

Independent Assurance Statement

Introduction

SK innovation Co., Ltd. (“SK innovation”) commissioned DNV GL Business Assurance Korea, Ltd. (“DNV GL”), part of DNV GL Group, to undertake independent assurance of SK innovation Sustainability Report 2017 (the “Report”). The directors of SK innovation have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of SK innovation in accordance with the terms of reference. DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been prepared in good faith.

Scope of assurance

The scope of assurance includes a review of non-financial data and sustainability activities and performance data over the reporting period from 1st January to 31st December 2017. This also includes:

- > Evaluation of the principles for defining sustainability report content and the principles for defining sustainability report quality in accordance with the Global Reporting Initiative (GRI) Standards.
- > Evaluation of the process for determining material topics for reporting and the management approach to material topics and the process for generating, gathering and managing the quantitative and qualitative data in the Report.

Basis of our opinion

We’ve performed our work using DNV GL’s assurance methodology VeriSustain™¹, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We applied the limited level of assurance. The audit was carried out from May and till June 2018. The site visits were made to the headquarters of SK innovation in Seoul and Ulsan Complex. We undertook the following activities as part of the assurance process:

- > challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- > interviewed representatives from the various departments and reporting subsidiaries;
- > conducted document reviews, data sampling and interrogation of supporting databases and associated reporting systems as they relate to selected content and performance data;
- > reviewed the materiality assessment report;
- > visited Ulsan Complex (SK energy, SK global chemical and SK lubricants) and tested the environmental data gathering process.

Limitations

The engagement excludes the sustainability management, performance and reporting practices of SK innovation’s subsidiaries, associated companies, suppliers, contractors and any third-parties except for SK innovation, and its 5 major subsidiaries (SK energy, SK global chemical, SK lubricants, SK incheon petrochem and SK trading international). DNV GL did not interview external stakeholders as part of this Assurance Engagement. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) as well as SK innovation’s website (<http://www.skinnovation.com>). These documents, financial statements and the announcements are not included in this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly address the adherence to the Principles for defining report content in GRI Standards nor is prepared ‘in accordance’ with GRI Standards Core option. Further opinions with regards to the adherence to the Principles are made below;

Stakeholder Inclusiveness

SK innovation has identified internal and external stakeholder groups such as Customers, Employees, Shareholders/Investors, Local communities and Suppliers. SK innovation engages with the stakeholders at the conglomerate, company and business unit levels through various channels. The examples of approaches to engage with the selected stakeholders and relevant organizations are described in the Report. In addition, SK innovation reports on key issues of interest to stakeholders in 2017 and their changes.

1) The VeriSustain protocol is available upon request at DNV GL Website (www.dnvgl.com)

Sustainability Context

The Report shows the strategic direction of SK innovation to stakeholders. In addition, the Report presents the stakeholder impact assessment on the material topics, reasons for selecting material topics, SK innovation’s management approach and performance indicators. SK innovation addresses in the Report what was the key performances achieved in 2017. These would help the stakeholder understand the management approaches toward the material topics. In addition, SK innovation reports its contribution to achieve UN SDGs and the Double Bottom Line (DBL) strategy with which SK innovation pursues to create not only economic values but also social values. The report explains its efforts to increase social value (SV) in all management activities.

Materiality

SK innovation has conducted the materiality assessment to prepare the Report. The relevant 35 issue pool is formed by analyzing the material topics from the global sustainability initiatives and standards, the topics which industry peer group considers material and the subjects covered by mass media. The issues in the pool are rated by combining the level of impact on SK innovation’s business and level of stakeholders’ interest in the issue. SK innovation used the internal and external stakeholder survey to prioritize the issues to the most relevant 10 issues out of which 3 material topics are selected at the end. SK innovation has considered the relevance and significance with the core growth strategy, the current management status, industry issues, and internal and external stakeholder issues in the assessment. In additional, SK innovation has presented the relevance of SK innovation’s financial, reputation, operational, and strategic aspects to the selected material topics. The assurance team reviewed the materiality assessment process and confirmed that the material topics prioritized from the process are addressed in the Report.

Completeness

The Report has covered the sustainability management approach and sustainability performances of SK innovation for the reporting period. The reporting boundary has been set to include SK innovation and major subsidiaries (SK energy, SK global chemical, SK lubricants, SK incheon petrochem, SK trading international) which have headquarters in Seoul and production plants in Jeungpyeong, Cheongju, Seosan, Ulsan and Incheon, and Daejeon Global Technology. The assurance team has not noted any intentional omission of the performance results on material topics within the reporting boundary.

Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability

The audit team has sampled data and tested accuracy and reliability. Especially DNV GL reviewed the reliability of the subject data - water consumption, waste volume, air emissions (NOx, SOx, VOC and Hydrocarbons), Occupational safety indicators (Lost Time Incident Rate (LTIR), Total Recordable Incidents Rate (TRIR), number of fatality, Occupational Illness Frequency Rate) and process safety indicator (process safety accident rate). The assurance team interviewed the responsible for the subject data handling and reviewed the data gathering process with the supporting documents and records. The depth of data verification is limited to the aggregated data level. Based on the test, the intentional error or misstatement is not noted. Data owners were able to demonstrate to trace the origin of the data and to interpret the processed data in a reliable manner. The data was identifiable and traceable.

Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct² during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. DNV GL has provided services such as sustainability report verification, greenhouse gas emission verification, ISRS evaluation and management system certification to major subsidiaries of SK holdings Co., Ltd. in 2018. In our opinion, this does not affect the independence or impartiality of our work.

2) DNV GL Code of Conduct is available from DNV GL website (www.dnvgl.com)



June 2017 Seoul, Korea
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