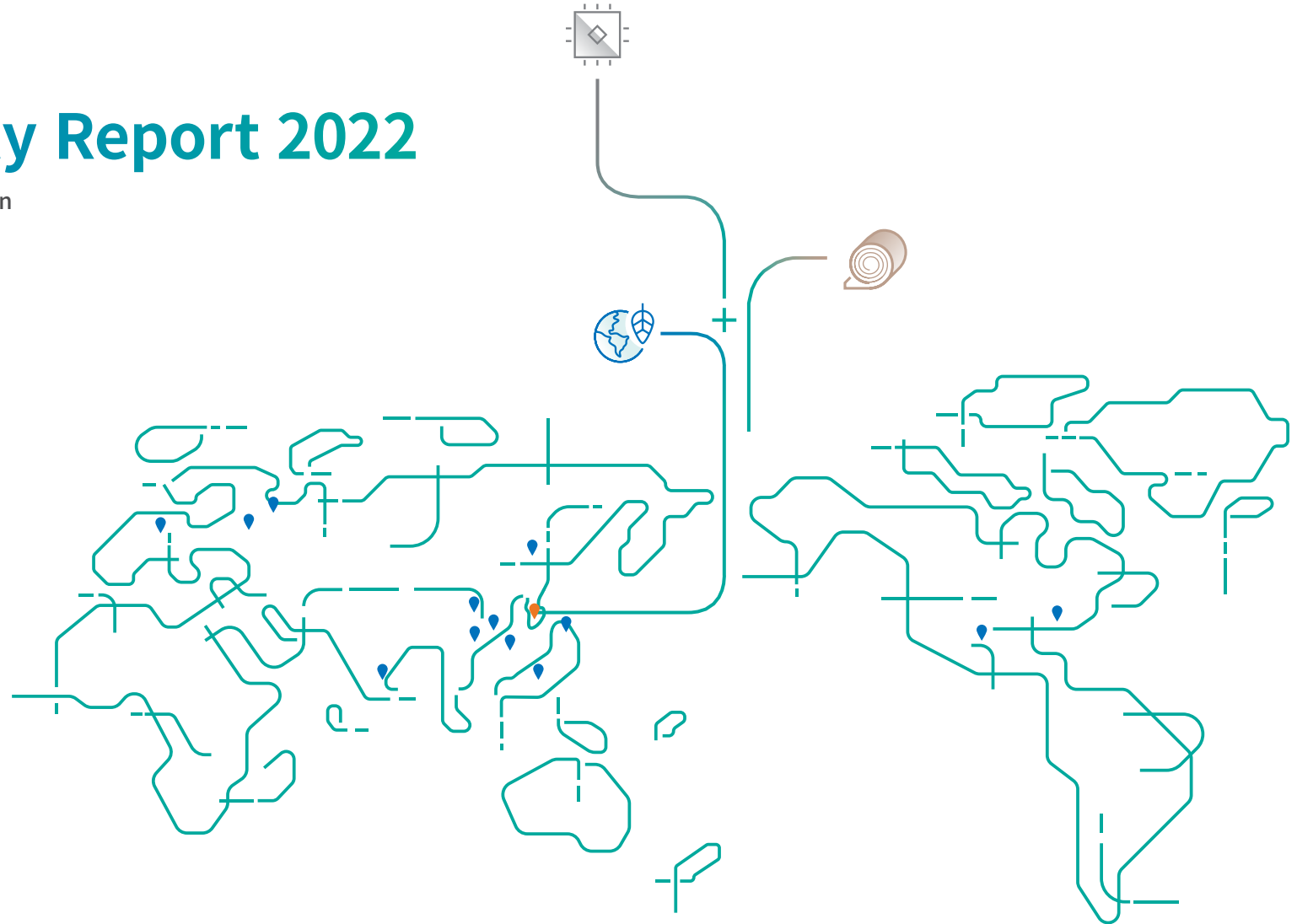


# SKC Sustainability Report 2022

Origination for the Next Generation



Intro
About This Report
Table of Contents
Overview
Financial Story
ESG Management
ESG Report
Appendix

# About This Report

## Report Overview

SKC has been releasing the Sustainability Report since 2020 to communicate with various stakeholders. This report, the third published by SKC, transparently discloses the efforts to promote sustainable management and significant achievements. SKC will continue actively collecting the stakeholders’ opinions and reflecting them in the management through sustainability reports.

## Reporting Principle

This report is compliant with the Core option of GRI (Global Reporting Initiative), the international reporting guideline on sustainable management. Also, to reflect the important issues that fit the characteristics of the industry, it complies with the disclosure recommendations of TCFD (Task Force on Climate-Related Financial Disclosure) and SASB (Sustainability Accounting Standards Board) standards along with the global sustainable initiative, the Ten Principles of UNGC and UN SDGs (UN Sustainable Development Goals), and K-IFRS (Korea-International Financial Reporting Standards).

## Reporting Period

This report contains the company activities from January to December 2021, and key data, from the past 3 years (2019 to 2021) are included to enhance comparability. The critical information that can affect the stakeholders also contains details before 2021 and the first half of 2022.

## Reporting Scope

The reporting scope comprises a total of 9 domestic worksites (Seoul, Suwon, Cheonan, Ulsan, Seongnam, Pyeongtaek, Jincheon, Anseong, and Jeongeup), including SKC and subsidiaries, and some content that includes overseas worksites data. Data with different reporting scopes are marked separately.

## Report Assurance

A third party from an external agency verified this report to enhance its reliability and quality, and the result thereof is available on page 89~90.

## Additional Information

This report is published in Korean, English and Chinese, and you may view or download it on SKC’s website ([www.skccr.kr](http://www.skccr.kr)).



Intro
About This Report
Table of Contents
Overview
Financial Story
ESG Management
ESG Report
Appendix

# Table of Contents

Intro	About This Report	02
	Table of Contents	03
Overview	By the Numbers	04
	CEO Message	05
	About the Company	06
	About the Products	09
	Subsidiaries	10
Financial Story	#01. Deep Change	20
	#02. Net Zero	23
	#03. Leap & Reap	26
ESG Management	ESG Management Promotion System	34
	Risk Management	37
	Social Value Performances	42
ESG Report	Environmental Data	48
	Social Data	53
	Governance Data	66
Appendix	Financial Data	73
	Double Materiality Assessment	77
	GRI Index	79
	TCFD	81
	SASB	85
	Third-Party Assurance Statement	89
	Verification Statement of Greenhouse Gas Emissions	91
	Participating Associations and Organizations	95



Intro
Overview
By the Numbers
CEO Message
About the Company
About the Products
Subsidiaries
Financial Story
ESG Management
ESG Report
Appendix

# By the Numbers

## Sales

(Unit : KRW 1 thousand (ratio))

38↑  
KRW 3.396 trillion

Total	3,396,056,746 (100%)
Rechargeable battery materials	661,559,788 (19.5%)
Semiconductor materials	484,621,349 (14.2%)
Chemical	1,102,072,745 (32.5%)
Industrial materials	1,131,878,978 (38.5%)
Others	15,923,886 (0.6%)

Indicators	Detailed Categorization	Unit	Figure
Rechargeable battery material production performance	Battery foil (Business: SK nexilis)	ton	36,381
Chemical product production performance	POD (Business: SK picglobal)	M/T	488,826
Industrial material production performance	PET FILM (Business: SKC)	ton	93,755
	PET FILM (Business: SKC inc.)	ton	44,325
	PET FILM (Business: SKC jiangsu)	ton	41,243
	High functional film (Business: SKC hi-tech&marketing)	km²	134,588
	Mill Base (Business: SKC hi-tech&marketing)	ton	981
Number of employees		persons	2,592

## Operating Profit

(Unit : KRW 1 thousand)

130↑  
KRW 464.7 billion

Total	464,743,374
Rechargeable battery materials	65,881,300
Semiconductor materials	22,312,523
Chemical	332,212,721
Industrial materials	68,918,123
Others	(24,581,293)

- + Signed a financial agreement worth **KRW 1.5 trillion** with Korea Development Bank
- + Plan to increase production of copper foil for electric vehicle batteries to **250,000 tons by 2025, the biggest in the world**
- + **Improve major ESG evaluation ratings**, such as the ‘BB’ rating for MSCI ESG and ‘A’ overall rating for KCGS
- + Awarded with the ‘**Carbon Management Special Award**’ in the ‘2021 CDP Korea Awards’ hosted by the Korean committee of CDP (Carbon Disclosure Project), the global ESG initiative
- + Joined the ‘**RE 100 (Renewable Electricity 100%)**’ the first time for Korean corporation, in 2020
- + SK nexilis obtained a **gold grade in ‘Zero Waste to Landfill (ZWTL)’** from UL, and SK picglobal received a **gold grade in ‘ESG management evaluation’** from EcoVadis
- + A KRW 500 billion loan for Polish copper foil construction taken by SK nexilis according to the financial agreement with Korea Development Bank **obtained a GL1 grade\*\* ESG financial assessment**, proving the ESG-friendliness
- + **Released My Green Place, a Korea’s first** gamified plastic recycling information platform
- + **Appointed an outside director as the chairperson for the Board of Directors and a female outside director as the chairperson for the Related Party Transaction Committee** for outside-director-centered management

\*\* GL1 grade: A grade that can be obtained after receiving the highest grade in all ESG financial assessments on whether the project falls under the Taxonomy and the management system is transparent, awarded by Korea Credit Rating

\* The figures shown in sales and operating profit exclude discontinued profits or losses from the solar film and PVDF film business in the industrial materials sector and the telecommunication network business of SK telesys and SKC Infra Service in the others

Intro
Overview
By the Numbers
CEO Message
About the Company
About the Products
Subsidiaries
Financial Story
ESG Management
ESG Report
Appendix

# CEO Message



We hereby announce  
the beginning of SKC 2.0,  
a healthier SKC.

SKC will focus our sincerity on ESG not as a choice but as a calling of the times and for a better world beyond our company’s growth. We will pursue a sustainable, more valuable growth and reorganize our business structure around rechargeable batteries, semiconductors, and eco-friendly materials, boldly re-establishing our corporate identity. We will make sure to actualize Greenhouse Gases (GHG) and plastic Net Zero with systematic and long-term action plans.

We will pursue the happiness of SKC employees and stakeholders, secure a transparent management structure, and strive to make sound decisions through board-centered management.

At the starting line of a new journey, SKC once again promises our stakeholders that we will reap healthy achievements with a greater leap.

Everyone who sends love and support to SKC, Nothing shall easily shake a company with a healthy growth. Even though today’s effort for sustainable management may not immediately change the future, we will do our best with the spirit of many tiny droplets that create the mighty ocean. SKC will do its best for ESG every day so that today’s declaration stays sincere. Please watch our future efforts closely with warm interest and support.

Thank you.

Won-cheol Park, CEO of SKC

*Woncheol*

Intro

Overview

By the Numbers

CEO Message

About the Company

About the Products

Subsidiaries

Financial Story

ESG Management

ESG Report

Appendix

# Company Introduction

## Company Introduction

Since its foundation in 1976, SKC has been leading the film and chemical materials industry by setting numerous ‘Korea’s first’ and ‘the world’s first’ records, such as Korea’s first production of polyester film and commercialization of propylene oxide and the world’s first commercialization of biodegradable film and eco-friendly HPPO method. Recently, we have become a global manufacturer and adjusted our portfolio from a future perspective to increase the proportion of high-value-added business, including rechargeable batteries, semiconductors, and eco-friendly materials. SKC will continue strengthening its high-value-added materials business through technological development and innovation providing new value to customers to rise as a ‘global ESG material solutions company.’ Moreover, we will further strengthen the ESG management and continue challenging ourselves to earn the trust and support from our customers and society as a sustainable corporation.

### General Status

(As of March 2022)

Company Name	SKC inc.
Area of Business	High-value-added materials in rechargeable batteries, semiconductors, and eco-friendly sectors, industrial and chemical materials
CEO	Park Won-cheol
Sales*	KRW 3.396 trillion
Operating Profit	KRW 464.7 billion
Date of Foundation	October 16, 1976
Headquarters	Block B, The K Twin Towers, 50 Jongro-1-gil, Jongro-gu, Seoul, South Korea
Countries Doing Business in	14 countries including the Republic of Korea, the United States, China, Japan, and Europe

\* Based on the year of 2021

## 2021

- DEC

SK Nexilis received an award from the Minister of Employment and Labor for its contribution to job creation
- NOV

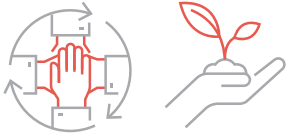
Signed KRW 1.5 trillion mid- to long-term agreement with Korea Development Bank on financial cooperation  
Decided to establish a joint venture with Daesang Group, LX International for manufacturing high-strength PBAT  
SK Nexilis decided to build a copper foil manufacturing plant in Poland  
Decided to invest in the silicon anode materials business
- OCT

Decided to invest in glass substrates for high-performance semiconductor packaging
- SEP

Announcement of SKC Financial Story  
Established SK TBMGEOSTONE, a joint venture with TBM of Japan
- JUL

SKC published the second Sustainability Report  
Declared the ESG vision, ‘Origination for the Next Generation’  
Exported the environment-friendly plastic technology ‘SKC Ecolabel’ to the US
- JAN

SK nexilis decided to build its first overseas copper foil factory in Malaysia



## 2022

- JUL

SK nexilis broke ground for a copper foil plant in Poland
- JUN

Decided to sell the industrial materials business to Hahn & Company
- MAY

MCNS was renamed SK pucore
- APR

Released ‘My Green Place,’ Korea’s first gamified plastic recycling information platform
- MAR

President Park Won-cheol took office as CEO
- JAN

Honored with the Special Prize for Carbon Management of the CDP Korea Awards



## 2020

- DEC

SK picglobal cooperated with the City of Ulsan in an eco-friendly technology to produce pyrolysis oil from plastic waste
- NOV

SKC received a commendation from the MSS Minister for its win-win cooperation with SMEs
- OCT

SK nexilis’ copper foil technology was certified as having the best record by KRI
- SEP

Launched Masters of Industry, an open platform for new materials technology
- JUL

SK nexilis received the Presidential Award of the 2019 IR52 Jang Yeongsil Prize
- JUN

SKC published the first Sustainability Report  
SK nexilis decided to invest in the expansion of its 6th factory, to produce the world’s top copper foil
- MAY

Selected as an Inclusive Company (No. 14 of Ministry of SMEs and Startups)
- APR

KCFT was renamed SK nexilis
- FEB

Establishment of SK picglobal, a joint venture with PIC of Kuwait
- JAN

Completion of acquisition of SK nexilis (former, KCFT), a global No.1 manufacturer of copper foil (100% subsidiary)

Intro

Overview

By the Numbers

CEO Message

About the Company

About the Products

Subsidiaries

Financial Story

ESG Management

ESG Report

Appendix

# Company Introduction

SKC is building a business ecosystem with various stakeholders while sharing the process of change and innovation through our Financial Story. The Financial Story contains future plans according to SKC’s efforts and changes in the business structure and secures a social consensus to drive the momentum of continuous growth. After declaring the ‘Deep Change’ in 2017, SKC innovated to transform its business model, and in 2022 announced its vision to become a ‘global ESG material solutions company,’ a new identity of the company.

In this year’s report, we incorporate our determination to become an unrivaled manufacturer of copper foil, a core material for rechargeable batteries, by expanding our facilities and increasing its production capacity to 250,000 tons per year. The report also focuses on the next-generation materials business, such as silicon anode materials and high-performance computing glass substrates, and demonstrates the footprints and future direction of SKC as it leaps toward a global ESG material solutions company focused on rechargeable batteries, semiconductors, and eco-friendly materials.

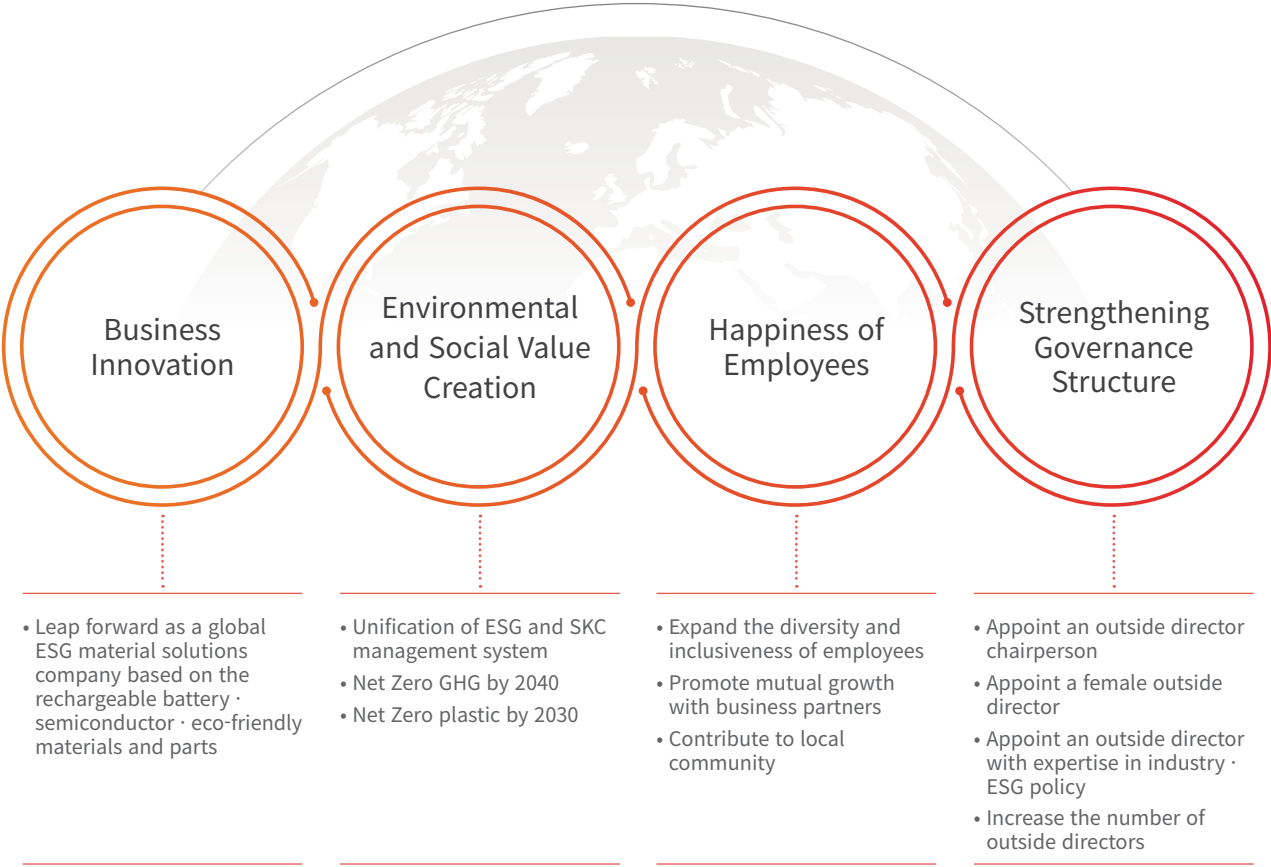
Through its Financial Story, SKC will continue to lead not just the company’s growth but also new changes and innovation by creating environmental and social values as a member of the social community.



Details of the SKC Financial Story can be found in the Financial Story section (Page 19~ 32) of this report.



‘Global ESG Material Solutions Company’



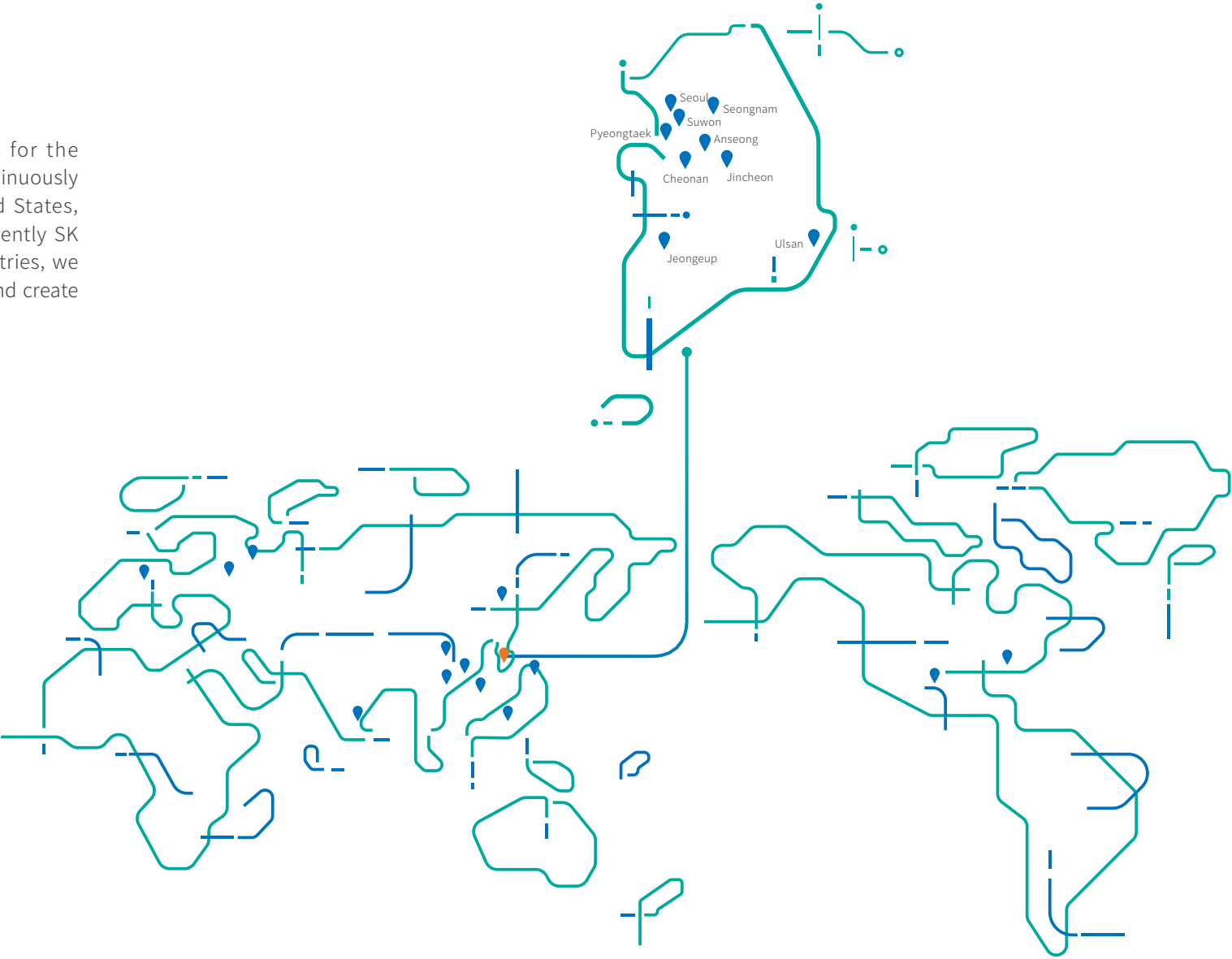
Intro
Overview
By the Numbers
CEO Message
About the Company
About the Products
Subsidiaries
Financial Story
ESG Management
ESG Report
Appendix

# Company Introduction

## Global Network

SK Group entered the overseas markets for the first time in 1996. Since then, SKC has continuously expanded its global network in the United States, China, Europe, and Southeast Asia. As currently SK is strengthening our value chain in 12 countries, we will continue to explore new opportunities and create value while expanding its overseas locations.

Category	Name
Major subsidiaries	SK nexilis
	SK picglobal
	SK pucore
	SKC hi-tech&marketing
	SKC solmics
	SKC inc.
	SKC jiangsu
Domestic worksites	Seoul, Seongnam, Suwon, Pyeongtaek, Anseong, Cheonan, Jincheon, Jeongeup, and Ulsan
Global worksites	United States Georgia
	Mexico Monterey
	Germany Frankfurt
	Russia St. Petersburg
	Poland Dzierżoniów and Stalowa Wola
	India Chennai
	Malaysia Kota Kinabalu
	China Jiansu, Shanghai, and Beijing
	Vietnam Hanoi
	Taiwan Taipei
	Japan Tokyo



Intro
Overview
By the Numbers
CEO Message
About the Company
About the Products
Subsidiaries
Financial Story
ESG Management
ESG Report
Appendix

# Product Introduction



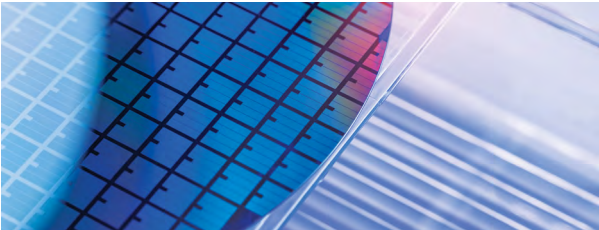
## Rechargeable Battery Material

To actively respond to the rapidly growing electric vehicle market, SKC is developing rechargeable battery materials as the new growth engine. We launched SK nexilis, a company with the best technology in the world in the copper foil sector, as a 100% subsidiary and we will establish ourselves as the number one copper foil company in the world with an annual production of 250,000 tons in Korea, Malaysia, Europe, and North America by 2025. We are also promoting commercializing next-generation anode materials with our know-how as a material company for 40 years. Silicon anode material is garnering attention as the next-generation material that improves rechargeable batteries’ charging speed and performance. SKC will contribute to the development of rechargeable battery industry by providing differentiated anode material solutions with adding copper foil technology to silicon anode materials.

- Copper Foil
- Silicon Anode



SKC is moving forward as a global ESG material solutions company by developing and producing products that provide higher value and solve issues to customers, society, and stakeholders. With the growth of the electric vehicle market, we are concentrating on producing materials for rechargeable batteries. We are also preparing for the world’s first commercialization of low-power, high-performance computing glass substrates, taking the lead in localizing high-value-added semiconductor materials. Moreover, we are taking the lead in developing eco-friendly raw materials and materials in this era of the climate crisis, commercializing various eco-friendly material solutions.



## Semiconductor Material

SKC is taking the lead in the localization of semiconductor materials based on 40 years of know-how in material technology. The technology accumulated in the media and polyurethane businesses has become a cornerstone for developing high-value-added semiconductor materials such as CMP (Chemical Mechanical Polishing) pads and blank masks. Based on continuous R&D and cooperation with global customers, SKC is preparing to commercialize the world’s first low-power, high-performance computing glass substrate. Glass substrate reduces the thickness of the semiconductor packaging in half while also decreasing power consumption. Thus, more CPUs, GPUs, and memory can be installed in the same surface area, which is advantageous for high performance. Glass substrates are garnering great attention from global clients. SKC aims to be reborn as a ‘value chain game changer’ in the semiconductor market.

- Glass Substrates for Semiconductors Packaging
- CMP (Chemical Mechanical Polishing) Pad
- Blank Masks
- Ceramic Parts



## Eco-friendly Material

Since its commercialization of biodegradable film made from corn extract in 2009, a world’s first, SKC has been commercializing various eco-friendly material solutions to contribute to solving the plastic waste issue. We have developed high-strength PBAT, a type of biodegradable plastic, for full-scale production. We are also developing a new eco-friendly material called biodegradable LIMEX, which combines high-strength PBAT with an eco-friendly LIMEX that combines plastic and limestone to reduce plastic usage, expanding the biodegradable business. We are growing our recycling business as well. We commercialized SKC Ecolabel, the world’s first recyclable PET bottle packaging material, and recycling technology for polyol, a raw polyurethane material widely used in insulation. We are also promoting the Bio-polyol business using biological materials.

- Biodegradable PLA film
- High-strength Biodegradable PBAT
- Biodegradable LIMEX
- SKC Eco-label
- Recycled polyol, Bio-polyol
- Waste Plastic Recycling Solution
- Eco-friendly PG



Intro
Overview
By the Numbers
CEO Message
About the Company
About the Products
Subsidiaries
Financial Story
ESG Management
ESG Report
Appendix

## Subsidiaries

### SK nexilis

Established in 1996, SK nexilis is a global rechargeable battery and display materials company that has been producing copper foil, a core material for lithium-ion rechargeable batteries, and FCCL (Flexible Copper Clad Laminate), a flexible printed circuit board material. Currently, the electric vehicle markets are booming with increased demand for premium products and stricter environmental regulations. SK nexilis has the world’s best technological competitiveness in the battery copper foil and FCCL fields and intends to solidify its global competitiveness through continuous R&D and expansion of production facilities.



#### Key Indicators

Sales in 2021

**KRW 663.2 billion**

Recognized for the best copper foil manufacturing technology  
**Awarded the Gold Tower Order of 2021 Korea Industrial Technology R&D Exhibition**

Obtained gold grade in **‘Zero Waste to Landfill’** certification for the first time in the industry

- Malaysian worksite targeted for mass production by 2023
- Polish worksite targeted for mass production by 2024
- North American worksite targeted for mass production by 2025



#### Business Introduction

##### Copper Foil

Since the beginning of its copper foil business in 1996, SK nexilis has continuously developed new technologies and improved productivity. As a result, it established itself as the world’s top manufacturer of copper foil for batteries used as anode current collectors for lithium-ion batteries. With the recent rapid growth of the global electric vehicle market, SK nexilis is meeting the fast-increasing demand by building production plants in Malaysia, Europe, and the United States. It has already demonstrated its overpowering technological superiority with the mass-production of 5 μm and 4 μm thick battery copper foils for the first time in the world in 2017 and 2019, respectively. With the independent plating recipe technology, SK nexilis is supplying battery copper foils with properties that meet customer needs. Meanwhile,

ultra-thin, wide-width, and long-length products are using its unrivaled roll-to-roll technology, increasing customer value with high-capacity, lightweight, and lowering the production cost of batteries.

##### FCCL

FCCL coated with copper foil on both sides of a PI (Polyimide) film is a core electronic material used in high-resolution signals and video connections of displays - TVs, laptops, monitors, etc. - or in a COF (Chip on Film) that transmits flexible circuit board signals of medical devices. SK nexilis is leading the display parts industry by creating high-resolution, thin, ultra-fine-circuit, and flexible displays with its sputter-type 2 layers FCCL. In addition, it develops and supplies product groups for special applications according to clients’ requirements.

Intro
Overview
By the Numbers
CEO Message
About the Company
About the Products
Subsidiaries
Financial Story
ESG Management
ESG Report
Appendix

# Subsidiaries

## SK nexilis

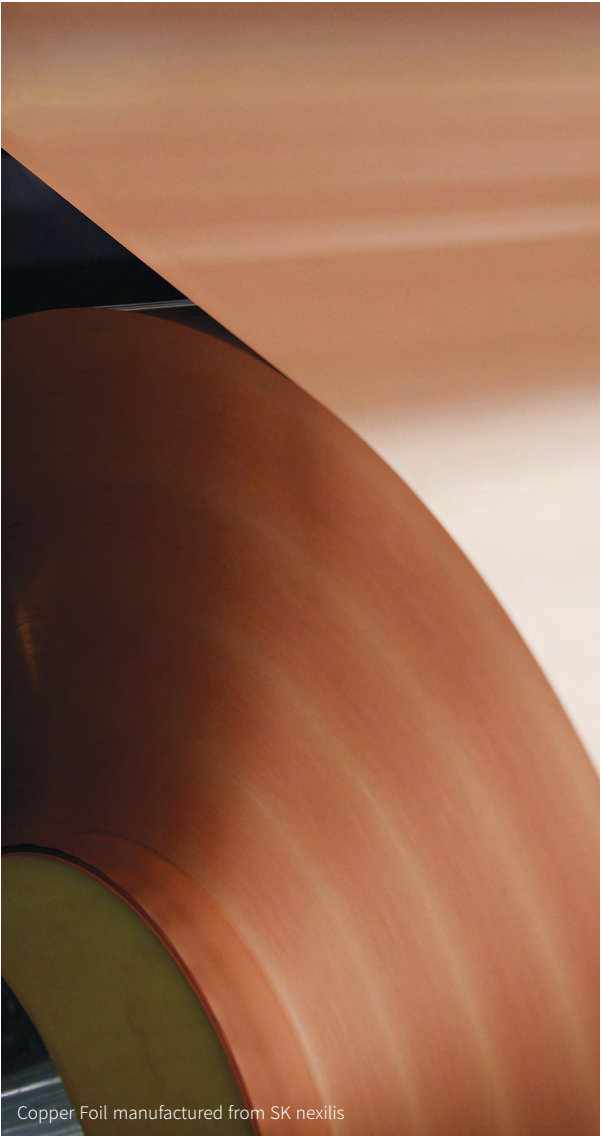
### Key Performances and Activities in Sustainable Management

#### Reduced GHG Emissions Through Promoting RE100 (Renewable Electricity 100%)

SK nexilis is working with SKC to increase the use of renewable energy to achieve RE100, which replaces the energy source of electricity with renewable energy. In particular, Malaysia, the first overseas production plant for global expansion, will fully implement RE100 by using only renewable energy. The Polish plant, which started its construction in July 2022, will also put RE100 into action by securing renewable energy on a massive scale. Based on ESG management, SK nexilis plans to promote the developing process and facility technologies to reduce electricity consumption and introduce an electric power monitoring system, actively promoting innovative activities to reduce GHG emissions.

#### Obtained ‘Zero Waste to Landfill’ Certification

SK nexilis did not only recycle scrap metal, waste paper, and waste plastics but also paid attention to byproducts of used water, and it has been striving to expand resource recycling by establishing a recycling system for copper byproducts. As a result, for the first time in the Korean rechargeable battery industry, it acquired a ‘Gold’ grade in ‘Zero Waste to Landfill (ZWTL)’ certification from UL, a global safety standard certification institution, and thus certified for recycling 95% or more of total waste generated during manufacturing. Taking this certification as an opportunity, SK nexilis plans to establish a comprehensive recycling cooperation system with its



Copper Foil manufactured from SK nexilis

clients and business partners while working toward acquiring ZWTL certifications for overseas worksites during its global expansion.

#### Operated ‘Joy’n Jeongeup,’ a Regional Economic Revitalization Project

Since 2021, SK nexilis has been working with Jeongeup City on a project to revitalize the regional economy and build a foundation for mutual growth. In October 2021, it opened a space to help young entrepreneurs start a business near Saemgoeul Market, the largest traditional market in Jeollabuk-do, and started a restaurant serving food using Jeongeup’s specialties, encouraging residents to visit the old city center. In April 2022, it opened the Joy’n Jeongeup shared office, the third shared store serving as a space for local youth entrepreneurship education provided by the social enterprise Underdogs, a space for entrepreneurs to collaborate, and a communication space locals can visit any time. The fourth store will be opened near the other three shared stores, and the Jeongeup Cheonbyeon-ro, where the shared stores are located, will be made into a Jeongeup signature street, thereby contributing to the revitalization of the old downtown. SK nexilis with Jeongeup City also started the 2022 Youth Startup Support Project in April 2022 to provide education, consulting, and seed funding for young entrepreneurs. It plans to provide ten weeks of preparatory training, select outstanding teams to provide funding and consulting, and form a community of local entrepreneurs with potential through regular meetings, actively supporting the start-ups in the area.

Intro

Overview

By the Numbers

CEO Message

About the Company

About the Products

Subsidiaries

Financial Story

ESG Management

ESG Report

Appendix

# Subsidiaries

## SK picglobal

SK picglobal has provided numerous ‘firsts’ to the industry, from ‘Korea’s first production of propylene oxide (PO) and propylene glycol (PG)’ in 1991 to the ‘commercialization of the world’s first eco-friendly PO production method’ in 2008. Reborn in 2020 as a joint venture between SKC and PIC, a state-owned petrochemical company from Kuwait, SK picglobal is growing as a global PO·PG manufacturer and it will continue to become a worldwide company based on the DNA of the first and the challenge.



### Key Indicators

Sales in 2021

**KRW 1.105 trillion**

Percentage of eco-friendly PG sales in 2021

**44.8%**

ESG management evaluation from EcoVadis

**Obtained ‘Gold’ grade**

**Target to start the pilot project for waste plastic recycling solution in 2022**



### Business Introduction

#### PO

Propylene oxide (PO) is a basic raw material used in polyol (a raw material for polyurethane used in cars, furniture, and building insulation), propylene glycol (PG, widely used in cosmetics, pharmaceuticals, and refrigerants), and propylene glycol ether (PGE, a water-soluble solvent with good solubility). The first company that started the commercial production of propylene oxide in Korea, SK picglobal also commercialized the HPPO method for the first time in the world, a method that has never been used in practice and is equipped with eco-friendly production capacity. In addition, it is actively developing and applying eco-friendly technologies, such as recovering external waste heat and using it in the form of regenerated steam.

#### PG

Propylene glycol (PG) is harmless to the human body and is used in food, cosmetics, and pharmaceuticals, and it was also commercialized for the first time by SK picglobal. Since then, SK picglobal has been the only company in Korea to produce PG, expanding its production capacity for value-added PGs, such as MPG, DPG, and TPG. In addition, in May 2022, it signed a Mutual Cooperation of Eco-Friendly, Low-Carbon Technology R&D with the Korea Research Institute of Chemical Technology to develop a high-efficient PG manufacturing process that reduces GHG emissions.



Intro
Overview
By the Numbers
CEO Message
About the Company
About the Products
Subsidiaries
Financial Story
ESG Management
ESG Report
Appendix

# Subsidiaries

## SK picglobal

**PGE**  
A colorless and low-toxic liquid, propylene glycol ether (PGE) collectively refers to PM (Propylene Glycol Mono Methyl Ether), DPM (Dipropylene Glycol Mono Methyl Ether), and TPM (Tripropylene Glycol Mono Methyl Ether). It is a water-soluble substance characterized by its excellent solubility and soft smell. Therefore, it is touted as an alternative solvent for strongly toxic glycol esters and is used for adhesives, electrical circuit cleaning solutions, and paints.

**Key Performances and Activities in Sustainable Management**  
**Implemented RE100 with the Green Premium**  
Operated by KEPCO, Green Premium is a purchasing system to promote the supply of electricity produced by renewable energy. Since it is impossible to separately purchase electricity produced from renewable energy through the existing power grid, purchasing Green Premium through bidding is considered using renewable energy for that amount. SK picglobal won the bid for 13GWh of electricity in 2021 and the first half of 2022 through Green Premium. In addition, it is devising specific plans to keep achieving RE100 until 2040.

**Waste Plastic Recycling Solution**  
Composite plastics make up a significant portion of plastic waste, but the conventional recycling method has a shortcoming in that it is challenging to process composite plastics. SK picglobal with SKC strives to create a circular economy by commercializing waste plastic solutions that re-extract waste plastics as raw materials for pyrolysis. Also, it is actively participating in the Alliance to End Plastic Waste (AEPW), a coalition of leading companies and organizations worldwide to resolve plastic waste issues.



Intro
Overview
By the Numbers
CEO Message
About the Company
About the Products
Subsidiaries
Financial Story
ESG Management
ESG Report
Appendix

## Subsidiaries

### SKC hi-tech&marketing

SKC hi-tech&marketing started as a display film processing company jointly created by SKC and Rom & Haas (acquired by DOW Chemical in 2009) of the United States, and it was reborn in June 2017 under its current name. Based on the coating technology and know-how accumulated for over 30 years, it produces high-functional films and advanced materials essential for the high-tech IT industry, such as displays and mobiles. It also develops and manufactures materials for various cutting-edge fields like automobiles and semiconductors, continuing its evolution and innovation to respond to rapidly changing society and customer needs. Recently, SKC hi-tech&marketing significantly improved its profitability by successfully launching new specialty materials such as adhesive films used in flexible OLED manufacturing and adhesive reflective films for mini LEDs.



#### Key Indicators

Sales in 2021

**KRW 468.7 billion**

Percentage of high-tech IT sales in 2021

**50%**

(High-tech IT sales KRW 235.4 billion)

Percentage of overseas sales in 2021

**60%**

(Overseas sales KRW 279.4 billion/Total sales KRW 468.7 billion)



In addition, it is providing next-generation composite films to meet the growing need for larger displays and premium TVs. It also produces differentiated products to follow the trend of strengthening the mobile flagship lineup, including foldable cell phones, securing its momentum for continuous growth.

#### Business Introduction

##### Optical Film for Display/Millbase

Since it commercialized optical film for display for the first time in Korea, SKC hi-tech&marketing has been steadily developing the technology. It has dominated the market based on its the world's best manufacturing capabilities and is leading the display material industry by developing millbases for color filters. Moreover, it produces high-value-added products in various fields, including next-generation display materials like films for flexible displays incorporating advanced technologies.

It is also strengthening its growth engines and operating local production facilities to actively respond to the Chinese market, which has established itself as a global production base for displays, such as LCD and OLED.

##### Films for Mobile/IT Material

SKC hi-tech&marketing's GDF (Glass Decoration Film), an anti-shattering film for mobile phones, has the number one global market share based on its superior technology and quality competitiveness. By implementing various color and high reflection effects, it has achieved innovation and differentiation in design and is widely leading the field. Its IT-material silicone release film, which is used for various purposes such as optics and other industrial use, is also continuing to be the top-tier in the market based on its excellent optical properties.



Intro

Overview

By the Numbers

CEO Message

About the Company

About the Products

Subsidiaries

Financial Story

ESG Management

ESG Report

Appendix

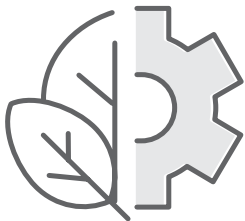
# Subsidiaries

## SKC hi-tech&marketing

### Key Performances and Activities in Sustainable Management

#### Activities to Reduce GHGs and Chemical Use

With the cooperation of all employees, the Cheonan and Jincheon worksites are carrying out various activities to reduce GHG emissions, including maintaining an appropriate indoor temperature, replacing air conditioners, and replacing LED lighting. They regularly monitor GHG emissions and strive to reduce energy use and emissions. In addition, the worksites are replacing the chemicals (methyl ethyl ketone) used in the roll washing process with more eco-friendly N-propyl alcohol and ethanol, actively reducing the use of hazardous substances.



Intro
Overview
By the Numbers
CEO Message
About the Company
About the Products
Subsidiaries
Financial Story
ESG Management
ESG Report
Appendix

## Subsidiaries

### SKC solmics

Since its establishment in 1990, SKC solmics has localized the once import-dependent fine ceramic material industry based on continuous R&D and investment. It is a leading semiconductor material and parts company growing based on global-level technology and quality. Since becoming an SKC subsidiary in 2008, SKC solmics has been strengthening the development of new materials and taking the lead in the development of future industries. After integrating with SKC’s semiconductor business in 2021, it is running the CMP pad and blank mask business, stepping up as a global company specializing in the semiconductor material and parts.



#### Key Indicators

Sales in 2021

**KRW 271.7 billion**

Localized semiconductor materials and parts

**Commercialization of CMP pad in 2019**  
**Commercialization of high-end (for ArF) blank mask in 2022**

Promoted eco-friendly product development

**MOCA Free CMP pad**  
**CI Free CMP pad**



#### Business Introduction

##### Fine Ceramics

SKC solmics has led the localization of the fine ceramic material industry in the semiconductor field based on its processing technology and R&D accumulated over the past 30 years. It has a diversified portfolio for each raw material, such as silicon (Si), alumina (Al<sub>2</sub>O<sub>3</sub>), silicon carbide (SiC), and quartz. In the case of silicon materials, SKC solmics established a batch production system from material production to processing. It continues to try to become the best with competitiveness in each semiconductor material and parts business field. It is also investing in new areas that can create synergy with the materials and parts business, including cleaning.

##### CMP Material

SKC solmics produces CMP pads and slurries, which are key materials for the planarization process that smooths the surface of semiconductor wafer. Recently, the use of CMP pads made of polyurethane and next-generation slurries is increasing in proportion to the use of nano-level semiconductors, where the planarization process is crucial. To respond to these market changes, SKC solmics will further expand our business through continuous R&D and collaboration with global clients. It can supply the products necessary for all CMP processes, and there are only two companies worldwide, including SKC solmics, that own this technology.

Intro
Overview
By the Numbers
CEO Message
About the Company
About the Products
Subsidiaries
Financial Story
ESG Management
ESG Report
Appendix

## Subsidiaries

### SKC solmics

#### Blank Mask

Blank mask is a raw material for photomask, a major part material in lithography technology, and it is a mask before a pattern is formed. SKC solmics is promoting the localization of high-end blank mask products. In November 2019, it finished building the production facility in Cheonan and started developing and producing prototypes for client certification. The goal is to start commercialization after the certification.

#### Wet Chemical / Precision Cleaning Business

SKC solmics operates wet chemical and precision cleaning plants in Nantong and Wuxi, China, respectively, to localize the suppliers. The wet chemical plant produces etchant that removes the oxide film, a developer in the pattern development process, and thinner used in the cleaning process that eliminates the resists after development. The precision cleaning process is used during semiconductor manufacturing to let parts with contaminated and etched surfaces be reused. As miniaturization is in progress, the wet chemicals and precision cleaning businesses are becoming increasingly complex and vital and are expected to grow in the future.

### Key Performances and Activities in Sustainable Management

#### Promoted Eco-friendly Product Development

SKC solmics is making efforts to reduce the environmental burden caused by the emission of hazardous substances and to improve worker safety. It developed a MOCA (Methylene bis Ortho-Chloro Aniline)-free CMP pad and completed basic evaluation for commercialization while developing a CMP pad. Moreover, it has developed eco-friendly solid-state foaming agent (chlorine-free solid-state foaming agent). Currently, SKC solmics has secured CMP pad products with the same level of physical and abrasive properties as existing pads and is conducting client evaluation for commercialization.

#### Localized Semiconductor Materials and Parts

Although the global demand for semiconductors is increasing, the materials and parts for the semiconductor manufacturing process are still dependent on imports. SKC solmics promotes localization by entering and expanding into various materials and parts businesses, including fine ceramics, CMP pads, and blank masks. As such, it is reducing the dependence on foreign countries and contributing to establishing and stabilizing the domestic semiconductor material and parts ecosystem.



Intro
Overview
By the Numbers
CEO Message
About the Company
About the Products
Subsidiaries
Financial Story
ESG Management
ESG Report
Appendix

## Subsidiaries

### SK pucore

Newly launched in 2022 after the end of the joint venture with Mitsui Chemicals of Japan, SK pucore is a global polyurethane material company. The new name, SK pucore, is a compound of polyurethane (PU) and core, which means that it plays a crucial role in developing the polyurethane industry and creates core values to grow together with clients. SK pucore continues to develop differentiated products, expand the proportion of key client sales, and improve its cost structure, while striving to provide the best service in the locations close to the customers in China, Poland, the United States, Mexico, India, and Russia. It is accelerating the expansion of the eco-friendly material business and global growth.



#### Key Indicators

Sales in 2021

**KRW 745.6 billion**

Re-polyol

**First commercialization of recycled polyol in Korea in 2022**

#### Business Introduction

##### Polyol

Polyol is the primary raw material for polyurethane products. Polyurethane is widely used in the industry in various forms, such as building and home appliance insulations, automobile seats, office floor coatings, industrial adhesives, shoe soles, and elastomers in leisure products. Based on its differentiated technology, SK pucore strives to meet the needs of its clients by providing the best products and services, including high-insulation products for home appliances, high molecular weight products, high-comfort products for furniture, and semi-incombustible products.



SK pucore's polyol material used in automotive seat making

#### Key Performances and Activities in Sustainable Management

##### Commercialized Recycled Polyols from Waste Polyurethane

Since 2022, SK pucore has succeeded in commercializing and expanding the market for recycled polyol (re-polyol), which recycles scraps generated during the clients' polyurethane foam manufacturing process and turns them back to polyol, a polyurethane raw material. It has launched an eco-friendly furniture brand that uses recycled polyol as the primary raw material. With various technological know-how acquired during this process, SK pucore is making efforts to expand and apply recycled polyol to diverse industries such as automobiles, refrigerators, and construction boards. It is cooperating with various business partners to upgrade its recycling technology. Moreover, it aims to establish a truly eco-friendly circulation system in which even urethane foam in waste products (mattresses, refrigerators, and automobile seats) that consumers throw away after use can be converted into recycled polyol.

##### Developed Bio-polyol Using Biological Raw Materials




Following the development of recycled polyols, SK pucore is expanding the development of eco-friendly products and developing Biopolyols utilizing various biomass. Bio-polyol is a polyol synthesized from several biological raw materials, and SK pucore develops, commercializes, and sells Bio-poolyol based on castor oil, a type of vegetable oil. In addition to castor oil, it is continuously working to create Bio-polyol products that use other biological materials. Moreover, SK pucore uses non-edible and waste-based raw materials when operating biomass-based businesses, not frivolously wasting scarce food resources.



Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix

# FINANCIAL STORY



-  [Story 01](#)  
Deep Change
-  [Story 02](#)  
Net Zero
-  [Story 03](#)  
Leap & Reap

## Story 01.

# Deep Change



Intro
Overview
Financial Story
#01. Deep Change
#02. Net Zero
#03. Leap & Reap
ESG Management
ESG Report
Appendix

## Numerous Titles of “the First” in Korea and the World

Since its foundation in 1976, SKC has set numerous records for ‘the first in Korea’ and ‘the first in the world.’ Starting with the development of Korea’s first polyester (PET) film in 1977, we succeeded in commercializing Korea’s first propylene oxide (PO) products in 1991 and the world’s first eco-friendly HPPO method and biodegradable packaging material in 2008. As such, SKC has been able to grow into a global manufacturer in the film and chemical industries through continuous innovation and challenges.



### First in the Korea

Development of PET film  
Commercialization of Propylene Oxide (PO) products

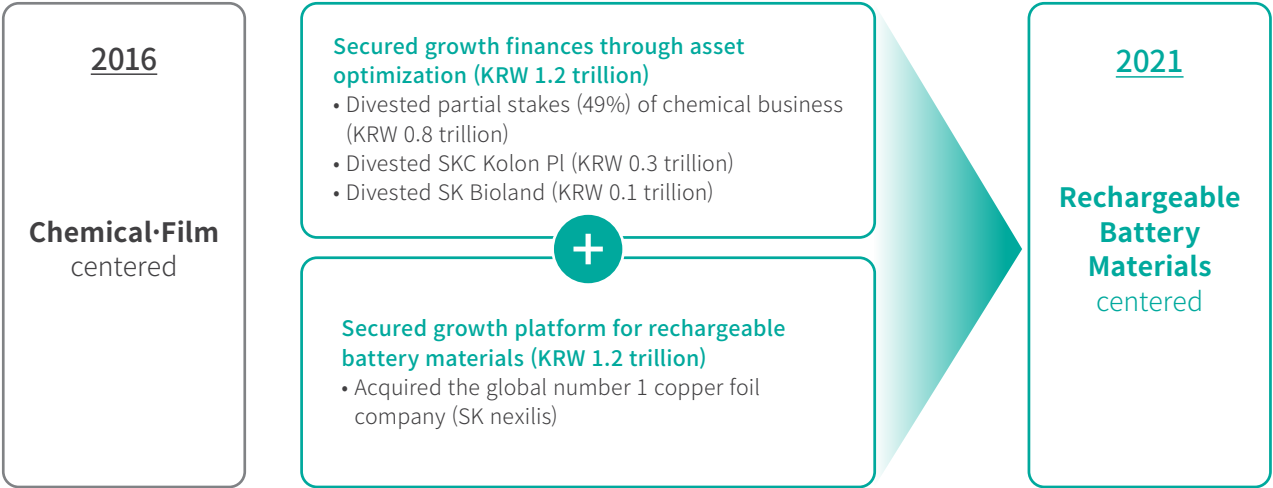
### First in the world

World’s First Eco-friendly HPPO method,  
Commercialization of Biodegradable Packaging Materials

## Pushing for Deep Change

SKC has never neglected challenges and innovations, but there was a time when we had to make more bold changes. As the materials industry rapidly changed after 2010, SKC also needed a large-scale innovation to keep pace with it. Especially, it was necessary to find a breakthrough as competition intensified in the film and chemical markets, which were the main fields of our business. Stakeholders also demanded to make not a small change, but a complete structural change. As a result, in June 2017, SKC declared Taljeong (脫井), which means ‘getting out of a confined well,’ and pushed for a complete Deep Change. As the first step, SKC undertook a drastic change in the business model for major businesses of the future. Using the existing chemical and film businesses as a foothold, we pursued a transition to a new future business with rechargeable battery materials at its core. We also decided on bold acquisitions and divestiture to set the stage for business transformation.

First, to secure a growth platform for rechargeable battery materials, we launched SK nexilis, a global top copper foil company, by investing KRW 1.2 trillion, which was more than 30% of our assets at the time. We entered the copper foil business after an intense scrutiny and consideration that copper foil could be the item that SKC can do well in the rechargeable battery sector and that it can be our new growth engine. Currently, SK nexilis has grown to become the world’s best copper foil manufacturer. According to a market research institute, it placed first in the market share of copper foil for electric vehicle batteries in 2021. SKC’s Deep Change continued to the semiconductor materials business. SKC converted SKC solmics, a subsidiary specializing in semiconductor process components, into a 100%-owned subsidiary and established a stepping stone for growth by combining the semiconductor-related businesses within SKC.



- Intro
- Overview
- Financial Story
  - #01. Deep Change
  - #02. Net Zero
  - #03. Leap & Reap
- ESG Management
- ESG Report
- Appendix

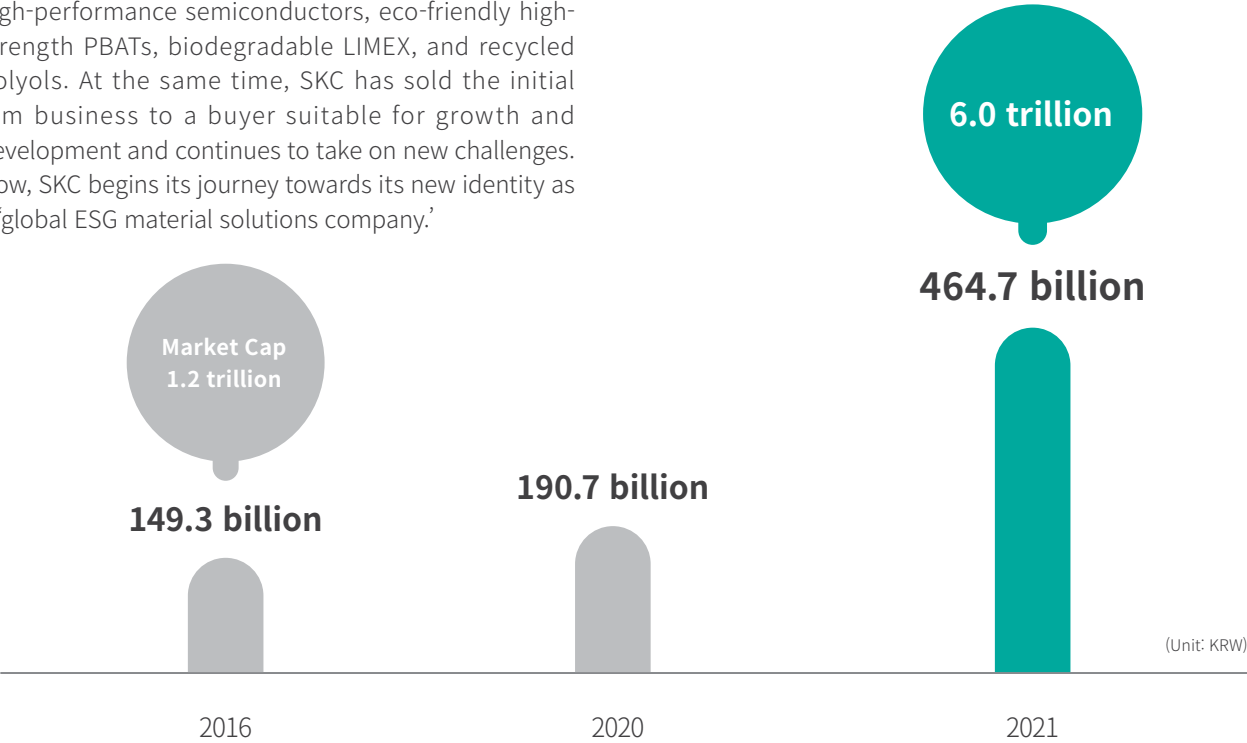
Meanwhile, we also made drastic changes to existing core business areas. SKC spun off the chemical business to advance into the global market with the PO business, which had been the only production system in Korea for several decades. We also transferred 49% of our shares to Kuwait’s PIC (Petrochemical Industries Company) to create SK picglobal, a global joint venture. We selected PIC as we determined it to be the best partner for international cooperation possessing the competitive capabilities to supply raw materials as well as conducting several global projects that we could cooperate with.

At the same time, we worked to shift the focus towards the high-value PG. Since 2016, SK picglobal has been strengthening its high-value-added PG products for cosmetics and medical supplies and secured logistics bases in European and North American countries, including Spain, Italy, and the Netherlands. Large global clients have recognized these efforts, letting us expand our sales to this day. We also accelerated our development and commercialization of material solutions. We set a long-term goal of converting existing chemical materials to eco-friendly materials and further reinforced our manufacturing capabilities and technological innovation. In addition, we secured additional growth financing by selling our stakes in subsidiary such as SKC Kolon PI and SK Bioland that do not match our mid- to long-term growth strategies and goals. As a result, SKC was able to use rechargeable battery materials, semiconductor materials, and eco-friendly materials as our main growth engines and engage in new businesses while collaborating with the stakeholders.

“And finally Comes to Fruition”

As a result of carrying out the Deep Changes focusing on rechargeable batteries, semiconductors, and eco-friendly sectors, SKC was able to achieve dramatic growth in which its corporate value increased five times within five years. Compared to 2016 when Deep Change first started, the company value in 2021 increased five-fold while operating profit tripled, achieving record-high performance. SKC will take another leap forward from now on. By 2025, we will secure a production capacity of 250,000 tons of copper foil, the key rechargeable battery material, and become the world’s number one manufacturer. In addition, we are actively pursuing new businesses in areas such as next-generation silicon anode materials, glass substrates for low-power, high-performance semiconductors, eco-friendly high-strength PBATs, biodegradable LIMEX, and recycled polyols. At the same time, SKC has sold the initial film business to a buyer suitable for growth and development and continues to take on new challenges. Now, SKC begins its journey towards its new identity as a ‘global ESG material solutions company.’

operating profit x 3 times,  
growth in company value  
x 5 times with  
the 1<sup>st</sup> Deep Change



Intro

Overview

Financial Story

#01. Deep Change

#02. Net Zero

#03. Leap & Reap

ESG Management

ESG Report

Appendix

Story 02.

# Net Zero



Intro
Overview
Financial Story
#01. Deep Change
#02. Net Zero
#03. Leap & Reap
ESG Management
ESG Report
Appendix



## Changes in the External Environment

### Approaching the Climate Crisis

The world is experiencing an unprecedented crisis due to climate change caused by an increase in global GHG emissions. Continued natural disasters, including large-scale floods, the heaviest snowfall in 50 years, severe droughts, and large wildfires, are raising concerns over environmental issues and health. Now, the climate crisis has become a problem that we must solve for the survival of humankind.

### The Rise of Global Cooperation in Reducing GHG

In 2018, the Intergovernmental Panels on Climate Change (IPCC) published the Global Warming of 1.5°C report, which discussed climate crisis scenarios resulting from the rise in atmospheric temperature. Accordingly, each government and international organization has prepared regulations and principles to respond to the climate crisis. Korea and other major countries have reinforced GHG emissions reduction targets in 2021, and the European Commission also released CBAM (Carbon Border Adjustment Mechanism) regulations.

Net Zero is also becoming a concrete action task for global enterprises and investors. Global investors require specific carbon reduction targets and plans for the reduction of GHG emissions throughout the entire value chain such as using renewable energy and reducing waste during production.

In the midst of such needs, SKC intends to actively promote Net Zero, minimize the negative impact and risk of the climate crisis to the corporation, and seek out opportunities.

## GHG Management System

SKC established an ESG Committee under the Board of Directors in 2021 to promote ESG strategies including Net Zero and is operating an organization dedicated to ESG promotion, strengthening our organizational system to respond to the climate crisis. In addition, we are reflecting the performance of GHG reduction in KPIs to increase the execution.

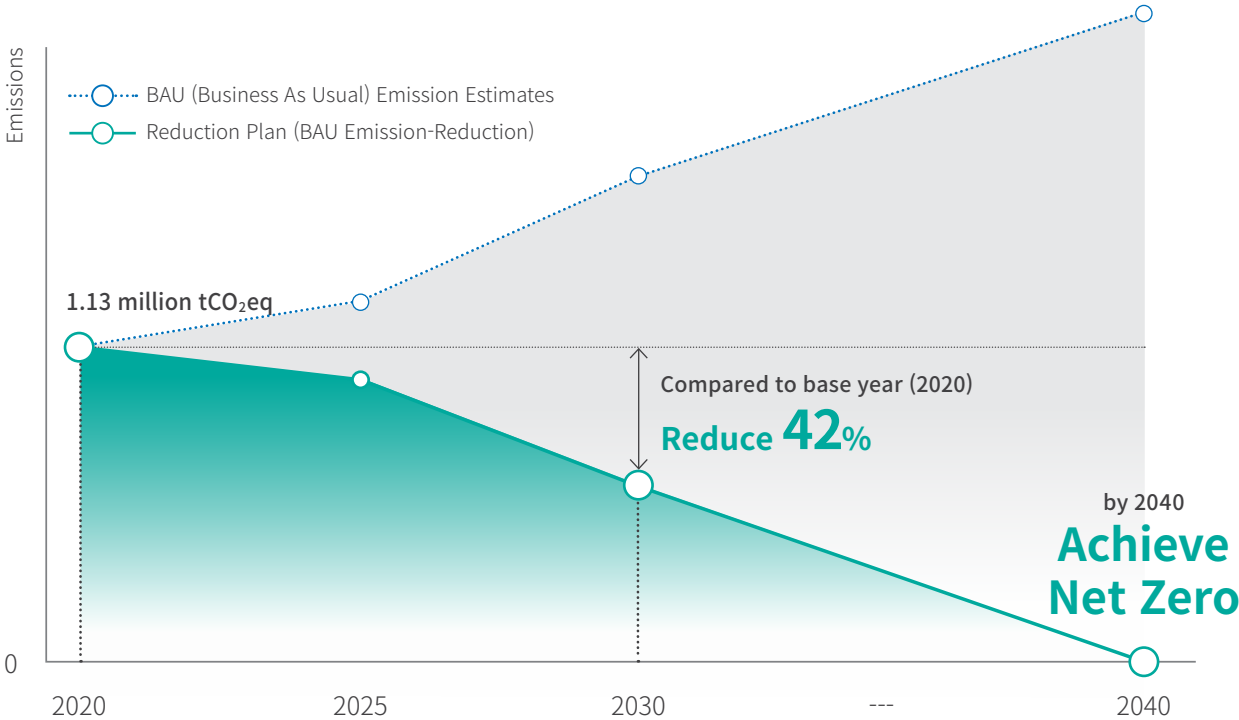
Each worksite inputs GHG data - electricity, fuel, and process gas - into the company-wide GHG management system to analyze the monthly emission status. We are securing the reliability and accuracy of emission measurement through third-party

verification for each site and actively participating in the domestic GHG emissions trading scheme.

## Roadmap for 2040 Net Zero

In 2021, SKC declared achieving 2040 Net Zero to respond to climate change risks and gain sustainable growth. In addition, as per the Science Based Target Initiative (SBTi) guidelines, we have set an interim target to reduce emissions by 42% in 2030 compared to the base year of 2020. SKC's Net Zero goal is based on IPCC's 1.5°C scenario and includes all global business sites, both inside and outside Korea.

SKC GHG Reduction Path (Scope 1 & 2)



\* Emissions in 2020 (base year) are the sum of domestic and overseas worksites

Intro
Overview
Financial Story
#01. Deep Change
#02. Net Zero
#03. Leap & Reap
ESG Management
ESG Report
Appendix

Net Zero Action Plans

Direct Emission Reduction (Scope 1)

The Scope 1 emission refers to the GHG emitted by the direct energy use within the worksites, and it is mainly generated during the combustion of fossil fuels. SKC intends to reduce direct emissions by electrifying the energy source centered around fossil fuels. Also, we plan to reduce the absolute amount of energy used by continuously improving the process efficiency. For direct emission sources that are difficult to quickly electrify as energy sources, we are reviewing various alternatives that can implement mid- to long-term technologies at the same time.

Indirect Emission Reduction (Scope 2)

Scope 2 emission refers to GHG emitted from purchasing and using the energy produced outside the worksites, most of which are from purchasing external electricity. To reduce this, SKC has joined the RE100 (Renewable Electricity 100%) in 2020. RE100 is an initiative where a company will procure 100% of its electricity from renewable energy such as wind, solar, and hydro power. It is based on the voluntary participation of a company, and it is significant that the company establish an annual implementation plan and assess the reduced amount. RE100 execution is the most important strategic tool to achieve Net Zero. In 2021, the Green Premium System

was used in domestic worksites, and new overseas expansion worksites such as Malaysia and Poland are promoting the full implementation of RE100 at the same time as commercialization. In the long term, we are evaluating to sign the Power Purchase Agreement (PPA) for stable supply of renewable electricity. We plan to create an optimal reduction portfolio by monitoring domestic and international renewable energy markets.

Emissions Management in the Value Chain (Scope 3)

Scope 3 is the emission related to the entire value chain from purchasing raw materials to usage and disposal, an area difficult to achieve reduction with SKC’s efforts alone. Nevertheless, to build a sustainable society from the climate crisis, we will not limit our reduction efforts to our worksites and prepare measures to execute Scope 3 reductions. For this, we plan to select a priority management category among the 15 categories in Scope 3 according to each business’s characteristics. We will also establish a step-by-step reduction strategy through collaboration with key stakeholders in the upstream and downstream.

Contributing to Reduction Through Products

SKC intends to contribute to potential emission reductions while using the existing products through the rechargeable batteries, semiconductors, and eco-friendly materials businesses. We plan to contribute to the overall GHG reduction by reducing potential GHGs that may occur when using or disposing of products, including internal combustion engines and plastic materials, by replacing them with new products. As such, we are accelerating the global expansion of the copper foil business and the next-generation anode material silicon business while pursuing the resourceization of waste plastic and commercialization of eco-friendly materials such as high-strength PBAT and biodegradable LIMEX.



Smartphone Application ‘My Green Place’ to Contribute to Carbon Reduction

SKC developed the smartphone application ‘My Green Place’ to solve the waste plastic problem and reduce carbon emissions and launched it on Earth Day on April 22<sup>nd</sup>. In the app, we included information on about 50,000 products using plastics. When a user scans a barcode on a product using a plastic container or packaging, it displays the correct way to recycle and the recyclability rating. With this app, users can more easily select highly recyclable products and recycle them correctly. To encourage more users to use ‘My Green Place’ for a long time, SKC created the app as a game. Users can decorate and nurture ‘their own world’ with items such as endangered animals and plants and eco-friendly facilities obtained with collected points. They can also enjoy competing with other users from the points ranking. ‘My Green Place’ is the first app to build a plastic information platform in a game.



My Green Place



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Intro
Overview
Financial Story
#01. Deep Change
#02. Net Zero
#03. Leap & Reap
ESG Management
ESG Report
Appendix

Story 03.

# Leap & Reap



Intro
Overview
Financial Story
#01. Deep Change
#02. Net Zero
#03. Leap & Reap
ESG Management
ESG Report
Appendix

Biz. Transformation

Through the Deep Change over the past five years, SKC presented the possibility of how much we can change. In 2022, we would like to show the possibility of SKC’s change towards a bigger dream. As such, SKC made 2022 the first year of implementing Leap & Reap, which means that we will leap forward as a global ESG material solutions company to reap excellent results. We will make the movement created through Leap & Reap a second and third wave in the ripple with our stakeholders, including our employees, clients, business partners, and society, ultimately increasing their value.

For this, SKC will reduce the proportion of the existing carbon and plastic businesses and increase ESG-oriented areas, such as rechargeable batteries, semiconductors, and eco-friendly materials, innovating our corporate identity. In addition, we will practice true ESG management by incorporating ESG into our business management. SKC will build a foundation for a new leap forward and reaping based on our experience and know-how of achievement from the Deep Change.



What is SKC’s ESG Material Solution?

SKC’s ‘ESG material solution’ refers to an eco-friendly material solution created with our technological capabilities and partnership to solve the difficulties of our clients, society, and stakeholders. Through this, we can provide higher value to our clients and community and increase corporate value. SKC plans to implement the ‘New Deep Change’ to become a global ESG material solutions company, and we expect that we can contribute to solving global environmental problems by playing the company’s essential role.

For this, we will continue to develop ESG material solutions in all business areas, including new businesses. We are already expanding our ESG material solutions area to copper foil for rechargeable batteries, next-generation anode materials, high-performance, low-power semiconductor materials, and eco-friendly materials. We will not stop challenging ourselves to develop new solutions for the future.

“Global ESG Material Solution Company”

Intro
Overview
Financial Story
#01. Deep Change
#02. Net Zero
#03. Leap & Reap
ESG Management
ESG Report
Appendix

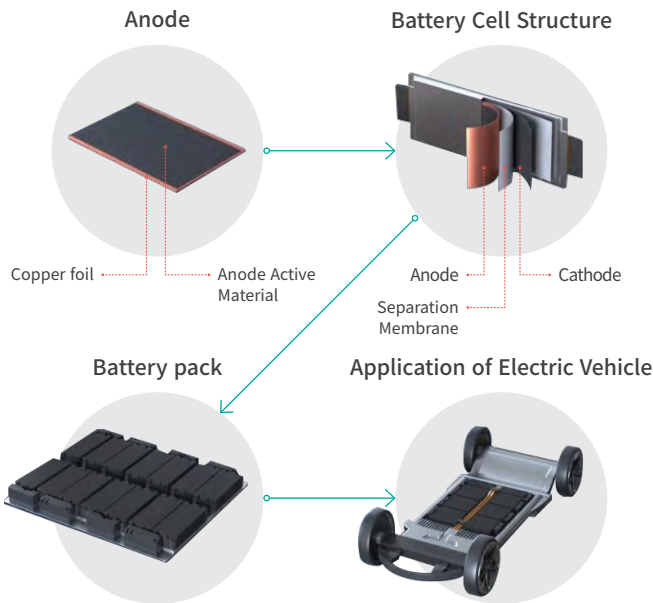
# The 3 Growth Axes of ESG Material Solution: “Rechargeable Battery, Semiconductor, Eco-friendliness”

## The First Growth Axis, Rechargeable Battery Material

### Advance to Become the Global Number One Leader of Anode Material

According to the ‘Global EV Outlook 2021’ report from the International Energy Agency, global electric vehicle sales in 2030 are expected to reach up to 230 million units. This means that 1 in 10 cars worldwide will be electric, and the share of electric vehicles is expected to surge from only 3% in 2021 to 12%. As the demand for electric cars rapidly increases,

#### Structure of Lithium-Ion Batteries



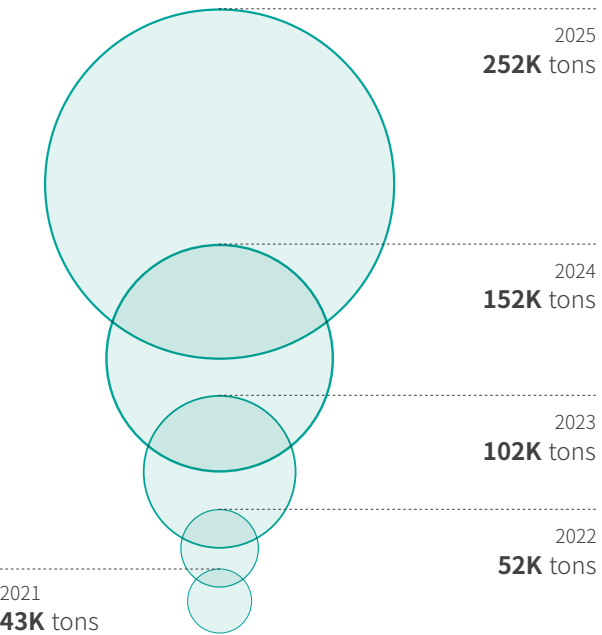
demand for copper foil, used as an essential anode material for the rechargeable batteries in electric vehicles, is also expected to rise sharply. Copper foil is the current collector for the anode of lithium-ion batteries, that serves as a path for current to flow and releases the heat generated by the battery to the outside. Therefore, the more thinly spread the copper foil is, the more efficient the battery becomes. In 2019, SK Nexilis, SKC’s 100% invested subsidiary, succeeded in mass-producing the world’s thinnest 4μm ultra-thin copper foil with its commanding technology. As a result, SKC has risen to a remarkable position in the next-generation rechargeable battery material market in which high-capacity and light-weight is the key, occupying about 20% of the global copper foil market. SKC is preparing for a preemptive move with the target of claiming more than 30% (more than 50% excluding China) of the market by 2025. In preparation for a rapid increase in demand for electric vehicles, we plan to further increase global production by securing production plants in Malaysia and Poland, widening the gap in ultra-thin and long-length technology, and preoccupying the core parts market to act against the market competitiveness. Through this strategy, we will achieve our goal of becoming the unrivaled number 1 in the world. To expand the rechargeable battery material business, we are also taking the initiative in preparing for the next-generation anode material business. Silicon anode material is garnering attention as a next-generation material in the electric vehicle market as it takes half the time to charge and stores four times the energy

compared to graphite anode material mainly used for electric vehicle batteries. SKC invested \$80 million in Nexeon, a British company specializing in silicon anode material technology, and entered the silicon anode material business through strategic collaboration. As we advance, SKC plans to accelerate the expansion of our value chain with the know-how from the copper foil business, clients, and our global network.

### Value Creation

SKC possesses the world’s best copper foil technology, and we will expand our business area to various businesses, including next-generation rechargeable battery materials and parts, to become the unrivaled leader in the global anode material market. SKC will actively contribute to reducing air pollution and GHGs with our rechargeable battery business.

#### SK nexilis Copper Foil Production Capacity



Intro
Overview
Financial Story
#01. Deep Change
#02. Net Zero
#03. Leap & Reap
ESG Management
ESG Report
Appendix

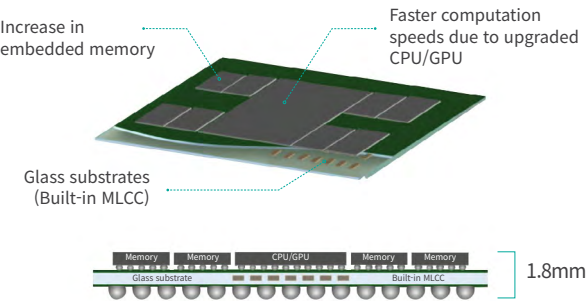
The Second Growth Axis, High-value-added Semiconductor Material

Leaping Forward as a ‘Value Chain Gamechanger’ Through High-value-added Semiconductor Material

As data throughput increases in artificial intelligence and data center servers, demand for high-performance semiconductors is rapidly increasing. The semiconductor packaging market for high-performance computing is expected to grow to \$9.5 billion by 2025, from \$3.5 billion in 2020. To actively respond to these market trends, SKC is developing the world’s first semiconductor glass substrate for high-performance computing and preparing for its commercialization.

The glass substrate developed by SKC is an innovative material that enhances the performance of semiconductors and lowers power consumption. General semiconductor substrates have intermediate substrates, making them thick with low power efficiency. SKC’s glass substrate has a smooth surface and can make large square panels, making it suitable to fit the miniaturization trend of semiconductor packaging as well as the enlargement of semiconductors. It is thinner and more power-efficient since no intermediate

SKC’s high-performance computing glass substrates



board is required. In particular, as MLCC, which had to be installed on the board’s surface, can be placed inside the board and mount a larger CPU or GPU on the surface instead allowing more memory to be installed, it is advantageous in high performance implementation. We are also developing a technology to mount the CPU and GPU inside the board for future technological innovation.

SKC is constructing a production base in Georgia, USA, to secure overseas clients for semiconductor glass substrates, and we plan to complete and operate the facility with an annual capacity of 12,000 m<sup>2</sup> by 2023. Several global clients have already certified the substrates, and we are reviewing a plan to expand its production capacity continuously by 2025.

In addition, we are leaping forward as a value chain gamechanger in the semiconductor material business by continuously introducing new parts. SKC incorporated SKC solmics as a subsidiary (100% owned by SKC) in 2021, unifying the scattered semiconductor materials business and using it as a new turning point to create new synergies. First, we demonstrated technological independence by localizing the blank mask material that foreign companies once monopolized. A blank mask is an integral part of the photomask used in the exposure process during semiconductor manufacturing. SKC solmics will soon commercialize a high-end blank mask that can form ultra-fine patterns for high-density semiconductors.

In addition, we have localized CMP (Chemical Mechanical Polishing) pads, which were also monopolized by overseas companies, with our know-how on polyurethane technology. We also developed the core technology for CMP slurry with high-purity fine particles, supporting our clients to secure the competitiveness of next-generation semiconductors.

CMP is a process that chemically and mechanically polishes a thin film formed on a semiconductor wafer. SKC solmics can supply the necessary products for all CMP processes, and only two companies in the world,



including SKC solmics, own this technology. High-purity ceramic components are also an essential factor in the performance of a semiconductor. SKC solmics manufactures and processes high-purity materials such as silicon (Si), alumina (Al<sub>2</sub>O<sub>3</sub>), silicon carbide (SiC), and quartz to manufacture products that have excellent plasma and corrosion resistance. We have been supplying domestic and international semiconductor chip makers with processing technology accumulated for over 30 years and developing differentiated high-quality cleaning technology through continuous research and development, leading to the localization of the high-purity ceramic business.

Value Creation

When SKC’s glass substrate is applied in the semiconductor packaging process, the package’s thickness and power consumption are reduced by half compared to existing substrates. SKC will actively promote high-performance semiconductor materials and parts business and steadily reduce power consumption, contributing to Net Zero and resolving environmental problems.

Intro
Overview
Financial Story
#01. Deep Change
#02. Net Zero
#03. Leap & Reap
ESG Management
ESG Report
Appendix

## The Third Growth Axis, Eco-friendly Raw Materials

**Eco-friendly Materials Become the Foothold for the Global Frontier of Eco-friendly Ecosystem**

The climate crisis is resulting in physical risks in the supply chain, and consumption trends are also shifting towards eco-friendliness and value consumption. Amidst the situation, SKC has determined that sustainable growth is impossible if we insist on existing business methods, and we will use the current environmental crisis and trends as an opportunity to leap forward. As such, we are innovating our business model to focus on eco-friendly materials for a sustainable future. In particular, we plan to build an eco-friendly raw materials/materials ecosystem based on our capabilities accumulated in the existing chemical and film businesses.

SKC is creating an ecosystem of biodegradable new

materials through active cooperation with domestic and foreign companies. Together with LX International and Daesang, we are spurring the commercialization of high-strength biodegradable PBAT material that uses wood-extracted nano-cellulose as a stiffener. We are also operating a business in biodegradable LIMEX, made by adding biodegradable materials to limestone, with TBM of Japan and expanding our efforts to reduce plastic use.

SK pucore, SKC's one of subsidiaries, that manufactures polyurethane raw materials, is also engaging in eco-friendly raw material businesses, including Bio-polyols. Polyol is a raw material used for various purposes, such as furniture, automobile interior materials, refrigerator insulation, and cold insulation for LNG ships. SK pucore focuses on the production of recycled polyols, which turn waste polyurethane foam generated during the clients' manufacturing back into raw material of polyols, and Bio-polyols, which use plant-derived oils instead

of petroleum-based raw materials. We are striving to expand the application of eco-friendly raw materials for polyols in the future.

The waste plastic recycling solution is another effort by SKC to resolve plastic recycling issues with the environment. SK picglobal, SKC's global joint venture in the chemical business, is building production facilities for industrial pyrolysis oil that recycles waste plastics. It was difficult to recycle collected waste plastics from various materials with the existing technologies, but SK picglobal uses pyrolysis technology to melt plastics altogether and re-extract them as plastic raw materials to increase resource utilization.

Currently, SKC is preparing a pilot facility with SK picglobal's know-how in chemical business combined with the technology of Kankyo Energy, a Japanese venture company, with the goal to start commercial operations in 2023. We plan to extract pyrolysis oil such as intermediate oil from waste plastic and use it as a raw material for boiler operation in the short term. In the long run, we aim to make plastic raw material by applying the refinement technology.

**Value Creation**

SKC is fulfilling its corporate responsibility on climate change and air pollution issues. First, we are promoting businesses focused on eco-friendly materials and expanding the business in new biodegradable materials, such as high-strength PBAT and biodegradable LIMEX. In addition, we are carrying out plastic-reducing activities, including recycling waste plastics and using plant-based raw materials instead of petroleum-based ones.



Intro
Overview
Financial Story
#01. Deep Change
#02. Net Zero
#03. Leap & Reap
ESG Management
ESG Report
Appendix

## Governance Story, Beyond the Global Standard

SKC is rapidly transforming its business model as well as its governance structure. In March 2021, we announced the Governance Innovation Plan with the goal of innovating our governance above the global standard and announced the Governance Charter that incorporated the innovation plan with the resolution of the Board of Directors. In 2022, we appointed an outside director as chairman of the Board, further strengthening the Board’s independence.

### Establishing Three Committees Under the Board of Directors

According to the Governance Innovation Plan, SKC has established three committees under the Board of Directors - the Related Party Transactions Committee, the HR Committee, and the ESG Committee. Now we have four committees, including the existing Audit Committee, and each committee is chaired by an outside director, reinforcing the independent decision-making structure.

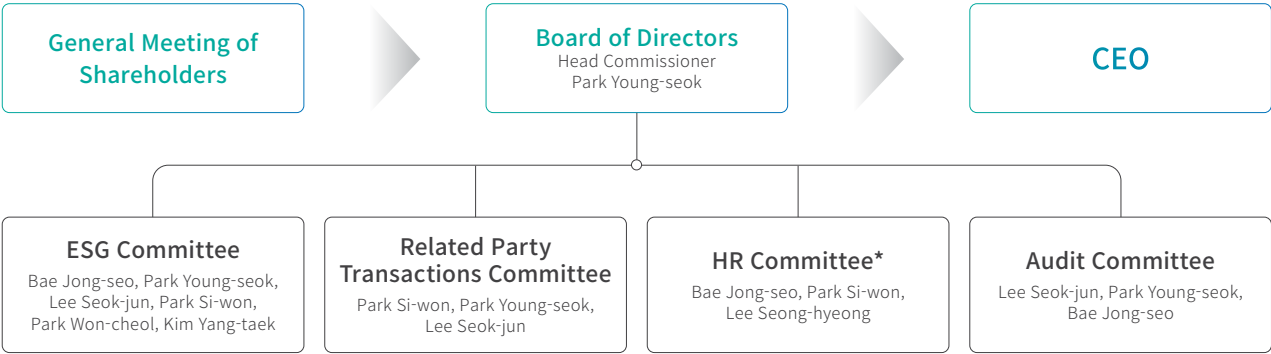
The ESG Committee deliberates in advance on SKC’s mid- to long-term strategies, ESG promotion strategies, large-scale investment projects, and annual management plans. It leads the sustainable management initiative by reviewing the direction of ESG management and monitoring its implementation status regularly. The Related Party Transactions Committee strictly deliberates on transactions and investments with related parties, including controlling shareholders, with only outside directors participating. It also inspects the transaction process with the related parties and suggests opinions. The HR Committee recommends candidates for outside directors, which the Outside Director Candidate Recommendation Committee previously performed, and also holds the inside directors in

check. For this, it has the authority to evaluate/compensate internal directors, including the CEO, and the power to recommend the CEO. To enhance the transparency in management and prepare for various crises, the Audit Committee performs comprehensive risk management and supervision, breaking away from just accounting audits. It also conducts additional non-financial audits, such as compliance monitoring with only outside directors, and it has the power to appoint external auditors and the right to agree to appoint and dismiss internal auditing executives.

### Appointing an Outside Director as the Chairman of the Board of Directors

In March 2022, SKC appointed an outside director Park Young-seok as the chairman of the Board of Directors with a resolution of the Board. With an outside director serving as chairman, we can further guarantee the independence of the Board. To reinforce the Board’s independence, SKC is also considering gradually increasing the proportion of outside directors and appointing additional female directors. In addition, we will introduce the Board Skill Matrix to further strengthen the professionalism of the appointment of directors. Based on this, we plan to specify the necessary competencies of the Board of Directors so that it can contribute to achieving SKC’s Financial Story goals.

#### SKC Governance



\* Includes the ability to recommend candidates for outside directors

#### Outside Directors

**Park Young-seok**  
Chairman of the BoD

**Lee Seok-jun**  
Head Commissioner of Audit Committee

**Bae Jong-seo**  
Head Commissioner of ESG Committee, Head Commissioner of HR Committee

**Park Si-won**  
Head Commissioner of Related Party Transactions Committee

#### Executive Directors

**Park Won-cheol**  
SKC CEO

#### Non-executive Directors

**Lee Seong-hyeong**  
Chief of Financial Division at SK inc.

**Kim Yang-taek**  
Chief of High-tech Material Investment Center at SK inc.

Intro
Overview
Financial Story
#01. Deep Change
#02. Net Zero
#03. Leap & Reap
ESG Management
ESG Report
Appendix

Global Story Expansion

Accelerating Global Growth

SKC plans to focus on the three growth axes, rechargeable batteries, high-value-added semiconductors, and eco-friendly materials to leap forward as a global ESG material solutions company. To expedite this process, SKC will accelerate global growth and expand our global story. SKC has established the direction of our global story: securing international clients and base for technology infrastructure, prioritizing cost competitiveness, prioritizing friendly regions that provide regulatory and support programs, and Korea’s development



and evolution as the base of R&D and technology development. As detailed implementation strategies by 2025, we will first establish three major production bases in the United States, Europe, and Southeast Asia, while changing the role of Korea as an IP and technology packaging center. We plan to develop business and secure technology and commercialization capabilities in Korea and directly commercialize them to competitive markets in the United States, Europe, and Southeast Asia. Second, we will actively perform JVs and M&As in ESG material solutions. We will develop new technologies and businesses to create

new global markets and preoccupy them to expand our new business areas and clients. By completing these detailed execution strategies, SKC will leap ahead as a global ESG material solutions company worthy of its title by balancing the proportion of global assets currently concentrated in Korea into Southeast Asia, Europe, and the United States by 2025.



Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix

# ESG MANAGEMENT

-  ESG Management Promotion System
-  Risk Management
-  Social Value Creation



- Intro
- Overview
- Financial Story
- ESG Management
- ESG Management Promotion System
- Risk Management
- Social Value Creation
- ESG Report
- Appendix

# ESG Management Promotion System

## ESG Vision and Strategy System

### ESG Vision

Our vision is the ‘Origination for the Next Generation,’ which contains SKC’s identity of ‘Origination’ and SKC’s direction, ‘for the Next Generation.’

## Origination for the Next Generation

### 3 Goals

The three goals were selected based on nine core issues of the materiality assessment and keywords derived from SKC’s vision and efforts for fundamental innovation. The three pillars of differentiated technology and competitiveness, sustainable environment, and the pursuit of happiness met SKC’s identity and became the three goals: Origination with Specialty, Origination for Sustainable Environment, and Origination for Stakeholders.

#### Origination with Specialty

SKC is expanding its business as a global company providing high-value-added specialty products and making bold investments and innovations for future growth. It shows SKC’s ESG management philosophy and the will to establish the foundation for future growth and secure sustainability with specialty materials.

#### Origination for Sustainable Environment

Faced with the aggravation of global environmental problems, SKC is also striving to create a sustainable environment that we can pass on to future generations. We plan to minimize the environmental impact of our business and continuously expand the effect of origination activities to become a company that coexists with the environment by taking an active lead in ecological improvement.

#### Origination for Stakeholders

SKC performs business activities with the happiness of stakeholders including our employees as the highest priority. We are carrying out various origination activities with the belief that the happiness of stakeholders ultimately promotes the sustainable growth of SKC.

Intro

Overview

Financial Story

ESG Management

ESG Management Promotion System

Risk Management

Social Value Creation

ESG Report

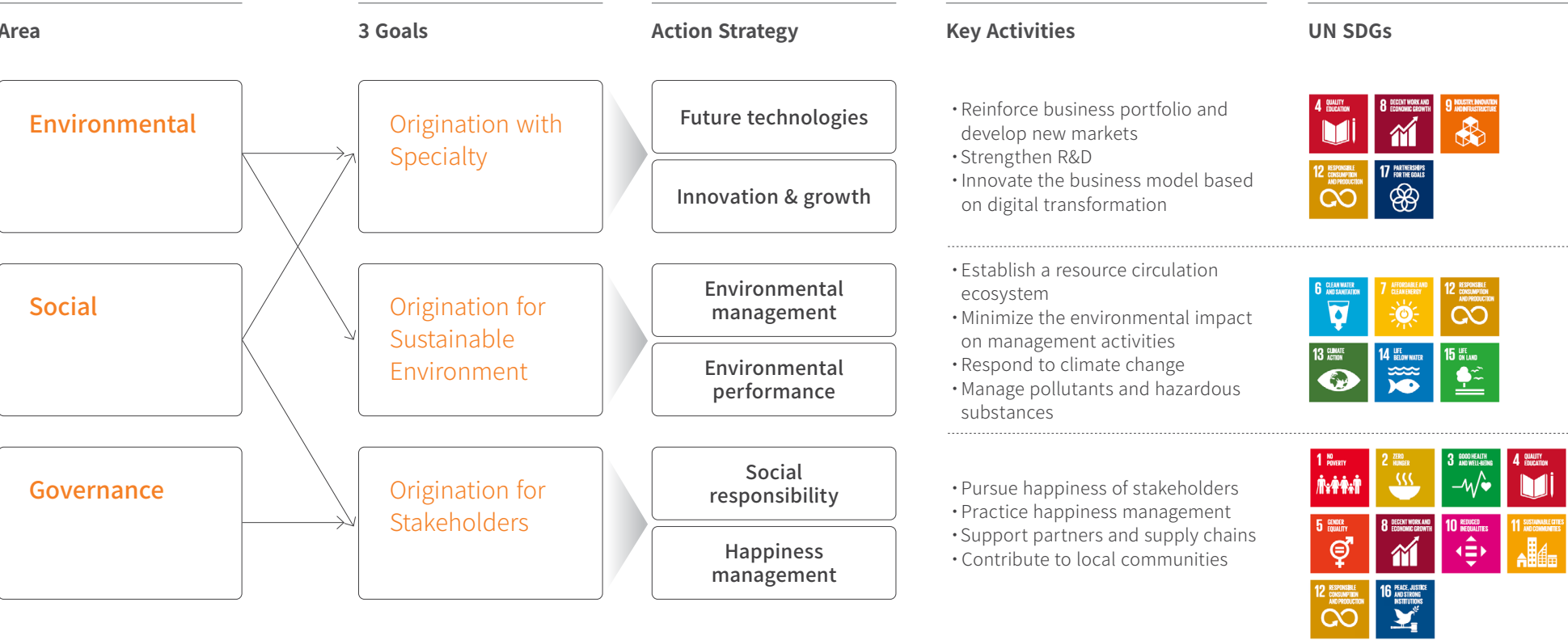
Appendix

# ESG Management Promotion System

## ESG Vision and Strategy System

### Action Strategy

In order to align with the ESG direction, we have established action strategies and key activities to implement the three goals focused on technology, environment, and society. This sustainability report has been prepared with a focus on the key activities of each goal and is in line with the 17 UN Sustainable Development Goals (UN SDGs).



Intro
Overview
Financial Story
ESG Management
ESG Management Promotion System
Risk Management
Social Value Creation
ESG Report
Appendix

# ESG Management Promotion System

## ESG Promotion Organization

### ESG Committee

SKC established the ESG Committee under the Board of Directors in 2021 to internalize ESG in the overall management system. Consisting of the CEO, 4 outside directors, and 1 non-executive director, the ESG Committee has secured independence by appointing an outside director as the chairperson.

The ESG Committee reviews the overall ESG promotion strategy, including climate change response, and also reviews mid- to long-term strategies, business plan, and large-scale investment plan in advance to provide communication management, guidance, and supervision to stakeholders. Apart from it, the Audit Committee under the Board of Directors oversees regular reviews, suggestions and opinions on ESG risks, and confirmation of corrective actions.

### Internal ESG Promotion Committee

In addition, we have established an Internal ESG Promotion Committee that practices ESG management. It is composed of executives of SKC subsidiaries, centered with the CEO, and it actively listens to opinions from external experts to maintain a balanced viewpoint. The Internal ESG Promotion Committee is enhancing SKC’s corporate value through regular ESG discussions and seeking ways to increase the happiness of the stakeholders. We also established SKC’s unique value promotion principles to practice substantial ESG management.

The committee’s primary role is to build a companywide ESG management system to reinforce the ESG execution capabilities and produce actual results. Moreover, it

monitors performance considering ESG scenarios, identifies improvement challenges, and periodically shares performance to flexibly establish strategies and seek cooperation measures. In the future, we plan to actively respond to our stakeholders’ needs by further strengthening ESG communication.

### ESG Advisory Board

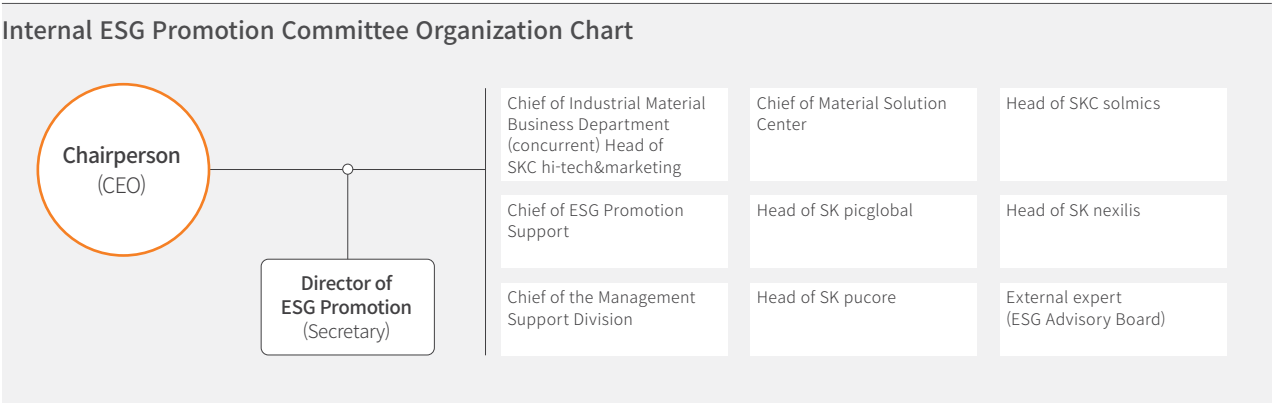
Furthermore, to secure the ESG credibility and expertise, we plan to operate the ESG Advisory Board\* (hereafter referred to as EAB) where external experts participate in refining the ESG management promotion system established to reinforce the execution capabilities of the Financial Story. EAB is operated directly under the ESG Promotion Support Department and serves as an advisory organization that presents ESG insights and expert opinions to the ESG Promotion Committee.

### Subsidiaries ESG Management Policy

SKC conducts ESG management, including major

subsidiary companies, and applies the same standards as SKC within its management scope. Currently, we are evaluating major domestic subsidiary companies in accordance with core ESG indicators such as external disclosures and external ESG evaluation and SK Group internal ESG core index. The results are reflected in companywide KPIs to manage the performance. SKC plans to steadily expand the scope of the investing companies and management index to strengthen the ESG management further. To this end, we plan to expand the scope of management from the current range of major domestic to overseas subsidiary companies by 2023 and expand the management index from environmental-centered index to social and governance index.

Moreover, we intend to contribute to stakeholders’ social and economic value creation and increase their trust in SKC. For this, we identify stakeholders’ ESG needs through annual materiality assessments. Based on the evaluation results, we supply products and services that create social value for our customers and other stakeholders, and we are working on projects such as ESG management within the supply chains. In 2022, we set the target of discovering two projects, and we plan to expand projects and target stakeholders starting in 2023.



\* ESG Advisory Board: An outside expert group composed of experts in each field of Environmental(E), Social(S), Governance(G) to secure SKC’s sustainability

Intro
Overview
Financial Story
ESG Management
ESG Management Promotion System
Risk Management
Social Value Creation
ESG Report
Appendix

# Risk Management

Recently, business environment has been rapidly changing, and future uncertainties are increasing due to various environmental, social, and economic risks. SKC is implementing systematic and preemptive risk management to practice sustainable growth against short- and long-term risks. We are also managing risks by preparing response systems and measures from both financial and non-financial perspectives.

## Integrated ESG Risk Management

### Risk Management System

SKC analyzes and effectively manages potential risk factors that may occur during business operations through an integrated risk management system. The role of the Audit Committee under the Board of Directors has been strengthened given the function of reviewing non-financial risks. Non-financial risks include SHE and information security, climate change, health and safety, and compliance, which includes compliance monitoring and transparent recruiting. On these topics, the Audit Committee conducts regular reviews, makes suggestions for improvement, and checks whether measures are taken for corrections.

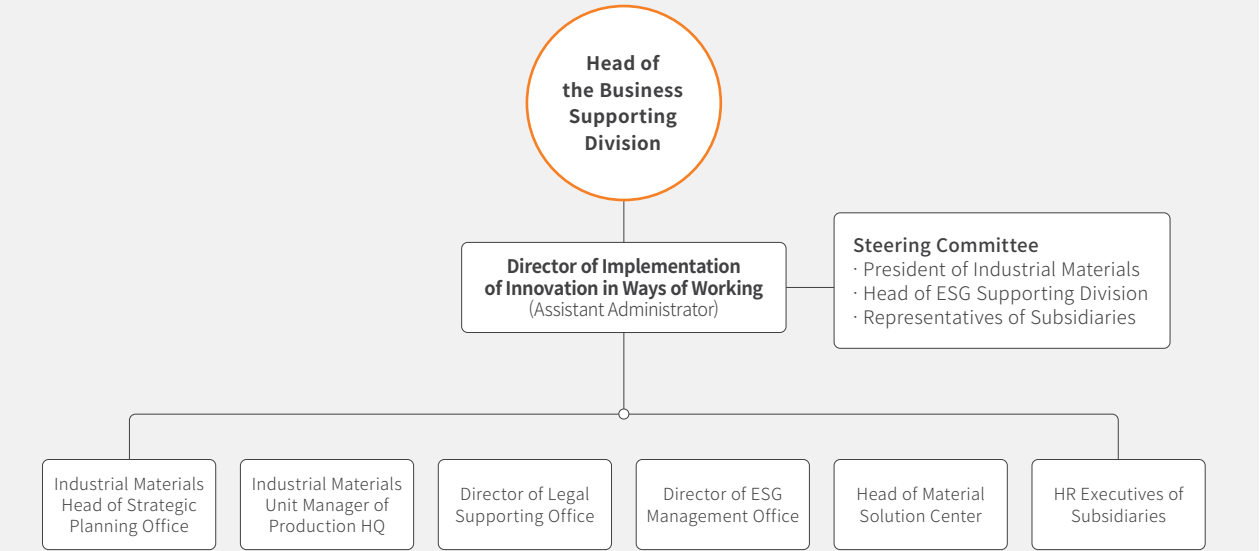
The Audit Committee is scheduled to meet at least once a quarter, and more than two thirds of them, including the chairperson, consists of outside directors.

### Emergency Response Task Force (TF) against COVID-19

With the prolonged COVID-19 pandemic, a close response at company level has become more important. SKC has established a company-wide control tower, emergency response task force, and crisis response organizations for each work site and subsidiary and is responding to related crises with response scenarios for each situation and operational guidelines for each stage. In 2021, we reorganized the company-wide emergency response task force organization to establish an issue-oriented sharing/reporting system and reinforced the regular system inspecting vulnerable areas. In 2022, we performed the quarantine management based on the vaccination status of each business site.



Emergency Response TF against COVID-19 Organization Chart



Intro
Overview
Financial Story
ESG Management
ESG Management Promotion System
Risk Management
Social Value Creation
ESG Report
Appendix

# Risk Management

## Financial Risk Management

### Internal Accounting Management System

SKC operates an internal accounting management system to record and disclose reliable accounting information. Since 2020, we carried out design and operation evaluations based on the “Design and Operating System of the Internal Accounting Management System” as announced by the Internal Accounting Management System Operations Committee and operated effectively the “Criteria for Internal Accounting Management System Evaluation and Reporting” as the evaluation standard. In addition, we have appointed the Director of the Finance Support division as the internal accounting manager to comply with the Act on External Audit of Stock Companies. We have also secured objectivity and expertise through the professional services of an accounting firm. The operation plan for the internal accounting management system is set annually and reports to the Audit Committee and Board of Directors



at the beginning of the year. As the verification scope of internal audit has been expanded from separate financial statements to consolidated financial statements starting from 2022, we also operate the internal accounting management systems of major subsidiaries at the audit level. Non-audit services, which external auditors can perform to manage the independence of external auditors, are limited and need to obtain prior consent or consultation from the Audit Committee. These limits apply to only when it is deemed that there are no particular issues in the non-audit service performed by the external auditor under relevant laws, such as job restrictions under the Certified Public Accountant Act.

### Financial Risk

Major financial risks that companies face are foreign exchange, credit, and liquidity risks. SKC establishes and operates financial management policies that focus on minimizing potential risks in line with the characteristics of the highly volatile financial market. SKC analyzes the risks confronted with the situation and manages them not to exceed the limits by setting appropriate control measures. The Audit Committee oversees whether the management manages the risk policy reasonably in compliance with the procedure and whether the managing system is appropriate.

### Management Measures by Financial Risk

#### Foreign Exchange Risk

To reduce changes in business performance due to foreign exchange rate fluctuations, we enacted ‘Exchange Risk Management Rules and Regulations’ and assigned dedicated personnel to establish and implement subdivided management policies by position in sales, finance, and investment. In addition, we not only set up risk management strategies for each subsidiary considering its business and position exposure characteristics, but also inspect performance, thus performing a company-wide risk management.

#### Credit Risk

Credit risk refers to the risk that a counterparty may inflict financial loss on the company by failing to meet its contractual obligations for a financial product. To promptly respond to credit risks and minimize related losses, we integrated all tasks such as withdrawal of bond, and disposal of bad accounts. SKC requires external clients to purchase credit insurance to enhance transaction safety and provide evaluation grades for loans that surpass the credit insurance limit based on internal indicators. We also secure additional collateral to minimize credit risk in advance.

#### Liquidity Risk

We always manage the appropriate liquidity level by forecasting cash flow and monitoring the financial market. Based on this, SKC secures preemptive liquidity and thus strengthens control of variability.

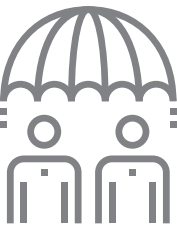
Intro
Overview
Financial Story
ESG Management
ESG Management Promotion System
Risk Management
Social Value Creation
ESG Report
Appendix

# Risk Management

## Non-financial Risk Management

### Compliance Risk

Non-compliance with domestic and international laws and policies can lead to severe losses, such as fines or damage to the company’s reputation. In response to the growing importance of compliance risk management, SKC constantly monitors the latest domestic and international regulatory and government policy trends and external environments. In addition, we are conducting ethical management affidavits and ethics training so that the compliance risk management culture can be established naturally within the organization during the employee’s daily work. We also manage anti-corruption risks by reinforcing the monitoring system, including anti-corruption audits. We are also operating a compliance program to manage risks of unfair transactions such as monopoly and collusion. From 2021 on, we are operating and strengthening the Related Party Transactions Committee to manage internal transaction risks, such as transactions with our subsidiary parties and investment deliberation, maximizing our management transparency. Transparency in business has been maximized through the Related Party Transactions Committee for risk management in inside transactions, which include transactions with specially related persons.



### Information Security Risk

SKC regularly checks and improves the effectiveness of security policies and inspects vulnerabilities in security management of the operating system to strengthen the protection of corporate data and customer personal information. Moreover, we provide information security education and take security pledges for employees of ours and business partners, and we raise awareness of information security via activities such as mock training against malicious emails and security campaigns.

### SHE Risk

We prioritize compliance with laws and regulations related to SHE risks and conduct regular and frequent SHE diagnoses at domestic and overseas worksites to manage those risks. We strive to build a culture prioritizing SHE by enacting SHE policies, management manuals, regulations, procedures, and standards. We

Worksites Obtained Quality Management System Certifications	
Category	Worksites Obtained Certifications
ISO 9001	<ul style="list-style-type: none"><li>• SKC Suwon, Jincheon, China (Jiangsu), the United States</li><li>• SKC hi-tech&amp;marketing Cheonan, China (Suzhou)</li><li>• SKC solmics Jangdang, Chupal, Yongwol, Cheonan</li><li>• SK picglobal Ulsan</li><li>• SK pucore Ulsan, China (Beijing), the United States, Poland, Mexico, India</li><li>• SK telesys Pangyo</li></ul>
IATF 16949: 2016 • SK nexilis Jeongeup	

also manage ISO 14001 (environment) and ISO 45001 (safety and health) certifications and have obtained the following quality management system certifications to prevent product and service safety accidents and manage quality.

### Climate Change Risk

Currently, the world is exposed to risks from climate change. To this effect, SKC intends to transform itself into a company that leads the response to climate change by promoting Net Zero GHG and implementing RE100. We are continuously performing energy-saving activities and investing in GHG reduction facilities to lead the initiative of reducing GHG. Furthermore, we are minimizing our financial impact by predicting emissions and internal carbon price and continuously making decisions on reduction investments by considering the reduction of GHG emissions and maximizing investment efficiency.

### Waste and Water Resource Risks

Corporations must minimize their environmental impact through meticulous waste and water resource management. With the recent expansion of the global water resource management system, mainly in developed countries, regulations on water footprint are becoming trade barriers. In response, SKC is promoting activities to reduce single-use waste, such as packaging materials, and increasing the degree of resource utilization by discovering new waste recycling companies. We also strive to eliminate risks by strengthening reuse and recycling processes and establishing a water recycling system.

Intro
Overview
Financial Story
ESG Management
ESG Management Promotion System
Risk Management
Social Value Creation
ESG Report
Appendix

# Risk Management

## FOCUS

### Strengthening Safety, Health, and Environment (SHE) Management

SHE is the top priority in management activities directly related to the safety, life, and health of employees and local communities. To comply with the Serious Accident Punishment Act enacted in 2022, SKC strives to secure objectivity and strengthen implementing an effective SHE management system.

### Advancing SHE Management System

SKC considers safety, health, and environment (SHE) as the top priority in all business activities to provide a safe and pleasant environment for its employees and stakeholders. We receive opinions on safety, health, and the environment through various communication channels to make improvements. We seek to prevent serious accidents by complying with safety, health, and environment laws; establishing and implementing systematic regulations and procedures.

### SKC’s Responses to the Serious Accident Punishment Act

SKC is preventing serious accidents by thoroughly reviewing and faithfully complying with requirements of the newly enacted Serious Accidents Punishment Act. Prevention activities are responsibility of the executive officer to eradicate serious accidents. We are reporting the safety and health status and plans of worksites, including those of stakeholders and business partners, to the executive officer regularly through the Safety and Health Committee, an organization specializing in safety and health. In the newly established shared infrastructure committee, which SKC and subsidiaries executive officers attend, we discuss safety, health, and environment (SHE) systems, culture, and capacity reinforcing and sharing best practices regularly to enhance our SHE level. In addition, we newly have established a laboratory safety and environment consultative organization attended by companywide researchers and discuss safety, health, and the environment and share the results.



Intro

Overview

Financial Story

ESG Management

Risk Management

ESG Report

Appendix

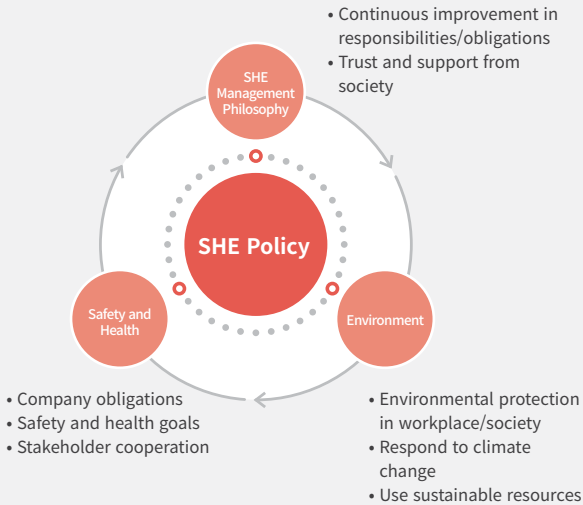


# FOCUS

## SHE Policy

SKC newly amended safety, health, and environment (SHE) policy in 2022 to consider SHE as the top priority, take responsibility for the safety and health of stakeholders, and minimize the impact on business activities and products.

### Key Elements in SHE Management Policy



SHE Policy revised in 2022 is constantly circulated through training and internal postings for SKC employees, and we strive to internalize a culture of complying with SHE through the pledge of SHE practice.

**Safety, Health, and Environment (SHE) Policy**  
With values centered on people and the environment as our priority, SKC pursues accident-free, employee health, and eco-friendly management. To this end, we will fulfill our responsibilities and obligations in all relevant laws and regulations, build and operate the SHE management system in the best possible condition, and continuously evaluate and improve it to become a sustainable company trusted and supported by society.

#### Safety and Health Policy

1. We prioritize a safe and healthy working environment to reduce safety and health risks and create an optimal working environment by removing risk factors.
2. By improving health and safety capabilities and system advancement, we continuously increase safety and health levels and achieve the goal of zero accidents through regular education and training.
3. To this end, we encourage the participation of all employees in safety and health, including our business partners, and continuously consult with them to practice a voluntary safety and health culture.

#### Environment Policy

1. We minimize environmental impact by developing eco-friendly products, designing eco-friendly processes, and protecting the environment of worksites and local communities through systematic management of chemical substances.
2. We join in global environment conservation by minimizing Greenhouse Gas (GHG) emissions and participating in global initiatives to respond to risks from climate change.
3. We contribute to creating a sustainable environment through resource circulation, such as reducing the use of water and raw materials.

#### SHE Pledge

As the members of SKC, we keep in mind that safety, health, and environment (SHE) are the top priorities and comply with the following principles to internalize them in ourselves.

- a. I strictly comply with SHE laws and internal regulations to prevent accidents and environmental pollution.
- b. I keep in mind that SHE is the top priority and participate in SHE activities voluntarily/enthusiastically.
- c. I continuously improve unsafe conditions and behaviors.
- d. I remember that SHE is the foundation of happiness and fulfill my social responsibility of respecting people and preserving the environment.

## Setting 2022 Health and Safety Targets

To create safe worksites, in 2022, SKC set the target of ‘zero serious accidents and minimizing bodily injury accidents.’ To achieve this, we have established measures to prevent accident recurrence and a safety and health management system, supplemented the legal compliance system, and expanded training to achieve 100% of all targets. Furthermore, to achieve the goal of zero serious accidents and bodily injuries, we will expand investment in health and safety and continuously improve the safety and health management system by 2025.

### SKC’s Safety and Health Target of 2022

Target	Detailed Targets	
Prevention Serious SHE Accidents	Zero serious accidents, minimize bodily injury accidents (6 cases)	
	Establish measures to prevent accidents recurring and 100% implementation rate	
Establishment and Implementation Safety and Health Management System	Establishment and implementation of Safety and Health Management System 100%	<ul style="list-style-type: none"><li>- Update safety and health target and management policy</li><li>- 100% confirmation and improvement rate of risk factors</li><li>- Establish and evaluate the work performance evaluation system for safety and health manager</li></ul>
		<ul style="list-style-type: none"><li>- Establish a safety and health budgeting system</li></ul>
		<ul style="list-style-type: none"><li>- Complement the operation of safety and health experts (factory, research institute)</li></ul>
		<ul style="list-style-type: none"><li>- Complement listening to opinions on safety and health from employees and business partners</li></ul>
		<ul style="list-style-type: none"><li>- Complement the emergency response system for major industrial/civil disaster</li><li>- Improve the system of securing safety and health in business partners</li></ul>
Compliance with safety and health laws	Complement the compliance system	<ul style="list-style-type: none"><li>- SHE pre-review process and compliance evaluation system</li></ul>
Implementation of an administrative agency improvement order	100% training implementation rate per safety and health laws	
	100% fulfillment rate of improvement order by administrative agency	

- Intro
- Overview
- Financial Story
- ESG Management
- ESG Management Promotion System
- Risk Management
- Social Value Creation
- ESG Report
- Appendix

# Social Value Creation

SK Group has a specialized system called the DBL (Double Bottom Line) management system, which pursues economic value (EV) and social value (SV) simultaneously. This is to take the lead in the system-based ESG management to create ‘social value’ that guarantees corporate sustainability. SK Group has been aiming at the business model innovation that achieves economic and social values at the same time as a new role as a company. This business model has been monetized and the results of social value creation have been announced since 2018. In 2022, we disclosed the social value measurement formula and data to widen our communication with stakeholders and announced the plan to develop the measurement system further based on social consensus.

## SK SV Measurement Principles and Metrics

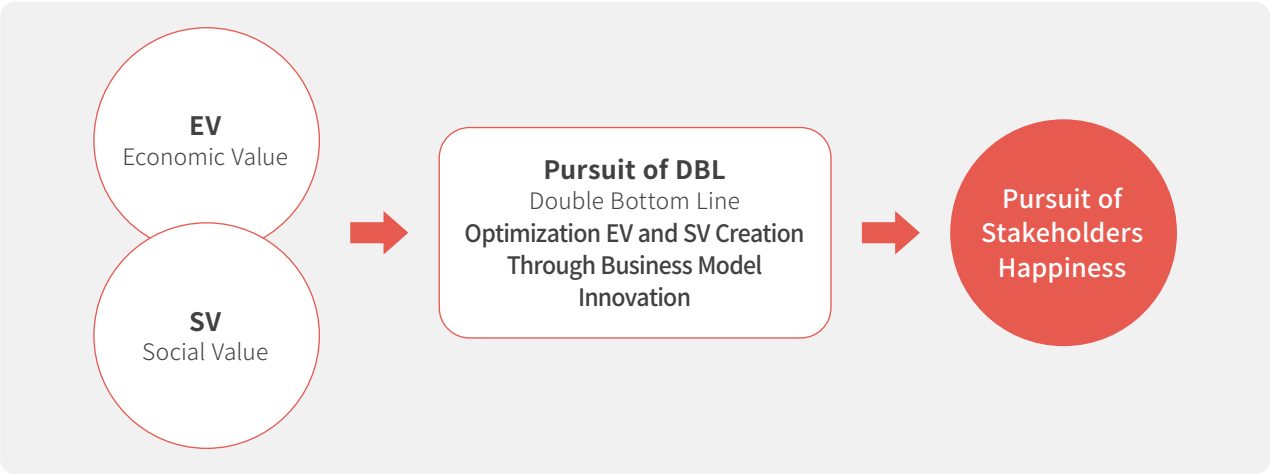
To grow together with society and maximize our stakeholders’ happiness, SKC has been measuring the social value we created during as per SK Group’s social value measurement methodology since 2018. It is measured with the tangible outcome of the year’s business activities, and the measured value is calculated as a monetary value\* by applying objective standards. There are three measurement items: indirect economic contribution performance, environmental performance, and social performance. It quantitatively measures each item by field and manages social value creation performance with specific numbers.

We have been reflecting the social value creation performance in the management evaluation and remuneration since 2019, and we will continue to do so in the future.

\* Example of monetary value measurement: In the case of environment, estimate the cost required to restore environmental pollution to its original state (indicators announced by international organizations, governments, industry associations, and others are used for the standard monetary value)

### Metrics Category

Category	Detailed Items	
Indirect Economic Contribution Performance	Employment	Values that indirectly contribute to the economy through corporate management activities such as returning business profits and creating jobs
	Dividends	
	Tax payment	
Environmental Performance	Production process	Values created through developing, manufacturing, and selling eco-friendly product and services and environmental impacts that occurred during the manufacturing
	Eco-friendly product sales	
Social Performance	Labor and shared growth	Values created by improving working conditions, shared growth, and social contribution activities to the local communities
	Donation	
	Volunteering and social contribution activities	



- Intro
- Overview
- Financial Story
- ESG Management
- ESG Management Promotion System
- Risk Management
- Social Value Creation
- ESG Report
- Appendix

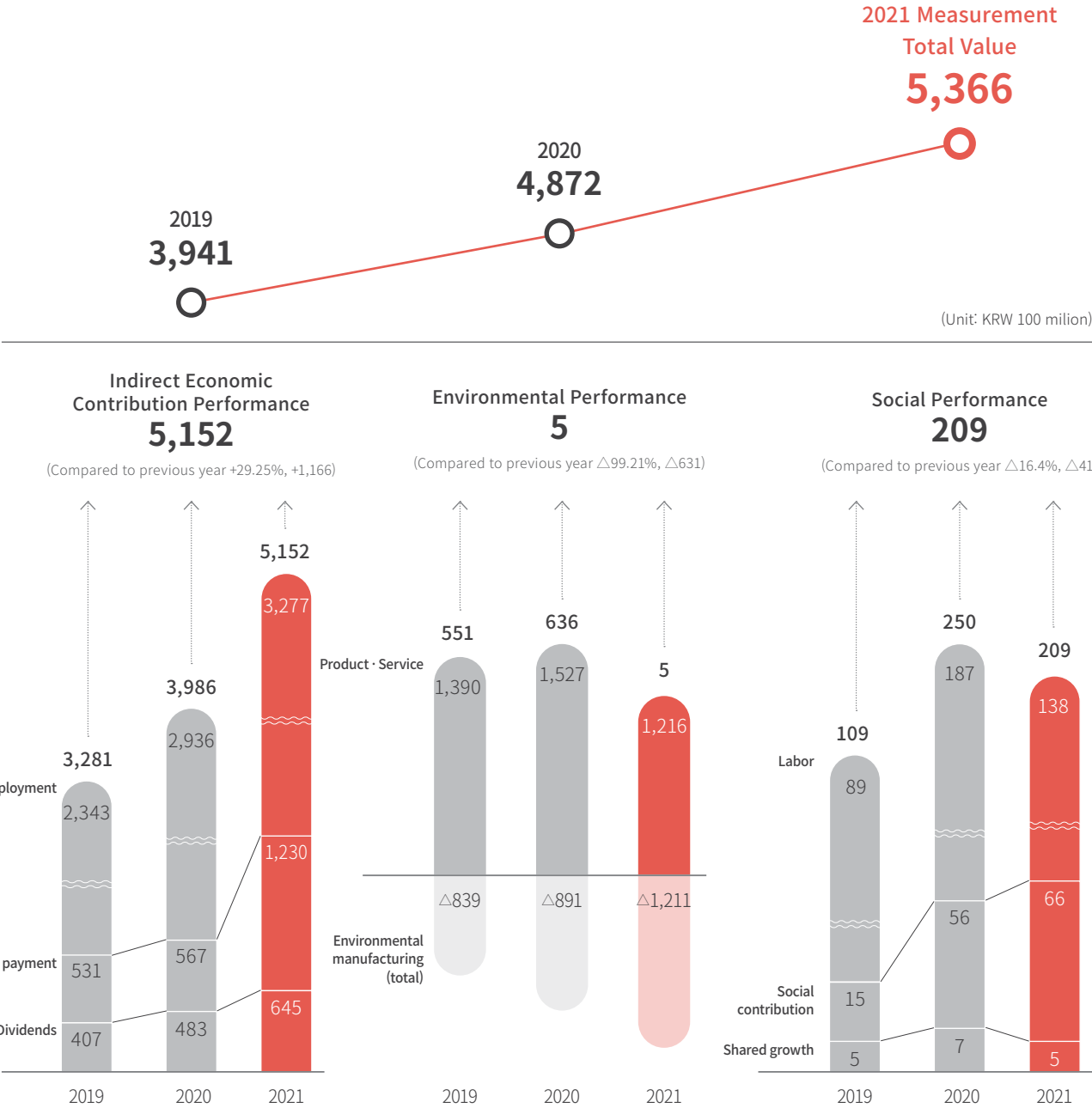
# Social Value Creation

## SKC SV Measurement Result

The social value creation performance that SKC created in 2021 was KRW 536.6 billion, an increase of KRW 49.4 billion from the previous year. SKC is expanding its social value creation performance every year through the change to an eco-friendly business structure. First, the indirect contribution to the economy, including employee salaries, dividends, and tax payments, was KRW 515.2 billion, an increase of KRW 116.6 billion compared to the previous year. Tax payment performance improved significantly due to the increase in economic value, and employment and dividends also increased.

Environmental performance related to eco-friendly products sales and environmental processes is valued at KRW 500 million. Although there is a decline compared to the previous year due to the incorporation of SK nexilis and some business suspension, the decline decreased thanks to the expansion of other eco-friendly product performances.

Social performance was valued at KRW 20.9 billion. Although it decreased from the previous year, this is a result of the temporary increase in safety and environment investment in 2020 and changes in the measurement equation for some indicators. Excluding this fact, social value creation performance in all areas of social performance increased. In the future, SKC will expand eco-friendly products and reduce environmental impact through efficient environmental processes to continue with our growth.



\* Companies measured in 2021: SKC, SKC HT&M, SKC jiangsu, SKC inc., SKC solmics, SK telesys, SK picglobal, SK nexilis

Intro

Overview

Financial Story

ESG Management

ESG Management  
Promotion System

Risk Management

Social Value Creation

ESG Report

Appendix

# Social Value Creation

## Equations for Measuring Social Value of Major Products/Services

Indicator	Introduction of Product/Service Feature	Social Value Effect	Measuring Equation*	Used Data	Data Source
Energy saving via construction insulation (Window Film)	Insulation film that is attached to building windows	Saving energy for heating and cooling	① Baseline Energy saving factor of the construction insulation market – SKC’s energy saving factor of construction Window Film	47.9 kWh/m <sup>2</sup>	-
			② Monetization Proxy Energy sales unit price	KRW 105.8/kWh	Yearbook of Energy Statistics_Korea Energy Statistical Information System
			③ Provided amount Sales amount of construction Window Films	-	-
Reduction of GHG emission via construction insulation (Window Film)	Insulation film that is attached to the building windows	Reducing GHG emission through energy reduction	① Baseline {( Energy saving factor of the construction insulation market – SKC’s energy saving factor of construction Window Film)/1,000} X GHG emission factor at electricity use	0.0479 MWh/m <sup>2</sup> X 0.4594 tCO <sub>2</sub> eq/MWh	Korea Power Exchange Emission Factor
			② Monetization Proxy SCC (Social Cost of Carbon)	KRW 106,325.02/tCO <sub>2</sub> eq	PwC Methodology Report
			③ Provided amount Sales amount of Construction Window Films	-	-

\* ① Baseline (SV effect of our company’s product/service –market average product/SV effect of the service) x ② Monetization proxy x ③ Provided amount

Intro

Overview

Financial Story

ESG Management

ESG Management  
Promotion System

Risk Management

Social Value Creation

ESG Report

Appendix

# Social Value Creation

## Equations for Measuring Social Value of Major Products/Services

Indicator	Introduction of Product/Service Feature	Social Value Effect	Measuring Equation*	Used Data	Data Source
Reduction of GHG emission via PLA film	Biodegradable film	Reducing GHG emissions compared to existing packaging materials when disposing(landfill /incineration) PLA film	① Baseline GHG emission when incinerating packaging material – GHG emission when incinerating/ burying PLA film	0.001306/ 0.003131tCO <sub>2</sub> eq/kg	-
			② Monetization Proxy SCC (Social Cost of Carbon)	KRW 106,325.02/tCO <sub>2</sub> eq	PwC Methodology Report
			③ Provided amount Sales amount of PLA films (calculate with the proportion of landfill/incineration separately)	-	National Waste Generation and Treatment Status_Korea Environment Corporation (Incineration / Landfill portion)
Reduction of environmental pollution via PLA film	Biodegradable film	Reducing environmental pollution like soil pollution compared to the existing packaging materials when burying PLA film	① Baseline Environmental cost when burying packaging material – Environmental cost when burying PLA film	0.00598 euro/m <sup>2</sup>	Delft University of Technology, Eco-costs
			② Monetization Proxy Environmental cost unit conversion	KRW 215,360	-
			③ Provided amount Landfilled amount out of PLA films sold	-	National Waste Generation and Treatment Status_Korea Environment Corporation (Landfill portion)

\* ① Baseline (SV effect of our company's product/service –market average product/SV effect of the service) x ② Monetization proxy x ③ Provided amount

Intro

Overview

Financial Story

ESG Management

ESG Management  
Promotion System

Risk Management

Social Value Creation

ESG Report

Appendix

# Social Value Creation

## Equations for Measuring Social Value of Major Products/Services

Indicator	Introduction of Product/Service Feature	Social Value Effect	Measuring Equation*	Used Data	Data Source
Energy saving via Black Bank for OLED	Material to express color on Black Bank** of smartphone OLED	Energy saving with Black Bank by improving light efficiency	① Baseline Baseline OLED power consumption – Black-bank-applied smartphone power consumption	45.51 W/m <sup>2</sup>	-
			② Monetization Proxy Energy sales unit	KRW 105.8/kWh	Yearbook of Energy Statistics_ Korea Energy Statistical Information System
			③ Provided amount Sales amount of Millbase for Black Bank x Converted OLED-applied area x Smartphone usage time/ 1000	-	-
Reduction in GHG emission via Black Bank for OLED	Material to express color on Black Bank of smartphone OLED	Reducing GHG by saving energy	① Baseline {(Baseline OLED power consumption – Black-bank-applied smartphone power consumption)/1,000} X GHG emission factor at electricity use level	0.04551 MWh/m <sup>2</sup> X 0.4594 tCO <sub>2</sub> eq/MWh	Korea Power Exchange Emission Factor
			② Monetization Proxy SCC (Social Cost of Carbon)	KRW 106,325.02/tCO <sub>2</sub> eq	PwC Methodology Report
			③ Provided amount Sales amount of Millbase for Black Bank x Converted OLED-applied area X Smartphone usage time/ 1000	-	-

\* ① Baseline (SV effect of our company's product/service –market average product/SV effect of the service) x ② Monetization proxy x ③ Provided amount

\*\* Replaces the polarizer, a material for OLED Display, suppress external light reflection and improve light efficiency



Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix

# ESG REPORT

-  Environmental Data
-  Social Data
-  Governance Data

This report contains the performance of SKC and its major subsidiaries (SK nexilis, SK picglobal, SKC hi-tech&marketing, SKC solmics, and SK telesys). However, the 2019 data do not include data values of SK nexilis.

Intro

Overview

Financial Story

ESG Management

ESG Report

Environmental Data

Responding to Climate Crisis

Resource Circulation and Pollution Reduction

Environmental Participation

Eco-friendly Opportunities

Social Data

Governance Data

Appendix

# Environmental Data

## Responding to Climate Crisis

**Strategy** Starting with voluntary participation in the GHG target management system in 2012, SKC is performing various activities to reduce GHG emissions. To fulfill more specific emission reduction goals, SKC has declared Net Zero GHG emissions by 2040 and RE100\* achievement. We plan to achieve our goals by transitioning from fossil fuels to renewable energy and commercializing materials that reduce GHG emissions.

\* RE100: Abbreviation for 100% Renewable Electricity. It refers to a voluntary initiative replacing 100% of the energy used by a corporation with renewable energy

**Target** **2040 Target**  
**GHG Net Zero**  
**RE100 achievement** of all workplaces

**2021 Performance** To achieve Net Zero GHG and RE100 by 2040, SKC is improving facilities to reduce energy consumption and commercializing materials that reduce GHG emissions, including materials for next-generation secondary batteries, low-power/high-performance semiconductors, and energy reduction. In addition, we have been purchasing Green Premium\* since 2021 to gradually expand our renewable energy purchases and introduce facilities using renewable energy to transition to low-carbon and zero-emission fuel in the long term. Furthermore, we are utilizing the Factory Energy Management System and the Operation Information System and managing energy consumption and GHG emissions daily, operating on various business activities.

\* Green Premium: A type of green pricing system in which electricity consumers pay an additional fee separately from electricity rates to use electricity generated from renewable energy

### Greenhouse Gas

		Unit	2019	2020	2021
GHG emissions*	Total GHG emissions (Scope 1+2)	tCO <sub>2</sub> eq	816,682	913,445	1,044,954
	Scope 1 emissions	tCO <sub>2</sub> eq	533,410	492,320	542,064
	Scope 2 emissions	tCO <sub>2</sub> eq	283,273	421,125	502,890
	Per unit**	tCO <sub>2</sub> eq/KRW 1 billion	321	357	308
GHG reduction	Total reduction (Scope 1+2)	tCO <sub>2</sub> eq	-36,972	-96,763	-131,509
	Scope 1 emissions	tCO <sub>2</sub> eq	-47,250	41,090	-49,744
	Scope 2 emissions	tCO <sub>2</sub> eq	10,278	-137,852	-81,765

\* Greenhouse Gas Verification Statements are not issued for workplaces that are not obligated to comply with GHG laws, but the GHG emissions in the data includes all workplaces excluding the flare stack facilities

\*\* Sales for calculate GHG emissions per unit is consolidated sales data from the business report

## Energy

		Unit	2019	2020	2021
General energy	Total energy consumption (Direct + Indirect)	GJ	14,506,749	17,343,937	19,551,405
	Per unit	GJ/KRW 1 billion	5,694	6,776	5,757
	Direct energy source consumption	GJ	3,884,335	4,037,009	4,656,492
	Gasoline	GJ	3,954	3,944	7,513
	Diesel	GJ	8,175	11,585	6,778
	Kerosene	GJ	5,178	3,257	4,436
	LPG	GJ	1,741,870	1,558,806	2,469,858
	Others (including city gas)	GJ	2,125,157	2,459,417	2,167,943
	Indirect energy source consumption*	GJ	10,622,413	13,306,928	14,894,897
	Electricity	GJ	5,817,291	8,772,910	10,411,711
	Steam	GJ	2,502,512	1,978,573	1,877,027
	Others (including city gas)	GJ	2,302,611	2,555,445	2,606,161
Renewable energy	Total electricity consumption	MWh	605,982	913,864	1,084,552
	Total renewable energy consumption	MWh	-	-	14,645
	Renewable energy percentage	%	-	-	1.35
	Green Premium	MWh	-	-	14,645

\* The electricity of indirect energy source consumption (GJ) is the number that converted the total electricity consumption (MWh) to energy consumption (GJ) according to the 'Guidelines for Public Sector GHG-Energy Target Management Operation, etc. [Enforced on 2020. 12. 30.]'

**Next Plans** To create a sustainable business site, SKC prioritized the reduction of scopes 1 and 2, which occurs during the production at each business site, and established a plan to reduce net emissions in response to international demands. Moreover, SKC is pursuing business expansion to fully implement RE100 as soon as the new overseas business sites in Malaysia and Poland are entirely commercialized. We will establish an optimal reduction plan in Korea by monitoring the renewable energy market. From a long-term perspective, we will achieve an optimal portfolio reduction to make all fuels carbon-free.



Intro

Overview

Financial Story

ESG Management

ESG Report

Environmental Data

Responding to Climate Crisis

Resource Circulation and Pollution Reduction

Environmental Participation

Eco-friendly Opportunities

Social Data

Governance Data

Appendix

# Environmental Data

## Resource Circulation and Pollution Reduction

**Strategy** SKC recognizes the dangers and influences of corporate activities, and to actively respond to these, intends to lead the initiative to reduce environmental pollutants by forming a system and administering regular inspections. We are monitoring noise and air pollutants with a noise meter (6 sites) on the roof as well as a control program. Along with the real-time environmental status monitoring system, we will establish an immediate response system in the event of an abnormality to resolve citizen complaints and government affairs and minimize adverse environmental effects.

SKC announced the goal of ‘2030 plastic Net Zero’ in 2021. We use our products and technology to promote plastic Net Zero directly and indirectly in all the processes of plastic production, usage, emission, and handling. To execute this, we are carrying forward the waste plastic recycling business, which pyrolyzes the waste plastic to reduce it to raw materials. We are also promoting the commercialization of PBAT, the ‘biodegradable plastics,’ LIMEX, and ‘renewable polyol,’ which turns waste polyurethane to polyol raw material.

SKC is also participating in various promotions to reinforce waste management, reduce waste, and expand waste recycling. SK picglobal conducts purification activities at Ulsan Taehwa riverside once a month to minimize the discharge of water pollutants. Also, SKC Suwon workplace continuously operates regular purification activities at Seoho Stream and purifies the water from the workplace making it 10 times cleaner than the legal standard before releasing it to the ecological stream. This prevents the stream from drying out and protects the water ecosystem.

SKC became the first Korean company to join the AEPW (Alliance to End Plastic Waste) in July 2019. AEPW is a global initiative to promote solutions for plastic reduction and removal, and it is developing and implementing plastic removal solutions in a variety of areas, including infrastructure development, innovation, education, participation, and environmental cleanup. As an AEPW member, SKC is actively developing technologies to lightweight, reuse, and recycle plastics and seeking solutions to reduce plastic waste through cooperation with global companies.

In 2020, we also participated as a partner sponsor of the Georgia Recycling Coalition, further strengthening our domestic and international partnerships to tackle the plastic waste problem. In 2021, SKC signed a MOU with Eastman Chemicals of the U.S. to license SKC eco-label-related patents and create an eco-friendly plastic ecosystem. We have also signed an ‘Eco-friendly Culture Expansion Agreement to Resolve Plastic Issues’ with the Korea Chamber of Commerce, Climate Change Center, and a social venture Montenum, continuously making efforts to reduce plastics and spread eco-friendliness.

**Target** In 2021, SKC expanded the reuse of treated wastewater by using it to wash air pollution prevention facilities. By 2022, we will increase the reuse rate to 16% by introducing water reuse facilities and utilizing steam condensed water. In addition, we plan to increase the use of recycled and reused water and completely equip drinking water and sanitation facilities at all global business sites.

	2022	2030	2040
Plastic Net Zero	➡	Achieve	
Wastewater reuse rate	16%		
Water recycle and reuse rate	16%		
100% of global business sites to be equipped with drinking water and sanitation facilities	---	➡	100%



Intro

Overview

Financial Story

ESG Management

ESG Report

Environmental Data

Responding to Climate Crisis

Resource Circulation and Pollution Reduction

Environmental Participation

Eco-friendly Opportunities

Social Data

Governance Data

Appendix

# Environmental Data

## Resource Circulation and Pollution Reduction

### 2021 Performance

#### Air Pollutant Emissions

SKC tries to manage and reduce fine dust and air pollutants. We built a Tele-Monitoring System (TMS) that can monitor air pollutants at all times and applied the Leak Detection and Repair (LDAR)\* system to manage the scattering leak of hazardous air pollutants.

SKC’s Suwon and Jincheon business sites are newly equipped with nitrogen oxide burner facilities that have improved the nitrogen oxide standard from 150 ppm to 60 ppm to reduce nitrogen oxide and dust voluntarily. To comply with air emission standards, SK picglobal Ulsan business site invested about KRW 9.2 billion and improved air pollution prevention facilities, including the supplementation of the boiler/incinerator denitrification facilities and electrostatic precipitators.

\* A system that manages VOCs leakage in process facilities such as valves, pumps, compressors, safety valves, and connections of each pipe

		Unit	2019	2020	2021
Nitrogen oxide (NOx)	Emission	ton	200.9	223.5	235.7
	Per unit	ton/ KRW 1 billion	0.0800	0.0852	0.0694
Sulfur oxide (SOx)	Emission	ton	1.1	312.2	287.4
	Per unit	ton/ KRW 1 billion	0.0005	0.1190	0.0846
Volatile organic compounds (VOCs)	Emission	ton	77.4	77.4	21.3
	Per unit	ton/ KRW 1 billion	0.0348	0.0295	0.0063
Hazardous air pollutants (HAPs)	Emission	ton	-	-	117.3
	Per unit	ton/ KRW 1 billion	-	-	0.0345
Dust (PM10)	Emission	ton	12.6	21.4	21.9
	Per unit	ton/ KRW 1 billion	0.0057	0.0081	0.0065

### Water Pollutant Discharges

SKC prioritizes the prevention and stable treatment of water pollution in analyzing and monitoring pollutants in wastewater. The SKC Jincheon business site prevents water pollution by increasing the efficiency of the disc filters and establishing a warning system. It also uses sand in the primary filter and activated carbon in the secondary filter to enhance the filtering effect before discharging wastewater. In addition, it introduced a double warning system to mitigate the risk of water pollution in advance. SK picglobal Ulsan business site has introduced an underground water monitoring system to check contamination and promptly investigate pollutants and their sources.

		Unit	2019	2020	2021
COD	Emission	ton	17.9	82.3	81.2
	Per unit	ton/KRW 1 billion	0.0080	0.0322	0.0239
BOD	Emission	ton	5.6	44.6	41.7
	Per unit	ton/KRW 1 billion	0.0025	0.0174	0.0123
T-N	Emission	ton	8.0	35.9	28.6
	Per unit	ton/KRW 1 billion	0.0036	0.0140	0.0084

### Water

SKC and its subsidiaries are leading the initiative in reducing water consumption through various processes. SKC solmics strives to improve the process so that water used in the manufacturing process of the Chupal business site can be reused as replacement water after wastewater treatment. With this process applied, it yields about 15 tons of replacement water per day. SK picglobal Ulsan business site minimized drinking water losses from leakage by putting the drinking water pipe above the ground and changing the industrial water supply pipe route, saving about 30 tons of firefighting water per hour by using groundwater. Since 2007, SK nexilis has recycled concentrated wastewater used in the manufacturing process of the Jeongeup business site and used it as process water, reducing water consumption by recycling 363,265 tons of water annually as of 2021. The SKC Jincheon business site is also promoting the reuse of effluent from the wastewater treatment plant, and by installing a pump and changing the piping, it is replacing water used to dilute the dehydrator coagulant with effluent.

		Unit	2019	2020	2021
Water consumption	Total water intake	ton	6,929,855	7,796,035	9,177,997
	Municipal water	ton	6,347,325	6,381,504	1,304,275
	Groundwater	ton	582,530	596,482	1,170,018
	Other (e.g. rainwater)	ton	-	818,049	6,703,705
	Per unit	ton	2,720	3,046	2,702
	Total water usage	ton	6,929,841	7,961,281	9,541,262
Water reuse	Water reused	ton	0	165,246	363,265
	Water reuse rate	%	0	2.1	4.0

Intro

Overview

Financial Story

ESG Management

ESG Report

Environmental Data

Responding to Climate Crisis

Resource Circulation and Pollution Reduction

Environmental Participation

Eco-friendly Opportunities

Social Data

Governance Data

Appendix

# Environmental Data

## Resource Circulation and Pollution Reduction

**Waste**

SKC is performing various activities, including the waste plastic recycling business, to reduce waste. We are cooperating with Ulsan City and Kankyo Energy, a Japanese venture company, to start the waste plastics pyrolysis. Some business sites have introduced nude packaging to reduce box waste. SK nexilis Jeongeup business site replaced the packaging materials of outbound products with natural biodegradable plastic to reduce the amount of incinerated waste, and it requested the supplier of thin-film side caps used for packaging to replace them with eco-friendly materials. SKC solmics aims to dramatically reduce the amount of waste by automating and improving the production environment and reactivating the resource circulation ecosystem through the sale and recycling of waste pads. SK picglobal’s Ulsan business site is upcycling waste oil into boiler fuel to reduce waste, and it has been using up to 50,000 tons of the oil annually since its introduction in 2008.

SKC actively seeks out new recycling companies with high waste recycling rates and plans to reinforce eco-friendly management by acquiring the Zero Waste to Landfill certification, which awards grades according to the waste recycling rates and expand this to overseas business sites in the future. SKC Suwon business site is promoting the reduction of resource usage through the recovery and reuse of packaging materials and developing recyclable materials to improve the recovery rate for each packaging material. It analyzes the packaging material recovery history and factors impeding the recovery rate of each client to develop customized improvement plans and maximize reduction effects. SK picglobal Ulsan business site utilizes wastewater sludge from the wastewater treatment process as fuel for cement manufacturing, maintaining a waste recycling rate of over 90%.

			Unit	2019	2020	2021
Waste	Waste generation	Total waste emissions	ton	28,966	32,434	32,990
		General waste	ton	22,400	24,815	24,667
		Designated waste (Hazardous waste)	ton	5,904	6,487	7,582
		Construction waste	ton	662	1,132	741
		Per unit	ton/ KRW 1 billion	11.3	12.7	10.8
	Waste recycles	Waste recycled	ton	25,486	27,541	26,920
		Waste recycled rate*	%	90	88	83

\* Construction waste excluded from consideration

## Environmental Participation

**Strategy** With regular environmental education to our employees, SKC aims to improve environmental awareness and minimize the impact of business activities and products on the environment. In addition to statutory education, we provide practical information, such as the hazardous substance accident response process, the Act on Registration and Evaluation of Chemical Substances (ARECS) and its high molecular compound registration process, joint registration specialized training, and hazard data preparation practical course, environmental management status and emergency response scenario, environmental issue, and management status. raising awareness of environmental responsibility. Moreover, we have completed ISO 14001 certification, an international environmental management system, to establish environmental policies and action plans, and implement corrective actions, management reviews, and continuous improvements. There are a total of 10 certified business sites in 2021, which we plan to continue expanding in the future.

### 2021 Performance Environmental Participation

		Unit	2019	2020	2021
Environmental investment	Environmental investment	KRW 100 million	111	33	56
	ISO 14001 certification rate*	%	-	84.7	82
	Business site implementing environmental impact assessment	%	100	100	100
Environmental law violation	Violations	cases	0	2	5
	Fines	KRW 1 million	0	3.1	1.6
	Environmental liability insurance subscription	V	V	V	V

\* 2019 data is unable to calculate



Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Responding to Climate Crisis
Resource Circulation and Pollution Reduction
Environmental Participation
Eco-friendly Opportunities
Social Data
Governance Data
Appendix

# Environmental Data

## Eco-friendly Opportunities

### Strategy

#### Secondary Battery

SKC is developing and producing clean materials that can directly reduce carbon and plastic emissions, including secondary battery materials and biodegradable plastics. SK nexilis, a subsidiary of SKC's copper foil business for secondary batteries, has the overpowering technology to mass-produce the world's thinnest 4 micrometers (μm) thick copper foil with a width of 1.4m and a length of 30km, the longest in the world. To secure such technology, SK nexilis has selected the plating solution recipe technology for controlling physical properties based on the unrivaled blending technology and the handling technology for ultra-thin, wide width, and long length as the main technologies and has been continuously upgrading them. SK nexilis currently owns production facilities with an annual capacity of 52,000 tons in Korea (Jeongeup) and is presently constructing plants with a yearly production capacity of 50,000 tons each in Kota Kinabalu, Malaysia, and Stalowa Wola, Poland.

The silicon anode material for secondary batteries, which SKC has newly introduced through investment in British technology company Nexeon, is a next-generation material that can significantly increase the driving range and charging speed of electric vehicles. Since silicon anode materials require advanced technology to prevent instability from expansion, SKC plans to make the copper foil supporting the anode material with high elongation and strength and provide a total solution that increases battery durability.

#### Biodegradable Plastic

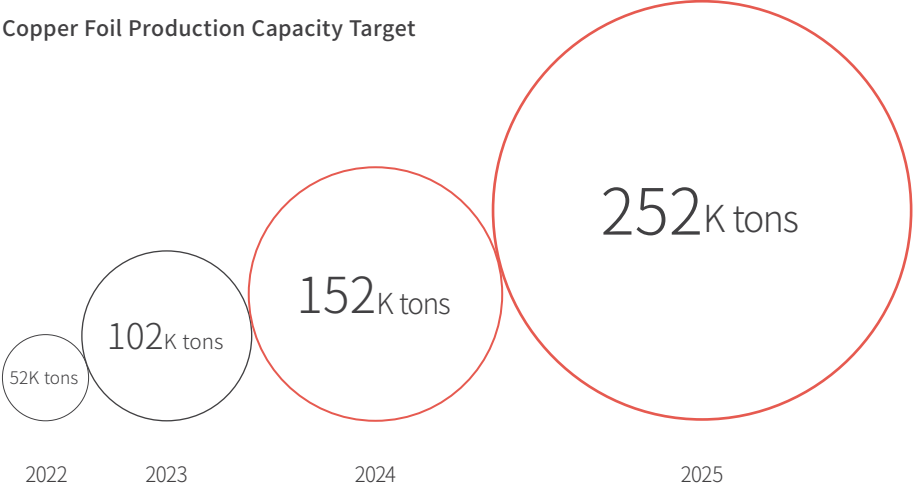
SKC introduced high-strength PBAT technology from the Korea Research Institute of Chemical Technology in 2020, preparing for commercialization. Since then, we have established a joint venture with Daesang and LX International for full-scale production. PBAT, also called 'biodegradable plastic,' can be 100% decomposed in the ground in a short period of time, but there is a limit to expanding its use as it is easily torn. SKC's high-strength PBAT uses nano-cellulose extracted from trees as a reinforcing material, making it as strong as regular plastics. It is an alternative to disposable, non-degradable plastics such as straws, plastic bags, and agricultural mulching films. Currently, SKC is in discussions with about 20 clients for testing and commercial applications. We also applied the high-strength PBAT to LIMEX, an eco-friendly alternative plastic made by mixing plastic and limestone, developing a new eco-friendly product called biodegradable LIMEX. SKC will continue to lead the establishment

of an eco-friendly virtuous cycle ecosystem based on eco-friendly material development technology and manufacturing capabilities, forming a business portfolio suitable for the eco-friendly paradigm.

### Target

As of 2022, SK nexilis is producing about 50,000 tons of copper foil, equivalent to the amount used in 1.5 to 2 million electric vehicles, although it depends on the size of the battery pack. By 2025, SK nexilis plans to expand its total copper foil production capacity from the domestic and global production bases in Malaysia, Poland, and the U.S. to 250,000 tons, the world's largest. In addition, the new plants plan to implement RE100, which converts 100% of used electricity to renewable energy. Currently, SKC projects to build a high-strength PBAT plant with an annual capacity of 70,000 tons in Korea with the goal of commercialization in 2023 and also aims to mass-produce biodegradable LIMEX by 2023.

#### Copper Foil Production Capacity Target



### 2021 Performance

#### Clean Technology

	Unit	2019	2020	2021
Sales of secondary battery materials	KRW 100 million	-	3,711	6,632

Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Labor
Work-Life Balance
Health and Safety
Product · Service Safety
Accident Prevention and Quality Management
Human Rights
Supply Chain Management
SE Ecosystem Support
Local Community Relations
Information Security and Personal Information Leakage
Governance Data
Appendix



# Social Data

## Labor

**Strategy** SKC management goal is the happiness of our employees and stakeholders, and the employees take the lead in pursuing sustainable happiness for customers, shareholders, business partners, and society. In accordance with the Happiness Management Principle, SKC and major subsidiaries establish Happiness Goals\*, Happiness Map\*\*, and Happiness Projects for each employee every year. Based on the happiness map, we are operating a human resource development system, welfare system, and internal and external communication channels, and continuously sharing the process of practicing happiness management with our employees. SKC has established ‘Speed, Flexibility, Performance’ as our core values in line with our vision to become a ‘Global ESG material solution corporation.’ Based on these three core values, we are operating a competency development system for employees, an HR and recruitment strategy centered on competency and performance rather than position, and a transparent and fair evaluation system at the organizational level. Moreover, we have created an IT-based work environment such as a mobile office to enable smooth collaboration among employees even in remote work environments, and we support employees’ work-life balance through flexible working hours.

\* Happiness Goal: It refers to the sustainable happiness in which members voluntarily make changes for the shared growth of the company and themselves. (Pursuing sustainable happiness management by adding ‘me’ working like a professional, ‘us’ growing together, and ‘well-being’ as myself)  
\*\* Happiness Map: A roadmap that defines SKC’s happiness and is verified every year to discover / implement specific happiness projects such as establishing/improving systems and organizational culture.

**Target** SKC establishes policies based on SKC’s Happiness Goals derived from the voices of its employees to create a healthy organizational culture and improve the working environment. Based on this, we will continuously define SKC’s happiness and verify it yearly to advance the Happiness Map. Moreover, we plan to operate ‘Diversity Table,’ a communication organization between the CEO and regular employees, to discover new projects to support work-life balance. We also will operate ‘Common Ground,’ an organization in which the employees with the same interest to lead the changes in the company.

## 2021 Performance

### Labor-Management Relations

We are implementing 100% of the content set by the collective agreement between the company and the labor union, and we communicate the major management changes through the labor union’s website, major executive meetings, and group leaders’ meetings.

	Unit	2019	2020	2021
Scope of application labor union and collective bargaining	%	100	100	100

### Employee Status

SKC strives to ensure that there is no discrimination based on race, religion, age, or disability in hiring and promotion and secure diversity through a balanced gender ratio and socially disadvantaged hires.

		Unit	2019	2020	2021
Total number of employees*		persons	2,341	2,586	2,592
By age	Below 30s	persons (%)	304(12.99)	350(13.53)	436(16.82)
	30s to 50s	persons (%)	1,500(64.08)	1,695(65.55)	1,588(61.27)
	Over 50s	persons (%)	537(22.94)	541(20.92)	568(21.91)
By employment type	Total full-time employees	persons (%)	2,294(97.99)	2,522(97.53)	2,525(97.42)
	Male	persons	2,071	2,294	2,273
	Female	persons	223	228	252
	Total contracted employees	persons (%)	47(2.01)	64(2.47)	67(2.58)
	Male	persons	32	37	34
	Female	persons	15	27	33

\* The total number of employees is 2,598 according to the business report and Publication of Current Status of the Enterprise Group. This report counted the number via the internal HR management system.

### Employee Diversity

		Unit	2019	2020	2021
Gender ratio	Total female	persons (%)	238(10)	255(9.86)	285(11)
	Executive female	persons	0	1	1
	High-ranking female manager	persons	0	1	2
	Low-ranking female manager	persons	66	83	199
Disabled employment	Total number	persons (%)	49(2.09)	68(2.63)	92(3.55)
Patriots and veterans employment	Total number	persons (%)	19(0.81)	19(0.73)	33(1.27)
Foreigner employment	Total number	persons	2	2	12
	The United States	persons	1	1	1
	Canada	persons	0	0	0
	Japan	persons	0	0	0
	China	persons	1	1	1
	Others	persons	0	0	10

Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Labor
Work-Life Balance
Health and Safety
Product · Service Safety
Accident Prevention and Quality Management
Human Rights
Supply Chain Management
SE Ecosystem Support
Local Community Relations
Information Security and Personal Information Leakage
Governance Data
Appendix



# Social Data

## Labor

### 2021 Performance Recruitment and Continuous Service

		Unit	2019	2020	2021
New hires	Total new hires	persons	249	238	337
	Male	persons (%)	222(89.16)	206(86.55)	262(77.74)
	Female	persons (%)	27(10.84)	32(13.45)	75(22.26)
	Below 30s	persons (%)	144(57.83)	80(33.61)	220(65.28)
	30s to 50s	persons (%)	88(35.34)	137(57.56)	97(28.78)
	Over 50s	persons (%)	17(6.83)	21(8.82)	20(5.93)
Type of employment	New	persons (%)	144(57.83)	48(20.17)	225(66.77)
	Experienced	persons (%)	105(42.17)	190(79.83)	112(33.23)
Continuous service	Average years of service	years	13.4	13.1	12.9
	Male	years	13.8	13.6	13.4
	Female	years	9.4	8.8	8.4

### Employee Turnover

		Unit	2019	2020	2021
Total turnover	Total	persons	174	178	257
	Turnover rate	%	7.6	7.1	6.1
By gender	Male	persons	155	154	213
	Female	persons	19	24	44
By age	Below 30s	persons	90	43	69
	30s to 50s	persons	73	98	139
	Over 50s	persons	11	37	49

### Layoff

		Unit	2019	2020	2021
Effect of layoffs	Percentage of total employees	%	0	0.04	0.08
	Number of employees laid off	persons	0	1	2
Effect of M&A	Percentage of total employees	%	0	14.6	6.1
	Number of employees affected by M&A	persons	0	378	158

## Evaluation and Remuneration

SKC includes ESG items in the performance indicators of key management and executives and reflects ESG performance when calculating remunerations. Moreover, SKC complements the system to apply more objective assessment to indemnification by paying the same base salary regardless of gender and applying competency development evaluations such as work-centered frequent and multi-faceted evaluations.

	Unit	2019	2020	2021
Equal pay (male to female base salary compensation rate)	%	100	100	100
Percentage of competency development evaluation system applied	%	41	43	41

## Education

SKC's talent development system is based on the individual development plan (IDP), which supports the systematic improvement of competency and career development of its employees. It undergoes the process of self-assessing the individual competency, establishing a development plan according to results, and obtaining approval and feedback from the manager. In this process, we actively utilize mySUNI, the SK Group's common education platform, to ensure common competencies and core values essential to nurture and embody as an SKC member. mySUNI is an institutional device that encourages our employees to participate in learning and gain competency voluntarily, and employees can reflect their learning results in the task and include it in their year-round performance. Also, team member fostering is an essential part of team leaders' KPI so that the leaders can clearly recognize and perform their role of fostering/feedback. In 2021, SKC operated curriculums using various content such as SKC internal course, mySUNI, and SK Academy from the perspective of 'leadership, future job competency, and core value cultivation.' Through this, we endeavor to cultivate experts in each field to achieve company-wide goals while creating an atmosphere for the voluntary growth of our employees.

In 2022, SKC continues to plan to secure company-wide common competencies (AI/DT, SV, etc.) based on the IDP established by the employees themselves and support the improvement of individual professional competencies. We will actively utilize mySUNI to foster a voluntary learning culture. In addition to that, in line with the changing recruitment and talent acquisition methods, we plan to regularly operate a year-round new employee onboarding program and manage core talents to redefine our company's direction of development and systematize our program. We are also developing methods to improve our programs through surveys and monitoring of internal education. In the onboarding conducted in the first quarter of this year, we received an average of 4.5 points (out of 5) in satisfaction, and we plan to update the training and content based on the feedback.

		Unit	2019	2020	2021
Education hours per employee		hours	21	44.3	37
Education expense per employee*		KRW 1 thousand	1,120	2,102	2,150
Performance-linked career development review**	Male	%	49.2	68.8	80
	Female	%	51	71.7	78

\* Only SKC headquarters included

\*\* Only SKC and SK piglobal management included

Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Labor
Work-Life Balance
Health and Safety
Product · Service Safety
Accident Prevention and Quality Management
Human Rights
Supply Chain Management
SE Ecosystem Support
Local Community Relations
Information Security and Personal Information Leakage
Governance Data
Appendix



# Social Data

## Work-Life Balance

**Strategy** Based on the ‘Happiness Goals’ made from our members’ voices, SKC has established the ‘Happiness Map,’ a roadmap for employees’ happiness and work-life balance. In 2021, we piloted a flexible working system based on the IT work environment and introduced a flexible working time system to select working hours and locations biweekly and staggered commuting. In addition, we aim to improve our employees’ quality of life through the Happiness Camp and Happiness Money support. Happiness Camp is a program that supports the employees’ ‘life with rest’ and sufficient time to recharge. We provide 100% of the lodging fee for accommodation in 5 regions nationwide and provide Happiness Money, a vacation subsidy, for vacations longer than 5 consecutive days in proportion to the number of extra days. In addition, we try to manage data on the number of expected and actual returnees from parental leave to support the employees’ work-family balance and operate various convenience facilities, such as nursing rooms, as well as an education expense system for children.

**Target** In 2022, SKC has established the goal of developing and implementing various happiness practices to support work-life balance based on the voices of our employees. First, we plan to implement an ‘Employee Happiness Talk’ in which employees and the CEO communicate to develop action items. We will also add Happy Camp Season 3 and an additional Happiness Money program so that members can sufficiently refresh through the ‘Big Break.’ In addition, we plan to introduce systems to create a culture where employees can go on a vacation without feeling diffident, such as the recommended vacation and self-approval system.

### 2021 Performance

#### Welfare

	Unit	2019	2020	2021
Welfare expenses	KRW 1 thousand	14,714,021	13,602,076	15,031,074
Welfare expenses ratio to sales	%	0.66	0.53	0.47

#### Flexible Work System

	Unit	2019	2020	2021
Participation rate to the flexible work system*	%	-	-	85

\* Only SKC headquarters

## Parental Leave

		Unit	2019	2020	2021
Applicable number of employees*	Male	persons	521	681	687
	Female	persons	63	79	69
Number of employees using	Male	persons	3	3	6
	Female	persons	18	18	21
Number of employees returned	Male	persons	2	3	3
	Female	persons	11	14	13
	Return rate	%	100	100	89
Number of employees who worked 12 months or more after returning	Male	persons	1	2	2
	Female	persons	9	11	13
	Return maintenance rate	%	100	100	100

\* Employees who have children eligible for parental leave per relevant laws

## Satisfaction

		Unit	2019	2020	2021
Employee satisfaction	All employees	points	70.2	77.9	77.2
	Male	points	71.4	78.2	78.7
	Female	points	58.8	74.5	66.9
Employee immersiveness	All employees	points	71.1	73	72.9
	Male	points	72.2	73.1	74.5
	Female	points	60	72.1	61.4

## Next Plans

SKC will continue to develop SKC’s unique Happiness Goals and share and communicate the status of data-based Happiness Management with its members based on their voluntary participation. Through this, we will continuously upgrade the happiness map and expand the execution of programs that can increase the happiness of individuals and organizations via various data. In addition, we will reinforce communication programs to improve the management infrastructure to expand the employees’ voluntary practice of happiness. In the process of all these changes, we will persistently identify and share the progress and improvements to make SKC a more transparent and happier organization.

Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Labor
Work-Life Balance
Health and Safety
Product · Service Safety
Accident Prevention and Quality Management
Human Rights
Supply Chain Management
SE Ecosystem Support
Local Community Relations
Information Security and Personal Information Leakage
Governance Data
Appendix



# Social Data

## Health and Safety

**Strategy** Safety, Health, and Environment (SHE) is a critical issue in sustainability management that is directly related to the safety, life, and health of employees and local communities. SKC’s SHE management system aims to achieve zero-accident safety management of our employees, contractors, service workers, service workers, and special types of workers; it is systematically managed at a level exceeding that required by law and the chief safety officer is the CEO. We organized the SHE committee and established the SHE management system. The SHE management committee establishes specific annual and mid-term goals every year, continuously improves SHE performance, and reports safety and health-related matters to the Board of Directors annually. Moreover, SKC analyzes frequent and far-reaching SHE accidents at each business site and establishes and implements Safety Golden Rules (SGRs) to achieve a safety-first culture and prevent accidents and disasters. For accident prevention and management, SKC has established the PDCA cycle (Plan ⇨ Do ⇨ Check ⇨ Act), an accident prevention process that integrates safety and health goal management, accident response and prevention, risk removal, and safety inspection. We have applied the management system for the safety and health of our employees. In addition, we conduct PSM (Process Safety Management) self-audits to minimize the primary risks at business sites, and preparing and reviewing process safety reports. Through this, we continuously develop and execute safety-related improvements. Under the risk assessment regulations, SKC conducts process risk assessment, work risk assessment, and musculoskeletal hazard risk assessment as per the classification criteria of evaluation subjects. Also, according to the implementation period and classification criteria, we administer the initial risk assessment, regular risk assessment as per the Occupational Safety and Health Act, and occasional risk assessment as per the changed facilities and industrial accidents. The results of risk assessment are shared and educated to employees, and we report to the CEO the risk assessment performance and improvement plan annually. In the event of accidents or failures, SKC and its subsidiaries have a unified and simultaneous notification system to respond jointly at the group level. We classify accidents in detail and systematically manage the accidents’ history through the accident investigation process.

To enhance the SHE level of our business partners, we are operating a SHE win-win cooperation program as well as sanctions and incentive systems for compliance with related regulations and laws. We are also performing evaluation and management activities such as the SHE eligibility screening, SHE educational program, and securing the ability to inspect facilities, risk reduction activity for danger facilities, and follow-ups regarding risk factors. To thoroughly respond to unexpected accidents, we also conduct emergency response training every year for all workplaces subject to the Industrial Safety and Health Act.

Moreover, we provide annual health check-ups and special health check-up supports for all members, including the contracted and specific process employees, and operate a health keeper room with visually impaired professional massage therapists.

SKC also subsidizes medical expenses, provides group accident insurance, and offers comprehensive health check-ups to support the health of its members. We are planning to enlarge the number of beneficiaries of health check-ups. Headquarters employees under the age of 35 are subject to screening every other year as of now, but we plan to change this to every year. The biannual support of the spouses of the employees 35 years old or over will also change to the biannual support of 1 family member.

► To read more specifically about SHE management system enhancement, please check pages 40~41.

	Unit	2022	2023	2025
Injury accidents	cases	6	3	0
Serious accidents	cases	0	0	0
Implementation rate of accident prevention measures	%	100	100	100
Implementation rate of safety and health management system	%	100	100	100
Compliance rate of education per safety and health related laws	%	100	100	100
Compliance rate of administrative improvement order	%	100	100	100
Perform regular/occasional diagnosis of employee safety*	V	V	V	V
Occupational illness**	cases	0	0	0
Expand the application of physical and psychological services to family members and promote diversification of support items and scope of the subjects	V	V	V	V

\* Expected to conduct regular diagnosis and special diagnosis of repeated accidents in workplaces and in accordance with SHE audit management regulations

\*\* Expected to arrange the workers in consideration of harmful factors to prevent occupational illness

**Assessment** SKC conducts regular and occasional SHE diagnoses at domestic and overseas business sites to manage risks, including SHE-related laws and regulations. We have completed ISO 14001 certification and ISO 45001 conversion certification to objectively evaluate and advance the management of our SHE management system. We perform risk/hazard assessments at business sites and make efforts to improve the shortcomings, actively fulfilling the requirements of ISO 45001 certification and our responsibilities for the health and safety of the employees.

Diagnosis Elements	Diagnostic Items per Element	Diagnosis Elements	Diagnostic Items per Element
Occupational safety	Safety Golden Rules (SGRs)	Chemical substances	Chemical substance import/export management
	Work permit management	Accident/failure management	Accident management
	Protective equipment management	Change management	Change management
Process and facility safety	Interlock bypass control	SHE law	Law management
	Inspection and maintenance control	SHE education training	Education training management
	Risk assessment management	SHE business management	Performance measurement and improvement management
	Process and facility control		Reward and disciplinary management
	Safety inspection and management prior to operation	SHE audit	Audit management
Business partners	SHE management of business partners	Emergency response	Emergency response management
Environmental management	Water quality control	Industrial health	Health check management
	Waste management		Health hazard management
	Soil management		

Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Labor
Work-Life Balance
Health and Safety
Product · Service Safety
Accident Prevention and Quality Management
Human Rights
Supply Chain Management
SE Ecosystem Support
Local Community Relations
Information Security and Personal Information Leakage
Governance Data
Appendix



# Social Data

## Health and Safety

### 2021 Performance

SKC reviewed the implementation of the enacted/revised laws for each business site, operated the SHE council, and expanded SHE computerized management in accordance with headquarters’ new SHE guidelines. We spread the culture of the following SHE guidelines to form business site centric SHE cultures and established the SHE council mainly consisting of field employees. We also ran SHE coexistence cooperation programs between SKC and our business partners for the SHE management of the partners and hosted partners’ consultative meetings and quarterly partner near-miss case discovery and improvement contests. Moreover, we have checked the compliance system to respond to the enforcement of the Serious Accident Punishment Act and complemented the management system and defects in the implementation.

In addition, we established and operated a company-wide control tower, emergency response task force, and crisis response organization for each business site and subsidiary to promptly respond to the spread of COVID-19 at the company level. We are responding to such crises by preparing response scenarios by case and operation guidelines per stage. In 2021, we created an issue-oriented sharing and reporting system and reinforced the frequent inspection system for vulnerable factors. In 2022, we are advocating for AI/DT-based SHE infrastructure upgrades, including strengthening preemptive response through an advanced chemical leak detection system, reducing the risk of hazardous work through SHE Vision AI, and systematizing remote management through a smart firefighting system. Moreover, we plan to upgrade the SHE education system for outsiders, reinforce field-centric SHE consultative group, raise awareness among the employees through SHE campaigns of main accidents worldwide, and operate SHE complaints box for employees, continuing to fortify our field-centric SHE culture.

Furthermore, we have the SHE audit management regulations in place and conducting regular/frequent inspections for each business site under these regulations. We confirmed the completeness of the improvement needs through the implementation check of the business sites (SK nexilis, SKC solmics, etc.) that were subject to the special SHE diagnosis in 2021.

### Industrial Safety

		Unit	2019	2020	2021
Safety management	Risk assessment	V	V	V	V
	Safety prevention management of partners	V	V	V	V
Health support	Physical health management support	V	V	V	V
	Mental health management support	V	V	V	V

## Industrial Accidents

		Unit	2019	2020	2021
Total working hours	Employees	hours	3,236,107	3,968,812	6,792,500
	Partners	hours	1,434,091	1,798,440	2,865,874
Employee deaths	Employees	persons	0	0	0
	Partners	persons	0	0	0
Cases of Occupational Illness Frequency (OIF)		cases	0	0	0
Occupational Illness Frequency Rate (OIFR)*		%	0	0	0
Cases of Lost Time Incident (LTI)	Total	cases	8	13	16
	Employees	cases	6	8	10
	Partners	cases	2	5	6
Lost Time Incident Rate (LTIR)*	Total	%	0.34	0.45	0.33
	Employees	%	0.37	0.40	0.29
	Partners	%	0.28	0.56	0.42

\* Based on 200,000 working hours

## Certification and Education

		Unit	2019	2020	2021
International certificate application rate	ISO 45001 (Safety health management system)*	%	-	84.7	83.0

\* Implemented certification system since 2020. The headquarters workers are excluded from the scope

## Violation of Law

		Unit	2019	2020	2021
Violation of safety law	Violations	cases	1	5	2
	Fines	KRW 1 thousand	800	4,200	160

## Next Plans

SKC has established a detailed action plan for 2022 to prevent accidents and improve our systems. To prevent SHE accidents, we plan to expand risk assessment, discover near-miss accidents and advance their management process, reinforce SHE risk management, and improve the frequent inspection system. To upgrade the SHE system, we intend to strengthen the legal management process, boost the AI/DT-based SHE infrastructure, and establish a SHE education system for outsiders. In addition, to build a field oriented SHE culture, we will conduct SHE participation programs and campaigns for employees and fortify the SHE consultative group established in 2021 with business site employees. We will also continue our efforts to enhance the management system and implementation management for the enforcement of the Serious Accident Punishment Act. For SHE management of business partners, we aim to upgrade the SHE evaluation system, including specifying evaluation items and applying objective evaluations by the system, and decide whether to sign a contract based on the evaluation results while strengthening SHE support for suppliers.

Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Labor
Work-Life Balance
Health and Safety
Product · Service Safety Accident Prevention and Quality Management
Human Rights
Supply Chain Management
SE Ecosystem Support
Local Community Relations
Information Security and Personal Information Leakage
Governance Data
Appendix

# Social Data

## Product · Service Safety Accident Prevention and Quality Management

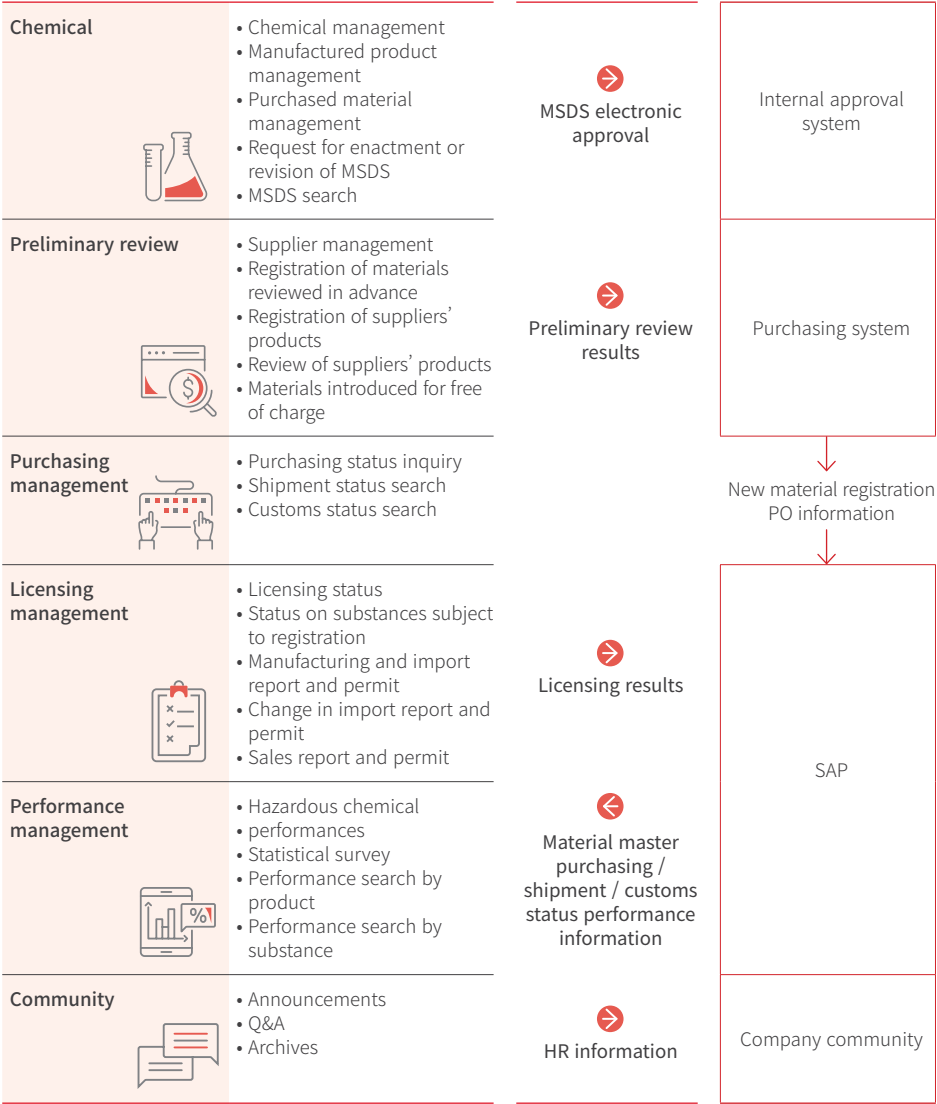
**Strategy** SKC has built and is utilizing a quality management system that reflects our CEO’s philosophy for product quality management. We regularly educate our employees on the authority and responsibilities specified in the manual, regulations, quality standards, and work standards. The CEO conducts management reviews at least once a year to ensure the continuous adequacy, sufficiency, and effectiveness of the quality management system. Also, hazardous chemical substances are subdivided to managed for product safety and quality control. SKC has established a leading chemical management system (SkyCHEMS) to manage all chemicals manufactured, purchased, stored, and distributed and performs management tasks under self-established chemical substance management regulations, procedures, and standards.

To respond to domestic and foreign regulations, we register imported and manufactured chemicals and new chemicals with the Ministry of Environment or use them after setting a registration plan under the ‘Act on Registration and Evaluation of Chemical Substances.’ We receive the supply of chemicals purchased in Korea after confirming whether they are registered with the Ministry of Environment or the registration plan from the supplier. In response to overseas regulations, we identify chemical substance regulations of each country, such as European Registration, Evaluation, Authorization and Restriction of Chemicals, and provide chemical substances per the relevant procedures.

**Target** 2022~  
**0 cases** of serious civil accidents



SKC Chemical Management System (SkyCHEMS)



Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Labor
Work-Life Balance
Health and Safety
Product · Service Safety Accident Prevention and Quality Management
Human Rights
Supply Chain Management
SE Ecosystem Support
Local Community Relations
Information Security and Personal Information Leakage
Governance Data
Appendix

# Social Data

## Product · Service Safety Accident Prevention and Quality Management

**Assessment** SKC completed ISO 9001 and IATF 16949 certification to objectively assess and advance the management.

### Business Sites Obtained Quality Management System Certifications

Category	Business Sites Obtained the Certification
ISO 9001	SKC Suwon, Jincheon, China (Jiangsu), USA SKC hi-tech&marketing Cheonan, China (Suzhou) SKC solmics Jangdang, Chupal, Yongwol, Cheonan SK picglobal Ulsan SK pucore Ulsan, China (Beijing), USA, Poland, Mexico, India SK telesys Pangyo
IATF 16949: 2016	SK nexilis Jeongeup

### 2021 Performance

To transform into an eco-friendly workplace, SKC is trying to change into eco-friendly materials in all areas, including production processes and product development. We are building an eco-friendly business area by developing eco-friendly products such as biodegradable PLA film that replaces existing plastics and silicone which is free of harmful substances causing water pollution. In particular, SKC’s Suwon Plant replaced sodium hydroxide (NaOH), a hazardous wastewater neutralizer, with non-toxic sodium aluminate (NaAlO<sub>2</sub>) to minimize the risk of hazardous chemicals. We will continue our efforts to create an eco-friendly workplace.

### Products and Services

	Unit	2019	2020	2021
Social value generated from products and services	KRW 100 million	1,390	1,527	1,216
Number of violations related to products and services	cases	0	0	0
Percentage of major products and services subject to safety and health impact assessment	%	100	100	100

### SKC Chemical Substitution Status and Plan

Category	Response Details	Expected Effects
2022	Replaced nonylphenols (9016-45-9, toxic/restricted substances) with general chemicals in the film coating solution	• Change (deletion) of hazardous chemical licenses • Annual reduction of handled hazardous chemicals by 35.288 tons • Reduction of storage capacity by 3.26m <sup>3</sup> (closed one storage unit)
	Changed Chilled Water corrosion inhibitor (N-2000) containing the hazardous chemical disodium tetraborate (1330-43-4, content 1~10%) to a non-hazardous chemical product (TARC115)	• Hazard reduction
	Replaced MEK used in the roll washing process in the production plant with N-propyl alcohol and ethanol and reduced the use of hazardous chemicals	• Hazard reduction
2019	Replaced hazardous chemical used as a wastewater counteragent (NaOH) with a common chemical	• Reduction of risk in handling and management of hazardous chemical materials and workers’ risk • Reduction in risks and danger implied on workers
	Launched and commercialized PVC substitutes for furniture and construction (Co-PET)	• Response to domestic and overseas customer demands in PVC-free products
2013	Developed and applied Dioxane Free Coating Formulation	• Response to domestic and international regulations on water pollutants
2012	Developed and applied PFOS* Free Coating Formulation	• Response to domestic and international regulations on hazardous chemicals

\* PFOS: Per Fluoro Octane Sulfonic acid

### SKC Chemical Substances Registration Status and Plan

Category	Government Guidelines	SKC Performance and Plans
3 <sup>rd</sup> ~5 <sup>th</sup> substance registration (2022~2030)	Registration according to the quantity of imported/ manufactured chemical substances less than 1,000 tons	• Promote registration of 75 chemical substances • 3 <sup>rd</sup> (~2024, 26 substances) • 4 <sup>th</sup> (~2027, 36 substances) • 5 <sup>th</sup> (~2030, 24 substances)
2 <sup>nd</sup> substance registration (2019~2021)	Registration according to the quantity of imported/ manufactured chemical substances 1,000 tons or more	• 6 products (PG, DPG, TPG, PM, DPM, Copper) and 7 raw materials-byproducts registered
1 <sup>st</sup> substance registration (2015~2018)	Designated 510 chemical substances subject to national registration	• 2 products (PO, SM) and 7 raw materials-byproducts registered

### MSDS Management Status

Category	Business Site	Product Quantity*	GHS		Risk Assessment	
			Product Quantity	Percentage	Product Quantity	Percentage
SKC	Suwon	34	1	3%	34	100%
	Jincheon	4	1	25%	4	100%
	Cheonan	4	0	0%	4	100%
SK picglobal	Ulsan	27	14	52%	27	100%
SK nexilis	Jeongeup	5	5	100%	5	100%
SKC hi-tech&marketing	Cheonan/Jincheon	381	139	36%	381	100%
SKC solmics	Jangdang/Chupal/Cheonan/Yongwol	16	1	6%	16	100%
Total		471	161	34%	471	100%

\* Number of MSDS created



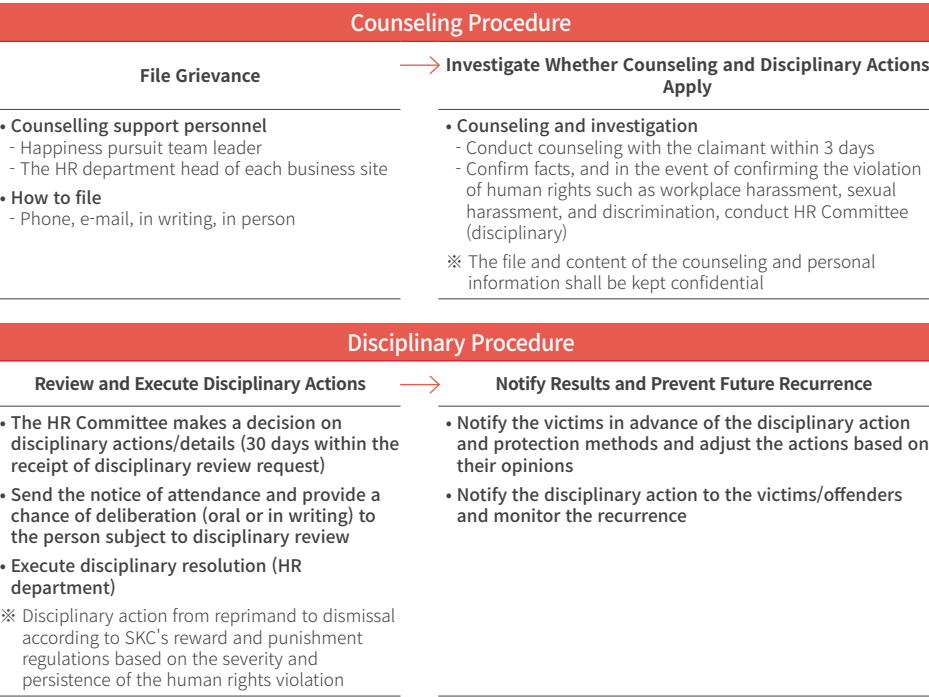
Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Labor
Work-Life Balance
Health and Safety
Product · Service Safety
Accident Prevention and Quality Management
Human Rights
Supply Chain Management
SE Ecosystem Support
Local Community Relations
Information Security and Personal Information Leakage
Governance Data
Appendix

# Social Data

## Human Rights

**Strategy** SKC endeavors to create a corporate culture that respects human rights under the philosophy that the most important resource is people. As such, we announced a human rights declaration under our CEO’s name in accordance with international human rights standards, such as the UN ‘Universal Declaration of Human Rights’ and the ‘Guiding Principles on Business and Human Rights (UNGPs),’ and also established 3 human rights management principles and 12 detailed implementation guidelines. Based on these, we drafted a roadmap for human rights management by 2023, and we regularly review and revise our human rights regulations in line with international human rights standards. SKC has a due diligence process for preventing and relieving damages from human rights risks and provides counseling services on the workplace, psychological/emotional issues, and family, legal, and financial matters to resolve actual human rights problems faced by our employees and their family members. In addition, we strive to prevent human rights issues in advance and raise awareness by conducting annual sexual harassment prevention education and disability awareness education.

### Internal Grievance Process



**Target** In relation to human rights management, SKC manages the degree of human rights management through specific indicators such as the number of reports and handled cases, the number of law violations, execution of human rights impact assessments, and the number of hours of human rights education completed. We will increase the training hours per employee on human rights from 2 hours in 2021 to over 3 hours in 2022 and intend to select one or more organizations with high human rights risks every year to conduct a human rights risk assessment (written inspection ⇨ on-site due diligence ⇨ improvement plan). We will continue to disclose the process and performance of human rights management on our website so that all SKC stakeholders can participate in and express their opinions on the direction.

**Assessment** SKC conducted its first human rights impact assessment with a third-party organization in 2022. It consisted of self-evaluation through a human rights management checklist prepared based on the UNGPs on Business & Human Rights and the reliability and effectiveness reviews of third-party organization’s response regarding SKC’s overall human rights assessment. Through this, we identified human rights risks and devised solutions and improvement plans with the internal workers’ group.

### Human Rights Impact Assessment Process



### Result of Human Rights Impact Assessment Process

	Declaration and Internalization of Human Rights Policy	Human Rights Impact Assessment	Establishment and Implementation of Human Rights Management System	Monitoring and Disclosure	Grievance Settlement Mechanism	Total
Evaluation Questions	15	13	127	20	9	184 questions
Improvement Items	10	12	38	20	3	83 items (45%)
Short-term Improvement Issues	7	3	17	8	1	36 items (20%)
Long-term Improvement Issues	3	9	21	12	2	47 items (25%)

Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Labor
Work-Life Balance
Health and Safety
Product · Service Safety
Accident Prevention and Quality Management
Human Rights
Supply Chain Management
SE Ecosystem Support
Local Community Relations
Information Security and Personal Information Leakage
Governance Data
Appendix

# Social Data

## Human Rights

### 2021 Performance

To substantiate human rights management, we have prepared a system to report grievances related to human rights and act according to due process. Employees can submit reports through various channels, including offline and e-mail, and we verify the facts in counseling within 3 business days from the date of submission. If human rights violations such as workplace harassment, sexual harassment, and discrimination are confirmed, we will take disciplinary action through the HR Committee. All the counseling content and the reporter’s identity are kept confidential. Depending on the severity of the violation, an HR/discipline committee deliberates the issue and decides on whether to take disciplinary action within 30 days, and the recurrence of the violation is monitored with the recurrence prevention measures afterward. Every received & counseling content is kept secret and we scrupulously adhere the secret and protection rule about applicant.

### Reports

	Unit	2019	2020	2021
Number of reports related to human rights	cases	0	0	1
Number of reports processed related to human rights	cases	0	0	1
Number of discrimination incidents	cases	0	0	0

### Violation of Law

	Unit	2019	2020	2021
Number of violations	cases	0	0	0
Light fine	KRW 1 thousand	0	0	0
Fine	KRW 1 thousand	0	0	0

### Human Rights Education

		Unit	2019	2020	2021
Total	Education hours per 1 employee	hours	2	2	2
	Employee completion rate	%	100	100	100
Sexual harassment prevention education	Education hours per 1 employee	hours	1	1	1
	Employee completion rate	%	100	100	100
Disability awareness education	Education hours per 1 employee	hours	1	1	1
	Employee completion rate	%	100	100	100

**Next Plans** SKC has established a human rights management roadmap up to 2023 to expand human rights management internally and externally. In 2022, we plan to conduct a campaign spreading a culture of respect for human rights and human rights management education to elicit sympathy among employees about SKC’s human rights management. In addition, we will develop an SKC self-diagnosis tool to expand employee participation in the diagnosis and improvement activities for human rights management. In 2023, we expect to specify the approach direction for each of the 12 detailed implementation guidelines for human rights management and conduct due diligence with the management and the Board of Directors. Through this, we will identify potential risks setting and executing goals to improve human rights. In addition, we will seek ways to cooperate with external organizations including the UN Global Compact initiative and constantly monitor the direction of human rights policies and reflect it in SKC’s human rights policies. Furthermore, we plan to construct a monitoring system through human rights management consulting for business partners so that human rights management can extend to our business partners as well.

## Supply Chain Management

**Strategy** SKC recognizes our business partners as partners in ESG management. To promote responsible supply chain management and sustainable growth, we operate eco-friendly purchasing policies, partner ESG risk management policies, and shared growth programs. When selecting partners, we added each company’s social value activity indicators to the existing QCD (Quality, Cost, Delivery) evaluation criteria and built a new supply chain system. To actively encourage our business partners to create social value, we increase the incentives for those that have received excellent evaluations, discuss termination of the contract if the unimproved state persists for more than three years, and reflect environmental impact issues in regular evaluation standards. Moreover, SKC has been providing financial, educational, and technical advisory support and are continuously communicating and accepting grievances to foster our partners’ solid capabilities. In the future, we will strengthen our financial/educational/relational abilities, secure ESG capabilities, and manage risks through joint programs with partner companies, striving for a win-win cooperation.

**Target** In line with the times of environmental changes and increasing demands from various stakeholders, SKC plans to systematically support business partners to secure ESG capabilities and manage risks. Accordingly, we plan to obtain consent from the business partners for ESG compliance and increase the consent rate to above 70% by 2024. We plan to annually review and set goals for compliance and improvement rates for ESG evaluation and due diligence on primary high-risk business partners who have pledged to comply with ESG and business partners’ code of conduct. Moreover, we plan to provide education, consulting, and financial support for improvement.

	Unit	2022	2023	2024
Primary partners rate of agreement to comply with ESG	%	---	➡	70
Implementation of ESG evaluations of partners	number	100		
Rate of support of high-risk partners to improve ESG	%	➡	100	
Improvement implementation rate among the ESG risk evaluation partners	%	10		

Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Labor
Work-Life Balance
Health and Safety
Product · Service Safety
Accident Prevention and Quality Management
Human Rights
Supply Chain Management
SE Ecosystem Support
Local Community Relations
Information Security and Personal Information Leakage
Governance Data
Appendix

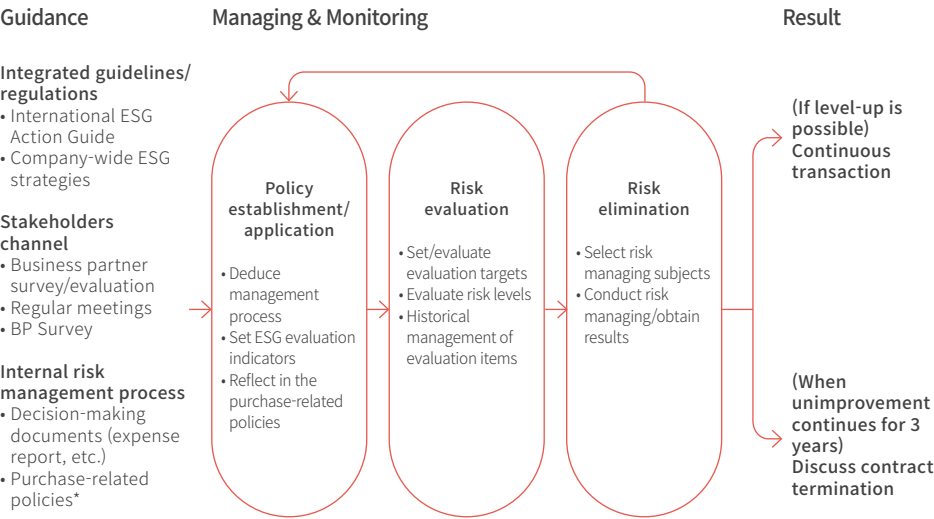


# Social Data

## Supply Chain Management

**Assessment** Currently, SKC has an ESG risk management process for all primary business partners. The ESG risk assessment correspondingly applies the group’s guide to 3 environmental 2 health/safety, 7 labor/human rights, and 5 ethics categories. Based on the evaluation results, we identify the supply chain risks and support the improvement. We add self-management items if necessary, and we intend to include compliance obligations in future contract. The evaluation is conducted biannually for high-risk business partners and annually for those with priority management, and due diligence is conducted biannually. In addition, we established and confirmed evaluation indicators for a total of 8 business partners in 2021 and conducted an offline pilot evaluation based on the criteria. We plan to bring the diagnostic review online in the future. We will identify business partners’ grievances and operate a handling process to resolve them, establishing a continuous win-win relationship.

### Risk Management Process of Business Partners



\* Purchasing management policy, purchasing management rules, affiliate management policy

## 2021 Performance

SK Group operates a coexistence fund with the Industrial Bank of Korea (IBK) and provides financial support to our business partners recommended by member companies at lower interest rates than other banks. KRW 3.117 billion was loaned to SKC’s business partners through the coexistence fund in 2021. Also, we pursued shared growth with our business partners through educational support activities such as semiconductors and MBA seminars for CEOs as well as product, quality, and process education. We have also and we strengthened communication through meetings and evaluation of each partner. We supported SHE technology, including safety and health education on harmful or risk factors, and improved payment conditions by paying 100% cash or shortening the subcontract payment date to 10 days. Since November 2019, SKC has introduced a social value evaluation system for our business partners. Thus, before signing a contract with a new business partner, we conduct a social impact assessment on each company to block any negative social impacts in advance.

## Business Partners Management

	Unit	2019	2020	2021
Total number of partners*	companies	1,092	880	687
Newly registered partners	companies	219	149	85
ESG Evaluation	Number of partners participating in ESG risk evaluation	91	91	77
	Correction implementation rate among the ESG risk evaluation partners	%	0	0

\* Based on companies with transaction history within a year

## Coexistence Purchase

	Unit	2019	2020	2021
Eco-friendly products and services purchases	KRW 100 million	74	75.7	78.6
Local* partner purchase rate	%	89.2	85.9	86.3

\* Based in Korea

## Next Plans

In 2022, we aim to set specific improvement plans for all business partners that have undergone ESG pilot evaluation in 2021. Moreover, we plan to conduct the main ESG evaluation and provide ESG-related education for priority management business partners.

Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Labor
Work-Life Balance
Health and Safety
Product · Service Safety
Accident Prevention and Quality Management
Human Rights
Supply Chain Management
SE Ecosystem Support
Local Community Relations
Information Security and Personal Information Leakage
Governance Data
Appendix

Social Data

SE Ecosystem Support

**Strategy** For win-win cooperation within the material industry, SKC has been operating the ‘New Material Technology-based Open Platform,’ a shared infrastructure that supports promising startups, social enterprises, and prospective entrepreneurs since 2017. This is in collaboration with 17 professional organizations, including Ulsan Creative Economy Innovation Center, Sejong Law Firm, The National Academy of Engineering of Korea, Trade, Industry and Energy R&D Strategic Planning Team, Deloitte Anjin Accounting Firm, BYN Black Yak, Shinhan Bank, Korea Startup Forum, Korea Technology Finance Corporation, and Korea Institute of Science and Technology Information. The platform provides services like R&D, management infrastructure, SHE, patent, investment, and Masters of Industry (professional business solution) with the government, industry, academia, and local communities utilizing their expertise for participating companies through online and offline insight seminars. Participating companies, are selected through the SKC Startup Plus Contest, recommended by participating organizations, local companies and social enterprises. The contest selects excellent participants by considering the connection with SKC’s business, such as solutions to environmental pollution, recycling waste plastics, and eco-friendly plastics like high-strength PBAT and LIMEX. Accordingly, in 2020, the open platform was recognized for its purpose and performance based on new material technology. Moreover, it was selected as an ‘Inclusive Company’ by the Ministry of SMEs and Startups (MSS) and received the Minister’s Citation for 3 consecutive years from 2018 to 2020. An Inclusive Company refers to a company that shares the technology and infrastructure of a large company and voluntarily cooperates with SMEs and small business owners. SKC will continue to advance the new material technology-based open platform to nurture promising Korean companies in the materials field and reinforce the materials industry ecosystem.

Institutions Participating in the New Material Technology-based Open Platform

  
SHIN & KIM  
법무법인(유) 세종

  
NAEK  
한국공학한림원  
The National Academy of Engineering of Korea

  
OSP  
산업통상자원  
R&D 전략기획단  
Office of Strategic R&D Planning

  
울산창조경제혁신센터

  
Deloitte.

  
BYN

  
신한은행

  
KOREA  
STARTUP  
FORUM

  
KIBO  
기술보증기금

  
KISTI  
한국과학기술정보연구원  
Korea Institute of Science and Technology Information

  
울산테크노파크  
Ulsan Technopark

  
진천군  
Jincheon-Gun

  
SUNBO  
ANGEL  
PARTNERS

  
진천상공회의소

  
울산대학교  
UNIVERSITY OF ULSAN

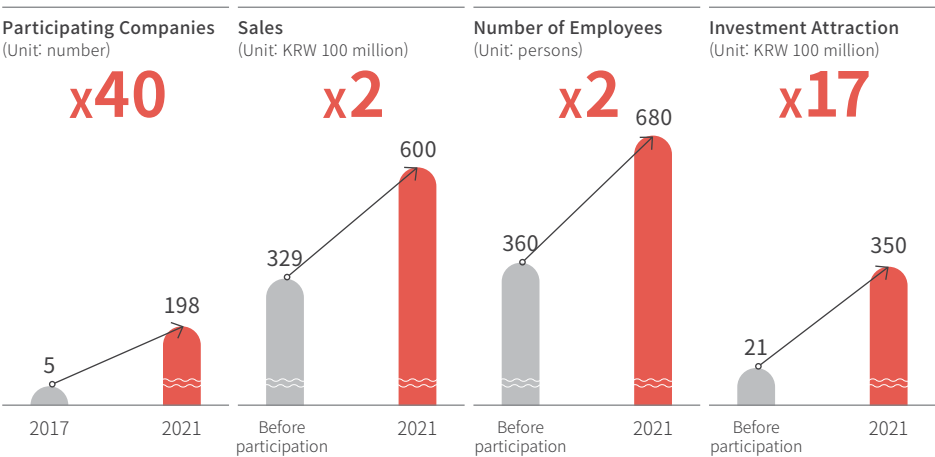
  
울산과학기술원  
ULSAN NATIONAL INSTITUTE OF  
SCIENCE AND TECHNOLOGY

**Target** For companies participating in the new material technology-based open platform in 2022, SKC is operating to validate their ESG business capabilities of the companies and support their growth of corporate value. Also, we match the technology in SKC’s demand with promising companies and help them grow into our business partners. Furthermore, we aim to increase the number of participating companies supported by the open platform by 10% every year starting in 2022 to strengthen the social enterprise ecosystem support. Among them, we will increase the participating social enterprises to 23 by 2023, 25 by 2024, and 30 by 2025, contributing to the creation of the social enterprise ecosystem.

2021 Performance

A total of 198 companies have participated in the SKC new material technology-based open platform as of 2021. SKC has provided commercialization funds to 36 selected companies since 2018. Sales volume and number of employees of these companies have more than doubled, and their investment has increased seventeen-fold since participating in the platform. Also, we signed 20 NDAs, 8 MOUs, and 7 JDAs, contributing to collaborative results. After 2022, we plan to create a new item on social enterprise evaluation in the Startup Plus Contest and actively select and support social enterprises.

Performances of Participating Companies\*



\* Data collected from companies selected in Startup Plus, business incubator center for professional organization, startup/ventures

In addition, we implemented various competency-sharing programs to provide 40 cases of R&D analysis support, 60 cases of shared space support, and 15 cases of patent and management advice. We also utilized a Masters of Industry consulting program that connected the industry experts with SMEs and prepared a platform to strengthen communication between companies in 47 instances. Moreover, we are expanding the participation of expert institutions like BYN Black Yak, an eco-friendly consumer goods company, in 2022 and further reinforcing the new materials technology-based open platform’s competitiveness and supporting its content.

Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Labor
Work-Life Balance
Health and Safety
Product · Service Safety
Accident Prevention and Quality Management
Human Rights
Supply Chain Management
SE Ecosystem Support
Local Community Relations
Information Security and Personal Information Leakage
Governance Data
Appendix



# Social Data

## Local Community Relations

**Strategy** With the belief that a healthy interaction with the local community helps the company’s growth, SKC operates region-specific programs such as the Joy’n Jeongeup project to build a social safety net and envision a sustainable society. Also, we are supporting various core competencies for local companies through the new materials technology-based open platform to help them strengthen their business capabilities. Since 2019, we have been reflecting social value creation performance into the evaluation and compensation of management and social contribution personnel. We will continue to apply it in the future to encourage employees to create social value.

**Target** SKC will discover and implement at least one new community-based social contribution program by 2022 and practice local contribution in order to increase donations by more than 10% compared to the previous year. We also plan to expand the number of local companies participating in the new materials open platform to 35 in 2023, 40 in 2024, and 50 in 2025.

**2040 Target**  
**Discover and implement one new** locally based social contribution program  
**10%** increase in donations compared to the previous year

**Impact** Since 2018, SKC has been measuring and calculating the social value created by SKC in terms of monetary value every year using the SK Group’s social value measurement methodology. There are three measurement categories - indirect economic contribution, environmental, and social performance that occur in overall corporate activities - and detailed items are quantitatively measured and managed. As a result, the value created through social contribution activities for local communities in 2021 was calculated to be KRW 6.6 billion, a KRW 1 billion increase from KRW 5.6 billion in 2020.

## 2021 Performance

### Local Community Relationship

		Unit	2019	2020	2021
Investment	Total social investment amount	KRW 100 million	12	13	18
	Local community investment	KRW 100 million	6.2	7.4	12.3
	Policy donations	KRW 100 million	5.8	5.6	5.7
Volunteer activities	Volunteer hours per employee	hours	0.22	0.19	0.24
	Percentage of employees participating in volunteer activities	%	35.6	6.1	5.5
Evaluation	Evaluation of social contribution program performance	V	V	V	V
	Percentage of business sites operating development programs based on local community needs	%	100	100	100
	Percentage of business sites operating local community VoC*	%	100	100	100

\* VoC: Voice of Customer

### SKC Social Contributions

Meal Sharing ON Tact Project	SKC and its subsidiaries cooperated with local governments near the Suwon, Cheonan, Jeongeup, and Ulsan business sites to subsidize alternative meals and participate in volunteer work to help the elderly who are having difficulty with food supply due to the spread of COVID-19.
SK Group Blood Donation Campaign	In 2021, we participated in SK Group’s blood donation campaign to help overcome the blood shortage caused by COVID-19. In June 2021, we joined the SK Red Connect blood donation campaign and made 534 blood donation certificates owned by SKC and subsidiaries to the Korea Leukemia Children’s Foundation. In January 2022, our employees were encouraged to donate blood through the blood donation bus and donated additional blood donation certificates, and a total of 47 employees participated in the blood donation campaign.
SKC Pro Bono Happiest	We participated in the residential environment improvement project within the Happy Alliance, the most prominent social contribution platform in Korea, sponsored and volunteered for window film installations at welfare institutions and families of children in need.
Joy’n Jeongeup Project	SK nexilis started the Joy’n Jeongeup project in 2021 to build a foundation for mutual growth with the local community. As part of this project, SK nexilis opened a market for young entrepreneurs in collaboration with Jeongeup City and opened a shared store, a space to revive the local economy by inviting outside visitors. In 2021, the first (Plus QQQ – a brunch cafe featuring specialties from Jeongeup) and second (Aroma Mood – a scent shop) stores opened their doors. In 2022, a shared workspace where anyone can comfortably swing by started operating as the third store.

### Notable Activities by Business Site

Seoul	Matching fund for youth, cleanup activities at Seoul National Cemetery, SKC Happiness Sharing event, etc.
Suwon	SKYview sponsorship, Safe Care Volunteer Group, Suwon Hwaseong Fortress Cultural Festival sponsorship, Seoho stream cleaning, etc.
Jincheon	Hwapoong Iwol-myeon senior citizen’s party sponsorship, kimchi sharing event, Maho stream cleaning, etc.
Jeongeup	Volunteering at daycare centers, talent donation and support for the underprivileged, local specialties purchase and promotion
Ulsan	Sponsorship of daily necessities for the underprivileged, sharing kimchi for community-based welfare veterans and families, the Green Umbrella Children’s Foundation support, employee salary roundup fundraising, etc.
Cheonan	Scholarship support for low-income children, support to protect the roots of the independence movement, support for senior citizens living alone, support for child welfare facilities, etc.

Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Labor
Work-Life Balance
Health and Safety
Product · Service Safety
Accident Prevention and Quality Management
Human Rights
Supply Chain Management
SE Ecosystem Support
Local Community Relations
Information Security and Personal Information Leakage
Governance Data
Appendix



# Social Data

## Information Security and Personal Information Leakage

**Strategy** We have enacted and operated 15 types of security management rules and guidelines based on SK Group’s security standard policies. We establish an annual security task plan based on the relevant security regulations and the group’s security management system guide. Under the plan we maintain security policies, including human, physical, and systemic securities, and access control management. SKC and all its subsidiaries designate an executive-level person as the CISO to assign them the responsibility for managing security tasks after reporting science and technology issues and organize a consultative group with related organizations to enact, review, and implement company-wide security policies. In addition, we conduct annual information security education reflecting the latest security issues to raise security awareness to SKC and its partners’ employees, as well as security pledges, mock training against malicious emails, and security campaigns.

### Security Management Rules

- Raising Security Awareness
- Security Rules for Employees
- Security Control of Outsiders
- Security Audit
- End-point Management
- Data Security



### Security Management Guidelines

- Information asset management
- Surveillance System
- Cyber accident response
- Server management
- Security Solution Management
- Network Control
- Database Control
- Application Management
- Anomaly Control



**Target** Based on the annual security task plan, SKC intends to perform related activities with the goals of zero leaks and violations of corporate data and customer personal information and improvement of the SK Group’s security management system. We acquired an average rating in 2021 and are aiming for a Leader (good) rating in 2022 for the group security management system. Moreover, we are preparing external certifications such as ISMS (Information Security Management System) for corporate data and personal information protection management systems by 2023.

### 2022 Target

**Achieve the ‘Leader (good)’ rating, average rating of 3.5 and higher, in SK Group’s security management system**

**Assessment** We are performing security activities in the areas of security governance, cyber threat management, system security, and internal information leakage prevention in accordance with the SK Group’s security management system guide based on the security management regulations, the Information and Communications Network Act, the Personal Information Protection Act, and ISMS. We also regularly check and improve the validity of the security policies and vulnerabilities of the operating system security. To achieve the targets in the group security management system, we establish and implement improvement goals of 844 items in 5 areas and inspect whether the targets are achieved every year.

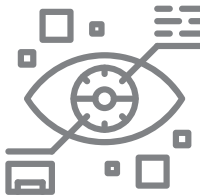
### 2021 Performance

To prevent the leakage of corporate data and personal information, SKC introduced a virtual desktop environment separated from the business network, reinforced user authentication through secondary mobile authentication, limited access only to users authorized to the internal control system, and we conduct e-mail mock training for all employees twice a year.

### Information Security and Personal Information Leakage

		Unit	2019	2020	2021
Leakage	Total information leakage	cases	0	0	1
	Information leakage related to corporate data and customer	cases	0	0	1
	Fines for violating laws related to information leakage	KRW 1 thousand	0	0	0
Education	Information security education	V	V	V	V

**Next Plans** As per the revision of the Act on the Promotion of Information Security Industry, we have disclosed our information protection in June 2022. We plan to conduct a full inspection to discover the vulnerabilities of SKC’s infrastructure and web application assets by September 2022 and take action on identified vulnerabilities. In addition, we will establish an anomaly monitoring system and a scenario-based information leak recognition system in 2022 to monitor corporate data and personal information leaks and apply watermarking to printed documents to reinforce the traceability of document leaks. With the goal of acquiring external certification for the information security management system in 2023, we will prepare in advance through organizational and system supplementation and consulting in 2022. In the future, we will apply the group information protection system to SKC’s subsidiaries to ensure continuous security improvement.



Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Governance Data
Board of Directors
Ethical Management and Compliance
Appendix

# Governance Data

## Board of Directors

**Strategy** SKC constitutes its Board of Directors from the viewpoint of diversity, expertise, and independence forming an efficient and active governance structure. Most of the directors are outside directors to enhance independence, and they are appointed at the general shareholders’ meeting after deliberation by the HR Committee to secure objectivity and fairness.

**Target** Even though we have already met the requirements of the Board of Directors’ resolution, SKC intends to gradually increase the proportion of outside directors to two-thirds to increase the board’s independence. We also aim to appoint at least one additional female director by 2030 to ensure diversity. In 2022, we will introduce Board Skill Matrix to further reinforce the expertise in director appointments starting in 2023. We will detail the board’s required capabilities and expertise to appoint directors who can contribute to achieving SKC’s Financial Story goals.

### 2021 Performance

#### Composition

The Board of Directors is SKC’s highest standing decision-making organization and consists of 7 members - 1 inside director, 4 outside directors, and 2 non-executive directors - as of March 2022. To secure its independence, 4 out of 7 directors are outside directors. Each director has expertise in management, economy, global business, communication, and risk management. To reinforce professionalism and diversity, one female environmental expert and one financial accounting expert were appointed as outside directors in 2022, and an outside director was appointed the chairman of the Board in March 2022.

		Unit	2019	2020	2021
Independence	Percentage of outside directors in the Board of Directors	%	57.1	57.1	57.1
	Restriction on the number of other duties	number	2	2	2
Diversity	Female directors	persons (%)	0(0)	0(0)	1(14)
Expertise	Directors with industrial experience	persons (%)	3(50)	2(40)	2(28.57)
	Risk expert	persons (%)	1(16.7)	1(20)	1(14.29)
	Finance expert	persons (%)	2(33.3)	2(40)	3(42.86)
	ESG expert	persons (%)	0(0)	0(0)	1(14.29)
Efficiency	Average term	years	2.75	2.92	3.33
	Attendance rate	%	93.3	97.8	97.8

### Board of Directors Status

(As of May 30, 2022)

Category	Name	Gender	Key Experiences and Positions	Expertise	Term
Inside Director	Park Won-cheol	Male	Head of the New Business Team at SK SUPEX Council (Vice President) Senior Vice President of the Global Growth Team at SK SUPEX Council Current CEO of SKC	General business management	2022.03~2025.03
Outside Directors	Park Young-seok	Male	Current Professor at Sogang University, Department of Business Administration Former President of the Korea Capital Market Institute	Accounting · Finance	2022.03~2025.03
	Bae Jong-seo	Male	CEO of P&Tech CEO of Hwa-jin Industry Current CEO of Hwa-jin Teikuro	General business management	2020.03~2023.03
	Lee Seok-jun	Male	Minister of Government Policy Coordination Vice Minister of Science, ICT and Future Planning, and second Vice Minister of Economy and Finance Current Outside Director and Audit Member of LF (Inc.)	Accounting · Finance, Policy	2021.03~2024.03
	Park Si-won	Female	Director of Environmental Law Center at Kangwon National University, Institute of Comparative Legal Studies Current Professor at Kangwon National University, Law School	ESG, Law	2021.03~2024.03
Non-executive Directors	Lee Seong-hyeong	Male	Chief of Financial Office 1 at SK inc. Chief of Financial Management Office at SK Telecom Current Chief of the Financial Division at SK inc. (Executive Director)	General business management	2021.03~2024.03
	Kim Yang-taek	Male	Chief of Portfolio 3 Team at SK inc. Current Chief of the High-tech Material Investment Center at SK inc.	General business management	2022.03~2025.03

## Operations and Responsibilities

The SKC’s Board of Directors holds regular board meetings monthly and occasional board meetings when necessary. As it is a SKC’s key decision-making organization that keeps management in check, the Board of Directors provides opinions on critical decision-making matters and protects stakeholders through business supervision.

			Unit	2019	2020	2021
Operations	Meetings	Number of meetings held	times	11	13	13
	Reporting and resolution	Number of reported items	cases	11	10	16
		Number of resolutions	cases	25	36	35
	Opinion by item	Agree	cases	25	36	34
		Disagree	cases	0	0	1
		Revision	cases	0	1	0
		Abstention	cases	0	0	0

Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Governance Data
Board of Directors
Ethical Management and Compliance
Appendix

# Governance Data

## Board of Directors

### Operations and Responsibilities

		Unit	2019	2020	2021
Responsibilities	Reduction of responsibilities	Liability insurance subscription	V	V	V
		Number of leadership-related issues	cases	0	0
	Education of directors	Participation in in-house education	V	V	V
		Leveraging external experts upon request	V	V	-

### Committee

SKC operates committees under the Board of Directors in accordance with the Commercial Act and SKC’s internal regulations. We have the HR Committee, Audit Committee, Related Party Transaction Committee, and ESG Committee on the Board of Directors, all of which are chaired by an outside director. The ESG Committee was established in March 2021, and enhancing the expertise of the HR Committee, including the existing functions of the Outside Director Recommendation Committee, Related Party Transaction Committee, and Audit Committee.

### HR Committee (Outside Director Recommendation Committee)

In March 2021, SKC expanded and reorganized the Outside Director Recommendation Committee into the HR Committee to secure the recommendation’s fairness, directors’ independence, and objectivity in the evaluation and remuneration of inside directors. The majority is composed of outside directors for independence, and a total of 5 resolutions and 1 report were presented at 3 committee meetings in 2021. By recommending candidates for outside directors in 2021, the committee enhanced the Board members’ diversity and the executive ability of the Financial Story and decided on the evaluation of the CEO and remuneration for inside directors.

	Unit	2019	2020	2021
Number of members	persons	3	3	3
Percentage of outside directors	%	66.7	66.7	66.7
Participation of the CEO (Excluded if 100% is outside directors)	V	V	V	-
Number of meetings	times	1	1	3
Attendance rate	%	100	100	100
Number of resolutions	cases	1	1	5
Number of reported items	cases	0	0	1

### Audit Committee

The Audit Committee designs the internal control system, evaluates the operation status, and reviews non-financial risks. All three of its members consist of outside directors, and two of them are financial experts. It held a total of 6 audit committee meetings in 2021, presenting 6 resolutions and 8 reports.

	Unit	2019	2020	2021
Number of members	persons	3	3	3
Percentage of outside directors	%	100	100	100
Financial expertise of the chairperson	V	V	V	V
Number of financial experts	persons	1	1	2
Number of meetings	times	6	5	6
Attendance rate	%	95.2	100	100
Number of resolutions	cases	5	2	6
Number of reported items	cases	5	8	8
Number of disagreements or revision suggestions	cases	0	0	0

### Related Party Transaction Committee

The Related Party Transaction Committee deliberates on transactions and investments with related parties. Established in May 2021, it consists of 3 outside directors. A total of 7 related party transaction committee meetings were held in 2021, presenting 1 resolution, 6 reports, and 6 pre-deliberations.

	Unit	2019	2020	2021
Number of members	persons	-	-	3
Percentage of outside directors	%	-	-	100
Number of meetings	times	-	-	7
Attendance rate	%	-	-	100
Number of resolutions	cases	-	-	1
Number of reported items	cases	-	-	6



Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Governance Data
Board of Directors
Ethical Management and Compliance
Appendix

# Governance Data

## Board of Directors

### Committee ESG Committee

As social demands related to ESG are growing, SKC established the ESG Committee under the Board of Directors in May 2021 to promote qualitative and quantitative development of ESG-related decision-making within the Board. This committee is a pre-deliberation organization on major decision-making under the board-centered management principles. It reviews and analyzes strategies and critical issues related to the environment, social values, and governance while seeking the company’s long-term sustainable growth. As of May 2022, the ESG Committee consists of the CEO, 4 outside directors, and 1 other non-executive director, deliberating on SKC’s mid- to long-term management and promotional strategies. The committee held a total of 7 meetings in 2021 with the goal of unifying ESG and management system based on each ESG management agenda of environment, society, and governance. In addition, SKC has established an investment process emphasizing ESG. From 2022, the ESG Committee is obligated to review the ESG checklist for investment deliberation and inspection to prepare a risk response plan in advance. This includes investments to achieve Net Zero GHG and meet safety and health-related licensing standards and the reviews on social contribution effects by calculating social value measurements. ESG training will be included in the annual outside director training program starting in 2022 to improve the quality of the ESG Committee. ESG training for the Board of Directors will be held once every first half and second half of the year. After the ESG education is completed, related items will be pre-deliberated by the ESG Committee and submitted to the Board of Directors. In 2023, we expect to expand the frequency of ESG-related discussions further.

	Unit	2019	2020	2021
Number of members	persons	-	-	6
Percentage of outside directors	%	-	-	66.7
Number of ESG experts	persons	-	-	1
Number of meetings	times	-	-	7
Attendance rate	%	-	-	100
Number of resolutions	cases	-	-	1
Number of reported items	cases	-	-	10
Pre-deliberation items	cases	-	-	7
Pre-review items	cases	-	-	2

### Notable Deliberation Items of 2022 ESG Committee

Round	Date	Agenda Items
1 <sup>st</sup> round	2021.05.21	<ul style="list-style-type: none"><li>• Reporting on the annual operating plan</li><li>• Deliberation of investment in a Japanese investment corporation</li><li>• Transfer of SiC Wafer operation</li><li>• Discussion on the Corporate Governance Report</li><li>• Appointment of the Head Commissioner</li></ul>
2 <sup>nd</sup> round	2021.06.15	<ul style="list-style-type: none"><li>• Reporting on measures to promote Net Zero GHG emissions</li><li>• Publication of the Sustainability Report</li><li>• Reporting on the Financial Story</li><li>• Capital increase of SKCFTH Holdings</li></ul>
3 <sup>rd</sup> round	2021.07.20	<ul style="list-style-type: none"><li>• Measures to Net Zero GHG emissions</li><li>• Reporting on the establishment of business plan and KPIs for 2021</li></ul>
4 <sup>th</sup> round	2021.09.27	<ul style="list-style-type: none"><li>• Establishment//investment in kind for an overseas subsidiary (glass substrate for high-performance computing)</li><li>• Share investment in a silicon anode material company</li><li>• Closure of MCNS JV relationship agreement</li><li>• Disposition of treasury stocks for employee/executive incentives</li><li>• Reporting on the company-wide KPI achievements/plan for 2021</li></ul>
5 <sup>th</sup> round	2021.10.25	<ul style="list-style-type: none"><li>• JV establishment for a bio-degradable plastic raw material business(pre-deliberation)</li></ul>
6 <sup>th</sup> round	2021.11.22	<ul style="list-style-type: none"><li>• JV establishment for a bio-degradable plastic raw material business(pre-review)</li><li>• Reporting on the company-wide KPI achievements for 2021</li></ul>
7 <sup>th</sup> round	2021.12.15	<ul style="list-style-type: none"><li>• Disposition of treasury stocks</li></ul>

### Evaluation and Remuneration

SKC plans to introduce an evaluation of all activities of the Board of Directors in the first half of 2022 and will conduct an annual assessment to improve the operation and activities of the Board. In addition, the evaluation results and outside directors’ activities will serve as the basis for the recommendation for outside directors. The directors’ remuneration is executed within the limits approved by the general meeting of shareholders, and the approved pay and payment status are transparently disclosed in the business report. To ensure the independence of outside directors, their evaluation and compensation are not linked but used as the main reason for deciding future re-appointments.

		Unit	2019	2020	2021
Remuneration	Prepare CEO remuneration change guidelines	V	V	V	V
	Include ESG in CEO’s performance indicators	V	V	V	V
	Possess non-executive director remuneration system	V	V	V	V
	Disclose individual remuneration calculation standards and amount	V	V	V	V
Stocks	Percentage of stocks owned by directors and CEO	%	0.04	0.03	0.04
	Percentage of National Pension Service equity	%	13.7	11.7	9

Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Governance Data
Board of Directors
Ethical Management and Compliance
Appendix

# Governance Data

## Board of Directors

### Strengthening Shareholder Rights

SKC notifies the date, time, location, and agenda of the general meeting of shareholders two weeks in advance and participates in a distributed holding program that avoids the expected date of other general meetings so that more shareholders can participate and express their opinions. We are also running an electronic voting system to guarantee their voting rights. We simultaneously disclose information submitted to the exchange in English to bridge the gap and improve information accessibility for foreign shareholders. In addition, we have strengthened communication with shareholders through electronic disclosures, performance briefings, company briefings, and investor meetings. Despite the difficulties due to the COVID-19 crisis, we have held online live broadcasts on YouTube to maintain a strong communication. As a result, the number of exercised voting rights has surpassed 70% in spite of the individual shareholders rapidly increasing in proportion. Regarding shareholder returns, we have been paying dividends for 17 consecutive years and are improving our dividend policy from the viewpoint of total shareholder returns. We will develop the returns policy in more detail through the dividend policy that integrates various factors including net profit for the current business year, stock price returns, CAPEX size for sustainable growth, predictability of dividend, shareholder expected returns, market price dividend, and domestic and foreign interest rates. In 2022, we built SK Group’s first online dividend inquiry system to reinforce shareholder return policies and spread an eco-friendly IR culture.

		Unit	2019	2020	2021
Activating voting rights exercise	Introduce electronic voting system	V	V	V	V
	Recommend to exercise voting rights by proxy for all shareholders	V	V	V	V
Protecting shareholder rights	Notify agenda before the general meeting	V	V	V	V
	Disclose audit report before convening notice	V	V	-	V

## Ethical Management and Compliance

**Strategy** Ethical management is a business activity in which a corporate takes economic and legal responsibilities and ethical standards expected by social norms as the corporate decision-making and behavioral principles to promote its sustainable development. SKC strives to practice ethical management and create value for all employees as well as for all stakeholders, including customers, shareholders, and society. Based on the code of ethics and practice guidelines as the standard for behavior and value judgment of all our employees, SKC has prepared a 3C system - the Code of Conduct, Compliance System, and Consensus with employees and business partners - to practice ethics and law-abiding management. For the advancement of ethical management, SKC has formed a dedicated organization that performs prevention, monitoring, and follow-up management activities. Moreover, we apply the enactment and revision of related laws, social issues and trends, and internal policies and annually review the revision of the code of ethics and practice guidelines.

### Ethical Management Framework (3C)

Code of Conduct	<ul style="list-style-type: none"><li>Specific and codified top-level regulations for employees’ ethical/compliance management practices</li></ul>
Compliance system	<ul style="list-style-type: none"><li>Organization and operating system for ethical/compliance management</li><li>Implementing a report/consultation system and regular compliance audits through an organization dedicated to ethical management</li></ul>
Consensus	<ul style="list-style-type: none"><li>Forming a consensus and corporate culture via ethics education for employees, CEO messages, public relations, etc.</li><li>Spreading a fair-trade culture via an ethical management system sharing program for business partners</li></ul>

Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Governance Data
Board of Directors
Ethical Management and Compliance
Appendix

# Governance Data

## Ethical Management and Compliance

We enacted and distributed the code of ethics and practice guidelines for business partners in 2021, through which we are striving to establish transparent and fair business relationships. To internalize ethical management, SKC expresses the management’s will to practice ethical management through the CEO messages at the beginning of every year and provides regular ethics education to the leadership, all employees including fixed-term workers and dispatched workers, and business partners. SKC’s employees sign the ethical practice pledge every year to participate in ethical management, and all employees have done so for four years since 2018. SKC will comply with all domestic and international anti-corruption laws to achieve sustainable growth. Accordingly, we established a mid- to long-term plan for the anti-corruption system operation from 2021 to 2025. The plan, which has main strategies of strengthening the capacity and raising anti-corruption awareness, is disclosed on the SKC website.

**Target** SKC plans to receive an objective certification in ethical management and anti-corruption system by acquiring ISO 37001 in 2022. In addition, we are operating and planning a mid- to long-term anti-corruption strategy with the goal of zero anti-corruption violations by 2025. To this end, we will develop anti-corruption education content for all overseas business sites in 2023 and publish the SKC anti-corruption guide, strengthening our anti-corruption management policies.

### 2021 Performance

#### Ethical Management Effort

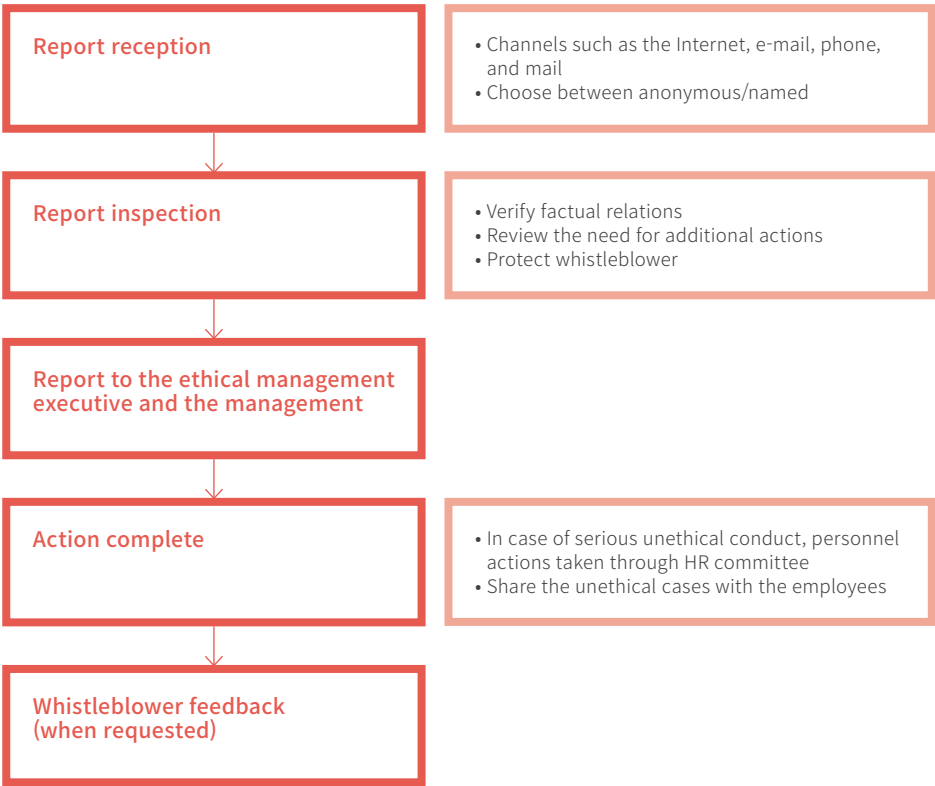
To maximize the effectiveness of ethical management education, SKC develops ethics education content that suits the position and job characteristics and provides online education at least once a year. The educational materials are produced in Korean, English, and Chinese to encourage the participation of global employees. Moreover, SKC operates a discussion workshop led by leaders every year for all employees and provides online ethical management education for business partners to support their introduction to ethical management systems.

		Unit	2019	2020	2021
Ethics education	Education hours per employee	hours	1	1	0.5
	Completion rate	%	100	100	99
	Ethics education of business partners	V	V	V	V
Anti-corruption education	Education hours per employee	hours	0	0	0.5
	Completion rate	%	-	-	100
	Anti-corruption education of business partners	V	-	-	V
Percentage of online practice pledge		%	100	100	100

## Reporting and Violations

SKC operates various reporting channels - email, mail, telephone, etc. - so that employees, business partners, and customers can freely report unethical acts of unfair trade, unfair demands, bribery, and other violations of laws and regulations during all SKC’s business activities. The ethical management practice guideline stipulates the principle of protecting whistleblowers, and anonymity is reinforced with IP tracking prevention and personal information masking technologies applied to the reporting system. All executives and employees can receive legal compliance counseling from the relevant department if they have questions about anti-corruption during their duties. They can also report unethical behavior to the anti-corruption report center and the holiday gift reception report center. SKC checks the spending of all employees and management and examines the anti-corruption practices across the business. There were 12 violations of SKC’s Code of Conduct in 2021. To provide thorough anti-corruption education to employees, we have been conducting global anti-corruption compliance training once a year for all employees, including temporary workers, since November 2021.

### Report Handling Process



Intro
Overview
Financial Story
ESG Management
ESG Report
Environmental Data
Social Data
Governance Data
Board of Directors
Ethical Management and Compliance
Appendix



# Governance Data

## Ethical Management and Compliance

### Ethical management consultation and reporting

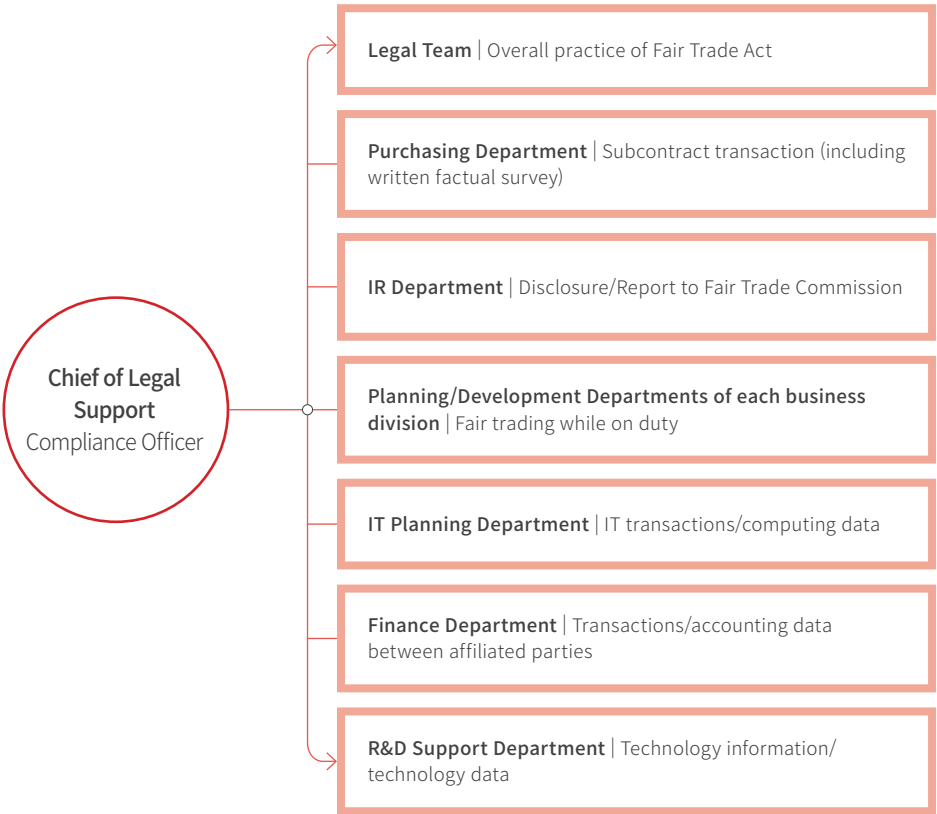
		Unit	2019	2020	2021
Ethical management reporting and consultation	Total reported cases	cases	7	18	12
	Employees	cases	6	11	7
	Partner companies	cases	1	3	0
	Customers	cases	0	0	0
	Others	cases	0	4	5
Code of conduct violation	Total	cases	7	18	12
	Sexual harassment	cases	0	1	0
	Bribery	cases	1	1	2
	Non-compliance with code of ethics	cases	3	7	4
	Violation of safety, health, and environment regulations	cases	0	1	2
	Neglect of duties	cases	1	0	0
	Others	cases	2	8	4
Actions	Inspection (audit)	cases	6	8	7
	Transfer to relevant department	cases	1	5	4
	Others (e.g. rejection)	cases	1	5	1
Laws and regulations violation	Number of anti-corruption violations	cases	0	0	0
	Number of non-monetary anti-corruption sanctions	cases	0	0	0
	Fines and settlements for anti-trust and anti-competition	KRW 100 million	0	0	0
	Number of cases of monetary sanctions against anti-trust and anti-competition	cases	1	1	0
	Number of lawsuits against violations of laws and regulations	cases	0	0	0
	Litigation costs and fines from price fixing	KRW 100 million	0	0	0
	Number of violations regarding product/service information and labeling	cases	0	0	0
	Number of violations of insider trading laws	cases	0	0	0
	Number of violations of subcontracting laws	cases	0	0	0

### Fair Trade Efforts

SKC operates the Fair Trade Voluntary Compliance Program for fair competition and trade. The legal team, which is the managerial department of voluntary compliance of fair trade, designates a person in charge of the fair trade compliance program for each relevant department - purchasing, research, and business - and organizes an internal supervisory organization to ensure fair competition and trade in all business processes. In February 2021, we provided education on the revised Monopoly Regulation and the Fair Trade Act to members of organizations related to fair trade, helping them to understand the law and foster awareness of transparent and fair business relationships.

	Unit	2019	2020	2021
Compliance Program	Internal supervisory system	V	V	V

### Organization Chart of the Internal Supervisory System



- Intro
- Overview
- Financial Story
- ESG Management
- ESG Report
- Appendix

# APPENDIX

-  Financial Data
-  Double Materiality Assessment
-  GRI Index
-  TCFD
-  SASB
-  Third-Party Assurance Statement
-  Verification Statement of Greenhouse Gas Emissions
-  Participating Associations and Organizations



Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations



# Financial Data

## Consolidated Financial Information Summary

(Unit: KRW)			
Category	2021 (49 <sup>th</sup> )	2020 (48 <sup>th</sup> )	2019 (47 <sup>th</sup> )
[Non-current assets]	4,360,101,909,469	4,159,137,737,841	2,980,268,989,961
· Tangible assets	2,486,379,440,429	2,298,073,369,422	2,115,916,732,340
· Intangible assets	1,282,181,669,645	1,308,003,508,181	254,693,648,214
· Investment properties	30,095,256,232	35,078,927,589	38,230,215,681
· Long-term financial products	29,500,000	40,500,000	46,000,000
· Relational company investments	490,228,447,210	456,092,899,540	494,701,786,514
· Financial assets for sale	3,270,637,873	3,393,988,641	4,632,429,403
· Other long-term bonds	6,875,842,938	11,056,225,241	17,356,457,607
· Derivative financial assets	1,426,193,797	-	2,268,185,727
· Deferred tax assets	43,725,035,595	40,993,654,672	44,409,322,427
· Other non-current assets	15,889,885,750	6,404,664,555	8,014,212,048
[Liquid assets]	1,820,030,594,141	1,247,268,102,692	992,719,762,193
· Accounts receivable	471,114,667,683	398,637,900,608	372,574,481,700
· Other bonds	18,640,136,111	9,414,409,197	15,838,136,668
· Derivative products	45,305,070	160,607,931	1,564,522,122
· Other liquid assets	81,306,529,804	65,402,452,580	66,103,576,513
· Assets in stock	515,479,241,989	336,793,144,277	385,658,113,202
· Short-term financial products	6,949,050,000	938,017,040	10,194,754
· Cash and cashable assets	722,154,796,935	428,586,447,897	79,957,905,564
· Current term tax assets	1,024,641,358	1,093,043,016	1,324,881,041
· Assets to be sold	3,316,225,191	6,242,080,146	69,687,950,629
Total assets	6,180,132,503,610	5,406,405,840,533	3,972,988,752,154
[Controlling interest]	2,001,237,977,175	1,808,065,785,607	1,559,278,640,017
· Capital	189,341,490,000	189,341,490,000	187,672,775,000
· Consolidated capital surplus	348,522,317,856	337,309,772,298	140,828,000,452
· Consolidated capital adjustment	-87,534,977,079	-62,133,816,738	-108,186,306,414
· Consolidated and accumulated other comprehensive income	7,085,963,008	-20,372,030,977	-10,987,035,262
· Consolidated retained earnings	1,543,823,183,390	1,363,920,371,024	1,349,951,206,241

Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# Financial Data

## Consolidated Financial Information Summary

(Unit: KRW)			
Category	2021 (49 <sup>th</sup> )	2020 (48 <sup>th</sup> )	2019 (47 <sup>th</sup> )
[Non-controlling interest]	281,122,714,727	107,047,795,461	167,095,196,853
Total interest	2,282,360,691,902	1,915,113,581,068	1,726,373,836,870
[Non-current liabilities]	2,177,726,399,198	1,757,368,202,353	1,203,454,950,037
[Current liabilities]	1,720,045,412,510	1,733,924,057,112	1,043,159,965,247
Total liabilities	3,897,771,811,708	3,491,292,259,465	2,246,614,915,284
Income Statement			
Sales	3,396,056,746,194	2,465,850,080,730	2,361,068,172,429
Operating income	464,743,373,689	202,016,696,204	139,754,996,010
Continuing operations income before tax	425,074,980,549	232,176,306,442	60,432,113,222
Continuing operations net income	312,638,300,913	149,945,277,891	56,495,491,953
Discontinued operations net income after tax	29,702,021,204	-76,324,411,103	10,896,795,084
Net income	342,340,322,117	73,620,866,788	67,392,287,037
Controlling interest	220,852,601,002	37,131,356,785	59,714,080,104
Continuing operations net income	192,714,597,041	113,396,758,459	56,165,279,659
Discontinued operations net income	28,138,003,961	-76,265,401,674	3,548,800,445
Non-controlling interest	121,487,721,115	36,489,510,003	7,678,206,933
Basic earnings per share (KRW)			
Continuing operations net income	5,387	3,201	1,586
Discontinued operations net income	787	-2,153	100
Diluted earnings per share			
Continuing operations net income	5,367	3,197	1,586
Discontinued operations net income	784	-2,150	100

\* The above consolidated financial information summary has been reported in accordance with Korean International Financial Reporting Standards (K-IFRS).

\* The consolidated entity categorized the industrial material sector's solar film and PVDF film business operated by SK Eco Solutions Co., Ltd. and the BHC sector operated by Hyundai Bioland Co., Ltd.(formerly SK bioland Co., Ltd.) as discontinued operations. In the current term, the communication network business operated by SK telesys Co., Ltd. and SKC Infra Services Co., Ltd. in Other sectors was classified as discontinued (refer to Note 34 of the Consolidated Audit Report). The consolidated entity reflected the discontinued operations to rewrite the information on the electricity sector.

Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# Financial Data

## Separate Financial Information Summary

(Unit: KRW)			
Category	2021 (49 <sup>th</sup> )	2020 (48 <sup>th</sup> )	2019 (47 <sup>th</sup> )
[Non-current assets]	2,972,484,306,837	2,712,113,556,243	2,455,086,634,536
· Tangible assets	749,199,196,994	863,256,193,052	1,230,418,561,728
· Intangible assets	29,206,778,311	54,652,487,865	54,128,246,410
· Investment properties	90,798,723,848	93,785,914,515	101,914,243,070
· Long-term financial products	25,000,000	25,000,000	32,500,000
· Relational and dependent company investments	2,097,179,343,401	1,688,499,171,948	1,056,718,601,130
· Financial assets for sale	3,246,130,518	3,352,617,376	3,524,414,412
· Other long-term bonds	1,454,062,615	7,178,692,247	8,350,067,786
· Other non-current assets	1,375,071,150	1,363,479,240	-
[Liquid assets]	245,261,015,015	330,034,554,712	378,434,828,712
· Accounts receivable	87,982,704,320	86,264,152,187	142,700,328,732
· Other bonds	9,490,216,017	5,000,642,034	10,780,216,255
· Derivative products	10,672,682	-	284,705,705
· Other liquid assets	19,665,878,363	16,575,632,269	33,417,610,320
· Current term tax assets	-	-	2,392,818,496
· Assets in stock	99,770,952,453	74,398,571,096	148,290,116,312
· Cash and cashable assets	25,024,365,989	142,437,254,913	8,784,966,114
· Assets to be sold	3,316,225,191	5,358,302,213	31,784,066,778
Total assets	3,217,745,321,852	3,042,148,110,955	2,833,521,463,248
[Capital]	189,341,490,000	189,341,490,000	187,672,775,000
[Capital surplus]	184,196,360,165	172,983,814,607	146,732,074,571
[Capital adjustment]	-87,268,737,488	-61,867,577,147	-61,595,679,340
[Accumulated other comprehensive income]	-9,412,639,551	-9,331,922,513	13,057,360,240
[Earned surplus]	1,679,979,646,201	1,698,416,252,261	1,245,084,033,489
Total capital	1,956,836,119,327	1,989,542,057,208	1,530,950,563,960



Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# Financial Data

## Separate Financial Information Summary

(Unit: KRW)			
Category	2021 (49 <sup>th</sup> )	2020 (48 <sup>th</sup> )	2019 (47 <sup>th</sup> )
[Non-current liabilities]	688,117,877,234	469,825,488,711	780,635,261,634
[Current liabilities]	572,791,325,291	582,780,565,036	521,935,637,654
Total liabilities	1,260,909,202,525	1,052,606,053,747	1,302,570,899,288
Income Statement			
Sales	552,607,379,482	556,765,066,380	1,229,900,589,756
Operating income	13,583,853,367	12,935,174,018	41,985,827,871
Operations income before tax	26,806,125,683	661,279,303,945	18,561,447,726
Operations net income	16,767,187,818	460,249,057,408	14,016,265,369
Earnings per share	469	12,991	396
Diluted earnings per share	467	12,973	396

\* The above financial information summary has been reported in accordance with Korean International Financial Reporting Standards (K-IFRS).

Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# Double Materiality Assessment

## Double Materiality Assessment

Materiality assessment is the process of identifying which of the ESG topics that affect a company’s sustainability should be prioritized. The materiality assessment method is also changing with ESG’s spread and advancement. In 2019, the EU announced the concept of double materiality through the Non-Financial Reporting Directive (NFRD, now amended as the Corporate Sustainability Reporting Directive CSRD). The GRI (Global Reporting Initiative) announced the amendment that adopted double materiality and made it mandatory from 2023. Double materiality refers to considering both the environmental and social impacts of corporate management activities and external environmental and social effects on the company’s financial status - i.e., considering both internal and external perspectives. On this, Double Materiality Assessment has been utilized to a tool accessing precisely corporate financial value from ESG.

### Impact Materiality

Refers to the importance of the business activities’ impact on the environment and society from the inside-out perspective

### Financial Materiality

Refers to the importance of the environment and society’s impact on the business activities from the outside-in perspective

#### Step 1

##### Topic Selection

- Review GRI, MSCI, SASB topics
- Analyze benchmarking (key peer group)
- Analyze internal and external management data

#### Step 2

##### Identification of the Topic’s Impact

- Review domestic/global regulations and guidelines
- Review controversies occurred in the industry in the past 3 years
- Review the risk or opportunity awareness of the investment group
- Identify the scope and time of impact

#### Step 3

##### Impact Materiality Assessment

- Evaluation items (impact assessment in 5-point scale)
  - ① Possibility of occurrence
  - ② Seriousness of the impact (scale, scope, and resilience)

#### Step 4

##### Financial Materiality Assessment

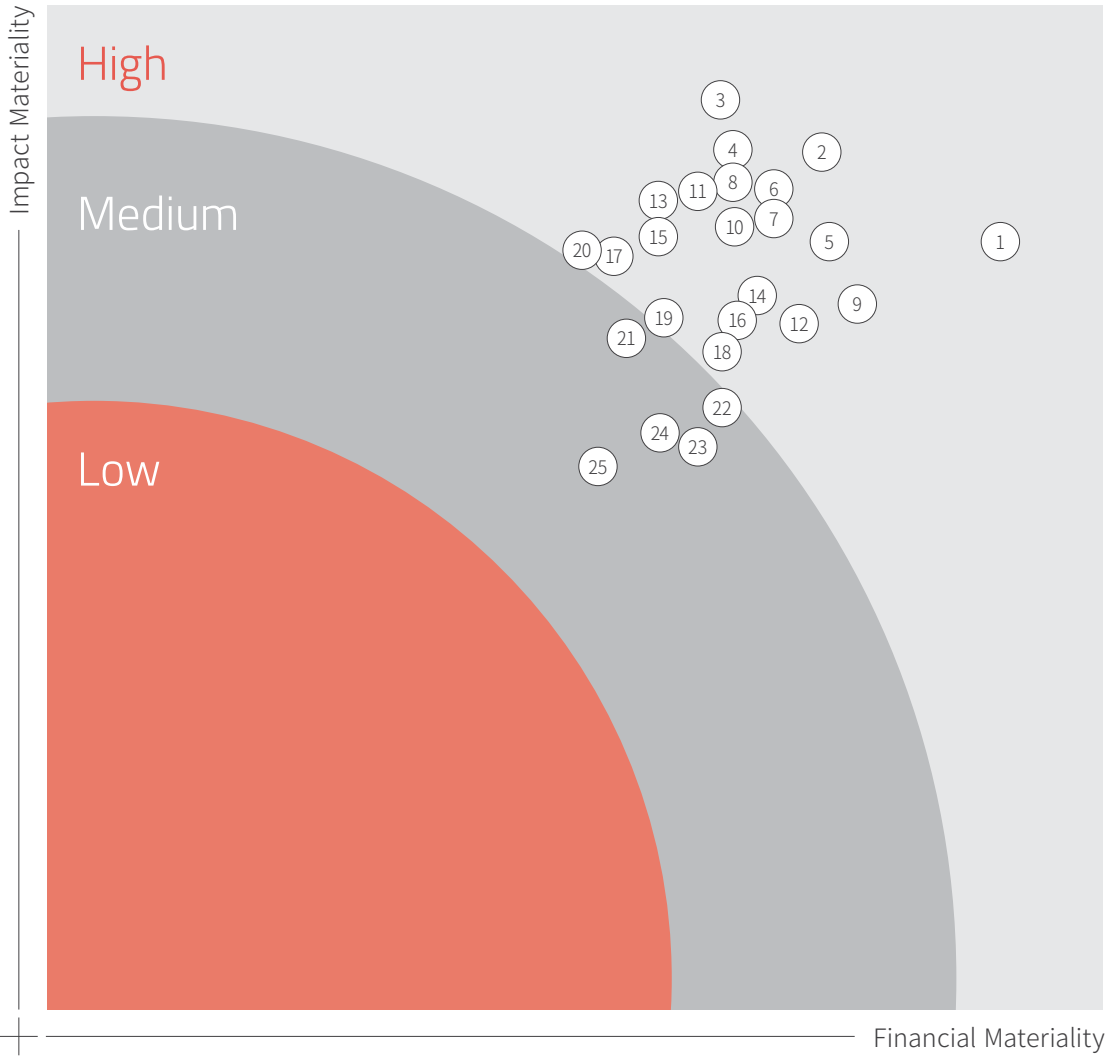
- Evaluation items (impact assessment in 5-point scale)
  - ① Direct and measurable financial impacts and risks
  - ② Legal regulations or government policies related to the topics
  - ③ Financial performance impact of the high expectation of sustainable management and demand of performanceImpact of the stakeholders’ awareness and social trends on the financial performance
  - ④ Impact of innovation opportunities through new competitive advantages on the financial performance



Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# Double Materiality Assessment

## Double Materiality Assessment



Topic	Page
① Reinforcement of BM innovation execution	21, 22, 27~32
② Expansion of eco-friendly technology and business	24, 25, 28~30, 49, 52, 53
③ Management of GHG emissions	24, 25, 48
④ Safety management of chemical substances	49, 50
⑤ Product quality responsibility	58, 59
⑥ Products and services reflecting the environment	25, 28~30, 49, 52, 59
⑦ Governance	31, 66~69
⑧ Climate change response	24, 25, 28~30, 39, 48~52, 59
⑨ Re-establishment of corporate identity	21, 22, 27~30
⑩ Risk management	37~41
⑪ Employee safety and health	40, 41, 56, 57, 61, 62
⑫ Expansion of performance compensation and welfare benefits	53~55
⑬ Air pollutant management	50
⑭ Advancement of employment and labor-management relations	53, 55
⑮ Hazardous substances and waste management	49~50
⑯ Supply chain management	61, 62
⑰ Water and wastewater management	50
⑱ Responsible raw material management	58, 59
⑲ Energy management	44, 46, 48
⑳ Systematization of ethics and compliance	38, 39, 69~71
㉑ Internalization of human rights management	60, 61
㉒ Reinforcement of customer information protection	39, 65
㉓ Reinforcement of customer safety and health	58, 59
㉔ Promotion of vocational training and education	54, 62
㉕ Promotion of social contribution	42, 43, 63, 64



Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# GRI Index

## Global Reporting Initiative

Topic	No.	Core Disclosure	Page
GRI 102: General Disclosures			
Organizational profile	102-1	Name of the organization	6
	102-2	Activities, brands, products, and services	8~18
	102-3	Location of headquarters	6
	102-4	Location of operations	6, 8
	102-5	Ownership and legal form	6
	102-6	Markets served	6, 8
	102-7	Scale of the organization	6
	102-8	Information on employees and other workers	53
	102-9	Supply chain	10~18, 61, 62
	102-10	Significant changes to the organization and its supply chain	6
	102-11	Precautionary Principle or approach	37~41
	102-12	External initiatives	79~88
	102-13	Membership of associations	95
Strategy	102-14	Statement from senior decision-maker	5
	102-15	Key impacts, risks, and opportunities	37~39
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	70, 71
	102-17	Mechanisms for advice and concerns about ethics	70, 71
Governance	102-18	Governance structure	31, 36, 66~69
	102-22	Composition of the highest governance body and its committees	31, 36, 66~69
	102-23	Chair of the highest governance body	31, 66
	102-24	Nominating and selecting the highest governance body	66~67
	102-26	Role of highest governance body in setting purpose, values, and strategy	31, 66~69
	102-28	Evaluating the highest governance body's performance	68
	102-29	Identifying and managing economic, environmental, and social impacts	31, 66~69
	102-31	Review of economic, environmental, and social topics	35~39, 68
	102-32	Highest governance body's role in sustainability reporting	68
	102-35	Remuneration policies	68
GRI 102 : General Disclosures			
Stakeholder Engagement	102-40	List of stakeholder groups	77, 78
	102-41	Collective bargaining agreements	53
	102-42	Identifying and selecting stakeholders	77, 78
	102-43	Approach to stakeholder engagement	77, 78
	102-44	Key topics and concerns raised	77, 78

Topic	No.	Core Disclosure	Page
GRI 102: General Disclosures			
Reporting Practice	102-45	Entities included in the consolidated financial statements	2
	102-46	Defining report content and topic Boundaries	2
	102-47	List of material topics	78
	102-48	Restatements of information	2
	102-49	Changes in reporting	2
	102-50	Reporting period	2
	102-51	Date of most recent report	2
	102-52	Reporting cycle	2
	102-53	Contact point for questions regarding the report	96
	102-54	Claims of reporting in accordance with the GRI Standards	2
	102-55	GRI content index	79
	102-56	External verification	89
GRI 103 : Management Approach			
	103-1	Explanation of the material topic and its Boundary	77~78
	103-2	The management approach and its components	78, 79
GRI 201 : Economic Performance			
	201-1	Direct economic value generated and distributed	42~46
GRI 203 : Indirect Economic Impacts			
	203-1	Infrastructure investments and services supported	42~46, 63, 64
	203-2	Significant indirect economic impacts	62, 64
GRI 204 : Procurement Practices			
	204-1	Proportion of spending on local suppliers	62
GRI 205 : Anti-corruption			
	205-1	Operations assessed for risks related to corruption	39
	205-2	Communication and training about anti-corruption policies and procedures	39, 70
	205-3	Confirmed incidents of corruption and actions taken	71
GRI 206 : Anti-competitive Behavior			
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	71
GRI 302 : Energy			
	302-1	Energy consumption within the organization	48
	302-3	Energy intensity	48



Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# GRI Index

## Global Reporting Initiative

Topic	No.	Core Disclosure	Page
GRI 303 : Water and Effluents			
	303-3	Water withdrawal	50
	303-5	Water consumption	50
GRI 305 : Emissions			
	305-1	Direct (Scope 1) GHG emissions	48
	305-2	Energy indirect (Scope 2) GHG emissions	48
	305-5	Reduction of GHG emissions	48
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	50
GRI 306 : Waste			
	306-2	Waste by type and disposal method	51
GRI 307 : Environmental Compliance			
	307-1	Non-compliance with environmental laws and regulations	51
GRI 308 : Supplier Environmental assessment			
	308-1	New suppliers that were screened using environmental criteria	51
GRI 401 : Employment			
	401-1	New employee hires and employee turnover	54
	401-3	Parental leave	55
GRI 402 : Labor/Management Relations			
	402-1	Minimum notice periods regarding operational changes	53
GRI 403 : Occupational Health and Safety			
	403-1	Occupational health and safety management system	56, 57
	403-2	Hazard identification, risk assessment, and incident investigation	56, 57
	403-3	Occupational health services	56, 57
	403-4	Worker participation, consultation, and communication on occupational health and safety	56, 57
	403-5	Worker training on occupational health and safety	56, 57
	403-6	Promotion of worker health	55-57
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	56, 57
	403-8	Workers covered by an occupational health and safety management system	56, 57
	403-9	Work-related injuries	57
	403-10	Work-related ill health	57

Topic	No.	Core Disclosure	Page
GRI 404 : Training and Education			
	404-1	Average hours of training per year per employee	54
	404-2	Programs for upgrading employee skills and transition assistance programs	54
	404-3	Percentage of employees receiving regular performance and career development reviews	54
GRI 405 : Environmental Compliance			
	405-1	Diversity of governance bodies and employees	53, 66
	405-2	Ratio of basic salary and remuneration of women to men	54
GRI 406 : Non-Discrimination			
	406-1	Incidents of discrimination and corrective actions taken	61
GRI 412 : Human Rights Assessment			
	412-1	Operations that have been subject to human rights reviews or impact assessments	60
	412-2	Employee training on human rights policies or procedures	60, 61
GRI 413 : Local Communities			
	413-1	Operations with local community engagement, impact assessments, and development programs	64
GRI 414 : Supplier Social Assessment			
	414-1	New suppliers that were screened using social criteria	62
GRI 415 : Public Policy			
	415-1	Political contributions	64
GRI 416 : Customer Health and Safety			
	416-1	Assessment of the health and safety impacts of product and service categories	56-59
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	59
GRI 417 : Marketing and Labeling			
	417-2	Incidents of non-compliance concerning product and service information and labeling	59
	417-3	Incidents of non-compliance concerning marketing communications	59
GRI 418 : Customer Privacy			
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	65
GRI 419 : Socioeconomic Compliance			
	419-1	Non-compliance with laws and regulations in the social and economic area	71



Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations



# TCFD

## Task Force on Climate-related Financial Disclosures

TCFD (Task Force on Climate-related Financial Disclosures) is an initiative enacted in 2015 by the Financial Stability Board, commissioned by the G20 finance ministers and central bank governors, aiming at urging companies to disclose climate change related data to voluntary and consistent way. Climate-related information disclosed by the TCFD recommendations is used in decision-making by international stakeholders and investors.

### Governance

Recommendation	CDP Connection	Details
a Describe the board’s oversight of climate-related risks and opportunities.	C1.1, C1.1a, C1.1b	<p>To reinforce the board’s supervision over ESG issues, including climate change response, SKC established the ESG Committee in March 2021 with the aim to improve the Board of Directors and confirmed it through the general shareholders’ and the Board of Directors’ meetings. The directions of SKC’s governance improvement are 1) strengthening the role and independence of the board centered around outside directors and 2) enhancing the board’s contribution to ESG management value creation. In line with these directions, we created the ESG Committee under the Board of Directors, which reviews in advance the ESG promotion strategies, including risks and opportunities associated with climate change, mid- to long-term strategies, business plans, and large-scale investment plans, as well as performs stakeholder communication, guidance, and supervision.</p> <p>The ESG Committee is composed of four outside directors, including an environmental expert and the CEO, one other non-executive director to advance expertise and independence by appointing a outside director as a director. The ESG Committee mainly discusses climate change issues reviewing and guiding strategies major action plans, management strategies risks, and annual budgets. Moreover, it includes target setting and monitoring of major capital expenditures, acquisitions, and stock sales in the target to achieve climate-related issues and monitoring mechanisms and tables such items in the regular meetings. The deliberation results are integrated into the annual budget for climate change and the performance indicators, and they seek cooperative measures through the regular performance announcement. In 2021, SKC’s GHG Net Zero plan was reported to the ESG Committee twice for review and guidance.</p> <p>The Audit Committee, which is composed of only outside directors for independence, is responsible for existing auditing duties on accounting and business as well as reviewing non-financial risks and suggestions for improvement in areas of safety, health and environment (SHE), information security, and compliance (anti-corruption, compliance monitoring, recruitment transparency).</p>
b Describe management’s role in assessing and managing climate-related risks and opportunities	C1.2	<p>SKC’s management systematically responds to risks and opportunities associated with climate change through the Internal ESG Promotion Committee. The committee consists of the CEO, C-Level and subsidiary management. It seeks to maintain a balanced perspective on issues by actively accepting the opinions of external ESG experts (ESG Advisory Board*) such as the Climate Change Center. The primary role of the Internal ESG Promotion Committee is to create practical results by establishing a companywide ESG management system. In this process, it monitors the performance considering ESG scenarios of climate change and derives improvement tasks.</p> <p>Since 2021, SKC has been using the SVMS** to develop and monitor 43 ESG performance indicators, including GHG emissions, energy consumption, renewable energy usage, climate change response, environmental pollution prevention, waste generation, waste recycling, air pollutants discharge, water consumption, water recycling, and water pollutant discharge. These indicators are compared to the performance of companies in the same industry and reported to the CEO quarterly. They are also reflected in the KPI, which becomes the basis for the CEO’s evaluation and compensation. In particular, to achieve Net Zero GHG in 2040, we set an additional annual GHG emissions target and reflected it in the management evaluation, thereby further reinforcing the role of management in evaluating and managing risks and opportunities associated with climate change.</p>

\* An advisory organization on SKC’s ESG management system and strategy, it is composed of the secretary-general of the Climate Change Center, the CEO of the Impact Fund, and an outside director who is a governance expert.

\*\* SVMS (Social Value Management System) is a system that selects, measures, and manages SK’s core ESG risks and opportunities, including those related to climate change.

Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations



# TCFD

## Task Force on Climate-related Financial Disclosures

Strategy

Recommendation	CDP Connection	Details
a Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	C2.3a, C2.4a	<p>SKC identifies the shareholders’ growing interest in climate change, requests from partners to use renewable energy, and increases in carbon prices as risks, and increased profits via entry into new eco-friendly markets and increased production as opportunities. In order to identify risk factors, SKC is considering current regulations, new regulations, technology, legality, market, reputation, acute risks, and chronic risks. The risks and opportunities associated with climate change in the short-, mid-, and long-term are as follows.</p> <p><b>Short-term</b> The GHG emission trading scheme is a market-oriented regulation in which corporations can purchase emission rights or sell them for additional profit in the emission trading market. SKC actively responds to the domestic emission trading scheme by managing and reducing GHG emissions. As the increasing number of global stakeholders demand the use of renewable energy, we became the first Korean company to join RE100 in 2020 and purchased the Green Premium. Such an enhanced of perspective also increases the demand for climate change risk management across the supply chain.</p> <p>The growth of the eco-friendly material and electric vehicle markets due to global interest in climate change is also an opportunity for SKC, as we manufacture and sell copper foil, a key material for biodegradable materials and secondary batteries.</p> <p><b>Mid- to long-term</b> GHG issues are a constant risk and opportunity for SKC in the mid- to long-term. We must invest in and prepare the response to the enforcement and expansion of the EU’s CBAM or plastic tax.</p>
b Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.	C3.3, C3.4	<p>SKC establishes financial and management strategies by analyzing in detail the seriousness of risks and opportunities related to climate change and their impact on its business sites, the business itself, and its product portfolio. In particular, we analyze the financial implications of climate change considering market share, products and services, investment, operation, regulation, and response.</p> <p>In March 2021 at the regular general shareholders’ meeting, we announced a shift in our business model from chemical and film manufacturing to eco-friendly materials after reviewing the impact of climate change on the organization’s business and finances. In response to the expansion of the electric vehicle market that reflects climate change factors, SKC is actively promoting the overseas development of its copper foil business. In addition to copper foil, we are responding to the above risks and creating opportunities at the same time through new eco-friendly companies such as recycling waste plastics and high-performance PBAT and LIMEX. In addition, we declared Net Zero in 2040 and Net Zero plastic in 2030 to contribute to solving environmental issues such as GHGs and plastics. RE100 is our primary strategy to achieve Net Zero GHG, and we are promoting its full implementation in our expanding and commercializing copper foil business overseas. Through this, we plan to continue our growth based on the trust and support of global stakeholders and customers.</p> <p>In Korea, we promote RE100 through financial management of carbon credits and purchasing the Green Premium. For the domestic and international implementation of RE100, we are considering a comparative analysis between renewable and fossil fuel-based electricity prices in each country and the addition of carbon credits and related regulations, setting an optimal strategy to secure economic feasibility.</p>
c Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	C3.2, C3.2a, C3.2b	<p>SKC has analyzed the risks of climate change based on the IPCC 1.5°C scenario and the NDCs scenario to understand the business impact of climate change. Based on this, we created a roadmap for Net Zero.</p> <p>We have calculated the emission unit based on the GHG emissions of the past three years for each business site. For overseas business sites, we estimated the emissions of business as usual (BAU) by using each country’s IPCC guidelines and electricity emission factors. Based on this, we established a roadmap of potential reduction per year for every business site and set an emission target of 42% of to the base year (2020) for 2030 emissions, as a short-term goal toward Net Zero emissions in 2040. This goal meets the annual 4.2% reduction standards required by 2050 Net Zero and SBTi requested by the 1.5°C special report. Through these plans, SKC has secured organizational resilience and plans to update and adapt flexibly its climate change strategies every year.</p>

Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# TCFD

## Task Force on Climate-related Financial Disclosures

### Risk Management

Recommendation	CDP Connection	Details
a Describe the organization’s processes for identifying and assessing climate-related risks.	C2.2, C2.2a	SKC has integrated its climate change-related risk identification and assessment process into its companywide risk management process. We constantly monitor current and newly implemented climate-related regulations, technologies, legality, market, reputation, and acute and chronic risks and identify substantial risks based on analysis results. Identified high risks are reported to the CEO at least twice a quarter.
b Describe the organization’s processes for managing climate-related risks.	C2.2	SKC analyzes and manages risk factors that may arise during business operations through an integrated risk management system. The identified and assessed climate-related risks are reported to the CEO at least twice a quarter. We have also strengthened the Audit Committee’s role under the Board of Directors by adding a non-financial risk review. The Audit Committee conducts regular reviews, offers suggestions for improvement, and checks whether corrective actions are implemented. SKC stipulates that the Audit Committee meet at least once a quarter to reinforce audits on non-financial risks such as GHG and safety and health. The committee comprises more than two-thirds of the committee, including the audit chairperson, with outside directors. Also, the committee monitors potential climate change-related risks, draws improvement tasks, builds strategies flexibly, and seeks collaborative measures.
c Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.	C2.2	SKC has integrated the process to identify and evaluate climate change-related risks into the company-wide risk management process. We conduct this process at least once yearly from short-, mid-, and long-term perspectives considering all worksites, clients, and business partners.



Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations



# TCFD

## Task Force on Climate-related Financial Disclosures

### Metrics and Targets

Recommendation	CDP Connection	Details
a Describe the organization’s processes for identifying and assessing climate-related risks.	C4.2, C4.2a, C4.2b	SKC monitors with SVMS and manage relevant risk and opportunity factors. The indicators we monitor for each company and business include: GHG emissions, energy consumption, renewable energy usage, climate change response, environmental pollution prevention, waste generation, waste recycling, air pollutants discharge, water consumption, water recycling, and water pollutant discharge. We strive to secure management transparency through regular external disclosures.
b Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	C6.1, C6.3, C6.5, C6.5a	Every year, SKC reports GHG emissions through its sustainability report. GHG emissions in 2021 are as follows.  - Scope 1: 542,064 tCO <sub>2</sub> eq - Scope 2: 502,890 tCO <sub>2</sub> eq
c Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	C4.1,C4.1a, C4.1b, C4.2, C4.2a, C4.2b	SKC set a reduction target and has identified annual progress to manage effectively GHG emission. We made a target to reduce GHG emissions by 42% by 2030 and 100% by 2040 based on emissions in 2020. For reduction for scope 1, SKC plans to introduce and enlarge flare gas recovery system, energy management system, utility group integration HMI system and electrifying current boiler based on fossil fuel. Also, SKC plans to transform all fuel to non-carbon fuel in the long term. Implementation of RE100 is for reduction of scope 2. SKC will reduce indirect emissions with as consistent as possible for additionality demanding stakeholders by securing appropriate renewable energy in advance per worksites of each country. As for the copper foil business, we are striving for an immediate achievement of RE100 after the commercialization of all the newly established business sites. In reviewing various new businesses, we plan to be flexible in using procurement means tailored to each country’s circumstances and, at the same time, consider hedging risks such as economic feasibility and additionality. As for domestic business sites, we plan to use the Green Premium in the short term and replace it by 2030 to secure the benefits of emission permits with high additionality, such as long-term REC contracts and PPAs.

Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations



# SASB

## Sustainability Accounting Standards Board

SASB (Sustainability Accounting Standards Board) is a non-profit organization that sets non-financial reporting standards. SASB presents sustainability risk topics that are highly relevant to each industry and recommends that companies make reports continuously and communicate with investors and stakeholders.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

Topic	Code	Indicator	Unit	Page and details
Greenhouse Gas Emissions	RT-CH-110a.1	(1) Gross global Scope 1 emissions	tCO <sub>2</sub> eq	542,064
		Percentage covered under emissions-limiting regulations	%	99.5 Calculated based on the ratio of Scope 1 emissions of work sites subject to emission restriction regulations out of total Scope 1 emissions.
	RT-CH-110a.2	(2) Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	N/A	Page 24, 25, 48
Air Quality	RT-CH-120a.1	(1) Air emissions of NOx (excluding N <sub>2</sub> O)	ton	235.7
		(2) Air emissions of SOx	ton	287.4
		(3) Air emissions of volatile organic compounds (VOCs)	ton	21.3
		(4) Air emissions of hazardous air pollutants (HAPs)	ton	117.3 Based on the amount reported to the government in the ‘Chemical Substance Emission Survey’ in accordance with the Chemicals Control Act. Chemical emissions of HAPs that do not meet the reporting criteria were not included.
Energy Management	RT-CH-130a.1	(1) Total energy consumed in regions	GJ	19,551,405
		(2) Percentage grid electricity	%	53.3 Grid power was calculated as the proportion of power consumption that SKC purchased from Korea Electric Power Corporation (KEPCO) out of the total energy consumption.
		(3) Percentage renewable energy	%	1.35
		(4) Total self-generated energy	GJ	0
Water Management	RT-CH-140a.1	(1) Total water withdrawn, percentage in regions with High or Extremely High Baseline Water Stress	m <sup>3</sup> , %	The amount of water intake corresponding to the stress area in Korea is extremely small, but we plan to manage all workplaces in the future.
		(2) Total water consumed, percentage in regions with High or Extremely High Baseline Water Stress	m <sup>3</sup> , %	The amount of water intake corresponding to the stress area in Korea is extremely small, but we plan to manage all workplaces in the future.
	RT-CH-140a.2	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	cases	0
	RT-CH-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks	N/A	Page 50 Korea is a country with water shortage based on the International Institute of Population Behavior (PAI), and SKC is striving to reduce and recycle water accordingly.

Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations



# SASB

## Sustainability Accounting Standards Board

Table 1. Sustainability Disclosure Topics & Accounting Metrics

Topic	Code	Indicator	Unit	Page and details
Hazardous Waste Management	RT-CH-150a.1	Amount of hazardous waste generated	tCO <sub>2</sub> eq	7,582
		Percentage of hazardous waste recycled	%	83.47 We manage the recycling rate including designated waste, construction waste, and general waste.
Community Relations	RT-CH-210a.1	Discussion of engagement processes to manage risks and opportunities associated with community interests	N/A	SKC’s major business sites are actively communicating with our local stakeholders, including resident groups, consultative bodies, and local governments. Through this, we are managing risks and opportunities that may arise from the local community’s interests. SKC Suwon workplace is strengthening communication through continuous networking with local organizations in Jeongja 1-dong and 3-dong districts and women’s associations. It is also engaging with local community stakeholders through CSR, environmental improvement activities, and resident safety support activities like night patrols, mitigating possible risks. SK picglobal Ulsan business site is located in the Ulsan Petrochemical Complex and manages risks through active coexistence and communication with the local community through councils, such as the Ulsan Yongyeon Yongjam Plant Managers Council and the Ulsan Plant Managers’ Council. SK nexilis Jeongeup business site communicates closely with Jeongeup City, manages risks and makes active contributions to the community and communications.
Workforce Health & Safety	RT-CH-320a.1	(a-1) Total recordable incident rate (TRIR) for direct employees	%	Employees Lost Time Incident Rate (LTIR): 0.29 SKC currently uses LTIR as an indicator of worker safety and health management. Detailed data on health safety are included on pages 56 and 57.
		(a-2) Fatality rate for direct employees	%	0
		(b-1) Total recordable incident rate (TRIR) for contract employees	%	Subsidiaries Lost Time Incident Rate (LTIR): 0.42 SKC currently uses LTIR as an indicator of worker safety and health management. Detailed data on health safety are included on pages 56 and 57.
		(b-2) Fatality rate for contract employees	%	0
	RT-CH-320a.2	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	N/A	SKC conducts annual health check-ups for all employees including contract workers and special health check-ups for specific process workers. Through this, we monitor occupational illness every year and provide counseling/treatment support when harmful issues are found in the health checkup.

Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations



# SASB

## Sustainability Accounting Standards Board

Table 1. Sustainability Disclosure Topics & Accounting Metrics

Topic	Code	Indicator	Unit	Page and details
Product Design for Use-phase Efficiency	RT-CH-410a.1	Revenue from products designed for use- phase resource efficiency	KRW 1 million	663,244 This is the sales of battery foil products of SK nexilis, a subsidiary of SKC. Battery foil is a secondary battery material applied to electric vehicles, ESSs, and other small and medium-sized IT equipment industries and contributes to GHG reduction.
		(1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances	%	N/A Currently, we do not manage the proportion of GHS-included products' sales as an internal management index, but we plan to consider its inclusion in the future. Data related to GHS products currently managed by SKC are listed on page 58. All chemical substances imported and manufactured as per the Act on the Registration and Evaluation of Chemical Substances are subject to hazard/risk evaluation through government (Ministry of Environment) registration (or application for exemption).
Safety & Environmental Stewardship of Chemicals	RT-CH-410b.1	(2) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances that have undergone a hazard assessment	%	N/A Currently, we do not manage the proportion of sales of products that have undergone risk assessment among GHS-included products as an internal management index. However, SKC created the Chemicals Management System (SkyCHEMS) to conduct products' risk assessment in accordance with the latest chemical-related laws and regulations. Through the system, we classify the hazards of chemical substances contained in the products and provide the information to internal and external stakeholders in the MSDS. The product risk assessment data currently managed by SKC are included on page 58.
		(1) Discussion of strategy to manage chemicals of concern	N/A	Page 58, 59
	RT-CH-410b.2	(2) Discussion of strategy to develop alternatives with reduced human and/or environmental impact	N/A	Page 59
Genetically Modified Organisms	RT-CH-410c.1	Percentage of products by revenue that contain genetically modified organisms (GMOs)	%	0
Management of the Legal & Regulatory Environment	RT-CH-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	N/A	We monitor it and periodically survey the internal demand for policy proposals and regulations. Through this process, we actively identify issues affecting our business and make suggestions through participation in public hearings related to legislation/revision of laws and survey responses. In addition, we join industry associations and monitor safety/health/environmental regulations/ policy trends and laws' enactment/revision status, analyze impacts, and prepare countermeasures. We also provide opinions on regulations that affect our business through industry associations.

Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# SASB

## Sustainability Accounting Standards Board

Table 1. Sustainability Disclosure Topics & Accounting Metrics

Topic	Code	Indicator	Unit	Page and details
Operational Safety, Emergency Preparedness & Response	RT-CH-540a.1	(1) Process safety incidents count (PSIC)	cases	0
		(2) Process safety total incident rate (PSTIR)	%	0
		(3) Process safety incident severity rate (PSISR)	%	0
	RT-CH-540a.2	Number of transport incidents	cases	N/A

Table 2. Activity Metrics

Topic	Code	Indicator	Unit	Page and details
Activities	RT-CH-000.A	Mobility Materials - Battery Foil	ton	36,381
		Chemical - POD	ton	488,826
		Industry Materials - PET Film	ton	179,323
		Industry Materials - High Functional Film	km <sup>2</sup>	134,588
		Industry Materials - Mill Base	ton	981
		Semiconductor Materials - Fine Ceramics	ton	222



Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# Third-Party Assurance Statement

To readers of SKC Sustainability Report 2022

## Introduction

Korea Management Registrar (KMR) was commissioned by SKC to conduct an independent assurance of its Sustainability Report 2022 (the “Report”). The data and its presentation in the Report is the sole responsibility of the management of SKC. KMR’s responsibility is to perform an assurance engagement as agreed upon in our agreement with SKC and issue an assurance statement.

## Scope and Standards

SKC described its sustainability performance and activities in the Report. Our Assurance Team carried out an assurance engagement in accordance with the AA1000AS v3 and KMR’s assurance standard SRV1000. We are providing a Type 2, moderate level assurance. We evaluated the adherence to the AA1000AP (2018) principles of inclusivity, materiality, responsiveness and impact, and the reliability of the information and data provided using the Global Reporting Initiative (GRI) Index provided below. The opinion expressed in the Assurance Statement has been formed at the materiality of the professional judgment of our Assurance Team.

Confirmation that the Report was prepared in accordance with the Core Options of the GRI standards was included in the scope of the assurance. We have reviewed the topic-specific disclosures of standards which were identified in the materiality assessment process.

- **GRI Sustainability Reporting Standards**
- **Universal Standards**
- **Topic Specific Standards**
  - Management approach of Topic Specific Standards
  - GRI 205: Anti-corruption
  - GRI 302: Energy
  - GRI 303: Water and Effluents
  - GRI 305: Emissions
  - GRI 306: Effluents and Waste

- GRI 401: Employment
- GRI 403: Occupational Health and Safety
- GRI 404: Training and Education
- GRI 412: Human Rights Assessment
- GRI 413: Local Communities
- GRI 414: Supplier Social Assessment
- GRI 416: Customer Health and Safety
- GRI 418: Customer Privacy

As for the reporting boundary, the engagement excludes the data and information of SKC’s partners, suppliers and any third parties.

## KMR’s Approach

To perform an assurance engagement within an agreed scope of assessment using the standards outlined above, our Assurance Team undertook the following activities as part of the engagement:

- **reviewed the overall Report;**
- **reviewed materiality assessment methodology and the assessment report;**
- **evaluated sustainability strategies, performance data management system, and processes;**
- **interviewed people in charge of preparing the Report;**
- **reviewed the reliability of the Report’s performance data and conducted data sampling;**
- **assessed the reliability of information using independent external sources such as Financial Supervisory Service’s DART and public databases.**

## Limitations and Recommendations

KMR’s assurance engagement is based on the assumption that the data and information provided by SKC to us as part of our review are provided in good faith. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied.



Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# Third-Party Assurance Statement

To address this, we referred to independent external sources such as DART and National Greenhouse Gas Management System (NGMS) and public databases to challenge the quality and reliability of the information provided.

### Conclusion and Opinion

Based on the document reviews and interviews, we had several discussions with SKC on the revision of the Report. We reviewed the Report’s final version in order to make sure that our recommendations for improvement and revision have been reflected. Based on the work performed, it is our opinion that the Report applied the Core Option of the GRI Standards. Nothing comes to our attention to suggest that the Report was not prepared in accordance with the AA1000AP (2018) principles.

### Inclusivity

SKC has developed and maintained different stakeholder communication channels at all levels to announce and fulfill its responsibilities to the stakeholders. Nothing comes to our attention to suggest that there is a key stakeholder group left out in the process. The organization makes efforts to properly reflect opinions and expectations into its strategies.

### Materiality

SKC has a unique materiality assessment process to decide the impact of issues identified on its sustainability performance. We have not found any material topics left out in the process.

### Responsiveness

SKC prioritized material issues to provide a comprehensive, balanced report of performance, responses, and future plans regarding them. We did not find anything to suggest that data and information disclosed in the Report do not give a fair representation of SKC’s actions.

### Impact

SKC identifies and monitors the direct and indirect impacts of material topics found through the materiality assessment, and quantifies such impacts as much as possible.

### Reliability of Specific Sustainability Performance Information

In addition to the adherence to AA1000AP (2018) principles, we have assessed the reliability of economic, environmental, and social performance data related to sustainability performance. We interviewed the in-charge persons and reviewed information on a sampling basis and supporting documents as well as external sources and public databases to confirm that the disclosed data is reliable. Any intentional error or misstatement is not noted from the data and information disclosed in the Report.

### Competence and Independence

KMR maintains a comprehensive system of quality control including documented policies and procedures in accordance with ISO/IEC 17021:2015 - Requirements for bodies providing audit and certification of management systems. This engagement was carried out by an independent team of sustainability assurance professionals. KMR has no other contract with SKC and did not provide any services to SKC that could compromise the independence of our work.

July 2022 Seoul, Korea

E. J. Hwang

Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# Verification Statement of Greenhouse Gas Emissions

## SKC Co., Ltd.

### Verification Scope

Korean Standards Association has conducted verification for GHG emissions under reasonable level of assurance, based on GHG report provided by SKC Co., Ltd. which includes Scope1 and Scope2 emissions.

### Verification Standards and Guidelines

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

- GHG&Energy Target Scheme, Korea ETS guideline provided by Ministry of Environment, Republic of Korea
- KS Q ISO 14064-1,2,3 : 2019
- 2006 IPCC Guidelines for National Greenhouse gas Inventories

### Verification Conclusion

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

### 2021 Emissions(Scope1, Scope2)

(Unit: tCO<sub>2</sub>eq)

Year	Scope 1	Scope 2	Total
2021	55,047	134,577	189,621

※ Decimal place is not considered when calculating the emission of each workplace.

June 17, 2022

*Myung So Kang*

Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# Verification Statement of Greenhouse Gas Emissions

## SK nexilis Co., Ltd.

### INTRODUCTION

SK nexilis Co., Ltd implements annual MRV based on international standards including ISO 14064 to respond to climate change risks. KMR confirms the verification results of 2021 as below.

### SCOPE

- Organizational boundary : The whole business under control of the organization
- Verification object workplaces : Jeongeup Factory of SK nexilis Co., Ltd
- Reporting Period : Calendar year of 2021
- Reporting greenhouse gas : CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>
- Type of emission : Direct Emissions(Scope1), Indirect Emissions(Scope2)
- Level of assurance : Reasonable assurance

### STANDARDS

- ISO 14064-1 (2006), ISO 14064-3 (2006), WRI/WBCSD GHG Protocol (2004)
- Verification guidelines for the operation of the GHG emission trading system (Notification No. 2021-112, MOE)
- KMR GHG & Energy verification manual and procedure,, IPCC Guidelines(2006)

### RESULTS

GHGs Emission	Scope1	Scope2	Total (tCO <sub>2</sub> -eq)	
2021	13,635.154	197,813.096	211,448	

Energy Consumption	Fuel	Electricity	Steam	Total (TJ)
2021	268.134	4,133.570	0	4,401

### CONCLUSION

KMR confirms that the calculation of the Greenhouse gas emissions and energy consumption of the organization are proper.

June 22th, 2022  
Authorized By **CEO Eun Ju Hwang**

E. J Hwang

Intro

Overview

Financial Story

ESG Management

ESG Report

Appendix

Financial Data

Double Materiality Assessment

GRI Index

TCFD

SASB

Third-Party Assurance Statement

Verification Statement of Greenhouse Gas Emissions

Participating Associations and Organizations

# Verification Statement of Greenhouse Gas Emissions

## SK picglobal Co., Ltd.

### Verification Scope

Korean Standards Association has conducted verification for GHG emissions under reasonable level of assurance, based on GHG report provided by SK picglobal Co., Ltd. which includes Scope1 and Scope2 emissions.

### Verification Standards and Guidelines

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

- GHG&Energy Target Scheme, Korea ETS guideline provided by Ministry of Environment, Republic of Korea
- KS Q ISO 14064-1,2,3 : 2019
- 2006 IPCC Guidelines for National Greenhouse Gas Inventories

### Verification Conclusion

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

### 2021 Emissions(Scope1, Scope2)

(Unit: tCO<sub>2</sub>eq)

Year	Scope 1	Scope 2	Total
2021	512,995	122,935	635,929

※ Decimal place is not considered when calculating the emission of each workplace.

June 17, 2022

*Myung So Kang*

Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# Verification Statement of Greenhouse Gas Emissions

## SKC hi-tech&marketing



Verification Target

Korean Foundation for Quality (hereinafter “KFQ”) has conducted the verification of “2021 Report on Quantity of emitted Greenhouse gas and Energy Consumption”(hereinafter ‘Inventory Report’) for SKC hi-tech&marketing.

Verification Scope

KFQ’s verification was focused on all the facilities which emitted greenhouse gas during the year of 2021 under operational control and organizational boundary of SKC hi-tech&marketing.

Verification Criteria

- To conduct verification activities, verification team applied verification standards and guidelines. The standards and guidelines are as follows.
- Rules for emission reporting and certification of greenhouse gas emission trading scheme(Notification No. 2021-278 of Ministry of Environment)
  - Rules for verification of operating the greenhouse gas emission trading scheme(Notification No. 2021-112 of Ministry of Environment)
  - KS Q ISO 14064-1,2,3 : 2006

Verification Opinions

Based on verification process according to the Scheme, KFQ obtained reasonable basis to derive following conclusion on the GHG emission data in the Inventory Report.

CONCLUSION

- 1) The Inventory Report was documented in accordance with “Rules for emission reporting and certification of greenhouse gas emission trading scheme” and “KS Q ISO 14064-1,2,3 : 2006” run by the government.
- 2) The result of Material discrepancy satisfied the criteria for an organization that emits less than 500,000 tCO<sub>2</sub>eq shall not exceed 5% from total emission as per “Rules for verification of operating the greenhouse gas emission trading scheme”
- 3) In 2021 SKC hi-tech&marketing’s GHG emission Report, no significant errors, omissions, or inappropriate matters were found except for emission sources that were not considered in the relevant GHG gas calculation guidelines.
- 4) Thus, KFQ concludes that following emissions data are correctly calculated and stated.

GHG Emissions				(Unit: ton CO <sub>2</sub> eq)
Year	Plant	Scope 1	Scope 2	Total
2021	Cheon-an	16,394.431	15,434.345	31,828
	Jin-cheon	4,025.269	3,492.176	7,517
	Total	20,419.700	18,926.520	39,345

※ Note: Total emission is calculated as round down below the decimal point

June 21th, 2022  
Korean Foundation for Quality (KFQ)  
CEO Ji-Young Song

Ji Young Song

Intro
Overview
Financial Story
ESG Management
ESG Report
Appendix
Financial Data
Double Materiality Assessment
GRI Index
TCFD
SASB
Third-Party Assurance Statement
Verification Statement of Greenhouse Gas Emissions
Participating Associations and Organizations

# Participating Associations and Organizations

To resolve vital environmental issues of GHG and plastics, SKC is joining global initiatives and strengthening domestic and overseas partnerships led by SKC. In July 2019, we became the first Korean company to join the AEPW, where international companies such as BASF, Dow Chemical, P&G, and PepsiCo belong. In November 2020, we joined the RE100 with other SK Group members for the first time as a Korean company. Moreover, we participated as a partner sponsor of the Georgia Recycling Coalition in 2020 and signed an MOU with Eastman of the U.S. in 2021 for licensing SKC ecolabel patents and creating an eco-friendly plastic ecosystem. In 2022, SKC signed the ‘Eco-friendly Culture Expansion Agreement to Resolve Plastic Issues’ with the Korea Chamber of Commerce, Climate Change Center, and a social venture Montenum, continuing its eco-friendly efforts. We also signed the ‘Business Agreement for the Establishment of Sustainable Resource Circulation System and Expansion of Eco-friendly Culture’ with Black Yak, an eco-friendly consumer goods company.

## SKC Subscription Status

<ul style="list-style-type: none"><li>• Korea Chamber of Commerce and Industry</li><li>• Korea Exchange</li><li>• Korea IR Service</li><li>• Korea Fair Competition Federation</li><li>• Korea Industrial Technology Association</li></ul>	<ul style="list-style-type: none"><li>• Korea Intellectual Property Association</li><li>• Korea Environmental Preservation Association</li><li>• Korea Emissions Market Association</li><li>• Korea Packaging Association Inc.</li></ul>	<ul style="list-style-type: none"><li>• Korean Bioplastics Association</li><li>• Korea Bio-Material Packaging Association</li><li>• AEPW</li><li>• The Climate Group</li></ul> <p>31 associations/organizations in total</p>
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## Subsidiary Subscription Status

SK nexilis	SKC solmics	SKC hi-tech&marketing	SK picglobal	SK telesys
<ul style="list-style-type: none"><li>• Korea Battery Industry Association</li><li>• Korea Display Industry Association</li><li>• Korea Electronics Packaging and Circuit Association</li></ul>	<ul style="list-style-type: none"><li>• Korea Display Industry Association</li><li>• Korea Semiconductor Industry Association</li><li>• Korea Electronics Packaging and Circuit Association</li></ul>	<ul style="list-style-type: none"><li>• Korea Display Industry Association</li></ul>	<ul style="list-style-type: none"><li>• Korea Petrochemical Industry Association</li><li>• Korea Specialty Chemical Industry Association</li><li>• Korea Hydrogen Industry Association</li><li>• Korea International Trade Association, etc.</li></ul>	<ul style="list-style-type: none"><li>• Telecommunications Technology Association</li><li>• Korea Industrial Technology Association</li></ul>





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SKC used a new material called LIMEX in the printing paper of this report to actively respond to climate change and preserve the environment for the next generation. LIMEX is made mainly from limestone, a natural substance, which allows for decrease in the use of water and forest resources.