



# SK's New Journey for Tomorrow

2021 SK Inc. SUSTAINABILITY REPORT

# About this report

SK Inc. is actively promoting ESG management to effectively pursue sustainable growth with our future growth portfolio. SK Inc. has published this sustainability report to share these activities and achievements with our stakeholders. To show the new side of SK Inc. as a ‘Sophisticated Value Investor’, SK Inc. will be sharing SK Inc.’s business strategies that will be developed to drive future growth along with philosophy and principles that SK Inc. will take as a direction for ESG management. This report is prepared based on the following standards.

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## Period and Scope

This report covers the financial and non-financial performances of SK Inc.’s major sustainability management activities from January 1 to December 31, 2020, along with some data in the first half of 2021. In order to portray the changes in trends for quantitative results, SK Inc. has incorporated the results of the past three years from January 1, 2018 to December 31, 2020.

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## Standards and External Verification

This report has been prepared according to the Core Option of the Global Reporting Initiative Standards and observes the principles of the UNGC CoP (Communication on Progress). SK Inc. also follow the recommendations of the Task force on Climate-related Financial Disclosures (TCFD) and the industry standards of the Sustainability Accounting Standards Board (SASB). To ensure the reliability of the reported content, this report has been verified by a professional sustainability report verification agency, and the results of the verification are included on page 150 of this report.

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## Reporting Boundaries

This report limits the major boundaries of the quantitative and qualitative performances to SK Inc. based on the separate financial statements of the Korean International Financial Reporting Standards (K-IFRS), considering the actual control power of SK Inc. and the extent of its impact on major issues that may arise. However, ESG management and Social Value activities, which are the basis of SK’s pursuit of DBL (Double Bottom Line), include qualitative performances at the group level, while sales amount, which are a core performance indicator to facilitate the comprehensive understanding of stakeholders, are based on the consolidated financial statements.

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## Communication with Stakeholders

The sustainability management of SK Inc. is based on communication with our stakeholders. SK Inc. publishes the annual sustainability reports to improve communication with our stakeholders. In 2021, we actively identified the needs of our stakeholders regarding sustainability management by conducting surveys and media research, etc., and we reflected the findings in our management activities.



### DJSI World

Listed for 9 consecutive years

### Industry Leader

Named for 2 consecutive years  
(No.1 in Industrial Conglomerate category)



### A+ rating

## SK Inc.'s Footsteps

We, at SK Inc., recognize the trust and support of our stakeholders throughout the company's history. Their invaluable contribution laid the foundations of our corporate growth and allowed us to continuously pursue greater changes, challenges and growth.

We look at ourselves and ask 'What should we do to address various social challenges?' We feel a sense of heavy responsibilities for solving social issues and building a happy society. Going forward, SK Inc. will never stop from accelerating ESG management and delivering sustainable happiness to all stakeholders.



### AA rating



2020 Presidential Commendation for Sustainability Management

**Comprehensive ranking**

### 1st place

# E

Environment



**Do we live up to a strong sense of social responsibility** as a corporation by exploring the best way to raise awareness about **environmental issues** and solving them?



# S

Social

Do we practice a 'new model for entrepreneurship' by **leveraging our expertise to recognize and address social issues and crisis?**



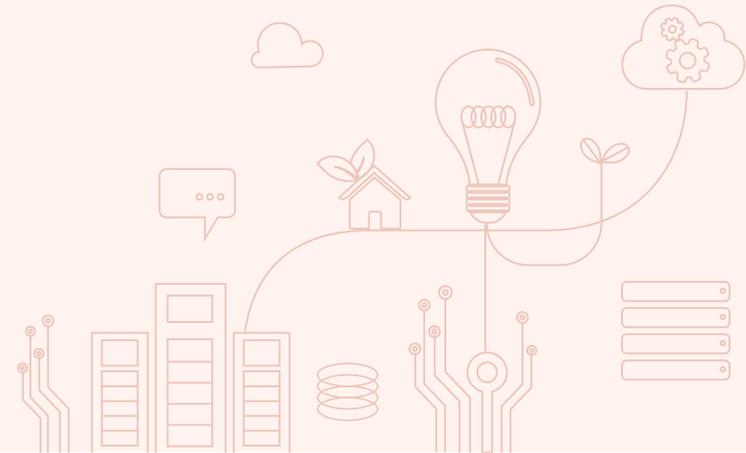


Are we on the right path to develop **an advanced corporate governance** trusted by every stakeholder?





# ESG STORY



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# ESG Policy & Performance

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Part 1

# ESG STORY

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# Overview of SK Inc.

SK Inc. is divided into the Investment Division that discovers and nurtures future growth engines and the Business Division that provides IT services. Based on the reliable profit base of energy and ICT, we have continuously secured new growth engines by expanding our investment sector to semiconductors and biotechnology.

Top management goal of SK Inc. is to increase the overall value of our portfolio by adding future growth potential to today's reliability.



1953

Founded Sunkyung Textile, 'the start of SK'

2007

Turned into a holding company system

2015

Launched an integrated holding company with the merger of SK Holdings and C&C



# SK Group and SK Inc.

SK Group is comprised of companies that share the management philosophy based on the SK Management System (SKMS) and agree to mutually cooperate in management activities according to their own needs and judgment, regardless of shareholding.

SK Group is managed by SK Inc., each member company, and the SUPEX Council.

All member companies including SK Inc. 'pursue ESG-based common values together' (united) while conducting 'independently responsible management centered on the Board of Directors' (independent).



# CEO Message

SK Inc. will thrive as a ‘Sophisticated Value Investor’ and lead ESG management, thus **paving the way for a sustainable future.**



Jang, Dong Hyun President and CEO, SK Inc.

장 동 현

This year, SK Inc. announced our commitment to transforming into an ‘investment’ company. Despite the impact of the pandemic in 2020, SK Inc. has successfully built a virtuous investment cycle. For example, we realized substantial returns through a successful IPO of SK Biopharmaceuticals and a block deal of some of our stakes in the global logistics center ESR, etc. Building on these achievements and our strengths, we seek to become a ‘Sophisticated Value Investor.’

Our goal is clear.

We will earn support from the capital markets by transforming our business portfolio. We have chosen to take a bold step to move away from the traditional approach of focusing on growth and efficiency. Our

portfolio will be reshaped to embrace ESG, centering on Core Sectors : Advanced Materials, Biopharmaceutical, Green, and Digital, etc.

We will also achieve greater change and growth by refining our ESG management system. Concrete action plans will be included in the Corporate Governance Charter, and the role of the Board of Directors will be expanded to include discussing ESG-incorporated mid-to long-term growth strategies and engaging in performance evaluation and compensation for internal directors. This will further solidify our Board of Directors-centered management system and help us build global top governance. And we will continue to reinforce ESG engagement in our portfolio management.

We, at SK Inc., believe that this is the way to contribute to making a ‘Better Tomorrow, Better Life,’ and to make our value to be recognized by investors. And we believe that this ultimately will put us on the path to making a ‘Sustainable Future.’

Dear stakeholders,

Now is the time for corporations to reflect upon our roles : How can we earn sincere support and trust from society? SK Inc., as a ‘Sophisticated Value Investor,’ will fulfill our role to the fullest to contribute to a sustainable future and the happiness of all stakeholders.

We look forward to your continued trust and support.

Thank you.



Digital technologies are increasingly being adopted across every industry's value chain. And rightly so. Indeed, digital technologies have proven its power to address various social issues as well as innovate traditional business models.

In an effort to fulfill the role as a corporation to serve our customers and society, SK Inc. has long been working to lay the groundwork for digital-centered technological innovation. And this year, SK Inc. has finalized our detailed visions, set mid-to long-term goals and action plans to grow as a digital leading company

In fact, we took our first step to lead environmental management by being the first Korean company to join the RE100 initiative and declaring a Net Zero emission target, etc.

Going forward, we will set the following sectors as core sectors : Environment, Safety, Health and Medical, etc., and develop related ESG platforms and solutions. And with a wide deployment to industrial sites, we will be able to help strengthening the social safety net while pursuing business growth.

We will also seek to improve the welfare of employees -embracing work-life balance and flexible work arrangements. At the same time, we will leverage our expertise to make social contribution, thus bringing greater happiness to the community by providing tech education and employment support for the people with disability.

**We will grow into a 'Digital Transformation Partner'**  
to lead digital innovation for our customers and society.

Park, Sung Ha President and CEO, SK Inc.

박성하



Dear stakeholders!

The digital transformation we pursue should not be just about the advancement of technology but about making a better and happier society.

We invite your unwavering support and trust to our effort to create digital-driven Social Value and improve enterprise value.

Thank you.



STORY 1



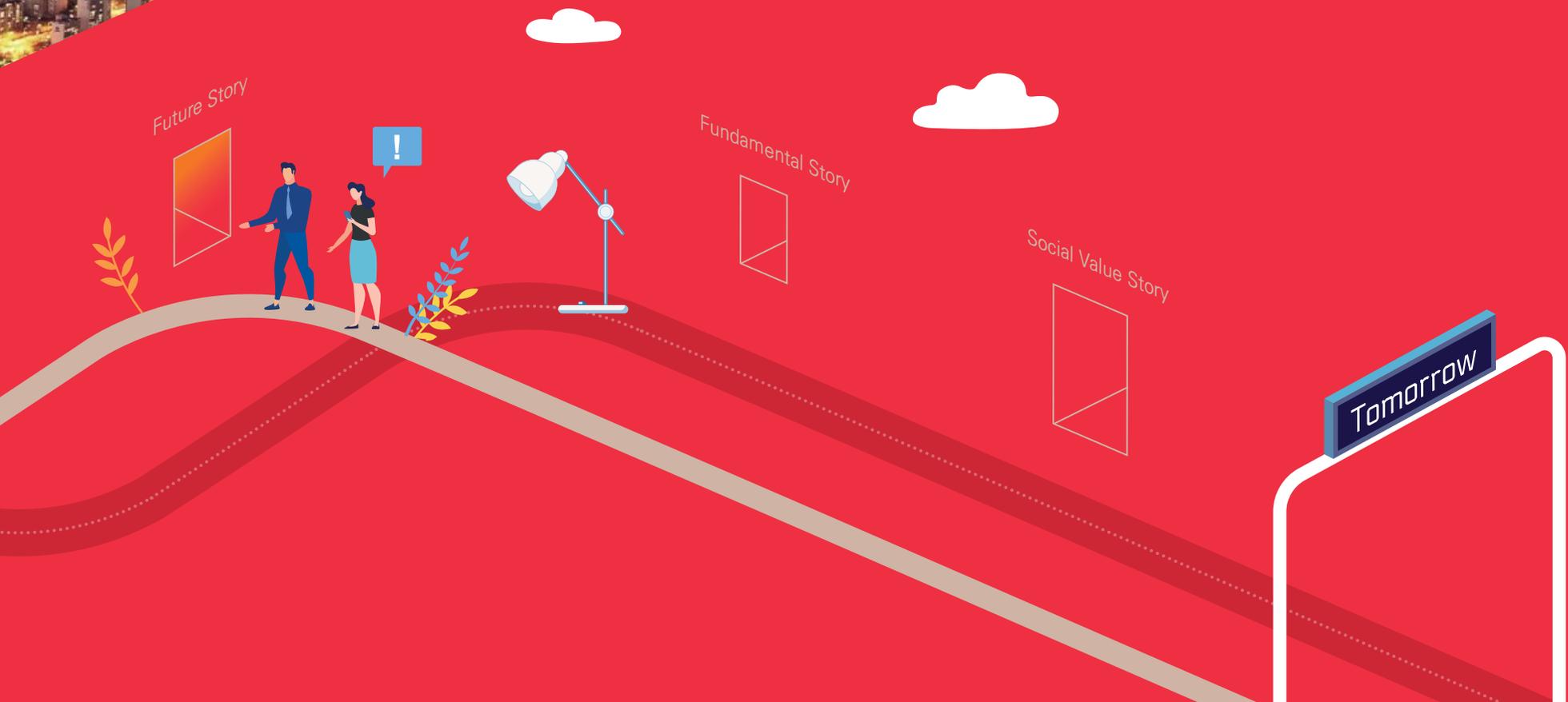
# Future Story

SK Inc., a 'Sophisticated Value Investor,' will embrace change to pave the way for a 'Sustainable Future.'  
**Our journey begins now.**



# Future Story

- ◆ Next Portfolio Story 16
- ◆ Digital-centered Business Model Innovation 26



SK Inc. will **actively lead ESG management** for sustainable future growth and grow to become a **‘Sophisticated Value Investor’** widely trusted by stakeholders.

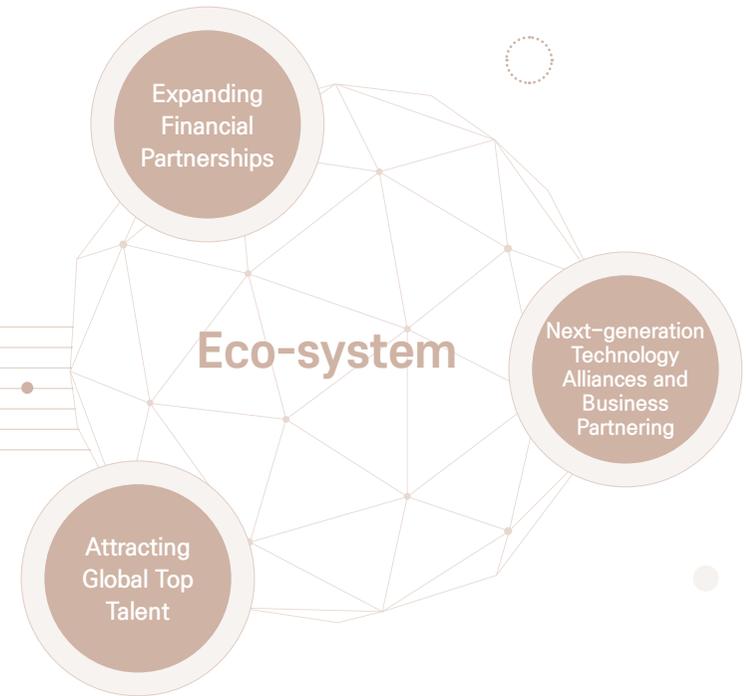
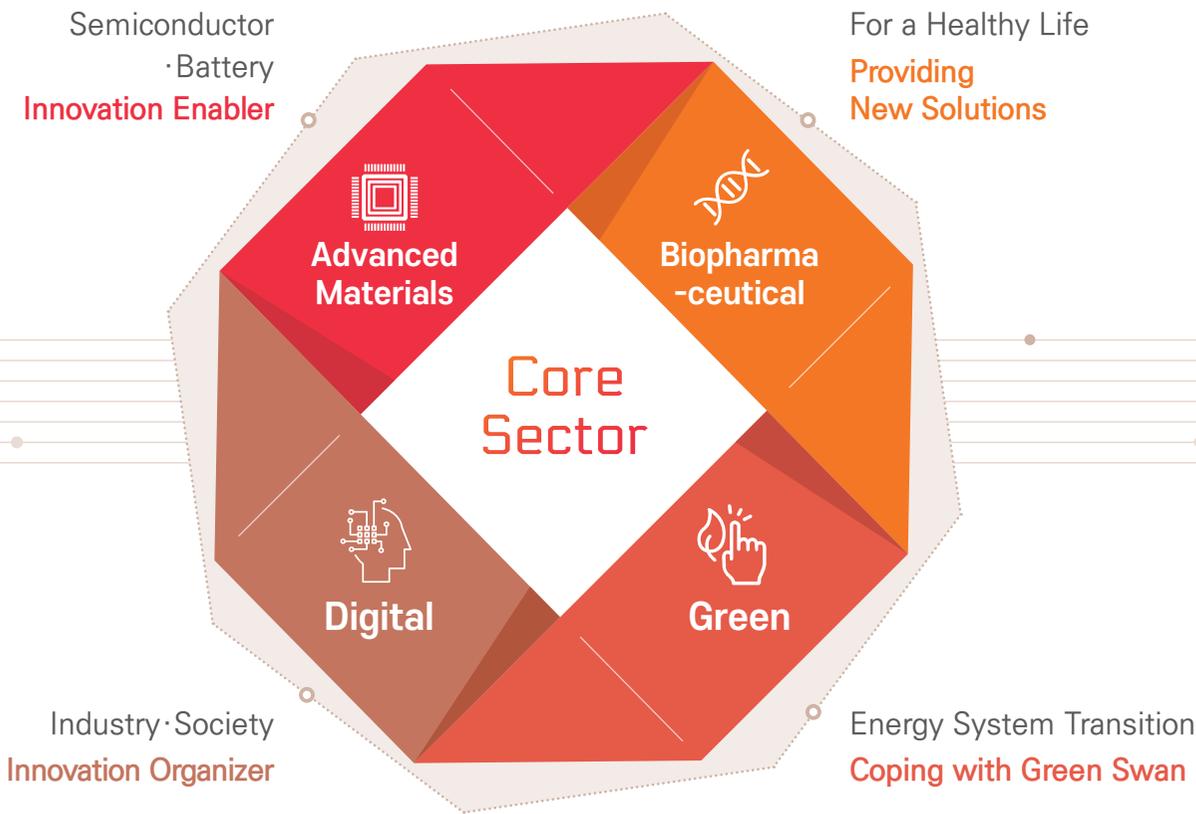


Serving as a ‘Holder,’  
holding stakes in SK Affiliates



Into the New Sectors for 'Sustainable Future'

As a 'Sophisticated Value Investor,' SK Inc. has chosen **four ESG-aligned core sectors**, and SK Inc. will completely reform the business portfolio centering on the four sectors.

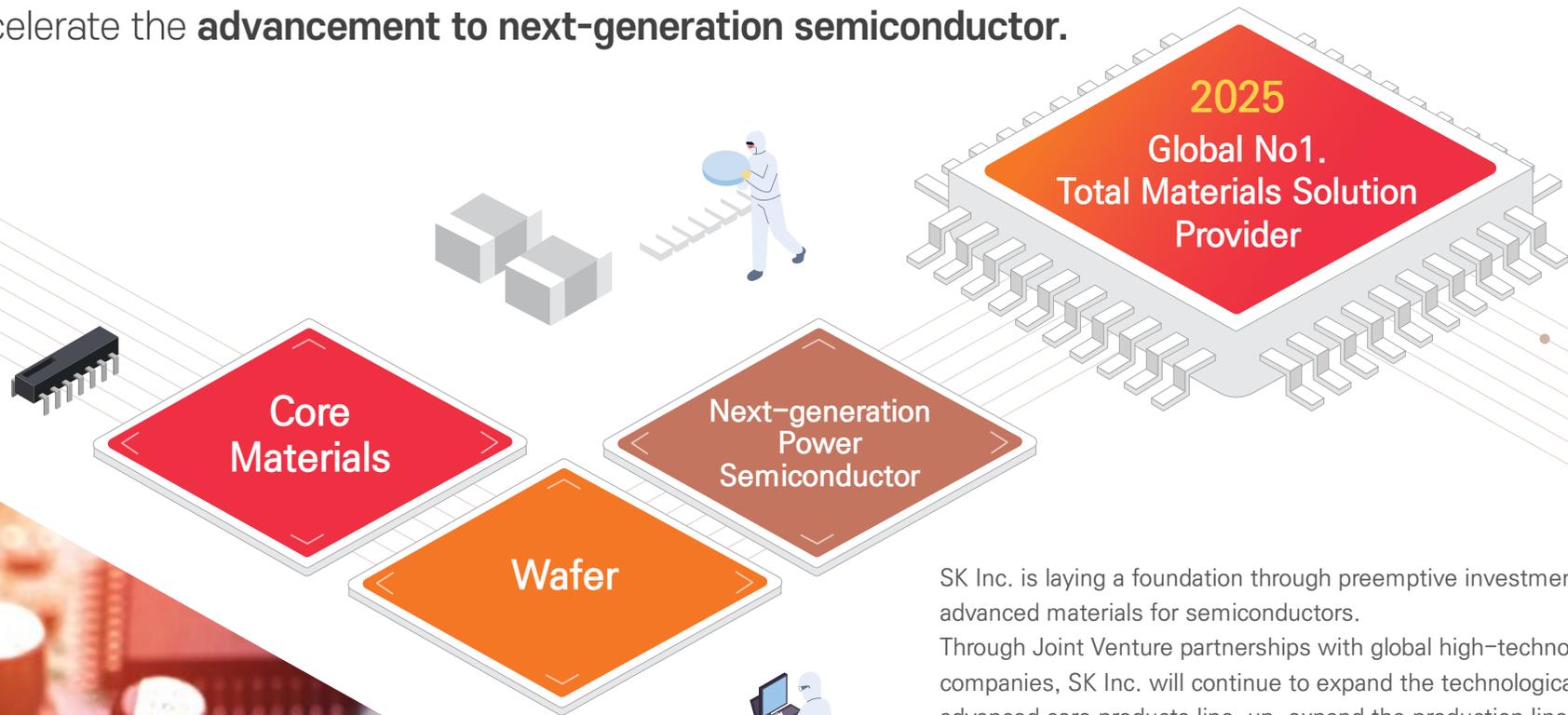


SK Inc. acknowledges that the kind of sustainable growth SK Inc. pursues cannot be achieved alone. SK Inc. will accelerate the speed and the impact of innovation by engaging in various global partnerships and attracting global top talent.



## Advanced Materials ◦ Semiconductor

SK Inc. will secure high-value advanced materials technology to accelerate the **advancement to next-generation semiconductor.**



SK Inc. is laying a foundation through preemptive investments in advanced materials for semiconductors.

Through Joint Venture partnerships with global high-technology companies, SK Inc. will continue to expand the technologically advanced core products line-up, expand the production line of wafer sections at a rapid pace, and increase the global market share. SK Inc. will construct a strategic cooperation framework with car makers in the next-generation power semiconductor sector. This way, SK Inc. will realize the development and mass production of chips for electric vehicles in advance.



## Advanced Materials ◦ Battery

SK Inc. will bring forward the **eco-friendly electric vehicle** era through core material technologies that can improve long lasting performance and realize low cost.

SK Inc. is committed to securing the top market position in the copper foil, a core material in batteries for electric vehicle, through global top class technological competitiveness. SK Inc. will also lead the global battery material market by quickly obtaining the next-generation cathode and anode materials, whose efficiency and stability have been sharply enhanced.



2025  
Game Changer in the  
Battery Market

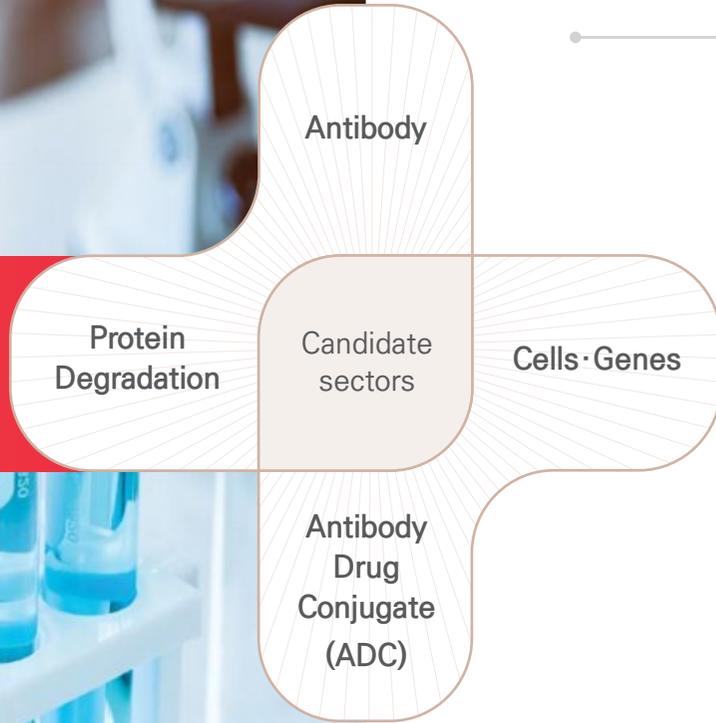
# Biopharmaceutical

SK Inc. will protect **the healthy and happy life** of mankind by developing innovative new medicines and strengthening our competitiveness in pharmaceutical manufacturing.



## Pharmaceutical

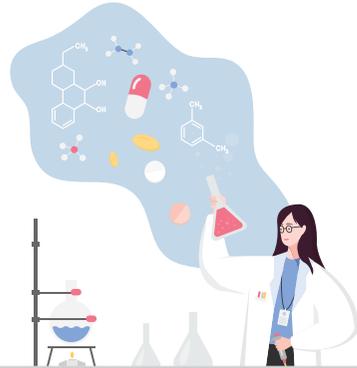
**2025** Innovator of Speeding Up New Drug Development



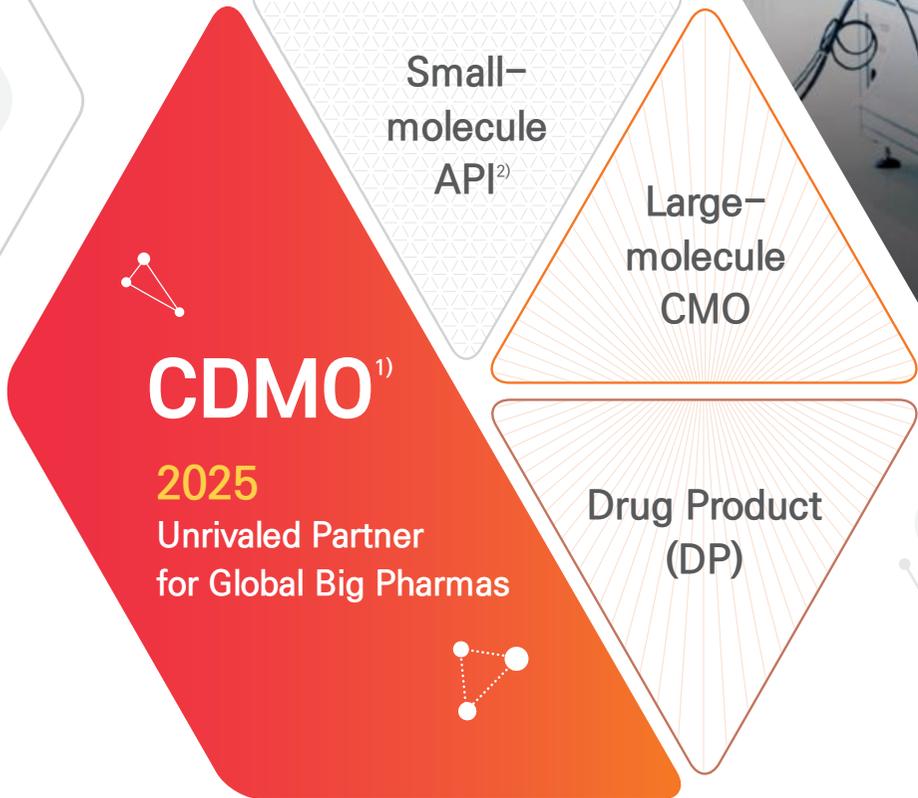
2020 was a critical year when SK Inc. achieved tangible outcomes in the bio business. SK Biopharmaceuticals successfully launched its indecently developed anti-epileptic drug XCOPRI in the U.S. and Europe, and completed an IPO in Korea.

Going forward, SK Inc. will pursue preemptive investment in and strategic partnership with companies equipped with disruptive technology platforms for new drug development, thus shorten the new drug development timeline.





SK Inc. established SK Pharmteco—an integrated body of three business units located in the U.S., which is the world’s largest pharma market, Ireland and Korea. SK Inc. is generating synergy in small-molecule CMO. In order to take another step towards growing as a trusted partner for big pharmas, SK Inc. will expand the value chain to include large-molecule CMO and Drug Product.



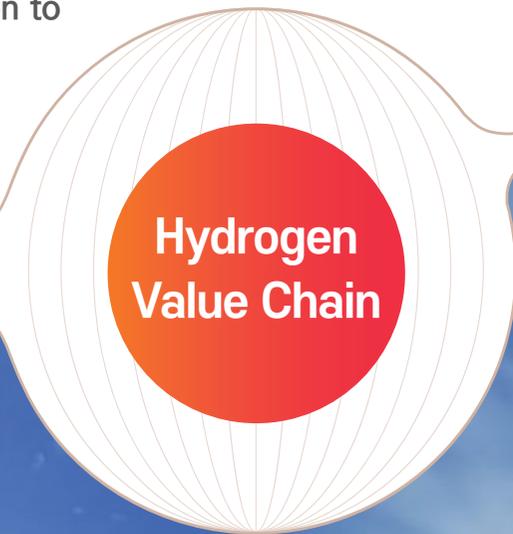
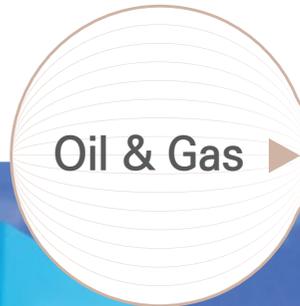
<sup>1)</sup> CMO(Contract Manufacturing Organization)  
 + CDO(Contract Development Organization)  
<sup>2)</sup> API(Active Pharmaceutical Ingredients)

# Green

Through rapid transition to future energy and search for diverse eco-friendly solutions, SK Inc. will take the lead in **solving the Green Swan**.

No. 1 Oil and LNG Infrastructure in Korea

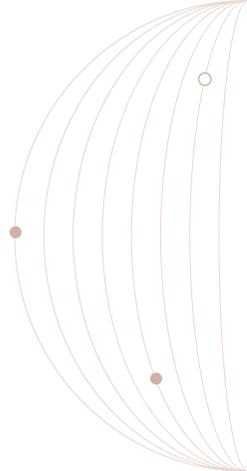
Conversion to Hydrogen



## 2025 Top Icon in Global Hydrogen Economy

- UP ▼ Byproduct and blue Hydrogen  
'Producing 280,000 tons in total'
- MID ▼ Use of LNG terminal, etc.  
'Hydrogen liquefaction and transportation'
- DOWN ▼ Fuel cell power station,  
hydrogen fueling station

SK Inc. is committed to accelerate the conversion into new renewable energy, exiting the carbon economy for the sustainable future. SK Inc. will complete the largest hydrogen system in Korea, and lead Asia's hydrogen market beyond Korea through actions such as forming joint venture partnerships with global fuel cell manufacturers.



# 2025 Global Eco-friendly Solutions Provider

SK Inc. will secure promising technologies of the solar and energy management system in the new renewable energy solution sector with the aim of long-term commercialization.

SK Inc. is committed to proactively internalizing waste and water treatment technologies and CO2 capture technology, and expanding them to the materials business model.

In the alternative food sector, SK Inc. aims to vigorously develop core technologies to make eco-friendly food a daily necessity.



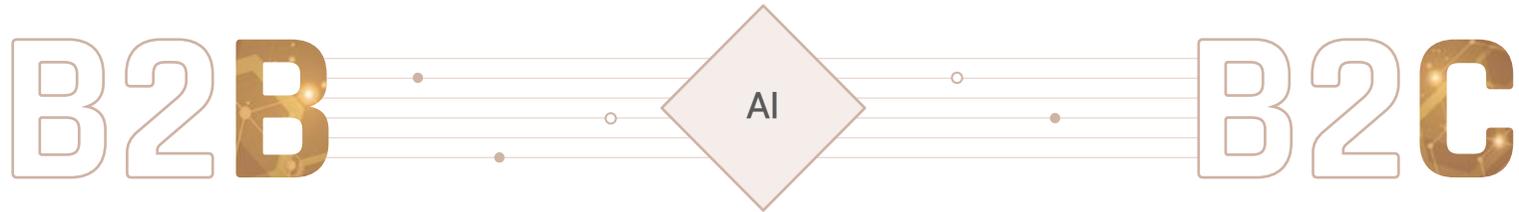


## Digital

By providing optimized AI solutions and building the next-generation network infrastructure as the core base, SK Inc. is committed to **improving individual convenience and enhancing industrial productivity.**

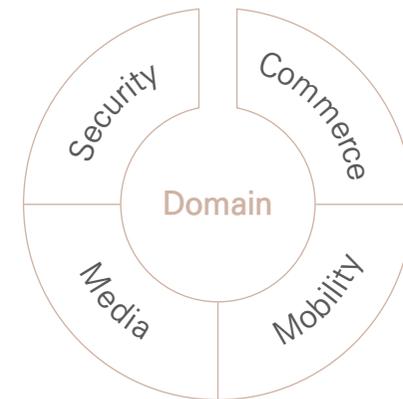
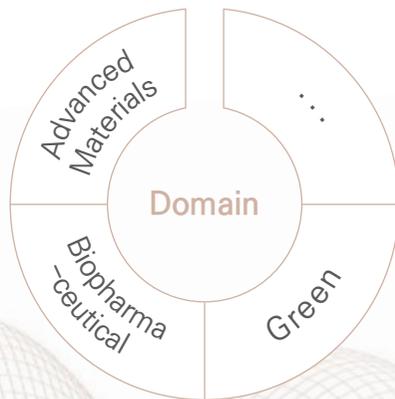
SK Inc. plans to strengthen Digital Transformation and AI capabilities through technology alliances with top global players. SK Inc. will expand the role of the data center, an infrastructure in the Digital Transformation and AI field, into an integrated data center platform using an Asian-based network.





Enterprise AI

Personal AI Platform  
Visualized Agent



## Data Center

Asia Top-tier  
Data Center Platform Player



SK Inc. challenges itself to **innovate a digital-centered business model** to lead the Fourth Industrial Revolution era.



SK Inc. is committed to lead digital innovation for the customers and society based on built-up industrial knowledge, technological competencies and digital assets in the AI, blockchain, cloud and data sectors.



### Digital Asset-centered, Shift to Stable Earning Structure

Digital assetizing problem-solving solutions, and the transformation of infrastructure into cloud



### Consolidating Business Stability through Customer Structure Diversification

Expanding/Differentiating Business Model into Total Digital Transformation Service



### Driving the ESG Initiative with Environmental/Safety/Health Solutions

Searching/Spreading ESG Solutions



STORY 2

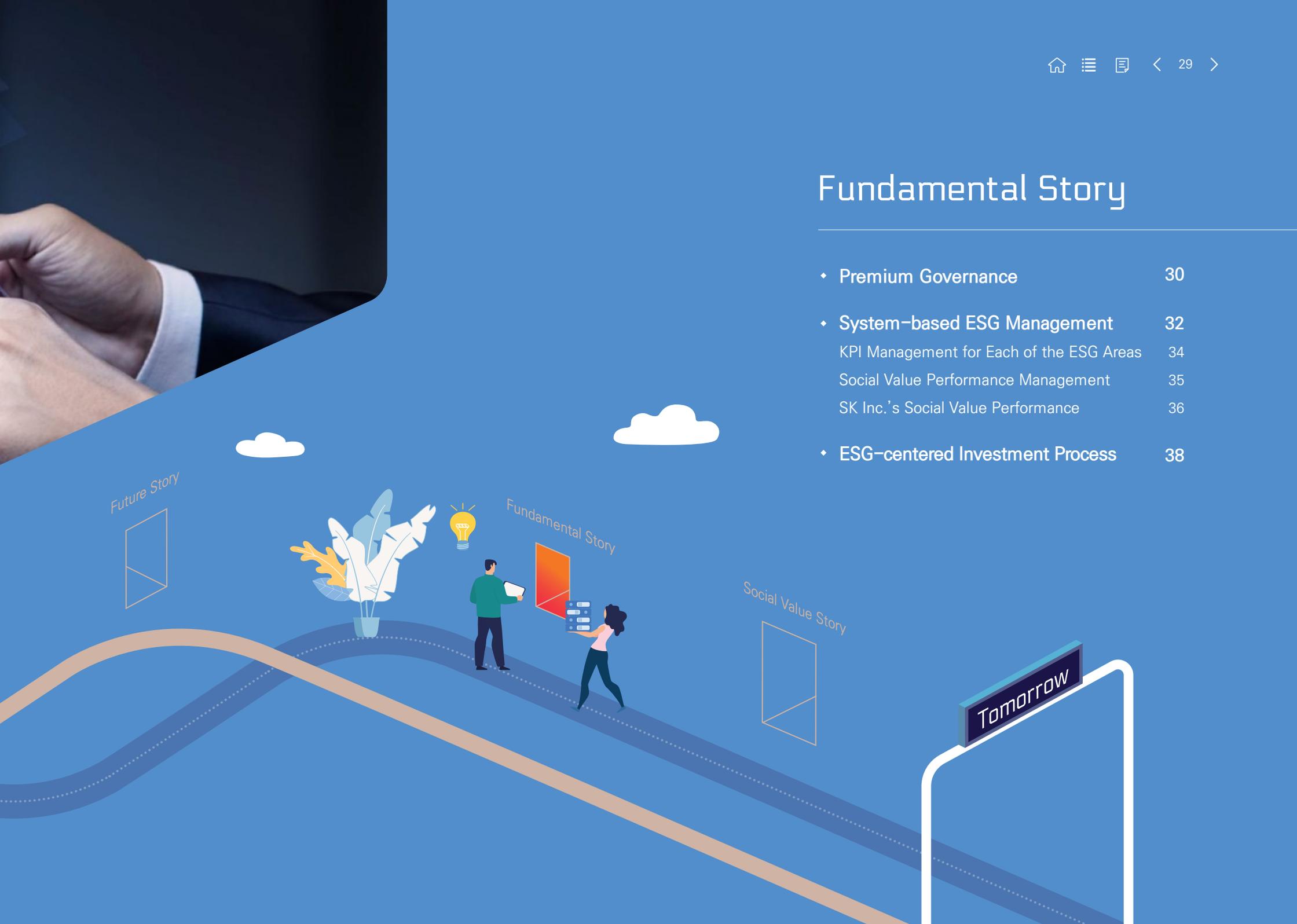
# Fundamental Story

Through reliable ESG management, **SK Inc. provides a corporate model** that the market and society desires.



# Fundamental Story

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## SK Inc. is **devoted to all of our stakeholders' happiness** through **the improvement of SK Governance**

SK Inc. aims to move into a global ESG enterprise through a different level of ESG management. To this end, SK Member companies including SK Inc. will further strengthen responsible management centered on the Board of Directors. SK Inc. will elevate the expertise, competency, independence and transparency of the Board of Directors as the highest decision-making body. SK Inc. will factor in the stakeholders' happiness as a litmus test of the most important management principles in all decision-making processes.



### Establishment of a global first-rate **premium governance system**





SK Inc. preemptively builds exemplary governance. SK Inc. reinforces an institutional approach for core performance indicators of company management, including HR, strategy and audit, etc. to be shared and discussed with the Board of Directors. The comprehensive approach enables SK Inc. to be a benchmark for SK Group's governance improvement. Through this, SK Inc. will play a constant **role model for SK Group's governance improvement.**



# SK Inc. **leads system-based ESG management** to **realize Social Value** for corporate sustainability

A major reason why SK's ESG management is differentiated from others' is that our system enables us to simultaneously pursue Economic and Social Value. SK Inc. measures not only economic values, but also ESG management level and Social Values by quantifying them. In this way, SK Inc. showcases differentiated management which is SK's unique DBL (Double Bottom Line) management system.



In 2020, SK constructed a Social Value Management System (SVMS) commonly throughout all SK member companies. Based on SVMS, SK Inc. reflects ESG performance evaluation results in major decision-making process.



# KPI Management for Each of the ESG Areas

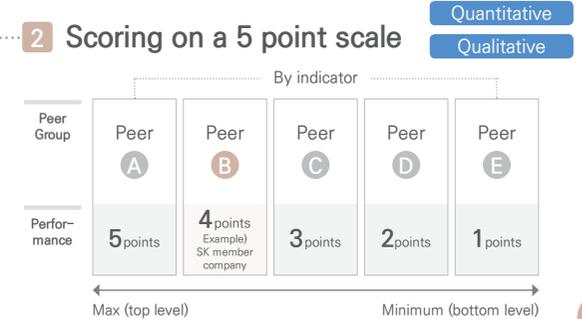
The Financial Society has strong interest in SK's ESG management and demands addressing ESG-related core issues. In response, SK Inc. has produced the common ESG core indicators for SK member companies. SK Inc. aims to adopt ESG management at the global leading company level by each industry.



- 01 Producing Core Indicators**
- Core requirements of Financial Society
  - SK Member companies' ESG improvements

- 02 Quantitative and Qualitative Evaluation**
- Diagnosis of level within the same industry on a 5 point scale

- 03 Applying of weight by industrial sector**
- Energy and chemistry, communications, semiconductor, etc.



**3 Weight by industrial sector (example)**

Peer industry	Environment	Society	Governance
Oil & Gas	45%	20%	35%
Semiconductor	...	...	...
Commodity Chemicals	...	...	...
...	...	...	...

Global Top-tier ESG Level accomplished

# Social Value Performance Management

SK has been developing a Social Value measurement methodology since 2018 and measures SK member companies' Social Value creation performance with monetization values. This focuses on practices for Social Value creation, through which SK Inc. will ensure corporate sustainability and solve social problems in more active ways.

## Principles of Measurement

### Measuring All Measurable Social Value Derived from Corporate Activities

Measuring performance on all created value chain (from product development to sales)

### Measuring in Currency Value by Applying Objective and Conservative Standards

Applying standard values with high external validity and reliability

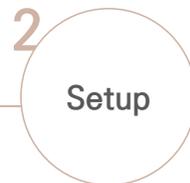
### Measuring management actions' actual results

Measuring beneficiary's change in life as a result of corporate actions

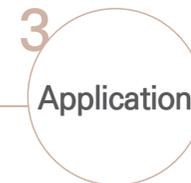
#### Methodology



Social Value = Identify solving social problems (SDGs, etc.)



Specifying benefit (+) and cost (-) vs. baseline



Applying Proxy for monetization



Determining SV measurement values

<sup>1)</sup>SDGs - Sustainable Development Goals

# SK Inc.'s Social Value Performance

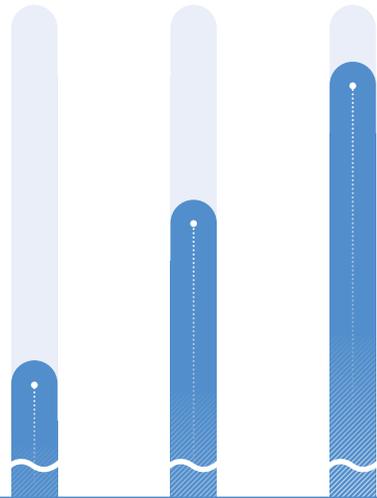
SK Inc. has been measuring Social Value creation performance since 2018 and has been reflecting the results into major internal decision making and management actions.



## 1 Indirect contribution to economy

(Unit : KRW 100 million)

7,734    8,194    9,421

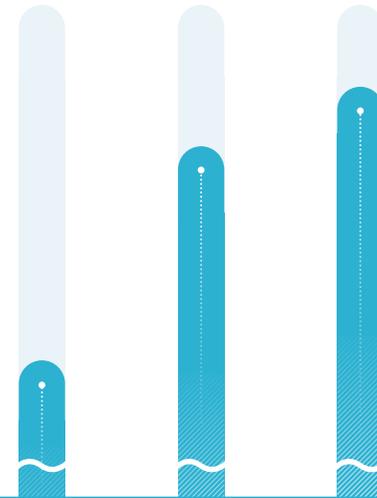


2018    2019    2020

## 2 Social performance in business activity

(Unit : KRW 100 million)

550    817    844

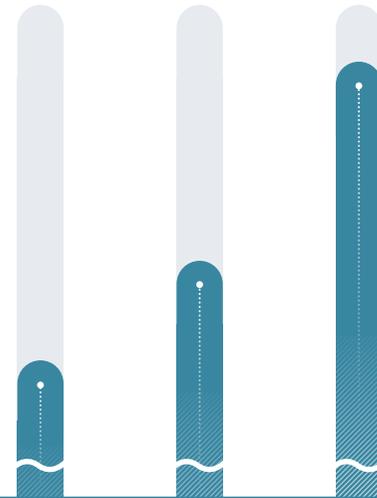


2018    2019    2020

## 3 Social performance in social contribution

(Unit : KRW 100 million)

64    82    126



2018    2019    2020

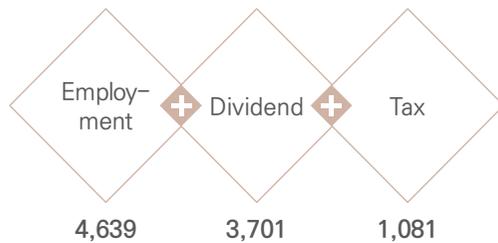


In 2020, SK Inc. created **KRW 942.1 billion**, **KRW 84.4 billion**, and **KRW 12.6 billion** of SV in three respective sectors of indirect contribution to economy, business activity, social contribution through the following : active stockholder return policy, pursuit of SV creation business model, and social responsibility activities, etc. in response to COVID-19.

2020

### Indirect contribution to economy

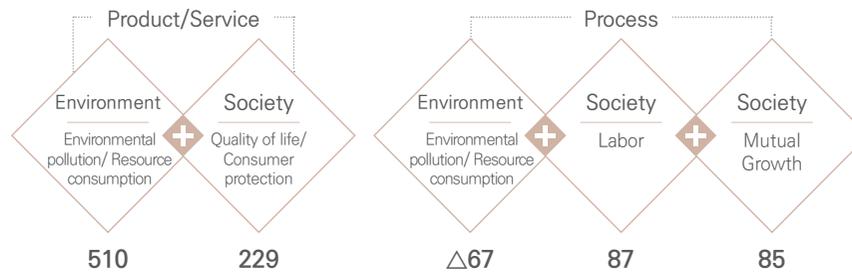
Values indirectly contributing to economy through corporate activities



—○ KRW **942.1** billion ○—

### Social performance in business activity

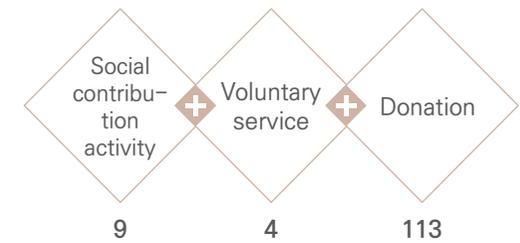
Values generated through product development, production, and sales



—○ KRW **84.4** billion ○—

### Social performance in social contribution

Values created with social contribution activities in communities



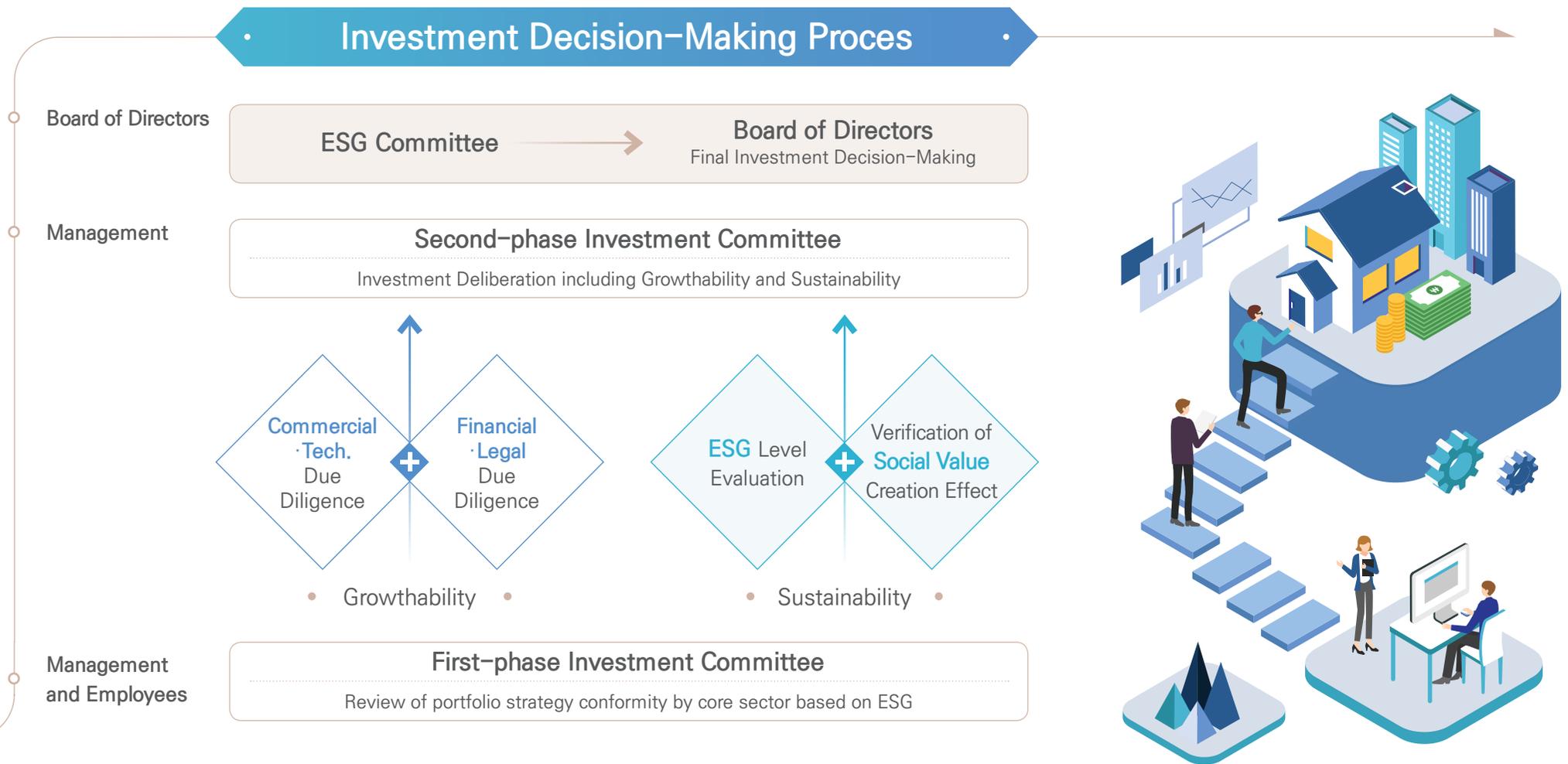
—○ KRW **12.6** billion ○—

SK Inc. will focus more on creating SV performance in business sectors based on our competencies. SK Inc. will continue to create **differentiated SV-based values** through employees' DBL capabilities, which have been further strengthened with a 'new model for entrepreneurship'

SK Inc. will elevate the **portfolio's sustainability** through the **ESG approach** throughout the investment process



SK Inc. integrates an **economic value analysis** and an **ESG approach review** and applies the results in **investment decision-making**



STORY 3

# Social Value Story

With SK's good influence throughout the world, **SK Inc.** builds a better future.



# Social Value Story

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## Creating Social Value based on SK Inc.'s Industry Expertise

SK Inc. believes that SK Inc. can create Social Values by solving a variety of social problems in a real world based on SK Inc.'s business competitiveness.



# Social Value-oriented Business Model

SK Inc. is committed to persistently resolving environmental problems and improving customers' quality of life by pursuing SV-based business model.



## Major performances of the product and service that improve the Environment and Quality of Life

### AI-based Image Interpretation & Analysis Service for Diagnosis of cerebral hemorrhage

#### Contribution to reducing social costs in regards to cerebral hemorrhage

Contribution to public health care with prompt and accurate diagnosis of cerebral hemorrhage

- Certification conforming to Good Manufacturing Practice (GMP) of medical devices
- Clinical trials and commercializing non-medical device (Collaboration with Ajou University Hospital)

### AI-based Analysis Service for Real Estate Rights

#### Contribution to reducing social costs associated with real estate transactions

Reducing legal disputes providing safe real estate transactions

- Applying to Dabang, online-based brokerage platform of real-estate transactions
- Providing AI-based real estate right relationship analysis and the secure transaction information of the property for sale to consumers

### Forestation Business (SK Forest)

#### Contribution to reducing greenhouse gas emission

Reducing carbon emissions and securing Certificated Emissions Reduction (CER)

- Afforestation business (Chungju, Yeongdong, Cheonan, Hoengseong)
- Goseong, The First A·R CDM<sup>1)</sup> business in Korea (the final approval of UN Climate Change Convention)

### Cloud Server and Cloud DR<sup>2)</sup> Service

#### Contribution to energy savings and extending lifespan of IT service equipment

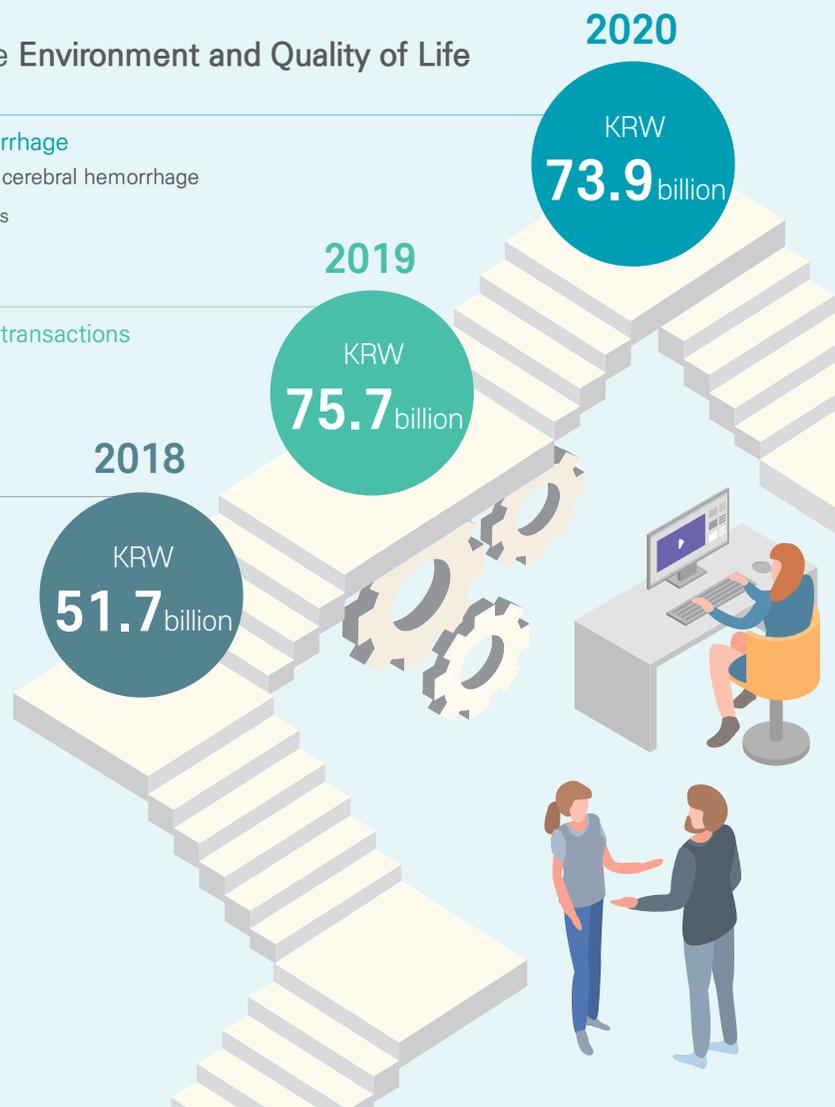
Compared to On-premise service, energy usage for network devices has been reduced and equipment lifespan has increased

- Providing customized cloud service through obtaining cloud-based core platform Business Model Assets and consolidating multi-cloud MSP<sup>3)</sup> competitiveness

<sup>1)</sup> A·R CDM (Afforestation·Reforestation Clean Development Mechanism)

<sup>2)</sup> DR (Disaster Recovery)

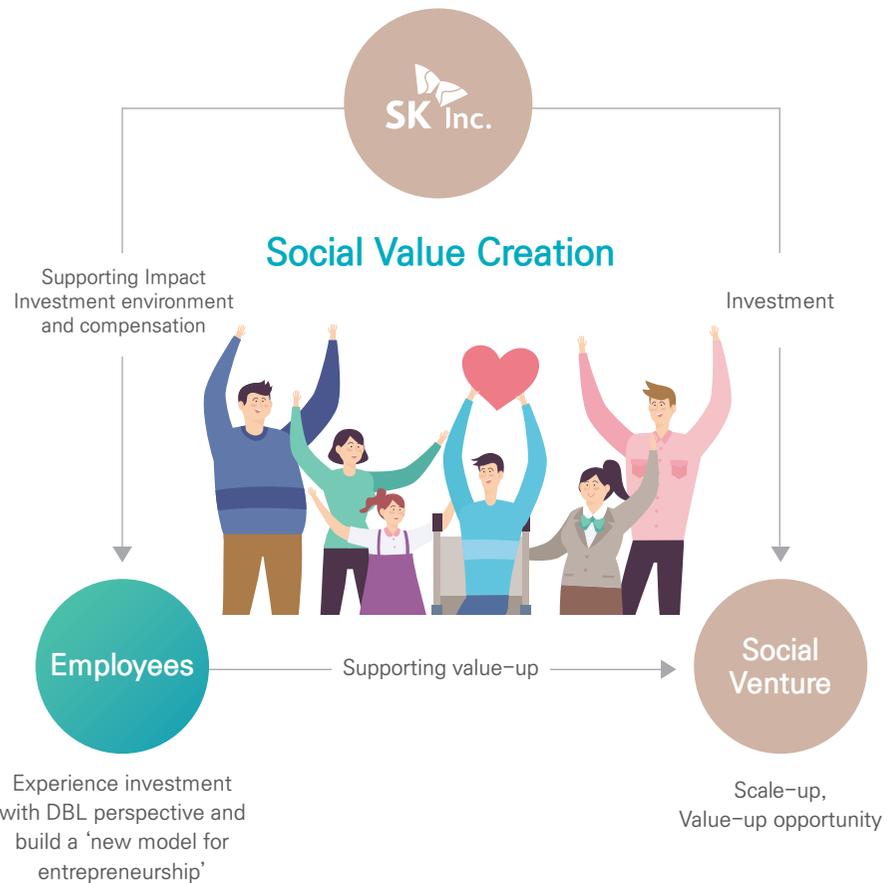
<sup>3)</sup> MSP (Managed Service Provider)





SK Inc., as an investment firm, invests in start-ups with innovative solutions to address social problems. SK Inc. acknowledges our responsibility of creating social values and is committed **to contribute to enabling ecosystems of social enterprise by means of investment.**

Starting from 2021, SK Inc. implements an in-house investment competition program, One Investment Center–One Impact, where employees voluntarily participate in impact investment. Through the program, employees experience investment with DBL perspective and build a ‘new model for entrepreneurship’.



### ENUMA CEO Lee Soo-inn

Social Mission

Developing learning software, empowering ALL children to learn independently.

- Developing digital early-learning solutions
- Cowinner of the U.S. Global Learning XPRIZE (2014~2019)



### TestWorks CEO Yoon Seok-won

Social Mission

Providing equal opportunity-based equitable growth through inclusive employment (people with disability, women with career interrupted).

- Data collection, refinement, processing and software QA for AI learning
- Best Practice in the 2020 Ministry of Science and ICT DNA



### Todo Works CEO Shim Jae-shin

Social Mission

Developing mobility technology for the people with disability.

- Developing power assistant for wheelchair
- No.1 place of ‘Heated Contest of Social Value’ (SOVAC 2020), etc.



### The Wave Talk CEO Kim Young-dug

Social Mission

Developing a biosensor to instantly detect the presence of bacteria in food and water by analyzing time-lapse light patterns.

- Developing water pollution (micro-materials, bacteria) measuring sensors
- CSES 2020 Innovation Awards, Korean 2019 Innovative Companies, etc.

# Project SIAT : Empowering People with Disabilities

SK Inc. is committed to improving the quality of life of the people with disability with ICT technology as well as helping them to adapt to a society.



Smart IT Advanced Training

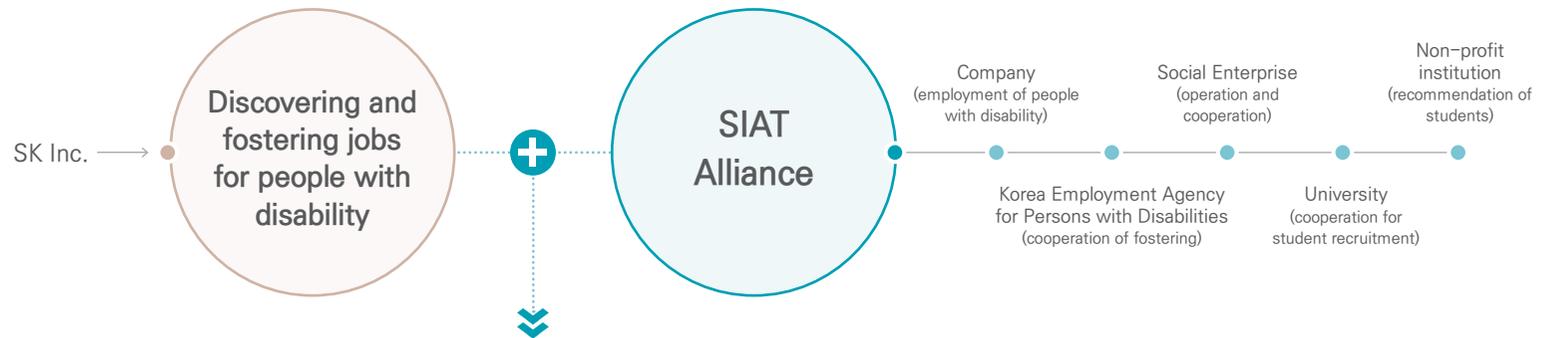
A platform to foster and hire people with disability, jointly promoted with various stakeholders



The SIAT project continuously advances the SIAT alliance with a variety of stakeholders to foster the talent of the young people with disability and systematically support their employment.  
**SK Inc. tries to actively support them in realizing their dream of becoming ICT experts.**



Direction



**Improving quality of life through people with disability's independence and growth**

More information on SIAT academy is available on the Happy School Foundation website.



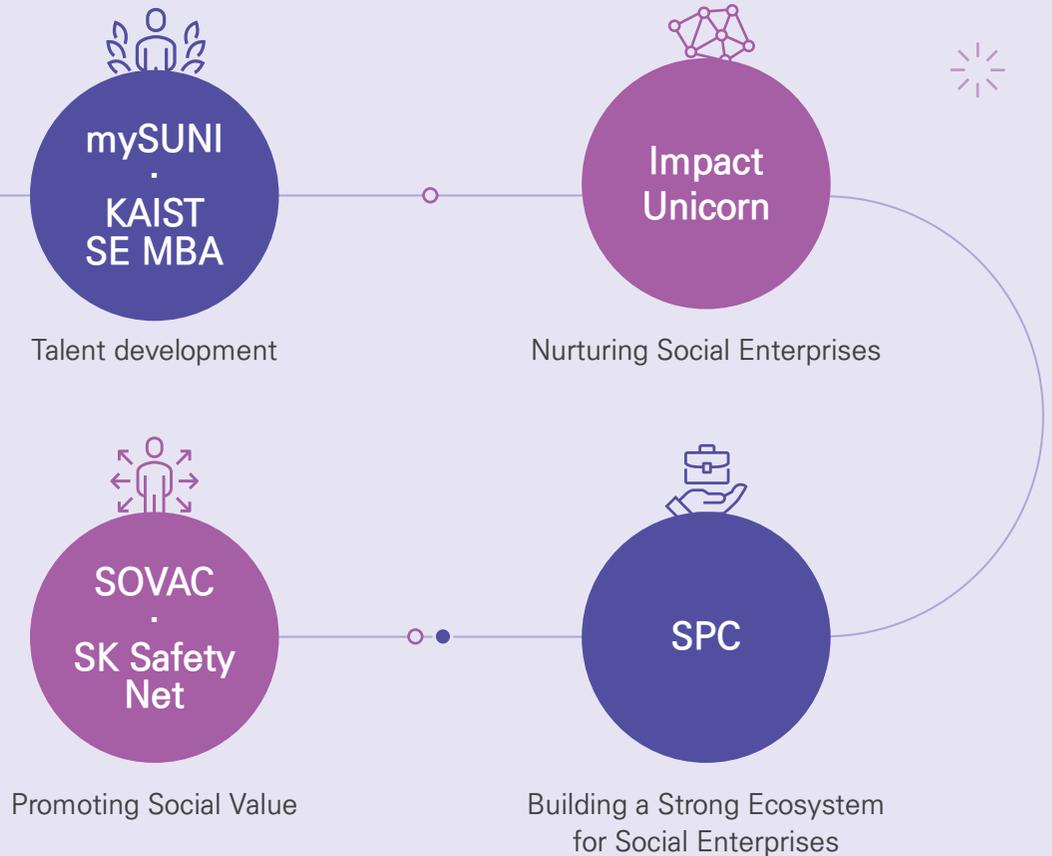
# Promoting Social Value Across Wider Communities

Now, SK introduces activities to improve social values.



# Transforming All Values Created by SK into Social Values

From an economic value-centered era in which economic profit and efficiency were more important than anything else, our society is now gradually turning into a era of creating Social Value which accepts various social demands. Companies should actively communicate and coexist with diverse stakeholders to create social values. SK defines all the value that we create for stakeholder happiness as having social value and is vigorously putting this into practice.



# Fostering Talent for Future

## mySUNI (SK UNiversity)

In the era of the fourth industrial revolution, employees' competitiveness has become a key issue directly relevant to corporate competitiveness. This is why SK has made mySUNI a platform to reinforce our employees' competencies. The mySUNI, established in 2020, is a learning platform from SK Group to persistently secure and accumulate employees' competencies and develop them further, while letting the employees work and learn simultaneously.

Securing Long-lasting Base for Employee's Happiness through Accumulation of Human Capital



<b>Future Growth</b>	<b>AI/DT</b>	<b>Future Semiconductor</b>	<b>Environment</b>	
	<ul style="list-style-type: none"> <li>AI</li> <li>Data</li> <li>Cloud etc.</li> </ul>	<ul style="list-style-type: none"> <li>AI semiconductor</li> <li>Semiconductor Materials</li> <li>Semiconductor technology etc.</li> </ul>	<ul style="list-style-type: none"> <li>Decarbonization</li> <li>Hydrogen</li> <li>Energy solution etc.</li> </ul>	
<b>Creating Innovative Business Model</b>	<b>DESIGN Capability</b>	<b>SOCIAL VALUE</b>	<b>GLOBAL</b>	<b>BM Design</b>
	<ul style="list-style-type: none"> <li>Design Thinking</li> <li>Agile</li> <li>Logical Thinking etc.</li> </ul>	<ul style="list-style-type: none"> <li>ESG</li> <li>SV</li> <li>Social problem etc.</li> </ul>	<ul style="list-style-type: none"> <li>Geopolitics</li> <li>Global Mgmt.</li> <li>Regional expert etc.</li> </ul>	<ul style="list-style-type: none"> <li>M&amp;A</li> <li>Financial Story</li> <li>Storytelling etc.</li> </ul>
<b>Basic job requirement</b>	<b>Happiness</b>	<b>Leadership</b>	<b>MGMT.</b>	
	<ul style="list-style-type: none"> <li>Happiness management</li> <li>Mind management</li> <li>Practice of happiness etc.</li> </ul>	<ul style="list-style-type: none"> <li>Leading Myself</li> <li>Leading People</li> <li>Leading Biz. etc.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate management/strategy</li> <li>Finance/accounting</li> <li>Marketing/brand etc.</li> </ul>	

Focusing on 'Deep Change' contents which pursues the mutual growth of the company and the persons, various education programs based on customized curriculum are provided to promote self-regulated competency development.



Participation rate of 2020 education and training

Participating SK affiliates 38 companies

Participating employees 41,000 persons

\* Plan to expand to all employees of the SK Group in 2021.

# Fostering Talent for Social Value Creation

## KAIST SE MBA

KAIST SE MBA is an MBA program jointly operated by SK and KAIST to foster competitive social entrepreneurs. As of 2020, 106 students have graduated since 2013 and established 99 Social Enterprises (SE). They have also attracted 62 cases of investments so far.



[CEO Yun Young-sup]



[CEO Park Hyung-soo]



[CEO Oh Gwang-bin]



[CEO Park Joon-bum]

In 2021, the curriculum has strengthened competitiveness of academic programs such as how to accelerate scale-ups. KAIST SE MBA will make full efforts to create both economic and social values.

More information on KAIST SE MBA is available on the KAIST College of Business website.

Outcome from 2013~2020 (total)

Graduates  106 persons

Establishment of Social Enterprises

 99 companies

Attraction of external investments

 62 cases

# Nurturing Social Enterprises



## Impact Unicorn

In 2020, Korean companies certified as social enterprises were 2,704, up more than 10% compared to 2019, despite COVID-19. However, some limitations emerge in creating a certain level of competitiveness as social enterprises overlap each other substantially.

SK has promoted the Impact Unicorn<sup>1)</sup> project to overcome these limitations and spur growth potential. 63 union models applied for the related contest in 2020. 6 companies achieving excellent evaluations among them are currently receiving support.

SK Inc. will consolidate business cooperation with the member companies and continue to attract additional investment.



## Outcome in 2020

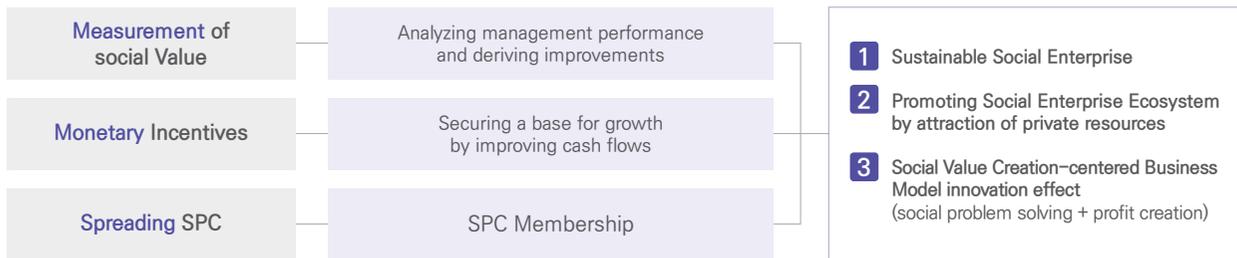


<sup>1)</sup> Impact Unicorn : Social Enterprises or Social Ventures valued over KRW 100 billion



# Building a Strong Ecosystem for Social Enterprises

## Experimental Policies for win-win situation



## SPC (Social Progress Credit)

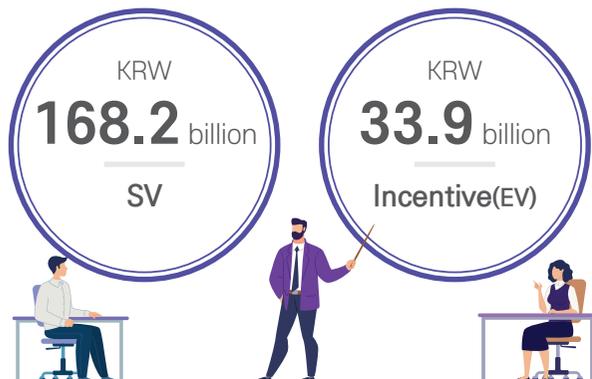
A program to encourage good deeds and good businesses is the very Social Progress Credit (SPC) service carried out by SK since 2015. This is a service in which a Social Enterprise's problem solving outcomes are measured in monetary value and incentives are provided. SPC service is to help social enterprises' financial issues.

Since 2015, the participating companies created Social Value at KRW 168.2 billion by 2020, and they earned KRW 33.9 billion in incentives.

SK will constantly upgrade the system for systematic measurement and compensation of social values through SPC.

For more information on SPC, refer to the website of Social value Enhancement Studies(CSES).

## Outcome of 2015~2020 (total)



## 2020 Contactless Awards Ceremony



# Promoting Social Value



## SOVAC (SOcial VALue Connect)

The largest private sector-led social value festival in Korea, SOVAC (Social Value Connect)! Since 2019, it has been used as an arena to gather numerous resources and competencies in the social value ecosystem, spread compassion to solve social problems, and expand networking.

In 2020, SOVAC was held in online because of COVID-19, focusing on connection of various sectors to create Social Values. More audiences were able to join beyond time and place, and SK Inc. confirmed that SOVAC can become an event for whoever is interested in Social Values, not just for SK.

SK Inc. will continuously promote high-quality content to improve social awareness and expand SV community through Monthly SOVAC, held in online in the COVID-era.

## Outcome of 'Monthly SOVAC' in 2020

<p>"I want to invest in this social enterprise/social venture."</p> <p>Local : Rise Live 2020 "Back In the neighborhood"</p>	<p>Impact Unicorn "The one who change the future"</p> <p>임팩트 유니콘</p>	<p>VBA 2020 Korea "Integration of financial and ESG outcomes"</p> <p>Value Balancing Alliance 2020 Korea</p>	<p>YoungHwaDang x The World you and I made together "Hidden story to sympathize in movies"</p> <p>나와 너의 세상</p>		
June	July	August	October		
September					
<p>Heated Contest of Social Value</p>	<p>Buy Social</p>	<p>Good Influence Challenge</p>	<p>Naver Happybean</p>	<p>POSCO Venture Ecosystem</p>	<p>KAKAO IMPACT</p>
<p>Impact Investment</p>	<p>Social Innovative Talent</p>	<p>Living Lab</p>	<p>Employment of people with disability</p>	<p>Nonprofit Trend</p>	<p>Sympathy</p>
				<p>Google Accessibility</p>	<p>SPC</p>

## SK Safety Net

The unprecedented COVID-19 pandemic has created blind spots in terms of social welfare. SK is concerned about its role more seriously than ever and believes that a safety net is necessary for social welfare for the stakeholders and SK employees.

SK leveraged our unique safety net concept, by which SK Inc. is actively assisting people in need.



### The "Ontact\*" Project ("On" means warmth in Korean)

SK Inc. has carried out good quality meal and lunch box services through the budget aid of free meal giveaways and drinking water to solve nutrition imbalance of the socially underprivileged.

- For **107** days (Jan.-Apr. 2021)
- **20** SK affiliates participated in **19** areas nationwide.
- Offering good quality meals to **1,535** people.



### Happy Meal-box

In February 2020, COVID-19 has spread widely. SK Inc. offered Happy Meal-box service together with Daegu's social enterprise "Donghaeng", "Happy Alliance" and the SK affiliates' employees in Daegu and Gyeongbuk, the most hard hit areas.

### Employee Care Program for Prevention of COVID-19

SK Inc. has conducted thoughtful care programs for employees' work environment improvement.

- Supporting work from home
- Transforming to a two-shift work system
- Offering preemptive special holiday for high risk groups for infection including employees in manufacturing industry, in pregnancy, and with underlying diseases
- Offering temporary accommodation to the expats and their family



# ESG Letter

What do you think about the **sustainable future** envisioned by SK Inc.?

I hope that vaccine rollouts that started early this year will put the economy on the road to recovery. I believe that we can overcome big challenges if the members of society and businesses trust and support each other.

Yet the reality of today is still grim.

Take a look at the environment surrounding us—a rapidly changing international landscape, increasing uncertainty, global social issues such as climate change, declining population, and changes in the way we live caused by technological development. This means that we will still have to constantly pursue change even in the post-Covid world. All this calls for a fundamental change in business management. Everyone at SK Group recognizes the harsh reality and the need for fundamental innovation. We would not carelessly label this as a crisis or give in, but rather turn this as a new growth opportunity.

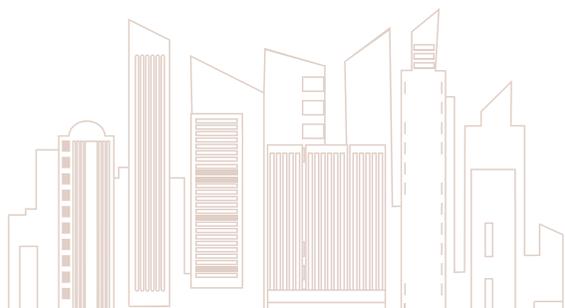
SK Inc. has developed a Financial Story that embraces ESG values. The Financial Story well reflects our new management direction, and we are developing detailed action plans. A business philosophy is increasingly incorporate ESG factors—as a means to resonate with the future generation by addressing global environmental issues, prioritizing social value in business activities and building a sound corporate governance.

SK Inc. practices ESG-incorporated management and is leading the way in making a sustainable future. The concrete actions include declaring our vision of a ‘Sophisticated Value Investor,’ reshaping the business portfolio centering on the four key sectors, reinforcing responsible management centered on the Board of Directors.

The time has come to reflect upon the new role of companies that can meet the expectations of society. Businesses and business leaders are now needed to adopt a ‘new model for entrepreneurship.’ At SK Inc., we will always look at ourselves and ask ‘What kind of value and happiness can we bring to members of SK and society?’ We will practice ESG management and adopt a ‘new model for entrepreneurship’ so that we can address various social issues in a meaningful way through business activities. SK Inc. is committed to being your trusted partner in pursuit of a sustainable future.

I invite all our stakeholders in our journey towards a sustainable future.

Thank you.



☀️ **ESG** is a new principle of SK management and an essential element of **Deep Change**.

We will focus more on creating a **sustainable future** and fulfilling our corporate **social responsibility**.



Chairman & CEO of SK Inc.  
**Chey, Tae-won**



In November 2020,

# RE100 Declaration



Seven SK member companies, including SK Inc., announced their pledge to RE100 and began to actively respond to climate change.

SK's new challenge for Green growth.  
SK member companies jointly declared Net Zero and are stepping up  
to respond to climate change and solve environmental problems.

In June 2021,

# NET ZERO Declaration



Part 2

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# ESG

Policy &  
Performance



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# Environmental Value

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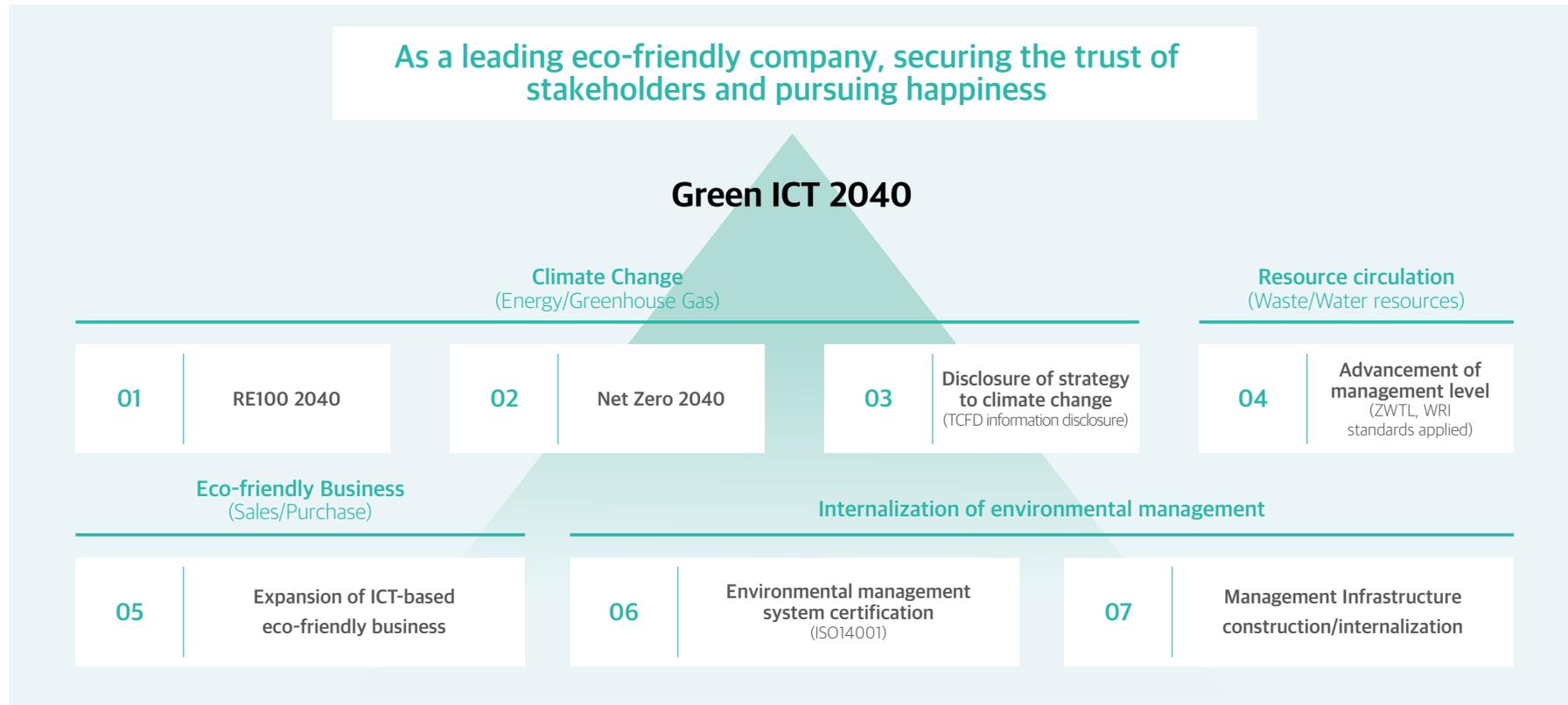


## Vision and Strategy

- As environmental management emerges as a key element of ESG, pressure from domestic and foreign investment institutions and civil society demanding better and meaningful environmental management and response to climate change continues to rise.
- The requests for information and financial disclosure on the response to climate change are increasing, and its importance is being manifested into an international standard.

- SK Inc. recognizes that tackling environmental issues is a universal task for mankind, and it is our responsibility and duty to pass on a clean global environment to the next generation.
- Accordingly, SK Inc. acknowledges the need for systematic and comprehensive management of the environmental sector that surpasses the current level
- establishing the Green ICT 2040-oriented new environmental management strategy and a sustainable performance management system

## Vision



## Response to climate change

### Participating in RE100 2040 and Net Zero (carbon neutral) 2040

#### 1) Participating in international initiatives

- Joined RE100 Initiative\* membership (December 2020) to undertake climate change response required by the international community, and set RE100 2040 and Net Zero 2040 goals.

#### 2) Managing greenhouse gas and electricity consumption

- SK Inc.' total greenhouse gas emission in 2020 was 64,014 tCO<sub>2</sub>e (excluding scope 3), more than 99% of which was emitted from electricity use. This is estimated to continuously increase until 2040.
- Most of the electricity consumption arises from data center power consumption and is expected to rise by about 7% per year on average until 2030 with the expansion of customers and increase in data usage needs.
- SK Inc. is pursuing a goal of reducing electricity demand by 3.5% or more annually through additional investment and efforts, such as introducing new technologies to operate data centers with the world's foremost power efficiency and new energy-saving measures to be planned.

#### 3) Renewable Energy Power Procurement Plan

- Purchase of 5.7GWh of green premium electricity in 2021 to contribute to the renewable energy industry ecosystem.
- Continue efforts to expand self-generation of new and renewable energy such as increasing the power generation capacity of solar power generation facilities (150kW → 650kW) and introducing hydrogen fuel cells from a mid- to long-term perspective.
- In addition, introduction of RE100 implementation measures such as third-party PPA (Power Purchase Agreement) to be reviewed in light of domestic and international market conditions.

#### 4) Presenting mid-to long-term roadmap

- SK Inc. plans plan to present an implementation plan and performance measurement/ monitoring system according to mid- to long-term roadmaps for achieving RE100 2040 at the end of 2021.

### Disclosing information on the strategy for responding to climate change: TCFD

- Operation of a management system that meets the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD)
- Short term and mid-to long-term risks and opportunities based on climate change scenarios, Establishment of the Greenhouse gas reduction implementation strategy based on financial impact analysis, and continuous monitoring of target levels to achieve.

## Response to resource circulation and expansion of eco-friendly business

### Sophisticating of resource circulation (waste/water) management level

- To expand the resource circulation of waste and water, which are targets of resource circulation management, and minimize environmental pollution, the management level and goals have been elevated, applying the international standards of ZWTL (Zero Waste to Landfill) / WRI (World Resources Institute).
- To reduce the amount of waste landfill, the scope of tracking management is expanded from the primary collection companies to secondary and tertiary incineration and landfilling providers.
- Household waste minimized through employee participation programs such as proper disposal and reduction of disposable products used.

### Expanding ICT-based eco-friendly business

- Efforts are being made to leverage the environmental sector as an opportunity for business growth through expanded exploration of an eco-friendly business Model (BM) and eco-friendly procurement policies.
- As an ICT company, digital technologies that combine environment and technology such as air pollution reduction, water pollution reduction, and energy savings and eco-friendly solutions are explored and commercialization targets are promoted.
- Impact of eco-friendly management is strengthened by increasing eco-friendly purchases such as eco-friendly certified products, high-efficiency energy products, and products with reduced harmful substances.



\* RE100 Initiative: A campaign started from an NGO of England, 'The Climate Group', which aims to replace 100% of electricity used by company with Renewable Energy. By this year (2021) 284 companies worldwide are included.

## Internalization of environmental management

### Establishing and operating environmental management system

- Diagnosing the environmental management status to minimize internal and external environmental risks, to establish environmental decision-making process, and to improve the level of environmental management.
- Acquisition of ISO14001 in June 2021, and continuous improvement of the company's environmental management system is promoted.



Environmental Management Policy

ISO 14001 certificate

### Establishing and internalizing management infrastructure

#### 1) Reorganizing environmental management organization

- Implement CEO-directed strategic tasks such as establishing environmental management strategies and responding to climate change through the company-wide environmental management organization under direct supervision of the CEO.
- Assign staff in charge of environment and establish processes for each unit to enable organic collaboration with the unit in charge of environmental management, including environmental risk assessment by each business unit, environmental impact assessment, environmental performance monitoring, and compliance with environmental regulations.
- To minimize environmental risks in data centers with high environmental load, an organization dedicated to promoting eco-friendliness was established, and approaches are taken to strengthen data center management in various directions.

#### 2) Risk Management

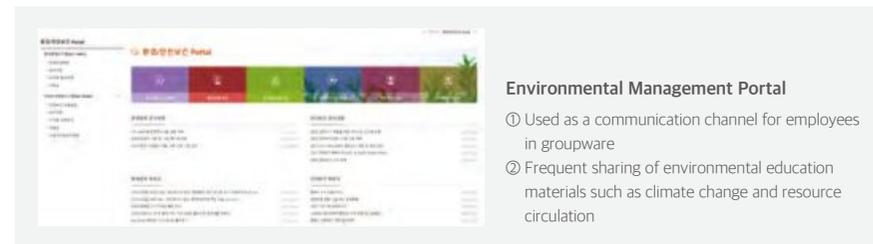
- SK Inc. operates a risk management consultative body, in which management mainly participates, for a prompt risk response system. (Refer to p.122 "Risk Management Reporting System")
- For environmental risks that have a significant impact on business activities, a risk reporting management system is established to facilitate reporting in a timely manner and identify/share risks preemptively by collaborative departments and risk management departments.

#### 3) Environmental performance management

- Significant environmental impacts are minimized and target management is implemented through annual environmental risk and environmental impact assessments.
- Zero level of environmental accidents and legal risks are maintained through integrated management of company-wide environmental regulations and compliance, and periodic compliance evaluation by legal compliance departments.
- Transparent management of environmental indicators, such as greenhouse gas, energy, and water, through SVMS (Social Value Management System) which is an ESG Management System
- i.e. setting target levels for each indicator, monitoring monthly achievement, and managing SV conversion of environmental performance

#### 4) Employees Engagement Activities

- Establishing a new environmental management portal to enhance employees' awareness of environmental management



Environmental Management Portal

- ① Used as a communication channel for employees in groupware
- ② Frequent sharing of environmental education materials such as climate change and resource circulation

- As a way to enhance employees' consensus and participation in environmental management practices, an employee participation program through the Haenggarae mobile application is organized, and individual activity records and carbon emission reduction measurements are provided to each employees

\*Haenggarae : SK Inc.'s mobile platform for social issue solutions and practices

#### Measured value of carbon emission reduction (example)

Area	Carbon emission reduction	Economic effect
1 mug/tumbler	11g	KRW 155.6
1 floor using stairs	10.6g	KRW 7.55
1 meal with no leftovers	152.5g	KRW 345
1 page of printing on both sides of the paper	2.88g	KRW 10
1 step of healthy walking	0.184g	KRW 0.055

## Status of Eco-friendly Data Center

### Pangyo Data Center



- About 66,950m<sup>2</sup> of total floor area (6 ground floors and 4 underground floors)
- About 18,500m<sup>2</sup> of computing room
- Capacity 70 MW

- High-density/modular environment for cloud service, network neutrality for multi-line connection, and easy and fast cloud service connection support.
- Network ownership provided to customer through net neutrality.
- State-of-the-art equipment with high availability, high-efficiency, running on new and renewable energy.

### Daedeok Data Center



- About 13,200m<sup>2</sup> of total floor area (4 ground floors and 1 underground floor)
- About 5,780m<sup>2</sup> of computing room
- Capacity: 9MW

- Design and construction that meet major domestic and overseas DC (Data Center) standards.
- DC operation reliability at Tier 3, with power stability and disaster response
- Acquired Green DC certification (2013~).
- Securing availability through N+1 or 2N configuration of key facilities.

Green data certificate



## Operating Eco-friendly Data Center

### Reducing greenhouse gases through expanded use of new and renewable energy

- To actively respond to climate change, SK Inc. promotes Greenhouse gas reduction activities by actively introducing new and renewable energy and making continuous efforts to improve operational efficiency.
- To expand self-generation of renewable energy, a large-scale solar power plant is being expanded, and investment into solutions, such as hydrogen fuel cells, is planned in light of market conditions and economic feasibility.

### Enhancing DC energy efficiency

- Conduct continuous energy efficiency activities by upgrading the data center management system and introducing a highly efficient system.
- Introduced and operates highly efficient facilities such as highly efficient modular uninterruptible power supply (UPS), pre-cooling freezer, discharging fans applied to walls, etc.
- Introduced a technology-driven system that sprays micro-water through a water spray nozzle into the freezer, lowering the ambient temperature around the freezer to improve the efficiency of the freezer during summer.
- To minimize power loss, the entire upper surface of the new extension is fully contained so that cold air can be supplied only to IT equipment without waste.
- Efficient management and improvement of energy in the center is in progress through performance management of DC-based facilities, such as HVAC and power facilities, power monitoring of IT equipment in the computer room, and real-time control of computer room temperature



## Investment in environmental technology

### Global hydrogen business

#### Fuel cells for mobility and power generation

- Invested in Plug Power, a US company listed in NASDAQ with core hydrogen technology
- Plug Power has developed a number of key technologies including hydrogen fuel cells (Highly efficient vehicle fuel-cell PEMFC, Proton Exchange Membrane Fuel Cells), electrolyzer technology (water electrolysis technology that produces hydrogen by supplying power to water), and hydrogen production infrastructure technology (liquid hydrogen plant and hydrogen charging station construction) and hydrogen mobility (expanded from existing forklifts and trucks to aircraft, drones, etc.)



#### Turquoise hydrogen

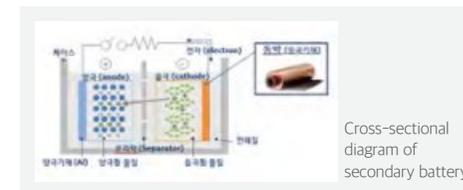
- SK Inc. invested in Monolith, a U.S. startup that succeeded in the world's first mass-production of 'turquoise hydrogen'
- Monolith is the only company in the world that holds turquoise hydrogen process technology in the commercialization phase, having completed construction of the turquoise hydrogen mass production factory in June 2020 for the first time in the world.
- Turquoise hydrogen is produced when natural gas is injected into a high-temperature reactor and decomposed into hydrogen and solid carbon. This is classified as eco-friendly clean hydrogen along with 'blue hydrogen' and 'green hydrogen' because carbon dioxide is not generated during the production process.



### Battery and materials business

#### Copper foil

- SK Inc. invested in Watson, the world's No. 1 copper foil maker
- The demand for copper foil is expected to expand to 750,000 tons by 2025 due to the increase in demand for electric vehicle batteries and the expanded introduction of energy storage systems (ESS).
- Copper foil is a thin copper foil used for electronic circuit boards and anodes of secondary batteries and is the key component of batteries manufactured through sophisticated process technology.



#### Lithium metal battery

- SK Inc. invested in Solid Energy Systems which possesses lithium metal (Li-Metal) battery technology, which is the core of next-generation batteries
- Solid Energy Systems can develop lithium metal batteries with twice the energy density in comparison with existing lithium-ion batteries (LiB) by applying next-generation new materials.
- It is expected that the replacement of existing fossil fuel-based energy sources will be accelerated by improving energy density and lifespan of charging and discharging.



### Eco-friendly plastic business

#### LIMEX

- SK Inc. invested in TBM, a Japanese company that manufactures eco-friendly materials replacing plastic and paper.
- TBM develops, sells, and manufactures LIMEX, a composite material containing 50% or more of minerals such as limestone.
- When LIMEX materials are used, the consumption of polyethylene (PE) and polypropylene (PP), which are materials for plastic, can be reduced by 50%. In the case of paper substitutes that do not use wood pulp, water consumption can be reduced by 98% during manufacturing.



## Comprehensive summary

Starting with the C&C business in 2021, SK Inc. plans to disclose its climate change response strategy and continue to communicate with stakeholders including shareholders.

Item	Contents	CDP link
Governance	SK Inc. established an ESG committee within the board of directors to determine measures to respond to risks related to climate change, to review mid- to long-term strategic directions, and to approve, manage and supervise major tasks to be implemented. The management team, including the CEO, is playing the role of informing the environmental management direction of the company to employees and inducing company-wide cooperation for the expansion of eco-friendly business.	C1.1b C1.2, C1.2a
Strategy	SK Inc. analyzes the financial impact of short-term, mid- and long-term risks and opportunities from climate change scenarios, and establishes reduction goals and implementation strategies through this analysis.	C2.1 C2.3, 2.3a C2.4, c2.4a C3.1, C3.2 C3.3, C3.4
Risk management	SK Inc. identifies internal/external issues in connection with stakeholder requirements and determines the risk level and countermeasures by analyzing/evaluating risks and opportunities for each issue. Significant risks are periodically reported to the CEO and Board of Directors.	C2.2, C2.2a
Indicators/Goals	SK Inc. periodically monitors Greenhouse gas emissions, energy consumption, and resource recycling indicators and manages performance. SK Inc. is particularly focused on managing the Net Zero 2040 and RE100 2040 targets.	C4.1, C4.1a C4.2, C4.2a C6.1, C6.3 C6.5

\* CDP : Carbon Disclosure Project

## 1. Governance

### 1. Board-level oversight of climate change risks and opportunities

- SK Inc. established the ESG Committee with a total of 6 members including 5 independent directors from the BOD according to the resolution of the Board of Directors on March 30, 2021. The ESG Committee is in charge of reviewing and deciding on major environmental issues, such as SK Inc.' mid- to long-term response to climate change.
- At the SK Group level, the SV Committee and the Environmental Business Committee under the SUPEX Council are supporting Net Zero and RE100 initiatives.

## 2. The role of management to assess and manage climate change-related risks and opportunities

- The CEO of SK Inc. suggests mid to long-term directions by emphasizing the importance of environmental management, and leads the management to establish and internalize the environmental management system through direct discussion and review. Responsibilities and rights for establishing climate change response strategies and implementing all tasks to implement them were granted to the CSO (Director of the Happiness Promotion Center).
- In addition, SK Inc.' management is leading the investment in eco-friendly solutions and discovering business models to expand eco-friendly business, and is playing the role to induce company-wide cooperation.

## 2. Strategy

### 1. Analysis on financial impact from climate change risks (2020-2040)

- SK Inc. identified risks and opportunities arising from climate change, comprehensively analyzed risk factors and their impacts on the business, in particular, and prepared countermeasures to mitigate each risk.

### Risks due to climate change and applicative scenarios

Transition Risks	Regulatory/Technical/Market Changes and Reputation Impacts incurred in the process of transitioning to a low-carbon economy. Analysis on changes in domestic and foreign policy on technology/market under the Korea 2050 long-term low-carbon power generation strategy (LEDS) and the B2DS and Net Zero by 2050 scenarios from the Int'l Energy Agency (IEA). - Analysis of the trend of Greenhouse gas emission reduction (p70) and financial impact of the application of the SBTi methodology * SBTi: Science Based Targets Initiative
Physical Risks	Acute/chronic risk in business infrastructure due to abnormal climate and extreme weather caused by climate change. Based on the RCP and SSP scenarios suggested by the IPCC, the impacts on facilities, infrastructure, and supply chains caused by temperature rise and natural disasters on the Korean Peninsula are analyzed.

- 1) LEDS (Long-term low Greenhouse gas Emission Development Strategies): Long-term Greenhouse gas reduction goals and strategies for each country is presented to the international community
- 2) B2DS (Beyond 2 Degree): A scenario that predicts the risk of climate change transition assuming societal low-carbon participation that utilizes innovative technologies of the future.
- 3) Net Zero by 2050: A scenario presented in line with the IEA's efforts to limit the long-term increase in global average temperature at 1.5°C (May 18, 2021).
- 4) IPCC (Intergovernmental Panel on Climate Change): An international consultative body under the UN established jointly by the World Meteorological Organization (WMO) and the United Nations Environment Program (UNEP).
- 5) RCP (Representative Concentration Pathway): Greenhouse gas reduction scenarios to reach CO2 concentration standards (420, 540, 670, 940 ppm) in year 2100.
- 6) SSP (Shared Socioeconomic Pathway): A scenario that supplements RCP in light of socioeconomic factors such as demographics and land use

Short-term/mid- to long-term risks and opportunities

Risk type	Short-term (~2025)	Mid/long-term (2026~2040)
Transition risk	Policy/Law	① Increase in the cost of purchasing carbon credits due to the increase in carbon emissions and rising price of carbon credits. ② Increase of additional costs associated with purchasing renewable electricity. · Litigation risk due to legal violations (However, there is no litigation history and relevance in the future is low).
	Technology	③ Increased investment due to new technology self-generation and expansion of low-carbon eco-friendly facilities. · Business competitiveness weakened if SK Inc. lags behind in the competition for eco-friendly technology development (decreased sales, loss of investment in technology development).
	Market	· In the case value proposition to customers fails, opportunity to enter the global eco-friendly market, a new growth biz. area, would be lost.
	Reputation	· Decrease in enterprise value and increase in response costs due to negative impact from media and stakeholders on climate change response.
Physical risk	Acute	④ Compensation and recovery cost in the case of data center power outage. · Recovery costs for damage to data center facilities in the event of a large-scale disaster (earthquake, heavy rain, lightning, etc.)
	Chronic	⑤ Increase in operating cost of data center due to temperature rise.
Opportunity	Resource Efficiency/Energy Source	· Expanded business demand for high-efficiency/eco-friendly data centers. · Various new technologies and renewable energy such as blue hydrogen and green hydrogen can be introduced according to the vitalization of the renewable energy industry ecosystem.
	Product/Service/Market	⑥ Expanding demand for ICT based eco-friendly product/service such as energy saving solution, etc. · When reputation is secured as an eco-friendly business, intangible assets such as brand value increase.
	Resilience	· Participation in global initiative and solidarity strengthened. · Business portfolio diversified focusing on eco-friendliness.

Analysis on effect of climate change scenario by stakeholder

Category	Major effect	Financial effect (1.5°C)
Government	Strengthened regulations (carbon credits etc.) at Government level for low carbon green growth.	Approx. 15.7 billion Won (~2040)
Customer	Expanded demand for data centers due to ICT industry growth and subsequent increase in electric power consumption.	Annually approx. 1 billion Won
Competitor	In the case of lack of competition for eco-friendly technology development, market position would lose out to competitors.	Low
Supplier	Service delay or suspension would occur due to physical risks arising within a supply network.	Low

① Rising cost for carbon credit purchase due to increase in carbon emission and price hike of carbon credit.

Electric power consumption at SK Inc.' data center is anticipated to increase continuously due to increase of new customers, and carbon credit trading system will come into effect within 1~2 years factoring in the amount of electric power consumption. According to Korean Government's 2050 Carbon Neutral Declaration, national regulations on carbon credit are being strengthened. Accordingly, financial burdens such as carbon credit purchase are expected to worsen. When no efforts are directed to carbon emission reduction (BAU), financial burdens from carbon credit purchase may reach approx. KRW 15.7 billion by 2040. But SK Inc. will minimize the impact by implementing diverse preemptive reduction measures, such as moving to renewable energy, self-generation, enhancing electric power efficiency of the data center, and planning to garner carbon credits from emission reduction. SK Inc. is establishing a preemptive response system on a company-wide level.

② Increase in additional cost due to purchase of renewable electric energy power.

To achieve the RE100 2040 target, procurement of external renewable electric energy power is required through green rate plan, PPA, and equity participation system due to the domestic constraint of limited self-generation of renewable energy. According to the analysis on numerous systemic options, additional cost requirement for renewable electric energy power is estimated to amount to approx. KRW 5~8 hundred million annually by 2040. SK Inc. plans to minimize the costs by implementing an optimal mix of procurement means and from transactional income from carbon credits etc.

③ Increased investment for new technology self-generation and expanding low carbon eco-friendly facilities.

According to IEA's Net Zero by 2050 scenario, regulations on use of fossil fuel are expected to be more prohibitive to achieve Greenhouse gas reduction target on global scale. SK Inc. will proceed with the expansion of self-generation and investment in energy efficiency of the data center to minimize environmental impact, and be at the forefront of the renewable energy ecosystem by securing/applying renewable energy and low carbon technology. SK Inc. plans to invest KRW 2.4 billion in 2021 for expanding photovoltaic self-generation and improvement of air conditioning facilities at the data center. Subsequently, SK Inc. will expand investments in light of the market situation and economic efficiency, such as the introduction of hydrogen fuel cell, etc.

**④ Compensation, recovery cost upon occurrence of data center blackout and large-scale disaster (Earthquake, downpour, lightning strike, etc.)**

In the case data center service is interrupted due to blackout and large-scale disaster, the compensation cost for recovery cost damages to customers using data center are estimated as a maximum of KRW 2 billion per day. Accordingly, power generation system such as a large capacity UPS are in place in the data center, so that immediate electric power supply is available in the event of a prolonged large-scale blackout, and related response manuals are prepared. Also, SK Inc.' data center was designed with disaster prevention capacity for an earthquake of 7.0 magnitude and heavy rainfall of 100ml per hour to strengthen durability in extreme weather conditions. According to IPCC's recent SSP5-8.5 scenario, it is predicted that the average precipitation in Korea will increase by 2.5-3% by 2040. Accordingly, SK Inc. implementing annual simulation training in response to extreme weather to prevent flooding and manage humidity.

**⑤ Increase in data center operation cost due to rising temperature**

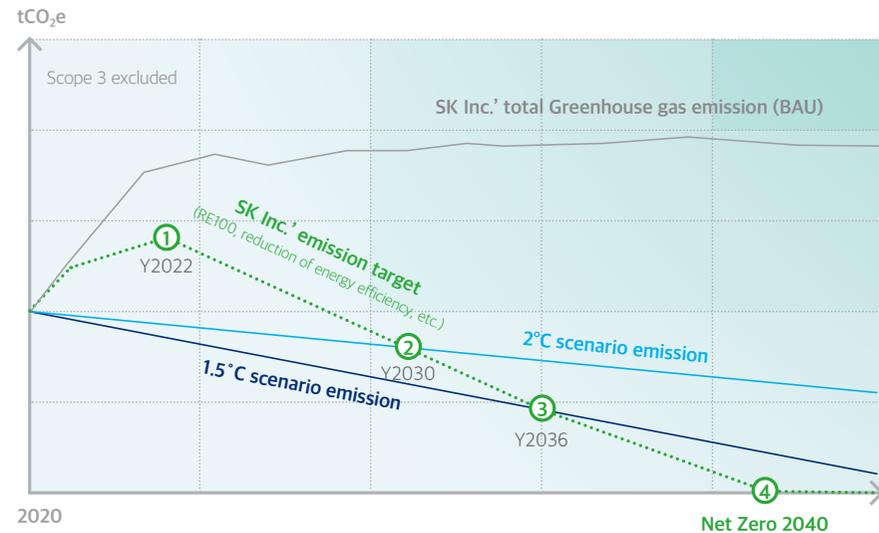
Out of the annual operational cost of SK Inc.' data center, electric power consumption for cooling facilities and IT equipment take up more than approximately 45%, thus, efficiency in cooling systems and minimization of external temperature effects are important from an economic aspect. A hike in temperature due to climate change is directly correlated to electric power cost increase required for the cooling system in the data center. According to IPCC's recent SSP scenario, the average temperature in Korea is expected to rise by 1.6~1.8°C from the present to 2040. If the external temperature rises by 2°C and continues for a year, it is estimated that about 5~7% of annual electric power cost will be additionally incurred. SK Inc. established an airflow simulation environment in the computer room by recent introduction of CFD (Computational Fluid Dynamics) and continue to pursue electric power energy efficiency, such as replacing inefficient air conditioning facilities, etc.

**⑥ Increased opportunity to create eco-friendly business**

With expanding climate change investment by financial/investment institutions, the Government's ambition of 2050 carbon neutrality, and the vitalization policy for an eco-friendly market ecosystem, the demand for eco-friendly product/service are expected to expand gradually. SK Inc. is carrying out platform services to diagnose the performance of the Digital SHE platform and environmental management using DT technologies, such as A.I. and Big Data in order to secure business competitiveness in the low carbon arena. SK Inc. also planning to expand the proportion of R&D and investment in eco-friendly solutions, such as reduction of air/water pollution, and of energy efficiency gradually from 3.6% of sales in 2020.

**2. Strategy for Greenhouse gas reduction implementation**

SK Inc. established Greenhouse gas reduction target and implementation strategy to respond progressively to climate change risk. SK Inc. analyzed the trend of Greenhouse gas emission reduction relevant to Well Below 2°C and 1.5°C climate change scenarios based on Greenhouse gas emission in 2020 by applying the SBTi's Absolute Contraction Approach. Based on such trends, SK Inc. established Greenhouse gas reduction target in light of the market situation and economic feasibility of domestic



- ① Target established in consideration of renewable electric energy power market condition in Korea
- ② Conforming to Well Below 2°C scenario reduction target after 2030
- ③ Conforming to 1.5°C scenario reduction target after 2036
- ④ Maintaining Net Zero target after 2040

**Greenhouse gas reduction means**

A. Internal reduction	B. External reduction	C. Carbon credit purchase
RE100 energy efficiency, etc.	Exploration/participation in external offsetting project*, etc.	Purchase of other company's excess carbon credits

\* Greenhouse gas reduction project due to deforestation in developing countries and Greenhouse gas reduction project through eco-friendly products/services.

**A. Internal reduction**

- 99% of SK Inc.' Greenhouse gas emission source is electric power. The core of the Greenhouse gas reduction implementation strategy is expanding the use of renewable electric energy power and minimizing electric power consumption by enhancing energy efficiency.
- Domestic means for RE100 implementation are composed of 5 ways\*. SK Inc. will expand photovoltaic self-generation and use the green rate plan by 2022 under the procurement principle to minimize cost and risk. Subsequently, after 2023, SK Inc. determined short-term and mid to long term mixed procurement measures, such as PPA and equity participation and greater new technology 'self-generation'. Accordingly, SK Inc. will continuously prepare and adapt while monitoring the market situation.

\* Green rate plan, REC (Renewable Energy Certificate) purchase, PPA (Power Purchase Agreement), equity participation, self-generation

- Furthermore, SK Inc. plans to improve the data center PUE to 1.4 level over the long-term by planning and introducing new technology and new efficiency/conservation measures.

**B. External reduction**

- Along with internal emission reduction, SK Inc. plans to discover and promote external emission reduction business such as use of ICT technology for additional emission reduction, and collaboration with various stakeholders.



**3. Risk management**

SK Inc. established and operates the process to identify, prevent, and assess climate change risk in advance within the company-wide integrated risk management system.

**1. Environmental risk assessment process**



**2. Business process linked integrated management**

- SK Inc. is advancing eco-friendly investment and supply network management with the aim of expanding eco-friendly business.
- SK Inc. assesses environmental risk with the participation of the company-wide environmental management organization from the pre-review stage to decision-making stage for all of the company's investment business. SK Inc. has prepared and applied environment assessment indicators and standards, such as business partners' compliance with environmental regulations and existing status of eco-friendly certifications, etc.

## 4. Management indicators and target

SK Inc. focuses on management of Greenhouse gas, energy, and resource circulation (waste/water) indicators to manage climate change-related risks and opportunities.

### 1. Greenhouse gas emission and energy management

SK Inc. measures and monitors Greenhouse gas emission every month for each business site and uses the result for yearly performance management according to our Net Zero 2040 roadmap. As a leading eco-friendly company, SK Inc. is continuously improving the Scope 3 measurement and management system in addition to Greenhouse gas level Scope 1 and 2, to reduce Greenhouse gas emission generation throughout the business value chain. Greenhouse gas level was calculated according to the government's 'Guideline for Greenhouse gas energy target management operation, etc.' and the District Heating Corporation guidelines. For Greenhouse gas indicators and performance, SK Inc. is attaining third-party verification according to IPCC Guideline 2006, WRI/WBCSD Greenhouse gas Protocol 2004, ISO14064-3 2006, ISO14001 and the government's Greenhouse gas target management system.

#### Greenhouse gas level

[unit: tCO<sub>2</sub>e]

Area	2018	2019	2020	
<b>Scope 1+2</b>	<b>67,646</b>	<b>63,978</b>	<b>64,014</b>	
	<b>Subtotal</b>	<b>531.9</b>	<b>120.3</b>	<b>205.4</b>
Scope 1	City gas	487.0	88.7	68.4
	Diesel	44.9	31.6	137.0
	<b>Subtotal</b>	<b>67,114</b>	<b>63,788</b>	<b>63,808</b>
Scope 2	Electric power	66,555	63,461	63,550
	District heating	559	327	258
<b>Scope 3*</b>	<b>Upstream</b>	<b>5,322</b>	<b>5,465</b>	<b>5,637</b>

\* SK Inc. is managing the transport/distribution of the upstream value chain, waste generated during work, business trips and commutes of employees and executives, and rental asset items.

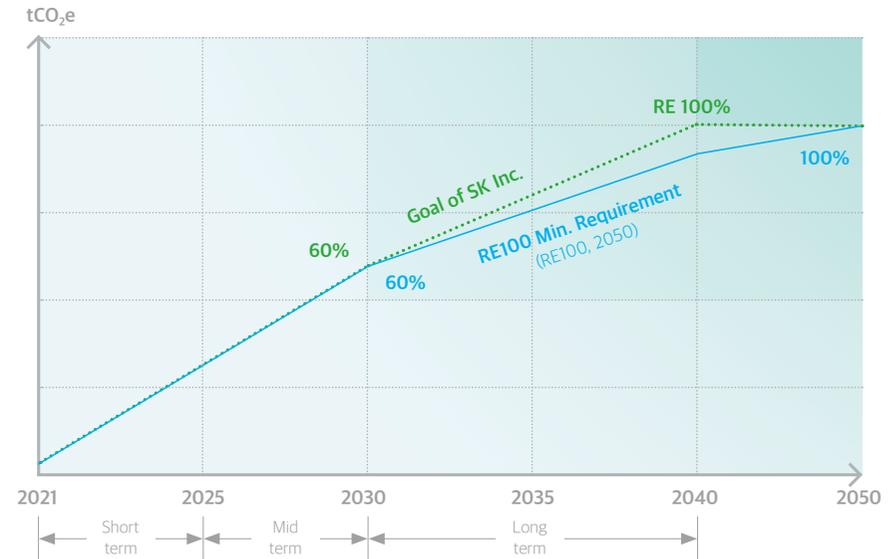
#### Energy

[unit: TJ]

Category	2018	2019	2020	
<b>Total</b>	<b>1,403</b>	<b>1,319</b>	<b>1,340</b>	
Electric power	Total consumption	1,372	1,307	1,329
	Conversion to renewable energy (%)	0.1%	0.2%	0.3%
	District heating	20	9	7
Non-electric power	City gas	10	2	1.4
	Diesel	0.7	0.5	2.1

### RE100 target and roadmap

Year	2021	2025	2030	2035	2040
Percentage of renewable energy electric power	3%	30%	60%	80%	100%



### 2. Resource circulation (waste/water) management

SK Inc.' water recycling rate is 18% in 2020 (Global Top Tier level: 18.4% or higher), and the target for recycling rate is 95% by 2025 applying the ZWTL standard for wastes.

[unit: Ton]

Category	2018	2019	2020	
Water	Total water intake	134,017	44,170	39,731
	Recycled (%)	15,329(10%)	11,930(21%)	8,307(17%)
Waste	Total discharge	193	69	55
	General waste	193	61	53
	Designated waste	-	8	2
	Recycled (%)	134(69%)	42(61%)	18(34%)

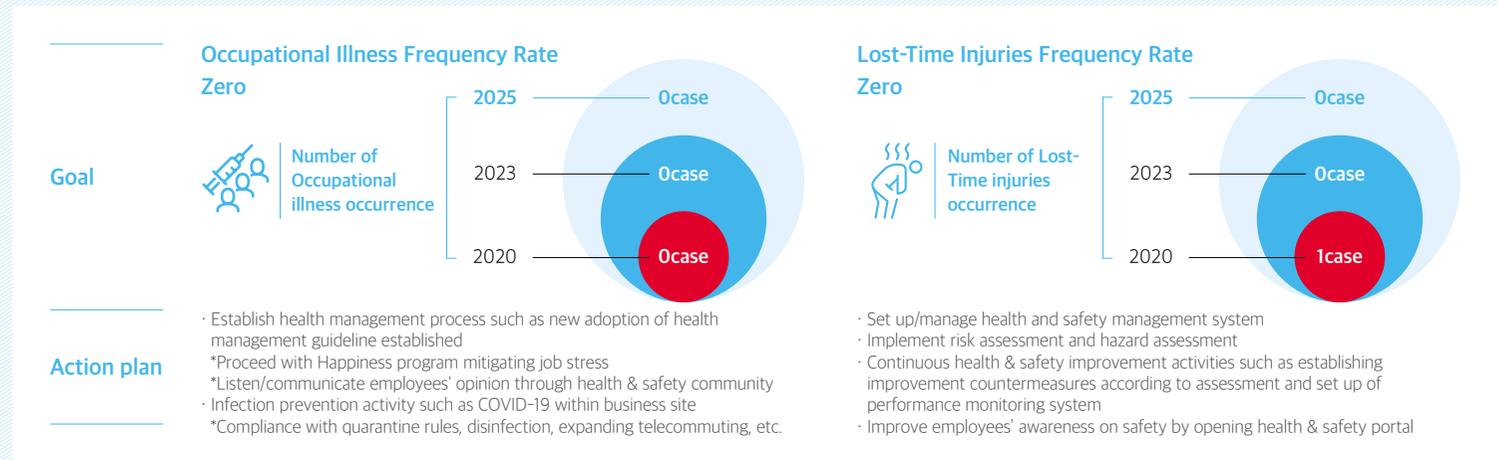
# Social Value

Employees	74
Human Rights Management	83
Information Security	86
Service Quality and Reliability	90
Mutual Growth and Supply Chain	94
Social Contribution	102

# Health and Safety Employees



## Roadmap - Health & Safety

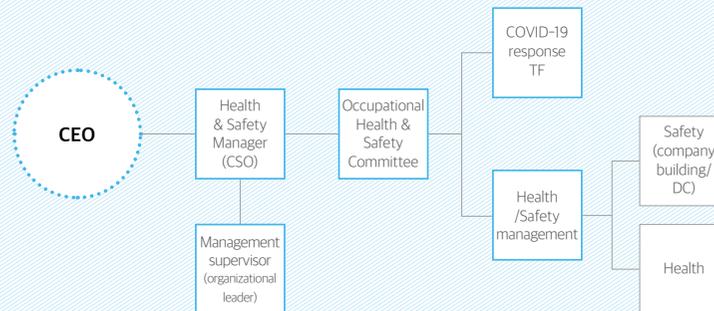


## Policy

### Company-wide health & safety management system

- Health & safety operation system is established based on Group operating principle and employee health & safety system is established through creation of health & safety culture
- Health & safety operation system and related issues are reviewed by operation of quarterly Occupational Health & Safety Committee under health & safety management system
- \*Conduct weekly walk-around inspection, quarterly joint inspection and hold regular meeting of Occupational Health & Safety Committee
- Establish company-wide health & safety management system applying global standard, assess risks and establish performance management process

## Management system



## Implementation / Performance Management

### Health & safety certification obtained

- Global international standard ISO45001 acquired in June 2021
- Quarterly performance measurement/management and monitoring implemented

### Industrial safety risk assessment implemented based on internal capacity

- Risk assessment performed to identify and manage/improve hazard/risk elements within company building
- \*Risk level assessment capacity is internalized through fostering agents
- Improvement action carried out on identified hazard/risk elements
- Industrial safety secured through implementation of annual internal hazard assessment
- Risk and hazard assessment implemented, target and performance monitoring process established

### Occupational illness prevention means established

- Health management guideline was newly adopted in consideration of employees' health
- Management activities on health checkup, occupational disease and disease, VDT syndrome prevention, job stress prevention, etc.

<b>VDT (Visual Display Terminal) syndrome prevention</b>	<ul style="list-style-type: none"> <li>Health stretching campaign implemented *office stretching guide and practice</li> <li>Conducting a mental and physical training coaching program</li> <li>*Providing untact online video and coaching due to COVID-19</li> </ul>
<b>Job stress prevention</b>	<ul style="list-style-type: none"> <li>Job stress relief program through operation of in-house communication channel</li> <li>Operation of psychological counseling offic ( EAP service for site workers )</li> <li>Sending of health information letter</li> </ul>

## Health & Safety Activity

### Health & safety management on company-wide employees strengthened

#### 1) Health & safety management guideline adopted

· SK Inc. health & safety management guideline adopted (2021) according to 'Group SHE strategy direction established in 2019'

#### 2) Health & safety management system set up and certification acquired

· Health & safety management system was set up and ISO45001 certification was acquired as the necessity for health & safety management system and overall process established was acknowledged according to the result of 'Company-wide health & safety status diagnosis'



Health & Safety management guideline

ISO 45001 certificate

### Health & safety inspection activity strengthened

- Company-wide health & safety target and industrial disaster status inspection through quarterly Industrial Health & Safety Committee (Implemented 4 times in total during 2020)
- Health & safety system inspection items are established and managed for advancement of health & safety activities of subsidiaries and business partners

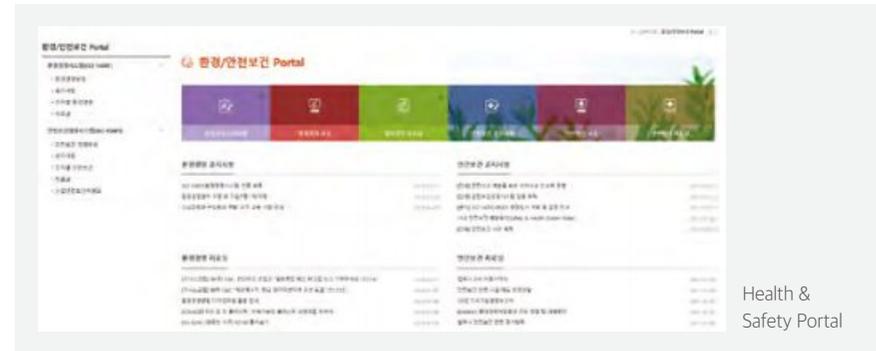
### Inspection item in health & safety system of subsidiaries /business partners

Division	Inspection activity
Health & safety system	<ul style="list-style-type: none"> <li>· Composition of health &amp; safety organization</li> <li>· Whether safety manager/health manager is elected or entrusted</li> <li>· Whether health &amp; safety officer is elected</li> <li>· Whether Occupational Health &amp; Safety Committee is organized</li> </ul>
Health & safety activity	<ul style="list-style-type: none"> <li>· Whether safety education/safety inspection is implemented</li> <li>· Whether safety education and diagnosis is entrusted</li> <li>· Whether site worker education is implemented</li> </ul>
Safety accident status	<ul style="list-style-type: none"> <li>· Number of serious accidents</li> </ul>

## Reinforcing employees' health & safety communication and support

### 1) Employees communication strengthened

- Health & Safety Portal opened
- \*Hi-SK → Job Support → Environment/Health & Safety Portal
- Informing major guidances, material upload by organization
- Notice of Occupational Health & Safety Committee's major agenda and contents



Health & Safety Portal

### 2) Employees health management support expanded

- In 2020, medical expense support system' was newly adopted. Actual health of employees and their family managed through actual medical expense support (limited to 1 million Won per year)
- Health & psychological counseling service, 'Vitamin Day' system introduced for external site employees and business partners (temporarily suspended due to COVID-19)
- Site All Cleaning implemented (disinfection, hygiene inspection, etc.) for promotion of health/safety for external site employees
- Health checkup service improvement
  - In 2021, Health checkup institution selection option expanded in consideration of accessibility and convenience, etc. (2020 : 23 institutions → 2021 : 33 institutions, increased by 10 institutions)
  - Opinions heard from employees related to health checkup institution service and assessment conducted

**Health & safety accident sharing system**

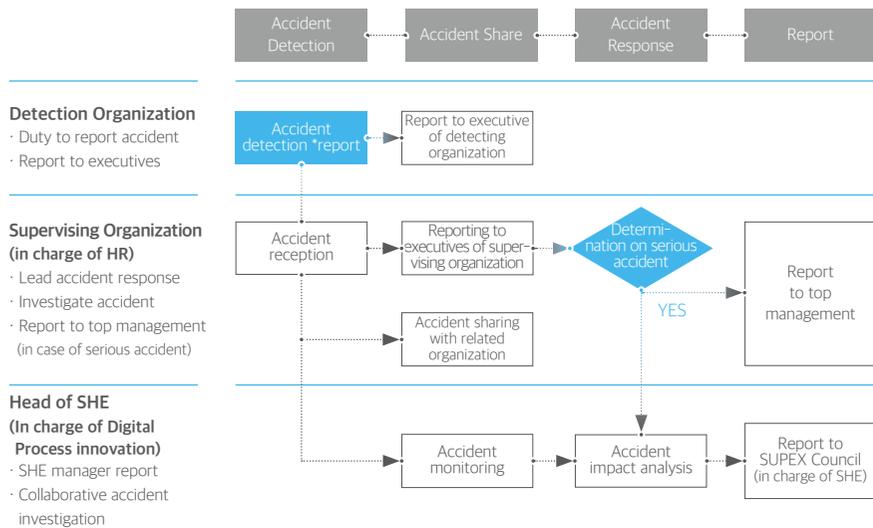
- Accident manual and prompt response system were established subdivided according to scope and significance of health & safety accident that has occurred.
- In May 2020, 'Serious physical damage' accident was added to health & safety accident standard, any physical damage which is anticipated to bring significant impact upon the Company or customer shall be reported to supervising department without failure so that emergency response management level can be sophisticated.

**Health & safety accident sharing principle**

- In the event of an accident, all employees must share and report the details to the organization and the superior who has authority to handle the accident.
- Accident sharing & reporting shall be observed as a basic responsibility. Any violator may be subject to disciplinary action according to company regulations.

Area	Target	Inspection activity	Inspection activity
Personal injury	Employees, Employees of suppliers	· A work-related accident resulting in a fatality · 2 or more injuries the effects of which last for more than 3 months	· Work-related injury or illness requiring at least 3 days of rest
Environmental pollution/physical (property) loss	Head office, Pangyo, Daedeok and external business sites.	· Chemical leakage, maritime/river contamination · Significant damages expected due to fire, explosion or leakage, etc. · Physical damages that are expected to have a significant impact on business	· Environmental pollution related accidents for which administrative measures could be taken. · Fire, explosion, leakage accidents that cause only minor damages

**Health & Safety Accident Information Sharing System**



**Health & safety prevent activity**

**1) Fire prevention safety inspection and emergency response training**

- Annual emergency response training is conducted for prompt response upon emergency disaster situation.
- Training for virtual fire occurrence due to burnt transformer within electric chamber in data center was conducted in 2020 (Total of 164 persons comprised of occupants' employees, emergency response center staff members participated)
- Direction of improvement is derived with advance education, and emergency goods were additionally supplied.

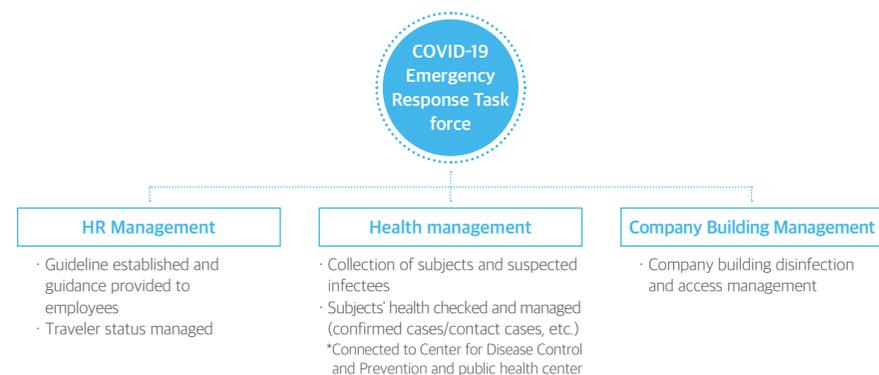
**2) Emergency patient response system**

- Hot-line system capable of immediate evacuation by employees on duty upon occurrence of emergency situation.
- Actions are taken to enable 24 hour emergency care by providing specialized education on emergency care to permanent workplace security personnel.

**Response to COVID-19**

- COVID-19 Emergency Response Task Force was organized to notify communication system and emergency response process throughout the company. Response activities and the status of confirmed cases are continuously shared with employees.
- Main response
  - Comprehensive guideline is established, regularly updated and shared
  - Emergency support of sanitary goods (external site emergency, overseas travel, etc.)
  - Access restriction and accessor check strengthened (body temperature measurement, etc.)
  - Temporary closure, reduced/separated operation of multiuse facilities, etc.
  - Daily Monitoring of management/check targets
  - During 2020, disinfection performed 171 times (regular 150 times, emergency 21 times)

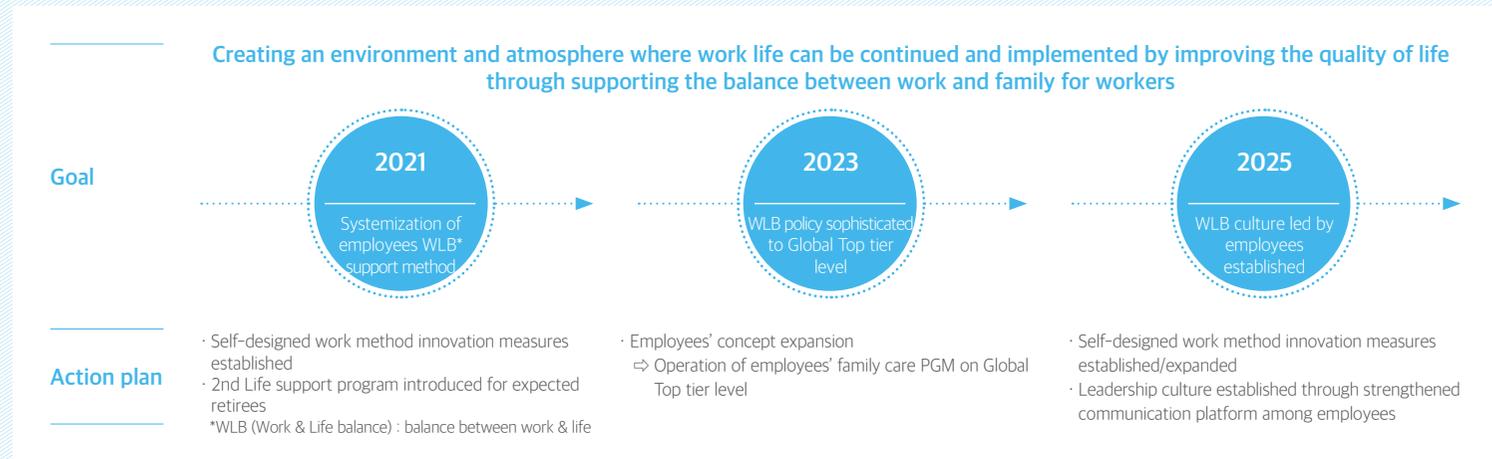
**COVID-19 emergency response task force process**



## Roadmap - Work & Life Balance

# Work & Life Balance

## Employees



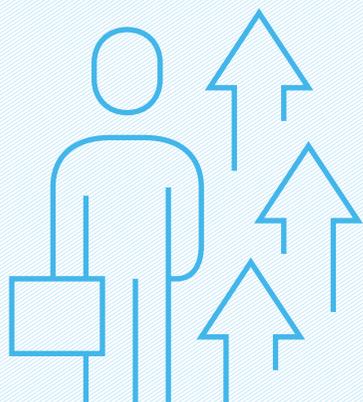
### Policy

#### Direction for supporting employees' WLB

- SK Inc. aims to create a work environment in which all employees can achieve stability in company and family life, and work enthusiastically by stipulating support policies such as health and welfare benefits for employees.
- Operate a diverse welfare system to enhance the work & life balance of employees
  - Health: Medical expenses, health checkup, group accident insurance, eco-friendly agricultural products
  - Living stabilization: in-company loan, communication expenses, lunch point support
  - Congratulatory and condolence events: Congratulatory and condolence support money, congratulatory and condolence consumables support
  - Refreshment/leisure: clubs and resorts support
  - Childbirth/Childcare: PGM for baby pick-up, school expenses for children, gifts for children who enters elementary school/examinee students
  - Welfare facilities: daycare center, dispensary, health center, mind and body training room, happiness counseling, etc.

#### Focused area for employees WLB is selected and support system is established

- Focused area is selected based on survey on employees and support system sophistication is implemented by each area
- Employees led Work & Life Balance culture created/expanded through communication
- 3 Major Focused areas of WLB
  - Strengthened care of employees' family
  - Strengthened work environment self-directed by employees
  - Expanding support for stable living after retirement



### Implementation / performance management

#### Employees' Happiness Survey implemented

- Since 2019, through 'Employees Happiness Survey', continuous communication and WLB/work satisfaction level measurement was implemented with employees
- By measuring self-sensed Happiness felt by employees in work life, WLB support satisfaction level of employees is confirmed
- According to 2020 survey results, overall scores improved from the previous year. Especially, it was analyzed that current and future Happiness were considered at the same time.

Division	Contents
Purpose	To identify an individuals' self-perception of Happiness
Method	Once a year / 8 questions in total (minimized)
Questionnaire composition	<ul style="list-style-type: none"> <li>Perceptive Happiness level (life, work life, job satisfaction level) *Cantril criterion used (0-10 stages)</li> <li>Positive/negative emotion experienced and its case/cause *PANAS criterion used (positive 10 units, negative 10 units)</li> <li>Major variables/factors affecting company life satisfaction level, size of influence</li> <li>To-do's for promoting happiness from the aspect of myself and relevant organization</li> </ul>
Use	Common agendas for employees are derived based on data. Analysis/verification based on structured data and Happiness promotion task pooling

\* PANAS : Positive Affect Negative Affect Schedule

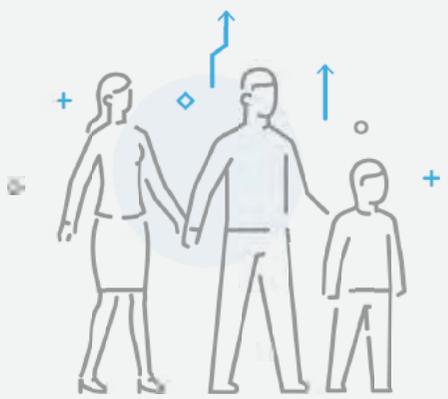
# Employees

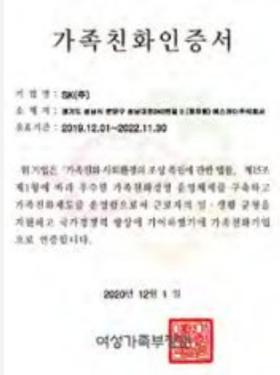
## Employees' WLB Support Program

### Strengthened care for employees' family

- Diverse activities are pursued targeting 'Workplace where families are happy', and since 2013, the company is maintaining the Excellent family-friendly company certification
- Diverse system and program operated for pregnant employees and employees giving birth, and a member of a family with children

 <b>In-house daycare center operated</b>	· In-house daycare center operation for children aged 1 to 4 years of age
 <b>Support for children's educational expenses</b>	· Support for educational expenses for children aged 5 to college students
 <b>Children coding education</b>	· Coding education operated to enhance children's understanding and pride of an employee's duty
 <b>Baby greeting program</b>	· Pink ID card necklace and congratulatory gift presented to pregnant employees
 <b>Working hours reduction during pregnancy</b>	· Work reduction implemented to employees in pregnancy of first 12 weeks and after 36 weeks
 <b>Family Care Leave</b>	· Leave granted to employees who has family member needing care due to elementary school admission, disease, accident, and old age

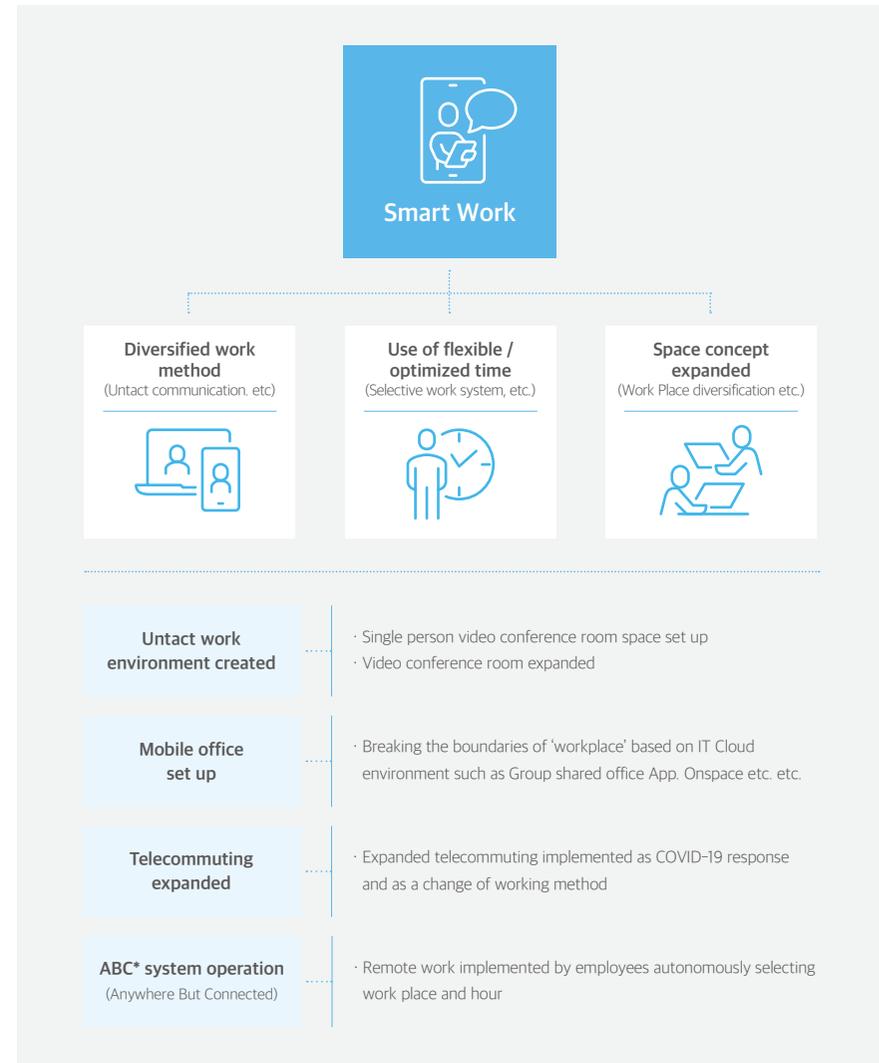




Family-friendly Certificate

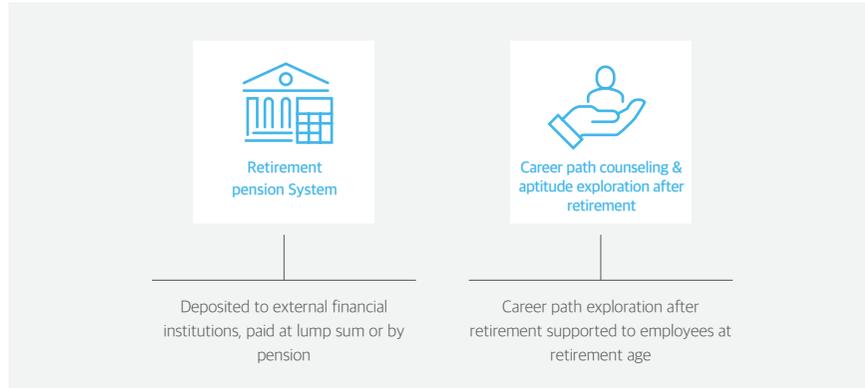
### Employees' self-directed work environment strengthened

- Expanded pandemic situation due to COVID-19 raised the need for innovation in employees' health management and work methods
- Accordingly, the Company actively introduced smart work system to enhance organizational efficiency and laid the groundwork for self-completed job performance by employees



**Stable living support to employees strengthened after retirement**

· Support system for stable old age, 2nd-Life of employees



· At the end of 2020, 372 billion Won out of standard retirement payment estimate was reserved for management by external asset institutions in conformity to legal external reserve standard of 90%, guaranteeing stable benefit.

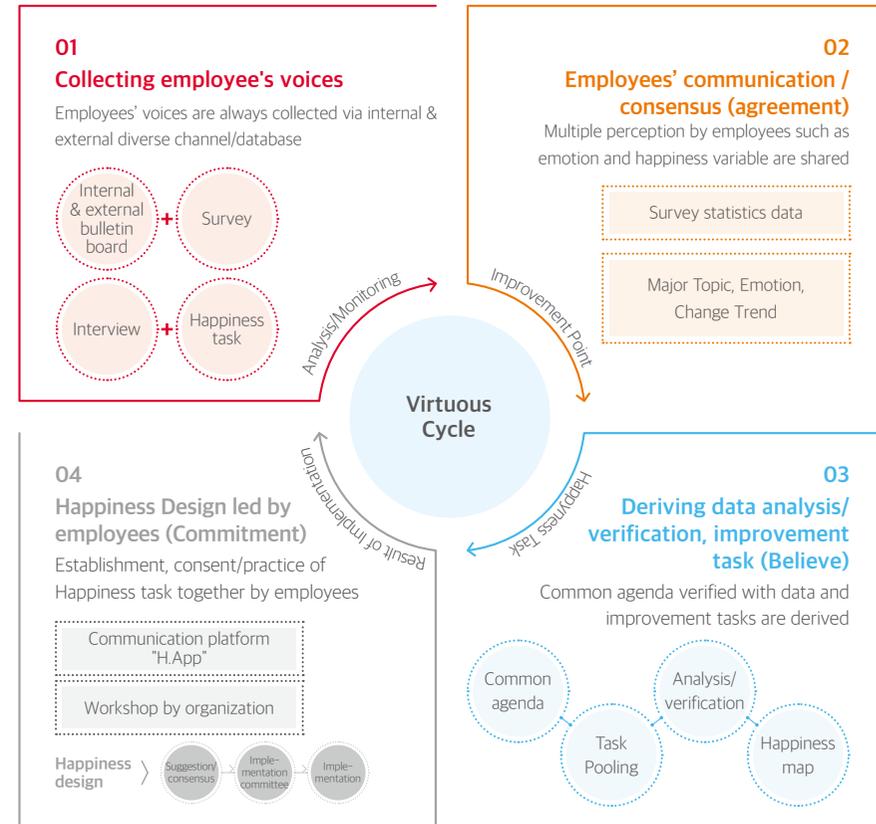
<b>Accumulated amount of reserve for retirement allowance</b>	· KRW 414.4 Billion
<b>Retirement payment external reservation ratio</b>	· 90%

- 2nd-Life support
  - 2nd-Life preparatory period granted before retirement
    - : Participation in job finding support service for 5 months (non-commuting)+ leave for 1 month
  - Job finding support service participation support
    - : Participant selected reflecting employees' personal intention and support to program (reemployment / startup / life-planning education, etc.) participation
  - Re-recruitment program on aged retiree operated for employees with superior capacity requiring continuous service

**Establishing Data based Happiness Promotion System**

**Operating virtuous cycle system in employee-directed happiness design**

· Employees' communication/consensus on Happiness promotion secured → data based Issue verification → virtuous cycle system operated resolving problems led by employees



**Promoting Happiness Self-Management toward happiness leader by organization**

- With organizational heads nominated as happiness leaders, Happiness promotion supported to organizational units by enhancing Happiness Mindset and providing Happiness Data
  - Happiness Mindset enhanced : leaders' Happiness Commitments are produced as video and shared with employees
  - Happiness Data : Happiness level, Happiness impact element by organization are provided as Weekly / Monthly / Quarterly Report
  - Happiness Reference : Happiness promotion success/failure cases are interviewed and shared by organization

## Securing and Fostering Human Resources

### Promoting strategy for fostering Human Resources

- It is necessary to strategically foster human resources to lead digital BM innovation in consideration of the company's growth direction and business characteristics
- Human resources are a very important factor in the pursuit of deep change, and the need to create a self-directed fostering infrastructure so that personal growth can lead to the company's capacity increases
- A job-based fostering system has been established to develop specialties according to individual career targets

### Developing based self-leading capacity



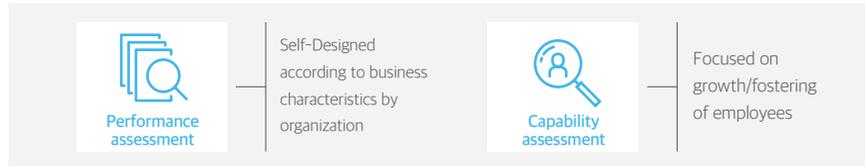
### Major Capacity Development Program

Program Name	Major Education Contents
<b>mySUNI (Group common)</b>	· SK Group's common online education platform. It is composed of Colleges with diverse themes. Free learnings are supported according to employees' needs
<b>Self-directed fostering</b>	· Education expenses expendable by individual (Employees' Learning Account) and learning time by organization (growth day) are used
<b>DT Strategic fostering</b>	· Intensive fostering at the company-wide level with the goal of converting all Tech Delivery personnel to the DT capacity by 2021
<b>TCL (Tech Collabo Lab)</b>	· Autonomous small scale R&D Lab activities using DT technology, to be implemented continuously as DT Capacity Expanding Tool
<b>Open Lab</b>	· External specialists give special lectures in diverse areas such as Tech Trend, Use Case, Happiness, etc.
<b>K-MooC (Massive Open Online Course)</b>	· Online education channel for strengthening employees' DT capacity, which is reinforced based on best lectures from universities and high-level technology theory and education content quality
<b>Leadership course</b>	· Clinic and Group coaching are supported to leader/middle leader by organizational / performance management related themes
<b>Language education</b>	<ul style="list-style-type: none"> <li><b>Intensive language course</b> · Intensive foreign language enhancement program for employees, 1:1 tutoring and video conference system used 3 times a week</li> <li><b>Phone/video foreign language</b> · Foreign language speaking ability strengthening program using phone/video education, 3 terms operated per year</li> </ul>
<b>Domestic/overseas training</b>	· Overseas training program support by job (planning, financial, Global HR, etc.) (In 2020, overseas training was not conducted due to COVID-19)
<b>Long term overseas training (degree support)</b>	· For the purpose of fostering future management, Global Top level MBA and overseas specialized master's degree courses are supported on strategic fostering level for employees with superior potentials (Support after selecting a small group of about 2 people per year)
<b>Certification support</b>	· Various expenses required to acquire a Certification supported (622 cases in 2020)

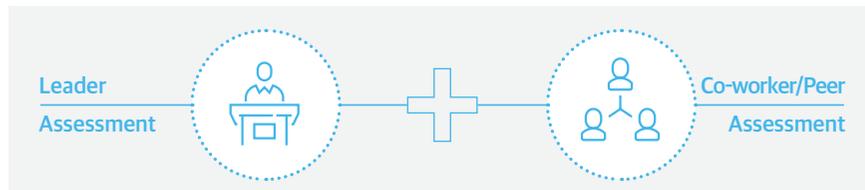
## Employees' Performance Management

### Assessment system

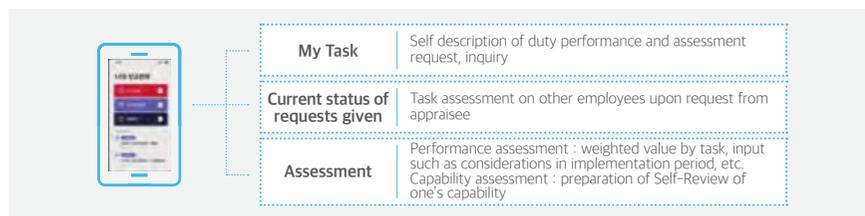
- Task unit assessment system operated based on actually implemented work
- Performance management standard is established according to business characteristics by organization to assess performance. capability assessment is implemented from the perspective of employees' growth/fostering to maximize shared collaboration rather than excessive competition



- Especially, to exert specialties and promote fostering/growth, 'my' absolute performance/capability level is measured. Scores rather than grades are given and directly used for compensation, directly connected to absolute level of specialties/performance
- Assessment is basically a multi-faceted assessment, and the colleague assessment is applied to enable a diverse and objective assessment of specialties/performance through colleagues working together along with leader assessment



- By diversifying assessment timeline by job, mobile assessment system is operated to implement immediate feedback from task unit and to enhance receptivity so that regular assessment could be implemented anytime, anywhere.



- Through year end performance assessment based on on-going assessment result, Career Path design and performance review on an individual employee is implemented. Based on relevant result, human resource operation plan for the following year such as employees compensation, promotion, and job transfer is established.

### Compensation system

Category	Details
Annual salary / Incentive Bonus	Career Level based compensation is implemented to provide motivation on performance in connection with assessment and to drive securing job specialties
CEO Recognition	Competition for excellent performance case from the previous year is held, and compensation such as cash prize is provided to the winner.
Domestic/overseas training support	Domestic/overseas training support granted to superior human resources

## Organizational Culture Innovation

### Management Council

- Management Council is a body representing labor that implements a pivotal role in the formation of organizational culture focused on employees
- The council is composed of equal number of members representing both management and employees, where diverse agendas to pursue employees' happiness are discussed through regular meetings
- During 2020, management council were convened 4 times. Major discussions included work environment improvement such as vitalization of annual paid leave, improvement of welfare point operation, Smart Work, etc.

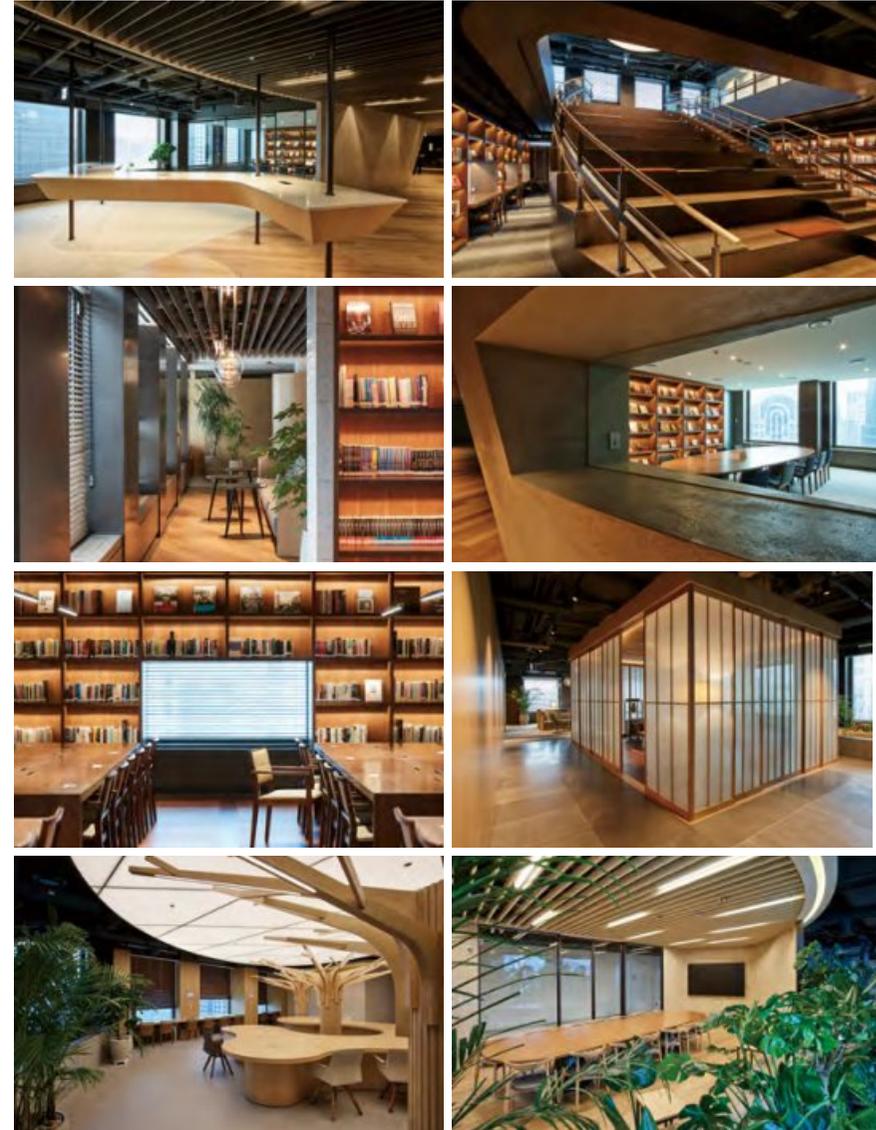
Division	Major Discussion Subject
1st (Feb. 2020)	<ul style="list-style-type: none"> <li>· Annual paid leave vitalization method</li> <li>· New adoption and improvement of welfare system</li> </ul>
2nd (May 2020)	<ul style="list-style-type: none"> <li>· Security policy improvement method</li> <li>· Smart Work implemented direction</li> </ul>
3rd (Aug. 2020)	<ul style="list-style-type: none"> <li>· Work environment improvement under shared office environment</li> <li>· Improvement of site welfare point operation</li> <li>· Improvement in employees taking annual paid leave</li> </ul>
4th (Nov. 2020)	<ul style="list-style-type: none"> <li>· HR system innovation method</li> <li>· Improvement in site welfare point operation</li> <li>· Support method for a retired person</li> </ul>

## \*Special Page: Innovation in Work Method and New Workplace

- SK Inc. sets up new organizational culture commencing from changes in work space through renovation of office space
- The work spaces which employees occupy while freely moving amidst diverse space composition are expanded to 'shared' concept. The work environment where interchange and collaboration between employees, and between organizations are to be constantly created.
- The shared/autonomous seat system is realized in diverse work spaces through Working Zone where employees can work without hierarchy between layers based on IT Cloud environment created such as OnSpace, the Group shared office app. etc.
- As part of work method innovation, paperless, office arrangement in consideration of employees health, Motion Desk were introduced. With Core arrangement by floor, executives' offices were reduced and open type office spaces were introduced so that outside views are shared by employees.



- Common zone was divided up for collaboration and communication, and open and horizontal spaces aiming for collaboration and communication were realized by expanding lounge space



# Human Rights Management

## Roadmap



## Policy

### Human rights management guideline

- To pursue employees' happiness and stakeholders' happiness, overall management activities, realization of respect on all stakeholders' human rights are promoted based on Group management philosophy SKMS
- Universal principles on human rights presented by UN Universal Declaration of Human Rights and 'UN Guiding Principles on Business and Human Rights' by UN Human Rights Committee, are supported and observed in management activities.
- All labor principles and laws recommended by ILO and ratified by governments in relation to ban on child labor & forced labor, health, safety, and work hours are observed.

### SK Inc.' Human Rights Management Principles

- SK Inc. shall respect human rights of all its employees, and guarantees their dignity as human beings.
- SK Inc. shall do its utmost to prevent human rights violation throughout all value chains.
- SK Inc. shall pursue happiness of all stakeholders (including employees/business partners) and consider human rights aspects of products and services SK Inc. produces.
- SK Inc. shall strive to fulfill its corporate social responsibilities, to promote the development of local communities, and to respect human rights.
- SK Inc. will establish and implement a management system required for human rights management implementation including anti-corruption (ethical management), environment/health/safety, compliance, protection of personal information, etc.

## Implementation / Performance Management

### Implementation of human rights impact assessment

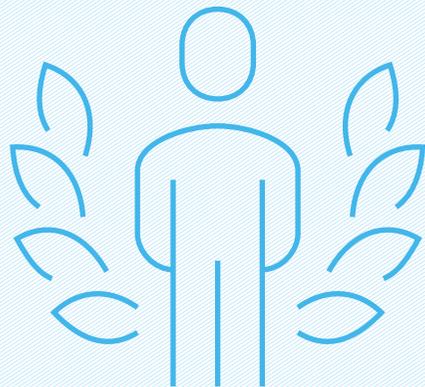
- The internal system required for implementation of overall human rights management including anti-corruption (ethical management), environment/health/safety, compliance, personal information protection, and quality management was established. In 2021, human rights impact assessment was further reinforced through existing human rights based surveys, and human rights risks were assessed through diagnosis by external specialist (based on 2020 performance)
- Human rights impact assessment was implemented over 4 stages comprised of 'human rights awareness investigation - derivation of human rights focus issue - human rights impact assessment - site due diligence and informant interview'

### Derivation and improvement of human rights risks

- The comprehensive score of human rights impact assessment was 84.8. Aspects such as compliance with labor related laws and regulations and guarantee on stakeholders' basic rights (human rights) were operated well. But the necessity for supplementation was derived in aspects of environmental rights protection, and responsible management of supply networks.
- Improvement tasks were established on final 7 items by human rights risk derived item and improvement was carried out.
- Ethical management education was implemented on all employees with items such as "ban on workplace harassment-discrimination, sexual harassment prevention education, etc." to prevent recurrence of human rights risks.

### Employees' grievance settlement process

- Reporting channel site for internal/external human rights and ethical management issue is operated
- Employees' communication mobile platform "H.App" is in operation, and grievance /problems resolution led by employees is implemented



## Human Rights Impact Assessment

### Overview of human right management system set up

- SK Inc. publically announced the intention to engage in human rights management since 2015, and implemented human rights risk improvement activities. In 2021, SK Inc. established promotion strategy and mid to long term roadmap to enhance human rights management implementation capacity.
- The internal system required for implementation of overall human rights management was established, including anti-corruption (ethical management), environment/health/safety, compliance, personal information protection, quality management. Under the leadership of human rights management supervising department, human right management system is close to improvement.

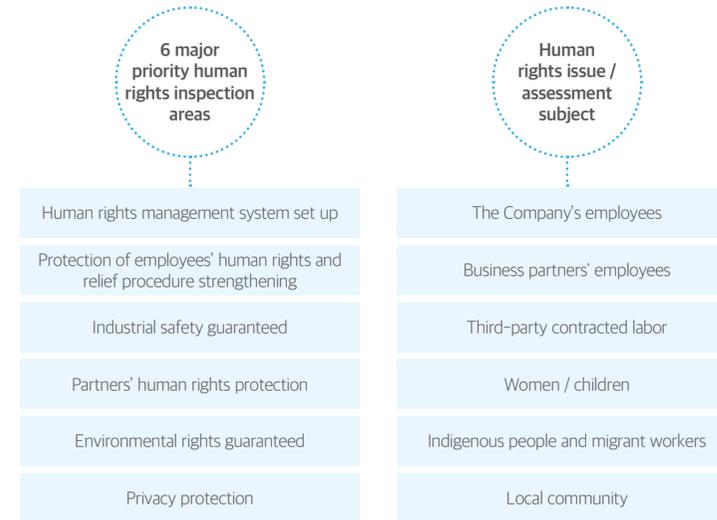
### Human rights impact assessment process

- To prevent human rights risk, the Company implements annual regular human rights impact assessment on all business sites and business partners.
- Human rights impact assessment in 2021 adopted external specialists' inspection method on business partners' site to secure objectivity and expertise, and expanded the scope of assessment (based on performance in 2020)
- Human rights focus area and indicators were re-selected based on employees survey
- Self-assessment by staff in charge of internal duty, site due diligence by specialist and interview by staff in charge were implemented to diagnose whether human rights management guidelines and detailed operating guidelines were observed.
- \*Prior education was implemented on staff in charge of internal duty
- In case actual human rights risk was identified from investigation result, related problems are confirmed and improvement activities thereon are promoted

Analysis	Assessment	Feedback & Mitigation
<b>1-1 Media analysis</b> · Domestic media report material analysis	<b>2-1 Designing human rights impact assessment</b> · Human rights impact assessment indicators determined based on analysis result	<b>3-1 Improvement points for human rights management are derived</b> · Report on human rights impact assessment result · Recommendation opinion presented on human rights management · Direction presented on human right management promotion
<b>1-2 Investigation on human rights awareness level</b> · Awareness level/priority on human rights management by employees/ stakeholders identified	<b>2-2 Education on human right indicators</b> · Education on necessity of human rights management · Education on staff in charge by indicator	<b>3-2 Implementation of improvement on human rights management</b> · Promotion of human rights risk improvement activities
<b>1-3 Analysis on human rights violation issue</b> · Analysis on organizational internal/ external cases (grievance, petition, civil complaint, event, etc.)	<b>2-3 Implementation of human rights impact assessment</b> · Self-assessment by staff in charge of internal duty · Site inspection by external specialist business partners' human rights status check · Interview of stakeholders	<b>3-3 Monitoring</b> · Continued monitoring of human rights risk *Due diligence and improvement are included
<b>1-4 Benchmarking analysis</b> · Benchmarking superior cases in human rights management	<b>2-4 Collection of Specialist opinions</b> · External specialists' opinions on human right impact assessment result are collected	

### Selecting assessment indicators

- Basic assessment item for human rights impact assessment suitable to SK Inc. is composed through media research, Interview with related persons, investigation on organizational and duty status based on existing human rights management guidelines.
- 6 priority inspection areas and human rights issue/assessment stakeholders are derived through prior analysis



- Indicators from the Workplace Harassment Prevention Act enforced in 2019 were added to the human rights impact assessment indicators of national human rights committee standard, and indicators were selected in consideration of the industry characteristics→ final 11 areas, 37 items, and 196 indicators were confirmed

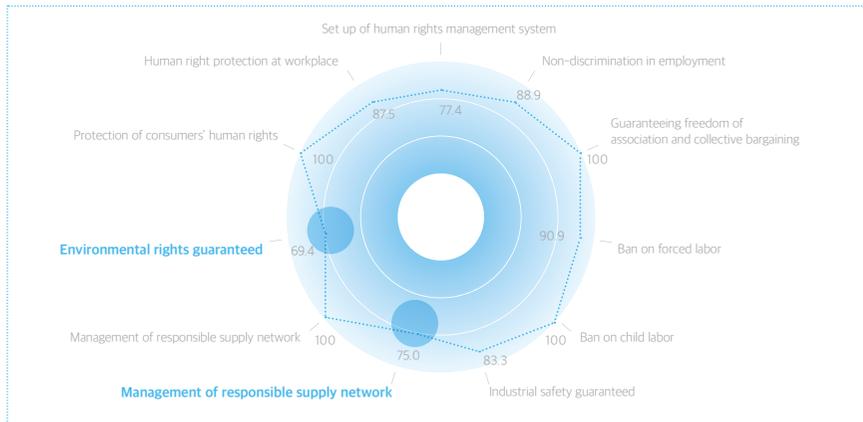
### Assessment implementation

- Based on 196 relevant indicators, human right impact assessment was implemented through assessment on staff in charge of each area, specialists' site inspection, stakeholders' Interview, and objective evidencing material verification.
- Potential human rights risks are identified through regular impact assessment, and improvement issues that can mitigate them are derived
- Through continuous feedback on overall assessment, assessment indicators and assessment system sophistication are implemented, and expansion of assessment scope is planned to new business counterparts such as M&A, joint venture companies, etc.

### Human Rights Risk Improvement

#### Human rights impact assessment result

- Comprehensive scores from human right impact assessment result was 84.8 (based on performance in 2020)
- The aspects related to compliance with laws and regulation related to labor law and guaranteeing stakeholders basic rights are operated well.
- From the aspects of guaranteeing environmental rights, management of responsible supply network that are major human rights issue in the IT industry, some vulnerable elements were found.

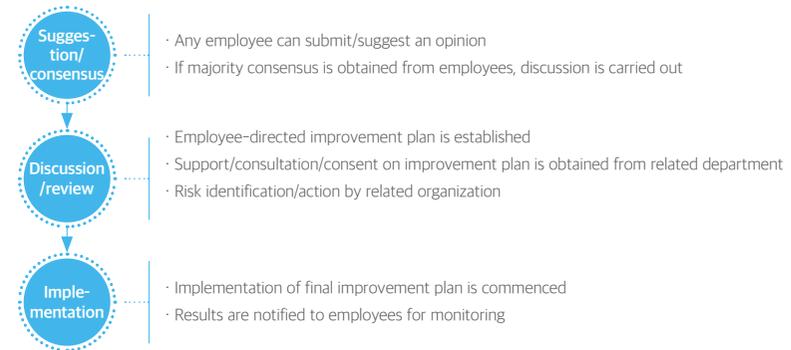


#### Derivation and improvement of human rights risk

- According to human rights impact assessment result by areas, human rights risks on total of 7 items were derived. Improvement tasks were derived and implemented (100% risk identified)
- After improvements were implemented, additional supplementary improvement tasks were derived
- Potential risk area by risk was identified, and risk mitigation actions to reduce negative impact within improvement task were reflected (Completed establishment of mitigation plans for all four business sites)

#### Employee-directed grievance settlement process

- The communication channel 'H.App' is operated to support employee-directed grievance submission and settlement process



\*Company operates ethical management reporting system, psychological counseling center to accept and process grievance from employees and stakeholders systemically.

#### Human Rights Risk Improvement Details

Areas and Item	Derived Risk	Recipient of Impact	Related Potential Risk	Improvement Task Implementation	Future Improvement Task
Human right management system set up	Human rights management system is partially insufficient	Employees, customer, partners, local community	Right to collective bargaining, Freedom of association	· Human right management system was set up under human right management supervising department · Mid to long term roadmap is established	· Human rights management publicity and spreading towards major stakeholders · Employees' education is implemented
Non-discrimination in employment	women executives/women leader ratio is low	women	Equal remuneration, Discrimination	· New women executives additionally secured · Women leader ratio target is established	· Potential human rights issues are identified through review on laws on fostering means for women executives
Ban on forced labor	Forced labor may occur at customers' site	Partner Companies, Third-party contracted labor	Forced labor, Child labor, Human trafficking	· Human right violation reporting site is in operation	· Consultation/supervision channel prepared between customer-SK-partner
Industrial safety guaranteed	Identification of hazard element in safety & health management is not satisfactory	Employees, contractors	Industrial disaster	· Safety & health certification (ISO45001) was obtained · Risk level assessment was implemented and derived risks are improved	· Guidelines are set up to prevent health & safety management hazard element / occupational illness
Responsible management of supply network	Partner company's Human Right is insufficient	Partner Companies	Forced labor, Equal remuneration, Discrimination	· Business partners' ESG risk management system is set up and implemented	· ESG assessment is implemented on all partners · Consensus is reached through human rights management workshop with business partners and prevention plan for human rights violation is required
Environmental rights guaranteed	Environmental management system set up is unsatisfactory	Local community	Environmental rights violation	· Environmental management system is set up through acquiring environmental management certification (ISO14001)	· Execution of concrete plan according to RE100, NetZero declaration
Protection of human rights at workplace	Ban of sexual harassment at workplace Recurrence prevent methods are unsatisfactory	Employees, women	Discrimination	· Education on prevention of sexual harassment at workplace is implemented · Sexual harassment counseling center is in operation	· Recurrence prevention monitoring is systemized · Detailed methods for relief of victims are established

# Information Security

## Roadmap



## Policy

- Information protection policy and various regulations to be observed by all employees were established to expand the importance of information protection and to protect customer value.
- Information protection policy and various regulations have been registered on Groupware system(Hi-SK), and are available for viewing by all employees

### SK Inc. Information Security Principle

- SK Inc. information asset shall be protected from illegal access and leakage
- Confidentiality, integrity, and availability of SK Inc.'s information asset shall be maintained
- SK Inc. shall comply with information protection related legal security requirements
- All employees of SK Inc. shall perceive the importance of information protection, and must be able to properly prevent, detect and respond to accidents.
- SK Inc. shall implement periodic analysis, inspection and audit on risks related to information security.

## Implementation / Performance Management

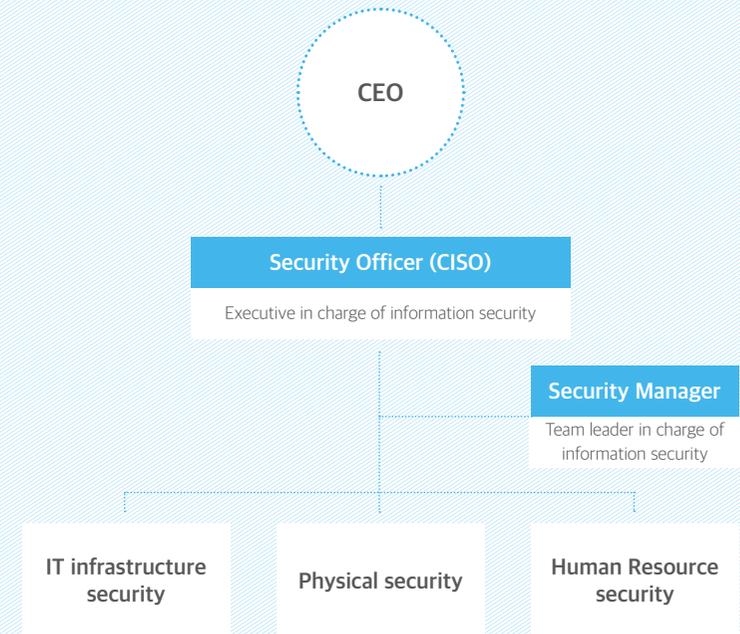
### External certification on information security possessed

- ISMS (information security management system)
- ISO 27001 (information security international standard)

### Participation in information protection related domestic and overseas initiative

- Presentation of superior case and received the Minister of Science and ICT Award at '2020 information communication-base protection workshop'
- Participated in '2020 industrial security international conference'

## Management System and Organizational Chart



## Information Security Management System

### Information security organization

- CISO(Chief Information Security Officer) was elected to comprehensively direct and supervise the company's information protection duty. Information leakage is prevented by an organization dedicated to information protection and security compliance issues are responded to.
- Upon occurrence of significant security issue, review and management is implemented at board of directors level

\*Board of directors compliance supporter's activities and status reporting is implemented each year including information security agenda



### Operation of security consultative body

- Companywide security management level was reinforced and issues are shared with related organizations. Security consultative body is in operation to enhance implementation capacity.
- Under participation by company-wide IT security related organization leaders, major agendas such as security policy, compliance trend, action on weak points, and external audit received were discussed

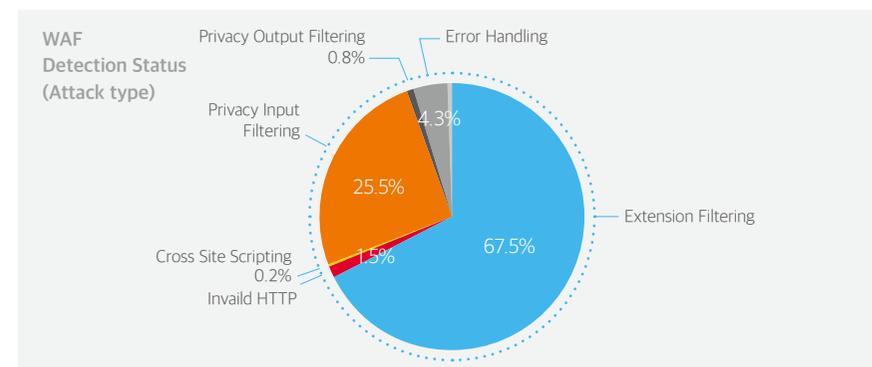
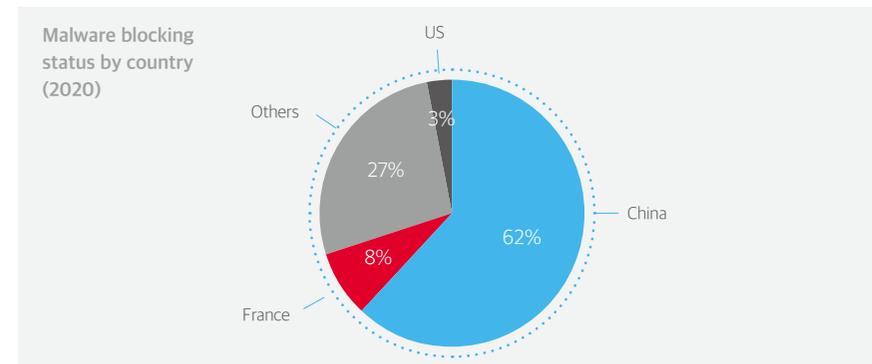
## Data Protection and Monitoring

### Data protection

- IT security management guideline was adopted to verify vulnerability in data security, and related procedures were observed.
- Recently, web server-targeted attacks and malicious mail attacks are increasing as types of attacks on data security and information systems. Accordingly, a preemptive response to security attacks are implemented with data safety reinforced through encryption and backup of major data, and by regularly implementing security strengthening activities

### Monitoring

- Monitoring is implemented on new threat elements from Threat Intelligence which provides the latest domestic and overseas attack information to respond to advancing cyber threats
- Abnormal behavior detection activities such as various packets and logs on other in-house networks, event data collection & analysis, malicious code in the system and the user's PC, and information leakage are continued



## Security Action and Countermeasures

### Response system for Security (infringement) accident

- For prompt response to security accident, the accident severity is categorized into 4 stages, and the response procedure is published as a manual. And the response procedure by accident type, detection and preventive measures against infringement threat are established for operation.



#### 1) Prevention and check

- On-going operation of security control center (24 hours, 365 days)
- IT weak point frequently checked and action implemented
  - \*Mock hacking, secure coding, weak point in infrastructure check are implemented on the Company's and customer's major system at least once a year
- Mock hacking and checking of weak point in infrastructure are implemented on the system developed with new investment before service opening
- Each month, potential security accidents are managed and prevented by classification as infringement response activities, infringement prevention activities, intrusion detection activities, and other matters

#### 2) Response

- Infringement accident reporting standard and response procedures are established and implemented by type and severity
- The same standard is applied to customer's system

#### Type of infringement accident

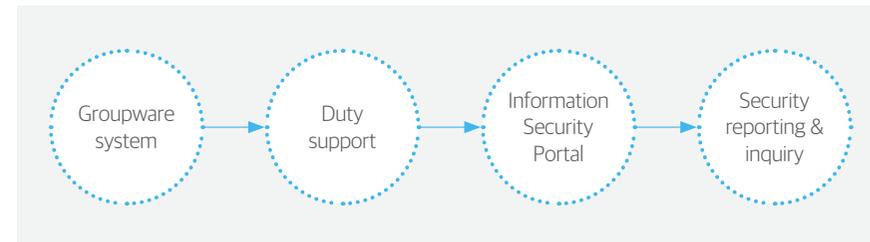
Division	Contents
System attack	· Web shell upload attempt, attack on Web/WAS weak points such as Apache, etc., DDoS attack, attempt to hijack administrator rights, etc.
Worm/Virus infection	· Installation of malicious codes (viruses, worms, ransomware, etc.) in PC/server through random paths, etc.
Malicious mail	· Inducing malicious code installation with malicious site URL links or attachments in the text

### Severity in 4 Stages

Severity	Stage	Contents
Strong damage	Fatal	· Situation that can have an impact on work and customer service since it is impossible to recover due to system destruction
	Critical	· Situation where there is restriction on some work due to partial destruction of system or continuous attack is inflicted on individual server
Weak damage	Minor	· A situation where there is a system infringement attempt and partial disturbance, but there is no damage to customer service
	Warning	· Common Internet threats that do not impact system functionality or customer service

### Reporting and action upon security accident

- A process is set up that allows employees to report information security issues immediately upon detection
- Suspected hacking, malware and ransomware infection, voice phishing and personal information leakage, and security weak point discovery are subject to reporting, and any relevant issue that has occurred shall be reported to the in-house security reporting center



- Disciplinary action shall be implemented in case of problems occurring due to violation of policy or regulations by any insider
- In the event of an accident, the organization in charge of information protection shall implement emergency action for problems situation in collaboration with CERT\* and operation department, and after confirming the action result, shall establish recurrence prevention response measures and disseminate such measures to employees through company-wide notice
  - \*Computer Emergency Response Team, Security response specialty team

## Information Security Verification and Certification

### Security verification activities

- Major system, system developed with new investment : IT infrastructure and management system security are strengthened by implementation of 'mock hacking and infrastructure weak point check'
- General employees : 'malicious mail mock training' is implemented, and mock training result shall be shared at company-wide level. Response to malicious mail is strengthened and employees' security awareness level is enhanced

### Information Security Certification

Certification	Supervision	Certification Contents
Major information communication infrastructures inspected	Ministry of Science and ICT	Implementation check on cyber infringement prevention, receiving inspection on implementation of responding measures to protect ICT infrastructure and promotion task for protection responses completed 100%
Receiving inspection on integrated information telecommunication infrastructure	Ministry of Science and ICT	Facility safety and physical security, implementation of protective action on integrated information telecommunication infrastructure, and liability insurance subscribed for Daedeok & Pangyo Data Center
ISMS	Ministry of Science and ICT	Domestic information protection management system pursuant to the Act on Promotion of Information and Communication Network Utilization and Information Protection, etc. In March 2020, ISMS-P checking standard was reflected and certification obtained (~2023). In 2020, ex-post facto review was passed
ISO27001	ISO/IEC	International standard information protection certification. After initial certification was obtained in 2006, renewal was completed in May 2019 (~2022). In 2020, ex-post facto review was passed



## Activities to Enhance Information Security Awareness

### Information security capability internalized

- Importance of security is emphasized. Diverse education are provided to employees to internalize security capacity
- Including company-wide personal information protection education which is a legally mandatory education, information security and personal information protection educations such as IT service security basic education, new recruits and executives education, are implemented with customized contents required for performing work by employees

Education Title	Major Education Contents
Personal information protection education	Personal information life-cycle management, Compliance education on domestic and overseas personal information protection
Information security education	PC security, IT security such as database security, network management, etc., information security policy and management system
Development security education	Security education required at system analysis/design/development/test stages

- Security guide securing/spreading for Multi-Cloud business, response to DT based BM innovation
- Information security specialized capacity secured/supported such as diverse security support tool secured, security checklist established, compliance obligations reviewed, etc.
- Promoting the importance of information security by providing entire employees with security letter, news, and event

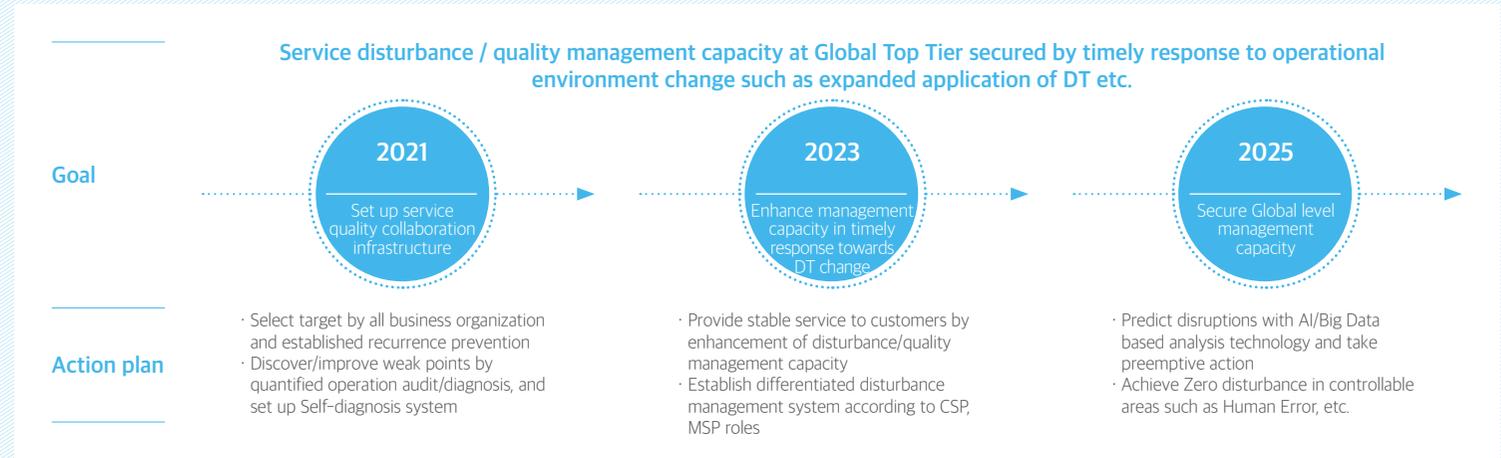
### Activities leading information security culture

- Participated in '2020 Major Information & Communications Infrastructure Protection Workshop (WIPRO 2020)' held by Korea Internet & Security Agency, and selected as best practice of infrastructure protection in private sector and received the Minister's award
- Participated in '2020 Industrial Security International Conference' held by National Core Technology Security Academy of Korea
- Information protection strengthened towards social enterprise and BP, and laws and regulations compliance support activities conducted, work environment check and sharing security campaign, personal information processing policy review and education, etc. (8 companies supported in 2020)



# Service Quality and Reliability

## Roadmap



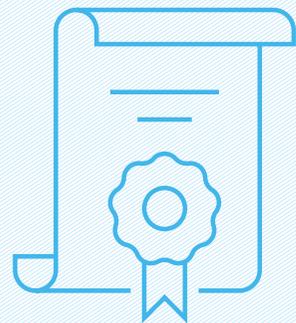
## Policy

### Service quality enhanced

- SLA operated to enhance service quality and customer satisfaction by prior identification and removal of potential problems in provided services
- Credit / Earnback policy operated according to SLA target level agreed with customers, stipulating penalty payment pursuant to SLA contract in case any loss is incurred

### Strengthened stability in provided service

- Processes such as 'disturbance management guidance' and SHE accident sharing system are regularly updated so that business impacts are minimized and the level of service quality and availability may be maintained to the maximum extent possible
- Contingency plan is established at operation & change management process and upon operation/change in all services so that work suspension risk is minimized
- Management responsibility strengthened by monthly discussion under CSO on recurrence prevention response measures and internalization by cause of major disturbance by all operation business departments



## Implementation / Performance Management

### Mock training on disaster implemented

- Annually (twice a year if necessary) implemented. Quarterly implemented in case of Global business site

### Operation audit-diagnosis system enhanced and Diagnosis implemented

- Operation diagnosis framework is established. In addition to operational weak point diagnosis/audit, operation level is quantitatively measured to prevent disturbance and continuous operational quality enhancement promoted

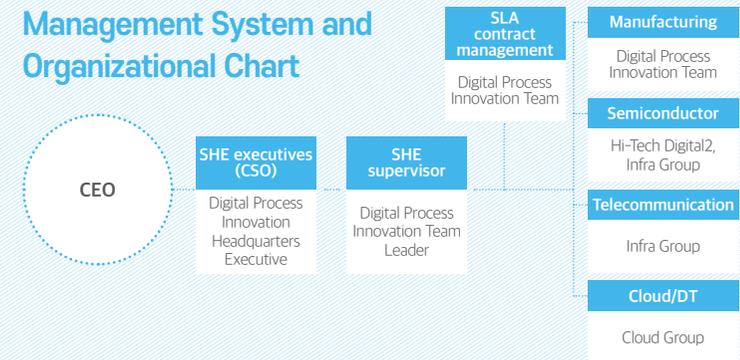
### Check the implementation of disturbance recurrence prevention

- Task derived on response measures to prevent disturbance recurrence by business and service safety strengthened by checking whether the measures were implemented each quarter

### SLA management and progress

- Warning given after performance monitoring and monthly SLA reporting implemented

## Management System and Organizational Chart

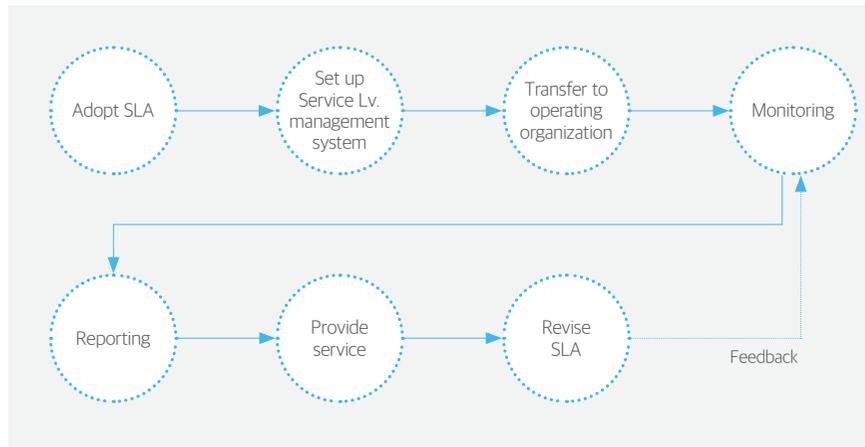


## Integrated Quality Innovation System

### Service Level Agreement (SLA)

- Referring to the innovation system pursuing enhancement of service quality and customer satisfaction level by identifying and removing potential problems in the service provided by the Company in advance
  - Used in quantitative measurement and management of service level, reflecting the service level and details demanded by customers
  - By operating 'Credit/Earnback' policy\* according to SLA target level agreed with customers, efforts are directed to service improvement and stability enhancement
- \*The policy to pay penalty amount (Credit) to customer in case service quality provided falls short of SLA target, and to refund the penalty amount already paid when quality improved (Earnback), with good quality service provided as the target

### SLA operating procedure



- Upon establishing SLA through reflecting customer requirements and mutual consultation, service level management system is used to monitor management item and to identify service quality
- Major issues are derived through reporting after providing services, and monthly service assessment meetings are held to continuously supplement SLA

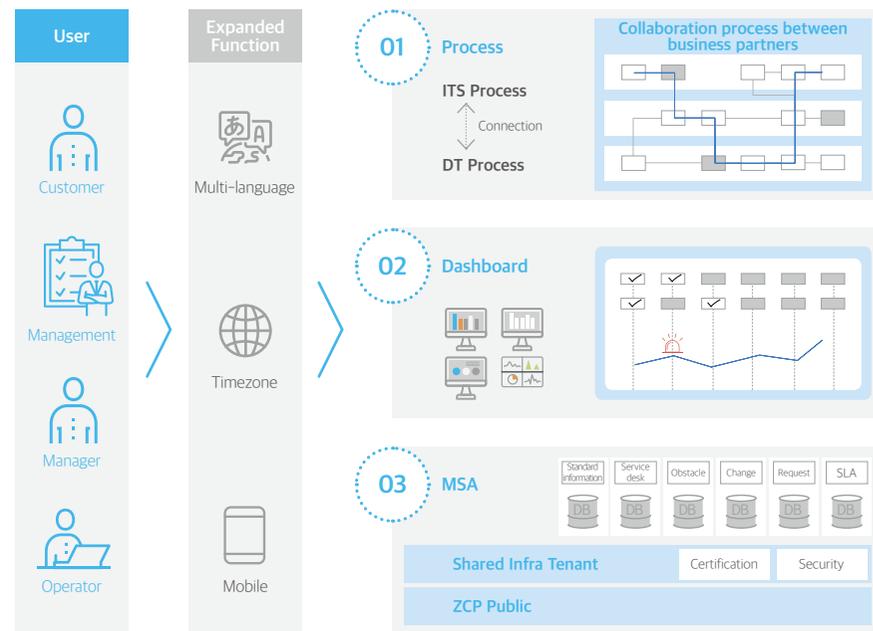
### Expanding application of SLA DT

- Timely response towards DT change such as SLA function enhancement in conformity to SLA Pricing system, and operation conforming to the management point customers consider as priority in service unit, etc.
- \* Member companies (SKT, SKI, SKC, etc.) to be revised and subsidiaries SLA adoption scheduled in 2021

### Optimization of DT / ITS integrated operating process

- Service operation process innovation is continuously promoted for preemptive response to DT and changes in IT infrastructure environment
- Operation process optimization and DT/ITS integrated operation management system establishment completed in 2018
- ↳ ServiceFlow system opened in 2019
- ServiceFlow system concentrates on service 'connection' and 'expansion'
  - Connection of all work flow, and severance in operational process overcome
  - Structuring to facilitate external Cloud connection and expansion, and collaboration by enabling Cloud to perform as supplementary process
  - Flexible response to change of working method through diversification in language, and access media

### ServiceFlow System



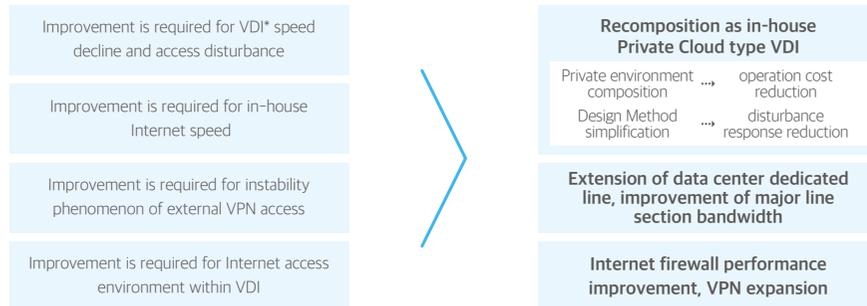
## Investigating Customer Satisfaction Level and Activities to Enhance Customer Insight

### Investigating customer satisfaction level

- Since 1999, satisfaction level survey was implemented on the Company's overall IT service
- By identifying and analysis of customer needs and complaint element, action is taken so that service quality can be improved

· Major Method : Online Survey  
 · Major Result ① Scoring overall 75.0, which is slightly lower than last year, Satisfaction level maintained 'Good' Grade  
 ② Compared to the competitors, SK Inc. scored 3 point more.  
 ③ Since the change of working environment into telecommuting due to COVID-19, VOC related to network quality including the network speed increased.

### Analyzing customer response and major improvement plan



\* VDI (Virtual Desktop Infrastructure) : The solution providing Virtual Desktop and data storage space. Especially safe from threat of hacking and can prevent data leakage

### Customer Insight enhancement activities

- Customers' Insight on IT/DT is expanded with active participation of Group ICT Committees such as DT sub-Committee, CIO Council, IT planning team leaders Council, etc.
- 1) **DT sub-Committee**
  - Focus is on 'Platform driven BM innovation' based on digital technology
  - 16 affiliates' digital based BM innovation cases secured
  - Management of BM operation cases originated from platform commenced as case of change management
- 2) **CIO Council / IT planning team leader Council**
  - An organization under DT sub-Committee as consultative body among member companies' CIOs and IT planning team leaders
  - Discussion on member companies' BM innovation acceleration focused on digital, and on Group IT common issues, etc.
  - In 2020, activities such as sharing directionality and specialist invitation seminar, Global ICT Insight Program etc. were carried out

## Response to Service Interruption Disturbance

### Service failure prevention principle

- In 2020, operation risk issue and management guideline was adopted to provide quality service to customers and to strengthen response activities on service failure. Operational risks are identified by organization in advance and continuously managed for resolution
- Employees' compliance matters are stipulated to provide uninterrupted IT service. In case of violation, penalty is given according to company rules

### SGRs 7 major principles

- ① Select preventive inspection targets and conduct regular inspections
- ② During changes, comply with the change processes such as prior approval.
- ③ Set back-up targets and cycles, and regularly perform and inspect the results
- ④ Depending on the importance of a customer's business, define and manage the monitoring targets and major performance indicators.
- ⑤ When aware of failures, immediately spread and take measures. After the closure of a case, establish and implement preventive measures against recurrence.
- ⑥ Observe the working principles and always supervise when working with business partners
- ⑦ Comply with the security processes, such as security vulnerability inspections, for new, changed, or terminated subscriptions

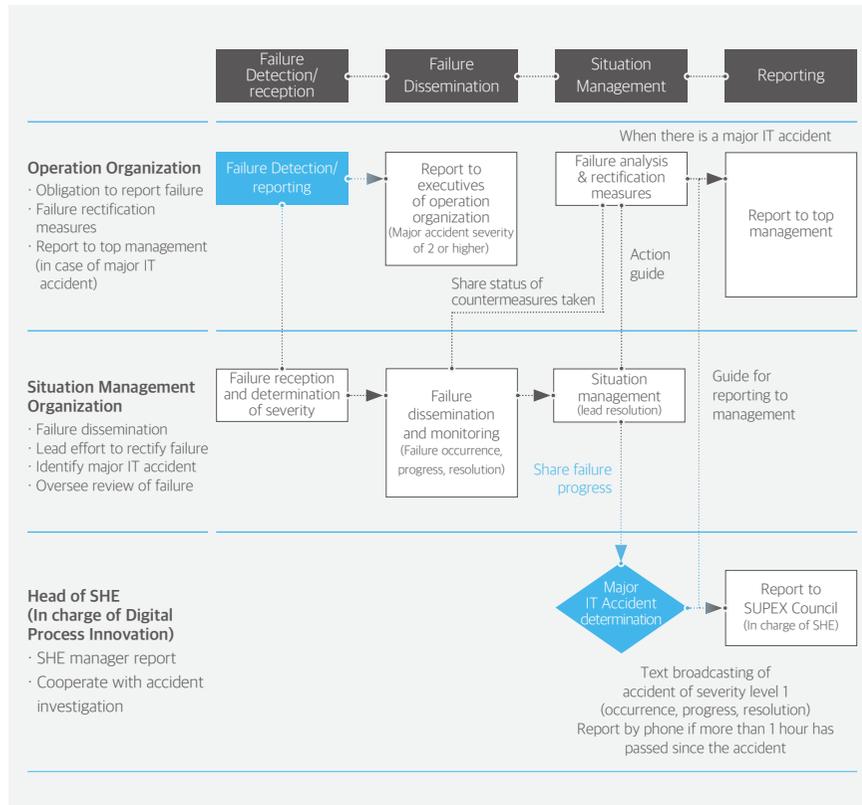
### Improved Non-Interruptions in Operation

- Prompt and effective response procedure shall be established in infrastructure so that provided services are continuously provided without interruption notwithstanding various external factors such as disaster.
- For this end, disaster recovery center is in operation. And through disaster mock training, preparations are in place so that services provided to customers are not interrupted even under a disaster situation (Mock training conducted in 2020: Head office once, overseas branches 4 times)
- On-going monitoring and inspection activities were implemented for preemptive response to potential disturbance risk, regular checks were implemented 1~4 times a year by work area according to importance.
- Through operational diagnosis/audit, operational weak points are checked intensively, and potential operational risks are preemptively removed

## Managing service interruption risk

- Preparation against service interruption risk such as technological breakdown, programming error, cyber attack, natural disaster, etc.
- Number of interruption cases are managed by classification based on the interrupted hours in service provided to customers. Inevitable interruptions such as inspection and maintenance are also included in the number of interruptions.
- Through detailed risk management, the company is close to estimation of cost lost from risk due to service interruption and service interruption hours
- Especially service interruption hours are managed as target hour for resolution of SLA interruption. In case of loss occurrence, penalty shall be paid pursuant to SLA contract.

## [Service failure response system]



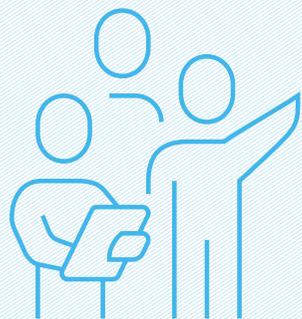
## Standard of Major IT Accident

- Accident of Severity level 1, over 60 minutes
- Accident that affects the entire group
- Accident to be reported to CEO including customer company
- Accident occurred to majority of customers, or accident reported by Government & relevant organization
- Accident that caused physical loss due to interrupted service or production

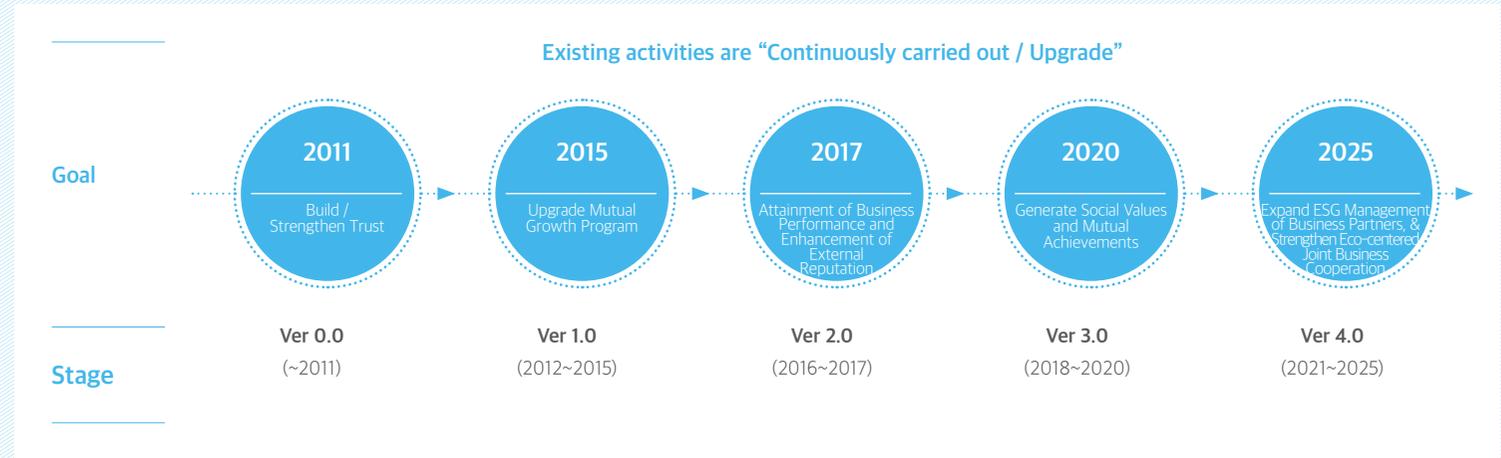


# Mutual Growth and Supply Chain

## Mutual Growth and Supply Chain



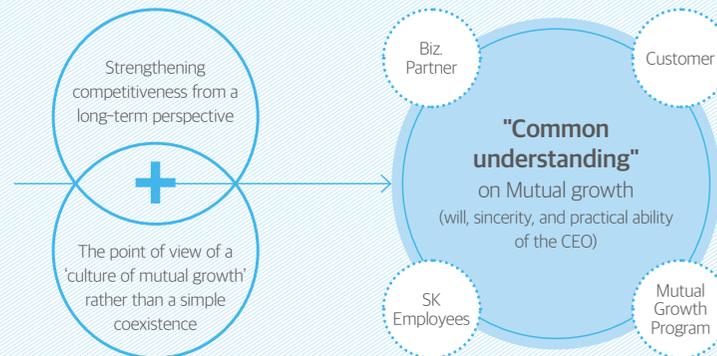
### Roadmap



### Policy

#### Support Policy for Mutual Growth with Business Partners

- Based on trust with business partners (BP), communication are vitalized to form a fair and transparent relationship, and various support programs are operated.
- For mutual cooperation and mutual growth between large and small businesses, SK Inc. operates a direct contract system (1st vendor) with all partner companies without a 2nd / 3rd business partner designation.
- The mutual growth council is operated under the supervision of the purchasing manager (executive) (once a month)



### Implementation / Performance Management

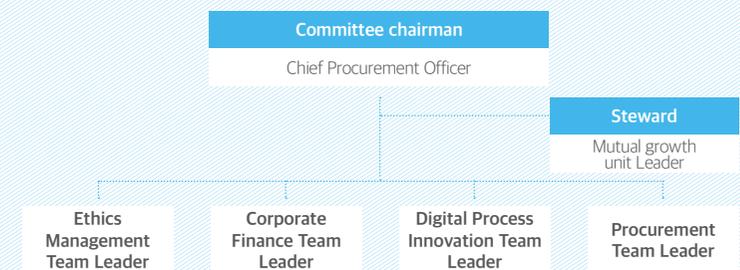
#### Excellent grade obtained in mutual growth evaluation,

- "Excellent" grade obtained for 6 consecutive years since 2014 as the result of mutual growth evaluation announced by the Mutual Growth Committee

#### Mutual growth program performance

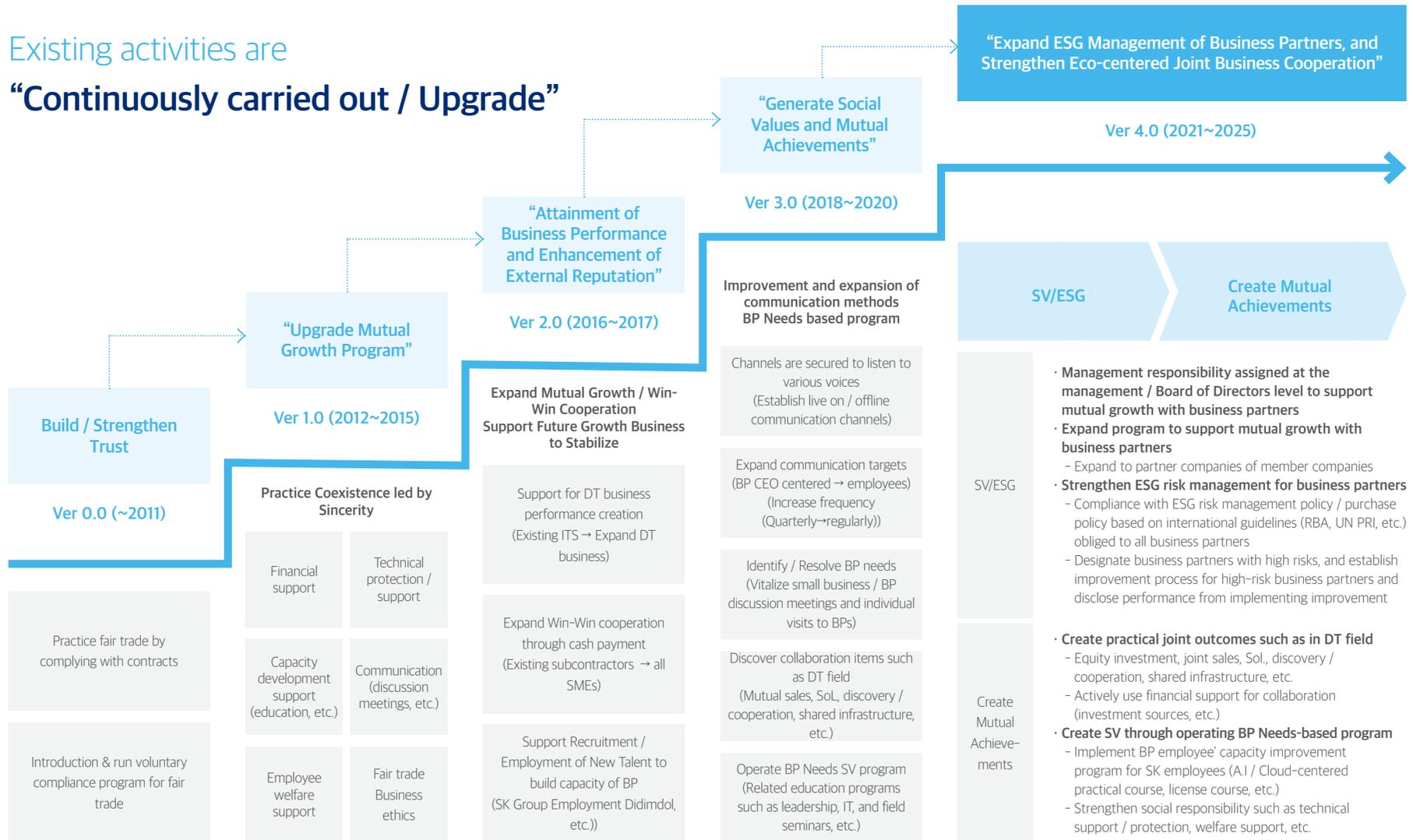
Classification	Number of cases
Free transfer of patented technology	23 cases
Joint R&D	15 cases
Joint market entry cases	16 cases
Technical data deposit case	68 cases

### Management system and organizational chart



## Support for mutual growth proceeding roadmap

Existing activities are  
**“Continuously carried out / Upgrade”**



\* BP: Abbreviation or acronym of business partners, referring to Superior S, Superior, General grade partner companies dealing with SK Inc.

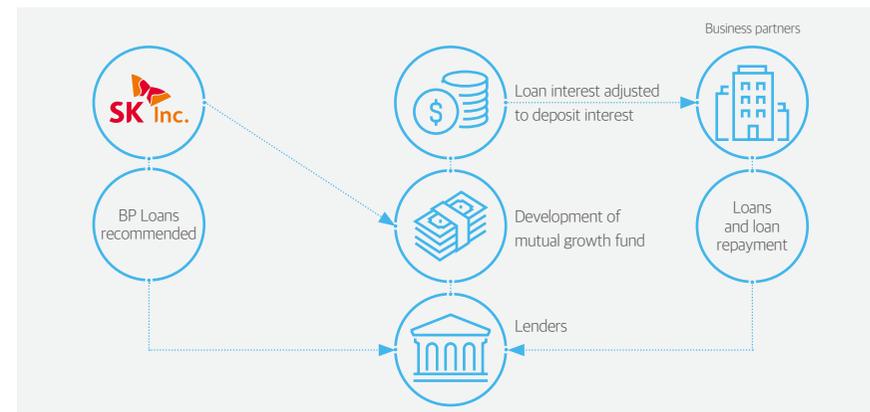
## Mutual Growth Support to Business Partners



### Financial (funds) support

- Mutual growth fund, network loan
  - : Support stable management base of business partners by enabling them to secure the required financial resources at interest rates lower than the market
- Timely payment
  - : Since 2006, 100% cash payment for subcontracts has been implemented, and measures have been taken to ensure smooth cash flow and planning of financial activities for business partners. In 2020, about KRW 14.1 billion worth of finance and funding support was provided

### Mutual growth fund

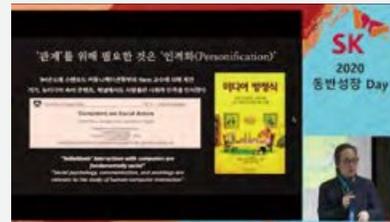


## Vitalizing communication

- Regular communication with business partners
- Securing the basis for effective mutual growth carried out through strengthening partnership based on mutual understanding. Implemented 'Mutual Growth Day', 'Biz. Partner CEO seminar,' etc.
- Operation of online communication channel
- SK Inc. has established business partners' purchasing information system to identify BP's real voice, such as collaboration proposals, grievance settlement, and management support, and the progress of requests being processed is checked



Mutual Growth Day



## Technical support and protection

- SK Inc.' patented technologies are provided
- The right to use our patented technologies is provided to business partners and startups without charge so that technology-based commercialization by small and medium-sized IT companies are supported
- Business partners can advance into new business areas, develop new solutions, and maximize work productivity. The company anticipates effects such as profit sharing through performance sharing and securing intellectual property rights through joint patent applications



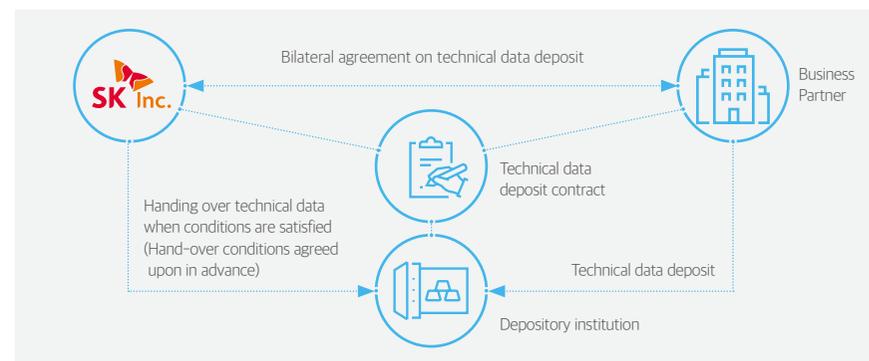
## Joint R&D and Joint Advancement into Market

- By transferring our technology and business know-how, SK Inc. supports business partners to strengthen their capacity and business competitiveness
- Business partners expect effects such as R&D based on a stable market channel and resolution of issues such as limited resources and environmental issues, etc. SK Inc. creates outcomes such as resource saving and shortening of lead time for entering new markets through collaboration with specialized business partners
- In 2020 Joint development of the Production Management System (MES) which is the core system of the Manufacturing Intelligence Integration Platform (MIIP), and joint development agreement for AI new drug development Target Research service are under progress



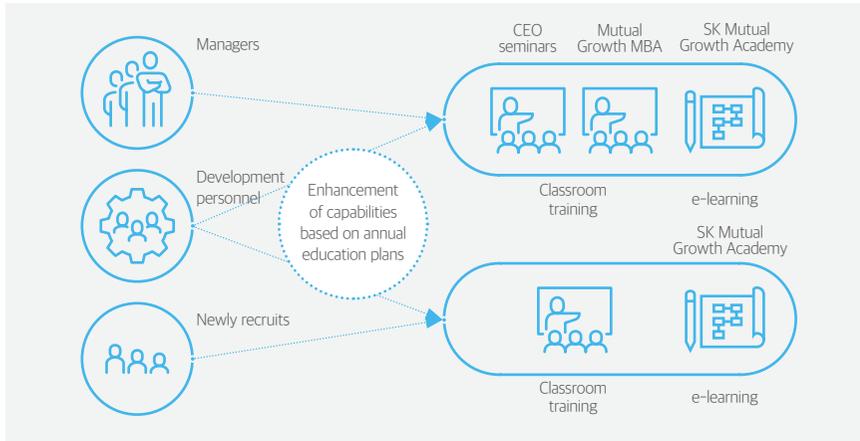
## Technical Data Deposit System

- To protect key technical data of business partners, original technology data is stored in a third party organization so that the risk of leakage is resolved
- SK Inc. guaranteed licenses and R&D stability



## Supporting education and training

- Support for improving management capacity of business partners through the group's education program
- Conduct training to strengthen outsourcing capabilities, to strengthen business competitiveness of business partners, so as to induce stabilization of the IT service market
- Full tuition free of charge

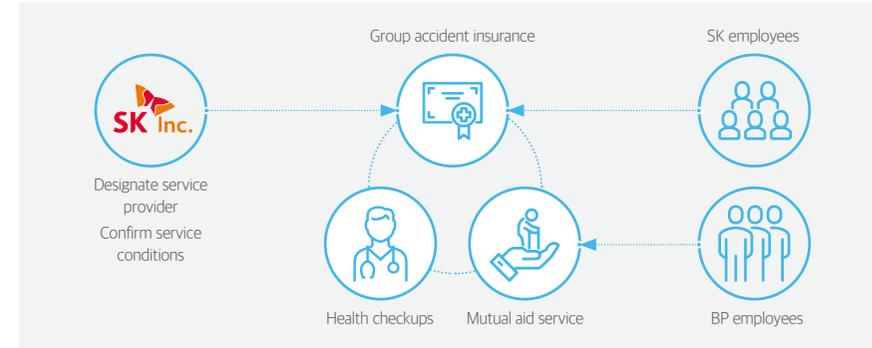


## Main Curriculum

Classification	Name of education	Detailed programs	Attendees (persons)
Group (Mutual Growth Academy)	Mutual Growth CEO Seminar	Special lectures by experts (management, humanities, history, etc.)	51
	Mutual Growth e-learning	100 online courses on IT, OA, management, etc.	631
	VLS Online Course	IT, Leadership, Data Analytics, etc.	605
	DT (Cloud Application, React Programming)	Spring Boot / Kubernetes, web application creation	55
SK Inc.	VLS Open Course	MES, AI, Cloud, digital platform construction, etc.	1,263
	BP CEO seminar	Special lectures by experts (management, humanities, history, etc.)	150
	External specialized Course	Multi-Campus, Research Institute of Science and Technology Information,	78

## Sharing of welfare system

- Group accident insurance, health checkup, mutual aid service, etc.
- The pursuit of happiness is realized for stakeholders by allowing them to use the same welfare as the SK employees



## Fair trade, ethical management

- Fair trade
  - : Strengthened the foundation for mutual growth by introducing and operating the four guidelines of the Fair Trade Commission
- Ethical management
  - : Ethical management compliance of business partners strengthened through ethical regulations and related practice guidelines

## Business support

- Productivity enhanced by securing the required manpower plan and operational stability for business partners through prior sharing of business opportunity information
  - Business partners secure superior human resources by increasing lead-time to secure human resources, and SK Inc. improves delivery competitiveness through mobilization of superior human resources and pre-project training



### Supply Chain Management

#### Customer Satisfaction Survey

- SK Inc. purchases outsourced human resource costs such as hardware / software, PC / computer consumables, system development, maintenance, and consulting through approximately 1,480 domestic and foreign business partners
- When carrying out overseas business, SK Inc. contributes to regional development and social contribution through the policy for local procurement.

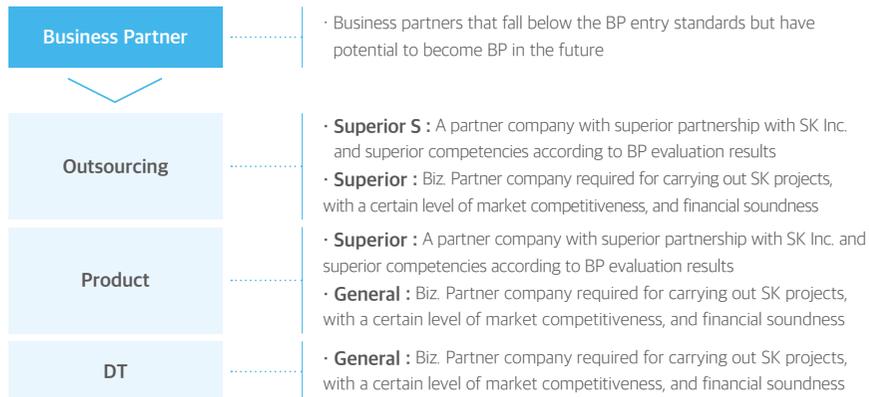
#### Domestic & Overseas Supply Chain Purchase Status

[Unit : KRW 100 million]

Classification		2018	2019	2020
<b>Total</b>		<b>8,889</b>	<b>10,985</b>	<b>7,543</b>
HW / SW	Domestic	3,840	4,566	1,559
	Overseas	22	59	62
Outsourced personnel	Domestic	5,017	6,279	5,837
	Overseas	10	81	85

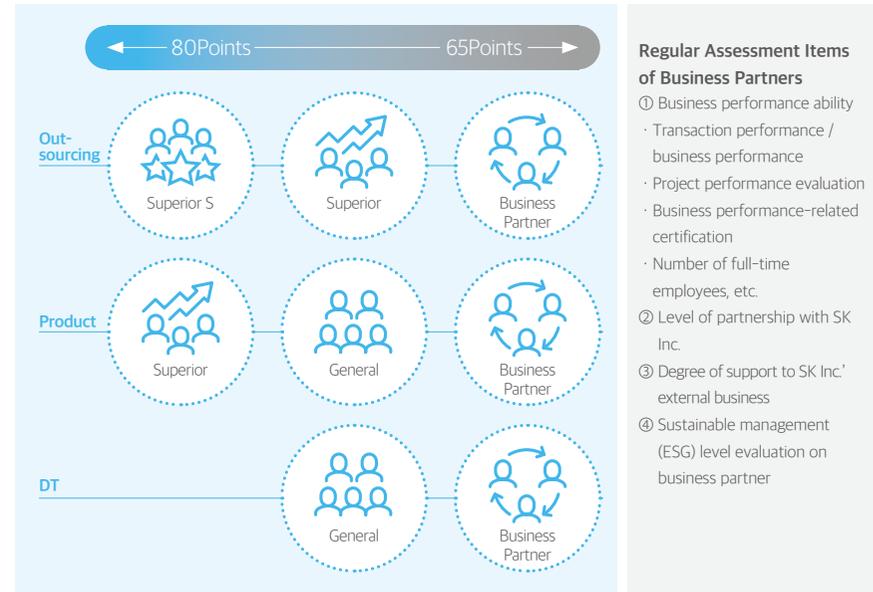
#### New Business Partner system

- The new and improved BP system is a business partner management system that selects only a small number of BP companies based on a more stringent evaluation standard than existing ones
- Selected companies are regarded as having the best capabilities in Korea, and are collectively referred to as “superior BP” without hierarchy
- The existing rating system is reconstructed into a “outsourcing: superior S / superior, product: superior / general, DT: general” rating system, and incentives for each rating are applied differently



### Business Partner selection and management

- For fair selection of BPs, regular BP evaluations are conducted based on evaluation criteria such as financial soundness, stability in business performance, and sustainability, etc.
- Regular evaluation is conducted once a year, and the BP rating is adjusted according to the evaluation result



#### Business partners by type and grade (2020)

[Unit : companies]

Classification	Total	General BP	Superior BP	Superior S
Product purchasing	141	112	29	-
Outsourcing	107	-	66	41
DT	80	80	-	-
<b>Total</b>	<b>328</b>	<b>192</b>	<b>95</b>	<b>41</b>
Eligible for mutual growth agreement among BPs	46	4	20	22



# ESG Support for Business Partner

## Mutual Growth and Supply Chain



### Roadmap



### Policy

#### Green purchase

- Based on purchasing regulations, SK Inc. endeavors to block environmental risk elements in advance from the purchasing stage of raw and submaterials and equipment.
- Eco-friendly products that can reduce environmental pollution and contribute to saving resources compared to other products / services for the same purpose are purchased as top priority, unless there is a special reason when selecting items

#### ESG practice support policy for business partners

- Mandatory compliance pledge obliged to all business partners to the code of conduct composed of the core management areas reflecting the characteristics of the IT industry
- ESG compliance monitoring is conducted by differentiating evaluation indicators / diagnostic methods / cycles through classification by business partners type.
- Depending on the diagnosis result, improvement processes such as education and consulting are carried out, and benefits such as priority support for mutual growth programs are granted in differentiation by evaluation grade.
- However, if a certain level is not met, more stringent follow-up measures such as transaction restrictions and contract termination are implemented

### Execution / Performance Management

#### Status of increase in purchases from superior company in ESG among total purchases

- The percentage of purchases from BPs with superior ESG management is gradually increasing every year

Year	2018	2019	2020
Purchase percentage	55%	56%	59%

\* Total purchase amount: product purchase amount + outsourcing purchase amount.

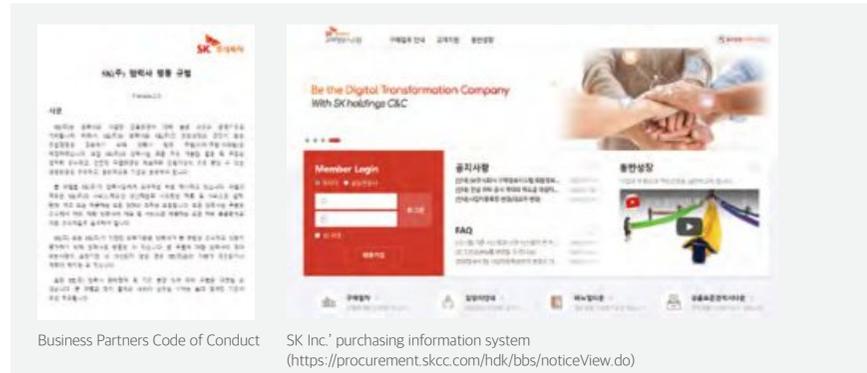
#### Business Partner ESG supporting Goal

Year	2021	2023	2025
Action plan	Pledge to comply with the code of conduct by all business partners (100%)	In-depth ESG diagnosis for excellent business partners (100%)	In-depth ESG diagnosis for all business partners (100%)

## ESG practice support system for business partners

### Business Partners' ESG Practice Guide

- In 2017 the code of conduct for business partners comprised of four areas of Human rights in labor, safety and health, eco-friendliness, and ethical management enacted and made to be mandatory
- Code of conduct is disclosed through our purchasing information system
- SK Inc. adopts restrictions on dealings with business partners who violate the Code of Conduct, and SK Inc. prevents ESG risks in the supply chain in advance through regular evaluation of the sustainable management level of business partners.



Business Partners Code of Conduct

SK Inc.' purchasing information system  
(<https://procurement.skcc.com/hdk/bbs/noticeView.do>)

### Support process for business partners' ESG practice

- A systematic process ranging from evaluation-feedback-improvement support-follow-up management for business partners' ESG practice was established and implemented
- Especially in case of high-risk business partners, support is provided for establishment and implementation of improvement plans through separate training and consulting
- The evaluation result of the sustainable management level is reflected in the regular evaluation for each BP selection to induce enhancement in business partner's level of sustainable management practice



### Evaluation of business partners' ESG practice level

- Based on the business partners' code of conduct, sustainable management evaluation items of business partners are developed which consists of 14 items in 4 areas
- Sustainable management evaluation of all BPs is scheduled to be carried out by 2025, and support for sustainable management improvement through site visits is planned for deficient areas
- The 2021 business partners' sustainable management evaluation was conducted on 52 superior and superior S BPs, and superior result of an average of 89.0 points was obtained
- However, in the ethical management area (76 points), evaluation results are somewhat lower than in other areas
  - In particular, it is analyzed that there are a large number of business partners that do not carry out social contribution activities and customer satisfaction surveys. Response measures regarding this was established and improvement were carried out

Classification	Details
Social contribution activities	Non-implementing business partners 53.8% (28 companies)
Customer satisfaction survey	Non-implementing business partners 46.2% (24 companies)

### Summary of business partners' sustainable management assessment item

Classification	Details	Assessment by item
Human rights & Labor	Child, forced labor	Are internal regulations in place to protect child or forced labor?
	Compliance with labor standards	Are internal regulations and processes in place for following labor standards?
	Employment conditions	Are employment conditions clearly documented and delivered?
Safety and Health	Human rights, prohibition of discrimination	Are internal regulations in place concerning human rights and prohibition of discrimination?
	Safety and health of employees	Is assessment of workplace safety conducted or education on safety and health related to work provided?
	Industrial accident	Has any industrial accident occurred during the last 3 years?
Eco-friendliness	Health management	Is there any program for employees' health management?
	Violation of Safety & Health law	Was there any violation of safety and health laws during the last 3 years?
	Violation of environment standard law	Was there any violation of environment related laws and regulation during the last 3 years?
Ethical management	Prevention of corruption	Is there an internal policy or education conducted for corruption prevention?
	Social contribution	Are social contribution (volunteer service, donation, etc.) activities implemented?
	Customer satisfaction	Does the company conduct customer satisfaction survey on the provided services?
Ethical management	Legal violation related to customers and subcontractors	Is there any violation of laws and regulations concerning products, services, and consumers, and non-payment to subcontractors?
	Protection of customer information, etc.	Is there a policy or education program in place for the protection of customer information?

\* Sustainable management "assessment matter by items" is currently being supplemented. Improved contents will be applicable during the 2nd half of this year.

# Social Contribution



## Roadmap

### Performance and Goals

#### Social value measurement performance and goals [unit: KRW million]

Year	Performance		2021	2025
	2019	2020		
Growth with local community	6,761	11,476	13,447	15,022
Support for self-reliance / growth of people with disability	584	571	647	729
Leading the spread of ICT based social value	772	512	739	891
<b>Total</b>	<b>8,117</b>	<b>12,559</b>	<b>14,833</b>	<b>16,642</b>

\* Social contribution program is measured based on outcome such as employee standard etc. In case it is difficult to measure outcome such as volunteer activities / donation, measurement is taken with input cost

#### 2020 Major performance

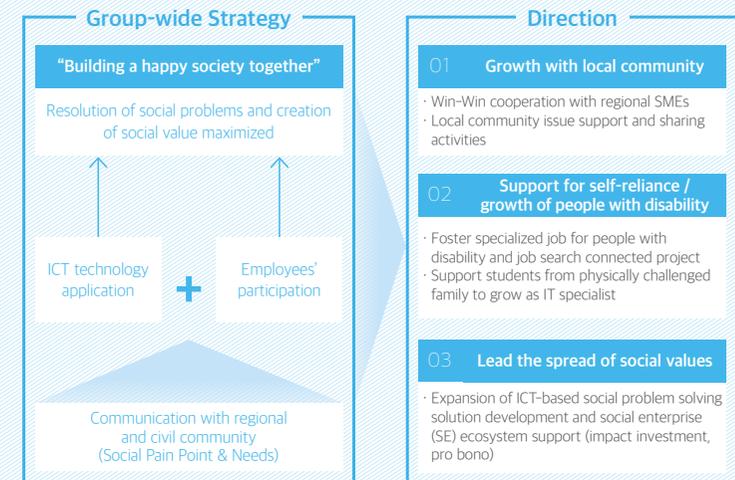
Year	Performance	Details
Participated employees	1,020 persons	pro bono (458 persons), Happiness IT scholarship (562 persons)
Beneficiary	159 persons	SIAT (36 persons), DDA (64 persons), Happiness growth campus (22 persons), Happiness IT scholarship holder graduate (37 persons)
Beneficiary institution / company	151 companies	Cloud service (78 units), pro bono Beneficiary SE (59 units), SIAT job searching company (14 units)

### Implementation method (Goals to be achieved by 2025)

<p><b>Expand employees' participation</b> (Member participation expanded by more than 10% each time)</p> <ul style="list-style-type: none"> <li>Expand employees' participation policy and vitalize participation campaign</li> <li>Acknowledge pro bono / volunteer service as work hour, support expenses for activities</li> <li>Expand reward support according to participation of employees (Haenggarae)</li> </ul>	<p><b>Expand cooperation with stakeholders</b> (Secure more than 5 cases of stakeholders cooperation model)</p> <ul style="list-style-type: none"> <li>Enhance Communication through participation in consultative group of local community (public / private partnership)</li> <li>Local community Guarantee Council (head of local government, welfare institutions participating)</li> <li>Enhance program impact through cooperation model</li> <li>SIAT: Expand alliance with public / private sector, etc. (Korea Employment Agency for Persons with Disabilities)</li> <li>Haenggarae: Explore cooperation model with regional education office, Council for Sustainable Development, school, etc.</li> </ul>	<p><b>Discovery / expanded application of social value spreading solution</b> (Secure more than 5 SV creation solutions by 2025)</p> <ul style="list-style-type: none"> <li>Expand discovery / application of support solution for class with poor ICT infrastructure</li> <li>Improve access to AI-based information on people with disability, and support job creation for vulnerable class</li> <li>Support to social value expansion using AI, Blockchain, Big Data</li> <li>Social value expansion and win win growth through cooperation with SE and social venture</li> </ul>
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## Policy

- Social problem solving and the happiness of stakeholders are pursued through ICT technology utilization and active social participation activities by employees based on communication with regional and civil community.
- Established three social contribution directions: 'growth with the local community', 'support for self-reliance / growth of people with disability', and 'spreading social value'. Social problems are solved and social value is maximized through social contribution based on employees' participation using our core competencies such as ICT / DT
- Communication with local community
  - In order to resolve various problems in the local community together, urgent issues of local community and blind spots that require a human touch are discovered / supported through regular communication with major stakeholders
  - Communication with local community enhanced through various cooperation and partnerships such as local governments, institutions / organizations (social welfare council, volunteer center, sustainable development council, etc.), and social enterprises



## Major activities by Social contribution direction

3 classes of social contribution directions were selected in connection with UN SDGs and performance is measured

### Growth with local community

SK Inc. and employees want to fulfill their responsibilities and roles as a member of the local community. To this end, SK Inc. is carrying out Win-Win activities with SMEs of the local community and activities of sharing happiness that can alleviate the difficulties of the vulnerable class in the local community.

### Support for self-reliance / growth of People with disability

SK Inc. is paying attention to the 'quality of life of the physically challenged' among various social problems. While supporting the self-reliance / growth of people with disability with employees, SK Inc. is developing a sustainable support program for people with disability.

### Leading the spread of social value

SK Inc.' stakeholders are anticipating our active use of ICT technology to resolve complex social problems. Therefore, SK Inc. is pouring efforts to resolve social problems and spread social values by utilizing the ICT technology possessed by the company and SK Inc's employees.

#### Opening and sharing ICT infrastructure

- Free Cloud service provided to small business start-ups / SMEs in the local community for 5 years
- Supported 78 companies in 2020, about KRW 1.68 billion



9.c  
Access to information and communication technologies was expanded and universal internet access

#### Fostering ICT specialists and supporting employment

- SIAT(Smart IT Advanced Training): Fostering young physically challenged ICT specialists and employment support project
- 2020 graduates 36 persons, employed 32 persons



8.5  
Creation of good quality jobs

#### Participation in social value and spreading of its practice

- Haenggarae: participation type platform for resolution of social problems
- Applied to 8 companies / institutions, 7,000 persons participated in activities



12.8  
Awareness on sustainable growth and guarantee of access to information

#### Growth support for neglected class in local community

- DDA (Digital Dream Academy) project: middle-aged to elderly / career interrupted female startup & re-employment education project
- 2020 DDA graduates 64 persons, recruited & startup 16 persons
- Happiness growth campus: education project for employment of young adults in alienated regions
- 2020 graduates 22 persons, employed 16 persons



8.5  
Good quality job creation

#### Happiness IT scholarship project employees participate in

- Happiness IT scholarship project: support to young physically challenged students
- 2020 participants 562 persons, Beneficiary students 37 persons, scholarship amount raised KRW 92 million



4.3  
3rd education access such as technology, vocational training guaranteed

#### Social value creation through use of digital technology

- Speech Catch: AI based internet lecture subtitle service
- Workwiz: ICT based employment support Portal for middle-aged and the elderly



9.c  
Expanded access to Information & Communication Technology and universal internet access

#### Spreading / implementing sharing culture in local community

- Support to build a social safety network (COVID response): Sharing a meal, on-tact project (KRW130 million)
- Quarantine supplies and meal support for undernourished children (KRW 0.8 billion)
- Employee sharing culture practiced: donating winter clothing for homeless people (Anna's house) HopeOn campaign (heating support to vulnerable class)



1  
Ending poverty

#### SE\* support for people with disability IT talents' self-reliance

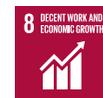
- Standard business site for people with disability IT specialist
- 'Foundation Happiness ICT' project supported



8.5  
Creation of good quality jobs

#### SE ecosystem supported

- impact investment
- Approx. KRW 5.6 billion invested during 2020
- pro bono
- 2020 458 people participated, SE 59 companies supported



8.3  
Encouragement policy for growth of small business owners and SMEs proceeded

\* SE : Social Enterprise

### Major activities in ICT based social contribution



#### COVID-19 Local Community Happiness sharing

- Emergency support for COVID-19 quarantine supplies for the vulnerable class in Seongnam city (approximately KRW 30 million worth of masks and disinfection supplies)
- Winter vacation weekend meals provided for 400 underfed children in Seongnam city
- On-tact project carried out, and supported free meals for 1,535 elderly living alone every day for 3 months. In response to the closure of food service center due to COVID-19, employees carried out meal service and winter clothing donation event for the homeless at 'Anna's House' in Seongnam-city



#### Free Cloud support service

- Signed a "Win-Win cooperation cloud service support project agreement between Gyeonggi Province and big corporations & SMEs" to provide free cloud services to SMEs in Gyeonggi province and the local community.
- Cloud specialist training education, Cloudz partners MSP (Management Service Provider) supported free of charge

Classification	2019	2020
Participating corporation	16 companies	78 companies
Service support	KRW 0.99 Billion	Approx. KRW 1.68 billion



#### SIAT (Smart IT Advanced Training)

- physically challenged ICT specialist Fostering / employment support program 'SIAT' operated with Korea Employment Agency for Persons with Disabilities since 2017.
- ICT job education such as Big Data, software development, information security, web design, and IT office service is supported to people with disability high school and university graduates.
- An employment opportunity for entry into society is provided to people with disability by forming a 'seed alliance' with each participating companies

Classification	2017	2018	2019	2020
Employment ratio (completed)	82% (23 persons)	86% (21 persons)	91% (23 persons)	89% (36 persons)
Participating companies	14 companies	8 companies	9 companies	13 companies

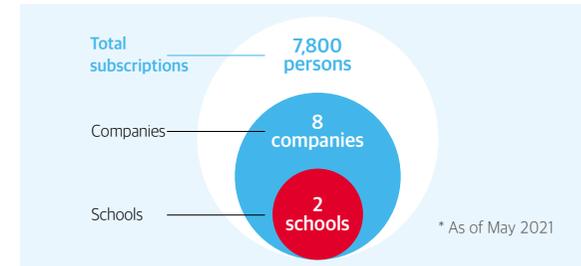
#### Happiness IT scholarship

- The only scholarship system for students from physically challenged families in Korea operated since 2005 with voluntary donations from employees.
- Supported the dreams and hopes of 900 students from the vulnerable class by raising a total of KRW 1.31 billion by 2020.
- Total of KRW 92.3 million scholarships provided to 37 people with disability scholarship holders in 2020, and career counseling and mentoring support was provided by employees



#### Haenggarae

- Developed Haenggarae app to induce healthy thoughts and actions of individual members of society, and supplied the app to companies / institutions / schools, etc.
- Through cooperation with various stakeholders such as each regional sustainable development council, Community Chest of Korea, and education institution, participation / implementation of social value activities such as plastic, air pollution / greenhouse gas, waste, blood donation, voluntary service were disseminated.
- By creating the UN SDGs education & Haenggarae cooperation model, SK Inc. plans to expand the business to support students who are future social leaders so that they can grow into healthy members of society

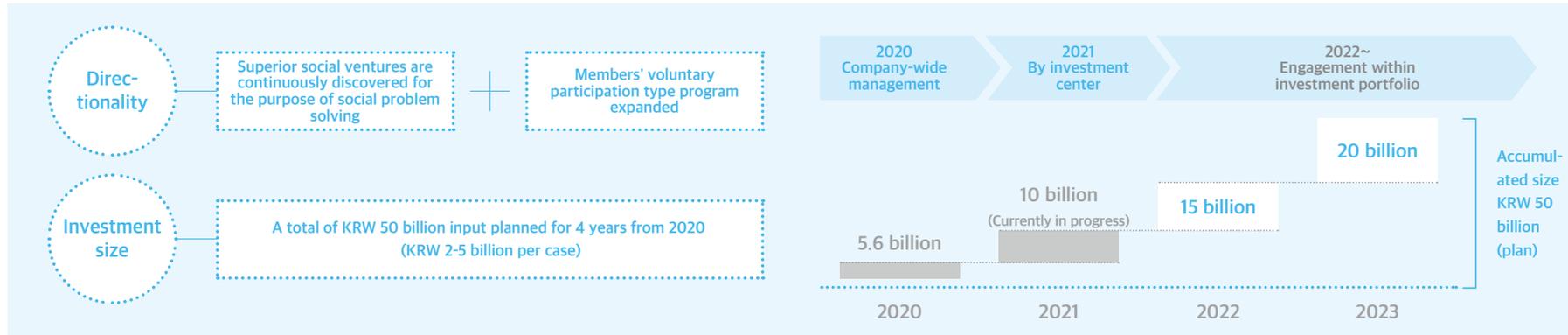


#### pro bono

- Social enterprises' growth is supported through consulting in grafting IT system planning / design and operation, information protection management, AI / Big Data DT technology as well as providing management advice such as marketing and law

2020 458 members participated, 59 companies supported

### Social Enterprise ecosystem supported through impact investment



#### Impact Investment Policy

##### 1) Impact Investment

- An investment method aimed at solving social problems while creating profits through investment activities
- SK Inc. develops impact investment activities in a way that supports social ventures that take the lead in solving social problems by utilizing our investment capabilities as a 'Sophisticated Value Investor'.
- Contributing to the social financial ecosystem and supporting value-up of investee social ventures, SK Inc. also approaches from the perspective of investment in new growth area value at the mid to long-term aspect.

##### 2) Target and method of impact investment

- A company that combines technology and SV creation potential among social ventures related to the four investment areas previously discussed in Financial Story.
- Direct fund investment sought (FI) from a mid to long-term perspective.
- While verifying the financial feasibility of a social venture through investment implementation at the Growth Stage\* to the maximum extent possible, overcoming the limitations of domestic impact investment that lacks scale-up support is carried out.



##### 3) Impact investment assessment

- Focusing on assessment on SV potential that measures social problem solving capacity, basic EV assessment (technology, marketability, business feasibility, etc.) is implemented at the same time.
- The pilot test under implementation for SV Performance measurement and monitoring using impact value assessment model (IVM\*) and its expansion scheduled.

\* IVM (Impact Valuation Management): Impact valuation measurement guideline internally developed by CSES (Social Value Researcher)

#### Impact investment assessment standard

Classification	Contents
Mission	<ul style="list-style-type: none"> <li>· The social problem mission which a company wants to resolve is defined.</li> <li>· Whether the social problem defined in the mission is specified in the articles of incorporation, policy, and whether or not to be disclosed externally.</li> </ul>
Biz. creation SV level	<ul style="list-style-type: none"> <li>· Whether the product / service provided by a company directly contributes to the resolution of the social problem defined in the mission (including the level of impact and the degree of social problem solving).</li> </ul>
SV level other than Biz.	<ul style="list-style-type: none"> <li>· Whether corporate activities contribute to the achievement of SK Inc.'s SV creation and UN SDGs.</li> </ul>

\* Growth Stage: Venture businesses are categorized as Early-Growth-Late Stage according to corporate growth stage. In growth stage, generally business model is established, KPI is improved, and valuation is formed based on financial indicators.

Impact investment implemented / Performance management

1) Impact investment activities

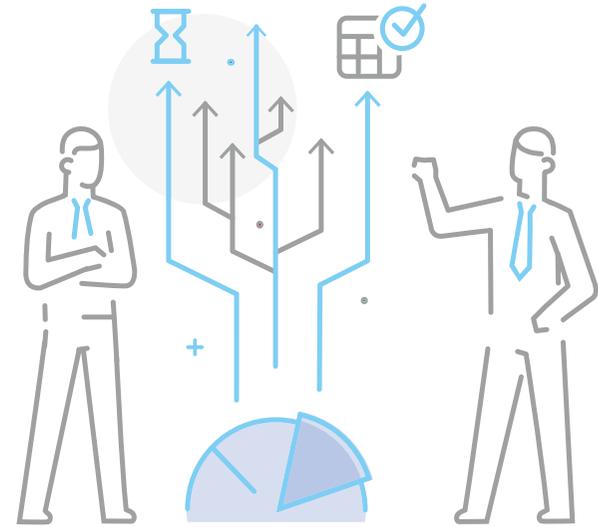
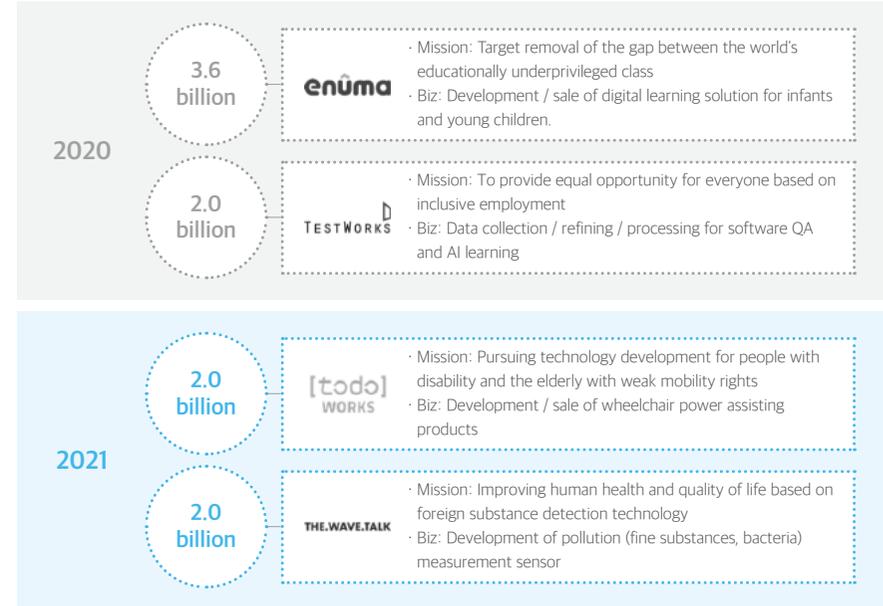
- Employees' participation based impact investment program 'Deep Impact Day' is operated (2020~)
- Participating social ventures are provided with the opportunity for Scale-up and Value-up, and employees are induced to sympathize with the necessity for social problem solving and to perceive 'new entrepreneur spirit.'
- On 2021 Deep Impact Day, 40 social ventures in total will be supported, and final impact investee companies will be selected through employees' participation and investment review procedure.



Deep Impact Day program poster

2) Impact investment performance

· As of March 2021, investment of KRW 4 billion was carried out (cumulative KRW 9.6 billion)



# Economic & Governance Value

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# Governance

Environment

Social

Economic & Governance

2021 SK Inc. Sustainability Report

## Board of Directors centered management

### Corporate Governance charter

- 2018, SK Inc. corporate governance charter adoption & announcement (<https://www.sk-inc.com/kr/ir/charter.aspx>)
- For expanded provision of governance information such as shareholder rights and responsibility of Board of Directors and audit organizations.
- Strengthening of management transparency and promotion of corporate value pursued through stipulation of responsible management practice centered around the Board of Directors.

### Board of Directors' composition

- Decision making body on major management matters and activities that have a significant impact on management.
- Board of Directors' activities are conducted in accordance with the Board of Directors operation policy with independence, specialties, efficiency, and diversity.
- Strengthened communication capacity based on expanded diversity of Board of Directors and understanding on women through the appointment of new female Independent Directors in 2021.
- An Independent Director was appointed as the chairman of the Board of Directors, which is composed of 9 persons in March 2021 (4 executive directors, 5 Independent Directors).

### Board of Directors' activities status

- Regular Board of Directors meeting held each month, and if necessary extraordinary Board of Directors meeting held from time to time
- In 2020, a total of 14 Board of Directors meetings were held, 43 agendas were deliberated and resolved, and 34 agendas were reported.
- Decisions are made by the attendance of a majority of the enrolled directors and the consent of a majority of the directors present (unless there is a separate resolution requirement in related laws or by the Board of Directors).
- The minimum attendance rate target for Board of Directors is 80%, and details of activities such as attendance rate and whether individual director agreed or disagreed on the disclosed agenda are disclosed on the website and business report (an average attendance rate of 99.2% in 2020).



## Assessment on Board of Directors

- From 2018, assessment on all directors has been implemented through assessment questionnaires developed by external institutions (once a year).
- Assessment of 39 sectors in 5 major areas (Board of Directors role / function / responsibility, Board of Directors' composition and qualifications requirements for directors, Board of Directors operation, Committee structure and operation)
- The 2020 assessment result was 4.61 points (out of perfect score of 5), which was improved from 4.55 points in the previous year. Based on the assessment results, the Nomination/Compensation and ESG Committee was newly established by drawing up a plan to improve the operation of the Board of Directors. Planning to continue proceeding with advance governance such as shareholder communication activities and reinforcement of Independent Director education.

## Board of Directors' performance assessment and compensation

- Payment is made in accordance with the law within the limit of remuneration for directors approved by the general meeting of shareholders, and the remuneration and calculation method are disclosed in the business report.
- The Nomination And Compensation Committee reviews and reports individual remuneration for executive directors, and the Board of Directors makes a final decision including remuneration for Independent Directors.
- In the case of Independent Directors, in order to guarantee independence, remuneration based on performance assessment other than basic salary is not paid.

## Appointment of directors

- Directors are appointed through the resolution of the general meeting of shareholders in accordance with the commercial law and the articles of incorporation.
- The Nomination And Compensation Committee selects a group of director candidates, undergoes strict screening, and recommends candidates qualified for related laws to the general meeting of shareholders in consideration of specialty, performance, independence, etc.
- Candidates whose recommendation is confirmed are appointed as Independent Directors at the final general meeting of shareholders after the resolution of the general meeting of shareholders is convened by the Board of Directors.
- In consideration of the link between the competencies of a director candidate and the company's management strategy as a major standard, the skill set of the entire Board of Directors is composed and specialties are strengthened so that the Board of Directors can contribute to the long-term growth and development of the company.

Board of Directors' composition status

(of Mar. 29, 2021)

Classification	Name / month & year of birth	Position / Responsibilities	Specialty area	Major career history	Term	Duration of Employment*
Executive director	Chey, Tae-won (Male, Dec. 1960)	CEO and Chairman	Management & Economy, international relations, social value, sustainable management	Ph.D. in Economics, University of Chicago, USA; [Current] Chairman, SK innovation; [Current] Chairman, SK Hynix.	2019.03 ~ 2022.03	5
	Jang, Dong Hyun (Male, Aug. 1963)	CEO and President	Management, M&A, portfolio management, risk management, industrial specialty	Master, Industrial Engineering, Seoul National University; CEO and President, SK Telecom.	2020.03 ~ 2023.03	4
	Park, Sung Ha (Male, Oct. 1965)	CEO and President	Economy, M&A, risk management, ICT specialty, industrial specialty	Master, MIT, USA; Strategy support team leader, SK SUPEX council.	2020.03 ~ 2023.03	1
	Cho, Dae Sik (Male, Nov. 1960)	Executive director	Management, finance, M&A, Portfolio management, Risk management	Master, Clark University, USA; CEO and President, SK Inc.	2021.03 ~ 2024.03	6
Independent Director	Yeom, Jae Ho (Male, Jan. 1955)	Independent Director (Chairman of the Board of Directors)	Information security management, social value, international relations, globality, sustainable management	Ph.D. in Political Science, Stanford University, USA; Chairman, Seoul city Industry-University Cooperation Forum; 19th President, Korea University; [Current] Honorary Professor, Public Administration, Korea University.	2019.03 ~ 2022.03	2
	Lee, Chan Keun (Male, Aug. 1958)	Independent Director	Management, M&A, globality, industrial specialty, risk management	Master of Management, Korea University; Executive Vice President, CID Group, Kookmin Bank; [Current] Independent Director, Hanse Yes 24 Holdings Co., Ltd.	2021.03 ~ 2024.03	3
	Kim, Byoung Ho (Male, Sept. 1961)	Independent Director	Accounting, finance, M&A, globality, risk management	Master of Management, UC Berkeley, USA; Vice Chairman, Hana Financial Group; [Current] Independent Director, Eusu Holdings Co., Ltd.	2019.03 ~ 2022.03	2
	Jang, Yong Suk (Male, Jul. 1968)	Independent Director	Information security management, organization, social value, globality, sustainable management	Ph.D., Stanford University, USA; Assistant Professor, Department of Sociology, University of Utah; [Current] Professor, Department of Public Administration, Yonsei University.	2020.03 ~ 2023.03	4
	Kim, Seon-hee (Female, Oct. 1964)	Independent Director	Management, finance, M&A, industrial specialty, risk management	Master of Management, University of Minnesota, USA; Director, UBS Investment Bank, Switzerland; [Current] CEO and President, Maeil Daires Co., Ltd.	2021.03 ~ 2024.03	0.3

\* The tenure includes re-elected tenure.

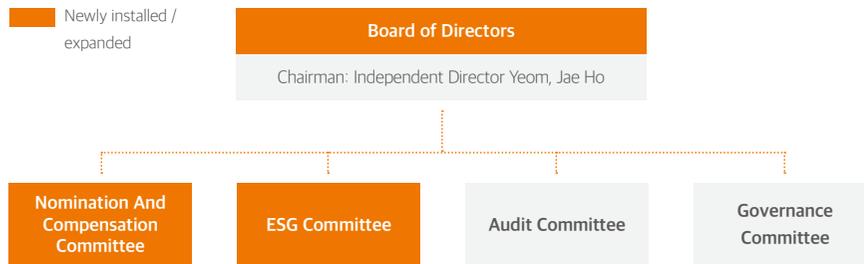
Board of Directors' operation policy & target

Classification	Contents	Classification	Contents
<b>Independence</b>	<p><b>Policy introduced to enhance Independence of Board of Directors</b></p> <ul style="list-style-type: none"> <li>Separation of Board of Directors' chairman from CEO</li> <li>Independent Directors are elected from candidates who does not have a special relationship with the management</li> <li>An Independent Director shall not take any position of general partner or director of other company in the identical business without approval from the Board of Directors</li> <li>Exercise of voting rights by any director with special interest on Resolution of the Board of Directors shall be restricted.</li> <li>Monitoring function enhanced through new installation of audit Committee supporting organization</li> </ul> <p>▶ Ratio of Independent Directors maintained at more than the majority and expanded (Mar 21: 56%)</p>	<b>Diversity</b>	<p><b>Policy in place for considering diversity of the Board of Directors</b></p> <ul style="list-style-type: none"> <li>Continuous growth of various stakeholders such as shareholders, customer, and society with the Company is our management philosophy as well as strategy. To conform to this philosophy and strategy, diversity is pursued in race, gender, age, nationality, academic achievements, religion, disability, and political orientation in the composition of the Board of Directors</li> </ul> <p>▶ Diversity such as gender, age, and nationality considered as priority</p>
<b>Expertise</b>	<p><b>Policy in place to reinforce Board of director's expertise</b></p> <ul style="list-style-type: none"> <li>Director candidates are recommended and elected so that qualification and capacity of directors and skill set of all directors could contribute to the long-term growth and development of the Company.</li> <li>Composed of directors with rich expertise or practical experience on corporate management, macro economy, M&amp;A, risk management, communication, international relationship, globality, sustainable management(ESG), social value (SV), information security management, etc.</li> <li>Executives in charge at each investment center provides specialized education in each investment area directly to Independent Directors</li> <li>Expertise enhanced by providing opportunity for seminars and training provided by external specialists, etc.</li> </ul> <p>▶ Industrial specialists expanded through investments and projects, etc.</p>	<b>Efficiency</b>	<ul style="list-style-type: none"> <li>Temporary Board of Directors meeting can be convened at any time as necessary. To guarantee directors' participation in Board of Directors meeting, all directors can participate in the resolution without direct attendance via telecommunication media for sending and receiving voice at the same time.</li> <li>Due to COVID-19, Board of Directors meeting, Committee meeting, and other advance reporting were held by video conference since 2020.</li> <li>Internal executives and staffs provides individual explanation and Q&amp;A on agendas to all Independent Directors before Board of Directors meeting and Committee meeting commences. In case of any additional inquiry raised on the agenda submitted, additional explanations are provided on relevant contents through communication with related departments.</li> <li>The right to receive advice from external advisory institution shall be codified in the Board of Directors, and Committee regulations</li> </ul>

## Efforts for advancement of governance

### Strengthened system management

- Sub Committees operated under the Board of Directors increased from 3 in 2020 to 4 as of Apr 2021 for efficient and systemic operation of the Board of Directors
- Mostly composed of Independent Directors for independent Committee operation
- Since 2021, governance was improved such as installation of ESG Committee, and Nomination/ Compensation Committee to enhance ESG discussion and management transparency within the Board of Directors.
- Especially ESG Committee was strengthened by including one CEO / president so that expanded discussion on management strategy would be facilitated from ESG perspectives.



### Shareholder-friendly management strengthened

- 2016: Governance Committee established
- 2017: Decided to introduce electronic voting system
- 2018: Annual shareholders meeting was convened in avoidance of peak days.  
Corporate governance charter adopted.  
Shareholders communication Committee member system newly installed  
Grand prize for being superior company in ESG received from Korea Corporate Governance Service  
Board of Directors assessment introduced  
CEO's letter to shareholders posted on website
- 2020: interim dividend paid for 3 consecutive years
- 2021: Governance restructured (Board of Directors-centered responsible management)

## Management's performance assessment and compensation

- Compensations for top management are paid through efficiency measurement on management performance within the director compensation limit approved by the shareholders meeting.
- Since 2019, by quantifying items on ESG management level and SV performance enhancement (50%) in addition to financial elements (50%) such as sales, operating profit, debt ratio, total equity return, and growth rate, performance assessment is reflected on all executives' performance assessment (KPI) including top management.
- Performance linked period is 3 years, stock options are granted to management to link corporate value enhancement to compensation.

[ As of Jul. 4, 2021]

Committee	Detailed contents	Composition (◎: Committee chairman)
<b>Nomination And Compensation Committee</b> (Function of former 'Independent Director candidate recommendation Committee' integrated)	<ul style="list-style-type: none"> <li>· <b>Purpose</b> : Deliberation on issues such as recommendation on Independent Director candidates to be elected at shareholders meeting, CEO assessment and eligibility for re-election, and appropriateness of executive directors' compensation, etc.</li> <li>· <b>Function</b> 1) Deliberation on individual executive director's compensation 2) CEO assessment and candidates recommended in case of replacement 3) Independent Directors candidates recommendation 4) Other matters required for recommendation of Independent Director candidates and delegated by the Board of Directors</li> </ul>	Independent Directors · Lee, Chan Keun · Jang, Yong Suk  Executive director · Chey, Tae-won  Chairman to be appointed
<b>ESG Committee</b> (Functions of 'governance Committee' partially transferred)	<ul style="list-style-type: none"> <li>· <b>Purpose</b> : To strengthen the Board of Directors' management function on Major ESG decisions of the company</li> <li>· <b>Function</b> 1) ESG / SV / growth strategy (Financial Story) verification 2) Annual management plan review 3) Prior review of investment agenda [2020 Major agenda for former governance Committee] Risk Management system, SV measurement result and focused task, SV promotion system and roadmap, ESG management Improvement method.</li> </ul>	Independent Director · Jang, Yong Suk ◎ · Yeom, Jae Ho · Kim, Byoung Ho · Lee, Chan Keun · Kim, Seon-hee  Executive Director · Jang, Dong Hyun
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>· <b>Purpose</b> : Purpose: Audit on the company's accounting and business practices</li> <li>· <b>Function</b> 1) Matters related to shareholders' meeting 2) Matters related to director and Board of Directors 3) Matters related to audit 4) Other Matters stipulated in laws, articles of incorporation or Board of Directors' regulation 5) Prior deliberation function on internal transactions</li> </ul>	Independent Director · Kim, Byoung Ho ◎ · Jang, Yong Suk · Lee, Chan Keun
<b>Governance Committee</b>	<ul style="list-style-type: none"> <li>· <b>Purpose</b> : Realization of substantial Board of Directors-focused management principle through strengthening protection on shareholders' rights and interest and governance transparency</li> <li>· <b>Function</b> 1) Deliberation on governance agenda, including revision of internal regulations (articles of incorporation, Governance charter, Board of Directors / Committee regulations) 2) Matters requiring consultation or decision making by all Independent Directors 3) Other: The company's management issue submitted by the chairman which would exert significant impact on shareholders value.</li> </ul>	Independent Director · Lee, Chan Keun ◎ · Yeom, Jae Ho · Kim, Byoung Ho · Jang, Yong Suk · Kim, Seon-hee

# Ethical Management and Anti-Corruption

## Roadmap



## Policy

### Systemic access to ethical management

- SK Inc. recognizes ethical management as an axis of corporate culture, taking a systemic approach based on '3C: Code, Compliance, Consensus'

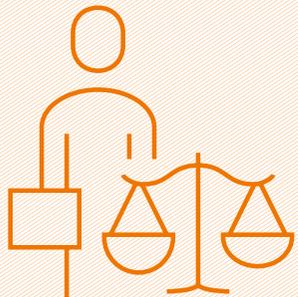


- Ethical regulations
- Violation cases by area (Don'ts)
- Ethical management FAQ for SK leaders

- Ethical management dedicated organization & system
- Self-purification system operated
- Counseling system, whistleblower protection

- Ethical management education
- Ethical management letter
- Employees' communication participation
- Ethical management survey implementation, etc.

- It is an independent organization in charge of ethical management. It has ethical management team established within Happiness promotion center which reports directly to the CEO. The audit Committee under Board of Directors performs supervision / responsibility on overall activities through regular management review.
- The anti-corruption policy of the company was found to meet international standards by establishing the anti-corruption policy and acquiring global anti-corruption certification (ISO 37001) in 2021.



## Implementation / performance management

### Various ethical / anti-corruption grievance received / processed

- Various reporting / counseling operated (internet, email, phone)
- Issues are identified through regular survey on contractors / employees
- No tolerance principle and whistleblower protection policy operated

Classification	Result
Number of Discipline violation	11 cases
Number of action	11 cases

### Regular monitoring of major work areas through self-purification system



## Code

### Ethical regulations

- Through adoption / revision of SKMS-based ethical regulations, employees will determine and act by judging ethical regulations as a standard when facing ethical conflicts related to job performance.
- Ethical regulations are composed of ethics and whistleblower protection areas for employees, customer, society and the company / shareholders, respectively. Each area guides detailed implementation details.
- All employees are responsible for complying with ethical regulations, and if the standards for judgment are not clearly indicated in the regulations, they must act in judgment according to the decision-making principle of 'lawfulness / transparency / rationality'.

### Violation cases by area (Don'ts)

- The ethical management violation cases that may occur out of management activities are collected and produced as usable as ethical behavior guidelines for employees when performing their duties.

Area	Major Contents
Non-ethical	23 items including basic etiquette, money, valuables, entertainment, hospitality, conflict of interest, and protection of the company's assets and information
Security	14 items including PC security, information and document management, project security, etc.
Subcontracting	18 items including determination and adjustment of subcontract payment, payment of subcontract payment, non-delivery of document, inspection and result notification, unreasonable management intervention, restriction of subcontracting, etc.
Tax, Fair Trade	23 items including issue transaction, unfair internal transaction, unfair joint action (collusion), unfair transaction action, etc.
Reporting & management	33 items including promotion of unreasonable project, false / delayed / partial reporting, and negligence in project management.

### Ethical management FAQ for SK leaders

- For the purpose of internalized ethical management and strengthening of exemplary behavior by leader-level employees, a separate guide in the form of question & response is provided for frequently occurring situations during work.

Area	Major Contents
Conflict of interest	<ul style="list-style-type: none"> <li>· Prohibited conflict of interest · matters requiring approval</li> <li>· Procurement, HR solicitation prohibited</li> <li>· Compensation processing upon holding concurrent position at investment company</li> <li>· External lecturing report and compensation refund</li> </ul>
Protection of the company's assets and budget usage	<ul style="list-style-type: none"> <li>· The standard for judging private use of the company's assets</li> <li>· Notes related to the use and settlement of the company budget</li> <li>· Personal sponsorship, advertising, and donation to specific organizations is prohibited.</li> <li>· Transfer of benefits provided by the company to others is prohibited</li> <li>· Personal expenses for additional personal itinerary shall be borne personally</li> <li>· Simplification of business trip related protocols, etc.</li> </ul>
Gifts, accepting bribery	<ul style="list-style-type: none"> <li>· Case where bribery is prohibited and permitted</li> <li>· Processing of high-priced gifts from overseas partners</li> <li>· Gift donation standard between employees, etc.</li> </ul>

## Ethical management standard

Classification	Ethical regulations implementation item	Major contents
 <b>Employees</b>	<ul style="list-style-type: none"> <li>· Mutual respect between employees</li> <li>· Bribery and money transactions are prohibited.</li> <li>· Leader role</li> </ul>	<ul style="list-style-type: none"> <li>· Human rights violation and discrimination prohibited</li> <li>· Sexual harassment prohibited</li> <li>· Efforts for Safety / Health</li> <li>· Money / Gift related guide</li> <li>· Leader's leading by example, etc.</li> </ul>
 <b>Customer</b>	<ul style="list-style-type: none"> <li>· Efforts to secure customer trust</li> <li>· Protection of Customers' information</li> </ul>	<ul style="list-style-type: none"> <li>· Efforts to secure customer trust and mutual development</li> <li>· Acceptance of bribes and providing entertainment is prohibited.</li> <li>· Personal information protection such as customer / trade counterpart / employees, etc.</li> </ul>
 <b>Society</b>	<ul style="list-style-type: none"> <li>· Compliance with laws and regulation</li> <li>· Exclusion of bribes from stakeholders</li> <li>· Fair trade with business partners</li> <li>· Fair trade with competitors</li> </ul>	<ul style="list-style-type: none"> <li>· Compliance with Fair Trade law, the Improper Solicitation and Graft Prohibition Act, subcontract law, etc.</li> <li>· Prohibition of illegal political funding</li> <li>· Environmental conservation efforts and compliance with related laws and regulations.</li> <li>· Prohibition on unfair acts against business partners, etc.</li> </ul>
 <b>The company, shareholders</b>	<ul style="list-style-type: none"> <li>· In case of conflict of interest the company's interest prevails.</li> <li>· Protection of the company asset and information</li> <li>· Money laundering prohibited</li> <li>· Reporting and project management</li> </ul>	<ul style="list-style-type: none"> <li>· Concurrent work / concurrent positions without prior approval, transactions with relatives' company are prohibited</li> <li>· Insider dealing prohibited</li> <li>· Private use of the company asset and leaking internal information / technology is prohibited</li> <li>· False / delayed reporting prohibited, etc.</li> </ul>
 <b>Whistleblower protection</b>	<ul style="list-style-type: none"> <li>· Internal reporting system operated</li> <li>· Whistleblower's identity protection and disadvantage prohibited</li> </ul>	<ul style="list-style-type: none"> <li>· Discrimination due to reporting prohibited</li> <li>· Protection of witness</li> <li>· Protective measure for whistleblower and recurrence prevention</li> <li>· Sanction reduction / exemption system for voluntary reporting, etc.</li> </ul>

## Compliance

### Ethical management dedicated organization

- The authority and independence of the ethical management organization and employees in charge are guaranteed through the ethical management team at the Happiness promotion center directly under the CEO.
- Ethical management implementation culture was internalized by establishing ethical diagnosis and support system for subsidiaries, overseas subsidiaries, and business partners.

### Ethical management reporting / consulting system

- Various reporting / consulting channel operated towards stakeholders
- Reporting / consulting can be done anonymously and is managed by SK Group.
- 100% investigation principle observed on reported cases
- Through the whistleblower protection clause in ethical regulations, whistleblower's identity protection and prohibition on any disadvantage / retaliation action were stipulated.



- Online Reporting: <https://ethics.sk.co.kr/Eng/Report/OnlineReportIN.aspx>
- Phone: 02-6400-6262
- Email: [ethics@sk.com](mailto:ethics@sk.com)



Reporting system (cyber shinmungo)

Whistleblower protection principle

### Ethical management self-purification system (risk assessment and implementation audit)

- Annual regular diagnosis and assessment implemented on 6 major duty areas comprised of human resource, finance, purchasing, etc.



### Violation risk assessment on 2020 business site discipline

Major matters	Major results
Number of total business site / corruption risk assessment ratio	4 business sites / 100%
Number of discipline violation	11 cases

Violation details	cases	Processing details	cases
Malpractice / embezzlement	1	Dismissal	3
Bribery	2	Pay cut	2
Workplace harassment / absenteeism	5	Warning	6
Process violation	3		

## Consensus

### Ethical management education policy

- 'Ethical management online education' provided annually to all employees including CEO / management
- \*Education target: regular employees, contract employees, subsidiaries, business partners(suppliers), joint ventures, etc.
- Inspection is implemented on compliance of ethical management for positions of each group head / staff in charge or higher, and guides reflecting inspection results are distributed.
- Various cases and reporting procedures are informed such as prohibition on workplace harassment / sexual harassment, bribery and monetary transaction, unfair trade with business partners etc.
- Special procedures for newly recruits and new leaders are operated, and various compliance education for Sales Dept. are operated.

### Anti-corruption education goal

- Continuously expand target of anti-corruption education



## Ethical management education status

### Ethical management education

Classification	2018	2019	2020
Number of education graduates (persons)	3,478	3,640	4,205
Ratio of education graduates	100%	100%	100%

### Human rights and anti-corruption education

Classification	2018	2019	2020
Number of anti-corruption policy and procedure education graduates (persons)	3,478	3,640	4,205
Ratio of anti-corruption policy and procedure education graduates	100%	100%	100%

\* Excluding those who are unable to proceed with education due to reasons such as leave or dispatch (23 persons in 2020)

### Members of Board of Directors who received notice / education on anti-corruption policy and procedure

Classification	2018	2019	2020
Number of Board of Directors member who received notice / education (persons)	8	9	9
Ratio of Members of Board of Directors who received notice / education	100%	100%	100%



Ethical management education



## Ethical management implementation culture participated by employees.

- In Mar 2021, corruption risk derivation and status diagnosis was implemented in connection with ISO 37001, with each organization agent participating.
- In May 2021, all employees pledged to implement ethical management.
- Through annual ethical management implementation W / S, non-ethical / corruption risks are shared and ethical management implementation guidance was prepared by organization.
- Ethical management letter sent for the purpose of recurrence prevention regarding major diagnosis / reporting investigation result.
- Remuneration is paid by reflecting employees' compliance/code of conduct in the company's KPI.

## Employees' ethical management survey

- Compliance level on each area of regulations, related system operation level, and corporate culture internalized level are identified through annual ethical management survey on employees.
- The survey is conducted at the SK group level, ensuring anonymity and objectivity, and the results are used to derive improvement points

## Ethical management survey on business partners

- For the purpose of prior prevention of risks related to trade with business partners and strengthening of ethics, the survey was conducted every year since 2020
- Objectivity and response rate were increased through an anonymous survey method through an external agency, and unfair trade or unethical behavior was identified and our commitment to ethical management implementation, and reporting channel were communicated.
- Direct interviews with major contractors were conducted in parallel to enhance the reliability of commitment to ethical management implementation and to secure communication channels.
- As part of creating a happy collaborative environment with business partners, we promote business partners' ethical awareness and prevention activities on non-ethical practice through various communication methods such as business partners' ethical management survey, video education and pledges, and listening to complaints, etc.



Ethical management Portal



Ethical management Letter



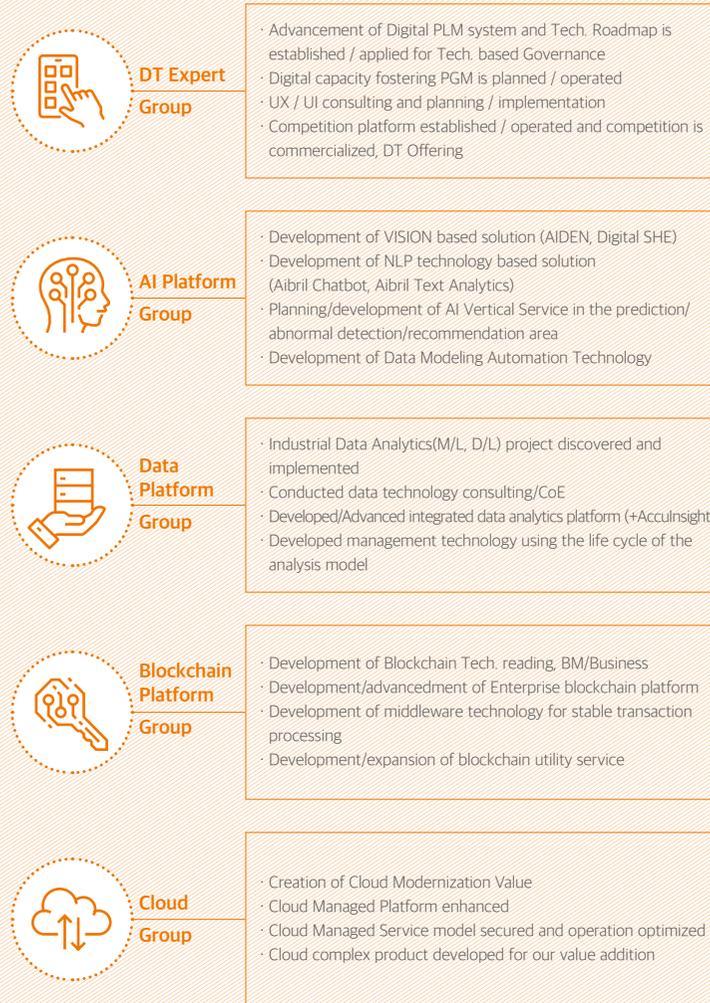
# Research and Development



## R&D promotion system

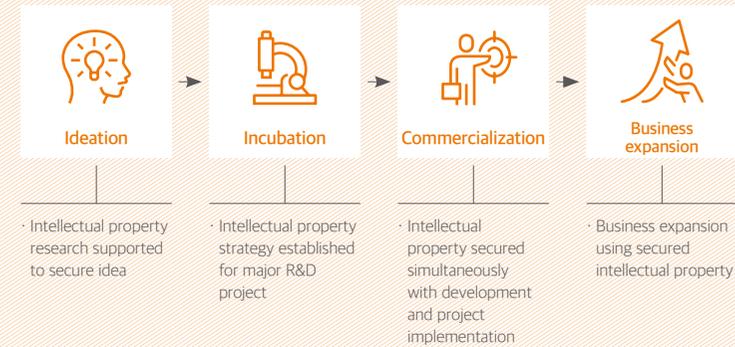
### R&D organization and manpower

- In 2020, Digital Tech center was newly installed to strengthen platform-based project structure and to enhance BM innovation synergy
- Separate dedicated organization composed for Cloud specialty



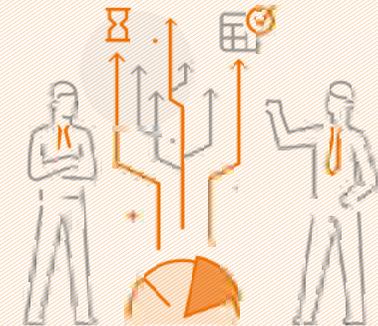
## R&D intellectual property management

- In 2020, internal system for systemic management of intellectual property portfolio was established, and independent solution method is considered in the future through continued upgrade
- Patented technology transfer supported for business partners' mutual growth
- Patent strategy on the company platform and solution is established, and patent portfolio expansion is under progress



## Owned patent status (2020)

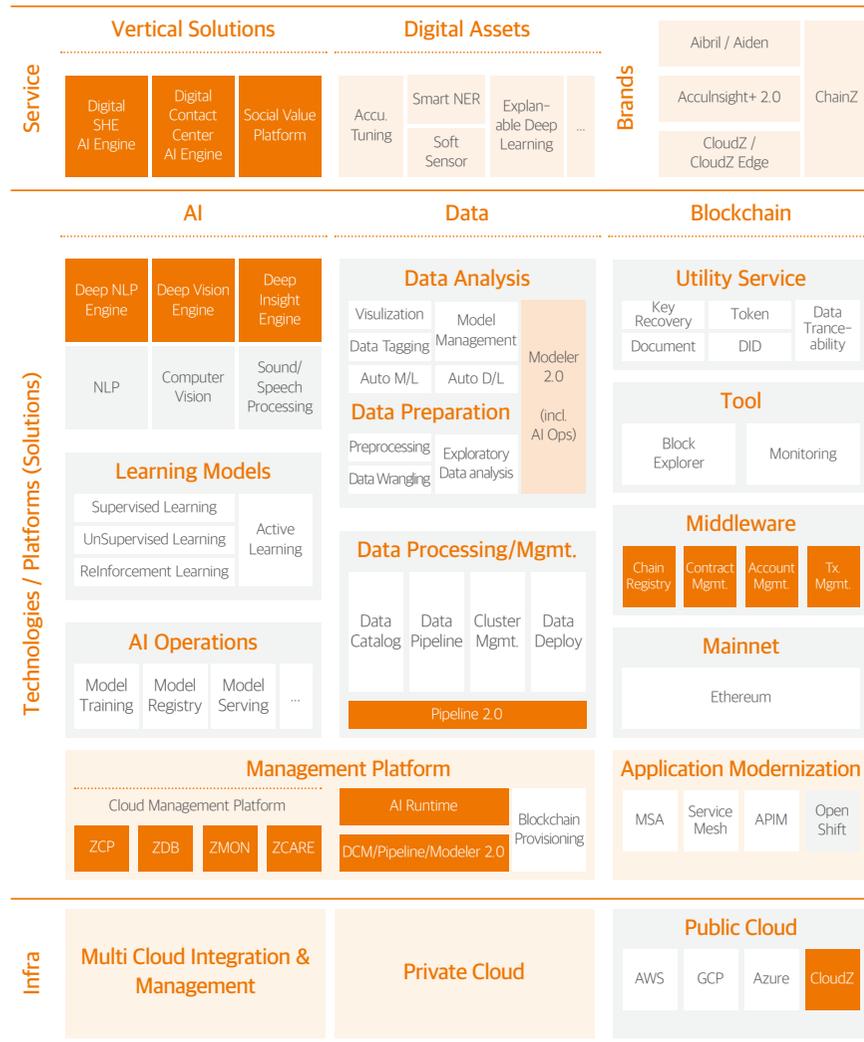
Area	Number of application / registration	Area	Number of application / registration
AI	14 cases	Solution	18 cases
Blockchain	9 cases	Manufacturing	34 cases
Cloud	2 cases	Telecommunication	25 cases
Data	2 cases	Integrated service	1 case
Healthcare	2 cases	Existing project	77 cases
Finance and strategy	4 cases	<b>Total</b>	<b>188 cases</b>



## SK Digital Platform

- SK Inc. defined Digital Transformation (DT) technology areas such as Big Data, AI, Blockchain, Cloud, etc. as core R&D areas, and is continuously expanding R&D investment portfolio reflecting technology change and market requirements
- Tech. Roadmap is composed which continuously reflects DT technology development / ownership status (base technology and related solution) and To-Be directionality.

## SK Inc. Tech. Roadmap



## Cloud

- The CloudZ, which is a Cloud project brand of SK Inc. as the comprehensive IT service combining Cloud and ICT new technology, can use worldwide Cloud centers and resources at any time.
- Various Cloud services such as IaaS, PaaS, SaaS\* etc. are provided to conform to whatever needs customers have

## MCMP

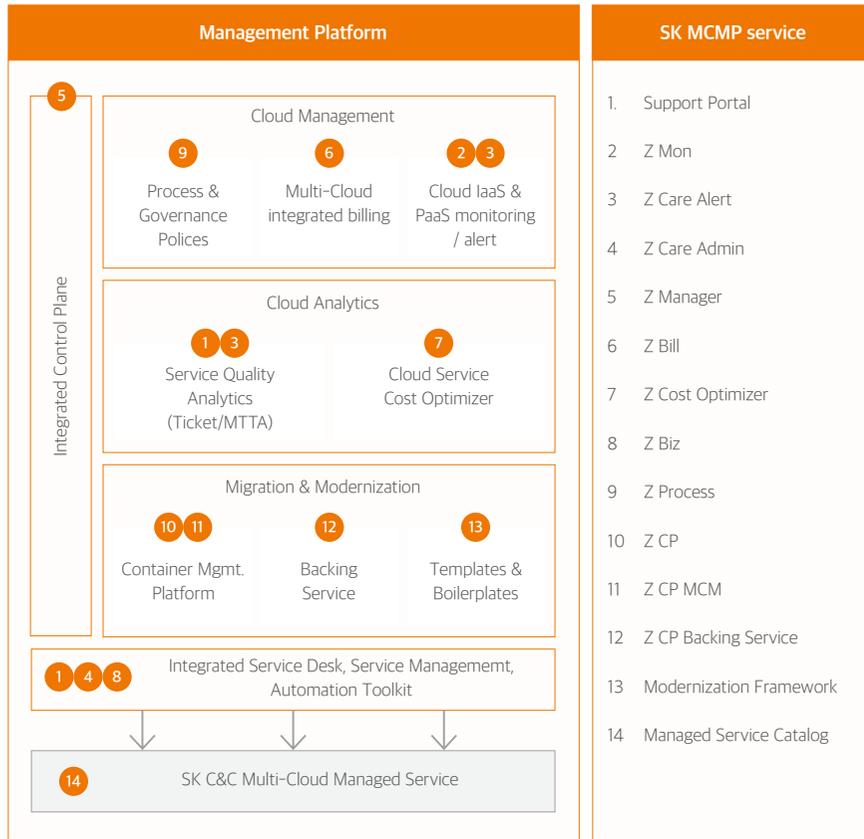
- MCMP (Multi-Cloud Management Platform) system refers to the integrated Cloud management system that aims to provide Total Cloud Management Value by supporting various customers and industrial environments.

## MCMP function



\*IaaS (Infra as a Service) / PaaS(Platform as a Service) / SaaS (Software as a Service): "aaS" is the acronym representing product, tools, and technology provided to users as a service through network or Internet.

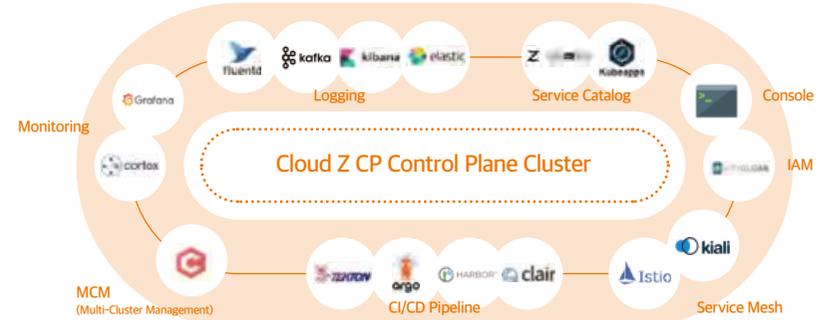
MCMP composition and service



- Composed of 14 services in total, with integrated and independent composition is possible for each service.
- The characteristics possessed are End-to-End integrated platform encompassing all areas of services such as request necessary in providing Cloud service to customers, interruption and change management, monitoring, merchandise management, etc.
- SK Inc. is currently proceeding with MCMP enhancement aiming for Premium MSP (Cloud service provider). For this end, we are endeavoring to enhance basic function, strengthen automation function, and secure automation function to create Biz. Value.

CloudZ CP(Container Platform)

- CloudZ CP means the platform service providing necessary functions to corporate customers requiring update of system and application in an integrated way.
- Especially how multi-Cloud-based Kubernetes\* service Life-Cycle is managed, it provides convenience tools for development and operational efficiency service



\* Kubernetes: The management system providing automatic deploy (distribution), and scaling of containerized application also known as K8s.

APIM (API Management)

- Separation and collective / integrated management of common functions such as interface preparation and disclosure, use policy, access control, statistics, analysis, and performance reporting that used to be realized at Microservices, respectively.



Multi-Cluster APIM function

- Gateway Mgmt: Gateway management function provided in Multi-Cloud environment
- API Mgmt.: Environment provided for API creation and distribution, and API Test
- API Policy Mgmt: Inbound / Outbound Traffic management and API security policy management
- API Deploy Mgmt: API distribution version management and rollback function provided
- API Developer Portal: Swagger UI based API definition document provided

## Big Data

- Provides core functions such as large capacity data collection, storage, processing and analysis, operation, etc. Development continues on the solution integrating the technology accumulated through development and commercialization of the most recent Big Data technology

## Acculnsight+

- Multi-Cloud based DevOps machine learning platform that supports all areas of science from Data pre-processing to analysis / operation all at once
- As the integrated data analysis platform service providing data collection, processing, analysis and visualization, and specialized technology support, with advantages in easy and quick data connection and high data analysis accuracy
- This not only supports both of On-Premise and Cloud Platform method, but also operates in multi Cloud environment, and is continuously expanding the scope of services provided even at the present time.



**Data Science Needs**

- Independent development environment provided to Data Scientist
- Data analysis model assetization and continued renewal possible
- Selected model operation system facilitates quick conversion speed

**Platform Needs**

- Ease in selection of Public / Private Cloud environment
- Platform provided using verified open source technology
- Pipeline customized under customers' environment

- Acculnsight+ supports all service (Pipeline, Modeler, DCM)\* required for Big Data collection, processing, analysis, and utilization.
- Acculnsight+ is suitable to users' business model and is capable of establishing flexible service, and supports customized type education service for successful business application.
- Services are provided to customers in various industrial groups such as finance, distribution, and manufacturing, and are anticipated to be used in more extensive areas.

\* Pipeline: The service supporting development / learning of analysis data collection / processing / storage and machine learning model in GUI environment

\* Modeler: The End- to-End analysis model Lifecycle management service that supports quick establishment, learning and operation distribution of machine learning / deep learning model for AI developers, Data Engineers, and Data Scientists

\* DCM: The service supporting efficient use of resources by easy distribution and management of Cluster in various environment of On-Premise / Public Cloud

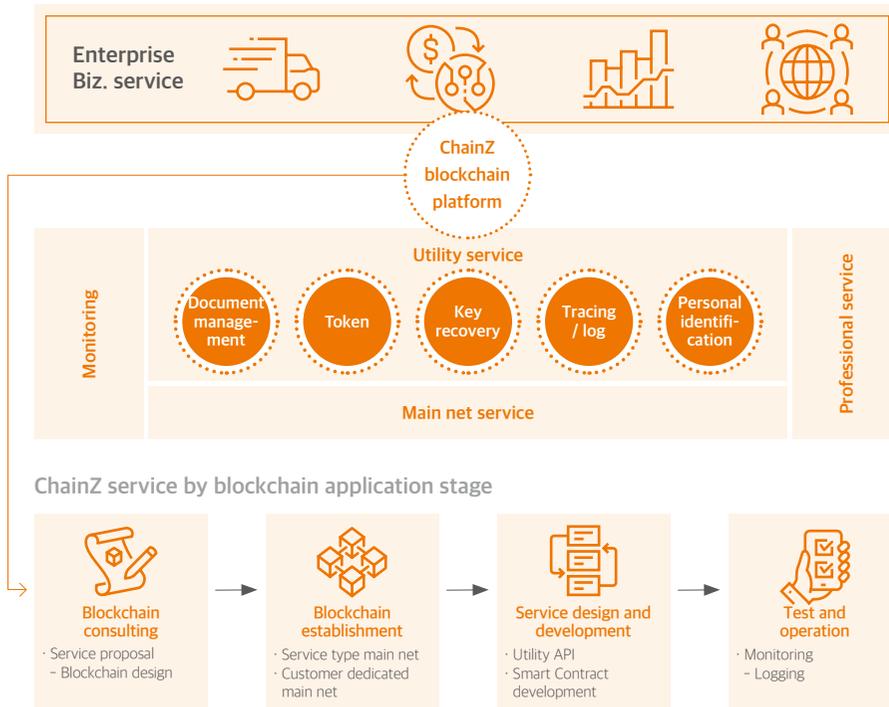


## Blockchain

- As Digital Transformation (DT) of many services are expedited after COVID-19, confidence problems such as forgery, and reproduction occurred in the digital environment
- Blockchain's confidence technologies were presented as the resolution alternative for this. We are operating blockchain platform brand ChainZ that facilitates selection of platform and service module according to customers' needs

### ChainZ

- Entering post COVID era, introduction of blockchain became an essential element in corporate management, but many hours and much know-hows are required from establishment to operation of blockchain.
- ChainZ supports easy and prompt launching of blockchain based corporate business system



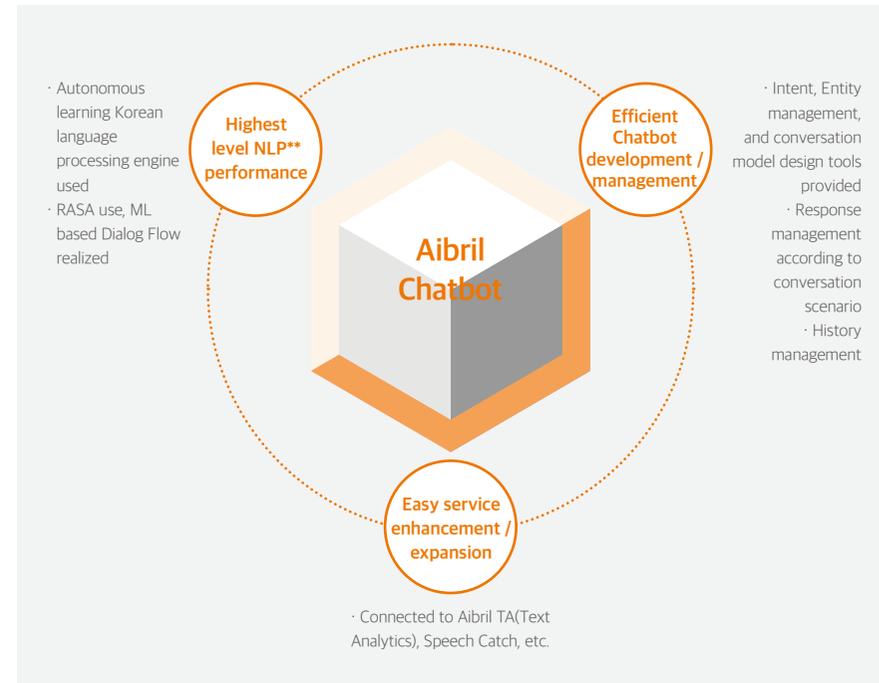
- Especially ChainZ operates integrated service that can support the whole procedure of blockchain introduction, focusing on maximized customer use through simple network composition and service framework structure.

## AI

- Service provided to various industrial areas such as medical, manufacturing, and law using AI.
- We have various AI solutions such as AI Studio, AI Runtime, Aibril-Chatbot as the newest technology for processing natural language based on AI Package solution composed of AI Model, and AIDEN as the Vision solution for object recognition, image analysis, etc.

### Aibril-Chatbot

- This is the On-Premise\* Chatbot solution that provides high performance and development productivity, easy for function enhancement and expansion based on newest natural language processing based engine, used as management tool in various industrial areas.

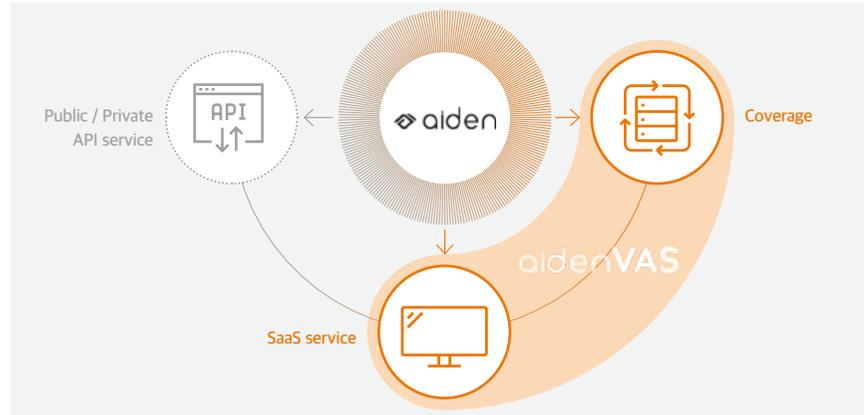


\* on-premise: The method of installing servers directly in the internal computer room, rather than operating servers at a remote environment

\*\* NLP: National Language Processing

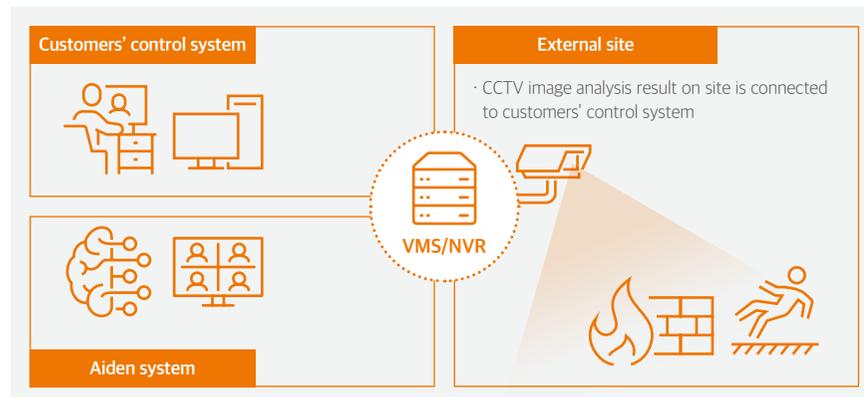
## AIDEN

- This means the deep learning based analysis engine that provides AI based real time image analysis service, which provides 5 services comprised of industrial safety, drone based detection, Edge Service, facial recognition, Custom Service area.



- Especially in case of industrial safety management area, industrially specialized analysis model is developed whereby AI analyzes image information collected from CCTV to detect abnormality and to reduce the workload of site management manpower through real-time notifications and to prevent any accident that can occur at the site.

## Smart surveillance system connected to existing CCTV established



- Through drone based detection that provides drone platform connection, real-time object detection and analysis service, active applications are under progress in Digital SHE area such as excavator accident prevention, and network construction cost saving and maintenance cost reduction using wireless data transmission technology and Edge Device, etc.

## Competition platform

- Multi-Purpose Digital Training platform based on project site cases
- Competitions in various digital technology such as Cloud in addition to data analysis are supported by project E2E method
- In case of new technology PoC or data analysis Pilot, project feasibility is verified by competition method, and competition result such as model, etc. is assetized as knowledge asset.

## 2020 Competition promotion contents

Technology theme	Competition contents
Data	Theme: Prediction of compound toxicity for new drug development Period / participating personnel: 2 months / 163 persons
AI	Theme: OO share price fluctuation prediction based on Korean language news Period / participating personnel: 2.5 months / 152 persons
Cloud	Theme: K8s-based Cloud Architecture design and realization Period / participating personnel: 3 months / 98 persons
Blockchain	Theme: MainNet connection Smart Contract and DApp realization Period / participating personnel: 2 months / 45 persons

- In 2020, offline competitions were carried out for a total of 4 times. The needs for establishment of online based 'competition platform' was derived to overcome the problems in offline competition.
- Service for users from competition planning to implementation, assessment, and management were realized as Cloud based platform. This contributed to participants' free knowledge sharing / debate and enhanced DT capacity.
- Currently, Data / Cloud area technology theme areas have been established in advance, with additional areas to be supplemented continuously.

# Risk Management

Environment

Social

Economic & Governance

2021 SK Inc. Sustainability Report



## Policy

### Integrated risk management

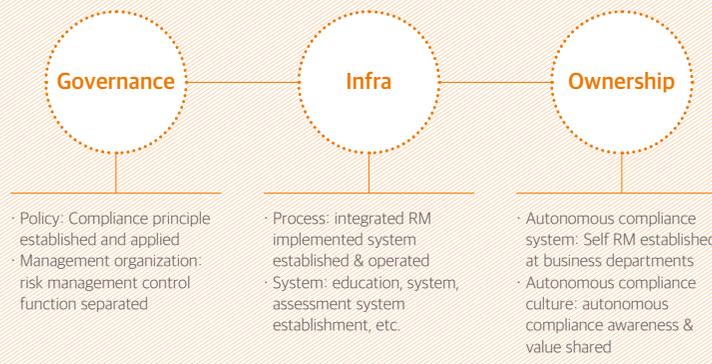
- Risk management strategy of risk 'Prevention → detection → mitigation' established

Classification	Details
Risk prevention	Effort to minimize fluctuation in corporate value by prevention of threat elements with potential negative impact on corporate management. Identifying the situation according to risks, measurement of its impact, and response methods are established.
Risk detection	Risks that can occur despite prevention are classified as 4 major risks (environment, finance, project, operation), and preemptive identification & management is implemented.
Risk mitigation	Upon occurrence of actual risk, prompt response is taken through risk management framework. Risk that has occurred shall be immediately reported and analyzed. Response measures for recurrence prevention through response implementation feedback are established.

### Risk classification



### Risk management framework



## Management system

### Risk management reporting system

- For prompt response to risks, risk management consultative group including top management is organized and reporting system is established
  - \*Any issue arising shall be reported to ESG Committee within the Board of Directors.
- Through establishing a dedicated RM SPoC (Single Point of Contact) system by project, actions are taken for integrated management of risks by site and the risk management department.
- Unification of communication channel between specialized risk review by business departments and the risk management department.
- Operational level risk management performance monitoring and auditing is conducted by the Head of Autonomy Management Team, and the results are reported to the CEO and then to the board of directors



### SPoC system



## Implementation / performance management

### Risk measurement and management enhancement

- Risk measurement and stress testing implemented to identify the impact upon management performance
  - \*Finance, management environment, project, legal, reputation, corporate culture, environment risk, etc.
- Currently risk measurement model has been established and operated that performs early determination of the realization possibility of our project under connection to business departments.
- In preparation for 2021 next generation MIS\* introduction, promotion is scheduled on risk management process rearrangement, revision of company bylaws reflecting the new process and improvement of measurement logic.
  - Prompt decision-making on carrying out project established, and enhanced convenience for employees expected.
  - \*MIS: Management Information System
- When evaluating employees, HR review process includes RM standards, and disciplinary action is taken against violations.

### Risk management by business stage

- In case any project and investment of a certain size is carried out, risk management is implemented by stage
- Procedure from project opportunity discovery to project completion are classified into 4 stages. Risks that may occur by area are analyzed and advance prevention system is re-arranged.
- Through flexible management and resource input according to risk level, enhancement of project operation efficiency is carried out.

### Risk review item by business stage and risk management support area



## Emerging Risk analysis and response

- SK Inc. identifies and responds to potential risks that are deemed as bringing significant impact on management.

Classification	Risk description	Business impact	Mitigating action
Conversion risk due to Climate change	<ul style="list-style-type: none"> <li>· Conversion risk due to Climate change is regarded as an important issue for investment portfolio design and long-term investment decision making.</li> </ul>	<ul style="list-style-type: none"> <li>· Conversion risk due to Climate change response may occur in the course of transition procedure to low-carbon economy</li> <li>· When reviewing current investment portfolio, consideration is required on the financial impact that may occur due to Climate change</li> </ul>	<ul style="list-style-type: none"> <li>· Response principle from mid to long-term perspectives</li> <li>· Re-composition of investment portfolio reflecting financial impact from Greenhouse gas emission projects is required</li> <li>· ESG Risk inspection and action plan established on all investment projects.</li> </ul>
IT market change based on new technology	<ul style="list-style-type: none"> <li>· Due to IT market change based on new technology, re-design of business area is required.</li> </ul>	<ul style="list-style-type: none"> <li>· Company's interest increased on new technologies such as AI, Big Data, Block chain, Cloud, IoT, etc.</li> <li>· New market entry is hindered if technological capacities and system are absent. Among them, in case of Cloud based information management market, market entry becomes very difficult after the establishment of infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>· Major business area change pursued with market change is perceived as the opportunity for re-design of business area, and BM innovation.</li> <li>· Promotion of change in major business area: Cloud based project, digital infrastructure establishment, AI solution, etc.</li> <li>· Especially, investments for DT solution and digital service development are continuously expanded.</li> </ul>



## Risk management culture

### Risk management culture internalized

- Risk management education implemented for employees (essential course)
  - : Staged education by job category / grade. Specialized course provided to leader level employees
- Risk management related KPI granted to CRO and heads of risk management organization. Incentive paid upon performance achievement.
  - : RM process system enhanced, untact risk diagnosis environment established, and applied.

### Cultivating employees' compliance awareness

- In 2009, Fair Trade Autonomous Compliance Program (CP) was introduced, with related laws & regulations and procedures were internalized and autonomous compliance culture is cultivated.
- Compliance Programs such as CEO's CP Letter, compliance education, Compliance Portal operation, etc. were implemented.
- "Effective compliance activities such as CP Expert selection composed of internal specialists related to various regulations, and education & advice, etc. were supported.
- In 2020, CP guidebook was revised reflecting online progression of entire course of compliance education, and recently revised laws and response guide, etc.

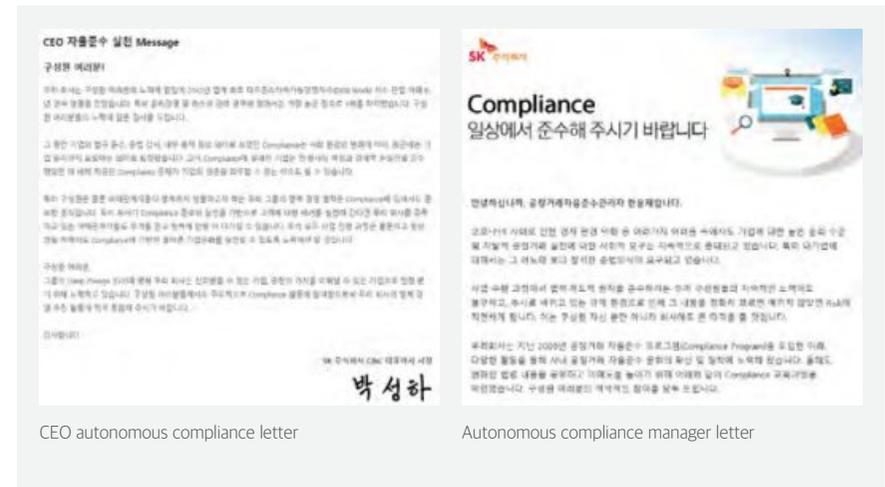


CP Portal operation

CP guidebook revised

## Result of 2020 CP Operation

Education and activities	Related regulations	Remarks
Basic online education of Compliance	Fair Trade Act, Subcontracting law, Dispatched Work Act, company bylaw	One time
Improper Solicitation and Graft Prohibition Act education	Improper Solicitation and Graft Prohibition Act	One time
DT law / system Webinar education	Personal Information Protection Act, Information and Communications Network Act, Electronic Financial Transaction Act, Specific Financial Information Act, etc.	One time
3 Data law related 'Revised laws and pseudonym data processing guideline' education	Personal Information Protection Act, Credit Information Use and Protection Act, Act on Promotion of Information and Communications Network Utilization and Information Protection, etc.	One time
Global Compliance Webinar education	GDPR, Chinese Network Safety law	One time
Subcontract Act and Subcontracting management guide Webinar education	Subcontract Act	One time
Special lecture on Compliance regulation amendments (technology protection)	Subcontract Act, Intellectual Property Rights, Trade Secret Protection Law	One time
RM VLS online education	Fair Trade law, Subcontract Act, Intellectual Property Rights, Debt Management, Contract Management, Value Added Tax, etc.	Monthly
Autonomous compliance manager letter, CEO autonomous compliance letter	Fair Trade Law, Subcontract Act	Two times
2020 CP guidebook published and updated (online)	Fair trade law, Improper Solicitation and Graft Prohibition Act, Subcontract Act, Dispatched Worker Protection Law, Intellectual Property Rights, Company Bylaw	One time
Number of Compliance education trainees (including duplications)		4,437



CEO autonomous compliance letter

Autonomous compliance manager letter

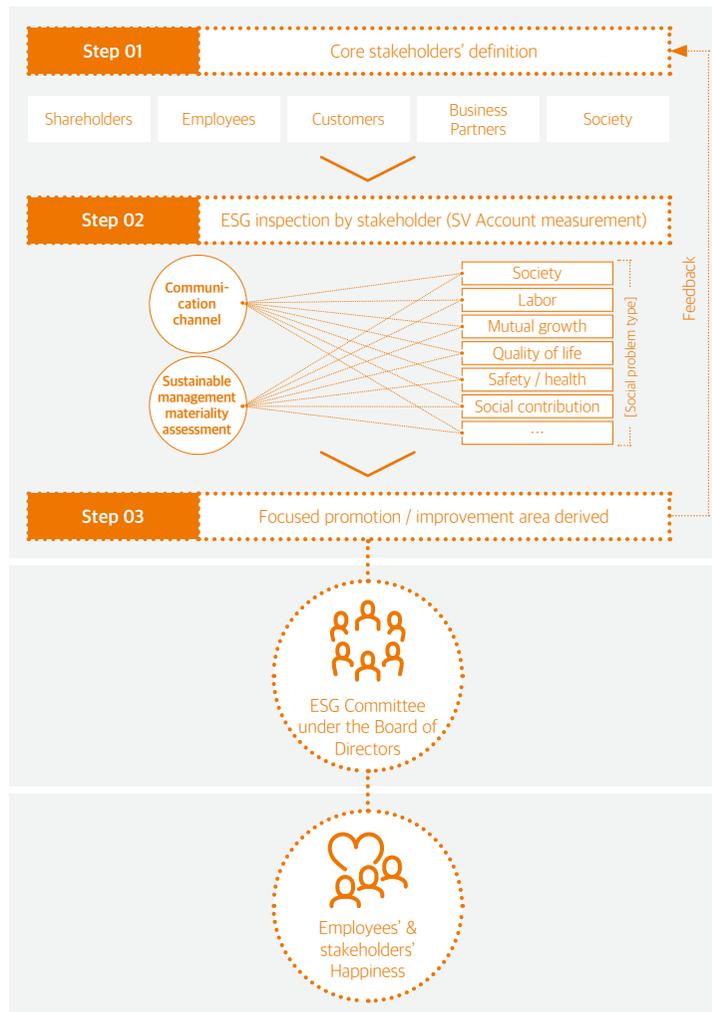
## Identification of Stakeholders' ESG needs

### Stakeholders' response strategy

- Pain-Point analysis on stakeholders and customer is implemented every year, and stakeholders' needs are converged.
- In general, stakeholders need in ESG perspective are derived, and the SV creation strategy is established based on the collected needs.
  - Access to BM innovation for maximizing public interest of stakeholders through review by the Board of Directors

### Stakeholders' ESG Needs identified

- Data accumulated through regular implementation
- Continued confirmation and supplementation of stakeholders' needs



### Decision making

- Management activities reflected

### Direction

### Communication channel by stakeholder

- SK Inc. defines shareholders, employees, customers, business partners, and the society as major stakeholders based on the SKMS management philosophy, and operates various communication channels to actively communicate with stakeholders.

Stakeholders	Communication channel	Frequency of operation
Shareholders	Shareholders' meeting	Regular
	IR (company presentation)	Regular
	Disclosure	As necessary
Employees	Management council	Quarterly
	HR system Improvement (Happiness) consultative group	5 times a year
	Mobile communication platform, 'H.App'	Always
	'Happiness Designer' selected within organization	Always
	Culture Survey	Regular
Customer	Customer satisfaction survey	Annual
	DT related consulting ( <a href="https://support.cloudz.co.kr">https://support.cloudz.co.kr</a> ) Customer center (skcenter@sk.com)(02-6400-0114)	Always
Business Partners	Purchasing information system	Always
	Mutual Growth Day Biz. Partner CEO seminar	Regular
Society	Local government of local community (official in charge of economy / social welfare, education etc.)	Always
	Institution / organization (Social Welfare Council, Volunteer Service Center, Sustainable Development Council, etc.)	Always

### Stakeholders' communication strategy enhancement

- SK Inc. develops strategic and differentiated communication based on market data
- Stakeholder requirements are timely confirmed, and the position as a 'Sophisticated Value Investor' is secured in the market.
- Stakeholders' opinions are actively gathered and reflected in management activities.



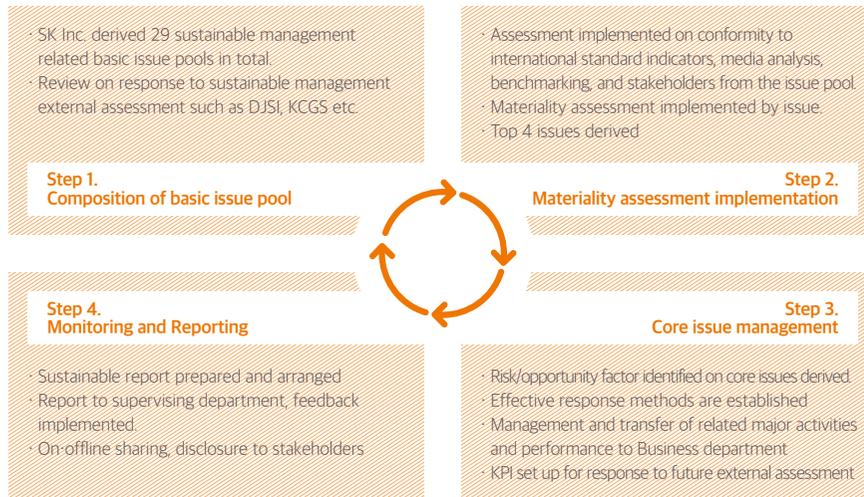
## Materiality assessment

### Materiality assessment and core issue

SK Inc. implements annual materiality assessment to identify issues of interest to stakeholders from all walks of life and to reflect them effectively in our management activities. 29 issues of economy, environment, and social areas, which were primarily covered in the past reporting papers were composed into a pool of basic issues, with the priority for each issue determined in consideration of conformity level to sustainability management related international standard indicators, media analysis, benchmarking of complex industrial corporate group, and internal / external stakeholder surveys, etc. The issues finalized through this series of procedures are transparently disclosed through the sustainable management report.

### Materiality assessment process

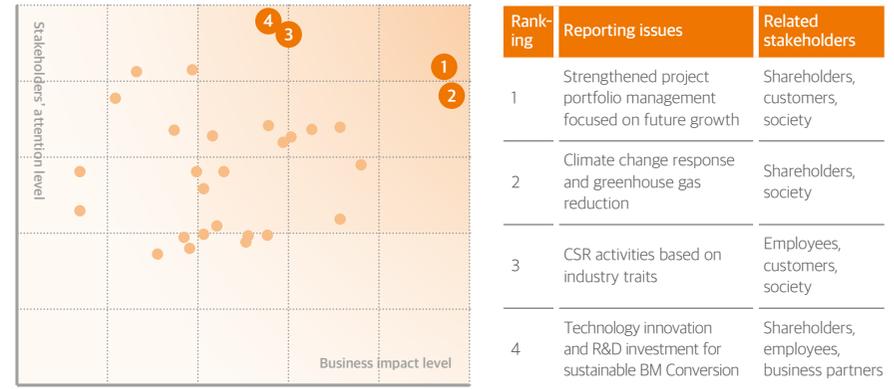
SK Inc. conducted a Materiality Assessment through the procedure of 4 stages below, based on the Global Reporting Initiative (GRI) Reporting Principle, a global sustainability reporting guideline, to determine the core reporting contents of sustainable management reporting and to identify sustainable management issues to be managed in a focused manner.



- Media analysis: Jan. to Dec. 2020. Major media reports 12,744 cases
- Benchmarking analysis: 8 domestic and overseas complex industrial group companies (7 overseas, 1 domestic company)
- Domestic and external stakeholders assessment
  - SK Inc. employees and external stakeholders, sustainable management specialist assessment

## Materiality assessment and result

Through materiality assessment, SK Inc. selected 4 issues with high priority according to management activities impact level and stakeholders' attention level.



## Material Issue and business relevance

	Material issue	Business relevance
1	Project portfolio management focused on future growth strengthened	The appearance of our society that has changed since COVID-19 has caused a rapid change in the management environment. The increase in environmental crisis due to climate change is also implying the requirement of a new project model that is different from existing management activities. SK Inc. is restructuring project portfolio as a method of concentrating project capacity into four major areas of advanced materials, green, biopharmaceutical, and digital in order to actively respond to rapid changes in management activities. The four newly reorganized areas are expected to become the core of SK Inc.' future growth and management strategy.
2	Climate change response and greenhouse gas reduction	Anomalies caused by climate change and extreme weather events are increasing every year. SK Inc. participates in group-level greenhouse gas reduction efforts, while comprehensively analyzing the impact of climate change on our business and responds preemptively. For this end, an ESG Committee has been installed within the Board of Directors to determine the direction for climate change response, and regularly monitors the greenhouse gas emissions, energy consumption, and voluntary re-use indicators and manages the performance.
3	Technology innovation and R&D investment for sustainable BM Conversion	The development of digital technologies such as AI, Big Data, Cloud, and IoT is leading to the growth of the IT service market. Accordingly, IT service companies are actively proceeding with advancement into the global market while expanding their projects into the digital transformation market based on IT capacity. Therefore, technology innovation and R&D investment efforts in this area are very important for SK Inc.' sustainable BM creation, and we are responding to the future by increasing the amount and percentage of R&D every year.

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## Financial Performance

### Consolidated Financial Statement

Division	Unit	2018	2019	2020
[Current Assets]	KRW million	37,128,397	40,015,360	38,052,297
Cash and Cash Equivalents	KRW million	6,783,035	7,981,755	10,096,940
Inventory Assets	KRW million	8,992,740	9,138,361	6,179,497
Other Current Assets	KRW million	21,352,622	22,895,244	21,775,860
[Noncurrent Assets]	KRW million	82,328,594	92,596,063	99,586,080
Investment in Related and Joint Company	KRW million	19,218,345	21,894,716	20,809,118
Tangible Assets	KRW million	39,715,921	42,828,327	45,910,624
Intangible Assets and Sales Rights	KRW million	16,190,725	14,666,250	16,659,895
Other Noncurrent Assets	KRW million	7,203,603	13,206,770	16,206,443
Total Assets	KRW million	119,456,991	132,611,423	137,638,377
[Current Liabilities]	KRW million	30,007,832	35,627,088	37,212,697
[Noncurrent Liabilities]	KRW million	38,561,287	44,808,303	48,565,762
Total Liabilities	KRW million	68,569,119	80,435,391	85,778,459
[Owner's Equity of Dominant firm]	KRW million	16,627,516	16,683,769	17,435,044
Capital	KRW million	15,385	15,385	15,385
Other Capital Paid-up	KRW million	4,631,955	4,074,176	5,250,146
Earned Surplus	KRW million	12,217,319	12,556,584	12,496,676
Other Capital Components	KRW million	-237,143	37,624	-327,163
[Nondominant Equity]	KRW million	34,260,356	35,492,263	34,424,874
Total Capital	KRW million	50,887,872	52,176,032	51,859,918
Total Liabilities and Capital	KRW million	119,456,991	132,611,423	137,638,377

### Consolidated Financial Statement

Division	Unit	2018	2019	2020
I. Sales Amount	KRW million	98,757,933	97,811,541	81,820,139
II. Operating Income (loss)	KRW million	4,416,501	3,735,874	-164,471
III. Net Operating Income after Corporate Tax Deduction (loss)	KRW million	7,295,314	2,835,803	-27,806
IV. Net Income of Term of Continued Business (loss)	KRW million	5,433,560	1,829,403	-288,223
V. Net Income of Consolidated Term (loss)	KRW million	6,151,141	1,606,039	-108,432
Net Income of Owner's Equity of Dominant Firm	KRW million	2,253,123	716,904	189,368
Net Income of Equity of Nondominant Firm (loss)	KRW million	3,898,018	889,135	-297,800
VI. Earnings per Share of Owner's Equity of Dominant Firm				
Basic Earnings per Share	KRW	40,310	12,910	3,544
Basic Earnings per Share of Continued Business	KRW	32,375	14,384	2,146

### Separate financial statements

Division	Unit	2018	2019	2020
Operation revenue	KRW million	2,672,412	3,245,516	3,473,984
Operation expenses	KRW million	1,611,447	1,764,617	1,815,953
Operating income	KRW million	1,060,965	1,480,899	1,658,031
Separated net profit	KRW million	1,453,631	1,420,543	1,716,045

## Non-financial Performance - Social

### Employees

Division	Unit	2018	2019	2020	Remarks
Total No. of Employees	Person	4,026	4,138	4,229	
By Gender	Male	3,208	3,273	3,312	
	Female	818	865	917	
By Age	Below 30	-	-	387	
	30~50	-	-	3,047	Reported for the first time in 2020
	Over 50	-	-	795	
Total No. of Permanent Employees	Person	3,782	3,935	4,086	
Male	Person	3,018	3,111	3,202	
Female	Person	764	824	884	
Total No. of Contract Workers	Person	191	171	143	
Male	Person	162	139	110	
Female	Person	29	32	33	
No. of Non-employees (Dispatched Workers)	Person	53	32	30	
Proportion of Non-employees among Employees	%	1.3	0.8	0.7	
Male	Person	28	23	18	
Female	Person	25	9	12	
Socially Vulnerable Persons among Employees	Person	134	186	242	
Proportion of Socially Vulnerable Persons	%	3.3	4.5	5.7	
People with Disability	Person	58	102	144	
People of National Merit	Person	64	80	70	
Foreigners	Person	22	25	28	
Sexual minorities (LGBT)	Person	-	-	0	Reported for the first time in 2020
Ratio of directors / employees with foreign nationality	%	0.5	0.6	0.7	
Ratio of employees working outside Korea	%	-	5.3	8.6	Reported for the first time in 2019

1) The data collection standards of the employee's status may differ from those of the annual reports based on whether the executive/independent directors are included or not

2) Based on the Act on The Employment Promotion and Vocational Rehabilitation of Persons with Disabilities, twice the number of people with less severe disabilities is hired in lieu of those with severe disabilities.

### Newly hired and reassigned

Division	Unit	2018	2019	2020	Remarks	
Number of People Employed as New Employees	Person	317	366	396		
Male	Person	203	255	269		
Female	Person	114	111	127		
Proportion of New Employees	%	8	9	9.4		
By Employment Type	Employed as New Employees	Person	105	132	167	
	Employed as Experienced Employees	Person	212	234	229	
By Age	Below 30	Person	136	170	170	
	30~50	Person	168	180	206	
	Over 50	Person	13	16	20	
By Position	senior manager	Person	-	-	275	
	general manager	Person	-	-	116	Reported for the first time in 2020
	executive	Person	-	-	5	
Open positions filled by internal candidates	Person	507	363	434		
Total No. of Turnover	Person	131	133	148		
Male	Person	109	106	118		
Female	Person	22	27	30		
Turnover Rate (Permanent Employees)	%	3.4	3.3	3.6		
Turnover by Category	Dismissals	Person	1	1	3	
	Voluntary retirees	Person	-	-	140	Reported for the first time in 2020
	Retirement	Person	0	3	5	
By Age	Below 30	Person	25	18	9	
	30~50	Person	97	99	105	
	Over 50	Person	8	9	34	
By Position	senior manager	Person	-	-	40	
	general manager	Person	-	-	95	Reported for the first time in 2020
	executive	Person	-	-	13	

\* Newly hired and turnover rates are based on regular full-time employees; Executives are excluded

## Non-financial Performance - Social

### Classification by position and gender in job groups (2020)

Division	Unit	Male	Female	Ratio of Female(%)	Remarks
Executives	Person	94	3	3.1	
Total Revenue Generation Group	Person	2,747	675	19.7	
Senior managers	Person	133	11	7.6	Team leader, L6
Junior managers	Person	2,111	363	14.7	Junior, General manager, L4~L5
Non-managers	Person	503	301	37.4	Non-manager, L1~L3
Other job groups	Person	474	236	33.2	
Senior managers	Person	73	11	13	
Junior managers	Person	322	90	21.8	
Non-managers	Person	79	135	63.1	
Technical (STEM)	Person	2,701	672	19.9	STEM* job group among sales job groups
Senior managers	Person	117	11	8.6	
Junior managers	Person	2,086	363	14.8	
Non-managers	Person	498	298	37.4	

\* Science, Technology, Engineering, Mathematics

\* SK Inc. plans to increase the ratio of female leaders to 15% by 2025:  
: It has actively explored and fostered female leader candidates to attain the target. It actively considers them when it appoints of managerial positions (executives/team leaders).

#### \* Female Leadership Program

Name of program:	Eligibility	Contents
ELP (Executive Leadership Program)	For EMD officers	
FLP (Fast Leadership Program)	For team leaders/ members	Program for training group common managers, T/O management for female candidate selection
HLP (Hipo Leadership Program)	For team leaders	
WLP (Woman in Leadership Program)	For female members	Group common "female" team leader training program
NLP (Next Leadership Program)	For team leaders/ members	Female candidates are actively considers when the company selects participants in its manager training programs.

### Basic pay and compensation for female employees compared with male employees by job grade (2020)

Division	Unit	Ratio	Remarks
Executives in identical job grade	Base pay	%	98
	Base pay and performance bonus	%	97
Senior managers	Base pay	%	100
	Base pay and performance bonus	%	101
Junior managers	Base pay	%	95
	Base pay and performance bonus	%	97
Non-managers	Base pay	%	99
	Base pay and performance bonus	%	98

### Status of Foreign Employees (2020)

Division	Unit	Ratio against total personnel	Ratio against total managers	Remarks
Korean nationals	%	99.3	99.25	
Foreigners	%	0.7	0.75	Holders of nationality other than Republic of Korea

### Ethnicity/race in job groups (2020)

Division	Unit	Executive	Technical	Others	Remarks
Asian	Person	0	0	10	China, Mongol, Uzbekistan, Taiwan
Black/African-American	Person	0	0	0	
Hispanic/Latino	Person	0	0	0	
White	Person	0	3	2	Canada, Australia, Russia
Other	Person	2	7	4	US nationals

### Status of Maternity Leave (2020)

Division	Unit	Male	Female	Remarks
Maternity Leave User	Person	27	71	
Those who served 12 months or longer after return from maternity leave	Person	21	60	Based on those returned in 2019
12-month Retention Rate after Returning from maternity leave	%	84	95	

## Non-financial Performance - Social

### New employee wage compared to the legal minimum wage at local business sites

Division	Unit	2018	2019	2020	Remarks
New Male Employees	%	211.3	196.6	200.0	
New Female Employees	%	208.5	193.1	196.8	

### Percentage of Collective Bargaining

Division	Unit	2018	2019	2020	Remarks
Labor-Management Council admission rate	%	98.7	98.9	99.0	

### Employees' productivity

Division	Unit	2018	2019	2020	Remarks
Per-employee level of contribution to net profit	KRW million	384	361	335	Level of contribution to net profit = Net profit divided by total number of regular employees

### Hours of education and training and Average education expense amount

Division	Unit	2018	2019	2020	Remarks
Enterprise-wide average education hours per person	Hour	94	87	96	
Average education hours per person	Male	93	84	95	
	Female	98	101	104	
Average education expense amount per person	Non-manager	99	122	119	
	Junior manager	98	81	97	
	Senior manager	34	40	40	
	Executive	0.3	5	4	
Enterprise-wide average education expense amount per person	KRW	-	-	201,442	Reported for the first time in 2020
Average education expense amount per person	Male	KRW	-	198,970	
	Female	KRW	-	229,074	
	Non-manager	KRW	-	229,152	
	Junior manager	KRW	-	214,794	
	Senior manager	KRW	-	115,156	
	Executive	KRW	-	157,209	Reported for the first time in 2020

### Safety and Health

Division	Unit	2018	2019	2020	Remarks
No. of work-related deaths	Employees	Person	0	0	0
	Employees of suppliers	Person	0	0	0
LTIFR (Lost-Time Injuries Frequency Rate)	Employees	-	0	0	0.02*
	Employees of suppliers	-	0	0	0
OIFR (Occupational Illness Frequency Rate)	Employees	-	0	0	0
	Employees of suppliers	-	0	0	0

\* 1(case) ÷ 9,453,000(hours)×200,000(hours)

### Total amount of monetary losses as a result of legal proceedings associated with anticompetitive/antimonopoly acts

Division	Unit	2018	2019	2020	Remarks
Monetary loss incurred during the report period under the legal procedure associated with antitrust acts	KRW 1,000	0	0	0	

### Discrimination cases and their corrective actions

Division	Unit	2018	2019	2020	Remarks
Discriminating treatment (by education, gender, handicap, etc.)	Case	0	1	0	

### Violations of laws and regulations in the social and economic spheres

Division	Unit	2018	2019	2020	Remarks
Amount of major penalties	KRW	0	0	0	
No. of non-monetary sanctions	Case	0	0	0	

## Non-financial Performance - Social

### Leakage of Personal Data

Division	Unit	2018	2019	2020	Remarks
No. of data leakages(breach) (including internal leakage, hacking, etc.)	Case	-	0	0	Report from 2019
No. of personally identifiable information(PII) leakages	Case	-	0	0	
Ratio of PII leakage (ratio of PII out of all data leakages)	%	-	0	0	
No. of users whose PII has been breached due to personal data leakage	Person	-	0	0	

\* PII or personally identifiable information includes all information that can be used to identify and track individuals.

### Customer Data and User Data

Division	Unit	2018	2019	2020	Remarks
No. of cases where customer data is used for secondary purposes	Person	-	0	0	Report from 2019
No. of requests for user data and information from government or law-enforcement agencies	Case	-	0	0	

### Total monetary loss as a result of personal data protection and related legal procedures

Division	Unit	2018	2019	2020	Remarks
Total monetary loss incurred during the reporting period due to legal proceedings associated with user privacy	KRW 1,000	-	0	0	

### No. of complaints with proven violations of customers' personal data protection and loss of customer information

Division	Unit	2018	2019	2020	Remarks
No. of violations and complaints	Case	-	0	0	

### Suspension of Service

Division	Unit	2018	2019	2020	Remarks
10 to 30 minutes of service suspension	Cloud-based services	Case(minute)	1 (255)	13 (277)	4 (74)
	All services	Case(minute)	38 (653)	48 (956)	28 (554)
30 minutes or longer of service suspension	Cloud-based services	Case(minute)	13 (2,052)	25 (2,773)	9 (983)
	All services	Case(minute)	116 (16,841)	120 (19,974)	100 (9,985)
Regular inspections and scheduled events	Cloud-based services	Case(minute)	1 (43)	4 (238)	1 (32)
	All services	Case(minute)	9 (744)	16 (845)	15 (787)
Suspension due to the discrepancy	Cloud-based services	Case(minute)	13 (2,034)	34 (2,812)	12 (1,025)
	All services	Case(minute)	145 (16,720)	152 (20,085)	113 (9,752)

### R&D Investment

Division	Unit	2018	2019	2020	Remarks
Total R&D Expenses	KRW million	54,780	74,820	81,231	
Selling, General and Administrative Expenses	KRW million	27,332	41,460	36,165	
Development Expenses	KRW million	27,448	33,360	45,066	
Ratio of R&D expenses to revenue	%	3.26	4.06	4.51	

## Non-financial Performance - Social

### Corporate social responsibility (CSR) activities

Division	Unit	2020	Remarks
Total Voluntary Work of Employees	Hours	8,027	Voluntary service by officers and employees, Voluntary service by officers and employees during duty hours, Pro bono and talent donation activities
Cash contribution	KRW million	12,961	Amount of local community projects, Donation, Sponsorship, Fund, etc. - Happiness IT scholarship, Support to Scholarship Quiz, etc.
Contribution in Kind	KRW million	146	Contribution in kind, Product/service, Ad/marketing, Promotion, etc. - COVID-19 disinfection mask and hand sanitizer - Happiness ICT: Donation of notebook PCs and OA appliances to low-income families - Study equipment, teaching materials, etc. for people with disability among Happiness IT Scholarship for constituents
Management Overhead	KRW million	354	Operational funds for CSR activities (payroll, insurance, recruitment expenses for event staff, phone, fax, computer, etc.)

\* Differences occurred from the prior year reports as items have been adjusted and the sum of performances in the company's investment have been reported.

### Ratio of Philanthropic Activities

Division	Unit	2020	Remarks
Charitable Donations	%	16	Donations in cash and kind, Happiness IT Scholarship and Donations
Community Investments	%	30	Program for promoting employment in local community, Community investments
Commercial Initiatives	%	54	Raising brand awareness by supporting scholarship quiz fund, academic research society and university funding

### Major Donation Expenditures (2020)

Division	Unit	Amount
Support for SIAT (Smart IT Advanced Training) for the disabled	KRW 1,000	23,700
Expense for operation of SIAT in 2020	KRW 1,000	19,000
Payment of administrative charge on consignment organization of Happiness IT Scholarship	KRW 1,000	18,459
Untact pro bono activities (Solar lantern, braille books, elephant dolls)	KRW 1,000	72,505
Hope-On Haeanggarae campaign	KRW 1,000	4,412

### Annual Expenditure Related with Policy

Division	Unit	2018	2019	2020	Remarks
Lobby	KRW 1,000	0	0	0	
Political contribution	KRW 1,000	0	0	0	
Membership fees in related organizations	KRW 1,000	200,135	211,142	202,257	

\* SK Inc. is complying with the political fund act of Korea. According to the political fund act (Chapter 6. Restrictions on contributions), 'corporation or organization shall be prohibited from contributing any political funds' is specified

### Policy-related major expenses (2020)

Organization	Unit	Amount	Organization	Unit	Amount
Seongnam Chamber of Commerce & Industry (SCCI) <sup>1)</sup>	KRW 1,000	60,000	Korea Association of Cloud Industry (KACI)	KRW 1,000	10,000
Korea Employer's Federation (KEF) <sup>2)</sup>	KRW 1,000	40,400	Federation of Korean Information Industries (FKII)	KRW 1,000	8,400
Korea Information Technology Service Industry Association (ITSA)	KRW 1,000	33,000	Federation of Korean Information Industries (KAIT)	KRW 1,000	3,600
Korea Software Industry Association (KOSA)	KRW 1,000	20,000			

<sup>1)</sup> As an organization that promotes activities to support the growth of local businesses, we supports the promotion work of the Seongnam Chamber of Commerce and provides support for member companies' expenses.

<sup>2)</sup> As an organization that supports the maintenance of a preemptive response system for rapid internal and external HR management environment changes, we supports the direction of the association and spends expenses for membership.

### Government Support Fund

Division	Unit	2018	2019	2020	Remarks
Total Support Amount	KRW million	2,615	4,449	3,697	
Governmental Subsidies	KRW million	0	0	0	
Tax Deductions	KRW million	2,615	4,449	3,697	

## Non-financial Performance - Environment

\* SK Inc. does not discharge substances polluting air or water quality.

### Energy Consumption

Division	Unit	2018	2019	2020	Remarks
Total Energy Consumption (Absolute amount, excluding scope 3)	TJ	1,403	1,319	1,340	
Per KRW 1 billion in revenue	TJ	0.549	0.406	0.386	
Per Employee	TJ	0.371	0.335	0.330	
Gas (LNG)	TJ	10	2	1.4	
Per KRW 1 billion in revenue	TJ	0.004	0.0005	0.0004	
Per Employee	TJ	0.003	0.0004	0.0003	
Diesel	TJ	0.65	0.50	2.06	
Per KRW 1 billion in revenue	TJ	0.0002	0.0002	0.0006	
Per Employee	TJ	0.0002	0.0001	0.0005	
Electricity	TJ	1,372	1,307	1,329	
Per KRW 1 billion in revenue	TJ	0.537	0.403	0.383	
Per Employee	TJ	0.363	0.332	0.327	
District Heating	TJ	20	9.2	7.3	
Per KRW 1 billion in revenue	TJ	0.008	0.003	0.002	
Per Employee	TJ	0.005	0.002	0.002	
A. Fossil fuels purchased	MWh	2,747	656.70	947.17	
B. Electricity (non-renewable) purchased	MWh	142,799	136,259	138,329	
C. Steam / heating / cooling and other energy (non-renewable) purchased	MWh	5	2.6	2.03	
D. Total renewable energy	MWh	113	113	134.5	
E. Total non-renewable energy sold	MWh	0	0	0	
<b>Total consumption of non-renewable energy (A+B+C-E)</b>	MWh	145,551	136,918	139,278	
<b>Percentage renewable</b>	%	0.078	0.082	0.096	
<b>Cost for total energy consumption</b>	KRW million	16,916	15,480	15,987	

\* Differences occurred from the prior year reports as data before 2020 were updated due to increased consumption of diesel for testing emergency generators.

### Greenhouse Gas Emissions

Division	Unit	2018	2019	2020	Remarks
Scope 1	tCO <sub>2</sub> e	531.9	120.3	205.4	Reported for the first time in 2020. Consumption of diesel is added.
Per KRW 1 billion in revenue	tCO <sub>2</sub> e	0.199	0.037	0.059	
Per Employee	tCO <sub>2</sub> e	0.141	0.031	0.051	
Scope 2	tCO <sub>2</sub> e	67,114	63,788	63,808	
Per KRW 1 billion in revenue	tCO <sub>2</sub> e	26.3	19.7	18.4	
Per Employee	tCO <sub>2</sub> e	17.7	16.2	15.7	
Scope 3	tCO <sub>2</sub> e	5,322	5,465	5,637	
Fuel & Energy Excluded from Scopes 1 & 2*	tCO <sub>2</sub> e	-	-	-	
Upstream Transportation & Distribution	tCO <sub>2</sub> e	7	11	12	
Wastes Generated from Work	tCO <sub>2</sub> e	8	11	12	
Business Trip	tCO <sub>2</sub> e	702	696	914	
Commuting Employees	tCO <sub>2</sub> e	8	8	8	
Leased Assets**	tCO <sub>2</sub> e	2,114	4,738	4,691	
Downstream	tCO <sub>2</sub> e	-	-	-	

\* The fuel and energy not included in Scope 1 and 2 were indicated as "0" as the domestic figures are determined by Korea Electric Power Corp., including electricity loss rates.

\*\* Following the sale of SK's headquarters in Jeongja to SK Hynix in December 2018, the data of the headquarters were excluded from the figures in Scope 1 and 2, and water use and waste figures as well. Instead, the headquarters was classified as a leased asset in Scope 3.

## Non-financial Performance - Environment

### Water

Division	Unit	2018	2019	2020	Remarks
Total Consumption	Ton	149,346	56,100	48,038	Water intake + recycling amount
Total volume of water intake	Ton	134,017	44,170	39,731	
Total Recycled & Reused Water	Ton	15,329	11,930	8,307	
Percentage of Recycled & Reused Water*	%	10.3	21.3	17.3	

\* Differences occurred from the prior year reports as the data collection standard of total consumption changed.

### Waste

Division	Unit	2018	2019	2020	Remarks
General Waste	Ton	193	61	53	
Designated Waste	Ton	-	8	2	
Recycled Waste	Ton	134	42	18	
Disposal & Treatment Cost	KRW	86,350,000	32,400,000	25,350,000	

### Return on Environmental Investments

Division	Unit	2018	2019	2020	Remarks
Capital Investment	KRW	19,800,000	25,680,000	9,770,000,000	
Operating Cost	KRW	10,031,040	32,400,000	25,350,000	
Total Cost	KRW	29,831,040	58,080,000	9,795,350,000	
Revenues & Cost Savings due to Environmental Investment	KRW	22,476,960	209,973,351	399,769,680	
Applicable Ratio to Relevant Business Sites	%	93	93	93	

### Violation of Environmental Laws

Division	Unit	2018	2019	2020	Remarks
No. of Violations of Laws or Regulations	Case	0	0	0	
Amount of Penalties/Fines	KRW	0	0	0	
Environmental Liabilities	KRW	0	0	0	

# Non-financial Performance - Environmental & Social Performances and Targets

## Environmental and Social Information Report

The computed coverage of SK Inc.' environmental and social performance data was 100% respectively (Standard for Permanent employees).

- Environment : Workplaces of SK Inc. Investment division are leased and not owned directly by SK Inc.. Therefore, energy use and greenhouse gas emission data of these workplaces are not included in the total figures.
- Society : Computations are based on all business sites of SK Inc., while some data including eco-friendly products to the business unit only in which case annotations were added at the bottom of the data.

Division	Unit	Investment Division	Business Division (IT Service, etc.)	Total
2018	No. of Persons	Person	249	3,782
	Ration	%	7	93
2019	No. of Persons	Person	265	3,935
	Ration	%	7	93
2020	No. of Persons	Person	301	4,086
	Ration	%	7	93

SK Inc.' environmental data has been verified in accordance with the operational guidelines on the Greenhouse Gas and Energy Target Management System and international standards such as the IPCC Guidelines and the ISO 14064 Greenhouse Gas Standards. Other environmental and social information has been verified according to internationally recognized standards such as the AA1000, ISAE 3000. The verification of environmental and social information was carried out by experts belonging to professional verification services in the form of a limited guarantee. All verification was performed independently by an organization that has no interest in SK Inc., and the scope of verification is clearly indicated on the verification statement.

## Environmental Performances and Targets

Major Issues	Management Indicator	Unit	2020 Target*	Performance			Accomplishment	2021 Target	2025 Target
				2018	2019	2020			
Energy	Energy consumption (per KRW 1 billion in revenue)	TJ	0.4	0.549	0.406	0.386	●	0.38	0.35
Greenhouse gas emission (per KRW 1 billion in revenue)	Direct emission volume (Scope 1)	tCO <sub>2</sub> e	0.035	0.199	0.037	0.059	●	0.055	0.050
	Indirect emission volume (Scope 2)	tCO <sub>2</sub> e	19	26.3	19.7	18.4	●	18.2	15
	Other indirect emission volume (Scope 3)	tCO <sub>2</sub> e	1.65	1.992	1.684	1.623	●	1.600	1.500
Renewable energy	Rate of renewable energy conversion	%	0.3	0.1	0.2	0.3	●	3	30
Eco-friendly products	Proportion of ecofriendly solution to total revenue (Only including IT business sales)	%	13	12.4	12.9	13.24	●	13.5	20

\* Difference occurred to certain target as new group-level management indicators were established in 2021

## Social Performances and Targets

Major Issues	Management Indicator	Unit	2020 Target*	Performance			Accomplishment	2021 Target	2025 Target
				2018	2019	2020			
Quality and service management for customer satisfaction	Customer satisfaction rate	%	77	75.5	75.7	75.0	●	77	80
Social value creating activities*	Cash value of social business performance	KRW 100 million	860	559	817	844	●	1300	3450
Social contribution activities based on business characteristics	Converted cash value of employees' volunteer activities <sup>1)</sup>	KRW 1,000	73,158	15,583	54,779	69,396	●	73,158	93,370
Pursuit of happy corporate culture through employee satisfaction	Employee engagement rate <sup>2)</sup>	%	77	-	76.6	78.3	●	78.5	79
Employees' safety, health and environment	LTIFR(Lost Time Injuries Frequency Rate)	One 10 thousands	0	0	0	0.02	●	0	0

<sup>1)</sup> Value of employees' voluntary activities converted into money = Hours of voluntary activities x minimum statutory hourly wage + Hours of donation of talents x their average hourly wage (excluding pro vono activities)

<sup>2)</sup> Data from 2019 is to be disclosed due to a change in items for measuring level of immersion concerning employees' happiness

# Policy & Principles

## Corporate Governance

SK Inc. discloses information about corporate governance in a transparent way as follows

### 1. Independence of the Board of Directors

SK Inc. complies with the Commercial Act of the Republic of Korea to incorporate transparent management by organizing and operating an independent Board of Directors (BOD). In this regard, we defined independence of the BOD, and disclose the status of the BOD as follows. We believe that the BOD, consisting of a majority of independent directors is independent. We also believe that the BOD cannot obtain independent qualifications if the independent director falls under the conditions set forth below. Therefore, we do not appoint anyone who meets the following conditions:

- ① Directors, executive directors and employees who are engaged in the regular business of the relevant company, or directors, auditors, executive directors and employees who have engaged in the regular business of the relevant company within the past two years;
- ② The principal, his/her spouse, lineal ascendants, and lineal descendants, in cases where the largest shareholder is a natural person;
- ③ Directors, auditors, executive directors, and employees of the corporation, in cases where the largest shareholder is a corporation;
- ④ The spouses, lineal ascendants, and lineal descendants of directors, auditors, and executive directors;
- ⑤ The directors, auditors, executive directors, and employees of a parent company or a subsidiary company of the relevant company;
- ⑥ Directors, auditors, executive directors, and employees of a corporation which has a significant interesting the relevant company, such as business relations with the company;
- ⑦ Directors, auditors, executive directors, and employees of another company for which directors, executive directors, and employees of the relevant company serve as directors and executive directors.

In order to ensure fairness and independence when appointing independent directors, we appoint them at the general shareholders' meeting after a rigorous examination by the Independent Director Candidate Recommendation Committee. Directors are elected through the general shareholders' meeting. The candidates for directors to be elected at the general shareholders' meeting are selected by the BOD (executive/non-executive directors) and the Independent directors Candidate Recommendation Committee (independent directors), and submitted to the general shareholders' meeting.

### 2. Election Ratio of Independent Directors

SK Inc. consists the BOD with the aim of having more than 51% of independent directors in the BOD. Currently, our BOD has five independent directors, representing 56% of all directors. This structure contributes to maintaining independence from large shareholders and management.

### 3. Diversity Policy of the Board of Directors

In order to promote a diverse and non-discriminatory corporate culture, SK Inc. is committed to ensuring that all employees, including board members, are not discriminated on the basis of race, gender, disability, religion, or nationality, for all employees including recruitment, compensation, evaluation, promotion, and education and is considering priority form minorities.

### 4. Efficient Operation of BoD

In 2020, the average participation rate of directors in the board of directors has been 99.2%. The minimum participation rate required for all directors is 80%, and all of the 5 independent director limited other duties to 4 or less. The board of directors of SK Inc. regularly and independently evaluates the performance of the board of directors by sharing the execution results of its decisions and committee activities and discussing on areas of improvement. Directors are appointed annually, and at the time of appointment, the appointment case of each director is put to a vote. The pros and cons as well as the proportion are disclosed. The average tenure of directors is 3 years, and the number of independent director with industrial experience is four.

### 5. Performance Compensation of Management

SK Inc. efficiently measures the performance of our top management and pays compensation accordingly. Performance compensation uses indicators such as sales, operating profit, debt ratio, cash dividend payout ratio, total share price return, credit rating, growth rate, and sustainability rate, etc. The period for which we pay performance compensation to top management is three years. Moreover, we introduced stock options for executives to directly link corporate value enhancement and compensation in order to maximize the growth of corporate value by building a consensus between management and shareholders.

## Policy & Principles

### Guidelines for guaranteeing independence of board of directors

SK Inc. follows the local commercial law in ratifying the independence of its directors. It has applied the more stringent standards under US NYSE regulations to the requirements for their independence. It follows the given requirements for determining the independence of director candidates or existing directors.

Some directors who fail to satisfy the company's independence requirements may be qualified based on the Republic of Korea regulations based on the relevant statute to significantly contribute to the board and the company by demonstrating competence, experiences and wisdom.

All directors of SK Inc. board of directors are equipped with independence by satisfying all of the below-listed standards:

- The candidate should not have been hired by the company as an officer within the past three years;
- The candidate should not be a partner or employee of the company's independent auditor;
- The candidate should not be a partner or employee of an organization that has signed a key advisory contract or a technical alliance agreement with the company;
- The candidate should not be the company's adviser or consultant or a member of the company's high-ranking management team;
- The candidate should not be a partner or employee of an organization that currently is at party to or has signed a contract for an amount exceeding 5% of the company's total revenue in the past three accounting years; or
- The candidate should not have any conflict of interest on an agenda item of the company's board of directors

In addition to the above, the board of directors will inclusively consider the director's independence, including the domestic and overseas situation and the position of the directors and the company.

#### Status of shares with differentiated voting rights (2020)

Voting rights per 1 share	Votes per share	Amount of Shares	Voting Power
No voting rights*	0	18,619,540	0
1 vote	1	52,306,892	52,306,892
Total	-	70,926,432	52,306,892

\* Consisting of preferred and treasury shares under the Commercial Act

### Guidelines for guaranteeing diversity of board of directors

SK Inc. well understands that a board of directors equipped with diversity can better reflect the benefits of its shareholders, customers and other stakeholders in making important decisions in a broad perspective.

At the end of each year, the board of directors decide on the next-year's direction for selection of director candidates and composition of the board in order to satisfy the below-listed diversity requirements:

#### 1. Expertise

- ① Essential expertise: IT, business management (operation of organizations), economy, law, accounting
- ② Segmented expertise: Business management, economics, global IT industry expertise, risk management, sustainable management, administration
- ③ Expertise of independent directors: Understanding of director's duties

#### 2. Diversity

- ① Nationality: Candidates of diverse nationalities considering the company's overseas projects
- ② Gender: Candidates of different genders reflecting the gender equality principle for operating the board in diverse perspectives
- ③ Age: Candidates belonging to diverse age groups for enhancing the board's efficiency while smoothly responding to changes in business conditions
- ④ Others: Candidates should not be discriminated based on their ethnicity, religion, race, nationality, and other diversity factors

#### 3. Recommendation

An open approach is adopted for recommending independent directors to reflect the stakeholders' diverse interests.

When determining the direction of the Board of Directors, the Board verify whether the composition of Board of Directors reflects the diversity requirement through the diversity verification matrix.

SK Inc. will steadily exert to enhance the board's efficiency by adding diverse perspectives and experiences within the extent not violating the Republic of Korea law.

# Policy & Principles

## Ethical code



### Basic principles of employees

We faithfully perform our duties in a posture representing the company at all times in our position with a pride as constituents of SK Inc.

- We perform our duties fairly by clearing distinguishing between public and private duties.
- We will develop an organizational culture where the constituents are mutually respected and are motivated to work willingly and voluntarily.



### Attitude toward customers

We will gain trust from the customers by satisfying them continually and will ultimately develop together with the customers.

- We will respect the customers' diverse opinions to reflect them on the company's management activities.
- We will protect the customers' assets and information securely based on statutes and the company's policies.



### Responsibilities toward shareholders

SK Inc. performs its management efficiently by enhancing its transparency while raising the corporate value to create the shareholders' value.

- SK Inc. maximizes the shareholders' value to share the achievements with the shareholders by efficient management through incessant reform.
- SK Inc. practices board-centered transparent management while respecting the shareholders' legitimate requests and proposals.
- SK Inc. creates its management data in accordance with various statutes and standards and discloses the relevant information faithfully based on statutes to protect the shareholders' benefits.



### Roles toward the society

SK Inc. constituents contribute to the society with social and cultural activities while contributing to the country's economic development. They exert their best to manage its business in accordance with the social norms.

- SK Inc. constituents exert their best to make the entire society happy by actively participating in the company's CSR activities.
- SK Inc. constituents contribute to the development of the society through environmentally-friendly management.



### Relations with business partners

SK Inc. pursues win-win development with its business partners and fairly compete with its competitors.

- SK Inc. provides fair trading opportunities to its partner companies, do not commit unfair acts using its superior position, and pursues mutual benefits and win-win development.
- SK Inc. competes with competitors fairly based on a spirit of mutual respect.



### Addendum

- This ethical code will go into force on October 1, 2008.
- SK Inc. operates a separate "Guidelines for practicing ethical code" so that its constituents may interpret and practice the ethical code correctly.

## Policy & Principles

### Oath to Practice Ethical Management

#### Oath to Practice SK Ethical Management

I, the undersigned, hereby pledge to follow the following while fully understanding the company's "Anti-Corruption Policy" to participate in the development a transparent corporate culture by practicing ethical management with a pride and self-esteem as a constituent of SK Inc.

1. (Caring and respect) I will always maintain a mind of caring and respecting fellow constituents and stakeholders as a SK constituent.
2. (Prohibition of unethical/corrupted acts) I will not commit any unfair trading and unethical/corrupted acts in performing my duties as well as complying with the company's regulations and related statutes, including the company's ethical code.
3. (Interpretation/application of company regulations) When I have any questions in connection with the interpretation/application of the ethical code and related company regulations in performing my duties, I will consult my department manager first and consult the company's organization responsible for ethical management to obtain advice when it is hard to make own judgment.
4. (Reporting/consultation) I will immediately report and consult the company organization responsible for ethical management when I notice any unfair trading and unlawful/corrupted acts of a constituent(s) while performing my duties or received an offer for unlawful/corrupted acts from a business partner or other stakeholders.
5. (Cooperation with investigation) When an investigation/diagnosis is conducted, I will render all possible cooperation, including provision of information or data (information required to investigate the unfair trading, unlawful acts/corruption, consent to review of personal information, etc.) and request for testimony.
6. (Disciplinary actions) I will endure any disciplinary actions based on the given procedures when I violate this oath or any of the company's regulations.
7. (Ethical conduct) As the contents of this ethical code and oath to practice it present the minimum guidelines required for ethical decision-making and conduct, I will voluntarily judge and act for matters other than those based on a more strict higher ethical standard based on the company's regulations, etc.

### Human Rights Management Statement

SK Inc. is dedicated to realizing the value of respect for human rights throughout its entire management activities based on the Group's founding philosophy: "We will strive to continue to exist and develop through stable operation and growth as a workplace that pursues pursuit happiness of our employees and stakeholders."

SK Inc. officially supports and declares its compliance to standards and laws of labor and human rights related international organizations and bodies such as the 'Universal Declaration of Human Rights' and 'UN Guiding Principles on Business and Human Rights; Ruggie Framework, and the 'International Labour Organization Agreement'. Furthermore, the company requests all stakeholders in the value chain such as employees, business partners, community and customers to comply with the above international regulations on human rights and labor.

SK Inc., as a signee of the UN Global Compact, shall be equipped with organization, operating structure, monitoring, measures and internal-external reporting processes according to procedures defined by 10 principles and UN affiliates and human rights implementation principles. For this, the company has set up the following human rights business principles and detailed operating principles to make 'SK Inc. where human rights and happiness are guaranteed to all stakeholders' through constant implementation efforts.

**President & CEO,  
SK Inc.**

## Policy & Principles

### Detailed principles for human rights oriented management

#### Humanitarian Treatment

SK Inc. shall respect all its employees as humans, and endeavor not to compromise human rights. If inhumane treatment occurs, we will take strict measures in accordance with the relevant regulations.

#### Prohibition of Forced Labor

SK Inc. shall respect employee's free will. The company shall not force labor against an employee's free will through mental or physical oppression, imprisonment, human trafficking, or slavery. The company also strictly complies with the Labor Standards Act in relation to labor contracts.

#### Prohibition of Child Labor

SK Inc. shall comply with the regulations on child labor, ensure the appropriate procedures and support in accordance with the laws and regulations of minors, and continuously check compliance with laws and regulations.

#### Prohibition of Discrimination

SK Inc. shall respect the diversity of all employees, and ensure that discrimination does not occur in recruitment, wage, promotion, and other personnel processes for reasons such as gender, race, age, gender identity, academic backgrounds, disability, religion, political orientation, or social status.

#### Working Hours Compliance

SK Inc. shall comply with working hours regulations of relevant regions in terms of regular, overtime, and holiday work. Amendments to laws and regulations shall be managed on an ongoing basis to prevent the occurrence of illegal acts.

#### Wage and Welfare

SK Inc. shall pay more than the minimum wage prescribed in relevant regions along with the payroll statement, and provide compensation for overtime work carried out under mutual agreement between labor and management.

#### Freedom of Association

SK Inc. shall promote sound organizational development through smooth and continuous communication between labor and management. In accordance with labor relations laws and regulations on labor relations in relevant regions, freedom of association shall be guaranteed, and unfair treatment shall not be applied on the grounds of membership, or activities, of trade unions.

#### Privacy Protection

SK Inc. shall protect the personal information of stakeholders including customers in accordance with local laws and regulations to protect human rights of all stakeholders. The company shall not use personal information for any other purpose without the consent of the person concerned.

#### Local Community

SK Inc. shall identify potential impacts on communities near our worksites, listen to feedback of local communities to prevent problems from occurring, and strive for continuous communication.

#### Environment, Safety & Health

SK Inc. shall comply with local and overseas legal regulations, set measurable goals to improve the environment, while periodically checking whether the goal is appropriate with the aim of protecting the environment and preventing pollution.

## Policy & Principles

### Code of Conduct of Business Partners

#### Preface

SK Inc. expects a high level of operation standards to working environment of its business partners. Hence, in order to strengthen the compliance management as the foundation of accompanied growth between business partners and SK Inc., the company enacted the Code of Conduct of Business Partners (hereinafter “Code”). Also, business partners of SK Inc. shall strictly observe all applicable laws and regulations, secure a safe working environment, build a business environment that respects employees and run business in an ethical manner.

This Code presents what SK Inc. expects from its business partners. The Code is applicable to organizations of all forms that design, sell, manufacture or provide ingredients and services used to produce services and products. All business partners shall comply with the Code, and shall demand all subsidiary supply chains that provide ingredients and services to relevant business partners.

SK Inc. or external institutions designated by SK Inc. may visit business partners to assess the compliance status of business partners. In case a critical violation of a business partner on this Code has not been improved within the requested period, the trade with SK Inc. may be suspended or the contract may be cancelled.

Also, in accordance with any changes in SK Inc.’ business partner management policy or standards, this Code may be amended. In case of conflict of this Code and local laws, more strict standards shall prevail.

#### 1. Human Rights and Labor

Business partners shall protect human rights of workers and guarantee their dignity to internationally accepted standards. This shall be applicable to all forms of workers including temporary workers, migrate workers, trainees and dispatched workers. Workers shall be guaranteed for legal service and protection of rights in accordance with local laws.

##### 1-1. Prohibition of Forced Labor

All services shall be voluntary. A company shall not use forced laborers, workers under confinement contract (including confinement for debt servicing), involuntary convict laborers and human trafficking laborers. This includes all acts of moving, employing and transferring

social minorities by threatening, forcing, compulsion, kidnapping and committing fraud for the purpose of labor exploitation. Companies shall not demand for the transfer of government-issued identification cards, passports or work permits for employment condition. Business partners or manpower dispatch companies shall not demand workers for commissions (for job placement, etc.) or surety. Also, they shall document and deliver work conditions in languages understandable by the worker.

##### 1-2. Underage Worker Protection

Use of child labor is strictly prohibited. “Child” means someone below the age of 15, the age of completing mandatory education or the minimum legal employable age according to local laws. In the case of an underage worker, business partners shall take prompt countermeasures. Employment of underage worker shall cease and the age-confirmation process be improved. If any apprentice program is in effect, it shall comply with local laws and regulation. Juvenile workers over the legal minimum age can be hired, but workers under age 18 shall not perform any dangerous tasks, including overtime, and night shifts, for their health and safety

##### 1-3. Compliance of Working Hours

The weekly working hours shall not exceed the maximum working hours regulated by laws. Moreover, the weekly working hours including any overtime hours may not exceed the working hours set by the Labor Standards Act except in emergency or special situations.

##### 1-4. Wages and Employee Benefits

Wages given to workers shall include minimum wages, overtime compensation and legal employee benefits, and shall comply with local laws and regulations. All overtime services shall be done voluntarily with the agreement of workers, and higher overtime compensations than the hourly wages for regular working hours shall be given according to local laws and regulations. No pay cuts shall be permitted as sanctions. The wage standards and items of workers shall be provided in languages understandable by workers in a payslip or a document with wage payment details via document

## Policy & Principles

### 1-5. Humanitarian Treatment

There shall be no harsh and inhumane treatment to workers including sexual harassment, sexual abuse, punishment, mental or physical coercion and abusive language, nor any treats for such treatment. Business partners shall define policies and procedures for guaranteeing humanitarian treatment to workers and fully explain on such policies and procedures.

### 1-6. Nondiscrimination

Business partners shall take measures to prevent bullying or illegal discrimination over workers. In employment customs including the recruitment process as well as wages, promotion, compensation and education opportunity, business partners shall not discriminate based on race, color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political inclination, union membership and marital status. Except where required by local laws or occupational safety, business partners shall not demand workers or employment candidates for medical checkups that may present grounds for discrimination.

### 1-7. Freedom of Association

In accordance with the local laws, business partners shall respect workers' rights to organize, and join an employee council or a labor union, and the freedom of association with other workers for group agreement and peaceful assembly, and the rights not to participate in such activities. Also, business partners shall enable their workers and representatives to liberally exchange opinions and difficulties on working conditions and business policies with business partners without concerns about discrimination, revenge, threats or bullying.

## 2. Safety and Health

Business partners shall recognize that activities that guarantee safety and health of workers are essential in all activities in the course of company's businesses. Business partners shall, according to local laws and regulations, strive to build and maintain safe and healthy worksites.

### 2-1. Occupational Safety

Business partners shall perform proper administrative control, preventive maintenance and consistent safety education to control workers' exposure to potential safety hazards (e.g. electrocution, fire, car accident, falling hazards, etc.). In case hazardous elements cannot be sufficiently controlled by the above mentioned measures, proper personal protective gears shall be provided to workers. Workers shall be able to liberally present their safety concerns to the management board.

### 2-2. Preparation to Emergency Situations

Potential emergency situations and accidents shall be identified and evaluated in advance. Damage from emergency situation shall be minimized by setting up an emergency situation reporting system, worker notification and evacuation procedures, and by providing emergency drills of workers, evacuation facilities, fire detectors and fire-fighting equipment.

### 2-3. Body Burden Tasks

Business partners shall identify, evaluate and control workers' exposure to body burden tasks including repetitive manual tasks for a long period, lifting heavy objects, standing and physically exhausting assembly tasks.

### 2-4. Safety and Health Education

Business partners shall perform proper safety and health education to workers in languages readily used by workers. Safety and health related information shall be published in a well visible area in the worksite.

## 3. Eco-friendly Management

Business partners shall strive to fully understand and reduce environmental pollutions from business operation and environmental effects from providing products and services to SK Inc.. They shall comply with environment related laws and regulations in terms of waste disposal, recycling, controlling industrial water and controlling greenhouse gas and atmospheric emissions.

### 3-1. Waste Water and Wastes

Business partners shall systematically identify, manage, reduce, dispose and recycle solid wastes (unharmful). Solid wastes shall be identified, monitored, managed and treated according to regulations and then discharged/disposed. Measures to reduce waste water shall be taken, and the treatment efficiency of the waste water treatment process shall be constantly monitored.

### 3-2. Energy Consumption and Greenhouse Gas Emissions

Business partners shall identify energy consumption and greenhouse gas emissions of the company and business sites in each step. Also, they shall look for cost efficient ways to minimize energy consumption and greenhouse gas emissions while raising energy efficiency.

## Policy & Principles

### 4. Business Ethics

In operation of business sites, business activities of business partners shall comply with all local laws and regulations, and SK Inc. shall demand its business partners to maintain the highest standards of ethics.

#### 4-1. Integrity

In the trade relations with all companies, business partners shall maintain the highest level of integrity. They shall not conduct illegal acts such as all forms of corruption, extortion, embezzlement, bribery, tributes, and gifts including money gifts or other forms of benefits to related personnel for the purpose of affecting the decision making process. Also, they shall not give or receive any means of gaining unjust or improper benefits, and shall practice autonomous compliance to anti-graft law by providing supervision and crackdown on such practices.

#### 4-2. Disclosure

Information on labor affairs, safety and health, environmental management status, business activities, governance structure, financial status and performance of business partners shall be disclosed according to applicable laws and general industrial practices. Any forgery of records or omissions of status and customs in the supply chain shall not be permitted.

#### 4-3. Intellectual Property Protection

Intellectual property rights shall be respected. The transfer of technology or knowhow shall be performed in a manner of protecting intellectual property rights, and information of SK Inc. shall be securely protected.

#### 4-4. Personal Information Protection

Business partners shall take reasonable efforts to protect the personal information of all personnel including business partners related with businesses, clients, consumers and employees. Also, they shall comply with the laws related with personal information protection and information security in collecting, storing, processing, transmitting and sharing personal information.

### Information Security Policies

Various threats that emerge with the development of IT technologies may seriously affect the information assets of SK Inc., which provides comprehensive IT services to the customers. The information security activities or, information security, has become essential and indispensable to the efforts of SK Inc. that strives to provide the best-in-class products as a global IT service leader. Therefore, all SK Inc. employees should place priority in developing measures to protect important information assets from internal and external hacking or data leakage by thoroughly considering the various legal, social and ethical repercussions in addition to the possible loss of important information assets and delay or degradation of processes.

Hence, SK Inc. information security policies satisfy the following points:

- ① We protect SK Inc. information assets from illegal access or leakage.
- ② We maintain the confidentiality, integrity and availability of SK Inc. information assets.
- ③ SK Inc. complies with the statutory security requirements related to information security protection.
- ④ All SK Inc. constituents should be able to duly prevent, detect and address accidents by realizing the importance of information security.
- ⑤ SK Inc. periodically analyzes, inspects and audits risks related to information security.

SK Inc. invests time and resources to comply with the information security policies as well as, establishes and operates an organization that manages information security. The organization is responsible for the development, maintenance, inspection, and education of security regulations, guidelines, and procedures. Information security, however, cannot be conducted by a single organization. It requires the participation and responsibility by all personnel. Therefore, all employees must understand and comply with the declared policies with steady attention is critical in realizing sound information security.

# Global Initiative

To contribute to the propagation of ESG investment, SK Inc. has keenly reviewed initiatives and partnerships in cooperation with local communities, NGOs, and governments. It has also performed and upheld corporate social responsibility through disclosures based on GRI/SASB and signing onto the U.N. Global Compact.

In December 2020, SK Inc. participated in the 'RE100' and promoted SASB disclosure, the first in Korea to do so. In 2021, declared Net Zero 2040, and has implemented TCFD disclosure.

SK Inc. plans to increase its participation in the ESG Global Initiative every year by reflecting the nature of its business.



The U.N. Global Compact (UNGC) is the world's largest voluntary initiative of corporate citizens adopting 10 key principles in the areas of human rights, labor, environment, and anti-corruption. SK Inc. strives to follow the 10 UNGC Principles, while pursuing social responsibility by participating in the relevant initiatives. It will discharge its duties as a corporate citizen to realize a sustainable world by taking part to uphold the UNGC 10 Principles and regularly disclosing its performance.



It is a voluntary initiative to replace 100% electricity power consumed in business with renewable energy. To participate in the response to climate change the world demands, SK Inc. participated in the 'RE 100' initiative membership in December 2020 and set its RE100 2040 targets, the first in Korea to do so.



Reflecting the UN's urging for the implementation of net zero at the national level and the Financial Society's demands to respond to climate change for companies, SK Group intends to solidify its ESG management leadership by declaring the group-level Net Zero for the first time in Korea. (June 22 Extended Management Meeting)

Initiative	Invested amount	Remark
UNGC	\$7,500	General membership fee
RE100	\$3,500	General membership fee
RE100 and Net Zero	₩2,427,000,000	Green Premium in 2021, Amount for expanding solar energy, etc.
CDP	\$975	Assessment preparation expenses

## Response to UNGC

Division	Principles	Major activities	Pages
Human rights	01. SK Inc. upholds and protects international human rights.	<ul style="list-style-type: none"> <li>· Establishing Human Rights management Principles</li> <li>· Establishing Human Rights management system</li> <li>· Observing Labor Principles and relevant laws and regulations</li> <li>· Operating Grievance Process for employees</li> </ul>	83~85
	02. SK Inc. constituents do not infringe on human rights.		
Labor	03. SK Inc. upholds the freedom of association and the right to collective bargaining.	<ul style="list-style-type: none"> <li>· Observing Labor Standards Act</li> <li>· Operating Management Committee</li> <li>· Operating fair Performance management system</li> <li>· Conducting career path plan and performance review on each employee</li> </ul>	80~81 83
	04. SK Inc. eliminates all forms of forced labor.		
	05. SK Inc. effectively deters and prohibits child labor.		
	06. SK Inc. prohibits any discriminatory practice in employment and the workplace.		
Environment	07. SK Inc. takes the preventive approach to the environmental issues.	<ul style="list-style-type: none"> <li>· Promoting RE100, Net Zero 2040</li> <li>· Increasing Resources cycle action and eco-friendly business</li> <li>· Investing in eco-friendly actions and technologies</li> <li>· Enhancing business portfolio in Green division</li> </ul>	22~23 58~59 64~67
	08. SK Inc. leads the way in taking more responsibility for the environment.		
	09. SK Inc. supports the development and supply of eco-friendly technologies.		
Anti-corruption	10. SK Inc. strives to prohibit and deter any form of corruption, including inequitable gains and bribery.	<ul style="list-style-type: none"> <li>· Establishing Ethical management and anti-corruption policies</li> <li>· Establishing an organization dedicated to Ethical management and reporting/consulting system</li> <li>· Operating the self-regulatory system for ethical management and conduction education on ethical management and anti-corruption</li> </ul>	111~115

# TCFD Index

SK Inc. implements the TCFD disclosure and reporting/reviewing of important agenda items to its ESG Committee under the board of directors and plans to regularly analyze and factor in additional TCFD requirements every year. According to TCFD Recommendation, SK Inc. will disclose counteraction strategy for climate change, the performance and goals, and will continue communicating with stakeholders.

TCFD Recommendation	CDP	Pages
<b>Governance: SK Inc. discloses the governance structure of its corporate organization in identifying and controlling climate change-related risks and opportunities.</b>		
a) Explanation of the Board's activities related to climate change risks and opportunities.	C1.1b	68
b) It stipulates the roles of the management team that controls climate change risks and opportunities.	C1.2, C1.2a	68
<b>Strategy: SK Inc. discloses the actual and potential impact of climate change risks and opportunities on the company's business affairs, its strategic direction, and financial/ investment plans.</b>		
a) It describes the climate change risks and opportunities in the short, mid and long-run outlook.	C2.1, C2.3, C2.3a, C2.4, C2.4a	68~69
b) It describes the impact of climate change risks and opportunities on the company's business affairs, strategies, and investment/ financial plans.	C2.3a, C2.4a, C2.5, C2.6, C3.1, C3.1c, C3.1d	69~70
c) It describes the strategies considering scenarios related to diverse climate change impacts, including global temperatures of 2°C or lower.	C3.1a	70~71
<b>Risk management: It entails the methods for identifying, assessing, and controlling the climate change risks and opportunities.</b>		
a) It describes the processes for identifying and assessing the climate change risks.	C2.2b, C2.2c	68~69, 71
b) It describes the processes for controlling the climate change risks.	C2.2d	71
c) It describes how the processes for identifying, assessing and controlling the climate change risks are integrated into the company's overall risk management system.	C2.2	71
<b>Indicators and goals: It discloses the indicators and reduction goals used for assessing and controlling the climate change risks and opportunities.</b>		
a) It discloses the indicators for assessing the climate change risks and opportunities.	C4.2 , C9.1	72
b) Scope 1, Scope 2, Scope 3 greenhouse gas emission volumes are disclosed.	C6.1 , C6.3, C6.5	72, 134
c) Goals are set up for controlling the climate change risks, opportunities, and performance result.	C4.1 , C4.1a, C4.1b, C4.2	72, 136

# SASB Index

SK Inc. has disclosed in its annual report the Software & IT Services indicators of Technology & Communication according to SASB Industry Standards. SK Inc. implements the SASB disclosure and review/report of important agenda items to its ESG Committee under its board of directors, and clearly discloses environment, information security, management of service disruptions. SK Inc. plans to newly analyze and reflect additional SASB requirements and to continue communicating with the stakeholders.

Division	Topic	Detailed Contents	Pages	Remark
Environmental Footprint of Hardware Infrastructure	TC-SI-130a.1	(1) Total energy consumed	134	
		(2) Percentage grid electricity (the value obtained by dividing the Grid power consumption by total energy consumption)	-	The company does not use any Grid power as it uses the general commercial power.
		(3) Percentage renewable (the value obtained by dividing the renewable energy <sup>1)</sup> consumption by total energy	134	
	TC-SI-130a.2 <sup>2)</sup>	(1) Total water withdrawn	135	
		(2) Total water consumed	135	
	TC-SI-130a.3	Discussion of the integration of environmental considerations into strategic planning for data center needs	66	
Personal Data & Freedom of Expression	TC-SI-220a.1	Description of policies and practices relating to behavioral advertising and user privacy	132	
	TC-SI-220a.2	Number of users whose information is used for secondary purposes	132	
	TC-SI-220a.3	Total amount of monetary losses as a result of legal proceedings associated with user privacy	132	
	TC-SI-220a.4	(1) Number of law enforcement requests for user information	132	
		(2) Number of users whose information was requested	132	
		(3) Percentage resulting in disclosure	132	
	TC-SI-220a.5	List of countries where core products or services are subject to government- required monitoring, blocking, content filtering, or censoring	-	This company's core products or services are IT solutions. It has not received as their specific blocking or censorship requests from the government or law-enforcement agencies.
Data Security	TC-SI-230a.1	(1) Number of data breaches	132	
		(2) Percentage involving personally identifiable information(PII)	132	
		(3) Number of users affected	132	
TC-SI-230a.2	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	87~88		
Recruiting & Managing a Global, Diverse & Skilled Workforce	TC-SI-330a.1	(1) Percentage of employees that are foreign nationals	129~130	
		(2) Percentage of employees that are located offshore	129	
	TC-SI-330a.2	Employee engagement as a percentage	77, 79, 136	
	TC-SI-330a.3	(1) Management	130	
		(2) Technical staff	130	
(3) All other employees	130			
Intellectual Property Protection & Competitive Behavior	TC-SI-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	131	
Managing Systemic Risks from Technology Disruptions	TC-SI-550a.1	(1) Number of performance issues	132	
		(2) Number of service disruptions	132	
		(3) Number of total customer downtime	132	
	TC-SI-550a.2	Description of business continuity risks related to disruptions of operations	91-93	

<sup>1)</sup> Solar energy, <sup>2)</sup> Based on "High or Extremely High" as defined in World Resources Institute's (WRI) Water Risk Atlas tool.

\* Unreported information is omitted because it contains business information in sensitive areas. (TC-SI-000.A~C)

# GRI Standards Index

## Universal Standards (GRI 100)

Topic	No.	Items	Pages	Remark
Organizational Profile	102-1	Organization	10	
	102-2	Activities, Representative Brands, Products and Services	10, 16~27, 116~121	
	102-3	Location of Head Office	154	
	102-4	Business Region	16~27, 66~67	
	102-5	Characteristics of Ownership Structure and Legal Form	108~110	For details, please refer to the business report.
	102-6	Market Scope	16~27	
	102-7	Size of Organization	128~129	
	102-8	Information of Employees and Workers	129~130	
	102-9	Organization's Supply Chain	96~101	
	102-10	Critical Changes in Organization and Supply Chain	16~17, 31, 99	
	102-11	Preventive Principles and Approach	122~123	
	102-12	External Initiative	145	
	101-13	Association Membership	153	
Strategy	102-14	Statement of Highest Decision Maker	56~57	
Ethics and integrity	102-16	Major Influence, Crisis and Opportunity	139~141	
Governance	102-18	Governance Structure	31, 109~110	
	102-40	List of Stakeholder Groups Related with Organization	125	
	102-41	Group Agreement	81, 131	
	102-42	Identifying and Selecting Stakeholders	125	
	102-43	Participation Method of Stakeholders	125	
Stakeholder Engagement	102-44	Key Subjects and Interests Proposed from Stakeholder Participation	126	

Topic	No.	Items	Pages	Remark
Organizational Profile	102-45	List of Subsidiary Companies and Joint Companies in Organization's Consolidated Financial Statements	-	For details, please refer to the business report.
	102-46	Definition of Boundary Between Reported Content and Topics	126	
	102-47	List of Material Topics	126	
	102-48	Restatement of Information	-	
	102-49	Change in Report	-	No significant re-statement is found, and details are in footnotes
	102-50	Reporting Period	2	
	102-51	Latest Reporting Date	-	Not described
	102-52	Reporting Cycle	2	
	102-53	Inquiries about Report	154	
	102-54	Reporting Method According to GRI Standards	2	
	102-55	GRI Index	148~149	
	102-56	External Verification	150~152	

## Report Core Issues

Topic	No.	Items	Pages	Remark
Portfolio of future-growth oriented business projects	103	Management Approach	16~17	
	-	Non-GRI	18~25	
Response to climate change and reduction of CO <sub>2</sub> gas emission	103	Management Approach	63	
	201-2	Financial impacts of climate change and risks and opportunities for business activities	68~72	
Development of CSR system and mutual growth with local communities	103	Management Approach	49, 102	
	413-1	Percentage of Community Engagement, Impact Assessment, and Local Development Program Operation	36~37, 133	
Technology innovation and R&D investment for sustainable BM conversion	103	Management Approach	26~27	
	-	Non-GRI	24~27, 116~121	

## GRI Standards Index

### Economic Standards (GRI 200)

Topic	No.	Items	Pages	Remark
Economic Performance	201-3	Pay for Debt of Organization's Defined Benefit Pension Policy	79	
	201-4	Governmental Subsidy Benefit Performance	133	
Market Presence	202-1	Proportion of New Employee Wages to Local Minimum Wages of Business Site (Per Male/Female)	131	
Indirect Economic Impacts	203-1	Infra Investments and Service Supports for Public Benefit	133	
Procurement practices	204-1	Proportion of local purchases in major business areas	99	
	205-1	Site Corruption Risk Evaluation	113	
Anti-corruption	205-2	Notice and Training on Anti-corruption Policy and Process	112, 114	
	205-3	Confirmed Corruption Cases and Measures	113	
Unfair acts	206-1	Legal actions on unfair trades such as hampering fair trade, or monopoly, etc.	131	

### Environment Standards (GRI 300)

Topic	No.	Items	Pages	Remark
Energy	302-1	Energy Consumption Inside Organization	134	
	302-3	Energy Concentration Level	134	
Water	303-3	Recycling and Reusing Industrial Water	135	
Emissions	305-1	Direct Greenhouse Gas Emissions (scope 1)	134	
	305-2	Indirect Greenhouse Gas Emissions (scope 2)	134	
	305-3	Other Indirect Greenhouse Gas Emissions (Scope 3)	134	
	305-4	Concentration Level of Greenhouse Gas Emissions	134	
Effluents and Waste	306-2	Wastes by Type and Disposal Method	135	
Environmental Compliance	307-1	Environmental Law Violation	135	

### Social Standards (GRI 400)

Topic	No.	Items	Pages	Remark
Employment	401-1	New Employment and Turnover	129	
	401-3	Maternity Leave	130	
Safety & Health	403-1	Proportion of All Workers Represented by Labor-Company Joint Health & Safety Committee	75	
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# Third Party's Assurance Statement

To the Readers of 2021 SK Inc. Sustainability Report:

## Foreword

Korea Management Registrar Inc. (hereinafter “KMR”) has been requested by of SK Inc. Co., Ltd (hereinafter “SK Inc.”) to verify the contents of its 2021 Sustainability Report (hereinafter “the Report”). SK Inc. is responsible for the collection and presentation of information included in the Report. KMR’s responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

## Scope and standard

SK Inc. describes its efforts and achievements of the corporate social responsibility activities in the Report. KMR performed a type2, moderate level of assurance using AA1000AS (2008) and SRV1000 from KMR Global Sustainability Committee as assurance standards. KMR’s assurance team (hereinafter “the team”) evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI Standards indices as below, where professional judgment of the team was exercised as materiality criteria.

The team checked whether the Report has been prepared in accordance with the ‘Core Option’ of GRI Standards which covers the followings.

- GRI Standards Reporting Principles
- Universal Standards
- Topic Specific Standards
  - Management approach of Topic Specific Standards
  - GRI 201: Economic Performance
  - GRI 413: Local Communities

This Report excludes a data and information of partner company, contractor etc. which is outside of the organization, i.e. SK Inc., among report boundaries.

## Our approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, the team has carried out an assurance engagement as follows:

- Reviewed overall report
- Reviewed materiality test process and methodology
- Reviewed sustainability management strategies and targets
- Interviewed people in charge of preparing the Report
- Reliability evaluation on Performance information of report, data sampling
- Reliability evaluation of information based on outer independence source such as Financial Supervisory Service public database Data Analysis, Retrieval and Transfer System and public database.

## Limitation and overcome

KMR’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. Data verification was conducted by checking the basis in a limited scope, including inquiry, analysis, and limited sampling method, on the data collected by SK Inc. To overcome this, quality and Reliability of information was verified based on outer independence source such as Financial Supervisory Service public database Data Analysis, Retrieval and Transfer System and National Greenhouse-gas Management System, and public database.

## Third Party's Assurance Statement

### Our conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with SK Inc.s on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, SK Inc.'s sustainability Report was prepared according to the Core Options of GRI Standards, and the assurance team could not find any inappropriate contents in the Report to the compliance with the principles suggested in the AA1000AP(2018). Followings are the opinions of the assurance team on the principles.

### Inclusivity

SK Inc. is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team could not find any critical stakeholder SK Inc. left out during this procedure, and verified that SK Inc. endeavors to appropriately reflect stakeholders' opinion and expectation in the group's strategy.

### Materiality

SK Inc. is determining the materiality of issues on the sustainability performance found out through its own evaluation process, and the assurance team could not find any critical issues left out in this process.

### Responsiveness

SK Inc. is reporting the performances, counter measures, and future plan in an inclusive and balanced way, and the assurance team could not find any evidence that SK Inc.'s counter measures were inappropriately recorded in the Report.

### Effects

The assurance team verified that SK Inc. is monitoring direct and indirect effects of major issues identified through materiality assurance, and reporting the effects in measurable form within reasonable bound. We recommend to keep developing measuring model of Social Value suitable for SK Inc.'s business property and sophisticating the sustainable sustainability management system to increase effectiveness of social activities.

### Fidelity and quality of specific information of sustainability performance

The assurance team conducted verification on fidelity of economic, environmental, and social performances related to sustainability. Related managers were interviewed to verify the relevant information and data, and verified its fidelity through data sampling, evidential documents, outer source and public database. The assurance team could not find any intentional errors or inaccurate description in the sustainability performance information.

### Eligibility and Independency

KMR is, according to ISO/IEC 17021:2015 Conformity assessment — Requirements for bodies providing audit and certification of management systems, maintaining inclusive quality management system including documented policies and procedures. With the exception of providing third party assurance services, the assurance team, which is consisted with sustainability experts, is not involved in any other SK Inc.'s business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

July, 2021

Seoul, Korea  
CEO of KMS



항우익

# Greenhouse Gas Verification Report

## Introduction

Korea Productivity Center was required to verify '2020 Greenhouse Gas (GHG) emissions Statements (hereinafter 'Statement')', of which reporting years was defined as January 1, 2020 to December 31, 2020, by SK Inc.

## Levels of Assurance

Assures that the relevant risks are below acceptable levels during the verification process

## Verification Scope

The verification team verified greenhouse gas emissions (Scope 1, 2,3) at workplaces of SK Inc. in 2020

## Verification Criteria

- GHG Energy Target Management Guideline
- IPCC Guideline:2006, WRI/WBCSD GHG Protocol:2004
- ISO14064-3:2006 standard

## Conclusion

- The verification team confirmed that the 'Statements (2020)' was being reported in accordance with the self-inspection guideline based on the GHG Energy Target Management Guideline and IPCC Guideline
- Appropriate corrective action was taken by SK Inc. in accordance with investigation results from the verification team.
- The verification team confirms that the 'Statements (2020)' was being reporting 'appropriately' in accordance with relevant verification standard.

The verification team verified greenhouse emissions (Scope 1, 2,3) at workplaces of SK Inc. in 2020

Division	Greenhouse Gas Emissions (tCO <sub>2</sub> e)
1. Fuel-and energy-related activities (not included in Scope 1 or Scope 2)	0
2. Upstream transportation and distribution	12
3. Waste generated in operations	12
4. Business travel	914
5. Employee commuting	8
6. Upstream leased assets	4,691
Total Emissions	5,637

\* In order to report the greenhouse gas emissions as an integer, the rounded number on the statement might be different from the number on the system with ± 1 tCO<sub>2</sub>e

July, 2021



KPC Chairman  
AHN Wan Gi

Division	Greenhouse Gas Emissions (tCO <sub>2</sub> e)
Direct Emissions (Scope1)	205.4
Indirect Emissions (Scope2)	63,808
Other Indirect Emissions (Scope3)	5,637

## Awards and Recognition / Membership

### Awards and Recognition

No.	Awards	Awarding organization	Date
1	Included in DJSI(Dow Jones Sustainability Indices) World for 9 consecutive years and selected as the Industry Leader[Ranked No. 1 in the Industrial Conglomerates sector]	S&P Global Dow Jones Indices	2020
2	Rated A+ in the ESG(Environment, Social, Governance) combined	Korea Corporate Governance Service (KCGS)	
3	Korean Readers' Choice Award(KRCA)	Korea Standards Association (KSA)	
4	Government citation on distinguished sustainable management (Presidential)	Ministry of Trade, Industry and Energy, Ministry of SMEs and Startups	
5	Included in DJSI(Dow Jones Sustainability Indices) World for 8 consecutive years and selected as the Industry Leader[Ranked No. 1 in the Industrial Conglomerates sector]	S&P Dow Jones Indices / RobecoSAM	2019
6	Rated A+ in the ESG(Environment, Social, Governance) combined	Korea Corporate Governance Service (KCGS)	
7	Korean Readers' Choice Award(KRCA)	Korea Standards Association (KSA)	
8	Minister of Commerce, Industry and Energy Award at the 2019 Most Loved Korean Companies Awards	Ministry of Trade, Industry and Energy, Ministry of SMEs and Startups	
9	Included in DJSI(Dow Jones Sustainability Indices) World for 7 consecutive years and selected as the Industry Leader[Ranked No. 1 in the Industrial Conglomerates sector]	S&P Dow Jones Indices / RobecoSAM	2018
10	Rated A+ in the ESG(Environment, Social, Governance) combined	Korea Corporate Governance Service (KCGS)	
11	Grand prize in ESG excellent company awards	Korea Corporate Governance Service (KCGS)	
12	Highest award in governance structure awards	Korea Corporate Governance Service (KCGS)	
13	The Most Loved Companies in Korea, Government Award, Award by Chairman of Korea Chamber of Commerce and Industry	Ministry of Trade, Industry and Energy, Ministry of SMEs and Startups	

### Membership

Organization Name		
Seoul Bar Association	Seongnam Chamber of Commerce & Industry	Korea Industrial Technology Association
Korean Bar Association	Korea Software Industry Association (KOSA)	Korea Software Technology Association
Korea Patent Attorneys Association	Federation of Korea Information Industries (FKII)	Consortium of Cloud Computing Research (CCCR)
Korea Engineering & Consulting Association	Korea Association for ICT Promotion (KAIT)	Korea Open Source Software Association (KOSSA)
Korea International Trade Association	Korea Information Technology Service Industry Association (ITSA)	Korea Institute of Information Security and Cryptology (KIISC)
Korea Information and Communication Contractors Association	Korea Association of Cloud Industry	Korea High-tech Safety Industry Association (KOHSA)
Information & Communication Financial Cooperative	Seoul Economist Club	Korea Software Quality Consultative Group
Korea Electrical Contractors Association	Fair Competition Federation	Korea Alliance of Software Architect
International Contractors Association of Korea	Korea Listed Companies Association	Korea Cardlinx Association
Engineering Guarantee Insurance	Korea IR Service	Korea Fintech Association
Korea Specialty Contractor Financial Cooperative	Korea Employer's Federation	Korea Defense Software Association
Korea Mech. Const. Contractors Association	Gyeonggi Employers Federation	Korea Defense Industry Association
Fire Guarantee	Korea institute of Petroleum Management	Korea Intelligent IoT Association
Korea Fire Safety Association	Intelligent Transport Society of Korea	Korean Nurses Association
Korea Bigdata Society		

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## 2021 SK Inc. Sustainability Report

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