

2015 BUSINESS REVIEW

Automotive Batteries



European Automotives Run on Samsung SDI's Batteries

Samsung SDI attended the Frankfurt Motor Show held in Frankfurt, Germany, in September 2015. Samsung SDI's automotive battery solutions, ranging from battery cells to battery packs, were revealed to the public.



Completion of Factory in Xi'an, China

To reinforce leadership in China's rapidly growing electric vehicle market, Samsung SDI was the very first among global battery manufacturing companies to complete a factory specializing in automotive battery and begin mass production of automotive batteries in China.

Company History

1970~

- | | | | | | | | | | |
|---|--|---|---|---|--|---|---|---|---|
| <p>1970</p> <ul style="list-style-type: none"> Established company Commenced production of Black & White CRT | <p>1975</p> <ul style="list-style-type: none"> Developed quick start CRT | <p>1988</p> <ul style="list-style-type: none"> Developed color monitors Developed Korea's first PDP displays Added annual production of 1 million CPT (color CRT) | <p>1993</p> <ul style="list-style-type: none"> Developed Bio CRT, Developed VFD in Korean Founded German subsidiary | <p>2007</p> <ul style="list-style-type: none"> Mass-produced world's first AMOLED | <p>2010</p> <ul style="list-style-type: none"> Completed construction of battery plant for electric vehicles Achieved global No. 1 in market share of small-sized Li-ion battery business | <p>2015. 11</p> <ul style="list-style-type: none"> Supplied cylindrical EV batteries to JAC Motors, China | <p>2015. 10</p> <ul style="list-style-type: none"> Completed automotive battery plant in Xi'an, China | <p>2015. 10</p> <ul style="list-style-type: none"> Participated in InterBattery 2015 Released next generation wearable batteries | <p>2015. 9</p> <ul style="list-style-type: none"> Attended in IAA 2015 (Frankfurt Motor Show) |
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Small-sized Li-ion Battery



Samsung SDI, Next-Gen Wearable Unpack

Visualizing an era of wearable batteries, Samsung SDI unveiled stripe and band-type batteries to the public at the 'InterBattery 2015' event held in October, 2015 in Seoul, South Korea.

Energy Storage System



Collaboration with Duke Energy, the largest power holding company in the United States

In an effort to successfully establish its basis within the North American ESS market, Samsung SDI supplied its Li-ion batteries and BMS (Battery Management System) to Duke Energy for their 36-megawatt (MW) Energy Storage System (ESS) upgrade project.

Electronic Materials



Signed MOU for Establishment of Polarizer Film Plant in Wuxi, China

To prepare for a full-scale advance into the Chinese polarizer film market, Samsung SDI signed an MOU to establish a polarizer film plant in Wuxi, China. Once the Wuxi plant is completed, it is expected to meet China's demand in real-time.

2015~

- 2015. 8
 - Participated in EUROBIKE 2015 (European bike exhibition)
- 2015. 7
 - Signed a supply contract for 36MW ESS project of Duke Energy
- 2015. 6
 - Participated in InterSolar EU 2015
- 2015. 5
 - Signed MOU to establish polarizer film plant in Wuxi, China
- 2015. 4
 - Participated in Auto Shanghai 2015
- 2015. 3
 - Formed an alliance with ABB, targeting the global micro grid ESS market
- 2015. 2
 - Acquired Magna International's battery pack business
- 2014. 12
 - Established Austrian Branch
- 2014. 11
 - Signed contract with Sungrow of China to establish an ESS joint venture
- 2014. 8
 - Held groundbreaking ceremony for automotive battery plant in Xi'an, China
 - Participated in EUROBIKE 2014
- 2014. 7
 - Merged with former Cheil Industries' material business unit and launched integrated Samsung SDI
- 2014. 4
 - Fully launched mass production of high value-added OLED materials
- 2014
 - Launched integrated Samsung SDI

CEO MESSAGE

Samsung SDI seeks to amass power to drive future growth through bold innovations and challenges to reform into a creative leader in energy and high-tech material.



Samsung SDI Co. Ltd. President and CEO, Namseong Cho

Dear Samsung SDI shareholders,

First and foremost, I would like to express my gratitude for your interest and support.

Samsung SDI is striving to strengthen its technical leadership and capture the global market with innovation.

Many IT companies have faced challenges in recent years due to low growth of global economy and sluggish expansion of the IT industry.

Samsung SDI, despite the uncertainty of the global business environment, has overcome these difficulties and taken a step forward by adjusting core business to rechargeable battery from display sector. Through reorganization of the business structure to focus on batteries, structure to focus on rechargeable batteries, we not only secured future growth engine, but also transform fundamental value of the company through innovative R&D and activities.

Breaking it down into business areas, for auto batteries, we expand our capacity in-line with back-log orders we win and at the same time, focused on leading global competitiveness. To target China's rapidly growing electric automotive market, we became the first in the world to complete a factory for automotive batteries in Xi'an of China. We also acquired a pack production subsidiary in Austria in order to establish a complete vertical integration of cells, modules and packs. For small-sized battery business, we expanded the sales of batteries to a new range of applications, such as power tools and electric bicycles, to secure largest market share in global market. Furthermore, within the electronic materials business, we exercised our competitiveness in display materials to see another fruitful growth in semiconductor materials, PV paste became market leader in China market, and to ensure global competitiveness in the polarizer film business, we completed a new production line in Wuxi, China.

Sustainable management is becoming a part of corporate culture within Samsung SDI. We analyzed important issues from the perspective of business sustainability in order to eliminate risks. Likewise, we framed sustainable management as a fundamental value, allowing us to create business opportunities, and we are promoting sustainability so that this culture can proliferate beyond our company to our stakeholders.

Samsung SDI has law-abiding management, and we are doing our best to sustain our growth while being fair and transparent. We systematically reinforced our compliance training system to raise the awareness to our employees.

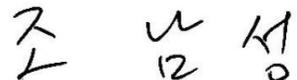
Additionally, we are conducting activities to expand sustainable management throughout our supply chain. as it gradually increases in importance. Through various shared growth activities, not only do we support the competitiveness of our partner companies, but we are also operating programs to guide and improve the implementation of corporate social responsibility. We aim to continuously expand, not only domestically within Korea but also among our partner companies overseas, so that business partners connected with our company are able to practice sustainable management in economic, social, and environmental sectors.

Along with this progress, Samsung SDI is expanding various activities to reduce GHG emissions in response to climate change, which is increasingly becoming a global issue. With a focus on our "safe environment" infrastructure team, a safe environment is the #1 principle of management not only in our domestic but also at our overseas sites, and we are actively promoting expansion of global "safe culture" management.

In 2016, it is expected that the uncertainty of the global economy will continue to grow, through factors such as low oil prices, heightened volatility of financial markets, China's economic recession, etc. However, Samsung SDI seeks to secure the power of the next generation to grow through bold innovations and challenges and to reform into a creative leader in energy and high-tech material. We seek your continued interest and support for Samsung SDI as we make every effort to fulfill your expectations.

Thank you.

Samsung SDI Co. Ltd.
President and CEO, Namseong Cho



COMPANY OVERVIEW

Company Overview

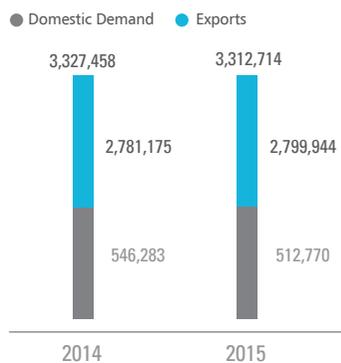
Business Introduction

Through change and innovation, Samsung SDI endeavors to become a global leader in energy and high-tech materials and expand its business in fields such as small-sized batteries and automotive batteries, energy storage systems (ESS), and electronics materials.

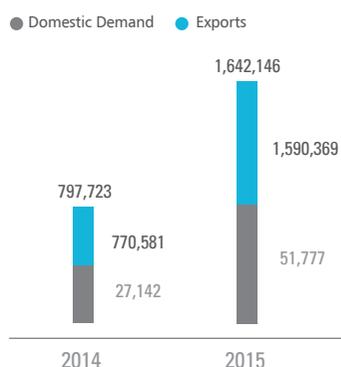


Samsung SDI Energy and High-tech Materials

Battery Business Status
(Unit: Million won)



Electronic Material Status
(Unit: Million won)



* As a result of an M & A with Cheil Industries on July 1, 2014, electronic materials status only includes sales for the second half(6-month period) of 2014.

Small-sized Li-ion Batteries



Cylindrical | Prismatic | Polymer Cells

In the small-sized battery business, we are developing and marketing Li-ion batteries that provide power to various products such as IT devices and non-IT devices, including power and transmission devices. Currently, major products including laptops, cell phones, and power tools are expected to see consistent demand as essential tools for modern living. In newer applications, such as electric bicycles, demand for Li-ion batteries is steadily increasing.

Automotive Battery and Energy Storage System



Battery Cells | Modules | Packs

In the automotive battery business, we are developing high-efficiency, high-capacity Li-ion batteries in order to supply them to global automotive companies. As interest in electric vehicles with eco-friendly technological developments continues to grow, the demand for Li-ion batteries, the energy source for electric vehicles, is expected to see a large-scale growth.



ESS Battery Packs | ESS Systems

In the ESS business, an energy storage device using Li-ion batteries is being developed and sold. The competitive edge is from having differentiated technologies in power and mass production. Providing optimized and customized solutions for each country is very much needed as we expand distribution channels with local partners in Europe, Japan, and the United States.

Electronic Materials



Semiconductor Materials | Display Materials | PV paste

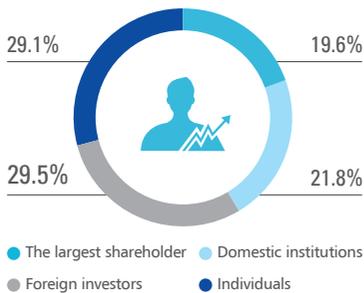
In the electronics material business, we are developing and selling semiconductor and display materials. It is a business that faces rapid technology changes, along with technological advancements in downstream industries such as expansion of micro-processing in semiconductors and increased usage of OLED. We are constantly making efforts to release new products at the right time by precisely anticipating IT business trends and basing decisions on differentiated technology.

Samsung Value System



Shareholders & Investors

▼ Shareholder Structure
(Common Shares, 12.31.2015)



Shareholder Return (12.31.2015)

Net income	53,846 million won
Net income per share	766 won
Total dividends	70,314 million won
Payout Ratio	130.6%
Dividend per share*	1,000 won (Common shares)

* Net income was calculated only with controlling interests.

Shareholder Structure

As of December 31 2015, Samsung SDI issued 70,382,426 shares (68,764,530 common shares and 1,617,896 preferred shares) The largest shareholder is Samsung Electronics, owning 19.58% of common shares, and the second largest is NPS, with 8.75% of shares.

To protect the rights of minority shareholders and to reflect their opinions in managerial decision-making, under the Commercial Act, we guarantee the private rights of action, access to accounting ledgers, etc. In 2015, no minority shareholders' rights have been exercised.

Communication with Investors

Each quarter, we hold quarterly earnings release conference calls so that all investors can listen, and through domestic and international IR road shows, financial securities conferences and quarterly earnings release conference calls, we are providing information to shareholders and investors. On our official website, financial information and earnings data can also be checked, and through VOC feedbacks on our website, information can be checked in real time and required feedback can be provided.

GLOBAL NETWORK

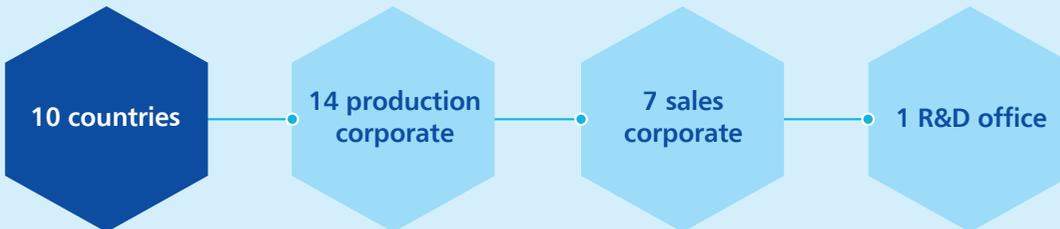
Operation and Financial Status

Samsung SDI, as a creative energy and materials solutions leader, is also becoming a creative leader of technological advancements and markets through constant transformation and innovative thinking.



Global Network

Samsung SDI operates a global network that includes 14 production sites and subsidiaries, seven sales subsidiaries, and other branches and offices in 10 countries around the world. Headquartered in South Korea, Samsung SDI's major production subsidiaries are located in other Asian countries, including China, Malaysia, and Vietnam, as well as Europe. To bring together the lives of people around the globe and lead the way into the future, Samsung SDI continues to pioneer a broader world.



Number of employees
Domestic 11,123 / Overseas 9,815

(Unit: People)

20,938



Intellectual Property Rights
Domestic 4,770 / Overseas 5,964

(unit: Cases)

10,734



Social Contribution Expenses

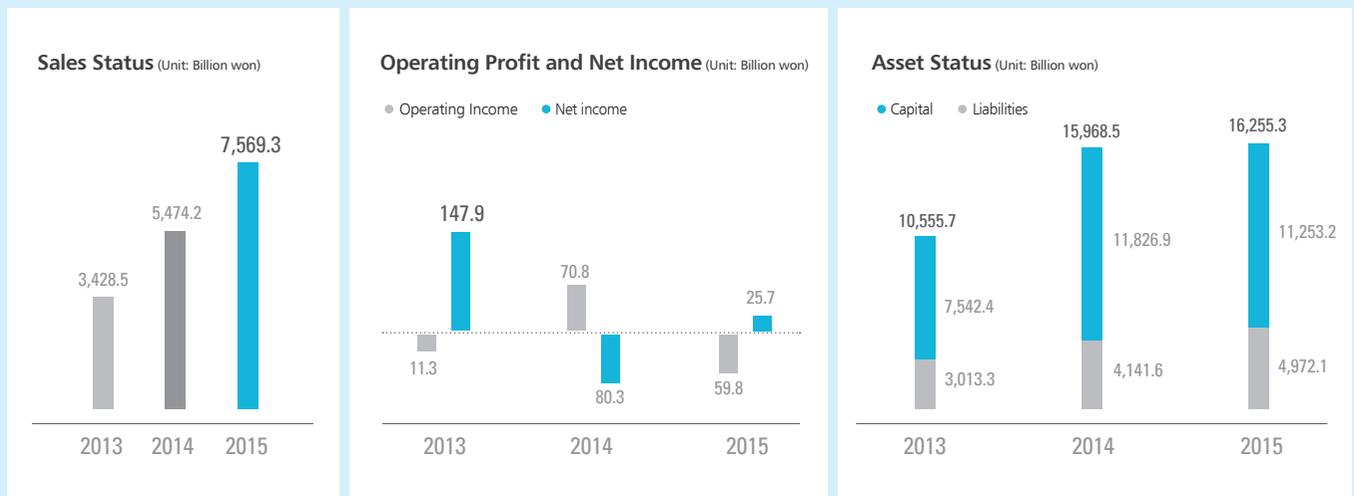
(unit: Million won)

6,752



Business Outlook

Samsung SDI reorganized its 2015 business portfolio to focus on batteries and high-tech materials and is endeavoring to acquire future growth assets by securing differentiated competitiveness.



* Profit and loss in PDP and photovoltaic business sectors were classified by income from discontinued operations.

VALUE CREATION PROCESS Value Creation Model

Business Model



SDI's Definition of Capital and Results by Capital



Financial Capital

% **130.6**

Samsung SDI is a public corporation listed on the Korea Stock Exchange and depends on financial capital provided by shareholders and investors for its business operations. Through our shareholder return policy, we are making efforts to maximize shareholder value. Our cash pay-out ratio for 2015 was 130.6% with a cash pay-out profit ratio of 0.87%.



Manufacturing Capital

billion won **682.2**

Samsung SDI develops and produces electronics material products such as semiconductors and display materials, as well as small and medium/large batteries for charging. For these products, manufacturing infrastructure based on R&D and production is very important, and improvements in productivity and technology through cost efficient infrastructure are vital components of competitiveness reinforcement. In 2015, investment/maintenance costs for infrastructure facilities amounted to 682.2 billion won.

<IR> The framework of the International Integrated Reporting Council was applied.

Samsung SDI manages all factors that are inserted and produced during its business operations by classifying each factor as their respective capital value. Therefore, we report on content that contains explanations and information on each phase of business.

3. Purchasing

Developmental purchasing,
Strategic sourcing,
Supply chain operation

Shared growth with partner companies

- Shared Growth Systems
- Sustainable supply chain management
- Establishment of a fair trading relations
- Prevention of conflict mineral use

4. Production

Production plan,
Quality control,
Product safety

Business Portfolio

- Energy solution (Small type/large type)
- Electronic material
- Environmental Value Chain
- Environmental efficiency

7. Business management

Funding and investments, Employee recruitment, promotion, and management, Innovation and corporate culture management, Law-abidance and compliance, Environment management, Safety management, Reputation management, Social issue management

Governance | Risk management | Compliance and ethics management | Reinforce internal capability | Climate change response | Workplace Health & Safety | Sustainable management system | Stakeholder engagement | Environmental efficiency | Involvement and development of the local community | Corporate culture | Care for Employees



Intellectual Capital

patents **10,734**

The core of Samsung SDI's business competitiveness is closely related with its intellectual capital, such as securing research technologies and patents. R&D is being conducted in each business area with a particular focus on domestic and international R&D research labs, and we are in the process of executing R&D partnership reinforcement activities in various areas. In particular, Samsung SDI owns 10,734 patents on electronics materials and energy parts, creating a world class portfolio of intellectual rights in the global market.



Social, Relational Capital

billion won **3,645.8**

Samsung SDI is constantly communicating with various stakeholders who directly or indirectly influence our business operating phases, and based on cooperative relations with governments, partner companies, and local communities, we are able to successfully operate various business activities. Economic, environmental, and social values created by Samsung SDI are shared with stakeholders, whereas in 2015, economic value distributed among stakeholders amounted to 3,645.8 billion won.*



Human Capital

hours **91**

Samsung SDI recognizes that operations of business acquisition and promotion of human resources are the keys to success, and we promote overall company innovation and next-level product creation through the empowerment of our employees. In order to promote outstanding human resources and secure core research personnel, we operate a systematic personnel management system and a training and performance evaluation system. In 2015, the average staff member received 91 hours of training, and the company invested 1,172,181 won in training per each employee.



Environmental Capital

billion won **9.42**

Samsung SDI uses various environmental capital, including energy in various business operating processes such as R&D, production, and sales, and we emit other substances including GHG. To promote utilization of environmental resources in an eco-friendly way and to reduce the level of contaminating substances, we are executing low-carbon energy management by creating safe environment management policies. In 2015, the company spent 9.42 billion won on investing in and operating environment-related facilities.

* In order to calculate capital related to society and suppliers, regional communities/NGOs, governmental institutions, industrial associations/research personnel from universities and research institutions were reflected within the report.

FINANCIAL & NON-FINANCIAL REPORTING

Financial & Non-Financial Reporting

Financial Performance and Distribution

Sales Status by Business Area

Samsung SDI achieved total sales of 7.6 trillion won at the end of 2015, which indicates a year over year growth of 38%. For contributions to sales achieved by each business area, 43.8% was from energy solutions, 21.7% was from electronic materials, and 34.5% was from the chemical division.



Core Issues and Correlation Between Financial and Non-Financial Issues

* As for the chemical division of Samsung SDI, following a reorganization of the unit in preparation for its sale to a third party, a new company division will be prepared to conduct asset transfers within the first half of 2016.

Core Issues in 2015	Issue Category	Correlation between Finance and Business
Enhancement of R&D Capability Development of eco-friendly products and services	Sustainable products R&D on products	Finances: Intellectual, human resource capital / Investment in product R&D can lower overall costs and improve sales by enhancing the products' quality while lowering production costs.
Forecasting and Responding to Fluctuations in Future Market Securing Market Leadership	Business Portfolio	Finances: manufacturing capital / By utilizing market forecasts, appropriate investments are carried out by each business area so that unnecessary consumption can be reduced.
Reinforcing Site Safety Handling and Managing Hazardous Chemical Materials	Workplace Health & Safety	Finances: human, social, relationship, and environmental capital / Any workplace accidents may have a negative impact on external factors such as marketing, PR, etc., may lead to a decrease in sales.
Managing Atmospheric Emissions Energy Reduction and Usage of Renewable Energy	Response to Climate Change	Finances: Environmental capital / If environmental laws or regulations are violated, financial losses such as fines can be incurred. Furthermore, sales may also be impacted due to damage in external reputation.
Supply Chain Sustainability and Risk Management	Shared growth with Partner Companies	Finances: Social, relationship capital / When looking to secure management of a sustainable supply chain, product quality as well as negligence of social responsibilities by partner companies act as important factors that can negatively influence corporate operation and profits.
Enhancement of Employee Competence	Enhancement of Internal Competence	Finances: Human capital / By strengthening employee capability, productivity can be enhanced and consequential market dominance can contribute to sales.
Health and Safety of Consumers and Customers	Customer Satisfaction Management	Finances: Financial, social, relationship capital / If the safety and health of customers are negatively impacted, possible outcomes may include a damaged public image and financial loss due to corresponding monetary compensation.

Stakeholder Distribution

To reciprocate our stakeholders' contributions, who directly or indirectly assisted in our company's growth, Samsung SDI is allocating its value through various channels. The financial profit created through Samsung SDI's business value chain has been shared amongst our stakeholders through either direct or indirect measures, where the total amount of value distributed amounts to 4.9 trillion won.

Category	Capital	Measure	Value Return
Customers	Financial, social, and relationship capital	Sales	7.57 trillion won
Employees	Human capital	Wage and Welfare Benefits	1.22 trillion won
Shareholders & Investors	Financial capital	Dividends and Interest Payments	111.4 billion won
Suppliers	Society, relationship capital	Purchase of Raw and Subsidiary Materials Purchase Amount	2.96 trillion won
Local Communities & NGOs	Society, relationship capital	Donations and Social Contribution Support	6.8 billion won
Government Agencies	Society, relationship capital	Taxes and Dues	104.6 billion won
Industry Associations/Collegiate & Inst. Research Capacity	Intellectual, social, relationship capital	R&D costs	571 billion won

* When accounting for stakeholder value distribution sales was excluded from the total performance.

Non-financial Correlation

Quality of goods and services is a fundamental and key competitive factor. In order to lead the market, it is crucial to ensure the competency of one's R&D functions. Superior R&D allows for the development of eco-friendly goods and services that enhance product quality and support technological development, which are necessary factors in today's market to secure sustainable corporate growth.

Market and industry forecasts, accompanied by forecast predictions and strategies, are the most important factors in business promotion and expansion.

Due to the presence and handling of toxic or hazardous materials at worksites, ensuring the safety of the local community and employees is the most fundamental responsibility of Samsung SDI. Managing issues related to worksite health and safety is crucial to the prevention of serious risks before they develop.

Introduction of GHG target management systems and tradable permit system are important elements to formulating a response to environmental regulations. Societal interest in corporate response to climate changes is rising, and special attention is being paid to reduction of GHG emissions and energy conservation, both important elements of eco-friendly business practice.

Mutual growth with our partner companies is an important part of Samsung SDI's overall business operations, ranging from purchasing of raw materials and production to logistics. Likewise, risk management within the value chain is an important element of securing Samsung SDI's competitiveness.

By improving employee capacity to carry out tasks and engage in communication with customers, external credibility can be generated and employee satisfaction improved.

Enhancing fundamental quality competitiveness by upgrading product safety and enabling active communication with customers are vital to business operation.

GOVERNANCE

Governance

BOD Composition and Operating System

Current BOD Composition

As of March 2016, the BOD of Samsung SDI consists of nine directors, including four inside director and five outside directors. Directors with expertise in various areas are appointed through the General Shareholders' Meeting, in accordance with related regulations. In order to secure independence of the BOD and prevent conflicts of interests, Samsung SDI revised its articles of association in its 2016 General Shareholders' Meeting, so that external directors can be appointed as the chairman of the BOD.

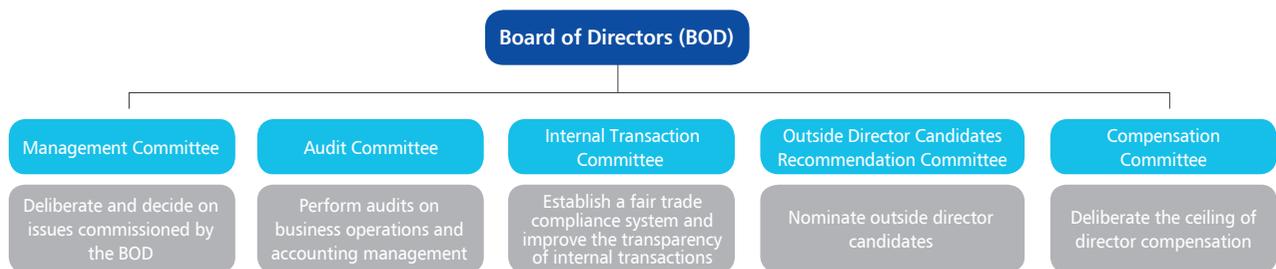
Operation System of the BOD

Samsung SDI regularly convenes for quarterly board meetings along with ad-hoc meetings when required. Voting items presented for resolution by the BOD require more than half of the board members to be present and the approval from more than half of the members who are present. Directors with special interests in connection to resolutions are restricted from exercising their voting rights. The BOD retains the right to consider and decide important matters as directed by laws, regulations, and terms set forth by the articles of association, along with matters from the General Shareholders' Meeting, and basic policies of business management and operation.

Subcommittees of the BOD

The BOD operates five subcommittees; the Management Committee, Audit Committee, Internal Transaction Committee, Outside Director Candidates Recommendation Committee, and Compensation Committee. Some of the BOD's responsibilities are delegated to committees for thorough examination of issues by experts and authorities in relevant fields. The Management Committee, supervised by the company CEO, discusses and has direct responsibility for Samsung SDI's overall performance.

BOD Status



BOD Independence

Samsung SDI defines the standards of the independence of outside directors in accordance with Article 382 of the Korean Commercial Act. If an outside director falls under any of the following subparagraphs, he/she is removed from his/her position as outside director:

1. Directors, executives, and employees who are engaged in regular business with the company, or directors, auditors, executives, and employees who have been engaged in regular business with the company within the past two years.
2. A spouse, lineal ascendants, and lineal descendants, in cases where the largest shareholder is a person.
3. Directors, auditors, executives, and employees of the corporation in cases where the largest shareholder is a corporation.
4. Spouses, lineal ascendants, and lineal descendants of directors, auditors, and executives.
5. Directors, auditors, executives, and employees of a parent company, or a subsidiary company of the company.
6. Directors, auditors, executives, and employees of a corporation which has a significant interest in the company, such as business relations with the said company.
7. Directors, auditors, executives and employees of another corporation for which directors, executives, and employees of the company work as directors or executives.

BOD Independence

Transparency of Elected Directors

In order to guarantee fairness and independence in appointing the BOD, nominees are selected by the BOD when appointing inside directors and by the Outside Director Candidates Recommendation Committee when appointing outside directors. Directors are appointed following approval from the General Shareholders Meeting. Outside directors make up more than half of the seats within the Outside Director Candidates Recommendation Committee, through which we seek to secure the independence of outside directors.

Expertise of Outside Directors

Samsung SDI appoints external experts with diverse knowledge and experience in business, economy, law, and technology as outside directors. The company provides support to outside directors so that they can conduct professional duties in the BOD and its subcommittees. Outside directors will be provided with data so that they can review corresponding resolutions' contents that are presented within subcommittees, and for increased understanding of business activities, outside directors can request to inspect domestic and international business sites, and report on site status.

Upholding the Independence of the Audit Committee of Audit Committee Independence

Samsung SDI established its Audit Committee under Article 542 (11) and Article 542 (12) of the Korean Commercial Act. Under the regulations of the Audit Committee, its members shall be appointed through resolution of the General Shareholders' Meeting, which shall be wholly comprised of externally independent directors.

BOD Activities and Compensation

Total Remuneration of BOD (unit: Million won)

Internal Director	4,413
External Director	404

Average Compensation per person (unit: Million won)

Internal Director	1,103
External Director	80

BOD Annual Activity Status

In 2015, the BOD held four regular BOD meetings, eight ad-hoc BOD meetings, and processed a total of 37 items which were composed of 34 resolutions and three reports, including items detailing the acquisition of MSBS (Magna Steyr Battery Systems), sold shares of Samsung Fine Chemicals, and the reorganization of the chemical division following its acquisition by a third party. In 2015, the BOD attendance rate for outside directors was 95.1%.

Assessment and Compensation of the BOD

Samsung SDI annually evaluates directors based on their business expertise, technological expertise, active BOD participation, whereas the results are discussed in BOD meetings. The remuneration of the BOD is paid within the limit approved in the General Shareholders' Meeting. In 2015, 25 billion won was approved at the General Shareholders' Meeting, while the actual amount paid to directors stood at 10.48 billion won. Individual compensation data as well as calculation criteria and methods for directors and auditors are detailed in Samsung SDI's 46th Business Report. Remuneration consists of a base salary that is pre-determined for each job position and an additional performance salary. Performance assessment covers safety, environment, labor relations, anti-corruption, security, and other social aspects related to management perspective, in addition to sales, net income, stock prices, and other financial indices.

Current BOD Composition

(2016.3.31)

Category	Name	Major Experiences	Active Committee
inside Director	Nam Seong Cho	CEO	Management Committee, Outside Director Candidates Recommendation Committee
	Seh Woong Jeong	Head of Automotive & ESS Business	Management Committee, Outside Director Candidates Recommendation Committee
	Chang Lyong Song	Head of Electronic Materials Business	Outside Director Candidates Recommendation Committee
	Hong Kyung Kim	Team Leader of Corporate Management Office	Management Committee, Compensation Committee, Outside Director Candidates Recommendation Committee
Outside Director	Sung Jae Kim	Head of Insurance Branch of Financial Development Council, Vice President of Hankuk University of Foreign Studies	Audit Committee, Internal Transaction Committee, Compensation Committee, Outside Director Candidates Recommendation Committee
	Min Gee No	16th Vice Minister of the Ministry of Employment and Labor, Non-permanent member representing public interests in the National Labor Relations Commission	Audit Committee, Internal Transaction Committee, Outside Director Candidates Recommendation Committee
	Serck Joo Hong	President of Chohung Bank, Chief Executive Officer of Locus Capital Partners	Audit Committee, Internal Transaction Committee, Compensation Committee, Outside Director Candidates Recommendation Committee
	Ran Do Kim	Invited Researcher of Electronics and Telecommunications Research Institute, Professor of the College of Human Ecology, Seoul National University	Audit Committee, Internal Transaction Committee, Outside Director Candidates Recommendation Committee
	Jai Hie Kim	Head of Research Center of Biometrics Engineering Research Center, Professor of the College of Engineering, Yonsei University	Audit Committee, Internal Transaction Committee, Outside Director Candidates Recommendation Committee

RISK MANAGEMENT

Risk Management

Risk Management

Risk Management System

Samsung SDI analyzes risks which can arise during the company's business activities, in order to promote and be ready to implement strategic responses. The company pays special attention to risks which can be regarded as threats against stable business activities, not only financial risks such as credit risk, liquidity risk, or market risk, but also non-financial risks such as compliance risk or reputation risk are regularly examined. Through a consulting body managed by the CEO, Samsung SDI takes action against risks by establishing and continuously improving its countermeasures. Samsung SDI promotes Business Continuity Management principles to prevent potential risk through proactive and reactive responses. Through these principles, Samsung SDI intends to prevent and take countermeasures against supply chain risks, workplace safety risks, compliance risks, and other potential risks that could negatively impact business operation.

Business Operation Risk Management

Business Continuity Management (BCM)

The Small-sized Battery Division of Samsung SDI operates the Business Continuity Management (BCM) system to mitigate risk and take prompt countermeasures. When investing in businesses and developing products, by executing risk dispersion policy by areas and removing risk factors which threaten business sustainability in advance, the company exercises its risk reduction platform. Through sustainable business management, even in circumstances such as various disasters and accidents which can cause disruptions in business activity, by focusing the unified capacity of the company, activity can be normalized within the shortest time possible and minimize stakeholder loss, such as the outflow of customers. Samsung SDI is continually making efforts to secure top-tier business sustainability strategies. We aim to execute regular training and education for employees so that business sustainability can be internalized within Samsung SDI's existing corporate culture.

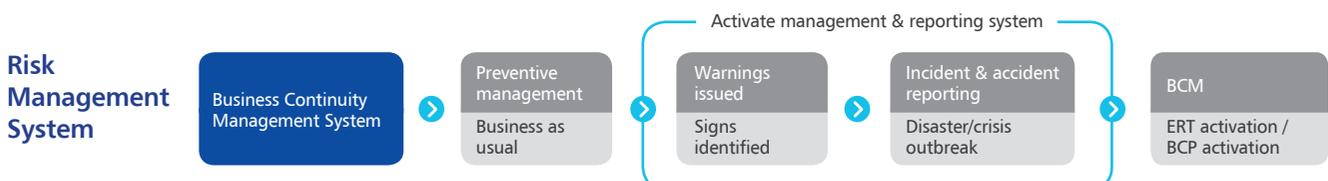
Emergency Response Team (ERT) Operation

Since 2013, Samsung SDI's Small-sized Battery Division has operated the Emergency Response Team (ERT) to respond to the initial stages of worksite accidents, and has also increased its employees' ability to systematically respond to sudden accidents through emergency response drills. ERT is an organization which, through emergency responses toward serious incidents and accidents, saves lives, prevents losses, guarantees a fundamental level of business operation, and mediates relationships among stakeholders. Specifically, the organization oversees risk management by classifying risks into 11 core categories including chemical leakage, radiation leakage, contagious diseases, and natural disasters according to business site, and drafting response scenarios. In 2015, training was held to confirm the effectiveness of BCP (Business Continuity Plan) through EOC (Emergency Operations Center) operation and emergency response training conducted by ERT at individual worksites. Furthermore, we conducted risk assessment of overseas subsidiaries and reinforced risk response capacity by conducting risk response training of relevant subsidiaries.

Compliance Risk

Compliance Risk Management

In order to ensure transparency of business activities, Samsung SDI is operating the IT-based Internal Control System, which recently underwent improvement so that work performances, regulations, laws, internal regulations and procedures can be properly followed and compliance risks can be managed. The main duties of the Internal Control System include verifying and evaluating asset protection and corruption prevention, as well as operating internal accounting management to enhance credibility of financial information. This system allows Samsung SDI to fulfill its legal obligations related to creditability of financial information and published data.



Non-financial Risk Management

Domestic and Overseas Partner Companies
BCM Training

55
Companies

Tax Risk Management

A global business trend of reinforcing regulations related with tax evasion, overseas tax evasion, and tax avoidance has recently been observed, whereas preparation for such risks is essential and can be established through the creation and operation of a region-based taxation system. Likewise, through creation and application of reasonable transfer prices, handling oversight aimed toward creation and application of transfer prices. Furthermore, we are examining whether each entity's operational readiness, risk bearing, and used assets are managed and administered in accordance with transfer price policy set by global business sites and partner companies.

Supply Chain Risk Management

Due to the fact that Samsung SDI creates economic value through its relations with suppliers such as manufacturers and equipment companies, the company views it as essential to manage CSR risks found within the supply chain. To diagnose and resolve CSR issues across its supply chain, the S-Partner Certification Program was designed. This program aims to comprehensively evaluate five areas – labor, environment, health and safety, ethics, and operating systems – and certify suppliers according to the evaluation results. Moreover, as regulations surrounding conflict minerals become increasingly prevalent, Samsung SDI is reinforcing risk management activities related to these issues. Samsung SDI has established and conducted official conflict mineral investigations and status analysis system in suppliers' portals and the company's intranet (SMIS) to systematically examine the use of the conflict minerals by its suppliers. For partner companies which provide raw and subsidiary materials and equipment, Samsung SDI is conducting supply chain risk reduction activities by supporting the establishment of BCM (Business Continuity Management). In H1 of 2015, we focused on domestic partner companies, followed by overseas major partner companies in H2 to support the establishment of BCM. Moving forward, we intend to support all domestic and international partner companies in establishing their own BCM plan.

Safety Risk Management at Business Sites

Through self-analysis, Samsung SDI identified that most incidents occurring at the worksites were caused by employee negligence and is currently making various efforts to minimize harm to employees and assets through the Safety Environment Infra Team. Since Samsung SDI conducts its business at production sites and subsidiaries in 21 countries across the globe, raising employee awareness on issues of safety and reinforcing strict safety management at worksites is crucial to the company's overall operation. Samsung SDI aims to strengthen workplace safety management through the creation of a safety culture settlement road map and constant operation of an onsite inspection division, while also improving employees' safety awareness through execution of accident response training and safety education.

Emergency Response System



INTEGRITY

Compliance and Ethics Management

Organization Management

Samsung SDI, by establishing a compliance/ethics management system seeks to proactively respond to growing global compliance risks. In order to meet increasing domestic and international consumer expectations of corporate compliance and transparent management, Samsung SDI exerted great effort to internalize a compliance/ethics management system that currently operates in the form of a compliance support team. Furthermore, the company appoints compliance practice leaders in each team so that compliance risks can be identified and prevention activities can be created. In 2015, to support the autonomy of and increase the participation of compliance practice managers, SDI held events such as a Compliance Conference and oversaw the operation of a rewards system. There are no cases where Samsung SDI was levied a fine or another form of sanction due to violations of an individual country's laws or regulations in 2015.

Compliance System

Compliance System Establishment		
Compliance Risk Management	Compliance Risk Sensing & Site Inspection	Diffusion of Culture of Compliance Conduct education and promotion
<ul style="list-style-type: none"> · Risk selection · Operate autonomous compliance program 	<ul style="list-style-type: none"> · Sensing and managing compliance trends and regulations · Inspection of major compliance risks 	<ul style="list-style-type: none"> · Establishment of compliance culture continuous ongoing education · Regular dispatches of compliance letters

Compliance/Ethics Education and Monitoring



Compliance/Ethics Education **6,971**

Corruption Prevention Education **18,028**

Supplier Education **75**

Customized Training

Samsung SDI executes company-wide anti-corruption and compliance training to raise employees' knowledge of ethics and internalize an ethical work culture. Samsung SDI is conducting compliance/ethics and corruption prevention education for executives, newcomers, experienced staff and compliance practice managers. In 2015, the company planned customized education that reflected employees' individual interests in compliance/ethics management and compiled educational contents focusing on recent case studies. By focusing on specific areas of compliance studies and creating unique curriculums, Samsung SDI intended to improve effectiveness of education programs. In order to spur cooperating companies' interest in and cultivate knowledge of compliance/ethics management, Samsung SDI selected 75 executives and managers from 70 partner companies to be part of compliance training programs surrounding topics such as compliance management, trade secrets, patents, subcontracts, contracts, anti-corruption, and protection of personal information. Moving forward, SDI plans to continuously expand education for partner companies by spreading compliance/ethic management culture along our supply chain.

Details of Compliance/Ethics Education

Subject	Process and contents	Attendees
Executive	Compliance management training	107
	Training on trade secrets	38
	Training on Chinese law environment	19
Employees	Training for all employees	5,773
	Subcontract training	672
	Personal information training	362

Compliance Inspection Status

Compliance Inspection	Inspection number
Themed inspection	2
System self-inspection	1
On-site Inspection	13
Subcontract inspection	6
Meeting Legality Review	97
Total (case)	119

Business Site Corruption Risk Evaluation

Classification	2013	2014	2015	Unit
Total number of business sites	19	20	21	Sites
Number of business sites with corruption risk evaluation	11	13	19	Sites
Ratio of business operators with corruption risk evaluation	58	65	90	%

Strengthen Compliance

Compliance Inspection

Samsung SDI regularly carries out inspections within departments, such as sales, purchasing and R&D, which are the most likely to face legal risks. Samsung SDI is distributing guidelines for employees to self-regulate interactions that occur in fair trade and subcontracting, and making concentrated effort to reinforce inspection of these major risks to eliminate collusion. Theme inspections are also conducted so that compliance of related regulations by job groups can be confirmed. In 2016, the company plans to continuously conduct online/offline inspections for business compliance settlement.

Autonomous Inspection Activities

Samsung SDI allows all employees to autonomously inspect compliance risks related to their work duties through its compliance system so that they can prevent risk in advance. In 2015, risks such as trade secrets, corruption prevention, cartel and internal trade were emphasized during inspections. Additionally, the compliance index evaluation system was created so that each department can be evaluated and have its results reflected in respective executives evaluations.

Anti-corruption

In 2015, those found in violation of internal regulations were punished following inspections carried out within partner companies and customer service departments that examined trade records, recruitment processes, and management status of products and materials. In 2015, a total of 43 violators saw disciplinary consequences as a result of inspections, and contracts with three business partners were terminated due to corruption.

Reinforcement of Preliminary Domestic Risk Control

Samsung SDI constantly manages global compliance risks through risk sensing and preliminary control activities. We monitor external law enactment/revision activity and major social issues, and work to promote risk assessments within internal business operation and preliminary control processes. In 2016, based on results gathered from external risk sensing, Samsung SDI plans to further reinforce the company's internal compliance monitoring through various methods such as meeting with related departments, assemblies, and private interviews with individuals, etc.

Domestic Business Compliance

Samsung SDI is holding meetings to collect opinions related to compliance from active personnel so that essential compliance business activities are conducted while burdens for active personnel are mitigated. In 2015, Samsung SDI oversaw the establishment of compliance practice manager's individual performance goals in order to carry out performance-based compensation. Likewise, through online and offline reporting processes, the company is accepting various opinions and reports about violations on compliance management and unfair behavior.

Overseas Compliance

Samsung SDI is promoting activities for employees of overseas business sites to comply with their corresponding countries' laws and regulations and global standards. To achieve this, the company is conducting activities such as training programs, and inspections by departments of each subsidiary. In 2015, consulting and legal support for establishment of a compliance program was overseen for newly created overseas subsidiaries and SDI also appointed new compliance practice managers to improve the participation of local employees.