

# Employees

For an organization to achieve change and innovation, it is important to establish a capacity-building system for employees, who are the foundation of the business, and to create a sound organizational culture.

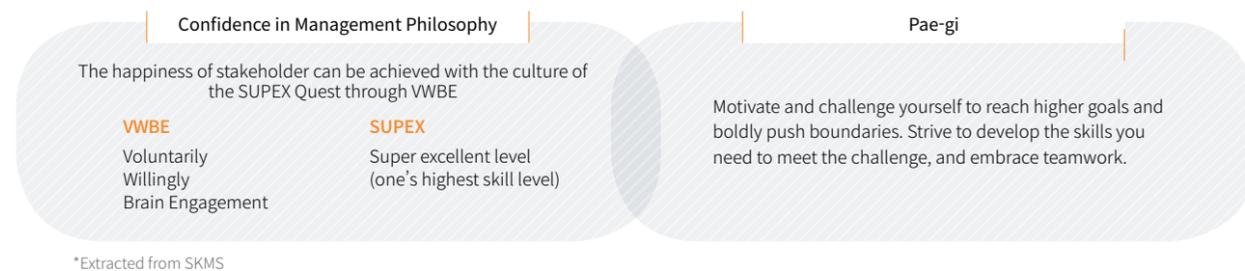
SK innovation aims to be a stronger, better company and not only be better at what we're good at, but be good at things we have never done. To achieve this, we foster employees who can lead "Deep Change". Furthermore, in order to promote Deep Change 2.0 in earnest, we will continue to strengthen communication with employees. And through this, we will internalize 'Innovative Way We Work' and 'culture of open communication' in early between leader and employees.

## — Talent Development System

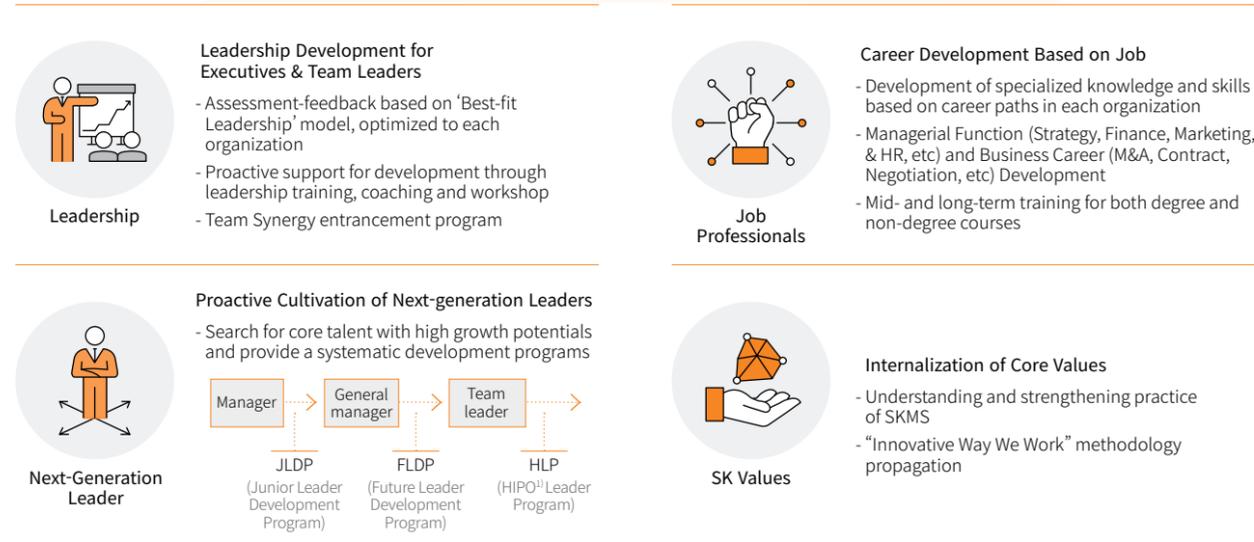
### SK innovation's Human Resource Development System

SK innovation pursues our employees to challenge themselves by setting higher goal and take progressive actions based on our management philosophy. We believe that leadership, job professionals, and understanding of SK values are the core values in order to foster our employees and our HR development system will ultimately lead our employees to achieve this goal.

#### ● HR model



#### ● HR Cultivation System



Note1) High Potential

## Major Human Resource Development Programs

### Virtuous Cycle of 'Best-Fit-Leadership' Assessment-Feedback-Development

SK innovation's Human resource team annually defines the 'Best-fit Leadership' that is optimized for each business unit and characteristic of each organization and provides assess and feedback to each team leaders and executives. Through this system, all leaders are offered customized leadership development guidance and they are able to participate into a customized programs to improve their leadership skills.

### High Potential Leader Development Program

SK innovation selects employees with high potential for future growth as candidates for the next-generation leadership program and provides proactive training. We help them to develop the skills required to be a proactive leader, such as strategic and financial understanding, as well as skills in organization and HR management, from early in their careers.

### Define Job Competency and Career Paths for Each Organization

Each organization has implemented its own career paths to create of VWBE learning culture. For especially Engineers and Researches, team leaders support their own Individual Development Plan with the curriculum.

SK energy's Ulsan CLX factory runs an in-house system, CLX University, to reach the objective of developing globally competitive engineers. CLX University's annual program is composed of basic engineering skills (70 subjects), technical seminars (15 topics), core skills (258 subjects), a new engineer course (5 months), and Leader Initiative special lectures by leaders (once a quarter). The curriculum and textbooks are created based on the company's 56 years of production facility operational experience and the curriculum implementation process is strictly managed.

### Career Development with Leaders and Subject Matter Experts

Focused on various topics that can contribute to the team's professionals, leaders and SME provide knowledge and skills transfer development. Leaders & Experts can learn by teaching, as it gives them the opportunity to organize their experience, while the employees have the chance to learn from actual knowhow.

### Biz Insight Seminar

The Biz Insight is an educational seminar which shares knowledge and information on global market trends and business activities. The seminar is held twice a month at lunch time, and an average of 5,000 employees participate in the seminar every year. Thus, the seminar services as a source of inspiration for employees.

## — Fair Performance Evaluation and Compensation

SK innovation requires team leaders to have an interview with employees on a regular basis, and launches mid-year sessions for teams to develop employees' skills and manage their performance. Based on these activities, we operate a systematic and fair evaluation system to assess employees' skills, talents, and achievements. In order to help employees to have faith in the evaluation results, we double-check the results, and provide opportunities to raise objections.

The evaluation results are applied not only to promotion assessment and talent development, but also to compensation. We provide compensation to employees, taking into consideration their achievements and company's short- and long-term objectives to improve sustainability. In addition, we do not conduct any unfair assessments or engage in discriminatory compensatory practices when it comes to gender, age, academic background, or other personal factors.

In 2017, SK innovation became the first Korean conglomerate to agree to adopt the wage index system. We adopted the system in March 2018, and expect that this will serve to resolve labor-management conflicts concerning wages, and to enhance the productivity of employees.



Note1) SK Values



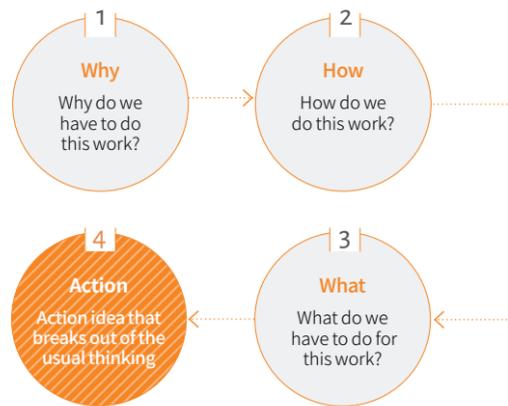
Biz Insight Seminar lecture

— Innovative Way We Work

Based on SK innovation’s belief that acting on SKMS starts from Deep Change of fundamentals, we are launching “Innovative Way We Work”.

“Innovative Way We Work” means changing the way employees think about daily tasks. To encourage Innovative Way We Work on-site, we have developed workshop programs to use for organizational and position-level workshops, making real, positive contributions to the company’s competitiveness. In addition, the company identified some positive cases of Innovative Way We Work, and rewarded the employees by sharing the cases through company newsletters and the internal broadcasting service. This kind of promotion helps all employees internalize the Innovative Way We Work.

● Process of Innovative Way We Work



“Innovative Way We Work” workshop

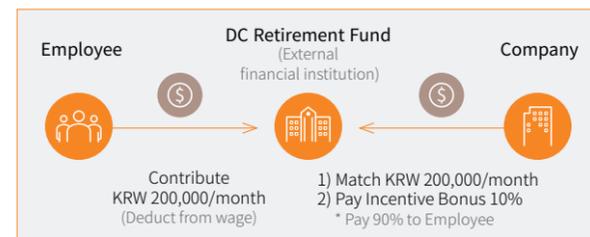
— Creating Great Corporate Culture to Work

Welfare Benefits for Employees

SK innovation runs various programs for our employees, not only to improve their work environment but also to increase their satisfaction with and convenience in their personal life. The company sponsors regular medical check-ups and supports medical expenses, and operates a severance pay system, as well as a loan system for housing purchases (which includes a reward system for long-tenured employees, as a token of appreciation for loyalty). In addition, under the belief that vacations are one’s personal right, the company has abolished the existing vacation approval process and developed a “vacation notification system,” which allows employees to use their holidays at their own discretion. We encourage employees to take at least two weeks for a proper break, and to take days off when a public holiday falls in the middle of the week. We also provide support for family occasions such as weddings and funerals, and provide use of company-owned resort and vacation condominiums for our employees’ convenience.

In November 2017, the company instituted Happy Pension System in addition to the existing Happy Retirement Fund in order to support the employees’ comfortable and happy retirement years. Every month the company matches the employees’ contribution into the pension fund account to support stable retirement fund management.

● Happy Retirement Fund Management Method



● Benefits System

<p><b>Financial Support</b> SK Happiness card, personal pension support etc.</p>	<p><b>Health Management</b> Regular medical checkup, medical fee support (including spouse, children)</p>	<p><b>Household Support</b> Loans for buying or renting homes, financial support for dormitory or accommodation expenses when working in regions outside of Seoul (including spouse, children)</p>
<p><b>Home and Childcare Support</b> Holidays and financial support for family occasions, maternity/child care leave, childcare facility, tuition fees for children</p>	<p><b>Hobby/Leisure Activities</b> Resort, condo, fitness center, in-house group activity support</p>	<p><b>Other</b> In-house lunch and dinner service, SK Family card, long-tenured employee reward</p>

Increasing Communication with Employees

SK innovation operates online and offline communication channels to encourage communication among all members of the company, including CEOs, leaders, and employees. To improve its effectiveness, the company utilizes both on-and offline channels to provide interesting contents, created for diverse purposes and audiences. The company also operates IT system, and holds events to gather employee opinions and incorporate them into company management policies and practices. In addition, the company frequently hosts discussion sessions where the CEO and employees engage in communication about the future direction of the company. Another key feature is “iCON (innovation Communication ON)”, which is composed of 250 employees selected by the company to be the bridge between leaders and employees and the Change Facilitator, who helps meaningful, employee- led communication.

The company also holds regular executive, team leader, and employee workshops in order to ensure that the CEOs, leaders, and employees are all working towards the same goals, and to enable swift and flexible review of objectives and implement improvements in each organization.

Moreover, the company conducts interviews and surveys on a regular basis to monitor the level of innovation of corporate culture and actively reflects the opinions and ideas from employees by utilizing collected results to management activities and improvement of internal system.



CEO-Employee conversations



Happy Walk

● Online and Offline Communication Channels

Communication Channel	Description
Online	<p>tong tong: An online bulletin board in which employees suggest ideas for the company, such as suggestions regarding organizational operations and systems, or make inquiries, and are given replies on a real-time basis to reinforce two-way communication</p> <p>Leader’s Blog: CEO’s blog, which covers multiple topics, including major management philosophy and policy, and messages for employees about each theme to enhance employees’ understanding</p> <p>Company Broadcasting System (gbs): A multi-directional communication channel that utilizes internal broadcasts to simultaneously share information on management activities, current status of major business activities by each group, and news for employees in all workplaces of SK innovation and its subsidiaries</p>
Offline	<p>iCON: As an in-company communication messenger and change facilitator, iCON proposes an opinion on any agenda which needs to collect employees’ opinions, shares various thoughts on current management issues through frequent communication with leaders, and suggests ideas for facilitating change (about 250 iCONs as of 2017).</p> <p>CEO-Employee Conversations: Expand point of contact between employees and CEOs of SK innovation affiliate companies, hold Comm. Days (Well-Comm. Day, chats) for CEO and employees to have direct conversations, and create a culture of “freedom to speak”</p> <p>Happy Walk: Happy Walk is a program where the CEO and employees participate in various cultural and outdoor activities together outside the workplace, communicate freely with each other, and share meaningful leisure time (CEO of each company sponsors the walk each month and employees and their family members can participate voluntarily).</p> <p>Role-Specific Workshop: Role-specific workshops allow for sharing of management targets and tasks for change in each group, and provides an opportunity for discussion and task proposal.</p> <p>Leaders Forum: The Leaders Forum is a lecture conducted by internal and external specialists on major business issues, change, and innovation, and shares current issues on a monthly basis with the CEO, all executives, and team leaders.</p> <p>Harmonia: As a counseling coaching center that provides support for employees’ mental health and self-development, this program provides consultation and coaching in life, career, work and family areas by in-house professional counselors and about ten external experts.</p>

— Respect for Human Rights

**Human Rights Protection and Due Diligence Policy**

With the aim of preventing any infringement of human rights in conduct of business or business relations, SK innovation enacts recruitment and cultivation strategies while taking human rights issues into consideration, as well as a Safety, Health, and Environment (SHE) policy and a Code of Ethics. SK innovation also strictly complies with human rights protection principles in business activities.

We joined the UN Global Compact (UNGC), a global sustainability management initiative, in October 2007, in order to fulfill social responsibilities and demonstrate our commitment to corporate citizenship. We also clarified support for ten principles in four sectors, including human rights, labor, environment, and anti-corruption.

• Human Rights Policy and Scope of Application

- First, SK innovation shall respect all its employees' dignity and value as humans in order to achieve sustainable happiness.
- Second, SK innovation shall do its best to maintain a good work environment on the basis of good morale, so that all its employees can pursue happiness.
- Third, SK innovation shall support and respect the human rights protection and labor standards of labor-related international organizations such as the UN and ILO, and shall not discriminate on the basis of any grounds including gender, race, nationality, religion, or age.
- Fourth, SK innovation shall comply with its human rights policies and the labor laws of the relevant country or region where it has work sites, and affirm that this policy is the basic duty of all suppliers and business partners having business relations with SK innovation.

**Fair Opportunity for Recruitment**

SK innovation ensures socially equal recruitment, which is open and fair for everyone. Evaluation by documents and written examination is thoroughly conducted independently in cooperation with an external specialized institution. With the introduction of blind review, the company strictly blocks any disadvantage for specific reasons such as academic background or gender and operates transparent recruitment principles and procedures.

We also give additional points to people with disabilities, patriots, and veterans to create social value and reinforce recruitment for disadvantaged people in employment. Since 2016, the company has formally operated the process of open recruitment for people with disabilities. We will add open recruitment for men of national merit (patriots and veterans) to expand socially fair employment beginning in 2018.

**Support for the Growth of Female Employees**

SK innovation operates W-Network, an in-company female council, to prevent any unfair practices which, can be experienced by female employees, and promotes a female-friendly corporate culture. W-Network focuses on discussing issues such as the improvement of female-

friendly policies and systems, expanding recruitment of female employees, support for skill development, and creation of a female-friendly working environment. For these efforts, SK innovation received a presidential citation for "Fair Employment of Men and Women" in 2018.

• Activity System for Addressing Female Issues in Each Position

	Staff – Assistant Manager	Assistant Manager – Manager	Director – Team Director
	<b>Expansion of female workforce</b>	<b>Minimization of career interruption</b>	<b>Promotion of leader growth</b>
<b>HR system</b>	Expansion of open recruitment for new employees (30% maintained)	Exemption of evaluation for employees on career break (6 months or over)	Recruitment of HIPO (High Potential) female employees
<b>Development of female employees</b>		Female leadership workshop for managers/directors (group course)	Female team director candidate course (group course)
<b>Work-life balance</b>		Automatic conversion system for childcare leave Expansion of in-company daycare center	
<b>Improvement of awareness and culture</b>	Reflection of diversity module in training for workers in charge (included in case of training for a newly appointed team director)		

**Securing Work and Life Balance**

SK innovation creates a flexible working environment to help employees maintain a balance between work and life. For the first time in the industry, we have implemented a "flexible work system," where employees are autonomously allowed to adjust their commuting times, and adopted a smart work system to simplify the procedure of meeting and reporting to improve work efficiency. The company also runs an automatic conversion system for childcare leave to allow employees to apply for one-year childcare leave automatically when they apply for parental leave so that any employee with a child can carry out childcare without burden. In addition, we operate a nursing room/female lounge for women during pregnancy and contribute to ensuring work and life balance by expanding an in-company daycare center in 2016.

In 2017, we received family-friendly company certification from the Ministry of Gender Equality and Family in recognition of these efforts.

**Prevention of Sexual Harassment**

SK innovation provides sexual harassment prevention training to improve employees' awareness of sex-related human rights and strictly prohibits any sexual harassment in the company. In addition to annual online education, we routinely offer the values process for promoted employees and offline education programs for both new and experienced employees. The company also operates an in-company sexual harassment grievance consultation center; when a sexual harassment case is reported, we organize an investigative committee, including a female lawyer, and strictly deal with in-company sexual issues by evicting the perpetrator once their guilt is verified.