SKC Sustainability Report 2020

GLOBAL SPECIALTY MARKETER

About This Report

Report Overview

This report is the first Sustainability Management Report published by SKC. In publishing this report, SKC intends to transparently disclose its economic, social, and environmental performance and social value creation activities to stakeholders.

Reporting Period

This report presents the sustainability management performance of SKC from January 1, 2019 to December 31, 2019. Some qualitative data includes data for the first half of 2020. The quantitative performance provides data for the last three years so that annual trends are reflected. The description of SKC's sustainability management performance and activities is primarily centered on domestic business sites, which reflect a relatively large proportion of business, but some parts of the report include performance data for overseas business sites depending on the level of importance.

Standard and Verification of the Report

This report satisfies the "Core Option" of the GRI (Global Reporting Initiative) Standards. This report has been verified by KMR, and its statement can be found on page 68 and 69.

Additional Information

This report was originally written in Korean, and can be viewed on, or downloaded from, SKC website (http://www.skc.kr).

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CEO Message

"SKC will seek mutual growth
with all our stakeholders and maximize their happiness
by increasing social and economic values."

Dear our valued stakeholders,

I would like to express my sincere gratitude for your unwavering support for, and encouragement of, SKC. Through this Sustainability Management Report that we are publishing for the very first time this year, I'm delighted to disclose to you our performance, created together with society, in the economic, social, and environmental sectors.

SKC, an affiliate of SK Group, is a specialty materials company. Since the company's foundation in 1976, we have led Korea's film and chemical industries by developing Korea's first ever PET (Polyester) film and by building a PO (Propylene Oxide) production plant with the world's very first eco-friendly HPPO technology. Today, we have made important investments to secure momentum for future growth, and striving to innovate our business models for the purpose of sustainable growth within the existing industry.

Valuing DBL (Double Bottom Line) management, we are steadfast in our commitment to create both economic and social value simultaneously to grow together and maximize happiness with all our stakeholders through the social value we offer.

We are restructuring our business portfolio in high growth potential areas focusing on mobility, semiconductors, and eco-friendly materials. We launched SK nexilis, a leading technology company that produces copper foil, a key material for batteries for electric vehicles. We are also localizing key semiconductor materials including "Blank Mask" and "CMP Pad" During this process, we aim to resolve the pain points of our clients by adopting digital transformation throughout our operations.

Eco-friendly is one of SKC's main focuses. In order to establish a virtuous cycle ecosystem for plastic, we became the first Korean enterprise to join the Alliance to End Plastic Waste (AEPW). As an effort, we are expanding the supply of eco-friendly products by commercializing and producing biodegradable film and recyclable PET film packaging.

In order to enhance happiness of our employees, we are consistently updating the data-based happiness map, and changing the ways of working through management innovation. Furthermore, in order to create value for our stakeholders resulting in their happiness, we are strengthening cooperation by establishing an Open Platform for New Materials Technology and supporting potential specialty materials startups with tangible and intangible assets.

SKC remains committed to happiness of all our stakeholders. We will do our best to provide new technologies and value to our customers, sustainable growth and transparent management to our shareholders, a sense of belonging and happiness to our employee, and security and social value to the community.

We hope for your continued unwavering support for our future, a future in which we will strive to lead global markets in collaboration with diverse stakeholders as a global, top-tier specialty materials and parts company.

SKC CEO, **Lee Wan-jae**

About the Company

SKC is transforming from a films and chemicals company into a high-added value materials company focusing on mobility, semiconductors, and eco-friendly materials.

SKC, founded in 1976, has continued to break records in Korea and globally by continuous challenge and innovation. SKC became the first company in Korea to develop PET (Polyester) film In 1977 and the first company in the world to commercialize biodegradable film in 2008.

In 1991, SKC was the first company to commercialize PO (Propylene Oxide) in Korea, and in 2008, was globally the first to successfully commercialize an eco-friendly HPPO technology. As a leading company of the localization of semiconductor materials, SKC is now leading the localization of high-end Blank Mask after its development of CMP(Chemical Mechanical Polishing) Pad.

In 2020, the company is making a leap to become a global specialist in advanced materials by BM(Business Model)Innovation. In May 2020, the company strengthened its mobility materials business by establishing SK nexilis, a world-class copper foil manufacturer producing key material for electric car batteries. In February, the chemical business sector of SKC, one of the company's main business was split off to establish a joint-venture SK picglobal with PIC (Petrochemical Industries Company) of Kuwait, thereby providing a basis for global advancement.

In order to enhance its high-added value materials business in the mobility, semiconductor, and eco-friendly sectors, SKC's BM Innovation will continue. Until the day it becomes a "Global Specialty MARKETER" that provides new value to clients through the highest technological standards, SKC will continue to strive toward innovation.

Founded: October 16, 1976
CEO: Lee, Wan-jae
Business Sectors: Mobility materials, Semiconductor materials, Eco-friendly materials, Industrial materials, Chemical materials
Global Presence: 13 countries including South Korea, USA, China, Japan, and countries in the EU
Head Office: Building B, K-TWIN Towers, 50, Jongno 1-gil, Jongno-gu, Seoul, Republic of Korea

Company Vision

"Global Specialty MARKETER" that creatively binds market insight with technology

In 2016, celebrating the 40th anniversary, SKC announced a new vision. The company's new vision, "Global Specialty MARKETER" that creatively binds market insight with technology represents SKC's will to grow into a global company that goes beyond its clients' demands in terms of providing specialty products with high-added value by interpreting the flow of the market.

About the Business

3 Pillars of Future Growth

Mobility

In order to respond to the rapidly growing EV market, SKC is expanding its business in the mobility sector so as to drive future growth. Along with SK innovation, SK telecom, and SK hynix, the company took part in CES, the world's largest IT and household appliance fair, in order to introduce high-added value mobility materials. In May 2020, SK nexilis, the top copper foil company in the world, was established in order to fuel the growth momentum in the mobility sector.

Semiconductors

Based on technological advantages accumulated from previous media-related business such as optical disks and polyurethane technology, SKC is leading the localization of semiconductor materials. The company succeeded in localizing CMP Pad with the experience in polyurethane production. Recently, SKC is focusing on the localization of high-end Blank Mask.

Eco-friendly

SKC is actively engaged in resolving environmental issues caused by plastic waste. To this end, the company is expanding the supply of eco-friendly products such as biodegradable PLA film. In particular, it is solidifying its position as an eco-friendly materials company by putting more effort into developing plastic recycling technology in cooperation with global partners.

2019 SKC Key Business Performance (by sector)

Revenue
KRW 747.7 billion
KRW 770.6 billion
KRW1.215 trillion

Operating profit
KRW 15.8 billion
KRW 33.8 billion
KRW 105.5 billion

● Chemical business division
● Industrial materials business division
● Growth business division
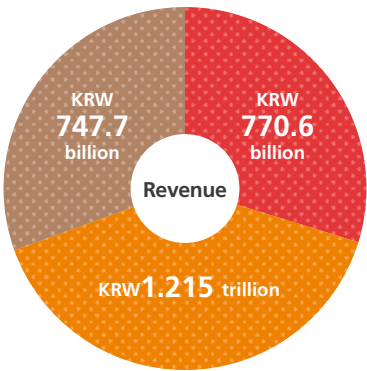
KRW**2.5398**trillion
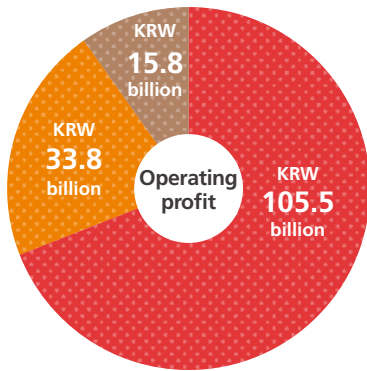
KRW**155.1**billion

Global Network

SKC, a specialty materials company under the umbrella of SK group is reinforcing its global network-based value chains in 13 countries, including the US and Countries in the EU, through the global presence of subsidiaries and joint ventures.
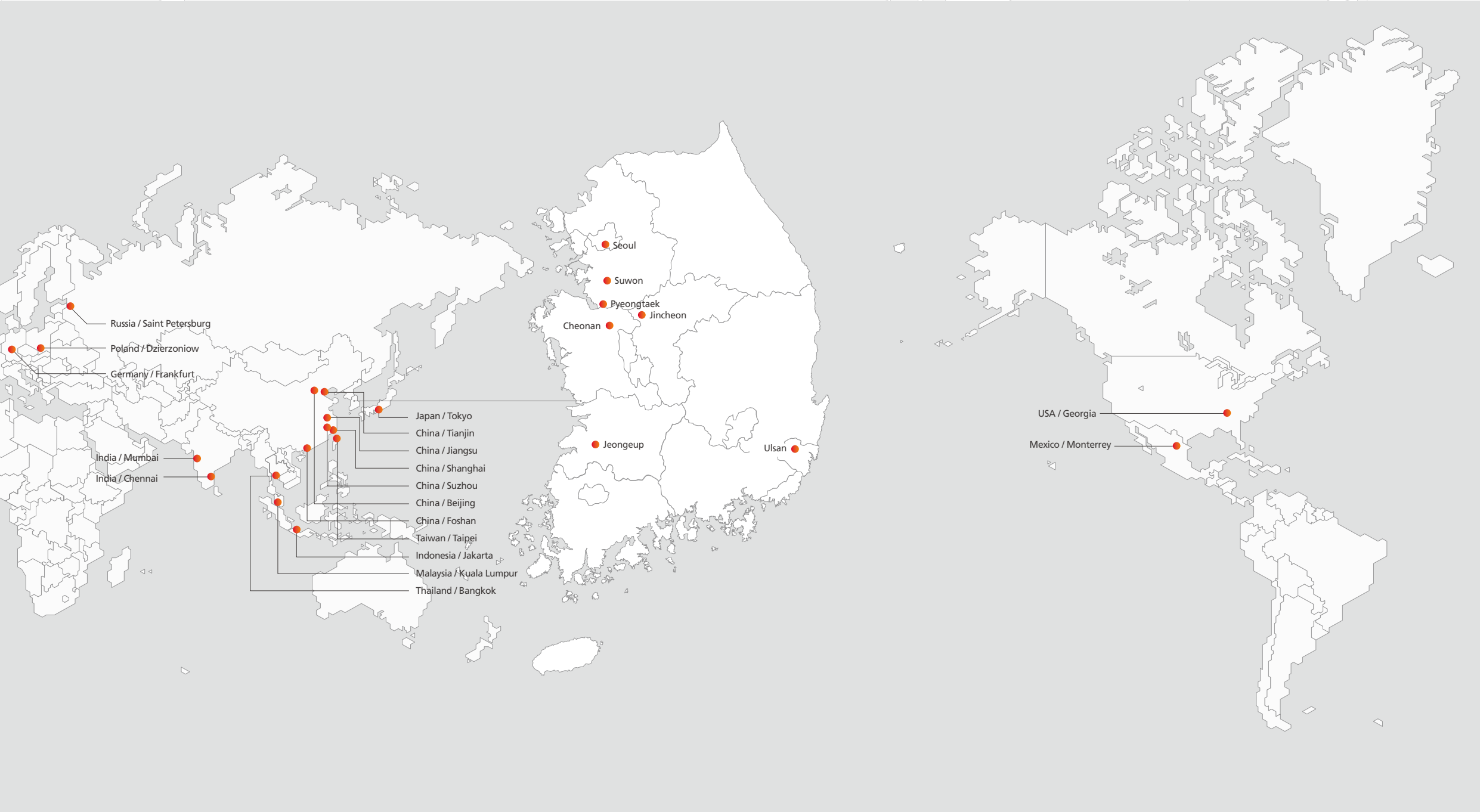
Major Affiliates

SK nexilis

SK picglobal

MCNS

SKC hi-tech&marketing

SKC solmics

SKC inc.

SKC jiangsu

- Russia / Saint Petersburg
- Poland / Dzierzoniow
- Germany / Frankfurt
- India / Mumbai
- India / Chennai
- Japan / Tokyo
- China / Tianjin
- China / Jiangsu
- China / Shanghai
- China / Suzhou
- China / Beijing
- China / Foshan
- Taiwan / Taipei
- Indonesia / Jakarta
- Malaysia / Kuala Lumpur
- Thailand / Bangkok
- Seoul
- Suwon
- Pyeongtaek
- Jincheon
- Cheonan
- Jeongeup
- Ulsan
- USA / Georgia
- Mexico / Monterrey
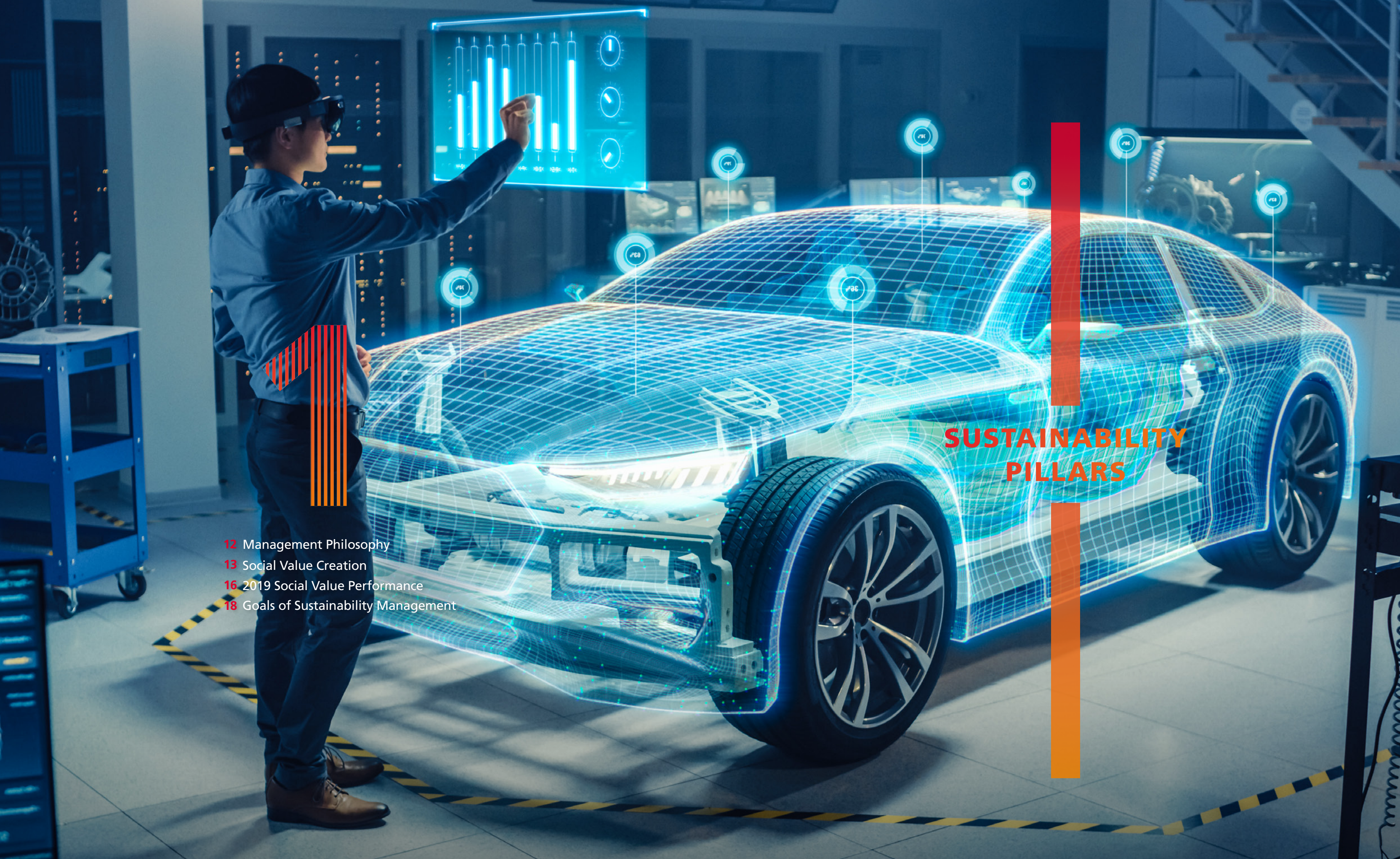
SUSTAINABILITY PILLARS

Management Philosophy

DBL Management

SKC is driven by DBL (Double Bottom Line) Management, a value pursued by SK Group. SK Group's DBL Management is SK's fundamental management principle aiming to grow together with the society by creating not only economic value but increasing social value throughout all business activities. In accordance with this principle of DBL Management, SKC places social value creation as the core of its new management strategy to have full support from members of society, grow together with them maximizing stakeholder happiness.

SK DBL
(Double Bottom Line)

Economic Value

Simultaneously generate both economic and social values by pursuing stakeholder happiness

Social Value
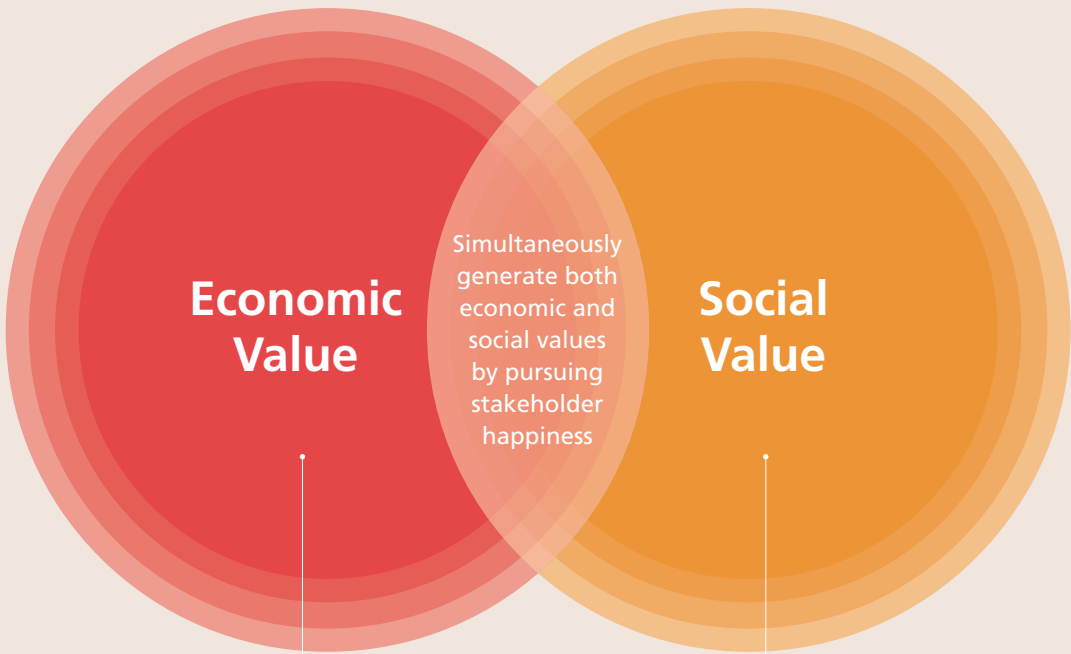
"Final outcome of corporate management activities, and financial performance announced by the GAAP"

"Social performance generated by creating social benefits through corporate management activities, and reducing the cost of social damage"

Profit	−	Cost

=

Net Value

Socially (Environmentally) Created Benefits

−

Cost of Social (Environmental) Damage

Social Value Creation

Social Value Organization - DBL Committee

In 2019, in order to solidify the DBL management pursuing economic value (EV) and social value (SV) at the same time and to accelerate performance, SKC established the "D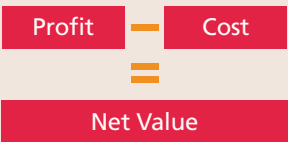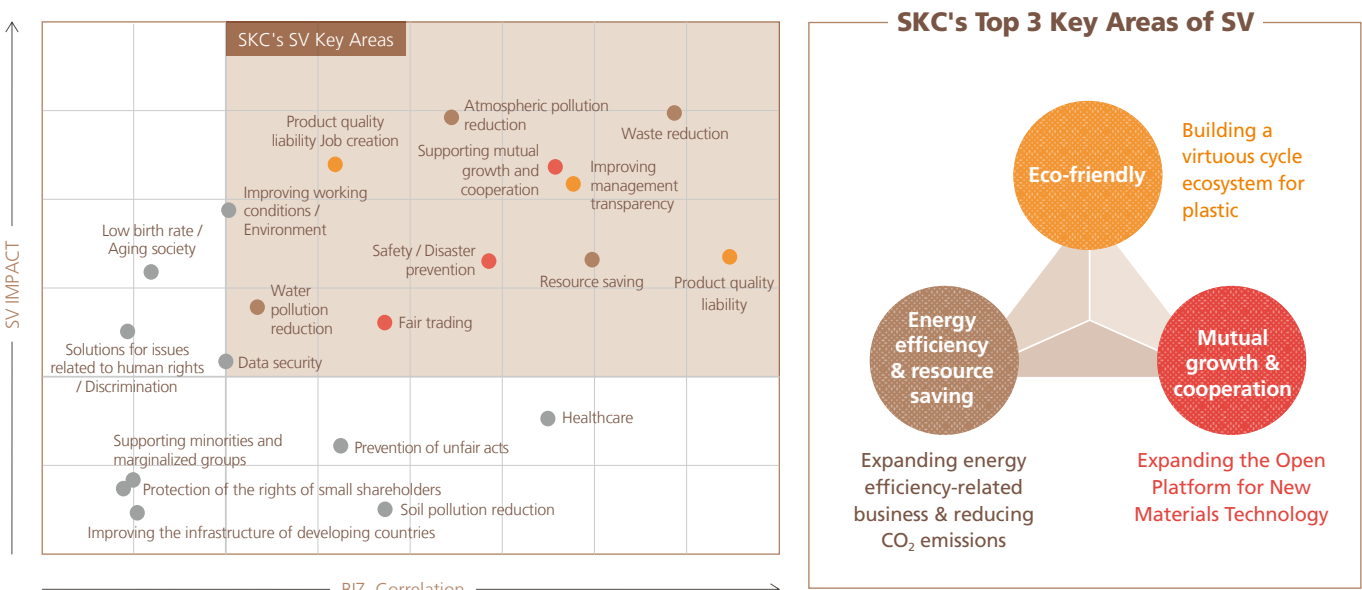BL Committee", an organization working full time for social value creation. The DBL Committee is chaired by the CEO of SKC, and the heads of each business groups, R&D Center, Innovation in Ways of Working, and Business Ethics Office participate as committee members. SKC also established the "DBL Office" responsible for the creation of social value, which operates under direct control of the CEO. The DBL Office established SKC's "Principles for Implementing Social Value", and is developing strategy and direction to create social value in an effective way.

Establishing Principles for Implementing Social Value

The DBL Office established "SKC's Principles for Implementing Social Value". To this end, the company carried out a study with the stakeholders and selected "SKC's top 3 key areas of SV" considering stakeholder interests in relation with SKC's business. According to this study, SKC's top 3 key areas of SV are "eco-friendly, energy efficiency & resource saving, and mutual growth & cooperation".

SKC's Top 3 Key Areas of SV

Eco-friendly
Building a virtuous cycle ecosystem for plastic

Energy efficiency & resource saving
Expanding energy efficiency-related business & reducing CO$_2$ emissions

Mutual growth & cooperation
Expanding the Open Platform for New Materials Technology

SKC's Principles for Implementing Social Value

As a Global Specialty MARKETER, create social value together in eco-friendly, energy efficiency and resource saving.

Internalizing Social Value

Learning about Implementation Direction and Methodology to create Social Value

In order to train the employees of the notion of social value and to spread SK Group and SKC's implementation direction and methodology to create social value, SKC has developed a "Guideline to a Business Model Development based on Social Value (SV BM Development Guideline)". The "SV BM Development Guideline" includes concepts and cases that help us understand how to develop a business model based on social value and apply it at daily work. SKC holds workshops for employees of all global sites to help them internalize the "SV BM Development Guideline" and pursue social value.

SV Challengers
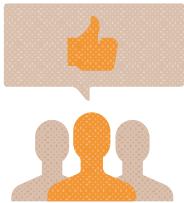
Since 2018, SKC has been operating "SV Challengers", a voluntarily organized agile team[*], in which the engaged employees create new ideas and design business models challenge based on social value. In 2019, 71 employees participated in 9 tasks. These employees put 20% of their work time into SV Challengers activities, and since 2019, the participation rate has been reflected in the key performance index of employees. As of today, 75 employees are participating in 10 different tasks. Through SV Challengers, SKC is able to gather creative ideas and expand social value creation based on them.
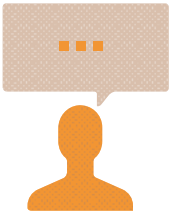
* What is an agile team? An agile team is SKC's new corporate culture paradigm that breaks barriers among different functions and eliminates hierarchy in order to achieve prompt and agile responses.

Enhancement of SV Communication

: SV Day and SV discussion

In order to enhance communication between employees on social value, SKC runs SV Day event and SV group activities for discussion. On SV Day, social value experts are invited to share their experiences and support the employees for their understanding. Learning through SV lectures, employees are able to think about how to create social value at SKC. A "SV Discussion" forum has been opened on the in-house portal where cases of social value creation are shared and diverse ideas of social value creation are shared and promoted through the idea proposal bulletin board.

Daily Practice of SV

SKC runs "Daily Practice" programs for daily participation. This started from the idea that social value can be created from small changes in daily lives. In 2019, in order to reduce the use of disposables within the company, such as disposable cups, SKC launched the "Return to Green" campaign encouraging employees to bring their own cups and promoting recycling of wastes. SKC is also carrying out the "Pro Bono activity for window film installation" using its own products. Volunteers for the Pro Bono activity install window films for vulnerable social groups to improve residential condition and save energy. In 2019, members of SKC's Pro Bono group, 'HAPPIEST', visited a community center in Jongno-gu, a children's home near the Suwon business site and a special education center in Ulsan to install window films.

By participating directly in SV Challengers, the employees of SKC increase their understanding of social value and experience creating real business models containing social value

Lee Wan-jae, CEO of SKC joins the SV Day event, wearing a jacket made of recycled coffee bean packagings.

2019 Social Value Performance

The SK Group has been making innovative changes based on DBL (Double Bottom Line) management incorporating customer and shareholders' economic value with the social value of various share holders as a corporate purpose. In order to manage the performance of social value creation since 2017, the company has been developing and complementing "social value measurement methodology" with advice of outside experts and consultations among SK affiliates.

Measuring Principles

In accordance with the SK Group's social value measurement methodology, SKC measures social value out of all quantifiable corporate activities and aims to measure tangible outcome from real operations. The social value is calculated in monetary value* based on objective criteria.

* Example of measuring monetary value — **Environment (Production Process):** Estimated cost required to recover from environmental pollution
(Monetary value criteria are based on indicators announced by international organs, government, industry associations, etc.)

Input	Output	Outcome	Impact

Social value is measured in three fields: Indirect Contribution to the Economy
Social Business Performance and CSR Performance throughout corporate activities.
SKC quantifies detailed items under each category and uses these quantified data to manage social value creation performance.

Value that indirectly contributes to the domestic economy through corporate activities

Employ-ment   **Indirect Contribution to the Economy**   **Taxation**

Dividends

Social value created from product development, production, and sales

Environment
Production process and sales of eco-friendly products

Social Business Performance

Governance
Improving the governance structure

Society
· Selling products that improve the quality of life
· Improving the labor environment and win-win growth

Value created from CSR activities for the local community

CSR Program   **CSR Performance**   **Donations**

Volunteer work

Measurement Results

The social value created by SKC in 2019 was a total of KRW 394 billion. The "Indirect Contribution to the Economy" encompassing employee wages, dividends, and tax payments was a total of KRW 328.1 billion. The "Social Business Performance" related to the environment, society, and governance was KRW 64.4 billion, which was KRW 17.4 billion higher than the previous year. This increase is a result of expanding the sales of eco-friendly products, such as construction window films, and strengthening the management of eco-friendly processes. Moreover, positive results have been reported from startups, venture companies, and SMEs that SKC supports through the establishment of the Open Platform for New Materials Technology in 2017. SKC plans to enhance its social business performance by expanding eco-friendly products and technologies, and through a Win-Win cooperation with potential startups, venture companies and SMEs. The "CSR performance" generated from the volunteering work of SKC employees and donations reached a total of KRW 1.5 billion. SKC plans to improve upon the CSR performance by increasing its Pro Bono activities based on community CSR activities and talent donations. SKC has been utilizing the amount of social value creation as an index for social value creation activities each year. In addition, in order to generate social value more effectively, the company plans to identify social value areas that are important to stakeholders such as employees, clients, BPs (business partners), community and shareholders, and reflect these areas to corporate management. The stakeholders of SKC have indicated that they value "employment" and "environment". In reflecting these values, SKC is seeking a way to generate social value more effectively.

2019 Social Value Creation Results

(Unit: KRW 100 million)

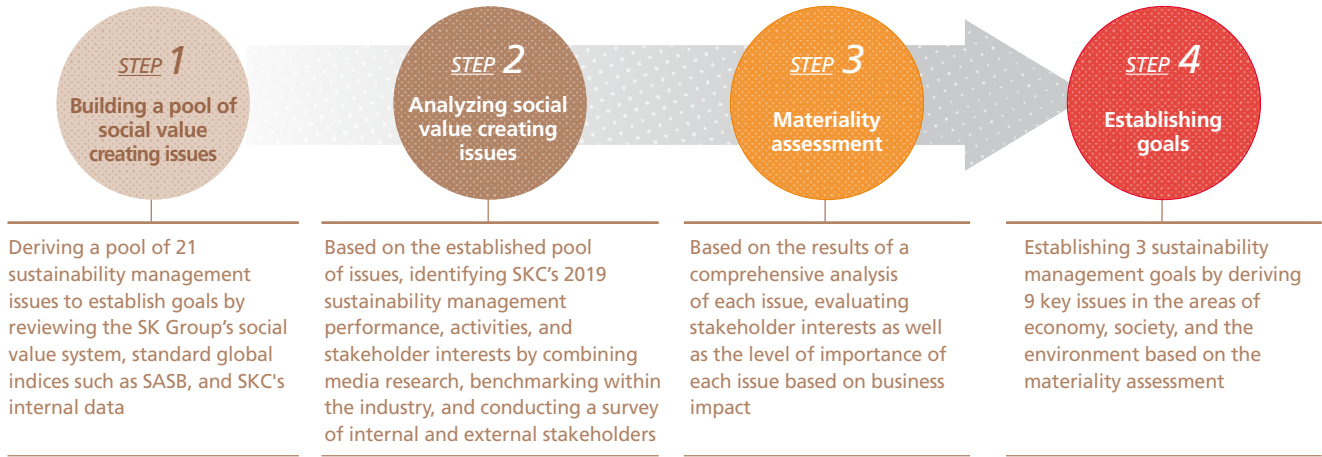| Classification	2018	2019	Fluctuation
Indirect Contribution to the Economy	3,318	3,281	△ 37
Social Business Performance	470	644	+ 174
CSR Performance	18	15	△ 3
Total	3,806	3,940	+ 134

Goals of Sustainability Management

For the purpose of the practical implementation of DBL management,
SKC has established, and is systematically implementing, "3 Sustainability Management Goals".
First, in order to constantly increase economic value, the company intends to reinforce growth
momentum in the mobility, semiconductor, and eco-friendly sectors.
Furthermore, to minimize the influence of the production process on the environment, SKC intends to expand
social value by continuing efforts to produce and develop eco-friendly products.
Finally, SKC wishes to increase the happiness of its employees and stakeholders through various activities.

Materiality Assessment to Establish Sustainability Management Goals

In order to establish sustainability management goals, SKC performed a materiality assessment that analyzed internal and external management environments and sustainability management issues deemed important to various stakeholders.

STEP 1
Building a pool of social value creating issues

STEP 2
Analyzing social value creating issues

STEP 3
Materiality assessment

STEP 4
Establishing goals

Deriving a pool of 21 sustainability management issues to establish goals by reviewing the SK Group's social value system, standard global indices such as SASB, and SKC's internal data

Based on the established pool of issues, identifying SKC's 2019 sustainability management performance, activities, and stakeholder interests by combining media research, benchmarking within the industry, and conducting a survey of internal and external stakeholders

Based on the results of a comprehensive analysis of each issue, evaluating stakeholder interests as well as the level of importance of each issue based on business impact

Establishing 3 sustainability management goals by deriving 9 key issues in the areas of economy, society, and the environment based on the materiality assessment
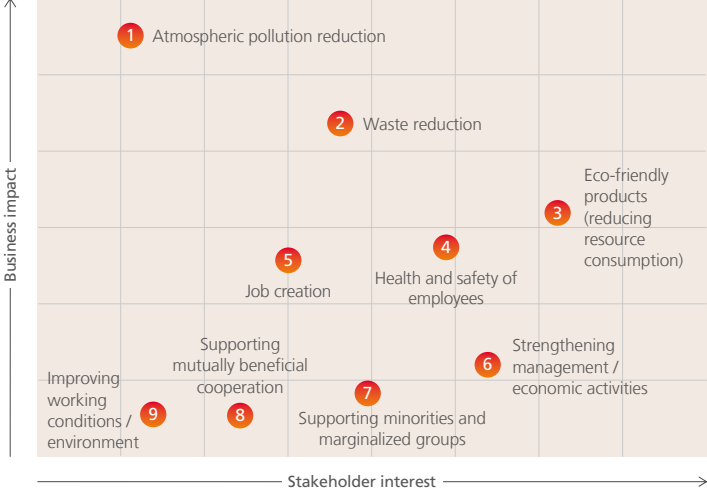
* As for the media research and benchmarking within the industry, an analysis has been carried out based on data from January to December 2019, and the stakeholder survey was carried out around April 2020.
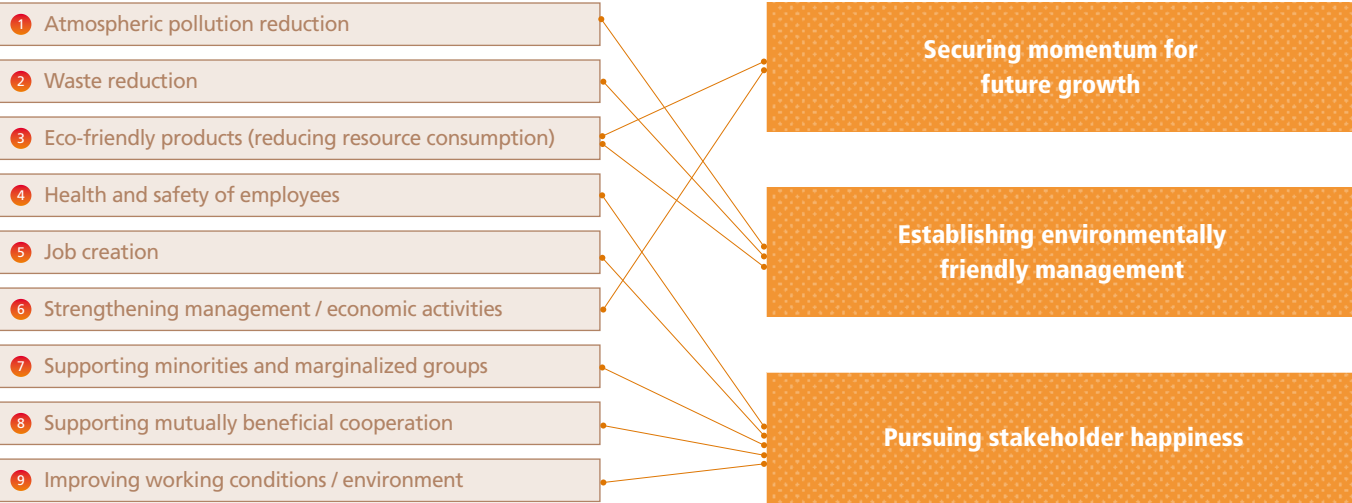
2019 Selected Key Issues

Classification	Issue	Key Issues Reported
1 Environment	Atmospheric pollution reduction	Establishment of environmentally friendly management
2 Environment	Waste reduction	
3 Environment	Eco-friendly product (reducing resources consumption)	
4 Society	Health and safety of employees	Pursuing stakeholder happiness
5 Society	Job creation	
6 Economy	Strengthening management / economic activities	Securing momentum for future growth
7 Society	Supporting minorities and marginalized groups	Pursuing stakeholder happiness
8 Society	Supporting mutually beneficial cooperation	
9 Society	Improving working conditions / environment	

Mapping Key Issues

Business impact ↑ / Stakeholder interest →

1 Atmospheric pollution reduction
2 Waste reduction
3 Eco-friendly products (reducing resource consumption)
4 Health and safety of employees
5 Job creation
6 Strengthening management / economic activities
7 Supporting minorities and marginalized groups
8 Supporting mutually beneficial cooperation
9 Improving working conditions / environment

SKC's 3 Sustainability Management Goals

SKC's three sustainability management goals have been established, based on nine sustainability management issues finalized according to the materiality assessment. SKC plans to constantly develop the company's sustainability management activities based on these goals. SKC's 2020 sustainability management report has also been compiled based on these 3 goals of "securing momentum for future growth", "establishing environmentally friendly management", and "pursuing stakeholder happiness".

1 Atmospheric pollution reduction
2 Waste reduction
3 Eco-friendly products (reducing resource consumption)
4 Health and safety of employees
5 Job creation
6 Strengthening management / economic activities
7 Supporting minorities and marginalized groups
8 Supporting mutually beneficial cooperation
9 Improving working conditions / environment

Securing momentum for future growth

Establishing environmentally friendly management

Pursuing stakeholder happiness

SKC's 3 Sustainability Management Goals	Grounds for selection	UN SDGs*
Securing momentum for future growth	The world is facing a transition period into a new industrial paradigm based on the fourth industrial revolution, and uncertainties are growing according to the rapidly changing business environment. In such a business environment, enterprises should make bold investments and innovations in order to secure their future survival. SKC is aware that securing momentum for future growth is a major task that requires securing sustainability and, as such, is implementing strategic responses.	8 DECENT WORK AND ECONOMIC GROWTH / 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Establishing environmentally friendly management	Environmental issues such as climate change are emerging worldwide due to increases in atmospheric pollution and greenhouse gas emissions caused by substances generated from factories. Developed countries that are leading on CSR, such as the EU, are gradually expanding the scope of legislation related to environmental regulation. With the increased demand to disclose environment related information, such as the "Taskforce on Climate-related Financial Disclosures (TCFD)", the need for environmentally friendly management is constantly increasing.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION / 13 CLIMATE ACTION
Pursuing stakeholder happiness	SKC values the happiness of stakeholders as well as that of its employees. An enterprise is an organic body comprising various stakeholder activities and interactions. SKC recognizes that the pursuit of the happiness of its stakeholders and employees is a prerequisite for the sustainable growth of a company, and, accordingly, is implementing various activities in order to grow together with its stakeholders and employees.	3 GOOD HEALTH AND WELL-BEING / 11 SUSTAINABLE CITIES AND COMMUNITIES

* The SDGs (Sustainable Development Goals) are 17 goals shared by humanity for realizing the concept of sustainable development. The SDGs, also referred to as the "2030 Sustainable Development Agenda", outline 17 goals and 169 detailed goals as the direction to be pursued by the human race in 5 sectors - human, earth, prosperity, peace, and partnership - under the slogan "Leave no one behind".

1
Securing momentum for future growth

WHY IT IS IMPORTANT

A company can secure differentiated competitiveness through constant investment in R&D. In the context of the ever-changing fourth industrial revolution, neglecting technological development in favor of short-term performance can lead to a failure in long-term corporate survival.

Now is the time, instead of opting to focus on short-term performance, for the company to do everything it can to lead the global market and secure momentum for future growth through constant innovation and challenge.

HOW SKC RESPONDS

Based on a precise understanding of the market, SKC is strengthening its corporate competitiveness by gradually expanding innovative technological development. In particular, SKC is constantly increasing investment in business sectors with high growth potential, and visualizing future growth potential by securing its new growth business momentum.

Presently, SKC is strengthening its business portfolio in the mobility, semiconductor, and eco-friendly materials sectors, as new growth momentum, by going beyond business areas focused on chemicals and film materials. In addition, the company is innovating its approach to work and promoting business model innovation by implementing DT (Digital Transformation), which is one of the major future technologies.

| Established SK nexilis, the world's premier copper foil manufacturer | Initiated localization of high-end Blank Mask for Semiconductors | Expanded supply of eco-friendly specialty materials | Innovated business model based on DT |

1
SKC's 3 Areas of Momentum for Future Growth

Mobility

In order to actively respond to the rapidly growing electric car market, SKC is developing products in the mobility sector so as to secure momentum for new growth. SKC launched SK nexilis, global No.1 in copper foil technology which is a key material for EV cathode material, and is developing other mobility materials utilizing its 40 year corporate know-how. SKC again participated 2020 CES (International Consumer Electronics Show) with SK Group subsidiaries and introduced various high-added value mobility materials. SKC will continue to strive to develop specialty materials in the mobility sector through proactive R&D and technological innovation.

Representative Products

Copper Foil

The copper foil produced by SK nexilis, a company in which SKC holds a 100% stake, is a thin copper foil which is produced using an advanced technological process and is a key anode material in rechargeable batteries.

The thinner the foil, the more active material can be filled in the limited space of a battery. Accordingly, this thin copper foil is advantageous in terms of the capacity and compactness of batteries.

In October 2019, SK nexilis displayed its outstanding technological prowess in becoming the world's first manufacturer to mass produce ultra-thin copper foil having a thickness of only 4μm. SK nexilis produced this ultra-thin copper foil in the form of the world's longest roll with a length of 30km and width of 1.4m. In just 6 months since becoming part of SKC, SK nexilis has committed to investing in fifth and sixth factories, thereby proactively expanding its production capacity. In addition, it is considering global advancement through cooperation with SKC.

PCT Film

PCT (poly-cyclohexylene dimethylene-tere-phthalate) film is a type of film composed of PCT, and is developed by SK Chemicals. PCT is extremely useful due to its strength against high temperature, humidity, and alkali as well as its durability and insulation properties. However, it has not been easy to make PCT into film due to its inherent properties. Based on several years of experience in producing film, SKC has succeeded, for the first time in the world, in developing PCT film by means of enhancing the properties of PCT materials. Along with business partners, SKC is mass manufacturing and supplying, to electric car manufacturers, "FFC (Flexible Flat Cable)", which are light-weight film cables. In addition, PCT Film can be applied to bus bars, which are electric binding parts in batteries, allowing weigh reduction through lower use of copper. Going forward, SKC will continue efforts, together with its business partners, to produce parts materials for the insulation of electric car motors and other motor parts.

Transparent PI Film

Transparent PI film, a highly anticipated next generation display material for foldable and rollable displays, is also emerging as a display material for use inside future cars. This is because it has a hard surface like glass but is also capable of being folded without leaving marks, even when folded several times.

Based on its experience in manufacturing world-class optical film and based on the integrated production system built together with its affiliate, SKC hi-tech&marketing, SKC plans to promptly supply products that clients need and expand the use of transparent PI film.
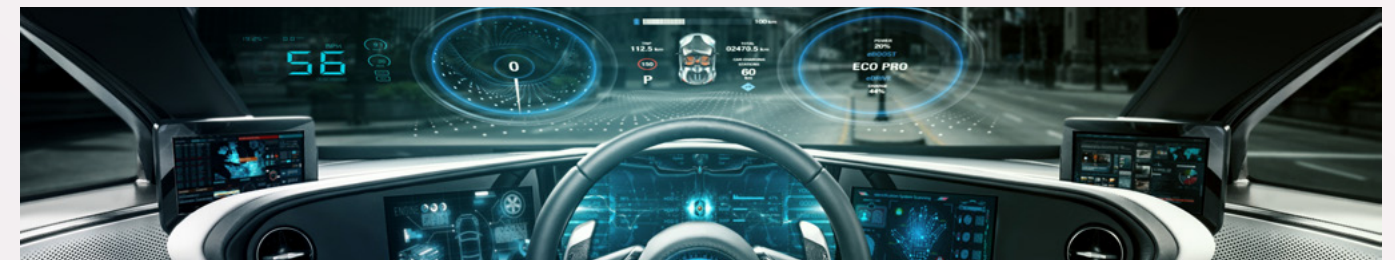
Semiconductors

SKC is leading the localization of semiconductor materials based on 40 years of experience in materials technology. Technological capabilities accumulated in the media and polyurethane sectors have laid foundations for the development of CMP Pad and Blank Mask, which are specialty semiconductor materials. SKC intends to take a leap forward in becoming a major semiconductor specialty materials company through constant R&D and cooperation with global clients.

Representative Products
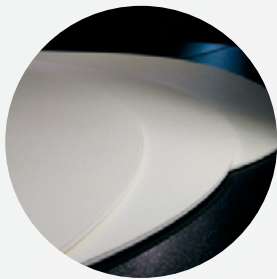
CMP (Chemical Mechanical Polishing) Pad

SKC is producing CMP Pad, a key material for the "flattening procedure" that smooths wafer surfaces during semiconductor production. The use of CMP Pad, made of polyurethane, is increasing with the full-fledged development of nano semiconductors where the flattening procedure is essential. SKC is one of the handful of manufacturers that are capable of meeting client demand in terms of the production of CMP Pad, and is soon to become a company that has commercialized CMP Pad for all procedures. There are only two companies in the world, including SKC, with such technological capabilities.

Equipped with semiconductor materials as a key momentum for growth, SKC plans to expand its CMP Pad business through collaboration with global clients.

Blank Mask

By developing the technological capabilities that the company has accumulated in the media sector, such as manufacturing optical disks, SKC is localizing high-end Blank Mask which are key materials for use in the semiconductor exposure procedure. High quality Blank Mask, which are a key material used for engraving electric circuit patterns on semiconductor wafers, has been dependent on imports.

However, since the completion of production facilities in Cheonan, Chungcheongnam-do in November 2019, SKC has initiated the production of prototypes for clients. The company plans to commercialize the Blank Mask early next year, after client certification.
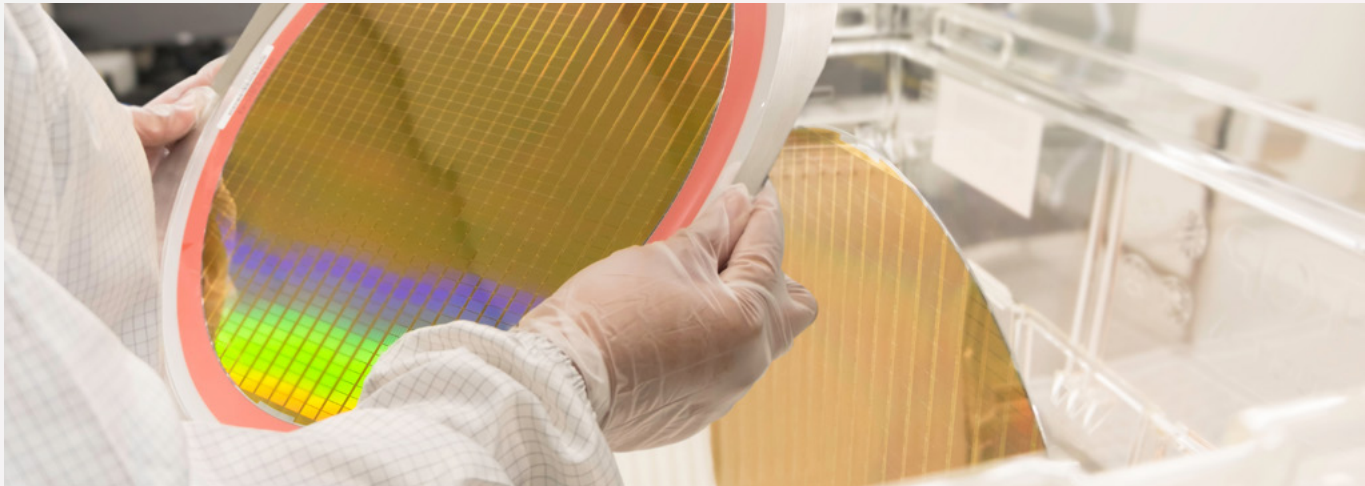
Eco-friendly

SKC acknowledges corporate liability in terms of environmental issues, and has set eco-friendly as one of its major areas in which to secure momentum for growth. SKC was the first company in Korea to develop, and the first in the world to commercialize, biodegradable PLA film, which is an eco-friendly plastic, and also developed the SKC Ecolabel, which is the world's first eco-friendly sleeve label for PET bottles. SKC plans to continue to produce various eco-friendly materials through collaboration with stakeholders and grow into one of the leading eco-friendly companies.

Representative Products

Biodegradable PLA Film

Biodegradable PLA film is an eco-friendly material made of an ingredient extracted from corn that decomposes in landfills in a short period of time, without leaving harmful substances behind. SKC was the first company in Korea to develop this material in 2005, and the first in the world to commercialize it in 2008. SKC is the only producer of biodegradable PLA film in Korea, and there are only a handful of producers capable of mass production in the world. Currently, SKC is producing and supplying biodegradable film in various forms, including: the food packaging of bananas and baked goods for Starbucks Korea; the packaging of ice packs for Shinsegae TV Shopping; and the packaging of clothes and vegetables for large supermarkets.

By expanding the use of biodegradable PLA film through constant technological development, SKC seeks to continue to facilitate the use of biodegradable materials.

SKC Ecolabel

The SKC Ecolabel is the world's first "recyclable sleeve label for PET bottles", developed by SKC America. Prior to this invention, labels on PET bottles had to be removed prior to the disposal of the bottles, but this eco-friendly label has opened new possibilities for recycling. The SKC Ecolabel makes it easy to recycle PET bottles by simply removing the ink on the label. In recognition of such excellence, the SKC Ecolabel has been approved by the APR (Association of Plastic Recyclers) in the US. Currently, the label is being applied to kitchen detergent products made by Colgate-Palmolive, a global consumer products company specializing in daily necessities, and six major products made by beverage manufacturer Lotte Chilsung in Korea.

SKC plans to increase social value by strengthening the marketing of the SKC Ecolabel through the targeting of global clients and by increasing the number of products that use the label.

2
Innovation of Business Model based on Digital Transformation

A paradigm shift is occurring, driven by the fourth industrial revolution. SKC intends to spread DT (Digital Transformation)* throughout the company in order to promptly respond to this paradigm shift. To this end, the company is systematizing employee training programs, through which, by applying DT to the value chain of the whole company, it seeks to upgrade business models, improve operational efficiency, and innovate its approach to work.

Application of DT to the Value Chain of the Whole Company

SKC seeks to apply DT to the value chain of the whole company, to enhance the responsiveness to the fourth industrial revolution. Throughout all processes in the value chain from product design to R&D, production, manufacturing, quality management, customer sales, and service, SKC has implemented various tasks so as to internalize DT.

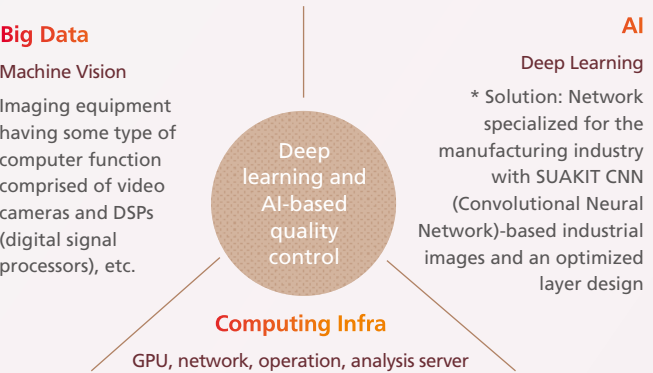| Product Design	R & D	Production / Manufacturing	Quality Control	Customer Sales / Service

Improving Productivity by Building Digital Factories

In order to increase the efficiency of production facilities, SKC is implementing DT tasks throughout the manufacturing sector of the whole company. In particular, it plans to gradually build digital factories equipped with DT at production/manufacturing sites. Currently, the company is establishing systems and roadmaps for the introduction of digital factories in various production facilities, including the production facilities for copper foil and Semiconductor materials.

Upgrading Quality Control based on DT

High quality products directly lead to customer confidence. In order to produce high quality products, SKC is improving its quality control capabilities by introducing AI deep learning technology in the quality control process. Currently, the company performs product inspection by applying AI technology to the quality control process for PET film. Among the footages captured by ultra-high speed precision cameras during each production process, defective images are sent to an AI-based quality control system in order to identify defects. Automated quality control devices have also been incorporated into semiconductor material production facilities in order to detect defects caused by impurities that could not be detected by visual inspection.

Big Data

Machine Vision

Imaging equipment having some type of computer function comprised of video cameras and DSPs (digital signal processors), etc.

Deep learning and AI-based quality control

AI

Deep Learning

* Solution: Network specialized for the manufacturing industry with SUAKIT CNN (Convolutional Neural Network)-based industrial images and an optimized layer design

Computing Infra

GPU, network, operation, analysis server

* What is Digital Transformation?
Digital transformation refers to innovating the conventional operating methods of a business model by establishing and utilizing ICT such as AI and big data.

Strengthening Capabilities through Digital Transformation

Systematizing Education to Foster DT Experts

SKC is carrying out activities in order to develop its employees into DT experts. In 2019, the company implemented various education programs to internalize DT among employees. Firstly, an "SKC DT Boot Camp" was carried out for 76 employees as an introduction to DT. The DT Boot Camp consisted of lectures on fundamental statistics theory and machine learning. Following the DT Boot Camp, with the ultimate aim of securing a pool of DT experts, SKC facilitated the "Data Champ. Campus" in order to foster such experts. As part of the "Data Champ. Campus", employees learned advanced statistics, AI and machine learning, and performed tasks where they had to apply DT to their actual work.

DT Insight Improving Program

In order to apply and spread DT throughout the company, SKC provided various communication channels through which all employees can exchange their opinions. During the special lecture on DT Insight in March 2019, an in-depth discussion was held regarding SKC's smart factory building performance and the direction of future development. Employees also discussed the difficulties and limitations regarding their actual work and a realistic approach to the application of DT throughout the company, in addition to sharing ways to innovate the company's business model through DT. Furthermore, in order to strengthen DT task implementation capabilities, SKC held a digital leadership workshop in order to derive organization-specific DT tasks.

CEO Lee Wan-jae and SKC employees attend the DT Insight special lecture

2
Establishing environmentally friendly management

1
Building a Virtuous Cycle Ecosystem for Plastic

SKC is committed to building a virtuous cycle for plastic by producing eco-friendly specialty materials and cooperating with stakeholders.

WHY IT IS IMPORTANT

The management trends of the past prioritized maximizing financial value and, in the process, caused reckless development and environmental destruction based on the use of fossil fuels, which has been returned to us in the form of global warming and climate change. The corporate sense of responsibility regarding environmental issues is continually growing, and corporate environmental management has become a critical issue in terms of business implementation. Hence, companies ought to recognize that the goal of environmentally friendly management is a commitment to sustainable management, and they have a duty to actively implement such management.

HOW SKC RESPONDS

SKC deeply and sincerely agrees with the notion of corporate responsibility in environmental issues and is carrying out various activities in order to reduce the environmental impact of production. SKC was the first Korean company to join the AEPW, a global corporate alliance committed to ending plastic waste, and since then the company has been cooperating with global partners in order to reduce plastic waste, and striving to produce numerous e
co-friendly products. In addition, SKC introduced HPPO, an eco-friendly PO manufacturing technology, and has been saving energy by recycling waste water and heat.

| Expanded use of biodegradable PLA film | Commercialized Ecolabel, the world's first recyclable sleeve label for PET bottles | Commercialized HPPO to produce the world's first eco-friendly PO | The first Korean company to join the AEPW, a global corporate alliance committed to ending plastic waste |

First Korean Company to Join the Global Alliance to End Plastic Waste

In July 2019 SKC became the first Korean company to join the Alliance to End Plastic Waste (AEPW) along with BASF, The Dow Chemical Company, P & G, and PepsiCo.
Established in January 2019, the AEPW is an alliance made up of global enterprises related to the production, use, sale, processing, collection, and recycling of plastic. Members of the AEPW are bound by the goals of developing plastic waste management infrastructure and recycling technologies, encouraging government, corporate and community participation, and reducing plastic waste discharged in the sea.
By joining the AEPW, SKC is strengthening its eco-friendly cooperation with global enterprises. In February 2020, the company participated in the AEPW general meeting in Houston, US to discuss the AEPW's mid- to long-term strategy, "PACE 2020". PACE 2020 is a strategic goal to process 130,000 tons of waste by 2020 based on "Project Acceleration, Communication, Engagement" through the investment of USD 800 million in 13 projects. The AEPW has also established goals to reduce 2 million tons of plastic waste each year, encourage the participation of more than 120 local governments, and attract over USD 8 billion in investments by 2025, and, additionally, corporate members have agreed upon the strategic direction and KPI goals of AEPW.
As a member of the AEPW, SKC will continue to make efforts to reduce plastic use and develop technologies that enhance the reuse and recycling of plastic. Moreover, the company plans to pursue various methods in order to reduce plastic waste through cooperation with numerous global enterprises.

The AEPW council held in New York, US in July 2019

The AEPW general meeting in Houston, US in February 2020

Eco-friendly Forum for Plastic Packaging Material

In November 2019, SKC participated in the "Plastic Packaging Material Eco-friendly Forum", along with group subsidiaries, including SK global chemical and SK chemicals, primary packaging clients, recycling companies, government agencies, and academic associations. The forum gathered stakeholders of the plastic packaging industry in order to share eco-friendly technologies and policies, and discuss joint responses for addressing the issue of plastic waste. During the forum, SKC introduced its biodegradable PLA film, which is an eco-friendly material, and presented the background regarding SKC becoming the first Korean company to join the AEPW, in addition to outlining future plans. Further, the forum saw a discussion on CSR in terms of plastic waste and the direction of future technological development.
On this day, SKC and other businesses and agencies that participated in the Plastic Packaging Material Eco-friendly Forum ratified a joint declaration to "create an ecosystem for plastic packaging resource circulation" and take the lead in resolving the issue of plastic waste by building a public-private partnership system.

Eco-friendly Forum for Plastic Packaging Material in Seoul in November 2019

2

Minimizing the Environmental Impact of Management Activities

SKC is making various efforts to minimize the environmental impact inherent in its management activities.
SKC is applying production technologies, with environmental considerations, to its manufacturing facilities.

World's first commercialization of Eco-friendly HPPO

In 2008, SKC successfully commercialized HPPO technology for manufacturing eco-friendly propylene oxide for the first time in the world. This system has maintained a 100% operation rate for over 10 years. HPPO is a technology that enables the production of PO with peroxide (H_2O_2). It is eco-friendly and economical because no harmful substances and by-products come out except water.

SKC introduced an energy recycling process within the HPPO technology in order to save a lot of energy. It designed a methodology of recycling the hot water from the process as a heat source. As a result, the company succeeded in reducing energy consumption by more than 60% in comparison to the original design. In the first half of 2020, SKC applied for an international patent for this technology.

Expanding Global Cooperation based on Eco-friendly Technology

The secret that enabled SKC to commercialize eco-friendly HPPO technology and maintain such a high operation rate so far is the technological capabilities that the company has accumulated over nearly 30 years. Accordingly, several companies in China, the Middle East and Europe have expressed interest in cooperating with SKC for years.

In August 2019, SKC decided to set up a joint chemical company with PIC (Petrochemical Industries Company), a subsidiary of KPC

(Kuwait Petroleum Corporation), which is a national oil company in Kuwait, and thereby jointly established SK picglobal in March 2020. Led by these technological and business operating capabilities, and through cooperation with PIC, SKC plans to secure 1 million tons of global PO production volumes by 2025.

SKC plans to continue to contribute to preserving the environment through global advancements based on eco-friendly technologies.

SK picglobal Ulsan factory

3

Expanding Eco-friendly Business

SKC, in recognition of the importance of pursuing environmentally friendly management for a sustainable society, is expanding its eco-friendly material business, a key item for BM innovation.
The company is expanding eco-friendly business including biodegradable PLA film, and the SKC Ecolabel, and is developing additional materials. SKC will continue to secure sustainable eco-friendly technologies through cooperation with stakeholders.

Developing Mass Production Technology for New Eco-Friendly Biodegradable Materials

SKC initiated the development of biodegradable bioplastic with innovatively strengthened hardness. Since acquiring technology related to high strength PBAT (polybutylene adipate-co-terephthalate) from the Korea Research Institute of Chemical Technology in 2019, SKC has been developing mass production technology.

High strength PBAT is an eco-friendly material that overcomes the weakness of regular PBAT, which is easily torn or stretched by adding nano-cellulose reinforcement extracted from wood pulp to regular PBAT. Although the existing PBAT boasts eco-friendly and flexibility to 100% decompose within six months of the ground, there was a limit to expanding its use. High strength PBAT has tensile strength equivalent to that of petroleum plastic and can substitute non-

biodegradable plastic materials in disposable plastic bags, mulching films, and injection molding products, thereby contributing to ending plastic waste.

Together with 16 agencies, including the Korea Research Institute of Chemical Technology, SKC is racing to secure the development of technology by participating in the "commercialization and demonstration of biodegradable bioplastic".

SKC supplies high strength PBAT raw materials to producers of plastic bags, straws, and injection molding, and is striving to identify shortcomings and then make necessary improvements. SKC is aiming to commercialize PBAT by 2021.

MOU for the demonstration and commercialization of biodegradable bioplastic in Ulsan City Hall in May 2020

3
Pursuing stakeholder happiness

1
SKC's Happiness Management

The ultimate goal of the changes and innovation pursued by SK Group is happiness.
SKC values the happiness of its employees and stakeholders; as such, it is expanding the scope of happiness from employees to clients, shareholders, and business partners.
In addition, through employee participation and stakeholder communication, SKC is carrying out various activities related to "Happiness management" based on its happiness strategy and happiness map.

Seeking employee happiness

SKC operates various communication channels in order to become a company whose employees voluntarily and enthusiastically nurture the growth and happiness of the company so as to achieve "Happiness at SKC". Based on such communication channels, the company plans to increase the happiness of its employees, and gradually expand the scope of happiness from its employees to external stakeholders.

Happiness Talks

Through "Happiness Talks", SKC is forming a sense of agreement on happiness. Happiness Talks are held in order for employees to understand their ever-changing tasks and roles in terms of the purpose of happiness management and also the world, and discuss ways for employees to promote happiness themselves. SKC is strengthening communication in order to make a happy community by holding Happiness Talks together with the CEO and management.

Happiness Survey & Interview

In order to identify the level of happiness of employees and factors influencing employees' happiness, SKC is carrying out Happiness surveys and Intensive interviews. Each employee gains happiness from varying factors. SKC plans to continually conduct these surveys and interviews so as to identify the happiness level and influencing factors of its employees, and continue efforts toward the goal of creating a company where everybody is happy.

Self-designing Happiness

SKC has established a process of listening to the voices of employees and changing major policies based on direct participation. For example, the company's "evaluation policy" had been one of the factors that limited the happiness of employees. SKC is striving to improve in this regard by comprehensively reflecting the opinions of team leaders and employees.

Happiness Strategy

In 2019, SKC established its happiness strategy which looks toward the goal of happiness for its employees based on the contents of employee communication. SKC's Happiness strategy is "happiness through growth, sharing, and experience".

SKC's Happiness Talks (above: head office, below: Suwon business site)

Happiness through growth
Securing momentum for sustainable growth

Happiness through sharing
Building happiness (SV) with stakeholders

Happiness through experience
Establishing a virtuous cycle for employees of experiencing and participating in happiness

WHY IT IS IMPORTANT

Technological development and innovative ideas compose the driving force that enables a company to grow, and this force comes from the cooperation and effort of all stakeholders. As economic structures become more complex, the pursuit of mutual growth between companies and stakeholders has become a critical value in terms of the survival of a company. The happiness of employees and stakeholders has become an essential element of sustained growth of a company, and in line with this, SKC will continue efforts to promote the happiness of its employees and stakeholders.

HOW SKC RESPONDS

SKC has improved existing labor policies regarding the happiness of its stakeholders and employees, and is creating an industrial ecosystem with stakeholders in pursuit of the goal of "Happiness at SKC". From "Employees' Happiness Talks", SKC has formed a sense of agreement between leaders and employees on happiness management from the happiness survey, it has identified the happiness level of employees and influencing factors. In addition, SKC operates programs in which employees participate in happiness activities and can enjoy happiness of their own making. Furthermore, the company has introduced a smart office system, and created a horizontal, flexible corporate culture through the improvement of the hierarchy system. SKC has also established the Open Platform for New Materials Technology, and is promoting mutual growth with stakeholders by helping the community and enabling startups to grow.

| Regularly holding Employees' Happiness Talks | Introduced horizontal hierarchy system | Created a smart office environment | Expanded the Open Platform for New Materials Technology |

Innovation in Ways of Working

In order to promote the happiness of individuals and create innovative ideas that serve as the momentum for the company's growth, SKC is pursuing innovation in its ways of working. Innovation in ways of working is being carried out by pursuing the happiness of employees based on the innovation of organizational and business processes, improvement in the working environment, and VWBE (Voluntarily·Willingly·Brain Engagement).

Innovation in Organization and Process

The corporate culture that has formed over a long period of time directly correlates with the happiness experienced by employees. In order to build a horizontal culture, SKC is carrying out various activities. First, the company abolished the vertical hierarchy system of general managers, deputy managers, managers, assistant managers, and associates, and introduced a single rank of managers. In addition, it set up four bands reflecting roles and competency levels, and introduced a fair compensation system in order to encourage the voluntary participation of employees. In 2019, SKC reduced the number of teams and increased the number of project organizations in order to strengthen the agile leadership of the organization. Agile organizations are advantageous since they can make fast decisions through horizontal, flexible execution.

In addition, SKC implemented the "Work Diet" in order to promote work efficiency at the Innovation in Ways of Working Office. Following a workshop, SKC came up with 18 company-wide tasks, and is raising work efficiency through consistent implementation of the Work Diet.

Innovation of Working Environment

In order to break down the barriers between organizations and to facilitate communication and collaboration, SKC introduced a smart office system in March 2019. This new smart office does not have designated seats. Rather than working in their designated seats for each team, office, or division, employees work in seats they choose each day. SKC also doubled the project collaboration rooms to 34, and provided spaces for communication between employees by creating cafe-like employee lounges on each floor. In addition, SKC is actively changing its ways of working and the working environment by introducing "health keeper rooms" to promote the health of employees.

In addition to changes to physical spaces, SKC has expanded online communication channels. "HUB" is the One Company platform established by SKC, and is an internal integrated portal shared between employees of SKC, subsidiaries, and joint companies. Here, employees and stakeholders can more efficiently share and collaborate with each other. Furthermore, SKC is improving its mobile working environment in an effort to enhance its employees' approach to work.

SKC Smart Office

2
Spreading Stakeholder Happiness

SKC is making efforts to strengthen the materials industry ecosystem and to enhance the happiness of its stakeholders within the value chain. Through the "Open Platform for New Materials Technology" established in 2017, SKC is cooperating with platform participants that have excellent skills to offer including governments, academic associations, and companies as well as promising startups in the materials field, venture companies, and SMEs. In recognition of such efforts, SKC has been designated as the 14th "Inclusive Company" by the Ministry of SMEs and Startups.

Building the Open Platform for New Materials Technology

In 2017, SKC built the "Open Platform for New Materials Technology" in partnership with the Ulsan Center for Creative Economy and Innovation, University of Ulsan, UNIST, Ulsan Techno Park, and Sunbo Angel Partners. This was intended for supporting commercialization in the form of promising startups and venture companies in the materials field, and facilitating the materials industry ecosystem in Korea by utilizing the tangible and intangible assets of platform participants.

SKC is strengthening the open platform such that it can be of practical help to platform participants, including startups. The number of platform participants increased to 12 when the Korea Institute of Science and Technology Information, R&D Strategy Planning Group, Deloitte Anjin LLC, and Shinhan Bank joined in 2019. This further increased to 15 when the Korea Technology Finance Corporation, Shin & Kim LLC, and Korea Startup Forum joined in 2020.

More participants are expected to join the platform in the coming months and years. In 2019, SKC expanded the targets for cooperation to include local SMEs by entering into an "MOU for the expansion of the Open Platform for New Materials Technology to the local community" with Jincheon-gun of Chungcheongbuk-do and Jincheon Chamber of Commerce and Industry. As of 2019, there are 58 platform participants. SKC plans to actively share skills and capabilities such that materials companies can strengthen their competitiveness through practical cooperation.

New Materials Technology Contest, "SKC Startup Plus"

Workshop of SKC Startup Plus Term 3

Each year, SKC holds the "SKC Startup Plus" contest in which it selects materials companies with excellent ideas and supports them under the "Open Platform for New Materials Technology". In 2019, the company expanded the support targets to include SMEs(Small and medium enterprise), and doubled the amount of winners from 8 to 16 in 2018. Winning companies receive commercialization subsidies from SKC, and startup training, R&D know-how, and management infrastructure from platform participants.

Designation as the 14th "Inclusive Company" by MSS

MOU for 14th "Inclusive Company"

In recognition of its activities intended for mutually beneficial cooperation with stakeholders, including the Open Platform for New Materials Technology, SKC was designated as the 14th Inclusive Company by the Ministry of SMEs and Startups in May 2020. A "Inclusive Company" shares strengths in infrastructure, mutually beneficial cooperation programs, and the know-how of enterprises and agencies with SMEs, small businesses, and the self-employed, rather than merely cooperating with primary business partners.

Since its designation as the 14th "Inclusive Company", SKC has entered an "MOU to build a mutually beneficial ecosystem through fair technological trade and open innovation" with the Ministry of SMEs and Startups. Korea Technology Finance Corporation, and Korea Startup Forum. SKC participates in the 2Win-Bridge system, which is a technological trading system between large conglomerates and SMEs established by the Korea Technology Finance Corporation, and secures the intellectual property rights of technologies from startups and SMEs based on fair trading. The Korea Technology Finance Corporation and the Korea Startup Forum are new participants to the Open Platform for New Materials Technology.
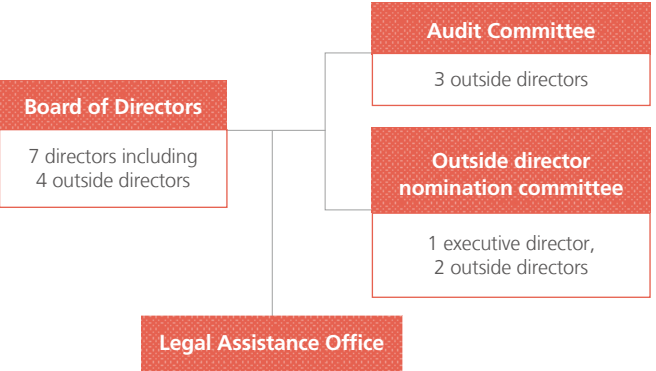
2

SUSTAINABILITY FOUNDATIONS

Governance

Establishing a sound governance structure is an important prerequisite to pursuing stakeholder happiness. SKC provides a system for properly exercising authority and for a mutual checking of authority between organizations in the company, including shareholders, management, and the audit board. SKC strives to secure the transparency, soundness, and stability of management, and maintain the balance and control between organizations within the company by implementing management activities led by external directors and committees under the Board of Directors (BoD).

Board of Directors

SKC's BoD consists of seven directors (one executive director, two non-executive directors, and four outside directors) who are experts in various fields, including management, economy, industrial policy, global projects, communication, risk control, and social value. The BoD is structured without preference toward specific backgrounds or occupations such that it can properly implement checks and balances of the management board, and represent diverse interests.

Audit Committee
3 outside directors

Board of Directors
7 directors including 4 outside directors

Outside director nomination committee
1 executive director, 2 outside directors

Legal Assistance Office

BoD Status ———— As of March 30, 2020

1 Jang, Dong-hyeon, non-executive director

2 Lee, Wan-jae, executive director

3 Lee, Seong-hyeong, non-executive director

4 Bae, Jong-seo, outside director

5 Kim, Seong-geun, outside director

6 Park, Young-seok, outside director

7 Lee, Kwan-seop, outside director

Name	Career Experience	Tenure	Remarks
1 Jang, Dong-hyeon (Born in 1963)	· CEO of SK telecom (until 2017) · (Present) CEO of SK Holdings (from 2017) · (Present) Chairman of BoD of SKC (from 2017)	Appointed: March 2017 Tenure: Until March 2023	· Chairman of BoD · Non-executive director
2 Lee, Wan-jae (Born in 1959)	· Director of Business Support Office of SK Holdings (until 2012) · Vice CEO of SK E&S (until 2016) · (Present) CEO of SKC (from 2016)	Appointed: March 2016 Tenure: Until March 2023	· CEO · Head of outside director nomination committee
3 Lee, Seong-hyeong (Born in 1965)	· Head of finance office at SK Holdings (until 2015) · Head of financial management at SK telecom (until 2017) · (Present) Head of financial division at SK Holdings (from 2018)	Appointed: March 2018 Tenure: Until March 2021	· Non-executive Director
4 Bae, Jong-seo (Born in 1963)	· CEO of PN Tech and Hwajin Industry (until 2017) · (Present) CEO of Hwajin Teikuro (from 1999)	Appointed: March 2017 Tenure: Until March 2023	· Commissioner of Audit Committee · Outside director nomination committee member
5 Kim, Seong-geun (Born in 1958)	· Legal Counselor at KCC (2010 - April 2018) · (Present) Lawyer · (Present) Legal Counselor at MSIT (from 2016) · (Present) Auditor and Outside Director at JoongAng Ilbo (from 2015)	Appointed: March 2018 Tenure: Until March 2021	· Commissioner of Audit Committee
6 Park, Young-seok (Born in 1963)	· (Present) Professor of Business Management at Sogang University (from 1998) · (Present) Director of KCMI (from 2018) · (Present) External director of Hanjin Kal (from March 2020)	Appointed: March 2019 Tenure: Until March 2022	· Chairman of Audit Committee
7 Lee, Kwan-seop (Born in 1961)	· 1st Vice Minister of Trade, Industry and Energy (2014 - 2016) · CEO of KHNP (2016 - 2018) · (Present) Outside Director, and Auditor at Emart (from 2019)	Appointed: March 2020 Tenure: Until March 2023	· Outside director nomination committee member

Appointment of Directors

SKC appoints independent, professional, and experienced personnel to its Board of Directors through resolutions at the general meeting of shareholders. Executive and non-executive directors are nominated at the general meeting of shareholders after a preliminary review carried out by the BoD on the expertise, responsibilities, and diversity of each candidate. Candidates for outside directors are confirmed after an in-depth discussion by the Outside Director Nomination Committee.

BoD Operation

The BoD provides feedback on the execution of key work and decision-making matters, and serves as a key body in corporate operations that protects stakeholders, including shareholders, by supervising performance. SKC's BoD holds scheduled meetings once a month, and ad hoc meetings when necessary. In 2019, the scheduled meetings for months where there was relatively less work, for instance in February, were cancelled; thus, a total of 11 meetings were convened including two ad hoc meetings in March and December. The average attendance rate of outside directors was 94%. In January 1, 2019, SKC established the 'Board of Directors Secretariat' comprising legal experts who assist in making efficient management decisions and assist with supervisory functions. The legal team, which had previously been in charge of supporting the work of the BoD, is also continuing to do so, thereby strengthening the level of support that can be offered to the BoD.

BoD Led by Outside Directors

To ensure the independence of the BoD, SKC has appointed four outside directors out of a total of seven directors. This ratio of outside directors is enough to satisfy the requirements outlined in the declaration of the BoD. The company also strives to ensure fairness and transparency in nominating candidates for outside directors through the establishment and operation of the Outside Director Nomination Committee.

SKC conducts orientation for new outside directors in order to support their performance. In addition, SKC continues to support job performance by providing management information to outside directors so as to enhance their understanding of SKC's business.

BoD Remuneration and Evaluation

The directors' remuneration is within the limits approved at the general meeting of shareholders. SKC transparently discloses the approved remuneration limits and payment status in its business report.

The remuneration of outside directors is not linked to their evaluation in order to secure the independence of the outside directors. The attendance rate and contribution of outside directors, however, are used as the basis of judgment in the decision regarding whether to re-appoint them after their tenure comes to an end.

BoD Committees

SKC operates an Audit Committee and an Outside Director Nomination Committee in accordance with commercial law and SKC's internal articles of association. SKC delegates professional authority to these two committees in order to enhance the expertise and efficiency of BoD operations.

Audit Committee

Three outside directors audit the management and accounting details of the company. In addition, they design the internal control system and evaluate operational status. In 2019, the audit committee has convened 6 times in order to discuss 10 agendas.

Outside Director Nomination Committee

SKC has established the Outside Director Nomination Committee to ensure fairness in the nomination process of outside directors. One executive director and two outside directors participate in the committee in order to ensure the legitimacy and transparency of the procedure of nominating candidates for outside directors.

BoD Committee Status ———— As of June 2020

Committee	Composition			Major Roles
	Committee Position	BoD Position	Name	
Audit Committee	Commissioner	Outside Director	Park, Young-seok	· Convening of an ad hoc meeting of shareholders · Drafting and submission of audit report · Billing at the general meeting of shareholders and examination on document · Evaluating and reporting on the operation of the internal accounting management system · Matters stated by other laws, articles or BoD rules
	Member	Outside Director	Bae, Jong-seo	
	Member	Outside Director	Kim, Seong-geun	
Outside Director Nomination Committee	Commissioner	Executive Director	Lee, Wan-jae	· Reviewing candidates for outside director · Confirming outside director nominated at the general meeting of shareholders
	Member	Outside Director	Bae, Jong-seo	
	Member	Outside Director	Lee, Kwan-seop	

Enhancing Shareholder Value

SKC strives to make it easier for shareholders to exercise their rights by fully disclosing, in advance, information on the date, venue, and agenda of the general meeting of shareholders. In order to enable more shareholders to attend the general meeting of shareholders and express their opinions, SKC schedules the general meeting of shareholders such that it does not clash with other important events, and has also adopted an electronic voting system. In addition, SKC seeks to strengthen communication through public announcements, business presentations, and investor meetings in order to provide timely, sufficient, and fair corporate information to shareholders. In the past five years, SKC has been giving out dividends, and will continue to provide stable dividends in the future in accordance with the industry's average propensity to pay dividends and the market dividend rate.

SKC's Shareholder-friendly Policy ————

Expanding shareholders' voting rights
Introducing an electronic voting system, etc.

SKC's Shareholder-friendly Policy

Strengthening communication with shareholders
Corporate briefings, public announcements, investor meetings

Stable and continued dividends
Mid- to long-term dividend policy
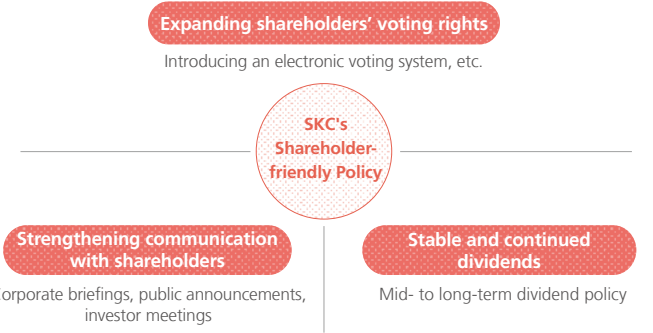
Compliance

As corporate social roles and responsibilities become more important, society's demand for companies to exhibit transparency and integrity is also growing. SKC has established a code of ethics and guidelines for its employees in order to set clear criteria for determining the value of management activities. SKC also strives to establish business ethics as a corporate culture based on compliance with and implementation of the code of ethics and guidelines.
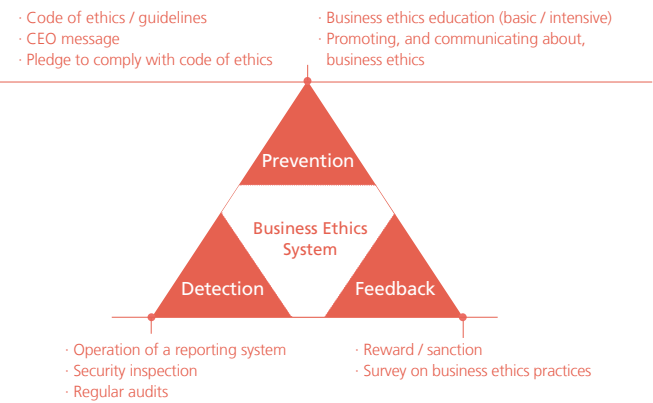
Ethics Organization

SKC manages its code of ethics and guidelines for employees through the Ethics Management Office, an organization dedicated to business ethics. The Ethics Management Office has established a management system and provides various education programs to assist employees in internalizing business ethics. SKC strives to respond to consultation and advice from employees regarding business ethics, while at the same time taking appropriate measures when employees violate the ethics-related regulations.

Business Ethics System

The employees of SKC are pursuing the creation of value for various stakeholders including clients, employees, and shareholders with the SKMS (SK Management System) as the basis of corporate management. As such, SKC has provided a business ethics system based on preventive, audit, and improvement activities.

· Code of ethics / guidelines
· CEO message
· Pledge to comply with code of ethics

· Business ethics education (basic / intensive)
· Promoting, and communicating about, business ethics

Prevention

Business Ethics System

Detection   Feedback

· Operation of a reporting system
· Security inspection
· Regular audits

· Reward / sanction
· Survey on business ethics practices

Prevention Activities

SKC conducts various prevention activities in order to prevent the unethical behavior of its employees. SKC is also carrying out activities in order to enable employees to internalize business ethics, such as the distribution of the code of ethics and guidelines, implementing pledges to comply with the code of ethics, ethics education reflecting the social environment, and the inter-communication of employees through in-house communication channels.

Enactment and Application of the Code of Ethics / Guidelines

All employees are obliged to comply with the code of ethics, and will face sanctions in accordance with company rules if they violate the code of ethics. SKC has put in place the code of ethics and guidelines in order to ensure that its employees correctly interpret and implement them.

SKC Code of Ethics

1. Clients
『**Practice customer satisfaction management to gain the trust of clients and ultimately grow with them.**』
· Respect the various opinions of clients and reflect and prioritize them in the company's management activities.
· Make efforts to provide the best products and services that clients need.
· Protect the property and information of clients to the same extent that the company's own property and information is protected.

2. Shareholders
『**Enhance corporate value through transparent and efficient management to create shareholder value.**』
· Increase corporate value through transparent decision-making and efficient management activities.
· Respect shareholders' legitimate demands and suggestions, and share details of management performance with them.
· Prepare management data in accordance with applicable laws and accounting standards, and disclose them in good faith in accordance with the relevant statutes in order to protect the interests of shareholders.

3. Employees
『**All employees shall do their best to perform their duties with a sense of responsibility because each individual represents the company.**』
· Strictly observe all internal and external laws and regulations that must be followed as an employee.
· Create an atmosphere in which employees can work with mutual respect of their own accord.
· Increase competitiveness by enhancing capabilities, and protect honor and dignity.

4. Society
『**Comply with social norms to gain social trust, and contribute to society through social and cultural activities.**』
· As a member of the local community, comply with local regulations and respect tradition and culture.
· Practice environmentally friendly management as a habit and actively participate in environmental protection activities.
· Contribute to social development by actively participating in CSR activities suitable for the local region or area.
· Pursue mutual growth with business partners and compete fairly with competitors.

SKC's Major Activities for the Internalization of Business Ethics

Annual pledge to code of ethics	· 100% pledge rate among employees of head office and affiliates
Ethics Education of Employees	· 99% completion rate of basic education (online) · 100% completion rate of intensive education (W/S discussion) · "No workplace harassment" education for employees · Customized education for local recruits at Chinese work sites
Strengthening Promotion of & Communication about Business Ethics	· Publishing a newsletter on business ethics · Not accepting gifts on national holidays, etc. · Publishing Guidebook for Business Ethics Practices for Leaders

Detection Activity

SKC is strengthening its internal control by regularly conducting audit activities and operating reporting and grievance handling channels.
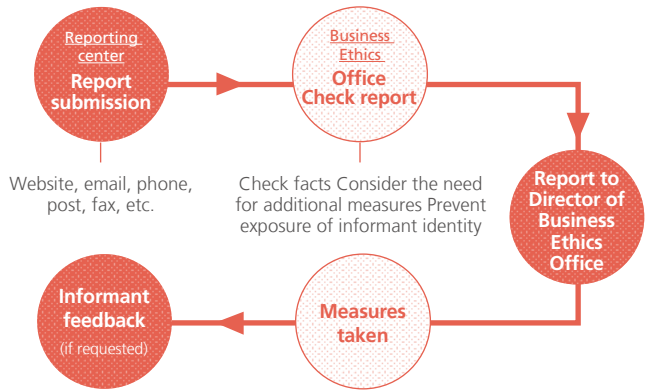
Reporting and Grievance Handling Channels for Employees

SKC operates a channel for employees to report grievances and violations of business ethics. Reporting channels are divided into phone, fax, email, and a website in order to enhance accessibility. In particular, the information learned from investigations is kept confidential in accordance with the principle of priority protection for informants. In addition, SKC works with the HR team to decide HR measures, and shares the results with employees such that incidents that have occurred do not happen again.

Business Ethics Reporting Channel

Website	**Email**
http://ethics.sk.co.kr	skc.ethics@sk.com
Phone	**Fax**
080-890-6262	02-537-2863
Post	
SKC Business Ethics Office, Building B, K-Twin Towers, 50, Jongno 1-gil, Jongno-gu, Seoul	

Employee Reporting and Grievance Handling Process

Reporting center
Report submission → Business Ethics Office **Check report** → **Report to Director of Business Ethics Office**

Website, email, phone, post, fax, etc.

Check facts Consider the need for additional measures Prevent exposure of informant identity

Informant feedback (if requested) ← **Measures taken**

Regular Audit Activities

SKC conducts regular / frequent business diagnoses each year, and manages risk in intellectual property through the inspection of document leakage each month and security checks for retirees.

Feedback Activity

SKC is carrying out improvement / supplementary activities in order to further develop various activities that are already being implemented with the goal of internalizing business ethics.

Survey of Employee Ethics Practices

An annual survey on ethics practices is conducted in order to measure the degree to which employees practice business ethics, and to derive vulnerable areas in the business ethics system and culture.

In 2019, SKC carried out the survey on all employees, and confirmed areas in which improvement was necessary in order to establish a successful business ethics system.

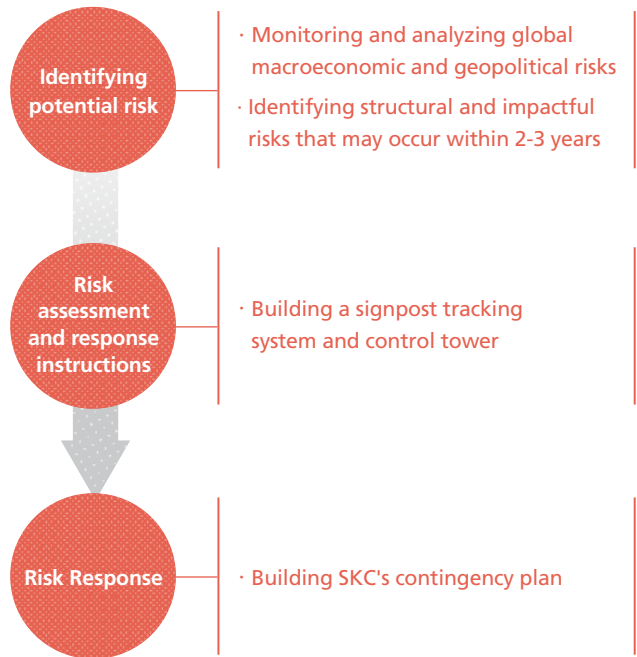| Survey Components	Description
Degree of Code of Ethics Compliance	Inspect the degree to which business ethics is practiced in each sector by employees, shareholders, clients, BPs (business partners), and society
Level of Practice System Operation	Inspect the level of awareness of employees regarding the company's system of ethics practices including ethics education, reporting, and grievance handling
Internalizing Ethics Culture	Inspect the level of awareness of employees regarding the culture of ethics practices including the company's willingness to practice business ethics
Law Compliance	Inspect the level of awareness of employees regarding compliance with laws related to the prohibition of receiving illegal gifts and money
Ethics Consultation/ Advice	Grievance consultation and reporting of unethical cases that require ethical judgment criteria and guidelines

Risk Management

SKC has set up an integrated risk management system that analyzes and effectively manages potential risk factors in business operations. Centered on the risk governance of SK Group called SK RMS (Risk Management System), each risk is managed under a division which has the relevant expertise and which implements systematic management activities for financial and non-financial risks.

Risk Governance

SK RMS (Risk Management System)

In the global economic market, the risk of debt is accumulating due to prolonged low interest rates and quantitative easing policies. If major countries such as the US and China abruptly reduce liquidity, there is a possibility that Korean companies will be exposed to the risk of defaulting. SKC has introduced the SK RMS, an integrated risk response system of SK Group, to prevent external shock from derailing deep change.
SK RMS aims to minimize loss through its three-step prevention and post-control response.

RMS Implementation Flow

Identifying potential risk
· Monitoring and analyzing global macroeconomic and geopolitical risks
· Identifying structural and impactful risks that may occur within 2-3 years

Risk assessment and response instructions
· Building a signpost tracking system and control tower

Risk Response
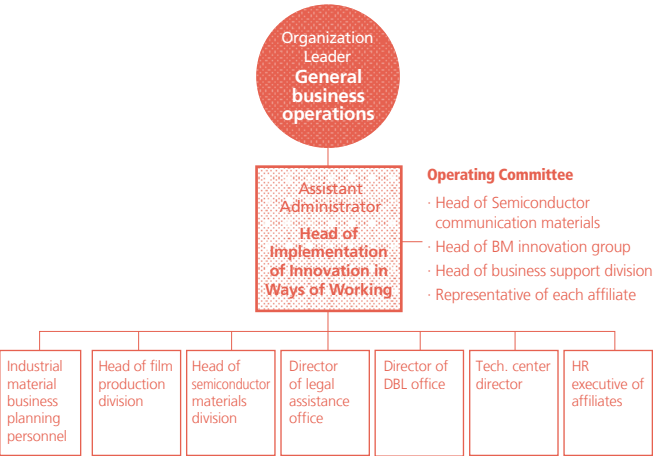· Building SKC's contingency plan

Setting up a contingency TF against COVID-19

With the spread of COVID-19 in 2020, detailed company-wide responses related to business operations are required. As such, SKC has established a control tower and contingency TF in order to cope with the emerging risks, and is responding to related crises. Besides the TF, SKC has also established crisis response organizations at each business site and affiliates in order to swiftly respond to the current circumstances.

Contingency TF against COVID-19

Business site	Responsible organization/ persons	Supportive organization	Role
Company-wide / head office	General business operations (Contingency TF Leader)	Contingency TF	Company-wide crisis response/decision-making
		DBL implementation office	Internal/external comm.
Suwon / Jincheon	Head of production division	HR, SHE organizations	Production labor force operation and crisis response
Suwon (Research institute)	Tech. Center	Technical support team	R&D labor force operation and crisis response
Affiliates	Representative and director of production division	HR, SHE organizations	Crisis response of each affiliate

Organization Leader **General business operations**

Assistant Administrator **Head of Implementation of Innovation in Ways of Working**

Operating Committee
· Head of Semiconductor communication materials
· Head of BM innovation group
· Head of business support division
· Representative of each affiliate

- Industrial material business planning personnel
- Head of film production division
- Head of semiconductor materials division
- Director of legal assistance office
- Director of DBL office
- Tech. center director
- HR executive of affiliates

Financial Risk Management

Internal Accounting Management System

SKC operates an internal accounting management system in order to continuously increase its accounting transparency and improve corporate governance. SKC has integrated its financial information management system and provided it to shareholders and management so as to realize internal control of financial reporting.
In addition, SKC has continuously expanded its financial reporting risk management capabilities by upgrading its internal accounting management system.

Financial Risk

With respect to financial instruments, companies are exposed to risks related to credit, liquidity, and FX. SKC has established financial management policies by analyzing the risks it faces and establishing appropriate control measures in order to ensure that the risks do not exceed the limits.
The Audit Committee supervises and evaluates as to whether risk policies and procedure compliance are reasonably and appropriately managed, and also whether the system itself is appropriate.
In addition, SKC's financial risk management policy is centered around the minimization of potential risks by focusing on the characteristics of highly variable financial markets.

FX Risk

In the event of an external economic crisis, the won-dollar exchange rate will become highly volatile. In 2019, due to the uncertainty of external factors, the exchange rate became more volatile and more unpredictable. SKC established detailed management policies in the sales/financial/investment sectors in order to reduce changes in management performance due to fluctuations in the exchange rate. In addition, SKC manages foreign assets and liabilities in line with SKC and its affiliates' business and risk exposure policies, and manages FX risk by purchasing / selling derivatives mainly in futures exchanges.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations in terms of financial instruments, thereby causing financial losses to the company. SKC integrates and manages the collection of bonds and the handling of bad debts in order to respond quickly to credit risks and minimize related losses. In order to improve transaction safety, external vendors are required to be covered by credit insurance, and credit exceeding a vendor's credit insurance is granted in consideration of a rating based on internal indicators. SKC also strives to minimize credit risk in advance by securing additional collaterals.

Liquidity Risk

Liquidity risk refers to the risk that a company faces when it cannot meet its financial liability obligations. SKC manages daily, weekly, monthly, and yearly cash flows to prevent problems from arising in sales, financial, and investment cash flows due to external factors. SKC also actively pursues asset efficiency and cost reduction, and is strengthening variability management by expanding insurance and collateral.

Non-Financial Risk Management

Human Rights Risk

SKC is conducting activities in order to strengthen its human rights management so as to protect the diversity and dignity of all stakeholders. SKC has been conducting sexual harassment prevention education for all its employees since 2016. In 2019, the company also provided education for increasing awareness of issues related to disabilities, in addition to the sexual harassment prevention education. In 2019 employees recorded a 100% completion rate of human rights education. In order to maintain systematic human rights management, SKC plans to announce the 2020 SKC Human Rights Declaration and publish it company-wide. SKC will also strive to enhance the awareness of its employees concerning human rights by expanding existing human rights education programs to include workplace harassment and gender equality education.

Supply Chain Risk

SKC continued activities to establish a sustainability management system for business partners. First, SKC established and operated a process to select, as business partners, companies that practice CSR, focusing on the "social value assessment system". From November 2019 to the present, SKC has designated three of its business partners as "excellent business partners" by conducting evaluations of quality, price, and delivery, and evaluations of social value.
SKC also provided education regarding the SKC business ethics system to 3 business partners in 2018 and 11 business partners in 2019 in order to expand the company's business ethics system. In 2019, SKC established an online platform for business ethics so as to enhance the accessibility of the business ethics system.
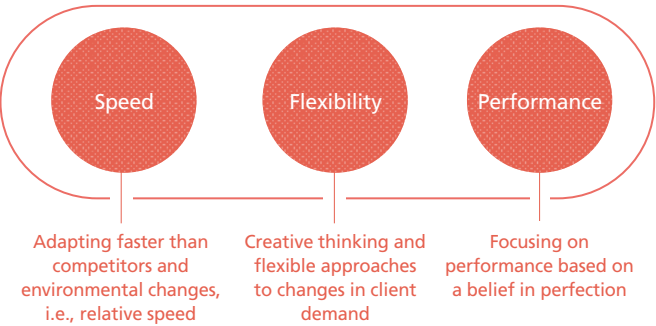
Employees

SKC operates systems and programs to secure, and systematically foster, a global talented workforce in order to continue to grow into a Global Specialty MARKETER. SKC is also striving to build a corporate culture capable of realizing deep change.
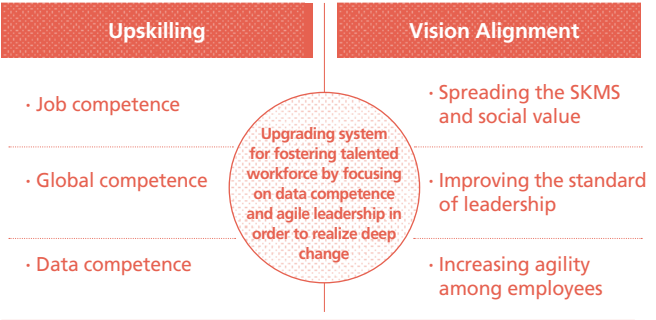
Securing a Talented Workforce

SKC strives to uncover "experts who practice faith in the SKMS (SK management system) as a core value" in order to secure a core talented workforce. By acquiring a talented workforce that exhibits speed, flexibility, and performance, SKC is preparing to soar to new heights.

Speed
Adapting faster than competitors and environmental changes, i.e., relative speed

Flexibility
Creative thinking and flexible approaches to changes in client demand

Performance
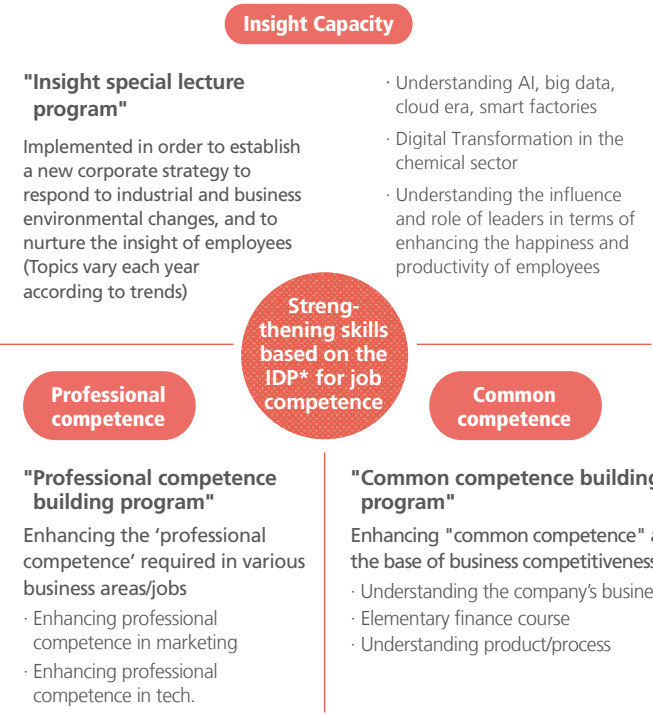Focusing on performance based on a belief in perfection

Strategy for Fostering a Talented Workforce

In order for the entire organization to thrive while maintaining a competitive advantage, "upskilling", i.e., enhancing the capabilities of all employees throughout all organizations, is essential. SKC is making efforts to facilitate the upskilling of all its employees, including in terms of job, global, and SK value competence through a focus on data competency and agile leadership that allow the company to respond to complex and uncertain changes in the industrial environment during the era of the fourth industrial revolution.

Upskilling
· Job competence
· Global competence
· Data competence

Vision Alignment
· Spreading the SKMS and social value
· Improving the standard of leadership
· Increasing agility among employees

Upgrading system for fostering talented workforce by focusing on data competence and agile leadership in order to realize deep change

Enhancing Job Competence

SKC is conducting a job competence building program in order to foster job experts who have market insight and skills. This program can be broadly categorized into: an education program to provide job-related insight; SKC's common competence building program; and a building program for the professional competencies required for each business area/job.

Insight Capacity

"Insight special lecture program"
Implemented in order to establish a new corporate strategy to respond to industrial and business environmental changes, and to nurture the insight of employees (Topics vary each year according to trends)

· Understanding AI, big data, cloud era, smart factories
· Digital Transformation in the chemical sector
· Understanding the influence and role of leaders in terms of enhancing the happiness and productivity of employees

Strengthening skills based on the IDP* for job competence

Professional competence

Common competence

"Professional competence building program"
Enhancing the 'professional competence' required in various business areas/jobs
· Enhancing professional competence in marketing
· Enhancing professional competence in tech.

"Common competence building program"
Enhancing "common competence" as the base of business competitiveness
· Understanding the company's business
· Elementary finance course
· Understanding product/process

* What is IDP (Individual Development Program)?
The IDP is a system that supports systematic competency building and the career development of employees. SKC employees self-diagnose their competence through the IDP and establish a self-development plan based on the results. In addition, team leaders review the IDP plans and practices through individual interviews with team members, and constantly check the self-development status of each team member.
Through the IDP, SKC provides, to its employees, internal and external educational information, and job-specific, and competency-specific, guides.

Global Competence Building

As the company expanded its business based on the global network, securing global competence among employees has become a major issue. SKC is strengthening employees' global competence based on a variety of educational courses and forms of support, including global business skills courses, Chinese cultural courses, and Chinese regional expert programs. In particular, SKC is expanding the 'Chinese Biz. Detailed process' as it launches China-centered global businesses.

Fostering Vision and Value in the Workforce

In order for its employees to practice SK's management philosophy, the SKMS, and social value, SKC holds the SKMS workshop. SKC also conducts various educational activities so as to enhance the ability of its employees to practice the SKMS based on an understanding of and a belief in the SKC vision.

Securing Agile Leadership

SKC carries out a leadership education program in order to help its employees respond quickly to the rapidly changing external business environment. SKC conducts agile leadership workshops to innovate the way the company works and to strengthen work competency, and holds programs to enhance leadership performance and coaching competency in order to operate a flexible organization and facilitate communication with employees of the millennial generation.

Data Competence Building

SKC is implementing 'data competency enhancement education' so as to innovate the way the company works when it comes to data. There are special lectures on digital leadership for leaders, organization-specific DT workshops, and university-linked education programs for cultivating data professionals.

Building a Corporate Culture for Deep Change

SKC pursues continuous changes in people, organization, and systems in order to create a work environment based on a horizontal organizational culture, communication, and cooperation. SKC is also carrying out a variety of activities so as to spread social value.

Building a Feedback and Development-Oriented Evaluation System based on Communication and Collaboration

In order to transform its evaluation system into a flexible structure suitable for an agile organization, SKC has established a regular performance management system that enables evaluation and feedback focused on creating results.
SKC also created a work environment based on communication and collaboration by introducing a 360-degree mutual evaluation between employees. In addition, SKC operates evaluation systems focused on the development of employees, including regular coaching and feedback.

Upgrading System to Create a Horizontal Culture

SKC is implementing changes in its HR systems such as assessment, promotion, and remuneration by transforming the rank system. SKC has abolished the traditional five-level executive rank system and unified the various titles of team members into the title of "manager". SKC also provided an institutional foundation for nurturing early executives by shifting from a seniority-based system to a performance-based system.

Major Initiatives and Activities for the Establishment of a Horizontal Organizational Culture

Division	2019 Major Activities
Leadership	· Business/leadership coaching for executives · Performance coaching competence building workshop for team leaders
Building a Self-designed Environment	· Self-designing divisions, offices, and departments to build a horizontal organizational culture that maximizes immersion and communication - Developing and implementing self-design tasks through organization-specific workshops ➔ Enhancing execution power by reflecting KPIs (immersion and communication level)
Value Change Program	· Organizational immersion workshop for executives/employees (division/office/department) · Organizational performance enhancing workshops (office/department) · Teams building enhancing workshops
Materializing R&R in Teams	· Holding meetings to materialize team R&R - Strengthen the level of immersion by setting up and understanding R&R of teams and individuals in line with the company's vision

SKC employees chatting at 'Oasis,' a communication space of the SKC smart office

Operation of Employee Communication Program

SKC pursues an organizational culture in which all its employees communicate horizontally. In addition to improving the institutional environment, SKC's various communication programs are intended to raise understanding and build trust based on communication among employees.

Organization-specific Talk Day

SKC leaders and employees constantly communicate under the theme of "Happiness in the workplace". Based on various internal and external activities, and communication programs, leaders and employees strive to increase their understanding of each other and thus create a happy organization.

Themed Classes

SKC runs themed classes every month where employees who share similar hobbies and interests gather together and receive expert education. Through these classes, SKC is promoting communication and the sharing of hobbies among employees, while also providing an opportunity for employees to get a small dose of happiness at their workplace.

Various Communication Events

SKC conducts various events to promote communication among employees. Such events include the "Happiness lunch box event" where employees of different departments gather together and order lunch boxes that are then delivered to them at lunchtime, the 'guerrilla event' held in the communication space through a sudden announcement during working hours, and "SKC on delivery" which delivers letters of appreciation to employees of domestic and overseas business sites.

Themed Classes

Wine class

Cake-making class

Leather craft class

Ihwaju liquor-making class

Coffee class

Guerrilla event

Safety, Health and Environment

Safety, Health and Environment (SHE) is an extremely important sustainability management issue directly related to the health and safety of employees and the local community. In order to help the environment and prevent pollution, SKC has established a SHE management system and constantly strives to improve its SHE-related performance. SKC also strives to reach its disaster-free safety management goals and minimize the environmental impact that can occur throughout the product life cycle, including product design, development, production, and disposal. Throughout 2019, with the goal of attaining "autonomous SHE culture", SKC carried out various activities to raise employees' level of understanding regarding, and adherence to, SHE regulations, and to spread SHE culture and technology.

SHE Management System

SKC's SHE management system reflects the requirements of laws related to SHE, conventions and agreements, the demands of stakeholders, international standards such as ISO 14001, and the SHE management requirements of SK Group.

SKC strives to always put human life first and the environment second, and, as a final priority, preserving the company's assets, services, and image. This is stipulated in SKC's SHE management manuals.

Each element of the SHE management system was established in accordance with SKC company regulations and in the following order: SHE policies; SHE regulations; and SKC procedures and work standards, and thus the management system reflects the responsibilities and authorities that all employees must comply with. In addition, SKC is making various efforts to facilitate the practical application of the SHE management system through the creation of SHE Golden Rules for each business site based on PDCA (Plan-Do-Check-Act).

Plan
SHE Policy/Goal
SHE Risk Management
Communication
· SHE policy
· SHE business management
· Goals and plans
· Communication
· SHE risk management

Do
SHE System Operation Contingency Response
· Safety management
· Environmental management
· Chemicals management
· SHE legal management
· Business partner management
· Contingency response management

Act
Business Review
· Business review report

Check
SHE Audit Compliance Evaluation
· Compliance evaluation
· SHE audit
· Nonconformity correction measures
· Performance measuring and monitoring

Building SHE Management System based on PDCA

Feedback Building a feedback system for internal and external issues and shareholder demands based on SHE risk and management intent

Creating SHE golden rules for each business site

Through analyzing SHE incidents at each business site, SKC has been able to implement "SHE Golden Rules" that specify SHE standards and procedures based on the frequency of occurrence and the impact of SHE incidents. SHE Golden Rules are based on a long-term perspective through the consideration of SHE standards which are applied throughout all business sites. In addition, SHE Golden Rules are changed by the Occupational Health and Safety Committee if the type of incidents that are occurring changes.

SHE Golden Rules

1. All work shall be carried out after receiving the final approval of a work permit in accordance with procedures.

2. All workers must complete safety training before work.

3. When handling hazardous materials designated safety gear shall be worn.

4. When working at a high height, measures to prevent falls must be taken.

5. When working in an enclosed space, the concentration of hazardous gas/oxygen level shall be measured at predetermined periods.

6. All working vehicles (2.5 tons or more) shall be equipped with a chock whenever they are parked or stopped.

7. If any changes are made, work shall be done after review and checked before operation.

8. All factories are no smoking areas, and smoking should only be done in designated areas.

9. All vehicles shall comply with the prescribed speed limit on the premises and be parked in designated areas.

* The above SHE Golden Rules are in operation at the Ulsan business site.

Employee Safety and Health Management: Carp+ program

SKC is constantly improving SHE standards in order to protect the health and safety of its employees and stakeholders. In aiming to achieve an "autonomous SHE management level", SKC has introduced the "Carp+ program" to facilitate the internalization of a compliance culture in terms of health and safety.

Carp+
Safety culture establishing program conducted by SKC in order to manage the health and safety of employees

Communication
Communicate with an open mind

Awareness
Identifying and recognizing risk factors

Responsibility
Eliminate identified risk

+ Plus
Constantly pursue SUPEX to improve SHE standards

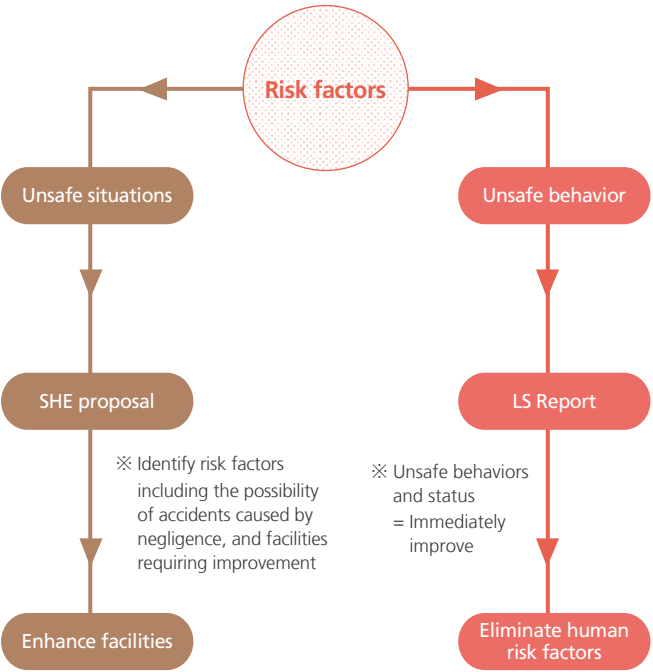**Performance**
Constant feedback on risk factors

Communication - Create an voluntary SHE participation culture

SKC strives to create an voluntary "SHE participation culture" together with its employees and stakeholders. SKC operates SHE Talk and the SHE Committee once a month on a team basis, and once a quarter on a business site basis, in order to provide employees the opportunity to freely and openly communicate about SHE. In addition, SKC is strengthening communication with stakeholders by focusing on mutually beneficial cooperation programs in which the Industrial Safety and Health Committee (attended by Labor and Management Committee members) and stakeholders (business partners, Korea Occupational Safety and Health Agency, etc.) participate. In particular, SKC has expanded the scope of prevention of occupational disaster to business partners, and operates a safety interview system in order to enhance the SHE management standards of the supervisors and safety supervisors of business partners. In-house business partners are required to conduct safety interviews once a year, while outside business partners are obliged to participate in safety interviews prior to the commencement of construction.

Efforts to Establish a Culture of Safety Management amongst SKC's Business Partners

Spreading the Safety Management Guide
SKC has prepared, and distributes, a safety management guide by referring to SHE-related laws, SHE procedures, and exemplary cases of other companies. SKC guides its business partners to comply with safe work processes including details not otherwise specified in SHE regulations/procedures.

Safety Management Interviews
The major cause of accidents at the worksites of business partners is unsafe behavior/situations. From the time a business partner submits a safety management plan, SKC strives to identify on-site risk factors, and then reduces such risks through its safety interview system, thereby ultimately preventing occupational disasters.

Health and Safety Education
SKC systematically manages and stipulates health and safety education for construction companies that is to be implemented by its business partners. In particular, SKC has classified 13 high-risk jobs into special education targets.

Special Education Targets

No.	Target Jobs
1	Welding and fusing of metal using welding equipment
2	Welding operation in an enclosed space
3	Manufacturing/handling flammable liquid
4	Handling gas generating equipment while working with high-pressure gas, flammable gas, or explosive material
...	....
13	Work in enclosed spaces and manholes

Awareness - Risk recognition/discovery

The causes of accidents can be classified into "unsafe behavior (human factors)" and "unsafe situations (physical factors)". SKC has devised a system for eliminating human/physical factors so as to identify the fundamental causes of accidents in an effort to prevent occupational disasters.

Risk factors

Unsafe situations → **SHE proposal** → **Enhance facilities**
※ Identify risk factors including the possibility of accidents caused by negligence, and facilities requiring improvement

Unsafe behavior → **LS Report** → **Eliminate human risk factors**
※ Unsafe behaviors and status = Immediately improve

LS (Life Saving) Report System

Employees of SKC prepare at least two SHE-related reports (LS Reports) each month. When an employee finds an unsafe behavior or condition, he or she improves the situation and then drafts a report. Subsequently, the safety team of the relevant business site analyzes the report to eliminate additional risk factors and prevent accidents.

SHE Proposal

SKC employees write SHE proposals for risk factors that are likely to cause additional accidents, instead of writing proposals for simple risk factors. When a proposal is registered in the SHE proposal system, a risk assessment is conducted following a review carried out by the relevant department, and measures are taken in accordance with the risk level.
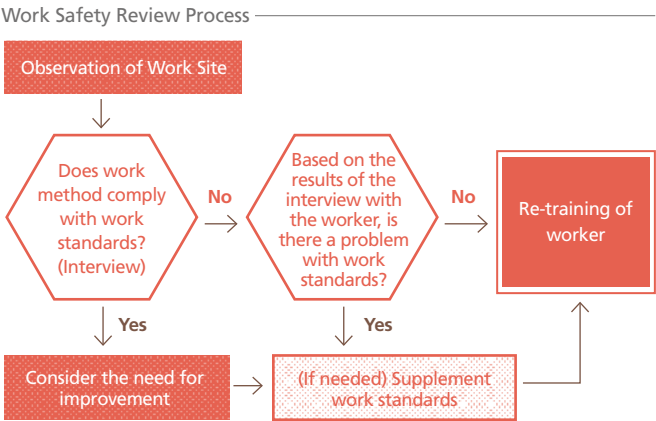
Advance Risk Assessment

Each SKC business site conducts advance work risk assessments in order to prevent possible accidents during hazardous work. Responsible personnel from the relevant departments, including the production team, the SHE team, and the technical team, work together to evaluate the risk level and conduct safety measures before commencing work.

Responsibility – Eliminate Identified Risk Factors

Supervisors at each SKC business site conduct job safety reviews, patrol construction sites that are in operation, and offer guidance in order to prevent occupational disasters that can occur in the workplace. In addition, they jointly carry out, with the SHE teams, health and safety inspections at each worksite location that they are responsible for.
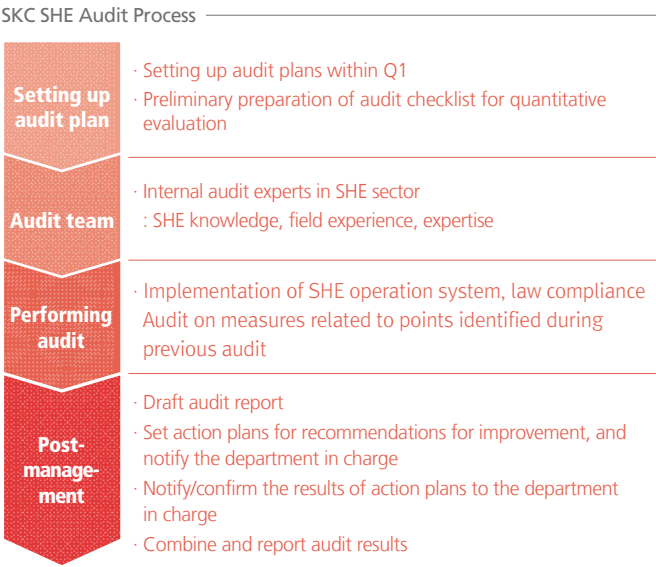
Work Safety Review

SKC reviews, more than once a month, whether the 'work standards' that it follows for safe work are appropriate, and whether work is carried out properly. SKC is improving its work standards through consultation when necessary.

Work Safety Review Process

```
Observation of Work Site
        ↓
Does work method comply with work standards? (Interview)  --No-->  Based on the results of the interview with the worker, is there a problem with work standards?  --No-->  Re-training of worker
        ↓ Yes                                    ↓ Yes
Consider the need for improvement  →  (If needed) Supplement work standards
```

Performance - Strengthen Feedback Activity

SKC is faithfully performing feedback activities regarding SHE management activities. Through SHE audits, SKC constantly provides feedback in order to improve the standard of SHE practices.

SKC SHE Audit Process

Setting up audit plan	· Setting up audit plans within Q1 · Preliminary preparation of audit checklist for quantitative evaluation
Audit team	· Internal audit experts in SHE sector : SHE knowledge, field experience, expertise
Performing audit	· Implementation of SHE operation system, law compliance Audit on measures related to points identified during previous audit
Post-management	· Draft audit report · Set action plans for recommendations for improvement, and notify the department in charge · Notify/confirm the results of action plans to the department in charge · Combine and report audit results

Strengthen Contingency Response Capabilities

SKC is strengthening its contingency response capabilities by conducting various training sessions in preparation for emergency situations such as the unexpected leakage of hazardous / dangerous materials, and fire / explosion.

Establish Response Plan for Chemical Accidents

Chemical accidents are highly likely to lead to serious incidents that not only damage the environment, but also cause deaths. SKC recognizes the dangers of chemical accidents, and has established detailed countermeasures. SKC operates an in-house firefighting team that can be dispatched within 5 minutes, and conducts accident drills for practicing reporting an accident within the first 15 minutes, thereby enabling employees to act swiftly in the event of a real accident. In addition, SKC installed gas / leak detectors, secured various disaster prevention equipment devices, and thoroughly prepared for chemical accidents by operating emergency storm water shut-off valves and recovery facilities.

Strengthening Contingency Response Training

SKC identifies various types of accidents that can occur on business sites, and formulates and manages potential scenarios for each type of accident. In addition, SKC has established contingency response plans based on these scenarios. SKC's contingency response plans reflect the effects of overpressure, radiant heat, and toxicity according to the expected scope of accident damage and the type of accident, and as such, SKC can prevent secondary accidents from occurring while prevention activities are being carried out at the time of an accident.

SKC conducts contingency response training according to its emergency situation scenarios each year. In the first half of 2019, employees of SKC business sites, including the SHE team and the independent firefighting teams, conducted fire drills by simulating fire-related incidents at ESS facilities.
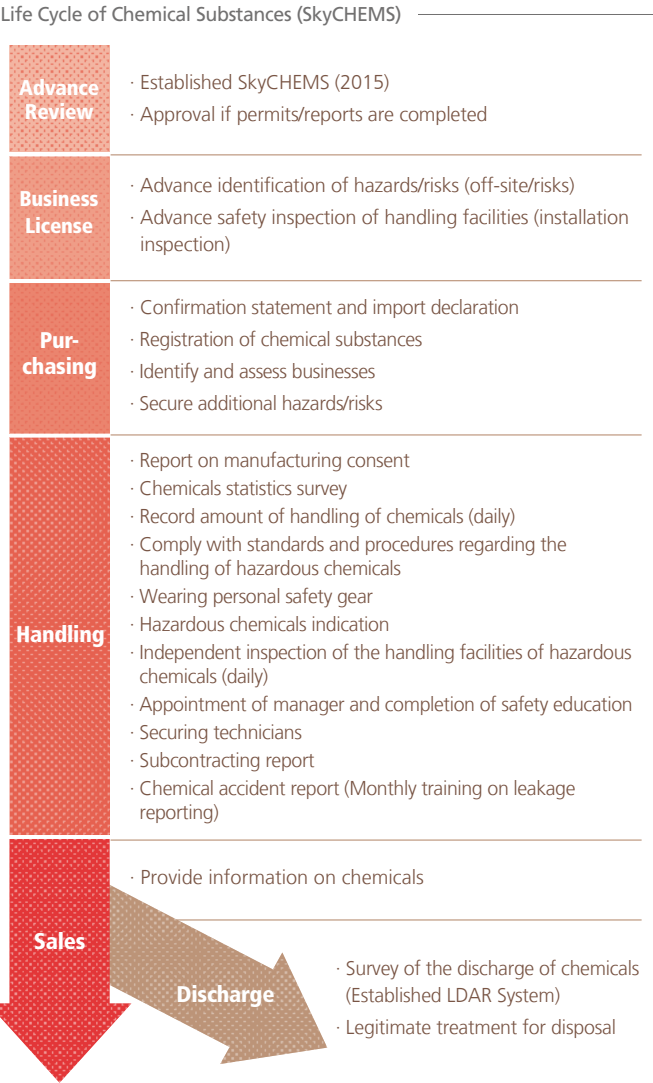

Joint Contingency Response Training / Joint Training with Related Agencies

Strengthening Environmental Management Activities

SKC takes into account various types of environmental impact caused by business activities including damage caused by hazardous chemicals, and air, soil, and water pollution. SKC is strengthening its environmental management activities in accordance with environment-related international standards, including ISO 14001.

Hazardous Chemicals Management

SKC manages hazardous chemicals based on the life cycle of chemical substances. Systematic management is implemented based on environmental impact assessments which are periodically performed on surface water, rainwater, and soil that may be affected by hazardous chemicals. SKC has established a chemical management system (SkyCHEMS) along with procedures in order to provide hazard and risk information to handlers of chemicals, and to prevent chemical accidents through appropriate health and safety measures during the handling process.

Life Cycle of Chemical Substances (SkyCHEMS)

Advance Review	· Established SkyCHEMS (2015) · Approval if permits/reports are completed
Business License	· Advance identification of hazards/risks (off-site/risks) · Advance safety inspection of handling facilities (installation inspection)
Purchasing	· Confirmation statement and import declaration · Registration of chemical substances · Identify and assess businesses · Secure additional hazards/risks
Handling	· Report on manufacturing consent · Chemicals statistics survey · Record amount of handling of chemicals (daily) · Comply with standards and procedures regarding the handling of hazardous chemicals · Wearing personal safety gear · Hazardous chemicals indication · Independent inspection of the handling facilities of hazardous chemicals (daily) · Appointment of manager and completion of safety education · Securing technicians · Subcontracting report · Chemical accident report (Monthly training on leakage reporting)
Sales	· Provide information on chemicals
Discharge	· Survey of the discharge of chemicals (Established LDAR System) · Legitimate treatment for disposal

Atmospheric Pollution Management

SKC is conducting investment activities in order to strengthen the effectiveness of its efforts to reduce the total amount of fine dust and pollutants. SKC has established a TMS (Telemetering) system that constantly monitors atmospheric pollutants, and, additionally, SKC's LDAR system manages the leakage of scattering dust in order to reduce HAPs (hazardous air pollutants). Moreover, SKC has entered a number of voluntary agreements to reduce pollutants, and is making large-scale investments in air pollution prevention facilities so as to preemptively respond to regulations regarding the concentration and amount of pollutants.
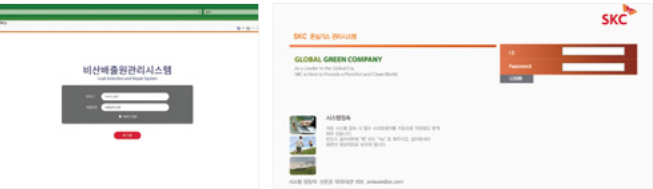
Scattering Dust Management System   Greenhouse Gas Management System

Soil and Water Pollution Management

In order to prevent and manage soil pollution, SKC conducts periodic inspections of storage facilities, and conducts frequent inspections when the capacity of a facility is increased or changes occur, such as changes in terms of which materials are stored.

In addition, to prevent water pollution and ensure stable treatment, SKC independently analyzes and monitors pollutants in waste water, reduces the amount of energy consumption required for waste water treatment through the management and separate treatment of high concentration waste water and low concentration waste water, and minimizes greenhouse gas emissions. Furthermore, in terms of waste gas generated at major waste water treatment sites, covers are installed on the relevant facilities, and, in addition, these sites are linked to RTOs (regenerative thermal oxidizers) so as to effectively eliminate VOCs and foul odors.

Greenhouse Gas Emissions Reduction

SKC has been managing its emissions of greenhouse gases since it was selected as a target company for the 2012 target management system and 2015 emission trading system. As a result, the company has successfully reached the policy target for the greenhouse gas emission trading system and reduced the cost risk associated with securing emission rights. In addition, SKC has established greenhouse gas consultation bodies for each business site in order to continuously identify and apply reduction activities.

The Ulsan business site received waste heat from other nearby sites in 2012 and 2015 and, accordingly, reduced boiler fuel consumption, thereby reducing greenhouse gas emissions. In addition, SKC has converted boiler fuel from B-C oil to LPG and other by-product oils, which have relatively low greenhouse gas emissions.

From 2016 to 2017, at the Suwon business site, the heat catalyst (LNG) boiler was replaced in the PET production lines with electric heaters (9 heaters in total). Since 2019, in cooperation with SK Group subsidiaries, SKC has participated in the project for supplying cooking stoves to households in Myanmar, which has contributed to a reduction in greenhouse gas emissions, job creation, and an improvement in living conditions through the supply of 864,000 (5,400 by SKC) cooking stoves a year for 5 years.

Mutually Beneficial Cooperation

Strengthening the supply chain through mutually beneficial cooperation, and collaboration with agencies and companies that share the same goals have become essential rather than optional in terms of corporate activities. SKC is helping to enhance the capabilities of its business partners through support, while also actively implementing its Open Platform for New Materials Technology in order to support the commercialization of promising start-ups in the materials sector and strengthen the ecosystem of the materials industry.

Social Supply Chain Redesign

SKC is continuing efforts to create social value based on collaboration with business partners. SKC implemented a "social supply chain redesign" wherein social value was added as a major consideration when selecting business partners.

Establishing Supply Chain System by Reflecting Social Value

SKC quantifies the social value creation activities of its business partners, and then takes this into account when selecting future business partners. The consideration of social value has been added to SKC's previous criteria for selecting business partners, QCD (Quality, Cost, and Delivery). In addition, SKC is strengthening remunerations by expanding trading volume for excellent business partners so as to encourage its business partners' participation in social value creation. As for vulnerable areas such as SHE and R&D, which are difficult areas for business partners to manage, SKC is providing assistance in terms of strengthening the competitiveness of its business partners by sharing internal infrastructure in order to support their businesses.

Supporting Mutually Beneficial Cooperation

SKC is carrying out effective business partner support activities primarily in the education and financial sectors, and plans to implement support activities in more diverse fields in the future.

Educational Support

Each year, SKC operates 10 CEO seminars on the topics of mutual growth and Semiconductors, together with 9 business partners, with the ultimate goal of achieving mutually beneficial cooperation. In addition, SKC runs a global MBA program for fostering business partner leaders twice a year for two business partners. Through educational support, SKC provides its business partners with an opportunity to gain management, financial, and humanities knowledge from lectures by prominent figures in the industry.

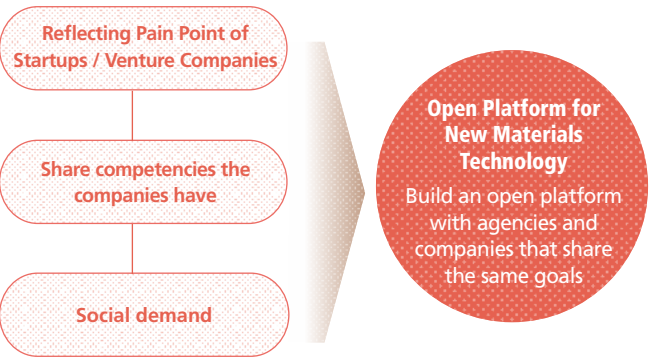| Division	Description	No. of Participants
CEO Seminar	· Exchange channel between executives of SK affiliates and BPs (business partners) · 10 CEO seminars on the topics of mutual growth and Semiconductors a year	9 BPs
Global MBA	· Business management competence building of key leaders of BPs · Twice a year (Once each in first half/second half)	2 BPs

Financial Support

In cooperation with IBK, SK Group operates a mutual growth fund where business partners, upon referral from affiliates, can get loans at a lower interest rate (△1.02%) than commercial banks. SKC is also participating, with the total loans as of 2019 amounting to KRW 3.1 billion.

Identifying Social Enterprises and Expanding Trade

SKC is expanding purchases from a social enterprise, Happy Narae, as part of its effort to increase the creation of social value. In 2019, the total volume of trade was KRW 11.3 billion, and this is expected to continue to grow in 2020. In addition, SKC is carrying out activities in order to identify and cultivate social enterprises. SKC is striving to go beyond merely purchasing office stationery from social enterprises, and, to this end, is expanding the scope of purchasing from social enterprises to include general articles, subcontracting, and packaging materials. In addition, if any of its business partners wish to convert to a social enterprise, SKC provides support for social enterprise certification.

Open Platform for New Materials Technology

In 2017, SKC established the Open Platform for New Materials Technology through agreements with agencies exhibiting excellent capabilities including government, academic institutions, and consulting companies.

The platform is composed of participating agencies and companies (startups, venture companies, and SMEs), and companies and agencies that display excellent capabilities are selected to participate through the annual 'Startup Plus' contest and through agency recommendations. In 2019, 10 companies were selected from the startup plus contest, and a total of 58 companies participated in the platform.

Participating agencies and companies in the platform mutually cooperate on technological R&D and share capabilities and competencies, such as business infrastructure, depending on requirements. Through the Open Platform for New Materials Technology, SKC will continue to pursue mutually beneficial growth with participating agencies and companies.

Reflecting Pain Point of Startups / Venture Companies

Share competencies the companies have

Social demand

Open Platform for New Materials Technology
Build an open platform with agencies and companies that share the same goals

Open Platform for New Materials Technology

	Startup plus	Community	Client/BP (Business Partner)
Shared with	Startups, venture companies, SMEs - Select/foster companies from contest	· Supporting SMEs nearby business sites - Local cooperation with Jincheon · Sharing technology with SMEs of Ulsan · Investment agreement in Iwol Industrial Complex in Jincheon	Major BPs within value chain (clients, purchasing, SHE BP)
Shared compe-tencies	· Support competencies of participating agencies (start-up incubating, investment connection, technology sharing, etc.) · R&D: Analysis and technical advice, Biz review (O/I), market/technological tendency sharing, providing space for tech. camps · Management: Management-related advice for laws, patents, finance, HR, IT, education, and seminars · Production & Safety: O&M / SHE ※ Continuously review and reflect corporate requirements		
Sharing method	· Online: Provide/cooperate with service real time through operating system (www.techopenplatform.co.kr) · Offline: Provide cooperation/participation opportunity through networking day (monthly), insight seminars, education, consultation groups		

Shared history with SKC through Open Platform for New Materials Technology

R&D
· Analysis using professional equipment of SKC and affiliates
- Share knowhow of SKC's products / analysis and derive risk points
· Consulting on optimum analysis method using analysis equipment
· Education on latest analysis techniques and equipment
· Providing technical cooperation opportunity through technical advice and O/I

Patents
· Building IP portfolio customized for the target company
· Practical tailored education
· Patent application consulting, etc.
- Establishing IP network
- Sharing patent/trademarks of SKC that are available to share

Safety Environment
· Share legal information related to SHE
· Share SHE system and exemplary cases
· Advice and diagnosis on risk related to aged facilities and extension facilities

Finance / Legal / Ethics
· Connection to financial institutions
· Consulting including legal consulting and review of contracts
· Providing business ethics education and related materials

Sharing Space
· Sharing space such as the offices at the Suwon business site
· Operating tech. camps
(Exhibiting products by platform participants, providing mobile offices and conference rooms, etc.)

Community

Corporate social responsibilities and roles are growing. SKC is putting profits from business activities back into society. Through CSR activities linked to business and CSR activities for the local community, SKC is continuing to expand stakeholder happiness.

CSR Linked to Business

SKC goes beyond simple volunteer-oriented CSR activities in order to help solve social problems and create social value at the same time. Through this, SKC aims to expand the happiness of its stakeholders.

SKC Pro Bono Group, 'HAPPIEST'

In 2018, SKC launched 'HAPPIEST' which is a Pro Bono Group. Pro Bono refers to activities where experts contribute to society for the benefit of the public by using their expertise and capabilities at no cost.
'HAPPIEST' is participated in by SKC employees who install window films at the houses of low-income and multicultural families and at social welfare centers after receiving training from window film experts.
Window film produced by SKC has up to a 95% heat-shielding rate, lowers the indoor temperature to be about 3-5℃ less than the outdoor temperature, and helps save money on heating costs during winter. In 2019, 'HAPPIEST' visited a social welfare center in Seoul Jongno-gu where the head office is located, a childcare center near the Suwon business site, and a special education center in Ulsan. SKC will continue to expand social value through CSR activities that are linked to business.

CEO Lee, Wan-jae, installing window film with members of the pro bono group, 'HAPPIEST'

SKC's Pro Bono group, 'HAPPIEST', after taking part in the window film installation Pro Bono activity

Community CSR

Community is the basis for SKC and major stakeholders to grow together. SKC is creating social value through diverse CSR programs for the local community.

Cleaning Seoul National Cemetery

Twice a year, on Memorial Day in June and Armed Forces Day in October, SKC employees volunteer to provide floral tributes and clean graveyard 19 in Seoul National Cemetery. Since establishing a sisterhood relationship with graveyard 19 in 2008, SKC has continued to volunteer there every year. Participating volunteers wipe off dust from the gravestones of 913 national patriots and martyrs, and offer flowers in tribute to the souls of the patriotic martyrs who have sacrificed their life.

Local Community Safe-care Volunteer Group

Safety issues are emerging as a result of urban revitalization following housing redevelopment projects. SKC has organized the Safe-care Volunteer Group in coordination with the local community and, each month, conducts periodic prevention activities in order to ensure village safety. The Safe-care Volunteer Group patrols the nearby area and builds safety-reporting networks in an effort to secure the safety of the local community.

Supporting Senior Citizens

SKC employees facilitate heart-warming activities by holding cultural performances and events on Parent's Day, and taking the senior citizens on excursions and walks.

SKC employees, cleaning a graveyard in Seoul National Cemetery

Launching ceremony for the Safe-care Volunteer Group in Jeongja 1-dong near the Suwon business site

SKC employees supporting senior citizens

Community CSR activities

Head office	Suwon	Jincheon	Ulsan
· Cleaning graveyards in Seoul National Cemetery	· Senior citizen excursions	· Senior citizen festival at Iwol-myeon, Hwapung	· Volunteering in daycare center
· Matching-fund youth support	· Donations to Jeongja-dong women's association	· Kimchi sharing event	· Cleaning Taehwagang River near the business site
· Participating in SK Group's happiness sharing event	· Cleaning Seohocheon stream near the business site	· Cleaning Mihocheon Stream near the business site	· 1 company, 1 river cleaning
		· Helping flood victims in Jincheon-gun	· Donating to local community

Participating in the Creation of SK Group's Social Ecosystem

SKC is participating in SK Group's efforts to create a social ecosystem.

Happiness Sharing Kimchi Event

SKC holds the "happiness sharing kimchi event" with SK affiliates. Each year, around 120 employees of SKC gather to make kimchi and then distribute it to minorities and marginalized groups in the local community.

Happiness Sharing Bazaar

SKC marked its 17th SK Happiness Sharing Bazaar in 2019. The Happiness Sharing Bazaar, participated in by SK affiliates and KFHI and the Happiness Foundation, promotes and pursues a "heat-warming winter" for minorities and marginalized groups. All profits from the bazaar are donated to KFHI Hope On.

Strengthening Support to Low Income Families

SKC continues to support low income families in the local community with the aim of pursuing stakeholder happiness. Through donation activities with local NGOs including fund matching and employee round-off donations, SKC supports low income families who find themselves neglected by the welfare system.

Matching Funds

Matching funds are a donation activity participated in by SKC employees and the company. SKC matches the funds donated by each employee. The total donation goes toward education costs via the Child Foundation in order to provide opportunities for children and young people to achieve their dreams.

Employee Round-off Donations

Since 2013, SKC employees have been voluntarily contributing the round-offs of their wages to donate to low income families. The round-offs of the wages of employees are used to pay for the living expenses and medical expenses of low income families through social welfare fund raising.

SKC employees at a happiness sharing kimchi event

CEO Lee, Wan-jae at happiness sharing bazaar

Employee Round-off Donations

APPENDIX

Quantitative Performance Table

Economic Performance

(Unit: %)

Summary of Consolidated Financial Statements

(Unit: KRW)

Item		45th Term (2017)	46th Term (2018)	47th Term (2019)
Assets	Total Assets	3,667,311,813,522	3,833,128,681,093	3,972,988,752,154
	Non-liquid Assets	2,770,159,376,764	2,923,003,849,049	2,980,268,989,961
	Liquid Assets	897,152,436,758	910,124,832,044	992,719,762,193
Capital	Total Capital	1,593,575,326,464	1,694,800,412,017	1,726,373,836,870
	Controlling Stake	1,450,006,898,254	1,532,728,939,172	1,559,278,640,017
	Non-controlling Stake	143,568,428,210	162,071,472,845	167,095,196,853
Liabilities	Total Liabilities	2,073,736,487,058	2,138,328,269,076	2,246,614,915,284
	Non-liquid Liabilities	872,936,263,226	1,056,825,625,579	1,203,454,950,037
	Liquid Liabilities	1,200,800,223,832	1,081,502,643,497	1,043,159,965,247

Summary of Consolidated Income Statement

(Unit: KRW)

Item	45th Term (2017)	46th Term (2018)	47th Term (2019)
Sales	2,653,544,415,383	2,767,834,347,283	2,539,766,499,160
Cost of Sales	2,227,350,357,817	2,289,106,109,057	2,096,888,285,521
Gross Margin	426,194,057,566	478,728,238,226	442,878,213,639
Selling and Administrative Expenses	250,499,319,897	277,599,086,475	287,797,403,999
Operating Profit	175,694,737,669	201,129,151,751	155,080,809,640
Financial Revenue	25,337,822,530	30,270,149,702	32,950,728,635
Financial Expense	75,267,527,639	83,794,879,656	85,859,711,986
Income Before Corporate Income Tax	180,697,787,768	182,106,560,056	73,343,367,719
Corporate Income Tax Expense	44,351,162,971	41,064,845,549	5,951,080,682
Short-term Net Profit	136,346,624,797	141,041,714,507	67,392,287,037

New Employee Wages to Legal Minimum Wages

(Unit: %)

Item	2017	2018	2019
New Male Employee (Office)	230	215	191
New Male Employee (Technician)	219	220	173
New Female Employee (Office)	223	215	191
New Female Employee (Technician)	171	151	129

* Base Minimum Wages (2019 minimum wages: KRW 8,350 / 2018 minimum wages: KRW 7,530 / 2017 minimum wages: KRW 6,470)

Female Employees' Base Wage and Bonus to Male Employees'

(Unit: %)

Item	2017	2018	2019
Female Employees' Base Wage and Bonus to Male Employees'	97	100	100

Supply Chain Status and Purchases

(Units: Pcs, KRW 100 million)

Item		2017	2018	2019
No. of BPs	Chemical business sector	442	383	373
	Industrial materials business sector	894	914	881
	Growth business sector	110	67	106
	Total	1446	1364	1360
BP Purchases	Chemical business sector	5199.1	5695.1	5252.8
	Industrial materials business sector	3833.5	5695.1	3521
	Growth business sector	16.9	96.1	167.4
	Total	9049.5	11486.3	8941.2

Percentage of Local Purchases

(Unit: %)

Item	2017	2018	2019
Percentage of Local BP Purchases	70.7	67.6	60.7

Social Performance

(Units: Persons, %)

Employee Status

(Unit: Persons)

Item		2017	2018	2019
Total No. of Employees		1256	1219	1252
Permanent Employees	Male	1126	1094	1108
	Female	116	114	119
Non-permanent Employees	Male	6	7	20
	Female	8	4	5

New Employment and Turnover

(Units: Persons, %)

Item		2017	2018	2019
No. of New Employees	Total	45	48	52
	Gender (Male)	40	37	42
	Gender (Female)	5	11	10
	By Age (Below 30)	15	22	23
	By Age (30 - 50)	14	15	21
	By Age (Over 50)	16	11	8
No. of Turnover	Total	66	77	35
	Gender (Male)	56	59	24
	Gender (Female)	10	18	11
	By Age (Below 30)	8	11	12
	By Age (30 - 50)	32	44	15
	By Age (Over 50)	26	22	8
Turnover Rate (Permanent positions)		5.0	5.4	2.2

Employee Education

(Unit: Hour)

Item		2017	2018	2019
Education Hours Per Person	Employee Average	30.6	11.4	22.5
	Gender (Male)	30.8	11.7	22.1
	Gender (Female)	29.0	9.0	26.1
	By Duty (Administration)	55.2	24.0	46.1
	By Duty (Technician / Skilled)	12.2	1.3	3.7

Review of Performance-Associated Career Development

(Unit: %)

Item		2017	2018	2019
Percentage of Employees Reviewed for Performance-Related Career Development*	Male	72.2	62.7	80.0
	Female	76.1	87.2	80.0

* Counted employees who completed My IDP

Parental Leave Status

(Units: Persons, %)

Item		2017	2018	2019
No. of Employees Subject to Parental Leave	Male	1,132	1,101	1,128
	Female	124	118	124
No. of Employees Using Parental Leave	Male	1	0	2
	Female	16	9	9
No. of Employees Returning From Parental Leave	Male	0	0	1
	Female	16	6	6
No. of Employees with Continued Service for 12 Months After Returning From Parental Leave	Male	0	0	0
	Female	15	2	6
Recovery Rate from Parental Leave	Male	-	-	-
	Female	100	66.7	100

Health & Safety Matters Subject to Official Agreement with Labor Union

(Unit: %)

Item	2017	2018	2019
Percentage of Employees Covered by Agreement	100	100	100

Ethics Education Status

(Unit: %)

Item	2017	2018	2019
Percentage of Employees Who Completed Business Ethics Education	100	100	100

Business Site Corruption Risk Evaluation

(Unit: %)

Item	2017	2018	2019
Percentage of Business Sites that Completed Corruption Risk Evaluation	100	100	100

Confirmed Corruption Cases and Measures

(Unit: Cases)

Item	2017	2018	2019
No. of Confirmed Corruption Cases	6	15	13
No. of Sanctions (e.g., dismissals, suspensions)	0	2	1
No. of cases under which contract with BP has terminated or has not been renewed due to corruption	0	0	0

Legal measures related to unfair trade

(Unit: Cases)

Item	2017	2018	2019
No. of legal measures	0	0	0

Discrimination Cases and Corrective Measures

(Unit: Cases)

Item	2017	2018	2019
No. of Discrimination Cases	0	0	0

Employee Education on Human Rights Policy and Procedures Related to Business

(Unit: %)

Item	2017	2018	2019
Percentage of employees who have been trained on human rights policy and procedures related to business	100	100	100

Major Investment Agreements and Contracts Including Human Rights Provisions or Human Rights Evaluation

(Units: Cases, %)

Item	2017	2018	2019
Total no. of major investment agreements and contracts including human rights evaluation	944	1354	1316
Percentage of major investment agreements and contracts including human rights evaluation	100	100	100

Locally Recruited High Ranking Managerers in Major Business Sites

(Units: Cases, %)

Item	2017	2018	2019
No. of local recruits	45	48	48
No. of seniors among employees	6	4	5
Percentage of high-ranking managers	13.3	8.3	10.4

Community Participation & Impact Analysis

(Unit: %)

Item	2017	2018	2019
Percentage of business sites conducting environmental impact analysis	100	100	100
Percentage of business sites operating community development programs based on community needs	75	75	75
Percentage of business sites operating community VOCs	100	100	100

New business partners that have been screened for social impact analysis[*]

(Unit: %)

Item	2017	2018	2019
Percentage of new business partners that have been screened for social impact analysis	–	–	100

* Introduced the "social value evaluation system" for business partners in November 2019

Major Negative Social Impacts on the Supply Chain and Countermeasures

(Unit: Cases)

Item	2017	2018	2019
No. of business partners that completed social impact evaluation[*]	-	-	3
No. of business partners confirmed to have actual/ potential negative social impacts	-	-	0
No. of business partners that have negotiated regarding improvements based on the evaluation results	-	-	0
No. of business partners where contract has been withdrawn according to the social impact evaluation result	-	-	0

* Introduced the "social value evaluation system" for business partners in November 2019

Health & Safety Impact Evaluation of Products and Services

(Unit: %)

Item	2017	2018	2019
Percentage of major products and services that have completed health & safety impact evaluation	100	100	100

Cases violating regulations on health & safety impact of products and services

(Unit: Cases)

Item	2017	2018	2019
Cases that involve imposed fines or punishment following violation of regulation	2	3	1
Cases that involve warnings following violation of regulation	0	0	0
Cases violating autonomous regulation	0	0	1

No. of Complaints with Evidence of the Violation of the Personal Information Protection of Clients, and Loss of Client Information

(Unit: Cases)

Item	2017	2018	2019
No. of instances of client data leakage, theft, loss, and complaint	0	0	0

Employee Health & Safety

(Units: %, Persons)

Item	2017	2018	2019
Disaster rate[*]	0.11	0.22	0.44
No. of injuries	1	2	4
No. of full-time workers	944	919	907
No. of deaths	0	0	0

* As of 2019, the nationwide average disaster rate is 0.58%, and the average disaster rate of public institutions is 0.52%.

Environmental Performance

Greenhouse gas emissions reduction
(Unit: tCO₂eq)

Item	2017	2018	2019
Scope1	465,674	467,224	514,327
Scope2	256,162	256,466	247,192
Scope3	29,755	33,405	51,586

Percentage of New Suppliers that Passed Environmental Evaluation
(Unit: %)

Item	2017	2018	2019
Percentage of New Suppliers that Passed Environmental Evaluation	100	100	100

Energy Usage
(Unit: TJ)

Item	2017	2018	2019
Fuel Usage	5,884	6,016	5,890
Power Usage	5,271	5,277	5,087
Steam Usage	2,282	2,337	2,591

Industrial Water Usage
(Unit: Ton)

Item	2017	2018	2019
Ground water	776,355	796,065	864,045
Waterworks	5,767,948	6,122,378	6,088,122

Atmospheric Emissions
(Unit: kg)

Item	2017	2018	2019
NOx	204,882	191,019	199,577
Volatile organic compounds (VOCs)	66,645	83,076	77,378
Hazardous air pollutants (HAPs)	5,322	6,479	6,357
Particulate matter (PM)	12,481	12,468	9,891

Designated Wastes Volume
(Unit: Ton)

Item	2017	2018	2019
Designated Wastes Volume	577.5	743.0	666.7

Stakeholder Participation

SKC has set stakeholder happiness as a major goal, and recognizes sustainability and social value creation as essential prerequisites for development. As such, SKC, through communication with its stakeholders each year, collects the key opinions and interests of stakeholders and reflects them in sustainability management activities.

	Major Interests	Communication Channels
Clients	· Promptly identifying client needs · R&D to meet client needs · Constantly building relationships to improve satisfaction	· Client satisfaction survey · Client database · Face-to-face meetings and video conferences · SKC's official communication channels (e.g. website)
Shareholders	· Raising share prices by generating actual revenue · Implementing policies for each situation to continue increasing corporate value · Dealing with mega trends to improve corporate value	· Corporate briefings · Announcements (e.g. website) · Investor meetings
Employees	· Immediately recognizing changes in the business environment · Flexible response to changes · Increasing sense of achievement by ensuring success · Improving employee happiness	· Labor-company consultation group · Happiness Talks · Happiness Survey · Happiness Interview · Happiness communication bulletin board
Business Partners	· Identifying needs of cooperative clients and making proposals in advance · Building various types of cooperative models · Assisting BPs in making profit and accelerating business	· Face-to-face meetings with BPs · Consultation group with BPs

SKC Human Rights Declaration

Based on the SKMS (SK Management System), as the management philosophy of the SK Group and the foundation of its corporate culture, SKC pursues the happiness of its employees and strives to play a key role in facilitating the happiness of its major stakeholders including clients, shareholders, and society-at-large.

To this end, in order to be able make a promise regarding its clients' success and the growth of the human race by means of quickly responding to client needs, SKC is seeking to gradually take strides in becoming a "Global Specialty MARKETER", and is creating a corporate culture that respects human rights based on the belief that "Humans are the Most Important Resource".

SKC will do its best to fulfill its responsibilities for respecting the human rights of not only its employees but also the employees of subsidiaries and business partners, prevent potential human rights risks in business processes, and continually prevent and lessen potential human rights risks that may arise for stakeholders and in the manufacturing industry generally.

Potential Human Rights Risks in Routine Business Activities

1. Respect the dignity of employees	Make efforts to prevent mental and physical abuse including workplace harassment that can damage the dignity of employees as individuals.
2. Prohibit forced labor	Do not force employees to work against their free will through mentally or physically confinement.
3. Prohibit child labor	Provide legal working environments to any underage workers and continually monitor compliance with the labor relations law in each country.
4. Prohibit discrimination	Respect the diversity of employees and prevent discrimination based on gender, religion, disability, background, qualifications, and employment status.
5. Protect personal information	In order to protect the personal information of employees and stakeholders, establish an IT and physical security system, continually invest in and improve such a system, and do not use personal information for any other purposes without consent.
6. Reasonable working conditions	Set and improve reasonable working conditions in compliance with the labor relations laws of each country, and fulfill the company's obligation to provide compensation as well as a suitable working environment.

Potential Human Rights Risks for Stakeholders

1. Seeking mutual growth with business partners	Treat business partners as companions for mutual growth, and support a fair and reasonable mutually beneficial cooperation system.
2. Mutual growth with the local community	Identify factors that influence the local community where business is carried out, and contribute to mutual development through consistent communication with the local community.
3. CSR	In addition to CSR activities, make it a habit to put forward ideas and behaviors that put social value first in all of SKC's areas of business.

Potential Human Rights Risks due to the Nature of the Manufacturing Industry

1. SHE	Create conditions for ensuring the safety of the local community and the environment by following international standards, related laws, and internal regulations on the working environment.
2. Guarantee rights of labor unions	Guarantee basic rights according to the labor relations laws in each country, and do not provide any disadvantages for labor union membership and activity.
3. Product liability management	Prioritize safety throughout the manufacturing, inspecting, packing, and shipping processes in order to prevent deaths and physical and property damage due to defects in produced and processed goods.

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Third Party Verification Statement

Preface

Korea Management Registrar has been requested for the verification of the SKC SUSTAINABILITY REPORT 2020 (hereinafter the "report"). The drafting of the report is at the liability of the SKC management, and the liability of the Korea Management Registrar pertains only to publishing the verification statement on the specific data and information stated below.

Verification Scope and Standard

In the report, SKC states the performance and activities of the organization in terms of sustainability. The verification team applied the international verification standard AA1000AS (2008) and the SRV1000 sustainability management report verification standard of the KMR global management committee, and performed Type 2, Moderate Level verification. In other words, the verification team evaluated compliance with the principles of inclusivity, materiality and responsiveness, and evaluated the reliability of the data and information in terms of the GRI indicators stated in the report. The professional judgment of the verification team has been applied as the materiality criteria.

Confirmation of meeting the core option reporting requirements of the GRI Standards has been included in the scope of the verification, and the verification team reviewed the following in confirmation of this.

• GRI Standards reporting principles
• Universal Standards
• Topic Specific Standards

  - Management approach on the following specific subjects:
  - Direct economic performance: 201-1
  - Anti-corruption: 205-1, 205-2, 205-3
  - Anti-competitive behavior: 206-1
  - Energy: 302-1, 302-2, 302-4, 302-5
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  - Training and Education: 404-1, 404-3
  - Diversity: 405-2
  - Supplier Social Assessment: 414-1, 414-2
  - Customer Privacy: 418-1

Data and information related to the outside of the organization, i.e., SKC partners, contractors, etc., were excluded from the scope of verification in the reporting boundary of this report.

Verification Procedure

The verification team of the Korea Management Registrar went through the following procedures in order to verify the agreed verification scope in accordance with the above-mentioned verification standard.

• Overall review of the report
• Review of the procedure and method of the materiality assessment
• Review of sustainability management strategy and goals
• Review of stakeholder participation
• Interview with personnel responsible for drafting the report

Verification Results and Opinion

The verification team has, on several occasions, carried out discussions with SKC regarding correcting the report based on documents and interviews, and reviewed the final version of the report in order to reflect corrections and recommendations. As a result of the verification, the team was unable to find any inappropriate aspects of compliance with the principles listed in SKC's sustainability management report. In addition, no evidence has been found that the above data within the verification scope has not been adequately described.

Inclusivity

Inclusivity involves stakeholders in developing and achieving a responsive and strategic response to sustainability.
- SKC has developed and maintained diverse forms and levels of stakeholder communication channels to pledge and implement organizational responsibilities to stakeholders, and the verification team has not found any significant stakeholder groups that are omitted in the process.

Materiality

Materiality is the determination of the relevance and significance of an issue to an organization and its stakeholders. In this context, an important issue means an issue that can influence decision-making, behavior, and performance of an organization or stakeholders.
- SKC determines the importance of issues identified from stakeholder communication channels through an independent materiality assessment process, and the verification team has not found any significant issues missing in this process.

Responsiveness

Responsiveness refers to the organization's response to stakeholder issues affecting the organization's sustainability performance, which is realized through not only communication with stakeholders but also through the organization's decision-making, activities, and performance.
- The verification team has not found evidence that SKC's response activities were improperly listed in the report on important stakeholder issues.

Additionally, the team has found no evidence that the report did not comply with the requirements of the core option of the GRI Standards.

Recommendation for Improvement

The Korea Management Registrar recommends the following for continuous improvement in the hope that this report published by SKC will be actively used as a means of communicating with stakeholders.

• SKC categorizes key issues derived from the materiality assessment into three main objectives, and details the organization's performance and response directions in the context of sustainability. In the future, we recommend that the company systematically implements sustainability management by describing qualitative and quantitative performance indicators and continuously develops key performance indicators such that readers can clearly understand them.

Independence of Verification

In addition to providing third-party verification services, the Korea Management Registrar does not have any interest in SKC's business activities for profit and maintains its independence.

June 25, 2020

KMR

SRV1000
Sustainability Committee Assurance

AA1000
Licensed Assurance Provider
000-129

CEO, **Hwang Eun-joo**

Verification Statement of Greenhouse Gas Emissions

SKC Co., Ltd.

Verification Scope

We have conducted a rational verification on direct discharge (Scope 1) and indirect discharge (Scope 2) of the greenhouse gas and energy statement.

Verification standard and guidelines

The Korea Standards Association has performed the verification in accordance with the following standards and guidelines.

- Guidelines on managing greenhouse gas and energy targets (Ministry of Environment Notice No. 2020-003)
- Verification guidelines on the operation of greenhouse gas emission rights trading system
  (Ministry of Environment Notice No. 2018-070)
- KS Q ISO 14064-1,2,3 : 2006
- IPCC Guideline

Verification Conclusion

We have confirmed that no significant errors were found in the statement and that the emissions data has been properly calculated.

(Unit: tonCO$_2$eq)

Greenhouse gas emissions			
Division	Direct	Indirect	Total amount
2019	514,327	247,192	761,519

※ Note: There is a difference between the total amount of greenhouse gas emissions and the emissions for each business site.
  (Greenhouse gas emissions for each business site were rounded off to the nearest decimal point.)

April 18, 2020
Korea Standards Association

Membership

Associations and Membership

Korea International Trade Association	Korea Fair Competition Federation	Korea Industrial Technology Association	Korea IR Service
Korea Packaging Association	Korea Intellectual Property Association	Korea PET Film Industry Council	Korea Hydrogen Industry Association
Korea Bio-Material Packaging Association	Emissions Market Council	Korea Environmental Preservation Association	Chamber of Commerce, 33 Associations/Organizations

* Associations that affiliates are members of
· Korea Petrochemical Industry Association (SK picglobal)
· Korea Display Industry Association (SKC HT&M, SKC solmics)
· Korea Photovoltaic Industry Association (SKC Eco-solutions)
· Korea Polyurethane Society (MCNS)