

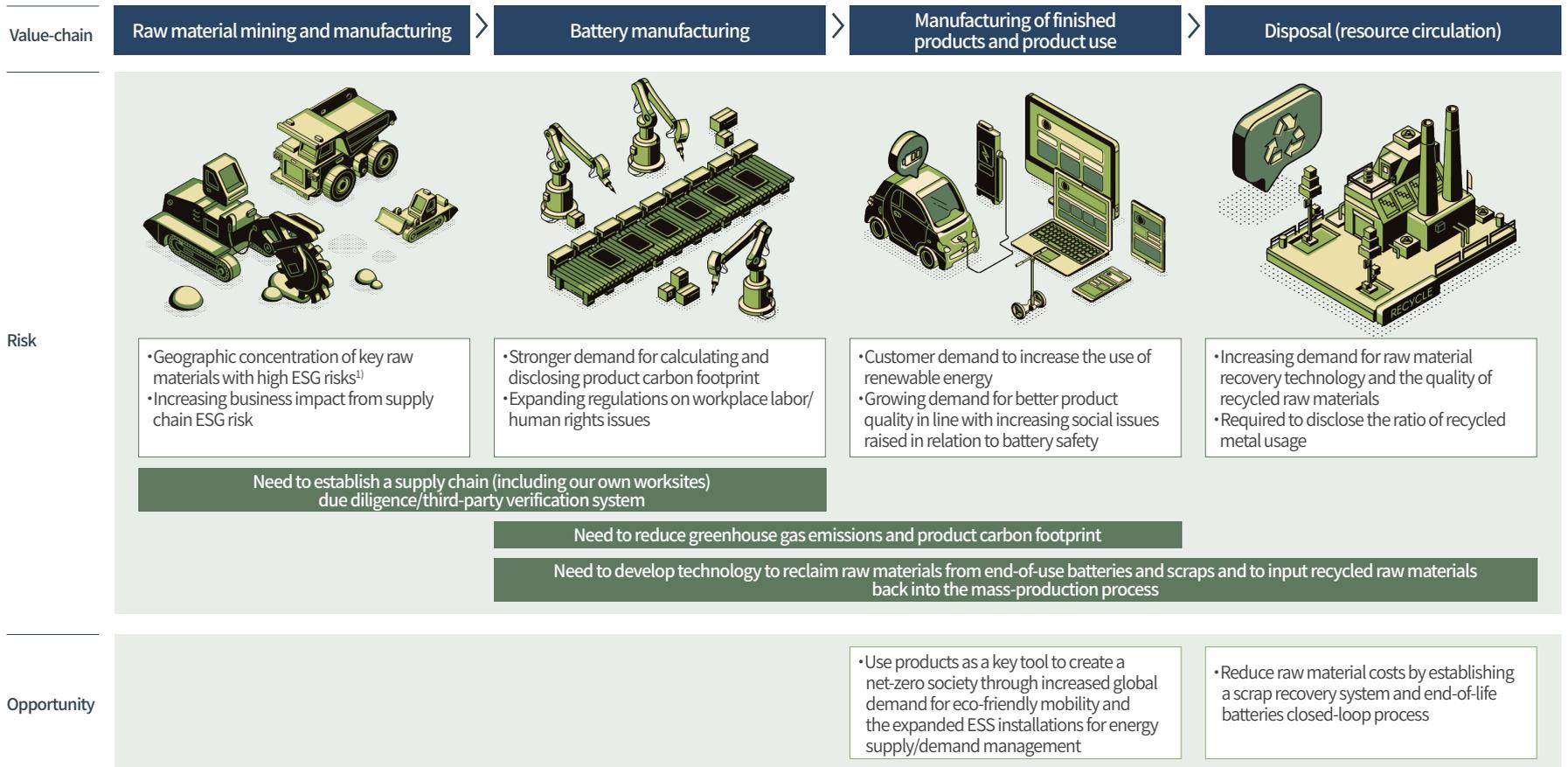
# SUSTAINABILITY MANAGEMENT

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# Sustainability Management Strategic Framework

## Managing Our Value Chain from the ESG Viewpoint

Conducting rechargeable battery business is associated with a plethora of ESG issues across the entire value chain. This presents both opportunities to create eco-friendly value in the product use phase and non-financial risks that may occur in other phases of the value chain. To respond to such risks and opportunities, Samsung SDI establishes and implements its sustainability management strategy to consistently deliver greater value to internal and external stakeholders.

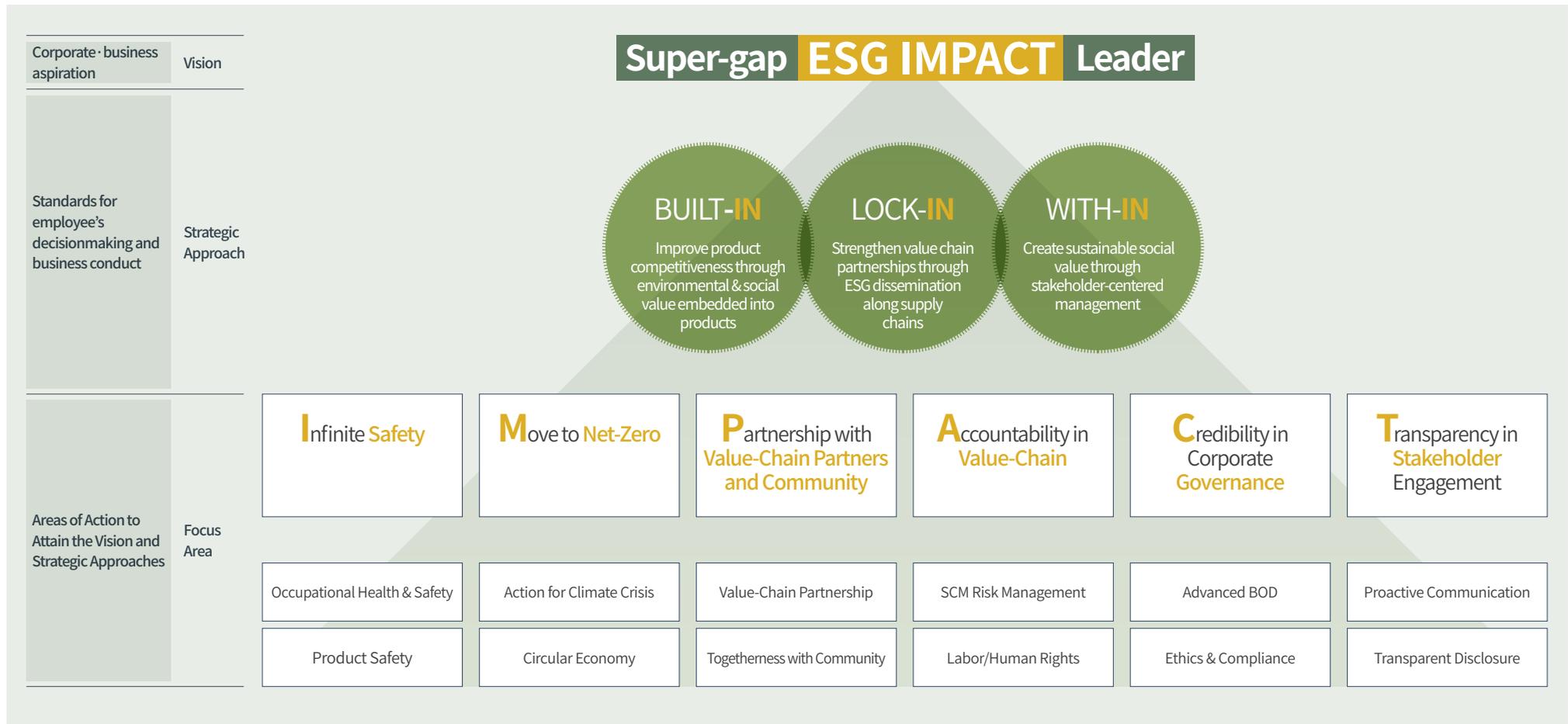


1) U.S. Geological Survey, 2022, Mineral commodity summaries 2022: U.S. Geological Survey

# Sustainability Management Strategic Framework

## Sustainability Management Strategic Framework

In March 2022, Samsung SDI established the vision of becoming a 'Super-gap ESG IMPACT Leader' and six focus areas(I, M, P, A, C, T) to secure sustainability leadership.

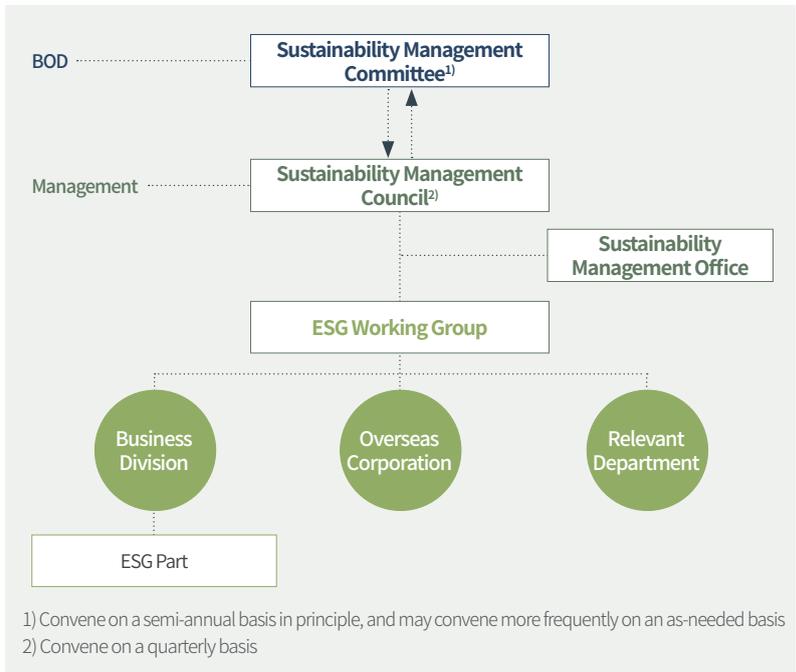


# Sustainability Management Operational Framework

## Sustainability Management Governance

Samsung SDI created the Sustainability Management Committee under the Board of Directors in January 2022, and Sustainability Management Office under the direct leadership of the Chief Financial Officer(CFO) in February to bolster our company-wide sustainability management governance. We also launched the Sustainability Management Council as a C-level consultative body led by the CEO to reinforce the role of top management. In early 2023, we created the ESG Part under the support team of each business division to disseminate ESG management at each level of the Company.

The Sustainability Management Office serves to support the operation of the Sustainability Management Committee and the Sustainability Management Council, and works closely with the ESG Part of respective business divisions, overseas corporations, and relevant departments to expand and bolster sustainability management across the board.



### Chair of the Sustainability Management Committee

Mee Kyung Lee



At the core of sustainability management lies 'sincerity', and the goal of sustainability management is to pursue 'sustainable prosperity'. This means that we not only reduce carbon emissions and protect the environment but also commit to innovation to simultaneously elevate social value and economic value. Samsung SDI defined a new vision in 2022 to emerge as a 'global top-tier company in 2030' and presented our key strategies to realize this vision that are anchored on ESG management along with 'Super-gap' technology competitiveness, the best quality, and profitable qualitative growth. Our sustainability reports drive our efforts to transparently communicate our performance to build trust with stakeholders while identifying potential risk and opportunity and reflecting them into our management strategy. We will go beyond merely abiding by external regulations for ESG management towards building a corporate culture that aligns the whole of the organization to achieving the Net Zero 2050 initiative, doing our part in advancing sustainability for the entire planet earth.

### CFO and Head of the Sustainability Management Office

Jong Sung Kim



ESG leadership is absolutely essential in achieving our company-wide 2030 vision 'to make the world greener and sustainable through our innovative technology'. Samsung SDI engaged in a wide spectrum of activities to bolster ESG management for the past year, and will continue with such activities in the years ahead. In the Environmental area, we joined the RE100 to contribute to the global commitment to combat the climate crisis, and are stepping forward with our project undertakings to maximize the impact of our efforts for GHG emissions reduction and resource circularity. In the Social area, we are working to promote the safety and human rights of our employees, establish a culture of diversity and inclusion, ensure ESG management for partners, and perform supply chain due diligence, fulfilling our corporate social responsibility in so doing. In the Governance area, we continue to advance our Board of Directors by improving its diversity, expertise, and independence while bolstering ethics and compliance management. As the head of the Sustainability Management Office, I will do my utmost to make ESG management a key factor for Samsung SDI's unrivaled competitiveness.

# Sustainability Management Operational Framework

## Activities of the Sustainability Management Committee in 2022

Date	Agenda
Apr. 26, 2022	<ul style="list-style-type: none"> <li>•Appointing the Chair of the Sustainability Management Committee</li> <li>•Reporting the sustainability management action plan for 2022</li> <li>- Establishing ESG strategy, aligning the sustainability management implementation system, increasing recycling, etc.</li> <li>•Reporting the sustainability report publication plan in 2022</li> <li>•Reporting IR trends</li> <li>- Share prices, shareholder status, key investor interests, etc.</li> </ul>
Jul. 4, 2022	<ul style="list-style-type: none"> <li>•Joining the UN Global Compact</li> </ul>
Jul. 28, 2022	<ul style="list-style-type: none"> <li>•Reporting the result of sustainability report publication</li> <li>•Reporting the progress made in preparation to join the RE100</li> <li>- Renewable energy transition goal, net zero status of customers, etc.</li> <li>•Reporting IR trends</li> <li>- Share prices, key investor interests, etc.</li> </ul>
Sep. 8, 2022	<ul style="list-style-type: none"> <li>•Joining the RE100</li> <li>- Simulating the attainment of the RE100 goals, worksite-specific RE100 goals, etc.</li> <li>•Reporting strategic tasks for environmental management</li> <li>- Goals and plans for each of the environment management eight tasks</li> </ul>
Oct. 25, 2022	<ul style="list-style-type: none"> <li>•Reporting UNGC-related action plans</li> <li>- Top management's public endorsement, ESG due diligence on worksites and supply chains</li> <li>•Reporting the key achievements of ESG management in 2022</li> <li>- Joining the RE100, committing to environmental management, conducting supply chain due diligence, etc.</li> <li>•Reporting IR trends</li> <li>- Share prices, key investor interests, etc.</li> </ul>

## Activities of the Sustainability Management Council in 2022

Date	Agenda
Apr. 13, 2022	<ul style="list-style-type: none"> <li>•Mid/long-term sustainability management strategy</li> <li>•Sustainability management action plan for 2022</li> </ul>
Jul. 13, 2022	<ul style="list-style-type: none"> <li>•Impact of EU's environmental regulations on battery business</li> <li>•Progress made by the environmental management taskforce team</li> <li>•Publication of the sustainability report</li> </ul>
Oct. 13, 2022	<ul style="list-style-type: none"> <li>•ESG management lectures provided by external lecturers</li> <li>•Sustainability management performance in 2022 and key sustainability management plans for 2023</li> <li>•Progress made by the environmental management taskforce team</li> </ul>



# Sustainability Management Operational Framework

## Incorporation of ESG Performance in Executives and Organizations Assessment

We have assessed ESG performance on all our executives since 2022 to effectively manage our ESG management performance and reinforce the top management’s responsibility. In setting individual MBOs for executives at the beginning of each year, ESG Index is included in their KPIs, and their ESG performance is incorporated in the year-end executive performance appraisal outcomes, which are aligned with top management remuneration accordingly. In order to elevate ESG executive capabilities by business unit, we are also preparing to share ESG goals, measure and assess ESG performance by organization, and plan to assess and align the with financial incentives.



## Company-wide ESG Training

Samsung SDI provided online training twice in 2022 to domestic employees and expatriates at overseas corporations on importance of ESG management and Samsung SDI’s mid/long-term strategy for ESG management. This training was completed by 6,310 employees out of 6,658 and by 6,281 employees out of 6,563 in the first and second half respectively. This served to raise their understanding of ESG management and build company-wide consensus on Samsung SDI’s ESG management. We plan to make efforts to raise employees’ awareness of ESG management in various ways.

### Samsung SDI ESG Training

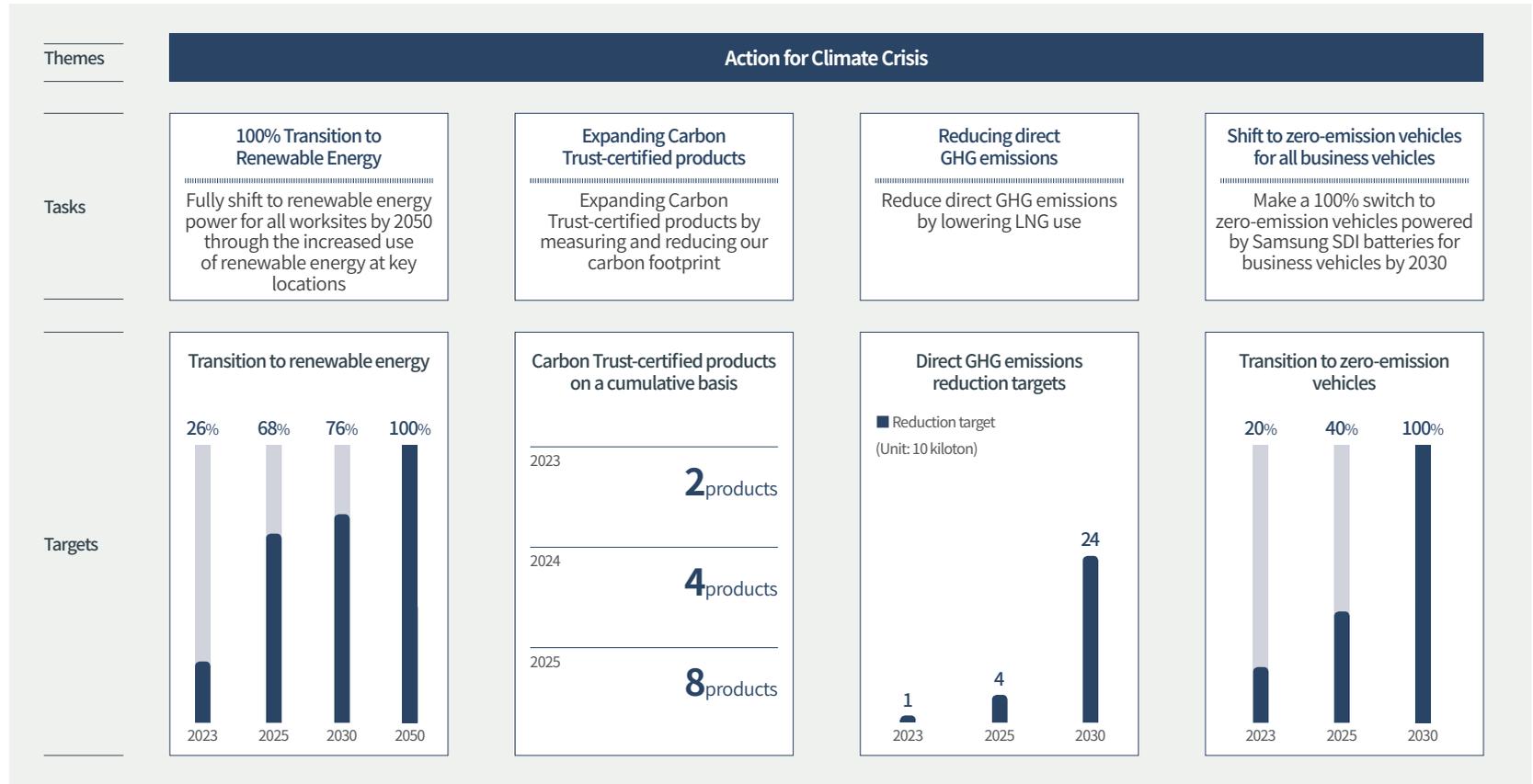
Date	Training Content
First half of 2022	<ul style="list-style-type: none"> <li>• Basic ESG training                             <ul style="list-style-type: none"> <li>- Meaning and origin of ESG management</li> <li>- Necessity of ESG management</li> </ul> </li> </ul>
Second half of 2022	<ul style="list-style-type: none"> <li>• Samsung SDI’s mid/long-term strategy for ESG management                             <ul style="list-style-type: none"> <li>- External ESG environment</li> <li>- SDI’s mid/long-term ESG strategy: Vision, strategic approach, focus areas, operational system</li> <li>- SDI’s ESG management implementation task: Action for climate crisis, Circular economy, SCM risk management, Labor/human rights, Togetherness with community, Advanced BOD</li> </ul> </li> </ul>

# Environment Management Implementation System

## Promotion of Environment Management Strategy

To recognize the severity of climate change and the environmental crisis and join in on the concerted efforts to rise to such challenges, we launched a company-wide environmental management taskforce in January 2022. We also publicly committed to environmentally friendly management to implement strategic tasks for environmental management while joining the RE100 in October 2022. We are undertaking eight strategic tasks under the two overarching themes of ‘climate change adaptation’ and ‘resource circularity’, and review progress made for each task on a quarterly basis through the Sustainability Management Council supervised by the CEO. Tasks under Action for Climate Crisis include fully transitioning to renewable energy, expanding products certified to carbon footprint standards, reducing direct GHG emissions, and switching to zero-emission vehicles for our entire corporate fleet vehicles.

### Samsung SDI’s Strategic Task for Action for Climate Crisis

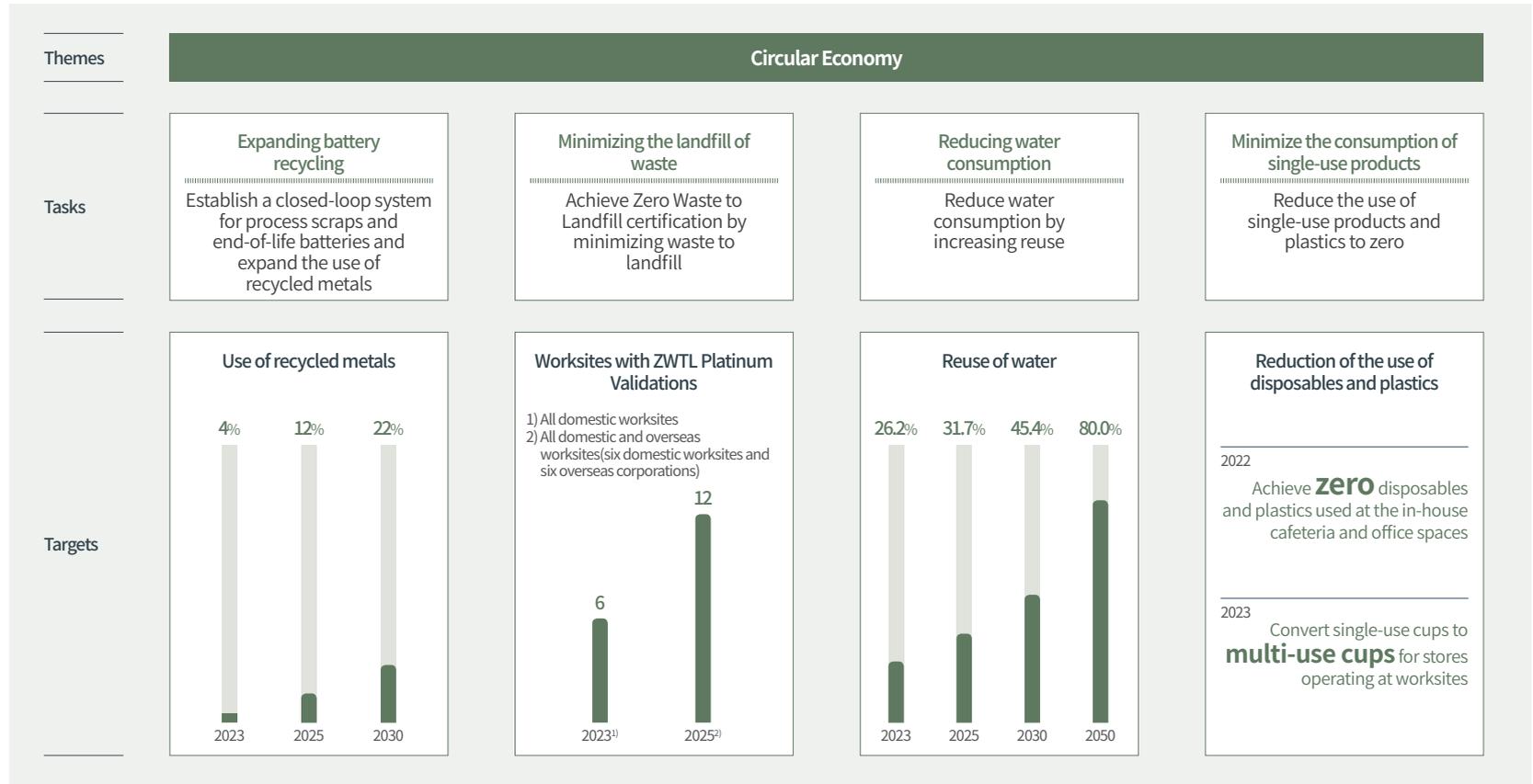


# Environment Management Implementation System

## Promotion of Environment Management Strategy

Under the resource circularity theme, we are working to expand the recovery of resources through battery recycling, minimize waste to landfill, reduce water consumption through increased water reuse, and minimizing the use of disposables. Such activities to maximize resource circularity will help us establish an eco-friendly ecosystem.

### Samsung SDI's Strategic Task for Circular Economy

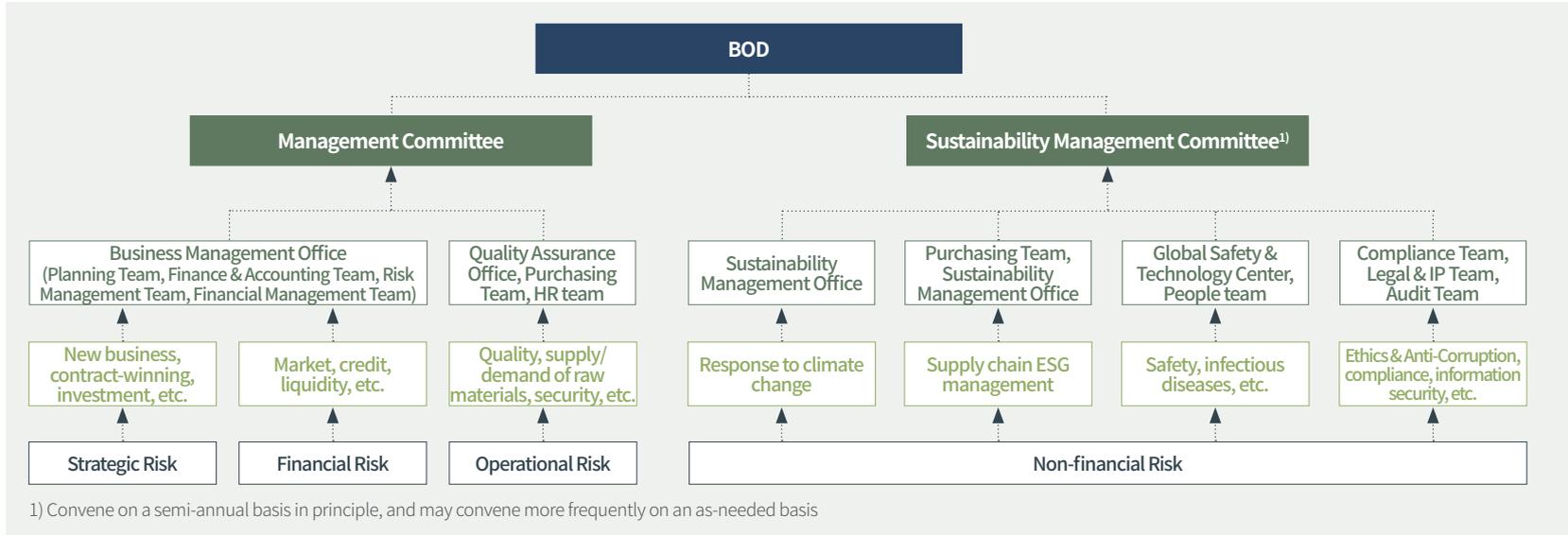


# Risk Management System

## Company-wide Risk Management System

Samsung SDI's Board of Directors comprehensively manages a range of risk that may occur in the business environment concerning operations, finance, and workplace safety, and makes major decisions. We established an internal control system for systemic risk management to specify area-specific risk policies and potential risk categories. Responsible departments engage in preemptive management and regular assessment for respective risks, and the results and response strategies are eventually reported to the Board of Directors either through the Management Committee or the Sustainability Management Committee. Our key business has changed in its nature to win large-scale project orders and supply our products over extended periods of time, and it is increasingly paramount that we manage potential risks in the order-landing and supply phases. This prompted us to create and operate the Risk Management Team as a dedicated organization for the systemic management of project-related risks. Our risk management function for respective business divisions is structurally independent of business departments and is operated as such.

In addition, we build company-wide consensus on our key risks to create a culture of risk management at all levels so that our employees identify and preemptively respond to risk in their own working environment. Risk factors associated with product safety & quality, injuries, and compliance are incorporated in executive and manager performance appraisal metrics, and appraisal outcomes are reflected in determining their compensation. Employees, who immediately report quality risk that may arise throughout our entire operations spanning manufacturing, purchasing, and sales, are recognized with the Quality Hero award to encourage proactive risk identification and reporting. We has operated the S-Partner system to monitor and manage ESG risks that may occur in the supply chain, and to provide a safe workplace, our system allows employees to immediately report potential risk factors that may give rise to injuries. For compliance risk, our Compliance Program Management System (CPMS) assists employees in obtaining information on risk prevention themselves and submit their whistleblowing reports for work-related compliance issues.



# Risk Management System

## Key Risk Impact and Our Response

Risk	Definition and Description	Business Impact	Our Response
<b>Disruptions in the supply/demand of key raw materials</b>	<ul style="list-style-type: none"> <li>A surge in demand for products/services – EV, ESS, etc. - that contribute to Net-Zero society may trigger increases in raw material prices</li> <li>Competition is accelerating in supply/ demand as the reserve of mineral resources is concentrated in specific geographies and such resources are supplied by a handful of companies</li> </ul>	<ul style="list-style-type: none"> <li>Rising raw material prices and intensifying competition in supply/demand of raw materials give rise to increasing battery manufacturing costs, and this may impact our financial performance. When such risks are present for long time, this may lead to price increases for EVs and others and dampen demand on the end user side</li> </ul>	<ul style="list-style-type: none"> <li>Secure raw materials in the mid/long-term through J/V with key raw material partners, equity investment, LTA and other diverse means</li> <li>Recycle key metals reclaimed from end-of-life batteries in collaboration with partners who possess top-notch battery recycling technology</li> </ul>
<b>Supply chain risk associated with the IRA (Inflation Reduction Act) of the US</b>	<ul style="list-style-type: none"> <li>The IRA took effect, stipulating that tax breaks are available for EVs that meet a set proportion of battery components and critical minerals coming from the US or countries which signed an FTA with the US</li> <li>In particular, EVs that containing just a portion of critical minerals or materials sourced from China and other ‘countries of concern’ do not qualify for subsidies and tax breaks</li> </ul>	<ul style="list-style-type: none"> <li>We need to significantly increase the proportion of battery components manufactured in North America for our battery products to be sold in the US (100% in 2029 and afterwards) and the proportion of critical minerals sourced in the US or countries with an FTA with the US or recycled in North America (80% in 2027 and afterwards)</li> <li>Currently, our supply chains include Chinese partners, and it is urgent to diversify our supply chains for graphite whose global supply is mostly dependent on China</li> <li>Failure to comply with the above requirements may lead to serious damage to our orders and sales</li> </ul>	<ul style="list-style-type: none"> <li>We will meet the requirements concerning the proportion of battery components by establishing battery plants in the US and encouraging our key partners to enter the North American market</li> <li>As to critical minerals, work is underway to develop and implement detailed plans to diversify our sourcing across North America and US’ FTA partners while reducing our reliance on China</li> </ul>
<b>Demand for increasing recycled content for battery production</b>	<ul style="list-style-type: none"> <li>Critical minerals – lithium, cobalt, nickel, and graphite – that are consumed as battery raw materials are resources that can’t be extracted indefinitely and are giving rise to water pollution, soil contamination, GHG emissions, and other environmental issues in the extraction and refining process</li> <li>As such, the demand is growing to recycle key battery raw materials, and EU and other countries are tightening their regulations</li> </ul>	<ul style="list-style-type: none"> <li>The proposed Batteries Regulation of the EU regulates the minimum levels of recovered nickel, cobalt, lithium, and other critical minerals used for battery production                             <ul style="list-style-type: none"> <li>* 96 months after the Regulation comes into force: 16% for cobalt, 6% for lithium, 6% for nickel</li> <li>* 156 months after the Regulation comes into force: 26% for cobalt, 12% for lithium, 15% for nickel</li> </ul> </li> <li>To cater to global regulations governing resource circularity and stakeholder needs, customers strongly demand that battery companies increase the recycling of cobalt, nickel, lithium, and other key battery raw materials as a precondition in awarding orders</li> <li>Failure in abiding by the proposed EU Batteries Regulation and meeting customer demands for recycling will lead to decreases in orders and sales, which makes it imperative that we raise the recycled content of key battery raw materials</li> </ul>	<ul style="list-style-type: none"> <li>We are building a closed-loop system to reclaim cobalt, nickel, lithium and other raw materials from the scraps generated from the manufacturing process in partnership with external companies specializing in this specific field, and are expanding this system across our overseas operations</li> <li>To recover raw materials from end-of-life batteries that are disposed of, we will partner with customers to establish an end-of-life battery recovery system</li> </ul>

# Joining Global Initiatives

Samsung SDI voluntarily engages wide-ranging global initiatives to bolster sustainability management. This allows us to share ideas and take action on a host of topics, from renewable energy and social responsibility to battery value chain, conflict minerals and ecosystem protection. Going forward, Samsung SDI will cement our ESG leadership on par with global standards in the Environmental, Social, and Governance areas.

## • RE100 (Renewable Energy 100%)



Samsung SDI joined RE100 in October 2022 and committed to transitioning to full renewable energy by 2050. We aim to achieve RE100 at all overseas corporations by 2025, and at all domestic operations by 2050.

## • UNGC (United Nations Global Compact)



Samsung SDI joined the UN Global Compact to strengthen corporate social responsibility in July 2022, and enunciated the 10 UNGC principles in the areas of human rights, labor, environment, and anti-corruption.

## • GBA (Global Battery Alliance)



We joined the GBA that aims to establish sustainable battery value chains in March 2023. We will participate in the GBA's Battery Passport development efforts to thoroughly prepare for the battery passport which is expected to become mandatory.

## • CDP Supply Chain



Samsung SDI joined the CDP Supply Chain in March 2023. This allows us to establish a system to secure greenhouse gas emission information of value chain partners.

• Joined in 2022 and 2023

## • RMI (Responsible Minerals Initiative)



Samsung SDI joined the RMI (Responsible Minerals Initiative) to make concerted efforts with the global community to improve mineral sourcing practices in May 2020. As a member of the RMI, we step up our efforts to make improvements on supply chain due diligence.

## • 'Cobalt for Development' Project



In September 2019, Samsung SDI partnered with Samsung Electronics, BMW, and BASF in undertaking the Cobalt for Development Project for the betterment of working conditions and communities in the vicinity of cobalt mines in the Democratic Republic of the Congo.

## • Ban on Deep Seabed Mining Initiative



In March 2021, Samsung SDI became the first in the battery industry to call for moratoriums on deep seabed mining (DSB) in conjunction with BMW, Volvo and Google among others to protect the marine ecosystem.

• Joined in 2021 and before, and continue to engage