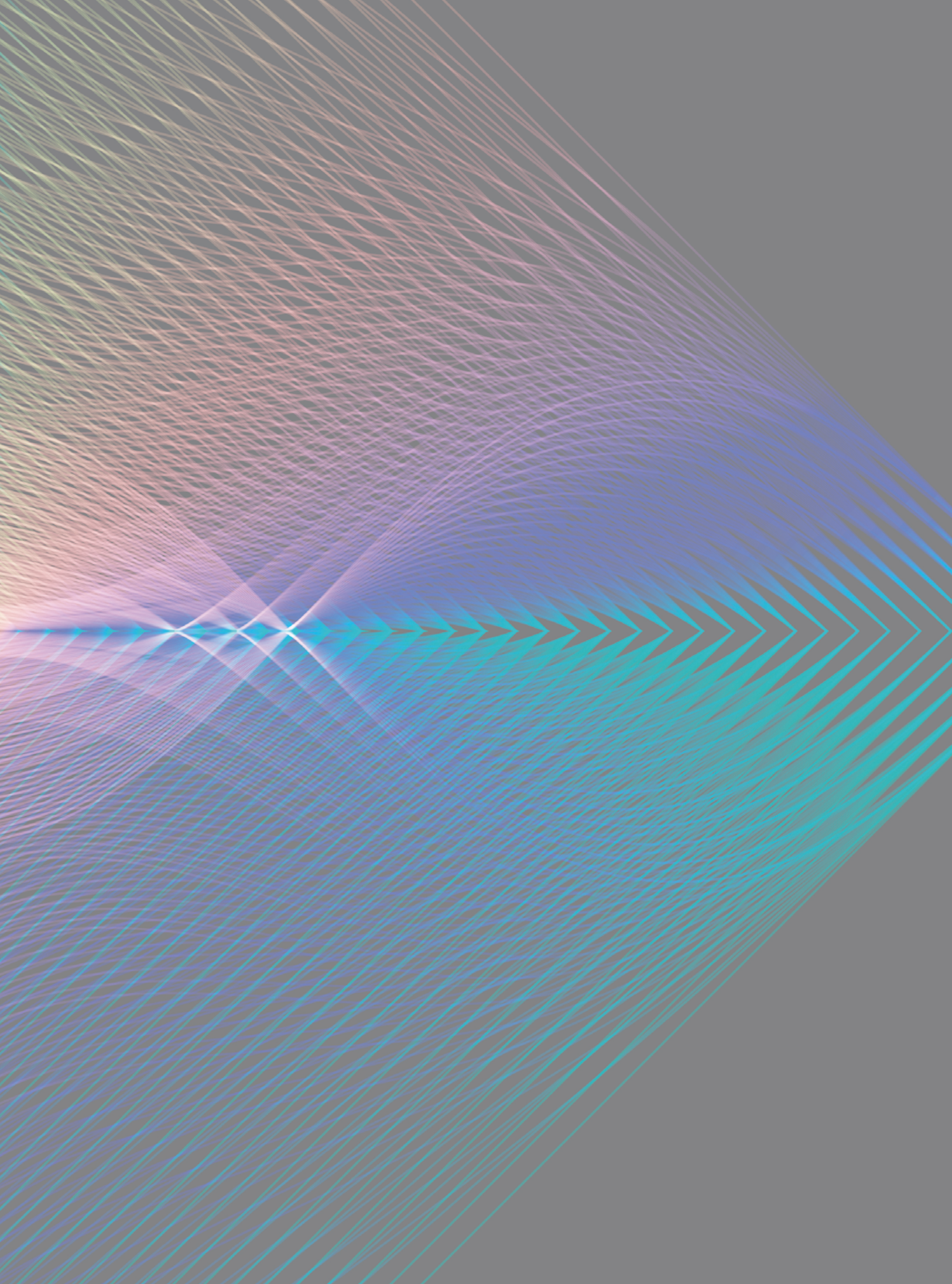


# SUSTAINABLE MANAGEMENT OVERVIEW

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# Sustainability Management System

## Directions for Sustainability Management

In promoting our business activities, we intend to create economic, social and environmental values to enhance our corporate competitiveness and achieve continued growth.

To this end, we actively respond to changing sustainability issues based on communication with various stakeholders. We will continue to work tirelessly to contribute to the local communities, our stakeholders, and ultimately the human society through the implementation of sustainability management with the aim to create not only economic value, but also social and environmental value throughout our business activities.

### SUSTAINABLE DEVELOPMENT INNOVATORS

“Contributing to society through Sustainable Development based on Strong Leadership in the Economic, Social and Environmental Spheres”



We pursue sustainable growth and the creation of profits through customer satisfaction.

We pursue balanced partnerships based on mutual trust and benefits with our diverse stakeholders.

We pursue contributions to the improvement of the quality of life for mankind through the creation of greater value through eco-friendly ways in both our product and service processes.

## Stakeholder Engagement

Samsung SDI runs different communication channels with its major stakeholders, which directly or indirectly impact its business activities, such as customers, partner companies, employees, shareholders/investors and the local community. Through continuous communication with the stakeholders, we identify important issues in each sector and carry out sustainability management in consideration of the collected opinions. Each year we review and reflect the stakeholders' opinions on our sustainability management activities while reporting our activities and achievements about topics identified as material issues in our annual sustainability reports.

### Communication Channels with Stakeholders

#### Customers

● Customer visits, QBR (Quarterly Business Review) meetings, QTR (Quarterly Technical Review) meetings, and our website

#### Partner Companies

● Purchase portal system, SSP (Samsung SDI Partner's Association) meetings, supplier meetings, and visits to partner companies by the CEO and senior executives

#### Employees

● Labor-Management Council, Open Counseling Center, management briefings, satisfaction surveys, Culture Leader, SDI Talk, Global SDI Pick!, and newsletters

#### Industry Associations, Universities & Research Centers

● Active participation in associations and societies including the Korea Battery Industry Association, R&D (Open innovation), and joint cooperation programs

#### Local Community & Civic Organizations

● Local Community Council, social contributions, and sisterhood relations

#### Government

● Participation in national projects, operation of joint cooperative programs, and organization of conferences and meetings



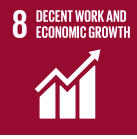


#### Shareholders/Investors

● General Meetings, IR earnings conference calls, IR road shows, IR conferences, public notices, IR website, IR phone contact and ad hoc meetings

## Activities to Create Social Value

Samsung SDI intends to contribute to solving environmental and social challenges faced by mankind through sustainability management. We support the United Nations Sustainable Development Goals (UN SDGs) for the sustainable development of the international community. We focus on achieving goals that are highly relevant to our sustainability management directions and our current and future business activities.

### Goals for Sustainability Management Activities ● .....

Sustainable Development Goals (UN SDGs)	Details
 <p><b>4 Quality Education</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p><b>4.4</b></p> <p>By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for corporate activities.</p>
 <p><b>7 Affordable and Clean Energy</b> Ensure sustainable energy for all</p>	<p><b>7.3</b></p> <p>By 2030, double the rate of improvement of energy efficiency.</p>
 <p><b>8 Decent Work and Economic Growth</b> Promote decent work and economic growth</p>	<p><b>8.5</b></p> <p>By 2030, achieve full and productive employment and decent work for all women and men, and equal pay for work of equal value.</p>
 <p><b>12 Responsible Consumption and Production</b> Ensure sustainable consumption and production patterns</p>	<p><b>12.5</b></p> <p>By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse.</p>
 <p><b>13 Climate Action</b> Take urgent action to combat climate change and its impacts</p>	<p><b>13.3</b></p> <p>Improve education on climate change, as well as human and institutional capacity to mitigate it.</p>

.....● Solution of the Economic, Environmental and Social Problems of Mankind

Impact and Value

Samsung SDI's Response Strategies and Activities

Quality education leads to sustainable development and a better life. We provide support for the academic and vocational education and training required to promote sustainable development. Most notably, we contribute to substantially increasing the number of youth and adults who have relevant skills for corporate activities through technical and vocational training.

- Employee education and training
- Industry-academia collaboration programs
- Science Dream of Children (SDI) science class

We strive to reduce energy consumption in every process through a life-cycle assessment (LCA). We also aim to contribute to ensuring universal access to sustainable energy through the development of technologies and products that improve energy efficiency.

- Development of low-power eco-friendly products
- Implementation of energy conservation tasks
- Introduction of green energy
- Implementation of a life-cycle assessment

Quality jobs eliminate poverty. We strive to create stable and sustainable jobs and a healthy work environment not only in our domestic and overseas business sites but also in our global supply chains.

- Creation of quality jobs
- Monitoring and improvement activities related to supply chain CSR risks (human rights/labor, environment, safety & healthcare, ethics, management systems)

Waste of natural resources is causing various environmental problems including global warming. Through the sustainable utilization and management of resources, we strive to reduce the environmental impact in all aspects of our production and disposal cycle.

- Promotion of recycling activities
- Reduction of waste generation
- Improvement of water resource utilization efficiency
- Implementation of a life-cycle assessment

We strive to reduce our GHG emissions as planned. We offer next generations environmental education as part of our commitment to mitigate, adapt to, and reduce the effects of climate change.

- Reduction of GHG emissions
- Green Planet Environment School
- Creation of a School Forest (Dream Walking)



Incorporated into the DJSI World for the 14<sup>th</sup> time

Samsung SDI was incorporated into the 2018 DJSI (Dow Jones Sustainability Indexes) World for the 14<sup>th</sup> time.



Selected as one of the 2019 Global 100

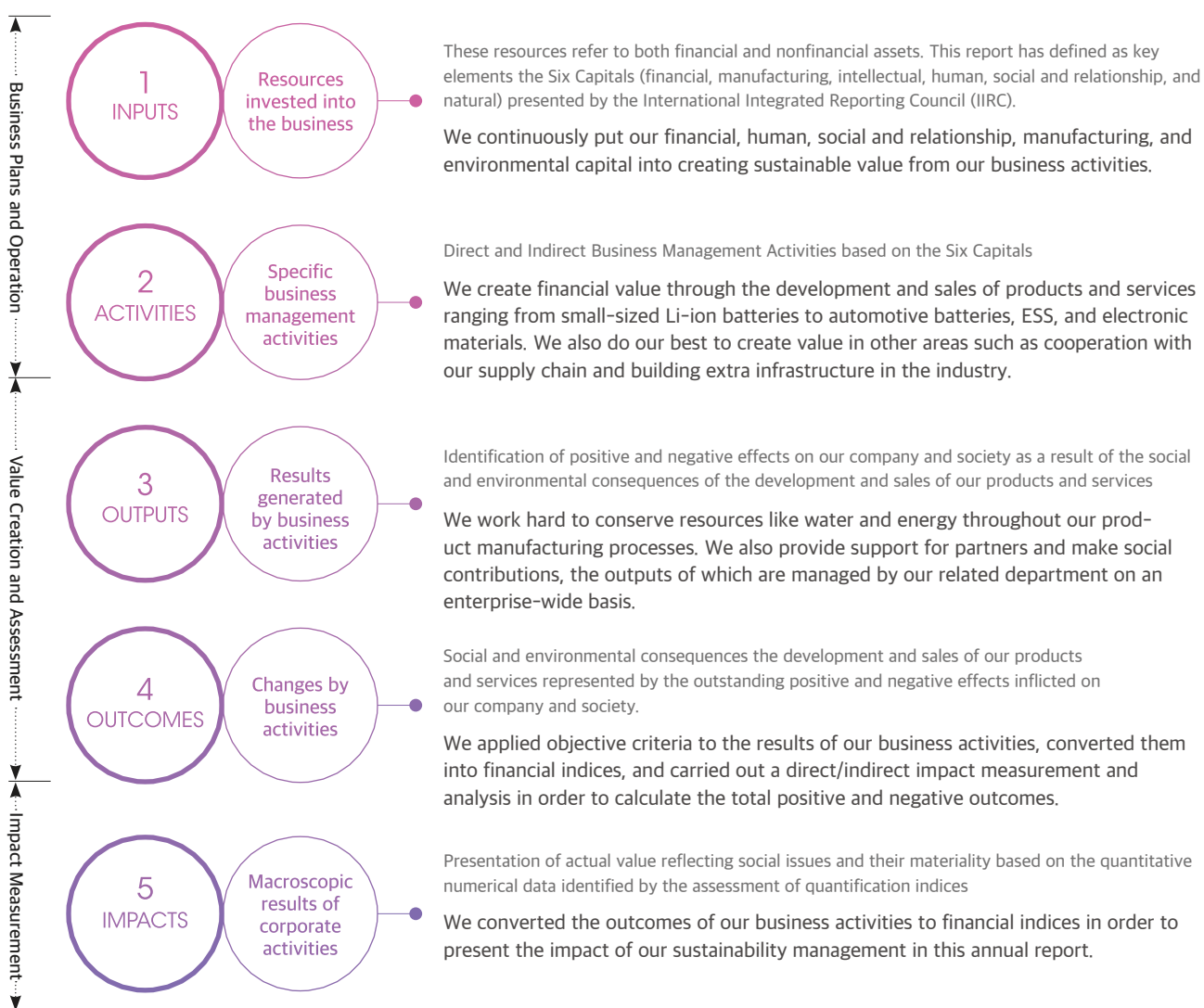
Samsung SDI was selected as one of the most sustainable corporations in the world (Global 100), announced by the Davos Forum for the second consecutive year in 2019.

# SDI Impact Valuation Management

## Measurement of the Impact of SDI's Sustainability Management

To secure continuous prosperity of future generations, we pursue sustainable development in which economic growth harmonizes with social stability and integration, as well as environmental preservation. Therefore, we see sustainability management as a corporate responsibility. In order to comprehensively assess the actual value and impact of our management activities on society, we measure not only the economic value generated by our management activities, but also positive and negative external impacts in social and environmental aspects. We strive to create social value by expanding the positive impacts, minimizing the negative impacts, and fulfilling our corporate responsibility of creating sustainable value.

## Impact Measurement Framework



\* As of December 31, 2018

### Evaluation of Integrated Value Creation

We are committed to implementing a sustainable management approach to contribute to solving social issues and creating a sustainable society. To achieve our long-term sustainability management goals, we assess and present our annual achievements in quantitative data. We measured and converted the actual impact value of the positive and negative effects of our business activities in relation with the resources invested into our business, according to the relevant global standards and legally required formulas. The relevant data of such measurements is presented in this report. We disclose the positive and negative impacts of our business activities in terms of value generation and consumption and present them in these graphs. Regarding the areas that are yet to be converted due to a lack of social consensus or technical expertise, we will continue to work in order to disclose the information objectively.

#### Value creation by resource factor

#### Index introduction and calculation methods

Financial aspects	Net income		701,166	
Environmental aspects	GHG emission impact		28,239	Social costs incurred by GHG emission (GHG emission quantity × the carbon credit price)
	Air contaminant emission impact		715	Social costs incurred by emission of air contaminants (air contaminant emissions × health expenditures)
	Resource utilization and waste emission impact		4,286	Social costs incurred by waste emission (designated waste quantities × waste disposal costs)
	Water utilization and wastewater impact		5,455	Social costs incurred by the discharge of water contaminants (quantity of water contaminant discharge × industrial wastewater treatment costs)
Social aspects	Employee welfare impact		361,942	Improvement of employees' quality of life (salary expenses - minimum income (annually) × the number of employees)
	Shareholder and investor impact		65,433	Increased income for shareholders and investors (cash dividend per share × the number of floating stock)
	Supplier impact		2,709	Growth of the supply chain through the purchase of partner companies' products and services (total purchase amount from partner companies × domestic SMBs' operating income rate)
	Local community impact		2,345	There was increased value in the local community thanks to investment in the community. (total amount of investment in social contributions - cash donations × the number of associations and other organizations)
Comprehensive value creation			2,129	Direct/indirect economic impacts through job creation (Direct) Number of new jobs (the disabled, veterans' families) × starting salary × 12 (Indirect) No. of new jobs at partner companies × basic monthly pay × 12
	The Impact of the Created Social Value		1,097,029	

\* Period: Jan. 1 - Dec. 31, 2018, Unit: KRW 1 million



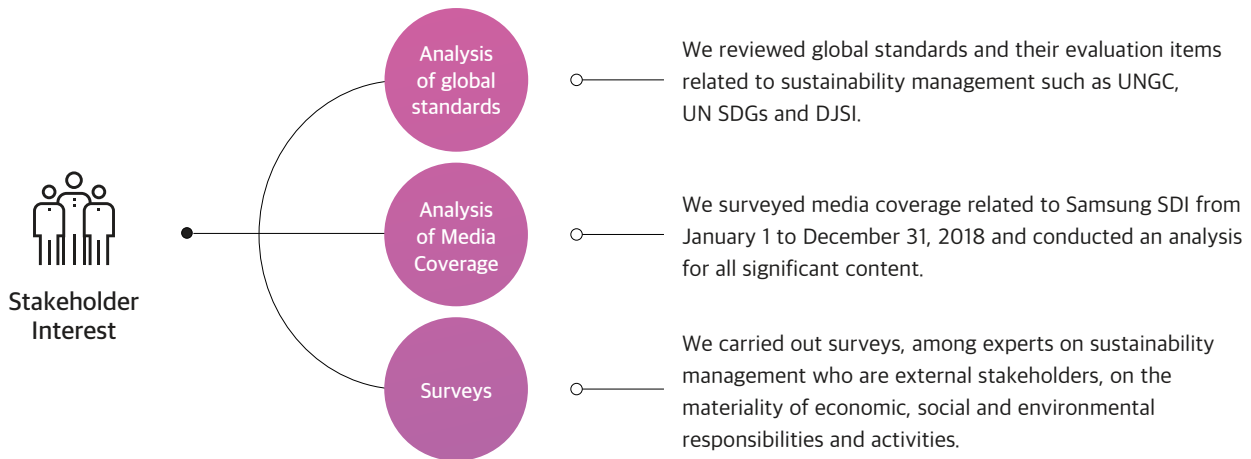
# Materiality Test

## Overview

We carried out a materiality test to report on topics identified as material issues in our careful review of our stakeholder interest and impacts on our business activities. We came up with a 46-issue pool given to our global sustainability management initiatives, standards, industrial initiatives, and media research on top of our existing material issues. After analyzing each issue on the basis of stakeholder interest and business impact, we selected material issues through priority evaluation and final review. We report topics identified as material issues for 2018 in the “Material Issue In 2018” segment and other issues in the “Fundamental” segment.

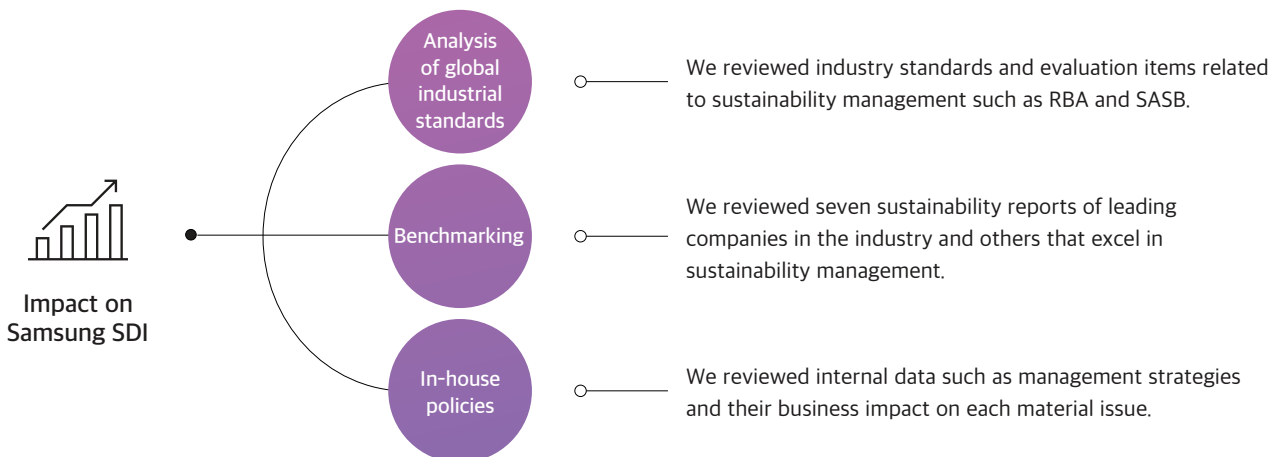
## Stakeholder Interest

We measured the severity of the impact that each issue inflicts on a company’s economic, environmental and social accomplishments and reputations.



## Impacts on Samsung SDI

We reviewed what impact each issue had on company appraisal and investment decisions.

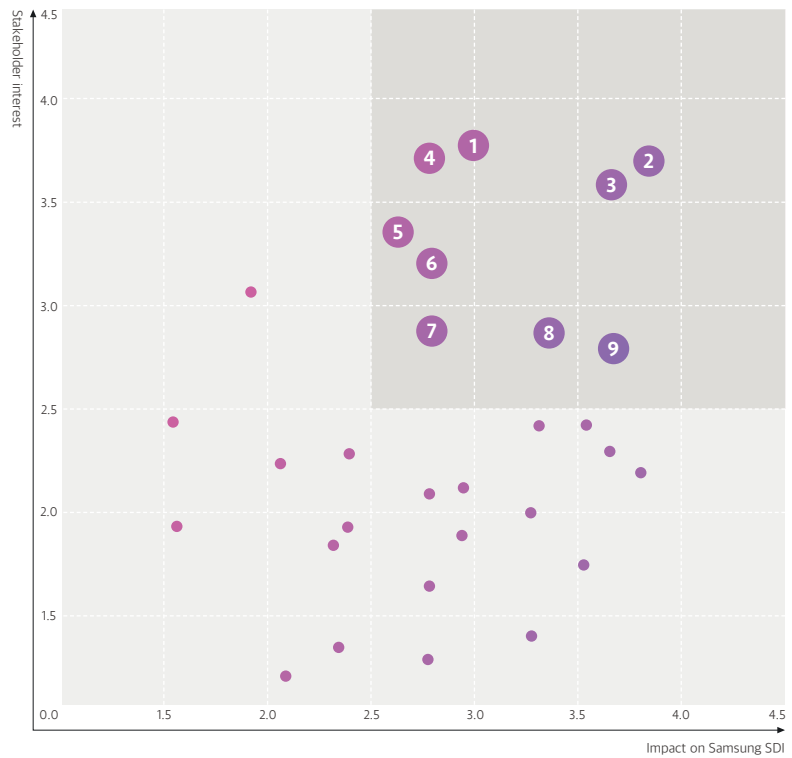


## Evaluation of Priorities

We identified significant topics, which were then reviewed internally to derive material issues. Our company’s management approach to each topic is mentioned in the relevant section.

### HIGH MATERIAL ISSUE

- 1 Security of future growth engines
- 2 Promotion of a safe workplace culture
- 3 Enhancement of product safety evaluations and managements
- 4 Development of human resources with global competence
- 5 Work-life balance
- 6 Energy conservation and the use of renewable energy
- 7 Achievement of stable business results
- 8 Responsible mineral sourcing
- 9 CSR support for the supply chain



## Material Topics and Activities

Classification	Strategies	Activities	Scope of Report	Page
Securing Future Growth Engines	<ul style="list-style-type: none"> <li>· Securing differentiated technologies.</li> <li>· Expanding R&amp;D investments.</li> </ul>	<ul style="list-style-type: none"> <li>· No. of patents: 14,384</li> <li>· R&amp;D investment: 604 billion KRW</li> </ul>	Shareholders/ Government	30
Securing Product Quality and Safety	<ul style="list-style-type: none"> <li>· Establishing credibility in product quality assurance.</li> </ul>	<ul style="list-style-type: none"> <li>· Ratio of certified ISO 9001 auditors: 20.2%</li> <li>· Ratio of certified quality managers: 33.1%</li> </ul>	Customers	38
Promotion of a Safe Workplace Culture	<ul style="list-style-type: none"> <li>· Preemptive risk management of occupational accidents.</li> <li>· Widening a culture of safety including safety education for our business sites and partner companies.</li> </ul>	<ul style="list-style-type: none"> <li>· Promotion activities for a culture of safety (seminars, education sessions): 3</li> </ul>	Employees/ Customers/ Partner Companies	42
Climate Change Response	<ul style="list-style-type: none"> <li>· Enhancing the reduction of GHG emissions and energy management.</li> </ul>	<ul style="list-style-type: none"> <li>· Reduction of GHG emissions 52,887 tCO<sub>2</sub>e</li> <li>· Energy conservation 1,081 TJ</li> </ul>	Local community/ Government	46
Human Resource Management	<ul style="list-style-type: none"> <li>· Enhancing employees’ capacity.</li> <li>· Promoting work-life balance.</li> </ul>	<ul style="list-style-type: none"> <li>· Training hours per employee in Korea: 123 hours</li> </ul>	Employees	50
Management of a Sustainable Supply Chain	<ul style="list-style-type: none"> <li>· Expanding partner companies’ CSR activities.</li> <li>· Engaging in responsible mineral management.</li> </ul>	<ul style="list-style-type: none"> <li>· Financial support (48.9B KRW)/HR training support (1,102 persons)</li> </ul>	Partner Companies/ Government	54