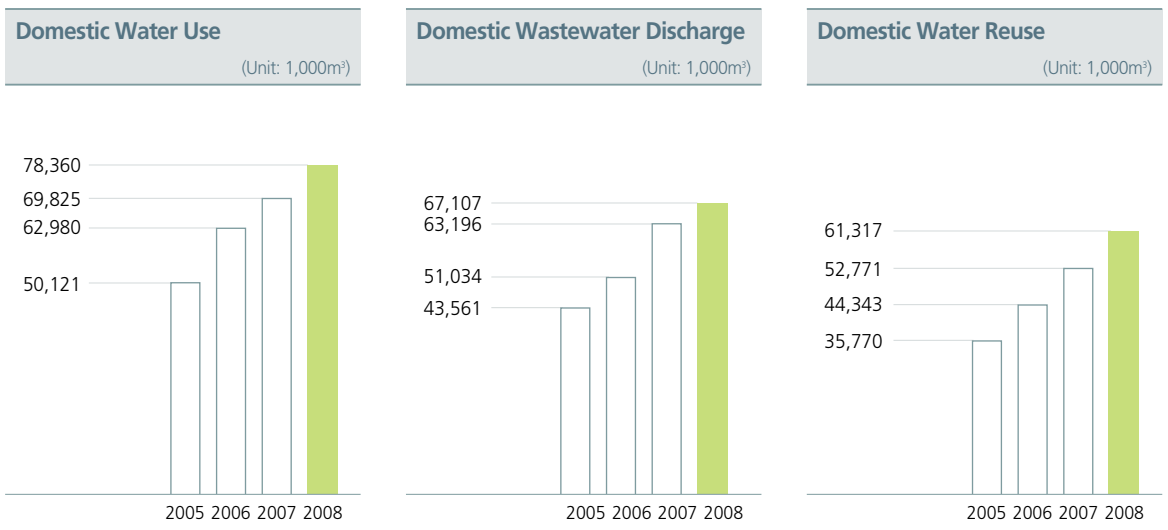
## Raw Materials and Water Resource Management

### ● Recycling Material Use

Committed to preventing environmental pollution and improving resource cycling, Samsung Electronics recycles scrapped electronic products and uses waste plastics as recycling materials. In 2008, we recycled and reused 1,385 tons of PPs and 75 tons of ABS as recycled plastics.

### ● Water Resource Use

Water resources required for production at our eight domestic plants are mostly supplied from industrial water sources, and some plants, depending on the condition, utilize water service. In 2008, we used a total of 78,360,000m<sup>3</sup>, up 13.3% from the previous year, because of the expanding production lines of LCD and semiconductor processes. In order to minimize water use, Samsung Electronics encourages water reuse. In 2008, we reused 61,317,000m<sup>3</sup>, up 16.1% in comparison with the previous year. In the meantime, our wastewater discharge also increased by 6.2% to 67,107,000 m<sup>3</sup> due to the expanded production lines.



### Wastewater Discharge in the Public Water Area

	Discharge Destination	Activities	Remarks
Suwon Plant	Woncheon stream	Eco system recovery projects to prevent the stream from drying-up	-
Gumi Plant	No discharge into public water area	Regular clean-ups in the vicinity of the stream	Reusing all the wastewater by utilizing the Zero Discharge System
Giheung Plant	Osan stream, Woncheon stream	Regular clean-ups in the vicinity of the stream	-
Hwaseong Plant	Woncheon stream	Regular clean-ups in the vicinity of the stream	-
Onyang Plant	Gokgyo stream	Quarterly water quality evaluation in the vicinity of the plant Two to three clean-ups around the Gokgyo stream	-
Tangeong Plant	Gokgyo stream	Four stream cleaning campaigns per year	-
Cheonan Plant	Jangjae stream	Four stream cleaning campaigns per year	-

## Pollutant and Hazardous Substance Control

### ● Air and Water Pollutant Control

In response to the strengthened environmental regulations, all plants of Samsung Electronics are working to minimize pollutant discharge. In particular, an environmental laboratory was set up to analyze the basic pollutants generated by each plant and for organic management and improvement.

**Domestic Pollutant Discharge**

Category		2005	2006	2007	2008
Air pollutant discharge	SOx	5	5	7	13
	NOx	22	33	27	104
	Dust	7	8	16	22
	NH3	12	14	14	11
	HF	9	15	11	11
Water pollutant discharge	COD	1,038	1,096	980	1,048
	SS	690	761	715	781
	F	150	168	203	227
	Heavy Metals	0.3	0.2	0.6	0.5

● **Hazardous Substance Control**

Of the total chemical substances used during 2008, domestic use of toxic substances amounted to 252,000 tons, up 16.7% from the previous year. All chemical substances used at the plants of Samsung Electronics are discriminately treated under its internal regulations and the use amount and deposits are evaluated.

● **Ozone Depleting Substance Use**

Samsung Electronics is dedicated to minimizing the use of ozone depleting substances, which threaten the environment. The total amount of ozone depleting substances used in 2008, excluding refrigerants in refrigerators and air conditioners, stood at 74 tons, down 34.7% from 2007.

**Ozone Depleting Substance Use**

	2005	2006	2007	2008
Used amount	987	92	113	74

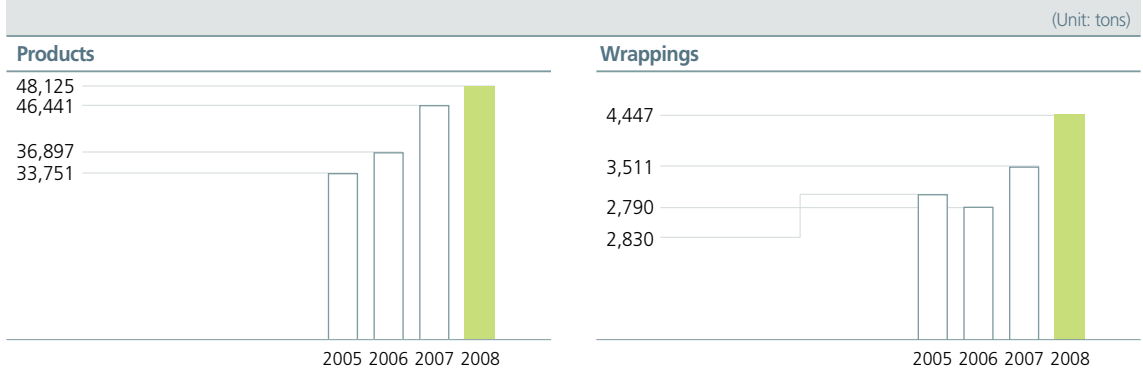
(Unit: tons)

● **Domestic Electronic Appliance Waste Recovery and Recycling**

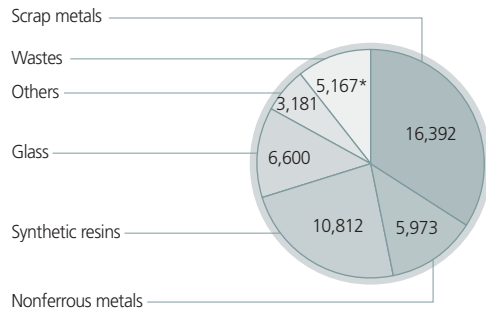
Recovery and recycling of disposed electronic products not only prevents environmental pollution by eliminating incineration or landfill use, but also enables the efficient use of limited resources by recovering such resources as scrap iron, nonferrous metals and synthetic resins from the waste products. In fact, Samsung Electronics long ago recognized the importance of recovery and recycling of disposed electronic products as part of its sustainable development, and established its own recovery and recycling system as early as 1995.

In 2008, 48,125 tons of disposed electronic products were recovered and consigned to an external expert for safe recycling. Samsung Electronics also established the Asan Recycling Center under its arm. The recovered amount increased about 4% from 2007. The average recovery rate against the new product sales volume stands at 14.7% and the total resource recovery rate at 89%, with a total of 42,958 tons of waste goods recovered for resources.

**Waste Product Recycling**

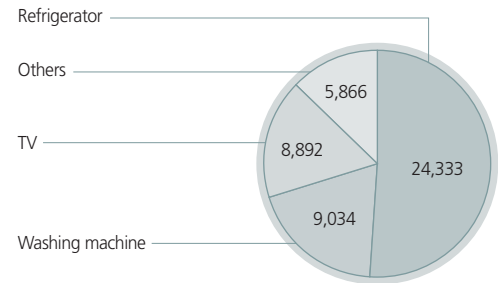


### Resource Recovery (Unit: tons)



\* The total amount of recovered resources does not include wastes.

### Waste Product Recycling (Unit: tons)



### ● Disposed Electronic Products Recovery Campaign

Samsung Electronics entered into an agreement on “Recovering Disposed Electronic Products” with local governments of remote areas in 2002 and mounted a campaign to recover and treat disposed home appliances. Entering into recycling agreements with Sokcho City and Jindo-Gun in 2008, Samsung Electronics has mounted a disposed electronic products recovery campaign in these areas. In a bid to improve the recycling of disposed mobile phones, Samsung Electronics joined hands with governmental authorities and stakeholders on a “Nationwide Mobile Phone Recovery Campaign” and recovered and recycled a total of 250,000 mobile phone sets. In addition, we selected schools of excellent performance in the recovery campaign and donated books on environmental issues in support of the environmental education of our next generation. Samsung Electronics also donated some of the proceeds from the campaigns to undernourished children and teenaged heads of families. In the future, we will continue our endeavors for resource recycling initiatives through efforts to expand waste product recovery and recycling rates, while expanding the production of eco-friendly products.

### ● Global Recycling Activities

Based on its product stewardship, Samsung Electronics actively promotes disposed electronic products recovery and recycling in the global markets. In 2008, approximately 250,000 tons of waste products have been recovered and recycled from areas where we operate businesses including Korea, Japan, Europe and the U.S. As part of the U.S. Samsung Recycling Directive that began in October 2008, Samsung Electronics has established and put in operation a system of recovering disposed electronic products for resource recovery all across the United States. In proactive participation in the “National Mobile Phone Recycling Week” sponsored by the U.S. Environmental Protection Agency, we have conducted a variety of recycling programs. Introduced at the CTIA Wireless Expo, Nascar Samsung 500, Samsung Experience pavilion and service center, the campaign program included distributing bags to enhance consumer convenience when they want to return obsolete mobile phones and variegated activities for recovering scrapped mobile phones. These activities enhanced the company’s corporate image as an environment-friendly company within the U.S. market.



#### \* National Mobile Phone Recycling Week

A recycling campaign by the U.S. Environmental Protection Agency for seven days from April 6 to 12, 2009, in which a number of electronic products manufacturers, mobile operators and retailers participated, Samsung Electronics was the only manufacturer participant.

## Waste Management

The total waste generated by the eight domestic plants of Samsung Electronics amounted to 460,952 tons in 2008. Of this, general waste accounted for 66% and specified wastes, 34%. Most of the wastes are consigned to outsourcers for treatment. About 20,304 tons of wastes were reused in producing steam for the operation of the production processes. The recycled waste amount stood at 367,749 tons, with a recycling rate of 79.8%.

## Health and Safety Control at Workplace

### Waste Discharge at Korean Plants

(Unit: tons)

	2005	2006	2007	2008
Generated waste	360,211	390,208	457,125	460,952
Recycled waste	299,043	309,213	362,274	367,749
Recycling rate (%)	83.0	79.2	79.3	79.8

#### ● Waste Glass Recycling

The LCD business division chose to recycle its growing waste glass due to the increased production of LCD panels from 2008. The LCD panel glass characteristically has a higher melting point than normal glass, making it difficult to recycle. However, Samsung Electronics discovered a new use of this scrap as a subsidiary material to cement, improving its recycling rate from 0% to 85%, saving KRW 410 million in costs.

#### ● Cost-saving through Improved Wrapping Materials at Overseas Plants

The LCD business division used to pack the LCD panels that the Cheonan factory manufactured with EPP boxes and used paper palletes to wrap it for shipping to the Chinese plant SESL. However, the wrappings were frequently damaged by rain and palletes were vulnerable to exposure, raising resource reuse issues. To deal with this problem, the paper palletes were replaced with reusable plastics, which has significantly enhanced the efficiency of the wrapping process, saving about KRW 860 million per year in disposal costs by reducing box damages during the logistics process and enabling continuous reuse.

#### ● Waste Wafers Recycling

Samsung Electronics used to recover and pulverize or incinerate all waste wafers generated in the semiconductor manufacturing process for security reasons. After a system was developed that can reuse the waste wafers as raw materials for solar power cells, more than 100 tons of waste wafers are recycled annually.

In compliance with health and safety regulations, Samsung Electronics has instituted internal rules on health and safety for a sound workplace for all employees. At the same time, we encourage various health and safety activities such as accident prevention initiatives and knowledge sharing among plants. Samsung Electronics' process innovation initiatives include installment of safety accident prevention facilities, education of the employees for a safe workplace and installment of conveyers to prevent musculoskeletal diseases arising from simple, repetitive tasks. Recently, a consulting center was set up for stress management and mental disease prevention. Through these initiatives, the accident rate stood at 0.063% in 2008, substantially lower than the 1.15% Korean manufacturing industrial average accident rate.

Samsung Electronics operates multi-channels of occupational health and safety education programs including off-the-job courses and online courses. In 2008, 78,296 employees completed these courses. Also included are major health and safety courses within the education programs for new employees, newly promoted employees and overseas assigned employees, ensuring repetitive education to prevent safety accident.

### 2008 Domestic Accident Rate

(Unit: %)

	2005	2006	2007	2008
Industrial accident rate	1.18	1.18	1.10	1.15
National accident rate	0.77	0.77	0.72	0.71
Samsung Electronics' accident rate	0.046	0.057	0.056	0.063

### Health & Safety Education by Region

(Unit: persons)

	Suwon	Gumi	Gwangju	Giheung · Hwaseong	Onyang	Giheung (LCD)	Cheonan	Tangjeong	Total
No. of trainees	16,672	13,165	3,200	25,048	6,300	1,402	4,990	7,519	78,296

In addition, Samsung Electronics' Gumi plant was designated by the Ministry for Health, Welfare and Family Affairs (MOHW) in May 2008 as a "Healthy Company, Free of Smoke" for its 10-year anti-tobacco crusade. For ten years, the Gumi plant has prohibited the sale of tobacco within its premises, declared its determination to pursue anti-tobacco policies, offered incentives for zero smoking rates and ran stop-smoking courses. As a result, the smoking rate has significantly dropped from over 50% to 10% in 2007 and 2% in 2008.

## Environmental Awards and External Recognitions



Samsung Electronics' world leading eco-friendly products have received excellent responses from buyers, consumers and NGOs at a number of international fairs such as CES and IFA. For instance, we ranked as the #1 eco-friendly company in the evaluation by Green Peace in the first half of 2008 and were selected as an excellent eco-friendly company by domestic and international agencies and groups. In addition, we ranked second amongst 18 distributors in the recycling performance evaluation conducted by the U.S. ETBC. Not content to rest on these laurels, Samsung Electronics will analyze the details of these achievements and escalate innovation initiatives to satisfy stakeholder demands.

- March 2009, received the Energy Star Award by the U.S. Environmental Protection Agency
- January 2009, received the largest number of prizes in the "Eco-friendly Innovative Product Awards" at the U.S. CES (washing machine, LED TV)
- 1<sup>st</sup> half of 2008, ranked top in the Global IT Eco-friendly Company assessment by Green Peace
- 2008, acquired the largest number of environmental certifications amongst global electronic companies (six certifications on 1,900 models)
- 2008, received several prizes in the "Korea Environmental Management Awards," including the presidential prize for color printer

## ESH Certifications

All of the eight domestic plants of Samsung Electronics are designated as an environment-friendly company certified by the Ministry of Environment, holding ISO14001 and OHSAS18001 certifications as well. In addition, we have completed a comprehensive environment and safety management system at all of our global plants. Samsung Electronics is currently working to acquire the ISO14001 and OHSAS18001 at all of our business premises including overseas plants. In 2008, the overseas plant SIEL in India newly acquired these two certifications, raising the total number of plants holding the certifications to 26 out of 30 plants. For the remaining four plants, we aim to acquire the certifications by the end of 2009.



### Certifications Acquired by Overseas Plants

Category	DMC Business Unit		DS Business Unit		Total
	DM	IT	Semiconductors	LCD	
No. of subject subsidiaries	18	7	3	2	30
No. of certified subsidiaries	17	5	3	1	26
Acquisition rate (%)	94	71	100	50	87

## ESH Compliance

Samsung Electronics has no record of violations of ESH regulations over the past three years.



## Social Contributions

Pursuing a Happier Society

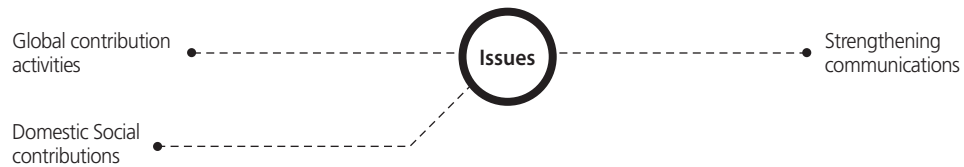
# Heart Community

Human beings are innately equal and every one of us is a valuable constituent of this society. Samsung Electronics embraces needy global neighbors regardless of race, age, region or gender as “our” family. The sharing spirit runs through the company’s management philosophy today and every day.

A Heart Community is all around us.



## Priority Issues in Citizenship at Samsung Electronics



## Our Plan for 2009

- Maintaining average per capita employee volunteer levels above 10 person-hours
- Maintaining employees' volunteer activity participation ratios above 90%
- Expanding employees' global volunteerism
- Diversifying volunteer activities to include employee's families

## Social Contributions

# Pursuing a Happier Society



Local Communities Project  
Investments Against Pre-Tax Income



Eun-Yeong Seo, Staff  
Samsung Electronics Community Relations

Dong-Seok Lee, Staff  
Sharing Management Group,  
LCD Business Division

## Highlight in 2008

- Invested 2.9% of pre-tax income in local community products
- 84,000 employees participated in the Running Festival for Charity
- Supported eyesight recovery operations and construction of elementary schools in China
- Sponsored the "Pink Ribbon Campaign" in Europe
- Constructed seven IT training centers for resident's education in India's slums
- Sponsored young generation education programs in four African countries

Very High: (🔋) High: (🔋) Low: (🔋)

### Material issues regarding "Social Contribution"

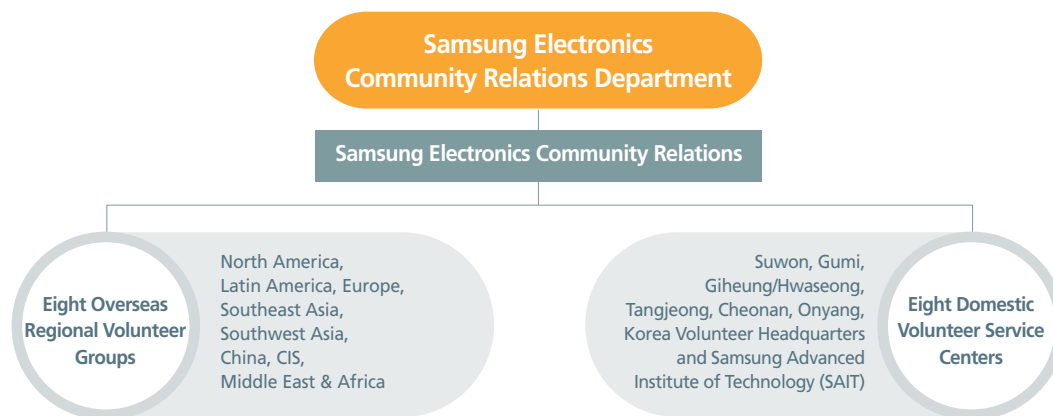
Issues identified	Stakeholder Impact							Samsung Electronics' Response
	C	E	I	L	G	P	N	
Global contribution activities	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	<ul style="list-style-type: none"> <li>• Continuing global community service activities</li> <li>• Encouraging employees' participation in community service activities</li> </ul>
Domestic Social Contributions	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	<ul style="list-style-type: none"> <li>• Supporting youth in realizing their dreams</li> <li>• Supporting children from low-income families</li> <li>• Implementing business relevant public projects</li> </ul>
Strengthening Communications	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	<ul style="list-style-type: none"> <li>• Building partnerships with customers and NGOs on public projects</li> <li>• Strengthening communications with local communities</li> </ul>

\* C - Customers, E - Employees, I - Investors / Shareholders, L - Local Communities, G - Government, P - Partners, N - NGO, NPO



## Social Contribution Organization

Community Relations Department was launched in 1995 to systematically support the company's corporate citizenship activities through eight overseas regional volunteer groups and eight domestic volunteer service centers, encouraging employees' participation in community service activities and promoting a donation culture.



## Global Contribution Activities

Samsung Electronics maintains a social network with governments, local NGOs, mass media and schools to develop and implement public projects that respond to the social issues of domestic and foreign governments and local communities. In 2008, we spent KRW 191.0 billion on these activities. The spending accounted for 2.9% of our pre-tax income, up 0.5% from the previous year.

### ● Global Community Activities

Samsung Electronics implements diverse local community engagement programs responsive to the respective needs and sentiments of eight overseas business areas. In particular, we strive to improve the educational conditions in underdeveloped countries through our partnerships with The Korean National Commission for UNESCO and Samsung UNESCO Education Fund. Samsung Electronics' employees are also sponsoring ICT projects in underdeveloped countries through World Vision and overseas needy children. Our sponsorship of the "Pink Ribbon Campaign" began in the Netherlands in 2006, and was subsequently expanded to nine countries in 2007 and 17 countries in 2008.



## Interview with Stakeholders

# Contributing to building happier societies around the world, Samsung Electronics is enhancing its value as well



Mr. Taek-Soo Jeon, Secretary General, Korean National Commission for UNESCO

The sustainable development of human beings can be realized through education which develops one's potentials and recognition of the preciousness of the planet. However, approximately 75 million children globally do not attend school and a staggering 776 million adults are illiterate today.

To address these problems, the Korean National Commission for UNESCO (KNCU) and Samsung Electronics has worked cooperatively on global community initiatives in 27 countries in Asia and Africa over the past 10 years. We have contributed to UNESCO's major priorities for ensuring

'Education for All (EFA)' and 'Education for Sustainable Development (ESD)'. To that end, the Samsung-KNCU Educational Fund Project will truly show its results in the next generation. A firm's global leadership is completed by its corporate social responsibility. Samsung's presence and brand value are dependent on the contributions to global efforts toward a just society for everyone.

It is hoped that Samsung Electronics will continue with its global community initiatives and play a leading role in addressing pressing global challenges in partnership with a wide variety of international agencies and experts.

In 2008, exclusive mobile phones for the “Pink Ribbon Campaign” were launched and sold in 17 countries, with the proceeds from these sales donated to the charities for the anti-breast cancer movement. Samsung Electronics plans to further expand this campaign to other products such as LCD TVs, laptop PCs and cameras in 2009.

### Global Social Contribution Programs

	Program	Details
U.S.	Four Seasons of Hope	• Supporting the charities sponsored by famous U.S. sports stars of golf, baseball, basketball and football
	Essay Contests (Hope for Education)	• Essay contest on the subject of digital technology’s impact on school education, awarding the winners with electronic goods
China	Constructing Elementary School of Hope	• Chinese government and Samsung Electronics jointly construct elementary schools in poverty areas as part of the “Project Hope” program • During the first stage from 2005 to 2007, 45 new elementary schools were built • The second stage began in April 2008 with the Anycall Project Hope Fund signing ceremony to build 55 elementary schools from 2008 to 2010, totaling 100 new schools in China
	Samsung Light of Love	• Supporting underprivileged patients with operation funding to remove cataracts
Southeast Asia	Samsung Hope	• Constructing IT centers for juveniles in seven countries including Thailand, Vietnam, Philippines, Malaysia and Indonesia and providing computer education centers for blind youth in underdeveloped areas
India	Constructing Local Community Centers	• Constructing seven community centers in the slums of Bhubaneswar, Orissa, India for the education of residents and IT training programs
U.K.	Youth Anti-Obesity	• Anti-obesity program in partnership with the European Olympic Committees
CIS (East Europe)	Cultural & Art support	• Sponsoring the Bolshoi Theatre, instituting Tolstoy Literature Awards, sponsoring the Hermitage Museum and hosting Saint Petersburg Running Festival at Night during the midnight sun
Africa	Joint sponsorship of youth education programs with IYF	• Entering into a “Youth Education Program Sponsorship” contract with the global non-profit organization IYF to provide and support IT and technology education and other education, funding and providing consulting services for employment to help the young generation in Kenya, Egypt, Republic of South Africa and Nigeria plan and develop their future
	Samsung · UNESCO education fund	• In partnership with the UNESCO-International Institute for Capacity Building in Africa (IICBA), we conduct IT training programs for elementary and middle school teachers in Ethiopia and sponsor PCs and monitors for the ICT center
Latin America	Supporting children’s cancer wards	• Visiting and maintaining sisterhoods with local orphanages and providing toys to children’s cancer wards



U.K.: Sponsoring Youth Anti-Obesity



China: constructing Samsung Anycall Elementary Schools of Hope



One-company One-village sisterhood activities



East Europe: Cultural & Art support



Africa: sponsoring of youth education programs



India: constructing local community centers



U.S.A.: Hope for Education



Latin America: supporting children’s cancer wards

## Domestic Social Contributions

Samsung Electronics' three representative social contribution programs are "Supporting Youth in Realizing Their Dreams," "Supporting Children from Low-income Families" and business-relevant public projects.

### ● Supporting Youth in Realizing Their Dreams

Samsung Electronics runs a variety of programs to help our next generation realize their dreams and grow as upstanding citizens through partnerships with professional agencies and organizations.



#### Supporting Student Youth

Project	Organization	Details
Students' Science Olympic	The Korean Federation of Science Education Societies	<ul style="list-style-type: none"> <li>• Hosting and awarding a number of science contests for elementary, middle and high school students since 1995</li> </ul>
Creativity Olympiad	Joint hosting with Korean Intellectual Property Office	<ul style="list-style-type: none"> <li>• Sponsoring national students' creativity contests for elementary, middle and high school students to cultivate creativity in our next generation since 1997</li> </ul>
Green Singing Contest (Children's Song Campaign)	Seoul YMCA KBS	<ul style="list-style-type: none"> <li>• Hosting Korea Children's Song Contest, Children's Song Seminar, symposium and overseas Children's Song Contests</li> </ul>
Didimdol (Stepping Stone) Scholarship	Korea National Council on Social Welfare, Kookmin Daily	<ul style="list-style-type: none"> <li>• Providing scholarships to 20 college students with disabled families every year since 1998</li> <li>• Funded by Samsung Employees' voluntary donations</li> </ul>
Science and economics classes for youth	The National Academy of Engineering of Korea JA KOREA	<ul style="list-style-type: none"> <li>• Market economy classes for local elementary students</li> <li>• Employees' volunteer services to share their knowledge</li> </ul>

### ● Supporting Children from Low-income Families

Samsung Electronics organized a volunteer group of employees to support the children from low-income families to support them realize their dreams by providing them with science classes and various other learning experiences. The company's "Mentoring Program" helps embrace these children as part of "our" family by sharing in their worries and concerns and counseling them on their grievances.

- Local children's center sponsorships (afterschool classes): sponsoring extracurricular activities at 88 local children centers in Korea including science classes
- Emotional support programs through sisterhoods and mentoring programs for 329 Korean children

#### Business Relevant Strategic Social Contribution Programs

Business Division / Project	Programs
Wireless	<ul style="list-style-type: none"> <li>• Cochlea Implant Sponsorship <ul style="list-style-type: none"> <li>• Subsidizing cochlea implant surgeries and rehabilitation for hearing-impaired children from low-income families (74 children during 2007 and 2008) (KRW 15 million per person for 2007-2010, totaling KRW1.4 billion)</li> </ul> </li> <li>• Hearing Ear Dog <ul style="list-style-type: none"> <li>• Hearing Ear Dog projects (14 dogs / year)</li> </ul> </li> </ul>
Visual Display / LCD	<ul style="list-style-type: none"> <li>• Computer classes for visually-challenged <ul style="list-style-type: none"> <li>• Online computer classes and offline computer contests for the visually-challenged</li> <li>• Providing eye disease inspection services and reading glasses to local elderly citizens</li> </ul> </li> </ul>
Semiconductors	<ul style="list-style-type: none"> <li>• Supporting treatment of cerebral diseases <ul style="list-style-type: none"> <li>• Demonstrative operation of Dementia Prevention Center in Yongin (supporting operational expenses and experts)</li> </ul> </li> </ul>



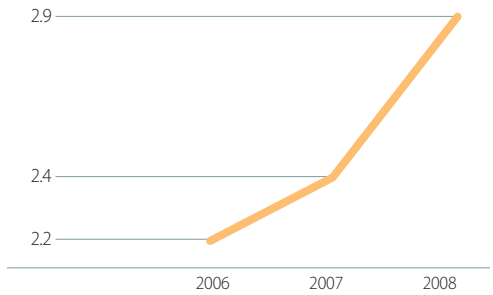
### ● Employees' Participation in Community Activities

Samsung Electronics employees are registered in approximately 1,500 volunteer groups, participating in a diverse range of volunteer activities as responsible citizens. To encourage employees' donation practices, we operate a "Matching Grant" program and Running Festival for Charity, in which 84,000 participated in 2008.



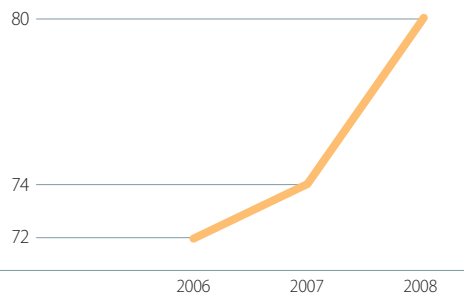
### Social Contribution Investments against Pre-tax Income

(Unit: %)



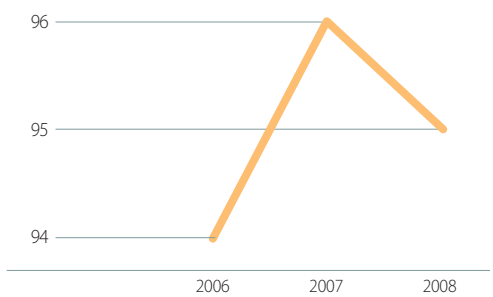
### Employees Donation Ratio

(Unit: %)



### Employees Volunteer Participation Ratio

(Unit: %)



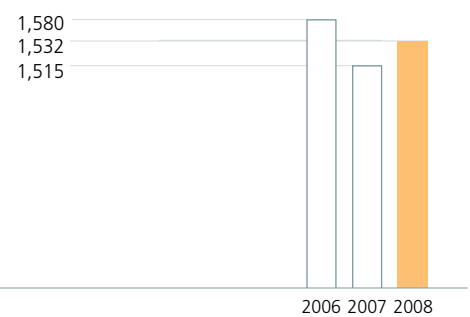
### Average Employee Volunteer Hours

(Unit: hour)



### Number of Local Volunteer Groups

(Unit: team)



## Strengthening Communications

In order to clearly understand our community's needs and to cooperate with local communities in dealing with community issues, we maintain partnerships with major local stakeholders including NGOs on a variety of programs. In the U.S., in particular, Samsung Electronics maintains organic cooperation with the foundations run by famous sports stars on public projects. Our sponsorships also include education and training programs in African countries through the Korean National Commission for UNESCO.



### Domestic and International Partners for Contribution Projects

No.	Organization	Program
1	European Olympic Committees	Youth Anti-Obesity campaign
2	Pink Ribbon campaign organizers	Breast cancer crusade
3	Magic Johnson Foundation	Four Seasons of Hope
4	Arnold Palmer Hospital for Children	
5	The Boomer Esiason Foundation	
6	Joe Torre Safe At Home Foundation	
7	St. Vincent Catholic Medical Center	
8	Wayne Gretzky Foundation	
9	Korean National Commission for UNESCO	Sponsoring education in underdeveloped countries
10	Korea Foundation	Academic support in Vietnam
11	Korea National Council on Social Welfare	Scholarships to university students with disabled parent, rookie social workers awards
12	Red Cross	Delivering Lunchbox of Love, blood donation drive and other community services
13	Gyeonggi Council of Volunteering	Supporting community activities
14	Green Family Movement Association	Providing environmental experience classes for youth
15	The Korea Association for Bird Protection	Sponsoring bird protection activities
16	Seoul YMCA	Popularizing children's songs
17	Korea Association for School Invention	Hosting Korea Destination ImagiNation
18	The Korean Federation of Science Education Societies	Sponsoring Korea Student Science Inquiry Olympics
19	Make-A-Wish Korea	Sponsoring children patients with rare diseases
20	World Vision	Sponsoring education in underdeveloped countries

### "Rookie Social Workers Awards"

#### ■ Objectives

Social workers suffer heavy workloads and low public awareness of their jobs and often leave their jobs within five years of service. Therefore, in order to boost their morale, Samsung Electronics launched this Award program that selects and awards rookie social workers who have served less than five years and have demonstrated excellent performances. The prize comes with various opportunities for self-development through overseas training and other training programs.

#### ■ Major Achievements

From 2004 to 2008, 12 rookies received awards each year, totaling 60 winners to date. The Award program was recognized as a leading initiative by the Ministry for Health, Welfare and Family Affairs (MOHW) and was allowed to carry the sponsorship endorsement of the MOHW. Samsung Electronics has provided overseas training courses in Europe three times for the winners from 2006 to 2008.

## Products & Services

Strengthening Product Competitiveness | Innovative Customer Satisfaction Service

# Customer Satisfaction Innovation

However excellent it may be, customers will turn their eyes away from inconvenient products. In 2008, Samsung Electronics came closer to realizing its vision of absolute customer satisfaction, through ceaseless product and service innovation initiatives. Our endeavors to become a company for the customer, continues today and on into tomorrow.

Customer Satisfaction is all around us.



# Global Top Company through Superior Quality



## Achieving excellent customer satisfaction through reinforced customer service capabilities



### Realizing Superior Quality

- Upgrading quality management system
- Strengthening customer-oriented quality assurance
- Activating customer communications



### Customer Satisfaction Service Innovation

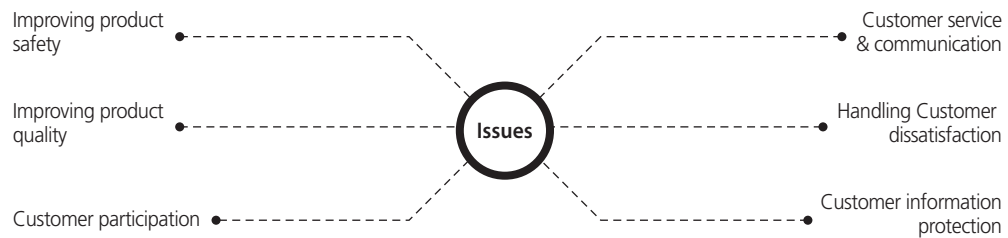
- Establishing speedy service procedures
- Strengthening specialized skills at the contact points
- Customer service convenience innovation



### Refreshing CS Mindsets

- Three major CS innovation (CS=ES=MS)
- Standardizing global customer response system
- Strengthening CS workforce competencies

## Priority Issues in Products & Services at Samsung Electronics



## Our Plan for 2009

- Standardizing the global customer response system in all 20 overseas plants
- Establishing a quality innovation platform
- Maintaining customer information protection with zero violations



# Strengthening Product Competitiveness



Quality Staff's Certification Holding Ratio

Eun-Hye Jeong, Staff  
Quality Assurance Group, CS Environment Center

## Highlight in 2008

- Qualified as a certified test laboratory by three world-renowned testing authorities including: the Client Test Data Program (CTDP) on batteries by the Underwriters Laboratory Inc., a U.S.-based world-renowned product safety certifier; electromagnetic compatibility (EMC) and battery test laboratory certificate by the United Kingdom Accreditation Service (UKAS); and a test laboratory for the domestic registration of wireless products.
- Expanded prosumer program to encourage customer Participation in products & services improvement

Very High: 🟢 High: 🟡 Low: 🟠

Issues Identified	Stakeholder Impact							Samsung Electronics' Response
	C	E	I	L	G	P	N	
Improving product safety	🟢	🟢	🟢	🟡	🟢	🟢	🟢	Establishing product safety system, operating standard test laboratory, building product liability prevention and response system
Improving product quality	🟢	🟢	🟢	🟡	🟢	🟢	🟢	Establishing and improving customer satisfaction survey, establishing quality system by work process
Customer participation	🟢	🟢	🟡	🟢	🟡	🟡	🟢	Operating prosumer communities and reflecting customer suggestions in product development

\* C - Customers, E - Employees, I - Investors / Shareholders, L - Local Communities, G - Government, P - Partners, N - NGO, NPO



## Improving Product Safety

Samsung Electronics conducts internal safety tests on all products to ensure product safety. We meet the international standards and our test capabilities were recognized by 27 testing authorities in 12 countries in the areas of the environment, facilities, workforce and, quality systems. These qualifications are testament to the proven capabilities of Samsung Electronics in inspecting product safety to the satisfaction of its customers. In 2008, we added to our qualifications as a certified test laboratory by receiving designations from three additional testing authorities including UL (CTDP on batteries) and UKAS (EMC, batteries) and a domestic registry authority (wireless). In total, we hold certifications from 40 test laboratories on EMC, safety, battery and wired / wireless telecommunications for product safety through testing and assessments.

## Improving Product Quality

### ● Quality Management

Samsung Electronics operates a series of quality education programs to enhance the capacity of workforce, a key factor in quality management. In order to ensure job-based / grade-based job expertise in our quality-control staff, we encourage all related workforce members to complete a mandatory course on quality management. In the quality certification program, 95% of our quality-control workforce in our DMC business unit was qualified under the certification program as of 2008.

#### Quality Certification Program

Class		Staff Assistant Manager			Manager~General Manager		
Grade		Engineer 3 <sup>rd</sup>	Engineer 2 <sup>nd</sup>	Engineer 1 <sup>st</sup>	Manager 3 <sup>rd</sup>	Manager 2 <sup>nd</sup>	Manager 1 <sup>st</sup>
Quality certification	Mandatory Course	Quality Improvement			Quality management		
	Optional Course	[QC]	: Internal auditor, quality information analysis, CS drives, standard SQA, etc.				
		[Service / CS support]	: QFD, Q-COST, product liability (PL), etc.				
		[Component / shipment]	: Inspection, minitap DOE, measurement control, etc.				
	[QA]	: reliability analysis, PBA experts, statistics / minitap, etc.					
International certification authorities		CQA, CQE, CRE, CSQE, ISO9001, ISO14001					

\* SQA (Software Quality Assurance), QFD (Quality Function Deployment), PBA (Panel Board Assembly), CQA (Certified Quality Auditor)  
CQE (Certified Quality Engineer), CRE (Certified Reliability Engineer), CSQE (Certified Software Quality Engineer)



## Interview with Stakeholders

### I think the company's "Customer Satisfaction Management" policy has boosted Samsung Electronics to its current status as a world leader.



Mr. Young-Ho Seo, Dean of the business school of Kyunghee University, Chairman of the Korean Society for Quality Management

"Customer Satisfaction" has been the main force behind the company's current global stature. Their ceaseless research and analysis of customer needs has facilitated technology development and product improvement, in turn achieving customer satisfaction. Taking pride in this, they have been able to incorporate customer satisfaction into their corporate

culture. For its next leap forward, I have a couple of recommendations. First, it needs to reinforce its quality security process to achieve a more perfect quality level and second, it is recommended that the company heed customer's voices. I sincerely hope Samsung Electronics carries on with its efforts for customer satisfaction.

## Customer Participation

### ● Leadership in Quality Technology

Samsung Electronics has established a reliable laboratory equipped with the best equipment and technology to develop and apply reliability assessment technology. In particular, we operate specialized laboratories for materials, noise, packaging, semiconductors and compatibility to ensure the best quality, by product and characteristics.

### ● Excellent Process

Samsung Electronics operates a customer service certification program to ensure the quality of new models. The program helps preemptively identify and address potential problems in the new product development stage when applying new functions and designs. Items for mandatory certification are identified in the development stage and then proceed to the next stage where assessments are completed. They then go through quality verification by the executive council before moving into production.

An in-depth and accurate understanding of customer needs is a prerequisite to customer satisfaction. Therefore, Samsung Electronics operates a number of prosumer communities such as Anycall Dreamers, Zaigenia, and others.

### ● Anycall Dreamers (Mobile Phones)

Introduced in 2006, Anycall Dreamers conducted its 3<sup>rd</sup> group of 25 members in 2008 to develop customer ideas, and support the product line's marketing and exhibition activities. A total of 170 viral content and product previews were held to promote Samsung Electronics' mobile phones. About 120 improvement ideas were suggested and 19 ideas, including the improvement of the Widget D-Day function, were reflected in the latest Haptic phone set and the following new models. The Dreamers' product recommendations were adopted and the product is scheduled to be in the market by 2010.



4<sup>th</sup> Anycall Dreamers launch ceremony

As Korea's leading mobile phone opinion leader group, Anycall Dreamers expanded its scope into the overseas market with the launch of Anycall Dreamers China in December 2008. The community is now developing into a global marketing program in the Chinese and European markets. The overseas Anycall Dreamers will continue to engage in various prosumer activities such as user tests and marketing idea suggestions.



Zaigenia China Exploration

### ● Zaigenia (Computer)

Launched in 2008, Zaigenia is comprised of 60 university student marketing leaders. The community members tested Samsung Electronics' laptop, netbook and web storage products, and posted their narratives and promoted the products on Internet portals and blogs, made suggestions for improvement and supported Samsung Electronics' domestic and international exhibitions. Excellent performers were offered opportunities to experience overseas markets in China and Germany to research the local computer markets and present their marketing ideas.



Samsung printer panel

### ● Samsung Printer Panel (Printer)

Comprised of 50 university students, the Samsung Printer Panel holds monthly seminars and group meetings to try new printer models and make suggestions for improvement. In collaboration with the company's experts and technicians, the community researched the products and corrected problems through user tests before their market launch. We disclosed about 300 cases of test results on the Internet to provide its customers with product information. The active idea suggestions by the community resulted in as many as 70 ideas being reflected in new product development and product exhibitions.

### ● Hauzen Bubble Mania (Washing Machine)

Hauzen Bubble Mania is a prosumer community of 100 housewife power bloggers. They accomplished one mission per week for six weeks and made suggestions for product improvement. Samsung Electronics reflected six of the suggested ideas in improving its product functions, including detergent-free drum cleaning and sterilization and an easy detergent-filling box.



Hauzen Bubble Mania launch ceremony

Products & Services

# Innovative Customer Satisfaction Service



Top Ranking of the Service Quality Index in the Home Appliances and Computer Product Category

**7** years

Seon-Yeong Kim, Staff  
Overseas Business Support Group,  
CS Environment Center

## Highlight in 2008

- Ranked first for seven consecutive years since 2002 in the Service Quality Index survey by the Korea Standards Association
- Established and applied a global customer standard response system starting with pilot programs at seven overseas plants including those in Brazil

Very High: 🟢 High: 🟡 Low: 🟠

### Material issues regarding "Customer Satisfaction Service"

Issues Identified	Stakeholder Impact							Samsung Electronics' Response
	C	E	I	L	G	P	N	
Customer service and communication	🟢	🟢	🟢	🟢	🟢	🟢	🟢	Promoting domestic and international service innovation activities
Handling customer dissatisfaction	🟢	🟢	🟢	🟢	🟢	🟢	🟢	Constructing customer standard response system by nation
Customer information protection	🟢	🟢	🟢	🟢	🟢	🟢	🟢	Applying customer information security program

\* C - Customers, E - Employees, I - Investors / Shareholders, L - Local Communities, G - Government, P - Partners, N - NGO, NPO

## Customer Service & Communication



### ● Domestic Service Competitiveness Innovation

Under the management philosophy of “Customer Satisfaction,” Samsung Electronics revamped systems and processes to be more customer-oriented and reflect customer opinions in policy-decision making. In 2008, we expedited customer touch point innovation initiatives to create excellent customer satisfaction, while solidifying customer service platforms at Digital Plazas (Samsung Electronics’ distribution agent chain) and Samsung Electronics Service Centers.

In June 2008, the sales managers of Samsung Electronics’ sales agents nationwide convened to share best practices on the company’s three strategies of “Customer Satisfaction,” “Employee Satisfaction” and “Management Satisfaction” and refreshed their determination to strengthen customer satisfaction during this Customer Service Innovation Rally. Through the “Customer Care Campaign,” we encouraged employees to develop manners for extending individual greetings and remembering customers by name. Other customer service initiatives include “The Best Chain of Stores That a Customer Can Experience” and “Improving Customer Loyalty” under the notion that a first-time customer becomes a loyal customer for life.

At the same time, the “Quick Delivery 119 Team” program ensures the best customer service in the delivery of purchased products. Samsung Electronics also produced and distributed a “Quality Logistics Service Whitepaper” to its point-of-contact employees which integrates service differentiators into their work disciplines. The “Very Satisfied 100% Campaign” also helps maximize Samsung Electronics’ customer satisfaction service.

In 2008, Samsung Electronics further spurred its customer service innovation and enhanced competitiveness in after sales service. We expanded our service centers to 160 outlets and increased our mobile phone repair engineers by 20% to improve repair services in proportion to the increasing number of mobile phone users. The interiors of the service centers were renovated into three zones including a “Talk Zone” where customers can consult with technicians, a “Play Zone” where they can enjoy entertainment services while waiting in line and a “Love Zone,” where the actual repair services are conducted. We also readjusted the service charge rates and expanded the warranty from two months to 12 months and implemented an After-sales Services quality guarantee service. As a result of the consistent customer service innovation, After-sales Service of Samsung Electronics’ home appliances and computer product has ranked first for seven consecutive years since 2002 in the KS-SQI. In addition After-sales Service of Samsung Electronics’ mobile phone has ranked first for five consecutive years in the same survey.



### Interview with Stakeholders

## As a consumer of Samsung Electronics products, I am satisfied with the excellent quality and differentiated service.



Jong-Seok Ahn, consumer

I am a user of Samsung Electronics products and satisfied with their excellent quality and differentiated service. I also take pride as a Korean in that Samsung Electronics has established itself as a global leader in overseas markets. However, I see room for improvement in Samsung Electronics’ operation of its communications channels for in-depth information on its products and in its policy for improving the elderly and

disabled users’ conveniences in handling digital devices. In addition, I believe Samsung Electronics can better live up to its reputation as Korea’s representative icon if it can further expand its product warranties and reduce repair service charges, and care for marginalized neighbors and the socially underprivileged.

● Overseas Service Competitiveness Innovation

The annual global service customer satisfaction survey results indicated that customers place the highest importance on fast and accurate repair service. Therefore, Samsung Electronics has focused 2008 overseas service activities on speeding up the service processes. For a fast repair service, we have established service centers in 3,100 cities with populations over 100,000. For progress monitoring, we completed a progress control system covering the customer experience from the time of reception to completion of repair service and improved speed in addressing customer needs, while eliminating unresolved cases.

In order to enhance service component supply system, Samsung Electronics developed new demand forecast methodology through industrial-academia cooperation. Applied from 2009, the new method is projected to bring about innovation in component supply. For accurate repair service, we have encouraged service engineers to enhance their techniques and skills. In addition to about 5,000 offline / off-the-job courses, online courses and video education courses, we have also produced and provided guidebooks on preventing recurring repairs to all our service centers. As a result, the ratio of repair skill certificate holders has improved from 83% to 92%. Assigning 3,000 consultants at the 37 overseas contact centers, Samsung Electronics provides accurate explanations on its products and their usage. Customers can also check and refer to the FAQ on Samsung Electronics' website and "How to Guide" pages for product support. In recognition of these service innovation activities, the company was awarded an excellent call center prize in Indonesia, Thailand and Singapore.



Handling Customer Dissatisfaction

In 2008, Samsung Electronics received 55 million customer inquiries (20 million in Korea and 35 million abroad) regarding product purchases, repair service, usage inquiries and user complaints, which were swiftly responded to by the contact centers in their respective areas and Internet websites.

In Korea, we revamped the customer protection system, articulating the standards on consumer protection and strengthening our customer response infrastructure. In 2008, we acquired Customer Complaint Management System (CCMS) certification by the Fair Trade Commission, enabling faster handling of customer complaints.

On the global front, Samsung Electronics revamped its original country-based system following its acquisition of Korean CCMS certification, to establish a global customer standardized response system for testing at seven Major Subsidiaries. In addition, Voice Of Customer (VOC) offices are operated in the respective nations and a VOC Management System (VMS) was developed for faster and more accurate addressing of customer needs based on the voices of our customers.

Customer Information Protection

Samsung Electronics provides customized information to customers at its www.samsung.com/sec website and promptly responds to all customer inquiries. It applies air-tight security system controls in order to protect the confidential information of customers who are registered on website and those who received product repair service. As a result, we have seen no case of violation in the rules and regulations on the customer information protection in 2008 as well.



# Partner Collaboration

Strengthening Win<sup>3</sup> Partnerships | Supporting Innovation Initiatives of Our Partners

# Co-work Harmony

Business partners are the company's companions. Samsung Electronics translates partner collaboration with economic, social and environmental partners as the means to a successful business partnership. Samsung Electronics will pursue a course of mutual prosperity with partners, both today and well into the future.

Co-working Harmony is all around us.



# Strengthening a Mutually Prosperous Partnership by Enhancing Fundamental Competitiveness through Trust-based Cooperation with its Partners

## Mutual Trust



**Partner Competitiveness**

- Strengthening innovation drive
- Win-win synergy



**Partner Collaboration Culture**

- Open culture
- Mutual cooperation



**Partner Collaboration Infrastructure**

- Sustainable management
- Mutually balanced development

## Five Core Values

People



Excellence



Change



Integrity



Co-prosperity



## Priority Issues in Partner Collaboration at Samsung Electronics

Enhancing Business Partners' CSR Capacity

Expanding business partners' participation

Spreading fair trade practices



Securing technological competitiveness of partners

Improving production competitiveness of partners

Enhancing partners' management capabilities

Human resource development of partners

## Our Plan for 2009

- CSR education programs for overseas business partners
- Self-assessment through partners' CSR self-checklist
- Capacity building in our business partners' production technologies and processes

## Partner Collaboration

# Strengthening Win<sup>3</sup> Partnerships



\* Win<sup>3</sup> means enhancing the mutual competitiveness of both Samsung Electronics and business partners through partner collaboration policies, including contributions to the development of its local communities.



Jin-Young Kang, Staff  
Partner Collaboration &  
Enhancement Office

Jeong-Ho Lee,  
Assistant Manager  
Partner Collaboration &  
Enhancement Office

## Highlight in 2008

- Supporting CSR drives by business partners
- Developing CSR support system for business partners
- CSR education for business partners
- Spreading fair trade practices

Very High: (🔋) High: (🔋) Low: (🔋)

### Material issues regarding "Win<sup>3</sup> Partnerships"

Issues Identified	Stakeholder Impact							Samsung Electronics' Response
	C	E	I	L	G	P	N	
Enhancing business partners' CSR capacity	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	<ul style="list-style-type: none"> <li>• Conducting education programs for domestic partners on understanding and practicing CSR</li> <li>• Developing computer system to support business partners' CSR</li> </ul>
Expanding business partner participation	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	<ul style="list-style-type: none"> <li>• Conducting Family Satisfaction Index survey to spread partner collaboration culture</li> <li>• Hosting partner collaboration festival</li> </ul>
Spreading fair trade practice	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	(🔋)	<ul style="list-style-type: none"> <li>• Spreading fair trade practice with business partners</li> </ul>

\* C - Customers, E - Employees, I - Investors / Shareholders, L - Local Communities, G - Government, P - Partners, N - NGO, NPO



## Enhancing Business Partners' CSR Capacity

Samsung Electronics has been striving to fulfill corporate social responsibilities. Since business partners' participation in the CSR initiatives is important to building a sustainable supply chain for the company, Samsung Electronics promotes CSR activities amongst business partners.

### ● Full Membership of the Electronic Industry Citizenship Coalition

Samsung Electronics joined as a full member of the Electronic Industry Citizenship Coalition (EICC), a CSR coalition of the electronics industry, in December 2007. By participating in the EICC Working Group, we strive to keep up-to-date on global CSR trends and issues, while fully abiding by global guidelines.

### ● CSR Education for Domestic Business Partners

In pursuit of the corporate social responsibility practice within the entire supply chain including business partners, Samsung Electronics held three seminars for the CEOs and CSR executives of domestic business partners from September 23 to 25, 2008 to help them understand the basic concept and the significance of CSR activities and to awaken them to the necessity of CSR activities. We also conducted separate education programs for the CSR working-level employees of our business partners, 24 times between October 13 and December 11, 2008, in order to help our partners understand the EICC's CSR code of conduct and standards and to support them in establishing their strategic platforms for sustainable management.

In the future, Samsung Electronics will continue to support the partners in preparing their own CSR strategies and initiatives. In 2009, we plan to expand the program to our overseas business partners.

### ● Computer System to Assist Business Partners' CSR Activities

Samsung Electronics has developed and launched an exclusive Business Partner CSR Support System within the partner collaboration portal in order to better understand the current status of our business partners' practice regarding human rights, labor, health & safety, environment and management systems as stipulated in the EICC code of conduct, and to assist their self-assessment systems in identifying and improving their weakness. The new system will assist domestic and global business partners with their annual CSR practice self-assessments. Samsung Electronics is proceeding hand in hand with partners to help them improve their compliance with CSR global guidelines.



## Interview with Stakeholders

### Consistent promotion and support is important to the materialization of Samsung Electronics' business partner support programs.

It is notable that Samsung Electronics' business partnership reinforcement policy includes providing practical support for managing and sharing technological information on global best practices, providing infrastructure support and management information for global expansion to partners. They also listen to and reflect the opinions gathered from their partner's worksites in their policy-building process, setting a good example for desirable partnerships with business partners. In particular,

the partner collaboration program that it initiated in 2004 has now expanded its scope into the financial affairs, human resources development, technical support as well as financial, management and HRM planning areas, where small businesses experience difficulties in maintaining efficient operations. I hope this program continues to develop and expands its scope of support in the future.



Mr. Se-Yong Lee, CEO of Elentec

## Expanding Business Partner Participation



## Spreading Fair Trade Practices

### ● Cooperating with Business Partners to Produce Hit Products

Samsung Electronics supports business partners with facility investments of KRW 2 ~ 3 billion per unit in order to help them focus their resources on manufacturing the best components. This maximized manufacturing technology of partners was the driving force behind Samsung Electronics' ranking as the global leader in the category of TV products for three consecutive years. Furthermore, we broadened the scope of cooperation with our business partners from a mere financing role into support for the entire process of developing Touch of Color (TOC) technology starting from the product planning stage. While maintaining close cooperation with the business partners, we have also sent researchers to benchmark related technologies and identify global best practices.

### ● Regular Business Partner Satisfaction Survey

The Family Satisfaction Index (FSI) is an indicator of business partners' satisfaction with Samsung Electronics' policies and support programs for partners. The main survey subject has been the company's partners in the service and logistics businesses, however other partners in facilities & components, procurement and R&D businesses were added to the survey list in 2008.

Samsung Electronics believes that a competitive supply network underpins competitiveness. In this context, it practices partner collaboration strategy, identifies and improves policies and support required for the mutual benefit of Samsung Electronics and business partners. After all, we aim to provide the best quality of products for the maximum consumer satisfaction through a stable and timely supply of competitive components at reasonable prices. To that end, we conduct our FSI survey to help realize partner collaboration and sustainable management along with our business partners.

### ● Communications with Business Partners

Our employees at each business division pay visits to business partner's worksites to listen to their inconveniences, pending issues and present solutions, building mutually trusted partnerships. In particular, the "Partner Collaboration Festival" provides an optimal venue for sharing and presenting the achievements of these partnerships and initiatives and enhancing information on mutual cooperation in pursuit of mutual benefits.

Offering rewards and case studies of best practices for innovation by business partners, Samsung Electronics refreshes its commitment to a "mutually prosperous partnership and future-oriented cooperation," while providing other partners the opportunity to share and benchmark best practices.

Samsung Electronics guarantees objectivity and transparency in the registration and revocation procedures of business partners for the rational selection and operation of supply chain network. The subcontractor transaction internal audit committee enables the autonomous prevention and monitoring of unfair practices. The "Subcontractor Fair Trade Convention" ensures that the fair trade practice establishes itself in the secondary contracting system.



## Partner Collaboration

# Supporting Partner's Innovation Initiatives



Business Partners' Productivity Increase Rates



Gi-Joo Yang, Staff  
SNJ Trading Corp.

Joo-Yeon Oh,  
Assistant Manager  
SNJ Trading Corp.

Eung-Seok Song, Manager  
CSR Liaison Office  
Samsung Electronics

## Highlight in 2008

- Business partners' innovation initiatives
- Enhanced global manufacturing competitiveness, especially, in quality and productivity
- Upgraded the ERP system for domestic and overseas business partners
- Assisted business partners in their employee education

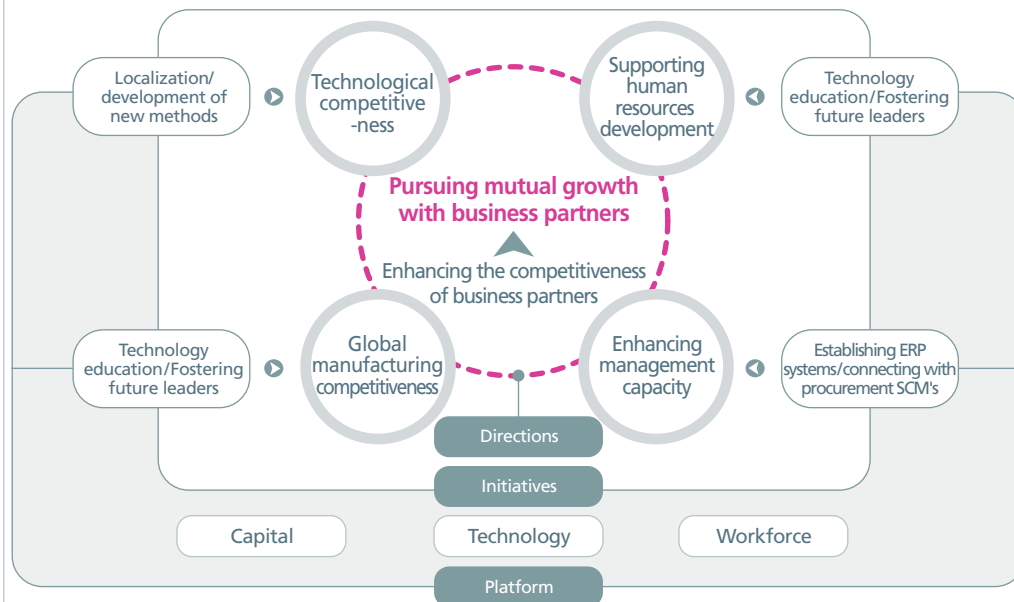
Very High: 🟢 High: 🟡 Low: 🟠

### Material issues regarding "Supporting Partners' Innovation Initiatives"

Issues Identified	Stakeholder Impact							Samsung Electronics' Response
	C	E	I	L	G	P	N	
Securing technological competitiveness of partners	🟢	🟢	🟡	🟡	🟢	🟢	🟢	<ul style="list-style-type: none"> <li>• Supporting localization and new methods</li> <li>• Supporting introduction and adoption of advanced technologies</li> </ul>
Improving production competitiveness of partners	🟢	🟢	🟡	🟡	🟢	🟢	🟢	<ul style="list-style-type: none"> <li>• Providing experts to develop manufacturing technologies</li> <li>• Expanding co operations in joint innovation tasks, etc.</li> </ul>
Enhancing partners' management capabilities	🟢	🟢	🟢	🟡	🟢	🟢	🟢	<ul style="list-style-type: none"> <li>• Supporting the construction of ERP system at home and abroad</li> <li>• Upgrading electronic SCM and the connection</li> </ul>
Human resource development of partners	🟢	🟢	🟡	🟢	🟢	🟢	🟢	<ul style="list-style-type: none"> <li>• Improving the management capacity of business partners</li> <li>• Fostering professionals</li> <li>• Nurturing next-generation CEOs</li> </ul>

\* C - Customers, E - Employees, I - Investors / Shareholders, L - Local Communities, G - Government, P - Partners, N - NGO, NPO

## Mutual Growth with Business Partners



## Securing Technological Competitiveness of Partners

### ● Cooperation in Localization

Samsung Electronics cooperates with business partners in localization projects of core components and semiconductor equipment for the reinforced industrial competitiveness of the nation and the expanded mutual prosperity of partnerships. We have localized some high-tech semiconductors and LCD equipment as well as core components for our mobile phones and printers. For instance, one of our partners' Asher (a semiconductor equipment maker) holds the world's top position in terms of market share.

### ● Collaboration in Developing New Methods

Samsung Electronics does not spare technology or workforce resources in assisting partners to enhance their technological competitiveness and adopting advanced technologies in line with the government policy. It established the international standards for the 4<sup>th</sup>-generation mobile communications platform and secured next-generation telecommunications technologies by developing a commercialized Wibro (mobile Internet



## Interview with Stakeholders

## Realizing mutual growth based on deep-rooted trust through mutual understanding and joint efforts



Mr. Jeong-Hyeon Kim, General Manager, DSLCD

The Samsung Electronics Partner Collaboration & Enhancement Office taps into its executive advisory council and external consultants to provide and support its partners with professional skills and knowledge in cost innovation, manufacturing innovation, and process and technology innovation projects. Samsung Electronics also offers quality information on the ever-changing market and industrial developments through benchmarking, seminars and collaboration meetings. In the practice of partner collaboration, trust-based

mutual growth can be realized only when both parties understand each other and are willing to collaborate for shared objectives.

As Samsung Electronics' vice-chairman Yoon-Woo Lee put it, "The simpler the better. Fat cats cannot catch a rat." We will practice a "select and focus" strategy in the partner collaboration initiatives, bearing in mind that consistent sharing and mutual collaboration are prerequisites to partner collaboration and the growth of Samsung Electronics and its business partners.

## Improving Production Competitiveness of Partners

service) technology in collaboration with the government, a state-run R&D center and its business partners. In addition, we share technologies with partners, support funds and workforce resources on their behalf for LCD TV, successfully developing and producing Touch of Color (ToC) technology for the first time in the world. Samsung Electronics realized the multi-colored, transparent, high-dignity exterior of the LCD TV, by developing a dual injection frame, a first in the industry, considerably upgrading partners' business and reforming the injection business into a high technology discipline.

### ● Exchange of Advanced Technologies

Samsung Electronics holds technology exchange meetings and benchmarks regarding of the advanced mold, injection and other exterior technologies of leading companies in Europe and Japan and introduces business partners to the latest technology and equipment trends, providing them with opportunities to develop and adopt new technologies.

### ● Supporting Improvements

Samsung Electronics taps into vast pool of internal and external experts to help business partners improve and enhance their quality and productivity, and standardize their work processes and facility maintenance. In addition to providing customized guidance to each partner for their improvement of productivity and quality, we have developed and educated our partners with process standards templates in manufacturing and procurement, to help them improve their business operations.

### ● Joint Innovation Tasks

Samsung Electronics has developed and provided education on autonomous innovation drive guidelines to assist partners in establishing self-driven innovation drive platforms. It also fosters experts in Industrial Engineering (IE) and in quality sector to lead their innovation activities. We also collaborate with our partners in selecting and executing joint innovation tasks to realize cost reductions through enhanced manufacturing competitiveness, such as Group Value Engineering (GVE) and Six Sigma.

The business partners enroll the Samsung Electronics' "Business Partner GVE Center" to accomplish these GVE tasks such as method improvement and material reform.

## Enhancing Partners' Management Capabilities

In order to upgrade the internal management capacity of business partners, Samsung Electronics has established a separate ERP system, connected to the SCM, where they can share necessary information with Samsung Electronics on a real time basis. For the efficient and effective utilization and operation of the system, we have used outsourced resources to stabilize the system operation and reorganize the database, while checking our business partners' utilization of the ERP system. In addition, we established a regular monitoring system of the ERP system's utilization to build our business partner's capacity for autonomous system change control, while fostering experts who can provide ongoing education programs on system operations and management.

## Human Resource Development of Partners

Samsung Electronics has adopted 30 on- and off-line education programs for 4,600 trainees to develop future leaders, as well as professional courses (GVE, Six Sigma, ERP, manufacturing, quality, etc.) for the employees of business partners.

As for the general management course, it holds quarterly "CEO Seminars" for business partner's management, where they can share information on the global business environment, trends, knowledge and skills. The professional courses are comprised of Six Sigma, GVE, innovation, injection molding, manufacturing and quality courses to help the employees of the business partners improve their professionalism and support the partners' innovation drives.

At the same time, Samsung Electronics provides the future leaders of business partners with opportunities to understand and experience Samsung's corporate culture, procurement, marketing and manufacturing operations as well as overseas Toyota Production System (TPS) training, and best practice benchmarks for a year.

We also operate a local partner collaboration innovation school in China to assist local partners in sharpening their competitive edge by training local technical experts and worksite managers.



# Economic Performance

Financial Highlights  
Performance by Business  
Performance by Region  
Key Products and Market Share by Business  
Creation of Economic Value  
Contribution to the Korean Economy  
R&D and Capital Expenditures  
Distribution of Economic Value

## Financial Highlights

Samsung Electronics achieved an historic, record breaking sales record in 2008 of KRW 121.3 trillion on a consolidated basis, up 23.1% from the previous year. Despite the continued drop in memory chip prices and sagging semiconductor sales, the sales growth can be attributed to the expanded market dominance of major projects such as TVs, mobile phones and LCDs. Operating profits and net income recorded KRW 6 trillion and KRW 5.5 trillion, respectively, with EBITDA coming in at KRW 16.1 trillion.

### Sales, Operating Profit, Net Income, and EBITDA

(Unit: KRW trillion)

	2006	2007	2008
Sales	85.8	98.5	121.3
Operating profit	9.1	9.0	6.0
Net income	7.9	7.4	5.5
EBITDA	16.0	17.5	16.1

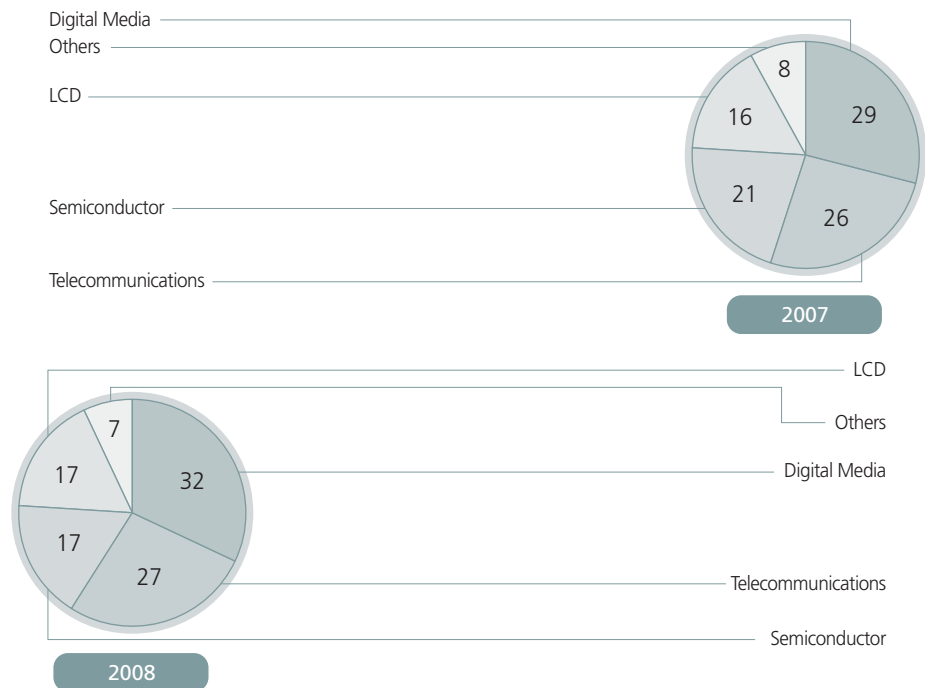
\* Net income figures represent the net income of the holding company.

## Performance by Business

Samsung Electronics operates Digital Media, Telecommunications, Semiconductor and LCD businesses. The reorganization in May 2008 integrated our related Home Appliance business sectors into a Digital Media business division and the PC and MP3 businesses were merged into an Telecommunications business division. The January 2009 reorganization, again, integrated the Digital Media and Telecommunications business divisions into a DMC business unit and the Semiconductor and LCD business divisions into a DS business unit.

### Sales by Business Division

(Unit: KRW trillion)



The Digital Media business division realized a KRW 11.7 trillion sales growth over the previous year thanks to the increased TV sales in the European and North American markets. The Telecommunications business division also generated a KRW 7.9 trillion sales growth year over year, boosted by the booming premium product sales and low-priced product mix strategies. The Semiconductor business division sales were relatively stable in the system LSI and storage sectors. However, the oversupply in the memory markets and economic recession left the overall sales unchanged from 2008. The LCD business division also achieved a KRW 4.5 trillion growth in sales from the previous year thanks to the expanded sales of high value-added large-sized panels for TVs.

## Performance by Region

Net Sales by Division		(Unit: KRW trillion)		
		2006 <sup>(*)</sup>	2007 <sup>(*)</sup>	2008
Sales	Digital Media	24.1	30.5	42.2
	Telecommunications	22.7	26.7	34.6
	Semiconductors	22.8	22.3	22.4
	LCD	13.9	17.1	21.5
	Others	7.4	8.0	9.5

(\*) We reclassified the previous year performances according to the changed product line classifications for comparative relevance.

By region, the increased sales of TVs and mobile phones in the U.S. and Europe led overall sales growth and the increased production of mobile phones resulted in sales growth in China.

Net Sales by Region		(Unit: KRW trillion)		
		2006 <sup>(*)</sup>	2007 <sup>(*)</sup>	2008
Sales	Korea	19.3	21.1	23.6
	America	18.0	19.6	25.4
	Europe	22.0	27.0	34.2
	Asia	14.8	15.7	19.2
	China	11.8	15.1	18.9

(\*) We reclassified the previous year performances according to the changed product line classifications for comparative relevance.

Classification: figures of "Korea" represent the sum of domestic consumption and exports, "America" represents the sum of North and Latin Americas, "Europe" includes Europe, CIS and Africa, "Asia" includes Southeast Asia, Southwest Asia, Japan and Middle East.

## Key Products and Market Share by Business

Global and Korean Market Share of Key Products <sup>(*)</sup>					
Division	Product	2006	2007	2008	Remarks
Semiconductors	DRAMs	29.6%	27.8%	30.1%	Global market share (Samsung Electronics estimate)
LCDs	TFT-LCDs	19.4%	20.0%	21.9%	Global market share (Display Search)
Digital Media	Color TVs	48.3%	51.6%	51.4%	Korean market share (GfK)
	Refrigerators	44.1%	44.1%	44.4%	Korean market share (GfK)
	Washing machines	39.7%	45.0%	41.9%	Korean market share (GfK)
	Air conditioners	41.0%	42.5%	40.1%	Korean market share (GfK)
	PCs	33.1%	38.4%	39.8%	Korean market share (Gartner)
	Monitors	39.5%	42.7%	44.6%	Korean market share (IDC Korea)
	Printers	26.5%	27.4%	30.7%	Korean market share (IDC Korea)
Telecommunications	Mobile phones	11.4%	14.4%	16.7%	Global market share (Strategy Analytics)

(\*) For objectivity, we used data from independent research organizations (GfK, Gartner, IDC Korea, and Display Search). For products with limited objective data, we used our internal estimates.

- Data from Display Search
- Color TVs, refrigerators, washing machines, air conditioners: GfK (2007) data from Samsung Electronics estimate (2006)
- Monitors and printers: data from IDC Korea
- PCs: data from Gartner
- Mobile phones: data from Strategy Analytics

\* It does not include market shares of key competitors, as the data is not consistent across the research organizations. Please refer directly to their respective reports.



## Creation of Economic Value

The economic values created by Samsung Electronics can be summarized below. The global financial crisis that began in the second half of 2008 caused the wide fluctuation of Foreign Exchange rates, giving rise to the Foreign Exchange gain / loss and realized Foreign Exchange gain / loss. Consequently, there were major changes in the "other income" and "other expense" accounts which reflect Foreign Exchange impact activity.

Summarized Economic Value Creation			
	(Unit: KRW billion)		
	2006	2007	2008
Sales	85,835	98,508	121,294
Total purchases <sup>(*)1</sup>	(62,320)	(72,761)	(95,900)
Other income <sup>(*)2</sup>	3,265	4,145	10,824
Other expenses <sup>(*)3</sup>	(2,090)	(2,998)	(9,704)
Depreciation and amortization <sup>(*)4</sup>	(6,873)	(8,498)	(10,095)
Economic value created	17,817	18,396	16,419

(\*)1 Includes costs of all products and services purchased for business operation. The previous years' figures were restated since the social contribution expenses are excluded from the above table and reclassified into the Selling and Administrative Expenses account.

(\*)2 Refers to non-operating income including interest / dividend income from financial instruments and gains on equity method valuation, asset disposition, and foreign currency transactions.

(\*)3 Refers to non-operating expenses excluding interest expenses, donations, taxes and dues.

(\*)4 Refers to total depreciation and amortization included in the cost of sales, R&D costs, and other administrative expenses.

## Contributions to the Korean Economy

Compared to Korea's GDP and total exports, the percentages of Samsung Electronics' added value and exports testify to its significance to the Korean economy.

Significance to the Korean Economy									
	2006			2007			2008		
	Korea	Samsung Electronics	(%)	Korea	Samsung Electronics	(%)	Korea	Samsung Electronics	(%)
VA <sup>(*)</sup>	908.7	18.1	2.0%	975.0	19.1	2.0%	1,023.9	18.6	1.8%
Exports	360.6	48.2	13.4%	408.8	51.0	12.5%	541.3	59.7	11.0%

\* Source: Samsung Electronics financial statements (unconsolidated) · Economic Statistics System (ECOS) of the Bank of Korea · Korean Statistical Information Service (KOSIS)

(\*) VA: Value Added refers to the additional value of a commodity over the cost of the commodities used to produce it from the previous stage of production.

The herein-stated figures are value added against the business management analysis criteria established by the BOK, by adding bad debt expenses to operating income / loss and then extracting financial expenses, adding labor expense, financial expense, taxes, dues and depreciation costs to operating surplus. The national GDP was restated from the previously reported figures due to the changes in the calculation formula in 2009.

## R&D and Capital Expenditures

The main forces behind the creation of economic values by Samsung Electronics are aggressive R&D investments and timely capital expenditures. Samsung Electronics has invested KRW 7.1 trillion, or 5.9% of its consolidated sales in 2008, in R&D as part of consistent endeavors to enhance competitiveness in the major business lines and secure future technologies. These aggressive R&D investments bear fruit in the form of innovative products that each business division introduces every year. Semiconductors and LCDs, the main businesses of Samsung Electronics, are extremely capital-intensive industries. Therefore, without timely and appropriate capital expenditures, it cannot maintain leadership in the market. On the other hand, a simple mistake in demand forecasting can lead to an overinvestment, undermining the company's sustainability.

The final approval rights for CAPEX are with the management committee under the commission of the board of directors. The management committee deliberates and discusses the agenda in the presence of related management, executives and external experts. In 2008, Samsung Electronics invested KRW 14.4 trillion in tangible and intangible assets, largely in the semiconductors and LCD facilities, and production line expansions at the S-LCD and SAS plants (semiconductor production plant at Austin Texas).

### R&D Expenses

(Unit: KRW trillion)

	2006	2007	2008
Sales	85.8	98.5	121.3
Total R&D expenditure	5.7	6.1	7.1
Percentage (%)	6.7	6.2	5.9

### Capital Expenditures

(Unit: KRW trillion)

	2006	2007	2008
Cash flows from operating activities	15.1	14.8	13.4
CAPEX	11.9	12.5	14.4
Percentage (%)	79.2	84.5	108

## Distributions of Economic Value

Samsung Electronics distributed economic value to each stakeholder group as follows.

### Summarized Economic Value Distribution

(Unit: KRW billion)

Stakeholders	Account	2006	2007	2008
Employees	Labor costs <sup>(*)</sup>	7,089	7,880	8,806
Governments	Taxes and dues <sup>(*)</sup>	2,025	2,072	1,110
Local communities	Social contribution expenses <sup>(*)</sup>	216	227	191
Creditors	Interest expenses	294	294	422
Shareholders	Dividends / stock repurchase	2,365	2,815	808
Company	Retained earnings	5,828	5,108	5,082
Economic value distributed <sup>(*)</sup>		17,817	18,396	16,419

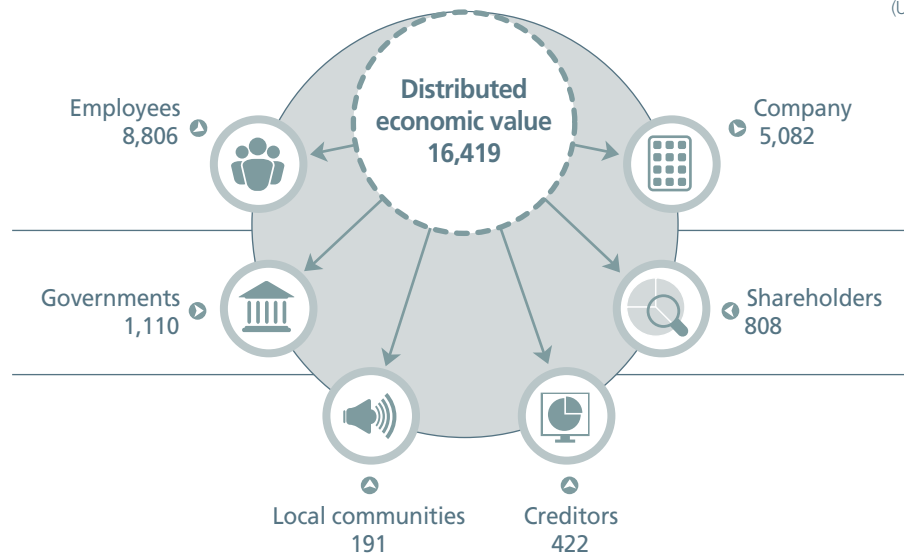
(\*1) Sum of salary, provision for retirement benefits and welfare benefits included in cost of sales, R&D cost, and sales / administrative expenses.

(\*2) Sum of taxes, dues and consolidated income tax (accrual basis)

(\*3) Previous year figures were revised as we recalculated the total social contribution expenses by summing the book-based donations and other social contribution expenses.

(\*4) Sum of economic value created

(Unit: KRW billion)



## Distributions to Employees

Samsung Electronics and subsidiaries incurred labor costs in three categories: salaries, retirement payments and welfare benefits. In 2008, the labor cost increased 12% over the previous year. The company has insured corporate pension for retirement payments.



## Distributions to Governments

Taxes and dues paid by Samsung Electronics and its subsidiaries to governments declined from the previous year due to decreased income. By region, 66% of overall taxes and dues go to the Korean government, followed by Asia, where most of our production plants are located.

Meanwhile, Samsung Electronics' headquarters and overseas production plants have received various indirect subsidies from governments in the forms of tax exemptions in return for R&D and facility investments, income tax and regional tax credits for plant constructions, and infrastructure assistance, i.e. building roads around its plants.

**Taxes and Dues** (Unit: KRW billion)

	2006	2007	2008
Income taxes	1,634	1,710	688
Other taxes and dues	391	362	422
<b>Total</b>	<b>2,025</b>	<b>2,072</b>	<b>1,110</b>

## Distributions to Local Communities

Samsung Electronics' social contribution expenses, including that of its subsidiaries, amounted to KRW 191.0 billion. On the domestic front, we donated KRW 72.0 billion, KRW 53.4 billion and KRW 13.5 billion respectively in culture & art, education and social welfare. It also spent KRW 12.6 billion on local community projects such as hearing ear dog programs. On the global front, we spent KRW 39.5 billion in such activities as "Four Seasons of Hope" in the U.S. and "Europe Youth Anti-Obesity" campaign.

**Social Contributions Expenses** (Unit: KRW billion)

	2006	2007	2008	
Domestic	Cultural & Art Donations	97	82	72
	Education Contributions	65	87	53
	Social Welfare Donations	13	14	14
	Other Community Project Contributions	14	13	13
	<b>Subtotal</b>	<b>189</b>	<b>196</b>	<b>152</b>
Global Social Contribution Expenses	27	31	39	
<b>Total</b>	<b>216</b>	<b>227</b>	<b>191</b>	

## Distributions to Creditors

Samsung Electronics and its subsidiaries' interest expenses in 2008 remained unchanged from the previous year. However, net interest expenses remained negative.

Interest Income, Interest Expenses			
	(Unit: KRW billion)		
	2006	2007	2008
Interest income	365	465	614
Interest expenses	294	294	422
Net interest expenses	(71)	(171)	(192)

## Distributions to Shareholders and Investors

The dividend payments by Samsung Electronics and its subsidiaries decreased in 2008 from the previous year due to the decline in net income. Samsung Electronics didn't purchase treasury stock in 2008 and granted 208,832 common shares to employees who executed their stock options, valued at KRW 247.4 billion based on the acquisition price from the corporation's treasury stock.

Dividends, Dividend Payout Ratio and Stock Repurchases			
	(Unit: KRW billion)		
Account	2006	2007	2008
Dividends	820	1,171	808
Dividend Payout Ratio	10.4%	15.8%	14.6%
Net Stock Repurchases	1,545	1,644	-
Dividend and Stock Repurchases	2,365	2,815	808
Total Payout Ratio <sup>(*)</sup>	29.8%	37.9%	14.6%

(\*) Total payout ratio is the ratio of dividend and stock repurchase to net income.



# Appendix

Environmental · Social Performance Indicators

Independent Assurance Report

Verification Statement

GRI Index

Global Network

Reader Feedback Survey

# Environmental · Social Performance Indicators

## Environmental Performance Indicators

	Scope of Boundary	Unit	2006	2007	2008
Materials used by weight as product group <sup>Note 1)</sup>	Korea	1,000 tons	247	268	287
Total water consumption	Korea	1 Million m <sup>3</sup>	63	70	79
Total volume of water reused	Korea	1 Million m <sup>3</sup>	44	53	61
Percentage of water reused	Korea	%	70	76	77
Total volume of wastewater discharge	Korea	1 Million m <sup>3</sup>	51	63	67
Total volume of products recycled	Korea	1,000 tons	37	46	48
Total volume of wrappings recycled	Korea	1,000 tons	3	4	4
Total volume of waste discharge	Korea	1,000 tons	390	457	461
Total volume of e-waste recycled	Korea	1,000 tons	309	362	368
Percentage of e-waste recycled	Korea	%	79	79	80
Emissions of ozone-depleting substances	Korea	Tonne	92	113	74
Total number and volume of significant spills	Korea	No. of Cases / Tonne	None	None	None
Total number and value of fines for noncompliance with environmental laws and regulations	Korea	No. of Cases / KRW	None	None	None
Total volume of transported waste shipped internationally	Korea	Tonne	None	None	None
Total volume of air pollutants discharge	Korea	SOx	5	5	13
		NOx	33	16	104
		DUST	8	16	21
		NH <sub>3</sub>	14	14	11
		HF	15	11	11
Total volume of water pollutants discharge	Korea	COD	1,096	980	1,046
		SS	761	715	791
		F	168	203	227
		Heavy metal	0.2	0.6	0.5
Energy Winner Products	Korea	EA	7	12	9

Note 1) Aggregated by the criteria of domestic 11 major SET Products (refrigerator, washing machine, air conditioner, tv, monitor, computer, mobile phone, a/v, printer, copying machine, facsimile, etc.) taken out of the warehouse.

## GHG Emission Data

Installation	Suwon	Giheung / Hwaseong	Onyang	Gumi	Gwangju	Tangjeong	Cheonan	Total
Direct	76,199	2,054,927	18,296	14,481	70,509	1,183,213	305,357	3,722,982
Indirect	114,160	2,379,196	244,249	107,714	81,692	1,090,440	351,890	4,369,341
Emissions (tCO <sub>2</sub> eq)	190,359	4,434,123	262,545	122,195	152,201	2,273,653	657,247	8,092,323

## Total Volume of Water Use by Source

	Suwon	Giheung	Hwaseong	Onyang	Gumi	Gwangju	Tangjeong	Cheonan	Total
Water Use Amount	1,823	14,440	14,887	1,711	1,401	607	30,400	13,086	
Water source	Paldang	Paldang Industrial Water	Paldang Industrial Water	Daecheong Dam Industrial Water	Industrial Water	Juam Dam	Daecheong Dam Industrial Water	Daecheong Dam Industrial Water	78,360
	1,748	13,838	14,337	1,330	1,364	479	30,009	12,847	
	waterworks	waterworks	waterworks	waterworks	Underground water	Underground water	waterworks	waterworks	
	75	602	550	385	10	128	391	239	

### Total Volume of Wastewater Discharge

(1,000 m<sup>3</sup> / year)

	Suwon	Giheung	Hwaseong	Onyang	Gumi	Gwangju	Tangjeong	Cheonan	Total
Wastewater	190	13,859	12,774	2,535	80	97	26,172	11,400	67,107

### Total Volume of Water Pollutant Discharge

	Suwon	Giheung	Hwaseong	Onyang	Gumi	Gwangju	Tangjeong	Cheonan	Total
COD	1,098	88,698	62,803	4,460	527	1,285	239,790	649,200	1,047,861
BOD	5,454	27,718	32,418	2,354	232	682	21,490	883,300	973,649
SS	3,557	40,191	36,127	1,001	208	491	12,620	686,400	780,595
F	–	97,013	91,578	113	93		16,100	22,400	227,298
Heavy metal	42	–	158.0	201	7	48			456

\* Total Volume of Water Pollutant Discharge (kg / year): total annual discharge of water pollutants from the treated wastewater

\* Conversion Unit: kg

· Average concentration (mg / ℓ, ppm) X annual wastewater discharge 10 – 6 = converted to kg / year

### Social Performance Indicator

	Scope	Unit	2006	2007	2008
No. of violation cases of customer information security regulations	Korea	No. of cases	None	None	None
No. of violation cases of marketing & communication regulations	Korea	No. of cases	None	None	None
KS-SQI	Korea	Computers	1	1	1
		Electronic goods	1	1	1
		Mobile phones	1	1	1
Employee accident rate	Korea	%	0.057	0.056	0.063
Employee education person-hour	Korea	Hour / year	112	105	109
Percentage of foreign workers	All	%	38	41	48
Percentage of female workers	All	%	35	47	41
Social contribution investments against pre-tax income	All	%	2.2	2.4	2.9
Employees' donation rate	Korea	%	72	74	80
Employees' volunteer activity participation ratio	Korea	%	94	96	95
Employees' average volunteer person-hours	Korea	Hour / year	11	12	10
No. of community volunteer groups	Korea	No. of cases	1,580	1,515	1,532

We were engaged by the Executive Board of Samsung Electronics Co., Ltd. to provide assurance on the information presented in the 2009 Sustainability Report ("the Report"). The Executive Board of Samsung Electronics is responsible for preparing the Report, including the identification of stakeholders and material issues. Our responsibility is to provide an opinion on the Report.

## Context and Scope

Our engagement was designed to provide limited assurance on whether:

1. Samsung Electronics has applied the 'AA1000 AccountAbility Principles Standard (2008)';
2. The information in the Report is fairly stated in all material respects, based on the reporting criteria set out on "About This Report"(Except The Green House Gas Emissions for 2008).

The scope of our engagement conforms to the requirements of a Type 2 assurance engagement as set out in the AA1000AS (2008) of AccountAbility, including the aspect of "reliability".

With regard to the financial data included in the key figures on page 69~74, our procedures were limited to verifying that they were correctly derived from Samsung Electronics' audited financial statements. To obtain a thorough understanding of Samsung Electronics' financial results and financial position, the audited financial statements of Samsung Electronics for the year ended 31 December 2008 should be consulted.

## Criteria

Samsung Electronics applies the criteria set out in the AA1000APS (2008) for the three principles of inclusivity, materiality and responsiveness. In preparing the report, Samsung Electronics applies the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative as set out on "About This Report".

## Assurance Standards

We conducted our engagement in accordance with the International Standard for 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 with the AccountAbility 'AA1000 Assurance Standard (2008)'.

Readers should note that limited assurance in ISAE 3000 is consistent with a moderate level of assurance as defined by AA1000AS (2008). Among other things, these standards contain requirements regarding the independence and competency of the assurance team.

## Independence, Impartiality and Competence

We conducted our engagement in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants which requires, among others, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client, including not being involved in writing the Report. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence, due care, confidentiality and professional behavior. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.

We conducted our engagement with a multidisciplinary team including specialists in AA1000APS / AS, stakeholder engagement, auditing, environmental, social and financial aspects, with experience in similar engagements in the sector.

## Work Undertaken

Our work included the following activities:

- An evaluation of the results of Samsung Electronics' stakeholder consultation processes
- An evaluation of Samsung Electronics' processes for determining the material issues for Samsung Electronics' key stakeholder groups
- A media analysis and an internet search for references to Samsung Electronics during the reporting period
- Interviews with relevant staff at group level and business unit level concerning sustainability strategy and policies, the implementation of these in the business and their contribution to the Report



- Interviews with representatives of a number of external stakeholder groups
- An evaluation of the design, existence and operation of the systems and methods used to collect and process the information reported, including the aggregation of data into information as presented in the Report
- Reviewing the internal documentation and intranet sources
- With regard to the financial data included in the key figures on page 69~74, verifying that they were correctly derived from Samsung Electronics' 2008 audited financial statements

During our investigation, we discussed the necessary changes to the Report with Samsung Electronics and verified that these changes were adequately incorporated into the final version.

## Conclusions

● On the AA1000APS principles of Inclusivity, Materiality and Responsiveness:

- In relation to the principle of inclusivity:
  - Samsung Electronics has developed a variety of participating channels that include customers, business partners, stockholders / investors, the government, local communities, employees, and NGOs.
  - Nothing has come to our attention to suggest that material stakeholder groups were excluded in these channels.
- In relation to the principle of materiality:
  - Samsung Electronics has developed a well-established materiality evaluation process to define what should be considered in Corporate Social Responsibility ('CSR').
  - Nothing has come to our attention to suggest that material factors were omitted in this process.
- In relation to the principle of responsiveness:
  - There are comprehensive Samsung Electronics policies, internal guideline and process on management of material issues in the Report.
  - Nothing has come to our attention to suggest that there is material deficiency in issue management system.

● On the content of the Report:

Based on the above work, we conclude that the information in the Report does not appear to be unfairly stated.

## Comments

Without prejudice to our conclusions presented above, we believe the following matters require attention:

- Stakeholder engagement is critical in CSR. While collecting the opinions of stakeholders, Samsung Electronics needs to consider and embrace both the positive and negative perspectives regarding the company.
- Materiality process is used increasingly in the understanding of stakeholders' specific concerns. Samsung Electronics needs to increase the weight of stakeholders' opinions when the 'Social Concern' is evaluated.
- For an organization intent on achieving CSR, aggregating the right information and managing key performance are extremely important. Samsung Electronics needs to improve the process on aggregating enterprise CSR data and managing key CSR performance including those of overseas plants.

We have discussed our observations regarding the reporting process and reported outside the scope of our assignment with Samsung Electronics management. They were receptive to our comments.

Kim, Young Hyo  
 Managing Partner  
 Samjong KPMG Advisory Inc.  
 Seoul, June 2009



No :2009-GIV-013



## Verification Statement

**Plant : Samsung Electronics Co., Ltd**

**Address : 416 Maetan-3Dong, Yeongtong-Gu, Suwon-City Gyeonggi-Do,**

**Period : 1 JAN 2008 ~ 31 DEC 2008**

**Emissions : 8,092,323 tCO<sub>2</sub> eq (1yr)**

Installation	Suwon	Giheung/ Ihwaseong	Onyang	Gumi	Gwangju	Tangjeong	Cheonan	Total
Scope1	76,199	2,054,927	18,296	14,481	70,509	1,183,213	305,357	3,722,982
Scope2	114,160	2,379,196	244,249	107,714	81,692	1,090,440	351,890	4,369,341
Emissions (tCO <sub>2</sub> eq)	190,359	4,434,123	262,545	122,195	152,201	2,273,653	657,247	8,092,323

**We hereby certify that all GHG emission data as reported above are accurate, transparent, and reliable.**

**Date: 30 June 2009**

**KOREA GHG CERTIFICATION OFFICE**



# GRI Index

Disclosed: ● Disclosed Partially: ◐ Not Disclosed: ○ Not Applicable: N/A

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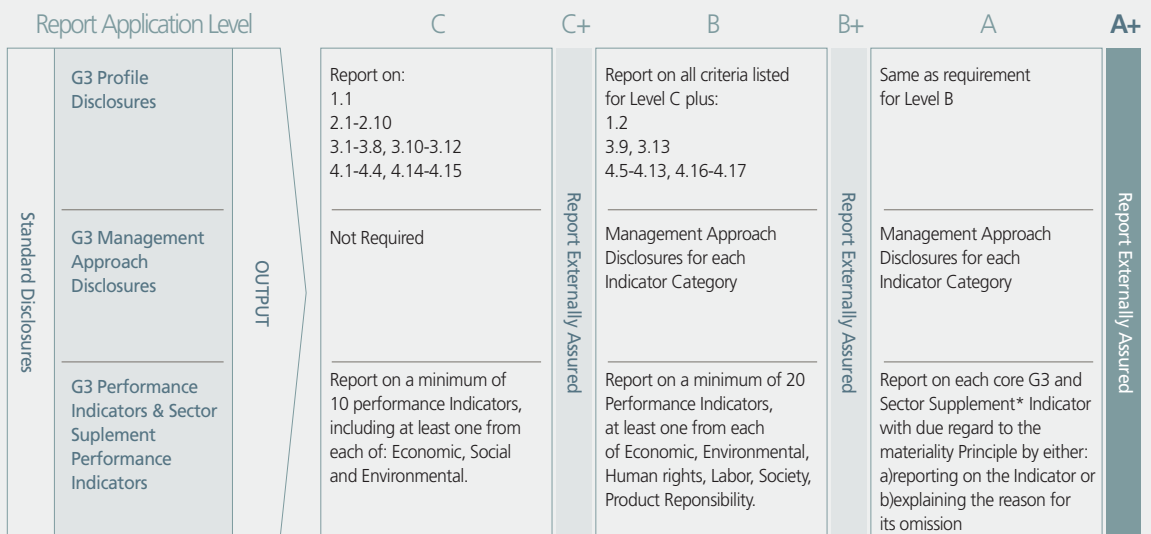
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	LA14	Ratio of basic salary of men to women by employee category	●	Identical rates to identical grades	25
<b>Human Rights Disclosure on Management Approach</b>					16-17
Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	○	System is not prepared to calculate the number of significant investment agreements that include human rights clauses or that have undergone human rights screening	
	HR2	Percentage of significant suppliers and contractors that have X Insufficient data undergone screening on human rights and actions taken	◐	Training programs for domestic business partner to help understand the basic concept and significance of CSR activities. Including evaluation against CSR Checklists into selecting primary business partners	63
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights	◐	Training programs on human rights	26
Non-discrimination	HR4	Total number of incidents of discrimination and actions taken	●	Equal opportunity and anti-discrimination policy	26
Freedom of Association and Collective Bargaining	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	●	Solidifying cooperative labor-management relationships, addressing employees' grievances	27
Bargaining Child Labor	HR6	Operations identified as having significant risk for incidents of child labor and measures taken to contribute to the elimination of child labor	●	Strict prohibition of child labor	26
Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	●	Strict prohibition of forced labor	26
Security Practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights	N/A	Not applicable	
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	N/A	Not applicable	
<b>Society Disclosure on Management Approach</b>					13-14, 44-45
Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities	●	Green management strategies, social contribution strategies, economic impact	29, 45 Prior Report
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption	○	Enterprise Risk Management (ERM) system is under construction	
	SO3	Percentage of employees trained in organization's anticorruption policies and procedures	◐	Anti-corruption training programs	14
	SO4	Actions taken in response to incidents of corruption	○	Violations are submitted to disciplinary punishment under the internal bylaws and transactions are suspended with the company that bribed	
Public Policy	SO5	Public policy positions and participation in public policy development and lobbying	◐	Participation in national projects	10
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	◐	Prohibition of political donation and involvement in political activities (code of conduct)	14
Anti-Competitive Behavior	SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	◐	Currently under investigations by local anti-trust authorities (U.S. Department of Justice, European Commission) for anti-trust violation for TFT-LCD, DRAM, SRAM and Flash Memory	Annual Report
Compliance	SO8	Monetary value of significant fines and total number of non monetary sanctions for noncompliance with laws and regulations	◐	See SO7 indicator	Annual Report

Society					
G3	Disclosure Items	Application Level	Responses of Samsung Electronics	Page	
Product Responsibility Disclosure on Management Approach					52~53
Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	●	Product reliability improvement, product quality enhancement, Eco Design Process	36~37, 55~56
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle	○	Confidential data by internal policy	
Product and Service Labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	●	Energy conservation marks and awards, global environmental certifications	34, 37
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	○	Confidential data by internal policy	
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	●	Improving service competitiveness, handling customer grievances	58~59
Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	●	Ethical marketing communications	Prior Report
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	●	No violations in 2008	77
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●	No. of violation cases of customer information security system or regulations	59
Compliance	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	◐	See SO7 indicator	Annual Report



In compiling the 2008 Sustainability Report (the Report), Samsung Electronics used the Global Reporting Initiatives (GRI) G3 Sustainability Reporting Guidelines. Accordingly, Samsung Electronics makes a self-declaration that the Report meets the requirements for GRI's Application Level A+. Samjong KPMG confirmed that the Report meets the requirements for GRI's Application Level A+ (+ refers to 3<sup>rd</sup> Party assurance).



\* Sector supplement in final version

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# Reader Feedback Survey

Thank you for your interest in our 2008-2009 Sustainability Report. We prepared this survey to collect the opinions of various stakeholders, improve our future sustainability report and establish strategy for sustainable management. We will announce the consequence of collecting valuable opinions that you send.

Address: CSR Liaison Office / Partner Collaboration & Enhancement Office

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1. Which of the following applies to you?

- |  |                                   |   |   |
|--|-----------------------------------|---|---|
| <input type="checkbox"/> Customer            | <input type="checkbox"/> Employee | <input type="checkbox"/> Business partner | <input type="checkbox"/> Shareholder / Investor |
| <input type="checkbox"/> Research / Academia | <input type="checkbox"/> NGO      | <input type="checkbox"/> Media            | <input type="checkbox"/> Corporate SM personnel |
| <input type="checkbox"/> Government          | <input type="checkbox"/> Student  | <input type="checkbox"/> Local community  | <input type="checkbox"/> Other                  |

2. Is this report frame is well structured and presented in a way that easy to follow?

- Highly agree       Agree       Neutral       Disagree       Highly disagree

3. Is this report completely includes all material issues that you think?

- Highly agree       Agree       Neutral       Disagree       Highly disagree

4. What are your major areas of interest? (Multiple answer possible)

- |   |   |   |  |
|---|---|---|--|
| <input type="checkbox"/> Corporate governance                   | <input type="checkbox"/> Corporate culture      | <input type="checkbox"/> Reputation management        | <input type="checkbox"/> Risk management         |
| <input type="checkbox"/> Compliance                             | <input type="checkbox"/> Stakeholder engagement | <input type="checkbox"/> Partnership for SD           | <input type="checkbox"/> Economic value creation |
| <input type="checkbox"/> Research & Development                 | <input type="checkbox"/> Restructuring          | <input type="checkbox"/> Diversity                    | <input type="checkbox"/> Human right             |
| <input type="checkbox"/> Employee learning & Career development |   | <input type="checkbox"/> Health & Safety              | <input type="checkbox"/> Remuneration / benefits |
| <input type="checkbox"/> Labor-management relations             | <input type="checkbox"/> Customer satisfaction  | <input type="checkbox"/> Responsible marketing        | <input type="checkbox"/> Product safety          |
| <input type="checkbox"/> Business ethics                        | <input type="checkbox"/> Community contribution | <input type="checkbox"/> Management for co-prosperity | <input type="checkbox"/> CSR in suppliers        |
| <input type="checkbox"/> Green workplaces                       | <input type="checkbox"/> Waste & Recycling      | <input type="checkbox"/> Eco-product development      | <input type="checkbox"/> Climate change & Energy |
| <input type="checkbox"/> Other                                  |   |   |  |

5. Does this report adequately and specifically convey information on interesting areas of yours?

- Highly agree       Agree       Neutral       Disagree       Highly disagree

6. If you have further comment about sustainability report and activity of Samsung Electronics, please feel free to specify.



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