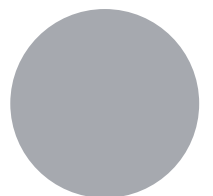


# SAMSUNG HEAVY INDUSTRIES

Compliance Program



**SAMSUNG HEAVY INDUSTRIES**



# Compliance Philosophy

Samsung Heavy Industries has adopted a “Top-Down” Compliance Program to take proactive action to manage potential compliance and legal risks.

Based on a strong commitment from senior management and the Board, Samsung Heavy Industries’ Compliance Program is designed to establish a culture within the company that encourages ethical conduct throughout the company’s business by integrating the Compliance Program into corporate risk management structure.

By sharing values on ethics and compliance with all stakeholders, Samsung Heavy Industries is committed to maintaining a core value of ethical management by operating and developing the Compliance Program on a global standard.

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## Compliance Message

“Turning a blind eye to laws and principles for immediate gain is to forgo the future of the company”

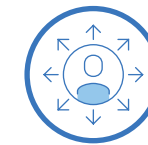
## Compliance & Code of Conduct

First, Employees shall conduct their business activities in compliance with all applicable laws and regulations by understanding the importance of compliance in business

Second, Employees shall not make any decisions or engage in any activities that would compromise ethical standards

Third, Employees shall be committed to maintaining the highest level of integrity and ethical standards by participating in the company's Compliance Program.

## Compliance Management Promotion System



Samsung Heavy Industries adheres to all applicable laws and regulations. To this end, Samsung Heavy Industries has managed a formal Compliance Program since 2010. Recently, we have reorganized the Compliance Team by placing it under the direct administration of the CEO. To ensure effectiveness, we are committed to improving the quality of the Compliance Program.

Based on a strong commitment from senior management and the Board, Samsung Heavy Industries has successfully integrated the value of compliance into standard operating procedures. We proactively manage compliance risks through effective management of the Compliance Program.

Samsung Heavy Industries strives to promote a culture of compliance through a series of trainings.



# Compliance Program

## Compliance Program Overview



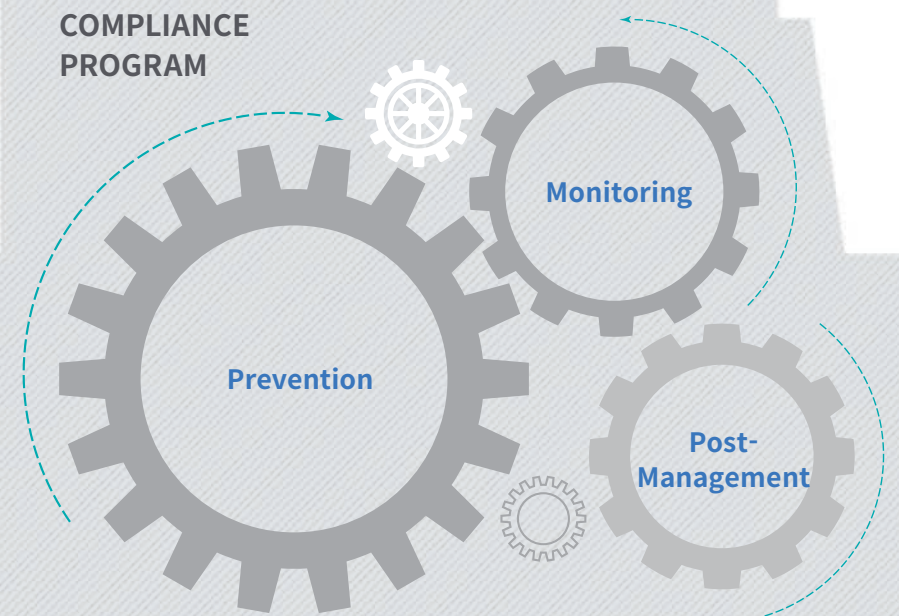
With the finest technological resources, Samsung Heavy Industries is committed to offering superior products and services while fulfilling social responsibility as a global corporate citizen.

While Samsung Heavy Industries always aims for the best based on a culture of excellence, we are fully aware that mutual cooperation and ethical management - adherence to laws and regulations - shall be the basic building blocks for doing business. Samsung Heavy Industries is putting unceasing efforts in establishing and developing an effective compliance program on a global standard.

Within a circular 'Prevention-Monitoring-Post Management' framework, Samsung Heavy Industries' Compliance Program is designed to identify legal and compliance risks related to areas such as fair trade, anti-corruption, and environmental protection. Where risks are identified, formal processes are developed to reduce and control risks. These processes are formalized into written guidelines, which are then distributed to all employees.

SHI's Compliance Program includes thorough due diligence on and ongoing monitoring of projects, an organizational structure fostering active employee engagement, constant flowing of information through numerous events and other components.

### SHI COMPLIANCE PROGRAM



## SHI COMPLIANCE PROGRAM

### Prevention



#### Activities to prevent misconduct

- Updating and Improving Internal Policies
- Training
- Advisory Practice
- Third-Party Management
- Due Diligence



### Monitoring



#### Due Diligence and Ongoing Monitoring

- Issue Monitoring
- Monitoring Ongoing Projects
- Managing Standard Operating Procedures
- Periodic Reviews and Testing
- Internal Reporting and Investigation



### Post-Management



#### Improving Effectiveness

- Corrective Measures
- Incentives & Disciplinary Measures
- Assessing Effectiveness
- Improving Compliance Program



# Compliance Activities



## Compliance Structure

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### Compliance Committee



Samsung Heavy Industries has a Compliance Committee that oversees the company's Compliance Program.

The Compliance Committee consists of the CEO (Chair), CCO (Secretary) and other employees holding senior position within the company. A regular meeting is convened semi-annually to receive reports on performance, and the Committee sets the direction of the company's Compliance Program.

### Chief Compliance Officer



Samsung Heavy Industries' Chief Compliance Officer ("CCO") – who is appointed by the Board, reports directly to the Board and heads a full-time Compliance Team – is responsible for communication within the company regarding compliance with laws and regulations.

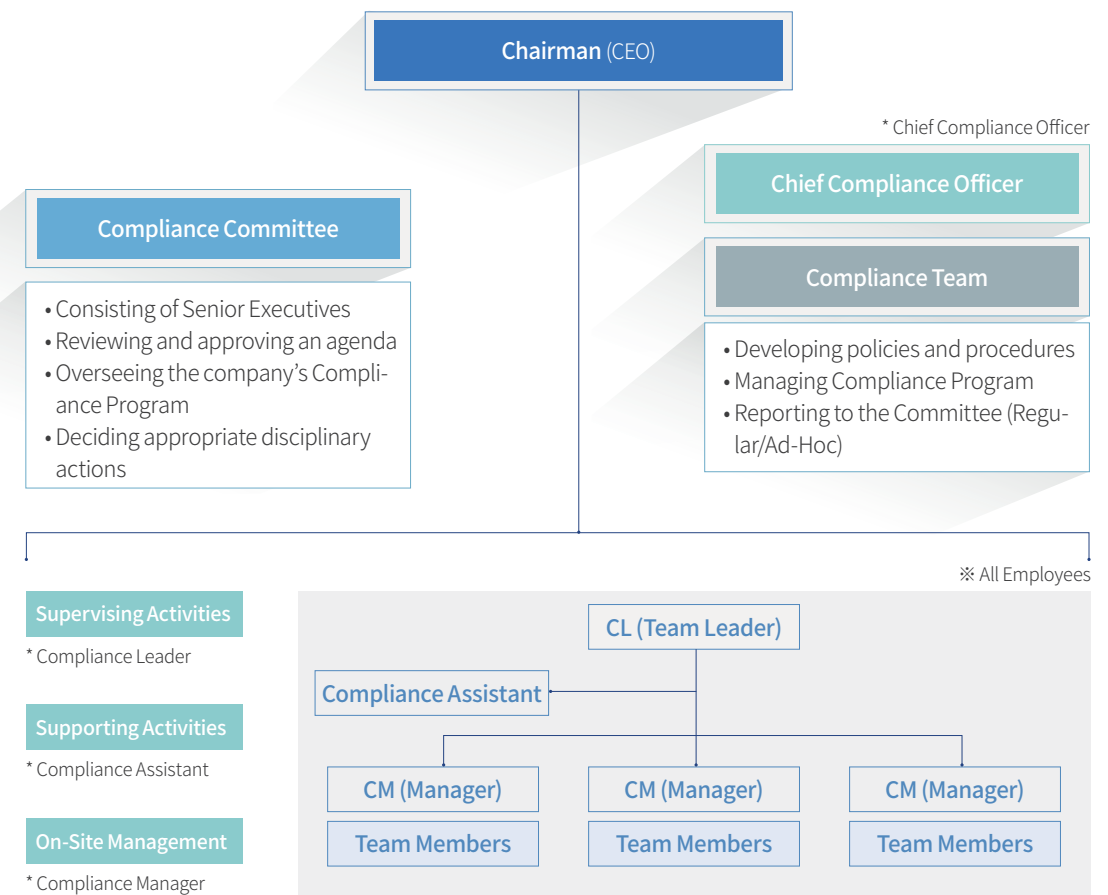
The CCO meets directly with the CEO and key management personnel to provide compliance-related consultation.

### Compliance Performers



Samsung Heavy Industries incorporates its compliance program into functional areas through individual employees designated as "Compliance Performers," who take on compliance-related responsibilities on top of their other job duties. These Compliance Performers include CL (Compliance Leader), CM (Compliance Manager), and CA (Compliance Assistant).

Compliance Leaders supervise the compliance activities of their respective teams and/or divisions, conduct monthly trainings, identify risks, and make recommendations to the Compliance Team.



# Compliance Activities



## Precautionary Approach

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### Periodic Risk Assessment



Every year, Samsung Heavy Industries conducts an internal risk assessment as part of its annual Compliance Program planning.

The result of the risk assessment is incorporated into and applied to the company's compliance control system.

### Pledge of Compliance



Every year, all employees of Samsung Heavy Industries are required to represent that they will comply with all applicable laws and regulations by understanding the importance of compliance management.

### Compliance Provision



Samsung Heavy Industries includes compliance provisions in contracts with all third parties. These provisions include the requirement of compliance with anti-corruption.

### Compliance Training



To proactively prevent legal and compliance risks arising out of business transactions, Samsung Heavy Industries conducts compliance trainings in an effective and systematic manner.

Samsung Heavy Industries provides various types of compliance trainings to employees – Basic Training, Intensive Training and Supplemental Training. All employees are required to take basic trainings, while higher-risk departments and employees involved in higher-risk projects are required to take intensive trainings as well.

In addition, whenever a group of employees requests supplemental training from the Compliance Team, compliance experts visit the group to provide tailor-made trainings.

#### SHI Compliance Training Structure

Division	Target	Curriculum	
Basic	All Employee	Compliance Overview, Ethics, Sexual harassment	
	Senior Management	Tailored Compliance Training	
	By Job Grades	Newly Promoted Managers	Compliance Overview
	New Recruits	Compliance Overview	
	Expatriate	Compliance Overview	
Higher-Risk Teams	Sales	Anti-Corruption, Anti-Cartel	
	Procurement/Production/Engineering	Mutual Cooperation(Subcontracting)	
	Personal Data Processing Team	Personal Data Protection	
Intensive	Special Trainings	Relevant Employees	Specific Theme
	Requested by Employees	Team requesting a training	Requested by Employees
Supplemental	Compliance Team Member	External Seminar and Conference	

#### Mutual Cooperation

### Subcontracting Law



It is essential to perform thorough reviews on subcontracting issues as subcontracting accounts for a large portion in the shipbuilding and offshore industry. Under the administration of the Compliance Team, relevant departments identify risks, conduct self-trainings and implement risk mitigation strategies in a systematic manner. In particular, Samsung Heavy Industries incorporates its compliance program into functional areas through individual employees designated as "Subcontracting Managers".

# Compliance Activities



## Relentless Build-up of Compliance Program

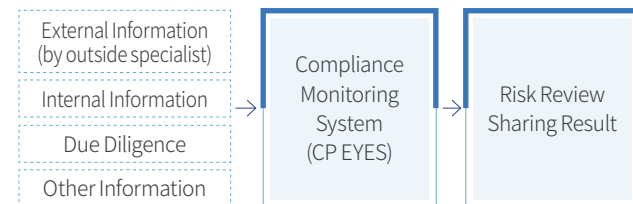
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### Issue Monitoring (CP EYES)



Samsung Heavy Industries has built an effective risk and compliance screening system (CP EYES) that enables us to identify potential risks in advance. Where red flags are identified, the Compliance Team notifies relevant departments of such red flags and conducts enhanced due diligence on higher-risk areas.



### Controlling and Monitoring Expenses



Samsung Heavy Industries has implemented a variety of internal controls related to anti-corruption compliance. The reimbursement of expenses as well as charitable contributions are monitored to ensure compliance with all applicable laws and regulations.

### Periodic Risk-Based Review



Every year, the Compliance Team conducts an internal risk assessment as part of its annual Compliance Program planning. The Compliance Team develops compliance policies and procedures on the basis of periodic risk assessments addressing the individual circumstances of the company and reports results to the Compliance Committee and/or the Board of Directors.

### Anti-Cartel Compliance Program



In principle, Samsung Heavy Industries prohibits employees from meeting with competitors. However, in cases where meeting is inevitable such as at trade fairs, all employees are required to register such information on SHI's Anti-Cartel Compliance system. The Compliance Team manages and minimizes cartel-related risks by requiring employees to report subject of contact, schedule and purpose of the meeting and by providing precautionary information to relevant employees in advance.

### In-Depth Risk Assessment



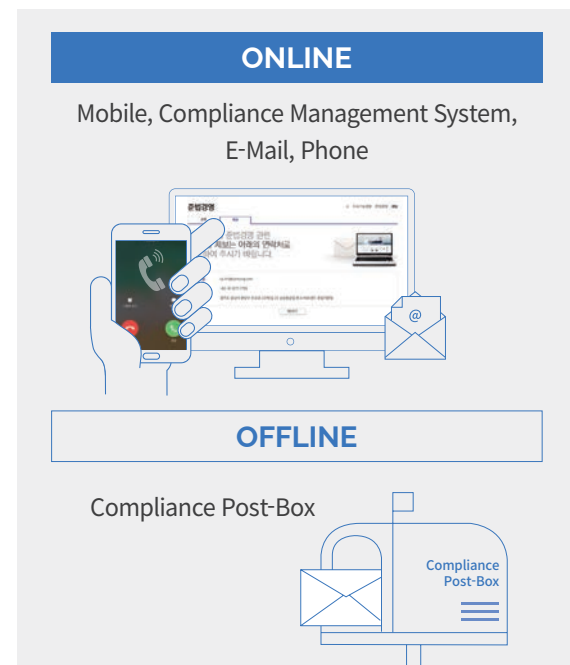
Samsung Heavy Industries periodically engages an outside specialist to conduct in-depth risk assessments. In the process, Samsung Heavy Industries reviews its compliance policies and procedures and updates them as appropriate to ensure continued effectiveness.

### Whistleblowing Reporting Channel



Samsung Heavy Industries maintains a whistleblowing reporting channel, which is accessible to employees as well as the general public (including third parties). Reports may be made through online (e-mail, mobile, fax, internet homepage, etc.) and offline channels (compliance postbox, etc.).

The Compliance Team protocols specify that reports can be made confidentially and that whistleblowers will not be subject to retaliation for making a disclosure.



# Compliance Activities



## Rigorous Controls for Business Marketing Process

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### Business Marketing Process Guideline



Samsung Heavy Industries implements rigorous controls for its business marketing process.

Specifically, the Marketing Team is required to perform compliance checks, provide compliance-related information to the Compliance Team and other committees, and obtain approvals at multiple stages of the contracting processes. Where red flags are identified, enhanced due diligence shall be performed.

Lastly, the process requires the participation of numerous corporate functions, including the accounting team, which monitors all commission payments for conformity to performance of contracts.

### Third Party Relationships



Samsung Heavy Industries specifically refers to the need for due diligence on and ongoing monitoring of third parties including commercial agents, subcontractors, and vendors.

Every third party is required to complete a compliance questionnaire as well as certification of anti-corruption compliance, and Samsung Heavy Industries makes use of outside specialist firms in conducting background research. If red flags are identified in the process, risks should be addressed and resolved prior to contracting.

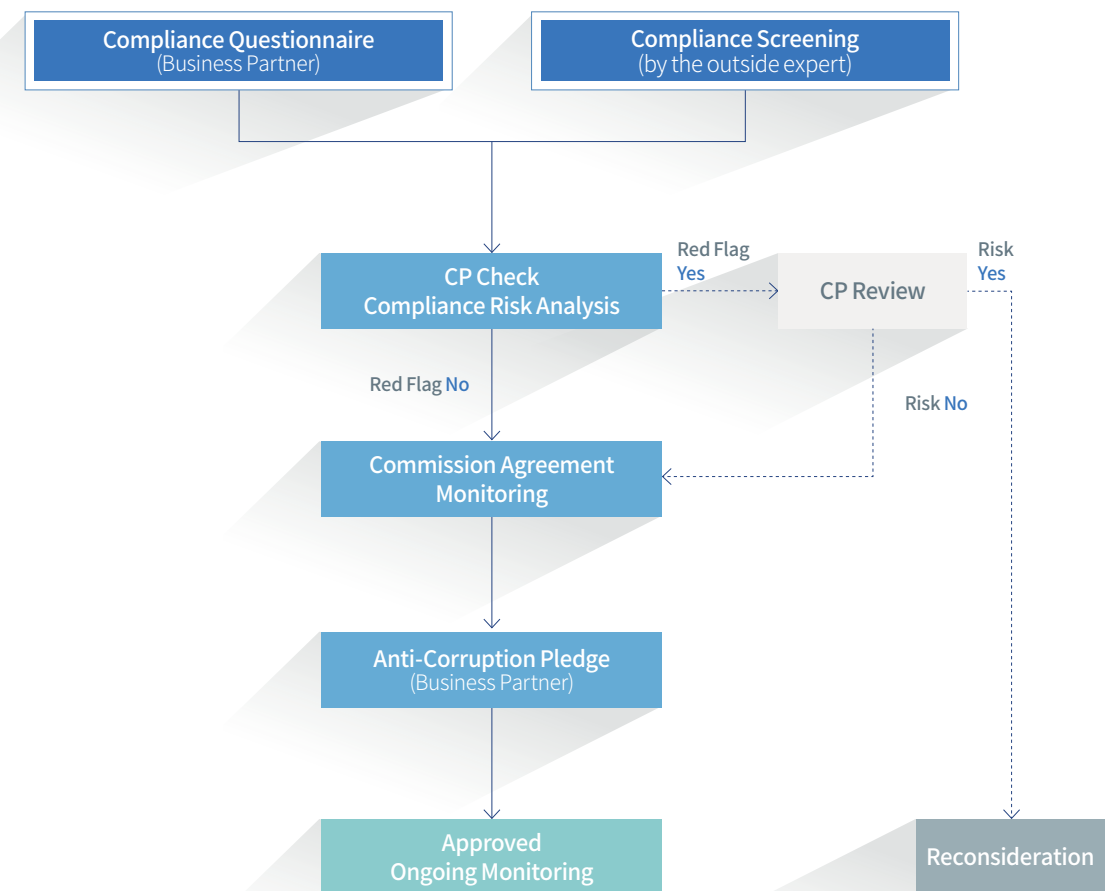
On higher-risk third parties, Samsung Heavy Industries conducts in-depth review as well as enhanced due diligence.

### Due Diligence



Pursuant to the Anti-Corruption Compliance Policy and Procedures, Samsung Heavy Industries conducts due diligence on business partners prior to contracting. Enhanced due diligence is required for higher-risk agents and partners.

#### Due Diligence Process





# Compliance Activities



## Effective Lines of Communication

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### Compliance Newsletter



Every month, Samsung Heavy Industries publishes and distributes a Compliance Newsletter to all employees.

Compliance Newsletter contributes to promoting a culture of compliance throughout the company by notifying employees of compliance updates and other relevant information.

### Compliance Day



Since 2015, the Compliance Team has hosted “Compliance Day” every third Tuesday.

On “Compliance Day”, all teams conduct compliance trainings, risk assessments and surveys, and hold a variety of events on a monthly theme, leading to enhancement of compliance-related knowledge and awareness.

### Incentives



To promote a culture of compliance, Samsung Heavy Industries has implemented mechanisms for incentivizing compliance with its policy and procedures. Annually, “Best Practice Awards” and “Compliance Awards” are provided for exemplary compliance leadership and publicized within the company.

### Compliance & Legal Advisory System



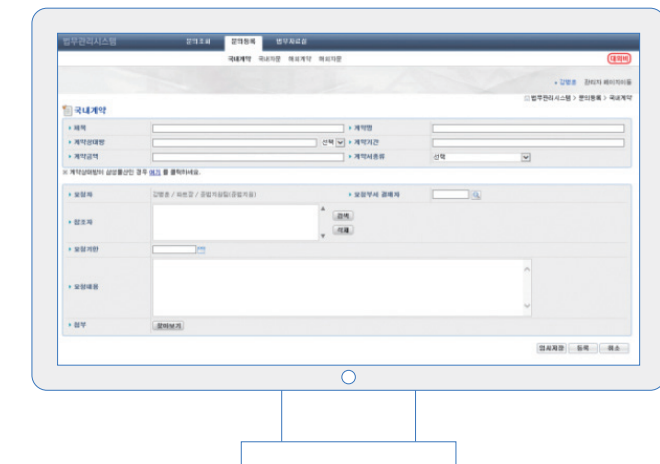
The Compliance Team manages a compliance & legal advisory system for employees in need of detailed guidance.

Since 2015, an annual average of 2,000 cases are reviewed, and the Compliance Team has been providing practical assistance to employees as well as promoting a culture of compliance.

#### Compliance Advisory System



#### Legal Advisory System



# History



Since the company's adoption of the Compliance Program in 2010, Samsung Heavy Industries has developed and improved its effectiveness as a way to build a foundation for a culture of compliance.  
Now, the company is managing a variety of compliance programs to boost efficiency.

## Compliance Program History

### Introduction Stage

2010  
2012

- Declaration on Compliance Management
- Establishment of Compliance Program
- Fostering an awareness of compliance

### Expansion Stage

2013  
2016

- Enhancing on-site support
- Introducing performance metrics
- Improving internal controls and policies
  - Revision of policies and procedures (e.g., Due Diligence Questionnaire)
  - Promoting a culture of compliance (e.g., Introduction of "Compliance Day")

### Maturity Stage

2017 ~

- Integrating compliance standards into standard operating procedures
- Developing compliance program on a global standard
- Enhancing monitoring and screening capacity



## COMPLIANCE PROGRAM

### CONTACT

Please contact the Compliance Team for any inquiries.

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