

SAMSUNG HEAVY INDUSTRIES

SUSTAINABILITY REPORT 2015

ABOUT THIS REPORT

Reporting Outline

Samsung Heavy Industries (hereinafter referred to as SHI or the company) has published a Sustainability Report since 2011 with the aim of transparently informing stakeholders of its activities and performances in terms of sustainability management.

Reporting Period and Scope

This report covers the period from January 1st through December 31st, 2015, and quantitative performances for the last 3 years are additionally included to provide an insight into time-series trends. Given that this report is scheduled to be issued in May 2016, some significant sustainability activities and performances that occurred until March 2016 are also included in this report.

Reporting Guidelines

The SHI Sustainability Report 2015 was written in accordance with the Core level of the GRI (Global Reporting Initiative) G4 guidelines and in consideration of the IR Framework of IIRC (International Integrated Reporting Council).

Scope of Data Collection

The scope of data in SHI Sustainability Report 2015 covers those from domestic network, such as the Geoje Shipyard, Pangyo R&D Center, Hwaseong Plant, and Daedeok R&D Center. Data from overseas subsidiaries and offices are also planned to be included in the future.

Assurance Statement

The objectivity and reliability of this report was verified by LRQA (Lloyd’s Register Quality Assurance), a third-party assurance institution.

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SAMSUNG
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SUSTAINABILITY REPORT 2015

Corporate Social Responsibility

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OVERVIEW

SHI Geoje Shipyard

SHI's incredible feat in the shipbuilding and offshore production industries, along with its position as a global top-tier company, can be attributed to the foundation of Geoje Shipyard. Capable of simultaneously mooring 24 vessels, this 4,000,000m² facility is the first shipyard that has obtained 3 internationally reputed certificates, including ISO9001 (Quality Management), ISO14001 (Environmental Management), and OHSAS18001 (Safety & Health Management).

Major Production Facilities

	Type	Scale	Major Products
Onshore dock	Dock #1	283m x 46m	LNG carrier and drillship
	Dock #2	390m x 65m	LNG carrier, drillship, and FPSO
	Dock #3	640m x 98m	Containership, LNG carrier, and LNG-FPSO
Floating Dock	Dock G1	270m x 52m	Tanker, drillship, and FPSO
	Dock G2	400m x 55m	LNG-FPSO, tanker, and containership
	Dock G3	400m x 70m	Containership and VLCC
	Dock G4	420m x 70m	Containership and VLCC
	OFD (Offshore Floating Dock)	157m x 131m	Offshore facilities only

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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



Message from the CEO

Company Profile

Management Philosophy

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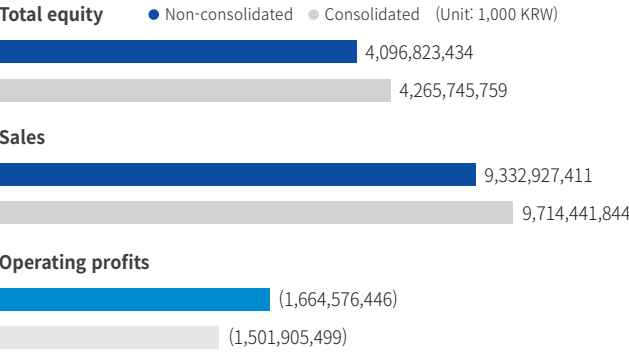
Overview	(Based on 2015 Business Report)
Company Name	Samsung Heavy Industries Co., Ltd.
Date of Foundation	5 th August, 1974
President	Dae Young, Park
No. of Employees	13,974*
Headquarters	Gyeonggi-do Seongnam-si Bundang-gu Pangyoro 227-23**
Contact	+82 31 5171 6104
Website	www.samsungshi.com
* Includes temporary employees	
** Headquarters relocated in March, 2016	

Particulars of Stock Issuance	
	Total No. of Issued Stocks
Common	230,875,386
Preferred	114,845
Total	230,990,231
Treasury	25,964,429
As of 31 st December 2015, the total number of stocks issued by SHI amounts to 230,990,231. A total of 205,025,802 stocks are outstanding and 25,964,429 (common stocks) are owned by SHI as treasury.	

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.



Domestic Network

Pangyo (HQ)		Geoje	
Pangyo R&D Center	Gyeonggi-do Seongnam-si Bundang-gu Pangyro 227-23	Geoje Shipyard	Gyeongsangnam-do Geoje-si Jangpyeong 3no 80 (Jangpyeong-dong)
Daejeon		Hwaseong	
Daedeok R&D Center	Daejeon Gwangyeok-si Yuseong-gu Munji-dong 217	Hwaseong Plant	Gyeonggi-do Hwaseong-si Hyohaengno 1339 (Banwol-dong)

Global Network

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



Overseas Network

Overseas Subsidiaries	Overseas Office			
China	· NINGBO Co., Ltd.	Europe	· London Office	
	· RONGCHENG Co., Ltd.		· Oslo Office	
			· Athens Office	
		Asia	· Singapore Office	
			· Tokyo Office	
		Middle East	· Dubai Office	
		Africa	· Lagos Office	

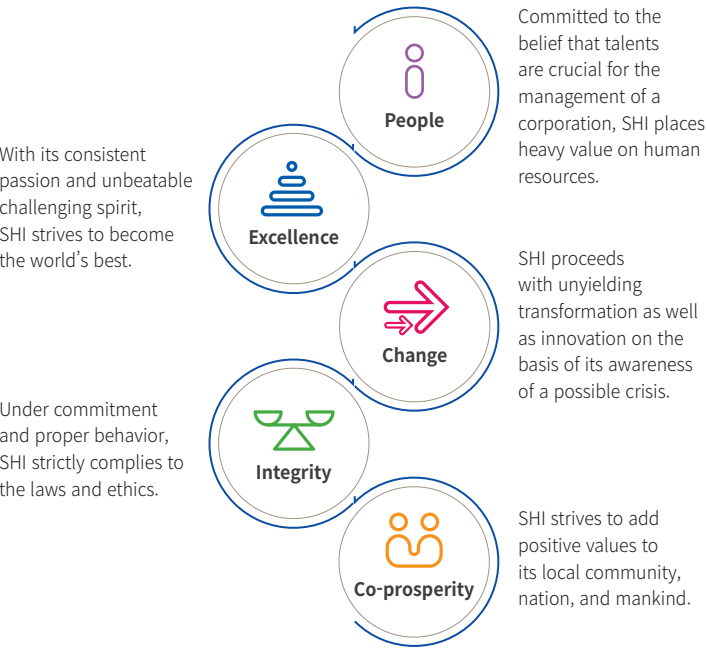
Management Philosophy

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.

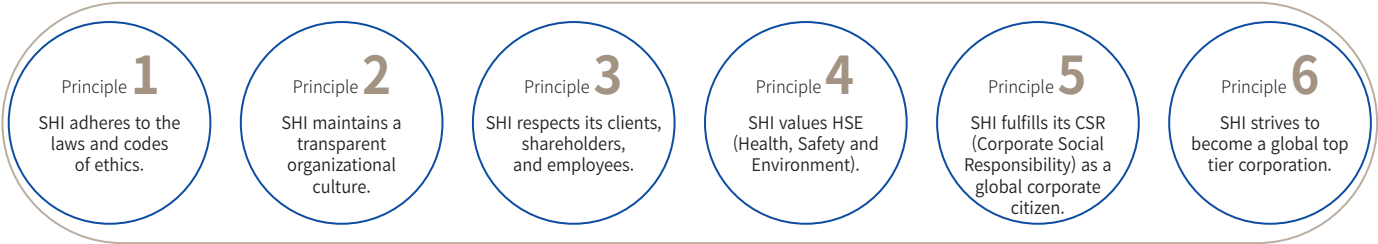
Management Philosophy	Making contribution to humanity by creating the best products and services on based on human talents and technology.
Corporate Mission	Satisfying customers and enhancing the quality of life by providing reliable, eco-friendly, economical and convenient ships and facilities.

Core Values



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.



Business Introduction

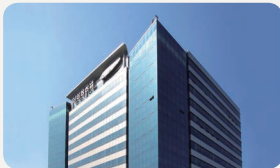
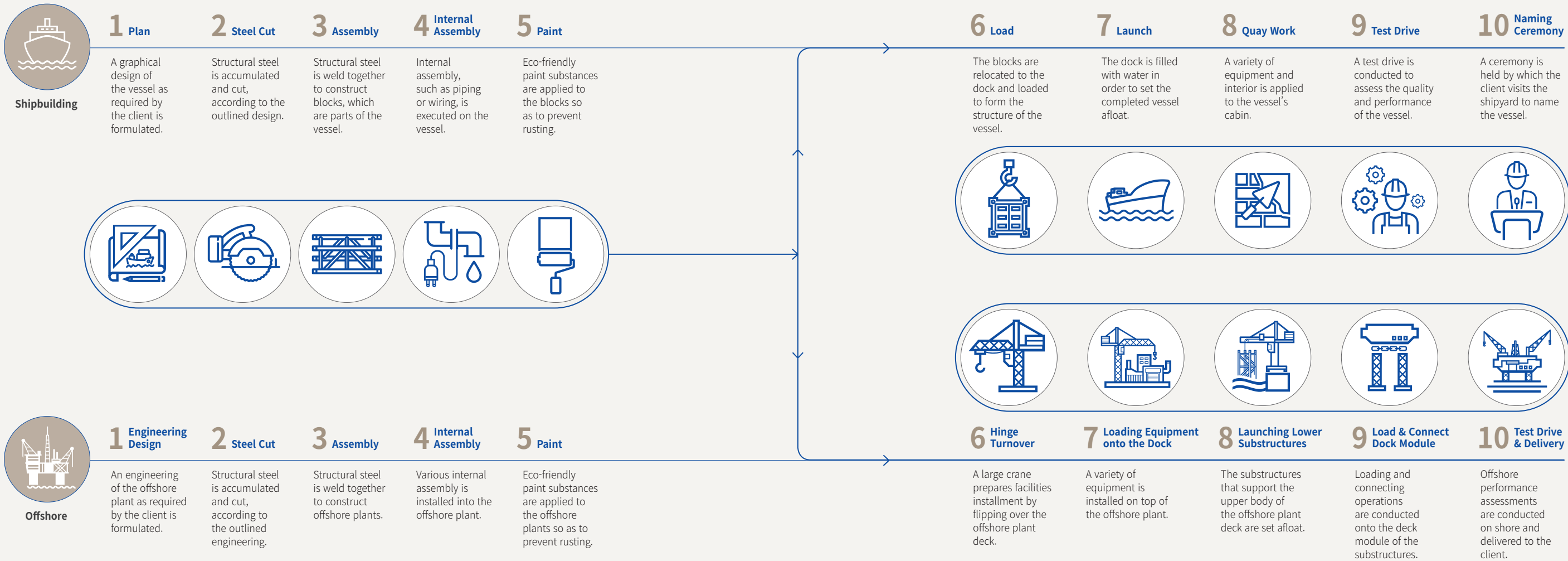
SHI was established in 1974, has been the leading corporation in shipbuilding and offshore industries, and advanced technology. Under its distinguished products and superb technology, SHI is currently ranked No.1 globally for its high added-value special ships production and it holds much competence 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.

Field	Operation	Major Products
 Shipbuilding	SHI’s shipbuilding operation that incorporates hull construction, block assembly and outfitting, has made notable achievements. In 2008, SHI succeeded in building the world’s biggest 266,000 m³ LNG Carrier. In 2014, SHI won the order of the world’s first Very Large Ethanol Carrier (VLEC). In 2015, SHI won the contract for the world’s biggest, 211,000 TEU Container ship. Likewise, SHI is leading its industry with its advanced technology and high-added value.	· Tanker · Arctic Shuttle Tanker · Containership · LNG Carrier · LNG-SRV · LNG-FSRU
 Offshore Drilling & Production	Based on its accumulated shipbuilding expertise, SHI has made significant achievements in the offshore development facility market that includes FPSO, drill ships, fixed offshore platforms, TLP, and floating offshore platforms. Moreover, the company is maintaining an unrivalled competitiveness in offshore drilling and production facilities, based on its distinguished technology in designing and constructing topside, a integral part of offshore development facility.	· Drillship · LNG-FPSO · Crude Oil Production & Storage Facility · Fixed Platform · Floating Offshore Structure · Floating Production Unit · Offshore Development Ship · Jack-up Rig
 Power and Control Systems	SHI’s Power and Control Systems Division, which strives to establish a technological standard for unmanned ships and on-land automation, is strengthening its competence by developing and supplying total solutions for categories, such as ballast water treatment, automated navigation, LNG storage & supply, and regasification.	· Ballast Water Processing System · LNG Propulsion Vessel Fuel Supply System · Vessel Switchboards · Cruise Control, Integrated Navigation System · Power, Offshore SI, Regasification Solutions

	Content of Technology Development	Location
 Technology Development	SHI is investing much effort in attaining an excellence in product performance and quality by consistently engaging in research development and expanding its base facilities. SHI further strives to achieve high added value and attain advanced technology by engaging in a variety of research projects, under the objectives: “achieving business-related R&D, improving performance and cost competitiveness to enhance product competitiveness, maximizing the efficiency of engineering and production through convergence with IT”	· Daeduk in Daejeon · Geoje Shipyard · Pangyo in Gyeonggi-do

* Effective since 2015, the 2015 Sustainability Report adopts the term “technology development” in place of “Research & Development.”

Business Operation Process



Geosje Automated Production Research Center



Daedeok R&D Center



Pangyo R&D Center



Technology Development

This center heavily focuses on technology developments related to shipbuilding, offshore plants, platform construction, automated production, and IT integration.

This center heavily focuses on the technology development related to smart shipbuilding, offshore plant performance improvements, and shipbuilding performance improvements.

This center heavily focuses on the technology development of independent offshore engineering technologies and internalization of equipment.



Power and Control Systems



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.

Governance

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

	Name	Gender	Director Status	Date of Appointment	Term
Internal Director	Dae Young Park	Male	CEO (BoD Chairman)	Mar. 15, 2015	3 years
	Tae Heung Chun		Vice President	Oct. 27, 2015	
	Hyo Seoup Kim		Executive Director	Mar. 13, 2015	
External Director	In Man Song		President of Korea Accounting Association	Mar. 13, 2015	
	Dong Hyo Kwak		Former Chief of Patent Court	Mar. 15, 2015	
	Jong Gye Shin		Professor at Seoul National University, School of Marine Engineering	Mar. 14, 2015	
	Jae Han Ryu		Former President of Korea Finance Corporation	Mar. 13, 2015	

Subcommittee Members

	Name	Executive Committee	Internal Trade Committee	Compensation Committee	External Director Candidate Nomination Committee	Audit Committee
Internal Director	Dae Young Park	●			●	
	Tae Heung Chun	●		●	●	
	Hyo Seoup Kim	●				
External Director	In Man Song		●	●	●	●
	Dong Hyo Kwak		●		●	●
	Jong Gye Shin			●	●	●
	Jae Han Ryu		●			

Operation of the BoD

SHI held a total of 12 rounds of BoD meetings in 2015, where 34 resolutions for topics, such as approval of transaction limit, execution of BoD compensation limits, and approval of financial statement. The participation rate for 2015’s BoD Meeting was 93.8%.

Specifics of BoD Operation

	2013	2014	2015
Rounds	9	14	12
Number of Resolutions	30	40	34
Participation Rate	94.4	96.7	93.8

Compensation System

The annual salary limit for a BoD member, decided in the 2015 BoD Meeting, has been set at 12 billion KRW and 2.38 billion KRW has actually been executed. Such compensation amounts are decided by the BoD resolution, and long term performance incentives are decided based on factors, such as ROE, R/E, and pre-tax profit. Specific Details regarding BoD compensation are described in the 2015 SHI Business Report.

Share Ownership

As of December, 31st the total number of issued stocks amounted to 230,990,231 and 205,025,802 shares are outstanding. The greatest shareholder is Samsung Electronics, which holds 17.6%. Samsung life Insurance, National Pension and Samsung Electro-Mechanics also hold more than 2% of SHI’s shares. Consisting 99.99% of the total shareholders, small amount shareholders amount to 156,783 and own 62.5% of SHI’s shares. To realize shareholder values, SHI not only publishes business reports, quarterly reports, and semiannual reports, but also uses a variety of communication channels to immediately and precisely inform domestic, as well as international investors of SHI’s business achievements and strategies.

Major Shareholders

(As of December 31, 2015)

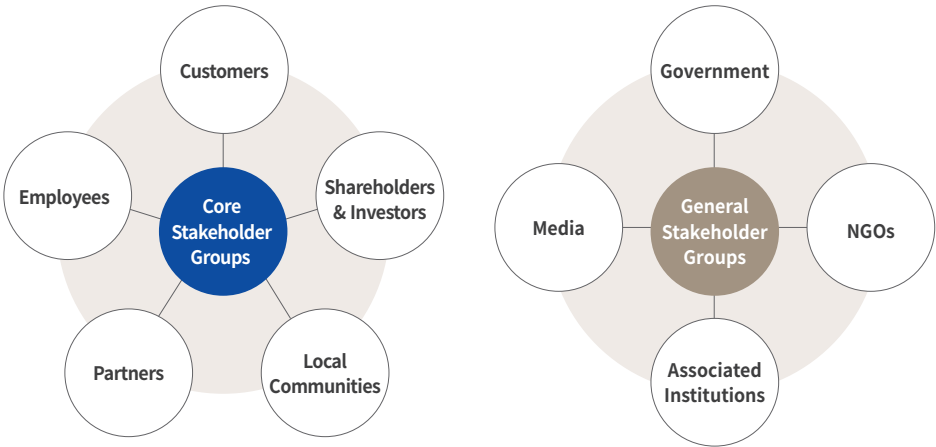
Name	Number of Stocks Owned (Unit: shares)	Share (Unit: %)
Samsung Electronics	40,675,641	17.6
Samsung Life Insurance	7,814,326	3.4
National Pension	6,906,299	3.0
Samsung Electro-Mechanics	5,508,563	2.4

Stakeholder Communication

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 it 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.

SHI Stakeholder Engagement and Communication System



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.

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

Aspect Boundary

Standards for Setting 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.

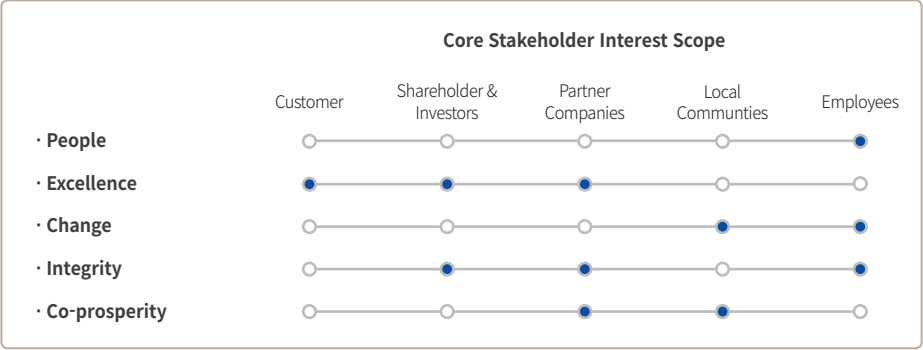
2015 Aspect Boundary

2015 Issues	GRI G4 Guideline Aspect	Aspect Boundary	
		Internal Boundary	External Boundary
People · Strengthen Employees’ Capacity · Employees’ Quality of Life · Healthy labor-management relationship	Training and education	● ● ● ● ●	Business Partners
	Grievance Mechanisms	● ● ● ● ●	-
	Employment	● ● ● ● ●	-
Excellence · Technology Development · Customer Satisfaction · Products & Services	Product and service labeling	● ● ● ● ●	Customers
	Market Presence	● ● ● ● ●	-
Change · Employees’ Health & Safety · Green Management · Organization Culture	Occupational safety and health	● ● ● ● ●	Business Partners
	Energy	● ● ● ● ●	
	Emission	● ● ● ● ●	Local Communities
	Waste	● ● ● ● ●	
Integrity · Ethical Management · Compliance · Information Management	Anti-Corruption	● ● ● ● ●	Business Partners
	Compliance	● ● ● ● ●	Government
Co-prosperity · Mutual Growth · Sharing Management	Labor Practices	● ● ● ● ●	Business Partners
	Indirect Economic Impacts	● ● ● ● ●	Local Communities
Business Review	Economic Performance	● ● ● ● ●	Shareholders and Investors

● Management Support (Finance, Planning, HR, Administration, etc.) ● R&D ● Production ● Engineering ● Sales

Report Scope and Stakeholder Division

Independent from the aspect boundaries as provided by the GRI G4 Guideline, SHI has classified different aspects in its Sustainability Report to reflect stakeholders’ interest.



Materiality Test

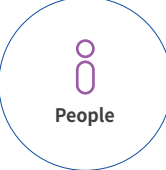
Materiality Test Process

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.

Categorization of Issues According to 5 Core Values



People



Excellence



Change



Integrity



Co-prosperity

- Strengthen Employee Capability
- Improvement of Employee’s Work-Life Balance
- Fair Evaluation and Compensation
- Employee Safety
- Activation of internal Communication

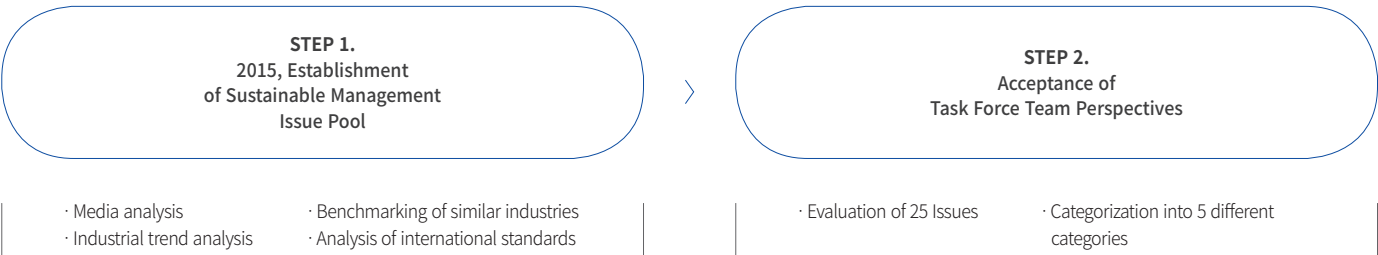
- Advancement of quality management system
- Improvement of product and services
- Technology Development
- Innovation for Survival
- Enhancement of Customer Satisfaction

- Distinctive Display of Organization Culture
- Enhancement of Productivity and Competence
- Risk Management
- Creation of New Businesses
- Response to Global CSR Issues

- Enhancement of Ethical Management
- Compliance
- Stabilization of Fair Trade Culture
- Uprightness of Governance
- Establishment of Information Protection System

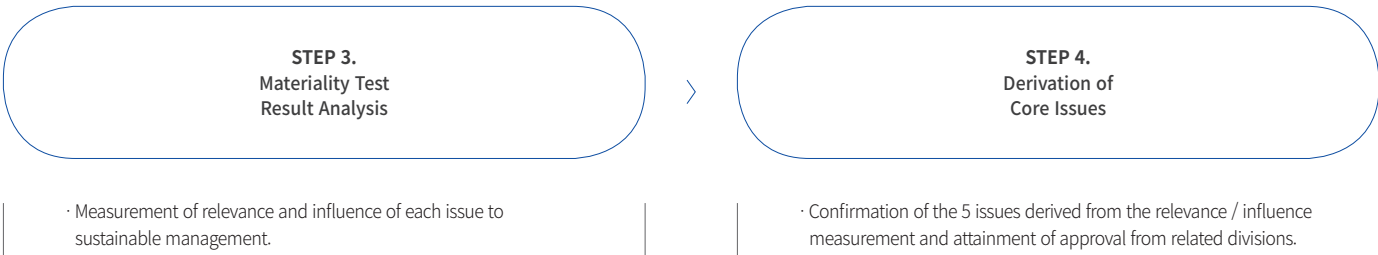
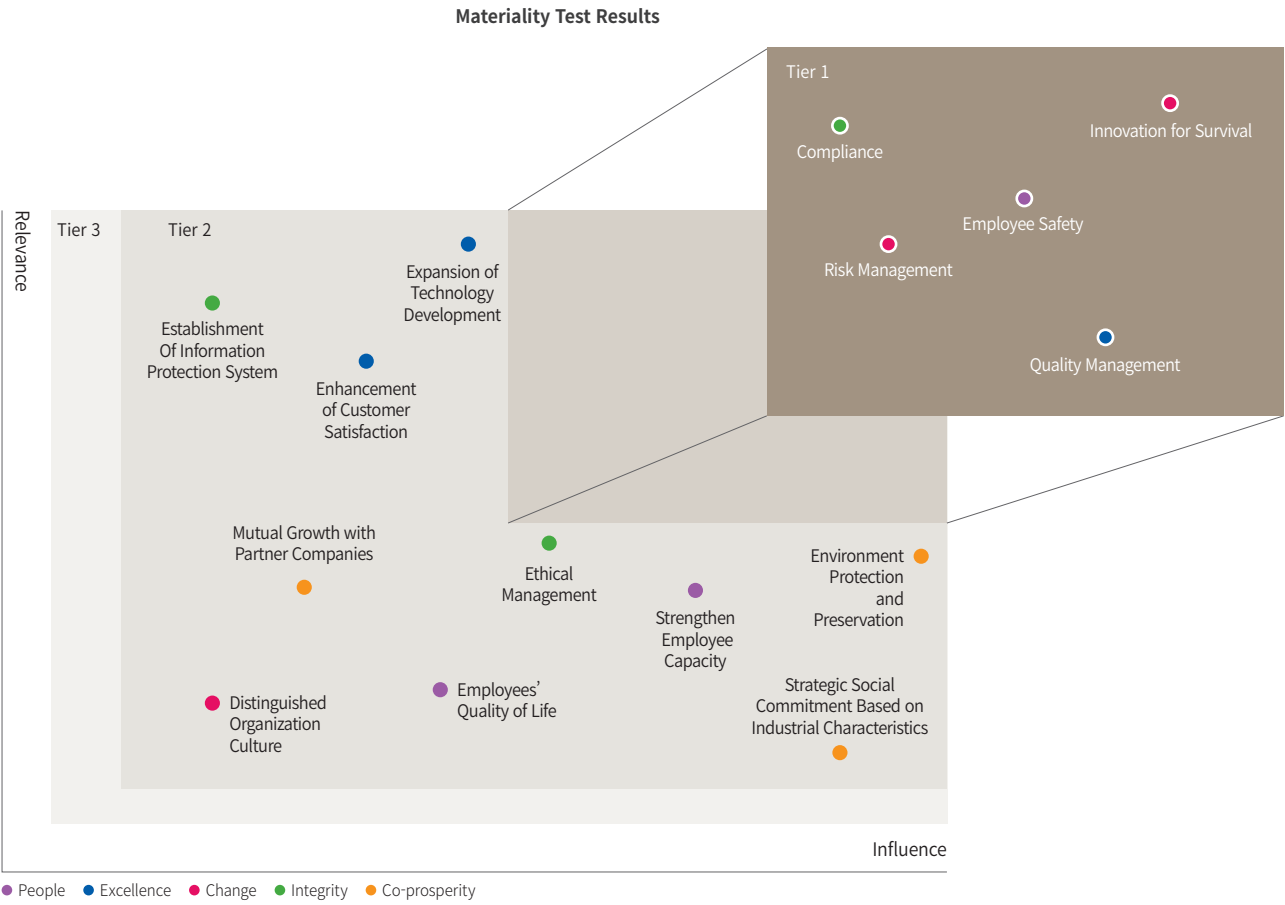
- Mutual Growth with Business Partner
- Social Commitment Practices
- Invigoration of Local Community
- Support for Future Generations
- Environment Protection and Preservation

2015 Materiality Test Process



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 MATERIAL ISSUES

This chapter focuses on the 5 most relevant, among the many other, sustainable management issues, which impose much significance to its stakeholder and are thus central to SHI's business operation.

- 22 Innovation for Survival
- 26 Compliance
- 30 Employee Safety
- 34 Risk Management
- 38 Quality Management



Innovation for Survival

SHI's shipbuilding and offshore industries, which are highly affected by changes in economic performance and oil prices, had faced much difficulties in 2015 due to the global recession and falling oil prices. Nevertheless SHI will employ a variety of innovations and thereby respond to changes in the market in order to attain the ascendancy in bidding competitions.

- Innovation for Survival
- Compliance
- Employee Safety
- Risk Management
- Quality Management

2015 Management Principles

Due to the reduction of global freight volume and consistent drops on oil prices, SHI concluded its 2014 objective of achieving 15 billion dollars of revenue at 66.7%, leading to only 10 billion dollars in revenue. As a response to the 2014 performance, SHI has newly established its management principles to “eading innovation for survival,” which are focused towards reducing the lead time; enhancing productivity; and eliminating inefficiencies.

2015 Management Direction

Objective	Enhancement of Qualitative Competence for Survival		
Direction of Progress	Attainment of competitive ascendancy in all fields	Development of a global-oriented business	Establishment of a future-oriented working community
Agendas	· Reduce 10% in lead time, enhance 20% in productivity, and eliminate 30% of inefficiencies in all processes · Minimization of losses, retrieval of projects, and attainment of clients' trust · Attainment of capability to provide all facilities required by the client with a singular turn key solution · Consolidation and proliferation of SHI's distinctive corporate culture, which entails communication, gratefulness, and sharing · Establishment of an atmosphere to encourage the cooperation between management and workers; seniors and juniors; as well as SHI and its partners		

Major Innovation Activities and Achievements of 2015

2015 Management Strategy Conference - A management strategy conference was held in December, 2014, where the CEO, all members of the Board of Directors, and Committee Heads were present. The 2015 Management Strategy Conference objectively evaluated the overall performance of SHI; celebrated its achievements; and analyzed causes that led to results that were less desirable. The conference was also an opportunity for SHI to set solid resolutions to enhance upon its performances. The conference also entailed sharing SHI's management objectives and its mid-long term visions.

Establishment of a New Production Head Position - For a shipbuilding or offshore business corporation, which utilizes countless steels to build massive vessels and complicated offshore facilities, the ability to achieve welding quality as well as high project management standards is crucial. For instance shortening the delivery time and producing its docks in a more efficient manner are altogether directly correlated toward SHI's profitability. As a response, SHI newly established a management position, the Production Head, in order to induce innovative changes to its production. In 2015, SHI further strives to put emphasis in its innovative activities, especially in the offshore plant field, which requires more efficiency than shipbuilding.



2015 Management Strategy Conference



Conference for Survival



Technological Innovation Exhibit



Offshore plant Industry Assessment Conference

Innovation for Survival

Organizational Innovation - SHI has officially reorganized its production structure to its products and project lines in order to eliminate the problems arising from the inefficiencies of building ships and offshore plants according to the sequence of attaining project contracts. This adjustment adds more efficiency and professionalism to SHI, as work forces are assigned to each project with responsibility. SHI further established a PCM (Project & Construction Management) Team, in efforts to manage its production and strengthen its management functions. Lastly, SHI established its Management Innovation Office to proliferate and lead its management innovations throughout the company.

Conference for Survival - SHI opened its Conference for Survival in February 2015, where the head of Geoje Shipyard, managers of the production line, and CEOs of SHI’s partners were present. The conference entailed sharing the overall performance of SHI’s business. Problems arising from the delay of projects were highlighted at this conference and agendas to improve upon production stability and efficiency was heavily discussed.

Disposal of Non-Major Assets - SHI decided to sell off assets that are irrelevant to its main business, which includes shipbuilding and offshore facilities production, in order to improve its financial structure. SHI plans to attain a flow asset of at least 500 billion KRW by selling off its factories located in Chungcheongnam-do Dangjin, Gyeonggi-do Hwaseong, and Gyeonggi-do Suwon.

Technological Innovation Exhibit - SHI held its Technological Innovation Conference in August, 2015, in efforts to maximize the creativity of SHI’s technology development work forces, to improve innovative productivity, and to develop new ideas on reducing raw material costs. A total of 10 technology development agendas were introduced by 300 researchers working at the Geoje Shipyard.

Management Difficulties Resolution Conference - A conference to discuss issues on resolving SHI’s management difficulties were held at the Geoje Shipyard. This conference, which was held according to different divisions, such as the Production 1 Division, the External Procurement Division, and General Division, made resolutions to overcome SHI’s management difficulties by sharing their corporate outlooks, commitment to reduce raw material costs, and strategies to successfully achieve projects.

Offshore plant Industry Assessment Conference - SHI participated in the Offshore Plant Industry Assessment Conference, held by the Ministry of Trade, Industry, and Energy, in October, 2015. At the conference, SHI analyzed the negative trends occurring in the offshore plant industries arising from lowered oil prices, reduced contracts, as well as delayed deliveries and discussed measures to overcome them. This conference was meaningful in a sense that the managements of Shell and Exxon Mobil, both stationed at SHI’s Geoje Shipyard, attended the meeting and provided realistic opinions regarding the status quo.

2016 SHI Innovation Plans

SHI has established the year 2016 as the “golden time” for attaining foundations for survival and future growth. Though the market performance has been dominated by rather negative prospects, such as reduced contracts and falling oil prices, SHI will prove, through its innovations and challenging spirit, that innovative growth is feasible even at times of slow growth.



SHI’s 1,000th Vessel

SHI’s 1000th Vessel Delivery

SHI achieved its historical record of delivering its 1000th vessel to the English company, Seadrill, on February 2nd, 2015. This record is meaningful to SHI in that it marks the 38th years since the foundation of Geoje Shipyard, and the 35th years since SHI has built its own ship in July, 1980.

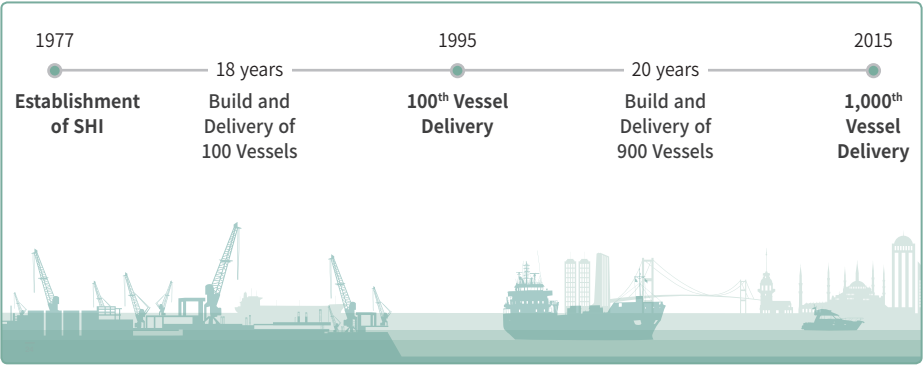
Looking into SHI through its 1,000th Vessel Delivery

SHI, upon its entrance into the shipbuilding industry in 1977, was not only a late runner but also smaller in its corporate capacity. Thus, only until 1955 was SHI able to deliver its 100th vessel.

However, SHI has managed to achieve an incredible outcome of delivering 900 more vessels over a 20 year period. This feat is largely attributed to SHI’s passion and endeavors to expand its production capabilities through developing new production methods, such as the mega block and terra block technology. Moreover, SHI’s production abilities were greatly enhanced with its establishment of the world’s greatest scale Third Dock in 1994.



1,000th Vessel Delivery History



1,000th Vessel Delivery Appreciation Plaque

Distribution of the 1,000 Vessels Built by SHI

As of February, 2015, SHI has built 1,000 vessels throughout its history. Of which, the portion of high added value vessels, such as the 94 LNG Carriers, 54 drillships, 46 mega containerships (10,000 TEU or above), and 16 FPSO, amount to 30%. This feat can be attributed to SHI’s concentration towards building ships that require relatively advanced technologies and the company is currently building vessels for use at the arctic areas, such as the VLEC. Putting emphasis to innovative ship building ideas and offshore facilities production, SHI is leading its industry in innovation.

Compliance

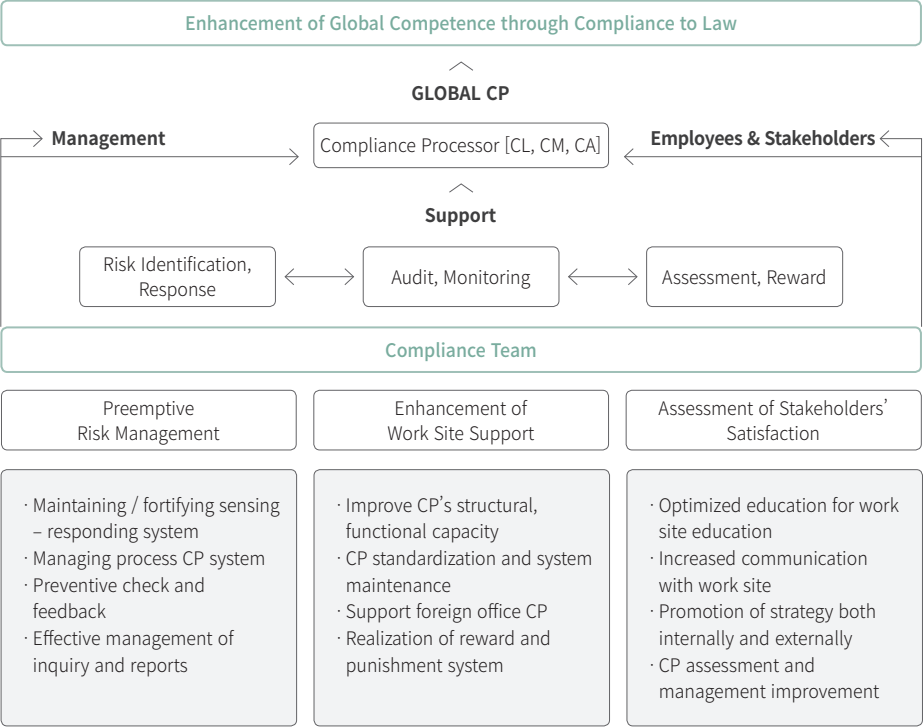
SHI, in its endeavors to realize a healthy and righteous sense of management, adheres to the Samsung Group’s management philosophy of “Integrity,” along with the corporate laws set domestically and internationally. SHI endeavors to improve its compliance management and build a transparent corporate culture in efforts to sustain healthy growth and establish a relationship of unbreakable trust with its stakeholders, who directly and indirectly affect SHI.

Innovation for Survival
Compliance
Employee Safety
Risk Management
Quality Management

Compliance Promotion

SHI, as a global corporation, endeavors to prevent any legal problems arising from its business activities. In efforts to effectively respond against any potential problems, SHI has established the Compliance Program (CP) in which the company reorganizes the compliance structure on a yearly basis and collect compliance promotion strategies to further solidify a corporate culture of business compliance.

SHI Compliance System



Compliance Management Execution Process

SHI’s Compliance Management System is a circular process that entails the standardization and establishment of CP so that such adjustments are reflected to the assessment and presentation of business activities. SHI also practices compliance by enforcing daily education under contents, such as CP regulations, code of conduct, and behavioral manuals.

Compliance Management Execution Process



Compliance

Compliance Management Operation System

In order to stabilize compliance to its management, SHI is currently operating a Compliance Committee, exclusively designated for compliance, with the CEO as the head of the Committee. Moreover, the Committee has appointed SHI’s managers and division heads to the positions of compliance leaders and compliance managers, respectively, to proliferate a sense of compliance to SHI’s management. In 2015, SHI has also appointed a Compliance Assistant, to strengthen the company’s sense of compliance in a much more systematic manner. These efforts will contribute to the enhancement of the compliance structure throughout SHI’s work sites.

SHI Compliance Structure Status (as of December, 2015)



Code of Conduct

- Comply to the law and regulations for all work on hand and any type of violation ordered or approved shall not be condoned.
- In cases at which violation is to be suspected, refer to the compliance manual or discuss the issue in advance with the Compliance Team.
- Upon noticing any type of violation or possibilities of violation, immediately refer to the Compliance Team.

Channels to Reporting Compliance issues

Postal Address : SHI Compliance team,
Gyeonggi-do Seungnam-si Bundang-gu,
Pangyo-ro,
227-23 (Zip Code: 13486)

Call : +82 31 5171 7755
E-mail : cp.shi@Samsung.com

SHI conducts a periodic educational session towards its Compliance Committee and Compliance Processors as a means to support the on site compliance structure to stabilize and proliferate Compliance. Moreover, it provides compliance related issues and trends on a periodic basis. Lastly, SHI renders a variety of communicational events for the Compliance Committee to enhance the company’s Compliance capability.

Enhancement of Compliance

SHI is adding much value to its operation by encouraging members of the Compliance Committee to participate in the company’s management conference, held under the provision of the CEO. It also holds many forms of events, such as designing and publishing compliance related articles, advertising campaigns through the company’s media, setting one day of the month as the Compliance Day, and collecting Compliance related slogans.

Code of Conduct

SHI effectively proliferates its “Code of Conduct” to its employees through various channels, ranging from the CEO’s message to the company media, so that all employees at SHI can execute their work with a righteous mind and proper behavior in accordance to the law. SHI will strive to achieve a perfect sense of compliance so as to become a corporation rightfully attaining credibility from its clients, stakeholders, local communities, and the government.

Major Activities and Achievements for 2015

Establishment of Compliance Day - SHI is actively proliferating its compliance culture throughout the company through a variety of channels, such as education and surveys. Moreover, the company has established the third Tuesday of each month as the Compliance Day.

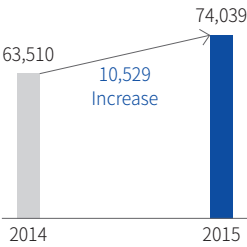
Compliance Committee - The Compliance Committee convened on a semiannual basis in January and August, 2015, to proceed and proliferate in a much more effective compliance practice. The Compliance Committee meeting held in 2015 discussed around appointing the new Compliance Committee members and reporting SHI’s compliance achievements, as well as effectiveness.

Compliance Committee Operation Status

Round	Content	Round	Content
2015 First-Half Year (January)	· Appointment of new Compliance Committee members · Report regarding compliance environment and process	2015 Second-Half Year (August)	· Report regarding 2015 first-half year’s compliance activities and achievement · Report on 2015 second-half year main emphasis

SHI Compliance Portal Access Rate

(Unit: access frequency)



Renewal of the Compliance System - SHI has actively pursued to proliferate Compliance, which led to the increased amount of employees observing issues regarding compliance. As a response, SHI renewed and re-opened its Compliance portal in September, 2015. SHI plans to further utilize its portal to stabilize a sense of compliance culture within the company.

Assessment of Foreign Office Compliance - As an effort to audit the compliance system and operation status, SHI deploys Compliance professionals to the company’s foreign offices, work sites, and business locations. The professionals then audit the compliance level and also provides various improvement measures by incorporating the local laws and regulations. SHI executed a special audit for SHI’s Chinese subsidiaries in NINGBO and RONGCHENG.

Major Compliance Audit Activities in 2015

Audit		Subject	Date	Audit		Subject	Date
Planned Audit	Improvement Alternative	12 audits conducted from 2011-2014	February	Special Audit	Personal information	Pangyo R&D Center Division	March
	Operation System	Corporate operation system	March-April		Foreign subcdiaries	NINGBO & RONGCHENG	April, September
	Customs Law	Customs & clearance	June-July		Compliance Inspector	Geoje, Pangyo, Suwon	June, August
Internal Subcontract (illegal)		Design & production	July-August				

Compliance Education for 2015

SHI operates a variety of Compliance education to internalize a sense of compliance. The education is structured in a systematic way, in which the classes are separated according to basic, intermediate, and applied levels. The education also systematically categorizes different stratum and themes. Moreover, SHI conducts feedback analysis on the education on monthly basis to further improve its system.

Employee Safety

Due to the industrial character of heavy industries, which is widely associated with the production and building of large scale vessels and offshore facilities, SHI places safety as one of its core business values to prevent any safety hazard arising from the most unsubstantial mistakes. SHI's employees and partners join in a collaborative effort to establish a safe working environment for its employees.

Innovation for Survival
Compliance
Employee Safety
Risk Management
Quality Management



Safety & Health Environment System (OHSAS 18001) Lloyd's Register(LRQA)

Establishing Safe Work Site

Under the belief and commitment that “perfect quality and high productivity derives from safety at its basis,” SHI strives to establish “the world’s most safe work site” by enforcing a variety of activities, such as expanding its facilities and inspecting its work site on a periodic basis, to heighten safety awareness. Moreover, SHI has attained a globally recognized standard regarding safety to further stabilize the safety and healthy environment of its work sites.

OHSAS 18001

The OHSAS 18001 is the world’s most highly reputable standard for safety and health. The standard was established by a collective effort of 13 nations globally, including the United Kingdom's British Standard Institute. The standard provides specific and guidelines for the purpose of improving corporate safety and establishing health management system. SHI has attained the OHSAS 18001 in 2001 as the first shipbuilding corporation domestically and retains the status by consistently complying to the requirements for systematically managing safety hazard factors and improving performance standards.

Safety Management Principles

SHI has re-established its safety principles in 2015 to form a stable work environment for its employees to freely concentrate on their work and enhance their culture of safety awareness. SHI has further established specific principles for this measure with the objective of realizing “a practical work site that ensures safety through employing participatory safety modules.”

Safety Management Directives

A practical work site that ensures safety through employing participatory safety modules

Zero Major Accidents & 0.10 Accident Occurrence Rate

Preemptive Measures

Work Site Oriented Safety Enhancement

Perfect Completion of Major Projects

Facilitation of Preemptive Measures

Reformation of the 12 Golden Safety Rules

Among the 12 Golden Safety Rules, which include “6 never do” and “6 always do,” 2 rules regarding the usage of cell phones and driving within the work site have been reformed in October, 2015. Such adjustments were made to provide preemptive measures against any accidents that may occur due to the increasing number of vehicles within the Geosje Shipyard and the usage of cell phones at the work site.

Employee Safety

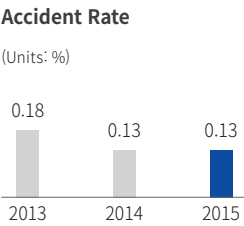
12 Golden Safety Rules

Always Do	Never Do
 Secure fullbody harness when working at height	 Do not enter under a suspended load
 Attach warning sign and lock out before electrical work	 Simultaneous hot and painting work is prohibited
 Comply with permit to work procedures	 Do not disable safety devices without authorization
 Conduct gas tests when entering confined spaces	 Do not use mobile phones while walking, driving or carrying out work activity
 Conduct TBMs before starting work	 No alcohol or drugs while working or driving
 Observe all speed limits and Wear seat belt while driving	 Do not smoke outside of designated smoking areas

Major Safety Management Activities and Achievements for 2015

Lowest Accident Rate - On the basis of various safety measures to achieve safety management; campaigns to stabilize a culture of safety; and the participation of SHI’s employees as well as partners, SHI has achieved a 0.13% hazard rate, same as that of the previous year, in 2015. Moreover, the Geosje Shipyard has maintained a record of 323 consecutive days of zero safety hazard. Likewise, SHI’s sense of safety management is proliferated throughout all sectors of its structure. SHI will further endeavor to achieve its objective of realizing “zero major accidents and 0.10 accident occurrence rate.”

Attaining the Highest Safety Standard in the Shipbuilding Industry - SHI has attained an Excellent Standard Award in the 2015 Shipbuilding Industry Safety Assessment, held by the Ministry of Employment and Labor. Moreover, SHI is the first domestic company to attain the highest standard for safety by ExxonMobil, a multinational petro chemistry corporation, in its Safety Assessment for 6 consecutive years.



In the 2015 Shipbuilding Industry Safety Assessment, held by the Ministry of Employment and Labor

“Excellent Standards Award”
(6 consecutive years)



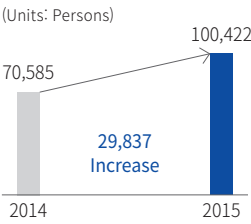


Emergency Response Practice



CPR Training for Employees

Trainees Participating in the HSE Enhancement Education



World Safety Day Program

Execution of Emergency Response Training - SHI conducted a total of 60 rounds of emergency response training sessions throughout 2015 to provide preemptive measures against hazards that may arise within the work site and buildings. Simulations to respond against situations, such as fire and suffocation within an enclosed area were conducted. Moreover, 5 training sessions were executed in collaboration with the local fire station, which helped to establish an organic cooperation system against emergencies. Events entailing safety evacuation and proper usage of fire extinguishers were further conducted to increase employees’ safety awareness.

Provision of Safety Measurements to Foreign Offices and Partners - SHI conducts hazard prevention education and safety directive instructions to its partners on a periodic basis. SHI further provides optimized safety inspections and technological support, depending on the partner’s status, on a regular basis of 1~2 occasions a year. Moreover SHI deploys professional work forces to work sites located in China and Nigeria to establish a system of safety management and achieve the same level of safety conducted at headquarters.

Establishment of Safety Day - After the initial stipulation of SHI’s Safety Day on January 19th, which represents a number (119) for safety, more emphasis has been channeled to its second anniversary in 2016. On this day, all employees at SHI pledged for safety and engaged in a culture of safety activities, such as making resolutions to achieve zero hazard. Moreover, events entailing the 12 Golden Safety Rules and training sessions on CPR were also conducted to increase employees’ safety awareness.

HSE Enhancement Education - SHI periodically employs regular HSE education to its partners in efforts to proliferate its safety management protocols. A total of 100,442 partner employees participated in the HSE education of 2015.

Safety Campaign - In efforts to proliferate the importance of safety through raising awareness for safety measures and establishing a sense of unity for such issues, SHI is currently designing and conducting a variety of safety campaigns. In 2015, the safety campaigns were focused towards the providing preemptive on-site visits to prevent accidents most frequently occurring on the hands of workers. SHI also conducted special safety campaigns regarding work at extremely cold or hot weather conditions.

World Safety Day, Under the Provision of Vessel Owners - The World Safety Day was held at SHI Culture Theater in April, 2015, under the provision of the multinational oil refining corporation, Total. The event was held to stabilize a culture of safety and to raise safety awareness. A total of 300 persons from SHI’s management and related officials were present at this event.

Risk Management

SHI endeavors at its best to identify risks that may occur upon the increasing competition that is defining the shipbuilding and offshore facility production industries. SHI is emphasizing much effort in advancing an integrated management system that can effectively manage both financial and nonfinancial risks through consistently expanding its realm of risk management.

- Innovation for Survival
- Compliance
- Employee Safety
- Risk Management**
- Quality Management

Risk Management System

Due to the long duration it takes to complete building a vessel or offshore facility, the delivery date of the project significantly affects the management outcome of SHI. Therefore, the effective management against risks that may occur in between signing the contract and delivering the product is crucial. In response to such tendencies, SHI closely evaluates projects by conducting agenda commissions, material cost commissions, risk audit commissions, contract commissions, and order commissions. Upon completion of such meticulous evaluation, SHI only engages in bidding projects that allow risk hedging. Moreover, SHI operates financial risk management systems to stabilize its global management operations. SHI also expands in a variety of nonfinancial areas, such as ethics, compliance, information protection, environmental safety.

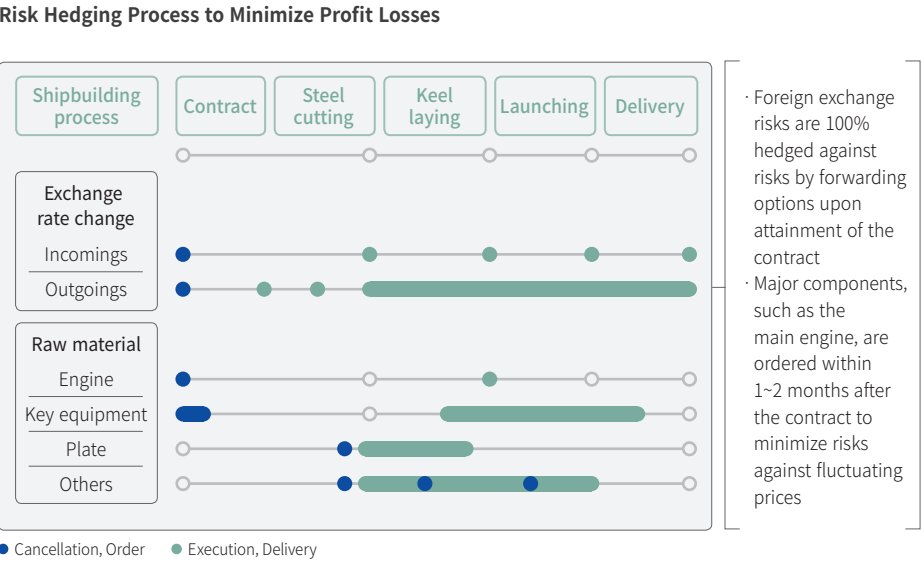
Risk Management System

	Scope	Management Protocol
Financial Risk 	foreign exchange risks, price risks, interest risks, credibility risks, and liquidity risks	Emphasize on the unpredictability of the financial market to provide effective management for financial risks; place focus on minimizing the negative effects of financial performances
Project Risk 	overall project; ranging from project contract to purchase, PM, and delivery	Identify any risks that may occur upon the process of building vessels and offshore facilities; provide measures to minimize effects upon occurrence of risk
Nonfinancial Risk 	operational risks, ethical risks, informational risks, safety and environmental risks	Provide preemptive measures for compliance violations, unfair trade, confidential management information leakage, and casualties from hazard; provide effective response to minimize damage upon occurrence of risk

Financial Risk Management

SHI, which engages in building vessels and offshore facilities, which may amount to unfathomable amounts of money, is vulnerable to a variety of risks, including foreign exchange risks, cost risks, interest rate risks, credibility risks, and liquidity risks. Therefore, SHI emphasize on the unpredictability of the financial market to provide effective management for financial risks and places focus on minimizing the negative effects of financial performances.

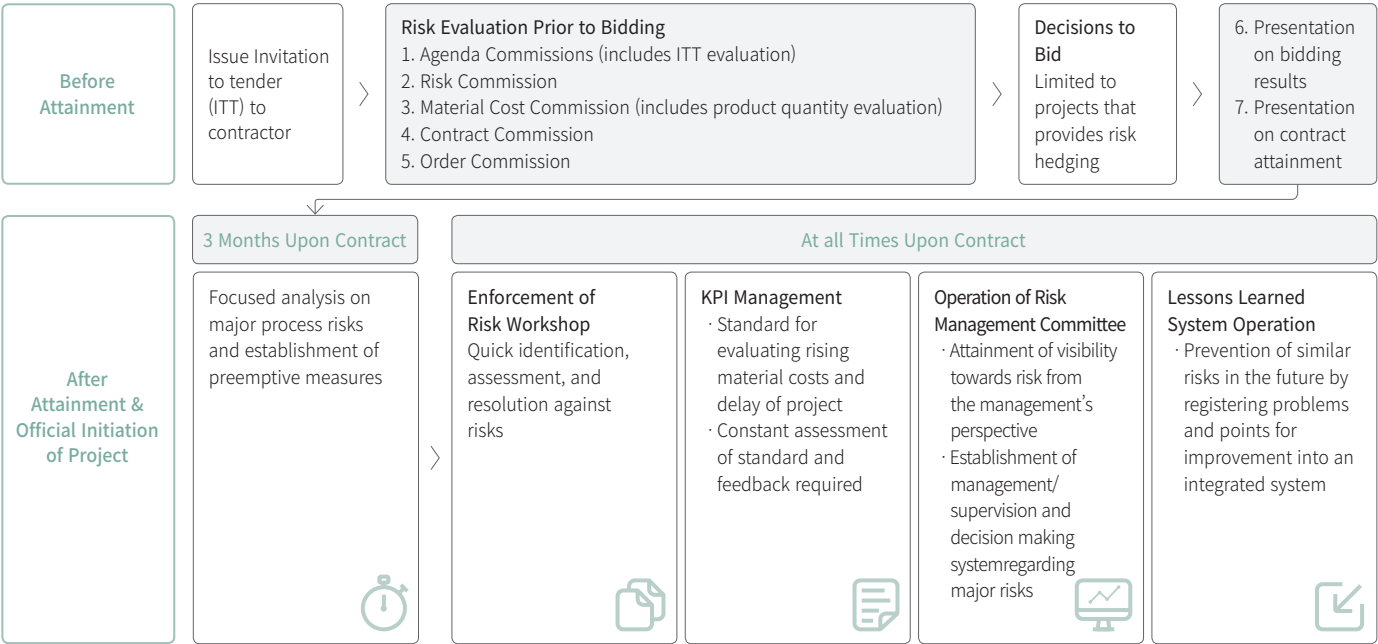
Risk Management



Enhancement of Risk Management Before and After Attainment of Project

SHI operates a Risk Management Team, under a management system that evaluates risks before and after attaining the contract, in efforts to prevent signing low-profitability projects that may affect the company’s financial stability in the long run. Moreover, SHI has stabilized its system to analyze and prevent risks that may occur throughout the project period. By systematically categorizing solutions, SHI strives to eliminate similar risks that may occur in the future.

Risk Management System for Project Attainment



Compliance Risk Management

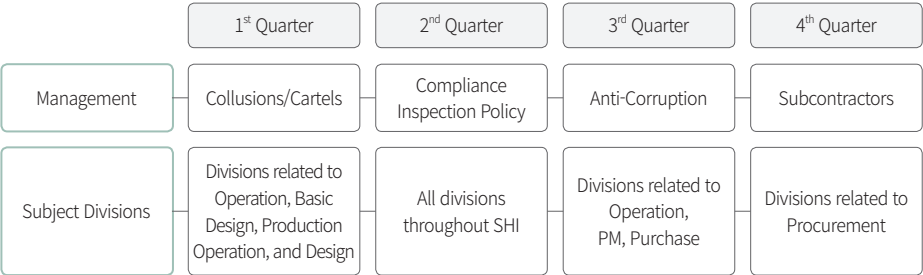
The dominant trend dictates an increased social awareness of compliance and strengthened measures to regulate corporations to comply with the law. In response to the increasing regulations and changes to the management environment, SHI endeavors to establish an effective risk management system against such risks and strives to apply such practices throughout its management activities.

Major Trends in Compliance Regulations

Cartel	· Due to negative factors, such as massive losses occurring from the global recession and falling oil prices, shipbuilding companies are incentivized to engage in collusion, thereby raising the risks of cartel establishments.
Anti-Corruption	· FCPA (Foreign Corrupt Practices Act) has been newly stipulated by the Ministry of Justice of the United State in 2015. · A law regarding the “prohibition of corruption and bribery” is set to be stipulated by the Korean Government in 2016.
Subcontract	· The eligibility of a subcontractor has been expanded to mid-sized companies with revenues under 300 billion KRW, due to the amendments on subcontract law. · Prospects for subcontractor dispute is expected to rise due to the reduction of order volume, which causes management difficulties to partners.

SHI has set its directives on compliance management towards “preemptive risk management” and is consistently employing modifications, improvements, as well as enhancements to its identification and response system against potential risk factors. SHI shares compliance related magazine articles and the Compliance Management Letter in efforts to raise awareness of risk management upon its employees. Such endeavors are also for the purpose of effectively operating the SHI Compliance Committee, under the provision of the company’s essential board members.

Risk Inspection Roadmap for Different Categories



Non-financial Risk Management

SHI is conducting periodic examinations on a variety of non-financial risks, such as safety, health, environment, fair trade, ethical management, and mutual growth. All potential risk factors are categorized and managed systematically. Moreover, SHI adheres to the policy of responding against the occurrence of such risks at its best.

Quality Management

SHI operates a systematic process of quality management in efforts to build world-class quality vessels and offshore facilities. SHI provides technical alternatives in response to quality issues arising from the production process and client requirements. Moreover, in efforts to prevent quality problems and defect production, SHI operates an exclusive division consisting of professional members holding international certificates for quality management.

- Innovation for Survival
- Compliance
- Employee Safety
- Risk Management
- Quality Management

Quality Management Directions

In efforts to realize systematic and professional quality management, SHI maintains and manages its quality management system and provides directions for quality throughout its company by establishing strategies for quality control. Moreover, SHI conducts meticulous supervision over the quality contract for each project. Lastly, to prevent against quality issues and prospects for defect productions, SHI consistently proceeds on its innovation and improvement, in collaboration with the planning, production, and research divisions, on issues ranging from work methods, to process, system, and environment.

Quality Management Vision

Mission	Attaining credibility through delivering non-defect products on time		
Attainment of anticipative quality management capacity			
Progress Areas	Attainment of Quality Credibility	Enhancement of Quality Management Standards	Improvement of Quality Awareness and Capacity
Major Promotion Work	· New attainment of ISO 9001 certification · Development of quality management optimization system for major projects · Enhancement of KPI objective management · Re-inspection on quality standard's utility and amendments	· Planning Quality Strengthened audit/ Expanded subjects · Production Quality · Enhancement of quality control in advance · Close management for welding quality · Elimination of possibilities for quality issues	· Consistent promotion of quality incentives and penalties · Employment of omnidirectional quality awareness education · Activation of <Let's at Least Fix This Issue> · Enhancement and promotion of QM capacity and program · Improvement of partner product quality

10 Quality Regulations

SHI has a firm commitment that the underlying force that allowed the company to attain 1,122 ship-building contracts from a variety of globally recognized shipping companies lies within SHI's distinctive, world-class product quality. In efforts to build ships that far exceed the requirements set forth by its clients, SHI has established and operates 10 Quality Regulations that apply to all procedures throughout the shipbuilding process.

Quality Management

10 Quality Regulations

 Adherence to Welding Procedure Heating, inter pass temperature, voltage, bead height, welding rod	 Prohibition of Procedure upon Flanging (adherence to flanging procedure)
 Pre-work Blueprint Examination (management of the most recent blueprint)	 Prohibition of Foreign Substance Inflow into the Equipment and Pipes (Hygiene Maintenance)
 Preservation Management of Equipment	 Prohibition of Non-eligible Worker
 Adherence to Ground Cable Installation Procedure (tightening ground connection, elimination of rust and paint)	 Prohibition of Random Operations (such as the prohibition of using hammer to remove temporary sub-material)
 Installation of Explosion Proof Area and Electric Field Equipment / Gland, as well as Adherence to Disconnection Procedures	 Prohibition of Non-implemented Pre-process Touch Up Painting

Efforts to Enhance Quality

Certification Management for Quality - SHI has attained quality management certificates so as to guarantee high quality for its design and production of vessels as well as offshore facilities. SHI has attained and successfully managed the ISO 9001, which certifies the consistent maintenance and management of providing satisfactory service as well as system to the client's requirements; the ISO/TS 29001, which certifies the quality of petroleum, petrochemicals, and natural gas, as established by the ISO and API; and the ISO 3834-2, which guarantees the international standard in welding quality and management.



ISO 9001
LRQA Certification Institution



ISO/TS 29001
LRQA Certification Institution



ISO 3834-2
LRQA Certification Institution

My Area Quality Inspection Policy - In efforts to eliminate quality control blind spots and to enhance the fundamental quality of products, SHI has enforced the My Area quality inspection policy. The My Area quality inspection policy divides the Geosje Shipyard and its vicinity into 159 smaller areas and appoint quality managers to each location to enforce the 10 Quality Regulations as well as to consistently check upon basic quality.

Current Status of SHI's International Quality Management Certificates

International certificates related to quality management in the industries of shipbuilding and off-shore facilities productions are largely divided into IRCA, CWI, CSWIP, EN473, FROSIO, NACE, ASNT Level III, CompEx, IECEx, Icoor, API510/570/571 standards. As of January 2016, SHI's Quality Management Team has attained a total of 326 certificates.

Contents of International Quality Management Certificates

IRCA	· Provides professional consultation to proceed and improve upon quality management under the ISO 9000 standards
CWI, CSWIP, EN47	· Provides welding quality management, welding resolutions, and certifies procedure manual for welding throughout the work site
FROSIO, NACE	· Required certification throughout Europe and the United States on painting procedures for shipbuilding, bridge construction, train track construction, and port construction
ASNT Level III	· Most representative certificate on nondestructive inspections, such as visual, ultrasonic, penetrant, and leakage inspections
CompEX, IECEx	· Required in industries related to petroleum or gas, this certification inspects the capacity to properly install explosion proof equipment
FROSIO, Icoor	· Inspects the overall thermal quality upon producing and maintaining petroleum/gas production facilities throughout Europe
API510/570/571	· Approved by the United States' Petroleum Association, this certificate provides an overall quality management eligibility as inspector for pressure vessels and piping; the certificate provides an overall quality inspection eligibility for petroleum/gas facility production and maintenance

Major Activities and Achievements of Quality Management for 2015



Quality Emphasis Campaign

Quality Emphasis Campaign - In efforts to emphasize the importance of quality and on-time delivery of vessels as well as offshore facilities without defect, SHI has conducted the Quality Emphasis Campaign on a monthly basis at the front gates of Geosje Shipyard. The Quality Emphasis Campaign called for all employees throughout SHI to comply with the company's 10 Quality Regulations; to attain welding quality; to ensure product quality at times of rainy / winter seasons; and to adhere to the basic quality regulations.

Initiation Ceremony for Production Line QC - In efforts to achieve independent quality management, considered as fundamental to the production process, SHI opened an initiation ceremony for the production Line QC in June, 2015. Approximately 140 persons, including the CEO of Line QC and the head manager of Geosje Shipyard, attended this ceremony. At the event, the CEO of Line QC read his resolution and initiation statement and thereby heightened Line QC's responsibilities.

Quality Innovation Conference - In efforts to attain quality competence, SHI conducts the Quality Innovation Conference on a semi-annual basis throughout the whole company. The 2016 Quality Innovation Conference, which was held on March 21st, under the participation of managers in the divisions of production, planning, and purchase. Throughout the conference agendas for innovation and central promotion strategies were shared. The participants at the conference called for a mutual, horizontal growth in respect to the contents that were introduced at the event.

CORPORATE SOCIAL RESPONSIBILITY

This chapter introduces SHI’s general issues outside of those introduced in 2015. The issues entail upon Samsung’s 5 core values, which include: People, Excellence, Change, Integrity, and Co-prosperity

- 44 People [Strengthen Employee Capability · Maintenance of Talents]
- 53 Excellence [Technology Development · Customer Satisfaction]
- 61 Change [Green Management · Organization Culture]
- 71 Integrity [Ethical Management · Information Management]
- 78 Co-prosperity [Mutual Growth · Sharing Management]



Strengthen Employee Capability

SHI's incredible achievements could not have been realized without the commitment and endeavor of its employees. Under the firm belief that "a corporation is led by human resources," SHI supports all employees to grow into professionals in the fields of shipbuilding and offshore industries.

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

People

Nurturing Talents

SHI is putting its best efforts to nurture talents, who can accurately read the market trends that are subject to consistent changes arising from rising competitions. Moreover, SHI endeavors to nurture its employees so that they can develop and provide the best products, as well as services, to their clients. Under the various programs and systems aimed at nurturing the best talents, all employees at SHI are bound for professionalism in the fields of shipbuilding and offshore industries.

Talent Nurturing System

Outlook	Rising as the top-tier global corporation in the fields of shipbuilding, offshore, and offshore energy industries			
Nurturing Objective	Nurturing the best global professionals to lead international technology			
Major Promotion Work	Job Competence	Global Capability	Leadership Capability	Common Capability
	Nurturing the finest job professionals	Attaining global competence	Enhancement of management capacity	Cultivation of employee common values
Basic Direction for Talent Nurturing	Nurturing professionals who possess capabilities and application abilities to lead the global market	Cultivating global senses and foreign language capabilities for enhanced capacity in the global business market	Allowing employees to understand the significance of leadership and cultivating a sense of leadership centered towards structural management	Establishing a corporate culture where employees can feel a sense of communal unity

Current Status of Talent Nurturing Facilities

Technology Research Institute - SHI nurtures 700 technology researchers on an annual basis and provides them with opportunities to work at SHI's shipyard. Moreover, for workers interested in collective learning, SHI provides opportunities to learn foreign languages at lunch and dinner times. Lastly, under the permission from the Ministry of Education, SHI operates an engineering college, which provides shipbuilding & offshore engineering education.

Information Archive Center - The Information Archive Center located at Geoje Shipyard not only provides a variety of professional resources related to shipyard and offshore facilities production, but also educational resources to enhance individual growth. Open to all members of SHI, the center has risen to the focus that encourages employees' professional, as well as personal growth.



Technology Research Institute

People

Representative Talent Nurturing Program

Core Talent Nurturing Program - As an effort to nurture core talents who will lead SHI's future, this program entails programs, such as the Local Professional Program, Samsung MBA, and the 21st Century Leader Program. The Samsung MBA Program, which consists of Techno-MBA and Socio-MBA, aims at nurturing employees who possess management talents. This professional program is operated independently from work.

Samsung MBA

Samsung-MBA	
Supports the pursuit for an MBA degree among applicants who are at chief or deputy chief positions	
Socio-MBA	Techno-MBA
This programs aims at nurturing professionals in the fields of management support, international management, and difficulty management, who can successfully adapt to the consistently changing management environment.	This program aims at nurturing management talents, centered towards manufacturing, who possess management senses, technological senses, and IT senses.

Globalization Program - This program consists of global and foreign language education components. The globalization program consists of 6 courses, which include local market research sessions for foreign management, foreign correspondent, and repatriate positions. The foreign language education portion of this programs teaches employees foreign languages throughout a ten-week session, which prepares them to build capacity in actively engaging with the global market.

Current Status of Foreign Language Education



Cyber Education Program - In efforts to nurture talents who can contribute not only to the growth of the company, but to the economy of the nation, SHI provides 200 internet courses, which entails contents, such as business success strategies, international management, and business manners.

Professional Job Program - SHI endeavors to nurture talents who, under the development of their professional capabilities, can contribute to the creation of an innovative corporate culture. The Professional Job Program is designed to provide professional knowledge to employees in their respective fields so that they can utilize their learnings to fully unleash their potentials. To lead management and to spread its distinguished corporate culture, SHI engages in benchmarking global companies and exchanging with a variety of educational institutions.

Strengthen Employee Capability

Improvements to the Talent Nurturing Program

SHI conducts surveys to the participants of its Talent Nurturing Program in efforts to analyze their level of satisfaction, as well as further requirements to provide improvements.

Main Activities for Talent Nurturing Program in 2015

SHI Engineering College Graduation Ceremony - A graduation ceremony for the 26 employees of SHI, who successfully completed their education at the engineering college, were awarded their degrees in February, 2015. SHI has been providing its employees who do not possess college degrees, but nevertheless passion for education, with professional degrees in shipbuilding engineering. As of 2015, SHI has nurtured a total of 240 graduates, who will contribute to the enhancement of SHI's competence.

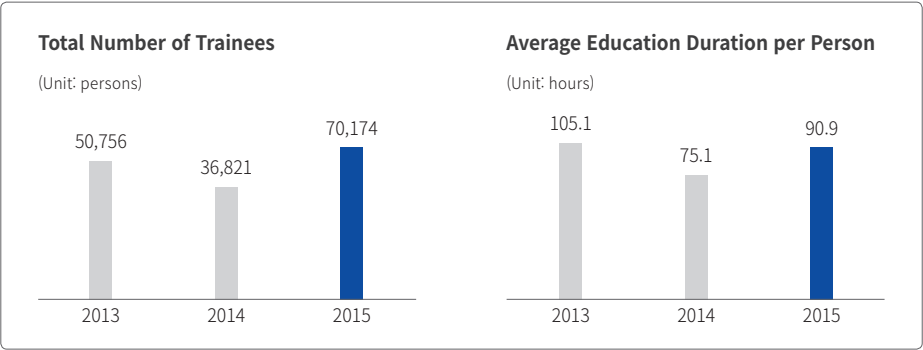


Engineering College Graduation Ceremony

2015 Mandatory Education - SHI has conducted a total of 74 rounds of mandatory education sessions on its associate and deputy level employees from March, 2015, to July, 2015. This session, designed to stabilize a sense of expressing gratitude towards colleagues under the proper realization of management environments and sharing, had a total of 7,220 participants.

Achievements in Talent Nurturing and Future Plans

In efforts to nurture global talents in the fields of shipbuilding and offshore industries, as well as to enhance their personal capabilities, SHI has operated various educational programs in 2015. By developing educational sessions that can benefit all employees' objective performances, as well as consistently enhancing and improving sessions that already exist, SHI will contribute to its own growth and development.



Maintenance of Talents

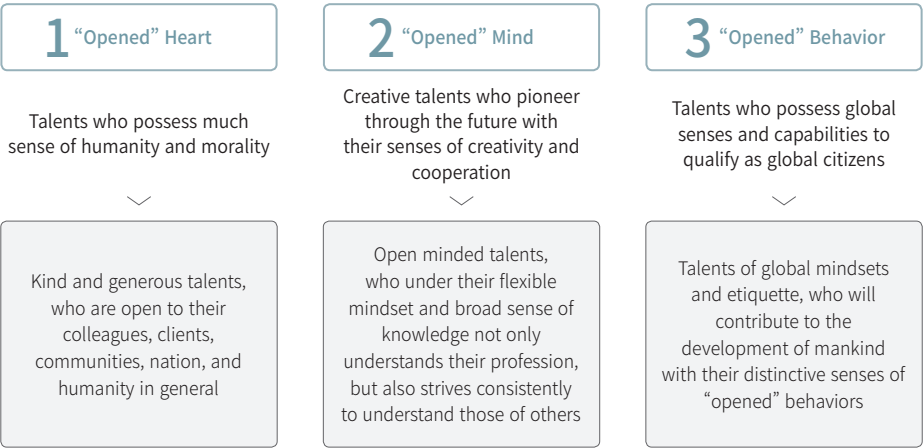
Rising as the world’s best company in the fields of, high-added-value special vessels production in just 40 years since its foundation in 1974, and successfully delivering its 1,000th vessel to its customers, HI’s incredible feat can only be attributed to the endeavors and commitments of its employees. Under the firm belief that ‘a corporation is led by human resources,’ SHI will endeavor at its best to provide an enjoyable work environment for its employees.

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

People

The Right Talents for SHI

SHI seeks to discover “open persons,” who possess an “opened” heart, an “opened” mind, and an “opened” behavior. That is, SHI favors talents who live in accordance to their community; who exhibit companionship; who consistently endeavor to develop their talents; who provide an energetic atmosphere to their communities; and who always try their best with a clear sense of goal.



Current Status of Employees

As of December 31st, 2015, SHI’s employees amount to a total of 13,974 persons. Due to the industrial characteristics of SHI, which mostly entail the planning and construction of vessels, as well as offshore plants, the portion of male employees amount to 92.4%.

Employee Distribution Status			(As of December 31, 2015) (Unit: Persons)
Gender	Permanent Employees	Temporary Employees	Total
Male	12,358	559	12,917
Female	819	238	1,057
Total	13,177	797	13,974

People

Performance Evaluation and Reward System

SHI stipulates the fair assessment of its employees’ performance and providing them with the corresponding rewards as its basic principle. To ensure the objective assessment of the employees’ performance, SHI conducts educational sessions to its evaluators on a semiannual basis and applies methods, such as the performance assessment conference system. For cases in which the employee disagrees with the assessment as conducted by the evaluation system, SHI endeavors to minimize the discontent by consulting with the employee under SHI’s designated procedures. A total of 12,776 employees have been assessed on their performance in 2015.

Healthy Labor and Management Culture

In efforts to establish a cooperative and harmonic labor-management culture, SHI engages in sincere communications with its Workers’ Council. Negotiations with the Council entail topics, such as wage increase, operation plans for retirement pensions, expansion of mortgages and medical expense support, and improvement upon industrial safety. Expanding amenities within the work site has also been emphasized as an important agenda. The Workers’ Council consists of the Periodic Council, which convenes every quarter, and the Temporary Council, which convenes on a frequent basis. The Council listens to the requirements set forth by SHI’s employees and endeavors to apply them to the company’s management policy, as well as its regulations.

Status of Workers’ Council (Unit: Persons)			
	2013	2014	2015
Employees Subject to Registration	5,623	5,538	5,522

Operating Insurance and Pension

To compensate for accidents that may occur at many of its high-risk work locations, SHI possesses a collective insurance that insures against hazards that may occur during the production procedure for vessels and offshore facilities. Moreover, SHI manages a defined-benefit (DB) retirement pension worth 400.9 billion KRW and a personal pension plan worth 21.9 billion KRW (merit based).

Collective Insurance

In efforts to expand the welfare of its employees, SHI facilitates stability for the family members of those who experience accidents at work and provides support for their medical expenses. Stipulated in May, 1992, the insurance expense are fully covered by SHI.

Personal Pension

To promote employees’ retirement guarantee, SHI enforces a personalized pension plan system. Employees are partially provided with SHI’s support until retirement and payments can still be made even after retirement.

Maintenance of Talents

Employee Grievance Treatment

In efforts to provide a suitable working environment for its workers, SHI collects suggestions for improving conveniences, such as policy improvements, facility repairs, and amenity enhancements. SHI also collects a variety of grievances that employees experience at work and provides resolutions by operating an internal notice board, the <Sori Saem>. Grievances reported through <Sori Saem> are directed to related divisions, such as the Treasury or Human Resources Department, where efforts to provide effective resolutions can be facilitated.

Grievance Treatment through Sorisaem (Unit: Number of Reports (Percentage))			
	2013	2014	2015
Transportation (Commute · Weekend · Shuttle Buses)	113(28%)	152(31%)	108(28%)
Dining Hall, Dormitory, Restroom	72(18%)	91(18%)	52(13%)
Security · Parking	26(7%)	30(6%)	26(7%)
Transportation · Safety	18(4%)	28(6%)	28(7%)
Sports Facilities	12(3%)	4(1%)	4(1%)
Lighting · Heating · Plumbing	7(2%)	34(7%)	65(16%)
Computer System · Software (S/W)	49(12%)	61(12%)	24(6%)
Policy, Welfare	19(5%)	12(2%)	32(8%)
Social Commitment (Community Service)	3(1%)	7(1%)	1(1%)
Others (Company Media · Gardening)	81(20%)	77(16%)	49(13%)
Total	400	496	389

Major Activities and Achievements of 2015

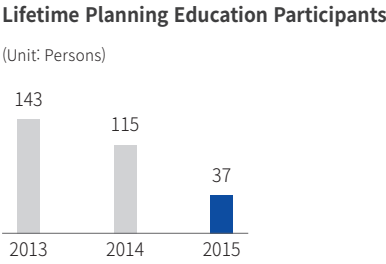
Sports Field Renovation - In efforts to allow employees to train their bodies and minds at a more suitable environment and to facilitate outdoor activities for each division, SHI has conducted the renovation construction for it’s A Field located at Geoje Shipyard. Through this renovation construction, which took place from August to October, 2015, the old artificial grass and running tracks have been replaced. The lighting facilities have also been improved.

Construction of New Dormitories - Under the belief that the residential environment of employees directly relate to the enhancement of their productivity and to the attraction of excellent talents, SHI has finished its construction of a new large-scale dormitory, capable of accommodating 3,040 persons, in December, 2015. The dormitory includes an indoor gymnasium, a baseball field, and a soccer field, in which employees may enjoy their spare time after work.

Lifetime Planning Education - In efforts to provide its employees with optimized retirement plans, SHI provides educational opportunities to its employees to systematically construct their life after retirement through its Career Consultation Center. A total of 37 employees participated in the three-day Lifetime Planning Education session in 2015.



A Field Renovation



People

Enhancement of Health

In efforts to provide enhanced health conditions for SHI employees, partner employees, and clients stationed for a long period at SHI's shipbuilding worksites, SHI operates affiliated medication centers, treatment centers, and health enhancement facilities. Moreover, it provides professional medical service by employing doctors, nurses, physical therapists, and psycho therapists. Lastly, SHI has expanded its scope of medical benefits onto its employees and their family members to provide high quality medical service.

Major Health Enhancement Institutions and Facilities

Medical Support	· Periodic health inspection for employees · Provision of medical treatment support, post management, and medical expense for employees with illnesses or symptoms
Affiliated Hospital	· Provides preemptive measures for illnesses and work related symptoms by conducting health inspection, consultation, and diagnosis · Provides emergency services and treatment upon hazard
Physical · Exercise · Underwater Treatment Facilities	· Designs and operates rehabilitation treatments provided for workers with symptoms of physical illnesses, such back aches and musculoskeletal pain
Health Enhancement Center	· Provides preemptive measures to musculoskeletal illnesses and cardiovascular diseases · Designs and operates educational programs to prevent major illnesses

Major Activities for Health Enhancement

Preemptive Medical Education Center for Musculoskeletal Illnesses - SHI operates the Preemptive Medical Education Center for Musculoskeletal Illnesses to prevent ailments arising from the industrial tendency of labor intensiveness. SHI provides support for the treatment and mitigation of musculoskeletal pain and a total of 117 employees have been treated at this facility over the 6 sessions held throughout 2015.

Happy Wellbeing Center - SHI provides professional consultation, psychological examinations, and meetings to ensure that its employees are under a healthy state of mind. The contents that have been consulted between the patient and psychotherapist are kept under complete confidentiality on the basis of ethical regulations.

Technology Development

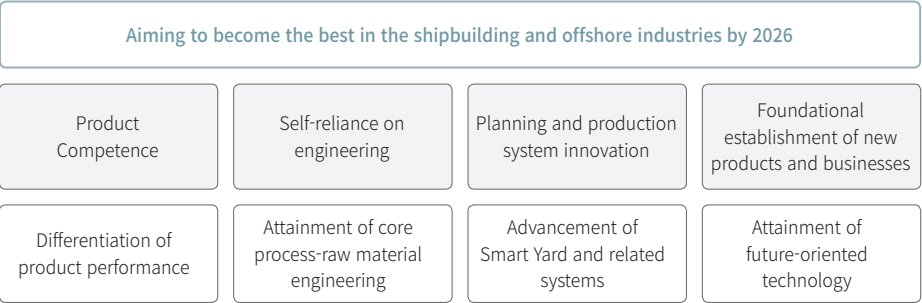
SHI, which possesses distinctive technologies in the fields of high added-value vessel and offshore facility production, sets “enforcing technology development related to the business, improvement of functional and cost effective competence, and maximization of planning-production efficiency under ICT technologies,” as its goal. In efforts to achieve such objectives, SHI endeavors to conduct a variety of technology development agendas.

Excellence

Directions for Technology Development

Under the expectation that the global recession and falling oil prices will persist even after 2015, SHI has re-inspected its R&D strategies, activities, and management system to enhance its business capacity. Moreover, SHI is promoting efforts on technology development activities with emphasis placed on distinguishing its product performances and lowering its production costs. SHI will retain its leading position within the shipbuilding and offshore industry, despite prevailing conditions, by establishing mid-long term prior technologies and applying them for commercial use. Under such strategies, SHI will take the lead in developing new products as well as new technologies.

Technology Development Roadmap



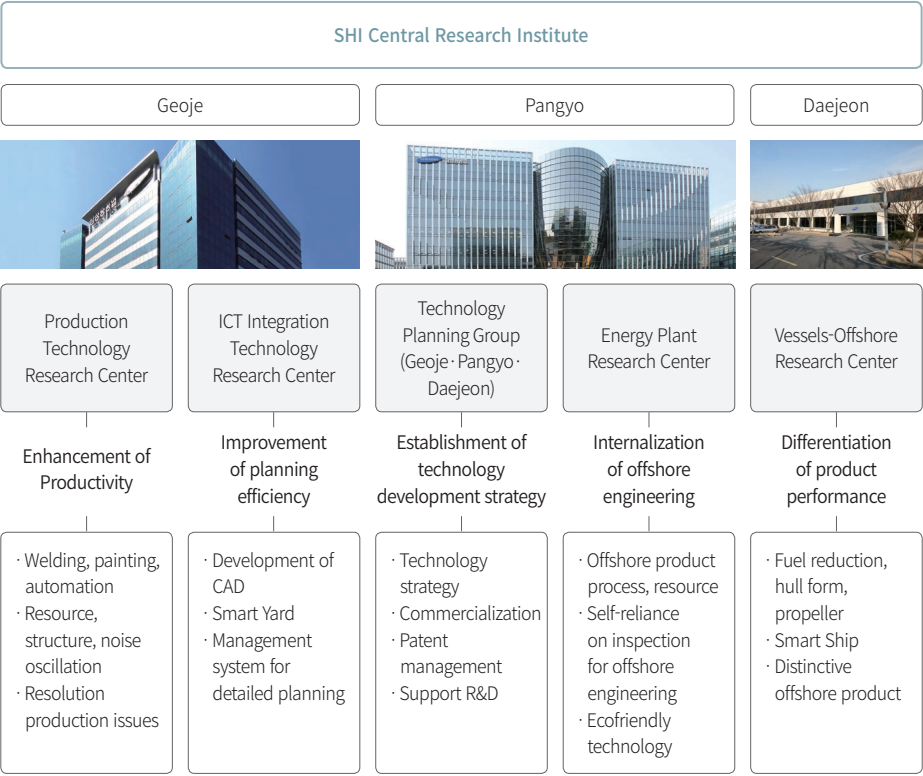
Technology Development System

Initially established in 1984 as the Development Team within the Basic Planning Division, the SHI Research Center served different purposes throughout time as the Vessel & offshore Research Center, the Production Technology Research Center, and the Industrial Technology Research Center, until 2014, when it started its operation as the integrated Central Research Institute. Currently, all technology developments related to high-added value vessels and offshore facilities are conducted under the Central Research Institute. The Institute, which consists of 4 center and 1 group, endeavors to enhance SHI’s technological competence under the basis of employing optimized research development strategies for each of its centers.

Technology Development

Technology Development Structure System

(As of January, 2016)



Technology Development Facilities

Towing Tank - SHI has installed the world’s largest towing tank at the Vessels-offshore Research Center, located in Daedeok. The towing tank, which boasts a capacity of 400 meters in length; 14 meters in width; and 7 meters in depth, allows for the speed and seaworthiness assessment of up to 40 ships annually. SHI has utilized this facility to enhance its product quality.

Joint Water Tanks - To attain leading technologies that befit the prestige of the world’s best ship building facility, SHI successfully constructed the nation’s biggest low oscillation joint water tank in 1996 with its original technologies. With the Joint Tank 1 and 2, which allow maximum velocity of 28m/s and 12m/s, respectively, SHI conducts successful simulation tests for its propellers.



Towing Tank



Joint Water Tank

Excellence

Major Technology Development Activities and Achievements for 2015

Application of the Dual Lifting Method - SHI has succeeded in attaining the world’s highest production and loading capability by successfully developing the the Dual Lifting Method, which enables a 8,000-tons and a 3,600-tons class marine crane to lift, move, and load a 11,600-tons class terra block. SHI was successful in applying this method to the upper portion of the CPF structure in May, 2015, and thereby effectively reduced both the production time and costs. This method, combined with the application of an interlock system, has also been praised for its stability and efficiency. Recognized for such incredible feat, the Dual Lifting Method was awarded with the “2015 SHI Technology Award.” Further expanding the method’s application, SHI plans to enhance the torque rotation frequency and shorten the project duration.



Dual Lifting Method

SAVER Air Linearization - SHI has succeeded in developing the SAVER Air, a technology in which air is dispersed to the lower body of the vessel to reduce water resistance and thereby enhance the vessel’s fuel efficiency. Upon successfully assessing the effectiveness of this technology by applying a sample product to the block container vessel that navigates between Rongcheng, China, and Geoje, Korea, SHI has managed to apply this technology onto its 170K LNG vessels. Moreover, SHI is promoting further expansion of this technology onto other LNG vessels scheduled for production.

KC-S Cargo Hold - As one of the most central technologies for LNG vessels, the LNG cargo holds had to be afforded under great amounts of leases, ranging from 9 ~ 10 billion KRW per one hold. SHI has succeeded in developing the nation’s first cargo hold, the KC-S, with its original technologies and is currently promoting its application to actual vessels. Measures to prevent LNG leakage

have been enhanced by the application of a double-layered thin stainless steel equipment. SHI’s product has also been upgraded to maximize its insulation so as to add efficiency to the transportation. Upon the incorporation of KC-S Cargo Hold to actual ships, SHI will be free from technological expenses and thereby more suitable in attaining competence for bids related to LNG vessel production.

Technology Development Progress Presentation - To provide motivation to developers and to encourage the development of feasible technology, SHI has been conducting Technology Development Progress Presentations since 2000. At the presentation held in November, 2015, a total of 160 researchers and the CEO took part and presented on 7 development research results.

Technology Development

S-Reli System - In the process of transporting LNG, a massive volume of evaporative gas (BOG) occurs naturally. As a measure to apply such gas, SHI has successfully developed a fueling mechanism for the ME-GI, a high pressure gas fuel engine, whereby a portion goes to fueling the gas engine and the other portion is liquidated to reenter the LNG cargo hold. This distinctive product developed by SHI has been provided to the Doosan Engine Corporation for an on-land, test-purpose equipment. Moreover, SHI has distinctively developed the S-Reli (Self Re-liquefaction) evaporative gas liquidation system, which is expected to be applied onto SK Shipping’s LNG transportation vessel, which uses the first Korean cargo hold, KC-1. S-Reli system possesses the advantage of not using external refrigerants and having a simple structure. Lastly, the system can be modified according to the contract owner’s requests. SHI further endeavors to engineer a variety of new liquidation system and invests to adapt such technology onto actual vessels.



2015 Award Ceremony for Korea Technology Awards

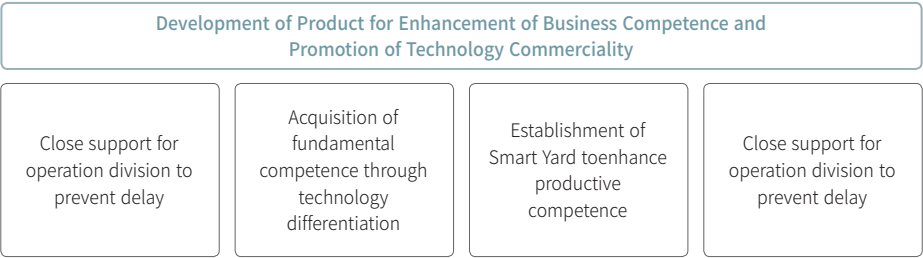
2015 Korea Technology Awards - By developing the 21,100TEU class container vessel, SHI is leading the market in expanding the size of container vessels. Moreover, in recognition of the development of a technology that allows significant energy reduction, which allows increased profit for stakeholders as well as lowered cost for vessel owners, SHI was awarded the Head of Ministry of Trade, Industry and Energy Award in November, 2015, at the Korea Technology Awards Ceremony.

SHI-SNU Educational-Industrial Cooperation - In efforts to build Educational-Industrial Cooperation relations with Korean universities to develop innovative technologies for the future and enhance networks, SHI has made relations with KAIST (1995), POSTECH (2012), Pusan National University (2012), and Seoul National University (SNU) in 2016.

2016 Technology Development Promotion Direction

To prepare for an age of falling oil prices, SHI has set its direction for technology development to “Development of product for enhancement of business competence and promotion of technology commerciality.” Moreover, SHI will endeavor to enhance its business capacity by attaining technological competence in accordance to the mid and long term Product-Technology Development Guideline. Through systematic execution, SHI will endeavor to enhance its technological competence.

2016 Technology Development Direction



Customer Satisfaction

To achieve more than customer satisfaction, SHI not only conducts satisfaction surveys to clients whose vessels have been built or currently under production, but also deploys engineers to visit the location of the vessel so as to provide necessary services for the client. SHI is actively enforcing such distinguished sense of customer service activities.

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

Core Policies to Achieve Customer Satisfaction



Customer Satisfaction Promotion Objectives and Values



Excellence

Customer Satisfaction Promotion

The development and growth achieved by SHI over the past 40 years were only possible because of the provision of products and services that satisfied its clients. SHI is fully aware of the fact that customer satisfaction is among the most significant means to retain its position as the best company in shipbuilding and offshore industries, despite consistent competition occurring in the market. Under the resolution that SHI will make former clients revisit the company for additional orders, SHI does not settle down with its achievement; rather, it strives at its best to create new customer values.

Major Customer Satisfaction Activities and Achievements for 2015

VOC(Voice Of Customer) Survey - SHI conducts satisfaction surveys on clients, whose vessels have been produced and delivered. 22 clients participated in the Voice of Customer (VOC) Survey in 2015. SHI meticulously analyzed the survey results in efforts to enhance customer satisfaction and conduct improvement procedures for inadequacies.

CSI(Customer Satisfaction Index) Assessment - SHI endeavors to immediately resolve customer discontent by conducting the Customer Satisfaction Index (CSI) Assessment onto the partner employees, stationed at Geoje Shipyard. A total of 141 partner employees were given the CSI Assessment in 2015.

LPM (Lifetime Preventive Maintenance) Service - SHI provides Lifetime Preventive Maintenance Services for its vessels, navigating throughout various regions of the world. SHI engineers and partner technicians for components visit owners of the vessels to provide preemptive inspection services and necessary solutions for the inspection. SHI has conducted a total of 12 rounds of LPM services and thereby differentiated its sense of customer service.

Immediate Response to Claims - As of December 31st, 2015, SHI, under the protocol of immediately responding to customer claims, has effectively set its new record of treating an issue within 60 days; breaking the previous record by 18 days.

7th Client Gathering Marathon - To strengthen affinity and promote cooperation, SHI held the 7th Client Gathering Marathon event in April, 2015. A total of 170 persons, including SHI's employees, vessel owners, and contractors gathered to participate in a 10km marathon. The event was meaningful in a sense that it provided an opportunity for the participants to reflect upon the meaning of harmony, gratefulness, and communication.

Customer Satisfaction Promotion Direction

To realize customer satisfaction management, which truly contributes to the success of its clients, SHI employees will endeavor in the same direction and same commitment to achieve their purpose.

Excellence

Performance by Ship Type

(as of December 31, 2015)

Ship type	DELIVERED		UNDER CONSTRUCTION		TOTAL	
	UNITS	GT	UNITS	GT	UNITS	GT
CONTAINER CARRIER	361	26,171,669	24	283,320	385	26,454,989
8,000TEU ≥	147	16,447,247	24	283,320	171	16,730,567
8,000TEU ≤	214	9,724,422	-	-	214	9,724,422
TANKER	365	27,249,673	41	270,000	406	27,519,673
CRUDE OIL TANKER	280	22,635,750	14	-	294	22,635,750
PRODUCT CARRIER	42	1,934,970	18	-	60	1,934,970
CHEMICAL CARRIER	7	185,329	-	-	7	185,329
SHUTTLE TANKER	36	2,493,624	9	270,000	45	2,763,624
GAS CHAIN	100	11,054,504	27	2,469,658	127	13,524,162
LNG CARRIER	94	10,438,118	19	2,020,866	113	12,458,984
FSRU	6	616,386	2	106,792	8	723,178
VLEC	-	-	6	342,000	6	342,000
DRILLING UNIT	61	3,360,025	10	289,761	71	3,649,786
DRILLSHIP	57	3,360,025	7	289,761	64	3,649,786
DEMI-SUBMERSIBLE RIG	4	-	1	-	5	-
JACK-UP RIG	-	-	2	-	2	-
PRODUCTION UNIT	44	-	11	-	55	-
FLNG	-	-	3	-	3	-
FPSO & FSU	17	-	2	-	19	-
FPU & TLP	10	-	3	-	13	-
PLATFORM	17	-	3	-	20	-
OTHER VESSELS	79	3,614,411	-	-	79	3,614,411
OFFSHORE SUPPORT VESSEL	5	-	-	-	5	-
CRUISE & FERRY	9	253,209	-	-	9	253,209
BULK CARRIER	57	3,304,245	-	-	57	3,304,245
OTHERS	8	56,957	-	-	8	56,957
TOTAL	1,010	71,450,282	113	3,312,739	1,123	74,763,021

Green Management

SHI endeavors to minimize the environmental effects caused throughout the shipbuilding and offshore facility production processes. Moreover, in efforts to actively participate in the governments climate change adaptation and mitigation policies, as well as to reduce greenhouse gas emission, SHI has officially publicized its commitment to “Green Management” in 2010.

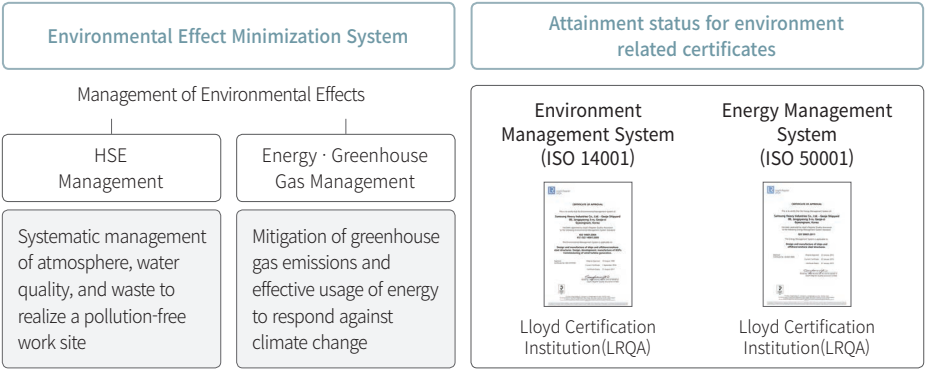
Change

Green Management

Green Management Promotion Direction

As social awareness towards the environment is increasing, related regulations are also being enhanced. As a result, companies that fail to fulfill its environmental responsibilities are prone to receive social criticism. In efforts to reform its work site into the “world’s cleanest shipyard,” SHI has made investments to environmental facilities, improved its production processes, and actively promoted the usage of eco-friendly technology development. Moreover, under the environmental management division, which entails the overall management of pollutants, water quality, and waste, combined with the Green Management Policy, which stipulates energy reduction and mitigation of greenhouse gases, SHI endeavors to minimize its effect on the environment. Lastly, being the first shipbuilding company in the nation to obtain the two international standards, ISO 14001 and ISO 50001, which are representative of environmental management and energy management, respectively, SHI is taking the lead in its systematic Green Management endeavors.

Green Management System



Environmental Effect Minimization

The SHI Geoje Shipyard, which announced conversion to an eco-friendly work site and which invested 53 billion KRW towards installing environment facilities, such as the waste water treatment facility and waste incinerator, in 1995, endeavors to become a pollution free work site. Moreover, the work site has announced Green Management in 2010, and established the Hi-GEMS system in 2011, an integrated greenhouse gas emissions and energy management system. SHI has also engaged in a variety of other efforts to conserve the environment.

Operating Environmental Facilities

Wastewater Treatment Facility - SHI’s Geoje Shipyard contributes to the minimization of environmental effects by utilizing its wastewater treatment facility, which allows approximately 50% of the treated wastewater to be recycled. The wastewater, treated through the 4 stages of physical, biological, chemical, and filter treatments, are recycled for the purpose of watering gardens, cleaning the roads, and supplying water to the vessels. Such effective usage contributes to the reduction of water usage within the work site.

Incinerator · Air Pollution Prevention System - In efforts to minimize the environmental effects arising from waste, the Geoje Shipyard operates its incinerator and air pollution prevention system. Further efforts to nullify the negative effects caused by hazardous gas, such as dioxin, are being employed and the incinerated gas goes through 6 stages of the refinement system to fundamentally eliminate air pollution substances.



Wastewater Treatment Plant (Geoje Shipyard)



RTO

Environmental Management Promotion

In efforts to effectively utilize and recycle the raw material employed upon the construction of vessels and offshore facilities, as well as to mitigate the effects of environmental pollution caused by polluted air substances and waste produced in the production process, SHI systematically manages against environmental pollution by categorizing the hazardous byproducts into air, water, or waste pollution factors.

Operation Direction for Environmental Management

Environmental Management				
Air Management	Water Quality Management	Waste Management	Resource Management	Chemical Substances Management
· Limitation and reduction of air polluting substances · Effective and efficient management of air pollution substances	· Complete treatment of water pollution substances · Maximization of recycling and reduction of waste water volume	· Categorical treatment of waste substances · Increase of waste self-treatment and recycling rates	· Effective execution of the 3R (Reduce, Recycle, Reuse) campaign	· Prevention of environmental crisis and pollution caused by chemical substances · Chemical substance Management



My Vicinity Clean-up Day

Change

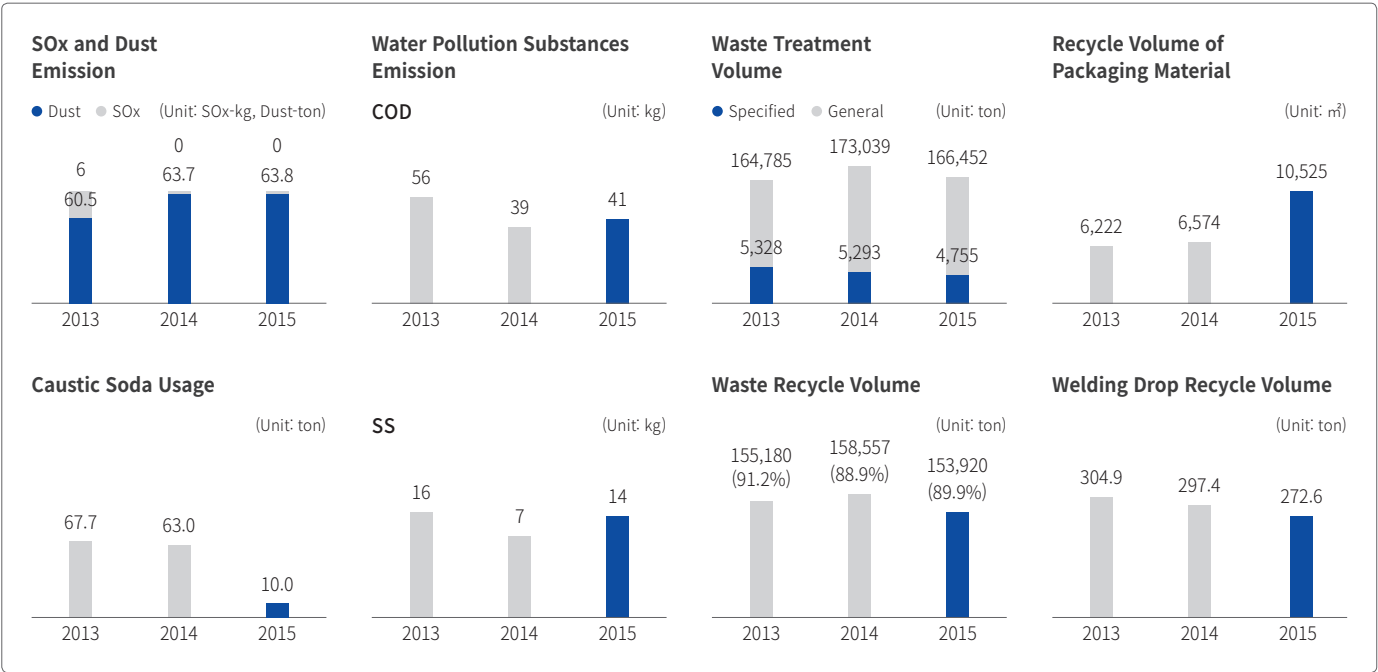
Major Activities and Achievements for 2015

2015 Samsung Safe Environment Award - SHI’s Geoje Shipyard was recognized for its excellence in consistent energy cost reduction through its Energy Zero Campaign at the “2015 Samsung Safety Environment Awards,” designed to share and reward eco-friendly activities conducted by Samsung Group affiliated companies on a yearly basis, and was awarded the Excellence Award for Safety Environment.

My Vicinity Clean-up Day - SHI has held the “My Vicinity Clean-up Day,” in which SHI employees and local residents cooperate to clean up the areas surrounding the Geoje Shipyard on an annual basis, since 2011. A total of 2,500 SHI employees took part in the “5th My Vicinity Clen-up Day” to realize their care for the local community.

Community Service for Local Water Quality Improvement - To celebrate the “Global Water Day” in March 21st, 2015, a total of 450 persons, consisting of SHI employees and their family members participated in an environmental community service of refining the upper stream river of the Yeoncho Dam, which is located in Geoje City.

Environmental Management Factor



Green Management

Improvement of Surrounding Environment near Geoje Shipyard - In efforts to assess the effects of its business activities on the surrounding environment, SHI periodically conducts inspections on the atmosphere and water quality. It also checks through air condition indices, such as the PM₁₀, SO₂, NO₂, and the water quality indices, such as the COD and DO, to evaluate if the actual extent of pollution has exceeded the threshold as stipulated by government regulations. After conducting an overall assessment and trend evaluation of the environment, SHI incorporates all factors into its environmental management activities.

	Regulation Standard	Management Unit	2013	2014	2015
PM ₁₀	< 100	μg/m³	43.0	39.0	42.0
SO ₂	< 0.05	mg/m³	0.006	0.004	0.007
NO ₂	< 0.06		0.016	0.016	0.021
COD	< 2.0	mg/l	1.1	7.3	4.0
DO	> 5		7.6	7.5	8.0

Energy · Greenhouse Gas Emissions Management

Under the management principles that respect mankind and nature, SHI strives to contribute to the happiness of humanity and the preservation of its surrounding environment. In efforts to realize sustainable growth, as well as development, SHI has thus established its specified strategies and principles for Green Management in 2010, which consist of 3 major components: “creation of a green work site; establishment of a green network, and the development of eco-friendly products.” Under these principles, SHI has also engaged in a variety of activities to reduce energy usage and greenhouse gas emissions.

Energy · Greenhouse Gas Emissions Management Promotion System

Objective	Leading Corporation in Green Management by 2020		
Strategy	Creation of a Green Work Site	Establishment of a Green Network	Development of Eco-friendly Products
Direction	Minimization of greenhouse gas emissions through the effective usage of energy	Sharing and cooperating upon the outlooks and strategies defining Green Management	Development of an eco-friendly vessel that minimizes greenhouse gas emissions and environmental pollution substances

Change

Green Management Promotion Policies

1. Contribute to the responsive measures against climate change by developing and producing eco-friendly products.
2. Strive to employ sustainable employment of resources, as well as energy, and to reduce the emission of polluting substances throughout all production procedures.
3. To pursue mutual growth as a collaborative community by actively supporting the Green Management operations of partners and to fulfill all social responsibilities as a corporate citizen by engaging in social commitment activities.
4. To establish a suitable and stable workplace to enhance the health and life quality of its workers.
5. To comply with domestic, as well as international environmental regulations and to assess, as well as publicize the achievements both domestically and internationally.

Major Activities and Achievements for 2015

Emphasis on 12 Major Rules for Energy Preservation - To promote the awareness of SHI's employees on reducing greenhouse gas emissions and issues regarding cost reduction through energy preservation, SHI has established its 12 Major Rules for Energy Preservation in April, 2015. These policies, which can be easily followed by anyone within the work site, have been proliferated throughout the company via campaigns, advertisements, and education.

The 12 Energy Conservation Rules

5 Rules within the Office

1. Maintain suitable room temperature under moderate usage of air conditioners / heaters. (Summer 26~28°C, Winter 18~20°C)
2. Turn off lights during lunch time and dinner time; upon leaving the desk; and after meetings.
3. Turn off PC monitor upon leaving the desk.
4. Turn off all office devices upon leaving work.
5. Use stairs for workers at offices below the 4th floor.

7 Rules at Work Sites

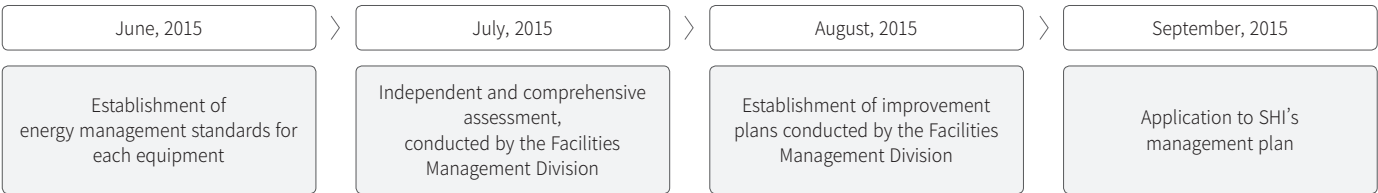
1. Turn off facilities not in use.
2. Comply with regulated timer operation duration for dryers.
3. Turn off unnecessary lights during work time.
4. Do not allow more than 5 minutes of idling heavy vehicles.
5. Do not use air hose other than for purposes, such as cooling, cleaning, and sweeping off dust.
6. Immediately replace any defective / leaking air hose.
7. Apply nameplate on air hose

Green Management

Education on Energy · Greenhouse Gas - In efforts to nurture leaders who can systematically execute Green Management, SHI has added one additional hour to its Safety Environment Regulation Education. A total of 3,800 persons, including SHI's employees have been educated on issues of facilitating energy throughout the production process and on the necessity of mitigating greenhouse gas emissions.

Execution of Establishment · Assessment · Reexamination of Energy Management Standards for Each Facility - In efforts to reach maximum efficiency in the operation of major energy equipment at SHI's worksites, including those of the Geoje Shipyard, SHI has conducted the establishment, assessment, and reexamination of its energy management standards from June to September, 2015.

Procedure for Energy Management Standards for each Facility



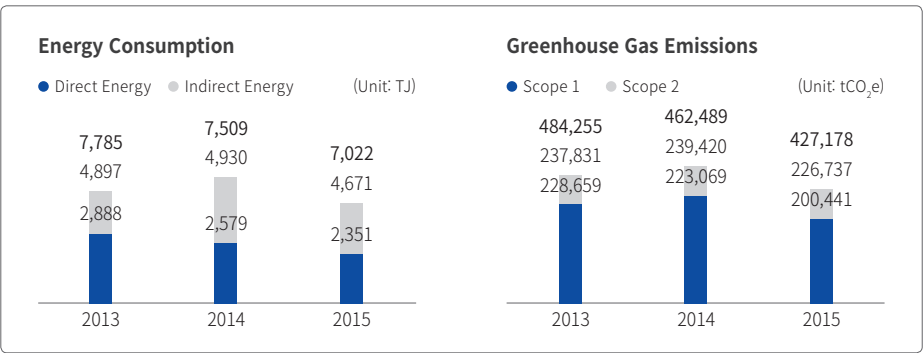
Establishment of High Energy Efficiency Investment Plan - SHI conducted prior assessments to evaluate the efficiency of energy preservation for new projects, which may greatly affect the company's energy consumption. Moreover, based on the assessment results, SHI established its "High Energy Efficiency Investment Plan" to maximize the company's energy utility. SHI will further employ effectiveness to heighten its Green Management.

SHI Energy Equipment Investment Plan

(Unit: ton, 1 million KRW)

	Reduced Amount	Reduced Expense	Investment Cost
LED Light Replacement	896	231	4,355
Heightened Utility Efficiency	14,628	3,888	7,116
Heightened Machinery Equipment Efficiency	5,545	1,449	10,569
Improvement of Project	197	51	294
Utilization of Surplus Incinerator Heat	1,127	290	850
Total	22,393	22,393	23,184

Energy Consumption and Greenhouse Gas Emissions



Organization Culture

At SHI, all employees endeavor to concentrate on their work with a positive spirit. In efforts to establish an organization culture, where employees and other personnel contribute to the growth of SHI and where they express mutual gratitude as well as respect, SHI endeavors to promote a variety of activities to share the corporate culture and values.

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



Lecture of Gratitude Sharing

Change

Sharing the Gratitude

In efforts to promote sharing a sense of gratitude for even the most trivial events and to enhance employees’ happiness index through such actions, SHI initiated its “Gratitude Sharing Campaign” in 2013. Embracing the third year since its establishment, the campaign has been widely acknowledged, not only for establishing a harmonic organization culture, but also enhancing corporate productivity. SHI will further endeavor to spread its culture of sharing gratefulness by planning and promoting a variety of events, not only among its employees, but also to their family, clients, partners, and local communities.

Gratitude Sharing Objectives for each Year

Year	2015	2014
Objective	To contribute to the expansion of a healthy organization culture and create synergy effects among corporate divisions as well as employees by actively promoting the campaign.	To establish foundational grounds for overcoming difficulties by establishing an organization culture of cooperation and positive spirit induced by the active promotion of on-site Gratitude Sharing Campaigns.

Major Gratitude Sharing Activities and Achievements for 2015

Lecture of Gratitude Sharing - SHI provided a lecture on the topic “to Become Sons and Daughters of Gratitude” for approximately 100 employees in January, 2015. Prior to the lecture, employees were encouraged to express gratitude for their parents and were also presented on leaderships that held high emphasis on being humbly grateful. Moreover, assessments to evaluate learning strategies were also introduced on this day, which gained much positive responses from audience.

Proliferation of Gratitude Sharing - In efforts to expand the effects of positive and harmonic gratitude sharing to the employees’ family members, SHI held the “Married Couple Gratitude Sharing Workshop” with 15 married employee couples in 2015.

Gratitude Theme Activity - With different themes each month, this activity is designed to enhance each employee’s sense of self-esteem and to promote consistent gratitude sharing with his family members, as well as colleagues. Moreover, this activity was promoted, in correspondence to the GWP activity, to further establish a lively organization culture within SHI.

Change

Gratitude Sharing Coffee Table - In efforts to promote and spread the culture of gratitude sharing, SHI held a coffee table in November, 2015, where the Chief of Geoje Shipyard and employees who actively expressed gratitude would share the positive changes that occurred in their lives. The participants at this event also set resolutions to consistently uphold their practice of expressing their gratefulness.

Success Through Gratitude Newsletter - Under the slogan “everything turns out well when gratitude becomes a habit,” SHI has started publishing daily newsletters in April, 2015, which provide anecdotes of excellent gratitude sharing at each division. The newsletters are distributed through emails and through the bulletin board so that all employees can share their stories.

Gratitude Sharing Achievements for 2015

The underlying force that led the Gratitude Sharing Campaign, which was established in 2013, to develop into SHI's distinctive culture was the interest and participation on the employees' end. To further share this campaign of positivity and harmony, SHI will plan and promote more events, such as the “Gratitude Habituation” and “Monthly Gratitude Sharing” activities.

Number of Participants for the Gratitude Sharing Education in 2015

	Mandatory Education on Gratitude Sharing	On-site Gratitude Sharing Education	Gratitude “delivery” Coaching
Content	7,220 production employees and regular employees of positions lower than deputy chair	34 rounds on an organization basis with 741 production employees	48 rounds on an organizational basis with 668 participants

Ethical Management

SHI's management activities respect and comply to the market's economic order. It employs righteous means and capabilities, on the basis of technology and quality to freely, yet righteously, to compete in the market. Moreover, under the business principles of Integrity, SHI respects individual dignity, values, and rights. SHI further endeavors to enhance the spiritual and physical life quality for the community of mankind.

Integrity

SHI Ethical Charter

SHI firmly believes that only when it sets its purpose to a unified direction to achieve new technology and high quality, under its basis of healthy corporate ethics and pure organization culture, can it truly earn the respect and credibility as a global firm from the international community. Thus, SHI has stipulated its <Ethical Charter> in 1995 to provide a standard for value judgments.

SHI Ethical Charter

- 1
One

We prioritize customer satisfaction. As partners for value creation along with our employees, clients, partners, contractors, local community, nation, and the community of mankind, we strive for mutual prosperity on the basis of trust and respect.
- 2
Two

We respect the culture and custom of all areas and nations that conduct business. On the basis of Compliance and moral adherence, we compete with our original competence in a righteous and liberal manner.
- 3
Three

We value liberty, responsibility, creativity, and challenging spirits; We cultivate values of humanity and morality; We retain our corporate reputation and honor through complying with the general virtues of righteous manners and proper etiquettes.
- 4
Four

We endeavor at our best with integrity and diligence. On the basis of our respect and considerations for relationships and partnerships, we strive to create a healthy sense of organization culture.

Major Ethical Management Policies and Activities

Operation of Ethical Management Website - SHI currently operates an independent website, linked to SHI's main website, on issues regarding the company's Ethical Charter and Code of Ethics. In efforts to enhance SHI's management transparency and contribute to the stabilization of its ethical corporate culture, the website supports the reporting of any unrighteous actions, such as attaining unjust profits in coordination with external stakeholders and engaging in any form of corruption that may lead to SHI's losses.

Reporting Corruption

Postal Report Gyungsang Namdo Geoje-si Jangpyeong3ro 80 SHI Audit Team (Zip Code: 53261)
Gyeonggi-do Sungham-si Bundag-gu Pangyo-ro 227-23 SHI Audit Team (Zip Code: 13486)
Phone +82 55 630 5952~4 · +82 31 5171 6251~3 **Fax** +82 55 630 5959 · +82 31 5171 6292

Collection of Partners' Ethical Standard Oath - To ensure that righteous, ethical management is not only limited to SHI, but also proliferated throughout all its partners for mutual growth and thereby establishing an upright industrial ecology, SHI mandates that all partners submit their Ethical Standard Oaths.



Ethical Management Websit

Information Management

Due to the advancement of information technology, information security and protection are rising as main issues for business activities. In efforts to prevent the information obtained through its business to deform, modulate, or leak, SHI operates an information management system. However, SHI fully discloses its business activities to its shareholders.

Integrity

Information Management Promotion Direction

SHI’s information system consists of two operations. The information protection operation is associated with managerial-technical security, such as preventing any leakage of information and providing preemptive measures against cyber hacking. The information disclosure operation is associated with the provision of information and providing communication to SHI’s stakeholders. Observing the law and executing ethical management, under the principle, “Righteous Management,” SHI will realize both information protection, as well as disclosure.

Information Management System

	Information Management	
Operation	Information Protection	Information Disclosure
Main Activities	· Establishment of corporate security measures and security inspection · Planning and employment of security education, operation of security activity · Operation, management, inspection, and assessment of security system · Operation and management of security facility · Operation, assessment, and inspection of personal information protection system	· Guidance to the CEO, products, technologies, and work site · Disclosure of investment information, such as SHI’s financial, stock, and ownership status · Introduction to management activity related issues · Guidance to sustainable management activities and achievements

Information Protection

In efforts to achieve effective security and protection of informational asset, SHI has operated its exclusive informational asset management division, the Information Protection Team, since 2007. To ensure systematic management, the operations for information protection have been categorized into “management security,” “IT security,” “physical security,” and “national core technology security.” Moreover, SHI has stipulated its regulations and instructions regarding information security to periodically raise its employees’ awareness of the importance in informational asset management.

Information Protection System

SHI Information Security			
Management Security	IT Security	Physical Security	National Core Technology Security
· Establishment and application of security related regulations, policies, and guidelines · Security education and oath adherence to employees	· Operation and maintenance of security systems connected to the network, such as office PCs, servers, cyber work sites	· Management of a 3-stage multilateral defense system - Stage1: external boundaries of the work site - Stage2: building entrances - Stage3: office	· Establishment and employment of industrial technology leakage prevention and protection plan · Enhancement of shipbuilding industry’s competitiveness

Information Management

Major Policies and Systems for Information Protection

Security Education - SHI conducts periodic security education to emphasize the importance of information security. Regardless of their position within the company, all employees of SHI are required to complete the annual security education session. As for employees responsible for the security and protection of information, a minimum duration of 2 years and 40 hours are mandatorily required.

Information Security Oath Pledge and Management - In efforts to protect and manage its informational asset, SHI requires all associated partners to pledge upon the information protection oath. Moreover, to prevent information leakage upon termination of partnership or retirement of a Board member, SHI requires the submission of both the operational confidentiality oath and retiree security oath.

Operation and Support for Team Security Activities - In efforts to raise employees’ awareness of security and to habituate the practice of maintaining security at work, SHI’s Information Protection Team supports each division’s autonomous security activities.

Contents of Team Security Activities

Self Security Education	Self Security Inspection	Oath Pledge and Submission	Inspection on Spam Emails	Inspection on Security Parts
Security education under the provision of the division’s security manager	Execution of night time security inspection under team provision	Submission of information protection oath (applies to all employees)	Inspections on spam emails to check for disguised penetration	Execution of night time security inspection under Security Management Team’s provision



Central Control Room

Operation of Central Control Room - SHI operates central control rooms throughout each of its work site. All control rooms monitor its work site for 24 hours and thereby minimize the prospects for information leakage.

Appointment of National Core Technology Manager - The “Industrial Technology Leakage Prevention and Protection Legislation,” which was stipulated in efforts to prevent the unjust leakage of industrial technology, to enhance domestic industrial competence, to ensure national security, and to develop the people’s economy, enlists 55 national core technologies. Of which, 7 technologies are categorized as related to shipbuilding.

Operation of Security Report Center - In efforts to minimize losses arising from the leakage of management information and technological asset, SHI operates a Security Report Center. The content of the report can be seen through the SHI’s website and the reporter’s personal information is kept in strict confidentiality.



ISO 27001
Information protection System
DNV-GL

Integrity

Major Information Protection Activities and Achievements for 2015

Amendment of Policy Regarding Personal Information Treatment - SHI strives to comply with the “personal information protection law” and “information communication promotion and information protection legislation.” SHI further appointed managers to manage personal information. It further amended, improved, and established its policies regarding personal information treatment and thereby systematically manages the operation. In 2015, SHI amended its policies regarding personal information treatment and personal information treatment, 2 times and 3 times, respectively.

ISO 27001 Certification Maintenance and Management - SHI attained the global standard information protection system, ISMS, from the world’s most reputable International Standard Organization (ISO) in 2011 and has since maintained the status. In 2015, SHI attained eligibility from another global certification organization, the DNV-GL, on its newest security regulation.

Current Status of Personal Information Treatment and Protection Policies (2015)

Personal Information Management	
Personal Information Treatment Policies	Personal Information Treatment Policies
· September 8 th , 2015 (Version 4.0) · August 21 st , 2015 (Version 3.0)	· September 8 th , 2015 (Version 4.0) · August 21 st , 2015 (Version 3.0) · April 17 th , 2015 (Version 2.0)

Execution of Information Leakage Campaign - As a measure to raise awareness on the issue of information leakage, SHI has conducted its Information Leakage Campaign. SHI produced information leakage prevention posters and attached them throughout all work sites, including the Geoje Shipyard and Pangyo R&D Center. Moreover, SHI included the poster onto the 971st issue of its corporate newsletter, the Dream Yard, and proliferated the awareness not only to its employees, but also to those of its partners.

Information Management

Information Disclosure

Placing the global market as its stage, SHI strives to fulfill its duty as a corporate citizen and endeavors to fully disclose information regarding its business activities in a transparent manner. SHI discloses information regarding its sustainable management activities and achievements, such as its products & technologies in the shipbuilding· offshore industries, information regarding its work site, investment information, its Compliance, sharing management, and green management. Moreover, to provide live communication with various stakeholders, SHI actively utilizes social networking services, such as blogs, Facebook, and Twitter.

Current Status of Information Disclosure Channels

SAMSUNG HEAVY INDUSTRIES 		
		
Official Website	Sustainability Report	Social Network Services(SNS)
· Guidance to SHI’s work sites · Introduction to SHI’s products and technologies · Management philosophy and principles · Investment information, such as finance and stock information	· Disclosure of SHI’s sustainability management activities and achievements, which include Compliance, ethical management, green management, mutual growth, health & safety, and sharing management	· Guidance to SHI’s major management achievements, issues, and events · Live communication with stakeholders through social network services

Change to the SHI’s Website Domain

In accordance to the Samsung Group’s domain adjustment policy, SHI has completed its adjustment to its website domain on September 1st, 2015.

www.shi.samsung.co.kr ▶ www.samsungshi.com
--

Social Media Channel

	Homepage ▶ www.samsungshi.com
	Facebook ▶ www.facebook.com/samsungshi
	Blog ▶ blog.samsungshi.com
	Twitter ▶ www.twitter.com/samsungshi

Mutual Growth

In efforts to provide a working environment in which raw material suppliers can concentrate on the provision of raw material for the processes of shipbuilding and offshore facility production, SHI thoroughly complies to the fair trade agreement stipulated by the government. Moreover, SHI proceeds in a variety of systematic mutual growth activities to contribute to the growth and development of its partners.

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

Co-prosperity

Mutual Growth Promotion Directions

In efforts to maximize the synergy effects and establish a fair trading culture with its partner, SHI has established the “Mutual Growth Committee” in 2011, which is exclusively designed to provide support and management for SHI’s partners. Moreover, SHI has attained a variety of communication channels and activities for its partners so as to constantly collect their opinions. If there are any issues to be improved or corrected, SHI directly incorporates such adjustments to its business activities.

Mutual Growth Management System

Objective	Contributing to the growth and development of SHI’s partners		
Area	Establishment of Fair Trade Order	Production Cooperation Support	Second-Tier Partner Support
Major Contents	· Application of 4 Major Guidelines 1. Contract 2. Partner nomination · management 3. Installation · management of Subcontract Inspection Committee 4. Issuance and preservation of document	· Support the increase of partner’s revenue · Support financial resources to partner · Improve payment provision deadline and frequency · Provide technological support and protection	· Support agreements between 1st and 2nd tier partners · Support 2nd tier partner - Support industrial innovation campaign - Enforce NICE WINC

* The major contents of SHI’s 2015 mutual growth system was written in accordance to the core agendas that were actually pursued in 2015.

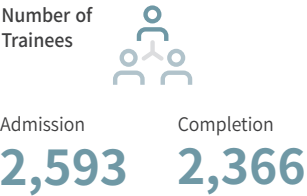
Mutual Growth Policy

Partners Council - In efforts to identify problems arising from working with SHI’s employees and to provide objective assessment of its mutual growth strategy, as well as activities, SHI has established and operated the Partners Council since 1984. Through a variety of communication activities, such as Regular Board of Directors, Regular General Council, and Proposal Meetings, SHI constantly endeavors to collect the opinions of its partners.

Major Activities of Partnership Conference and Schedule

Regular Council BoD Meeting	Regular General Council	Executive Partners Meeting	Partners Proposal Meeting
January	March	July, December	Monthly

2015 Results for the Enhancement
Education on Partner productivity



Co-prosperity

Major Activities and Achievements of Mutual Growth
for 2015

Application and Management of Mutual Growth Guideline - In efforts to establish a fair culture of trade with its partners, SHI has applied and currently manages the 4 major guidelines as stipulated by the Fair Trade Commission. The 4 guidelines include: “Model guideline for concluding a fair contract for mutual growth between a large and small company,” “Partner nomination and management guideline,” “Guideline for establishing an internal inspection committee to evaluate sub-contracts,” “Model guideline for the issuance and preservation of a concluded subcontract trade.”

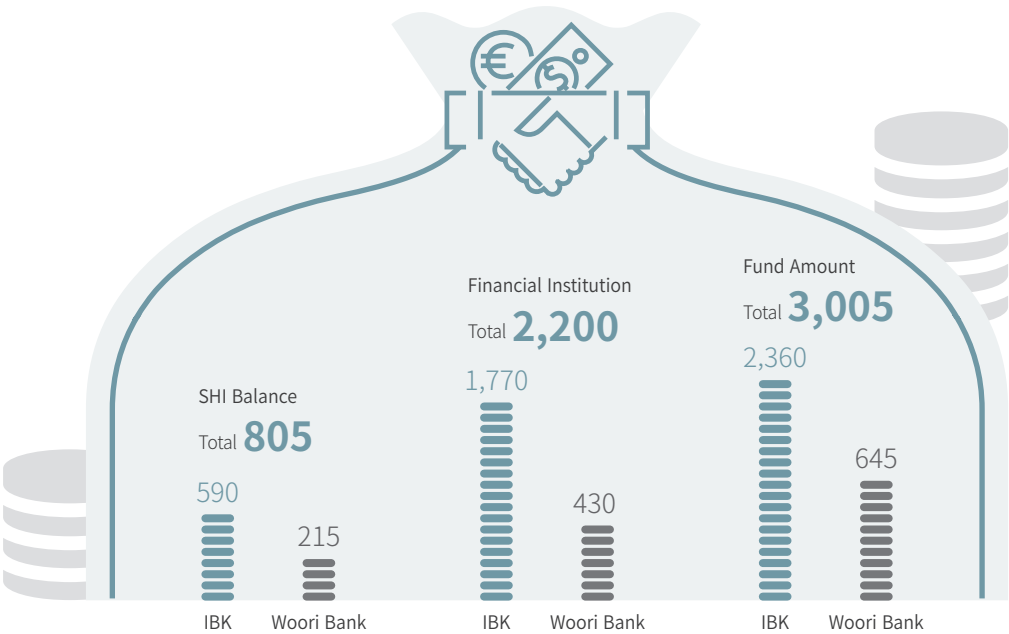
Enhancement Education on Partner productivity - Serving the purpose of enhancing the productivity of its partner, SHI’s productivity education consists of areas, such as welding, piping, vessel painting, and CAD. The education session is directly conducted by professionals at SHI, who provide business experiences and theory to the partner. A total of 2,366 employees of the partner company completed their education in 2015.

Industrial Innovation Campaign - Since 2013, SHI has been participating in the Industrial Innovation Campaign, in which the 1st tier partners provide 2nd tier and 3rd tier partners with innovational support, such as technical innovation and productivity improvement; thereby strengthening the overall shipbuilding industry’s competence. As of 2015, SHI has invested a total of 3 billion KRW to improve partner competence and contribute to the foundation of a healthy industrial ecology.

Creation of Mutual Growth Fund - SHI has established and manages a mutual growth fund so as to provide financial support for partners who are facing insufficiencies. Moreover, SHI uses the net amount of accumulated interest from its balance on providing lower interest benefits to its partners; thereby facilitating their loaning process.

Status of Mutual Growth Fund

(Unit: 100 Million KRW)



Mutual Growth

2015 Total Amount of Early Subcontract
Loan Provided

(Unit: 100 Million KRW)



Opening Ceremony for Pedestrian Hallway at
Partner’s Newly Built Dormitory

Early Provision of Loan - To facilitate partners with providing transportation expenses and bonuses for their employs before national holidays, such as New Year’s and Thanksgiving, SHI provided an early provision of subcontract loan, which amounted to 69.3 billion KRW in 2015.

Foreign Market Pioneering Support - In efforts to collectively pioneer foreign markets with partners, SHI visited Japanese cities, such Matsuyama and Imabari, where SHI, along with its partners, visited local companies and promoted the technology, as well as product quality of its partners. SHI was in Japan from October 27th to the 30th, 2015, with employees from 10 different partners.

Pedestrian Hallway at Partner’s Newly Built Dormitory - SHI successfully completed its construction of a safe hallway for pedestrians at one of its newly built dormitory buildings in October, 2015, so as to provide amenity to its partners’ employees. SHI plans to conduct a variety of activities to provide welfare, safety, and comfortability to its partners’ employees residing in the Geoje Shipyard. Moreover, SHI will not only endeavor to enhance its unity with partners, but also strengthen its own competence.

Major Mutual Growth Achievements for 2015

Attainment of “Excellence” for Mutual Growth - At the “Mutual Growth Index” assessment results notification event, held by the Mutual Growth Committee and Fair Trade Commission, in June 20th, 2015, SHI was awarded the “excellence” award in recognition of its efforts to establish a mutual growth culture with its partners for the realization of a healthy industrial ecology. The Mutual Growth Index, established under the 2011 “Mutual Growth Promotion Law for Big and Small Companies,” is a standard that quantifies the assessment level of achieving mutual growth.

Mutual Growth Index



SHI Partner’s Employment of Disabled Workers - SHI and its 135 partners actively engaged in sustainability management and expanded the culture of mutual growth. As a means to create job opportunities in the shipbuilding industry for disabled workers, SHI and its partners, along with the Korea Employment Agency for the Disabled, actively promoted the campaign for employing one disabled worker for each firm on April 6th, 2015.

Sharing Management

In efforts to realize a society in which neighbors cooperatively engage with happiness, SHI conducts a variety of “local community” oriented social commitment activities. Under the social commitment outlooks, “a foundational stone for a happy future,” SHI is leading the establishment of a health community by providing social services for those, such as children, adolescents, disabled, women, seniors, and multicultural families, in need.

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

Co-prosperity

Sharing Management Promotion Direction

SHI is not only employing its sharing management to local communities that require support, but also to certain areas, in which the difficulties cannot be resolved on official grounds. Despite the unfavorable management conditions that it is currently facing, SHI will nevertheless strive to promote its sense of sharing management to provide sincere communication and realistic support for the local community.

Sharing Management Outlook and Objective

Outlook	“A foundational stone for a happy future, SHI” Contribution to the development of the nation, as well as local community, through systematically planning and sincerely promoting social service activities. Moreover, to support the left out neighbors, who lost their hopes for the future, and contribute to the establishment of a happy community.
Objective	Promotion of active and strategic social contribution activities for the purpose of development and growth of the local community Endeavor towards resolving problems arising from local communities through employing active and strategic social contribution activities. Moreover, improve and compliment upon its activities through constant communication with the management division, beneficiaries, and employees who participate in the social contribution activities.

Efforts to Spread Sharing Culture

On the basis of its business principle that values sharing and mutual growth, SHI is actively engaging in social contribution activities to support those in our society who are in need. To avoid the notion that SHI’s social contribution is simply an endeavor in which the company conducts an even and the employees participate as they are told, the employees gathered in 1995 to establish a bottom-up social contribution group. As of 2015, there are 256 social commitment groups within SHI and social contribution activities are heavily centered in the fields of supporting local communities and youth.

Current Status for Social Contribution Group Operations

A total of 256 social contribution groups belong to SHI			
199 groups in Geoje Shipyard	19 groups in Pangyo R&D Center	13 groups in Suwon Facility	6 groups in Daedeok Research Center

SHI, through a variety of its social contribution activities, will fulfill its responsibilities as a corporate citizen and strive, along with its local community, collaboratively to make a peaceful society.

Co-prosperity

Major Sharing Management Activities for 2015

Social Service Festival - SHI held the Social Service Festival from October 1st to November 1st, 2015. A total of 4,000 employees took part in this event, where a variety of social service activities, ranging from domestic to international, took place.

Major Social Service Activities

Health Service	Magic One Social Service Team	Sanwoolim Social Service Team	Global Service
Foot massage, moxa cautery, and acupressure treatment were provided for senior members at Geoje Sanyang Village Hall.	Magic shows and educational sessions were provided for youths and preschoolers at Geoje Okpo Community Relief Center	Conducted campaigns to prevent pine wilt disease at Geoje Island	SHI provided elementary school remodeling, supported educational products, and constructed a technical school for welding at Mozambique, Africa



Talent Donation Event

Employee Talent Donation Event - To bring joy and hope to its local communities, SHI designated April, 2015, as its “Talent Donation Day.” On this day, a total of 600 employees provided optimized social service, whereby they would apply their special skills to contribute to the welfare of local residents.

Major Employee Talent Donation Activities

Wall Painting Service	S-Presso Club	Communication Team
This team created wall paintings for the Youth Training Center at Geoje-si from April 15~20.	The S-Presso Club provided opportunities for students at Geoje Hacheong Middle School to experience a career as a barista on April 27th	This team visited the Community Center at Geoje to provide portraits for senior citizens on April 17th



Hope Sharing Campaign

“Hope Sharing Campaign” for New Year’s Day - To celebrate New Year’s Day in 2015, SHI and its 1,100 employees visited a total of 140 families, senior citizen halls, and welfare centers in association with Geoje-si, where SHI’s facility is located, to provide gifts of necessities. More value was added to this event with SHI social service teams conducting cultural performances and providing foot massages.

The Generous Flea Market - To celebrate the nation’s biggest holiday, Thanksgiving, SHI opened a flea market where the employees and local community members were able to purchase a variety of food cultivated from SHI’s sister villages. Grapes, blueberries, pepper paste, soy sauce, beef, and pork, were sold at this market on September 17th, 2015, and the event contributed to the revenue for SHI’s sister villages.

Sharing Management



DO DREAM Concert

DO DREAM Concert - SHI held the “Do Dream Concert” on December 9th, 2015, where SHI and disabled performers would provide a coordinated show. Established under SHI’s Cultural Service Club in 2010, the Do Dream Concert enables a stage where disabled performers would perform samul-nori and drumming shows. The revenue raised from this concert were fully transferred to the “Goeje Artist’s House” and local disabled citizens, which added more significance to the event.

Major Sharing Management Achievements for 2015

Samsung Social Contribution Award, 2015 - Established in 2011 to minimize the effects of pine wilt disease, the SHI Sanwoolim Sercie Team enforced a variety of measures, such as cutting off infected trees and providing preemptive vaccine, on a periodic basis to reduce the number of trees vulnerable to the disease. In effect, the Sanwoolim Service Team succeeded in reducing the number of pine trees with wilt disease from 310 thousand in 2011 to only 60 thousand in 2014. As a result, the team was awarded at the “2015 Samsung Social Contribution Award.”



Sanwoolim Service Team being Awarded for their Contributions

Recertification as a Company for Agricultural Community Contribution - Recognized for its feat in vitalizing the agricultural community through endeavors, such as social service and talent donation, SHI was recertified as a company for agricultural community contribution, under the provisions of the National Agriculture Love Campaign Head Quarters and the Ministry of Agriculture, Food and Rural Affairs.

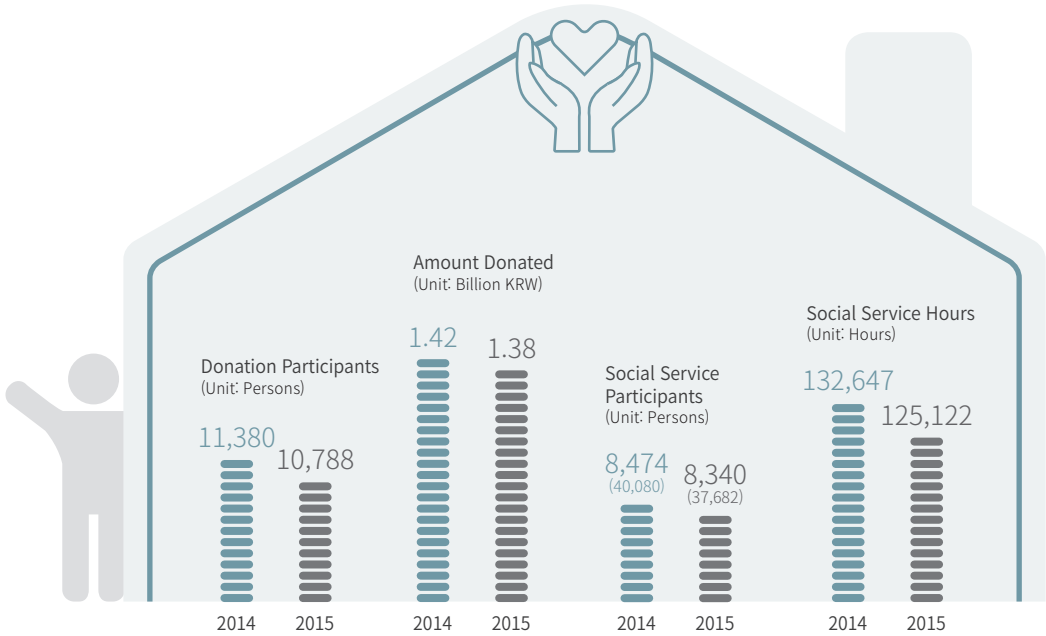


Blood Donation Event

Blood Donation of Love - In efforts to spread a culture of donating blood and thereby contributing to the stabilization of blood supply, SHI has initiated its “Blood Donation of Love” Campaign since 1995. Providing blood donation on a quarterly basis since 1995, the total number of blood donors amounted to 2,625 in 2015, ranking second place in the nation.

Sharing Management Data

(Unit: 100 Million KRW)



BUSINESS REVIEW

This chapter introduces SHI's 2015 stock information, future strategies, and financial statements, considering that the report serves as an annual report.

- 88 Management's Discussion and Analysis
- 91 Stock Information
- 92 Financial Statements



Management's Discussion and Analysis

2015 Market Environment for Shipbuilding · Offshore Industries

Do to China’s economic slowdown and capital outflow in 2015, which followed the financial crisis that led to an economic stagnation throughout the Eurozone in 2014, demand for orders in the shipbuilding and offshore industries is also under falling trends. Moreover, due to the ongoing fall of oil prices in 2015 and further prospects that the trend will continue in the long-run, cases in which contractors delay or cancel their acquisition of their order for vessels and offshore plants are increasing.

Market Environment

Shipbuilding	Offshore
The global shipbuilding industry for 2015 received contracts that amounted to only 84% of that earned in the previous year, indicating an overall extension of poor industrial performance. Although the domestic industry maintained similar levels compared to the previous year by heavily focusing on the production of mega Container Carriers and tankers, the trend for orders on hand are expected to fall, as the quantity of orders are falling below the quantity of production.	Due to the falling oil price trends since the second half of 2014, the economic feasibility for oilfield development also decreased. Such trends have made major oil companies to lose their abilities to sign new orders. Thus, it is apparent that new orders for 2015 have been virtually suspended or delayed.

2015 SHI Business Performance

Orders on Hand - Despite the continuing global recession and falling oil prices, which affected the industry unfavorably, SHI managed to reach 66.7%, amounting to net value of 10 billion USD, of its total 2015 contract goal (15 billion USD).

New Orders, 2015 (Unit: billion USD, %)			
	Number of Vessels	Net Amount	Portion
Container Carrier	10	1.6	16
LNG Carrier	3	0.7	7
Tanker	30	1.6	16
Offshore Facilities	6	6.1	61
Total	49	10.0	100

Orders on Hand, 2015 (Unit: billion USD, %)			
	Number of Vessels	Net Amount	Portion
Container Carrier	24	3.3	9
LNG Carrier	21	4.4	12
Tanker	41	2.7	8
Drillship	10	5.9	17
Offshore Facilities	14	18.4	52
Others	6	0.7	2
Total	116	35.4	100

Financial Results - In 2015, SHI achieved sales of 9 trillion 713.3 billion KRW, operating loss of 1 trillion 501.9 billion KRW, and net loss of 1 trillion 212.1 billion KRW. Net revenue fell by 24.6% compared to the previous year, due to the decreased number of orders for drillships and operating income marked a switch to negative values due to factors, such as rising raw material costs and adding unclaimed payments into SHI’s business performance for financial solvency.

Summarized Financial Information (Unit: million KRW)			
	2015	2014	2013
Total assets	17,301,591	17,122,234	17,427,147
Current assets	10,110,480	10,581,204	10,716,937
Non-current assets	7,191,111	6,541,030	6,710,209
Total Liability	13,035,846	11,549,072	11,581,351
Current Liability	9,570,119	10,008,363	9,443,675
Non-current liabilities	3,465,726	1,540,790	2,137,676
Total equity	4,265,745	5,573,161	5,845,796
Capital stock	1,154,951	1,154,951	1,154,951
Retained earnings	3,592,524	4,872,462	4,840,682
Sales	9,714,441	12,879,062	14,834,501
Operating income	(1,501,905)	183,020	914,214
Net income before tax	(1,461,810)	189,754	819,283
Net income	(1,212,110)	147,320	632,205

Setting the New Record on Containership Orders - In March, 2015 SHI attained order for four 20,100TEU containership from MOL. This order not only set a record for SHI in producing the world’s largest containership, but also signified its opening of a new era of 20,000TEU containerships. In the same year April, SHI attained yet another order from, OOCL, a Hong Kong company, to produce six 21,100TEU mega containerships. With the success of obtaining this order, SHI has managed to break its own record within a short, one month’s period. Such incredible feat can be attributed to SHI’s superb research ability and infrastructure, which allows for the provision of optimized models for customers and advanced-ecofriendly technologies.



20,100TEU Containership



21,100TEU Containership

2016 Outlook and Plans

It is apparent that the shipbuilding and offshore industry will continue in its stagnant state even through 2016. It is expected attaining contracts for production will turn more unfavorably, due to the global economy undergoing adverse times and slowdown of transported goods. It is also expected that circumstances for obtaining contracts for SHI's staple vessels will also be difficult for 2015. Due to the global recession, except for the United States, along with the excess supply in the marine market, a supply-demand imbalance is becoming dominant. It is expected that the negative trend occurring in the market will continue until the demand side of the market changes fundamentally.

Shipbuilding - It is expected that the volume of additional orders for mega containerships will be limited after the global major ship liners conclude their contracts. Though orders for tankers may maintain its trend, even throughout periods of falling oil prices, it is highly unlikely that the order volumes will grow, due to the concentrated investments in 2015.

Offshore - The offshore industry is heavily affected by the price of oil. Due to the stagnant trend of falling oil prices, major oil companies are either delaying or canceling new oilfield development projects. Unless oil prices recover, it is very likely that the market trend will continue.

2016 SHI Business Strategy

In 2016, SHI has set its business goal for building foundations for the company to grow into a highly credible and respectable corporation that can sustain for the next 50, 100, or possibly, 200 years. SHI, which unyieldingly proceeded for development through growth, will overcome the current global recession, industry slowdown, and falling oil prices, with its distinctive sense of innovation, adherence to the basics as well as law, and endless endeavors. SHI will expand the scope of its activities in “reducing lead time by 10%, increasing productivity by 20%, and eliminating inefficiencies by 30%” and actively promote its strategies to minimize losses occurring from mega projects and recover from the prevailing economic conditions.

Prospects and Strategies for Main Products in 2016

Shipbuilding	General Vessels (Tankers, Bulkers)	Containership	LNG Carrier
	Though it is expected that demand for petroleum will increase, due to falling prices, SHI requires technical adjustments from the mass contracts obtained in 2015.	Due to mass orders in 2015, SHI has reduced the amount of contract bidding for containerships at the beginning of 2016. However, orders will be retaken towards the second half of 2016.	Though orders for LNG carriers are showing weaker trends in the short run, the overall amount for orders are expected to increase due to the increased volume of LNG transportation and North America’s exportation of shale gas.
Offshore	Offshore Production Facilities	Drillship	FLNG
	SHI plans to strengthen its EPC processing ability through its current projects and thereby attain both growth prospects, as well as profitability in the future offshore EPC market.	Though the market has shown contraction due to reduced investments for new exploration, new demands for advanced drill ships are favorably expected.	FLNG facilities are expected to grow larger due to their efficient costs and little effect to the environment. Based on actual process experience, SHI plans to lead the market.

Stock Information

Review of the Domestic Stock Market in 2015

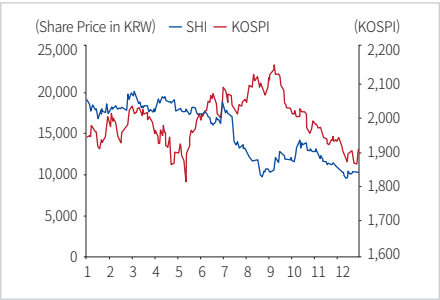
The KOSPI Index, which started off at 1912.24 on January 2nd , 2015, has been positively affected by the Central European Bank’s quantitative easing and increased to 2189.54 by April 24th . However, the index faced a sudden shift downwards in May due to Greece’s default crisis, accompanied by China’s stock market crash. Moreover, the United State Federal Reserve’s raise on the interest rate, MERS(Middle East Respiratory Syndrome), and North Korea’s provocation all added to a further decrease of the KOSPI to 1800.75. However, after tensions for increased interest rates have been relieved and the Chinese government’s success in easing the economy, the index rebounded and persisted until October. However, low oil prices and unfavorable export change rates caused turmoil in the domestic stock market and the KOSPI Index concluded at 1961.31 on December 30th .

2015 Stock Value Trend

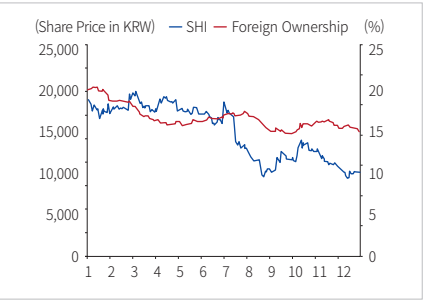
Despite difficult market conditions in 2015, SHI has still managed to attain 3.9 billion dollars worth of contract for shipbuilding, and 6.1 billion dollars for offshore production; amounting to a total of 10 billion dollars. Nevertheless, due to global economic slowdowns, the shipbuilding industry is facing difficulties in improving its performance and the offshore industry is also losing orders due to falling oil prices. Such circumstances led to the fall of SHI’s stock values. SHI’s stock value for 2015 ended at 10,850 KRW, which fell by 45.6% compared to the ending value in 2014.

	2015	2014	2013
Face Value (Unit: KRW)	5,000	5,000	5,000
Total Number of Stocks Issued (Unit: stocks)	230,990,231	230,990,231	230,990,231
Stock Value			
- High	21,150	38,650	45,800
- Low	9,980	19,850	29,800
- End	10,850	19,950	38,050
Foreigner’s Share	14.65%	19.51%	31.43%

2015 SHI Stock Value vs. KOSPI



2015 SHI Stock Value and Foreigner’s Share



Financial Statements

Statements of Financial Position

Years Ended December 31, 2013, 2014, and 2015
(Unit: KRW)

	2013		2014		2015	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Assets						
Current assets	10,716,937,140,906	10,595,937,391,410	10,581,203,886,408	10,338,923,828,753	10,110,480,734,368	9,466,228,058,034
Cash and cash equivalents	818,362,587,756	747,669,840,081	340,828,995,204	278,952,164,958	983,478,373,773	929,537,097,258
Short-term financial instruments	321,586,914,932	289,597,286,011	552,286,821,654	423,679,976,885	1,153,964,617,515	906,269,740,230
Trade receivables	468,425,574,963	448,356,469,498	766,105,469,939	674,054,253,948	350,650,287,238	146,769,615,297
Due from customers for contract work	5,300,555,497,728	5,333,381,608,029	5,468,236,343,936	5,633,102,784,748	4,291,514,814,100	4,291,514,814,100
Other receivables	28,238,199,033	30,196,967,199	34,565,556,684	38,256,941,643	30,172,001,317	25,166,662,985
Advance payments	1,345,104,799,530	1,353,781,287,232	1,204,339,396,646	1,168,763,938,662	894,966,319,466	887,133,037,883
Prepaid expenses	96,944,321,836	85,320,181,041	113,569,546,007	92,904,488,885	94,671,566,597	74,034,950,249
Current derivative financial instruments	728,499,474,802	728,499,474,802	332,651,727,188	332,260,717,932	245,272,669,603	243,395,896,452
Current firm commitment assets	578,555,240,788	578,555,240,788	387,032,381,625	387,032,381,625	451,717,714,505	451,441,392,838
inventories	841,635,450,707	823,331,665,374	1,168,817,778,667	1,121,342,169,315	1,449,045,285,162	1,421,117,402,914
Other current financial assets	60,020,739,916	59,930,735,906	67,399,190,712	67,070,740,706	52,748,575,663	46,548,289,448
Other current assets	129,008,338,915	117,316,635,449	145,370,678,146	121,503,269,446	112,278,509,429	43,299,158,380
Non-current assets	6,710,209,384,327	6,461,773,249,738	6,541,030,196,178	6,347,046,713,843	7,191,111,253,098	6,826,081,894,754
Long-term available-for-sale financial assets	145,291,142,833	138,413,658,379	97,777,953,564	97,777,953,564	61,143,039,512	61,143,039,512
Investments in associates and joint ventures	6,055,262,138	407,971,295,987	5,358,357,113	496,165,178,920	5,705,345,274	498,009,880,867
Property, plant and equipment	5,253,828,207,975	4,658,532,052,904	5,273,010,241,152	4,664,578,605,082	5,582,821,926,551	4,807,199,653,217
Investment properties	44,580,848,134	44,580,848,134	20,593,114,258	20,593,114,258	6,981,786,474	6,981,786,474
Intangible assets	136,849,561,870	131,640,046,713	128,529,130,510	121,124,875,259	101,741,434,244	94,779,516,349
Long-term prepaid expenses	56,938,358,259	17,909,335,983	97,112,811,086	29,532,244,964	75,663,980,553	17,809,986,292
Derivative financial instruments	517,100,379,165	517,100,379,165	183,431,051,536	183,377,664,455	143,056,516,969	141,228,620,063
Firm commitment assets	210,672,663,835	210,672,663,835	209,890,506,989	209,890,506,989	385,128,453,648	375,752,455,784
Non-current trade receivables	165,520,903,033	165,520,903,033	165,321,703,591	165,321,703,591	67,955,945,129	67,955,945,129
Deferred income tax assets	119,782,136,326	116,477,834,979	307,599,590,391	306,675,242,065	730,006,107,462	724,599,631,861
Other financial assets	53,589,920,759	52,954,230,626	52,405,735,988	52,009,624,696	30,906,717,282	30,621,379,206
Total assets	17,427,146,525,233	17,057,710,641,148	17,122,234,082,586	16,685,970,542,596	17,301,591,987,466	16,292,309,952,788

Years Ended December 31, 2013, 2014, and 2015
(Unit: KRW)

	2013		2014		2015	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Liabilities						
Current liabilities	9,443,674,996,355	9,196,045,918,539	10,008,363,701,451	9,768,283,564,727	9,570,119,230,078	9,018,106,086,768
Trade payables	1,621,593,200,533	1,630,782,842,173	1,494,781,645,667	1,487,268,952,883	1,413,719,841,358	1,383,452,665,515
Short-term borrowings	1,422,067,253,584	1,300,501,695,190	2,213,523,762,006	2,118,826,624,536	1,908,413,150,868	1,778,721,569,116
Other payables	129,618,841,712	125,909,713,100	112,314,639,636	110,070,457,052	106,499,048,081	97,757,264,909
Advance receipts	632,123,080,187	617,532,539,273	765,595,353,531	633,187,087,218	1,114,953,967,408	912,324,444,426
Due to customers for contract work	3,252,820,144,539	3,223,642,464,512	3,033,834,645,635	3,103,958,591,726	2,813,297,640,828	2,668,395,202,087
Accrued expenses	533,680,932,871	524,132,023,813	666,216,189,055	655,923,537,379	502,396,264,847	492,130,021,514
Current income tax liabilities	294,975,807,440	294,964,790,080	86,415,034,996	83,663,842,001	4,937,885,534	1,877,337,164
Current derivative financial instruments	373,809,474,106	373,809,474,106	345,463,333,015	345,178,484,514	521,701,075,486	517,081,181,032
Current firm commitment liabilities	621,214,125,065	621,214,125,065	343,105,017,759	343,105,017,759	246,360,587,891	246,071,593,819
Current portion of long-term debts	256,751,656,729	180,370,000,000	653,624,705,519	599,697,655,519	513,569,600,000	510,000,000,000
Provisions	163,295,070,830	163,295,070,830	202,887,355,586	202,887,355,586	375,693,088,290	375,693,088,290
Other current liabilities	141,725,408,759	139,891,180,397	90,602,019,046	84,515,958,554	48,577,079,487	34,601,718,896
Non-current liabilities	2,137,675,723,883	2,068,526,934,125	1,540,709,085,368	1,471,337,148,652	3,465,726,998,103	3,177,380,431,941
Debentures	1,197,432,829,197	1,197,432,829,197	598,924,336,125	598,924,336,125	1,098,155,375,018	1,098,155,375,018
Long-term debts	60,660,113,547	7,562,663,547	360,575,782,657	307,562,663,547	1,513,180,196,172	1,327,400,000,000
Net defined benefit liabilities	46,496,220,459	46,496,220,459	81,148,863,177	81,148,863,177	175,924,376,932	175,924,376,932
Other provisions	66,718,517,000	66,718,517,000	64,806,409,000	64,806,409,000	24,072,508,000	24,072,508,000
Derivative financial instruments	211,478,089,439	211,478,089,439	213,182,802,894	212,231,665,749	405,879,686,509	394,013,020,731
Firm commitment liabilities	518,640,891,021	518,640,891,021	191,500,624,164	191,500,624,164	139,239,613,570	137,640,798,322
Other financial liabilities	21,527,589,195	20,197,723,462	15,888,741,099	15,162,586,890	21,811,891,578	20,174,352,938
Other financial liabilities	-	-	-	-	78,094,236	-
Deferred income tax liabilities	14,721,474,025	-	14,681,526,252	-	87,385,256,088	-
Total liabilities	11,581,350,720,238	11,264,572,852,664	11,549,072,786,819	11,239,620,713,379	13,035,846,228,181	12,195,486,518,709

Statements of Financial Position

Years Ended December 31, 2013, 2014, and 2015
(Unit: KRW)

	2013		2014		2015	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Capital						
Attributable to owners of the Company	5,845,804,349,176	-	5,537,479,225,161	-	4,237,368,406,426	-
Capital stock	1,154,951,155,000	1,154,951,155,000	1,154,951,155,000	1,154,951,155,000	1,154,951,155,000	1,154,951,155,000
Common stock	1,154,376,930,000	1,154,376,930,000	1,154,376,930,000	1,154,376,930,000	1,154,376,930,000	1,154,376,930,000
Preferred stock	574,225,000	574,225,000	574,225,000	574,225,000	574,225,000	574,225,000
Premium on capital stock	417,172,244,393	417,172,244,393	417,172,244,393	417,172,244,393	417,172,244,393	417,172,244,393
Other components of equity	(649,229,603,926)	(649,229,603,926)	(963,896,146,243)	(963,896,146,243)	(963,896,146,243)	(963,896,146,243)
Accumulated other comprehensive income	82,228,563,824	74,612,629,104	56,789,076,034	47,564,262,126	35,616,695,703	23,601,776,875
Retained earnings	4,840,681,989,885	4,795,631,363,913	4,872,462,895,977	4,790,558,313,941	3,593,524,457,573	3,464,994,404,054
Non-controlling interest	(8,544,181)	-	35,682,070,606	-	28,377,352,859	-
Total equity	5,845,795,804,995	5,793,137,788,484	5,573,161,295,767	5,446,349,829,217	4,265,745,759,285	4,096,823,434,079
Total liabilities and equity	17,427,146,525,233	17,057,710,641,148	17,122,234,082,586	16,685,970,542,596	17,301,591,987,466	16,292,309,952,788

Statements of Income

Years Ended December 31, 2013, 2014, and 2015
(Unit: KRW)

	2013		2014		2015	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Revenue	14,834,500,941,591	14,706,097,959,785	12,879,061,898,890	12,584,242,742,808	9,714,441,843,944	9,332,927,410,908
Cost of sales	13,037,656,340,051	12,948,277,147,920	12,116,358,002,949	11,938,125,474,516	10,676,057,968,401	10,534,392,159,045
Gross profit	1,796,844,601,540	1,757,820,811,865	762,703,895,941	646,117,268,292	(961,616,124,457)	(1,201,464,748,137)
Selling and administrative expenses	882,630,316,282	833,265,730,820	579,683,917,058	503,379,076,986	540,289,374,247	463,111,697,710
Operating profit	914,214,285,258	924,555,081,045	183,019,978,883	142,738,191,306	(1,501,905,498,704)	(1,664,576,445,847)
Other income	3,342,827,938,387	3,338,659,313,553	2,631,044,863,947	2,614,713,235,113	2,677,989,720,350	2,652,959,186,923
Other expenses	3,179,171,681,026	3,172,872,844,012	2,536,611,498,356	2,525,717,594,230	2,627,069,553,392	2,546,179,782,591
Financial income	482,518,523,562	477,610,139,075	258,710,431,473	246,642,573,285	267,148,607,842	231,193,988,023
Financial costs	741,410,272,296	727,589,206,247	345,709,070,486	331,993,257,050	277,323,179,890	247,395,530,229
Share of gain (loss) of associates and joint ventures	304,042,855	-	(700,265,151)	-	(650,814,305)	-
Profit before income tax	819,282,836,740	840,362,483,414	189,754,440,310	146,383,148,424	(1,461,810,718,099)	(1,573,998,583,721)
Income tax expense	187,077,379,750	187,916,160,041	42,434,231,465	34,012,555,056	(249,700,704,752)	(321,958,742,640)
Profit for the year	632,205,456,990	652,446,323,373	147,320,208,845	112,370,593,368	(1,212,110,013,347)	(1,252,039,841,081)
Profit attributable to						
Equity holders of the Company	632,204,495,412	-	149,224,549,432	-	(1,205,414,369,599)	-
Non-controlling interest	961,578	-	(1,904,340,587)	-	(6,695,643,748)	-
Earnings per share for profit attributable to the equity holders of the Company during the year						
Basic earnings per share	2,914	3,007	693	522	(5,879)	(6,107)
Diluted earnings per share	2,913	3,006	693	522	(5,879)	(6,107)

Statements of Comprehensive Income

Years Ended December 31, 2013, 2014, and 2015
(Unit: KRW)

	2013		2014		2015	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Profit for the year	632,205,456,990	652,446,323,373	147,320,208,845	112,370,593,368	(1,212,110,013,347)	(1,252,039,841,081)
Other comprehensive income (loss)	37,748,831,386	19,247,645,663	(36,280,430,706)	(36,003,067,068)	(44,052,040,385)	(46,224,361,307)
Items that will not be reclassified to profit or loss						
Remeasurements of net defined benefit liabilities	24,206,228,042	24,206,228,042	(11,813,588,509)	(11,813,588,509)	(29,369,229,625)	(29,369,229,625)
Income tax	(5,857,907,186)	(5,857,907,186)	2,858,888,419	2,858,888,419	7,107,353,569	7,107,353,569
Items that will be reclassified to profit or loss						
Changes in value of available-for-sale financial assets	1,186,444,336	1,186,444,336	(35,683,861,449)	(35,683,861,449)	(31,388,755,785)	(31,388,755,785)
Currency translation differences	18,553,402,611	-	(280,723,764)	-	2,274,518,457	-
Changes in equity method investees with accumulated comprehensive income	(52,216,888)	-	3,360,126	-	(102,197,535)	-
Tax effects of other comprehensive Income (loss)	(287,119,529)	(287,119,529)	8,635,494,471	8,635,494,471	7,426,270,534	7,426,270,534
Total comprehensive income for the year	-	671,693,969,036		76,367,526,300		(1,298,264,202,388)
Equity holders of the Company	669,933,632,428	-	114,830,361,552	-	(1,248,848,625,986)	-
Non-controlling interest	20,655,948	-	(3,790,583,413)	-	(7,313,427,746)	-

Consolidated Statements of Changes in Equity

Years Ended December 31, 2013, 2014, and 2015
(Unit: KRW)

		equity						
		Capital stock	Capital surplus	Accumulated Other Comprehensive income	Other Components of Equity	Retained earnings	Non-controlling interest	Total equity
Balance as of January 1, 2013		1,154,951,155,000	417,172,244,393	62,847,747,664	(650,927,722,273)	4,298,558,716,867	346,921,923	5,282,949,063,574
Changes in equity	Comprehensive income							
	Profit for the year	-	-	-	-	632,204,495,412	961,578	632,205,456,990
	Change in value of available-for-sale financial assets	-	-	899,324,807	-	-	-	899,324,807
	Currency translation differences	-	-	18,533,708,241	-	-	19,694,370	18,553,402,611
	Remeasurement of net defined benefit liabilities	-	-	-	-	18,348,320,856	-	18,348,320,856
	Change in equity method investments	-	-	(52,216,888)	-	-	-	(52,216,888)
	Dividends paid	-	-	-	-	(108,429,543,250)	-	(108,429,543,250)
Transactions with equity holders of the Company	Acquisition of non-controlling interests	-	-	-	-	-	-	-
	Dividends relating to 2012	-	-	-	-	-	-	-
	Gain on disposal of treasury stock	-	-	-	176,232,929	-	-	176,232,929
	Disposal of treasury stock	-	-	-	1,613,887,918	-	-	1,613,887,918
	Acquisition of treasury stock	-	-	-	-	-	-	-
	Stock purchase options	-	-	-	(92,002,500)	-	-	(92,002,500)
	Changes in scope of consolidation							
Transactions with non-controlling interests		-	-	-	-	-	(376,122,052)	(376,122,052)
Balance as of December 31, 2013		1,154,951,155,000	417,172,244,393	82,228,563,824	(649,229,603,926)	4,840,681,989,885	(8,544,181)	5,845,795,804,995
Balance as of January 1, 2014		1,154,951,155,000	417,172,244,393	82,228,563,824	(649,229,603,926)	4,840,681,989,885	(8,544,181)	5,845,795,804,995
Changes in equity	Comprehensive income							
	Profit for the year	-	-	-	-	149,224,549,432	(1,904,340,587)	147,320,208,845
	Change in value of available-for-sale financial assets	-	-	(27,048,366,978)	-	-	-	(27,048,366,978)
	Currency translation differences	-	-	1,605,519,062	-	-	(1,886,242,826)	(280,723,764)
	Remeasurement of net defined benefit liabilities	-	-	-	-	(8,954,700,090)	-	(8,954,700,090)
	Change in equity method investments	-	-	3,360,126	-	-	-	3,360,126
	Dividends paid	-	-	-	-	(108,488,943,250)	-	(108,488,943,250)

Consolidated Statements of Changes in Equity

Years Ended December 31, 2013, 2014, and 2015
(Unit: KRW)

		equity						
		Capital stock	Capital surplus	Accumulated Other Comprehensive income	Other Components of Equity	Retained earnings	Non- controlling interest	Total equity
Transactions with equity holders of the Company	Acquisition of non-controlling interests	-	-	-	-	-	39,481,198,200	39,481,198,200
	Dividends relating to 2013		-	-	-	-	-	-
	Gain on disposal of treasury stock		-	-	182,902,573	-	-	182,902,573
	Disposal of treasury stock	-	-	-	806,949,000	-	-	806,949,000
	Acquisition of treasury stock	-	-	-	(315,527,198,890)	-	-	(315,527,198,890)
	Stock purchase options	-	-	-	(129,195,000)	-	-	(129,195,000)
Transactions with non-controlling interests	Changes in scope of consolidation	-	-	-	-	-	-	-
Balance as of December 31, 2014		1,154,951,155,000	417,172,244,393	56,789,076,034	(963,896,146,243)	4,872,462,895,977	35,682,070,606	5,573,161,295,767
Balance as of January 1, 2015		1,154,951,155,000	417,172,244,393	56,789,076,034	(963,896,146,243)	4,872,462,895,977	35,682,070,606	5,573,161,295,767
Changes in equity	Comprehensive income							
	Profit for the year		-	-	-	(1,205,414,369,598)	(6,695,643,749)	(1,212,110,013,347)
	Change in value of available-for-sale financial assets	-	-	(23,962,485,251)	-	-	-	(23,962,485,251)
	Currency translation differences	-	-	2,892,302,455	-	-	(617,783,998)	2,274,518,457
	Remeasurement of net defined benefit liabilities	-	-	-	-	(22,261,876,056)	-	(22,261,876,056)
	Change in equity method investments	-	-	(102,197,535)	-	-	-	(102,197,535)
	Dividends paid	-	-	-	-	(51,262,192,750)	-	(51,262,192,750)
Transactions with equity holders of the Company	Acquisition of non-controlling interests	-	-	-	-	-	8,710,000	8,710,000
	Dividends relating to 2014	-	-	-	-	-	-	-
	Gain on disposal of treasury stock	-	-	-	-	-	-	-
	Disposal of treasury stock	-	-	-	-	-	-	-
	Acquisition of treasury stock	-	-	-	-	-	-	-
	Stock purchase options	-	-	-	-	-	-	-
Transactions with non-controlling interests	Changes in scope of consolidation	-	-	-	-	-	-	-
Balance as of December 31, 2015		1,154,951,155,000	417,172,244,393	35,616,695,703	(963,896,146,243)	3,593,524,457,573	28,377,352,859	4,265,745,759,285

Consolidated Statements of Cash Flows

Years Ended December 31, 2013, 2014, and 2015
(Unit: KRW)

	2013	2014	2015
Net cash generated from (used in) operating activities	590,217,273,410	(457,461,384,244)	620,279,375,943
Cash generated from operations	855,910,275,999	49,404,754,762	860,570,548,010
Interest received	41,947,485,480	45,096,880,547	37,822,169,789
Interest paid	(116,499,412,137)	(126,329,109,604)	(110,743,840,345)
Dividends received	1,091,011,498	1,084,181,213	472,988,998
Income tax paid	(192,232,087,430)	(426,718,091,162)	(167,842,490,509)
Net cash used in investing activities	(346,455,887,242)	(521,349,418,917)	(1,080,653,868,348)
Changes in short-term financial instruments	(88,247,402,014)	(238,003,344,738)	(599,615,029,981)
Acquisition of long-term available-for-sale financial assets	(658,838,750)	-	-
Disposal of long-term available-for-sale financial assets	1,418,569,123	16,600,461,411	1,709,566,280
Acquisition of associates and joint ventures	(1,000,000,000)	-	(1,100,000,000)
Disposal of associates and joint ventures	-	-	-
Acquisition of property, plant and equipment	(409,682,528,249)	(366,500,050,635)	(608,155,589,087)
Disposal of property, plant and equipment	25,338,694,298	43,960,193,042	37,749,954,240
Acquisition of investment properties	(2,385,453,364)	-	-
Disposal of investment properties	52,931,991,794	27,129,529,832	25,122,387,500
Acquisition of intangible assets	(1,219,675,270)	(2,500,659,686)	(45,614,273)
Disposal of intangible assets	165,454,546	169,933,676	3,065,755,943
Disposal of other current financial assets	22,064,660,435	15,876,987,151	38,800,088,029
Acquisition of other current financial assets	(52,689,128)	(17,999,192,114)	
Disposal of other non-current financial assets	68,006,416,811	5,804,122,459	26,631,308,912
Acquisition of other non-current financial assets	(13,135,087,474)	(5,887,399,315)	(4,816,695,911)
Net cash (used in) provided by financing activities	(366,830,437,954)	503,052,116,036	1,103,694,356,196
Acquisition of non-controlling interests	-	39,481,198,200	8,710,000
Proceeds from short-term borrowings	176,081,052,035	791,367,691,539	(324,573,102,897)
Repayments of current portion of long-term debts	(207,195,341,770)	(255,321,917,070)	(651,148,177,650)
Proceeds from long-term borrowings	301,743,475,031	351,220,525,507	1,634,255,790,583
Repayments of long-term borrowings	(529,641,000,000)	-	(1,871,171,090)
Acquisition of treasury stock	-	(315,527,198,890)	-
Disposal of treasury stock	610,920,000	320,760,000	-
Dividends paid	(108,429,543,250)	(108,488,943,250)	(51,262,192,750)
issued debenture	-	-	498,284,500,000
Net increase(decrease) in cash and cash equivalents before exchange fluctuation	(123,069,051,786)	(475,758,687,125)	643,319,863,791
Cash and cash equivalents at beginning of year	928,919,869,752	818,362,587,756	340,828,995,204
Effect of exchange rate change on cash and cash equivalents	12,511,769,790	(1,774,905,427)	(670,485,222)
Cash and cash equivalents at the end of year	818,362,587,756	340,828,995,204	983,478,373,773

APPENDIX

This chapter consists of the GRI Index and SHI's 2015 audit reports on the company's financial statement as well as sustainability content.

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- 105 Independent Auditor's Report
- 106 GRI G4 Guideline Index



Assurance Statement

Relating to Samsung Heavy Industries Co., Ltd.’s Sustainability Report for the calendar year 2015



This Assurance Statement has been prepared for Samsung Heavy Industries Co., Ltd. in accordance with our contract but is intended for the readers of this Report.

Terms of Engagement

Lloyd’s Register Quality Assurance Ltd. (LRQA) was commissioned by Samsung Heavy Industries Co., Ltd. (SHI) to provide independent assurance on its ‘Sustainability Report 2015’ (“the Report”) against the assurance criteria below to a limited level of assurance using LRQA’s verification procedure. LRQA’s verification procedure is based on current best practise and uses the principles of AA1000AS (2008) - Inclusivity, Materiality, Responsiveness and Reliability of performance data and processes defined in ISAE3000.

Our assurance engagement covered SHI’s operations and activities in Korea and specifically the following requirements:

- Confirming that the Report is in accordance with GRI G4’s Sustainability Reporting Guidelines (core option)
- Evaluating the accuracy and reliability of data and information for only the selected indicators listed below:
 - Economic: economic performance (EC1, EC3), indirect economic impacts (EC7, EC8)
 - Environmental: energy (EN3, EN6, EN7), emissions (EN15, EN16, EN21), effluents and waste (EN23)
 - Social: employment (LA2), occupational health and safety (LA7), training and education (LA9, LA10), labor practices grievance mechanisms (LA16), anti-corruption (SO3, SO4), product and service labelling (PR5), compliance (PR9)

Our assurance engagement excluded the data and information of SHI’s suppliers, contractors and any third-parties mentioned in the Report.

LRQA’s responsibility is only to SHI. LRQA disclaims any liability or responsibility to others as explained in the end footnote. SHI’s responsibility is for collecting, aggregating, analysing and presenting all the data and information within the Report and for maintaining effective internal controls over the systems from which the Report is derived. Ultimately, the Report has been approved by, and remains the responsibility of SHI.

LRQA’s Opinion

Based on LRQA’s approach nothing has come to our attention that would cause us to believe that SHI has not:

- Met the requirements above
- Disclosed accurate and reliable performance data and information as all errors or omissions identified during the assurance engagement were corrected
- Covered all the issues that are important to the stakeholders and readers of this Report.

The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the Verifier.

Note: The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites.

LRQA’s Approach

LRQA’s assurance engagements are carried out in accordance with our verification procedure. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Assessing SHI’s approach to stakeholder engagement to confirm that issues raised by stakeholders were captured correctly. We did this through reviewing documents and associated records.
- Reviewing SHI’s process for identifying and determining material issues to confirm that the right issues were included in their Report. We did this by comparing SHI’s reported material issues against reports of its peers. We also tested the filters used in determining material issues to evaluate whether SHI makes informed business decisions that may create opportunities that contribute towards sustainable development.
- Auditing SHI’s data management systems to confirm that there were no significant errors, omissions or mis-statements in the Report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification. We also spoke with those key people responsible for compiling the data and drafting the Report.
- Reviewing additional evidence made available by SHI at their Geoje Shipyard in Geoje-si, Gyeongsangnam-do.
- Checking that the GRI Content Index allows stakeholders to access sustainability indicators.

Observations

Further observations and findings, made during the assurance engagement, are:

- **Stakeholder Inclusivity:**
We are not aware of any key stakeholder groups that have been excluded from SHI’s stakeholder engagement process.
- **Materiality:**
We are not aware of any material issues concerning SHI’s sustainability performance that have been excluded from the Report. It should be noted that SHI has established extensive criteria for determining material issues/aspects and that these criteria are not biased to SHI’s management.
- **Responsiveness:**
SHI has not provided a detailed strategies and targets for contributing sustainable development. We believe that future reports should explain them in detail.
- **Reliability:**
SHI’s reporting process for the selected indicators are well defined.

LRQA's Competence and Independence

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

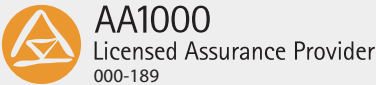
LRQA is SHI's certification body for ISO 9001, ISO 14001, ISO 50001, ISO 3834, ISO/TS 29001 and OHSAS 18001. We also provide SHI with a range of training services related to Management Systems. The verification and certification assessments, together with the training, are the only work undertaken by LRQA for SHI and as such do not compromise our independence or impartiality.

Dated: 10 May 2016



Tae-Kyoung Kim
LRQA Lead Verifier

On behalf of Lloyd's Register Quality Assurance Limited
17th Floor, Sinsong Building, 67 Yeouinaru-ro, Yeongdeungpo-gu, Seoul, Korea



LRQA Reference: SEO6017930

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Independent Auditor's Report

To the Board of Directors and Shareholders of Samsung Heavy Industries Co., Ltd.

We have audited the accompanying consolidated financial statements Samsung Heavy Industries Co., Ltd. and its subsidiaries (collectively "the Group"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS") and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with the Korean IFRS.



Seoul, Korea
March 10, 2016



This report is effective as of March 10, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

GRI G4 Guideline Index

In Accordance - Core

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G4-14	Reporting whether and how the precautionary approach or principle is addressed by the organization	●	34, 35
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G4-16	Memberships of association and national or international advocacy organizations	●	Korea Offshore & Shipbuilding Association, Korea Industrial Technology Association, Korea Association of Machinery Industry, and Korean Association of Industrial Technology Security, etc.
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G4-19	All the material Aspects identified in the process for defining report content	●	17
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G4-38	Composition of the highest governance body and its committees	●	14	
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	G4-EC1	Direct economic value generated and distributed	●	89, 2015 Key Economic Value Distribution · Business partners (Outsourcing): 2,289 KRW in trillions · Employees(Salary): 1,427 KRW in trillions · Government (Tax and dues): 33.8 KRW in billions · Local communities (Donation): 1.4 KRW in billions
Indirect Economic Impacts	G4-EC3	Coverage of the organization's defined benefit plan obligations	●	50
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	G4-EC7	Development and impact of infrastructure investment and services supported	●	Supporting Samsung Nursery School Operation
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	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope1)	●	67
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	G4-EN23	Total weight of waste by type and disposal method	●	64
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	G4-SO4	Communication and training on anti-corruption policies and procedures	●	29
Products & Services Labeling	G4-DMA	Disclosures on Management Approach	●	58, 59
	G4-PR5	Results of surveys measuring customer satisfaction	●	59
Compliance	G4-DMA	Disclosures on Management Approach	●	26, 27
	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	●	No cases of monetary sanction

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General Standard Disclosures			
Specific Standard Disclosures		Page	Note
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	56	
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	64	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender	32	
G4-LA8	Health and safety topics covered in formal agreements with trade unions	50	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	50	
G4-HR3	Total number of incidents of discrimination and corrective actions taken	-	No cases of discrimination
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	-	Not Available
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions take	-	No cases of violations
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	-	No cases
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	-	No cases of monetary sanctions
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle	-	No cases of monetary sanctions
G4-PR4	Total number of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	-	No cases of non-compliance
G4-PR6	Sale of banned or disputed products	-	No cases
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	-	No cases of violation
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	-	No cases of complaints

Participants in publishing the
SHI Sustainability Report 2015

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- Management Support Team
- HR Management Team
- HR Planning Team
- Finance Team
- Compliance Support Team
- Technology Planning Group
- General Affairs Team
- Planning Team
- Quality Management Team
- Shared Growth Bureau
- CS Team
- Safety & Environment Team
- Information Security Department
- Communication Team
(Planning and Publication)



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Contact

Please contact the Communication Team for inquiries and additional
information about this report.

SHI Communication Team

Tel +82 55 631 5382

Fax +82 55 630 5989

E-mail hongbo.shi@samsung.com

