



**SMART SOLUTION
FOR A GREEN WORLD**



About Sustainability Report

The 10th Sustainability Report

Since its first sustainability report published in 2003, a first for a Korean company, Samsung SDI has been issuing its sustainability reports annually, with the 9th report published in March 2012. This is 10th sustainability report published by Samsung SDI.

Reporting Period

The reporting period runs from January 1 to December 31, 2012. Any significant changes or issues prior to the issue date of this 2013 report have been incorporated.

Reporting Scope & Boundary

This report covers all the domestic and overseas business sites of Samsung SDI, unless stated otherwise due to the unavailability of data in some cases. The subsidiaries and suppliers of Samsung SDI are not included in principle unless stated otherwise.

Reporting Framework

This report is prepared according to the GRI(Global Reporting Initiative) G3.1 Guidelines. All data was extracted and compiled in line with GRI G3.1 protocol; the company's internal standards were applied for matters not stipulated in the protocol.

Assurance

In order to ensure the report's credibility, Samsung SDI commissioned an independent, objective organization and received a third-party verification over the contents of the 2012 report based on international standards AA1000AS (2008), AA1000APS (2008), and AA1000SES (2011). The verification results can be found in this report (p.63-64).

※ AA1000AS (2008), AA1000APS (2008): International standards designed to evaluate the credibility and quality of sustainability performance and reporting

※ AA1000SES (2011): An international standard on stakeholder engagement

Contact for further information

SM Office, Corporate Management Office, Samsung SDI Co., Ltd.
150-34 Gongse-ro, Giheung-gu, Yongin-si,
Gyeonggi-do, Korea, 446-577

Tel +82-31-8006-3366 Fax +82-31-8006-3399

E-mail sustainability@samsung.com

URL http://www.samsungsdi.com/sustain/s1_8.jsp

Our Sustainable

The "Concept of Business" and Sustainable Growth

In May 2012, Samsung SDI realigned its business portfolio and declared "eco-friendly electrochemical convergence energy" as its new business concept. In the same year, it successfully transformed itself into an eco-friendly and clean energy company, with its energy business centered on rechargeable batteries accounting for 59% of its total revenue.

Economy

Sustainable Growth and Profit Realization through Customer Satisfaction

Capitalizing on capabilities that helped it secure the largest market share for small-sized IT rechargeable batteries, Samsung SDI will emerge as a global leader in the markets for automotive batteries and energy storage system (ESS), while also maximizing customer satisfaction based on product safety and quality.

Lowest Possible Environmental Impact

Samsung SDI quantitatively calculates and monitors the material input and output of its rechargeable batteries, PDPs, and other products, as well as the environmental impact they can bring. In 2012, improvements were made in a number of areas, including the company's GHG emissions, water usage, waste discharge, use of harmful chemical substances, and the energy efficiency of its PDP products.

Environment

Eco-friendly Value Creation throughout All Processes Related to Products and Services to Enhance Mankind's Quality of Life

Samsung SDI will do its utmost to meet not only its 2013 environmental goals but also its mid- to long-term environmental goals for 2015 by minimizing the environmental impact of all of its business activities and services.

Harmony & Growth

Harmony and Coexistence with Stakeholders

Samsung SDI seeks to achieve harmony and coexistence with its various stakeholders. In 2012, it further revitalized its communication with employees based on a new corporate culture, while also pursuing "community-centered" contribution activities in order to grow hand in hand with the community. Furthermore, it made continued efforts to ensure mutual growth with its suppliers through win-win cooperation.

Society

Balanced Partnership Characterized by Mutual Growth and Trust with Various Stakeholders

To become "a great place to work," Samsung SDI will further promote its new corporate culture and foster a healthy work environment, while also expanding and improving its partnership of coexistence with its numerous stakeholders including its customers, suppliers, and the community.

Sustainability Issues & Approach

Sustainability Issues and Samsung SDI's Response

7 Focus Areas	Material Issues	Samsung SDI's Response	Relevant Page(s)
1. Economy and Business Management in General	<ul style="list-style-type: none"> • Global recession and uncertainties • Energy shortage and supply-demand mismatch • Emergence of smart devices, including smartphones and tablet PCs 	<ul style="list-style-type: none"> • Realignment of business strategy and portfolio • Continued dominance in the small-sized rechargeable battery market • Increased orders related to the ESS business • Enhancement of future energy solution capabilities 	Page. 20
2. Environment	<ul style="list-style-type: none"> • Growing pressure to reduce greenhouse gas (GHG) emissions as a result of accelerated climate change • Increasingly stringent global environmental regulations • Depletion of fossil fuel and soaring energy prices 	<ul style="list-style-type: none"> • Preemptive response to energy/ GHG-related regulations • Extended implementation of energy management system • Securing the environmental competitiveness of products • Reinforcement of product-related green technology 	Page. 32
3. Compliance/Ethical Management	<ul style="list-style-type: none"> • Global spread of compliance risks • Drastic increase in business-related and reputation losses as a result of non-compliance 	<ul style="list-style-type: none"> • Establishment of principles, rules, and processes • Initiatives to support the prevention of non-compliance, monitoring, and voluntary compliance management • Efforts to anchor a culture of compliance 	Page. 16
4. Labor and Human Rights	<ul style="list-style-type: none"> • Strengthened regulations on labor practices and safe working conditions • Increase in diversity-related needs, such as those related to female employees and employees with disabilities • Increased needs for work-life balance • Spread of social needs for creation of jobs 	<ul style="list-style-type: none"> • Reinforcement of innovation activities related to the new corporate culture • Diagnosis and improvement of labor practices • Increasing number of female employees • Fostering and localization of global talents • Greater support to encourage work-life balance 	Page. 40
5. Supply Chain	<ul style="list-style-type: none"> • Reinforcement of regulations on mutual growth and win-win cooperation • Rising demand for increased social responsibility of supply chain • Changes in the competition among companies (Competition among individual companies → competition among company networks) 	<ul style="list-style-type: none"> • Establishment of a fair trade order • Diagnosis and improvement of compliance with the Subcontractors Act and other relevant laws • Diverse activities to support mutual growth • Continued expansion of social responsibility of supply chain 	Page. 48
6. Product Responsibility	<ul style="list-style-type: none"> • Rising customer demand related to safety and quality • Rising demand for swift customer service • Increased awareness of customer health and safety • Reinforced regulations and global standard 	<ul style="list-style-type: none"> • Top priority placed on the safety and quality of rechargeable batteries • Enthusiastic and active communication coupled with the minimization of customer complaints • Improvement of suppliers' quality information systems • Continued execution of international safety certification projects 	Page. 52
7. Community	<ul style="list-style-type: none"> • Increased demand for companies' community involvement and support • Emphasis on harmony within the community achieved through communication • Spotlight on the need for education for the less privileged children 	<ul style="list-style-type: none"> • Community support offered through talent sharing and mentoring activities • Use of SNS channels to incorporate stakeholder opinions and run social contribution programs • Expansion of a representative social contribution program, "Blue Planet Environment School" 	Page. 54

SMART SOLUTION FOR A GREEN WORLD

Samsung SDI
Sustainability Report 2012

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Cover Story



Samsung SDI offers smart solutions for a better energy world where both our children and the environment can thrive. Making continuous efforts to create a sustainable future that brings happiness to all – this is what Samsung SDI is committed to.

SAMSUNG SDI

Samsung SDI is an Eco-friendly and Clean Energy Solution Company.

It currently has presence in 12 countries across the globe, operating ten production plants, four sales subsidiaries, one central R&D center, other branches, subsidiaries, and offices.

Its organization includes the Cell Business Division, Pack Business Division, PDP Business Division, and CRT Business Division, as well as the ES(Energy Solution) Business Division, which was newly launched on June 1, 2012 by merging the Solar Energy Business Division with the ESS Business Team. In addition, it acquired all the shares of SB LiMotive, a joint venture between Bosch and Samsung SDI, and absorbed it into its Automotive Battery Systems Business Division on January 1, 2013, aiming to create a synergy effect with its existing rechargeable battery business. The company's Central R&D Center is currently developing core materials and next generation technologies for rechargeable batteries.

Meanwhile, in 2012 two sales subsidiaries were established in Tokyo (Feb.) and Shanghai (Jul.), respectively, as a measure to swiftly respond to the rapidly changing market environment and customer needs. At the same time, additional cell production lines were installed at the Cheonan plant, Tianjin subsidiary, and Malaysia subsidiary for continued reinforcement of the company's battery business capabilities.

Products

Small-sized Rechargeable Batteries*

Rechargeable batteries for IT devices, electronic tools, etc.

* Lithium-ion Rechargeable Battery



Advanced Automotive Batteries

Rechargeable batteries for electrified vehicles



ESS(Energy Storage System)

Large-sized energy storage device to store electricity and use it on demand



Display

Eco-friendly PDP and slim CRT



Global Network



Product Sales


Market Share of Small-Sized Rechargeable Batteries
 26% Source: B3


PDP
 7.1 million units


CRT
 8.9 million units

Sales


 KRW 5.8 trillion

Assets


 KRW 10.9 trillion
 Liabilities KRW 3.3 trillion
 Equity KRW 7.6 trillion

Employees


 15,451 persons
 Korea 7,043 persons
 Overseas 8,408 persons



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Samsung SDI will create a sustainable future by speeding up its transformation into an Eco-friendly and Clean Energy Solution Company based on its redefined business concept, innovative products, creation of values that surpass all expectations, and win-win cooperation with stakeholders.

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CEO Message

Stakeholders of Samsung SDI across the world,
I deeply appreciate your unwavering support for Samsung SDI.

The year 2012 witnessed numerous difficulties and challenges posed by the global economic downturn and the subsequent recession, with the global economy reeling from both the financial crises in the US and Europe as well as the sluggish growth of emerging markets. Despite the rapidly changing business environment, however, Samsung SDI perceived the wind of change as an opportunity and responded to it in a proactive manner, based on innovations that stayed ahead of these changes with an indomitable spirit of challenge.

In May 2012, to commemorate the 42nd anniversary of its founding, Samsung SDI redefined the concept of its business as “an eco-friendly and electrochemical convergence energy industry.” This new business concept is in line with our vision of delivering “Smart Solution for a Green World” and incorporates the ever-evolving business landscape, industry outlook, and our blueprint for the future. That is, moving away from the traditional energy industry, we picture a whole new industry that creates clean energy through electricity generation and accumulation and delivers a total solution that enables the use of this energy without any time or spatial restraints. This concept also reflects Samsung SDI’s will to lay the foundation to become a leading global energy company and contribute to an eco-friendly way of life on Earth for mankind.

Samsung SDI realigned its business portfolio based on its new business concept and is accelerating its efforts to become an eco-friendly energy solution company, with the rechargeable battery-driven energy business accounting for 59% of its 2012 revenue. We also consolidated our position as the leader in the small-size battery market for three consecutive years, further outpacing our competitors in terms of market share, and laid the groundwork for creating synergies with our existing battery businesses and independent management in the car battery market by acquiring all of the shares of SB LiMotive. Samsung SDI’s competitiveness in the energy storage system (ESS) sector has also been enhanced as our clientele expanded to include not only Nichicon (Japan) but also KACO (Germany), Xtreme Power (US), and Shinhan Bank (Korea).

At the same time, we undertook various initiatives to create environmentally and socially sustainable values. In our business, we minimized our environmental impact throughout the lifecycle of our products and services by introducing a system to quantify and manage the impact that our products and plants have on the environment. We also initiated the Global Green Partnership Project, becoming the first player in Korea’s electricity/electronics industry to forge a clean production partnership with our overseas suppliers and enhancing our capability to comply with environmental regulations. Furthermore, Samsung SDI accelerated its efforts to help a law-abiding culture take root in its organization by introducing a quantitative evaluation system for its staff’s legal compliance, while always striving to fulfill all of its roles and responsibilities as a corporate citizen by expanding its implementation of “community-based” social contribution programs that are in line with its business concept. In recognition of such sustained efforts to fulfill its social responsibility, Samsung SDI has been selected by Dow Jones Sustainability Indexes (DJSI) for nine consecutive years, an unprecedented feat in Korea.

We aim to maximize customer satisfaction with innovative products that always stay one step ahead of market changes and customer needs and to meet the trust of our shareholders and investors by creating values that far exceed their expectations. For our suppliers, our important business partners, we will continue to promote a mutually beneficial cooperation as a way to enhance their competitiveness, and jointly respond to environmental and social sustainability issues based on this partnership. For our staff, based on our new corporate culture, Samsung SDI will create a constructive virtuous cycle in which a more lively communication among staff and greater focus on building individual and team capabilities contribute to the company’s sustainability. We will continue to grow with the community we belong to, paying greater attention to its needs and expanding our support for the socially marginalized and the children.

Stakeholders of Samsung SDI, I ask for your enduring support and encouragement as we continue our journey towards a sustainable future.

President & CEO Sang Jin Park



Stakeholders

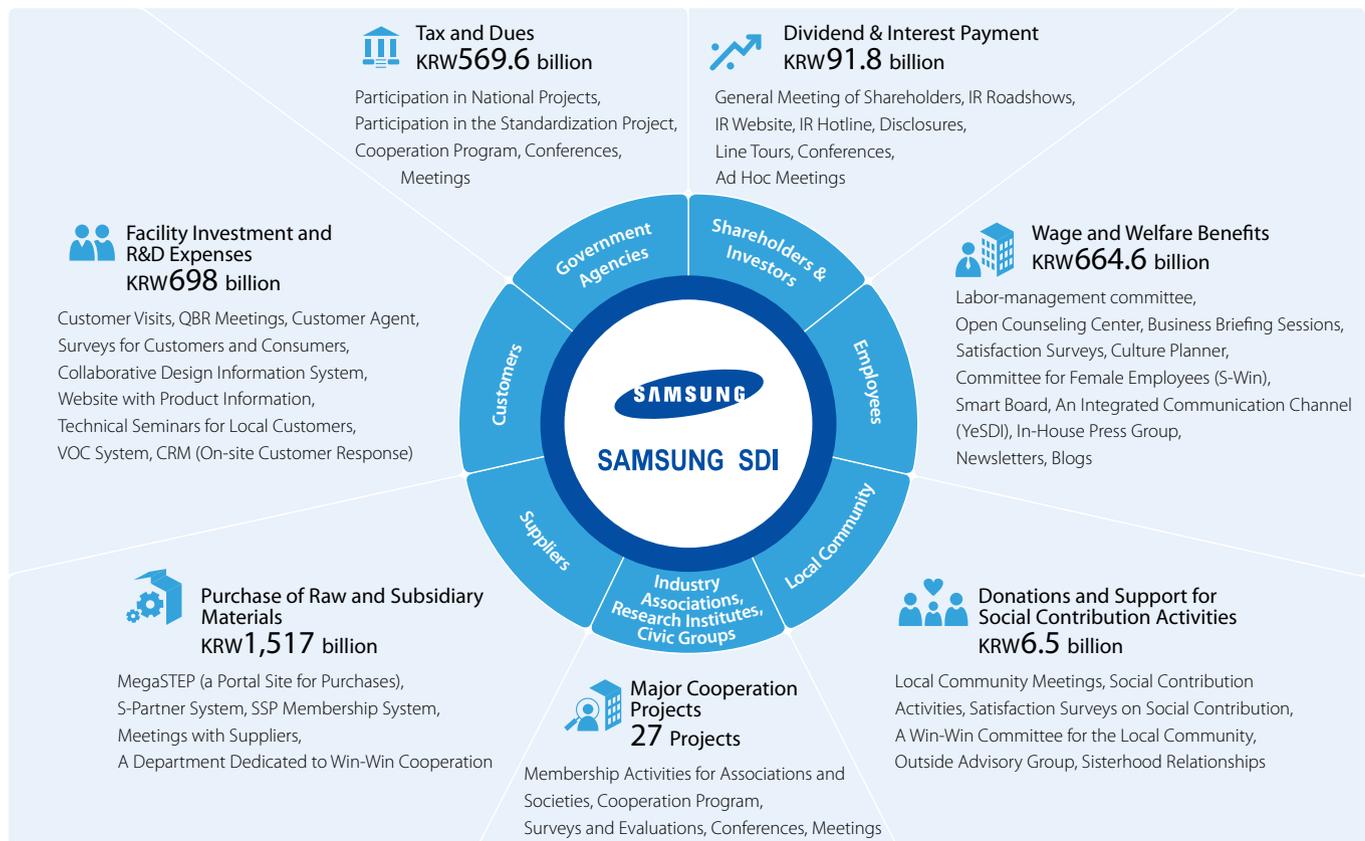
Samsung SDI and Its Stakeholders

Samsung SDI strives to share more values with its stakeholders by distributing the economic value created through its business activities fairly among its stakeholders and seeking to strike a balance between growth and stability. It aims to grow together with its stakeholders through continuous communication and engagement on not just the economic but also social and environmental fronts.

Key stakeholders of Samsung SDI include customers, shareholders and investors, employees, suppliers, government agencies, industry associations, research institutes, civic groups, and local communities. Samsung SDI periodically compiles information on the stakeholders related to each of

its departments in order to identify the issues involving its key stakeholders. Once the different departments gather the issues, an internal meeting is held to verify their level of importance. Then, each department establishes a set of measures regarding the selected issues, conducts related activities, and monitors the results. Any requests or issues made or raised by the stakeholders regarding CSR are monitored by the company's SM Office, and key information is shared internally and reported to upper management. At the same time, Samsung SDI makes continued efforts to improve the related response process through its cooperation with the related departments.

Economic Values Allocation & Communication Channels for Each Stakeholder



※ The sharp increase in tax and dues for 2012 compared to 2011 can be attributed to the increase in corporate tax for the revaluation of Samsung Mobile Display stocks that Samsung SDI was holding at the time the former was merged to create Samsung Display, and for the gain from their disposition due to the drop in ownership percentage.

Channels for Stakeholder Communication and Engagement

Samsung SDI manages diverse channels for stakeholder communication and engagement. Through channels customized to different types of stakeholders as well as a VOC system on the company's website, anyone can communicate with Samsung SDI regardless of time and place. Using the "Open Innovation" menu, one can suggest new ideas on technology and product innovation. Also, a monthly webzine is published and sent to subscribers, offering company updates and the latest news on its products.

In 2012, as a response to the increasing number of social media channel users due to the development of smartphones and other IT devices, as well as the resulting spread of real-time, two-way communication, Samsung SDI launched a number of initiatives to improve and expand its communication channels. In February it launched a department dedicated to social media and began managing a social media channel. Then in March, it opened YeSDI, an integrated communication channel for all employees, to enhance communication efficiency and to engage in more lively real-time communication with its stakeholders.

Launch of YeSDI, the Integrated Communication Channel

Opened in March 2012, YeSDI is the flagship communication channel for Samsung SDI's employees, created by combining the various internal channels, which were once managed separately, through the company's in-house intranet, making real-time updates possible. YeSDI offers the latest company news, the CEO's message, and information on the company's vision and its products, and also features diverse contents including cultural information and events. In addition, it includes a forum for employee participation, such as bulletin boards related to organizational culture and in-house associations, and a poll page. The company's grievance settlement channel, consisting of an anonymous bulletin board and a Q&A bulletin board related to company policies, is also quite active. Among the opinions gathered through the channel, issues that need to be improved or resolved are reported to upper management and shared with the employees in charge, and the results of these measures are shared via a feedback bulletin board. In 2013 Samsung SDI plans to improve YeSDI's accessibility and user convenience by enhancing its system, design, and contents, and also aims to increase the contents for the company's employees overseas and further promote their participation.



Home Page of YeSDI's Website

Promoting Communication via Social Media

The recent advances made in IT devices and an increase in the number of their users have evolved into real-time communication between stakeholders based on Twitter, Facebook, and other social media channels. In line with these changes, Samsung SDI created a department in charge of social media and launched a social media channel in February 2012. The company currently manages a number of channels including a blog and Facebook, Twitter, and Flickr accounts, through which it provides not just product information and company news but also diverse information that can be useful in everyday life. Furthermore, it strives to close the gap with its stakeholders by providing swift and accurate feedback on customer and consumer inquiries and requests. In the future Samsung SDI will continue to update the contents on its existing channels, actively provide information that stakeholders want to see by monitoring their needs, and diversify its channels in line with the ever-changing social media trends to ensure comprehensive communication with its stakeholders.

Social Media Channels Run by Samsung SDI

Blog www.sdistory.com **Facebook** www.facebook.com/samsungsdi

Twitter www.twitter.com/sdiin **Flicker** www.flickr.com/samsungsdi



Facebook Contents of Samsung SDI

Participation and Cooperation in Public Policy

Being environmentally conscious, Samsung SDI contributes to rational policy decisions through its cooperation with industry associations and academic institutions, doing its utmost to minimize its environmental impact and ensure consumer safety. Samsung SDI bans any political participation, as stated in its business principles. As a result, it does not get directly involved in politics related to its business activities; instead, the company actively shares its opinions through organizations and associations it is cooperating with. Samsung SDI currently serves as a member of numerous associations and academic institutions, including the Korea Battery Industry Association, which is chaired by CEO Park Sang-jin, as well as the Korea Industrial Technology Association, Korea Smart Grid Association, Korea AEO Promotion Association, Korea Institute of Energy Technology Evaluation and Planning, Nano Technology Research Association, and Korea Photovoltaic Industry Association. In addition, although not a direct member, it actively participates in diverse social activities for sustainable development, including the international standardization project and various initiatives for supporting small and medium enterprises.

Awarded the Highest AEO Certification Level of AAA

Samsung SDI is an Authorized Economic Operator (AEO) officially recognized by the Korea Customs Service based on the customs law of Korea and the World Customs Organization. Through the AEO Program, customs authorities evaluate the level of compliance, safety management, etc., of an export, import, or logistics company and certify it as an enterprise with exemplary track record of export and import safety management, or an Authorized Economic Operator. Having acquired its first AEO certification in 2010, Samsung SDI was awarded the highest certification level of AAA in 2012. Its AEO



Exemplary AEO Certificate (Import & Export)

certification allows it to enjoy various benefits related to customs administration, such as the exemption of customs investigation and simplified trade inspections.

Preparing the Sustainability Report

Material Issue Selection Process

Through its annual sustainability report, Samsung SDI reports its sustainability activities and performance to various stakeholders and receives their feedback, which has been reflected in the publication over the years to improve the reporting process and tool. As an integral step to incorporate the interest and needs of internal and external stakeholders in the sus-

tainability report and to create a credible report, the process of selecting material issues consists of three phases – issue identification, prioritization, and review and approval. The material issues selected from the process are taken into account when creating this report.

Samsung SDI's Material Issue Selection Process



Phase 1: Identifying

Sustainability Issue Pool :: Samsung SDI's "Sustainability Issue Pool" consists of issues that are identified through media research, peer-based industry analysis, stakeholder status surveys, VOC system, sustainability-related initiative analysis, etc., and prioritized based on their relevance to Samsung SDI. The Issue Pool is updated every year by revisiting the issues. This year, the pool included 41 issues from seven areas including Environment, Labor & Human Rights, and Supply Chain.

Stakeholder Survey :: Samsung SDI's stakeholder survey is designed to better understand the interests and needs of stakeholders. Based on the Sustainability Issue Pool, Samsung SDI selects sustainability issues of high priority in the Economy & Business Management, Environment, and Society sections and creates a questionnaire asking the respondents to

provide feedback on the company's sustainability report and sustainability management for improvement. The survey is conducted on external stakeholders including customers, suppliers, and expert groups, as well as the employees. This year, a total of 1,324 persons participated in the survey. The results showed stakeholders' keen interest in "Product & Service Innovation Aimed at Bringing about Social and Environmental Benefits" in the Economy & Management section, and "Improving Energy Efficiency and Adopting Renewable Energy" and "Environment and Energy Management System" in the Environment section. In the Society section, "Win-Win Management," "Spreading CSR across the Supply Chain," and "Customer & Consumer Health and Safety" were considered crucial by many respondents. The main issues for each stakeholder group were as below:

Main Issues for Each Stakeholder Group

Customer



- Customer & Consumer Health and Safety P. 52-53
- Spreading CSR across the Supply Chain P. 50-51
- Fair Competition P. 17
- Improving Energy Efficiency and Adopting Renewable Energy P. 26-28, 30, 39

Employees



- Win-Win Management P. 49-51
- Improving Energy Efficiency and Adopting Renewable Energy P. 26-28, 30, 39
- Labor-Management Relations and Organizational Culture P. 42-46
- Social Contribution Activities P. 54-59

Shareholders & Investors



- Environment and Energy Management System P. 36
- Improving Energy Efficiency and Adopting Renewable Energy P. 26-28, 30, 39
- Innovation Activities P. 22
- Win-Win Management P. 49-51

Suppliers



- Win-Win Management P. 49-51
- Improving Energy Efficiency and Adopting Renewable Energy P. 26-28, 30, 39
- Social Contribution Activities P. 54-59
- Spreading CSR across the Supply Chain P. 50-51

Government Agencies



- Product & Service Innovation Aimed at Bringing about Social and Environmental Benefits P. 22, 24-31
- Customer & Consumer Health and Safety P. 52-53
- Innovation Activities P. 22
- Environment and Energy Management System P. 36

Industry Associations



- Customer & Consumer Health and Safety P. 52-53
- Product & Service Innovation Aimed at Bringing About Social and Environmental Benefits P. 22, 24-31
- Responding to Climate Change P. 38-39
- Employee Health and Safety P. 46-47

Research Institutes



- Customer & Consumer Health and Safety P. 52-53
- Improving Energy Efficiency and Adopting Renewable Energy P. 26-28, 30, 39
- Spreading CSR across the Supply Chain P. 50-51
- Eco-friendly Design of Products and Consideration of the Whole Life Cycle P. 24-31

Civic Groups



- Win-Win Management P. 49-51
- Eco-friendly Design of Products and Consideration of the Whole Life Cycle P. 24-31
- Respecting Diversity and Preventing Discrimination P. 44-46
- Social Contribution Activities P. 54-59

Phase 2: Prioritizing

Materiality Test :: Samsung SDI has implemented its own materiality test tool, with which the significance of each issue is evaluated based on two criteria: "Impact on Samsung SDI (internal aspect)" and "Stakeholders' interest (external aspect)."

Developed based on the "5-part Materiality Test" imbedded into sustainability assurance standard AA1000AS, the test tool considers five standards, namely "Stakeholder Behaviors and Concerns," "Business Peer-based Norms," "Societal Norms," "Direct/Short-term Financial Impacts," and "Policy-related performance." The materiality test is conducted on the issues identified in the first phase, and through the quantification of their materiality and the materiality matrix, they are categorized as "Material," "Relevant," or "Not material." This report covers the "Material" and "Relevant" issues only, while other issues are shared on Samsung SDI's sustainability website for further reporting.

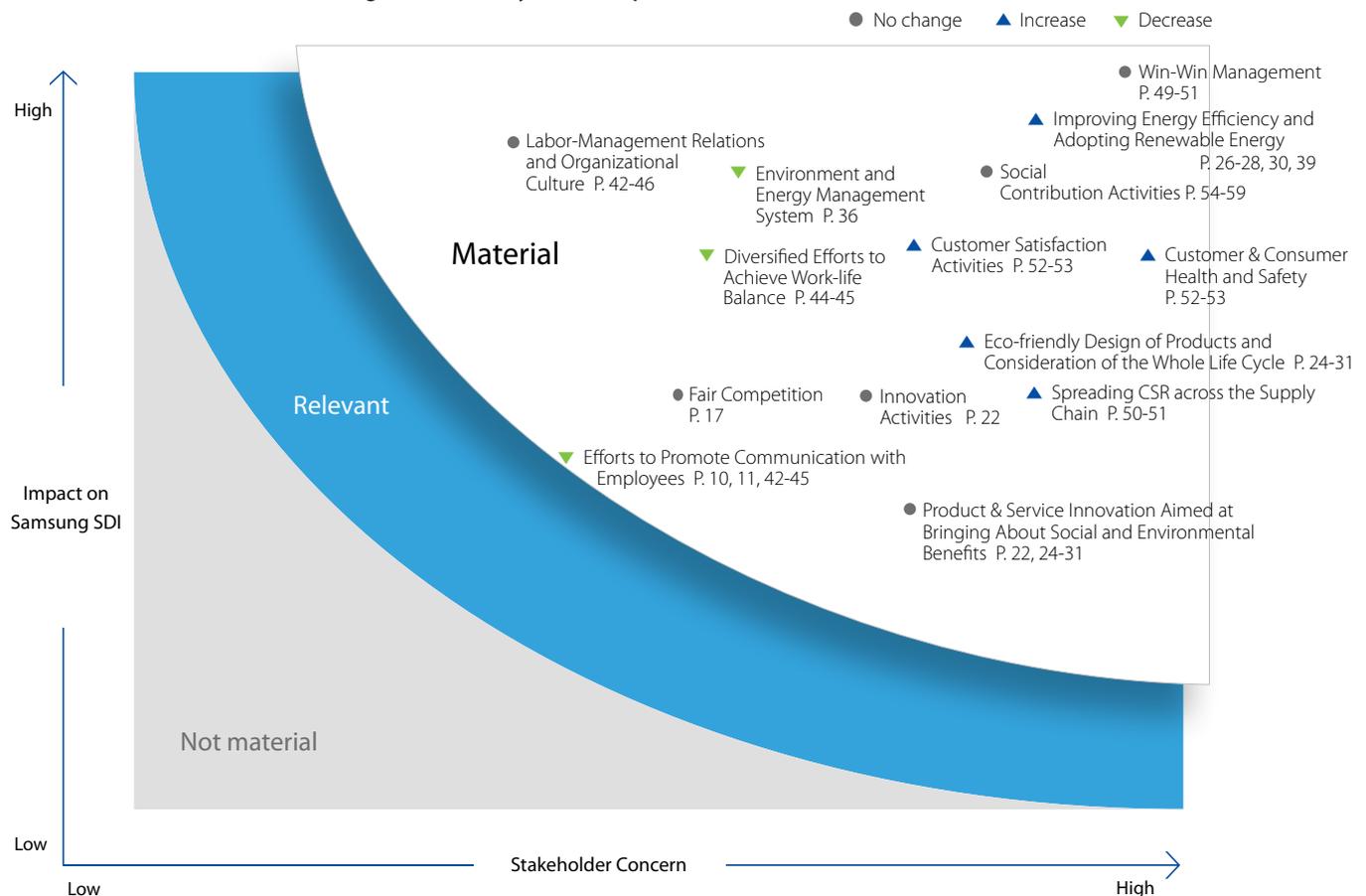
Material Issue Selection Results :: Fourteen material issues were selected among a total of 41 issues included in the Sustainability Issue Pool this year. "Eco-friendly Design of Products and Consideration of the Whole Life Cycle" and "Innovation Activities" emerged as new issues, while "Compliance Management" and "Responding to Climate Change," which were "Material" issues in the previous year, have been listed as "Relevant" this

year. "Win-Win Management" and "Social Contribution" issues were ranked high on the material issue list. Issues whose importance grew significantly were "Improving Energy Efficiency and Adopting Renewable Energy," "Innovation Activities," and "Spreading CSR across the Supply Chain," internally, and "Customer & Consumer Health and Safety" and "Eco-friendly Design of Products and Consideration of the Whole Life Cycle," externally. The trend of change in the level of materiality since last year is indicated in the table below with signs next to each issue.

Phase 3: Reviewing & Approval

The issues selected through the materiality test are finalized after internal review and management reporting, and reflected in the sustainability report accordingly. The selection method and results are reported to the stakeholders of Samsung SDI through this report and the company website. Samsung SDI has improved both its publication process and sustainability management execution, by sharing with the relevant departments opportunities for improvement and stakeholder feedback identified during the selection process and by reflecting them in every aspect of its sustainability activities.

Material Issue Selection Results & Changes in Materiality Level Compared to Previous Year



Governance

Samsung SDI endeavors to increase value for company shareholders and live up to its social responsibility through the transparent and independent operation of its Board of Directors and decision making system.

Board of Directors

Samsung SDI's Board of Directors (BOD) comprises two inside directors and three outside directors, with the CEO double-hatting as the BOD Chairman to ensure smooth execution of BOD decisions and practice responsible management. As part of its effort to prevent conflicts of interests during the BOD's decision making process between different stakeholders, Samsung SDI makes extraordinary efforts to thoroughly review relevant laws and regulations and listen to stakeholders prior to decision making, and ensures that an interested director cannot vote on a board resolution, as stated in the BOD bylaws and other rules. It also complies with the provisions pertaining to the selection and disqualification of outside directors under the Commercial Code of Korea to guarantee their independent decision making and their role as a check on management. For the outside director selection and nomination to be fair and independent, the Outside Director Recommendation Committee recommends candidates from a pool of outside experts with extensive experience in management, economy, laws and regulations, and technology, and the selected candidates are appointed at the general meeting of stockholders.

At the 43rd general shareholders' meeting held in March 2013, Vice President Young Sik Kim was newly appointed as inside director.

In 2012, the BOD convened 10 times and deliberated on 31 agenda items. Director attendance rate stood at 96% (93% for outside directors).

BOD's Major Activities During 2012

Date of Meeting	Agenda	Approval	Attendance of Outside Directors
Jan. 27	Approval of FY 2011 financial statements and business report and 1 other agenda item	Approved	3/3
Feb. 22	Convening of the 42nd annual shareholders' meeting and 1 other agenda item	Approved	3/3
Mar. 26	Revision of the compliance management policy and 7 other agenda items	Approved	2/3
Apr. 27	Agreement on the merger of Samsung Mobile Display and 1 other agenda item	Approved	3/3
Jun. 25	Approval of related party transaction and 2 other agenda items	Approved	2/3
Aug. 22	58th issuance of non-guaranteed corporate bond and 1 other agenda item	Approved	3/3
Sep. 5	Stake acquisition of SB LiMotive and termination of the joint venture	Approved	3/3
Oct. 26	Signing of the contract for merger with SB LiMotive	Approved	3/3
Nov. 28	Approval of the contract for merger with SB LiMotive	Approved	3/3
Dec. 18	Approval of placing a limit on trades with main shareholders/directors and 4 other agenda items	Approved	3/3

Composition of BOD

As of March 15, 2013

Category	Name	Gender	Age	Current Title	Remarks
Inside directors	Park Sangjin	Male	60	President and CEO	No Change
Inside directors	Kim Youngsik	Male	55	Head of Corporate Management Office, CFO	Newly Appointed
Outside directors	Kim Heekyeung	Female	59	Professor of Finance and Insurance, Sangmyung University	No Change
Outside directors	Kim Sungjae	Male	60	Professor of Business Management, Hankuk University of Foreign Studies	No Change
Outside directors	No Mingee	Male	58	Former CEO of Korea Occupational Safety and Health Agency	No Change

Committees under BOD

There are numerous established subcommittees under the BOD which act within relevant laws and regulations, bylaws and BOD resolutions: the Management Committee, Audit Committee, Related Party Transactions Committee and Outside Director Recommendation Committee. The Management Committee reviews and decides on issues delegated by the Board as well as other major business issues, and is directly accountable for the economic, environmental, and social performance of Samsung SDI. The Audit Committee comprises only outside directors, a mechanism to guarantee transparency and independence of the audit activities, and supervises and supports management in a way that can maximize corporate value through checks and balances. The Related Party Transaction Committee is put in place to help the company voluntarily comply with fair trade regulations as well as to promote transparency in related party transactions. The committee listens to internal trading matters; reports on the cases that violate executive orders or laws regarding investigation of official authority into internal trading; and is in charge of executing corrective actions. In the Outside Director Recommendation Committee, at least one half of the members are outside directors as required under the Korean Commercial Code and other relevant regulations.

Committees under the BOD

Committee	Purpose of Establishment	Members	Name
Management Committee	Reviews and decides key business issues	2 inside directors	Park Sangjin, Kim Youngsik
Audit Committee	Inspects business operations, accounting and directors' operations	3 outside directors	Kim Sungjae, Kim Heekyeong, No Mingee
Outside Director Recommendation Committee	Recommends outside director candidates to nominate at the general shareholders meeting	2 inside directors 3 outside directors	Park Sangjin, Kim Youngsik Kim Sungjae, Kim Heekyeong, No Mingee
Related Party Transactions Committee	Deliberation and resolution on internal transactions between affiliated companies	3 outside directors	Kim Sungjae, Kim Heekyeong, No Mingee

Performance Evaluation and Compensation for Directors and Management

Remuneration for company directors are paid within a limit approved at the general shareholders' meeting and in line with relevant regulations. The limit approved in 2012 was KRW12 billion, of which KRW4 billion was actually paid to the directors. At the 43rd annual shareholders' meeting for 2013, the limit was set at KRW12 billion. Compensation for management is based on individual performance, not only for financial aspects but also in regards to safety, environment, labor-management relations, instability, corruption, and security areas, from the risk management perspective. With the addition of compliance to the management evaluation criteria in 2012, management performance in compliance training, voluntary practice of compliance, and check/monitoring were also evaluated. Going forward, Samsung SDI plans to continue improving and refining its process for an even fairer evaluation.

Sustainability Management Promotion System

Ever since the first Sustainability Management (SM) Steering Committee meeting held in March 2004 to facilitate sustainability management within the organization and increase the awareness of the concept among the employees, Samsung SDI has been operating the SM Steering Committee on a periodic basis every year as the highest level consultative body for sustainability management. All management, including the CEO, participates in the SM Steering Committee to discuss and approve the company's SM goals and strategies while sharing the trend and key issues. Sustainability management-related issues have been briefed to the BOD since 2009, in

Samsung SDI's Sustainability Management Promotion System



Major Issues Covered by the SM Steering Committee in 2012

- Key sustainability management achievement in 2011 and external evaluation
- Major sustainability issues: GHGs, Environmental regulations on products, Supply chain CSR, Conflict minerals, etc.
- 2012 sustainability management implementation strategy and action items

a bid to minimize risks involving CSR issues and seek new opportunities through preemptive response at the BOD level. The SM Office is responsible for the monitoring of sustainability management trend and key issues and planning. It also promotes various initiatives based on close cooperation with each business division so that sustainability management that we put into practice leads to sustainable growth and value creation.

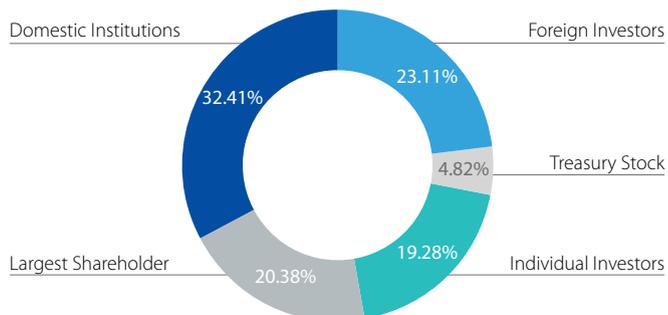
Shareholders

Samsung SDI is a public company listed on the Korea Exchange (KRX). As of December 31, 2012, the total number of issued shares stood at 47,176,237 (45,558,341 common shares and 1,617,896 preferred shares). The largest shareholder is Samsung Electronics with a 20.38% share, followed by the National Pension Service and Korea Investment Management with 9.48% and 7.05%, respectively. The CEO delivers a report on the company's business performance at the annual general meeting of shareholders and decides on key corporate matters with the consent from the shareholders. The shareholders' meeting is also a venue to listen to their opinions on key agenda items and management, and Samsung SDI strives to reflect such feedback in its corporate management in general based on in-depth review by management and the BOD.

In addition, in order to protect minority shareholders' rights and reflect their opinions in management decisions, Samsung SDI guarantees their rights to pursue derivative suits and inspect the company books/records, as stipulated in the Korean Commercial Code. However, there was no case where such minority shareholder rights were exercised in 2012. Key management decisions related to the shareholders' and investors' interest are publicized and available on the websites of FSS Data Analysis, Retrieval and Transfer System (DART), KRX, and Samsung SDI. Samsung SDI's various IR activities are part of its ongoing efforts to help its shareholders and investors better understand the company's business and to listen to their voices.

Shareholder Base

* Common Shares



Compliance and Ethical Management

Regulations on companies' business activities, such as those on fair trade and anti-corruption, are becoming ever more stringent both at home and abroad. Financial loss and damaged reputation resulting from law violations are emerging as deadly risks to companies.

Operation System

Samsung SDI runs a compliance program that provides support for voluntary compliance by its employees. It also has the Compliance Department, a team dedicated to the execution and establishment of compliance management. Its training, checking, and monitoring activities prevent law violations that can serve as serious threats to the company, and also improve the employees' compliance awareness to avoid losses in relation to civil and criminal suits. Furthermore, the company has in place the Compliance Monitoring Committee, the management's decision-making body on compliance management, and appoints a compliance leader and manager for each department to encourage voluntary compliance activities.

Compliance Organizational Structure



Main Activities in 2012

From the year 2010, when the compliance program was first introduced, to 2011, the focus was on laying the foundation for compliance management and building the necessary execution capabilities. Then in 2012, based on this foundation a more enhanced compliance program was implemented.

Voluntary Compliance Management :: The employees' commitment to compliance and their activities were indexed, and standards were established to include them in the evaluation. An index evaluation was conducted on the company-wide compliance organization (compliance leaders and managers) regarding three areas, which were compliance

training, checking & monitoring, and voluntary action, and the results were incorporated into the assessment of executive employees. In addition, Samsung SDI took various measures to help the voluntary practice of compliance management take root; for example, a compliance academy was opened to give boost to the activities of compliance-related personnel, and consultation on compliance management was further reinforced.

Establishment and Operation of Compliance Organizations Overseas :: Since 2012, Samsung SDI has been managing an overseas compliance consultative body to promote compliance in its offices abroad. For example, in May 2012 it held a "Compliance Conference" for the heads and expatriate employees of its Chinese offices, and offered lectures on the major social and legal issues and trends within China. Training and monitoring activities were also conducted on its new sales offices and manufacturing facilities spread out across the globe.

Compliance Training :: Samsung SDI's on-line course, "Understanding Samsung SDI's Compliance Management," which was launched in 2011 as a mandatory course for all employees, has been improved, and now consists of six subjects: cartels, trade secrets, subcontracting, PL, anti-corruption, and personal information. After the regular curriculum was completed, results showed that among the 4,013 employees required to take the course, 3,841 completed it, which accounts for 96% of the total. Also, while conducting compliance training for different position levels by offering an introductory course for new recruits/new employees with experience or by announcing key issues related to compliance during an executive-level discussion session, for example, the company also implemented training on topics such as cartel prevention, the subcontract law, and trade secret protection for departments, with a focus on regulations related to each function. Furthermore, Samsung SDI offered various customized training courses to help its employees understand compliance management and put it into practice; for example, it invited outside experts to provide special lectures on the major issues emphasized by society, including cartels and fair trade.

Compliance Training Conducted in 2012 *Cumulative number of participants

Category	Participants	Persons	Subject
Online training	All employees	4,441	
Training tailored for different positions	Executive employees	180	Compliance training (cartels, confidential business information, subcontracting, PL, anti-corruption, personal information, etc.)
	New recruits & new employees with experience	331	
	Heads of overseas subsidiaries	29	
	Others (Employees in charge of compliance, etc.)	45	
Functional training	Employees in charge of marketing, purchasing, HR, and management support	829	Regulations related to each function
Overseas subsidiaries	Expatriate & locally hired employees overseas	76	Compliance training
Total		5,931	

Monitoring Activities :: Samsung SDI identifies and eliminates compliance-related risks through its internal and external monitoring activities. While conducting on-site inspections on its Korean offices regarding risks related to key regulations, such as those on fair trade and subcontracting, on the global front it launched special inspection activities on its partners in China, where labor issues have gained much spotlight. In addition, as part of its preemptive risk management it has distributed pamphlets to the departments actually involved in work-level activities, and sends newsletters to its overseas offices to share the results of its monitoring activities on regulations and policies. Lastly, the company has a “compliance consultative body” that consists of personnel from relevant departments to keep a tab on issues related to fair trade at all times.

Anchoring a Culture of Compliance :: To spread the strong commitment of its CEO regarding the issue of compliance, Samsung SDI sent the CEO’s message to all of its employees via e-mail and asked them to sign the “Employee Action Pledge.” In addition, it shares information on newly enacted or revised laws, precedents, and new systems related to corporate management through its monthly compliance newsletter, and is making every effort to increase employee awareness on this topic by running an in-house special feature on compliance/“right path” management and through other measures. In 2013 it plans to continue its training programs and monitoring activities tailored to the laws and characteristics of each nation, and will focus on anchoring a culture of compliance within the company through measures such as providing additional support for overseas activities while also identifying global risks related to compliance.

Corruption Prevention Activities

Led by its audit team, Samsung SDI conducts full-time monitoring to detect any corruption-related risks in each field. More specifically, it can detect any signs of corruption such as embezzlement through its examination of potential misconducts related to long-term service contracts or purchases, business performance of its suppliers and departments in contact with the customers and potential collusion with specific suppliers, payment irregularities in the system, etc. In 2012, the company conducted its regular corruption audit at seven of its domestic and overseas plants (Giheung, Cheonan, Ulsan, Shanghai, Tianjin, Vietnam, and Malaysia) and took disciplinary measures against 33 employees involved in various illegal acts. In addition, Samsung SDI offers training sessions for all of its employees through various channels to prevent corruption in advance, including group training and online training.

Compliance with Regulations

Since November 2007, there have been a number of ongoing investigations in Korea, the U.S., Japan and EU, of alleged antitrust violations relating to CRT products. In a handful of countries including Korea and the U.S., the case has been closed with a verdict to pay a fine. Meanwhile, the Japanese and European authorities are expected to finalize their decision on whether a violation has been committed and on the necessary sanctions to be placed, once the administrative appeal and lawsuit filed by Samsung SDI against the sanctions placed by its competing countries draw to a close. In 2012 there were no other cases of fines or other sanctions resulting from the company’s legal violations.

Corruption Prevention Training Participants in 2012

* Cumulative number of participants



Risk Management

Since accidents and crises arising from corporate activities not only impact the company, but also influence the local community, they are receiving increasing attention from society. As a result, throughout 2012 Samsung SDI launched various initiatives to establish a process that can reinforce its swift and professional response to the major risks.

Samsung SDI's Risk Management System



※ BCM : Business Continuity Management
 BCP : Business Continuity Plan
 ERT : Emergency Response Team

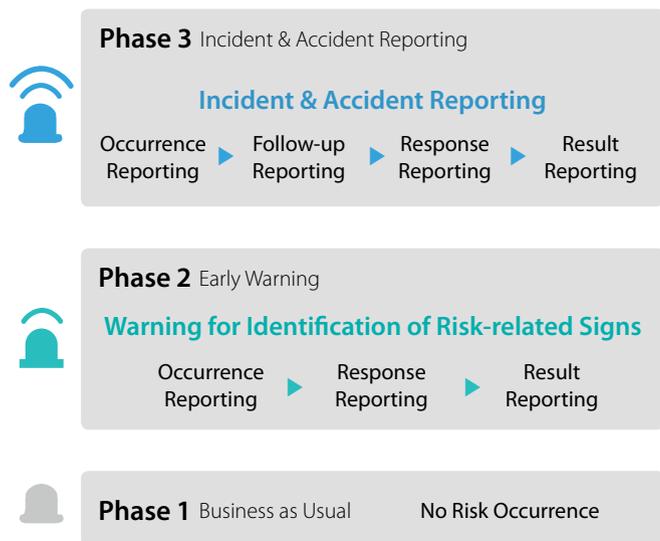
Improvement of Risk Management & Reporting System

Samsung SDI reestablished its risk management & reporting system in order to enable prevention through early warnings of risks and to minimize losses through swift reporting in the event an incident or accident does occur. Firstly, it identified 50 key potential risks for each area, such as quality-related incidents, fires, law violations, lawsuits, environmental safety accidents, natural disasters, security breaches, corruption, and labor-management conflicts. Also, it defined the criteria for the activation of early warning and the reporting of incident/accident to enable the identification of signs for each type of risk, and established a procedure for prevention management and efficient reporting.

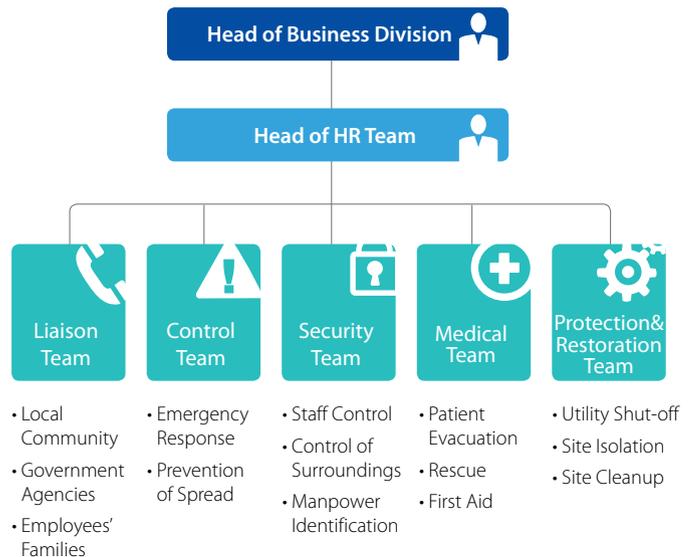
Enhancement of the Expertise of Emergency Response Team (ERT)

Social demand is rising regarding rescues and reinforced communication with the local community and other stakeholders in the event of an accident; in response to this, Samsung SDI is working on implementing a new ERT operation system at each of its domestic plants to clearly specify the R&R of the existing Emergency Response Team (ERT) and reinforce its expertise. It modified the team's response scenarios and R&R, focusing on process-related fires, leakage and explosion of chemical substances (toxic gas, dangerous substances, and toxic materials), radiation leaks, epidemics (virus, etc.), typhoons, blackouts, and other risks that have become major issues. It then conducted an evaluation on the company-wide emergency

Samsung SDI Risk Reporting System



ERT Line of Command



response capabilities to gauge its current status and emergency equipment. After assessing the status and response capabilities of its stakeholders, including the local community, the police, and the fire fighters, it also reinforced the response procedure and its role as a window for civil petitions in order to ensure seamless support in emergency situations. To further boost its emergency response expertise, the company has plans to hire experts for each ERT area in order to supplement its Command Team, Control Team, Liaison Team, Security Team, Medical Team, and Protection & Restoration Team. After establishing detailed operation standards and appointing employees in charge of each job function for its domestic plants by the first half of 2013, it will do the same for its overseas subsidiaries in Malaysia, China, and other countries. Furthermore, it plans to create an organization culture that is immune to risks by linking its completed risk reporting system and the BCM system.

Expansion of Business Continuity Management (BCM)

The Business Continuity Management (BCM) is a management system aimed at minimizing damage in emergency situations, such as abrupt work disruption caused by a disaster, and restoring core business operations within a fixed target period. Since 2008 Samsung SDI has been expanding and improving its BCM system, which it had first implemented for its domestic and overseas battery operations. In 2012 it completed its risk assessment and system implementation at its Vietnamese subsidiary, and it plans to establish the BCM system at its new battery operation in Malaysia in 2013.

Operation of Management System by Risk Type

Chief Risk Officer (CRO) :: At Samsung SDI there is a position titled CRO, assumed by an executive-level employee in charge of company-wide HR management. With the support of employees in charge of each job function at the company's domestic and overseas plants, the CRO supervises activities related to identifying non-financial risks, including those concerning disasters, accidents, safety and health, the environment, and labor and management, as well as their prevention.

Internal Control System :: Samsung SDI has implemented the Internal Control System, an IT system that ensures transparency in its business activities by promoting compliance with the law and the company's internal policies, regulations, and procedures. The system includes an internal accounting control system aimed at enhancing the credibility of financial data, as well as certifications and evaluations for asset protection and the prevention of corruption. It is through this system that the company meets its certification obligations regarding the credibility of its financial information and disclosures.

Integrated QA System (Plant Operation Approval System)

:: Samsung SDI has in place an integrated QA system to comprehensively manage various risks that may arise when investing in a new business or building/expanding product lines. Extensive inspections are carried out from the investment approval phase regarding compliance with the standards and regulations in key areas such as development, manufacturing, quality, IT system, logistics, lay-out, environmental safety, and utility, thereby making improvements to the issues prior to actual production.

01

Rising to the Challenge through Creativity and Innovation

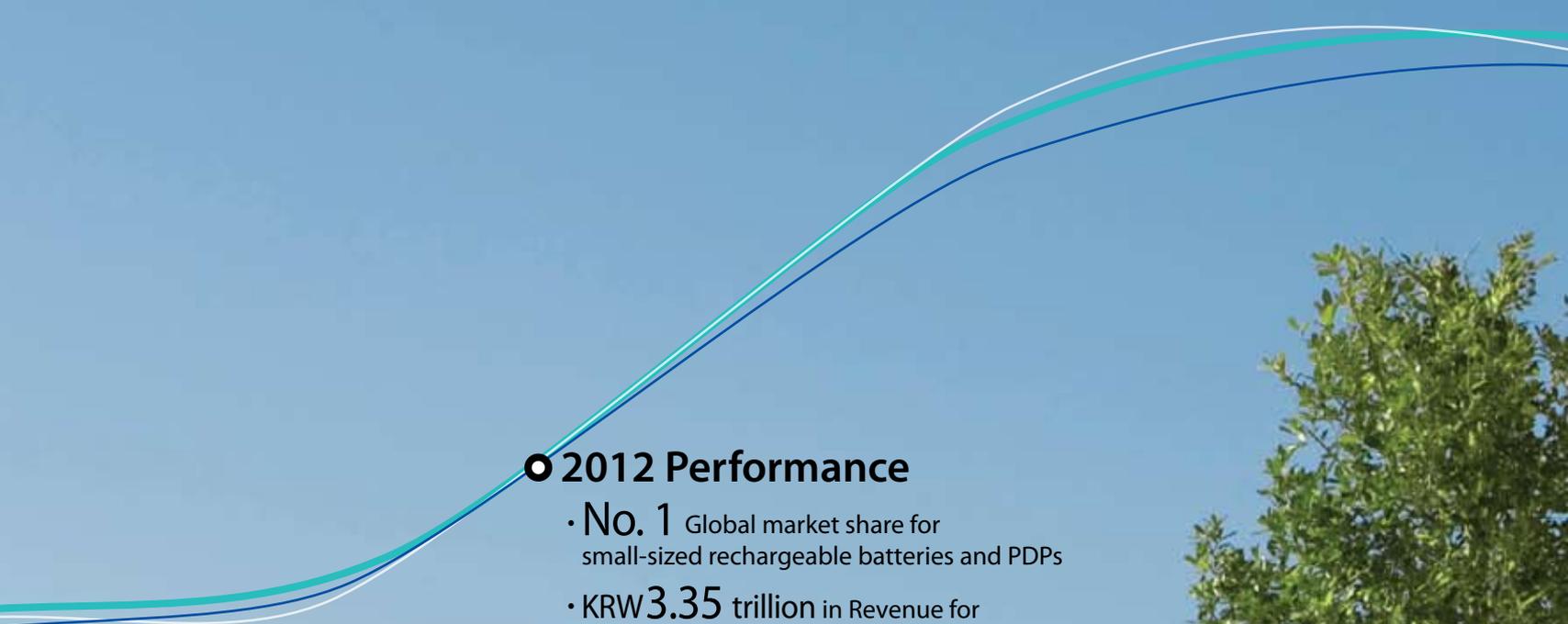
○ Vision

- Become an Eco-friendly and Clean Energy Solution Company

○ Strategy

- Maintain growth momentum through business portfolio realignment
- Expand global presence and optimize overseas office locations
- Enhance capabilities in the systems and solutions business





○ 2012 Performance

- **No. 1** Global market share for small-sized rechargeable batteries and PDPs
- **KRW 3.35 trillion** in Revenue for small-sized rechargeable batteries
- **7.1 million units** of PDP modules sales
- Acquisition of the remaining stake in SB LiMotive and launch of Automotive Battery Business Unit
- Growing orders for Energy Storage System (ESS)

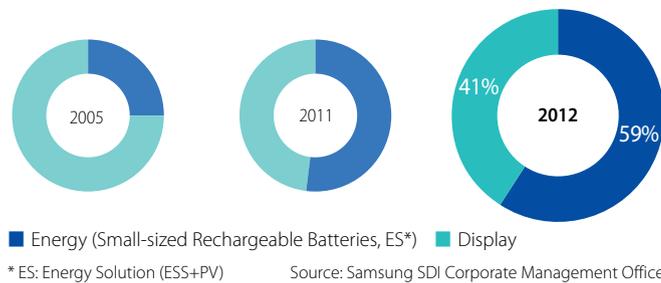


In a continued effort to become an Eco-friendly and Clean Energy Solution Company in 2012, Samsung SDI has realigned its business concept and portfolios. Drawing on its creativity and innovation, Samsung SDI will continue to develop its capabilities across all sectors, including production, marketing, R&D, and corporate culture.

Transformation into an Eco-friendly and Clean Energy Solution Company

The source of Samsung SDI's revenue is rapidly changing from display products to rechargeable batteries. Driven by a strong uptake of smartphones and tablet PCs worldwide, the demand for high-capacity, ultra-slim lithium-ion rechargeable batteries has increased rapidly. In 2012, the Energy Business responsible for rechargeable batteries accounted for 59% of the company's revenue, followed by the Display Business which accounted for 41%. Capitalizing on competitiveness that comes from having the largest global market share for small-sized rechargeable batteries, Samsung SDI aims to lead the global markets for automotive batteries and Energy Storage Systems, reinventing itself as a truly eco-friendly and clean energy solution company.

Change in Samsung SDI's Revenue Breakdown



Eco-friendly and Electrochemical Convergence Energy Business

The shift from fossil fuels to batteries as a medium for energy storage is leading to convergence in the chemical, electricity, IT, and automotive industries, resulting in a new form of changing the shape of energy market today. In such an evolving environment, Samsung SDI reestablished its business portfolio in order to respond to the changes and seize new opportunities ahead of others. Declared at the 42nd anniversary ceremony held in May 2012, its new vision "Eco-friendly and Electrochemical Convergence Energy Business" represents a departure from the conventional energy business, as it creates clean energy through electricity generation and accumulation, delivering solutions that enable for greater flexibility in energy usage.

Samsung SDI's Business Concept

Eco-friendly and Electrochemical Convergence Energy Business

A business area offering a total solution that allows the constant use of clean energy without any time or spatial restraints through electricity generation and accumulation

Nature of Business

- Materials technology
- Manufacturing
- High reliability & safety

Market Strategy

- Tailored customer solution
- Driving convergence
- Appropriate market timing

Enhanced Global Operation through Innovative Working

Samsung SDI has constantly pursued innovation in order to provide the best corporate value to its customers. Adopted in 1996 for the first time by a Korean company, Six Sigma has now become an integral part of the employees' way of working. Samsung SDI has also developed its integrated management system, through innovation activities at manufacturing sites, as well as the implementation of Global Enterprise Resource Planning (ERP) and Global Supply Chain Management (SCM). In 2012, the company accelerated its efforts for broader innovation activities with customers and suppliers establishing a system to monitor the quality of materials. Building on this, in 2013, Samsung SDI will focus on the prioritization of core tasks across all business sectors: further enhance its global operations with better customer services in the existing small-sized battery sector; and improve the production efficiency in the mid- to large-sized battery sector for cars and energy storage by applying best practices from its small-sized battery business. The basis for these improvement lie in its constant effort to enhance the way of working by adopting standardized and advanced work rules and processes. The culture of innovation is spread through various projects such as the I-BEST* campaign and SMART Revolution**, which are designed to bring about a positive change among staff toward a proactive mindset with strong communication, thus promoting a culture of innovation.

* I-BEST: Starting from Myself (I), with the Basic, Easy, Small things, from Today

** SMART Revolution: A corporate culture initiative launched in 2012 (see P. 42 for details)

Implementation of Systems to Integrate Customers and Suppliers

Discovering untapped business opportunities and converting them into revenues is a crucial success factor for any business in the small-sized rechargeable battery market. In order to maximize revenue potential, Samsung SDI has implemented the Lead Pipeline Management (LPM) system* to register identified potential demand in the market and translate it into revenue. In addition, with the implementation of its Integrated Quality Control System, it has secured stable product quality throughout the entire supply chain from the materials used by its suppliers and manufacturing processes through to the product.

* LPM (Lead Pipeline Management): A system used to register potential market demand in advance and translate it into revenue



Investment and Patents for a Brighter Future

Investment for Tomorrow

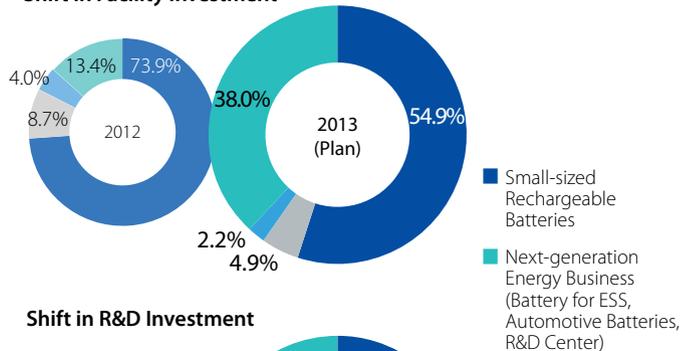
In 2012 Samsung SDI continued to increase its investment centered on the small-sized rechargeable battery sector and next-generation energy business sector to ensure its sustainable growth as an eco-friendly and clean energy company, with a total of KRW698 billion spent on facilities and R&D investment. The actual investment made in the next-generation energy business in 2012 fell short of its plan, due to the changes made to the corporate investment portfolio. This was the company's strategic move to respond to the shrinking market for solar cells. In 2013, Samsung SDI will continue to increase its investment in small-sized rechargeable batteries in order to expand its overseas presence in Malaysia and Vietnam, thereby honing its global competitive edge. At the same time, as part of its plan to further strengthen its foundation for future growth, Samsung SDI will significantly increase investment in ESS as well as next-generation energy business. The latter includes car batteries, one of the future growth engines that have been newly added to the company's business portfolio in 2013.



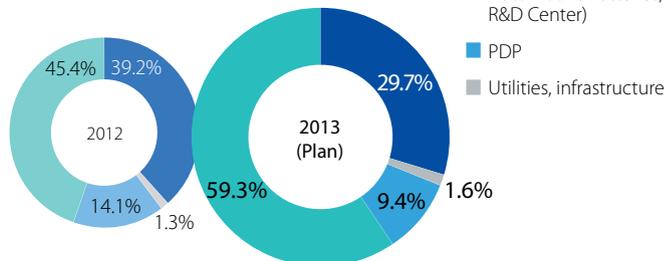
Source: Samsung SDI Corporate Management Office

- ※ The sharp increase in the investment planned for 2013, compared to the actual investment in 2012, is due to the inclusion of the company's automotive battery business in its business portfolio and the plans to expand its overseas presence in the small-sized rechargeable battery market.
- ※ R&D investment during the period from 2010 to 2012 has been recalculated for this report, following changes to the company's classification of accounts.

Shift in Facility Investment



Shift in R&D Investment



Patent Competitiveness

Patents have been gaining in importance in recent years, with various forms of patent disputes taking place around the world. Recognizing patents as an integral part of a company's core competitiveness, businesses are going all out to secure patent competitiveness not just to protect their in-house technologies but also to ensure their very survival.

In the rapidly changing global landscape for patents, Samsung SDI is making an all-out effort to secure and maintain patent competitiveness as an eco-friendly and clean energy company. By the end of 2012, it had filed approximately 43,000 patent applications worldwide and registered over 22,000 patents, securing its R&D accomplishments as intellectual assets.

In addition, Samsung SDI is listed high among companies holding multiple patents issued by the U.S. Patent Office, having been granted 438, 357, and 324 patents in 2010, 2011, and 2012, respectively. The company's patent competitiveness has been continuously enhanced not just in the U.S., but also in European countries, China, and Japan, among others. It was further boosted recently when the SB LiMotive joint venture was dissolved, because its patents became the joint possession of Samsung SDI and Bosch. Capitalizing on its technological prowess related to small-sized rechargeable batteries, as well as the stability and control technologies secured from its display business, Samsung SDI is now building diverse patent portfolios in the automotive cell sector, for which patent competition is expected to become even fiercer. In order to keep up with the rapid changes in the technology environment, it is also undertaking joint R&D projects with prestigious universities and research labs at home and abroad, and actively exploring opportunities to license or procure the patents required to implement necessary technologies. Samsung SDI will continue to expand its patent base through "open innovation," so that diverse synergies can be created within its diversified business portfolio.

Samsung SDI's Patent Applications and Registrations



Source: Samsung SDI Legal & IP Team

Overseas Patent Registrations



Unit: Case
As of Dec. 31, 2012

Small-sized Rechargeable Battery

Continuous Growth of Small-sized Lithium-ion Battery (LIB) Business

In 2012, the demand for smartphones and tablet PCs remained strong globally, although growth in some IT applications markets, including those for mobile phones and laptops, slowed down to some extent. In tandem with such trend, the market for lithium-ion batteries (LIB), which are essential for mobile IT devices, enjoyed continuous growth, led by polymer and prismatic batteries. In the 2012 Q4 report published by B3, a Japanese research firm specializing in the rechargeable battery market, the demand for LIB in 2013 is expected to increase by about 10% compared to the previous year. With exponential growth anticipated in the markets for smartphone, tablet PCs, and slim laptops, the demand for large-sized polymer batteries and super-wide prismatic LIBs will also rise.

Increased Adoption of LIB for New Applications

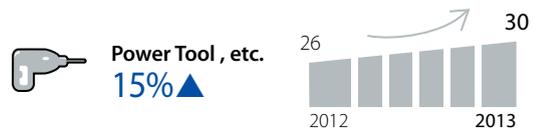
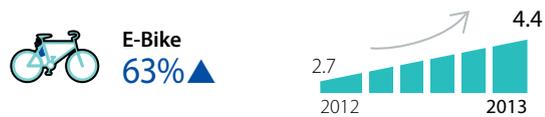
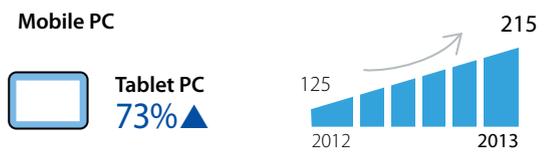
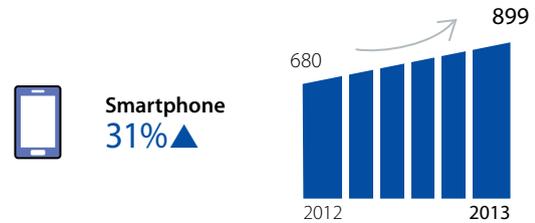
Due to its high energy density and light weight, LIB is increasingly being adopted for applications requiring high power output and mobility. Samsung SDI developed a cylindrical battery for power tools in 2005 and started its supply to Bosch. In 2012, it released a cylindrical battery with the world's highest power output for power tools. In the meantime, Samsung SDI also developed LIB cells for e-bikes in 2009, which was followed by the development of e-bike rechargeable battery packs that boasted the best product quality and stability. Recently, LIBs are also being employed in a growing list of other products, such as electric scooters and robot vacuum cleaners. Samsung SDI aims to lead the changes in the market in a proactive manner by keeping a finger on the pulse of market trends. It will also stay committed to its goal of making life more convenient by increasingly adopting LIBs for new applications, while delivering smart energy solutions that help protect the environment.



E-Bike employing Samsung SDI's Rechargeable Batteries

Global Market Demand Forecast for Small-sized LIBs for Major Applications

Unit: Million Units



Source: Samsung SDI Global Marketing Office



Increase in Rechargeable Battery Manufacturing Subsidiaries

Samsung SDI has manufacturing subsidiaries both at home and abroad: its domestic plants are in Cheonan and Ulsan, and it also has its Tianjin and Shanghai subsidiaries in China, as well as a subsidiary in Vietnam (established in 2010) and a battery plant in Malaysia (established in October 2011). In 2012 the battery plant in Malaysia built its manufacturing lines and officially began its mass production of small-sized rechargeable batteries. Samsung SDI plans to expand its small-sized rechargeable battery business at the Malaysian plant and use it as its new large-scale production base in Asia.



Samsung SDI's Malaysian Plant

Largest Market Share for Rechargeable Batteries for Three Consecutive Years

Samsung SDI further solidified its market position in 2012 by taking the largest global market share for three consecutive years, having grabbed the biggest share in the global small-sized rechargeable battery market for the first time in 2010. Japanese research lab B3 made the following observation in its 2013 Q1 report: "Despite a dwindling demand for cylindrical rechargeable batteries in 2012, Samsung SDI overcame the unfavorable market conditions by enhancing its cost competitiveness through its presence in Malaysia and making efforts to expand its rechargeable battery supplies for new applications, including electric bikes. The company also kept a leading position in the prismatic rechargeable battery market, helped by a strong demand for energy-dense, thin batteries for smartphones, such as Samsung Electronics' Galaxy series." In 2013, Samsung SDI will improve its sales portfolio by shifting its focus from small-sized rechargeable batteries

to high-profit products for smartphones and continue to make inroads into new customer and market segments.

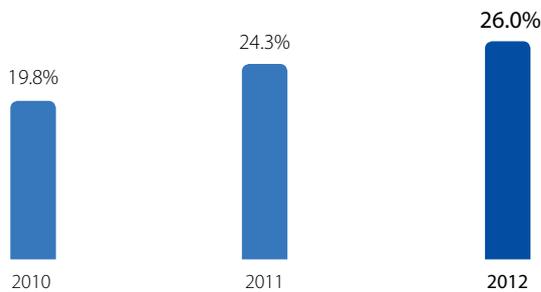
Small-sized Rechargeable Battery Sales Exceed KRW3 Trillion

In 2012, Samsung SDI recorded KRW3.35 trillion in sales for small-sized rechargeable batteries for the first time since its founding; this represents a 22% increase from KRW2.744 trillion it posted the previous year.



Samsung SDI's Small-sized Rechargeable Battery

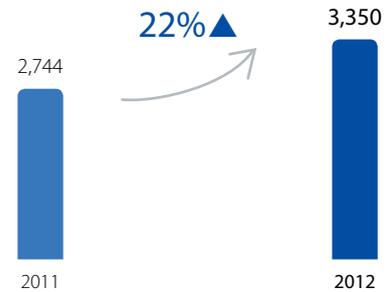
Samsung SDI's Global Market Share for Rechargeable Batteries



Source: Samsung SDI Global Marketing Office, B3

Small-sized Rechargeable Battery Sales

Unit: Billion in KRW



Source: Samsung SDI Corporate Management Office



Development of the World's First Super-wide Prismatic Less than 7mm Thick

With the advent of cloud services*, various devices such as smartphones, tablet PCs, and slim laptops will be interchangeably used in the near future. To support the cloud services, rechargeable batteries adopted in such devices need be thin, lightweight, and long-lasting. In 2012, Samsung SDI Cell Business Division's Development Team became the first in the world to develop and mass produce super-wide (65mm) and long (80mm) prismatic cells less than 7mm thick. This was a remarkable achievement that allowed Samsung SDI to enter the slim laptop market.



* Cloud services: Services that allow users to save contents like media files, including movies, photos, and songs, as well as documents and address books on a remote server so that they can be downloaded on any device, such as a smartphone, tablet PC, or laptop.

Green Certification

In August 2010, Samsung SDI became the first company in the rechargeable battery sector in Korea to receive the Green Technology Certification* for "its design and manufacturing technology for stable lithium-ion and lithium-polymer rechargeable batteries." The company further improved the technology, marketability, and environmental friendliness of its lithium-ion rechargeable battery products, and earned recertification from the Korea Institute of Energy Technology Evaluation and Planning in 2012. Samsung SDI has also been approved as a Specialized Green Enterprise** by the Korean government.



* Green Technology Certification: Fostering the green industry in Korea, the system recognizes promising green technologies and businesses by giving a certification from Korea's Ministry of Knowledge Economy (MKE).

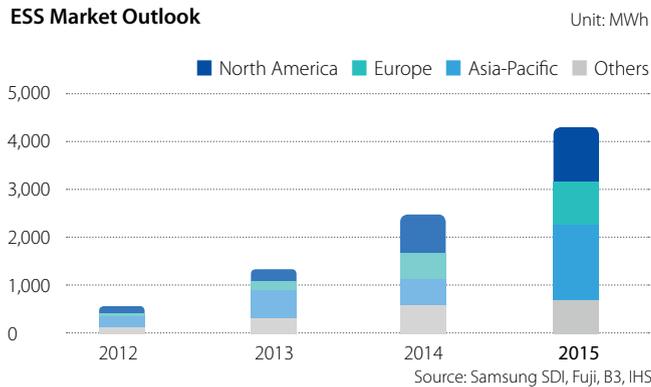
** Specialized Green Enterprise: MKE names a business as a Specialized Green Enterprise if its "Green Technology-certified" product accounts for over 30% of its sales in the previous year.

Energy Solutions

A Case for Energy Storage System (ESS)

An increasing number of countries around the world are implementing policies to distribute renewable energy in response to the depleting fossil energy and growing electricity shortage. In line with this global trend, ESS is getting much attention as an essential business item for further expanding renewable energy distribution. An ESS is a device that stores electricity when the demand is low and provides stored electricity when the demand is high, thus contributing to improving energy efficiency and ensuring a stable power supply. In 2013, Samsung SDI will expand its business to provide more diversified ESS products, while striving to play a crucial role in building smart grids with products that combine ESS with PV modules.

ESS Market Outlook



Operation of 1MWh scale ESS at Giheung Plant

Since August 2012, Samsung SDI has installed and been operating a 1MWh scale ESS at its Giheung Plant. The device stores electricity during the evening hours when the demand is low and utilizes this saved electricity during the daytime when the demand goes up. A system designed to control peak demands is also in place. Through these measures, about KRW100 million is being saved annually in electricity bills; and for the first time in Korea, actual data that can verify ESS performance is being generated. Samsung SDI will spearhead the ESS business and drive the market's rapid growth.



1MWh scale ESS at Samsung SDI Giheung Plant

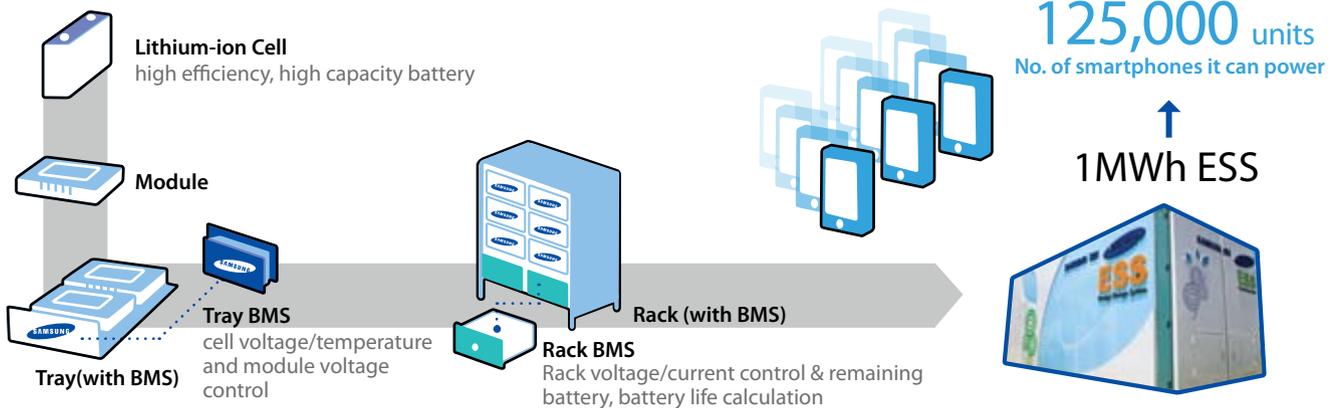
Samsung SDI's ESS Applications

ESS applications of Samsung SDI include those for residential, industrial, and utility-scale purposes. Compared with lead batteries and flow batteries, ESS products boast a long life and high stability enabled through technol-

ogy development; user needs are reflected during the product development phase through their modular design.



ESS Composition



Portable ESS

Samsung SDI's portable ESS provides a convenient solution to use energy whenever and wherever desired.



Development Line Built for Fifth-generation CIGS Solar Modules

In 2011, Samsung SDI was selected as a participant in the "High Efficiency, Large Size Thin Film Solar Module Project," which was initiated under the government-sponsored "Future Flagship Programs" and included in the "Five Quick-win Initiatives*." For this project, Samsung SDI is cooperating with SMEs to commercialize large size, thin film solar modules. It established a production line in its Cheonan plant in September 2012 and began the pilot operation in January 2013 to develop CIGS solar modules on the fifth-generation board, which is the world's largest in size. Samsung SDI will accelerate its effort for the commercialization of CIGS solar modules,

aiming for the stabilization of the fifth-generation development line and innovative cost reduction.

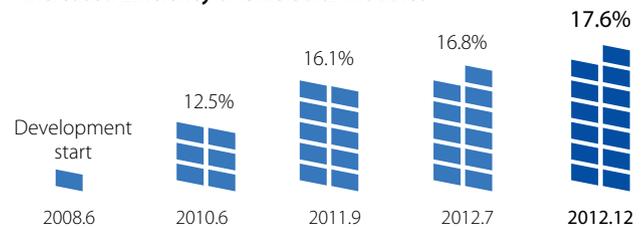
* Five Quick-win Initiatives: High Efficiency, Large Size Thin Film Solar Module; Green Transportation System Based on Next-generation Electric Vehicles; System Semiconductors for IT Convergence Devices; Korea Micro Energy Grid (K-MEG); and Development of Globally Leading Drugs Derived from Natural Substances

Second-generation CIGS Solar Modules Achieve 17.6% Efficiency

The CIGS* solar module business is a promising area with the highest efficiency among thin film solar modules and potential room for cost innovation. In 2012 Samsung SDI accomplished the highest R&D efficiency (17.6%) for the second-generation format using eco-friendly, cadmium-free materials, while at the same time satisfying all the reliability criteria which are important given the nature of thin film solar cells. In the future, Samsung SDI will take full advantage of the technology secured through its R&D efforts in developing large size solar cells.

* CIGS: Copper (Cu), Indium (In), Gallium (Ga), and Selenium (Se)

Increased Efficiency of CIGS Solar Modules



Residential & Industrial ESS Supplied to European Company

In June 2012, Samsung SDI signed a Memorandum of Understanding (MOU) with Germany-based global solar power inverter manufacturer KACO new energy to cooperate in the supply of residential and industrial ESSs as well as in R&D activities. Under the MOU, Samsung SDI will deliver ESS battery modules and battery management systems (BMS) to KACO, which in turn will manufacture finished products that carry its power conditioning systems (PCS) and market them in Europe. Products to be supplied by Samsung SDI are the 5.8 kW type for households and the 100 kW type for industrial uses. Samsung SDI plans to diversify its ESS business with this MOU serving as the basis for its entry into the European ESS market.



MOU Signing with KACO New Energy

Residential ESS Shipped to Japan

In October 2011, Samsung SDI entered an agreement with Japan's Nichicon for an exclusive supply of residential ESS products. The first shipment was delivered in June 2012 through the ESS pack mass-production line built in the Ulsan plant, marking the company's first step to preempt the Japanese residential ESS market.



Residential ESS Shipment

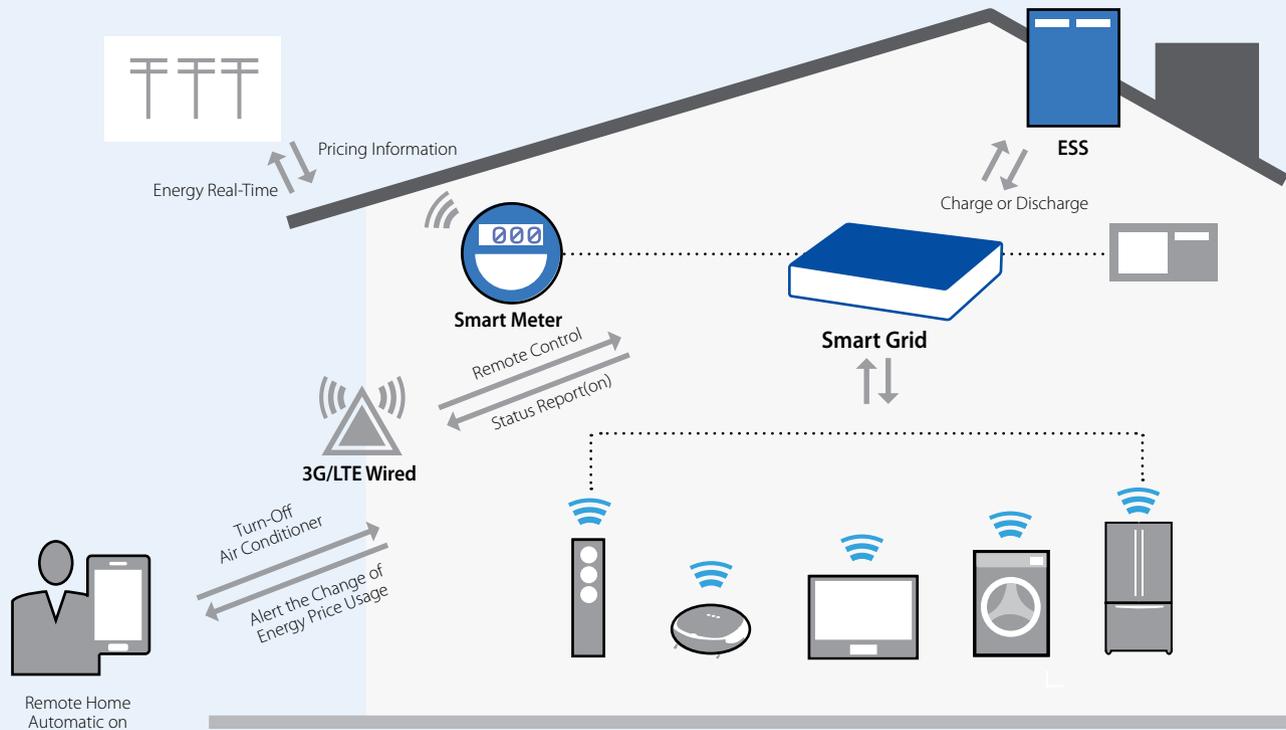
ESS Supply to Smart Grid for Wind Technology Program in the U.S.

Samsung SDI signed a contract with U.S. power solution company Xtreme Power to form a strategic partnership at the end of 2012. The two companies will jointly install a 1MW/1MWh Lithium ion-based Battery Energy Storage System (BESS) system as part of a Smart Grid Demonstration Project (SGDP) administered by the Center for the Commercialization of Electric Technologies (CCET) and partly funded by the U.S. government. The ESS will be installed at the research wind farm and start its operation from September 2013.

Smart Grid

Smart grid has become a buzz word in recent years as its two-way communication between consumer and power supplier allows for real-time information flow and optimized electricity generation and use at a time of soaring electricity demand. Smart grids can contribute to promoting the distribution of renewable energy with irregular output, such as solar and wind energy. They also enable the efficient use of this energy according to the power usage time. Due to these advantages the U.S. and Japanese governments have recently begun to encourage the use of ESS products as part of their national policies, and the Korean government has also announced its plan to supply smart meters* nationwide by 2020. Samsung SDI is leading the efforts to promote the use of smart grids by offering energy solutions that enable consumers to save the generated electricity on an ESS for future uses.

* Smart meter: An electronic watt-hour meter that is designed to measure and send the amount of electricity used and to show the electricity bill by the hour



Participation in a Photovoltaic Energy Solution Exhibition

In 2012 Samsung SDI showcased a number of its products at large-scale photovoltaic energy exhibitions both at home and abroad. It displayed a number of its energy solutions at InterSolar* and SPI**, and also entered its ESS products designed for household, utility, and UPS uses, enhancing the visitors' experience. In 2013 Samsung SDI will continue its endeavors regarding various applications and consumer needs through its energy solutions that capitalize on the synergy created by photovoltaic energy and ESS products.

* InterSolar: Europe's largest photovoltaic technology exhibition held in Germany in June 2012

** SPI (Solar Power International): North America's largest photovoltaic technology exhibition held in September 2012



InterSolar Exhibition



InterSolar Exhibition



SPI Exhibition

Advanced Automotive Batteries

Energy for Eco-friendly Vehicles

With a growing interest in fuel efficient and eco-friendly cars, which resulted from the depletion of oil, the main source of energy for cars, as well as the emergence of various environmental issues, the market for electrified vehicles is gradually expanding as well. Samsung SDI is preemptively responding to these trends by developing and producing automotive LIB (lithium-ion battery), which is a core component of electrified vehicles. In 2012 it stepped up its efforts to secure the technology for developing and manufacturing a battery product that is expected to be used for electrified vehicles including BMW i3 and Chrysler's Fiat 500 EV. In 2013 Samsung SDI plans to take over the electrified vehicles market based on enhanced development competitiveness that lies in high energy density and long battery life, expansion of its manufacturing lines, and differentiated price competitiveness. In addition, it will further hone its competitive edge in the sector for automotive rechargeable batteries by using the know-how it has already gained in the automobile industry.

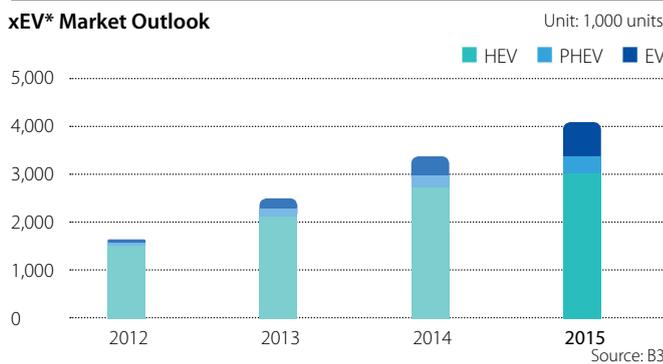
Independent Management in the Automotive Rechargeable Battery Sector

Announcing its acquisition of all of SB LiMotive's shares in September 2012, Samsung SDI began its independent management in the automotive rechargeable battery sector from January 2013. Through this move it plans to maximize the synergy between its small-sized rechargeable battery business and automotive rechargeable battery business, based on its technical competitiveness in the former, while also enhancing its competitiveness in the sector for mid- to large-sized batteries.



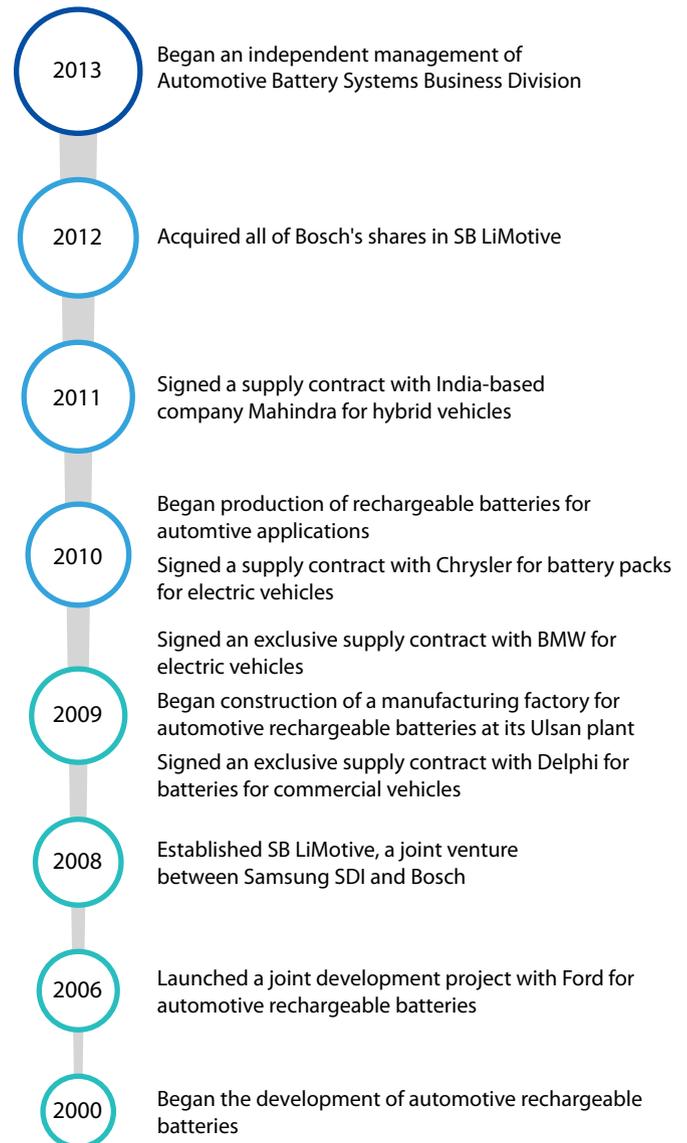
Samsung SDI's Rechargeable Batteries for Automotive Applications

xEV* Market Outlook



* xEV: Eco-friendly vehicles that use electricity as their source of energy (e.g. HEV, PHEV, EV)
 • HEV: Hybrid Electric Vehicle • PHEV: Plug-in Hybrid Electric Vehicle • EV: Electric Vehicle

Samsung SDI's History of Developing Advanced Automotive Batteries



Product Portfolio

Samsung SDI offers automotive rechargeable cells and systems for diverse applications. By developing and manufacturing batteries that are compatible with the type of electrical energy that vehicles need, it contributes to improving the fuel efficiency and performance of cars. Samsung SDI will strive to lead the battery market for all types of vehicles, from hybrid vehicles that boast high stability and reliability to all-electrified vehicle segments.

	Micro Hybrid	Mild Hybrid	String Hybrid	Plug-in Hybrid	Electric Hybrid
Battery Type	Low Power	Medium Power	High Power	High Energy	
Power	2-10 kW	5-15 kW	20-60 kW	40-80 kW	15-150 kW
Energy	0.1-0.5 kWh	0.6-1.8 kWh		5-15 kWh	>15 kWh
Cell Size	4Ah	5Ah		20-40 Ah	40-63 Ah



R&D

Development of Rechargeable Battery Materials with High Capacity & Enhanced Safety

Today's market for rechargeable batteries is centered on small-sized rechargeable batteries that are used to supply energy to mobile IT devices. However, the global rechargeable battery market is expected to rapidly shift its focus away from these small-sized batteries towards medium- and large-sized batteries, such as those for vehicles and ESSs. In the case of rechargeable batteries for vehicles, PHEVs and EVs, which use electric motors as their main energy source, are more likely to enjoy successful commercialization compared to HEVs, which rely more on gasoline engines. This means that large lithium-ion rechargeable batteries with high energy density and large capacity will be essential. To actively respond to this trend in the rechargeable battery market, Samsung SDI is focusing its efforts on developing cathode and anode materials with high capacity and voltage, which are the core materials that enable energy storage, as well as next generation energy materials such as ultra-safe electrolytes and separation membranes.

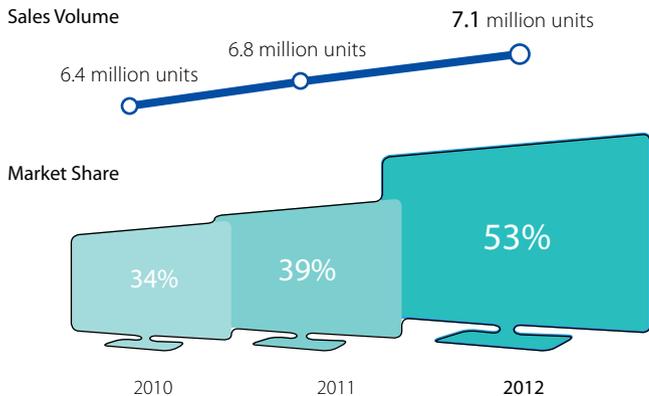
Display

No. 1 Market Share for PDP Products

After rising to the top globally in terms of PDP module sales in 2011 with a sales volume of 6.8 million units, Samsung SDI remained in the first place in 2012 well ahead of the second runner-up, boasting a global market share of 53% and a sales volume of 7.1 million units, the largest since the launch of its PDP business. In addition, its PDP Business Unit remained in the black for three consecutive years.

According to the Q4 2012 findings of Displaysearch, a firm specializing in display market research, the PDP TV market is expected to shrink despite the 4% growth forecast for the global market for flat-screen TVs. This setback can be attributed to the expected fall in demand for PDP TVs, resulting from the diversification of size and improvement of price competitiveness achieved by LED TVs. To respond to these market changes in an active

PDP Sales Volume & Global Market Share



Source: Samsung SDI PDP Support Team

manner, Samsung SDI plans to expand its global market dominance based on integrated design of its PDP TV sets and module circuit structure and on its innovative products with simplified structures and functions.

Resources Saving

In 2012 Samsung SDI's PDP Development Department successfully developed and began to produce a fluorescent material that contains half the normal amount of rare earth substances. Also, it managed to significantly cut its consumption of silver (Ag), which is used as an electrode material for PDPs. In 2013, Samsung SDI will continue to minimize its silver consumption, while also establishing plans to find another material that can completely replace silver, in consideration of the raw material market conditions in the near future.

Sustained Energy Efficiency Improvement

Energy efficiency has been gaining in importance with larger size application for displays. In order to be proactive in responding to global energy efficiency regulations and to improve energy efficiency of its PDP products, Samsung SDI has been working on developing low-power technology with its customers. With such effort, the company succeeded in reducing energy consumption for its 51-inch FHD PDP TV launched in 2012 by 25% from the previous year, while complying with E.U. ErP* directive and criteria for the U.S. Environmental Protection Agency's ENERGY STAR.

* E.U. ErP (Eco-design requirement for Energy related Products): Guidance on environmentally-friendly design of energy-related products



Samsung SDI's PDP Module-applied PDP TV

Cathode Ray Tube (CRT)

CRT TVs are losing its share and giving way to flat screen TVs in the display market. To respond to the changing market conditions, Samsung SDI decided in September 2012 to suspend the operation of its CRT production line in its Malaysian plant and produce rechargeable batteries instead. Samsung SDI's CRT Business Division currently runs one production line in Shenzhen Subsidiary in China for 21-inch CRTs.



Compliance with Regulations on Hazardous Chemical Substances within Products

Ever since the E.U. Restrictions of Hazardous Substances (RoHS) went into effect in July 2006, Samsung SDI has received no customer complaints regarding the six hazardous substances, including cadmium and lead, in its electrical and electronic products, and has been compliant with relevant laws and regulations on hazardous chemical substances within products. There is a growing trend led by global leading IT businesses to voluntarily put a ban on certain chemicals on top of a list of legally banned chemicals and to demand for stricter control criteria. A case in point is the halogen* restrictions, which have greater impact on supply chain management.

Samsung SDI's small-sized rechargeable batteries for IT devices meet the halogen-free requirement of customers. In addition, the Central R&D Center was certified based on the ISO/IEC 17025 standard through a third-party validation. This accreditation demonstrates the technical competency of a laboratory and the reliability of its testing results. The center also continues its effort to develop new methods to analyze halogens and new harmful substances, and specifies Samsung SDI's Hazardous Substance Management Standards in its Green Procurement Guideline. In 2012, it revised and published a guidebook on X-ray fluorescence spectrometer (XRF) in a bid to strengthen training for domestic and overseas suppliers on measuring and analyzing new hazardous substances. The center now works on standardizing the antimony evaluation method for XRF instruments in 30 plants in total and strives to secure measurement and analysis-related technologies to fundamentally prevent hazardous substances from entering its products.

* Halogens: A series of nonmetal elements from Group 17 of the periodic table, such as bromine (Br) and chlorine (Cl)



ISO/IEC 17025 Certificate

02

Eco-Value Creation

● Vision

- Contribute to humanity's quality of life by creating more value through environmentally friendly methods throughout all processes related to the company's products and services

● Strategy

- Implement an environmentally efficient manufacturing process
- Pioneer innovative eco-friendly products
- Maintain & improve an eco-friendly supply chain
- Reflect environmental considerations in all work processes
- Contribute to society and the Earth's environment

Samsung SDI focuses on minimizing its environmental impact and ensuring effective use of resources throughout all processes of its products and services.

It also spearheads the effort to enhance energy efficiency and reduce GHG emissions, with its Low Carbon, Clean Energy Management.

○ 2012 Performance

Indicators	Base Year (2005)	2012 Performance (Compared to Base Year)	Target for 2015 Compared to Base Year
GHG Efficiency*	45.47	72.61 (Improve by 1.6 times)	Improve by 2.0 times
Water Use Efficiency	3.06	7.11 (Improve by 2.3 times)	Improve by 2.5 times
Hazardous Chemical Usage Efficiency	1.11	2.25 (Improve by 2.0 times)	Improve by 2.0 times***
Waste Efficiency	0.42	1.11 (Improve by 2.6 times)	Improve by 2.0 times***
Waste Recycling Rate**	89.8%	93.9%	Above 95%
Waste Landfill Rate	10.2%	6.1%	Below 5%

*Efficiency: Refers to eco-efficiency calculated by "Sales (KRW100 million) / Environmental Load (environmental load unit)"

**The recycling rate includes the method of incineration for collecting heat.

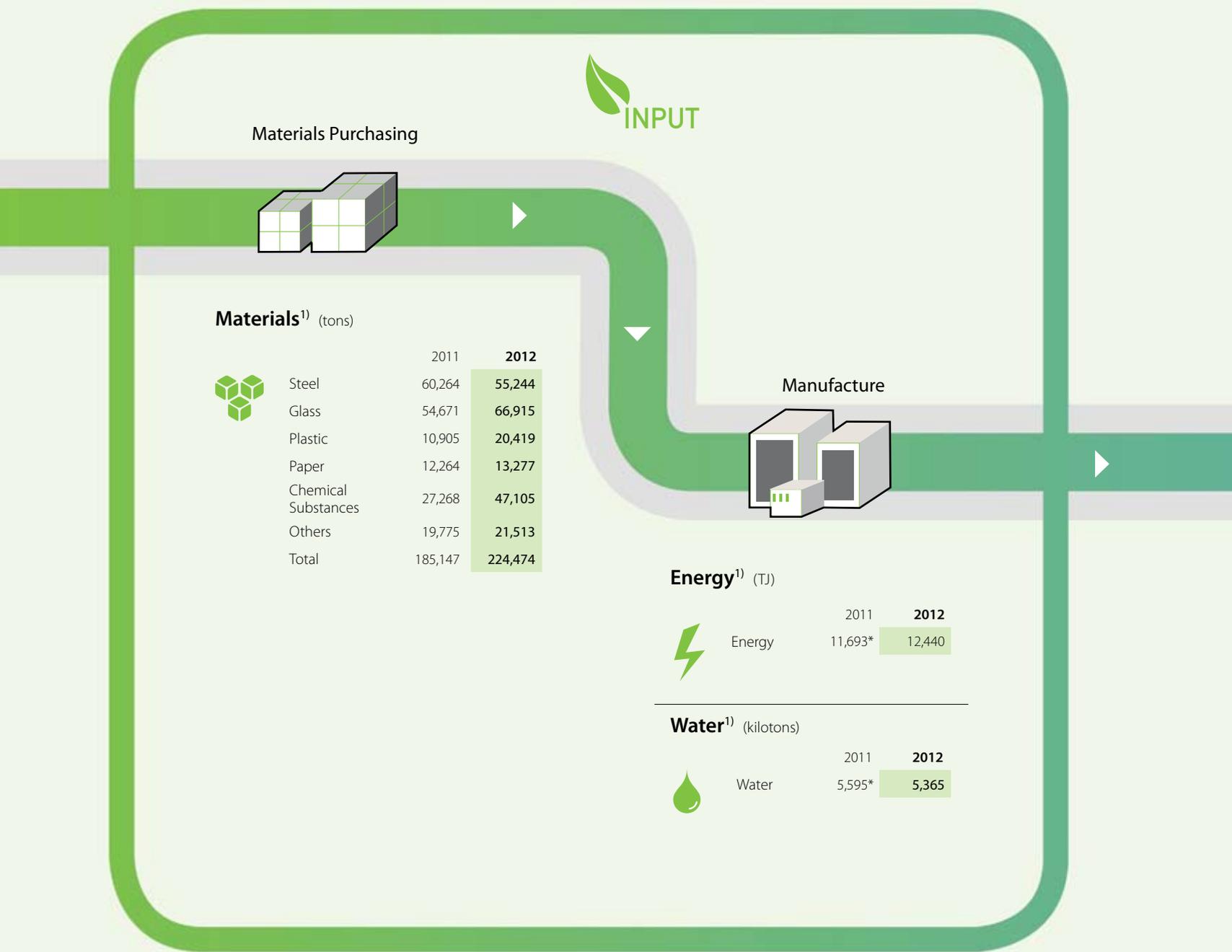
***The targets for hazardous chemical usage efficiency and waste efficiency have already been met in 2012; new targets for 2013 will be established based on the changing business environment.

Environmental Impact

Material Flow Map

Samsung SDI calculates the amount of raw and subsidiary materials, energy and water used for its manufacture of rechargeable batteries and PDP products, as well as the pollutants, by-products, and GHGs that result from the manufacturing process. For by-products, the amount of waste materials as well as recycled and recyclable materials is shown. Samsung SDI will strive to minimize its environmental impact throughout the lifecycle of its products, including their manufacture and usage, and ensure efficient use of resources.

Material Flow Map



Materials¹⁾ (tons)

	2011	2012
 Steel	60,264	55,244
 Glass	54,671	66,915
 Plastic	10,905	20,419
 Paper	12,264	13,277
 Chemical Substances	27,268	47,105
 Others	19,775	21,513
Total	185,147	224,474

Energy¹⁾ (TJ)

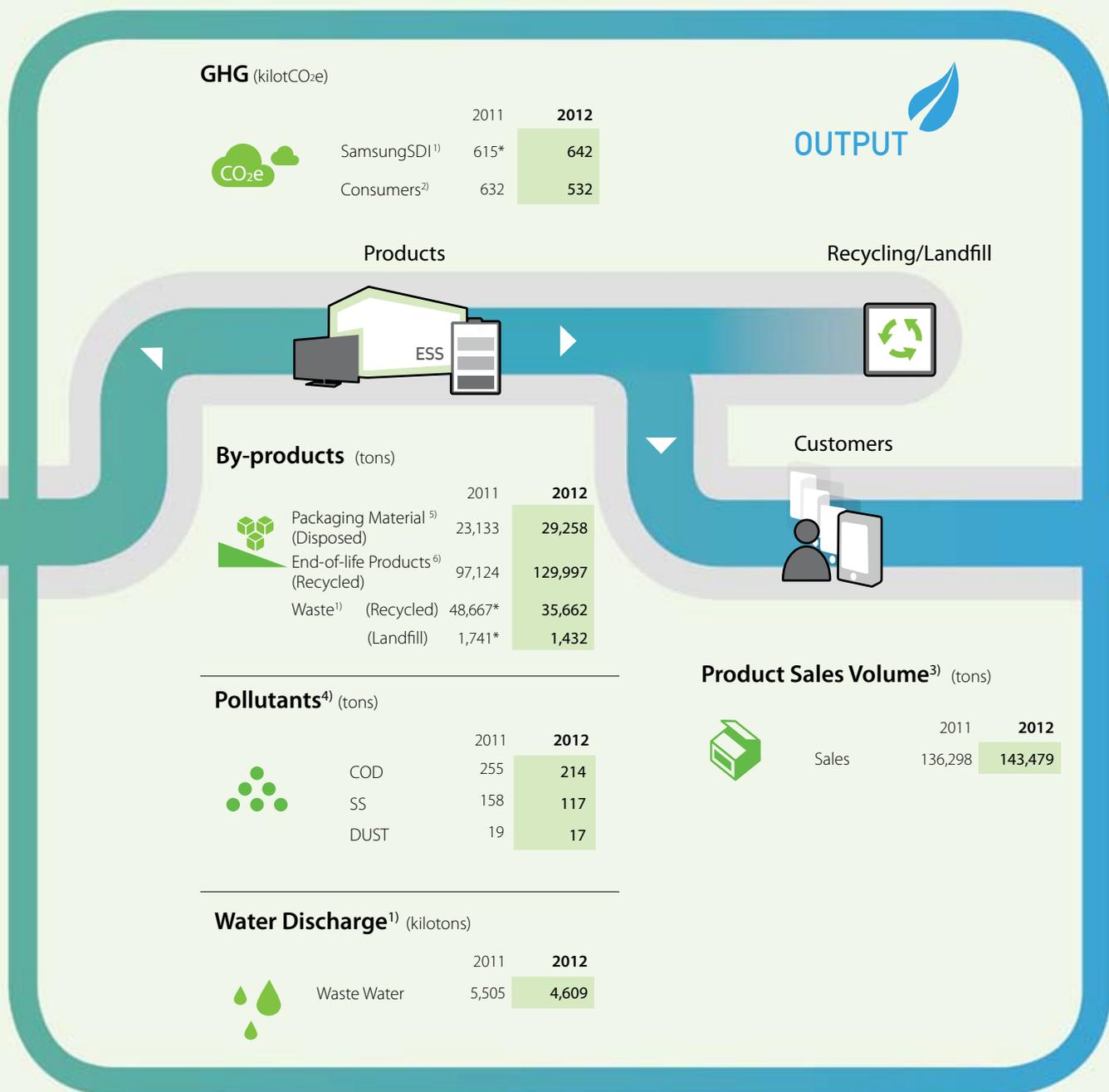
	2011	2012
 Energy	11,693*	12,440

Water¹⁾ (kilotons)

	2011	2012
 Water	5,595*	5,365

Notes on Calculation and Numbers in the Chart

- 1) Based on the battery and PDP panel production bases
 - 2) Based on power consumption of PDP TVs at 'home mode', 1,460 hours a year
 - 3) Based on sales volume of battery cells and PDP modules
 - 4) Based on battery cell and PDP panel production bases
 - 5) Based on waste materials (packaging) related to the products
 - 6) Applied theoretical recycling rate based on input materials
- * Revision of 2011 data due to calculation errors



Environmental Management System

Samsung SDI's environmental management is based on ISO 14001. All of its organizations related to business activities are engaged in environmental improvement activities, led by the departments dedicated to environmental management at each plant, in accordance with the CEO's guideline on environmental safety. In addition, all performance is verified annually through a third party certification. Samsung SDI uses the EMS** module within SMIS* to record its environment data and compare its performance.

* SMIS (Sustainability Management Initiative System): An integrated information system for sustainability management

** EMS (Environment Management System): A module within SMIS related to environmental management

Environmental Compliance

In 2012, there were no violations of any environmental regulations or the International Convention on Environment at any of Samsung SDI's domestic or overseas plants.

Investment in Environmental Facilities and Environmental Costs

Samsung SDI systematically calculates the cost of environment management for its plants. It objectively assesses the investment amount and cost according to its categorization of environmental activities, as well as the benefit resulting from reduced environmental risks. These are reflected in the company's environmental performance and used extensively in its decision-making process. In 2012, Samsung SDI's domestic plants spent a total of KRW37.906 billion on environmental facilities investment and other environment-related expenses.

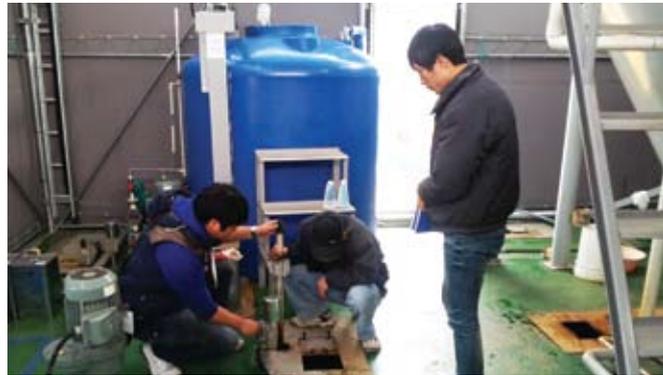
Unit: KRW1 million

Type of Environmental Activity	Investment	Cost	Benefits	Details
Treatment	501	13,978	7,684	Operation of in-house environmental facilities, consigned treatment, etc.
Prevention	7,475	15,952	6,128	Environmental training, measurement & analysis, inspection, waste management, process improvement
Stakeholders	0	8	18	Support for environmental groups, local partnerships, environmental events
Legal Compliance & Remediation	0	0	0	Surcharge on waste, insurance, fines

※ Investment: Investment cost related to environmental activities
 Cost: Environment-related costs managed internally and costs incurred in society due to emissions or products
 Benefits: Calculated based on tangible gains such as cost reductions from environmental activities and cost savings, and intangible gains such as reduced risks and social contribution

Green Communication

Samsung SDI is actively involved in environment preservation activities with the local community, including government agencies and civic groups, and each of its plants independently engages in local environment monitoring and cleanup activities. In addition, the company has been contributing to the vitalization of environmental education in the local community through its "Green Planet School for Environment and Children," which was launched in 2011.



Environmental Technology Mentoring Project



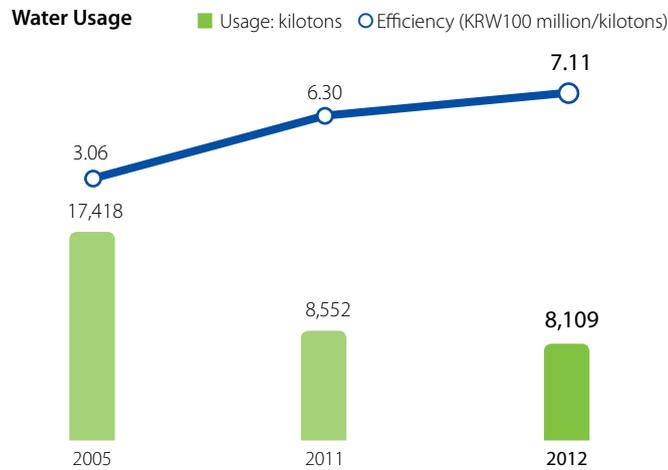
Conservation Activities in Regions with Outstanding Ecosystem/Landscape



"1 Company 1 Stream" Cleanup Activities

Water Usage

In 2012, Samsung SDI's domestic and overseas plants used 8.109 million tons of water. Water usage efficiency rose by 11% compared to the previous year, and compared to the base year 2005, it improved by 2.32 times, jumping from KRW306 million/kiloton to KRW711 million/kiloton. This resulted from the company's efforts to minimize the use of process water and its continued corporate restructuring into an eco-friendly and clean energy solution company.



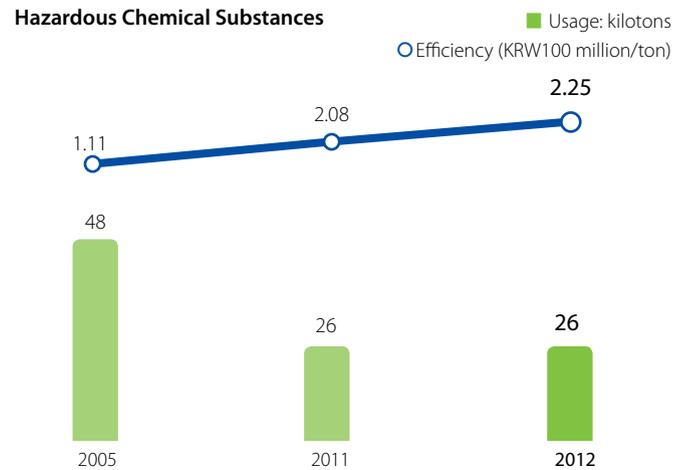
Water Management

Equipped with PDP panel manufacturing processes, the Cheonan and Ulsan plants account for more than 60% of the company's total water usage. Samsung SDI strives to ensure efficient use of water resources, focusing its capabilities on reducing the amount of water used by its domestic plants. At its plant in Ulsan, where surface water (Daeam water, Simcheonji water) is extracted directly and treated for use, efforts are ongoing to minimize water usage by improving the water collection rate. In addition, the water finally discharged from the plant is used as agricultural water in the nearby regions, ensuring a stable water supply during the dry season. At the Cheonan plant, where 90% of the water being used is industrial water, initiatives are in place to enhance the water recycling rate and minimize the basic unit. The water discharged from the Cheonan plant goes to the terminal disposal plant located within the complex. In accordance with the Environmental Information Disclosure Scheme, Samsung SDI discloses the water management status and plans of its domestic plants to the public, together with their numerous green management activities.

* Environmental Information Disclosure Scheme: A policy that requires green companies, public institutions, and environmentally sensitive companies to disclose their environment-related information, which can be found in the Environmental Information Disclosure System (<http://www.env-info.kr>)

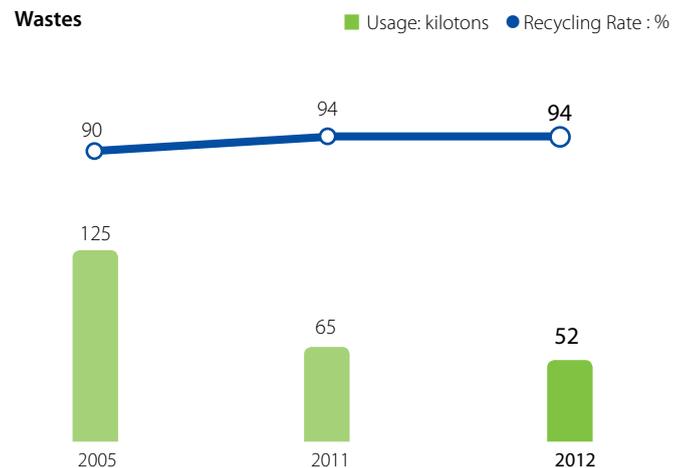
Hazardous Chemical Substances

All chemical substances used by Samsung SDI are graded through a preliminary toxicity assessment process and controlled according to their grades. In 2012 Samsung SDI used 12 chemical substances, their amount totaling 26 kilotons. The hazardous chemical usage efficiency for 2012 was KRW225 million/ton, showing an improvement by 8% compared to the previous year and by 2.02 times compared to 2005, the base year.



Waste

Waste materials resulting from a company's business activities are critical to the resource cycle. Samsung SDI strives not only to minimize its waste volume but also to improve its waste recycling rate. In 2012 it generated 52 kilotons of waste, 94% of which was recycled. As a result of the company's efforts to minimize the waste generated during the manufacturing process, its waste was reduced by 13 kilotons compared to the previous year. Compared to 2005, the base year, the total amount of waste generated was reduced by 73 kilotons and the recycling rate increased from 90% to 94%.



Climate Change and Greenhouse Gas Emissions

Energy Management

Samsung SDI actively responds to risks associated with climate change through its Low Carbon, Clean Energy management. Based on the energy management policy, it has introduced an energy management system (ISO 50001) and implemented various measures to minimize energy use in the manufacturing process. In addition, it operates the Integrated Energy & GHG System (s-GEMS*) to monitor energy use in real time, track it against the goal and ensure optimal operation of utilities.

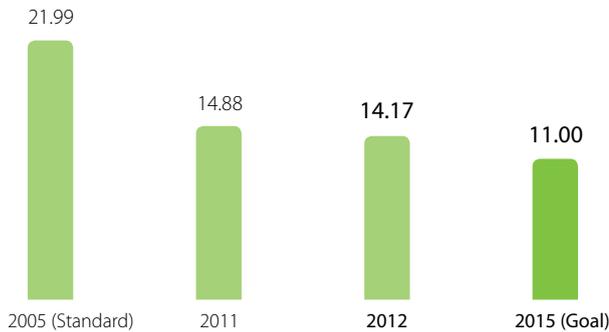
* s-GEMS (Smart & Samsung - Green & Global Energy Management System): Samsung SDI's IT system for energy & GHG management

Voluntary Effort to Reduce GHG Emissions

Samsung SDI strives to meet its goal to double greenhouse gas efficiency by 2015 compared to the base year 2005. For this, the company plans to reduce its GHG emissions per revenue by 50% to 11 tCO₂e /KRW100 million by 2015, from the 2005 level of 21.99 tCO₂e/KRW100 million. Samsung SDI will further reduce its carbon footprint by pursuing energy management, building low carbon manufacturing system and realigning the low carbon product portfolio.

Greenhouse Gases Reduction

Unit: tCO₂e / KRW100 million

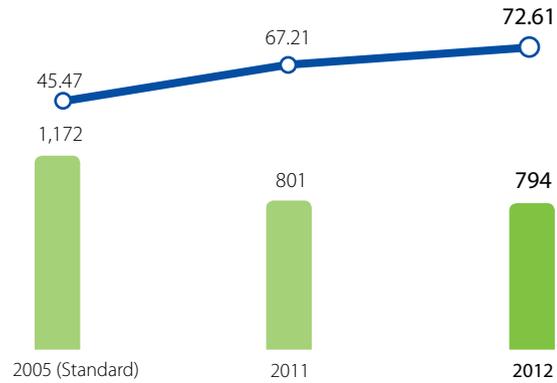


GHG Emissions as a Result of Manufacturing Activities

Greenhouse gases emitted in Samsung SDI's manufacturing process are primarily attributable to electricity use. In 2012, Samsung SDI emitted 794 kilotCO₂e of greenhouse gases, achieving GHG efficiency of KRW7.261 billion/kilotonCO₂e. This represents about a 7 kilotCO₂e reduction in GHG emissions and 8% increase in efficiency, compared to the previous year. It is also a 1.6-fold increase of GHG efficiency from the base year 2005. Samsung SDI aims to more than double its GHG emissions efficiency by 2015. GHG emissions by product shows rechargeable battery (297 kilotCO₂e) and PDP (375 kilotCO₂e) are high on the list, followed by CRT (98 kilotCO₂e) and Head Office and R&D Center (24 kilotCO₂e). Indirect emissions (electricity and steam purchase) stood at 715 kilotCO₂e while direct emissions (stationary combustion) was 79 kilotCO₂e.

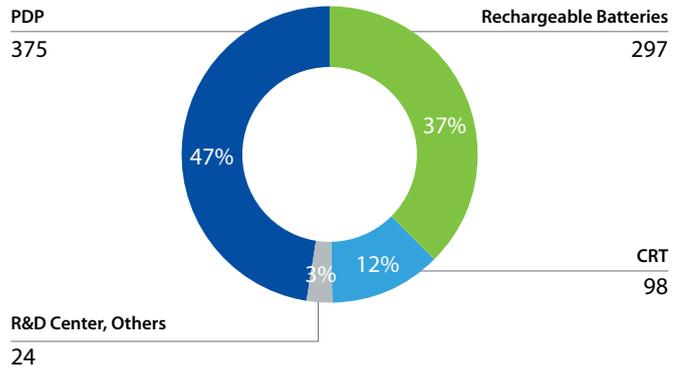
Greenhouse Gas Emissions Status

■ Emissions Volume: kilotCO₂e
○ Efficiency: KRW100 million / kilotCO₂e



GHG Emissions by Product

Unit: kilotCO₂e



Direct / Indirect GHG Emissions

Unit: kilotCO₂e



GHG Calculation Criteria & Protocols

- **Domestic:** based on "Guideline for the Greenhouse Gas and Energy Target Management and Operation"
- **Overseas:** IPCC Guideline for National Greenhouse Gas Inventories - Revised in 2006, The GHG Protocol of the WBCSD/WRI - Revised in 2004

Scope of GHG Emissions Calculation

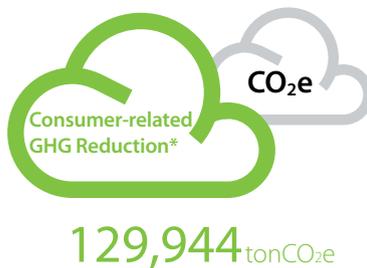
- **Domestic:** Scope 1 & 2 of Cheonan Plant, Ulsan Plant, Head Office and R&D Center and rental offices
- **Overseas:** Scope 1 & 2 of the seven overseas manufacturing plants

Implementation of GHG/Energy Target Management System

The Korean government currently implements the GHG/Energy Target Management System, in which it assigns reduction goals to companies whose GHG emission exceeds a certain level and monitors whether these goals are met. Four of Samsung SDI's domestic plants, including its Cheonan and Ulsan plants, are included in this system. A verification of its 2012 GHG emission statement shows that Samsung SDI emitted a total of 546.393 kilotons (11,623 TJ of energy) of GHGs, meeting its target assigned by the government for 2012. The results of the statement verification were submitted in March 2013 via the government's GHG Management System.

Reduction of GHG Emissions from Product Use (Consumer)

GHG emissions for 2012 was lowered by 18kgCO₂e per TV, which is primarily attributable to consumers' use of TVs employing Samsung SDI's PDP modules with improved power consumption. The total amount reduced stood at 129,944 tons of CO₂e, based on the total number of PDP modules sold in the same year.



* Electricity Consumed by PDP TV (2012 model) in its "Home Mode." Based on an annual use of 1,460 hours

Other GHG Emissions

The amount of GHGs emitted by Samsung SDI's product transportation and business trips taken by its employees totaled 3,531CO₂e in 2012. The calculations are based on WBCSD/WRI Greenhouse Gas Protocol.



* Land Transportation of Domestic Products



Realization of Low Energy Consumption Process

Due to its use of electric furnaces, the manufacturing process for PDP panels consumes a lot of electricity. At Samsung SDI's Ulsan Plant, index improvement and optimization of the furnace temperature for the PDP manufacturing lines lowered the number of furnaces needed from three to two. This shutdown of one furnace helped save approximately 14,613 MW of electricity a year. Meanwhile, each business unit at Samsung SDI continues to identify key tasks aimed at lowering process-related energy consumption and to improve the manufacturing methods, doing its utmost to make a low energy consumption process a reality.

03

Employees & Corporate Culture

○ Vision

- Create the 'So Good Company'

○ Strategy

- Enhance and disseminate job competency scheme
- Secure and retain talented individuals
- Sharpen global competency / internalize SMART Revolution
- Implement incident prevention activities engaging employees
- Systemize human resources management





● 2012 Performance

- 104 hours of annual training per capita *Cumulative number of participants
- 9.3 months of maternity leave on average
- 60% of injury rate reduction from the previous year

In an effort to live up to its corporate culture slogan “So Good Company,” Samsung SDI commenced the SMART Revolution campaign designed to innovate the employees’ mindset and way of working and spread a vibrant culture across the company. It also has in place a variety of programs to facilitate communications among employees and support work-life balance. It will not cease its effort to create a safe and secure work environment where individuals can showcase their capabilities on a level playing field.



Corporate Culture

Corporate Culture Innovation System



Five Key Words of SMART Revolution



SMART Revolution

In 2012, Samsung SDI launched its SMART Revolution campaign to facilitate corporate culture changes in a systemized way by aligning it with three core values of Samsung SDI's corporate culture: Passion, Soh-Tong (Communication), and Challenge. SMART Revolution, one of the company's innovation activities for new corporate culture, is underpinned by five key words—Speed, Morality, Assurance, Responsibility, and Truth—and designed to realize the company's vision "So Good Company*" by innovating the employees' mindset and way of working.

Samsung SDI conducted training and spread the SMART Revolution among its employees in various ways to internalize it as a part of its corporate culture. A two-day training for all employees was held to raise awareness, while voluntary and positive changes and innovations were promoted by launching an in-house broadcasting campaign that engaged the staff and by distributing "SMART Way of Working" brochures. In the meantime, a consensus for corporate culture innovation was created within the organization. This was facilitated by the CEO's deep commitment to the subject, which he displayed from time to time through the talk concert "S-POP," for which he paid onsite visits, the conversation time with CEO aired through in-house broadcasting, and the Smart Board. Furthermore, Samsung SDI's effort to innovate its corporate culture gathered momentum over time, as the company performed the SMART Revolution key tasks, uncovered best practices, and rewarded outstanding performance. Regarding the innovation activities carried out in 2012, Samsung SDI conducted surveys and focus group interviews for all workers, and reflected the feedback gathered during the process into its future implementation plans.

In 2013, Samsung SDI will present more concrete and clearer corporate culture innovation activities so that changes and practices that begin with individual employees can be translated into the changes and innovation of the organization as a whole, based on the general consensus on the need for corporate culture innovation. This will ultimately lead the company to achieve its business goals and maximize its business value. Along with these efforts, Samsung SDI will also continue to undertake various original activities to create an exciting company culture.

*"So Good Company": A company that makes its workers feel proud, brings benefits to its shareholders, customers, and suppliers, contributes to society and the country, and is respected for these qualities



Talk Concert "S-POP"

Smart Board

Composed of rank-and-file workers, the Smart Board was launched in May 2012 for the purpose of building a young, vibrant corporate culture through periodical communication between the CEO and young staff members. The board has become an important interactive communication channel to directly deliver various opinions and ideas of the employees to the CEO and receive feedback. It is also a venue for employees to freely discuss a variety of issues including business operation and innovation; their creative ideas are reflected in the company's business management.



Employees

Workforce Status

As of the end of 2012, the total number of employees at Samsung SDI, including contractual and dispatched workers, stood at 15,451. This represents an increase of 1,296 workers from the previous year, largely attributable to the operation of new production lines built in China and Southeast Asian countries as well as the overseas development center. Accordingly, the share of overseas workers increased compared to 2011, accounting for 54% of the total workforce.

Securing and Nurturing Talents

Talent Recruitment and Retention :: Aiming at securing and retaining talents, Samsung SDI has been diversifying its talent hunting channels and focusing on employee retention in many ways. It actively attracts talented individuals by inviting them to the company or visiting them overseas for interviews, while also organizing a conversation time with the CEO for foreign employees and establishing plans to promote the morale of de-

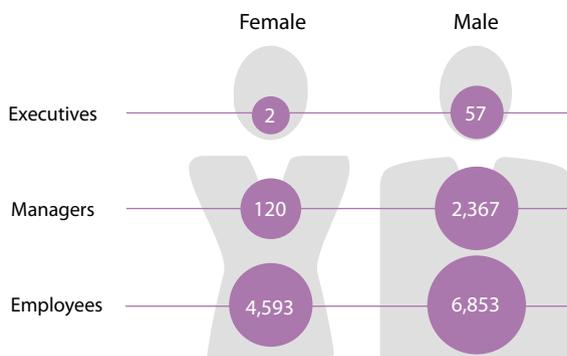
velopers as part of its effort to retain high-performing employees.

In 2012 Samsung SDI hired local talents, including those with a master's or doctorate degree, for the development centers of its overseas subsidiaries and plants in China, Taiwan, and Malaysia. This was in line with the company's continued effort to hire talented local workers and build industry-university collaborative relations so as to boost the development capabilities of its overseas development centers. In 2013, Samsung SDI will continue to expand the ratio of local recruitment for its strategic overseas offices as well as for areas where each country has strong competitiveness, and try to keep employee turnout at minimum through various employee retention activities.

Talent Nurturing :: With Samsung SDI's business portfolio expanding from small-sized rechargeable batteries and display products to include automotive cells and Energy Solution (ES), human resources realignment emerged as a priority to nurture employees with expertise in a system-

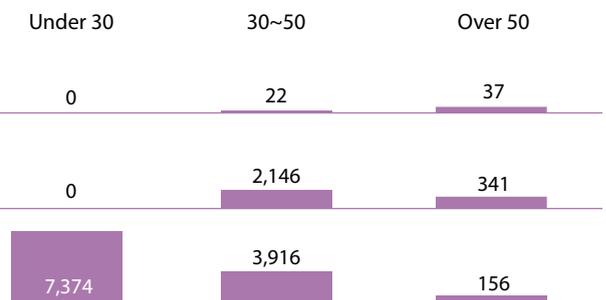
Composition of Workforce by Gender

Unit: persons



Composition of Workforce by Age

Unit: persons



※ Female executives include contractual executives and those who were transferred to the JV SB LiMotive and brought back to Samsung SDI after the merger



Samsung SDI Education Portal "EDUPARK"

atic way and secure the capabilities required for new businesses. Recognizing this need, Samsung SDI established a job competency scheme for 201 jobs under five job categories as well as a job competency assessment system. It also opened the educational portal system EDUPARK, through which staff members can assess their capabilities, plan self-development activities, and apply to training programs. Leadership training sessions for local executives from overseas subsidiaries were held in Korea as part of the company's effort to strengthen the capabilities of overseas subsidiaries. In 2013, Samsung SDI will further promote the working level-driven educational culture through its job competency scheme and assessment system to nurture professionals equipped with expertise in their field, while at the same time intensifying its effort to build and develop the capabilities of overseas workers.

Respect for Human Rights

Prohibition of Child & Forced Labor :: Samsung SDI fully complies with the International Labor Organization Conventions and labor-related laws and systems of the countries in which it operates. In addition, it affirms the principle of prohibiting child and forced labor within its management principles and employment policies and strictly upholds it. Throughout 2012, no violations of the principle were reported from any of its business sites both at home and abroad.

Ban on Discrimination & Promotion of Humanitarian Treatment :: Samsung clearly states in its management principles and employment policies that it forbids discrimination based on skin color, gender, religion, social status, age, political stance, and nationality, as well as sexual harassment, lending or borrowing of money, violence, and any other remarks or behaviors that undermine sound relationships among colleagues. All employees are given equal opportunities and performance-oriented recognition based on their capabilities and aptitude. The same base salary is applied to the same job level, but individual workers are rewarded according to their level of performance measured against the set target and the results of the capability assessment conducted for each job level, based on the principle of "performance-based reward." Samsung SDI operates various channels, such as a counseling office and verbal abuse reporting center, to monitor compliance with its principles regarding discrimination prohibition and humanitarian treatment in conducting day-to-

day business activities. In 2012, no violations of the principle were reported from any of its business sites across the world.

Human Rights Education :: Samsung SDI runs a variety of training programs developed to raise awareness of human rights among its workers. It offers education on overall aspects of sustainability management encompassing corporate social responsibility and human rights, as part of its onboarding programs for new hires and new workers with experience. Ethical management education is also provided online, covering human rights-related principles and code of conduct, such as the ban on discrimination and humanitarian treatment. In addition, sexual harassment prevention education is conducted at least once a year for all employees.

Labor Relations

In order to address employee grievances, protect their rights, and facilitate communication within the organization, Samsung SDI operates a Labor Council at all of its business sites. Composed of labor representatives elected by the direct vote of employees and an equal number of management representatives, the Labor Council gathers and discusses the employees' grievances and complaints as well as other matters related to workers' rights and benefit, such as improving wages and the working conditions. When a council meeting needs to be held to agree on major changes to the company's business structure or policies, a notification is sent seven days prior to the proposed meeting, and any changes decided at such meetings are announced to all employees without delay.

In order to vitalize the Council's operation, standing members are allowed to work full-time for the Council, and sub-council meetings at the business division level are held to listen to the workers' grievances that are not heard at the general council meeting.

Major Items on the Labor Council's Agenda for 2012

<p>Employee Benefit Program</p>	<ul style="list-style-type: none"> • Wage raise, wider coverage for medical check-up, increase in the expenditure for congratulations and condolences, greater support for foreign language learning, increase in bonus for national holidays, change in payment criteria for shift premium, adjusting shuttle bus operation intervals, etc.
<p>Resolution of Other Grievances</p>	<ul style="list-style-type: none"> • Better support for in-house club activities, improved employee lounges and parking space, operation of rest centers, etc.

Work-life Balance

Samsung SDI has been running various programs to fulfill its commitment to creating a sound work environment and improving quality of life for its workers. It has Open Counseling Centers where resident professional counselors help workers maintain their mental health, thus preventing any serious incidents in advance. In support of maintaining a work-life balance for its employees, Samsung SDI holds Children's Day events, operates "Family Days," and provides self-development programs.

In 2012, Samsung SDI carried out a Mental Health Diagnosis (MPU Happiness Index Diagnosis) on all of its employees, provided intense mental health management services through its "Visiting Counseling Center" for the high-risk groups and employees it had designated, and launched programs that utilized diverse counseling techniques such as aroma therapy, cinema therapy, and color therapy.

The company also carried out tailored activities related to the mental well-being of its employees; for example, it offered counseling to pregnant em-

ployees at its plants to help them maintain their psychological stability. In 2013, in order to "enhance the quality of life of its employees" and "increase their level of concentration at work" through daily stress management, Samsung SDI will reinforce its management of the high-risk groups and employees and offer stress management services related to diverse aspects of life, such as family relationship coaching for its employees. Furthermore, it plans to encourage its employees to practice mental health management in their everyday lives by sharing self-care know-hows.



Ulsan_Goodbye Stress Program



Cheonan_Color Counseling for Pregnant Employees



Giheung_Healing Cinema

Support for Mental Well-being & Work-life Balance

Mental Well-being Programs

- Cheonan Plant**
 - Healing D-60 (stress diagnosis and management)
- Ulsan Plant**
 - Healing 'Rock' Speech (by guest speakers)

Work-life Balance Programs

- Flexible work hours (for development, technology and sales staff)
- Work hour adjustment for full-time shift workers
- Family Day (every Wednesday)
- Self-development programs (corporate university, foreign language lessons, etc.)
- Rainbow activities (Campaign to reduce overtime and extra work)
- Maternity Protection Room (equipped with breast pumps)
- In-house daycare centers
- Open counseling centers

In-house Daycare Center

Samsung SDI opened an in-house daycare center at the premises of each domestic business sites in 2012 to lessen its employees' burden of balancing work with childcare. The daycare centers opened in 2012 at the Giheung head office and Ulsan plant, and in March 2013 at the Cheonan plant. The centers look after children under the age of five, and are run by professionals including nursery teachers, cooks, and hygienists who provide quality services.

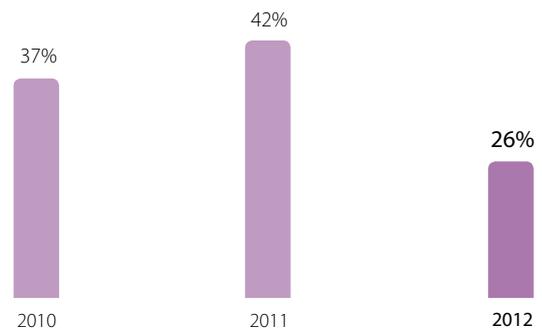


In-house Daycare Center at Giheung Head Office

Diversity & Equal Opportunities

Female Employees :: Samsung SDI stays committed to creating and promoting an environment where female workers can realize their full potential. It maintains a female worker quota when hiring new university graduates and has invested in fostering a women-friendly working environment; a case in point is its "Maternity Protection Rooms," as well as education programs for female employees aimed at nurturing their job competency. The S-WIN (SDI Women In Network) Council was formed in 2010 and has been active ever since. The network consists of high-performing female managers from each business division and serves the role of presenting

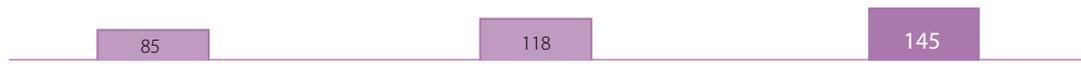
Ratio of Female University Graduate Recruits



※ From 2012, the data compiling criteria has changed to employees entering the company

Parental Leave Status

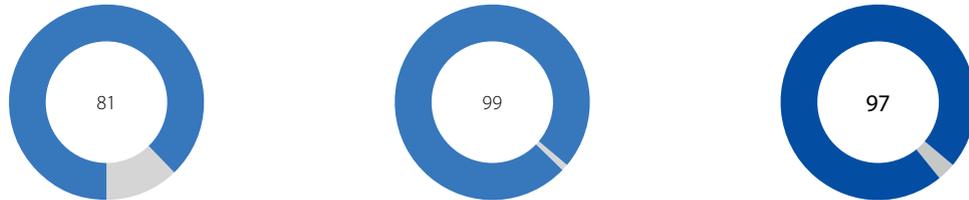
Number of employees that are entitled to parental leave (persons)



Number of leavers within one year



Return-to-work rates (%)



Average duration of parental leave (months)



role models and growth visions for future female leaders and helping them secure leadership and competitiveness.

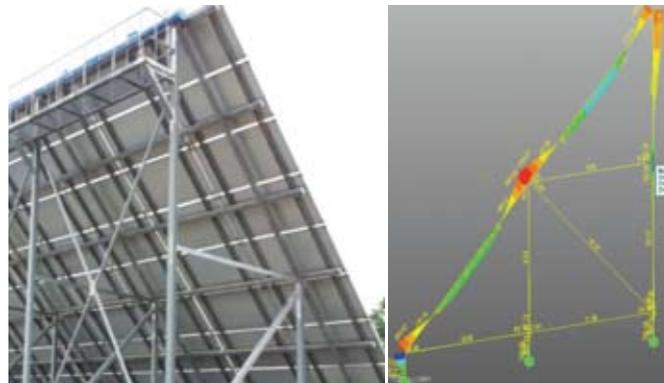
Following Samsung SDI's new plan to intensify its support in 2013 for S-WIN, the Council will discuss major issues, including expanding opportunities for female employees, and the results will be reflected in the company's HR policies. Samsung SDI also plans to hold a "Female Conference," where internal and external female leaders will be invited as guest speakers to give lectures under themes such as leadership and work-life balance, as well as an annual leadership skills training program for female managers to help enhance their leadership capabilities.

Disabled Employees :: Samsung SDI makes continued effort to increase the percentage of disabled employees. At the end of 2012, the number of disabled employees stood at 113, or 1.4% of the total full-time workforce in Korea. Samsung SDI will work toward increasing the ratio of employees with disabilities in 2013 as well.

Localization Policy :: As of the end of 2012, Samsung SDI operates eight overseas production subsidiaries, as well as multiple branches and offices. With the increasing importance of overseas production and sales subsidiaries, branches, and offices, Samsung SDI set up a global HR policy for management localization of its overseas subsidiaries and their capability development. Under its existing policies for "Local Employees' Authority Expansion" and "Global Mobility Enhancement," the company appointed locals as heads of departments, promoted exemplary employees, and gave them greater evaluation authority. Samsung SDI also provided locals with training on leadership and job-related areas such as quality and technology. At the end of 2012, 65% of department heads in the overseas subsidiaries were locals, and their number will continue to increase in the future with Samsung SDI's localization efforts. In 2013, it will accelerate the pace of management localization at its overseas subsidiaries by expanding the local recruitment of key resources and running job training and leadership training programs.

Employee Safety & Health

Employee health and safety is the No.1 priority for Samsung SDI. In compliance with OHSAS 18001 standards, continuous safety & health improvement, the Global Environmental Safety Group, a company-wide risk management organization, and the departments in charge of safety control at each of Samsung SDI's plants carry out continuous improvement activities to maintain a healthy and safe working environment for its employees, in accordance with the CEO's guidelines on environmental safety. In 2012, they launched a number of accident prevention activities with the engagement of the employees, aiming to enhance their safety awareness and create a culture of voluntary participation. Also, the reporting criteria regarding company-wide incidents and accidents were integrated, and on-site voluntary safety control was reinforced through "Accident Eradication 168 Project" activities. The company also continues to support the safety control activities of its suppliers working at its offices. In addition, it strove to upgrade the overall standard of safety control by conducting cross-checks among its plants regarding infrastructure, and engaged in numerous risk



High Wind Simulation at Giheung, Cheonan, and Ulsan plants

reduction activities such as holding a consulting session on gales in order to minimize the increasing threat of natural disasters. In 2012, the injury rate* (IR) at Samsung SDI's plants was 0.09, while its loss day rate** (LDR)

attributable to natural disasters stood at 3.72.

* Injury rate: Total injuries/Total hours worked × 200,000 (based on GRI Guidelines)

** Loss day rate: Total days lost/Total hours worked × 200,000 (based on GRI Guidelines)



Raising Employee Awareness on Environmental Safety

Samsung SDI conducts regular environmental safety training through its online education system for all employees at its domestic plants. In addition, it launched various initiatives voluntarily participated by the employees, aimed at reinforcing their environmental safety awareness. Meanwhile, numerous entries from the company-wide UCC competition and essay competition held in July 2012 were awarded and introduced via the in-house broadcast. The company also creates diverse contents that can be used for accident prevention training; for example, it creates and airs video clips for its 3 Major Accidents Eradication Campaign*, and offers weekly tips on voluntary safety training for its manufacturing plants.

* 3 Major Accidents Eradication Campaign: A voluntary campaign related to safety regulations on accidents that involve getting jammed between equipment, the management of multitaps, and organization vitalization



Environmental Safety UCC Competition



Environmental Safety Essay Contest

04 Sustainable Supply Chain

Customer

○ Vision

- Ensure complete customer satisfaction and safety & quality

○ Strategy

- Drive quality innovation in strict agreement with fundamentals and principles
- Secure safety and reliability
- Realize preemptive quality-related risk control in SCM

○ 2012 Performance

- 412 projects undertaken for international safety certification
- 33 new client companies
- Quality system Implementation





Supplier

○ Vision

- Realize mutual growth by achieving global competitiveness

○ Strategy

- Provide support needed to secure global competitiveness
- Enhance R&D cooperation
- Reinforce programs
- Spread CSR across the supply chain

○ 2012 Performance

- **1,261** Employees of suppliers trained with Samsung SDI's support *Cumulative number of participants
- **83** companies accredited as S-Partner

While enhancing the safety and quality of its products, Samsung SDI pays close attention to even the smallest opinions and demands of its customers to identify the issues in advance, thereby maximizing customer satisfaction. Meanwhile, it also conducts a variety of activities aimed at achieving a win-win growth with its suppliers, and runs the S-Partner program that promotes CSR among all of its partners.

Win-Win Cooperation

Samsung SDI is continuously enhancing and improving its activities for forging win-win partnerships in order to achieve mutual growth with its partners by boosting the overall competitiveness of the latter. In March 2012, it held the “Fair Trade & Mutual Growth Agreement Ceremony,” where it signed the agreement with 92 1st-tier suppliers. These 1st-tier suppliers in turn signed the agreement with 167 2nd-tier suppliers, which laid the groundwork for promoting the spirit of win-win partnership among all of Samsung SDI’s suppliers.

Samsung SDI’s Strategies for Achieving Win-Win Partnerships



Building a Solid Basis for Win-Win Growth (training, information sharing and benchmarking)

Samsung SDI is executing its innovation tasks based on collaboration in order to enhance the overall competitiveness of its suppliers and strengthen its R&D cooperation efforts. It also provided innovation-related support to eight companies at home and abroad in connection with joint public-private investment projects, government policy tasks such as joint cost reduction projects, and corporate consulting. Furthermore, by staying attentive to the VOS and conducting Theme Audits, it checks for any irrational factors in its purchasing and procurement process and works on process improvement.

As part of its financial support for its suppliers, Samsung SDI created a joint public-private R&D fund worth KRW10 billion with the Small & Medium Business Administration. From this fund, KRW440 million was provided as an aid to joint development projects undertaken by Samsung SDI and its suppliers in relation to new technologies and domestic production. The company also jointly created a win-win partnership fund worth KRW62.5 billion with financial institutions, through which it provided loans worth KRW50.3 billion. Meanwhile, Samsung SDI provides support for training its

suppliers’ new and existing employees, incorporating the suppliers’ need for systematic and specialized training.

Through a vocational training consortium dedicated to its suppliers as well as an online training course, it supported the training of 1,261 employees in 2012. Plans are in place to expand the pool of suppliers participating in such training opportunities. Samsung SDI also has a number of programs aimed at protecting its suppliers’ technologies and providing related support. Through a license granting program that provides the suppliers with access to some of Samsung SDI’s own technologies, it signed an agreement with six suppliers and granted access to its technologies 513 times. Also, in order to protect its suppliers’ technologies, Samsung SDI has established a process for requesting access to such technologies and performs checks to ensure compliance. Furthermore, it is aiding the promotion of the technology escrow system*, by making the application of this system mandatory for certain technologies, including those related to national policy tasks and domestically produced/dual-type materials, and also by sharing the escrow expenses. Besides these efforts, since 2010 the company has been involved in joint R&D activities with its suppliers through the execution of the World Premier Materials (WPM) project, which is a government-sponsored project aimed at the development of world-class materials for rechargeable batteries. In 2013 Samsung SDI plans to engage in diverse support activities based on its four strategies for achieving win-win growth, namely, helping its suppliers gain global competitiveness, expanding its support policies, enhancing its R&D cooperation, and reinforcing its mutual growth programs.

* Technology escrow system: The technology owned by a small or medium enterprise (SME) is deposited in a reliable institution, which ensures the prevention of technology leaks and guarantees the large company access to the technology in the event of closure or bankruptcy of its owner, subject to contract provisions.

Supply Chain CSR

S-Partner Program

Samsung SDI is expanding its S-Partner accreditation program in order to promote CSR fulfillment across the value chain. It gives accreditations by conducting a written evaluation and on-site inspection on the working environment of its existing and new suppliers every two years, in areas such as human rights and labor, ethics, safety and health, and the environment. Suppliers whose evaluation results indicate room for improvement are required to submit their improvement plans within one month; for suppliers who fail to pass the evaluation, the company helps them improve through its experts and offers a chance to undergo the evaluation again. The evaluation items used in the S-Partner Program is in compliance with the conduct code of the Electronic Industry Citizenship Coalition* (EICC).

* Electronic Industry Citizenship Coalition (EICC): A global coalition of electronics companies with the purpose of promoting CSR across the supply chain

S-Partner Program's Key Evaluation Items

- Human Rights/ Labor** Child labor, working hours, wage & compensation, humane treatment, etc.
- Environment** Permits, pollutant management, waste water/materials, product environment, etc.
- Safety & Health** Safety devices, emergency preparedness, industrial accidents, industrial hygiene, etc.
- Ethics** Policies/procedures, business integrity, control system, etc.

In 2011 Samsung SDI expanded the program overseas to include regions with relatively high CSR risks and conducted on-site inspections on its suppliers in China. Then in 2012, it performed its on-site inspections on seven suppliers in Vietnam to identify their problems and make improvements. In 2013, the company plans to continue the operation of its accreditation program overseas, while also applying it to its new automotive battery and ES businesses.

S-Partner Accreditation Performance in 2012

	Battery	PDP	Total
Korea	36	40	76
Overseas	7	0	7
Total	43	40	83

Ban on Conflict Minerals

In some conflict zones of the Democratic Republic of the Congo and about ten neighboring countries, the mining of industrial minerals is tainted with violations of human rights and indiscriminate environmental destruction, with the resulting proceeds used for the purchase of weapons. In response, the U.S. government enacted a law in 2010 to require all listed companies to make annual disclosures of whether they are using the four main minerals (tin, tantalum, tungsten, and gold) mined in Africa's conflict zones. Due to the widespread use of these four minerals in the electronics industry, its players are preemptively taking part in regulatory activities led by EICC to establish the necessary guidelines and inspection tools, as well as a conflict-free smelter program. Rising to meet this social demand, Samsung SDI is also striving to promote its policies related to conflict minerals. In 2011, it established the policy that bans the use of conflict minerals and held a briefing session to explain it to its 1st-tier suppliers. Then in 2012, it conducted a survey to check its suppliers' use of the conflict minerals as well as their smelters, using a tool developed by EICC. Samsung SDI will continue the promotion of its policy banning the conflict minerals in 2013, through measures such as training programs for its suppliers and on-site inspections.

Global Green Partnership

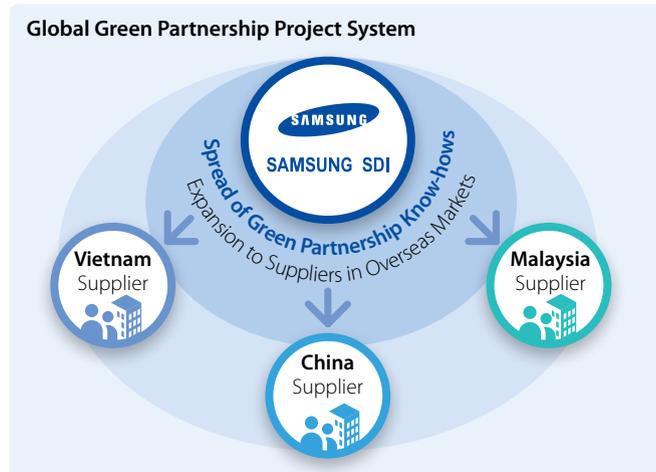
Until 2011 Samsung SDI successfully executed the government-sponsored Green Partnership project regarding its domestic suppliers. Based on this experience, it became the first company in Korea's electric and electronics industry to launch the Global Green Partnership project, starting from November 2012. The project aims to build Cleaner Production Partnerships for domestic suppliers involved in the company's overseas business, and to reinforce their capabilities to respond to environmental regulations. Having held a briefing session in December 2012 to announce the launch of the project, Samsung SDI plans to implement a green management cooperation system for its suppliers in China as a trial run in 2013 and will expand it to its suppliers in Vietnam and Malaysia by 2014.



Briefing session on the launch of the Green Partnership in 2012

Project Objectives

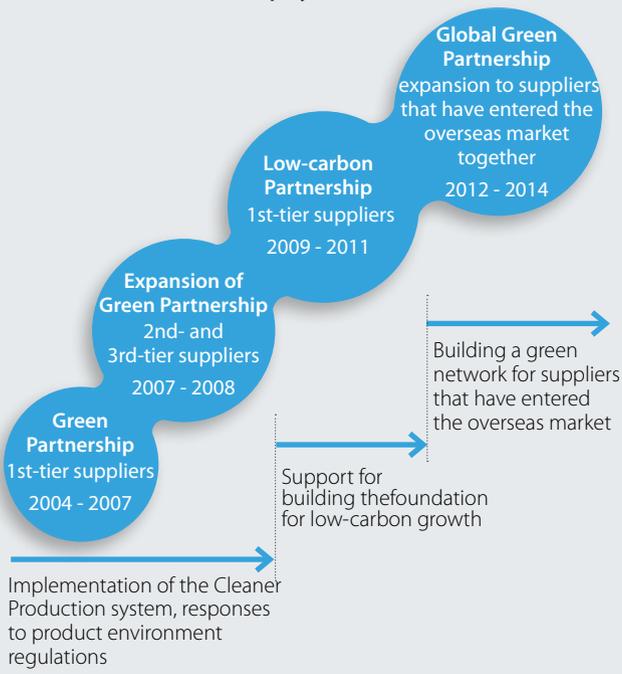
- Building a network for Global Green Partnership
- Providing guidance on the diagnosis on and improvement of Cleaner Production
- Developing green management methodologies and publishing guidelines
- Developing and managing training programs for staff in charge of green activities
- Publishing localized regulation books for the electric and electronics industry



Progress Made for Green Partnership

Samsung SDI is actively engaged in the government's Green Partnership project, based on its strategy to foster an eco-friendly supply chain through the spread of green management across the supply chain and the support for Cleaner Production techniques. It was in 2004 that the company first took part in the initiative launched by Korea's Ministry of Knowledge Economy, helping its 1st-tier suppliers implement a Cleaner Production system and undertaking the Green Partnership project to provide support for responding to regulations related to the product environment. In 2007 the project was expanded to include the company's 2nd- and 3rd-tier suppliers. Then from 2009 to 2011, Samsung SDI successfully executed its Low-carbon Partnership project, which aimed to build the foundation for low-carbon green growth for its major suppliers and to provide support regarding GHG control techniques.

Status of Green Partnership by Year



Creation of Customer Value

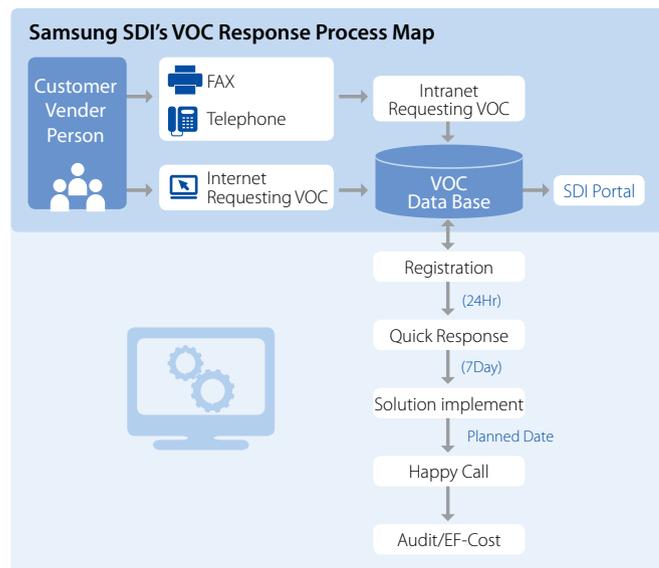
Placing Top Priority on Customer Health & Safety

Samsung SDI manufactures products that consider the safety and health of their users, and offers customer service throughout the entire product life cycle, from the time they are first used by the end user to the moment of their disposal. It has a process that requires the consideration of key elements that may impact customer health and safety for each product type, from the stages of product concept planning, R&D, and design. Factors such as explosion, harmful substances, electrocution, fire, and injuries are also taken into account.

In addition, the company has a set of codified procedures aimed at protecting its customers from risks related to health and safety; in accordance with these procedures, it always reviews the related safety regulations and obtains necessary approvals regarding each type of equipment and products. In 2012 Samsung SDI executed a total of 412 international safety certification projects, including UL, TUV, and CE. Also, striving to reinforce safety and quality from the manufacturing stage, it increased its investment in improving the technical aspects of the process; for example, it implemented a product safety system and introduced the inspection personnel and equipment needed to prevent faulty products from leaving the production line. In 2013, Samsung SDI will continue its activities to ensure product safety and quality, such as reinforcing quality verification, enhancing the capacity of quality-related personnel, and operating a task force consisting of experts.

Improvement of VOC Response Process

Customer satisfaction begins not only with the manufacture of products that meet the standards, which represent the customers' needs, but also with the delivery of products that show fundamental improvements to potential problems, which are identified by being attentive to even the smallest of their opinions and demands. Samsung SDI takes into account not only the development and production stages of its products but also their final consumption stage to identify potential problems in advance and minimize customer dissatisfaction. Furthermore, it has made innovative improvements to the lead time required to resolve an issue by following the principle of "completing the 1st response to a VOC issue within 24 hours." In 2012, Samsung SDI reinforced the verification capabilities of the departments related to customer satisfaction (CS) and technology in order to verify the effectiveness of its measures for quality issues. It also holds daily quality review meetings that are attended by related executives, thus ensuring swift and comprehensive responses to the VOCs. Meanwhile, the VOC response process has also been improved; for example, the identified quality issues were horizontally shared with the company's overseas subsidiaries, thereby preventing their reoccurrence.



Customer Communication

From the commercialization stage of its rechargeable battery products, Samsung SDI holds quarterly technical review (QTR) meetings with its customers to introduce the status of its development of future-oriented products. It strives to engage in active communication not only with its current major customers, but also with those in emerging markets. Through its communication activities it added 33 new companies to its customer list, while also minimizing potential risks related to quality issues by reviewing their user conditions. In 2013, Samsung SDI will maximize customer satisfaction through a more responsible and active communication.



QTR Meeting with Customer

Samsung SDI's Major Product Certification Marks

Information on safety is provided in the form of a label attached on the products that have passed the internal inspection standards and verified by a third party.

Samsung SDI's Major Product Certification Marks

Overseas safety standards



• **CE(Conformity European)**

The mandatory conformity mark for products sold in the EU



• **UL(Underwriters Laboratories)**

An American non-profit organization for testing and verifying product safety



• **TÜV(Technischer überwachungsverein)**

German organization that validates the safety of products



• **TISI(Thai Industrial Standard Institute)**

International safety standards Certification of the Thai Industrial Standard Institute



• **Gost-R(meaning "national standard for Russia")**

Russian Federation's certification program for export products



PRimus (Slim Prismatic Battery)

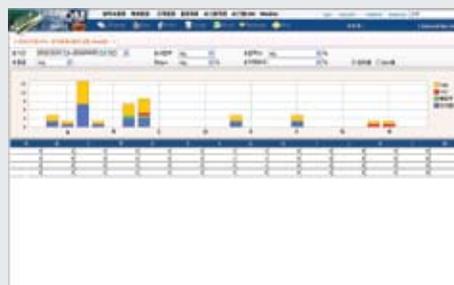
Samsung SDI planned a new type of rechargeable battery that is clearly differentiated from the cylindrical rechargeable batteries used for conventional laptops in the past or the polymer rechargeable batteries used for premium slim PCs. It is much slimmer than a cylindrical battery and boasts better productivity compared to a polymer battery. Called PRimus (Slim Prismatic Battery), it works well both as an embedded and a removable battery, and allows for ease of standardization. The "dream team" dedicated to this kind of product began its activities in September 2011, and thanks to its continuous customer promotion it was awarded projects from two customers in the first half of 2012. At now in 2013, the company is developing over ten projects with most of the major customers in the laptop business. This is because its customers consider the SDI PRimus products as a standardized solution. In the future, Samsung SDI will continue to lead the market by planning and developing differentiated Primus products with new features.



Laptop with a slim prismatic battery

Quality & Safety Improvement through "Supplier Quality Information System"

Samsung SDI implemented its Supplier Quality Information System in 2012, having previously created a consensus with its suppliers that the safety and quality of components form the very basis for product safety and quality. By utilizing this system, employees of Samsung SDI and its suppliers can share and communicate on information related to component quality and production real time. The system is also expected to ultimately enhance customer satisfaction by ensuring component quality and safety.



Supplier Quality Information System

05

Local Community

○ Vision

- Samsung SDI – The future energy source of the local community

○ Strategy

- Strategic social contribution aligned with the energy business
- Social contribution that invests in the future of local community

Samsung SDI grows with the local community based on a range of social contribution activities and communication. It has been implementing its flagship community support programs “Green Planet School for Environment and Children” and “Free Eye Treatment Project,” and conducts social contribution surveys to reflect the feedback in its community engagement activities. Samsung SDI undertakes community-oriented activities in various sectors such as academy & education, social welfare, and environmental preservation, while supporting the “Light of Love Fund” and talent sharing volunteer activities by its employees.



○ 2012 Performance

- Every employee participated in **2** volunteering events and spent **8.3** hours on average * In Korea
- **502** students graduates from the Green Planet School for Environment and Children
- **8,570** beneficiaries of the “Free Eye Treatment Project”
- Flagship social contribution program “Green Planet School for Environment and Children” awarded the Environment Minister’s Prize (in June 2012)

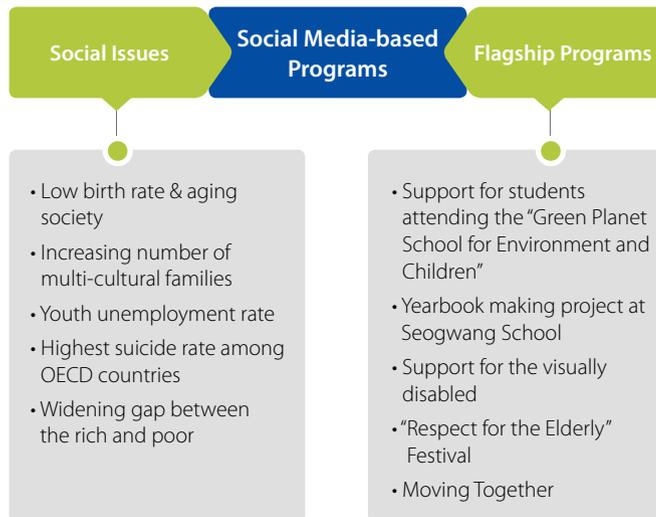
Samsung SDI's Social Contribution Activities

Led by its commitment to building a better local community, Samsung SDI implements social contribution activities that cater to various needs. Refusing to be satisfied with simple donation activities, it endeavors to discover programs that create social values. To this end, it opened the "Samsung SDI Volunteer Activity Center," which is in charge of establishing social contribution strategies, planning programs, and managing volunteer activities of the employees. The company conducts satisfaction surveys on its social contribution efforts either by visiting or calling nearby welfare and public facilities to reflect the feedback from the local community. At the same time, it communicates with the stakeholders through its blog, Facebook page, and Twitter account. In 2013, Samsung SDI will continue to fulfill its responsibilities and duties as a member of the community through social contribution activities underpinned by the value of sharing for communication, coexistence, and harmony.

Samsung SDI's Social Contribution Implementation System



Plans for CSR Programs That Utilize the Social Media

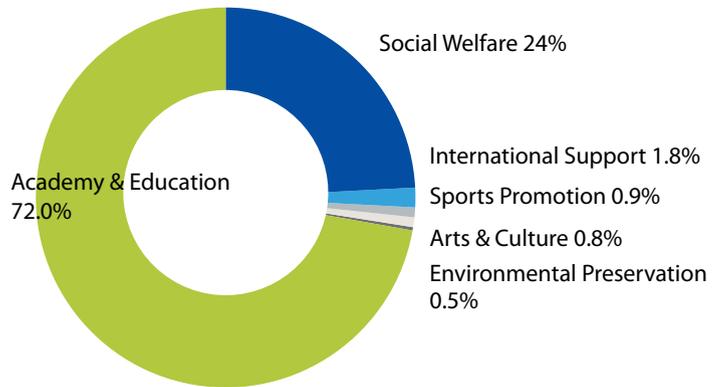


Giving Back to Society

In 2012, a total of 13,581 Samsung SDI employees (cumulative number of participants, domestic) spent 55,519 hours (total number of hours spent, domestic) on volunteer activities, and donated KRW6.4874 billion back to society. Social investment increased more than four-fold compared to the previous year, primarily due to the donation of money and research equipment to a newly-established, independent private high school, which significantly drove up the company's investment into the academy and education sector. In 2013, Samsung SDI will dedicate itself to the development of the local community by making balanced investment into various sectors.

Social Investment by Sector in 2012

* In Korea



Support for the Founding of an Independent Private High School in Community

An independent private high school (Eunsung High School – Eunsung Education Foundation), jointly founded by Samsung Electronics, Samsung Display, Samsung Corning Precision Materials and Samsung SDI, will be opened in March 2014 in Tangjeonmyeon, Asan of South Chungcheong Province. Samsung SDI plans to donate a total of KRW12.6 billion to the school by 2014, of which about KRW3.9 billion has already been donated in 2012. The founding of the school, which aims to nurture creative talents, is expected to improve the employees' residential stability and contribute to the development of the local community near Samsung SDI's business sites.

Donations

The "Light of Love Fund" is Samsung SDI's matching grant program in which employees voluntarily donate a certain amount of money (over KRW2,000 per account) and the company doubles the sum through 1:1 matching. In 2012, 78% of the employees in Korea participated in the donation, collecting a total of KRW674 million. The raised fund was used to sponsor Samsung SDI's flagship contribution initiatives (the Green Planet School for Environment and Children and Free Eye Treatment Project) as well as community relief centers. Going forward, Samsung SDI will continue to encourage the voluntary participation of its employees.

Talent Sharing

Samsung SDI has Talent Donation Volunteer Teams that carry out community sharing activities by tapping into the employees' talent. In 2012, a total of 21 teams (in Korea) shared their expertise and talent in diverse fields including culture, sports, and the environment, and the career mentoring program "Hope Bridge" received a favorable response from its participants (600 mentee students and 137 mentor employees). In 2013, Samsung SDI

will further expand its talent donation activities that are integrated with learning opportunities, and maintain its mentoring program for students.

Nanumi Lounge

Samsung SDI set up the Nanumi ("sharing") Lounge on the company intranet to better manage and communicate the social contribution activities of its employees. On the Nanumi Lounge page, individual employees can check out their volunteer activity record and latest social contribution news, and post their questions on the Q&A board. In 2013, Samsung SDI will enhance the system so as to make it more convenient to use for the employees and vitalize internal communication.

- 1, 2. Career Mentoring for Adolescents in the Local Community
3. Support for Senior Citizens Living Alone
4. Soh-Tong Choir's Charity Concert
5. Save the Children Knit a Cap Campaign
6. Ping Pong Club's Free Lessons for the Disabled



Samsung SDI's Flagship Social Contribution Activities

Green Planet School for Environment and Children ::

Launched in 2011, the "Green Planet School for Environment and Children" is one of the representative social contribution initiatives of Samsung SDI and embodies its vision to become an "Eco-friendly and Clean Energy Solution Company." In 2012, the company conducted the program for a total of 500 children through five occasions by expanding the program to include not only the three existing areas (Gyeonggi Province, South Chungcheong Province, and Ulsan) but also two new regions (Gangwon Province and North Jeolla Province). In recognition of its social contributions through the "Green Planet School for Environment and Children," Samsung SDI was awarded the Environment Minister's Prize at the 17th Environment Day ceremony in June 2012. In 2013, the company will refine the existing program to further develop it into a hands-on environmental education program.

Free Eye Treatment Project :: Ever since its launch in 1995, the "Free Eye Treatment Project" has been the flagship contribution project of Samsung SDI. By donating mobile medical buses and providing medical staff, the company has provided free treatment and surgery for eye diseases for the underprivileged in remote places. In 2012, 8,570 individuals in Korea and Yanbian, China benefitted from this project. Samsung SDI will

continue the free eye treatment project as part of its commitment to social contribution activities.

Grand Festival for Volunteer Services :: In May and October of 2012, Samsung SDI held the Grand Festivals for Volunteer Services, through which many employees practiced sharing with the local community. The CEO participated in the festivals as well, making sandwiches for children from lower-income families. Meanwhile, the "Make a Reading Box of Hope" project offered 600 children learning opportunities. With 173 volunteering teams (85% of the total employees) participating, the festivals became a venue for sharing with and engaging the community.

Year-end Sharing Activities :: 1,774 Samsung SDI employees engaged in various community sharing activities in December 2012. 4,600 heads of kimchi made by employees were delivered to senior citizens living alone, while 93 university graduate new hires spread warm happiness by delivering 6,000 briquettes to 30 impoverished families.

Overseas Volunteering Activities :: Samsung SDI continued its community-oriented sharing activities in other countries where it operates. A total of 69 staff members chosen for overseas volunteer activity programs visited old welfare facilities in Vietnam, Malaysia, and Shanghai and Tianjin in China and engaged in mural painting, carried out environmental cleanup activities, and launched a program that offered hands-on environmental classes.



1. Green Planet School for Environment and Children
2. Making Snacks of Love
3. Making Reading Boxes of Hope
4. Free Eye Treatment Project
5. Briquette Delivery
6. Kimchi Making
7. Overseas Volunteer Activities

Local Community-based Social Contribution Activities

Giheung :: Samsung SDI's head office in Giheung implements social contribution activities for the marginalized members of the local community. In 2012, it published yearbooks for 43 graduates of Seogwang School, a special education institute for children with disabilities, and financially supported 20 visually impaired people with financial difficulties. It also continued its contribution to the local community through a variety of talent sharing programs as mural painting, choir activities, and marathon.

Ulsan :: The Ulsan plant operates the "Twilight Charging Station Project" program for the elderly in Ulju-gun, which is classified as an aging district. The subsidiary not only provides seniors with free meals and delivers lunchboxes to those living alone, but also held a "Twilight Charging Hyo (respect for the elderly) Project Concert" in May 2012 for the senior citizens and local residents, an event that was well-received by the community. The plant also held farmers' markets to sell the produce it grew with welfare organizations, and used the resulting proceeds to help improve the living conditions of the marginalized elderly people.

Cheonan :: "Moving Together" is a flagship social contribution program launched by Samsung SDI's Cheonan plant in 2005, in which low-income families are provided with free moving services. In 2012, the plant helped 21 families pack and move their belongings while also providing household items free of charge. In addition, it continued its kimchi sharing program, which celebrated its 12th anniversary, together with a housewife volunteer group, delivering kimchi to 130 households included in the program. Lastly, a volunteer camp was opened for the employees' children, where the 120

participants learned the meaning and true value of social contributions.

China :: Samsung SDI's subsidiary in Tianjin, China, has been sponsoring the Tianjin School for the Blind, Tianjin's only school for students with visual impairment, for ten consecutive years. It not only works on improving the school's learning environment but also provides learning opportunities to the visually impaired students through its scholarships. The subsidiary in Shenzhen is also engaged in volunteer activities by supporting outdoor programs for autistic children and providing household items, thus sharing the burden felt by their families and spreading hope.

Malaysia · Mexico · Hungary :: Under the slogan, "We care the community," Samsung SDI's subsidiary in Malaysia holds annual bazaars participated by its employees and their families. In celebration of the national holiday Hari Raya, in August 2012 the subsidiary launched the "One Day Parent Program" for orphaned children using the fund resulting from the bazaar, which received much attention from the local media. Samsung SDI's Mexican subsidiary also raised fund through its bazaar and used it to visit a nursing home in October 2012, where the employees delivered daily necessity products and carried out maintenance activities on the facilities. Meanwhile, the subsidiary in Hungary offers maintenance activities for a local disability center in Geod, where both the subsidiary and the "National Protection Center for the Visually Impaired" are located.

1. Giheung_Mural Painting
2. Ulsan_Twilight Charging 'Hyo' Project
3. Cheonan_Moving Together
4. Malaysia_One Day Parent Program
5. Giheung_Yearbook Making for Love Project
6. Ulsan_One Company One Bridge Activities (maintenance)
7. Cheonan_Volunteer Camp for Employees' Children
8. Mexico_Nursing Home Visit
9. China (Shenzhen)_Support for Autistic Children
10. China (Tianjin)_Support for a School for the Blind
11. Hungary_Support for a Local Disability Center



Economic Performance

Abstract of Consolidated Financial Statements

Unit: KRW million

Category	2008	2009	2010	2011	2012
Assets					
Current assets	2,409,201	2,783,288	2,451,455	2,364,109	2,414,856
Quick assets	1,989,403	2,415,740	1,967,402	1,780,522	1,856,405
Inventories	419,798	367,548	484,053	583,587	558,452
Non-current assets	4,244,103	4,364,447	5,482,112	6,163,302	8,480,231
Investment assets	1,935,185	2,374,058	3,456,594	3,985,413	6,022,066
Tangible assets	2,051,406	1,722,325	1,727,039	1,827,202	1,971,102
Intangible assets	45,337	69,629	78,890	140,297	171,007
Other non-current assets	212,175	198,434	219,589	210,390	316,056
Total assets	6,653,304	7,147,735	7,933,567	8,527,411	10,895,087
Liabilities					
Current liabilities	1,112,380	1,484,013	1,098,399	1,749,983	2,004,041
Non-current liabilities	846,700	531,775	604,307	462,901	1,326,564
Total liabilities	1,959,081	2,015,788	1,702,706	2,212,884	3,330,605
Stockholders' Equity					
Capital stock	240,681	240,681	240,681	240,681	240,681
Capital surplus	1,235,188	1,246,780	1,255,831	1,258,120	1,258,440
Other capital	(203,766)	(191,395)	(169,965)	(165,395)	(163,787)
Accumulated Other Comprehensive Income	391,971	619,389	1,333,567	1,173,912	1,051,350
Retained Earnings	2,850,726	3,057,295	3,391,052	3,610,804	4,968,541
Minority Interests	179,423	159,196	179,695	196,405	191,257
Total Stockholders' Equity	4,694,223	5,131,947	6,230,862	6,314,527	7,564,482
Revenue	5,302,802	4,951,855	5,124,275	5,443,881	5,771,185
Operating Income	133,030	190,416	234,224	109,968	186,874
Net Income	57,312	241,349	385,112	351,055	1,486,814
Net Income of Controlling Company	38,874	217,658	356,103	320,109	1,471,502

※ According to K-IFRS, the date of transition to K-IFRS is January 1, 2009, and the consolidated financial statements above were prepared in accordance with K-IFRS 1101 "First-time adoption of K-IFRS."

Economic Indicators

Unit: %

Category	2008	2009	2010	2011	2012
Current Ratio	216.58	187.55	223.18	135.09	120.50
Liability Ratio	41.73	39.28	27.33	35.04	44.03
Local Sourcing Ratio	61.2	58.6	46.9	63.1	57.8

Social Performance

Category		2008	2009	2010	2011	2012	
Employment Unit: persons	Total	15,121	12,159	12,662	14,155	15,451	
	Region	Korea	6,718	6,467	6,384	7,263	7,043
		Asia	6,115	4,341	5,093	5,856	7,589
		Europe	565	616	535	411	300
		America	1,723	735	650	625	519
	Type	Regular	14,145	11,024	11,439	13,085	13,990
		Contractual	146	251	245	239	263
		Outsourced	830	884	978	831	1,198
Turnover Unit: persons	Total	32.4	34.6	21.0	11.3	26.3	
	Region	Korea	15.3	2.9	3.1	2.6	3.2
		Asia	41.3	69.1	50.5	20.1	49.1
		Europe	50.5	35.2	36.7	35.8	48.3
		America	64.8	139.9	35.6	21.8	27.9
	Gender	Female	50.0	71.4	34.9	21.3	41.8
		Male	25.1	22.4	13.8	7.5	18.4
	Age	Under 30	41.3	54.3	30.8	16.2	44.0
		30~50	22.0	19.2	9.3	7.0	6.4
		Over 50	55.0	12.2	13	7.3	7.3
Per Capita Hours Trained Unit: hours * Korea only	Total	108	102	107	122	104	
	Position	Executives	6	23	40	56	52
		Managers	122	118	117	145	122
		Employees	104	96	58	131	96
	Age	Female	120	114	132	172	122
		Male	105	99	103	112	101
Injury Rate Unit: Total Injury Count / Total Hours Worked ×200,000	Total	0.27	0.22	0.36	0.15	0.09	
	Region	Korea	0.03	0.03	0.03	0.02	0.04
		Asia	0.15	0.17	0.61	0.27	0.09
		Europe	0.68	0.63	0.00	0.15	0.62
		America	1.66	1.38	2.26	0.93	0.64
Loss Day Rate Unit: Number of Loss Days / Total Hours Worked ×200,000	Total	7.01	8.85	11.41	4.50	3.72	
	Region	Korea	2.56	2.98	4.08	0.52	3.68
		Asia	4.67	4.15	10.61	7.88	1.94
		Europe	14.57	27.56	0.00	1.95	6.21
		America	33.24	55.47	97.09	37.60	36.54
Matching Grant Value Unit: KRW million	Total	574	555	538	600	674	
	Employees	374	278	269	300	337	
	Company	200	278	269	300	337	
Cumulative Number of Free Eye Treatment Beneficiaries * In Korea and Yanbian, China		149,814	161,771	170,672	178,733	187,303	

※ Starting with this year's sustainability report, the number of beneficiaries (no. of patients who were treated + no. of patients who received a surgery) of the "Free Eye Treatment Project" will include the beneficiaries in Korea and Yanbian, China. Last year's figures have been recalculated based on this new standard and are included in the report.

※ The average time spent on training per employee for 2011 was incorrectly reported, and has been corrected.

Environmental Performance

Indicator	Criteria	Unit	2008	2009	2010	2011	2012
Input	Energy	Usage (Global) TJ	16,627	13,263	13,811	14,396	14,768
		Efficiency (Global) KRW100 million/TJ	3.12	3.66	3.66	3.74	3.90
	Water	Usage (Korea) TJ	10,496	9,891	10,613	11,233	11,623
		Usage (Global) kiloton	10,757	8,152	8,375	8,552	8,109
		Efficiency (Global) KRW100 million/kiloton	4.82	5.95	6.03	6.30	7.11
		Usage (Korea) kiloton	4,932	4,592	4,884	5,293	5,098
Hazardous Chemicals	Emission (Global) Ton	33,001	28,223	28,941	25,912	25,667	
	Efficiency (Global) KRW100 million/Ton	1.57	1.72	1.75	2.08	2.25	
	Emission (Korea) Ton	28,494	26,410	27,619	24,661	24,891	
Greenhouse Gases	Emission (Global) tCO ₂ e	978,735	751,736	770,502	801,042	794,231	
	Efficiency (Global) KRW100 million/tCO ₂ e	0.053	0.065	0.066	0.067	0.073	
	Emission (Korea) tCO ₂ e	544,024	497,184	531,481	560,484	546,393	
Air Pollution	NOx (Korea) KRW100 million/kg	7.64	4.46	7.93	6.69	10.49	
	SOx (Korea) KRW100 million/kg	N/A	N/A	N/A	N/A	N/A	
	Dust (Korea) KRW100 million/kg	2.96	3.30	3.00	2.82	3.42	
Ozone Depleting Substances	Emission (Global) kgCFC11eq	915	1,047	1,367	1,243	766	
	Efficiency (Global) KRW100 million/kgCFC11eq	57	46	37	43	75	
	Emission (Korea) kgCFC11eq	25	24	38	28	37	
Output	Wastewater	Emission (Global) kiloton	8,077	6,559	7,340	7,256	5,981
		Efficiency (Global) KRW100 million/kiloton	6.41	7.39	6.88	7.42	9.64
		Emission (Korea) kiloton	4,550	4,680	5,803	5,428	4,521
Water Pollution	BOD (Korea) KRW100 million/kg	0.12	0.15	0.17	0.21	0.31	
	COD (Korea) KRW100 million/kg	0.12	0.17	0.22	0.21	0.27	
	SS (Korea) KRW100 million/kg	0.24	0.25	0.35	0.34	0.49	
Waste	Discharge (Global) Ton		84,714	58,911	55,321	64,562	51,943
		Efficiency (Global) KRW100 million/Ton	0.61	0.82	0.91	0.83	1.11
	Recycling rate (Korea) %		36,825	32,911	35,686	48,407	33,324
			89.4	90.7	91.8	93.8	93.9
			89.3	92.9	96.6	96.4	95.7
		Landfill rate (Global) %	10.6	9.3	8.2	6.2	6.1
Landfill rate (Korea) %	10.7	7.1	3.4	3.6	4.3		

※ Notes Related to Environmental Performance Data

1. Air and water pollution output represent the domestic volume only, as an annual calculation is difficult to measure due to differing pollution level items and legal measurement periods at some overseas subsidiaries.
2. Wastewater output volume is the volume of process wastewater that was treated, and excludes municipal wastewater.
3. Hazardous chemical substances was calculated based on the 24 substances intensively managed by Samsung SDI.

Independent Assurance Statement

To the Stakeholders of Samsung SDI:

Samsung SDI commissioned the Korea Productivity Center (the "Assurer") to provide an independent assurance of its 2012 Sustainability Report (the "Report").

Responsibility and Integrity

Samsung SDI is entirely responsible for the reliability and accuracy of all information and opinions presented in this "Report". The Assurer holds the responsibility which lies solely in providing a third party verification of the content in the "Report". As an independent assurance agency, the Assurer was neither involved in the process of preparing this "Report" with Samsung SDI, nor in any conflicts of interest that may undermine our independence.

Assurance Standard and Objectives

The independent verification process was planned and performed in accordance with the AA1000AS (2008) Assurance Standard to provide Type 2 moderate level of assurance. This is achieved through the evaluation of the organization's adherence to the AA1000APS Accountability Principles (2008) of Inclusivity, Materiality and Responsiveness. Additionally, the assurance was performed to ascertain the organization's adherence to the Global Reporting Initiative (GRI) G3.1 Guidelines in preparing and presenting sustainability performance information.

Assurance Limitations

Based on the aforementioned assurance standards, the Assurer performed verification of the organization's sustainability performance during 2012, however the boundary of assurance did not include the reliability of data which is publicly disclosed within the annual report, public domains and information linked with Samsung SDI's website. Site inspection was performed at Samsung SDI's Head Office in Suwon, Korea and Samsung SDI's production sites overseas were not included in the scope of our site inspection. Therefore, the Assurer clearly states that any additional verification conducted in the future may issue varied results.

Assurance Methodology

The assurance was undertaken following the methodology specified below:

- Verified if the Report satisfies requirements for GRI Application level B+ by reviewing the coverage rate of and presentation method for economic, environmental and social indicators specified in the GRI G3.1 Guidelines
- Verified consistency with the principles dictating the content and quality of sustainability reports based on the GRI G3.1 Guidelines
- Verified the appropriateness of identifying key issues and the responsiveness to the content presented in the Report by the material analysis methodology.
- Verified the basis of data and information presented by performing site inspection at Samsung SDI's Head Office in Suwon, Korea and verified the internal process and systems through various methods including interviews.

Findings and Conclusions

It is the Assurer's opinion that the Report fairly and accurately presents the sustainability efforts and performance of Samsung SDI. Also, the assurance verified that the self-declared requirements claimed by Samsung SDI for the GRI Application Level B+ have been met.

Principle of Inclusivity: Stakeholder Engagement

The principle of inclusivity articulates that organizations should include stakeholders in developing and achieving an accountable and strategic response to sustainability. Based on the findings of these assurance efforts, it is evident that Samsung SDI defined major stakeholders and presented communication channels for each stakeholder group to adhere to the principle of inclusivity. Samsung SDI established communication channels for each major stakeholder group in order to identify and escalate key issues to management. Going forward, the Assurer recommends Samsung SDI to further enhance stakeholder engagement initiatives by managing the issues collected through stakeholder communication channels more comprehensively and incorporating them into broader areas of its business operations.

Principle of Materiality: Selection of and Reporting on Material Issues

The principle of materiality articulates that organizations should focus on issues relevant and material to both the organization and its major stakeholders. The Assurer found that Samsung SDI successfully identified sustainability issues relevant and material to the company and its major stakeholders through a wide range of methods through benchmarking, media analysis, stakeholder engagement, and the Voice of Customers (VOC) system. Samsung SDI also classified material areas and key issues and prioritized them according to the sustainability interest and Samsung SDI's analysis based on materiality. Samsung SDI has identified fourteen (14) key issues in the Report and Samsung SDI presented these material issues in a fairly balanced manner. The Assurer recommends Samsung SDI to report on the influence on stakeholders regarding business opportunities and risks associated with key issues selected from the materiality test and continuously monitor and report on these aspects.

Principle of Responsiveness: Organizational Response to Issues

The principle of responsiveness articulates that organizations should be responsive to issues that may have impacts on stakeholders' performance. The Assurer found that Samsung SDI successfully identified key management, ongoing management, and basic management areas along with issues in the respective areas based on stakeholder needs and expectations, and presented a direction for its sustainability management. The Assurer commends Samsung SDI for reflecting stakeholder concerns on sustainability management initiatives and its strong commitment to achieve balanced sustainability management. Based on such efforts, the Assurer expects Samsung SDI to achieve sustainable management across its businesses and present the strategic directions, results and mid to long term plans for individual issues in future reports.

Recommendations

The Assurer commends Samsung SDI for making a variety of efforts to improve sustainability, resulting performances, and presents the following recommendations to enhance future sustainability reports and sustainability management.

- Assurer recommends Samsung SDI to identify and to report the impact and influence on stakeholders from an economic, social, and environmental perspective. In doing so, Samsung SDI will have the capacity to measure activities and performance to determine contributions toward sustainable development.
- The Assurer recommends Samsung SDI construct annual review procedures of selecting material issues and improvement activities during the process of reporting in order to gradually increase performance.
- In identifying value, the Assurer recommends Samsung SDI perform a detailed analysis and provide information of how Samsung SDI creates financial and non-financial value where stakeholders can decide, with adequate information, the company's sustainability development. In particular, the Assurer expects more detailed impact analysis on financial and non-financial value creation, integrated sustainability management activities and future financial performance.

March 2013

Hong Jin, Chairman
Korea Productivity Center




Dong Soo Kim, Director
Sustainability Management Center



Yang Ho Lee, Team Leader
Sustainability Management Center



Hyuk Soo Jang, Researcher
Sustainability Management Center



Ik Hyun Bae, Researcher
Sustainability Management Center



The Sustainability Management Center of the Korea Productivity Center is an assurance agency officially certified by AccountAbility, which established AA1000, the international standards for stakeholder participation and verification, and has qualifications to perform independent assurance engagements. Our Assurance Committee is also comprised of competent experts who have in-depth experience in sustainability management consulting and assurance and completed the relevant professional training.

Greenhouse Gas Emission Verification Opinion

bsi. Verification Opinion



Samsung SDI Co., Ltd.

Scope

The annual SCOPE 1(Direct) and SCOPE 2(Indirect) GHG emissions of overseas plants for 2012 calendar year

The physical scope is limited within the boundary of the seven sites mentioned below.

The annual SCOPE 3 GHG emissions (Indirect emissions from product logistic and business trip) for 2012 calendar year

Data Verified

GHG emissions of the SCOPE 1 and SCOPE 2 of overseas plants for 2012 calendar year

Sites	Shenzhen	Tianjin	Shanghai	Malaysia	Hungary	Mexico	Vietnam	Total
tCO ₂ e	57,551	109,796	8,295	57,143	6,649	6,250	2,155	247,838

GHG emission of the SCOPE 3 as from product logistics and business trip for 2012 calendar year

Category	Product Logistic	Business Trip	Total
tCO ₂ e	706	2,825	3,531

GHG Criteria & Protocols used for Verification

The verification was performed at the request of **Samsung SDI Co., Ltd.** using the followings

- GHG · Energy Target Management Operating Guideline (2012-211) – Revised November 2012
- The Kyoto Protocol to the United Nations Framework Convention on Climate Change- Issued 11 December 1997
- The GHG Protocol of the WBCSD/WRI - Revised March 2004
- IPCC Guideline for National Greenhouse Gas Inventories - Revised 2006
- ISO14064 Part 1 & 3 - Issued 2006
- BSI GHGEV Manual (KM007 R2) – Revised Oc. 2012

The standard confidentiality principle of BSI Group Korea is applied to the all verification activities.

Verification Opinion

As a result of the verification in accordance with the protocols and the best practice listed above, it is the opinion of BSI that:

- No material misstatement in the GHG emission calculations was detected, related records were maintained appropriately
- The data quality was considered corresponding to the international key principles for GHG emissions verification.

For and on behalf of
BSI :
Issue: 20/03/2013


Managing Director Korea, **JaeHoon Han**

Printed copies can be validated at ClientDirectory or telephone +82 2 777 4123.

BSI Group Korea Limited, 21F, Jongno Tower Bldg.#6, Jongno 2-ga, Jongno-gu, Seoul,110-789, Korea BSI Group Korea Limited is a subsidiary of British Standards Institution.

* Under the Low Carbon Green Growth Basic Act, the 2012 Assurance Report (Statement) on Domestic GHG Emissions was electronically submitted to the national system.

GRI Content Index(G3.1)

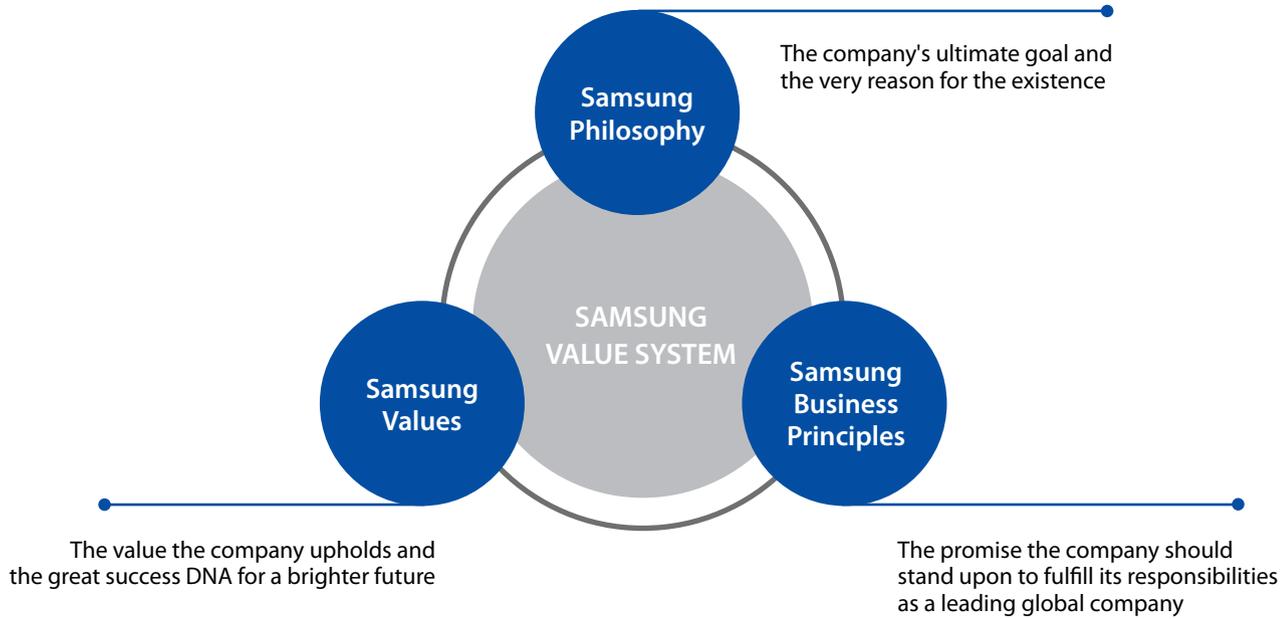
● Full Reporting ● Partial Reporting ○ Not Reported ◇ Not Applicable H Reported on Homepage

Number	Reporting	Page (Additional information)	Number	Reporting	Page (Additional information)	Number	Reporting	Page (Additional information)
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1.1	●	8, 9	4.15	●	10	LA2	●	43, 45, 46, 61
1.2	●	3, 4	4.16	●	10~13	LA4	○	44
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Samsung Value System



Samsung Philosophy

We will devote our human resources and technology to create superior products and services thereby contributing to a better global society

Samsung Values

- 
People
- 
Excellence
- 
Change
- 
Integrity
- 
Co-prosperity

Samsung Business Principles

- Principle 1. We comply with laws and ethical standards
- Principle 2. We maintain a clean organizational culture
- Principle 3. We respect customers, shareholders and employees
- Principle 4. We care for the environment, health and safety
- Principle 5. We are a society responsible corporate citizen

Listening to You

FAX : +82-31-8006-3399

We would like to incorporate your valuable feedback to improve our future Sustainability Report. Your comments and suggestions collected through this survey will be reflected in our business activities and future Sustainability Reports. We will inform you of the results through next year's Sustainability Report and our Sustainability website. Readers can participate in the same survey on <Sustainability - Performance & Reporting - Listening to you> page of Samsung SDI's website.

1. Which of the following applies to you?

- Samsung SDI Customer Institutional investor (social responsibility investment) Individual investor Supplier
 Government Civic group Industry association (enterprise, industry association, etc.) Research center Local resident
 Academia Others

2. What is the reason for your interest in Samsung SDI's Sustainability Report?

- To obtain investment information To evaluate Samsung SDI To prepare Sustainability (CSR) Report
 For the purpose of research and education To obtain specific information (Type : _____)

3. What were your major areas of interest? (Please write in detail)

1)	2)	3)
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4. How would you rate the Sustainability Report?

- | | | | | | | | |
|--|----------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-----------|
| Easy to understand | very low | <input type="checkbox"/> | very high |
| Easy to find desired information | very low | <input type="checkbox"/> | very high |
| Contains sufficient information | very low | <input type="checkbox"/> | very high |
| Design and layout are helpful in understanding the content | very low | <input type="checkbox"/> | very high |

5. Which sustainability issues would you like to see more in future report? (Multiple answers possible)

- | | | | |
|-------------------------|--|--|---|
| Economy | <input type="checkbox"/> Governance | <input type="checkbox"/> Risk Management | <input type="checkbox"/> Innovation Activities |
| | <input type="checkbox"/> Investment | <input type="checkbox"/> Product and Service Innovation that Can Bring Social and Environmental Benefits | |
| Environment | <input type="checkbox"/> Environment and Energy Management System | <input type="checkbox"/> Improving Energy Efficiency and Adopting Renewable Energy | |
| | <input type="checkbox"/> Efficient Use of Raw Materials | <input type="checkbox"/> Water Usage | <input type="checkbox"/> Pollutant Emission and Reduction |
| | <input type="checkbox"/> Environmental Law Compliance | <input type="checkbox"/> Eco-friendly Design of Products and Consideration of the Whole Life Cycle | |
| | <input type="checkbox"/> Environmental Preservation Initiative and Restoration | | |
| | <input type="checkbox"/> Strategies and Activities for Tackling Climate Change (GHG) | | |
| Labor, Human Rights | <input type="checkbox"/> Employment | <input type="checkbox"/> Labor-management Relations and Organizational Culture | |
| | <input type="checkbox"/> Employee Health & Safety | <input type="checkbox"/> Human Resources Development | <input type="checkbox"/> Evaluation and Compensation System |
| | <input type="checkbox"/> Diversified Efforts to Achieve Work-life Balance | <input type="checkbox"/> Respecting Diversity and Preventing Discrimination | |
| | <input type="checkbox"/> Efforts to Promote Communication with Employees | <input type="checkbox"/> Compliance with Labor-related Laws | |
| Transparency Ethics | <input type="checkbox"/> Anti-corruption Institutions | <input type="checkbox"/> Information Disclosure | <input type="checkbox"/> Fair Competition |
| | <input type="checkbox"/> Protection of Intellectual/Material Property Rights | <input type="checkbox"/> Compliance with Transparency and Ethics-related Law | |
| Product Liability | <input type="checkbox"/> Health and Safety of Customers and Consumers | <input type="checkbox"/> Product Service and Labeling | <input type="checkbox"/> Marketing Communication |
| | <input type="checkbox"/> Customer Satisfaction Activities | | |
| Local Community | <input type="checkbox"/> Evaluation and Management of Impact on Local Community | <input type="checkbox"/> Social Contribution | |
| | <input type="checkbox"/> Health of Local Residents | <input type="checkbox"/> Response to and Participation in Public Policies | |
| | <input type="checkbox"/> Public Infrastructure Investment and Service | | |
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6. Feel free to comment on the sustainability report of Samsung SDI.

Address 150-34 Gongse-ro, Giheung-gu, Yongin-si, Gyeonggi-do, Korea, 446-577

Contact Info. SM Office Tel +82-31-8006-3366 Fax +82-31-8006-3399
Planning Team Tel +82-31-8006-3649 Fax +82-31-8006-3397
General Inquiry Tel +82-31-8006-3100

E-mail sustainability@samsung.com

Homepage Samsung SDI <http://www.samsungsdi.com/>
Sustainability http://www.samsungsdi.com/sustain/s1_8.jsp
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Listening to You (Sustainability Report Survey)

We welcome your feedback. Please take part in the online survey or fill out the feedback questionnaire on the printed version of the Sustainability Report.

http://www.samsungsdi.com/sustain/s4_4.jsp

Voice of Customer (VOC System)

You can submit your comments and suggestions through the 'Voice of Customer (VOC)' page on our corporate website.

http://www.samsungsdi.com/e_voc_write.sdi

Included in the DJSI for Nine Consecutive Years - the First in Korea

Created by Dow Jones, a U.S.-based leading financial information company, and RobecoSAM, a global asset management firm in Switzerland, the world-renowned Dow Jones Sustainability Indexes (DJSI) track the financial, social, and environmental performance of companies and are used as important criteria for company investments. In the 2012 sustainability assessment of 2,500 companies worldwide, Samsung SDI was included in the DJSI for the ninth year in a row, a first for a Korean company, and was once again recognized as a leading sustainability-driven company.



GRI Application Level

Samsung SDI self-declares that Samsung SDI Sustainability Report 2012 has been prepared in such a manner as to meet all the requirements for an application level of B among the application levels in the GRI G3.1 Guidelines. In addition, an independent assurance provider has confirmed of this report meeting the application level of B+.

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