

MATERIAL ISSUE 03

Safe & Healthy Workplace



Why is it important?

Importance of the issue

Management of safety, health and environment (SHE) is a key for a company to achieve sustainable growth. If this function is neglected resulting in a serious accident, business operations are directly damaged as well as the image of the business. In addition, the scope of SHE management has expanded to social responsibility for suppliers and local communities. The importance of SHE for stakeholders, not just for the company, is growing. This change will lead to stricter government regulations for SHE and demand preemptive and proactive practice of SHE from companies.

How is SK innovation responding to this issue?

SK innovation's strategic approach

- Collaborate with suppliers to improve on SHE for mutual growth
- Environment or safety activities with local communities

How is performance tracked?

Performance evaluation method and mid- to long-term goals

- Achieve target for Lost Time Incidents Rate (LTIR)
- Achieve target for Unplanned Capacity Loss (UCL)

Mutual growth with suppliers by improving SHE standards

Guarantee stop-work authority for suppliers

In July 2018, SK innovation (SK incheon petrochem) held a day to promote safety with its suppliers to improve SHE management standards of suppliers and implemented the 'No accident, safety first policy for suppliers' and created a policy which guaranteed stop-work authority for employees. This is the right for workers to immediately stop work when they perceive issues of safety or potential hazards that arise during work on company sites. From July 2018 to March 2019, the right was practiced approximately 20 times by employees. We stipulated the right to stop work in our contracts in order to create a safe work environment for executives and employees of our suppliers. In this way, we are creating a culture that prioritizes work safety over the financial loss caused by stopping work.



1. Supplier implements No Accident Safety First policy
2. Drill training for stop-work authority in supplier

Interview

Headr Kim Jin Wook
Head of Kukjae Industries Co.
(Partner of SK incheon petrochem)



SK incheon petrochem has documented 'stop-work authority' and included the right in the company's policy so that employees of suppliers can be responsible for their own safety. This is meaningful in that workers can exercise the rights of their own discretion without worrying about authorities. I feel the sincerity of SK incheon petrochem as they care for the safety of the supplier's employees which makes me work for them as if I am working for my own company. As I see the result of caring for my own safety and health, I am now more attentive towards the safety of my coworkers as well.

Safety for periodic maintenance

SK innovation Ulsan Complex has created a SHE Committee made of our production, facilities and SHE organization as well as suppliers to secure workers' safety during facility renewal or repair jobs that occur simultaneously for periodic maintenance. The committee acts as a control tower that discusses necessary issues to build a safe work environment and executes those decisions. In addition, we provide safety videos on site using vehicles equipped with monitors and create video contents on preventing or reacting to dangerous situations to train workers. For work at height, we install an experience booth

at the location to train workers on at-height safety issues. Through these practices, we are promoting the importance of SHE and improving the understanding and practice of obligatory SHE standards and procedures for numerous employees tackling various tasks at once.

SHE incentive policy for suppliers

SK innovation operates a SHE performance-based incentive policy to induce agent companies that conduct manufacturing and operating tasks on site to improve their level of SHE. We examine the possibility to prevent SHE hazards and according targets with suppliers by relevant work site. If the target is achieved, we provide an incentive to motivate supplier employees to better comply with SHE standards and procedures, practice them and participate in preventing hazards. In this way, we are co-creating a SHE culture together with our suppliers.

Discretionary safety health management system

SK innovation worked to obtain joint certification of KOSHA-OHSAS 18001 with suppliers to improve SHE standards. In 2018, we extended our certification for 40 suppliers and obtained new certification for 8 companies. In addition, SK innovation included the level of safety health management system in our SHE evaluation items to induce suppliers to secure safety through the system.

SHE activities with local communities

Effort to reduce fine dust

In response to the fine dust problem that has currently become a social issue, SK innovation has set a target with the local community to reduce fine dust and is putting various efforts into practice. The Ulsan complex entered into a ‘voluntary agreement to reduce fine dust’ with the City of Ulsan, environmental office and companies in the Ulsan area. The agreement aims to reduce 40% of fine dust, sulfur oxides, nitrogen oxides and VOC emissions based on 2014 figures by 2022 and improve monitoring of facilities that release emissions that can cause fine dust. Meanwhile, we conduct various activities to reduce fine dust such as exchanging the existing boiler burners to low NOx burners and changing our fuel to natural gas.

In addition, SK incheon petrochem signed a ‘voluntary agreement to reduce fine dust in work sites’ with the Ministry of Environment to improve the air quality in the metropolitan area. It is renovating facilities to reduce fine dust as well as implementing emergency measures at times of high-density fine dust warnings. Our work site in Jeungpyeong also signed a ‘voluntary agreement to reduce fine dust’ with North Chungcheong province and local companies aiming to reduce fine dust by 19% the amount of 2017 by 2020.

Environment and safety risk governance for local community

SK incheon petrochem has supported and actively participated in building a ‘health and safety risk governance’ with 13 relevant institutions including Hangang riverside environmental office under the Ministry of environment, Korea Occupational Safety and Health Agency and City of Incheon. It runs 10 major activities including: hosting a CEO safety forum to spread a safe culture for work sites, running exhibitions to experience safety drills for disasters to raise general awareness on safety, and providing consultations for chemical substance assurance to improve safety management skills in small businesses. We collaborate with other institutions based on these 10 items to maximize efforts.

First aid training in local health institutions

SK innovation Ulsan Complex runs a specialized organization that provides rescue and response activities when emergencies occur on site. 21 members of this workforce hold emergency care certifications. These members visit various welfare organizations and regional government institutions in the Ulsan area to donate their talent to provide experiential training in first aid and CPR.



1. Agreement ceremony to establish environment and safety risk governance
 2. SK incheon petrochem voluntary agreement ceremony
 3. SK innovation Jeungpyeong site voluntary agreement ceremony
 4. First aid training for regional welfare organizations

MATERIAL ISSUE 04

Community Engagement



Why is it important?

Importance of the issue

A company and the local community affect each other in various ways, directly or indirectly. If a company conducts self-righteous operations without considering the demands from the local community, it will receive criticism from stakeholders and gain a negative reputation which will act as an obstacle in business operations. On the other hand, communicating actively with the community and conducting philanthropic acts will help create social values in the community as well as gain many alliances in operations. This can also provide an opportunity to innovate and establish a new business model.

How is SK innovation responding to this issue?

SK innovation’s strategic approach

- Maximize stakeholder happiness by pursuing economic and social values
- Continuous innovation to solve fundamental social problems
- Think deeply about the socially disadvantaged and drive meaningful activities
- Promote activities in local community related to UN SDGs

How is performance tracked?

Performance evaluation method and mid- to long-term goals

- Continue to discover and support star social enterprises
- Manage average time of voluntary work per employee
- Manage investment funds for social contribution