

Employees

Building a system to strengthen the capabilities of employees who are the core of business operations and creating a healthy organizational culture is crucial for bringing new changes and innovation to the organization. SK innovation aims to cultivate employees who will lead a Deep Change for a ‘stronger and better company’ by ‘not only improving what we do well but succeeding in what we have not done’. To accelerate this process, we will continue to improve communication with our employees to create ‘innovation of work approach’ between leader and members and establish a ‘culture to speak one’s mind’ early on.

Cultivate talent

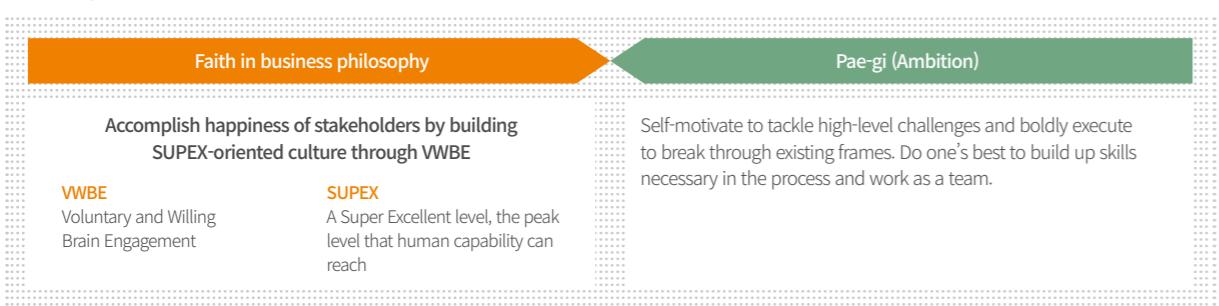
System to cultivate talent

SK pursues ‘Talent that executes ‘ambition’ with faith in our business philosophy’. We run a talent training system based on three pillars: leadership, professionalism and core value so employees can

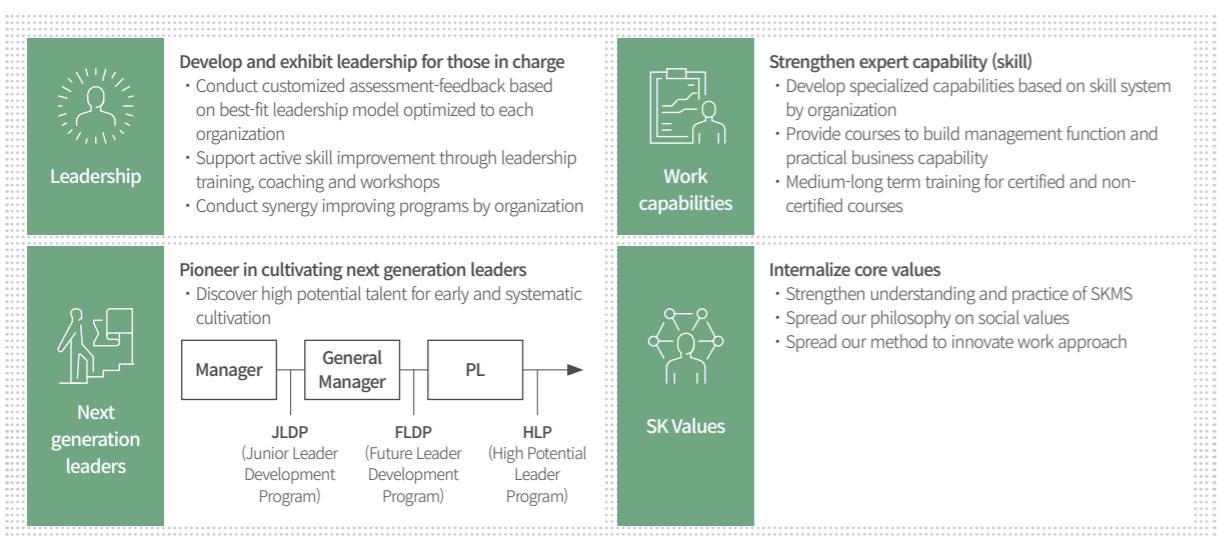
continue to grow and improve their capabilities so that we can ultimately build talent that SK innovation believes in.

76

Talent we pursue



System to cultivate talent



Major HRD Programs

Customized training program • SK innovation runs diverse businesses including production and sales of petroleum products, trading and manufacturing of batteries and materials. Each subsidiary has a system to cultivate talent according to the knowledge and skills that the industry requires. In addition, we run a systematic curriculum for every job type such as engineers, researchers or technician trainees and provide a training system that employees can plan themselves and participate in of their own initiative. Furthermore, we define the best-fit leadership optimized to each organization as every business and establishment requires a different type of leadership, on which we base our assessment and feedback of leadership effectiveness. Through this method, all leaders receive a customized leadership guide and participate in training programs by individual need to enhance leadership qualities.

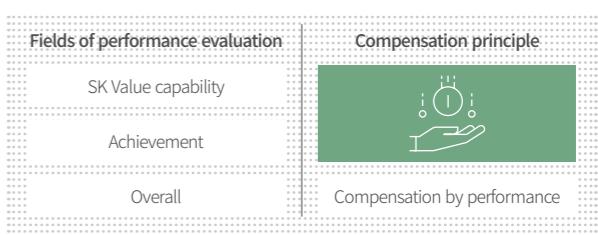
Expertise upgrade program by field • We provide an online and offline course to cultivate experts who are equipped with an integrated perspective and decision-making skills in their field. The program consists of 7 courses by business function including legal, purchasing and PR, 4 business fields including M&A, contracting and negotiation, and 8 online courses including management, leadership and languages. We provide a theoretical basis for experts in various fields to understand business functions and frameworks by business sector in order to grow into leaders who can make strategic and comprehensive decisions.

Skill development through leaders and internal professionals • We conduct skill transfer programs on various topics that can contribute to the performance of organizations where leaders and experts within the company participate. Through ‘leaders’ direct lectures’ from leaders and ‘knowledge sharing seminars’ from company experts, leaders and experts summarize

their knowledge and experience. Employees use the opportunity to acquire vivid on-the-job knowledge to apply to their own work which can lead to performance.

Fair performance evaluation and compensation

SK innovation conducts regular meetings between team directors and team members as well as check-up sessions on an organizational level. We practice a systematic and fair evaluation policy which assesses employees’ capabilities, traits and accomplishments on various dimensions. The results are finalized after an auditing process so that employees are more accepting of the results. We also run a wish system through which employees can raise objections. Evaluation results are used for promotions, training and compensation, and we provide differentiated compensation by performance. Our compensation policy is based on comprehensive assessment on individual performance as well as long-term and short-term goals related to company sustainability. We do not differentiate compensation based on unfair evaluations based on gender, age or level of education.



Performance evaluation reflecting SV (Social Values)

Generally, performance evaluation of a company is based on financial performance and optimized to motivate goals such as revenue growth. In 2019, SK innovation broke through existing customs and added SV to our KPI (Key Performance Indicators) to include social values when evaluating performance of the organization and employees. We anticipate this change will create an environment for employees to actively participate in creating social value as well as motivating them.

CLX University

SK innovation runs ‘CLX University’, a unique system for technology capability training with the goal to cultivate engineers with global competitiveness. CLX University annually provides 70 general courses, technology seminars on 15 topics and core capability courses in 258 subjects. We also provide a 5 month curriculum for new technicians and quarterly special lectures on leader initiatives where all leaders participate. Our textbooks are based on our 57 years of experience and know-how in running manufacturing facilities and we closely manage our school affairs. The CLX University contributes to improving employee capabilities, cuts fixed costs and improves our margins, leading to performance enhancement through Input SUPEX.

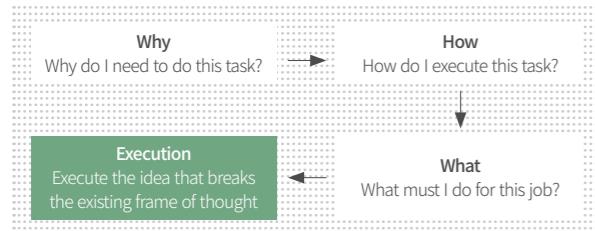
77

Innovating the Way of Work

Spread culture to innovate way of work

SK pursues 'Talent that executes 'ambition' with faith in our business philosophy'. We run a talent training system based on three pillars: leadership, professionalism and core value so employees can continue to grow and improve their capabilities so that we can ultimately build up talent that SK innovation believes in.

Work Approach Innovation Practice Process



Work Approach Innovation Workshop • We developed the 'Work Approach Innovation Workshop 2.0' through Blue Ocean Shift Tool to explain the work approach innovation in an easy way and spread the detailed method of practice. We took applicants and conducted the workshop.

Work Approach Innovation Campaign • We promoted the practice of work approach innovation by connecting our campaign with the CEO's message and receiving various cases and ideas on the topic, which led to actual participation by employees.

Work Approach Case Book and Letters • To promote understanding as well as pride for the Work Approach Innovation, we gathered such cases and published them as a book. In addition, to help employees practice innovation, we selected major cases and sent out letters in the form of card news.

CASE. Create a work environment to drive innovation in work method

We created an office space to stimulate 'sharing and collaborating' between employees in order to innovate work methods. The new space includes a rest space equipped with a cafe, party room, fitness center and nap space to improve work efficiency and promote collaboration. The space allows employees to fully recharge during work. Instead of seat allocation, employees are free to select seating in a diverse work space depending on work type or personal circumstances. In addition, we utilize IT gadgets to create a paperless office where reports can be made in a timely and efficient manner.



Creating Work-friendly Company Culture

Welfare

Leave policy • Based on the principle that taking time off is an individual right, we have terminated the existing system where leave needed to be approved. Now we conduct a 'Report Leave System' where employees can use their leave based on their vocation and responsibility. We promote big breaks that exceed two weeks off or sandwich holidays so that employees can be well rested.

Happiness pension policy • We run a happiness pension policy, separate from our existing retirement fund policy to support the stable and happy elderly life of our employees. Every month, we match the company support fund with the amount the employee provides and make a deposit into the retirement pension account so that employees can manage their retirement funds in a more stable way.

Welfare policy • We provide various welfare programs for the happiness and comfort of employees at work and at home.

Type	Contents
Monetary support	SK Happiness Card, support individual pension
Health care	Support for regular health checks and medical fees (includes partner and children)
Housing support	Support for house purchase, deposit loan, dormitory and living expenses in case of regional work
Family and child care support	Holidays and care money for celebrations or condolences, maternal and child care leave, nursery or child schooling fees
Hobbies and leisure	Support vacation facilities, condominiums, fitness centers and company club activities
Other	Rewards for long-term employees

Stimulate communication among employees

SK innovation runs various communication channels for the liberal communication among CEO, leaders, employees and executives. Employees can participate to create a culture of smooth communication. We run various online and offline channels as well as events to promote effective communication.

In particular, we appoint approximately 270 members as 'iCON* innovation Communication ON), the change facilitator and the bridge to communication between leader and employees to promote truthful communication focusing on our employees. In addition, we host regular Executive-Agile workshops in which every CEO and employee of SK innovation subsidiaries participates. Also, in order to monitor the rate of innovation in organization culture, we conduct regular interviews and surveys, and reflect the results in our business activities or improving internal systems.

Retiree support program

We run a support program for retirees based on our philosophy to create happiness for all stakeholders including to-be retirees, government, labor unions and employees. We include contents that will be of actual help to retirees such as training on economy, social life and health care. Our focus is to promote activity after retirement and liaison with outside expert organizations. We also consider individuals' values and circumstances to provide 1-on-1 consulting

and group training. Retirees and their partners can participate in the couple retiree support program to celebrate retirement as well as expressing gratitude to the retiree and their families to add meaning to the program.

1. iCON Workshop
2. Retiree support program



1



2

Online and offline communication channels

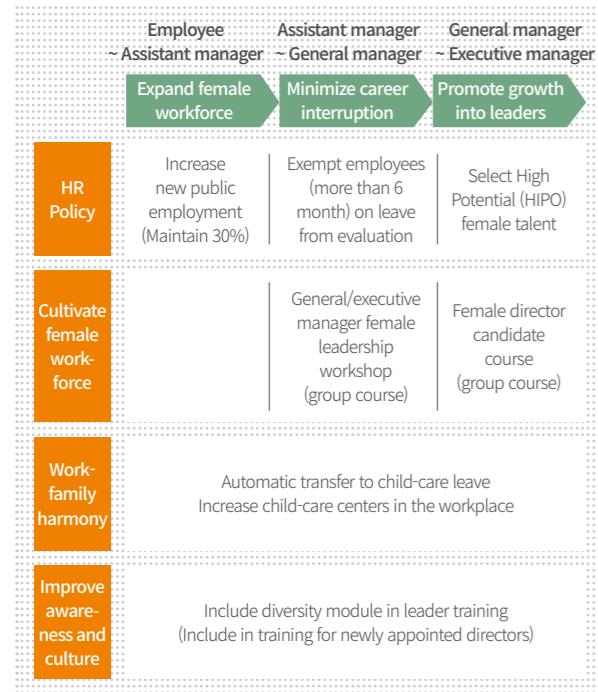
Operating channels	Contents
Online	tong tong
	Run an online board where company members can propose ideas on topics such as operations or regulations or post inquiries. Answers provided real-time to strengthen interactive communication
	Leader's Blog
Offline	Internal channel
	Broadcast internal programs by schedule targeting the entire workforce of SK innovation affiliates. Provide information on executive activities, major business status, activities by organizations and other news from company members to the entire company
	iCON
Offline	As the Change Facilitator as well as the company internal messenger. Share opinions on topics where consensus is needed, drive change and propose ideas. Regular communication with leaders to share thoughts on business operations (270 participant as of 2018)
	Happy Walk
	CEO, executives and employees participate in various cultural or outdoor activities outside of work to communicate freely and share meaningful time off (Hosted monthly by executive board of each company based on voluntary participation of employees and families)
	Workshop for all ranks
	Share business objectives and agenda for change by organization to discuss the topics and provide a forum to propose ideas.
	Leaders' forum
	Monthly lectures from internal and external experts on major business issues of the month, change and innovation targeting CEOs, all executives and directors. Forum to also share business operation status.
	Harmonia
	Professional psychological counselors and external experts provide counseling and coaching for life, care, work, and family to members and their families in order to help the development of their mind health and competence.

79

Female talent support

SK innovation operates W-Network, an internal female panel to prevent unfair practices on our female workforce and to promote a female-friendly work environment. W-Network focuses on increasing female employment and skill training as well as creating a female-friendly work environment. Our efforts were recognized and we received the Presidential Certificate for 'Employment Gender Equality' and the Grand Prize for 'Gender Collaboration'.

Action system to solve female issues by rank



80

Prevent sexual harassment

SK innovation conducts training sessions to promote awareness of human rights regarding sex and to strictly prevent sexual harassment in the workplace. We continue to provide an annual online training course, Values Curriculum for promoted employees and offline training for new and experienced employees. We also run a sexual harassment consultation center in the company. When a report of sexual harassment occurs, we form an investigation team including a female lawyer. Any employee to be proven guilty is immediately made redundant and we deal with other issues of sex in a strict and serious manner.

Work-life Balance

We provide a flexible work environment so that our employees can maintain a stable work-life balance. We implemented the 'Smart Work System' so workers can control their own hours and also minimized meetings and reporting procedures to improve work efficiency. Furthermore, any request for maternity leave automatically stretches to a 1-year child-care leave request so that employees can raise their children without the pressure of work. We also plan to open an area for breastfeeding as well as a rest space for pregnant females.



Human rights management

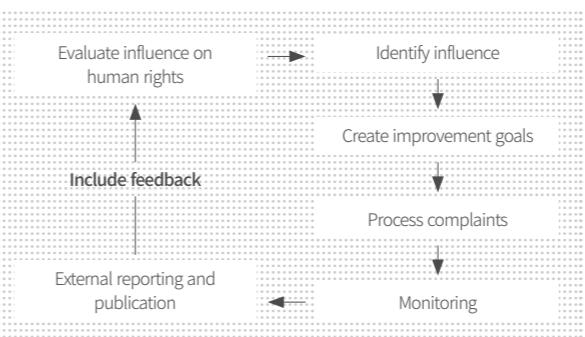
Human rights policy

SK innovation established various policies to prevent direct or indirect violation of human rights or negative influences on human rights in business relations including talent employment and training strategy, regulations on safety, health and environment, ethics regulation, behavioral standards for suppliers and ethical purchasing regulation to strictly comply with human rights principles. In addition, we joined the UNGC (United Nations Global Compact) global sustainability initiative as of October 2007 to fulfill our obligations as a conglomerate citizen and declare agreement with 10 principles in four fields: human rights, labor, environment and anti-corruption.

Human rights risk assessment and due diligence

SK innovation conducts due diligence for human rights targeting employees of SK innovation subsidiaries and suppliers in order to prevent any human rights violations during business operations. We identify human rights due diligence as a process where the company detects and solves any negative effects related to governance, employees, human rights, environment or bribery. SK innovation regularly executes the due diligence process stipulated by international guidelines for actual human rights protection of our employees and business partners. We also ethically report our findings to stakeholders. The procedure is in the following: assessing influence on human rights, identifying the influence, setting goals for improvement, processing complaints, monitoring and external reporting and publication. Through this method, we continuously manage any effects on human rights on work sites. The human rights due diligence conducted in 2019 is stated in detail for the public on our SK innovation website.

Human rights due diligence process



SK innovation Human Rights Declaration

1. SK Innovation respects the dignity and value as human beings for all stakeholders to realize sustainable happiness.
2. Based on the spirit of humanity, SK Innovation makes every effort to maintain a safe and healthy working environment for all of the stakeholders to pursue happiness.
3. SK Innovation supports and follows the human rights protection and labor standards of labor-related international organizations such as UNGC and ILO, and does not discriminate based on any grounds such as gender, race, nationality, religion or age.
4. SK Innovation complies with the labor laws and regulations of each country or region in which human rights policy and the business sites of our company exist, and our company confirms that this policy is the fundamental obligation that all suppliers and business partners who do business with our company must comply with.
5. SK Innovation shall designate a department in charge of human rights management and regularly conducts human rights education for all stakeholders.

Detailed operating instructions

1. **Respect for human rights:** Respect all stakeholders as human beings and ensure that no acts that constitute human rights violations occur.
2. **Prohibition of child labor:** Never employ children and young people under the age of 15.
3. **Working Hours:** Regular work hours and overtime hours are subject to the standards established by the labor relations laws of each country or region.
4. **No Discrimination:** There shall be no discrimination in employment on the grounds such as gender, race, nationality, ethnicity or religion, nor there shall be any discrimination in employment conditions such as wage or promotion for the same reasons.
5. **Prohibition of forced labor:** There shall be no forced labor against free will of the employees by mental and physical restraint including slavery and human trafficking, and the company shall not request for retention of identifications issued by government, passport or work permits in exchange for employment.
6. **Minor labor:** In case of minor under 18 years of age, the company shall employ them by complying with the labor relations laws, and make sure they do not engage in risky and harmful work.
7. **Wages:** Wages of employees shall be above the minimum level set forth by the labor relations laws of each country or region.
8. **Freedom of Association:** The rights to freedom of association and collective bargaining under the labor relations laws and regulations of each country or region shall be guaranteed, and there shall be no disadvantageous treatment for the reason of joining, having activities for or forming a union.
9. **Workplace safety and environment:** The company shall form pleasant working environment by complying with international standards, related laws and regulations and internal regulations regarding working environment and continuously endeavor to protect against safety accidents.
10. **Due Diligence of Human Rights Protection:** The company shall sincerely implement human rights due diligence process for actual human rights protection and continuously work to prevent risks and protect human rights.

81