



Sustainable Management

Samsung SDI analyzes industry issues and identifies risks and opportunities in order to actively respond to future changes.

Sustainability Management

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K E Y F I G U R E



6.75 billion won
Total Social
Contribution Expenditure



6.8 %
Ratio of Female
Managers



96 %
Recycling Ratio of
Waste



97.1 %
Volunteer work
participation rate of
employees

Sustainability Management

Sustainable Management (SM) System

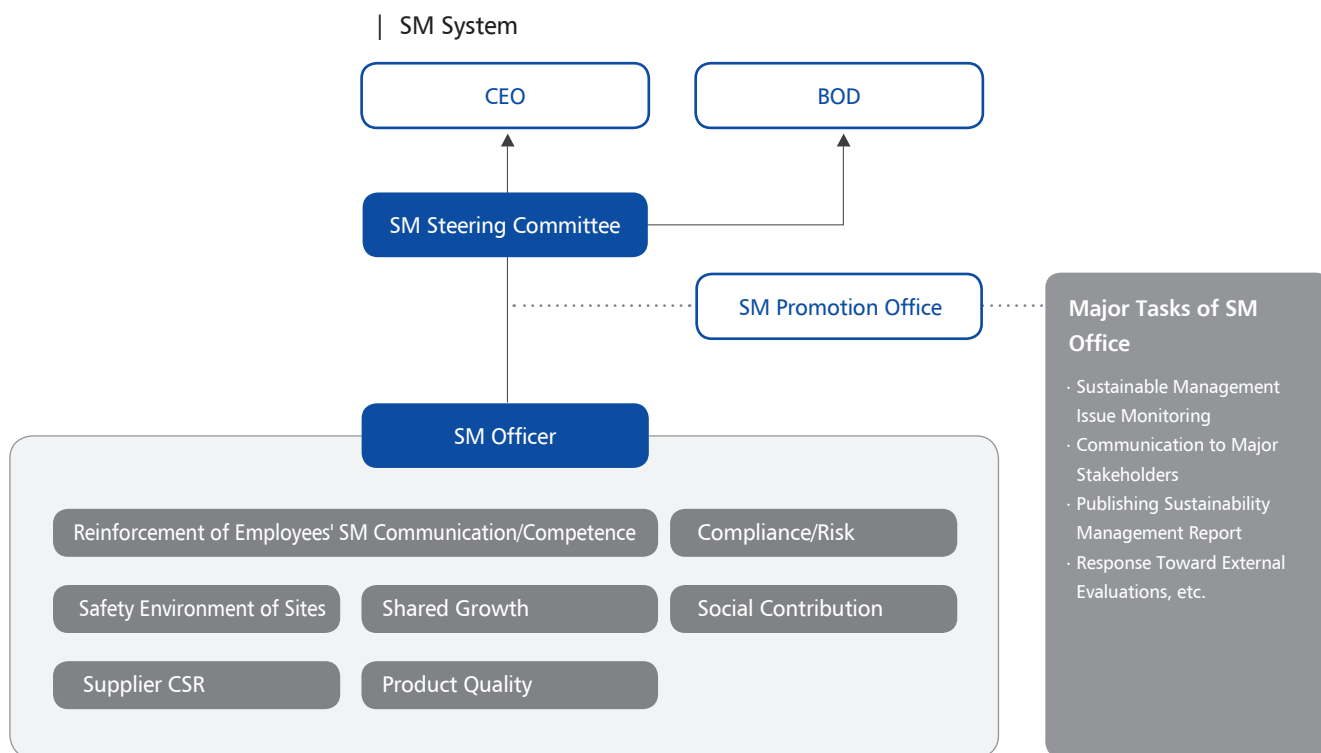
Samsung SDI operates the SM Steering Committee and SM Office in order to systematically integrate sustainability into management. Having been granted rights to manage sustainability activities by the BOD, the SM Office and Steering Committee report progress on sustainable management activities to the BOD.

SM Promotion Office

The SM Promotion Office, which is the body in charge of sustainable management, is operated to achieve efficiency and improvement of sustainable management's promotional power. The SM promotion office conducts monitoring of sustainable management trends and core issues, and related planning. By cooperating with each sustainable management divisions' job manager (SM officer), SDI is carrying out various activities so that execution of sustainable management can lead to growth and overall value improvement of SDI.

SM Steering Committee

In order to direct the expansion of sustainable management and risk response as well as to seek out opportunities in terms of sustainability, Samsung SDI has been operating the SM Steering Committee since 2004. Within the SM Steering Committee, major management team members, including the CEO, participate to share core issues, goals, and future directions for the promotion of sustainable management, as well as to approve major agendas. Major agendas discussed and approved in the SM Steering Committee are reported to the BOD upon review.





In order to systematically operate socially responsible management, in 2004, Samsung SDI presented a sustainable management method that applies economic profitability, environmental soundness, and social responsibility to company-wide management and organized the SM (Sustainability Management) Team.

Stakeholder Participation

Samsung SDI classifies the company's stakeholders into customers, shareholders & investors, government agencies, employees, partner companies, local communities & NGOs, industry associations/universities/research institutes and so forth. The company actively collects opinions of each stakeholder, and important opinions of stakeholders go through reviews by various channels in order to ensure that these opinions will be reflected in business activities.

Stakeholder Communication Channel

Samsung SDI's communications with stakeholders are conducted by focusing on each related division, where the SM Office annually surveys issues considered to be important by stakeholders, and utilizes the results in composing an issue pool. Through communication activities specialized to fit each stakeholder, including direct/indirect surveys, the company grasps needs and items of interest by each stakeholder, which are reported in detail through a sustainability report.

<p>Customers</p> 	<p>Customer visitations, QBR* meetings, website operations, Focus 119 operations</p> <p>* QBR (Quarterly Business Review)</p>
<p>Shareholders & Investors</p> 	<p>General meeting of shareholders, IR earnings conference call, IR road show, IR website, IR main number, attending IR conferences, public announcements, production line tour, conferences.</p>
<p>Government Agencies</p> 	<p>Participation in national projects, operation of shared cooperation programs, and exhibition of conferences and seminars</p>
<p>Employees</p> 	<p>Labor-management council, open counseling center, management seminars, satisfaction surveys, Culture Leader operations, SDI talk operation, newsletter publication.</p>
<p>Partner Companies</p> 	<p>Operation of the purchasing portal system, hosting of the Samsung SDI Partners (SSP) association, operation of exchange meetings to communicate with partner companies, regular visits made by CEO and executives in charge to partner companies</p>
<p>Local Communities & NGOs</p> 	<p>Operation of local community consultative group, engagement in social contribution activities, setting up sisterhood relationships</p>
<p>Industry Associations/ Universities/Research Institutes</p> 	<p>Activities as a member of associations and societies, such as the Korean Battery Industry Association, open innovations of R&D, and implementation of shared cooperation programs</p>

Materiality Assessment

Samsung SDI carries out materiality assessments every year to efficiently report on core issues. Among the issues derived, those with relatively significant importance are separately reported in the Strategic Focus & Approach section of this document and other issues as well as the general system of the company are reported in this section.

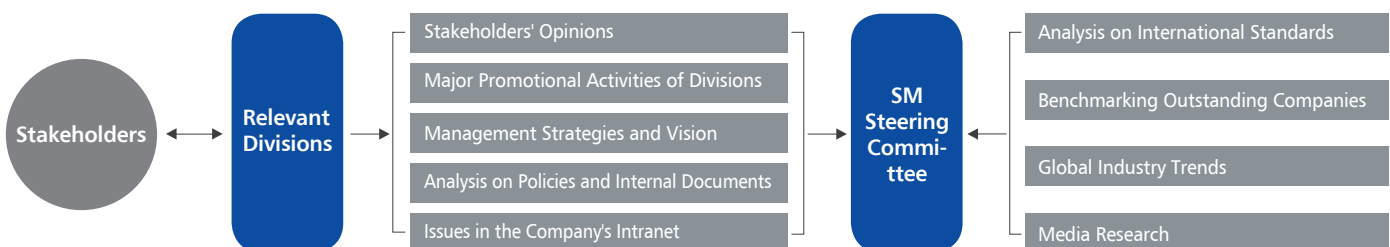
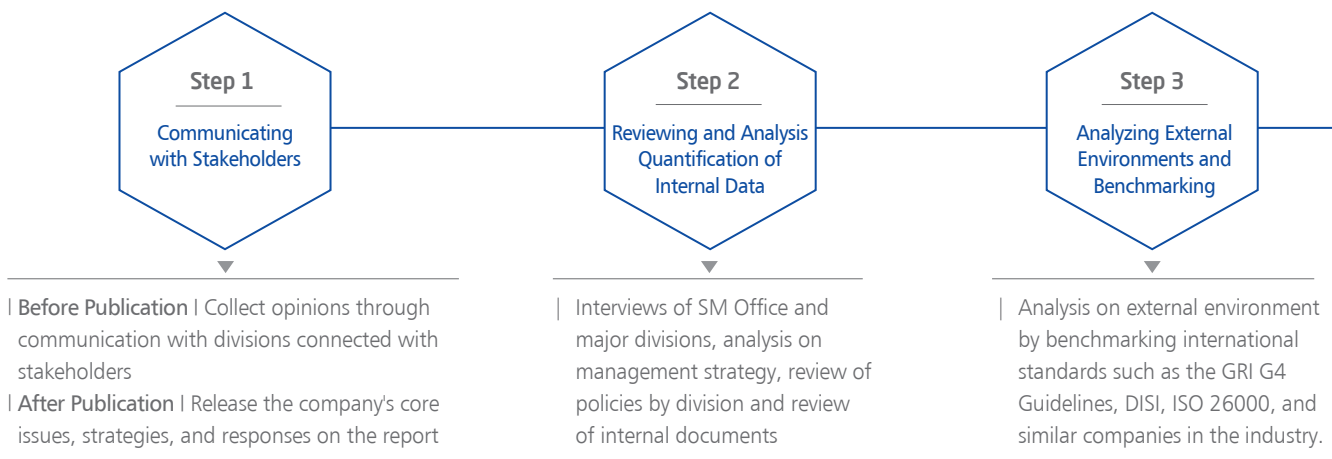
Materiality Assessment Process

Samsung SDI collects opinion from each division that has contact with stakeholders from the pre-publication phase of the report, so that feedback can be appropriately reflected in the report. In particular, through trend reviews of quantitative analysis of data that is internally controlled and through external environment analysis, the company ensures that important issues within the industry can be reviewed during the materiality assessment.

Materiality Assessment Standards

Issues were sorted in order of importance within the composed issue pool, by evaluating their significance toward the business and their likelihood of occurrence (possibility). This year, when choosing the sustainability issues, evaluation on business significance was conducted by reflecting gravity and financial significance of each issue. Likelihood of occurrence for each issue was calculated by measuring and reflecting stakeholder contact surveys and external exposure. In particular, as part of the materiality assessments, the company collected the opinions of external CSR specialists through surveys of key institutions. These institutions included ESG (Environmental, Social and Governance) research, external evaluations and verification/certification institutions.

| Materiality Assessment Process and Issue Reports



Samsung SDI selected core interest areas that were derived through the materiality assessment and made efforts to report on related information in great detail.

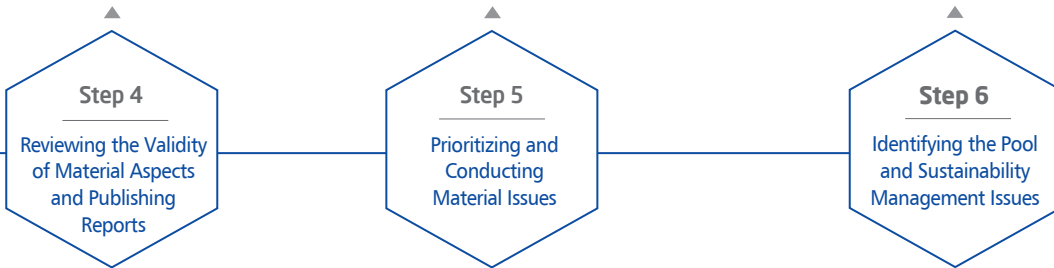
Materiality Assessment Results



Reviewing the connectivity, rationality, validity, etc. for issues of high priority and conducting supplementation, if required

Sorting the issues according to their importance using their significance and possibility as standards

Selecting core issues through collecting opinions of stakeholders inside and outside the company and analyzing external environments
Reviewing core issues in perspectives of business and finance



Materiality Assessment Process and Issue Reports

Core Issues in 2015	Reporting Theme	Aspect
Enhancement of R&D Capability Developing Eco-friendly Products and Services	Sustainable products R&D on products	Economic Performance, Products and Services
Forecasting and Responding to Fluctuations in Future Market Securing Market Leadership	Business Portfolio	Market Presence, Economic Performance
Reinforcing Workplace Safety Handling and Managing Hazardous Chemical Materials	Workplace Health & Safety	Occupational Health and Safety, Integration, Compliance, Products and Services
Managing Atmospheric Emissions Energy Reduction and Usage of Renewable Energy	Response to Climate Change	Energy, Emissions, Compliance, Products and Services
Supply Chain Sustainability and Risk Management	Shared Growth with Partner Companies	Investment, Procurement Practices, Anti-competitive Behavior
Enhancement of Employee Competence	Enhancement of Internal Competence	Employment, Training and Education
Health and Safety of Consumers and Customers	Customer Satisfaction Management	Customer Health and Safety, Product and Service Labeling



Environmental Efficiency

Environmental Management

Under the current circumstances where environmental management is growing as an issue for many companies worldwide, Samsung SDI is working to comply with environmental regulations in conducting its business activities, and through systematic management, the company is making efforts to improve energy efficiency through initiatives such as reduced energy consumption and increased recycling rate.

Environmental Management

All Samsung SDI's sites have been certified with an environmental management system (ISO 14001) since 1996, that continues to operate to this day, and in 2015, there were no cases where Samsung SDI's domestic or international manufacturing sites violated environmental regulations or international environment agreements. Samsung SDI is making efforts to improve the eco-friendliness of its sites and production processes based on the optimized usage of industrial water, improved collection rate, and strategies to minimize waste resources.

Investment and Maintenance Cost for Environmental Facilities

Samsung SDI systematically calculates costs for environment-related operations and investments in order to efficiently operate its environmental management system. In 2015, the company used a total of 9.4 billion won as investment expenditures for domestic environmental facilities. The environmental cost is classified into aftercare, proactive prevention, stakeholder support, legal response and restoring activity cost for its management. Cost of aftercare activities includes cost of operating treatment facilities, consignment processing. The cost of proactive prevention activities include cost of environmental management, resource saving & recycling, and R&D. Funding accrued for stakeholder support is used to provide for environmental organizations or local communities. Cost of legal response and restoration includes fines, shares, environment restoration and an appropriation fund, etc.

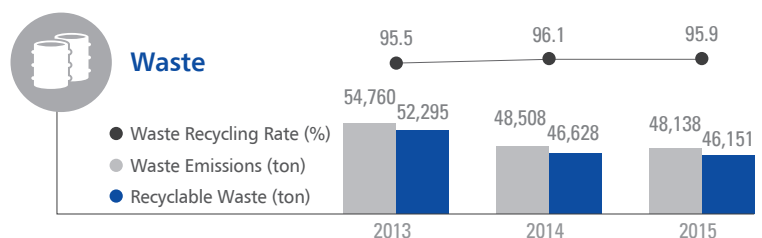
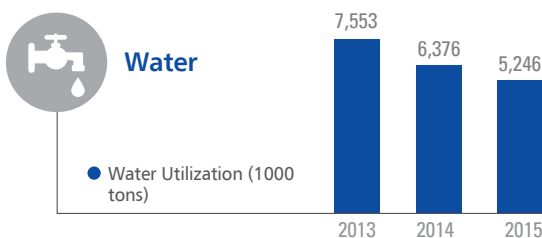
Water and Water Resource Management

All domestic and international production sites of Samsung used a total of 5.246 million tons of water in 2015. Due to the termination of PDP business and the sale of SDI Chemical Division, the company's total use of water decreased by 1.130 million tons compared to the previous year. All production sites are making efforts to realize optimized utilization of industrial water and improved recovery rate. Wastewater is treated under internal management standards, which are stricter than legal regulations, and then released. Water resource management plan and status of Samsung SDI's domestic sites are released to the public, under the Environmental Information Disclosure System, along with various other information on green management activities of business sites.



Waste Reduction

In 2015, 48,138 tons of waste were generated, with a waste recycle rate of 96%. Samsung SDI deals with cobalt and nickel waste that is generated during the cell production process through recycling companies, without exception.





Involvement and Development of the Local Community

Direction and Achievements of Social Contribution

Under the vision 'Company which adds value to the world', Samsung SDI is expanding various activities by creating strategies such as enriching social contributions, in-depth orientation of local community, and more. By encouraging employee participation and reinforcing representative contribution activities and volunteering activities, the company strives to contribute to the development of local communities.

Social Contribution Strategy

2016 Objectives	Promote Social Contribution with Local Community through Building Employee' Sympathy toward Sharing		
Direction of Strategies in 2016	Enrichment of Social Contribution	Local Community-centered Contribution	Specialization and Advancement
Initiatives	Reinforce representative contribution projects Expansion of volunteering activity participation of employees Expansion of projects for adolescents	Integration with local NGOs/NPOs Development of current problem-solving activities Conducting sisterhood connection activities between business sites and villages	Systemization of social contribution organization Revision of social contribution system



Participation Rate for Social Contribution Activities* %

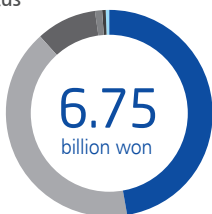
* Rate of employees who made donations or participated in volunteering activities

Status of Giving Back to the Society

Samsung SDI used a total of 6.75 billion won for social contribution activities in 2015, and mainly focused its investment on social welfare and academia. In 2016, the company will make efforts to realize the development of local communities, domestically and abroad, through reinforcement of representative contribution projects and development of region-oriented social contribution activities, in connection with the direction for promoting social contribution strategy.

Enrichment of Social Contribution

Social Contribution Expenditure Status



- Social Welfare 47.5%
- Academic Education 40.9%
- Health and Medical Service 9.5%
- Sports Promotion 1.2%
- Environmental Preservation 0.5%
- Arts & Culture 0.4%

Vitalization of Employees' Participation

Talent Donation Activities | Employees of Samsung SDI will strive to donate their professional knowledge, technology, and capabilities to vulnerable areas of local communities. Employees are currently participating in talent donation activities by utilizing their professional knowledge, such as environment education for local children run by employees in the energy and environment division, light changing activities and condition improvement activities for neglected groups by employees in the electricity/facility/technology divisions, and teaching efforts in local childrens' centers by researchers.

Volunteering Activities Connected with Clubs | Volunteering teams related with hobby activities, such as the photo club, soccer club, and scuba diving club, are engaging in volunteering activities across various fields. As a representative example, volunteer organizations have been creating a 'Graduation Album of Love' for students of the Suwon Seokwang School, a special school for disabled children, for the past 11 years. To add beautiful memories to the graduation album, club members voluntarily accompany students to their graduation trips, school arts festivals and graduation ceremonies. At graduation ceremonies, employees of Samsung SDI celebrate students' graduations by presenting graduates and their parents with hand-made chocolates.



Approx.
2.48

Matching Grant Amount billion won

Matching Grant | Samsung SDI is operating the Matching Grant System, which creates volunteering activity funds from employees donating a certain amount of money every month, and the company donates through the fund by matching employee donations on a 1-to-1 basis. In 2015, about 2.48 billion won was collected, and the collected amount was used for major social contribution projects of Samsung SDI.

Grand Volunteering Festival, in commemoration of the company's foundation, and the Global Volunteering Festival | At the Grand Volunteering Festival, in commemoration of the company's foundation, the company conducted hands-on volunteering activities such as baby shoe making, wrapper making, and donation of books and clothes to the local community. Especially for the babies of Seongsimwon, which has been affiliated with the company for a long time, employees voluntarily raised funds to present them with a special first-birthday party feast. During the Samsung Global Volunteering Festival in October, the company conducted various volunteering activities, such as cold-proof tent support for energy saving to senior citizens who live alone, and baking volunteering activities by employees' families.

Reinforcement of Representative Contribution Activities



Green Planet Environment School

Green Planet Environment School

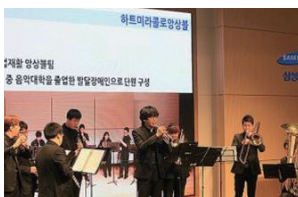
Samsung SDI is operating the 'Green Planet Environment School' for young adults and children as future leaders under the company vision of "The creative leader in energy and high-tech material". This activity is an experiential educational activity that teaches the importance of environmental protection. From 2011, employees directly participated as teachers to provide environmental education and experiment activities, such as creating photovoltaic vehicles, global warming simulations, and an environment booth. In 2015, using the environment education vehicle, the 'Moving Green Planet Environment School' was operated together with 1,918 children in 2015, and since its inception 5 years ago, a total of 3,226 children have graduated from the environment school. In 2016, there are plans to create environment buses, composed of various educational items, to visit schools in Gyeonggi Province to expand and develop environmental education.

 **6,183**

Free eye treatment/free medical treatment people

Free Eye Treatment Project

Samsung SDI has conducted the free eye treatment project since 1995 in connection with Siloam Eye Hospital, to assist visually impaired people who cannot afford surgery. Donations from the company support the operation of 3 mobile eye clinics equipped with high-end surgical equipment such as microscopes and cataract removal devices. The project conducts ophthalmological clinic services by visiting islands and mountainous regions lacking in medical facilities. In 2015, 6,183 people benefited from free clinics, and 65 visually impaired people received surgery through support funds for eye treatment. For the past 20 years, a total of 220,000 people have been supported.



Talent Nurturing Company Support for Musical Talents

'Talent Nurturing Company' Support for Musical Talents

Samsung SDI has supported the musical talents of the 'Talent Nurturing Company', consisting of young people with developmental disabilities. Since 2007, the company has supported scholarships for outstanding members of the orchestra, which is composed of disabled young adults, together with Heart Heart Foundation. Furthermore, at the end of each year, the 'Shared Tree Campaign' that supports young adults with developmental disorders were also provided in collaboration with the foundation. To this day, music education for over 200 disabled young adults has been financially sponsored.



Baking volunteer activities for neighbors in need

Employees and Families Sharing Together

Samsung SDI is operating a monthly family unit volunteer program so that employees and their families can take part in sharing with the local community. Every third Saturday, employees and families visit the Central Hope Sharing Volunteer Center operated by the Red Cross and cook baked goods for foreign workers and other neighbors in need. They also participate in various hands-on activities such as making tactile books, eco bags and hope baby blankets.

Local Community-centered Contribution



Social contribution activities by domestic sites



1 Suwon | Sharing kimjang with foreign employees

The Suwon site conducted a kimjang-sharing event together with foreign employees which can allow them to experience Korean culture and help neglected neighbors. By making Kimchi for low income groups and sharing in the activity with coworkers, the site conducted a year-end 'Respect Your Neighbors' campaign.



2 Giheung | Talent Donating Village Creation for Sisterhood Villages

At the Giheung and Cheongju sites, employees have been directly participating in volunteering activities such as repainting the aged infrastructure of sisterhood villages, and putting forth efforts to make the sisterhood villages into tourist villages through environmental improvement efforts including the creation of fences and flowerbeds on the edges of roads and fields.



3 Cheonan | Filial Travels with Invited Senior Citizens

In Cheonan, about 300 senior citizens from six villages were invited to filial travel for its sisterhood villages. The travel excursion included major domestic hot springs and visits to famous tourist sites (Cruise travel, visiting exhibitions, experiencing traditional culture, etc.) during the agricultural off-season, and supported senior citizens' agricultural labor which is expected to become more demanding for senior farmers.



4 Gumi | Love House project

This is the sixth year for the Gumi site to carry out activities to improve the residential environment of multicultural households such as renovating the roofs, indoors, bathrooms, etc. with funding supported from the employees. The Gumi site also annually conducts child support on a 1-to-1 basis, a school uniform support project, and education projects concerning the protection of children's rights.



5 Ulsan | We dream global

The Ulsan site participated in the '500 Won Miracle' by collecting coins in a piggybank in order to provide meal support for poor African children. The Site succeeded in collecting a total of 1,000 piggy banks which were subsequently donated to children in need. Moreover, the site introduced 'Baenaet Jeogori' a hands-on project to provide assistance to newborn Kenyan babies.



Considerations toward organizational culture and employees

Communication with Employees

The Labor Council of Samsung SDI is composed of an equal number of employee representatives and company representatives. Quarterly councils, as well as emergency/ad-hoc councils, are held when there is a requirement for discussions between the company and employees. Any changes made within the Labor Council are immediately notified to employees.

Labor Council

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In the Labor Council, aspects about protection of workers' rights are discussed, such as improvement of the labor management system, improvement of the payment method/system, improvement of labor condition and health and safety of workers, etc. The council also serves as a channel for communications within the organization, by receiving and resolving hardships and problems of workers.



99.6

Handling Rate of Employee Complaints %
(449 cases/451 cases)

Communication for Healthy Organizational Culture

Samsung SDI is operating various communication channels and activities in order to establish a lively organizational culture through active communication between employees. Also, to deal with employees' difficulties, the company operates a separate grievance handling bulletin board within "SDI talk" its in-house communication channel. Through this system SDI endeavors to provide answers within 24 hours of posting a question 24 hours of posting a question.

Strategic Directions for Corporate Culture



Employee Communication Channel

Online Communication Channel	Culture Leader System	Facilitating Communication by Site
<ul style="list-style-type: none"> · Through SDI talk released in July 2015, internal events and issues are being shared. (SDI talk is an integrated internal communication channel that combined the separately operated YeSDI and ILMO Talk into one.) · Single Messenger 	<ul style="list-style-type: none"> · Selection of personnel in charge of planning various events to improve corporate culture · Yearly selection of division and CL for excellence awards in facilitating corporate culture · Create a lively communication culture through sharing outstanding cases studies according to division 	<ul style="list-style-type: none"> · March: Spring's Stretching Guinness Competition (New Spring Day) · May: Family invitation event on Children's Day · July: Late-night seasonal meal event for night shift workers (Happy Night's Kiosk) · September: Two-day/one-night glamping experience for employees' families (Family Healing Camp) · December: End of the Year Festival

Respect toward human rights and diversity



6.8

Ratio of Female Managers

%

Respect toward employees' human rights

Samsung SDI strictly complies with local labor laws and regulations and agreements from international labor institutions. In its management principle and recruiting principle, a principle of banning child labor and forced labor is in place and is being strictly followed. As a result of monitoring Samsung SDI's global business sites and partner companies in 2015, there were no cases of violating the child labor and forced labor ban policies.

Samsung SDI clearly states in its management principle and recruiting principle, that the company bans any discrimination against skin color, gender, religion, social class, age, political view, and nationality. All employees are provided with equal opportunity based on a person's ability and aptitude, and they are being fairly rewarded based on their achievements. The company is also making efforts for improvement of treatment towards temporary workers, contracted workers, and high-school graduates. Under the principle of compensation by achievement, the company inspires the will to work, and conducts annual evaluations on its employees with regards to their individual goals, and capability evaluations about required performance according to position. According to evaluation results, incentives are given out, and through such evaluation-compensation, the company hopes to inspire employees' voluntary motivation.

Social Balance Recruitment

To support socially vulnerable classes, SDI promotes recruiting high school graduates and disabled people, and for improving stability of employment of war veterans and other socially vulnerable classes, the company operates diversification of recruiting types, such as securing separate table of organization for recruitment.

Welfare & Benefits Programs



73.0

Club Subscription Rate (End of 2015)

%

Selective Welfare

With the annual welfare points given to employees, employees can freely select and use welfare benefits as needed, such as healthcare, leisure, and self-development.

Leisure/Culture

By owning memberships of condominiums and resorts across the country, the company supports the leisure activities of employees and their families, and allows them to use cultural and recreational facilities operated by affiliates at low prices.

Support for Health Checkups and Medical Expenses

All employees are receiving the benefit of annual health checkups, and in case of illnesses, injuries, or childbirth, medical expenses for employees and their spouses are supplemented.

Housing Loans and Family Event Expenditure Support

SDI is operating a system to support housing purchases for employees who are not homeowners. The company provides gifts on the occasions of family events of employees. The company provides gifts on employee's birthday, wedding anniversary, day of childbirth, the day when their children first attend elementary school, and Children's Day.

Childbirth and Childrearing Support

To support childbirth and childrearing, the company encourages employees to use the childbirth and parental leave systems. In each site, the company operates an internal kindergarten so that employees can work and take care of their children, and middle, high school as well as university tuition for children of employees is also provided.

Work-Life Balance

Flexible Work Hours

Samsung SDI leads the change in working methods in order to respond to the ever-changing changing market and environment. For this, the company is constantly carrying out a campaign which has efficient time management, working methods, and sticking to the basics as its core. In 2015, the "flexible work hours" benefit, which was originally applied to researchers and designers, was expanded to include general staff members. By allowing for flexible working hours, where employees can manage their working hours within 40 hours per week at their discretion, the company supports employees in improving their work efficiency and creating a balance between life and work.

| Improvements on Ways of Working (Work Smart)

Work

Ways of Working

- Improvements on Meeting Culture
- Maintaining information security at all times
- Following performance-enhancement processes

It Basic

Maintaining the Basics

- Leading Changes in Drinking Culture
- Verbal Abuse Prevention
- Sexual Harassment Prevention

Time

Efficient time

- Establishment of Smart Working Environment
- Focusing on Work during the "Focused Work Hours"
- Refraining from inefficient overtime and other special hours

Operation of Open Counseling Center

Samsung SDI operates an 'Open Counseling Center' to support the mental health of employees and their families. In the 'Open Counseling Center', psychological consultants are available to provide counseling on employee difficulties. The center also allows employees to sign up counseling via telephone, mail and messenger, and for employees who cannot visit the counseling center, the company also operates 'Mobile counseling center' so that more employees can utilize the center. Aside from these, the company operates programs for stress management such as lunch meditation, mediation according to division and mini-education related with mental health.



Operation of Open Counseling Center | Lunch Meditation



Family Experience Program | Children's Day Family Activity

Family Experience Program

Samsung SDI is making efforts to reinforce cohesion between employees and the company by conducting various programs for employees' families. The company is operating family invitational events on Children's Day, winter/summer camp for children, 'Family Healing Camp (a 2-day, 1-night glamping experience)', 'Family Invitational Movie Day', a shared movie day with employees and their families, and 'Family Club.' By reflecting unique characteristics of each site, the company provides opportunities for employees and their families to participate in various exhibitions, festivals and camps.

Operation of Nursing Rooms

Nursing rooms are installed in every business site, providing pregnant employees with a resting area. The company also conducts various supporting activities to support motherhood, such as providing breast pumps and snacks for pregnant employees. By providing support for pregnancy, childbirth, and childrearing, the company strives to create a corporate culture which allows female employees to work without concerns for job stability.

Operation of Retirement-Preparation Programs

Samsung SDI is operating a career consulting center so that employees who will retire can alleviate their worries about life after their retirement and actively prepare for a new chapter in life. In the career consulting center, not only proactive training about leisure, health, aging problems after retirement, but job searching support and business start-up education is provided.