

SMGROUP

Code of Ethics

I . Preamble

1. Purpose

A) The Code of Ethics is intended to provide standards on which all executives and employees (hereinafter collectively referred to as “employees”) of SM Group can be base their ethical behavior and value judgement and enable them to understand how they should act within the business.

B) We designed the Code of Ethics and to ensure that all employees complete their given duties so that we build a sound and safe organizational culture and grow to be a trustworthy and respected global enterprise together with customers, employees, partners, shareholders and competitors, as well as social communities.

2. Who Must Follow Our Code

We expect all our employees to know and follow the code, regardless of position and title.

II . Code of Conduct

Chapter 1. For Our Customers

Under the fundamental principles that the customers are our business base we always respect customers’ opinions and continuously create and deliver values required by the customers to increase their trust in us.

1. Respect of Customers

A) We always listen to customers’ opinions, believe that customers’ sincere demands are always right, and take account of the customers as the foremost basis of all decisions and actions.

B) All trades and transactions are established fairly from mutually equal positions. We should strive to achieve customers’ best interest –we constantly create the true values that can actually satisfy customers and offer such values to them timeously.

2. Protection of Customers

We prevent the sharing of customers’ personal information by unauthorized access to protect the privacy and security of that information.

3. Satisfaction of Customers

A) We deliver the best quality merchandise and services at reasonable prices to the customers with the highest priority on customers satisfaction.

B) We tell only the truth to the customers and keep promises to customers without fail.

Chapter 2. For Our Shareholders

1. Efficient Management

- A) We are committed to maximize shareholder benefits with efficient, rational and sound management.
- B) We exert our best efforts to ensure innovation in our business and to maintain sound financial structures to increase our value.

2. Transparency

- A) We are committed to ensure transparency in our business dealings and respect sincere demands from shareholders and investors in order to establish mutual trust with them.
- B) The books and records for accounts should be prepared and maintained in accordance with the requirements of the legitimate accounting standards (K-IFRS), which are offered to the shareholders and investors from time to time under the relevant laws and regulations to enable them to make reasonable investment decisions.

3. Protection of Shareholders' Rights

- A) We guarantee the exercise of legitimate rights by the shareholders in accordance with the governing laws.
- B) We always respect and positively take into account reasonable demands and suggestions made by shareholders.

Chapter 3. Mutual Growth

1. Equal Opportunities

- A) We grant all qualified companies equal opportunities to register and be selected as a business partner.
- B) We rationally and legitimately register and select the partners under objective and fair evaluation criteria.

2. Fair Trade Procedure

- A) We do not conduct unfair practice in any form or attempt to influence the outcome of any business decision using our superior position.
- B) If the partners attempt to impede the ethical practices by offering unfair profits or kickbacks to our employees, such attempts may result in disadvantages in transactions.

3. Strive for Mutual Growth

- A) We are committed to establish fair and transparent transactions built upon mutual trust and cooperation with our partners.
- B) We actively supports our partners to establish ethical management for mutual development.

4. Fair Competition

- A) We respect the market economy under the principle of global free competition.
- B) We respect our competitors and fairly compete in good faith with true competency.

Chapter 4. Responsibility to Society

We comply with all relevant laws and regulations and contribute to the national economy and social development as a social enterprise with trust and sympathy in the social and market order.

1. Compliance of Laws

- A) As a member of the state and local communities, we comply with social values, domestic and foreign laws, and international trade practices for fair business at domestically and abroad.
- B) We protect market justice with fair competition in good faith based on technology and quality.

2. Contribution to Social Advancement

- A) As a member of society, we faithfully fulfill our social responsibilities to contribute to national and social advancements by creating jobs, faithfully paying taxes, and building welfare programs.

3. Environmental Protection

- A) We do our best effort to protect and preserve the environment, and comply with all relevant laws and regulations.
- B) We minimize the release of environmental pollutants under the principle of resource and energy efficiency with the highest priority of environmental protection
- C) We endeavor to establish systemic environmental protection with eco-friendly activities, and to develop green products and services.

Chapter 5. Obligations towards Employees

We respect all employees as independent individuals, and enable them to grow into corporate citizens with creative resourcefulness and ethics.

1. Respect of Employees

- A) We recognize and respect the dignity and values of our employees.
- B) We put forth our best efforts to develop a workplace environment where employees are proud of themselves, their work and activities.
- C) We build a system so that employees can fairly perform their given duties, and take measures to encourage them to develop their skills and capabilities.

2. Equal Opportunity

- A) We promote equal opportunities to improve the abilities of our employees. Employment is based solely upon individual merit and qualifications.
- B) We assess and fairly compensate the capabilities and achievements of employees under the principle of fairness.
- C) We strictly prohibit discrimination or harassment on the basis of gender, race, color, education, ethnic or national origin, or any other characteristics.

3. Human Resources

- A) We respect the autonomous and creative talent of our employees and make our best effort to offer opportunities for personal development.
- B) We take necessary actions to build systems and an environment to ensure that employees develop their capabilities.
- C) Supervisors and managers supply all necessary advice and guidance to staff, taking their skills and the nature of their work into account.

4. Workplace Safety

- A) We take necessary steps to protect our employees and ensure a clean and safe workplace.
- B) Suitable safety training and safety inspections should regularly be provided for workplace safety.

Chapter 6. Basic Employee Ethics

Under the principle of truthfulness and fairness, SM employees establish the right values and fulfill their given missions with continuous self-improvement and fair execution of duty.

1. Basic Ethics

- A) All employees have pride and confidence as employees of SM and always maintain honor and personal dignity.
- B) All employees strive for personal development with ceaseless effort and innovation.
- C) All employees develop mutual trust among colleagues based on smooth communication and do their bests to build good relations between labor and management.

2. Completion of Mission

- A) All employees share the spirit and philosophy of SM group, and faithfully executes their missions in accordance with the social regulations and policy of the company.
- B) All employees should acknowledge their authority and responsibilities, and make decisions within the scope of the authority to be consistent with the SM's goals.
- C) All employees increase work efficiency by active cooperation and courteous communication with colleagues and other departments.

3. Fair Execution of Duty

- A) All employees execute all duties fairly and faithfully, even when not stipulated or clearly expressed in the regulations, reasonably and clearly – NEVER act immorally or unethically in a way that could seriously damage the company's and individuals reputation and dignity.
- B) Supervisors and managers should not ask an employee to perform acts not compliant with laws and company regulations; the employee can refuse the order and, if he/she notifies the company of such order, we will endeavor to keep the report or notification confidential.
- C) No employee accepts monetary profit of any form, which may influence his/her decision related to their duty, from vendors or stakeholders.
- D) No employee offers or receive gifts, entertainment, benefits, monetary profits, or hospitality beyond the extent permitted by law and business practices.

4. Exchanging Gifts between Employees

In principle, no gift or hospitality should be given or accepted between employees since it could raise a perception of bias or preferential treatment, or give the impression that an employee may favor a particular person.

A) Employees must not give or receive gifts to or from managers and colleagues, especially any one of the followings, except gifts to the extent permitted by common sense:

- (1) Giving holiday gifts to his/her manager;
- (2) Offering or accepting gifts or hospitality between departments; and
- (3) Giving overly formal or overly expensive gifts (e.g. wreath) as congratulations on promotion or transfer.

B) It may be permitted to give a gift or a cash donation in the event of a birth, wedding or death in the employee's family, but only to the extent permitted by common sense.

C) No monetary transaction (e.g. loan or security) between employees is permitted.

5. Sexual Harassment

All employees should acknowledge that sexual harassment in the workplace is an offence that causes victims to lose their will to work and reduces productivity.

A) We do not tolerate sexual harassment behavior in any form by or of workers, including but not limited to verbal abuse, suggestive comments or jokes, access to porn websites, sexually explicit pictures or posters, offensive and unnecessary physical contact, unwelcome advances, and unwanted invitations.

B) We must provide sexual harassment prevention training to all employees at least once a year and ensure that our employees complete the training.

6. Protection of SM Assets

All employees are responsible for protecting SM assets.

A) Tangible and intangible SM assets must be used only for purposes approved by the company - NOT for personal use.

B) SM assets collectively include the rights to intellectual property developed by an employee in the course of his/her employment duties, working processes and the outcomes therefrom.

C) Confidential information must be disclosed only to authorized persons - DO NOT leak any information to third parties.

7. Unauthorized Software

All employees should not use or steal third party's intellectual property for the purpose of fulfilling his/her employment duties; they protect the company against the legal or ethical issues arising in unauthorized use of intellectual property.

A) All employees must NOT use unauthorized, pirated, or cracked software in the workplace; it should be deleted.

B) We periodically check whether unauthorized software is being used.

8. Confidentiality

All in-house information obtained with investment of the company's resources must be used only for legitimate business purposes.

A) All employees must NOT disclose information obtained in the performance of their duties to any third party without permission, or use in a way that improperly benefits them, their family, or an acquaintance.

B) No employee can announce or use the confidential information reasonably acquired in the performance of his/her duty even after he/she leaves the company.

9. Conflict of Interest

All employees avoid any action or relationship that may cause a conflict of interest between the company and the individual; in the event of a conflict of interest, they should act with the company's interests and their own reputation as the highest priorities.

A) Insider Trading

It is illegal to buy or sell stock, trade in securities, or engage in any other transactions using non-public information related to the SM group, customers or partners, acquired in connection with the employee's duties.

B) Personal Investment

All employees avoid personal business relationships (serving on boards of directors or advisory boards, or investment) in companies that are our competitors or business partners that could influence their independent decisions or performance.

C) Interested Parties

All employees should not enter into business contracts with interested parties, including but not limited to themselves, relatives, spouses or significant others, without prior approval of the company, when performing their given duties.

10. Miscellaneous

A) No employee can set up a private social group in the workplace on the basis of schools, ethnic origin, or relatives.

B) All employees uphold SM's code of honor with neat clothes, polite behavior, and dignified language as representatives of the company.

C) Smoking is not allowed outside the designated smoking area at the workplace.

D) No employee is permitted to use mileage or points earned on a corporate card at his/her sole discretion.

Chapter 7. Compliance

All employees should stay in full compliance with this Code of Ethics, and executive staff and managers are responsible for ensuring that employees comply with the Code.

1. All employees MUST comply with the Code in good faith; violation of this Code may result in disciplinary action, including dismissal.
2. Violation reoccurrence should be prevented by thorough investigation of the cause of the violation.
3. If an employee is forced to make or learns about a violation of this Code, he/she shall promptly report to the compliance officer or Internal Audit; if he/she has any questions about potential conflicts or suspect any violation, he/she can consult his/her manager or executive staff member.
4. Violations to be reported include but are not limited to:
 - A) Embezzlement, bribery or kickbacks;
 - B) Unfair and unreasonable performance;
 - C) Request for monetary profits, entertainment or hospitality;
 - D) Personal investment in a public company that is a current or potential competitor/business partner of SM group;
 - E) Accepting outside employment or advisory positions;
 - F) Sexual harassment; and
 - G) Other breaches of the Code of Ethics.