Integrity Management

Respecting Global Diversity

48%

Locally-hired Foreign Workers Ratio

Aliaksei Ivanikovich, 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

Material issues regarding “Respecting Global Diversity”

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*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

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

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.
Samsung Electronics Compensation Structure & Operation - Domestic

<table>
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<tr>
<th>Basic Salary</th>
<th>Individual Performance Incentives</th>
<th>Group Performance Incentives</th>
<th>Others</th>
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<tr>
<td>Identical rates by grade</td>
<td>Differentiated rates in proportion to individual performance</td>
<td>Paid in proportion to business performance every six months</td>
<td>Annual payment according to company’s business results</td>
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**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: %)

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<tr>
<th>Year</th>
<th>Foreign workers portion</th>
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<tbody>
<tr>
<td>2006</td>
<td>62 38</td>
</tr>
<tr>
<td>2007</td>
<td>59 41</td>
</tr>
<tr>
<td>2008</td>
<td>52 48</td>
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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 50 days 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.

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

1. Consultation & Application
   - Inquiries/grievances are transferred to the pertinent departments and suggestions go through on-site verification.

2. Verification
   - Report of individual grievances or suggestions via the website, visit in person or by phone

3. Deliberation & Resolution
   - All reports are, in principle, replied to within one week of submission and in the case of no reply within two weeks, they are re-classified as long-term cases that must be attended to within 30 days.

4. Feedback on the results
   - The results shall be communicated via e-mail