

— Compliance Organization

SK innovation and three subsidiaries (SK energy, SK global chemical, SK lubricants) have each appointed a Chief Compliance Officer (CCO) to oversee and manage each company's Fair Trade Compliance Program (CP). The CCO establishes the CP implementation plan, oversees the implementation process, and reports the CP performance and plan to the Board of Directors semiannually.

— Compliance Management System

SK innovation has established a Fair Trade Compliance Program (CP) to enhance transparency in transaction and to promote fair competition within the supply chain. The company also defines seven major elements and establishes detailed management guidelines for each element to manage SK innovation and five subsidiaries strictly.

• The Seven Factors of the Compliance Program



— Reinforcing Internal Compliance Monitoring

SK innovation obligates consultation from the HQ Business Compliance Team before engaging in inter-company transactions with affiliated companies to monitor for any possibility of unfair support, and has provided fair trade consultations in over 200 cases.

In 2017, the company has established a virtuous circle of 「compliance risk diagnosis by organization → examination → training → performance measurement and improvement」 to enhance risk management measures. As the first step, the company has diagnosed compliance risk by division and type for 110 business departments of SK innovation. Based on this diagnosis, issues related to each division were identified to conduct training and make improvements. In 2018, the company will operate and improve the framework, and continue to oversee all subsidiaries of SK innovation.

— Strengthening Employee Awareness of Compliance

Providing Compliance Information

In order to provide specific fair trade guidelines to employees, SK innovation has published and distributed a Compliance Guidebook, which covers the work process for all transactions and related fair trade issues. In addition, the company continues to issue the Fair Trade News Brief and Compliance Letter on a regular basis to raise awareness of compliance.

Compliance Training

In 2017, the company conducted an internal compliance training session, which covered regulations and issues that employees will have to consider in their work, with the goal of increasing awareness of the compliance with fair trade regulations. In terms of offline training, the courses are not only related to fair trade in general, but rather specific topics for each organization's business. Similarly, there is a basic online course for all employees, as well as advanced courses designed for employees in marketing departments.

In addition, practicing professionals in fair trade are encouraged to participate in Compliance Research Association activities and external courses to develop their expertise.

— Responding to External Regulations on Compliance

In January 2017, the Fair Trade Commission legislated guidelines on the "Prohibition of Provision of Inappropriate Benefit to Persons with Special Interest (Article 23-2, Monopoly Regulation and Fair Trade Act)," in order to strengthen standards of inspection of conglomerates' inter-company trade. SK innovation has rebuilt its inspection process on internal transactions that may be subject to investigate and applied stronger standards in order to mitigate risks in advance.

Furthermore, since the regulatory body is expected to strengthen surveillance on large-scale internal transactions between the affiliates of large conglomerates, the company has reviewed inter-company transactions of the past five years and improved the monitoring processes of inter-company transactions.

In addition, in light of the increased cooperation among competition regulatory authorities across jurisdictions, as well as strengthening regulations on company mergers, the company has conducted monitoring and training for the overseas marketing organizations and subsidiaries, and provided training on the reporting procedures for company consolidation employees involved in M&A and company merger work.



Knowledge-sharing seminar regarding pre-merger filing reporting

• Compliance Training Course

Subject	Target	Timing
Transportation Manager Training	SK energy transportation managers	April
Online Training: Fair Trade Basic Course	All SK innovation affiliated employees	May
Online Training: Fair Trade Advanced Course	Divisions related to the Fair Trade Act	May
Company Merger Control Regulations and Practice	Employees in the M&A departments at SK innovation subsidiaries	October
European International Cartel Training	SK lubricants' overseas marketing department and employees at the Amsterdam subsidiary	October
Fair Trade Act Training	SK innovation Materials Division	November
Unfair Collective Practice and Agency Act Training	SK global chemical's Chemical Market Development Department	November
Fair Trade Training for the Oil Pipeline Business	SK energy Logistics Management Department	November