

# Social Contribution

SK innovation pursues both social value and economic value based on the Double Bottom Line to bring happiness to stakeholders. We invest our efforts into creating and spreading a differentiated social value to maximize stakeholder value. We continuously innovate to solve fundamental social issues and conduct activities to help the socially disadvantaged.

## Operation structure for social contribution

The social contribution system of SK innovation is made of 3 sectors to become a company that creates sustainable happiness in accordance with our slogan, 'Happinnovation' a portmanteau of our company name and our core value, Happiness. The following are the three sectors; 1) Social Innovation to create jobs for the socially disadvantaged through social enterprises and to build an ecosystem to improve

the competitiveness of these companies, 2) Green Innovation for environmental protection to create sustainable environmental value around regional business sites, and 3) Happy Innovation where the company and workforce work together for the betterment of local communities.

Operation structure for social contribution



## Value Creation through Social Enterprise

SK innovation drives innovative solutions for social issues through various methods such as discovering and supporting social enterprises and cultivating star social enterprises. In addition, we contribute to local agriculture not only in Korea but in Peru where we operate our business. By 2019, we will also establish an environmental social enterprise in Tra Vinh, Vietnam.

## Discovering and supporting social enterprises

SK innovation selected 12 business models over the 5 years since 2013 through a public project to find social enterprises and provided tangible and intangible assets to share our infrastructure so that the enterprises could secure a competitive edge. We helped those organizations mature into social enterprises or social cooperatives. We also supported developing social economic organizations in the Ulsan area surrounding our Ulsan business site to create jobs for the socially disadvantaged as well as providing social programs. In 2018, we promoted the social job creation project with 1% Happiness Sharing fund from our employees.

Status of social enterprise discovery and support project

**Objective**  
Job creation for socially disadvantaged people and support independence through conversion to social enterprise

**Project overview**  
Select business through open RFP's and provide infrastructure investment and consulting to the selected business for three years

**Support**  
Support provided Investment in facilities, training for specialists in legal, labor, accounting and marketing, consulting to transform into social enterprise, training to improve skills for the socially disadvantaged, build sales channels, pro bono support, etc.

**Results**

- 12 business were converted into social economic institutions
- Jobs created: 300

Legend: ● Star Social Enterprises ● Social Enterprises

Outcome of supporting society and economy in Ulsan

2017	<ul style="list-style-type: none"> <li>Helped 6 companies for Nam-gu center social economy support, business development project                             <ul style="list-style-type: none"> <li>- CNT Inc, Dream Culture, Leather Studio, Alpha Media, Taehwa River Cheolsae Village Guest House, Yellow Bridge</li> </ul> </li> </ul>
2018	<ul style="list-style-type: none"> <li>Aided 4 companies for Nam-gu center social economy support, business development project                             <ul style="list-style-type: none"> <li>- Petite Maman, The Korea Speech, Bean Art Lover, Human Drone Development</li> </ul> </li> <li>Aided project to create social jobs with our Employee 1% Happiness Sharing Fund                             <ul style="list-style-type: none"> <li>- Ulsan, Malgeun, Kokkirigongjang, Yedang social cooperative</li> </ul> </li> </ul>

### Cultivating Star Social Enterprises

SK innovation judged that the nature of a social enterprise hinders it from securing business competitiveness and sustainability. We understood the need to cultivate social enterprises that can first survive and be independent. So as of 2017 we changed our direction to cultivating star social enterprises. After considering growth potential, social value and other factors of the business models that we were cultivating, we selected Chunnuri Food and Morethan as Star social enterprises (STAR SE) and developed them. We actively shared our assets and infrastructure such as business consulting, strengthening product competitiveness, advertising and marketing. This allowed us to improve their business performance so they could mature into social enterprises. We have selected Usisan in Ulsan as our third STAR SE and we are developing it into a success model.

SK innovation is continuously discovering and developing star social enterprises based on experience and knowledge. A birth of one star social enterprise not only stimulates the social economic ecosystem in the area but also spreads and expands social value to relevant social enterprises, like a butterfly effect, which is why the model has gained recognition in Korea and the world.

### Chunnuri Jeonju Bread Inc.

Jeonju Bibim Bread is Chunnuri Food's major product which recorded explosive sales after its back story 'bread that makes no money despite sales' spread through word of mouth. Since contributing to its initial investment in 2013, we established an open platform by sharing the group and subsidiaries' infrastructure and supported Chunnuri in all facets. We are building the company as a success model as a star social enterprise.

The success of Jeonju Bibim Bread resulted in a company growth from 4 initial employees to 40 full-time workers, along with an affiliated lab where youth in graduate or postgraduate level or equivalent are working together. In addition, the success is largely contributing to the local economy by purchasing local produce, spreading local food items, outsourcing production to small social enterprises, increasing jobs and improving revenue and stimulating the business area in the Jeonju old city center. Chunnuri opened three more branches in the Jeonju and Iksan area. In 2019, another store is prepared to open around the Jeonju KTX Station. Chunnuri is expanding by building a platform to stimulate the North Jeolla economy through 'North Jeolla Social Economy Alliance' based on Jeonju Bibim Bread. Thanks to these efforts, Chunnuri was awarded the Korean Social Enterprise Award in 2017 and received an invitation to the presidential conference as a North Jeolla province delegate for outstanding operations.

### Morethan Co., Ltd

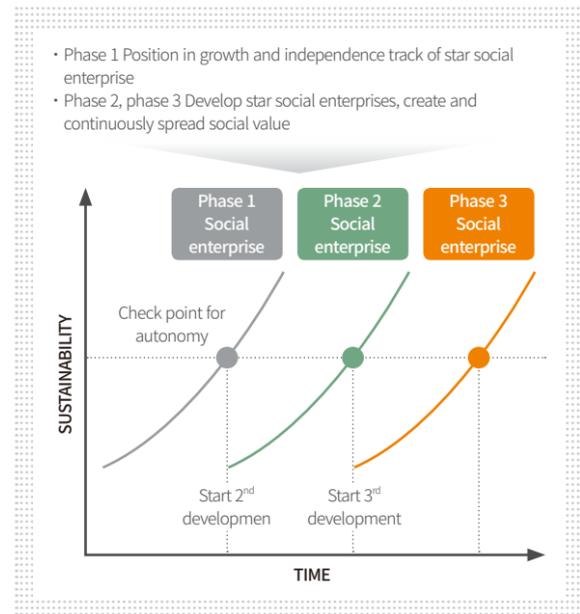
Morethan is a social enterprise that upcycles leather seats, airbags and other byproducts from a vehicle that is not recycled to create fashion items such as bags and wallets. SK innovation shared its infrastructure that is suitable for the fashion industry based on its know-how of cultivating star social enterprises. In particular, we collaborated with entertainment companies to actively promote the brand through popular programs and celebrities. Furthermore, we launched a Morethan product as 'Good Product' item 1 at SK Store which was recognized for its exceptional design and quality by the pickiest merchandisers. Morethan has opened a store in JDC duty-free shop and is expanding its sales channel. Thanks to this kind of growth, the case was introduced at 'Global Engagement & Empowerment Forum on Sustainable Development 2018' as a success story. In addition, Morethan was selected as an example corporation in job creation and received an invitation from the visiting French state to the 'Korea-France Business Summit' in 2018 where it presented its success

case as the delegate for Korean startups. Morethan has gained recognition in Korea and worldwide and won the Korean Social Enterprise Award 2018.

### Usisan

Usisan is the third star social enterprise that contributes to local economic growth by developing whales of Ulsan Jangsaengpo that will never return due to pollution, into culture content products. Usisan was certified as a venture tourism company by Korea Tourism Organization. It has not only been creating jobs for the socially disadvantaged through various business projects but has also been extending their cultural impact by displaying artwork from local artists in gallery cafes. Furthermore, Usisan operates the gift shop in Jangsaengpo Whale Museum and runs various experiential programs in the post office to donate part of the profits on researching endangered whales and protecting them. Usisan will continue to create social value as a major social enterprise to protect Korea's seas and transform Ulsan from an industrial city to a green city for tourism.

### Star social enterprise development plan



### Result of Chunnuri Food's social value creation

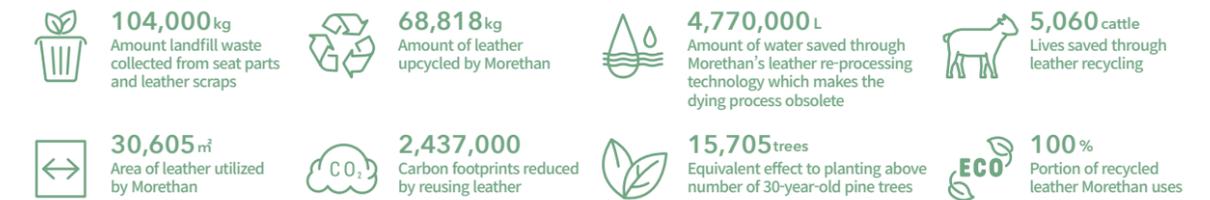
Revenue	(Unit: 100 million won)
2016	3
2017	15
2018	20

Employed workforce	(Unit: number of employees)
2016	18
2017	26
2018	40



### Environment saved by Morethan's efforts



### Result of Morethan's social value creation

Revenue	(Unit: 100 million won)
2016	0.9
2017	3.5
2018	10

Employed workforce	(Unit: number of employees)
2016	4
2017	16
2018	20



### Result of Usisan's social value creation

Revenue	(Unit: 100 million won)
2016	0.7
2017	1.3
2018	4.5

Employed workforce	(Unit: number of employees)
2016	5
2017	8
2018	10



### Support for the Socially Disadvantaged

#### Happiness Sharing and Bridge Love

SK innovation operates 71 volunteer teams since our executives and employees formed ‘SK Angels (1004) Volunteer Group’ in 2004. All employees are volunteers. Our volunteer work emphasizes face-to-face support through a 1:1 Caring Program so that our efforts are not limited to simple financial help. In 2018, 96% of our employees participated in volunteer work through which we formed alliances with 35 schools and institutions that help children with developmental disabilities, and 17 institutions for the elderly. We have supported 4,000 children 2,100 elderly through the year. Our efforts were recognized and we were awarded the Grand Award for Volunteer Work in Korea from the Ministry of the Interior and Safety, Certification of Merit as an institution for protecting the elderly from the Ministry of Health and Welfare, and many other volunteer related medals. We will gradually extend our talent donation and pro bono projects to 10% and 6% of our volunteer work respectively, based on skills and expertise of our employees.

#### Employee donation program

In 2018, SK included the notion that ‘we develop mutually with society’ in our management philosophy (SKMS). After a successful negotiation between the company and workforce, we decided that employees contribute 1% of their base salary and the company participates in a matching grant to meet the amount. This laid our groundwork to creating a future-oriented innovative labor-management culture. The idea is an expansion of our ‘A donation account per person program’ which was launched in 2007. Funds collected from late 2017 went to supporting global environment and the socially disadvantaged.



**Mutual growth with suppliers**  
KRW 2.41 billion

- Support for suppliers to achieve mutual growth and alliance

**Medical care**  
KRW 1.52 billion

- Medical expense support for children with leukemia
- Artificial joint treatment for socially disadvantaged people
- Medical fee support for the elderly and children who are victims of violence

**Jobs**  
KRW 130 million

- Support for job creation of social enterprises

**Housing/living support**  
KRW 460 million

- House Repair with Love for elderly living alone or low-income households
- Support for senior centers, children centers and welfare establishments

**Education**  
KRW 220 million

- Support for students that pursue arts, music and sports from low-income households
- Classroom building project for remote areas in Nepal
- Support for persons with developmental disabilities to become independent

**Global environment**  
KRW 140 million

- Vietnam mangrove forest restoration project



1) A child that dreams of happiness

#### Participation of employees in volunteer work

Average volunteer hours per employee		Participation rate	
	(Unit: hour)		(Unit: %)
2011	9.9	2011	68.3
2012	8.2	2012	65.1
2013	7.3	2013	61.8
2014	5.9	2014	57.1
2015	5.6	2015	56.9
2016	7.8	2016	100
2017	8.5	2017	100
2018	8.3	2018	96

### Program for Shared Growth with Communities

SK innovation prioritizes stakeholder happiness and the local community in areas of business operation

at home and abroad. We conduct various programs that create social value for various areas such as helping the socially disadvantaged, environment and education in order to fulfill our duty as a body in the local community.

#### Mutual growth in Korea

- Ulsan**
- Education**
- Scholarship funding for University of Ulsan
  - SK Happiness Scholarship
  - Scholarship for elementary schools in the area
  - Dream finding program for youth in turmoil
  - Support program for youth outside school
- Culture and welfare**
- Ulsan Rose Festival
- Support for disadvantaged and vulnerable classes**
- Social welfare programs(public contest for social enterprises, welfare blindspot happiness parcel)
  - Job creation for the socially disadvantaged
  - Victims or crime support center
  - Project to prevent senior dementia patients from going missing
  - Educating family of elderly to prevent dementia
  - Neighborhood love project of kimchi making and sharing
  - Support for children with developmental disabilities

- Incheon**
- Education**
- Improve used equipment (elementary school, middle school)
  - Summer camp science media for middle schools
  - After-school classes in elementary schools
  - Uniform sharing program to spread love
  - Academic mentoring for middle schools
  - Personal book mentoring 'Rain Shower'
  - Growing hope sports class for developmental disability
  - Eco Forest experience class
  - Rainbow Forest experience class
- Culture and welfare**
- Incheon spring blossom festival
  - Neighborhood music festival
  - Shingles vaccination for seniors
  - Happiness culture center for neighborhoods
  - Seo-gu kimchi making festival promotion
  - Parents' Day support
  - Support for bonding project with seniors and Happiness Recharge Walks
- Neighborhood environment improvement**
- Neighborhood improvement project

- Seosan**
- Support for disadvantaged and vulnerable classes**
- Targeting children with developmental disorders, support social and cultural field education
  - Popular tourist attractions, movie theaters, national music festival for those with developmental disorders, etc.
  - On-site field experience education
- Jeung-pyeong**
- Support for disadvantaged and vulnerable classes**
- Targeting elderly living alone, support for stable life
  - Kimchi sharing event, etc

#### Mutual growth worldwide

- U.S.A**
- Food Bank volunteer work in Houston for disadvantaged children skipping meals and the homeless (2017)
  - USD 50,000 fund donation to department of Korean Studies, Rice University (2017~2018)
  - USD 50,000 donation to Tulsa Regional STEM Alliance (TRSA) Education Program in Oklahoma
  - USD 50,000 donation to fire and emergency medical services located in Freeport, Texas
- Peru**
- Training support for agricultural technology and equipment consulting (My Ecotech Farm)
  - Quality education program for low-income students, parents and school staff (My School Program)
- Southeast Asia**
- Singapore**
- Travel escort volunteer program for seniors (2015~2017)
  - Volunteer program to provide to the disadvantaged
- Vietnam**
- Mangrove forest restoration to fight climate change (Tra Vinh province)



Donation to Fire and Emergency Medical Service Center, Texas

\* Objective: 30% of residents in Incheon (3 district neighborhoods) to receive quality education through mutual growth programs by 2020

## Specialized social contribution

### Creating a sustainable environment

We conduct various activities with local stakeholders to create social value through our campaign to reduce disposable products and environment protection projects in the vicinity of our business sites.

Project name	Term	Project contents
Ulsan Forest Protection for Life	2005~	<ul style="list-style-type: none"> <li>In collaboration with Ulsan Forest of Life</li> <li>Ulsan Daewangam Park dead leaf scrape up to protect pine trees</li> <li>Cool Wall creation in city center</li> <li>Ivy planting on retaining walls</li> <li>Eliminating harmful plants</li> <li>Fertilizing Green Zone trees that filter fine dust</li> <li>Collection of ginkgo fruit on streets</li> </ul>
Incheon 1 Company 1 Mountain 1 River Care	2006~	<ul style="list-style-type: none"> <li>Garbage and waste clearing in Simgok River, Wonjeok Mountain area</li> <li>EM mudball throwing event to improve river water quality (2,000)</li> </ul>
Environment restoration in vicinity of Incheon business sites	2006~	<ul style="list-style-type: none"> <li>Cleaning project for business site surroundings and roads above seas</li> <li>9 activities in 2018 (120 participants from employee)</li> </ul>

### CASE. I Green We Green Challenge

SK innovation is campaigning to use tumblers to join the global campaign to reduce plastic and create social value in daily company life. As part of the campaign, we launched 'I Green We Green Campaign', a photo relay showing tumbler or mug cup use by organization in the entire company. We also encouraged employees to carry tumblers into meetings and banned disposable cups in our headquarters. We will expand our campaign to reduce disposables from our company to external stakeholders. We also have plans to provide all floors of headquarters with mug cups as well as a washer just for mugs. In addition, we will take a step further from using tumblers to continuous campaigning to reduce plastic with regional government bodies, schools and organizations.



### 'Happy Heart Healing Camp' for daily carers of seniors living alone

SK innovation runs a program to improve self-confidence of their impact targeting daily carers of seniors living alone. The role of daily carers is growing due to the aging population. However, depression is on the rise from intense emotion-labor with issues such as the death of a senior, suicide or violence. SK innovation is exclusively improving the caring environment for seniors living alone through 'Happy Heart Healing Camp' which aims to alleviate job difficulty and stress.

#### The 1st Happy Heart Healing Camp

- Camp Term:** August, November 2018 (biannual)
- Partner organization:** Comprehensive Support Center for the Elderly Living Alone, Ministry of Health and Welfare
- Target:** Daily carers for the elderly living alone (80 participants) from partner welfare centers in Seoul. Daejeon, Jeungpyeong business site areas (7 centers)
- Program contents**
  - Healing Camp to improve self-confidence and influence
  - Differentiated curriculum using SK innovation infrastructure and company skills such as SK Arcadia Training Center, music concert by patients of developmental disabilities
- Future plan**
  - Expand to partnering welfare centers in Ulsan and Incheon business sites as of 2019



Happy Heart Healing Camp

### Support to improve sociability and autonomy for those with developmental disabilities

SK innovation contributes to patients with developmental disorders by promoting cultural and physical activities to improve their physical and mental health as well as sociability. Our efforts also go to enhancing job specialization for the developmentally disabled that experience career interruptions after school years to continue their employment.

#### National music festival for those with developmental disabilities (Great Music Festival)

Since 2017, we have been holding the Great Music Festival with Heart Heart Foundation for music teams composed of the developmentally disabled in order to improve their sociability and promote their musical talents.

##### The 1st Great Music Festival

- Contents:** 38 teams nationwide (343 participants), 800 attendees
- Outcome:** Company concert for awarded teams, performance opportunities at flea markets or other major events



##### The 2nd Great Music Festival (2018)

- Contents:** 33 teams nationwide (299 participants), 1000 attendees
- Outcome:** Opportunity to perform at concerts inside and outside the company, and major event for awarded teams, Raised awareness for disabled persons through MOU with Korea Cable TV Commission and SM Entertainment

#### Support program for the developmentally disabled to become autonomous (Career Jump Up Class)

We provide a program to promote autonomy with Korea Foundation for Persons with Disabilities where we train the developmentally disabled after school days (aged 21 and over) in jobs that connect to actual employment.

##### The 1st Career Jump Up Class (2018)

- Term:** July-December 2018
- Contents:** Agreement between SK innovation-Korea Foundation for Persons with Disabilities-Seoul Training Center for Persons with Disabilities on 5 occupational fields for educational training programs

##### I. Re-employment Booster Class

- Barista: 6 participants obtained certifications, 3 participants found employment
- Baking: 4 participants found employment

##### II. New Occupation Skill Challenge Class

- Easy writing: 3 found employment as writer, reporter or book master
- Easy broadcasting: 6 found employment as announcer, DJ, voice actor, etc.
- Easy producing: 5 found employment as PD, camera director, etc.

- Outcome:** 37 trained, 21 employed  
Grand prize winner of exceptional case of job skill development competition  
KBS radio appearance

#### Sports class for persons with developmental disabilities

We began this project to help children with developmental disabilities develop physically and improve sociability in partnership with local baseball teams in 2017. In 2018, we expanded our support to local sports teams.

##### Baseball Class to Grow Hope (2017)

- Partner organization:** SK Wyverns, Incheon Seogu Community Rehabilitation Center, National Center for Disabled Children and Developmental Disabilities in Incheon, JEI University
- Contents:** Baseball class with SK Wyverns
- Outcome:** 540 participants from special classes in elementary and middle school located in Incheon

##### Sports class for hope (2018)

- Partner organization:** SK Wyverns, Incheon UTD FC, Shinhan S-Birds, Incheon Seobu Office of Education, Incheon Seogu Community Rehabilitation Center, National Center for Disabled Children and Developmental Disabilities in Incheon, JEI University
- Contents:** Baseball class with SK Wyverns
- Outcome:** 774 participants from special classes in 20 elementary and middle school located in Incheon

#### Forest experience class for children with developmental disabilities

We have been providing the eco-forest experience class for children with developmental disabilities from 2017 in the Incheon area to build their physical and emotional development.

##### Environmental Forest Ecology class (2017)

- Suppliers:** Ecology education center Uirang, National Center for Disabled Children and Developmental Disabilities in Incheon, Incheon Chamber of Commerce
- Outcome:** Participation from 163 elementary students with developmental disorders in Incheon area

##### Rainbow Forest Experience Class (2018)

- Suppliers:** Ecology education center Uirang, National Center for Disabled Children and Developmental Disabilities in Incheon, Incheon Seobu Office of Education
- Outcome:** Participation from 280 elementary students with developmental disorders in Incheon area

### Social contribution in connection with sports

#### Jeju United

Jeju United creates social value through various CSR activities engaging with the local community. The group donates annual memberships for the disadvantaged so they can watch matches, runs soccer classes for children and youth, and provides family soccer camps to promote soccer in the area as well as promoting daily physical activities through diverse projects.

- **Term:** Launched in 2016
- **Target:** Residents of Jeju
- **Contents:**
  - Visiting soccer class for elementary, middle and high school, clubhouse fan tours, donation of annual memberships
  - Soccer camp for prospective youth, soccer camp for children from low-income households, Christmas sports day
  - Respect Ur Energy: Cheer-up program for underappreciated hard workers in hospitals, police stations and fire stations in Jeju

#### SK Sugar Gliders

SK Sugar Gliders Handball Team runs 'Exciting Handball Class' to promote physical development and emotional health for students in elementary, middle and high school in Gyeonggi-do(team home ground) as well as Seoul and other metropolitan areas. We provide a structured teaching method to spread handball in a fun and easy way so that relevant schools could create sports clubs. These activities serve as a foundation to promote handball, which is usually an unpopular sport.

- **Term:** Launched in 2013
- **Target:** Elementary and middle school students in Gyeonggi and metropolitan area
- **Contents:** Handball lessons, PE class helpers, promote creating handball clubs
- **Performance:** 1,100 participants in 2018



Jeju United

## Sustainable Supply Chain

Products and services are manufactured in various areas and countries in the global market. The impact that issues occurring within the supply chain has on operations and reputation of a company is growing. In particular, global demand for supply chain is growing, followed by increased interest of stakeholders. In response, we must improve our competitiveness to secure a stable supply chain and control of risks that can occur within the value chain to achieve sustainable growth. SK innovation has established a system for supply chain management, evaluate and monitor potential risk in efforts to manage sustainability for suppliers.

### Supply Chain Policy and system

#### Supply chain management policy

SK innovation manages its supply chain through comprehensive risk analysis from different aspects: total cost ownership, reliability, on-time delivery and customer service level, SHE (Safety, Health, Environment) management, risk management financial and non-financial factors (ESG). In 2018, we established our 'Bid Evaluation Guide', a process principle for competitive bidding purchase process to improve fairness and transparency in selecting suppliers.

#### Main contents of ethical regulation for purchasing

Compliance of fair trade, transparent transaction, regulation and global agreements (Universal Declaration of Human Rights, UNGC, etc.)

#### Main contents of code of conduct for suppliers

Human rights and labor, safety and health, environment-friendly business sites, compliance with company ethics, prohibit use of conflict minerals), establish management system, etc.

#### Main contents of bidding guide

Principles for selecting suppliers, role and responsibilities, detailed guidelines, etc.

### Supply Chain Status

SK innovation conducts a comprehensive analysis of risk possibility in transaction size, non-substitutability, core technology and non-financial factors (ESG) to categorize and manage critical suppliers. critical suppliers are entities that provide large-scale(high volume) construction or services in our main production facilities including Ulsan, Incheon, Jeungpyeong, Cheongju and Seosan or suppliers that handle critical component or non-substitutable material (battery core material, additive, catalyst, etc.). In particular, we expanded our management scope to non-tier 1 companies in regards to transaction size for suppliers that provide large-scale construction and services or companies that have high risk potential regarding fair trade, such as providing equipment.

#### 2018 supplier status (Unit: number of companies, %)

	Type	Number of suppliers	Purchase ratio
Tier1	All Suppliers <sup>1)</sup>	2,986	
	Critical Suppliers	273	85
Non-Tier1	Critical Suppliers <sup>2)</sup>	103	

1) Suppliers with transaction records in the past 3 years  
 2) Contractors that provide large-scale construction or services for production plants or exceeding certain quantities for products (Data from Happy Narae, SK E&C)

#### Supplier cost of goods purchased (Unit: 100 million won, %)

Type	2016	2017	2018
Cost of goods purchased	9,536	11,866	16,654
Local <sup>1)</sup> supplier cost of goods purchased	4,833	7,371	8,485
Local <sup>1)</sup> supplier ratio of cost of goods purchase	51	62	51

1) South Korea

#### 2018 cost of goods purchased by item (Unit: 100 million won, %)

Type	Purchase amount	Purchase ratio
Construction equipment	9,568	57.5
Construction workforce	7,086	42.5