

ON THE WAY
TO GREEN

About This Report



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Introduction

Since 2005, SK innovation has published sustainability reports to provide transparency about our commitment and progress toward a sustainable growth and maintain active communication with our stakeholders. Our previous sustainability report was published in July 2020. Going forward, we will continue to listen to your valuable input and gather feedback, and incorporate them into our business operation.

Reporting Principles

This report has been prepared in accordance with the GRI (Global Reporting Initiative) Standards (Core Option), which are international reporting guidelines for sustainable management, and a pool of key issues have been selected based on the GRI Sector Standard for Oil and Gas, as well as the SASB (Sustainability Accounting Standards Board) Oil & Gas Sector, in order to take key issues in each sector into account. We also comply with the recommendations from the TCFD (Task Force on Climate-Related Financial Disclosures) and reflect the UNGC 10 Principles, the UN SDGs, and other indicators to support global sustainability initiatives.

Reporting Period

This report covers the fiscal year 2021 (January 1 - December 31, 2021), and may include data for the first half of 2022 to ensure that the information is presented in consideration of its timelines and materiality. For certain performances, data from the past three years is included in the report to present year-over-year trends.

Reporting Boundaries

The financial data in this report agrees with the consolidated financial statements under Korean International Financial Reporting Standards (K-IFRS). The non-financial data comprises headquarters in Seoul, production plants in Jeungpyeong, Cheongju, Seosan, Ulsan, and Incheon, and the Environmental Science and Technology Institute in Daejeon, major subsidiaries and sub-subsidiaries of the overseas subsidiaries of SK innovation and its major subsidiaries, SK energy, SK geo centric, SK lubricants, SK incheon petrochemical, SK trading international, SK earthon, SK on, and SK ie technology (hereinafter referred to as "SK innovation's subsidiaries"), which covers 99% of sales of SK innovation and its subsidiaries that it wholly owns (however, SK mobile energy and SK battery systems are excluded from the scope). Some quantitative environmental performance indicators are based on major domestic business sites while overseas subsidiaries are excluded, and the detailed scope of the data is specified through separate notes. Separate notations are used in case of variance in the reporting scope or changes in the reporting data.

Reliability

This report (including TCFD and SASB) has been published after careful review by the ESG Committee organized under the Board of Directors. We used the verification process according to the four principles of AA1000AS (2008) (inclusivity, materiality, impact, and responsiveness) from BSI (British Standards Institution), an independent assurance service provider, in order to ensure the credibility of the data.

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Interactive PDF



This report is published as an interactive PDF, allowing readers to access related webpages and watch videos.

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CEO MESSAGE

Dear SK innovation's stakeholders,

let me begin by expressing my sincere gratitude for trusting and supporting our business strategy focused on the expansion of the battery/material business and the green transition of the energy/chemical business, despite the uncertainty presented by the COVID-19 pandemic that lasted for the past two years.

Recently, a large number of influential countries declared carbon neutrality to actively respond to climate change. As a result, a paradigm shift to green growth is accelerating at a global scale. Against this backdrop, SK innovation, which has always been at the forefront of sustainable innovation, is preparing to take another leap forward as a 'Green Energy & Materials Company' through the implementation of our 'Carbon to Green' strategy.

To this end, we will focus on the following four areas.



01 With a strong sense of responsibility, we will achieve Net Zero emissions.

SK innovation made the Net Zero roadmap for Scopes 1 & 2 more sophisticated. Moreover, the company set additional reduction targets for Scope 3 and presented detailed implementation plans by extending the scope of responsibility for carbon emissions throughout the value chain. Through carbon reduction efforts such as converting Ulsan CLX's fuel to green LNG and introducing low carbon crude oil, the company reduced its total carbon emissions by 12% in 2021 compared to 2019. SK innovation will further accelerate investment and technology development for low carbon green operation and carbon reduction that the company is currently implementing. Based on our actual performance in carbon reduction, we will demonstrate transparency in disclosing the progress of Net Zero every year, and keep in touch with our stakeholders.

02 With our 'Carbon to Green' strategy as a basis, we will expand our green portfolio and accelerate business model innovation.

In the rapidly growing battery/material business, SK innovation has entered into large-scale, long-term contracts with several original equipment manufacturers based on trust in performance and quality. Moreover, facility expansion to increase our global production capacity is proceeding as planned. In addition, the company will secure profitability through unparalleled competitive advantage and cost reduction efforts based on proven top-tier technology and stability. For our existing energy/chemical business, we will enhance its sustainability by promoting green innovation in each business unit. In the oil business, the company will re-establish itself as a Net Zero energy company through the introduction of bio renewables, new businesses related to CCUS, and Net Zero Crude. By converting existing gas stations and charging stations into bases that produce and sell green energy such as electricity and hydrogen, the company will transform into a green energy solution provider & mobility platform operator. In the petrochemical business, the company has acquired technology to

reduce all waste plastics to basic raw materials. Through this, we will establish a more robust plastic circular economy ecosystem. Furthermore, SK innovation will be reborn as a recycle material company by continuously expanding green products such as high-functional packaging, lightweight automotive materials, and biodegradable resins. In the lubricant business, the company will expand the supply of green lubricants. By actively promoting new businesses such as the upcycling business that recycles waste lubricating oil as a raw material for low carbon high-grade lube base oil and thermal management that utilizes the excellent cooling performance of lube base oil, the company will achieve a balance between the competitiveness of its existing business and the growth potential of its new business. SK innovation will support its subsidiaries so that this green innovation strategy can be carried out without a hitch. The company will accelerate the development and expansion of zero carbon electricity and carbon-neutral fuel portfolio in response to future changes in the energy mix.

03 We will clearly disclose information related to our ESG management strategy and goals.

Eyeing ESG management in an integrated and systematic way, SK innovation has established the G.R.O.W.T.H. strategy. Starting this year, SK innovation will regularly disclose the performance related to short-term and mid-term goals for each of the sixteen GROWTH priority tasks. SK innovation will also demonstrate greater transparency and speed in disclosing ESG information requested by stakeholders through the ESG data platform established by the company as the first such instance in Korea with a view to winning the trust of the market.

04 We will continue to innovate our governance structure.

SK innovation is fulfilling board-centered management by bolstering the roles of committees under the Board of Directors. The Future Strategy Committee establishes SK innovation's vision and mid- to long-term strategy, monitors progress from time

to time, and establishes/evaluates the CEO KPIs on that basis. The HR Evaluation and Compensation Committee leads the entire process of adequate evaluation and compensation for the CEO and the CEO appointment. The Audit Committee has placed the Audit Office as an organization directly under the committee to strengthen its role as a control tower for compliance. The newly established ESG Committee manages and supervises the performance of each category of E, S, and G, while pre-checking ESG risks for all Board of Directors agenda. In addition, the eight companies under SK innovation are implementing a new board-centered management system in line with their distinctive characteristics. Going forward, the company will innovate its governance so that the Board of Directors can make decisions in the direction of maximizing stakeholder profits.

Founded in 1962 as Korea's first refinery, SK innovation overcame numerous challenges and adversities over the past 60 years and acted as a catalyst of innovation.

By promoting 'Carbon to Green' strategy, SK innovation will develop new solutions that will accelerate the green economy transition and continue to lead innovation.

We look forward to your consistent encouragement and support.

Thank you.

Kim Jun

Vice Chairman/CEO, SK innovation

Business Overview

SK innovation is a global Green Energy & Materials Company that operates its own business in the battery, materials, and E&P sectors. We have built a value chain for the petrochemical business through vertical integration from exploration and development to production. Currently, we are expanding green business models in the portfolio by investing in the battery/material business. Through transition into green businesses and development of new models, we are fulfilling our social and environmental responsibilities while creating economic values.

SK innovation Subsidiaries



* More information about subsidiaries can be found on their own official website.

Company Profile

Name of Company	SK innovation Co., Ltd.
Address	Seorin-dong SK Building, 26, Jongno, Jongno-gu, Seoul
Date of Foundation	October 13, 1962
No. of Employees	7,995 persons ¹⁾
Total Assets²⁾	KRW 49,557.44 billion
Sales³⁾	KRW 46,842.929 billion
Operating Income⁴⁾	KRW 1,754.171 billion

1) As of December 31, 2021
2), 3), 4) Based on the 15th Business Report

Global Network

SK innovation has an extensive network in major countries around the world, including South Korea, USA, China, Hungary, and Poland, and leads the domestic industry while expanding its global presence to gain competitive advantages as a Green Energy & Materials Company.



Mining Concession for Production	SK innovation	Peru
	SK earthon	Vietnam, Libya
Mining Concession for Exploration	SK earthon	China, Vietnam, Malaysia
LNG	SK earthon	Peru, Oman, Qatar
Production Sites	SK energy	Ulsan (South Korea)
	SK geo centric	Ulsan (South Korea), China, USA, Spain, France
	SK lubricants	Ulsan (South Korea), China, Indonesia, Spain
	SK ie technology	Cheongju (South Korea), Jeungpyeong (South Korea), China, Poland
	SK on	Seosan (South Korea), Hungary, USA, China
	SK incheon petrochemical	Incheon
Environmental Science and Technology Institute	SK innovation	Daejeon
TS&D Center	SK geo centric	China

Overseas Companies	SK innovation	USA
	SK energy	China, Singapore
	SK geo centric	China, Singapore, Japan, USA, Spain, France
	SK lubricants	USA, China, India, Russia, Japan, Netherlands, Indonesia, Spain
Overseas Subsidiaries	SK trading international	Singapore, UK, USA
	SK on	USA, Hungary, China
	SK ie technology	Poland, China
	SK energy	Vietnam, Taiwan
	SK geo centric	UAE, Germany
	SK lubricants	UK
	SK trading international	UAE
	SK earthon	China, Vietnam
SK on	USA, Germany	

Business Model

01 SK innovation

Portfolio Development and Management

Make strategic investments in BMR (Battery Metal Recycle) to expand the green portfolio as a portfolio designer/developer of SK innovation and its subsidiaries.

Business Value Chain

SK innovation produces and sells high-quality gasoline and diesel, as well as green lubricants and asphalt, basic chemicals and chemical solvents, and plastics based on an integrated value chain from resource development (upstream) to energy sales for use in daily life (downstream). Beyond that, with the goal of developing sustainable growth engines, we actively promote transition to green business models under our Carbon to Green strategy by focusing on developing advanced materials such as batteries for electric vehicles and LiBS and leveraging the excellent technology accumulated over the past 50 years.

03 SK energy, SK incheon petrochemical

Petroleum Business

Produce green high-performance fuel, gas, asphalt, and naphtha, and raw materials for chemical products based on crude oil.

05 SK geo centric, SK lubricants, SK incheon petrochemical

Chemicals & Lubricants Business

Produce chemical products, green lube base oil, and automobile engine lubricating oil using by-products produced during oil refinery as raw materials and refining process.

07 SK ie technology

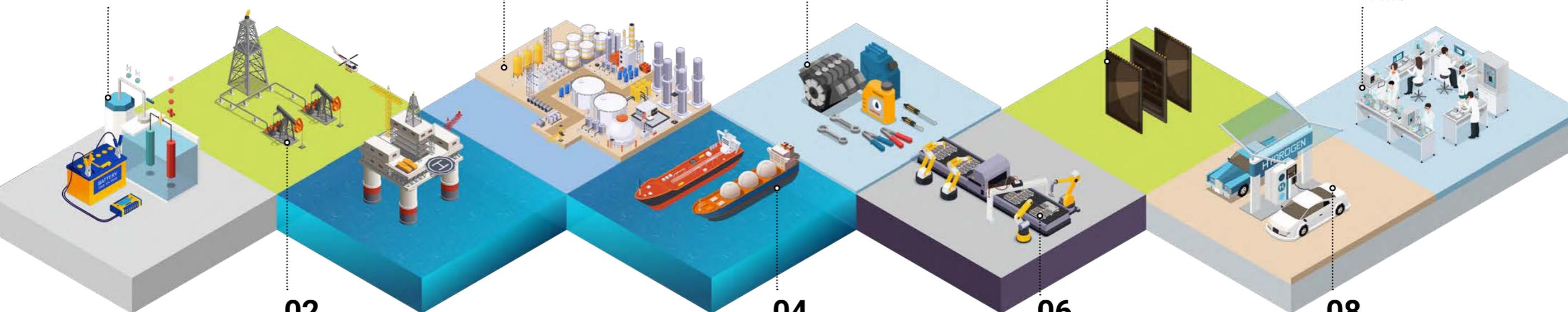
Materials Business

Produce LiBS, a core material for lithium-ion batteries, and FCW (Flexible Cover Window), a key material that replaces glass in flexible display.

09 Korea Environmental Industry & Technology Institute

R&D

Create new values for customers by developing competitive edges for existing business areas and growth engines through technological innovation.



02 earthon

Petroleum Development and Other Businesses

Secure energy sources in Korea and CCS technology by exploring major mining concessions around the world and producing oil and LNG.

04 SK trading international

Trading Business

Import crude oil and naphtha for the production of petroleum products and export products of SK energy and SK incheon petrochemical to global markets.

06 SK on

Battery Business

Produce secondary batteries for automobiles and ESS (Energy Storage System) while being recognized by global automakers for its excellent technology.

08 SK energy

Petroleum Marketing

Supply petroleum products to domestic consumers at SK gas stations and charging stations, and work on green energy and mobility-based businesses.

Executive Management of the Subsidiaries

The executive management of our subsidiaries draws upon their expertise and leadership to lead innovation and changes to support ESG practice.

SK energy



Name CEO Cho Kyung-mok
Term of office January 2018 -
Career highlights Present) CEO/President of SK energy
 Former) Vice President, Finance Division, SK inc.
 Former) Managing Director, Finance Team, SK inc.
 Former) Vice President, Finance Office, SK inc.
 Former) Vice President, Financial Management Office, SK telecom
 B.A., Dept. of Business Administration, Seoul National University

SK geo centric



Name CEO Na Kyung-soo
Term of office December 2018 -
Career highlights Present) President/CEO of SK geo centric
 Former) Head of Biz. Innovation, SK innovation
 Former) Head of Performance Management Dept., SK innovation
 Former) CoE Energy/Chemical, Business Support Dept., SK inc.
 Former) Strategic Planning Team Leader, SK energy
 B.A., Dept. of Business Administration, Korea University

SK lubricants



Name CEO Cha Kyu-tak
Term of office December 2019 -
Career highlights Present) CEO/President, SK lubricants
 Former) Head of Base Oil Division, SK lubricants
 Former) Head of Lubricants Division, SK lubricants
 Former) Senior Manager, SK energy Netruck
 Former) Retail Development Team Leader, SK energy
 B.A., Dept. of Economics, Yonsei University

SK incheon petrochem



Name CEO Choi Yoon-seok
Term of office December 2019 -
Career highlights Present) CEO/President, SK incheon petrochemical
 Former) Head of Production Division, SK incheon petrochemical
 Former) Head of Facility Dept., SK incheon petrochemical
 Former) Facility Management Team Leader, SK incheon petrochemical
 B.A., Department of Electrical Engineering, Hanyang University

SK trading international



Name CEO Seo Seok-won
Term of office April 2019 -
Career highlights Present) CEO/President, SK trading international
 Present) Head of SK energy R&S CIC
 Former) Head of Optimization Division, SK innovation
 Former) Executive of Oil Price Team, SK Supex Council
 Former) Head of Optimization & Analytics Dept., SK innovation
 Former) Head of Oil Trading Division, SK energy
 B.A., Dept. of Economics, Seoul National University

SK ie technology



Name CEO Noh Jae-seok
Term of office April 2019 -
Career highlights Present) CEO/President, SK ie technology
 Former) Head of Materials Division, SK innovation
 Former) Senior Manager of Materials Division, SK innovation
 Former) Global Growth Dept., SK lubricants
 Former) Strategic Planning Team Leader, SK lubricants
 B.A., Dept. of Business Administration, Yonsei University

SK on



Name CEO Ji Dong-sup
Term of office October 2021 -
Career highlights Present) President/CEO, SK on
 Former) CEO/President of SK lubricants
 Former) General Secretary, SK SUPEX Council
 Former) Head of Strategic Planning, SK telecom
 Former) Head of Future Business, SK telecom
 M.A., Dept. of Economics, Seoul National University

SK earthon



Name CEO Myung Sung
Term of office October 2021 -
Career highlights Present) Head of E&P Division, SK innovation
 Former) Head of Happiness Management Dept., SK innovation
 Former) Head of Corporate Culture Innovation Office, SK innovation
 Former) E&P Project Management Team Leader, SK innovation
 Former) Head of Bogota Branch, E&P Division, SK innovation
 B.A., Dept. of Trade, Pusan National University

SK energy P&M CIC



Name Division Head Oh Jong-hoon
Term of office December 2020 -
Career highlights Present) CEO, SK energy P&M CIC
 Former) Head of Energy B2C, SK energy
 Former) Head of BM Innovation Division, SK energy
 Former) Executive of Strategic Support Team, SK SUPEX Council
 Former) Head of Portfolio 5 Dept., PM3 Division, SK inc.
 B.A., Dept. of Law, Yonsei University

2021 ESG Highlights

Jan

Signed an MOU with Seoul City to promote renewable energy and green vehicles.

SK energy and Seoul City signed a partnership agreement to promote renewable energy and green vehicles by building solar power systems and EV charging systems at SK gas and charging stations to achieve carbon zero by 2050.



Feb

Raised the mutual growth fund

On February 2, SK innovation held a ceremony for the 2021 SK innovation Mutual Growth Fund and presented KRW 3.5 billion to its suppliers. Including this amount, we have raised KRW 9.77 billion for the employees of our suppliers since 2018.

Donated 60,000 meals as part of the 'Sharing Meals' Relay Campaign

In order to help the homeless and senior citizens living alone who are at risk of starvation due to the prolonged pandemic, SK innovation organized the Sharing Meals Relay Campaign and donated 60,000 meals through business sites across the country from January to February.

Completed digital transition for Ulsan Complex

SK innovation's Ulsan Complex has completed its transition to digital process as it completed building the Ocean-Hub, a next-generation facility management management system, and plans to manage the entire process digitally starting June.

Joined the EU CCS project

SK innovation and SK energy joined the 'EU REALISE Project' for joint research of CCS1) to take the lead in decarbonization by gaining research results and global insights, and exploring market.

Mar

Held the 14th Annual Meeting of Shareholders

SK innovation held the annual meeting of shareholders on March 26 with the vision of 'New SK innovation' to build trust with stakeholders and share its commitment to green energy and material innovation.



Organized 'Sharing Meals' volunteer activities

From January to March, SK innovation donated lunch boxes to the food charity organization, 'Myeongdong Restaurant', through employee volunteer activities as part of our effort to solve social problems of starvation for the underprivileged and the decline in sales at small restaurants.



Apr

Completed transition to LNG for power boilers

SK innovation Ulsan Complex replaced Bunker C power boilers and completed transition to LNG for power boilers according to the plan that has been implemented since 2019 as part of our efforts to protect our environment.



May

Announced the cases of social enterprise support program

Academy of Social Enterprise highlighted the success stories of star social enterprises promoted by SK innovation at its spring academic conference held under the theme of 'social Roles and Social Value Creation of Social Enterprises in the Untact Era'. Through this, it was thrust into spotlight as an excellent model for supporting social enterprises.



Proclamation of Truly Beautiful Mountains and Seas and Implementation of Intensive Practice Period

SK innovation declared plugging as a major company-wide activity under the slogan of 'Make Mountains and Seas Truly Beautiful' by removing waste plastics. All of our employees participated in the activity.



Jun

Announced 2020 SV analysis results

According to the results of social value analysis in 2020 announced by SK innovation, even though the total volume declined compared to the previous year due to the pandemic, we were able to improve our social impact by expanding green products and services as well as reducing environmental pollutant emissions.



Continued to promote 'Mangrove Forest Restoration Project' in Vietnam

Despite the COVID-19 pandemic, SK innovation has been continuously promoting the mangrove forest restoration project in Vietnam, initiated from 2018, to take action against climate change and protect biodiversity.



2021 ESG Highlights

Jul

Published 'Net Zero Special Report'

SK innovation published the 'Net Zero Special Report' for the first time in the industry in Korea, presenting our commitment to the 'net zero carbon emission' declared on July 1st.



Published 'ESG Report'

In order to share our progress in ESG management with stakeholders more effectively and to maintain close communication, SK innovation has replaced our sustainability report with the ESG report, which covers a wider range of topics.



Aug

Shared the status of governance

SK innovation's board of directors shared the details and direction of innovating its governance structure with the ACGA (Asian Corporate Governance Association) and its member companies, as well as spending some time getting feedback on how to make improvements.

Signed an MOU with a US plastics recycling company

SK geo centric signed an MOU with Pure Cycle Technology, a US plastics recycling company, to establish a joint venture and build a polypropylene-based waste plastic recycling plant with the goal of commencing operation by 2025.

Launched net zero-carbon petroleum products for the first time in Korea

SK energy launched the first net zero-carbon petroleum product in Korea by offsetting GHG emissions generated through the entire process of production with carbon credits.

Honored with Contribution Award from Vietnam's Tra Vinh Province

SK innovation was recognized by the People's Committee of Tra Vinh Province in Vietnam for its contribution to climate change response and biodiversity conservation through mangrove forest restoration.

Sep

Signed an MOU to develop an international climate risk management model

SK innovation signed a partnership agreement with the Financial Supervisory Service, Ewha Womans University, British embassies, and other companies to develop a climate risk management model through industry, government, and academic cooperation to deal with climate risks in a more focused manner.

Joined RE100

SK ie technology joined RE100 to introduce plans to make 60% of its energy consumption green in all its business sites by 2025 and reduce its GHG emissions by 70% by 2030.

Strengthened a partnership in the CCS sector

SK innovation and Korea National Oil Corporation have signed a business agreement to jointly promote research for development of an empirical model for the CCS business, which is a key field in solving the carbon problem, and for future business expansion.

Introduced green raw materials processed using pyrolysis oil

SK innovation Ulsan Complex injected green pyrolysis oil made from waste plastics for the first time in Korea as raw material for refining and petrochemical processes, making a significant contribution to building the circular economy.

Oct

Created 'Net Zero Carbon Forest' with customers

SK energy raised a fund through 'Good Fuel 1% Campaign' and launched 'Net Zero Carbon Forest Project' at the Bongpo-ri Marine Park in Gangwon-do, Korea as part of our efforts to reduce carbon emissions.



Rated A+ in the comprehensive ESG Rating

SK innovation was rated A+ in the Korea Corporate Governance Service's ESG Rating, which was a higher level than the previous year, in recognition for its continued global leadership in ESG management.



Nov

Joined the Korea Green Packaging Forum

SK geo centric participated in the 2021 Korea Green Packaging Forum and organized one of the sessions called 'Plastic Recycling Solution for the Circular Economy', to present ways to promote mechanical and chemical recycling in the domestic industry.

NCM9 Battery won two awards at 'CES Innovation Award'

SK innovation's NCM9 battery was recognized for its superior level of performance and safety at 'CES 2022', the world's largest technology fair, as it won the Innovation Award in the Entertainment, Safety, and Interior Technology categories.

Revealed the Green Startups Support Model

SK innovation participated in the AVPN Northeast Asia Summit and hosted a panel discussion session where it presented the 'EGG' program, a green startup ecosystem model jointly promoted by the government, big companies, and impact funds.



Dec

Received a commendation from the Minister of Health and Welfare for helping the elderly living alone.

SK innovation received a commendation from the Minister of Health and Welfare for organizing a charity event to help the elderly living alone called '2021 Sharing Love' as part of its social contribution program.

Launched green engine oil with ultra-low viscosity for commercial vehicles.

SK lubricants developed and launched a diesel engine oil with improved fuel efficiency and reduced carbon emissions for commercial vehicles for the first time in Korea.

Launched green biodegradable plastic materials.

SK geo centric co-developed PBAT (Polybutylene Adipate-co-Terephthalate), a green plastic material that decomposes naturally with Kolon Industries.

Won the Presidential Citation for creating jobs.

In recognition of its efforts to create quality jobs and improve the working environment, SK innovation received the Presidential Citation at the 2021 National Award for Job Creation.

Self-Reflection

Improving ESG Data Management

In the course of preparing this year's ESG Report, there have been some errors in the data disclosed in the 2019 and 2020 ESG Reports. This was caused by unsystematic data management process. ESG data was measured and managed individually by the person in charge of each organization. However, it became more difficult to manage the data systematically due to an increase in the scope of our business and the number of indicators that require management.

These errors can be largely classified into two types. The first one is Human Error, which is a simple error that occurs during the data measurement and transmission process. The other one is an error caused by the difference in data extraction criteria such as the base year and target, though the collected data itself was accurate. In the ESG Report published last year, it was confirmed that there were 54 errors, including 46 human errors and 8 errors caused by changes in criteria. The error found in the ESG Performance Report published this year has been specified and corrected through footnotes.

Types of ESG Data Errors

Type	No. of Human Errors	Calculation Criterion Change
Environment	41	2
Social	5	6
Total	46	8

Future Direction in Response

Systematic management of ESG data through the establishment of a new data platform

In order to prevent errors, we are going to build a new data platform for more systemic management. With the new platform, we plan to manage the lifecycle of data - creation-aggregation-evaluation-management - and share it with our stakeholders in a transparent manner. We are also committed to improving data access so that our stakeholders can check data in real time through the platform, and build trust with the market through transparent disclosure.

Enhancing Shareholder Value and Activating Shareholder Communication

In the course of the split-off of our battery and oil development business in 2021, there were issues related to the minority shareholders' equity value. This issue was also considered as the most important among others that occurred during the reporting period according to the stakeholder survey conducted for the publication of this year's ESG Report. Therefore, we are making full disclosure on the activities implemented to protect shareholders and introduce future plans to prevent such issues.

In July 2021, SK innovation announced in advance that the company was reviewing the split-off process to protect shareholders' rights and held the SK innovation Story Day to keep our shareholders and investors informed of our mid/long-term strategies and plans. Immediately after the board resolution on the split-off in August 2021, a briefing was held in a form of conference call to share its purpose and plans for the future, and information about the decision were posted on the website. Meanwhile, the Proxy NDR was organized to collect inputs from individual shareholders, including domestic and overseas institutional investors and minority shareholders, before the general meeting of shareholders through various communication channels such as hotline and e-mail. In order to encourage shareholders to attend the meeting and protect their voting rights, we took necessary measures such as implementing an electronic voting system.

As a result of these efforts, this split-off was finally decided with 80.2% approval from the shareholders attending the meeting, and minority shareholder rights under the Commercial Act, including shareholder proposals, were not exercised during the approval process either.

Future Direction in Response

Introduction of online and offline Open General Meeting of Shareholders

Going forward, we will continue to review and improve our policies to protect shareholders' rights in case of any significant changes in ownership structure or business operation. As part of these efforts, the company introduced Open General Meeting of Shareholders in 2022 to hold both online and offline meetings. We also included Q&A sessions and discussion in the meeting program to encourage minority shareholders to express their opinions and work together.

We will continue to listen to our shareholders and work hard to enhance their values while maintaining active communication through various channels.

Self-Reflection

Managing Scope 3 Emissions

In 2021, in response to climate change and a growing demand by stakeholders to take action, SK innovation established the Net Zero Roadmap and published the Net Zero Special Report highlighting our plans for carbon reduction by 2050. The report contains our plans for reducing Scopes 1 and 2 emissions as well as the amount of Scope 3 emissions. We received a positive response from most of the stakeholders on our efforts to manage Scope 3 emissions along with requests for improvement in some areas.

Accordingly, SK innovation took a scientific approach in line with global standards and set a plan to reduce Scope 3 emissions to meet the expectations of our stakeholders. To this end, detailed options have been established to achieve the both short and long-term targets while proactively setting the targets for the energy/chemical business from an absolute point of view.

Future Direction in Response

Cutting 90% of SK innovation and the subsidiaries' total scope 3 emissions by 2050

We plan to reduce Scope 3 emissions by 75% based on financial intensity while decreasing absolute emissions by 25% in the energy/chemical business from 2019 to 2030. In the long run, our goal is to reduce SK innovation's total Scope 3 emissions by 90% based on financial intensity by 2050. This mid- and long-term Scope 3 reduction target will be implemented by making the transition for our major products and services in line with the Carbon to Green strategy.

In August, we are going to publish a separate 2022 Net Zero Special Report that contains the updated Scope 3 emissions reduction targets and shows company-wide efforts to implement them, expressing the strong commitment of SK innovation and its subsidiaries toward a sustainable future.

Improving Personal Information Management

In November 2021, a security violation occurred in which the personal information of job applicants was leaked during the SK Group recruitment process. We got a report from outside that the applicant's application history managed by BCS, an independent evaluation provider that handles SKCT (SK Competency Test), became accessible through search portals without signing in to the admin page. It has been confirmed that personal information was leaked as a result. Although their contact information such as email and mobile phone number was not leaked, certain personally identifiable information such as name, date of birth, and gender was leaked.

SK Group immediately made an announcement to apologize for the incident on the web portal, and notified the applicants whose personal information was leaked through text messages and emails

From December 2021 to May 2022, an investigation was conducted on BCS and SK Group, and the SKI subsidiaries involved in the incident will be subjected to administrative penalties such as fines for negligence.

Future Direction in Response

Improving the BiOK purchasing system and upgrading the internal business process

In order to prevent the recurrence of similar leaks, SK Group will prepare a personal information collection procedure that takes into account the characteristics of each company, strengthen the security of the personal information database, strengthen the management and supervision of the data recipients, and tighten the observance of the personal information retention period.

Accordingly, SK innovation will establish a recruitment-related personal information management system in accordance with SK Group company policies, and personal data recipients will establish a personal information protection management system to further strengthen safety measures for personal information protection.

SK Innovation Focus Areas

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Response to
Climate Change

21

Transparent and
Systematic ESG Data
Management

22

Waste Recycling &
Circular Economic
Ecosystem

23

Upgrading Governance
to the Global Level

Focus 01

Response to Climate Change



Why is this topic important?

Recently, climate change has been recognized as one of the greatest global challenges that threatens our sustainability. As a result, the social and economic paradigms have shifted toward eco-friendliness and countries around the world are preparing for the transition to a carbon-neutral society in response to this crisis. Businesses are actively participating in this change. SK innovation has actively participated in the efforts to support climate change response strategies and declared our commitment to carbon net zero goals with the firm belief that active response to climate change is not an option but a necessity.



What is SK innovation's approach?

SK innovation engages in various activities in response to climate change. Through industry-government-academic cooperation, we identified risk and opportunity factors associated with climate change and developed a scenario-based risk control model to establish an effective frame. Furthermore, we are preparing for the transition to a carbon-neutral society by recognizing stakeholders who may be marginalized in the process of transitioning to a low carbon business and providing support programs tailored to their needs. At the same time, we plan to declare an upgraded version of the Net Zero Roadmap¹⁾ that reflects the needs of our stakeholders in order to promote successful Net Zero implementation.

1) The Net Zero Special Report will be disclosed in August 2022.



How do we manage performance?

SK innovation came up with tasks to support ESG practice in response to climate change by using the CEO KPI, and reflects the performance evaluation in the CEO compensation to support efforts to achieve Net Zero. Every year, we are going to share risk and opportunity factors identified through the Framework on Climate Change, our response plans, and support for the transition to a fair, carbon-neutral society through the ESG Report. Going forward, we plan to conduct objective assurance of GHG emission reduction performance according to the Net Zero Roadmap and disclose the results.

Upgraded Net Zero Roadmap

SK innovation published the Net Zero Special Report in 2021 to declare our commitment to Net Zero. Even though our stakeholders recognized our efforts, they pointed out a few areas of improvement. For Scopes 1 and 2 emissions, there has been a growing demand for setting specific short-term targets and investment costs for each option. When it comes to Scope 3 emissions, they put an emphasis on both short and long-term targets along with specific options to achieve them.

In response to these demands, we upgraded the Net Zero Roadmap for 2022 and set Scopes 1, 2, and 3 emissions reduction targets and plans. The summary of the new version can be found below.

Net Zero Operation

SK innovation is committed to Net Zero Operations with the goal of achieving Scopes 1 and 2 net zero targets in the energy/chemical business by 2050 and Scopes 1 and 2 net zero targets in the battery/material business by 2035.

In 2022, we checked the company-wide progress toward the targets. Based on the results, the Net Zero Operations target was reset in the upgraded Net Zero Roadmap.

Net Zero Portfolio

SK innovation re-established the Scope 3 emissions reduction target and plans for implementation through the upgraded Net Zero Roadmap. We plan to execute the Net Zero Portfolio with the goal of reducing Scope 3 emissions by 90% based on SKI financial intensity by 2050.

Net Zero Sales

The upgraded Net Zero Roadmap also includes targets for Net Zero Sales which focuses on reducing Scope 3 emissions by 70% in the energy/chemical business. It offsets 100% of the Category 11 (use of sold product) and Category 12 (end of life treatment) emissions which account for the largest share of the Scope 3 emissions of SK innovation and its subsidiaries.

Framework on Climate Change & Risk Management Model

Framework on Climate Change

In 2022, SK innovation established the Framework on Climate Change to manage associated risks and opportunities in a more systematic manner. Using this model as a basis, we are going to maintain close communication with stakeholders and utilize internal control to take advantage of opportunities and limit risks. The framework was established by identifying risk and opportunity factors in relation to climate change from a short-, mid-, and long-term perspective while setting criteria for assessing impact and methodology for each factor. Based on the framework, an internal assessment of SKI subsidiaries was implemented in the first half of 2022.

Identifying Risk and Opportunity Factors

In order to identify risk and opportunity factors in relation to climate change, we firstly analyzed climate issues based on documents of global initiatives and international organizations. A pool of issues consisting of 34 factors was created as the first step. Then, certain factors were selected based on our business alignment, urgency and importance. Finally, 26 factors were selected through in-depth interviews and expert consultations with 14 SKI subsidiaries. The relevance of the identified factors was reviewed for objectivity once again by outside experts. Then, they were classified into categories of policy, technology, market, reputation, and physical factors based on the TCFD recommendations.



Identified Risk and Opportunity Factors in Relation to Climate Change

No.	Category	Risk & Opportunity Factors	No.	Category	Risk & Opportunity Factors
1		Carbon taxes and credits in the areas of business	14		Growing demand for low carbon products and fuels
2		2050 Carbon Net Zero Target and 2030 National NDC ¹⁾ raised	15	Market	Changes in energy mix due to policies on renewable energy
3		Carbon border tax (EU, etc.)	16		Impact on the value of carbon assets
4		Regulatory requirements on methane emissions, e.g., Methane Pledge	17		Growing demand for waste battery disposal
5	Policy	Prohibition of sales of vehicles with internal combustion engines and regulations on the percentage of ZEVs	18		Increased shareholder activism and climate-related NGO activities
6		EU plastic tax	19	Reputation	Risks of disclosure of non-financial information on ESG
7		IMO (International Maritime Organization) 2020 and MEPC ²⁾ Policy	20		Risks of reputation due to failure to achieve GHG emission target
8		Expansion of carbon market	21-22		Dramatic environmental changes (e.g., typhoon, fog, earthquake, flood, heavy snow)
9		Systematization of Carbon offset	23-26	Physical	Chronic environmental changes (e.g., heat wave, drought, abnormal temperature, increase in average temperature)
10		Commercialization of CCS technology			
11	Technology	Low carbon technologies, e.g., biofuels			
12		Growing demand for recycling technology			
13		Enhancing energy storage technology			

1) Nationally Determined Contribution: National GHG emission reduction targets set by each country that has joined the Paris Agreement on Climate Change

2) Marine Environmental Protection Committee: Established within the IMO to review issues of preventing and regulating marine pollution by ship and to adopt or revise international conventions on relevant issues.

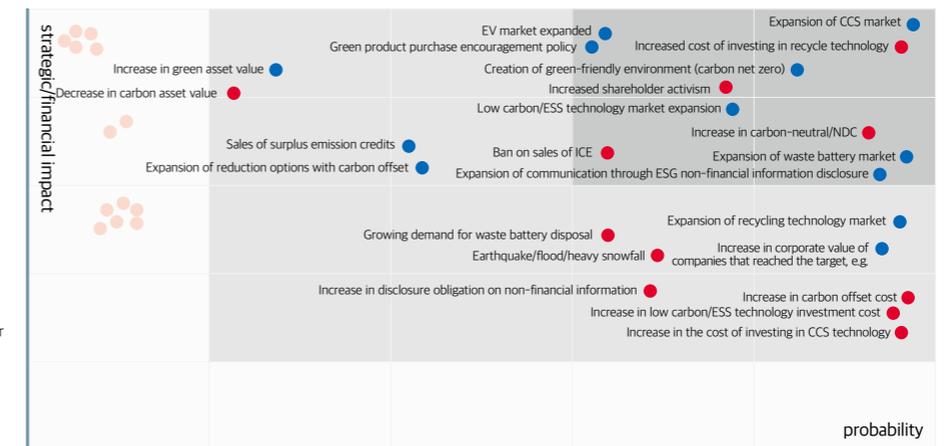
Establishment of Risk and Opportunity Assessment Methodology

We established criteria and methodology for assessing the identified climate change risk and opportunity factors. For this end, we reviewed the requirements of TCFD, CDP and other global initiatives with a focus on climate change. As a result, we decided to measure the probability as well as financial and strategic impact. Documents and academic papers from international organizations were researched to develop methods for assessment of each factor. Based on the survey and analysis, the probability of occurrence is assessed on a 5-point scale in line with the progress in policy implementation, previous frequency, external scenarios, and forecasts from experts.

We also decided to assess financial and strategic impacts on a 5-point scale and established a method to assess the level of financial impact based on investment plans and expected scale, and the amount of emission assets and liabilities. Criteria were then established, based on the board resolution and reporting standards. 5 points are given when the financial impact was over KRW 100 billion, and 4 points for KRW 30 billion. However, if no plan for cost has been determined, it is scored in reference to the opinions of experts and relevant organizations. In terms of strategic impact, we set a method to qualitatively assess the perceived severity of each factor through the FGI of the departments while identifying the level of friendliness of the external environment surrounding our business operation in line with market, policy, and media analysis. Finally, risk and opportunity factors were divided into three levels—key factors, material factors, and minor factors—by comprehensively identifying the probability and financial/strategic impact.

Assessment

Based on the established assessment criteria and methods, SK innovation conducted assessment of the probability and financial/strategic impact of each risk and opportunity factor in relation to climate change.



As a result of the assessment, 'increase in cost of investing in recycling technology', 'promotion of shareholder activism and NGO activities', 'increase in carbon-neutral/NDC (Nationally Determined Contribution)', and 'ban on sales of ICE' have been identified as key risk factors. The key opportunity factors include the expansion of various green markets such as CCS, low carbon technology, energy storage, EV, and waste batteries, and expansion of communication with stakeholders due to mandatory disclosure of non-financial information.

Therefore, we plan to monitor for any possibility of withdrawal of investment and legal claims on climate issues while actively communicating our progress in response to climate change with our investors. In consideration of the situation in which carbon neutrality and NDC goals are continuously being raised, we are fully committed to achieving our Net Zero Roadmap. In addition, we are going to focus on gaining technological edges through continuous investment and stable supply of raw materials as we see expansion of the ESS and EV markets as a key opportunity.

Our assessment revealed a number of factors that can turn risk to opportunity and vice versa. In particular, 'increase in profits from the sales of surplus emission credits' was identified as a significant opportunity for us, but it can also turn into a risk factor because the paid allocation ratio is expected to rise in the future. Thus, we are going to establish effective action plans on factors that can change from opportunities to risks.

Plan for the Future

At SK innovation, we are going to identify and assess risk and opportunity factors on a regular basis based on the Framework on Climate Change. Key factors identified as a result of the assessment will be reported to the board of directors and the executive management for the development of countermeasures. We will also disclose key factors to our stakeholders in a transparent manner.

When developing task KPIs for the CEO and departments in charge, we will reflect the framework-based assessment results to systemically manage risk and opportunity factors. We will also build a system for the identification of factors specific to climate change when making SKI investment decisions.

Developing Climate Risk Management Models

We developed a model for managing climate risks through industry-government-academic cooperation with the Financial Supervisory Service and Ewha Womans University in connection with the Framework on Climate Change. Based on this, we estimated the range of financial impact for each risk scenario by year until 2050. For the results based on the climate risk management model, please refer to page 142 of our ESG Performance Report.

Model Composition

Of the 26 factors identified through the Framework on Climate Change, 16 require assessment of financial impact. Out of those 16, it was found that 8 factors need to be measured according to external scenarios. Based on this analysis, we selected several scenarios for financial impact analysis including 'carbon credit price', 'changes in paid quotas', 'changes in REC prices', and 'chronic environmental changes'.

The price of emission credit has been modeled using five scenarios including status quo, moderate rise, and dramatic rise. The paid allocation ratio and REC price are modeled based on three scenarios each.

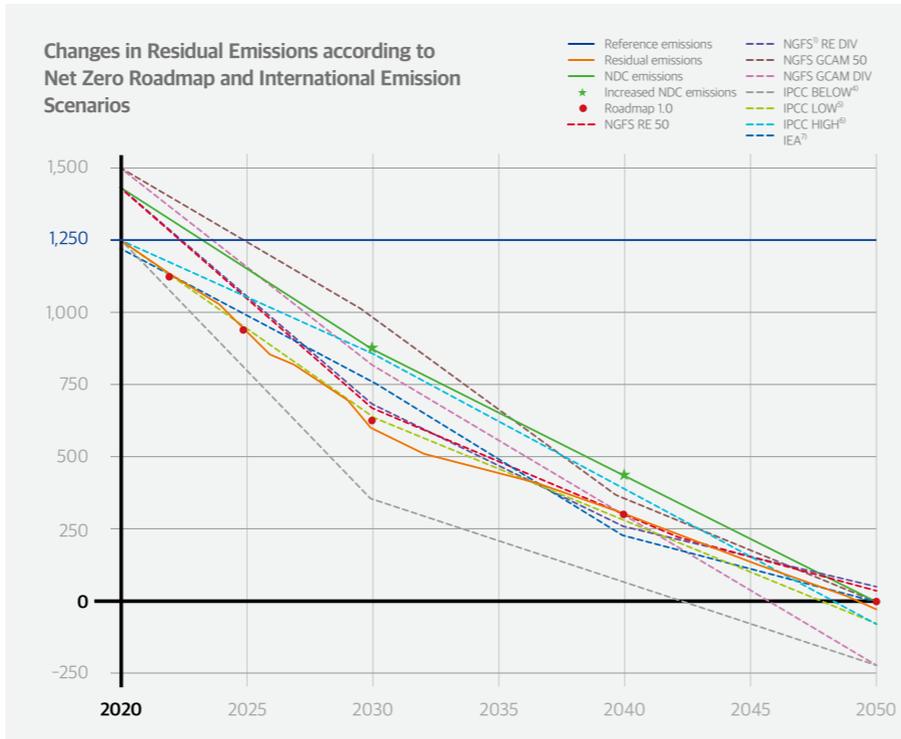
Just Transition Policy

Results of Model Development

In order to measure financial impact, the climate risk management model was developed based on our Net Zero Roadmap for Scopes 1 and 2 emissions, as well as the remaining emissions estimated according to 8 scenarios including NGFS and IEA: 1) 5 emission credit price scenarios, 2) 3 paid allocation ratio scenarios, 3) 3 REC price scenarios. Based on the annual carbon reduction cost calculated using this model, the financial impact of climate risk factors on SKI can be estimated in real time.

Going forward, we will continue to improve this model by adding influencers and refining scenarios to identify the annual investment cost required for carbon reduction and use it to adjust the priorities of the Net Zero implementation options. At the same time, we will further update this model so it can be used to estimate the positive effects of carbon reduction implementation options.

- 1) NGFS (Network for Greening the Financial System) scenario: NGFS, an international consultative body established in 2017 to facilitate the work of central banks and supervisory authorities on climate change risks, develops and publishes greenhouse gas reduction scenarios to assist countries in their climate change risk assessment. The scenario divides the low carbon economy transition path into three cases: orderly transition, disorderly transition, and maintaining the status quo. For each case, a total of six scenarios were presented, combining the two scenarios, one to limit the global average temperature rise within 1.5 to 2.0°C and the other to keep it within 1.5°C. This model applies four of these scenarios.
- 2) IPCC Below: A pathway that limits peak warming to 1.5°C or less throughout the 21st century
- 3) IPCC Low: A path that limits the global average temperature rise to 1.5°C or less in 2100, where peak warming is expected to be less than 0.1°C higher than the Below 1.5°C path.
- 4) IPCC High: A path that limits the global average temperature rise to 1.5°C or less in 2100, where peak warming is expected to be 0.1 to 0.4°C higher than the Below 1.5°C path
- 5) IEA (International Energy Agency) Scenario: A scenario developed by the International Energy Agency (IEA), which observes changes in the energy system, assuming with a 50% probability that the Earth's long-term average temperature rise is limited to 1.5°C



SK innovation supports the Paris Agreement to limit the increase in global average temperature to 2°C compared to pre-industrial levels and keep it below 1.5°C, and agrees that active social activities and strong environmental responsibilities of corporate citizens are needed. Recognizing the importance of fair and just processes and outcomes throughout the transition to a low carbon economy, we are joining climate actions by creating quality jobs in accordance with the principles of “Just Transition” of the Paris Climate Agreement.

We established a policy to support the Just Transition so that our stakeholders can participate in realizing the goal of achieving the Net Zero targets by 2050 and adapt to the changes occurred during the process of innovating business models and portfolio in line with the Carbon to Green strategy while we reflect the feedback from our stakeholders. Fulfilling our social and environmental responsibilities based on consensus and cooperation will serve as a driving force behind sustainable growth. Stakeholders affected by the innovation of our business models are defined as 1) employees, 2) suppliers, 3) local communities, and 4) customers and due to the recent expansion of global business, the scope is expanding. We are going to expand our customized support programs and ESG ecosystem to meet the demands of our stakeholders by enhancing internal and external communication so that they can understand the goal and path of our Carbon to Green strategy.

More specifically, we will support the career development and relocation of our domestic and overseas employees, as well as promote retraining through the development and reinforcement of job training programs. We will also make a transition based on transparent communication between management and employees. In addition to improving our readiness to implement ESG management for our suppliers, we will support their ESG risk management by providing training and consultation on areas of weakness. Going forward, we will continue to support the generation of revenues in the low carbon energy business by building facilities and providing know-how to our distributors.

SK innovation will be able to build trust and boost confidence in the Net Zero targets and Carbon to Green strategy through this policy. Our management will directly deliver our commitment and progress in this transition to stakeholders and prepare for a carbon-neutral future through consensus and cooperation.



Support for Fair and Just Transition

Employees

1) In-house training platform to support self-directed career development and competency enhancement for employees of SK Group

2) Training programs consisting of 7 curricula in support for transition to the green business: 'Why Green?', 'Green Enabler', 'Energy Solution', 'Decarbonization', 'Hydrogen Energy', 'Circular Economy', and 'Tech Insight'

3) Relocation from energy/chemical business (SKE, SKGC, SKL, SKIPC, SKTI, SKEO) to the battery/material business (SKON, SKIET)

4) 8 meetings were held in 2021 (1 meeting each in April, July, and October and 5 meetings in December)

Support for Retraining and Relocation

As part of the Self-Career Design program in connection with our transition to green operation, SK innovation introduced the mySUNI¹⁾ Green College program²⁾ in 2020. As of May 2022, the number of employees who have participated in the program since the program launch reached 3,753 which accounts for 42% in total of the 8,842 registered employees of our subsidiaries.

The platform for transferring between organizations and companies, O! Jobs, was established to support employees' career development³⁾ and transition from the energy/chemical business to the battery/material business by offering transparent and fair operation. The scale of job relocation through this program increased by 2.5 times in 2022 compared to the previous year.

Active Communication

In order to encourage open communication on the implementation of the Carbon to Green strategy, SK innovation held a total of 8 Town Hall Meetings⁴⁾ and MBWA (Managing by Walking Around) of the chairman and the CEO in 2021.



2020 2Q ~ 2022 2Q
Employee retraining support outcome

3,753
employees (cumulative)

CEO Comments

"We need a culture that can present the value and vision of the organization to the members of CLX Engineer. CLX's internal capabilities as well as its growing business have been recognized within the group and company."

- SK innovation CEO, Ulsan CLX New PL/PO Meeting in February 2021

"In the process of the Carbon to Green innovation, the number of stakeholders including employees, shareholders, business partners, and customers will increase significantly as we expand our global presence and business areas. It is important to focus on ESG management to increase our corporate value by building trust and providing support for our stakeholders while striving to keep employees happy in our expanded supply chain and local communities."

- SK innovation CEO, New Year's Address in January 2022

Suppliers

* More information on the progress and goals regarding our support for suppliers can be found on the GROWTH priority task, 'Monitoring Supplier ESG Assessment' section (pp. 55-56 of this report).

Local Community

* More information on the progress and goals can be found on the GROWTH priority task 'Strengthening Green Startup Partnerships' section (pp. 59-61 of this report).

Customers

SK innovation conducts ESG risk assessments for suppliers and select suppliers with a high level of risk as part of its support for their risk management. We also provide tailored training and consulting to support excellent suppliers (rated Leader in ESG risk assessment) and improve areas of weakness while promoting the transition to green business models and technological innovation for small- and medium-sized suppliers by utilizing the mutual growth fund.

We are committed to discovering and supporting ventures and startups through 'EGG', a pilot project supported by a large company and hosted by the Ministry of SMEs and Startups, in order to develop a strong partnership in the green ecosystem with local communities. We have set the goal of supporting 100 ventures and startups in the low carbon and green businesses by 2025 through the establishment of 'Strengthening Green Startup Partnerships' program, a key GROWTH priority task for 2022.

SK innovation has identified customers who are directly affected by its business model, such as oil distributors and gas station operators to help them prepare for the transition to green business models. We are committed to creating green business sites with a focus on customers who support the transition to green energy. For the first step, we are going to support the 'Energy Super Stations' conversion project where we install solar power and fuel cell power generation facilities and EV charging stations at dealerships and gas stations in cooperation with the Ministry of Industry, the Seoul Metropolitan Government and the National Fire Agency.

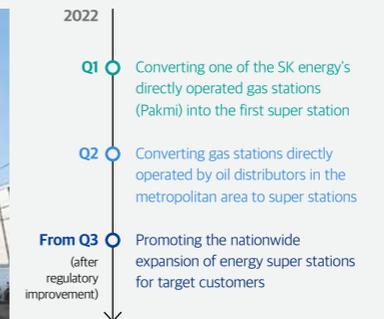


Provided support for green business models and technological innovation for small- and medium-sized suppliers

KRW **625** million

(Including a plan to spend about KRW 500 million out of KRW 43.5 billion raised for the Mutual Growth Fund)

Progress and Plan for Supporting Energy Super Station Conversion



SKI Subsidiaries' Efforts to Expand their Green Portfolio

In order to implement the Carbon to Green strategy, SK innovation is expanding our green portfolio in all areas of business by carrying out various green projects to reduce global carbon emissions, promote the circular economy and support sustainable supply of green energy with a focus on developing waste batteries and plastic recycling technologies, introducing green raw materials, and launching green products and services. Going forward, we will continue to expand our green portfolio through transition to green business models and development of new sustainable models to lead the Carbon to Green movement.



BMR (Battery Metal Recycle) Technology Development

In support of projects that will recover lithium, nickel, cobalt, and manganese metals in production process, SK innovation independently developed the BMR (Battery Metal Recycle) technology which can directly recover high-purity lithium hydroxide (LiOH) for batteries. As it can be used for high-nickel cathode materials, it is more effective in reducing carbon dioxide than existing mines or salt lakes production methods. As a result of LCA analysis by Argonne National Lab in the US, the carbon dioxide generated when producing lithium hydroxide with this technology is reduced by 74% compared to mines and 41% compared to salt lakes. Currently, scale-up verification is in progress after the completion of the demo plant, and the company eyes commercial production in major electric vehicle markets in the US and Europe in 2025.



Improving the Sustainability of the Value Chain in the Oil Sector

As the largest oil refiner in Korea, SK energy R&S CIC is committed to improving the sustainability of the value chain in the oil sector. Green strategies are reflected in all decision-making processes, and we are focusing on reducing carbon emissions through the entire process from purchase of crude oil to production. The company is also expanding the production and supply of green products as we replace the Ulsan CLX's power boiler fuel with green LNG and launching asphalt products for medium-temperature packaging and recycling. With the goal of taking the lead in decarbonization, we are working on the CCS (Carbon Capture and Storage) business in cooperation with Korea National Oil Corporation, and Direct Air Capture technology business with SK trading international while planning the introduction of carbon-neutral crude oil that captures the same amount of carbon dioxide generated in all crude oil production processes.

Building and Promoting Green Energy Infrastructure

SK energy P&M CIC is developing a wide range of green energy solutions that contribute to carbon net zero targets and the hydrogen economy. In February 2022, the first 'Energy Superstation' was opened at

the SK Pakmi Gas Station for full-scale operation. The Energy Superstation is an innovative business model with distributed power sources including solar power and fuel cells to produce green electricity and uses it to charge EVs. Going forward, we plan to build more than 3,000 energy superstations nationwide, starting with gas stations in Seoul.

When it comes to solar power generation, we have built power generation facilities with a scale of 3.8 MW at SK gas stations and NeTruck Houses while securing power brokerage and VPPs (Virtual Power Plants) through partnership with leading companies in 2021. In 2022, we will continue to promote solar power businesses utilizing the SK energy's network and increase the total production capacity to 20MW by securing external power generation resources and solidifying our position as a leading green power generation company. We are also working on the expansion of green mobility infrastructure as the supply of EVs and hydrogen vehicles continues to rise. As of June 2022, we have 51 EV charging stations and 53 charging systems at SK gas stations nationwide, and plan to add more infrastructure in response to the growing market demand for EV infrastructure. For the hydrogen refueling network, after securing 10 locations in key areas in 2021, we are going to add 7 more locations in 2022 to gain competitive advantages in dealing with a growing future demand for commercial hydrogen vehicles.



Towards the World's Largest Urban Oilfield Operation

SK geo centric, formerly known as SK Global Chemical, changed its company name to reaffirm its commitment to becoming the world's largest urban oilfield operator in 2021. We plan to accelerate the transition to green business models with focus on the circular economy, green pyrolysis oil and materials.

In order to support the circular economy, we are promoting the urban oilfield projects using various waste plastic recycling technologies such as PP solvent extraction, PET depolymerization, and pyrolysis. After acquiring ISCC (International Sustainability & Carbon Certification) PLUS, an international certification for green facilities and products, we introduced renewable naphtha, green materials made by recycled bio materials or waste cooking oil in our production process. Products made through this process is currently being sold as ISCC PLUS certified products.

In addition, SK innovation succeeded in applying pyrolysis oil made by recycling waste plastics as a raw material for oil refining and petrochemical processes for the first time in Korea. Pyrolysis oil, like other crude oils, is reborn as a green petrochemical product through SK energy's refining process and SK geo centric's petrochemical process, and is being supplied at home and abroad.

To expand the business, the company plans to invest about KRW 5 trillion in domestic and overseas investments by 2025 to acquire a waste plastic recycling facility with an annual capacity of 90 tons, which is equivalent to the South Korean plastic production. SK innovation has set a goal to directly or indirectly recycle 2.5 million tons of waste plastic per year that matches the global plastic production volume by 2027. Through this, we will build a plastic circular economy system and lead the green plastic ecosystem.



Increasing Battery Production and Baas Project

SK on is taking on a new challenge on our path of growing into a global leader after being split off from SK innovation in October 2021. In the EV and ESS battery businesses, we are increasing our production capacity to supply batteries to countries around the world, including the US, Europe, and China, based on our expertise in high energy density and output technology. As a result, we managed to secure an annual production output of 40GWh by the end of 2021, and plan to increase this output by 220GWh by 2025 in response to a growing demand in the market. We are also committed to the BaaS (Battery as a Service) as one of our growth engines for the future. We have accumulated big data on vehicles and batteries for data-based BaaS and developed our own BaaS AI platform. Through BaaS AI analysis technology, we are able to differentiate our services for real-time battery monitoring, estimation of lifespan and remaining value, and pre-detection of battery abnormalities. At the same time, we are exploring new opportunities based on the entire lifestyle of the battery, including the areas of reuse and recycling to create a green battery ecosystem.



Review of CCS (Carbon Capture and Storage) Business

SK earthon is actively reviewing the implementation of the CCS business models. The development of carbon storage technologies based on the existing E&P is expected to contribute to our response to climate change in Korea and countries around the world. To this end, we signed a multi-ministerial CCS government project agreement with five organizations, including the Korea Institute of Geoscience and Mineral Resources, and explored opportunities for continental storage in Korea. In September 2021, we also signed a comprehensive MOU for cooperation with Korea National Oil Corporation to review the technology and feasibility of the CCS project in the East Sea. We are also seeking opportunities not only in Southeast Asia, where there are many potential storage sites, but also in Australia, where CCS-related laws and systems have been fully established. Going forward, we will continue to build a foundation for sustainable growth as a CCS operator by creating synergies with the existing E&P business models, and step up as a Carbon Neutral E&P.



Accelerating the implementation of Green Transition Strategy

SK lubricants is committed to implementing our green transition strategy by acquiring the certification for green lubricants and expanding sustainable product portfolio. The goal of acquiring certifications is to provide customers with the values created through carbon reduction. Upon certification, the use of green lubricant base oil produced by SK lubricants is recognized as carbon credits. We also plan to promote the upcycling business model using waste lubricants and focus on the immersion cooling of data center servers with our products other than internal combustion engines. By applying the cooling performance of our base oil to data center servers, we expect to achieve the benefits of reduced power consumption and improved thermal efficiency.



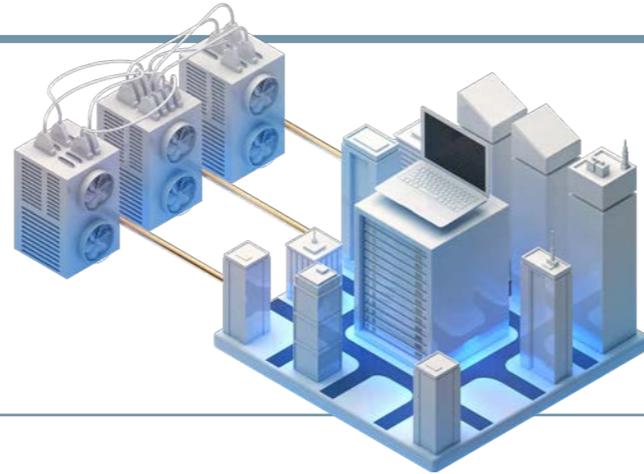
Expanding Green Business Portfolio

SK incheon petrochemical is speeding up the implementation of our low carbon-based growth strategy as we focus on green business models. As part of these efforts, we signed an agreement to supply hydrogen by-products to SK E&S for hydrogen refueling stations in the metropolitan area. We also provide consultation on green hydrogen production based on the superior expertise and know-how we have gained over the years. We are committed to obtaining licenses and permits and creating a reliable business foundation through the cooperation system with the local community.

Furthermore, we managed to improve the green wastewater treatment operation by participating in an AI algorithm-based efficiency enhancement demonstration project for a public sewage treatment plant in Incheon. In addition, we are developing business models with global companies in the digital SHE solution businesses.

Focus 02

Transparent and Consistent ESG Data Management



Why is this topic important?

As the global business environment is being reorganized around ESG, the importance of non-financial data is constantly increasing. At the same time, building an IT-based infrastructure for more systematic ESG disclosure has become an essential part of corporate sustainability as the EU and the US are expected to implement a system that mandates the disclosure of non-financial information. As we innovate and expand our global presence, we are going to take a proactive approach in establishing a data management system that can meet these demands and local regulatory requirements in major overseas countries.



What is SK innovation's approach?

We are going to build an independent ESG data platform for transparent and systematic ESG data management. Based on 22 key priority tasks in 16 areas of GROWTH, our new ESG management strategy, we identified key indicators required by our investors and other stakeholders as well as agencies for more in-depth management. These indicators will be integrated and managed by a data life-cycle management process, to be developed in the future, that leads to creation-aggregation-assessment-management rather than just collecting and disclosure.



How do we manage performance??

The ESG data platform that we are currently building will be far more than a short-term, one-time project. In July 2022, the ESG data of SK innovation and its subsidiaries for the past three years will be disclosed to stakeholders through the dashboard on the website. Going forward, key data on overseas plants in Hungary and the US will also be included in the data platform. The goal is to improve communication with stakeholders and build trust by supporting their access to the data and ensuring transparency through the ESG data platform.

There is a growing need to build an IT infrastructure to reflect the environmental and social impact and performance of our decision making in the process of promoting green transition based on the Carbon to Green strategy. Starting with the EU in 2023, regulatory requirements on disclosure of non-financial data are expected to increase. In South Korea, the importance of such infrastructure has been further emphasized due to a legislation to mandate the disclosure of non-financial data of listed companies with assets over KRW 2 trillion from 2025. Therefore, we decided to build an ESG data platform to quickly aggregate and systematically manage the progress of 22 priority tasks in 16 areas of GROWTH, our ESG management strategy, and provide relevant information to stakeholders. We also confirmed the development of an ESG dashboard for transparent disclosure.

To achieve greater consistency in data management, we need to innovate the entire data-related process and build infrastructure. First, it is necessary to define the list of ESG indicators required to manage the progress of priority tasks, confirm the data source, and organize the methodologies for checking the indicators. It is also important to develop and unify the data calculation process of our subsidiaries by creating a standard manual.

Accordingly, we incorporated PI (Process Innovation) into the ESG data platform development project and conducted quantitative analysis of our ESG data included in the ESG Performance Reports published in 2019 and 2020. By doing so, we defined our ESG indicators in early 2022, and are currently designing the ESG data life-cycle management process including creation, aggregation, assessment, and management. We plan to open the ESG dashboard for stakeholders in July 2022 and disclose the 2019-2021 data alongside with the analyzed report for greater accessibility.

After the completion of the infrastructure, we will continue to support the upcoming EU CSRD (Corporate Sustainability Reporting Directive)¹⁾ and the guidelines for mandatory domestic disclosure. We will make sure that the ESG data platform continuously reflect the global sustainability disclosure standards that are expected to be developed following the establishment of the ISSB (International Sustainability Standards Board).

With this new ESG data platform, we not only demonstrate our commitment to creating sustainable values and enhance access to information, but also support relevant decision-making for our investors and other stakeholders. In doing so, we help to create a virtuous cycle that promotes social and environmental values.

1) The updated plan is likely to be implemented at the end of 2022, and from 2024, both listed and unlisted big companies in the EU are required to disclose their sustainability data in 2023 according to the disclosure standards.

Focus 03

Waste Recycling & Circular Economic Ecosystem



Why is this topic important?

As human civilization continues to develop, there is a significant increase in the amount of plastics produced, used and consumed due to the inherent convenience in use and processing. As a result, the impact of plastic waste on the global environment and physical health has become a major environmental and social issue of our generation. Disposal of batteries has also emerged as a major environmental issue that we must solve in the near future, particularly because of the exponential growth in the demand. As we are a company that produce plastic raw materials that also is leading the global battery industry, these issues are extremely important to us as they threaten our business operation. Therefore, we set goals to solve fundamental problems and are working to achieve them.



What is SK innovation's approach?

The transition to the circular economy is our responsibility, but it also presents us with new opportunities. To ensure successful transition, we are focusing on making our value chain green, from procurement of raw materials to production and disposal of products while expanding the development and sales of green products. We are also committed to building an ecosystem for the circular economy through collaboration with government and raw material suppliers while discovering and investing in companies that own source technologies for recycling waste plastics such as pyrolysis oil. Furthermore, we plan to develop and commercialize our own BMR technology as part of our responsibility regarding waste batteries as a manufacturer.



How do we manage performance?

SK innovation has set 'Recycling Wastes from Business Sites' as a priority tasks for GROWTH, our ESG management strategy, and focused on increasing our recycling rate. We have established a mid-term target by 2025 to promote the circular economy, and are committed to maintaining close communication with stakeholders by sharing our progress every year.

Recognizing the importance of conserving resources and recycling in response to the growing amount of waste from plastics and batteries, we are transitioning from the linear economy to the circular economy.

First, we set 'Recycling Wastes from Business Sites' as a priority tasks for GROWTH, which is our ESG management strategy recognizing the importance of recycling plastic waste. We also plan to raise the average recycling rate of our subsidiaries to 85% by 2025. In order to achieve this goal, we are working on our waste management system, as well as discovering new recycling suppliers and development of recycling technologies.

Furthermore, we are leading the establishment of a circular ecosystem for plastic waste management with SK geo centric. SK geo centric is currently making investments in waste plastic recycling technologies such as pyrolysis oil¹⁾ and solvent extraction²⁾ under the vision of 'Green for Better Life', and is working to improve the raw material and product value chain. By the end of 2024, a cluster capable of recycling about 200,000 tons of waste plastic will be built on a land area of 215,000m3 in Ulsan. For its stable operation, we plan to secure plastic waste from suppliers, local governments and other stakeholders. In line with the growing demand for green products, SK geo centric is committed to attracting more customers by introducing renewable naphtha and other materials while building a cooperation system to expand the areas of application and sales.

In addition, we are preparing for commercialization by independently developing BMR (Battery Metal Recycle) technology, which is expected to increase exponentially in the process of future energy transition.

Going forward, we will continue to support the circular economy that encompasses the entire waste value chain, including waste plastics and batteries, and pave the way to a sustainable future by raising awareness and building social infrastructure as we take the lead in the sustainable use of resources.

1) Pyrolysis oil is crude oil made by heating vinyl at 300-500°C under anoxic conditions. It is recycled into various petrochemical products such as naphtha and diesel through post-processing.

2) Dissolving PP (polypropylene) in a solvent under specific conditions to remove pollutants, followed by extraction of pure PP for recycling

Focus 04

Upgrading Governance to the Global Level



Increasing the Diversity, Autonomy, and Access to Information of the Board of Directors

Diversity

SK innovation's Board of Directors is promoting diversity so that it can make reasonable and balanced decisions in line with the needs of diversified stakeholders. To this end, the company has established guidelines for diversity of the Board of Directors and is working hard to bring diverse expertise into the board. Furthermore, the Board of Directors secures a diverse pool of independent director candidates according to a fair and transparent independent director candidate recommendation system. In 2021, directors communicated frequently through the HR Evaluation and Compensation Committee, which was held more than four times. At the 2022 regular shareholders' meeting, two new independent directors with legal and governance expertise, global board experience, and financial competency were appointed.

Autonomy

SK innovation's Board of Directors operates the Independent directors Council, which consists of independent directors only, so that independent directors can perform their roles autonomously and independently. Through this, independent directors freely exchange opinions on the agenda of the Board of Directors and major issues of the company, and regularly hold workshops. Through the plan to increase the ratio of independent directors to over 75% by 2023, the company intends to upgrade the autonomy of the Board of Directors to the level of domestic and global advanced companies.



Access to Information

SK innovation is increasing the Board of Directors's access to the company's management information so that directors can make reasonable and balanced decisions. In 2021, the company implemented and operates Board Total Solution systems (BTSs). Through this mobile-accessible system, the directors can check not only the agenda of the Board of Directors and committees, but also the key management data and trends by industry and business project anytime and anywhere. Besides, they can conveniently manage meeting schedules and participate in video conferences.



Promoting board-centered CEO evaluation, compensation, and succession

SK innovation's Board of Directors makes decisions on CEO evaluation, compensation, and succession to bolster its governance functions. To ensure uninterrupted management activities even when the CEO is replaced, the Board of Directors has established and implements a succession plan to nurture and verify candidates in advance through the succession program. The Independent directors Council Agenda Workshop and Board of Directors Communication Session held in 2022 also discussed succession policies and candidates. In the second half of the year, the Board of Directors plans to review matters related to the fostering and verification process based on specific action plans.



Considering the linkage between board evaluation implementation and director compensation

SK innovation conducts annual year-end evaluations of Board of Directors activities and directors with the aim of enhancing the capabilities of the Board of Directors and continuously improving the governance structure. The company has been conducting the board evaluation since 2008, and in 2021, the evaluation was upgraded to improve objectivity and efficiency. Going forward, the company plans to relate the results of the board evaluation to director compensation. The company wants to put greater transparency and objectivity into the Board of Directors evaluation system with a view to continuously earn trust from its stakeholders.



Why is it an important topic?

The scope of stakeholder's demands related to ESG management is expanding and their expectations are constantly rising. The Board of Directors serve as manager and facilitator of the sustainable growth of the company. Accordingly, SK innovation recognizes the importance of the Board of Directors and seeks to earn trust from various stakeholders by establishing a governance system that meets global standards. SK innovation will enhance corporate and shareholder value through prompt execution and management of the strategies developed under the umbrella of 'Carbon to Green' transition.



What is SK innovation's approach?

SK innovation intends to establish a world-class governance system to accelerate ESG management and reinforce responsible management centered on the Board of Directors. To this end, the company has improved the diversity and autonomy on the Board of Directors and its access to information. SK innovation also upgraded the CEO evaluation and compensation system by pivoting it on the Board of Directors. Furthermore, we plan to continuously expand communication with various external stakeholders.



How do we manage performance?

SK innovation has established and implemented a reasonable evaluation system for individual directors as well as the entire Board of Directors. In order to secure the objectivity of the evaluation, the company not only reflects the evaluation by external organizations, but also designs the evaluation so that the activities of the Board of Directors can be linked to the enhancement of the company's value. In addition, we will continue to upgrade our evaluation system and methods, and strive to create a Board of Directors recognized by external stakeholders through transparency in disclosure and linkage with the director's compensation system.

SK Innovation GROWTH Strategy

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for All

Implementation System

In 2021, SK innovation received positive feedback from its stakeholders for its progress in sustainability through the implementation of ESG practice as it established of a Net Zero Roadmap and innovated its governance structure.

In response to the fast-changing business environment, it is essential to set an integrated ESG management strategy to secure sustainable growth engines and make consistent progress in ESG implementation. In meeting such needs, we have defined the areas of focus and key tasks in ESG that reflect changes in our business environment and come up with an effective ESG implementation system, including the creation of the GROWTH strategy that comprises the establishment of specific mid- to long-term goals and a continuous performance management system.

The GROWTH strategy is our mid- long-term ESG roadmap that consists of 6 focus areas and 16 priority tasks For more responsible performance management, we assigned a dedicated organization to implement each priority task and clearly defined their purposes and responsibilities so they can get directly involved in establishing mid-term goals and indicators. In addition, we are working on short-term execution capabilities by aligning priority tasks with the KPI (Key Performance Indicators) of the organization in charge.

By expediting the process of transitioning to ESG management based on the GROWTH strategy, we will be able to solidify our position as a global leader and set a new standard in ESG management around the world.

GROWTH Strategy Implementation System



Implementation System

	No	Areas of Focus	Priority Tasks	SDGs	Mid-term Goals
G	1	Green Innovation	Expanding green portfolio	  	• Business portfolio innovation: Double the ratio of green assets against energy/chemical assets
	2		Increasing green products and services	 	• Social Value(SV) target of green products and services: Over 600 billion won
R	3	Road to Net Zero	Reducing Scopes 1 & 2 emissions	 	• Reducing emissions in the energy/chemical business by 25% compared to 2019 • Reducing emissions in the battery/material business by 42% compared to BAU
	4		Reducing Scope 3 emissions		• Reducing Scope 3 emissions based on financial intensity by 75% compared to 2019 for all SKI subsidiaries • Reducing Scope 3 emissions in the energy/chemical business in absolute terms by 25% compared to 2019
	5		Investing in low carbon R&D	 	• Cumulative R&D expenses target: 1.2 trillion won by 2025
O	6	Outstanding SHE Management	Recycling wastes from business sites		• Waste recycling rate target: Over 85%
	7		Pursuing zero safety accidents		• LTIR (Lost Time Incident Rate) Target: 0.062 at domestic business sites
	8		Enhancing employee health management	 	• Establishing health-care program for each global site (Europe/China/USA)
W	9	Winning the Trust	Corruption Risk Management		• Zero tolerance of corruption • 100% completion rate in anti-corruption training for all employees
	10		Managing Information Security Risks		• Compliance with more than 90% of global information security measurement standards • 100% completion rate of information security training
T	11	Together with Society	Monitoring supplier ESG assessment		• 100% supplier ESG due diligence rate • High score rate in ESG risk assessment of suppliers: Over 25%
	12		Expanding social contributions at global sites	   	• CSR Programs by global site: 2 Corporate-wide + 1 Region-specific
H	13	Happiness for All	Strengthening green startup partnerships	 	• Cumulative number of green startup partnerships: 100 companies
	14		Enhancing employee happiness		• SK innovation happiness index target: 75 points by 2025
	15		Protecting human rights	 	• Develop due diligence system for human rights and L/H/C (Lead/Help/Check) • Establish regular due diligence exercise and prevent risks
	16		Reinforcing diversity & inclusion	 	• Diversity & inclusiveness policies at a global level • Inclusion into global diversity & inclusiveness indices

UN SDGs

Recognizing the importance of supporting the UN SDGs (United Nations Sustainable Development Goals) for our sustainable future, SK innovation focuses on 14 of the 17 sustainable development goals.

SDGs	Directions	GROWTH Priority Tasks	Key Activities in 2021 ¹⁾
	We are creating jobs for the underprivileged to solve the problem of poverty.	12	• CSR
	We are working hard to build a social safety net by providing quality food to local communities with a view to solving the hunger problems.	12	• CSR
	We are operating a medical support program for children and the elderly while promoting the healthy lifestyle of our employees to create sustainable values for local communities.	8	• CSR
	We are operating training programs tailored to the needs of local and communities, and provide opportunities for employees to develop their career.	12	• CSR
	We are introducing programs to create a women-friendly corporate culture and ensure equal opportunities for women to develop their capabilities.	15 16	
	We are innovating business models to facilitate energy transition.	1 3	
	We are improving various programs to create a healthy and sustainable business site.	7 8 14 15	• SHE management
	We are focusing our resources on R&D and transition to green business models for sustainable growth and support market development for startups.	1 2 5 10 13	
	We are providing equal opportunities to all stakeholders and preventing any form of discrimination or unfair treatment based on gender, nationality, race, religion, age, sexual identity, social position, disability, or political orientation.	16	
	We are improving chemical and waste management, and support ESG management in the supply chain to build a sustainable business ecosystem.	6 11	• Reducing environmental impact • Managing ESG in supply chain
	We are reducing GHG emissions and innovating business models in response to climate change. We are also making efforts to form partnerships with environmental startups to develop low carbon technology and expand market.	1 2 3 4 5 12 13	
	Recognizing the risks of marine pollution and environmental impact of our businesses such as oil refining and chemical, we are implementing various activities to mitigate the risks.	6	• Reducing environmental impact
	We are minimizing our impact on biodiversity, and actively participate in restoration projects.	6	• Reducing environmental impact • CSR
	We are innovating the system for ethical practice for us and our subsidiaries to raise ethical awareness.	9	• Managing ESG in supply chain

1) Activities in 2021 that are not included in the GROWTH action plans and those already covered are not listed.

ESG Initiatives

SK innovation is a company that willingly accepts responsibility for social and environmental impacts such as low carbon and eco-friendliness. The company participates in initiatives and organizations related to business projects implemented by the company and its subsidiaries for the purpose of identifying trends within the industry and promoting collaboration with various stakeholders. Accordingly, we plan to actively express our commitment to implementing and enhancing our execution by discovering new initiatives related to carbon neutrality and green business and increasing our participation in them by 2023.



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES



Accounting for a Sustainable Future



DISCLOSURE INSIGHT ACTION



United Nations Global Compact



BATTERIES POWERING SUSTAINABLE DEVELOPMENT



RESPONSIBLE MINERALS INITIATIVE

Green Innovation

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SK energy's continuous support for Green Transformation! Gas station transformed into an eco-friendly energy hub - "Energy Super Station"

Expanding Green Portfolio

In response to an increase in carbon emission costs and a growing demand for fundamental changes in business models in the energy/chemical business, we announced the Financial Story and established a corporate identity linked to Green Energy & Materials to support our transition to green business models.

To achieve this goal, we set our Carbon to Green strategy to facilitate the transition to green operation and expand green businesses such as batteries and materials, and selected 'Expanding Green Portfolio' as a priority task for GROWTH. We are committed to innovating our asset structure by focusing on green operation and managing the level of change as a quantitative indicator while sharing our progress with the market to boost our corporate reputation and values.

Definition of SK innovation's energy/chemical business and battery/material business

- Energy/chemical business (asset): Carbon-centered energy and hydrocarbon-related business (asset)
- Battery/material business (asset): Business (asset) that contribute to global carbon reduction, support the circular economy, and supply sustainable energy



SK on's 'Power On' booth displayed at 'InterBattery 2022', the largest secondary battery exhibition in Korea

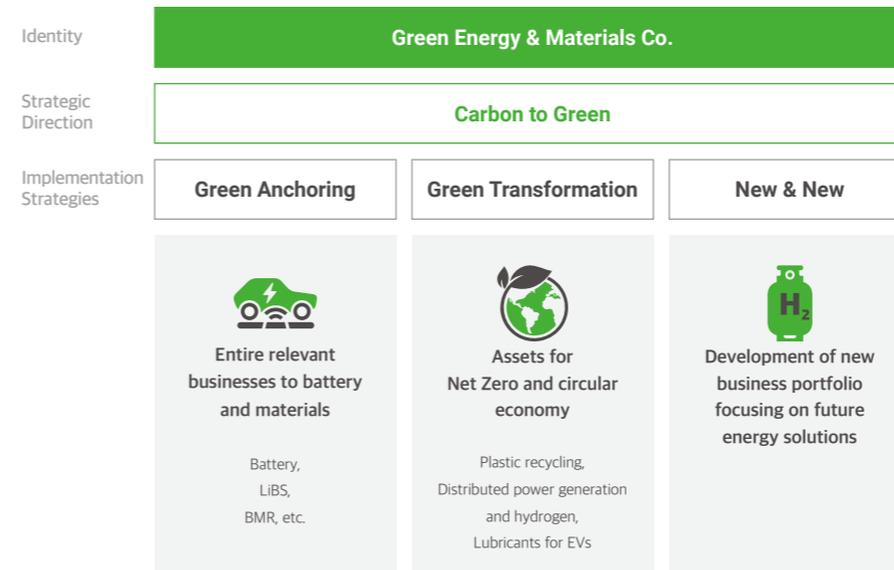
Priority Task Implementation Strategy (Mid/Long-term Strategy)

SK innovation established a Carbon to Green strategy to promote innovation and create green portfolio that contributes to global carbon reduction, as well as to support the circular economy. We are also committed to supplying sustainable energy and creating the corporate identity as a Green Energy & Materials company.

The Carbon to Green strategy will be implemented based on the strategies of 'Green Anchoring', 'Green Transformation' and 'New & New'. Using the EV battery as an 'anchor', we are promoting the expansion of green businesses with a focus on LiBS (Lithium-ion Battery Separator), battery materials, and BMR (Battery Metal Recycle) while increasing carbon-reducing products and promoting recycling as part of our efforts to support the circular economy in the existing energy/chemical business. At the same time, we will continue to explore opportunities to invest in the green energy supply business while continuously making necessary investments to maintain strong competitiveness in the hydrocarbon biz.

Based on this strategy, SK innovation plans to increase the proportion of battery/material assets to twice that of the existing energy/chemical assets by 2025.

Implementation of Financial Story



Alignment with UN SDGs



Goal for 2025



Increasing the ratio of green assets against the Hydrocarbon assets

Double the ratio

Action Plans for 2022

In 2022, SK innovation is committed to implementing the 'Carbon to Green' strategy based on our action plans. In the battery/material business, we continue our global investments with focus on North America, Europe, and China. Particularly in the BMR sector, we will validate the lithium recovery technology and make decisions on its investment to initiate the construction of commercial production plants within this year.

In the existing energy/chemical business, we will continue to work on developing and commercializing plastic recycling technologies while creating new business models to expand green energy solutions and mobility based on our gas station networks. In response to the growing demand for energy transition, we are going to secure new technologies and support their commercialization.

We expect the scale of green assets to reach the same level as energy/chemical assets by 2022.

2022 Action Strategies

 Green Anchoring Making timely investment in the batteries and LIBS businesses and creating values in BMR.	 Green Transformation Facilitating transition to green business models through plastic recycling and expansion of fuel cell business.	 New & New Securing technologies for decarbonization and supporting commercialization to form partnerships.
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Progress in 2021

SK innovation announced the 'Carbon to Green' strategy for implementing the Financial Story in line with stakeholders' expectations and our prospects for change in 2021. We've made notable progress, creating strategic outcomes in the areas of Green Anchoring and Green Transformation.

Green Anchoring

We have expanded battery production facilities in the US, Europe, and China in order to increase our local battery orders. To this end, we are working with the global automaker Ford to secure EV batteries. We also promote the expansion of local LIBS and CCS (Ceramic Coated Separator) production facilities in response to the growing demand in Europe and China, which are considered to be the top three global EV markets along with the United States. With the battery/material business as an anchor, we have completed the BMR demo plant to promote the expansion of our business areas.

Green Transformation

In 2021, we made an equity investment to secure a source technology for plastic recycling as part of our efforts to solve problems with plastic waste and carbon emission in the energy/chemical business. To this end, we made regulatory improvements to establish fuel cell infrastructure at the gas station, and developed new business models, forming a new foundation to support future changes. We are also making investments in improving the SHE level of our energy/chemical production facilities in operation, promoting transition to green business models and enhancing stability.

Comments from the Department in Charge

Under the market environment where institutional investors are increasing their demand for carbon emission reduction and international regulations are tightening, portfolio decarbonization is essential to ensure a company's sustainable growth. In order to preemptively respond to these changes in the business environment, SK innovation is seeking portfolio innovation through not only expanding battery/material business but also making the energy/chemical business green. In order to demonstrate transparency in disclosing its portfolio innovation performance and build consensus among its stakeholders, the company has newly introduced quantitative indicators that can objectively show its changes. SK innovation continuously manages the level of its portfolio decarbonization through the Carbon to Green ratio of its energy/chemical assets. By actively communicating its achievements with various stakeholders, we will be recognized as a true green energy & materials company.



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Increasing Green Products and Services

Green products and services are an important indicator for our progress in expanding green portfolio and driving sustainable growth. Therefore, we set 'Increasing Green Products and Services' as a priority task under our GROWTH strategy.

It is required to measure the social value of our sustainable solutions to demonstrate our progress. At SK innovation, we measure the positive and negative impacts of our products and services on the environment and the benefits they provide to society in accordance with the SK Group's Double Bottom Line methodology, in an objective and strict manner. Rather than focusing on sales or profits, we estimate the social value based on the excess benefits compared to the market average baseline of other products and services in the same category. The estimated social values are presented as an objective monetary value through verification by the SK Group's CSES (Center for Social Value Enhancement Studies). By doing so, we plan to expand our green product and service line-up in terms of their quantity and quality and to launch innovative solutions that meet the needs of Financial Society and our stakeholders.



Na Kyung-soo, CEO of SK geo centric, visited Loop Industries, a global partner to build a circular economy to reduce plastic wastes.

Priority Task Implementation Strategy (Mid/Long-term Strategy)

The mid/long-term goals of the priority task 'Increasing Green Products and Services' is to increase their social values by at least 20% annually, and then double that amount to reach KRW 600 billion by 2025 compared to 2021.

This priority task will be aligned with the KPI while supporting the expansion of our subsidiaries to develop green business models and promote social value creation. Not only do we increase the sales for green products and services by making continuous improvement of those solutions, but also develop formulas that can reflect the impact on social values that are currently unidentified in connection with Financial Story to explore new business models.

Alignment with UN SDGs



Goal for 2025



Creating social values with green products and services by 2025

KRW **600** billion or more

Annual targets by 2025

(Unit: KRW billion)



Action Plans for 2022

In 2022, SK innovation will continue to expand its green portfolio with focus on green products and services, in order to facilitate the development of new business models in connection with the Financial Story. Our goal is to improve the investment performance in green businesses and secure assets that can lead to the green and circular ecosystem and sustainable energy supply to reduce carbon emissions in the global market.

In 2022, we will disclose the formula of estimating our green products and services to collect feedback from our stakeholders, and participate in collaboration with the VBA (Value Balancing Alliance), HBS (Harvard Business School) and other global partners to advance the SV methodology for our products and services. We will also establish a methodology for measuring and evaluating products and services developed in 2021, such as recycled plastics, and share our progress afterwards.



A view of the booth installed by SK on at InterBattery 2022

Progress in 2021

In 2021, SK innovation generated KRW 309.9 billion in social value with green products and services as a result of the increase in the sales of sustainable solutions and the rapid growth of the battery/material business. The significant performance growth compared to 2020 was caused by an increase in sales of products made with green resources such as asphalt using recycled asphalt concrete and the doubled sales of EV batteries.

Progress in 2021



Generated SV with increased green products and services

KRW **309.9** billion

SKI Subsidiaries' Green Products and Services

 <p>SK energy Green asphalt, solar power generation</p>	 <p>SK geo centric Green foaming agent, lightweight automotive materials (HCPP: High Crystalline Polypropylene), high-performance packaging materials, solvent replacing toxic materials (toluene)</p>	 <p>SK lubricants Green lube base oil, lubricants for electric vehicles</p>	
 <p>SK incheon petrochemical District heating from process heat sources</p>	 <p>SK trading international Green (high-efficiency) vessel charter services</p>	 <p>SK on EV batteries</p>	 <p>SK ie technology LiBS (Lithium-ion Battery Separator)</p>


KRW
6.3 billion



Green Asphalt

SK energy has developed and sold high-penetration recycled asphalt, contributing to waste reduction by promoting the recycling of aged asphalt in asphalt concrete wastes (recycled aggregate). Furthermore, premium asphalt, more durable than general asphalt and constructible at a temperature about 30°C lower, outperforms in reducing greenhouse gases and air pollutants.

SV formula for waste reduction of green asphalt =
Utilization rate of asphalt waste aggregate compared to the market average X Waste Eco-cost X Sales of green asphalt


KRW
3.8 billion



Green High-functional Packaging Materials

SK geo centric developed PE for packaging film into a high-performance single-component material to increase the recyclability of plastics and reduced waste in order to bring the green lifestyle forward in collaboration with several retailers using lightweight packaging.

SV formula for waste reduction of green high-functional packaging materials = Reduction factor for waste compared to the market average X Waste Eco-cost X Sales of packaging materials


KRW
106 billion



Green Lube Base Oil

The green lube base oil developed by SK lubricants has excellent engine protection performance and fuel efficiency improvement, reducing exhaust gas emissions and minimizing environmental impacts.

SV formula for GHG emission reduction of green lube base oil =
Fuel efficiency rate compared to the market average X Average driving distance X GHG emissions X Sales of green base oil


KRW
3.1 billion



Supply of Process Waste Heat for District Heating

SK incheon petrochemical recovers waste heats from process, providing it as cooling and heating energy for up to 40,000 neighboring households for one year. The energy upcycling project, collaborating with integrated energy supply companies, reduces the use of additional fossil fuels, subsequently curbing greenhouse gas emissions.

SV formula for GHG reduction through supply of process waste heat=
GHG emission factor of energy suppliers X GHG Eco-cost X Amount of heat supplied by SK incheon petrochemical

Comments from the Department in Charge

Social value is the value created by solving various problems our society is facing. It is intended to go beyond corporate social responsibility and solve social problems in a more proactive way by tapping into the company's assets and innovation capabilities. SK innovation's performance in social value is measured through monetization that applies objective standards, which supports communication with stakeholders.

The mid- to long-term goal of creating social value of more than KRW 600 billion by 2025, as suggested by SK innovation in this ESG Report, is double the social value performance delivered in 2021, which is not easy to achieve with mere ordinary business activities.

To achieve this goal, it is essential to get internal and external stakeholders' trust and support for the company's vision and innovation direction, and a consensus among all employees to achieve this common goal. SK innovation will continue to develop new green products and services through cross-functional cooperation with a view to creating social value. In this way, it is ensured that our social value performance can be recognized by customers and stakeholders.



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*More information about formula, monetary proxy, and input data of SKI subsidiaries' products/services can be found on Page 89 of the ESG Report.

Road to Net Zero

In this section

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A view of 'Green Forest Pavilion' at CES 2022, representing SK moving towards Net Zero

Reducing Scope 1 & 2 Emissions

In August 2021, the IPCC (Intergovernmental Panel on Climate Change) approved a report stating that the speed of global temperature rise is getting faster day by day. At this rate, the global temperature is expected to rise by 1.5°C compared to the pre-industrial level within the next 20 years. As prompt response to climate change is becoming more urgent than ever, we are faced with a demand for setting specific targets and move into action for Net Zero rather than just declaring it. Many investment and assessment agencies are urging companies to take a proactive approach in dealing with climate change and providing specific plans to achieve Net Zero, including specific short-term goals, disclosing the progress, aligning the Net Zero performance with the KPIs, and estimating investment costs for each action plan. Accordingly, we have updated our Net Zero Roadmap established in 2021 to meet these demands. 'Reducing Scope 1 & 2 Emissions' is included in our GROWTH strategy to demonstrate our commitment to the Net Zero Roadmap. Net Zero is a new opportunity for growth as well as a necessity for our survival. We are committed to creating economic and environmental values by exploring business opportunities in the process of innovating our business models, rather than focusing solely on carbon reduction.

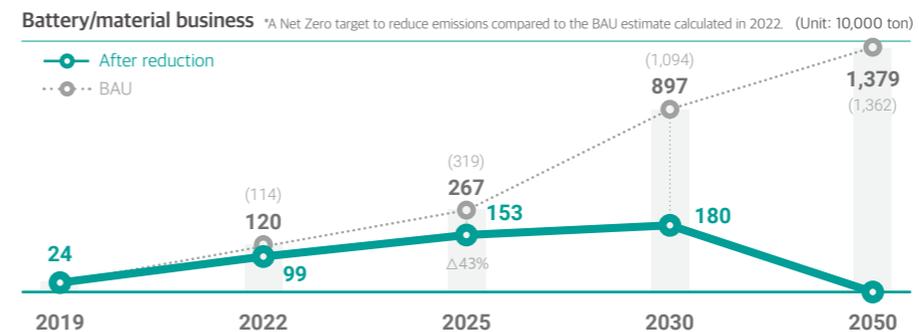
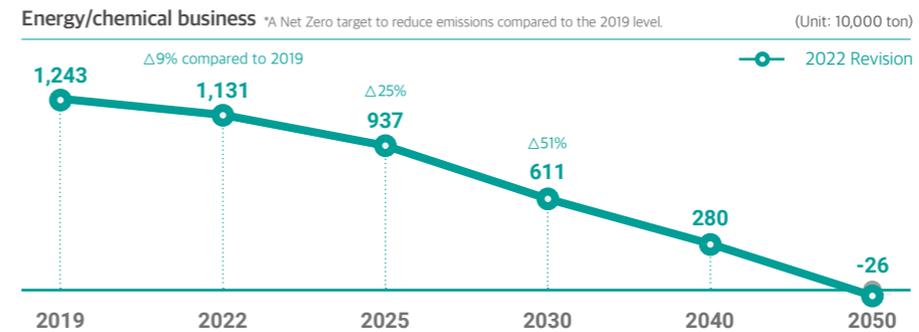


Power boiler only operated by eco-friendly LNG fuel (Ulsan CLX)

Priority Task Implementation Strategy (Mid/Long-term Strategy)

At SK innovation, we are committed to 'Net Zero Operations' with the goal of achieving Scope 1 and 2 Net Zero in the energy/chemical business by 2050 and the battery/material business by 2035. To this end, we set an emission reduction target by dualizing the existing business operation and new growth models. Our goal is to achieve a 25% reduction compared to 2019 in the energy/chemical business, and a 43% reduction in the battery/material business compared to BAU¹⁾ by 2025. We are going to implement fuel transition, introduce low carbon raw materials, optimize process operation and facilities, and facilitate the development of CCUS (Carbon Capture, Utilization & Storage) in order to achieve the goals for the energy/chemical business. We are also planning to improve fuel transition and process efficiency to achieve our targets for the battery/material business while reducing carbon emissions through promotion of RE100²⁾ in advance. Meanwhile, we are going to purchase carbon credits in the domestic market and secure overseas credits based on the international carbon market mechanism to achieve our goal from the Net Zero Roadmap.

Net Zero Roadmap Carbon Reduction Pathway



Alignment with UN SDGs



- 1) Estimated carbon emissions if no special measures are taken for their reduction
- 2) International business partnership project to replace 100% of electricity used by companies with renewable energy (SK innovation have not joined the project but voluntarily set a goal for RE100 in 2020.)

Goals for 2025



Reducing emissions in the energy/chemical business by **25%** compared to 2019



Reducing emissions in the battery/material business by **43%** compared to BAU

Progress in 2021



Reduced energy/chemical business emissions compared to 2019

by **12%**

Action Plans for 2022

To ensure rapid and efficient transition to Net Zero, SK innovation plans to update its Net Zero Roadmap every year from 2022 and check the progress at a company-wide level, and then reset the target if necessary. We also plan to establish a process of monitoring the progress and report it to the board of directors. The initiative for reflecting short-term net-zero performance in the KPIs introduced by SK innovation in 2021 will be extended to our subsidiaries to promote their implementation.

Progress in 2021

In 2021, SK innovation built a foundation for achieving Net Zero as we explored an option pool to achieve the goal including transition to low carbon business models. As a result, we managed to reduce emissions by 12% in 2021 compared to 2019 in the energy/chemical business.

In order to provide insight into our commitment and performance, we published the 2021 Net Zero Special Report as part of our efforts to maintain close communication with our stakeholders.

Comments from the Department in Charge

Climate change is one of the most important topics of our time, and we recognize Net Zero as part our corporate mission. Achieving Net Zero should be taken in action since it is not a matter of choice but a necessity for sustainable future and a key to gaining competitive advantages.

In line with this approach, we are committed to 'Net Zero Operations' with the goal of achieving Scope 1 and 2 Net Zero in the energy/chemical business by 2050 and the battery/material business by 2035. By exploring options for carbon reduction, we intend to realize reduction by achieving zero direct and indirect emissions.

Going forward, we plan to monitor and share our progress towards Scope 1 and 2 Net Zero goals with stakeholders and promote Net Zero Operations, based on our strong commitment and sense of responsibility.



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Reducing Scope 3 Emissions

As we expect to see upcoming regulatory requirements on emissions, there is a growing interest in corporate management of Scope 3 emissions among stakeholders. International climate change initiatives including SBTi+ (Science Based Targets initiative) started to require businesses to achieve long-term Net Zero goals for Scope 3 emissions, and global oil and petrochemical enterprises are declaring their commitment to Scope 3 Net Zero.

To achieve long-term Net Zero, it is necessary to establish a specific Scope 3 reduction plan not only at SK innovation but also at the corporate-group-wide level, including major SK innovation subsidiaries. To this end, SK innovation intends to establish Scope 1, 2, and 3 reduction plans for 2022, carrying out efforts to reduce carbon.



The DAC (Direct Air Capture) facilities of Occidental that signed a Net Zero agreement for the supply of crude oil with SK trading international.

Priority Task Implementation Strategy (Mid/Long-term Strategy)

SK innovation set 'Reducing Scope 3 Emissions' as a priority task for the GROWTH strategy and set mid/long-term targets and specific plans.

First, we set a goal of reducing Scope 3 emissions by 75% by 2030 compared to 2019 based on financial intensity in consideration of the growing efforts of our subsidiaries to reduce emissions and increasing ratio of the green assets. At the same time, we also set a target to reduce the absolute amount of emissions by 25% in 2030 compared to 2019 with focus on the energy/chemical business. To this end, we have established direct measures for each company by reflecting their nature of business and came up with action plans such as carbon offset by securing carbon credits.

We are implementing a long-term net zero portfolio with the goal of reducing Scope 3 emissions by 90% based on SKI subsidiaries' integrated financial intensity by 2050. In the energy/chemical business, we aim to reach net zero sales by 2050 by transitioning to green business models, focusing on eco-friendly chemical products and recycling plastics and waste batteries. The goal of the net zero sales is to reduce Scope 3 emissions by 70% in the energy/chemical business, which offsets 100% of the Category 11 (use of products) and Category 12 (end-of-life emissions from all products) emissions, accounting for the largest proportion of our Scope 3 emissions.

Action Plans for 2022

In 2022, SK innovation set a short-term Scope 3 emission management plan along with a mid/long-term Scope 3 emission reduction plan. As the first petrochemical company in Asia to present integrated Scope 1, 2, and 3 emission reduction targets, SK innovation will announce the progress we have achieved in emission reduction.

Alignment with UN SDGs



Goals for 2030



Reducing Scope 3 emissions based on financial intensity for all SKI subsidiaries by

75% compared to 2019



Reducing Scope 3 emissions in the energy/chemical business in absolute amount

25% compared to 2019

1) Offsetting carbon emissions through external carbon reduction and isolation projects

Short-term Scope 3 Emission Reduction Plan



Upgrading Scope 3 Emission Reduction Plan

- Consolidating SKI subsidiaries data and materializing Scope 3 emission reduction plans
- Verification and supplementation of reduction options from the point of view of global standards
 - Classifying and avoiding carbon offset¹⁾ options that are less acceptable from a global perspective
 - Refining Scope 3 reduction estimation methodology
- Adding indicators for managing Scope 3 emissions in the energy/chemical business

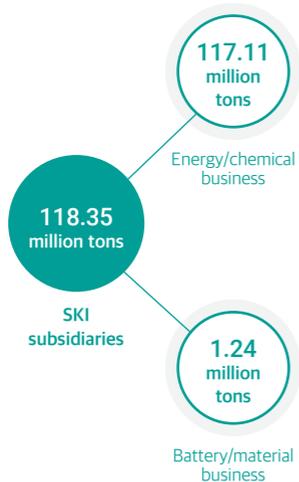
Progress in 2021

The progress in 2021 was centered on establishing guidelines for Scope 3 measurement. The target-setting was based on the carbon intensity by fixed assets (Financial Intensity) in consideration of transitions in the business portfolio. Besides, the Scope 3 emissions were measured by emission category, with external verification completed. As a result of these efforts, we were able to reduce our Scope 3 emissions by 22% compared to 2019. In 2021, the emissions were measured at 117.11 million tons in the energy/chemical business, and 1.24 million tons in the battery and material business.

2021 Scope 3 Emissions

Subsidiaries	Cat1	Cat3	Cat4	Cat5	Cat9	Cat11	Cat12	Total
SKE	1,047	25	281	0.6	175	7,057	67	8,654
SKGC	118	6	22	0.3	12	6	478	641
SKL	63	1	4	0.03	24	-	103	196
SKIPC	333	5	77	0.1	33	1,465	300	2,214
SKEO	-	-	-	-	-	5	-	5
Total	1,561	37	385	1	245	8,532	949	11,711

Subsidiaries	Cat1	Cat3	Cat4	Cat5	Cat9	Cat11	Cat12	Total
SKO	95	19	1	0.1	1	-	-	116
SKIET	2	5	0.1	0.02	0.01	-	0.01	8
Total	97	24	1	0.1	1	-	0.01	124



Comments from the Department in Charge

SK innovation believes that efforts should be made to reduce Scopes 1 & 2 as well as Scope 3 in order to achieve the 1.5 degree scenario suggested by the Paris Climate Agreement and reach true Net Zero from a global perspective.

Recognizing this, SK innovation prioritized the establishment of the Net Zero plan for Scopes 1 & 2 in drawing up the Net Zero Roadmap. With this, SK innovation has established a plan to consolidate its subsidiaries and reduce Scope 3 for the energy/chemical business by 2050.

SK innovation is promoting business model and portfolio innovation through the 'Carbon to Green' strategy. Through this, the company plans to shift its business structure away from the existing energy/chemical business, which was highly carbon-intensive, to a green/low carbon business. This will result in the dramatic reduction of Scope 3 emissions at the stages of product consumption and disposal.

By expanding its green assets centering on the battery/material business, SK innovation plans to reduce its carbon intensity in terms of financial intensity by more than 90% by 2050 compared to the present. Scope 3 reduction is clearly a challenging and difficult task, but we believe that it is a task that must be achieved through transition to a sustainable business structure with the aim of achieving Global Net Zero.

Now that external stakeholders' demands for achieving Net Zero are stronger than ever before, SK innovation will do its best to meet internal and external expectations and achieve Scope 3 reduction goals so that the company can continue to grow.



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Investing in Low Carbon R&D

There is a growing social interest in environmental issues such as waste management and GHG emission reduction, along with uncertainties caused by increased volatility in oil demand, expansion of demand and supply of renewable energy, and increasingly stricter regulatory requirements. In response to these changes in the business environment, SK innovation announced the 'Carbon to Green' strategy through the Financial Story in 2021 as part of its efforts to support sustainable growth. To promote this strategy consisted of Green Anchoring¹⁾ and Green Transformation²⁾, we have to invest in R&D more effectively. Accordingly, we have set 'Investing in Low Carbon R&D' as one of our priority tasks under our GROWTH strategy to develop key technologies that serve as the foundation while exploring new areas of technology to secure growth engines for the future.

¹⁾ Creating a green portfolio with focus on batteries

²⁾ Transition to green business model



A study on the utilization of pyrolysis refined oil produced with plastic wastes

Priority Task Implementation Strategy (Mid/Long-term Strategy)

In order to make the 'Carbon to Green' strategy more effective, it is integral to converge existing technologies we have gained with new ones. Previously accumulated technological expertise and know-how can serve as a basis for developing a new portfolio. However, since these won't have all the elements necessary for a successful portfolio composition, it is also necessary to introduce and internalize new technologies and knowledge. For securing and internalizing new capabilities, SK innovation is promoting technology verification and acquisition through cooperation with numerous universities, institutions, and companies all over the world, preparing to establish worldwide bases to strengthen open innovation and enhance execution. As part of these efforts, SK innovation intends to establish "Green Techno Campus" (tentative name) in the metropolitan area jointly with SK group subsidiaries, planning to create opportunities to discover promising technologies by establishing and expanding the global base centered in Silicon Valley, the United States, for strengthening open innovation in the future.

SK innovation will proceed to expand its portfolio by exploring new green business opportunities based on technology in consideration of market trends such as changes in the global energy mix.

Action Plans for 2022

SK innovation is continuously focusing on developing its R&D capabilities for green technologies to solve global environmental issues such as climate change and waste plastics. Through our R&D efforts, we will turn these imminent crises into opportunities.

R&D Themes for 2022

 <p>Green Anchoring</p>	<ul style="list-style-type: none"> · Next-generation battery technology with focus on all-solid-state batteries · Technologies for waste battery recycling and cathode material recovery · Competitive edges in the information and electronic materials business with focus on battery separators and display materials
 <p>Green Transformation</p>	<ul style="list-style-type: none"> · Technologies for waste plastic recycling · Technologies for CCS and CCU · Technologies for waste water treatment and industrial water recycling technologies · Solutions for green packaging and lightweight materials · Green raw materials and products such as premium asphalt and biofuel · Technologies and lubricants optimized for EVs · Solutions for recycling waste lubricant · Eco-friendliness of products throughout the entire process

Alignment with UN SDGs



Goal for 2025



Making R&D investment until the cumulated amount reaches

KRW 1.2 trillion by 2025

Progress in 2021



Made R&D investment worth of

KRW 363,341 million

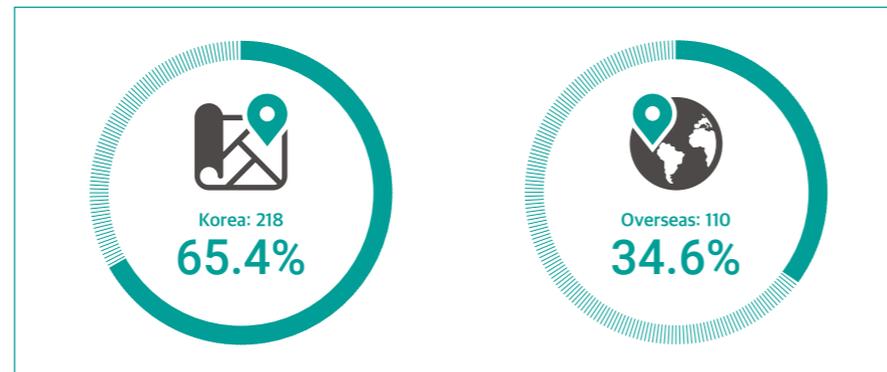
Progress in 2021

SK innovation has made aggressive investment in R&D in line with the 'Carbon to Green' strategy. The total amount of R&D investment in 2021 reached KRW 363,341 million. We also registered 318 patents and utility models globally.

The key progress we made in terms of Green Anchoring includes the recovery of anode materials from waste batteries and the next-generation battery sector. The recovery of anode materials from waste batteries would solve environmental problems and the supply and demand of raw materials. In 2021, we completed a pilot plant for the technology and are working on the commercialization process. In order to lead the next-generation battery market with a high level of energy density and safety, the next-generation battery research center was built in July 2021 and is carrying out independent research and development projects. We also have invested USD 30 million in Solid Power, a leading US-based battery developer, and signed an agreement for its joint development and commercialization.

In terms of Green Transformation, we are in the process of developing our own post-treatment technology of pyrolysis oil for waste plastic, and have made great progress in developing waste plastic recycling technology by introducing pyrolysis oil to the process at Ulsan CLX for the first time in Korea. We also launched packaging materials with better recyclability in partnership with other companies. In the asphalt business, one of the busiessses emitting larger amount of the GHG, we have released products that reduce carbon emissions while in use by lowering the temperature during asphalt concrete production and construction and enabling the recycling of waste asphalt.

Number of patents and utility models registered in 2021



Comments from the Department in Charge

One of the key factors for the successful implementation of the Carbon to Green strategy is advanced technology. The Environmental Science and Technology Institute and Battery Research Center have accumulated technological expertise based on their extensive experience, and they are now working toward achieving success in the new research projects.

In 2022, we are taking on new challenges based on 60 years of experience. Despite many obstacles, we are dedicated to taking the lead in overcoming these challenges with strong expertise and commitment of the Environmental Science and Technology Institute and Battery Research Center as we pave the way toward the next 60 years.



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Outstanding SHE Mgmt.

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Improving SHE management through an inspection of Ulsan Complex, SK innovation's main production facility

Recycling Wastes from Business Sites

The recycling rate of SK innovation and its subsidiaries stands at 80%, which is superior to the industry average. Nevertheless, we are committed to improving our recycling rate and solidifying our position as a leader in resource circulation in the petrochemical industry in line with the growing trend of global waste management and social awareness.

Our plan is to upgrade our waste management system and capabilities with ‘Recycling Wastes from Business Sites’ as an priority task for the GROWTH strategy. It is expected that successful implementation of this plan will create revenue streams by maximizing the use of in-house resources while minimizing our environmental impact.



Production of asphalt products using waste oil and sludge from storage tanks

Priority Task Implementation Strategy (Mid/Long-term Strategy)

SK innovation is committed to managing the implementation process of this priority task by setting a mid/long-term goal of achieving 85% of the recycling rate at business sites by 2025. This is the average level of SKI subsidiaries, set in line with the requirements under the Framework Act on Resource Circulation in Korea, and we plan to engage in activities to achieve the goal and maintain improved performance by 2025.

To this end, we plan to strengthen our partnership in waste treatment and disposal to increase the recycling rate. We will also continuously define and develop projects inside the company. The projects currently under our review include the acquisition of ZWTL¹⁾ certification for the enhancement of waste management system, development of technologies to secure stable recycling process, and creation of strong partnership with new recycling suppliers. At the same time, we will encourage the communication between SK innovation and the subsidiaries through the SHE Coordination Council and promote the sharing of projects development and implementation results. Through mutual benchmarking, we will be able to achieve our aim more efficiently.

Action Plans for 2022

In 2022, SK innovation will participate in the ZWTL certification system with the third-party assurance of waste-related data to enhance the reliability of its performance in implementing its priority task. As this is the first time participating in the system, we plan to acquire the certification for at least two of our domestic business sites. We will go from there to expand the certification to all domestic and overseas business sites in the future. Although the ZWTL certification is mainly acquired by electronics manufacturers, SK innovation will use the occasion to set an example in resource circulation for the petrochemical industry. In addition to getting the certification, we are committed to establishing action plans to further improve the recycling rate by developing organic solvent and waste oil recycling technology, and exploring new partnership with new landfill waste recycling companies.

ZWTL Rating



Alignment with UN SDGs



Goal for 2025



Achieving recycling rate above

85%

1) Zero Waste to Landfill: A certification of resource circulation level by the Underwriters Laboratory (UL), a verification agency located in the United States. The UL quantifies the recycling rate which excludes non-recyclable waste from total waste generated and then assigns grades - certified, silver, gold, and platinum.

Progress in 2021



Increased the recycling rate of the subsidiaries by

23% compared to 2017

Progress in 2021

The average waste recycling rate of SK innovation and its subsidiaries has risen from 60% to 83% between 2017 and 2021. This is due to our efforts to waste recycling and reduction, e.g. producing cement from wastewater sludge, manufacturing asphalt from waste oil and storage tank sludge, and developing plastic recycling process.

Waste Recycling Rate Improvement



Comments from the Department in Charge

At this very moment that the recycling rate has increased by more than 15% through on-going efforts for the past three years, it will not be easy to go beyond the current recycling rate. However, we have set to 'achieve a higher level of recycling' as a specific goal of our priority task. We also included 'improving the reliability of data for waste management' to ensure transparency in our disclosure and manage the recycling rates based on accurate information.

Since resources circulation is an integral part of corporate sustainability, SK innovation is fully committed to fulfilling our responsibilities as a producer so that all resources used by us can be recycled without ending up with single use. In order to achieve the best results at all our business sites, in-house experts will optimize the waste management system based on the characteristics of process and operation.



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Pursuing Zero Safety Accidents

SHE (Safety, Health and Environment) is an essential element of sustainable operation that can cause serious accidents if neglected. With the safety of our employees as top priority, we have established a world-class SHE management system to continue our support to create values and fulfill our social responsibilities, going beyond regulatory requirements.

As ESG management is gaining a lot of attention with the enforcement of the Serious Accidents Punishment Act, we have selected 'Pursuing Zero Safety Accidents' as one of the priority tasks for the GROWTH strategy and reviewed our progress in internalizing SHE management. With this task as a basis, we will continue our efforts to protect the lives of our employees and promote their health with the goal of achieving zero accidents and hazards in our business sites.



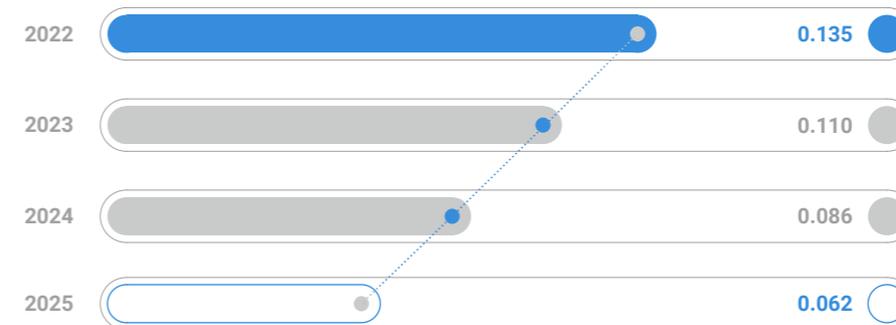
An inspection of production facilities of Ulsan Complex to prevent accidents

Priority Task Implementation Strategy (Mid/Long-term Strategy)

SK innovation has set a mid/long-term goal of achieving a LTIR (Lost Time Incident Rate) of 0.062 at its domestic business sites by 2025. We intend to take fundamental safety measures against risk factors by actively improving facilities, such as replacing facilities and installing safety devices based on the SHE management system for achieving global-standard management in safety, health and environment. In addition, by raising the awareness of employees about human-injury accidents, we intend to dramatically improve not only major accidents but also minor and near-miss accidents caused by individuals' negligence or lack of concentration.

Annual Implementation Plans

(Unit: LTIR)



Action Plans for 2022

To successfully achieve the LTIR goal, frequent human-injury accidents in the business sites shall be defined, and the appropriate reduction activities for each accident shall be carried out. According to the survey results of the previous year, as frequent human-injury accidents, Ulsan CLX has defined falls, burns, and traps, and SK on and SK ie technology has defined traps. We have launched a task force (TF) for each accident, intensively promoting appropriate improvement activities. At the same time, we will continuously discover and promote SHE tasks such as conducting in-depth risk assessments, improving unsafe facilities, and enacting rules for improving living safety at work.

Alignment with UN SDGs



Goal for 2025



Achieving a LTIR (Lost Time Incident Rate) of

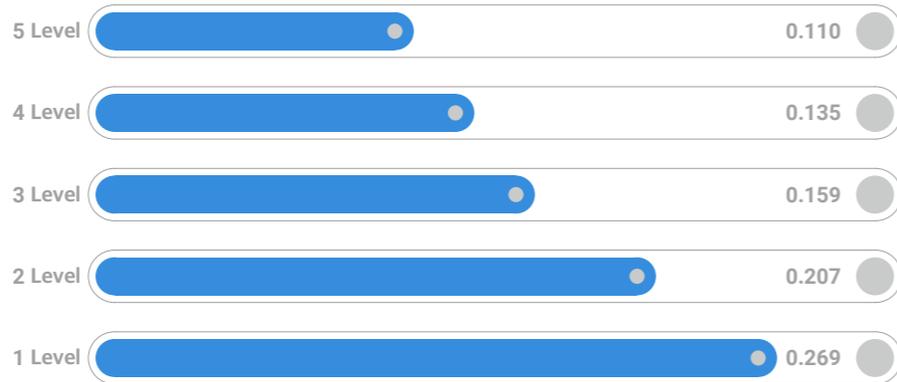
0.062 at domestic business sites

* Including suppliers

We will also implement programs with a focus on 'Vitalization of Near Miss Operation' and 'Risk Prediction Training', while raising awareness through the 'Positive Safety Dialogue Program' and 'Safety Campaign in Daily Life' as part of our efforts to achieve these goals.

LTIR Assessment Table

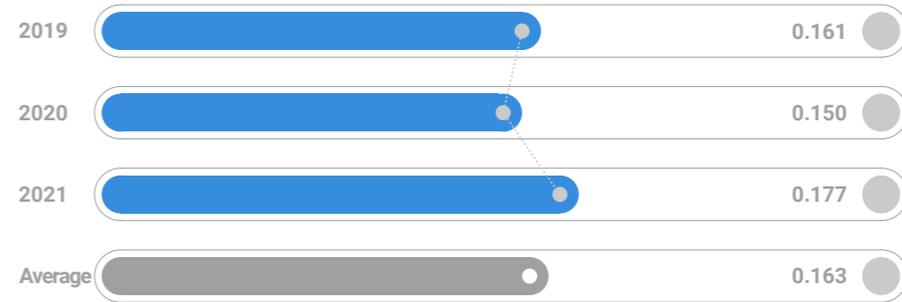
(Unit: LTIR)



However, there has been a slight increase in LTIR due to the expansion of the business in 2021. In order to prevent recurrence of accidents, we took prompt actions and implemented hardware improvement measures, such as facility maintenance, and software measures, such as improvement on the process and training programs.

LTIR by Year

(Unit: LTIR)



Progress in 2021



Organized on 'Raising Safety Awareness through Innovation' for

8 training sessions

Progress in 2021

SK innovation is committed to raising safety awareness of employees by leaders' taking initiatives in safety practice through the Safety Leadership Program. In 2021, we organized eight training sessions on 'Raising Safety Awareness through Innovation' for the CEOs of our suppliers, as well as the leaders of SK innovation, so that safety culture can be established within the value chain.

Other than trainings and campaigns to create the safety culture, we established our 'Daily Safety Guide for Prevention of Accidents', providing 10 types of accidents to prevent in daily practice, which accounted for about 65% of physical injuries that occurred at our subsidiaries' business sites last year. Furthermore, we focused on supporting SHE practice for high-risk projects that cause serious accidents, such as regular maintenance work.

Comments from the Department in Charge

Regardless of changes in the level of social interest in the corporate responsibilities toward safety and health, SK innovation has been focusing on 'Pursuing Zero Safety Accidents' because it is critical to protect lives and ensure the safety and health of our employees.

Although we have never neglected to ensure the safety and health of our employees, we are going to eliminate risk factors and raise awareness of safety and health to create a safer and happier working environment. We hope that this year, we successfully incorporate safety awareness into our employees' daily practice like a habit that dies hard.



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Enhancing Employee Health Management

Considering the safety and health of our employees as a priority, we are committed to supporting their growth and satisfaction. To this end, we have been operating the Harmonia Counseling & Coaching Center with professional counselors in service at the head office and business sites across the country. We provide professional psychological counseling to help our employees deal with work-related stress and interpersonal relationships, as well as personalized coaching to help newcomers adapt to their jobs and support career development as a personal counseling and coaching program. In response to COVID-19, we have organized mental health-care programs for our expatriates and those on business who are in quarantine due to contact with the infected or confirmed to support their mental health. Counseling on mental health is also provided to their family members as well. Going forward, we plan to use mental health indicators to analyze risks through various mental health care programs. Our goal is to create a healthy organizational culture based on mutual respect by organizing campaigns and training for each business site, as well as counseling programs to promote healthy organizational development.



A fitness facility for employees of SK innovation's head office in Seorin Building

Priority Task Implementation Strategy (Mid/Long-term Strategy)

Based on this priority task, we are promoting our corporate philosophy and establishing a mental health care system for local business sites while organizing various health support programs to keep our employees healthy and happy.

In order to establish a mental health care system and policies, it is important to understand not only local laws and regulations that apply to overseas business sites, but also the local culture and business practices. To this end, we plan to develop specialized mental health care programs in cooperation with local agencies. Going forward, we plan to build a dedicated professional counseling and mental health care center according to the needs of each business site.

Action Plans for 2022

In 2022, we will expand the scope of our mental health care programs, which are currently being provided mainly to domestic employees, to overseas operations. We are considering to establish a mental health care system and develop programs for major new business sites in the US (Georgia), China, Poland, and France where we operate our business. Based on the results of the pilot program, we are going to implement and develop this system for all our overseas business sites.

Mental Health Care System for Expatriates

We plan to expand and standardize our mental health care system for overseas business sites in order to overcome social, environmental, and cultural challenges that our employees experience as they work outside their countries. The system is designed not only for the employees but also for their family members. We will also improve our individual support programs for those on a business trip for an extended period of time.

Review of Mental Health Care Programs for Local Recruits

In order to provide mental health support programs for local employees, it is necessary to conduct preliminary research on the local laws, systems, and culture. At SK innovation, we hire experts in each field to gain insight into the local working environment and identify their needs. We plan to review the development of customized programs according to local conditions, responding to their needs by coordinating with external agencies.

Alignment with UN SDGs



Goal for 2025



Establishing health-care program for each global site

Progress in 2021



Reduced the stress level of the employees who received counseling by

35%

1) SK's exclusive health-care program for promoting its core value, 'spirit' and healthy body

Progress in 2021

In 2021, SK innovation enhanced the role of the Harmonia Counseling Coaching Center to support the mental health of our employees. While maintaining the existing counseling and coaching programs, we introduced several new programs according to the employees' overall life cycle and our business management directions. As a result of active management of the mental health indicators, we were able to reduce the stress level of the participants by 35%.

Performance of Harmonia Counseling Coaching Center



New Program Development

- Onboarding for the new hires
- Mental health-care for expatriates
- Mind-body training¹⁾ program
- Coaching guides for leaders



Service Promotion and Mental Health Indicator Management

- 40% increase in number of participants compared to the previous year (individual counseling and team building WS)
- Mental health improvement indicators: an average of 35% reduction in the pre/post-stress index(82.9 ⇒ 54.2)

Comments from the Department in Charge

Recently, there is a growing interest in mental health management of employees as 'COVID Blue', a form of depression caused by COVID-19 having become a major social issue. In order to turn this crisis into an opportunity, we are committed to supporting the mental health of our employees and making efforts to realize its corporate philosophy, 'the happiness of its employees'. By focusing on the goal of 'Improving health', we will continue to work hard to solve their various concerns regarding work, family, and personal matters.

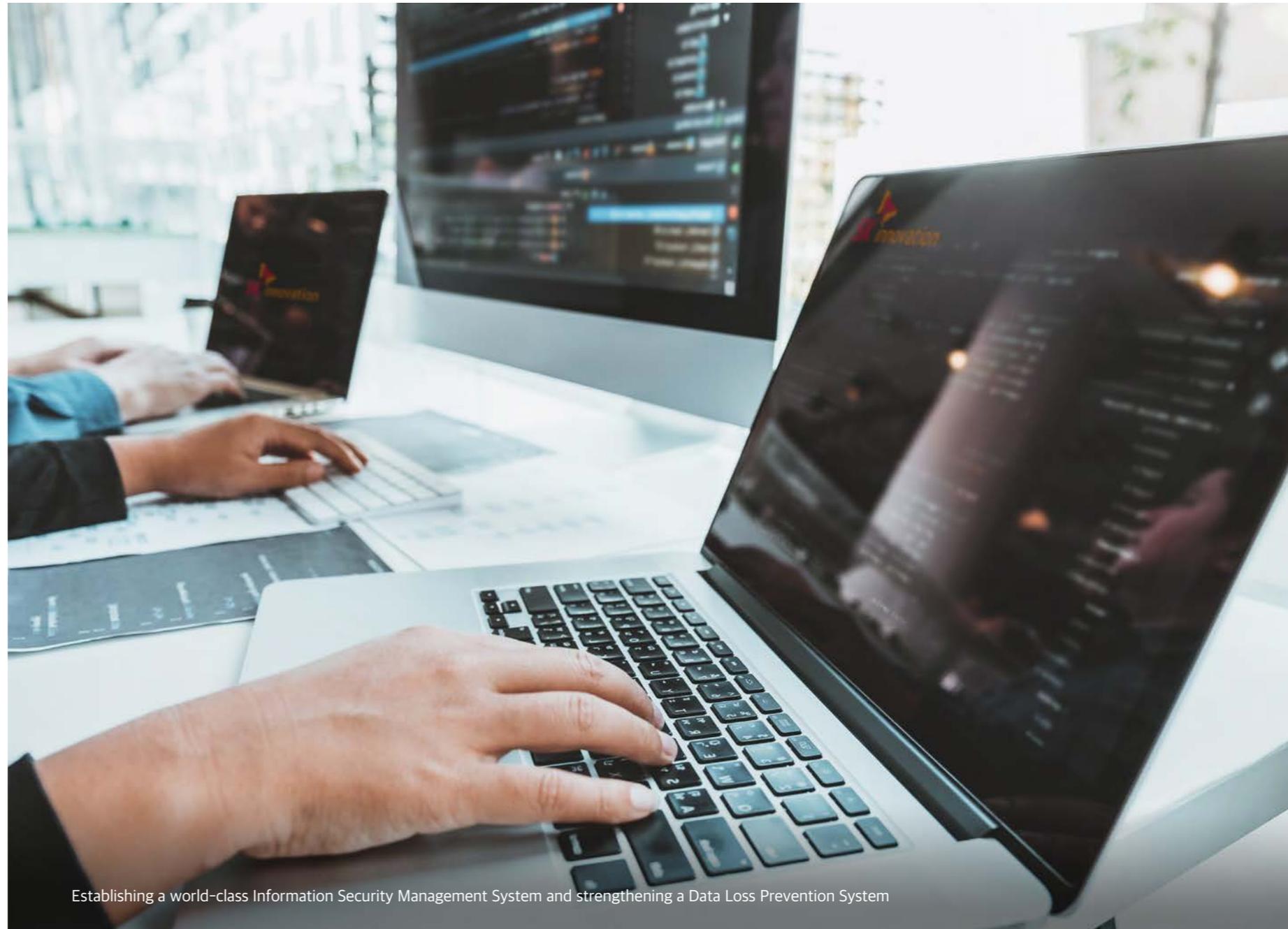


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Winning the Trust

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Establishing a world-class Information Security Management System and strengthening a Data Loss Prevention System

Corruption Risk Management

SK innovation has selected ‘Corruption Risk Management’ as a priority task for the GROWTH strategy to ensure compliance with an increasing global regulatory demand on bribery and corruption and to prevent social/economic losses and damage on reputation caused by unethical practice. This is not only one of the most fundamental elements required by global business partners and investors in terms of transparency in business operation, but also about fulfilling social responsibilities as a part of civil society and maintaining honest business relationships with suppliers in the value chain. While reinforcing internal controls on the risks of corruption to prevent uncertainty and potential violations, it is important to make financial and non-financial operation more efficient in relation to corruption and bribery. Additional expected benefits that can be obtained by implementing this priority task include an increase in corporate value through improved corporate reputation from stakeholders and dealing with the increasingly more stringent compliance with project tenders in the public and private sectors.



A meeting on compliance attended by SK innovation employees

Priority Task Implementation Strategy (Mid/Long-term Strategy)

By 2025, SK innovation will establish a global-level anti-corruption management system and implement various programs to support the activities according to the PDCA (Plan-Do-Check-Act) process and control the cause of violations and eradicate corruption.

To this end, we will share the commitment of the management to practice anti-corruption and implement compliance management through company-wide announcement and in-house broadcasting. We will also require our employees to sign pledges for compliance. Furthermore, we will make our reporting channels more accessible for employees and stakeholders in order to raise awareness and improve self-check process while establishing various procedures for maintaining the confidentiality of the reports and protecting the informants.

One of the essential parts of ensuring compliance with anti-corruption practice and raising awareness is training for employees. By doing so, we keep them informed about various anti-corruption compliance programs operated by the company and our commitment to their implementation while defining the Dos and Don'ts under the relevant laws and regulations, thereby facilitating actions that support anti-corruption and compliance management. Going forward, we will continue to develop sustainable training content and programs to achieve 100% of the completion rate of anti-corruption training.

Corruption risk check and improvement work is an essential element of the virtuous cycle of PDCA (Plan-Do-Check-Act). To this end, SK innovation will continuously inspect the company's corruption risks and improve the anti-corruption compliance program based on the inspection results. The corruption risk inspection proactively keeps the company and its employees from getting involved in unintended corrupt activities. Through systematic improvement based on this risk check, the company will prevent corruption risks in advance and minimize corruption risks.

Alignment with UN SDGs



Goals for 2025



Achieving the target for anti-corruption

Zero corruption incidents



Achieving full participation in anti-corruption training

100% participation

Action Plans for 2022

As part of our global compliance program, we are engaging in the following anti-corruption and compliance management activities. We plan to expand these activities to our overseas business sites in the US, EU, and China.

Establishment of Systems and Policies

We are going to document our company-wide systems and policies, including anti-corruption and compliance management, and reflect the local laws and regulations of the countries where we operate our business while translating them into the local languages to disseminate.

Raising Compliance Awareness

We are committed to delivering a message to our employees to encourage their participation in overall compliance including the anti-corruption policies. We are planning to sign a pledge to form an internal consensus on compliance with the regulations and raise awareness while refining our internal reporting procedures and improving confidentiality and whistleblower protection programs.

Compliance Culture

We will promote a culture of anti-corruption compliance through continuous training on the regulatory requirements, internal systems, best practices, case studies on violations, and corporate newsletters.

Communication Channels

We are building a new platform to enhance employee access to information about anti-corruption which is scheduled to start operation this year.

Progress in 2021

SK innovation declared anti-corruption and compliance management by stipulating the anti-corruption and law-abiding obligations of its employees through the Code of Ethics and its Action Plan. Through ethics education, ethical management practice workshop, and ethical management fulfillment pledge that include anti-corruption details, the company operated anti-corruption programs as part of its ethical management.

Through the regular organizational restructuring in 2021, SK innovation installed a compliance officer to bolster its global compliance program that prescribes the fulfillment of anti-corruption and compliance management targets. The company selected 'Corruption Risk Management' as part of the GROWTH priority tasks and is implementing a compliance program tailored for anti-corruption in stages.

Comments from the Department in Charge

From the macroscopic perspective, the internalization of anti-corruption management will contribute to building an ethical and fair corporate environment while creating more opportunities for our sustainable growth by building stakeholder trust and improving our corporate reputation.

Based on this priority task, the person in charge of compliance should do their best to support the SKI subsidiaries' vision of eradicating corruption and establishing a global-level anti-corruption management system while raising awareness among employees.



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Managing Information Security Risks

SK innovation is enhancing its measures against cyber-attacks and other security threats that may occur due to the automation and digitization of business facilities, as well as telecommuting due to COVID-19, while working on their implementation.

Taking a proactive approach in dealing with internal and external security threats, we have selected 'Managing Information Security Risks' as a priority task and share the importance of implementing effective security programs to protect information. To this end, we set mid/long-term goals and developed action plans for the protection of personal information and industrial secrets.

This priority task will enable us to enhance the overall sustainability of our corporate activities by successfully implementing security programs as we focus on fulfilling our social responsibility toward our shareholders, employees, customers, and other stakeholders.



A security training for information security risk management

Priority Task Implementation Strategy (Mid/Long-term Strategy)

At SK innovation, we have set to achieve 90% of standard security management index and 100% of security training completion rate by 2025. At the same time, we will establish a global security management system and process to prevent violations and misuse. First, we will raise the level of risk management in relation to international and local security regulations. In order to internalize the security system in compliance with the domestic and international security certification (ISMS/ISO27001), we will also raise security awareness through employee training and campaigns.

Action Plans for 2022

In 2022, we will enhance our security management system by appointing a CISO (Chief Information Security Officer) and update domestic security policies and procedures. At the same time, we will acquire new international security standards certifications and maintain existing standards. In order to manage the risk of security violations, we will complete the development of an advanced threat management system that started in 2021 and initiate the development of security management indicators for each subsidiary.

Action Plans for 2022



Information Security System

- Complying with disclosure requirement and appoint a CISO
- Responding to government surveys on business sites designated for national technology
- Establishing and updating standardized information security regulations/procedures
- Maintaining and expanding information security standard certification
 - Domestic: SKI subsidiaries, SKE, SKON, SKIET Jeungpyeong
 - Overseas: business sites in U.S., Hungary, China and France



Security Risk Management

- Establishing and operating an advanced threat management system
- Achieving 100% for security training completion rate
- Developing and test application of security indicators for each subsidiary

Goals for 2025



Ensuring compliance with the majority of global information security measurement standard

more than 90%



Achieving full participation in information security training

100% participation

Progress in 2021

In 2021, we carried out the following activities to protect all our tangible and intangible assets including personal information of employees and customers as well as intellectual properties.

Privacy and Security Certification Management

We validate and maintain our security certifications acquired from international agencies including ISO-IEC 27001:2013 and ISO-IEC 27701:2019, as well as domestic certifications such as ISMS and ISMS-P.

2021 Certification Management



Domestic Certifications

- Renewed ISMS certification for SKI security system operation management
- Renewed ISMS-P certification for SKE EnClean¹⁾



Overseas Certifications

- Renewed G-HR²⁾ ISO/IEC 27001:2013 and acquired ISO/IEC 27701: 2019 certification for SKI subsidiaries
- Renewed ISO-IEC 27001:2013 and acquired ISO-IEC 27701: 2019 certification for SKE EnClean
- Renewed ISO-IEC 27001:2013 for SKI Battery and SKIET material business sites
- Expanded the scope of ISO-IEC 27001:2013 for the business sites in Hungary

Global Privacy Compliance

SK innovation reviews global security laws and regulations to manage personal information related issues and to ensure compliance of its products and services with local regulations. We are committed to carrying out compliance with state laws including CCPA (California Consumer Privacy Act) as well as GDPR (General Data Protection Regulation) in EU, PDPA (Personal Data Protection Act) in Singapore. Special information security measures were taken to protect personal information at the subsidiaries in China in 2021.

Enhancement of Privacy and Security Management

In 2021, SK innovation conducted an integrated security level check and organized security training for subsidiaries and outside contractors. We also introduced training with simulated security violations and malicious emails for our employees to raise their awareness.

Protection of Industrial Secrets

SK innovation complies with local laws and regulations in relation to industrial secrets to protect both tangible and intangible assets including core technology and human resources. In 2021, we fulfilled our reporting obligations for exporting core technologies, and fully cooperated with the inspections on organizations with national core technologies.

Employee Security Training

In 2021, to raise our employees' security awareness, we conducted 6 training sessions for New Comers, 2 sessions for new employees, 2 sessions for personnel working at Daedeok Research Institute, and 1 online industrial technology security training session for those working in the battery/material business.

2021 Security Training

CATEGORY	Unit	Common	Process Security (Ulsan CLX)	Industrial Security (SKON, SKIET)	Total
Participants	person	2,581	3,650	1,755	7,986
Completed	person	2,403	3,611	1,671	7,685
Not Completed	person	178	39	84	301
Completion Rate	%	93.10	98.93	95.21	96.23

Progress in 2021



Checked the security level of SKI subsidiaries and external contractors

about **120** companies



Provided security training to SKI subsidiaries

96% participation



Provided security training to personnel (outside contractors) handling personal information

100% participation



Organized training for simulated security violations and malicious email

1) A membership brand operated by SK innovation
2) Global HR information system commonly used by SKI subsidiaries

Response to Security Violations

At SK innovation, we appoint CISO and CPO (Chief Privacy Officer) every year to prevent the spread of damage under the management of the department in charge in case of loss, theft, leakage, or damage to our core data or personal information. In 2021, all seven of our subsidiaries completed the security status disclosure in response to the information protection disclosure system¹⁾ which is expected to be enforced in the near future. Under the Personal Information Liability System, which has been in effect since 2019, we renewed our security insurance in 2021 to enhance our protection of the rights and interests of information owners. In 2022, we are working on our response strategy against planned and systematic cyber-crimes by purchasing cyber insurance that covers the social and economic costs from cyber-attacks.

Enhancement of Security Level through Security Checks

The security manager at each business site is in charge of checking security status and conducting inspections every quarter to encourage employees to support security practice. The results are reported to the director in charge of security or CEO, and the head of each department takes necessary measures to improve the security level.

¹⁾ A system that requires companies to disclose information about their investment in security, manpower, certification, and other security measures for safe use of internet

Comments from the Department in Charge

Due to the 4th Industrial Revolution and Digital Transformation across the industries and the advent of the new normal era caused by COVID-19, businesses are facing a significant risk in corporate security that can affect the trust of stakeholders and lead to financial risks. Since security is a social responsibility for all businesses that use information systems, SK innovation selected 'Information Security Risk Mgmt.' as its priority task for the ESG management and implemented specific measures.

Based on the priority task for 'Strengthening Information Security Risk Management', we plan to upgrade our information security management level to meet the global standards by focusing on establishing indicators that can measure security risks and manage them systematically rather than solving temporary security issues. In addition, we will continuously work to improve the level of our security management by raising security awareness and organizing activities while introducing third-party assurance system to prevent abuse and misuse of corporate information.



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Additional Information



Awards

- 2021 Industrial Security International Conference¹⁾ Award
- Minister's Commendation for Privacy Protection, the 1st Personal Information Protection Day in 2021



Other Activities

- Attended the 2021 Industrial Security International Conference as a panel
- Attended the 2021 Industrial Security International Conference as a panel

¹⁾ The largest event focusing on security risk management and sharing of industry development plans from the perspective of economic security. The event is organized by the National Industrial Security Center under the Ministry of Trade, Industry, and Energy.

Together with Society



Sharing SK innovation's best practice of social value creation at the general meeting of the 2022 Asian Venture Philanthropy Network (AVPN) session as a guest panel

In this section

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- Expanding Social Contributions at Global Sites 57
- Strengthening Green Startup Partnerships 59

Monitoring Supplier ESG Assessment

As interest in environmental and human rights issues in corporate supply chains increase and ESG regulations in countries around the world become more stringent, the importance of responsible supply chain establishment and management is rising as well.

SK innovation has set sustainable supply chain management and stable procurement as the ultimate goal of the priority task for 'Monitoring Supplier ESG Assessment'. By doing so, we aim to minimize the environmental impact of the products and services and to make meaningful contributions to society. To accomplish these aims, we will identify high-risk suppliers and actively minimize potential ESG risks, fostering business partners with outstanding ESG practices and implementing sustainability-related programs.



Reinforced the prevention of accidents through reliable communication with suppliers

Priority Task Implementation Strategy (Mid/Long-term Strategy)

SK innovation has set '100% of due diligence on high-risk suppliers' and '25% of suppliers with a high evaluation score' as goals for 2025.

To this end, we are going to identify the characteristics of the risks in the supply chain in line with our business operation and identify suppliers with a high level of risk through evaluation. Through due diligence and actions for improvement, we will minimize such risks.

We plan to implement specific action plans by year based on our experience in managing ESG risks in order to increase the number of suppliers with high scores. In addition, we will continue to upgrade the overall ESG management process with a focus on customized support programs for each E, S, and G area linked to the evaluation results.

Furthermore, we plan to provide guidelines so that we can keep track of changes in the international ESG environment including the EU supply chain due diligence law and the Scope 3 Net Zero emissions requirements. Through this, we will be able to enhance our suppliers' understanding of global ESG risks and help them to respond in advance.

Action Plans for 2022

In 2022, we plan to operate ESG training and consulting programs based on the results of the supply chain ESG risk evaluation conducted in 2021 to enhance our suppliers' understanding and promote participation in the evaluation process and due diligence. We are expanding the scope of the due diligence on suppliers with a high level of risk to help them solve their problems. Those with excellent performance in the assessment will be provided with incentives.

We also plan to establish a bidding and transaction process in line with the ESG performance so that evaluations can be conducted on a regular basis to improve the overall supply chain related processes. We will also elaborate the methodology to select and manage high risk suppliers. At the same time, we will maintain close communication with stakeholders by promoting external communication on the overall ESG management performance of our suppliers in line with our GROWTH strategy.

Alignment with UN SDGs



Goals for 2025



Achieving supplier ESG due diligence rate of

100%



Increasing the proportion of suppliers that acquire high score in ESG risk assessment to

Over **25%**

Progress in 2021



Achieved the in-depth risk assessment completion rate of

82% (core suppliers)

1) 249 companies with a high level of strategic importance and ESG risk exposure

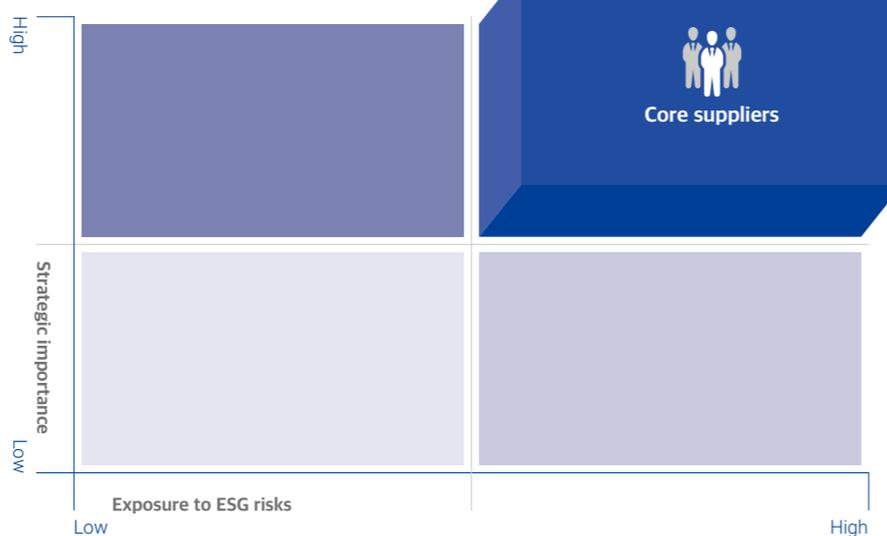
Progress in 2021

In 2021, SK innovation conducted an in-depth ESG risk assessment through a third-party to upgrade its risk management system for suppliers. The in-depth assessment was carried out for suppliers both with business transaction over the past three years and with being sorted by our renovated supplier classification system into four groups (which was previously divided into two segments), based on strategic importance and ESG risk exposure. Suppliers with a low rating were advised to establish their own plans for improvement. As a result, 100% of the advised suppliers successfully established the plans.

Supply Chain ESG Risk Management Goals and Performances in 2021

Category	In-depth ESG Risk Assessment	Improvements
Goals	Conduct an in-depth ESG risk assessment for more than 80% of core suppliers ¹⁾	Request the core suppliers with low ratings to develop improvement plans
Performance	82% (204 companies in total) completion	100% (42 companies in total) completion

Updated Supplier Classification System



Comments from the Department in Charge

For suppliers with limited resources, our reinforcement of ESG management of suppliers based on the needs of stakeholders, may be challenging. However, with the growing demand for ESG risk assessment and due diligence in the supply chain in response to climate change and protection of labor and human rights, ESG is becoming an essential part of the corporate value chain.

For suppliers to adapt to these changes, we are committed to enhancing the engagement of suppliers by providing benefits and improving their understanding of ESG while forming a consensus on ESG practices. Going forward, we will continue to do our best to promote mutual growth with our suppliers based on effective policies and support programs.



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Expanding Social Contributions at Global Sites

With the growing demand for corporate ESG management around the world, SK innovation is committed to promoting its transition to green business models. To this end, we are expanding our presence in the global green industries. We need to take a more comprehensive approach to overseas bases in terms of social contribution.

With the goal of establishing the culture of mutual growth at our overseas business sites and supporting shared growth with local communities, we have set the expansion of social contribution to global business sites as a priority task under our GROWTH strategy. Our goal is to establish a country-specific and needs-based CSR programs and to implement developmental models through continuous communication with the local community.

A global CSR promotion system is expected to serve as a cornerstone for reflecting our philosophy and strategy for social contribution at overseas business sites and enhancing our ESG practice. Thanks to this effort, each business site will be able to fulfill its role as a member of the local community and create an amicable management environment for mutual growth.



Sanhaejinmi Campaign

Priority Task Implementation Strategy (Mid/Long-term Strategy)

Through this priority task, SK innovation intends to impart the importance of corporate social and environmental responsibilities and boost the drive to fulfill them to all overseas business sites. To achieve this, we will establish a CSR implementation system for each business site to promote sustainable development.

To this end, we are going to prioritize two common and one special CSR programs for all overseas business sites by 2025. The common programs include the 'Sanhaejinmi Campaign' and support programs for senior citizens living alone and people with developmental disabilities. Additional programs will be developed based on international demands such as the UN SDGs.

Preceding to supporting these programs, it is important to increase the commitment and understanding of the priority task for employees at overseas business sites. This is because companies are made up of employees and employee's commitment to ESG is directly linked to the effectiveness of companies' ESG management.

Going forward, we are going to create a management culture of mutual growth through active communication in consideration of diversity in overseas manpower, which is growing significantly due to our overseas business expansion.

Action Plans for 2022

In 2022, SK innovation plans to promote the 'Sanhaejinmi Campaign' and support programs for people with developmental disabilities in major newly-constructed sites in the U.S. (Georgia), China, Hungary, Poland, and France, while developing specialized CSR programs for each country. The programs will be gradually expanded to all overseas business sites by 2025.

EnviRun for the Planet Campaign

SK innovation named its nation-wide plogging campaign, 'Sanhaejinmi' as "EnviRun for the Planet" to expand it into a global movement with overseas business sites as its base. In April 2022, we declared the Plogging Week at all domestic and overseas business sites and launched the campaign to promote its commitment to the environment. Since the campaign has an important meaning as an environmental campaign in daily practice in line with the expansion of waste plastic recycling technology and eco-friendly businesses, we will continue to support its development into a global campaign by promoting public engagement.

Alignment with UN SDGs



Goal for 2025



Implementing 2 common and 1 localized CSR programs at each global site



'Great Melody in the Forest', a national music festival for people with developmental disabilities

Support Programs for People with Developmental Disabilities

SK innovation is introducing various social programs to support people with developmental disabilities by helping them adapt to society, creating jobs through training, and organizing the Social Integration Programs such as the National Great Music Festival. In 2022, we will develop a support program at overseas business sites according to regional characteristics, contributing to creating a social safety net and developing it into a communication channel with the local community based on our know-how.

Development and Implementation of Localized Programs

In 2022, we plan to strengthen our communication with stakeholders to identify and resolve social and environmental issues in local countries and regions. We will focus on people with disabilities, seniors, education, employment, and environment as our targets, and develop and implement a range of social contribution programs.

Progress in 2021

In 2021, SK innovation continued our global CSR program to meet the needs of the local community with focus on supporting children with disabilities and educational programs as part of its company-wide social contribution. We also selected a global communication coordinator to set a more effective direction for community development. To promote corporate culture and support shared growth, we shared our mission and philosophy on ESG and listened to feedback and opinions from employees at our overseas business sites.

Aside from the programs related to the priority task, we donated KRW 1.1 billion worth of quarantine and medical supplies to the US, Hungary, Poland, and China through our overseas business sites in response to COVID-19 and restored mangrove forests in a total area of 48 hectares in Vietnam through the 'Mangrove Forest Restoration Project'.

Comments from the Department in Charge

SK innovation is leaping forward as a global company by expanding overseas business focused on green businesses. As a subject of social and environmental responsibility, we will actively participate in solving social problems according to international needs and the needs of local communities. Since coexistence with society and nature is the immediate challenges of mankind, we believe that ESG should be reflected in the foundation of all businesses for sustainable growth and development.

Sustainability can only be achieved when changes are made internally rather than improvisations to solve the problems at hand. This requires commitment from employees to support the company's CSR policies and strategies as well as a consistent CSR system in place. Our goal is to enhance the sustainability of overseas business sites as well as domestic sites through one of our priority tasks, 'Expanding Social Contributions at Global Sites'.



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Progress in 2021



Donated COVID-19 quarantine and medical supplies to overseas business sites worth of

KRW **1.1** billion



Restored forests through Mangrove Forest Restoration Project in Vietnam

48 hectares

Strengthening Green Startup Partnerships

In order to solve environmental problems, such as climate change and plastic pollution, it is essential for private enterprises to take active role as well as making efforts at a governmental level. SK innovation has been operating a business to discover and support startups in the environmental sectors since 2019 as part of its social responsibilities because startups with distinct environmental solutions can help make transition to a green, low carbon society. Under this vision, we implemented the environmental social business contest¹⁾ and SV2 Impact Partnering²⁾ in 2019, and launched the cooperation project 'EGG' organized by the Ministry of SMEs and Startups in 2021. 'EGG' is the first Green Alliance project in Korea where government agencies, conglomerates, and impact funds collaborate to discover and support startups in the environmental business. Based on the priority task entitled 'Strengthening Green Startup Partnerships', we are committed to forming various new alliances to discover and support domestic and overseas startups in the environmental business as well as long-term operation of 'EGG'. The successful implementation of this plan is expected to lead to transformation of the economic structure with focus on innovative growth based on the environmental startup ecosystem, to overcome the 'death valley of startups' and to promote shared growth through scale-up support, and create jobs for young people, subsequently creating overall environmental, social and economic values.

1) Financial support for commercialization of startups in the environmental and social businesses
 2) Impact investment of SKI innovation employees through crowdfunding for environmental and social ventures



'EGG II' (SK innovation's Green Venture Scale-up Program) inauguration ceremony and orientation

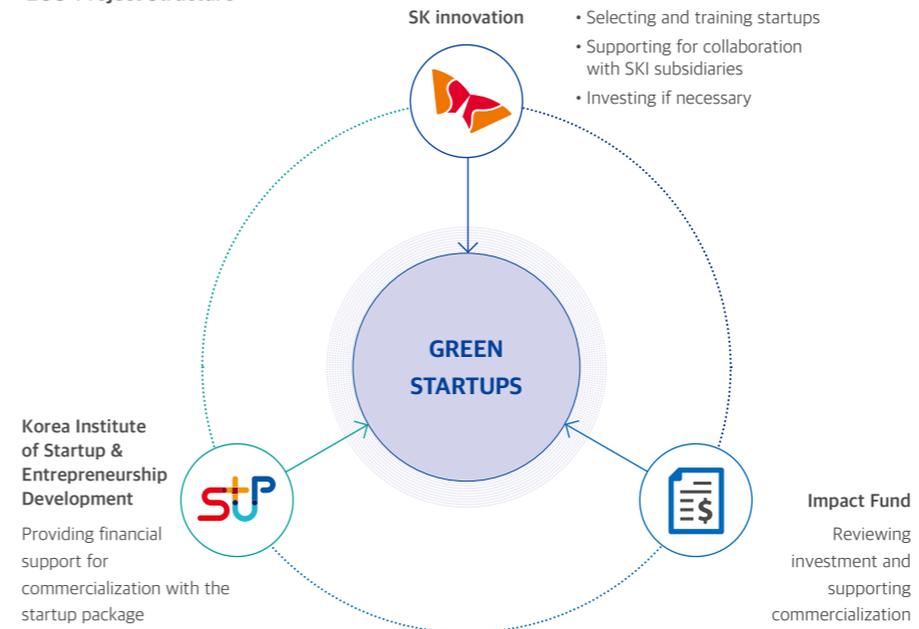
Priority Task Implementation Strategy (Mid/Long-term Strategy)

SK innovation has set a goal of supporting 100 startups in the environmental business by 2025 through successful implementation of the priority task. Starting with 20 startups selected through 'EGG' in 2021, we will continue to support 15-20 startups every year.

To this end, we are going to secure a pool of prospective startups by forming a long-term diverse partnership with government agencies and outside investors or SKI subsidiaries. We also plan to establish policies and effective performance management systems as part of the follow-up while implementing monitoring process.

Going forward, we will continue to develop projects to support cooperation between major subsidiaries and startups even after achieving the goal set by the priority task and develop new business models while improving the open innovation process.

'EGG' Project Structure



Alignment with UN SDGs



Goal for 2025



Nurturing green startups

100 companies (cumulative)

Action Plans for 2022

In 2022, SK innovation formed a long-term partnership with the Korea Institute of Startup & Entrepreneurship Development and launched the 'EGG II'. If 15 environmental startups are successfully supported through the project in 2022, the number of supported startups will reach 35 in 2022.

Startups in the green and low carbon businesses such as EV batteries, recycling of waste plastics, new materials, and low carbon technologies applied to production facilities were selected for the EGG II. These startups will participate in various training seminars and open innovation sessions tailored to their business models for 10 months. In addition to the collaboration and investment performance achieved in 2021, we are committed to planning and undertaking collaboration projects between SKI subsidiaries and startups.

We are also diversifying our collaboration channels with startups by encouraging participation from our subsidiaries and outside alliances, such as the 'ESG Korea 2022 Program'³⁾ while building a dedicated platform to enhance the partnership network.

3) An ESG startup support program organized by SK Telecom and participated by a number of domestic companies and institutions

Progress in 2021



Attracted investment and M&A for

10 startups



Identified startups through 'EGG I' Program

20 startups

Progress in 2021

In 2021, SK innovation selected 20 startups in the environmental business that can collaborate with its subsidiaries through the 'EGG I'. As part of the program, we organized special training and open innovation sessions for designing and implementing a collaboration model, held a dedicated demo day for attracting investment, and provided opportunities for participation in the venture capital networks. As a result, we matched 8 startups with 6 subsidiaries, and succeeded in attracting investment and M&A for 10 startups.

This achievement was introduced as Korea's first successful case of Green Alliance at the 1st Northeast Asia Summit held by the AVPN (Asian Venture Philanthropy Network) in January 2021 and served as the cornerstone for expanding our international ESG impact as it was invited to benchmarking programs from global companies including Petronas (Petronas, Petroliaam Nasional Berhad), a Malaysian state-owned company.

Details of Collaboration between SKI Subsidiaries and Start-ups

Subsidiary	Startup	Projects
SKE	Softberry	<ul style="list-style-type: none"> Collaborating on the development of solutions for EV charging service and enhancement of services Signed MOU in June 2021
	JM.WAVE	<ul style="list-style-type: none"> Developing an EV modification demonstration project for vehicle owners of LogiSquare, partner of SKE Sharing electric truck user data on the Muffin Truck App
SKL	Eco-Life Packaging	<ul style="list-style-type: none"> Producing ZIC lubricant green wing box samples and applying it to certain volume
SKIPC	CNLD	<ul style="list-style-type: none"> Developing a method of injecting waste tire pyrolysis oil into the petrochemical process and dealing with pyrolysis solid residues Signed MOU in March 2022
SKON	Softberry	<ul style="list-style-type: none"> Launching EV battery diagnostic test service Signed MOU in November 2021
SKIET	Right Route	<ul style="list-style-type: none"> Researching and developing of materials using waste secondary battery separator film samples provided by SKIET MOU signed in July 2022



'EGG I' demo day event

Interview with Startups from 2021 'EGG'

Right Route looking for new uses for the earth | CEO Shin Min-jung

Right Route is currently developing recycled materials from waste battery separator film through a recycled material brand called TEXNIC. We won the CES 2022 Innovation Award in the Wearable Device category in recognition of our patented battery separator film recycling technology. After being selected for our startup support program, 'EGG', and receiving samples of waste battery separator film from SK ie technology for about a year, we have researched and developed technologies for separator recycling. Through the collaboration, we were able to develop our own laminating technology and developed layered, high-performance recycled fibers produced by adhering waste battery separator film and other materials. Going forward, we aim to step up as a global leader in the waste battery separator film recycling technology and solve the problem of waste battery separator film to create social values.



High-performance recycled fibers produced by adhering waste battery separator film and materials



Right Route
CEO Shin Min-jung

Journey of Mobility, JM.WAVE | CEO Park Jeong-min

At JM.WAVE, we are developing technologies for quickly and easily converting internal combustion engine vehicles into green electric vehicles. Based on the mobility structure design, which is a key to electric vehicles, we expect to be able to reduce carbon emissions and preventing environmental pollution caused by scrap vehicles by remodeling them for various purposes, from logistics trucks to airport operation vehicles. In 2020, we collaborated for the first time with SK innovation and SK energy while promoting our electrification business model and in 2021, we were able to set up a growth strategy thanks to the customized growth package for environmental startups we received through 'EGG'. We look forward to expanding our partnership with SK innovation in such areas as batteries, carbon credits, maintenance, and chargers with the goal of driving sustainable growth as a green tech company with the global infrastructure of big companies.



Electric scooter manufacturing process



JM.WAVE
CEO Park Jeong-min



CNLD
CEO Hwang Yong-kyung

Converting waste into sustainable recycling resources, CNLD | CEO Hwang Yong-kyung

CNLD manufactures green oil, carbon black, iron, and rubber by analyzing the life cycle of waste tires and developing technologies for crushing, pyrolysis, and materialization with the goal of solving problems of waste based on the waste tire recycling technology and creating environmental and social values by replacing petrochemical materials with recyclable ones. Thanks to the open innovation session from the SK innovation's 'EGG' program, we are collaborating with SK incheon petrochemical on the use of pyrolysis oil for recycling waste tires and disposal of pyrolysis residues. This collaboration will help us contribute to creating a waste recycling economy. Institutional supports or initial investments for startups in the environmental business that manufacture devices are limited. Through the participation in the 'EGG' program where government agencies, big corporations, and impact funds collaborate, we were able to overcome these challenges and secure a new growth engine for the future. Through continuous collaboration with SK innovation, we expect to get opportunities to realize our vision and grow into a leader in sustainable resource circulation.

'Green' carbon black product produced from waste tires



Comments from the Department in Charge

Recognizing the importance of creating a green ecosystem, SK innovation has been planning and implementing various types of businesses and projects since 2019. The environmental social biz project was designed to financing commercialization for startups whereas the SV² Impact Partnering is a new attempt to allow our employees to invest in the startups through crowdfunding. This is considered as superior as the employees can experience impact investment and understand the importance of creating a sustainable ecosystem and apply it to their work process. Based on the know-how gained through these programs, we were able to develop 'EGG', an environmental startup support program with focus on collaboration between the government, big corporations, and impact funds in 2021 for the first time in Korea.

SK innovation is committed to exploring opportunities for sustainable growth and contributing to the transition to a low carbon and green society by helping startups scale up through the 'EGG' program while supporting collaborative model design with our subsidiaries. We expect these efforts will discover more startups with solutions to environmental problems and accelerate their growth into Green Unicorns.



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A Presentation at a Session of AVPN, Asia's Largest Network of Impact Investors and Social Innovators

SK innovation was invited to the 'Models of Corporate Social Impact: 'Being Intentional and Strategic' session at 'AVPN (Asia Venture Philanthropy Network) Global Conference 2022' held in Indonesia from Jun. 21 to 25, 2022, where the company discussed strategic ways for companies to create social impact through business models.

Asia Venture Philanthropy Network(AVPN)

AVPN is a network of impact investors and social innovation organizations in Asia that has been hosting the annual Global Conference, Asia's largest annual social impact conference, since 2013.

'The Asian Decade Vision' as an official pre-event of the G20 Summit to be held in Indonesia in November this year. Some of the issues discussed at the AVPN Global Conference will be reflected on the agenda of the G20 Summit.

The AVPN global conference was attended by About 1,100 people from various organizations including SK innovation, global companies, governments, impact investors, and NGOs, who discussed common tasks and new trends for achieving the SDGs by 2030.

In the session in which SK innovation participated, director-level employees of the social impact-related departments of the European Venture Philanthropy Association (EVPA), Schneider Electronic, Microsoft Philanthropies, and the Trifigura Foundation participated as panelists to discuss the social impact business models promoted by different institutions and companies and their actual applications.

In the session, SK innovation announced that it has been making effort to link social values with its business under the direction of SK Group's management philosophy, 'Sustainable growth and business innovation through solving social problems', by switching from the existing energy/chemical-oriented business structure to the low carbon and green portfolio. In addition, SK innovation emphasized that the company was transforming its identity from a 'global energy/chemical company' to a 'green energy and materials company', and that the company was creating social value through the production of green products and services according to the characteristics of each subsidiary.

In line with such efforts, SK innovation is expanding its green businesses to new areas such as separators and battery material recycling, using the battery business as a basis. Furthermore, the company highlighted the fact that it was making continuous efforts to improve facilities to reduce carbon emissions and make products eco-friendly in the existing energy/chemical business. SK innovation also emphasized the feasibility of linking social impact and business by taking the creation of a green venture ecosystem through the fostering of green ventures as a concrete example that illustrates the effort to establish a social carbon neutral system.



Feedback from Participants in the Session Joined by SK innovation



Diane Le Goff
Training & Entrepreneurship Global Leader



“ SK innovation is supporting social and green entrepreneurs to solve environmental and social issues, and is including stakeholders and employees in every steps of the actions. SK innovation is having a deep focus on the three dimensions of ESG and creating links between the company expertise and programs supported towards communities and partners. ”



Vincent Faber
Executive Director



“ I had of course heard - due to its size and importance in the international corporate world - about SK Group; however, to be honest, I had not heard about SK innovation before, at least not under that name. Through the panel session, I have a better understanding on SK innovation's efforts on pursuing social value. Mr. Cho's comments during the workshop was very clear in this respect, and SKI's approach is definitely a commendable one. And from Mr. Cho's presentation, I did find that SK innovation's work in that field made perfect sense and seems to me a very appropriate, efficient, and impactful one. ”

Happiness for All



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'60th campaign video' that captured joyful moments of employees during the 60th anniversary campaign

Enhancing Employee Happiness

SK Group considers that the happiness of its employees is linked to the creation of economic and social values in a virtuous cycle. Keeping them happy and satisfied with their jobs allows them to engage in VWBE (Voluntary & Willing Brain Engagement) and pursue SUPEX (Super Excellent Level), and eventually lead us to the SUPEX Company.

We have been implementing various programs for the pursuit of happiness since 2019 and affirmed employees' will to actively support our commitment to the happiness. In 2021, 'Enhancing Employee Happiness' was set as a priority task. Based on this task, we will increase our efforts to improve the level of employees' satisfaction.



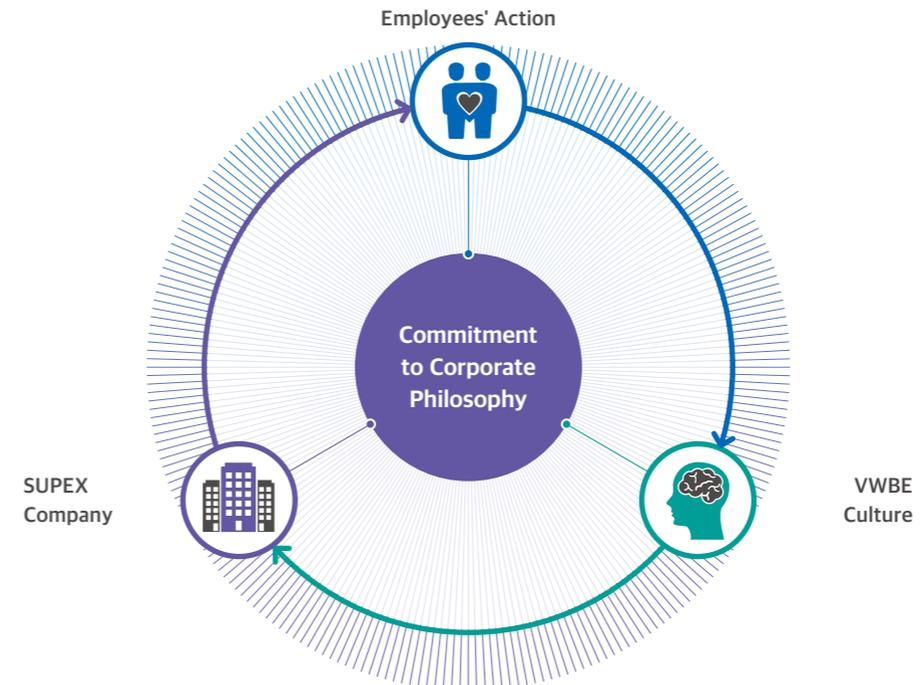
A family invitation event (Seorin Building Open House)

Priority Task Implementation Strategy (Mid/Long-term Strategy)

We set a goal of reaching 75 points in the SKI Happiness Index by 2025 to maintain our commitment to improving the level of happiness for our employees. To achieve the goal, we have to increase the score by 1 point a year from 2021 to 2025.

Considering that the level of happiness in Korea surveyed by various domestic and overseas agencies is on a downward trend, the goal of maintaining a steady upward trend is somewhat challenging. However, we are going to encourage our employees to take initiatives and engage in actions by helping them understand our vision for happiness and raising their awareness. If they can feel greater happiness in the process, we may get closer to our long-term goal of reaching 80 points by 2030 as well as the 2025 target.

SK Group's Management Philosophy



Alignment with UN SDGs



Goals for 2025



Raising SKI Happiness Index to

75 points

Action Plans for 2022

By carrying out projects with a focus on bringing happiness starting from 2022, each subsidiary is going to select and implement best action plans in line with their business operation to further enhance the satisfaction level of their employees. Furthermore, we will share the history and direction of the happiness management once again with our new employees who joined our company after 2019, the first year of its implementation, in order to promote their understanding of the programs. The level of happiness will be checked every two months instead of a year to keep track of changes and the pictures of happy moments will be displayed on a large media screen in the office building to encourage their engagement and reaffirm our commitment while raising awareness.

Progress in 2021

Following 2020, we measured the level of employees' happiness and identified factors affecting the results in 2021 using a dedicated system. Based on this, we developed and implemented six programs to support the program.

Employee-led Programs

There were four programs led by employees in the form of 'Happiness Clan'. Through the Vacation Clan, we expanded reward leave for long-term service (10 days every 10 years) and promoted a culture where employees can use their leave whenever they want. Through the activities of the Horizontal Culture Clan, we decided to establish a mutual feedback system called 'Happiness Thermometer' and 'O' Peace, a channel to report and prevent verbal abuse between employees. In addition, through the Happy Companion Clan, the position, title, and promotion system of the office support group were improved. The Transfer Clan program was carried out after necessary improvement after its introduction in 2020 to support the career planning and transfer process within the organization.



A view of a town hall meeting

Company-led Programs

In 2021, there were two programs led by the company. Reflecting the feedbacks from the employees, we implemented the 'Timely Communication Program' and held 8 town hall meetings a year to facilitate the communication on important company issues. We also operated the 'Flexible Work Schedule Program 2.0' that reflects the needs of employees for continuous improvement in work process and culture. Going forward, we will continue to support these programs and follow up on the results to make necessary improvements.

 <p>Vacation Clan</p> <p>Expanded reward leave for long-term service (10 day every 10 years)</p>	 <p>Horizontal Culture Clan</p> <p>Established the channels to report and prevent verbal abuse, 'Happiness Thermometer' and 'O' Peace'</p>	 <p>Happy Companion Clan</p> <p>Improved the position, title and promotion system of the office support group</p>	 <p>Transfer Clan</p> <p>Improved the career planning and transfer process</p>
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Comments from the Department in Charge

It has been four years since we introduced programs to support employees' happiness based on the belief that happy employees make a happy company and a happy company can achieve success and grow. We will continue to make sure that our culture of pursuing happiness develops and expands further and reach a level where it can have a positive influence on the industry and society.



Executive Officer (e-mail): Ahn Ok-kyung, Happy Management (okahn@sk.com)
Team Leader (e-mail): Lee Eun-ho, PL for Management Innovation (eh.lee@sk.com)

Progress in 2021



Developed and implemented employee-led Happiness Clan programs

4 programs

Protecting Human Rights

SK innovation has established policies on SHE and recruitment, code of ethics, supplier code of conduct, and code of ethics on procurement to prevent any direct and indirect violations of human rights throughout the value chain, and ensures full compliance in the course of business operation.

To support the protection of human rights at our business sites, we have established a dedicated management organization and counseling center. We also conduct due diligence on human rights once a year in accordance with the process recommended by global guidelines to identify areas of vulnerabilities and implement plans for improvement. In 2022, we set 'Protecting Human Rights' as a priority task for the GROWTH strategy to raise the level of human rights management at overseas sites to meet the domestic standard and establish policies and monitoring systems to protect human rights.



The Harmonia Counseling and Coaching Center

Priority Task Implementation Strategy (Mid/Long-term Strategy)

In response to a growing demand for the protection of human rights and corporate responsibility around the world, SK innovation is committed to promoting human rights management for each overseas business site and implement policies in line with local business environment for the successful implementation of the priority task. We plan to conduct due diligence on a regular basis and prevent human rights violations at overseas sites in accordance with the global 'Social Story'*. The regular due diligence will be carried out by setting priorities with a focus on overseas business sites where human rights management has been found to be insufficient. To improve the effectiveness of the regular due diligence, we are going to develop a survey for each region and country, taking into consideration the nature of our business, which is conducting overseas business in the United States, China, Europe and other parts of the world.

Action Plans for 2022

SK innovation is committed to protecting the human rights of its employees by conducting various trainings and campaigns. In 2022, we are going to introduce a new system to prevent harassment in our business site and raise employees' awareness of human rights. In response to a growing demand for the protection of human rights in the global markets, we will expand the scope of human rights protection activities at our overseas business sites.

O'Peace Implementation

O'Peace is an abbreviation of Office+Peace and is our safety net program designed to prevent harassment in the business site as part of our strong commitment to create a healthy and respectful working environment.

For a more efficient implementation of this program, we are going to develop our training on human rights all employees from 2022 to raise awareness. Our goal is to manage employees' grievances using a dedicated online channel for counseling. At SK innovation, we have the zero-tolerance policies on any form of harassment as same as the case of sexual harassment.

* When there is a report on human rights violation, we organize a committee including our in-house attorney to conduct investigation. During this process, we take necessary measures to protect the victims by providing counseling and allowing them to take a leave of absence.

Alignment with UN SDGs



1) SK innovation's CSR framework with the goal of improving the sustainability of society by providing opportunities for employees around the world and green solutions for local communities based on business operation

Goals for 2025



Developing global due diligence system for human rights and conducting L/H/C (Lead/Help/Check)



Establishing regular due diligence exercise and preventing risks

Human Rights Survey at Overseas Business Sites

SK innovation intends to develop and introduce a global-level human rights survey to manage human rights risks in the EU, where due diligence on human rights is mandatory, and few other regions such as China. For overseas business sites with a high level of risk of human rights violations, we will take prompt actions according to the process recommended by the global guidelines on human rights to prevent additional risks.

Progress in 2021

In 2021, SK innovation conducted training and due diligence to protect the human rights as well as FGIs (focused group interviews) for new employees, experienced ones, and those working on new projects.

As a result of the due diligence and interview on human rights, it was confirmed that there were no serious human rights violations, unfair discrimination in employment and work process, lack of communication, and forced labor. In the course of the investigation, measures were taken for improvements as we promoted public relations for grievance channels and support for onboarding process for new employees.

Human Rights Management Activities in 2021



Training on human rights

- Completion rate of training on sexual harassment: 99.6%
- Completion rate of training on disabilities awareness: 99.5%
- Completion rate of training on harassment in business site: 98%



Due diligence on human rights

- Conducted a human rights survey for all employees
- Conducted FGI for employees with various positions
- Made improvements on operation
 - Promoted a dedicated grievance channel
 - Supported onboarding process for new employees



Guidelines for preventing and responding to human rights violations

- Operated a grievance counseling channel to prevent sexual harassment and bullying in the business site
- Published bi-monthly newsletter to prevent sexual harassment and bullying in the business site

Comments from the Department in Charge

Human rights management has become a central focus for the business philosophy of global companies and SK innovation too is committed to maintaining a high level of human rights management to lead the global ESG trend.

Due to the nature of our business and global presence, we expect to face different types of human rights issues in the course of our business operation than what we normally experience in Korea. These issues will be managed through preemptive national and regional human rights trend surveys and continuous communication with our employees.

We have been practicing our corporate philosophy of 'Creating happiness for employees and stakeholders' and committed to ensuring that our human rights management philosophy and culture are not limited to our organization but extend to our business partners and local communities.



Executive Officer (e-mail): Ji Seung-Young, Talent Development (syji@sk.com)
Team Leader (e-mail): Shin Jae-woo, PL for ER & Communication (j.shin@sk.com)

Reinforcing Diversity & Inclusion

SK innovation has been committed to creating an organizational culture that promote diversity and inclusiveness. To this end, we are creating new jobs for people with disabilities and improving their working environment. In order to establish a female-friendly organizational culture, we are preventing unfair practices and discrimination that female employees may experience while increasing jobs for women and supporting their talent development.

As we expand our presence in the global market lately, there is a growing importance of establishing strategies for promoting mutual respect and embracing the diversity of our employees in overseas business sites. Through the implementation of this GROWTH priority task, we will commit to internalizing a culture of diversity and inclusiveness in our overseas business sites. Going forward, we will continue to help our employees adapt to their work environment by establishing effective policies and organizing training programs.



Introduction of SK Primacor Europe (a subsidiary of SK geo centric) as an "exemplary company that supports female talents for their career development and demonstration of their competitiveness" in the Spanish local newspaper Diari Mes

Priority Task Implementation Strategy (Mid/Long-term Strategy)

Based on the priority task, we are going to establish a company-wide management system to enhance diversity and inclusiveness in our working environment. Our goal is to establish policies in line with global standards, develop and implement various support programs, and focus on fair practice and evaluation process to ensure that no employees are discriminated based on other factors than their job performance. We are also committed to building a foundation for creating a culture of diversity and inclusiveness by developing and managing indicators with a focus on the management of diversity and inclusiveness at business sites as a leading company.

Action Plans for 2022

As a result of continuous efforts to improve our working environment for the disabled and women, we have been recognized for our diverse and inclusive organizational culture. In 2022, we plan to further improve our organizational culture to meet the global standard while making efforts to promote diversity and inclusiveness based on mutual respect in our overseas business sites.

Developing Indicators for Diversity and Inclusiveness, and Setting Mid/Long-Term Goals

We are going to develop our own set of indicators for managing diversity and inclusiveness in business site to meet the global standards. Based on these indicators, we will conduct an objective check on the level of diversity and inclusiveness in SK innovation and its subsidiaries while focusing on the areas of improvement.

At the same time, we are going to materialize the mid- and long- term goals of creating a diverse and inclusive organization based on the indicators. To this end, we plan to establish and develop training programs which will be implemented along with those required by the laws in 2022. Meanwhile, we are in the process of reviewing the implementation of customized trainings for certain overseas business sites where associated risks have been identified in advance.

Alignment with UN SDGs



Goals for 2025



Developing diversity & inclusiveness policies at a global level¹⁾



Being included in global diversity & inclusiveness indices

¹⁾ Specific goals for the inclusion in Refinitiv Top 100 Most Diverse and Inclusive Companies will be established.

2) Chief Diversity and Inclusion Office

Reinforcing Diversity and Inclusiveness Programs for Overseas Business Sites

For overseas business sites, we plan to manage issues through policies to reinforce diversity and inclusiveness in line with specific conditions of each business site by establishing CD & IO²⁾ positions. By creating a diverse community and listening to the needs of community members by race, age and class, we will be able to optimize our support.



Mental Health-care Program for Children of Expatriates

Human Rights Survey Guide

Diverse and Inclusive Organizational Culture in Domestic Business Sites

Although SK innovation already has a good organizational culture and environment for people with disabilities and women, we are committed to creating more jobs and implementing plans for improvement with focus on dedicated service facilities.

Progress in 2021

In 2021, SK innovation continued its efforts to make its business site more diverse and inclusive by creating more stable jobs for women and people with disabilities while conducting special training for overseas and local employees.

Enhancing Diversity and Inclusion in 2021

 <p>More jobs for people with disabilities</p> <ul style="list-style-type: none"> Standard business site for people with disabilities²⁾, 'Happiness and Trust' New jobs for people with disabilities <ul style="list-style-type: none"> Monitoring media PR and teaching Korean language Increased employment for people with disabilities <ul style="list-style-type: none"> - 190 people in 2020 ⇒ 205 people in 2021 (+8%) 	 <p>Secure jobs for women</p> <ul style="list-style-type: none"> Increased jobs for women <ul style="list-style-type: none"> - 977 people in 2020 ⇒ 1,192 people in 2021 (+22%) Training programs for female leadership Selection and training of female talents 	 <p>Training for overseas employees</p> <ul style="list-style-type: none"> Special training on local culture and diversity for expatriates Training for local employees to support innovation and engagement in overseas battery business sites
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3) With the establishment of 'Happiness and Trust', the number of standard business sites for the disabled has increased to 4.

Comments from the Department in Charge

With a growing demand for diversity and inclusiveness in business site, SK innovation is committed to taking a step further and setting a new standard as a leader in the industry. We plan to improve diversity and inclusiveness around the propriety task. We expect to create synergies among our subsidiaries based on a global standard organizational culture and drive sustainable growth around the world.



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Sustainable Management

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Board
of Directors

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Risk Management
System

Board of Directors

With a view to accelerating its ESG management, SK innovation announced its commitment to 'implementing responsible management centered on the Board of Directors' in 2021 to advance the governance system and bolster the actual authority and role of the Board of Directors. Since then, the company has appointed directors with expertise by adhering to the principles of independence, expertise, and diversity. As the terms of independent directors Kim Jun and Ha Yoon-kyung, had expired, Kim Tae-jin and Park Jin-hoi (both independent directors) were appointed at the Regular General Meeting of Shareholders in March 2022, filling the Board of Directors with one inside director, two other non-executive directors, and five independent directors. However, as Yoo Jeong-joon resigned as a non-executive director on Apr. 27, 2022, the Board of Directors currently has seven members.

Name	Kim Jong-Hoon Independent Director, Chairman [Male]	Kim Jung-gwan Independent Director [Male]	Kim Jun Executive Director [Male]	Kim Tae-jin Independent Director [Female]	Park Jin-hoi Independent Director [Male]	Jang Dong-hyun Non-Executive Director [Male]	Choi Woo-seok Independent Director [Male]
							
Term	Mar 2020 - Mar 2023 (appointed in Mar 2017)	Mar 2021 - Mar 2024 (appointed in Mar 2018)	Mar 2020 - Mar 2023 (appointed in Mar 2017)	Mar 2022 - Mar 2025 (appointed in Mar 2022)	Mar 2022 - Mar 2025 (appointed in Mar 2022)	Mar 2022 - Mar 2025 (appointed in Mar 2022)	Mar 2021 - Mar 2024 (appointed in Mar 2018)
Attendance	94%	100%	88%	N/A (newly appointed in 2022)	N/A (newly appointed in 2022)	N/A (newly appointed in 2022)	100%
Career Highlights	Present) Honorary Ambassador and Chairman of the International Relations Commission, KSOC (Present) Former) Member of the 19TH National Assembly (Trade, Industry and Energy Committee) Former) Minister for Trade, Ministry of Foreign Affairs and Trade Former) Chief Delegate for the Korea-U.S. FTA B.A., Dept. of Business Administration, Yonsei University	Present) Advisor, Bae, Kim & Lee LLC Former) Executive Vice Chairperson, KITA Former) Deputy Chairperson, FEZ Committee Former) 2nd Vice Minister, Ministry of Knowledge Economy Ph.D., Dept. of Economics, Tech University of Korea	Present) Vice Chairman/CEO, SK innovation Present) President, Communication Committee, SK SUPEX Council Former) President, Energy & Chemical Committee, SK SUPEX Council Former) President/CEO, SK energy M.A., Dept. of Business Administration, Seoul National University	Present) Professor, Graduate School of Law, Korea University Present) Audit Committee Member, Hyundai Marine & Fire Insurance Former) Attorney at Kim & Chang Law Firm The 39th Judicial Examination, the 29th Judicial Research and Training Institute Ph.D., Dept. of Law, University of Tokyo	Former) President, Citibank Korea Former) Head of Corporate Finance Group, Citibank Korea, Senior Vice President Former) Vice President, Corporate Finance Division, Hanmi Bank Former) Operation Manager, Samsung Securities M.A., Dept. of Economics, London School of Economics and Political Science	Present) Vice Chairman/CEO, SK Corporation Present) President, Communication Committee, SK SUPEX Council Former) CEO/President, SK Corporation Former) CEO/President, SK Telecom M.A., Dept. of Industrial Engineering, Seoul National University	Present) Professor of Accounting, Korea University Former) Advisor, Korea Deposit Insurance Corporation Former) Advisor, Ministry of the Interior and Safety Ph.D., Dept. of Business Administration Michigan State University
Expertise	Global Network	Energy Industry	Corporate Management	Governance, Legal affairs	Global Finance	Corporate Management	Finance & Accounting
Committee Membership	Audit Committee, HR Evaluation and Compensation Committee	HR Evaluation and Compensation Committee, Future Strategy Committee, ESG Committee	Audit Committee, ESG Committee	Audit Committee, ESG Committee	HR Evaluation and Compensation Committee, Future Strategy Committee	HR Evaluation and Compensation Committee, Future Strategy Committee	Audit Committee, ESG Committee

Board of Directors

Board Composition

Principle of Independence, Expertise and Diversity

SK innovation appoints directors based on the principle of independence, expertise and diversity. To ensure independence of the board operation, the chairperson is selected among independent directors, and the ratio of independent directors, currently 71.4%, will be raised to 75%, the level recommended by global governance agencies. We create a pool of candidates with a level of expertise in business management, accounting and finance, energy, chemical, and ESG needed for decision-making. Following Ha Yoon-kyung, we appointed Kim Tae-jin who has expertise in the area of ESG, especially in corporate governance¹⁾. We are also increasing the number of female board members while promoting diversity in our board composition to meet the global standards and ensure even distribution of age by including those in 40s, 50s, and 60s

¹⁾ Percentage of female directors in March 2022: 14.3%

Board Independence Guidelines

The board operates independently from the management and controlling shareholders. In order for it to maintain independence and oversee decision-making process, the percentage of independent directors should be at least 50% under the laws and 75% in the mid/long-term. We also organized a council in which all independent directors participate to appoint an independent director as the chairman or to represent independent directors through the senior director system, and to enhance the roles of supervision/support. In order to verify the independence of each director, we comply with the Commercial Act and The Monopoly Regulation and Fair Trade Act. Based on these requirements, the board of directors checks the independence of the candidates as follows:

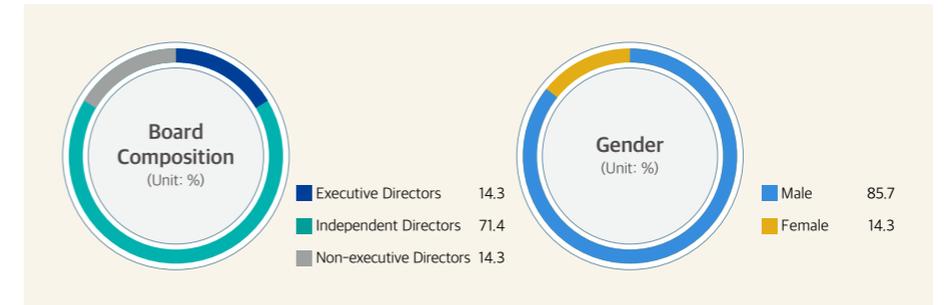
- directors, executive officers, and employees currently engaged in the business of the company, or directors, auditors, executive officers and employees who have been engaged in the business of the company within the last two years
- the largest shareholder or their spouse and lineal ascendants and descendants
- if the largest shareholder is a corporation, its directors, auditors, executive officers or employees
- spouses and lineal ascendants and descendants of directors, auditors, and executive officers
- directors, auditors, executive officers and employees of the parent company or subsidiary
- directors, auditors, executive officers and employees of a company with interests such as business relationships
- directors, auditors, executive officers and employees of other companies in which the company's directors, executive officers, and employees are directors and executive officers

Board Diversity Guidelines

The board should maintain diversity so that it can make rational and balanced decisions. To this end, we ensure that there is a certain percentage of female directors in the board composition. We are also committed to ensuring diversity in terms of nationality, race, religion, and ethnicity. Furthermore, we make sure that the board members have expertise in green business, portfolio management, investment, global networking and ESG in a balanced way to expand ESG management and support 'Financial Story'.

- Gender: promote equality opportunities (percentage of female independent directors: +25%)
- Experience and background: decision-making through comprehensive insights with focus on global Board of Directors without being biased towards specific backgrounds
- Others: consider nationality, race, religion, ethnicity, and others to promote diversity

Board Composition in 2021



Board Skill Matrix

Category	Leadership	Industry	Finance & Accounting	Finance /Risk	Legal	M&A	Global Competence	ESG
Kim Jong-hoon	●	●			●		●	
Kim Jung-gwan	●	●					●	●
Kim Jun	●	●	●	●		●		
Kim Tae-jin				●	●			●
Park Jin-hoi	●			●		●	●	
Chang Dong-hyun	●	●	●	●		●		
Choi Woo-seok			●	●				

Board of Directors

Independent Director Nomination Process

SK innovation has secured a pool of candidates and established a fair and transparent nomination process for independent directors to select those with areas of expertise required for decision-making.



Board of Directors

Composition of the committees under the board

Committees under the Board

On July 1, 2021, through the 'SK innovation Story Day', the SK innovation Board of Directors declared its commitment to support responsible management to advance the governance structure where the board can exercise its authority. The board implemented the following changes to the committee organization.

Expanded the HR Evaluation and Compensation Committee

SK innovation renamed the HR Committee to HR Evaluation and Compensation Committee and strengthened its authority. To ensure independence, the committee solely consists of independent directors and other non-executive directors who represent major shareholders. The committee and the board make decision on whether to re-appoint the CEO and are responsible for the process of selecting and developing candidates for the next CEO. In 2021, the role of nominating candidates for independent directors will be transferred to the HR Evaluation and Compensation Committee to secure a pool of talented candidates with expertise necessary for making decisions, and ensure fair and transparent system throughout the entire nomination process.

Established the ESG Committee

In 2020, we established the ESG Committee to set the direction of our ESG strategy and keep track of the progress. The committee not only deliberates on important issues in consideration of risks associated with ESG, but also incorporate them into the board's decision-making process. It also reviews the process of planning, developing and publishing ESG reports upon approval.

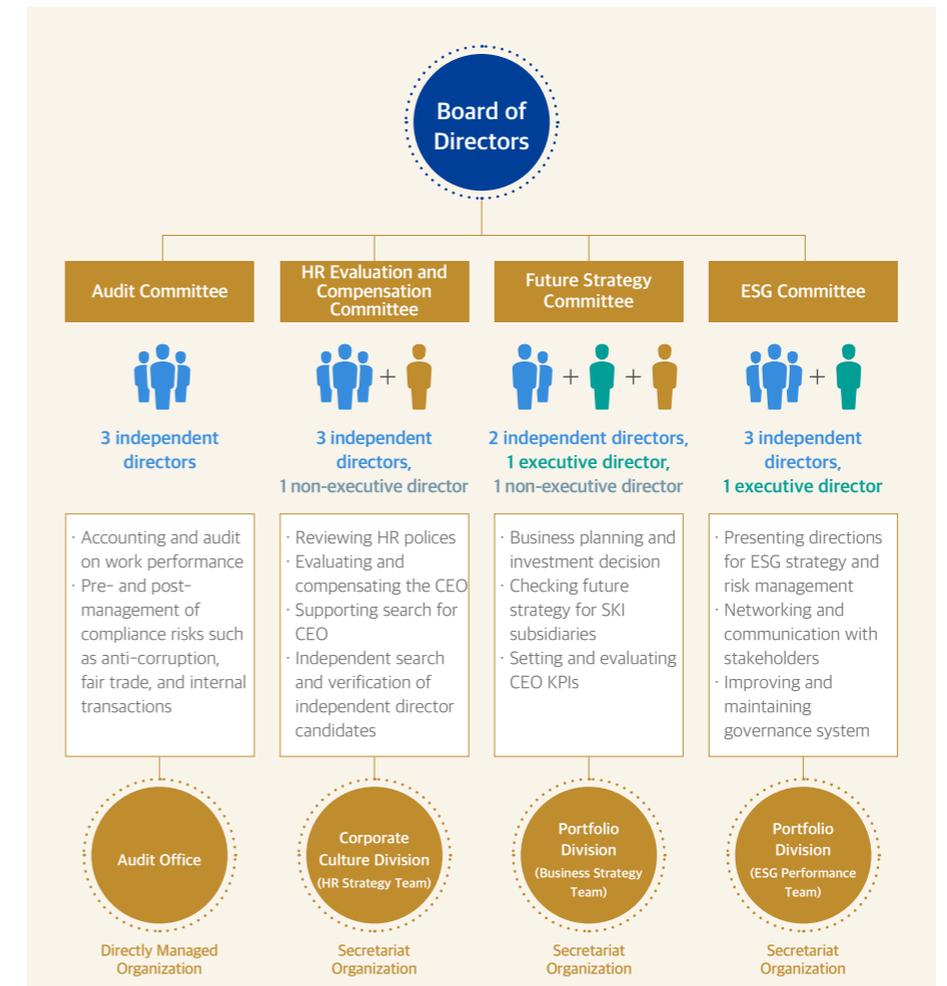
Strengthened the Role of the Audit Committee

SK innovation strengthened the role of the Audit Committee to set strategies and systems for compliance in line with global regulatory requirements with a focus on anti-corruption and insider trading. The Committee also conducts monitoring on a regular and on-going basis. For more consistent risk management at the Board of Directors level, the Audit Office, organized under the CEO, was transferred to the Audit Committee. The committee was given the right to appoint its members to support its role of a control tower.

Expanded the Future Strategy Committee

The Future Strategy Committee was also reorganized to set a vision and mid/long-term strategies for the company, based on which KPI evaluation of CEO and business management are performed.

Composition of the committees under the board



Strengthening the ESG Management System for the Board of Directors

SK innovation owns and operates the ESG Development Office, a dedicated ESG organization. SK innovation's ESG Development Office is a core department for ESG management of SK innovation as well as its eight subsidiaries. It also is a support department for ESG strategy execution.

The ESG Development Office establishes an integrated strategy for the overall ESG affairs of SK innovation, and accelerates and supports strategy execution through collaboration with the respective ESG organizations of the eight companies under SK innovation. Furthermore, the team selectively manages key issues and risks in the categories of environment, social, and corporate governance, and functions as an organization in charge of the ESG Committee under the Board of Directors, providing relevant information to support the correct decision-making of the Board of Directors and committees. In SK innovation, each team that proposes an agenda for preliminary inspection of ESG risks that is to be submitted to the board and committees, is required to prepare an ESG checklist. The ESG Development Office supports the operation of the agenda review process from an ESG perspective by reviewing it and providing details to the Board of Directors and committees.

In 2021, the ESG Development Office performed various tasks that laid the foundation for SK innovation's ESG management. As Asia's leading company in ESG management, SK innovation expressed its commitment to carbon neutrality by establishing the Net Zero Roadmap that presented integrated reduction targets for Scope 1, 2, and 3 emissions. Moreover, the company established and implements GROWTH, a strategy for systematic ESG management. As a result of these activities, the team racked up a splendid achievement in which the evaluation grades of MSCI and KCGS, the leading overseas and domestic ESG evaluation agencies, were upgraded.

ESG Management System



1) Composed of top management including the CEO of SK innovation and the CEOs of its subsidiaries
 2) Composed of C-Level executives and department heads for each business and function

ESG Committee

The ESG Committee, established in June 2021, is consisted of three independent directors and one inside director. The ESG Committee supports SK innovation's overall management decisions by strengthening the functions of SK innovation's environmental, social, and corporate governance and leading helping, and checking (L, H, & C) performance in each category. In addition, the ESG Committee is required to conduct a preliminary inspection of the agenda to be referred to the Board of Directors from an ESG perspective¹⁾. By participating in ESG-related lectures, discussions, and meetings with major investors, the committee also takes the lead in actively communicating with external stakeholders based on its practical influence.

1) A total of four ESG Committee meetings in 2021 and a total of eleven items reviewed by the ESG Committee in 2021

The Main Roles of the ESG Committee

- Review the ESG strategic directions, and manage and supervise the implementation of key tasks
- Oversee risk management from an ESG perspective
- Final inspection of performance against annual goals and identification of improvements
- Publish a report to expand ESG information disclosure
- Network and communicate with major ESG-related stakeholders
- Improve and maintain the governance system such as the establishment of the Board of Directors system and the establishment of its operational structure and process

The Composition of the ESG Committee

Category	Member Director
3 Independent directors	Kim Tae-jin (Chairman), Kim Jung-gwan, Choi Woo-seok
Executive Director	Kim Jun

ESG Ratings

Category	2019	2020	2021
KCGS	A	A	A+
MSCI	BBB	BBB	A

ESG Committee Activities in 2021

Session Number	Date	Attendance/Quorum	Major Agenda
1	7.20	4/4	<ul style="list-style-type: none"> • Establishment of CEO KPIs in 2021 • Interim report on business environment in China and the review of investment in 2nd production plant in Yancheng • Establishment of a battery module manufacturing corporation in Yancheng, China • Publication of ESG Report and Net Zero Special Report • ACGA Networking Plan
2	8.20	4/4	<ul style="list-style-type: none"> • Investment in a new plant for Phase 1 in Yancheng, China (plan) • Domestic and overseas climate change response trends and directions • Responses and plans for communication with major evaluation agencies and stakeholders
3	9.13	4/4	<ul style="list-style-type: none"> • Promoting the establishment of a JV with Ford • Report on SK innovation's Q2 ESG evaluation by the group
4	11.24	4/4	<ul style="list-style-type: none"> • 2021 evaluation of the CEO KPIs (tentative)

Board of Directors

Board Activities

In principle, a board meeting is supposed to be held every month, and the board members and the committee members are updated on the agenda 5 and 2 days prior to the meeting, respectively, so that they can review the agenda. The committee meeting is held two weeks before the board meeting so that the members conduct a review effectively and the review results can be reflected in the board meeting agenda. For any urgent issues that need to be dealt with, such as investment or business requests, the committee can skip the preliminary review process and sets up to make direct submission to the board through the Council of Independent Directors, composed of independent directors for more efficient board operation.

In principle, the minimum attendance rate of the board and committee meetings is 95%. In 2021, the average attendance rate of all board members was 95%. The average attendance rate of the independent directors was 96%. This shows that they faithfully carried out their duties as board members.



A site to the first "Energy Superstation", the SK Pakmi Gas Station



A workshop of the Independent directors Council



A site visit to SK Battery America

Board Attendance

(Unit: %)

Category	2019	2020	2021
All	95	99	95
Independent Directors (Non-executive)	97	99	96

Board Meetings in 2021

(Unit: session, item)

Category	Meetings	Agenda
All	16	87 (resolved 50, reported 37)

Board Committee Meetings in 2021

(Unit: session, item)

Category	Meetings	Agenda
Audit Committee	12	45
HR Evaluation and Compensation Committee	6	9
Future Strategy Committee	4	10
ESG Committee	4	12
Transparent Management Committee ¹⁾	3	8
HR Committee ²⁾	3	5
Independent Director Nomination Committee ³⁾	2	2
Strategy & Risk Management Committee ⁴⁾	2	4

1) On June 1, 2021, the role of reviewing insider trading was transferred to the Audit Committee and then the committee was closed.

2) Expanded and reorganized into the HR Evaluation and Compensation Committee with enhanced succession procedure.

3) On October 1, 2021, the role of nominating candidates was transferred to the HR Evaluation and Compensation Committee and then the committee was closed.

4) Expanded and reorganized into the Future Strategy Committee on May 23, 2021 by enhancing the CEO KPI establishment and evaluation.

Board of Directors

ESG-related Board of Directors resolutions (2021 to 1st half of 2022)

Date	Agenda ¹⁾	Results ²⁾
	Approval of financial statements for the 14th period (2020)	Approved
2021.1.28	Approval of Business Report for the 14th period (2020)	Approved
	Short-term management plan for 2021	Approved
2021.2.24	Granting stock options	Approved
	Convening the 14th Regular General Meeting of Shareholders and selection of agenda	Approved
2021.3.26	Determining the order of those who should act as the chairperson of the General Meeting of Shareholders	Approved
2021.3.31	Appointment of the board chairperson	Approved
	Sales of old shares following the listing of SK ie technology Co., Ltd. on the stock market	Approved
2021.4.11	Working toward settlement out of lawsuit with LG Energy Solution Ltd.	Approved
	2021 SK innovation safety and health management plan	Approved
2021.4.28	Contract signed for the sale of shares in SK lubricants Co., Ltd. with shareholders	Approved
	Stock grants from treasury stocks	Decision deferred
2021.6.23	Installation of a committee and appointment of its members	Approved
	Creation and revision of the regulations of the Board of Directors and committees	Approved with changes
	Approval of a splitting plan	Approved
	Partial revision of the Articles of Incorporation	Approved
2021.8.3	Convening a Temporary General Meeting of Shareholders and selection of agenda	Approved
	Approval of the designation of a reference date	Approved
	Establishment of CEO KPIs for 2021	Approved
2021.9.27	Investment in SK Battery America (SKBA) to establish a joint venture with Ford	Approved
	Disposition of treasury stock to grant shares to employees of SKI's subsidiaries	Approved
2021.10.1	Establishment, composition, and operation of committees	Approved
	Revision of Board and committee regulations	Approved
2021.11.29	Disposition of treasury stock to grant shares to employees of SKI's subsidiaries	Approved
2021.12.15	Setting the total amount of transactions with domestic subsidiaries in 2022	Approved

Date	Agenda ¹⁾	Results ²⁾
	Dividend at the end of FY 2021 (draft)	Rejected
	Approval of 2021 Financial Statements	Decision deferred
	Approval of the 15th-period Business Report	Decision deferred
2022.1.27	Short-term management plan for 2022	Approved
	Appointment of Chief Safety Officer	Approved
	2021 CEO KPI evaluation results	Approved
	2021 CEO Sustainability Impact Assessment	Approved
	Dividend at the end of FY 2021 (draft)	Approved
2022.2.7	Disposal of treasury stock for in-kind dividends	Approved
	Approval of Financial Statements for 2021	Approved
	Approval of the 15th-Period Business Report	Approved
	Convening the 15th Regular General Meeting of Shareholders and Selection of Agenda	Approved
	Revision of the agreement to implement the mutual cooperation plan	Approved
2022.2.21	Changes in Board of Directors resolution and reporting standards	Approved
	Revision of Board of Directors and committee regulations	Approved
	Revision of SK innovation's Corporate Governance Charter	Decision deferred
	Revision of the Compliance Control Standards	Approved
	Appointment of the Chairperson of the Board of Directors	Approved
	Appointment of committee members	Approved
	Revision of SK innovation's Corporate Governance Charter	Approved
2022.3.31	Establishment of an overseas corporation that the company invests in	Decision deferred
	Participation in capital increase by overseas subsidiaries	Approved
	2022 Safety and Health Management Plan	Approved
	CR Issue	Approved
	2021 IB and 2022 annual salary for CEO	Approved
2022.4.27	Establishment of CEO KPIs for 2022	Approved
2022.6.30	Establishment of an overseas corporation in which SK innovation invests to promote business development	Approved with changes

1) Of the agenda items brought to the Board of Directors, proposals put to deliberation and resolution are marked; details can be found in the business report.
 2) The SK innovation Board of Directors handles agendas deliberated on as resolved as original, resolved as revised, decision deferred, or rejected, and in accordance with Article 398 (3) of the Commercial Act, directors who have an interest in each issue shall not participate in the deliberation.

[CASE]

Operation of the Independent directors' Council

The SK innovation Board of Directors operates the Independent directors' Council composed of independent directors only. Through this consultative body, it carries out activities such as collecting and reconciling the opinions of independent directors on the agenda of the Board of Directors, discussing the Board of Directors operation, and sharing major management issues.

Agenda for the meeting of the Independent directors Council (2021 to the first half of 2022)

Session	Classification	Date	Attendance/ All Independent director	Agenda
1	Temporary	2021.1.26	5/5	Financial Story Session
2	Regular	2021.1.28	5/5	Dividend Policy for FY 2020
3	Regular	2021.2.24	5/5	How major current issues stand
4	Temporary	2021.3.10	5/5	
5	Temporary	2021.3.12	4/5	Related to battery lawsuit
6	Regular	2021.3.31	5/5	
7	Regular	2021.4.28	5/5	Governance Innovation Story
8	Temporary	2021.5.13	5/5	Discussion on fleshing out the governance innovation story
9	Regular	2021.5.26	5/5	Results of the discussion on fleshing out the governance innovation story
10	Temporary	2021.6.11	5/5	2nd round of the discussion on fleshing out governance innovation story (w/secretary organization)
11	Regular	2021.6.23	5/5	Financial Story (report)
12	Regular	2021.7.20	5/5	Plan to build a system to strengthen independent directors' access to information (report)
13	Regular	2021.8.3	5/5	CEO KPI evaluation-reward linkage, Financial story about E&P business
14	Temporary	2021.9.13	5/5	The Independent directors' Council operation plan (discussion), Plan for the 1st workshop of the Independent directors Council (discussion)
15	Temporary	2021.9.16	5/5	Status of compliance issues (report), Plan for the 1st workshop of the Independent directors Council (discussion), Audit Committee issues (discussion)
16	Regular	2021.9.27	5/5	Further review (discussion) of the investment agenda, Review (discussion) of the procedure for selecting new independent directors, Additional agenda for the 1st workshop of the Independent directors' Council (discussion)
17	Regular	2021.10.1~2	5/5	Independent directors' Council Workshop: evaluation of (the board of) directors, independent director candidate recommendation, ESG management, audit (report, external auditor meeting, global compliance, business audit), Board of Directors initiative agenda, independent directors' external communication, etc. (discussion)
18	Regular	2021.10.27	5/5	CES 2022 tour (discussion), independent director nomination progress (report, discussion), KCGS independent director interview (sharing), Letter to JP Morgan shareholders (report, discussion)
19	Regular	2021.11.29	5/5	Fast-track agenda (discussion)
20	Regular	2021.12.15	5/5	Regarding CEO evaluation and new independent director candidates (discussion)
21	Temporary	2022.1.18	5/5	Leader diagnosis results (report)
22	Regular	2022.1.27	5/5	Revision of the Corporate Governance Charter and Board Regulations (discussion)
23	Regular	2022.2.21	5/5	Preliminary report on portfolio development strategy and project (report)
24	Regular	2022.3.31	5/5	Fast-track agenda (discussion)
25	Regular	2022.4.15	5/5	Independent directors Council workshop held: Governance Session, HR Session, Strategy Session (discussion)
26	Regular	2022.4.27	5/5	Fast-track agenda (discussion)
27	Regular	2022.5.25	5/5	Implementation of Green Energy business
28	Regular	2022.6.30	5/5	Business portfolio and overseas investment strategy

Board of Directors

Training for Independent Directors and Audit Committee Members

SK innovation conducts training for independent directors on a regular basis to expand their areas of expertise. In 2021, the training was focused on advanced governance structure, and the average attendance rate was 85%. In addition, the Audit Committee forum and programs provided by outside organizations such as accounting firms were organized to provide training necessary for the members to perform their duties.

Training for Independent Directors

Date of Training	Content
2021.4.28	SKI Governance Innovation Story
2021.6.18	Group Governance W/S #1
2021.7.23	Group Governance W/S #2
2021.10.7	Group Governance W/S #3

Audit Committee Training

Date of Training	Content
2021.4.22	Audit Committee Forum - Pandemic era and ESG, ESG-related reporting and the role of the Audit Committee
2021.9.13	Outside training agencies - Audit Committee's investigation on corruption and reporting duties
2021.9.14	Audit Committee Forum - The importance of data management identified by COVID-19 and the role of the Audit Committee

Communication with Stakeholders

SK innovation's Board of Directors has appointed Chairman Kim Jong-Hoon as a member of the Stakeholder Communication Committee to promote communication with investors and other stakeholders on ESG management with focus on corporate governance innovation.



A keynote speech on the Governance Story by SK innovation at 2021 Asia ESG Symposium



SK innovation Story Day



An introduction of the governance system to governance assessment agencies by SK innovation's Board of Directors

Communication with Stakeholders

Date of Training	Events	Content
2021.7.1	SK innovation Story Day	Set the directions for corporate strategy based on advanced governance and declare commitment to managing the implementation of strategies.
2021.8.4	SK innovation-Asian Corporate Governance Association ¹⁾ Conference	Held Q&A sessions and declared commitment to innovating the governance structure of the board of directors and the company to investors in the Asia-Pacific region including BlackRock and Pension Asset Management ²⁾ in the Netherlands.
2021.9.29	Asia ESG Symposium	Presented the story of SK innovation's governance innovation at the symposium hosted by the Asian Daily under the theme of 'Sustainable Korean Governance'.

1) Asian Corporate Governance Association, ACGS
2) Algemene Pensioen Groep, APG

[CASE]

Board of Directors Activities for Enhancing Shareholder Values

In January 2022, the board of directors rejected the non-dividend agenda brought in due to insufficient cash and new business investment. Accordingly, SK innovation made a decision to pay dividends for the first time since our foundation in February 2022 to increase shareholder value.

To further increase shareholder value, considering the stakeholder's demand for the protection of minority shareholders raised after the spin-off of SK on in October 2021, SK innovation established a deliberation and decision-making process for shareholder protection.

Board of Directors

Evaluation of Board Performance

In accordance with the Board of Directors regulations, we conduct year-end evaluations of the board activities to improve the performance of the board members and the governance structure. In 2021, we set new standards for evaluation of corporate values linked to stock price and corporate governance through outside as part of our efforts to upgrade the internal evaluation system so that it can be recognized for its effectiveness and objectivity.

The evaluation process in 2021 is divided into self-evaluation and the new mutual evaluation, and the results are reported to the board after review by the HR Evaluation and Compensation Committee. The areas of improvement identified through the evaluation include the expertise and diversity of the board in response to a growing demand for ESG management and the expansion of green business models, and asymmetry in information and the communication between the board and the management for more balanced decision-making. It was also identified that we need to resume visits to business sites that have been suspended lately due to the COVID-19. We are committed to making necessary improvements on these issues so that the board-centered management can be effectively established and maintained. We also plan to use the results of the performance evaluation as a basis for determining compensation for independent directors and align our business operation with the long-term interests of shareholders. To this end, we are currently operating the Stock Grant system, which grants shares directly to independent directors to ensure responsible board operation by linking their compensation with the corporate values.

* In June 2021, 570 common stocks were given to 5 independent directors

Board Assessment Methods

The board evaluation process is into self-evaluation (50%) on composition, roles, responsibilities, and operation, and objective evaluation of corporate value (stock price) and governance (50%).



Self-evaluation of Board Activities

The self-evaluation of board activities is scored on a 5-point scale by all directors including executive members with 24 items. The evaluation score is 4.34 points in 2021.

Areas of Self-evaluation of the Board of Directors

Category	Areas of Evaluation
Composition	Size, independence and expertise of the Board
Roles	Establishment and implementation of the Financial Story, corporate values, and risk management
Responsibilities	ESG practice, oversight of business performance
Operation	Board meetings, reliability of information, training, Council of Independent Directors
Committees	Composition of committees under the board, assignment of members, and roles

Evaluation of Corporate Values

The evaluation of corporate values was conducted by setting a target price for 2021, which is linked to that of Financial Story to achieve a market cap of KRW 30 trillion by 2023.

Outside Evaluation of Governance

The outside evaluation of governance reflects the ESG rating in the governance category by the KCGS (Korea Corporate Governance Service). SK innovation was rated A+ in 2021.

Board of Directors

Board Member Assessment Methods

Individual board members are evaluated through step-by-step peer review in terms of leadership, level of understanding, and loyalty. Quantitative data including the attendance to board meeting and training, the number of proposals for discussion, and the number of communications with stakeholders are submitted to the Board Secretariat, and individual feedback is provided afterwards.

개별 이사진 평가 항목

Category	Areas of Evaluation
Leadership	<ul style="list-style-type: none"> Roles and abilities as a chairperson Collaboration with other directors and executives (listening, recognition, etc.)
Level of Understanding	<ul style="list-style-type: none"> Insight into the company and industry Understanding of the agenda
Loyalty	<ul style="list-style-type: none"> Engagement and participation in Board of Directors activities e.g. expressing opinions and presenting agendas

Board Assessment Results

The overall score based on the self-evaluation, corporate value, and outside governance evaluation is 80 points out of 100.

2021 Board Assessment Results

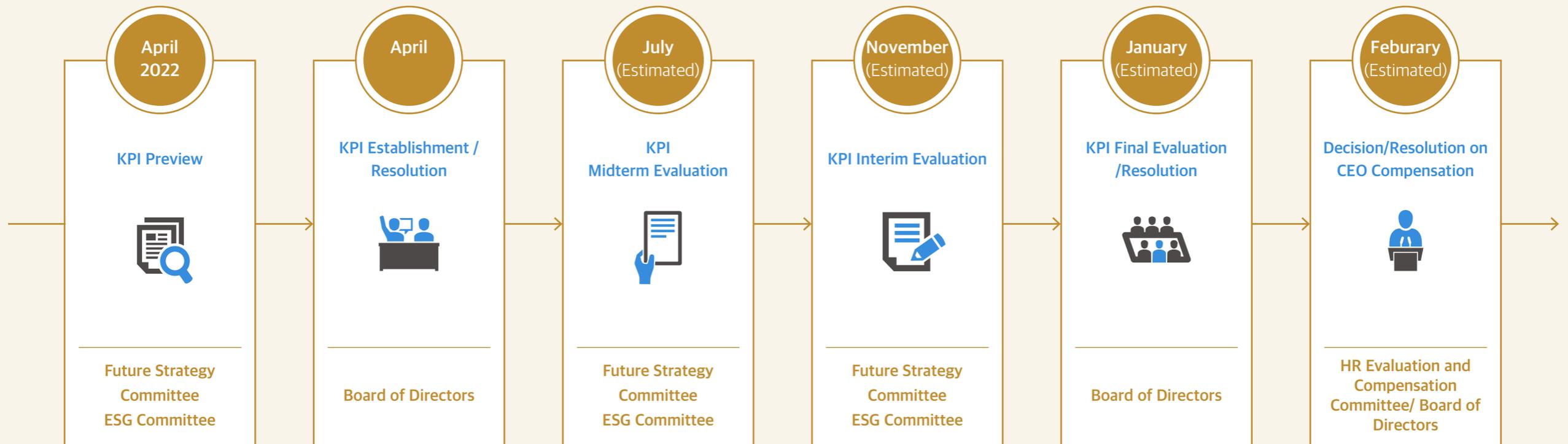
Category	Level of Achievement	Evaluation Score
Self-evaluation	Self-evaluation Score: 4.34	30 points
Corporate evaluation	Stock price at the end of 2021	25 points
Outside governance evaluation	KCGS Rating: A+	25 points
Total	-	80 points

ESG Performance in CEO KPI

Implementation of the CEO KPI System

SK innovation ensures that any decisions made throughout the entire process, from the establishment of the CEO KPI to its evaluation and compensation, go through the board resolution. The Future Strategy Committee under the board conducts a preliminary review of the CEO KPI, and the board decides on the final KPI based on the review. The midterm evaluations and year-end evaluations are conducted throughout the year to check the progress and the final evaluation is carried out by the board after the performance is confirmed. Afterward, the compensation for the CEO is determined by the HR Evaluation and Compensation Committee and the Board of Directors.

CEO KPI Establishment, Evaluation and Compensation process



ESG Performance in CEO KPI

CEO KPI Composition for 2021

SK innovation's CEO KPIs for 2021 consists of 80% of financial and strategic tasks and 20% of ESG tasks. The HR Evaluation and Compensation Committee and the Board of Directors found that the CEO had fulfilled the ESG goals made up of the establishment of the Net Zero Roadmap, management of ESG KPIs, and performance creation. The evaluation results were reflected in the decision of the bonus for the CEO in 2021.

CEO Compensation System		
Remuneration System	Description	
Income	Base Pay	Salary received in return for work
	Bonus	Money and its equivalent paid according to a certain period or condition other than the base salary
	Stock Option	Profits generated through stock option granted to the CEO
	Other Income	Income generated outside of ordinary work
	Retirement Income	Income generated after retirement
	Other Income	Income generated regardless of work (e.g. welfare benefits)

CEO KPI Composition in 2021		
Category	Tasks	Percentage
Finance/Strategy		80
ESG	Net Zero Roadmap development	10
	Management efforts and performances of key ESG indicators	10

ESG Action Plans and Performance in 2021			
Category	Goal	Performance	Score
Net Zero Roadmap development	<ul style="list-style-type: none"> Securing positive feedbacks from external stakeholders following the development and implementation of the Net Zero Roadmap 	<ul style="list-style-type: none"> Established and declared the roadmap Secured positive feedbacks from external stakeholders 	10

Composition of CEO KPIs for 2022

In 2022, the SK innovation Board of Directors set ESG-related tasks of up to 20% as CEO KPIs. By selecting Key ESG tasks for SK innovation and its subsidiaries, such as implementation of the Net Zero Roadmap, achievement of key GROWTH tasks, ethical management, and happiness management as CEO KPIs, the board will ensure that the CEO actively manages non-financial factors that have an important impact on corporate growth and carries out tasks responsibly for ESG management.

Proposed Composition of 2022 CEO KPIs

Classification	Task	Goal	Points
Finance/Strategy			
	Implementation of Net Zero Roadmap	Reduction of 1.33 million tons compared to existing emissions	10
ESG	Fulfilling GROWTH core tasks	Completely fulfilling 2022 GROWTH action plans	
	Reinforcing ethical management	Improving ethical management ratings and minimizing compliance issues	Δ10~+10
	Practicing happiness management	Overachieving the happiness survey goal	

Risk Management

Risk Management System

We identify economic, social, and environmental risks in advance and consistently manage all classified risks to promote stable business operation and drive sustainable growth.

Risk Management Governance

At SK innovation, we manage risks by classifying them into categories of finance, industry, compliance, and ESG, which are subcategorized and managed by the relevant departments. To strategically manage these risks, each department collects data, identifies major issues through impact analysis and sensitivity matrix, sets response plans, and report to the management. Then, key risks are discussed and managed within the board committees, which include the Future Strategy Committee, ESG Committee and Audit Committee.

Risk Management by Sector

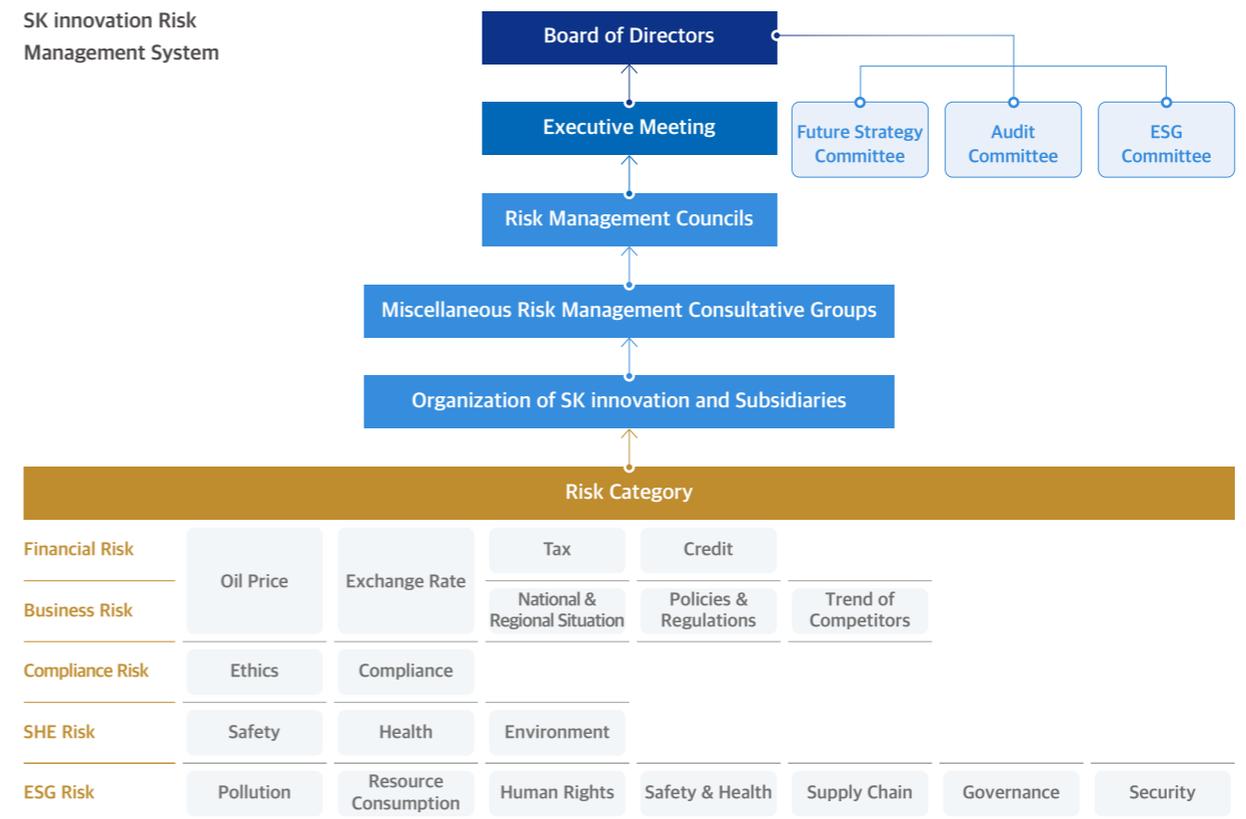
SK innovation responds to different types of risk through optimized analysis and monitoring. In consideration of the impact financial risks such as oil price and exchange rate fluctuations have on business performance, we analyze both short and long-term trends based on various economic indicators by SK innovation and its subsidiaries while managing risks through currency hedging and diversification of crude oil imports. When it comes to industrial and operational risks, we monitor the laws, policy trends and opinions of our stakeholders through various communication channels, and inform our employees about the industrial trends and potential risks through newsletters and intranets.

Compliance risks are discussed at the sustainability council meeting hosted by the head of the Global Compliance Division twice a year, and issues such as ethics, compliance, and human rights reported by the council are reviewed at the executive level.

In response to a growing demand from the society, we appointed a CSO (Chief Safety Officer) to oversee matters related to safety and health through a resolution of the board in order to manage risks associated with SHE. Key risks identified during the review by SHE and other relevant organizations are reported to the CSO and the board.

All working departments identify risks based on the ESG checklist, which sets out processes for evaluating potential impact of the identified risks and managing risks effectively. In response to risks selected through this process, a plan is established and discussed by the ESG Committee under the board to take a proactive approach. Issues related to ESG risks are managed by the ESG Subcommittee, which consists of C-Level executives and leaders of departments, and discussed through monthly or on-going meetings. The issues discussed in the ESG Subcommittee are reported to the Operation Committee for further discussion.

SK innovation Risk Management System



Risk Management

Risk Management Culture

SK innovation is committed to raising awareness of corporate-wide risk management so that all employees can recognize its importance and take initiatives when dealing with risks. Trainings and seminars are provided on a regular basis on the topics of finance, industry, compliance, and ESG to develop employee's expertise in response to risks. Risk management was also included in the KPI (key performance indicators) as one of the determining factors of employee evaluation and compensation.

Classification	Emerging Risk	
	Risk Impact	Mitigation Action
The Changing Energy Mix	Carbon neutrality in response to the climate crisis goes beyond changes in the energy industry and is now leading to structural innovation across society and economy. It is expected that demand for existing energy sources such as coal and oil will significantly decrease due to the influence of global low carbon and green policies. The United Arab Emirates (UAE) in the Middle East, one of the oil-rich countries, declared its goal of achieving Net Zero by 2050 by utilizing renewable energy such as solar power and nuclear power generation, which is believed to be a smart act building on the prediction that demand for conventional sources of energy will decrease.	SK innovation has been closely examining the future changes in energy mix and the long-term impact of these structural changes on our businesses, and is preparing its response to the changes. As part of our response, we are concentrating on strengthening our green portfolio such as batteries and materials in step with the Carbon to Green strategy and innovation of its overall business model.
	Major international organizations also predict a significant drop in demand for oil in the transportation sector due to improved fuel efficiency, an increase in alternative fuels such as biofuels and natural gas, and the development of electric and hydrogen-fueled vehicles. Oil that has been used in industry and power generation is also expected to be replaced by nuclear power, natural gas, and renewable energy.	Above all, we are preparing to ascend to global number one in the battery business, whose cumulative order volume has been expanded to 1,600 GWh by 2022. The company will solidify its position as the global number one in the battery separator (LIBS) business through continuous expansion of production facilities. We intend to utilize the low carbon and green trend as an opportunity in the existing petrochemical business.
	The decline in oil demand across all sectors, which poses a potential risk to SK innovation's existing petrochemical and energy businesses, requires effective mitigation strategies.	We plan to turn crisis into opportunity by adjusting oil and gas business output according to the changing energy mix, entering new businesses such as CCUS, and converting existing gas stations to green energy production bases such as electricity and hydrogen. The chemical business plans to expand the recycling of waste plastics and the production of green products, while the lubricant business plans to expand green lubricant products and enter new businesses such as data center cooling technology. Furthermore, SK innovation is preemptively exploring business opportunities in various fields such as zero carbon energy and recycling to diversify its green portfolio.
Transition to a Circular Economy	Environmental pollution caused by excessive use of plastics and post-use treatment has a negative impact on the global ecosystem, including not only humans but also animals and plants on land. Batteries, for which demand is rapidly increasing due to the influence of global green trends, will be converted into waste and exert a negative impact on the environment and society if a method is not developed to properly use and dispose of them as soon as possible.	SK innovation acknowledges the need to solve waste problems such as the proliferation of waste plastics and waste batteries and is attempting to transition from a linear economy to a circular economy in which the process of procurement, production, consumption, and disposal of resources is rotated.
	Recently, humankind has recognized the seriousness of the waste issue and is putting much effort into the transition to a circular economy system in which manufactured products are repeatedly used as useful resources rather than discarded after use. These movements constitute potential risks to SK innovation's existing petrochemical and energy businesses, and SK innovation recognizes the importance of establishing preemptive, systematic countermeasures to address these issues.	First, by actively investing to secure independent waste plastic recycling technology such as solvent extraction of pyrolysis oil with SK geo centric, a subsidiary, SK innovation is building a plastic circular economy ecosystem. SK geo centric is also planning to build a cluster that can recycle 200,000 tons of waste plastics on a site in Ulsan. Simultaneously, SK innovation is developing proprietary battery metal recycling (BMR) technologies to address the end-of-life treatment issues of used EV batteries, which are in rapidly increasing demand. SK innovation will establish a circular economy ecosystem that encompasses the entire waste value chain and systematically respond to potential risks by innovating business models.

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Materiality Assessment

Materiality Assessment Process

We conducted a materiality assessment in accordance with the GRI Standards to identify material issues that may affect our overall sustainability and select topics for the report. To this end, we created a pool of issues based on the results of analysis on internal and external environment with focus on international standard analysis, benchmarking of leading companies, and media research, and assessed the business impact and stakeholder interest. As a result, we selected three key issues and ten material issues. This report was prepared to share our activities and progress and maintain close communication with our stakeholders.

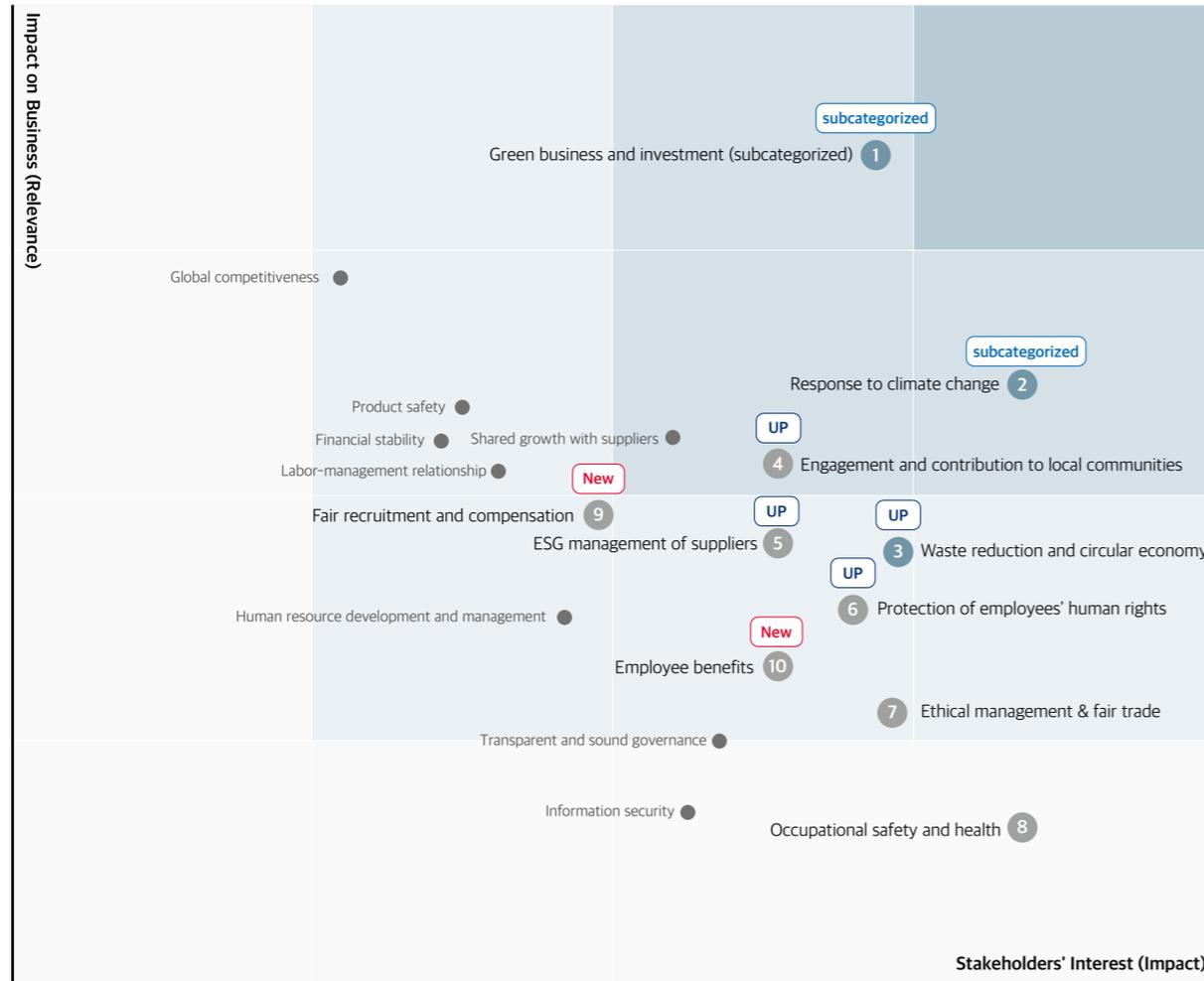


1) Articles about economic/social/environmental performance and issues of SK innovation
 2) Customers, shareholders, investors, suppliers, local communities, NGOs, and sustainability experts

Materiality Assessment

Materiality Assessment Results

The key ESG issues selected as a result of the materiality assessment are 'Green business and investment', 'Response to climate change' and 'Waste reduction and circular economy'. We have also added a topic, 'Upgrading Governance to the Global Level', in the Focus Area section to share the progress we have made in innovating governance since 2021. Further information about these issues can be found in the Focus Areas chapter. We also included information about our activities and progress related to seven other issues in this report and the ESG Performance Report.



Results of Material Assessment

Rank	Reporting Issues	Pages		GRI Standards
		ESG Report	ESG Performance Report	
1	Green business and investment	16-20, 25-27, 31-33		-
2	Response to climate change	12-17, 35-40		305-1~5
3	Waste reduction and circular economy	22, 42-43	10, 114	306-3,5
4	Engagement and contribution to local communities	57-58	62-74, 126-127	413-1
5	ESG management of suppliers	55-56	52-56, 123	308-1~2, 414-1~2
6	Protection of employees' human rights	66-67	14-20, 126	412-1~3
7	Ethical management & fair trade	49-50	40-46, 122	102-16~17, 205-2~3, 206-1
8	Occupational safety and health	44-45	33-38, 125	403-1~10
9	Fair recruitment and compensation		25-26	401-1, 405-2
10	Employee benefits	46-47, 64-65	29-30	401-2

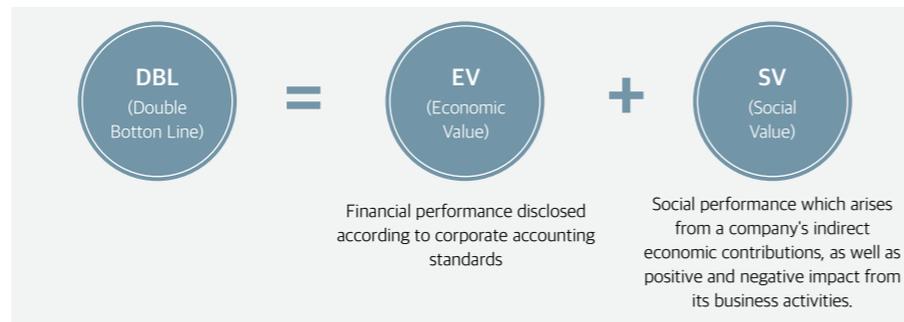
Social Value Creation

Social Value Metrics

Areas of Social Value

In line with the SK Group's DBL (Double Bottom Line) management philosophy, SK innovation measures social value (SV) in monetary units as well as economic value (EV) and uses it to set business strategies. By facilitating ESG management in connection with the Financial Story, we are going to expand the business models and create SV in response to a growing demand from our stakeholders.

SK Group's DBL Management Philosophy



Social Value Metrics

SK innovation's social value metrics are divided into indirect economic contribution, environmental performance, and social performance as well as governance performance, a separately managed indicator for which the SV measurement methodology is currently under development. Specific performance in each area is measured by an objective methodology that has been verified by the SK Group CSES (Center for Social Value Enhancement Studies). Starting this year, we will disclose our SV metrics formula to collect feedback from our stakeholders and continue to work to upgrade the SV measurement methodology.

Areas of SK innovation's Social Value Metrics

Indirect Economic Contribution	Environmental Performance	Social Performance
Value of indirect contributions to the economy from business activities	Social values created through product development/production/sales	Sales of products for better quality of life and social values created for employees/suppliers and local communities
<ul style="list-style-type: none"> Total employee wages for the current year Total amount of dividends for the current year Corporate tax, national tax, local tax for the current year 	<ul style="list-style-type: none"> Environmental processes: negative environmental impacts from production processes Environmental products/services: reduction of pollution or resource consumption through sales of green products/services 	<ul style="list-style-type: none"> Social process: improvement of working environment and shared growth Social products/services: sales of products for better quality of life Social contribution: donations, community programs

Social Value Creation in 2021

Since 2018, SK innovation has announced its SV performance measured in monetary value every year. In 2021, we created KRW 928.1 billion in social value, the highest in the past three years, due to the increase in new jobs created through the expansion of green businesses, carbon reduction through Net Zero initiatives and increase in sales of sustainable solutions.

SK innovation's Social Value Performance Trend



Social Value Creation

Social Value Metric Formulas for Products/Services

1) Based on the emission conversion factor provided by partnering collective energy companies, 2021

2) Statistical analysis of traffic accidents & estimated/evaluated road traffic accident costs, 2021

3) Analysis of social benefits of truck rest stops, Ministry of Land, Transport and Maritime Affairs and Inha University (based on the Consumer Price Index in 2021)

4) Korea Institute for Animal Products Quality Evaluation, Livestock Product Distribution, 2021

*Social Cost of Carbon (SCC) is used as the main proxy for measuring the impact of carbon emissions and reductions, which is based on the PwC Methodology Report, which is KRW 106,325/tCO₂e as of 2021.

Product/Service Groups	Main Functions and Social Value Measurement Formula
District Heating Supply of Waste Heat from the Production Process	Recovered waste heat from the production process and used it as energy source for cooling and heating for local communities = GHG emission factor of collective energy company (0.1763) ¹⁾ X GHG SCC* (KRW 106,325 won/tCO ₂ e) X Energy supplied by SK incheon petrochemical
NeTruck House	Contributed to traffic safety, parking, and welfare for truck drivers by ensuring their rest = [Benefits of traffic safety (KRW 5,917/person) ²⁾ X no. of users per year] + [Reduction of parking costs (KRW 2,350/vehicle) ³⁾ X no. of vehicles per year] + [Benefits for service users (KRW 7,634 won/person) ³⁾ X no. of users per year]
Support for Chicken Mite Control Through Spray Oil	Contributed to raising egg production rate by developing spray oil to control chicken mites = (Damage when using existing green products - Damage when using our own products) X Weighted average egg price (KRW 147,232) ⁴⁾ X No. of applied eggs X Sales of the products
Electric Vehicle (EV) Battery	Contributed to the reduction of pollution, GHG emissions, and energy consumption compared to the vehicles with internal combustion engines = (GHG emissions per general passenger car - SKI EV equivalent) X Total mileage of EVs using SKI products X SCC* (KRW 106,325/tCO ₂ e) X Level of contribution to EV batteries
Material Separators for EV Battery	Contributed to the reduction of GHG emissions and energy consumption through EV battery separator = (GHG emissions per general passenger car - SKI EV equivalent emissions) X Total mileage of EVs using SKI products X SCC* (KRW 106,325/tCO ₂ e) X Contribution of EV battery separators
Lubricants for EVs	Contributed to the reduction of energy consumption and GHG emissions through better fuel efficiency of lubricants = (Market average fuel consumption per vehicle - Fuel consumption per EV) X Combined fuel cost X Sales of lubricants for EVs in terms of number of vehicles
Lightweight Materials for Vehicles	Contributed to the reduction of GHG emissions and energy consumption through lightweight materials based on HCPP/POE = (GHG emission reduction from lightweight materials - Market average GHG emission reduction from lightweight materials) X SCC* (KRW 106,325 won/tCO ₂ e) X Sales of lightweight materials for vehicles X Ratio of plastic consumption per lightweight materials

5) Korea Conformity Laboratories Report 2020
6) ASCON Korea Industry Cooperative Association
7) Based on Eco-costs Data Sets, Delft University of Technology, 2021

8) Korea Institute of Science and Technology Information, C8LLD waste reduction factor, 2021
9) Based on Eco-costs Data Sets, Delft University of Technology, 2021

10) Korea Occupational Safety and Health Agency, 2021
11) Minimum Wage set by Ministry of Employment and Labor, 2021

Product/Service Groups	Main Functions and Social Value Measurement Formula
Green, High-Efficiency Vessel Charter Service	Contributed to the reduction of GHG emissions and air pollutants (SOx, NOx, PM2.5) with green vessel charter service = (Ratio of our high-efficiency vessels - Average market ratio) X SCC* (106,325 KRW/tCO ₂ e) X Total no. of chartered vessels X Daily fuel reduction per vessel X No. of days sailed X GHG emission factor per 1MT
Green Asphalt	Contributed to the reduction of landfilled wastes by recycling waste aggregate through green asphalt = (SKE recycling rate of asphalt waste aggregate (10.97%) ⁵⁾ - Average aggregate waste recycling rate of benchmark asphalt products (1.49%) ⁶⁾) X Eco-cost of general/designated wastes (KRW 166,393/ton) ⁷⁾ X Sales of asphalt for SKE recycling
Green Lube Base Oil	Contributed to the reduction of GHG emissions and energy consumption by improving fuel efficiency of green (Gr-III) base oil = Fuel efficiency improvement rate of premium base oil X PMCO average mileage X [PCMO/HDDO CO ₂ emissions + PCMO/HDDO fuel cost] X Sales of green base oil
High-Performance Film Products for Packaging	Contributed to the reduction of wastes through lightweight PE film = Waste reduction factor of our products (0.22) - Market average waste reduction factor (0.0132) ⁸⁾ X PE Eco - cost (KRW 67,6395/kg) ⁹⁾ X Sales of PE Film for packaging material
Home Pick Service	Contributed to the welfare of delivery service workers by reducing their working hours = Benefits of welfare improvement = [Average working hours (13.37 hours/day) ¹⁰⁾ of third-party delivery drivers - working hours of Home Pick Service drivers (9.5 hours/day)] X Minimum hourly wage (KRW 8,720/hour) ¹¹⁾ X Reduction in working hours

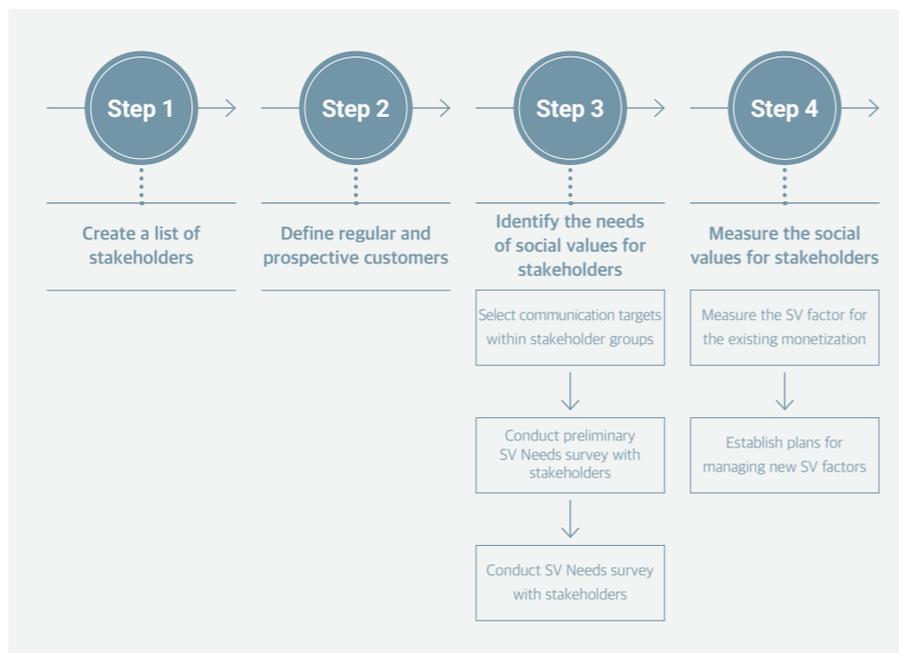
Stakeholder Engagement

SK innovation defines its stakeholder group as customers, employees, shareholders/investors, local communities, and suppliers, and measures the social values that stakeholders expect from us as well as the social values we provide to them.

Social values are measured for our stakeholders and the results are managed with a separate account called 'SV Account'. In 2021, In 2021, we started by focusing on the key stakeholders of all of our subsidiaries to lay the foundation for measurement and management. In 2022, the name of SV Account was changed to 'Stakeholder Account' and the scope of the metrics was expanded to include all stakeholders.

The progress of the Stakeholder Account is reported to our management, and related issues are discussed at the ESG Sub-Committee, a C-Level council body.

Process of Identifying Stakeholders' Needs

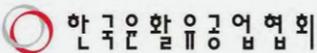


Communication with Stakeholders

Stakeholder	Main Communication Channels	Areas of Interest
Customers	<ul style="list-style-type: none"> Customer Happiness Center (Call Center) Enclean.com Year-long seminars and events Website (SK innovation) Blogs (SK innovation, SK energy) Facebook (SK innovation, SK energy, SK lubricants) 	<ul style="list-style-type: none"> Value creation for shared growth New technologies for sustainable growth Fair evaluation and compensation Prevention of unfair practice Communication with suppliers and support for competency development
Employees	<ul style="list-style-type: none"> Intranet (e.g. tong tong) In-house broadcast (GBS) and company newsletters ICON (in-house messenger, Change Facilitator) CEO-employee communication (CEO Commitment) and seminars Harmonia (Counseling and coaching center to support mental health and competency) YouTube Live 	<ul style="list-style-type: none"> Corporate values Value creation for shared growth Fundamental product innovation New technologies for sustainable growth Business model and portfolio innovation Work-life balance
Shareholders & Investors	<ul style="list-style-type: none"> General meeting of shareholders, earning report Domestic and overseas NDR (Non-Deal Roadshow) and conferences One-on-one meeting, e-mail, phone consultation Disclosure 	<ul style="list-style-type: none"> Shareholder-friendly transparent management centered on the board of directors New technologies for sustainable growth Internal and external risk management Communication with stakeholders
Local Community	<ul style="list-style-type: none"> Seminars with local groups Engagement with local committees around business sites Engagement with the Safety Council of the Police District Engagement with local welfare facilities and group operation committees 	<ul style="list-style-type: none"> Communication with suppliers and support for competency development Corporate values Communication with stakeholders Unfair practice Pollutants and emissions
Suppliers	<ul style="list-style-type: none"> Council meetings with suppliers Supplier CEO seminars (Ulsan, Seoul) Logistics/machine/equipment inspection seminars I-step system (technology exchange and joint development) Ethical management survey 	<ul style="list-style-type: none"> Value creation for shared growth New technologies for sustainable growth Support for growth through shared infrastructure Communication with suppliers and support for competency development

Associations and Memberships

SK innovation partakes in various associations to stay attuned to the market and societal trends and to actively communicate and collaborate with our stakeholders. Going forward, we will continue to expand the areas of expertise and drive sustainable growth by participating in external initiatives.

 <p>SK innovation</p>	 <p>대한석유협회 Korea Petroleum Association</p> <p>Korea Petroleum Association</p>	 <p>매일경제 매경안전환경연구원 Maekyung Safety & Environment Institute</p> <p>Maekyung Safety & Environment Institute</p>	 <p>United Nations Global Compact</p> <p>UN Global Compact</p>	 <p>울산상공회의소</p> <p>Ulsan Chamber of Commerce and Industry</p>	 <p>KIHM</p> <p>Korean Institute of Hazardous Materials</p>
 <p>한국전지산업협회 Korea Battery Industry Association</p> <p>Korea Battery Industry Association</p>	 <p>한국석유유통협회 KOREA OIL ASSOCIATION</p> <p>Korea Oil Association</p>	 <p>한국해양환경에너지학회 The Korean Society for Marine Environment & Energy</p> <p>The Korean Society for Marine Environment & Energy</p>	 <p>GLOBAL BATTERY ALLIANCE BATTERIES POWERING SUSTAINABLE DEVELOPMENT</p> <p>Global Battery Alliance</p>	 <p>KPIA 한국석유화학협회 Korea Petrochemical Industry Association</p> <p>Korea Petrochemical Industry Association</p>	 <p>KEIA 한국환경산업협회</p> <p>Korean Environmental Policy Association</p>
 <p>RESPONSIBLE MINERALS INITIATIVE</p> <p>Responsible Minerals Initiative</p>	 <p>한국윤활유공업협회</p> <p>Korea Lubricating Oil Industries Association</p>	 <p>KBCSD 지속가능발전기업협의회</p> <p>Korea Business Council for Sustainable Development</p>	 <p>FSA 한국소방안전협회 KOREA FIRE SAFETY ASSOCIATION</p> <p>Korea Fire Safety Association</p>	 <p>WORLD ENERGY COUNCIL</p> <p>World Energy Council Korea Committee</p>	 <p>avpn Asian Venture Philanthropy Network</p> <p>Asian Venture Philanthropy Network</p>

GRI Standards Index



Universal Standards (GRI 100)

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Independent 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 2021 SK innovation ESG/ ESG Performance report (hereinafter "the Report"). This assurance statement applies only to the relevant information contained in the scope of the assurance. SK innovation 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.

-GRI Topic-specific Standards: 303-3 Water withdrawal, 305-1 Direct GHG emissions (Scope 1), 305-2 Energy indirect GHG emissions (Scope 2), 305-3 Other indirect GHG emissions (Scope 3), 305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions, 306-3 Waste generated, 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 2021 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 contents were not included in the scope of assurance.

- Financial information
- Disclosures in the international standards and initiatives index excluding GRI
- 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 report 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 divided stakeholders into customers, employees, shareholders/investors, local communities and suppliers, and has communication channels and processes to implement stakeholder engagement program. SK innovation have communication channels for each group and collect opinions. Also, 33 issues were derived by analyzing international standards/norms, analyzing media, and surveying to identify stakeholder issues, and it was confirmed that derived material issues are reflected in decision-making on sustainability management.

Materiality: Identification and reporting of material sustainability topics

SK innovation identified materiality for issues by analyzing stakeholder interest and business impact on the 33 issues derived. As a result, the material issues of 3 topics and reporting issues of 10 topics were selected.

Responsiveness: Responding to material sustainability topics and related impacts

SK innovation establishes and implements a response plan for each issue to appropriately respond to the derived core issues that reflects the expectations of stakeholders, and discloses detailed response activities and performance for them through the report.

Independent Assurance Statement

Impact: Impact of an organization's activities and material sustainability topics on the organization and stakeholders

SK innovation strives to establish processes to monitor, measure, assess and manage the impact of organizational activities for more effective decision making and management. Identified impact can be integrated into stakeholder engagement and periodic importance assessment processes to inform organizational governance, strategy, goal setting and operations, thereby increasing informed decision making and responsiveness. In addition, the impact determined by each key issue from sustainability topics are disclosed in the report.

Key areas for ongoing development

The assurer provides the following opinions to the extent that it does not affect the verification results.

- In order to understand stakeholder issues, a wide range of topics are included in the pool in the context of sustainability, but it is necessary to strengthen external stakeholder participation and issue selection criteria so that various stakeholder issues in the industry can be clearly reflected.
- It may be helpful to strengthen the disclosure of the activities, achievements and plans of ESG committees within the governance to sustainability management.
- SK innovation disclosure by disclosing the person in charge of each major ESG area and clearly setting detailed mid- to long-term plans. Accordingly, each section of the report describes the positive aspects and expresses efforts to further develop them. However, at the same time, identifying issues with poor performance and specifying specific plans and mid-to/long term plans/goals for resolving them will help improve the balance of reporting.

Statement of independence and competence

The assurer is an independent professional institution that specializes in quality, health, safety, social and environmental management with almost 120 years history in providing independent assurance services. No member of the assurance team has a business relationship with SK innovation. The assurer has conducted this verification independently, and there has been no conflict of interest. All 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

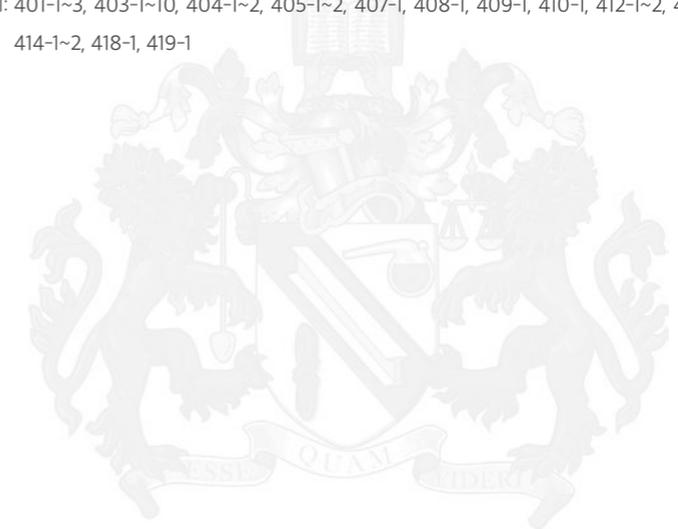
The assurer confirmed that this report was prepared in accordance with the GRI Standards Core Option and the disclosures related to the following Universal Standards and Topic-specific Standards Indicators based on the data provided by SK innovation.

[Universal Standards]

Organizational Profile 102-1~13/ Strategy 102-14~15/ Ethics and Integrity 102-16~17/ Governance 102-18~20, 22~24, 26~28, 31~33, 35~36 / Stakeholder Engagement 102-40~44/ Reporting practice 102-45~56/ Management Approach 103-1~3

[Topic-specific Standards]

- Economic: 201-1~3, 203-1~2, 205-2~3, 206-1, 207-1
- Environmental: 302-1, 302-3~4, 303-1~5, 305-1~7, 306-3, 306-5, 307-1, 308-1~2
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July 26, 2022

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BSI Group Korea(주)
대표이사 임성환