



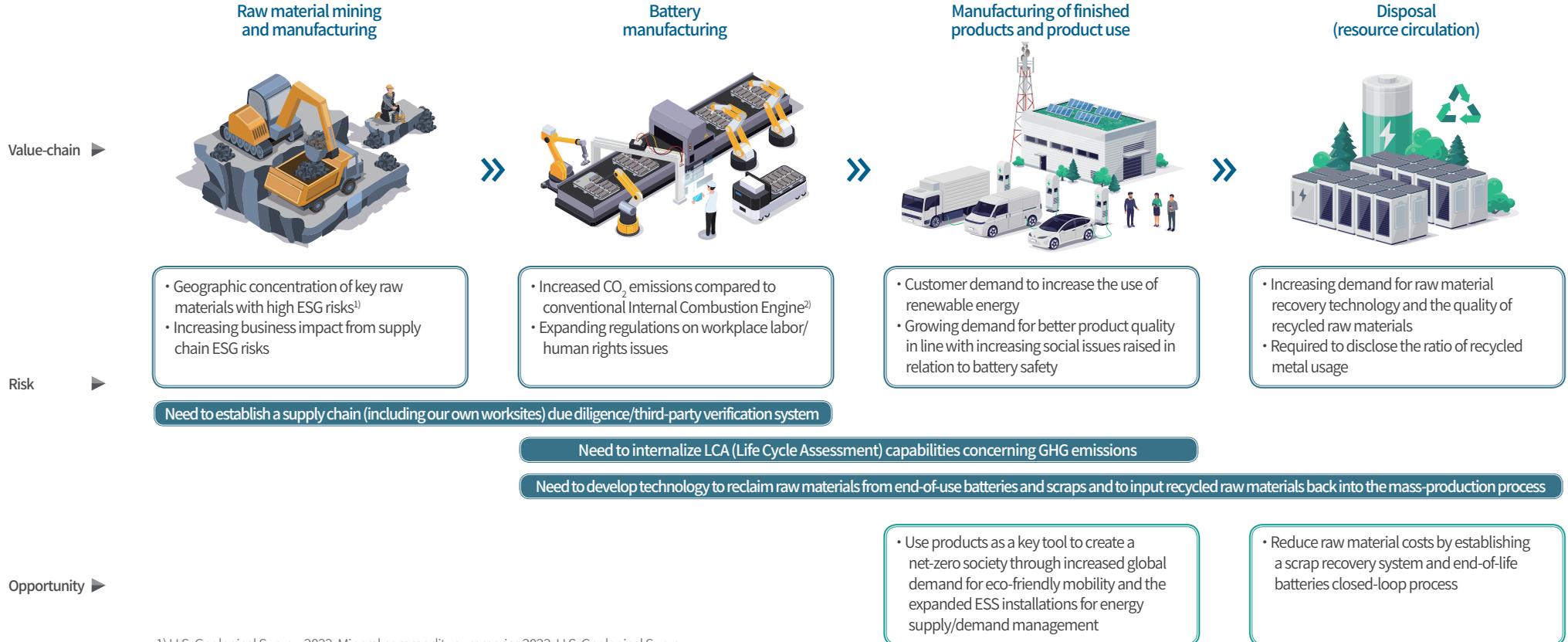
SUSTAINABILITY MANAGEMENT

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Sustainability Management Strategic Framework

Managing Our Value Chain from the ESG Viewpoint

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



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

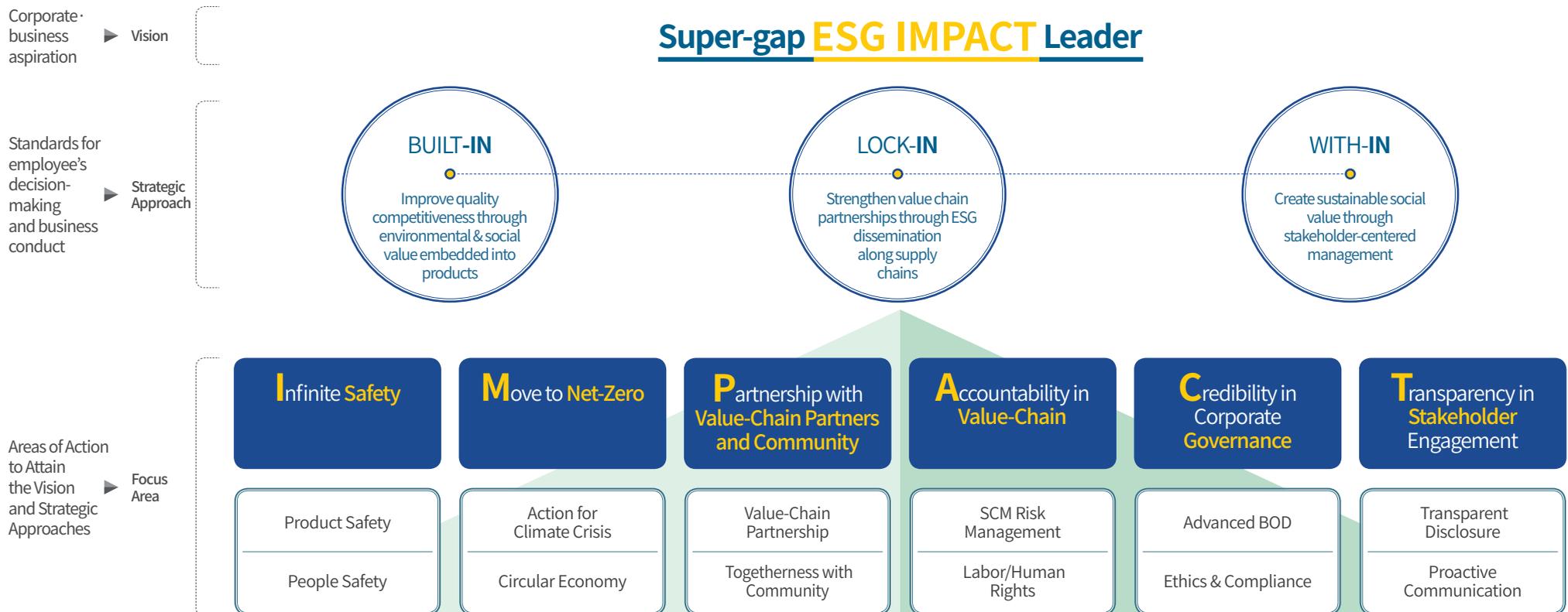
2) BloombergNEF, New Energy Outlook, 2020

Sustainability Management Strategic Framework

Sustainability Management Strategic Framework

In March 2022, Samsung SDI established a new sustainability management strategic framework to reach the vision of ‘Super-gap ESG IMPACT Leader in Energy & Materials Solution’.

Samsung SDI’s Sustainability Management Strategic Framework



Sustainability Management Strategic Framework

Strategic Approach to Sustainability Management

To bolster our business competitive edge both from business and social aspects, we have set the three strategic approaches of ‘improving quality competitiveness’, ‘strengthening value-chain partnerships’, and ‘advancing stakeholder-driven management’. Specifically, we defined the slogans of ‘BUILT-IN’, ‘LOCK-IN’, and ‘WITH-IN’ with ‘IN’ as the keyword to embed sustainability into our work methods and share the meaning of strategic approaches with internal and external stakeholders.

“Internalization”(IN) of sustainable management strategic approach contributing to bolstering business competitive edge



Stakeholder Value Creation



Focus Areas of Sustainability Management

Focus areas represent the top priority areas we should consider in our internalization efforts, and correspond to sustainability management activity areas that contribute to building our future competitiveness in the battery industry. We defined six focus areas and 12 specific issues based on their business relevance and urgency among others, and created our own distinctive sustainability management brand ‘IMPACT’ to embody our commitment to deliver positive impact to stakeholders in each of the following focus areas.

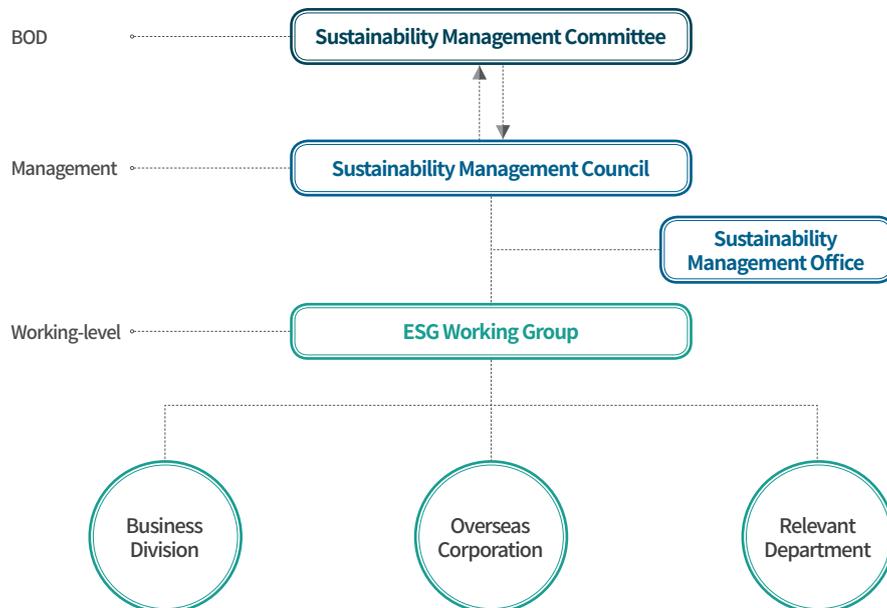
“Positive Impact”(IMPACT) delivered to stakeholders through sustainable management



Sustainability Management Operational Framework

Sustainability Management Operational Framework

In January 2022, Samsung SDI launched the ‘Sustainability Management Committee’ under the Board of Directors, and reorganized the ESG Strategy Group under the Planning Team into ‘Sustainability Management Office’ under the direct leadership of the CFO to bolster its company-wide sustainability management governance. The ‘Sustainability Management Council’ was also created as a C-level consultative body led by the CEO to reinforce senior management’s role in sustainability management, along with the ‘ESG Working Group’ formed among respective business divisions, overseas corporations and relevant departments to respond to sustainability management tasks and facilitate communication at the working level. The Sustainability Management Office will closely communicate with the ESG Working Group to assist Samsung SDI in implementing its sustainability management strategies.



Chair of the Sustainability Management Committee

Duk Hyun Kim



As the framework act on carbon neutrality and green growth was announced and enforced to respond to climate change, this urges us all to take action towards carbon neutrality, and businesses have become an agent of this transition as they advance ESG management to fulfill social responsibility and pursue transparency. To ensure sustainable production and consumption, all members of Samsung SDI need to recognize the importance of ESG and take impactful action. We will fully commit ourselves to fulfill our social responsibility towards future generations and the planet earth.

CFO and Head of the Sustainability Management Office

Jong Sung Kim



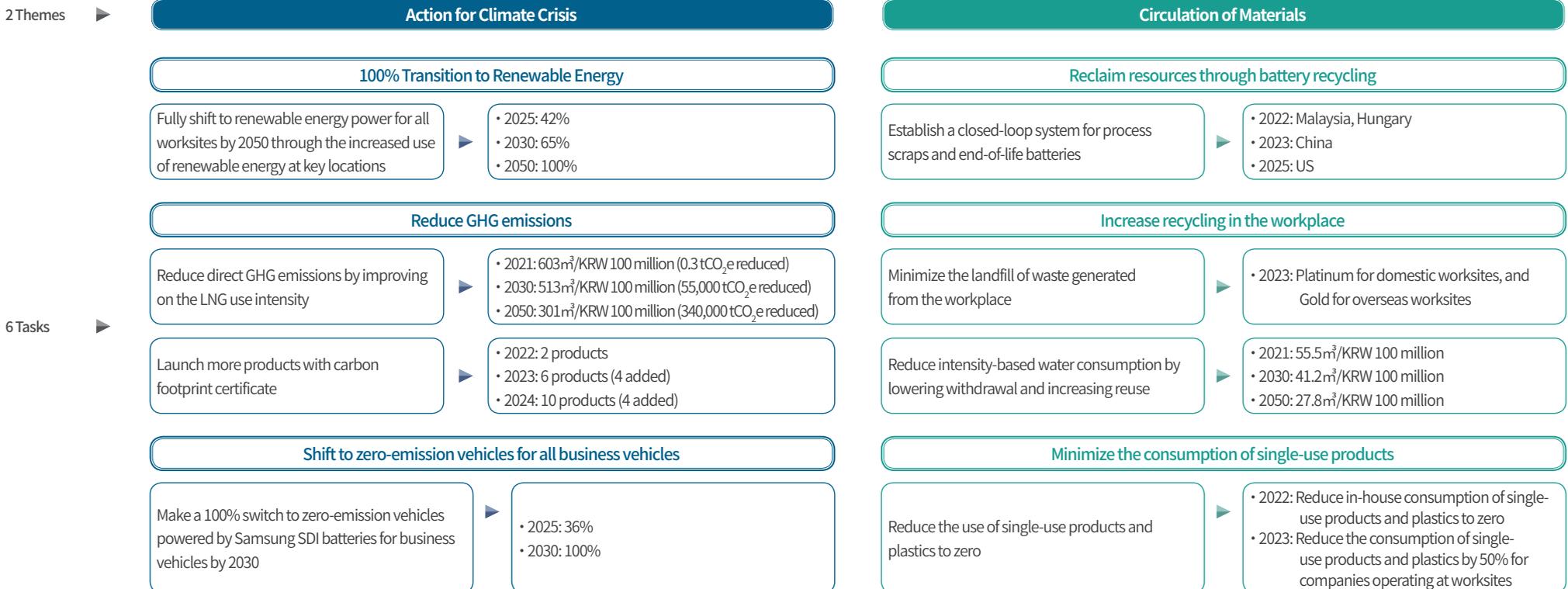
ESG management is no longer an option but an imperative. As such, Samsung SDI will recognize ESG management as a key strategic pillar for its business growth, and take a more proactive and preemptive approach to sustainability management issues. In the Environmental area, we will achieve 100% transition to renewable energy, reduce GHG emissions, expand battery recycling, and minimize the landfill of waste generated from our worksites. In the Social area, we will responsibly source minerals, establish a system to respond to EU’s supply chain due diligence directive, and expand our CSR programs. In the Governance area, we will continue to advance our Board of Directors from the aspects of diversity, expertise and independence. With the strong belief that any cost that incurs for ESG management is not merely cost but investment for our future, we will do our utmost to bolster our ESG management.

Environment Management Implementation System

Environment Management Implementation System

For businesses, environment management is never a choice but their fundamental responsibility to contribute to humanity and an agenda that warrants their proactive response to build sustainable future competitiveness. Samsung SDI is keenly aware of the severity of climate change and environmental crisis, and selected 'Proactive response to climate-crisis' as the key strategy of its environmental management to join in the effort to tackle these challenges. This focus area was categorized into the two themes of action for climate crisis and circular economy and a total of six tasks were identified and work is underway to implement these tasks.

Samsung SDI's Environment Management : Proactive response to climate-crisis

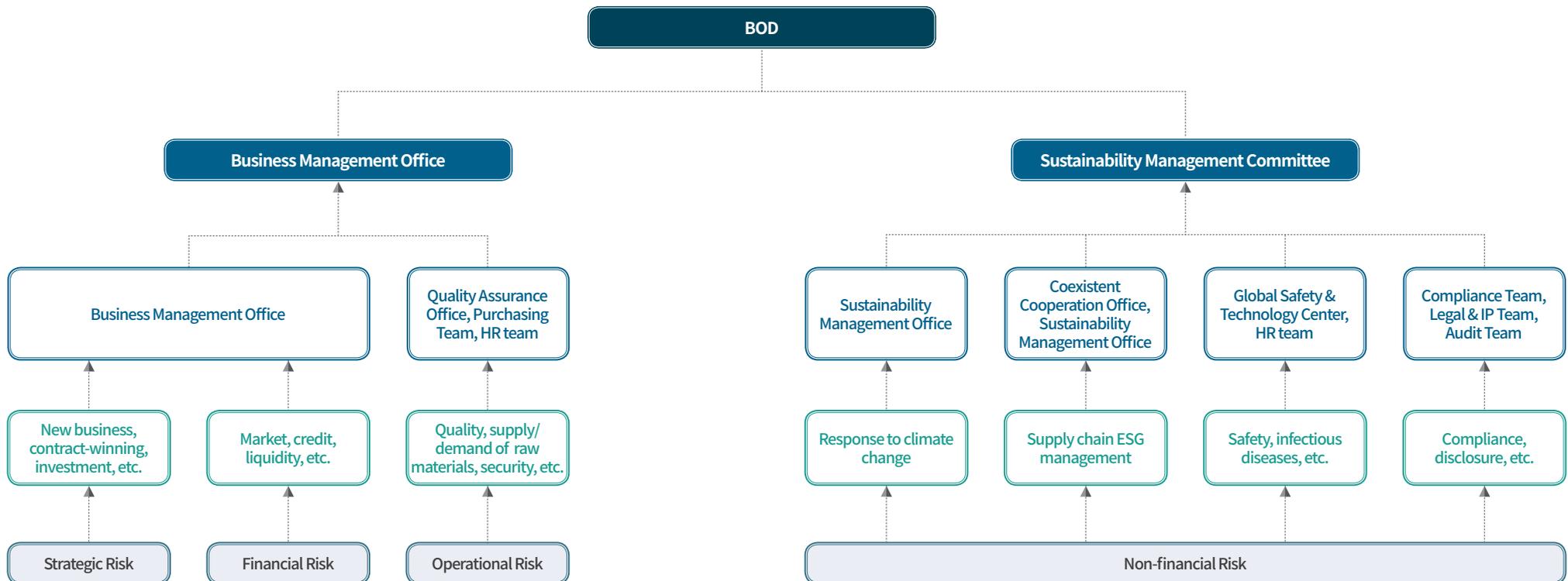


6 Tasks

Risk Management System

Company-wide Risk Management System

Board of Directors (BOD) is mandated to comprehensively manage a range of risks that may occur in the business environment concerning operations, finance, and workplace safety while making major decisions. To systematically manage such risks, Samsung SDI has stipulated business-specific risks and responsible departments. Risks are categorized into strategic, financial, and operational risks associated with our business operations as well as non-financial risks. The results of risk reviews conducted by responsible departments and their response strategies are reported to the BOD either through the Management Committee or the Sustainability Management Committee.



Risk Management System

Risk Classification and Reduction Activities

Risk	Risk Category	Explanation	Effect	Mitigation Activities
Disruptions in the supply/demand of key raw materials	Economic Risk	<ul style="list-style-type: none"> A surge in demand for products/services – EV, ESS, etc. - that contribute to Net-Zero society may trigger increases in raw material prices Competition is accelerating in supply/demand as the reserve of mineral resources is concentrated in specific geographies and such resources are supplied by a handful of companies 	<ul style="list-style-type: none"> Rising raw material prices and intensifying competition in supply/demand of raw materials give rise to increasing battery manufacturing costs, and this may impact our financial performance 	<ul style="list-style-type: none"> Ensure supply/demand of raw materials through joint ventures or partnerships with raw material partners Advance resource recovery technology to increase the recovery of recycled raw materials and input them back into battery manufacturing
Adverse social/environmental impact that may occur in the supply chain and relevant regulations set to take effect (Proposal for an EU Directive on Corporate Sustainability Due Diligence) ¹⁾	Social Risk	<ul style="list-style-type: none"> Given the characteristics of the nations and areas where the reserve of raw materials is concentrated, their mining process may raise issues with water quality, soil contamination, child labor and compulsory labor As the Proposal for an EU Directive on Corporate Sustainability Due Diligence takes effect, this will impose obligations on businesses to take legal responsibility for and manage ESG risks along their supply chains 	<ul style="list-style-type: none"> It is possible that supply chain due diligence is included as mandatory provisions in signing a supply contract with customers (automobile OEMs, etc.) 	<ul style="list-style-type: none"> Manage ESG risks that may occur at partners in advance through the S-Partner system Manage ESG risks that occur internally in advance through the ESG Audit system
Strong customer demand concerning products' carbon footprint and relevant regulations set to take effect (Proposal for an EU Regulation concerning batteries and waste batteries) ²⁾	Environment Risk	<ul style="list-style-type: none"> Automobile OEMs demand their supply chains to make proactive efforts to reduce carbon footprint through joining the RE100 initiative and the SBTi to reduce carbon emissions generated along their value-chain As the Proposal for an EU Regulation concerning batteries and waste batteries takes effect, this will make battery producers a target of mandatory carbon footprint disclosures made on their EV and industrial application batteries, and it is likely that they are ultimately obligated to comply with the life-cycle carbon footprint of the battery 	<ul style="list-style-type: none"> It is likely that our battery sales will be prohibited in the EU market if we fail to comply with carbon footprint disclosure obligations and the life-cycle carbon footprint of the battery in the Proposal for an EU Regulation concerning batteries and waste batteries 	<ul style="list-style-type: none"> Manage product carbon footprints by building and operating a battery LCA system Shift to renewable energy for workplace power consumption by 2050

1) Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937(Proposal for an EU Directive on Corporate Sustainability Due Diligence hereinafter)

2) Proposal for a Regulation of the European Parliament and of the Council concerning batteries and waste batteries, repealing Directive 2006/66/EC and amending Regulation (EU) No 2019/1020 (Proposal for an EU Regulation concerning batteries and waste batteries hereinafter)