OVERVIEW

Message from the CEO
Company Profile
Management Philosophy
Business Introduction
Business Operation Process
Governance
Stakeholder Communication
Aspect Boundary
Materiality Test
Samsung Heavy Industries, which has shown continuous growth and remarkable development through turning countless adversities into valuable opportunities, now prepares for an even bigger leap forward on the basis of its decisive innovations.

Dear Stakeholders,
who trust and value Samsung Heavy Industries,

Samsung Heavy Industries (hereinafter referred to as SHI), which has successfully executed various projects in shipbuilding and offshore fields since its foundation in 1974, consistently endeavors to reflect the voices of its stakeholders, including clients, subcontractors, employees, and local communities. Moreover, as a global industry leader, SHI is investing much effort in building reliable and eco-friendly ships and offshore production facilities.

2015 has been by far the most difficult business year for SHI due to significant challenges, such as the global economic recession, low oil prices, and a series of trials & errors in executing offshore projects. Despite such difficult conditions, however, SHI employees endeavored to maintain safety and quality as well as comply with delivery schedule by showing concerted commitment and dedication, thereby transforming the crisis into opportunities.

Not only has SHI promoted the importance of safety awareness by announcing January 19th as the official Safety Awareness Day, but it has also received the highest level of recognition in the Safety Assessment Evaluation, conducted by ExxonMobil, for 6 consecutive years. Moreover, SHI significantly improved quality by enforcing its 10 Quality Rule Implementation Check on a weekly basis for flawless delivery. In the meantime, the Production Sector has succeeded in utilizing the Dual Lifting Method, which enables a 8,000 tons and a 3,600 tons floating cranes to lift and load a 11,600 tons terra block, thereby enhancing the overall production efficiency.

SHI acutely realizes that the company’s survival depends on the commitment of its employees and is firmly determined to overcome the current crisis. The company plans to set this experience as a valuable stepping stone for greater progress in the future. Waiting for the optimal time to arrive, SHI will not only stay committed to basics, but also try to attain fundamental competitiveness required to effectively respond to any harsh external environment. In closing, SHI sincerely asks for the unwavering support and trust of its stakeholders.

Thank you.

President and CEO of Samsung Heavy Industries
Dae Young Park
Company Profile

Samsung Heavy Industries

SHI directs its ambitions towards becoming the world’s best corporation in the shipbuilding - offshore industries. On the basis of its experience in successfully managing a broad range of projects along with its exceptional technology, SHI has succeeded in becoming a top-tier global company in the fields of shipbuilding, offshore drilling, production facility construction, and digital system development. As of 2015, SHI ranked No.1 in its global market share for LNG carriers and mega containerships. SHI built the world’s first two-way ice breaking tanker, thereby opening a new chapter in oil transportation to arctic areas. Moreover, SHI has constructed the highest number of drillships and FPSOs respectively. SHI has also attained global recognition for the excellence in designing and building topside of offshore plants, such as fixed offshore platform, TLPs, and floating offshore structure, which require high stability and advanced technology.

Global Network

SHI is maximizing its efficiency with a network of 10 global branch offices and worksites.

Overview

Company

Samsung Heavy Industries Co., Ltd.

Date of Foundation

5th August, 1974

President

Dae Young, Park

No. of Employees

13,974*

Headquarters

Gyeonggi-do Seongnam-si Bundang-gu Pangyoro 227-23

Contact

+82 31 5171 6104

Website

www.samsungshi.com

* Includes temporary employees

** Headquarters relocated in March, 2016

Total No. of Issued Stocks

230,990,231

Common

230,875,386

Preferred

114,845

Total Asset

A

A

+ A

Corporate Bond

CP

Domestic Network

Pangyo (HQ)

Pangyo, Gyeonggi-do, Seongnam-si

Daejeon

Daejeon, Gwangyeok-si

Geoje

Geoje, Gyeongsangnam-do

Overseas Network

Overseas Subsidiaries

China

NINGBO Co., Ltd.

RONGCHENG Co., Ltd.

Middle East

Dubai Office

Lagos Office

Africa

Dubai Office

Lagos Office

Overseas Office

America

Houston Office

London Office

Oslo Office

Athens Office

Europe

London Office

Oslo Office

Athens Office

Asia

Tokyo Office

Singapore Office

Singapore Office
Management Philosophy and Corporate Mission

Under its management philosophy of “making contribution to humanity by creating the best products and services based on human talents and technology”, SHI endeavors to fulfill its corporate mission of “satisfying customers and enhancing the quality of life by providing reliable, eco-friendly, economical and convenient ships and facilities”, and consolidate its status as the world’s leading EPCI company.

Management Principles

SHI establishes a set of management rules and educates its employees on them regularly in efforts to fulfill its ethical and social responsibilities. With the products of best quality and advanced technology, SHI further strives to perform the management activities that will contribute to the mutual growth of humanity and nature.

Core Values

With its consistent passion and unshakable challenging spirit, SHI strives to become the world’s best.

SHI proceeds with unyielding transformation as well as innovation on the basis of its awareness of a possible crisis.

SHI strives to add positive values to its local community, nation, and mankind.

With its consistent passion and unshakable challenging spirit, SHI strives to become the world’s best.

Management Principles

SHI adheres to the laws and codes of ethics. SHI maintains a competent organizational culture. SHI respects its clients, shareholders, and employees. SHI values HSE (Health, Safety and Environment). SHI fulfills its CSR (Corporate Social Responsibility) as a global corporate citizen. SHI strives to become a global top tier corporation.

Business Introduction

SHI was established in 1974, has been the leading corporation in shipbuilding and offshore industries, and advanced technology. Under its distinguished products and superb technology, SHI is currently ranked No.1 globally for its high added-value special ships production and it holds much competence in the fields of offshore drilling and production facility. Moreover, SHI is taking the lead in modernizing the industry by incorporating its cutting-edge automated systems to its products.
# Business Operation Process

1. **Plan**
   - A graphical design of the vessel as required by the client is formulated.

2. **Steel Cut**
   - Structural steel is accumulated and cut, according to the outlined design.

3. **Assembly**
   - Structural steel is welded together to construct blocks, which are parts of the vessel.

4. **Internal Assembly**
   - Internal assembly, such as piping or wiring, is executed on the vessel.

5. **Paint**
   - Eco-friendly paint substances are applied to the blocks so as to prevent rusting.

6. **Load**
   - The blocks are relocated to the dock and loaded to form the structure of the vessel.

7. **Launch**
   - The dock is filled with water in order to set the completed vessel afloat.

8. **Quay Work**
   - A variety of equipment and interior is applied to the vessel’s cabin.

9. **Test Drive**
   - A test drive is conducted to assess the quality and performance of the vessel.

10. **Naming Ceremony**
    - A ceremony is held by which the client visits the shipyard to name the vessel.

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### Offshore

1. **Engineering Design**
   - An engineering of the offshore plant as required by the client is formulated.

2. **Steel Cut**
   - Structural steel is accumulated and cut, according to the outlined engineering.

3. **Assembly**
   - Structural steel is welded together to construct offshore plants.

4. **Internal Assembly**
   - Various internal assembly is installed into the offshore plant.

5. **Paint**
   - Eco-friendly paint substances are applied to the offshore plants so as to prevent rusting.

6. **Hinge Turnover**
   - A large crane prepares facilities installation by flipping over the offshore plant deck.

7. **Loading Equipment onto the Deck**
   - A variety of equipment is installed on top of the offshore plant deck.

8. **Launching Lower Substructures**
   - The substructures that support the upper body of the offshore plant deck are set afloat.

9. **Load & Connect Dock Module**
   - Loading and connecting operations are conducted onto the deck module of the substructures.

10. **Test Drive & Delivery**
    - Offshore performance assessments are conducted onshore and delivered to the client.

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### Technology Development

1. **Geoje Automated Production Research Center**
   - This center heavily focuses on technology developments related to shipbuilding, offshore plants, platform construction, automated production, and IT integration.

2. **Daedeok R&D Center**
   - This center heavily focuses on the technology development related to smart shipbuilding, offshore plant performance improvements, and shipbuilding performance improvements.

3. **Pangyo R&D Center**
   - This center heavily focuses on the technology development of independent offshore engineering technologies and internalization of equipment.

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### ECO Solution

- The Eco Solution endeavors to provide a safe and eco-friendly ballast water treatment system. It also endeavors to provide an effective system to minimize fuel use.

### Navigation Control Solution

- The Navigation Control System strives to provide various optimized solutions for navigation control to induce improved efficiency onto the operation of ships and offshore plants.

### Power Solution

- The Power Solution provides switchboards, panel boards, and electricity propulsion plants that satisfy the environmental and safety requirements for shipbuilding and offshore construction.
Overview

Board of Directors
As of 31st December 2015, the Board of Directors, the highest decision making body of SHI, consists of 5 committees; Audit, Executive, External Director Candidate Nomination, Internal Trade, and Compensation. In March, 2015, the Compensation Committee was established and operation provisions enacted. The Board of Directors consists of 7 persons, 3 internal directors and 4 external directors. Directors are appointed by External Director Nomination Committee and the appointment is decided on the grounds of professionalism and fairness.

Subcommittees
- Executive Committee: Deliberation of and decision on issues commissioned by the BoD in accordance with the articles of association, BoD rules, and corporate regulations in order to enhance professionalism and efficiency in business practice.
- Internal Trade Committee: Pre-deliberation of major internal transactions to strengthen business transparency and trust of stakeholders.
- Compensation Committee: Securing objectivity and transparency of the remuneration decision making process.
- External Director Candidate Nomination Committee: Nomination of External director candidates in a fair and independent manner.
- Audit Committee: Supervisory and supportive activities to help the management maximize corporate value through check and balance.

BoD Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Gender</th>
<th>Director Status</th>
<th>Date of Appointment</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dae Young Park</td>
<td>Male</td>
<td>CEO (BoD Chairman)</td>
<td>Mar. 15, 2015</td>
<td>3 yrs</td>
</tr>
<tr>
<td>Tae Heung Chun</td>
<td>Male</td>
<td>Vice President</td>
<td>Oct. 27, 2015</td>
<td></td>
</tr>
<tr>
<td>Hyo Seoup Kim</td>
<td>Male</td>
<td>Executive Director</td>
<td>Mar. 13, 2015</td>
<td></td>
</tr>
<tr>
<td>In Man Song</td>
<td>Male</td>
<td>President of Korea Accounting Association</td>
<td>Mar. 13, 2015</td>
<td></td>
</tr>
<tr>
<td>Dong Ryn Haek</td>
<td>Male</td>
<td>Professor of Seoul National University, School of Marine Engineering</td>
<td>Mar. 14, 2015</td>
<td></td>
</tr>
<tr>
<td>Jae Han Ryu</td>
<td>Male</td>
<td>Former President of Korea Finance Corporation</td>
<td>Mar. 13, 2015</td>
<td></td>
</tr>
</tbody>
</table>

Subcommittee Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Executive Committee</th>
<th>Internal Trade Committee</th>
<th>Compensation Committee</th>
<th>External Director Candidate Nomination Committee</th>
<th>Audit Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dae Young Park</td>
<td>●</td>
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<tr>
<td>Tae Heung Chun</td>
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<tr>
<td>Hyo Seoup Kim</td>
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<tr>
<td>Jong Gye Shin</td>
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<tr>
<td>Jae Han Ryu</td>
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</tbody>
</table>
Stakeholder Communication Principle

In efforts to systematically communicate with stakeholders, who have direct and indirect influence on SHI business activities, SHI classified stakeholders into different categories in 2015. Through its diverse communication channels, SHI is engaging in active talks with its stakeholders and sharing its major sustainability management related issues with them as well. SHI further endeavors to realize sustainable development and healthy growth by reflecting the stakeholders’ interest to SHI’s business operations.

Stakeholder Communication Channels

SHI puts much efforts into accommodating the opinions of its various stakeholders through operating a diversified communication channel. Moreover, from the opinions obtained through such channels, SHI strives to reflect such voices into its business strategy. Lastly, the selection of major topics addressed in its sustainability reports are also derived from analyzing stakeholders’ opinions.

<table>
<thead>
<tr>
<th>Stakeholders and Investors</th>
<th>Core Stakeholder Groups</th>
<th>Government</th>
<th>Media</th>
<th>NGO</th>
<th>Core Stakeholder Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders and Investors</td>
<td>Customers</td>
<td>Partners</td>
<td>Employees</td>
<td>Local Communities</td>
<td>Government</td>
</tr>
</tbody>
</table>

Stakeholder Communication Channels

SHI Stakeholder Engagement and Communication System

SHI Stakeholder Stakeholder Communication Channels

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<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Activities</th>
<th>Major Interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders and Investors</td>
<td>Regularly sharing sustainability management activities and performances with shareholders and investors through online and offline channels.</td>
<td>Operating results, management strategies, business ethics, and compliance.</td>
</tr>
<tr>
<td>Customers</td>
<td>Regularly communicating with customers through a wide range of communication channels and responsible organizations.</td>
<td>Customer satisfaction activities, product and service quality.</td>
</tr>
<tr>
<td>Employees</td>
<td>Operating various programs such as presentations on management status and Sansum in order to boost communication with employees.</td>
<td>Education programs, for evaluation &amp; compensation, quality of life.</td>
</tr>
<tr>
<td>Business Partners</td>
<td>Operating various communication channels for effective shared growth with business partners.</td>
<td>Should growth programs &amp; for transactions.</td>
</tr>
<tr>
<td>Local Communities</td>
<td>Carrying out various social contribution activities to help local communities grow stably.</td>
<td>Social contribution activities &amp; protection and preservation of environment.</td>
</tr>
</tbody>
</table>

Aspect Boundary

SHI has constructed its 2015 Sustainability Report according to the CRI G4 Guideline and structured each aspect according to the company’s 5 core values. SHI further set the businesses that were highly related to each aspect as the internal boundary. Stakeholders groups who were affected by a certain standard, according to different characteristics of each aspect, were set as the external boundary.

2015 Aspect Boundary

SHI Stakeholder Engagement and Communication System

Shameful
Overview

Materiality Test

SHI conducts its materiality test to identify factors introduced in its Sustainability Report, which may significantly affect the company’s short, mid, and long-term value creation capability. The test applies stakeholders’ interest and requirements. Moreover, to attain credibility and stability for the issues derived from the test, SHI endeavors to include major issues in a balanced and correct manner.

Identification of Issue and Issue Pool

To derive issues that may contribute to the creation of new values for SHI, the company conducted analysis on media, industry trends, benchmarks, and sustainability management standards. Through such measures, SHI identified 25 issues and added them to a pool. To attain balance for the issues derived and to systematically manage them according to different categories, SHI identified the issues according to its 5 core values. In order to respond properly against the newly derived 25 issues for 2015, specific points for each issue were analyzed and proper resource allocation will be emphasized.

Materiality Test Framework

SHI conducted its materiality test by adapting the integrated international standard guideline, the <IR> Framework. A total of issues were derived according to their relevance and influence to the following: relevance to SHI’s business activities, influence to SHI’s stakeholders, and influence to SHI’s value creation. To observe the relevance, SHI analyzed the relevance of SHI’s financial performance to each issue. Moreover, to observe stakeholders’ influence, SHI analyzed their interest for each issue.

2015 Materiality Test Process

- Media analysis
- Industrial trend analysis
- Benchmarking of similar industries
- Analysis of international standards
- Evaluation of 25 issues
- Categorization into 5 different categories
- Measurement of relevance and influence of each issue to sustainable management
- Confirmation of the 5 issues derived from the relevance/influence measurement and attainment of approval from related divisions