

# SUSTAINABILITY MANAGEMENT

Uncertainty in business environment is growing not only because of the growing changes in the traditional oil and chemicals industry but also from the 4th Industrial Revolution. This environment calls for a strategic direction based on selection and focus as well as seeking new options of growth and executing the options. SK innovation is improving its company value immensely through bold innovation and strategic investment in the form of global partnering and M&A.

# Board of Directors

SK innovation declared 'BOD-driven Management' in 2004 to establish an autonomous and efficient form of governance. By appointing a new BOD since then, SK innovation has continued to build a leading governance structure. SK innovation BOD intends to make professional and balanced decisions based on a transparent process which pursues the Happiness of all stakeholders, including customers, employees and shareholders. The basic responsibilities of BOD are: strategic decision making, advising and monitoring of major business issues. This will allow us to respond preemptively to the quickly changing business environment and strengthen autonomous, responsible management based on the BOD. This 'Proactive BOD' will maximize our company value.

## Composition of the BOD

The board of SK innovation officially appointed Kim Jong-hoon, the independent director as Chairman in March 2019 to establish a leading governance structure. 63% of the entire board is made up of independent directors recommended by the

Recommendation and Nomination Committee, so that the board can fully play its role in effective monitoring of management. As of 2019, five out of eight board members are independent directors.



Lee Myung-young Director | Choi Woo-seok Director | Kim Jung-gwan Director | Kim Jong-hoon Chairman/Director | Kim Jun President & CEO | Kim Joon Director | Ha Yun-kyoung Director | Yu Jeong-joon Director

## BOD Status

Position	Name	Since	Attendance Rate	Career Highlights	Committee Membership
Chairman/ Independent Director	Kim Jong-hoon	March 2017	93%	Current) Honorary ambassador/Chairman, International Relations Commission, KSOC Former) Minister for Trade, Ministry of Foreign Affairs and Trade Former) Chief Delegate for the Korea-US FTA Former) Member of the 19th National Assembly (Trade, Industry & Energy Committee)	• Chair of CSR Committee and HR Committee • Member of Audit Committee
	Kim Jung-gwan	March 2018	100%	Current) Advisor of Bae, Kim & Lee LLC Former) Vice Minister, Ministry of Knowledge Economy Former) Executive Vice Chairperson, KITA Former) Deputy Chair person, FEZ Committee	• Chair of Recommendation and Nomination Committee • Member of Strategic Planning Committee and Transparent Management Committee
Independent Director	Kim Joon	March 2016 (Re-elected in March 2019)	93%	Current) Chairman & CEO, Kyungbang Current) Chairman, Spinners & Weavers Association of Korea Current) Director, East Asia Foundation Former) President, The Korean Chapter, Young Entrepreneurs' Org.	• Chair of Strategic Planning Committee • Member of Audit Committee and HR Committee
	Choi Woo-seok	March 2018	92%	Current) Professor of Accounting, Korea University Business School Former) Advisor, Ministry of the Interior and Safety Former) Executive Director, Inspiring Insight in Business Society Former) Assistant Professor, California State University	• Chief auditing member of Audit Committee • Member of Recommendation and Nomination Committee and CSR Committee member
Executive Director	Ha Yun-kyoung (Female)	March 2016 (Re-elected in March 2019)	100%	Current) Professor, Department of Basic Science, Hongik University Current) Vice-president/Director, Korean Chemical Society Former) Director, Association of Korean Women Scientists and Engineers Former) Committee member, Korea Industry Standard Council	• Chair of Transparent Management Committee • Member of CSR Committee
	Kim Jun	March 2017	100%	Current) President & CEO, SK innovation Current) President, Communication Committee of SK SUPEX Council Former) President & CEO, SK energy	• Member of Recommendation and Nomination Committee • Member of Strategic Planning Committee
Non-executive director	Yu Jeong-joon	March 2017	86%	Current) President & CEO, SK E&S Current) President, Energy & Chemical Committee, SK SUPEX Council Former) President, SK Global & Growth Promotion Division, SK holdings	• Member of HR Committee
Executive Director	Lee Myung-young	March 2019	N/A (Newly appointed)	Current) Senior Executive Vice President (CFO), Finance Divisional Group, SK innovation Former) Senior Executive Vice President (CFO), Mgmt. Support Office, SK hynix	• Member of Transparent Management Committee

\* Attendance Rate: 95.5% (As of December, 2018)

## Appointment Process of Directors

SK innovation established a selection process for internal and independent directors which guarantees objectivity and fairness. The HR committee reviews the qualities and qualifications of executive and non-executive director candidates, then selects those they wish to recommend at the annual shareholders' meeting. In the case of independent directors, the Recommendation and Nomination Committee decides on a direction and processes every year to make their recommendations of candidates. Then, a candidate pool is selected for multiple in-depth deliberations for the final candidate to be recommended at the annual shareholder meeting. During the discussions, we assess the candidate comprehensively. Compliance with the Standard of Independence is a must and we also consider expertise and loyalty, business mind, social reputation, board diversity based on company standards such as gender, age, nationality, race/ethnicity and the business environment at the time of appointment.

## Evaluation Criteria of Independent Directors

<b>Expertise</b>	Expertise and experience in corporate management, and experience as an executive or independent director
<b>Commitment</b>	Able to attend over 95 percent of BOD & Committee meetings, and make real contributions and advice on current issues
<b>Managerial mindset</b>	Leadership acquired from experience in serving as the CEO of a large company or head of an organization
<b>Independence</b>	No conflicts of interest with management and shareholders; can make thoughtful, independent decisions
<b>Social reputation</b>	A strong reputation recognized by many company stakeholders
<b>Morality</b>	A high level of morality that sets an example for others, with company-based objectives taking precedence over personal gain
<b>Diversity</b>	The diversity of the board, including gender, age, nationality and ethnicity, has been taken into consideration
<b>Others</b>	Current business environment and issues at the time of nomination



**Standard of Independence for Independent Director**

SK innovation ensures the independence of its independent directors to guarantee shareholder interests are reflected in a balanced manner and a fair and transparent decision-making process is followed. To this end, SK innovation establishes and complies with the independent standards for major disqualification reasons for independent directors in compliance with the Commercial Act.

**Grounds for Disqualification of SK innovation Independent Directors**

- Directors, executive directors, and employees who are engaged in the regular business of a related company, or directors, auditors, executive directors and employees who have engaged in the regular business of a related company within the past two years
- The principal, his/her spouse, lineal ascendants, and lineal descendants, in cases where the largest shareholder is a natural person
- Directors, auditors, executive directors, and employees of the corporation, in cases where the largest shareholder is a corporation
- The spouses, lineal ascendants, and lineal descendants of directors, auditors, and executive
- The directors, auditors, executive directors, and employees of a parent company or a subsidiary company of the relevant company
- Directors, auditors, executive directors, and employees of a corporation which has a significant interest in a related company, such as business relations with the company
- Directors, auditors, executive directors, and employees of another company for which directors, executive directors, and employees of a related company serve as directors and executive directors

**Establishment of Corporate Governance Charter**

SK innovation will keep raising the value of the company to continuously create shareholder value. We aim to grow with society through social value creation. In addition, we are working to create harmony and balance for all stakeholders to be happy. As we understand the importance of securing a healthy and transparent governance structure to realize this business philosophy, we established ‘SK innovation Governance Charter’ to pursue the world’s top governance structure.

**Expertise of the BOD**

Independent directors actively participate in governance and business-related training programs in Korea and abroad to enhance their expertise. We intend that our independent directors continuously attend programs held by the most respected corporate governance organization NACD (National Association of Corporate Directors) and ICGN (International Corporate Governance Network). We are also improving their level of understanding of our company and operation through visits to business and manufacturing sites and focused

orientation on company headquarters and regional sites targeting newly appointed independent directors.

In addition, SK innovation BOD review risks through audit reports and conduct ‘Strategy Sessions’ biannually or quarterly to improve the expertise of issue and risk management capacity. The ‘Strategy Sessions’ are made up of reports on the strategy of the entire company and main business projects, implementation trends and major risks. Material to support overall decision-making such as risk-management methods are provided as well. In addition, we invite experts to hold seminars in legal, communication and other fields relating to major issues of the management environment in Korea and abroad.

**Activities of the BOD**

SK innovation’s BOD reviews management plans and medium- and long-term strategies (i.e. the To-Be Model) each year. The board sets the direction of sustainable growth by holding active in-depth discussions about internal and external business environment by business areas, including oil, chemicals, and EV batteries. The board holds regular monthly meetings. To ensure that directors can sufficiently review the agenda, meeting materials are provided at least a week to five days before a board meeting and two days before a Committee meeting. In addition, the board also holds ad-hoc meetings for agenda items that require a quick decision. The Board aims to lead the way in the company’s professional and transparent business activities. In 2018, 76 agenda items were put forth to the board in 14 meetings, and Committees discussed 60 agenda items over 23 meetings.

**Strengthening On-site Activities** • The board of SK innovation frequently visits major business sites at home and abroad to improve the knowledge to make decisions based on expertise. We hold board meetings at business sites where major investment projects or operations on our strategic agenda are being conducted to understand the current status of operations accurately for decision-making. Furthermore, we are strengthening on-site operations by creating more chances to listen to the voice of the workforce in diverse settings such as special company lectures for executives and employees as well as volunteer work.

**On-Site Board Meeting in China and Seosan** • In 2018, The board visited Headquarters of SK global chemical located in Shanghai as well as Wuhan Ethylene JV, a



1. Special Lecture for Executives & Professional Leaders  
 2. Volunteering CSR activity with employees  
 3. On-site board meeting in Battery Production & Tech. Center  
 4. Board visit to Wuhan Ethylene JV in China

joint venture between SK global chemical and Sinopec Group. Also the board had an on-site meeting and field tour at Battery Production & Tech. Center in Seosan, Korea. By inspecting major business sites and reports on core performances and plans which enhanced the board’s understanding of business which would lead to more accurate and effective decision-making. In addition, the board visited the Seosan Battery Factory, which is the center of SK Innovation’s EV battery production, and directly monitored the growth strategy and direction of the business and, examined new production lines and construction sites.

**BOD Performance Evaluation**

The BOD conducts self-evaluation on composition, role, responsibility, and operation-related matters. The results of this assessment are published in the annual report. The results and opinions derived from the assessment are best reflected in designing BOD management plan to contribute to a developing operating method. In addition, the HR Committee reviews the compensation limit for directors extensively, delivers the information to the board, then to the GSM where the limit is ultimately set in order to practice a fair compensation policy.

In addition, we take part in the annual ESG assessment conducted by Korea Corporate Governance Service (KCGS) for maximum accuracy in understanding our governance. Our BOD has been recognized inside and outside the company for its excellent performance, and receiving Grade A in governance assessment in 2018 is one of these recognitions.

**BOD Subcommittees**

SK innovation operates six subcommittees under the board. All chairs of the Committees are independent directors, and over half of the members of each committee are independent directors<sup>1)</sup> to ensure independence and transparency in decision-making. In addition, each committee conducts previews and discussions prior to any decision-making at the board meeting, thereby ensuring full understanding of the topics and enhancing the efficiency.

1) Audit Committee and CSR Committee consist of independent directors only

**Status of Subcommittees of BOD**

Committee	2018 Major Activities		
	Meetings held	Agenda	Major Agenda
Auditing Committee	6	28 items	• Understand and revise Internal Accounting Management policy • Results of finalized performance and external audit • Audit performance results
Recommendation and Nomination Committee	2	2 items	• Establish process for independent director recommendation • Recommend independent directors
Strategic Planning Committee	4	6 items	• 2018 short-term management plan • Drive investment/increase of capital by business
Human Resources Committee	2	6 items	• Recommend Executive directors • Set limit for directors’ compensation, option to buy stocks, etc.
Transparent Management Committee	8	15 items	• Transaction with affiliated financial company • Build/publicize on-site branch in China
CSR Committee <sup>2)</sup>	1	3 items	• Strategy for CSR • Publish Sustainability Report 21

2) The CSR committee is composed solely of independent directors to assess various agenda items from an objective and broad perspective. The committee regularly participates in company CSR activities to improve their power of execution.  
 • Major items for review: Sustainability report plan and results, status of CSR activities, methods to support stakeholders with communication, review of company policy/program/practice that may impact safety, health, environment and other social issues, ways the board can participate in CSR activities, status of other major CSR issues and execution, better methods to operate board-committee.