

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.

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An aerial photograph of a vast, dense forest of tall, coniferous trees. The trees are a vibrant green, and the perspective is from a high angle, looking down on the canopy. A white-bordered rectangular box is superimposed on the left side of the image, containing text.

**SK innovation  
shaping a sustainable  
future for mankind with  
ESG management**

An aerial photograph of a vast, dense forest of tall, coniferous trees, similar to the one on the left page. The trees are a vibrant green, and the perspective is from a high angle, looking down on the canopy. A text block is superimposed on the right side of the image.

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 Juw*

### 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 BaaS(Battery-as-a-Service) and other applications (ESS, eVTOL, e-Marine, etc.) beyond Lithium ion Battery Separator (LiBS) 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. More over, 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 transportation 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

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

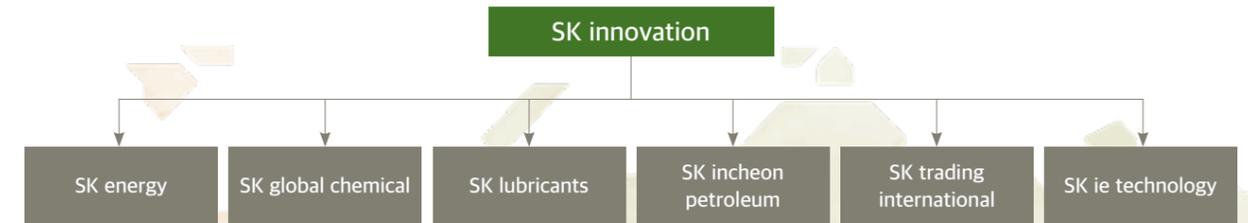
(As of December 2020, Unit: KRW 1 million)

## 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.

Production Blocks	SK innovation	Vietnam, Libya
Exploration Blocks	SK innovation	China, Vietnam
LNG	SK innovation	Peru, Yemen, Oman, Qatar
Production Sites	SK innovation	Domestic sites: Ulsan Complex, Seosan, Jeungpyeong, Cheongju
	SK energy	Overseas sites: Hungary, USA, China, Poland, Spain, France
	SK global chemical	
	SK lubricants	
	SK ie technology	
	SK incheon petroleum	Incheon
Korea Environmental Industry & Technology Institute	SK innovation	Daejeon
TS&D Center	SK global chemical	China

## SK innovation Major Subsidiaries



\*You can find more information on introducing major subsidiaries on each company's website.

Overseas Corporation	SK innovation	Hungary, USA
	SK energy	China, Singapore
	SK global chemical	China, Singapore, Japan, USA, Spain, France
	SK lubricants	USA, China, India, Russia, Japan, Netherlands, Indonesia, Spain
	SK trading international	Singapore, UK, USA
	SK ie technology	Poland, China
Overseas Branch	SK innovation	China, Vietnam, Peru
	SK global chemical	UAE, Germany
	SK lubricants	UK, China
	SK energy	Vietnam, Taiwan
	SK trading international	UAE

# 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.

## 3 Oil Business- 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.

## 2 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.

## 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

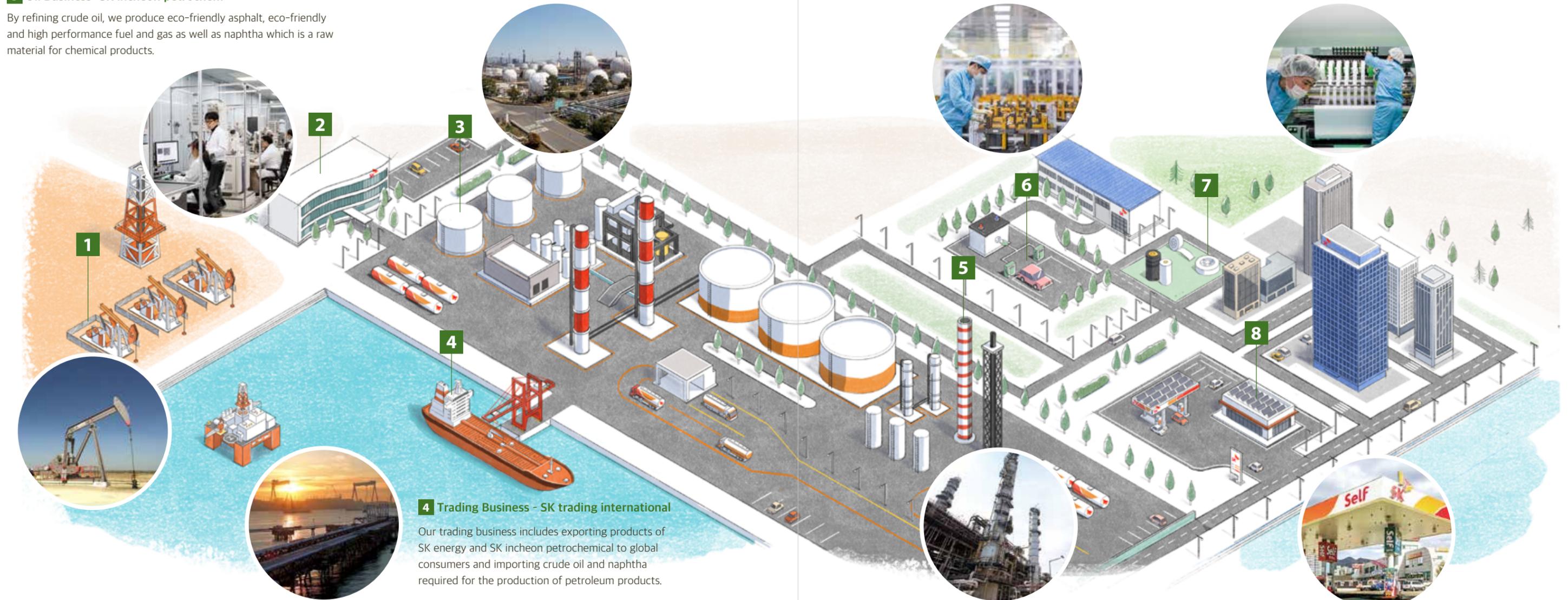
We produce LiBS, which is a key material in lithium-ion batteries and Flexible Cover Window (FCW), a core material replacing glass in flexible display.

## 5 Chemical & Lubricants Business - SK global chemical, SK lubricants, SK incheon petrochem

Using by-products produced during refining process, we produce chemical products used in various fields, including lubricant base oil for automobile engine, and lubricants, going through reforming process and impurity removal process.

## 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 be come 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.



**SK energy**

**Term** 2018.1 ~

**Career** Current) President & CEO of SK energy

**Highlights** Former) Vice President of Finance of SK Inc.  
Former) Senior Executive Managing Director of Finance Team of SK Inc.  
Former) Executive Managing Director of Finance Team of SK Inc.  
Former) Executive Managing Director of Financial Management of SK telecom  
BA in Business Administration from Seoul National University

Cho Kyungmok CEO



**SK global chemical**

**Term** 2018.12 ~

**Career** Current) President & CEO of SK global chemical

**Highlights** Former) Department Head of Biz. Innovation of SK innovation  
Former) Performance Management Director of SK innovation  
Former) SK Inc. Business Support Office Energy/Chemistry CoE  
Former) Strategic Planning Team Leader of SK energy  
BA in Business Administration from Korea University

Na Kyungsoo CEO



**SK lubricants**

**Term** 2019.12 ~

**Career** Current) President & CEO of SK lubricants

**Highlights** Former) Department Head of Base Oil Business of SK lubricants  
Former) Department Head of Lubricating Oil Business of SK lubricants  
Former) General Manager of SK energy Netruck Business  
Former) Retail Development Team Leader of SK energy  
BA in Economics from Yonsei University

Cha Kyutak CEO



**SK incheon petrochem**

**Term** 2019.12 ~

**Career** Current) President & CEO of SK incheon petrochem

**Highlights** Former) Department Head of Productin of SK incheon petrochem  
Former) General Manager of Facility of SK incheon petrochem  
Former) Facility Management Team Leader of SK incheon petrochem  
BA in Electrical Engineering from Hanyang University

Choi yoonseok CEO



**SK trading international**

**Term** 2018.12 ~

**Career** Current) President & CEO of SK trading international

**Highlights** Current) Representative of SK energy R&S CIC  
Former) Department Head of Optimization of SK innovation  
Former) Executive of Oil Price Team of SK SUPEX Council  
Former) General Manager of Optimization & Analytics of SK innovation  
Former) General Manager of Oil Trading Business of SK energy  
BA in Economics from Seoul National University

Seo Seokwon CEO



**SK ie technology**

**Term** 2019.4 ~

**Career** Current) President & CEO of SK ie technology

**Highlights** Former) Representative of Material Business of SK innovation  
Former) General Manager of I/E Material Business of SK innovation  
Former) General Manager of Global Growth Promotion of SK lubricants  
Former) Strategic Planning Team Leader of SK lubricants  
BA in Business Administration from Yonsei University

No Jaeseok CEO



**SK energy P&M CIC**

**Term** 2020.12 ~

**Career** Current) Representative of SK energy P&M CIC

**Highlights** Former) Department Head of EnergyB2C of SK energy  
Former) Department Head of BM Innovation of SK energy  
Former) Executive of Strategic Support Team of SK SUPEX Council  
Former) Portfolio General Manager of PM3 Division of SK Inc.  
BA in Law from Yonsei University

Oh Jonghoon President



**SK innovation Battery**

**Term** 2019.12 ~

**Career** Current) Representative of SK innovation Battery Business

**Highlights** Former) President & CEO of SK lubricants  
Former) Director General of Integrated Secretariat of SK SUPEX Council  
Former) General Manager of Strategic Planning Division of SK telecom  
Former) General Manager of Future Management of SK telecom  
BA in Economics from Seoul National University

Jee Dongseob President



**SK innovation E&P**

**Term** 2020.12 ~

**Career** Current) Representative of SK innovation E&P business

**Highlights** Former) General Manager of Happiness Management of SK innovation  
Former) General Manager of Management Culture Innovation of SK innovation  
Former) Branch office President of Bogota of E&P Business of SK innovation  
BA in Commerce and Trade from Pusan National University

Myoung Sung President

# 10 Years of SK innovation's ESG



2011

- Established Greenhouse and Energy Minimum Standards (GEMS)
- Received transparent management award



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



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



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



2015

- Donated carbon emissions right under UNFCCC CDM
- Executed master plan on energy efficiency improvement
- Acquired IICA Fund support (Finland)



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

2020

- 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



2019

- Joined GBA (Global Battery Alliance)
- Established standard workplaces for the disabled (Happykium, Happydidim, Happymoeum)
- Adopted TCFD report
- Selected as chairman of the board of outside directors



2018

- 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



2017

- 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
- Incorporated into DJSI World
- Introduced employee 1% sharing fund



2016

- Operated official recruitment process for the disabled
- Adopted SASB standard report



# 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.

PHASE 1

**ESG 1.0**  
Attention & Declaration



PHASE 2

**ESG 2.0**  
Implementation & Outcome  
*SKI's current status*



PHASE 3

**ESG 3.0**  
Positioning as a Leading Company

ESG management vision

Trusted by financial society

# Green & Global ESG Leading Company



Joining the global response to climate change by achieving Net Zero

- 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



Promoting ESG Journey together with all SKI stakeholders

- 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/nurture eco-friendly ventures



Upgrading BOD-driven management system to lead ESG management

- 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

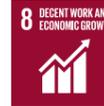
# ESG Commitments

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.

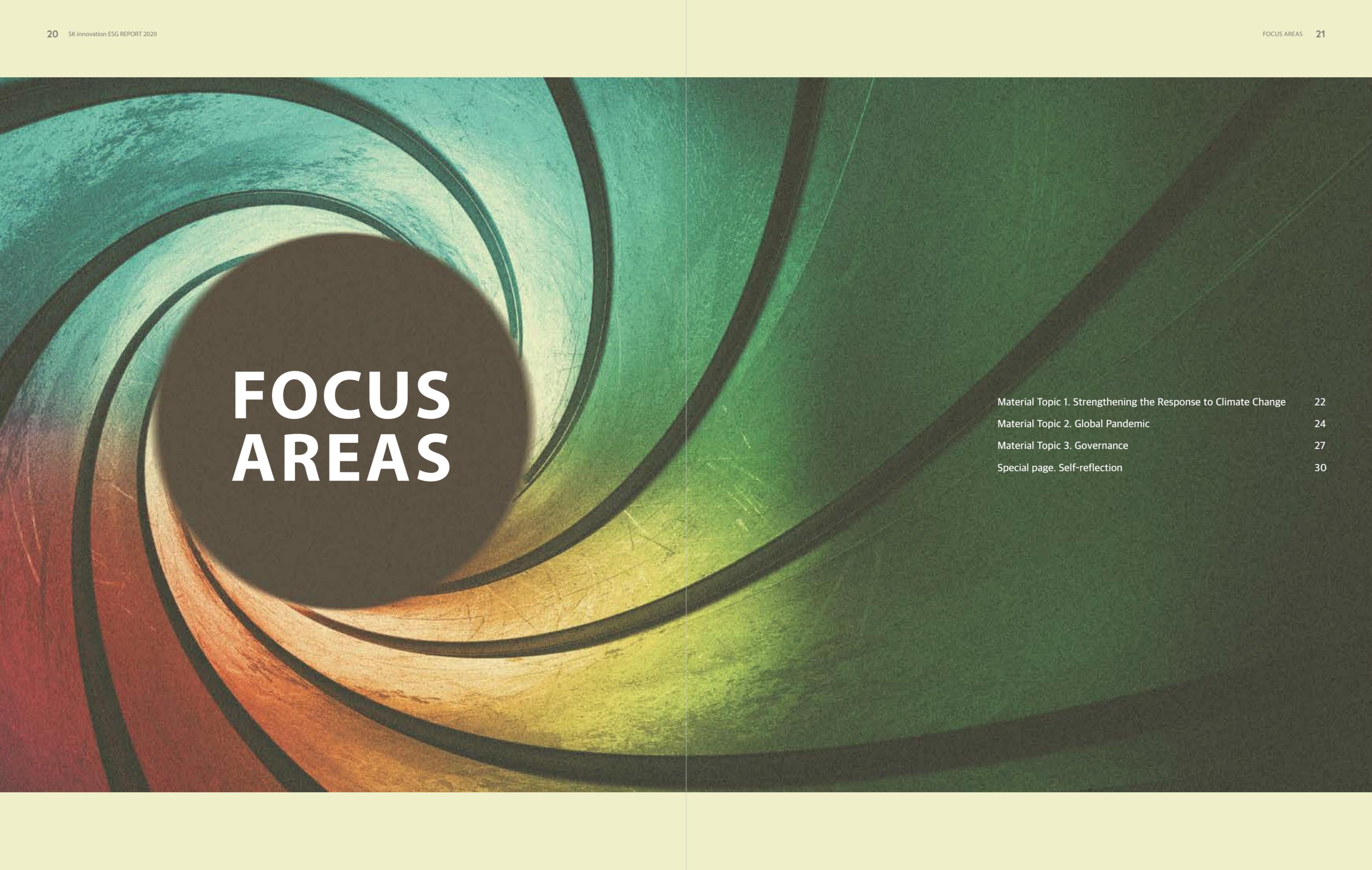
## UN SDGs

Sustainable Development Goals (UN SDGs)	Implementation Direction	Major Activities
	We are making an effort to establish social safety net by providing quality food to local community to contribute to resolving global poverty issue.	<ul style="list-style-type: none"> <li>Promote agricultural technology for farming households in Peru and help create a profit model</li> <li>Provide meal boxes to children skipping meals all over the country by anticipating in Happiness Alliance</li> </ul>
	We are implementing various programs to solve problems related to children with development disorder who require social integration and caring and the elderly issue to make a healthier local community.	<ul style="list-style-type: none"> <li>Alleviate social isolation of the elderly living alone and restore self-esteem</li> <li>Improve sociality of children with growth disabilities</li> <li>Promote self-support for children with growth disabilities, support mental stability programs for careers of the elderly living alone</li> </ul>
	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.	<ul style="list-style-type: none"> <li>Provide education programs in areas of operation within the US</li> <li>Support the study of socially disadvantaged students in Incheon area</li> <li>Run 'My School' program in Peru to provide quality education service to low-income students</li> </ul>
	We run 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.	<ul style="list-style-type: none"> <li>Operate W-Network, the internal women's consultative group</li> <li>Implement support policies including maternity leave and child-care leave</li> </ul>
	We minimize the use of water resources and reduce water pollutants by establishing and applying thorough internal control guideline for water resources.	<ul style="list-style-type: none"> <li>Reduce waste water by building eco-friendly business sites</li> </ul>
	We are making an effort to announce Net Zero Roadmap that includes the goal of converting all energy sources to new and renewable energy by 2030 and establish eco-friendly business sites.	<ul style="list-style-type: none"> <li>Provide energy through the Cook Stove distribution project in Myanmar</li> <li>Operate photovoltaic power generation facility in Netruck House and gas stations</li> <li>Join SKIET RE100 Initiative</li> <li>Install energy storage system (ESS) at SKIET</li> </ul>

**Major initiatives** SK Innovation seeks to identify trends in the industry and collaborate with various stakeholders through the participation 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.

Sustainable Development Goals (UN SDGs)	Implementation Direction	Major Activities
	We cooperate with various stakeholders based on our capabilities such as R&D and marketing. By doing so, we are supporting the creation of safe and decent jobs and the sound development of the society.	<ul style="list-style-type: none"> <li>Create jobs by developing social enterprises</li> <li>Create safety and stable working environment through our regulations and policies</li> <li>Reinforce shared growth with partner companies through business, training, and financial support</li> </ul>
	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	<ul style="list-style-type: none"> <li>Diversity &amp; Equity</li> </ul>
	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 actively by realizing a true net zero by reducing greenhouse gas emissions from business sites and converting our business into low-carbon business.	<ul style="list-style-type: none"> <li>Net zero roadmap</li> <li>Expand eco-friendly business portfolio</li> <li>'I Green We Green' campaign to protect the global environment</li> </ul>
	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.	<ul style="list-style-type: none"> <li>Prevent and manage oil spill</li> </ul>
	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.	<ul style="list-style-type: none"> <li>Conserve biodiversity by restoring mangrove forests in Vietnam</li> </ul>
	We share our core capabilities such as R&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.	<ul style="list-style-type: none"> <li>Green Alliance</li> <li>Establish eco-friendly material community (Eco-friendly Plastic Packaging Materials Forum)</li> <li>Launch the "Carbon Free Island Initiative" in An Binh Island, Vietnam</li> <li>Promote global partnership activities for a sustainable management</li> </ul>





# FOCUS AREAS

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**MATERIAL TOPIC 1.**

# Strengthening the Response to Climate Change



**WHY**

**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 materials from the business perspective. In addition, we are reshaping the governance focusing on climate change to make sure that the implementation of the strategy is accelerated.



**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

**Management of energy and greenhouse gas emissions at the workplace**

SK innovation manages energy consumption and greenhouse gas emissions at all business sites systematically. We use OASIS, the next generation production information system, developed based on standardization of master data to monitor energy consumption and produce greenhouse gas emissions data at all sites based on the Guideline for Reporting and Certification of Emissions in the Greenhouse Gas Emissions Trading Scheme presented by the Korean government. And the data are verified by a third-party agency to secure transparency and objectiveness. From 2021, we are developing control indicators and verification process according to global standards with a plan to expand our control scope to emissions from supply chain and products (Scope 3). We are also separately reviewing plans on managing overseas business sites in line with the relevant national law in which the sites are located.

**Setting the greenhouse gas emissions goal through Net Zero roadmap (Green Transformation)**

SK innovation is making its utmost efforts to meet the requirements of internal and external environments based on Nationality Determined Contributions (NDCs) of the Korean government and Paris Agreement to reduce greenhouse gas emissions, a global issue. We established the goal of achieving net zero for total greenhouse gas emissions (Scope 1&2) generated in the process of operating business sites by 2050, specified tools to reduce emissions and present specific implementation roadmap. Moreover, we have established a clear goal for greenhouse gas emission that is generated across the value chain from raw material purchase to consumption behavior, going beyond simple management. To achieve this goal, we are making an efforts such as strengthening cooperation with supply chain and expanding eco-friendly portfolio.

**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.

**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 function to share information on ESG issue, discuss and identify ways to solve problems and explore ways for cooperation. ESG Design Team selects and manages various agendas to respond to climate change such as climate change risk check, monitoring of greenhouse gas emissions reduction plan and implementation status and review new eco-friendly technologies and business opportunities through monthly and occasional meetings. 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. In addition, we are actively pursuing ESG improvement by establishing internal ESG KPI system based on matters expected by external stakeholders such as ESG evaluation agency.

**Participation in climate change initiatives**



SK innovation declared a carbon reduction plan that includes Scope 3 based on climate exchange scenario through 'Green Balance 2030' in 2020 by participating in 'Climate Action 100+' which requires the strengthening of disclosure on climate change related financial information and the declaration of mid to long-term plan and implementation of reduction activities to achieve carbon neutrality by 2050. In addition, it declared its willingness to achieve carbon neutrality for Scope 1, 2, and 3 emissions by 2050.



SK innovation has participated in Climate Change Project (CDP), which discloses the opportunity and risk factors related to climate change since 2020 to declare its willingness to tackle climate change.



## MATERIAL TOPIC 2. Global Pandemic



### WHY

#### 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

#### 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

#### 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

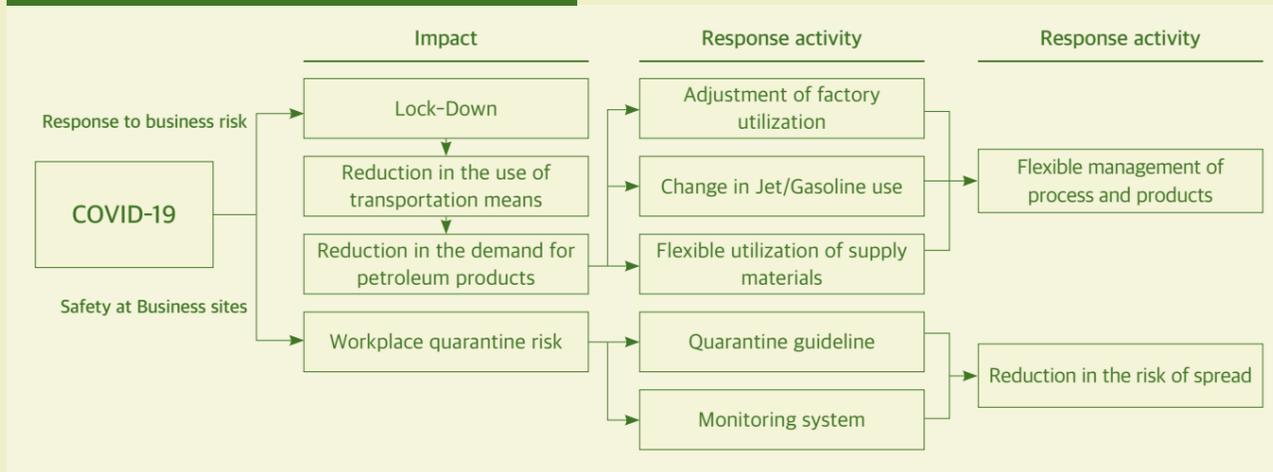
Blood donation program

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 'high 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.

**Biz. Activity (Response to external risk at the business level)**



**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 margin.

**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.

Members	Confirmed cases						
SHE Division (w.General Affairs)	Emergency announcement						
General Affairs	Evacuation						
General Affairs	Emergency quarantine						
Head of department of employee	Investigation	Contact with COVID-19 positive person	Notify who had contact	Identify significant group	Notify significant group	Returning to work announcement	Returning to work
			General affairs	SHE Division	Those in contact with COVID-19	SHE Division	Members



**MATERIAL TOPIC 3.**

**Governance**



**WHY**

**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 creasing 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**

**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**

**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.

Governance innovation orientation	Strategic direction
<p><u>Establishment of 'actual' BOD-driven management system</u></p> <ul style="list-style-type: none"> <li> <p>Securing diversity and autonomy for a dynamic BOD</p> <p>Improving diversity in terms of gender, age, race, ethnicity, etc. and operating the BOD driven by outside directors</p> </li> </ul>	<ul style="list-style-type: none"> <li> <p><b>Securing diversity of the BOD:</b> 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.</p> </li> <li> <p><b>Strengthening the autonomy of the BOD:</b> 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.</p> </li> <li> <p><b>Strengthening the accessibility of the BOD to information:</b> 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.</p> </li> </ul>
<ul style="list-style-type: none"> <li> <p>Strengthen BOD's power to execute for ESG management</p> <p>Strengthening the role of the Future Strategy Committee and establishing ESG Committee</p> </li> </ul>	<ul style="list-style-type: none"> <li> <p><b>Expanding the Future Strategy Committee:</b> 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.</p> </li> <li> <p><b>Establishment of the ESG Committee:</b> 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.</p> </li> </ul>
<ul style="list-style-type: none"> <li> <p>CEO evaluation and compensation led by the BOD</p> <p>Giving the right to evaluate and compensate CEO to HR Evaluation and Compensation Committee</p> </li> </ul>	<ul style="list-style-type: none"> <li> <p><b>Reviewing evaluation, compensation and succession of CEO:</b> 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.</p> </li> </ul>
<ul style="list-style-type: none"> <li> <p>Upgrading BOD evaluation/compensation system</p> <p>Re-establishment of BOD evaluation and compensation system with strengthened role of outside directors and strengthening communication led by BOD.</p> </li> </ul>	<ul style="list-style-type: none"> <li> <p><b>Establishment of BOD evaluation and compensation system:</b> 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.</p> </li> <li> <p><b>Strengthening BOD's communication with the financial society:</b> We share the results of BOD's decision with outside shareholders and stakeholders through direct communication to secure trust from stakeholders.</p> </li> </ul>
<p><u>Upgrading BOD-driven global compliance response system</u></p> <ul style="list-style-type: none"> <li> <p>Expansion of Audit Committee</p> <p>Expanding the role of existing Audit Committee to respond to corporate compliance and risk</p> </li> </ul>	<ul style="list-style-type: none"> <li> <p><b>Expansion of the Audit Committee:</b> 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.</p> </li> </ul>
<ul style="list-style-type: none"> <li> <p>Establishment of the global compliance system</p> <p>Promoting the establishment of global compliance system for the systematic management of compliance risk</p> </li> </ul>	<ul style="list-style-type: none"> <li> <p><b>Establishment of global compliance system:</b> 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.</p> </li> <li> <p><b>Establishment and operation of global compliance program:</b> 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.</p> </li> </ul>



**Battery-related Disputes**

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.

**Insufficient Management of Human Accidents**

LTIR, an indicator of human accident, has been maintained higher for the past 3 years (2018-2020). During this period, as large-scale new/extension projects such as No.2 VRDS were underway, there was a temporary increase in human accidents at construction sites. In addition, looking at the overall accident type, many injuries occurred due to negligence during daily work activities such as service services such as security and restaurants, events, and moving, not risky work such as process operation and facility maintenance. Many accidents were related to injuries caused by negligence in daily work activities, not the accidents related to work with high risk such as process operation or equipment repair. In addition to managing hazardous work at the production site, it is necessary to establish a culture where people are aware of accident and internalize behavior that considers safety in daily lives.



**Gasoline price Fixing Charge in California**

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.

**SK innovation's Ways for Management**

**Establishment of Global Compliance System**

SK innovation strengthened the existing compliance system at the expanded audit committee where all outside directors participated in March 2021 to accelerate ESG management and manage risk systematically. In addition, it decided to establish the compliance management system that is in line with international standards and the effort to establish such a system is underway.

New management system will re established based on areas for improvement of existing compliance system from the objective perspective of experts for 7 areas (fair trade, anti-corruption, intellectual property rights, information protection/industrial security, employment/labor/human rights, safety/health/environment and sanctions by selecting domestic and international experts. We are planning to apply the global compliance system in Korea and US business sites in 2021 and expand the application to all global business sites in 2022 considering country-specific regulatory characteristics. In addition, we will make an effort to help strengthened compliance culture take root for all employees and the management and secure transparency by reporting the results of operation to the board of directors and internal and external organizations regularly.



**Strengthening HR Recruitment Process**

SK innovation conducts all recruitment processes including recruitment of new employees and employees with experience based on the principle of 100% open recruitment. We plan to strengthen pre-screening activities in order to prevent in advance the risk of hiring personnel from competitors due to the rapid growth of the battery industry. SK innovation will operate process guardian led by HR department to notify confidentiality on non-infringement of sales secret before job interview to eliminate any risk related to trade secret and block issues during interview. In addition, recruitment process management will be strengthened by operating legal issue council related to recruitment.

**Spread of Safety Culture**

SK innovation will strengthen the safety management requirements for construction companies in future projects and plan to check and manage the implementation of such requirements. In addition, SK innovation will establish new safety rules at the business site level in addition to safety golden rules for risky work to make sure that safety culture within a business site can be internalized so that members and partner company's employees can continue to follow such rules. In addition, we will strengthen safety leadership further by establishing the code of conduct for safety and a program to follow voluntarily across the company.



# ENVIRONMENT

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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 requires 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.

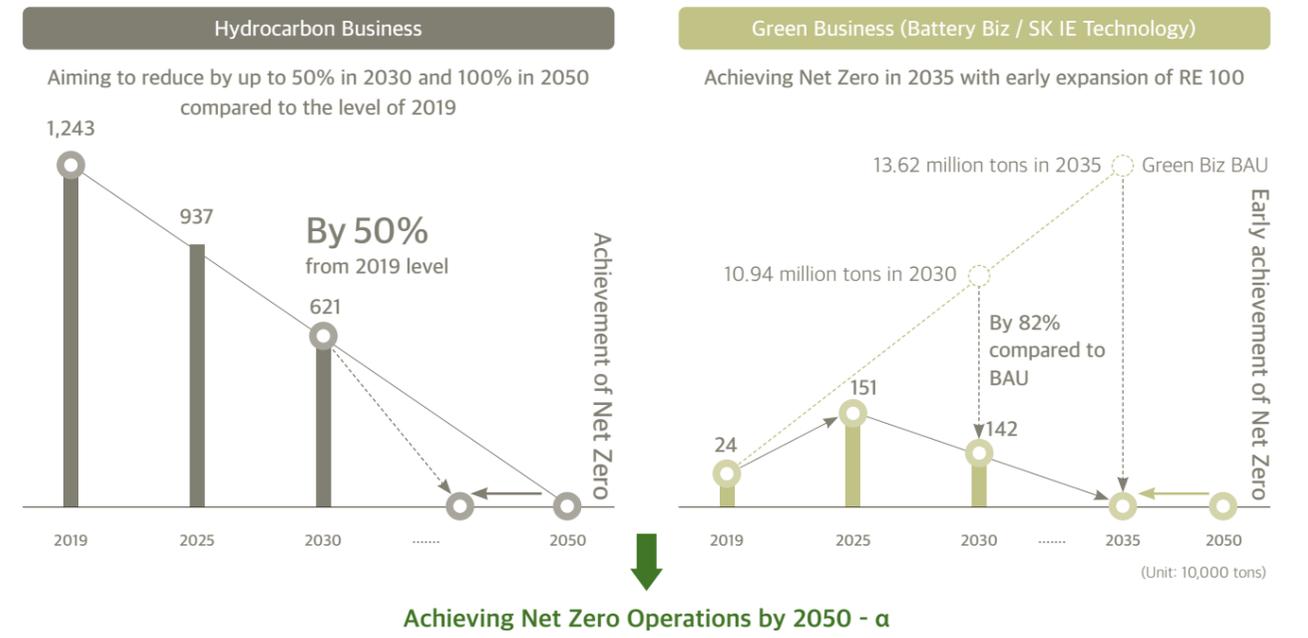
## SK innovation's Net Zero Ambition

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, we will actively make an effort to reduce Scope 3 carbon intensity by converting portfolio to low-carbon business-centered portfolio and expansion of green business such as bio fuel under Les Carbon More Green Portfolio strategy.



## Net Zero Action Plan

**SCOPE 1, 2** 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.



**SCOPE 3** Scope 3, which looks at the entire business process, lacks a clear guide and is difficult to achieve with individual company's efforts. However, SK innovation selects areas to be managed with a focus considering the connection with the business and significance and explore ways to reduce Scope 3 emissions. We plan to design management indicators incorporating the portfolio transformation direction pursued by SK innovation and establish the target at the level that meets Paris Climate Agreement. 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.

## 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 contribute to the achievement of Net Zero and secure new growth engine at the same time by developing various product options in line with Net Zero.

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 BaaS(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 30GWh 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 BaaS 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 eVTOL<sup>1)</sup> 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.

1) 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' 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 split-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 FCW 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 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 volunteering to collect 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 III+ 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 onshore and offshore 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 playing 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 secures reliability through third-party verification. We sets 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 ie technology has installed energy storage system (ESS) to save energy and uses 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 alternatively for 5 hours out of 6 hours of maximum load time with 2MW output. It contributes to the expansion of new and renewable energy and increases the efficiency of the power industry, thereby suppressing the construction of additional power plants.



### Atmospheric environment management

#### Management of air pollutants

SK innovation is continuing its efforts to reduce air pollutants emitted from its business sites through active investment in the installation of air pollutant reduction facilities and conversion of fuel at facilities.

#### Implementation of the total air pollutant management system

SK innovation is working hard to ensure that newly regulated business sites comply with regulations and contribute to improving the air environment in accordance with the strengthening of the air pollutant emission management system. Business sites to which the system applies are allocated annual air pollutant emission allowances from 2020 to 2024, the first planning period, and must continuously reduce emissions. To put this into practice, SK innovation Ulsan CLX is investing more than KRW 300 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 gases 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.

#### Efforts to reduce air pollution emissions

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 recovering 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 ie 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 dichloromethane 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 Jeungpyeong plant but also to plants in China and Poland. SK trading 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.

### Water environment management

#### Water resources management

The main sources of water for each business site of SK innovation include Daecheong Dam, Daeam 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 effluent management required by applicable laws such as 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 process 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

Business Site	Wastewater Treatment Facility	Treatment Method	Emission Site
SK energy (Ulsan)	Ulsan Complex wastewater plant	Biological, Advanced treatment	Public water (East Sea)
	No.2 FCC wastewater plant	Biological	Yongyeon terminal disposal plant for sewage
SK global chemical (Ulsan)	PE,PP wastewater plant	Physical and chemical	Yongam wastewater plant
	EPDM wastewater plant	Biological	Yongam wastewater plant
SK incheon petrochem (Incheon)	-	Biological, Advanced treatment	Gajwa terminal disposal plant for sewage
SK ie technology (Jeungpyeong)	-	-	Terminal disposal plant for sewage in Jeungpyeong-gun general industrial complex
SK innovation (Cheongju)	-	-	Terminal disposal plant for sewage in Cheongju general industrial complex

**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 generated 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, airtight 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 worksites, 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 landfill/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 tech-

nologies 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<sup>1)</sup> system and provided them to customers along with MSDS.

1) e-MSDS system: System was upgraded by introducing new chemical substance information database and MSDS preparation algorithm 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 facilities within Ulsan CLX. By doing so, SK innovation meets the Chemical Substances Control Act and strengthens its control over the prevention and management of chemical accident.

● **Recycling rate of waste in 2019 and 2020**

Classification	SKE		SKGC		SKL	
	2019	2020	2019	2020	2019	2020
Recycling rate (%)	72%	83%	71%	81%	81%	81%
Waste amount (ton)	78,470	58,252	19,591	20,816	2,167	1,080
Recycled amount (ton)	56,133	49,275	13,944	16,798	1,746	874
Increase in recycling amount (ton)		-6,858 <sup>1)</sup>		2,854		-872

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

**Prevention of Oil Spill**

**Management and Prevention of Soil Environment Pollution**

Soil pollution survey

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.



Marine emergency response training

# SOCIAL



## 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.



### 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 leaves/working 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 providing the highest level of safety and health environment

- Pursuing eradication of severe accidents at work place 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

Providing safety net for the local community

### 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 norms in business activities to make sure that direct or indirect human rights infringement events 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 compliance risk zero 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

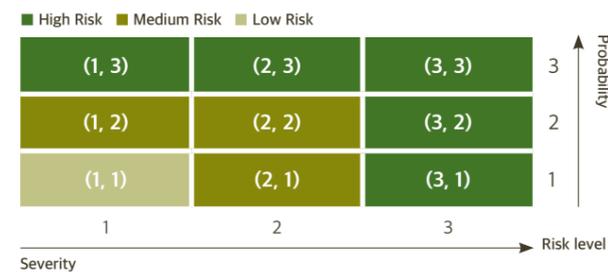
#### ● Human Rights Due Diligence Process

Evaluation classification	Regular evaluation	Evaluation as needed
Period	Once a year	When major risk factor arises
Lead	SK innovation Corporate Culture Division, Sustainable Management Division and the third verification agency	
Self-diagnosis	<ul style="list-style-type: none"> <li>● Conducting online self-analysis targeting all employees based on checklist</li> <li>● The checklist is composed of 20 to 30 items and needs to be updated regularly</li> </ul>	
Filed inspection	Conducting field inspection related to major risk factors (1:1 interview with employees) Field inspection on major partner company's business site and sampling survey targeting partner companies	
Potentially vulnerable group in terms of human rights (Based on ILO guidelines)	① Female workers    ② Children and young workers    ③ Refugees ④ Ethnic minorities    ⑤ Indigenous people and immigrants    ⑥ Workers with disability	

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.



## Human Rights Protection for Members

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.



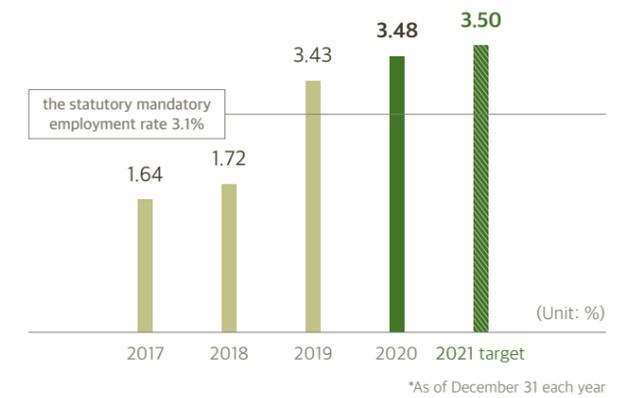
## Recruitment and Evaluation of Talents

### Transparent Recruitment Process<sup>1)</sup>

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.

<sup>1)</sup> SK innovation and its affiliates prevents children and forced labor in advance through age and background checks of all applicants during recruitment process.

#### ● Rate of Employing the Disabilities at SK innovation Affiliates



## 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 fair 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.

### Talent Cultivation System

#### Member Movement and Career Management

SK innovation has established a talent cultivation system to manage employees' career and supported continuous growth and capacity building of its members. For the self-directed career design and management of employees, the company established career development path and operates regular coaching process 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 interview. 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

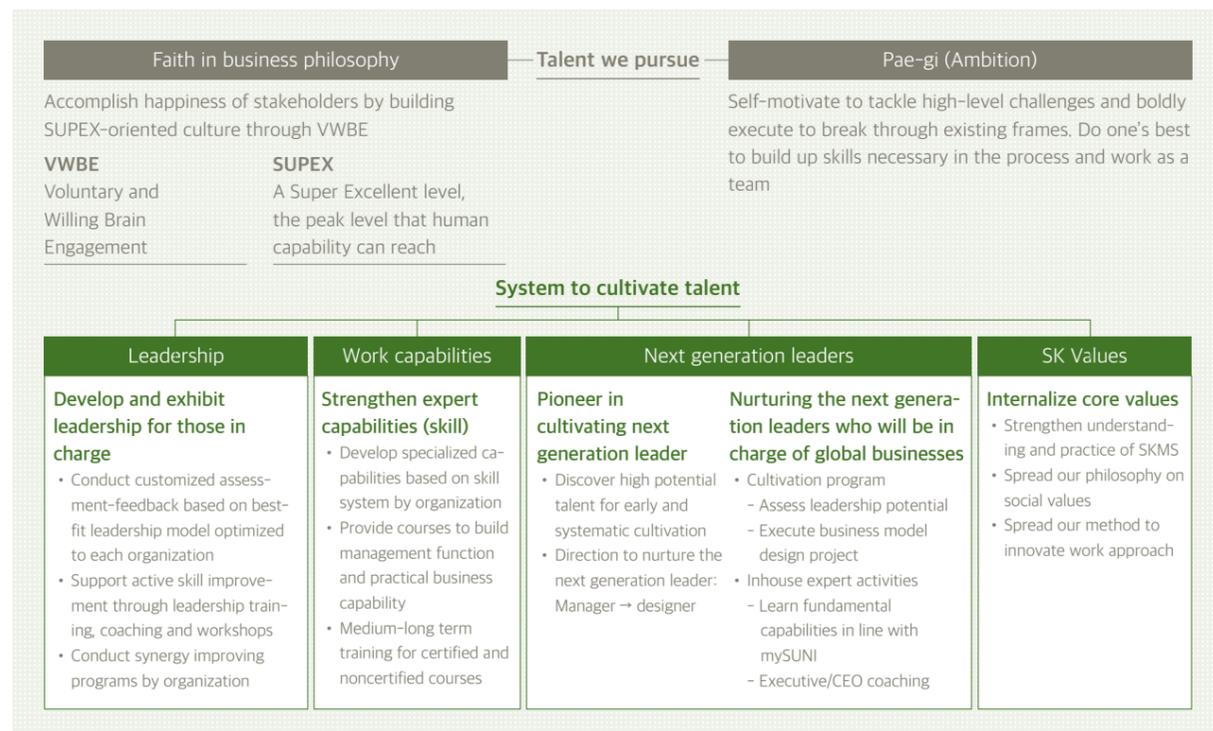
To recruit and develop employees for future leaders who will lead changes and innovation, SK innovation identifies core talents required for innovating business models, based on the database we have built and managed. SK innovation is also hiring more local talents to respond to our growing global businesses.

#### 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.



### Main HRD Programs

#### Customized Training Programs

SK Innovation organizes curriculums by professions, such as engineers, researchers, and technical trainees, 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 plans.

#### 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.

#### Occupational Skills Development led by In-house Experts

We promote voluntary learning and knowledge sharing activities by selecting inhouse experts in major areas who can contribute to organizational outcome and transfer individual capabilities to the organization. In-house experts are reviewed and selected by possession of patent/license, CEO award winning history, PhD in relevant field and publication of papers. Regular online and offline lectures are provided based on their knowledge and experience and such lectures are uploaded to mySUNI, an education platform of SK Group so that it can spread at the corporate level.

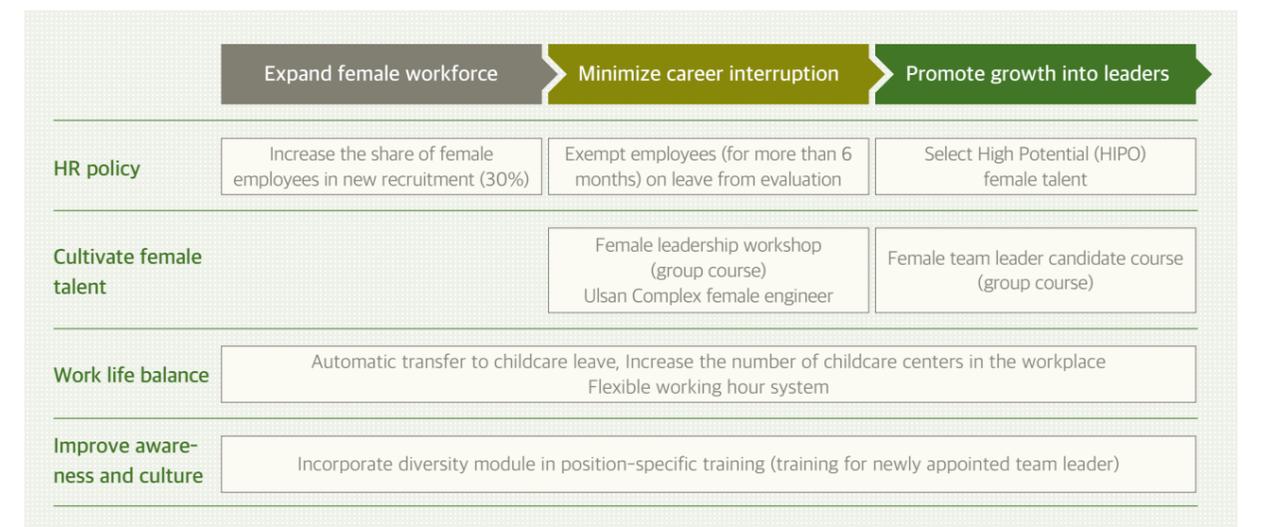
#### Support for Female Talent Development

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 competency development, and creating a female-friendly working environment.

#### Major Achievement for Supporting Female Talent

<b>2018</b>	<ul style="list-style-type: none"> <li>Operate female talent cultivation program of Institute of Technology Innovation</li> <li>Operate variety of programs such as gathering of female team leaders, mentoring and book club</li> </ul>
<b>2019</b>	<ul style="list-style-type: none"> <li>Hold workshop to nurture female engineers at Ulsan CLX</li> <li>Establish global core talent courses in SK innovation affiliates</li> </ul>
<b>2020</b>	<ul style="list-style-type: none"> <li>Implement HIPO leaders' course at SK Group and SKI affiliate level</li> <li>Implement education to select HIPO members</li> </ul>

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



# 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

#### 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 rules 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.

#### "Clan", Employee-driven Task for Happiness

SK innovation is running 'Clan' system where employees select tasks for happiness at 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 Clan, whose members volunteered to participate. In 2020, 3 Happiness Clans were in operation and various activities such as transfer system where employees lead the design of their career, 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 on/offline channels to create smooth communication and collaboration. In particular, about 240 'iCON (innovation Communication ON)' change 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 an infrastructure for video conference 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

### ● Online and Offline Communication Channels

Channels		Content
Online	tongtong	We run an online bulletin board where employees post their ideas, suggestions and inquiries about the company in real time while discussing together.
	Youtube Live broadcasting	Online communication program pilot operation in a casual manner where all SKI affiliate members can participate and check using Youtube.
	In-house broadcasting (GBS)	We share business management, major business developments, department activities and employees' news through our own broadcasting channel.
Offline	iCON	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 (240 facilitators in 2020).
	Harmonia	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.

capability development flexibly. In addition, we are conducting a campaign and holding presentations for leaders two times a year to improve work efficiency by reducing procedures for meetings and reporting. To secure work-life 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 interspersed 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, Daejeon 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: Happykium, Happydidim and Happymoeum

SK innovation established three subsidiary standard workplaces for the handicapped so called as Happykium, Happydidim, and Happymoeum 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 75 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.

Business site	Details
Happykium	Canteen management within HQ building, cafe at the Institute of Technology Innovation in Daejeon and Seosan Battery Production Technology Center
Happydidim	Operating steam car wash shops at the Institute of Technology Innovation in Daejeon
Happymoeum	Washing work clothes in Ulsan CLX

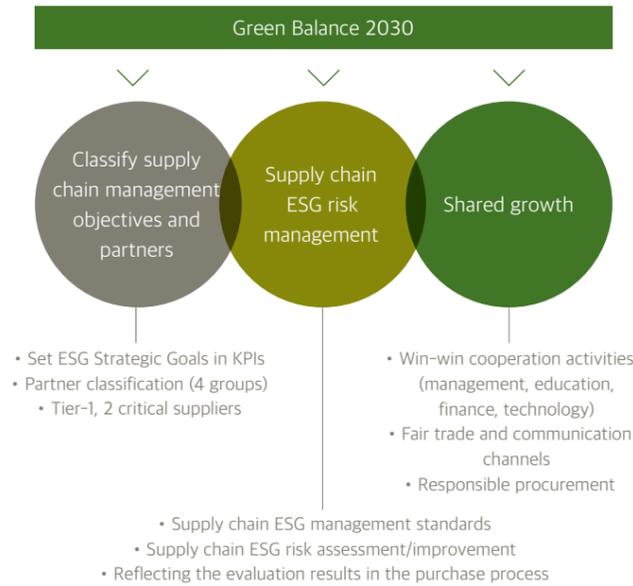


# Supply Chain ESG Management

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



## Supply Chain Management Policy

SK innovation has 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 supplemented 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

Code of ethics for purchase	<ul style="list-style-type: none"> <li>Basic Principles of Fair Transparent Transaction</li> <li>Compliance with laws and international conventions (declaration of human rights, UNGC, etc.)</li> <li>Reporting violations and protecting informants</li> </ul>
ESG Code of Conduct for suppliers	<ul style="list-style-type: none"> <li>Human rights and labor, safety and health, environment-friendly workplace management, compliance with corporate ethics, prohibition of the use of conflict minerals, management system</li> </ul>
Bidding guide	<ul style="list-style-type: none"> <li>Principles of selecting suppliers, bidding process, detailed guidelines, etc.</li> </ul>
General principles of purchase	<ul style="list-style-type: none"> <li>Comply with corporate social responsibilities such as shared growth and labor, human rights, anti-corruption, environment, etc.</li> </ul>

## Supply Chain Management Policy

SK innovation is managing its performance through continuous improvement of ESG management system by establishing supply chain management goals.

Target	2020 achievement	2021 target
100% achievement of ESG regular evaluation on suppliers	Achieved 100% of regular evaluation	100% of regular evaluation
Expansion of supply chain ESG training	Ulsan online CEO seminar (2 times) Seoul online CEO seminar (6 times)	Ulsan CEO seminar (2 times), planned to hold Seoul CEO seminar-MBA integration course (8 times), expansion of participation of suppliers' executives and employees in Mobile Academy
Evaluation on shared growth index	Obtained the highest grade for 8 consecutive years	The highest grade for 9 consecutive years
Identifying new suppliers	269	200 or more
Others	ESG written assessment by SK	Adoption of ESG assessment by the third party

## 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 SKE's eco-friendly asphalt production and environmental pollution reduction by optimizing packaging material specifications and applying eco-friendly packaging material.

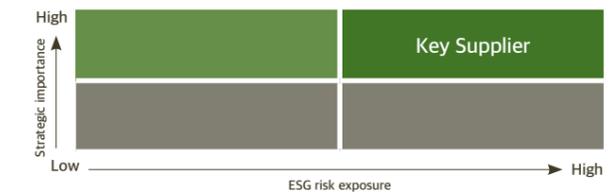
### 2020 ESG KPI

- 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 SKGC'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.



### Criteria for High Strategic Importance and ESG Risk

Item	High strategic importance	ESG risk
Raw materials	Based on annual order amount	SHE management target, conflict mineral, subcontractors, manufactures of chemical substances
Equipment	Based on annual order amount	
Construction/service	Equipment supplier dedicated to Ulsan/Incheon, companies which unit price contract is made for major materials	subcontractors, manufactures of chemical substances
Battery, I/E(material)	Core technologies, irreplaceable companies, etc.	
Commodity	Strategic purchase outsourcing companies	

## 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

Type		The number of suppliers	Purchase ratio (%)
Tier1	All suppliers <sup>1)</sup>	2,692	100
	Key suppliers	249	87
Tier 2	Key suppliers <sup>2)</sup>	286	100

1) Suppliers with transaction records in the past 3 years  
2) Intermediate subcontractors with certain scale

### Total Amount of Goods Purchase from Suppliers

Classification	Unit	2018	2019	2020
Goods purchase amount	KRW 100 million	16,654	22,088	28,971
Goods purchase amount from local <sup>1)</sup> suppliers	KRW 100 million	8,485	13,376	18,054
Share of goods purchase from local <sup>1)</sup> suppliers	%	51	61	62

1) It refers to the republic of Korea

### Goods purchase amount by item in 2020

Classification	Purchase amount (KRW 100 million)	Share (%)
Raw materials and Submaterials	14,890	51.4
Construction service	9,575	33.1
Equipment	4,507	15.6

**Supply Chain ESG Risk Assessment/Improvement**

**Supply Chain Assessment and Management Criteria**

Assessment Target

Supply chain risk assessment has been conducted to identify major risk factors from the ESG perspective for all suppliers. In particular, ESG in-depth assessment is conducted for key suppliers and the third-party evaluation will be introduced in 2021 to utilize ESG evaluation agency. Second-tier suppliers receive the results of ESG risk assessment through the key suppliers.

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).

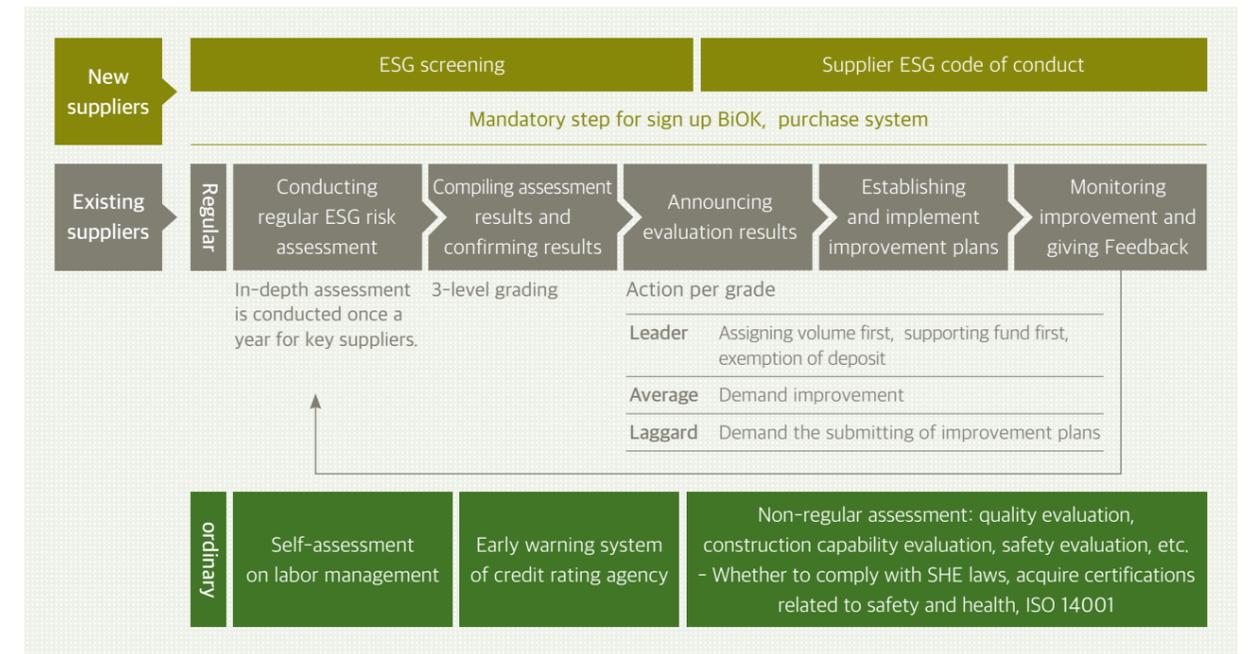
**Suppliers' ESG risk Assessment and Management**

SK innovation conduct ESG screening for new suppliers to strengthen ESG risk management of suppliers. Regular and ad-hoc ESG risk assessment is being conducted for existing suppliers. ESG screening is a mandatory step when a new supplier signs up the BiOK, a SK innovation's purchase system. In addition, ESG risk assessment is conducted in the area of environment, safety, human rights, labor, ethics, economy and management system for existing suppliers. In particular, key suppliers are under in-depth assessment once a year. SK innovation classifies the results of assessment and take actions based on the classification. Improvement plan for ESG risk items is established at the supplier level and implementation and progress of the implementation plan is monitored to prevent the ESG risk of suppliers.

● **ESG risk evaluation elements**

Environment	Environment	<ul style="list-style-type: none"> <li>Environmental regulations, violations of laws, chemical management, waste disposal, air pollution management</li> <li>Energy and resource reduction plans, environmental pollution reduction activities, eco-friendly policies</li> </ul>
	Safety and health	<ul style="list-style-type: none"> <li>Industrial Safety, Prevention of Industrial Accidents and Diseases, Working Environment</li> <li>Introduction of SHE management system and system, emergency response, accident management</li> </ul>
Social	Society	<ul style="list-style-type: none"> <li>Human rights: diversity in employment, anti-discrimination, fostering human resources, prohibiting forced labor, prohibiting child labor.</li> <li>Labor: compliance with the Labor Standards Act, guarantee of retirement benefits and minimum wages, protection of non-regular workers, and other labor rights</li> </ul>
	Ethics	<ul style="list-style-type: none"> <li>Unfair trade, violation of ethical laws, collusion, social contribution activities, privacy</li> <li>Violation of purchase ethics and partner's code of conduct in the contract process</li> <li>Conflict Minerals Management Capability</li> </ul>
Governance	Economic	<ul style="list-style-type: none"> <li>Financial risks such as changes in credit ratings and financial information (monitoring third parties), administrative disposal, etc.</li> <li>Cash payment rate and payment date for secondary suppliers</li> </ul>
	Management system	<ul style="list-style-type: none"> <li>Increase employee engagement and cooperation</li> <li>Corporate and management obligations and responsibilities</li> <li>Risk assessment and management framework, corrective action process</li> </ul>

● **Suppliers' Sustainability Management Process**



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 acquires 60 or higher points out of 100. In addition, a supplier shall sign the framework purchase agreement that requires the compliance with safety, health and environment laws as well as consent form for fair and transparent transaction to be registered as a supplier. The terms and conditions for signing up requires the compliance with code of conduct for suppliers.

● **Supply Chain Screening**

Classification	Unit	2018	2019	2020
No. of newly registered suppliers	No. of companies	395	387	269
Ratio of screening	%	100	100	100

Regular ESG Risk Assessment

SK innovation is conducting ESG risk assessment by itself to identify major potential risk of suppliers from the ESG perspective. In particular, in-depth assessment is conducted additionally every year for key suppliers. If the key suppliers are dedicated to a certain region, stricter evaluation that strengthens the procedure for submitting evidence for assessment items such as energy saving/environmental pollution reduction and purchase from social companies in 2020 was conducted and on-site evaluation via due diligence was conducted. With growing importance of ESG, assessment items will be revised and it is planned to introduce the third party assessment utilizing ESG risk assessment agency, not SK's self assessment for key suppliers in 2021. By doing so, we will upgrade the level of ESG management by improving the objectivity and accuracy of assessment.

Evaluation of Second-tier Suppliers

SK innovation receives the result of ESG risk assessment on the second-tier suppliers from the key suppliers and the responsibilities of suppliers are specified in the ESG code of conduct for suppliers. The third party assessment for ESG risk assessment is recognized and we checked that due diligence was conducted if the suppliers were found to have ESG risk in the assessment results.

### Evaluation Results and Corrective Actions

#### ● 2020 Supply Chain Risk Assessment Results

Assessment factors		Evaluation of suppliers	
		The number of suppliers	Number of risky partners by assessment element(Ratio)
Environment	Environment	Tier 1 suppliers 2,692	169 (6.28%)
Social	safety and health		
	Society		
Governance <sup>1)</sup>	Ethics	69 (2.56%)	
	Economic		
Tier-2 suppliers management (third-party evaluation of key suppliers)		286	10 (3.50%)

1) Including the evaluation of the third party credit rating agency for governance

#### ● Major Non-compliance Types Found During On-site Inspection

Evaluation areas	Evaluation items	Non-compliance type
Environment	Energy and resource saving	Efforts to save energy and resource expenses per maintenance building and supplier building area
Social	Labor	working hours, regulations on wages, guidelines for the prevention of sexual harassment, operation of a joint labor-management conference, and labor contracts for dispatched workers
	Safety and health	Scenarios for responding to emergency situations, managing first aid boxes, reporting procedures for diseases caused by work, industrial accident investigation
	Creating employment	Establish and maintain new employment goals and detailed recruitment plan
	Employment and diversity	Ratio of foreigners, female workers and people with disabilities
Governance	Nurturing talents	Environment to nurture engineers
	Economic	Financial risks such as changes in credit ratings and financial information, administrative disposal, etc.
	Support for social companies	Efforts to provide education on social companies and expand purchase
	Social contribution	Social contribution activities including employees' volunteer work and donation to local community
	Payment	The payment date upon transaction with second-tier suppliers

#### Corrective Action Based on Evaluation Results and Incorporation of the Results in Purchasing Process

SK innovation shares the results of ESG risk assessment with suppliers and manages ESG risks through corrective actions and feedback. If there are items where the evaluation result for each evaluation element does not meet the standard score, we require suppliers to establish and implement a corrective action plan. Suppose a corrective action plan is not submitted or measures are not implemented is submitted. In that case, the company is required to establish a 100% improvement plan by reducing the quantity or restricting bidding in the next contract. We provide feedback on corrective actions and, if necessary, receive support for planning and implementation and educational support through various programs to be introduced below. For companies with excellent evaluation results, depending on the item, benefits such as contract extension, priority allocation of quantity, deposit exemption, qualification for moving into the maintenance building, and preferential support for the mutual growth fund is provided.

#### ● A Proposal to Reflect the Purchase Process Based on the Evaluation Results(Construction/service)

Score		Less than a certain amount	More than a certain amount
95 points or higher	Special	Differential by	Differential
90 points or higher	Contract	1% on a certain	by 0.5% on a
85 points or higher	Payment Rate	basis	specific basis
80 points or higher		Contract extension	
Less than 80 points		Extend conditions	
Less than 75 points		Rebidding(grant bid eligibility)	
Less than 70 points		Rebidding (bidding eligibility restrictions)	
Fail		Less than 75 points	

#### Improvement cases

Suppliers conducted improvement activities based on a improvement plan after ESG risk assessment for suppliers. In the environmental field, there were paper usage reduction through server installation, scrapping of old diesel vehicles, and LED replacement work to reduce electricity consumption. In the social field, there were cases of improvement such as expansion of social enterprise purchases and payment of separate allowances for disabled certificate holders. SK innovation will continue to monitor the implementation of improvement plans by suppliers.

### Improvement Results and Constraints

Through joint efforts, SK innovation has improved the ESG risk of 27% of its partners with high ESG risk. On the other hand, if there are serious violations as a result of the ESG risk assessment or suppliers that do not respond to requests for corrective action, sanctions are imposed on them. Sanctions are taken by the SK Innovation Sanctions Deliberation Committee after deciding whether 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	Result
Ratio of establishing the plan for improvement by suppliers with high risk	100%(requested as mandatory)
Ratio of suppliers which made progress in ESG performance within 12 months from the establishment of the plan for improvement <sup>1)</sup>	64(27%)
- Risk improvement in environment and social areas	59(25%)
- Risk improvement in governance area	27(11%)

1) 환경, 사회 분야 개선업체와 지배구조 개선업체 중복됨

#### ● 2020 Suppliers Sanctions

Classification	The number of suppliers
Sanctions	36
- warning	31
- Suspension of transaction	5
(Temporary suspension of transaction)	5
(Permanent suspension of transaction)	0

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

Seminars for CEOs of key suppliers include information on fair trade, SK innovation's ESG management strategy, and supplier ESG risk management and supply chain evaluation. In addition, through The Growth Mobile Academy, which is available to all SK partner members for free, we are helping partner companies to improve their ESG competency by improving their internal competency.

### 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 global chemical was 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 Committee 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.

Achievements in 2020	<ul style="list-style-type: none"> <li>Reorganization of ESG program for mutual growth</li> <li>Evaluated the shared growth index for 8 consecutive years with the highest rating</li> <li>Expanding a program for mutual growth</li> </ul>
Goal in 2021	<ul style="list-style-type: none"> <li>C-Level Management for Shared Growth ESG Support</li> <li>Evaluated the shared growth index for 9 consecutive years</li> <li>Expanding mutual growth support programs to tier 2</li> </ul>

#### Win-win cooperation activities

Management support	<ul style="list-style-type: none"> <li>Supporting social enterprises such as procurement of supplier raw materials and contracts through pro bono activities related to procurement</li> <li>Battery business: consulting support for manufacturing innovation activities, providing market intelligence, etc.</li> </ul>
Financial support	<ul style="list-style-type: none"> <li>Providing direct funding</li> <li>Shared growth: Approximately KRW 82 billion in size, priority is given to ESG-related companies, eco-friendly certifications, and product development certification, consider selecting a support company and determining its size based on the results of the 2021 ESG risk assessment</li> </ul>
Education support	<ul style="list-style-type: none"> <li>Shared Growth-ESG CEO Seminar: For CEOs of supplier - In 2021, SK Innovation's ESG training will be conducted at least twice</li> <li>Shared growth MBA: for partner managers</li> <li>The Growth Mobile Academy: For general employees of business partners - Scheduled to expand target and education topics in 2021</li> <li>Training program for new employees of partner companies</li> </ul>
Technical support	<ul style="list-style-type: none"> <li>Support for joint patent application through joint technology development, localization of equipment, development of high value-added products, and joint entry into overseas markets</li> <li>Establishment of own technology sharing platform (iStep): sharing of some materials and equipment, various technical education, application for ideas and joint technology development, etc.</li> </ul>

**Mutual growth and 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 BiOK 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 BiOK 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 Trade 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 content related to technical data is requested from suppliers, the history of all processes is recorded on the system and transparently under the supervision of CR 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 (BiOK)	
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 some suppliers. In the battery business, mutual growth consultative

body was formed centered on excellent suppliers, and a subcommittee was organized within the council to discuss cooperation. SK plays the role of a coordinator to support the operation and has established a communication channel. In addition, we operate a separate ethical management department and ethical management reporting channel. We receive reports through the online 'group integrated online reporting channel', e-mail, phone, fax, and mail. We take action, reply, and follow-up management after confirming the facts. Compensation is also paid by the standards, which if the report increases profits or reduces losses.

**Mutual Growth Fund to Install Eco-friendly Facilities**

In March 2020, SK trading international participated in the 'Eco-friendly facility installation win-win fund creation' hosted by the Korea Ocean Business Corporation under the Ministry of Oceans and Fisheries, and participated in a total of KRW 15 billion in a fund of KRW 45 billion. As part of the government's support, this fund responded to government policies and promoted mutual growth in the shipping-related industries experiencing a long-term recession. The fund was terminated early in July 2020, contributing to the early business normalization of the company, and at the same time establishing a successful case of a new model in which large and small businesses participate jointly.

● **Reporting from suppliers for the past 3 years**

Classification	Reporting from suppliers				Actions		
	Reporting	Counseling	Complaints/others	Total	Investigation by Audit Office	Reporting to relevant departments/others	Total
2018	20	0	9	29	13	16	29
2019	14	1	2	17	11	6	17
2020	9	7	0	16	7	9	16

**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**

SK innovation is 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 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)<sup>1)</sup> and declared to participate in GA'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.

1) GBA (Global Battery Alliance): A global alliance formed at the World Economic Forum to jointly solve economic, social and environmental problems through the participation of various stakeholders in the battery industry

**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 3rd party assurance on SKI supply chain and laid the foundation for responsible sourcing network by linking users (precursor/cathode material, cell maker, OEM, etc.)

**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 upcycling 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.

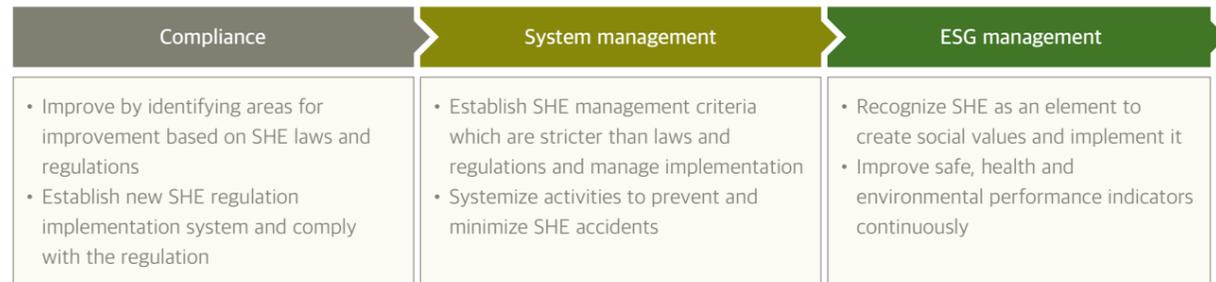


# Strengthening SHE

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 established 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 safety 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

### Empoving safety culture leadership

#### Operation of the Safety Committee

'Safety', 'Technology' and 'Trust,' Ulsan 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 subcommittee 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 Ulsan 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 Ulsan CLX Lubricants Plant in 2018, we are continuously expanding to all Ulsan 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/site mid-level 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 policy and systems and developing and operating safety performance management indicators.

#### Behavior-based safety (BBS) system

SK ie 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 worksites 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 suppliers, safety training before process maintenance.

**Management of and Support for Supplier SHE**

**Supplier SHE management system**

SK innovation strives to prevent and minimize SHE accidents in advance through mutual cooperation with suppliers. Suppliers have an obligation to comply with SK innovation's SHE standards/procedures, and are required to establish and accurately implement their own SHE plans. In addition, the department in charge of SHE at each business site conducts regular evaluations including the SHE management and implementation level of suppliers every year.

**Operation of supplier safety and health council**

In accordance with the Occupational Safety and Health Act, SK innovation operates a safety and health consultative body with business partners every month, 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 subcontractors, we are strengthening mutual communication by creating a forum for safety managers of the partner companies, while also discovering improvements in safety management and solving them together.

**Performance-based compensation for suppliers**

In the case of business sites that operate production subcontractors within SK innovation, SHE performance incentives are operated to suppliers in order to induce workers to improve their safety awareness and practice level and to improve accident prevention performance. At the beginning of the year, when we sign a contract with our partners, we set a goal to improve safety accidents, and if we achieve it at the end of the year, we provide incentives through additional compensation.

**Prevent Accidents and Minimize Damage**

**Emergency Response System**

SK innovation establishes/operates 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 are doing In consideration of the size of damage and the possibility of expansion, emergency response grades are classified into grades 1 to 5, and in the case of grades 1 and 2, the process is established so that all functional organizations of the HQ as well as the workplace where the damage occurred are organically involved in the response. These response standards and processes have been established as emergency response procedures in consideration of company-wide management regulations and the characteristics of each business site, so that all members are familiar with it and are trying to incorporate it 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 and repeatedly conducted with the disaster prevention organization. Emergency response headquarters/site command headquarters are installed and operated under the leadership of the

business site manager and plant manager. We are also conducting training. In particular, UCC is produced for each emergency response scenario, and the training effect is maximized through pre-viewing and education. In 2020, SK ie technology conducted joint emergency response drills for each scenario of fire/explosion, suffocation, 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.



**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 11 processes and 286 emergency response scenarios in total, and carried out activities to secure the integrity of facilities such as corrosion inspection of offshore facilities and major explosion-proof facilities in instruments and electricity. . In addition, we have established a mid- to long-term investment plan to improve facilities vulnerable to serious accidents. In 2020, KRW 2.6 billion was executed, and by 2024, a total of KRW 10 billion or more will be invested to improve facility safety.

**Investment to improve facilities vulnerable to severe accidents**

- Improvement of fire-explosion-risk facilities by accumulating oil vapors
- Early detection and alarm optimization of process/facility trouble
- System improvement for early detection of fire/leakage
- Improvement leak prevention system for rotating machines with high possibility of fire
- Establish and improve glass installation standards

**New Tech-based accident prevention and management**

SK innovation is working hard to efficiently/effectively manage risk factors at business sites by utilizing various new technologies.

**Establishment of automated Gas Detection System in Closed Space**

- Closed-space automated gas measurement and remote monitoring system using IoT to reduce the risk of suffocation accidents. Major target work in Ulsan CLX is applied
- Acquired explosion-proof facility certification and recognized by legal gas measurement method for practical use of automated gas detection system in enclosed spaces

**Development and introduction of Intelligent CCTV**

- Improves proactive incident response by combining CCTV monitoring of processes/facilities and outlying areas with video analysis solutions to detect crises early on

**Rotating Machine Intelligent Prediction Maintenance System SKADI (SK Alpha Diagnosis Intelligence)**

- Machine learning techniques are applied to various data collected from rotary machines to detect anomalies early and prevent accidents through preemptive action
- SKADI applied SK unique technology to Ulsan CLX rotating machine

**Health management**

**Occupational health management**

In order to protect members and workers from harmful factors and create a pleasant working environment, SK innovation measures the working environment of the factory twice a year in accordance with the Occupational Safety and Health Act, and informs the members of the workplace and employees of partner companies of the measurement results. In case of exceeding the standard, we manage harmful factors through appropriate measures such as facility improvement. In addition, in the case of driving members, we conduct a special health checkup twice a year to check whether there are any health problems caused by exposure to harmful factors in the field and preemptively manage them.

**Promoting health of members**

SK innovation operates a health administration office considering the size of each workplace. In Ulsan CLX, an industrial health doctor is hired to operate the Industrial Health Center, which is an affiliated member of the company. The Industrial Health Center holds an annual Health Day event to check members' health status and promote activities. In addition, the health administration office conducts various health promotion activities and campaigns such as stress management and anti-smoking programs.

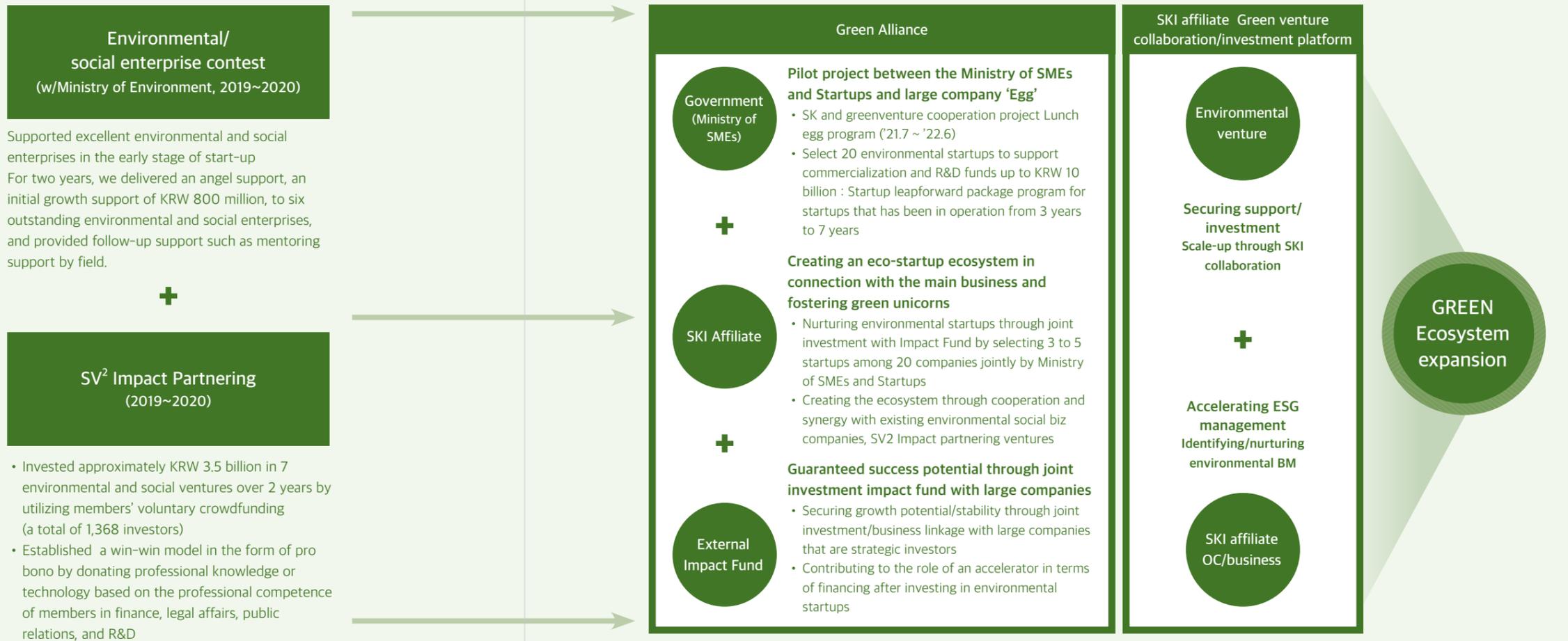
**CASE. PSM(Process Safety Management) level**

PSM is a system prescribed in the Industrial Safety and Health Act 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, S, M+, and M-. All 9 plants of Ulsan CLX, an oil/petrochemical production site among SK innovation, and SK incheon petrochem are rated P. The battery and material factories, manufacturing businesses with low risk of serious accidents, are rated S. In particular, SK incheon petrochem has maintained grade P for three consecutive years.

Level	Business site
P	All 9 plants of Ulsan CLX, SKIPC, Jeju logistics center
S	SKIET Jeungpyeong/Cheongju plant, Battery Seosan plant, Busan logistics center
M+	-
M-	-

## 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 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 review investments. Through this, by 2022, more than 20 companies linked to SKI-related businesses will form partnerships with environmental ventures in the low-carbon (CCUS, waste plastic, battery recycling/reuse, etc.) We will create an environment where environmental ventures can grow through the support and cooperation system. SK innovation will continue to work hard to expand the GREEN ecosystem by supporting environmental ventures.



### 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 customermarketing, and at the same time supporting the growth of social enterprises.



Collaboration for environmental value by business

Partners	Social value	Project	Use
SK lubricants X Woosisan	Waste plastic reduction	Production of ZIC life box using waste plastic	Customer marketing
SK lubricantsX Grape Lab	Wood use reduction	Non-timber paper ZIC calendar production	Customer marketing
SK ie technology X Right Route	Resource recirculation	Development of functional materials using waste separation membrane (in progress) Manufacture of laptop pouch using waste separation membrane	New product development In-house commemorative event
SK energy X somuna	Response to global warming	Mass production of battery electronic control system products, support for CDM business, and enter Netruck	Shared infrastructure market support
SK innovation X ingine	Response to global warming	Equity investment in wave electricity production technology and entry into Vietnam pilot project	Shared infrastructure, market opening
SK ie technology X Arun	Waste water retreatment	Material factory wastewater treatment pilot operation	Technology application review
SK innovation X moreDen	Resource recirculation	Purchase of waste car seat upcycled products	In-house commemorative event
SK innovation X SK global chemical X SK telecom X Inobus	Waste plastic reduction	ICT-based waste plastic virtuous cycle economy (under review)	Waste plastic, circular economy

## Investment and Cooperatoin with Green Startups

Ecoin energy  
CEO Lee In



### 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.

Marine Innovation  
CEO Cha Wanyoung



### 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.

Sheco  
CEO Kwon Gisung



### 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.

### '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 'Netruck 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.

Somuna  
CEO Song Jongwon



### 'Inginer', creating a sustainable future with people and engineering'

As shown its company mission, Inginer 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 Cartbon 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.

Inginer  
CEO Sung Yongjun



# 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 relationship 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 economy 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.

Happinnovation <sup>1)</sup> A company that creates and shares sustainable happiness			
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	<ul style="list-style-type: none"> <li>Support for discovering and fostering social economy enterprises</li> <li>Expansion of social enterprise partnerships linked to Biz</li> </ul>	<ul style="list-style-type: none"> <li>Mangrove forest restoration project</li> <li>Waste Plastic Circular Economy Campaign</li> <li>Local environment conservation activities</li> </ul>	<ul style="list-style-type: none"> <li>Social value creation linked with Biz</li> <li>Establishment of local community/global Safety Net</li> <li>Support for the underprivileged</li> </ul>
UN SDGs			
Goal in 2020	<ul style="list-style-type: none"> <li>Discovering environmental social biz companies</li> <li>Fostering social enterprises and social ventures using shared infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Mangrove forest restoration and expansion to other countries</li> </ul>	<ul style="list-style-type: none"> <li>Social value creation linked with Biz.</li> <li>Employee donation/volunteer work expansion</li> <li>Implementing local community and vulnerable group support</li> </ul>
Performance in 2020	<ul style="list-style-type: none"> <li>New discovery through Environmental Social Biz Contest and SV<sup>2</sup> Impact Partnering: 5 companies,</li> <li>Nurturing and supporting : 17 companies</li> </ul>	<ul style="list-style-type: none"> <li>Mangrove forest restoration 48 ha (cumulative 88 ha)                             <ul style="list-style-type: none"> <li>- Expansion of mangrove area (Myanmar 18ha)</li> </ul> </li> <li>Vietnam environmental awareness education 500 people</li> </ul>	<ul style="list-style-type: none"> <li>Social value creation linked with Biz. : KRW 10.3 billion</li> <li>Member donation (1% happiness sharing fund) : KRW 2.9 billion</li> <li>Volunteer work: 3,727 / 13,706 hours, SV: KRW 530 million</li> <li>Support for local community and vulnerable group- elderly living alone (3,500), people with development disorder (4,000)</li> <li>Social safety net for COVID-19</li> </ul>
Goal in 2021	<ul style="list-style-type: none"> <li>New discovery and investment through the Green Alliance program: 3-5 companies</li> <li>Nurturing and supporting : 19~21 companies</li> </ul>	<ul style="list-style-type: none"> <li>Mangrove forest restoration 60ha (cumulative 148ha)</li> <li>Vietnam environmental awareness education 500 people</li> <li>Extension of investment in social enterprises in Vietnam</li> <li>Expansion of waste plastic reduction campaign</li> </ul>	<ul style="list-style-type: none"> <li>Escalating social value creation linked with Biz.</li> <li>Member donation (1% happiness sharing fund) : KRW 3 billion</li> <li>Volunteer work: 6,000 / 26,000 hours, SV: KRW 1 billion</li> <li>Implement support project for local community and vulnerable group</li> <li>Expand support for social safety net</li> </ul>

1) Happinnovation implies 'innovating happiness' as it combines the Happiness, core value with Innovation, a corporate mission

## 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.



Area	Expert group	Stakeholders communication
Socioeconomic ecosystem	Joyful Union and Operating Advisory Committee Academy of Social Enterprise	Social enterprise community and SNS
Solving environmental problems	UN Environment Program (UNEP), Asian Forest Cooperation Organization(AFoCo), Biz N Biodiversity Platform (BNBP)	Vietnamese public, private academia SV Alliance (government, university, media, NGO, business partner) BNBP Operating Committee
Supporting local community	Faculty of Social Welfare Department, Career Jump Up Class Operating Committee	A joint labor-management conference, 27 senior welfare centers in the community, Working-level meeting for developmental disabilities(33 institutions), Meeting of Ulsan Local Residents, Meeting of Incheon Local Residents (3 dong), cooperative agencies (Support Center for the Elderly Living Alone, Korea Foundatoin for Persons with Disabilities, Heart Heart Foundation, Korea Childhood Leukemia Foundation, Able Welfare Foundation, etc.)

## 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 Straegy and we will continue to expand environmental values by linking business between SK innovation and social companies.

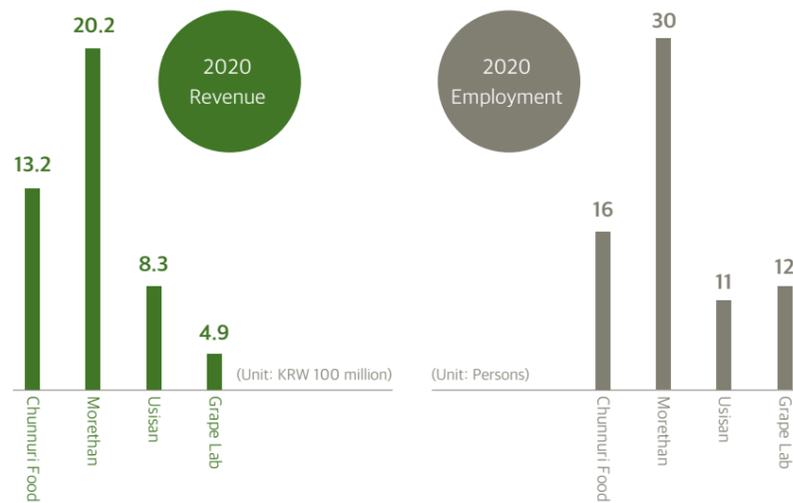
### Roadmap to support socioeconomic ecosystem



**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, Woosisan 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



**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 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<sup>2</sup> 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, Ulsan CLX 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<sup>2</sup> Impact Partnering : Sheco/ecoin energy
- Investment: (2019) 5.15 billion won (2020) 1.91 billion won
- Sales of eco-friendly social biz company among nurtured companies: 9.09 billion won

**SV Community**

- An online/offline network operated as a comprehensive partnership to strengthen the management capabilities of social enterprises and social ventures that SK innovation is nurturing, and to promote the sharing of infrastructure and business cooperation between SK innovation and social enterprises and social enterprises.
- Semi-annual education, case sharing, workshops, etc.
- Strengthening the online community using SNS due to COVID-19.

**2020 Environmental social biz competition**

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

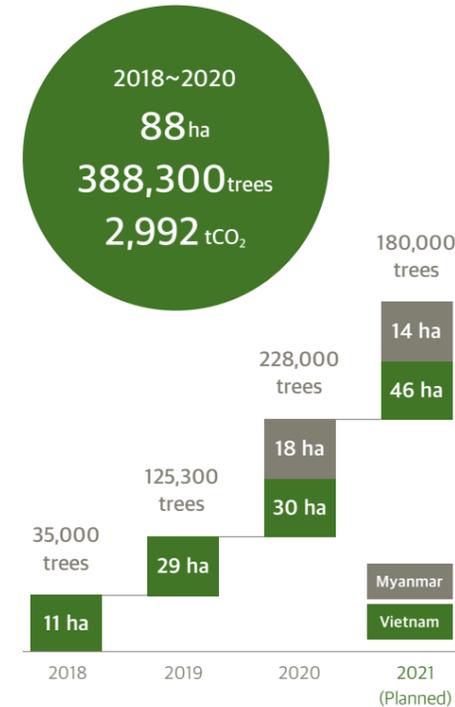
**Green Innovation : sustainable environment**

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 Cha 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 AFoCo. We plan to develop a public-private partnership system in Myanmar in the same way as the Vietnam Social Value Alliance<sup>1)</sup>.

1) Actively participate in the Vietnam mangrove forest restoration project to respond to climate change and establish social enterprises to solve various social problems. An 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, 183,000 trees
  - Myanmar: 18 ha, 45,000 trees
- BNP (Business and Biodiversity Platform) Best Practice Selection
- Commendation from the Minister of Environment : Biodiversity Conservation

**2021 target**

- Scale of restoration : 60ha
  - Vietnam: 46ha
  - Myanmar: 14ha
- Plan to spread the spread of best practices for biodiversity conservation (improving awareness and encouraging participation)

**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 trials: 13 times (elementary school students 4 times, college students 8 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 slogan 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.

### 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.

Classification	2020 target	2020 outcome	2021 target
<b>Aging</b>	<ul style="list-style-type: none"> <li>Conduct volunteer activity to take care of the elderly living alone</li> </ul>	<ul style="list-style-type: none"> <li>Conduct volunteer work for psychological support related to COVID-19                             <ul style="list-style-type: none"> <li>- 3,500 elderly people living alone</li> <li>- Loneliness Reduction 86.1%, satisfaction 89.1%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Expand caring and COVID-19 related psychological support for the elderly living alone</li> </ul>
<b>Developmental disorder</b>	<ul style="list-style-type: none"> <li>Conduct volunteer activity to help children with developmental disorder adjust themselves to society</li> <li>Hold music festival for people with developmental disability</li> <li>Support job training and link with employment for people with disability</li> </ul>	<ul style="list-style-type: none"> <li>Conduct volunteer work for psychological support related to COVID-19 (4,000 people with developmental disorder)</li> <li>Hold music festival for people with developmental disorder (non-face-to-face)</li> <li>Job education for 40 people with disability and 41 people supported with employment</li> </ul>	<ul style="list-style-type: none"> <li>Expand psychological support program related to COVID-19</li> <li>Hold music festival for people with developmental disorder (5th)</li> <li>Job education and link with employment for 40 people with disability</li> </ul>
<b>Safety net</b>	<ul style="list-style-type: none"> <li>Check and support safety net in the community</li> </ul>	<ul style="list-style-type: none"> <li>KRW 2.03 billion to support COVID-19 quarantine activities</li> <li>Support local farmers (purchase of Seosan garlic worth KRW 100 million)</li> <li>Support meal for 925 children who skip meal                             <ul style="list-style-type: none"> <li>- SE Indirect contribution KRW 182 million</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Strengthen safety net for local community (emergency protection related to COVID-19)</li> <li>Support meal for 940 children who skip meals</li> </ul>

#### 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 adaptation for children with developmental disabilities, environmental protection, etc. We carry out various activities that meet the needs of communities. In 2020, we conducted non-face-to-face volunteering to support the psychological prevention for the vulnerable and volunteering are being established as a corporate culture.

#### Great Music Festival (GMF), a music festival for people with developmental disorder

It is the nation's largest music festival for the people with developmental disorder to provide opportunities to unfold their dreams and talents, and to resolve prejudice against the disabled, we are operating the 'National Music Festival for the People with Developmental Disorder'. The 4th competition in 2020 was held online broadcast, and a total of 22 organizations and 240 people participated, and 5,500 viewers participated. It has established itself as a representative music festival for people with developmental disorder.

#### Outcome of 1% happiness sharing fund

<b>HQ (Seoul/nationwide)</b>	<ul style="list-style-type: none"> <li>Provide medical support for 39 children with leukemia</li> <li>Provide job training to 40 people with developmental disorder (retained 28, newly hired 13)</li> <li>Provide prosthetic limb to 32 people with disabilities</li> </ul>
<b>Ulsan</b>	<ul style="list-style-type: none"> <li>Supported 31 children with incurable cancer</li> <li>Supported 273 households with low-income and people with disability</li> <li>Supported 11 child victims of abuse</li> <li>Supported 63 single-mother</li> <li>Supported 34 children from low-income</li> <li>Repaired 20 households of the elderly living alone</li> </ul>
<b>Incheon</b>	<ul style="list-style-type: none"> <li>Supported 28 children's center</li> <li>Repaired 30 households of the elderly living alone</li> <li>Supported 30 low-income seniors with artificial joint surgery</li> <li>Supported fire victims (fire safety)</li> </ul>

#### Outcome of SK1004 volunteer group

<ul style="list-style-type: none"> <li>The number of volunteers participated: 3,727</li> <li>Hours: 13,706 hours</li> <li>Creation of social values from volunteer work: KRW 530 million</li> <li>Major beneficiaries                             <ul style="list-style-type: none"> <li>- Elderly living alone: 3,500</li> <li>- Children with developmental disorder: 4,000</li> </ul> </li> </ul>
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#### 'Urachacha' campaign, a psychological support related to COVID-19

To prevent COVID-19- related depression due to prolonged COVID-19 situation resulting in psychological distress of the elderly living alone and children with developmental disorder, we made dolls (DIY) out of eco-friendly upcycle materials of Usisan, a social enterprise and recorded 'cheer-up' message to deliver emotional support to them.



1) E.F.R(Emergency First Response)

#### Outcome of Netruck House

- Created social value of about KRW 10.3 billion
- Ran 22 places at major ports and logistics base across the nation (plan to expand the number to 40 by 2030)
- Installed photovoltaic power generation facility to reduce greenhouse gas emissions (installed in 4 business sites)

#### Social value of calm taxi

- Employed 62 people with hearing impairment
- Increased income by 104% on average
- Won the excellent award in the area of 'mobile utilization for accessibility and inclusiveness' at 2020 MWC Award

#### 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

<b>COVID-19 quarantine activities</b>	<ul style="list-style-type: none"> <li>Domestic support: KRW 550 million for Daegu/Gyeongbuk area, KRW 380 million for Oilro Pass</li> <li>Overseas support: KRW 1.1 billion                             <ul style="list-style-type: none"> <li>- Target: US, Hungary, Poland, China, Myanmar, Iran, Peru, etc.</li> <li>- Details: Quarantine/medical equipment (diagnosis kit, mask, protective tools)</li> </ul> </li> </ul>
<b>Recovery of damage from typhoon</b>	<ul style="list-style-type: none"> <li>Donation: KRW 60 million (Chungbuk area)</li> </ul>
<b>Support for local farmers</b>	<ul style="list-style-type: none"> <li>Purchase of Seosan garlic: KRW 100 million (garlic 9,149kg, juice 11,225 packs)</li> <li>Employees purchased and support the elderly living alone</li> </ul>

### 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<sup>1)</sup> 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.

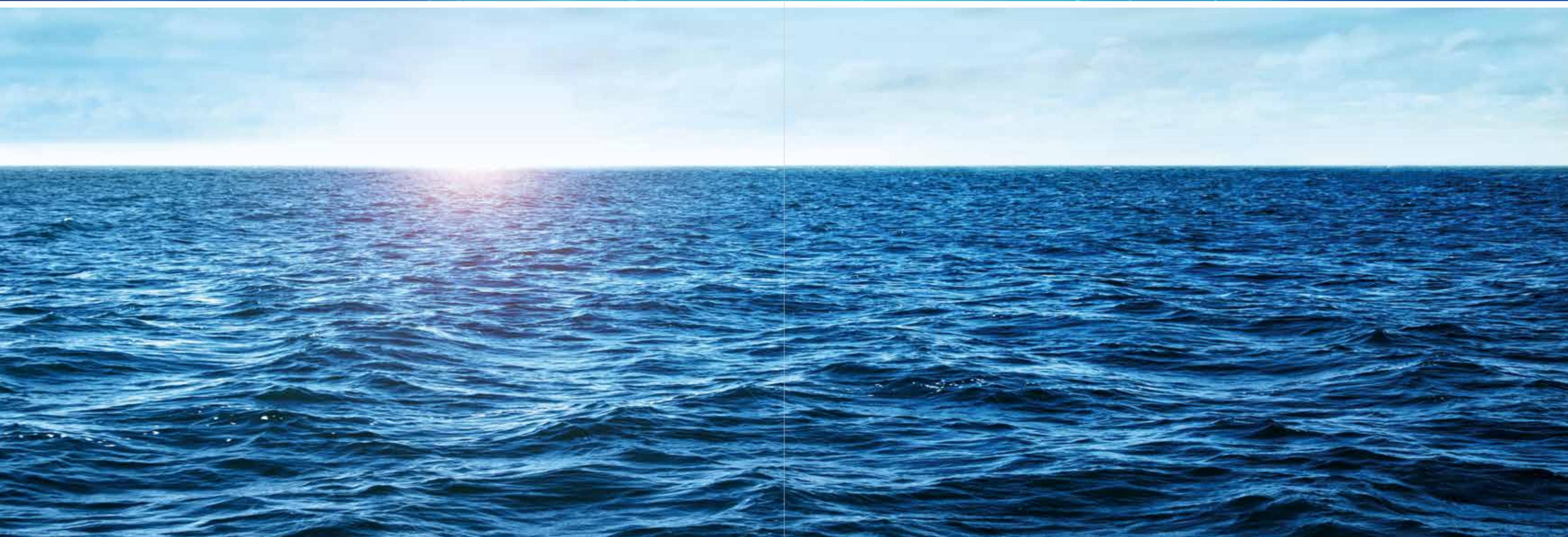
#### Oilro Pass to support heroes in the COVID-19 pandemic situation

SK energy delivered SK oil pass 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'.

# GOVERNANCE



## Direction of Governance Innovation

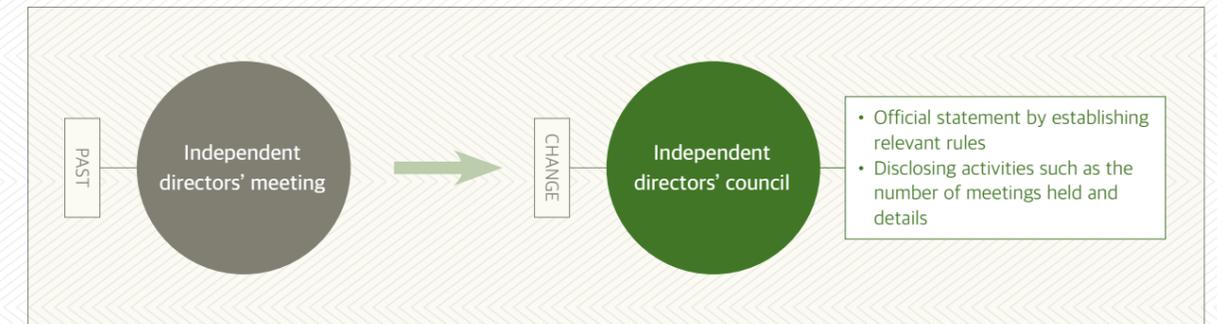
SK innovation established a governance structure at the global level to accelerate ESG management and declared its will to implement responsible management driven by the board of directors by strengthening the authorities and roles of the board of directors.

### 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 and 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.



(Reorganized as of June 23, 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

<b>Term</b>	2020.3 ~ 2023.3 (First appointment 2017.3)
<b>2020 Attendance Rate</b>	100%
<b>Career Highlights</b>	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 BA in Business Administration from Yonsei University
<b>Expertise</b>	Global Network
<b>Subcommittees</b>	HR Evaluation and Compensation Committee, Independent Director Candidate Recommendation Committee, Audit Committee



**Kim Jung-gwan**  
Independent director

<b>Term</b>	2021.3 ~ 2024.3 (First appointment 2018.3)
<b>2020 Attendance Rate</b>	92%
<b>Career Highlights</b>	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
<b>Expertise</b>	Energy industry
<b>Subcommittees</b>	ESG Committee, HR Evaluation and Compensation Committee, Independent Director Candidate Recommendation Committee



**Kim Joon**  
Independent director

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



**Choi Woo-seok**  
Independent director

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



**Ha Yun-kyung**  
Independent director

<b>Term</b>	2019.3 ~ 2022.3 (First appointment 2016.3)
<b>2020 Attendance Rate</b>	100%
<b>Career Highlights</b>	Current) Professor, Department of Basic Science/ Chemical Engineering, Hongik University Former) Vice Chairman of the Korean Chemical Society, Chairman of the Korean Chemistry Olympiad Committee Former) Director of the Association of Korean Women Scientists and Engineers Former) Visiting Professor, University of Virginia, PhD in Chemistry from Stanford University in the U.S.
<b>Expertise</b>	Chemical industry
<b>Subcommittees</b>	ESG Committee, HR Evaluation and Compensation Committee, Independent Director Candidate Recommendation Committee



**Kim Jun**  
Internal director

<b>Term</b>	2020.3 ~ 2023.3 (First appointment 2017.3)
<b>2020 Attendance Rate</b>	100%
<b>Career Highlights</b>	Current) President & CEO, SK innovation Current) Chairman, Environmental Business Committee of SK SUPEX Council Former) President, Energy & Chemical Committee of SK SUPEX Council Former) President & CEO of SK energy MA in Business Administration from Seoul National University
<b>Expertise</b>	Corporate management
<b>Subcommittees</b>	Future Strategy Committee, ESG Committee



**Yu Jeong-joon**  
Non-executive director

<b>Term</b>	2020.3 ~ 2023.3 (First appointment 2017.3)
<b>2020 Attendance Rate</b>	100%
<b>Career Highlights</b>	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.
<b>Expertise</b>	Corporate management
<b>Subcommittees</b>	HR Evaluation and Compensation Committee, Independent Director Candidate Recommendation Committee, Future Strategy Committee

### Composition of BOD

#### Principle of Independence, Professionalism 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.

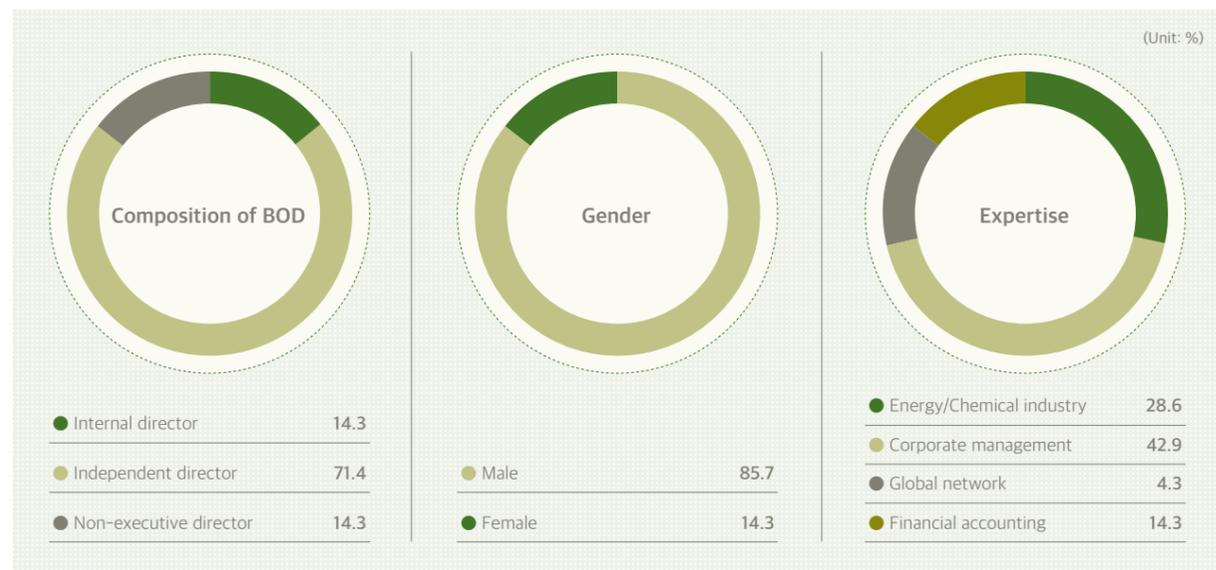
\*As of March, 2021, the ratio of female directors is 14.3%

#### SK innovation's selection criteria for independent director

Professionalism	Fidelity
Independence	Social reputation
Diversity	Integrity
Business mind	
Others (internal and external business environment and strategy, etc. at the timing of appointment)	

### Subcommittees of BOD

Under the board of directors, SK Innovation has six committees, including ESG Committee, HR Evaluation and Compensation Committee, Independent Director Candidate Recommendation Committee, Future Strategy Committee, and Audit Committee. Committees operate according to each committee's regulations. All committees were established in accordance with rules of each committee. Each committee reviews the matters for decision in prior to the resolution to reinforce the competence of its deliberation. Then, it reports all items reviewed and the current hosting status in a written form of "performance of committee" to the board. Furthermore, all chairs of the committees are independent directors and the members of committees consist of 67-100% of independent directors, thereby achieving independence and transparency in the decision-making process. In June 2021, to strengthen the role of each committee, Strategic Planning and Risk Management Committees were integrated into Future Strategy Committee. ESG Committee was established by integrating the existing CSR Committee and the Transparent Management Committee to accelerate the creation of SK Innovation ESG performance.



### 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 real-time and make prompt decision-makings 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.

#### BOD Attendance Rate

(Unit: %)

Position	2018	2019	2020
All	96	95	99
Independent directors (non-executive)	96	97	99

#### Status of BOD in 2020

(Unit: Number/item)

	Meetings held	Agenda
Board of Directors	13	63 (Resolution: 42, Reporting: 21)

#### Status of BOD in 2020

(Unit: Number/item)

BOD	Meetings held	Agenda
Transparent Management Committee	3	6
CSR Committee	0	0
Human Resources Committee	2	8(Resolution 1, Reporting 2)
Recommendation and Nomination Committee	2	2(Resolution 1, Reporting 1)
Strategic Planning & Risk Management Committee	5	8
Audit Committee	6	26(Resolution 6, Reporting 20)

#### Reinforced on-site activities

For enhanced expertise-centered decision making, the board of SK innovation frequently visits major business sites at home and abroad to gain a better understanding of the on-site operations. In 2020, on-site activities were not promoted due to COVID-19

situation and chairman of BOD visited the plant in Hungary to understand the site of battery business and encouraged the employees working at the site in January, 2020 before the government's social distancing guideline was released.

#### Education for independent directors

SK innovation provides regular education for independent directors and 95% or more directors attend the education. By doing so, we strengthen the expertise of independent directors.

Date	Major education content
2020. 2	SKMS revision (14th)
2020. 5	Duties and responsibilities of board of directors
2020. 9	Education on HR system and policy
2020. 10	Global ESG trend and regulation

#### Education for auditors

SK innovation conducts audit by defining the composition, operation, authority and responsibilities of the Audit Committee based on applicable laws and articles of incorporation and provides education necessary to conduct audit work.

Date	Major education content
2020. 5. 11	New External Audit Act and the role of Audit Committee
2020. 7. 7	Reasons for discrepancy among auditors and exploring ways to solve the problem Guideline on the operation of Audit Committee
2020. 7. 24	Case study of Audit Committee with short drama video clip

#### Evaluation of BOD

The BOD conducts self-evaluation on composition, role, responsibility, and operation. The performance is assessed annually toward all members of the board by submitting the overall opinions and the satisfaction level of each assessment item and the results are open to public through the Annual Report. The BOD swiftly reflects the collected opinions and results of the evaluation on the BOD operation plan so that the assessment can be practically utilized, producing virtuous cycle with the feedback. Thanks to these efforts, its performance is well recognized internally and externally to the extent that BOD's performance achieved grade A in governance area in the ESG assessment conducted by the Korea Corporate Governance Service in 2020.

# 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 SKMS(SK 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 actively respond to 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 business 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 plan 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 ethical counseling through various channels such as informant-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 banners 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 occur. 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.

### Number of cases by stakeholder

(Unit: case)

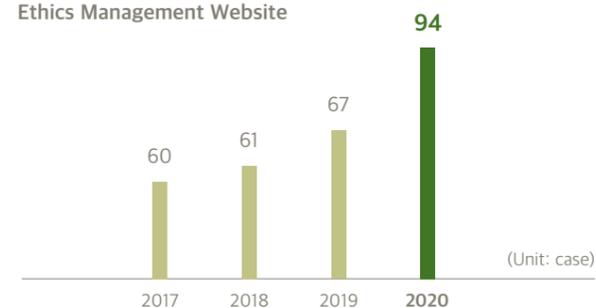
Type	Report	Consultation	Complaint	Total
Customer	0	0	23	23
Business partner	9	7	0	16
Employee	4	5	0	9
Others, anonymous	12	34	0	46
Total	25	46	23	94

### Reports and Consultation on Ethics Management by Treatment

(Unit: case)

Investigation (audit)	Transferred to relevant department	Others (unable to check, rejected)	Total
14	43	37	94

### Consultation provided via Ethical Consultation Center and Ethics Management Website



## 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

(Unit: case)

Reasons for action	Cases	Action
Sexual harassment	1	suspension 1
Breach of code of conduct	11	suspension of work 4 suspension attendance 6 reprimand 1
Breach of regulation on safety, health and environment	10	suspension attendance 2 reprimand 8
Job negligence	4	a reduction in salary 2 reprimand 2
Illicit outflow of corporate assets/ embezzlement	4	dismissal 1 suspension attendance 3
Total	30	

## 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 business 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.

Type	Number of trainees	Training hours
Non-face-to-face training	279	233
Online video training	7,608	3,804
Total <sup>1)</sup>	7,887	4,037

<sup>1)</sup> In 2020, offline 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.

## 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 among employees. 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 room and the website. Through this, we disclose our code of ethics and receive reports and consultations about 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 during 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, Ethical 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 (COO) to oversee the operation. COO 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.

**Major activities for fair trade**

Response to external regulations

SK innovation cooperated with the survey on the subcontracting and agent transaction by the Fair Trade Commission and establishment of the standard contract for the petroleum distribution industry by submitting requested documents, questionnaires and opinion. To improve the internal system, we conducted the transaction with agents of SK energy. And we conducted an annual inspection to check whether new agents comply with Fair Agency Transactions Act.

Strengthen the management system for Fair Trade Commission disclosure

SK innovation provides training on Fair Trade Commission disclosure to employees involved in disclosure to improve the transparency and accuracy of disclosure. In addition, we are minimizing the possibility of errors in data by comparing the original data with the whole data prepared for disclosure.

Strengthening internal monitoring for fair trade

SK innovation conducts the preliminary review process to check affiliates' transactions and operates a monitoring system to comply with the Fair Transactions Act. We perform inspection on departments involved in agent transaction of SKI affiliates and if areas for improvement is found, actions are taken and training. In addition, we inspect on subcontract and identify for improvement, and relevant training is provided. Moreover, we strengthened the monitoring system in 2020 by examining consignment transaction status according to the Act on the Promotion of Mutually Beneficial Cooperation between Large Enterprises and Small and Medium Enterprises, identifying areas for improvement and providing guidelines.

Education on fair trade

SK innovation conducted internal training to deliver knowledge of laws and regulations that employees must comply with. Through this, a reinforced sense of self-compliance leads to actual compliance. In offline education, we focused on fair trade subject-specific education related to each department and general education. The online course for all employees was reorganized by adding the latest examples. In addition, we provided training for related employees to raise awareness about the subcontracting law, the provision of technical data, and the prohibition of misappropriation and prevent risks by opening an in-depth course on subcontract transactions. We have operated an online training program in English and Chinese to raise awareness among global employees. We enhance the professionalism by encouraging participation in external training for those in charge of fair trade.

Pledge to the compliance with fair trade

SK innovation took the employee's pledge to comply with fair trade in August 2020 to raise employees' awareness and reaffirm their commitment. This pledge was signed by all SK innovation affiliates and by local members of overseas subsidiaries. In addition, the pledge was written and distributed in five languages: Korean, English, Chinese, Spanish, and Hungarian. In the future, We plan to implement the fair trade pledge every year so that the pledge does not stop with the company's one-time declaration.

**Future Plan**

By the main policy direction of the Fair Trade Commission in 2021, we plan to strengthen internal inspection and management in advance and operate various compliance programs to foster a culture of compliance. To this end, we plan to conduct regular inspections on fair trade, subcontracting and agency transactions for domestic/overseas business sites. In addition, we plan to raise employees' awareness of compliance through online education and in-depth education for all employees of SKI affiliates, issuance of letters, and improvement of guidebooks.

**Spreading ethics management across our supply chain**

**Ethics survey on suppliers**

SK innovation conducts an ethical management survey of domestic suppliers and business partners to measure the status of our business partners and customers' perceptions of our ethical management level and ethical management activities, and to preemptively identify and prevent potential risk factors throughout the transaction. In 2020, we conducted an ethical management survey by expanding the scope of our partner companies to be surveyed, and the main ethical management principles of our company: prohibition of conflicts of interest, prohibition of receipt of gifts and entertainment, mutual respect, and reporting channels and reporting systems.

**Establishment of a sound transaction culture**

SK innovation is carrying out the 'No gifts for holidays and promotions' campaign targeting external stakeholders such as business partners in order to strictly block the possibility of unfair transactions. In addition, in accordance with the Korean Political Funds Act and SK Innovation's Code of Ethics Practice Guidelines, donations and sponsorships for political purposes using the company's assets and budget are strictly prohibited.

# Information Protection

As digital transformation accelerates after COVID-19, SKI focus 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**

SK innovation recognizes that all assets, such as personal information of employees and customers, and the company's intellectual 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 ISMS and ISMS-P, a domestic information security certification, we are regularly receiving 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 affiliates monitor 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**

SK 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**

SK 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.

● **Information Protection Training in 2020**

Content	Target	Trainees
Information security	All executives and employees	7,348
Process security	All executives and employees at Ulsan/Incheon CLX	3,657
Industrial security	Employees working at battery and material business	923
Personal information	Suppliers who who handle personal information	349

**Operation of a system to respond to information protection infringement**

SK innovation reorganizes the information protection organization (CISO/CPO) 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. In 2021, 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.

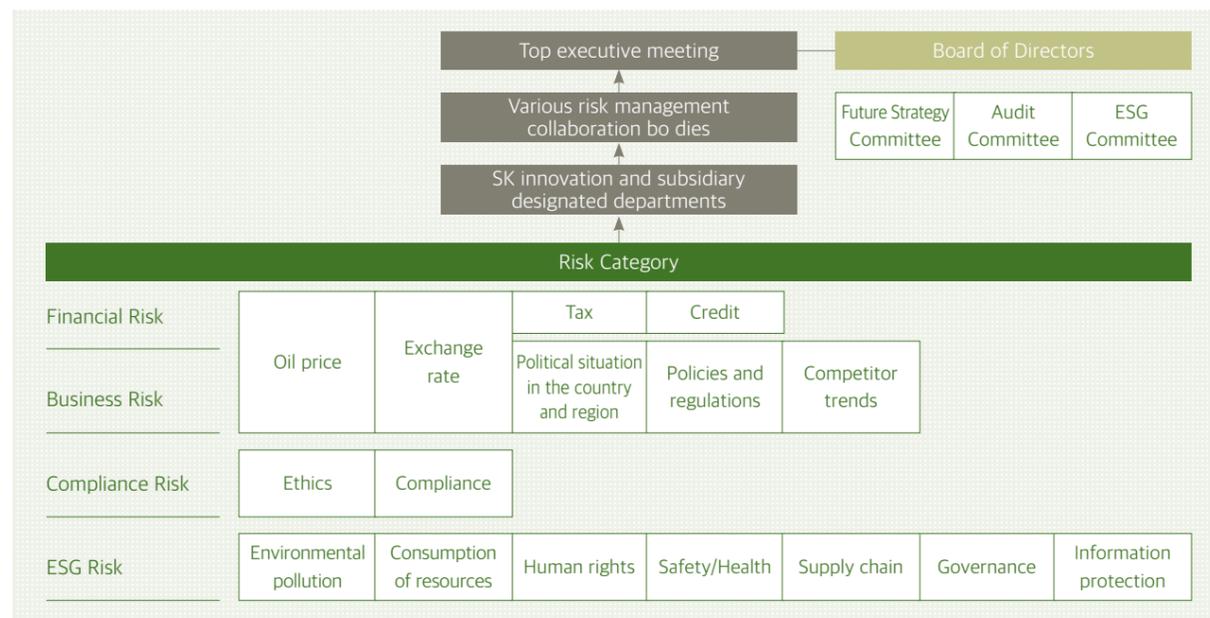
# Risk Management

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 work 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 Management System



## 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 mid/long-term trends based on various economic indicators for each affiliate and SK innovation and managing risk through foreign exchanging hedging and diversification of introduction 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 operates 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

Emerging Risk		
Classification	Risk Impact	Mitigation Action
Changes in final energy consumption	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.	SK innovation is closely examining the impact of changes in final energy consumption on the business structure and preparing to respond. By boldly 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 asphalt. SK innovation intends to improve the sustainability of its business by innovating its asset structure through such investments in green eco-friendly businesses.
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 have 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.	SK innovation is exploring various ways to solve environmental problems caused by the use of plastics. We have developed eco-friendly, low-toxic food wraps, food packaging that enhances recycling convenience by using a single material, and products that use less plastic raw materials compared to the existing ones. We are also working on developing waste plastic recycling technology that can use waste that is difficult to recycle as a plastic raw material. 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 "Ripthorw(rip 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.

# APPENDIX



# 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

External environment analysis	International standard analysis	GRI standards, DJSI, ISO26000, UNGC, UN SDGs, SASB, IPIECA
	Benchmarking of leading companies	Targeting 14 leading companies in oil and gas sector
	Media research	Out of 5,888 articles between January 1 to December 31, 2020, the number of valid articles is 3,150.
	Survey on stakeholders	Survey on customers, shareholders, investors, local community, partner companies, academia, experts, people from media
Internal environment analysis	Survey on executives and employees	Survey: 1,555 members of SK innovation participated
	Internal data	Reviewing internal documents such as CEO message keywords and management data
	Major sustainable management issues	Incorporating the material issue of SK innovation's sustainable management and major direction for implementation

### STEP 2 Evaluation & prioritization

Evidence of 'Impact'	Evidence of 'Relevance'
<ul style="list-style-type: none"> <li>Survey on external stakeholders, etc.</li> <li>Results of media research</li> <li>Benchmark leading companies</li> <li>International standards</li> </ul>	<ul style="list-style-type: none"> <li>Survey on employees</li> <li>Internal data</li> <li>Major management issues</li> </ul>

### STEP 3 Selection of issues to be reported



### STEP 4 Reporting material issues & activities

Material Topic 1.	Strengthening the Response to Climate Change	<ul style="list-style-type: none"> <li>Management of energy and greenhouse gas emissions</li> <li>Efforts to reduce greenhouse gas emissions</li> <li>Climate change management system</li> </ul>
Material Topic 2.	Global Pandemic	<ul style="list-style-type: none"> <li>Establishment of the global pandemic response system</li> <li>Safety net</li> <li>Biz. Activity (Response to external risk at the business level)</li> </ul>
Material Topic 3	Governance	<ul style="list-style-type: none"> <li>Establishment of 'actual' BOD-driven management system</li> <li>Upgrading BOD-driven global compliance response system</li> </ul>

## 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.



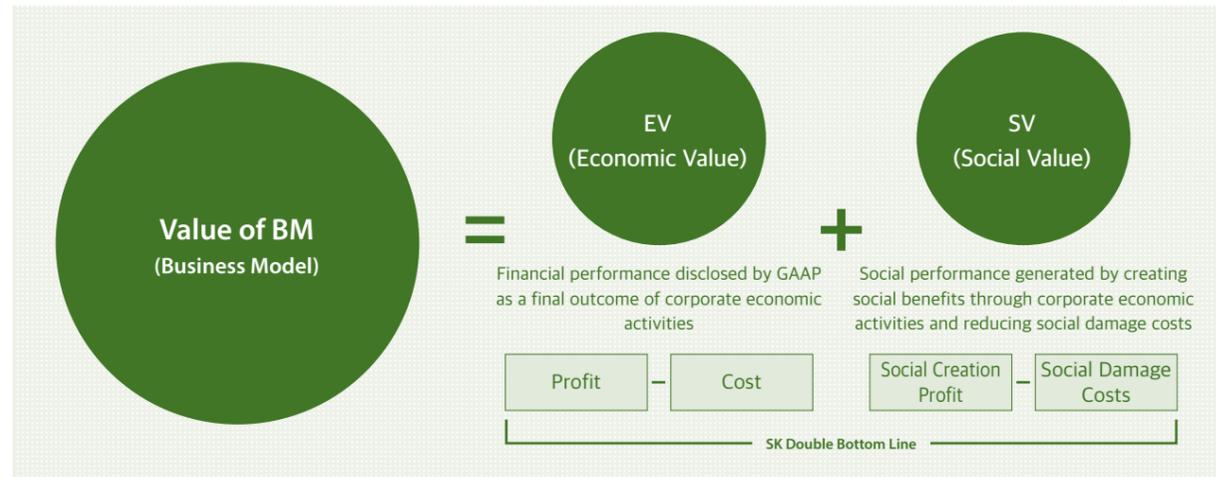
No.	Issues	Impact			Report Information	Page	GRI Standards
		Finance	Reputation	Operation			
1	Strengthen the response to climate change including greenhouse gas	●		●	Material Topic 1. Strengthening the Response to Climate Change Environment-Net Zero Roadmap	20-21, 32-33	305-1,2,3
2	Upgrade risk management system	●		●	Material Topic 2. Global Pandemic Governance - Risk Management	22-24, 84-85	102-11
3	Independence and diversity of BOD		●	●	Material Topic 3: Governance Governance - Board of Directors	25-27, 74-79	102-22,23,24
4	Establish and strengthen ESG strategies	●	●		ESG Management ESG Commitment	14-17	UN SDGs Activities
5	Ethics management/ fair trade		●		Governance - Ethics Management	80-82	102-16,17, 206-1
6	Safety and health of members		●	●	Social - Strengthening SHE	58-61	403-1
7	Support local community		●		Social - Social Contribution	62-71	413-1
8	Respect human rights of members			●	Social - Diversity & Equity	44-47	412-1,2
9	Strengthen circular economy			●	Environmental - Expansion of Eco-friendly Business Portfolio	34-35	302-5
10	Strengthen suppliers ESG risk management		●	●	Social - Supply Chain ESG Management	50-57	308-1,2

# 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.

Indirect contribution to the economy	Business social outcome	Social contribution
Indirect contribution to the economy through corporate activities	Social value generated by product development, production and sales	Value created by CSR activities in the community
Employment	Environment (production process, sales of eco-friendly products, etc.)	CSR activities
Dividend	Society (labor environment improvement, shared growth, etc.)	Contribution
Tax payment	Governance (governance improvement)	Volunteer work

## 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 SKI 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.



## 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



Communication with stakeholders		
Stakeholders	Major communication channels	Areas of interest
<b>Customers</b>	<ul style="list-style-type: none"> <li>Call center 'Customer Happiness Center'</li> <li>EnClean.com</li> <li>Year round meetings and events</li> <li>Website (SK innovation)</li> <li>Blog (SK innovation, SK energy)</li> <li>Facebook (SK innovation, SK energy, SK lubricants)</li> </ul>	<ul style="list-style-type: none"> <li>Creating the value of mutual growth</li> <li>Securing sustainable new technology</li> <li>Fair performance evaluation and compensation</li> <li>Preventing unfair transaction</li> <li>Strengthening communication and capabilities of suppliers</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Intranet (tongtong, etc.)</li> <li>In-house broadcasting (GBS) and company newsletter</li> <li>iCON(In-house messenger, Change Facilitator)</li> <li>Dialogue between CEO and employees (CEO Commitment) and meetings</li> <li>Harmonia (consulting coaching center to help employee's mental health and capacity)</li> <li>Online Youtube Live broadcasting</li> </ul>	<ul style="list-style-type: none"> <li>Increasing company value</li> <li>Creating the value of mutual growth</li> <li>Innovating intrinsic product competitiveness</li> <li>Securing sustainable new technology</li> <li>Innovating business model and business portfolio</li> <li>Striking work-life balance</li> </ul>
<b>Shareholders, investors</b>	<ul style="list-style-type: none"> <li>Shareholders' meeting, earnings presentation</li> <li>Domestic and global NDR(Non-Deal Roadshow) and conference</li> <li>1:1 meetings, e-mail and phone inquiries</li> <li>Disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening shareholder-friendly transparent management led by BOD</li> <li>Securing sustainable new technology</li> <li>Responding to internal and external risk</li> <li>Expanding communication with stakeholders</li> </ul>
<b>Local community</b>	<ul style="list-style-type: none"> <li>Meeting with local organizations</li> <li>Participation in local community committees near business sites</li> <li>Participation in the living and safety commissions of police substation</li> <li>Engagement in welfare facilities and group operating commissions in the adjacent region</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening communication and capabilities of suppliers</li> <li>Increasing company value</li> <li>Expanding communication with stakeholders</li> <li>Preventing unfair transaction</li> <li>Striking work-life balance</li> <li>Minimizing the release of environmental pollutants</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Regular meeting with suppliers</li> <li>CEO seminar with suppliers in Ulsan and Seoul</li> <li>Regular meeting for logistics, machine and equipment inspection</li> <li>I-step system (technology exchange and joint R&amp;D)</li> <li>Ethical management survey for suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Creating the value of mutual growth</li> <li>Securing sustainable new technology</li> <li>Supporting growth through shared infrastructure</li> <li>Strengthening communication and capabilities of suppliers</li> </ul>

## Membership Status

SK innovation participates in various associations and groups in each economic, SHE, and social sectors to identify major internal and external trends as well as to reinforce networking with diverse stakeholders. We will strengthen the executive power and professionalism in sustainability management further through proactive external initiatives.

Korea Petroleum Association	Mae Kyung Safety & Environment Institute	UN Global Compact
Korea Chamber of Commerce and Industry (Ulsan)	Korea Institute of Hazardous Materials	Korea Battery Industry Association
Korea Oil Association	Korean Society for Marine Environment and Energy	Global Battery Alliance
Korea Chamber of Commerce and Industry (Seoul)	Korean Environmental Preservation Association	Responsible Minerals Initiative
Korea Petrochemical Industry Association	Korea Environmental Policy and Administration Society	Korea Business Council for Sustainable Development (KBCSD)
Korea Lubricating Oil Industry Association	Korea Chemicals Management Association	Oil Refining Safety and Environment Committee
Korea Fire Safety Association		

# GRI Index

Classification	Disclosure	Description	Reporting Page		Note
			ESG Report	ESG Performance Report	
Organizational Profile	102-1	Name of the organization	8		
	102-2	Activities, brands, products, and services	8-11		
	102-3	Location of headquarters	8		
	102-4	Location of operations	8		
	102-5	Ownership and legal form	Annual Report		Annual report p.3
	102-6	Markets served	8-9		
	102-7	Scale of the organization	8-9		
	102-8	Information on employees and other workers		44	
	102-9	Supply chain	52-53		
	102-10	Significant changes to the organization and its supply chain			No Significant Changes
	102-11	Precautionary Principle or approach	86-87		
	102-12	External initiatives	18-19		Support and participate in disclosed initiatives
	102-13	Membership of associations	95		
Strategy	102-14	Statement from senior decision-maker	6-7		
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	82-84		
	102-17	Mechanisms for advice and concerns about ethics	82		
Governance	102-18	Governance structure	78-81		
	102-19	Delegating authority	76-77, 80		
	102-20	Executive-level responsibility for economic, environmental, and social topics	76-81		
	102-22	Composition of the highest governance body and its committees	77		
	102-23	Chair of the highest governance body	78-79		
	102-24	Nominating and selecting the highest governance body	80		
	102-26	Role of highest governance body in setting purpose, values, and strategy	76-81		
	102-27	Collective knowledge of highest governance body	76-81		
	102-28	Evaluating the highest governance body's performance	81		
	102-31	Review of economic, environmental, and social topics	76		
	102-32	Highest governance body's role in sustainability reporting	76-77		Annual report p.449-450
	102-33	Communicating critical concerns	76-81		
	102-35	Remuneration policies			Annual report p.482-484
	102-36	Process for determining remuneration	76		Corporate Governance Charter p.4
Stakeholder Engagement	102-40	List of stakeholder groups	94		
	102-41	Collective bargaining agreements		44	
	102-42	Identifying and selecting stakeholders	94		
	102-43	Approach to stakeholder engagement	94		
	102-44	Key topics and concerns raised	94		
	102-45	Entities included in the consolidated financial statements			Annual report p.3
Reporting Practice	102-46	Defining report content and topic Boundaries	90-91		
	102-47	List of material topics	90-91		
	102-48	Restatements of information			Specific attention indicated as notes
	102-49	Changes in reporting	3		
	102-50	Reporting period	3		
	102-51	Date of most recent report	3		
	102-52	Reporting cycle	3		
	102-53	Contact point for questions regarding the report	3		
	102-54	Claims of reporting in accordance with the GRI Standards	3		
	102-55	GRI content index	96		
	102-56	External assurance	98		
Management Approach	103-1	Explanation of the material topic and its Boundary	22-29		
	103-2	The management approach and its components	22-29		
	103-3	Evaluating of the management approach	22-29		

Classification	Disclosure	Description	Reporting Page		Note
			ESG Report	ESG Performance Report	
<b>Topic-specific Standards Disclosure</b>					
<b>Economy Performance(GRI 200)</b>					
Economy Performance	201-1	Direct economic value generated and distributed	8		
	201-2	Financial implications and other risks and opportunities due to climate change	86-87		
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	68-73		
	203-2	Significant indirect economic impacts	92-93		
Procurement Practices	204-1	Proportion of spending on local suppliers	53		
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	98		
<b>Environment Performance(GRI 300)</b>					
Energy	302-1	Energy consumption within the organization		40	
	302-4	Reduction of energy consumption	38		
Water and Effluents	303-1	Interactions with water as a shared resource	39	41	
	303-2	Management of water discharge-related impacts	39		
	303-3	Water withdrawal		41	
Emissions	305-1	Direct (Scope 1) GHG emissions		41	
	305-2	Energy indirect (Scope 2) GHG emissions		41	
	305-5	Reduction of GHG emissions	34-35	41	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		42	
Effluents and Waste	306-3	Waste by type and disposal method	40	42	
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations		43	
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	52-59		
	308-2	Negative environmental impacts in the supply chain and actions taken	57		
<b>Society Performance(GRI 400)</b>					
Employment	401-2	Benefits provided to full-time employees that are not provided to temporary or parttime employees		47	
Occupational Health and Safety	403-1	Occupational health and safety management system	60-63		
	403-3	Occupational health services	60-63		
	403-4	Worker participation, consultation, and communication on occupational health and safety	60-63		
	403-5	Worker training on occupational health and safety	60-63		
	403-6	Promotion of worker health	60-63		
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	60-63		
	403-8	Workers covered by an occupational health and safety management system	60-63		
	403-9	Work-related injuries	60-63		
	403-10	Work-related ill health	60-63		
	Training and Education	404-1	Average hours of training per year per employee		45
	404-2	Programs for upgrading employee skills and transition assistance programs	49		
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	80		
Human Rights Assessment	412-2	Employee training on human rights policies or procedures	46-47		
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	68-73		
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	55		
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No case		

# Third Party's Assurance Statement

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

## Introduction and objectives of work

BSI Group Korea (hereinafter "the Assurer") was asked to verify SK innovation Co., Ltd.'s 'SK innovation ESG Report 2020' (hereinafter "the Report"). This assurance statement 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 international standards guidelines of sustainability reports. 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 AS 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:

- Environmental: 303-2 Management of water discharge-related impacts, 303-3 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
- Social: 403-5 Worker training on occupational health and safety, 403-8 Workers covered by an occupational health and safety management system, 403-9 Work-related injuries

## Scope of Assurance

The scope of assurance applied to this report is as follows:

- Based on the period from January 1st to December 31st, 2020 included in the report
- Major assertion included in the report such as sustainability management policies, strategies, objectives, business and performance
- Information related to material issues determined as a result of materiality assessment
- Appropriateness and consistency of processes and systems for data collection, analysis and review
- The following items were not included in this assurance
  - Financial information, TCFD information disclosure, UNGC performance report, UN SDGs participation activities, UNGP Reporting Framework, and SASB Index in the report and ESG Performance Report
  - Other related additional information such as the website presented in the report

## Methodology

As part of its independent assurance, the assurer has used the methodology developed to collect relevant evidence to comply with the verification criteria and to reduce errors in the reporting, and has performed the following activities:

- To determine verification priorities, review of materiality issue analysis process and verification of the results
- System review for sustainability strategy process and implementation
- Review the evidence to support the material issues through interviews with senior managers with responsibility for them
- Verification of data generation, collection and reporting for each performance index

## 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 assurer 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.

#### Materiality: 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 have conducted this verification independently, and there has been no conflict of interest. All assurers who participated in the assurance have qualifications as AA1000AS assurer, 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 102-1~13/ Strategy 102-14/ Ethics and Integrity 102-16~17/ Governance 102-18~20, 102-22~24, 102-26~28, 102-32~35/ Stakeholder Engagement 102-40~44/ Reporting practice 102-45~56/ Management Approach 103-1~3
Topic-specific Standards	<ul style="list-style-type: none"> <li>• Economic: 201-1~2, 203-1~2, 204-1, 206-1</li> <li>• Environmental: 302-1, 302-4, 303-1~3, 305-1~2, 305-5, 305-7, 308-1~2</li> <li>• Social: 401-2, 403-1, 403-3~8, 403-10, 404-1~2, 405-1, 412-2, 413-1, 414-1, 418-1</li> </ul>

13 July 2021

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

bsi.





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