



## ISSUES 04

# Shared Growth

### Business Relevance

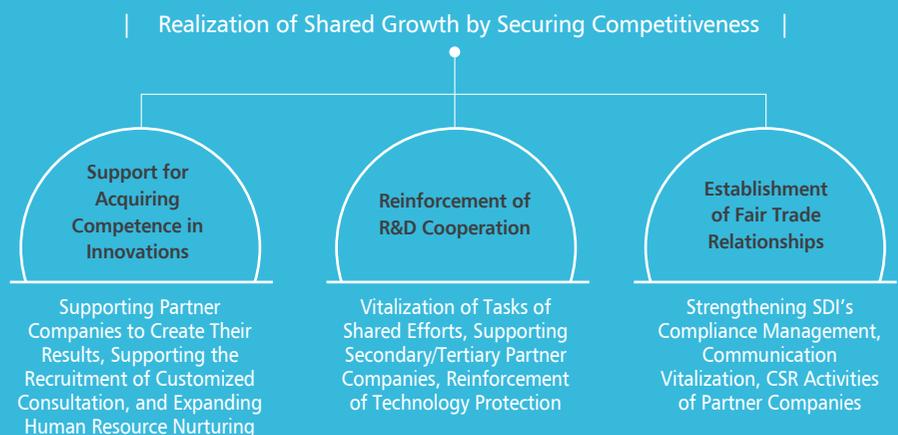
As the existing competition structure among companies has expanded to competition amongst company supply chains, including partner companies, the participation of large companies in shared growth activity is spreading throughout the entire industrial world. Shared growth through cooperation with partner companies is one of the essential management strategies for sustainable management, and its importance is steadily growing. Samsung SDI has shared growth relationships with 310 primary and secondary partner companies, and under the belief that reinforcing partner companies' competence is equivalent to reinforcing the company's competitiveness, the company promotes shared growth activities.

Risk	Opportunity
<ul style="list-style-type: none"> <li>▶ Reinforced regulations, fair trade and subcontract laws</li> <li>▶ Increased possibility of exposure to economic, social, environmental risks from inadequate supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>▶ Securing the company's product competitiveness by enhancing partner companies' competitiveness</li> <li>▶ Improvement of company reputation and value through fulfillment of the company's social responsibility through shared growth activities</li> </ul>

### Our Approach

Based on the value of shared growth that states 'we can go farther when we go together', Samsung SDI has established not just a partnership but a companionship with its partner companies. By operating shared growth programs, SDI aims to assist partner companies in securing competitiveness across various areas, such as education, technology, and finance. Likewise, by fulfilling social responsibility related to the supply chain, SDI plans to support the sustainable management of partner companies to realize shared growth potential.

### Our Vision



### Key Performance Index

KPI	2016 Objectives	2015 Objectives	2015 Performance	Achievement Level
Financial Support (Unit: billion won)	26.7	28.3	41.1	Achieved
Human Resource Training Support (Unit: persons)	632	400	482	Achieved
Continued Expansion (Unit: cases)	Technology Support and Protection	-	580	-



## Shared Growth System

### Shared-growth Vision and Strategies

Samsung SDI is promoting three major strategies, including support for securing innovative competence, reinforcement of R&D cooperation, and fair trade principles in all transactions, all aimed at realizing shared growth through securing competitiveness.

### Organization in Charge of Shared Growth

Samsung SDI is operating the Win-Win Cooperation Group as part of the Strategic Sales Team under the Corporate Management Office to systematically promote strategies and tasks for shared growth. The Win-Win Cooperation Group conducts fair trade inspection activities and operates various shared growth programs to support partner companies.

### Overview of Shared Growth Program

Samsung SDI operates various shared growth programs so that the company, through cooperation with partners, can effectively execute principles of sustainable management. In order to support the amassing of innovative developments, support for training, productivity innovation, establishment of domestic and international sales channels are currently underway. In order to reinforce R&D cooperation, SDI is currently offering technological and financial support.

## Support for Securing Innovation Competence

Number of Partner Companies and their Employees Participating in the Training Program

Category	Collective Training	Online Training
Number of People Attended (People)	320	162
Partner companies (Companies)	102	18

Achievements for Creating Domestic/Overseas Sales Channel Support Activities

Activities	Execution
Overseas Market Entry Process Operation	Constantly
Overseas Market Research Support	Twice a year
Operation of Parts Exhibitions for Partner Companies	November
Operation of Partner Companies' Innovative Activities Conference	November
Exhibited FTA Seminar	November
Participation and Operation of Purchasing Fairs	November

### Support for Competence Reinforcement Training

Samsung SDI is operating collective education through the Samsung SDI job training center for partner companies' employees to improve their competitiveness by enhancing their job skills. Through this program, an average of 320 people per year were able to complete educational programs. Likewise, 162 people have completed their job training this year through Credu, an online training system.

### Support for Productivity Innovation

Samsung SDI dispatches its advisors to work at the offices of its partner companies, where they conduct direct advisory activities aimed at production innovation. Through IBK Management Consulting, SDI provides professional consulting in areas such as management and finance. Aside from these efforts, the company participates in projects promoted by the government, such as industry innovation movement, smart plants and invests 600 million won per year in 30 secondary/tertiary partner companies' innovation activities.

### Support for Creating Domestic/Overseas Sales Channels

In order to help its partner companies to improve their performance, the company supports the partner companies in the creation of domestic and international sales channels. In terms of support for overseas benchmarking and local infrastructure, the company utilizes its overseas subsidiaries for regional expansion and market research. Furthermore, by exhibiting FTA related seminars, the company provides consulting opportunities for partner companies, and participates in government and company-sponsored purchase conferences to assist companies to increase their sales, thus creating mutual business opportunities. SDI assists companies to increase their sales, thus creating mutual business opportunities.

## Enhancement of R&D Cooperation

## Establishment of Fair Trade Relationships

### SSP Operation

Category	Date	Name of Event
Management	March	Regular General Meeting of Shareholders
	May	1st half Manager Seminar
	June	Benchmarking of Overseas Companies (Vietnam, Laos)
	November	2nd half Manager Seminar
	November	Grand Festival for Shared Growth
Manager	October	Overseas Benchmarking of Managers (Xi'an, China)

## Financial Support

### Financial Support (Unit: Won)

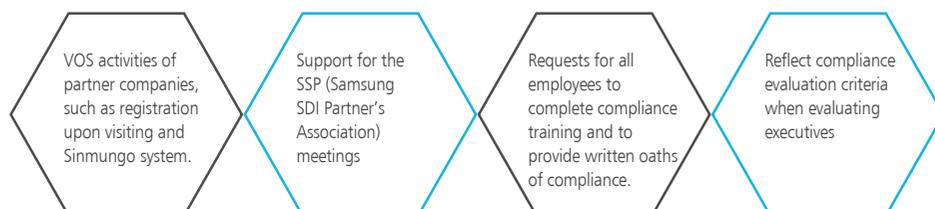
Direct Support	12.6 billion
Combined Supports	27 billion
Special Supports	1.5 billion
<b>Total Sum</b>	<b>41.1 billion</b>

## Technology Support and Protection

Samsung SDI participates in Public-Private Investment Programs for Technology Development projects to support long-term development of partner companies. Through these projects, SDI invests up to 1 billion won in R&D costs for developing new products and technologies. Likewise, the company is operating 'Tasks with Conditions of Purchase' which supports partner companies with development fees, under the premise that Samsung SDI would purchase their products. By operating a technology storage system, the company provides a place for partner companies to store their technologies safely when engaging in cooperation between large companies and SMEs, and protects the partner company's rights if any technology leakages occur.

Samsung SDI established several policies to enhance its suppliers' overall competitiveness and to create a fair trade practices. In order to lay a foundation for reasonable subcontracting practices and promote the actual implementation of such a foundation, Samsung SDI oversees guidelines for contract conclusion, guidelines for the selection and management of suppliers, and an internal Subcontracting Review Committee to identify unfair or insufficient internal regulations. The company is also recreating/revising incomplete or inadequate internal regulation of suppliers.

### Communication Activities for Fair Trade



## Due Payment and Funding Support

Samsung SDI oversees due payment and funding support to build financial soundness and stable management of partner companies. The payment condition of the company, in relation to due payment, is that the company would pay 100% in cash within 10 days of cutoff which occurs 3 times every month. For completed payments before holidays, the company pays earlier than the cutoff. In terms of funding support, SDI provides direct support, with no-interest fund loans, combined support, such as a shared cooperation fund which is supported together with financial institutions. It also provides indirect support, such as network loans and family loans, industry innovation movement, private/public R&D, and special support through the achievement sharing system.

## Win-Win Payment System

Samsung SDI introduced the Win-Win payment system in November 2015, and has been operating the system ever since. Through this system, the company allows secondary and tertiary partner companies to convert bonds issued from Samsung SDI into cash at commercial banks with a fee level akin to that of large companies.

# Sustainable Supply Chain Management

## S-Partner Program

S-Partner program is operated so that Samsung SDI may fulfill its social responsibility within supply chain management and to manage risks which may occur within the value chain of partner companies. Socially, interests toward labor, safety and health, environmental law and regulation, and ethics are continuously growing, and issues related with these interests are especially important components in risk management. Samsung SDI operates its S-Partner system to respond to the increased interest and needs of major stakeholders, such as customer companies, and to actualize efficient supply chain management policies.

### | S-Partner Certification Process

#### Proactive Process

Identification	Training
Apply regulatory changes such as global standards, local laws and regulations, customer requirements, etc.	Carry out regular training courses on Compliance and CSR Reinforcing training for overseas partner companies

\* Mega Step | Partner Company Portal

\*\* Partner companies under the standard

Existing partner companies - 80 out of 100

New partner companies - 70 out of 100

#### Assessment Process

Self-Diagnosis (Partner companies)	1st Field Inspection (SDI)	Submission of Improvement Plan (Partner companies)	Reassessment (SDI)
*Create S-Partner check sheet within Mega Step	Field evaluation of SDI evaluators	Submit plans of action for improvement of commented items (All partner companies must submit within 1 month)	Evaluation on Execution of Improvement Plan (**Conducted within three months for partner companies under the standard)

## Assessment Process

All Samsung SDI partner companies in contractual relationships are subject to self-initiated diagnoses and field inspections by Samsung SDI at least once every two years. The evaluation criteria includes labor, environment, health and safety, ethics, compliance management, and management system, which are the five major areas of the EICC Checksheet. Evaluations are conducted through self-diagnosis of partner companies and field evaluations by Samsung SDI, whereas the S-Partner certificate is issued for companies with over 80 points as a result of field evaluations. If a partner company receives A class two or more times, it will be designated as an S-partner and granted autonomous management. Pollution emissions, legal violations, uncontracted personnel under labor contract, child labor (applicable to national legislation) are set as issues related to mandatory requirements, and partner companies that violate these standards are to be considered for suspension of trade.

## Business Case

### Visits to Secondary Partner Companies

Samsung SDI's general purchase executive visited secondary partner companies to collect feedback and promote shared growth through communication. Through these visits, Samsung SDI promised that it would continuously promote management innovation activities linked with government policies such as maximized use of government supported funding, vitalization of communication, and movement towards industrial innovation.



## Conflict Minerals

### Operation Status and Items for Improvement in 2015

In 2015, Samsung SDI conducted assessments for 90 partner companies in Korea, China, Malaysia, and Vietnam. Four partner companies failed to satisfy the qualification standard and all passed reassessment. According to assessment results, there were no violations of mandatory requirements, including child labor.

In 2015, the company created education programs on labor contracts, environmental law registration, ethics, and waste storage and disposal, as a result of feedback from evaluations. Furthermore, SDI dispatched specialists on the environment, safety and health, and utility of partner companies, to have specialists guide and support companies through evaluation. Lastly, for partners in China, SDI guided companies through the EICC Audit.

### Goal and Evaluation Direction in 2016

In 2016, the company plans to evaluate 100 domestic and international partner companies. Samsung SDI plans to strengthen its partner companies' compliance systems by providing support such as environment management training, CSR training, and standardization of inspection methods. Furthermore, it will reinforce the S-Partner Check Sheet by revising S-Partner Check Sheet items and creating manuals for evaluation standards for each item, and establish an autonomous certification system for its partner companies.

#### | S-partner Certification Performance

(Unit: Case)

Category	2011	2012	2013	2014	2015	2016(Goal)
Domestic	72	76	85	67	66	60
Overseas	26	7	17	31	24	40
Total Sum	98	83	102	98	90	100

### Management of Minerals at Issue

There has been a significant loss of life and violation of human rights caused by armed forces with funds broadly related to 4 minerals including Tantalum, Tin, Tungsten and Gold which are produced in and around the Democratic Republic of the Congo, to which the US responded to by enacting a law dealing with conflict minerals. To prevent situations where one acquires, not only conflict minerals defined by law, but also minerals that are possibly related to human right violations and environmental destruction, such as child labor, during their mining process, the need for fulfillment of corporate social responsibility is growing.

Likewise, in the area of electrical and electronics industries, diversified efforts are required not only for securing transparency and accountability during the acquisition of minerals in the supply chain, but also for the improvement of human rights and environmental problems.

### Policy for Conflict Minerals

Samsung SDI, in principle, does not use conflict minerals when producing its products. The company is also making efforts to prevent conflict mineral use in its supply chain, for example, by its partner companies and smelters. SDI created the 'Policy to Ban Conflict Mineral Utilization' and reflected it in partner companies' codes of conduct, and in order to improve awareness of partner companies, annual training is currently being conducted.

To further the sophistication of the conflict mineral management system, the company established a conflict mineral inspection system in the partner company's portal (Mega step) and intranet (Sustainability Management Initiative System) to conduct regular inspections and management on whether these systems are being accessed and utilized.

## Responsive Activities to Conflict Minerals

In 2015, conflict mineral inspection was expanded to newly incorporated business areas such as electric material division and SDIBS (SDI Battery Systems), while SDI continuously made efforts to help smelters that have not been certified to acquire certification through education and guidance for partner companies.

### | Monitoring System for Conflict Minerals

Goal	Ethical and responsible mineral procurement		
Monitoring/Improvement Process	3TG* within the products Check for used materials	Inspect partner companies which use 3TG (Origin, smelter, etc.)	Conversion into a certified smelter
Management System	Establishment of a partner company portal and an intranet partner company survey system (Conflict Minerals Reporting Template Online system)		

\* 3TG: Tantalum, Tin, Tungsten, Gold

## Future Plans

In 2016, SDI vows to increase its proportion of CFS (Conflict free smelter) certified smelters that provide the 4 major minerals to partner companies. The company plans to secure transparency and accountability in responsible mineral procurement, by expanding targets of inspection to minerals aside from the 4 minerals, such as cobalt, mined in the Congo region, which are related to social issues such as human rights violations and environmental destruction.

## Business Case

### Samsung SDI's efforts for responsible mineral procurement

In January 2016, a global human rights NGO, Amnesty International disclosed a report of relations between IT companies and child labor or human rights issues occurred in cobalt mines in Congo, Africa.

In the report, Amnesty claimed that Samsung SDI produced batteries using cobalt mined from child labor in Congo. Therefore, Samsung SDI has begun investigations on its cobalt suppliers, and it plans to conduct site visits(due diligence) in order to verify the results of document investigation. We will share the report of upstream supply chain of cobalt on our website by the end of 2016.

Meanwhile, we are expanding our activities in investigating and improving issues related to human rights including child labor, in accordance with the zero tolerance policy.

On April 22, 2016, Samsung SDI attended. The International Workshop in the Responsible Cobalt Supply Chain that was organized by the OECD and CCCMC\* for joint actions toward cobalt issues. at the workshop, we discussed plans to improve human rights issues and increase transparency in Congo mines along with the Congo government institutions, NGOs, cobalt suppliers, secondary cell manufacturers, and IT companies. Furthermore, we will not only engage in joint initiative for sustainable supply chain of cobalt, but also take measures to secure transparency and human rights with our suppliers through continuous monitoring of the supply chain.

\* China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters