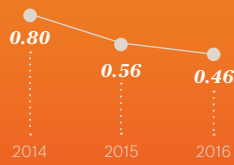




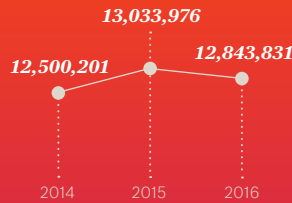
Key Sustainability Performances

LTIR (Lost Time Incident Rate) (Unit: cases per million working hours)



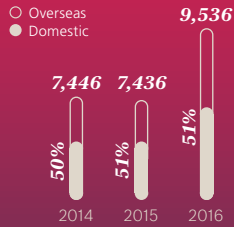
Creating a Health and Safety Workplace

GHG Emission (Unit: tCO₂eq)



Paris Agreement and Climate Change

Three Year Purchasing Volume (Unit: KRW 100 million)



Creating a Sustainable Supply Chain

Sustainability Material Issues ; better operation and balance

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Material Issue 01

Creating a Health and Safety Workplace

What is the impact on the company?

Stakeholder Impact Evaluation

Issue	Financial Impact	Reputational Impact	Operational Impact	Strategic Impact
Industrial Health & Safety			✓	
Management of Environmental Pollutants		✓		

Why is it important?

The Importance of the Issues

- Neglecting SHE(Safety, Health and Environment) management can lead to major accidents and cause significant damage to business operations, which makes SHE an essential element of sustainable management
- Recognizing the importance of SHE management, governments around the world are tightening safety and environmental regulations. Companies that do not satisfy these standards receive disadvantages, such as being restricted in business activities

How is SK innovation responding to this issue?

SK innovation's Strategic Approach

- Managing industrial safety across the whole value chain
- Developing a SHE compliance framework
- Operating a comprehensive chemicals management system

How is performance tracked?

Performance Measurements

- UCL(Unplanned Capacity Loss) Target Satisfaction Rate
- LTIR(Lost Time Incident Rate) Target Satisfaction Rate

All employees working at a worksite should come to the workplace with confidence that it is a safe environment, and feel a sense of pride about this fact. SK innovation engages in activities to improve the SHE level across the value chain, including not only its own personnel but also those working for suppliers or invested companies. SK innovation strives to become a company trusted by stakeholders to grow and develop together with its society by engaging in activities including assessing the safety culture, improving supplier and invested companies' capabilities, and developing a laws, regulations and by-law compliance support frameworks.

Industrial Safety Management Across the Value Chain

Assessing the On-Site Safety Culture

To achieve global level of competitiveness in SHE, it is imperative to strengthen the safety culture. In 2016, SK innovation conducted a personnel survey and on-site safety assessment for all worksites. Through this process, the company gauged how mature the safety culture was, and compared the data to leading companies in Korea and abroad. As a result we have identified 120 improvement tasks for each organization and established execution plans accordingly. In the future, the company will perform periodic safety assessments to improve the level of safety culture in an organized manner. In addition, we will engage in a wide range of activities that can boost compliance and strengthen capabilities.

SHE System Compliance at Suppliers

SK innovation supports suppliers to improve their safety management beyond just following laws and regulations to a level that evokes pride in their employees. In cooperation with the Korea Occupational Safety and Health Agency, SK innovation is promoting a project for suppliers to receive KOSHA and OHSAS 18001 joint certification. SK innovation will support the cost for consultation, receiving the certification and building the safety health management system. Through this program, 39 suppliers have been certified. SK innovation will also support them to secure on-site abilities to improve the system and inspect on-site implementation.

Supporting SHE for New Global Businesses and Invested Companies

With tougher SHE requirements and regulations in the global community, the significance of global SHE risk management is becoming more important. Employing the capabilities and know-how accumulated by building and operating a SHE management system for local worksites, SK innovation provides support, so new businesses or invested companies can identify and mitigate potential SHE risk and create their own SHE framework and capacity. Through these efforts, not only are we able to create safe and competitive global worksites, but also able to strengthen cooperation with business partners.



Developing a SHE Compliance System

With an increasing number of new and restricted safety and environment regulations in Korea, legal standards to follow at worksites and relevant risks are continuously increasing. To minimize these risks, SK innovation has identified the SHE legal requirements for each worksite and managed compliance

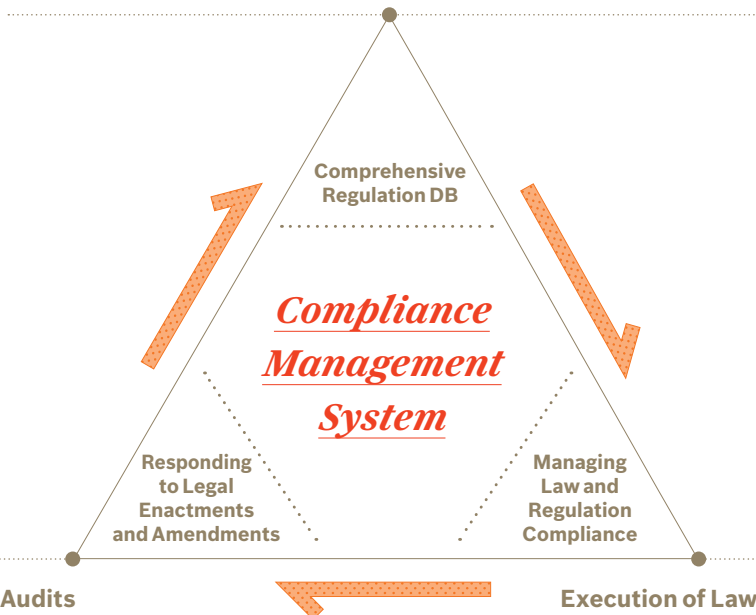
through an IT system(Legal Compliance System). This system enables employees to manage SHE compliance risk, from including revised or new regulations in the drafting stage, to check legal compliance on site. SK innovation is planning to apply this system to all sites by 2017.

SHE Compliance System

- Policy Trends and New/Revised Laws & Regulations: Gather intelligence on SHE related bills submitted by the government and National Assembly, and track the progress of legal enactments and amendments, to understand the impact on the company's business activities and to share such information with the business sites
- Rationalize Legal Interpretations and Regulations: Receive clear interpretations of law and regulations to ensure SHE compliance at the sites, and create a systematic approach to business processes¹⁾ between organizations in order to rationalize regulations that do not fit work reality
- Information on laws and regulations: Building information on requirements in SHE and laws and regulations and systemizing information to enable search and utilization

1) Business Process: Request from site → Internal review → Government consultation → Notify results

Law and Regulation Information



Inspections and Audits

- Systemize internal and external inspection and audits to track the implementation of any corrective measures to enable sites to share and use such measures

Execution of Laws and Regulations

- Provide information on pre-defined standards via the system to allow the business sites to comply with legal requirements and internal standards in a timely manner, and enable compliance management

Strengthening On-site Chemical Management

A recent series of chemical accidents have highlighted the risks of chemical material and increased social awareness on the topic. In addition, the government revamped the existing legal framework on chemicals management, accident handling, and damage relief, to encourage more extensive chemical management. To be in full compliance with all laws and regulations regarding chemicals, a company is required to not only to collect data and record the current status of chemicals used, but also to create a system to track the management from the point the material enters the organization through the processing, storing, transporting, sale and disposal of the material. This requires the full commitment and capabilities of the corporation.

Operating an Integrated Chemicals Management System

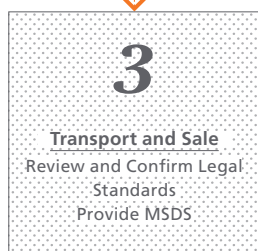
SK innovation operates a comprehensive chemicals safety management system that tracks the whole process from the point the chemical substance enters the organization through the production of a new chemical product, and the transportation and sale of such product, to protect the environment and safeguard the safety and health of all related stakeholders.



Purchasing Chemical Substances: Prior to a new chemical substance being purchased, the company will first assess the level of hazard and toxicity and check to ensure safe storing and usage conditions are in place. The Material Safety Data Sheet(MSDS) is used to confirm basic hazard and toxicity data. Based on this data, a hazard assessment is conducted to evaluate the risk to our stakeholders, suppliers' employees, local communities and production facilities, after which a decision is made on whether to import the relevant chemicals. If purchasing the chemicals under current conditions is deemed potentially hazardous, necessary actions are implemented to eliminate the risk and to secure conditions for safe usage of such chemicals. In addition, all chemicals are registered in the internal chemicals management system linked to the company's procurement system. Information on any necessary measures, such as licenses and permits, is supplied to the relevant department, which ensures that key factors for legal compliance related to the chemicals are not overlooked, and information is utilized and managed in a timely manner.



Producing chemical products: In order to prevent external chemical exposure externally or to persons handling such material, most of SK innovation's facilities that store or handle such material adopt a sealed design. In particular, we operate a Leak Detection and Repair(LDAR) system to prevent even minor leaks that many occur in vulnerable areas, such as control panels or the connectors between different equipment. For all chemicals used or produced within the company, a MSDS is created and used. This MSDS used to train personnel or supplier employees about the precautions before they handle the material. In addition, a copy of the MSDS is kept onsite to allow everyone to refer to it. Moreover, a full inventory of all chemicals within the organization is created to ensure information, such as the volume produced and the properties, is managed in a comprehensive and organized manner.



Transportation and Sale: Chemicals generated in the production process or products that contain chemicals must comply with domestic laws. To export overseas, they must also comply with international conventions, such as Europe's Registration, Evaluation and Authorization of Chemicals(REACH). SK innovation has established a process to ensure all chemical products manufactured are in compliance with these standards and all necessary permits have been obtained prior to transporting or sale. In addition, we supply the MSDS directly to the customer to clearly inform them about the safety and health information required for the handling of the material. Stakeholders can easily access this information online through the company's website.