Material Issues

Samsung Electronics is not just about achieving growth and change, but also does its utmost to take on important social responsibilities, such as promoting prosperity and coexistence of the global community. Samsung will spare no effort to create value through corporate sustainability management - making sure it protects the environment, shares growth with suppliers and cultivates its pool of talent, while also strengthening its position as a market innovator for the future.

Communicating Sustainable Growth

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Samsung Electronics’ devotes its talent and technology to creating superior products and services that contribute to a better global society. This endeavor serves as the guiding philosophy of the company’s business and human resources management.

Samsung Electronics strives to recruit the brightest talent from around the world and provide them with the resources they need to succeed. Indeed, this commitment to and focus on our people has been part of the company’s core values since the very beginning, and has been at the heart of every decision we make.

Human Resources

At Samsung, we consider creativity to be the seed of innovation and take pride in the creative spirit and autonomy of our employees. The collaboration and entrepreneurship we encourage across our company has enabled our success to date and will propel us forward. At Samsung, we welcome challenges and see new initiatives as opportunities for growth and learning.

Samsung Electronics encourages employees’ independence and creativity through their performance-based compensation policy. In an effort to ensure a smooth organizational operation, the company has established a global integrated personnel management system that is focused on fostering continuous innovation.

Samsung Electronics guarantees the rights of all workers and prohibits discrimination based on gender, education, race, and age. The company fully abides by or exceeds all country and state laws and regulations relating to these matters. Samsung Electronics requires that its employees strictly follow its Code of Conduct and has a zero tolerance policy for non-compliance.

At Samsung, we believe that it is important to have a company culture that fosters creative thinking.

In order for a company to achieve continued growth, it needs to create new products and services all the time, while it also enhances the capabilities of its existing business. This simple truth informs Samsung Electronics’ belief that it is important to have a company culture that fosters creative thinking.
Work Smart | Shifting from a Culture of "Work Hard" towards a Culture of "Work Smart"

Samsung Electronics is improving its organizational culture under the "Work Smart" strategy, a set of principles with the goal of shifting towards a quality and performance management-oriented way of doing business. The objectives of the Work Smart scheme are to identify work processes that could be done more efficiently so that we can boost productivity. With this increased efficiency, the company can in turn generate creativity to achieve better performance.

To aid employees in this shift, Samsung Electronics created a training course, called the "Work Smart Academy," which provides detailed action plans across the overall business - including meeting formats, document preparation, effective instructions and reporting.

Flexible Working System | Maximize Work Efficiency by Allowing Employees to Choose When to Work

In 2009, Samsung Electronics introduced a flexible work schedule in nearly all divisions. Under the system, employees may arrive at work any time before 6 p.m. and work for 8 hours. It allows employees from various walks of life to balance their work and life. In 2011, the company adopted a "mobile office" system that allows employees to check emails on their smartphones, which enables greater freedom in the office. The flexible working system is an exemplary case study of how Samsung Electronics innovates its work practices, and it is a highly regarded initiative that helps build trust in the company, boosts creativity and promotes well-being in the workplace.

C-Lab | Using Imagination to Solve Customized Challenges

Samsung Electronics' Creative Lab (C-Lab) is an initiative where the company provides personnel and budget to support projects proposed by employees. Employees can undertake the projects for as long as they want, wherever they want. The C-Lab was launched as a pilot in 2012 with four projects. Employees use their projects to explore personal passions while achieving tangible business results. Based on the C-Lab's initial success, the company in 2013 expanded the project across the company by creating the Creative Development Center.

Idea Open Space | Tapping Employee Creativity for Enhanced Product Development

In 2013, Samsung employees submitted 14,000 ideas to the Idea Open Space, a system that encourages team members to present creative concepts and ideas for product improvement. Samsung designers and engineers have applied many of the ideas to improve the performance of the company’s products.

A Clean Organizational Culture | A Clean Organization: The Pride of Samsung

Samsung Electronics has a zero tolerance policy for unlawful activities. The company makes a concerted effort to maintain a clean organizational culture through various education programs and a strict internal inspection system. Through ongoing education programs, employees go through mock scenarios that allow them to practice which course of action is correct. The company imposes strict disciplinary actions on reported incidents and takes stringent countermeasures to prevent any recurrences.

Smart Rewards | Recognizing Outstanding Employee Achievement

Samsung Electronics believes that employees should be recognized for great performance, which is why service-based compensation is an essential component in the company’s personnel management policy. Samsung Electronics adopted an accumulated, performance-based annual salary system in 2013, in which employees are eligible to receive bonuses of up to 50 percent of their annual salaries through profit sharing. The company also rewards employees who demonstrate outstanding achievement with a Proud Samsung Employee Award, the highest honor and monetary prize given to employees.

Internal Job Posting | Placing the Right People in the Right Position

Since 2009, Samsung Electronics has operated an internal job listing system in which employees can apply for their desired assignments among the posts available. When additional resources are needed in a specific area, for example because of business expansion or the launching of a new business, internal employees are given preference before recruiting from outside the Samsung Electronics network. At the areas requiring additional resources have recently become more urgent and diversified, the company has expanded the system from quarterly to monthly job postings.

Career Consulting Center | Thinking About Employees’ Futures

As life expectancy continues to rise, individuals are keenly interested in planning their lives after retirement. At Samsung Electronics’ career consulting centers, experts offer education programs including financial planning and health management. The centers also provide consulting services for establishing one’s own business, planning career moves and investing. In 2013, approximately 500 employees found new jobs outside Samsung through the career consulting centers.

Extending the Retirement Age | Adopting a Wage Peak System

In 2014, Samsung Electronics adopted a wage peak system that will extend the retirement of employees born between 1959 and 1960 up to five years. The company developed this system in response to the Korean government’s 2016 guidelines that exclude this employee group from a mandatory retirement extension to 60 years of age. In addition, through agreement with the employee council, the company will allow employees to accept a reduced salary after 56, allowing workers to stay at Samsung Electronics for longer.

In order to maintain both balance and flexibility in an uncertain business environment, Samsung Electronics has an organized yet flexible staffing model and management system. This system helps to motivate employees by placing individuals in roles where they can best utilize their talents.
| Maintaining Unity in Diversity |

In order for Samsung Electronics to achieve growth, even during a crisis, it is critical to secure a strong leadership, ensure efficient decision-making, share the vision and goals of the company, and maintain organizational unity. Samsung Electronics is a workplace that recognizes and values the individuality and diversity of its members.

Talent-based Recruitment | Diversifying Recruitment Methods to Attract Talented Employees

Samsung Electronics has transformed its recruitment process to become more flexible and diversified, which helps us to attract top talent. One of the major programs to explore creative talents is a membership system that helps foster the next generation of leaders by providing them with a specialized education and a creative environment. The software and design memberships introduced in 1991 and 1993, respectively, have established themselves as undisputed success stories of talent cultivation. Samsung Electronics is also partnering with various universities to develop courses dedicated to educating students who can be tremendous assets for the company and its core technologies. In 2013, Samsung Electronics expanded this program to include the software sector.

A Female-Friendly Company | Helping Balance Family Life and Work Leadership

Of Samsung Electronics’ 300,000 employees, female employees comprise 27 percent of the workforce in Korea and 47 percent of the workforce elsewhere, a ratio that continues to trend upward. Samsung Electronics is growing its programs to balance work and family life, including leave for fertility treatment, longer daycare center operation, and an extended parental leave period. As a result of such efforts, Samsung Electronics was certified as a family-friendly company in 2013.

Samsung Electronics is also making concerted efforts to encourage the next-generation of female leaders and promote their growth in the company. Samsung Electronics continues to focus on promoting its female employees, providing leadership education, and mentoring. Samsung Electronics’ goal is to raise the percentage of female executives in the company to more than 10 percent by 2020.

Offering Job Opportunities for People with Disabilities | Taking the Lead in Supporting Workers to Build Their Careers

Samsung Electronics has implemented a wide range of programs to provide job opportunities to workers with disabilities and help them build their careers. In 2011, Samsung Electronics created a “Stepping Stone” internship program for college students with disabilities in 2010 and introduced a special open recruitment program for graduates with disabilities in 2011. Samsung Electronics has emphasized the hiring of managers with experience in integrating disabled workers, and is improving facilities to minimize any inconveniences for employees while on the job. Samsung Electronics’ internal facility certification program, “Samsung Barrier Free (SBF),” helps employees with disabilities work in an easier, more comfortable environment.

Global Integrated HR Management System | Standardizing and Systematizing Global HR Management Systems

Samsung believes that without establishing clear standards and work processes, it is impossible to promote long-term globalization and continued growth. The company adopted a global standard HR system in 2003, upgrading and standardizing HR management for all subsidiaries. In 2007, it also implemented “STAR” (Samsung Talent Review) to establish a plan for recruiting top talent and securing a sustainable talent pipeline. In 2010, Samsung Electronics introduced a standardized organizational model to minimize any inconsistencies among global subsidiaries. This reorganization helped achieve standardization and eliminate staffing level confusion that originally resulted from disparate hiring practices at subsidiaries. As Samsung Electronics grows, running the HR system is becoming more and more complex, so integrating our global operations remains a focus for our company.

Regional Specialists | Fostering Future Pioneers for Advancing into Global Markets

Originally introduced in 1990, the regional specialist training program is Samsung Electronics’ premier human resources program, as it best symbolizes Samsung Electronics’ commitment to nurturing global talent. The regional specialist program, most popular with college students aspiring to join Samsung Electronics, is the world’s first “freestyle overseas training” program. Once selected as a regional specialist, employees are dispatched around the world for up to two years and have the opportunity to immerse themselves in different cultures, while participating in training programs and networking with local Samsung Electronics employees. During their time abroad, specialists share their experiences with other Samsung Electronics employees on the company intranet. The company has fostered approximately 5,000 global specialists over the past two decades, and the program was one of the key systems mentioned in a paper published in the Harvard Business Review that analyzed the factors in Samsung Electronics’ global success. The company invests more than KRW 100 million per regional specialist per year.

Field Specialists | Nurturing Global Talents through Local Languages and Work Experience

In addition to the global specialist program, Samsung Electronics developed a field specialist program in 2005 that selects qualified personnel to work in global subsidiaries from six months to one year. The field specialist program provides support to address urgent operational issues at overseas subsidiaries in a timely manner. To date, the program has placed 600 field specialists around the world.

Global Mobility & GHD | Providing Opportunities for Employees Abroad to Work in the HQ in Korea

Complementing the regional specialist and field specialist programs, Samsung’s global mobility program is a “reverse placement” program that provides the opportunity for employees outside of Korea to work at the company’s headquarters or other global subsidiaries. This program is intended to promote globalization of resources and provide employees with the opportunity to become global leaders.
The program was first launched in 2009 as a competitive global employee selection program, and it was expanded in 2010 following initial success. To date, approximately 500 employees worldwide have participated in the global mobility program. In 2013, Samsung Electronics increased the number of selected employees from 300 per year to 500, and we expect that the program will continue to grow and evolve.

To assist program participants in their transition to living in Korea, Samsung Electronics operates a “Global Help Desk,” where various support services are available in real-time. Services include everything from relocation assistance to providing support with registrations and certifications. Other services include counseling, Korean language classes, local meals at the company cafeteria and a translation service for any documents across the company.

| SCI | Introduction of the Samsung Culture Index (SCI) |
| Samsung Economic Research Institute conducts an annual survey among all the global employees in five categories: Work Smart, Think Hard, Build Trust, Leadership and Policy. The Institute compiles all survey results to create the Samsung Culture Index (SCI) and illustrates the work satisfaction, reliability and fatigue levels of employees companywide. In areas with low scores, the company seeks to make immediate improvements by offering customized programs through various consultative services. |

The response rate for the at overseas subsidiaries increased from 83 percent to 88 percent between 2012 and 2013. Satisfaction levels rose by one point on average compared to the previous year.

**Leading Competition and Maintaining Responsibility**

**Ceaseless Innovation | Pursuing Large-scale Advancements in All Business Units**

Samsung Electronics seeks to continuously advance all processes as they relate to manufacturing, logistics, development, purchase, marketing, quality, human resources and management. If even one of these processes lacks consistent improvements, innovation is stifled. That’s why Samsung Electronics pursues simultaneous innovation in all sectors and large-scale innovation across the company. Samsung Electronics began its focus on ‘quality-oriented management’ upon its adoption of a “New Management” initiative in 1993. The company also declared 1996 to be the “Year of Design Innovation,” and back then started to shift its focus from sheer manufacturing volume to competing through better quality and design.

In 2011, as the IT industry began heavily expanding its focus on software — in addition to hardware — Samsung Electronics developed a software development 10-year plan. It is helping to extend the company’s fundamental strengths and strategies across the enterprise, from products to services and solutions. Since then, the company has implemented a wide range of policies in pursuit of its goal of software excellence, including the recruitment of specialized personnel as well as education and training on software specifically. Samsung Electronics announced a plan to hire 50,000 software personnel over the next five years and developed courses for non-software major college students to encourage participation in the software field.

Samsung Electronics also created a SCSA program that offers college students studying humanities the opportunity to obtain a professional software education and become software developers. The company also offers elementary, middle and high schools software classes to encourage and inspire youth to become involved in the industry.

**Social Contribution | Community Programs Funded by Samsung Electronics**

Employees at Samsung Electronics have the opportunity to donate a portion of their salary each month to charitable causes. To make an even greater impact, the company created a fund of more than KRW 10 billion to match employee contributions. Since 2012, Samsung Electronics has been making efforts to broaden the meaning and scope of social contribution. It uses a variety of tactics to make the greatest possible differences: whether it’s making donations or utilizing employee talents and technologies, Samsung’s programs help further improve communities in which the company operates.

For more details on Samsung Electronics’ shared growth initiatives, please refer to pages 58-61.

For more details on Samsung Electronics’ social contribution activities, please refer to pages 80-93.