

Corporate Governance

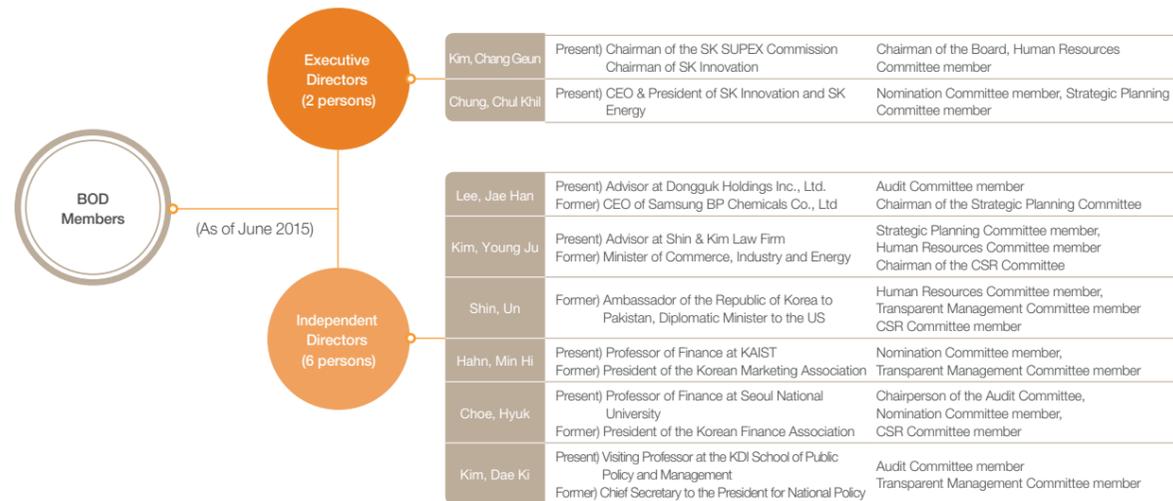
SK Innovation is doing its best to protect the rights of its stakeholders, including shareholders, customers, etc. We maximize corporate value by implementing transparent and accountable management practices through the BOD, to become a trusting company that creates and shares happiness with our stakeholders.

BOD-driven Management

SK Innovation has the BOD in place as the highest decision-making body of the SKMS (SK Management System), so that the BOD-driven management can be carried out. The BOD-driven management reflects the interests of shareholders evenly by running the BOD true as the BOD is meant to be, ensuring a corporate structure of ethical and transparent decision-making processes. To achieve this, the BOD and the CEO have to cooperate with each other and build a trusting relationship by sharing responsibilities.

Independence of the BOD

As of June 2015, SK Innovation's Board of Directors (BOD) had 8 members: two executive directors and six independent directors. The BOD's percentage of independent directors is the highest (75%) in the private sector of Korea. Thus, decisions made exclusively by independent directors can actually bring a conclusion of any major management-related agenda items, including changing to the Articles of Incorporation, mergers/separations and proposals for discharging directors. Also, the chairpersons of the committees under the BOD are all appointed as independent directors to ensure the independence and transparency of the BOD.



Composition of BOD Subcommittees

(As of June 2015)

| Committee | Ratio of independent directors | Main duties |
|------------------------|--------------------------------|---|
| Audit | 100% | Conducting audits on the job performance of directors and the accounting and management practices, as well as evaluations on internal accounting management system. |
| Nomination | 67% | Exploring and managing a pool of independent director candidates and recommending candidates. |
| Strategic Planning | 67% | Reviewing medium-and long-term business plans and strategies, including major investments and plans. |
| Human Resources | 67% | Reviewing major policies on HR management and recommending executive director candidates. |
| Transparent Management | 100% | Reviewing transactions between subsidiaries and reviewing the Fair Trade Compliance Program. |
| CSR | 100% | Reviewing CSR (Corporate Social Responsibility) activities and major CSR issues. |

Enhancing the Expertise of Independent Directors

In order to ensure effective and professional activities at the BOD, our independent directors participate in education programs on domestic and overseas corporate governance and businesses. We benchmarked the best practices of advanced countries by attending conferences held by the two most prestigious organizations for corporate governance in the world, including NACD¹⁾ and ICGN²⁾, while also using it as an opportunity to set up the HR network with the executives and directors of leading overseas companies. In addition, we enhanced the understanding of our company by holding orientations at the Head Office and local worksites for newly appointed independent directors.

1) NACD : National Association of Corporate Directors 2) ICGN : International Corporate Governance Network

Advanced and Systematic BOD Operation

Holding Periodic BOD Meetings

SK Innovation convenes the BOD meetings on a regular basis once every month (the fourth Thursday), with materials provided in advance (five days before the BOD meeting, two days before the subcommittee meeting) so that the BOD members are given sufficient time to review the agenda item beforehand. In addition, if it is necessary to make prompt decisions, we promote transparent management practices by holding the meeting on an ad hoc basis to make quick decisions.

Preliminary Review of Major Decision-Making Agenda

Regarding important matters of the company, including large-scale investments, separations and mergers, they have to go through a three-stage process of preliminary review, discuss and feedback at the BOD, with a separate BOD meeting held for voting afterwards. In 2014, when making a major investment decision on the exploration and production (E&P) of North America, we held an in-depth discussion not only on the purpose and profitability of the investment, but also on the credit rating agency and market evaluations which were taken into consideration.

Business Planning & Status and Performance Report

The BOD reviews the short-term business plans and medium-and long-term strategies (To-be Model) annually on a regular basis. Meanwhile, the BOD sets the direction for achieving sustainable growth by holding in-depth discussions actively about internal and external environments and characteristics for each business area, including petrochemicals and EV batteries. Also, when making reports on the quarterly management performances, the management issues, performances and plans of subsidiaries and affiliated entities are also reported, so that the BOD members can conduct an overall evaluation of the company's status.

Holding the BOD Meetings on the Site

In order to enhance the BOD members' on-site expertise and ensure better understanding about the worksite, we hold the BOD on the site by visiting domestic and overseas worksites to implement on-site management practices. This allows the BOD members to enhance their expertise on the business by understanding the situations better on-the-spot and listening to the opinions of on-site workers, as well as raising the employees' awareness of the BOD activities so that a consensus is established. In 2014, we held the BOD on the worksite in Ulsan complex, which provided an opportunity to listen to the opinions of employees in person, by visiting the Paraxylene (PX) and Nexlene plants.



BOD meeting held on the site at Ulsan complex.

Promoting Strategic Communication Session

SK Innovation periodically holds the strategic communication session attended by top executives and independent directors, including the CEO, to get a better understanding about the company's major agenda items through discussions. At the communication session, the participants discussed openly about management philosophy, vision, strategic fit and difficulties, as well as issues that were raised during the discussion. In 2014, there were in-depth discussions held about the business plans and medium-term business strategies of SK Innovation's three CICs (Company In Company) and five subsidiaries.



The 1st Strategic Committee Session held in 2014.

BOD Performance Evaluation & Compensation

The BOD conducts annual performance evaluations in the categories of BOD composition, roles, responsibilities and operations. The evaluation results are reported back to the BOD and presented in Annual Reports. BOD operational plans are developed for the following years based on these evaluation results with some improvements made to its functions and operations when necessary. In addition, the HR Committee conducts preliminary review on the allowable limit for the remuneration of directors and gives the final approval at the General Shareholders' Meeting after the BOD approves it, ensuring fair evaluation and compensation.