
Communication on Progress

Statement of continued support by the Chief Executive Officer

To our stakeholders:

I am pleased to confirm that [SK innovation CO, LTD] reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

[Jun Kim]

[Chief Executive Officer]

Human Rights

Assessment, policy and goals	<p>Human rights policy</p> <p>SK innovation established various policies to prevent direct or indirect violation of human rights or negative influences on human rights in business relations including talent employment, regulations on safety, health and environment, ethics regulation, behavioral standards for suppliers and ethical purchasing regulation to strictly comply with human rights principles. In addition, we joined the UNGC (United Nations Global Compact) global sustainability initiative as of October 2007 to fulfill our obligations as a conglomerate citizen and declare agreement with 10 principles in four fields: human rights, labor, environment and anti-corruption.</p> <ol style="list-style-type: none">1. SK innovation respects the dignity and value as human beings for all stakeholders to realize sustainable happiness.2. Based on the spirit of humanity, SK innovation makes every effort to maintain a safe and healthy working environment for all of the stakeholders to pursue happiness.3. SK innovation supports and follows the human rights protection and labor standards of labor-related international organizations such as UNGC and ILO,
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	<p>and does not discriminate based on any grounds such as gender, race, nationality, religion or age.</p> <p>4. SK innovation complies with the labor laws and regulations of each country or region in which human rights policy and the business sites of our company exist, and our company confirms that this policy is the fundamental obligation that all suppliers and business partners who do business with our company must comply with.</p> <p>5. SK innovation shall designate a department in charge of human rights management and regularly conducts human rights education for all stakeholders</p>
Implementation	<p>SK innovation conducts due diligence for human rights targeting employees of SK innovation subsidiaries and suppliers in order to prevent any human rights violations during business operations. Human Rights Due Diligence is defined as a due diligence process that a company is required to undergo in order to check and prevent any possible potential (or negative) impact on human rights. SK innovation and its affiliates are conducting human rights due diligence process as presented by international guidelines to protect the human rights of their employees and employees of partner companies and report the results to stakeholders. Human rights due diligence is conducted in the order of 1) human rights impact assessment, 2) identification of impact, 3) establishment of performance improvement plan 4) conducting improvement activities, 5) monitoring and 6) disclosure to stakeholders.</p> <p>Potential impact on human rights that may occur in each business site is managed continuously.</p> <p>The human rights due diligence conducted in 2021 is stated in detail for the public on our ESG Performance Report which is available on our website.</p>
Measurement of outcomes	<p>Measurement of outcomes are disclosed on our ESG Performance Report which is available on our website.</p> <p>http://eng.skinnovation.com/esg/sr_02.asp</p>

Labour

Assessment, policy and goals	<p>Employees are at the heart of our growth and development. We strive to ensure that SK innovation provides an ideal work places where all of our employees bring out their best in their jobs. As part of efforts towards the best place to work, we carry out a wide range of activities, including the operation of systematic human resource development programs to help our employees enhance their capabilities and the implementation of an ability-based reward system.</p>
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Detailed Guidelines

Respect for human rights: SKI shall respect all its employees as humans, and endeavor not to make any compromises on human rights.

Prohibition of forced labor: SKI shall not force labor against an employee's free will through mental or physical oppression including slavery and human trafficking. It shall not demand the transfer of government-issued IDs, passports, or labor permits as condition for employment.

Prohibition of child labor: SKI shall not hire children or youths under 15 years of age. Child labor Regarding anyone less than 18 years of age, SKI shall hire him/her in compliance with labor laws, and shall not put him/her to dangerous, hazardous work.

Working hours: Regular working hours and overtime work shall comply with the standards prescribed by the labor laws of the relevant country or region.

Wages: SKI shall set its employees' wages at a level not lower than the minimum level set by the labor laws of the respective country or region.

Non-discrimination

SKI shall not discriminate when hiring on any basis including gender, race, nationality, ethnicity, or religion, and shall not discriminate in conditions of work such as wages and promotions on the basis of the same.

Freedom of association: SKI shall guarantee freedom of association and the right to collective bargaining under the labor laws of the relevant country or region, and shall not impose unfavorable treatment on the basis of labor union membership, activities, or organization.

Workplace safety and environment: SKI shall endeavor to create a pleasant work environment and prevent safety accidents by complying with international standards, applicable laws, and internal regulations on the work environment.

Due diligence process for human rights protection: SKI, for effective human rights protection, shall strive for risk prevention and human rights protection by diligently performing its human rights due diligence process.

Sexual Harassment Prevention Policy

SK innovation bans sexual harassment including the behavior of employers, supervisors or workers

makes other worker feel sexually humiliated or disgusted with sexual words, actions of demands using

their superior position or title or in relation to work, or the behavior of giving disadvantages for reasons

of not responding to sexual words, behaviors and demands or expressing an

intention to offer benefits in return for a sexual demand. SK innovation responds to a sexual harassment case as soon as it is reported based on zero-tolerance policy and keeps confidentiality including the identity of victims and reporters. There should be no disadvantages caused by reporting a case. If such behavior is confirmed by investigation, appropriate actions such as disciplinary, corrective and legal actions are taken.

Sexual harassment prevention training

- SK innovation conducts sexual harassment prevention training as a mandatory course for all employees once a year.
- SK innovation conducts online and offline training considering the characteristics of various level of employees such as organizational leaders, on-site supervisors, new employees and trainees.
- SK innovation conducts training by sending sexual harassment prevention letter regularly to all employees every year.

Reporting and counseling process

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

Disciplinary and corrective actions

- The investigation committee investigates the case and decides appropriate HR and disciplinary actions on the person who committed sexual harassment based on company regulations. Then a reporter or a victim is informed of the investigation results including disciplinary actions or transfer to other department.
- SK innovation conducts survey on the awareness of employees on sexual harassment and state to prevent the recurrence of the case for all employees after closing the case. Actions to restore the

rights of a victim are implemented and the person who committed sexual harassment and a victim are managed continuously.

- Temporary separation measures such as paid leave for a victim or ordering the person who committed sexual harassment to wait to be assigned to prevent secondary damage. In addition, we support the psychological heading of victims by using Harmonia Counseling Coaching Center that provides psychological recovery programs or state-supported psychological treatment.

Workplace Harassment Prevention Policy

SK innovation bans workplace harassment including the behavior of executives (employer) or employees (workers) to inflict physical or psychological distress on other workers using their position or relationship

at the workplace or deteriorate the working environment. SK innovation keeps confidentiality

including the identity of victims and reporters and there should be no disadvantages caused by reporting

a case. If such behavior is confirmed by investigation, appropriate actions such as disciplinary,

corrective and legal actions are taken.

Workplace harassment prevention training

- SK innovation conducts training by sending workplace harassment prevention letter regularly to all employees every year.

- SK innovation conducts online and offline training considering the characteristics of various level of employees such as organizational leaders, on-site supervisors, new employees and trainees.

Reporting and counseling process

- Reporting a case: A victim or a witness may report a workplace harassment case to the Grievances

Handling Center and reporting can be made via e-mail, telephone or meeting.

- Counseling/investigation: Investigation committee composed of in-house lawyers, etc. is organized

to 1) conduct counseling and investigation, understand the case, 2) to find out whether the harassment

has been conducted repeatedly and continuously, 3) identify the damage suffered by a victim

and 4) collect direct or circumstantial evidence.

Disciplinary and corrective actions

- The investigation committee investigates the case and decides appropriate HR and disciplinary actions

on the person who committed sexual harassment based on company regulations. Then a reporter

or a victim is informed of the investigation results including disciplinary actions or transfer to

other department.

- SK innovation conducts workshops and training to diagnose organization and continuous monitoring

necessary for the prevention of the recurrence after closing the case.

- Temporary separation measures such as paid leave for a victim or ordering the person who committed

sexual harassment to wait to be assigned to prevent secondary damage. In addition, we support

the psychological healing of victims by using Harmonia Counseling Coaching Center that provides

psychological recovery programs or state-supported psychological treatment.

Key principles of collective agreement for SK innovation labor union

SK innovation affiliates respect the management rights and the labor rights under the basic spirit of the

Constitution and labor laws, protect union employees' human rights by establishing normal labor-management

relations and union employees' work conditions on equal footing, and regularly cooperate with

the labor union for the purpose of contributing to improvements in their social, economic status.

"Union member" refers to a company's employee who is an employee of the labor union, and SK innovation

affiliates recognize that employees can freely join or withdraw from the union of their free will.

Biennial collective agreements apply to all union members. SK innovation affiliates' labor-management

councils hold quarterly meetings and discuss matters which can benefit employees and the company

alike (employee welfare betterment, complaint handling, safety management, etc.). Also, labor and management actively communicate through various non-regular communication channels (management explanation sessions, business plan sharing, union member discussion meetings, etc.). SK innovation affiliates' key internal regulations to build a healthy labor-management culture are as follows.

1. The company and the union shall ensure that the company will fulfill its social responsibility as a corporation and contribute to social development, thereby making all employees do their job feeling reward and pride, and shall make active efforts so that the company can be an enterprise trusted by the people.

The company and the union shall diligently comply with the collective agreement, and the company recognizes that the union is an organization that represents all union members concerning collective bargaining and collective agreement for matters related to the collective agreement, union activities, and union members' work conditions. The collective agreement applies to the company, the union and union members.

2. The company shall guarantee union members' freedom of union activities, under no circumstances intervene in legitimate union activities, and not impose any disadvantages by reason of legitimate union activities.

3. When enacting, revising or abolishing the rules of employment, the company shall listen to the union's opinions, and if enacting, revising or abolishing the rules of employment or the HR management regulation causes work conditions to deteriorate, shall obtain the union's prior consent.

4. The following are items of collective bargaining.

- ① Union activities
- ② Wage and work conditions
- ③ Industrial safety and health
- ④ Benefits

	<p>⑤ Job security</p> <p>⑥ Other matters subject to collective bargain</p> <p>5. Labor-management council</p> <p>The company and the union shall form and operate the labor-management council to improve productivity, enhance labor-management mutual interest, and achieve industrial peace, and agendas, such as a) productivity improvement and sharing of the results, b) handling of union members' complaints, c) safety, health, better work environment, and union members' health improvement, d) systemic improvement in HR and labor relations management, and e) union members' welfare, are discussed in the labor-management council.</p> <p>Work environment for employees</p> <p>Wages for employees SK innovation affiliates pay, as wages, basic salary, statutory allowances and bonus, and basic salary is calculated based on each employee's job competency, period of service, work performance, etc. Also, employee's wage is strictly managed to be above the minimum level set by the labor relations laws of each country or region. Each year, the companies conduct wage negotiations with the labor union, and the wage increase rate is set by reflecting domestic inflation rate.</p> <p>Work hours of employees</p> <p>SK innovation affiliates comply with regular work hours and overtime hours as set by the labor relations laws of each country or region. (52 hours a week in the Republic of Korea.) Also, in the case of overtime work, SK innovation affiliates pay the employees overtime allowance based on the level set by the labor relations laws of each country or region.</p> <p>Paid leave of employees</p> <p>SK innovation affiliates comply with each country's standard labor laws, grant appropriate rest to employees, and make the following efforts to raise work productivity and efficiency.</p>
Implementation	<p>We run a variety of channels including SK group online channel, phone, fax, e-mail, and mail dedicated for reports to make it easier for our stakeholders to get consultation or report about ethics management issues. The reported issues and consulted cases are handled in a transparent and systematic manner</p>

	through the informant protection program under the corporate regulation.
Measurement of outcomes	<p>As of 2020, there were 157 reports and counseling, and the total number of cases was 94, excluding overlapped issues. The responsible department handles customer complaints and checks the follow-up measures. The consulting for ethics management is carried out through consultations with related departments. If any report requires further investigation, we conduct an audit to decide if any ethical violation was committed. In 2020, 4 out of 14 cases we investigated were found unethical, and we took action according to the resolution of the Reward&Punishment and HR Committee by the regulations.</p> <p>Measurement of outcomes are disclosed on our ESG Performance Report which is available on our website. http://eng.skinnovation.com/esg/sr_02.asp</p>

Environment

Assessment, policy and goals	<p>Based on our people-oriented management philosophy, SK innovation and all its affiliates aim to maximize stakeholder trust and accomplish mutual growth by promoting accident-free workplace and green management. For that, we establish and operate safety, health, and environment (hereinafter "SHE") standards of the same or higher than the level required by applicable laws, transparently disclose the results, and have declared to set ourselves to be a role-model in our domestic and overseas industry, selecting the following principles.</p> <p>Environment</p> <ol style="list-style-type: none"> 1. Define environmental management as a core task, and conserve the world environment by reducing GHGs (greenhouse gases) and minimizing pollutants. 2. Continuously create the environment's new values by developing green technology and operating a green business, thus innovating future energy.
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	<p>In 2012, SK innovation affiliates established a new policy to consistently and uniformly implement global-level SHE management. In addition, so that their domestic/overseas business sites can continuously implement SHE management, we upgraded our SHE management system to the global level. We defined 13 key elements, secured performance of each operation element on the basis of leadership, and built a positive cycle development system enabling system improvement through continuous inspection. The SHE management system's 13 key elements include contents of ISO 14001, and PSM review criteria, thus meeting both domestic and global standards.</p>
Implementation	<p>The environmental issue is a challenge that all humankind faces. With the increasing sense of responsibility for environmental agendas that threaten the survival of humanity and greatly influence the quality of life causing abnormal climate to fine dust, the world signed the Paris Agreement under the common goal of limiting the global average temperature increase to 1.5°C or below compared to the temperature of preindustrialization. The climate change agreement regulating greenhouse gas emissions are bringing about a shift in the business paradigm of corporations beyond just limiting GHG emissions. As more and more people see fossil fuels in a negative way as they are pinned as the major cause of GHG emissions, energy and chemical companies are seeing more demand from various stakeholders. Companies are faced with stringent environmental regulations of the governments, pressures from NGOs and local communities, demand for disclosing information related to climate change such as TCFD (Task Force on Climate related Financial Disclosures) and CDP (Carbon Disclosure Project), and stronger demand for responses from global investment companies due to downside risks of corporate value. Against this backdrop, preemptively integrating environmental agendas to corporate decision-making is not just an option now but a prerequisite for companies.</p> <p>On July 2021, SK innovation established "Carbon Net Zero" roadmap to promote green transportation in all business areas. We aim to present an integrated reduction goals for Scope 1, 2 and 3 for the first time in Asia and be a "Net Zero Pioneer" by achieving the goals. For conventional businesses such as petroleum, chemical and lubricants, we will accelerate the implementation of "Net Zero" by specifying technology-based eco-friendly business model including the development</p>

	<p>of carbon reduction technologies such as CCS through open innovation along with the government, industry and academia in addition to improving process for eco-friendliness and conversion to low-carbon products. In addition, the battery and material business will dramatically reduce the time to achieve Net Zero by introducing renewable energy generation power (RE100) and increasing operational efficiency.</p>
Measurement of outcomes	<p>SK innovation has established an ESG Committee under its board of directors to review the overall agenda for responding to climate change and managing ESG performance. The ESG Committee monitors SK innovation's Net Zero Roadmap and company-wide ESG risks, and serves as a key decision-making body to guide climate change response.</p> <p>Climate change risks and opportunities are directly or indirectly reflected in the KPI of the management as well as all executives and employees to help practical decision-making at the management level and identify new business opportunities. As part of DBL management, the evaluation of tasks for sustainable business innovation is reflected directly or indirectly in SK innovation's overall KPI, and thus sustainable business innovation acts as a factor in innovating the direction of management strategy. SK innovation's CEO KPI is one of the strategic challenges to facilitate the achievement of the Financial Story, and consists of 10% of the activities to achieve the Net Zero roadmap, and 10% of the ESG management activities in the key areas. These measures have reinforced SK innovation's efforts to practice global top-tier ESG management.</p> <p>Measurement of outcomes are disclosed on our ESG Performance Report which is available on our website. http://eng.skinnovation.com/esg/sr_02.asp</p>

Anti-Corruption

Assessment, policy and goals	<p>Based on SKMS (SK Management System), SK innovation has established the Code of Ethics as the standard for the correct behavior and value judgment all employees have to follow, and in the Code of Ethics Guideline, presents specific</p>
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	<p>standards of judgment. All employees of SK innovation affiliates have a duty to comply with the Code of Ethics. SK innovation affiliates have established a separate code of ethics for the suppliers with transactional or contractual relationship with them and recommend suppliers to comply with the same.</p>
Implementation	<p>Training on ethics management and pledge to comply with ethics management</p> <p>SK innovation has provided ethics training to all employees(including contract/dispatched workers), including overseas business sites. We plan to provide training for BOD according to the strengthening of the board's functions. In 2020, online education focused on domestic and overseas site-specific content and elevated the awareness of ethics management practice by making them sign on the pledge to comply with ethics management. In addition, businesses that are deemed to be expanding ethical management risks are separately provided with customized training according to their job characteristics.</p> <p>Survey on ethics management practice</p> <p>An annual survey is conducted to measure employees' awareness to identify areas of weakness in the ethics management system and culture. In 2020, 85% of all employees, including overseas sites, participated in the survey, and significant inquiries identified as a result of the survey are reflected in consultation with relevant departments and ethics management activities.</p> <p>Workshop to put ethics management into practice</p> <p>SK innovation conducts a workshop on ethical management for each organization every year to in-depth discussions on ethical dilemmas and risk cases among employees. In 2020, a workshop was held by selecting a discussion topic (audit cases and ethical dilemma situations) by organization (49 divisions).</p> <p>Promoting communication on ethics management</p> <p>To strengthen monitoring the status of ethics management, we are operating communication channels such as the ethics counseling room and the website. Through this, we disclose our code of ethics and receive reports and consultations about unethical behavior. In addition, to promote communication with employees, the ethics management section is organized on the internal</p>

	<p>channel, and ethical issues that may arise during work and cases of disciplinary action are shared with employees.</p> <p>Activities to spread the ethical awareness</p> <p>In line with the expansion of overseas business sites, SK innovation is carrying out activities to raise awareness of ethics management among overseas employees. In 2020, Code of Ethics, Code of Ethics Practice Guidelines, Ethical Counseling, and Report Handling Procedures were translated into the local language for each overseas business site, and education contents specialized for overseas employees were translated into the local language and training was conducted.</p>
Measurement of outcomes	<p>We run a variety of channels including SK group online channel, phone, fax, e-mail, and mail dedicated for reports to make it easier for our stakeholders to get consultation or report about ethics management issues. The reported issues and consulted cases are handled in a transparent and systematic manner through the informant protection program under the corporate regulation.</p> <p>As of 2020, there were 157 reports and counseling, and the total number of cases was 94, excluding overlapped issues. The responsible department handles customer complaints and checks the follow-up measures. The consulting for ethics management is carried out through consultations with related departments. If any report requires further investigation, we conduct an audit to decide if any ethical violation was committed. In 2020, 4 out of 14 cases we investigated were found unethical, and we took action according to the resolution of the Reward & Punishment and HR Committee by the regulations.</p>