



**SK innovation**  
**ESG PERFORMANCE REPORT 2020**

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For details about SK innovation's ESG activities and performances, please see Sustainability Report 2020.

## Introduction

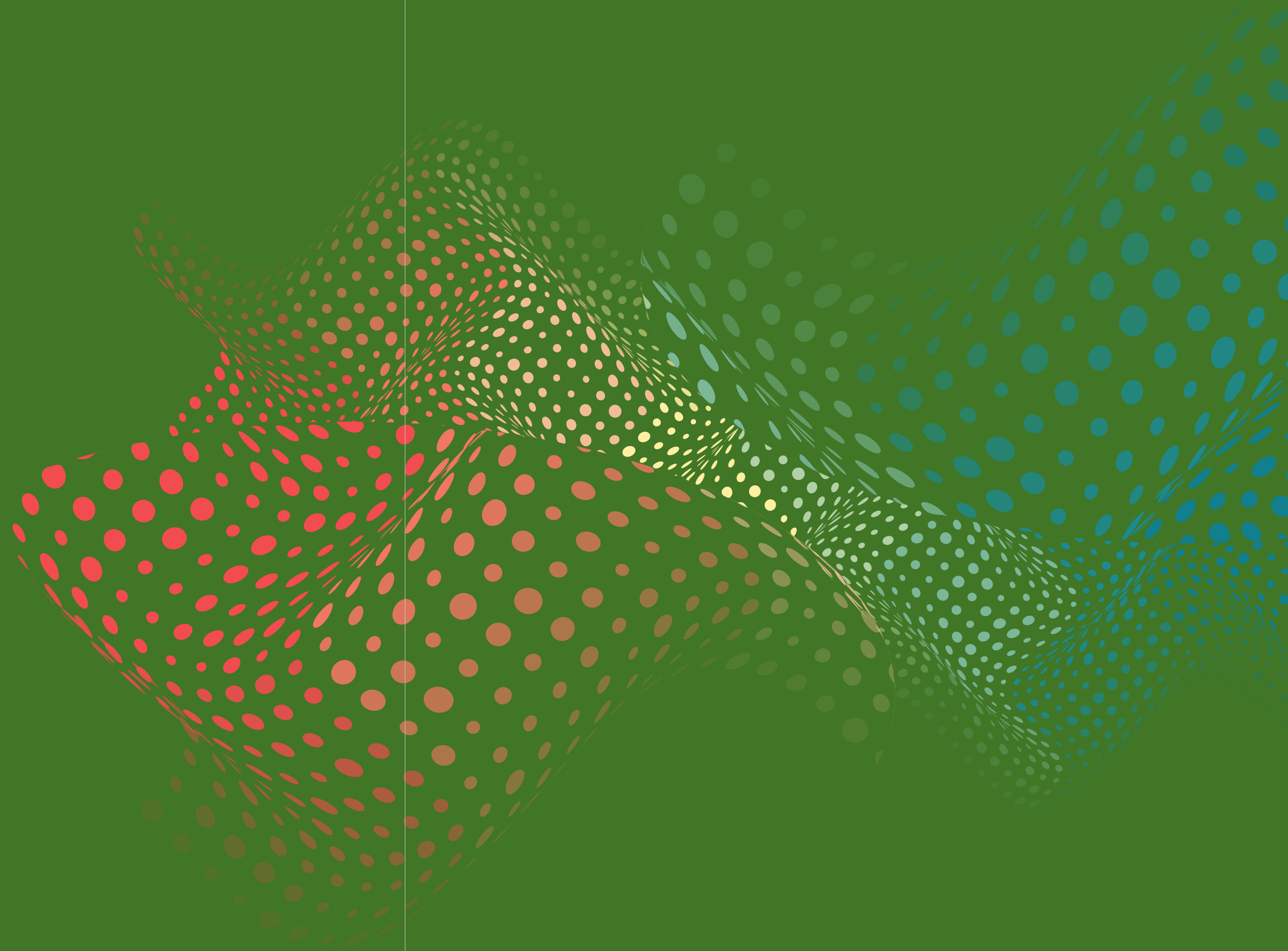
SK innovation and SK energy, SK global chemical, SK lubricants, SK incheon petrochem, SK trading international and SK ie technology (hereinafter referred to as SK innovation's affiliates) are striving to promote the happiness of all stakeholders, including employees, customers, stakeholders and local communities, based on the corporate philosophy of permanent survival and development by achieving continuous stability and growth and contribution to the happiness of mankind. To this end, SK innovation's affiliates aim to create a future where everyone is happy and realize a sustainable world through the establishment and implementation of the ESG (environmental, social and governance) management system.

For the environmental (E) area, SK innovation will participate in global activities to respond to climate change by establishing the Carbon Net Zero roadmap and promoting innovation to create eco-friendly values in all business areas, focusing on green business. For the social (S) area, SK innovation will strive to provide all stakeholders with an opportunity to be happy and to create the culture focusing on ESG. Finally, for the governance (G) area, SK innovation will establish global standard governance and strengthen the function of the Board of Directors as a decision-making body to continuously advance a management system centered on the Board.

SK innovation plans to disclose its willingness and achievements concerning ESG activities transparently and promote communication with all shareholders by transitioning from a sustainability report which has been published every year to an ESG Report. Our ESG Performance Report contains major ESG policies and data, and is published separately from our ESG Report in line with growing interest in the corporate ESG management. By doing so, we aim to inform more stakeholders of the ESG management system of our affiliates. SK innovation's affiliates will continue to make an effort to create value for stakeholders and realize a sustainable society through various ESG activities.

- The ESG management policies contained in this Report apply equally to SK Energy, SK Global Chemical, SK Lubricants, SK Incheon Petrochem, SK Trading International, and SK IE Technology (SK innovation's subsidiaries). Further, SK innovation affiliates recommend all their suppliers to respect the ESG policies.
- SK innovation affiliates actively comply with global initiatives including the UN Global Compact (UNGC), Universal Declaration of Human Rights, and OECD Guidelines for Multinational Enterprises, and diligently participate in relevant activities. In the future, we plan to strengthen the implementation and expertise of sustainable management by stronger cooperation with various stakeholders.
- This Report is prepared based on SK innovation's Sustainability Report and ESG-related policies. Under no circumstances may the ESG policies contained herein be copied or used without SK innovation's permission.

# ESG POLICY





Based on our people-oriented management philosophy, SK innovation and all our affiliates aim to maximize stakeholder trust and accomplish mutual growth by promoting an accident-free workplace and green management. As such, we establish and operate safety, health, and environment (hereinafter “SHE”) standards of an equal or higher level than that required by applicable laws, transparently disclose the results, and have made a commitment to become a role-model in our domestic and overseas industry, in accordance with the following four principles.

**Environment**

1. Define environmental management as a core task, and protect the world’s environment by reducing GHGs (greenhouse gases) and minimizing pollutants.
2. Continuously create new environmental values by developing green technology and operating a green business, thus innovating future energy.

**Safety and Health**

1. Define safety and health management as a top-priority task, and build a safe, healthy society through continuous improvement and prevention activities for human and equipment safety.
2. Innovate safety technology and upgrade competency, thus becoming the leader in improving health and safety within society.

**SHE Management System**

SK innovation has established a policy to implement global-standard safety, health, and environmental management, and has thus developed a SHE management system for our domestic and overseas worksites. This system includes content from OHSAS 18001, ISO 14001, and PSM screening criteria, and defines 13 critical management factors that meet domestic and international standards. In addition, we have established a virtuous cycle system to ensure the performance of each operating element and improve the system through continuous inspection.

**SHE Management System - Management Factors**

<b>SHE Leadership and Accountability</b>	Understand SHE policy and management system and conduct management activities accordingly, and improve SHE management system’s by periodically measuring and continuously improving SHE performance.
<b>Occupational Safety and Health Management</b>	Systematically manage safety and health risk factors and prevent industrial accidents and occupational diseases, thus creating a pleasant, safe work environment.
<b>Operations and reliability</b>	Systematically manage items that must be considered at the process/ equipment designing, construction, operation, repair, and disposal stages, thus preventing human errors and securing equipment reliability.
<b>Environmental Stewardship</b>	Evaluate and manage, in advance, the environmental impact of potential emission sources and comply with environmental laws and regulations, thus contributing to sustainable management.
<b>Chemical Management</b>	In the entire process of introducing, using, selling and disposing of chemicals, remove, in advance, SHE harm/risk factors related to chemicals, thus preventing chemicals-related accidents.
<b>SHE Incident Investigation</b>	Quickly report accidents and implement countermeasures, thus minimizing accident damages, and ensure that similar accidents will not occur by establishing recurrence prevention measures through accurate investigation of the root causes.
<b>Emergency Response Management</b>	Strengthen preparations (emergency response system, emergency response organization, etc.), thus minimizing human, physical, and environmental damages by quickly responding to safety and environmental accidents.
<b>Suppliers’ SHE management</b>	Prevent suppliers’ SHE accidents and minimize accident damages through management of suppliers’ registration, selection, contract, work, evaluation, etc.
<b>SHE audit and management</b>	Evaluate compliance with SHE laws, performance of the SHE management system, level of SHE risk element removal, etc., and identify the fields of improvement, thus continuously improving SHE performance.
<b>SHE Capability Development and Training</b>	Systematically conduct SHE education/training and periodically review effectiveness and performance, thus strengthening awareness of employees and stakeholders and securing SHE competency.
<b>SHE Legal Compliance</b>	Quickly identify requirements of newly enacted SHE-related laws or legislation that is expected to be enacted or revised, and minimize their impact through preemptive responses.
<b>SHE Stakeholder Communication</b>	Identify stakeholders’ expectations and demands through communication with key stakeholders (employees, shareholders, communities, etc.) and provide them with correct SHE-related information.

## Environmental Guidelines

### Production activity and business facility

Across the entire production activities and business facilities, SK innovation affiliates designate environmental management as core task, and prevent environmental pollution and conserve the environment by reducing GHGs and minimizing pollutants. To minimize the effect of our production activities and business facilities on the environment, we operate an environmental management system, and systematically manage the entire process from the establishment of environmental management goals to planning, implementation, and improvement.

### Supplier, service provider, and contractor

In registering work/service suppliers, SK innovation affiliates conduct SHE evaluation based on our own standards. The evaluation items include SHE management and system, SHE training, SHE regulations and procedure, accident management and emergency response, safety/health activities, compliance with laws, number of subsequently-managed industrial accidents, etc., and concerning sanctions of 1 year or longer transaction suspension due to SHE problems, SHE evaluations are re-conducted when sanctions are revoked for the purpose of re-determining whether the supplier is eligible.

Also, in purchasing work/services SK innovation affiliates evaluate SHE plans and only select those (eligible suppliers) meeting a certain level or higher. The evaluation items include plans for securing SHE, SHE inspection methods SHE department and personnel assignment plan, industrial safety and health management budget plan, pre-evaluation of work, etc., and require eligible suppliers to submit their own SHE management plan based on our SHE plan.

### Product distribution and logistics

To prevent environmental pollution that can occur during the process of storing and transporting products, SK innovation affiliates systematically manage the operation of environment-related facilities and the suppliers that conduct the work. We have also established, and apply, operation standards related to air, water, wastes, soil, the marine environment, and GHGs. To help prevent SHE accidents at our suppliers, we provide training and education on relevant information and periodically check the status of operations, thus preventing environmental pollution.

### New projects and business site maintenance

When conducting a project, SK innovation affiliates establish the project SHE plans, thus systematically conducting the environmental management necessary for each stage from design to completion. We prepare a checklist to manage environmental pollution/damage factors, thus making sure whether environmental management of wastes, noise/vibration, scattered dust and water/soil is properly conducted under relevant laws and internal regulations. We check whether construction wastes are lawfully handled from the time of their occurrence (generation) to that of final disposal, and if recyclable, check whether they are disposed of in a recyclable condition. We install, measure and manage noise/vibration through prevention and reduction facilities per source. We minimize scattered dust through prevention facilities and water sprinkling. We prevent and manage soil erosion and pollution through prevention facilities and countermeasures, and prevent and manage water pollution by installing wastewater disposal facilities checking the status of sludge disposal, installing sewage treatment facilities and managing groundwater wells. Such environmental management for projects also applies to the maintenance of global projects and business sites. Also, during the regular maintenance period, SHE matters are given priority consideration in work-related decision-making regardless of the period or cost of work. The department in charge of business site SHE management establishes a safety management plan to safely conduct periodic maintenance and also a plan for the management of the environment (e.g., disposing of work-related waste), thus training field supervisors and suppliers and periodically checking compliance in this regard.

### Joint ventures and third-party producers

SK innovation affiliates identify material SHE-related issues and regulations from the stage of reviewing new businesses for investment and rate the invested company based on SHE risk level. The SHE risk is rated from level 1 to level 5 by considering the impact on our business according to the degree of management participation and the potential of risk according to the characteristics of the business and after diagnosing potential risks for each level, we establish a SHE management system and continuously monitor SHE performance.

### Due diligence and M&A

During M&As, SK innovation affiliates conduct SHE due diligence to identify the potential risk of failing to meet SHE-related laws or petrochemical industry codes or standards. As such, post-M&A costs which may occur from unidentified SHE risks is reflected in calculating enterprise value or in contractual terms. SHE due diligence is categorized and carried out in three stages: a feasibility study, pre-due diligence, and full due diligence.

### Environmental impact assessment for business sites

SK innovation affiliates ensure that important environmental factors projected to affect the environment can be reviewed when setting a business site's environmental goals. We investigate, project, and assess the business' impact on the environment (environmental impact assessment) in advance to determine how to protect the environment. Moreover, we analyze the manufacturing process material balance, ancillary facility operation, and other operating activities to calculate the number of input materials, utilities and output materials, and identify environmental aspects based on the use of resources and discharge of pollutants and wastes, with the scope of identification including normal, abnormal, emergency and all other activities and assets affecting the environment in whole or in part. If preparing an environmental impact assessment table based on identifying environmental aspects and conducting assessment shows important environmental factors, we register them in the environmental impact log and use this in establishing and implementing the environmental improvement plan. Such environmental impact assessments are conducted not only upon installation/expansion of a process or upon changes in the discharge/prevention facility under environmental laws, but also as a regular business site procedure.

### Environmental impact assessment for products

Defining a product's life cycle as beginning from the collection of raw materials to the disposal of the product, SK innovation quantifies the resource input and the discharge (emission) into the environment during the entire process (pre-manufacturing, manufacturing, transportation) and systematically assesses their potential impact on the environment. Therefore, based on international standards (ISO 14040/14044), we conduct total-process assessment for electric vehicle Li-ion batteries and provide the results to OEM customers.

## Guideline for Chemical Materials management

### Chemical Materials

SK innovation affiliates strive to fulfill their social and legal responsibilities with respect to the management of chemicals. To secure the safety of workers and residents, we have built a dedicated chemicals management system and procedure, supporting chemicals-handling workers' right to know the hazards and risks of handling these chemicals, and by preventing chemicals-related accidents through proper safety and health measures during handling.

#### Introduction of chemical materials

Before introducing new chemicals, SK innovation affiliates mandatorily review the chemicals' hazard/risk through our in-house integrated chemicals management system (Hi-CHEMS). The system is regularly updated. Recent improvements have linked the chemicals purchase management system and the e-MSDS system, ensuring that even a small amount of chemicals, easily omitted from review, must be reviewed before being introduced to business sites and securing the MSDS data that informs workers of chemical hazards and risks.

#### Production of chemical products

To prevent leaks from occurring during manufacturing and handling of chemicals and then leading to material disasters such as fires or explosions, we practice strict maintenance of our equipment. In particular, to intensively monitor pipe connection areas or the equipment operation areas where leaks can easily occur, we adopted advanced inspection methods such as LDAR (Leak Detection and Report) and RBI (Risk-Based Inspection), thus rating the pipes' risks and giving priority to those with low safety rates. Through the e-MSDS system, we support workers in easily accessing the hazard/risk information of the materials handled, and each year conduct in-house safety training and the Hazardous Chemicals Safety Training Center's worker safety training.

#### Delivery and sales

In the sale of chemicals, SK innovation affiliates operate an in-house procedure based on legal standards so that carriers and customers can safely transport and receive chemicals. In addition to mandatorily providing customers with MSDS on our products, we have built a system to confirm receipt after provision of MSDS so that customers can accurately recognize the chemicals' hazards. Also, in the event of changes in the materials' information, the "automatic notification" feature allows the personnel in charge of the materials to provide real-time notice to customers on the safety and health information for the materials in question.

### New product and service development

When manufacturing new chemical products or importing new materials, SK innovation affiliates prepare a chemicals statement and submit it to the Korea Chemicals Management Association under the Chemicals Control Act, and pursuant to the Chemicals Registration and Evaluation Act, apply to the Ministry of Environment for registration, receive a hazard review and risk assessment, and register chemicals before manufacturing or importing chemicals. Also, according to the GHS standards, we prepare MSDS and warning marks and deliver them to customers, so that the chemicals can be safely handled, used and disposed of.



## Human Rights Management Policy

### SK innovation Human Rights Declaration

SK innovation affiliates strive to pursue the happiness of all stakeholders and strictly implement human rights protection principles to ensure no human rights violations occur in the process of business activities. In order to fulfill our social responsibilities and obligations as a corporate citizen, we have joined the UNGC, a sustainability management initiative, SK innovation affiliates have systematically established various policies concerning human rights, SHE (safety, health, and environment), as well as a code of conduct, and are periodically evaluating these and implementing improvement activities so that each policy can be effectively executed. We have established, and disclose, basic human right principles and related details, and will do our utmost through various activities and training to realize a workplace where everyone is happy.

#### SK innovation Human Rights Declaration

1. To realize sustainable happiness, SK innovation affiliates respect the dignity and value of all stakeholders.
2. Based on the spirit of humanity, SK innovation affiliates make every effort to maintain a safe and healthy working environment for all stakeholders to pursue happiness.
3. SK innovation affiliates support and follow the human rights protection and labor standards of labor-related international organizations such as the UNGC and ILO, and does not discriminate based on any grounds such as gender, race, nationality, religion or age.
4. SK innovation affiliates comply with the labor laws and regulations of each country or region in which human rights policies and our business sites exist, and we confirm that this principles is the fundamental obligation that all our suppliers and business partners must comply with.
5. SK innovation affiliates shall designate a department in charge of human rights management and regularly conduct human rights training for all stakeholders.

## Human Rights Management Guidelines

### Respect for human rights

Respect all stakeholders as human beings and ensure that no acts that constitute human rights violations occur. Harsh or inhumane treatment including sexual harassment or abuse, corporal punishment, mental/physical coercion, verbal abuse, unreasonable restrictions, etc. against employees is prohibited. To this end, we shall clearly prescribe and implement reasonable disciplinary procedures, and share these with all employees.

### Prohibition of child labor

It is prohibited to employ children and young people under the age of 15.

### Working Hours

Regular work hours and overtime hours are subject to the standards established by the labor relations laws of each country or region in which we operate. Overtime work is eligible for overtime allowances established by the labor relations laws of each country or region.

### Non-discrimination

There shall be no discrimination in employment on grounds such as gender, race, nationality, ethnicity or religion, nor there shall be any discrimination in employment conditions such as wages or promotion.

### Prohibition of forced labor

There shall be no forced labor by means of mental and physical restraint, including slavery and human trafficking, and the company shall not request the retention of passports, work permits, or government-issued identification in exchange for employment.

### Minor labor

Minors under the age of 18 years shall be employed in compliance with the relevant labor relations laws, and are prohibited from engaging in risky and harmful work. In the case of minors under 18 years of age, their employment shall be contingent on the labor relations laws of the relevant countries or regions where they are employed, and they are prohibited from engaging in risky or harmful work.

### Wages

Employee wages shall be above the minimum level set forth by the labor relations laws of each country or region.

### Freedom of Association

The rights to freedom of association and collective bargaining under the labor relations laws and regulations of each country or region shall be guaranteed, and there shall be no disadvantageous treatment for the reason of joining, forming, or taking part in an union.

### Workplace safety and environment

We shall continuously endeavor to realize a pleasant work environment and prevent safety accidents for employees/suppliers by complying with international standards, related laws and regulations, and internal regulations regarding work environment.

### Human Rights Due Diligence

We shall sincerely implement a human rights due diligence process to ensure effective human rights protection and will continuously work to prevent risks and protect human rights.

## Sexual Harassment Prevention Policy

SK innovation bans sexual harassment, or in other words, inappropriate behavior of a sexual nature that causes humiliation or disgust. This may include employees using their position or authority to harass other employees, such as giving disadvantages to those who reject or object to their sexual advances, or expressing an intent to offer advantages in return for sexual demands. SK innovation responds to a sexual harassment case, as soon as it is reported, based on zero-tolerance policy and keeps the identity of victims and reporters confidential. There should be no disadvantages caused by reporting a case. If such behavior is confirmed by investigation, appropriate actions, such as disciplinary, corrective and legal actions, are taken.

### Sexual harassment prevention training

- SK innovation conducts sexual harassment prevention training as a mandatory course for all employees once a year.
- SK innovation conducts online and offline training in accordance with employee seniority and responsibilities, such as organizational leaders, on-site supervisors, new employees and trainees.
- SK innovation conducts training by sending sexual harassment prevention letters regularly to all employees every year.

### Reporting and counseling process

- Reporting a case: A victim or a witness may report a sexual harassment case to the Grievances Handling Center and reporting can be done via e-mail, telephone or meeting.
- Official handling procedure: An investigation committee composed of female members, in-house lawyers, etc. is organized to investigate the case and reach a decision on actions.

### Disciplinary and corrective actions

- The investigation committee investigates the case and decides on appropriate HR and disciplinary actions for the person who committed sexual harassment based on company regulations. Following this, a reporter or a victim is informed of the investigation results, including disciplinary actions or transfers to other departments.
- SK innovation conducts surveys on employees' awareness of sexual harassment in order to prevent recurrence after the closure of a case. Actions to restore the rights of a victim are implemented and victims and offenders are managed continuously.
- Temporary separation measures, such as paid leave for victims and placing offenders on a waiting list for reassignment, are implemented. In addition, we provide mental health support for victims through the Harmonia Counseling Coaching Center, which provides psychological recovery programs, or through state-supported psychological treatment.

### Workplace Harassment Prevention Policy

SK innovation bans workplace harassment, which includes behavior that inflicts physical or psychological distress on other employees, or that otherwise negatively impacts the working environment. SK innovation ensures that the identity of victims and whistleblowers are kept confidential, and there should be no disadvantages caused by reporting a case. If such behavior is confirmed by investigation, appropriate actions such as disciplinary, corrective and legal actions are taken.

#### Workplace harassment prevention training

- SK innovation conducts training by sending workplace harassment prevention letters regularly to all employees every year.
- SK innovation conducts online and offline training in accordance with employee seniority and responsibilities, such as organizational leaders, on-site supervisors, new employees and trainees.

#### Reporting and counseling process

- Reporting a case: A victim or a witness may report a workplace harassment case to the Grievances Handling Center and reports can be submitted via e-mail, telephone or meeting.
- Counseling/investigation: An investigation committee composed of in-house lawyers, etc. is organized to 1) conduct counseling and investigation, and understand the case, 2) to find out whether the harassment has been conducted repeatedly and continuously, 3) identify the damage suffered by a victim and 4) collect direct or circumstantial evidence.

#### Disciplinary and corrective actions

- The investigation committee investigates the case and decides appropriate HR and disciplinary actions for the person who committed sexual harassment based on company regulations. Subsequently, a reporter or a victim is informed of the investigation results, including disciplinary actions or transfers to other departments.
- SK innovation conducts workshops and training to identify issues within the organization and implements continuous monitoring necessary for the prevention of recurrence after closing the case.
- Temporary separation measures, such as paid leave for victims and placing offenders on a waiting list for reassignment, are implemented. In addition, we provide mental health support for victims through the Harmonia Counseling Coaching Center, which provides psychological recovery programs, or through state-supported psychological treatment.

## Key principles of collective agreement for SK innovation labor union

SK innovation affiliates respect management rights and labor rights under the basic spirit of the Constitution and labor laws. Moreover, we protect union employees' human rights by establishing normal labor-management relations and union employees' work conditions on equal footing, and regularly cooperate with the labor union for the purpose of contributing to improvements in their socio-economic status.

"Union member" refers to a company's employee who is a member of a labor union, and SK innovation affiliates recognize that employees can freely join or withdraw from the union of their free will.

Biennial collective agreements apply to all union members. SK innovation affiliates' labor-management councils hold quarterly meetings and discuss matters which can benefit employees and the company alike (employee welfare betterment, complaint handling, safety management, etc.). Also, labor and management actively communicate through various non-regular communication channels (management explanation sessions, business plan sharing, union member discussion meetings, etc.). SK innovation affiliates' key internal regulations to build a healthy labor-management culture are as follows.

1. The company and the union shall ensure that the company will fulfill its social responsibility as a corporation and contribute to social development, thereby enabling all employees to carry out their duties with a sense of reward and pride, and shall make active efforts so that the company can be an enterprise trusted by the people. The company and the union shall diligently comply with the collective agreement, and the company recognizes that the union is an organization that represents all union members concerning collective bargaining and collective agreement for matters related to the collective agreement, union activities, and union members' work conditions. The collective agreement applies to the company, the union and union members.
2. The company shall guarantee union members' freedom of union activities, under no circumstances intervene in legitimate union activities, and not impose any disadvantages for legitimate union activities.
3. When enacting, revising or abolishing the rules of employment, the company shall listen to the union's opinions, and if enacting, revising or abolishing the rules of employment or the HR management regulation causes work conditions to deteriorate, shall obtain the union's prior consent.
4. The following items constitute collective bargaining.
  - ① Union activities
  - ② Wage and work conditions
  - ③ Industrial safety and health
  - ④ Benefits
  - ⑤ Job security
  - ⑥ Other matters subject to collective bargaining
5. Labor-management council
 

The company and the union shall form and operate the labor-management council to improve productivity, enhance labor-management mutual interests achieve harmony between labor and management, and discuss agendas such as a) productivity improvement and sharing of the results, b) handling of union members' complaints, c) safety, health, a better work environment, including improvements to the health of union members, d) systemic improvement in HR and labor relations management, and e) union members' welfare, through the labor-management council.

## Work environment for employees

### Employee wages

SK innovation affiliates pay, as wages, a basic salary, statutory allowances and bonuses and basic salary is calculated based on each employee's job competency, period of service, work performance, etc. Also, an employee's wage is strictly managed to be above the minimum level set by the labor relations laws of each country or region in which they are employed. Each year, we conduct wage negotiations with the labor union, and the wage increase rate is set by reflecting the domestic inflation rate.

### Employee work hours

SK innovation affiliates comply with regular work hours and overtime hours as set by the labor relations laws of each country or region. (52 hours a week in the Republic of Korea.) Also, in the case of overtime work, SK innovation affiliates pay the employees overtime allowance based on the level set by the labor relations laws of each country or region.

### Paid leave

SK innovation affiliates comply with each country's standard labor laws, grant appropriate rest to employees, and make the following efforts to raise work productivity and efficiency.

- Grant 1-day of paid weekly holiday per week to employees whose attendance reaches a certain number of work days. Generally, Sundays are weekly holidays. (Weekly holidays for shift workers and those of certain work types shall be governed by separate work (service) plans).
- The company grants paid annual leave to employees with at least 1 year of service, and 1 day thereof per 1-month of full attendance to those with less than 1 year of service.
- For employees with at least 1 year of service with the company, the company grants 15 days of annual leave, with 1 day added for every 2 years over the initial 1-year service requirement to those with 80% or higher attendance in the previous year.
- Grants 1 day of leave per 1-month full attendance to those with below 80% attendance in the previous year.
- Grants 4 days of paid summer vacation, which can be used in installments depending on work circumstances.
- Designates government-designated holidays, company anniversaries, May Day, and labor union anniversaries as paid holidays.
- Grants paid holidays if the company recognizes special needs (e.g., work-related injury or disease, family events, summons by judicial agencies for company-related matters, etc.).

### Welfare Support

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

### 2020 Harmonia Usage Rate

Classification	Details	Number of participants	Number of cases
Counseling and coaching	1:1 service by topic, including psychological counseling, psychological testing and interpretation, leadership coaching, counseling for couples and career counseling for children	572	2,007
Programs to vitalize organizations and unit-specific programs	Unit-specific workshop, new employee onboarding	636	71
Happy workplace culture campaign	Sending campaign letters to all employees every quarter	All employees	4
Sexual/workplace harassment prevention training	Training for new employees, trainees and supervisors, etc. in addition to legally required training	722	15

# HUMAN RIGHTS REPORT

## Human rights management system

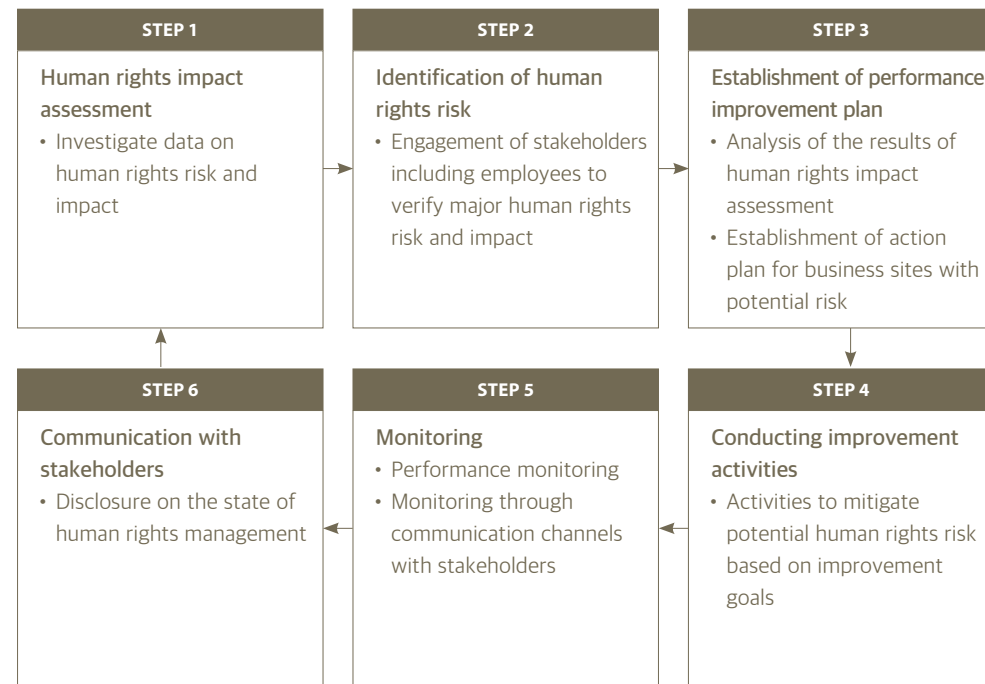
SK innovation strives to guarantee an opportunity to be happy for all stakeholders and, through business activities, provide solutions necessary for the community under the social themes of “People & Communities”.

SK innovation is making every effort to prevent human rights infringement in all management activities and by joining the UNGC, a global sustainable management initiative, in October 2017, has declared support for the 10 principles of the UNGC across the four areas of human rights, labor, environment and anti-corruption. To comply with the 10 principles, SK innovation conducts human rights due diligence on employees of our affiliates (SK innovation, SK energy, SK global chemical, SK lubricants, SK incheon petrochem, SK trading international and SK ie technology) and employees of major partner companies.

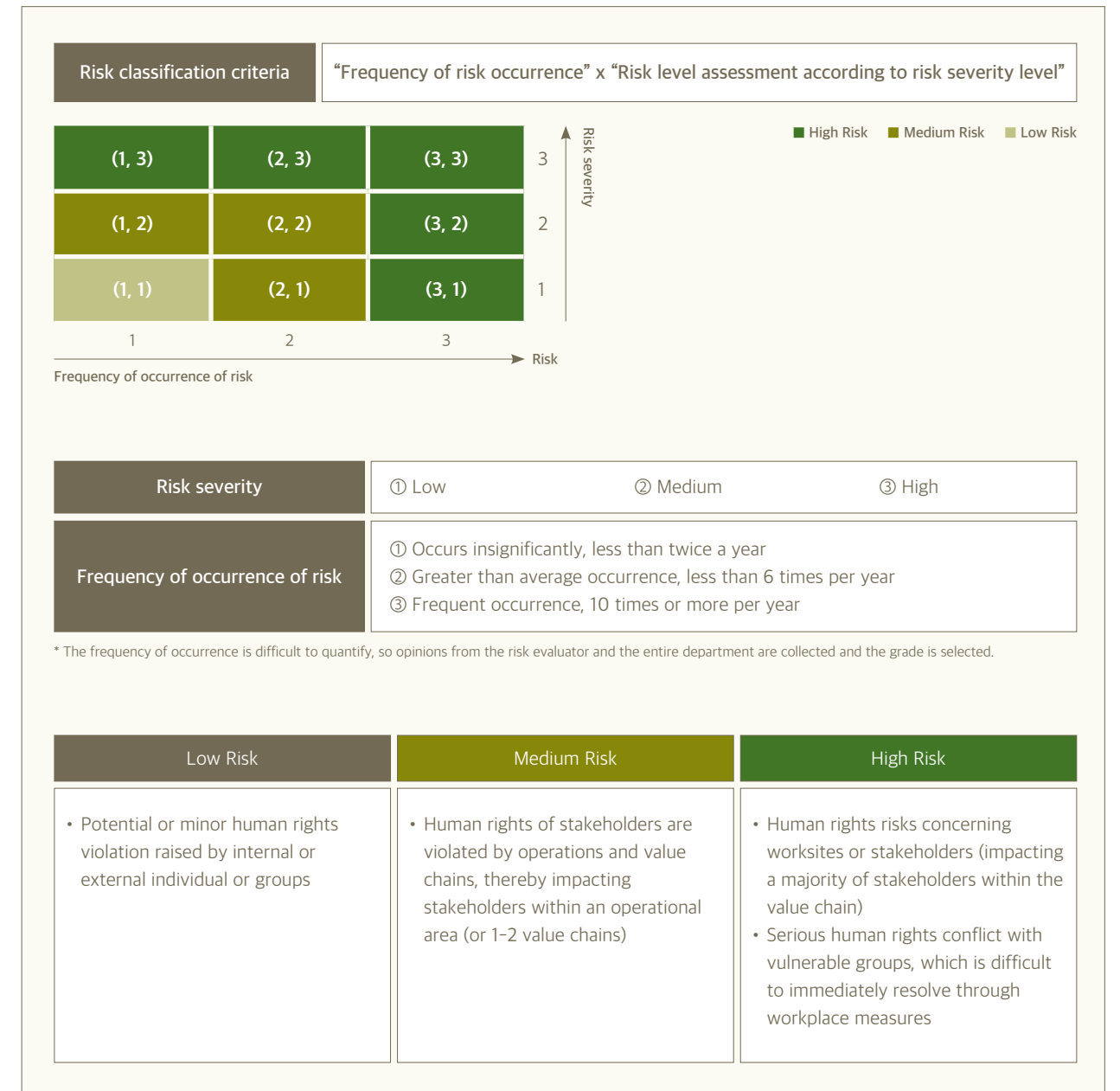
SK innovation defines human rights due diligence as a process to be executed by a company to identify and prevent potential (negative) human rights impacts. We conduct a human rights due diligence process regularly based on global human rights due diligence guidelines and disclose the results in this report.

### Human rights management process

SK innovation and its affiliates conduct human rights due diligence in line with international guidelines to protect the human rights of our employees and employees of partner companies and are reporting the results to our stakeholders. Human rights due diligence is conducted in the order of 1) human rights impact assessment, 2) identification of impact, 3) establishment of performance improvement plan 4) conducting improvement activities, 5) monitoring and 6) disclosure to stakeholders. Potential impacts on human rights that may occur in each business site are managed continuously.



## Human Right Due Diligence Checklist



### Human Rights Impact Assessment

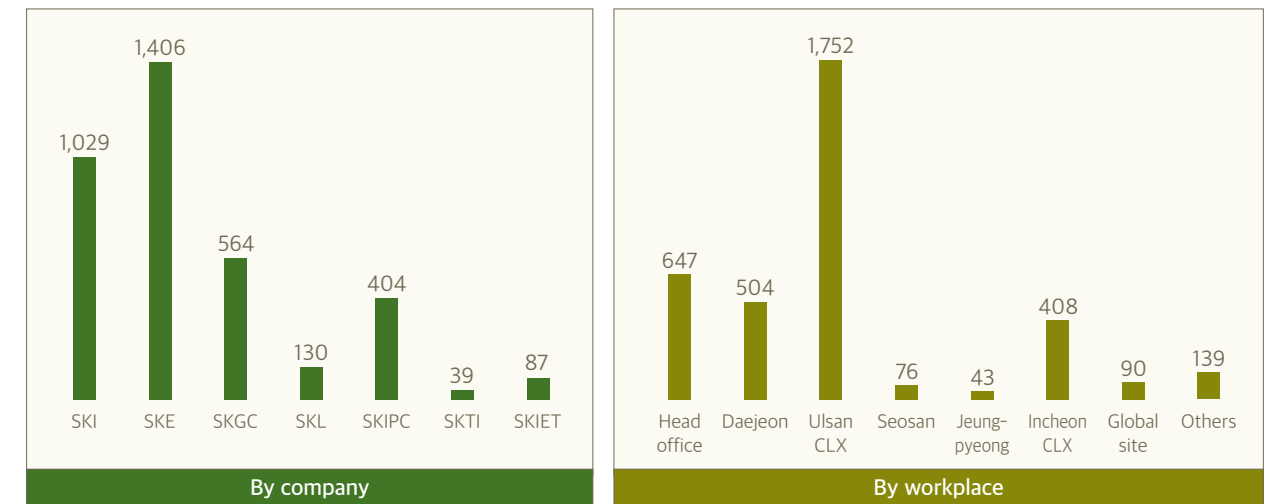
SK innovation conducted a human rights impact assessment (online survey and group interview) on all employees in 2020 and 2021. The human rights impact assessment is composed of a questionnaire covering topics including the working environment, working conditions, and human rights risks based on global guidelines. Interviews were conducted for classes or groups vulnerable to human infringements, as identified by the online survey. The human rights due diligence was planned and executed based on the opinion of employees and external experts and conducted anonymously to make sure that the response and results of the human rights due diligence do not negatively affect any individuals.

#### Summary of human rights impact assessment survey

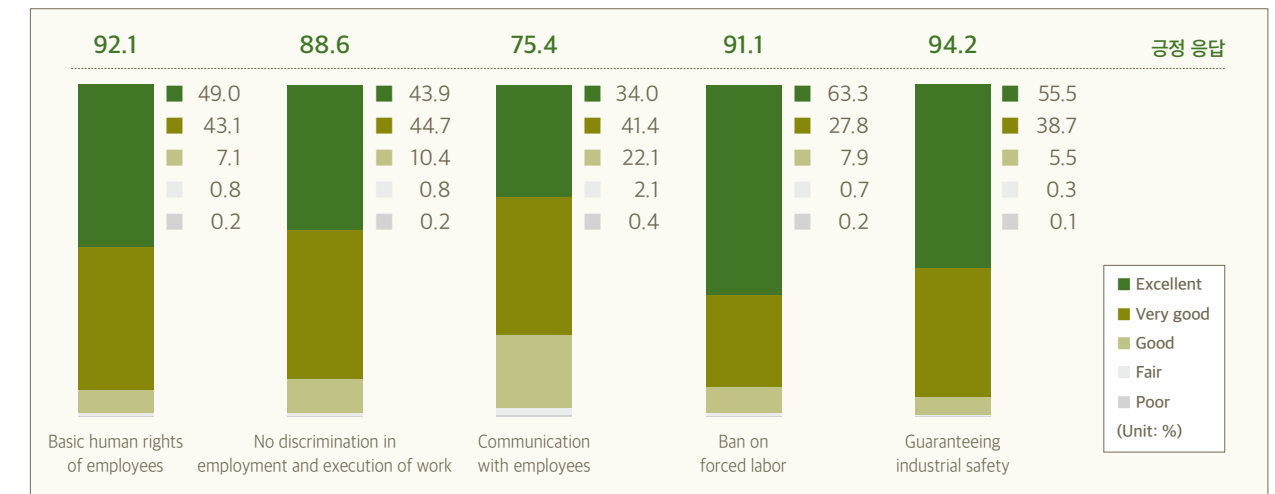
Target	Employees	Partner companies
Scope	Employees of SKI affiliates	46 major partner companies

### SKI members participating in the 2021 human rights impact assessment survey

(Unit: person)



### Response to potential human rights vulnerability risk



Human rights impact identification issues	
Introduction of human rights management policy and operation of system	① The company has appropriate policies and programs to improve the human rights of its employees.
	② The company has relief and support programs that are provided to employees who need help related to human rights issues.
Basic human rights of employees	① Employees should not engage in any rude or intimidating acts such as mutual verbal abuse, assault or insulting.
	② Employees should not suffer unfair treatment, violent words, assault or insulting from stakeholders such as customers and clients.
	③ Employees should not treat stakeholders such as employees of partner companies unfairly and should not verbally assault or insult them.
	④ Employees should not commit behavior that could cause sexual humiliation or misunderstanding.
No discrimination in employment and execution of work	① The company does not discriminate on the basis of gender, religion, disability, age, social status, region of origin, educational background, etc. in relation to employment and execution of work.
	② The company does not discriminate against non-regular workers compared to regular workers.
	③ The company does not discriminate against foreign workers
Communication with employees	① The company has various communication channels to improve the human rights of its employees and the working environment.
Ban on forced labor	① The company prohibits all kinds of forced labor.
	② The company is making every effort to comply with the working hours of all employees.
	③ The company is taking appropriate measures to prevent forced labor from occurring in all subsidiaries and business partners.
Ban on child labor	① The company does not hire young people under the age of 15
	② When the company hires a young person under the age of 18, it does not impose any work that is harmful to health, safety, or morals.
Guaranteeing industrial safety	① The company maintains safety equipment and facilities in the workplace to be safe and sanitary at all times.
	② The company provides workers with protective equipment required to perform their job and provides sufficient training on industrial safety.
	③ The company provides regular health checkups to workers to protect and maintain their health.
	④ The company has sufficient support programs for workers who are injured or become ill while performing their job.

### Human rights risk identification

#### Employees

**Human rights impact assessment survey:** The 2021 human rights impact assessment online survey was conducted for all employees of our affiliates and no human rights risks were identified in a high risk category [High Risk x High Frequency] that could affect the management activities of the company significantly. Most of the respondents said that there was no negative (potential) human rights risk in the company's management activities across all survey items covering human rights management policy, basic human rights of employees, no discrimination in employment and execution of work, communication with employees, ban on forced labor, ban on child labor and guaranteeing industrial safety. There was also no high risk of human rights infringements related to gender, job/position and business site location. There were no material human rights infringement issues identified but potential risks related to respect for basic human rights of employees, management of working hours and discrimination against employees (based on sex, religion, disability, age, social status, hometown and education background) were identified based on the response of some business sites and employees.

**Focus Group Interview:** After conducting an online survey of all employees, SK innovation carried out focus group interviews of diverse employee groups, including junior employees, experienced workers, and new hires, with respect to issues such as human rights, the working environment, and handling of grievances. The interview results found no material human rights infringement issues such as discrimination in employment and work, lack of communication, and forced labor. In addition, we pointed out the need for operational improvements, such as further promotion of grievance handling channels and support for the on-boarding of new employees.

Suppliers

During the human rights impact assessment of our suppliers, no human rights risks were identified that could have a significant impact on operations. Human rights issues were found to be well managed overall, but potential risks such as the lack of health and safety policies, lack of monitoring, and lack of working hour target setting, were identified.

Stakeholders

SK innovation communicates with stakeholders through online communication channels and offline meetings (meeting with experts and meeting with local residents), in addition to human rights impact assessments employees and suppliers. In 2021, children, indigenous people and migrant workers directly related to our business activities and human rights risks related to local residents living near our business sites were not identified.

**Establishment of improvement goals**

Having recognized that human rights is the most important element in ESG management, SK innovation has established the goal of achieving 'zero compliance risks relating to human rights', and is striving to realize this target. Relevant departments have set improvement goals based on issues identified in the due diligence, prepared guidelines to improve the working environment, established implementation plans and detailed measures to achieve these goals, and conducted training to improve the awareness of employees. In particular, relief measures were implemented for employees who have been working for 1 to 5 years and identified as relatively vulnerable in terms of human rights issues that have been identified as potential risks for two consecutive years, including including 1) respect for the basic human rights of employees and 2) complying with working hours.

2021 Action Plan

Classification	Human rights issues	Action Plan
Potential human rights vulnerability risk	Respect for human rights of employees	<ul style="list-style-type: none"> <li>• Discrimination against employees while executing work</li> <li>• Some human rights infringement behavior due to lack of human rights awareness of employees</li> </ul>
	Complying with working hours	<ul style="list-style-type: none"> <li>• Expand companywide training on respecting human rights</li> <li>• Plan to establish horizontal culture driven by employees                             <ul style="list-style-type: none"> <li>- Campaign to spread a culture of positive language</li> <li>- Information on human rights infringement case reporting channels and process</li> </ul> </li> </ul>
Relatively vulnerable group in terms of human rights	Extended working hours exceeding designated working hours	<ul style="list-style-type: none"> <li>• Upgrading PC blocking policy to comply with legal working hours                             <ul style="list-style-type: none"> <li>- PC-off, reblocking after designating overtime work</li> </ul> </li> <li>• Plan to improve system for work-life balance driven by employees                             <ul style="list-style-type: none"> <li>- Introduce ways to improve usage of the selective working hour system, such as disclosure of working hours</li> <li>- Regular meeting related to management of working hours among leaders and employees</li> <li>- Reorganizing vacation/ leave of absence system for work-life balance</li> </ul> </li> </ul>
	New employees (new/experienced)	<ul style="list-style-type: none"> <li>• Some human rights infringement behavior due to lack of human rights awareness of employees</li> <li>• Introduction of caring period for newly joined employees                             <ul style="list-style-type: none"> <li>- Period for on-the-job learning and adjusting to the organization (absolute assessment)</li> </ul> </li> <li>• Improvement of on-boarding process for newly joined members- Designating a Buddy, establishment of an online learning curriculum, Survey/Group Counseling, etc.</li> </ul>

Human rights management goals

- Zero compliance risk related to human rights this year (violation of human rights, sexual harassment, harassment in the workplace, violation of labor-related laws, etc.)
- Disclosure of results reports after regular due diligence (once a year): Establish and implement goals for vulnerability improvement, etc.

Improvement activities

SK innovation is conducting diverse methods of training to improve human rights awareness and protect human rights, in addition to establishing human rights management goals and specific implementation plans. We regularly conduct a 'Happy Workplace Culture' campaign to prevent sexual and workplace harassment and annual training on the prevention of sexual harassment, and improvement of awareness of people with disabilities is mandatory online training. In addition, offline training is provided that incorporates the needs of different employees, such as organizational leaders, on-site supervisors, new employees and trainees.

Monitoring

Various online and offline communication channels are in place to monitor human rights management continuously. In particular, Harmonia, an in-house grievance counseling center, functions as a center for providing counseling and receiving reporting on cases related to sexual and work-place harassment. Upon receiving infringement cases, an investigation committee including in-house lawyers is organized to conduct an investigation. In this process, we try to minimize any inconvenience and protect victims by giving leave and psychological counseling. In addition, those who are found guilty after the investigation are subject to disciplinary measures, including severe punishment and resignation.

Communication with stakeholders

We constantly review human rights risks through communication channels and the results of human rights impact assessments are published every year on our website to disclose the state of potential human rights risk management.

Handling human rights infringement cases and operating channels

SK innovation is working to resolve human rights issues found in impact assessments based on global grievance standards. To prevent problems, guidelines for vulnerable human rights issues are drawn up, and each business site must comply with them. If there are serious violations of human rights management among employees, they are referred to the Reward and Punishment Committee to take action in accordance with our rules, and we are operating grievance channels such as a hotline, and online/offline channels to suit the characteristics of each business site. We encourage employees and all stakeholders to immediately report grievances (or violations) and take action by operating various grievance channels. In addition, we carry out tracking of the types of grievances, processing progress, and processing results, and manage the compliance rate and employee satisfaction for each channel. We strictly comply with the whistleblower protection system so that no employees and stakeholders are disadvantaged through reporting.

Stakeholder	Key communication channels
Members	SK Ethics Management Report Website, inter-company Intranet, Harmonia
Customers	SK Ethics Management Report Website, Customer happiness center (call center) SK innovation website
Local Community	Local residents autonomous committees around the business site
Partner Companies	SK Ethics Management Report Website, Regular council of partner companies meeting of CEOs of partner companies

## Supply Chain Management

### General purchasing principles

1. The purchase department shall decide purchase methods by considering the product's importance, the number of parties capable of transactions, transaction experience, proportion against total transaction price, etc.
2. The purchase department shall select the lowest-price supplier among those having submitted estimates meeting the product specifications, quality, and SHE requirements made by the purchase-requesting department.
3. The purchase department shall make a purchase such that delivery will be made by the date required by the purchase-requesting department.
4. The purchase department shall build and operate a supplier management system that enhances the company's competitiveness.

### Transparency principle

To strengthen fairness and transparency in the purchase process, SK innovation affiliates have enacted and comply with the Bid Evaluation Guide, which contains principles for a competitive-bid purchase process, and strictly restrict the cases wherein non-bid contracts opposed to competitive-bid contracts are allowed in an effort to build a sound business ecosystem and promote fair competition.

### Comply with applicable laws and perform CSR

1. In conducting purchase management for all goods which the company needs, the purchase-requesting department, purchase department and user department shall comply with applicable laws such as tax law, fair trade law, corporate accounting standards, etc.
2. In conducting purchase management for all goods which the company needs, the purchase-requesting department, purchase department and user department shall comprehensively consider CSR such as mutual growth with available suppliers, labor, human rights, anti-corruption, SHE, etc.

### Mutual growth support department

With the launch of the mutual growth support department, SK innovation affiliates have established and implemented various support methods based on mutual trust so that mutual growth with suppliers (partner companies) will be pursued. SK innovation operates the four policies of technical support, management support, training support, and financial support. Regarding technical support, our equipment unit operates the technology council, and in 2019 built the iStep system, thus spreading technology, academic lectures, and providing technology Q&As. In terms of management support, we conduct the Ulsan recruitment expo, SHE consulting, etc., and in 2019 as a new support system for social enterprises, conducted pro-bono purchase activities for social enterprises, thus supporting purchase-related processes (raw material supplier sourcing, equipment purchase contract, etc.). Concerning training support, we operate CEO seminars (Seoul, Ulsan), a mutual growth MBA program, and a training program for suppliers' new employees. Lastly, in terms of financial support, we provide support programs such as direct support (directly loan fund), indirect support (use network loan), and credit guarantee support through mutual growth guarantee agreements and in addition, we have created the co-growth fund, thus supporting low-interest rate financial benefits for suppliers in need of emergency operating funds. Also, the mutual growth support department arranges for suppliers' periodic meetings and seminars and supports information sharing and cooperation, and by operating a cyber-communication system by which suppliers' opinions can be exchanged, expands mutual communication. It attends purchase consultations hosted by the Ministry of Trade, Industry and Energy and the Korea Commission for Corporate Partnership, thus expanding the window for transactions with small and medium-sized enterprises.

### Procurement Code of Ethics

By securing a stable supply chain, SK innovation affiliates enhance their purchasing competitiveness, and by managing potential risks and building a monitoring system, can manage a sustainable supply chain. By taking transaction volume, substitutability, possession of core technology, chance of risk for non-financial factors into account comprehensively, we classify and manage core suppliers, and to create a transparent, fair trade environment and manage the suppliers' sustainability, have established the Procurement Code of Ethics and the Supplier Code of Conduct.

#### Purpose

Employees of SK innovation affiliates (hereinafter "SK"), with an attitude of mutual respect and on equal footing with suppliers, shall strive to achieve co-prosperity through fair trade. To this end, SK has enacted the procurement Code of Ethics and treats it as the standard of decision-making and behavior in procurement and related activities. The Code is not just a means of controlling an employee's unethical behavior, but is in line with SK's ethical management philosophy of achieving continuous growth and development by enhancing the ethical level of the ordinary management process and thus earning stakeholders' trust.

#### Applicability

This Code shall apply to SK's employees and suppliers. "Supplier" includes any company having transactions with us, and its employees.

#### Basic principles

##### → Provide fair opportunities for suppliers

- For companies capable of supplying goods and services required by SK, provide a fair opportunity to participate in supplier registration and the bids according to the standard and procedure prescribed in internal regulations. Do not unduly benefit, or discriminate against, specific suppliers.

##### → Ethics and transparency in conduct of work

- Interact with all suppliers on an equal footing, and do not abuse our dominant position or make undue demand against suppliers. Clearly distinguish between "public" and "private" matters, and do not pursue any private interest in the conduct of work.

##### → Pursue mutual interest and co-prosperity

- Explore transaction methods of saving mutual costs and improving profit, and actively collect and respond to suppliers' opinions.
- Comply with contracts with suppliers, build mutual trust and supply relationships, and pursue co-prosperity.

#### Implementation guideline

##### → Do not receive money/goods, entertainment, treatment, etc.

- An SK employee shall fairly and transparently conduct any procurement and related works, and may not receive from a supplier money/goods, entertainment, treatment, etc.

##### → No information leaks.

- An SK employee may not leak to other stakeholders important information regarding a supplier that the former became aware of in the process of work, without the supplier's consent.
- Neither may a supplier may not leak important information concerning SK which the former became aware of in the process of work.
- When evaluating multiple bidders, an SK employee shall ensure that all of them can participate with equal information. Also, before the evaluation and final decision, an SK employee may not reveal the status or progress to specific bidders.

→ **No conflict of interest.**

- While conducting procurement or related works, an SK employee shall ensure that there will be no behavior or relationship which conflicts, or may conflict, with the company's interest.
- An SK employee may not concurrently serve as an employee of a supplier related to the SK employee's work.
- An SK employee may not engage in transactions for personal interest (joint investment, etc.) with a supplier.

→ **No request for undue favor.**

- SK's employees and retired employees may not make an undue request of the company or its suppliers, or vice versa.
- When receiving an undue request from another employee, a retired employee, or a supplier, an SK employee shall explain that such activity is banned by the Procurement Code of Ethics and ensure that work will proceed in a lawful manner.

→ **Compliance with laws and international agreements**

- SK employees shall conduct purchase and related works based on the spirit of mutual benefit and the principle of good faith, and shall comply with applicable laws such as the Monopoly Regulation and Fair Trade Act, Act on the Promotion of Mutually Beneficial Cooperation between Large Enterprises and Small and Medium Enterprises, and Subcontracting Fairness Act. SK employees shall support and diligently perform internationally-accepted laws and international agreements such as the Universal Declaration of Human Rights, OECD Guidelines for Multinational Enterprises, UN Global Compact 10 principles, and UN Code of Conduct on Transnational Corporations.

→ **Reporting of violations and protection of whistle-blowers**

- When a violation of the Code of Ethics occurs during purchasing and related tasks, an SK employee or supplier shall report it through the following channels so that the violation will be quickly handled, and the whistle-blower will not receive any disadvantages for legitimate reporting (whistle-blowing).

**Purchase regulations and supply chain management**

SK innovation affiliates conduct comprehensive supply chain management by considering financial and non-financial factors. Financial factors include price competitiveness, quality, and deadline keeping, and non-financial factors include not only SHE management, but also comprehensive CSR considerations (human rights, labor, environment, anti-corruption, etc.). Accordingly, SK innovation demands CSR through the Supplier Code of Conduct. We have also entered into GTC (General Terms & Conditions) with overseas suppliers, and in particular require, through the Code of Ethics, management of SHE and prevention of unethical management. Even after the commencement of transactions, we conduct regular risk assessment and monitoring for all suppliers.

**SKI affiliates' suppliers Code of Conduct**

The Code of Conduct for suppliers of SKI affiliates (hereinafter "the Code") stipulates the requests SKI affiliates place upon suppliers to ensure that they respect their employees' human rights, build a safe work environment, fulfill their responsibilities regarding the environment, and operate their businesses ethically. SKI's affiliates, if necessary, may properly revise the Code, and the revision shall be announced to suppliers in advance through the procurement information portal (<https://www.skbiok.com>), or other available channels. SKI's affiliates (and/or external auditors), may visit a supplier's place of business and request improvement when evaluating whether or not the Code is being complied with.

1. Labor & Human Rights

**A. Voluntary labor (prohibition of forced labor)**

A supplier shall not impose forced labor (e.g., slave labor or human trafficking) against a worker's will. When hiring a worker, it shall execute a labor contract prepared in a language the worker can understand and provide a copy of this contract to the worker. When a foreign worker is hired, the worker himself/herself shall keep the originals of his/her passport, work permit, etc. A supplier shall not unreasonably restrict a worker's movements, and the worker shall be allowed to resign from the company of his/her free will.

**B. Prohibition of hiring children and management of youth workers**

A supplier shall not hire children. The term 'child' means anyone under 15 years of age (including anyone under 18 years of age who attends middle school) or anyone under the minimum employment age under the laws of the country of his/her nationality or employment. A worker under 18 years of age shall not be put to work on processes with safety & health risks or to work at night or work overtime. Students undergoing practical training shall be separately managed and supported in the practical training program, separately from regular workers.

**C. Prohibition of discrimination**

A supplier shall not engage in discrimination on the basis of race, skin color, age, gender, sexual orientation, sexual identity, ethnicity, disability, pregnancy, religion, political inclination, labor union membership, nationality, and marital status in employment practices such as hiring, wages, promotion, compensation, and education/training opportunities. A worker or job applicant shall not be asked to undergo a medical examination for items (e.g., pregnancy) which may be used as grounds for discrimination. A supplier shall take reasonable measures so that the worker may perform religious rituals upon request.

**D. Working hours**

Weekly working hours should not exceed the maximum working hours stipulated by law. In addition, the weekly working hours, including overtime working hours, should not exceed the working hours stipulated in the Labor Standards Act.

**E. Wages and benefits**

Compensation paid to employees shall comply with all applicable laws related to wages, including minimum wage and statutory benefits such as overtime allowance.

**F. Humane treatment**

A supplier shall respect all workers' human rights, and may not engage in harsh or inhumane treatment against workers, including sexual harassment, sexual abuse, corporal punishment, mental/physical coercion, violent language, or unreasonable restrictions. To this end, a supplier shall clearly provide for, implement, and announce to workers, reasonable procedures for disciplinary measures.

**G. Guarantee of freedom of association**

A supplier shall guarantee a worker's right to freely organize and join a labor union, and to engage in collective bargaining and peaceful assembly and demonstration under the laws of the country of his/her nationality or employment. It shall also guarantee the right to refuse to carry out such acts. A worker or workers' representative shall be able to communicate with management concerning opinions and grievances on conditions of labor and management policy without, but not limited to, fear of discrimination, retaliation, and threat.

2. Safety & Health

**A. Industrial safety**

The supplier shall conduct risk evaluations to be aware of workers' chances of exposure to harmful factors. It shall implement safe work process designs, technical/administrative controls, preventive maintenance, safety regulations formulation, and provide workers with continuous training, necessary personal protection equipment, and supervision of proper wearing in accordance with the results of the evaluation.

**B. Response to emergency situations**

Potential emergencies and accidents should be identified and evaluated in advance. Reporting, announcement to employees and evacuation procedures should be established and damages from emergency situations should be minimized by establishing emergency response procedures, such as emergency evacuation training, evacuation facilities, securing fire detection and fire extinguishing equipment, developing recovery plans and responding to emergencies properly.

**C. Prevention of industrial accidents and illnesses**

A supplier shall establish and comply with accident-handling procedures to prevent industrial accidents, occupational illnesses and to limit recurrence. It shall be aware of physically excessive tasks such as repetitive work and handling of heavy items, and to prevent musculoskeletal illnesses, shall take appropriate measures such as work process improvement.

**D. Management of harmful factors in the work environment**

A supplier shall periodically measure hazardous chemicals, noise, dust, etc. in the work environment to which workers may be exposed, determine their effects, and take technical measures, as well as conduct management and provide supervision to prevent exposure to listed harmful factors above permitted levels.

**E. Equipment safety**

A supplier shall classify the types of dangerous equipment used and then conduct periodic safety inspections. It shall provide physical protection devices/walls and control devices for workers' safety, and conduct preventive maintenance for such facilities.

**F. Cafeteria and dormitory management**

A supplier shall provide employees with clean restrooms and drinking water, and a place where they may cook, keep, and eat food in a clean environment. Employee dormitories provided by a supplier or a worker dispatch company shall be clean and safe, and be furnished with proper emergency exits, cooling/heating, ventilation devices, and personal lockers or spaces which may be locked.

**G. Safety & health training**

A supplier shall periodically provide safety & health training necessary for workers, and display, in highly visible locations, safety & health information which workers must be aware of.

3. Environment**A. Compliance with environmental laws**

A supplier shall obtain and maintain statutory, mandatory environmental permits and licenses including, but not limited to, reporting of the installation, operation, and modification of emission/prevention facilities and comply with reporting obligations. In addition, it shall comply with laws concerning the environment and continue to be aware of and comply with recent changes in statutes.

**B. Prevention of environmental pollution and reduced consumption of resources and energy**

A supplier shall endeavor to reduce resources/energy consumption and waste emissions at a fundamental level through work process improvement, materials substitution, preventive preservation, resources preservation, and recycling/reuse.

**C. Greenhouse gas emissions management and information disclosure**

Suppliers should manage greenhouse gas emissions and make an effort to manage performance with respect to the establishment and achievement of greenhouse gas emission reduction targets. In addition, they should endeavor to produce low-carbon products and use renewable energy.

**D. Chemicals management**

A supplier shall be aware of all chemicals (including designated waste) that pose a risk of environmental pollution if leaked, endeavor for safe storage, transportation, use, recycling/reuse, and disposal of such materials, and conduct periodic response training based on leakage response scenarios.

**E. Waste disposal**

A supplier shall be aware of the characteristics of waste produced, handle them in accordance with applicable laws, and then dispose of them in an appropriate manner. It shall endeavor to reduce the amount of waste produced.

**F. Air pollution management**

A supplier shall be aware of the characteristics of volatile organic compounds, aerosols, corrosive gas, dust, ozone layer-depleting materials, and combustion byproducts present in work processes, handle them in accordance with applicable laws, and then dispose of in an appropriate manner. The status of emissions shall be monitored at all times.

4. Ethics**A. Compliance with transparent management and prohibition of unjust enrichment**

A supplier shall, as a policy, prohibit and continuously check and monitor corrupt behaviors such as bribery, including gifts and embezzlement. All transactions shall be recorded and managed in a transparent manner.

**B. Information disclosure**

A supplier shall, in accordance with the applicable laws and industry practices, truthfully disclose information on the status of management in the following areas, amongst others: labor, safety & health, environmental matters, management activities, corporate governance, and financial status and performance.

**C. Protection of intellectual property rights ("IPRs")**

A supplier shall respect all IPRs, and protect relevant rights when transferring technology or expertise. It shall safely protect all information concerning SKI's affiliates, whose information it became aware of in transactions with these affiliates.

**D. Compliance with fair, transparent transactions**

A supplier shall comply with fair trade-related laws and may not engage in activities such as unfair trade practices which compromise fair trade.

**E. Protection of identity and prohibition of retaliation**

A supplier shall operate a reporting system guaranteeing anonymity and keep any relevant information confidential, so that workers may participate without fear of retaliation.

**F. Protection of personal information**

A supplier shall systematically manage and protect the personal information of all stakeholders (including suppliers, client companies, and employees). When collecting, keeping, processing, transmitting, and sharing personal information, it shall comply with laws on personal information protection and information security.

5. Responsible sourcing of Conflict Minerals

A supplier shall establish a policy not to use raw materials obtained through illegal, unethical methods (e.g., minerals extracted from armed forces-occupied mines, timber obtained from forest preservation areas and areas where logging is prohibited). A supplier must include a "conflict minerals" clause in the policy, and be able to guarantee that tantalum, tin, tungsten, and gold (3TG) contained in raw materials, chemicals, and products supplied to SKI affiliates do not directly or indirectly provide funds or benefits to armed forces that materially violate human rights in the Democratic Republic of the Congo and other African countries in conflict areas. A supplier shall conduct due diligence concerning 3TG minerals' place of origin and supply network, and when requested, expediently provide due diligence results, including information on the place of origin, refinery, and refining company for the 3TG minerals contained in the raw materials, chemicals, and products supplied to SKI's affiliates.

6. Management system

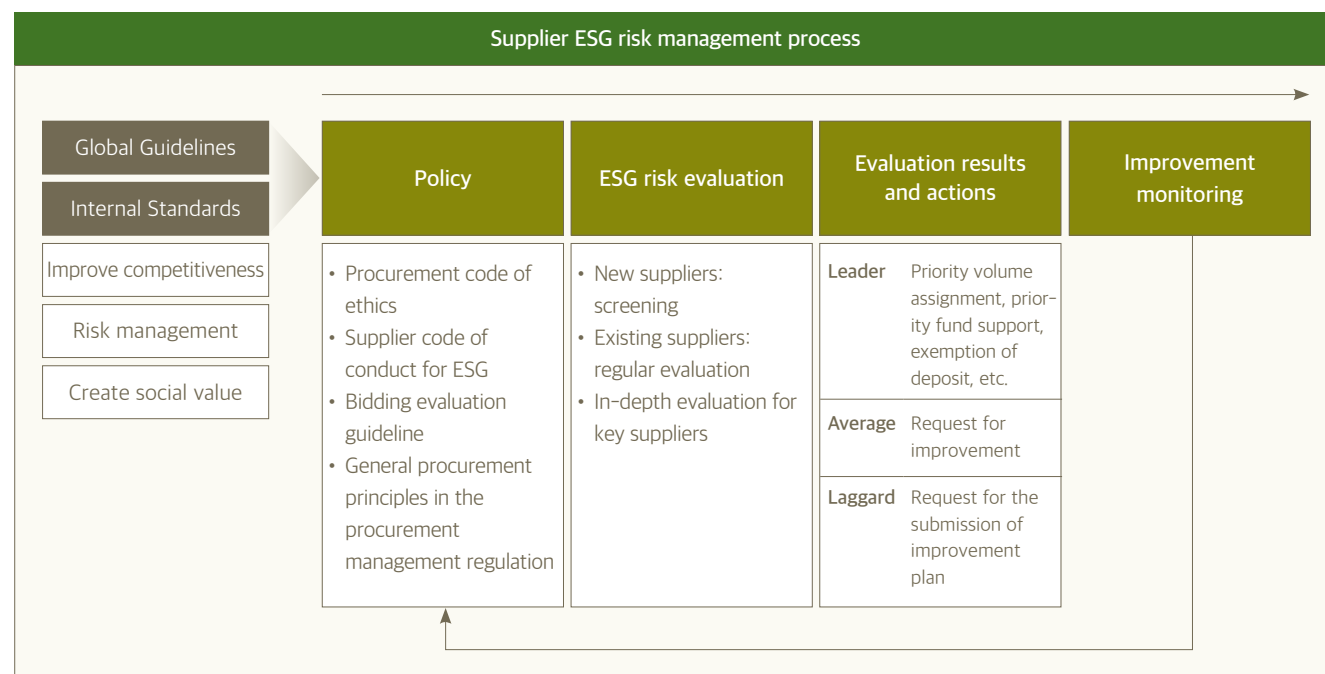
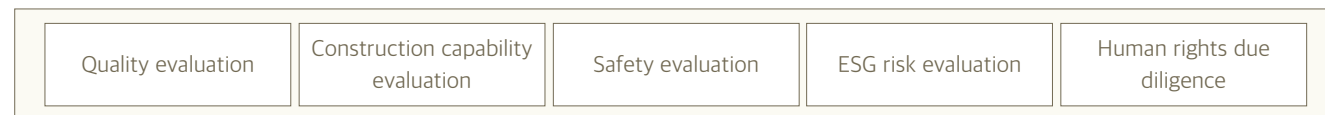
A supplier shall build its own management system and comply with the Code and applicable laws.

- A. Declare commitment to self-compliance
- B. Clarify management responsibility
- C. Recognize and monitor applicable laws and regulations and customers' requests
- D. Evaluate and manage operational risks relating to SHE, labor practices, and ethics
- E. Goal management and performance evaluation/compensation
- F. Run training/training programs for employees
- G. Employee feedback and engagement
- H. Record and manage documents in accordance with applicable laws and internal document management regulations

A supplier, to check whether the policy on transactions with SKI's affiliates is complied with, shall perform and manage periodic self-evaluation, disseminate the Code to sub-suppliers, and request compliance in this regard.

Periodic evaluation and monitoring of suppliers

For the efficient management of our suppliers, SK innovation affiliates conduct periodic evaluations. Supplier evaluation is divided into quality evaluations conducted after completion of works/services and periodic evaluations conducted in October of each year. Periodic evaluations cover those with business results in the relevant year. Also, aside from quality evaluations, construction capability evaluations, and safety evaluations, SK innovation affiliates conduct periodic human rights due diligence and ESG evaluations of key suppliers.



Activities for win-win cooperation

Classification	Key programs	2020 performance
Management support	<b>Recruitment fair for shared growth</b> <ul style="list-style-type: none"> <li>Participate in recruitment fair to support suppliers in hiring talented personnel.</li> </ul>	21 suppliers/ 122 hired in 2019 (cancelled in 2020 due to COVID-19)
Education support	<b>Ulsan CLX shared growth CEO seminar</b> <ul style="list-style-type: none"> <li>Special lectures on various areas such as SK innovation's procurement policy, latest business trends management, economics and humanities to CEOs of key suppliers.</li> </ul>	CEO from 170 suppliers
	<b>CEO seminar for shared growth</b> <ul style="list-style-type: none"> <li>Provide Biz. Insight to improve the sustainability of suppliers.</li> </ul>	CEO from 30 suppliers
	<b>Shared growth MBA course</b> <ul style="list-style-type: none"> <li>Training to strengthen the management capabilities of mid-level managers in suppliers with respect to strategy, accounting, finance, marketing, HR and organization.</li> </ul>	9 in 2019 (cancelled in 2020 due to COVID-19)
Financial support	<b>The Growth Mobile Academy</b> <ul style="list-style-type: none"> <li>Customized capacity building education including job-specific training, leadership and global courses for employees of suppliers</li> </ul>	2,204 people (178 suppliers)
	<b>Shared growth fund</b> <ul style="list-style-type: none"> <li>Support the efficient capital management of suppliers by providing operation/facility loans at low interest rate for top tier suppliers.</li> <li>Consists of the SK Group management shared growth fund, the SKI and SK E&amp;S shared growth fund and the SKGC shared growth fund.</li> </ul>	KRW 22.1 billion (total amount for 3 funds combined)
New technology and product promotion support for suppliers	<b>I-Step System (Technology sharing platform between suppliers and SK)</b> <ul style="list-style-type: none"> <li>Promote the newly developed technologies and products of suppliers through the I-Step channel to SK affiliates and other suppliers and apply them to sites after reviewing feasibility.</li> </ul>	4 cases in 2020 (52 cases in 2019)
Welfare support for employees of suppliers	<b>SK equipment supplier joint welfare fund</b> <ul style="list-style-type: none"> <li>Established the SK equipment supplier joint welfare fund in 2019 with the participation of 25 equipment suppliers</li> <li>Established and operated with 1% of base pay of Ulsan CLX employees, shared growth fund contributed by the company via a matching grant method and government subsidy totalling KRW 1.52 billion.</li> <li>In 2020, Onnuri vouchers worth KRW 100 million were provided to employees of 25 equipment suppliers and accident insurance packages were provided to 2,233 employees of our suppliers.</li> </ul>	
	<b>SK energy supplier shared growth fund</b> <ul style="list-style-type: none"> <li>This fund was established in 2018 and a total of KRW 9.77 million was provided to 22,000 employees of our suppliers by Feb. 2021.</li> </ul>	

## Safety and Health

### Guidelines for safety and health

SK innovation affiliates have established the operation of safe and healthy business sites as the most important policy for company management, and each year, through the signatures of the CEOs of SK innovation and our affiliates, we declare our commitment to safety and health management to our employees and stakeholders. SK innovation affiliates conduct safety-related activities and other necessary measures, such as installing safety facility and protection equipment necessary to protect employees and company properties from safety accidents, providing personal safety protection equipment, safety meetings, safety censorship, safety training, safety campaign events, etc.

### Industrial Safety and Health Committee

To deliberate and resolve matters on industrial safety, the work environment and health, we operate the Industrial Safety and Health Committee. The committee consists of up to 10 employees from labor and management respectively, including worker representatives and business site representatives and holds regular meetings quarterly. Its key deliberation/resolution matters are as follows.

#### Matters to be deliberated and resolved

1. Establishment of industrial accident prevention plans
2. Enactment and revision of safety and health management regulations
3. Safety and health training for workers
4. Inspection and improvement of the work environment (measuring work environment etc.)
5. Workers' health management (health check, etc.)
6. Investigation of the causes of material disasters and establishment of measures to prevent recurrence
7. Record-keeping of industrial accident statistics
8. In purchasing safety and health-related safety devices and protection equipment, checking whether they are qualified products

### SHE communication

SK innovation affiliates provide appropriate business site safety and health information and training regarding worksite risk elements (machine, electricity, chemicals, fire, physical risk elements, etc.), to which our employees are exposed, in the employees' native tongue or a language they can understand. Safety and health information is prominently posted in the facility, easily accessible by employees, and training is provided to all employees before work begins and also on a regular basis so that employees can enhance their safety awareness.

### Emergency response measures

SK innovation affiliates operate an emergency response system to identify potential events and accidents (fire, explosion, chemicals leakage, oil leakage, typhoon, storm, earthquake, and power outage) in advance and quickly respond to their occurrence. For speedy dissemination and response, we have established an emergency response organization in each business site and endeavor to prevent accident aggravation through early-stage response (install and operate safety equipment based on characteristics of the process). Also, we rate emergency responses (level 1 to level 5) by considering the extent of accident damage and the chance of aggravation, and in preparation for level 1 or 2 emergencies, we conduct joint emergency response training in all work sites on an annual basis.

### SHE+Q Certification Status

SK innovation affiliates enhance their safety credibility by obtaining related certifications. SK incheon petrochem has obtained KOSHA 18001 certification, which other affiliates are also planning to acquire.

Certification expiry date	ISO 9001	IATF 16949	ISO 14001	ISO 45001
SK innovation (Seosan)		2021.8.2	2022.12.23	2022.12.23
SK energy	2023.11.30		2023.11.8	
SK global chemical	2023.11.30		2023.6.12	
SK lubricants	2023.6.3		2021.6.17	
SK lubricants (Lubricants)		2021.6.10		
SK lubricants (Base oil)		2022.12.2		
SK Institute of Technology Innovation				2021.11.27
SK incheon petrochem	2023.11.30		2023.11.8	
SK ie technology		2023.12.28		

## Social Contribution

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

Business area	Expert group	Stakeholders
<b>Socioeconomic ecosystem</b>	<ul style="list-style-type: none"> <li>• Joyful Union and Operating Advisory Committee (by project phase) : Review, due diligence and evaluation</li> <li>• Academy of Social Enterprise: Analysis and advice on success factors for ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>• Social Enterprise Community (quarterly, communication as necessary using SNS): Capacity building training, business and product R&amp;D, diagnosis, analysis, PR, etc.</li> </ul>
<b>Solving environmental problems</b>	<ul style="list-style-type: none"> <li>• UN Environment Program (UNEP),</li> <li>• Asian Forest Cooperation Organization (AFoCo),</li> <li>• Biz N Biodiversity Platform (BNBP) : Mangrove project evaluation and case study</li> </ul>	<ul style="list-style-type: none"> <li>• Vietnamese public, private academia SV Alliance (four times a year): government, university, media, NGO, business partner</li> <li>• BNBP advisory committee (quarterly): advice on biodiversity issues</li> </ul>
<b>Supporting local community</b>	<ul style="list-style-type: none"> <li>• Community Chest of Korea (by project phase): Planning and evaluation of projects sponsored by the company</li> <li>• Social Welfare Dept. Faculty Advisory : Evaluation and advice on projects for elderly who live alone and life managers</li> <li>• Operating Committee of the Career Jump Up Class (quarterly): project evaluation and improvement</li> </ul>	<ul style="list-style-type: none"> <li>• Labor Council (quarterly): deliberation and evaluation of projects supported by the 1% Happiness Sharing Fund</li> <li>• Meeting on matters related to the elderly living alone (half-yearly): 27 senior welfare centers in the community</li> <li>• Meeting on matters related to developmental disorders (half-yearly): 33 special schools for students with disabilities</li> <li>• Ulsan local community council meeting and association activities (once a month)</li> <li>• Incheon local community council meeting (once a month): 3 neighborhoods</li> <li>• Incheon Hi Walk Together welfare council (quarterly): 5 places</li> <li>• Incheon stakeholder communication and exchange programs (10): Darakdarak CSR, inviting residents to cherry blossom festivals, etc.</li> <li>• Partner organizations: Single-Household Elderly Support Center, Korea Foundation for Persons with Disabilities, Heart Heart Foundation, Korea Childhood Leukemia Foundation, Able Welfare Foundation, etc.</li> </ul>



## Ethical management

Based on SKMS (SK Management System), SK innovation defines the Code of Ethics as the standard for correct behavior and value judgment that all employees have to follow, and in the Code of Ethics Guideline, presents specific standards of judgment. All employees of SK innovation affiliates have a duty to comply with the Code of Ethics. SK innovation affiliates have established a separate code of ethics for suppliers that maintain transactional or contractual relationships with them and recommend that suppliers comply in this respect.

### Code of Ethics

#### BASIC ETHICAL STANDARDS FOR EMPLOYEES

**“We take pride in ourselves as employees of the company, and diligently perform our duties with an understanding that we are always representing the company in our positions.”**

- We perform our duties in a fair and transparent manner by drawing a sharp line between public and private matters.
- We ensure that all employees have respect for one another and develop with a sense of achievement in their work.

#### ATTITUDE TOWARDS CUSTOMERS

**“We gain our customers’ trust by ensuring consistent customer satisfaction, and ultimately develop together with our customers.”**

- We make continuous efforts to provide our customers with the necessary products and services.
- We respect our customers’ various opinions, and reflect their opinions in our business management.
- We protect our customers’ information and property in accordance with the relevant laws/regulations and Company regulations.

#### RESPONSIBILITY FOR SHAREHOLDERS

**“We strive to increase our transparency and practice efficient management to increase our corporate value and thus create value for our shareholders.”**

- We maximize our corporate value through efficient management based on continuous innovation and share the results with our shareholders.
- We practice independent, transparent and responsible management centered on our board of directors and respect the demands and suggestions of our shareholders.
- We draw up management documents in accordance with laws/regulations and standards and publicly disclose them to protect shareholders’ interests in line with these laws/regulations.

#### OUR ROLE IN THE COMMUNITY

**“We not only contribute to economic development, but also grow together with our society by engaging in social activities to create social values.”**

- We strive for the happiness of society as a whole by actively pursuing social values.

- We build trust in our community, and develop and grow together with our community through the pursuit of disaster-free and ecofriendly management.
- We give fair trading opportunities to suppliers, do not engage in unfair practices based on our superior bargaining position, and seek mutual benefits and common development.
- We comply with local laws and respect the traditions and cultures of the communities in which we engage in business.

#### SCOPE OF APPLICATION

This Code applies to all employees of the Company and its affiliates (foreign or domestic). For those affiliates whose shares are partially owned by the Company and for those suppliers who are in business or maintain contractual relationships with the Company, we recommend that they comply with the Code.

#### Guidelines for the Code of Ethics

SK innovation’s Code of Ethics Guidelines aim to provide standards for decision-making and action in cases of ethical conflict that can occur during the execution of work, so that our employees can correctly understand and implement the Code of Ethics. The full text is available at SK innovation’s homepage.

#### Communicating ethical management

To strengthen the monitoring and status of ethical management, SK innovation affiliates operate communication channels including the ethics consultation office, ethical management website, etc., and receive reports and consultation requests on unethical behavior. Also, to promote ethical management communication with our employees, we operate an “ethical management” page on the intranet and publicly disclose key ethical issues encountered during work, as well as cases of discipline for unethical acts. As a communication channel where stakeholders can report unethical acts related to all of SK innovation affiliates’ management activities (those concerning human rights, SHE, supply chain management, information protection, etc.), the ethical management website handles reports through investigations, transfer of the matter to relevant departments, etc. For reports involving Code of Ethics violations, we hold discipline/HR committee meetings under our internal regulations. We also operate a whistle-blower protection program to ensure that no disadvantages are experienced by persons reporting unethical acts.

#### Compliance with ethics management and link to employee evaluation and compensation

SK innovation affiliates link the ethics management and compliance policy with employee evaluations and compensation to ensure that all employees strictly comply with ethics management. We are assessing our employees’ compliance with ethics management across evaluation items including ‘happiness creation (managers)’ and job ethics (technology supervisor, office support positions). The results of the evaluation are linked to employee compensation, such as annual salary and promotion every year. In case of a breach of ethics management and compliance, actions should be taken according to company regulations. Proposals for disciplinary actions against unethical behavior are collected through audit reports. The PL with authority determines the reasons for disciplinary action and decides whether to convene a Reward and Punishment Committee meeting or not. The level of disciplinary action is determined based on the deliberation and resolution of the chairman and members of the committee convened by HR Committee regulations, and disciplinary actions are classified into four types: reprimand, suspension from office, suspension from work and dismissal from office.

#### Voluntary fair trade compliance

To promote fair trade and enhance transaction transparency in corporate management activities, SK innovation affiliates operate the voluntary fair-trade compliance program. In selling our products, we strictly comply with fair trade laws. In the process of product promotion advertising and corporate PR, we do not make unfair indications or advertisements that are false, exaggerated, fraudulent, or slanderous, whilst we prohibit unfair changes in product prices or abuses of trade status, and do our utmost to protect our customers.

#### Department in charge

Audit Office, SK innovation

#### Website

<https://ethics.sk.co.kr/Kor/Report/ReportMain.aspx>

#### E-mail

[skinnovation.ethics@sk.com](mailto:skinnovation.ethics@sk.com)

#### Phone

080-020-6262

#### Fax

080-020-6272

#### Mail

SK innovation Co., Ltd.), 26  
Jongro, Jongro-gu, Seoul,  
SSK Building Audit Office  
(Personnel in charge of ethical  
management), South Korea

## Anti-corruption policy

SK innovation is committed to complying with all anti-corruption laws and regulations in the countries where we conduct business, and to promoting fair trade and competition. We comply with international conventions and domestic laws and regulations related to anti-corruption (including bribery and money laundry) , including the OECD Anti-Bribery Convention, United Nations Convention against Corruption, Foreign Corrupt Practices Act in the US, Bribery Act in the UK and the Act on Combating Bribery of Foreign Public Officials in International Business Transactions. For matters which can be interpreted as the violation of anti-corruption laws, employees must handle them based on sufficient consultation with the legal or ethics management departments, and should not make a decision based on their own interpretation.

### 1. Bribery and corruption

Employees of SK innovation affiliates shall not offer, accept, solicit, promise, deliver or allow such behavior under any circumstances. Employees or those acting on behalf of SK innovation shall not offer, promise, demand, deliver, or accept bribes or property benefits.

### 2. Government agencies and government officials

In accordance with the Improper Solicitation and Graft Act, improper solicitation should not be made to government officials performing their duties, and valuables, commitment to provide valuables or one's intention to provide such valuables should likewise not be made to government officials.

### 3. Policy on contributions, donations and sponsorships

Under the Political Funds Act and the SK innovation Code of Ethics Guideline, SK innovation affiliates are strictly prohibited from making political contributions, donations and sponsorships using the company's assets, budgets, etc. Our contributions, donations and sponsorships are made to the extent allowed by the applicable laws and social norms and only after approval under the relevant procedure is obtained. Regarding matters which might be interpreted as violations of applicable laws and company regulations, all employees shall have sufficient prior consultation with the legal affairs department or ethical management department, and the department concerned shall provide continuous training so that employees do not make decisions based on arbitrary interpretations. Details of all contributions and sponsorships are disclosed in our Sustainability Report.

#### 2020 Fair Trade Training Status

	Education title	Target
January	Fair Trade_Case-driven	New hires
February	Fair trade that office workers must know	Experienced employees
April	SKE Industrial Energy Business Department, Special Training SKI-affiliate Fair Trade Commission Disclosure Training	SKE Industrial Energy Business Department Persons in charge of preparing/managing the disclosure of subsidiaries and affiliated companies under SKI
July	Fair Trade Training for SKE Asphalt Business Department Fair trade that office workers must know Fair Trade Training for New Employees in 2020(7.27)	SKE Asphalt Business Department Experienced employees New hires
September	Fair Trade Training for SKE Retail Business Department	SKE Retail Business Department
October	Online Fair Trade Autonomous Compliance Training (Common) Online Subcontracting Advanced Training Fair Trade Training for SKE Logistics management office	All members of SKI affiliates SKI affiliate purchasing personnel and members related to subcontracting transactions SKE Logistics management office members
November	Fair Trade Online Training for Global Members Basic training for fair trade for experienced employees(9.10~11.23)	Global staff at SKI affiliates Experienced employees
December	Basic training for fair trade for experienced employees(12.1~)	Experienced employees

## Tax Strategy

### Tax Strategy

To ensure stability and growth, create value for stakeholders, and play a critical role in social and economic development, as well as to contribute to the happiness of mankind, SK innovation and our affiliates consider it a core value to perform our obligations in filing tax returns and faithfully paying taxes in accordance with the law, and to manage the various tax-related risks that occur over the course of our business activities.

1. SK innovation affiliates file tax returns and pay taxes in good faith, not only under the laws of the Republic of Korea but under those of the various countries where we engage in business activities. We discharge, in good faith, our obligations under the law as a taxpayer, including the submission of relevant materials, in transparent relations with individual countries' tax authorities.
2. SK innovation affiliates comply with domestic/overseas laws by evaluating and managing all tax risks which can occur from our business activities, including strengthening the competitiveness of existing businesses, reorganizing our businesses, and pursuing global growth and investment. During the evaluation and management of tax risks, if necessary, we make final decisions based on consultation with domestic/overseas tax experts and executive and legislative authorities.
3. In transactions with related parties, SK innovation affiliates adopt the principle of arm's length transactions under the OECD's Transfer Pricing Guidelines and individual countries' laws, and as for transfer pricing transactions with overseas-related parties, we transfer pricing reports with outside tax experts and manage the progress of the transactions.
4. Employees tasked with handling tax matters carry out their duties based on the principle of performing, in good faith, our obligation to file tax returns and pay taxes under applicable laws and maintain transparent relations with tax authorities.
5. We do not conduct transactions or contracts that transfer income between countries to take advantage of differences between different countries' tax laws or loopholes in international tax systems. Furthermore, we allocate taxable income in a manner that is consistent with the value generated through business activities in each country.
6. We do not use tax structures or tax havens that unfairly reduce our tax burden by taking advantage of differences between tax laws and tax treaties, loopholes, special tax treatment, or other flaws. We faithfully fulfill our duties to pay taxes on international transactions through a normal tax structure.

## Information protection

### Information security certification management

#### ISO/IEC 27001

SK affiliates acquired this certification for international standards on information protection systems, jointly defined by ISO and the International Electrotechnical Commission (IEC), for their global HR information, membership information, EnClean membership service, and battery business, for the first time in October 2019. Subsequently, we have maintained this certification and in October 2020, additionally expanded its scope to include our SKIE material business. In 2021, we are expanding the scope of certification with the goal of establishing an international standard information security certified system that includes our Hungarian subsidiary.

#### Information protection management system and personal information protection management system

This certification is conferred to companies after checking whether a company systematically conducts information protection and personal information protection activities. SK innovation has renewed and maintained the certification for our information security management service (ISMS) and SK energy's EnClean membership service (ISMS-P).

#### Information protection certification (TISAX)

SK innovation maintains certification related to our battery business based on information protection certification established by the German Association of the Automotive Industry (VDA).

# ESG DATA







# SOCIAL

## Employee

List	Type	Unit	2018	2019	2020								
					Total	SKI	SKE	SKGC	SKL	SKIPC	SKTI	SKIET	
Total workforce <sup>2)</sup>	Number of employees	Persons	6,584	7,036	7,351	2,339	2,777	1,037	268	617	119	194	
	Ratio	%	100	100	100	100	100	100	100	100	100	100	
By employment type	Full-time employees	Persons	6,353	6,621	6,921	2,240	2,498	1,029	259	595	117	183	
		%	96.5	94.1	94.2	95.8	90	99.2	96.6	96.4	98.3	94.3	
	Non-regular workers	Persons	231	415	430	99	279	8	9	22	2	11	
		%	3.5	5.9	5.8	4.2	10	0.8	3.4	3.6	1.7	5.7	
By gender	Male	Persons	5,808	6,173	6,400	1,798	2,603	947	224	583	88	157	
		%	88.2	87.7	87.1	76.9	93.7	91.3	83.6	94.5	73.9	80.9	
	Female	Persons	776	863	951	541	174	90	44	34	31	37	
		%	11.8	12.3	12.9	23.1	6.3	8.7	16.4	5.5	26.1	19.1	
Employee status by category <sup>1)</sup>	Management <sup>3)</sup>	Male	Persons	2,211	2,427	2,720	1,380	701	250	112	111	68	98
		%	91.6	90.8	85.9	79.1	96.7	90.3	96.6	94.9	87.2	90.7	
	Female	Persons	202	247	445	364	24	27	4	6	10	10	
		%	8.4	9.2	14.1	20.9	3.3	9.7	3.4	5.1	12.8	9.3	
Executive	Male	Persons	151	165	178	95	38	21	10	5	6	3	
		%	96.2	95.9	95.2	92.2	100	95.5	100	100	100	100	
	Female	Persons	6	7	9	8	-	1	-	-	-	-	
		%	3.8	4.1	4.8	7.8	0	4.5	0	0	0	0	
By age	Under 30	Persons	661	848	1,361	413	391	443	29	39	15	31	
		%	10	12.1	18.5	17.7	14.1	42.7	10.8	6.3	12.6	16	
	30 to 50	Persons	3,612	3,621	3,741	1,690	882	499	124	324	84	138	
		%	54.9	51.5	50.9	72.3	31.8	48.1	46.3	52.5	70.6	71.1	
	50 and over	Persons	2,311	2,567	2,249	236	1,504	95	115	254	20	25	
		%	35.1	36.5	30.6	10.1	54.2	9.2	42.9	41.2	16.8	12.9	
Employee diversity	Minority	Disabled	Persons	96	235	139	21	46	32	12	17	1	10
		%	1.5	3.4	1.9	0.9	1.7	3.1	4.5	2.8	0.8	5.2	
	Patriots and veterans	Persons	300	310	285	48	126	68	11	30	0	2	
		%	4.6	4.4	3.9	2.1	4.5	6.6	4.1	4.9	0	1	
Use of Childcare Leave and Rate of Return	Number of employees who used childcare leave	Male	Persons	5	10	10	6	1	2	1	-	-	
		Female	Persons	62	83	66	36	9	11	3	4	3	
	Number of employees returning from childcare leave who worked at least 12 month following return	Male	Persons	3	4	5	2	-	2	-	-	1	
		Female	Persons	43	45	54	25	11	9	2	3	4	
Labor Union Registration Rate	Labor union membership	Persons	-	2,901	2,945	168	1,566	647	85	465	-	14	
	Ratio of labor union membership	%	45.5	41.2	39.4	6.9	56.3	62	31.5	75.1	-	7.1	
	Ratio of collective bargaining applied	%	100	100	100	100	100	100	100	100	100	100	

1) Advisors excluded 2) Local recruited employees at overseas business sites excluded 3) Manager or higher position

## New employment

Type	Unit	2018	2019	2020							
				Total	SKI	SKE	SKGC	SKL	SKIPC	SKTI	SKIET
Number of employees recruited on a rolling basis	Persons	234	265	304	225	15	9	8	14	3	30
Number of employees hired through open recruitment	Persons	323	384	321	157	146	4	3	2	3	6

1) Percentage of open positions filled by internal hires in 2020 : 52%

## Education Performance

Type	Unit	2018	2019	2020							
				Total	SKI	SKE	SKGC	SKL	SKIPC	SKTI	SKIET
Total education hours	Hours	583,149	674,340	380,848	144,054	53,943	23,790	26,587	16,952	28,166	
Education hours per employee	Hours	91.9	83.2	90.1	156	52	52	88	43	139	143
Total education expense	KRW million	22,522	23,760	13,304	5,733	1,943	823	766	561	629	
Education expense per employee	KRW million	3.43	3.21	3.17	5.43	2.06	1.86	3.05	1.24	4.6	3.19

## Employee engagement rate

List	Unit	2018	2019	2020	
Total	Points	93	94	98	
Gender	Male	Points	94	95	98
	Female	Points	85	85	96
Scope of data	%	100	100	100	

## Ethics Training Performance

List	Type	Unit	2018	2019	2020	
Ethics Training Performance	Offline Training	Training Hours	Hours	991	373	233
		Participants	Persons	1,533	449	279
	Online Training	Training Hours	Hours	2,185	3,574	3,804
		Participants	Persons	6,556	7,147	7,608
Reports · Consultation on Ethics Management by Stakeholder	Customer			13	17	23
		Report		-	-	-
	Type	Consultation		-	-	-
		Complaint		13	17	23
	Business Partner			22	17	16
		Report		19	14	9
	Type	Consultation		2	1	7
		Complaint		1	2	-
	Employee			6	3	9
		Report		6	2	4
Type		Consultation		-	1	5
		Complaint		-	-	-
Others, unknown		Case	20	30	46	
	Report		15	16	12	
	Type	Consultation		5	7	34
		Complaint		-	7	-
Reports on Ethics Management by Processing Method	Investigation (Audit)		31	24	14	
	Transferred to Relevant Department		27	43	43	
	Other(non-verifiable, rejected)		3	67	37	
Status of Disciplinary Action for Breach of Ethics Management	Sexual Harassment		2	3	2	
	Breach of Code of Ethics		7	6	11	
	Breach of Regulation on SHE		3	1	10	
	Job Negligence		6	8	4	
	Illicit outflow of corporate assets/Embezzlement		-	-	4	
Total			18	18	31	

## Customer

### Customer and Quality Management<sup>1)</sup>

List	Type	2018	2019	2020
Customer satisfaction Index	KCSI	Korea Management Association Consulting	Ranked No.1	Ranked No.1 (for 10 consecutive years)
	K-BPI	Korea Management Association Consulting	Ranked No.1	Ranked No.1 (for 22 consecutive years)
Brand Index	NBCI	Korea Productivity Center	Ranked No.1	Ranked No.1 (for 17 consecutive years)
	KS-PBI	Korean Standards Association	Ranked No.1	Ranked No.1 (for 8 consecutive years)

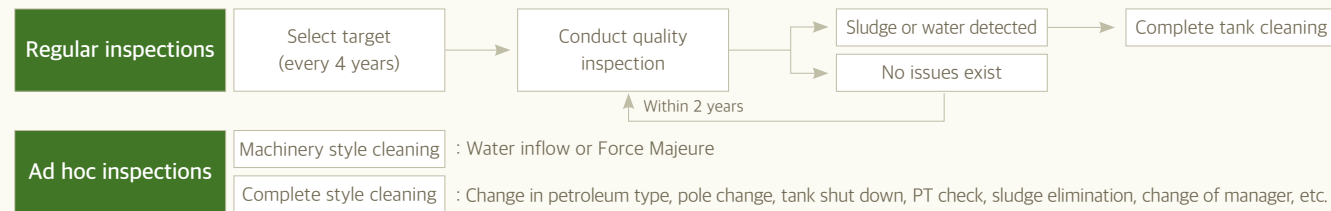
1) For SK energy

List	Type	Unit	2018	2019	2020
Customer complaint processing	Number of complaints	Number	3,031	2,480	3,231
	Complaints process rate	%	100	100	100
Quality inspection	Service station quality inspection	Number	11,998	11,359	11,548
Corporate data and customer personal information protection	Number of corporate data and personal information leakages <sup>1)</sup>	Cases	-	-	-

1) media report related

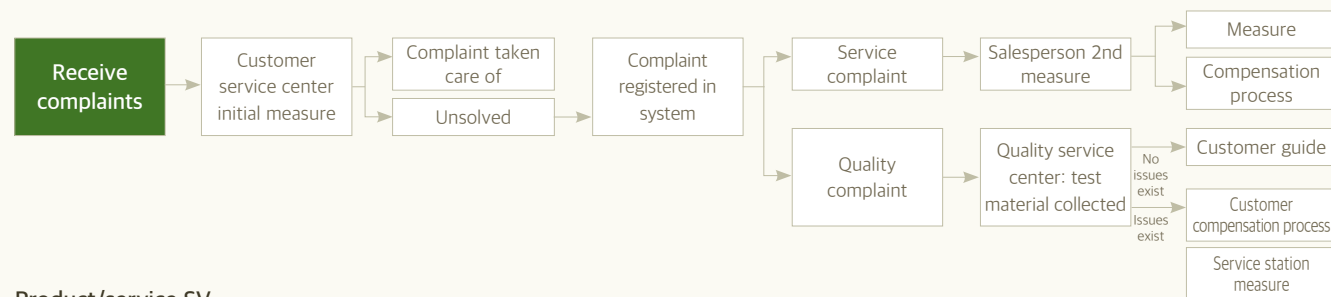
### Product Quality Control Process

SK energy conducts regular quality inspections to manage quality at the point of contact with customers. We clean out all tanks in the relevant service stations if we detect water or sludge during our periodical quality checks. In addition, when cleaning is necessary, excluding inspection periods, we conduct machinery style or complete tank cleaning on an ad hoc basis to improve customers' trust in our quality.



### Registration Process of Customer Complaints

Our rule is to solve customer complaints on the day of occurrence. We developed a system to share our process (CCS) so that complaints are categorized into service or quality and promptly sent to the relevant staff for processing.



### Product/service SV

List	Type	Unit	2019	2020							
				Total	SKI	SKE	SKGC	SKL	SKIPC	SKTI	SKIET
Product/service SV creation (total)	Environment and social areas	KRW billion	2,924	2,482	167	348	881	941	47	82	17

## Suppliers

### Supplier indicators

List	Type	Unit	2018	2019	2020	Notes
Cost of goods purchased	Cost of Goods Purchased	KRW billion	16,654	22,088	28,971	
	Cost of goods purchased from local suppliers	KRW billion	8,485	13,376	18,054	
	Local supplier ratio of cost of goods purchased	%	51	61	62	
Supplier ESG risk management	Ratio of supplier which received ESG risk assessment	%			100	
	Number of suppliers which took improvement actions	Cases			64	

### 2020 Cost of Goods Purchased by Item

List	Type	Unit	Construction equipment	Construction workforce	Raw materials and submaterials
Cost of goods purchased in 2020	Purchase amount	KRW billion	4,507	9,575	14,890
	Purchase ratio	%	15.6	33.1	51.4

## Safety

### Industrial Accidents

Type	Unit	2018	2019	2020							
				Total	SKI	SKE	SKGC	SKL	SKIPC	SKIET	
Number of fatalities	Employees	Number	0	0	0	0	0	0	0	0	0
	Suppliers	Number	0	0	0	0	0	0	0	0	0
	Total	Number	0	0	0	0	0	0	0	0	0
Lost time incident rate	Employees	Incident per 1 million work hours	0.3	0.93	0.34	0.45	0.35	0	0	0.78	0
	Suppliers	Incident per 1 million work hours	1.09	0.76	1.06	0.89	0.98	0.48	0	4.28	1.43
	Total	Incident per 1 million work hours	0.78	0.81	0.75	0.7	0.7	0.31	0	2.45	1.16
Total recordable incident rate	Employees	Incident per 1 million work hours	0.67	1.36	0.87	0.67	1.04	1.34	0	0.78	0
	Suppliers	Incident per 1 million work hours	1.09	1.17	1.76	1.79	1.27	1.19	0	5.14	3.57
	Total	Incident per 1 million work hours	0.93	1.23	1.38	1.29	1.17	1.24	0	2.86	2.9
Occupational illness	Cases		0	1	0	0	0	0	0	0	0
Occupational illness frequency rate	Incident per 1 million work hours		0.07	0.07	0	0	0	0	0	0	0
Industrial accident rate of employees <sup>1)</sup>	%		0.04	0.06	0.05	0.09	0.04	0	0	0.16	0
Fatality cases	Persons		0	0	0	0	0	0	0	0	0
Fatality rate of employees	%		0	0	0	0	0	0	0	0	0

1) Based on the report of the Occupational Safety and Health Act (number of accidents/total number of employees)x100

Lost Time Incident Rate (LTIR)

List	Type	2018	2019	2020								
				Total	SKI	SKE	SKGC	SKL	SKIPC	SKTI	SKIET	
Employee LTIR	Lost Time Incident Rate(LTIR)	Incident per 200 thousand hours	0.06	0.186	0.067	0.09	0.069	-	-	0.156	-	-
	Lost Time Incidents (LTI)	Cases	4	13	5	2	2	-	-	1	-	-
	Total number of hours worked	Hours	13,354,656	13,952,825	14,886,959	4,446,240	5,764,357	2,239,289	595,572	1,284,051	231,932	325,518
Suppliers LTIR	Lost Time Incident Rate(LTIR)	Incident per 200 thousand hour	0.217	0.152	0.211	0.179	0.197	0.095	-	0.856	-	0.286
	Lost Time Incidents (LTI)	Cases	23	24	21	5	7	2	-	5	-	2
	Total number of hours worked	Hours	21,171,845	31,497,066	19,861,769	5,594,935	7,106,662	4,196,216	395,277	1,167,633	-	1,401,046

Process Safety

List	Type	2018	2019	2020							
				Total	SKI	SKE	SKGC	SKL	SKIPC	SKIET	
Unplanned Capacity Loss (UCL)	%	0.077	0.39	0.222	0	0.179	0.076	0	0.555	0	
Process-related Accidents (Tier 1)	Incident per 1 million work hours	0.09	0.04	0.06	0	0.16	0	0	0	0	

Industrial Safety Training Hours

List	Type	2018	2019	2020							
				Total	SKI	SKE	SKGC	SKL	SKIPC	SKIET	
Industry safety training hours	Hours	56,873	108,658	63,737	30,400	7,781	5,510	3,910	13,972	2,164	
Average industry safety training hours	Hours	8.6	15.4	8.7	13.3	2.7	5.6	12.7	22.2	18.3	

- Lost Time Incident Rate (LTIR): Number of lost time incidents x1,000,000/Total number of work hours
- Occupational Illness Frequency Rate (OIFR): Number of occupational illness occurred x1,000,000/Total number of work hours
- Industrial Accident Rate (based on the Enforcement Decree of the Occupational Safety and Health Act): (Number of industry hazards/Total number of employees) x100
- Total Recordable Incidents Rate (TRIR): Total number of recordable incidents x1,000,000/Total number of work hours

Local Community

Social Contribution Activities

List	Type	Unit	2018	2019	2020
Social Contribution Activities	Social Contribution expense		349	602.2	183.4
	By Category	Cash contributions	345.7	571.2	158.3
		In-kind giving	3.5	0.5	0.6
		Employee volunteering during paid working hours	16.3(49,167 hours)	16.4(47,291 hours)	5.3
		Management overheads	16.1	12.6	19.1
Local community investment ratio		%	70	66	10

Performance of Volunteer Groups

List	Type	Unit	2018	2019	2020							
					Total	SKI	SKE	SKGC	SKL	SKIPC	SKTI	SKIET
Performance of volunteer groups	Number of activities	Case	13,655	13,039	6,205	1,656	2,300	557	304	1,209	58	121
	Hours	Hours	49,168	47,291	13,525.50	4,267.00	4,460	942	577	2,846	130	304.5
	Number of volunteer teams	Teams	71	70	67	17	28	8	4	7	1	2
	Participants	Persons	5,832	6,000	3,665	1,295	1,228	280	171	557	45	89

Major Donations

2018		2019		2020	
Beneficiary organization	Programs	Beneficiary organization	Programs	Beneficiary organization	Programs
Shinseok Foundation	Establishment of foundation	Development Fund for Vietnamese SMEs	Fund Donation (USD 30 million)	CSES	Business Fund
CSES	Establishment of foundation	CSES	Establishment and projects	Chey Institute for Advanced Studies	Business Fund
CHEY	Establishment of foundation	Chey Institute for Advanced Studies	Business Fund	The Korea Foundation of Advanced Studies	Business Fund
The Happiness Foundation	Happy alliance to help strong earthquake hit area in Sulawesi, Indonesia, help children who skip meals	The Korea Foundation of Advanced Studies	Business Fund	The Happiness Foundation	Business Fund
The Korea Foundation of Advanced Studies	Academic support and nurturing of excellent talents	The Happiness Foundation	Business Fund	Community Chest of Korea	Donation for needy neighbors at the end of year Hope20
Community Chest of Korea	Donation for needy neighbors at the end of year	Community Chest of Korea	Donation for needy neighbors at the end of year	Yeonsei University Social Innovation Center	Nurturing talent in social innovation area
Seoul National University	Donation of idle research equipment	Seoul National University	Establishment of Library	KOFCA	Support for Industrial 4.0 Innovation
KOFCA	Support for Industrial 4.0 Innovation	KOFCA	Support for Industrial 4.0 Innovation	KOGAS	Equipment supply
Korean Red Cross	Laos flood recovery support	Korea Microcredit Joyful Union	Contest for Environmental Enterprises and Establishment Fund	Korea Microcredit Joyful Union	Establishment Fund for Environmental Enterprises
Pro-synergy	Operation of Yacheywasi, an Agricultural Social Enterprise	Pro-synergy(Peru)	Operation of Yacheywasi, an Agricultural Social Enterprise	Pro-Synergy	Operation of Yacheywasi, a Social Enterprise in Peru
SEN	Support the establishment of social enterprise	Dream Sharing	Support for social enterprise establishment	World Economic Forum	Annual membership fee
UNEP National Committee for the Republic of Korea	Mangrove tree planting	Incheon Metropolitan City	Giving back the reduced water bills to society	Ulsan University	Scholarship
Children's Foundation	Finding missing children	Korea Foundation for Support of the Senior Citizen in need	Programs	Suppliers (many)	Joint worker's welfare fund
Work Together Foundation	Project to boost society and economy	KOA CHOIR	Programs	Happy Dosirak Coop	Providing Dosirak (lunch-box) to poor families
Houston RICE University/ Ho Chi Minh University	Scholarship	Korea Volunteer Corps for Education	Sponsorship	Iran, Peru, Daegu Gyeongbuk area	Emergency relief to overcome COVID-19

# CORPORATE GOVERNANCE

## Stock Ownership

(As of December 31, 2021)

Type	Shareholder	No. of Shares Owned	Shareholding ratio	Note
Shareholders with 5% stake or above	SK holdings	30,883,788	33.40%	Largest shareholder
	National Pension Service	7,689,076	8.29%	-
Employees' stock ownership association		-	-	-

## Basic Information Concerning the Majority Shareholder

(As of December 31, 2021)

Shareholder Name	No. of investors	CEO		Executor (partner)		Largest shareholder	
		Name	Stake(%)	Name	Stake(%)	Name	Stake(%)
SK holdings	119,628	Chey Tae-won	18.44	-	-	Chey Tae-won	18.44
		Jang Dong-hyun	-	-	-	-	-
		Park, Sung-ha	-	-	-	-	-

## Voting Rights

(As of December 31, 2021)

Type	Type of Stock	No. of Shares	Note
Total number of shares issued (A)	Common stock	92,465,564	-
	Preferred stock	1,248,426	-
Number of shares without voting rights (B)	Common stock	10,130,137	Article 369, Paragraph 2 of the Commercial Law
	Preferred stock	1,248,426	-
Number of shares exempted from voting rights by the articles of incorporation (C)	Common stock	-	-
		-	-
Number of shares exempted from voting rights by other laws (D)	Common stock	-	-
	Preferred stock	-	-
Number of shares for which voting rights were reinstated (E)	Common stock	-	-
		-	-
Number of shares with voting rights (F=A-B-C-D+E)	Common stock	82,335,427	-
	Preferred stock	-	-

## Governance indicators

List	Type	Unit	2018	2019	2020
Status of BOD	Composition	Total	8	8	8
		Internal directors	3	3	3
		Independent directors (non-executive)	5	5	5
		Female directors		1	1
Status of BOD	Attendance Rate	Total	96	95	99
		Internal directors	95	90	100
		Independent directors (non-executive)	96	97	99
	Meetings held	Number	14	14	13
Status of Committees under BOD	Audit Committee	Meetings held	6	6	6
		Agenda	28	20	26
	Recommendation and Nomination Committee	Meetings held	2	2	2
		Agenda	2	3	2
	Strategic Planning & risk Management Committee	Meetings held	4	4	5
		Agenda	6	5	8
	Human Resources Committee	Meetings held	2	2	2
		Agenda	6	5	8
	Transparent Management Committee	Meetings held	8	4	3
		Agenda	15	8	6
	CSR Committee	Meetings held	1	1	0
		Agenda	3	2	0

## Attendance Rate<sup>1)</sup>

Position	Position	Appointment (reappointment date)	Attendance Rate(%)	Meetings attended	Meetings held
Independent Director	Kim Jong-hoon	2017.3 (2020.3 reappointed)	100%	13	13
	Kim Jung-gwan	2018.3	92%	12	13
	Kim Joon	2016.3 (2019.3 reappointed)	100%	13	13
	Choi Woo-seok	2018.3	100%	13	13
	Ha Yun-kyong	2016.3 (2019.3 reappointed)	100%	13	13
CEO	Kim Jun	2017.3 (2020.3 reappointed)	100%	13	13
Non-executive Director	Yu Jeong-joon	2017.3 (2020.3 reappointed)	100%	13	13
Internal Director	Lee Myung-young	2019.3	100%	13	13
	Total		99%	13	13
	Independent Director		99%	12.8	13

1) Attendance rate of Jan.2020~Dec. 2020

## Tax Indicator

Type	Unit	2018 <sup>1)</sup>	2019	2020	Average (notes)
Earnings before tax	KRW million	2,420,374	376,459	-3,027,281	Income Statement
Nominal tax paid	KRW million	710,390	310,684	-628,120	Income Statement
Nominal tax rate	%	29.4	82.5	20.7	
Effective tax paid	KRW million	732,514	528,960	190,372	Corporate tax paid
Effective tax rate	%	30.3	140.5	-6.3	
Nominal tax amount vs. effective tax amount		-22,124	-218,276	-818,492	
Difference in reversion period		-163,196	-448,984	-1,020,601	
Permanent difference		6,240	-175	-22,046	
Tax amount exemption and reduction difference	KRW million	101,265	92,669	54,942	
Changes deferred tax without feasibility		103,350	128,676	-108,359	
Other differences		-69,783	9,538	277,572	

1) 2018 Data Recalculated

## Corporate Tax Payment

List	Type	Unit	2020			
			Revenue	Operating profit	Taxes and public utilities	Corporation tax
By country	Korea		438,479	-7,564	194	1,315
	Netherlands		5,058	24	2	6
	USA		33,268	-313	26	122
	Spain		5,140	165	2	40
	Singapore		160,889	786	-	99
	UK		12,772	47	1	3
	Indonesia		-	-	-	-
	Japan		4,695	23	1	9
	China	KRW 100 million	16,235	-90	21	125
	Russia		449	23	-	-
	France		1,668	48	-	-
	Other		-340,585	-18,714	26	122
	Total		682,231	-6,974	262	1,716
By region	Korea		438,479	-7,564	194	1,315
	Asia		181,818	710	28	243
	Europe		28,665	193	14	36
	Other		33,268	-313	26	122
	Total		682,231	-6,974	262	1,716

## Contributions for Membership Associations and Groups<sup>1)</sup>

List	Type	Unit	2018	2019	2020
	Total annual contribution		3,001	3,072	2,517
Contributions for Membership Associations and Groups	Major groups	Korea Petroleum Association	1,491	1,460	1,503
		Korea Chamber of Commerce and Industry (Ulsan)	327	329	140
		Korea Petrochemical Industry Association	152	152 <sup>1)</sup>	143
		Korea Oil Association	286	285	287
		Korea Chamber of Commerce and Industry (Seoul)	215	244	56
		Korea Chemical Industry Council	26	26	26
		Korea Oil Station Association	14	14	10
	Other groups			662	

1) Data for 2018 and 2019 were recalculated due to error in existing data.

# Financial Statements

## Consolidated Financial Statements

(Unit: KRW thousand)

Classification	2018	2019 <sup>1)</sup>	2020
<b>Assets</b>			
Total Current Assets	16,634,727,479	17,353,628,236	13,295,062,788
Cash and cash equivalents	1,825,558,285	2,196,001,396	2,940,661,256
Short-term financial instruments	2,671,963,400	2,376,093,788	1,970,641,924
Trade accounts receivable	4,413,854,740	4,138,301,739	2,506,203,681
Long-term investment securities	2,591,171	1,051,171	231,991
Short-term loans	43,550,898	34,480,166	53,555,795
Other accounts receivable	683,702,009	749,512,768	413,696,779
Accrued income	5,083,257	5,183,656	2,125,108
Advance payments	470,726,025	402,684,301	525,962,007
Prepaid expenses	46,792,972	50,097,240	54,281,908
Current tax assets	9,266,155	15,919,531	8,198,069
Guarantee deposits	171,798,101	123,852,149	118,408,824
Derivative financial assets	72,206,845	34,458,260	60,025,134
Inventories	6,151,889,697	6,495,210,174	3,878,354,885
Assets classified as held for sales	65,500,000	729,486,873	751,142,937
Other current assets	243,924	1,295,024	11,572,490
Total Non-current Assets	19,218,655,034	22,180,871,806	25,203,083,318
Long-term financial instruments	4,720,012	4,615,948	4,384,276
Long-term trade accounts receivable	78,836		
Long-term investment securities	333,183,684	369,486,521	301,334,947
Investments in associates and jointly controlled entities	2,881,803,332	3,495,069,938	3,865,503,746
Long-term loans	196,242,473	403,691,278	126,507,286
Long-term other accounts receivable	12,857,090	8,455,857	10,572,285
Property, plant and equipment	13,685,031,864	15,417,502,948	17,878,169,500
Right-of-use assets		1,123,623,397	1,112,437,782
Goodwill and Intangible assets	2,005,923,554	1,173,472,792	1,223,880,958
Investment properties			135,713,700
Long-term guarantee deposits	42,565,096	83,566,701	98,581,646
Derivative financial assets	8,502,747	40,828,407	13,628,851
Deferred income tax assets	23,934,019	41,740,920	416,922,618
Other non-current assets	23,812,327	18,817,099	15,445,723
Total Assets	35,853,382,513	39,534,500,042	38,498,146,106
<b>Liabilities</b>			
Total Current Liabilities	8,866,633,214	10,457,238,112	11,014,841,497
Short-term borrowings	153,742,080	1,131,974,169	1,530,278,833
Trade accounts payable	4,588,331,578	4,928,198,197	2,764,353,466
Other accounts payable	465,067,560	529,313,420	2,015,222,011

(Unit: KRW thousand)

Classification	2018	2019 <sup>1)</sup>	2020
Accrued expenses	1,341,253,207	1,470,407,321	1,949,348,862
Advance received	117,420,458	145,159,282	264,410,004
Withholdings	642,579,054	705,518,790	643,012,156
Current tax liabilities	220,772,167	83,390,901	57,750,354
Current portion of long-term debt	1,213,849,009	1,155,413,760	1,476,031,539
Current lease obligations	20,509	223,202,897	232,768,357
Current leasehold deposits received	12,357,819	11,569,721	8,699,034
Current derivative financial liabilities	55,846,355	14,065,053	25,552,425
Liabilities for sale		7,865,246	35,750,968
Other current liabilities	55,393,418	51,159,355	11,663,488
Total Non-current Liabilities	7,812,495,075	10,864,044,772	12,024,839,526
Bonds payable and long-term borrowings	6,646,149,336	8,843,635,957	10,630,423,397
Lease obligations	3,876	937,875,544	882,417,539
Other accounts payable	12,590,361	6,179,602	11,772,206
Retirement benefit obligation	77,883,773	48,592,812	96,327,896
Long-term provisions	118,805,835	132,027,862	130,311,683
Leasehold deposits received	10,020,252	11,280,590	11,965,225
Non-current derivative financial liabilities		687,454	26,826,382
Financial guarantee liabilities	721,035	252,275	1,790,423
Deferred income tax liabilities	946,255,025	883,444,765	200,067,275
Other non-current liabilities	65,582	67,911	32,937,500
Total Liabilities	16,679,128,289	21,321,282,884	23,039,681,023
<b>Equity</b>			
Equity Attributable to the owners of the Company	18,122,637,176	17,468,081,248	14,539,976,348
Capital stock	468,569,950	468,569,950	468,569,950
Other paid-in capital	4,628,540,029	4,629,395,914	4,309,708,450
Retained earnings	12,928,527,378	12,175,219,414	9,891,253,221
Other capital components	96,999,819	194,895,970	-129,555,273
Non-controlling interests	1,051,617,048	745,135,910	918,488,735
Total Equity	19,174,254,224	18,213,217,158	15,458,465,083
Total Liabilities and Equity	35,853,382,513	39,534,500,042	38,498,146,106

1) Changes in the number due to the reclassification of accounts following the final completion of the PPA procedure.

## Consolidated Statements of Comprehensive Income

(Unit: KRW thousand)

Classification	2018	2019	2020
Sales	53,566,083,398	49,306,938,167	34,164,529,332
Cost of Sales	49,835,521,618	46,343,939,436	34,642,971,373
Gross Profit	3,730,561,780	2,962,998,731	-478,442,041
Selling and Administrative Expenses	1,839,740,522	1,849,352,429	2,090,353,574
Operating Income	1,890,821,258	1,113,646,302	-2,568,795,615
Financial income	3,145,780,559	2,669,449,892	3,744,096,174
Finance costs	2,912,334,128	3,220,550,264	3,937,088,145
Gain related to investments in associates and jointly controlled entities, net	155,164,442	54,208,955	-28,563,253
Other non-operating income	107,535,992	117,736,177	106,705,393
Other non-operating expenses	207,437,510	233,947,471	186,192,966
Income from Continuing Operation before Income Tax Expense	2,179,530,613	500,543,591	-2,869,838,412
Income Tax Expense	641,342,213	255,618,524	-628,120,307
Income from Continuing Operations	1,538,188,400	244,925,067	-2,241,718,105
Income from Discontinued Operations	160,858,523	-179,150,477	94,979,504
Net Income	1,699,046,923	65,774,590	-2,146,738,601
Attributable to Owners of the Company	1,651,140,324	-35,740,135	-2,172,768,809
Attributable to Non-controlling interests	47,906,599	101,514,725	26,030,208
Other Comprehensive Income	106,877,872	84,874,262	-310,433,469
Items not reclassified subsequently to profit or loss	-32,060,033	-50,892,149	-12,816,972
Remeasurement of defined benefit plan	-19,519,151	-11,812,966	3,605,754
Net change in fair value of financial assets measured at FVTOCI	-12,771,446	-37,870,260	-18,073,373
Net gain (loss) on translation of foreign operations	230,564	-1,208,923	1,650,647
Items reclassified subsequently to profit or loss	138,937,905	135,766,411	-297,616,497
Net change in fair value of financial assets measured at FVTOCI	49,592	212,017	225,303
Equity adjustments of investments in associates and jointly controlled entities	58,819,987	54,245,404	-81,436,526
Net gain (loss) on translation of foreign operations	71,897,840	88,971,192	-187,159,321
Net change on valuation of derivative financial instruments	8,170,486	-7,662,202	-29,245,953
Total Comprehensive Income	1,805,924,795	150,648,852	-2,457,172,070
Attributable to Owners of the Company	1,757,787,632	50,343,050	-2,484,858,850
Attributable to Non-controlling interests	48,137,163	100,305,802	27,686,780
Earnings Per Share			
Basic earnings per share	18,264	-434	-25,729
Basic earnings per share of preferred stocks	18,314	1,600	-25,729
Basic earnings per share from continuing operations	16,484	1,625	-26,853
Basic earnings per share of preferred stocks from continuing operations	16,534	1,675	-26,853

## Business Performance

### Distribution of Economic Value

List	Type	Unit	2018	2019	2020	
Economic	Corporation	R&D <sup>1)</sup>	2,336	2,275	2,536	
		Acquiring tangible assets <sup>2)</sup>	12,863	27,101	39,243	
	Investors	Dividend payout	8,222	2,647	-	
Social	Employees	Employee compensation <sup>3)</sup>	KRW 100 million	13,034	10,506	12,378
	Suppliers	Goods purchased for suppliers		16,654	22,088	28,971
	Local communities	Investment for social contribution		349	601	159
	Government	Corporate tax payment <sup>4)</sup>		7,325	5,290	1,904

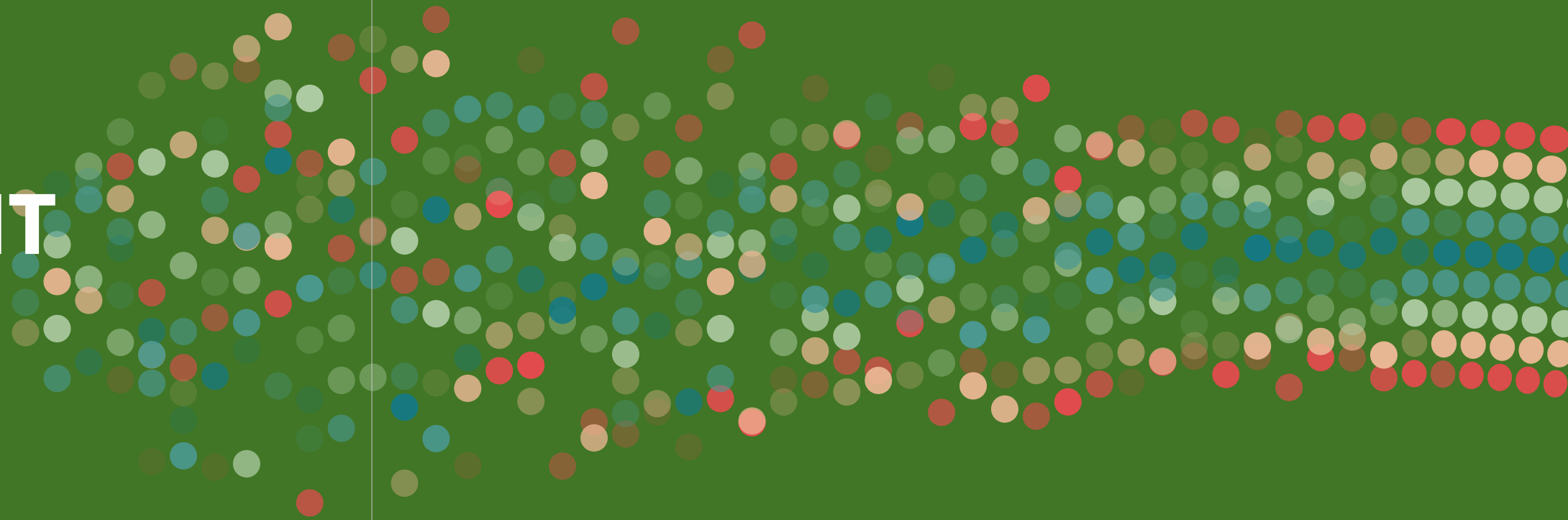
1) Based on Annual Report 2020

2) Based on each year's consolidated audit report, note 10-(2) refers to items in book value of tangible assets labeled "Acquired"

3) Based on each year's consolidated audit report, note 27 refers to the item under cost by category labeled "Employee wages"

4) Based on Annual Report 2020's consolidated cash flow statement in consolidated financial statement

# ESG ENDORSEMENT



## 10 Principles of the UNGC (United Nations Global Compact)

SK innovation supports the philosophy of the UNGC and proactively engages in UNGC activities. Furthermore, SK innovation faithfully complies with each of the ten principles through our sustainability management activities.

Details		Our policies and activities
Human rights	Principle1	Businesses should support and respect the protection of internationally proclaimed human rights
	Principle2	Make sure that businesses are not complicit in human right abuses
	Principle3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
Labor	Principle4	The elimination of all forms of forced and compulsory labor
	Principle5	The effective abolition of child labor.
	Principle6	The elimination of discrimination in respect of employment and occupation.
Environment	Principle7	Businesses should support a precautionary approach to environmental challenges.
	Principle8	Undertake initiatives to promote greater environmental responsibility.
	Principle9	Encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle10	Businesses should work against corruption in all its forms, including extortion and bribery.

Based on the philosophy of "human-centered management," SK innovation commits no violation of human rights in business activities. We also recruit employees in a fair and reasonable manner and guarantee equal opportunities by considering employees' qualifications and person-job fit. Furthermore, we respect the freedom of association and collective bargaining rights and conduct regular communications to proactively collect and respond to any grievances from employees.

SK innovation has defined environmental management as a core task. We comply with our independent standard on the environment, which is more stringent than government requirements. We also minimize GHG, wastewater and pollutants to conserve the natural environment and strive to develop eco-friendly technology and achieve the innovation of future energy.

SK innovation has established a code of ethics for employees based on SKMS, which is the unique management system of the group, and has also prepared concrete practice guidelines. We also prevent any unethical behavior by operating an ethics consultation center and utilizing an online reporting channel.

## UNGP Reporting Framework

The UNGP Reporting Framework is the comprehensive global guidance for companies to report on how they respect human rights. SK innovation is actively engaging in a variety of activities to protect the human rights of our stakeholders, and these activities are reported herein according to the UNGP Reporting Framework.

Criterion	Reporting Principle	Description	Page	
Governance of Respect for Human Rights	A1	Policy Commitment	Public disclosure of commitment to respect human rights	11
	A2	Embedding Respect for Human Rights	Internalizing its human rights commitment	12-17
Defining the Focus of Reporting	B1	Statement of salient issues	State the salient human rights issues associated with the company's activities	20
	B2	Determination of salient issues	Describe how the salient human rights issues were determined	20
	B3	Choice of focal geographies	If human rights issues focus on particular geographies, explain how that choice was made	-
	B4	Additional severe impacts	Identify any severe impacts on human rights that occurred or were still being addressed	21-22
Defining the Focus of Reporting	C1	Specific Policies	Any specific policies that address its salient human rights issues	22
	C2	Stakeholder Engagement	Engagement with stakeholders in relation to each salient human rights issue	21-22
	C3	Assessing Impacts	Identify any changes in the nature of each salient human rights issue	18
	C4	Integrating Findings and Taking Action	How a company integrates its findings about each salient human rights issue into its decision-making processes and actions	23
	C5	Tracking Performance	Determining if efforts to address each salient human rights issue are effective in practice	-
	C6	Remediation	Effective remedy if people are harmed by its actions or decisions in relation to a salient human rights issue	23

# TCFD (Task Force on Climate-related Financial Disclosures)

## Governance

TCFD Recommendation	Response Activities	Page	CDP Index
<p><b>a. Describe the board's oversight of climate-related risks and opportunities.</b></p> <ul style="list-style-type: none"> <li>processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues</li> </ul>	<p>The SK Innovation ESG Committee is a committee under the Board of Directors. It is composed of three board members, including the CEO. When it is necessary for the management and subsidiaries to make decisions, a meeting of the top management is held to discuss climate change risks. The ESG Committee regularly reviews the company's key risk factors, including climate change, including environmental, safety, and health, more than once a quarter. In addition, the government establishes specific measures and cycles for reviewing climate change issues in the operation process.</p>	ESG Report p.76-77	C 1.1a C 1.1b C 1.2a
<ul style="list-style-type: none"> <li>whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures</li> </ul>	<p>SK innovation has established a process to review ESG-related matters on all board agendas, ensuring that issues related to climate change are considered in board decisions. We create and evaluate an ESG checklist that reviews the ESG important corporate agenda, such as investing in new businesses and establishing mid- to long-term strategies. We use this as a key criterion for decisions concerning the company and BOD.</p>		
<ul style="list-style-type: none"> <li>how the board monitors and oversees progress against goals and targets for addressing climate-related issues</li> </ul>	<p>The ESG committee establishes mid- to long-term ESG strategies and goals for the company, draws up initiatives to be implemented, and plays a role in inspecting risks and opportunities in the ESG aspects (including climate change) of all agendas, including company-wide strategies and investments. In addition, it establishes specific action plans for ESG initiatives including climate change, manages performance, and plays a role in effective communication with stakeholders related to ESG, including climate change. The ESG committee receives reports on climate change issues that affect SK Innovation's management goals, and it is responsible for making mid- to long-term plans for climate change as well as decision-making on climate change risks and opportunities.</p>		
<p><b>b. Describe management's role in assessing and managing climate-related risks and opportunities.</b></p> <ul style="list-style-type: none"> <li>whether the organization has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues</li> <li>a description of the associated organizational structure(s)</li> <li>processes by which management is informed about climate-related issues</li> <li>how management (through specific positions and/or management committees) monitors climate-related issues</li> </ul>	<p>The CEO is at the top of the reporting line on climate change issues. The ESG Strategy Office under the CEO monitors and evaluates climate change risks and opportunities, and reports all related issues to the ESG Design team. The ESG Design Team, one of the design teams composed of senior executives from each business area, is headed by the CEO and establishes our ESG strategic directions. Through regular and occasional meetings once a month, we are reviewing issues related to climate change, such as checking related risks, monitoring the level of implementation of greenhouse gas reduction goals, and reviewing business opportunities using new eco-friendly technologies. As a result of the review, decisions are made by the CEO on non-critical climate change issues, whilst the ESG committee supports decision-making on key issues that have a material impact on SK Innovation's management goals.</p> <p>The CEO reflects climate change issues, which create social values pursued by the company, in the business portfolio, as well as applying climate change performance in KPIs and managing them accordingly. In addition, we monitor and report, on a monthly basis, the performance evaluation of KPIs related to climate change, as well as issues necessary to communicate with stakeholders, such as the implementation of greenhouse gas laws, emission trading, and disclosure of our information to the CEO.</p>	ESG Report p.86	

## Strategy

TCFD Recommendation	Response Activities	Page	CDP Index
<p><b>a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</b></p> <ul style="list-style-type: none"> <li>a description of what they consider to be the relevant short-, medium-, and long-term time horizons, taking into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms</li> <li>a description of the specific climate-related issues for each time horizon (short, medium, and long term) that could have a material financial impact on the organization</li> </ul>	<p>We analyze how climate change issues affect management activities every year in the short term. The mid-term perspective is two to ten years, including 2030, which is the target year defined by the government for setting targets for reducing greenhouse gas emissions. The long term is defined as 11 to 30, and 2050 is the target year for achieving Net Zero emissions.</p> <p>The intensity and frequency of typhoons, fogs, and windstorms are increasing due to extreme weather events caused by climate change, and the damage caused by these events is also increasing. The company uses vessels in the process of importing crude oil as well as importing and exporting other products. In the event of climate factors such as typhoons, fog and storms, the demurrage time of the vessel will increase, and there may be a risk of paying significant demurrage fees. In the short and medium term, the demands of eco-friendly policies and stakeholders are increasing, and the importance of eco-friendly technology development is rising due to the increase in eco-friendly demand. Failure to respond actively to eco-friendly technologies poses a risk of reducing sales by failing to meet stakeholder and customer needs as well as difficulties in responding to policies. The first risk factor in the mid- to long-term is carbon emission rights. SK Innovation has participated in the Emission Trading System implemented in Korea beginning in 2015, and in the case of exceeding the allotted amount of emissions, additional emission allowances must be purchased through a transaction with a third party. There is a possibility of a quota reduction in the third planned year (2021-2025), and as the oil industry receives an unfavorable allocation, it is predicted that future emissions will be insufficient, which could lead to an increase in the operating costs of the enterprise. Secondly, as the Global Warming 1.5°C Special Report was approved by the IPCC in 2018, the global demand for carbon neutrality is increasing. Recently, the Korean government also declared 2050 as the year to achieve Net Zero, while external stakeholders also demanding carbon neutrality. As such, this has become a major issue. If we do not properly implement Net Zero, financial losses are expected due to trade barriers and insufficient response to government regulations. Third, the European Union (EU) is imposing fines on the sale of internal combustion engine vehicles, and it plans to eventually phase out internal combustion engine vehicles by continuously tightening carbon dioxide emission allowances. The UK will completely ban the sale of internal combustion locomotives and hybrid vehicles from 2035, and the U.S. has also decided to strengthen the company average fuel economy system standard that regulates the average fuel efficiency of cars produced by automakers. Due to the global regulatory conditions and the Korean government's policy to expand the supply of electric vehicles, the electric vehicle market is inevitably expanding and increasing demand in the electric vehicle battery market. In addition, as the demand for eco-friendly batteries is also expected to gradually increase, there is a risk of impact to our sales due to market shrinkage from not actively participating in the development of eco-friendly batteries. As a result of analyzing the RCP 8.5 scenario, it is predicted that the temperature of the Korean Peninsula will rise by 6.0°C at the end of the 21st century. Due to the nature of SK Innovation's energy and chemical plants being operated at high temperatures and pressures, safety risks arising from personnel working in temperatures higher than external conditions, as well as the impact of a reduction in production quantities due to the reduction of working hours, are expected to occur. In addition, there is a possibility that liquefied material may be vaporized due to the increase in the temperature of raw material storage tanks, causing great damage to the environment.</p>	ESG Report p.34-35	C2.1 C2.3a C2.4a
<ul style="list-style-type: none"> <li>a description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organization</li> </ul>	<p>In the event of a change in domestic and foreign policies related to climate change and a change in the amount of greenhouse gas emissions within the company, the relevant departments should identify the type and scope of financial losses and opportunities, and report these matters to management accordingly. Further, in collaboration with other relevant departments, such as finance and accounting, policies should be established to actively minimize risks and pursue opportunities.</p>		

TCFD Recommendation	Response Activities	Page	CDP Index
<p><b>b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</b></p>	<ul style="list-style-type: none"> <li>• Organizations should consider including the impact on their businesses and strategy in the following areas:                             <ul style="list-style-type: none"> <li>- Products and services</li> <li>- Supply chain and/or value chain</li> <li>- Adaptation and mitigation activities</li> <li>- Investment in research and development</li> <li>- Operations (including types of operations and location of facilities)</li> </ul> </li> <li>• Products and services: As the risk of climate change increases, the government is strengthening related regulations such as strengthening regulations on the use of single-use plastics. Consumers are also increasingly interested in eco-friendly products, and their preference for eco-friendly products is also increasing. These changes are expected to have a significant impact on the overall petroleum/petrochemical industry, and it is highly likely to act as a potential risk for SK innovation. Failure to develop and sell eco-friendly products could affect sales for more than 15 years in the short term as the company's external image declines. Therefore, SK innovation is pushing for eco-friendly BM innovation based on Green Balance 2030. As of 2020, we are expanding our portfolio of eco-friendly asphalt products by launching asphalt for recycling. We have also developed eco-friendly plastic applications such as eco-friendly low-toxic food lab to replace PVC lab and food packaging with high-functional material usage. In addition, we are producing eco-friendly products such as EV batteries, eco-friendly lubricants, and lubricant containers into recycled containers.</li> <li>• Supply chain and/or value chain: As the risk of climate change increases, it is critical that efforts to respond are made across the value chain, not just at SK innovation. We consider not only financial factors but also non-financial factors (ESG) when selecting suppliers to secure a stable supply chain and promote climate change response efforts. In particular, by reflecting the environmental field in our ESG evaluation items, we conduct regular annual evaluations on the presence of large-scale safety and environmental accidents, violations of environmental regulations, and the establishment and management level of the SHE management system. We identify major risk factors that may arise from the economic, social, and safety environment aspects of the supply chain risk assessment and conduct regular evaluations every year for partner companies that need management. From 2021, third party external evaluation was introduced. In addition, we transfer our know-how on environmental pollution management and provide training to the employees of our partners in order to enhance their capabilities.</li> <li>• Investment in R&amp;D: SK Innovation is planning to expand investment in R&amp;D for eco-friendly production by 2030 to achieve 'Green Balance 2030'. In addition, we are developing intermediate tasks to reduce greenhouse gases. As a short-term task, we are promoting eco-friendly fuel conversion and strengthening production efficiency, and are conducting R&amp;D to develop eco-friendly technologies as a long-term task. We invested about 253.6 billion won in R&amp;D in 2020 to expand various green businesses. Recently, we have also been reviewing how to capture CO<sub>2</sub> (Carbon Capture) and develop regenerative ascon that is designed to recycle asphalt concrete. In addition, we have developed eco-friendly plastic applications in various fields, such as eco-friendly low-toxic food wrap that replaces PVC wrap and food packaging that increases recyclability through the use of single materials. In addition, we are working hard to develop eco-friendly renewable containers to sell eco-friendly lubricants, and will become a leader in responding to global environmental regulations by developing eco-friendly recycling technologies for electric vehicle batteries.</li> <li>• Operations (including operation type and facility location): As the global movement to reduce the global warming to 1.5°C is intensifying, many countries have declared that they will achieve Net Zero by 2050, and the Korean government has recently declared 2050 Carbon Neutrality. We are also seeking various reduction activities by declaring carbon neutrality by 2050. We are pushing for fuel conversion and production efficiency to reduce greenhouse gases every year. In 2020, Ulsan CLX actually contributed to the reduction of GHG emissions through the conversion of power boiler fuel, and the environmentally inefficient outdated production process was suspended. In the long run, we plan to make continuous efforts to develop greenhouse gas reduction technology in the workplace.</li> </ul>	<p>ESG Report p.34-37</p>	<p>C2.5 C2.6 C3.1a C3.3</p>

TCFD Recommendation	Response Activities	Page	CDP Index
<ul style="list-style-type: none"> <li>• Organizations should describe how climate-related issues serve as an input to their financial planning process, the time period(s) used, and how these risks and opportunities are prioritized. Organizations' disclosures should reflect a holistic picture of the interdependencies among the factors that affect their ability to create value over time. Organizations should also consider including in their disclosures the impact on financial planning in the following areas:                             <ul style="list-style-type: none"> <li>- Operating costs and revenues</li> <li>- Capital expenditures and capital allocation</li> <li>- Acquisitions or divestments</li> <li>- Access to capital</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Operating Cost and Revenue: Recently, many countries, including the U.S. and Europe, are considering the imposition of a carbon tax, and if we are not active with respect to GHG emission reduction, the increase in product prices due to carbon tax may lead to a decrease in sales as a result of reduced market competitiveness.</li> <li>• Capital expenditure and allocation of capital: We are working with financial institutions to raise funds through the Green Fund for green investment and business model innovation. In August 2019, for the first time for a Korean private sector company, we secured a 'Green Loan' worth approximately KRW 800 billion, and this will be used to fund the construction of electric vehicle battery factories located in the United States and Hungary. In addition, our company plans to raise up to USD 1 billion in funds through Green Bonds, an eco-friendly project financing method, to finance the construction of a second electric vehicle battery plant in Georgia, U.S. In addition, SK innovation recognizes and manages emissions exceeding the allocated greenhouse gas emission rights as a liability. In response to rising greenhouse gas prices and changes in government emission management policies due to climate change risks, we are working to reduce these impacts and promote external greenhouse gas reduction projects such as CDM. Emission trading is also expected to be limited from 2024-2025, as we are expected to submit an enhanced NDC (Nationally Described Contribution) within the year, with a possibility of reducing the quota for the third planning period. Therefore, the cost of purchasing emission rights will be reflected in our business plan.</li> <li>• Acquisition or sale: The recent surge in plastic is causing significant negative impacts on animals and humans, as well as the oceans. Also, in Korea, as landfills are becoming saturated and issues concerning plastics are growing, we are investing in eco-friendly plastic technology with consideration for greenhouse gases and resource saving aspects. Therefore, we are investing about KRW 63 billion in plastic technology in North American loop industry companies that have innovative technologies with a view to applying 100% recycling technologies to waste plastic.</li> <li>• Capital accessibility: As facilities such as greenhouse gas reduction equipment can be purchased in the process of promoting greenhouse gas reduction projects to secure emission rights, we may increase our assets in this respect.</li> </ul>	<p>ESG Report p.34-37</p>	<p>C2.2a</p>
<ul style="list-style-type: none"> <li>• If climate-related scenarios were used to inform the organization's strategy and financial planning, such scenarios should be described.</li> </ul>	<p>In order to achieve our goals through climate change scenario analysis, we first sought business strategies through direct reduction activities within the workplace boundary, and secondly through reduction activities outside the workplace boundary. Our main business strategy through reduction activities was to use electricity from renewable sources and to identify greenhouse gas reduction activities by improving operational efficiency. In addition, we reviewed our project to transition boiler fuel from LNG to electricity, and established a strategy to ensure reduction performance through the expansion of the CDM business. Lastly, we are planning to actively work on greenhouse gas absorption by applying CCUS technology.</p>		

TCFD Recommendation	Response Activities	Page	CDP Index
<p><b>c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</b></p> <ul style="list-style-type: none"> <li>Organizations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organization, scenarios consistent with increased physical climate-related risks.</li> </ul>	<p>The objectives were reviewed in line with SK Innovation's Netzero roadmap, thereby considering RCP 2.6 and IEA B2DS associated with Netzero and analyzing scenarios based on IEA 1.5DS, which is more enhanced than IEA B2DS. RCP 2.6 considered scenarios released by the Meteorological Administration, and IEA 1.5DS referred to SBTi's methodology. In addition, as the national greenhouse gas reduction goal is to be followed, NDC is also considering the current status of SK Innovation in accordance with climate change scenarios. To analyze the climate change scenario, data such as changes in energy demand, energy consumption, and product production were considered, and linear regression analysis, multiple regression analysis, and product unit were considered to review the company's growth rate and outlook. In addition, the sales forecast according to the market conditions was taken into consideration. We set organizational boundaries in consideration of business connectivity, including both domestic and overseas businesses, and we considered Scope 1 and 2, as well as Scope 3, for operational boundaries. We defined 2019 as the baseline year and set a mid-term goal by 2030, the same as our vision of Green Balance 2030. We consider 2050 as a long-term goal based on the 1.5°C Net Zero timeline outlined in the IPCC Special Report.</p>	ESG Report p.34-35	
<ul style="list-style-type: none"> <li>Organizations should consider discussing:                             <ul style="list-style-type: none"> <li>- where they believe their strategies may be affected by climate-related risks</li> <li>- and opportunities; how their strategies might change to address such potential risks and</li> <li>- opportunities; and the climate-related scenarios and associated time horizon(s) considered.</li> </ul> </li> </ul>	<p>SK Innovation set our scenario goals in accordance with the national Net Zero scenarios of 2050, which are based on RCP2.6, IEA 1.5DS, and NDC, and categorized them as largely medium and long-term goals. The goal was to reduce 50% by 2030 compared to 2019 in the medium term and 100% by 2050 compared to 2019. In order to achieve these goals through climate change scenario analysis, we first sought business strategies through direct reduction activities within the workplace boundary, and secondly, we sought ways through reduction activities outside the workplace boundary. Our main business strategy through reduction activities was to use electricity from renewable sources and to find greenhouse gas reduction activities by improving operational efficiency. Also, we are planning to review the project to convert boiler fuel from LNG to electricity and actively work on greenhouse gas absorption by applying CCUS technology. In addition, we carried out eco-friendly products, CDM business, and greenhouse gas absorption related reduction projects. Eco-friendly products contribute to global CO2 emissions reduction through the sale of batteries for electric vehicles, and increase CO2 emissions reduction rate through battery lightening and recycling. Through the low carbon bio CDM project in Myanmar, we not only prevented forest destruction but also reduced greenhouse gas emissions generated during waste disposal, and 160,000 mangrove seedlings were planted in Vietnam to absorb greenhouse gases.</p>	ESG Report p.36-37	C3.2a

**Risk Management<sup>1)</sup>**

TCFD Recommendation	Response Activities	Page	CDP Index
<p><b>a. Describe the organization's processes for identifying and assessing climate-related risks.</b></p> <ul style="list-style-type: none"> <li>Organizations should describe their risk management processes for identifying and assessing climate-related risks. An important aspect of this description is how organizations determine the relative significance of climate-related risks in relation to other risks.</li> <li>Organizations should describe whether they consider existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) as well as other relevant factors considered.</li> <li>Organizations should also consider disclosing the following:                             <ul style="list-style-type: none"> <li>- processes for assessing the potential size and scope of identified climate-related risks</li> <li>- definitions of risk terminology used or references to existing risk classification frameworks used</li> </ul> </li> </ul>	<p>SK Innovation identifies and evaluates climate change risks and reflects and manages them across our financial and non-financial risk management framework. The ESG Strategy Office under the CEO monitors and evaluates climate change risks and opportunities, and it reports all related issues to the ESG Design team. The ESG Strategy Office analyzes policies and regulations, management strategies and performance, industrial advanced cases, media surveys, and identifies the risks and opportunities of climate change once a month in consideration of short, medium, and long-term effects. The head of the ESG Design team is the CEO, and the team reviews reported issues. As a result of the review, it supports decision-making through the ESG committee on material issues. Material issues set by the company are determined by considering two aspects: financial and business impacts. Material financial impact means that the financial impact caused by climate change issues constitutes more than 1% of total assets (about KRW 385 billion or more as of 2020) or 1% or more of net sales (about KRW 341.6 billion or more as of 2020). In addition, the business impact is evaluated for materiality by considering the 'increase or decrease in environmental pollutant emissions,' the 'increase or decrease in resource consumption such as energy,' and 'contribution to the expansion of eco-friendly portfolios.' Materiality is defined as when 3 or more members of the ESG design team, which consist of C-Level executives and department heads for each business and function, determine that the issue is material. Likewise, the company identifies and responds to material issues when one or more criteria for financial and business impact are met within the materiality assessment.</p>	ESG Report p.86-87	C 1.1a C 2.1b C 2.2
<p><b>b. Describe the organization's processes for managing climate-related risks.</b></p> <ul style="list-style-type: none"> <li>Organizations should describe their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks. In addition, organizations should describe their processes for prioritizing climate-related risks, including how materiality determinations are made within their organizations.</li> </ul>	<p>Identified climate change risk and opportunity factors are reported to the ESG Design Team, which evaluates their significance and reports monthly to the CEO. The CEO makes decisions on all non-critical issues, which are reported to the ESG Committee under the Board of Directors.</p>		
<p><b>c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</b></p> <ul style="list-style-type: none"> <li>Organizations should describe how their processes for identifying, assessing, and managing climate-related risks are integrated into their overall risk management.</li> </ul>	<p>Once decisions are made on climate change-related issues, external government consultations and responses are conducted at the SHE (Safety/Health/Environment) headquarters. In addition, regarding the direction of the company's internal climate change-related business promotion, the relevant departments of each OC are responding by establishing risk response plans. Likewise, SK innovation has built an optimized organizational system to systematically respond to climate change issues. In addition, we are continuously monitoring climate change issues, while continuously mitigating identified issues.</p>		

<sup>1)</sup> The goal is to implement detailed disclosure of quantitative items related to risk by 2023.

Index and Reduction Target

TCFD Recommendation	Response Activities	Page	CDP Index
<p><b>a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</b></p> <ul style="list-style-type: none"> <li>Organizations should provide the key metrics used to measure and manage climate-related risks and opportunities. Organizations should consider including metrics on climate-related risks associated with water, energy, land use, and waste management where relevant and applicable.</li> </ul>	To evaluate risks and opportunities related to climate change, we use indicators such as Scope 1 and 2 GHG emissions, per unit GHG emissions, and energy consumption.	ESG Performance Report p.41	C 2.2 C 4.1
<ul style="list-style-type: none"> <li>Where climate-related issues are material, organizations should consider describing whether and how related performance metrics are incorporated into remuneration policies.</li> </ul>	10% of the KPI for SK innovation's CEO reflects a series of activities to achieve our Net Zero Roadmap, which is one of our strategic tasks, whilst ESG performance improvements in focus areas and the implementation of ESG management at a global top-tier level each contribute 10% respectively. These KPI evaluation results serve as a key determinant of CEO remuneration.		
<ul style="list-style-type: none"> <li>Where relevant, organizations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a lower-carbon economy.</li> </ul>	<p>SK Innovation is continuously developing products and services for low-carbon economies, such as eco-friendly lubricants, batteries/materials/lubricants for electric vehicles, lightweight materials for automobiles, medium-temperature asphalt, supply of heat sources using waste heat, and high-efficiency vessel vessels.</p> <p>In addition, when reviewing investment businesses, SK innovation sets an internal carbon price and uses it for comprehensive analysis and response to GHG regulations, internal strategy and management judgment, increase in low-carbon investment, and stress tests for investment. It is also used to measure the social value of emissions reduction activities.</p>		C 4.3c C 4.5a
<ul style="list-style-type: none"> <li>Metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate climate-related metrics.</li> </ul>	<p>The base year for Scope 1 and 2 emissions is 2019, with Scope 1 emissions of 610,117,596 metric tons CO<sub>2</sub>, Scope 2 (location-based) emissions are 2,400,555 metric tons CO<sub>2</sub>e and Scope 2 (market-based) emissions are 154,291,070 metric tons CO<sub>2</sub>e.</p> <p>We used the 'Korea GHG and Energy Target Management System Operating Guidelines' to calculate and collect these indicators.</p>		C 5.1 C 6

TCFD Recommendation	Response Activities	Page	CDP Index
<p><b>b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</b></p> <ul style="list-style-type: none"> <li>Organizations should provide their Scope 1 and Scope 2 GHG emissions and, if appropriate, Scope 3 GHG emissions and the related risks.</li> <li>GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions. As appropriate, organizations should consider providing related, generally accepted industry-specific GHG efficiency ratios.</li> <li>GHG emissions and associated metrics should be provide for historical periods to allow for trend analysis.</li> <li>Where not apparent, organizations should provide a description of the methodologies used to calculate or estimate the metrics.</li> </ul>	<p>SK Innovation releases greenhouse gas emissions through our ESG Report every year, and the objectivity and transparency of the related data is ensured through third-party verification. We emitted a total of 12,092,878 tco<sub>2</sub>e of greenhouse gases in 2020.</p>	ESG Performance Report p.41	C 10
<p><b>c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</b></p> <ul style="list-style-type: none"> <li>Organizations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc., in line with anticipated regulatory requirements or market constraints or other goals.</li> <li>Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a lower-carbon economy.</li> <li>In describing their targets, organizations should consider including the following:                     <ul style="list-style-type: none"> <li>whether the target is absolute or intensity based,</li> <li>time frames over which the target applies,</li> <li>base year from which progress is measured, and</li> <li>key performance indicators used to assess progress against targets.</li> </ul> </li> <li>Where not apparent, organizations should provide a description of the methodologies used to calculate targets and measures.</li> </ul>	<p><b>1) ) Scope 1, 2: Achieved Net Zero Operations before 2050.</b> Under the Net Zero Roadmap plan, the SK Innovation Hydrocarbon business will actively implement greenhouse gas reductions over the first 10 years, including a 25% reduction in emissions by 2025 and a 50% reduction by 2030, and further achieve Net Zero before 2050. This is above the Global Paris Climate Agreement and South Korea's national greenhouse gas reduction target, which calls for 45% and 24.4% reduction by 2030, respectively. In addition, the Green business (battery business and SK IE Technology) has established and pursued a challenging carbon reduction goal of achieving Net Zero in 2035.</p> <p><b>2) Scope 3: The goal is to reduce integrated carbon emissions of SKI by 45% in 2030 and 75% in 2050.</b></p>	ESG Report p.34-35	C 4

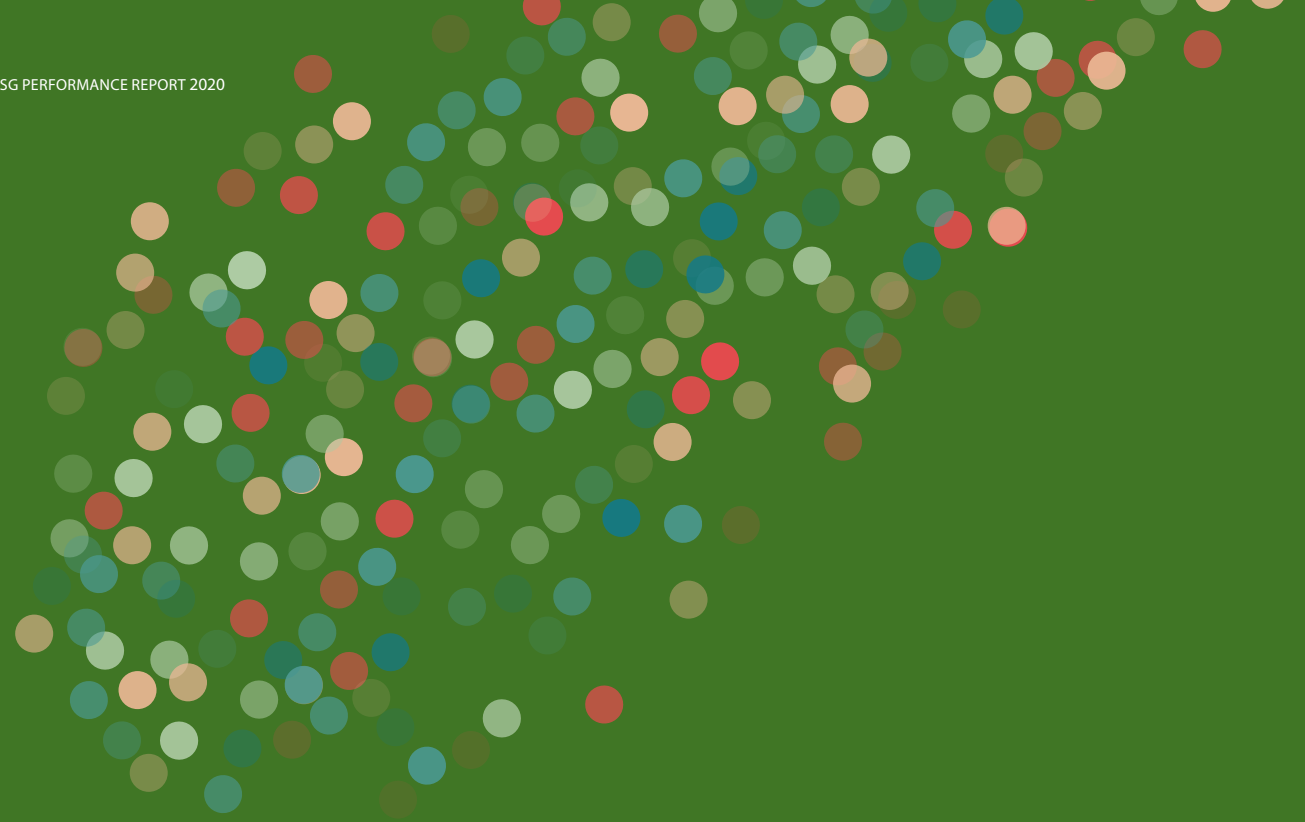
# SASB

Classification	SASB Code Accounting Metric		Unit	2018	2019	2020	Note	
Sustainability Disclosure Topics & Accounting Metrics								
Greenhouse Gas Emissions	em-rm-110a.1	Scope 1	Emissions	Metric tons(t) CO <sub>2</sub> eq	10,442,108	10,117,596	9,703,851	
			Percentage covered under emissions-limiting regulations	%	100	100	100	
	em-rm-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, analysis of performance against those targets	-	34-35 Page				
대기 질	em-rm-120a.1	Air emissions of the following pollutants	NOx (excluding N <sub>2</sub> O)	Metric tons(t)	8,541	7,359	5,050	
			SOx	Metric tons(t)	3,103	2,188	1,704	
			particulate matter (PM10)	Metric tons(t)	158	136	105	
			H <sub>2</sub> S	Metric tons(t)	4.38	4	8.39	Increased emissions during regular maintenance of SKE
			VOCs	Metric tons(t)	323	297	472	
em-rm-120a.2	Number of refineries in or near areas of dense population	개	2	2	2			
Water Management	em-rm-140a.1	Total fresh water withdrawn	Metric tons(t)	50,900,843	48,628,036	43,070,129		
		Percentage recycled	%	N/A	N/A	N/A	Building Water-map. After completion, it is expected that the recycling rate can be completed.	
		Percentage in regions with High or Extremely High Baseline Water Stress	%	0	0	0		
	em-rm-140a.2	Percentage in regions with High or Extremely High Baseline Water Stress	Number	1	2	1	All legal restrictions such as administrative measures and fines included	
Hazardous Materials Management	em-rm-150a.1	Amount of hazardous waste	Generated	Metric tons(t)	59,326	67,491	66,199	
			Percentage recycled	%	71	82	60	
	em-rm-150a.2	Number of underground storage tanks (USTs)	Number	11	11	11	There are no raw materials/product tanks in the workplace, only tanks in their own gas stations.	
			Number of UST releases requiring cleanup	Number	0	0	0	
		Percentage in states with UST financial assurance funds	%	N/A	N/A	N/A	Domestic USST Financial Assurance Funds Not Applicable	
Workforce Health & Safety	em-rm-320a.1	Total recordable incident rate (TRIR)	Full-time employees	Ratio	0.67	1.36	0.87	Based on 1,000,000 man-hours (ESG Performance Report is based on 200,000 man-hours)
			Contract employees	Ratio	1.09	1.17	1.76	
		Fatality rate	Full-time employees	Ratio	0	0	0	
			Contract employees	Ratio	0	0	0	
	Near miss frequency rate(NMFR)	Full-time employees	Ratio	N/A	N/A	N/A	Goals for disclosure after 2022	
		Contract employees	Ratio	N/A	N/A	N/A		
em-rm-320a.2	Discussion of management systems used to integrate a culture of safety	-	60-63 Page					

Classification	SASB Code Accounting Metric		Unit	2018	2019	2020	Note	
Product Specifications & Clean Fuel Blends	em-rm-410a.1	Percentage of Renewable Volume Obligation (RVO) <sup>1)</sup> met through	Production of renewable fuels	%	100	100	100	It applies to domestic ULSD products based on the mixing proportion of Conventional Bio-fuel (FAME)
			Purchase of separated renewable identification numbers (RIN)	%	N/A	N/A	N/A	Domestic market doesn't exist.
	em-rm-410a.2	Market for advanced biofuels and associated infrastructure	Total addressable market	₩	N/A	N/A	N/A	Domestic market doesn't exist. Estimates of global market size vary depending on organizations.
Total addressable share			%	0	0	0	No production and equipment of Addressable Bio-fuel	
Pricing Integrity & Transparency	em-rm-520a.1	Total amount of monetary losses as a result of legal proceedings associated with price fixing or price manipulation	USD	0	124,463,657	0		
Management of the Legal & Regulatory Environment	em-rm-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	-	86-87 Page				
Critical Incident Risk Management	em-rm-540a.1	Process Safety Event (PSE) rates	Greater consequence (Tier 1)	Ratio	0.06	0.04	0.06	Based on 1,000,000 man-hours
			Lesser consequence (Tier 2)	Ratio	0	0.04	0.12	
	em-rm-540a.2	Challenges to Safety Systems indicator rate (Tier 3)	Ratio	N/A	N/A	N/A		
	em-rm-540a.3	Discussion of measurement of Operating Discipline and Management System Performance through Tier 4 Indicators	-	58-61 Page				
Activity Metrics								
Refining throughput of crude oil and other feedstocks	em-rm-000.a	Refining throughput of crude oil and other feedstocks <sup>2)</sup>	Barrels of oil equivalent (BOE)	373,759,621	353,328,659	323,100,000		
Refining operating capacity	em-rm-000.b	Refining operating capacity	Million barrels per calendar day (MBPD)	1.19	1.19	1.19		

1) Renewable Volume Obligation: A system that allows renewable energy fuels to be mixed at least a certain proportion of fossil fuels in order to reduce greenhouse gases  
 2) Total amount of crude oil and other feedstock processed by the oil refinery system during the reporting period  
 3) The goal is to implement detailed disclosure of some unlisted items by 2023

# APPENDIX



## GHG Verification Summary

### 2020 GHG Emissions Scope 1, 2

#### SK Innovation Co., Ltd.

26, Jong-ro, Jongno-gu, Seoul, Republic of Korea

#### Verification Scope

Korean Standards Association has conducted reasonable GHG emissions verification based on GHG report provided by SK Innovation Co., Ltd. which includes Scope1 and Scope2 emissions.

#### Verification Standards and Guidelines

To conduct verification activities, verification team applied verification standards and guidelines. The standards and guidelines are as follows.

- GHG&Energy Target Scheme guideline(2020-003) provided by Ministry of Environment, Republic of Korea
- Verification guideline for management of GHG emissions trading scheme(2018-070) provided by Ministry of Environment, Republic of Korea
- KS Q ISO 14064-1,2,3: 2006-IPCC Guideline

#### Verification Conclusion

As a result of verification activities, verification team has found no significant errors. Therefore, Korean Standards Association confirms that following emissions data are adequately quantified.

Subject	2020 GHG Emissions		
	SCOPE 1	SCOPE 2	Total
SK Innovation Co., Ltd.	38,824	155,470	194,294
SK Energy Co., Ltd.	5,968,069	952,398	6,920,461
SK global chemical Co., Ltd.	2,428,712	688,330	3,117,041
SK Incheon Petrochem Co., Ltd.	1,152,375	432,137	1,584,513
SK Lubricants Co., Ltd.	71,722	75,351	147,072
SK ietechnology Co., Ltd.	43,789	85,699	129,486

※ There is a difference between the total quantity of GHG emission and the sum of each workplace's emission. (Decimal place is not considered when calculating the emission of each workplace.)

July 12, 2021



**KOREAN STANDARDS ASSOCIATION**

## GHG Verification Summary



### 2020 GHG Emissions Scope 3

#### Terms of Engagement

This Assurance Statement has been prepared for SK Innovation Co. Ltd.

Lloyd's Register Quality Assurance Limited (LR) was commissioned by SK Innovation Co., Ltd. (hereafter referred to as "SK Innovation") to assure its Other Indirect<sup>1)</sup> (Scope 3) Greenhouse Gas (GHG) emissions mentioned in their GHG Assertion for the calendar year 2020.

The GHG Assertion includes SK Innovation's domestic and overseas operating companies, consolidated subsidiaries, related joint ventures and Wuhan Refinery. The reporting boundary includes 49 companies that satisfy the conditions of business relevance, operational authority, data availability (in case of a company with high business importance, the reporting boundary is reflected first)<sup>2)</sup> and is provided as an Annex to this document.

Our work excludes verification of Scope 1 and 2 emissions in accordance with our contract with SK Innovation. The GHG Assertion relates to other indirect GHG emissions (Scope 3) that includes the following Categories:

- Purchased Goods and Services
- Fuel-and Energy-Related Activities
- Upstream Transportation and Distribution
- Waste Generated in Operations
- Business travel
- Employee commuting
- Downstream Transportation and Distribution
- Use of sold products
- End-of-Life Treatment of Sold Products

#### Management Responsibility

SK Innovation's management was responsible for preparing the GHG Assertion and for maintaining effective internal controls over the data and information disclosed. LR's responsibility was to carry out an assurance engagement on the GHG Assertion in accordance with our contract with SK Innovation.

Ultimately, the GHG Assertion has been approved by, and remains the responsibility of SK Innovation.

#### LR's Approach

Our verification has been conducted in accordance with ISO 14064-3:2006, 'Specification with guidance for validation and verification of greenhouse gas assertions' to provide limited assurance that GHG data as presented in the GHG Assertion have been prepared in accordance with ISO 14064-1:2006, 'Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals'

To form our conclusions the assurance engagement was undertaken as a sampling exercise and covered the following activities:

- visited the Headquarter office of SK Innovation and reviewed processes related to the control of GHG emissions data and records;
  - interviewed relevant staffs of the organization responsible for managing GHG emissions data and records; and
  - verified activity data, emission factors and calculations resulting in historical GHG emissions data at an aggregated level for the calendar year 2020.
- Sighted an independent assurance statement for Scope 1 and Scope 2 emissions under the SK Innovation's operational control issued by Korean Standards Association.

#### Level of Assurance & Materiality

The opinion expressed in this Assurance Statement has been formed on the basis of a limited level of assurance and at a materiality of the professional judgment of the Verifier.

1) GHG emission, other than energy indirect GHG emissions, which is a consequence of an organization's activities, but arises from greenhouse gas sources that are owned or controlled by other organizations.

2) Among the subsidiaries included in the reporting boundary, the amount of emissions from in house transaction are excluded due to double counting issue.

### LR's Opinion

Based on LR's approach, nothing has come to our attention that would cause us to believe that the other indirect GHG emissions disclosed in the GHG Assertion as summarized in Table 1 below are not materially correct.

### LR's Recommendations

SK Innovation should:

- consider consolidating their Scope 1 and Scope 2 emissions across the organization using one of the approaches provided in the international standard.
- consider assessing and reducing measures of the uncertainty caused by the assumption and omission of data gathering addressed in the GHG Assertion.
- Consider reporting the GHG assertion according to the ISO14064-1 clause 7.

Date: 14 June 2021

Hee-Jeong Yim

Lead Verifier

On behalf of Lloyd's Register Quality Assurance Limited

17th Floor, Sinsong Building, 67 Yeouinaru-ro, Yeongdeungpo-gu, Seoul, Korea

LR reference number: SEO00000838

Table 1. Summary of SK Innovation's Scope 3 (Other Indirect) GHG Emissions Assertion / 2020

The GHG Assertion: Other indirect greenhouse gas emission (Scope 3)	Emissions
	Details as under: (Unit: Tonnes CO <sub>2</sub> eq)
• Purchased Goods and Services	18,764,159
• Fuel-and Energy-Related Activities	1,006,201
• Upstream Transportation and Distribution	4,669,959
• Waste Generated in Operations	8,687
• Business travel	2,197
• Employee commuting	10,850
• Downstream Transportation and Distribution	2,936,753
• Use of sold products	96,771,371
• End-of-Life Treatment of Sold Products	9,957,370
<b>Notes:</b>	
Our work excludes verification of Scope 1 and 2 emissions in accordance with our contract with SK Innovation. Scope 1 and 2 emissions for SK Innovation using an Operational Control approach have been verified for the same reporting period by Korea Standard Association in accordance with K-ETS scheme.	

This Assurance Statement is subject to the provisions of this legal section:

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Due to inherent limitations in any internal control, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period and the verification carried out on the relevant internal controls were on a test basis. Any projection of the evaluation of control to future periods is subject to the risk that the processes may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The English version of this Assurance Statement is the only valid version. Lloyd's Register assumes no responsibility for versions translated into other languages.

In the case of any conflict between the English and Korean versions of this legal section, the English version shall prevail.

## Independent auditor's report

### Independent auditor's report

The Shareholders and Board of Directors

SK Innovation Co., Ltd.

### Opinion

We have audited the consolidated financial statements of SK Innovation Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

### Basis for opinion

We conducted our audit in accordance with Korean Auditing Standards ("KGAAS"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### (1) Recoverability of deferred tax assets

As described in Note 29 to the consolidated financial statements, the unused deficit carryforward recognized as deferred tax assets or deducted from deferred tax liabilities amounted to ₩898,513 million, 5.8% of net asset value, as of December 31, 2020. The Group estimated the likelihood of the availability of sufficient taxable income for which all or a portion of the deferred tax asset may be utilized against. Management's significant judgment is involved in the determination of key assumptions for the estimation. Considering the materiality of the amount of the deferred tax asset recognized in relation to the unused loss carryforward in the separate financial statements, and the significance of management's judgement on the assumptions used in calculating the estimate, the recoverability of deferred tax assets was identified as a key audit matter.

The main audit procedures performed to address the key audit matter are as follows

- Obtained a business plan approved by management, and compared/analyzed the financial forecast used in the business plan and other estimates with the financial forecast used in estimating the future taxable profits of the Group.
- Assessed the underlying assumptions of management for the estimation of future taxable income through performance of a comparative analysis between internal and external data.
- Evaluated the design and operating effectiveness of management controls for assessing the recoverability of deferred tax assets.
- Utilized tax experts in order to evaluate the appropriateness of the Group's tax policies and tax returns related to the disposition of deficits carryforward.

#### (2) Allocation of the transaction price for the acquisition of high-functional polymer business

As described in Note 12 to the consolidated financial statements, the Group acquired the French functional polymer business and the re-

lated property, plant and equipment and intangible assets owned by Arkema France

S.A. for the year ended December 31, 2020. The goodwill recognized for the business combination amounted to ₩154,351 million: consideration transferred of ₩448,757 million less the fair value of the identifiable net asset of ₩294,406 million.

For the current year, the Group completed the accounting for the business combination in accordance with KIFRS 1103 by retrospectively adjusting the provisional amount recognized at the acquisition date, as the measurement period ended. The adjustments reflect new information obtained about identifiable assets and liabilities and adjustments to goodwill. Management measured the fair value of identifiable assets and liabilities utilizing independent external experts.

Considering the materiality of the assets and liabilities related to the business combination in the consolidated financial statements and the significance of management's judgement in determining the estimation, the allocation of the transaction price for the business combination was identified as a key audit matter.

The main audit procedures performed to address the key audit matter are as follows:

- Obtained an understanding of the transactions of the business combination through performing a review of the contracts
- Utilized the services of valuation experts in order to direct and supervise the component teams in relation to the following procedures:
  - Assessment of the competency of the external experts the Group utilized
  - Evaluation of the objectivity and independence of the external experts the Group utilized
  - Evaluation of the appropriateness of the evaluation techniques applied to the identifiable assets and liabilities
  - Assessment of the key management assumptions, such as discount rates, through comparative analysis between internal and external data
  - Assessment of the completeness of identified intangible assets acquired through obtaining an understanding of the acquiree and reviewing the key contractual terms
  - Evaluation of the fair value of intangible assets through recalculation
  - Assessment of the underlying financial assumptions for the estimation of intangible assets through comparative analysis between the financial forecasts and the financial budgets approved by management
- Evaluated the accuracy and completeness of disclosures in accordance with KIFRS 1103

#### Emphasis of matter

We draw attention to Note 17 to the consolidated financial statements which describes the progress of the lawsuits against LG Chem Ltd. and LG Energy Solution Ltd. (collectively, "LGC").

As described in Note 17, the U.S. International Trade Commission ("ITC") has decided to ban SK Innovation Co., Ltd. and SK Battery America, Inc. (collectively, "SKI") from importation into U.S. for 10 years on February 10, 2021, citing the initial determination. The ITC delivered the decision to the U.S. Trade Representative ("USTR"), and the administrative measures will be finalized after up to 60 days of review by the USTR and the

U.S. president's decision on whether to exercise his veto. As of the reporting date, the final outcome of the administrative measures and the likelihood or condition for settlement between LGC and SKI cannot be predicted, and due to these uncertainties, the potential impact has not been reflected in the consolidated financial statements. Our opinion is not modified in this respect.

#### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with KIFRS, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high lev-

el of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KGAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Bok Han Lee.



March 12, 2021

This audit report is effective as of March 12, 2021, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.