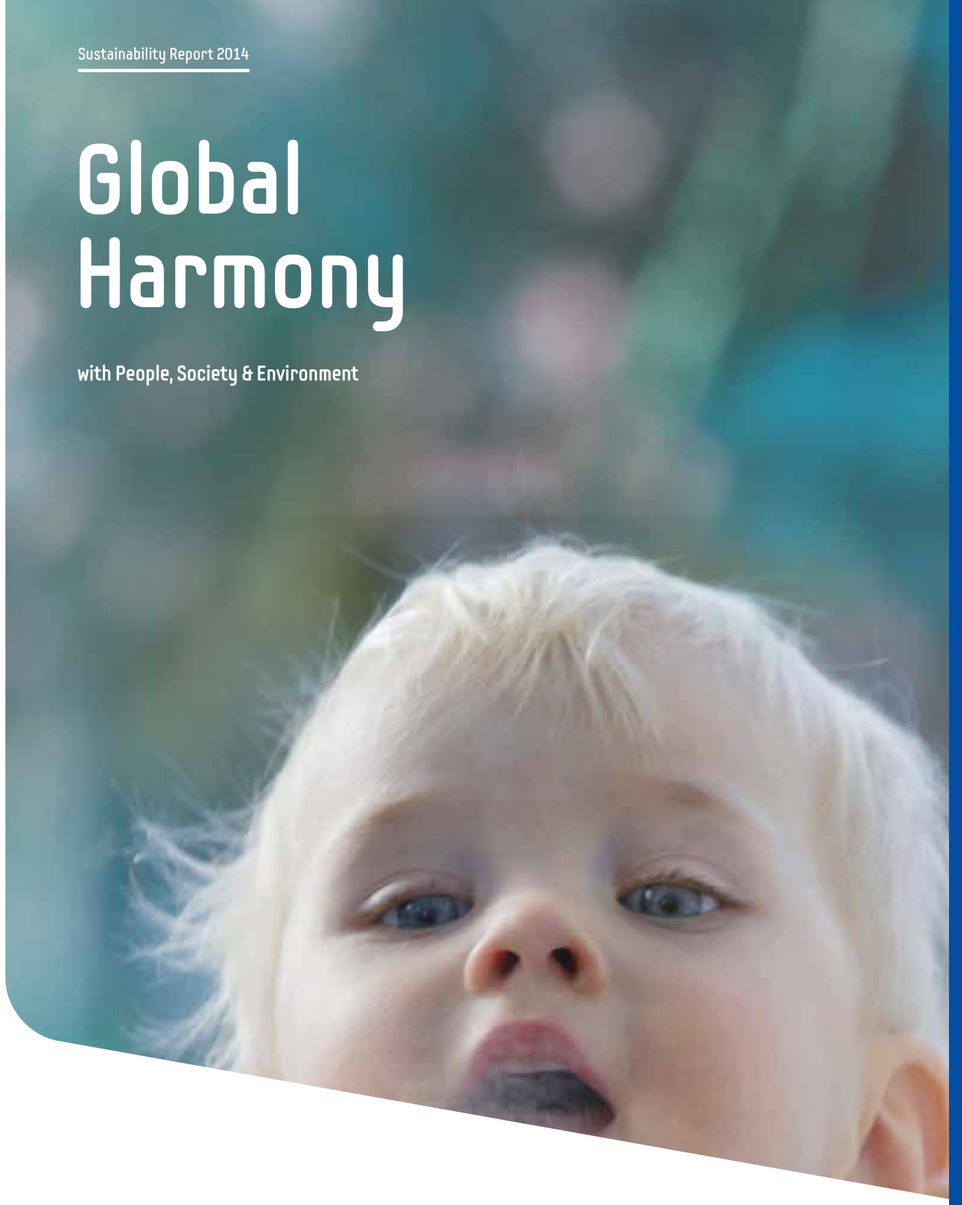
Sustainability Report 2014

# Global Harmony

with People, Society & Environment



SAMSUNG ELECTRONICS

WORLDWIDE OLYMPIC PARTNER

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Inspire the World

Create the Future!

“We devote our talent and technology to create superior products and services that contribute to a better global society”

## About This Report

**At Samsung Electronics, we firmly believe that we can deliver the best value by protecting the environment and improving social conditions of the communities in which we operate while generating a positive financial performance. This is the seventh Sustainability Report issued by Samsung Electronics and is intended to communicate our sustainability efforts and performance with our stakeholders.**

### Reporting Period

This report covers the period from January 1 to December 31, 2013. For quantitative measures of performance, the report includes the data for the three years from 2011 to 2013 to help readers identify trends and year-over-year comparisons. For Material Issues, the report covers information up to March 2014.

### Reporting Scope

Financial data in this report was prepared according to newly introduced K-IFRS (International Financial Reporting Standards), while the scope of coverage for environmental and social performance includes the major overseas subsidiaries. Information that pertains only to the performance of the headquarters has been footnoted accordingly.

### Assurance

To ensure credibility of the report's contents and reporting procedures, this report has received third party assurance from the Business Institute for Sustainable Development of the Korean Chamber of Commerce and Industry. This report was independently assured in accordance with ISAE3000 and the AA1000 Accountability Assurance Standard (AA1000AS Type II Assurance).

### Reporting Principles

This report refers to the G4 Core Guidelines of the GRI (Global Reporting Initiative) and is prepared with reference to the AA1000 APS(2008) principles (inclusivity, materiality and responsiveness). Explanations are provided for any changes in calculation standards from those applied in past reports.

**Additional Information and Relevant Websites**

| | |
|---|---|
| Samsung Electronics Website | http://www.samsung.com/sec |
| Sustainability Report | http://www.samsung.com/us/aboutsamsung/sustainability/sustainabilityreports/ |
| IR Website | http://www.samsung.com/sec/aboutsamsung/ir/newsMain.do |
| Green Management | http://www.samsung.com/sec/aboutsamsung/Sustainability/environment.html |
| Semiconductor | http://www.samsung.com/sec/business/semiconductor/ |
| Star Program | http://www.samsung.com/printer/star |
| Official Blog | http://www.samsungtomorrow.com |
| Facebook | http://www.facebook.com/samsungtomorrow |
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**Samsung Electronics is a global leader committed to communicating with the world and shaping the future.**

Inspire the World

Create the Future!

A Global Leader in the IT Industry
Committed to Making the World Smarter

# Sustainability Overview

Founded in 1969, Samsung Electronics has grown into a global information and technology leader, managing 220 subsidiaries around the world and posting annual sales of more than KRW 200 trillion. The company is making ceaseless efforts to achieve continued growth and shape the future with its transformative ideas and technologies. Samsung Electronics will continue to reinvent itself as a global leader by focusing on technological innovation that create positive change for people everywhere, helping them to live a better life full of possibilities.

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# CEO Message

**Dear Stakeholders,**

As you well know, our industry was confronted with numerous challenges during 2013: There was continued uncertainty over U.S. monetary policy, and a delayed economic recovery in Europe. Coupled with currency volatility and weak consumer sentiment in Korea and many emerging markets, these economic factors created a difficult and complicated business environment. However, as a result of our employees' passion and dedication, Samsung Electronics managed to achieve record revenues and profits— further solidifying our position as a global electronics leader.

Samsung Electronics is focused not only on relentless technological innovation and maximizing shareholder value; we also want to become a leader in corporate citizenship and strengthen our interaction with customers, local communities and stakeholders. We see it as our responsibility to help enhance the quality of life for the people we serve and the local communities in which we operate, and to share our progress in achieving these goals. In our Sustainability Report for 2014, I would like to share with you our most recent achievements as well as our vision for the future.

First and foremost, we have focused our efforts on pursuing sustainable and positive growth. That is the path toward achieving our 'Vision 2020': we want to inspire the world with innovative technologies, products and designs — in order to enrich peoples' lives while contributing to a socially responsible future. We consider creativity to be the seed of innovation and as such invest in a wide range of initiatives and programs that foster the creative spirit and autonomy of our employees across the company. This report will show you the many different forms these initiatives take, from our expanded C-Lab (Creative Lab) — an initiative where the company provides personnel and budget to support projects proposed by employees - to our flexible work schedule and the Idea Open Space. During the past year we also sought to enhance our capabilities to manage and detect risk.

For Samsung Electronics to see continued growth, it is essential that we have the ability to respond promptly to uncertainties and risks in our business environment. Already we hold our manufacturing facilities to the highest labor and environmental regulations worldwide. This year, we also strengthened supplier compliance by reinforcing our Code of Conduct and actively monitoring and managing our dynamic supply chain. Samsung has one top priority: To ensure the health and safety of our employees and the communities where we operate. We are focused not only on improving our processes for promptly dealing with accidents, but we also established precautionary measures; for example, we established a direct management system for hazardous substances - thus improving the safety of our facilities and increasing the number of people dedicated to prevent future accidents. We now have over 2,000 highly-trained Samsung employees who oversee factory operations and conduct regular inspections; among them are experts and engineers who are specialists in ensuring chemical safety and preventing accidents.

As a responsible corporate citizen, Samsung is sharply aware of the growing environmental impact associated with the sourcing, manufacturing, use, and disposal of our products. Our Green Management philosophy, which prioritizes the future health of our people and our planet and mandates environmentally responsible practices throughout our operations, drives our environmental sustainability initiatives. Let me give you one example: As part of our eco-design process, we consider the environmental impact of new products during their whole development cycle. We implemented this philosophy in 2009, and since then Samsung has invested 6.6 trillion KRW (6.3 billion USD) in sustainability efforts - resulting in a 50 percent reduction in greenhouse gas emissions and over 3,300 third-party verified product environmental certifications.

As I mentioned, we see it as our responsibility to help enhance the quality of life for the people we serve and the local communities in which we operate. It is in this spirit that Samsung invests more than 500 billion KRW (384.4 million USD) globally to support our citizenship and community engagement activities. While we are incredibly proud of the support we provide, Samsung Electronics is adopting a rigorous and more consistent long-term approach to our activities, which are focused on education, health/medical care, employment and the economies of local communities.

We delivered many projects during 2013, but I want to highlight just five major social initiatives that were tailored for local needs: the Smart School, the Nanum Villages, Samsung Care Drive, Solve for Tomorrow, and the Samsung Tech Institute. Our support is not only financial; every year nearly 70 percent of our global workforce participates in volunteer activities in local markets.

Finally, Samsung Electronics continues to reinvent itself around one key concept: reinvesting the dividends of our work into the growth of our company and the communities we serve. We will use this Sustainability Report as a compass. It allows us to reflect on past efforts and assists us in achieving maximum impact in the future.

I look forward to your continued trust and support in our endeavors to create a more sustainable society. Thank you.

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

# Company Profile

**Since its founding in Suwon, Korea in 1969, Samsung Electronics has grown into a global information technology leader. The company's offerings include home appliances such as TVs, monitors, printers, refrigerators, and washing machines as well as key mobile telecommunications products such as smartphones and tablet PCs. Samsung also continues to be a trusted provider of key electronic components like DRAM and non-memory semiconductors. These products and services provide convenience, create value and foster smarter lifestyles for customers around the world.**

### Structural Realignment in 2013

In 2013, Samsung Electronics launched a structural realignment of some of its business divisions, while keeping its three-pronged business framework involving IT and Mobile (IM), Consumer Electronics (CE), and Device Solutions (DS) sectors intact, allowing Samsung to further differentiate itself from other companies. Samsung also laid the foundation for nimble, flexible responses to the rapidly changing environment at home and abroad. The business divisions continue to foster engines for new growth through a series of advancements including: elevation of the Global Business-to-Business Center to a quasi-business division to reinforce its B2B operations; establishment of the Big Data Center aimed at strengthening market forecasting and analysis; and creation of a unit to bolster its solution business.

### Reorganization of the Imaging Business Division to Boost Manufacturing Competitiveness

In 2013, Samsung Electronics carried out a partial structural realignment of the Mobile Communications Business Division. In order to enhance competitiveness of the camera business, the Digital Imaging Business Division was reorganized into the Imaging Business Team and integrated under the Mobile Communications Business Division. This move was aimed at providing differentiated products by combining capabilities and manufacturing competitiveness of the Mobile Communications Business Division, which ranked No. 1 globally in smartphones, with the added optical technology of the Imaging Business Division. Through the reorganization, the IM sector, which had previously consisted of four business divisions, has been reorganized into three business divisions - the Mobile Communications Business Division, the Network Business Division and the Media Solution Center.

### Intensive Development of the B2B Business

Samsung Electronics elevated the Global Business-to-Business (B2B) Center to a quasi-business division to boost its competitiveness in the business-to-business area, one of the core goals for sustainable growth. In an effort to develop its B2B market, the company's R&D division plans to expand products and solutions related to the public sector, education and health-care. The company also plans to increase personnel and investment in its software unit and reinforce external partnerships to build a systematic organization and maximize synergies with other business divisions.

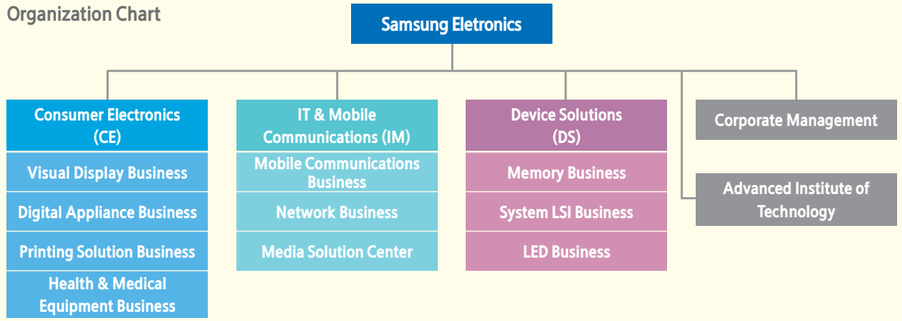
### Establishment of the Big Data Center to Track Market and Consumer Trends

Big data refers to a large collection of data sets that include text and image data generated in the digital environment. It is used in various areas ranging from marketing, customer management, and semiconductor design to data analysis. Samsung Electronics established the Big Data Center under the Media Solution Center to reinforce its capabilities for market trend forecasting and systematically integrate them into the product development process. The Big Data Center is expected to improve productivity and help generate business innovation by collecting customer opinions and providing the necessary services to meet customer needs.

### Reinforcement of Solution Business

Samsung Electronics created the Solution Development Office under the Memory Business Division to reinforce its specialized solution business. It also established the Modem Development Office under the LSI Business Division to secure a competitive edge in the system-on-a-chip field.

**Organization Chart**




Business Divisions and Major Products

## 10 Business Divisions

### Consumer Electronics (CE)

**Visual Display Business**
TV, Monitor, Set-top box, Home theater, Sound bar

**Digital Appliance Business**
Refrigerator, Washing machine, Air-conditioner, Vacuum cleaner, Smart oven, Air purifier

**Printing Solution Business**
Printer, Multifunction printer (MFP)

**Health & Medical Equipment Business**
Digital X-ray, In-vitro diagnostics

### IT & Mobile Communications (IM)

**Mobile Communications Business**
Smartphone, Notebook PC, Tablet PC, Wearable devices

**Network Business**
Mobile WiMAX, LTE solution, W/CDMA solution, CDMA solution

**Media Solution Center**
Samsung Apps, ChatON, Group Play, WatchOn

### Device Solutions (DS)

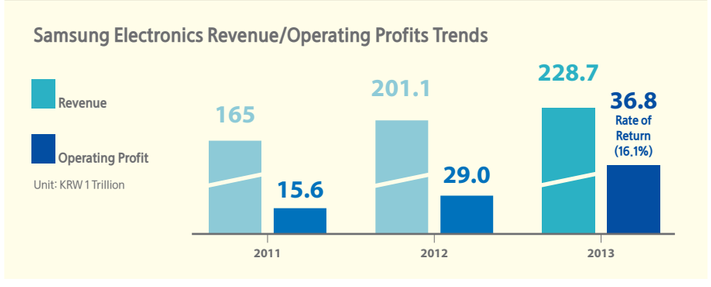
**Memory Business**
DRAM, NAND Flash, SSD, eMCP

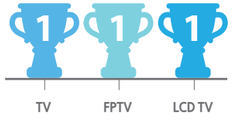
**System LSI Business**
Mobile AP, CMOS image sensor, Foundry

**LED Business**
LED packages for TVs & IT products, LED lighting packages, LED packages for automotive lighting

# Business Performance

**In 2013, Samsung Electronics navigated a challenging business environment due to the continued economic recession in Europe and in emerging markets, coupled with volatile currency exchange rates and competitive pricing in the industry. Despite these circumstances, the continued growth of the Mobile Communications Business and the improvements in the Components Business, such as memory semiconductors, helped the company achieve record revenues and operating profits, up 13.7 percent and 27 percent from the previous year, respectively.**



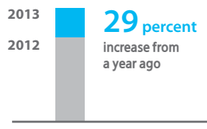

Achieving the "Triple Crown" for Eight Consecutive Years

## The Consumer Electronics Division Discovers New Possibilities

Samsung Electronics' consumer electronics segment satisfied market demand by offering a variety of products including LCD, PDP, LED, and UHD TV. The company has maintained its No.1 position in overall TV, FP-TV, and LCD-TV sales for eight consecutive years, securing the "Triple Crown." It released the world's first LED TV as a new product category in 2009, cementing its position as a market leader. In 2010, the company introduced the 3D Total Solution, dominating the 3D TV market. Additionally, the company launched "Samsung Apps," the world's first TV apps store, and introduced Smart Hub with various services, thereby establishing a brand image that associated smart TV with Samsung.

Furthermore, Samsung Electronics enhanced its family-friendly services by developing contents that allow users to exercise or learn while watching TV. The company maintained its leadership in the smart TV market by reinforcing an "All Share" function, which enables easier connections with other digital devices. In 2013, it introduced new UHD TVs with better image quality and higher resolution than existing models. Samsung Electronics aims to maintain its lead in the market in 2014 by focusing on areas with high growth potential such as Curved UHD TV.

KRW **24.9** trillion

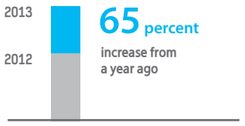



Operating Profit of the IM Segment

## The IM Division Solidifies Leadership in the Global Market

In 2013 major companies including Samsung Electronics released their entry models for smartphones and tablets, intensifying market competition. Samsung Electronics diversified its product lines from premium smartphones to mass market models and led new product markets such as LTE and Note. Solid sales in the company's strategic models such as the Galaxy S4 and Galaxy Note Series, helped solidify its influence in the global market. As a result, the IM sector's sales and profitability significantly improved in 2013, posting sales of KRW 138.8172 trillion, a 31.2 percent increase from the previous year, and operating profits of KRW 24.9577 trillion, a 28.5 percent increase from the previous year. In 2014, Samsung Electronics plans to further strengthen its position in the premium market by focusing on smartphones and tablets with new product categories including flexible display, Samsung Gear, and Samsung Fit, while continuing its investment in growth and utilizing the industry's strongest R&D capabilities.

KRW **6.9** trillion




Operating Profit of the DS-Semiconductor Division

## The DS Division Anticipates Resurgent Growth

Samsung Electronics is leading the semiconductor market by maximizing the benefits of cost reduction through leading-edge process development and production. In 2013, the Memory Business improved revenue and operating profits as a result of increased output following the rise in demand for mobile and server products. For DRAM, the company is addressing market demand by increasing its 20nm product mix. With increased offerings of more lucrative products such as mobile/server DRAMs, Samsung Electronics has generated more stable profits than its competitors. For NAND, Samsung Electronics succeeded in developing the world's first vertical NAND. The company is currently working to develop high-performance solutions (SSD, eMMC, etc.) and 3 bit products to further widen the competitive gap. Looking ahead, Samsung Electronics will continue to advance its Memory Business by improving cost competitiveness and offering differentiated product lines.

The World's First Commercialized

**Curved**

Display

## The Display Division Strengthens the Foundation for Future Growth

For its large panel business, Samsung Electronics improved manufacturing by enhancing production across its entire line of TFT-LCD technologies. The company offered a full line of mega-sized TV products, including the development of a curved TV. Additionally, it is continuing its effort to develop highly transparent panels and localize key manufacturing equipment to boost cost efficiencies. Samsung Electronics will strengthen its partnership with customers in technology and product development to maintain the highest utilization rate in the industry and continue to maximize profitability. It plans to improve its responsiveness to the Chinese market, the world's largest TV consumer, by leveraging its China fab where mass production began in 2013. For the mid-to-small sized panel business, the company continues to enhance its competitiveness by successfully commercializing the world's first flexible panels using AMOLED technologies and improving its production capacity through a more efficient production process.

## Economic Value Distributed to Stakeholders

Total Economic Value Distributed to Stakeholders of Samsung Electronics

KRW **214.8** trillion

from a 2011 baseline

**15%** increase

### Economic Value Distributed to Stakeholders

| | |
|---|---|
| KRW **21.4** trillion | **Employees (Salaries)**<br>Combined total of wages, retirement allowances, and benefits. |
| KRW **9** trillion | **The Government (Taxes & dues)**<br>Combined total of income tax expenditure, corporate tax, and dues. |
| KRW **0.5** trillion | **Local Communities (Social contribution expenses)**<br>Combined total of social contribution expenses, including donations made for the development of local communities. |
| KRW **0.5** trillion | **Creditors (Interest expenses)**<br>Combined total of interest expenses for creditors. |
| KRW **2.2** trillion | **Shareholders (Dividends/ Net buy-back)**<br>Combined total of dividends/ net buy-back. |
| KRW **28.3** trillion | **The Company (Retained earnings)**<br>Retained earnings for future investment. |
| KRW **152.9** trillion | **Suppliers**<br>Total operating expenses. |

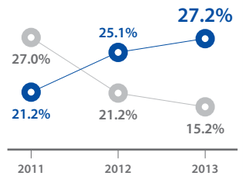
# Market Shares

Samsung Electronics further solidified its industry leadership in various product areas, including TVs, monitors, semiconductors, and digital appliances. The company's global market shares in its key products including TVs, mobile phones, and DRAM chips in 2013 surpassed 20 percent for the second consecutive year. Samsung Electronics will continue to provide new value to customers with cutting edge-technology and quality products.

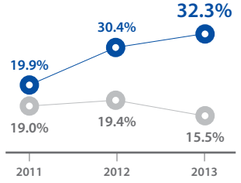
## No.1

Samsung
2nd company

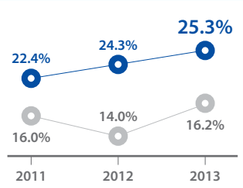
### Mobile Phone Total



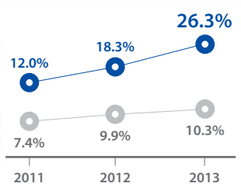

### Smartphones



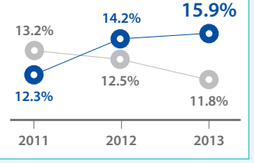

### TVs



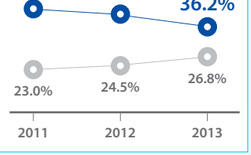

### LFD Monitors



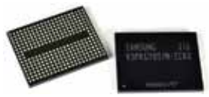

### Refrigerators

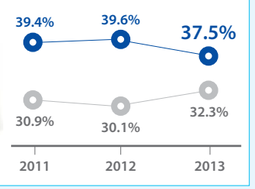



### DRAM

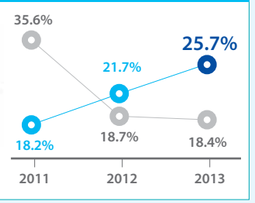



### NAND Flash






### SSD(Solid State Drive)

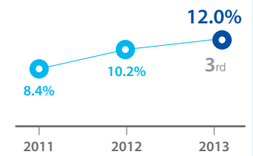



* Refrigerators, Washing machines, DRAM, NAND Flash, and SSD are in value terms and other products are in quantity terms.

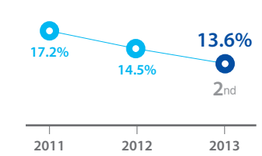
## Other Key Offerings

Samsung

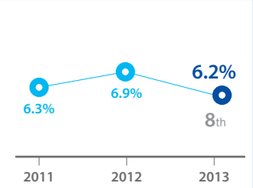
### Washing Machines



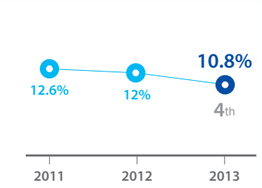

### Printers




### Notebook PCs



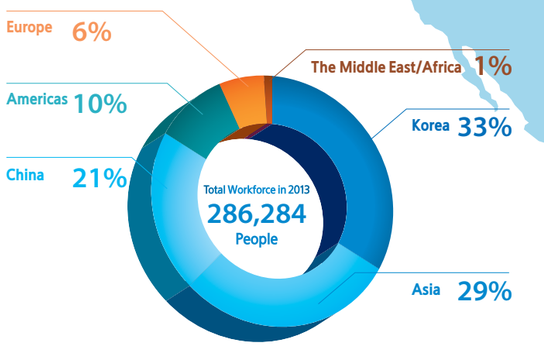

### Cameras



# Global Network

## Efficient Resource Allocation and Localization Strategies

Samsung Electronics operates in 220 locations around the world. In order to effectively manage its diverse global portfolio, Samsung Electronics employs localization strategies and maintains 15 regional headquarters including its corporate headquarters in Korea. At the end of 2013, Samsung Electronics' total employment stood at 286,284 with the domestic and the overseas workforce making up 33 percent and 67 percent, respectively.

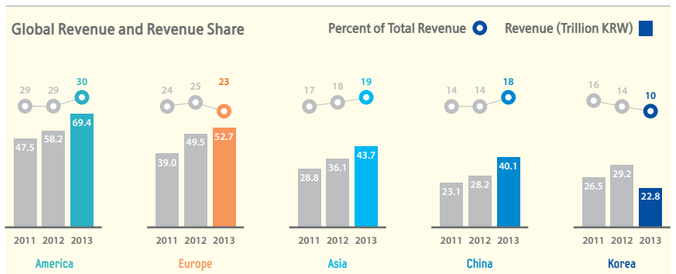



### Global Bases of Samsung Electronics

Total **220**

| Regional HQ | Research | Production | Sales | Design Center | Others |
|---|---|---|---|---|---|
| 15 | 34 | 38 | 54 | 6 | 73 |

### Global Revenue and Revenue Share




- Revenue and number of employees in Africa is included in Asia.
- Revenue and number of employees in CIS is included in Europe.
- Revenue and number of employees in Latin America is included in Americas.

# Corporate Governance

**Throughout 2013, Samsung Electronics advanced its commitment to responsible corporate governance. In addition to its compliance with national and international laws and regulations, Samsung employs a set of ethical standards and values that guide its decision making processes and workplace protocols. Through a structure centered on board of director engagement, the company works to ensure transparent, responsible business management across all operations. Each policy and decision enacted by the board of directors seeks to maximize corporate value and enhance shareholder rights and interests. Specifically, the Samsung Board of Directors is responsible for the execution of all matters as mandated by the Korean Commerce Act and the Samsung Electronics Articles of Incorporation, including those delegated by the company's general shareholders' meetings. The Board also makes important decisions on the company's management policies and oversees executive work performance.**

Board of Director
(Executive Directors)
**4**

**Vice Chairman & CEO**
**Oh-Hyun Kwon**
Head of Device Solutions (DS)

**President & CEO**
**Bu-Geun Yoon**
Head of Consumer Electronics (CE)

**President & CEO**
**Jong-Gyun Shin**
Head of IT & Mobile Communications (IM)

**President & CFO**
**Sang-Hoon Lee**
Head of Corporate Management Office

## Board of Directors (BOD) Composition

The BOD is composed of four executive directors and a five-person independent director majority, an arrangement designed to both guarantee the Board's independence and establish a transparent decision-making process with inputs from a broad spectrum of outside experts. In accordance with the Articles of Incorporation, the Independent Directors Recommendation Committee initially selects candidates from among a pool of experts with in-depth knowledge and experience in a variety of areas including business management, economy, accounting, law and technology. Independent directors are elected from the pool of nominated candidates at a general meeting of shareholders. The independent directors meet separately from the BOD's executive directors in order to promote a free exchange of ideas on all aspects of the company's management. All directors are prohibited from engaging in business activities within the same industry without the approval of the BOD. This arrangement helps prevent conflicts of interest as specified in the Korean Commerce Act and the company's Articles of Incorporation.

## The BOD and Committees

In 2013, Samsung Electronics addressed 23 agenda items at a total of eight BOD meetings. The three-year average director attendance rate (2011-2013) for BOD meetings stands at 94 percent. For swift and efficient decision-making throughout the company, Samsung has established committees under the BOD in accordance with pertinent laws. The BOD refers certain matters to the committees to be reviewed by committee members with experience and expertise in the related fields. Presently, six committees are in operation: Management Committee, Audit Committee, Independent Director Recommendation Committee, Related Party Transactions Committee, Compensation Committee, and the newly-formed Corporate Social Responsibility (CSR) Committee. The Related Party Transactions Committee helps boost the transparency of corporate management through the Fair Trade Autonomous Compliance System and carries out activities to enhance corporate governance. The Audit Committee, comprised of three independent directors, supervises and supports management through a process of checks and balances to maximize corporate value.

– For further details about the committees and meeting agenda items, please visit the Data Analysis, Retrieval and Transfer System at http://dart.fss.or.kr

## 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, the compensation includes only basic salary and business travel expenses.

## Corporate Social Responsibility (CSR) Committee

Samsung Electronics has recently formed the CSR Committee within its BOD in order to ensure legal compliance around ethical issues, oversee the company's contribution to promoting public welfare, and guide initiatives that satisfy our ambitious corporate citizenship goals. The CSR Committee is composed entirely of independent directors who supervise and support the company's CSR and Shared Growth management activities. The CSR Committee has set up secondary research committees in which external experts conduct joint research on matters requiring professional review. Currently, the CSR Committee is focused on researching ways to promote the corporate ecosystem and the company's roles in it. The CSR Committee recognizes a growing opportunity to further broaden Samsung's social contribution. The committee also ensures that Samsung Electronics promotes a culture of shared growth among the partners and vendors with whom it does business.

Board of Director
(Independent Directors)
**5**

**Independent Director**
**In-Ho Lee**
Former President & CEO
Shinhan Bank

**Independent Director**
**Han-Joong Kim**
Chairman, CHA Strategy Committee,CHA Health Systems

**Independent Director**
**Kwang-Soo Song**
Advisor,
Kim & Chang Law Office

**Independent Director**
**Byeong-Gi Lee**
Professor of Electrical Engineering, Seoul National University

**Independent Director**
**Eun-Mee Kim**
Dean, Graduate School of International Studies, Ewha Womans University

**Major BOD Agenda Items in 2013**

| Date | Agenda Items | Decision | Independent Directors' Attendance |
|---|---|---|---|
| Jan. 25, 2013 | Three agenda items including approval of '12 (44th) financial statements and business report | Approved | 4/4 |
| Feb. 15, 2013 | Two agenda items including convening of the 44th Annual General Meeting of shareholders | Approved | 3/3 |
| Feb. 25, 2013 | Fund allocation for the new corporate foundation | Approved | 3/3 |
| Mar. 15, 2013 | Three agenda items including appointment of CEO and Directors | Approved | 5/5 |
| Apr. 26, 2013 | Four agenda items including approval of 1Q13 (45th) financial statements and business report | Approved | 4/5 |
| Jul. 26, 2013 | Four agenda items including approval of 2H13 financial statements, business report, and interim dividend | Approved | 5/5 |
| Oct. 25, 2013 | Three agenda items including approval of the 3Q13 financial statements and business report | Approved | 5/5 |
| Nov. 29, 2013 | Three agenda items including approval of transactions with affiliate persons | Approved | 5/5 |

**Committee Status**

| Committee | Objectives | Members |
|---|---|---|
| Management Committee | The committee deliberates and decides matters either delegated by the Board, specified in the Articles of Incorporation, or in the Regulation of the Board of Directors with the aim of enhancing professionalism and efficiency in decision-making. | Oh-Hyun Kwon (Chair), Boo-Keun Yoon, Jong-Kyun Shin, Sang-Hoon Lee |
| Audit Committee | The committee conducts auditing functions under the stipulation of governing regulations, the Articles of Incorporation, and the Audit Committee Regulations. | In-Ho Lee (Chair), Han-Joong Kim, Kwang-Soo Song |
| Independent Director Recommendation Committee | The committee recommends candidates for independent directors under the governing regulations, the Articles of Incorporation, and Regulations of the BOD. | Han-Joong Kim (Chair), Byeong-Gi Lee, Eun-Mee Kim, Oh-Hyun Kwon |
| Related Party Transactions Committee | The committee enhances corporate transparency and promotes fair trade through compliance program. | In-Ho Lee (Chair), Han-Joong Kim, Kwang-Soo Song |
| Compensation Committee | The committee enhances objectivity and transparency in the process of decision of directors' remuneration. | Kwang-Soo Song (Chair), Sang-Hoon Lee, Byeong-Gi Lee |
| CSR Committee | The committee supervises and supports the company's Corporate Social Responsibility (CSR) management activities and other activities aimed at promoting public welfare. | Byeong-Gi Lee (Chair), In-Ho Lee, Han-Joong Kim, Kwang-Soo Song, Eun-Mee Kim |

# Cultivating Engines for Future Growth

**Samsung Electronics is relentless in its pursuit of discovery and innovates to bring people new experiences and new ways to express themselves. Through its technology and products, Samsung Electronics cultivates future growth engines and is committed to continuous problem-solving and creative technological innovations.**

Operating profits in 2013

KRW **37** trillion

Revenue in 2013

KRW **229** trillion

## VISION 2020

In 2009, Samsung Electronics unveiled "Vision 2020" with a set of specific goals under the slogan "Inspire the World, Create the Future." Under the vision, the company pledged to become one of the top 10 global companies with $400 billion of sales; become an unrivaled industry leader, placing its overall brand value among the global top 5; and become among the world's top 10 most respected companies. Since then, it has continued efforts to achieve these goals, while striving to develop key competitive advantages on an ongoing basis. As a result of such efforts, Samsung Electronics achieved record financial performance, delivering record sales of KRW 229 trillion and an operating profit of KRW 37 trillion, up 15 percent and 52 percent respectively, compared to 2009. The company also received external recognition for nonfinancial excellence in 2013, when Interbrand ranked Samsung's brand 8th Most Valuable worldwide. In addition, Fortune magazine recognized Samsung as the 21st Most Admired Business in the world.

Samsung Enters Interbrand's Top 10 List

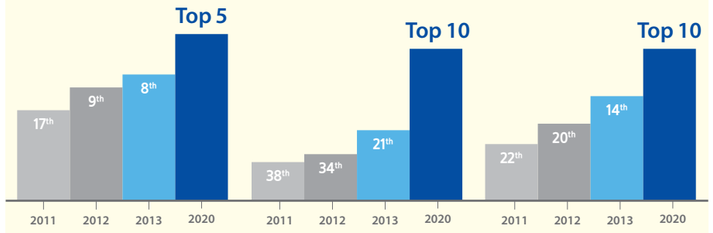
**8th**

Fortune names Samsung 21st on list of Most Admired Companies in the world

**21st** FORTUNE

Samsung ranks 20th among top 500 global companies

**14th** FORTUNE




| Accomplishments |

The Boston Consulting Group

**2nd** Samsung ranked as its 2nd Most Innovative Company in the world, a 9-place jump from 11st in 2011

Thomson Reuters'

**3rd** On Thomson Reuters' Top 100 Global Innovator list for the third straight year

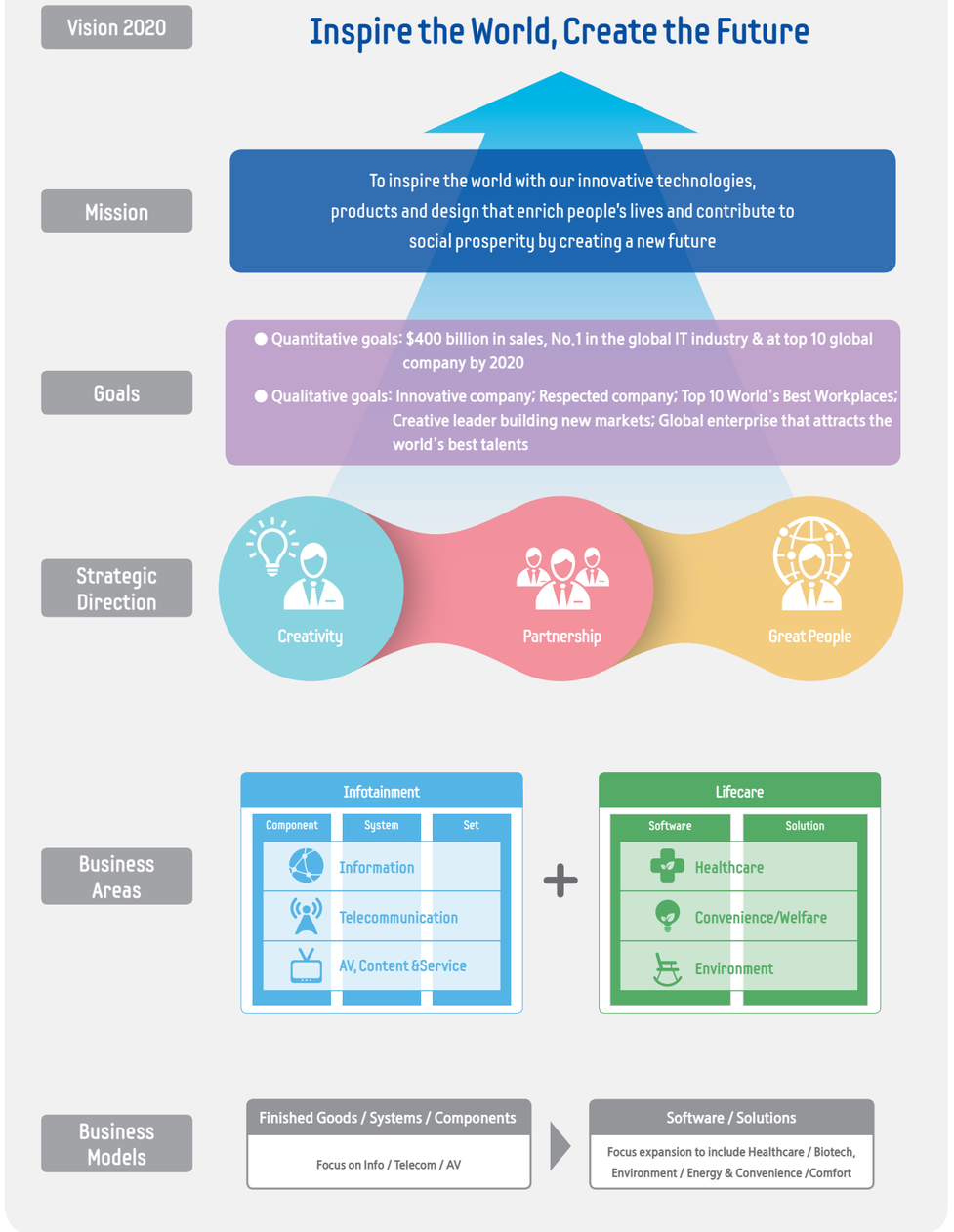
Booz & Co.

**2nd** Consulting firm Booz & Co. ranked Samsung as 2nd Most Innovative company, a 5-place jump from 2011 list

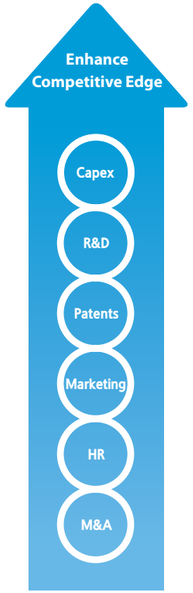
Dow Jones Sustainability Indexes

**5years** Samsung has been included in the DJSI World Index for five consecutive years

| Other Accomplishments |



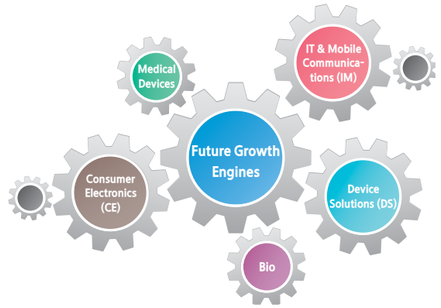
## Sustainable Growth & Profitability



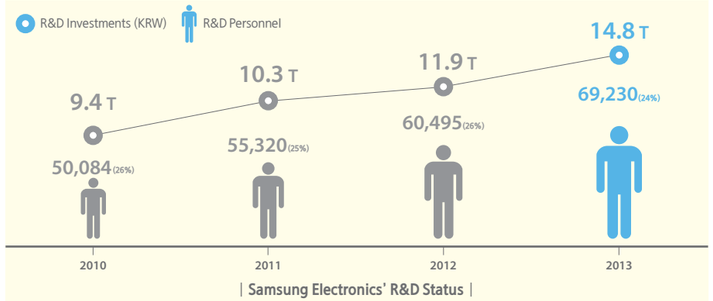

Six Core Areas to Secure New Growth Engines

### Enhancement of Six Core Competencies

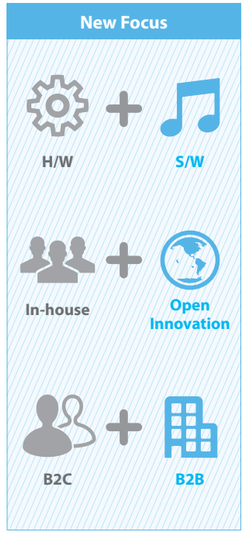
With the rapid arrival of the mobile age over the past decade, much has changed. Although a PC is a convenient device, it has time and space constraints that can limit its convenience. Alternatively, mobile has revolutionized the user environment but the needs of customers are not yet being fully met. To enhance the customer experience, Samsung Electronics plans to expand its business portfolio and services to include education and healthcare by combining customer needs with IT technology. As wellness, safety, security, and convenience continue to be buzzwords over the next few years, Samsung is developing devices and components specifically based on them, while focusing on devices that enable a smarter life. Samsung Electronics is uniquely positioned to provide these integrated services by incorporating the component, device and system levels. The company's ability to influence today's global trends and continued dedication to investing in research and development will ensure this vision becomes a reality.




In order to accomplish the Vision 2020 goals of achieving annual sales of $400 billion, becoming a leading IT company and one of the top 10 global companies, Samsung Electronics has selected six core areas - capital expenditure (Capex), R&D, patents, marketing, human resources, and M&A- to develop new growth engines. During the past four years, the company has continued large-scale investments of KRW 46.4 trillion, while endeavoring to reinforce its competitive edge through differentiated technology and profitability. The Umyeon-dong R&D Center, with a total floor area of 33,000m$^2$, is currently under construction in Umyeon-dong, Seoul, and is scheduled for completion in 2015. The company aims to employ 10,000 researchers in design and software at the state-of-the-art complex. In addition, Samsung Electronics is also constructing a R&D campus in Silicon Valley, California set for completion in 2015 in order to concentrate on development of core technologies. The company has continued its investments in R&D in order to secure sustainable growth, increasing from KRW 9.4 trillion in 2010 to KRW 14.8 trillion by the end of 2013. The number of global R&D staff increased from 50,000 in 2010 to 69,000 in 2013.




Samsung Electronics' R&D Status




Change in the Direction of Future R&D

As global R&D investment strategies undergo a shift from hardware to software, Samsung Electronics established a software center in 2012. Additionally, the company has actively adopted an open-innovation platform along with an in-house R&D system, while reinforcing overseas R&D centers to further advance the development and utilization of customized technologies to address region-specific needs. Samsung Electronics will enhance its competitiveness in software platforms, design, IP, and focus its investments on securing innovative technologies as engines for future growth.

Along with such efforts, Samsung Electronics has increased its efforts surrounding minimizing global dispute risks in patents. In 2010, the company established the IP Center in order to centralize its patent capability efforts, and established country-level IP centers around the world to mitigate risk. Additionally, it has increased the in-house team of patent experts and managers, including lawyers and agents.

Samsung Electronics has achieved global brand power through consistent investments in marketing. Moving forward, its strategy is to actively harvest the benefits of its current brand assets to continuously achieve revenue and profit growth without increasing marketing expenditures. Based on its brand philosophy of "Accelerating discoveries and possibilities," Samsung Electronics will reinforce consumer engagement marketing by utilizing experience-based marketing, interactive marketing through social media, and region-specific marketing based on local consumer needs.

The company has also introduced a new focus on the business-to-business (B2B) market, going beyond the business-to-consumer (B2C) market. To this end, it has reinforced its division responsible for handling B2B business, while intensively nurturing B2B business planning, B2B infrastructure/ process, and system support/ operation.

Based on such efforts, Samsung Electronics has also expanded its supply of B2B products and solutions to include the public sector, the education market, and the healthcare industry. As of the end of 2013, Samsung Electronics continued its active B2B marketing initiatives by supplying its Galaxy Note 2 to iDTGV, a French high-speed train. This initiative, targeting young customers, allowed for confirmation of electronic tickets, and electronic payment of train fares, in collaboration with KoamTac, a barcode solution provider, and Ingenico, an electronic payment solution provider.

Samsung Electronics considers its employees as the company's greatest asset and primary driver of growth. It takes pride in the creativity and diversity of its talented people. The company employs 286,300 people globally, marking an unprecedented 1.5-fold increase since 2008. Further, Samsung's overseas-based employees has doubled since 2010 as the company has expanded its global footprint. With more than 60 percent of its total workforce employed outside of Korea. Samsung Electronics places great importance on recruiting and retaining top talent from around the world. The company is putting emphasis on nurturing the capabilities of its software workforce to secure core talents. It is also building the Open Innovation System to access creative input from outside of the company and promoting the operation of C-Lab (Creative Laboratory), an internal innovation team that lets employees explore creative ideas through research. In order to foster "convergence-type talent," Samsung Electronics strives to focus on cultivating insights based on the humanities and developing creative DNA on the organizational level.

Samsung Electronics continues to invest in R&D and capital expenditures. Moving forward, Samsung will explore new growth strategies such as mergers and acquisitions in adapting to shifts in the global technology market. While the company retains its focus on organic growth, it is more receptive than ever to strategic business alliances. Over the past three years, Samsung Electronics has acquired 14 companies. For its new businesses, the company's efforts have been mainly driven by medical device companies such as Medison and NeuroLogica. Within Samsung's consumer electronics division, the Visual Display business focused on software, services, and content, while its component business focused on companies with next-generation technologies. Going forward, Samsung Electronics will expand its M&A strategy beyond a few target areas and pursue opportunities across a wide range of fields in order to enhance the competitive edge of its current businesses and create new opportunities for future growth. Based on these efforts, Samsung Electronics is reinventing itself as a global top-tier company with a sense of determination to pursue customer satisfaction, and continued globalization to ensure that the company remains competitive on the global stage.

Samsung TV's Market Leadership

## UHD- TV

The World's First Design

## Curved

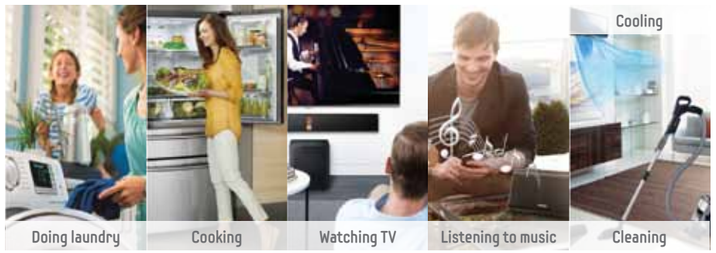
Convenient User Interface

## Smart TV

### Consumer Electronics Division's Pursuit of Continuous Innovation

Consumer electronics products affect nearly every aspect of people's everyday lives. Samsung Electronics' primary consumer electronics products include TVs, refrigerators, washing machines, vacuum cleaners, and air conditioners. The company's TV business has continued to launch innovative models yearly and has established the following strategies to continue its pursuit of innovation.

Samsung Electronics will continue to lead the UHD-TV market by producing the highest picture quality, while offering the largest screen size and multiple form factors, such as Samsung's curved TV, the world's first curved design that delivers the ultimate immersive viewing experience with unparalleled picture quality.



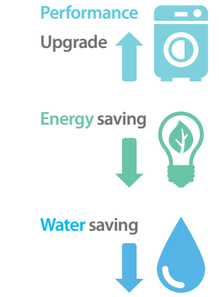

| CE Sector's Product Line-up |

| Samsung TV Products' Core Competencies |

Samsung will also further reinforce its core competencies, going beyond every competitor's reach by providing the best picture quality developed by its own picture engine and utilizing creative design to offer various product lines.

To expand its Smart TV business, Samsung's Smart TV will be equipped with a more convenient User Interface, and various content and services to deliver a new user experience, thereby promoting seamless connection between short-term and mid-to-long term growth engines.

Since local preference for digital appliance products varies greatly and typically requires a more significant investment compared to other digital products, the Digital appliance Business has not undergone a disruptive innovation in more than a century. The time has arrived for the appliance industry to embrace market-changing innovation, and Samsung will be the one to lead the change. Samsung will create a new premium refrigerator category introducing various innovative solutions such as a smarter way to store and preserve foods, providing consumers with energy efficiency and higher satisfaction.




**Samsung Washing Machine Manufactured with Green Technology for Future Growth**

Samsung Electronics will lead the washing machine market with green technologies, significantly reducing energy and water consumption while simultaneously enhancing performance.

The company is also establishing total air solutions for air conditioners by expanding from residential to commercial areas and shifting focus from cooling to improving indoor air quality.

Samsung Electronics' vacuum cleaner is already redefining consumer's cleaning experience with a Motion Sync™ Canister and Upright Vacuum that significantly improves mobility due to its design that makes it easier for users to navigate a vacuum through their homes.

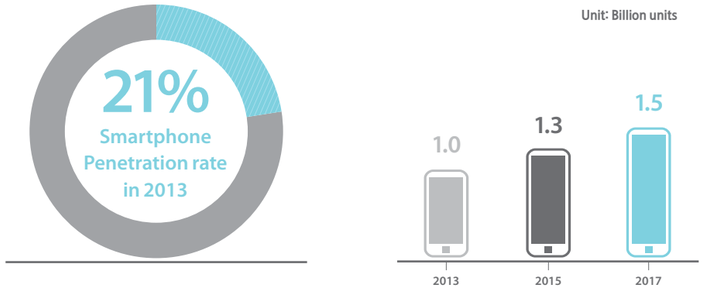
The company has also established five Lifestyle Research Labs to gain insight into different cultures and lifestyles. Based on the research insights, the company determines new areas for product innovation and develops product concepts that meet various consumer needs globally.

| Samsung's Lifestyle Research Labs |

### Solidifying Market Leadership in the Mobile Sector through Technological Innovation

In 2013, it is estimated that about 1.5 billion people were using smartphones globally. However, the global smartphone penetration rate still stands at a mere 21 percent and thus has a high potential for growth. Global smartphone shipments in 2013 surpassed 1 billion units and the smartphone market is expected to grow by more than 10 percent per year by 2017. Smartphone growth was initially driven by the developed markets. In the future, it is expected that emerging markets will be driving smartphone volume as evidenced by the fact that China and India are already the 1st and 3rd largest smartphone markets. In this rapidly changing market environment, Samsung Electronics has employed strategies to secure growth engines for future growth to continue its advancements in the mobile business by creating new markets through technology innovation.

The first component concerns product strategy. Samsung Electronics has experienced impressive results with flagship models, their family products, and companion devices connected to the flagship models. The company will continue to reinforce its leadership in the premium market, while adopting a strategy to actively respond to mass smartphone market growth. It will increase customer satisfaction with well-made products at competitive prices, while leveraging Galaxy's premium identity and providing localized features. With these products, the company will enable more customers to enjoy a whole new experience of smartphones. Tablets are also an important part of Samsung's product mix, and their importance will grow even further in the future. The company will continue to reinforce competitiveness of its tablets in the market with slim bezel and body, enhanced S Pen, and rich contents and services.




| Smartphone Market Outlook |

| New Growth Engines of the Mobile Business |

Another aspect is Samsung's technology and design strategy. In 2013, Samsung Electronics released the first LTE-Advanced devices in Korea, which provides a much faster download speed than previous LTE devices. The company will expand the LTE-Advanced device market by releasing them in the United States, Japan and Europe. By doing so, it will prepare for the upcoming 5 G era to once again lead the market. Samsung has already established a firm leadership in hardware, especially in display and AP. Samsung products are slim, light, and simple and have outstanding camera and powerful battery. In order to optimize its software capabilities, Samsung Electronics has established organizations dedicated to specific areas of software development, while hiring world-class engineers and making additional investments in software. With continuous innovation, the company will remain a trendsetter in the design of smart devices.

The final segment concerns Samsung's content and service strategy. In 2008, the company established the Media Solution Center to build its content and service capabilities. With continuous investment, it has successfully developed its own ecosystem that will serve as the foundation for developing Samsung's future growth engines. Going forward, the company will open its service platform to its partners and develop an ecosystem that will benefit both its partners and customers. The company will also provide a personalized service for its users with its Big Data platform, improving customer satisfaction by offering more intelligent and personalized services.

| Active Intelligent Services |

## Green Memory

**Leading the semiconductor industry's paradigm shift**

As the world continues to embrace mobile devices at the expense of PCs, the memory business of Samsung Electronics is growing rapidly - and innovating to both meet market demand and drive the paradigm shift in the semiconductor business. This is only the latest in a series of dramatic shifts in the semiconductor landscape. Previously, the industry saw intense growth during the expansion of the PC market in the 1990s, with the memory market rising to US$41 billion in 1995. The demand for memory fluctuated with the changing IT market and growth slowed until the sudden and rapid growth of the mobile market in the early 2000s. Samsung was well-positioned to take advantage of this shift, having developed next-generation memory ahead of its competitors such as DRAM products and NAND Flash. These innovations have since been transformed into more energy-efficient, high-performance and large-capacity products and have contributed to the launch of new categories of digital devices.

The 5th Generation Green Memory Solutions

Today, new possibilities abound. The market for smartphones and tablets has grown rapidly since 2010 — allowing mobile devices to finally overtake PCs in the process. Other trends such as big data, cloud computing, and UHD (Ultra High-Definition) video, as well as premium markets such as data centers and enterprise SSDs, are all drivers for future growth. Samsung Electronics will continue to earn its place at the top of the industry not only through ground-breaking innovation, but also through increasingly sustainable solutions and practices. The following three strategies are designed to do just that:

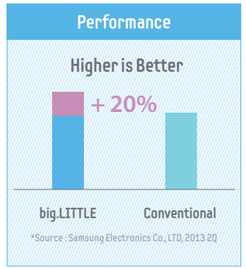
Firstly, we want to stay one step ahead of other companies in developing Green Memory solutions that can build a more sustainable business environment by boosting the energy efficiency of IT companies. Since 2009, Samsung Electronics has focused on developing the most efficient Green Memory solutions by applying advanced processes. This effort was rewarded in 2013, when the company presented next-generation green memory solutions including DDR4 and PCIe SSD. These "5th Generation Green Memory Solutions" for the first time simultaneously satisfied customers' expectations around performance, system installation space and energy consumption — and provided a clear return on investment.

5th Generation Green Memory Solutions
- ▲ The "Green DDR4 Solution" simultaneously delivers high-speed, low power consumption, and high reliability;
- ▲ The "Green PCIe SSD Solution" delivers high performance which is six times faster than SATA SSD;
- ▲ "High-efficiency Green Memory Solution", mounted with both DDR4 and PCIe SSD, has innovatively enhanced system performance and space and investment efficiency.

A server mounted with DDR4 and PCIe SSD can enhance performance by more than 1.6 times compared to an HDD server system. It can also expand system storage capacity four-fold by applying technology that eliminates redundant data, not only cutting power consumption and investment costs, but also minimizing installation space. If all servers in the world were to be replaced with Samsung Electronics' "5th Generation Green Memory Solutions", the overall effect would be equivalent to a power saving of 45 Terawatt (TW) annually, and it's environmental impact would be comparable to planting 800 million ten-year-old trees.

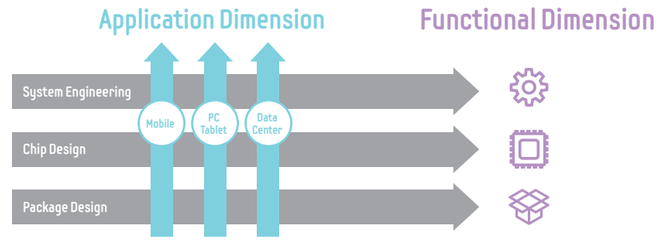
Secondly, we will exploit technology breakthroughs and create the next-generation IT market. Through mass production of 3D vertical NAND memory (V-NAND), which reduces power consumption and can last more than ten times longer compared to existing Planar NAND memory, Samsung Electronics has repeatedly launched V-NAND-based SSD products that overcome the limitations of current nano-level semiconductor technology. The memory solutions of Samsung Electronics have meet the four demands of global IT customers, who want "high-performance, large capacity, low power consumption, and high reliability". In particular, cutting-edge V-NAND memory has significantly improved productivity as its memory densities are double those of other current 20-nanometer memory. Rapid development of large-capacity (256 gigabyte or 1 terabyte) memory products could produce a "digital big bang" moment in the global IT market.

Thirdly, we are applying innovative technologies in our production process. This includes a new concept called "modified double patterning photo lithography technology", as well as ultrathin dielectric layers, both of which overcome the limitations of the current manufacturing processes and allow for mass-production of next-generation 10-nano DRAM. Samsung successfully created ultrathin dielectric layers of cell capacitors with an unprecedented uniformity, which has resulted in higher cell performance. This has enabled the company to continue supplying the highest-level ultra power-saving green IT solutions to global IT customers. Samsung Electronics is committed to providing even more differentiated Green Memory products to the server, mobile and PC markets in the future. These solutions will further reduce unnecessary costs and energy waste from enterprise down to individuals, while creating shared value for our customers, our shareholders and the global environment.




Improved Performance through big.LITTLE Architecture

Samsung Electronics' System LSI business features a diverse product portfolio including AP products, image sensor, and connectivity products. The System LSI division is continuing its effort to secure leading technologies and launch new businesses. If the evolution of AP products is examined, the company offered the quad-core, an AP with four CPU cores, in 2011 and launched the octa-core with eight CPU cores in 2013.
The big.LITTLE Architecture, one of Samsung's core technologies, consists of four big cores and four little cores, comprising the octa-core, and efficiently allocates cores, depending on the workload at hand. This optimal combination of CPU cores enables efficient handling of tasks, improved performance and reduced power consumption. Development of such cutting-edge technology serves as a catalyst for the company's push for new business as innovative growth engines for the future. Based on such advanced technology, Samsung Electronics will lead the paradigm shifts in the market, while building a stable environment with a focus on innovation.




Cross-functional Organization Aimed to Develop Growth Engines

## Reinforcement of Market Leadership

In its 2014 New Year's message, Samsung Electronics emphasized the need for "looking further than others, coming up with new technologies, and entering new markets." Since then, the company has been transforming these goals into reality.

In 2010, Samsung Electronics announced a long-term plan to invest KRW 23 trillion through 2020 in five new businesses including solar cells, LED technologies, rechargeable cells for hybrid electric vehicles, biopharmaceuticals, and medical devices. The company forecasted that the five new growth businesses could generate KRW 50 trillion in annual revenue by 2020. In addition to its existing businesses such as semiconductor and mobile phone businesses, Samsung has been fostering a medical and bio-business as core businesses for the future. The company plans to invest KRW 1.2 trillion in the medical industry by 2020 and expand it as a business with KRW 10 trillion in sales. It is also nurturing a bio-similar (bio medicine) business to expand it to KRW 2 trillion in sales. Samsung has already developed a digital x-ray which uses digital technologies in photo-taking and visual information processing. It has also developed the first sonar device equipped with a 21.5 inch-wide LED panel.

Samsung Electronics acquired a number of medical device companies including Medison, which specializes in the manufacture of ultrasonic image analysis; and Nexus, a U.S. company which manufactures a heart disease analysis device, thereby improving its competitive edge in the healthcare sector. Meanwhile, in an effort to preempt the bio-similar market, Samsung Electronics, its subsidiaries, and Quintiles of the U.S. jointly established Samsung Biologics in April 2011 and Samsung Bioepis in 2012. Samsung Bioepis will conduct international clinical testing and begin global sales of bio-similar products in 2016. The creation of a new joint venture has given Samsung complete bio-similar business capacity including product development, clinical testing, licensing, manufacturing, and sales capacity.

# Stakeholder Engagement

**In order to meet Samsung Electronics' responsibilities as a global corporate citizen, it is vital that we communicate effectively with our stakeholders. In addition to this Sustainability Report, Samsung Electronics uses a variety of channels to encourage dialogue on sustainable management issues and nurture long-term partnerships with its stakeholders. The company has also established dedicated communications departments and teams for engagement with specific stakeholder groups and the collection and evaluation of their opinions through forums, surveys and on-site facility visits. Through these activities, Samsung Electronics identifies relevant global trends as well as environmental and social opportunities and risks related to the operation of the company.**

| Communication Channels with Stakeholders |

**Shareholders/ Investors**

### Samsung Analyst Day

Samsung Electronics hosted Samsung Analyst Day in November, which garnered 400 attendees including institutional investors, analysts, and IT experts from Korea and elsewhere. There, Samsung Electronics' vice chairman and CEO, as well as executives from Consumer Electronics, IT & Mobile Communications, the Memory Business, the System LSI Business, Samsung Display, and the Corporate Management Office, presented the future growth potential of Samsung Electronics to investors. They also discussed activities relating to the company's Vision 2020 goal of achieving $400 billion in annual revenue. Additionally, the group reinforced the company's efforts in the R&D sector to identify future growth engines.

**Suppliers**

### The 2013 Shared Growth Day Program

To renew its commitment to shared growth with suppliers, Samsung Electronics hosts a Shared Growth Day event every year. In March, Samsung Electronics hosted its Shared Growth Day along with 250 people including top company executives, the president of the Supplier Council Foundation, and CEOs and executives of 166 suppliers. The chairman of the National Commission for Corporate Partnership and vice chairman of the Korea Foundation of SMEs also participated in the event. During the program, Samsung gave awards to suppliers that had achieved outstanding performance through their innovation, while participants contributed case studies of successfully sharing growth. The grand prize was awarded to Melfas Inc., which developed the Touch Controller IC technology that was used in the touch screens of Galaxy S III and Galaxy Note II smartphones. More than KRW 240 million was distributed among the 25 award winners in the form of gift certificates to help support the local economy.

### Communication with Suppliers

Samsung Electronics executives began annual visits to supplier sites in order to gain a better understanding of the challenges they face and discuss priority issues. Topics of discussion during the meetings included updates on the business strategy of Samsung Electronics - especially the company's purchasing policies and product information. More than 370 suppliers, including 250 Tier One suppliers, and 120 Tier Two suppliers, attended 20 meetings in 2013. As a new component of the program, Samsung Electronics held separate business meetings with Tier One and Tier Two suppliers, to give each more individual attention. The information gathered in these meetings was used by our supplier experts to provide suggestions to the CEO of Samsung Electronics ahead of a supplier CEO workshop in October, an event where shared growth opportunities are discussed.

**Employees**

### Samsung LiVE

Samsung Electronics created 'Samsung LiVE' an online communication platform, to provide a forum where employees can share feedback and ideas anonymously. Employee comments in the 'Issue Discussion' section help to foster business improvements and innovation. For example, an employee posted a response regarding concerns about the health of employees after moving into newly constructed buildings. The project manager responsible for the building replied to the concern and shared information on the eco-friendly materials used to construct the building, as well as the various measures the company takes to ensure the health and well-being of its employees.

### Management Status Briefings

In order to keep employees informed of new procedures or staffing models, especially as the business continues to grow and expand, senior leadership host regular management status briefings. During these meetings, leadership also presents business performance updates from the previous quarter and shares future management plans.

**Non-Governmental Organizations (NGOs)**

### NGO Survey Result

In 2013, Samsung Electronics conducted a survey in an effort to communicate with global NGOs about sustainable and responsible business activities in the electronics industry. Samsung Electronics held a conference call and conducted an online survey of 23 global NGOs to gather their opinions on: how the company could help make the world sustainable; opportunities for collaboration to address global issues; and ways to enhance transparency through information disclosure.

As the result of a suggestion to establish smoother communication between employees and senior management, Samsung Electronics created 'Samsung LiVE,' an online forum for employees. NGOs also suggested further analyzing the social and environmental impact of their manufacturing process and communicate the company's efforts with major suppliers in a transparent manner - something the company hopes to accomplish through sustainability reporting. Samsung Electronics will continue to conduct surveys among global NGOs in the future to broaden the scope of communication with stakeholders while resolving issues raised in mutual collaboration.

# Materiality Matrix

**Samsung Electronics strives to reply as quickly as possible to issues raised by stakeholders. In 2013, the company made some improvements on the existing process of selecting Material Issuess, including the addition of a new criterion, "Megatrends." This criterion compares present issues to current global standards, which helps Samsung select priority social issues related to sustainability management. Samsung Electronics is committed to ensuring that all materiality assessment results are reflected in management's decision-making process and departments' business plans to ensure continuity.**

## Materiality Assessment Process

### 01 Issue Identification

1.1 Analysis of external shareholders' (NGOs/ media/ industry peers, etc.) concerns
1.2 Analysis of internal stakeholders' (Mid-term strategies, department business plans, etc.) concerns
1.3 Creation of CSR issue pool

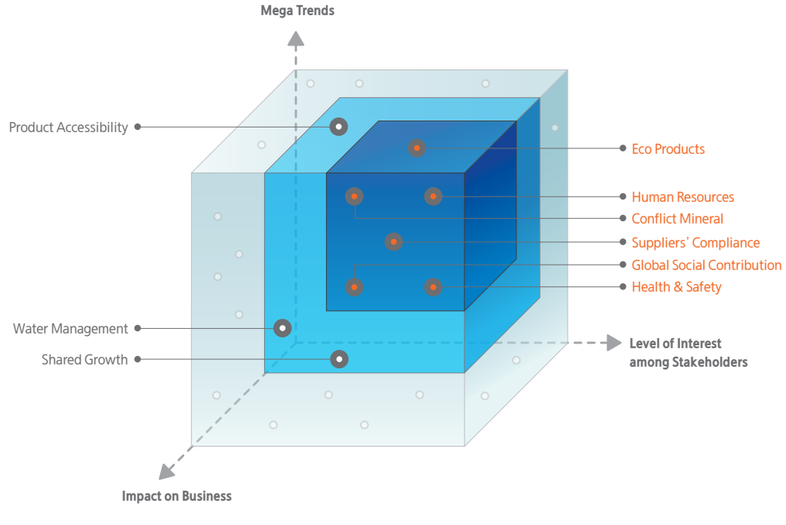
### 02 Materiality Assessment

2.1 Review and assessment of impact on business
2.2 Review and assessment of social concerns
2.3 Review and assessment of megatrends
2.4 Assessment and identification of major issues

### 03 Review & Confirmation

3.1 Review of control degrees and scope (interviews and meetings with departments concerned)
3.2 Review by internal management (CSR executive meetings)
3.3 Review by external stakeholders (CSR Committee & independent verification authority)
3.4 Reflecting report contents in business plans for the following year

## Materiality Matrix




## 1. Issue Identification

**1.1 Analysis of issues of concern to external shareholders** Samsung Electronics analyzed a total of 25,000 Korean and global media reports on the company's sustainability management from January 1, 2013, to March 31, 2014, and identified issues by groups of stakeholders including shareholders/investors, customers, employees, the government, NGOs, local communities, and suppliers.

**1.2 Analysis of issues of concern to internal stakeholders** In February 2013, Samsung Electronics held a workshop with sustainability management managers to review the composition and details of the sustainability report and discuss prospective Material Issuess by business division.

**1.3 Creation of CSR issue pool** In order to identify issues with the highest priority, Samsung Electronics made a list of internal and external stakeholder concerns and created a total of 25 issue pools.

## 2. Materiality Assessment

**2.1 Review and assessment of impact on business** Samsung Electronics assessed the impact each issue may have on the business with regards to long-term corporate sustainability strategies - all while taking into account business strategy connectivity, financial relevance, brand, and risk-related impacts.

**2.2 Review and assessment of social concerns** Samsung Electronics assessed issues identified through analysis of reports on industry peers and surveys of various groups of stakeholders. This assessment weighed the urgency of issue resolution, level of interest among stakeholders, and relevance with the company's competencies.

**2.3 Review and assessment of megatrends** Samsung Electronics reviewed whether or not Material Issuess surrounding the company reflect current global issues. Depending on their alignment with megatrends, the issues could be explained using the broad context of corporate sustainability and analyzed through global standards and trends in academia. To do so, Samsung Electronics reviewed the Global Reporting Index (GRI) G4, the most up-to-date, revised sustainability reporting guidelines: assessment categories of the Dow Jones Sustainability Indices (DJSI); ISO26000, UNGC, OECD Guidelines; and the EICC Code of Conduct.

**2.4 Final selection of issues** Of the 25 issue pools identified at the issue identification phase, Samsung determined priorities through the three-stage materiality assessment process. Nine issues that ranked in the top 30 percent received final selection. These Material Issuess are covered in this 2014 Sustainability Report and include Eco-Products, Human Resources, Conflict Mineral, Suppliers' Compliance, Global Social Contribution, Health & Safety, Product Accessibility, Water Management, and Shared Growth.

## 3. Review and Confirmation

**3.1 Review of ability to influence and scope** Samsung Electronics conducted individual interviews with managers in charge of various areas to identify the reporting scope and boundaries, details, and data on performance and achievements of selected issues in addition to their impact on stakeholders by issue.

**3.2 Review by top management** In April 2014, Samsung Electronics' CFO held a corporate sustainability meeting with 11 executives from various departments, including human resources, environment, finance, shared growth, social contribution, planning and communication. Attendees discussed the reporting scope of Material Issuess and long-term development directions. Issues decided at the meeting are reflected in the 2014 Sustainability Report and will be implemented in strategic tasks and action plans by business divisions in the future.

**3.3 Review by external stakeholders** After the internal management review and approval, the sustainability issues went through a rigorous process of ensuring standard reporting procedures and data verification. The 2014 Sustainability Report received third-party assurance from the Business Institute for Sustainable Development of the Korean Chamber of Commerce and Industry. The report was also assured in accordance with ISAE3000 and AA1000AS Type II Assurance.

**3.4 Reflecting the report contents in business plans for the following year** Samsung Electronics' Sustainability Report not only summarizes and reports the company's activities over the past year, it also helps to define future business strategies, product and service strategies, and processes. The report also serves as a communication channel with various groups of stakeholders.

## Material Issues

| Issues | Major Contents | Page |
|---|---|---|
| Human Resources | Expansion of employment and recruitment of underserved members of society | 34 |
| Health & Safety | Promotion of employee health and creation of safe, pleasant workplaces | 42 |
| Eco-Products | Utilization of environmentally-friendly materials to help conserve energy, water and resources | 50 |
| Water Management | Reductions in water consumption and waste water disposal | 54 |
| Shared Growth | Enhanced supplier competitiveness and promotion of fair transactions | 58 |
| Supplier Compliance | Establishment of a global supplier support system | 62 |
| Conflict Mineral | Ban on the use of minerals in conflict regions and transparency-enhancement activities | 72 |
| Product Accessibility | Expanded accessibility for populations requiring special accommodations including people with disabilities and the elderly | 75 |
| Global Social Contribution | Development of local communities and social contribution activities from the CSV (Creating Shared Value) perspective | 80 |

Communicating Sustainable Growth

# 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.

## Contents


34 Human Resources
42 Health & Safety
50 Eco Products
54 Water Management
58 Shared Growth
62 Supplier Compliance
72 Conflict Minerals
75 Product Accessibility
80 Global Social Contribution : Delivering Hope Around the World

# Human Resources

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.

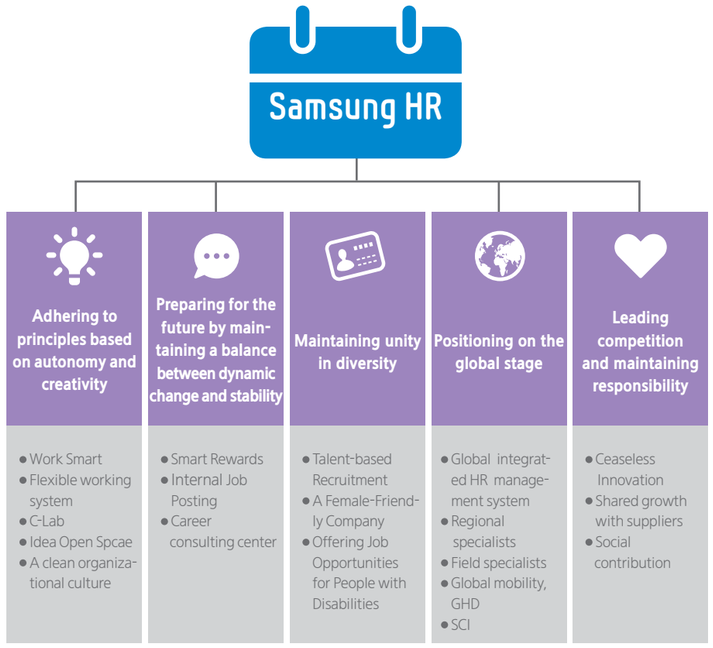
Samsung Electronics strives to recruit the brightest talent from around the world and provide them with the resources they need to succeed. Indeed, this commitment to and focus on our people has been part of the company's core values since the very beginning, and has been at the heart of every decision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

## Establishment of a Creative Culture

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.




### | Adhering to Principles Based on Independence and Creativity |

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.

No. of ideas proposed in 2013
**14,000** ideas

| Idea Open Space |

**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.

## | Preparing the Future by Maintaining a Balance between Dynamic Change and Stability |

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.

**Smart Rewards | Recognizing Outstanding Employee Achievement**

Samsung Electronics believes that employees should be recognized for great performance, which is why performance-based compensation is an essential component in the company's personnel management policy. Samsung Electronics adopted an accumulated, performance-based annual salary system in 2010, 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 launch of a new business, internal employees are given preference before recruiting from outside the Samsung Electronics network. As 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**

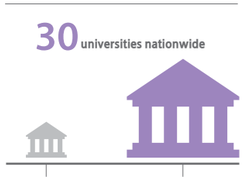
As life expectancy continues to rise, individuals are keenly interested in planning their lives after retirement. At Samsung Electronics' career consulting centers, experts offer education programs including financial planning and health management. The centers also provide consulting services for establishing 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.

## | 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.



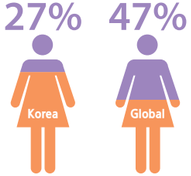

Industry-University Collaboration Programs

### 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, an extended parental leave period, and an expanded scope of employees eligible for leave. As a result of such efforts, Samsung Electronics was certified as a family-friendly company in 2013.




| Proportion of Women in Workforce |

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.

1,377 employees

The Number of Employees with Disabilities

### 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.

## | Positioning on the Global Stage |

Samsung Electronics, with a business presence in 200 countries around the world, remains keenly focused on globalization and creating thriving workplaces for people in all geographies. The collaboration and entrepreneurship we encourage across our company has enabled our success to date and will propel us forward. In addition, we believe that education fuels innovation. We invest a total of 120 billion KRW (113 million USD) annually in training employees. We customize training for each employee level - from new associates to executives - and operate unique programs that enhance global competencies and strengthen regional expertise.

### 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.

5,000 employees (accumulated)

The Number of Dispatched Employees

### 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.

Global Field Specialists

600 specialists (accumulated)

### 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.

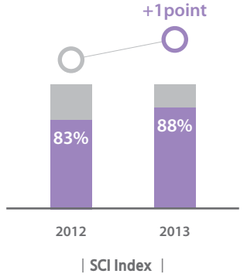
The program was first launched in 2009 as a competitive global employee selection program, and it was expanded in 2010 following initial success. To date, approximately 500 employees worldwide have participated in the global mobility program. In 2013, Samsung Electronics increased the number of selected 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.




| SCI Index |

## | 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.

### Shared Growth with Suppliers | Laying the Foundation for Shared Growth through Mutual Growth Management

Samsung Electronics carries out a variety of activities to support its suppliers including financial support, education and training, technical support and business management consultations. The company also has created open communication channels to maintain strong relationships with suppliers.

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

### 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 difference; 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' social contribution activities, please refer to pages 80-93.

Health & Safety

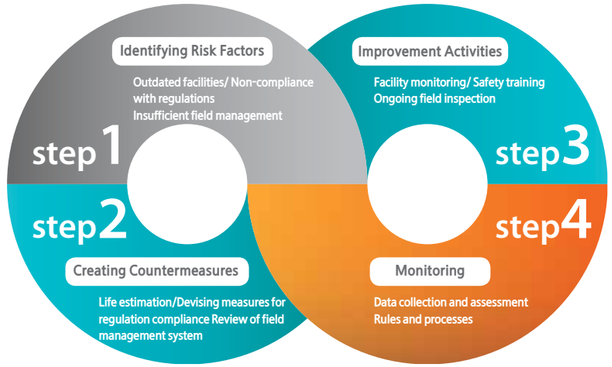
# Risk Management

## Safety Management

**Samsung Electronics promotes safety regulation compliance and establishes a proactive culture of safety at all of its worksites. The company actively works on identifying potential risk factors at worksites and prevents them by improving facilities and work processes. Samsung Electronics also reinforces emergency response capabilities by preparing mock emergency scenarios and conducting regular emergency drills.**

### Safety Accident Prevention System

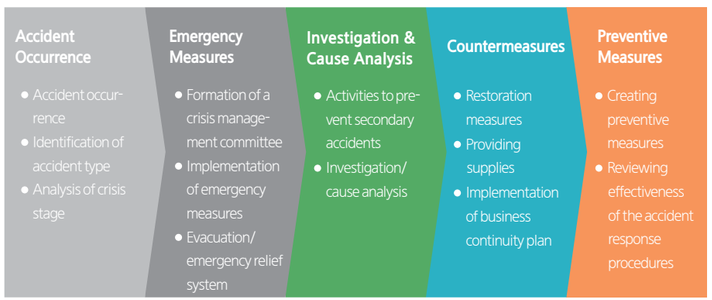
Samsung Electronics maintains projected life cycle estimates for building structures and equipment at all worksites to help eliminate environmental and safety risks of outdated facilities. The company also offers regular safety training to promote compliance with safety regulations and build a culture of safety at worksites.




| Accident Prevention System |

### Environmental Accident Response Systems

Samsung Electronics regularly prepares mock emergency scenarios for toxic chemical spills, environmental pollution, fires, explosions, and natural disasters. The company also conducts emergency drills to verify the effectiveness of the response system. In order to ensure that all workers evacuate quickly and safely, drills and emergency medical treatment demonstrations are carried out for all company staff.
Following any accident and its subsequent emergency response, Samsung Electronics analyzes the accident's cause and takes all necessary measures to prevent recurrences.




| Accident Response Procedure |

### Samsung's Efforts to Prevent Accidents

In order to prevent accidents that threaten environmental safety, Samsung Electronics has implemented various improvements in workplace safety and strengthened communication with local communities. In the case of an environmental accident that occurred in the Hwaseong plant in January 2013, Samsung Electronics immediately notified the community at a local briefing and presented measures to rectify the issue. Samsung Electronics also complied with official investigations by the Ministry of Labor and the Ministry of Environment. Following the accident, Samsung Electronics conducted safety inspections not only at the site of incident, but also for all of the chemical supply pipelines used in semiconductor manufacturing facilities. The company is increasing the frequency of ad hoc inspections through reputable government institutions.

**Rectifying Issues Pinpointed by Ministry of Labor and Ministry of Environment**

**100%**

### Safety Management Countermeasures Implementation Progress

| Category | Description |
|---|---|
| Correction of areas pinpointed by MOL/MOE | Corrected a total of 1,934 areas pinpointed by the Ministry of Labor (MOL) (100%)<br>Corrected a total of 9 areas pinpointed by the Ministry of Environment (MOE) (100%) |
| Establishment of the Giheung-Hwaseong complex headquarters | Establishment of the Giheung-Hwaseong complex headquarters (headed by leadership at the executive level) that maintains authority and responsibility for environmental safety at the complex. |
| Reinforcement of specialized environmental safety organization | Formation of a specialized leak response unit (emergency measures and inspections/diagnosis in the event of a toxic chemical leak)<br>Appointment of two executive-level experts and supplementation of 386 professional employees |
| Enhancement of safety inspections | Joint diagnosis and inspection in collaboration with external specialized institutions<br>Environmental impact surveys and assessments in and around plants<br>Benchmarking the world's leading companies with best-practice environmental safety performance<br>Operation of an external advisory board (five members)<br>Measurement of durability period of plumbing/utility facilities<br>Development of optimal semiconductor protective gear |
| Establishment of a joint response system with suppliers | Implementation of a safety incentive program and support for suppliers' improvement of safety management |
| Reinforcement of early risk detection and countermeasures | Formation of a specialized leak response unit (IRP)<br>Installation of motion detection surveillance cameras<br>Installation of electronic boards displaying environmental information |

### Enhancement of Organizational Capacity

Samsung Electronics' Giheung-Hwaseong complex headquarters leads environmental safety and manufacturing management. New organizations at the complex include a memory manufacturing center, a system LSI manufacturing center, an LED manufacturing center, an infrastructure technology team and an environmental safety team.

As part of the organization, the company formed a specialized leak response unit led by two executive-level experts. This unit is in charge of emergency measures, inspections, and diagnoses in the event of a toxic chemical leak. In addition, Samsung Electronics expanded the focus of the Samsung Institute of Safety and Environment, which had previously focused on environmental safety inspections and policies, to include all matters related to environmental safety.

### Cultivation of Environmental Safety Experts

Samsung Electronics has established an education system that encourages environmental safety experts is not only to raise employees' awareness of environmental safety, but also to create a safe work environment. The company opened 24 job function training programs for environmental safety personnel in the areas of health and safety, environment management, and disaster prevention to improve their knowledge and expertise.

### Phased Certification System

| Stage | Basic (Stage 1/ Beginners) | Advanced (Stage 2/ Intermediate) | Expert (Stage 3/ Advanced) | Leader (Stage 4/ Special) | Pro (Stage 5/ Engineer) |
|---|---|---|---|---|---|
| Capability | Work execution according to regulations | Establishment of standards based on regulations | Conducting an audit on areas of concern only | Conducting an audit on areas of concern only | Conducting an audit on all areas |

### Enhanced Safety Inspections

Samsung Electronics continuously enhances its internal safety inspection capabilities in collaboration with external specialized institutions. The company recently conducted an inspection on internal plumbing in partnership with Chung-Ang University and Safetia. Simultaneously, the company carried out a credible joint diagnosis with the Korea Occupational Safety and Health Agency and the Korea Environment Corporation. In addition, Samsung Electronics conducted environmental impact surveys and assessments on air, water and soil in and around the worksites in collaboration with the Korean Society of Environmental Impact Assessment and Kyunghee University. Samsung Electronics benchmarks companies with exemplary environmental safety management practices, and it has organized an advisory group consisting of five external experts in different fields of environmental safety to help the company meet its safety goals.

### Establishing a Joint Response System with Suppliers

Samsung Electronics established a 24-hour gas/chemical leak monitoring system in June 2013 and supported its suppliers to improve work environments in their facilities. The company encourages suppliers to actively engage in the implementation of a safety incentive system (35 suppliers) and support improved environmental safety management levels (123 suppliers). Samsung Electronics also works to create safe workplaces by conducting regular safety diagnoses for chemicals suppliers operating within and outside of the company.

### Strengthened Communication with Local Communities

In April 2013, Samsung Electronics formed a Samsung Electronics-Hwaseong Communication Council, a channel that promotes discussions on mutual advancements for local communities and the company. In January 2014, the company arranged electronic boards displaying environmental information on hazardous substances at three locations near the Hwaseong worksite following a conversation with local residents concerned about facility emissions. The electronic boards display nine key environmental measures in real-time, including information on air quality (hydrogen chloride, nitrogen oxide and fluoride), water quality (pH, chemical oxygen demand (COD), suspended solids, total nitrogen, total phosporous, and noise. In partnership with local members of the Council, Samsung Electronics monitors the progress of safety countermeasures at worksites, implemented as a result of discussions at Council meetings.

**Creation of a Communicative Culture through Regular Meetings with Resident Suppliers**

### Promoting a Safe Culture

Samsung Electronics offers hands-on environmental safety education programs for all employees. The company created a simulation lab to educate employees on how to respond to different emergency situations including workplace accidents, exposure to chemicals, and fires. Together with the simulation lab, Samsung is continuing its efforts to ensure safe evacuation of employees in the event of an accident.

### Participatory Environmental Safety Education

In an effort to effectively respond to environmental accidents, Samsung Electronics has changed the format of environmental safety education from lectures to employee-participatory programs. Samsung will continuously expand various participatory exercises and education as well as develop diverse environmental safety education materials.

### Composition of Samsung's Hands-on Experience Lab

| Theme | Education Content |
|---|---|
| Fire Safety | ● Simulation of a fire caused by the excessive use of electrical appliances in a single electrical outlet<br>● Display of fire extinguishers used for different types of fires |
| Work Safety | ● Simulation of being trapped in equipment after failing to observe, or malfunction of, safety sensors<br>● Stretching to prevent musculoskeletal diseases |
| Chemical Safety | ● Simulation of a mixed chemical leak<br>● Demonstrations of proper use of protective gear |
| Safety in Everyday Life | ● Walking simulation while wearing drunk goggles<br>● Following designated footsteps while watching a smartphone to simulate distraction |
| Emergency Evacuation Drill | ● Evacuation drill simulating a fire situation |

### Environmental Safety Workshop for Managers from Overseas Subsidiaries

Samsung Electronics organized a nine-day workshop attended by 48 environmental safety and utilities managers from 25 production subsidiaries overseas. During the workshop, the environmental safety and utilities managers discussed challenges faced by subsidiaries and case studies showcasing improvements based on environmental safety diagnosis results. Attendees also visited worksites in Korea to learn more about advanced environmental safety and utility management practices.

Overseas Subsidiary Environmental Safety Manager Workshop

| Field Trip to Successful Worksites |

### Environmental Safety Innovation Contest

Samsung Electronics held their first environmental safety innovation contest to highlight exemplary case studies. 220 employees attended the contest and each participant had the opportunity to learn from innovative case studies at semiconductor manufacturing plants and discuss areas for improvement. Samsung Electronics plans to expand the contest to overseas subsidiaries and suppliers in order to further explore innovative ideas across the company network.

### Environmental Safety Innovation Contest

| Theme | Major Content |
|---|---|
| Display of innovative environmental safety case studies | Under the eight themes of chemicals, work environment, accident prevention, research papers, recycling, systems, and protective gears, a total of 85 pieces are displayed either in person or via video. |
| Benchmarking of successful worksites | Participants visit worksites that incorporate successful examples such as an environmental safety simulation lab and semiconductor production lines to discuss and benchmark new technology and various safety management methods. |
| Successful case study presentation contest | Presentations on case studies of successful worksites are disseminated among participants who in turn share the future direction for environmental safety innovation with their peers. |

| Environmental Safety Innovation Contest |

| Display of Innovative Case Studies |

| Benchmarking of Successful Worksites |

| Presentations on Successful Case Studies |

### Enhancing Suppliers' Environmental Safety Capabilities

Samsung Electronics conducts an environmental analysis for suppliers to prevent safety violations and accidents. Through these diagnoses, the company identifies risk factors and helps suppliers make improvements to them. The company undertakes a stricter environmental safety assessment on new suppliers in order to identify and address any immediate environmental safety problems.

### Environmental Safety Workshop for Suppliers

In order to encourage suppliers to increase environmental safety awareness, Samsung Electronics organizes environmental safety workshops that are typically attended by CEOs of suppliers in the IT and Mobiles (IM), Consumer Electronics (CE) and Device Solutions (DS) sectors. At previous workshops, Samsung Electronics encouraged suppliers to view environmental safety not only in terms of cost but also as a core value of business management. The company pledged to support suppliers that emphasize environmental safety as a top priority for their business.

Environmental Safety Workshop for Supplier CEOs from the IM Sector Held in Vietnam



Introducing an Eco-conscious and Safe Manufacturing Process



Environmental Safety Workshop for Supplier CEOs from the CE Sector held in Gwangju Worksite



Sharing Environmental Facility Management Methods

### Environmental Safety Evaluation System for Suppliers

To help improve suppliers' environmental safety standards, Samsung Electronics produced an environmental safety self-evaluation sheet to help empower them to identify issues and make the necessary improvements. For some suppliers requiring verification, the company dispatched environmental safety experts to provide guidance on problem identification and improvement activities. If suppliers fail to meet standards or fail to comply with essential categories that may severely affect environmental safety, they are subject to restricted transactions with Samsung Electronics.

**Expanded Evaluation System**

No. of Categories : 31
Composition : Environmental safety
Criteria: Environmental safety evaluation results

**Current Evaluation System**

No. of Categories: 13
Composition: Compliance and environmental safety
Criteria: Compliance and environmental safety evaluation results

### Environmental Safety Evaluation List

| Classification | Evaluation Categories |
|---|---|
| Safety & Health | Safety devices, protective gear, work environment, medical checkups, etc. |
| Disaster Prevention | Firefighting facilities, evacuation facilities, building structural materials, etc. |
| Environment | Approvals/permissions, pollution reduction, hazardous substance management, waste etc. |
| Electricity/UT | Electric transformer switchgear management, circuit breaker, grounding status, etc. |

### Reinforcing New Suppliers' Environmental Safety Sector

- Expanding environmental safety evaluation categories to 31
- Evaluating the environmental safety sector separately to identify potential risk factors
- Presenting essential environmental safety regulations to promote full compliance by all suppliers

### Creating an Ergonomic Work Environment

In collaboration with ergonomic experts, Samsung Electronics identifies the potential causes of musculoskeletal diseases that may occur during manufacturing processes and develops measures to improve the work environment accordingly. In order to improve worksites in overseas manufacturing plants, the company has produced and distributed ergonomic process design guides to site personnel.

| Ergonomic Improvement Process |

### Causes of Musculoskeletal Diseases

| Category | Description |
|---|---|
| Repetition | When joint movements exceed 20 times/min. |
| Bad work posture | When workers adopt unstable work posture (stooped back, twisting the torso) |
| Excessive force | When excessive force is imposed on muscles, tendons, and joints (weight: 4.5kg or over) |
| Contact stress | When joints and digits come in contact with hard surfaces, it puts pressure on nerves, blood vessels, and soft tissues |
| Vibration | Long-term exposure to vibration range of 1~400cps |

### Preventive Exercise Center Programs

**Basic Checkup**

- Basic fitness condition analysis
- Physiological element test
- Range of motion
- Flexibility test

**In-depth Diagnosis**

- Balancing ability test
- 3D body posture measurement
- Cardiac strength measurement
- Multi-joint measurement

**Exercise Treatment Program**

- Musculoskeletal remedial massage
- Tailored exercise treatment
- Circuit exercise

Samsung Electronics closely examines relevant ergonomic processes in place, working hours, and worker allocation in advance of conducting a field survey. Through worker surveys, the company looks at satisfaction levels as well as the existence of, or potential risks for, musculoskeletal diseases. As part of the survey, Samsung Electronics measures work environment factors such as temperature, humidity, and ventilation. The company also videotapes workers and assesses their movements by using the Rapid Entire Body Assessment (REBA), an international work environment assessment standard. In addition to REBA, the video footage is used to apply the Occupational Repetitive Action tool (OCRA) to closely analyze the impact of repetitiveness on workers' joints. Based on this process analysis data, Samsung Electronics makes improvements on uncomfortable processes that may impose burden on the body. Such improvements help Samsung achieve its goal of creating a safe and comfortable manufacturing environment.

### Musculoskeletal Disorder Prevention Exercise Center

Samsung Electronics operates a Musculoskeletal Disorder Prevention Center to help improve employees' workplace posture and to prevent musculoskeletal disorders. The company hired a team of full-time sports science experts who conduct baseline physical fitness analyses, vertebra checks, balancing ability measurements, and other tests to aid in musculoskeletal disorder prevention.

Sustainable

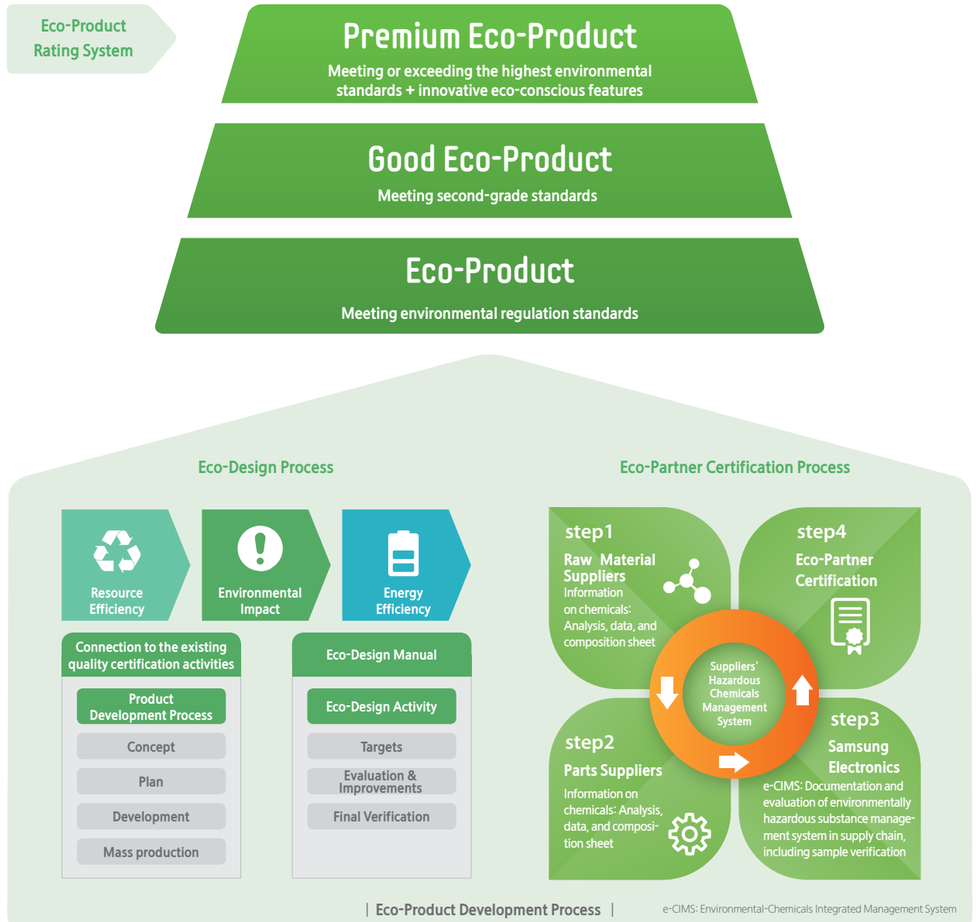
# Eco-Product

## Eco-Product

Samsung Electronics launched a wide range of innovative eco-conscious products based on its PlanetFirst initiative and to align with its mid-term green management goals. To evaluate a new product on its eco-friendliness, the company implements an 'Eco-Design Process' and an 'Eco-Product Rating Process' from the product planning to design and development stages. The evaluation helps Samsung Electronics continually enhance the energy efficiency of its products by upgrading their recyclability and restricting the use of hazardous substances in production. By bringing diverse eco-conscious products to the marketplace, Samsung Electronics provides new value to its customers.

### Eco-Product Development Processes

Samsung Electronics uses an "Eco-Design Process" that makes it mandatory to evaluate the eco-friendliness of a new product in the development stage. It also has an "Eco-Partner Certification Program" that assesses whether hazardous substances exist in suppliers' raw materials and evaluates the suppliers' environmental quality management systems during production. Based on these practices, the company has developed an "Eco-Design System," which involves an "Eco-Product Rating" process to evaluate the eco-friendliness of new products through development models, accelerating the company's efforts to develop eco-conscious products and reduce waste. Samsung Electronics will continue to expand the amount of premium Eco-Products in its product portfolio by developing products based on more stringent standards—such as additional evaluation categories and rating standards—from internationally recognized environmental organizations including EPEAT and UL.

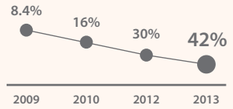



| Eco-Product Development Process | e-CIMS: Environmental-Chemicals Integrated Management System

# Eco-conscious Product Development and Launch

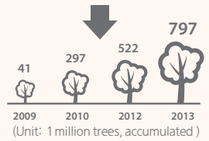
## Energy Reduction

Samsung Electronics reduced the annual power consumption of its major consumer electronics products including TVs, refrigerators, and washing machines by 42 percent between 2008 and 2013. As a result of its efforts to develop energy-efficient products, the company reduced greenhouse gas emissions by 88.6 million tons from 2009 to 2013.




(Refrigerator, washing machine, air conditioner, TV, monitor, note PC, printer, mobile phone)

| Average Energy Efficiency Improvement Rate (compared to 2008) |

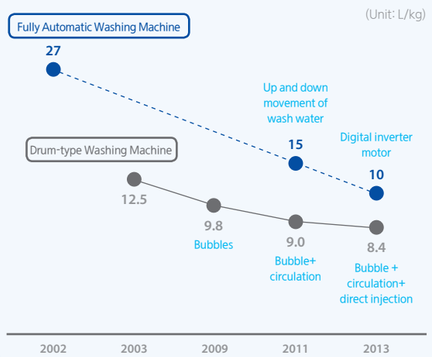



(Unit: 1 million trees, accumulated )

| Equivalence of Improved Energy Efficiency to Tree Planting |

## Water Saving

To address the issues around water shortages, Samsung Electronics developed and launched water-saving products including a drum-type washing machine featuring 'no water' drying technology in 2013, available for the first time in Korea.

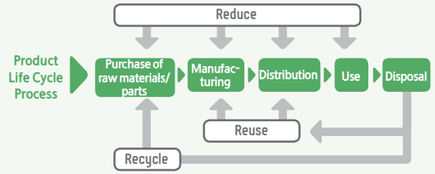


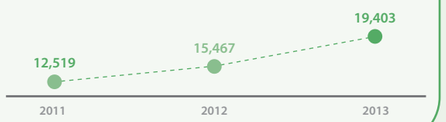

| Reduction in Water Consumption |

## Recycling Resources

Samsung Electronics reduces environmentally hazardous elements by reusing and recycling resources, such as recycled plastic, throughout the product life cycle, including manufacturing of parts and products, distribution, use and disposal.

※ 3R : Reduce, Reuse, Recycle

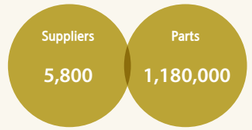



| Use of Recycled Plastic |

## Eco-conscious Materials

Through the Eco-Partner Certification System, Samsung Electronics obtains parts that do not contain any hazardous substances from its suppliers. The company has also developed eco-conscious materials such as bioplastic and biodegradable vinyl for its products.




| Eco-Partner Certification Status |

| Development of Products Made from Eco-conscious Materials |

## Smart Air Conditioner

Model No.:AF18HVFD1WKD

- **Smart sensor** — Automatically manages the cooling speed, temperature, and power by detecting a person's location and movements in the room
- **Smart heat exchanger** — Maximizes cooling efficiency by utilizing a highly energy-efficient microtube-type heat exchanger
- **Smart inverter compressor** — Automatically adjusts its speed in response to the surrounding temperature

## Smart TV

Model No.: UN75F8000AF

**Reduced number of LED lamps**
**Use of light sensor**

- 42 percent reduction in annual power consumption compared to the previous model

## Green Memory

DDR3 Memory, SSD

**Eco-conscious DDR4 Memory, PCIe SSD**

- Ten-fold improvement in system performance
- If all server systems around the globe adopted the green memory solutions,the anticipated savings of 45 terawatts per hour could be achieved annually

## Washing Machine with No Water Drying Technology

Model No.: WD19F8K7ABG1

**Application of Air Speed Dry Technology that dries laundry with air instead of water**

- 52L water waving, 50 percent reduction in drying time, 18 percent reduction in power consumption

**No water usage!**
**100%** saving

**Cut drying time in half!**
**56%** saving

**Save power!**
**18%** saving

* Based on a 19kg drum-type washer-dryer drying 3kg laundry

## Eco-conscious Packaging Materials for Refrigerators

**Saving resources by using packaging materials that can be reused more than 40 times**

- Applied for all large-sized refrigerator models

**7,000 tons**
Annual $CO_2$ emissions reduction

**63,000 trees**
Equivalent to planting 63,000 trees per year

| Impact of Using Eco-conscious Packaging Materials |

## Aluminum Casing Notebook PC

model No.: NT900X3E-A65F

- 100 percent recyclable, ultra-light, ultra-slim design
- Reduced weight and thickness compared to the previous 13.3" model (Weight: 1.31kg→1.16kg, Thickness: 16.3mm→12.9mm)

## Mobile Phone Packaging Box Made of 100 percent Recycled Paper (Galaxy S4)

**Reducing $CO_2$ emissions by 1.9 tons per ton, compared to average boxes**

Model No.:SSG-3550CR

## Bioplastic Goggles for 3D TV

**Using bionylon made from castor oil**

- Contains 54 percent of castor oil

## 100 percent Recyclable Cardboard Printer

**Adopting the Origami assembly method**

- An eco-conscious product that can be recycled at the time of its disposal

# Water Management

**Water shortage has become a prominent a prominent issue worldwide. In order to fulfill its responsibility as a global IT leader, Samsung Electronics has established company-wide water resource management policies, conservation goals, and strategies and strategies. In addition, the company has joined global efforts to resolve the issue of water depletion while working to minimize serious management risks. In 2012, the company developed comprehensive water conservation plans and has since expanded its efforts to reduce water consumption by analyzing its water-related risks.**

| | | |
|---|---|---|
| **Basic Philosophy** | **Samsung Electronics recognizes the vital importance of water to society and is committed to being a responsible corporate citizen.** | |
| **Courses of Action** | **1. Reduce Samsung Electronics' water consumption and minimize risks associated with potential water shortages.** | Analyze the impacts of Samsung Electronics' products and operations on water resources and implement new technologies to minimize water consumption and water resource risks. |
| | **2. Engage employees on the importance of water reduction and engraining it into the corporate culture.** | Educate employees on the impact of the company's water consumption and the risks of water shortages on the business, communities, and environment. |
| | **3. Cooperate with public water policies.** | Proactively contribute to the establishment and implementation of water resource management policies by international institutes, the government and local authorities. |
| | **4. Disclose the company's policies and activities on water resource management.** | Transparently disclose company policies, water use, and efforts to reduce water consumption to stakeholders, including local communities. |





## Water Resource Risks

Using the water resource management tools distributed by the FAO (Food and Agriculture Organization) and the WBCSD (World Business Council for Sustainable Development), Samsung Electronics reviewed the water resource risks in the 34 manufacturing plants that it owns. According to the Carbon Disclosure Project's recommendations, Samsung Electronics analyzed each water risk associated with its business sites located in water-stressed countries and developed differentiated emergency countermeasures for each site.

## Regional Water Intake Quantity (6 subsidiaries in Korea, 28 global subsidiaries)

| Region | Number of Subsidiaries | Withdrawal (unit: 1,000 tons) | Discharge (unit: 1,000 tons) | Water-Stressed Countries (No. of Operation Sites) |
|---|---|---|---|---|
| **Asia** | 25 | 61,641 | 48,605 | Korea (6), India(2) |
| **Latin America** | 5 | 6,691 | 5,358 | |
| **Europe** | 4 | 337 | 294 | Poland (1) |

* FAO water resources management tools were used.

## Risk Management

| Description | | Risk Countermeasures |
|---|---|---|
| **Physical Risks** | Water quality degradation | ● Assure water quality throughout water pre-treatment process |
| | Floods | ● Create wetlands and establish embankments<br>● Secure natural-disaster insurance |
| | Water supply disruptions | ● Build dual main water supply lines and sufficient water storage facilities to prevent disruptions of work |
| | Changes in regulations on water usage & disposal | ● Establish internal regulations on waste water concentration beyond legal requirements<br>● Increase water recycling to reduce waste |
| **Regulatory Risks** | Efficiency standards legislation | ● Evaluate water efficiency for new facilities; invest in improvements for water efficiency in existing facilities |
| | Uncertainty over new legislation | ● Continuously monitor global environmental legislation trends |
| **Reputational Risks** | Lawsuits resulting from disposal of waste water | ● Continuously monitor waste water<br>● Establish an environmental management system (EMS) for new manufacturing facilities |
| | Waste water leakage, etc | ● Establish and activate emergency response protocols<br>● Enhance internal and external communication about the company's water resources management |

## Water Resources

Water is supplied to Samsung Electronics on a continuous basis by water providers. However, the company is striving to reduce water consumption and minimize risks associated with potential water shortages by building dual main water supply lines and sufficient water storage facilities. Meanwhile, waste water released from its operation sites is safely treated through internal and external treatment facilities. When waste water is released directly into streams through internal treatment facilities, Samsung Electronics applies stricter internal standards than stipulated by legal requirements, while monitoring the waste water quality in real-time. In an effort to conserve water resources, the company also promotes the recycling of water by retreating waste water and sewage generated at operation sites, thereby improving the efficiency of water reuse.

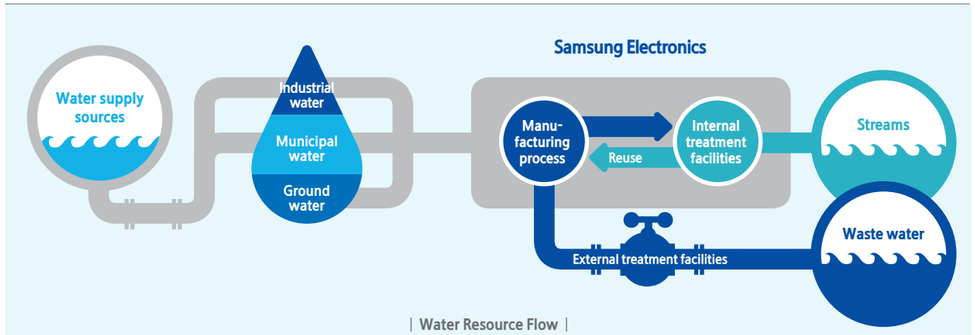
**Reuse of Water in 2013**

**45,262 K tons**

## Water Resources Status

Unit: 1,000 tons

| Water Inflow | | | Water Discharge | | Recycled water quantity |
|---|---|---|---|---|---|
| Industrial water | Municipal water | Ground water | Internal treatment facilities | External treatment facilities | |
| 47,765 | 19,847 | 1,057 | 44,144 | 10,113 | 45,262 |




| Water Resource Flow |

## Water Use Reduction Target and Water Resource Conservation Efforts

Samsung Electronics actively implements conservation activities to achieve its goal of reducing the use of water by 50 tons/KRW 100 million by 2015, in terms of water consumption relative to sales. The company's efforts can be broadly divided into two types: (1) minimize water consumption by improving manufacturing processes, and (2) optimize water use by retreating and recycling waste water. As a result of these efforts, Samsung Electronics conserved 45,262,000 tons of water in 2013.

**Optimize water management processes for utility systems and semiconductor production**

- Optimize water used for ultra-pure water production, web scrubber, cooling tower, and waste water processing facilities.

**Install waste water treatment systems for optimum recycling**

- Re-process acid/alkaline and organic waste water for the ultra-pure water production system
- Re-treat sewage to be used for fire system and gardening

**Recycle waste water in other processes**

- Re-use ultra-pure water for other processes
- Re-use condensed water generated by the outdoor air handling unit and concentrated water discharged from the cooling tower for the Wet scrubber

## Internal/External Communications Regarding Water Resources

Samsung Electronics discloses water resource-related information of its operation sites to its stakeholders, including employees, and local communities, in a transparent manner. The company provides water conservation guidelines to its employees and encourages them to make the guidelines part of their daily lives. Employees can also check the status of Samsung Electronics' water resource management. In local communities, the company hosts river ecosystem preservation activities in collaboration with NGOs, employees' families, and students.

Environmental Conservation Activities at Giheung Plant

## Aquatic Ecosystem Preservation and Water Quality Improvement Activities

In collaboration with local universities, semiconductor plants closely monitor the water quality of waste water streams—as well as their impact on the aquatic ecosystem—and continuously improve activities. For example, since large amounts of steam are generated by discharged water from the company's operation sites during the winter season, the company installed facilities to lower the temperature of the water below 10℃ to prevent disruptions to the river ecosystem. The company also prevented secondary damage caused by generation of steam around waste water outlets.

## Waste Water Streams in Korea

| Operation Site | Suwon | Hwaseong | Giheung | Gumi | Gwangju | Onyang |
|---|---|---|---|---|---|---|
| Destination | Woncheoli Stream | | Osan Stream | - | - | Gokgyo Stream |

## Impact of Waste Water on Public Waters

Samsung Electronics discharges all of its water generated at its operation sites after undergoing treatment processes that meet legal requirements.
Operation sites with internal treatment facilities comply with internal standards that are even stricter than legal standards and carefully monitor the water. For some of the domestic operation sites located inside industrial complexes and overseas operation sites, waste water generated at the operation sites is first internally processed and then re-processed through external treatment facilities.

## Ecological Status of Waste Water Streams

| Waste Water Stream | Waste Water Stream Ecological Status Report |
|---|---|
| Woncheolli Stream in Hwaseong | ● Measurement institution: Kyunghee University<br>● Key findings<br>[Water temperature] The water temperature of the waste water is similar to that of Wolcheon Stream and thus has little impact on the aquatic ecosystem<br>[Fish species] 2,249 fishes of 17 species were found<br>(Crucian carp: 40.6 percent, minnow: 38.7 percent)<br>[Aquatic ecosystem] More than 22 species of benthic organisms were found<br>[Ecological toxicity] The waste water measurement results show that it has little impact on the stream |
| Osan Stream in Giheung | ● Measurement institution: Korea Ecology and Environment Institute<br>● Key findings<br>[Water temperature] The water temperature of the waste water is similar to that of Woncheon Stream and thus has little impact on the aquatic ecosystem<br>[Fish species] 466 fishes of 14 species were found<br>(Crucian carp: 29.6 percent, minnow: 23.4 percent)<br>[Aquatic ecosystem] More than 18 species of benthic organisms were found<br>[Ecological toxicity] The waste water measurement results show that it has little impact on the stream |
| Gokgyo Stream in Onyang | ● Measurement institution: Hoseo University<br>● Key findings<br>[Survey location] Galdong Stream, a tributary of Gokgyo Stream<br>[Stream pollution factors-pH, DO, BOD,COD] There is little impact on the stream<br>[Water eutrophicaitoneutrophication-TN, TP] There is little impact on the stream |

# Shared Growth

**Shared Growth**

In recent years, "warm growth" has emerged as one of important keywords in the business ecosystem. This "warm growth" refers to large companies and their suppliers working together to create improved performance and achieve shared successes through various initiatives including large companies' support for and cultivation of their suppliers and enhanced shared collaboration. in order to increase and deepen the relationships with its suppliers, Samsung Electronics works to implement these principles with its suppliers in order to create a mutually beneficial business ecosystem.

**Shared Growth Philosophy**

Among Samsung Electronics' five core values, its partner collaboration and shared growth activities are based on integrity and co-prosperity. Top management emphasizes the importance of collaboration with suppliers in the New Year's messages every year, which include measures to support suppliers' efforts to enhance their competitiveness.

**Laying the Foundations for Shared Growth**

In order to fundamentally boost suppliers' competitiveness and consolidate mutually beneficial partnerships with its suppliers based on trust, Samsung Electronics has implemented collaboration activities in a comprehensive and systematic manner, on the basis of the three axes: establishment of transparent procurement, enhancement of mutual growth collaboration, and spread of a culture of shared growth. In August 2010, the company announced the "Seven Mutual Growth Implementation Plans" and has since faithfully implemented them. In order to take these activities to the next level, the company developed a program designed to address the subject in June 2013. In the program, Samsung Electronics intends to create a healthy ecosystem promoting shared growth and ultimately create shared value with stakeholders by extending the scope of beneficiaries receiving the company's support to include not only primary suppliers that have transactions with Samsung, but also secondary suppliers.

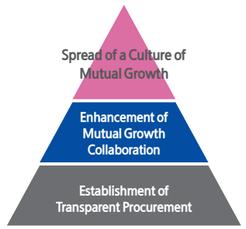


**Seven Mutual Growth Implementation Plans (Aug. 2010)**

1. Responsive adjustment to raw material price changes & a system of purchasing raw material and supplying them to vendors
2. Creation of the KRW 1 trillion "Mutual Growth Fund" which extends the benefits to include secondary suppliers
3. Comprehensive support measures for secondary and tertiary suppliers
4. Introduction of the 'Global Best Company' system that showcases best practices
5. Drastic expansion of transaction opportunities for SMEs with strong capacity in the areas of technology and infrastructure
6. Support for technology development aimed to enhance suppliers' future competitiveness
7. Support for suppliers' efforts to recruit qualified personnel

Expanded

**Mutual Growth Ecosystem Program (June 2013)**




Establishment of the Mutual Growth Ecosystem

## Supplier Management System

In order to ensure that subject matter experts (SMEs) with innovative ideas and technologies, are given fair opportunities to work with the company, Samsung Electronics runs a wide range of Open Innovation programs including the Innovative Technology Company Council (ITCC), the Open Sourcing System, and the New Technology Contest. Through these programs, SMEs with technological competence, but without business relationships with the company are offered opportunities to become registered as Samsung partners by creating new businesses with the company, while being offered the same mutual benefit programs as existing suppliers.

Suppliers that already have standing relationships with Samsung Electronics can join Hyeopseonghoi, a council of Samsung Electronics' suppliers, where they can secure competitive advantages in technology, quality, and costs through various mutual benefit programs including financing, recruitment and training, and joint development. By doing so, the suppliers can lay the foundation for growing into SMEs with world-class competitiveness in their respective areas of business.

**SMEs with a Business Relationship with Samsung Electronics**

| Suppliers | Hyeopseonghoi | Globally Competitive SMEs |
|---|---|---|
| • Financial support<br>• Support for suppliers' recruitment & training<br>• Joint development | • Samsung Electronics Suppliers Council | • Fostering SMEs into a global top 5 company or a top 2 company in Korea in terms of market share through comprehensive support involving financing, technology, and personnel |

**SMEs without a Prior Business Relationship with Samsung**

| Open Innovation | | |
|---|---|---|
| | Innovative Technology Company Council | • Creating new business opportunities through joint technology development with Samsung |
| | Open Sourcing | • Potential suppliers wishing to start business with Samsung can submit application |
| | New Technology Contest | • Companies with innovative technologies are granted development funds |

| Samsung Electronics' Supplier Management System |

## New Technology Contest

Since September 2011, Samsung Electronics holds new technology contests in an effort to promote technology development by SMEs. To date, Samsung has contributed KRW 100 billion to the Large & Small Business Cooperation Foundation to provide development funding to SMEs with innovative ideas and financial restraints. Samsung suppliers, as well as any SMEs with innovative ideas on core technologies, are eligible to apply for this fund. SMEs are selected through a screening process and can receive up to KRW 1 billion.

**Success Story**

Samsung Electronics provided KRW 200 million to Smart Sound for the development of a smart stethoscope using the Android phone microphone. In October 2013, the technology began to be applied for mass production and the two companies are currently planning to file two patent applications.

Samsung suppliers or any SMEs with innovative ideas and technologies are eligible for receiving

maximum KRW **1** billion

| Mutual Growth Fund for Suppliers |

## Mutual Growth Fund

Samsung Electronics created a supplier support fund of KRW 1 trillion, known as the 'Mutual Growth Fund,' in collaboration with Industrial Bank of Korea, Korea Development Bank, and Woori Bank to provide financial support not only for primary suppliers, but also secondary suppliers. Under the Mutual Growth Fund program, suppliers selected through a screening procedure can borrow money from the fund at an additional discounted interest rate of up to 1 percent, in addition to the basic discount rate of 1.4 percent below the commercial rate. In 2013, KRW 853.5 billion was loaned to 804 suppliers and KRW 313.6 billion was loaned to 413 secondary suppliers.

## Fostering Globally Competitive SMEs

Samsung Electronics operates the "Globally Competitive SMEs" program that provides comprehensive support in the areas of technology, financing, and human resources for selected suppliers with outstanding technological potential and a strong commitment to innovation to assist them in securing market dominance (a top global 5 SME and a top 2 SME in Korea) and global competitiveness in their respective areas of business. The company held the Globally Competitive SME promotion initiative launching ceremony in August 2011, which provides comprehensive support measures to selected suppliers including financial investment for technology development, support from R&D, manufacturing personnel from Samsung Electronics, and on-site consultation. The company selected a total of 24 suppliers including 14 in 2013 and 10 in 2014 as globally competitive SMEs out of 56 candidates through a screening process. It plans to foster a total of 50 suppliers by 2015.

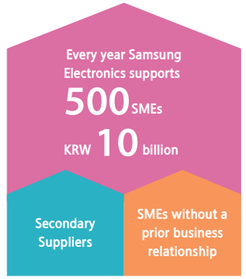
## Cultivating Future Leaders

Introduced in 2004, the Future Leadership Program is intended for the children of representatives of Samsung's primary and secondary suppliers to help foster critical management skills. The program is divided into contract-based positions and internships. Contract-based positions receive treatment equivalent to that of Samsung's new employees. They learn about the company's procedures for 10 months through classroom training and on-site learning at operation sites in Korea and abroad. Interns who are college juniors or seniors receive a three-week theory and practice education on overall aspects of business management including Samsung Electronics' business management status and understanding of manufacturing and customers. Since 2004, a total of 231 individuals including 120 contract-based positions and 111 interns have participated in the Future Leadership Program.

Since 2004

| The Future Leadership Program |

Consultations on management innovation, production technology, and on-site improvement




## The Industrial Innovation 3.0 Campaign

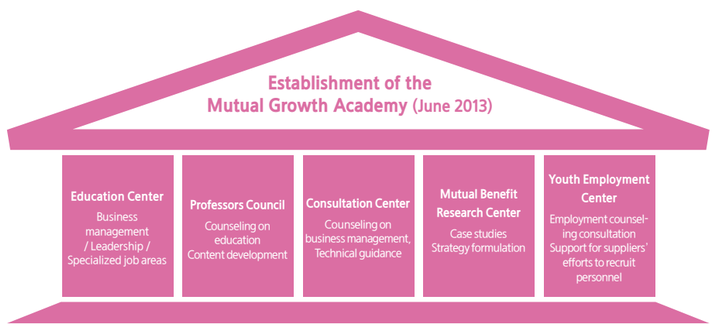
Since June 2013, Samsung Electronics has been actively engaged in the 'Industrial Innovation 3.0 Campaign' in partnership with the Ministry of Trade, Industry and Energy to extend relationships between large companies and primary suppliers to include secondary suppliers. The company will invest a total of KRW 50 billion over the upcoming five years to provide 500 suppliers, including 350 secondary suppliers and 150 SMEs, with yearly consultations on management innovation, improvement of manufacturing sites, support for production technology, and productivity innovation. In 2013, the company dispatched experts in various fields to 500 SMEs to lead on-site improvement activities.

## Samsung Electronics Supplier Jobs Fair

In an effort to support its suppliers that experience difficulties in hiring qualified personnel, as well as job seekers hoping to find good jobs, Samsung Electronics holds the Samsung Electronics Suppliers Jobs Fair, offering its suppliers opportunities to recruit qualified employees. A total of 250 primary and secondary suppliers of 11 Samsung affiliates, including 158 primary suppliers in 2012 and both primary and secondary suppliers in 2013, participated in the Fair. While there, Samsung Electronics provides recruits with high-quality employee orientation and job competency training free of charge, similar to the orientation and training it offers to its own recruits. By doing so, the company assists new employees of its suppliers to successfully join and succeed in the workforce.

## Future Plans

In order to provide comprehensive and systematic support for its primary and secondary suppliers, Samsung Electronics set up the Mutual Growth Academy in June 2013. The Academy consists of an education and training center, a professors council, a consultation center, a mutual benefit research center, and a youth employment center. The education center and training systematically provides programs matching suppliers' supply-chain tiers and job categories including business management, leadership and specialized job skills programs, as well as the Future Leadership Program. The youth employment center recommends personnel to suppliers by providing career and employment consultations to young job seekers, while supporting suppliers' efforts to recruit qualified personnel through the Samsung Electronics Suppliers' Job Fair. In addition, the consultation center operates a consultation team for suppliers composed of 100 executive and director-level experts from Samsung Electronics in a variety of fields including development, manufacturing, business management, quality, and innovation and plans to expand the number to 200 in consideration of rising demand for consultations.




| The Mutual Growth Academy |

Samsung Electronics is committed to the establishment and expansion of a sound business ecosystem meeting the expectations of society, while strengthening its strategy that promotes mutual growth by providing practical assistance.

# Supplier Compliance

As a global company with 38 production bases in 15 countries around the globe, Samsung Electronics manufactures more than 90 percent of its production volume at its world-class operation sites. The company is committed to ensuring that the working conditions of its operating sites exceeds the highest labor and environmental regulations worldwide.

On the supplier network management level, Samsung Electronics urges all of its suppliers to comply with their established code of conduct, while identifying problems and making improvements through regular monitoring.

## | Samsung Electronics' Supplier Compliance Management Programs |

### Samsung Supplier Code of Conduct

Based on the five Samsung Business Principles announced in 2005, Samsung Electronics established the Samsung Electronics Global Code of Conduct that serves as behavioral guidelines and ethical standards for its employees in all business activities. The company also urges its suppliers to join its effort to comply with the Global Code of Conduct. In efforts to enhance suppliers' compliance capability levels, Samsung Electronics also raises compliance awareness through education and encouraging suppliers to identify problems and make improvements through the establishment of inspection-related processes. A dedicated supplier compliance organization has established a curriculum and education system based on the Electronic Industry Citizenship Coalition (EICC) Code of Conduct.

| | |
|---|---|
| Compliance with laws and ethical standards | Promoting fair competition in accordance with the law and business ethics; protecting information on business partners, etc. |
| Maintenance of a clean organizational culture | Making a strict distinction between public and private affairs in employees' duties; creating a sound organizational atmosphere, etc. |
| Respect for customers, shareholders, and employees | Placing priority on customer satisfaction in management activities; pursuing management focused on shareholder value |
| Caring about the environment, health and safety | Pursuing environmentally-friendly management; valuing the health and safety of people |
| Social responsibility as a global corporate citizen | Building relationships of co-existence and co-prosperity with Samsung's business partners |

**| Behavioral and Judgmental Guidelines and Standards for Samsung Employees |**

In 2013, the dedicated supplier compliance support group conducted training for CEOs and personnel/environmental safety managers from supplier companies on compliance-related issues. For suppliers that handle hazardous substances and require management of waste water and air pollutants, the company offered special environmental training courses, including a 24-hour course for new employees and make numbers uniform courses for existing employees.

### Compliance Management Status Diagnosis

Suppliers are mandated to strictly comply with standards specified in the Samsung Supplier Code of Conduct while abiding by local laws and meeting international standards on labor and human rights. In order to diagnose suppliers' compliance status, Samsung Electronics continually monitors suppliers through self-assessments, audits by Samsung Electronics expert teams, and audits by third-party independent agencies.

#### Self-Assessment

Samsung Electronics offers a diagnosis checklist to help its suppliers self-diagnose their compliance status and conduct self-assessments once a year. To ensure that self-assessments are conducted in a transpar-

ent and accurate manner, the company has established a policy to impose penalties if suppliers are found to be untruthfully conducting the evaluations. Upon completion of the self-assessment, high-risk suppliers are included in the group of candidates subject to on-site audits.

### Audits by Samsung Electronics Expert Teams

Supplier audits are conducted by expert teams from Samsung Electronics while establishing and implementing compliance management-related systems for suppliers. Experts in the relevant fields are highly trained in inspection regulations and requirements specified in the Code of Conduct. Inspection categories include detailed criteria for labor and human rights, and environmental safety. Suppliers are obligated to submit accurate data, as auditors carefully review their records and conduct on-site surveys. While on-site, auditors are also required to interview workers to help determine the true level of compliance. Selection of interviewees follows standards recommended by the EICC, and one-on-one interviews are conducted confidentially.

Any identified problems are shared with supplier leadership who are required to develop improvement plans and countermeasures to prevent reoccurrences.

### Audits by Third-Party Agencies

Audits by third-party agencies are administered by verification agencies registered with the EICC. Third-party audits are independently conducted in accordance with the EICC's Validated Audit Process in five categories: labor and human rights, health and safety, environment, ethics, and business management system. Upon completion of the audits, they review the inspection results with supplier leadership.

### Supplier Evaluation

Samsung Electronics conducts comprehensive supplier evaluations to ensure sustainable management of its supply network. The evaluations not only include basic assessment categories such as technological competitiveness, quality, and timely delivery, but also reflect CSR activity evaluation.
The evaluation results give suppliers a grade of A, B, C or D. Suppliers who receive a C two or more times consecutively are subjected to a ban on new transactions with other business divisions. Suppliers who receive a D evaluation two or more times consecutively are also subjected to heavy penalties including a ban on doing future business with Samsung Electronics.

Samsung Electronics prohibits violations of significant employment standards such as those aimed at preventing child labor. In fact, the company strictly enforces a zero-tolerance policy on child labor. Suppliers that violate such criteria are required to immediately respond to the violation and establish countermeasures to prevent recurrences on related matters. In the case of recurrence or neglect of issue management, Samsung Electronics adopts a zero-tolerance policy and suspends transactions with them immediately.

New suppliers are also evaluated on their CSR capability levels in accordance with strict labor, human rights, ethics, and environment standards. If they fail to attain certain standards, they will not be qualified as suppliers for Samsung Electronics.

### Corrective Action Management

Suppliers found to have violated the code of conduct during audits are required to take corrective measures on the related issues, and to make fundamental improvements on management methods to prevent the same violation from recurring.

Based on the requirement that "all the problems of suppliers should be always resolved in the shortest possible time," Samsung Electronics closely monitors their progress.

Samsung Electronics' intensive supplier management system stores documented supplier issues in a database that classifies suppliers by grade—green, yellow or red—and offers recommended courses of action depending on the grade. Suppliers that have failed to take corrective measures after receiving warnings—or a red grade—are subject to penalties including order quantity reduction. Suppliers who show little improvement or continue to violate criteria are subject to suspension of transactions.

## | Major Activities in 2013 |

### Systematic Supplier CSR Support and Improvement Activities

Supplier compliance management has emerged as one of the prominent issues in Samsung Electronics' effort to pursue sustainability in its business management. It is for this reason the company is keenly focused on improving working conditions of its suppliers since making a commitment to do so in 2012. Samsung conducted the following supplier support activities in 2013:

### Establish and Operate a Company-wide Dedicated Supplier Compliance Organization

- Recognizing the importance of supplier compliance management, Samsung Electronics set up a dedicated organization to effectively manage supplier CSR-related activities. The organization develops and operates education programs designed to raise suppliers' awareness of compliance, conducts on-site audits of supplier compliance management, and provides support for resolving identified issues.

- Establish Company-wide Collaborative Networks including Councils at Subsidiary/Business Division Levels
  The dedicated supplier compliance department establishes a collaborative system among business divisions and subsidiaries to support supplier CSR activities. To address suppliers' difficulties by region and type of business, and to provide tailored support, Samsung has required each subsidiary to establish respective supplier compliance departments. Supplier compliance departments at this level are managed and operated by respective subsidiaries, while the supplier compliance organization at headquarters oversees, shares, and disseminates guidelines.

### Require All Suppliers in China to Purchase and Use ID Scanners to Avoid Child Labor

- To eliminate child labor in China, Samsung Electronics requires all suppliers to purchase and use ID scanners during the hiring process to verify the ages of prospective employees. This way, suppliers can prevent the risk of hiring underage individuals with false identification.

- Mandate In-person Interviews When Suppliers Hire New Employees
  When its suppliers hire new employees, Samsung Electronics enforces a policy of in-person interviews to prevent forgery and illegal use of other people's identification.

- Conduct In-person Inspections of Employees at Supplier Companies
  Samsung Electronics conducts in-person inspections of 94,236 employees working for its 138 suppliers in China. Through the inspections, the company reinforces their strong stance on eliminating child labor.

## Expanded Training on Supplier Compliance Support

- In addition to regular compliance training, Samsung Electronics leverages various channels of communication including Partners Day, a day celebrating the company's commitment toward shared growth with partners and contractors, as well as communication forums and meetings to facilitate compliance communications with supplier leadership.

- Enhance Consulting Activities in the Environmental Safety Sector

Samsung Electronics offers a consulting service in the environmental safety sector for suppliers handling hazardous substances. During 2013, environmental safety experts at Samsung Electronics offered diverse consulting services to 227 suppliers in China.

- Train Local Staff at Subsidiaries

At Samsung Electronics, each subsidiary trains local staff at workshops with suppliers. In China, compliance training was conducted on seven occasions for 1,050 management personnel and environmental safety staff.

| Training Sessions for Suppliers' Personnel Management/ Environmental Safety Staff in China |

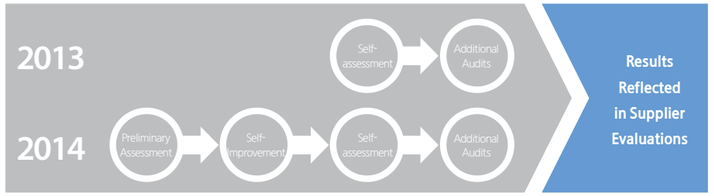
Samsung Electronics enhances the training experience by improving the training facilities or constructing new spaces and environments.

| Newly Constructed Training Site at Samsung Electronics SSDP (Left) and at SEHZ (Right) |

## Supplier Self-Assessment

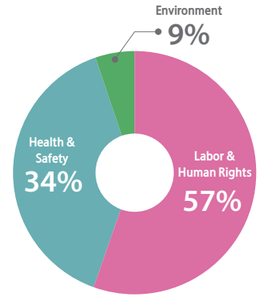
Samsung Electronics supports suppliers' efforts to conduct self-assessments by providing a 'Self-Check Sheet' and rectification guide. These materials can help suppliers better understand their current compliance levels and help identify potential issue areas.

Starting in 2014, Samsung Electronics now implements a process by which suppliers can identify problems through preliminary assessments, rectify any weaknesses, and then conduct self-assessments. For some suppliers that require on-site verification as a result of the self-assessments, Samsung Electronics dispatches experts to conduct audits. If problems are found that are different from those identified through self-assessments, penalties will be imposed. Through this system, Samsung Electronics ensures the objectivity of self-assessments, while encouraging suppliers to recognize where they have challenges and take corrective measures.




## Support Activities to Improve Suppliers' Working Environments in 2013

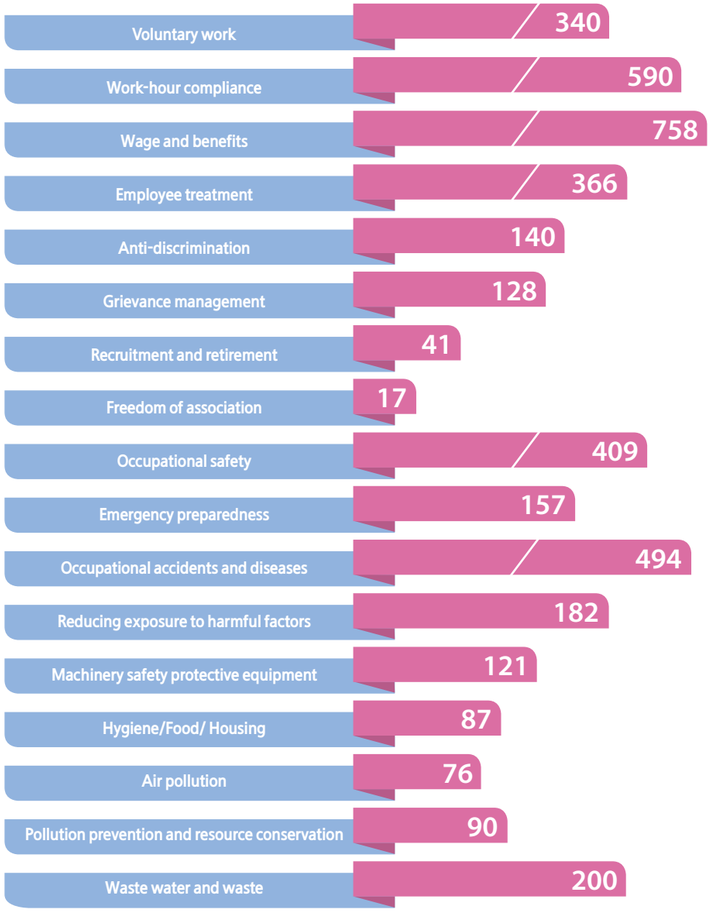
Samsung Electronics requires all suppliers to provide safe and healthy working conditions for all employees. In 2013, Samsung Electronics conducted on-site surveys on working conditions and held interviews with workers from 200 suppliers in China that were of stakeholders' concern.




| Areas of Weakness in Suppliers' Working Conditions in 2013 |

These activities were conducted by personnel from the supplier compliance support organization, personnel from business divisions/subsidiaries, as well as an auditor group from the Samsung China headquarters. According to the results, suppliers' areas for improvement included labor and human rights (57 percent), health and safety (34 percent) and environment (9 percent), in order of severity.

The group conducted more than 700 on-site surveys in 2013 and identified issues by sector. They also identified 4,196 tasks required to resolve the issues, while also supporting suppliers' internal improvement activities.




| Tasks Requiring Improvement Support (Unit: Cases) |

### | Third-Party Audits |

In 2013, an external, EICC-certified audit agency was commissioned to ensure compliance by conducting on-site checks for 100 suppliers in China.

Problems identified via third-party verification agencies were shared and reviewed with supplier leadership to implement corrective measures. The suppliers pledged to make improvements and submit improvement plans to prevent the recurrence of such problems.

## Labor & Human Rights: Third-Party Verification Key Findings and Corrective Actions

| Samsung Electronics Code of Conduct | Key Findings and Corrective Actions |
|---|---|
| **Protection of Minor Workers**<br>Samsung Electronics adopts a zero-tolerance policy for child labor and suspends transactions with suppliers in the case of violations. When hiring new workers, suppliers are required to comply with a procedure involving age verification, ID card check, and face-to-face ID checks. When hiring minors*, suppliers are required to abide by local laws and regulations including prohibition of hazardous work. | No instances of child labor were found. However, instances of overtime hours were identified with 16 suppliers, while minors were found working with chemical handling processes at 48 suppliers, indicating that some safety precautions were inadequate. Samsung Electronics mandated that the suppliers concerned take immediate corrective actions and 100 percent improvements were made. The company required the suppliers to comply with local laws related to minor workers moving forward. It also required additional preventive activities including the establishment of protection policies and procedures for minor workers. |
| **Anti-discrimination**<br>Samsung Electronics prohibits discrimination based on race, skin color, age, gender, ethnicity, disabilities, pregnancy, religions, political inclinations, union membership, nationality or marital status. | Nine suppliers were found to have discriminatory content, such as references to age, gender, and pregnancy, in recruitment notices or contracts with staffing agencies. The suppliers concerned were asked to remove the discriminatory language immediately. Samsung Electronics also called for the establishment of policies and procedures to prevent recurrences. |
| **Working Hours**<br>Samsung Electronics complies with standards recommended by the EICC (applying more stringent standards either up to 60 hours per week or legally permitted working hours in each country) and stipulates at least one day off per week. | A majority of suppliers do not comply with China's legally permitted overtime hours. Cases were found where the amount of working hours per week exceeded the amount designated by the EICC. Samsung Electronics demanded that the suppliers concerned comply with legal overtime hours and collaborated with them to put into place various measures to reduce overtime. In addition, the company monitors overtime hours of suppliers through its internal support system and provides intensive management of suppliers who have made inadequate improvement efforts. |
| **Voluntary Work**<br>Samsung Electronics prohibits all types of forced labor including detention and human trafficking. It also prohibits keeping original copies of government-issued ID cards. In addition, working conditions are documented in languages understood by all workers before dissemination. | All suppliers comply with the prohibition of forced labor. However, administrative errors were found at 33 suppliers, including omission of categories such as working conditions in work contracts or not providing work contracts to temporary agency workers. Samsung Electronics immediately called for rectification of the issues and the concerned suppliers made improvements on the issues identified. Samsung Electronics mandated that suppliers must prevent recurrence of these issues and urged them to establish trainings that guarantee workers' rights. The company also asked suppliers to help workers voluntarily participate in completing advance applications (or agreements) in the case of overtime. |
| **Wage and Benefits**<br>Suppliers should abide by minimum wage requirements stipulated by local laws, including payment for overtime hours, subscription to social insurance, and provision of rest, leave, etc. Samsung Electronics prohibits pay cuts as a means of disciplinary action. In addition, a certificate of salary should be prepared and disseminated in languages understood by all workers. | Thirty-three suppliers violated local regulations including delayed subscription to social insurance of some workers on the grounds of social practices and workers' intention (e.g. "Workers themselves do not desire").<br><br>Thirty-nine suppliers violated regulations by paying fixed wages without providing compensation for overtime hours to part-time workers. Thirty-three suppliers cut pay as a means of disciplinary action or imposed a system of fines.<br><br>In response, Samsung Electronics mandated that the suppliers concerned subscribe to legal social insurance for all the workers, comply with payment standards, prohibit the imposition of fines, and establish policies and procedures to prevent recurrences. |
| **Humanitarian Treatment**<br>Samsung Electronics prohibits inhumane treatment of workers such as sexual harassment, sexual abuse, corporal punishment, mental or physical intimidation, and abusive language. Sick leave or maternity leave should be guaranteed in accordance with local laws. | Seven suppliers did not conduct training on disciplinary actions for managers/team leaders, while 12 suppliers did not document details of disciplinary actions.<br><br>Samsung Electronics conducted training for suppliers' managers and project managers to ensure that they conduct training every year and document related records including participants, training materials, and training hours. In addition, the company required that suppliers keep detailed records of confirmation/signatures of workers who received disciplinary actions for one year. |

*Minor: from legal minimum employment age to 18 years of age.

## Health & Safety: Third-Party Verification Key Findings and Corrective Actions

| Samsung Electronics Code of Conduct | Key Findings and Corrective Actions |
|---|---|
| **Prevention of Workers' Injuries**<br>In order to prevent workers from being exposed to potential risks (electric shock, fire, crash, etc.), suppliers are required to design safe worksites, establish a work procedure, provide personal protective gear, and conduct safety training on an ongoing basis. | Fifty-nine suppliers failed to sufficiently provide safety shoes, safety gloves, earplugs, protective goggles or masks to workers who need personal protective gear, or did not appropriately monitor workers to ensure they were using such equipment.<br><br>In response, Samsung Electronics required that suppliers provide appropriate personal protective gear and conduct regular training. The company also urged the suppliers to establish procedures to systematically manage risk factors. For example, the company provided suppliers with training content such as local laws and regulations to comply with legal safety training hours (24 hours per year) and related tips through its internal supplier support system. |
| **Emergency Preparedness**<br>It is necessary to identify and assess potential emergencies and accidents such as fires, bad weather and chemical leaks to establish appropriate response procedures. It is also imperative to sufficiently equip facilities with fire extinguishers and train workers on how to use the equipment, while also performing evacuation drills on a regular basis. | There were some suppliers that did not have appropriate exits or functional heat/smoke detectors. Forty suppliers did not conduct evacuation drills or excluded some night shift workers from the drills. Fifty suppliers showed inadequate efforts to establish emergency response programs.<br><br>Samsung Electronics helped to address the issue of securing exits at the inspection sites and secured sufficient fire-extinguishing equipment by worksites, in addition to posting evacuation maps and emergency exit signs. The company also urged suppliers to make sure that all workers participate in emergency response drills and to document related records such as training hours. Samsung Electronics also encouraged suppliers to establish systematic management procedures on emergency prevention and response including annual training programs. |
| **Reducing Exposure to Health Risks**<br>Workers' exposure to health risks encountered in the workplace should be identified, assessed and controlled. | Three suppliers exceeded legally permissible environmental limits at worksites, such as dust and noise levels.<br><br>Suppliers were instructed to investigate, assess and monitor all health risks in accordance with local laws and protect workers by providing personal protective gear and operating control programs. |

## Environment: Third-Party Verification Key Findings and Corrective Actions

| Samsung Electronics Code of Conduct | Key Findings and Corrective Actions |
|---|---|
| **Waste Water and Solid Waste Management**<br>Sewage, waste water and solid waste generated from manufacturing processes or hygiene facilities should be monitored, appropriately controlled and treated according to relevant laws and regulations. | Thirty-three suppliers failed to properly monitor sewage and waste.<br><br>Suppliers were required to establish management policies and procedures to prevent recurrences and comply with local laws and regulations by reinforcing their monitoring system. |
| **Air Pollution Management**<br>Volatile organic compounds, aerosol, corrosive agents, fine powder, ozone layer destroying substances and combustion by-products should be monitored, appropriately controlled and treated in accordance with relevant laws and regulations. | Thirty-five suppliers failed to fully control air pollutants generated from manufacturing processes, kitchens or generators.<br><br>Suppliers were required to establish appropriate air pollution management policies and procedures. |

### Efforts to Jointly Respond to Key Industry Issues

Samsung Electronics joined the EICC in 2007 and has been vigorously involved in EICC activities, including attending annual general meetings and revising the EICC Code of Conduct.

In February 2012, Samsung Electronics sponsored the first EICC general meeting in Korea at its headquarters. The meeting was attended by 100 people from 65 EICC member companies that discussed various issues surrounding the electronics industry.

Samsung Electronics continuously looks for new ways to sustainably improve the business and makes proactive efforts to achieve growth while staying true to its core values. For example, the company conducts systematic inspections on issues raised by stakeholders and NGOs and makes improvements where necessary. Samsung Electronics identifies the current status of issues raised through in-depth audits and reflects areas requiring improvement in supplier CSR policies.

Executive Managing Director Mr. Pertti Paasovaara Giving a Presentation on Samsung Electronics' CSR Activities

### Operation of Local Hotlines (Human Rights Protection and Report Center)

Samsung Electronics' regional headquarters and subsidiaries operate hotlines to help report and prevent human rights violations and expeditiously addresses reported cases within the month. Samsung Electronics prominently displays posters featuring hotline email addresses and telephone numbers at supplier companies.

Hotline Posters Displayed at Supplier Companies

### | Future Plans |

Samsung Electronics takes steps to prevent the recurrence of problems identified through supplier site inspections and makes fundamental improvements to maintain superior supplier compliance management. Samsung Electronics developed an integrated inspection checklist to measure suppliers' compliance management levels based on data accumulated through supplier support activities. The checklist will be fully implemented in 2014 and aims to enhance monitoring of compliance management and provide more effective support for addressing supplier issues. Samsung Electronics will continuously refine the inspection checklist to align with varying human rights and labor requirements by country. In addition, it will expand supplier compliance capability building activities—which have mainly taken place in China—into other regions including Southeast Asia, to strengthen a global CSR operation system. Qualitative improvement is equally as important as regional expansion. Samsung Electronics will expand training programs for suppliers that need to improve their working conditions.

Samsung Electronics is developing a supplier compliance management code of conduct manual. The manual consists of four sections including the labor and ethics system, human rights and labor, safety and health, and eco-conscious management, as well as 19 detailed action plans. The manual is an easy-to-use guide to help suppliers take action on compliance management. Samsung Electronics will distribute the report in 2014 to all organizations that design, sell, manufacture, and provide parts and services to manufacture the company's products. In some instances, the guidelines are more stringent than suppliers' local or federal laws. This manual aligns with Samsung Electronics' broader goal to bolster communication efforts with all company stakeholders. Samsung Electronics will continue to disclose its efforts, striving to lead the way in compliance management as a global company.

# Conflict Minerals

**Human rights violations and environmental degradation caused by the mining of minerals in Africa and Indonesia have emerged as key global issues. Samsung Electronics strongly supports the ban on conflict minerals and takes the ethical sourcing of minerals very seriously. The company remains committed to collaborating with suppliers and relevant organizations to build a safe working environment in its supply chain and ensure its customers that all products are produced ethically and sustainably.**
**Samsung Electronics is working with the Electronic Industry Citizenship Coalition (EICC) and similar organizations to identify industry-wide solutions to the issue of ethical minerals sourcing. The company seeks to increase awareness of conflict minerals and encourages smelters in its supply chain to participate in conflict-free sourcing certification programs. Further, as a member of the EICC, Samsung Electronics collaborates with other member companies to develop countermeasures to this issue.**

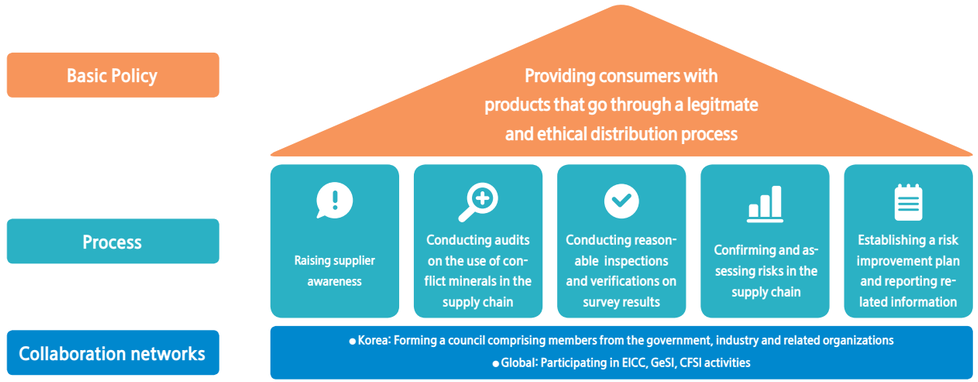
**What Are Conflict Minerals?**
Child labor, sexual harassment and various human rights violations occur in the mineral extraction process in the Democratic Republic of Congo and neighboring African countries. The profits from illegally extracted minerals are then used to support armed groups. In 2010, the U.S. government passed a law which defined tantalum, tin, tungsten and gold produced in the region as four conflict minerals and mandated companies to disclose their use of the minerals. In accordance with the law, all publicly-traded companies in the U.S. must report the use of these minerals in the products they manufacture or sell to the Securities and Exchange Commission (SEC) by May 2014.





## | Conflict Mineral-Related Policies |

Samsung Electronics aims to provide consumers with products that go through a legitimate and ethical distribution process, conducting thorough investigations to ensure conflict minerals are not used. Samsung Electronics conducts training to raise suppliers' awareness of the issue and urges suppliers to shift to certified smelters, while recommending uncertified smelters join certification programs. Samsung Electronics is also forming a council consisting of members from the government, industry and related organizations to identify the impact of the U.S. law on the Korean market and identify potential courses of action. By creating this council, Samsung Electronics is sharing best practices and trends among various stakeholders and establishing common ground to address concerns.




| The approach of Samsung Electronics to Conflict Minerals |

Four Primary Conflict Minerals

Conducting an audit of suppliers

**601** smelters confirmed

## Samsung Electronics' Activities

### 1. Raise Supplier Awareness and Conduct Audits on the Use of Conflict Minerals

To determine whether conflict minerals have been used, it is necessary to investigate smelters and mines by surveying the entire supply chain. Since 2011, Samsung Electronics has organized annual training and briefing sessions for CEOs of supplier companies to stress the importance of the ban on conflict minerals.
Approximately 3,000 suppliers across the globe pledged to adhere to Samsung Electronics' policy on avoiding the use of conflict minerals.

### 2. Audit the Use of Conflict Minerals

In 2013, Samsung Electronics conducted an audit of suppliers, which revealed that 601 smelters were providing their suppliers with the four primary conflict minerals.

### 3. Shift from Non-certified Smelters

Samsung Electronics encourages its suppliers that work with non-certified smelters to shift their sourcing to certified smelters. It also recommends that smelters participate in the Conflict-Free Smelter (CFS) program in collaboration with the EICC. For instance, Samsung Electronics found that 95 percent of its suppliers do not use tantalum, so the company recommended that the 5 percent that do use the mineral should shift to the CFS program. As of April 2014, 97 percent of Samsung Electronics' suppliers do not use the mineral.

**EICC-GeSI CFS Program**

The EICC-GeSI CFS Program is a smelter certification project jointly implemented by the Electronics Industry Citizenship Coalition(EICC) and GeSI, which certifies smelters that do not use minerals illegally mined from conflict zones.

## | Controversial Minerals |

### Tin Mining in Bangka Island

Tin, mainly produced in China, Indonesia and Malaysia, is widely used across the electronics, automobiles and packing industries. . Friends of the Earth (FoE), a global NGO, is focused on raising awareness of the potential impacts of tin mining on Indonesia's Bangka Island. According to FoE, tin mining may cause significant damage to the local environment, including the marine ecosystem such as coral islands, as well as the area's industries, including agriculture and fishing. FoE called on global companies to join forces to address the situation.

Samsung Electronics is working closely with the EICC and a variety of other stakeholders, including the local Indonesian government, smelters, companies and NGOs to find a reasonable solution to FoE's concerns. In 2013, Samsung Electronics joined a working group to address tin mining in Bangka Island along with EICC and IDH. Samsung Electronics and the other member companies urged the major smelter factory on Bangka Island to address the situation.

## | Future Plans on Conflict Minerals and Controversial Minerals |

In addition to the recent U.S. law banning the use of conflict minerals, similar laws are undergoing legislative processes in the EU. Samsung Electronics will proactively take part in global initiatives on banning the use of conflict and controversial minerals by conducting annual audits on their use throughout its supply chain and will work to replace them with non-controversial minerals. Samsung Electronics understands the importance of global collaboration to make a significant stride against conflict and controversial minerals. The company will actively participate in various councils inside and outside Korea and expand related activities for early resolution of these global issues. Samsung is committed to upholding its social and environmental responsibilities as a global citizen. Concerning tungsten and gold which are not widely used by the electronics industry, compared to tantalum and tin, Samsung Electronics upholds its policy of avoiding the use of such conflict minerals and has confirmed that its suppliers also join the company's policy.

Creating Shared Value

# Accessibility

## Product Accessibility

**Samsung inspires the world and shapes the future with its transformative ideas and technologies, giving people the power to discover new experiences and express their vision of the world.**
**Samsung Electronics is committed to product accessibility and convenience. It conducts research on enhancing accessibility to smart devices to help all people, including persons with disabilities and the elderly, benefit from technological advancements.**

**Dedicated Accessibility Research Organization**

In 2012, Samsung Electronics created a dedicated research organization that aims to not only improve IT product user-convenience for general consumers, but also enhance convenience for people with disabilities by taking into consideration the different types of disabilities and special needs. It also explores intuitive interface and interaction methods while surveying and analyzing related laws and regulations around the globe to reflect new innovations in future product development.

**Development Stages for Products with Enhanced Accessibility**

- Design products in consideration of user convenience for people with disabilities
- Implement core technology to increase convenience, integrated verification, and acquisition of reliability for the launch of commercial products
- Develop User Interface (UI) to increase user convenience
- Develop interaction, multimedia, intelligence technologies that can overcome disabilities including visual, auditory, physical, and cognitive impairments
- Secure function/performance through usability assessments
- Survey/analyze related laws and regulations around the world
- Conduct thorough research on the needs of persons with disabilities and the challenges they face when they use IT products
- Benchmark new products and technologies

## Example: Sound Detector

**Environmental Analysis**

The inability to hear ordinary sounds, such as a baby's cry or a doorbell, can create challenges for an individual. Perhaps more importantly, it is crucial that individuals are able to recognize and react to emergency signals such as alarm bells.

**Development of Core Technology**

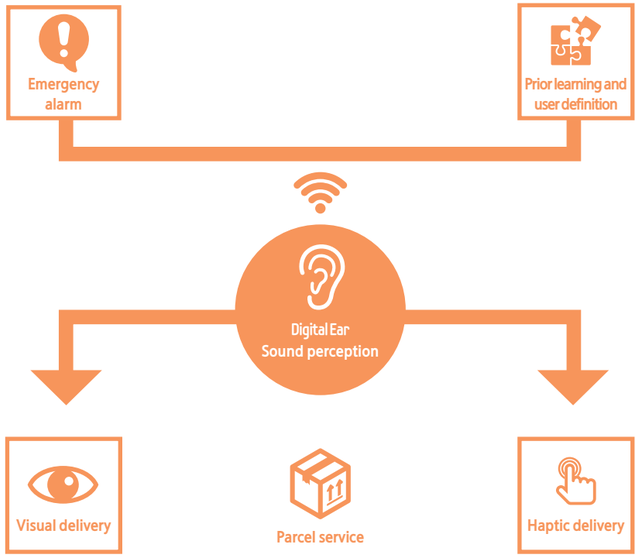
Samsung Electronics developed technology that automatically detects such sounds and enables people with hearing impairments to perceive visual alarms or vibration through a display screen.

**Performance in 2013**

Samsung Electronics developed functions that detect a baby's cry with a smartphone and informs users via wearable devices such as Samsung Gear.

**Product Application**

The feature is available on Galaxy S5 smartphones. Samsung Electronics will continue to enhance functions and performance through continuous R&D activities.




## Example: Visual Perception Technology for People with Visual Impairment

**Environmental Analysis**

There is increased demand from people with visual impairments to address difficulties in their daily lives such as getting dressed and taking photos.

**Development of Core Technology**

For people with visual impairment, Samsung Electronics developed a technology that detects information on colors and patterns of clothes, and delivers the information to users through sound. The technology also helps them take well-composed pictures of an object.

**Performance in 2013**

Samsung Electronics developed a function in the smartphone camera screen that detects up to 33 colors and five clothing patterns and converts the information into an audio cue for people with visual impairments.
Another technology helps users photograph others by informing them of the location of a person's face in the camera screen via audio cues.

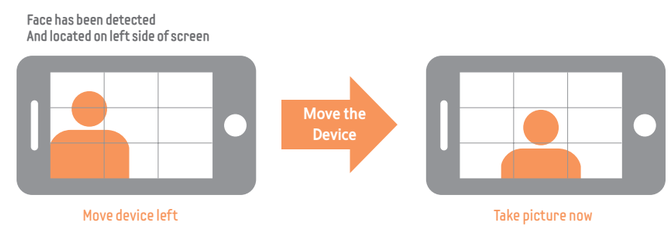
**Product Application**

The technology is currently available on Galaxy S5 smartphones. Samsung Electronics will continue to enhance functions and performance on future devices.

| Color Information |

"solid"
"horizontal_stripe"
"vertical_stripe"
"diagonal_stripe"
"check"
"other_pattern"

| Pattern Information |



## | Introduction to Key Products with Accessibility Functions |

Users with visual or hearing impairments should be able to enjoy the benefits of smartphones that can be used anywhere and at any time. Samsung Electronics strives to enhance user convenience for the disabled and elderly and to narrow the mobile information divide by offering a variety of accessibility options. Accessibility-related functions applied to 2013 products are as follows:

| SHW-M570S Galaxy Core Advance |

### Products with Enhanced Accessibility Functions for People with Visual Impairment

#### Key Features

- **Talkback** - Names of the functions are narrated when the user touches the smartphone screen.
- **Audio Support Camera** - When taking a photograph, the location and the number of people in the shot are narrated. Additional sound recording is available after taking a photo.
- **Light Sensing** - The direction of illuminated light is informed through sound and vibration.
- **Screen Curtain** - To save battery life and protect privacy, users can use the smartphone without turning the screen on.

#### Featured Accessories

- **Optical Scan Stand** - When a smartphone is placed on the stand, it automatically enters optical scan mode. When a user says "shooting," it automatically scans and vocalizes the text.
- **Ultrasound Cover** - Devices are mounted with an ultrasound sensor and vibrate when they detect an obstacle up to 2m away.
- **Voice Label** - The smartphone detects labels and emits a vocal explanation so that users are able to easily distinguish objects with similar appearances such as medicine bottles and CDs.

**| Galaxy Core Advance Development Story |**

After an 18-month development phase and launch in February 2014, Galaxy Core Advance increases user accessibility and convenience for the visually impaired and the elderly. Samsung Electronics engaged employees with visual impairments in the product's development stage. User tests were conducted among more than 200 people with visual impairments in seven countries. As a result of their feedback, improvements were made to approximately 700 device functions.

Samsung Electronics presented the Galaxy Core Advance as a gift to students from 14 schools for the blind nationwide, including Jin-seok Choi. Mr. Choi most often uses the Galaxy Core Advance's optical scan function to read printed materials, e-mails and receipts aloud. He also said that thanks to the ultrasound cover that vibrates when it detects an obstacle in his path, he has noticed that he can move about more easily without stumbling or falling.

| SM-G900S Galaxy S5 |

### The Galaxy S5 has 30 percent more accessibility functions than the Galaxy S4

#### Key Features

- **Information protection screen** - The user can use smartphone functions even when the screen is turned off.
- **Detection of a baby's cry** - The smartphone vibrates when it detects the sounds of a baby crying.
- **Automatic haptic** - The smartphone vibrates when music or video plays.
- **Direct execution** - When the home key is pressed three times, frequently used functions are activated.
- **Subtitle setting** - The subtitle function, available for people with hearing impairments, can be adjusted by size, font, and style.
- **Auxiliary menu** - Touch can activate functions that are typically executed by pressing the H/W key or by certain gestures. For those who are unable to press the H/W button or users who find it difficult to perform movements such as the pinch zoom, this function allows them to perform the movements with a simple touch.

| A3 Copier |

### A copier with enhanced accessibility and more advanced control panel

#### Key Features

- **Talkback** - When users touch the control panel, various on-screen functions are narrated.
- **User-customized software keys** - Users can access the most frequently used functions directly on the home screen.
- **Sub-menu** - Users who are unable to press hardware buttons can execute functions with a simple touch.
- **Haptics** - The haptics function allows users to distinguish functions by enhanced haptic feedback.
- **Remote control** - Users can print using mobile phones
- **Preview** - Users can preview the document in full size through the Preview function, which eliminates any possibility of re-printing.
- **Areas for gripping, opening/closing, and control** - can be manipulated with one hand with minimal effort.
- **User maintenance** - Users can identify and control the delivery of Information, instructions, and induce response visually, tactily or auditorily.

# Global Social Contribution : Delivering Hope around the World

**Samsung Electronics aims to create positive change for people everywhere, helping them to live a better life full of possibilities, while preserving the environment. In an effort to promote sustainable social development and better quality of life, Samsung Electronics has not only provided products that meet the needs of customers, but, proportionate to its global position, has also reached out to underserved individuals around the world, carrying out various social responsibility activities for local communities.**

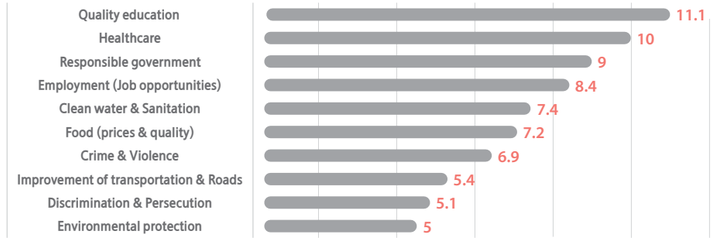
## Samsung Electronics' Global Social Contribution Delivered with a Warm Heart

**Samsung Electronics uses its talents, skills, and technologies to make a positive impact on the world, helping to shape a smart, sustainable future for all.**

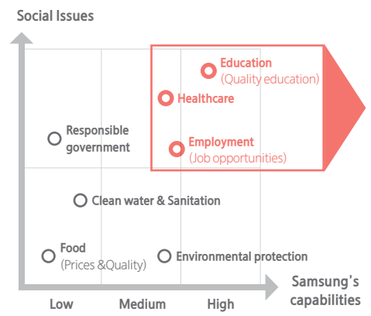
According to a United Nations Development Programme (UNDP) survey in 2013, the top-five global social issues include education, healthcare, roles of a responsible government, employment, and sanitation issues, including clean water. International organizations and governments alike are called upon to address these issues.

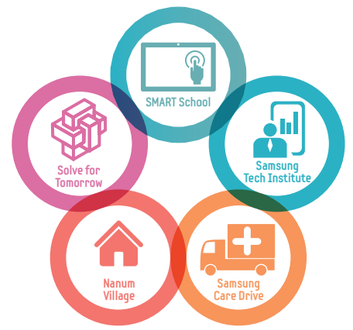
Under these circumstances, Samsung Electronics selected issue categories with high urgency and close ties to its business and values by conducting in-depth analyses of global social issues and identifying the degree of the company's competencies. As a result, quality education, job opportunities, and healthcare were identified as the highest priorities. Samsung therefore selected these three issue categories as key areas for global social contribution and aligned its related programs accordingly.

Starting from 2013, Samsung Electronics has operated five key programs tailored to local characteristics in the main social contribution areas of education, employment, and healthcare, while offering locally customized programs designed to address local pending issues. In the employment sector, the company supports young people's efforts to achieve employment competitiveness through IT vocational training programs, while narrowing the regional education gap by providing opportunities for IT education to students from underserved areas in the field of education. In the healthcare sector, it assists citizens to improve their quality of life by utilizing its medical devices.




| UNDP, 2013 |




| Samsung's Five Global Social Contribution Programs |

# Samsung Electronics' Five Social Contribution Activities

## 1. Samsung Smart School

**Samsung Electronics contributes to resolving regional education gaps and supports the development of creative global talents by fostering smart education environment through the use of IT technology.**

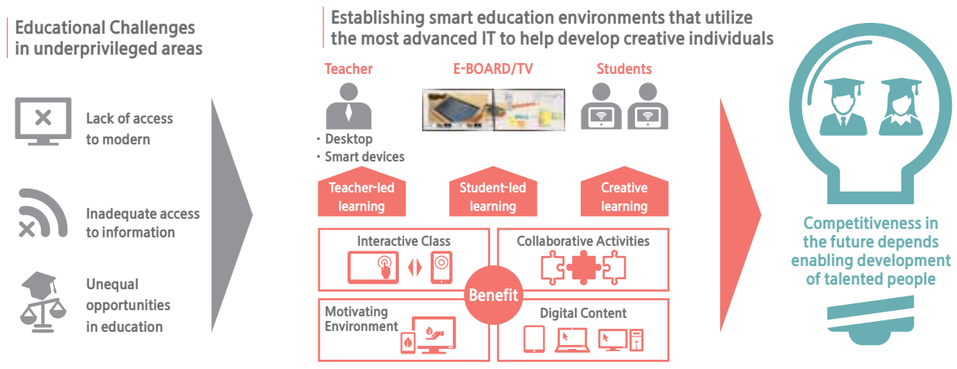
SMART School

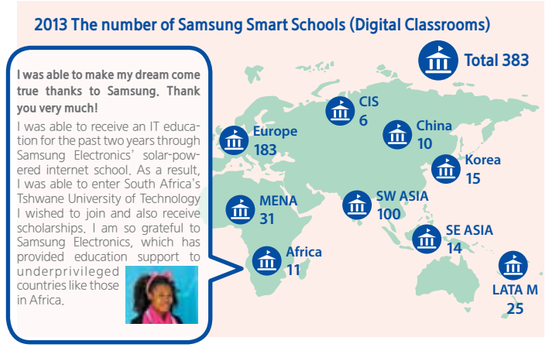
**384** Schools under operation

Samsung Electronics sees education as the seed of innovation and works to create programs that support youth education through the use of Samsung's technology, services and expertise, thereby contributing to closing the education gap among different regions and supporting the development of creative global talents. The company believes that fostering talent is critical to the growth of companies in a rapidly changing market environment, as well as for the growth of countries.

Not only is Samsung committed to giving students greater access to education but is expanding the scope of learning. Samsung is working with educators around the world to improve learning experiences through the use of technology, facilitating a classroom environment that is limitless and gives students access to a world of knowledge from their desks or on the go.

Samsung Smart School program provides students living in underserved areas with improved education environments tailored to the levels of different regions, contributing to resolving the regional education divide. In the case of high-income countries equipped with basic networks, the company provides Smart School solutions to underserved students with limited education opportunities to offer advanced education and classes. For mid-to-low income countries, it focuses on providing basic infrastructure, donating buildings, education equipment and books. There are currently 383 Smart Schools under operation, concentrated in Europe and Southwest Asia, through the company's global expansion initiatives.




### Solar-powered Mobile Internet Schools

In October 2011, Samsung unveiled its first solar-powered mobile Internet school in South Africa. The Samsung Solar Powered Internet School is a 12-meter long repurposed shipping container designed for up to 21 students, equipped with a 50-inch electronic board, Internet-enabled solar-powered notebooks, multi-function printers, Samsung Galaxy tablet computers and Wi-Fi cameras, and is powered by a solar panel roof generating nine hours of electricity a day. In addition, the central server, which controls all the learning equipment and devices, stores all the education curriculum up to grade 12, assisting teachers and students to engage in a more interactive education. In recognition of its creative idea, the solar-powered mobile internet school was awarded the African Energy Prize in March 2012. As of 2013, the solar-powered internet schools are in operation in 11 countries including Angola, Botswana, Kenya, and Nigeria.

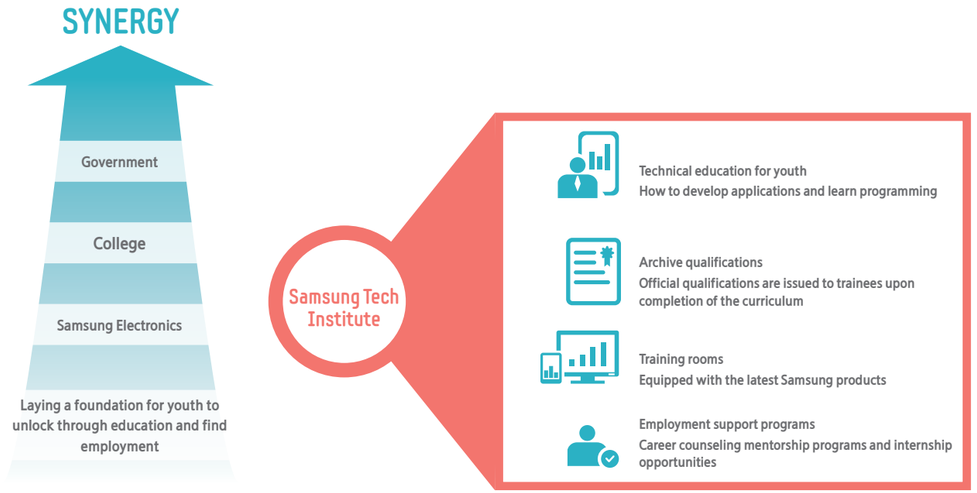
## 2. Samsung Tech Institute

**Samsung Electronics assists the youth of today in designing their future and laying the foundation for financial independence by offering systematic vocational education and local employment.**

Samsung Tech Institute

**23** Institutes under operation

Most of the world's labor-abundant developing countries are seeking to achieve increased economic performance through the expansion of infrastructure, while manufacturing plants with great job creation effects are striving to create jobs by actively attracting design and R&D centers. Meanwhile, developed countries are faced with unemployment problems due to lack of new growth engines and job creation initiatives for the youth. Fostering startups and venture firms has emerged as one of the major challenges facing such countries. Samsung fosters promising talents by customizing to the needs of different countries, nurturing software personnel in advanced countries and offering customer service education in developing countries. As of 2013, the company operates a total of 23 educational facilities in Europe, Latin America, Southeast Asia, the Middle East, and Africa.



Students receiving education on after-sales services for products at Samsung Electronics Engineering Academy

### Africa Tech Institute Story

After launching the first engineering academy in South Africa in March 2011, Samsung Electronics' Africa headquarters also established academies in Kenya and Nigeria in February and July 2012. The academy is operated as a one-year course, not offering education by product, but rather teaching practical skills to help its graduates start their career at IT companies as engineers. The academy produced the first graduates in January 2012 and Samsung Electronics offered jobs to 24 out of the 40 graduates. Additionally, the company launched an engineering academy within the Addis Ababa Institute of Technology in Ethiopia, greatly contributing to easing the unemployment problem facing university students.

## 3. Samsung Care Drive

**Samsung Electronics offers the Smart Healthcare System which is accessible anywhere at any time, helping individuals lead healthier lifestyles.**

Samsung Care Drive

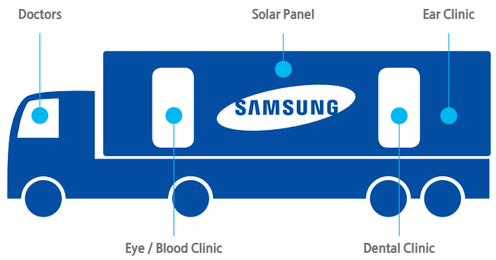
**8** Programs under operation

With an aging population, the desire for "living longer and healthier," rather than simply "living longer" is on the rise. Amid forecasts that people age 60 or over will account for 22 percent of the entire population or two billion in 2050, the issue of health and medical aid has emerged as one of the most important social issues.

Under the circumstances, Samsung Electronics is seeking to develop medical devices with outstanding user-friendliness, as well as convergence with the IT industry. In addition, in an effort to promote the health of local citizens and improve their quality of life, the company offers healthcare programs capitalizing on its products and services, while medical staff and operating mobile medical centers to provide basic health check-up services. In 2013, a total of eight Care Drive programs were offered primarily in China, Russia, and Africa and the company plans to expand the Care Drive to 35 by 2014.

### Sono School

### Mobile Healthcare Center




**| Care Drive in China |**

A Student Testing His Skills with Sonar Equipment

In collaboration with the China Medical Foundation, Samsung Electronics is pushing for constructing a Care Drive healthcare center by each region by selecting 12 regions from 2013 through 2014. In 2013, two centers opened in Guizhou Province and Shanxi Province, in November and December. The China Medical Foundation recruits instructors and students and selects local hospitals where education sessions are offered using equipment and related devices installed by Samsung Electronics. Seven sonar devices and other education equipment are installed per center, and each center offers education on sonar and prenatal sonar testing. In 2013, approximately 630 people completed the education course. The company plans to provide education for up to 3,000 people a year for each center.

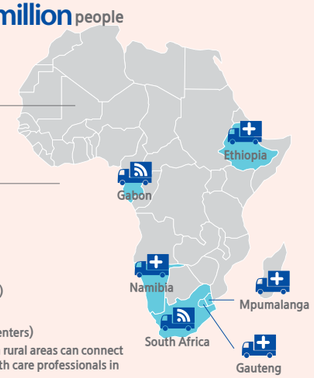
**Goal by 2015 is to reach 1 million people**

**Implementation Area**

1SPHC: Mpumalanga, South Africa
1SPHC: Gauteng, South Africa

**Future Plan**

2SPHC : Ethiopia, Namibia
2SPHC : South Africa, Gabon




SPHC SPTC

- **SPHC (Solar Powered Health Centers)**
  Providing screenings and treatments
- **SPTC (Solar Powered Tele-Medical Centers)**
  Using telecommunication, patients in rural areas can connect and share their health data with health care professionals in central hubs

## 4. Samsung Nanum Village

**Samsung Electronics provides healthcare and education support to low-income countries, offering local citizens the chance to contribute to the development of local communities. Samsung Electronics believes that people sharing diverse ideas helps to create a better world.**

Nanum Village

The Korean word "Nanum (sharing)" means "dividing something into two or more parts." Yet, it also means sharing in triumphs and tribulations. Samsung Electronics is committed to fostering happiness in local communities by thinking about the diverse social problems of people living in underserved areas and coming up with tangible solutions. The Samsung Nanum Village is a program that targets low-income, underprivileged areas and is designed to address the cause of poverty and lay the foundation for economic independence by providing comprehensive infrastructure needed for living. Through the program, the company not only discusses improvement of social infrastructure as far as governments are concerned, but also encourages its employees to actively engage in building Nanum villages.

The Digital Village can be regarded as a breakthrough that not only addresses education and healthcare - the biggest problems of economically disadvantaged, isolated African villages - but also helps to resolve poverty and promote economic independence. Managing director from Samsung Electronics' Africa headquarters, Seong-ryong Hong, commented, "We will work together with governments and international organizations to ensure that activities to provide education and healthcare as well as to promote economic independence will take place quickly in Samsung Digital Villages that will be constructed across Africa." South African government officials and diplomats from 10 countries including Nigeria and Senegal who attended the Digital Village launching ceremony showed keen interest, posing questions to Samsung Electronics staff. Samsung plans to set up Digital Villages in Ethiopia and Gabon during 2014 and will expand them across the country in collaboration with governments and international organizations.

## 5. Solve for Tomorrow

**Samsung Electronics explores innovative ideas and puts them into action to resolve local pending issues in partnership with members of local communities.**

Solve for Tomorrow

In 2010, Samsung inaugurated the Solve for Tomorrow competition in the U.S., designed to support Science, Technology, Engineering, Mathematics (STEM) education. The competition invites students to showcase how STEM can be applied to improve their community. Participants solve real-world problems using their STEM skills and creativity. In 2013, approximately 1,600 schools across the U.S. entered the competition, and five winner schools were each awarded a technology grant of more than $110,000.

**| Solve for Tomorrow in North America |**

The number of applicants increased to more than 2,300 in 2014 with participation from all 50 states. Each of the five winning schools received more than $140,000 in technology and all participating schools received Samsung technology. The Solve for Tomorrow contest is mainly held in the U.S., however a global contest is planned for 2015.

# Other Global Social Contribution Activities

**Samsung Electronics is committed to improving the quality of life for all by capitalizing on its strengths and competencies.**

### CIS: Education for Everyone (Russia)



Samsung Electronics organizes the Education for Everyone program, a home-school program designed for Russian children with disabilities who find it difficult to get education in public facilities. The company has provided education equipment and devices including notebook PCs and software to 500 disabled children, while local Samsung employees serve as mentors. In 2013, a total of 1,000 children with disabilities in seven regions and Belarus benefited from the program.

### Europe: Trends of Tomorrow (Romania)



Samsung Electronics has offered a career mentoring program for high school students in Romania and Bulgaria since 2011. Since the program began, the company has engaged 15,000 students in 140 schools in 29 cities in Romania and Bulgaria. Additionally, it has benefited 8,000 students in 16 cities in other countries around the world. Samsung organized aptitude tests and career counseling seminars on digital capabilities for new jobs, while experts in a variety of fields including Samsung employees, industry experts, psychologists and celebrities offered online mentoring.

### The Middle East: Donation for Underprivileged Children

Samsung Electronics' Middle East headquarters organized the Hope for Children Fun Fair jointly with the Al Noor Center, an education and welfare facility located in Dubai, donating the $180,000 raised during the event to provide education for local children. Samsung Electronics also provided educational IT products including Galaxy tablets and slate PCs to children with disabilities. Additionally, Samsung Electronics set up five digital audio libraries and produced 150 audio books in Iran. The company encouraged consumers to directly engage in the audio book production, raising awareness of the importance of providing educational opportunities for the visually impaired. In 2013, three additional digital audio libraries opened in Arsanjan, Gorgan and Zahedan.

### Asia: Samsung Smart Drive (Singapore)

Since October 2013, Samsung Electronics has implemented the Samsung Smart Drive, in collaboration with the Singapore Traffic Police, which aims to discourage the use of mobile phones while driving. In the same year, 83 percent of all motorists reported using their mobile phones while driving. The number of accidents as a result has also increased sharply from 1,100 accidents in the first half of 2012 to 1,700 in 2013. The company's campaign utilizing the Smart Drive app is expected to reinforce the importance of safety and help to curb preventable traffic accidents.

### North America: Hope for Children (USA)



Samsung Electronics' North America headquarters has renamed the Four Seasons of Hope initiative to the Hope for Children initiative that has supported the education and health of children and youth since 2010. In 2013, the 12th fundraising event raised $1.5 million. The event was attended by celebrities from various backgrounds including former U.S. President Bill Clinton who sent a video message.

### Latin America: Samsung Amazon School (Brazil)

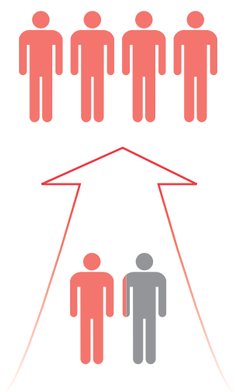


Samsung Electronics established the Samsung Amazon School in collaboration with Amazonas Sustainable Foundation (FAS), one of Brazil's leading nonprofit organizations. The school officially opened on May 2, 2012 after receiving approval as a formal state school from the government. Approximately 350 native students attend the school equipped with a dormitory, meeting rooms, a cafeteria and a health center. The institution has given hope to many including Graciela, an Amazon native who had studied at the school and realized her dream of entering a university in February 2014.

# Social Contribution in Korea

**To support young students and contribute to the well-being of local communities, Samsung Electronics actively helps those in need. The company actively discusses social problems with local communities; working together we first identify and then resolve them, using Samsung's technologies and expertise.**

The number of participants will increase to
**40,000** by 2017



- Pilot operation in 46 schools in Seoul, Gyeonggi, and Incheon area
- 1,158 elementary, middle, and high school students participated in the program.

| Junior Software Academy |

## Educational Donation

Samsung Electronics is engaged in various educational donation activities to help youth become creative leaders.

### Junior Software Academy

Samsung Electronics has developed and operates an education curriculum in which elementary, middle, and high school students are trained in critical thinking and problem-solving skills by familiarizing themselves with software and coding In the process, they have the opportunity to improve their language and math skills. In 2013, the company operated pilot programs in 46 schools in Seoul, Gyeonggi, and Incheon reaching 1,158 elementary, middle and high school students. Samsung will expand the number of participants to 40,000 by 2017.

Samsung Electronics software provides fun, engaging, and easy-to-understand educational materials to students.

| Father of Kim Do-yeon, student at Guam Elementary School |

It was amazing to see that my son studied software on his own and had so much fun. I am so happy that he gained more confidence.

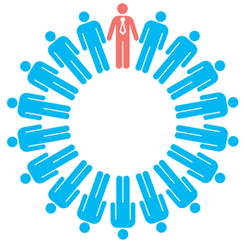
### Samsung Smart School

The Samsung Smart School, which launched in 2012, is a program aimed to address the education divide and to support customized learning utilizing IT technology. In 2012, 599 students in 27 classes in Naju, Sinan, Damyang, Mokpo, Jangheung, and Wando participated in the program, followed by 365 students in 21 classes in Cherwon, Hwacheon, Chuncheon, Inje, Gangneung, Yangyang, and Donghae in 2013.

| The Story of Seongmin from Seosang Elementary School |

Seongmin was bored with school. As his friends started to leave for cities, he found it difficult to learn math, which had once been one of his favorite subjects. After Samsung Electronics donated the Smart School solution to his school, a transformation took place. Now on a school blog there are posts detailing what students have learned on the day, while students search the Galaxy Note whenever they face unfamiliar subject areas. Teachers were able to notice areas in which Seongmin was struggling and focus on those topics in greater detail. This year Seongmin couldn't wait to return to school after his spring break.

*Samsung's Smart School solution a digital education package consisting of tablets and software designed to provide better teacher-to-student interaction, more efficient communication and improved classroom management. Before the Smart School solution, there were only fix or six new students at Seosang Elementary School. Following the donation, the number of students expected to enroll in the school tripled.



**1,500** mentors (employees)
**13,000** mentees (students)

The 2013 Dream Mentoring for Secondary School Students

### Mentoring for Secondary School Students

Samsung Electronics offers the "Dream Mentoring" program which introduces various job areas in Samsung Electronics to middle and high school students who are thinking about futures careers. In 2013, 1,500 employee mentors met with 13,000 students.

### Nanum Volunteer Membership

Samsung Electronics' college student volunteer service group called the Nanum (sharing) Volunteer Membership is creating a young and healthy culture of giving and sharing. Led by Samsung employees, student members engage in various social service activities including assisting underprivileged people in local communities and proposing creative ideas to resolve social issues. Recently, in collaboration with the Seoul Metropolitan Rapid Transit Corporation, members installed rearview mirrors in 40 elevators designed to prevent safety accidents involving individuals in wheelchairs.

## Innovative Technology

In order to create a better world, Samsung Electronics spearheads a wide range of social responsibility programs in an effort to improve the quality of life and create a healthy society through technology and volunteerism.

### Tomorrow Solution

The Tomorrow Solution is a creative solution contest in which participants identify societal issues in their local communities, propose innovative ideas to address the problems and implement them. Participants have the unique opportunity to work through the process of putting an idea into action with Samsung employees acting as mentors.

**100** people

| The EyeCan Project |

### The eyeCan Project: An Eye-controlled Mouse for People with Disabilities

The first innovation stemming from the Samsung Electronics' Creative Development Institute was an eye-controlled mouse called 'eyeCan'. This type of technology, which allows the physically disabled to use a computer through eye movement, can be life changing for patients who are unable to move or speak, but unfortunately the existing model was very expensive - exceeding KRW 10 million. In order to help a greater number of people utilize the technology without such a hefty financial commitment, Samsung Electronics employees developed eyeCan, a product which anyone can assemble using a web camera and eyeglass frame, which cost only KRW 50,000, a 99.5 percent savings. Today, more than 100 patients have benefited from the eyeCan.

| A Warm Change Brought by Samsung- The Tomorrow Solution |

"We want to convert discarded strollers and donate them to senior citizens who have difficulty walking."
The "In&Out" team that participated in the Tomorrow Solution contest created a walking aid for the elderly by converting old, donated strollers. Not only were elderly individuals able to walk more comfortably, the four young team members gained greater confidence and sense of responsibility.

"We want to make customized energy-saving kits by using discarded smartphones"
Although there are many people who support energy conservation, there are few people who actually implement energy-saving activities in their daily lives. In order to translate "what we know" into "what we do," the "NEXT" team developed an application called "Energy Man" designed to measure power consumption by using old smartphones. When people use "Energy Man", they decrease their electricity usage by five percent per month per household.

## Support for the Underprivileged

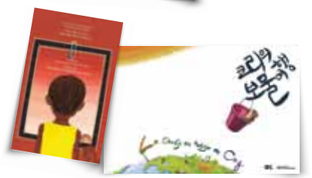
Samsung Electronics is implementing "warm sharing" for people who need assistance, not only in local communities, but in every corner of the world.

### Samsung Employee Overseas Volunteer Program

Samsung Electronics' Employee Overseas Volunteer Service groups share their knowledge, skills, and experiences with local residents in Africa and Asia to help combat the countries poverty and achieve sustainable development, thus improving the quality of life for local residents.

**Samsung Employee Overseas Volunteer Program**
**(172 members in eight teams in six countries)**

- Vietnam: E-learning centers
- Ethiopia: Computer classes
- Zambia: Improvement of residential environment
- Myanmar: E-libraries
- India: Computer classes, science labs
- Cambodia: Remodeling facilities for children



Volunteers, who went to the Democratic Republic of Congo for volunteer activities in 2012, still remember the children there who did not have enough storybooks to read. The employees took it upon themselves to make storybooks and provide them to the children as gifts. The book donation event was attended by 600 employees and a total of KRW 8.5 million was raised. Storybooks were delivered to Congo, Tanzania, and Senegal.

**60,000** participants in five cities across the nation

Support of **KRW 600 million**

The number of attendees in the Samsung Dream Concert **16,300 people**

The number of people receiving cochlear implant surgery every year **30 people**

### Nanum Walking Festival

The Nanum (sharing) Walking Festival was held in five locations across the nation including Yongin, Cheonan, Gumi, Asan, and Hwaseong. Approximately 60,000 citizens and employees participated in the festival, walking together. The KRW 600 million raised during the day was donated to needy neighbors in local communities.

### Samsung Dream Concert

Samsung Electronics held the Samsung Dream Concert, an educational festival offering career information and advice to young students, in cities where its operation sites are located including Suwon, Hwaseong, Gumi, Gwangju, and Onyang. The Dream Concert consists of experiential programs, including a "self-understanding hall" where students can test their aptitude; a "job experience hall" where students explored a variety of jobs first-hand; and a "career counseling hall" where experts and Samsung employees serve as mentors to provide career advice. The event held in 2013 was attended by 16,300 students and parents.

### Support for Cochoear Implant Surgery and Rehabilitation Treatment

Cochlear implant surgery is an operation designed to regain a sense of sound by implanting a device stimulating the auditory nerve in the cochlear. Samsung Electronics supports 30 children with hearing impairments from low-income families to receive cochlear implant surgery every year. Samsung Electronics employee volunteers participate in the children's speech therapy and social adaptation training process.

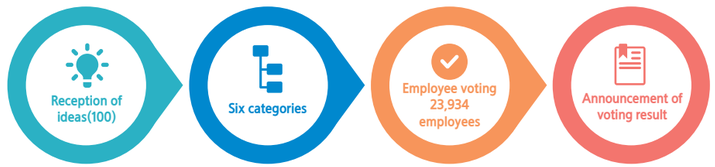




# Social Contribution Special Feature

**In 2013, Samsung employees received a special bonus to commemorate the 20th anniversary of the company's New Management Initiative - but they donated 10 percent of this bonus for good causes.**

In 2013, Samsung Electronics granted a special incentive amounting to 100 percent of basic salary to all employees. Then, 10 percent of the incentive was donated to society in the name of individual employees. The Samsung Corporate Citizenship Unit sought ideas not only from employees, but also from volunteer service centers located in operation sites, the employee council, and the Community Chest of Korea that the company donated social contribution fund. Approximately 100 ideas proposed by employees were classified into six projects. The six categories included support for programs and facilities designed to help orphaned youth gain financial independence; improve the infant fatality rates in underdeveloped countries utilizing smartphones; improve the lives of children with disabilities by using IT devices; construct public welfare facilities in local communities; support solar-powered facilities at welfare facilities and help alleviate medical expenses for children with terminal diseases. With a total of 23,934 employees voting for the projects, the company was thrilled with the level of commitment to these important causes and ultimately decided to support all the six categories. Managing Director Jo Si-jeong, the head of the Samsung Corporate Citizenship, commented that each process in which employees propose ideas and select projects is very precious, and that the social contribution fund had been raised thanks to employee enthusiasm. Moving forward, the Samsung Corporate Citizenship unit will keep employees updated on detailed implementation plans, thereby creating a new tradition of donation culture in which all employees participate.



# Samsung's Global Partnership - by country

| Region | Country | Collaborating Organization | Involvement Subject |
|---|---|---|---|
| Europe | Romania | JA-YE | Smart Classroom |
| | U.K. | Kids Company | Smart Classroom |
| | | Prince's Trust | Smart Classroom |
| | | Apps for Good | Smart Classroom (coding) |
| | | Code Club | Smart Classroom (coding) |
| | | City & Guilds | Tech Institute |
| | Latvia | SOS Children's Villages | Smart Classroom |
| | | Avantis | Smart Classroom |
| | | Tiger Leap Foundation | Smart Classroom |
| | France | SOS Childresn's Villages CekeduBonheur | Smart Classroom |
| | Spain | Unicef | Local programme |
| | Italy | SOS Children's Villages | Smart Classroom |
| | Netherlands | Innofun | Smart Classroom |
| | Portugal | SOS Children's Villages | Smart Classroom |
| | Greece | SOS Children's Villages | Smart Classroom |
| | Sweden | SOS Children's Villages | Local programme |
| | Czech Republic | SOS Children's Villages | Smart Classroom |
| | Austria | SOS Children's Villages | Smart Classroom |
| | Swiss | Stiftung Theodora KinderCity Krebsliga | Smart Classroom |
| North America | USA | National Environmental Education Foundation | Sustainability Education |
| | | National PTA | Solve for Tomorrow |
| | | Southern California Committee for the Olympic Games | Health & Wellness |
| | | Committee Encouraging Corporate Philanthropy (CECP) | CSR Networking |
| | | Clinton Global Initiative | CSR Networking |
| | | Boston College Center for Corporate Philanthropy | CSR Networking |
| | | National 4-H | Summer Science Camp |
| Latin America | Brazil | Parceiros da Educação | Smart School |
| | | Instituto Vanderelei Cordeiro de Lima | Sport Program |
| | | Fundação Amazonas Sustentável | Amazon School |
| | | Associação de Moradores de Paraisópolis | Smart School |
| | | United Nations International Children's Emergency Fund (UNICEF) | Social inclusion program |
| | | Todos pela Educação | ICT in Education |
| | | Inter-American Development Bank (IDB) | ICT in Education |
| | | SESI- Ação Global | Atividade Socio Educativa |
| | | Instituto Alguem | Agente da Cura |
| | | Secretaria municipal de meio ambiente | Doação de mudas e materiais para reflorestamento da cidade manaus |
| | | SDS- Amazonas Secretaria de desenvolvimento sustentavel | Programa de conscientização ambiental nas escolas do estado do amazonas |
| | | Secretaria municipal de meio ambiente | Evento de conscientização de residuos solidos |
| | | Associação dos pesqueiros de manaus | Dia da água- limpeza do porto ceasa |
| | | JOCUM | Care Drive |
| | Perú | Entrepreneurs for Education | Smart School Piura |
| | | University Catholic Arequipa | Smart School Moquegua |
| | | Entrepreneurs for Education | Solve for Tomorrow |
| | Argentina | Fundación Pescar | Tech Institute |
| | | Red Solidaria | Local project |
| | | United Nations International Children's Emergency Fund (UNICEF) | Local project |
| | | Red Comunidades Rurales | NaNoom Village |
| | | Fundación Compromiso | Local project |
| | | Fundación Impulsar | Local project |
| | | Fundación Potenciar Solidario | Local project |
| | | Fundación ELA | Local project |
| | | Fundación ALMA | Health |
| | | Organización Estados Iberoamericanos (OEI) | Solve for Tomorrow |
| | | Fundación Equidad | Local project |
| | Paraguay | Fundación Paraguaya | Local project |
| | | Paraguay Educa | Local project |
| | | Organización Estados Iberoamericanos (OEI) | Local project |
| | Colombia | Dividendo por Colombia (part of United Way Network) | Smart School |
| | | Maloka | Solve for Tomorrow |
| | | Colsubsidio | Korean War Veterans |
| | Mexico | Consejo de la Comunicación | Solve for Tomorrow |
| | | Lazos | Smart School |
| | Panamá | Movimiento Nueva Generación | Local project |
| | Chile | Fundacion Chile | Samsung School |
| | | Fundacion Chile | Technical Center |
| SE Asia | Vietnam | Korea Food Hungry International (KFHI) | Samsung Hope School |
| | | Global Civic Sharing (GCS) | Samsung Hope Library |
| | | Global Civic Sharing (GCS) | Nanum Village |
| | | Korea-Vietnam Culture Communication Center | Korean Culture Experience Course |
| | | Korea International Cooperation Agency (KOICA) | Samsung E- Learning Center |
| | Australia | The Foundation for Young Australians | Three Solve for Tomorrow inspired initiatives |
| | | Life Education | Local Program |
| | Malaysia | Teach for Malaysia | Smart School |
| | | Cybercare Youth Organisation | Hope For Children |
| | Thailand | Makhampom Foundation | Samsung Smart Learning Center |
| | | Thai Korean War Veteran Legacy Club | Scholarship |
| | Cambodia | National Polytechnic Institute of Cambodia (NPIC) | Tech Institute: Mobile Tech Expert |
| | Laos | National University of Laos (NUoL) | Tech Institute: Mobile App Academy |
| | Myanmar | University of Computer Studies, Yangon (UCSY) | Tech Institute: Mobile App Academy |
| | | High school network, including TTC Kamayut and Basic Education High School (B.E.H.S) in Yangon, Mandalay, Taunggyi, Pathein, Myintkyinar, Bago, Naypyitaw and Magway | Samsung Kids Quiz Program |
| SW Asia | India | IOA (Indian Olympic Association) | Sports Scholarship |
| | | Navodaya Schools | Smart Class |
| | | Tech Institute : Industrial Training Institute | Tech Institute |
| China | China | Hong Kong Science and Technology Parks | Solve for Tomorrow |
| | | Ecovision Asia | Solve for Tomorrow |
| | | HKEd City | Solve for Tomorrow |
| | | Hong Kong Federation of Business Students (HKFBS) | Solve for Tomorrow |
| Japan | Japan | Tokyo Philharmonic Orchestra | Sponsorship of the Tokyo Philharmonic Orchestra |
| | | Japan Triathlon Union | Sponsorship of Japan Triathlon Union |
| | | Prince Takamado Memorial Foundation for Japan-Korea Exchange | Sponsorship of Prince Takamado Memorial Foundation for Japan-Korea Exchange |
| Africa | Kenya | World Vision | Volunteering for medical services in DRC region |
| | | Addis Ababa Institute of Technology | Tech Institute |
| | Kenya, Nigeria | Ministries of Education of Kenya, Nigeria, Korea, and Korea Education and Research Information Service (KERIS) | Smart School(Solar powered Internet School) |
| MENA | UAE | Al Noor Training Centre for Children with Special Needs | Smart School |
| | Kuwait | Al Nibras Ideal School | Smart School |
| | Egypt | Hope for Children | Smart School |
| | Iran | Ministry of Education (Amoozesh Parvaresh) | Smart School |
| | | Information & Technology Organisation (Saazman Fanavari va Etelaat) | Smart School |
| | | Organisation of School Maintanence & Equipment (Saazman Nosaazi va Tajhiz Madares) | Smart School |
| | | White Cane Society (Asayeh Sefid) | Audio Libraries |
| | | National Association for the Blind (Anjoman Nabinayan) | Audio Libraries |
| | | Welfare Organisation (Saazman Behzisti) | Audio Libraries |
| | Turkey | TOG Foundation | Korean Veterans Education Scholarship |
| | | Creative Children Association | Chilren Science Contest |
| CIS | Russia | DetskieDomiki' Charity Foundation | Education for Everyone social project |
| | Kazakhstan | Special Olympics | Mini footbal games for intellectually disable people |
| | | State languages development foundation | Kazakh on-line (Kazakhstan) |
| | | Korean Cultural Centre | I-Maestri concert (Kazakhstan) |
| | | Peshraft | Donation to orphanage (Tajikistan) |
| | | Tree plant | Color run and volunteering day (Kazakhstan) |
| | | Veterans Union | Victory Day (Kazakhstan) |
| | | Ayala | Heart to Heart (Kazakhstan) |
| | | Baurzhan | Social advertising contest (Kazakhstan) |
| | | Infants safe | Heart to Heart (Mongolia) |
| | | National Olympic Committee of Georgia | Olympic Day (Georgia) |
| | Ukraine | Wings of Hope Charity Fund | Touch of HopeProject |
| | | Crab Charity Fund | Samsung. Hope for Children Project |
| | | Heart to Heart Charity Fund | Samsung. Hope for Children Project |
| | | Together to Life Charity Fund | Samsung. Hope for Children Project |
| | | Lifeline Charity Fund | Samsung. Hope for Children Project |
| | | Camomile Charity Fund | Samsung. Hope for Children Project |
| | | Way to life Charity Fund | Samsung. Hope for Children Project |
| | | Sail of Hope Charity Fund | Samsung. Hope for Children Project |
| | | Charitable Organization Klitschko Brothers Foundation | Workshop of success Project |

Plans for Advancement as a Global Company

# Facts & Figures

Samsung Electronics has identified measurable key performance indicators to ensure that all business activities are aligned with sustainable development and proactively respond to the needs of its stakeholders. These indicators encompass the creation of economic value, talent management, transparent management, green management, social contribution, and shared growth with suppliers. The following section outlines the progress made across these areas in 2013, as well as challenges encountered and Samsung Electronics' plans for the future.

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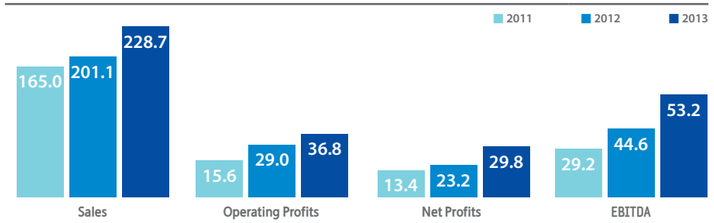
# Creation of Economic Value

## Key Financial Performance

In 2013, Samsung Electronics delivered record sales of KRW 228.7 trillion, an increase of 13.7 percent from the KRW 201.1 trillion achieved in 2012. The company earned KRW 36.8 trillion in operating profits, KRW 29.8 trillion in net income, and KRW 53.2 trillion in EBITDA.
Despite challenges driven by delayed global economic recovery and intensified price competition of its key products, Samsung Electronics achieved record earnings by affirming market leadership in the Mobile, Memory, and OLED businesses.

Sales
KRW **228.7** trillion

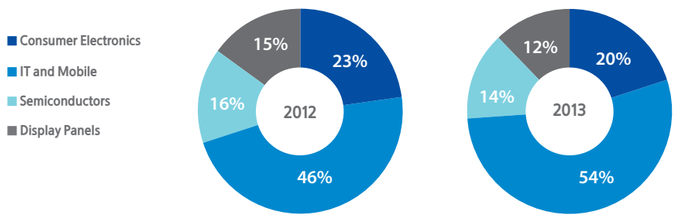
**Sales and Financial Performance** Unit: KRW 1T




## Performance by Business

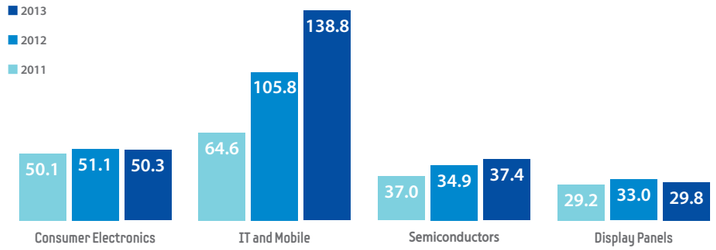
Samsung Electronics has a diverse business portfolio consisting of the Consumer Electronics division, which comprises business units that manufacture and sell TVs, monitors, printers, air conditioners, refrigerators, and medical devices; the IT and Mobile division, which includes businesses that specialize in mobile phones like smartphones and tablets, ICT systems, and digital cameras; the Semiconductor division, which includes the business units that manufacture and sell DRAM, NAND Flash, and Mobile AP; and the Display Panels division, which comprises the business units that produce and sell display panels for a variety of key products such as TVs, monitors, notebook PCs, and smartphones.

**Sales Proportion by Business Division**



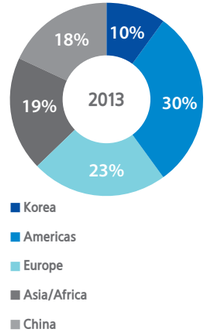

In Consumer Electronics, Samsung Electronics maintains its global leadership in TV, FPTV, and LCD TV for the eighth consecutive year, while the IT and Mobile division continues to diversify product lines from premium smartphones to mass production models. The Semiconductor and Display Panels sectors remain focused on enhancing cost competitiveness through advanced process development, mass production, and increasing shipments of differentiated products. The trends of sales and operating profits by division are as follows:

**Samsung Electronics' Net Sales by Business** Unit: KRW 1T




※ Sales by division reflect the organizational change in 2013.

**Sales by Region**




## Sales by Regions

Increased sales of key products in the Americas, Asia, Africa, and China contributed to the increase in total sales.

**Performance by Region** Unit: KRW 1T

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Korea | 26.5 | 29.2 | 22.8 |
| Americas | 47.5 | 58.2 | 69.4 |
| Europe | 39.0 | 49.5 | 52.7 |
| Asia/Africa | 28.8 | 36.1 | 43.7 |
| China | 23.1 | 28.2 | 40.1 |

## Major Products and Global Market Shares

**Major Products and Global Market Shares** Unit :%

| | Product | 2011 | 2012 | 2013 | Remarks |
|---|---|---|---|---|---|
| Consumer Electronics | CTV | 19.2 | 21.1 | 21.6 | Global market shares according to Display Search (based on product numbers) |
| IT and Mobile | Mobile phones | 21.2 | 25.1 | 27.2 | Global market shares according to Strategy Analytics (based on phone numbers) |
| Semiconductors | DRAM | 42.2 | 41.0 | 36.2 | Global market shares according to iSuppli (based on sales amount) |
| Display Panels | Display Panels | 26.1 | 25.4 | 20.4 | Global market shares according to Display Search (based on sales amount of large models) |

## Creating Economic Value

Samsung Electronics created the following economic value in 2013.

**Summary of Economic Value created by Samsung** Unit: KRW 1T

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Sales | 165.0 | 201.1 | 228.7 |
| Other Profit* | 11.0 | 10.4 | 10.9 |
| Other Cost** | (8.6) | (8.7) | (8.4) |
| Depreciation Costs*** | (13.6) | (15.6) | (16.4) |
| Economic Value Created**** | 153.8 | 187.2 | 214.8 |

* 'Other profits' include interest, dividends, and equity profits.
** For 'other expenses,' interest expenses are excluded from financial expenses.
*** 'Depreciation costs' refer to total depreciation expenses and repayment expenses on intangible assets that are included in administrative expenses.
**** 'Economic value created' refers to the sum of operating and non-operating income minus expenses that are not distributed to internal and external stakeholders.
※ Figures for 2011 and 2012 have been adjusted according to new calculation standards.

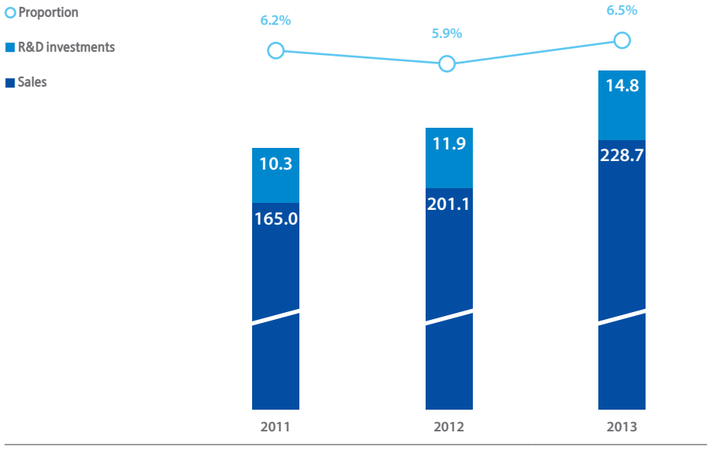
## Investments in R&D and Production Facilities

Samsung Electronics invested KRW 14.8 trillion, or 6.5 percent of its sales, in R&D to continuously launch creative and innovative products and develop future technologies in 2013. As a result of such considerable investments, Samsung Electronics has been able to secure original, next-generation technologies.

R&D Investments
KRW **14.8** trillion

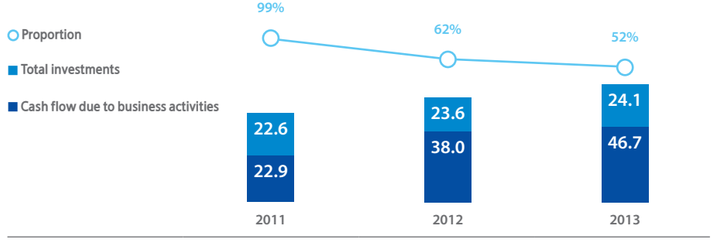
**6.5%** of sales

**R&D Investments** Unit: KRW 1T




As semiconductor and display panel production are capital-intensive operations, Samsung Electronics places importance on making timely investments for the future. In 2013, the company invested KRW 24.1 trillion in assets, including the improvement of production line performance.

**Facility Investments** Unit: KRW 1T




※Investment for intangible assets has been calculated based on cash flow.

Total Economic Value Distributed to Stakeholders
KRW **214.8** trillion

## Distribution of Direct Economic Value

In line with the company's belief in shared prosperity, the economic benefits of Samsung Electronics' operations directly filter through to its stakeholders, as evidenced below:

**Economic Value Distribution** Unit: KRW 1T

| | Items | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| Employees | Labor Costs* | 14.5 | 16.9 | 21.4 |
| Government | Taxes & Dues** | 4.2 | 7.0 | 9.0 |
| Suppliers | Purchase cost*** | 120.5 | 138.7 | 152.9 |
| Local Community | CSR**** | 0.3 | 0.2 | 0.5 |
| Creditors | Interest Expenses | 0.6 | 0.6 | 0.5 |
| Shareholders | Dividends/ Net Buy-back | 0.8 | 1.2 | 2.2 |
| Retained | Earnings | 12.9 | 22.6 | 28.3 |
| Distributed Economic Value | | 153.8 | 187.2 | 214.8 |

* The total sum of salaries, severance payments and fringe benefits included in the cost of sales, R&D costs, and administrative expenses.
** The total sum of consolidated corporate taxes paid, other taxes, and dues calculated on an accrual basis.
*** The total sum of social contribution expenses paid including donations and other expense accounts.
**** The total amount of economic value created.

Personnel Expenses

KRW 21.4 trillion

## Employees

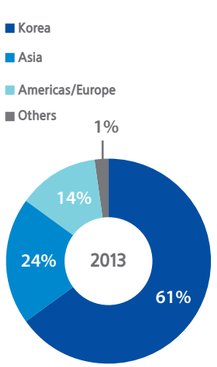
Economic value distributed to Samsung Electronics and subsidiary company employees consists of salaries, retirement settlement packages, and employee benefit expenses. Personnel expenses increased by 26.6 percent from 2012 to 2013.

**Samsung Electronics Consolidated Personnel Expenses** Unit: KRW 1T

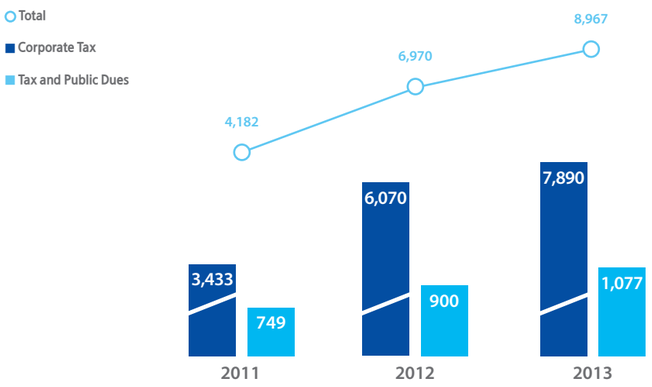
## Government

Taxes and dues paid to governments by Samsung Electronics and its subsidiaries in 2013 increased by 28.6 percent from 2012. Samsung Electronics paid 61 percent of its total taxes and dues to the Korean government, home of its corporate headquarters. The outstanding amount was paid to the governments in Asia, which houses many Samsung manufacturing plants, America, and Europe, where Samsung Electronics' sales subsidiaries are located.

2013 Taxes and Dues by Region




**Regional Taxes and Dues Paid by Samsung Electronics** Unit: KRW 1B




## Local Communities

In 2013, Samsung Electronics and its subsidiaries donated KRW 536.3 billion to local communities.

**Samsung Electronics Contributions to Local Communities** Unit: KRW 1B

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Korea | 259 | 186 | 422 |
| Overseas | 35 | 59 | 114 |
| Total | 294 | 245 | 536 |

## Creditors

Interest paid by Samsung Electronics and its subsidiaries decreased slightly in 2013. Interest returns increased by KRW 506.2 billion in 2013 compared to 2012.

**Samsung Electronics Interest Revenues, Interest Expenses and Net Interest Expenses** Unit: KRW 1B

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Interest Revenues | 706 | 845 | 1,352 |
| Interest Expenses | 644 | 599 | 510 |
| Net Interest Expenses | (62) | (246) | (842) |

## Shareholders/Investors

Dividends paid by Samsung Electronics and its subsidiaries increased in 2013 due to the increase of dividend yield. There was no buy-back in 2013.

Dividend

KRW 2.2 trillion

**Samsung Electronics' Consolidated Dividends, Pay-out Ratio and Buy-back** Unit: KRW 1B

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Net Buy-back | - | - | - |
| Dividend | 827 | 1,207 | 2,157 |
| Total Pay-out Ratio(*) | 6.2% | 5.2% | 7.2% |

* The Total Pay-out Ratio is the rate of cash distributed to shareholders or investors in the form of dividends (or net buy back) from net profit during the given term (dominant firm's equity ownership).

# Transparent Management

### Strengthening Policy Measures for Compliance Management

Samsung Electronics makes concerted efforts to fulfill its roles and responsibilities as a global citizen. The company's core values and rigorous code of conduct are at the heart of every decision it makes. Decisions are guided by a moral compass combined with ethical and lawful compliance with regulations and standards to ensure fairness and transparency. As part of these efforts, the company has steadily increased the number of staff to manage and support compliance management in business divisions and overseas subsidiaries.

**Number of Compliance professionals** Unit : Persons

### Raising Internal Awareness of Compliance

Every year, Samsung Electronics offers compliance training for all employees - both in Korea and around the world - to help them better understand the company's intent for compliance and law-abiding spirit. In 2013, the company conducted basic compliance training for all of its employees, while offering customized, in-depth training for different business fields and positions.

**Expanding the Curriculum and Participants** Unit : Persons

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Number of Compliance Training Participants | 186,391 | 220,713 | 222,224 |

Number of Trainees
**294,835**

### Corruption Prevention Training

To establish an ethical, transparent corporate culture, Samsung Electronics conducts corruption prevention training tailored to different job levels, positions, and business fields at least once a year. The trainings offer employees virtual experience in addressing different scenarios or situations, and helps to deepen their understanding of the need for corporate integrity and equip them take appropriate countermeasures. The company also offers a wide range of collective, online and audiovisual training programs.

**Corruption Prevention Training** Unit : Persons

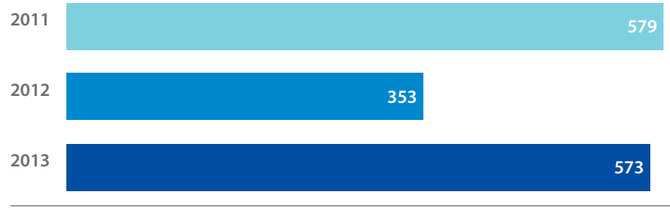
Samsung Electronics posts corruption prevention "Guidelines for Staff and Executives" on the company intranet and "Guidelines for Partners" on its major portal sites, which are frequently visited by partner companies.

### Ethical Management Website

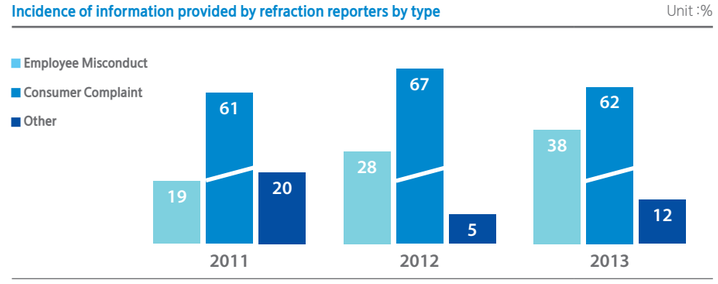
Samsung Electronics manages a website that offers information on ethical business management and provides an external reporting mechanism since 2002. The website operates in 14 languages, including English, Japanese, Chinese, and Spanish, and it is available in 69 locations around the world. The dedicated reporting system (http://sec-audit.com) allows internal and external stakeholders to report anonymously unethical business conducted by Samsung Electronics employees. Information submitted is reviewed and classified into different categories for action. After careful review of each reported case to verify its credibility, Samsung Electronics takes action to resolve verified cases involving employee misconduct or consumer complaint. According to data collected from the website, 62 percent of the 1,505 reports made in the past three years consisted of consumer complaints and 38 percent were related to unethical conduct. For verified cases of unethical conduct, the company takes disciplinary action against the employees involved.

Number of Reports Submitted in the Past Three years
**1,505**

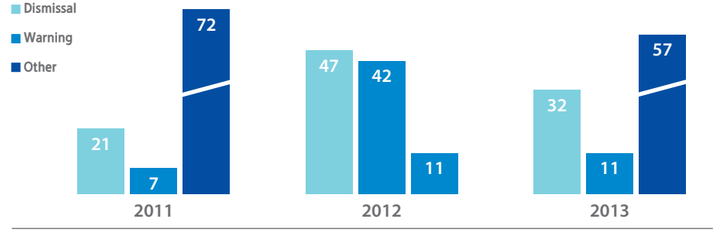
**Number of Reports on Unethical Business Conduct Submitted in the Past Three Years** Unit : Cases




**Incidence of information provided by refraction reporters by type** Unit :%




**Consequences of Misconduct** Unit :%



# Talent Management

## Human Resources

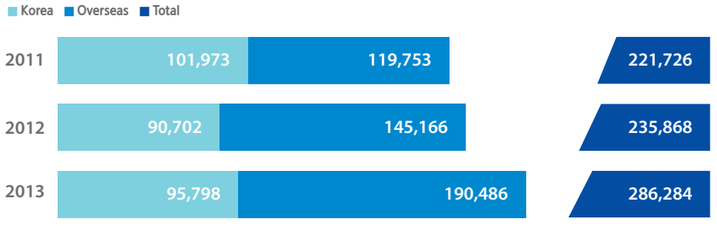
In 2013, Samsung Electronics hired 97,937 new employees outside of its Korean headquarters - largely at its global production subsidiaries in Asia - to meet the increasing global demand for its mobile devices.

**Total Number of Employees**

**286,284**

### Number of Employees (Korea)

Unit: persons




*Decrease in the number of employees in Korea due to separation of LCD business.

**Employees by Region (2013)**

### Employees by Region

Unit: persons

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Korea | 101,973 | 90,702 | 95,798 |
| North America | 12,255 | 9,387 | 11,072 |
| Europe | 10,692 | 11,362 | 13,627 |
| China | 41,203 | 45,660 | 60,316 |
| Southeast Asia | 29,162 | 41,358 | 57,412 |
| Southwest Asia | 11,528 | 15,066 | 21,187 |
| CIS | 3,158 | 3,956 | 4,735 |
| Middle East | 1,154 | 1,529 | 2,612 |
| Africa | 534 | 635 | 862 |
| Latin America | 9,276 | 15,307 | 17,661 |
| Japan | 791 | 906 | 1,002 |

### Employees by Contract Type

Unit: persons

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Regular | 210,070 | 223,408 | 275,133 |
| Temporary Contract | 11,656 | 12,460 | 11,151 |

### Employees by Age

Unit: persons

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Under 20 | 22,009 | 23,027 | 22,109 |
| 20s | 102,632 | 106,371 | 142,064 |
| 30s | 70,531 | 76,494 | 87,134 |
| 40+ | 26,554 | 29,976 | 34,977 |

* Figures for 2011 and 2012 have been adjusted according to new calculation standards.

### Employees by Rank

Unit: persons

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Associates | 181,793 | 192,188 | 236,777 |
| Managers | 38,786 | 42,422 | 48,078 |
| Executives | 1,147 | 1,258 | 1,429 |

* Figures for 2011 and 2012 were adjusted due to a change in calculation standards.

### Employees by Job Function

Unit: persons

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Product Development | 55,320 | 60,495 | 69,230 |
| Production | 122,576 | 127,284 | 159,488 |
| Sales | 20,681 | 24,340 | 29,794 |
| Others | 23,149 | 23,749 | 27,772 |

**Number of R&D Personnel with Doctorate Degrees**

**5,77**

## Software Personnel

Samsung Electronics is expanding its software engineers and actively enhancing its software business to create a total ecosystem around products that deliver great hardware, content, and applications.

### S/W Personnel (Korea)

Unit: persons

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Korea | 18,493 | 18,574 | 20,097 |
| Overseas | 9,396 | 14,875 | 20,409 |
| Total | 27,889 | 33,449 | 40,506 |

**Newly Recruited Employees outside of Korea (2013)**

**97,937**

## Overseas Employment

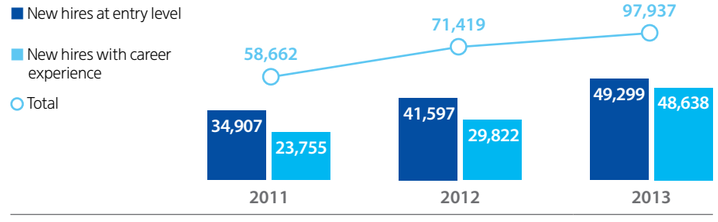
### Employment by Region

Unit: persons

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| North America | 5,177 | 1,920 | 3,015 |
| Europe | 2,486 | 3,167 | 3,946 |
| China | 15,948 | 21,329 | 35,634 |
| Southeast Asia | 21,165 | 27,328 | 33,220 |
| Southwest Asia | 6,124 | 7,001 | 10,375 |
| CIS | 1,456 | 1,811 | 1,941 |
| Middle East | 407 | 615 | 1,495 |
| Africa | 299 | 264 | 401 |
| Latin America | 5,454 | 7,793 | 7,729 |
| Japan | 146 | 191 | 181 |
| Total | 58,662 | 71,419 | 97,937 |

### Employment by Experience Level

Unit: persons



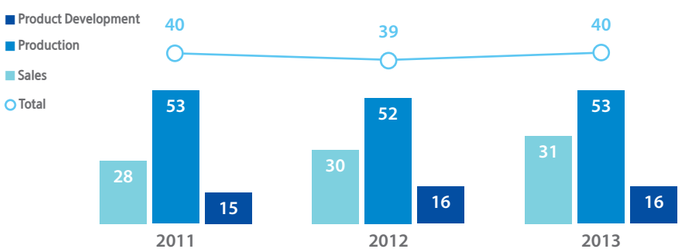
Percentage of Women Employees

**40%**

## Women Employees

### Women Employees by Job Function

Unit: %




### Women Employees by Region

Unit: %

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Korea | 31.2 | 27.1 | 26.8 |
| North America | 30.3 | 27.5 | 27.1 |
| Europe | 36.2 | 32.7 | 32.2 |
| China | 55.0 | 49.2 | 48.9 |
| Southeast Asia | 36.9 | 66.2 | 67.9 |
| Southwest Asia | 11.5 | 14.1 | 12.5 |
| CIS | 35.8 | 34.2 | 34.0 |
| Middle East | 24.6 | 24.1 | 18.6 |
| Africa | 34.5 | 32.0 | 31.2 |
| Latin America | 42.9 | 43.8 | 44.0 |
| Japan | 15.2 | 15.3 | 14.7 |

Percentage of Women Executives

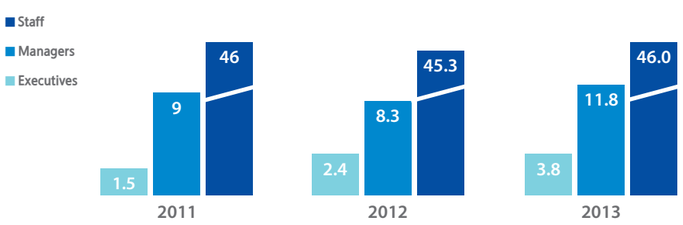
**3.8%**

### Women Employees by Rank

Samsung Electronics upholds policies that ensure responsible hiring and prevent gender discrimination. The company understands that retaining top talent is important to its continued success. In 2011, Samsung Electronics announced that it would increase the number of women executives to 10 percent by 2020 against 1.5 percent in 2013. By the end of 2013, women accounted for 3.8 percent of the total number of executives, a 1.4 percent increase from 2012. Overall, Samsung employs more than 94,000 women - 40 percent of the company's total workforce.

### Women Employees by Rank

Unit: %




College-educated Women Recruits (Korea)

**30%**

### Employment of College-educated Women

In 2013, Samsung Electronics' percentage of women in college graduate recruitment rose to 30 percent, and the company is continually working to recruit these prospective employees.

### Women Employment by Education

Unit: % & persons

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| College-educated Women Recruits (Korea, %) | 27 | 29 | 30 |
| Number of Total Women Recruits Overseas (persons) | 31,864 | 33,380 | 46,415 |

Returning Rate from Maternity Leave

**92%**

### Support for Working Parents

Samsung Electronics allows all employees flexible working hours, and in order to help working moms, it also provides telecommuting and home office options, in addition to on-site daycare for the children of working parents. Samsung Electronics also provides female employees with children mentoring programs to help maximize their performance at both work and home.

### Support for Working Parents (Korea)

Unit: % & persons

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Employees on Maternity Leave | 2,939 | 3,323 | 3,294 |
| Females who quit within a year of maternity leave | 82 | 67 | 75 |
| % of females coming back to work after maternity leave | 85.6 | 89.3 | 92 |
| Children in SEC daycare centers (number of centers) | 1,239 (7 places) | 1,434 (10 places) | 2,431 (12 places) |

* Figures for 2011 and 2012 have been adjusted according to new calculation standards.

Number of Employees with Disabilities

**1,529**

### Employing People with Disabilities

Samsung Electronics believes in hiring individuals regardless of disability and strives to provide a healthy and safe working environment for all. In 2011, Samsung Electronics was the first company in Korea to engage in open recruitment for people with disabilities, offering work experience opportunities through the company's 'Stepping Stone Internship' program. Through various hiring activities, the number of employees with disabilities at Samsung increased 1.6-fold to 1,377 in 2013 (in Korea) compared to 838 in 2010.

### Employees with Disabilities (Korea)

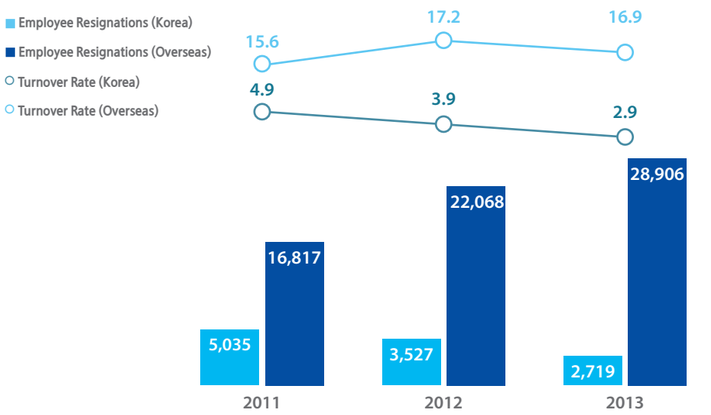
Unit: % & persons

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| New recruits of employees with disabilities | 1,352 | 1,350 | 1,529 |
| Total number of employees with disabilities | 1.34 | 1.49 | 1.60 |

* A person with severe disabilities is considered equivalent to two persons with disabilities (according to Employment Promotion and Vocational Rehabilitation of Disabled Persons Act).

## Minimizing Associate Turnover

**Turnover** Unit: % & persons




## Professional Development

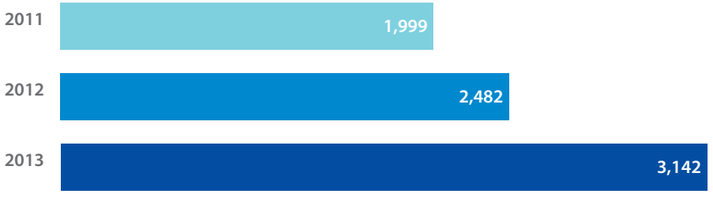
Training Expenditures
KRW 123.9 billion

**Training Expenditures (Korea)**

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Training Expenditures (KRW Billion) | 1,144 | 1,174 | 1,239 |
| Training Expenditures per person (KRW 1) | 1,123,595 | 1,294,349 | 1,357,531 |
| Ratio of Training Expenditures to Sales | 0.07% | 0.06% | 0.05% |
| Ratio of Training Expenditures to Payroll Costs | 0.8% | 0.7% | 0.8% |
| Number of Training Days per person | 14.1 | 15.0 | 13.4 |

## Expenditure for Employee Benefits

**Expenditure for Employee Benefits** Unit : KRW 1B




* The figures for 2011 has been adjusteed according to new accounting standards.





# Social Contributions

CSR Investments
KRW 536.3 Billion

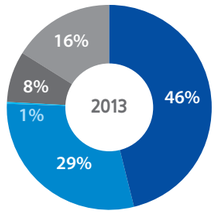
## CSR Investments

In 2013, Samsung Electronics expanded and tailored its CSR programs to match local needs. The company invested KRW 114.4 billion in activities outside Korea, a 93 percent increase from 2012.

**CSR Expenses** Unit: KRW 1 M

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Partnership Fund | 100,600 | 600 | 6,194 |
| Social Causes | 95,775 | 86,108 | 215,360 |
| International Exchanges | 34,889 | 59,214 | 114,456 |
| Culture & Arts | 30,139 | 51,443 | 44,735 |
| Academic Exchanges | 27,812 | 45,002 | 153,682 |
| Environment & Health | 3,344 | 653 | 70 |
| Sports | 1,135 | 2,334 | 1,841 |
| Total | 293,694 | 245,354 | 536,338 |

**Global CSR Investment by Issue Category (KRW 1M)**




| | |
|---|---|
| Education | 52,951 |
| Employment & Community | 33,800 |
| Environment | 287 |
| Healthcare | 9,196 |
| Others | 18,222 |
| Total Global Investment | 114,456 |

## Global CSR Program Investment

Samsung Electronics contributed KRW 32.8 billion to operate 383 Smart Schools, one of its leading CSR programs in the education sector. The company contributed KRW 6.5 billion to run 23 Tech Institutes, vocational support programs for youth. The Solve for Tomorrow program was administered in the U.S. and China with an investment of KRW 11.7 billion, while the Care Drive program was supported in China, the CIS, and Africa with an investment of KRW 6.7 billion. The Nanum Village program was offered in Africa and Latin America with an investment of KRW 4.4 billion.

Unit: KRW 1 M, Persons

| | 2013 Investment | 2013 Beneficiary |
|---|---|---|
| Smart School | 32,799 | 212,708 |
| Tech Institute | 6,517 | 7,484 |
| Solve for Tomorrow | 11,755 | 29,255 |
| Care Drive | 6,733 | 13,510 |
| Nanum Village | 4,414 | 5,500 |
| Other | 52,238 | 165,547 |
| Total | 114,456 | 434,014 |

## Employee Volunteerism

Samsung Electronics is committed to spreading a culture of sharing and giving back to the community by increasing opportunities for employees to volunteer their time and talents. In 2013, 282,840 employees donated a total of 1,063,835 hours, an increase of 33 percent and 24 percent, respectively, from 2012.

Average Volunteer Hours per Employee
11.5 hours

**Employee Volunteerism (Korea)**

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Total Volunteer Hours | 990,243 | 857,672 | 1,063,835 |
| Total Employee Volunteers | 288,568 | 212,209 | 282,840 |
| Volunteer Hours per Employee | 9.7 | 9.5 | 11.1 |
| Number of Volunteer Groups | 1,248 | 1,419 | 956 |

# Shared Growth with Suppliers

## Supplier Training

To continue to strengthen partnerships with its suppliers, Samsung Electronics established the Mutual Growth Academy in July 2013, which provides systematic and professional training support for supplier employees. As a part of the Mutual Growth Academy, Samsung Electronics launched leadership and global education programs, in addition to existing manufacturing and production technology programs. In an effort to enhance its suppliers' competitiveness, Samsung Electronics also significantly expanded training programs on specialized technologies.

Total Number of Supplier Trainees

**7,980** Persons

**Training Services for Supplier Employees** Unit: persons

| | | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| Korea | Management | 3,963 | 4,380 | 5,420 |
| | Technology | 161 | 99 | 2,383 |
| Overseas | Operation Management | 597 | 377 | 93 |
| | Innovative Techniques | 330 | 196 | 34 |
| | Professional Techniques | 228 | 209 | 50 |
| Total Number of Trainees | | 5,279 | 5,261 | 7,980 |

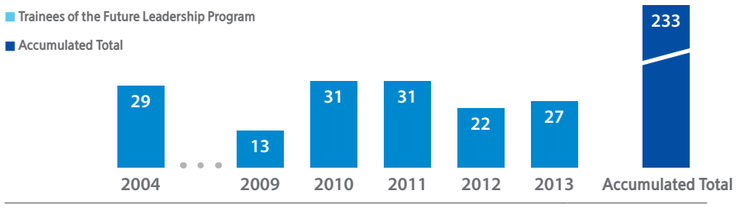
## The Future Leadership Program

Launched in 2004 for partnering companies, the Future Leadership Program consists of hands-on training in a number of Samsung Electronics divisions and visits to the company's overseas subsidiaries. The program provides an invaluable opportunity to train future leaders while promoting future operational excellence among its key suppliers.

The Future Leadership Program Trainees

**233** people

**The Future Leadership Training Program** Unit: persons




## VOC

Processing Rate of Voice of Customer (VOC) Claims

**100** %

**VOC Processing Rate** Unit: % & cases

| | | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| VOC Received (cases) | Korea | 596 | 606 | 738 |
| | Overseas | 117 | 6 | 41 |
| VOC Processing Rate (%) | | 100 | 100 | 100 |

## Open Innovation

The Open Innovation program, launched in 2011, offers new small and medium enterprises the opportunity to to become partners of Samsung Electronics by encouraging innovative ideas and technology development among candidate companies. In 2013, the company received nearly 1,000 applications for Open Innovation.

**Open Innovation Applications** Unit: cases

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Number of Applications | 651 | 955 | 1,275 |
| Number of Adopted Tasks | 23 | 19 | 51 |

## Supplier Compliance

Supplier CSR self-assessment

**1,598**

**Self-Audits by Suppliers** Unit: No. of Suppliers

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Korea | 793 | 647 | 315 |
| Overseas | 1,154 | 1,144 | 1,283 |
| Total | 1,947 | 1,791 | 1,598 |

**Number of Suppliers Samsung Audited** Unit: No. of Suppliers

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Korea | 3 | - | - |
| Overseas | 166 | 249 | 228 |
| Total | 169 | 249 | 228 |

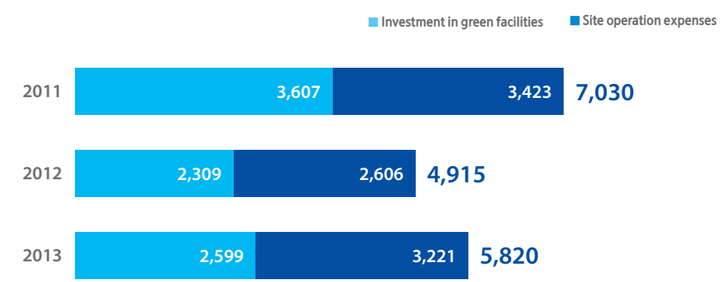
# Green Management

## Investments in Green Management

As a responsible corporate citizen, Samsung Electronics is sharply aware of the growing environmental impact associated with the sourcing, manufacturing, use, and disposal of its products. The company's Green Management philosophy, which prioritizes the future health of people and the planet and mandates environmentally responsible practices throughout Samsung's operations, drives the company's environmental sustainability initiatives.

To determine economic profitability and environmental sustainability, Samsung Electronics continuously monitors its green management investments. The company uses the information to help further reduce the environmental impact of its business activities.

**Investments in Green Management** Unit: KRW 100 M




* The 2010 and 2011 figures include those for the LCD division while those for 2012 do not as the division was separated from Samsung Electronics to become Samsung Display Co., Ltd. in 2012.

Investments in Green Management
KRW 582 billion

## Greenhouse Gases

Samsung Electronics' greenhouse gas (GHG) emissions in 2013 amounted to 2.23 tons of $CO_2$ per KRW 100 million in sales in Korea and 2.13 tons of $CO_2$ per KRW 100 million in sales outside of Korea, a 12 percent decrease in Korea and a 9 percent decrease globally since 2012. Each operation site is committed to taking reduction measures such as enhancing the energy efficiency of current production facilities and constructing new, highly efficient facilities.

Total GHG Emissions

Korea
2.23
ton of $CO_2$ / KRW 100 M

Global
2.13
ton of $CO_2$ / KRW 100 M

**GHG Emissions Intensity** Unit: ton of $CO_2$ / KRW 100 M

| | Description | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| Korea* | Goal | 4.62 | 2.87 | 2.38 |
| | Performance | 4.46 (3.13***) | 2.54 | 2.23 |
| Global** | Performance | 3.70 | 2.34 | 2.13 |

* Korea KRW-based emissions calculation formula: Total $CO_2$ emissions (1) ÷ (HQ-based sales / price index (2))
(1) Total GHG (converted into $CO_2$) emissions from manufacturing sites in Korea
(2) The Bank of Korea's PPI for the years (with the 2005 PPI being 1)
** Global KRW-based emissions formula: Total global $CO_2$ emissions ÷ (annual global sales / price index (2))
*** The figures reflect the structural reorganization, consisting of the separation of the LCD business division and incorporation of the LED division undertaken by the company in April 2012.

**GHG Emissions (Scope 1,2)** Unit: 1,000 tons of $CO_2$

| | Scope | 2011* | 2012** | 2013 |
|---|---|---|---|---|
| Korea | Scope 1 | 3,924 | 1,943 | 2,031 |
| | Scope 2 | 6,031 | 4,061 | 4,272 |
| | Total | 9,955 | 6,004 | 6,303 |
| Global | Scope 1 | 4,045 | 2,098 | 2,221 |
| | Scope 2 | 7,259 | 5,388 | 5,797 |
| | Total | 11,304 | 7,486 | 8,018 |

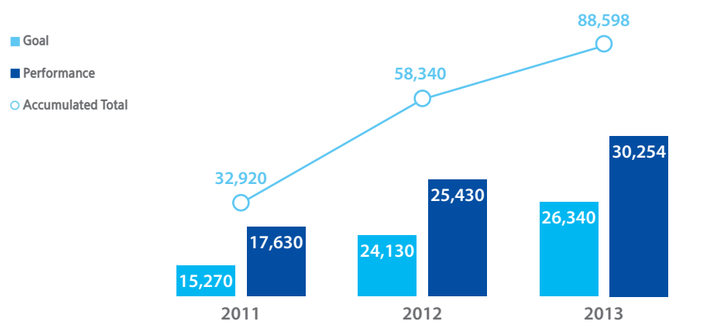
* The GHG emissions for 2009 onward were altered in June 2011 as required by the national guidelines on the GHG reduction goal management system. The changes were verified by a third-party. The recent figures therefore differ from the numbers given in earlier sustainability reports.
** The figures reflect the structural reorganization, consisting of separation of the LCD business division and incorporation of the LED division undertaken by the company in April 2012.

**Six Major GHG Emissions (Global)** Unit: 1,000 tons of $CO_2$

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| $CO_2$ | 8,378 | 5,943 | 6,394 |
| $CH_4$ | 2 | 2 | 2 |
| $N_2O$ | 220 | 278 | 254 |
| HFCs | 108 | 134 | 149 |
| PFCs | 859 | 1,015 | 1,079 |
| $SF_6$ | 1,738 | 115 | 139 |
| Total | 11,304 | 7,486 | 8,018 |

Reductions in GHG Emissions during Product Use (Accumulated Total)
30,254 K tons

**GHG Reductions at the Phase of Product Use (Global)** Unit: 1,000 tons of $CO_2$




* The calculation of the carbon reduction goal is based on the assumption of an annual increase of 10 percent in t he company's sales since 2008.
** The calculation range: all products sold worldwide (parts excluded)

## Scope 3 Emissions

**GHG Emissions from Logistics by Transportation Mode**

Unit: 1,000 tons of $CO_2$

| | | 2011 | 2012** | 2013** |
|---|---|---|---|---|
| Global | Air | 2,017 (24%) | 2,952 (29%) | 2,652 (26%) |
| | Sea | 6,320 (75%) | 7,086 (70%) | 7,455 (73%) |
| Korea | Rail/Road | 104 (1%) | 87 (1%) | 98 (1%) |
| Total Emissions | | 8,441 | 10,125 | 10,206 |

**GHG Emissions from Logistics by region (Global)**

Unit: 1,000 tons of $CO_2$

| | 2011 | 2012** | 2013** |
|---|---|---|---|
| Latin America | 1,980 | 3,942 | 3,509 |
| Europe | 1,646 | 1,626 | 1,472 |
| North America | 1,345 | 1,386 | 2,395 |
| Asia | 1,698 | 1,245 | 1,211 |
| CIS | 717 | 760 | 542 |
| Middle East | 533 | 564 | 539 |
| Africa | 406 | 468 | 410 |
| Oceania | 116 | 134 | 128 |
| Total Emissions | 8,441 | 10,125 | 10,206 |

* Final destination based statistics.

** The figures for 2012 reflect the structural reorganization, consisting of separation of the LCD business division and incorporation of the LED division, undertaken by the company in April 2012.

**Emissions from Employees' Business Trips (Korea)**

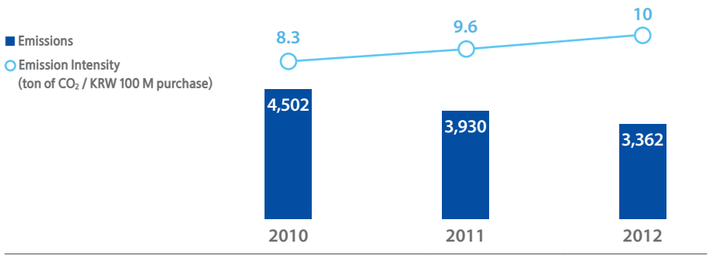
Unit: tons of $CO_2$

| | 2011 | 2012* | 2013* |
|---|---|---|---|
| Airplane | 105,520 | 120,621 | 123,137 |
| Car | 5,849 | 6,219 | 6,268 |
| Taxi | 529 | 513 | 530 |
| Train | 411 | 415 | 456 |
| Bus | 288 | 274 | 278 |
| Total Emissions | 112,597 | 128,042 | 130,669 |

* The figures for 2012 reflect the structural reorganization, consisting of separation of the LCD business division and incorporation of the LED division, undertaken by the company in April 2012.

**Suppliers' Emissions**

Unit: 1,000 tons of $CO_2$




* Suppliers' GHG emissions in 2012 will be made available in the second half of 2013.

* The scope of the supplier survey has been changed as follows: 40% in 2009, 63% in 2010, and 65% in 2011 in terms of global purchase volume.



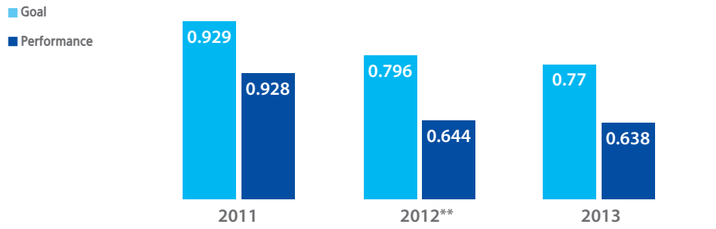
## On-site Energy Management

Samsung Electronics has been focused on decreasing the energy cost rate by 2.5 percent each year since 2009 to meet its final target of 0.77 percent by 2013. In 2013, Samsung Electronics exceeded its annual target. The company continues to conserve energy and work toward its long-term goal by optimizing operations, introducing highly efficient facilities, and recovering waste heat.

Energy Cost Rate (Korea)
**0.638%**

**Energy Cost Rate (Korea)***

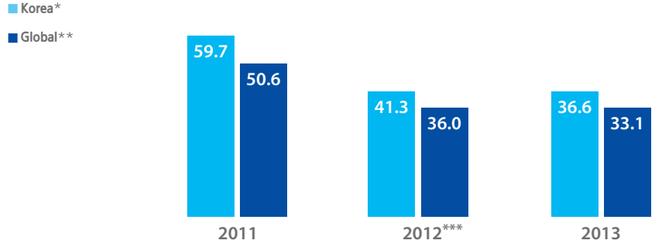
Unit: %




* Energy Cost Ratio(%) = Operation site energy costs in Korea / HQ turnover*100

** The figures for 2012 reflect the structural reorganization, consisting of separation of the LCD business division and in corporation of the LED division, undertaken by the company in April 2012.

**Energy Intensity**




* KRW-based energy conversion formula: Energy consumption(1) ÷ (HQ-based turnover / price index(2))

(1) Total energy (GJ) consumption

(2) Total energy (GJ) consumption

** KRW-based global energy conversion formula: total global energy consumption ÷ (global integrated sales / price index(2))

*** The figures for 2012 reflect the structural reorganization, consisting of separation of the LCD business division and incorporation of the LED division, undertaken by the company in April 2012.

**Electricity and LNG Consumption**

| | Description | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| Korea | Electricity(Gwh) | 12,925 | 8,697 | 9,149 |
| | LNG(1MNm³) | 197 | 172 | 186 |
| Global | Electricity(Gwh) | 15,047 | 10,926 | 11,818 |
| | LNG(1MNm³) | 237 | 217 | 233 |

## Accomplishments in Eco-Product Development

In 2013, Samsung Electronics raised its Eco-Product development ratio to 100 percent and improved its product efficiency by 42 percent on average, compared to 2008. These accomplishments can be attributed, in part, to the company's 2009 implementation of a comprehensive Eco-Product rating system and continued promotion of the development of low-carbon products.

Samsung Electronics receives a number of major eco-marks and carbon-labels for its outstanding accomplishments to improve electronic product energy efficiency. As a result of its unique eco-management initiatives, Samsung Electronics has an unparalleled competitive edge in various markets.

Good Eco Product Rate

**100%**

Good Eco Device Rate

**100%**

**Eco-Product Development Rate** Unit: %

| KPI | Description | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| Good Eco Product Rate | Goal | 96 | 97 | 100 |
| | Performance | 97 | 99 | 100 |
| Good Eco Device Rate | Goal | 80 | 85 | 100 |
| | Performance | 85 | 88 | 100 |

**Product Energy Consumption Improvement Rate** Unit: %

| KPI | Description | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| Product Energy Consumption Improvement Rate | Goal | 24 | 31 | 40 |
| | Performance | 26 | 31 | 42 |

* Product Energy Consumption Improvement Rate indicates the average energy efficiency compared to its improvement rate, which is applicable to eight major products of 2008.

## Green Procurement

Samsung Electronics was one of the first companies to sign the Voluntary Agreement on Green Purchasing with the Korean Ministry of the Environment in 2005. As a company that declares itself a green producer, Samsung Electronics remains committed to green production practices. Samsung Electronics has also established the 'hazardous substance management procedure' to ensure that it always purchases parts and materials that are ecologically certified, assured by its eco-product certification system for suppliers.

**Green Procurement in Korea** Unit: KRW 1 M

| | 2011 | | 2012 | | 2013 | |
|---|---|---|---|---|---|---|
| | No. of Items | Amount | No. of Items | Amount | No. of Items | Amount |
| Parts with Reduced Hazardous Substances | Many | 75,115,246 | Many | 77,671,452 | Many | 77,677,131 |
| Green Products (Environmental certification, GR certification, etc) | 445 | 38,590 | 362 | 55,733 | 877 | 66,109 |
| Total | Many | 75,153,836 | Many | 77,727,185 | Many | 77,743,240 |

## Accomplishments in Global Take Back & Recycling

In 2013, Samsung Electronics collected and recycled about 355,000 tons of electronic waste.

Recycling Amount (Global)

**354,599 tons**

**Global Take Back & Recycling Quantity** Unit: tons

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Europe | 245,838 | 230,492 | 241,260 |
| Asia | 54,233 | 53,089 | 67,100 |
| North America | 39,347 | 41,964 | 46,239 |
| Total | 339,418 | 325,545 | 354,599 |

**Recycling Statistics (Korea)** Unit: tons

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Products | 51,940 | 49,677 | 58,447 |
| Packaging | 5,045 | 4,993 | 4,984 |

**Recycling Statistics by Product (Korea)** Unit: tons

| | Refrigerators | Washing Machines | Displays | Others | Total |
|---|---|---|---|---|---|
| Recycling Quantity | 25,510 | 10,790 | 16,219 | 5,928 | 58,447 |

**Reutillization of Resources (Korea)** Unit: tons

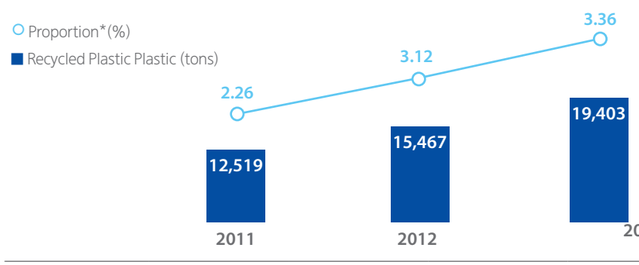
| Recycled Resources | Scrap | Non-ferrous | Synthetic resins | Glass | Waste | Others | Total |
|---|---|---|---|---|---|---|---|
| Quantity | 19,005 | 6,889 | 12,850 | 9,677 | 4,162 | 5,864 | 58,447 |

### Recycled Plastic and Carbon Footprint Labeling

Samsung Electronics is planning to increase the proportion of recycled plastic in its total use of resin to 5 percent by 2015 to promote more aggressive reuse of recycled material and resource efficiency.

In addition, the use of recycled plastic has recently been expanded to the company's overseas operation sites. Recycled plastic is typically used for refrigerators, washing machines, air conditioners, and vacuum cleaners, but Samsung Electronics started using it in mobile phones and monitors as well.

**Recycled Plastic**




* Proportion' means the ratio of recycled plastic in the total quantity of resin used.

### Global Eco-Product Certification

Samsung Electronics received certification from the world's top-10 environmental certification organizations for 3,285 of its product models in 2013. This is the highest number for any company in the global electronics industry.

Global Eco-Product Certification
**3,285** Cases

**Global Environmental Certification Marks Received** as of the end of 2013

| Region/ Country/ Group | Korea | China | USA | EU | Germany | Total |
|---|---|---|---|---|---|---|
| 2013 | 699 | 1,056 | 372 | 562 | 116 | 3,285 |
| | Sweden | Northern Europe | Canada | Taiwan | UL/CSA/Nemko | |
| | 293 | 101 | 59 | 4 | 13/4/6 | |

### Carbon Footprint Labeling

#### Certification in Korea

Samsung Electronics proactively participates in KEITI's carbon labeling schemes and receives certification for 40 models in eight product groups including mobile phones, monitors, PCs, and air conditioners, and parts like LED and semiconductor memories. In February 2014, the company's two air purifier models received the Low Carbon Product Certification for the first time in the industry. The air purifiers reduce carbon emissions by up to 32 percent by optimizing the air passage structure to enhance energy efficiency.

#### Global Certification

In 2012, Samsung Electronics received a Carbon Footprint label from the Carbon Trust of the U.K. for its Galaxy S2 and Galaxy Note 2 for the first time in the mobile industry. To date, the company has received a certification from the Carbon Trust for seven products including the Galaxy Camera and Galaxy S4.

### Green Certification in Korea

The Korea Institute for Advancement of Technology and MOTIE award Green Certification to eco-technologies and eco-business that have contributed to energy and resource conservation and GHG emissions reduction. It is one of the Korean government's key initiatives for low carbon, green growth.

Samsung Electronics received 31 green technology certificates for product energy efficiency improvement, resource conservation and protection of the natural environment in 2013.

녹색인증 Green Certification

### Environmental Health & Safety (EHS) Certification

All of Samsung Electronics' global operation sites have received certification from international EHS management systems such as ISO 14001 and OHSAS 18001. Samsung Electronics maintains its world-class EHS certification by fulfilling all requirements for post-evaluations and re-certification audits. In 2013, Samsung Electronics received the ISO 50001 certification for its energy management systems at all of its operation sites.

ISO 14001, OHSAS 18001, ISO 50001 Certification
**100**%

**EHS Certification Status**

| | Description | Site | Rate (%) |
|---|---|---|---|
| Korea | ISO 14001 | 6 | 100 |
| | OHSAS 18001 | 6 | 100 |
| | ISO 50001 | 6 | 100 |
| Global* | ISO 14001 | 34 | 100 |
| | OHSAS 18001 | 34 | 100 |
| | ISO 50001** | 34 | 100 |

* Excluding manufacturing facilities currently being constructed.
** ISO50001 for China refers to DoC(Declaration of Conformance)

### Operation Site Environmental Management

Samsung Electronics remains focused on activities and investments to preserve water resources, conserve the ecosystem, prevent depletion of natural resources, and expand resource recycling. The company also has pollutant and chemicals management systems to comply with legal standards.

## Water Resource Management

Despite the rising demand for water due to the increase in production volumes and the number of employees, Samsung Electronics achieved a 2 percent reduction in water usage compared to 2012. The company achieved this reduction through a wide range of activities, including minimizing the water usage required to produce pure water and to install a waste water re-treatment system.

Although the pure water recycling rate shows downward trends due to increasingly sophisticated semiconductor processes, the company's water recycling rate rose by 4.6 percent since 2012 by reusing waste water and sewage. Samsung Electronics seeks to achieve a water-usage rate of 50 tons per KRW 100 million - in terms of water consumption intensity relative to sales - by 2015.

Water Consumption (Global)

**68,681** K tons

### Water Withdrawal

Unit: 1,000 tons

| | Category | 2011* | 2012 | 2013 |
|---|---|---|---|---|
| Korea | Industrial Water | 103,562 | 49,003 | 47,765 |
| | Municipal Water | 5,834 | 6,014 | 6,080 |
| | Groundwater | 205 | 235 | 232 |
| | Total | 109,601 | 55,252 | 54,077 |
| Global | Industrial Water | 103,562 | 49,003 | 47,765 |
| | Municipal Water | 17,325 | 18,806 | 19,847 |
| | Groundwater | 780 | 827 | 1,069 |
| | Total | 121,667 | 68,636 | 68,681 |
| Consumption intensity (tons/KRW 100 M) | Korea | 91 | 39 | 34 |
| | Global | 74 | 41 | 35 |

* The figures include those for the LCD Division (The LCD division was separated from Samsung Electronics in 2012)

### Waste Water Generation

| | Category | 2011* | 2012** | 2013 |
|---|---|---|---|---|
| generation (Unit: 1,000 tons) | Korea | 97,370 | 46,051 | 44,113 |
| | Global | 102,906 | 55,150 | 54,257 |
| Wastewater intensity (tons/100 M) | Korea | 81 | 33 | 28 |
| | Global | 62 | 33 | 27 |

* The figures include those for the LCD Division.

** The figures reflect a change for waste water calculation standard change.

### Water Recycling

| | | Recycled Water | | Recycled Ultra-Pure Water | | |
|---|---|---|---|---|---|---|
| | | Recycled Quantity (Unit : 1,000 tons) | Recycling Rate (%) | Supply Quantity (Unit : 1,000 tons) | Recovery Quantity (Unit : 1,000 tons) | Recovery Rate (%) |
| Korea | 2013 | 34,571 | 63.9 | 27,357 | 12,525 | 45.8 |
| | 2012* | 34,225 | 61.9 | 29,226 | 13,917 | 47.6 |
| | 2011 | 81,863 | 74.7 | 117,321 | 59,289 | 50.5 |
| Global | 2013 | 45,262 | 65.9 | 41,143 | 20,932 | 50.9 |
| | 2012* | 42,104 | 61.3 | 40,988 | 21,510 | 52.5 |
| | 2011 | 90,068 | 74.0 | 128,554 | 66,676 | 51.9 |

* The figures include those for the LCD Division.

## Waste Management

Samsung Electronics' goal is to recycle 100 percent of all waste generated by its operation sites by continuously increasing the types of waste recycled. To prevent illegal processing and illegal shipping of waste over national borders, Samsung Electronics regularly visits waste processing companies to monitor their compliance with regulations and the company's standards.

Samsung Electronics replaced internal energy recycling facilities in 2013 to help improve efficiency. During replacements, the waste volume temporarily increased since it was incinerated externally during construction. With the completion of the new facilities, the company achieved a waste recycling rate of 92 percent in its global operation sites, a 1.7 percent drop from the previous year.

As a result of Samsung Electronics' focus on eco-conscious product design and efficient manufacturing processes, the company's landfill waste generation reduced by 2 percent compared to 2012, despite the increase in product output. Samsung Electronics aspires to achieve 0.38 tons per KRW 100 million waste generation relative to sales and a recycling rate of 95 percent by 2015.

Waste Recycling Rate (Global)

**92**%

### Generation

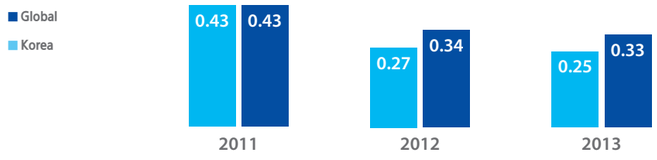
Unit: tons

| | Category | 2011* | 2012 | 2013 |
|---|---|---|---|---|
| Korea | Recycling | 490,123 | 364,588 | 374,694 |
| | Incineration | 12,255 | 9,277 | 15,626 |
| | Landfill | 22,009 | 5,899 | 3,722 |
| | Total | 524,387 | 379,764 | 394,042 |
| Global | Recycling | 645,942 | 543,233 | 601,827 |
| | Incineration | 16,786 | 16,627 | 32,340 |
| | Landfill | 49,143 | 19,614 | 19,158 |
| | Total | 711,871 | 579,474 | 653,325 |

* Performance of LCD division in 2012 is exempted from the calculation.

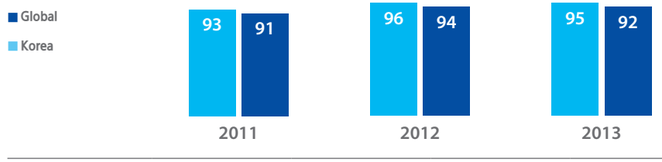
### Waste Intensity (Generation/Sales)

Unit: ton/KRW 100 M




### Recycling Rate

Unit: ton/KRW 100 M



## Pollutant Management

### Management of Air Pollutants

As the production lines expand and product volume increases, the amount of air pollutant also increases . Nevertherless, Samsung Electronics has reduced the quantity of pollutant discharge by replacing its boilers with low NOx burner boilers, installing optimal prevention facilities for new and expanded production lines, and continuously performing efficiency enhancement activities at its prevention facilities. In addition, the company has developed a system to monitor air pollutant concentrations around-the-clock, applying internal standards that are more rigorous than legal standards.

**Generation of Air Pollutants (Korea)**

Unit: tons

| | Category | 2011 | 2012* | 2013 |
|---|---|---|---|---|
| Korea | NOx | 409 | 284 | 342 |
| | SOx | 0.006 | 0.008 | Minimum amount |
| | Dust | 44 | 21 | 21 |
| | NH3 | 6 | 1 | 2 |
| | HF | 14 | 8 | 5 |

* The figures for 2012 have been adjusted according to new calculation standard.

### Ozone Depleting Substances Management

Samsung Electronics does not use chlorofluorocarbons (CFCs) that have high Ozone Depletion Potential (ODP) among the ozone depleting substances defined by the Montreal Protocol. Instead, it uses hydrochlorofluorocarbons (HCFCs) with relatively low ODP in refrigerators, cooling equipment refrigerants and cleaners in its operation sites. Samsung Electronics plans to reduce the use of HCFCs by introducing new technologies, while cutting back the use of substances with ODP and replacing them with HFCs that do not destroy the ozone layer.

### Water Pollutant Management

Samsung Electronics established a two-stage waste water processing system by installing new waste water processing facilities in 2012. The facilities help to reduce the increasing discharge of waste water and pollutants due to the increasing number of production lines. As a result, the company reduced the concentration and quantity of discharged pollutants.

**Generation of Water Contaminants**

Unit: tons

| | | Generation of Water Contaminants | | | | |
|---|---|---|---|---|---|---|
| | | COD | BOD | SS | F | Heavy metals |
| Korea | 2013 | 149 | 55 | 61 | 142 | 9.7 |
| | 2012* | 143 | 85 | 91 | 175 | 20.2 |
| | 2011 | 755 | 210 | 91 | 345 | 21.6 |
| Global | 2013 | 376 | 61 | 110 | 188 | 10.1 |
| | 2012 | 300 | 85 | 154 | 241 | 20.6 |
| | 2011 | 876 | 210 | 184 | 430 | 25.3 |

* The figures for 2012 have been adjusted according to new calculation standard.

### Management of Soil Pollutants

Samsung Electronics helps prevent soil pollution by separately storing chemicals used in production processes at impermeable storage facilities. In addition, the company processes landfill waste with legally-designated waste processing companies and regularly visits the waste sites to monitor their compliance with regulations and Samsung Electronics' standards.

### Management of Hazardous Materials

Samsung Electronics performs pre-assessments of hazardous materials based on the Material Safety Data Sheet, chemical warranty letters, and Letters of Confirmation at the procurement stage. Permitted chemicals are strictly monitored and countermeasures are in place for possible incidents. Samsung Electronics conducts regular training for workers handling these chemicals and inspects storage and handling facilities on an ongoing basis. In addition, it ensures that chemicals are used only at places equipped with safety equipment and proper protection gear, and where they are stored properly.

Although the volume of hazardous materials used increased by 13.1 percent from 2012, Samsung Electronics remains committed to preventing issues through strict control of all the processes including transportation to storage, use, and disposal. Samsung Electronics will continue to alleviate the environmental burden of these materials by replacing highly hazardous chemicals with low-hazard chemicals.

**Hazardous Materials Quantity (Korea)**

| | Total Quantity (1,000 tons) | Intensity (ton/KRW 100 M) |
|---|---|---|
| 2013 | 344 | 0.24 |
| 2012 | 304 | 0.22 |
| 2011* | 333 | 0.28 |

* The figures include those for the LCD Division.

### Legal Violations

- Samsung Electronics settled all penalties incurred due to environmental accidents in violation of the Occupational Safety and Health Act, totaling KRW 267 million. Additionally, an order was issued to Samsung Electronics with a penalty of KRW 2.2 million for its violation of the Toxic Chemicals Control Act. Samsung Electronics reported on its status regarding corrective measures taken and submitted the penalties.
- Samsung Electronics also settled KRW 176 million in penalties for non-submission of Letters of Confirmation on imported chemicals.
- Samsung Electronics paid a penalty of $550 to the Russian Ministry of Environment for exceeding water quality standards of sewage and waste water and has since fundamentally improved practices by constructing its own sewage and waste water processing plant.
- To comply with environmental safety and health-related laws and regulations, Samsung Electronics adopted more rigorous internal management standards, while conducting relevant training of its employees.

### Employees Health and Safety Management System

Samsung Electronics' highest priority is to ensure the health and safety of its employees and communities. The company considers its employees as its most important asset, and strives to create a safe and pleasant work environment for all employees. Therefore, all manufacturing plants of Samsung Electronics conduct risk assessments based on OHSAS 18001, an international occupational health and safety management system specification. Samsung Electronics conducts preliminary environmental safety assessments to minimize potential risks when introducing new facilities and conducts regular internal inspections of existing operation sites to explore risks and make relevant improvements.

Samsung Electronics also conducts regular employee training to raise awareness of health and safety standards, while offering first-aid training and an internal emergency medical service system to minimize harm in the event of an accident.

The number of occupational accidents in 2013 decreased compared to the previous year. Accidents that occurred outside working hours, such as during sports activities, accounted for 89 percent* of all incidents. As a result, Samsung Electronics conducts safety training prior to such events and is actively engaged in safety accident prevention campaigns.

**Management of Occupational Accidents**

| | | Occupational Accident Rate | | | |
|---|---|---|---|---|---|
| | | Frequency Rate of Accident** | Rate of Accident*** | Rate of National Accident | Rate of Manufacturing Accident |
| Korea | 2013 | 0.528 | 0.086 | - | - |
| | 2012 | 0.452 | 0.072 | 0.59 | 0.84 |
| | 2011 | 0.336 | 0.067 | 0.65 | 0.97 |
| Global | 2013 | 0.328 | 0.064 | - | - |
| | 2012 | 0.347 | 0.063 | | |
| | 2011 | 0.262 | 0.052 | | |

* 70 out of 79 accidents occured in Korea in 2013 are non-work related.
**Frequency rate of accident = (number of accident/annual work hours)*1,000,000
*** Accident rate = (number of the injured workers/number of workers)*100



# Appendices

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126 Independent Assurance Report
128 GRI G4 Index

# Independent Assurance Statement

**To the management of Samsung Electronics**

The Business Institute for Sustainable Development (BISD), led by the Korean Chamber of Commerce & Industry (KCCI), was commissioned as an independent assurance provider to perform the assurance engagement of the Samsung Electronics' 2014 Sustainability Report ('the report') and present its conclusion as follows.

**Purpose**

This assurance statement aims to verify whether this report contains any significant errors or prejudices and to present conclusions through an independent assurance engagement of the issues and performance regarding the sustainability management conducted at Samsung Electronics.

**Responsibility and Independence**

This report outlines the endeavors, achievements, and future plans concerning the sustainable management of Samsung Electronics in 2013 and the responsibility related to the preparation of this report lies with Samsung Electronics.

In conducting the assurance engagement of this report and presenting assurance conclusions to the board of directors, BISD has no interest in any of the business operations of Samsung Electronics that aim to generate profits other than serving as a third-party assurance provider in a bid to maintain its independence and autonomy.

**Assurance Standards and Limitations**

BISD performed the assurance engagement in consideration of the three accountability principles of AA1000AS (2008) (inclusivity, materiality, and responsiveness), principles for defining reporting quality by the Global Reporting Initiative (GRI) G4 guidelines and 7 core issues of ISO26000.
The scope of the assurance was restricted to the performances included in this report only, therefore data from previous years were excluded.

Physical inspections were made of the Headquarters, Seoul office, business sites in Suwon, Gwangju out of Samsung Electronics' business sites in Korea and online data was not included in the assurance scope. Furthermore, GHG data that has already been verified from another third-party organization were excluded from the assurance engagement.

**Major Assurance Procedures**

BISD did not participate in stakeholder activities and assured this report through the review of the interviews conducted of Samsung Electronics employees, as well as relevant documents provided by Samsung Electronics. Major assurance procedures undertaken are as follows:.

- Review the application of Samsung Electronics' internal sustainability reporting standards
- Review the data contained in the report as well as the process of gathering such data
- Review the report content, policies, and systems related to the materiality test and Material Issuess
- Conduct physical inspection and interview employees

**Opinions**

BISD performed the assurance engagement in accordance with the procedures described above and the report was modified when and if deemed necessary. BISD is not aware of any significant errors in this Report as a result of its assurance engagement.

The opinions of BISD produced as a result of its assurance engagement and in consideration of the AA1000APS accountability standards are explained below.

- Inclusivity: Does Samsung Electronics adhere to the principle of stakeholder engagement in order to ensure a responsible and strategic response in advancing sustainability management?
  - Samsung Electronics is gathering major concerns and opinions from core stakeholders like customers, employees, partners, local communities, shareholders, and investors through stakeholder communication channels.
  - BISD is not aware of any significant stakeholder groups that were omitted from the process of gathering sustainability management issues through Samsung Electronics' stakeholder communication channels.
- Materiality: Does Samsung Electronics include Material Issuess that affect stakeholders in the entire spectrum of sustainability management in this report?
  - Samsung Electronics used the materiality test process to finalize major sustainability management issues and identified major issues through a separate process of gathering opinions on expectations by stakeholder group as part of the materiality test process.
  - BISD is not aware of any significant issues that were omitted from the materiality test process.
- Responsiveness: Does Samsung Electronics appropriately respond to stakeholder issues?
  - Samsung Electronics properly responded to the issues that interest stakeholders disclosing assessment and plans for the Material Issuess selected and presented in the report.
  - BISD is not aware of any violations of the principle of responsiveness in Samsung Electronics' response to major sustainability management issues or performance that is described in this report from the perspective of materiality.

**Recommendations**

BISD presents the following recommendations within the scope that they do not affect the verification results:

- With respect to sustainability management, it is recommended to establish strategy and implement activities in order to support the comprehensive decision making of top management.
- For each criterion of sustainability aspects, it is recommended to establish the objective and the performance management criteria for the sustainability key performance indicators for continuous improvement. Communication with internal and external stakeholders is required through disclosing these activities and the results need to be reflected upon when managing objectives.
- In the report, economic performance is reviewed at a corporate level, including all domestic and overseas offices/sites and subsidiaries. However, sustainability performance review is limited to the domestic operation of Samsung Electronics and overseas manufacturing subsidiaries only. In order to ensure that the sustainability management review is comparable to the economic performance review, we recommend Samsung Electronics broaden the scope of the sustainability management subject to reporting to cover all the domestic and overseas subsidiaries.

June, 2014
President **Tae-Jin Park**

KCCI BISD

# GRI G4 Core General Standard Disclosure

| No. | Description | ISO26000 | Status | Status & Reasons for omission | Assurance | Page |
|---|---|---|---|---|---|---|
| **Strategy and Analysis** | | | | | | |
| G4-1 | Statement from the most senior decisionmaker of the organization (incl. strategy relates to sustainability, impacts of the activities in relation to the stakeholders) | 6.2 | ● | CEO Message | ● | 6~7 |
| **Organizational Profile** | | | | | | |
| G4-3 | Name of the organization | - | ● | Company Profile | ● | 8~9 |
| G4-4 | Primary brands, products, and/or services | - | ● | Company Profile | ● | 8~9 |
| G4-5 | Location of organization's headquarters | - | ● | Global Network | ● | 14~15 |
| G4-6 | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report | - | ● | Global Network | ● | 14~15 |
| G4-7 | Nature of ownership and legal form | - | ● | Company Profile | ● | 8~9 |
| G4-8 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) | - | ● | Global Network | ● | 14~15 |
| G4-9 | Scale of the reporting organization | - | ● | Global Network | ● | 14~15 |
| G4-10 | The total workforce by employment type, gender, employment contract, and region | - | ● | Talent Management | ● | 104~107 |
| G4-11 | The percentage of total employees covered by collective bargaining agreements | 6.4/6.4.3/6.4.4/6.4.5 /6.3.10 | ○ | - | ● | - |
| G4-12 | Describe the organization's supply chain | 6.6.6 | ● | Shared Growth | ● | 110~111 |
| G4-13 | Significant changes during the reporting period relating to size, structure, or ownership or its supply chain | - | ● | Company Profile | ● | 8~9 |
| G4-14 | Explanation of whether and how the precautionary approach or principle is addressed by the organization | 6.2 | ● | Environment Report_Green Management Framework | ● | ENV3~6 |
| G4-15 | List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses | 6.2 | ● | Human Resources, Conflict Minerals, Global Social Contribution: Delivering Hope Around the World | ● | 34~35, 74, 92~93 |
| G4-16 | List memberships of associations (such as industry associations) | 6.2 | ● | WBCSD, KBCSD, EICC | ● | WBCSD, KBCSD, EICC |
| **Identified Material Aspects and Boundaries** | | | | | | |
| G4-17 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures (List all entities in the consolidated financial statements) | 6.2 | ● | Consolidated Financial Statements | ● | http://www.samsung.com/sec/aboutsamsung/ir/financialinfo/highlight/highligh_year.html |
| G4-18 | Process for defining report content and the Aspect Boundaries and explain how the Reporting Principles has been implemented | - | ● | About this report, Materiality Matrix | ● | 1, 30~31 |
| G4-19 | List all the material Aspects identified in the process for defining report content | - | ● | About this report, Materiality Matrix | ● | 1, 30~31 |
| G4-20 | The Aspect Boundary within the organization: Whether the Aspect is material within the organization; The list of entities included in G4-17 for which the Aspect is or is not material; Specific limitation regarding the Aspect Boundary within the organization | - | ● | About this report, Materiality Matrix | ● | 1, 30~31 |
| G4-21 | The Aspect Boundary outside the organization: Whether the Aspect is material outside the organization; The list of entities for which the Aspect is material, relate to geographical location; Specific limitation regarding the Aspect Boundary outside the organization | - | ● | About this report, Materiality Matrix | ● | 1, 30~31 |
| G4-22 | Explanation the effect of any restatements of information provided in previous reports, and the reasons for such restatements | - | ● | Fact & Figures | ● | 96~124 |
| G4-23 | Report significant changes from previous reporting periods in the Scope and Aspect Boundaries | - | ● | Fact & Figures | ● | 96~124 |
| **Stakeholder Engagement** | | | | | | |
| G4-24 | The list of stakeholder groups engaged by the organization. | 6.2 | ● | Stakeholder Engagement | ● | 28~29 |
| G4-25 | The basis for identification and selection of stakeholders with whom to engage | 6.2 | ● | Stakeholder Engagement | ● | 28~29 |
| G4-26 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group | 6.2 | ● | Stakeholder Engagement | ● | 28~29 |
| G4-27 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting; Report the stakeholder groups that raised each of the key topics and concerns | 6.2 | ● | Stakeholder Engagement | ● | 28~29 |
| **Report Profile** | | | | | | |
| G4-28 | Reporting period (such as fiscal or calendar year) for information provided | - | ● | About this report | ● | 1 |
| G4-29 | Date of most recent previous report | - | ● | About this report | ● | 1 |
| G4-30 | Reporting cycle | - | ● | About this report | ● | 1 |
| G4-31 | Provide the contact point for questions regarding the report or its contents | - | ● | About this report, Independent Assurance Report, GRI index | ● | 1, 126~127, 128~133 |
| G4-32 | Table identifying the location of the Standard Disclosures in the report | - | ● | About this report | ● | 1 |
| G4-33 | Policy and current practice with regard to seeking external assurance for the report | - | ● | About this report, Materiality Matrix, Independent Assurance Report | ● | 1, 30~31, 126~127 |
| **Governance** | | | | | | |
| G4-34 | The governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts. | 6.2/7.4.3/7.7.5 | ● | Corporate Governance | ● | 16~17 |
| **Ethics and Integrity** | | | | | | |
| G4-56 | Describe the organization's values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics. | 4.4 | ● | Integrity Management, Samsung Electoronics Global Code of Conduct | ● | 102~103, http://sec-audit.com/kor/main.asp |

# GRI G4 Core Specific Standard Disclosure

| No. | Description | ISO26000 | Status | Status & Reasons for omission | Assurance | Page |
|---|---|---|---|---|---|---|
| **Economic** | | | | | | |
| **Economic Performance** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Business Performance | ● | 10~11 |
| G4-EC1 | Direct economic value generated and distributed | 6.8.1/6.8.2/6.8.3/ 6.8.7/6.8.9 | ● | Business Performance, Creation and Distribution of Economic Value | ● | 10~11, 96~101 |
| G4-EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change | 6.5.5 | ● | Eco Products, Water Management, Green Management | ● | 50~57, 112~124 |
| G4-EC3 | Coverage of the organization's definedbenefit plan obligations | 6.8.7 | ● | Business Performance, Creation and Distribution of Economic Value | ● | 10~11, 96~101 |
| G4-EC4 | financial assistance received from government | - | ○ | - | ● | - |
| **Market Presence** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Human Resources | ● | 35 |
| G4-EC5 | Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation | 6.3.7/6.3.10/6.4.3/6.4.4 /6.8.1/6.8.2 | ○ | Samsung Electronics complies with the local laws and regualations and pays above the local minimum wages | ● | - |
| G4-EC6 | Proportion of senior management hired from the local community at significant locations of operation | 6.4.3/6.8.1/6.8.2/ 6.8.5/6.8.7 | ◐ | Global Network, Talent Management | ● | 14~15, 104~108 |
| **Indirect Economic Impacts** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Global Social Contribution: Delivering Hope Around the World | ● | 80 |
| G4-EC7 | Development and impact of infrastructure investments and services supported | 6.3.9/6.8.1/6.8.2 /6.8.7/6.8.9 | ● | Global Social Contribution: Delivering Hope Around the World | ● | 80~93, 109 |
| G4-EC8 | Significant indirect economic impacts, including the extent of impacts | 6.3.9/6.6.6/6.6.7/6.7.8/6.8.1 /6.8.2/6.8.5/6.8.7/6.8.9 | ● | Global Social Contribution: Delivering Hope Around the World | ● | 80~93, 109 |
| **Procurement Practices** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Business Performance | ● | 10~11 |
| G4-EC9 | Proportion of spending on local suppliers at significant locations of operation | 6.4.3/6.6.6/6.8.1/6.8.2/ 6.8.7 | ◐ | Business Performance, Creation and Distribution of Economic Value | ● | 10~11, 96~101 |
| **Environmental** | | | | | | |
| **Materials** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Eco Products | ● | 50~51 |
| G4-EN1 | Materials used by weight or volume | 6.5.4 | ● | Environment Report_Eco Products, Green Management | ● | ENV28~32, 118~123 |
| G4-EN2 | Percentage of materials used that are recycled input materials | 6.5.4 | ● | Environment Report_Eco Products, Green Management | ● | ENV28~32, 118~123 |
| **Energy** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Environment Report_Climate Change | ● | ENV14~15 |
| G4-EN3 | Energy consumption within the organization | 6.5.4 | ● | Environment Report_Climate Change, Green Management | ● | ENV14~23, 112~115 |
| G4-EN4 | Energy consumption outside of the organization | 6.5.4 | ● | Environment Report_Climate Change, Green Management | ● | ENV14~23, 112~115 |
| G4-EN5 | Energy intensity | 6.5.4 | ● | Environment Report_Climate Change, Green Management | ● | ENV14~23, 112~115 |
| G4-EN6 | Reduction of energy consumption | 6.5.5 | ● | Environment Report_Climate Change, Green Management | ● | ENV14~23, 112~115 |
| G4-EN7 | Reductions in energy requirements of products and services | 6.5.4/6.5.5 | ● | Environment Report_Climate Change, Green Management | ● | ENV14~23, 112~115 |

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| **Water** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Environment Report_Climate Change | ● | ENV41~42 |
| G4-EN8 | Total water withdrawal by source | 6.5.4 | ● | Environment Report_Climate Change, Green Management, Water Management | ● | ENV41~44, 120, 54~57 |
| G4-EN9 | Water sources significantly affected by withdrawal of water | 6.5.4 | ● | Environment Report_Climate Change, Green Management, Water Management | ● | ENV41~44, 120, 54~57 |
| G4-EN10 | Percentage and total volume of water recycled and reused | 6.5.4 | ● | Environment Report_Climate Change, Green Management, Water Management | ● | ENV41~44, 120, 54~57 |
| **Biodiversity** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Environement Report_Green Communication | ● | ENV44 |
| G4-EN11 | Operational sites owned, leased, managed in, or adjacent to, protected areas, and areas of high biodiversity value outside protected areas | 6.5.6 | ● | Environement Report_Green Communication | ● | ENV44, 48 |
| G4-EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas, and areas of high biodiversity value outside protected areas | 6.5.6 | ● | Environement Report_Green Communication | ● | ENV44, 48 |
| G4-EN13 | Habitats protected or restored | 6.5.6 | ● | Environement Report_Green Communication | ● | ENV44, 48 |
| G4-EN14 | Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk | 6.5.6 | ● | Not identified | ● | - |
| **Emissions** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Environment Report_Climate Change | ● | ENV14~15 |
| G4-EN15 | Direct greenhouse gas (GHG) emissions (Scope 1) | 6.5.5 | ● | Environment Report_Climate Change, Green Management | ● | ENV17~21, 112~114 |
| G4-EN16 | Energy indirect greenhouse gas (GHG) emissions (Scope 2) | 6.5.5 | ● | Environment Report_Climate Change, Green Management | ● | ENV17~21, 112~114 |
| G4-EN17 | Other indirect greenhouse gas (GHG) emissions (Scope 3) | 6.5.5 | ● | Environment Report_Climate Change, Green Management | ● | ENV17~21, 112~114 |
| G4-EN18 | Greenhouse gas (GHG) emissions intensity | 6.5.5 | ● | Environment Report_Climate Change, Green Management | ● | ENV17~21, 112~114 |
| G4-EN19 | Reduction of greenhouse gas (GHG) emissions | 6.5.5 | ● | Environment Report_Climate Change, Green Management | ● | ENV17~21, 112~114 |
| G4-EN20 | Emissions of ozone-depleting substances (ODS) | 6.5.3/6.5.5 | ● | Environment Report_Green Operation Sites, Green Management | ● | ENV46, 122 |
| G4-EN21 | NOx, SOx, and other significant air emissions | 6.5.3 | ● | Environment Report_Green Operation Sites, Green Management | ● | ENV46, 122 |
| **Effluents and Waste** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Environment Report_Green Operation Sites | ● | ENV41~42 |
| G4-EN22 | Total water discharge by quality and destination | 6.5.3/6.5.4 | ● | Environment Report_Green Operation Sites, Green Management, Water Management | ● | ENV41~44, 120, 54~57 |
| G4-EN23 | Total weight of waste by type and disposal method | 6.5.3 | ● | Environment Report_Green Operation Sites, Green Management | ● | ENV45, 121 |
| G4-EN24 | Total number and volume of significant spills | 6.5.3 | ● | Environment Report_Green Operation Sites, Green Management | ● | ENV46~47, 123 |
| G4-EN25 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention2 Annex I, II, III, and VIII, and percentage of transported waste shipped internationally | 6.5.3 | ○ | No waste shipped internationally | ● | - |
| G4-EN26 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff | 6.5.3/6.5.4/6.5.6 | ● | Environment_Water Management, Green Management, Water Management | ● | ENV41~44, 120, 54~57 |
| **Products and Services** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Environement Report-Eco Products | ● | ENV24 |
| G4-EN27 | Extent of impact mitigation of environmental impacts of products and services | 6.5.3/6.5.4/6.5.5/6.7.5 | ● | Environement Report-Eco Products, Green Management, Eco Products | ● | ENV24~36, 116, 50~53 |
| G4-EN28 | Percentage of products sold and their packaging materials that are reclaimed by category | 6.5.3/6.5.4/6.7.5 | ● | Environement Report-Eco Products, Green Management, Eco Products | ● | ENV27~30, 116, 50~53 |
| **Compliance** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Environment Report_Green Operation Sites | ● | ENV37~38 |
| G4-EN29 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | 4.6 | ● | Environment Report_Green Operation Sites, Green Management | ● | ENV47, 123 |

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|---|---|---|---|---|---|---|
| **Transport** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Environment Report_Climate Change | ● | ENV14~15 |
| G4-EN30 | Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce | 6.5.4/6.6.6 | ● | Environment Report_Climate Change, Green Management | ● | ENV20~21, 114 |
| **Overall** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Environment Report_Green Management Framework | ● | ENV7~8 |
| G4-EN31 | Total environmental protection expenditures and investments by type | 6.5.1/6.5.2 | ● | Environment Report_Green Management Framework, Green Management | ● | ENV7, 112 |
| **Supplier environmental assessment** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Environment Report_Green Management Framework | ● | ENV10 |
| G4-EN32 | Percentage of new suppliers that were screened using environmental criteria | 6.3.5/6.6.6/7.3.1 | ● | Environement Report_Eco Products, Green Management, Eco Products | ● | ENV25, 62~71 |
| G4-EN33 | Significant actual and potential negative environmental impacts in the supply chain and actions taken | 6.3.5/6.6.6/7.3.1 | ● | Environement Report_Eco Products, Green Management, Eco Products | ● | ENV25, 62~71 |
| **Environmental grievance mechanisms** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Environment Report_Green Management Framework | ● | ENV7~10 |
| G4-EN34 | Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms | 6.3.6 | ● | Environment Report_Green Communication | ● | ENV49~55 |
| **Social** | | | | | | |
| **Labor Practices and Decent Work** | | | | | | |
| **Employment** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Human Resources | ● | 34~35 |
| G4-LA1 | Total number and rates of new employee hires and employee turnover by age group, gender, and region | 6.4.3 | ● | Global Network, Talent Management | ● | 14~15, 106~110 |
| G4-LA2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | 6.4.4/6.8.7 | ● | Human Resources | ● | 34~43 |
| G4-LA3 | Return to work and retention rates after parental leave, by gender | 6.4.4 | ● | Human Resources, Talent Management | ● | 34~43, 106~110 |
| **Labor/Management Relations** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Samsung Electronics 2012 Sustainability Report | ● | 62 |
| G4-LA4 | Minimum notice periods regarding operational changes, including whether these are specified in collective agreements | 6.4.3/6.4.5 | ○ | - | ● | - |
| **Occupational Health and Safety** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Environment Report_Green Operation Sites | ● | ENV39~40 |
| G4-LA5 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs | 6.4.6 | ● | Environment Report_Green Operation Sites, Health & Safety - Managing Mental Health & Safety at Operation Sites | ● | ENV39~40, 44~51 |
| G4-LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region, and by gender | 6.4.6/6.8.8 | ● | Green Management | ● | 126 |
| G4-LA7 | Workers with high incidence or high risk of diseases related to their occupation | 6.4.6/6.8.8 | ● | Health & Safety - Managing Mental Health & Safety at Operation Sites | ● | 44~51 |
| G4-LA8 | Health and safety topics covered in formal agreements with trade unions | 6.4.6 | ● | Environment Report_Green Operation Sites, Health & Safety - Managing Mental Health & Safety at Operation Sites | ● | ENV39~40, 44~51 |
| **Training and Education** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Human Resources | ● | 34~35 |
| G4-LA9 | Average hours of training per year per employee by gender, and by employee category | 6.4.7 | ● | Human Resources, Talent Management | ● | 34~43, 104~108 |
| G4-LA10 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | 6.4.7/6.8.5 | ● | Human Resources, Talent Management | ● | 34~43, 104~108 |
| G4-LA11 | Percentage of employees receiving regular performance and career development reviews, by gender, and by employee category | 6.4.7 | ● | Human Resources, Talent Management | ● | 34~43, 104~108 |
| **Diversity and Equal Opportunity** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Human Resources | ● | 34~35 |
| G4-LA12 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity | 6.2.3/6.3.7/6.3.10/6.4.3 | ● | Human Resources, Talent Management | ● | 34~43, 104~108 |
| **Equal Remuneration for Women and Men** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Human Resources | ● | 34~35 |
| G4-LA13 | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation | 6.3.7/6.3.10/6.4.3/6.4.4 | ○ | Samsung Electronics offers fair compensation irrespective of gender, ethnicity, religion, social status or age | ● | - |
| **Supplier Assessment for Labor Practices** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Suppliers' Compliance Management | ● | 62~63 |
| G4-LA14 | Percentage of new suppliers that were screened using labor practices criteria | 6.3.5/6.4.3/6.6.6/7.3.1 | ● | Suppliers' Compliance Management, Conflict Minerals | ● | 62~71, 72~74 |

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|---|---|---|---|---|---|---|
| G4-LA15 | Significant actual and potential negative impacts for labor practices in the supply chain and actions taken | 6.3.5/6.4.3/6.6.6/7.3.1 | ● | Suppliers' Compliance Management, Conflict Minerals | ● | 62~71, 72~74 |
| **Labor Practices Grievance Mechanisms** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Human Resources, Suppliers' Compliance Management | ● | 41, 71 |
| G4-LA16 | Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms | 6.3.6 | ● | Suppliers' Compliance Management, Integrity Management | ● | 62~71, 102~103 |
| **Human Rights** | | | | | | |
| **Investment** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Human Resources, Suppliers' Compliance Management | ● | 41, 71 |
| G4-HR1 | Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | 6.3.3/6.3.5/6.6.6 | ◐ | Suppliers' Compliance Management | ● | 62~71 |
| G4-HR2 | Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained | 6.3.5 | ● | Suppliers' Compliance Management | ● | 62~71 |
| **Non-discrimination** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Human Resources | ● | 34~35 |
| G4-HR3 | Total number of incidents of discrimination and corrective actions taken | 6.3.6/6.3.7/6.3.10/6.4.3 | ○ | No violation | ● | - |
| **Freedom of Association and Collective Bargaining** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Samsung Electronics 2012 Sustainability Report | ● | 62 |
| G4-HR4 | Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights | 6.3.3/6.3.4/6.3.5/6.3.8 /6.3.10/6.4.5/6.6.6 | ● | Stakeholder Engagement | ● | 28~29 |
| **Child Labor** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Samsung Electronics 2012 Sustainability Report, Samsung Electronics 2013 Sustainability Report | ● | 62, 55 |
| G4-HR5 | Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor | 6.3.3/6.3.4/6.3.5/6.3.7 /6.3.10/6.6.6/6.8.4 | ● | Suppliers' Compliance Management | ● | 70~71 |
| **Forced or Compulsory Labor** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Samsung Electronics 2012, 2013 Sustainability Report | ● | 62, 55 |
| G4-HR6 | Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor | 6.3.3/6.3.4/6.3.5 /6.3.10/6.6.6 | ● | Suppliers' Compliance Management | ● | 70~71 |
| **Security Practices** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Human Resources | ● | 34~35 |
| G4-HR7 | Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations | 6.3.4/6.3.5/6.6.6 | ○ | - | ● | - |
| **Indigenous Rights** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Global Social Contribution: Delivering Hope Around the World | ● | 80~81 |
| G4-HR8 | Total number of incidents of violations involving rights of indigenous peoples and actions taken | 6.3.4/6.3.6/6.3.7/6.3.8/6 .6.7/6.8.3 | ○ | No violation | ● | - |
| **Assessment** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Suppliers' Compliance Management | ● | 62~63 |
| G4-HR9 | Total number and percentage of operations that have been subject to human rights reviews or impact assessments | 6.3.3/6.3.4/6.3.5 | ● | Suppliers' Compliance Management | ● | 62~71 |
| **Supplier Human Rights Assessment** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Suppliers' Compliance Management | ● | 62~63 |
| G4-HR10 | Percentage of new suppliers that were screened using human rights criteria | 6.3.3/6.3.4/6.3.5/6.3.6 | ● | Suppliers' Compliance Management | ● | 62~71 |
| G4-HR11 | Significant actual and potential negative human rights impacts in the supply chain and actions taken | 6.3.3/6.3.4/6.3.5/6.3.6 | ● | Suppliers' Compliance Management | ● | 62~71 |
| **Human Rights Grievance Mechanisms** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Human Resources, Suppliers' Compliance Management | ● | 41, 71 |
| G4-HR12 | Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms | 6.3.6 | ● | Suppliers' Compliance Management | ● | 62~71, 102~103 |
| **Society** | | | | | | |
| **Local Communities** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Global Social Contribution: Delivering Hope Around the World | ● | 80~81 |
| G4-SO1 | Percentage of operations with implemented local community engagement, impact assessments, and development programs | 6.3.9/6.5.1/6.5.2 /6.5.3/6.8 | ● | Global Social Contribution: Delivering Hope Around the World | ● | 80~93 |
| G4-SO2 | Operations with significant actual or potential negative impacts on local communities | 6.3.9/6.5.3/6.8 | ○ | No operation site with significant potential or actual negative impacts on local communities | ● | - |
| **Anti-corruption** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Human Resources, Suppliers' Compliance Management | ● | 36~37, 62~63 |
| G4-SO3 | Total number and percentage of operations assessed for risks related to corruption and the significant risks identified | 6.6.1/6.6.2/6.6.3 | ● | Suppliers' Compliance Management | ● | 62~71, 102~103 |
| G4-SO4 | Communication and training on anti-corruption policies and procedures | 6.6.1/6.6.2/6.6.3/6.6.6 | ● | Suppliers' Compliance Management | ● | 62~71, 102~103 |
| G4-SO5 | Confirmed incidents of corruption and actions taken | 6.6.1/6.6.2/6.6.3 | ● | Suppliers' Compliance Management | ● | 62~71, 102~103 |
| **Public Policy** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Samsung Electoronics Global Code of Conduct | ● | http://sec-audit.com/kor/main.asp |
| G4-SO6 | Total value of political contributions by country and recipient/beneficiary | 6.6.1/6.6.2/6.6.4 | ○ | Our code of conduct prohibits contribution to political parties | ● | http://sec-audit.com/kor/main.asp |
| **Anti-competitive Behavior** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Samsung Electoronics Global Code of Conduct | ● | http://sec-audit.com/eng/main.asp |
| G4-SO7 | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes | 6.6.1/6.6.2/6.6.5/6.6.7 | ● | Integrity Management | ● | 102~103 |
| **Compliance** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Samsung Electoronics Global Code of Conduct | ● | http://sec-audit.com/kor/main.asp |
| G4-SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | 4.6 | ● | Environment Report_Green Operation Sites | ● | ENV47 |
| **Supplier Assessment for Impacts on Society** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Suppliers' Compliance Management | ● | 62~63 |
| G4-SO9 | Percentage of new suppliers that were screened using criteria for impacts on society | 6.3.5/6.6.1/6.6.2/6.6.6/6. 8.1/6.8.2/7.3.1 | ● | Suppliers' Compliance Management | ● | 62~71 |
| G4-SO10 | Significant actual and potential negative impacts on society in the supply chain and actions taken | 6.3.5/6.6.1/6.6.2/6.6.6/6. 8.1/6.8.2/7.3.1 | ● | Suppliers' Compliance Management | ● | 62~71 |
| **Grievance Mechanisms for Impacts on Society** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Human Resources, Suppliers' Compliance Management | ● | 41, 71 |
| G4-SO11 | Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms | 6.3.6/6.6.1/6.6.2 /6.8.1/6.8.2 | ● | Suppliers' Compliance Management, Integrity Management | ● | 62~71, 102~103 |
| **Product Responsibility** | | | | | | |
| **Customer Health and Safety** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Environement Report_Eco Products | ● | ENV27~28 |
| G4-PR1 | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement | 6.7.1/6.7.2/6.7.4 /6.7.5/6.8.8 | ● | Eco Product | ● | 52~53 |
| G4-PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes | 4.6/6.7.1/6.7.2/6.7.4/6. 7.5/6.8.8 | ○ | No violation | ● | - |
| **Product and Service Labeling** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Environment Report_Eco Products | ● | ENV24 |
| G4-PR3 | Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements | 6.7.1/6.7.2/6.7.3/6.7.4/6 .7.5/6.7.9 | ● | Environment Report_Eco Products | ● | ENV33~36 |
| G4-PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes | 4.6/6.7.1/6.7.2/6.7.3/6.7. 4/6.7.5/6.7.9 | ○ | No violation | ● | - |
| G4-PR5 | Results of surveys measuring customer satisfaction | 6.7.1/6.7.2/6.7.6 | ◐ | Stakeholder Engagement | ● | 28~29 |
| **Marketing Communications** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Eco Products, Conflict Minerals | ● | 50~51, 72~74 |
| G4-PR6 | Sale of banned or disputed products | - | ● | Environment Report_Green Management Framework | ● | ENV11 |
| G4-PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes | 4.6/6.7.1/6.7.2/6.7.3 | ◐ | Stakeholder Engagement | ● | 28~29 |
| **Customer Privacy** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Samsung Electoronics Global Code of Conduct | ● | http://sec-audit.com/kor/main.asp |
| G4-PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | 6.7.1/6.7.2/6.7.7 | ◐ | Stakeholder Engagement | ● | 28~29 |
| **Compliance** | | | | | | |
| G4-DMA | Disclosure on Management Approach | 6/7.3.1/7.4.3/7.7.3/7.7.5 | ● | Samsung Electoronics Global Code of Conduct | ● | http://sec-audit.com/kor/main.asp |
| G4-PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | 4.6/6.7.1/6.7.2/6.7.6 | ◐ | Environment Report_ Green Operation Sites | ● | ENV47 |

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