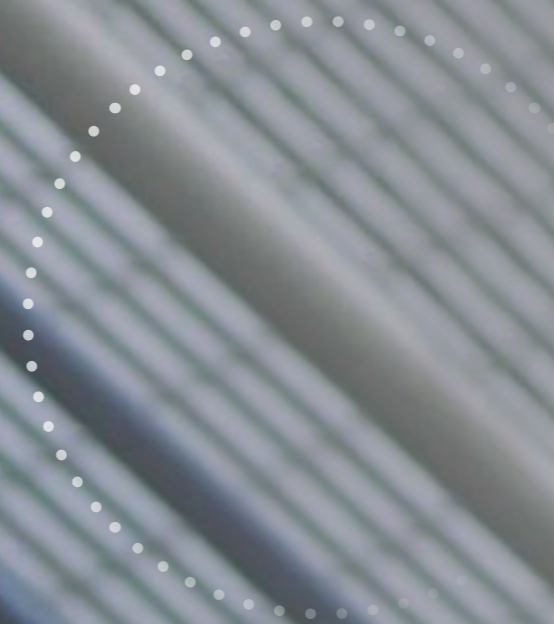




Sustainability Performance Review

Investment for the Future



Expenses for Social Contribution Activities
(Unit: KRW million) **26,977**

3,886 Hours of Ethical Training
(Unit: Hour)

52,763,776 Total Energy Consumption
(Unit: MWh)

- 050 Board of Directors
- 054 Risk Management
- 056 Ethical Management
- 060 Employees
- 065 Supply Chain Management
- 068 Social Contribution
- 076 SHE (Safety, Health, Environment) Management

Board of Directors

The Board of Directors is the highest decision-making body that provides direction to the company, and at the same time ensures balance between the internal and external stakeholders. The Board of Directors plays a key role in the company's sustainable growth. SK innovation is committed to ensuring that the Board is independent, and the directors have a thorough understanding of the business and possess expert knowledge, so that the decision-making process is comprehensive, well-informed, and balanced.

— Composition of the Board of Directors

Majority of SK innovation's Board of Directors is composed of independent directors who are recommended by the Nomination Committee, to ensure that the Board fulfills its role in providing checks and balances to the management. Of the eight directors, five are independent directors, representing 62.5% of the Board¹⁾, and the average attendance rate by the directors is 91.3%.

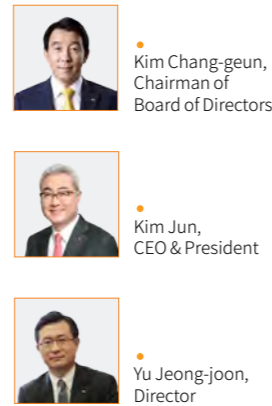
Note 1) As of May 2018

• Board Members

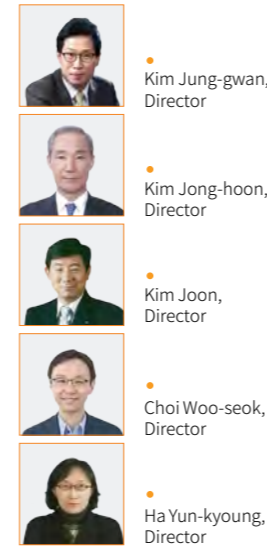
Position	Name	Term	Career Highlights	Committee Membership
Executive Director	Kim Chang-geun	March 2016 - March 2019	Current) Chairman of Board of Directors, SK innovation Former) Chairman, SK SUPEX Council	-HR Committee member
	Kim Jun	March 2017 - March 2020	Current) CEO & President, SK innovation Former) CEO & President, SK energy	- Nomination Committee member -Strategic Planning Committee member
Non-Executive Director	Yu Jeong-joon	March 2017 - March 2020	Current) CEO & President, SK E&S Former) President, SK Global Growth Committee	- Transparent Management Committee member
Independent Director	Kim Jung-gwan	March 2018 - March 2021	Current) Advisor, Bae, Kim & Lee LLC Former) Executive Vice Chairperson, KITA Former) Deputy Chair person, FEZ Committee Former) Visiting Professor, Dept. of Energy Resources Engineering, SNU Former) 2 nd Vice Minister, Ministry of Knowledge Economy	- Nomination Committee Chair (expected) - Strategic Planning Committee and Transparent Management Committee member
	Kim Jong-hoon	March 2017 - March 2020	Current) Honorary ambassador and chairman of the International Relations Commission, KSOC Former) Member of the 19th National Assembly (Trade, Industry and Energy Committee) Former) Minister for Trade, Ministry of Foreign Affairs and Trade Former) Chief Delegate for the Korea-US FTA Former) Consul-General at the Korean Consulate General in San Francisco	- HR Committee and CSR Committee Chair - Audit Committee member
	Kim Joon	March 2016 - March 2019	Current) CEO & President, Kyungbang Co. Current) Director, East Asia Foundation Current) Chairman, Spinners & Weavers Association of Korea Former) President, Korea YEO (Young Entrepreneurs' Organization)	- Strategic Planning Committee Chair - Audit Committee and HR Committee member
	Choi Woo-seok	March 2018 - March 2021	Current) Professor of Accounting at Korea University Business School Current) Advisor, Korea Deposit Insurance Corporation Current) CPA/ CTA Former) Executive Director, Inspiring Insight in Business Society Former) Advisor, Ministry of the Interior and Safety	- Audit Committee Chair - Nomination Committee and CSR Committee member
	Ha Yun-kyoung	March 2016 - March 2019	Current) Professor, Department of Basic Science at Hongik University Current) Vice Chairman, Korean Chemical Society Current) Advisor, Korean Chemical Society Korean Chemistry Olympiad Former) Director, Association of Korean Woman Scientists and Engineers	- Transparent Management Committee Chair - CSR Committee member

Average Tenure: 3.3 years

Executive Director/ Non-Executive Director



Independent Director



Director Appointment Process

SK innovation has established an objective and fair process for the appointment of executive directors and non-executive directors. The credentials and qualities of executive and non-executive director candidates are reviewed in advance by the HR Committee, after which the candidates are recommended to the General Shareholders Meeting (GSM).

For independent directors, the Nomination Committee defines the plans and process for recommendations, selects the candidate pool, and after a series of discussions, selects a final candidate to be recommended at the GSM. During the candidate selection discussions, the Committee not only reviews the independence of the candidate, but also scores the candidate on a range of factors by the evaluation standard established by the company, including specialty, commitment, managerial mindset, social reputation and morality. Impersonal factors, such as the diversity of the Board and the business environment at the time of the appointment, are also taken into consideration.

• Evaluation Criteria of Independent Directors

Expertise	Expertise and experience in corporate management, and experience as an executive or independent director
Commitment	Able to attend over 90 percent of BOD & Committee meetings, and make real contributions and advice on current issues
Managerial mindset	Leadership acquired from experience in serving as the CEO of a large company or head of an organization
Independence	No conflicts of interest with management and shareholders; can make thoughtful, independent decisions
Social reputation	A strong reputation recognized by many company stakeholders
Morality	A high level of morality that sets an example for others, with company-based objectives taking precedence over personal gain
Diversity	The diversity of the Board, including gender, age, nationality and ethnicity, has been taken into consideration
Other	Current business environment and issues at the time of nomination

Standard of Independence for Independent Director

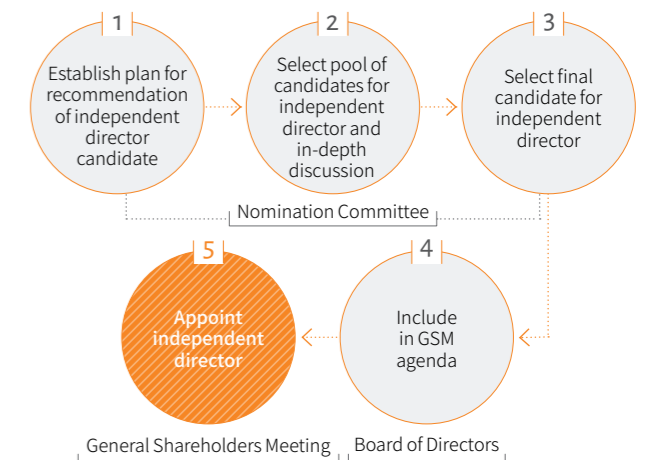
SK innovation ensures the independence of its independent directors to guarantee shareholder interests are reflected in a balanced manner and a fair and transparent decision-making process is followed. To this end, the company establishes and complies with the independent standards for major disqualification reasons for independent directors in compliance with the Commercial Act.

• Grounds for Disqualification of SK innovation Independent Directors

- Directors, executive directors, and employees who are engaged in the regular business of a related company, or directors, auditors, executive directors and employees who have engaged in the regular business of a related company within the latest two years;
- The principal, his/her spouse, lineal ascendants, and lineal descendants, in cases where the largest shareholder is a natural person;
- Directors, auditors, executive directors, and employees of the corporation, in cases where the largest shareholder is a corporation;
- The spouses, lineal ascendants, and lineal descendants of directors, auditors, and executive directors;
- The directors, auditors, executive directors, and employees of a parent company or a subsidiary company of the relevant company;
- Directors, auditors, executive directors, and employees of a corporation which has a significant interest in a related company, such as business relations with the company
- Directors, auditors, executive directors, and employees of another company for which directors, executive directors, and employees of a related company serve as directors and executive directors.

* Referred to Article 382 Clause 3 and Article 542 Clause 8-2 of the Commercial Act of Korea

• Independent Director Appointment Process



— Expertise of the Board of Directors

Independent directors actively participate in training programs on the business and governance structures to enhance their expertise. They enhance their understanding of the business and the company by visiting key business sites and production facilities, and participating in orientation sessions for new independent directors at each business location. The directors also participate in governance-focused conferences, such as the NACD (National Association of Corporate Directors) and ICGN (International Corporate Governance Network).

In addition, SK innovation's Board of Directors considers possible risks through thorough reviews of audit reports and holds an annual strategy session to improve expertise in issue and risk management. The strategy session involves updates on company-wide and key business strategies and implementation trends, and key risks and ways to manage risk. This includes materials to support the decision-making process on these issues. In addition, external experts on legal and communication matters are invited to present key issues that are relevant to the internal and external business environment.



Board of Directors' visit to production site (April 2017)

— Activities of the Board of Directors

SK innovation’s Board of Directors reviews business plans and medium- and long-term strategies (i.e. the To-be Model) each year. In addition, the Board sets the direction for achieving sustainable growth by holding active in-depth discussions about the internal and external environment and issues for each business area, including oil, petrochemicals, and EV batteries. The Board holds regular monthly meetings. To ensure that directors can sufficiently review the agenda, meeting materials are provided at least five days before a Board meeting and two days before a Committee meeting. In addition, the Board also holds ad-hoc meetings for agenda items that require a quick decision. The Board aims to lead the way in the company’s professional and transparent business activities. In 2017, 70 agenda items were put forth to the Board in 13 meetings, and Committees discussed 42 agenda items over 20 meetings.

Proactive On-site Management

SK innovation’s Board of Directors makes regular visits to business sites in Korea and overseas to make sure decision-making is based on expert information and accurate understanding of the business sites. Board meetings are sometimes held on-site during these visits to gain a more accurate understanding of the activities at the location, and to listen to opinions directly from employees and implement on-site management practices.

In 2017, an on-site BOD Meeting was held at SK incheon petrochem and in Ho Chi Minh City, Vietnam. The directors were able to better understand key issues of the business, and improved communication with employees through volunteer activities and Independent Directors’ special lectures for SK innovation’s executives and team leaders.

Operation of Board Communication Sessions

SK innovation’s Board of Directors is committed to coordinating various stakeholder views and fulfilling its role and responsibility as the highest decision-making body in the company. The Board holds CEO Sessions and Strategy Sessions attended by the CEO, key senior management, and independent directors. At the sessions, the participants freely discuss business philosophy, vision, and strategic fit, as well as issues that were raised during the communication process.

In 2017, communication session topics included “Deep Change 2.0”, a new key topic; shared infrastructure; and strategy of the company and key divisions.

— Board Performance Evaluation

The Board conducts an annual self-evaluation on composition, role, responsibility, and operation-related matters. The results of this assessment are published in the Annual Report. The results and opinions of the evaluation are fully reflected in the BOD Operating Plan to ensure the Board continues to develop in a positive direction. Furthermore, to ensure fair compensation, the HR Committee thoroughly reviews the remuneration limit for directors, which is presented for Board approval and final GSM approval.

In addition, the company annually participates in the ESG assessment conducted by Korea Corporate Governance Service, in order to receive a more objective assessment of the company’s governance structure. In 2017, the company received a grade A in the area of corporate governance, recognizing the strong achievements of the BOD.



On-site BOD meeting in Ho Chi minh City, Vietnam (November 2017)

— Board of Directors’ Subcommittees

SK innovation operates six subcommittees under the Board of Directors. All chairs of the Committees are independent directors, and over half of the members of each committee are independent directors¹⁾ in order to ensure independence and transparency in the operation and decision-making of the Committees.

In addition, each committee conducts preliminary reviews and discussions prior to any decision-making by the Board of Directors, thereby ensuring full understanding of the topics and enhancing the efficiency of the Board of Directors.

Note1) Audit Committee and CSR Committee are comprised of independent directors only

• List of Committee Activities in 2017

Committee	Director (person)			Meetings Held	2017 Key Activities	
	Executive	Non-Executive	Independent		Agenda Items (Preliminary Review)	Key Agenda Items
Audit	-	-	3 ¹⁾	5	15	- Audited performance and results of external audit - Audit performance - Audit team planning
Nomination	1	-	2	2	2	- Independent director nomination process - Independent director nomination
Strategic Planning	1	-	2	4	5(5)	- 2017 short-term business plan - Battery business investment - LiBS business investment
Human Resources	1	-	2	2	6(3)	- Executive director nomination compensation - Set limit of director’s remuneration - Revise executive policy regulations
Transparent Management	-	1	2	5	9(9)	- Additional acquisition of Happynarae Co. Ltd shares - SK China (Hong Kong) rights issuance - Brand usage agreement renewal
CSR (Sustainability)	-	-	3	2	5	- BOD activity evaluation - CSR plans - Publishing Sustainability Report

Note 1) As of March 2018

CSR Committee

The CSR Committee’s objective is to provide direction for the company’s sustainable management and operations and to implement effective CSR (Corporate Social Responsibility) activities. The committee discusses and reviews all relevant issues. The CSR Committee is composed solely of independent directors, in order for the Committee to have a more objective and comprehensive view of issues. The Committee regularly participates in the company’s social contribution activities and contributes to the execution of CSR plans.

Key Agenda Topics of CSR Committee

- 1 Schedule and progress of the Sustainability Report
- 2 Progress of CSR activities
- 3 Support for CSR-related communication to stakeholders
- 4 Review of company’s policies, programs, practices that impact safety, health, environment, and other social issues
- 5 CSR activity participation by the BOD
- 6 Status of and action on any other key CSR issues
- 7 Improvements in BOD and Committee operations



BOD volunteer day (November 2017)