ON THE WAY TO GREEN
ABOUT THIS REPORT

Overview
SK innovation has been publishing a sustainability report every year since 2005 in order to disclose its sustainability management efforts and major achievements transparently and communicate stakeholders actively based on the report. SK innovation will continue to collect the opinion of stakeholders through a sustainability report and incorporate the opinion into our business activities.

Standards for writing this report
This report follows the Core Option of Global Reporting Initiative (GRI) (Global Reporting Initiative) Standards and reporting issues have been organized considering Oil & Gas Sector Disclosure to incorporate industry-specific issues and industry standards of Sustainability Accounting Standards Board (SASB). In addition, this report follows the disclosure recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and incorporates the indicators such as ten principles of UN Global Compact (UNGC) and UN Sustainable Development Goals (SDGs) which are the global sustainability management initiatives.

Reporting period
The reporting period of this report is the fiscal year 2020 (from January 1 to December 31, 2020) and the report contains some data for the first half of 2021 considering the timeliness and significance of the information. The data for the last 3 years is reported for some indicators to help readers understand the trend of performance.

Reporting scope
The financial data in this report are consistent with the consolidated standards under the Korean International Financial Reporting Standards (K-IFRS). Non-financial data includes the data for headquarters in Seoul, production plants in Jeungpyeong, Cheongju, Seosan, Ulsan and Incheon of SK innovation and major subsidiaries (SK energy, SK global chemical, SK lubricants, SK incheon petroleum, SK trading international, SK ie technology), Institute of Technology Innovation located in Daejeon, subsidiaries and sub-subsidiaries of overseas branch offices, covering 99% of sales of SK innovation Headquarters and sales of subsidiaries where SK innovation holds 100% of their shares (excluding SK Mobile Energy and SK Battery Systems from the scope). Some environmental quantitative performance data are prepared based on domestic business sites excluding overseas branch offices and the scope of such data are specified separately.

Different reporting scope and changes in the reported data are separately marked.

Reliability of the Report
This report is published after a thorough review of the ESG Committee under the SK innovation’s Board of Directors. In addition, data reliability is improved by going through verification procedure (based on four principles: inclusivity, materiality, impact and responsiveness) of AA1000AS(2008) from British Standards Institution (BSI), an independent external verification agency.

Issuance date  July, 2021
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SK innovation, which has been driving the economic development at the forefront of the Korean industry, is taking its steps continuously at sites around the world to shape the future and a sustainable world where everyone is happy based on ESG management.
CEO MESSAGE

“Think Green, Innovate the world”

Dear our distinguished stakeholders,

COVID-19 pandemic that hit the world last year caused a global economic recession and a sharp change in the industrial structure and SK innovation also suffered great difficulties including recording unprecedented financial loss. In addition, social and economic paradigm shift led by eco-friendliness is in full swing. Under these changes in business environment, SK innovation, which is engaged in petroleum and chemical business in addition to battery and materials business, has considered sustainable survival and growth seriously and recognized the need for new changes focusing on ESG. Looking back over the past 60 years, SK innovation has created a “driving force that moves the world” through its petroleum and chemical businesses by preparing for and overcoming numerous challenges and difficulties preemptively. However, we need to pursue sustainability of a company and the society together, which requires a radical and fundamental innovation that is different from previous innovation efforts. Accordingly, SK innovation intends to take a completely new step forward to be a “Green Energy & Materials Company” will make driving force of the world focusing on Green Business based on ESG management. 2021 is a sustainable year for SK Innovation, which faces a wave of massive change. This is the first year to rebuild the cornerstone of the future. To this end, we offer stakeholders a commitment to new changes and innovations in SK Innovation for each area of the environment, society, and governance.

SK innovation President & CEO

Kim Jee-won

Commitment 1. ENVIRONMENT

SK intends to meet the social demand for eco-friendliness and take this as an opportunity to create new values. To this end, we will innovate our portfolio thoroughly and fundamentally focusing on creating the value of eco-friendliness. First, we will promote the global trend of eco-friendliness by pursuing the full-fledged growth of battery business and providing core driving force behind eco-friendly mobility. At the same time, we will move the core axis of SK Innovation’s value creation to ‘Green’. We will expand our business to various areas such as BioBattery (as-a-Service) and other applications (ESS, eVTOL, e-Marine, etc.) beyond Lithium-ion Battery Separator (UBS) business, which is already global No. 1, based on battery business. In addition, we will pursue fundamental changes in the way of business for a sustainable future. We will shift our business model from linear economy where we purchase raw materials and produce and sell products to circular economy where we recycle waste resources. We will focus on plastic recycle business which can present solution to waste plastic, which has become a social issue recently and battery metal recycle business where we can create new values by recycling waste batteries which will be generated with the full-fledged electric vehicle era in the future. Moreover, we will conduct “Energy Solution & Total Transportation Service” business where we provide eco-friendly energy such as hydrogen and power and differentiated services to electric and hydrogen vehicle drivers by converting and utilizing petroleum product retail network asset into a platform. Finally, we will establish “Carbon Net Zero” roadmap for SK innovation to promote green transport in all business areas. We aim to present an integrated reduction goals for Scope 1, 2 and 3 for the first time in Asia and be a “Net Zero Pioneer” by achieving the goals. For conventional businesses such as petroleum, chemical and lubricants, we will accelerate the implementation of “Net Zero” by specifying technology-based eco-friendly business model including the development of carbon reduction technologies such as CCS through open innovation along with the government, industry and academia in addition to improving process for eco-friendliness and conversion to low-carbon products. In addition, the battery and material business will dramatically reduce the time to achieve Net Zero by introducing renewable energy generation power (RE100) and increasing operational efficiency.

Commitment 2. SOCIAL

SK innovation will provide various solutions to make sure that all stakeholders are provided with an opportunity to be happy and ESG culture takes root across our society under the social vision of “ESG Journey with All our stakeholder” We will establish an organizational culture that respects the happiness and diversity of members and strengthen SHE activities in all business sites for the safety of employees and suppliers. In addition, we will establish an ESG ecosystem by establishing and implementing specific tasks such as identification of and support for startups with eco-friendly technologies and ESG management for about 3,000 supply chains to make sure that all stakeholders around us can achieve sustainable growth.

Commitment 3. GOVERNANCE

In order for SK innovation to promote mid to long-term changes toward “Carbon to Green” in line with global efforts for going green, the role of the board of directors as a facilitator and manager for change needs to be strengthened. SK innovation will establish a governance structure that meets global standards by increasing diversity and independence of board of directors and strengthening the function of the board of directors as a decision-making body. To this end, SK innovation will establish and implement future strategies based on ESG from mid to long-term perspective by establishing Future Strategy Committee and ESG Committee under the board of directors. The CEO’s evaluation function will be strengthened so that the CEO can check whether the board of directors implement such changes and produce outcome.

SK innovation will make sure that ESG management is incorporated in all business activities by considering ESG as the foundation for corporate management philosophy and aim to achieve the global top level in each area of ESG through objective review on our current status and continuous improvement. By doing so, SK innovation will grow into a Carbon Net Zero “Green Energy & Materials Company” that meets demand from our society and lives up to the expectation of stakeholders. Your encouragement and support would be greatly appreciated. Thank you.
Company Overview

SK innovation is a Green Energy & Materials Company that runs its battery, materials and exploration and production (E&P) businesses with 6 major subsidiaries: SK energy, SK global chemical, SK lubricants, SK Incheon Petrochem, SK Trading International, and SK ie technology. We have established a value chain in the oil and chemical industry with a vertical integration from exploration and development of petroleum to producing petrochemical products, and expanded the green portfolio through continued investment in battery and materials sectors. Going forward, we will grow as a company seeking not only economic performance but also happiness for the entire society with our active investment in eco-friendly business.

Global Network

SK innovation has a wide network in major countries around the world including Korea, USA, China, Hungary, and Poland. Through our network, we make our utmost efforts to become a Green Energy & Materials Company, taking the lead in the market.

Global Network

SK innovation Major Subsidiaries

<table>
<thead>
<tr>
<th>Company Name</th>
<th>HQ Address</th>
<th>Foundation Date</th>
<th>No. of Employees</th>
<th>Total Assets</th>
<th>Revenue</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>SK innovation Co., Ltd.</td>
<td>26, Jong-ro, Jongno-gu, Seoul, Republic of Korea (SK Building, Seorin-dong)</td>
<td>October 13, 1962</td>
<td>7,351</td>
<td>38,498,146</td>
<td>34,164,529</td>
<td>-2,568,796</td>
</tr>
</tbody>
</table>

(As of December 2020, Unit: KRW 1 million)

You can find more information on introducing these subsidiaries on each company’s website.
Business Model

1. Oil Development Business—SK Innovation E&P
   With the exploration of major blocks in the world and the production of oil and LNG, we have been securing energy sources in Korea where resources are scarce and CCS technology.

2. Oil Business—SK Incheon Petrochem
   By refining crude oil, we produce eco-friendly asphalt, eco-friendly and high-performance fuel oil and gas as well as naphtha which is a raw material for chemical products.

3. R&D—Korea Environmental Industry & Technology Institute
   Through technological innovation, we are enhancing competitiveness in our existing businesses and creating future growth businesses, providing new value to our customers.

4. Trading Business—SK Trading International
   Our trading business includes exporting products of SK Energy and SK Incheon Petrochemical to global consumers and importing crude oil and naphtha required for the production of petroleum products.

5. Chemical & Lubricants Business—SK Global Chemical, SK Lubricants, SK Incheon Petrochem
   By refining crude oil, we produce eco-friendly asphalt, eco-friendly and high-performance fuel and gas as well as naphtha which is a raw material for chemical products.

6. Battery Business—SK Innovation
   We produce secondary batteries for automobiles and Energy Storage System (ESS). We are recognized for our technical prowess by major global automakers.

7. Materials Business—SK Ie Technology
   We produce LiBS, which is a key material in lithium-ion batteries and Flexible Cover Window (FCW), a core material replacing glass in flexible display.

8. Petroleum Product Marketing—SK Energy
   We supply petroleum products to domestic consumers at SK gas stations and charging stations and promote future energy projects based on eco-friendly energy and mobility businesses.

Business Value Chain

SK Innovation has been producing and selling not only high-quality gasoline and diesel but also eco-friendly lubricants, asphalts, various basic chemical products, chemical solvents and eco-friendly plastics based on an integrated value chain from resource development (upstream) to downstream (energy sales for practical use). In addition, we strive for securing a sustainable competitive edge by creating a future driving force for the energy industry such as batteries for electric vehicles and LiBS based on its energy technology that has been accumulated for the past 50 years and prepare for the leap forward to become a Green Energy & Materials Company.
# Introduction to management of major subsidiaries

The management of SK Innovation's major subsidiaries pushes for innovations and changes for ESG management based on expertise and leadership.

<table>
<thead>
<tr>
<th>Name</th>
<th>Company</th>
<th>Term</th>
<th>Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cho Kyungmok</td>
<td>SK energy</td>
<td>2018.1 ~</td>
<td>Current President &amp; CEO of SK energy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Former Vice President of Finance of SK Inc.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Former Senior Executive Managing Director of Finance Team of SK Inc.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Former Executive Managing Director of Finance Team of SK Inc.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Former Executive Managing Director of Financial Management of SK telecom</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>BA in Business Administration from Seoul National University</td>
</tr>
<tr>
<td>Na Kyungsoo</td>
<td>SK global chemical</td>
<td>2018.12 ~</td>
<td>Current President &amp; CEO of SK global chemical</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Former Department Head of Biz. Innovation of SK innovation</td>
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<td></td>
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<td></td>
<td>Former Performance Management Director of SK innovation</td>
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<td></td>
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<td></td>
<td>Former SK Inc. Business Support Office Energy/Chemistry CoE</td>
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<td></td>
<td></td>
<td></td>
<td>Former Strategic Planning Team Leader of SK energy</td>
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<td></td>
<td></td>
<td></td>
<td>BA in Business Administration from Korea University</td>
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<tr>
<td>Cha Kyutak</td>
<td>SK lubricants</td>
<td>2019.12 ~</td>
<td>Current President &amp; CEO of SK lubricants</td>
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<td></td>
<td></td>
<td></td>
<td>Former Department Head of Base Oil Business of SK lubricants</td>
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<td></td>
<td></td>
<td></td>
<td>Former Department Head of Lubricating Oil Business of SK lubricants</td>
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<td></td>
<td></td>
<td></td>
<td>Former General Manager of SK energy Network Business</td>
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<td></td>
<td></td>
<td></td>
<td>Former Retail Development Team Leader of SK energy</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>BA in Economics from Yonsei University</td>
</tr>
<tr>
<td>Chai yoonseok</td>
<td>SK incheon petrochem</td>
<td>2019.12 ~</td>
<td>Current President &amp; CEO of SK incheon petrochem</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Former Department Head of Product of SK incheon petrochem</td>
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<td></td>
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<td></td>
<td>Former General Manager of Facility of SK incheon petrochem</td>
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<td></td>
<td></td>
<td></td>
<td>Former Facility Management Team Leader of SK incheon petrochem</td>
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<td></td>
<td></td>
<td></td>
<td>BA in Electrical Engineering from Hanyang University</td>
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<tr>
<td>Seo Seokwon</td>
<td>SK trading international</td>
<td>2018.12 ~</td>
<td>Current President &amp; CEO of SK trading international</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Former Representative of SK energy R&amp;S CIC</td>
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<td></td>
<td></td>
<td></td>
<td>Former Department Head of Optimization of SK innovation</td>
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<td></td>
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<td></td>
<td>Former Executive of O&amp;P Team of SK SUPEX Council</td>
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<td></td>
<td></td>
<td></td>
<td>Former General Manager of Optimization &amp; Analytics of SK innovation</td>
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<td></td>
<td></td>
<td></td>
<td>Former General Manager of Oil Trading Business of SK energy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>BA in Economics from Seoul National University</td>
</tr>
<tr>
<td>No Jaeseok</td>
<td>SKie technology</td>
<td>2019.4 ~</td>
<td>Current President &amp; CEO of SKie technology</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Former Representative of Material Business of SK Innovation</td>
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<td></td>
<td></td>
<td></td>
<td>Former General Manager of U&amp;E Material Business of SK Innovation</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Former General Manager of Global Growth Promotion of SK lubricants</td>
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<td></td>
<td></td>
<td></td>
<td>Former Strategic Planning Team Leader of SK lubricants</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>BA in Business Administration from Yonsei University</td>
</tr>
<tr>
<td>Oh Jonghoon</td>
<td>SK energy P&amp;M CIC</td>
<td>2020.12 ~</td>
<td>Current Representative of SK energy P&amp;M CIC</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Former Department Head of Energy/R&amp;D of SK energy</td>
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<td></td>
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<td></td>
<td>Former Department Head of BM Innovation of SK energy</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Former Executive of Strategic Support Team of SK SUPEX Council</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Former Portfolio General Manager of PM3 Division of SK Inc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>BA in Law from Yonsei University</td>
</tr>
<tr>
<td>Jee Dongseob</td>
<td>SK Innovation Battery</td>
<td>2019.12 ~</td>
<td>Current Representative of SK Innovation Battery Business</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Former President &amp; CEO of SK lubricants</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Former Director General of Integrated Secretariat of SK SUPEX Council</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Former General Manager of Strategic Planning Division of SK telecom</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Former General Manager of Future Management of SK telecomm</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>BA in Economics from Seoul National University</td>
</tr>
<tr>
<td>Myoung Sung</td>
<td>SK Innovation E&amp;P</td>
<td>2020.12 ~</td>
<td>Current Representative of SK Innovation E&amp;P business</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Former General Manager of Happiness Management of SK Innovation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Former General Manager of Management Culture Innovation of SK innovation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Former Branch office President of Bogota of E&amp;P Business of SK Innovation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>BA in Commerce and Trade from Pusan National University</td>
</tr>
</tbody>
</table>
10 Years of SK innovation’s ESG

2011
- Established Greenhouse and Energy Minimum Standards (GEMS)
- Received transparent management award
- Declared Green Balance 2030
- Participated in Climate Action 100+ Benchmark evaluation
- Incorporated into DJSI World for 4 consecutive years
- Achieved No.6 in terms of batteries mounted on global electric vehicles

2012
- Established an organization dedicated to SHE, established and implemented Golden Rule
- Adopted electric vehicles for business purpose, electric vehicle charging stations
- Received Presidential Award for excellent family-oriented company by the Ministry of Gender Equality and Family
- Established organization dedicated to SHE, established and implemented Golden Rule
- Adopted electric vehicles for business purpose, electric vehicle charging stations

2013
- Identified social enterprises and launched support projects
- Awarded the Presidential Citation for shared growth performance sharing
- Recognized as one of the best in SKGC shared growth
- Established the guideline for partner company bidding evaluation
- Mangrove forest restoration project in Vietnam
- Received Presidential Citation for the excellent company in terms of gender equality in employment

2014
- ‘Shenbao’, an electric vehicle where SK innovation battery is mounted was selected as an official APEC event vehicle
- SK lubricants acquired certification for excellent family-oriented company
- Adopted SK DBL management
- Established purchase ethics norm and code of ethics for partner companies
- Established and invested in the vacuum residue desulfurization (VRDS) in response to IMO2020
- Agreed on wage principle between the labor and the management for the first time in Korea

2015
- Donated carbon emissions right under UNFCCC CDM
- Executed master plan on energy efficiency improvement
- Acquired IICA Fund support (Finland)
- Adopted SASB standard report
- 'Shenbao', an electric vehicle where SK innovation battery is mounted was selected as an official APEC event vehicle
- SK lubricants acquired certification for excellent family-oriented company
- Operated official recruitment process for the disabled
- Adopted SASE standard report

2016
- Recognized as one of the best in SKGC shared growth
- Donated carbon emissions right under UNFCCC CDM
- Executed master plan on energy efficiency improvement
- Acquired IICA Fund support (Finland)
- Adopted SASB standard report

2017
- Identified social enterprises and launched support projects
- Awarded the Presidential Citation for shared growth performance sharing
- Recognized as one of the best in SKGC shared growth
- Established the guideline for partner company bidding evaluation
- Mangrove forest restoration project in Vietnam
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2018
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- Mangrove forest restoration project in Vietnam
- Received Presidential Citation for the excellent company in terms of gender equality in employment
- Established the guideline for partner company bidding evaluation
- Mangrove forest restoration project in Vietnam
- Received Presidential Citation for the excellent company in terms of gender equality in employment

2019
- Established the guideline for partner company bidding evaluation
- Mangrove forest restoration project in Vietnam
- Received Presidential Citation for the excellent company in terms of gender equality in employment
- Established the guideline for partner company bidding evaluation
- Mangrove forest restoration project in Vietnam
- Received Presidential Citation for the excellent company in terms of gender equality in employment

2020
- Established the guideline for partner company bidding evaluation
- Mangrove forest restoration project in Vietnam
- Received Presidential Citation for the excellent company in terms of gender equality in employment
- Established the guideline for partner company bidding evaluation
- Mangrove forest restoration project in Vietnam
- Received Presidential Citation for the excellent company in terms of gender equality in employment

These are the footsteps of SK innovation over the past 10 years to be a leading ESG company.
ESG Management

Strategic direction for ESG management
SK innovation declared the vision of ‘Green Balance 2030’, which promotes innovation focusing on a new business model that pursues economic and social values to become a sustainable global company in a rapidly changing business environment. In addition, SK innovation has elevated interest and shown willingness to promote ESG at the corporate level by delivering social values created by the company. Now, we are making efforts at a corporate level by organizing dedicated organizations and implementing various tasks with the judgment that it is time to accelerate ESG management execution and create specific results. As a result, SK innovation will position itself as a leading global ESG management company and take the lead in spreading ESG around the world.

ESG management vision

Trusted by financial society
Green & Global ESG Leading Company

Joining the global response to climate change by achieving Net Zero
Promoting ESG Journey together with all SKI stakeholders
Upgrading BOD-driven management system to lead ESG management

ESG 1.0
Attention & Declaration

ESG 2.0
Implementation & Outcome
SKI’s current status

ESG 3.0
Positioning as a Leading Company

PHASE 1

PHASE 2

PHASE 3

ENVIRONMENT

SOCIAL

GOVERNANCE

Green Transformation
Establish/implement Net Zero Roadmap and strengthen plastics recycling system of SKI in line with the Paris Agreement goal

Green Anchoring
Drive fundamental changes in the industry focusing on eco-friendly BM such as EV batteries, eco-friendly petrochemical, and energy solutions

Maximize the happiness of members
Respect diversity and equity and promote happiness of all members of SKI

Establish/strengthen ESG ecosystem
Evaluate/manage ESG for SKI Biz supply chain and identify/mature eco-friendly ventures

Strengthen BOD Leadership
Improve expertise and autonomy of the BOD, strengthen SKi mid to long-term future strategy and ESG L/H/C function

Strengthen global compliance
Prevent compliance & biz risk such as anti-corruption, fair trade and internal trade at all global and local sites in advance
## ESG Commitments

SK innovation participates in UN SDGs and conducts activities related to UN SDGs. It is fulfilling its environmental responsibilities as a global company by joining various climate change initiatives.

### UN SDGs

<table>
<thead>
<tr>
<th>Sustainable Development Goals (UN SDGs)</th>
<th>Implementation Direction</th>
<th>Major Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. No poverty</td>
<td>Promote agricultural technology for farming households in Peru and help create a profit model.</td>
<td>Provide meal boxes to children slipping meals all over the country by anticipating a Happiness Alliance.</td>
</tr>
<tr>
<td>3. Good health</td>
<td>Provide education programs in areas of operation within the US.</td>
<td>Support the study of socially disadvantaged students in Incheon area. Run ‘My School’ program in Peru to provide quality education service to low-income students.</td>
</tr>
<tr>
<td>5. Gender equality</td>
<td>Operate Wi-Network, the internal women’s consultative group.</td>
<td>Implement support policies including maternity leave and child-care leave.</td>
</tr>
<tr>
<td>6. Clean water</td>
<td>We minimize the use of water resources and reduce water pollutants by establishing and applying thorough internal control guideline for water resources.</td>
<td>Reduce waste water by building eco-friendly business sites.</td>
</tr>
<tr>
<td>7. Affordable and clean energy</td>
<td>We are making an effort to announce Net Zero Roadmap.</td>
<td>Provide energy through the Cook Stove distribution project in Myanmar. Operate photovoltaic power generation facility in Netruck House and gas stations. Join SKIET RE 100 Initiative. Install energy storage system (550) at SKIET.</td>
</tr>
<tr>
<td>8. Decent work</td>
<td>We are running various programs to improve policy and institution for women, expand employment of female workers and capacity building for women to create women-friendly corporate culture and provide equal opportunity for the development of women’s capability.</td>
<td>Operate W-Network, the internal women’s consultative group. Implement support policies including maternity leave and child-care leave.</td>
</tr>
<tr>
<td>9. Justice</td>
<td>We are implementing various programs to solve social problems related to children with development disorder who require social integration and care and the elderly issue to make a healthier local community.</td>
<td>Promote agricultural technology for farming households in Peru and help create a profit model. Provide meal boxes to children slipping meals all over the country by anticipating a Happiness Alliance.</td>
</tr>
<tr>
<td>10. Peace and justice</td>
<td>We run customized education programs continuously for the development of community and provide various support so that local residents can develop their capabilities to make a better future for them.</td>
<td>Promote agricultural technology for farming households in Peru and help create a profit model. Provide meal boxes to children slipping meals all over the country by anticipating a Happiness Alliance.</td>
</tr>
<tr>
<td>11. Sustainable consumption</td>
<td>We are making an effort to present solutions based on cooperation.</td>
<td>Create jobs by developing social enterprises. Create safety and stable working environment through our regulations and policies. Reinforce shared growth with partner companies through business, training, and financial support.</td>
</tr>
<tr>
<td>12. Responsible consumption</td>
<td>We recognize the risk of marine environmental pollution that could be caused by our petroleum and chemical business and we are conducting various activities to prevent environmental pollution accidents such as facility check and internal emergency drill.</td>
<td>Net zero roadmap. Expand eco-friendly business portfolio. 3 Green ‘We Green’ campaign to protect the global environment.</td>
</tr>
<tr>
<td>13. Climate action</td>
<td>We are working to minimize negative impacts on biodiversity. In particular, we are actively participating in the restoration of mangrove forests that can reduce carbon dioxide.</td>
<td>Prevent and manage oil spill.</td>
</tr>
<tr>
<td>14. Life on land</td>
<td>We share our core capabilities such as R&amp;D with various stakeholders to solve social issues such as establishment of ecosystem for eco-friendly and social companies and make an effort to present solutions based on cooperation.</td>
<td>Green Alliance. Establish eco-friendly material community (Eco-friendly Plastic Packaging Materials Forum). Launch the ‘Carbon Free Island Initiative’ in An Binh Island, Vietnam. Promote global partnership activities for a sustainable management.</td>
</tr>
<tr>
<td>15. Life in oceans</td>
<td>As shown in the result of material assessment, responding to climate change which was selected as top priority issue, is one of the most important issues for us. To respond to this, we will make an effort to declare Net Zero within this year and achieve the goal. We will respond to climate change activity by making a true net zero by reducing greenhouse gas emissions from business sites and converting our business into low-carbon business.</td>
<td>Diversity &amp; Equity.</td>
</tr>
<tr>
<td>16. Life below ground</td>
<td>SK Innovation seeks to identify trends in the industry and collaborate with various stakeholders based on our capabilities such as R&amp;D and marketing. By doing so, we are supporting the creation of safe and decent jobs and the sound development of the society.</td>
<td>We cooperate with various stakeholders based on our capabilities such as R&amp;D and marketing. By doing so, we are supporting the creation of safe and decent jobs and the sound development of the society.</td>
</tr>
<tr>
<td>17. Life on land</td>
<td>We provide equal opportunities to all stakeholders including employees and applicants of all business sites. We do not discriminate and treat unfairly for reasons of gender, nationality, race, religion, age, sexual identity, social position, disability, military service status, genetic information, political orientation and those who require special treatment such as R&amp;D and marketing. By doing so, we are supporting the creation of safe and decent jobs and the sound development of the society.</td>
<td>Diversity &amp; Equity.</td>
</tr>
<tr>
<td>18. Peace and justice</td>
<td>We are making an effort to present solutions based on cooperation.</td>
<td>Create jobs by developing social enterprises. Create safety and stable working environment through our regulations and policies. Reinforce shared growth with partner companies through business, training, and financial support.</td>
</tr>
<tr>
<td>19. Peace and justice</td>
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</tr>
</tbody>
</table>

### Sustainable Development Goals (UN SDGs) Implementation Direction Major Activities

- Promote agricultural technology for farming households in Peru and help create a profit model.
- Provide meal boxes to children slipping meals all over the country by anticipating a Happiness Alliance.
- Allocate social isolation of the elderly living alone and restore self-esteem.
- Improve sociality of children with growth disabilities.
- Support self-support for children with growth disabilities.
- Support mental stability programs for careers of the elderly living alone.
- Provide education programs in areas of operation within the US.
- Support the study of socially disadvantaged students in Incheon area.
- Run ‘My School’ program in Peru to provide quality education service to low-income students.
- Operate Wi-Network, the internal women’s consultative group.
- Implement support policies including maternity leave and child-care leave.
- Reduce waste water by building eco-friendly business sites.
- Provide energy through the Cook Stove distribution project in Myanmar.
- Operate photovoltaic power generation facility in Netruck House and gas stations.
- Join SKIET RE 100 Initiative.
- Install energy storage system (550) at SKIET.
- Create jobs by developing social enterprises.
- Create safety and stable working environment through our regulations and policies.
- Reinforce shared growth with partner companies through business, training, and financial support.
- Net zero roadmap.
- 3 Green ‘We Green’ campaign to protect the global environment.
- Prevent and manage oil spill.
- Green Alliance.
- Promote global partnership activities for a sustainable management.

### Major initiatives

SK innovation seeks to identify trends in the industry and collaborate with various stakeholders through the promotion of initiatives and organizations that are closely related to our businesses and subsidiaries, such as low carbon and eco-friendly. In particular, by 2023, we will actively express our willingness to execute and strengthen our capabilities through the discovery and participation of carbon-neutral and green business initiatives.
FOCUS AREAS

Material Topic 1. Strengthening the Response to Climate Change 22
Material Topic 2. Global Pandemic 24
Material Topic 3. Governance 27
Special page. Self-reflection 30
**Material Topic 1. Strengthening the Response to Climate Change**

### Why is this topic important?

Recently, the world recognized that climate change is a very important issue that threatens the sustainable survival of mankind. Accordingly, countries around the world are declaring the shift to carbon neutral society and companies are participating in such movement for a change. In addition, various stakeholders in our society support the response to climate change, a big social change, accelerating the speed of change. Such a change is well demonstrated by the official letter sent by CEO Larry Fink of Blackrock, the world’s largest asset management company, stating that companies with sales from coal-fired power generation accounting for more than 25% of the total sales would be excluded from investment. As such, SK innovation recognizes that climate change crisis is an essential factor directly related to the survival of a company and is actively participating in global climate change movement such as establishment of a leading climate change strategies and declaration of carbon neutrality.

### HOW

**How does SK innovation approach?**

SK innovation recognizes climate change as a crisis yet an opportunity and conducts various activities to be in line with global efforts to respond to climate change. Each business sites are making multi-faceted effort to reduce greenhouse gas emissions in the production process by improving process efficiency, adopting low-carbon materials and expanding the use of new and renewable energy. It promotes strategies to develop eco-friendly products and services and expand the share of new eco-friendly businesses such as battery and material business which are growing rapidly and hydrogen, CCS, energy solution and recycle. Environmental issues in our society including climate change with battery and material business which are growing rapidly and hydrogen, CCS, energy solution and recycle.

**Climate change management system**

SK innovation reports and resolves important issues related to climate change at the BOD and plans to establish a more professional and strengthened management system by establishing ESG Committee under the BOD. Internally, we organized ESG Design Team composed of C-level executives, heads of each business and the Finance Office (KPI) of CEO and major executives and have the evaluation and reward system in relation to the KPI to make sure that the discussion and decision-making on climate change can be translated into actual implementation.

In addition, we incorporated climate change response target and performance in key performance indicators (KPI) of CEO and major executives and have the evaluation and reward system in relation to the KPI to make sure that the discussion and decision-making on climate change can be translated into actual implementation.

### MANAGEMENT

**Management How is performance tracked?**

- Set and manage mid to long-term greenhouse gas emissions target
- Evaluate the management’s effort to respond to climate change and link it to remuneration
- Execute appropriateness of reduction tools and verify reduction results objectively by the external body

### Expanding eco-friendly portfolio (Green Anchoring)

SK innovation is expanding its eco-friendly product and business portfolio based on differentiated technologies and capabilities. It is expanding eco-friendly product portfolios through green innovation of existing products such as eco-friendly asphalt, lubricating oil and plastic. In addition, it is securing growth engine with continued attention and efforts for new eco-friendly business which can significantly contribute to solving urgent environmental issues in our society including climate change with battery and material business which are growing rapidly and hydrogen, CCS, energy solution and recycle.

**Expanding eco-friendly product portfolio**

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MATERIAL TOPIC 2. Global Pandemic

Why is this topic important?
The aspects of social problems are becoming more diverse and complex with the advancement of society. In particular, problems that require urgent support and social attention such as diseases, disasters and social polarization are increasing. Accordingly, a social atmosphere where a company is required to create economic values as well as participate in resolving social issues actively as a member of a society is being created. In particular, it is important to make an effort to maintain social safety net by supporting individuals, small businesses and companies amid national crisis caused by COVID-19 that started in 2020.

How does SK innovation approach?
SK innovation is working hard to establish a safety net to help stakeholders such as employees and local community overcome COVID-19 pandemic situation. We are protecting our employees by establishing a guideline on the response to COVID-19 and working hard to stop the spread of COVID-19. In addition, SK innovation provided COVID-19 quarantine products and supported social companies, social ventures and farmers that faced crisis due to COVID-19.

Management How is performance tracked?
SK innovation has been making an effort to deal with risk by establishing internal and external system to respond to global pandemic. Externally, SK innovation shared its assets and capabilities with the society and supported solving problems in local community based on donation. Internally, we are strengthening internal system and activities to achieve the best possible performance under crisis situation with flexible operation of process and products.

Establishment of the global pandemic response system
SK innovation made an effort to remove the risk in the company and society amid COVID-19 pandemic situation in 2020. Externally, we provided support for quarantine activities through safety net and resolution of social issues caused by COVID-19 and internally, we responded to changes in the market flexibly. SK innovation will secure the sustainability of the company and the society by responding to social risk closely.

Safety net
Support for quarantine activities
Providing emergency quarantine support to respond to COVID-19 for the local community
Amid COVID-19 which was spreading rapidly throughout the world, SK innovation provided quarantine equipment and resources to domestic and overseas areas promptly. In Korea, it provided protective gears such as masks and medical supplies to local residents focusing on Daegu and Gyeongbuk area and provided emergency fund of 900,000 dollars to support quarantine products such as diagnosis kits and masks to people in 7 countries including the US, Hungary and Myanmar where overseas business sites were located.

Providing SK Muui Training Center as a COVID-19 community treatment center
SK innovation provided SK Muui Training Center to the Ministry of the Interior and Safety for 4 months from March to July 2020 when the number of COVID-19 confirmed cases soared so that the training center was used as a temporary living facility for those coming from other countries. In addition, the SK Muui Training Center was provided to Incheon City to make sure that it can be used as a community treatment center in metropolitan area for patients with minor symptoms since December 2020. In addition, SK innovation actively participated in COVID-19 quarantine activities by supporting not only facility but also expenses related to the facility. As a result, about 7,800 people used that facility in relation to COVID-19 and it received a citation from the Ministry of the Interior and Safety in recognition of its contribution.

Resolving social issues
Blood donation program
In the national blood supply crisis, members participated in blood donation at Seoul, Incheon, and Daejeon workplaces. We will continue to expand the blood donation campaign in cooperation with the national blood supply system in the future.

Opening ‘Hi Market’, a shopping mall for social safety net with the participation of members
To support social enterprises, social ventures, small business owners, and local farmers who have severe difficulties such as a decrease in sales due to COVID-19, we operated a ‘hi market’ where members can purchase related products at all times. As a result, many members formed a social safety net for the enterprise by buying products directly and achieved sales of KRW 270 million in 2020. In addition, to support the sales of severely damaged garlic farms among farms in Seosan, where electric vehicle battery factories are located, we conducted a campaign called “Save Seosan Garlic Farms” throughout the company.
Response to business risk

In line with the rapidly changing market environment due to COVID-19, SK innovation implemented various response activities in a timely manner by adjusting process utilization rate and change in the type of oil produced as well as identifying new options for the operation of process and products to respond actively to the reduction in the demand for petroleum products and margins.

Securing safety at business sites

HQ and branch offices

SK innovation operated ‘Guide to COVID-19 prevention in daily lives to prevent virus among employees. To minimize the density of workers in a workplace, the company established the attendance rate management criteria in line with the government’s social distancing stage, and the requirements have been applied. If there are confirmed cases or employees subject to quarantine measures, we are conducting measures for evacuation, classification of those in contact with positive people, and quarantine measures. Essential quarantine rules to follow are established, and monitoring and giving instruction are conducted every week to check whether rules are followed or not. In addition, if there is a risk of contact with COVID-19 among the employees, family members, and acquaintances, preemptive quarantine measures were applied resulting in no spread within the company in 2020.

Domestic and overseas business sites

To minimize the damage caused by the shutdown of business sites due to the COVID-19 infection and ensure stable operation of the business sites, each business site of SK innovation monitors systematically and response activities. In preparation for the occurrence of confirmed cases in the workplace, the government established measures to secure shifts, arrange replacement personnel, and conduct telecommuting, distributed work, and emergency response training of essential personnel. When a business traveler dispatched overseas is diagnosed with COVID-19, we show remote monitoring of domestic staff through the ‘International SOS’ and provide a service that enables emergency transportation in Korea in case of emergency. In addition, we give a guide for overseas employees and business travelers to help minimize the risk by getting vaccinated early. Overseas businesses such as the U.S., Hungary, and Poland have established a system by each region and conduct response activities based on it. In collaboration with government and medical institutions, we worked on preemptive vaccinations for many people staying in the workplace. An emergency response committee was formed to protect the number of existing residents through systematic response activities and prepare scenarios for infections.

Reduction in the use of transportation means

Flexible utilization of supply materials

Flexible management of process and products

Impact

Response activity

COVID-19

Response activity

Confirmed

27

Evacuation

Quarantine guideline

Monitoring system

Reduction in the risk of spread

MATERIAL TOPIC 3.

Governance

Why is this topic important?

New management agendas are emerging and spreading rapidly in addition to existing transparent management such as climate change response and supply chain ESG management. The shareholder spectrum has been expanded from shareholders and the government to pension funds and global fund managers. Accordingly, the scope and expectations of stakeholders for ESG management are increasing and it is important to upgrade the existing BOD-driven management system in a direction that can actively promote ESG management. In addition, global compliance risk is rising with the expansion of business areas to North America, Europe and Asia and we need to remove discount factors that may occur and secure more premiums. Under this circumstance, SK innovation intends to promote governance innovation, thereby winning trust from stakeholders and enhancing corporate values.

How does SK innovation approach?

SK innovation intends to promote governance innovation in the direction of accelerating existing BOD-driven management. Basically, we will strengthen the autonomy, diversity and expertise of the BOD to make sure that BOD is driven by outside directors. In addition, we will strengthen the functions of sub-committees so that BOD can play the role as an actual management decision-making body and communicate actively with financial society centering on the BOD.

Management

How is performance tracked?

SK innovation reestablishes the evaluation and compensation system for the BOD and directors with the strengthening of the role of outside directors. To secure the objectivity of the evaluation, we will establish the evaluation basis in the BOD regulation and adopt external evaluation. We will upgrade the overall evaluation and compensation system by improving compensation system in line with the strengthened function of the BOD.
Improving diversity in terms of gender, age, race, ethnicity, etc. and operating the BOD driven by outside directors

- Securing diversity of the BOD: We have strengthened the professionalism focusing on global business, compliance and risk, green business and ESG areas to meet diversified demands from stakeholders. We strengthen the trust of stakeholders by appointing them according to their abilities without restrictions on gender, age, race, nationality, and disability.
- Strengthening the autonomy of the BOD: We achieved BOD-driven management by running the BOD led by outside directors to the extent that the ratio of outside directors became 75% or higher and by innovating the outside director selection method led by the HR Evaluation and Compensation Committee.
- Strengthening the accessibility of the BOD to information: We supported the BOD to make a reasonable and balanced decision. We placed outside directors in major business process and made it possible to utilize external adviser for major decision-making if requested.

- Expanding the Future Strategy Committee: We run the Future Strategy Committee with strengthened function of checking future strategic agenda to existing Strategy and Risk Management Committee. We holds Future Strategic Design Session two times a year to design the future growth direction and manage performance of the company.
- Establishment of the ESG Committee: SK innovation established the ESG Committee which checks and monitors whether the ESG tasks are implemented as planned to accelerate Green Balance 2030 of SK Innovation.

- Reviewing evaluation, compensation and succession of CEO: The HR Evaluation and Compensation Committee participates in evaluation and compensation of CEO and decision-making on succession of CEO to strengthen the governing power of the BOD and takes an important role of identifying a competent and verified CEO to make sure that the CEO can contribute to improving SKI’s corporate value.

- Establishing BOD evaluation/compensation system: We are currently reviewing the introduction of external evaluation to identify BOD evaluation regulation and conduct objective evaluation and based on this we will upgrade the remuneration system of the BOD.
- Expansion of the Audit Committee: We have expanded the role of the Audit Committee to make it serve as a corporate compliance and business risk control tower through pre and post management of relevant risk. SKI Audit Office is organized under the Audit Committee so the BOD manages and supervises audit function directly.

- Establishment of global compliance system: We are improving the level of compliance of domestic and overseas members by establishing compliance management system that is in line with global standards. We are also working together with external professional agencies to secure the objectivity of the compliance system.
- Establishment and operation of global compliance program: We perform status evaluation and risk prioritization, establish customized program package. And we manage issues systematically through program regular inspection/improvement process for various compliance issues such as fair trade, anti-corruption, information protection/industrial security, intellectual property right, employment, labor, and the environment.
In April 2019, LG Chem filed a lawsuit on charges of infringement of trade secret against SK innovation to the International Trade Commission in the US and in September 2019, SK innovation filed a lawsuit against LG Chem on charges of infringement of battery patent to the International Trade Commission in the US. As such there have been legal disputes between SK innovation and LG Chem. As of April, 2021, the parties discussed the closing of the dispute over intellectual property rights on battery and agreed to establish an amicable cooperative relationship to strengthen the global competitiveness of K-battery. In May, 2020, SK innovation and LG Energy Solution agreed to end the domestic and international disputes and not to raise additional lawsuit on the same issue for the next 10 years.

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In May 2020, the California state government filed a civil lawsuit against Vitol, a Dutch company, SK Trading International, and its subsidiary SK Energy America for manipulation of the market price of gasoline products and anti-competitive unfair practices in the situation of oil refinery explosion in the region in 2015 to the California District Court. Since then, gasoline end consumers have filed a number of class actions related to this case in federal court in California. SK innovation will explain the case faithfully.

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Net Zero Roadmap

SK innovation, which has been Korea's representative energy and chemical company for the past 50 years starts Net Zero journey for the new 50 years. We will achieve Net Zero by 2050 and identify Option Pool actively to advance the timing of achievement. In addition, we will realize a true Net Zero by reducing greenhouse gas emissions from business sites and transition to low carbon business.

Starting the journey toward Net Zero

The world adopted an IPCC Special Report on the impacts of global warming of 1.5°C at the 48th IPCC General Assembly in 2018. We need to limit the increase in global average temperature to +1.5°C compared to industrial era. To this end, we need to achieve Net Zero by 2050. SK innovation intends to put the role of the past 50 years behind and take a step toward the future. The starting point is the Net Zero Roadmap which incorporates SK innovation’s sincerity and strong will to put the plan into practice.

Demand for Net Zero from Stakeholders

The demand for Net Zero from stakeholders is growing. Last year, COVID-19 pandemic served as an opportunity to elevate the awareness on the seriousness and importance of sustainability and Net Zero has established itself as a key agenda. The eyes of stakeholders are moving toward the implementation of Net Zero. Investors such as Blackrock require not only the declaration of Net Zero goals but also specific carbon reduction target and plan based on climate change scenario. In addition, they demand carbon reduction in the whole value chain such as adoption of raw materials, use and disposal of products in addition to reduction of carbon emissions from the business sites. They want the establishment response and management system at the corporate level and management and supervision at the BOD level. SK innovation intends to establish a sincere and practical Net Zero Roadmap by incorporating the requirements and expectations of external stakeholders.

SK innovation’s Net Zero Ambition

SK innovation will identify and implement specific action plans to achieve Net Zero by 2050 and identify various options that accelerate the time of achievement. In particular, we aim to reduce step-by-step target with our efforts to reduce greenhouse gas emissions from business sites and accelerate the time of Net Zero achievement for EV battery and materials businesses which are leading the eco-friendliness. In addition, they demand carbon reduction in the whole value chain such as adoption of raw materials, use and disposal of products in addition to reduction of carbon emissions from the business sites. They want the establishment response and management system at the corporate level and management and supervision at the BOD level. SK innovation intends to establish a sincere and practical Net Zero Roadmap by incorporating the requirements and expectations of external stakeholders.

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Making Scope 1, 2 emissions zero by 2050 through direct reduction at business sites and offset.

- Direct reduction
  - Scope 1: Improvement of process efficiency, adoption of low carbon raw materials/ power, operational optimization, carbon capture, utilization and storage (CCUS)
  - Scope 2: Adoption of new and renewable energy power
  - Offset: Securing credit from outside (minimization, temporary)

Gradual decrease in Scope 3 carbon intensity under the Less Carbon More Green Portfolio strategy.

- Transition to portfolio driven by low carbon business
- Expansion of green business such as bio fuel
- Improving the eco-friendliness of existing products

The first task to be done is the reduction of greenhouse gas emissions from business sites. SK innovation intends to establish and implement goals by dividing existing business and new business which is growing rapidly. For the energy and chemical business, we established the goal of reducing 50% in 2030 and 100% in 2050 from the level of 2019 based on absolute terms. We will make an effort to advance the time of achievement by identifying and developing promising reduction technologies such as CCS and technologies that utilize electricity. In addition, we will shift to low-carbon driven operating structure by incorporating carbon as major management variable in the operation stage. The greenhouse gas emissions in the rapidly growing EV battery and material business are expected to increase in the short term due to business growth. However, we will minimize the increase in emissions through active reduction efforts and we aim to achieve Net Zero in 2035, ahead of 2050 required by the international community by utilizing reduction tools such as early expansion of new and renewable energy and conversion to eco-friendly fuel as we are at the forefront of the transition to a low-carbon society.

Achieving Net Zero Operations by 2050 - a

To achieve Net Zero operations by 2050, SK innovation will identify and implement specific action plans to achieve Goal 1, 2 emissions zero by 2050 through direct reduction at business sites and offset.

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Achieving Net Zero Operations by 2050 - a

Toward New Opportunities

Net Zero is both a challenge to our survival and a new opportunity. SK innovation will explore and promote various business opportunities in the process of changing the essence of the industry, rather than pursuing passive carbon reduction. We plan to secure CCS technology to reduce carbon and commercialize the technology. We will not only use new and renewable energy but also link it with existing N/W to induce the spread/promotion of expansion of eco-friendly car users by expanding power/hydrogen generation, vehicle Biz and BaaS Biz. In addition, we will make an effort to shift to eco-friendly business and improve eco-friendliness of existing business internally and come up with measures to induce changes in suppliers, partner companies and consumers.

You can find more details on Net Zero Roadmap in a Special Report, which will be issued on July 20, 2021.
Expansion of Eco-friendly Business Portfolio
SK innovation will secure growth engines focusing on eco-friendly business portfolios and develop them continuously based on its differentiated technologies and capabilities to respond to climate change. We will strengthen our technology competitiveness, solidify our partnership with customers, and secure a position as a top-tier global player by expanding global production bases in the battery and material business sector, centered on Green Business. Furthermore, we will expand eco-friendly business-centered portfolio through green business transformation for existing oil refinery and chemical businesses to meet the demands of our society.

SK innovation
Battery Business
SK innovation conducts battery business together with the production of batteries for electric vehicles and ESS and Basix (Battery as a Service). Based on its unique high energy density and high output technology, it is supplying batteries to many parts of the world including the US, Europe and China. As of late 2020, we secured annual production capacity of about 300GWh and planned to expand the capacity to over 200GWh by 2025 to meet customer demand. As of June 2021, order backlog is about 1,000GWh, growing 5 times compared to late 2019. In addition, we are promoting Basix project to improve the value of use throughout the product lifecycle from battery production, use, recovery and recycling. It is explained as 4R (rental, recharge, reuse and recycle). SK innovation is expanding its portfolio to various areas such as eVTOL1) and e-marine. We are conducting research on future technologies through open innovation with global universities and research institutes in addition to internal R&D to develop the next generation battery. We are promoting the use of eco-friendly energy to reduce CO2 emissions generated in the process of manufacturing battery and renewable energy use for RE100. We have demonstrated the value and growth potential of battery business as a future eco-friendly business by securing fund based on Green Bond, an eco-friendly project bond, for two consecutive years. (eVTOL: Electric Vertical Takeoff and Landing)

E&P Business
SK innovation is reviewing carbon capture and storage (hereinafter referred to as CCS) business as one of the means to reduce greenhouse gas emissions. CCS business can greatly contribute to carbon reduction through CO2 underground storage based on SK innovation’s technology and knowhow acquired through existing E&P business. SK innovation signed a national project agreement for CCS project on domestic continental shelf in May 2021 with SK energy, Korea National Oil Corporation and domestic research institutes and academia. Through this national project, it will be possible to verify the technology and evaluate business feasibility. We aim to achieve carbon neutral E&P by establishing the foundation for growth as CCS service provider which can create synergy with existing E&P business.

SK ie technology
A Leap Forward as a Global Green Material Solution Company
SK innovation has selected the materials business as a new growth engine and grown the industry continuously in preparation for the growth of the electric vehicle market and the spread of portable IT devices. In particular, SK innovation is producing the world’s highest quality separator based on endless research and development of Lithium ion battery separator (LIBS), the core material for secondary batteries. It is now preparing to become a global top tier material company with the expansion of global production sites and establishment of SK ie technology, a spin-off of battery business. In addition, transparent PI film production line was completed in 2019 and products are being sold based on a partnership with global smartphone manufacturers from 2020 for FCFW business, which is a new growth engine. SK ie technology joined RE100 in 2020 and will make continuous effort to turn all production processes into clean production system by establishing eco-friendly production facilities.

SK energy
Expansion of Eco-friendly Energy and Mobility Business
As Korea’s No. 1 refiner, SK energy is responding preemptively to energy and mobility paradigm shift by securing sustainability of conventional petroleum industry’s value chain and establishing eco-friendly energy solution platform. In the product production stage the company is making an effort to establish an eco-friendly value chain from production to sales such as a fuel change considering CO2 emissions, mid temperature packaging to reduce harmful substances such as, and launching recyclable asphalt. Recently, it is leading the realization of decarbonization by signing an agreement on national task on CCS business, which is regarded as the next generation environmental business together with SK innovation, its parent company and Korea National Oil Corporation, a public company. In addition, it is making an effort to respond actively to changes in next generation energy sources and secure future market by reviewing various future businesses based on eco-friendly energy solution, utilizing assets and marketing capabilities held by SK energy.

SK global chemical
Establishment of Eco-friendly Plastic Ecosystem
SK global chemical, which entered the petrochemical industry for the first time in Korea, has developed various eco-friendly solutions with brand owners and OEMs. Representative examples include the packaging materials with increased recyclability using high-functional single material and reducing plastic use and CO2 release by applying light materials for vehicles. In addition, we are developing technologies that turn waste plastic into resources into ingredients for refining and chemical processes. SK global chemical is making an effort to be a leading company that establishes eco-friendly plastic ecosystem going beyond the manufacturer. It is making continuous efforts to improve awareness of society by holding Korea Eco-friendly Packaging Forum, conducting a campaign for separate plastic discharge, and volunteer-collecting plastic waste. Recently, the CEO was invited as a representative of domestic companies in the circular economy session at P4G Summit to provide the solution to the waste plastic problem.

SK lubricants
Expansion of Eco-friendly Base Oil/Lubricant Market
The group III and group IV base oil supplied by SK lubricants worldwide is the key to reducing carbon emissions from automobiles. It is estimated that the high-efficiency engine oil made of this premium base oil reduces CO2 emissions by about 14 million tons per year. Accordingly, We are expanding the production and supply of premium base oil. It is also pushing ahead with the development of products dedicated to electronic vehicles. Currently, it is supplying exclusively for electronic vehicles for global electric vehicle manufacturers and plans to expand the market by developing lubricant products specialized for each electronic vehicle. In addition, it intends to provide lubricant solutions in various eco-friendly areas by developing and supplying lubricant products for offshore and onshore wind power generation facilities. Moreover, it has developed eco-friendly engine oil to take a leading role in responding to the strengthening of global regulations and the growing demand. In August 2020, it obtained the eco-friendly certification from the Ministry of Environment to recognize its contribution to saving resources and reducing harmful substances. In addition, eco-friendly recycled containers, which received recycled Content certification from US UL, have been applied to products from October 2020.

SK incheon petrochem
Expanding Eco-friendly Business Based on New Technologies Including AI
It is conducting new eco-friendly businesses by applying new technologies such as wastewater treatment improvement using AI algorithm and digital SHE solution based on its capabilities and experience. In addition, it is expected that the company will contribute to boosting the hydrogen economy by laying the hydrogen supply base in metropolitan areas by providing byproduct hydrogen to metropolitan areas taking advantage of the geological closeness to metropolitan areas.
Management of Environmental Pollutants

SK innovation strives to reduce the emission of substances that negatively affect the environment, such as energy use reduction and air and water pollutants, beyond environmental management activities that comply with laws and regulations.

Management of environmental pollutant emissions

Energy management

Management of energy consumption
SK innovation quantifies the energy consumption of each workplace and securities reliability through third-party verification. We set a goal for energy reduction and systematically manages our energy consumption. In Ulsan CLX, we use OASIS, the next generation production information system, developed based on the standardization of master data for the energy consumption that becomes the basis for calculating greenhouse gas emissions. This leads to not only the higher accuracy in data but also the efficient management.

Efficient equipment operation to save energy
SK innovation is promoting the efficiency of facility operation for stable operation and energy saving. First, we extended the outdoor air cooling period of the computer room and EPS room, which are operated 24 hours a day, to reduce power consumption and to control power demand during peak demand periods. In addition, various energy-saving efforts were made, such as turning off lights during lunch and night hours. Through these activities, we saved KRW 36 million in electricity and energy costs and dramatically reduced carbon emissions. In the future, SK innovation plans to continuously seek energy reduction measures.

Establishment of energy storage system for energy management
Since 2018, SK innovation has installed energy storage systems (ESS) to save energy and use renewable energy as emergency power. ESS is a solution that stores electricity using a lithium-ion battery and makes it available when needed. It can be supplied for stable operation and energy saving. First, we extended the operation period, and must continuously reduce emissions. To put this into practice, SK innovation Ulsan CLX is investing more than KRW 100 billion by 2024 to improve facilities, such as converting boilers to clean fuel and installing NOx reduction facilities for heating furnaces. We plan to directly reduce the amount of fine dust in the atmosphere and indirectly contribute to responding to climate change by reducing greenhouse gas emissions.

Signing an agreement to reduce air pollutants
SK innovation Ulsan CLX has signed voluntary agreements with Ulsan City, Environmental Office, and 30 companies to maintain and manage the air environment in Ulsan and protect the health of local residents. Through this, we plan to reduce emissions of fine dust, sulfur oxides, nitrogen oxides and VOC substances by 40% compared to 2014 by 2022.

In addition, to reduce the emission of benzene air pollutants, we entered into agreements with Ulsan City, the Environment Agency, and 16 companies. The purpose of this agreement is to improve the social problem in which the concentration of benzene in the atmosphere exceeds environmental standards in Ulsan, and companies that manufacture and handle benzene, including our company, continuously reduce benzene emissions through voluntary facility improvement. SK innovation will strive to maintain a clean and pleasant air environment in the local community through continuous management of air pollutant emissions based on various cooperative systems.

SK innovation Ulsan CLX and SK incheon petroleum business sites conduct a fugitive emission check at least once a year on fugitive emission sources of more than 1 million points per year to minimize the emission of harmful air pollutants scattered from process valves, flanges, and pumps. In line with the strengthening of laws and regulations, we have established an investment plan for installing oil-vapor treatment facilities in oil storage facilities and are promoting step-by-step improvement. To prevent any inconvenience caused by odors caused by workplaces, residents of the neighborhood of the site are receiving odors by installing RTO(Regenerative Thermal Oxidizer) in facilities with severe odors such as wastewater treatment plants. In addition, we have installed and operated odor monitoring equipment for the area outside of the business site. SK i technology invested KRW 38 billion to install additional air pollutant adsorption facilities and strengthen filter replacement cycle management to increase the recovery and treatment performance of dichromate generated from production facilities by more than 2 times, making it an eco-friendly business site. In addition, we plan to strengthen management standards by securing atmospheric-level precision analysis methods and applying them not only to the Jeongpyeong plant but also to plants in China and Poland. SK technology international applies the policy of setting the use of high-efficient vessel ratio at 10% or higher to minimize the impact of very large crude-oil carrier (VLCC) on the environment. Through this, the company is creating environmental and economic values such as saving fuel, reduction in air pollutants emissions and reduction in fine dust generation. It is spreading this policy throughout the industry through partnership to induce the retirement of old ships.

Efforts to reduce air pollution emissions
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Water environment management

The main sources of water for each business site of SK innovation include Daecheong Dam, Damam Dam and Asan Bay. Each business site is continuously discovering and promoting various reuse measures to reduce the use of water resources as well as to provide a stable supply of water required for production activities.

Reduction of water pollutants
Each business site is managed based on internal criteria, which are stricter than those required by applicable regulations such as the Water Environment Conservation Act through high-efficiency biological wastewater treatment facilities that apply remote water quality monitoring and control system for wastewater generated by production activities, thereby minimizing the impact on water environment such as streams and rivers. In addition, wastewater containing pollutants generated by production processes is safely treated through absorption tower or a fiber filter. Some of the effluent is reused for firefighting and landscaping and if it is found to be recyclable based on the analysis of the properties of waste water, it is recovered as water to reduce the amount of water and wastewater.

© Management Status of Water Pollutants

<table>
<thead>
<tr>
<th>Business Site</th>
<th>Wastewater Treatment Facility</th>
<th>Treatment Method</th>
<th>Emission Site</th>
</tr>
</thead>
<tbody>
<tr>
<td>SK energy (Ulsan)</td>
<td>Ulsan Complex wastewater plant</td>
<td>Biological, Advanced treatment</td>
<td>Public water (East Sea)</td>
</tr>
<tr>
<td>SK global chemical (Ulsan)</td>
<td>PE/PP wastewater plant</td>
<td>Physical and chemical</td>
<td>Yongam wastewater plant</td>
</tr>
<tr>
<td>SK incheon petrochem (Incheon)</td>
<td>-</td>
<td>Biological, Advanced treatment</td>
<td>Gajeon terminal disposal plant for sewage</td>
</tr>
<tr>
<td>SK in technology (Jeongpyeong)</td>
<td>-</td>
<td>-</td>
<td>Terminal disposal plant for sewage in Jeongpyeong general industrial complex</td>
</tr>
</tbody>
</table>

Water resources management

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**Waste Management**

**Systematic waste management**

SK Innovation has established and operated management standards for the generation, storage, transport, release and treatment of waste in order to minimize waste generation from production activities and handle waste generated in a legal manner. In particular, it manages waste discharge amount through the waste management system developed by SK Innovation. The generated waste is recycled, incinerated, and landfilled by entrusting a specialized treatment company with proven consignment capacity. It records the amount of waste generated by the Allbaro system and the amount of waste handed over to the consigned disposal company. In addition, to reduce waste, we refer to the previous year’s waste treatment history to prepare an annual expected amount and reduction plan, record the monthly performance, and sell it in a recyclable state if it can be recycled. In principle, transport and storage are operated to minimize the emission of odors and air pollutants from waste generation to storage. In the future, SK Innovation will strive not only to recycle waste, but also to increase the recycling of waste and reduce waste to create a sustainable society.

**Promoting recycling to reduce incineration and landfill waste**

SK Innovation strives to reduce the generation of waste at workplaces, minimize landfill or incineration of the generated waste, and increase the recycling rate as a resource. Agile organization was formed with an aim to recycle landfills/incineration waste to identify the types, amounts, and characteristics of waste generated at the site. For wastewater sludge, purified sludge, solid waste oil, and waste insulation materials, which generate a large amount of waste and can be converted to recycling, we focused on discovering and applying recycling technologies and our efforts resulted in the increase in the recycling rate from 74% in 2019 to 81.6%.

**Management of Chemical Substances**

**System to manage the adoption and handling of chemical substances**

Under the revision of the Chemical Registration Evaluation Act, MSDS must be submitted and approved by the government for company products and semi-finished products within the next five years. In response, SK Innovation has registered harmful information and safety instructions in the e-MSDS* system and provided them to customers along with MSDS.

**e-MSDS system**

System was upgraded by introducing new chemical substance information database of MSDS preparation algorithms from the existing system where only reading and searching information on MSDS were possible.

**Risk assessment on chemical substances**

SK Innovation strives to prevent chemical accidents and protect health of workers by conducting risk analysis on the use and handling of chemical substances to identify potential risk factors and remove or manage such risk factors when it introduces new chemical substances or changes existing substances.

**Safety management for hazardous chemical substance handling and manufacturing facilities**

SK Innovation is managing chemical substances thoroughly to prevent chemical accidents by taking measures such as prevention of chemical substance leakage. A total of KRW 5 billion was invested to install leak detectors in 145 acid/alkali storage tanks, and it is strengthening internal control over the prevention and management of chemical accidents.

© Recycling rate of waste in 2019 and 2020

<table>
<thead>
<tr>
<th>Classification</th>
<th>SKE</th>
<th>SKGC</th>
<th>SKL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Waste amount (ton)</strong></td>
<td>79,670</td>
<td>58,252</td>
<td>19,591</td>
</tr>
<tr>
<td><strong>Recycled amount (ton)</strong></td>
<td>60,333</td>
<td>49,275</td>
<td>13,644</td>
</tr>
<tr>
<td><strong>Increase in recycling amount (ton)</strong></td>
<td>6,858*</td>
<td>2,854</td>
<td>-472</td>
</tr>
</tbody>
</table>

*In 2020, the amount of waste generated decreased due to suspension of some SKE processes and production reduction.

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**Prevention of Oil Spill**

**Management and Prevention of Soil Environment Pollution**

Environment management department in each business site of SK Innovation measures soil contamination of the business site periodically every two years in accordance with applicable laws and regulations and conducts soil contamination survey such as tracking sources of pollution and purification work. The soil contamination investigation is conducted by an independent external organization and if contamination is detected, the remediation activity is conducted through professional remediation agency and purification completion is verified by investigating agency. In addition, we are actively preventing and managing soil pollution by conducting soil contamination survey additionally based on voluntary agreement on the preservation of soil with the Ministry of Environment.

**Voluntary agreement on soil remediation and soil remediation work**

Ulsan Complex signed a voluntary agreement on preservation of soil environment with the Ministry of Environment to prevent the risk that may arise from the spread of soil contamination and the agreement is effective until March, 2023. In addition, accident support vehicle is run to support initial chemical accident response activities in the field in case of chemical accident.

**Reinforcing disaster prevention activities in preparation against oil spill accident**

SK Innovation is conducting various activities to prevent soil contamination from oil spill. Typical examples include placing disaster prevention equipment at major locations, installation of emergency shutoff in waterways, and field-training on how to respond to disaster properly. SK Innovation will specify emergency response scenarios at the equipment level and conduct practical emergency drills to improve its own disaster prevention capabilities in an effort to strengthen prevention activities.

**Management and prevention of marine pollution**

**Emergency response training to prevent marine pollution**

SK Innovation is conducting its own emergency response training every month to respond to an accident immediately. In addition, disaster prevention equipment is checked every month. Joint emergency response drill is conducted with self-protection disaster prevention group composed of private and state members half yearly.

**System to monitor marine facilities periodically to prevent marine pollution accident**

SK Innovation has prepared work standards and procedures to prevent marine pollution accident and conducted internal inspection on each facility periodically. In addition, it appoints a manager in charge of marine pollution for each marine facility to make sure that accident does not occur. The marine facilities are under the thorough management and supervision day and night. As a result, not a single marine pollution accident has been occurred and we will continue to manage risk related to marine environmental pollution by conducting emergency response training and marine patrol based on specific emergency response scenarios.
SOCIAL

Social vision and core tasks

Social Contribution

Supply Chain ESG Management

Strengthening SHE

Green Alliance

Promoting Happiness of Members

Diversity & Equity

44

46

50

52

60

64

68
Social vision and core tasks

Under the vision of "ESG Journey with All Our Stakeholders," SK Innovation aims to drive ESG with all stakeholders involved in the industry, including its members, partners, startups, communities, and governments, ultimately creating greater social value. Basically, SKI dreams of a wider participation of those who promote ESG by maximizing the happiness of member with reinforced diversity, human rights, safety and health and establishing ESG ecosystem where it exists together with wide range of stakeholders.

Better People Life of Today & Future

SKI Social Vision

ESG Journey with All Our Stakeholders

Make a Big Impact on Value Chain

Diversity & Equity
Secure diverse talents with the excellent level of competence and enhance human rights at workplace
- Securing talents through transparent recruitment process, fair performance evaluation and compensation.
- Free and systematic member movement and career management system and customized training/job competency program
- Support for the growth of female talents in terms of diversifying members.

Happiness for Members
Horizontal organizational culture and member-driven program to remove pain points
- Designing and implementing various programs (Happiness Clan) including improvement of reporting and meeting culture in line with the innovation in way of work, establishing horizontal organizational culture, encouraging taking newworking from home and designing movement and self-directed career and Happy Clan.
- Selection and operation of Innovative Communication ON (iCON) to create an atmosphere of smooth communication and cooperation among members.

Strengthening SHE
Preventing sudden accidents by running safety committee for each business site.
- Expanding the scope of SHE prevention and control scope to psychological and occupational diseases in addition to physical diseases
- Operating partner companies' safety manager council as part of SHE management and evaluation on SKI members and partner companies.

Managing ESG in Supply Chain
Evaluating and managing ESG risk of 3,000 partner companies and supporting shared growth
- Evaluating and managing ESG risk in supply chain in various areas such as economy, society, safety/environment and ethics based on international guidelines.
- Running a program for share growth and co-existence with partner companies such as support for finance, technology and training opportunities.

Green Alliance
Develop eco-friendly startups and create ecosystems through collaboration between government, company, and venture capital
- Based on the experience of operating existing eco-friendly startups development programs, 'Environmental Social Biz Contest' and 'SV2 Impact Partnering', it provides commercialization support funds and growth support packages in cooperation with the Ministry of SMEs, Korea Institute of Startup and Entrepreneurship Development, and Impact Fund
- Identifying and nurturing low-carbon, eco-friendly startups which are aligned to SKI’s business model innovation
DIVERSITY & EQUITY

SK innovation secures talents from various background through fair recruitment process, supports the development of their capabilities and selects and manages potential human rights issues within the company.

Human Rights Management Principles

Human Rights Protection Policy
SK innovation established safety, health, and environment policies, recruitment policy, code of ethics, code of conduct, and purchasing code of ethics and strictly comply with those policies and make business activities to make sure that direct or indirect human rights infringements do not occur across the value chain. In addition, we operate a dedicated organization and counseling center dedicated to the working environment management of each business site. We joined the UNGC (United Nations Global Compact), a global sustainability initiative as of October 2007 to support 10 principles in four fields: human rights, labor, environment, and anti-corruption. Moreover, it respects global codes of conduct such as ILO and UNGP. We are making an effort to make zero risk within this year by identifying vulnerabilities and vulnerable groups based on annual human rights due diligence to check the policy’s implementation and establish and implement improvement plans.

Human Rights Impact Assessment

Human rights Due Diligence Process
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. Self-diagnosis checklist regarding human rights impact assessment is prepared by referring to internal control indicators such as working environment, working condition and HR management and online survey is conducted every year targeting all employees. In addition, human rights due diligence is conducted targeting major partner companies in business relationship with affiliates of SK innovation and it is recommended that all partner companies conduct internal human rights due diligence. The survey is prepared in Korean and English considering the diversity of members and if there is a request from members, it is provided in another language after translation. We report the human rights due diligence process and results periodically to stakeholders faithfully and the human rights due diligence that is conducted annually is stated in detail for the public on our SK innovation website.

Human Rights Impact Analysis
SK innovation selects and manages potential human rights issues based on human rights impact assessment every year. We classify risk in terms of severity and probability considering its direct and indirect relationship with SK innovation’s business activities.

Recruitment and Evaluation of Talents

Transparent Recruitment Process
SK innovation hires employees based on system and transparent principles and procedures. When recruiting members, the evaluation of documents and written screening is conducted independently under the cooperation of an external organization. In addition, through the introduction of blind screening, unforeseen disadvantages due to specific reasons such as background and gender are strictly blocked, and we thoroughly comply with this through pre-interviewer training. In addition, additional points are given to the disabled and veterans to strengthen the employment of the underprivileged, and a separate recruitment process for the disabled is in operation.

Online training
SK innovation conducts training to elevate human rights awareness and protection. We operate a ‘Making happy workplace culture’ campaign regularly to prevent sexual harassment and workplace bullying and sexual harassment prevention and training to improve awareness on the disabled are provided once a year as an online mandatory training course. Furthermore, offline training for each position, such as group leader, field supervisor, new employees, and trainees, is provided continuously. We run a grievance center to give counseling and play a sexual harassment/workplace harassment reporting center. When human rights infringement issues such as sexual harassment and workplace bullying are reported, an investigation committee composed of in-house lawyers is organized to do the fact-finding. We try to minimize inconvenience in the investigation process and take measures to protect victims, such as granting leave and conducting psychological counseling. In addition, the perpetrators who are found guilty after the investigation are severely punished, including punishment and resignation.

Evaluation and Compensation for Members

Fair Performance Evaluation and Compensation
SK innovation sets goals according to individual career, role, and expectations through a year-round performance management system. It checks results and processes of achieving goals through timely and regular feedback between leaders and members. Based on this, the competency, quality, performance of members is incorporated into the database and we are operating an evaluation system. The evaluation results are confirmed after going through strict calibration and audit process to improve acceptance of members, and leaders deliver the result through feedback. Members may object to the results. SK innovation runs a performance-based reward system where promotion, cultivation, and compensation are defined based on performance appraisal. Individual performances and short and long-term goals regarding corporate sustainability are taken into account when it comes to the compensation policy. We evaluate and compensate our employees fairly and square regardless of gender, age, and academic background. We pay compensation based on individual ability and performance. Financial incentives are given consecutively to employees who work for 10, 20, and 30 years to induce long service.

Performance Evaluation Reflecting ESG
SK innovation accelerates the ESG management by establishing ESG essential tasks and indicators at the department level, including Net Zero Roadmap. Performance management is conducted with ESG management accounting for up to 20% of department-specific KPI depending on the ownership of the leading organization.

Rate of Employing the Disabilities at SK Innovation Affiliates

<table>
<thead>
<tr>
<th>Year</th>
<th>% of SK Innovation Affiliates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>3.48</td>
</tr>
<tr>
<td>2019</td>
<td>3.50</td>
</tr>
<tr>
<td>2018</td>
<td>1.64</td>
</tr>
<tr>
<td>2017</td>
<td>1.72</td>
</tr>
</tbody>
</table>


d) SK innovation and its affiliates prevents children and forced labor in advance through age and background checks of all applicants during recruitment process.
**Talent Cultivation System**

**Member Movement and Career Management**

SK innovation has established a talent cultivation system to manage employees’ career and support continued growth and capacity building of its members. For the self-directed career design and management of employees, the company established career development paths and operates regular coaching processes between a line superior and members. The line superior motivates members and provides feedback to make sure that members can establish targets continuously and immerse themselves in the work through regular intervention. In addition, we operate an internal recruitment system to support employees to grow in the department they want.

**Direction of Talent Cultivation**

**Business Model Innovation and Core Talent Cultivation for Greater Performance**

To recruit and develop employees for future leaders who will lead changes and innovation, SK innovation identifies core talents required for innovating business models based on the database we have built and managed. SK innovation is also hiring more local talents to respond to our growing global businesses.

**Strengthening Digital Competency and Capabilities for the Future**

SK innovation endeavors to have all of our employees equipped with digital mindset. To this end, we promote the increase of knowledge and capability to use information (AI/DT literacy) for AI and digital transformation. In addition, we nurture citizen data scientist (CDS) who have business knowledge and data analysis knowledge and technology at the same time to nurture experts who can perform DT innovation projects. We support employees to make sure that knowledge obtained through industry-academia cooperation can be translated into actual performance.

**Strengthening Global Business Capabilities in New Business Area**

SK innovation has established job competency system for global engineers and production personnel and provided training. It prepared video education content on production, quality, IT, security and SHE given the current non-face-to-face environment and the content is also utilized for introduction/intensive training in overseas sites through document sharing system. We also provide language, cross-culture and leadership courses from the perspective of improving globality of expatriates.

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**Main HRD Programs**

**Customized Training Programs**

SK innovation organizes curriculums by professions, such as engineers, researchers, and technical trainers, and provides training programs according to the members’ training plans to participate voluntarily. Moreover, we evaluate leadership capability every year and improve leadership capability based on customized leadership cultivation guide. New employees are provided with mentoring program where executives are involved in mentoring for new employees adapt themselves to a new organization and exert their potential according to their own plan.

**Program to Strengthen Job Competency**

SK innovation ensures that each employee can secure 200 hours for learning (10% of working hours) a year. Each member establishes a learning plan suitable for his/her career target and conducts self-directed learning and mySUNI. SK Group’s education platform is actively utilized; mySUNI provides online or offline content in the area of AI/DT, semiconductor, energy solution, happiness, SV, leadership, innovative design, global and management. In addition, common theory-on-site practice courses are provided to those with just a few years of experience in SK innovation to strengthen capabilities of engineers. We regularly implement on-site theoretical courses such as SHE training and work standard refreshment for all technical workers to ensure process safety.

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**Support for Female Talent Development**

SK innovation promotes a female-friendly corporate culture and prevents unfair practices that women talents may experience. In addition, we are striving to create an environment conducive to women’s work by improving policies and systems related to women, expanding female recruitment and supporting career development, and creating a female-friendly working environment.

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**Action system to solve female issues by rank**

- **Expand female workforce**
  - Increase the share of female employees in new recruitment (30%)
  - Exempt employees for more than 6 months on leave from evaluation
- **Minimize career interruption**
  - Select High Potential (HPI) female talent
- **Promote growth into leaders**
  - Implement education to select HIPO members
Promoting Happiness of Members

SK innovation operates a horizontal organizational culture and a member-led program to resolve pain points.

Corporate Culture Innovation

Innovating the Way of Work amid COVID-19 Outbreak

Innovating the way of work is promoted by securing feasibility in time and space of work beyond our response to the non-face-to-face environment caused by COVID-19 by accepting working from home as a regular type of work and establishing ground at the organization level to promote working from home. In addition, we make an effort for our employees to communicate and discuss freely using YouTube live channel and tongtong, an online bulletin board under non-face-to-face circumstances.

"Clen", Employee-driven Task for Happiness

SK innovation is running "Clen" system where employees select tasks for happiness and work and implement the task to improve employees' satisfaction. Missions are selected through votes based on the "Happiness survey," a survey conducted for all employees to identify satisfaction levels. Then, the tasks are implemented by Happy Clen, whose members volunteered to participate. In 2020, 3 Happiness Clens were in operation and various activities such as transfer system where employees lead the design of their careers, improvement of evaluation system in line with cooperation, and flexible working hours 2.0 to guide recommended time for collaboration and striking work-life balance. We will continue to identify tasks for happiness to create a virtuous circle where employees are happier, resulting in the growth of companies.

Promoting Communication among Members

SK innovation is conducting various communication through offline channels to create smooth communication and collaboration. In particular, about 240 "ICON (Innovation Communication ON)" charge facilitators were selected to bridge leader-member communication, strengthen two-way communication between members, leaders, and management. In addition, we strengthened direct communication through a program where the CEO meets members.

Welfare Programs

Work-life Balance Organizational Culture

Under the work-life balance policy of "seeking the highest performance in life stability," SK innovation creates a flexible work environment to employees can maintain a work-life balance. We introduced a "selective working hour system" that allows to autonomously adjust their commuting hours and a "smart work system" that helps to input/manage their working hours to ensure that the statutory working hours are not exceeded. To prevent unnecessary overtime work, we operate a "PC OFF after business hours." We incorporate working-hour-related items in the employee satisfaction survey every year and aim to achieve a positive response rate of over 70%. We introduced working from home system for health and life and established a infrastructure for video conferencing and work-sharing system for smooth working from home. We promote system so that employees can save 1.7 hours on average for commuting and use the time for family and individual capability development flexibly. In addition, we are conducting campaigns and holding presentations for leaders two times a year to improve work efficiency by reducing procedures for meetings and reporting. To secure life-work balance from the long-term perspective, we are enhancing the system for vacation and leave. Employees lead this to make sure that they are involved in all processes from the definition of problem, review and improvement.

Welfare Support for Work-life Balance

SK innovation implemented a leave reporting system so that individuals can freely use their leave. In addition, we encourage employees to use long-term leave (big break) and holidays inter-spersed with workdays to ensure that they get enough rest. In addition, various welfare programs are being implemented, such as housing support (house purchase and leasehold loan support), in-house daycare operation, and support for hobbies/leisure activities.

Support for Members’ Mental Health

Harmonia Counseling Coaching Center is a specialized center that supports the happiness and growth of its members, with a total of 4 professional counselors residing at the headquarters, Daedeok Institute of Technology, and Ulsan CLX, and working with experts in each field. As an individual counseling/coaching program, we provide professional psychological counseling such as work stress and relationships and customized coaching services to support new employee onboarding and career development. In the future, we plan to conduct activities to analyze and improve related potential risks by implementing mental health index management based on program usage results. For the healthy development of individual members and the entire organization, we are running group programs such as teamwork improvement workshops and education to promote happiness. In addition, we are striving to create a healthy organizational culture of mutual respect by conducting preemptive prevention campaigns to prevent sexual harassment and workplace harassment, education for each business site, and counseling for grievances.

Maternity Protection for Work-life Balance

In order to create an environment where women can balance work and family, SK innovation provides at least one month and up to three months of "prenatal leave" to women in the early stages of pregnancy or just before childbirth. "Prenatal leave" can be used together with maternity leave in the second half of pregnancy, and ‘maternity leave’ can be used for up to 90 days. In addition, when applying for maternity leave, one year of ‘parental leave’ is automatically applied to help employees relieve the burden of childcare. In addition, we support the lives and rest of our members by operating a breastfeeding room and a women’s lounge.

Retirement and Retirement Pension

SK innovation is operating a retirement support program and a happy pension system. Before retirement, we hold a program briefing session, conduct consultation by individual’s desired fields, and conduct programs in various areas such as start-up education, reemployment linkage, and financial consulting. In addition, the Happy Pension System supports more stable retirement fund management by matching the monthly contributions of employees with the company’s subsidy on a 1:1 basis and depositing them into the retirement pension account.

CASE. Standard Workplaces for the Disabled: Happypikum, Happypidim and Happymoom

SK innovation established three subsidiary standard workplaces for the handicapped so called as Happypikum, Happypidim, and Happymoom in 2019, aiming at enabling the disabled to economically stand on their own feet as well as to be embraced in our society. Currently about 25 workers with physical or developmental disabilities are executing various jobs at business sites. In August, 2020, we opened a cafe inside the battery plant in Seosan as part of our effort to provide more jobs to those with disabilities.

<table>
<thead>
<tr>
<th>Business site</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Happypikum</td>
<td>Canteen management within HQ building, cafe at the Institute of Technology Innovation in Daedeon and Seosan Battery Production Technology Center</td>
</tr>
<tr>
<td>Happypidim</td>
<td>Operating steam car wash shops at the Institute of Technology Innovation in Daedeon</td>
</tr>
<tr>
<td>Happymoom</td>
<td>Operating work stations in Ulsan CLX</td>
</tr>
</tbody>
</table>

On-line and Offline Communication Channels

<table>
<thead>
<tr>
<th>Channel</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online tongtong</td>
<td>We run an online bulletin board where employees post their ideas, suggestions and inquiries about the company in real time while discussing together.</td>
</tr>
<tr>
<td>Youtube Live</td>
<td>Online communication program pilot operation in a casual manner where all SKi affiliate members can participate and check using Youtube.</td>
</tr>
<tr>
<td>In-house broadcasting (GRES)</td>
<td>We share business management, major business developments, department activities and employees’ news through our own broadcasting channel.</td>
</tr>
<tr>
<td>Offline ICON</td>
<td>We designate ‘Change Facilitators,’ who serve as messengers in the workplace. Change Facilitators convey ideas about innovation and agendas which need consensus to leaders. They share thoughts and understanding of pending issues by frequently interacting with leaders.</td>
</tr>
<tr>
<td>Harmonia</td>
<td>We operate a consulting coaching center for employees’ mental health and improved capabilities. Counseling psychologists and external experts offer coaching services to employees and their families in the areas of life, career, work and family.</td>
</tr>
</tbody>
</table>
Supply Chain ESG Management

SK Innovation is committed to managing ESG risks in the supply chain and is organizing sustainable supply chain management to minimize ESG risks and achieve shared growth through various improvements.

Policy and System

Supply Chain Management System

- Set ESG Strategic Goals in KPIs
- Partner classification (4 groups)
- Supply chain ESG risk assessment/improvement
- Reflecting the evaluation results in the purchase process
- Supply chain ESG management standards
- Supply chain ESG risk assessment/improvement
- Win-win cooperation activities (management, education, finance, technology)
- Fair trade and communication channels
- Responsible procurement
- Supply chain ESG risk assessment/improvement
- Receiving the evaluation results in the purchase process

Supply Chain Management Policy

SK innovation reorganized its supply chain management system from the perspective of ESG management with the goal of Green Balance 2030. In 2019, we focused on social values and stakeholders, but in 2020, we organized supply chain ESG management standards and evaluations. In particular, the code of conduct was renamed ESG code of conduct and supplement-ed and revised based on international guidelines. It also emphasized the request to the tier-1 suppliers to comply with the tier-2 suppliers’ code of conduct. We must comply with the ESG code of conduct for suppliers by establishing a consent process for compliance with the code of conduct.

© Main Contents of Policy

- Basic Principles of Fair Transparent Transaction
- Compliance with laws and international conventions
- Declaration of human rights, UNGC, etc.
- Reporting violations and protecting informants
- Human rights and labor, safety and health, environment-friendly workplace management, compliance with corporate ethics, prohibition of the use of conflict minerals, management system
- Principles of selecting suppliers, bidding process, detailed guidelines, etc.
- Responsible procurement
- Comply with corporate social responsibilities such as shared growth and labor, human rights, anti-corruption, environment, etc.

ESG Strategy Objectives in KPI

SK innovation incorporates ESG in the KPI for the purchasing department in 2018 to make sure that members contribute to ESG more actively and the share of ESG in KPI is increasing gradually.

In 2020, 30% of KPI of the department was related to ESG-related tasks and various tasks have been implemented, such as the expansion of SKI's eco-friendly asphalt production and environmental pollution reduction by optimizing packaging material specifications and applying eco-friendly packaging material.

© 2020 ESG KPI

- Expand SV outcome by implementing SV tasks linked with BP ecosystem and support the implementation of Green Balance 2030
- Strengthen ESG management of suppliers by sharing and spreading SV targeting purchasing BP
- Promote shared growth such as support for strengthening purchasing BP's capability and joint product development
- Support the acquisition of the highest grade for 8 consecutive years in the SKI’s joint growth evaluation.

Supply Chain Scope and Classification

Classification of Suppliers

SK innovation has reorganized the existing two-step division of suppliers (key suppliers and general suppliers). In 2020, it divided four suppliers with transaction performance within three years based on strategic importance and ESG risk. The importance of suppliers has increased significantly due to the distribution of the material business and the expansion of the battery business. Therefore, we separate the purchasing organizations of the two fields and managing our suppliers.

© Total Amount of Goods Purchase from Suppliers

<table>
<thead>
<tr>
<th>Classification</th>
<th>Unit</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods purchase amount from local suppliers</td>
<td>KRW 100 million</td>
<td>8,485</td>
<td>13,376</td>
<td>18,054</td>
</tr>
<tr>
<td>Share of goods purchase from local suppliers</td>
<td>%</td>
<td>51</td>
<td>61</td>
<td>62</td>
</tr>
</tbody>
</table>

© Criteria for High Strategic Importance and ESG Risk

<table>
<thead>
<tr>
<th>Item</th>
<th>High strategic importance</th>
<th>ESG risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>Based on annual order amount</td>
<td>SHE management, target, conflict minerals</td>
</tr>
<tr>
<td>Equipment</td>
<td>Based on annual order amount</td>
<td>Subcontractors, manufacturers of chemical substances</td>
</tr>
<tr>
<td>Construction service</td>
<td>Equipment supplier dedicated to SKI's business, companies which unit price contract is made for raw materials</td>
<td></td>
</tr>
<tr>
<td>Battery, material</td>
<td>Core technologies, replaceable companies, etc.</td>
<td></td>
</tr>
<tr>
<td>Commodity</td>
<td>Strategic purchase outsourcing companies</td>
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© Goods purchase amount by item in 2020

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<tr>
<th>Classification</th>
<th>Purchase amount (KRW 100 million)</th>
<th>Share (%)</th>
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</thead>
<tbody>
<tr>
<td>Raw materials and Submaterials</td>
<td>14,890</td>
<td>51.4</td>
</tr>
<tr>
<td>Construction service</td>
<td>9,575</td>
<td>33.1</td>
</tr>
<tr>
<td>Equipment</td>
<td>4,507</td>
<td>15.6</td>
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</tbody>
</table>

© Key Suppliers

SK innovation defines suppliers which are strategically important with high potential ESG risk as key suppliers.

Second-tier Suppliers

SK innovation classifies subcontractors of the key suppliers which require special management based on purchase amount among key suppliers as the second-tier suppliers to expand the scope of supplier management. In 2020, the composition of the second-tier suppliers changed significantly with the termination of large projects.

© 2020 Supplier Status

<table>
<thead>
<tr>
<th>Type</th>
<th>The number of suppliers</th>
<th>Purchase ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>All suppliers</td>
<td>2,692</td>
</tr>
<tr>
<td>Tier 2</td>
<td>Key suppliers</td>
<td>286</td>
</tr>
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© Total Amount of Goods Purchase from Suppliers

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Supply Chain ESG Risk Assessment/Improvement

Supplier ESG code of conduct

Evaluation Instruction and Training

To make sure that suppliers clearly understand the criteria and procedures on ESG risk assessment, we made the ESG code of conduct for suppliers, purchase ethics, SK innovation’s purchasing procedure available on SK BiOK. In addition, we provided training on SK innovation’s ESG management strategies and ESG risk management and supplier assessment via CEO seminar.

Assessment Criteria and Factors

SK innovation is conducting evaluation on environment, safety/health, human rights, labor, ethics and governance of suppliers.

The assessment criteria include consent on fair and transparent transaction, purchase code of ethics and code of conduct for suppliers. For domestic companies, the criteria and factors are incorporated into framework purchase agreement and for foreign companies, relevant information can be found in general terms and conditions (GTC).

ESG Screening

When potential suppliers sign in the SK BiOK system, they are required to take preliminary evaluation. The ratio of preliminary evaluation for suppliers is maintained at 100% as the system prevents signing a contract and placing an order if a supplier does not sign up on the system. This aims to incorporate ESG into our purchasing system as a basic requirements to guarantee the ESG management of supply chain. For screening, evaluation system is designed to allow registration of suppliers only when the supplier receives ESG risk assessment results and improvement plans from SK innovation. The system is designed to prevent signing a contract and placing an order if a supplier does not sign up on the system. This aims to incorporate ESG into our purchasing system as a basic requirements to guarantee the ESG management of supply chain.

Evaluation of Second-tier Suppliers

SK innovation receives the result of ESG risk assessment on the third-party assessment utilizing ESG risk assessment agency, and the results are evaluated. SK innovation will upgrade the level of ESG management by improving the objectivity and accuracy of assessment.

Evaluation

The assessment criteria include consent on fair and transparent transaction, purchase code of ethics and code of conduct for suppliers. For domestic companies, the criteria and factors are incorporated into framework purchase agreement and for foreign companies, relevant information can be found in general terms and conditions (GTC).

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**Evaluation Results and Corrective Actions**

**2020 Supply Chain Risk Assessment Results**

<table>
<thead>
<tr>
<th>Assessment factors</th>
<th>The number of suppliers</th>
<th>Number of risky suppliers by assessment element(Ratio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>169</td>
<td>(6.28%)</td>
</tr>
<tr>
<td>Social</td>
<td>2,692 (3.50%)</td>
<td></td>
</tr>
<tr>
<td>Governance</td>
<td>69</td>
<td>(2.56%)</td>
</tr>
<tr>
<td>Tier-2 suppliers</td>
<td>286</td>
<td>(10.50%)</td>
</tr>
</tbody>
</table>

**Major Non-compliance Types Found During On-site Inspection**

- Tier-2 suppliers management
- Governance
- Environment
- Evaluation

**Governance** (third-party evaluation of key suppliers)

- Support for economic talents
- Environment to nurture engineers
- Employment
- Safety and health
- Resource
- Energy and environment

**Non-compliance**

- ti5 of violations as a result of the ESG risk assessment for suppliers
- Sanctions are imposed on them. Sanctions are taken by the SK Innovation Co., Ltd. and at the level of sanctions, and the details are transparently managed through the system, and suppliers are provided with an opportunity to raise objections to ensure legality in the process. A total of 36 suppliers received sanctions in 2020 according to the supplier diagnosis and evaluation results.

**2020 Corrective Actions on Risk of Suppliers**

**Classification**

- Risk improvement in environment and social areas
- Total of 27(11%) suppliers conducted improvement activities based on a improvement plan after the ESg risk assessment for suppliers in the environmental field, there were paper usage reduction through server consolidation, reducing the quantity or restricting bidding in the next contract.

**2020 Suppliers Sanctions**

**Classification**

- The number of suppliers

<table>
<thead>
<tr>
<th>Score</th>
<th>Less than a certain amount</th>
<th>More than a certain amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>95 points or higher</td>
<td>Special</td>
<td>Differential by 0.5% on a specific basis</td>
</tr>
<tr>
<td>90 points or higher</td>
<td>Contract Rate</td>
<td>Differential by 0.5% on a specific basis</td>
</tr>
<tr>
<td>85 points or higher</td>
<td>Special</td>
<td>Differential by 0.5% on a specific basis</td>
</tr>
<tr>
<td>80 points or higher</td>
<td>Contract extension</td>
<td>Differeental by 0.5% on a specific basis</td>
</tr>
<tr>
<td>Less than 80 points</td>
<td>Extend conditions</td>
<td>Differential by 0.5% on a specific basis</td>
</tr>
<tr>
<td>Less than 75 points</td>
<td>Rebuilding (grant aid eligibility)</td>
<td>Differential by 0.5% on a specific basis</td>
</tr>
<tr>
<td>Less than 70 points</td>
<td>Rebuilding (funding eligibility restrictions)</td>
<td>Differential by 0.5% on a specific basis</td>
</tr>
<tr>
<td>Fail</td>
<td>Less than 75 points</td>
<td>Differential by 0.5% on a specific basis</td>
</tr>
</tbody>
</table>

**Improvement cases**

- Suppliers conducted improvement activities based on a improvement plan after the ESg risk assessment for suppliers in the environmental field, there were paper usage reduction through server consolidation, reducing the quantity or restricting bidding in the next contract.

**Supporting suppliers to increase their capability to manage ESG**

- Training program for new employees of partner companies
- The Growth Mobile Academy: For general employees
- Shared Growth-ESG CEO Seminar: for partner managers

**ESG Program for Mutual Growth with Suppliers**

**Goal of Mutual Growth Program**

- The mutual growth ESG program operates to pursue shared growth with partners and promote their ESG capabilities. It works in conjunction with ESG risk management system. Through this, SK innovation is selected as the first chemical company to win the best grade for eight consecutive years in the win-win cooperation activities announced by the Win-win Growth Group in recognition of its achievements. In 2020, the program was reorganized and promoted in various ways, but we did not carry out many offline programs due to COVID-19.

**Win-win cooperation activities**

- Providing direct funding
- Supporting innovative companies such as procurement of raw materials and contracts through business partners related to procurement
- Supporting shared growth partners to improve their ESG competency by improving their internal competency.
Consistent with our principles of fair trade, SK innovation prepares procedures for fair trade with suppliers and discloses the principles transparently. We manage all orders and contracts through the SK BOK system and operate the process consistently and transparently by stipulating the method and process for selecting suppliers through the guide. When subcontractors sign up for BOK membership, they sign a fair and transparent transaction agreement, and in the case of subcontractors, they separately borrow the standard subcontract contract from the Fair Trading Commission and conclude the contract. In addition, various systems are in place to ensure compliance with fair trade principles. To protect the intellectual property rights of suppliers, we established a technical data cooperation system in 2020. Through this, when related to technical data is requested from suppliers, the history of all processes is recorded on the system and transparently under the supervision of a Fair Strategy Office. We operate an internal committee for mutual growth on canceling supplier registration, subcontracting contracts, etc. We changed the procedure to a two-step deliberation with the CFO as the chairperson.

Principles of fair trade (BOK):
1. Contract signing
2. Selection and operation of suppliers
3. Issuance and retention of documents related to subcontracting
4. Installation and operation of internal deliberation committee

Communication channel with suppliers
SK innovation regularly collects ESG-related suggestions in the purchasing system and at CEO seminars for major suppliers. We survey abuse of superiority for domestic suppliers through the Supplier Ethical Management Survey and interview on-site with survey abuse of superiority for domestic suppliers through the purchasing system and at CEO seminars for major suppliers. We regularly collect ESG-related suggestions in the Communication channel with suppliers registration, subcontracting contracts, etc. We changed the procedure to a two-step deliberation with the CFO as the chairperson.

Mutual growth and Fair Trade
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Case. SK global chemical obtained the highest grade in shared growth index for 8 consecutive years
In recognition of the performance of win-win cooperation activities centered on the organization dedicated to win-win growth, SK global chemical obtained the highest grade for eight consecutive years for the first time in the industry in the win-win growth index evaluation announced by the Shared Growth Committee in 2020. SK global chemical has created a mutual growth fund to support the improvement of the cash flow of partners, and has been holding the ‘SK Shared Growth Partner Recruitment Fair’ every year since 2013 to solve the biggest problem for small and medium-sized partners, the recruitment of excellent talent. Since 2019 for three years, SK global chemical plans to operate an innovation-led win-win cooperation program worth KRW 73.5 billion for suppliers and employees to strengthen their technological competitiveness and close the wage gap.

Responsible Sourcing
Establishment of a system for a responsible sourcing
Under SK innovation’s promoting responsible purchasing to meet the demands of various stakeholders to comply with social responsibility along with the expansion of the electric vehicle market. The use of conflict minerals is specified in the ESG Code of Conduct for suppliers, and the use of conflict minerals is strictly prohibited through systematic management at each stage including company registration, evaluation, and purchase contract.

Responsible raw material sourcing
Under our company’s responsible purchasing principles, SK innovation has selected raw material companies that comply with ethical sourcing, such as comprehensive supply chain management, external audits of cobalt production processes, and Cobalt Refineries Supply Chain Due Diligence Standard.

Joining the Global Battery Alliance (GBA)
SK innovation has joined the Global Battery Alliance (GBA) and declared to participate in GAI’s ‘10 Principles for Building a Sustainable Battery Value Chain’. The ten principles include promoting a circular economy through battery recycling, increasing the use of renewable energy, prohibiting child/forced labor, and responsible trade and anti-corruption practices.

Going beyond a simple declaration of support, SK innovation plans to secure new growth business opportunities based on the ‘sustainable battery value chain’ by promoting the BaaS (Battery as a Service) platform business based on the battery life cycle.

Case. Eco-friendly material development and purchase

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Case. Eco-friendly material development and purchase

SK innovation has improved fuel efficiency, saved resources, and reduced harmful substances by converting the packaging containers for lubricants into recycled containers and applying eco-friendly containers made of recycled materials. When a company that collects used containers uses them to make recycled raw materials, the container manufacturer uses them to make plastic containers. Then SK lubricants sell the finished product and sends the used container back to the collection company. We have created a virtuous cycle structure. In addition, the container seal and label were unified with PE, so that the product could be recycled without a separate purification process. Currently, we are selling lubricants by applying this container to several products, and we aim to expand to 30% of the total sales by 2021.

Strengthened ESG management for battery business
The battery business is conducting separate risk management considering the characteristics of the business.

1. Establishment of an internal system for responsible sourcing management
Establishment of SKI Responsible Sourcing Guideline by applying OECD policy based on the analysis of the entire supply chain of cobalt, nickel, and lithium

2. Joining Responsible Mineral Initiative (RMI)
It joined the RMI association to improve the reliability of third-party assurance on SKI’s cobalt supply chain and laid the foundation for responsible sourcing network by linking users (precursor/cathode material, cell-maker, OEM, etc.)

SK innovation ESG REPORT 2020
GRADE
72

SOCIAL
59
SK innovation establishes a system so that stakeholders working at SK innovation’s workplaces, such as employees and partners, can work in a safer and healthier workplace, and implements activities such as creating a culture that can be established based on this.

Direction of SHE management
SK innovation is striving to continuously develop into ESG management that creates SHE value as a social responsibility, going beyond complying with SHE laws based on the SHE management system.

**SHE management system**
SK innovation establishes the SHE management system to systematically establish global-level safety, health, and environmental management. Every year, SK innovation and its affiliates’ CEOs sign the signatures to convey their will to safety, health, and environment to employees and stakeholders. 13 operational elements were established by analyzing essential management elements for SHE management of global advanced companies. We reflected the operating system in the company’s regulations and processes to implement them. Based on the CEO’s leadership, SHE audits are being conducted to supplement and strengthen the system’s execution capabilities. Through SHE audits, we are building and operating a virtuous cycle system of ‘Plan-Do-Check-Action’ by improving and supplementing deficient matters by managing compliance with laws and deriving improvements.

© SHE management system framework

**Efforts to Spread Safety Culture**

**Improving safety culture leadership**

**Operation of the Safety Committee**

Safety, Technology, and Trust,” Ulisan CLX established and operated a decision-making council based on communication and cooperation among CLX once a month to maintain and develop the core values. Among them, the Safety Committee is committed to advancing the workplace’s safety culture to a global level, fulfilling social responsibilities by resolving various SHE issues, eradicating serious accidents, and creating an environment where employees work in a healthy and happy. As a primary direction, the SHE sub-committee and the Reliability subcommittee are formed and are active. The SHE subcommittee forms three TFs in which field leaders directly participate to preemptively respond to SHE laws and regulations, on-site diagnosis and inspection, innovate safety culture, and deriving and implementing tasks. In addition, the Reliability subcommittee manages the activities to eradicate severe accidents and supervises the audits of serious accidents. In particular, the SHE subcommittee under the slogan ‘Safety First, Safety Always’ for 2021 Ulisan CLX, We are carrying out a campaign to innovate our safety system and the consciousness/behavior fundamentally.

**Business site safety leadership behavior standard program**

SK innovation has operated a safety leadership behavior program that defines standards that leader must perform in the field, and selects key items from among them, which individual leaders practice on their own and improve through self-evaluation, introduced for the first time at the Ulisan CLX (Lubricants Plant) in 2018, we are continuously expanding it to all Ulisan CLX, SK incheon petrochemical, and Logistics Center from 2019 to 2020. In 2021, we plan to expand to battery and material business sites. Furthermore, we are preparing to introduce a program for managers of production subcontractors in consideration of the characteristics of the business sites. In addition, SK incheon petrochemical provides leadership training from an external consulting firm for all executives/PL/line-middle managers to prepare the essential skills to practice safety management. We plan to expand education to investigators as well.

**Operation of Occupational Safety and Health Committee**

In accordance with the Occupational Safety and Health Act, we are operating an Occupational Safety and Health Committee for each business site. The committee is composed of equal numbers from both labor and management, and includes worker representatives and workplace representatives. In the committee, labor and management review and resolve important safety and health issues to prevent industrial accidents, such as activities to raise safety awareness and improvement of work clothes, to improve the working environment for workers.

**Spreading safety and health culture**

**Improving safety culture and establishing roadmap**

SK incheon petrochemical is establishing/implementing a mid-to long-term roadmap for enhancing safety culture based on 2019 diagnosis results. We declared a safety vision of ‘Happiness from Safety 1st Culture’ and established safety principles to put it into practice, clearly setting the direction for improving the safety culture of all employees. Starting with this, we are launching a culture in which employees always practice safety in their daily work activities by improving safety-related policies and developing and operating safety performance management indicators.

**Behavior-based safety (BSB) system**

SK in technology has introduced and implemented a behavior-based safety system in order to raise the awareness among employees that safety is the top priority and to prevent accidents. It is not a safety management organization-led inspection and guidance, but a program in which members voluntarily participate to discover and improve risk factors. The safety behavior patterns of field workers are developed and established as a checklist. When unsafe conditions and behaviors are discovered, the cause is reviewed and directly improved activities are carried out, and a process has been established to reflect these activities as personal work performance in evaluation. Through this, we are improving the safety level of the site and strengthening the safety awareness and competency of our employees.

**Improvement of Safety Golden Rules**

Each business site analyzes the causes of accidents and dangerous factors and establishes and operates the Safety Golden Rules that all employees and subcontractor workers who enter the business site must observe and practice. In case of violation, strict Disciplinary Action is implemented along with education according to the number of violations, thereby establishing a culture of safety and compliance with standards/procedures.

**Safety and Health Training**

By the Occupational Safety and Health Act, SHE managers and employees’ supervisors conduct SHE training for at least 16 hours per year. We provide safety and health education for office workers and production workers at workplaces for more than 6 hours every quarter. In addition, 16 hours of safety and health education is compulsory when performing harmful or dangerous work. Education includes instruction for managers and supervisors, hiring, job changes, and safety training before process maintenance.
Prevent Accidents and Minimize Damage

Emergency Response System
SK innovation has established an emergency response management system to protect people, the environment, and property, and minimize damage from in-house emergency situations such as fire/explosion, oil leakage, chemical accidents, and natural disasters such as typhoons, heavy rains, and earthquakes. This system is designed to ensure that emergency response actions are prepared in advance and can be taken promptly when necessary. The system includes detailed procedures for handling various emergency scenarios, ensuring that all employees are trained and prepared to respond effectively.

Performance-based compensation for suppliers

SK innovation operates a safety and health consultative body with business partners every year, led by the general manager of each business site. In particular, in the case of the battery business site, in order to support the improvement of the safety management level of the manufacturing site, we sign a contract with our partners to set a goal to improve safety accident prevention performance. At the beginning of the year, we sign a contract with our partners, we set a goal to improve facilities vulnerable to serious accidents. In 2020, KRW 131 billion was invested in the improvement of fire/explosion-risk facilities by including protective facilities in instruments and electricity. In addition, SK innovation is improving proactive incident response by combining CCTV monitoring of processes/facilities and outlying areas with video analysis solutions to detect crises early on.

Activities to eliminate severe accidents
Since 2019, SK innovation has been deducing and continuously implementing various action tasks for the eradication of serious accidents, centered on oil refining and petrochemical plants. In particular, in 2020, we developed and applied an Operator Training Simulator where people can indirectly experience severe accidents through preemptive action. In particular, UCC is produced for each emergency response scenario, and the training effect is maximized through continuous training. In addition, we have established and operated emergency response organizations and disaster prevention centers at each business site for prompt dissemination and response in case of an accident.

Emergency drill
Based on the emergency response management system, it is important to be embodied in the members' bodies through continuous training in order to respond organically and quickly when an actual situation occurs. At each business site, various emergency response scenarios are established for each on-site unit organization, and training for first responders is regularly carried out. Since 2019, SK innovation has been continuously improving the joint emergency response drills for each scenario of fire/explosion, oil leakage, and chemical leakage with its suppliers. Through this, the duties and roles of each member/supplier's workers are clearly separated in case of an emergency, and the mutual cooperation system has been further strengthened.

CASE. PSM(Process Safety Management) level

Prevention of occupational diseases

SK innovation manages harmful factors through appropriate measures and the workplace periodically evaluates the level of implementation by workplace periodically and classifies it into four grades: P, M+, M-, and P. SK innovation manages harmful factors and workers are evaluated by the Health Center twice a year in accordance with the Occupational Safety and Health Act. In order to protect members and workers from harmful factors, we carry out various health promotion activities and campaigns such as stress management and anti-smoking programs. SK innovation also operates the Industrial Health Center, which is an office conducting various health promotion activities and campaigns such as stress management and anti-smoking programs.

Establishment of automated Gas Detection System in Closed Space

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Rotating Machine Intelligent Prediction Maintenance System (SKADI)

SKADI is a system developed by SK innovation to prevent severe industrial accidents such as fire and explosion, and the Ministry of Employment and Labor evaluates the level of implementation by workplace periodically and classifies it into four grades: P, M+, M-, and P. SK innovation is the only company that has achieved grade P in terms of safety management level of the manufacturing site. SK innovation has developed and applied SKADI unique technology to Ulsan CLX rotating machine to prevent accidents through preemptive action.

New Tech-based accident prevention and management
SK innovation is working hard to efficiently/effectively manage occupational risks at business sites by utilizing various new technologies.

SK innovation is working hard to efficiently/effectively manage occupational risks at business sites by utilizing various new technologies.
Green Alliance

SK innovation is the first in Korea to promote the Green Alliance to realize an eco-friendly and low-carbon society through collaboration between the government, large corporations, and impact funds. We plan to select and nurture eco-friendly start-ups with growth potential by raising the operating know-how of ‘Environmental Social Biz Competition’ and ‘SV2 Impact Partnering’, which are existing environmental-mental startup fostering programs. In the future, Green Alliance plans to collaborate, invest, and support social enterprises and social ventures selected through the existing environmental social biz public contest and SV2 Impact Partnering. In the future, Green Alliance plans to collaborate, invest, and support social enterprises and social ventures selected through the existing environmental social biz public contest and SV2 Impact Partnering. In 2021, we plan to select and educate 20 environmental ventures through an agreement with the Korea Startup Promotion Agency. In 2022, we plan to establish a collaborative model with environmental ventures linked to SKI-related businesses and provide follow-up support such as mentoring support by field.

Environmental/ social enterprise contest

Supported excellent environmental and social enterprises in the early stage of start-up.
For two years, we delivered an angel support, an initial growth support of KRW 800 million, to six outstanding environmental and social enterprises, and provided follow-up support such as mentoring support by field.

SV2 Impact Partnering

Invested approximately KRW 3.5 billion in 7 environmental and social ventures over 2 years by utilizing members’ voluntary crowdfunding (a total of 1,368 investors).
Established a win-win model in the form of pro bono by donating professional knowledge or technology based on the professional competence of members in finance, legal affairs, public relations, and R&D.

SV2 Impact Partnering

Created a win-win model in the form of pro bono by donating professional knowledge or technology based on the professional competence of members in finance, legal affairs, public relations, and R&D.

Environmental venture collaboration/investment platform

Pilot project between the Ministry of SMEs and Startups and large company ‘Egg’
- SK and greenventure cooperation project Lunch egg program (21.7 ~ 22.6)
- Select 20 environmental startups to support commercialization and R&D funds up to KRW 10 billion: Startup-leapforward package program for startups that has been in operation for 3 years to 7 years

Creating an eco-startup ecosystem in connection with the main business and fostering green unicorns
- Nursing environmental startups through joint investment with Impact Fund by selecting 3 to 5 startups among 20 companies jointly by Ministry of SMEs and Startups
- Creating the ecosystem through cooperation and synergy with existing environmental social biz companies, SV2 Impact partnering ventures

Guaranteed success potential through joint investment impact fund with large companies
- Securing growth potential/stability through joint investment/business linkage with large companies that are strategic investors
- Contributing to the role of an accelerator in terms of financing after investing in environmental startups

CASE. Spreading eco-friendly social values

Each affiliate of SK innovation is forming partnerships with environmental social enterprises in connection with each business area, creating environmental values in product development and customer/marketing, and at the same time supporting the growth of social enterprises.

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<th>Project</th>
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Accelerating ESG management Identifying/nurturing environmental BM

Government (Ministry of SMEs)

- Contributing to the role of an accelerator in terms of financing after investing in environmental startups
- Securing growth potential/stability through joint investment/business linkage with large companies that are strategic investors

External Impact Fund

- Identifying/nurturing environmental/social ventures over 2 years by utilizing members’ voluntary crowdfunding (a total of 1,368 investors)
- Established a win-win model in the form of pro bono by donating professional knowledge or technology based on the professional competence of members in finance, legal affairs, public relations, and R&D.

Green Alliance

- SK and greenventure cooperation project Lunch egg program (21.7 ~ 22.6)
- Select 20 environmental startups to support commercialization and R&D funds up to KRW 10 billion: Startup-leapforward package program for startups that has been in operation for 3 years to 7 years

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Investment and Cooperation with Green Startups

**Save Earth, Save Us ‘Ecoin Energy’**

Realizing a circular economy through resource recycling is a challenge facing mankind. Ecoin Energy proposes a new paradigm for waste plastic treatment through optimal chemical recycling technology and aims to realize a resource recycling ecosystem from Waste to Plastic. SK Innovation has been of great help in securing technology, market competitiveness, and public confidence through various supports such as investment, technology verification, and business model collaboration to realize Ecoin Energy’s goals. I hope that there will be more opportunities for various startups to utilize SK innovation’s ESG management know-how in the future.

**Somuna, valuable country free of pollution**

Somuna is researching an environmental energy model in which development and the environment can coexist, with the meaning of creating a ‘precious, pollution-free country’. The battery control/management system technology allows refrigerated/refrigerated vehicles to maintain their functions even in the idle state, thereby reducing fuel costs and reducing exhaust gas/fine dust. Somuna headquarters entered the SK Innovation affiliated business ‘Nettruck House (a truck rest area)’. We expect to collaborate with SK innovation in long-term rental and sharing services for logistics companies and individual small business owners. In the future, Somuna hopes to pursue social values of carbon reduction and fine dust reduction together with SK Innovation through the logistics infrastructure owned by the Nae Truck House branch.

**Ingine, creating a sustainable future with people and engineering**

As shown its company mission, Ingine wants to be a company that makes a creative contribution to energy, environment and life based on people and technology. It is focusing on upgrading and commercializing the wave power generation that can utilize the energy of wave as energy. After attracting investment through ‘SV2 Impact Partnering’ of SK innovation, there was follow-up investment of KRW 2.5 billion at the company level. It could secure new driving force through pilot project for Carbon Free Island in Quang Ngai, Vietnam. We want to create a sustainable future in cooperation with SK innovation, a leading company in the energy sector and we hope that SK innovation can create a greater social value by expanding cooperation with social ventures like us.

**Let’s square social value by preserving marine ecosystems! ‘Sheco’**

Sheco has small-scale robotic manufacturing technology that can be used to recover marine oil for accidents. Our business vision is to contribute to resolving the marine pollution problem facing the current generation to create a clean sea and to preserve it for future generations. ‘SV2 Impact Partnering’, a social venture support program of SK innovation, became an opportunity to realize our business vision. After the investment, we are currently conducting demonstration consultations on products at ports dedicated to SK Energy, Ulsan/Busan. We expect support for overseas market development based on our bunkering business infrastructure in the future, and through this, we hope that Sheco will contribute to resolving maritime problems not only in Korea but also around the world.

**Earth for the Next Generation ‘Marine Innovation’**

Marine Innovation uses various marine resources such as seaweed to produce materials to replace plastic and wood. By producing inexpensive and high-quality eco-friendly materials through ceaseless innovation, we aim to respond to the microplastic problem and contribute to solving environmental problems by reducing greenhouse gas emissions. SK innovation has spared no effort to help us get one step closer to our mission. The research center supported technology development and product analysis, and helped a lot in marketing and public relations activities to introduce new materials that are still unfamiliar. I hope that investment, marketing, and PR support for more startups will continue as part of SK innovation’s ESG strategy and social value creation activities.

**SK innovation ESG REPORT 2020**

CEO Lee In

CEO Song Jongwon

CEO Sung Yongjun

CEO Kwon Gisung

CEO Cha Wanyoung

CEO Lee In

CEO Song Jongwon

CEO Sung Yongjun

CEO Kwon Gisung

CEO Cha Wanyoung
Social Contribution

Social contribution strategy

SK innovation is making an effort to be a company that creates and shares sustainable happiness by creating economic values and developing relationships with stakeholders based on open communication in order to create happiness of stakeholders continuously. It is promoting social innovation and continuous communication to solve social problems such as environmental protection, improving quality of life and contribution to local community fundamentally.

Social contribution implementation system

There are three key strategies as concrete practices for sustainable happiness, social innovation that supports the creation of a social ecosystem to solve innovative social problems, carbon neutrality for climate change response, plastic waste issues and biodiversity, etc. We are promoting Green Innovation, a practical action for a sustainable environment, and Happy Innovation to solve problems in the local community and contribute to development based on the participation of employees and labor management.

### Stakeholders

- University, etc.
- We are promoting Green Innovation, a practical action for a sustainable environment, and Happy Innovation to solve problems in the local community and contribute to development based on the participation of employees and labor management.

### Key strategies

- **Social Innovation:** Creating socioeconomic ecosystem
- **Green Innovation:** Sustainable environment
- **Happy Innovation:** Win-win growth and development of local community

### Implementation direction

- Creating social economic ecosystem
- Response to global environmental issues
- Establish social safety net

### Key business

- **Support for discovering and fostering social economy enterprises**
- **Expansion of social enterprise partnerships linked to Biz**
- **Mangrove forest restoration project**
- **Waste Plastic Circular Economy Campaign**
- **Local environmental conservation activities**
- **Social value creation linked with Biz**
- **Establishment of local community global safety net**
- **Support for the underprivileged**

### UN SDGs

- **Goal in 2020**
  - **Expanding social economy enterprises**
  - **Fostering social enterprises and social ventures using shared infrastructure**
- **Performance in 2020**
  - **New discovery through Environmental Social Biz Contest and SV Impact Partnering:** 5 companies
  - **Nurturing and supporting:** 17 companies
- **Goal in 2021**
  - **New discovery and investment through the Green Alliance program:** 3-5 companies
  - **Nurturing and supporting:** 19-21 companies

### Communication with local community and stakeholders to solve social problems

In order to share awareness of local community and environmental issues and to derive effective solutions, we are continuously communicating with stakeholders at each local business site and each project. To establish and implement major plans and evaluate performance, we organize communities and alliances by stakeholders to hold meetings (quarterly) and performance reports (half-yearly). Through this, various opinions from stakeholders including local residents are collected. In 2020, due to the impact of COVID-19, offline operations were partially reduced, and online and social media were conducted at any time in an untact manner. In addition, for new or major programs, we provide advice on project evaluation and effectiveness through expert groups such as academic societies and professors. We will continue to strengthen community and stakeholder communication to solve social problems.

### Social innovation: support for socioeconomic ecosystem

SK innovation evaluates social companies as an alternative to solve social issues fundamentally and efficiently and recognizes the importance of creating socioeconomic ecosystem that can serve as the foundation for social company’s growth. Recently, we are approaching environmental problem solution by creating socioeconomic ecosystem in line with Green Balance 2030 Strategy and we will continue to expand environmental values by linking business between SK innovation and social companies.

### Roadmap to support socioeconomic ecosystem

<table>
<thead>
<tr>
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<th>Stakeholders communication</th>
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<tr>
<td><strong>Social innovation</strong></td>
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<tr>
<td><strong>Career Jump Up Class Operating Committee</strong></td>
<td><strong>Faculty of Social Welfare Department</strong></td>
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### Key business

- **Mangrove forest restoration project**
- **Waste Plastic Circular Economy Campaign**
- **Local environmental conservation activities**
- **Social value creation linked with Biz**
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Nurturing socioeconomic enterprises

Star social enterprise is a strategy to make a reference model for social enterprise by maximizing the growth potential of social enterprises and supporting their growth actively based on SK’s capabilities and infrastructure. Through this project that started in 2016, companies such as 1000 Nuri Food, moreDen, Woosian and grape lab are growing continuously and brand awareness has been increased. From 2020, companies selected at the environmental social biz competition project were incorporated.

- Sales and employment of representative social enterprises

<table>
<thead>
<tr>
<th>Company</th>
<th>2020 Revenue (Unit: KRW 100 million)</th>
<th>2020 Employment (Unit: Persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chunnuri Food</td>
<td>20.2</td>
<td>16</td>
</tr>
<tr>
<td>Usisan</td>
<td>8.3</td>
<td>11</td>
</tr>
<tr>
<td>Grape Lab</td>
<td>4.9</td>
<td>12</td>
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Environmental social biz competition

It was jointly implemented with the Ministry of Environment to nurture social ventures that create social value for the environment. Social ventures introduced new technologies to respond to various environmental problems, and to the final selected companies, KRW 800 million in growth support was delivered to six ventures for two years to secure competitiveness in R&D and product development.

SV Impact Partnering

A new win-win model between large corporations and social ventures solves various social problems through the collaboration ecosystem. It is a method in which members directly participate in the investment through crowdfunding to the selected company. Over the past two years, an investment of KRW 3.5 billion has been made in 7 social ventures.

Establishment of Ulsan socioeconomic sales channel support center

In October 2020, Ulusan CIX established the ‘Social Enterprise Market Support Center’ to support market development, publicity, and sales, revitalizing the social economy with the Nam-gu of Ulsan. We are expanding on/offline sales channels and laying the foundation for a social economy using various contents as a general distribution organization. Some of the profits are being used as a fund to create a local social economy ecosystem.

Social enterprises support performance

- No. of companies supported : 17
- Newly supported : 5 companies
  - Environmental social biz competition project:
    - Right Route: Arun, Inobus
    - SV Impact Partnering: Chunnuri energy, Upcycle material development
  - Investment: (2020) 5.15 billion won (2020) 1.91 billion won
- Sales of eco-friendly social biz company among nurtured companies: 9.35 billion won

2020 Environmental social biz competition

- Host: Joyful Union
- Sponsor: SK Innovation, Ministry of Environment
- Selected company
- Right Route: Waste separation membrane - upscale material development
- Arun: Waste water recycling technology
- Inobus: Waste-plastic separation discharger development

Environmental social biz competition

- Selected companies, KRW 800 million in growth support was delivered to six ventures that started in 2016, companies such as 1000 Nuri Food, moreDen, Woosian and grape lab are growing continuously and brand awareness has been increased. From 2020, companies selected at the environmental social biz competition project were incorporated.

Green innovation : sustainable environment

As an environmental protection activity to create a sustainable environment, SK innovation is taking responsibility for the environment through the ‘Green Balance 2030’ strategy, and has continued eco-friendly projects and campaigns such as climate change, plastic waste, and resource recycling.

Mangrove forest restoration project (Plant For Planet)

Mangroves distributed in tropical/subtropical regions are classified as significant plants for global warming and biodiversity. More than 50% of the total has been lost recently due to reckless development and disasters. We started planting mangroves in Chu Vinh, Vietnam in cooperation with the UNEP in 2018, and has been conducting continuous activities every year. In 2020, direct volunteer dispatch was not carried out due to COVID-19. Still, mangrove forest restoration was carried out centered on residents and students through a social enterprise ‘Manglub’ established in Vietnam. Also, We have expanded our business to Myanmar through cooperation with the AfriCo. We plan to develop a public-private partnership system in Myanmar in the same way as the Vietnam Social Value Alliance.9)

Since active participation in the Vietnam mangrove forest restoration project to respond to climate change and establish social enterprises to solve various social problems, the organization launched by SK innovation to utilize the resources, capabilities, and networks of participating organizations through the collaboration of government agencies, educational institutions, media organizations, non-profit organizations, and companies.

2020 outcome

- Scale of restoration: 48ha
  - Vietnam: 30 ha, 18,000 trees
  - Myanmar: 18 ha, 18,000 trees
- Number of education: 200 elementary school students, 200 college students, 100 local residents
- Number of trials: 13 times (elementary school students 4 times, college students 8 times, local residents once)
- Scale of restoration: 60ha
  - Vietnam: 48ha, 48,000 trees
  - Myanmar: 12ha, 12,000 trees

2021 target

- Plan to spread the spread of best practices for biodiversity conservation (improving awareness and encouraging participation)
- Plan to expand to Myanmar.

Vietnam environmental awareness education

Along with the mangrove forest restoration project, we are conducting environmental awareness education, forest ecology experience, and environmental seminars for about 500 local residents and students every year. In the future, we plan to expand to Myanmar.

2020 outcome

- Number of talks: 13 times (elementary school students 8 times, college students 5 times, local residents once)
- Number of education: 200 elementary school students, 200 college students, 100 local residents
- Education contents: environmental education, field experience, environmental protection slogans campaign, mangrove protection and management

I Green We Green

In order to respond to environmental pollution by reducing the use of plastics, since 2019, the ‘I Green We Green Campaign’ has been launched for ordinary citizens and local governments in collaboration with the United Nations Environment Program(UNEP) and the social enterprise ‘Ushisan’. In the future, we plan to further expand waste plastic reduction campaigns and volunteer activities.

\[\text{SV Impact Partnering} : \text{Sheco/ecoin energy, Right Route, Arun, Inobus}\
\text{Environmental social biz competition project:}\
\text{Right Route: Arun, Inobus}\
\text{SV Impact Partnering:} \\
\text{Chunnuri energy, Upcycle material development}\
\text{Investment: (2020) 5.15 billion won (2020) 1.91 billion won}\
\text{Sales of eco-friendly social biz company among nurtured companies: 9.35 billion won} \]
Happy Innovation : Support for local communities

It is a CSR activity promoted by the labor and management with one mind to fulfill SK Innovation’s role as a responsible corporate citizen. We are implementing various programs to make healthy local communities by selecting issues related to the elderly, social integration and children with developmental disorder as key tasks. In addition, we focused on establishing safety net through 1% happiness sharing fund, which is based on employees’ donation and volunteer activities to respond to local issues that require emergency support due to the spread of COVID-19 in 2020.

<table>
<thead>
<tr>
<th>Classification</th>
<th>2020 target</th>
<th>2020 outcome</th>
<th>2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aging</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Conduct volunteer activity to take care of the elderly living alone</td>
<td>- Conduct volunteer activity to care of the elderly living alone</td>
<td>- Conduct volunteer activity to care of the elderly living alone</td>
<td></td>
</tr>
<tr>
<td>- 3,500 elderly people living alone</td>
<td>- 7,300 elderly people living alone</td>
<td>- 7,500 elderly people living alone</td>
<td></td>
</tr>
<tr>
<td>- Lived independently 83.7%, satisfaction 93.1%</td>
<td>- Lived independently 94.8%, satisfaction 89.7%</td>
<td>- Lived independently 94.8%, satisfaction 89.7%</td>
<td></td>
</tr>
<tr>
<td><strong>Developmental disorder</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Conduct volunteer activity to help children with developmental disorder adjust themselves to society</td>
<td>- Conduct volunteer activity to help children with developmental disorder adjust themselves to society</td>
<td>- Conduct volunteer activity to help children with developmental disorder adjust themselves to society</td>
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<tr>
<td>- Hold music festival for people with developmental disorder</td>
<td>- Hold music festival for people with developmental disorder</td>
<td>- Hold music festival for people with developmental disorder</td>
<td></td>
</tr>
<tr>
<td>- Support job training and link with employment for people with disability</td>
<td>- Support job training and link with employment for people with disability</td>
<td>- Support job training and link with employment for people with disability</td>
<td></td>
</tr>
<tr>
<td><strong>Safety net</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Check and support safety net in the community</td>
<td>- Check and support safety net in the community</td>
<td>- Check and support safety net in the community</td>
<td></td>
</tr>
<tr>
<td>- KRW 50 million to support COVID-19 related quarantine activities</td>
<td>- KRW 60 million to support COVID-19 related quarantine activities</td>
<td>- KRW 60 million to support COVID-19 related quarantine activities</td>
<td></td>
</tr>
<tr>
<td>- Support local farmers (purchase of seasonal garlic worth KRW 900 million)</td>
<td>- Support local farmers (purchase of seasonal garlic worth KRW 900 million)</td>
<td>- Support local farmers (purchase of seasonal garlic worth KRW 900 million)</td>
<td></td>
</tr>
<tr>
<td>- Support meal for 925 children who skip meal</td>
<td>- SK Induction contribution KRW 982 million</td>
<td>- SK Induction contribution KRW 982 million</td>
<td></td>
</tr>
</tbody>
</table>

1% happiness sharing fund (donation by employees)

Employees formed a 1% happiness sharing fund to donate 1% of their basic salary to change awareness and take action on social values. The company is participating in such activity with the same scale of matching grant. In 2020, the fund raised by members’ donations amounted to KRW 2.94 billion (cumulative KRW 8.64 billion), which was used to approach social problems facing the local community and to build a safety net that requires urgent measures.

SK1004 volunteer group (employees’ volunteer activities)

SK Innovation launched the ‘SK1004 Volunteer Group’, an employee volunteer group, in 2004, and currently consists of 67 teams. Focusing on the local communities in the business sites, ‘Happiness Sharing Love’, a care for the elderly living alone, ‘Happy Dream Eye’, a social adaption program for people with developmental disorder, ‘My Neighborhood’ for elderly and vulnerable, and ‘Urachacha’ campaign, a psychological support related to COVID-19...

Support for COVID-19 and establishment of safety net

SK Innovation has made all-out efforts to establish a safety net to prepare for crisis such as disaster and disease and the blind spot of welfare policy. We supported quarantine activities focusing on areas home and abroad where our business sites are located and provided support considering caring for the vulnerable groups and livelihood of local farmers.

Support for safety net

<table>
<thead>
<tr>
<th>COVID-19 quarantine activities</th>
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<tr>
<td>- Domestic support: KRW 500 million for Daegu/South Gyeongsang area, KRW 380 million for Gyeongbuk, KRW 11 billion for the Gyeongbuk area</td>
<td>- Overseas support: KRW 11 billion</td>
</tr>
<tr>
<td>- Target: US, Hungary, Poland, China, Myanmar, Iran, Peru, etc.</td>
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<td>- Donation: KRW 60 million (Chungbuk area)</td>
<td>- Employees purchased and support the elderly living alone</td>
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Support for local farmers

| Purchase of seasonal garlic (KRW 100 million) | - Employees purchased and support the elderly living alone |
| (person: 981, package: 1,123 packages) | |

Expanding social value in line with business

Operating the place for neighbor first aid place at gas stations

SK energy is using its gas station infrastructure to place first aid equipment on-site at all times and strengthen training on E.F.R for employees to take action for first aid. Currently, 124 employees at gas stations in the metropolitan area, Gangwon and Chungcheong completed training. We plan to establish a golden time safety net by expanding to gas stations under the direct management of SK and Netruck House.

Operation of ‘Netruck House’ for cargo truck drivers

Truck drivers are under poor working environments such as irregular long working hours and lack of rest areas. SK energy is operating Netruck House, a parking and rest place for drivers to reduce the risk of accidents and promote the welfare of truck drivers. We provided social benefits such as preventing traffic accidents, improving working conditions, reducing parking costs and increasing the value of leisure time for drivers. In addition, we installed photovoltaic power system to create environmental values and consider installing the hydrogen charging station.

Oilro Pass to support heroes in the COVID-19 pandemic situation

SK energy delivered SK oil as part of a ‘cheer-up campaign’ for 3,800 heroes in the COVID-19 situation including medical professionals, care givers, and sign language interpreters who were working very hard in the COVID-19 pandemic situation.

‘Calm taxi’ to expand the employment of people with hearing impairment

SK energy formed a partnership with COACTUS, a social enterprise to improve the low employment rate and income of people with hearing impairment and has been running ‘calm taxi’ where we support the people with hearing impairment acquire license to run a taxi and employment as a taxi driver. We provide incentives to employers who hire drivers with hearing impairment and induce by providing oil subsidies through LPG charging stations. We will realize social values by expanding the ‘calm taxi’.

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Direction of Governance Innovation

SK innovation established a governance structure at the global level to accelerate ESG management and declared its will to implement responsible management driven by the board of directors by strengthening the authorities and roles of the board of directors.

Reforming committees to strengthen the authorities of the board of directors

SK innovation reformed its subcommittee under the BOD to have 5 subcommittees: ESG Committee, HR Evaluation and Compensation Committee, Independent Director Candidate Recommendation Committee, Future Strategy Committee and Audit Committee. The roles and authorities of each committee was re-organized. ESG Committee establishes ESG strategic direction of the company and conducts performance monitoring regularly. The committee conducts preliminary and post risk assessment related to ESG for all agenda decided at the BOD and provides an opinion to make sure that the BOD can make a decision according to ESG performance management procedure. HR Evaluation and Compensation Committee establishes CEO evaluation policies, confirms evaluation results and determines the compensation criteria and level. In addition, it determines whether to reappoint the CEO or not, and make a decision across the whole process of selecting CEO candidates and deciding the CEO finally and its final opinion is delivered to the BOD. Independent Director Candidate Recommendation Committee is required to secure candidates for independent directors, define fair and transparent independent director recommendation process and participate in the whole process of selecting directors to make sure that independent directors with expertise and capabilities can be appointed. Future Strategy Committee establishes the corporate vision and mid to long-term strategy and relevant business strategies and CEO KPIs and presents it to the BOD. The Audit Committee establishes the management direction and system achieve global compliance such as anti-corruption, fair trade and inside trading and conducts regular ad-hoc monitoring. In addition, the Audit Office, which was under the CEO, was reorganized to be under the Audit Committee. By retaining the right to appoint and dismiss the chief of the audit office, the Audit Committee performs the role of a control tower related to compliance.

Enhancing the independence of the BOD by strengthening the role of independent directors

SK innovation BOD held 12 independent directors’ meetings in 2020. In 2021, the meetings will be organized under the name of Independent Directors’ Council, which will become an official body. It will hold regular meetings and discussions serving as the foundation for independent decision-making. Chairman, an independent director hold the position of appointed director as well and appointed independent director is appointed only when inside director is appointed as chairman. Appointed independent director leads the Independent Directors’ Council and plays the role of collecting opinion of independent directors and delivering it to the BOD or the management. In addition, a “communication director” is appointed among independent directors for communication with outside stakeholders such as shareholders. In addition, we will establish the foundation for securing objective reputation and strengthening individual capabilities of directors by adding evaluation on individual directors at the BOD evaluation.

Board of Directors (BOD)

Composition

- ESG Committee
  - 3 independent directors, 1 internal director
- Remuneration and Nomination of Independent Directors Committee
  - 3 independent directors, 1 non-executive director
- Future Strategy Committee
  - 3 independent directors, 1 non-executive director
- Audit Committee
  - 2 independent directors, 1 internal director, 1 non-executive director
  - 3 independent directors

Role

- Present strategic direction for ESG and manage risk from ESG perspective
- Reforming and communication
- Governance structure improvement and maintainance
- Reviews including HR policy / CEO evaluation / compensation / succession
- Support for exploring CEO candidates independently
- Exploring and verifying independent director candidates independently
- Business planning and investment decision
- Checking future strategy for SK affiliates
- Establish CEO KPI and check evaluation
- Conduct audit on accounting and business execution results
- Preliminary and post compliance risk management such as anti-corruption, fair trade, inside trading

Assistant organization

- ESG Strategy Office
- Corporate Culture Division
- Corporate Cultural Division
- Strategy Division
- Audit Office (Reorganized as of June 19, 2021)
Board of Directors (BOD)

SK innovation appoints directors with background in relevant industries based on the principle of independence, professionalism and diversity. We will continue to pursue sustainable values for companies and the society based on BOD-driven management.

Kim Jong-hoon
Independent director, Chairman of BOD

Term: 2020.3 ~ 2023.3 (First appointment: 2017.3)
2020 Attendance Rate: 100%
Career Highlights:
- Current): Honorary ambassador/chairman of International Relations Commission, Korean Sport & Olympic Committee
- Former): Member of the 19th National Assembly (National Policy Committee, Trade, Industry, Energy Committee)
- Former): Minister for Trade, Ministry of Foreign Affairs and Trade
- Former): Chief Delegate for the Korea-US FTA
Expertise: Global Network
Subcommittees: HR Evaluation and Compensation Committee, Independent Director Candidate Recommendation Committee, Audit Committee

Kim Jung-gwan
Independent director

Term: 2021.3 ~ 2024.3 (First appointment: 2018.3)
2020 Attendance Rate: 92%
Career Highlights:
- Current): Adviser of Bae, Kim & Lee LLC
- Former): Vice Chairman of the Free Economic Zone Committee
- Former): Executive Vice Chairman of Korea International Trade Association
- Former): Vice Minister, Ministry of Knowledge Economy
- PhD in Economics from Korea Polytechnic University
Expertise: Energy Industry
Subcommittees: ESG Committee, HR Evaluation and Compensation Committee, Independent Director Candidate Recommendation Committee

Kim Joon
Independent director

Term: 2019.3 ~ 2022.3 (First appointment: 2016.3)
2020 Attendance Rate: 100%
Career Highlights:
- Current): Director, East Asia Foundation
- Current): Chairman, TAIHAN TEXTILE Co., Ltd.
- Current): Chairman & CEO, Kyungdong Co. Ltd.
- Former): Chairman, YED (Young Entrepreneurs' Organization) Korea
- PhD in Chemistry from Brown University in the U.S.
Expertise: Corporate Management
Subcommittees: Future Strategy Committee, Audit Committee

Choi Woo-seok
Independent director

Term: 2021.3 ~ 2024.3 (First appointment: 2018.3)
2020 Attendance Rate: 100%
Career Highlights:
- Current): Professor of Accounting, Korea University Business School
- Former): Adviser, Korea Deposit Insurance Corporation
- Former): Executive Director, Korean Academy Society of Business Administration
- Former): Adviser, Ministry of the Interior and Safety
- PhD in Business Administration from Michigan State University in the U.S.
Expertise: Financial accounting
Subcommittees: Audit Committee, Future Strategy Committee, ESG Committee

Yu Jeong-joon
Non-executive director

Term: 2020.3 ~ 2023.3 (First appointment: 2017.3)
2020 Attendance Rate: 100%
Career Highlights:
- Current): Vice Chairman & CEO, SK E&S
- Former): Chairman of Energy and Chemical Committee of SK SUPEX Council
- Former): Chairman of Global Growth Committee of SK SUPEX Council
- Former): President, SK Global & Growth Promotion Division of SK holdings
- MA in Accounting from Illinois State University in the U.S.
Expertise: Corporate Management
Subcommittees: HR Evaluation and Compensation Committee, Independent Director Candidate Recommendation Committee, Future Strategy Committee

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SK innovation’s selection criteria for independent director

- Business mind
- Expertise
- Fidelity
- Integrity
- Independence
- Social reputation
- Diversity
- Gender
- Professional expertise
- Region
- Academic background
- Age
- Religious

Composition of BOD
Principle of Independence, Professionality and Diversity

SK innovation has the principles of independence, professionalism, and diversity for the composition of the board of directors. To strengthen the independence of the BOD, the chairman and CEO are separated, and the ratio of independent directors is maintained at a majority. In addition, if there is a special interest in a particular agenda, voting rights are prohibited. We secure diversity by appointing directors without discrimination based on specific factors such as gender, race, nationality, region, academic background, age, and religion, and secure the professionalism of the board of directors by appointing experts in each area such as business, economy, accounting, energy, and chemistry. In 2016, we strengthened diversity by appointing Ha Yun-kyung, an energy and chemical expert, and female independent director, and we plan to appoint one more female director by 2022 to increase the ratio of female independent directors.

*As of March, 2021, the ratio of female directors is 14.3%.

Activities of BOD
SK innovation holds board meetings monthly while providing and reporting materials related to agendas at least five to seven days before the board meeting and two days before the subcommittee meeting. This allows the BOD to thoroughly review the agenda. Besides, we report urgent matters to the board in real-time and make prompt decision-making by frequently gathering together. Through these endeavors, we lead professional and transparent management activities. Our corporate principle for the BOD attendance rate is intensified to 95% or above. As evidenced by the fact that the average BOD attendance rates among all members and independent directors were 99% and 98% respectively in 2020, the board has been faithfully playing its role.

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Composition of BOD
Principle of Independence, Professionality and Diversity

SK innovation has the principles of independence, professionalism, and diversity for the composition of the board of directors. To strengthen the independence of the BOD, the chairman and CEO are separated, and the ratio of independent directors is maintained at a majority. In addition, if there is a special interest in a particular agenda, voting rights are prohibited. We secure diversity by appointing directors without discrimination based on specific factors such as gender, race, nationality, region, academic background, age, and religion, and secure the professionalism of the board of directors by appointing experts in each area such as business, economy, accounting, energy, and chemistry. In 2016, we strengthened diversity by appointing Ha Yun-kyung, an energy and chemical expert, and female independent director, and we plan to appoint one more female director by 2022 to increase the ratio of female independent directors.

*As of March, 2021, the ratio of female directors is 14.3%.

Activities of BOD
SK innovation holds board meetings monthly while providing and reporting materials related to agendas at least five to seven days before the board meeting and two days before the subcommittee meeting. This allows the BOD to thoroughly review the agenda. Besides, we report urgent matters to the board in real-time and make prompt decision-making by frequently gathering together. Through these endeavors, we lead professional and transparent management activities. Our corporate principle for the BOD attendance rate is intensified to 95% or above. As evidenced by the fact that the average BOD attendance rates among all members and independent directors were 99% and 98% respectively in 2020, the board has been faithfully playing its role.
Ethics Management

SK innovation will build a healthy culture by spreading the ethical culture to members, suppliers and stakeholders based on code of ethics.

Principles of Ethics Management

Based on the SKMS(GSK Management System), SK innovation established the Code of Ethics as the standard of proper actions and judgments. Code of Ethics Guidelines are also prepared to give specific criteria for practices. All employees of SK innovation and its domestic and overseas affiliates are under obligation to comply with the Code of Ethics. Furthermore, for affiliates whose shares are partially owned by the company and those business partners in business or contractual relationships, we recommend them to comply with our Code of Ethics. In addition, we have made FAQs and individual answers regarding guidelines for ethical behaviors with multiple cases to resolve inquiries.

Establishment of mid-term plan for ethics management

SK innovation plans to establish a mid-term ethics management plan to rely on the changes in the business environment such as overseas business expansion. To this end, we conducted an assessment of the status of ethical management at overseas businesses sites in 2020. We plan to establish detailed plans for ethical management for each stakeholder, including members, business partners, and overseas business establishments, and carry out ethical management activities according to the detailed plans in stages from 2022. In addition, we plan to establish ethical management infrastructures such as preparing customized contents for ethical management and establishing our ethical management system to achieve 100% of ethics management training for all SK innovation domestic members, contract/dispatched worker and overseas members.

Reporting and Monitoring of Ethics Management

Ethics Management Audit

SK innovation conducts risk assessment reflecting audit cycles for SKI affiliates and businesses, and through this, it selects audit targets and conducts the audit. In addition, we conduct regular monitoring and investigation of ethical management activities such as inspection of corporate card use.

Ethics counseling and reporting

To strengthen the accessibility of informants, SK innovation conducts ethics counseling through various channels such as infographic-only online channels, telephones, faxes, e-mail, and mail and operates most channels around the clock. To enhance accessibility and convenience, we added counseling and information channels and developed an anonymous mobile channel to protect informants. In addition, we operate a separate informant protection system to protect informants and their contents. It does not permit attempts to disclose the identity, such as inquiring about the identity of a consultant or informant and protects not only the consultation and informant but also the details of the investigation and cooperation in any case. We are taking measures to prevent disadvantages from occurring due to the ethics management system. Thus, the ethics management organization handles received consultations and information transparently and fairly. The ethics management organization directly investigates the reports deemed necessary to be investigated and determines whether they are violated. It shares and reports the status of the reports received and the investigation results to the Audit Committee.

Establishment of mid-term plan for ethics management

SK innovation plans to establish a mid-term ethics management plan to carry out ethical management activities according to the detailed plan in stages from 2022. To strengthen strategic planning, we are carrying out activities to raise awareness of the ethics management system and culture. In 2020, 85% of all employees, including overseas sites, participated in the survey, and significant inquiries identified as a result of the survey are reflected in consultation with relevant departments and ethics management activities.

Workshop to put ethics management into practice

SK innovation conducts a workshop on ethical management for each organization every year to in-depth discussions on ethical dilemmas and risk cases. In 2020, a workshop was held by selecting a discussion topic (audit cases and ethical dilemma situations) by organization (49 divisions).

Promoting communication on ethics management

To strengthen monitoring the status of ethics management, we are operating communication channels such as the ethics counseling center and the website. Through this, we disclose our code of ethics and receive reports and consultations on unethical behavior. In addition, to promote communication with employees, the ethics management section is organized on the internal channel and, ethical issues that may arise at work and cases of disciplinary action are shared with employees.

Activities to spread the ethical awareness

In line with the expansion of overseas business sites, SK innovation is carrying out activities to raise awareness of ethics management among overseas employees. In 2020, Code of Ethics, Code of Ethics Practice Guidelines, Ethics Counseling, and Report Handling Procedures were translated into the local language for each overseas business site, and education contents specialized for overseas employees were translated into the local language and training was conducted.

Operation of Fair Trade Program

Compliance program

SK innovation promotes fair competition in the supply chain by introducing the fair trade Compliance Program (CP) and strives to enhance transaction transparency. In particular, detailed management guidelines for eight major elements of fair trade CP were established and subsidiaries such as SK energy, SK global chemical, SK lubricants, and SK ie technology as well as SK innovation appoint Chief Compliance Officer (CCO) to oversee the operation. CCO establishes an implementation plan for the fair trade compliance program and supervises the execution process, and reports the performance and plan of the fair trade compliance program to the BOD every year.

Result monitoring

As of 2020, there were 157 reports and counseling, and the total number of cases was 94 excluding overlapped issues. The responsible department handles customer complaints and checks the follow-up measures. The consulting for ethics management is carried out through consultations with related departments. If any report requires further investigation, we conduct an audit to decide if any ethical violation was committed. In 2020, 4 out of 14 cases we investigated were found unethical, and we took action according to the resolution of the Reward/Punishment and HR Committee by the regulations.

Status of disciplinary action for breach of ethics management

Reasons for action

<table>
<thead>
<tr>
<th>Cases</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sexual harassment</td>
<td>1 suspension</td>
</tr>
<tr>
<td>Breach of code of conduct</td>
<td>11 suspension of work 4, suspension attendance 6, reprimand 1</td>
</tr>
<tr>
<td>Breach of regulation on safety, health and environment</td>
<td>10 suspension attendance 2, reprimand 8</td>
</tr>
<tr>
<td>Job negligence</td>
<td>4 reduction in salary 2, reprimand</td>
</tr>
<tr>
<td>Illicit outflow of corporate assets/embarrassment</td>
<td>4 dismissal, suspension attendance 3</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
</tr>
</tbody>
</table>

Spread of Ethical Culture

Training on ethics management and pledge to comply with ethics management

SK innovation has provided ethics training to all employees including contract/dispatched workers, including overseas businesses sites. We plan to provide training for BOD according to the strengthening of the board's functions. In 2020, online education focused on domestic and overseas site-specific content and elevated the awareness of ethics management practice by making them sign on the pledge to comply with ethics management. In addition, businesses that are deemed to be expanding ethical management risks are separately provided with customized training according to their job characteristics.

<table>
<thead>
<tr>
<th>Type</th>
<th>Number of training</th>
<th>Training hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-face-to-face training</td>
<td>279</td>
<td>233</td>
</tr>
<tr>
<td>Online video training</td>
<td>7608</td>
<td>3804</td>
</tr>
<tr>
<td>Total</td>
<td>7887</td>
<td>4037</td>
</tr>
</tbody>
</table>

In 2020, ethics training was replaced by non-face-to-face meeting including webex, etc. due to COVID-19.

Survey on ethics management practice

An annual survey is conducted to measure employees' awareness to identify areas of weakness in the ethics management system and culture. In 2020, 85% of all employees, including overseas sites, participated in the survey, and significant inquiries identified as a result of the survey are reflected in consultation with relevant departments and ethics management activities.
Information Protection

As digital transformation accelerates after COVID-19, SKI focuses on information protection issues such as cyber threats, industrial confidentiality, and privacy and conduct systems, activities, education, and campaigns to prevent accidents.

Information protection policy
SKI innovation recognizes that all assets, such as personal information of employees and customers, and the company's intangible property, are key management issues and strictly complies with related laws. In particular, we respond to information security issues, such as identifying and removing potential risk factors in advance, strengthening the information protection system, and strengthening distribution networks and subsidiaries. In addition, through ISO/IEC 27001:2013, an international information security certification, and SMS and SMS-P, a domestic information security certification, we are regularly reviewing verification of our information protection activities from external agencies. In 2021, SK innovation is carrying out information protection activities to renew and reinforce security standard certifications to enhance global security level, strengthen information leakage control, enhance internal and external reliability, and establish a safe personal information management system.

Efforts to protect information
Personal information protection
To safely manage personal information, SK innovation minimizes the possibility of leakage by designating employees who handle and separating the work PCs which use the personal information processing system. In addition, SK innovation's affiliate monitors personal information protection laws around the world to ensure that products and services do not violate the laws of each country. European business sites have established a TF system to comply with the GDPR (General Data Protection Regulation) and guarantee obligations and rights stipulated in the law. In Singapore, China, and the U.S., we safely establish a system to manage personal information according to related policies.

Protection of industrial confidential information
SKI innovation protects tangible and intangible assets, including core technologies and human resources to strengthen capabilities and contribute to enhancing competitiveness. To comply with all laws and regulations on protecting industrial secrets, we formed a dedicated organization to establish management, technical, and physical protection systems. We set a management workforce for each business site to make up for deficiencies. In addition, we are minimizing related risks through basic and security education, considering the characteristics of industry information.

Information protection education and campaign
SKI innovation conducts security training for new employees, regular security training, occasional security training every year, and campaigns to form a security mind for employees and suppliers. We are conducting education to raise security awareness regularly at least once a year for all employees and consignees who process personal information.

Operation of a system to respond to information protection infringement
SKI innovation recognizes the information protection organization (ESGO/CPPO) every year to prevent the spread of damage under the management of the supervising department in case of loss, theft, leakage, or damage of the core and personal information. In 2021, the intelligent threat management system was upgraded to prevent information security accidents. After the accident was completed, the analysis, evaluation, and countermeasures were established and implemented to strengthen information leakage control. Furthermore, to enhance information security reliability, we renew our compensation insurance every year to guarantee the rights and interests of the information subjects to facilitate damage relief. We are also preparing to provide information on the company's protection status (implementation of the information protection disclosure system).

Improving the level of information security through security inspection
The person in charge of security management at each business site of SK innovation checks the security status of each business site and conducts regular security inspections on a quarterly basis to encourage employees to practice security. The inspection result is reported to the security management executive or CEO, and the department head who is notified of the result is taking necessary measures to improve the security level.
Risk Management

SK innovation promotes business stability by identifying economic and social risk of SK innovation and managing it in advance.

Risk management governance
SK innovation classifies risk into financial, industrial, compliance and ESG risk and systematically manages them. The four risk categories are grouped into detailed risk elements and operate by business units for each case, and each department works closely to identify, evaluate, and prevent risk. In addition, SK innovation manages risk more strategically through collecting risk-related data, analyzing impact and sensitivity, establishing response measures, and reporting to the management. In particular, major risk items are reported to the Future Strategy Committee, ESG Committee, and Audit Committee under the BOD. We are planning to implement the process where the business department identifies risk based on the ESG risk checklist. The ESG department assesses the impact of the risk for agenda raised at the BOD from the second half of 2021. The plan to respond to ESG risk identified through the process will be established in advance and discussed at the ESG Committee. In addition, the ESG Design Team, composed of C-Level executives and heads of each business department and function, holds regular meetings once a month to manage and discuss ESG Risk agenda.

Risk reporting and monitoring system
SK innovation conducts analysis and monitoring optimized for each risk. Regarding financial risks such as fluctuations in oil prices and foreign exchange rates that have an immediate impact on business performance, we are analyzing short-term directions and medium-term trends based on various economic indicators for each affiliate and SK innovation and managing risk through foreign-exchange hedging and diversification of oil. In addition, we are monitoring applicable laws, policy trend and opinion of major stakeholders every day through various channels for industrial and operational risk. Such risk is shared via newsletter and intranet to make sure that all employees recognize major trend and prevent risk voluntarily. For compliance risk, we operate the sustainable management council led by Chief Global Compliance of SK innovation twice a year to discuss issues related to ethics, compliance, human rights, and SHE reported to the council in details at the management level.

Risk management activities
We are creating a company-wide risk management culture so that all employees can recognize the importance of risk management and prepare for risk autonomously. Education and seminars are held regularly on the subject of financial, industrial, compliance and ESG risk to strengthen the competency of employees related to risk response. Significant risks are included in KPI for employees and management in each department. The management level is reflected in the evaluation and compensation.

Emerging risk

<table>
<thead>
<tr>
<th>Classification</th>
<th>Risk Impact</th>
<th>Mitigation Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in final energy consumption</td>
<td>Due to the influence of global low-carbon and eco-friendly policies, the demand for petroleum energy, one of the major carbon emission sources, is expected to decrease significantly in the future. According to a number of international organizations, the demand for oil in the transportation sector is expected to decrease significantly due to improved fuel efficiency and an increase in alternative fuels such as electric, power, biofuel, and natural gas, the increase in electric vehicles, including hybrid vehicles, is expected to further accelerate. Air transport is also expected to decline due to increased demand for biofuels and increased fuel efficiency. Oil demand in the industry and power generation sector is also expected to be replaced by natural gas and renewable energy, so the existing petroleum energy business operated by SK innovation needs a strategy to respond to these potential risks.</td>
<td>SK innovation is closely examining the impact of changes in final energy consumption on the business structure and preparing to respond. By bolding investing in a green portfolio such as batteries and materials, the existing petrochemical-focused portfolio is in the process of being transformed into a green eco-friendly business. In the case of the battery business, through continuous investment, we plan to secure annual production capacity of more than 200GWh by 2025, and the LIBS business also plans to invest 2 trillion won over the next three years. In the existing petrochemical business area, we are developing and expanding eco-friendly business models such as eco-friendly lubricants, biofuels, and eco-friendly plastics. SK innovation intends to improve the sustainability of its business by innovating its asset structure through such investments in green eco-friendly businesses.</td>
</tr>
</tbody>
</table>

Plastic hazard
Plastic is one of the most widely used materials on the planet, and due to the convenience of processing and use, the production, use, and consumption of plastics has increased significantly every year with the development of human civilization. Recently, mankind has begun to recognize the seriousness of various environmental pollution caused by plastics and the consequent damage to human health. Soil and marine pollution caused by the nature of plastics that do not decompose naturally, and the negative effects of microplastics on the ecosystem food chain, which in turn cause various diseases such as cancer to humans who are at the top of the ecosystem food chain. Human beings are seeking solutions through global cooperation to solve this problem. In particular, if the solutions so far have focused on a specific moment in the plastic life cycle (during use/after disposal), it has recently been extended to the entire value chain from raw material extraction, transportation and manufacturing, and from disposal to decomposition. Regulations related to use are also being strengthened. Changes in people’s perception of plastics are essential for sustainable human life, but it is expected to have a major impact on changes in demand for plastics and the overall industry, and it is a potential risk to SK innovation, which produces and sells plastic raw materials. To this end, it is necessary to establish a preemptive and systematic countermeasure, and a strategy to respond to potential risks.

In addition to producing eco-friendly products, we are conducting various activities to build an eco-friendly plastic ecosystem. To solve the problem of waste plastic pollution, we are holding the Korea Eco-Friendly Packaging Forum, a public-private-academic cooperation program in which various stakeholders participate. In addition, in order to promote the correct separation of plastics to the public, we also launched a plastic separation campaign called “Ripthoripo it off and throw it away” using SOVAC, a social value platform, taking the lead in improving the awareness of plastics throughout society.

SK innovation will continue to promote cooperation with various stakeholders based on the production of eco-friendly plastic products as well as the development of diversified technologies throughout the plastic value chain to systematically respond to potential risk.
Materiality Assessment

Materiality assessment process
SK innovation conducted materiality assessment to identify material issues for a sustainable management. The pool of issues were organized based on internal and external environmental analysis such as international standard analysis, benchmarking of leading companies and media research. The materiality assessment results were identified by calculating the impact on stakeholders and relevance to business of the selected issues.

**STEP 1**
Analyze the sustainable management issues of SKI through multi-faceted analysis

<table>
<thead>
<tr>
<th>Evidence of ‘Impact’</th>
<th>Evidence of ‘Relevance’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey on external stakeholders, etc.</td>
<td>Survey on employees</td>
</tr>
<tr>
<td>Results of media research</td>
<td>Internal data</td>
</tr>
<tr>
<td>Benchmark leading companies</td>
<td>Major management issues</td>
</tr>
<tr>
<td>International standards</td>
<td>Review by the BOD</td>
</tr>
</tbody>
</table>

**STEP 2**
Evaluation & prioritization

**STEP 3**
Selection of issues to be reported

**STEP 4**
Reporting material issues & activities

**Result of Materiality Assessment**
SK innovation identified 10 material issues considering the impact on stakeholders and business relevance among the pool of issues identified through multi-faceted analysis. 10 material issues were selected out of 19 issues after going through materiality assessment process and 'Securing new growth engine' was selected as a top priority issue followed by 'establishment and strengthening ESG strategies', 'ethics management/fair trade' and response to climate change including greenhouse gas.
Measuring of Social Value

DBL measurement system

DBL measurement areas

SK Innovation is measuring economic and social values based on double bottom line (DBL) measurement methodology as sustainable management is becoming more important. Economic value means financial performance which is disclosed according to corporate accounting standards and social value means the outcome of creating social values through corporate business activities and minimizing social damage cost.

SK innovation Social Value Index

Economic value (EV) means financial outcome such as net income and financial performance and social value (SV) is classified into business social value, social contribution outcome and indirect contribution to the economy.

2020 Outcome

SK innovation announces measuring the annual social value and converting it into the amount in June every year. Although the total social value generated by SK decreased in 2020 due to the COVID-19, it partially improved based on the performance of environmental pollutant emission reduction, employment, social contribution, and products and services to solve social problems. We will continue to increase social value performance, focusing on transforming eco-friendly energy and materials portfolios and accelerating ESG management.

- Indirect contribution to the economy
  - Employment: 672.9 billion
  - Tax payment: 75.6 billion

- Social value from business
  - Product/service: 248.2 billion
  - Labor/shared growth: 50.3 billion
  - Environment (process): 1303.5 billion

- Social contribution
  - Social contribution: 16.9 billion
  - Donation: 20 billion
  - Volunteer work: 0.5 billion
Engagement of Stakeholders

SK innovation define main stakeholders as its customers, employees, shareholders and investors, local communities and suppliers. We constantly review social values expected by each stakeholder and social values that are provided by the company to shareholders and incorporate the review results into business activities such as Green Balance 2030. We define such account as SV Account and achieve performance by identifying needs of each stakeholder. The progress of SV Account for major stakeholders in each business has been reported to the management and relevant issues are discussed at the ESG Design Team meeting, a C-level meeting. We are planning to expand SV Account to all affiliates by 2021.

Process to identify the needs of stakeholders

1. Prepare the list of stakeholders
2. Define regular customers and potential customers
3. Study the stakeholders’ needs for social values (SV)
4. Measure SV Account of stakeholders

Communication with stakeholders

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Major communication channels</th>
<th>Areas of interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>• Call center ‘Customer Happiness Center’</td>
<td>• Creating the value of mutual growth</td>
</tr>
<tr>
<td></td>
<td>• EnClean.com</td>
<td>• Securing sustainable new technology</td>
</tr>
<tr>
<td></td>
<td>• Year round meetings and events</td>
<td>• Fair performance evaluation and compensation</td>
</tr>
<tr>
<td></td>
<td>• Website (SK innovation)</td>
<td>• Preventing unfair transaction</td>
</tr>
<tr>
<td></td>
<td>• Blog (SK innovation, SK energy)</td>
<td>• Strengthening communication and capabilities of suppliers</td>
</tr>
<tr>
<td></td>
<td>• Facebook (SK innovation, SK energy, SK lubricants)</td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>• Intranet (logging, etc.)</td>
<td>• Increasing company value</td>
</tr>
<tr>
<td></td>
<td>• In-house broadcasting (E&amp;G) and company newsletter</td>
<td>• Creating the value of mutual growth</td>
</tr>
<tr>
<td></td>
<td>• KCON/in-house messenger (Change Factilitator)</td>
<td>• Innovating intrinsic product competitiveness</td>
</tr>
<tr>
<td></td>
<td>• Dialogue between CEO and employees (CEO Commitment) and meetings</td>
<td>• Securing sustainable new technology</td>
</tr>
<tr>
<td></td>
<td>• Harmony (consulting coaching center to help employee’s mental health and capacity)</td>
<td>• Innovating business model and business portfolio</td>
</tr>
<tr>
<td></td>
<td>• Online Youtube Live broadcasting</td>
<td>• Striking work-life balance</td>
</tr>
<tr>
<td>Shareholders,</td>
<td>• Shareholders’ meeting, earnings presentation</td>
<td>• Strengthening shareholder-friendly transparent management led by BOD</td>
</tr>
<tr>
<td>investors</td>
<td>• Domestic and global Non-Deal Roadshow and conference</td>
<td>• Securing sustainable new technology</td>
</tr>
<tr>
<td></td>
<td>• 11 meetings, e-mail and phone inquiries</td>
<td>• Responding to internal and external risk</td>
</tr>
<tr>
<td></td>
<td>• Disclosure</td>
<td>• Expanding communication with stakeholders</td>
</tr>
<tr>
<td>Local</td>
<td>• Meeting with local organizations</td>
<td>• Strengthening communication and capabilities of suppliers</td>
</tr>
<tr>
<td>community</td>
<td>• Participation in local community committees near business sites</td>
<td>• Increasing company value</td>
</tr>
<tr>
<td></td>
<td>• Participation in the living and safety commissions of police substations</td>
<td>• Expanding communication with stakeholders</td>
</tr>
<tr>
<td></td>
<td>• Engagement in welfare facilities and group operating commissions in the adjacent region</td>
<td>• Preventing unfair transaction</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Striking work-life balance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Minimizing the release of environmental pollutants</td>
</tr>
<tr>
<td>Suppliers</td>
<td>• Regular meeting with suppliers</td>
<td>• Creating the value of mutual growth</td>
</tr>
<tr>
<td></td>
<td>• CEO seminar with suppliers in Ulsan and Seoul</td>
<td>• Securing sustainable new technology</td>
</tr>
<tr>
<td></td>
<td>• Regular meeting for logistics, machine and equipment inspection</td>
<td>• Supporting growth through shared infrastructure</td>
</tr>
<tr>
<td></td>
<td>• I·step system (technology exchange and joint R&amp;D)</td>
<td>• Strengthening communication and capabilities of suppliers</td>
</tr>
<tr>
<td></td>
<td>• Ethical management survey for suppliers</td>
<td></td>
</tr>
<tr>
<td>Classification</td>
<td>Disclosure</td>
<td>Description</td>
</tr>
<tr>
<td>----------------</td>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td><strong>Organizational Profile</strong></td>
<td>102-1</td>
<td>Name of the organization</td>
</tr>
<tr>
<td></td>
<td>102-2</td>
<td>Activities, brands, products, and services</td>
</tr>
<tr>
<td></td>
<td>102-3</td>
<td>Location of headquarters</td>
</tr>
<tr>
<td></td>
<td>102-4</td>
<td>Location of operations</td>
</tr>
<tr>
<td></td>
<td>102-5</td>
<td>Ownership and legal form Annual Report</td>
</tr>
<tr>
<td></td>
<td>102-6</td>
<td>Markets served</td>
</tr>
<tr>
<td></td>
<td>102-7</td>
<td>Scale of the organization</td>
</tr>
<tr>
<td></td>
<td>102-8</td>
<td>Information on employees and other workers</td>
</tr>
<tr>
<td></td>
<td>102-9</td>
<td>Supply chain</td>
</tr>
<tr>
<td></td>
<td>102-10</td>
<td>Significant changes to the organization and its supply chain</td>
</tr>
<tr>
<td></td>
<td>102-11</td>
<td>Precedent or principle or approach</td>
</tr>
<tr>
<td></td>
<td>102-12</td>
<td>External initiatives</td>
</tr>
<tr>
<td></td>
<td>102-13</td>
<td>Membership of associations</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>102-14</td>
<td>Statement from senior decision-maker</td>
</tr>
<tr>
<td></td>
<td>102-16</td>
<td>Values, principles, standards, and norms of behavior</td>
</tr>
<tr>
<td></td>
<td>102-17</td>
<td>Mechanisms for advice and concerns about ethics</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>102-18</td>
<td>Governance structure</td>
</tr>
<tr>
<td></td>
<td>102-19</td>
<td>Governing authority</td>
</tr>
<tr>
<td></td>
<td>102-20</td>
<td>Executive-level responsibility for economic, environmental, and social topics</td>
</tr>
<tr>
<td></td>
<td>102-22</td>
<td>Composition of the highest governance body and its committees</td>
</tr>
<tr>
<td></td>
<td>102-23</td>
<td>Chair of the highest governance body</td>
</tr>
<tr>
<td></td>
<td>102-24</td>
<td>Nominating and selecting the highest governance body</td>
</tr>
<tr>
<td></td>
<td>102-26</td>
<td>Role of highest governance body in setting purpose, values, and strategy</td>
</tr>
<tr>
<td></td>
<td>102-27</td>
<td>Collective knowledge of highest governance body</td>
</tr>
<tr>
<td></td>
<td>102-28</td>
<td>Evaluating the highest governance body's performance</td>
</tr>
<tr>
<td></td>
<td>102-31</td>
<td>Review of economic, environmental, and social topics</td>
</tr>
<tr>
<td></td>
<td>102-32</td>
<td>Highest governance body's role in sustainability reporting</td>
</tr>
<tr>
<td></td>
<td>102-33</td>
<td>Communicating critical concerns</td>
</tr>
<tr>
<td></td>
<td>102-35</td>
<td>Remuneration policies</td>
</tr>
<tr>
<td></td>
<td>102-36</td>
<td>Process for determining remuneration</td>
</tr>
<tr>
<td><strong>Stakeholder Engagement</strong></td>
<td>102-40</td>
<td>List of stakeholder groups</td>
</tr>
<tr>
<td></td>
<td>102-41</td>
<td>Collective bargaining agreements</td>
</tr>
<tr>
<td></td>
<td>102-42</td>
<td>Identifying and selecting stakeholders</td>
</tr>
<tr>
<td></td>
<td>102-43</td>
<td>Approach to stakeholder engagement</td>
</tr>
<tr>
<td></td>
<td>102-44</td>
<td>Key topics and concerns raised</td>
</tr>
<tr>
<td></td>
<td>102-45</td>
<td>Entities included in the consolidated financial statements</td>
</tr>
<tr>
<td><strong>Reporting Practice</strong></td>
<td>102-46</td>
<td>Defining report content and topic Boundaries</td>
</tr>
<tr>
<td></td>
<td>102-47</td>
<td>List of material topics</td>
</tr>
<tr>
<td></td>
<td>102-48</td>
<td>Assessments of information</td>
</tr>
<tr>
<td></td>
<td>102-49</td>
<td>Changes in reporting</td>
</tr>
<tr>
<td></td>
<td>102-50</td>
<td>Reporting period</td>
</tr>
<tr>
<td></td>
<td>102-51</td>
<td>Date of most recent report</td>
</tr>
<tr>
<td></td>
<td>102-52</td>
<td>Reporting cycle</td>
</tr>
<tr>
<td></td>
<td>102-53</td>
<td>Contact point for questions regarding the report</td>
</tr>
<tr>
<td></td>
<td>102-54</td>
<td>Claims of reporting in accordance with the GRI Standards</td>
</tr>
<tr>
<td></td>
<td>102-55</td>
<td>GRI content index</td>
</tr>
<tr>
<td></td>
<td>102-56</td>
<td>External assurance</td>
</tr>
<tr>
<td><strong>Management Approach</strong></td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td>103-3</td>
<td>Evaluating of the management approach</td>
</tr>
</tbody>
</table>

**GRI Index**
Third Party’s Assurance Statement

To: The Stakeholders of SK innovation Co., Ltd.

Introduction and objectives of work
BSI Group Korea (hereinafter ‘the Assurance’) was asked to verify SK innovation Co., Ltd’s ‘SK innovation ESG Report 2020’ (hereinafter ‘the Report’). This assurance report applies only to the relevant information contained in the scope of the assurance. SK innovation Co., Ltd is solely responsible for all information and assertion contained in the report. The responsibility of the assurance is to provide independent assurance statement with expert opinions to SK innovation by applying the verification methodology and to provide this information to all stakeholders of SK innovation.

Assurance Standards and Levels
This assurance was based on the AA1000AS v3 (2020) Assurance Standard and confirmed that the report was prepared in accordance with the Core Option of GRI Standards. The assurance level was based on the Type 1 that confirmed compliance with the four principles of AA1000 AP (2018) in accordance with the AA1000 AP: and the Type 2 assurance that verified the quality and reliability of the information disclosed in the report. The Type 2 assurance was applied to the following disclosure of the GRI Specific Topic Standards:

- Economic: 201-1~2, 203-1~2, 204-1, 206-1
- Social: 401-2, 403-1, 403-3~8, 403-10, 404-1~2, 405-1, 412-2, 413-1, 414-1, 418-1
- Environmental: 303-2 Management of water discharge-related impacts, 303-1 Water withdrawal, 305-1 Direct Scope 1 GHG emissions, 305-2 Indirect (Scope 2) GHG emissions, 305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions, 306-3 Waste generated
- Inclusivity: Stakeholder Engagement and Opinion

The assurance report was prepared according to the Core option of the GRI Standards.

Assurance Opinion
On the basis of our methodology and the activities described above, it is our opinion that
- The information and data included in the SK innovation ESG Report 2020 are accurate and reliable and the assured cannot point out any substantial aspects of material with mistake or misstatement.
- The report was prepared according to the Core option of the GRI Standards.
- The assurance opinion on the four principles presented by the AA1000 AP (2018) is as follows.

AA1000 AP (2018)
Inclusivity: Stakeholder Engagement and Opinion
SK innovation defined Employees, customers, business partners, local communities, shareholders and investors, and operates communication channels for each group for stakeholder engagement. Through this, it was confirmed that the social value needs of key stakeholders and issues of interest were identified, and the derived major issues were reflected in decision-making on sustainability management through the ESG Design Team.

Maturity: Identification and reporting of material sustainability topics
SK innovation conducted internal ESG issue analysis, internal and external stakeholder survey, media research analysis through media exposure and the number of articles by area, benchmarking for DJSI leading companies in the same industry, and analysis of international standards related to CSR to derive important reporting topics for ESG. Based on the material issues identified, they evaluated stakeholder interest and business impact to determine priorities and reported 10 materiality topics for sustainability management.

Responsiveness: Responding to material sustainability topics and related impacts
SK innovation is responding through management activities such as Green Balance 2030 to appropriately respond to the decided materiality topics by reflecting stakeholders’ expectations. In addition, through a management account called Social Value Account, the progress of the SV Account implemented for major stakeholders by business were reported to the management.

Impact: Impact of an organization’s activities and material sustainability topics on the organization and stakeholders
SK innovation implemented the process to identify and evaluate the impact on organizations and stakeholders related to material topics. From a sustainability perspective, financial impact, reputation impact, and operational impact determined by material issues were classified and disclosed through the Material Topic item in the report.

Key areas for ongoing development
- In order to identify material issues, it is necessary to include a wider range of sustainability themes in the pool, and when selecting material topics, it is necessary to increase the proportion of external stakeholders so that issues with high social interest can be selected.
- Although the impact on organizations and stakeholders related to material topics is identified in terms of financial, operational, and reputational, it is recommended to include a means to measure potential impacts, including environmental and social impacts.
- It is recommended to establish a system for collecting, and integrated management of performance data by economic, social, and environmental areas to monitor performance on a regular basis and to integrate with the internal audit process for data reliability management.
- It is recommended to report more clearly on GHG reduction and energy saving performance data related to ‘Strengthening response to climate change’, which is one of SK innovation’s material topics.

Statement of independence and competence
The assurer is an independent professional institution that specializes in quality, health, safety, social and environmental management with almost 120 years history in providing independent assurance services. No member of the assurance team has a business relationship with SK innovation. The assurer has conducted this verification independently, and there has been no conflict of interest. All assured who participated in the assurance have qualifications as AA1000AS assure; have a lot of assurance experience, and understand the BSI Group’s Assurance Standard methodology.

Evaluation against GRI ‘In Accordance’ Criteria
The assurer confirmed that this report was prepared in accordance with the GRI Standards Core Option and the disclosures related to the following Universal Standards and Topic-specific Standards Indicators based on the data provided by SK innovation.

Universal Standards
- Organizational Profile 102-1~3/ Strategy 102-14/ Ethics and Integrity 102-16~17/ Governance 102-18~20,

Topic-specific Standards
- Economic: 201-1~2, 203-1~2, 204-1, 206-1
- Environmental: 302-1, 302-4, 303-1~3, 305-1~2, 305-5, 305-7, 308-1~2
- Social: 401-2, 403-1, 403-3~8, 403-10, 404-1~2, 405-1, 412-2, 413-1, 414-1, 418-1

BSI
K. S. Song / BSI Group Korea, Managing Director

13 July 2021
This report is made of FSC® certified paper.