

## High Material Issue 04

# Compliance with laws and global anti-corruption principles

Recognizing risk management and prevention on compliance/business ethics are critical tasks, Samsung SDI complies with the regulations in the countries where we operate, and continuously promote relevant activities. Especially in 2016, there are increasing interests and expectations on transparent management from stakeholders with the implementation of 'Improper Solicitation and Graft Act' (also known as anti-graft law). In this regard, Samsung SDI implemented various activities to pre-emptively respond to changing legal risks in domestic and overseas and to spread voluntary compliance culture.

## Organization Operation

Samsung SDI runs a Legal Compliance & IP Team that is fully responsible for compliance and ethical management. Each division appoints a compliance practice leader and manager to implement voluntary compliance culture. In 2016, we hosted a session for compliance managers to share recent compliance issues and the relevant work plans and rewarded compliance practice managers who showed the best compliance performance at the end of the year. In addition, the employees who contributed to the settlement of compliance culture domestic and overseas received the CEO award to re-emphasize the importance of compliance and business ethics. For overseas corporations, we established the compliance operating system for new corporations in 2016 and also encourage the existing corporations to continue their compliance management activities by conducting self-compliance assignments.

## Training and Inspection

### Compliance Training

In 2016, Samsung SDI implemented training across ranks and with different themes to build compliance awareness among the employees. Compliance trainings for the entire employees take into account opinions from the employees and division characteristics to provide customized and selective training for higher efficiency. In addition, we improved the training process, the quality of trainers and materials, reflecting the surveys from our employees to enhance the training satisfaction. In 2016, Samsung SDI carried out consortium trainings for the employees at its 57 partner companies to support trainings related to

compliance management, anti-corruption, mutual growth, trade secret, contract, personal information, and patent. In 2017, we will review the existing training system and the materials to reorganize and discover recent issues and relevant case studies to bring more interests and attentions to the employees to maximize the training effectiveness.

### Compliance Inspection

Samsung SDI identified major compliance risks based on the laws and regulations relevant to us and conducted regular checks on departments exposed to high risks including sales, purchases and development departments. We conducted additional on-site checks, if necessary, and identified improvement aspects for application and established a strong inspection system that issues warning notes ordered by the head of compliance support team, targeting employees violating internal rules. If we identify that our overseas corporations face problems with global standards or regulations which might affect them such as U.S. federal trade secret act and the European personal information protection, we immediately share the risks with them and carry out local trainings and checks.

### Anti-Corruption

Samsung SDI evaluated compliance risks and inspected high-risk departments that directly interact with the customers and checked their expense statements that come from external contacts. As a result, we confirmed that there was a no material risk with no exceptions. In addition, we audited the companies in our supply chain and the departments that interact with the customers for their sales performance, recruiting process and product and material managements. We took strict actions on internal violation cases. In 2016, we penalized a total of 42 people as a result of anti-corruption audits and there were no partner companies involved with violation.

### Audit Report

Samsung SDI is receiving reports on unfair demands from using one's position and corruption cases via e-mail, phone, and fax at all times. The report types are the violations of laws and its Code of Ethics. In addition, in case of reporting on social and environmental issues in which various stakeholders have interests such as human rights, labor, local communities, and supply chain, the relevant department is required to deal with these issues according to matters. There were no violation cases received in 2016 on human rights, local community, environmental impacts and labor practices.



Target: 16.3

## BUSINESS CASE



### Response to the Anti-Graft Act

Samsung SDI conducted various activities to make pre-emptive responses to the anti-graft law implemented in September 2016. We conducted special online trainings not only for the entire employees, but also for department heads, expat workers at overseas corporation and the local experts. In addition, we implemented activities to prevent risks associated with the anti-graft law and help our employees to fully understand the law by offering sessions inviting special instructors, building the guideline for the employees and company-wide promotions and receiving continuous advice. In 2017, we will reorganize the guideline to comply based on updates of the law, provide additional trainings based on feedback received in the past trainings and reinforce checks on the departments that interact with the customers.

### Major lawsuit progress

There have been investigations on violating the competition law for colluding on fixing the price for CRT in U.S., EU, Japan and Korea. We paid a penalty in some countries such as Korea, U.S. and Europe to close the case. However, Samsung SDI appealed in Japan, which is currently in progress,

and whether Samsung SDI violated the relevant laws will be announced depending on the final verdict. In addition, there have been investigations on violating the competition law for colluding on fixing the price for secondary batteries in U.S. and Europe, which were closed in December 2016. We were not imposed with any penalty or sanction for violating the laws and regulations in those countries.

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### Input



Human Capital

Compliance, Ethics Training	Unit	2014	2015	2016
Samsung SDI Corruption Prevention*	Persons	24,060	18,028	17,438
Ethics*	Persons	19,985	6,971	4,715
Supply Chain Ethics	Company	70	72	57

\* Accumulated person-years



Intellectual Capital

Compliance Inspection	Unit	2015	2016
Theme inspection	Case	2	5
Self-inspection on system	Case	1	1
On-site inspection	Case	13	4
Subcontractor inspection	Case	6	2
Internal transaction inspection	Case	-	1
Overseas corporation inspection	Case	-	2
Legal review on major meetings	Case	97	31
Total	Case	119	46

### Output



Human Capital

Penalty	Unit	2014	2015	2016
Punishment from anti-corruption audit	Persons	77	43	42
Partners terminated the contract for corruption involvement	Company	9	3	-



Social and Relationship Capital



Manufacture Capital

Business site corruption risk evaluation	Unit	2015	2016
Total business site No.	EA	30	30
No. of business sites with corruption risk	EA	19	4
Percentage of business site with corruption risk	%	63	13