2020-2021

Samsung Electro-Mechanics
Sustainability Report

SAMSUNG
ELECTRO-MECHANICS

SAMSUNG

Samsung Electro-Mechanics
2020-2021 Sustainability Report

www.samsungsem.com

www.youtube.com/user/ilovesemco

http://blog.naver.com/sem2017

www.facebook.com/samsungelectromechanics

COVER STORY

Samsung Electro-Mechanic's sustainable management is about opening a better digital world. Samsung Electro-Mechanics derived RIGHT, which is a set of the company's new core values. We will strive to become an enterprise that delivers sustainable values through the best components and creative solutions while contributing to our customers, local community, and the humanity.

Our Mission & Vision

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.

By clicking this icon, you can jump directly to the previous page.

By clicking this icon, you can set and print pages of your choice.

By clicking this icon, you can jump directly to the reference pages within the report.
* 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.

Table of Contents

About This Report

Overview of SAMSUNG ELECTRO-MECHANICS 2020-2021 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 2020-2021 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 2020-2021 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 2020-2021 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 2020 fiscal year (January 1, 2020 to December 31, 2020). In case of quantitative information, information of the last three years from 2018 to 2020 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 FY2020 but includes FY2018 to FY2020 for comparative review
- Some data includes activities until March of 2021

ESG KPIs TCFD Index

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 British Standards Institution (BSI). Based on the results of document reviews and interviews, the assurance team of BSI held numerous discussions with the Sustainability Management department and other departments within Samsung Electro-Mechanics on revisions of the report. Under the AA1000AS v3 (2020) 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 v3 (2020)
- 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
TCFD

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.

- **2020 Audit Report (Consolidated)**
- **2020 Audit Report (Kor) (Non-consolidated)**
- **2020 Annual Report (Kor)**
- **2020 Management Report (Kor)**
- **2020 Corporate Governance Report(Kor)**
- **Corporate Governance Charter**
- **Articles of Incorporation**
- **Samsung Electro-Mechanics' Code of Conduct**
- **Supplier Code of Conduct**

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,

2020 was a year in which the trend of low growth exacerbated, with declines in the demand of smartphones and the number of automobiles produced due to the global economic slump caused by the pandemic. Despite the challenges, Samsung Electro-Mechanics demonstrated a 6% growth in sales year on year, and our operating profit showed a 12% increase, thus recording the third highest sales and second highest operating profit in the company’s history. We would like to extend our words of gratitude to our shareholders as these fruits are the results of your interest and encouragement in the past year.

Samsung Electro-Mechanics is moving forward with the vision to become “the best growing company where I want to work and all wish to work with” by 2025. We will further accelerate our efforts in locking in technological competitiveness, expanding the business, establishing an effective organization, and securing top talents in order to fulfill the mission.

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 effectively practice the principles of "Profit, People, and Planet," thereby 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.

Mission, Vision, and Core Values

Samsung Electro-Mechanics aims to be a “global leading company,” devoting our human resources and technology to create superior products and services, thereby contributing to a better global society. We, along with our employees, established our mission, vision, and core values to drive this effort to become the number one enterprise. To realize the vision by 2025, we are working on securing technical competitiveness, expanding our business, building an efficient organization, and securing top talent. In particular, we seek to actively deliver on the 5 core values (RiGHT) to lead the change and growth of our employees and our sustainable growth.

Our Mission

We bring the best components and compelling solutions that enrich people’s experience

Vision

Enable all lives to experience an unparalleled journey through excellence and growth
(All lives includes employees, customers, vendors and any other associates)

Core Value (RiGHT)

Core Value Behavior Standards

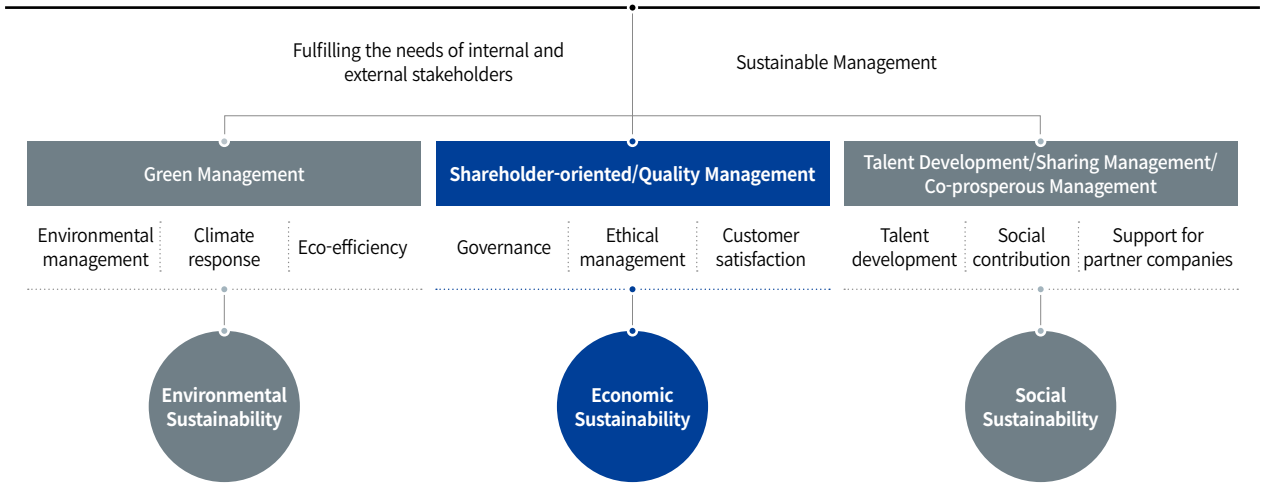
1 Respect all	2 Integrity first	3 Growth mind	4 Harmony with	5 Technology for Great
・Feel free to express opinions. ・Recognize diversity of individuals.	・Conduct consistently and fairly in accordance with the principles.	・Desire to learn and grow with curiosity. ・Strive for growth with a sense of ownership.	・Maintain physical and mental health. ・Pursuit of happiness at work. ・Contribute to customers, societies, and people.	・Focus on the best technology for customer’s success. ・Challenge the new things continuously without the fear of failure. ・Dive deep until to achieve the essence.

Leadership Principle

Encourage curiosity, **S**timulate learning, **G**enerate energy, and **D**eliver success

Strategies for Sustainability

Fulfilling Corporate Social Responsibility



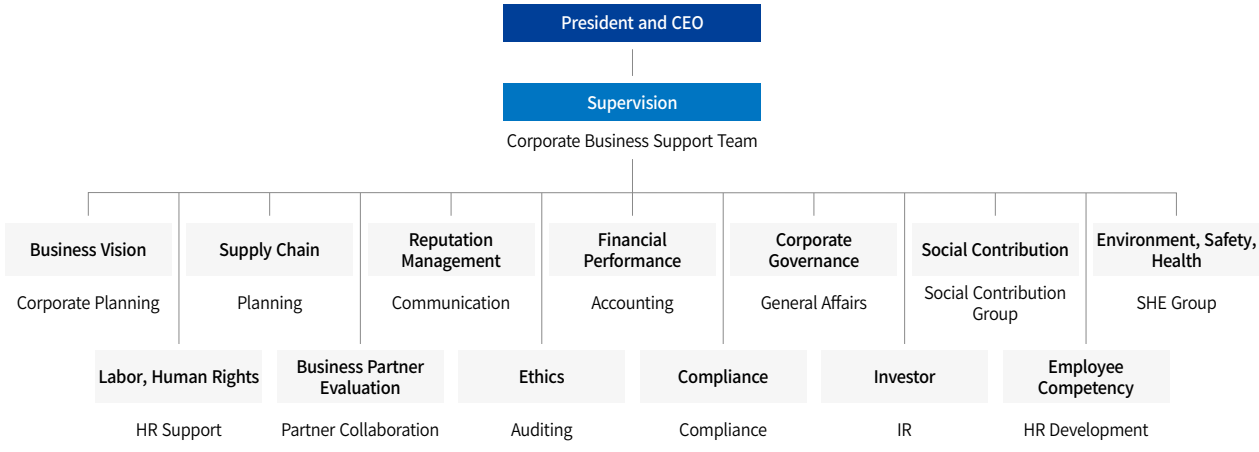
Vision for Sustainability

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 with the Office of Sustainability Management at the center of the effort. 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 Corporate Sustainability Management Office to effectively and efficiently manage various sustainability risks. Corporate Sustainability Management Office 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 training on sustainability topics each year to improve the Office'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

(Data Coverage 100%, unit: persons)

Total	**2020**	**36,220**
	2019	34,264
Korea	**2020**	**11,625**
	2019	11,471
Asia	**2020**	**24,511**
	2019	22,713
Americas	**2020**	**51**
	2019	45
Europe	**2020**	**33**
	2019	35

Sales by Region

(Data Coverage 100%, unit: KRW million)

Total amount	**2020**	**8,208,738**
	2019	7,718,298
Korea	**2020**	**2,559,676**
	2019	2,763,178
Southeast Asia	**2020**	**2,080,382**
	2019	1,994,582
Europe	**2020**	**207,575**
	2019	319,466
China	**2020**	**2,820,890**
	2019	2,167,428
Americas	**2020**	**420,745**
	2019	377,568
Japan	**2020**	**119,470**
	2019	96,076

Global Network

10 Production bases
10 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 April, 2021

Component

Component

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.

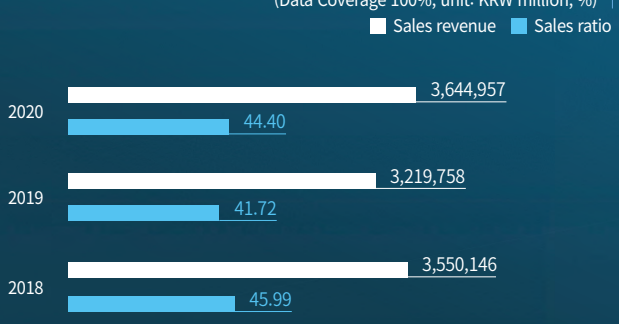
The component business refers to passive electronic components, consisting of MLCC, Inductors and Chip Resistors. These electronic components are essential parts for electronic, industrial, electric, and medical devices. As a material and device business, it requires know-how in source material technologies, 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

(Data Coverage 100%, 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 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.

3 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.'

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

Module

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.

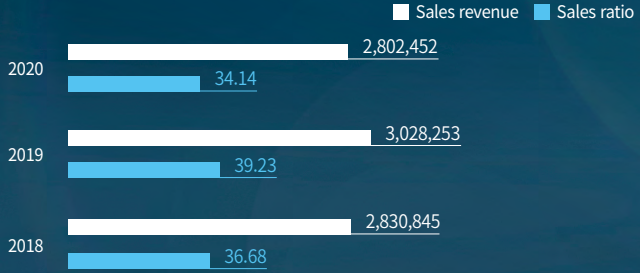
The module business consists of products such as Camera Modules and Communication Modules. From the manufacturing perspective, it can be divided into assembly and module businesses and from the development perspective, it is composed of optical technology, circuit design technology and packaging production 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 the number of mobile devices such as smartphones, the core components of wireless communication such as Cellular FEM 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

(Data Coverage 100%, unit: KRW million, %)



1 Camera Module

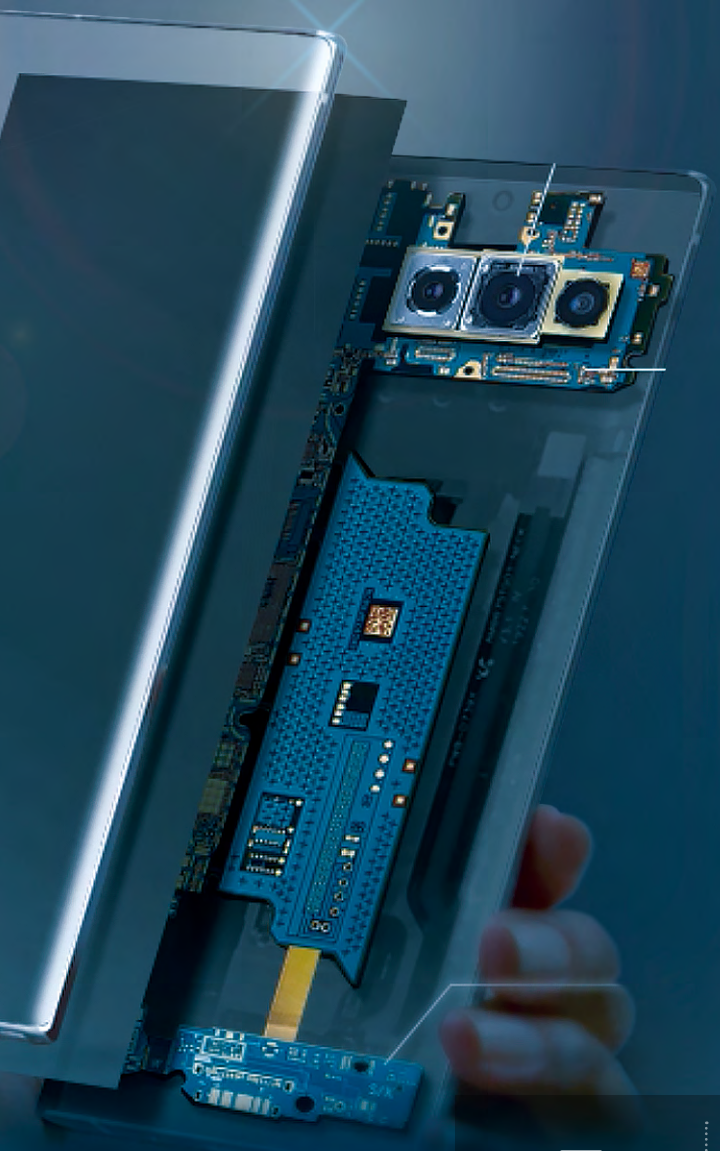
Provides functions to take photos and videos via mobile devices such as smartphones, as well as on automobiles and smart home appliances.

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

Substrate

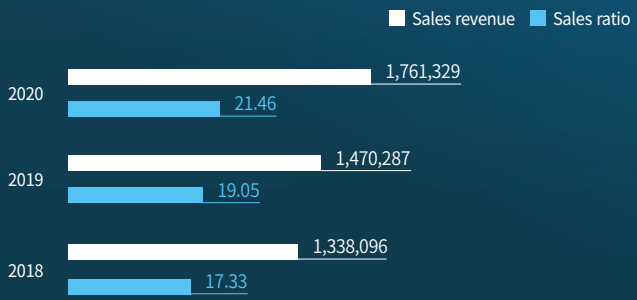
As a package substrate that is used in semiconductors for mobile phones and PCs, it acts as a transmitter of electrical signals between semiconductors and mainboards as well as a protector for high-cost semiconductors from external stresses. Because this substrate has a high density of much finer circuits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

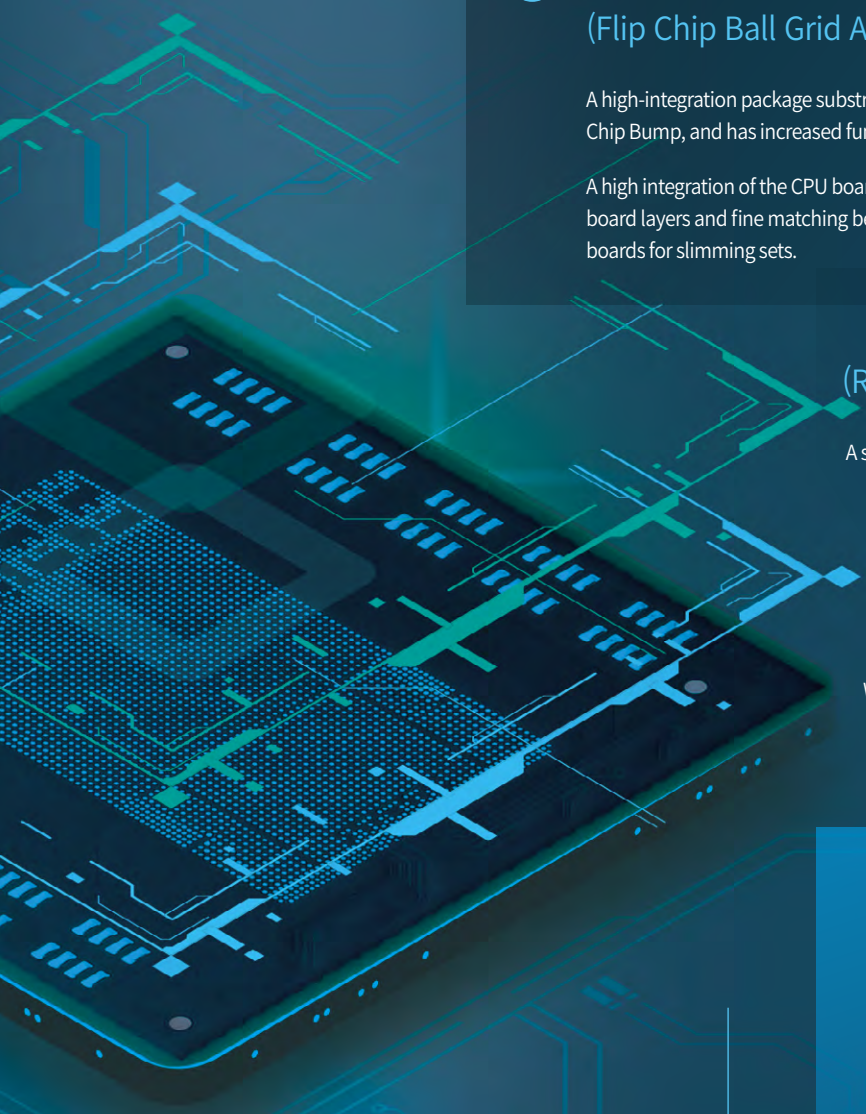
The substrate business refers to the business of printed circuit boards. They are components that electrically connect semiconductors and electronic components and mechanically support circuit connections. Major products include semiconductor package circuit boards and high-density multi-layer boards. 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.

Revenue and Sales Ratio of the Substrate Business

(Data Coverage 100%, 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.

Components

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.

Tantalum

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

Chip Resistor

- Chip resistor interrupts the flow of current in the electronic circuit.
- Using this characteristic, chip resistors lower the voltage or maintain the current at a certain level inside electronic circuits.

Components

MLCC

Power Inductor

Chip Resistor

Tantalum

Modules

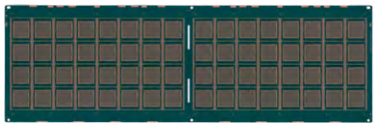
Communication Module

- Get more information on the products
- Search the product of choice easily and quickly
- Understand products through simulations

Substrates

FCBGA

FCCSP



RFPCB

Folded Camera Module

Substrates

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 substrate uses ball-shaped bumps instead of wire bonding to connect the semiconductor chip and the board. The size of the substrate does not exceed 120% of the size of the semiconductor chip and the substrate is mainly used for AP chips in 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

Camera Module

- This product is used for sensing in photography, video filming, measurement, recognition, and detection on automotives, smart homes, and mobile devices such as smartphones.
- Advanced technology is required as the module calls for high resolution images, slimness, low power demand, multifunctionality, and high level of sturdiness.

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

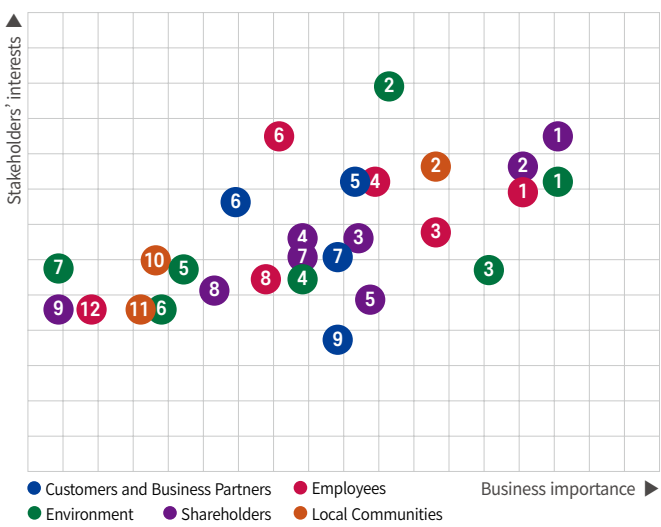
Samsung Electro-Mechanics actively collects diverse opinions from different stakeholders by using a separate point of contact department for each type of stakeholder. Also, the company is making efforts to satisfy stakeholders' right to know by continuing to increase both the quality and quantity of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

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 2020. 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 management

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 particular, we operate proactive regulation systems for the purpose of effective observation, including insider trading deliberation, external funding deliberation, and proactive monitoring of subcontractors, thereby responding preemptively to various compliance 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.

In addition, we use the hazardous substance management system to check for SVHC substance content in our products twice a year. When developing new products, we check for environmentally hazardous substance content in the product development stage, thus preventing their use in advance. We not only manage hazardous substances of the four types of phthalate (BBP, DBP, DEHP, DIBP), to which RoHS regulation has applied since July 2019, but also continuously manage other phthalate materials. We plan to voluntarily reduce the use of four types of phthalate not regulated by RoHS (DINP, DIDP, DnOP, DnHP) in raw and subsidiary materials by 2025.

Society

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

- Safe sites

Safe Work Sites

Externally, requirements concerning corporate responsibility are being strengthened, as demonstrated by safety-related incidents and accidents surfacing as social issues and the enactment of the Serious Accidents Punishment Act. The management's will for safety and health, participation of all employees in safety and health-related activities, and the establishment of safety and health management system for achieving intended results are needed in order to respond to these external changes. Safety and health related legal compliance items are reflected in the company regulations and managed through frequent monitoring so no omissions occur. We not only train our employees but also run drills based on crisis response scenarios we drafted for serious risk factors. To garner management's interest and drive their activities on the matter, we included performance related to safety and health in executive and company evaluations and grant incentives or impose penalty based on them. We also report comprehensively on safety and health activity performance and shortfalls, internal and external issues, and future plans through the executive review once a year. Samsung Electro-Mechanics plans to guarantee the safety of our employees and achieve sound growth of the company by becoming a zero accident business by 2025.

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 and conduct inspec-tions in accordance with 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
- Early deliberations on 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, Samsung Electro-Mechanics operates proactive regulation systems for the purpose of effective observation, including insider trading deliberation, external funding deliberation, and proactive monitoring of subcontractors, thereby responding preemptively to various compliance 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 agreement between Samsung's major subsidiaries in 2020, 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 have the obligation to verify whether the compliance guidelines are complied with and report the outcomes thereof to the board of directors. Samsung Electro-Mechanics thus reports the outcomes of compliance activities from the current year and the compliance plan for the following year once a year at a meeting 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 2020, the company conducted “Special training on subcontractors for employees working closely with our business partners” for 3,000 workers in procurement, quality, manufacturing technology, and development, thereby pushing to create a sound cooperative culture with our business partners. 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

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. Thanks to risk minimization, there were 0 cases of cyber security accidents and violation of information security in the past three years.

Organizational System

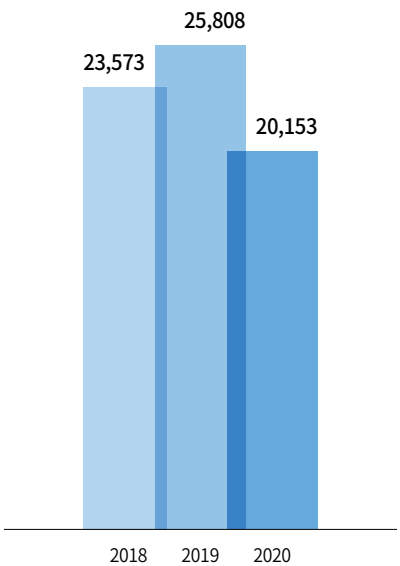
Samsung Electro-Mechanics formed dedicated teams for the purpose of information protection and protects corporate assets and information. For safe management of security and information on its information and communication systems, Samsung Electro-Mechanics appoints a Chief Information Security Officer (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

(Data Coverage 32%*, unit: persons)



* Domestic employees / All employees

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.

Personal Information Protection

In 2020, Samsung Electro-Mechanics newly installed the Personal Information Protection Office under our legal team to be fully responsible for personal information protection. With this new organization, we built a personal information protection system through the establishment and implementation of the personal information protection policy, as well as the operation of the Personal Information Protection Council.

Personal Information Protection Office and Council

The Personal Information Protection Office continuously reviews the need to revise the company-wide (including personal information consigned companies) personal information protection policy and relevant regulations and implements updates. To protect personal information, we appointed a company-wide Chief Privacy Officer and hold Personal Information Protection Council meetings regularly for effective business processes and communication between teams concerning personal information.

Organizations Responsible for Personal Information Protection

CPO (Leader of Legal Affairs Team)

Global Privacy Office	Global Privacy Council
· Detect changes in global legislations and prepare countermeasures · Establish regulations/policies and provide trainings · Take security actions and manage them · Inspection and improvement	Share legal amendments, handle tasks related to personal information protection, and respond to issues

The Role of the Personal Information Protection Office

Establish internal regulations and provide guidance on compliance	Detect changes in domestical and global laws and prepare countermeasures	· Identify amendments to relevant laws, analyze impact, devise countermeasures, and provide guidelines to relevant teams
	Establish and check on internal regulations; Review pledges and consents	· Revise and ensure implementation of personal information related to security regulations, handling policies, and internal management plan · Review personal information consent and pledges from subjects handling personal information
Risk prevention and management	Internal inspection and risk identification/improvement	· Conduct periodic inspections, including annual inspections of internal management plan implementation and personal information consignees · Advanced identification and improvement of risk through inspection
	Personal information processing system security review and training for relevant individuals inside and outside the company	· Check and manage security when creating personal information systems · Conduct mandatory trainings for those handling personal information
External relat	Establish process for responding to personal information leakage incidents and respond in case of incident	· Define R&R for each job division and establish response guidelines to use in case of incident · Serve as the control tower should a personal information leakage incident occur
	Respond to inspections by external institutions	· Respond to administrative office investigations and Samsung Group Security Center inspections
	Respond to inquiries and remedy request related to personal information	· Handle inquiries and remedy registrations related to personal information

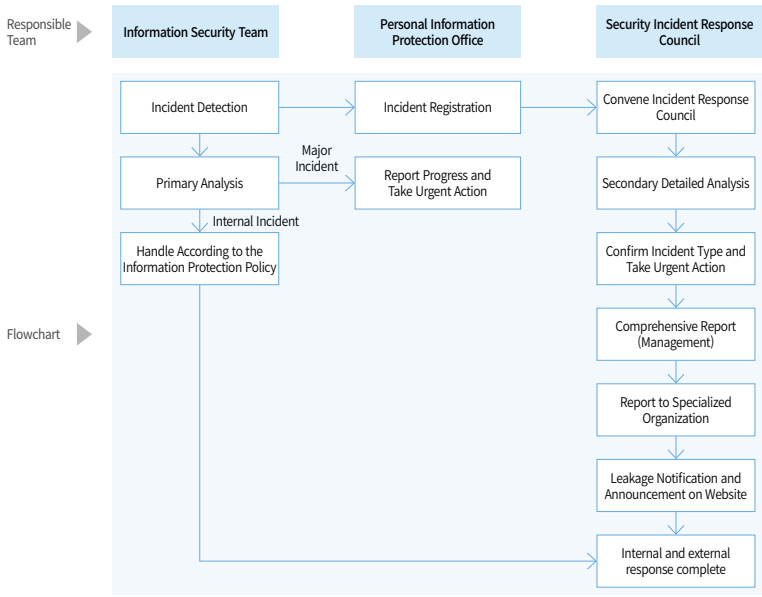
Personal Information Protection Council

Category	Details of Operation
Name	Personal Information Protection Council
Supervisor	Personal Information Protection Office
Purpose	Establish a system for cooperation by running a council of teams related to personal information, comply with legal requirements, and respond to issues in a timely manner, should they occur
Meeting Frequency	· Regular meeting: once a month · Ad-hoc meeting: In case of issue
Composition	Teams related to personal information and their roles · Legal team: identify laws and regulation standards, provide legal advice, respond to disputes · HR team (information protection): Review and inspect personal information security · Smart IT team: Manage personal information system status and implement security measures

Individuals Subject to Personal Information Protection Training and Content of Training

Category	Who	Content
CPO	Person responsible for personal information protection	Personal information protection measures and the role of CPO
Individuals handling personal information	Individuals with access to personal information system and those responsible for managing consigned companies	Understanding the Personal Information Protection Act, security measures for each step of personal information processing, information leakage prevention response, etc.
Companies consigned with personal information	Individuals in charge of Samsung Electro-Mechanics work at the consigned company	

Flowchart for Personal Information Leakage Incident Response



Personal Information Protection Inspection and Training

To manage risks concerning personal information, Samsung Electro-Mechanics conducts company-wide inspections through the Samsung Group Security Center, a third-party. We also check for internal management plan implementation and conduct internal audits more than once a year. When entrusting a third-party with personal information, responsibilities concerning personal information are specified in documents such as contracts, and we check if the consignee handles personal information in a safe manner, once a year.

We provide mandatory personal information training to employees handling personal information and check to ensure that individuals at companies consigned with personal information complete trainings. Through these efforts, we make sure everyone subject to training completes them 100%. Samsung Electro-Mechanics will continue to provide trainings and necessary support to our employees, so they recognize the importance of personal information protection and utilize and manage relevant policies and regulations in carrying out their jobs.

Establishing Personal Information Protection Leakage Incident Response Measures and Preventing such incidents

Samsung Electro-Mechanics actively responds to personal information related incidents by listing contact information and method for incident registration on our website. We also put together a comprehensive company-wide response system to be utilized in case of personal information leakage so we may act quickly to prevent additional leakage. Response guidelines were also devised to minimize risk in case of information leakage.

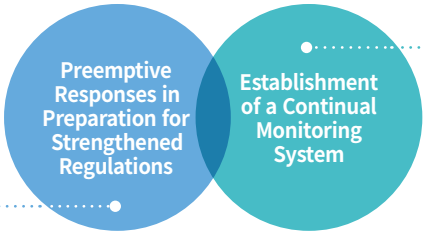
Should there be leakage of personal information, a security incident response council convenes quickly. Assigned individuals investigate the damage done, take urgent action on the system, analyze damage and impact, share progress, and review items that require legal response, all according to the standards of the correct incident type. Based on these works, s/he establishes the direction for comprehensive response, reports it to the Chief Privacy Officer, and then takes action. To prevent incident occurrence, we put in place disciplinary policies concerning those who violated the information security management standards and those responsible for management and supervision. We also commit to incident prevention by frequently implementing security measures, conducting inspections, and holding trainings.

System for Legal Consultation on Personal Information

Samsung Electro-Mechanics operates a personal information legal consultation system for our internal employees to comply with regulations regarding personal information. Inquiries related to personal information within the company can be registered at anytime on this system. By providing necessary legal measures and guidelines through legal reviews from domestic and international lawyers, we not only review personal information related security but also inspect and prevent legal risks.

Compliance Risk Mitigation

- Provide training programs and conduct inspections in accordance with 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. In 2020, we conducted our own inspections as a preemptive response to regulations being strengthened in areas such as anti-corruption, subcontracting, and insider trading, and we have continued our efforts to eradicate risks of legal violations by establishing a regular monitoring system.

[Disciplinary Sanctions]

As of 2020, 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.

Employee Participation in Risk Mitigation

Employee Participation in Risk Mitigation
To create a safe environment, Samsung Electro-Mechanics built a potential risk identification system to discover and remove risk factors in advance. In terms of compliance management, we built a compliance reporting system, through which we identify and remove risk factors such as internal corruptions in advance. We operate both systems with participation from our employees.

Compliance Checks

(Data Coverage 100%, unit: times)

	2018	2019	2020
Compliance Checks	7	6	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.
The highest ranking personnel in charge of risk management at Samsung Electro-Mechanics is the Director of Business Management and the highest ranking personnel in charge of monitoring risk management performance is the Compliance Officer. Risk points are reported to the Board of Directors and Audit Committee.
Risk management functions operate independently of business areas in each risk management sector (finance, audit, safe environment, etc.).

We evaluate the activities and individual processes of our headquarters and overseas branches (including business departments), focusing on 12 areas of business (finance, procurement, sales, 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.

Emerging Risks

There is possibility that the electronic components industry may be affected by the difficulties in securing raw materials and the trend of export restrictions caused by protectionism and strengthening of environment-friendly policies in major countries. To respond to possible risks, Samsung Electro-Mechanics is developing materials, working on securing mid-to-long term materials supply and demand, and carrying out company-wide digital transformation. We are also looking to expand our business so the electronics components account for more than 10% of our sales by 2026 by developing new technology and new products of MLCC and cameras for the promotion of our entry into the EV/green business.

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.

Samsung Electro-Mechanics does not transfer value created to jurisdictions with low tax rates nor do we misuse tax structures to avoid taxes. We do not use secrecy jurisdictions or tax havens.

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.

ISO 22301 is an international standard for business continuity management published in May 2012 by the International Organization for Standardization. ISO 22301 assesses companies' abilities to continually provide their products or services within the acceptable range prescribed in advance, in the event of a business disruptive accident.

Samsung Electro-Mechanics is constantly working on activities to prevent situations that halt business operations, reduce possibility of such occurrences, and respond to the situation and restore services in the event of such accidents by fully understanding the impact of business operation risks and their priorities. In response to the publication of the revised ISO 22301 in 2019, the company plans to review the key changes, establish countermeasures, and complete the transition audit from a 3rd party verification organization in 2021.

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 issues concerning infectious diseases 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

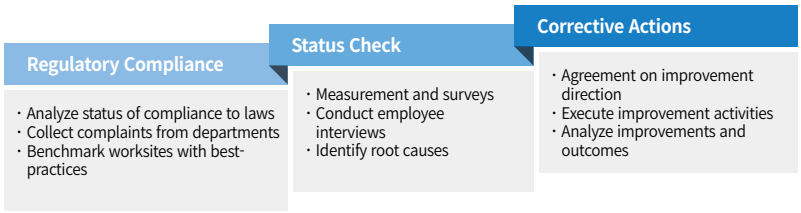
Safety & Health Management System

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. With the enactment of the ISO standard on safety and health management (ISO 45001, 2018), all domestic and overseas sites have completed transitions to the ISO 45001:2018 standard as of April 2021. By doing so, we established the foundation for health and safety management level improvement and the integrated operation of ISO HLS management system.

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 maintained Grade A in the category of best practices in safety and health support from a parent company, which was granted in 2020 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

2020 Implemented Exchanges for Product Environmental Impacts

A total of 2 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. We not only manage hazarous substances of the four types of phthalate (BBP, DBP, DEHP, DIBP) regulated by RoHS since July 2019, but also continuously manage other phthalates.

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.

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. Information Exchange Meetings on product environmental impact were held three times in 2019 and twice in 2020. 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.

Life-cycle Assessment (LCA)

Samsung Electro-Mechanics participated in the national LCI database building project and conducted life cycle assessments (LCA) for our key products (MLCC, FCB), which account for 44% of our products. The group of products for which we conducted a simplified LCA such as the Environmental Product Declaration (MLCC, BGA) account for 10% of all products.

Environmental Labeling and Declarations

Samsung Electro-Mechanics continues to ensure carbon footprint certification for its products. To respond to our customer's request for environment information and improve the environmental performance of our products, we obtained the Type III Environmental Product Declaration. Products related to this declaration accounted for 1.02% of sales in 2020. We also use Type II Self Environment Labeling and related products accounted for 91% of 2020 sales. In 2010, Samsung Electro-Mechanics acquired the Environmental Product Declaration certification (for carbon emissions), which was the first in the MLCC industry. The certification has expanded to include 3 product lines and as a result, Samsung Electro-Mechanics obtained 6 certifications in total, including one for low carbon. Relevant products account for 0.58% of sales. By using MLCC products, we reduced 36,772 tons of GHG emissions compared to emissions when using existing products. We plan to obtain Environmental Product Declaration certifications and carbon/water footprint certifications for 2 product lines by August 2021.

Resource Efficiency Benefits of Products

Samsung Electro-Mechanics is a B2B company, meaning that our products reach the end-user once they are mounted on finished goods. In manufacturing our products, we try to save water and energy and also recycle R/O concentrate water in the effort to prevent environmental problems. We also restrict direct burial of waste, and through this effort, we obtained the Zero Waste Burial Certification at the Busan business site in 2021. The percentage of products that provide pollutant reduction effects and resource efficiency benefits is 94%.

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.

Management of Hazardous and Chemical Substances

Management of Hazardous Materials in the Environment

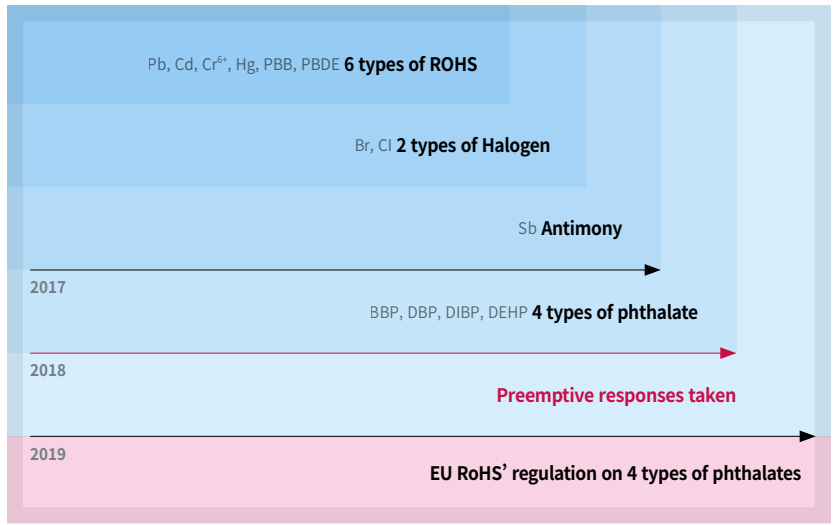
Since the ROHS Free (compliant) Declaration in 2006, Samsung Electro-Mechanics has been operating the hazardous substance management system, through which we manage chemical substance data of all raw and subsidiary materials from our suppliers in the form of a database. Samsung Electro-Mechanics voluntarily 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.

Operating System

Ratio of Operating Profit to Sales

(Data Coverage 100%)

10.1%

Debt Ratio

(Data Coverage 100%)

56.1%

R&D Expenses Compared to Sales

(Data Coverage 100%)

5.7%

Corruption Prevention Measures

- 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

Employees — **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 Electronics Head of Memory Flash Development, Samsung Electronics
Education	Ph.D in Advanced Control and Instrumentation, Seoul National University
Relationship to Samsung Electro-Mechanics	Director

Kang Bongyong

Division	CFO, Internal Director
Tenure	Mar. 2020~Mar. 2023 (3 years)
Number of Consecutive Terms	-
Current Role	Head of Corporate Business Support Team, Samsung Electro-Mechanics (CFO)
Work Experience	Head of DS Corporate Business Support Team, Samsung Electronics (CFO) Head of DS Support Dept, Samsung Electronics (Executive Vice President)
Education	Bachelors in Business Administration, Korea University
Relationship to Samsung Electro-Mechanics	Director

Kim Dooyoung

Division	Internal Director
Tenure	Mar. 2021~Mar. 2024 (3 years)
Number of Consecutive Terms	-
Current Role	Head of Components Business Unit, Samsung Electro-Mechanics (Executive Vice President)
Work Experience	Head of Component Manufacturing Dept, Samsung Electro-Mechanics (Executive Vice President)
Education	Bachelors in Electronics Engineering, Konkuk University
Relationship to Samsung Electro-Mechanics	Director

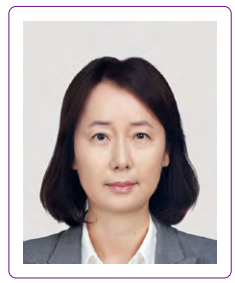
Name	Position	External Director Candidate Recommendation Committee	Compensation Committee	Audit Committee	Internal Transactions Committee	Management Committee
Kyung Kyehyun	CEO					●
Kang Bongyong	Internal Director					●
Kim Dooyoung	Internal Director					●
Kim Yongkyun	External Director	●	●	●	●	
Yoo 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 2021.

Kim Yongkyun

Yoo Jibeom

Kim Joonkyung



Yuh Yoonkyung

Chairman of the Board of Directors, External Director	External Director	External Director	External Director
Mar. 2021~Mar. 2024 (3 years)	Mar. 2020~Mar. 2023 (3 years)	Mar. 2020~Mar. 2023 (3 years)	Mar. 2020~Mar. 2023 (3 years)
1	1	-	-
Chief Lawyer at Barun Law LLC	Professor of Advanced Materials Science and Engineering at Sungkyunkwan University	Professor at KDI School of Public Policy and Management	Professor at Ewha Woman's University, Department of Business
Chief of Seoul Administrative Court/ Seoul Family Court Chief of Uijeongbu District Court	Vice-chancellor of SKKU Natural Sciences Campus Head of SKKU, School of Engineering	Chief of KDI Secretary for the Presidential Office of Finance and Economy	Member of Government Employees Pension Operating Committee Member of the Investment Pool Committee of the Ministry of Economy and Finance
Bachelors in Law, Seoul National University	Ph.D in Electronic Materials, Stanford University	Ph.D in Economics, UC San Diego	Ph.D in Personal Finance Services, Ohio State University
×	×	×	×

* The composition of the Board of Directors is based on data as of March 2021.

	Board of Directors	External Director Candidate Recommendation Committee	Compensation Committee	Audit Committee	Internal Transactions Committee
Times Held	11	1	1	5	6
Participation Rate of External Directors	98%	100%	100%	93%	94%

* This quantifiable index is based on January 1st, 2020 to December 31st, 2020.

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.

Committees	Goals and Objectives
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

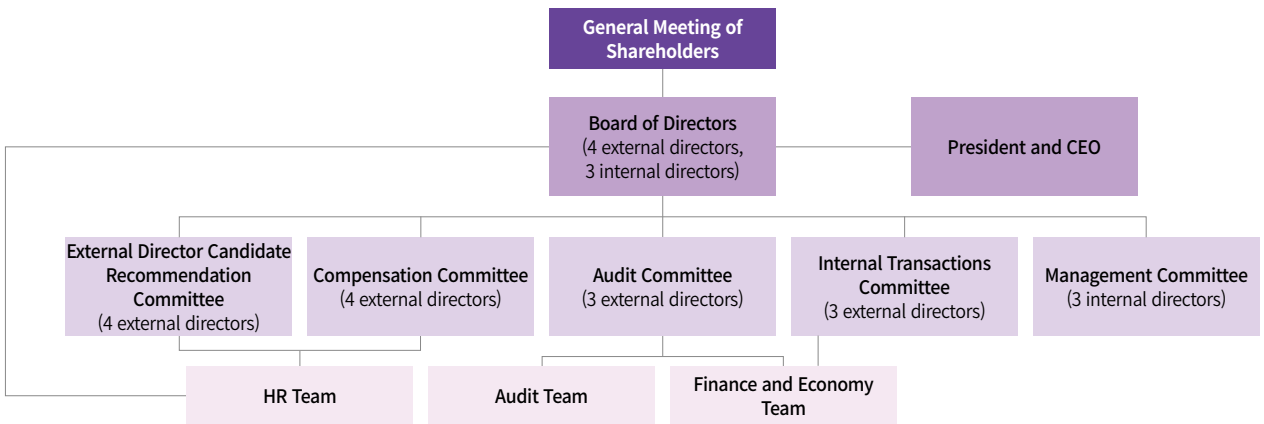
Board members receive copies of meeting agenda and related information at least 5 days prior to committee meetings, and 3 days prior for committees under the board for sufficient review the agenda. Key agenda items important to the company such as major strategic investments are reported to the board in advance and directors provide feedback after discussions. The items discussed are decided at a separate Board of Directors' meeting.
Samsung Electro-Mechanics Board of Directors meetings were held 11 times in 2020, and 32 agenda items, including the regular general meeting of shareholders, approval of contributions funds, performance and prospected reports were approved and reported.The attendance rate of external directors from the committees including the Audit Committee, Internal Transactions Committee, Compensation Committee, and External Director Candidate Recommendation Committee is 97%.

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 2020, we had an in-depth discussion on ways to enhance competitiveness of our major businesses and foster technology to establish a new foundation for growth.

Independence of the Board of Directors

To enhance the expertise and efficiency of the Board of Director's task performance and also strengthen the BoD's independence, we operate 5 internal committees within the Board: Audit Committee, Internal Transactions Committee, External Director Candidate Recommendation Committee, Management Committee, and Compensation Committee. To maintain the independence of the Board of Directors, people subject to the following cannot be appointed to the position of external director: former employee who retired less than 5 years ago; person in special relationship with the company, such as the CEO or largest stockholder; employee of the company at which our executive officer is an external director; accounting firm's employee who was in charge of our company's audits; and person who retired from the company less than 5 years ago. Decisions made by the committees upon delegation from the BoD have the same effect as that made by the BoD, and the results are reported to the BoD. Matters concerning the composition and operation of the committees are stipulated in Samsung Electro-Mechanics' Articles of Incorporation and the Rules of the Board of Directors and Committees, and committees are organized in accordance with the specified rules. External directors' average number of years of continued service was 1.75 years in 2020.



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.

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. The group of external directors includes a female professor specializing in finance as well as reputable experts in economics, law, and engineering with diverse experiences.

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

(unit: no. of stocks, %)

	Number of Stocks	Percentage
Samsung Electronics	17,693,084	23.7
National Pension Service	9,565,084	12.8
Samsung Asset Management	1,078,196	1.4
Mirae Asset Global Investments	571,373	0.8
Korea Post	508,113	0.7

Top 5 Overseas Shareholders

(unit: no. of stocks, %)

	Number of Stocks	Percentage
BLACKROCK	2,151,051	2.9
VANGUARD	1,658,252	2.2
GIC	1,045,889	1.4
EPF	995,421	1.3
NBIM	697,870	0.9

Status of Shareholders

(unit: no. of stocks, %)

	Common Stocks		Preferred Stocks		Total	
	Number of Stocks	Percentage	Number of Stocks	Percentage	Number of Stocks	Percentage
Individuals	13,313,743	17.8	1,737,412	59.8	15,051,155	19.4
Institutions	17,722,308	23.7	556,660	19.1	18,278,968	23.6
Foreigners	23,964,561	32.1	559,482	19.2	24,524,043	31.6
Samsung Electronics	17,693,084	23.7	-	-	17,693,084	22.8
Treasury Stock	2,000,000	2.7	53,430	1.8	2,053,430	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, 2020.

Electronic General Meeting of Shareholders held

In the 48th General Meeting of Shareholders in 2021, Samsung Electro-Mechanics introduced the online voting system and live streaming online for shareholders unable to attend due to time/space restrictions. In order to strengthen communication with our shareholders, we collected their questions in advance online and took the time to have the management answer these questions and those raised on site at the General Meeting.

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 2020 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 2021, we plan to offer necessary training to the Audit Committee members through an external auditor. There is also ESG training planned for the Board of Directors.

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 4 external directors 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%.
In 2020, the total dividend payout was 105.9 billion KRW, which is a 27% increase year-on-year. 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 the end of 2020. Among them, there are 72,520,094 common stocks with voting rights, excluding 2,906,984 preferred stocks and 2,173,602 common stocks of which voting rights are limited pursuant to related regulations. As of the end of 2020, the majority shareholder of Samsung Electro-Mechanics is Samsung Electronics with 17,693,084 shares or 23.7% of the total shares.

Status of Subsidiaries

As the highest parent company, Samsung Electro-Mechanics has plants in Suwon of the Gyeonggi Province, Sejong Special Self-Governing City, and Busan Metropolitan City and has 15 subsidiaries and 1 affiliate in Korea, the United States, Europe, and various countries in Asia.

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 provided key information on transparent management and ESG activities in a timely manner and achieved substantial results. We acquired an A grade in integrated ESG performance from the Korea Corporate Governance Service in 2020, were included in the Dow Jones Sustainability World Index (DJSI) for 12 consecutive years, selected among the top companies by Carbon Disclosure Project (CDP), and listed among the FTSE4Good Index companies for 10 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.

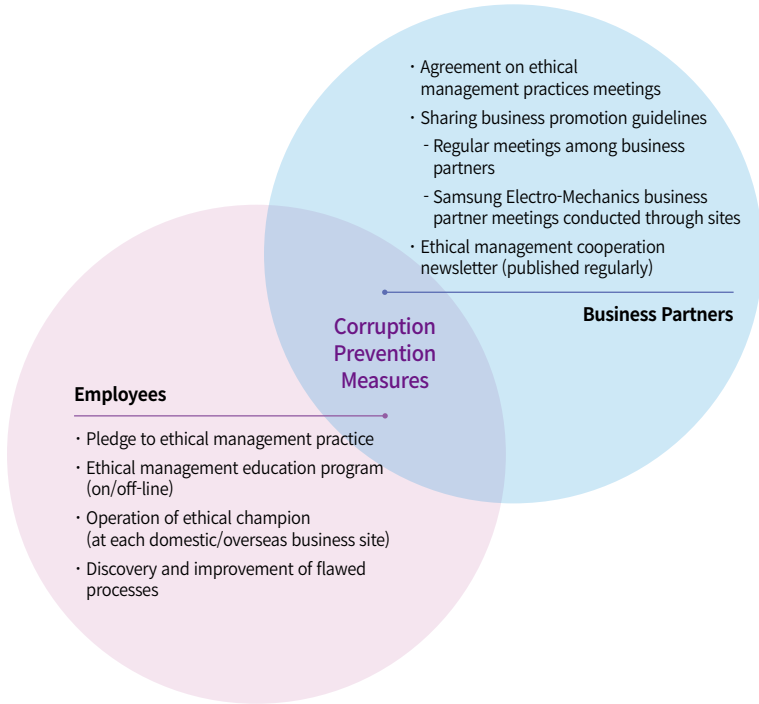
Ethical Management

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.

We also enforce code of conduct training, which includes training on employee corruption prevention, to all employees every year.

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.

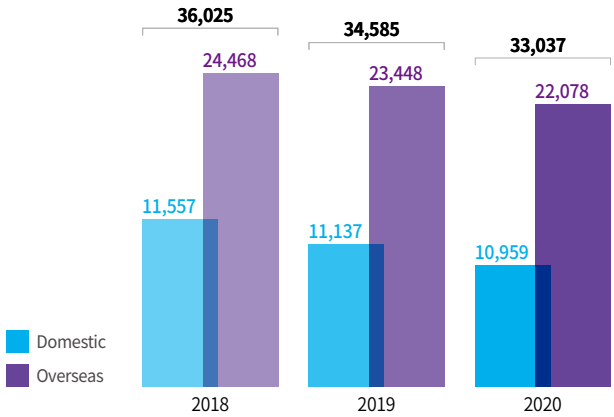
Dissemination of Ethical Management to Suppliers

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.

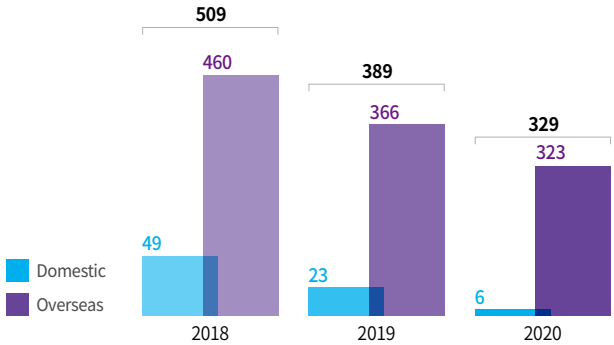
Number of Employees that Participated in Corruption Prevention Trainings

(Data Coverage 100%, unit: persons)



Employee Corruption Prevention Trainings

(Data Coverage 100%, 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: Components Business, Module Business, and Substrate Business. We have three domestic business sites, each in Suwon, Busan, and Sejong. 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. 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 2020, due to protracted trade conflicts between the US and China 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 KRW 829.1 billion. 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. Samsung Electro-Mechanics is leading company-wide process innovation activities on the basis of foundational technologies of manufacturing, such as mounting technology, clean technology, equipment maintenance technology, and manufacturing logistics technology. Through these efforts, we improved defects, boosted efficiency, and enhanced productivity. We also built on-site systems to stay in line with digital transformation and are thus constructing a data-based manufacturing site. Thanks to our process innovation, we saw a 0.74% sales cost reduction effect in 2020. We not only saved on costs but also increased factory management effectiveness, thereby greatly improving the working environment and our safety level.

R&D Investment

(Data Coverage 100%, unit: KRW million, %)

	2018	2019	2020
R&D expenses	482,914	524,534	483,139
R&D expenses/Sales	6.3	6.8	5.7

* 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., FY 2018 and FY 2019 items were rewritten.

Sales Volume by Business Solution

(Data Coverage 100%, unit: KRW million)

Businesses	Major Products	Usage	2018	2019	2020
Component	Passive electronic components (MLCC, Inductor, Chip Resistor, etc.)	For PCs, smartphones, general, etc.	3,550,146	3,219,758	3,644,957
Module	Camera module, Communication module	For smartphones, etc.	2,830,845	3,028,253	2,802,452
Substrate	High-density multi-layer boards	For PCs, smartphones, general purpose, etc.	1,338,096	1,470,287	1,761,329
Total			**7,719,087**	**7,718,298**	**8,208,738**

2020 Sales

(Data Coverage 100%, unit: KRW 100 million)

82,087

Patent Status

(Data Coverage 100%, unit: cases)

		2018	2019	2020
Domestic	Registered	2,790	3,141	3,575
	Pending	3,857	2,628	2,291
Overseas	Registered	3,903	4,053	4,655
	Pending	3,381	3,119	3,297
Total		**13,931**	**12,941**	**13,818**

Intellectual Property Rights

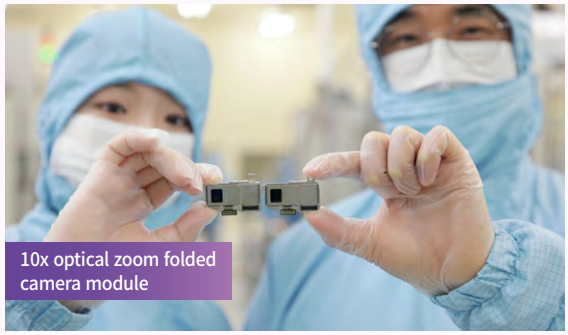
At a time when the scope of business has become globalized beyond industry and region, we are reinforcing our competitiveness in intellectual property rights (IPR) by securing source technologies and R&D competitiveness. The rapidly changing technological developments and trends clearly manifest the 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 2020, we hold 5,866 domestic patents and 7,952 patents overseas. Among them, 3,575 cumulative domestic patents and 4,655 cumulative overseas patents are registered as intellectual intangible assets as of 2020.

SPECIAL CASE

Development of 10x Optical Zoom Folded Camera Module

Samsung Electro-Mechanics is the first company in the country to develop a 10x optical zoom folded camera module and we currently supply this module to global smartphone companies.
Optical zoom is a function that allows for a camera to zoom in on distant subjects without sacrificing resolution quality, and higher magnification optical zoom is realized when the focal length (the distance between the image sensor and lens) is greater.
In 2019, Samsung Electro-Mechanics developed a folded camera module that secured focal length by refracting light in the form of a periscope and thus successfully realized the 5x optical zoom function without excessive protrusion of the camera. However, the problem of space inefficiency in smartphones remained even with the folded module because the length of the camera module increases with greater optical zoom magnification. To address this issue, we developed a dual folded camera module that doubles the focal length by refracting the light twice while only increasing the length of the camera module by 25%. Also, to reduce the height of the camera module, we applied an internally developed lens with its top and bottom cut off. In particular, we minimized loss from light refraction using the low-loss surface coating technology and ensured photo clarity by applying high sensitivity sensor ball guide actuator that stabilizes the image even at a long lens operation distance.



10x optical zoom folded camera module

Sustainable Management Topic 2

Customers and Business Partners

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.

Management System for Responsible Minerals

Process	Raise awareness among business partners →	Investigate the status of the use of minerals from conflict and high-risk areas →	Reasonable verification of the investigation results →	Identify and evaluate risks within the supply chain →	Establish plans to make corrections against risks and report 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

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 completed the transition to IATF 16949 (established in 2016), an automotive quality management system, in 2018. The Quality Assurance Division, newly formed directly under the CEO, comprises the CS Team, Mass Production QA Team, and Development QA Team. The division frequently conducts inspections and provides feedback on the overall process, including development, mass production, and customer service, thereby supporting the company's endeavor to reach the company-wide quality target.
Samsung Electro-Mechanics secures development quality by enhancing forecasting abilities through the establishment of the Shift-Left testing system (improve advanced development task completion level, identify the risks tied to each development phase in advance) and statistics-based reliability technology research. In the mass production stage, we prevent the spread of defective products by advancing the Spec-based (e-Spec. center in operation) early stage/micro abnormality detection system and ensuring mass production quality. By speeding up customer service and carrying out activities to root out customer defects, we impress our customers and secure global quality competitiveness.

Global World Top Quality

Process Quality Stabilization ⟷ **Sophistication of Quality System**

Enhance Development Quality	· Enhancing roles of development quality · Strengthening process verification in each stage · Identifying potential risks of new technology and strengthening verification of simulations
Secure mass Production Quality	· Advancing the Spec. system (operating Spec. center) and the abnormality detection system · Establishing the customer defect-linked chronic quality defect improvement One Team · Advancing material/component quality system
Establish Customer Service/ Quality System	· Speeding up customer service by operating the best expert team · Building and operating a customer information DB · Building a DB of product quality data by product life cycle and

Establishing Site-based Quality Assurance Culture | **Complying with Rule & Process**

Samsung Electro-Mechanics conducts quality division basic compliance trainings based on the quality management system. All employees subject to the training completed the training and we saw the benefit of seeing a decrease in VOC (voice of the customer). The training requires all productions to follow the agreed rules and processes and strengthens the ability to respond proactively and improve quality by detecting issues early on. We also conduct training on enhancing overall efficiency of equipment and facilities through preventive maintenance of equipment and facilities. All employees required to complete this session completed their trainings, and as a result, we were able to secure equipment and facility maintenance personnel.

Online Communication

Website

Our website was designed with consideration to user convenience. By reflecting behavior patterns of users visiting the website, we constructed the website menu in a way that enables users to quickly find their desired information. Links between information also enhance data accesibility. We are upgrading the search function to offer consistent data on our products and help users easily find information they need. Website optimization is available not only on the web but also on mobile devices.
To allow all users including socially vulnerable groups such as the elderly and people with visual and hearing impairments or color-blindness to freely and conveniently use the website, we abide by the standard guidelines for web accessibility and receive certifications for web accessibility each year.

Samsung Electro-Mechanics' Website

Social Media

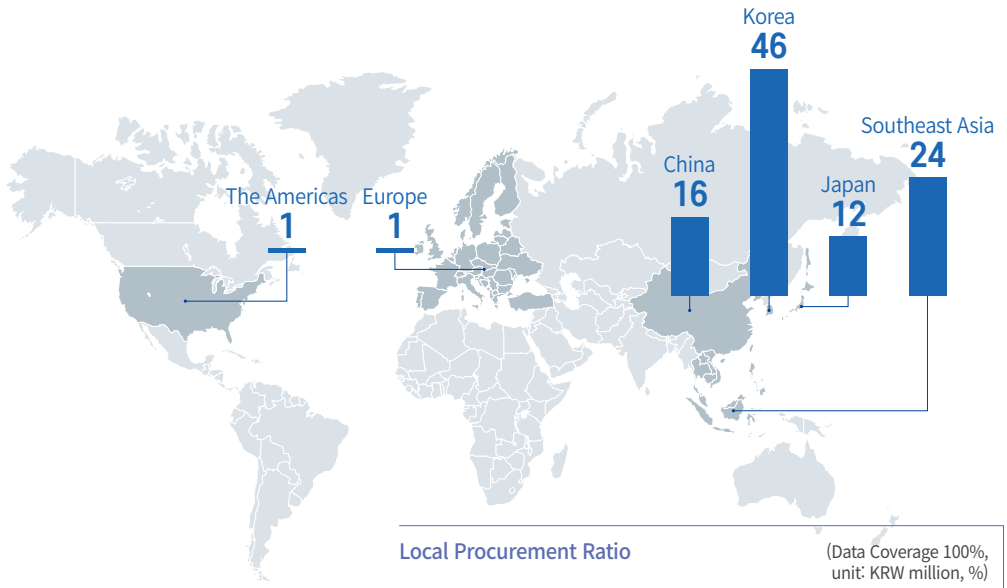
Samsung Electro-Mechanics runs a wide range of social medial channels, including YouTube, Facebook, LinkedIn, and a web blog. Our YouTube channel provides video contents that reflect contemporary trends and delivers complex information that is hard to convey in writing in an easy and descriptive way. We communicate consistently with not only domestic followers but also those overseas via LinkedIn.

Supply Chain

We evaluate business partners to establish a sustainable supply chain.

Procurement by Region

(Data Coverage 100%, 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.

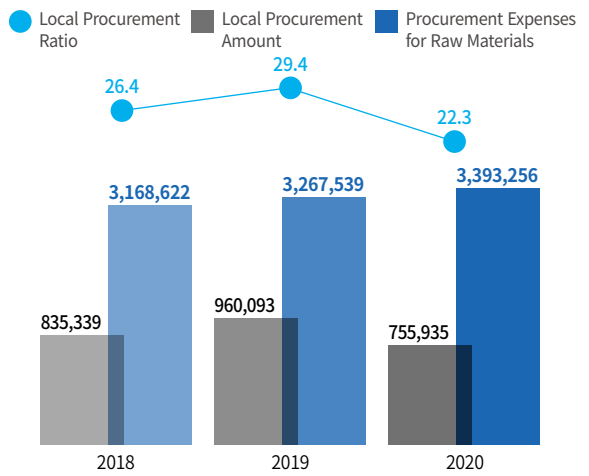
This is to ensure compliance with global regulations including the eradication of child labor, human rights protection, anti-discrimination and non-use of minerals from conflict zones. We extend institutional support to withhold trade with business partners that violate these rules. Samsung Electro-Mechanics 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 3.4 trillion a year, which are mainly semi-conductors, semi-finished products, raw materials and medicinal products from about 246 business partners in more than 19 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

(Data Coverage 100%, 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 2020, approximately 8 cases of development tasks of business partners were identified and developed, among 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

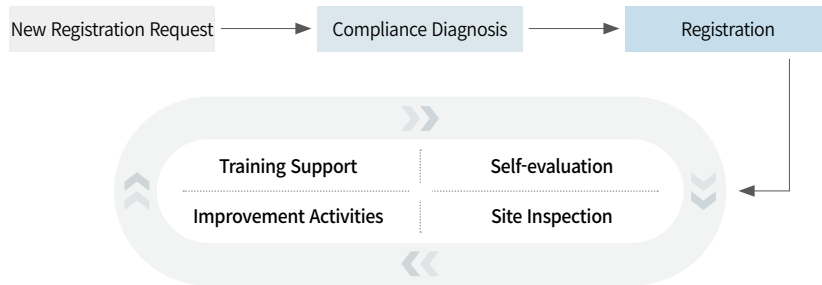
Supply Chain Risks

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.

Definition of Critical Suppliers

We define our critical suppliers as follows: high-volume suppliers or similar, critical component suppliers or similar, non-substitutable suppliers or similar, and new business partners.

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.

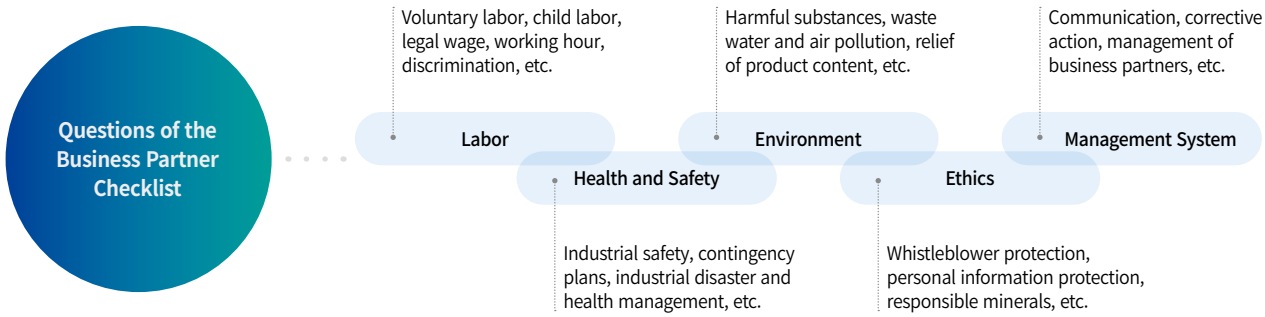
Workers' Rights
Samsung Electro-Mechanics reviews in depth prohibition of child labor, employment contracts, compliance with laws related to wage, protection of minors and pregnant workers, antidiscrimination, work hours, etc. to guarantee workers' rights. In particular, we support the inspection and improvement of working hours so that the hours are in line with the revised law on reduced working hours for the betterment of workers' quality of life.

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.

Corporate 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. Our Mutual Collaboration Team established relevant policies and evaluation and uses them to conduct assessments. We also participate in training related to sus- tainable management once a year.

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 environments. The Code of Conduct for business partners is disclosed on our website to be openly shared with all stakeholders, and we apply the code to all partner companies, getting 100% compliance consent when signing new contracts with them.

Self-evaluation Checklist

Samsung Electro-Mechanics shared a self-evaluation checklist based on the RBA Code of Conduct to help our business partners understand where they are in terms of compliance management and discover areas for improvement. As such, each business partner can become aware of problems through self-evaluations and autonomously identify areas that call for improvement in terms compliance management.

On-site Inspections and Support for Improvements

Samsung Electro-Mechanics visits its business partners to conduct on-site inspections with the evaluation checklist identical to the self-evaluation checklist, provides guidelines for compliance activities related to each evaluation item, and supports its partners in developing improvement measures for items that failed to pass the criteria, all in order to improve their 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 of Business Partners and Results of Support

Samsung Electro-Mechanics selects domestic and overseas business partners to be evaluated each year in order to assess sustainability risks and make improvements. From 2017 to 2020, Samsung Electro-Mechanics selected major business partners as evaluation targets and completed 100% of assessments through self-evaluations and business partner site visits. Based on assessments following the Responsible Business Alliance (RBA) Code of Conduct, we identified 65 business partners that scored 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 scores of the selected business partners improved overall.

Investigations on Responsible Minerals

100%

Samsung Electro-Mechanics is gradually expanding the number of business partners subject to evaluations and plans to evaluate more than 100 domestic and overseas suppliers in 2021. 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 key 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 Assessment of Newly Registering Suppliers
Samsung Electro-Mechanics conducts on-site assessment of compliance management for new business partners using a checklist identical to the self-evaluation checklist. Business partner registration is restricted if the subject company has violated mandatory compliance items or scores below the threshold.

Self-evaluation of Existing Suppliers
Samsung Electro-Mechanics demands its business partners selected as evaluation targets to conduct an annual self-evaluation 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 procurement portal MaPS after final approval from the CEO of the partner company.
Samsung Electro-Mechanics conducts on-site assessments to verify the actual operating status after reviewing the results of self-evaluations.

Responsible and Transparent Management of Minerals

In order to fulfill its social responsibility, Samsung Electro-Mechanics established a responsible supply chain management system and strives to minimize negative impacts on the society and environment such as human rights violations and environmental destruction that may arise during mineral extraction. In particular, we are continuously working on improving the environment and human rights issues in high-risk regions and conflict zones, including the child labor issue at cobalt mines, where human rights infringement or child labor issues may emerge.

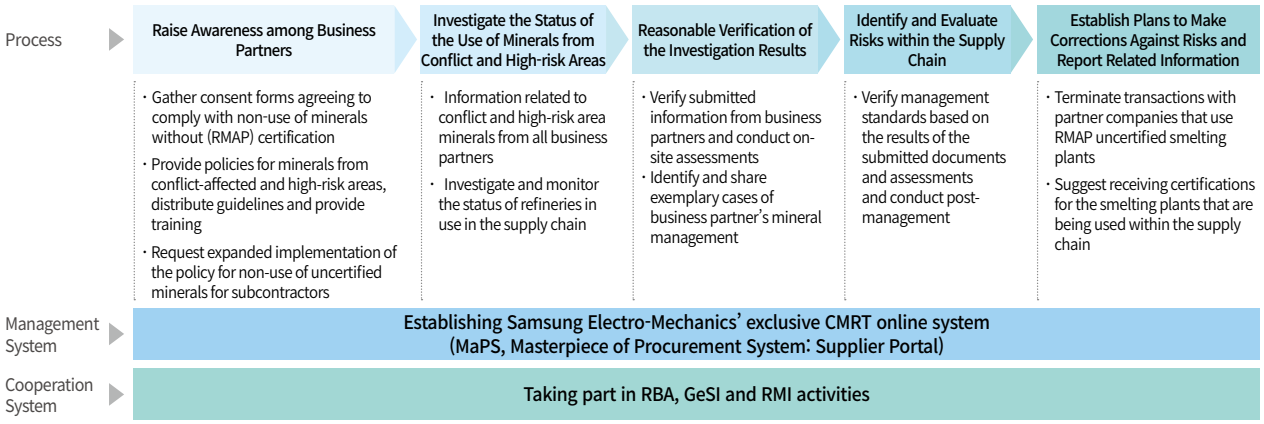
In observance of OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, we require our business partners to abide by the company's Code of Conduct that was established based on international laws with business partners so that minerals can 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 Responsible Minerals
For conflict minerals (3TG) and cobalt, which are responsible minerals, 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 requires of all business partners their consents on the non-use of conflict minerals unethically mined in the Democratic Republic of Congo and 10 countries in the adjacent conflict zones, non-use of cobalt produced in conflict zones and high-risk areas, and prohibition of the use of uncertifiable responsible minerals. We request that these policies of Samsung Electro-Mechanics are also enforced at our partner companies, and manage relevant information through MaPS.

Trainings for Business Partners
Samsung Electro-Mechanics develops and shares educational material on responsible minerals policies and responsible mineral management with our business partners. To raise awarness on responsible mineral issues, we provide trainings on conversion to RMAP certified refineries and entry of refinery information. We have been conducting on-site inspections of business partners annually since 2018 and have provided additional trainings in areas that require stricter management. In 2020, we shared the company's responsible mineral policies and guidelines with all business partners to support their educational activities and daily work processes. We are striving to improve our partners' understandings of responsible mineral mining issues and are also working together to prohibit the use of non-certified refineries.

Responsible Minerals Management System (Based on the OECD Due Diligence Guidance)



Inspections on the Use of Minerals from Conflict and High-Risk Areas

Samsung Electro-Mechanics regularly conducts investigations on the status of the use of responsible minerals in the entire supply chain more than once a year. From January to March 2020, we verified information regarding smelting plants within the supply chain and the status of the use of conflict minerals and cobalt by business partners using the newest RMI CMRT (Conflict Minerals Reporting Template) and CRT (Cobalt Reporting Template). In addition, Samsung Electro-Mechanics requested that the company's policies on non-use of responsible minerals be further implemented by our partner companies. In the case that a RMAP non-certified refinery is identified, we immediately encourage that the refinery obtains RMAP certification and confirm the mineral's place of origin with our partner company. Samsung Electro-Mechanics' policies on responsible minerals and the refineries we use are published publicly on our website.

Reasonable Verification of the Investigation Results

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 use of RMAP certified responsible minerals, responsible minerals policies and responsible minerals information management systems.

Verification of Risks and Improvement Measures

Samsung Electro-Mechanics requires all business partners to refrain from using non-certified minerals, and to prevent the use of non-certified minerals from the initial stage of development, we monitor the use of responsible minerals by mineral type and the source of the minerals. Additionally, business partners that appear 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 the Use of Responsible Minerals in the Supply Chain (2020 Refinery Investigation Results)

(Data Coverage 100%, Unit: number of plants)

Mineral	Conformant	Active	Total	Certified %
Tantalum	37	-	37	100%
Tin	53	-	53	100%
Tungsten	36	-	36	100%
Gold	101	-	101	100%
Cobalt	23	-	23	100%
Total	**250**	**-**	**250**	**100%**

Responsible Minerals Information

Efforts for Business Partners to Convert to RMAP-certified Refineries

As of the end of 2020, all business partners of Samsung Electro-Mechanics is carrying out transactions with RMAP-certified refineries for all responsible minerals. Also, we continuously recommend that that refineries that are not RMAP-certified or have unclear source of minerals obtain RMAP certifications.

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 2020, we selected 5 tasks from 5 business partners for joint development projects. Samsung Electro-Mechanics is operating the "Win-Win Plaza" for technological cooperation with business partners since 2005. In 2020, 7 business partners were stationed in the Win-Win Plaza and conducted 10 tasks, where we provide financial support by collecting R&D funds with the government.

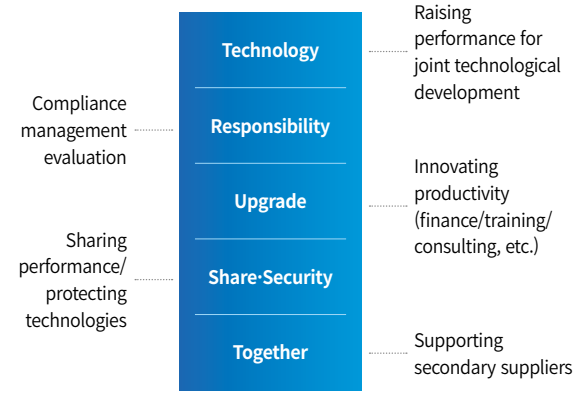
Expanding the Culture of Shared Growth among Business Partners

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 the RBA Code of Conduct

To support our business partners' safety environment and ensure the entire supply chain's compliance with the RBA Code of Conduct, Samsung Electro-Mechanics has been providing RBA training, support for self-inspections, on-site inspections through visits, improvement support, and consulting services since 2015. Every year, we select and award business partners for excellence in compliance management and strive to have the voluntary compliance achieving culture spread among our business partners.

Direction of Shared Growth



Four Axes for Shared Growth

Intensifying Technological Development	Supporting CSR
Enhancing Productivity	Supporting Secondary Suppliers

Productivity Enhancement for Suppliers

Financial Support through the Win-win Fund

Samsung Electro-Mechanics has created the Win-Win Fund worth KRW 100 billion in partnership with Woori Bank since 2010 to enable capital investment and liquidity support for business partners. With this fund, we offer a low-interest rate loan program of up to KRW 4 billion. In 2020, we adjusted the fund to KRW 80 billion to increase business partner support interest rate benefit and provided KRW 32.7 billion support to 20 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 2020, Samsung Electro-Mechanics provided training to 615 individuals via a total of 52 courses for different roles and tasks.

Support for the 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 2020, we supported 2 business partners.

Safety Environment Support for Supply Chains

Prevention of Environmental and Chemical Substance Disasters

Since 2013, we have been providing consulting on environment and chemical materials with our specialized workforce to business partners that use large amounts of harmful chemical material. Through these consultings, Samsung Electro-Mechanics responds to environmental regulations, inspects facilities that store and handle chemical material for their safe management, and verifies facilities in use. By doing so, we identify and improve risk factors, and thus actively support disaster prevention such as leakage of chemical substances.

Higher Energy Efficiency

Samsung Electro-Mechanics provides business partners with various support for energy efficiency. We conducted consulting on the efficient use of energy with the help of our in-house specialists. Thanks to our partnership with the Korea Energy Agency, we are rolling out measures to support energy efficiency improvement, such as assessing our energy efficiency, identifying ways to reduce and improve energy use, and learning energy saving tips, in cooperation with external specialized institutions.

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.

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 to exchange shared growth policies, listen to the VOC, and resolve issues.

By 2021, we plan to fund KRW 55.2 billion in terms of financial support, offer support in recruiting and hiring more than 50 people, and provide training aid to 1,000 employees of our business partners to secure their competitiveness.

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.vos@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 2020, we provided support for obtaining safety and health management system certifications to a total of 121 companies, free of charge. We are doing our utmost in terms of safety management by enabling our business partners to build and adopt safety, environment, and health management systems they can manage on their own.

Korea Energy Agency, Energy Saving Consulting

Samsung Electro-Mechanics signed an agreement with the Korea Energy Agency in 2013 to provide free energy saving consulting to business partners. Professional consulting has been extended to 17 business partners, which received support in energy use assessment and energy reduction method identification, energy efficiency improvement and GHG emission reduction through reduction technology transfer, and energy management system establishment through energy reduction technology training.

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 2020, disaster prevention specialists were sent to 93 business partners to conduct on-site 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

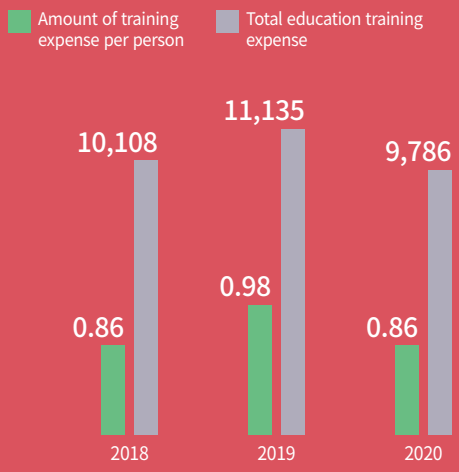
Employees

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.

Educational Expenses

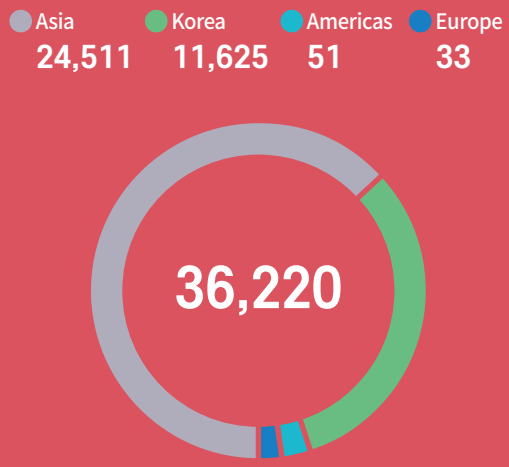
(Data Coverage 32%*, unit: KRW million)



* Domestic employees / All employees

Employees by Region, 2020

(Data Coverage 100%, unit: persons)



Human Rights Policy

1. Respect the freedom of association, collective bargaining, and rights to collective actions
2. 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
3. Efforts to preemptively comply with human rights protection items stipulated in the Constitution and Labor Laws
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.

Organizational Culture

Samsung Electro-Mechanics strives to create an organizational culture that will make us a top growth company through positive employee experience.

Bottom-up Innovation of the Organizational Culture

In the rapidly evolving industrial environment, Samsung Electro-Mechanics started to ponder on what we do to be a good company that supports growth and provides pleasant experiences.
To initiate an employee-oriented organizational culture innovation project, we selected employee representatives from various levels and established our mission, vision, and core values with participation from over 200 employees in our workshops over the course of 8 months in 2020.
We wish to advance under the set mission, vision, and core values (RiGHT) so each and every employee can be recognized for his or her unique values and exhibit them.

Leaders Setting Examples in Changing the Organizational Culture

We continuously hold leader workshops on organizational culture, as we recognize the importance of leaders in changing organizational culture.
In 2020, 6 topics were discussed to help the company transform into an agile organization that yields best performance: facilitative leadership, change management, agile organization, outward mindset, leader's courage, and decision-making. Action items were also derived from the discussions.
This year, we are working with employees to draw behavioral principles expected of leaders and ensure they are witnessed in practice. We also run various programs that help leaders set examples in advancing our organizational culture.

Horizontal Communication and the Culture of Participation

Samsung Electro-Mechanics recognizes that mutual respect is the beginning of all respect. Based on this understanding, we have been promoting the use of honorific speech by all employees since July 2020. Since the beginning of the campaign, we have been continuously checking on the changes through quarterly surveys and encourage that the culture of mutual respect takes root.

To help management and employees communicate freely, we hold weekly Thursday Talks. All employees, including the CEO, can participate as speakers, and the program is livestreamed online. We run a real-time chat box while Thursday Talk is livestreamed so people can freely raise questions and share thoughts.

Building a Culture of Complimenting

To strengthen communication and cooperation among our employees, we run a Compliment Bulletin Board where they can post words of compliment and encouragement for their peers. The postings are public and 'points' can be sent to peers. The accumulated points that employees received from their peers are converted into welfare points to be used in the following year.

Recruitment and Workforce Configuration

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

Talent Recruitment

Vision for Talent

Samsung Electro-Mechanics is hiring talents in various ways, including seasonal recruitment of new hires and experienced hires, in order to acquire top talents fitting with the company's 5 core values of "RiGHT" (Respect all, integrity first, Growth mind, Harmony with, Technology for Great).

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 opportunities to acquire hands-on company experience and lessons.

People Analytics & Strategic Workforce Planning

To understand our current status accurately and plan for the future using data, Samsung Electro-Mechanics adopts people analytics that collects and analyzes human resource and organization data through statistics and data analytics method. People analytics is utilized in various areas, including recruiting top talents in line with the business direction, establishing strategic human resource plans, and improving work satisfaction of employees. We created a dashboard of key data such as total number of employees, talent, and churn rate in the internal HR system and analyze the collected data. Strategic human resource planning through people analytics helps us acquire talent and operate the organization/human resource in ways fitting with our business direction, thereby contributing to accomplishing the company's goals.

Fair 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 openly recruiting not only university graduates but also 2-year college and high school graduates as new employees. As for experienced hires, we recruit talents on a rolling basis, depending on the needs of jobs or departments, thereby spreading a merit-based recruiting culture.

Current Status of Non-Permanent Employees

To root out unnecessary non-permanent hires, Samsung Electro-Mechanics set as principle that we hire workers as permanent employees if the tasks they are responsible for are regular and continuous. Non-permanent employees who are already hired are treated equally as permanent workers who do the same work.

Status of Employment by Position

(Data Coverage 100%, unit: persons)

		2018	2019	2020
Domestic	Executives	57	53	55
	Mid-executives	4,158	4,266	4,605
	Employees	7,388	6,988	6,653
	Non-regular Employees	121	164	312
	Sub total	**11,724**	**11,471**	**11,625**
Overseas	Executives	6	9	9
	Mid-executives	785	847	980
	Employees	24,008	21,915	23,586
	Non-regular Employees	949	22	20
	Sub total	**25,748**	**22,793**	**24,595**
Total		**37,472**	**34,264**	**36,220**

Diversity

Diversity and Inclusion

Samsung Electro-Mechanics respects the diversity of our employees and we strive to create a condition for victory through inclusion and fair practice. Every individual is unique in various aspects such as race, gender, age, values, and preference. We are thus creating an environment where all individuals can be respected, accepted for who they are, capture opportunities, and perform at their best levels.

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. Our domestic employees' average number of years of continued service is 13 years, as of 2020.

Diversity in Gender

As of 2020, female employees at Samsung Electro-Mechanics constitute 24% of our workforce in Korea and 54% of the total overseas. 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. The share of women in junior management positions is 20.7%, the share of women in revenue-generating functions position is 10.8%, and the share of women in STEM-related positions is 32.8%, and women will continue to be empowered going forward.

Regional Diversity

In 2020, 32.1% of our employees were working in Korea and 67.9% overseas. The proportion of managers by region in 2020 were: Korea 82.7%, Asia 16.4%, Americas 0.6%, and Europe 0.3%.

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 231 in 2020, which is around 2% of the total number of domestic employees. We will continue to expand the employment of people with disabilities.

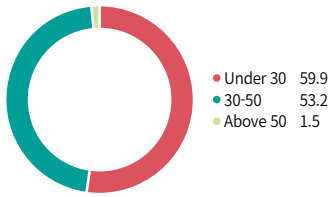
Total Number of Employees

(Data Coverage 100%, unit: persons)

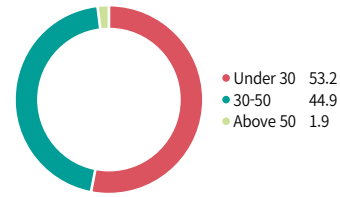
36,220

Status of Employee by Age

(Data Coverage 100%, unit: %)



2018



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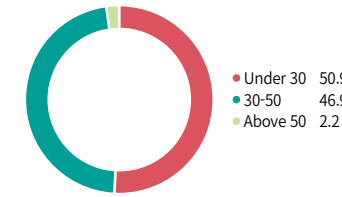
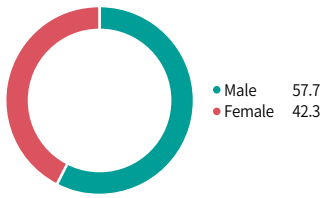


2020

Status of Employee by Gender

(Data Coverage 100%, unit: %)



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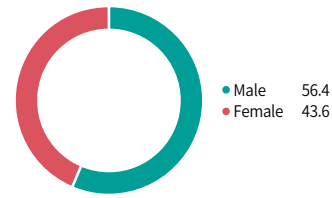

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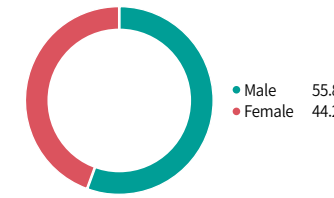
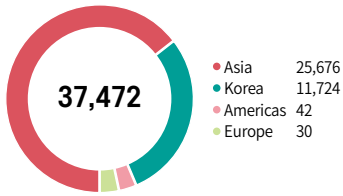


2020

Employees by Region

(Data Coverage 100%, unit: persons)



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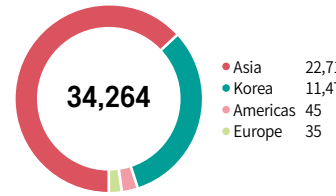
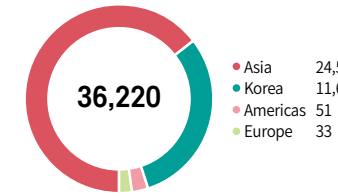


2019



2020

Status of Female Senior Officers

(Data Coverage 100%, unit: persons)

		2018	2019	2020
Domestic	Total senior officers	4,158	4,311	4,638
	Female senior officers	298	344	426
	Percentage	7.2%	8.0%	9.2%
Overseas	Total senior officers	785	848	980
	Female senior officers	221	242	286
	Percentage	28.2%	28.5%	29.2%
Total number of female senior officers in Korea and abroad		**519**	**586**	**712**

Status of Gender

(Data Coverage 100%, unit: persons)

		2018	2019	2020
Domestic	Male	9,023	8,738	8,849
	Female	2,701	2,733	2,776
	Sub total	11,724	11,471	11,625
Overseas	Male	12,600	10,577	11,355
	Female	13,148	12,216	13,240
	Sub total	25,748	22,793	24,595
Total		**37,472**	**34,264**	**36,220**

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 company news and corporate culture. The anonymous bulletin board on "SEM Talk" encourages free and open communication among our employees, while the council bulletin board serves as an outlet for employees' VOC that helps improve employee satisfaction. Every Thursday, we hold "Thursday Talk" on the internal online broadcast program to exchange thoughts with the management and employees on various topics such as corporate culture, thereby building a culture of communication where we bring our heads and thoughts together.

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

(Data Coverage 32%**, unit: cases)

	2018	2019	2020
FUN	37	15	21
PRIDE	10	15	22
TRUST	11	9	18
WOMEN	5	7	10
Total	**63**	**46**	**71**

* 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

** Domestic employees / All 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"

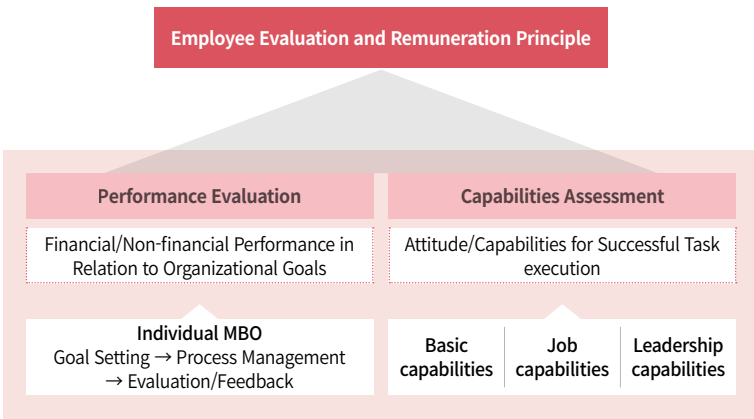
Samsung Electro-Mechanics fosters "Gate Keepers" as in-house quasi-counselors in each department to provide training on the promotion of mental health for employees twice per year. By sharing information on mental health, we promote advanced mental health management for our employees.

Evaluation and Remuneration System

Samsung Electro-Mechanics established the “Management by Objectives” (MBO) system to provide well-defined guidelines for all 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. We operate relative evaluation between employees for formal comparative ranking of employees within one employee category, and in order to enhance fairness in evaluation and employees’ acceptability of the results, we cross-check the result of MBO and performance reviews and allow employees to raise objections and be evaluated again. We are also making efforts to enhance the competencies of reviewers by providing them with training sessions and evaluation manuals 4 times a year. Our employee competency evaluation includes a behavioral model that reflects items on the code of conduct, such as ethical consciousness and cross-cultural acceptance. 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.

Also, in the executive/manager MBO related to performance assessments, we assign goals such as management conditions and internal risks by product type, accident prevention, and compliance management for the risk items and ensure they are reflected in the evaluations.

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 an advanced company policy that ensures improved quality of life of our employees. We have in place a differentiated corporate benefits program that offers support for personal pensions, education expenses for employees’ children, reimbursement for medical costs (spouse and children included), gifts for special events such as childbirth, matriculation, and birthdays, 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.

Infrastructure that Improves Accessibility to Counseling

Getting counseling or making appointments can be done easily, both online and offline, as Samsung Electro-Mechanics operates online counseling channels such as counseling messenger, mobile application, and video counseling in order to ensure employee accessibility to our counseling service regardless of their time and location. We also operate a 24/7 hotline for emergency couseling service to help those in need of immediate assistance.

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 provides dormitories as an effort to promote welfare and benefits for our employees and support stability of those working on rotation or those with long commutes.
We comply with relevant laws to maintain cleanliness in the dormitories and ensure safety. Employees living in dormitories are free to enter the facility and rest without specific time constraints. For the safety of employees living in our dormitories, we conduct fire and earthquake evacuation drills semiannually. We also ensure their safety by inspecting operations of sprinklers and automatic fire extinguishing systems on all floors as well as confirming safety marks on individual heating appliances as precautionary measures.

Cafeteria

We operate on-site cafeterias to offer food services that take employee health into consideration. Professional nutritionists and chefs provide four meals a day, free of charge, with 30 different delicious and nutritious Korean, Chinese, Western, and healthy menu options. 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 for the future. We instill a sense of duty to our leaders and offer customized training programs to foster leadership. Education Agents are named for each department to create a voluntary learning culture and conduct customized training related to jobs systematically. In addition, global communication, values, and corporate culture training sessions are offered for employees at home and abroad, thus strengthening individual and organizational values and improving expertise.

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

Samsung Electro-Mechanics' introductory training for new employees is designed on the basis of RiGHT, our core values, and consists of subprograms that put those values into practice. Through self-led "action learning," new employees learn the basic mindset and attitude expected of our employees. We also cultivate a professional mindset unique to our company through accelerated onboarding programs such as carrying out projects based on the understanding of the relevant job and mentoring programs that assist new employees' adjustments to the team and department. In particular, we operate the Intensive SW Training Program to strengthen our data analysis ability and nurture talent with SW development competency and problem solving skills.

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.

Facilitator Training

Samsung Electro-Mechanics strives to establish a corporate culture where employees respect one another and appreciate diversity. To help our employees bring a range of different perspectives and ideas to the table through open discussion, we are strengthening our leaders' facilitative leadership skills and training facilitators to serve each department.

Education Performance

(Data Coverage 32%*, unit : hours, person, hours/person)

	2018	2019	2020
Total training hours	1,116,459	712,411	945,757
Domestic employees	11,724	11,471	11,625
Number of hours of training per person	95	61	81

* Domestic employees / All employees
** Number of hours of training by gender in 2020 (hours of training per person): Male 76.0 hours, Female 98.6 hours

Educational Expenses

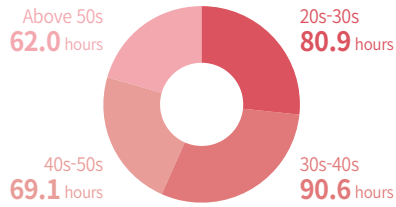
(Data Coverage 32%*, unit: KRW million)

	2018	2019	2020
Total training expense	10,108	11,135	9,786
Cost of training per person	0.86	0.98	0.86

* Domestic employees / All employees

Hours of Training by Age Group in 2020

(Data coverage 32%, unit: hours)

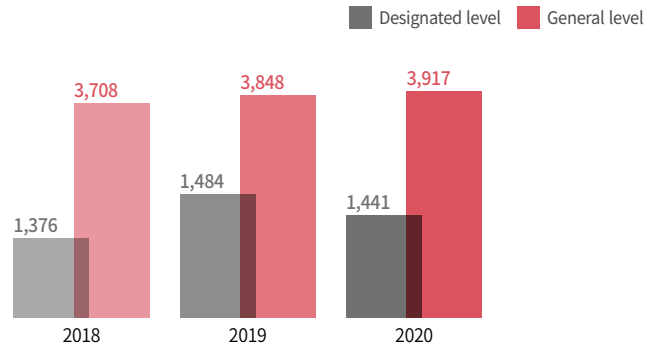


Expansion of Global Communication Competencies

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

(Data Coverage 32%*, unit: persons)



* Domestic employees / All employees

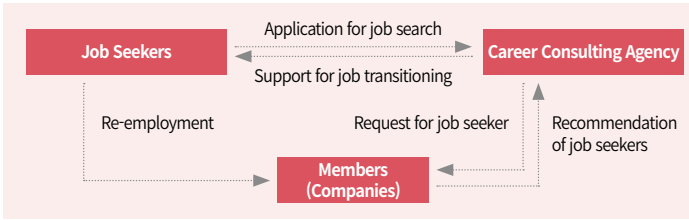
Human Resource Development System

Samsung Electro Mechanics | Selected | Samsung Group

Category	Basic/Leadership				Job Function						Global		
CL4	Leadership of heads of departments Introduction to SVP promotion	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 training	MBA, EMBA, Academic training	Foreign Language Daily Life Center · Internal language courses	Short-term Intensive Course
CL3	Part leader leadership Introduction to SVP promotion												
CL2 / CL1	Professional leadership course (promotion) Training of new employees for prompt deployment Introduction to Samsung Electro-Mechanics Introduction to SVP	Field leader leadership											

* Domestic employees / All employees

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.

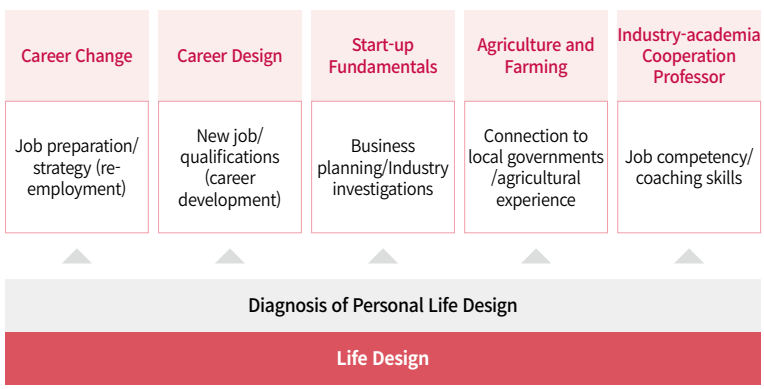
We operate a wide-range of programs such as programs for selecting items for startups, establishing business plans and registering as business owners, startup courses where they can practice relevant matters, agriculture and farming programs that offer an overview of agriculture and farming as well as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

The Career Consulting Center goes beyond having our representatives with experiences in career consulting and Global Career Development Facilitators certifications simply provide support for job transfers, including re-employment. The center conducts in-depth analysis of each individual's environment through consulting and offers tailored support according to each counselee's strengths, weaknesses, aptitude, and 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



1:1 Customized Career Consulting for Job Transfers

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

(Data Coverage 100%, unit: tCO_2e)

	2018	2019	2020
Scope 1	66,138	76,506	79,240
Scope 2	1,210,284	1,233,181	1,124,888
Total	**1,276,422**	**1,309,687**	1,204,128
Carbon intensity (tCO_2e / Revenue (KRW billion))	16.0	16.3	14.7

Environmental Management System

ISO 14001:2015

ISO 14001

100% Certified

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

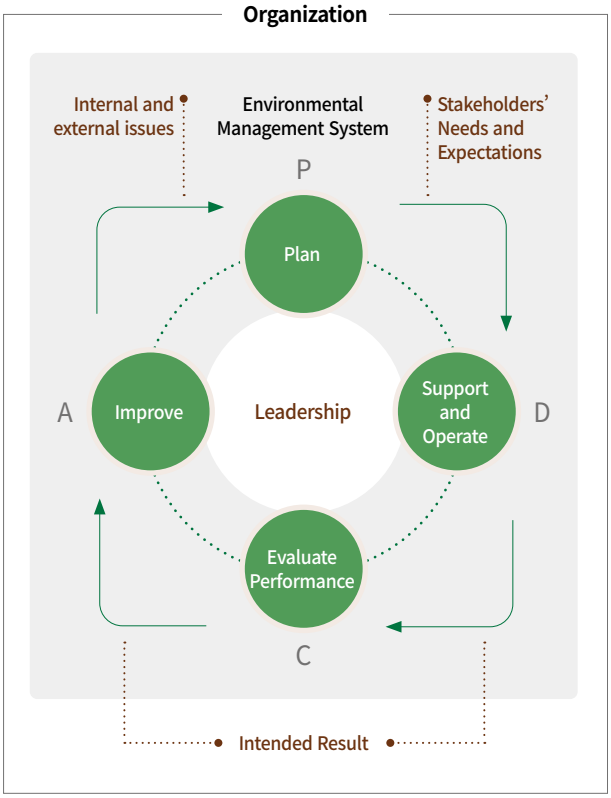
Policies for Safety and Environment in Energy

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.

Samsung Electro-Mechanics completed the implementation of and certification of transitions to the newly published international standard on environmental management systems (ISO 14001:2015) at all sites this year (2021). By doing so, we responded proactively to the changing business environment and created a foundation for integrated operation of the management system.

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.

Investments and Expenses (Data Coverage 100%, unit: KRW million)

	2018	2019	2020
Investments in Environmental Energy	30,092	8,704	25,492
Expenses for Environmental Energy	268,379	272,150	259,893

Eco-Friendly Operation

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

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.

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

(Data Coverage 100%, unit: m^3)

	2018	2019	2020
Surface water	19,131,221	19,234,466	16,605,868
Ground water	3,479,574	3,597,616	3,102,426
Municipal water	1,078,472	-	-
Total	**23,689,267**	**22,832,082**	**19,708,294**
Volume of reused water	3,787,453	3,839,411	1,827,990
Recycling rate (%)	15.99	16.82	9.28

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.

Through our operation plan to improve water resource recycle rate, Samsung Electro-Mechanics plans to increase the recycle rate to the 40% level by 2026. We are working on recycling waste water such as concentrated water, flushed water, and effluent in order to reach our goal. In 2021, we plan to analyze the water quality of effluent after waste water treatment at each business site and get consulting on water recycling to expand the company's water recycling effort to all sites.

Water Quality

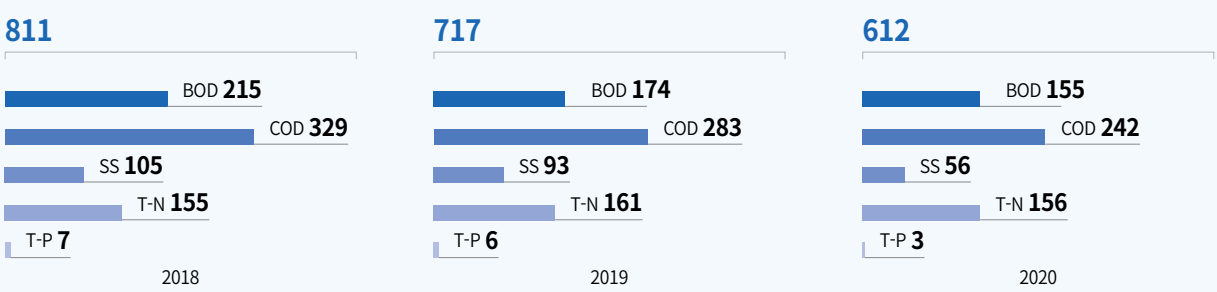
In order to comply with regulations regarding the Water Environment Conservation Act, Samsung Electro-Mechanics establishes its water environment management policies in detail, executes, monitors and assesses them. As part of monitoring water pollutants, the company conducts quarterly external verifications 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 37% reduction of pollutant concentration for COD, 23% for BOD, 17% for T-P, 20% for SS and are contributing to the water environment of surrounding areas.

Strengthen Management of Air and Water Pollutants

Effluent Quality Standard
70%
Below 30% Samsung Electro-Mechanics Emission Range

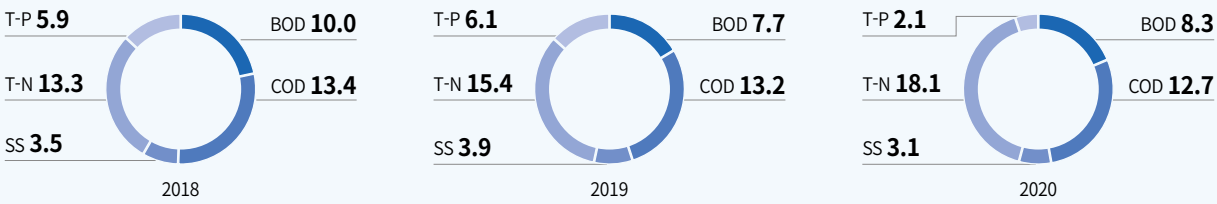
Water Pollutant Emissions

(Data Coverage 100%, unit: ton)



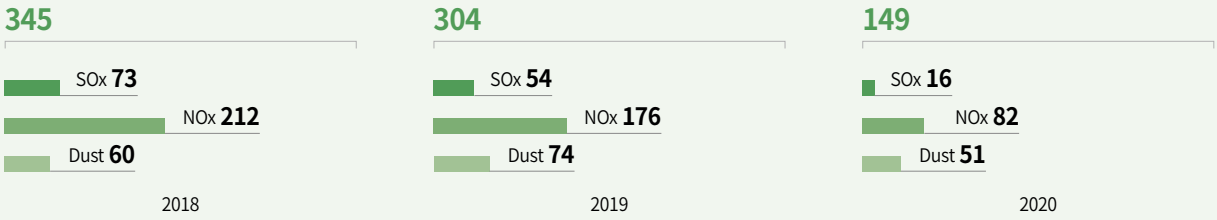
Average Emission Intensity Compared to Statutory Standards

(Data Coverage 100%, unit: %)



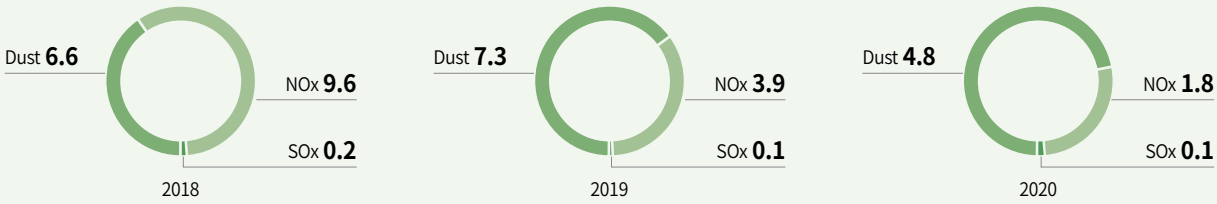
Air Pollution Emissions

(Data Coverage 100%, unit: ton)



Average Emission Intensity Compared to Statutory Standards

(Data Coverage 100%, unit: %)



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 2020, we are operating 232 air pollution prevention facilities and installed 21 RTOs*, currently in operation, for optimal management of air pollutants. 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.

* RTO (Regenerative Thermal Oxidizer)

Waste

Management System

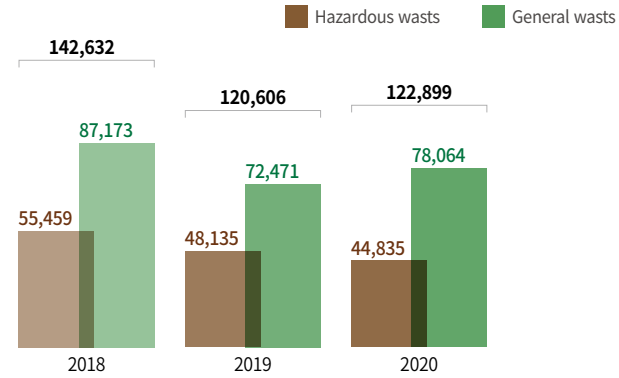
For waste management, Samsung Electro-Mechanics strictly complies with the principles of waste discharge inspections and separation of incineration waste from an internal point of view. Externally, it works to identify companies for waste recycling and analyze the rate of secondary waste generation at 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 meet the 80% waste-recycling rate goal. 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.

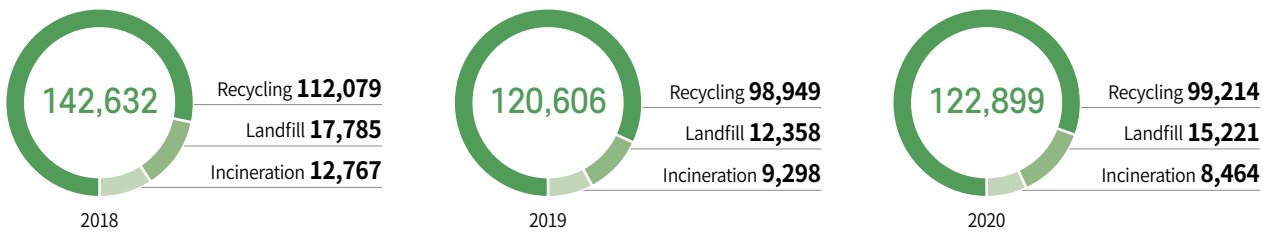
Amount of Waste Generated

(Data Coverage 100%, unit: ton)



Treatment and Recycling of Waste

(Data Coverage 100%, unit: ton)



Waste Reduction

Samsung Electro-Mechanics operates a special 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 items and hosting campaigns that encourage the use of personal cups at in-house cafes, we reduced plastic waste generation by 57 tons in 2019. In 2020, we established a process of collecting empty milk cartons from the in-house cafe in cooperation with the Suwon City Hall. The company receives waste paper proportional to the amount of disposed milk cartons and donates the exchanged waste paper to marginalized groups. This program is currently in operation across all domestic business sites.

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 Hazardous 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 Hazardous 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. By optimizing the use of space inside the packing boxes, we are curbing the delivery load and minimizing the amount of waste. The company also strives to save resources by controlling 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 voluntarily signed an agreement with the government on the procurement of green products and prioritizes the purchase of products with eco-label product, low carbon product, and good recycled product certificates. We are actively managing the eco-friendly procurement operation status through efforts such as reporting our performance to the government annually, and we make the best effort to minimize impact on the environment in the product use stage.

Eco-Friendly Procurement Records

(Data Coverage 100%, unit: ton, KRW million)

	2018	2019	2020
Carbon dioxide reduction effects	3,894	3,628	2,602
Economic benefits	941	989	740
Amount of procurement	5,156	5,893	2,450

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.

GHG Reduction Performance

(Data Coverage 100%, unit: MWh, kNm^3, tCO_2e)

		2018	2019	2020
Energy	Electricity	76,750	221,835	134,280
	LNG	1,924	1,945	1,242
GHG	Electricity	35,785	103,431	88,817
	LNG	4,256	4,302	2,759
	Video conferencing	1,887	2,179	2,751
	Eco-friendly products	3,894	3,628	2,602
	Sub total	**45,822**	**113,540**	**96,929**

* Reduced carbon emissions by improving operation efficiency of manufacturing equipment and utilizing waste heat

Carbon Management and 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 GHG Reduction Target

(by 2025 compared to 2014)

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

(Data Coverage 100%, unit: tCO_2e)

	2018	2019	2020
CO_2	1,269,975	1,303,248	1,191,562
CH_4	127	133	129
N_2O	783	809	798
HFCs	0	0	0
PFCs	5,321	5,283	11,425
SF_6	215	215	215
Total	**1,276,422**	**1,309,687**	**1,204,129**

GHG Emissions

(Data Coverage 100%, unit: tCO_2e)

	2018	2019	2020
Scope 1	66,138	76,506	79,240
Scope 2	1,210,284	1,233,181	1,124,888
Total	**1,276,422**	**1,309,687**	**1,204,128**
Carbon intensity (tCO_2e/sales (KRW 100 million))	16.0	16.3	14.7

Scope 3 GHG Emissions

(Data Coverage 100%, unit: tCO_2e)

	2020
1. Procured Goods & Services	34,583
2. Capital Goods	3,690
3. Fuel and Energy Related Activities Not Included in Scope 1 or 2	12,113
4. Transportation & Distribution (Upstream)	41,662
5. Waste Disposal	6,875
6. Business Travel	2,238
7. Employee Commuting	11,120
8. Leased Assets (Upstream)	693
9. Transportation & Distribution (Downstream)	-
10. Processing of Product	353
11. Use of Product	11,622
12. Disposal of Product	197
13. Leased Assets (Downstream)	-
14. Investment*	25,304
Total	**150,450**

* 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

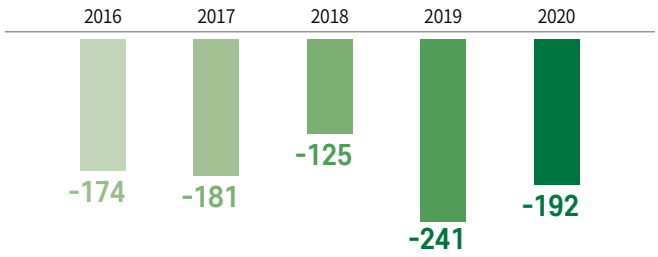
In 2005, Samsung Electro-Mechanics established a GHG inventory of all sites and has been managing GHG emissions systematically since then. We are engaged in GHG reduction activities at each business site and manage factors affecting changes in emissions.
In order to ensure a dynamic response to the ETS, 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

Reduction in Cost from Energy Consumption Projects

(Data Coverage 100%, 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

Samsung Electro-Mechanics sets carbon reduction goals every year based on the energy management system, and all employees continuously take part in reduction activities such as enhancing the productivity of our products and strengthening cost competitiveness in order to meet the set goal. To stay in line with the global trend of transitioning to new and renewable energies, we generate 120MWh of renewable energy every year using our solar PV power plant (100kW), which accounts for 0.01% of the total electricity used. For manufacturing facilities, the company is building energy reducing manufacturing equipments through energy reduction specification reviews. Samsung Electro-Mechanics will build green factories by reviewing and introducing high-efficiency energy equipment and new and renewable energy technology every year when new buildings or annexes are needed.

Energy Target Management and Reduction Activities

Samsung Electro Mechanics implemented and currently operates the Energy Management System (ISO 50001) at all business sites, including domestic and overseas production bases. We have set and have been managing our own energy reduction targets (base year FY 2016). Since April 2016, the company has been running an organization for energy reduction that encompasses production, manufacturing, and utility teams. Every year, we analyze factors that influence fluctuations in energy consumption and also establish and execute goals and plans for reduction activities. Samsung Electro-Mechanics' executive goal management evaluation criteria includes energy consumption goal achievement rate, through which we enforce a top-down approach in our energy management activities. Each year, we analyze factors that increase energy consumption to establish and execute reduction goals, plans, and activities. The company also practices a top-down energy management system by including energy consumption goal achievement rate in the goal management section of executive directors' performance evaluations. Samsung Electro-Mechanics runs a Energy Reduction Award Program, through which we present cash awards to managers and employees who contributed to energy reduction.

Yearly Energy Reduction Goals, Energy Usage, Predicted Energy Intensity

(Data Coverage 100%, unit: KRW 100 million, MWh/KRW 100 million)

	2018	2019	2020
Energy reduction goals	2,564	2,695	2,513
Energy usage	2,488	2,548	2,354
Energy intensity (MWh/KRW 100 million)	33.0	33.9	30.0

Amount of Energy Consumption

(Data Coverage 100%, unit: MWh)

	2018	2019	2020
Electric power consumption	2,033,290	2,084,623	1,975,597
LNG	259,462	295,948	280,448
Diesel	18,623	25,643	22,562
Gasoline	3,948	4,133	3,122
Kerosene	0	0	0
LPG	26,463	28,556	29,801
Purchased steam	205,464	178,384	127,376
Total	**2,547,250**	**2,617,288**	**2,438,906**

Financial Risks and Opportunities Posed by Climate Change

Financial Impact of Regulation Changes

It is expected that KRW 10.99 billion will be incurred by the financial impact of the government's GHG emissions allocations and carbon credit trading between companies. To respond to regulation changes, Samsung Electro-Mechanics is managing and reducing GHG emissions through efforts such as building an internal GHG energy system and operating an energy reduction compensation system. We expect to cut down the financial impact to KRW 2.75 billion through these activities.

Financial Impact of Changes in Physical Climate Factors

There is risk that our company will confront financial damage caused by physical factors of climate change such as draught and typhoon. It is expected that 1-week operation shutdown at Suwon, Sejong, and Busan sites will incur KRW 52.5 billion of financial damage. Accordingly, we conducted periodic risk surveys and invested in upgrading old infrastructure and facilities to prevent loss in production caused by extreme weather events. In 2020, we invested KRW 25 billion in outdated facilities.

Financial Opportunities of Climate Change

In 2020, we used KRW 165 billion as research expense to develop environment-friendly products and strengthen product efficiency standards to suit the needs of key climate risk management customers. We expect the positive influence of the opportunity will reach KRW 131.1 billion.

Climate Risk Assessment

Physical Risk and Response

Samsung Electro-Mechanics conducts physical risk assessments on each seasonal disaster by business site, in response to climate change. We implemented and manage response systems by season. For example, we conduct periodic risk surveys on damage caused by typhoons and monsoon. We are conducting safety assessments and making improvements to our buildings, establishing measures against damage from storm and flood, and preparing against natural disasters through activities such as regular emergency drills. Also, to mitigate risks, we monitor physical risks, national policy regulation risks, and financial impact in advance and renew existing GHG/climate change computing system and inventory so they are in line with the identified risks.

Transition Risk

The Korean government established the goal to reduce GHG by 24.4% by 2030 from the 2017 emission level (709.1 million tons), in accordance with the Paris Agreement. The nationally determined contribution (NDC) is closely related to the Korean cap-and-trade system allocations, and the government is adjusting emissions quota to meet the goal. To abide by the legal regulations, Samsung Electro-Mechanics ran a scenario analysis based on figures presented in the NDC renewal report. Results demonstrated that we need to reduce absolute emissions by 57% from the 2014 levels by 2040, and we thus established a reduction plan to successfully reduce GHG emissions from our business sites and do so through process innovation.

Mid- to Long-Term Energy Reduction Activities

Samsung Electro-Mechanics plans to establish and operate mid-to-long-term energy boom-up activities in order to continue and maintain our short term energy reduction effort.
It is expected that the company will emit 2.5 million tons of GHG from 2021 to 2025, domestically, when the amount of GHG emission allocated to us by the government is only 2.29 million tons, thus putting us in need to purchase KRW 4.4 billion worth of GHG emission permit over the five years. To cut this down, the company plans to drive extreme energy saving activities.

Establishing Voluntary Reduction Targets

There have been internal changes such as the establishment of new business sectors and expansion of overseas plants as well as market changes such as increased demand for electronic components. Despite these changes, we set the goals to reduce GHG emissions (in terms of KRW) against revenue by 7% by 2025, compared to 2014, and 57% absolute reduction in absolute emissions by 2040. The company will strive to deliver on our GHG reduction goals by operating the 3-year energy reduction tasks, enhancing efficiency in production and utility plants, and replacing equipment at key facilities with high-efficiency equipment.

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.

Climate Change Strategy Impact

Samsung Electro-Mechanics is reducing GHG emissions through planned energy reduction activities. In 2020, we invested KRW 820 million to reduce GHG through the introduction of high efficiency equipment, energy use efficiency monitoring, and optimized management. As a result, we reduce annual GHG emissions by 91,576 tons and saved KRW 2.76 billion in terms of domestic GHG emissions credit trading in 2020.

Sustainable Management Topics 5

Local Communities

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

Our youth education program supports youths discover their strengths and potentials during the adolescent period when they can maximize their skills and talents, so they may grow into valued members of the society.

For people with disabilities, we operate a range of culture, arts, and sports programs to help them lead healthy and happy lives and increase their social participation.

We establish win-win relationships with local communities and our sister villages to pursue sustainable growth and make contributions to the society we belong in. As a part this effort, we operate various community programs, including livelihood support for low income families, produce support for vulnerable groups, and employee volunteer service.

Social Contribution Expenses

By Focus Area (Data Coverage 100%, unit: KRW million)

Charitable donations	Investment in local communities	Commercial activities
2,312 (38%)	2,314 (38%)	1,459 (24%)

* Charitable donations: One-time or non-regular support for good purpose, such as emergency relief and response to request from charity/local community organizations
* Investment in local communities: We make these investments strategically with a long-term perspective to address social problems as a part of the company's sustainable management
* Commercial activities: Business-related activities to promote the company and our brand identity

Key Projects

Youth Education	Youth education	· SEM-IRANG · Blue Elephant (education program to prevent adolescent cyberbullying) · Study room renovations
Support for the Disabled	We execute programs to expand their engagement with the society.	· hello! SEM Orchestra · National Badminton Competition for the Disabled · National Music Competition for Disabled Students · Free Joint Replacement Surgery Project
Contribution to the Local Community	We pursue sustainable development by collaborating with sister villages and the local community.	· Support for sister villages · Contests for community issue resolution · Employee volunteer service

Samsung Electro-Mechanics reflects its business philosophy of "potential maximization" and the core values of "talent first & pursuit of co-prosperity" in the company's community programs. Our programs are in sync with the UN SDGs, global goals for sustainable development, and supports the following three focus areas: youth education, support for the disabled, and contributions to the local community.

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, “Together for Tomorrow! Enabling People,” which reflects our business management philosophy of “potential maximization” and the core values of “talent first & pursuit of co-prosperity.” We linked the new vision to the UN SDGs and came up with the following three focus areas: youth education, support for the disabled, and contributions to the local community.

Our youth education program supports youths in their adolescent period when they can maximize their skills and talents so they can discover their strengths and potentials and grow as sound members of the society. We run educational programs for youths with disabilities and youths from low income families to provide them with quality education and contribute to reducing inequalities.

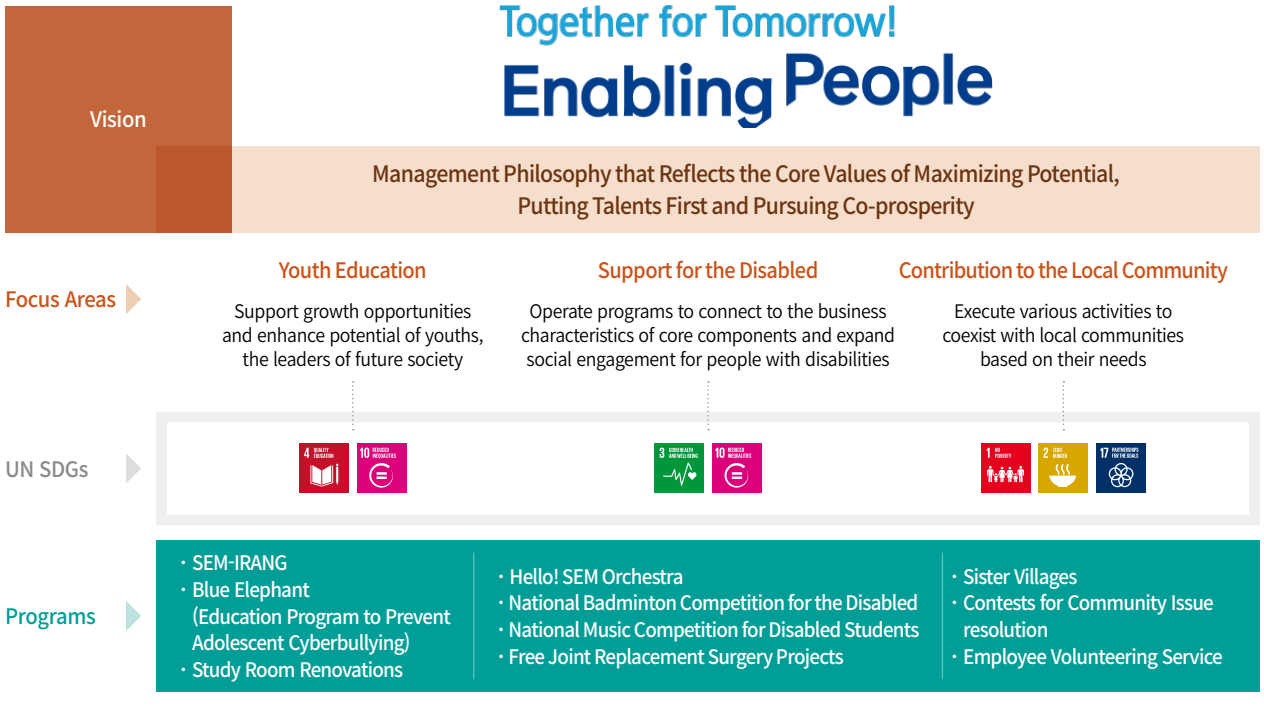
To support people with disabilities, the company operates a range of culture, arts, and sports programs that help them lead healthy and happy lives as well as increase their engagements in the society.

Our contribution to local communities is driven by the pursuit of sustainable growth through coexistence and co-prosperity with our sister villages and local communities. We run various community projects that provide aid such as livelihood support for low income families, produce support for vulnerable groups, and employee volunteer service.

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. By participating in community and social welfare facility operation committees in the vicinity of our business sites, we encourage communication with local communities and listen to their needs.

In addition, we execute donations based on the external donation regulations and process to operate our funds transparently.

Samsung Electro-Mechanics seeks to fulfill our social responsibilities as a corporate citizen and also heighten our reputation as a global company by carrying out social contribution activities fitting with local communities where our overseas entities are located at.



Major Social Contribution

We share what we have with underprivileged citizens 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 con-tribution program called SEM-IRANG and chose 36 members as the 1st beneficiary group in 2020. In 2021, we plan to name the beneficiaries of the 2nd group, thereby expanding the program to a total of 63 students. SEM-IRANG (where SEM stands as both the acronym of the company and a colloquial Korean term for teacher, and irang means "with" in Korean) is a talent development program for the youth where our employees work with adolescents as their teachers. This program was launched to help our youths grow into future talent who contribute to the development of the country and society with our support in the form of scholarships, overseas field trips, self-development camps (to boost self-esteem and sense of purpose), and academic support (English speaking) during school semesters.

Due to COVID-19, we transitioned the camp and academic support classes to online programs this year, and the overseas field trip program will take place in 2021 for both 1st and 2nd beneficiary groups.

Blue Elephant: A Project to Prevent Adolescent Cyberbullying

Cyberbullying recently emerged as a social issue. Having acknowledged that it is closely tied to the use of IT devices such as smartphones, Samsung's five electronics-related companies (Samsung Electro-Mechanics, Samsung Electronics, Samsung Display, Samsung SDI, and Samsung SDS) decided to push for a project that prevents adolescent cyberbullying.
"Blue Elephant" includes 4 major programs: online and in-person preventive education for elementary, middle, and high school students; psychological counseling to support emotional stability and recuperation of victims; campaign to eradicate cyberbullying; and academic research on cyberbullying cause analysis and response policies. A total of 83,655 individuals participated in Blue Elephant in 2020, and Samsung plans to gather its resources and abilities for this project so as to contribute in resolving this growing social issue of adolescent cyberbullying.

Program to Support Study Rooms

Samsung Electro-Mechanics has been supporting the renovation of local children's center so children and teenagers from low income families can be cared for and receive quality education in a pleasant environment. We have supported a total of 9 study rooms thus far and our employees engage in diverse volunteer activities by utilizing their talents in teaching, mentor-ing, 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

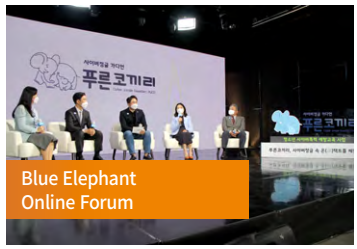
Overseas Visits
Field visits to overseas corporations, expanding global insights

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

"CEO Dream Talk" at the SEM-IRANG Online Camp


Ggumsarang Study Room Renovation



Blue Elephant Online Forum

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. In 2017, athlete registration regulation for the Korea Badminton Competition for the Disabled changed to 1 event per individual, and in 2020, the company's badminton team was transferred to Samsung Life Insurance. Also, multiple badminton contests for the disabled have been taking place around the country recently, each hosted by local governments and companies. Due to these changes, Samsung Electro-Mechanics will discontinue the National Badminton Competition for the Disabled after 2021.

※ Due to COVID-19, the 2020 competition was substituted with the Eoullim Contest of the Busan Badminton Association for the Disabled.

Free Joint Replacement Surgery Program

Since 2005, Samsung Electro-Mechanics has been funding free joint replacement surgeries for citizens in the low income bracket who experience difficulty in movement due to joint damage caused by disorders, aging, and accidents. This program is reflective of the idea that the electronics industry creates a new future and produces core components of electronic products. Through this program, we gifted a total of 599 individuals (953 joints) with the joy of physical rehabilitation and the opportunity to lead a healthy second life. Now that the scope of government aid has expanded, more local governments and companies are able to support joint replacement surgeries, and the theme of Samsung's social contribution program has been renewed to youth education, we decided to terminate this 15 year long program as of May 2020.

Hello! SEM Orchestra

To encourage art activities of people with disabilities as well as discover and foster the musical potential of youths, thereby improving social perceptions of the disabled, Samsung Electro-Mechanics has been operating "hello! SEM Orchestra" since 2013. Students with disabilities can learn to play musical instruments and develop their talents through 1 on 1 lessons and ensemble classes with instructors comprising conductors and professional musicians. These classes also provide students the opportunity to learn about their roles as members of the society. The skills of the students improved exponentially, with the orchestra being invited to perform at more than 20 events each year, aside from its annual concert. The orchestra performances not only help these young musicians build confidence but also contribute greatly to demonstrating to the society that people with disabilities are capable. This program has been in operation for the past nine years and is now in an established state; thus, following the decision that it is time to transfer the program to a partner NGO, we will discontinue our support after 2021.

National Music Competition for Disabled Students

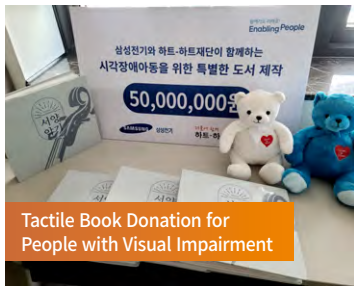
Samsung Electro-Mechanics has been contributing to arts and culture by hosting the National Music Competition for Disabled Students, a competition that all disabled students around the country wish to participate in.

We work with the Ministry of Education and Taejon Broadcasting Corporation (TJB) to identify disabled students with musical talent and potentials in the effort to help remove biases and preconceptions about people with disabilities.

More than 300 students with disabilities from around the country demonstrate their talent and skills in instrumental music, orchestral music, voice, and Korean traditional music to win the honor of being awarded the Minister of Education Prize and also boost their confidence.

※ The Competition was held online in 2020 due to COVID-19.


Hands on Volunteer Activities



Tactile Book Donation for People with Visual Impairment


Making and Sharing Kimchi with the Local Communities in Cooperation with our Sister Villages


Volunteer Activity to Restore Areas Hit by Floods and Water Disasters

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 actively engages in operation committees of NGOs and communities in the vicinity of our business sites to vitalize communication with local communities. By taking part in the regional self-governing committee activities, we learn of and understand the challenges our local communities are facing. We also participate in the “Company Welfare Net, which is spon-sored by the Council on Social Welfare, and support areas in blind spots in cooperation 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 233 students (17,987 accumulated) from 17 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

Every year, Samsung Electro-Mechanics conducts contests for resolving community issues in four areas: children and youths, people with disabilities, senior citizens, and multi-cultural families. We work with the Community Chest of Korea and are pre-sented with programs in each area, which are judged through the employee and external expert evaluations based on criteria such as innovation, feasibility, effectiveness, and sustainability. The selected programs receive business funding for one year. Programs selected in 2020 include: program to prevent elementary school students’ reliance on and addiction to smartphones, job skill development program for people with developmental disabilities, and project fostering cultural sensitivity to strengthen the social safety net for multicultural families.

Employee Volunteering

Samsung Electro-Mechanics’ employees have been actively participating in various volunteer activities to serve children, people with disabilities, and se-nior citizens every year, but in 2020, we had to downsize our in-person volunteer work due to the unprecedented pandemic. Nevertheless, the company donated funds to sup-port those in urgent need due to COVID-19, flood damage, and other challenges. Our employees also shared warmth by lending hands in activities to re-store areas near our business sites hit by flooding. They also participated in zero-contact employee volunteer services such as making mask straps and hand sanitizers for vulnerable groups in our local communities, making tactile books for visually im-paired students, and cooking banchan (side dishes in Korean meals) for single elderly households.

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 online direct trading markets during the holiday season, we purchase more than KRW 500 million worth 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. For this reason, our office in the Philippines mostly conducts activities that offer help to the local communities. Among the support we offer are: painting churches, donating goods for low income families, providing medical support to the local community, and hosting Christmas events. We also grant scholarships to students attending public schools in low income areas, repair facilities, paint buildings, and donate athletic goods and school supplies. Our employees also engage in various other volunteer activities, such as donating blood for local residents.

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 1,000)

	2018		2019		2020	
Asset						
Ⅰ. Current assets		3,525,293,146		3,507,524,565		4,150,302,652
Cash and cash equivalents	1,002,374,472		803,810,428		1,479,767,417	
Current financial assets	243,542,158		56,203,252		54,107,909	
Trade and other receivables	1,060,910,372		1,095,676,585		995,621,016	
Short-term loans	546,594		489,791		229,606	
Advanced payments	35,844,500		3,846,857		963,181	
Prepaid expenses	36,396,555		44,692,659		57,320,074	
Prepaid income tax	19,206,308		20,584,030		7,596,884	
Inventories, net	1,115,565,877		1,271,273,631		1,337,915,721	
Right of return assets	10,906,311		14,246,213		17,784,713	
Assets held for sale			196,701,119		198,996,130	
Ⅱ. Non-current assets		5,119,621,060		5,166,723,665		5,075,195,825
Investment in associates	60,213,758		68,259,880		72,461,000	
Financial assets designated at fair value	150,889,138		173,348,301		200,955,142	
Long-term loans	2,197,986		2,333,652		2,315,314	
Property, plant and equipment	4,558,010,183		4,514,510,148		4,424,362,288	
Licensed assets			78,741,834		93,006,082	
Intangible assets, net	162,460,608		141,150,901		138,250,895	
Non-current financial assets	36,789,814		14,932,285		18,867,166	
Long-term trade and other receivables	29,375,844		5,046,027			
Long-term prepaid expenses	38,799,612		24,565,589		26,323,606	
Deferred tax assets	80,884,117		143,835,047		98,654,332	
Total assets		8,644,914,206		8,674,248,230		9,225,498,476
Liabilities						
Ⅰ. Current liabilities		2,509,584,013		1,850,405,466		1,914,879,974
Trade and other payables	891,417,869		891,582,052		1,126,272,811	
Short-term borrowings	961,955,861		569,189,648		406,200,835	
Advances received	7,247,601		18,178,519		26,897,880	
Income tax payables	156,011,756		103,820,682		29,335,879	
Current portion of long-term borrowings	432,049,753		173,835,740		204,681,307	
Current lease liabilities			17,096,172		14,531,143	
Provisions	3,408,156		4,984,208		1,772,851	
Refund liabilities	16,895,713		19,531,121		23,400,025	
Liabilities related to assets held for sale			18,874,866		34,813,348	
Other current liabilities	40,597,302		33,312,459		46,973,894	
Ⅱ. Non-current liabilities		1,188,832,637		1,393,745,878		1,400,222,563
Long-term borrowings	1,060,133,398		1,219,727,736		1,233,208,709	
Long-term other payables	86,081,670		91,209,212		80,567,012	
Net employee defined benefit liabilities	26,141,991		38,962,230		30,567,570	
Long-term lease liabilities			31,575,052		48,066,764	
Deferred tax liabilities	1,168,906		1,196,332		1,127,598	
Other non-current liabilities	15,306,671		11,075,315		6,684,910	
Total liabilities		3,698,416,650		3,244,151,344		3,315,102,537
Equity						
Ⅰ. Equity attributable to owners of the parent		4,821,047,660		5,285,046,661		5,772,289,015
Issued capital	388,003,400		388,003,400		388,003,400	
Capital Surplus	1,045,201,199		1,045,201,199		1,045,201,199	
Other components of equity	-146,701,456		-146,701,456		-146,701,456	
Accumulated other comprehensive income	355,200,814		425,665,288		412,519,338	
Other capital reserves	1,952,365,257		2,158,965,257		2,481,265,257	
Retained earnings	1,226,978,445		1,413,912,972		1,592,001,276	
Ⅱ. Non-controlling interests		125,449,896		145,050,225		138,106,925
Total equity		4,946,497,556		5,430,096,886		5,910,395,939
Total liabilities and equity		8,644,914,206		8,674,248,230		9,225,498,476

Consolidated Statements of Comprehensive Income

(Unit: KRW 1,000)

	2018		2019		2020	
Ⅰ. Sales		7,719,087,397		7,718,297,732		8,208,738,308
Ⅱ. Cost of sales		5,244,827,825		5,730,019,719		6,268,998,200
Ⅲ. Gross profit		2,474,259,572		1,988,278,013		1,939,740,108
Ⅳ. Selling and administrative expenses		1,304,392,273		1,247,354,214		1,110,609,429
Ⅴ. Operating profit		1,169,867,300		740,923,799		829,130,678
Ⅵ. Non-operating income		-65,894,962		-44,828,445		-46,199,143
Finance income	11,052,917		19,133,927		10,278,966	
Finance costs	75,865,273		77,695,286		47,789,450	
Share of profit of associates	7,208,250		11,923,013		9,943,018	
Other income	278,605,239		192,183,186		260,984,978	
Other expenses	286,896,096		190,373,284		279,616,655	
Ⅶ. Profit from continuing operations before tax		1,103,972,338		696,095,353		782,931,535
Income tax expense for profit from continuing operations	285,463,350		71,125,625		167,159,983	
Profit from continuing operations	818,508,987		624,969,729		615,771,552	
Profit and loss from discontinued operations after tax	-133,490,473		-96,921,177		8,039,626	
Ⅷ. Net profit during the term		685,018,514	-96,921,177	528,048,551		623,811,178
Ⅸ. Other comprehensive income		-25,400,347		32,574,777		-35,313,508
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	-467,843,286		21,217,611		20,116,868	
Net gains (losses) on disposal of equity instruments designated at fair value OCI	451,339,730		4,424,547		176,433	
Re-measurement gains (losses) on defined benefit plans	-26,951,294		-44,193,312		-20,328,932	
Capital changes in equity method	1,633,971		-1,284,727		37,751	
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods (net of tax):						
Gain (loss) on overseas business translation	16,420,532		52,410,657		-35,315,628	
Ⅹ. Comprehensive income		659,618,167		560,623,328		588,497,669
Profit from continuing operations attributable to						
Equity holders of the parent	789,732,109		609,844,100		595,937,512	
Non-controlling interests	28,776,878		15,125,629		19,834,040	
Profit for the year attributable to						
Equity holders of the parent	656,241,636		514,296,121		603,961,889	
Non-controlling interests	28,776,878		13,752,430		19,849,289	
Total comprehensive income (loss) for the year attributable to						
Equity holders of the parent	629,826,971		540,567,282		570,487,007	
Non-controlling interests	29,791,196		20,056,045		18,010,663	
Ⅺ. Earnings per share:						
Basic and diluted, profit for the year attributable to ordinary equity holders	8.69		6.81		7.99	
Basic and diluted, profit for the year attributable to preferred shareholders	8.74		6.86		8.04	
Basic and diluted, profit for continued operations attributable to ordinary equity holders	10.27		8.02		7.89	
Basic and diluted, profit for continued operations attributable to preferred shareholders	10.32		8.07		7.94	

Consolidated Statements of Changes in Equity

(Unit: KRW 1,000)

	Equity								
	Attributable to equity holders of the parent								
	Issued capital	Capital surplus	Other components of equity	Accumulated other comprehensive income	Other capital reserves	Retained earnings	Subtotal	Non controlling Interests	Total
As of Jan.1 2019	388,003,400	1,045,201,199	-146,701,456	355,200,814	1,952,365,257	1,226,978,445	4,821,047,660	125,449,896	4,946,497,556
Effect of adoption of new accounting standards						-878,354	-878,354	-20,118	-898,472
Value after re-measurement		1,045,201,199	-146,701,456	355,200,814	1,952,365,257	1,226,100,091	4,820,169,306	125,429,778	4,945,599,084
Net profit during the term						514,296,121	514,296,121	13,752,430	528,048,551
Other comprehensive income									
Net gains (losses) on valuation of equity instruments designated at fair value OCI				21,217,611			21,217,611		21,217,611
Net gains (losses) on disposal of equity instruments designated at fair value OCI				4,424,547			4,424,547		4,424,547
Re-measurement gains on defined benefit plans						-44,193,312	-44,193,312		-44,193,312
Capital changes in equity method				-1,284,727			-1,284,727		-1,284,727
Gain (loss) on overseas business translation				46,107,042			46,107,042	6,303,615	52,410,657
Total comprehensive income (loss)				70,464,473		470,102,809	540,567,282	20,056,045	560,623,328
Dividends						-75,689,928	-75,689,928	-296,214	-75,986,142
Appropriation of retained earnings					206,600,000	-206,600,000			
Change in subsidiaries								-139,384	-139,384
As of Dec. 31 2019	388,003,400	1,045,201,199	-146,701,456	425,665,288	2,158,965,257	1,413,912,972	5,285,046,661	145,050,225	5,430,096,886
As of Jan. 1 2020	388,003,400	1,045,201,199	-146,701,456	425,665,288	2,158,965,257	1,413,912,972	5,285,046,661	145,050,225	5,430,096,886
Effect of adoption of new accounting standards									
Value after re-measurement		1,045,201,199	-146,701,456	425,665,288	2,158,965,257	1,413,912,972	5,285,046,661	145,050,225	5,430,096,886
Net profit during the term						603,961,889	603,961,889	19,849,289	623,811,178
Other comprehensive income									
Net gains (losses) on valuation of equity instruments designated at fair value OCI				20,116,868			20,116,868		20,116,868
Net gains (losses) on disposal of equity instruments designated at fair value OCI				176,433			176,433		176,433
Re-measurement gains on defined benefit plans						-20,328,932	-20,328,932		-20,328,932
Capital changes in equity method				37,751			37,751		37,751
Gain (loss) on overseas business translation				-33,477,002			-33,477,002	-1,838,626	-35,315,628
Total comprehensive income (loss)				-13,145,950		583,632,957	570,487,007	18,010,663	588,497,669
Dividends						-83,244,653	-83,244,653	-24,991,003	-108,235,655
Appropriation of retained earnings					322,300,000	-322,300,000			
Change in subsidiaries								37,040	37,040
As of Dec. 31 2020	388,003,400	1,045,201,199	-146,701,456	412,519,338	2,481,265,257	1,592,001,276	5,772,289,015	138,106,925	5,910,395,939

Consolidated Statements of Cash Flows

(Unit: KRW 1,000)

	2018		2019		2020	
Operating activities						
Cash flows from operating activities	1,640,496,363		1,285,068,686		1,747,183,037	
Interest received	11,661,145		21,135,700		11,987,369	
Income tax paid	-93,488,267		-284,934,155		-171,093,796	
Net cash flows from operating activities		**1,558,669,241**		**1,021,270,230**		**1,588,076,610**
Investing activities						
Decrease in other financial assets, net	97,469,135		220,527,892		10,785,736	
Increase in other financial assets, net	-212,063,540		-12,875,944		-12,975,411	
Disposal of FV-OCI	605,759,866		10,919,488		3,561,086	
Acquisition of FV-OCI	-27,634,522		-1,109,772		-3,745,493	
Proceeds from disposal of available for sale financial assets						
Acquisition of available-for-sale financial assets						
Proceeds from disposal of property, plant and equipment	31,547,046		36,227,293		46,953,081	
Acquisition of property, plant and equipment	-1,195,189,267		-1,547,971,687		-756,667,712	
Proceeds from disposal of intangible assets	1,908,498		15,502,733		41,512	
Acquisition of intangible assets	-12,548,915		-25,950,645		-23,726,796	
Dividends received	12,661,738		2,687,533		6,175,651	
Sales of discontinued operations			785,000,000			
Net cash flows used in investing activities		**-698,089,960**		**-517,043,108**		**-732,395,953**
Financing activities						
Proceeds from short-term borrowings	355,811,233		147,300,644		841,894,567	
Repayment of short-term borrowings	-534,360,947		-429,314,170		-1,001,788,923	
Repayment of current portion of long-term borrowings	-351,337,600		-362,490,729		-530,298,773	
Proceeds from long-term borrowings	484,187,347		553,257,197		630,847,815	
Repayment of long-term borrowings	-40,429,584		-329,569,784			
Liabilities for lease paid			-33,506,787		-19,576,493	
Change in subsidiaries	-1,167		-139,384		-47,347,073	
Interest paid	-89,188,398		-89,095,646		-83,242,156	
Dividends paid	-60,513,599		-75,983,779		37,040	
Net cash flows from financing activities		**-235,832,715**		**-619,542,439**		**-209,473,997**
Net increase (decrease) in cash and cash equivalents		624,746,566		-115,315,317		646,206,660
Net foreign exchange difference		-66,981,424		-31,570,364		-16,241,358
Cash and cash equivalents, January 1		444,609,330		1,002,374,472		855,488,790
Cash and cash equivalents, December 31		1,002,374,472		855,488,790		1,485,454,092

ESG Key Performance Indicators

Customers and Business Partners

	Data Coverage	Unit	2018	2019	2020
Cost of procuring raw materials	100%	KRW million	3,168,622	3,267,539	3,393,256
Local procurement cost	100%	KRW million	835,339	960,093	755,935
Percentage of local procurement	100%	%	26	29	22
Training support for business partners (Win-Win Academy)	100%	Number of courses	40	10	88
Training support for business partners (Win-Win Academy)	100%	Persons	954	928	939
Investigation on current use of conflict minerals	100%	%	100	100	100
RBA self-assessment by business partners	100%	Number of companies	95	100	82
RBA on-site assessment for business partners	100%	Number of companies	80	66	66
RBA (labor rights) training for business partners	100%	Number of companies	57	35	0
Environmental facility operation consulting for business partners	41%**	Number of companies	17	3	12
Greenhouse gas and energy efficiency inspection for business partners	41%**	Number of companies	35	7	4
Risk assessment and fire safety inspection for business partners	41%**	Number of companies	38	5	40
Training for product environment of business partners	41%**	Number of companies	101	89	2
Training for safety environment of business partners	41%**	Number of companies	-	30	12
Win-Win Fund	100%	KRW 100 million	335	213	289
Personal information related cases	100%	Cases	0	0	0

* Differences in data from the main content of this report occurred from unit changes
** Domestic Business Partners / All business Partners

Environment

	Data Coverage	Unit	2018	2019	2020
Amount of raw materials used	100%	ton	106,308	110,453	104,419
Chemicals	100%	ton	86,721	91,911	85,682
Powder	100%	ton	15,589	15,081	15,039
Non-ferrous metal	100%	ton	2,703	2,276	2,036
Resin	100%	ton	1,077	975	1,309
Paste	100%	ton	12	19	6
Metal	100%	ton	1	1	1
Others	100%	ton	204	190	346
Amount of energy used	100%	MWh	2,547,250	2,617,288	2,438,906
Amount of electricity used	100%	MWh	2,033,290	2,084,623	1,975,597
LNG	100%	MWh	259,462	295,948	280,448
Diesel	100%	MWh	18,623	25,643	22,562
Gasoline	100%	MWh	3,948	4,133	3,122
Kerosene	100%	MWh	0	0	0
LPG	100%	MWh	26,463	28,556	29,801
Purchased steam	100%	MWh	205,464	178,384	127,376
Energy intensity	100%	MWh/KRW 100 million	33.0	33.9	30.0
Amount of fuel used	100%	GJ	1,850,260	1,917,592	1,667,912
Amount of electricity used	68%**	MWh	828,678	837,314	832,719
Amount of energy used	68%**	MWh	1,158,370	1,179,145	1,158,868
Greenhouse gas emissions	100%	tCO_2e	1,276,422	1,309,687	1,204,128
Greenhouse gas intensity	100%	tCO_2e/KRW 100 million	16.5	17.0	14.7

* Differences in data from the main content of this report occurred from unit changes
** Separate Financial Information Revenue / Consolidated Financial Information Revenue

Environment

	Data Coverage	Unit	2018	2019	2020
Environment and energy investment	100%	KRW million	30,092	8,704	25,492
Environment and energy operating expenditure	100%	KRW million	268,379	272,150	259,893
Number of energy-saving project improvements	100%	Cases	460	577	486
Amount saved from energy-saving project improvements	100%	KRW 100 million	125	241	192
ISO 14001 certification rate	100%	%	100	100	100
Response to product and environment information requests	100%	Cases	2,558	2,021	2,400
Eco-friendly purchase cost	100%	KRW 100 million	52	59	25
Amount of General waste generated	100%	ton	87,173	72,471	78,064
General waste incineration	100%	ton	3,725	3,787	3,569
General waste landfill	100%	ton	11,105	7,851	8,434
General waste recycling	100%	ton	72,344	60,833	66,060
Amount of Hazardous waste generated	100%	ton	55,459	48,135	44,835
Hazardous waste incineration	100%	ton	9,042	5,511	4,894
Hazardous waste landfill	100%	ton	6,681	4,507	6,787
Hazardous waste recycling	100%	ton	39,736	38,116	33,154
Total amount of waste generated	100%	ton	142,632	120,606	122,899
Amount of waste recycled	100%	ton	112,079	98,949	99,214
Waste recycling rate	100%	%	79	82	81
Profit on disposal of waste	100%	%	70	74	77
Cost of waste consignment	100%	KRW 100 million	119	100	109
Cost of waste disposal	100%	KRW 100 million	400	381	366
Water usage	100%	m^3	23,689,267	22,832,082	19,708,294
Surface water	100%	m^3	19,131,221	19,234,466	16,605,868
Ground water	100%	m^3	3,479,574	3,597,616	3,102,426
Municipal water	100%	m^3	1,078,472	-	-
Water recycling amount	100%	m^3	3,787,453	3,839,411	1,827,990
Water recycling rate	100%	%	15.99	16.82	9.28
Volume of water discharged	100%	m^3	13,685,647	12,653,125	11,995,906
SOx emissions	100%	ton	73	54	16
NOx emissions	100%	ton	212	176	82
Dust emissions	100%	ton	60	74	51
VOC emissions	68%**	ton	2.2	4.4	3.9
SOx emission intensity compared to statutory standards	100%	%	0.2	0.1	0.1
NOx emission intensity compared to statutory standards	100%	%	9.6	3.9	1.8
Dust emission intensity compared to statutory standards	100%	%	6.6	7.3	4.8
BOD emissions	100%	ton	215	51	155
COD emissions	100%	ton	329	283	242
SS emissions	100%	ton	105	93	56
T-N emissions	100%	ton	155	161	156
T-P emissions	100%	ton	7	6	3
BOD emission intensity compared to statutory standards	100%	%	10.0	7.7	8.3
COD emission intensity compared to statutory standards	100%	%	13.4	13.2	12.7
SS emission intensity compared to statutory standards	100%	%	3.5	3.9	3.1
T-N emission intensity compared to statutory standards	100%	%	13.3	15.4	18.1
T-P emission intensity compared to statutory standards	100%	%	5.9	6.1	2.1

* Differences in data from the main content of this report occurred from unit changes
** Separate Financial Information Revenue / Consolidated Financial Information Revenue

Employees

	Data Coverage	Unit	2018	2019	2020
Employee wage	100%	KRW million	1,042,375	1,174,928	1,362,318
Employee benefits	100%	KRW million	399,146	430,484	286,710
Employee pension (retirement benefit)	100%	KRW million	74,559	92,574	70,809
Number of employees	100%	Persons	37,472	34,264	36,220
Number of employees-domestic	100%	Persons	11,724	11,471	11,625
Number of employees-overseas	100%	Persons	25,748	22,793	24,595
Number of female employees-domestic	100%	%	23.0	23.8	23.9
Number of female employees-overseas	100%	%	51.1	53.6	53.8
Number of female senior officers-domestic	100%	%	7.2	8.0	9.2
Number of female senior officers-overseas	100%	%	28.2	28.5	29.2
Non-regular employees	100%	명	1,070	186	332
Attrition rate	100%	%	22.2	16.0	11.3
Domestic attrition rate	100%	%	3.9	3.5	2.7
Overseas attrition rate	100%	%	28.5	20.8	14.9
Number of employees with disabilities	32%****	Persons	227	232	231
Percentage of workforce with disabilities	32%****	%	2.10	2.03	2.00
Training and education costs	32%****	KRW million	10,108	11,135	9,786
Training cost per person	32%****	KRW million/persons	0.86	0.98	0.86
Total training hours	32%****	Persons	1,116,459	712,411	945,857
Training hours per person	32%****	Hours/persons	95	61	74
Global leader development	32%****	Persons	171	188	0
Operation of foreign language daily life center	100%	Persons	101	74	33
Training on information protection	32%****	Persons	23,573	25,808	20,153
Human Capital Return on Investment	100%	-	2.64	2.27	2.42
Rate of retention over 12 months after returning to work	32%****	%	93	89	86
Rate of those who returned to work after parental leave	32%****	%	82	86	85
Employee satisfaction survey	32%****	Points	73	73	73
Average years of continuous service (domestic/overseas)	100%	Years	12.0 / 4.0	12.6/5.1	13.1/5.4
Disaster occurrence rate*	100%	%	0.011	0.012	0.011
Fatalities	100%	Persons	0	0	0
Employees fatalities	100%	Persons	0	0	0
Contractors	100%	Persons	0	0	0
Ratio of days of work loss**	100%	10^{-4} %	2.317	2.783	5.043
Lost-time injuries frequency rate***	100%	10^{-4} %	0.037	0.040	0.038
Occupational illness frequency rate	100%	%	0	0	0
ISO 45001 certification rate	100%	%	91	100	100
Completion rate of sexual harassment preventive education	32%****	%	100	100	100
Status of Deliberation Handling by the Hanwoolim Council	32%****	Cases	63	46	71
Completion rate of employee corruption prevention training	100%	%	100	100	100
Number of employee corruption prevention trainings	100%	Cases	509	389	329
Number of employees who participated in corruption prevention trainings	100%	Persons	36,025	34,585	33,307
Anti-corruption report registration	100%	Persons	42	58	43
Anti-corruption report registration (corruption)	100%	Cases	20	36	26
Anti-corruption report registration (complaints/petitions)	100%	Cases	19	22	17
Anti-corruption report registration (others)	100%	Cases	3	0	0
Compliance training	100%	Times	26	28	17
Compliance checks	100%	Times	7	6	6
Completion of compliance training	100%	Persons	13,713	14,169	15,311

* 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
**** Domestic employees / All employees

Shareholders and Investors

	Data Coverage	Unit	2018	2019	2020
Sales	100%	KRW million	7,719,087	7,718,298	8,208,738
Operating profit	100%	KRW million	1,169,867	740,924	829,131
Net profit	100%	KRW million	685,019	528,049	623,811
Dividend	100%	KRW million	75,690	83,245	105,909
Cash dividend payout ratio	100%	%	11.5	16.2	17.5
Debt ratio	100%	%	74.8	59.7	56.1
R&D expense*	100%	KRW million	482,914	524,534	483,139
R&D expense/Sales**	100%	%	6.3	6.8	5.7
Patent registered	100%	Cases	6,693	7,194	8,230
Patent pending	100%	Cases	7,238	5,747	5,588
Interest expense of creditors	100%	KRW million	75,865	77,695	47,789
Corporate tax	100%	KRW million	255,374	167,922	158,823
Income tax	-	KRW 100 million	464	2,646	1,357
Korea	-	KRW 100 million	-	1,690	901
China	-	KRW 100 million	418	885	385
Americas	-	KRW 100 million	11	6	15
Europe	-	KRW 100 million	6	8	15
Japan	-	KRW 100 million	1	2	1
India	-	KRW 100 million	-	2	2
Government subsidies	100%	KRW million	0	5,334	6,105
Customer satisfaction	100%	Points	88	92	96
Board of directors	-	Persons	7	7	7
Internal directors	-	Persons	3	3	3
External directors	-	Persons	4	4	4
Female external directors	-	Persons	1	1	1
Board meeting attendance rate (internal directors)	-	%	88	100	96
Board meeting attendance rate (external directors)	-	%	97	100	98
Sales offices and subsidiaries	100%	Count	15	16	16
R&D subsidiaries and centers	100%	Count	2	2	2
Production subsidiaries	100%	Count	12	11	10

* 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., FY 2018 and FY 2019 items were rewritten.

Community

	Data Coverage	Unit	2018	2019	2020
No. people who received joint replacement surgeries	100%	Persons	29	22	5
Total volunteer hours of employees	32%**	Hours	45,661	25,043	16,917
Rate of employees participating in volunteering	32%**	%	100	100	100
Number of volunteering teams	32%**	Teams	67	63	55
Social contribution expense (cash)	100%	KRW million	3,088	4,338	6,085
Number of SEM-IRANG beneficiaries	100%	Persons	-	36	36
SEM-IRANG satisfaction level	100%	Points	-	-	94
Sister villages	100%	Number of villages	17	17	17

* Differences in data from the main content of this report occurred from unit changes
** Domestic employees / All employees

Third-Party Assurance Statement

To: The Stakeholders of Samsung Electro-Mechanics

Introduction and Objectives of Work

BSI Group Korea (hereinafter "the Assurer") was asked to verify Samsung Electro-Mechanics's '2020-2021 sustainability report' (hereinafter "the Report"). This assurance statement applies only to the relevant information contained in the scope of the assurance.

Samsung Electro-Mechanics is solely responsible for all information and assertion contained in the report. The responsibility of the assurer is to provide independent assurance statement with expert opinions to Samsung Electro-Mechanics's executives by applying the verification methodology and to provide this information to all stakeholders of Samsung Electro-Mechanics.

Assurance Standards and Levels

This assurance was based on the AA1000AS v3 (2020) Assurance Standard and confirmed that the report is prepared in accordance with the Core Option of GRI Standards. The assurance level was based on the Type 1 that confirmed compliance with the four principles of AA1000 AP (2018) in accordance with the AA1000 AS and the Type 2 assurance that verified the quality and reliability of the information disclosed in the report.
Type 2 was verified for materials, energy, emissions, effluents and waste, environmental compliance among GRI Topic-specific Standards for domestic operations.

Scope of Assurance

The scope of assurance applied to this report is as follows;

- Based on the period from January 1st to December 31st, 2020 included in the report
- Appropriateness and consistency of processes and systems for data collection, analysis and review
- Major assertion included in the report such as sustainability management policies, strategies, objectives, business and performance
- Information related to material issues determined as a result of materiality assessment
- The following items were not included in this assurance
  - Financial information and TCFD Index included in the report appendix
  - Other related additional information such as the website presented in the report

Methodology

As part of its independent assurance, the assurer has used the methodology developed to collect relevant evidence to comply with the verification criteria and to reduce errors in the reporting, and has performed the following activities;

- To determine verification priorities, review of materiality issue analysis process and verification of the results;
- System review for sustainability strategy process and implementation;
- Review the evidence to support the material issues through interviews with senior managers with responsibility for them;
- Verification of data generation, collection and reporting for each performance index

Assurance Opinion

On the basis of our methodology and the activities described above, it is our opinion that
- The information and data included in Samsung Electro-Mechanics`s report are accurate and reliable and the assurer cannot point out any substantial aspects of material with mistake or misstatement.
- The report was prepared according to the Core option of the GRI Standards

The assurance opinion on the four principles presented by the AA1000 AP (2018) is as follows.

AA1000 AP (2018)

- **Inclusivity:** Stakeholder Engagement and Opinion
  Samsung Electro-Mechanics has a stakeholder engagement process in which key stakeholders such as executives and employees, shareholders and investors, customers, suppliers, local communities, government and NGO`s participate. It was confirmed that key stakeholders' expectations and various opinions are collected and the drawn agenda is reflected in decision-making on sustainability management.

- **Materiality**: Identification and reporting of material sustainability topics
  Samsung Electro-Mechanics conducted international standard analysis, industry issue analysis, advanced company benchmarking, media research, and stakeholder survey to derive economic, social, and environmental material reporting issues related to sustainability management, and determined priorities by measuring influence on stakeholder's and evaluating business impact, and reported a total of 28 material sustainability management topics.
- **Responsiveness**: Responding to material sustainability topics and related impacts
  Samsung Electro-Mechanics established and implemented plans for each topic to appropriately respond to identified material topics in a way that reflects stakeholders' expectations, and detailed response activities and performance on material topics were disclosed in the Sustainability Commitment in the report.
- **Impact**: Impact of an organization's activities and material sustainability topics on the organization and stakeholders
  Samsung Electro-Mechanics implemented the process to identify and evaluate the impact on organizations and stakeholders related to material topics, and from a sustainability perspective, the impacts determined on material topics were disclosed in the report.

Key Areas for Ongoing Development

To the extent that the results of the verification are not affected, the following comments were made.

- If the internal verification process is implemented to manage the data quality and reliability disclosed in the report, it is expected that the reporting process will be continuously improved
- Samsung Electro-Mechanics has selected 28 major issues according to the materiality assessment process and is making efforts to faithfully include them in the report. In addition, in relation to strengthening safety and health responsiveness can be enhanced if responses to major risk factors and improvement results are reflected.
- In each area of the report, relatively positive aspects are explained and efforts to further develop are expressed. At the same time, it will help to improve the balance of reporting if issues with poor performance are identified and specific plans for resolving them are specified.

Statement of Independence and Competence

The assurer is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with almost 120 years history in providing independent assurance services. No member of the assurance team has a business relationship with Samsung Electro-Mechanics. We have conducted this verification independently, and there has been no conflict of interest. All assurers who participated in the assurance have qualifications as AA1000AS assurer, have a lot of assurance experience, and understand the BSI Group's assurance standard methodology.

Evaluation Against GRI 'In Accordance' Criteria

The assurer confirmed that this report was prepared in accordance with the GRI Standards Core Option and the disclosures related to the following Universal Standards and Topic-specific Standards Indicators based on the data provided by Samsung Electro-Mechanics.

[Universal Standards]
Organizational Profile (102-1~13)/ Strategy (102-14, 102-15)/ Ethics and Integrity (102-16, 102-17), Governance (102-18)/ Stakeholder Engagement (102-40 to 44)/ Reporting practice (102-45 to 56)/ Management Approach (103-1 to 3)

[Topic-specific Standards]
- **Economic:** 201-1~3, 202-1, 204-1, 205-1~3, 206-1
- **Environmental:** 301-1, 302-1~4, 303-1, 303-5, 305-1~5, 305-7, 306-1~4, 307-1
- **Social:** 401-1~3, 402-1, 403-1~7, 403-9, 404-1, 404-2, 405-1, 406-1, 410-1, 411-1

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18 June 2021
K. S. Song / BSI Group Korea, Managing Director

Third-Party GHG Verification Statement

Scope 1 & 2 (Direct, Indirect) Emissions

Scope

- The annual GHG emissions in 2016, 2017, 2018, 2019, 2020 calendar years and GHG emission sources of the plants stated below
- GHG emissions for SCOPE 1(Direct-emissions from the plant) and SCOPE 2(Indirect-energy related), as defined in WBCSD/WRI GHG protocol Chapter 4 "Setting Operational Boundaries"

Data Verified

- GHG Emissions of Scope 1 (direct emissions), Scope 2 (indirect emissions), and Scope 3 in 2016, 2017, 2018, 2019, and 2020 are as follows.

(Unit: tCO_2e)

Country	Plant	2016	2017	2018	20219	2020
Korea	Suwon	73,377	74,609	76,592	73,245	78,498
	Sejong	90,273	80,965	85,585	88,274	101,958
	Busan	210,148	194,953	229,553	271,660	260,041
	Cheonan	2,871	17,973	29,655	-	-
	Ulsan	13,175	15,315	13,294	8,831	3,282
	Others	494	636	597	583	322
China	Gaoxin	41,321	46,901	41,624	42,715	42,048
	Binhai	110,472	1,314	-	-	-
	Tianjin	164,097	298,298	336,083	370,675	387,564
	Kunshan	118,276	135,445	162,366	145,841	12,226
	Dongguan	6,342	6,476	6,195	-	-
	Shenzhen Logistic Ctr.	295	349	413	450	397
Philippines	Philippines	102,836	152,197	184,830	189,895	186,669
Thailand	Bangpakong	10,731	8,380	7,766	8,325	8,271
Vietnam	Vietnam	77,128	101,910	101,869	109,193	122,852
Total		1,021,836	1,135,721	1,276,422	1,309,687	1,204,128

※ Scope 3 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:

- Guidelines on emissions reporting and certification of greenhouse gas emissions trading
- 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

The standard confidentiality principle of BSI Group Korea applies to 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 Group Korea that:

- The verification was conducted to provide reasonable verification in accordance with "Guidelines on emissions reporting and certification of greenhouse gas emissions trading" 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 verification team states that the data is "acceptable."

For and on behalf of BSI:
Issue: April 27, 2021

Managing Director Korea, **KyeongSoo Song**

GHG Emission of Scope 3 (other indirect emissions)

Verification Scope

・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(Scope3) Accounting and Reporting Standard of WRI/WBCSD」 are as follows, and emission calculations standards for each category, scope, and hypotheses are provided in the verification report.

Data Verified

(Unit: tCO_2e)

Category	Description	Reporting Year		Remark
		2019	2020	
Purchased Goods & Services	Extraction, production, and transportation of goods & services purchased or acquired by the reporting company in the reporting year	21,419	34,583	
Capital Goods	Extraction, Production and transportation of capital goods purchased or acquired by the reporting company in the reporting year	1,852	3,690	
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	12,716	12,113	
Transportation & Distribution (Upstream)	Third-party transportation & distribution of products purchased by the reporting company in the reporting year	47,780	41,662	
Waste Disposal	Third-party disposal/treatment of waste generated in the reporting company's operations in the reporting year	6,025	6,875	
Business Travel	Transportation of employees for business-related activities in vehicles owned or operated by third parties	7,367	2,238	
Employee Commuting	Transportation of employees between their homes and their worksites	11,816	11,120	
Leased Assets (Upstream)	Operation of assets leased by the reporting company in the reporting year	747	693	
Transportation & Distribution (Downstream)	Third-party transportation & distribution of products produced by the reporting company in the reporting year	-	-	Not Applicable
Processing of Product	Processing of intermediate product to final product	1,037	353	
Use of Product	Use of product by customer	34,179	11,622	
Disposal of Product	Final disposal of product by end-user	579	197	
Leased Assets (Downstream)	Operation of assets owned by the reporting company and leased to other entities in the reporting year	-	-	Not Applicable
Investment	Emission from invested enterprise	24,009	25,304	
Total		**169,526**	**150,450**	

For and on behalf of BSI:
Issue: April 27, 2021

Managing Director Korea, **KyeongSoo Song**

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		305-3	Other indirect (Scope 3) GHG emissions	86-87, 110-111	●
		305-4	GHG emissions intensity	86-87, 110-111	●
		305-5	Reduction of GHG emissions	86-87, 110-111	●
		305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant atmospheric emissions	82, 110-111	●
Effluents and Waste					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its boundary	78	●
		103-2	Management approach and its components	78	●
		103-3	Evaluation of the management approach	78	●
	Effluents and Waste	306-1	Effluent discharge by water quality and discharge location	82, 110-111	●
		306-2	Waste by type and disposal method	84-85, 110-111	●
		306-3	Significant spills	No spill occurred	●
		306-4	Transport of hazardous waste	No waste generated	●
Environmental Compliance					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its boundary	78	●
		103-2	Management approach and its components	78	●
		103-3	Evaluation of the management approach	78	●
	Environmental Compliance	307-1	Non-compliance with environmental laws and regulations and non-monetary sanctions	No incidents of violation	●
Specific Standard Disclosures: Social Category					
Employment					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its boundary	64-65	●
		103-2	Management approach and its components	64-65	●
		103-3	Evaluation of the management approach	64-65	●
	Employment	401-1	New employee hires and employee turnovers and their ratios (by age, gender, and region)	112	●
		401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	72-77	●
		401-3	Ratio of employees returning to work and providing continuous service after parental leave, by gender	112	●
Labor/Management Relations					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its boundary	64	●
		103-2	Management approach and its components	64	●
		103-3	Evaluation of the management approach	64	●
	Labor/Management Relations	402-1	Minimum notice periods regarding operational changes (including explicit indication in collective agreement)	71	●

Topic	Index		Page/Related Reports	Assurance
Occupational Health and Safety				
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	103-2	Management approach and its components	32	●
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	403-3	Occupational health services	34	●
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	403-5	Worker training on occupational health and safety	34	●
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	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	33	●
	403-9	Work-related injuries	112	●
Training and Education				
Disclosures on Management Approach	103-1	Explanation of the material topic and its boundary	64	●
	103-2	Management approach and its components	64	●
	103-3	Evaluation of the management approach	64	●
Training and Education	404-1	Average hours of training per year per employee (by gender and employee category)	75	●
	404-2	Job training and continuing education programs that support workers' vocational abilities for uninterrupted employment and post-retirement management	77	●
Diversity and Equal Opportunity				
Disclosures on Management Approach	103-1	Explanation of the material topic and its boundary	64	●
	103-2	Management approach and its components	64	●
	103-3	Evaluation of the management approach	64	●
Diversity and Equal Opportunity	405-1	Composition of governing bodies and employees by category (gender, age, minority, and other diversity index	44, 113	●
Non-discrimination				
Disclosures on Management Approach	103-1	Explanation of the material topic and its boundary	64	●
	103-2	Management approach and its components	64	●
	103-3	Evaluation of the management approach	64	●
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	No incidents of discrimination	●
Security Practices				
Disclosures on Management Approach	103-1	Explanation of the material topic and its boundary	64	●
	103-2	Management approach and its components	64	●
	103-3	Evaluation of the management approach	64	●
Security Practices	410-1	Ratio of security personnel who received training on business-related human rights policies and procedures	70	●
Rights of Indigenous Peoples				
Disclosures on Management Approach	103-1	Explanation of the material topic and its boundary	64	●
	103-2	Management approach and its components	64	●
	103-3	Evaluation of the management approach	64	●
Rights of Indigenous Peoples	411-1	Incidents of violations concerning the rights of indigenous people and actions taken	No such incidents	●

Topic		Index		Page/Related Reports	Assurance
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		103-2	Management approach and its components	64	●
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	Human Rights Assessment	412-2	Hours of employee training on business-related human rights policies and procedures, and the ratio of employees who received training	70	●
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		103-3	Evaluation of the management approach	92	●
	Local Communities	413-1	Ratio of business sites that engage with the local community and execute impact assessments and development programs	92	●
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		103-2	Management approach and its components	24	●
		103-3	Evaluation of the management approach	24	●
	Political Donations	415-1	Total amount of funds donated as political contributions	Not applicable, pursuant to the Political Funds Act of Korea	●
Marketing and Labeling					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its boundary	52	●
		103-2	Management approach and its components	52	●
		103-3	Evaluation of the management approach	52	●
	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, including advertisement, promotions, and sponsorships	No cases of violation	●
Customer Privacy					
	Disclosures on Management Approach	103-1	Explanation of the material topic and its boundary	52	●
		103-2	Management approach and its components	52	●
		103-3	Evaluation of the management approach	52	●
	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	Management approach and its components	24	●
		103-3	Evaluation of the management approach	24	●
	Socioeconomic Compliance	419-1	Amount of major fine concerning the violation of laws and regulations and the number of cases of non-monetary sanctions No cases of violation	No cases of violation	●

TCFD Index

TCFD Disclosure contents index

Category	Disclosure	Page/Reference
Governance	a) Describe the board's oversight of climate-related risks and opportunities	P 88 CDP C1.1b
	b) Describe the management's role in assessing and managing climate-re-lated risks and opportunities	P 86 CDP C1.1a, C1.2
Strategy	a) Describe the short, medium, and long term climate-related risks and opportunities the organization has identified	P 90 CDP C2.3a, C2.4a
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	P 90 CDP C2.3a, C2.1b
	c) Describe the strategy, taking into consideration various climate change related scenarios, including the below 2°C scenario	P 90 CDP C3.1b
Risk Management	a) Describe the organization's processes for identifying and assessing climate-related risks	P 90 CDP C2.2
	b) Describe the organization's processes for managing climate-related risks	P 90 CDP C2.2
	c) Describe how processes for identifying, assessing, and managing cli-mate-related risks are integrated into the organization's overall risk management	P 90 CDP C2.2
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate change-related risks and opportunities	P 88 CDP C2.2a
	b) Disclose Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions	P 87 CDP C6.1, C6.3, C6.5
	c) Set targets to manage climate change-related risks, opportunities and performance	P 91 CDP C3.1b

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