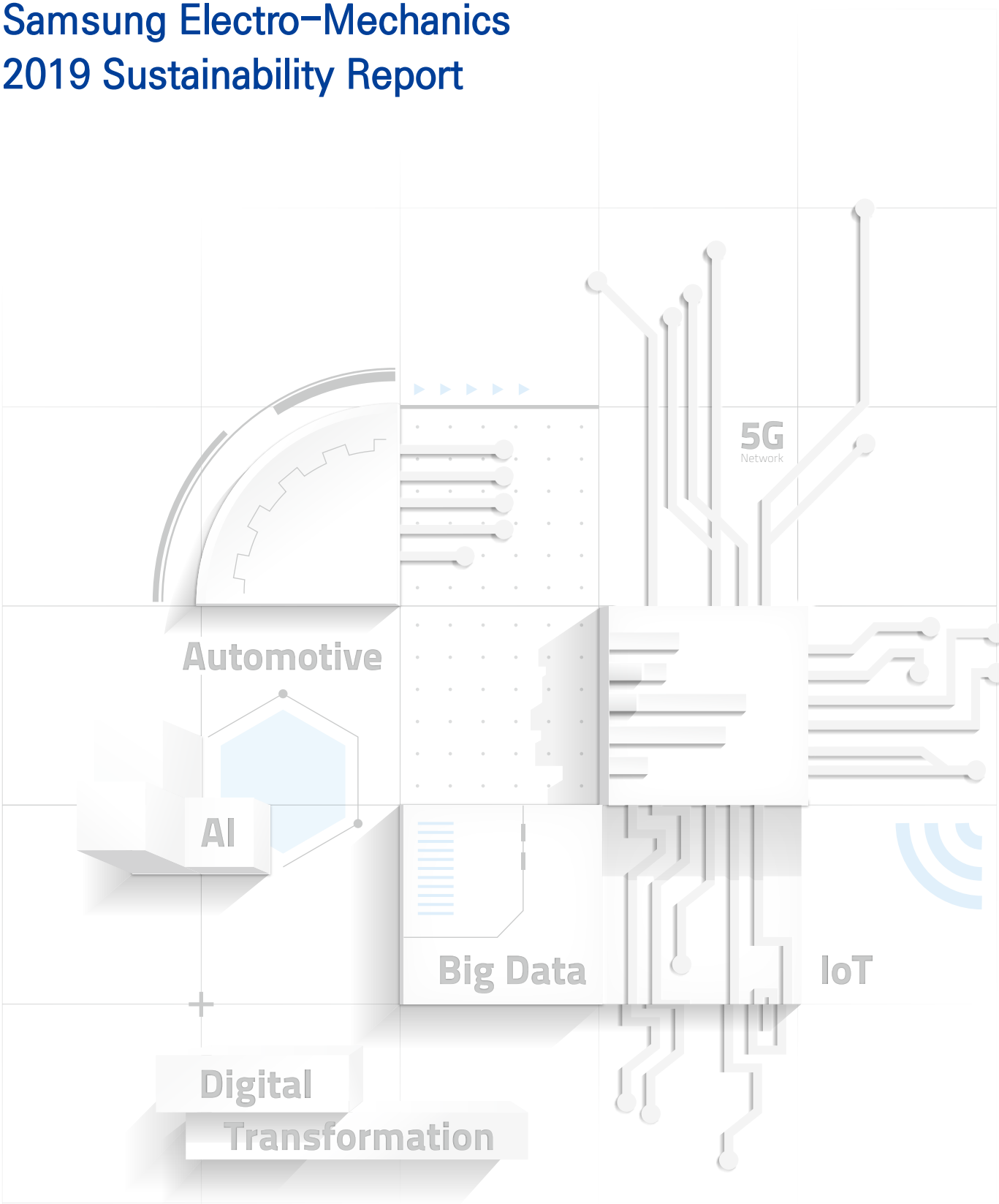
Samsung Electro-Mechanics
2019 Sustainability Report



SAMSUNG
ELECTRO-MECHANICS

SAMSUNG

INTERACTIVE User Guide

Samsung Electro-Mechanics' Sustainability Report was produced as an INTERACTIVE PDF that allows transferring to related webpages for better understanding of the content. Click 'HOME,' 'CONTENTS,' OR 'GO BACK TO PAGE' as needed, and it is also possible to 'PRINT' the pages. If you click the icon at the top of the page, it is possible to view a specific page of choice.

By clicking this icon, you can jump directly to the cover page of this report.

By clicking this icon, you can jump directly to the Table of Contents.

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* Examples: Documents from the Appendix such as the GRI Content Index, ESG KPI, Third Party Assurance Statement etc.

By clicking this icon, you can directly access the company's information that is published on Samsung Electro-Mechanics' official website or external sites, etc.

Samsung Electro-Mechanics
2019 Sustainability Report

www.samsungsem.com

www.youtube.com/user/ilovesemco

http://blog.naver.com/sem2017

www.facebook.com/samsungelectromechanics

COVER STORY

Samsung Electro-Mechanics' sustainable management is grounded on unlocking a better digital world. With the coming of the 5G era, we will take another leap forward into digital transformation with our state-of-the-art convergent technology.

Table of Contents

About This Report

Overview of SAMSUNG ELECTRO-MECHANICS 2019 SUSTAINABILITY REPORT

Samsung Electro-Mechanics is a global multi-component manufacturing company that develops and produces advanced electronic components to mechanical components. Samsung's main businesses are operated on a B2B system, centered on 3 solutions of components, modules, and substrates. Samsung Electro-Mechanics 2019 Sustainability Report includes activities from our main business solutions as well as economic, environmental and social performances of our management activities in their entirety. This report describes ways sustainability contributes to Samsung Electro-Mechanics' long-term success and ways the company creates value for customers, employees, partners, and the public.

Reporting Methodology and Scope

Samsung Electro-Mechanics 2019 Sustainability Report is designed to meet the Core options of the Global Reporting Initiative (GRI) Standards. For more information about GRI, please visit globalreporting.org.
This report covers economic, environmental, and social performances of domestic and some overseas production/sales offices. All data are presented on a consolidated basis but some indicators are limited to domestic business locations.

- GRI Standards
- ESG (Environment, Social, Governance) Performance Report
- Application of the GRI Standards
- Korean and English versions of the report issued each year

List of GRI indices

Download Sustainability Report

KOR ENG

Reporting Structure

Samsung Electro-Mechanics 2019 Sustainability Report includes the CEO's message regarding the company's direction of its management strategies and covers its sustainability strategies in addition to value-creating methods. In addition, we selected 28 topics related to the company's opportunities and risks, as well as economic, environmental and social issues to respond to future issues and we prioritized them by conducting a material assessment that considers our major stakeholders. The priority issues that were drawn from the process is presented in detail in the "Material Issue" section of the report. Also, we attempted to efficiently disclose our sustainability performances by designating a separate section for the stakeholders. This section can be found under "Sustainable Management." The Third-Party Assurance Statement is provided in the form of commentary and assurance, and the ESG KPIs that include the company's economic, environmental and social performances are located in the Appendix.

Reported Data

This report covers quantitative and qualitative data from the 2019 fiscal year (January 1, 2019 to December 31, 2019). In case of quantitative information, information of the last three years from 2017 to 2019 is included for comparison with past performances. Financial data is drafted on a consolidated basis in accordance to K-IFRS (Korean International Financial Reporting Standards), and sections that are drafted on a non-consolidated basis are noted. The company's ESG KPIs (Key Performance Indicators) are provided separately by stakeholder groups, and can be accessed via the links below. Since its first Sustainability Report in June 2006, Samsung Electro-Mechanics has published a report every two years and from 2018, Samsung Electro-Mechanics has actively communicated with its stakeholders through annual publications of the report.

- K-IFRS is applied to financial data
- Reporting period is FY2019 but includes FY2017 to FY2019 for comparative review
- Some data includes activities until March of 2020

ESG KPIs

Samsung Electro-Mechanics promises to transparently report the procedures executed to reach its sustainability strategies.

Report Assurance

In an effort to more transparently convey Samsung Electro-Mechanics' sustainability management activities to all stakeholders, this report has received assurance from KMR (Korea Management Registrar). Based on the results of document reviews and interviews, the assurance team of KMR held numerous discussions with the Sustainability Management department and other departments within Samsung Electro-Mechanics on revisions of the report. Under the AA1000AS (2008) guidelines, the three principles of 'Inclusivity', 'Materiality' and 'Responsiveness' were applied throughout the report and were verified with Type 2, Moderate assurance. In addition, we conduct a GHG verification each year and comply with ISO 14064 and the IPCC Guidelines for National GHG Inventories. More information related to assurance is accessible by clicking the links below.

- Type 2, Moderate level of AA1000AS (2008)
- Compliance with ISO 14064 and the IPCC Guidelines

Third-Party Assurance Statement

Third-Party GHG Verification Statement

Efforts to comply with Global Sustainability Standards

In order to create a sustainable future, Samsung Electro-Mechanics became a member of global initiatives and organizations, and by transparently disclosing ESG data to the organizations, the company is reinforcing its sustainability management activities.

Global Initiatives

GRI

Responsible Business Alliance

ESG Assessments

Dow Jones Sustainability Indexes

CDP

CGS Korea Corporate Governance Service

SUSTAINALYTICS

MSCI ESG Research

FTSE4Good

ISS

SUSTINVEST

Bloomberg

Additional Information on the Report

Samsung Electro-Mechanics regularly and transparently discloses management-related documents on its website each year for the investors and stakeholders. Additional information related to this report can be acquired through Samsung Electro-Mechanics' website, Management Report, Audit Report, and as well as the Financial Supervisory Service's disclosure site.

Samsung Electro-Mechanics' Code of Conduct

2019 Audit Report (Consolidated)

2019 Audit Report (Non-consolidated)

2019 Annual Report

2019 Management Report

Corporate Governance Report

Corporate Governance Charter

Articles of Incorporation

CEO’s Message

Dear respected stakeholders,
Samsung Electro-Mechanics will strive to quickly respond to the radical industrial changes by digitally transforming our overall management.
In this way, we will effectively achieve Profit, People and Planet, creating value for a sustainable future.

President and CEO of
Samsung Electro-Mechanics

Kyung Kyehyun

Greetings to our esteemed stakeholders,

In the electronic industry environment, there is a continued stagnated growth of traditional electronic devices such as smartphones and PCs. The recent global economic downturn caused by the COVID-19 pandemic is also increasing the uncertainty of the future, threatening corporate management. However, with the expansion of new technologies such as artificial intelligence, big data, and 5G, the relevant markets are continuing to develop.

In order to overcome the crisis and grow continuously, Samsung Electro-Mechanics pledges to secure leadership in its major businesses driven by core competencies. Also, to promptly respond to the changes in the environment, the company will provide a foundation to take another step forward through Digital Transformation.

Samsung Electro-Mechanics plans to generate stable profits (Profit), seek happiness for the members of the society (People), and achieve environmental responsibility (Planet) as its top priorities while implementing and managing the next 3 tasks to encourage a harmonious growth with the society.

First,

Samsung Electro-Mechanics will pursue stable profit gains by reinforcing profitability.

With technological leadership in the material and system module businesses, we will expand the market presence of our existing products such as MLCC · Power Inductor, Camera · Communication Modules, substrates, etc. and improve internal efficiencies as well as productivity. By concretizing our technology and market roadmap in the mid- to long-term perspectives, we will pave the way for future technology and lead the market. Through this, we hope to become a healthy company with free cash flows, a company that creates high profit and provides better value for our customers through stable growth and development, and a company that grows in harmony with our stakeholders.

Second,

Samsung Electro-Mechanics will focus on utilizing its competencies and resources so that all members of the society, including employees, shareholders, customers and the local communities can be happy and flourish.

We will build an organizational culture of growth based on mental stability so that each individual employee can exert their competencies as the main drivers of their lives. In addition, we will explore cutting-edge businesses that can enhance future value to respond promptly to the changing environment by communicating with our stakeholders. By doing so, we hope to exert positivity that will inspire the creation of an environment of sustainable growth and the development of a fair society.
Furthermore, Samsung Electro-Mechanics will sincerely pursue social contribution programs that can lead the future growth potential of youths.

Third,

Samsung Electro-Mechanics will fulfill its responsibility as an eco-friendly company.

The environmental basis of governments in each country and global investment institutions is rapidly emerging as an area that should be prioritized in the overall management and sustainability. Therefore, Samsung Electro-Mechanics will consider the environment as a core corporate competitiveness, and establish an environment and energy management system to carry out greenhouse gas reduction activities and respond to climate change risks.

Samsung Electro-Mechanics will closely respond to the industrial environment that is experiencing high uncertainties and rapid changes. By successfully accomplishing Digital Transformation, we will efficiently carry out the principles of Profit, People, and Planet, creating a sustainable future value.

We ask for your continued interest in and encouragement of our efforts to create a better society through change and development.

Thank you.

Management Philosophy

Samsung Electro-Mechanics aims to be a “World leading company,” devoting our human resources and technology to create superior products and services, thereby contributing to a better global society. To achieve this goal, we share and pursue the Samsung Values of “People, Excellence, Change, Integrity, and Co-prosperity” as key values that all Samsung people should share and maintain. Furthermore, all Samsung Electro-Mechanics employees should follow the “Global Code of Conduct” as well as the Samsung Business Principles in order to comply with laws and ethical practices as well as to express their concrete commitment to social responsibility.

Samsung Electro-Mechanics’ Code of Conduct

PHILOSOPHY

Samsung Electro-Mechanics aims to be a “World leading company,”
devoting our human resources and technology to create superior products and services,
thereby contributing to a better global society.

Core Values

People | Excellence | Change | Integrity | Co-prosperity

Business Principles

1 We comply with laws and ethical standards.

- 1-1 Samsung Electro-Mechanics upholds all related laws.
- 1-2 Samsung Electro-Mechanics respects dignity and diversity of each individual.
- 1-3 Samsung Electro-Mechanics engages in fair and ethical competition within the borders of the law.
- 1-4 Samsung Electro-Mechanics maintains transparency through accurate accounting practices and disclosure.
- 1-5 Samsung Electro-Mechanics remains politically neutral and does not intervene in politics.
- 1-6 Samsung Electro-Mechanics protects the information of individuals and business partners.

2 We maintain a reputable corporate culture.

- 2-1 Samsung Electro-Mechanics strictly distinguishes public and private affairs in all business activities.
- 2-2 Samsung Electro-Mechanics respects the intellectual property rights of the company and others.
- 2-3 Samsung Electro-Mechanics creates a healthy organizational atmosphere.
- 2-4 Employees must preserve dignity as a member of Samsung Electro-Mechanics in all activities.

3 We respect customers, shareholders and employees.

- 3-1 Samsung Electro-Mechanics considers customer satisfaction the foremost priority in its management activities.
- 3-2 Samsung Electro-Mechanics pursues management focused on shareholder value.
- 3-3 Samsung Electro-Mechanics strives to improve the employees’ quality of life.

4 We care about the Environment, Safety and Health.

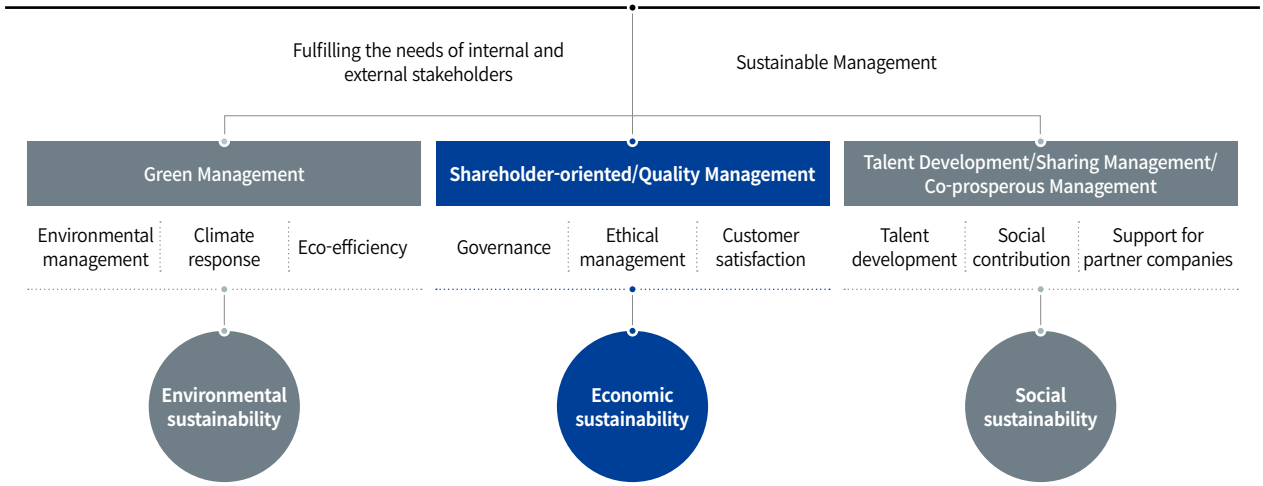
- 4-1 Samsung Electro-Mechanics pursues environment-friendly management.
- 4-2 Samsung Electro-Mechanics values health and safety of our employees and customers.

5 We fulfill our social responsibility as a global corporate citizen.

- 5-1 Samsung Electro-Mechanics diligently performs its foundational duties as a corporate citizen.
- 5-2 Samsung Electro-Mechanics respects the social and cultural values of local communities and operates on the idea of mutual development.
- 5-3 Samsung Electro-Mechanics builds relationships of co-existence and co-prosperity with its business partners.
- 5-4 Samsung Electro-Mechanics pursues the expansion of technology innovation and IT accessibility.
- 5-5 Samsung Electro-Mechanics pursues superior quality for customer value and happiness.

Strategies for Sustainability

Fulfilling Corporate Social Responsibility



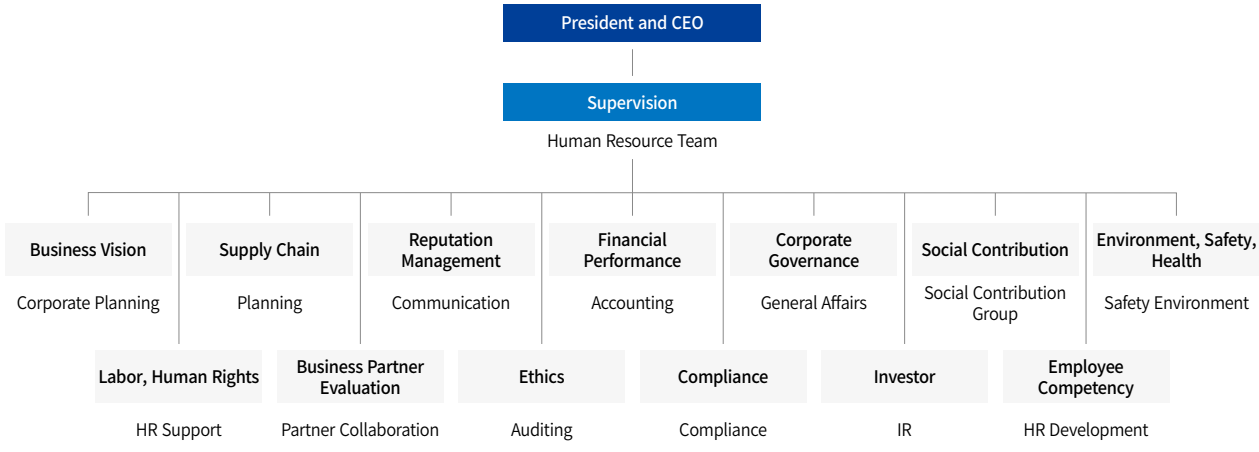
Vision for Sustainability

Samsung Electro-Mechanics is executing its sustainable management to create stakeholder value. All departments are moving organically for the purpose of implementing economic, environmental, and social sustainability, and are focused on meeting the needs of stakeholders based on the sustainability TF. In addition, by linking ESG (Environment, Social, Governance) elements to existing management activities and strategies, Samsung Electro-Mechanics will strive to reflect the comprehensive global management trend within the company's decision-making processes. Moving forward, Samsung Electro-Mechanics will grow as a company that can fulfill its social responsibility.

Organization for Sustainable Management

Samsung Electro-Mechanics operates a Sustainability TF to effectively and efficiently manage various sustainability risks.
The Sustainability TF responds to the sustainability assessments of global investment and rating agencies as well as the ones of its customer companies and drafts sustainability reports. Meanwhile, we regularly conduct trainings on sustainability topics each year to improve the Sustainability TF's capacity and increase sensitivity to global trends.

Organization Chart



Company Profile

Established in 1973, Samsung Electro-Mechanics has become a remarkable developer and manufacturer of key electronic components not only in Korea but also around the world.

Samsung Electro-Mechanics began as a producer of audio/video parts, and in the '80s, Samsung Electro-Mechanics diversified its business activities and included materials and computer parts in its business scope. During the '90s, it placed its focus on the development of next-generation products, including chip components, telecommunications parts, and optic parts. Since the turn of the century, Samsung Electro-Mechanics has been leveraging its technological excellence in key areas, such as materials, high-frequency wireless and power/precision mechanics to further develop its strategic technology and to generate a synergic effect in its businesses. Through this, Samsung Electro-Mechanics continues to focus on developing its business in MLCC · Power Inductor, Camera · Communication Modules, and substrates, with the aim to become a world leader in each of those fields.

Samsung Electro-Mechanics will continue to expand its business portfolio through quality enhancement, technological advancement, and the development of new products. It also aims to foster next-generation business opportunities and leap forward as a leader in the electronic parts industry.

Employees by Region

(coverage: consolidated basis, unit: persons)

Total	**2019**	34,264
	2018	37,472
Korea	**2019**	**11,471**
	2018	11,724
Asia	**2019**	**22,713**
	2018	25,676
Americas	**2019**	**45**
	2018	42
Europe	**2019**	**35**
	2018	30

Sales by Region

(coverage: consolidated basis, unit: KRW million)

Total amount	**2019**	8,040,818
	2018	8,002,008
Korea	**2019**	**3,084,767**
	2018	3,019,065
Southeast Asia	**2019**	**1,995,513**
	2018	1,632,826
Europe	**2019**	**319,466**
	2018	207,930
China	**2019**	**2,167,428**
	2018	2,827,747
Americas	**2019**	**377,568**
	2018	287,333
Japan	**2019**	**96,076**
	2018	27,107

Global Network

11 Production bases
11 sites in 5 countries

16 Sales offices and subsidiaries
16 sites in 8 countries

2 R&D centers
2 sites in 2 countries

* As of May, 2020

Component Solution

Component Solution

The component business includes passive electronic components that are required for a variety of electronic devices, with the primary products being Multilayer Ceramic Capacitors (MLCC), Inductors and Chip Resistors. The passive electronic components business is characterized by high-entry barriers due to its prerequisites of product development, manufacturing and facility technology and quality. To this end, we are trying to secure the core materials of dielectric and magnetic body materials based on our unique technology and are developing new competitive products by using our self-developed methods and equipment.

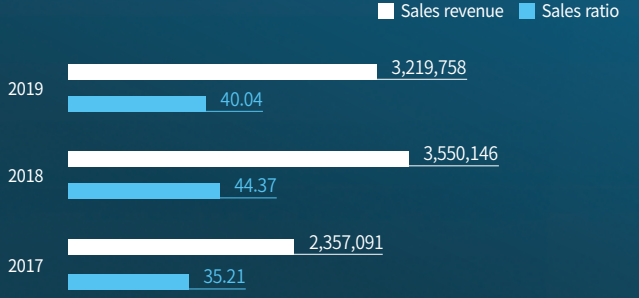
The component business refers to passive electronic components, consisting of MLCC, Inductors and Chip Resistors. These electronic components are essential parts for electronic, industrial, electric, and medical devices. As a material and device business, it requires know-how in source material technologies, such as dielectrics, magnets, and conductive pastes as well as core production technologies, such as distribution, molding, printing, laminating, and plastics, etc., and has high entry barriers.

Growth in high-performance devices such as smartphones, tablet PCs and smart TVs is increasing demands for ultra-small components. In the auto industry, demands for electronic equipment and devices for drivers' convenience as well as automotive safety and fuel efficiency are also on the rise.

Samsung Electro-Mechanics has gained a competitive edge in the market by strengthening its core production technologies, development speed and manufacturing competitiveness. Furthermore, by improving productivity and increasing inter-product synergy, we aim to strengthen our market position. We are also expanding our Line Up of Inductor products, such as Power Inductors that are growing in demand.

Revenue and sales ratio of the component business

(coverage: consolidated basis, unit: KRW million, %)



1 MLCC

A chip-type ceramic condenser, which layers the dielectric and electrodes, stores and discharges electricity acting as a 'dam' that regulates the current's flow in a circuit and prevents electromagnetic interference between components.

Because the thickness of single dielectrics and number of stacked layers in the chip are related to the capacity for electricity, the technology for thinning single layers and stacking more layers is highly important.

2 Tantalum

A product with the same functionality as MLCC.

The thin oxide layer between the tantalum electrodes and the polymer electrodes act as a 'dam.'

3 Power Inductor

It has a coil with current flowing on the inside and is surrounded by magnetic materials such as Iron (Fe). The magnetic body prevents the current from sharply increasing or decreasing in the circuit, resulting in a constant flow of current inside the electronic circuit.

Samsung Electro-Mechanics that drives change

- Ultra-small, Ultra-high capacity
- Quality reliability
- Global market leader

Chip Resistor 4

It interrupts the flow of current in the electronic circuit and absorbs electrical energy and releases it as heat during this process.

Such characteristics are used to drop voltages or maintain the current at a certain level inside.

Samsung Electro-Mechanics is meeting customer needs with products such as the ultra-small MLCC with 0402 (0.4mm× 0.2mm) dimensions. We continue to develop and supply ultra-high capacity products based on our material and production technologies. To lead the market moving forward, we will continue to diversify our Line Up through the development of new products and raise our global market share by responding to customers in both advanced and emerging markets in a balanced way, securing our profitability.

Moreover, by developing highly-reliable MLCCs, we will expand our share in new growth markets such as industrial and automobile-type components.

Application

- Mobile Phone
- Automotive
- Computer
- Display
- Wearable

Module Solution

The major products of the module business are Camera Modules and Communication Modules and we enable our customers to secure competitiveness with the unique strengths of Samsung Electro-Mechanics in module design, packaging, and manufacturing. In addition to the existing IT devices, we are quickly responding to the continuously growing demands for the industry and automotive-type products.

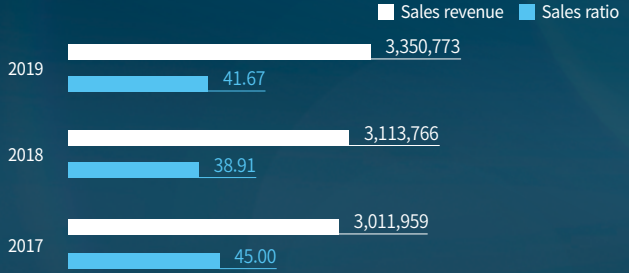
The module business consists of products such as Camera Modules and Communication Modules. From the manufacturing perspective, it can be divided into assembly and module businesses and from the development perspective, it is composed of optical technology, circuit design technology and packaging production technology. As an applied products business, it has to ceaselessly create SET-leading solutions through new passive components and material convergence, and so it is an intensively technological industry where the importance of digital controls and software technologies is becoming ever clearer.

The application for Camera Modules is in personal mobile devices such as smartphones, but this is expanding to include automobiles, smart home appliances, security solutions and the Internet of Things (IoT). In particular, not only the growth in the numbers of smartphones, but the growth in functionality of the Camera Modules, the advancement of other features such as auto-focus, OIS (Optical Image Stabilization) and the adoption of multi-cameras are driving the growth of the industry.

In the area of Communication Modules, with the advancement of data communications and the rise in mobile devices such as smartphones, the core components of wireless communication such as WiFi modules and Cellular FEM etc. are also growing. Furthermore, with the emergence of IoT, we expect the market for Machine-to-Machine (M2M) Communication Modules to flourish, and we foresee an influx of products and services that utilize communication technologies among devices of various identities. At the same time, we expect to reach another turning point due to the construction of a new paradigm of communication with the 5G high-speed communication market and its technology base.

Revenue and sales ratio of the module business

(coverage: consolidated basis, unit: KRW million, %)



1 Camera Module

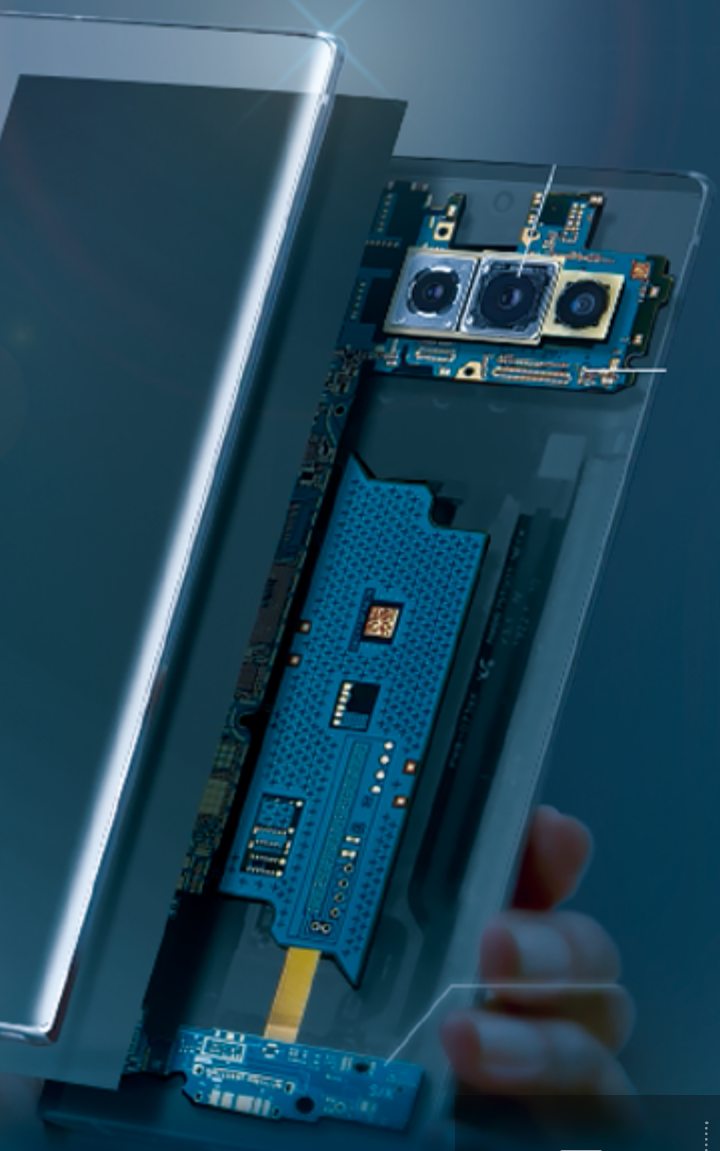
Provides functions to take photos and videos via mobile devices such as smartphones, as well as on automobiles and smart home appliances.

Requires a slim structure and low-energy, provides user convenience with high-precision, autofocus and image stabilization.

Communication Module 2

IEEE802.11 technology-based devices that enable short-range wireless communication, complementing the disadvantages of wired LAN.

Through small/thin modules parts and small-sized packaging methods, it provides high-density miniaturized module solutions.



At Samsung Electro-Mechanics, we combine our optical lens designs, circuit designs, packaging, and software(S/W) technology with our material capacity to provide a wide range of modules and solutions to meet our customers' needs, including cameras and wireless communication modules. As for Camera Modules, we are able to offer optimal solutions thanks to our lens designs and die and mold technology, as well as our ability to manufacture high-precision, high-performance actuators used for autofocus and image stabilization along with relevant software technology. Based on these advantages, the company is focusing on expanding the Camera Module business into other areas, such as automobiles.

We are also embedding our core technologies, such as circuit design, IC etc. into our Communication Module business, and pursuing advances in low-loss, high-heat protection, subminiature and composite modules using our unique packaging technology. By securing system solutions required for mobile devices and M2M using our software technology, we are satisfying the demands of our customers. In addition, we are promoting technological convergence in various areas of application by utilizing our own technological competencies, such as passive electronic components, magnetic materials and circuit boards.

With a focus on growth markets, we will enhance the line-up of our high-performance products and develop new ones with differentiated features, all as we continue to provide customized marketing and technical support. We will also work tirelessly to improve our competitiveness through cost reductions, and to strengthen our market position.

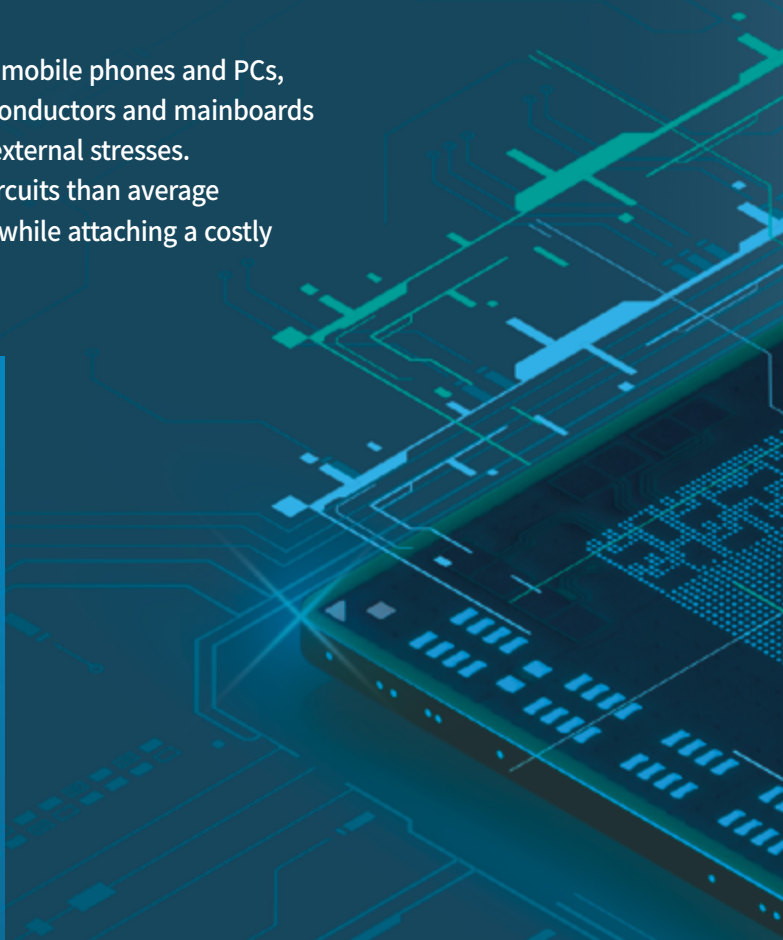
Application

- Mobile Phone
- Automotive
- Computer
- Wearable

Substrate Solution

Substrate Solution

As a package substrate that is used in semiconductors for mobile phones and PCs, it acts as a transmitter of electrical signals between semiconductors and mainboards as well as a protector for high-cost semiconductors from external stresses. Because this substrate has a high density of much finer circuits than average substrates, it can reduce defects and costs that may arise while attaching a costly semiconductor to main substrates.



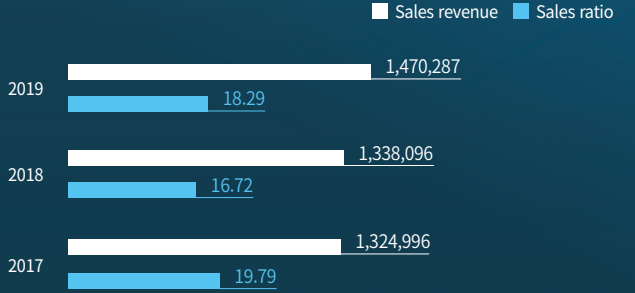
The substrate business refers to the business of printed circuit boards. They are components that electrically connect semiconductors and electronic components and mechanically support circuit connections. Major products include semiconductor package circuit boards and high-density multi-layer boards. They are needed in almost all industries, from IT and home appliances to automobiles, aircraft and ships. The upstream business is the electronics industry, including smartphones and computers. The downstream business is the materials industry, such as ink and boards, and the facility industry, such as plating, printing and exposure. There is a close relationship between the downstream and upstream businesses, and the resulting ripple effects are significant. Moreover, the equipment industry requires massive investment and multiple technologies, such as chemical, electrical and mechanical processing, thus raising the barriers to entry.

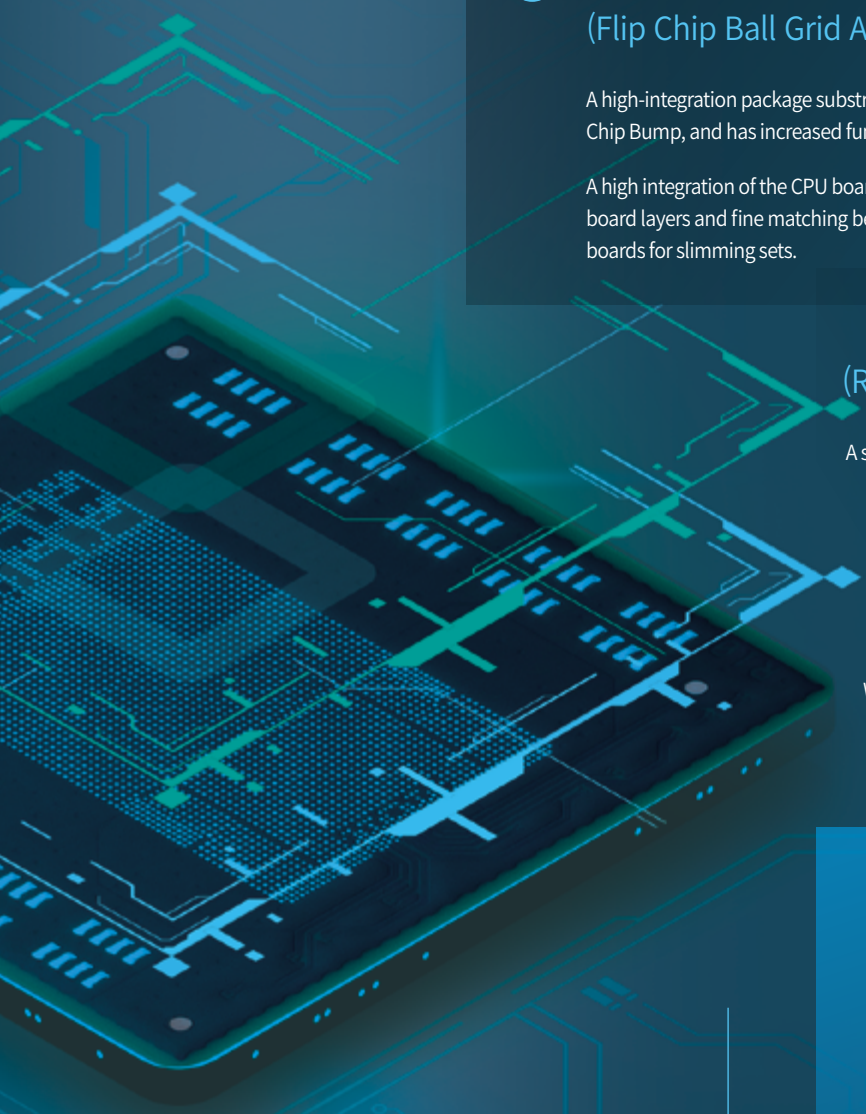
As more and more high-end smartphones require higher density components, we are seeing leading companies changing their PCB designs to adapt to next-generation technologies, and therefore we expect an expansion of high-value products. Furthermore, emerging markets such as India, South America and Africa, have growth rates higher than the global average and are experiencing rapid industrialization. Through this increasing demand in emerging markets, we expect the upstream business to flourish, including entry-level smartphones, TV and laptops, and we expect this to lead to the growth of the PCB industry.

As IT devices become faster and lighter, the demand for thinner and smaller higher-density multi-layer boards and semiconductor package boards are continuing to rise. Moreover, as demand rises for wearable/foldable devices, we also expect greater demand for Rigid-Flexible PCBs (RFPCB).

Revenue and sales ratio of the substrate business

(coverage: consolidated basis, unit: KRW million, %)





1 FCBGA
(Flip Chip Ball Grid Array)

A high-integration package substrate that connects to semiconductor chips using Flip Chip Bump, and has increased functionality of electric and thermal characteristics.

A high integration of the CPU board circuitry that requires an increase in the number of board layers and fine matching between layers as well as the ability to manufacture thin boards for slimming sets.

RFPCB 2
(Rigid-Flexible Printed Circuit Board)

A substrate that consists of rigid and flex components, with the flexibility of the flex component enabling 3-D circuit connections.

Can withstand 150,000 times of continual flexing, and is advantageous in terms of miniaturization as there is no need for connectors between modules.

With the high degree of freedom in design, can maximize space utilization within the set. High-density, thin and various layer structures and designs are also possible.

FCCSP 3
(Flip Chip Chip Scale Package)

A substrate where semiconductor chips are upturned and connected to a board through a bump rather than wire bonding, mainly used for the AP (Application Processor) chips of mobile IT devices.

With a foundation of accumulated material control technologies, production technologies, product technologies, and a stable supply capacity, Samsung Electro-Mechanics has been able to maintain close partnerships with its customers. We are also using our outstanding research and development capabilities to continue developing new technologies and products, such as micro-circuit patterns and embedding.

With smartphone growth slowing down in the developed markets, competition between the major businesses is becoming fiercer. To strengthen our lead in the market, we have been responding to demand for faster and smaller IT devices by working continuously to make thinner and lighter semiconductor package boards and high-density multi-layer boards. Building on our foundation of material and facility technologies, we will continue striving to meet customer demands with our unique technological capabilities, such as our bend-prevention technology for thinner PCBs and fine line implementation technologies.

Application


Mobile Phone


Computer


Display


Wearable

Products

Technological convergence and sophistication have brought IT not only to communications but to a range of industrial sectors, including finance, automobiles and industrials. This trend is likely to intensify as new technologies, such as AI (Artificial Intelligence) and 5G, expand in the Fourth Industrial Revolution. As a result, Samsung Electro-Mechanics is developing its business based on three representative technologies: materials, multi-layer thin film molding, and high frequency circuit design, to become a leader of the future electronics industry.

Component solutions

MLCC

- This chip-type ceramic condenser, which layers the dielectric and electrodes, stores and discharges electricity acting as a 'dam,' that regulates the current's flow in a circuit and prevents electromagnetic interference between components.
- Because the thickness of single dielectrics and number of stacked layers in the chip are related to the capacity for electricity, the technology for thinning single layers and stacking more layers is highly important.

Power Inductor

- It has a coil with current flowing on the inside and is surrounded by magnetic materials such as Iron (Fe).
- The magnetic body prevents the current from sharply increasing or decreasing in the circuit, resulting in a constant flow of current inside the electronic circuit.

Chip Resistor

- It interrupts the flow of current in the electronic circuit and absorbs electrical energy and releases it as heat during this process.
- Such characteristics are used to drop voltages or maintain the current at a certain level inside an electronic circuit.

Tantalum

- It has the same functionality as MLCC. The thin oxide layer between the tantalum electrodes and the polymer electrodes act as a 'dam.'

Component solutions

MLCC

Power Inductor

Chip Resistor

Tantalum

Module solutions

Communication Module

Get more information on the products

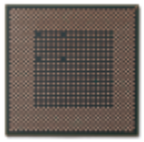
Search the product of choice easily and quickly

Understand products through simulations

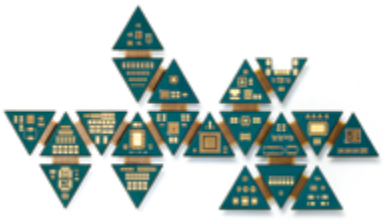
Substrate solutions

FCBGA

FCCSP



RFPCB



Triple Camera Module

Substrate solutions

FCBGA

- The product is a high-integration package substrate that connects to semiconductor chips using Flip Chip Bump, and has increased functionality of electric and thermal characteristics.
- In addition, the high integration of the CPU board circuitry requires an increase in the number of board layers and fine matching between layers; at the same time, the ability to manufacture thin boards for slimming sets is required.

FCCSP

- This is called the Flip Chip Chip Scale Package (FCCSP) as semiconductor chips are upturned and connected to a board through a bump rather than wire bonding. It is mainly used for the AP chips of mobile IT devices.

RFPCB

- This product consists of rigid and flex components, and the flexibility of the flex component enables 3-D circuit connection.
- It can withstand 150,000 times of continual flexing, and as there is no need for connectors between modules, this substrate is advantageous in terms of miniaturization.
- With the high degree of freedom in design, it can maximize space utilization within the set. High-density, thin and various layer structures and designs also are possible.

Module solutions

Camera Module

- This product provides functions to take photos and videos via mobile devices such as smartphones, as well as on automobiles and smart home appliances.
- High-level technologies are required for mobile devices as they become small and slim, and as customers demand high resolution and multiple functions.

Communication Module

- This module was designed to compensate for the shortcomings of the wired LAN Ethernet.
- Based on the IEEE802.11 technology this product implements a wireless transmission and reception system for short-range data transmission according to each communication standard.

MATERIAL ISSUES

In order to become a creative innovation company that leads the state-of-the-art technology industry, Samsung Electro-Mechanics promotes sustainable management based on trusting relationships with diverse groups of stakeholders. By systematically responding to the rapidly changing global trends, we will fulfill the needs of various stakeholders while maximizing corporate value through sustainable growth, fulfilling our corporate social responsibility.

Identifying Sustainability Issues

Stakeholder communication

Samsung Electro-Mechanics actively collects diverse opinions from different stakeholders by using a separate point of contact department for each type of stakeholder. Also, the company is making efforts to satisfy stakeholders' right to know by continuing to increase both the quality and quantity of information made available via its homepage and sustainability reports.

Customers	Business Partners	Employees
Shareholders	Investors	Local Communities
Media	NGOs	Government

Stakeholder communication

Materiality Analysis

Samsung Electro-Mechanics has selected 28 topics encompassing issues related to the economy, environment, and society in order to identify current business opportunities and risks and respond to future issues. Externally, we considered the Global Reporting Initiative (GRI) standards, topics in technology and communications suggested by the Sustainability Accounting Standards Board (SASB), and investor expectations. Internally, we referred to relevant agenda items from BOD meetings and internal broadcasts, etc. We conducted a materiality analysis for key stakeholders including investors, customers, business partners, local communities, shareholders, the government, and employees to determine priorities among the selected 28 topics. The results of the surveys were reflected in the section on "stakeholders' interest" in the materiality matrix. This report details the activities and outcomes of Samsung Electro-Mechanics as they relate to 28 issues of 2019. We strive to create results via sustainability management based on continuous discussions with relevant departments by considering the importance of the topics from a business perspective as well as from the vantage point of stakeholders' interests. We also plan to develop our sustainability management system to reflect such key issues in the business decision-making process.

Process of identifying Material Topics

Step 1	Step 2	Step 3	Step 4	Step 5
Issues	**Identification**	**Prioritization**	**Key Issues**	**Materiality Matrix**
· Media research · Reviewing global ESG standards · Identifying internal management issues	· Grouping issues · Designating stakeholder groups	· Analyzing the stakeholder questionnaire and results · Quantifying the Issues	· Selecting Top 3 Topics · Selecting issues to be reported	· Final verification · Applying to reports

Economy
1. Ethical management
2. Business risks
3. R&D and new businesses
4. Management performance
5. Shareholders' rights
6. Customer satisfaction management
7. Governance
8. Industrial leadership
9. Tax payment strategies

Environment
1. Product stewardship
2. Reducing environmental impact
3. Climate change
4. Sustainable resource use
5. Investment in environmental facilities
6. Biodiversity
7. Water resources

Society
1. Establishing safe sites
2. Social contributions
3. Protecting human rights
4. Human resource development
5. Risks of supply chains
6. Welfare benefits of employees
7. Win-win partnership
8. Securing diversity in employees
9. Communication in the supply chain
10. Revitalization of the local economy
11. Safety and health of local communities
12. Enhanced labor-management relationships

Top 3 Material Topics

Samsung Electro-Mechanics reports the 5 prioritized issues selected through the material assessment, which are: ethical management, business risks, product stewardship, reducing environmental impacts, and establishing safe sites through the Top 3 material topics.

Economy

Ensure expected value for stakeholders based on mid- to long-term development

- Ethical management
- Business risks

Strengthening Compliance and Risk Management

Sustainability starts with compliance. Global leaders, no matter which region they're operating their businesses in, will do their best to comply with laws and ethical standards of the highest level. Global leaders of today go beyond monitoring internal compliance by their employees to monitoring the compliance of legal and ethical standards of their business partners. As controlling and identifying these risks is the most sensitive and significant issue in sustainability, stakeholders demand that companies closely respond to these issues.

Samsung Electro-Mechanics has established a Code of Conduct for compliance management and is implementing compliance programs based on the Code of Conduct. The programs comprise early preventions, monitoring and follow-up management and are operated efficiently through follow-up management which includes incentives and sanctions. In addition, by establishing a compliance list covering 6 topics of fair trade, HR, intellectual property, ethics, environmental safety and other, we are preemptively responding to various risks.

Environment

Establish an environmental management system aiming for global environmental protection

- Product Stewardship
- Reduction of environmental impact

Product Stewardship

With increasing environmental regulations both at home and abroad such as EU RoHS and REACH SVHC, customer demands for product information are getting tougher to a standard that exceeds regulations. Samsung Electro-Mechanics operates a hazardous material management system in order to respond to these risks efficiently. We have established a database of information on chemical materials within all raw materials at Samsung Electro-Mechanics and have regular meetings with persons in charge of product environmental impact in related departments to monitor hazardous material regulations at home and abroad.

Also, we provide regular training to persons responsible for product environmental impact, and monitor policies and regulations on the management of hazardous materials for major customers at least once a year, which we reflect in the company's policies. As regulations on the 4 types of phthalate (BBP, DBP, DEHP, DIBP) in the EU RoHS took effect in July 2019, we have been continuously managing hazardous substances and plan to also manage phthalates that are not regulated by RoHS. For risks that may have product environmental damage including substances to be regulated in the future, we plan to carry out preemptive management to eliminate hazardous risks in products.

Society

Create a better future through the joint efforts of business and society

- Safe sites

Safe Work Sites

There is an increased interest both domestically and internationally in terms of safety and health policies for workers due to explosion accidents and fatalities caused by hazardous materials. As a result, companies are also paying attention to safety and health at operating sites and are striving to identify potential risk factors. In particular, with the recent pandemic, safety and health for employees and business partners are becoming areas that should be managed as the top priority.

To this end, the highest management of Samsung Electro-Mechanics directly discloses the company's safety and health policies internally and externally and the organization establishes detailed goals and plans, executes the plan, and implements monitoring and assessments accordingly. Meanwhile, through the Industrial Safety and Health Committee held every quarter with labor-management representatives, we are discussing quoted items and are paving the way to create safe worksites.

Strengthening Compliance and Risk Management

Samsung Electro-Mechanics manages all potential risks and legal compliance throughout its management activities.

Material Topic 01

Sustainability starts with compliance. Global leaders, no matter which region they're operating their businesses in, will do their best to comply with laws and ethical standards of the highest level. Global leaders of today go beyond monitoring internal compliance by their employees to monitoring the compliance of legal and ethical standards of their business partners. As controlling and identifying these risks is the most sensitive and significant issue in sustainability, stakeholders demand that companies closely respond to these issues.

Key performance

Compliance Risk Mitigation

Preemptive responses in preparation for strengthened regulations

- Provide training programs and conduct inspections in accordance with the enactment of the Improper Solicitation and Graft Act (the "Graft Act" of Korea)
- Review transactions with business partners following the revision of the Fair Transactions in Subcontracting Act
- Inspect internal transactions according to strengthened regulations on illegal support activities between affiliates

Establishment of a continual monitoring system

- Reinforce the preliminary review process for internal transactions
- Establish a continual risk monitoring system to prevent violations of the Fair Transactions in Subcontracting Act
- Adopt an early deliberation for external funding

Samsung Electro-Mechanics has established a Code of Conduct for compliance management and is implementing compliance programs based on the Code of Conduct. The programs comprise early preventions, monitoring and follow-up management and are operated efficiently through follow-up management which includes incentives and sanctions. In addition, by establishing a compliance list covering 6 topics of fair trade, HR, intellectual property, ethics, environmental safety and other, we are preemptively responding to various risks.

Compliance program

Risk Sensing/ Early Prevention

Assessment/ Follow-up Management

Monitoring

Whistleblowing

Subjects of Reports

- Violations of the Fair Trade Act, including unfair impositions, unfair transactions, unfair subcontracts, etc.
- Violations of laws pertaining to labor, human rights, privacy protection, trade secrets, safety and security, environmental protection, etc.

Confidentiality

- These reports are handled on the condition of strict anonymity and confidentiality.
- It is a basic principle that there will be no disadvantages to the reporter.

How to Submit Reports

- Email compliance.semco@samsung.com
- Phone +82-31-8093-8897

Compliance and anti-corruption prevention

Policies

Samsung Electro-Mechanics has established a Code of Conduct in compliance management and conducts a compliance program in order to observe the management philosophy, core values, and management principles of Samsung.

Samsung Electro-Mechanics preemptively ensures compliance through various activities for managing the risks such as conducting employee trainings, providing manuals and guidelines that can be used as references for compliance to laws while executing duties, conducting self-assessments through systems, operating a support center that handles items related to violations and other inquiries, and sensing and managing establishments and revisions of various laws, etc.

In addition, we regularly conduct monitoring activities that check for legal violations by management category and implement improvement activities that identify the source of the issue through an analysis of the procedure and results, contributing to the prevention of recurrence of compliance risks.

Through the recent agreement of Samsung's major subsidiaries, : an independent and autonomous Compliance Oversight Committee was established and 6 members with professional knowledge and experience in compliance auditing were appointed, thereby strengthening compliance auditing and control functions. This will enable us to implement Samsung's core value of ethical management and gain the trust of the society.

Compliance management system

[Compliance management system]

Samsung Electro-Mechanics established the CPMS (Compliance Program Management System) to regularly post regulations related to compliance, behavioral standards, standards and guidelines, and compliance issues and distributes such information to employees. "Compliance" is positioned on the upper part of Knox Portal, the company's intranet system, to maximize accessibility. Furthermore, the portal is equipped with functions to write in inquiries, analyze prior discussions, and document autonomous compliance activities to support voluntary compliance activities by employees.

An online and offline whistleblowing system has been put in place to prevent non-compliance and the guidelines prescribe provisions whereby the identification of whistleblowers is protected and they are not subject to any disadvantages in terms of promotions resulting from whistleblowing.

In principle, we not only guarantee the anonymity of whistleblowers but also prohibit any disadvantages in future promotions due to whistleblowing in order to facilitate the whistleblowing system. The system is available both online and offline, preventing non-compliance at all times.

[Operation of the Compliance Committee]

Samsung Electro-Mechanics has formed and operates a system for compliance action teams to ensure systematic and effective compliance management. The "Compliance Committee", as the highest unit in the compliance organizational structure, provides directions and decides on major compliance items after receiving reports on key management activities.

A designated Compliance Team develops and operates compliance programs to support the compliance activities of each functional team. Samsung Electro-Mechanics appointed CP supervisors in charge of overseeing compliance activities in each functional team at home and abroad encompassing staff, business units, overseas branches, and CP leaders in charge of practical tasks so that all teams can actively respond to issues when they occur.

In accordance with Article 542-13 of the Commercial Act, compliance officers shall verify whether the compliance guidelines are complied with and report the outcomes thereof to the board of directors. Therefore, Samsung Electro-Mechanics reports the outcomes of compliance activities from the previous year and the compliance plan for the current year at meetings of the board of directors with both internal and external directors in attendance.

On January 29th, 2020, the items were reported at the BOD meeting and the reported contents are disclosed through the Electronic Disclosure System by the Financial Supervisory Service on http://dart.fss.or.kr.

Risk Sensing / Early Prevention

- Involves identifying updates and changes in law.
- Risk-preventing processes and guidance are provided.

Assessment / Follow-up Management

- Levels of compliance are evaluated and rewarded/penalized.
- Plans to prevent recurrence are developed and enforced.

Monitoring

- Each department has a team that specializes in consulting and monitoring on compliance matters.
- Alternatives and solutions are proposed with respect to monitoring results.

Major Compliance Activities

Compliance Checks

With a continuous supervision and monitoring system for compliance, Samsung Electro-Mechanics is committed to discovering potential risks and improvement measures. Compliance checks were conducted across diverse categories including fair trade, business secrets, internal subcontracting, and human rights and labor. In particular, by assessing leakages and misuse risks for technical data, we protect the technologies of our business partners and strive to prevent any violations to intellectual property rights.
Issues found during compliance checks are discussed with related departments to identify response measures, and the results and improvement measures are reported to executives. Additionally, in order to prevent recurrence of similar risks, we disseminate the main cause and guidance for recurrence prevention to relevant organizations and apply these to the manuals and training materials. We hold preliminary hearings for expenses for external funding and internal transactions among affiliates, and by adopting the agreement functions of the compliance organizations at the time of signing a business contract or registering, we reinforced the compliance monitoring system.

Voluntary Compliance Activities

All employees of Samsung Electro-Mechanics take part in the Compliance Action Pledge to reaffirm their commitment to compliance measures. Employees participate in compliance training programs, compliance action seminars and conduct self-inspections to enhance their compliance capabilities.
The company has developed a quantitative measurement system of such activities so that the results can be reflected in the performance evaluation of the executives concerned.

Samsung Electro-Mechanics promotes the importance of compliance management by communicating major compliance issues including corporate compliance activities with stakeholders, through diverse communication channels such as the publication of the Compliance Letter, organization of the Compliance Action Forum and internal broadcasting. Moreover, a reexamination of business relationships that violate compliance including business partners and contractual counterparties is conducted. As such, we recommend all companies transacting with us take part in our efforts to promote compliance management.

Compliance Training

Samsung Electro-Mechanics conducts compliance training for all employees at least once per year. The training touches upon compliance issues related to fair trade, anti-corruption and anti-infringement of business secrets, which are to be complied with as per major risks related to Samsung Electro-Mechanics. In particular, job competency training for each department including procurement, development, quality, sales and marketing is underway with specialized training content used for in-depth training.

In 2019, the company conducted special trainings on compliance cases and guides for 152 employees in leadership positions and is pursuing the stabilization of compliance activities under their leadership. The company is also conducting special trainings for all employees with the Samsung Electro-Mechanics' Code of Conduct, which outlines Samsung's core values.

Identification of Amended Regulations and Provision of Guidelines

We are constantly analyzing the status of revisions and amendments of related regulations and disclosing them to relevant departments and employees to prevent risks. Based on this, we develop guidelines on related laws for employees to comply with, which include specific work processes and a Code of Conduct to prevent employees from violating the laws. The updated guidelines are regularly posted on the Compliance Program Management System (CPMS) so that employees can easily access them via CPMS as needed.

Compliance Management Items

Fair Trade

- Prohibiting unfair joint actions
- Prohibiting unfair internal trading
- Prohibiting unfair subcontracting

Ethics

- Preventing corruption (prohibiting bribery)

HR

- Equality in employment
- Compliance with work standards

Environment & Safety

- Complying with environmental and safety regulations

Intellectual Property

- Prohibiting the infringement of business secrets
- Prohibiting the illegal use of software

Others

- Complying with disclosure/ the Board of Directors' regulations
- Prohibiting internal trading
- Complying with customs regulations

SPECIAL CASE

Information Security

We prescribe information security regulations and implementation guidelines to protect the critical information and assets of Samsung Electro-Mechanics and operate physical, management, and technical protection measures to abide by them. This, along with periodic inspections and improvement activities, helps us to minimize security risks.

Organizational System

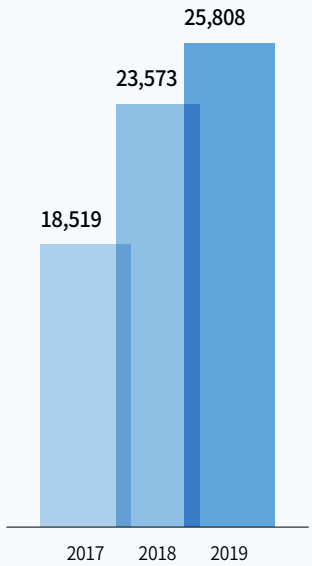
Samsung Electro-Mechanics formed dedicated teams for the purpose of information protection and protects corporate assets and information. For safe management of security and information on its information and communication systems, Samsung Electro-Mechanics appoints a Chief Information Security Officer (CISO) at the executive level that coordinates, manages, and directs all security duties for the company. Samsung Electro-Mechanics reviews the need to revise the security policies at least once a year and notifies its employees of the established or revised policies through the intranet. In addition, the teams prescribe corporate security policies and reflect legal, management environment and technological changes related to information security at home and abroad into security policies, and implement related policies as well as manage risks in each sector. The company also conducts inspections on individual sites, provides consulting services to enhance security at overseas sites, and continues to carry out activities to discover and improve weaknesses.

Training

We have been providing over one-hour of training a year targeting employees and business partners, aiming to prevent security incidents and raise the sense of security. We also sign Non-Disclosure Agreements (NDAs) with external parties depending on the nature of business to protect important information (business secrets). In addition, we are marking efforts to raise the sense of security for our employees through internal broadcasting and diverse promotional materials.
For overseas subsidiaries, trainings are conducted in a similar way to that of domestic subsidiaries, and our employees and employees of our business partners sign a “Pledge of Information Protection.” Training for security staff is provided on a regular basis to prevent human rights issues in the course of security screening.

Trainings on Information Protection

(coverage: domestic basis, unit: persons)

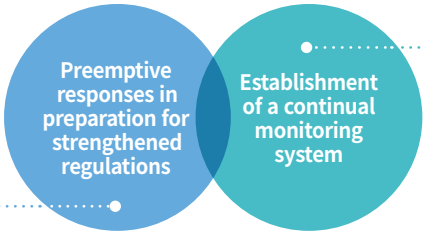


Information Asset Protection

To protect information assets, employees and facilities of the company, Samsung Electro-Mechanics places CCTVs and security staff on the periphery of plants and major facilities to limit access for only authorized personnel. The company also prepares for all types of physical threats including natural disasters with measures such as facility protection and methodology management.
Going beyond physical security, Samsung Electro-Mechanics allocates and manages multiple security systems to ensure the technical protection of systems and networks. We guard against the hacking of industrial secrets and leakage incidents by putting information protection management systems in place.
We conduct tests twice a year to ensure that processes to prevent IT system failures and cyber-attacks properly perform, and regularly execute external audits and vulnerability analyses to ensure the safety of our information management system.
Samsung Electro-Mechanics established an online security reporting center to enhance reporting of signs of failure and enables anyone to utilize the system.

Compliance Risk Mitigation

- Provide training programs and conduct inspections in accordance with the enactment of the Improper Solicitation and Graft Act (the "Graft Act" of Korea)
- Review transactions with business partners following the revision of the Fair Transactions in Subcontracting Act
- Inspect internal transactions according to strengthened regulations on illegal support activities between affiliates



- Reinforce the preliminary review process for internal transactions
- Establish a continual risk monitoring system to prevent violations of the Fair Transactions in Subcontracting Act
- Adopt an early deliberation process for external funding

Risk management

Compliance Risk

Samsung Electro-Mechanics manages compliance risk to prevent employees from violating rules and regulations in their duties. To prevent illegal practices, we check the status of relevant regulations on a regular basis, including their establishment and revision, assess risks in each sector, devise response measures and then provide risk guidelines to our employees. From 2018 to 2019, we conducted our own inspections in response to preemptively enhanced regulations in areas such as antitrust, anti-corruption, and subcontracting, and we have continued our efforts to eradicate risks of legal violations by establishing a regular monitoring system.

[Disciplinary Sanctions]

As of 2019, Samsung Electro-Mechanics has not received penalties or other disciplinary sanctions for legal violations of fair-trade laws. Samsung Electro-Mechanics will continue to prioritize compliance management to grow and develop into a leading company that is trusted and respected by the society by being true to its management principles in the areas of legal and ethical compliance.

Compliance Checks

(coverage: consolidated basis, unit: times)

	2017	2018	2019
Compliance Checks	7	7	6

Internal Accounting Management

To increase transparency in our accounting data and provide trustworthy information to interested parties, we operate an internal audit management system, following rules laid out in the internal audit management regulations and the internal audit management system guidelines.

Through this system, we hold periodic evaluations (monthly, quarterly and annually), appraising the entire company's activities and the individual processes and activities of our global network.

We evaluate the activities and individual processes of our headquarters and overseas branches (including business departments, branches, staff, etc.), focusing on 12 areas of business (human resources, sales, operations, etc.). To ensure accuracy and procedural compliance in the evaluations, a third-party assessment is carried out on the quarterly evaluations made by the head office, and overseas branches conduct inspections of operating conditions.

Tax Risk Management

Samsung Electro-Mechanics strives to prevent all risks related to tax that may arise during the transactions of all goods and services related to its businesses, international transactions, new businesses, and changes to transaction structures. To this end, we are evaluating tax risks by headquarters and overseas branches and respond by identifying measures to minimize payment risks in advance.

We provide taxation consulting to preemptively respond to regulatory issues and risks related to tax payment in foreign countries in the course of establishing a new subsidiary or undergoing an M&A for business expansion.

We follow a procedure of prior verification on compliance with local tax rules through the review of an external accounting firm and on possible tax omissions before submitting a filing statement for a corporate tax return by HQ and overseas subsidiaries.

All tax reports are made within the payment due dates, documented and stored as evidence to establish the eligibility of transactions. As for domestic trade, fair prices are maintained in transactions with third parties and persons with special relationships according to related laws.

In terms of the risk of securing an adequate earnings rate for transactions between the HQ and overseas subsidiaries, external specialists are employed to measure risks by reviewing the transfer price, and related reports are reviewed to respond to potential tax risks.

Business Continuity Management

Outline and Measures

Samsung Electro-Mechanics contributes to sustainable growth by ensuring a stable supply of products and services to customers based on continuity of production. We have established the business continuity management systems in case of business suspension due to unexpected incidents and in 2012, Samsung Electro-Mechanics acquired a certification related to business continuity management for adopting ISO 22301.

The ISO 22301 is an international standard for Business Continuity Management that was published in May of 2012 by the International Organization for Standardization, and assesses the companies' ability to regularize corporate activities by flexibly restoring its core businesses in the shortest amount of time in the event of a disruption due to various disasters, accidents, etc. Domestic sites are verified for their suitability through regular annual assessments, and we are making efforts to further develop the company's business continuity management systems.

Major Activities

Samsung Electro-Mechanics has established measures for business continuity management and formed operational units to fulfill relevant roles and responsibilities. We analyze key factors that may affect production activities in case of unforeseen incidents by identifying conditions for organizational activities through research on internal and external stakeholder issues, environmental analysis and business impact analysis, to derive strategies for business normalization. In addition, we conduct periodic analysis and evaluation of risk factors that may affect our business, and qualitatively and quantitatively estimate Recovery Time Objective (RTO), the target time for normalizing core businesses.

Also, by analyzing risks for each of the core factors, we establish various strategies and business continuity procedures so that in the occurrence of accidents, we can restore regular production activities according to the priorities. We conduct internal and external audits each year to check whether these major activities are being appropriately performed and through regular provision of education and trainings, we strive to enhance capabilities of our employees to understand and carry out business continuity management. In particular, through simulation trainings, we assess responses, restorative systems and plan documents to hypothetical disasters, and reinforce executing abilities by identifying improvement measures and assessing proper execution of business continuity procedures, implementation potentials and mission completion status by organization.

Safety & Health

We execute safety and health management with our employee's safety as top priority.

Material Topic 02

There is an increased interest domestically and internationally on safety and health policies for workers due to explosion accidents and fatalities caused by hazardous materials. As a result, companies are strengthening the management of safety and health at operating sites and are striving to identify potential risk factors. In particular, with recent pandemic such as COVID-19, safety and health for employees and business partners are becoming areas that should be managed as the top priority.

Key performance

Transition to ISO 45001 complete

ISO 45001

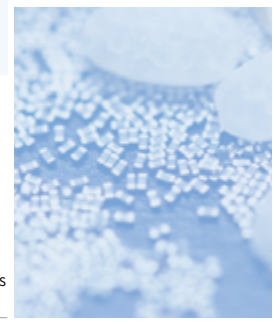
Best practices in safety and health support from a parent company each year by the Ministry of Employment and Labor

Grade A

To this end, the highest management of Samsung Electro-Mechanics directly discloses the company's safety and health policies internally and externally and the organization establishes detailed goals and plans, executes the plan, and implements monitoring and assessments accordingly. Meanwhile, by operating the Industrial Safety and Health Committee composed of labor-management representatives, we are discussing quoted items every quarter and are paving the way to creating safe work sites.

Step-by-step response process for infectious diseases

① Awareness	② Caution	③ Warning	④ Severity
· Dissemination and strengthened prevention	· Categories under step 2 and limits to entry · Securing emergency goods	· Categories under step 3 and use of respiratory masks	· Categories under step 1 and prohibiting group trainings · Checking temperature for each member · Prohibiting travel · Providing hand sanitizers



Certification for safety, health and environment management

ISO 45001

Safety & health system

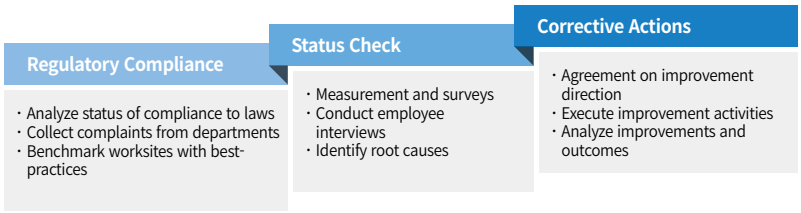
Safety & health management system

Samsung Electro-Mechanics complies with laws related to safety and health and strives to comply above legal requirements. To this end, the highest management of Samsung Electro-Mechanics directly discloses the company's safety and health policies internally and externally and the organization establishes detailed goals and plans, executes the plan, and implements monitoring and assessments accordingly. Domestic and overseas offices have obtained the certification for safety and health management system and are continuously improving and developing safety and health performances through regular assessments conducted by 3rd party verification organizations. Also, we communicate with our stakeholders including customers and employees, our guidelines and activities via various means. According to the ISO 45001, all domestic sites have transitioned in 2019 and overseas sites will also transition in 2020, strengthening standards for safety and health management.

Voluntary Health and Safety System

Samsung Electro-Mechanics requires all workers accessing worksites to complete training on safety compliance before entry to the sites to ensure the safety of all employees. A monthly health and safety council is held with the attendance of business partners stationed at sites to continuously discuss issues and gather opinions. Joint safety checks are conducted each quarter to mitigate risk factors. We also operate the Win-Win Cooperation Program for in-house and external business partners to support voluntary health and safety activities by assisting the relevant parties acquire certificates in risk assessment as well as safety and health management systems (KOSHA). We have received Grade A in the category for best practices in safety and health support from a parent company each year by the Ministry of Employment and Labor.

Work Environment Improvement Process



Industrial Safety and Health Committee

The Industrial Safety and Health Committee is convened every quarter with an equal number of labor-management representatives. The committee conducts activities that are directly related to the management of the safety and health of employees such as the development of disaster prevention plans, documentation and revision of safety and health management regulations, medical examinations, and working environment assessments. Through quarterly meetings where we agree on quoted items, we ensure employees conduct their work in a pleasant and safe working environment and improve overall employee health.

Creating a Safe and Healthy Workplace

Safety and health meetings

Samsung Electro-Mechanics conducts a safety environment meeting presided by the CEO every other month under the banner stating that "Creating a healthy and safe workplace is the top priority of management." During the meeting, we assign specific goals related to safety management activities to executives and heads of each business division to ensure that they take responsibility in managing related issues.

Early Detection and Management of Risk Factors

Samsung Electro-Mechanics conducts qualitative and quantitative risk assessments to identify hazards and risk factors in advance when changes occur such as the deployment of new processes and facilities. We are also strengthening preemptive prevention activities by dealing with identified risk factors to reduce risk and by conducting reassessments of all areas each year.

Intensive Management Efforts to Prevent Major Industrial Accidents

Samsung Electro-Mechanics develops a process safety report based on process safety management data sheets, risk assessments, operational safety, emergency preparedness and responses to enhance prevention of major industrial accidents such as fire and explosion in processes involving large-scale hazardous materials.

We strive to maintain Process Safety Management (PSM) at the highest level and prevent all major industrial accidents. We also operate the safety experience training center to enhance safety awareness among both our employees and business partners at all work sites for disaster prevention.

To prevent contagious diseases from domestic and international business trips, Samsung Electro-Mechanics carries out relevant activities such as establishing emergency response manuals, providing response measures by phase, and analyzing in real-time information received by the Korea Center for Disease Control & Prevention and the National Weather Service.

Management of the working environment and workers' exposure to harmful factors

Samsung Electro-Mechanics conducts working environment assessments for a total of 192 hazardous substances twice a year or at any instances of changes. This is to check the level of exposure during the process and to maintain the level below 30% of the statutory standards. Moreover, we are preemptively conducting safety assessments, checking the status of handled substances and continuously upgrading our protection facilities to reduce the workers' exposure to harmful substances.
Samsung Electro-Mechanics offers its workers general health checkups for their health, and conducts special health checkups regularly and as needed for the 181 types of hazardous substances stated by law for strict management of potential exposure.
In addition, when starting new projects, we analyze whether there would be harmful factors to the musculoskeletal system during the work processes and strive to reduce the physical burdens of our workers.
We also designate appropriate protective devices depending on the worksite and distribute them individually to our workers. Through close examinations, we assess the safety of the protective devices and continuously conduct trainings on managing and wearing protective gears. Additionally, we operate committees for safety protection equipment each quarter so that our employees can work in a safe environment.

Prior Review and Approval of Hazardous and High-Risk Operations

In principle, 9 types of high-risk operations related to flammables, heights, sealing, asbestos, heavy equipment, electricity, and others should be reported and receive approval one day before carrying out such activities. Samsung Electro-Mechanics develops and shares safety work plans for the activities listed above to ensure safety from potential risks and carries out pre-, ongoing, and post-safety management activities accordingly.

Safety and health education

For continued interest and the enhancement of employee's health, Samsung Electro-Mechanics conducts mandatory safety and health education each year. As for relevant safety and health education, we offer regular safety and health education (for all employees, 6 hours/quarter), safety and health education for managing directors (16 hours/year), and safety and health education for new hires (8 hours) with a completion rate of 100%.
In particular, Samsung Electro-Mechanics installed and continuously operates experiment centers in Suwon and Busan for experiment-type education so that all employees, local residents and business partners can participate in the field-oriented trainings. In addition, we established safety and health education for the executives as a mandatory course, encouraging the participation of all executives of the company.

Safety and Accident Prevention Activity

Identification of Potential Risks at Sites

All employees are engaged in activities to discover potential risks so that they can identify risk factors in the workplace and make improvements as necessary. We make continuous efforts to support employees working in manufacturing plants, offices, and R&D centers to identify unsafe behaviors and sites as well as take immediate corrective actions whenever necessary. We have established and operate a dedicated system that helps employees manage the entire process from identification of potential risks to improvements to easily use and share the relevant content. We look for and share examples of major issues found at certain sites that may also apply at other sites every week and month. We also establish and distribute a casebook of major issues found during the year, titled 'Recommendations on Cross Sectional Deployment' at the end of year.

Operational status of safety and health education

Name	Target	Hours	Cycle
Regular safety and health education	Employees	6 hours	Each quarter
Safety and health education for managing directors	Department head, group supervisors	16 hours	Each year
Safety and health education for new hires	New hires	8 hours	Upon recruitment
Special safety training	Targets listed on the Occupational Safety and Health Act	16 hours	Before the initial work process
Safety education for executives	Executives	6 hours	Each year
Experiment-type safety and health education	Employees	2 hours	-

Operation of Daily Exclusive Patrol Teams

Continuous checks refer to detailed inspection activities at sites to eradicate risks jeopardizing work safety that go beyond existing review activities such as various safety assurance activities, utility checks and preventive activities, to the identification of potential risks. Safety management staff inspect key facilities such as manufacturing facilities, utility facilities, gas equipment, and environmental protection facilities daily by using measuring devices including thermal imaging devices, endoscope cameras, insulation resistance testers, hot wire anemometers, and others. Identified risks are immediately mitigated or registered in the safety environment portal system and managed until the improvement activities are completed.

Health Promotion

Samsung Electro-Mechanics provides various health checkup programs including comprehensive physical examinations: general, special, and detailed checkups, and thorough examinations during life transition periods: mental health tests and various kinds of cancer screening, to promote employee health. Samsung Electro-Mechanics operates an in-house medical clinic to efficiently and professionally manage the health of employees. Family physicians and dermatologists provide medical checkups and follow-up management after the examination as well as orthopedic care services in a physical therapy room to relieve symptoms and to provide precautionary remedies.
To promote the health of all employees at worksites, we provide vaccinations, care programs for employees who return to work after sick leave, hazards and risk assessment for maternity care givers. We also run a Body Mass Index (BMI) program to help employees regain their health by improving eating habits and metabolic activities, non-smoker certification to actively support smoking-cessation activities and regular smoking cessation programs.

Response to natural disasters and infectious diseases

Prevention of infectious diseases

In order to prevent infectious diseases from spreading, we establish emergency response manuals and reflect them as corporate standards. We provide measures according to the level of severity- awareness, caution, warning, and severity, and carry out relevant activities by monitoring the spread of AIDS, Tuberculosis, Malaria, food poisoning, influenza, MERS, and COVID-19 etc. in real-time based on information received by the Korea Center for Disease Control & Prevention.

Step-by-step response process for infectious diseases

Stage 1 (Awareness)
- Dissemination and strengthened prevention

Stage 2 (Caution)
- Categories under step 2 and limits to entry
- Securing emergency goods

Stage 3 (Warning)
- Categories under step 3 and use of respiratory masks

Stage 4 (Severity)
- Categories under step 1 and prohibiting group trainings
- Checking temperature for each member
- Prohibiting travel
- Providing hand sanitizers

Drills to respond to natural disasters

As an effort to minimize damage from large-scale fire and disasters, Samsung Electro-Mechanics regularly conducts fire drills where all employees participate. We are conducting comprehensive drills for all employees in preparation for a wide range of disaster situations such as fire and explosions at least once a year and also regularly operate 13 emergency response scenario* drills by type of disaster each month.
In addition, we are enhancing response capabilities by operating monthly basic drills led by volunteer fire departments to educate employees at the manufacturing plants on fire response techniques, evacuation guidance and methods. We also offer safety trainings that are practical for everyday lives such as usage of fire extinguishers, behavioral guidance for each type of disasters, CPR etc. Samsung Electro-Mechanics continuously conducts drills so that all employees can understand the actions that must be taken as well as evacuation methods through the drills so that they can rapidly respond to natural disasters.

* 13 types of emergency response scenarios: structural collapses, legal violations, suspension of back-up operations, earthquakes, waste water leakage, damage from storms and floods, food poisoning, casualty accidents, leakage of chemical substances, gas leakage, fire, power outage, suspension of water supply

Emergency Drills

	Target	Cycle	Description
Comprehensive drill	All employees	Twice a year	Evacuation drill in preparation for disasters
Response drill	Buildings	Once a month	Drill based on the 13 risk response scenarios
Basic drill	Manufacture process	Once a month	Basic drill led by volunteer fire department
Etc	Female dormitory	Twice a year	Fire emergency evacuation drill at night
	Daycare center	Once a month	Fire emergency evacuation drill

Product Stewardship

Samsung Electro-Mechanics complies with policies for the management of hazardous materials within products required by our customers and the specified standards of each country.

Material Topic 03

With increasing environmental regulations both at home and abroad such as EU RoHS and REACH SVHC, customer demand for product information is reaching a level that exceeds existing regulations. Due to failure of managing hazardous substances within products, more companies are having to face the difficulties of market pullout, reputational damage, product suspension, fines from countries, criminal penalties, etc. Although these issues have not occurred at Samsung Electro-Mechanics, many stakeholders demand that the company handle such issues with great importance, considering the consequences.

Key performance

Preemptive response to product environmental regulations

EU RoHS, REACH

Implemented exchanges for product environmental impacts

A total of 3 times

Samsung Electro-Mechanics operates a hazardous material management system in order to respond to these risks efficiently. We have established a database of information on chemical materials within all raw materials at Samsung Electro-Mechanics and have regular meetings with persons in charge of product environmental impact in related departments to monitor hazardous material regulations at home and abroad. Also, we provide regular training to persons responsible for product environmental impact, and monitor policies and regulations on the management of hazardous materials for major customers at least once a year, which we reflect in the company's policies. As regulations on the 4 types of phthalate (BBP, DBP, DEHP, DIBP) in the EU RoHS took effect in July 2019, we have been continuously managing hazardous substances and plan to also manage phthalates that are not regulated by RoHS. For risks that may have product environmental damage including substances to be regulated in the future, we plan to carry out preemptive management to eliminate hazardous risks in products.

Product Environmental Impact

Policy

In order to respond to strengthened international environmental regulations such as the EU Restriction of Hazardous Substances (RoHS), directive for electrical and electronic equipment and the Registration, Evaluation, Authorization & Restriction of Chemicals (REACH) and corporate social responsibilities, Samsung Electro-Mechanics voluntarily restricts the use of hazardous substances in products and raw materials and replaces them with alternate materials to provide eco-friendly products to customers. To meet the demands of various clients for eco-friendly products, we investigate policies and regulations on the management of hazardous materials used by major global customers more than once a year, which are reflected in the policies of Samsung Electro-Mechanics.

Reinforcement of Product Environmental Response Systems and Expertise

Samsung Electro-Mechanics convenes Information Exchange Meetings led by the Safe Environment Team, to collect opinions from employees in related departments on procurement, quality, development and other matters. In 2019, the Information Exchange Meetings on product environmental impact was held 3 times. The meeting serves as a communication channel to develop internal policies by identifying regulatory trends in the EU, US, China, and other key regions and countries and by catering to the product environmental needs of global customers. Regular training takes place for hazardous substance management by sector to strengthen the competencies of employees in product environmental impact related departments. As of 2019, the company has conducted practical training in association with professional measurement analysis agencies for personnel in charge of material approval.

Environmental Labeling and Declarations

Samsung Electro-Mechanics continues to ensure carbon footprint certification for its products. The carbon footprint certification is provided based on the calculation of GHG emissions generated in the entire product lifecycle beginning with the extraction of raw materials, production, distribution, and disposal through Life Cycle Assessments (LCA). Also, we are operating self-declared environmental claims (Type II environmental labeling) in order to respond to customer demands to disclose environment related information and improve the eco-friendliness of our products. In 2010, Samsung Electro-Mechanics acquired Environmental Product Declaration certification (for carbon emissions) for the first time as an MLCC company and the certification has expanded to include 3 product lines. As a result, Samsung Electro-Mechanics obtained 6 certifications in total including one for low carbon.

Product Environmental Impact Assurance for Suppliers

Samsung Electro-Mechanics provides regular training on product environmental impact for business partners to enhance their regulatory competencies in relation to environmental hazards and product eco-friendliness.
In 2018, we required all suppliers to submit detailed analysis reports about the 4 types of phthalates. Through this, we responded to global regulations in advance. In 2019, we held a training session for our business partners stating that we will manage product environmental impact on stricter standards than the existing regulations.

Management of Hazardous and Chemical Substances

Management of Hazardous Materials in the Environment

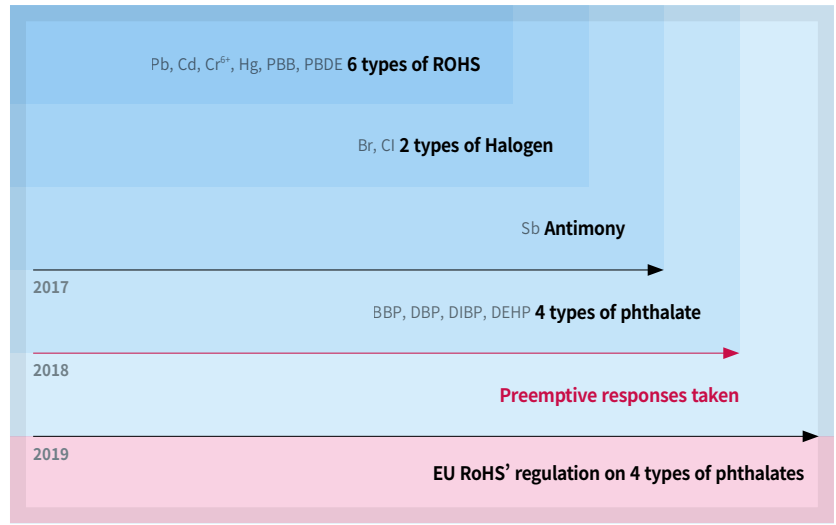
Samsung Electro-Mechanics voluntarily manages key chemicals that could harm human health and the environment such as halogen, antimony, and beryllium in addition to substances restricted by international environmental regulations such as the 10 substances (Cd, Pb, Hg, Cr^{6+}, PBBs, PBDEs, BBP, DBP, DEHP, DIBP) restricted by the EU RoHS and the REACH substances of very high concern (SVHC). In order to manage SVHC under REACH, we monitor the use of newly added SVHC in our raw materials more than once every 6 months and are making efforts to replace existing raw materials with new ones that have a lower level of environmental risk.

Reviewing Hazardous Substances in Products as an R&D Task

Samsung Electro-Mechanics conducts preliminary reviews from the research and development stage and preemptively prevents the use of hazardous substances in products. From the middle of the development stage, we check the completeness of the product for design and implementation. Further, in the deliberation process, we check to see if hazardous substances are included in the materials used for each R&D task. If the materials contain hazardous substances, we limit the use of such materials and strictly manage the presence of hazardous substances. In 2018, 4 phthalates (BBP, DBP, DIBP, DEHP) were upstaged as essential items for precise analysis to advance the EU RoHS phthalate regulation (implemented in July 2019), and in 2019 they implemented a voluntary ban on biocide* and carcinogenic detergents.

* Biocide: a substance that can harm humans, crops and livestock

Strengthening of Hazardous Substance Management



Preemptive Safety Assessment

Samsung Electro-Mechanics conducts preemptive safety assessment of all chemicals used in the company by establishing a system for their management. We actively respond to domestic regulations including the Chemicals Control Act, the Act on the Registration and Evaluation of Chemicals and the Safety Control of Dangerous Substances Act. Since 2013, Samsung Electro-Mechanics has established and autonomously operates a comprehensive management system (CMS) in terms of the life cycle of chemical substances for regulatory compliance and safe management of chemical substances. All incoming chemical substances can be used in the manufacturing process after approval via the CMS (safety assessment).

The purpose of the CMS is to comply with policies used by global companies and global and domestic regulations that are expected to demand more detailed management of chemical substances, and to secure employee safety when handling those substances.

Safety Management for Facilities Handling Chemicals

We conduct self-investigations on the current status of facility protection (automation, sealing, and local exhaust ventilation) as well as inspections on the chemical substance treatment facilities for the Manufacturing and R&D Divisions and regularly observe and maintain performances and protective measures.

Management of Grades for Regulated Materials

Samsung Electro-Mechanics devised a plan for prior management of materials that are harmful to the human body, made a list of restricted materials for handling, and is managing chemicals handled within the company by grade. A process has been established in the introduction stage to prevent the reckless use of such chemicals. Newly adopted Carcinogenic, Mutagenic and Reprotoxic (CMR) materials are managed by carrying out an approval process. As such, we block fundamental exposure by establishing and implementing countermeasures depending on risk levels based on the results of chemical substance risk assessments. In addition, we are making efforts to replace and reduce the use of materials with higher risk grades by establishing replacement and reduction plans based on the results of risk assessments.

Samsung Electro-Mechanics voluntarily manages key chemicals that could harm human health and the environment such as halogen, antimony, and beryllium in addition to substances restricted by international environmental regulations such as the 10 substances restricted by the EU RoHS and the restricted substances of REACH such as SVHC.

Hazardous Substance Management Process

	Development	Purchase	Quality	Safety Environment
Design Designing eco-friendly products	Review of materials without hazardous substances	Distribution of the product environment management standard to business partners		Provision of information to departments responsible for managing hazardous materials
Approval Reviewing eco-friendliness in advance	(Upon approval of parts) Approval of hazardous material review	Submission of the information of raw material substances and score statement on precise analysis of hazardous substances by business partners	(Upon approval of parts) Agreement on the result of hazardous material reviews	
Production Inspecting hazardous substances in raw materials		Encouragement of business partners to submit the information of raw material substances and score statement	Hazardous substance sampling of warehousing materials	Operation of the Green Purchasing System
Shipment Inspecting hazardous substances in products			Hazardous substance sampling of products to be shipped	

System Operation

[Green Purchasing System]

Samsung Electro-Mechanics operates a Green Purchasing System to systematically manage hazardous substances in products. All of the company's raw material suppliers are required to prove that they comply with our standards by submitting information on raw materials, a Material Safety Data Sheet(MSDS), and a score statement based on the precise analysis of hazardous substances issued by a certified agency.

We investigate the status of restricted substances, efficiently respond to product information requests from customers, and provide eco-friendly products to customers, which do not contain prohibited materials, by using the database on substances contained in raw materials amassed via the Green Purchasing System.

[Material Analysis System]

We run a "Material analysis system" to analyze and manage hazardous materials, while managing hazardous material information for raw materials provided by suppliers.
Simple analysis is conducted periodically for seven items using our analytical instruments for all raw materials to be warehoused: Pb (lead), Cd (cadmium), Cr^{6+} (hexavalent chromium), Hg (mercury), Br (bromine), Cl (chlorine), Sb (antimony). We also verify whether they contain hazardous substances through certified external analysis bodies, if necessary, and manage the results through the system.

Sustainable Management Topic 1

Economic Sustainability

In order to prevent employees from engaging in fraudulent activities, Samsung Electro-Mechanics establishes and operates ethical management policies. Furthermore, to prevent corruption throughout the overall supply chain, we proactively support and enforce anti-corruption policies.

The Board of Directors of Samsung Electro-Mechanics complies with the principle of checks and balances as well as field-oriented management, and through a thorough supervision of internal accounting and policies for dividends centered on shareholder returns, the BOD provides shareholders their right to know.

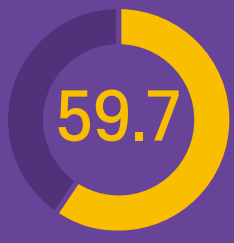
Samsung Electro-Mechanics bases transparency, anti-corruption and ethical soundness throughout its overall management activities to create sustainable economic value.

Ratio of operating profit to sales

(consolidated basis, unit: %)

Debt ratio

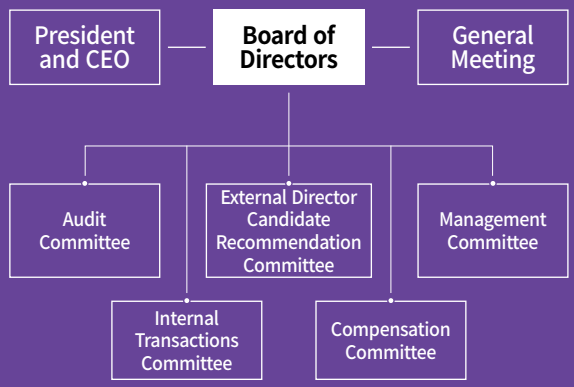
(consolidated basis, unit: %)



R&D expenses compared to sales

(consolidated basis, unit: %)

Operating System



Corruption Prevention Measures

Employees

- Pledge to ethical management practice
- Ethical management education program (on/off-line)
- Operation of Ethical Champion (at each domestic/overseas business site)
- Discovery and improvement of flawed processes

Business Partners

- Agreement on Ethical Management Practices meetings
- Sharing business promotion guidelines
  - Regular meetings among business partners
  - Samsung Electro-Mechanics business partner meetings conducted through sites
- Ethical management cooperation newsletter (published regularly)

Ethical management guidelines

Samsung Electro-Mechanics conducts training sessions on anti-corruption for all employees at domestic and overseas sites and identifies and improves vulnerabilities in the process, while continuing to disseminate awareness and willingness to practice ethical management.

Samsung Electro-Mechanics pursues the implementation of the BOD's checks and balances. To satisfy the stakeholders' right to know, we proactively provide transparent tax policies and ESG information. By establishing a sound organizational culture, we comply with anti-corruption policies, creating sustainable economic value.

Governance

We actively engage in field-oriented management based on the principle of checks and balances.

Kyung Kyehyun

Division	President and CEO
Tenure	Mar. 2020~Mar. 2023 (3 years)
Number of consecutive terms	-
Current role	CEO of Samsung Electro-Mechanics
Work experience	Head of Memory Solution Development, Samsung Electro-Mechanics Head of Memory Flash Development, Samsung Electro-Mechanics
Education	Ph.D in Advanced Control and Instrumentation, Seoul National University
Relationship to Samsung Electro-Mechanics	Director

Hur Kangheon

Division	Executive vice president, Internal director
Tenure	Mar. 2018~Mar. 2021 (3 years)
Number of consecutive terms	-
Current role	Head of Central Research Institute, Samsung Electro-Mechanics
Work experience	Head of LCR Development, Samsung Electro-Mechanics
Education	Ph.D in Metallurgical Engineering, Seoul National University
Relationship to Samsung Electro-Mechanics	Director

Kang Bongyong

Division	Executive vice president, Internal director
Tenure	Mar. 2020~Mar. 2023 (3 years)
Number of consecutive terms	-
Current role	Head of Business Support Dept, Samsung Electro-Mechanics
Work experience	Head of DS Business Support Dept, Samsung Electro-Mechanics Head of DS Support Dept, Samsung Electro-Mechanics
Education	Bachelors in Business Administration, Korea University
Relationship to Samsung Electro-Mechanics	Director

Name	Position	External Director Candidate Recommendation Committee	Compensation Committee	Audit Committee	Internal Transactions Committee	Management Committee
Kyung Kyehyun	CEO					●
Hur Kangheon	Internal Director					●
Kang Bongyong	Internal Director		●			●
Kim Yongkyun	External Director	●	●	●	●	
Yoo Jibeom	External Director	●	●		●	
Kim Joonkyung	External Director	●		●	●	
Yuh Yoonkyung	External Director	●		●		

* The composition of the Board of Directors is based on data as of May 2020.

Kim Yongkyun

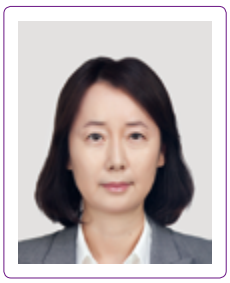
Chairman of the Board of Directors, External Director
Mar. 2018~Mar. 2021 (3 years)
-
Chief Lawyer at Barun Law LLC
Chief of Seoul Administrative Court/ Seoul Family Court Chief of Uijeongbu District Court
Bachelors in Law, Seoul National University
×

Yoo Jibeom

External Director
Mar. 2020~Mar. 2023 (3 years)
1
Professor of Advanced Materials Science and Engineering at Sungkyunkwan University
Vice-chancellor of SKKU Natural Sciences Campus Head of SKKU, School of Engineering
Ph.D in Electronic Materials, Stanford University
×

Kim Joonkyung

External Director
Mar. 2020~Mar. 2023 (3 years)
-
Professor at KDI School of Public Policy and Management
Chief of KDI Secretary for the Presidential Office of Finance and Economy
Ph.D in Economics, UC San Diego
×



Yuh Yoonkyung

External Director
Mar. 2020~Mar. 2023 (3 years)
-
Professor at Ewha Woman's University, Department of Business
Member of Government Employees Pension Operating Committee Member of the Investment Pool Committee of the Ministry of Economy and Finance
Ph.D in Personal Finance Services, Ohio State University
×

* The composition of the Board of Directors is based on data as of May 2020.

	Board of Directors	External Director Candidate Recommendation Committee**	Compensation Committee	Audit Committee	Internal Transactions Committee
Times held	7	-	1	4	5
Participation rate of external directors	100%	-	100%	100%	100%

* This quantifiable index is based on January 1st, 2019 to December 31st, 2019.
** External Director Candidate Recommendation Committee was not held in 2019.

Committees	Goals and Objectives
External Director Candidate Recommendation Committee	The committee was established to consolidate fairness and independence in appointing external director candidates pursuant to relevant laws. It recommends external director candidates.
Compensation Committee	The committee was established to design, operate, as well as decide pay and other matters related to the performance compensation system for managers.
Audit Committee	The committee was established to evaluate and improve the business achievements of the comprehensive corporate internal control system. It draws up, implements, and concludes internal auditing plans, as well as takes follow-up measures and proposes measures for improvement.
Internal Transactions Committee	The committee was established to enhance the transparency of internal transactions among subsidiary companies. It examines internal transaction reports, deliberates, makes decisions, issues orders, reports on issues, and proposes rectification measures.
Management Committee	The committee was established to enhance the efficient management of the Board of Directors and is entrusted by the board to decide on matters related to the company's overall business management, financial management, and major issues, except for items decided on by the board pursuant to the relevant laws and articles of association.

Board of Directors-Centered Management

Samsung Electro-Mechanics manages its business led by a board of directors. In 2016, we have established a process for appointing the chairman of the Board of Directors as an external director for the balanced promotion of shareholders' interests. Samsung Electro-Mechanics promotes a governance structure that can guarantee appropriate and transparent decision-making. The Board of Directors and CEO cooperate with each other, share information and responsibilities, and are committed to the development and innovation of Samsung Electro-Mechanics.

Operations of the Board of Directors

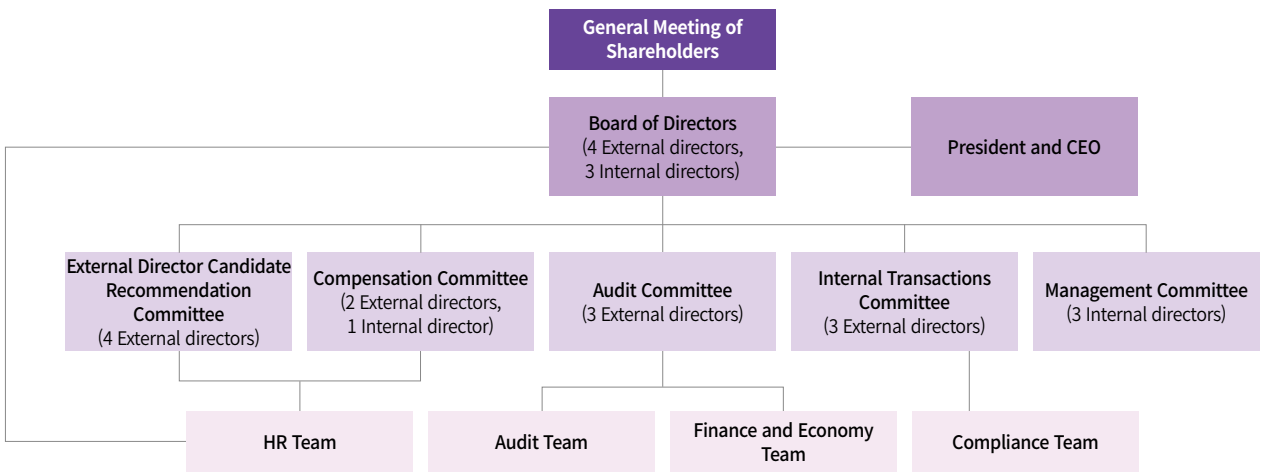
Board members receive copies of meeting agenda and related information at least 5 days prior to committee meetings, and 3 days prior for committees under the board for sufficient review the agenda. Key agenda items important to the company such as major strategic investments are reported to the board in advance and directors provide feedback after discussions. The items discussed are decided at a separate Board of Directors' meeting.
Board of Directors' meetings of Samsung Electro-Mechanics were held 7 times in 2019 and 21 agenda items including the regular General meeting shareholders, approval of contributions funds, performance and prospected reports, etc. The attendance rate of external directors from the all committees including the Audit Committee, the Internal Transactions Committee, the Compensation Committee, and the External Director Candidate Recommendation Committee, etc. is 100%.

Promoting a Culture of Strategy Meetings

Samsung Electro-Mechanics holds strategic meetings with attendance by the CEO, key executive managers, and external directors to help management understand and discuss major management issues. Not only primary issues related to each business unit, but also electronic component industry trends and other subjects are additionally selected for open discussions during the meetings. In 2019, we had an in-depth discussion on our mid- to long-term business strategies as well as methods to enhance competitiveness of our major businesses.

Diversity of the Board of Directors

In order to guarantee the board's expertise, responsibility and diversity, the company established the External Director Candidate Recommendation Committee within the board and operate it to provide a corporate policy to appoint capable directors from various backgrounds. The company's BOD consists of 4 external directors and 3 internal directors, and the group of external directors includes a female professor specializing in finance, an engineering professor, an expert in law, and an expert in economics and industries to reflect diversity of region, gender, field, etc., enhancing the competitiveness of the board.



- Samsung Electro-Mechanics' Articles of Incorporation
- Samsung Electro-Mechanics' Charter

Performance Evaluation and Compensation of Board Members

Samsung Electro-Mechanics discloses the status of Board of Directors' meetings and participation rates over the course of the year in its business reports and conducts internal assessments on the composition, functions, and responsibilities of the board to reflect the results in the operational plan of the board for further development. In particular, the Compensation Committee thoroughly reviews the limits on directors' remuneration in advance in order to provide them with fair levels of compensation and final decisions are made after the Board of Directors' meetings and the General Meeting of Shareholders. Corporate rules are in place to provide all executives in key roles in corporate management with performance-based incentives based on performance for a specific period of time.

Payment of incentives based on long-term performance is part of a compensation system for performance aligned with corporate management performance. More specifically, the system consists of an incentive-paying scheme for 3 years based on the results of corporate performance during the period including Return On Equity (ROE), earning per share and pre-tax earnings. The result is calculated within the payment cap determined by the General Meeting of Shareholders and paid in installments over 3 years. This paves the way for compensation based on the performance of executives and management activities over the long term. The provision of long-term incentives may be canceled or the total amount provided to executives may be reduced if their actions result in a major loss for corporate management during the period of performance evaluation and payment.

Independence of the Board of Directors

In order to enhance the expertise and efficiency during execution of the board's duties, Samsung Electro-Mechanics is operating 5 committees of the Audit Committee, Internal Transactions Committee, External Director Candidate Recommendation Committee, Management Committee, and the Compensation Committee within the board. The resolution of matters delegated by the board has the same effect as that of the board, and the committee reports its findings to the board. The composition and the operation of the board is stated in the company's Articles of Incorporation and the regulations of the board and committees, and we compose the board accordingly. The average years of service of external directors in 2019 is 4.1 years.

External Director Candidate Recommendation Committee

As a committee that was established to closely review candidates of external directors to be appointed at the General Meeting of Shareholders, the External Director Candidate Recommendation Committee consists of 4 external directors that will guarantee fairness and independence during the nomination process.

Top 5 Domestic Shareholders

(coverage: consolidated basis, unit: no. of stocks, %)

	Number of stocks	Percentage
Samsung Electronics	17,693,084	23.7
National Pension Service	8,713,958	11.7
Korea Investment Trust	1,170,531	1.6
Mirae Asset Global Investments	649,890	0.9
Samsung Asset Management	497,579	0.7

Top 5 Overseas Shareholders

(coverage: consolidated basis, unit: no. of stocks, %)

	Number of stocks	Percentage
BLACKROCK	2,165,101	2.9
GIC	1,451,759	1.9
HSBC	974,584	1.3
RWC	824,859	1.1
ADIA	664,568	0.9

Status of Shareholders

(coverage: consolidated basis, unit: no. of stocks, %)

	Common Stocks		Preferred Stocks		Total	
	Number of stocks	Percentage	Number of stocks	Percentage	Number of stocks	Percentage
Individuals	18,215,918	24.4	1,573,070	54.1	19,788,988	25.5
Institutions	17,092,658	22.9	867,847	29.9	17,960,505	23.1
Foreigners	19,692,036	26.4	466,067	16.0	20,158,103	26.0
Samsung Electronics	17,693,084	23.7	-	0.0	17,693,084	22.8
Treasury stock	2,000,000	2.7	-	0.0	2,000,000	2.6
Total	**74,693,696**	**100.0**	**2,906,984**	**100.0**	**77,600,680**	**100.0**

* Current status of shareholders is based on Dec. 31st, 2019.

Trainings for the Audit Committee

In order to enhance competencies required for the members of the Audit Committee, Samsung Electro-Mechanics conducted 2 training sessions in 2019 regarding changes in accounting policies and laws, and roles and responsibilities. Major content of the training included, “Backgrounds for establishing standard auditing periods and effects, internal accounting management system as applied to audits, direction and insights in accordance to the stricter regulations,” etc. In addition, in accordance with Article 13 of the regulations of the Audit Committee, we enable the committee to seek consultancies from external professionals with the company’s capital, if needed for the execution of duties. In 2020, we plan to offer trainings required for the newly-appointed Audit Committee members through an external auditor.

Compensation Committee

The Compensation Committee is responsible for activities regarding the establishment, operation, and decisions on payment of performance incentives for the executives. The committee consists of 2 external directors and 1 internal director and the committee holds rights as listed below.

- Remuneration limits for the registered directors to submit to the general meeting of shareholders
- Compensation system for the directors
- Other items delegated from the board meetings

Internal Control System for Internal Transactions and Self-dealings

In order to prevent internal transactions and self-dealing that are carried out for personal gain by the management or dominant shareholders, Samsung Electro-Mechanics enacted in Article 12 of the regulations for the BOD that transactions between directors and the company should be discussed as an item at the board meeting. In particular, in case of large-scale internal transactions of 5 billion KRW or more as stated by the regulations regarding antitrust and fair trade, the Internal Transactions Committee composing of only external directors, discusses and makes decisions in advance and discloses the board’s decision. The Internal Transactions Committee can receive information on the status of any internal transactions with subsidiaries and conduct research for more details, and for international transactions that seriously violate laws and internal regulations, the committee can suggest corrective actions.

Policies on Dividends and Shareholder Return

Samsung Electro-Mechanics’ dividend policy is strategically decided on considering investments, management performances and cash flow, etc. to secure future growth engines, and the scale of dividends fluctuate upon the results of the management performances but maintain its minimum rate of 10%.
Despite a decrease in net profit compared to the previous year, the dividend was raised to strengthen shareholder returns in 2019. In the future, we will strive to maintain the dividend at more than 20%, but may be adjusted in consideration of investments and cash flow to secure future growth engines. Additionally, the dividend policy is operated based on the comprehensive standards listed below.

- Determines the scale of dividends based on the company’s management performances
- Applies Cash Flow in accordance to future investment plans (management plans)
- Applies average dividend trends of listed companies by year
- Reflects dividend requirements of major institutional and individual shareholders
- Reflects the impact of changes in external institutional and legal changes on the company
- Applies dividend guidelines of domestic and international voting rights advisory agencies

The Total Number of Shares

Samsung Electro-Mechanics issued 74,693,696 common stocks and 2,906,984 preferred stocks, securities without voting rights as of end of 2019. Among them, there are 72,535,724 common stocks with voting rights excluding preferred stocks and the ones of which voting rights are limited in accordance with related regulations. As of the end of 2019, the majority shareholder of Samsung Electro-Mechanics is Samsung Electronics with 17,693,084 shares or 23.7% of the total.

Status of Subsidiaries

Samsung Electro-Mechanics has plants in Suwon or Gyeonggi Region, Sejong City, Busan Metropolitan City and Ulsan City and has 14 subsidiaries and 1 affiliate in Korea, the U.S, Europe and Asia as highest dominant companies.

Stakeholder Communication

We are making efforts to ensure transparency in order to satisfy stakeholders' right to know.

Enhancement of Shareholder and Investor Value

Efforts to Expand Communication

Through proactive IR (Investor Relations) activities, Samsung Electro-Mechanics is striving to establish a stable and trustworthy relationship with shareholders and investors. For fair reflection of the company's value, we conduct conferences each quarter to voluntarily share information on management performances, the company's growth and profitability, and execute proactive communication activities with shareholders and investors with the management directly explaining performance and hosting question and answer sessions. Following the presentation of the quarterly performances, we conduct IR meetings with domestic and international institutional investors to share the company's major business strategies, and report the opinions of the investors to the management. Top executives of Samsung Electro-Mechanics listen to matters of interest related to the capital market, gather requests made to the company through meetings with institutional investors and analysts at home and abroad, and reflect them in its management strategies.

Transparency of Information

Providing appropriate information in a timely manner to shareholders and investors as part of sustainable management efforts not only satisfies stakeholders' and investors' right to know, but also serves as a critical means to establish trust with shareholders and investors. We disclose information on our management status by updating quarterly, biannual and annual performance reports via our homepage, as well as the Data Analysis, Retrieval and Transfer System (DART) operated by Korea's Financial Supervisory Service and provide shareholders with financial information and materials on performance through the company website so that stakeholders can access the information in real time.
Additionally, we operate sites in English for foreign shareholders, disclose contact information for the department in charge of IR, and exert sincere efforts to equally provide sufficient and timely information on our company to shareholders.

Building Investor Trust

Samsung Electro-Mechanics plans to reinforce Investor Relation activities that continue to deliver the potential of sustainable growth in the future. We will secure transparency and fairness by explaining our new growth engines and management strategies to stakeholders in the capital market and by engaging in internal and external communication activities. By doing so, we will further increase investor understanding and confidence as well as boost shareholder value.

Provision of ESG Information

Samsung Electro-Mechanics reinforces communication related to Socially Responsible Investment (SRI) that emphasizes the disclosure of environmental and social impact. As the criteria used by major investors including global pension funds for evaluating companies has widened at home and abroad, the Environment, Social, Governance (ESG) criteria inclusive of ethics, human rights, environmental impact and corporate structure tends to be shared more frequently with shareholders and investors.
Samsung Electro-Mechanics provides key information on transparent management and ESG activities in a timely manner and achieved substantial results. We acquired a grade of A in term of integrated ESG performance from the Korea Corporate Governance Service in 2019, were included in the Dow Jones Sustainability World Index (DJSI) for 11 consecutive years, and were listed on the FTSE4Good Index for 9 consecutive years.

Tax Payment Policy

Samsung Electro-Mechanics fulfills all obligations in relation to the filing and payment of taxes by complying with tax laws of local countries as prescribed in the company's tax payment management guidelines. To this end, we maintain transparent relationships with tax authorities in local countries where local subsidiaries of Samsung Electro-Mechanics are located. We assess tax risks in a multi-faceted way, and implement tax duties by actively using external professionals such as career management of tax personnel in local subsidiaries and accountants.

Tax Management Guidelines

Principle: Compliance with HQ and the tax laws of local countries

1. All laws and regulations shall prioritize accounting standards and tax laws imposed by HQ and local countries.
2. Parties involved shall recognize differences between tax laws in each country, comply with tax laws in all transactions, and implement tax filing and tax payment obligations.
3. Employees in charge of tax payment at local subsidiaries shall maintain transparent relationships with the tax authorities in each country and strive to prevent tax risks.
4. Management of internal personnel and utilization of external specialists must be maximized to comply with tax laws in local countries where overseas subsidiaries are located to prevent tax risks.

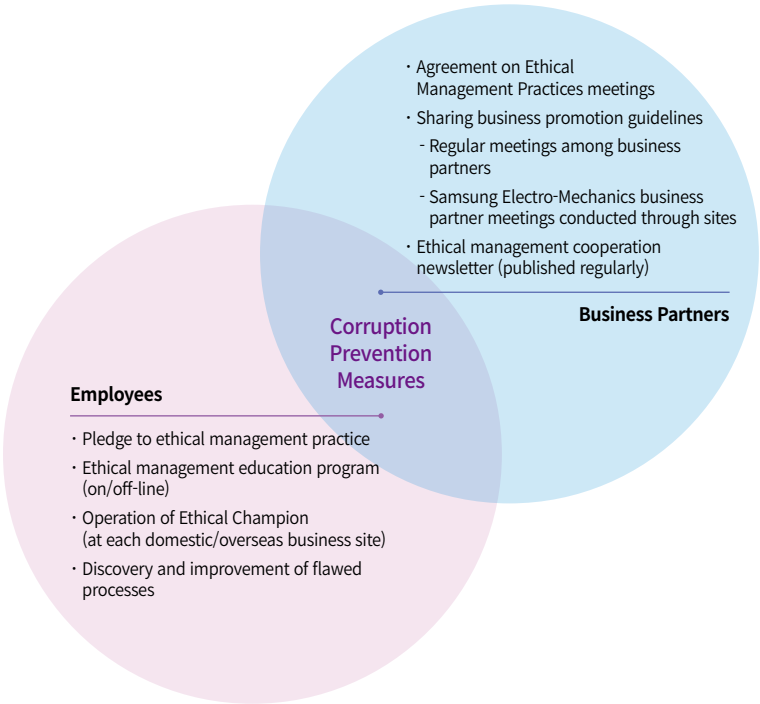
Ethical Management

We are reinforcing a sense of ethics by establishing a transparent corporate culture and engaging in activities to prevent corruption and irregularities.

Policies

We strongly believe and recognize that the trust which has been formed among every Samsung Electro-Mechanics employee and stakeholder is one of the most essential elements to our sustainable growth and competitiveness. In order to actualize such commitment, we carry out corruption prevention education programs for all our domestic and international employees, discovering and improving flawed processes, while continuing ethical management practices and awareness campaigns for all business partners.

Samsung Electro-Mechanics' Ethical Management



Reporting Process

Report Registration	・Samsung Electro-Mechanics' ethical management website ・E-Mail, Post, Phone
Confirmation of registration	Provide feedback on registered reports within 24 hours
Investigation	Evidence/fact investigation (feedback to whistleblower, if necessary)
Correspondence with results of investigation	Report of the findings and corrective actions

Measures against Corruption

Samsung Electro-Mechanics not only focuses its attention on prevention, but also on post- incident measures. Employees that have engaged in corruption are severely punished. Business partners and stakeholders who have engaged in bribery can also be punished with light to heavy penalties, such as contract suspension and request for recurrence prevention measures.

Employee Activities to Prevent Corruption and Irregularities

Seeking to establish a transparent corporate culture, Samsung Electro-Mechanics has established and operates specific "Guidelines for Employees" in separate categories- on dealing with clients, corporate fund/assets, ethical values at work, and leakage of information and personnel. We also offer annual training sessions on the prevention of irregularities among employees at home and abroad. A separate training session is conducted for employees in upper management including executives, department heads and general managers. Online training courses were installed to offer both on and offline training.

In particular, customized training is available on topics related to the prevention of incidents to prevent them from recurring. The "Pledge of Action for Ethical Management" is signed by all employees including top executives to reinforce a sense of ethics and raise awareness on the topic. Incidents are posted on the company's intranet on a quarterly basis and an "Ethical Champion" is recognized at each business site and in each business department to suggest clear decision criteria on matters of ethical conflicts for employees. Moreover, inspection plans are established and implemented periodically at production firms and sales offices at home and abroad. Flawed processes identified through the inspections are subject to immediate measures for improvement, which are in turn horizontally applied. In this way, the company implements prevention programs against corruption and irregularities.

Ethical Management Subjects to be Reported

Transaction relations	Receiving bribes, Receiving hospitality, Monetary transactions, Undue corporate damage
Corporate funds and assets	Embezzling Public Funds, Stealing Corporate Assets
Work Discipline	Habitual negligence Improper financial transactions between employees
Others	Leaking Corporate Information

Online Surveillance for Ethical Management

In order to prevent business corruption, Samsung Electro-Mechanics conducts "Ethical Management Online Surveillance". This website is available in 4 different languages i.e. Korean, English, Chinese and Thai, to help stakeholders around the globe report business corruption and irregularities anonymously. In addition, corruption reports submissions may be made via e-mails, postal letters, and phone calls. Samsung Electro-Mechanics makes it a rule to guarantee the anonymity of whistleblowers. After fact-finding is clearly conducted on registered cases, Samsung Electro-Mechanics imposes corrective measures on related departments, and stringently punishes employees involved in irregularities and provides the results of cases handled to the whistleblowers. We also impose strict consequences for actions that disclose the identity of whistleblowers or retaliation measures against the HR.

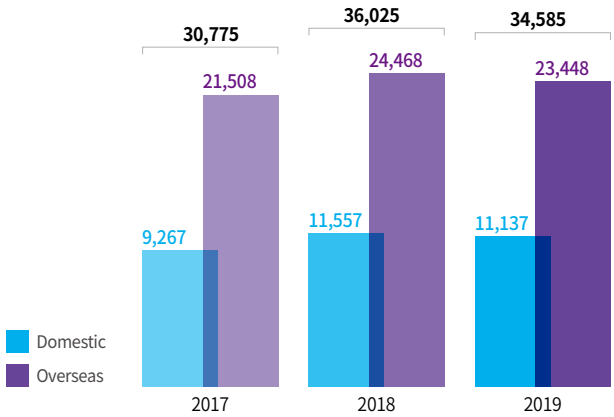
Dissemination of Ethical Management to Suppliers

In order to expand our commitment to ethical management, we are also extending such programs to our business partners. In April 2010, Samsung Electro-Mechanics enacted "the Charter for Ethical Partners," and made new agreements with all our business partners based on renewed ethical management standards. All new partners must now abide by this agreement.

In January 2013, Samsung Electro-Mechanics enacted "Business guidelines" that apply to transactions with our business partners, while publishing and sharing its culture of clean and healthy trade settlement policies via the company's business portal.
Before national holidays each year, we send an official letter of request for cooperation to participate in ethical management activities to business partners to encourage their engagement in our efforts. We have also contributed to the expansion of the culture of transparency by prohibiting the giving of monetary gifts from business partners as a form of congratulations or condolence at family events held by employees as of November 2011.

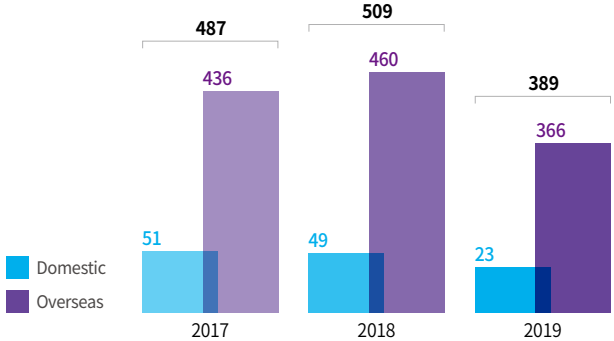
Number of employees that participated in corruption prevention trainings

(coverage: consolidated basis, unit: persons)



Employee corruption prevention trainings

(coverage: consolidated basis, unit: times)



Economic Value Creation

We present ongoing improvements in earnings and strengthen development capabilities required for the new market.

Business Vision

Technological convergence and sophistication have brought IT not only to communications but to a range of industrial sectors, including finance, automobiles and industrials. This trend is likely to intensify as new technologies, such as AI (Artificial Intelligence) and 5G, expand in the Fourth Industrial Revolution. As a result, Samsung Electro-Mechanics is developing its business based on three representative technologies: materials, multi-layer thin film molding, and high frequency circuit design, to become a leader of the future electronics industry.

Our core businesses cover three main areas: Component Solutions, Module Solutions and Substrate Solutions. We have four domestic business sites located in Suwon, Busan, Sejong, and Ulsan. The Suwon site is where we run our R&D, marketing and support operations. The Busan and Sejong sites serve as principal domestic manufacturing bases and mainly produce high value-added products, including next-generation integrated circuit packages and MLCC. The Ulsan site serves as the basis for the procurement of key raw materials. Overseas, there are 5 production sites in 4 countries: China (Tianjin, Gaoxin), Thailand, the Philippines and Vietnam. There are also five primary sales offices in the Americas, Europe, Southeast Asia, China and Japan. Together, these sites make up our global network.

Management Performance

As for 2019, due to commercial conflicts between the US and China that were prolonged since the second half of 2018, economic growth was stagnant. However, the increase in demand for components was led by the industrial and automotive sectors, which had a positive effect MLCC's supply and demand. Boosted by such increase in demand, Samsung Electro-Mechanics recorded a revenue of 734 billion KRW. We are reinforcing development competencies required to preemptively occupy the high-end market, while strengthening marketing competencies in the Chinese market, and enhancing product lineups in the industrial sector and automobiles, which are deemed as promising areas for growth.

R&D Activities

IT is expanding beyond communications to a wide range of industrial sectors, including finance, automobiles and industrial and this trend is likely to intensify. In this regard, we are nurturing businesses in chip components, substrates, Camera Modules, Communication Modules, etc.

R&D Investment

(coverage: consolidated basis, unit: KRW million, %)

	2017	2018	2019
R&D expenses	392,357	508,948	545,789
R&D expenses/Sales	5.9	6.4	6.8

* Based on consolidated data, and the K-IFRS standards
* According to the transfer of the PLP (Panel Level Package) business and the suspension of Kunshan Samsung Electro-Mechanics Co., LTD., the 45th and 46th items were rewritten.

Sales Volume by Business Solution

(coverage: consolidated basis, unit: KRW million)

Business Solution	Major Products	Usage	2017	2018	2019
Component Solution	Passive electronic components (MLCC, Inductor, Chip Resistor, etc.)	For PCs, smartphones, general, etc.	2,357,091	3,550,146	3,219,758
Module Solution	Camera Module, Communication Module	For smartphones, etc.	3,011,959	3,113,766	3,350,773
Substrate Solution	High-density multi-layer boards	For PCs, smartphones, general purpose, etc.	1,324,996	1,338,096	1,470,287
Total			**6,694,046**	**8,002,008**	**8,040,818**

2019 Sales

(coverage: consolidated basis, unit: KRW 100 million)

80,408

Patent status (coverage: consolidated basis, unit: cases)

		2017	2018	2019
Domestic	Registered	3,180	2,790	3,141
	Pending	4,191	3,857	2,628
Overseas	Registered	3,741	3,903	4,053
	Pending	3,050	3,381	3,119
Total		**14,162**	**13,931**	**12,941**

Intellectual Property Rights

At a time when the scope of business has become globalized beyond industry and region, we are reinforcing our competitiveness in intellectual property rights (IPR) by securing source technologies and R&D competitiveness. The rapidly changing technological developments and trends clearly manifest the correlation between corporate survival and IPRs. Hence, the importance of securing IPR competitiveness has increased.

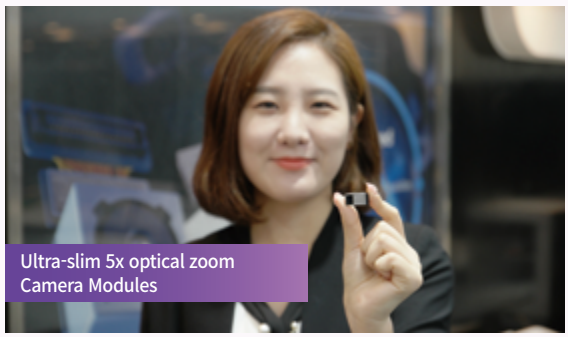
As such, in order to utilize patents as management assets and thoroughly review and prevent IPR risks, we are establishing a stable IPR operation system and cooperative system with related departments, and focus on patent filing, patent conflict response and licensing.
We focus our competencies to protect R&D outcomes to prepare not only for current business but also for future business opportunities. The portion of patents filed in China is on the rise every year, exceeding the number filed in the U.S. where most lawsuits take place among electronic set makers. We also seek to enhance patent quality in associated with global law firms.
We secure technologies that we need through portfolio management by product and key task in terms of patents filed, and strengthen our rights to critical patents, thus maximizing synergies. As of the end of 2019, we hold 5,769 domestic patents and 7,172 overseas as of the fourth quarter of 2017, among which, 3,141 cumulative domestic patents and 4,053 cumulative overseas patents are registered as intellectual intangible assets.

SPECIAL CASE

Development of ultra-slim 5x optical zoom Camera Modules

Samsung Electro-Mechanics has developed an ultra-slim optical 5x zoom Camera Module that is lower in height than the existing 2x optical zoom camera and has been mass producing the product since the end of May of 2019.
The new optical zoom, which can take high resolution pictures of distant objects by zooming, can be achieved when the distance between the image sensor and the lenses increase.
The optical 5x zoom requires a 2.5x longer focal length than the optical 2x zoom, which also increases the height of the Camera Module. As a result, devices with high resolution were known to have protruding rear cameras.
However, Samsung Electro-Mechanics has established high-magnification optical zoom by refracting the incoming light at right angles and placing sensors and lenses in the horizontal orientation, and lowered the height of the 2x optical zoom Camera Module, while securing 2.5x longer focal length. In addition, the developers changed the shape of lens, which is usually circular, in the Camera Module to further reduce the height.

As a result, the company succeeded in developing a 5mm 5x optical zoom Camera Module, which is superior to the typical mid-6mm 2x optical zoom.



Ultra-slim 5x optical zoom Camera Modules

Sustainable Management Topic 2

Customers and Business Partners

Management System for Conflict Minerals

Process	Raising awareness among business partners	Conducting a survey on the use of conflict minerals within the supply chain	Conducting due diligence and validation of the survey results	Identifying and evaluating risks within the supply chain	Establishing plans to make corrections against risks and reporting on related information
Management System	Establishing Samsung Electro-Mechanics' exclusive CMRT[1] online system (MaPS[2] : Supplier portal)				
Cooperation System	Taking part in RBA, GeSI and RMI[3] activities				

1) CMRT : Conflict Minerals Reporting Template 2) MaPS : Masterpiece of Procurement System 3) RMI : Responsible Minerals Initiative

To create customer value by ensuring the highest quality, Samsung Electro-Mechanics amended the quality management policy in 2015.

We have established 3 codes of conduct including customer-centered thinking, sticking to the basics, and pursuit of innovation with all employees engaged.

We are pursuing mutual growth with our business partners through ethical management. Amid the changing corporate environment, establishing business relationships with competitive business partners is foundational to sustainable growth.

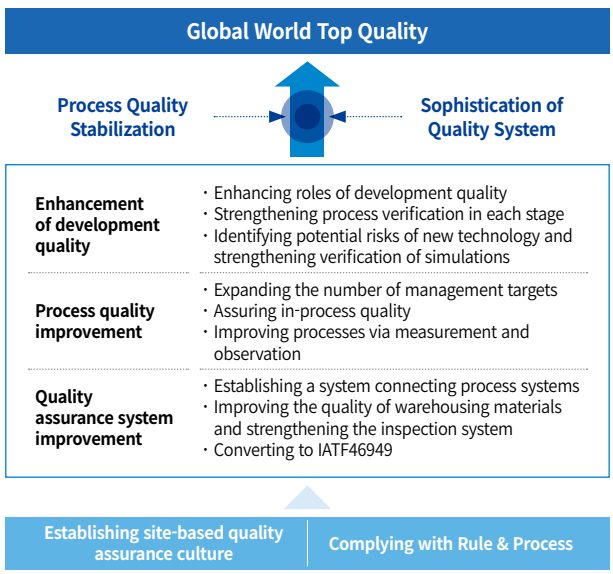
Samsung Electro-Mechanics has established a Code of Conduct to achieve quality policies and all employees participate in management activities that places quality as a top priority. We also pursue mutual growth with business partners through strategic relationships and ethical management to pave the way for quality management.

Customer and Quality

We increase our brand value by inculcating a site-oriented quality management culture and intensifying internal quality competitiveness.

Creation of Customer Value with the Highest Quality

To achieve our quality management policy of 'creating customer value by ensuring the highest quality', Samsung Electro-Mechanics established 3 Codes of Conduct including customer-centered thinking (examine problems from the perspective of customers), sticking to the basics (thoroughly comply with Rules and Processes), and pursuit of innovation (improve the quality of warehousing materials through the participation of all members) with all employees engaged. Early discovery of potential problems that are inherent in existing products or that might occur in the production of new products is conducted through on-site analysis, so that we can ensure proactive and preemptive responses for quality improvement. In addition, we use the Plan Do-Check-Act (PDCA) cycle when quality issues arise to make continued improvements and operate a closed loop process (immediate reporting, status reporting, conclusion reporting) to devise fundamental solutions so that the same issues do not recur. As such, specific management measures are put in place to prevent the occurrence of the same causes, block the spread of issues and take follow-up action. Each business unit has a dedicated quality assurance team, that audits all production activities to see if they are complying with agreed rules and processes based on the ISO quality system. Samsung Electro-Mechanics conducts inspections based on the 5M+1E (Man, Machine, Material, Method, Measurement, and Environment) method, which are recognized as the major causes for defects at all sites.



To enhance its quality management system, Samsung Electro-Mechanics adopted the automotive quality management system in 2018, the IATF 16949 (established in 2016). Also, the Quality Innovation Group under the Global Technology Center helps to achieve company-wide quality goals by frequently conducting inspections on development quality, component quality, process quality and customer quality.
Samsung Electro-Mechanics is securing global quality competitiveness through customer-oriented thinking and prevention of the spread of defective products based on strengthened verification in the development phase (enhancing the role of development quality, improvement of the development processes in each stage and strengthening verification, and identifying potential risks of new technology as well as strengthening the verification of simulations), process quality improvements (expanding the number of management targets, assuring in-process quality, and improving the process), and improving the quality assurance system (establishing a structure to link process systems, improving the quality of warehousing materials and strengthening inspection systems by converting to IATF16949).

Online Communication

Samsung Electro-Mechanics communicates with diverse groups of customers without limiting itself to the B2B sector as it expands and operates various online channels to convey information that is prompt and accurate. We strive to convey the image of a global company leading the electronic component industry and enhance brand value by providing information related to the differentiated technologies and business competency of Samsung Electro-Mechanics via online channels including the company's website, Facebook, LinkedIn, etc.

Website

Our website was constructed in a user interface design for customer convenience. By reflecting the patterns of users visiting the websites, we structured the menu to enable users to quickly find the desired information and we also enhanced the accessibility by placing linking points among the information. Also, we are upgrading the search functions to offer consistent data on the products and for easy searches on information.
To allow all users including socially vulnerable groups such as people with visual and hearing impairment and color-blindness as well as elderly users to freely and conveniently use the site, we abide by the standard guidelines for web accessibility and achieve certifications for web accessibility each year. Following the trends of the mobile-centered generation, we are constructing our site so that users can find information in an optimal environment even via mobiles.

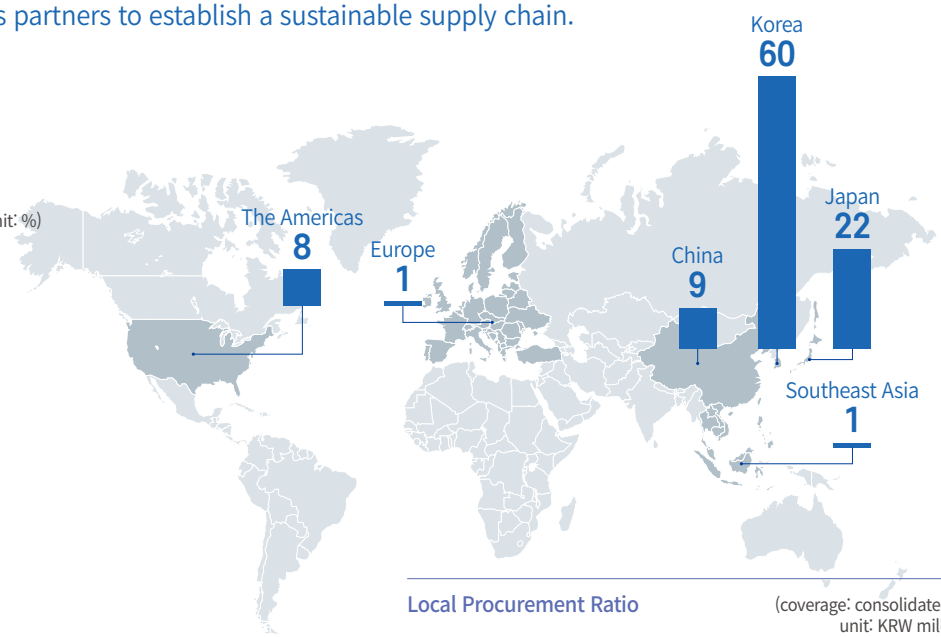
Samsung Electro-Mechanics' Website

Supply Chain

We evaluate business partners to establish a sustainable supply chain.

Procurement by Region

(coverage: consolidated basis, unit: %)



Procurement Measures

Samsung Electro-Mechanics is pursuing mutual growth with its business partners through strategic collaborative relationships and ethical management. Amid the changing corporate environment, establishing business relationships with competitive business partners is foundational to sustainable growth. Samsung Electro-Mechanics continuously pursues strategic relationships with global business partners and establishes a variety of collaborative systems to supply products of the highest quality as well as technology competitiveness. We also plan to solidify growth engines that lead the global components market through mutual growth with prominent business partners with great potential on top of securing a higher place compared to our competitors.

Based on ethical management, Samsung Electro-Mechanics requires compliance of its business partners to ethical and compliance management as well as standards for Corporate Social Responsibility (CSR) as corporate citizens.

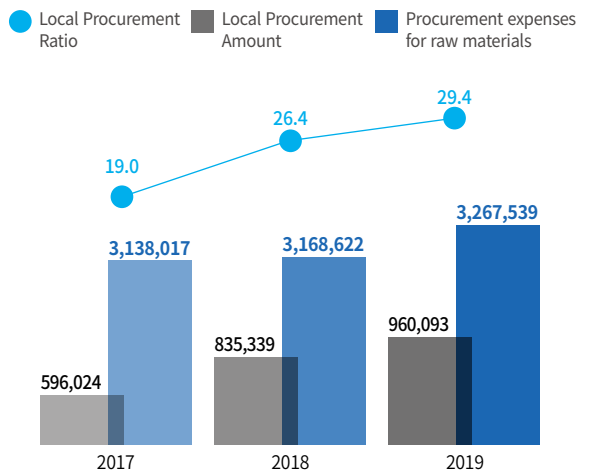
This is to ensure compliance with global regulations including the eradication of child labor, human rights protection, anti-discrimination and non-use of minerals from conflict zones. We extend institutional support to withhold trade with business partners that violate these rules. Samsung Electro-Mechanics seeks to realize the values of mutual trust and achieve development based on a high level of business ethics and a clean corporate culture.

Current Status of Procurement and the Global Supply Chain

Samsung Electro-Mechanics procures raw materials worth KRW 3 trillion a year, which are mainly semi-conductors, semi-finished products, raw materials and medicinal products from about 250 business partners in 20 countries. Samsung Electro-Mechanics continues to implement policies to procure products which are produced locally, thus contributing to the social development of local production sites.

Local Procurement Ratio

(coverage: consolidated basis, unit: KRW million, %)



Development Cooperation and Communication Channels with Suppliers

Samsung Electro-Mechanics is making concerted efforts to upgrade its product competitiveness through communication and cooperation with business partners and provides customers with the highest quality products. In particular, we established a variety of collaborative systems and operate them to provide the technological competitiveness of our business partners. In 2019, approximately 30 cases of development tasks of business partners were identified and developed, in which 4 cases were selected as excellent tasks, and were further developed as joint development businesses with partners. Additionally, we selected core business partners and conducted around 30 regular technology exchange meetings and contributed to the enhancement of our company as well as our business partners.

Samsung Electro-Mechanics continues to listen to the VOC of its business partners. To this end, a communication channel open 24/7 has been put in place on the company's website and its procurement system (MaPS). We strive to expand the scope of communication by actively collecting opinions and suggestions from our business partners.

Comprehensive Evaluations System of Business Partners

Overview

- **Target of Evaluation**
  Raw material suppliers (Partners trading with Samsung Electro-Mechanics for more than 1 year)
- **Evaluation Methods**
  8 categories (T, Q, R, D, C, F, E, L)
  Score calculation (out of 100)
- **Grades**
  5 grades (Excellent A, Good B, Fair C, Poor D, Bad E)

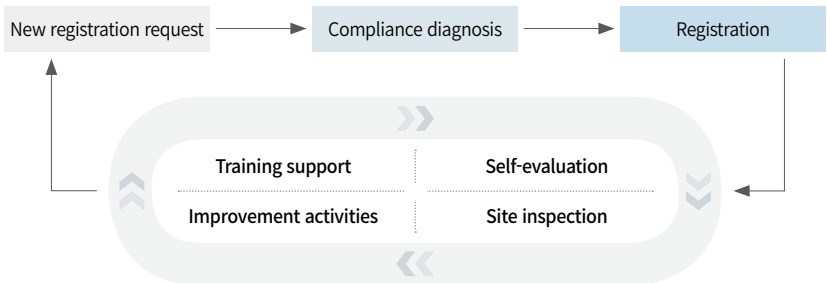
Establish operating strategies for business partners in accordance to the results of the comprehensive evaluation

- **Business partners with high ratings**
  - Prior designation of new models and establish strategic partnerships
  - Provide opportunities for entry into new products for outstanding business partners
- **Business partners with poor ratings**
  - Providing technical support
  - Providing consulting services for compliance and safety environment, judge whether to continue business relationship

Supply Chain Risks

The recent global business environment is facing greater uncertainties, and therefore, risk management has become an essential element for companies to survive and secure competitiveness. With the help of professional credit rating agencies, Samsung Electro-Mechanics conducts regular credit assessments for all business partners currently trading with the company to minimize financial risks. Moreover, by continuously upgrading the comprehensive evaluations of our business partners that we conduct each year, we strive to not only evaluate the competitiveness of the business partners but also manage the risks of the supply chain. Using the Masterpiece of Procurement System (MaPS) that Samsung Electro-Mechanics has established, the company created a network among the headquarters and managers of each plant, securing the capability to efficiently respond to various risks that can occur at any time such as natural disasters, legal violations, a drop in credit ratings, etc. Also, we sign long-term agreements for core components, and regularly conduct technical review meetings and technology exchange meetings with core business partners to identify collaborative measures for a long-term and stable supply chain. For components with high risks in supply, we construct robust supply chains through the dualization of suppliers and diversification of supply bases, proactively responding to unexpected risks such as natural disasters.

Process for Supply Chain Risk Management



Supply Chain Management

Selection and Registration of Suppliers

Samsung Electro-Mechanics selects business partners and cooperates with them based on transparent and fair evaluation criteria. Compliance management and environmental assessments have been designated as mandatory requirements when we select new business partners, not to mention general evaluations (on processes and management status) and quality and production evaluations. Moreover, we evaluate sustainability in a constantly changing business environment and assess their financial status (credit rating) through an external professional agency, and select those with a certain grade and above as our partners.
They are required to submit the “CSR Compliance Consent Form” covering compliance with the Responsible Business Alliance (RBA) ban on using minerals from conflict zones, and the “Environmental Management Warrant” that touches upon RoHS and REACH. Samsung Electro-Mechanics translates the documents into multiple languages and distributes them to all our business partners.
For all of our business partners, we require that they duly practice the 7 “Charter for Ethical Partners” and the code of action through the “Pledge of Action for Ethical and Compliance Management.”

Comprehensive Evaluations of Suppliers

Samsung Electro-Mechanics conducts annual comprehensive evaluations of all business partners with whom the company has established business relations for more than 1 year. The comprehensive evaluation is composed of 8 critical criteria to judge if it is possible to continue with the partnership. To be specific, the 8 items included in the comprehensive evaluation are divided into categories evaluating the capabilities of business partners such as quality, delivery, transaction scale, technological competence, and finance, and the ones related to the assessment of non-financial risks including compliance, environment, and response capability.
We establish operational strategies for our business partners based on sophisticated comprehensive evaluations. For outstanding business partners, we implement strategies to strengthen partnerships such as establishing strategies partnerships and conducting joint developments. For partners with poor performance, we establish and implement operational strategies such as technology support, establishing improvement strategies, reviewing whether to continue the partnership, strengthening or risk dispersing strategies, etc.

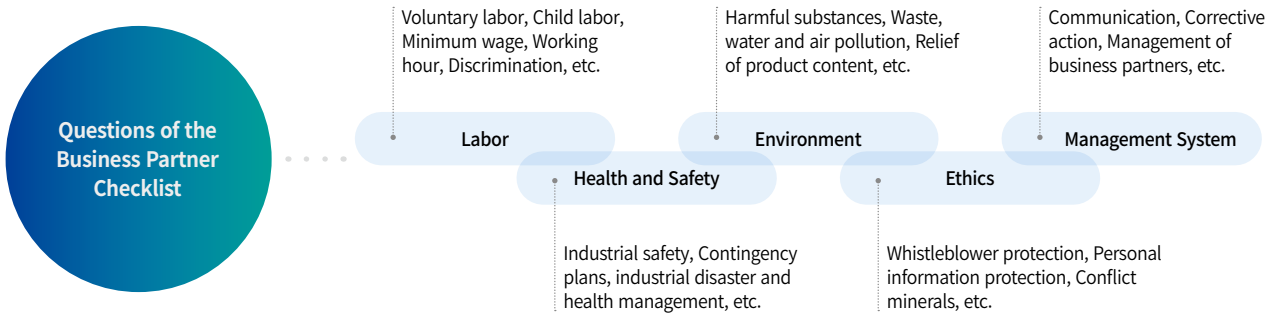
Labor
Samsung Electro-Mechanics thoroughly reviews employment contracts and guarantees of minimum wage, protection of minors and pregnant employees and working hours to protect workers' rights. In cases where a number of business partners fail to pay minimum wages due to the time gap between the period of salary adjustment and application of a new minimum wage, we ask that they calculate the correct amount and immediately pay the employees and guide them to prevent recurrence of such cases.

Safety and Health
When visiting partner companies, Samsung Electro-Mechanics inspects emergency exits, implementation of evacuation drills, usage of protective gear, and compliance with medical checkups to ensure the safety and health of employees. In particular, we also conduct on-site investigations for fire accident prevention and check whether fire prevention systems, evacuation facilities and equipment operates normally and whether obstructions are placed near exits intended for emergency evacuation.

Environment
Samsung Electro-Mechanics concentrates on environmental licensing, compliance with MSDS legal requirements, adequacy of waste management handling companies, water and air pollutant management, and response to product-based environmental regulations in its investigation activities. We provided training to certain business partners on how to affix warning signs and labels and develop a disposal process for proper waste management. In particular, we focused on checking whether MSDS related to the process using chemical substances were in place, and if warning signs and labels were attached to prevent chemical accidents.

Ethics
We do our utmost to ensure compliance with global ethical standards by all business partners within the supply chain. We conduct investigations on issues including anonymity-guaranteed reporting channels, privacy protection, and conflict minerals. Since 2018, we enhanced our efforts in terms of training and examination of personal information protection to protect the human rights of employees of business partners and prevent the risks of information leakage.

Management System
We upgraded the evaluation system so that our business partners can document the requirements related to labor and human rights and monitor them regularly by themselves to comply with human rights and labor regulations of the countries they are located in. We follow up on actions taken by business partners upon violations of laws and regulations for recurrence prevention.
Also, we evaluate communication capabilities of secondary suppliers as well as their subcontractors to enhance sustainable management competencies throughout the entire supply chain.



Sustainability Assessment of Suppliers

Management Policy for Supplier Working Environments

Each year, we select the targets for compliance inspections among our primary business partners by considering the scale of transactions from the previous year, geological location, and previous issues. We provide yearly trainings on CSR for the representatives and persons in charge of compliance management from the selected companies, and conduct on-site inspections related to compliance management in addition to supporting them with improvement measures. The results of on-site inspection are managed by incorporating them into the comprehensive evaluation at the end of the year and we visit partners with poor records of improvement to support their improvement efforts for better risk management. Moreover, our mutual collaboration department established standards and relevant policies and is conducting assessments, while participating in training sessions related to sustainable management.

Code of Conduct

Samsung Electro-Mechanics established a Code of Conduct for its business partners in 2017 based on the RBA Code of Conduct with the aim of responsibly improving their working environment. The Code of Conduct for business partners is disclosed through the company's website to be openly shared with all stakeholders.

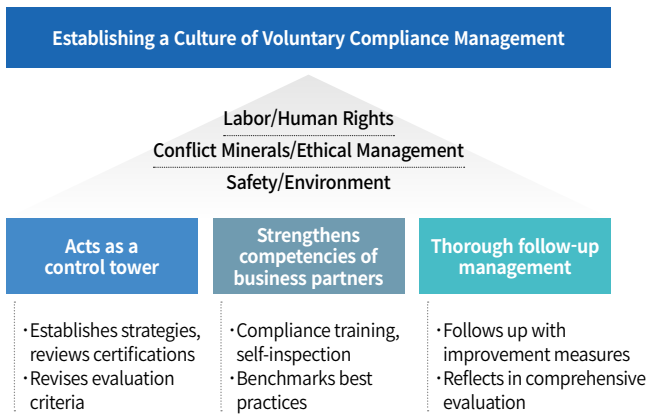
Self-Evaluation Checklist

Samsung Electro-Mechanics shares a checklist based on the RBA Code of Conduct to help its business partners identify their level of compliance management and to discover areas for improvement. As such, each business partner can identify areas for improvement in compliance management, while autonomously conducting self-evaluations.

On-site Diagnosis and Support for Improvements

Samsung Electro-Mechanics visits its business partners to conduct on-site inspections based on the evaluation checklist, provides guidelines for compliance activities related to each item, and supports its partners in developing improvement measures for items that failed to pass the criteria in order to improve compliance management. We are making efforts to provide substantial support by cooperating with external agencies and experts.

Management Policy of Suppliers



Support for Compliance Training

Samsung Electro-Mechanics provides training for executive managers of business partners through periodic forums for communication with the company and workshops with heads of business partners. We also provide trainings for compliance officers of business partners so that they can proactively respond to compliance issues in the areas of labor, environment, health, and ethics.

Assessment on business partners and results of support

Samsung Electro-Mechanics selects domestic and overseas business partners as evaluation targets each year for the assessment and mitigation of sustainable risks. From 2017 to 2019, Samsung Electro-Mechanics selected major business partners as evaluation targets and completed 100% of diagnosis through self-evaluations and site visits. As a result of conducting assessments based on the Responsible Business Alliance (RBA) Code of Conduct, we identified 48 business partners whose scores were below 80 points or have violated mandatory compliance items and established a process of reducing supply chain risks by supporting them with training, establishing corrective action plans, and checking the results of the corrective actions. Through this, the overall scores of the selected business partners increased.

Investigations on Conflict Minerals

100%

To expand the target of business partners for evaluations, Samsung Electro-Mechanics plans to evaluate more than 100 domestic and overseas suppliers in 2020. Since 2018, Samsung Electro-Mechanics has been conducting on-site inspections and supported with improvement measures for compliance management for first-tier business partners and 6 secondary business partners. By gradually increasing the target, we plan to manage the reduction of sustainability risks of our supply chain even more closely.

Risk Management Process

On-site Diagnosis for Newly Registered Suppliers
Samsung Electro-Mechanics conducts on-site diagnosis of compliance management for new business partners. Business partner registration is restricted if they violate mandatory compliance items or their score is below the threshold.

Self-evaluation of Existing Suppliers
Samsung Electro-Mechanics demands its business partners that are selected as evaluation targets to conduct an annual self-inspection with the compliance management checklist developed based on the RBA Code of Conduct. Through the evaluation process, business partners identify their compliance level and risks and select tasks for improvement to voluntarily implement improvement activities. The results of the self-evaluation are registered via the supplier portal, MaPS after final approval from the CEO of the partner company.
Samsung Electro-Mechanics conducts on-site diagnosis to verify actual operating status after reviewing the results of self- evaluations.

Transparent Management of Conflict Minerals

In order to fulfill its social responsibility, Samsung Electro-Mechanics established a responsible supply chain management system and strives to continuously improve the environment and human rights of high-risk regions and conflict zones, minimizing negative impacts on the society and the environment such as human rights violations and environmental destruction.

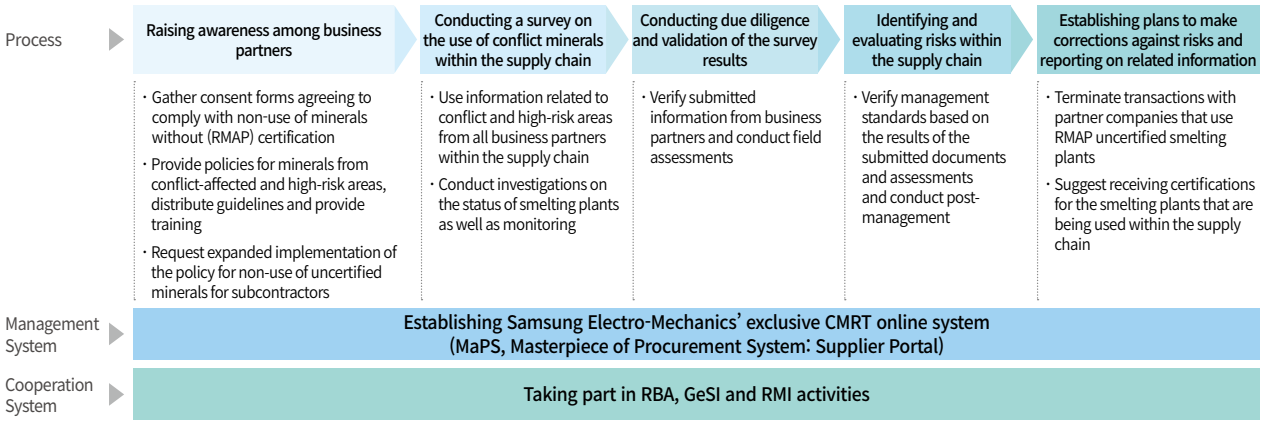
According to the OECD's Due Diligence Guidance, we require our business partners to abide by the company's Code of Conduct that was established based on international laws with business partners so that minerals can be mined and procured in an ethical manner. Along with companies in the industry as well as stakeholders, we also participate in agreements such as RMI (Responsible Minerals Initiative), GeSI (Global e-Sustainability Initiative), and KEA (Korea Electronics Association).

Management Process for Conflict Minerals
For conflict minerals (3TG) and Cobalt, Samsung Electro-Mechanics thoroughly investigates the entire supply chain to detect if minerals from conflict zones have been included in our products and uses minerals from refineries that have received the Responsible Minerals Assurance Process (RMAP) certification. We run a business partner management process to provide customers with products that have been derived through a legitimate distribution system.

Instilling Awareness to Business Partners
Samsung Electro-Mechanics does not use conflict minerals that were unethically mined in 10 countries including the Democratic Republic of Congo and adjacent conflict zones and also, we prohibit the use of Cobalt that was produced in conflict zones and high-risk areas. For the minerals that are not certified, we required a consent form for non-use of conflict minerals, with the hope that such laws of Samsung Electro-Mechanics will be largely implemented at partner companies. Relevant information is managed through the MaPS system.

Trainings for Business Partners
Samsung Electro-Mechanics conducts training each year for its business partners on conflict mineral policies with educational materials that were developed within the company. Also, to enhance awareness on conflict mineral issues, we provide trainings on the conversion of refineries to obtain the RMAP certification, and entry of refinery information. In 2018, we conducted evaluations for all business partners and conducted additional trainings for areas that needed stricter management. In 2019, we plan to share the company's conflict mineral policies and management guidelines with all business partners and support their implementation in trainings and their daily work processes.

Management System for Conflict Minerals



Inspections on Usage of Conflict Minerals and Cobalt

Samsung Electro-Mechanics conducts an annual survey on the status of conflict minerals targeting the entire supply chain. From January to March of 2020, we verified the information regarding smelting plants within the supply chain and the status on usage of conflict minerals by business partners using the CMRT. In addition, based on the non-use policy of conflict minerals, Samsung Electro-Mechanics requested that the company's policies be further implemented throughout the partner companies. As for usage of Cobalt, we investigated all business partners using the RMI CRT (Cobalt Report Template) in 2019 and upon the identification of usage of an RMAP uncertified plant, we immediately encourage obtaining certifications with business partners and check for the source of minerals.

On-site Diagnosis of Business Partners

Samsung Electro-Mechanics reviewed information submitted by all business partners and verified whether there were any issues. For business partners that required additional verification, we conducted on-site diagnosis starting in 2018 and have been supporting the partners to implement improvement measures by assessing their usage of RMAP certified conflict minerals, conflict mineral policies and relevant information management systems.

Verification of Risks and Improvement Measures

Samsung Electro-Mechanics requires all business partners to refrain from using uncertified conflict minerals, and to prevent the use of uncertified conflict minerals from the initial stage of development, we monitor the usage of conflict minerals by mineral type and the source of the minerals. Additionally, business partners that were shown to have underperformed according to the management status and the credibility of the documents submitted regarding conflict minerals, can reinforce their reference materials and hold additional on-site trainings as needed. Also, we restrict transactions with companies that use minerals from smelting plants that have not received the RMAP certifications.

Current status of RMAP certifications of smelting plants regarding conflict minerals within the supply chain

(As of the end of Dec. 2019, Unit: number of plants)

Division	Total	Certified
Tantalum	37	37
Tin	45	45
Tungsten	40	40
Gold	102	102
Cobalt	4	4
Total	**228**	**228**

Efforts to Convert to Smelting Plants with RMAP Certification for Business Partners

Regarding all conflict minerals, all business partners of Samsung Electro-Mechanics is carrying out transactions with RMPA certified smelting plants as of the end of 2019. In addition, for smelting plants that were not certified with RMAP or have unclear source of minerals, we are continuously suggesting converting to certified smelting plants.

Responsible Minerals

Other than conflict minerals, responsible minerals refer to minerals that may have issues related to human rights violations, environmental damage, and child labor during the mining process. From this, we are assessing the current usage of Cobalt according to OECD's Due Diligence Guidance and are investigating smelting plants regarding the issue of child labor at Cobalt mines. In addition, we are enhancing the understanding of mining issues of responsible materials by providing relevant guidelines and educational materials to business partners and are collaboratively striving to prohibit usage of uncertified smelting plants.

Shared Growth

We operate various win-win cooperation programs to establish a culture of mutual growth.

Joint Technological Development

Since 2015, Samsung Electro-Mechanics has been supporting the growth of its business partners by selecting joint development tasks. Each year, Samsung Electro-Mechanics shares its future businesses and technology roadmaps, and for outstanding proposals of business partners, the company provides comprehensive support in funds, technology and talents. In 2019, we selected 4 tasks from 4 business partners for joint development projects. Samsung Electro-Mechanics is operating the "Win-Win Plaza" for technological cooperation with business partners since 2005. In 2019, 14 business partners were stationed in the Win-Win Plaza and conducted 16 tasks, where we provide financial support by collecting R&D funds with the government.

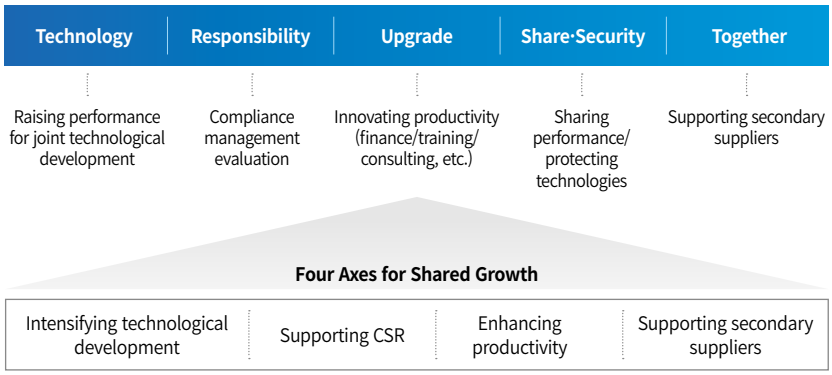
Expanding the Culture of Shared Growth among Business Partners

Every 1st and 2nd half of each year, Samsung Electro-Mechanics hosts the "Communication Conference with Business Partners" on two occasions for first-tier and secondary partner companies. Through this, we provide a platform for communication for sharing shared growth policies and VOC resolutions.

Support for Compliance with RBA Standards

For not only the support for environmental and safety at business partners but the recent compliance with RBA by the entire supply chain, Samsung Electro-Mechanics has been providing RBA training and support for self-inspections, and conducted inspections through visits, consulting services, and have also helped partners to make improvements since 2015.

Direction of Shared Growth



Productivity Enhancement for Suppliers

Financial Support through the Win-Win Fund

Samsung Electro-Mechanics has created and provided the Win-Win Fund worth KRW 100 billion in partnership with Woori Bank to enable capital investment and liquidity support for business partners since 2010 and offer a low-interest rate loan program of up to KRW 4 billion. In 2019, we extended KRW 21.3 billion in loans to 16 business partners.

Training Support for Suppliers

We have also been operating the "Win-Win Academy" since 2010, to comprehensively and systematically foster core personnel in primary and secondary suppliers. Through this, the company is contributing to the development of personnel at business partners, and securing competitiveness in products and costs. In 2019, Samsung Electro-Mechanics provided training to 928 individuals (including 65 from 59 secondary suppliers) via a total of 10 courses for different roles and tasks.

Management Doctor System

By connecting external expert advisory committees, we provide management improvement consulting in management strategy, technology, productivity, and quality improvement to assist business partners to achieve management performances and establish mid-to long-term growth. In 2019, we supported 3 business partners.

Safety Environment Support for Supply Chains

Safe Environments and Disaster Prevention
Since 2013, risk assessments have been conducted in conjunction with specialized agencies for business partners subject to higher risks of safety accidents, to help them explore and address disaster causes and we also provide consulting on environmental and chemical materials using our exclusive specialized workforce, proactively supporting the prevention of disasters such as leakage of chemical substances and response to environmental laws.

Higher Energy Efficiency
Samsung Electro-Mechanics provides business partners with a variety of support activities for energy efficiency. By utilizing in-house specialists, we conducted consulting on the efficient use of energy, and with partnership with IBK, Industrial Bank of Korea, we are launching even more support activities including certification of energy management systems, establishment of energy management systems, and identification of energy reduction methods.

Safety Diagnosis of Electric Power Facilities
Samsung Electro-Mechanics provides programs to business partners for the prevention of blackouts and other critical accidents by conducting an in-depth diagnosis of electric power facilities including inspection of transformers and measurement of thermal burns as well as provision of customized solutions.

SPECIAL CASE

Recognized as the best company for shared growth for 8 consecutive years

View of Samsung Electro-Mechanics' Suwon site

Samsung Electro-Mechanics, selected as the Best Company for Shared Growth

On the Win Win Growth Index hosted by the Shared Growth Committee in 2018, Samsung Electro-Mechanics was awarded the Best grade. The company was selected as the Best Company for Shared Growth, which is targeted to companies that maintain Best grades for 3 consecutive years.

What is the Win Win Growth Index?
Under the Fair Trade Commission, it assesses conglomerate companies' agreements with their business partners on the stabilization of fair subcontract transactions, and other categories for competency enhancement of business partners as well as their implementation status, efforts for shared growth and performances. The assessment results are divided into 5 grades of: Best, Excellent, Good, Normal and Bad. This year, 181 large and mid-sized companies were evaluated, and 28 companies, including Samsung Electro-Mechanics, were rated as "Best".
Samsung Electro-Mechanics is establishing a culture of shared growth that reinforces strategic partnerships and mutually develops by signing Fair Trade agreements with business partners, and supporting with technology, talents, funds and education, etc.

Communication with Suppliers

Expanding Communication with Suppliers

Every 1st and 2nd half of each year, Samsung Electro-Mechanics hosts the "Communication Conference with Business Partners" on two occasions for first-tier and secondary partner companies. Through this, we provide a platform for communication for sharing shared growth policies and VOC resolutions.

Based on horizontal and efficient communication, we strive to create a competitive structure with our business partners and plan to reach 43 billion KRW in finance support, 100 personnel for talent and recruitment support, and 800 employees of business partners for education support by 2020.

Listening to the VOC of Suppliers

Samsung Electro-Mechanics runs various communication channels to systematically accept and handle the VOC from business partners to increase satisfaction levels.

Direct phone line	+82-31-8093-8282
Email account	semco.voc@samsung.com
Website	www.samsungsem.com
Procurement portal website	www.semcobuy.com

Cooperation Forum with Specialized Institutions

Safety and Health Programs for Win-Win Cooperation

Since 2013, Samsung Electro-Mechanics has been pursuing safety and health programs for win-win cooperation to enhance the standard of disaster prevention and safety and health management of its business partners. From 2013 to 2019, we are providing support for obtaining the safety and health management system certifications for 49 companies free of charge and by enabling the partner companies to build a safety and health management system that they can manage on their own, we are exerting our utmost efforts for safety management.

IBK, Green Consulting

Samsung Electro-Mechanics signed an agreement with IBK in 2013 to provide free green consulting to business partners. Professional consulting has been extended to 53 partner companies through 8 programs in the areas of the environment and energy including the acquisition of energy management system (ISO 50001) certification. The professional consultancy services for the 8 programs include acquiring the Green Biz certification, establishing green management strategies, the energy management system certification, establishing energy management system, energy assessment and reduction method identification and GHG emission rights.

Samsung Fire & Marine Insurance-Safety Check for Fire and Explosion

Samsung Electro-Mechanics has been providing free safety diagnosis against fire and explosion by signing an agreement with Samsung Fire & Marine Insurance in 2014 to prevent fire or explosive disasters at business partners. From 2014 to 2019, disaster prevention specialists were dispatched to 91 business partners to conduct safety checks, write reports on risks and improvement measures, and induce business partners to voluntarily make improvements themselves. Moving forward, we will continuously strive to prevent disasters by identifying various support measures.

Sustainable Management Topic 3

Employees

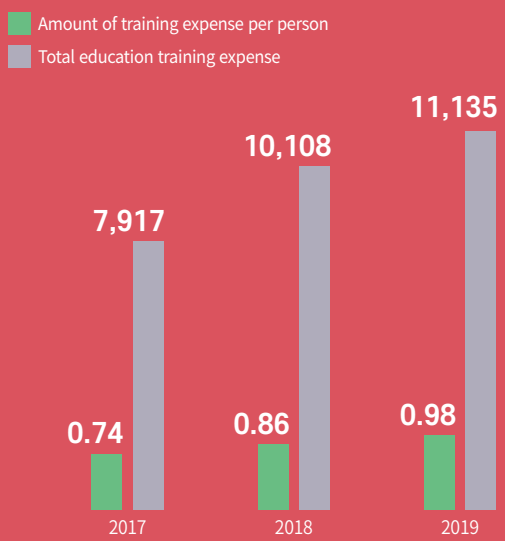
Samsung Electro-Mechanics operates a competency-driven open recruitment based on equal opportunities for candidates by removing discriminatory factors irrelevant to individual capability such as education and gender. In our recruitment policies, we placed articles regarding prohibition of discrimination and forced labor to protect human rights, and analyze the section of human rights in the Constitution and Labor laws to preemptively comply with them.

Additionally, we enable flexible working hours that match the positions and life styles of each individual and operate an open clock-in and clock-out system to optimize work efficiency.

Lastly, Samsung Electro-Mechanics provides specialized leadership, job and global training sessions to develop globally competitive talent in order to prepare for the future.

Educational Expenses

(coverage: domestic basis, unit: KRW million)



Employees by Region

(coverage: consolidated basis, unit: persons)

Asia
22,713

Korea
11,471

Americas
45

Europe
35

Human Rights Policy

1. Prohibition of all discrimination in the recruitment regulations (nationality, gender, religion, education, status, etc.), protection of human rights by inserting an article prohibiting forced labor
2. Efforts to preemptively comply with human rights protection items stipulated in the Constitution and Labor Laws
3. Compliance with RBA (Responsible Business Alliance) regulations
4. Prohibition of forced and child labor
5. Guarantee of all employees' right to participate in peaceful gatherings and to refuse participation
6. Respect for the right to expression as an individual employee or group
7. Continuous pursuit of activities such as evaluations, monitoring, collaboration, and support to prevent human rights violations of suppliers

Samsung Electro-Mechanics operates a competency-driven open recruitment based on equal opportunities for candidates, and protects human rights by supporting the prohibition of discrimination and forced labor. Additionally, we enable flexible working hours that match the positions and life styles of each individual and operate an open clock-in and clock-out system to optimize work efficiency. Samsung Electro-Mechanics also provides specialized leadership, job and global training sessions to develop globally competitive talents.

Recruitment and Workforce Configuration

We implement open employment policies providing equal opportunities to outstanding talent from diverse fields.

Talent Recruitment

Vision for Talent

Under the talent management philosophy that individual growth equals corporate growth, Samsung Electro-Mechanics selects talent with leadership potential who are not afraid of taking on new challenges, and those that can creatively solve problems.

Moving Forward Together with Open Employment Policies

Samsung Electro-Mechanics provides equal opportunities by removing discriminatory factors including academic background and gender unrelated to individual capabilities when selecting job candidates and sticks to the principle of selecting talent based on job competencies. Our internship program provides many university students with equal opportunities to experience the corporate culture before they advance into society.

Recruitment Process

Samsung Electro-Mechanics operates a fair recruitment process to secure competent talent in diverse areas and provide equal opportunities to all job seekers. We provide job opportunities to diverse social brackets by recruiting not only college graduates but also junior college and high school graduates as new employees. In terms of experienced hires, we operate both periodic recruitment and non-scheduled recruitment conducted by each department based on different needs.

Current Status of Non-regular Employees

Samsung Electro-Mechanics hires permanent employees for regular and continuous tasks in principle and is making efforts to eradicate unnecessary employment of irregular workers. Nevertheless, we will do our utmost to provide equal treatment to non-regular employees equivalent to regular workers who do the same work.

Diversity

Diversity in Gender

Female employees at Samsung Electro-Mechanics constitute 24% of the total in Korea and 54% of the total abroad as of 2019.
Samsung Electro-Mechanics is making efforts to promote gender equality in the workplace by expanding the period of maternity leave to 2 years to support female employees as they continue their careers.

Diversity in Age

Samsung Electro-Mechanics adopted the peak wage system for continuous employment of workers after the existing retirement age (55 years of age) amidst a rapidly aging society in Korea to provide employment for senior employees and enhance workers' job security. As a result, the average years of service at domestic sites is 13 years in 2019.

Employment of the Disabled

Samsung Electro-Mechanics adheres to an employment policy for disabled people and practices transparent and fair recruitment. Samsung Electro-Mechanics makes efforts to improve working conditions and develops communication between employees, while providing suitable jobs befitting their capabilities after they are employed. The number of disabled employees totaled 232 in 2019, which is around 2% of the total number of domestic employees. We will continue to expand the employment of people with disabilities.

Status of Employment by Position

(coverage: consolidated basis, unit: persons)

		2017	2018	2019
Domestic	Executives	57	57	53
	Mid-executives	3,897	4,158	4,266
	Employees	6,619	7,388	6,988
	Non-regular Employees	124	121	164
	Sub total	**10,697**	**11,724**	**11,471**
Overseas	Executives	5	6	9
	Mid-executives	690	785	847
	Employees	21,216	24,008	21,915
	Non-regular Employees	1,803	949	22
	Sub total	**23,714**	**25,748**	**22,793**
Total		**34,411**	**37,472**	**34,264**

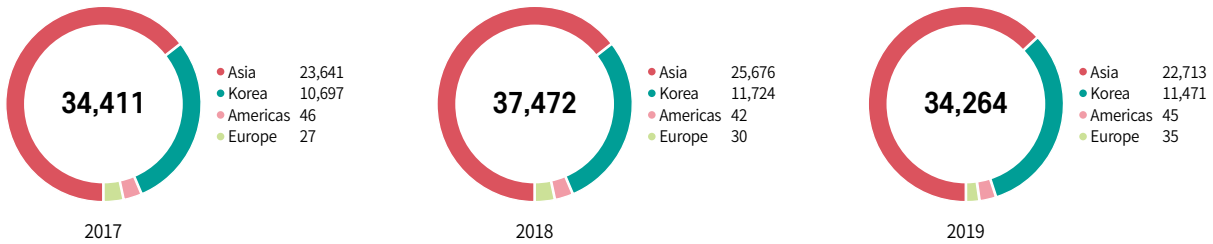
Total number of employees of Samsung Electro-Mechanics

(coverage: consolidated basis, unit: persons)

34,264

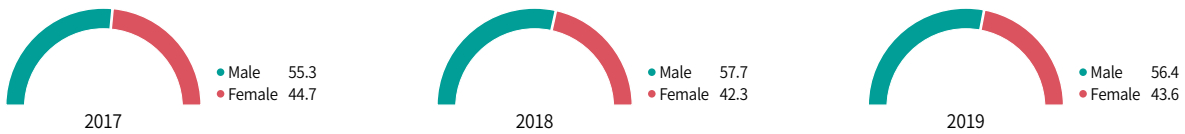
Employees by Region

(coverage: consolidated basis, unit: persons)



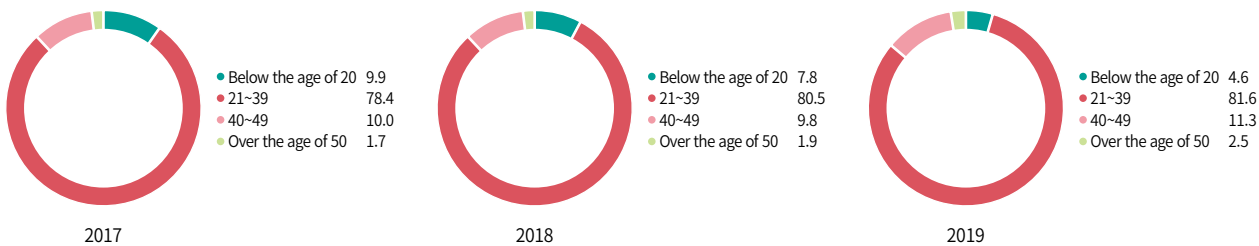
Status of Employee by Gender

(coverage: consolidated basis, unit: persons)



Status of Employee by Age

(coverage: consolidated basis, unit: %)



Status of Female Senior Officers

(coverage: consolidated basis, unit: persons)

		2017	2018	2019
Domestic	Total senior officers	3,897	4,158	4,311
	Female senior officers	247	298	344
	Percentage	6.3%	7.2%	8.0%
Overseas	Total senior officers	690	785	848
	Female senior officers	186	221	242
	Percentage	27.0%	28.2%	28.5%
Total number of female senior officers in Korea and abroad		**433**	**519**	**586**

Status of Gender

(coverage: consolidated basis, unit: persons)

		2017	2018	2019
Domestic	Male	8,174	9,023	8,738
	Female	2,523	2,701	2,733
	Sub total	**10,697**	**11,724**	**11,471**
Overseas	Male	10,844	12,600	10,577
	Female	12,870	13,148	12,216
	Sub total	**23,714**	**25,748**	**22,793**
Total		**34,411**	**37,472**	**34,264**

Human Rights and Labor

We practice a culture of mutual respect and provide protection for human rights by creating a cooperative labor-management culture.

Protection of Human Rights

Samsung Electro-Mechanics has devised various measures to protect the human rights of employees in accordance with the Labor Standards Act. Employment rules at Samsung Electro-Mechanics contain provisions on the protection of human rights by prohibiting all types of discrimination (nationality, gender, religion, academic background, social status, etc.) and forced labor. We also thoroughly identify human rights protection provisions prescribed in the Constitution of Korea and the Labor laws and preemptively comply with them. We comply with regulations of the Responsible Business Alliance (RBA) for overseas subsidiaries, prohibiting forced labor and child labor in accordance with the labor laws in local countries.

We have procedures in place to reasonably accommodate religious practices and adjustments to the work environment to allow a worker to comply with their religious beliefs while at work. We also respect the legal right of all workers to peacefully assemble as well as respect the right of workers to refrain from doing so. The workers have the right to individually or collectively raise their concerns or ideas. We continuously engage in activities to evaluate, monitor, collaborate, and support efforts to protect the human rights of both our employees and stakeholders including business partners and local communities.

Preventive Activities

Samsung Electro-Mechanics makes efforts to build a sound corporate culture by respecting individuals and building mutual trust. We operate sexual harassment prevention programs every year, according to Article 13 of the Equal Employment Opportunity and Work-Family Balance Assistance Act. We also conduct annual awareness improvement trainings towards people with disabilities in accordance to Article 5-2 of the Act on the Employment Promotion and Job Development for people with disabilities. Via the company's intranet, we also operate reporting centers for sexual harassment (verbal, physical, visual), and harassment (verbal, physical, unfair demands, workplace bullying, human rights violations). Following the smart generation, we also operate a mobile application "Mobile 7979," that is linked to the in-house counseling center for messenger counseling to resolve various human rights-related grievances.

For foreign employees, we have employment rules written in languages (Japanese and English) that they can understand and each overseas subsidiary discloses and provides notification of the employment rules translated into the language of the country concerned.

Completion rate of sexual harassment preventive education

100%

The HR Team adopted on-site organizational management assessments in 2013, giving feedback to each department after evaluating the level of mutual respect and protection of human rights within each business unit. If issues are found during the assessment, we provide measures for improvement based on causal analysis and follow up on improvement status through regular monitoring activities.

For business partners in charge of security of our business sites, we emphasize the prevention of human rights violations, while conducting human rights training for all security staff at home and abroad. We also provide internal training on human rights protection for security companies on a quarterly basis.

Human Rights Supervision and Appraisal

We promote human rights protection activities through cooperation with the legal department, compliance department, HR, inspection department and counseling center. Also, the Labor-Management Council, which we operate with council representatives that were elected through voting, gives an ear to employees and strives to protect human rights.

The Labor-Management Council runs the Ombudsman board on its website, enabling two-way communication regarding grievances related to employees' human rights. Employee representatives of the Labor-Management Council gather opinions on each sector for suggested grievances, and provide answers or solve problems. Consultations on its activities are transparently disclosed via its website, contributing to the management system of shared growth of labor and management.

Cooperative Labor-Management Culture

Samsung Electro-Mechanics runs the Labor- Management Council pursuant to the Act for Workers' Participation and Cooperation Enhancement. Believing that stronger employee competitiveness through labor-management harmony equals corporate competitiveness, we constantly communicate with the Labor-Management Council, proactively gathering employees' ideas. The Hanwullim Council, which is the employee representative organization (accounting for 61% of all Samsung Electro-Mechanics employees), gathers feedback through various communication channels.

Plant Council and Board Discussion Council

Items related to the company's operations are discussed at the Board discussion council with labor-management representatives and are decided on at the Plant council, contributing to improving the cooperative labor-management culture. Matters that can significantly impact employees are discussed regularly by organizing monthly Labor-Management Council meetings and notifications of decisions taken are provided within 30 days. Samsung Electro-Mechanics will continuously strive to process employee grievance handling in a rapid and efficient manner.

Multidirectional Communication Channel

To enhance its corporate culture and promote a GWP (Great Work Place) for employees, Samsung Electro-Mechanics operates multi-directional communication channels and continuously strives to increase to employee satisfaction. We also carry out communication activities through online and offline channels.
For online communication, we utilize the "Intranet SEM Ground," an internal communication portal, through which we share the company's corporate culture and provide an outlet for employees' VOC through the bulletin board as an effort to improve employee satisfaction. Change Agents (CA) are selected from each department to handle offline communication and to organize activities to improve the organizational culture. Additionally, we contribute to stabilizing a culture of communication by having volunteering and club leaders. All employees can participate in these multi-directional communication activities, which were evaluated to offer a high level of satisfaction.

Status of each Deliberation Organization of the Hanwullim Council

(coverage: domestic basis, unit: cases)

	2017	2018	2019
FUN	15	37	15
PRIDE	14	10	15
TRUST	13	11	9
WOMEN	3	5	7
Total	**45**	**63**	**46**

* FUN : Employee contributions, assistance for unexpected misfortunes, activities to revitalize organizations, etc.

PRIDE : Improvement of company-wide welfare facilities, efforts to enhance working environment, productivity, competitiveness, etc.

TRUST : Institutional systems regarding HR, labor-management relations and employee training, and criteria of wage and benefit systems

WOMEN : Improvement of company-wide welfare facilities and personnel management system related to women employees

Online Communication among Employees

Samsung Electro-Mechanics is creating a basis for proactive communication and empathy with stakeholders through diverse online communication channels. We strive to create a culture of openness where internal and external stakeholders empathize with one another and share ideas in a transparent manner through the company's website and social media channels.

In-house Counselors as "Gate Keepers"

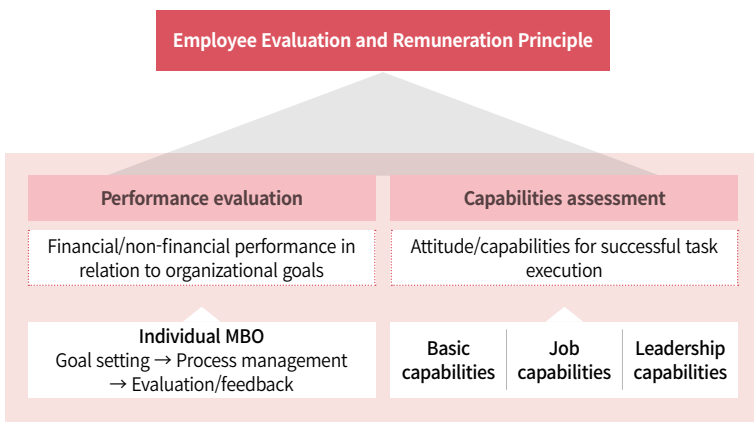
Samsung Electro-Mechanics fosters "Gate Keepers" as in-house quasi-counselors in each department to provide training on the promotion of mental health for employees twice per year. By sharing information on mental health, we promote advanced mental health management for our employees.

Evaluation and Remuneration System

Management of Targets and Evaluation

Samsung Electro-Mechanics has established the "Management by Objectives" (MBO) system to provide well-defined guidelines for employees to play a leading role in conducting business activities and has fine-tuned the process based on interim checks and feedback to ensure the fair evaluation of employees. In order to enhance fairness in evaluation and employees' acceptability of the results, we cross-check the result of MBO and performance reviews. Employees are allowed to undergo another round of reviews through the application process to raise objections if there is any objection to the results. We are also making efforts to enhance the competencies of reviewers by providing them with training sessions and evaluation manuals 4 times a year. Samsung Electro-Mechanics uses ESG items such as industrial accidents and privacy protection as the basis for evaluation of executives so that ESG performance can be linked to executive compensation.

Employee Evaluation and Remuneration Principle



Wage System

Minimum Wage

Samsung Electro-Mechanics promotes the enhancement of labor productivity by stabilizing the livelihood of employees and enhancing quality in its workforce by guaranteeing a minimum wage. Samsung Electro-Mechanics, which has established a global network operating in Korea, China, Thailand, the Philippines, Vietnam, and other countries pays a minimum wage that is higher than the amount prescribed in the laws of countries concerned, ensuring that employees can enjoy a good quality of life.

Equality in Wage

Samsung Electro-Mechanics guarantees equal wages for men and women, which means that payment for female employees is the same as that of male workers. If the value of women's labor is underestimated, it may serve as an obstacle in terms of their social participation and economic opportunity, creating a negative impact on economic growth.

Employee Satisfaction

Advanced Welfare Benefits

Samsung Electro-Mechanics operates a comprehensive company policy that ensures an improvement in the quality of life among our employees. We provide differentiated corporate benefits by providing pensions, education expenses for employees' children, reimbursement for medical services (spouse, children), benefits for special events such as births and matriculation, and of course, assistance in the case of unexpected misfortune. As part of our selective benefit system, we also encourage our employees to enjoy leisure activities at vacation venues, water parks and other wellness programs and clubs, to provide access to benefits that are suitable for each individual's lifestyle.

Employee Satisfaction Survey

As a part of increase the quality of our employees' work life and to create a job where employees are happy to work in, Samsung Electro-Mechanics annually administers the SCI (Samsung Culture Index) domestically and internationally. By analyzing in many aspects, such as gender, class, etc., we carry out appropriate system and infrastructure improvements. Moving forward, we aim to conduct research to enhance satisfaction among employees.

Mental Health

Major Services

The Mental Health Center provides personal counseling and mental health check-up services not only for employees but also for their immediate family members. In addition, we develop and offer diverse programs including couple and parent-child counseling, leadership coaching for employees in upper management, thematic assessment, manufacturing site visits, and revitalizing department-level organizations to improve the quality of life for employees and their family members. To help our employees with stress management, we installed a meditation room within the company offices and provide mediation courses on an ongoing basis. As for highly-stressed employees, we help them to improve stress management techniques in conjunction with professional organizations.

Establishment of Counseling Infrastructure for Better Access

Samsung Electro-Mechanics offers support through “Mobile 7979,” a mobile counseling app in conjunction with SEM, to help employees easily access counseling services and make appointments for counseling sessions. Also, telephone counseling hotlines are operating 24/7 in preparation for those in need of immediate help.

Expertise and Confidentiality

As a professional counseling organization that offers counseling and mental health evaluations, the Mental Health Center is composed of experts with certifications. With the compliance policy that places respect and protection of the users as first priority, we comply with protection of the users’ personal information that was made known during the counseling processes.

Dormitory

Samsung Electro-Mechanics is making efforts to promote welfare benefits and stable lives of its employees by providing company-owned dormitories for employees on rotation or that have long commutes. All facilities in the dormitories are maintained for cleanliness and safety, complying with relevant laws. Employees are free to enter and rest without time constraints and we also provide locker rooms where they can keep their belongings in a safe way, that does not disrupt the comfort of their living spaces. Fire evacuation drills are conducted twice a year and further efforts are made for the safety of employees living in the dormitories by maintaining emergency response systems such as smoke ventilators and automatic fire sprinklers.

Cafeteria

We operate on-site cafeterias to offer healthy food services with the employee’s health in mind. Professional personnel (nutritionists and chefs) provides 4 meals a day free of charge with 22 different menus of Korean, Chinese, Japanese and Western cuisine with taste and nutrition guaranteed. Also, we identify and eliminate safety and health related risk factors in advance through safety checks of cafeterias and consulting services conducted by professional agencies for disaster prevention. To offer safe meals, we operate various activities such as sanitation management, management of the sources of and cleanliness of ingredients, ingredient labeling, sanitation management for cafeteria staff, etc., exerting our full efforts to manage our cafeteria in a safe and clean way.

Samsung Electro-Mechanics adjusts working hours required for individual jobs and lifestyles and maximizes workplace efficiency by implementing an individual attendance policy and a flexible working hour policy. The purpose of adopting these policies is for individuals and the company to Win-win and achieve the goal of “Working smart”.

Work and Life Balance

Flexible Working Hours

Samsung Electro-Mechanics operates a flexible working hour system (discretional, selective, open clock-in time, open clock-out time) to adjust working hours that suits individual jobs and lifestyles and to maximize workplace efficiency. Also, we have a system where each individual can manage their work hours and vacation plans so that our employees can “work smart” and produce win-win benefits with the company. With this system resulting in increased respect for our employee’s personal lives as well as enhanced work efficiency, it contributes to heightened employee satisfaction by achieving work and life balance. Furthermore, this system can be utilized to reduce the burdens of employees with children and facilitate a more stable work life. We also designated “sandwich days” for off-days the day before and after holidays, allowing employees to conveniently take such days off (once a month), and with 2 days of “Homerun Day” each month where employees are required to sign off right on clock, we encourage our employees to spend more time with their families.

Family-friendly Management

Samsung Electro-Mechanics received a high score from the Ministry of Gender Equality and Family as the Best Family-Friendly Company. Samsung Electro-Mechanics holds “Invite families to company events” activities as part of its family-friendly policies, which are popular among employees. The activities include children’s day activities, employees’ family camps and diverse themed trips every month. We also conduct family counseling programs through the counseling centers, realizing a balance between work and life. We provide support for the education of employees’ children and for medical expenses incurred by spouses/children to help relieve the burden imposed by school and hospital expenses. We also provide support for unexpected financial bills in case of emergencies. We also aid employees in the event of family medical issues such as medical operations or nursing care, by developing policies such as caretaker leaves to encourage family-oriented activities.

Improvement of the Rights of Female Employees

Samsung Electro-Mechanics provides opportunities to work and receive education regardless of gender by improving the rights of female employees and related welfare benefits. The company also establishes and operates various maternity protection policies and infrastructure.

Maternity Protection Programs

In addition to maternity leaves and parental leaves before and after birth, we support employees with mommy leaves, shorter working hours during child-rearing years, and expanded parental leaves up to 2 years so that parent employees can pay attention to their health as well as care-rearing. Infertility treatment leave is also provided as part of the preparation for those who are seeking to have children in the future. We also provide gifts and grants to employees or their spouses that have given birth to celebrate them at the company level.

Childcare Support

We operate in-house childcare facilities for female employees with children, to help them focus on work and help relieve associated financial burdens by providing support for kindergarten tuition and children’s medical bills.

Improvement of Infrastructure

We provide different-colored lanyards to employees that are pregnant or new moms, so that they can be easily recognized. We also operate lounges considering the health of pregnant employees and provide additional snacks in cafeterias as well as mom-to-be parking spaces for the enhancement of their working environment.

W Committee

Since 2013, Samsung Electro-Mechanics has been operating the Labor-Management Council concerning the enhancement of female employees’ rights and benefits, the “W (Women) Committee.” Samsung Electro-Mechanics also implemented a policy where members of the committees carry out discussions regarding VOC of female employees and thus help improve their working environment.

Competency Development

We provide customized training for the development of individuals and the company.

Vision for Talent Nurturing

Samsung Electro-Mechanics provides specialized leadership, job and global training sessions to develop globally competitive talent. We encourage commitment to performing current roles according to employment rank, create an autonomous learning culture, and conduct customized training related to jobs in a systematic manner by each department. Training is provided on global communication, values and corporate culture for employees at home and abroad, which enables cross- border communication and improves overall competency level.

Preparing for the Future

In a rapidly changing environment, Samsung Electro-Mechanics is striving to build a training environment that allows organic responses in an effort to proactively change. By analyzing individual training data, we recommend customized content and plan to build a global platform where accessing training is possible at any place and time.

Customized Competency Training

Samsung Electro-Mechanics runs a leadership program, aiming to develop core competencies needed for each job rank. As a result, we are paving the way for continued growth and development of employees, reinforcing personal networks among trainees and forming a culture of communication and collaboration.

Job training

Samsung Electro-Mechanics operates systematic job trainings to reinforce the expertise of its employees. We analyzed required competencies by detailed duties and levels and established a roadmap accordingly. Based on this, we establish individualized competency building plans to secure an autonomous educational culture that encourages employees' development.

Introductory Training

The introductory training for new employees consists of diverse programs to foster them as future leaders under the unique management principles of Samsung Electro-Mechanics: Change, Innovation, and Challenge. Samsung Electro-Mechanics seeks to develop fundamental character through training on basic mindset and attitudes, compliance management, and anti-corruption required of employees. We also ensure that they become genuine Samsung Electro-Mechanics employees through training programs that include mentoring to help them quickly adapt to tasks in their departments as well as boost their understanding of work and networking competencies.

Leadership Coaching Education

In the uncertain economic environment, Samsung Electro-Mechanics seeks to help employees become immersed in their work and therefore operates a leadership coaching training for leaders to enhance core competencies and nurture employees, encouraging enhanced performances. This is a program that offers core training for leadership in real-life situations with coaching processes based on the newly constructed systematic roadmap from a long-term perspective. We hope to transform all leaders as coaches and expand the culture of coaching.

Promotional Training

Samsung Electro-Mechanics runs promotional training programs to pave the way for further growth along with an enhanced awareness of changing roles and responsibilities. In addition to training for job competencies, we focus on enhancing employee self-esteem by developing and running programs to deliver congratulatory messages to those promoted.

Education Performance

(coverage : consolidated basis, unit : hours, person, hours/person)

	2017	2018	2019
Total training hours	849,749	1,116,459	712,411
Domestic employees (person)	10,697	11,724	11,471
Number of hours of training per person (hours/person)	79	95	61

Educational Expenses

(coverage: consolidated basis, unit: KRW million)

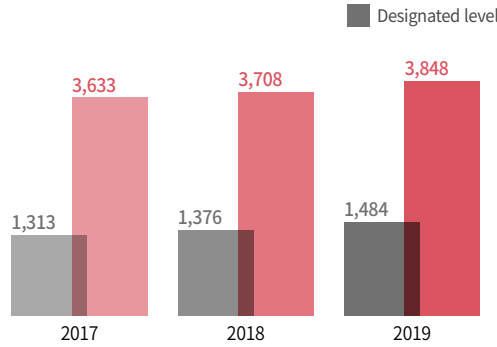
	2017	2018	2019
Total training expense	7,917	10,108	11,135
Cost of training per person	0.74	0.86	0.98

Expansion of Global Communication Competencies

In order to strengthen employees' communication competencies within a global company, we offer a variety of language programs. We run a program called "Foreign Language Daily Life Center" and the "Short-term Incentive Course (Miracle in 9 days)" in which employees are immersed in learning in an environment where they are completely separated from their duties. This way, they are taught to handle various situations that can be useful in conducting their duties and prepare themselves to become global specialists. We also operate additional programs including "Internal language courses," and "External language support systems" to cater to the employees that wish to learn while working, and support continuous self-development. The language courses include the conventional, entry-level, basic, intermediate classes as well as "Biz conversation skills" where they can develop practical business competencies. We also established a language evaluation system by utilizing the in-house multi-media office to provide a platform where busy employees can assess their language skills.

Employees with Foreign Language Certifications

(coverage: domestic basis, unit: persons)

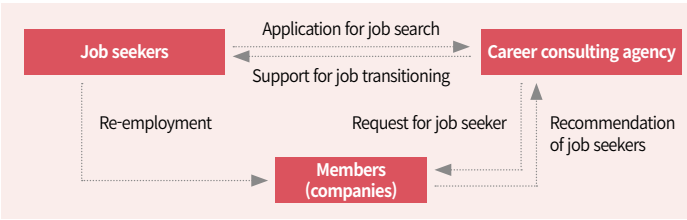


Human Resource Development System

All Selected Group

Category	Basic/Leadership				Job Function						Global		
CL4	Leadership of heads of departments	Promotion to Principal Professional/Engineer	Introduction to Samsung	Introduction to careers	Fostering executives	R&D	Manufacturing	Biz Design	Sales/Marketing	Procurement Logistics/Quality/Innovation A	Cyber training per job function/Departmental task learning	MBA, EMBA, Academic dispatch	Foreign Language Daily Life Center · Internal language courses	Short-term Intensive Course
CL3	Fostering heads of departments	Promotion to Senior Professional/Engineer												
CL2 / CL1	Promotion to Professional/Engineer	Training of new employees for prompt deployment	Introduction to Samsung Electro-Mechanics	Introduction to SVP	Field managers candidates *Group presidents	New field Managers *Group presidents								

Provision of various information and job matching with recruitment agencies



Lifelong Career Consulting for Employees

Samsung Electro-Mechanics runs diverse programs to raise the quality of employees' lives and to successfully design a new life even after retirement. For instance, we provide various support job transitions with career counseling, re-employment or startup ventures.

Major Programs

Programs for retired executives and employees that has been carried out since 2002 has generated high satisfaction and performance. And since July 2015, we have integrated programs for retirees of 5 electronic companies to create synergy effects based on their amassed capabilities and hired experts to run enhanced quality programs.

The Life Design program is useful for building a platform for their lifelong development and Career Design course and the Career Change course helps to redesign their careers at a critical turning point.

We operate a wide-range of programs such as programs for selecting items for startups, establishing business plans and registering as business owners, startup courses where they can practice relevant matters, agriculture and farming programs that offer an overview of agriculture and farming as well as field-trips, executive-specialized programs and programs with industry-academia professors.

The integrated consulting center is an exclusive space for retirees near the company encompassing a multi-media training room that can accommodate 50 people at once, an individual PC space where they can draft business plans and carry out job searches, career counseling offices, and a lounge where users can enjoy a wonderful view throughout the year. In the center, we provide individual assessment and change management.

Vision for the Future

Beyond extending support for re-employment and job transfer, the Career Consulting Center, which consists of representatives with experience in career counseling, GCDF (Global Career Development Facilitators), financial planning, retirement planning etc., provides customized programs by analyzing the retirement environment in depth and offers tailored support according to individual strengths and weaknesses as well as their interests. Concerted efforts are made to ensure the center serves as a beacon of light and a reliable companion for retirees to discover a new life and beyond in an age when the average lifespan is nearing 100 years.

Designing Re-employment and Second Life

Career change	Career design	Start-up fundamentals	Agriculture and farming	Industry-academia cooperation professor
Job preparation/ strategy (re-employment)	New job/ qualifications (career development)	Business planning/Industry investigations	Connection to local governments /agricultural experience	Job competency/ coaching skills

Diagnosis of personal life design

Life design

1:1 Career Consulting Program

Sustainable Management Topic 4

Environment

Samsung Electro-Mechanics has established a company-wide environment and energy management system and constructed a list of activities to implement for environmental protection and the management of the overall life-cycle of products starting with the production, use, and disposal. To raise our environmental performance, we engage in exemplary eco-friendly management activities such as waste discharge and water resource management at all operating sites.

Additionally, we established a management policy based on the movement of global investment institutions regarding climate change and the reinforcement of GHG regulations in Korea and overseas. As for our GHG reduction activities, we are analyzing the increase in our production line, the trends of the predicted increase in production amount as well as the GHG emissions amount using the patterns from the past 5 years to assess predicted emissions and intensity as a part of operating GHG reduction plans to reach our yearly reduction goals.

GHG emissions

(consolidated basis, unit: tCO_2e)

	2017	2018	2019
Scope 1	59,513	66,138	76,506
Scope 2	1,076,208	1,210,284	1,233,181
Total	**1,135,721**	**1,276,422**	**1,309,687**
Carbon intensity (tCO_2e / Revenue (KRW billion))	17.0	16.0	16.3

Environmental Energy Management System

ISO14001

100%

Certified

ISO 14001:2015

Environmental Management System PDCA Cycle

Samsung Electro-Mechanics established an environmental and energy management policy to continuously boost its environmental performance by constructing environmental protection activity plans and managing the overall life-cycle of products. As for our GHG reduction activities, we are analyzing the increase in our production line, the trends of the predicted increase in production amount as well as the GHG emissions amount using the patterns from the past 5 years to assess predicted emissions and intensity as a part of operating GHG reduction plans to reach our yearly reduction goals.

Environmental Management System

We operate an efficient energy management system in accordance with global standards.

Policies for Safety and Environment in Energy

- Through the establishment of a safety, health, environment, and energy management system, we secure global leadership and pursue corporate sustainability.
- We guarantee the proactive participation of leaders and employees to achieve our target and ensure transparency by revealing such policies to interested parties.
- We fulfill our social responsibility through the manufacturing and provision of environmentally-friendly products and services, and the development of safe and healthy places of business.
- We stand at the forefront of environmental protection by developing and implementing environmentally-friendly technology, and responding to climate change through the usage of clean energy and energy reduction.
- We prevent safety, health, environment, and energy-related accidents by complying with global standards, identifying illogicality through risk-based thinking, and improving sustainability.

Environmental Energy Management System

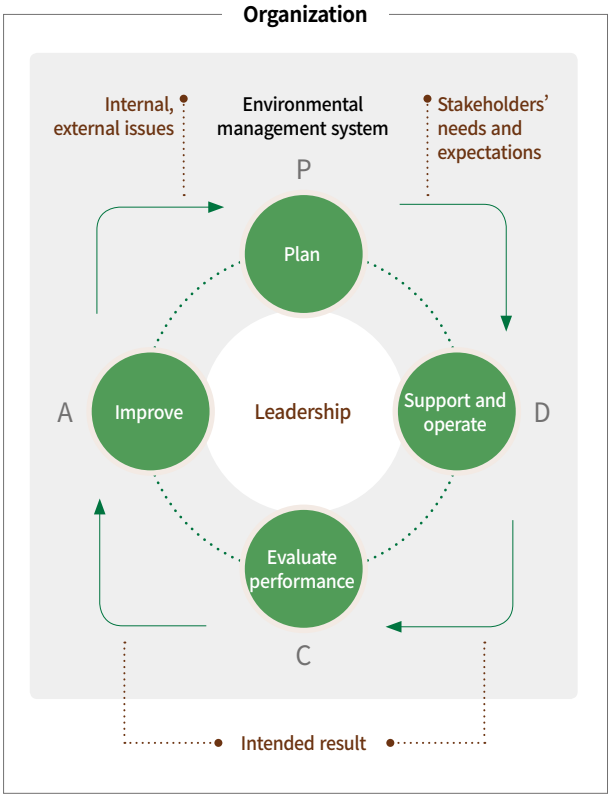
Policies for Safety and Environment in Energy

As a provider of advanced electric and mechanical parts to clients, Samsung Electro-Mechanics aims to prevent accidents in advance by abiding by safety, health, environment, and energy-related global standards, carrying out a comprehensive process evaluation of risk factors, and by recognizing that environmental protection and efficient energy usage are the key factors of corporate sustainability. The company has enforced such practices to all of its employees to build safe and clean places of business and to fulfill its corporate social responsibility.

Policies

Samsung Electro-Mechanics operates a company-wide environmental (ISO 14001), and energy (ISO 50001) management system, manages the overall product life-cycle from production, use, and disposal as well as set plans for environmental protection as an effort to continuously pursue growth in its environmental performance. Also, based on our knowledge on regulations related to climate, compliance requirements, demands of stakeholders, and serious environmental impacts, we established our environmental guidelines and goals. Through these efforts, we reject inefficient resources usage as well as prevent climate change, ecosystem destruction, and damage to biodiversity. Samsung Electro-Mechanics has established and is operating processes to reach its environmental management goals, regularly monitors, and assesses its activities. By continuously supporting environmental activities and communicating with stakeholders, we provide efficiency and reliability in our environmental management system.

Environmental management system PDCA Cycle



Environmental Management System Certification rate

100%

Operation of the Environmental Management System

Samsung Electro-Mechanics established a process for the environmental management system and operates it to prevent negative environmental effects while increasing performance in environmental protection. Along with the process and other activities we are pursuing, we are hoping to reach the goals as intended by the management system. We constructed internal regulations to comply with the requirements of the environmental management system, quickly respond to changes, and maintain continuous efforts for improvement by using the PDCA Cycle. Also, we conduct group or online courses once a year to reinforce the expertise of operating personnel and to enhance efficiency of the operation of the system. Each year, we identify serious environmental impacts through the environmental impact assessments for each department and establish and execute detailed goals and improvement measures to fulfill our environmental guidelines and goals. The CEO announces his leadership and determination for environmental management and guarantees the integration of responsibility, goals, strategic direction and business processes. In addition, we support with necessary resources to reach our goals and pledge to conduct ongoing improvement measures. Each year, we regularly operate internal and external assessment programs and evaluate whether the system is being implemented and maintained in an effective way. We also maintain certifications through a 3rd party certification organization's external assessments.

We conduct reviews on management once a year to ensure appropriateness, effectiveness and performance. We also analyze changes in internal and external items regarding the management system, the level of attainment of environmental goals, information on performances, communication with stakeholders, continuous opportunities for improvement, review treatment measures from previous reviews, and decide on impacts of the organization's strategies and needs to revise system. In accordance to the ISO standardization, our domestic sites have completed transitions of their certifications to ISO14001:2015 in 2018 and we plan to complete transitions of our overseas sites by 2020 to proactively respond to the rapidly changing business environment, raising operational efficiency through integrated operation.

Environmental Investment

We have been investing in environmental protection to eliminate industrial disasters and respond to safety and environment regulations at home and abroad since 2013. Our investments are focused on the replacement of obsolete facilities to improve waste treatment facilities, manage air pollutant emitting facilities, strengthen the management of waste disposal, reduce energy consumption and induce efficiency in energy usage. We invest in the enhancement of safe environmental facilities and promote the installation of new facilities to reinforce the management of energy and environmental protection at sites. Samsung Electro-Mechanics continues to monitor and carry out related activities encompassing the entire process from investment planning to execution of environmental facility innovation with the aim to achieve a process innovation rate of 90% by 2020.

Investments and Expenses (consolidated basis, unit: KRW million)

	2017	2018	2019
Investments in Environmental Energy	4,703	30,092	8,704
Expenses for Environmental Energy	238,359	268,379	272,150

Eco-Friendly Operation

We implement exemplary eco-friendly operations in all operating sites.

Air Quality

Samsung Electro-Mechanics installed optimized air pollution prevention facilities to reduce air pollutants and is improving the atmospheric environment to upgrade the efficiency of pollution prevention facilities. In installing new manufacturing processes, we conduct safety environment assessments to review expected pollutants in order to minimize pollutant generation and manage emission limit values (ELVs) at 30% below statutory standards.

As of 2019, we are operating 206 air pollution prevention facilities and established 7 new facilities at the Suwon plant to reduce emissions from the R&D facilities. In addition, the company reviews the possibility of new polluting substances through analysis on pollution concentration for all categories of air polluting substances including ones we do not expect to arise and through continuous investments in the environment, we repair and replace outdated facilities, maintaining an optimal level of management.

Water Resources

Samsung Electro-Mechanics implements systematic monitoring, periodically checks the current status of water resources at global sites, analyzes the quantity used and monitors key trends. Additionally, we identify improvement measures for proper management of water resources and execute them after reporting to top management. Failure to secure a sufficient amount of water as well as the quality of water resources needed for manufacturing can act as a severe obstacle to business continuity in specific regions by inducing lower production capabilities and higher operational costs for water treatment.

Water Usage

(coverage: consolidated basis, unit: m^3)

	2017	2018	2019
Industrial water	11,463,579	12,737,867	11,607,463
Municipal water	4,265,393	4,474,454	4,391,006
Surface water	2,675,100	2,997,373	3,235,997
Ground water	2,934,056	3,479,574	3,597,616
Total	**21,338,128**	**23,689,268**	**22,832,082**
Volume of reused water	2,658,461	3,787,453	3,839,411
Recycling rate (%)	12.46	15.99	16.82

Against this backdrop, Samsung Electro-Mechanics conducts a risk analysis of water resources and makes investments in water treatment facilities to maintain internal standards for water quality management. We also establish emergency response plans in preparation for unexpected interruptions to water supply by securing water storage tanks and dual water suppliers.

Programs to Reduce Water Resources Consumption

With the aim to reduce water resources consumption, Samsung Electro-Mechanics conducts inspections at domestic and global sites to check their current status and engage in activities related to industrial water usage. Also, we implement a company-wide facility procurement review system to reflect reductions in water resource consumption in the design phase of new facilities when procuring manufacturing facilities.

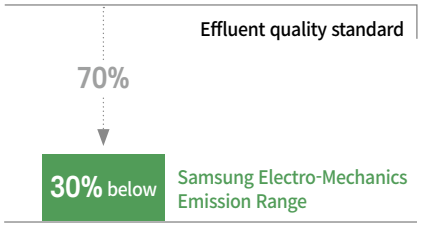
Water Usage and Reduction Goals

We continue to engage in activities to reduce water consumption by setting new goals at each site and putting performance management goals in place to control water usage.

Water Quality

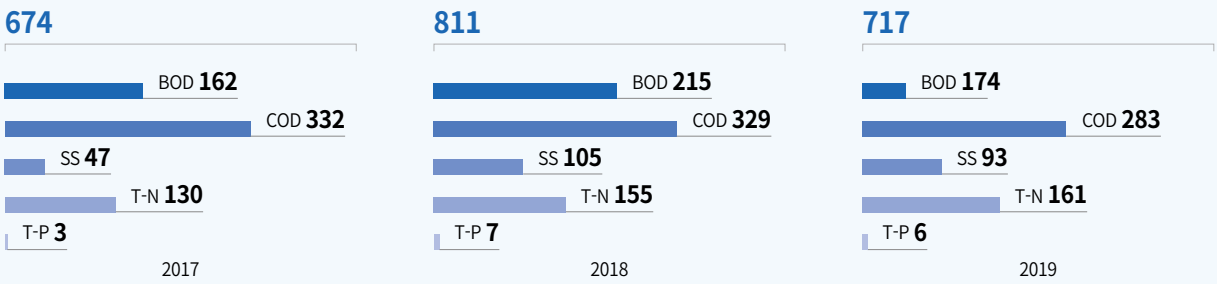
In order to comply with regulations regarding the Water Environment Conservation Act, Samsung Electro-Mechanics establishes its water environment management policies in detail, executes, monitors and assesses them. As part of monitoring water pollutants, the company conducts quarterly external verifications and weekly self-assessments, managing its permitted emission level at 30% below statutory standards. We are carrying out stable operations by complying with the Water Environment Conservation Act, replacing outdated TMS measuring equipment, settling tanks, and wastewater transferring pumps. Also, by renewing the pumps for chemical substances, we comply with the Chemical Substance Control Act and reinforced our monitoring system with additional installations of CCTVs in blind spots and higher quality CCTVs. As for the Suwon plant, we conducted environmental impact assessments for surrounding areas twice, in the first and second half of the year to analyze and manage pollutants by type. At Woncheon river, we achieved 19% reduction of pollutant concentration for COD, 25% for BOD, 52% for T-P, 17% for SS and are contributing to the water environment of surrounding areas.

Strengthen management of air and water pollutants



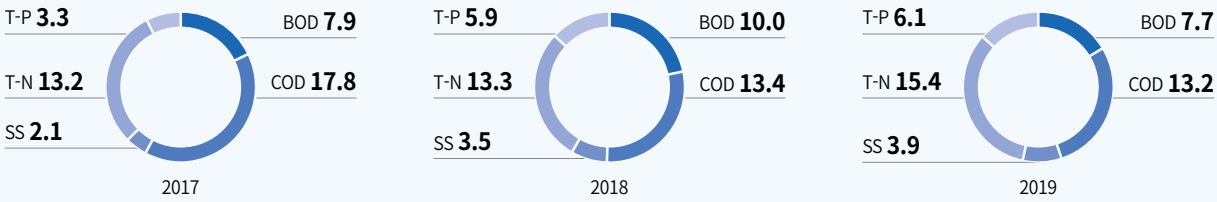
Water Pollutant Emissions

(coverage: consolidated basis, unit: ton)



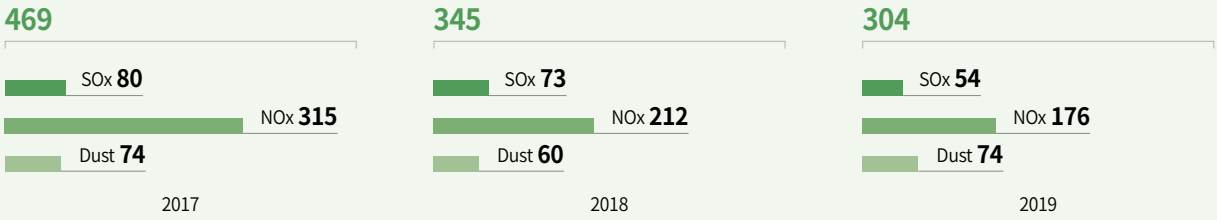
Average Emission Intensity Compared to Statutory Standards

(coverage: consolidated basis, unit: %)



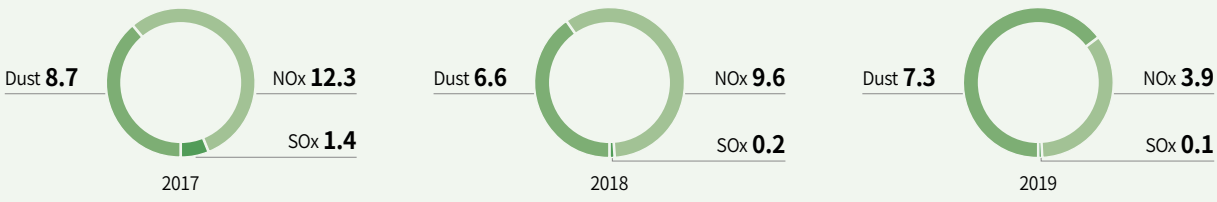
Air Pollution Emissions

(coverage: consolidated basis, unit: ton)



Average Emission Intensity Compared to Statutory Standards

(coverage: consolidated basis, unit: %)



Rate of Recycling

(coverage: consolidated basis, unit: %)

Waste

Management system

For waste management, Samsung Electro-Mechanics strictly complies with the principles of waste discharge inspections and separation of incineration waste from an internal point of view. Externally, it works to identify companies for waste recycling and analyze the rate of secondary waste generation at treatment companies and their status, striving for resource recycling.

Each year, we conduct improvement plans for management of major wastes and non-recycled wastes, and strive for proper waste management through quarterly field inspections.
Also, we regularly check for any changes to laws to respond to newly enacted laws and reinforcements to existing laws by establishing measures in a timely manner.

Recycling

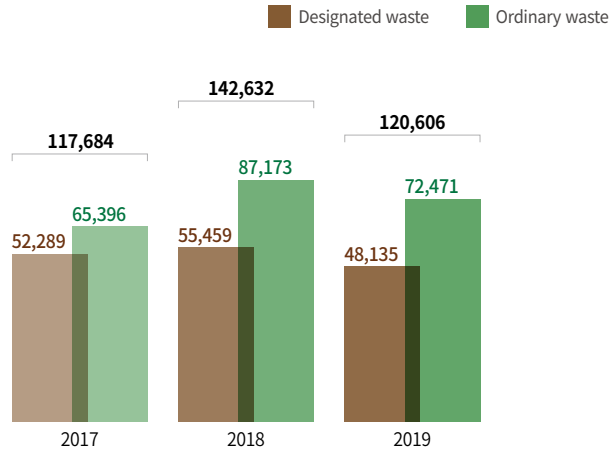
We consider various ways to recycle incineration and landfill wastes to maintain the waste-recycling rate at 90% above the target level. In case of waste alkali, we identify companies that can recycle them and treat them accordingly. As such, we establish and execute improvement plans to limit secondary incineration and landfill waste during treatment as well as the possibility of environmental pollutants, We also provide employee trainings and campaigns every year to raise employees' awareness on separating wastes and recycling.

Waste Reduction

Samsung Electro-Mechanics operates a Task Force to reduce waste of disposable items in an effort to resolve the fundamental issue of waste generation. By replacing disposable plastic items with eco-friendly paper, or by hosting campaigns on using personal cups at in-house cafes, we have reduced plastic waste generation by 57 tons in 2019. Also, Samsung Electro-Mechanics establishes goals each year and strives to reach them to manage the production amount of products and waste generation compared to raw material usage.

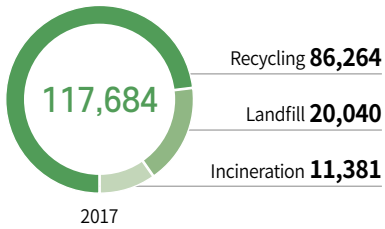
Amount of Waste Generated

(coverage: consolidated basis, unit: ton)



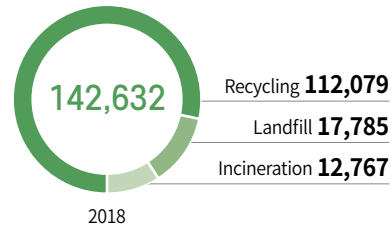
Treatment and Recycling of Waste

(coverage: consolidated basis, unit: ton)



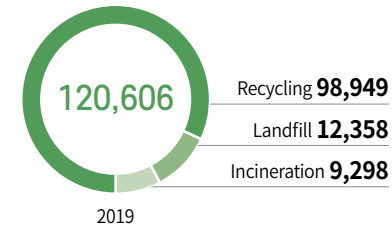
Recycling **86,264**
Landfill **20,040**
Incineration **11,381**

2017



Recycling **112,079**
Landfill **17,785**
Incineration **12,767**

2018



Recycling **98,949**
Landfill **12,358**
Incineration **9,298**

2019

Treatment

For lawful treatment of waste, Samsung Electro-Mechanics conducts a comprehensive review of transportation, the company's licenses, and past violations of laws and regulations. We provide tenders through a fair bidding process to select waste transport and treatment companies via the Global Infra Management System (GIMS) and sign contracts with companies that have obtained permits. As for new tenders, we visit them before the bidding process to check on the treatment site and associated licensing as well as other compliance items. Existing outsourced companies are inspected after the completion of contracts at least once per year.

Our waste is weighed through the Recycling Management System (RMS) to minimize errors in weight and we strive to secure reliability through examination and correction by legal organizations each year. Additionally, the entire process of waste generation, transportation, and treatment is transparently managed through the official treatment system (Allbaro System) authorized by the government.

We have also built a response system by installing Leak Sensors and CCTVs at designated waste storage sites and have placed informative materials on harmful wastes so that proper responses can be carried out upon leakages.

We comply with the storage duration limit of designated waste (45 days), wearing of protective gears when handling designated waste, and prohibition of entrance and handling by personnel other than the designated handlers to execute proper management.

Eco-Friendly Packaging

Samsung Electro-Mechanics works to provide quality packaging materials that meet customer demands based on status analysis and observation in collaboration with users. We strive to save resources by curbing the use of disposable packaging materials and promoting reuse and recycling.

Such efforts have been expanded not only to client companies, but also to raw material suppliers and packaging materials used for transportation among overseas subsidiaries.

Biodiversity

Samsung Electro-Mechanics signed the "Joint Declaration on the Conservation of Biodiversity and Sustainable Use" with a government agency in 2013 and have initiated activities including the construction of an ecological park near company sites and removal of external flora and fauna that disturb the native ecosystem. We also manage water quality indicators such as COD, BOD, and SS in water discharged from our sites that may negatively affect the aquatic ecosystem.

Eco-Friendly Procurement

Samsung Electro-Mechanics engages in activities that prioritize procurement of products with eco-friendly certification including subsidiary materials, electronic items, and furniture after signing a voluntary agreement with the government on green purchasing. As a result, we achieved a total purchasing price of 16.533 billion KRW and social carbon reduction effects of 11,366 tons within 5 years since 2015. We will continue to purchase green products to continually reduce carbon emissions.

Eco-Friendly Procurement Records

(coverage: consolidated basis, unit: ton, KRW million)

	2017	2018	2019
GHG reduction effects (ton)	1,598	3,894	3,628
Economic benefits (KRW million)	391	941	989
Amount of procurement (KRW million)	1,609	5,156	5,893

Climate Change Strategy

We preemptively respond to global climate change issues to pursue climate competitiveness.

Carbon and Emissions Management

There is a deepening national concern due to global warming and climate change. Direct impacts from natural disasters such as floods, typhoons etc., and indirect impacts including tax, changes in the government's policy strategies are intensifying risks and producing financial costs. In order to achieve the GHG emission targets of each company as determined by domestic GHG-related systems, companies are strictly managing their GHG emissions.

Samsung Electro-Mechanics is leading the reduction of carbon emissions to minimize climate change, analyzing emission sources to manage uncertain business risks, and establishing and operating inventories. The company is also calculating emissions from domestic and overseas sites and is disclosing information of emissions each year. We are also pursuing GHG emission reduction activities by identifying and managing the amount of emissions (Scope 3) in the overall corporate value chain in addition to direct and indirect emissions.

Establishing Voluntary Reduction Targets

We have established a reduction goal of 7% by 2025 compared to 2014 even during internal changes such as coming of new business sectors and expansion of overseas plants as well as market changes such as increased demands for electronic components. The company will exert its efforts to execute its GHG emissions by operating the 3-year energy reduction tasks, enhancing efficiency in production and utility plants, and replacing equipment to high-efficiency equipment.

GHG Reduction Performance

(coverage: consolidated basis, unit: MWh, kNm^3, tCO_2e)

		2017	2018	2019
Energy	Electricity(MWh)	175,414	76,750	221,835
	LNG(kNm^3)	1,287	1,924	1,945
GHG	Electricity(tCO_2e)	81,786	35,785	103,431
	LNG(tCO_2e)	2,847	4,256	4,302
	Video conferencing(tCO_2e)	2,271	1,887	2,179
	Eco-friendly products(tCO_2e)	1,598	3,894	3,628
	Subtotal(tCO_2e)	**88,502**	**45,822**	**113,540**

Carbon Risk Management Process

1 Identification of Risks and Opportunities	2 Establishment of GHG Management System	3 Responding to Climate Change	4 Internal Reporting
Risks ・Identifying physical and regulatory risks ・Identifying risk level and financial impact **Opportunities** ・Identifying ETS markets and opportunities to enhance product eco-friendliness ・Preemptive responses to risks and strengthening management	・Establishment of a GHG climate change system ・Establishment of a GHG inventory ・Emission source management and internal verification (2 times/year) external verification (once/year)	・Estimation of emissions intensity based on additional lines and productivity increases ・Planning and implementing 3-year GHG emissions reduction activities ・Periodic monitoring of the state of reduction activities	・Operation of a company-wide Climate Strategy Committee (once/quarter) ・Reporting on company-wide GHG emissions status to executives (once/year)

Voluntary Reduction Targets

(for 2025 compared to 2014)

Reduction 7%

GHG Calculation

The scope of GHG calculation and verification covers production bases, warehouses, research centers and sales offices in each region. Among them, the scope included in Samsung Electro-Mechanics' emissions covers production subsidiaries whose buildings are owned by Samsung Electro-Mechanics in accordance with the notice from the Ministry of Environment and they are included in the company-wide emissions (Scope 1 and Scope 2). The verification standards include the Operational Guidelines on the GHG and Energy Target Management System under the Ministry of Environment, the IPCC Guidelines: 2006, ISO14064-1·3 and the WRI/WBCSD Scope 3 Guidelines. The data is a compilation of activity data regarding the amount of energy used, entered by each site along with supporting materials (procurement-based documents including receipts and invoices) submitted through Samsung Electro-Mechanics' IT system for climate change (GHG inventory).

Scope 3 GHG Emissions

The scope of GHG emissions has been extended to include direct (Scope 1) and indirect (Scope 2) emissions as well as other indirect (Scope 3) emissions throughout the entire value chain inclusive of suppliers, logistics, business trips and waste. The amount of other indirect GHG emissions was calculated based on WRI/WBCSD Guidelines and has acquired third-party verification. The amount of Scope 3 released in 2019 amounts to 169,528 tCO_2e. The emissions were calculated based on 12 items including transport and logistics (47,780 tCO_2e), waste (6,025 tCO_2e), business trips (7,367 tCO_2e), and commuting (11,816 tCO_2e).

Emissions by GHG Substance

(coverage: consolidated basis, unit: tCO_2e)

	2017	2018	2019
CO_2	1,134,356	1,269,975	1,303,248
CH_4	118	127	133
N_2O	709	783	809
HFCs	0	0	0
PFCs	516	5,321	5,283
SF_6	22	215	215
Total	**1,135,721**	**1,276,422**	**1,309,687**

GHG Emissions

(coverage: consolidated basis, unit: tCO_2e)

	2017	2018	2019
Scope 1	59,513	66,138	76,506
Scope 2	1,076,208	1,210,284	1,233,181
Total	**1,135,721**	**1,276,422**	**1,309,687**
Carbon intensity (tCO_2e/sales (KRW 100 million))	17.0	16.0	16.3

Scope 3 GHG Emissions

(coverage: consolidated basis, unit: tCO_2e)

	2019
1. Procured Goods & Services	21,419
2. Capital Goods	1,852
3. Fuel and Energy Related Activities Not Included in Scope 1 or 2	12,716
4. Transportation & Distribution (Upstream)	47,780
5. Waste Disposal	6,025
6. Business Travel	7,367
7. Employee Commuting	11,816
8. Leased Assets (Upstream)	747
9. Transportation & Distribution (Downstream)	-
10. Processing of Product	1,037
11. Use of Product	34,179
12. Disposal of Product	579
13. Leased Assets (Downstream)	-
14. Investment*	24,009
Total	**169,526**

* Investment: GHG emissions by investee companies

Financial Impacts of Climate Change

We consider the financial impacts of climate change throughout the overall management.

Response Measures to GHG

Financial Impacts of Climate Change

In case of some global investment institutions, they are executing operational policies such as rejecting investment and withdrawing from industries with excessive GHG emissions. Responding to climate change should be considered in business operation as a mandatory field in this generation. We plan to analyze future expansions, increase in production amount, and GHG emission amount using the trends from the past 5 years to predict and assess emissions and emission intensities as company-wide energy management guidelines in domestic and international policies. We are in the process of establishing and implementing reduction plans to reach our reduction goals.
Samsung Electro-Mechanics was selected as a business subject to the allocation of emission permits according to the Emissions Trading Scheme (ETS) in 2015 and has been participating in the scheme since then. We report to the Audit Committee after reporting to the CEO once a year on matters related to GHG emissions reductions and third-party verification results via the internal control evaluation system.
We put in place a decision-making process to respond to the ETS by operating the Climate Strategy Committee and share information and opinions on emissions trading with the financial, legal and other related departments.

Korea's Emissions Trading Scheme

In 2005, Samsung Electro-Mechanics established a GHG inventory of all sites and has been managing GHG emissions systematically since then. We are engaged in GHG reduction activities at each business site and manage factors affecting changes in emissions.
In order to ensure a dynamic response to the ETS, we have taken part in pilot projects on emissions trading run by the Ministry of Environment and the Ministry of Trade, Industry and Energy. We also share GHG trends and ETS market information with related departments within the company on a regular basis and convene the Climate Strategy Committee to determine whether to purchase carbon credits in the future. With Phase 3 (2021~2025) of the Emissions Trading Scheme impending, the burden of reducing GHG emissions by companies is becoming more intensified. To prepare for this, Samsung Electro-Mechanics establishes a reduction target and a GHG reduction task for each year, to reduce the amount of energy used by each energy source from the product manufacturing process and all business sites.

Climate Change Risks and Opportunities

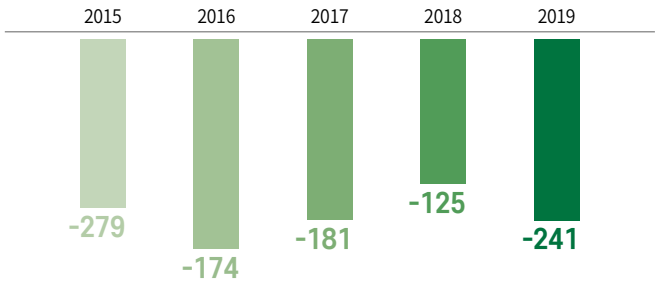
	Cause	Response	Result
Risks	GHG and Energy target management scheme, emissions trading, and disclosure of emissions	Putting in place monitoring of laws, GHG inventory and an energy management system	Stable implementation of the emissions trading scheme and being selected as an excellent competitive company
	Damage to facilities due to climate abnormalities (typhoons, strong storms and floods, heavy snow, etc.) Challenges in securing water resources due to droughts	Establishing a business continuity system, strengthening the climate abnormality monitoring system, reinforcing training on response scenarios by disaster type	Attaining certification on business continuity management (ISO 22301), preventing production losses and damage by preparing for power cuts/outages
	Requests from stakeholders such as evaluation agencies and customers to reveal carbon information via CDP and DJSI	Responding to the information needs of external institutions/ customers	CDP Honorary and Platinum Club and continuous inclusion in the DJSI World Index
Opportunities	Ushering in the GHG emissions trading market	Setting mid- and long-term reduction goals and operating a Company-wide Climate Strategy Committee	Establishing the basis to lower the cost of implementing laws and realizing profits via ETS
	Requests from stakeholders to disclose GHG emissions	Implementing reductions by linking GHG and energy	Enhancing production efficiency by reducing GHG and saving energy
	Reducing product-based carbon emissions and enhancing the corporate image in relation to carbon efficiency	Carbon reduction labor certification of products and development of power saving products	Sales increase by responding to demands by client companies for the development of low-carbon products

Expansion of Overseas Emissions Management System

Samsung Electro-Mechanics operates overseas subsidiaries in China, Vietnam, Thailand, the Philippines, and others. Overseas GHG emissions make up about 60% of the company's total emissions. The Chinese government announced that it will implement a nation-wide emissions trading scheme starting with electric power companies and is regularly sharing its progress. Samsung Electro-Mechanics is establishing a GHG response system for each plant, considering that the emissions trading scheme of China will be expanded to all industries. Also, the potential emissions increase along with construction of additional overseas factories are shared with related departments in advance, as an effort to systematically identify and manage GHG emissions from the start of building lines.

Reduction in Cost from Energy Consumption Projects

(coverage: consolidated basis, unit: KRW 100 million)



Response to CDP

Samsung Electro-Mechanics established the GHG inventory and has continuously disclosed GHG-related information. As a result, the company was included in the A list in 2017, the highest level of CDP and was also included in the CDP Korea Awards Platinum Club for maintaining an honorary status for 4 consecutive years. In addition, we were awarded the Platinum Club, proving our efforts for continuous GHG management.

Energy

Based on the low-carbon energy management system, Samsung Electro-Mechanics continues to carry out company-wide energy reduction activities to set goals, increase productivity and strengthen cost competitiveness. For demand-driven energy reduction activities, we implement them based on transfer, production and manufacturing and are reinforcing the reliability of reduction effects through quarterly assessments for all sites after establishing assessment regulations. In 2019, Samsung Electro-Mechanics is reviewing reduction and high-efficiency-type facilities and methods for new building constructions. For producing new facilities, we adopted energy conserving facilities through deliberation of energy conservation to promote the establishment of a Green Factory.

Energy Target Management and Reduction Activities

Samsung Electro-Mechanics has been carrying out systematic energy reduction activities led by the Bureau of Energy, and in April of 2016, the company established an organization for energy reduction in production, manufacturing, and Utility, which is currently operated by 408 personnel. Each year, we analyze factors that increase energy consumption to establish and execute reduction goals and activities. With all employees promoting activities for energy saving and eliminating waste factors, we surpassed our existing goal by 4%. Also, since 2016, we have been reflecting the achievement rate of our energy goals in the executive directors' performance evaluations and are implementing a top-down system of energy management activities. Since 2017, we have been including energy reduction in the performance-based compensations as a business sector system, motivating our employees to save energy and revitalizing energy saving activities.

Yearly energy reduction goals, energy usage, predicted energy by unit

(coverage: consolidated basis, unit: KRW 100 million, %)

	2017	2018	2019
Energy reduction goals (100 million)	2,340	2,564	2,695
Energy usage (100 million)	2,240	2,488	2,548
Energy by unit (%)	3.22	3.00	3.05

Amount of Energy Consumption

(coverage: consolidated basis, unit: MWh)

	2017	2018	2019
Electric power consumption	1,820,516	2,033,290	2,084,623
LNG	259,821	259,462	295,948
Diesel	20,636	18,623	25,643
Gasoline	4,550	3,948	4,133
Kerosene	0	0	0
LPG	24,258	26,463	28,556
Purchased steam	176,424	205,464	178,384
Total	**2,306,205**	**2,547,250**	**2,617,288**

In 2019, we introduced and operated the e-SAVE system, which is being promoted by the government. Through its operation, we were able to establish an integrated energy management system at the operating sites through real-time data-based analysis on energy facility efficiency. Through stabilization and official operation of the system in 2020, we plan to manage smart energy indices and integrated reduction tasks and expand its operation to other sectors.

Mid- to Long-Term Energy Reduction Activities

Samsung Electro-Mechanics established key goals for energy reduction with the hope to create an energy saving effect of 50 billion KRW and reduce GHG emissions by 210,000 tons. To re-construct the energy saving organization with preemptive activities, we appointed Chief energy managers by business sector as well as designated personnel by each process to analyze and improve the progress of tasks and fundamental issues. In the mid term, we plan to maintain the expansion of energy reducing tasks, improve and add to the categories of the energy efficiency guides for new facility production to strengthen the production of highly-efficient facilities. In the long term, we aim to achieve the highest energy efficiency rating for all facilities and pursue innovative energy reduction activities encompassing new technologies for renewable energy and energy reduction.

Sustainable Management Topics 5

Local Communities

To fulfill sustainable development, Samsung Electro-Mechanics created a new vision for social contribution, “Enabling People.” We linked the new vision with the UN SDGs, a global goal for sustainable development and selected 3 focus areas of youth education, people with disabilities and contribution to the local community.

For youth education, we support youths that can maximize their talents and skills to discover their potential and grow as sound members of the future society.

For people with disabilities, we operate a variety of medical and culture & sports programs to enable them to lead healthy and happy lives as well as engage in the society.

For our contribution to local communities, we are pursuing sustainable growth for co-prosperity with sister villages and local communities. We operate various programs including securing sales channels for sister villages and their regional produce, holding contests for community issue resolutions, providing assistance for the financially vulnerable group, and carrying out employee volunteer activities.

Social Contribution Expenses

By Focus Area (coverage: consolidated basis, unit: KRW million)

- Youth education **1,520**
- Support for the disabled **137**
- Contribution to the local community **2,681**

Youth education

We identify the potentials of youths, the leaders of future society.

- SEM-IRANG
- hello! SEM Orchestra
- National Music Competition for Disabled Students

Support for the disabled

We execute programs to expand their engagement with the society.

- National Badminton Competition for the Disabled
- Joint Replacement Surgery Program
- Sponsorship for the Day of Disabled Person

Contribution to the local community

We pursue sustainable development by collaborating with sister villages and the local community.

- Supporting sister villages
- Contests for community issue resolution
- Employee volunteering

Samsung Electro-Mechanics supports the 3 selected focus areas of youth education, support for the disabled and the local community by reflecting the management philosophy of "Maximization of potential," and the core values of "Talent first & Pursuit of co-prosperity," and linking them to the UN SDGs, which is a global goal for sustainable development.

Vision And Strategy

We consider our role as a social partner from the mid-to long-term perspective.

Samsung Electro-Mechanics established a new vision for social contribution, “Enabling People” reflecting the management philosophy of “Maximization of potential” and the core values of “Talent first & Pursuit of co-prosperity.” We linked the new vision to the UN SDGs, and came up with 3 focus areas of Youth education, Support for the Disabled, and Contribution to the local community.

For youth education, we support youths that can most creatively concretize their potential so that they are provided with necessary elements to grow as sound members of the future society. We especially conduct educational programs for youths with disabilities and for those from marginalized groups to ensure quality education and to contribute to reducing inequalities.

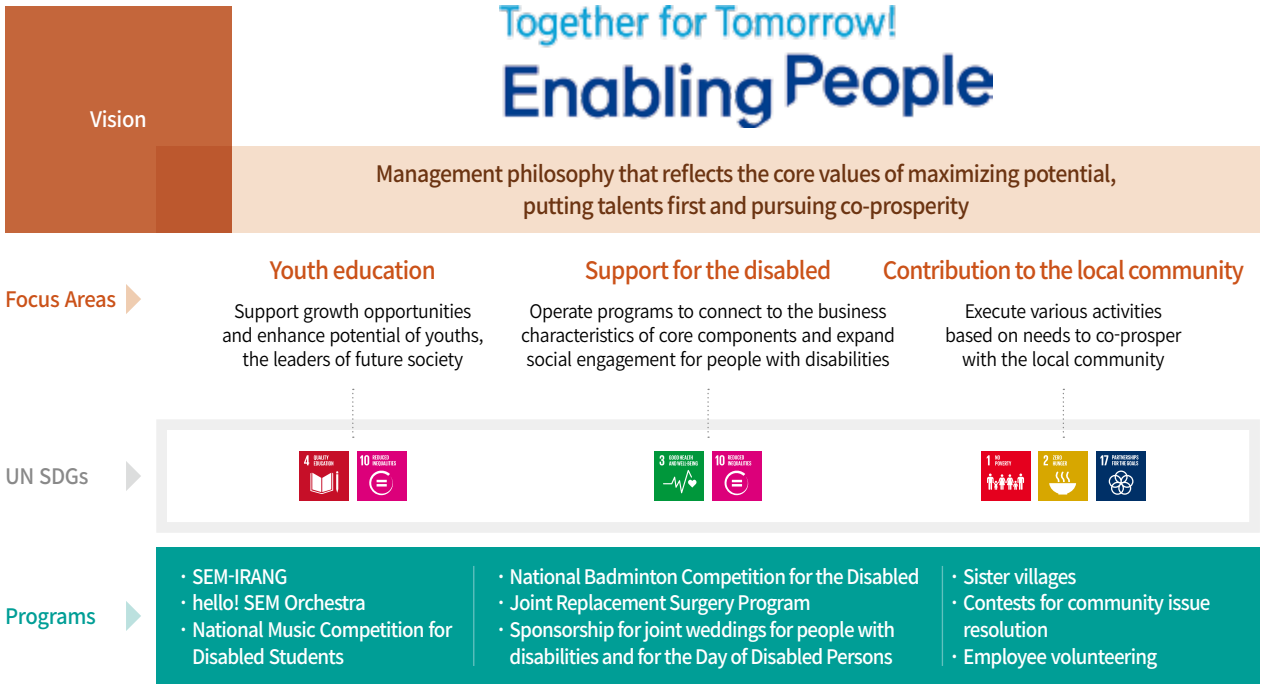
For support for the disabled, we operate a variety of medical and culture & sports programs to enable them to lead healthy and happy lives as well as engage in the society in connection to the business characteristics of key components.

Our contribution to local communities is based on co-prosperity with sister villages and local societies in addition to two-way communication to explore their needs for sustainable development.

These are the foundations of the wide range of programs we conduct, such as securing channels for sister villages, contests for community issue resolutions, assistance for the financially vulnerable group, and employee volunteer activities. As for program operation, we plan and execute projects for sustainable development based on the expertise of our partners of public, private, and the civil society. Also, by participating in the community and social welfare facility operation committees near our operating sites, we encourage communication with the local community and listen to their needs.

In addition, we apply and enforce the donation decision criteria only on items approved by the donation execution process to transparently operate funds.

In 2019, we announced a new vision for social contribution to our internal and external stakeholders and launched a new social contribution program called SEM-IRANG through the idea submission program. As a global company, Samsung Electro-Mechanics hopes to implement social contribution activities along with the members of the community to meet their needs and to enhance the quality of their livelihood.



Social Contribution Consulting

Samsung Electro-Mechanics conducted external consulting on social contribution to enhance the effectiveness of the programs with improved social contribution activities and to fulfill its role as a corporate citizen.
We analyzed the trends of social contribution, assessed our current social contribution programs, and collected the opinions of internal and external stakeholders to redirect our social contribution strategies. Through this, we were able to re-construct simple donation contributions and programs with low effectiveness and expand programs that can lead social changes in accordance to the UN SDGs. In particular, under the new social contribution vision of "Enabling People," we expanded investments in education for the future generation to maximize the potential of youths. Additionally, with all employees participating in donation and volunteer activities and offering talent donations utilizing their unique talents and skills, we are faithfully fulfilling our role as a social partner that grows along with neighbors in need.

UN SDGs

Goal 1. **No poverty**
End poverty in all its forms elsewhere

Goal 2. **Zero hunger**
End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Goal 3. **Good Health and Well-being**
Ensure healthy lives and promote well-being for all at all ages

Goal 4. **Quality Education**
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Goal 10. **Reduce Inequalities**
Reduce inequality within and among countries

Goal 17. **Partnerships for the Goals**
Strengthen the means of implementation and revitalize the global partnership for sustainable development

25,043

Total number of employee volunteer hours in 2019 (hours)

4,338

Total amount of contribution funds in 2019 (KRW million)

100

Participation in contribution funds in 2019 (%)

Major Social Contribution

We engage in sharing activities for the underprivileged to help them lead financially and emotionally stable lives as members of society.

Youth Education

SEM-IRANG

Along with the establishment of a new vision, Samsung Electro-Mechanics launched a new social contribution program SEM-IRANG and chose 36 members as the 1st group. SEM-IRANG is a talent development program for the youth where the employees of Samsung Electro-Mechanics become their teacher. This program was launched to help our society's youth grow into future talent that can contribute to the development of the country and society through our support with scholarships, provision of global insights through overseas exploration, enhancement of self-esteem and goal consciousness through self-development camps during vacations, and foreign language classes during the school year.

"Child Leader", A Development Program for Youths

Along with Green Umbrella Children's Foundation, Samsung Electro-Mechanics is supporting funds for talent development of students that excel in specialized fields of studies, arts, and sports. but are also limited by social and financial difficulties. We utilize this program so that equal opportunities for talent development can be offered for students, and to eradicate instances where they have to give up their dreams due to financial limitations.

Program to Support Study Rooms

Samsung Electro-Mechanics opened the 1st "Woori Dream Center" in 2013 so that children and youths from marginalized groups can be cared for and receive quality education in a comfortable environment. Since then we have opened 5 study rooms and remodeled 8 local child-care study facilities. Additionally, our employees engage in diverse volunteer activities by utilizing their talents in teaching, mentoring, and organizing birthday parties.

GGUM-IRANG
SEM-IRANG that fosters one's dreams through self-development camps and overseas visits

CHINGU-RANG
SEM-IRANG that teaches one how to live along with others through combined education for the disabled and non-disabled

GONGBU-RANG
SEM-IRANG that cultivates an academic environment through Foreign language education and scholarships

Self-development camp
Leadership education to foster self-esteem and a sense of purpose

Overseas visits
Field visits to overseas corporations, expanding global insights

English tutoring
Online English education, Partnership with professional tutors to strengthen global capabilities

Scholarships
Middle school students: KRW 3.6 million throughout the year
High school students: KRW 4.8 million throughout the year
College students: KRW 6.0 million throughout the year

SEM-IRANG 1st Scholarship Certificate Awarding Ceremony


Study room support project

Support for the Disabled

National Badminton Competition for the Disabled

Samsung Electro-Mechanics has been sponsoring the National Badminton Competition for the Disabled each year since 2006 to change the social paradigm toward the disabled, revitalize sports activities and instill a greater sense of confidence. The National Badminton Competition for the Disabled hosted by Samsung Electro-Mechanics is joined by approximately 1,500 participants including athletes, volunteers and cheerleaders and has become a platform for athletic events and festivals for the disabled.

Joint Replacement Surgery Program

The Joint replacement surgery program is Samsung Electro-Mechanics' largest social contribution program that takes advantage of its core business of "producing electronic components that form the backbone of electronic products." Since 2005, the company has provided support for people in marginalized groups with joint problems free of charge. As of today, about 596 people (947 joints) have received benefits from the program, through not only by experiencing the joy of rehabilitation and maintaining an active and healthy lifestyle, but also by receiving support for cultural activities and communicating with employees and others. The program which we have been operating for the past 15 years is planned to continue until 2020 with the "Government's expansion of support for knee-joint surgeries for people from financially vulnerable groups." Additionally, we offer multi-faceted support so that people with disabilities can enjoy their lives and engage in society without discrimination through sponsorships such as joint weddings, Day of Disabled Persons, and camps for disabled people living in facilities.

hello! SEM Orchestra

In order to discover the musical potential of youths with disabilities and to support their dreams, we have been operating an orchestra for students with disabilities since 2013. Students with disabilities can learn to play musical instruments and develop their talents through 1 on 1 lessons and group classes with instructors comprising conductors and professional musicians. The skills of the students are exponentially developing as they are invited to more than 20 events each year in addition to the annual concerts we hold. This is contributing to the public's enhanced perception of people with disabilities and heightened the self-confidence as well as social skills of the youths. Our achievements further include students from this program reaching their goals as professional musicians with some being accepted into Korea National University of Arts and other music schools as instrument and music majors.

National Music Competition for Disabled Students

To drive youths with disabilities' involvement in culture and arts and to enhance the perception of disabled people, Samsung Electro-Mechanics has been hosting the National Music Competition for Disabled Students along with Taejon Broadcasting (TJB) and the Ministry of Education since 2008. We provide a platform for approximately 300 disabled students from all over the country to exert their talents and skills in instruments, orchestra and singing and change the social perception of disability. For the winner of the competition, we award the Minister prize from the Ministry of Education, enhancing their self-confidence.

hello! SEM Orchestra Regular Concert

National Badminton Competition for the Disabled


Releasing snails in the Togomi Village


Baking talent volunteering


Suwon Global Youth Dream Center Multicultural Youth Support Project

Contribution to the Local Community

Communicating with the local community

As part of pursuing shared growth, we are carrying out various activities based on needs we analyzed through communication with the local community. Samsung Electro-Mechanics engages and communicates with communities and relevant NGO operation committees and also serves as a committee member of regional self-governing committee to learn about the challenges that the community is facing. As a committee member of the Suwon Global Youth Dream Center, we are encouraging the independence of youths that have immigrated from other countries. In addition, we participate in the "Company Welfare Net" which is sponsored by the Council on Social Welfare and support areas in blind spots with local companies, while planning and operating joint programs.

Multiculturalism

As a global company, Samsung Electro-Mechanics signed an agreement with Suwon city's multi-cultural family support center in 2009 with interests in multi-cultural related projects. In 2015, Samsung Electro-Mechanics, Suwon City, and the Catholic Church (a business-government-civil society project) signed an agreement to build the Suwon Global Youth Dream Center in 2016. Since its establishment, we have been sponsoring funds to stably operate the support network by providing education, emotional support, and self-reliance training to youth from immigrant families. For easy adaptation to the Korean culture, we provide Korean language classes by level, integrated adaptive education, commission-type alternative multi-cultural schools as well as career planning trainings that are being used by 308 students (20,000 accumulated) from 13 countries.

Through communication programs with the local community, we are building a support network to enhance the perception of multi-cultural families. Moreover, we established the "Nooribodeumteo" in 2013 and provide funds for operation. The shelter helps women from multicultural families advance into society by operating basic Korean language courses, barista training and other courses.

Contests for resolving community issues

Samsung Electro-Mechanics conducts contests for resolving community issues in 4 categories of youths, people with disabilities, seniors, and multi-cultural families each year. With the social welfare fundraising committee, we are presented with programs in each category, which we select by judging the programs' innovativeness, effectiveness, operability, efficiency, sustainability etc. For the selected programs, we support with business funds for a year. Such programs are: a pharmacy-linked business called "Medicine of Love," for the alleviation of isolation of senior citizens living alone, a job competency building program for people with developmental disabilities, pilot programs customized to the development phase of children, programs to encourage children from multi-cultural families to find their healthy identities and programs for motivating students in their studies.

Employee Volunteering

Samsung Electro-Mechanics' employees are proactively participating in diverse activities for children, individuals with disabilities, and senior citizens. These include outdoor activities, study sessions, serving free meals, organizing birthday parties, and baking bread. We are continuously running programs for environment clean up and skill sharing activities for enhanced collaboration with the local community. Employees of the company have voluntarily established 63 volunteer teams and conducted 25,043 hours of volunteering activities this year. The CEO and executive managers also participate in various types of volunteer activities to build a company-wide culture of volunteering.

One Company-Several Villages, Urban-Rural Co-existence Campaign

Samsung Electro-Mechanics signed an agreement with Togomi Village in Hwacheon-gun, Gangwon Province in 2002 and have expanded to 17 partner villages across the country to carry out a variety of agricultural volunteering activities. Also, through agricultural product funds and opening of direct markets during holidays, we are purchasing more than 500 million KRW of regional produce. Through this, we are promoting sustainable farming by contributing to securing channels for regional product sales and an increase in income for our sister villages.

Global Social Contribution

We carry out global social contribution activities tailored to the characteristics of each country, exert our efforts to resolve inequality among nations, and strive to fulfill our social responsibility.

China

Subsidiaries in China (Tianjin, Gaoxin, Kunshan) are engaged in local volunteering activities based on the characteristics of the region and feedback from local residents. We are realizing the co-prosperity of urban and rural lives by raising income of sister villages through harvesting and purchasing agricultural products, helping out with agricultural work during farming seasons, consolation visits during national holidays, and providing daily supplies. Additionally, we provide equal learning opportunities by supporting low-income students in mountainous areas with education and rehabilitation training for children with disabilities. Other programs we operate for co-prosperity include: care services for elderly patients with dementia, support for low-income families, environmental cleanup programs and employees' talent volunteering.

Thailand

Considering that Thailand is prone to typhoons, the Thailand branch conducts volunteer activities such as planting mangrove trees and releasing crabs as a part of its social contribution activities. We also place great emphasis on co-prosperous relationships and harmony with the local community and conduct activities such as offering study sessions through employees' skill sharing, replacing furniture and repainting old walls for elementary schools. We also visit low-income areas and offer free medical checkups and dental services in addition to environment beautification activities and painting facilities near the plant.

The Philippines

The Philippines is prone to many natural disasters including typhoons every year, resulting in many people losing their homes. Therefore, the company's subsidiary in the Philippines considered the local needs and established building of comfortable homes for the ones that have lost their homes as a representative volunteering activity, providing a new foundational for life for those in need. Also, we carry out other outreach activities for the local residents such as delivering scholarships, meal support for talent development in the community, medical support, and blood-donations by our employees.

Vietnam

The Vietnam branch is consistently operating a wide range of programs for youth education and co-prosperity with the local community. We repair, repaint and clean elementary schools that have been abandoned, donate bookshelves and books for the students, and host book-reading events with the teachers so that children from low-income families can concentrate on their studies. Also, we provided gifts for children, people with disabilities and elderly citizens that may be facing difficulties and created safer villages by installing light posts and electrical wires to villages that previously didn't have them. Our employees regularly take part in the blood donation drive to resolve blood supply shortages, creating a warmer society by sharing resources and providing hope.


[China] Support for sister villages


[The Philippines] Study support for youths from marginalized groups


[Vietnam] Hair cut activities

[Thailand] Mangrove tree planting

APPENDIX

Samsung Electro-Mechanics' Code of Conduct

Preface to the Code of Conduct

Samsung Electro-Mechanics seeks to become a company that is innovative and is loved and respected by our customers. We are continuously developing products and services by utilizing the latest technologies, top-of-the-line talents and resources so that we can all enjoy an improved livelihood. We pledge to grow into a company that is loved and respected by our customers, shareholders, employees, business partners and community residents by establishing a guiding standard composed of the Samsung Values (People, Excellence, Change, Integrity, and Co-prosperity) and principles that concretize our core values.

This Code of Conduct contains principles that embody the Samsung Values. At every step and under any circumstances, the Code will serve as a moral compass that leads to wise decisions and actions. Being guided by the compass suggests that we follow not only the written laws and policies but the implications embedded in them. Based on loyalty of the company and with the company's interests in mind, we make ethical and dignified decisions and take actions accordingly.

In other words, the Code of Conduct is a standard each employee of Samsung Electro-Mechanics should responsibly adhere to, and employees should carry out right-minded actions by following the provided guidelines. If a guideline to a certain circumstance is not found on the Code of Conduct, it is important to adopt a law-abiding spirit embedded in the Samsung Values and the Code of Conduct, and take actions grounded on common sense and rational judgements within the boundary of relevant laws. Each one of you is crucial to Samsung Electro-Mechanics. Your words and actions matter regardless of your position, environment, and your professional responsibilities. We ask you to regard Samsung Electro-Mechanics' Code of Conduct as top priority and implement the principles that are included in the Samsung's Values day after day.

Principle 1: We comply with laws and ethical standards.

1-1 Samsung Electro-Mechanics upholds all related laws.

- The company strives to uphold domestic laws and those of the countries that it operates in, and all employees are responsible for acquiring full knowledge of laws related to their tasks, company policies, and work procedures. Employees must act within the borders permitted by law. In addition to the laws and the company policies, their implications must also be observed.
- Regardless of their positions within the company, all employees shall not violate any laws related to the Code of Conduct and cannot instruct, authorize, aid and abet, or condone any violations by other employees. Instead, employees shall comply with the Code of Conduct and the company policy. Employees shall not condone matters perceived or suspected as violations of the Code of Conduct. An argument that a violation of the company's laws and the Code was inevitable due to the nature of work is unacceptable.

1-2 Samsung Electro-Mechanics respects dignity and diversity of each individual.

- The company observes the labor laws of the countries that it operates in.
- The company strives to protect each individual's basic human rights and treats workers with dignity and respect as agreed by the international community.
- During recruitment processes or task performances, the company does not discriminate against race, ethnicity, nationality, gender, religion, place of birth, disability, marriage status, pregnancy, maternity, political and sexual orientation, and membership in the union. The company provides equal opportunity by respecting diversity of each individual.
- The company strictly prohibits child labor.
- The company does not discriminate against any workers including temporary workers, migrant workers, student workers, contract workers, directly hired workers, job applicants and other stakeholders. We comply with anti-discrimination laws by determining wages and recruitment conditions fairly.
- To maintain and develop labor-management relations that co-prosperously cooperate based on mutual trust and integrity, the company respects the freedom of association, collective bargaining, and rights to collective actions in accordance with local labor laws in domestic and foreign countries in which it operates in.
- The company provides a healthy work environment and complies with labor-related laws, policies and standards such as preventing overtime of maximum working hours, guaranteeing minimum wage and providing social insurance.

1-3 Samsung Electro-Mechanics engages in fair and ethical competition within the borders of the law.

- The company competes in a healthy manner by complying with each country's trade regulations and does not agree upon cost, production quantity, bids, sales territories and conditions offered for unfair competition with competitors.
- The company complies with laws and policies related to international trade such as export controls, economic sanctions, etc.
- Employees cannot receive anything of financial value such as money, gifts and hospitality from external stakeholders such as customers, business partners, or anyone in a trading relationship with the company, and shall take a zero-tolerance approach to any acts that reflect adversely from fair trading relationships.
- Employees shall not solicit external stakeholders for fraudulent business interests, and shall not directly or indirectly offer, pledge, or provide goods for advantage.
- The company respects trade secrets of third parties and acquires information about third parties or information from third parties only through legal and ethical methods.
- The company does not encourage any acts on customers or business partners that places its competitors at a disadvantage.

1-4 Samsung Electro-Mechanics maintains transparency through accurate accounting practices and disclosure.

- The company accurately records and manages all fact-based information on its trade operations in compliance with internationally recognized standards, accounting policies by country and company policies related to accounting practices. The company's records are regularly assessed by external auditing services.
- The company observes laws related to Anti-Money Laundering, Anti-Corruption, and support for terrorist groups. Moreover, we refrain from trading with partners with ambiguous identity and secretive trading practices. We only trade with business partners who engage in economic activities with lawful funds. We refuse to engage in or cooperate with illegal, false and anomalous transactions.
- The company complies with publicly disclosed regulations of the country it is listed on, and discloses major economic information as required by related laws.

1-5 Samsung Electro-Mechanics remains politically neutral and does not intervene in politics.

- The company respects its employees' political opinions and the right to freedom of expression through practices such as voting. However, the company does not allow its employees to engage in political activities while on duty without the company's permission. Employees must ensure that their political views or activities will not affect their work-related tasks.
- The company respects the rights of its employees to engage in politics but each employee shall practice their rights as private citizens. They shall do so outside of their work hours and with their own funds as to refrain from influencing their work-related tasks.
- The company respects the civil rights of employees and individuals. When an employee requests for hours to practice their civil rights in a fair manner, the company grants permission according to related laws.
- Employees shall not use the company's funds, human resources, facilities, etc. for political purposes.
- The company respects and complies with government-related laws of each country. When an employee engages in government-related activities, he or she shall not use corporate funds to make illegal contributions or engage in unfair trade practices.

1-6 Samsung Electro-Mechanics protects the information of individuals and business partners.

- The company complies with relevant laws and established policies when handling personal information of customers, employees, business partners, and visitors.
- Company personnel that handles personal information is responsible for preventing loss, theft, leakage, forgery, alteration or tampering of the information and shall comply with relevant laws at all times.
- The company shall collect and use personal information only for the purpose of business operation. If there is a third-party with access to such information, he or she should manage the information according to the relevant laws and contracts so as to prevent unauthorized leakage.

Principle 2: We maintain a reputable corporate culture.

2-1 Samsung Electro-Mechanics strictly distinguishes public and private affairs in all business activities.

- As employees of Samsung Electro-Mechanics, you shall not engage in unlawful activities using your position and duties for personal advantage, such as using corporate funds or assets for appropriation, embezzlement, theft and modifying expenses.
- Employees cannot directly trade shares, securities, and real estate through a third-party by using non-disclosed information they were provided for the purpose of their duties. Non-disclosed information shall not be used for personal advantage or for activities that defile the reputation of the company.
- If there is a conflict of interest between the company and an employee, the employee shall consider the company's legal benefits first and foremost. All employees must ensure that the company's legal benefits are reflected in all task-related decisions and actions. Objective judgments considering the company's benefits shall also be made in relationships with customers, business partners, and competitors.
- The company's assets and facilities shall only be used for business operation or other approved purposes.

2-2 Samsung Electro-Mechanics respects the intellectual property rights of the company and others.

- Employees shall protect the company's intellectual assets and confidential information from leakage.
- Employees shall accurately record and report significant information acquired while performing their duties and shall manage it as all other intellectual assets.
- Employees must report intellectual property acquired not only while working but also after retirement and must apply for a patent through the company.
- The company respects intellectual property rights such as patents, trademarks and copyrights, and does not practice unauthorized use or deliberate infringement.

2-3 Samsung Electro-Mechanics creates a healthy organizational atmosphere.

- The company provides a healthy work environment to its employees and does not allow any direct or indirect behavior that can be seen as workplace harassment. Workplace harassment may include any kind of harassment such as sexual harassment, physical harm, insult, posting or sending of blatantly sensational or offensive material through email or text messages, misuse of personal information, establishment of a hostile or threatening environment, bullying, and dissemination of malicious rumors.
- The company strives to respect its employees and treat them equally by maintaining and refining an organizational atmosphere of integrity and co-prosperity based on loyalty.

2-4 Employees must preserve dignity as a member of Samsung Electro-Mechanics in all activities.

- As a principle, employees shall not have additional jobs, duties and tasks while working for the company. However, there are exceptions if prior permission was received.
- The employee must receive official approval in the occasion that the company's financial information has to be disclosed.
- While employed for Samsung Electro-Mechanics, employees shall not serve as a member of another company with conflict of interest or is a competitor of this company.
- The company respects the personal views of its employees and the right to freedom of expression. However, when expressing their views such as through social media, employees shall clarify that the views are personal and that they do not represent the views of the company.

Principle 3: We respect our customers, shareholders and employees.

3-1 Samsung Electro-Mechanics considers customer satisfaction the foremost priority in its management activities.

- The company focuses on producing products and services and developing technology from the customer's perspective. Moreover, the company strives to accommodate the customer's needs and suggestions and reflects them in product design and service improvement.
- With the belief that 'Samsung Electro-Mechanics exists because of customers,' the company prizes customers and the relationships with them.
- The company competes on the basis of products and services. Employees shall actively engage in fair competition and refrain from using deception. Communication with customers shall be true and accurate.
- The company places customer satisfaction as its utmost priority and administers customer-oriented management. Customers' complaints must quickly and transparently be resolved based on customer respect.

3-2 Samsung Electro-Mechanics pursues management focused on shareholder value.

- The company operates for its shareholders. By raising shareholder value through transparent and ethical management, we actively seek to heighten shareholder rights.
- The company is responsible for its shareholders. Timely disclosure of accurate information is a component of our responsibility. Employees must accurately and truthfully record information about the company's business operations so that key management information, including financial information, can be properly provided.
- The company values shareholders' opinions. Shareholders' legitimate statement of opinions will be carefully reviewed and considered according to relevant laws.

3-3 Samsung Electro-Mechanics strives to improve the employees' quality of life.

- The company provides equal opportunities to all employees and treats them fairly according to individual qualifications, expertise, competencies, performance in recruitment and career advancement.
- The company actively encourages employees to engage in various activities for development of competencies needed to fulfill their duties.
- The company creates a work environment where employees can work autonomously and creatively.
- The company complies with the labor laws of the countries that it operates in and respects the individual rights of all types of workers such as temporary, migrant, student and dispatched.

Principle 4: We care about the Environment, Safety and Health.

4-1 Samsung Electro-Mechanics pursues environment-friendly management.

- The company complies with laws and regulations, international standards, and internal policies related to the environment. Employees must also comply with all applicable laws and regulations regarding environment, safety, and health.
- The company strives to develop cleaner, safer, more convenient, and eco-friendly products and technologies. We make strenuous efforts to minimize harmful impacts on the environment during the overall operational process including product planning, design, development, production, sales, and disposal to provide various eco-friendly products.
- The company is striving to implement solid environment-friendly management activities by pursuing fewer use of harmful substances, efficient use of resources, and reuse of wastes.
- The company introduces a cleaner production technology that minimizes greenhouse gases, emission of pollutants and chemical substances, energy and water resources to establish a production process that is environment-friendly.

4-2 Samsung Electro-Mechanics values health and safety of our employees and customers.

- The company aims to provide a safe environment to its employees and visitors of the company's operating sites including members of its business partners and customers. To this end, the company observes health and safety related laws and regulations, international standards, internal policies.
- The company creates a culture of safety in which all employees engage in. We advise our employees to create a safe work environment by actively following the company's guidelines established to minimize and eliminate risk factors.
- In case of natural disasters, fire, epidemics and other external risk factors, the company establishes emergency response procedures to maintain business continuity and manages accordingly.
- The company places health and safety of its customers first in the overall operational process of product planning, design, development, production, sales, and disposal.
- The company clearly provides customers with information about safe use and management of its products and services.

Principle 5: We fulfill our social responsibility as a global corporate citizen.

5-1 Samsung Electro-Mechanics diligently performs its foundational duties as a corporate citizen.

- The company strives for a better future for the company, as well as its customers, shareholders, business partners, local communities, and the global society.
- The company puts effort into creating stable jobs and diligently carries out its tax responsibilities and legal obligations within the community.
- Employees who work on behalf of the company shall act in a sound manner. The company's employees shall carry out their tasks based on healthy and rational judgments, and understand that each action is directly associated with the company's reputation of a responsible and trusted corporate citizen.
- The company asks that its employees instill trust in the local community by taking actions in an ethical and honorable manner based on loyalty and honesty.

5-2 Samsung Electro-Mechanics respects the social and cultural values of local communities and operates on the idea of mutual development.

- The company strictly complies with the laws of the community and respects its culture and values. The company contributes to improving the local residents' quality of life, and employees are also encouraged to participate in the established internal policies.
- The company creates employment opportunities in the country that it operates in and contributes to the local community through the development of human resources in the region.
- The company contributes to the development of academics, arts and sports in the local communities through contribution activities, fulfilling its role as a corporate citizen.
- As a member of the community, the company actively seeks and engages in social contribution activities such as volunteering and disaster relief. The company asks its employees to engage in the company's social contribution activities and also proactively take part in each of their own volunteer services.

5-3 Samsung Electro-Mechanics builds relationships of co-existence and co-prosperity with its business partners.

- As the company grows with the help of its business partners, Samsung Electro-Mechanics promises to strive for collective development. The company recognizes its business partners as strategic partners seeking mutual value of customer satisfaction on the basis of trust, and builds a healthy system of cooperation.
- The company applies fair standards without discrimination during the process of selecting a business partner.
- The company ensures that its partners comply with laws related to human rights, child labor, work hours, forced labor, discrimination, environmental regulations and international standards and the results are reflected in the comprehensive assessment.

5-4 Samsung Electro-Mechanics pursues the expansion of technology innovation and IT accessibility.	• The company is committed to developing innovative products that contribute to the human society through ongoing investments in R&D. • The company pursues improved accessibility so that anyone can have access to Samsung Electro-Mechanics' cutting-edge technology regardless of the social status. • The company recognizes that improving accessibility signifies providing more convenient opportunities to users with physical constraints. Therefore, the company strives to reflect this idea throughout the stages of product planning, design, and development.
5-5 Samsung Electro-Mechanics pursues superior quality for customer value and happiness.	• The company places its customers' first in its business operations, and each employee shall strive to produce products of superior quality in order to optimize the value of customers. • To achieve customer satisfaction, the company strictly adheres to regulations, international standards and internal policies related to product quality and develops products with the highest standard of product management. Employees shall refrain from performing any actions that goes against these regulations. • The company aims for quality innovation and works closely with its business partners to develop a quality product system of flawless components.

[Appendix] Compliance Obligations of the Code of Conduct

Employees of Samsung Electro-Mechanics must be aware and comply with applicable laws and regulations regarding their tasks. Employees must always act within the borders of the related laws and regulations, and observe their implications in addition to what is stated. If acquiring complete knowledge of regulations applicable to their tasks is unmanageable, they must have a thorough understanding of the major regulations that serve as the foundation of their tasks. If questions arise regarding the laws and regulations in application and interpretation, employees shall contact the Compliance team or the Legal team for advice without hesitation.

Scope of Coverage

This Code of Conduct applies to Samsung Electro-Mechanics and its affiliated employees, as well as domestic and foreign companies holding the majority of the company's share and their employees. Business partners working with and for Samsung Electro-Mechanics shall adhere to the Code of Conduct when carrying out tasks for the company.

Reporting Violations

Any violations or suspected violations of the Code of Conduct shall be immediately reported through Samsung Electro-Mechanics' Compliance Program Management System (CPMS), the Compliance Team's email (compliance.semco@samsung.com), the whistleblowing platform on the ethics webpage, the Audit Team's email (audit.semco@samsung.com), etc.
We advise that you do not hesitate to report when violations or suspected violations of the Code of Conduct are found. The company operates a corporate-wide communication channel to address employees' grievances. To allow employees to report without fear of any retaliatory acts, the company guarantees anonymity of whistleblowers and also prohibits any actions of discrimination, harassments, and threats.

Disciplinary Sanctions and Administrative Responsibilities for Violations

Any employee that violates this Code of Conduct is subject to sanctions as determined by the characteristics of the matter and the employment policies.
Directors and officers should be aware of any possible violations of the Code of Conduct, internal policies, and work procedures. In case of violations or suspected violations, directors and officers are responsible for immediately resolving the matter or reporting it to the appropriate personnel.

Financial Statement

Consolidated Statements of Financial Position

(Unit: KRW)

	2017		2018		2019	
Assets						
Ⅰ. Current assets		2,478,798,088,379		3,525,293,145,703		3,507,524,565,226
Cash and cash equivalents	444,609,329,777		1,002,374,471,773		803,810,427,528	
Current financial assets	123,482,249,407		243,542,157,639		56,203,252,379	
Trade and other receivables	912,897,439,592		1,060,910,372,005		1,095,676,584,666	
Short-term loans	234,828,973		546,593,519		489,790,837	
Advanced payments	6,270,546,824		35,844,500,364		3,846,856,838	
Prepaid expenses	35,754,069,726		36,396,555,152		44,692,658,987	
Prepaid income tax	36,656,270,634		19,206,307,573		20,584,030,122	
Inventories, net	918,893,353,446		1,115,565,877,099		1,271,273,631,462	
Right of return assets	-		10,906,310,579		14,246,213,025	
Assets held for sale	-		-		196,701,119,382	
Ⅱ. Non-current assets		5,288,605,454,669		5,119,621,060,126		5,166,723,664,717
Investment in associates	53,284,973,129		60,213,757,585		68,259,879,909	
Available-for-sale financial assets	725,530,836,477		-		-	
Equity instruments designated at fair value	-		150,889,138,429		173,348,301,305	
Long-term loans	2,227,119,045		2,197,986,394		2,333,652,185	
Property, plant and equipment	4,154,682,907,789		4,558,010,182,821		4,514,510,148,372	
Intangible assets, net	149,487,113,350		162,460,608,115		141,150,901,464	
Non-current financial assets	42,144,771,902		36,789,814,260		14,932,284,711	
Long-term trade and other receivables	39,388,966,877		29,375,843,577		5,046,027,000	
Long-term prepaid expenses	38,908,099,610		38,799,612,190		24,565,588,540	
Licensed assets	-		-		78,741,834,202	
Deferred tax assets	82,950,666,490		80,884,116,755		143,835,047,029	
Total assets		7,767,403,543,048		8,644,914,205,829		8,674,248,229,943
Liabilities						
Ⅰ. Current liabilities		2,454,109,697,101		2,509,584,012,607		1,850,405,466,232
Trade and other payables	728,590,026,558		891,417,868,679		891,582,052,075	
Short-term borrowings	1,203,792,484,010		961,955,861,424		569,189,647,980	
Advances received	13,678,164,173		7,247,601,229		18,178,518,968	
Current financial liabilities	23,533,985,774		35,569,932,235		27,808,494,223	
Income tax payables	3,479,589,499		156,011,756,482		103,820,681,984	
Current portion of long-term borrowings	467,529,000,000		432,049,753,433		173,835,740,000	
Unearned income	7,812,409,821		5,027,369,701		5,503,964,510	
Provisions for product warranties	5,694,037,266		3,408,156,425		4,984,208,121	
Current lease liabilities	-		-		17,096,171,856	
Refund liabilities	-		16,895,712,999		19,531,120,647	
Liabilities related to assets held for sale	-		-		18,874,865,868	
Ⅱ. Non-current liabilities		981,802,459,617		1,188,832,636,963		1,393,745,878,203
Long-term borrowings	897,616,232,181		1,060,133,398,202		1,219,727,736,182	
Long-term other payables	58,283,364,943		86,081,670,197		91,209,212,197	
Long-term unearned income	11,153,131,310		15,306,671,215		11,075,315,451	
Net employee defined benefit liabilities	13,511,148,911		26,141,991,061		38,962,230,341	
Long-term lease liabilities	-		-		31,575,051,752	
Deferred tax liabilities	1,238,582,272		1,168,906,288		1,196,332,280	
Total liabilities		3,435,912,156,718		3,698,416,649,570		3,244,151,344,435
Equity						
Ⅰ. Equity attributable to owners of the parent		4,231,643,216,155		4,821,047,660,325		5,285,046,660,657
Issued capital	388,003,400,000		388,003,400,000		388,003,400,000	
Share premium	1,045,201,199,091		1,045,201,199,091		1,045,201,199,091	
Other components of equity	-146,701,455,500		-146,701,455,500		-146,701,455,500	
Accumulated other comprehensive income	335,297,333,286		355,200,814,069		425,665,287,555	
Other capital reserves	2,225,865,257,472		1,952,365,257,472		2,158,965,257,472	
Retained earnings	383,977,481,806		1,226,978,445,193		1,413,912,972,039	
Ⅱ. Non-controlling interests		99,848,170,175		125,449,895,934		145,050,224,851
Total equity		4,331,491,386,330		4,946,497,556,259		5,430,096,885,508
Total liabilities and equity		7,767,403,543,048		8,644,914,205,829		8,674,248,229,943

Consolidated Statements of Comprehensive Income

(Unit: KRW)

	2017		2018		2019	
Ⅰ. Sales		6,694,046,165,102		8,002,008,033,000		8,040,817,645,787
Ⅱ. Cost of sales		5,272,569,575,112		5,514,608,796,509		5,989,994,608,971
Ⅲ. Gross profit		1,421,476,589,990		2,487,399,236,491		2,050,823,036,816
Ⅳ. Selling and administrative expenses		1,087,615,455,739		1,337,463,001,562		1,316,854,194,356
Ⅴ. Operating profit		333,861,134,251		1,149,936,234,929		733,968,842,460
Ⅵ. Non-operating income		517,675,934,408		680,380,233,414		498,218,599,897
Finance income	10,897,906,890		12,378,545,815		21,702,504,840	
Finance costs	54,993,176,491		76,234,216,968		78,270,093,308	
Share of profit of associates	7,964,641,871		7,208,249,820		11,923,012,518	
Other income	215,489,978,493		288,252,192,093		193,799,549,750	
Other expenses	228,330,230,663		296,307,028,718		192,523,439,481	
Ⅶ. Profit from continuing operations before tax		284,890,254,351		1,085,233,976,971		690,600,376,779
Income tax expense for profit from continuing operations	-80,943,973,801		-280,374,734,201		-71,123,442,940	
Profit from continuing operations	203,946,280,550		804,859,242,770		619,476,933,839	
Profit and loss from discontinued operations after tax	-26,690,286,175		-119,840,728,568		-91,428,382,803	
Ⅷ. Profit for the year		177,255,994,375		685,018,514,202		528,048,551,036
Ⅸ. Other comprehensive income		-137,012,302,374		-25,400,347,096		32,574,776,616
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods (net of tax):						
Net gains (losses) on valuation of equity instruments designated at fair value OCI	-14,470,223,127		-467,843,285,755		21,217,611,286	
Net gains (losses) on disposal of equity instruments designated at fair value OCI	-		451,339,730,000		4,424,547,197	
Re-measurement gains (losses) on defined benefit plans	-		-26,951,294,019		-44,193,311,937	
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods (net of tax):						
Capital changes in equity method	304,913,361		1,633,971,054		-1,284,726,767	
Exchange differences on translation of foreign operations	-75,113,343,986		16,420,531,624		52,410,656,837	
Ⅹ. Comprehensive income		40,243,692,001		659,618,167,106		560,623,327,652
Profit from continuing operations attributable to		203,946,280,550		804,859,242,770		619,476,933,839
Equity holders of the parent	188,429,393,355		776,082,364,447		605,724,503,560	
Non-controlling interests	15,516,887,195		28,776,878,323		13,752,430,279	
Profit for the year attributable to		177,255,994,375		685,018,514,202		528,048,551,036
Equity holders of the parent	161,739,107,180		656,241,635,879		514,296,120,757	
Non-controlling interests	15,516,887,195		28,776,878,323		13,752,430,279	
Total comprehensive income (loss) for the year attributable to		40,243,601,001		659,618,167,106		560,623,327,652
Equity holders of the parent	29,441,488,057		629,826,970,853		540,567,282,306	
Non-controlling interests	10,802,112,944		29,791,196,253		20,056,045,346	
Ⅺ. Earnings per share:						
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent	2,139		8,685		6,806	
Basic and diluted, profit for the year attributable to preferred shareholders of the parent	2,492		8,735		6,856	
Basic and diluted, profit for continued operations attributable to ordinary equity holders of the parent	2,189		10,271		8,016	
Basic and diluted, profit for continued operations attributable to preferred shareholders of the parent	2,542		10,321		8,066	

Consolidated Statements of Changes in Equity

(Unit: KRW)

	Attributable to equity holders of the parent								
	Issued capital	Share premium	Other components of equity	Accumulated other comprehensive income	Other capital reserves	Retained earnings	Subtotal	Non-controlling Interests	Total
As of Jan.1 2018	388,003,400,000	1,045,201,199,091	-146,701,455,500	335,297,333,286	2,225,865,257,472	383,977,481,806	4,231,643,216,155	99,848,170,175	4,331,491,386,330
Effect of adoption of new accounting standards	-	-	-	19,366,851,790	-	-2,986,263,273	16,380,588,517	-109,734,304	16,270,854,213
Value after re-measurement	388,003,400,000	1,045,201,199,091	-146,701,455,500	354,664,185,076	2,225,865,257,472	380,991,218,533	4,248,023,804,672	99,738,435,871	4,347,762,240,543
Profit for the year	-	-	-	-	-	656,241,635,879	656,241,635,879	28,776,878,323	685,018,514,202
Other comprehensive income									
Re-measurement gains on defined benefit plans	-	-	-	-	-	-26,951,294,019	-26,951,294,019	-	-26,951,294,019
Capital changes in equity method	-	-	-	1,633,971,054	-	-	1,633,971,054	-	1,633,971,054
Net losses on valuation of available-for-sale financial assets	-	-	-	-	-	-	-	-	-
Net gains (losses) on valuation of equity instruments designated at fair value OCI	-	-	-	-467,855,649,930	-	-	-467,855,649,930	12,364,175	-467,843,285,755
Net gains (losses) on disposal of equity instruments designated at fair value OCI	-	-	-	451,339,730,000	-	-	451,339,730,000	-	451,339,730,000
Exchange differences on translation of foreign operations	-	-	-	15,418,577,869	-	-	15,418,577,869	1,001,953,755	16,420,531,624
Total comprehensive income (loss)	-	-	-	536,628,993	-	629,290,341,860	629,826,970,853	29,791,196,253	659,618,167,106
Dividends	-	-	-	-	-	-56,803,115,200	-56,803,115,200	-4,078,569,398	-60,881,684,598
Appropriation of retained earnings	-	-	-	-	-273,500,000,000	273,500,000,000	-	-	-
Others	-	-	-	-	-	-	-	-1,166,792	-1,166,792
As of Dec. 31 2018	388,003,400,000	1,045,201,199,091	-146,701,455,500	355,200,814,069	1,952,365,257,472	1,226,978,445,193	4,821,047,660,325	125,449,895,934	4,946,497,556,259
As of Jan. 1 2019	388,003,400,000	1,045,201,199,091	-146,701,455,500	355,200,814,069	1,952,365,257,472	1,226,978,445,193	4,821,047,660,325	125,449,895,934	4,946,497,556,259
Effect of adoption of new accounting standards	-	-	-	-	-	-878,354,274	-878,354,274	-20,118,168	-898,472,442
Value after re-measurement	388,003,400,000	1,045,201,199,091	-146,701,455,500	355,200,814,069	1,952,365,257,472	1,226,100,090,919	4,820,169,306,051	125,429,777,766	4,945,599,083,817
Profit for the year	-	-	-	-	-	514,296,120,757	514,296,120,757	13,752,430,279	528,048,551,036
Other comprehensive income									
Re-measurement gains on defined benefit plans	-	-	-	-	-	-44,193,311,937	-44,193,311,937	-	-44,193,311,937
Capital changes in equity method	-	-	-	-1,284,726,767	-	-	-1,284,726,767	-	-1,284,726,767
Net losses on valuation of available-for-sale financial assets	-	-	-	-	-	-	-	-	-
Net gains (losses) on valuation of equity instruments designated at fair value OCI	-	-	-	21,217,611,286	-	-	21,217,611,286	-	21,217,611,286
Net gains (losses) on disposal of equity instruments designated at fair value OCI	-	-	-	4,424,547,197	-	-	4,424,547,197	-	4,424,547,197
Exchange differences on translation of foreign operations	-	-	-	46,107,041,770	-	-	46,107,041,770	6,303,615,067	52,410,656,837
Total comprehensive income (loss)	-	-	-	70,464,473,486	-	470,102,808,820	540,567,282,306	20,056,045,346	560,623,327,652
Dividends	-	-	-	-	-	-75,689,927,700	-75,689,927,700	-296,214,203	-75,986,141,903
Appropriation of retained earnings	-	-	-	-	206,600,000,000	-206,600,000,000	-	-	
Others	-	-	-	-	-	-	-	-139,384,058	-139,384,058
As of Dec. 31 2019	388,003,400,000	1,045,201,199,091	-146,701,455,500	425,665,287,555	2,158,965,257,472	1,413,912,972,039	5,285,046,660,657	145,050,224,851	5,430,096,885,508

Consolidated Statements of Cash Flows

(Unit: KRW)

	2017		2018		2019	
Operating activities						
Cash flows from operating activities	775,766,668,252		1,640,496,362,856		1,285,068,685,680	
Interest received	10,092,168,186		11,661,145,446		21,135,699,942	
Income tax paid	-68,175,232,386		-93,488,267,315		-284,934,155,494	
Net cash flows from operating activities		**717,683,604,052**		**1,558,669,240,987**		**1,021,270,230,128**
Investing activities						
Decrease in other financial assets, net	292,195,506,580		97,469,134,564		220,527,891,723	
Increase in other financial assets, net	-94,620,093,618		-212,063,539,976		-12,875,944,485	
Acquisition of FV-OCI	-		605,759,865,545		10,919,488,304	
Disposal of FV-OCI	-		-27,634,521,850		-1,109,772,000	
Proceeds from disposal of available-for-sale financial assets	19,642,610,516		-		-	
Acquisition of available-for-sale financial assets	-2,757,206,040		-		-	
Proceeds from disposal of property, plant and equipment	91,594,265,409		31,547,046,319		36,227,293,252	
Acquisition of property, plant and equipment	-1,476,318,325,155		-1,195,189,266,500		-1,547,971,686,748	
Proceeds from disposal of intangible assets	663,753,254		1,908,498,380		15,502,733,255	
Acquisition of intangible assets	-67,818,379,986		-12,548,914,843		-25,950,644,840	
Dividends received	5,140,963,400		12,661,738,200		2,687,533,400	
Sales of discontinued operations	-		-		785,000,000,000	
Net cash flows used in investing activities		**-1,232,276,905,640**		**-698,089,960,161**		**-517,043,108,139**
Financing activities						
Proceeds from short-term borrowings	520,596,730,880		355,811,233,383		147,300,644,083	
Repayment of short-term borrowings	-104,630,832,655		-534,360,947,257		-429,314,170,175	
Repayment of current portion of long-term borrowings	-350,758,602,000		-351,337,600,000		-362,490,729,281	
Proceeds from long-term borrowings	275,079,559,220		484,187,346,776		553,257,197,006	
Repayment of long-term borrowings	-30,522,000,632		-40,429,584,000		-329,569,783,949	
Liabilities for lease paid	-		-		-33,506,787,317	
Others	-101,883,208		-1,166,792		-139,384,058	
Interest paid	-65,707,638,170		-89,188,397,902		-89,095,645,944	
Dividends paid	-47,877,329,236		-60,513,599,007		-75,983,779,483	
Net cash flows from financing activities		**196,078,004,199**		**-235,832,714,799**		**-619,542,439,118**
Net increase (decrease) in cash and cash equivalents		-318,515,297,389		624,746,566,027		-115,315,317,129
Net foreign exchange difference		-32,686,059,475		-66,981,424,031		-31,570,364,266
Cash and cash equivalents at January 1		795,810,686,641		444,609,329,777		1,002,374,471,773
Cash and cash equivalents at December 31		444,609,329,777		1,002,374,471,773		855,488,790,378

ESG Key Performance Indicators

Customers and Business Partners

* Differences in data from the main content of this report occurred from unit changes.

	Scope	Unit	2017	2018	2019
Cost of procuring raw materials	Consolidated basis	KRW million	3,138,017	3,168,622	3,267,539
Customer Satisfaction	Consolidated basis	Points	78	88	92
Local procurement cost	Consolidated basis	KRW million	596,024	835,339	960,093
Percentage of local procurement	Consolidated basis	%	19.0	26.4	29.4
Training support for business partners (Win-Win Academy)	Domestic basis	Number of courses	41	40	10
Training support for business partners (Win-Win Academy)	Domestic basis	Persons	1,074	954	928
Investigation on current use of conflict minerals	Consolidated basis	%	100	100	100
RBA self-assessment for business partners	Consolidated basis	Number of companies	100	95	66
RBA on-site assessment for business partners	Consolidated basis	Number of companies	71	80	66
RBA (labor rights) training for business partners	Consolidated basis	Number of companies	73	57	35
Environmental facility operation consulting for business partners	Domestic basis	Number of companies	16	17	3
Greenhouse gas and energy efficiency inspection for business partners	Domestic basis	Number of companies	44	35	7
Risk assessment and fire safety inspection for business partners	Domestic basis	Number of companies	30	38	5
Training for product environment of business partners	Domestic basis	Number of companies	117	101	89
Training for safety environment of business partners	Domestic basis	Number of companies	-	-	30
Win-Win Fund	Domestic basis	KRW 100 million	383	335	213

Environment

* Differences in data from the main content of this report occurred from unit changes.

	Scope	Unit	2017	2018	2019
Amount of raw materials used	Consolidated basis	ton	106,457	106,308	110,453
Chemicals	Consolidated basis	ton	88,318	86,721	91,911
Powder	Consolidated basis	ton	13,473	15,589	15,081
Non-ferrous metal	Consolidated basis	ton	2,849	2,703	2,276
Resin	Consolidated basis	ton	920	1,077	975
Paste	Consolidated basis	ton	642	12	19
Metal	Consolidated basis	ton	1	1	1
Others	Consolidated basis	ton	254	204	190
Amount of fuel used	Consolidated basis	MWh	2,306,205	2,547,250	2,617,288
Amount of electricity used	Consolidated basis	MWh	1,820,516	2,033,290	2,084,623
LNG	Consolidated basis	MWh	259,821	259,462	295,948
Diesel	Consolidated basis	MWh	20,636	18,623	25,643
Gasoline	Consolidated basis	MWh	4,550	3,948	4,133
Kerosene	Consolidated basis	MWh	0	0	0
LPG	Consolidated basis	MWh	24,258	26,463	28,556
Purchased steam	Consolidated basis	MWh	176,424	205,464	178,384
Amount of energy used	Consolidated basis	MWh/KRW 100 million	34	32	33
Amount of raw materials used	Consolidated basis	GJ	1,748,480	1,850,260	1,917,592
Amount of electricity used	Domestic basis	MWh	737,016	828,678	837,314
Amount of energy used	Domestic basis	MWh	1,041,091	1,158,370	1,179,145
Greenhouse gas emissions	Consolidated basis	tCO_2e	1,135,721	1,276,422	1,309,687
Greenhouse gas intensity	Consolidated basis	tCO_2e/KRW 100 million	17.0	16.0	16.3

Environment

* Differences in data from the main content of this report occurred from unit changes.

	Scope	Unit	2017	2018	2019
Environment and energy investment	Consolidated basis	KRW million	4,703	30,092	8,704
Environment and energy operating expenditure	Consolidated basis	KRW million	238,359	268,379	272,150
Number of energy-saving project improvements	Consolidated basis	Cases	575	460	577
Amount of energy-saving project improvements	Consolidated basis	KRW 100 million	181	125	241
Rate of ISO 14001 certification	Consolidated basis	%	100	100	100
Response to product and environment information requests	Consolidated basis	Cases	2,522	2,558	2,021
Eco-friendly purchase cost	Consolidated basis	KRW 100 million	16.1	51.6	58.9
Amount of ordinary waste	Consolidated basis	ton	65,396	87,173	72,471
Ordinary waste incineration	Consolidated basis	ton	3,753	3,725	3,787
Ordinary waste landfill	Consolidated basis	ton	13,496	11,105	7,851
Ordinary waste recycling	Consolidated basis	ton	48,147	72,344	60,833
Amount of designated waste generated	Consolidated basis	ton	52,289	55,459	48,135
Designated waste incineration	Consolidated basis	ton	7,628	9,042	5,511
Designated waste landfill	Consolidated basis	ton	6,544	6,681	4,507
Designated waste recycling	Consolidated basis	ton	38,117	39,736	38,116
Amount of waste generated	Consolidated basis	ton	117,684	142,632	120,606
Waste recycling	Consolidated basis	ton	86,267	112,079	98,949
Waste recycling rate	Consolidated basis	%	73.3	78.6	82.0
Outsourcing amount of reclaimed waste	Consolidated basis	%	72.0	70.2	73.8
Amount of profit from reclaimed waste	Consolidated basis	KRW 100 million	90	119	100
Profit on disposal of waste	Consolidated basis	KRW 100 million	316	400	381
Water usage	Consolidated basis	m^3	21,338,128	23,689,268	22,832,082
Industrial water	Consolidated basis	m^3	11,463,579	12,737,867	11,607,463
Municipal water	Consolidated basis	m^3	4,265,393	4,474,454	4,391,006
Surface water	Consolidated basis	m^3	2,675,100	2,997,373	3,235,997
Ground water	Consolidated basis	m^3	2,934,056	3,479,574	3,597,616
Water recycling amount	Consolidated basis	m^3	2,658,461	3,787,453	3,839,411
Water recycling rate	Consolidated basis	%	12.5	16.0	16.8
Volume of water discharged	Consolidated basis	m^3	3,673,953	3,991,058	3,682,479
SOx emissions	Consolidated basis	ton	80.2	73.4	54.0
NOx emissions	Consolidated basis	ton	315.4	211.6	176.0
Dust emissions	Consolidated basis	ton	73.9	60.1	74.0
VOC emissions	Domestic basis	ton	3.3	2.2	4.4
SOx emission intensity compared to statutory standards	Consolidated basis	%	1.4	0.2	0.1
NOx emission intensity compared to statutory standards	Consolidated basis	%	12.3	9.6	3.9
Dust emission intensity compared to statutory standards	Consolidated basis	%	8.7	6.6	7.3
BOD emissions	Consolidated basis	ton	162.1	215.3	174
COD emissions	Consolidated basis	ton	332.1	329.1	283.4
SS emissions	Consolidated basis	ton	47.3	104.8	93.3
T-N emissions	Consolidated basis	ton	129.9	155.3	160.8
T-P emissions	Consolidated basis	ton	2.6	7.2	5.8
BOD emission intensity compared to statutory standards	Consolidated basis	%	7.9	10.0	7.7
COD emission intensity compared to statutory standards	Consolidated basis	%	17.8	13.4	13.2
SS emission intensity compared to statutory standards	Consolidated basis	%	2.1	3.5	3.9
T-N emission intensity compared to statutory standards	Consolidated basis	%	13.2	13.3	15.4
T-P emission intensity compared to statutory standards	Consolidated basis	%	3.3	5.9	6.1

Employees

* Differences in data from the main content of this report occurred from unit changes.

	Scope	Unit	2017	2018	2019
Employee wage	Consolidated basis	KRW million	1,025,176	1,042,375	1,122,559
Employee benefits	Consolidated basis	KRW million	312,544	399,146	419,582
Employee pension (retirement benefit)	Consolidated basis	KRW million	62,784	74,559	71,471
Number of employees	Consolidated basis	Persons	34,411	37,472	34,264
Number of employees-domestic	Consolidated basis	Persons	10,697	11,724	11,471
Number of employees-overseas	Consolidated basis	Persons	23,714	25,748	22,793
Number of female employees-domestic	Consolidated basis	%	23.6	23.0	23.8
Number of female employees-overseas	Consolidated basis	%	54.3	51.1	53.6
Number of female senior officers-domestic	Consolidated basis	%	6.3	7.2	8.0
Number of female senior officers-overseas	Consolidated basis	%	27.0	28.2	28.5
Non-regular employees	Consolidated basis	Persons	1,927	1,070	186
Number of employees with disabilities	Domestic basis	Persons	227	227	232
Rate of workforce with disabilities	Domestic basis	%	2.34	2.10	2.03
Training and education costs	Domestic basis	KRW million	7,917	10,108	11,135
Amount of money spent for training per person	Domestic basis	KRW million/persons	0.74	0.86	0.98
Training hours	Domestic basis	Hours	849,749	1,116,459	712,411
Training hours per person	Domestic basis	Hours/persons	79	95	61
Global leader development	Domestic basis	Persons	69	171	188
Operation of foreign language daily life center	Domestic basis	Persons	115	101	74
Training on information protection	Domestic basis	Persons	18,519	23,573	25,808
Rate of retention over 12 months after returning to work	Domestic basis	%	95	93	89
Rate of those who returned to work after parental leave	Domestic basis	%	99	82	86
Employee satisfaction survey	Consolidated basis	Points	72.0	73.0	72.8
Average years of service (domestic/overseas)	Consolidated basis	Years	12.3 / 4.1	12.0 / 4.0	12.6 / 5.1
Disaster occurrence rate*	Consolidated basis	%	0.026	0.011	0.012
Ratio of days of work loss**	Consolidated basis	10^{-4} %	6.071	2.317	2.783
Lost-time injuries frequency rate***	Consolidated basis	10^{-4} %	0.090	0.037	0.040
Occupational Illness Frequency Rate	Consolidated basis	%	0	0	0
Rate of OHSAS 18001 certification	Consolidated basis	%	91	91	100
Completion rate of sexual harassment preventive education	Domestic basis	%	100	100	100
Status of Handling by each Deliberation Organization of the Hanwullim Council	Domestic basis	Cases	47	63	46
FUN Board	Domestic basis	Cases	15	37	15
PRIDE Board	Domestic basis	Cases	14	10	15
TRUST Board	Domestic basis	Cases	13	11	9
WOMEN Board	Domestic basis	Cases	3	5	7
Completion rate of employee corruption prevention training	Consolidated basis	%	93.3	99.9	100
Number of employee corruption prevention trainings	Consolidated basis	Cases	487	509	389
Number of employees participated in corruption prevention trainings	Consolidated basis	Persons	30,775	36,025	34,585
Anti-corruption report registration	Consolidated basis	Persons	49	42	58
Anti-corruption report registration (corruption)	Consolidated basis	Cases	21	20	36
Anti-corruption report registration (complaints/ petitions)	Consolidated basis	Cases	20	19	22
Anti-corruption report registration (others)	Consolidated basis	Cases	8	3	0
Compliance training	Consolidated basis	Times	28	26	28
Compliance checks	Consolidated basis	Times	7	7	6
Completion of compliance training	Domestic basis	Persons	14,314	13,713	14,169

* Disaster occurrence rate (number of injuries / number of employees) * 100
** Ratio of days of work loss (number of lost days / total hours worked) * 1,000,000
*** L-TIFR: (number of lost time injuries in the reporting period / total hours worked) * 1,000,000

Shareholders and Investors

* Differences in data from the main content of this report occurred from unit changes.

	Scope	Unit	2017	2018	2019
Sales	Consolidated basis	KRW million	6,694,046	8,002,008	8,040,818
Operating profit	Consolidated basis	KRW million	333,861	1,149,936	733,969
Net profit	Consolidated basis	KRW million	177,256	685,019	528,049
Dividend	Consolidated basis	KRW million	56,803	75,690	83,245
Cash dividend payout ratio	Consolidated basis	%	35.1	11.5	16.2
Debt ratio	Consolidated basis	%	79.3	74.8	59.7
R&D expense*	Consolidated basis	KRW million	392,357	508,948	545,789
R&D expense/Sales**	Consolidated basis	%	5.9	6.4	6.8
Patent registered	Consolidated basis	Cases	6,921	6,693	7,194
Patent pending	Consolidated basis	Cases	7,241	7,238	5,747
Interest expense of creditors	Consolidated basis	KRW million	66,064	90,122	78,270
Corporate tax	Consolidated basis	KRW million	76,292	255,374	167,922
Government subsidies	Consolidated basis	KRW million	21	0	22
Female external directors	Consolidated basis	Persons	1	1	1
Composition of board of directors (internal/external directors)	Consolidated basis	Persons	3/4	3/4	3/4
Board attendance rate (internal/external directors)	Consolidated basis	%	90.4/100	87.5/96.8	100/100
Sales offices and subsidiaries	Consolidated basis	Count	14	15	16
R&D subsidiaries and centers	Consolidated basis	Count	2	2	2
Production subsidiaries	Consolidated basis	Count	12	12	11
Total number of shares	-	Shares	77,600,680	77,600,680	77,600,680
Individuals	-	Shares	24,740,469	25,361,622	19,788,988
Institutions	-	Shares	19,251,358	18,586,003	17,960,505
Foreigners	-	Shares	13,914,769	13,959,971	20,158,103
Samsung Electronics	-	Shares	17,693,084	17,693,084	17,693,084
Treasury stock	-	Shares	2,000,000	2,000,000	2,000,000

* Based on consolidated data, and the K-IFRS standards
** According to the transfer of the PLP (Panel Level Package) business and the suspension of Kunshan Samsung Electro-Mechanics Co., LTD., the 45th and 46th items were rewritten.

Community

* Differences in data from the main content of this report occurred from unit changes.

	Scope	Unit	2017	2018	2019
No. of persons participated in joint replacement surgery program	Domestic basis	Persons	27	29	22
Volunteer hours of employees	Domestic basis	Hours	111,628	45,661	25,043
Rate of employees participating in volunteering	Domestic basis	%	100	100	100
Number of volunteering teams	Domestic basis	Teams	76	67	63
Social contribution expense (cash)	Consolidated basis	KRW million	4,638	3,088	4,338
Satisfaction rate of hello! SEM Orchestra	Domestic basis	Points	96	95	93
Number of beneficiaries of SEM-IRANG	Domestic basis	Persons	-	-	36
Sister villages	Consolidated basis	Number of villages	20	20	20

Third-Party Assurance Statement

To the Readers of Samsung Electro-Mechanics 2019 Sustainability Report:

Foreword

Korea Management Registrar Inc. (hereinafter "KMR") has been requested by Samsung Electro-Mechanics to verify the contents of its 2019 Sustainability Report (hereinafter "the Report"). Samsung Electro-Mechanics is responsible for the collection and presentation of information included in the Report. KMR's responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

Scope and standard

Samsung Electro-Mechanics describes its efforts and achievements of the corporate social responsibility activities in the Report. KMR performed a Type 2, moderate level of assurance using AA1000AS (2008) and SRV1000 from KMR Global Sustainability Committee as assurance standards. KMR's assurance team (hereinafter "the team") evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI Standards indices as below, where professional judgment of the team was exercised as materiality criteria.

The team checked whether the Report has been prepared in accordance with the Core Option of GRI Standards which covers the followings.

- GRI Standards Reporting Principles
- Universal Standards
- Topic Specific Standards
  - Management approach of Topic Specific Standards
  - Economic Performance: 201-1, 201-2, 201-3
  - Market Presence: 202-1, 202-2
  - Indirect Economic Impacts: 203-1
  - Procurement Practices: 204-1
  - Anti-Corruption: 205-1, 205-2, 205-3
  - Anti-Competitive Behavior: 206-1
  - Materials: 301-1, 301-2, 301-3
  - Energy: 302-1, 302-2, 302-3, 302-4, 302-5
  - Water: 303-1, 303-2, 303-3
  - Biodiversity: 304-1, 304-2, 304-3
  - Emissions: 305-1, 305-2, 305-3, 305-4, 305-5, 305-7
  - Effluents and Waste: 306-1, 306-2, 306-3, 306-4, 306-5
  - Environmental Compliance: 307-1
  - Supplier Environmental Assessment: 308-1, 308-2
  - Employment: 401-1, 401-2, 401-3
  - Labor/Management Relations: 402-1
  - Occupational Health and Safety: 403-1, 403-2, 403-3, 403-4
  - Training and Education: 404-1, 404-2, 404-3
  - Diversity and Equal Opportunity: 405-1, 405-2
  - Non-Discrimination: 406-1
  - Freedom of Association and Collective Bargaining: 407-1
  - Child Labor: 408-1
  - Forced or Compulsory Labor: 409-1
  - Security Practices: 410-1
  - Rights of Indigenous Peoples: 411-1
  - Human Rights Assessment: 412-1, 412-2
  - Local Communities: 413-1
  - Supplier Social Assessment: 414-1, 414-2
  - Public Donation: 415-1
  - Marketing and Labeling: 417-2, 417-3
  - Customer Privacy: 418-1
  - Socioeconomic Compliance: 419-1

This Report excludes data and information of joint corporates, contractors etc. which is outside of the organization, i.e. Samsung Electro-Mechanics, among report boundaries.

Our approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, the team has carried out an assurance engagement as follows:

- Reviewed overall report
- Reviewed materiality test process and methodology
- Reviewed sustainability management strategies and targets
- Reviewed stakeholder engagement activities
- Interviewed people in charge of preparing the Report

Our conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with Samsung Electro-Mechanics on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report to the compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data included in the verification scope are not presented appropriately.

- **Inclusivity**

  Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

  - Samsung Electro-Mechanics is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team could not find any critical stakeholder Samsung Electro-Mechanics left out during this procedure.

- **Materiality**

  Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.

  - Samsung Electro-Mechanics is determining the materiality of issues found through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues left out in this process.

- **Responsiveness**

  Responsiveness is an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders.

  - The assurance team could not find any evidence that Samsung Electro-Mechanics' counter measures to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence that the Report was not prepared in accordance with the Core Option of GRI Standards.

Recommendation for improvement

We hope the Report is actively used as a communication tool with stakeholders and recommend the following for continuous improvements.

- Samsung Electro-Mechanics is systematically pursuing sustainable management by reporting key indicators of ESG in a consistent manner. We are especially impressed that the company recognized the significance of issues such as ESG evaluations of the supply chain, hazardous substances such as RoHS, conflict minerals, etc. and reported these issues in detail. Moving forward, we encourage the company to report on a broader range of sustainability and include the company's performances and future plans so that the company's stakeholders can be provided with better understanding of the topic.

Our independence

With the exception of providing third party assurance services, KMR is not involved in any other Samsung Electro-Mechanics' business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

June 19th, 2020

CEO of KMR, Eun Ju Hwang

KMR SRV1000 Sustainability Committee Assurance AA1000 Licensed Assurance Provider 000-129

E. J Hwang

Third-Party GHG Verification Statement

Scope 1 (direct) and Scope 2 (indirect) emissions

Scope

- The annual GHG emissions for 2015, 2016, 2017, 2018, 2019 calendar years
- GHG emissions for SCOPE 1(Direct-emissions from the plant), SCOPE 2(Indirect-energy related) and SCOPE 3(Indirect-emissions from logistic, commuting etc.) as defined in WBCSD/WRI GHG protocol Chapter 4 "Setting Operational Boundaries"

Data Verified

- GHG Emissions of Scope 1 (direct-emissions) and Scope 2 (indirect-emissions) for 2015, 2016, 2017, 2018, 2019 are as follows.

(Unit: tCO_2e)

Country	Plant	2015	2016	2017	2018	2019
Korea	Suwon	68,801	73,377	74,609	76,592	73,245
	Sejong	93,427	90,273	80,965	85,585	88,274
	Busan	219,166	210,148	194,953	229,553	271,660
	Cheonan	-	2,871	17,973	29,655	-
	Ulsan	13,008	13,175	15,315	13,294	8,831
	Others	284	494	636	597	583
China	Gaoxin	48,151	41,321	46,901	41,624	42,715
	Binhai	139,661	164,097	298,298	-	-
	Tianjin	111,203	110,472	1,314	336,083	370,675
	Kunshan	108,107	118,276	135,445	162,366	145,841
	Dongguan	18,742	6,342	6,476	6,195	-
	Shenzhen Logistic Ctr.	264	295	349	413	450
Philippines	Philippines	88,040	102,836	152,197	184,830	189,895
Thailand	Bangpakong	11,316	10,731	8,380	7,766	8,325
	Nakhonrachasima	14,195	-	-	-	-
Vietnam	Vietnam	40,952	77,128	101,910	101,869	109,193
Hungary	Hungary	989	-	-	-	-
Japan	Japan R&D Center	454	-	-	-	-
Total		**976,760**	**1,021,836**	**1,135,721**	**1,276,422**	**1,309,687**

※ Scope 3(Other GHG Emissions) accounted according to 「The GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard of WRI/WBCSD」 is described in the following Appendix.

GHG Criteria & Protocols used for Verification

The verification was carried out at the request of the Samsung Electro-Mechanics Co., Ltd. using:

- The Kyoto Protocol to the United Nations Framework Convention on Climate Change - 11 December 1997
- GHG Energy Target Management Operating Guideline (Ministry of Environment 2019-245)
- The GHG Protocol of the WRI/WBCSD - Revised Mar. 2004
- IPCC Guideline for National Greenhouse Gas Inventories - Revised 2006
- ISO14064 Part 1 & 3 - Issued 2006
- BSI GHGEV Manual (KM007, R11)

The standard confidentiality principle of BSI Group Korea is applied to the all verification activities.

Verification Opinion

As a result of carrying out verification in accordance with the protocols and the best practice mentioned above and it is the opinion of BSI that:

- The verification was conducted to provide reasonable verification in accordance with GHG Energy Target Management Scheme for the domestic plants.
- Data quality meets the key international principles for greenhouse gas emissions verification.
- No material misstatement in the calculations was revealed, good record keeping was demonstrated and related records were maintained appropriately.
- As a result, BSI Group Korea states that the data is "acceptable."

For and on behalf of BSI:
Issued: May 12,2020

Managing Director Korea, **Peter Pu**

GHG Emission of Scope 3

Data Verified

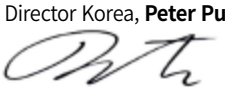
・GHG Emissions from purchased goods and services, used capital goods, logistics of materials and products, waste disposal, employee business travel, employee commuting, leased assets, processing of products, use of sold products, end of life treatment of sold products accounted according to 「The GHG Protocol Corporate Value Chain(Scope 3) Accounting and Reporting Standard of WRI/WBCSD」.

(Unit: tCO_2e)

Category	Description	Reporting Year		Remark
		2018	2019	
Purchased Goods & Services	Extraction, production, and transportation of goods & services purchased or acquired by the reporting company in the reporting year	37,253	21,419	
Capital Goods	Extraction, Production and transportation of capital goods purchased or acquired by the reporting company in the reporting year	2,345	1,852	
Fuel and Energy Related Activities Not Included in Scope 1 or 2	All activities related to fuel and energy consumed by the reporting company, not already accounted for in scope 1 or 2	11,170	12,716	
Transportation & Distribution (Upstream)	Third-party transportation & distribution of products purchased by the reporting company in the reporting year	165,843	47,780	
Waste Disposal	Third-party disposal/treatment of waste generated in the reporting company's operations in the reporting year	7,839	6,025	
Business Travel	Transportation of employees for business-related activities in vehicles owned or operated by third parties	5,811	7,367	
Employee Commuting	Transportation of employees between their homes and their worksites	11,702	11,816	
Leased Assets (Upstream)	Operation of assets leased by the reporting company in the reporting year	629	747	
Transportation & Distribution (Downstream)	Third-party transportation & distribution of products produced by the reporting company in the reporting year	-	-	No use of warehouse for third party transportation and distribution of products
Processing of Product	Processing of intermediate product to final product	154	1,037	
Use of Product	Use of product by customer	4,102	34,179	
Disposal of Product	Final disposal of product by end-user	64	579	
Leased Assets (Downstream)	Operation of assets owned by the reporting company and leased to other entities in the reporting year	-	-	N/A
Investment	Emission from invested enterprise	23,098	24,009	
Total		**270,012**	**169,526**	

For and on behalf of BSI:
Issued: May 12,2020

Managing Director Korea, **Peter Pu**



GRI Content Index

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	102-10	Significant changes to the organization and its supply chain	No significant changes	●
	102-11	Precautionary Principle or approach	28-29	●
	102-12	External initiatives	5	●
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	102-49	Changes in reporting	No changes in reporting	●
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	102-51	Date of most recent report	4-5	●
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Economic Performance					
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	Economic Performance	201-1	Direct economic value generated and distributed	48-49	●
		201-2	Financial implications and other risks and opportunities due to climate change	84-85	●
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Market Presence					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	63-64	●
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		103-3	Evaluation of the management approach	63-64	●
	Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	68	●
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		103-2	The management approach and its components	86-87	●
		103-3	Evaluation of the management approach	86-87	●
	Indirect Economic Impacts	203-1	Infrastructure investments and services supported	88-89	●
Procurement Practices					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	50-51	●
		103-2	The management approach and its components	50-51	●
		103-3	Evaluation of the management approach	50-51	●
	Procurement Practices	204-1	Proportion of spending on local suppliers	53	●
Anti-corruption					
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		103-3	Evaluation of the management approach	24, 38-39	●
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		205-2	Communication and training about anti-corruption policies and procedures	46-47	●
		205-3	Confirmed incidents of corruption and actions taken	46-47	●
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	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	24	●
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		103-3	Evaluation of the management approach	24	●
	Behavior	206-1	Legal actions for anti-competitive behavior, antitrust, and monopoly practices	25-27, 108	●
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		103-3	Evaluation of the management approach	74-75	●
	Materials	301-1	Materials used by weight or volume Recycled input materials used	106	●
		301-2	Recycled input materials used	106	●
		301-3	Reclaimed products and their packaging materials	81	●

Topic		Index		Page/Related Reports	Assurance
Energy					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	74-75	●
		103-2	The management approach and its components	74-75	●
		103-3	Evaluation of the management approach	74-75	●
	Energy	302-1	Energy consumption within the organization	85, 106	●
		302-2	Energy consumption outside of the organization	85, 106	●
		302-3	Energy intensity	85, 106	●
		302-4	Reduction of energy consumption	85, 106	●
		302-5	Reductions in energy requirements of products and services	85	●
Water					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	74-75	●
		103-2	The management approach and its components	74-75	●
		103-3	Evaluation of the management approach	74-75	●
	Water	303-1	Water withdrawal by source	78	●
		303-2	Water sources significantly affected by withdrawal of water	78	●
		303-3	Water recycled and reused	78, 107	●
Biodiversity					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	74-75	●
		103-2	The management approach and its components	74-75	●
		103-3	Evaluation of the management approach	74-75	●
	Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	10-11, 81	●
		304-2	Significant impacts of activities, products, and services on biodiversity	81	●
		304-3	Habitats protected or restored	81	●
Emissions					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	74-75	●
		103-2	The management approach and its components	74-75	●
		103-3	Evaluation of the management approach	74-75	●
	Emissions	305-1	Direct (Scope 1) GHG emissions	83	●
		305-2	Energy indirect (Scope 2) GHG emissions	83	●
		305-3	Other indirect (Scope 3) GHG emissions	83	●
		305-4	GHG emissions intensity	83	●
		305-5	Reduction of GHG emissions	83	●
		305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	79, 107	●
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	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	74-75	●
		103-2	The management approach and its components	74-75	●
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	Effluents and Waste	306-1	Water discharge by quality and destination	78, 107	●
		306-2	Waste by type and disposal method	80-81, 107	●
		306-3	Significant spills	No spill occurred	●
		306-4	Transport of hazardous waste	No waste generated	●
		306-5	Water bodies affected by water discharges and/or runoff	10-11	●

Topic		Index		Page/Related Reports	Assurance
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	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	74-75	●
		103-2	The management approach and its components	74-75	●
		103-3	Evaluation of the management approach	74-75	●
	Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	No incidents of violation	●
Supplier Environmental Assessment					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	50-51	●
		103-2	The management approach and its components	50-51	●
		103-3	Evaluation of the management approach	50-51	●
	Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	56-58	●
		308-2	Negative environmental impacts in the supply chain and actions taken	54-55	●
Specific Standard Disclosures: Social Category					
Employment					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	62-63	●
		103-2	The management approach and its components	62-63	●
		103-3	Evaluation of the management approach	62-63	●
	Employment	401-1	New employee hires and employee turnover	95-96	●
		401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	68-73	●
		401-3	Parental leave	108	●
Labor/Management Relations					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	62-63	●
		103-2	The management approach and its components	62-63	●
		103-3	Evaluation of the management approach	62-63	●
	Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	67	●
Occupational Health and Safety					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	30	●
		103-2	The management approach and its components	30	●
		103-3	Evaluation of the management approach	30	●
	Occupational Health and Safety	403-1	Workers representation in formal joint management worker health and safety committees	31-32	●
		403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	108	●
		403-3	Workers with high incidence or high risk of diseases related to their occupation	31-32	●
		403-4	Health and safety topics covered in formal agreements with trade unions	31-32	●
Training and Education					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	62-63	●
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		103-3	Evaluation of the management approach	62-63	●
	Training and Education	404-1	Average hours of training per year per employee	71	●
		404-2	Programs for upgrading employee skills and transition assistance programs	73	●
		404-3	Percentage of employees receiving regular performance and career development reviews	73	●

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Diversity and Equal Opportunity					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	62-63	●
		103-2	The management approach and its components	62-63	●
		103-3	Evaluation of the management approach	62-63	●
	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	64-65	●
		405-2	Ratio of basic salary and remuneration of women to men	68	●
Non-discrimination					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	62-63	●
		103-2	The management approach and its components	62-63	●
		103-3	Evaluation of the management approach	62-63	●
	Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	No incidents of discrimination	●
Freedom of Association and Collective Bargaining					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	62-63	●
		103-2	The management approach and its components	62-63	●
		103-3	Evaluation of the management approach	62-63	●
	Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	54-55, 66	●
Child Lab					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	62-63	●
		103-2	The management approach and its components	62-63	●
		103-3	Evaluation of the management approach	62-63	●
	Child Lab	408-1	Operations and suppliers at significant risk for incidents of child labor	58, 66	●
Forced or Compulsory Labor					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	62-63	●
		103-2	The management approach and its components	62-63	●
		103-3	Evaluation of the management approach	62-63	●
	Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	54-55, 66	●
Security Practices					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	62-63	●
		103-2	The management approach and its components	62-63	●
		103-3	Evaluation of the management approach	62-63	●
	Security Practices	410-1	Security personnel trained in human rights policies or procedures	27	●
Rights of Indigenous Peoples					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	62-63	●
		103-2	The management approach and its components	62-63	●
		103-3	Evaluation of the management approach	62-63	●
	Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples	No such incidents	●

Topic		Index		Page/Related Reports	Assurance
Human Rights Assessment					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	62-63	●
		103-2	The management approach and its components	62-63	●
		103-3	Evaluation of the management approach	62-63	●
	Human Rights Assessment	412-1	Employee training on human rights policies or procedures	66	●
		412-2	Operations that have been subject to human rights reviews or impact assessments	66	●
Local Communities					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	86-87	●
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		103-3	Evaluation of the management approach	86-87	●
	Local Communities	413-1	Operations with local community engagement, impact assessments and development programs	88-89	●
Supplier Social Assessment					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	50-51	●
		103-2	The management approach and its components	50-51	●
		103-3	Evaluation of the management approach	50-51	●
	Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	55-56	●
		414-2	Negative social impacts in the supply chain and actions taken	54-55	●
Public Policy					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	8	●
		103-2	The management approach and its components	8	●
		103-3	Evaluation of the management approach	8	●
	Public Policy	415-1	Political contributions	Not applicable	●
Marketing and Labeling					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	34	●
		103-2	The management approach and its components	34	●
		103-3	Evaluation of the management approach	34	●
	Marketing and Labeling	417-2	Incidents of non-compliance concerning product and service information and labeling	No cases of violation	●
		417-3	Incidents of non-compliance concerning marketing communications	No cases of violation	●
Customer Privacy					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	24	●
		103-2	The management approach and its components	24	●
		103-3	Evaluation of the management approach	24	●
	Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No cases of violation	●
Socioeconomic Compliance					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its Boundary	24	●
		103-2	The management approach and its components	24	●
		103-3	Evaluation of the management approach	24	●
	Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	No cases of violation	●

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