

SKC Sustainability Report 2021

ORIGINATION FOR THE NEXT GENERATION



About This Report

Overview

SKC has prepared this report with a focus on the ESG vision and strategies and included opinions from stakeholders and the most impending issues we currently face by applying global standards such as Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD). The Sustainability Report 2021 is SKC's second sustainability management report. The latest report was published in June 2020. Through the publication of Sustainability Reports, SKC will inform all stakeholders of its ESG activities and performances in a transparent manner.

Reporting Period

This report contains the activities and performances carried out from January 1st to December 31st, 2020. Some of the qualitative data include data from the first half of 2021 and, for the quantitative data, data from the past three years is provided so that annual trends are reflected.

Reporting Scope

Whereas last year's sustainability management report contains the ESG activities and performances of SKC alone, the Sustainability Report 2021 expands the scope of the report to include all SKC affiliates. The report is centered on nine domestic business sites including those of SKC and the affiliates (Seoul, Suwon, Cheonan, Ulsan, Seongnam, Pyeongtaek, Jincheon, Anseong and Jeongeup), and some of the contents also include data from overseas business sites. The financial data applies the consolidated financial statements of K-IFRS (Korean International Financial Reporting Standards) and, for non-financial data that has a different scope of the report, separate footnotes were added.

Reporting Principle

This report was written in accordance with the GRI Standards: Core option.

Report Assurance

To ensure reliability of the report, a third-party verification was received from the Korea Management Registrar, an independent assurance agency, and the subsequent results are attached in the Independent Assurance Statement (page 104-105).

Additional Information

This report has been published both in Korean and English and can be viewed on or downloaded from the SKC website (www.skc.kr).

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CEO's Message



“SKC will achieve sustainable growth together with our stakeholders through full-scale ESG management.”

Dear valued stakeholders,

I would like to express my sincere gratitude for the expectations and support you have given to SKC. I am truly pleased to present to you our management activities through this year's sustainability report.

Since the initiation of Double Bottom Line (DBL) management in 2019, SKC has been pursuing both economic value (EV) and social value (SV) at the same time. In the following year, we established a financial story based on ESG (environmental, social and governance) and declared it as a key pillar of our management. In 2021, we plan to build an organizational structure for full-fledged ESG management and take a leap forward to the first year of implementing sustainable management. We will minimize environmental and social risk factors and thus advance our ESG management.

To this end, we will actively respond to global issues, including climate change and plastic pollution.

We will achieve Net Zero Greenhouse Gas (GHG) Emissions by 2040. We will improve the process efficiency of our existing business sites and strive towards complete implementation of Renewable Energy 100 (RE100) for our new overseas expanding sites. Through our Green Premium purchase in 2021, we have begun our challenge for the full-scale implementation of RE100. We will achieve Net Zero Plastic by 2030. We aim to reduce the amount of plastic waste by producing eco-friendly plastics, such as PLA and PBAT, and use the generated plastics as resources to build a virtuous cycle of plastics.

Our efforts shall continue towards securing future growth engines through specialty materials.

We will lead the materials industry in the high-growth fields, such as mobility, semiconductor, and eco-friendly businesses, by making bold investments and challenges.

In the mobility business, we will take the lead in popularizing eco-friendly vehicles through active global expansion of the copper foil business, which secures global No. 1 technology, and entry into the new materials industry for rechargeable batteries. As for the semiconductor business, we will strive to develop new and unprecedented materials by securing differentiated technology through open innovation. Lastly, for the eco-friendly business, we will build an ecosystem through partnerships with stakeholders and thus strive for rapid expansion of the market.

SKC seeks to promote shared growth for the happiness of all stakeholders.

Internally, we will practice happiness management by innovating the way we work, including the work environment and process. To this end, we will further strengthen employee diversity, strive for anti-discrimination, and activate programs to pursue employee happiness. Externally, we will reinforce shared growth with startups and small and medium-sized enterprises (SMEs) by making improvements in the new materials technology-based open platform, which we started in 2017. In addition, we joined the “Happy Alliance” to build a safety net for the socially vulnerable in the areas where our business sites are located. Along with such efforts, we will actively engage ourselves to provide practical help to the local community.

For the stable implementation of the measures mentioned so far, SKC will solidify its foundation for governance, compliance, and a safe environment. In order to establish a sound and transparent governance, we increased the proportion of independent directors with expertise and diversity and strengthened the committees within the BoD, including our recent establishment of the ESG Committee. Using compliance as the standard for value judgment and our management activities, we will create an accident-free workplace through active investments and system upgrades for safety, health, and environment.

Dear valued stakeholders,
The sustainable management that SKC pursues is directed towards future generations. I would like to ask for your unending support to help SKC overcome the challenges to create a better tomorrow and a better world.

Thank you.

Lee Wan-jae, CEO of SKC

이완재

About the Company



SKC is evolving from a company concentrating on film and chemical products into a high-value materials company centered on mobility, semiconductor, and eco-friendly materials.

Ever since its foundation in 1976, SKC has recorded a countless number of nation's first and world's first feats through many challenges and innovations. In 1977, we became the first in Korea to develop polyester (PET) films, and in 2008, we successfully commercialized biodegradable films for the first time in the world. In 1991, we commercialized propylene oxide (PO) products for the first time in the nation's history, and again in 2008, we were the world's first company to successfully commercialize the eco-friendly HPPO technology. As the leader of localizing semiconductor materials, we also developed pad products and are currently leading the localization of high-end blank mask products.

In 2020, SKC promoted innovation in its business model to make a leap as a global advanced materials company. We launched SK nexilis, taking pride in global No. 1 technology in the manufacturing of copper foil, a critical component of electric vehicle (EV) batteries. In addition, we incorporated SKC solmics as a 100% affiliate and integrated all semiconductor-related businesses scattered throughout the business sites to solidify a foundation for the acceleration of growth.

In the following year, SKC set its corporate identity as a "global top-tier mobility materials and parts company." We have extended the EV battery copper foil business hub to Malaysia and also decided to enter the European market to seek global expansion. We are continuing to find opportunities to enter the new green mobility materials business.

Moreover, SKC declared 2021 the commencing year of ESG management. We have enhanced our governance up to or more than the global level and strengthened the sustainability management by establishing ESG Committee, Personnel Committee, and Related Party Transactions Committee. We also set long-term goals of achieving Net Zero GHG Emissions and Net Zero Plastic and are reinforcing the eco-friendly materials business, thus continuously carrying out innovative changes to internalize the value of ESG in all areas of business.

Until the day SKC becomes a "Global Specialty MARKETER" that provides its clients with new values based on state-of-the-art technology and is selected and supported by the clients and society, we will not cease our efforts for innovation and take on bold challenges.

Date of establishment: October 16 th , 1976 45 th anniversary	CEO Lee Wan-jae	Areas of business Mobility materials, semiconductor materials, eco-friendly materials, industrial materials, chemical materials	Office Location 14 including Korea, United States, China, Japan, and European countries	Headquarter Office Block B, The K-Twin Towers, 50, Jong-ro 1-gil, Jongno-gu, Seoul, Republic of Korea
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SKC Vision

In 2016, SKC announced a new vision on its 40th anniversary. The new vision, "Global Specialty MARKETER that creatively binds market insight with technology," holds the will of SKC to read the market trends and grow as a global provider of high-value specialty products that are much more than what clients seek.

Market Insight과 기술을 창의적으로 결합하는
Global Specialty MARKETER

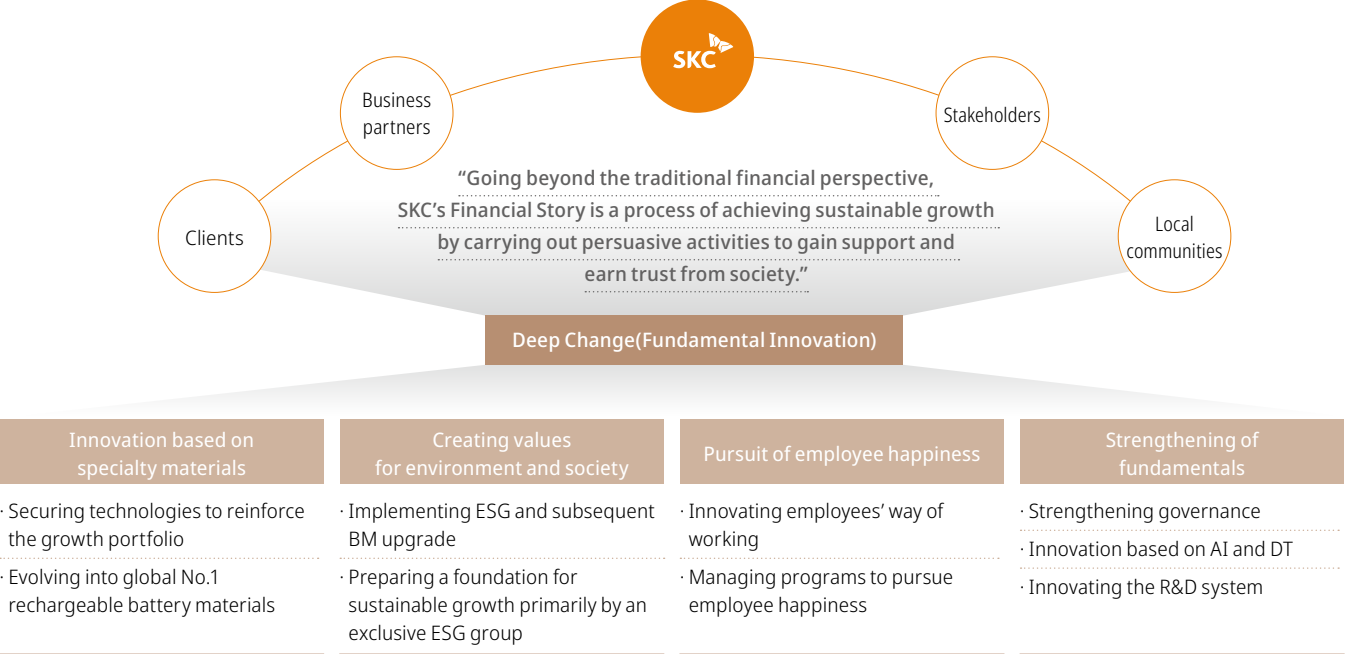
Financial Story

SKC's Financial Story demonstrates the process of building a new business ecosystem and creating changes and innovations in the world with various stakeholders, based on differentiated technologies and materials of SKC.

For the survival and long-term growth of a company, it is necessary to select and focus on areas where sustainable growth is possible, such as green survival (a practice wherein people are obligated to take care of the environment). To this end, SKC has been developing and accumulating differentiated technologies, global networks, and manufacturing capabilities through decades of experience in the materials industry. Based on our experience, we aim to build a foundation to change the world by developing our business model to focus on mobility, semiconductors, eco-friendly materials that have high technology relevance and put a basis on ESG.

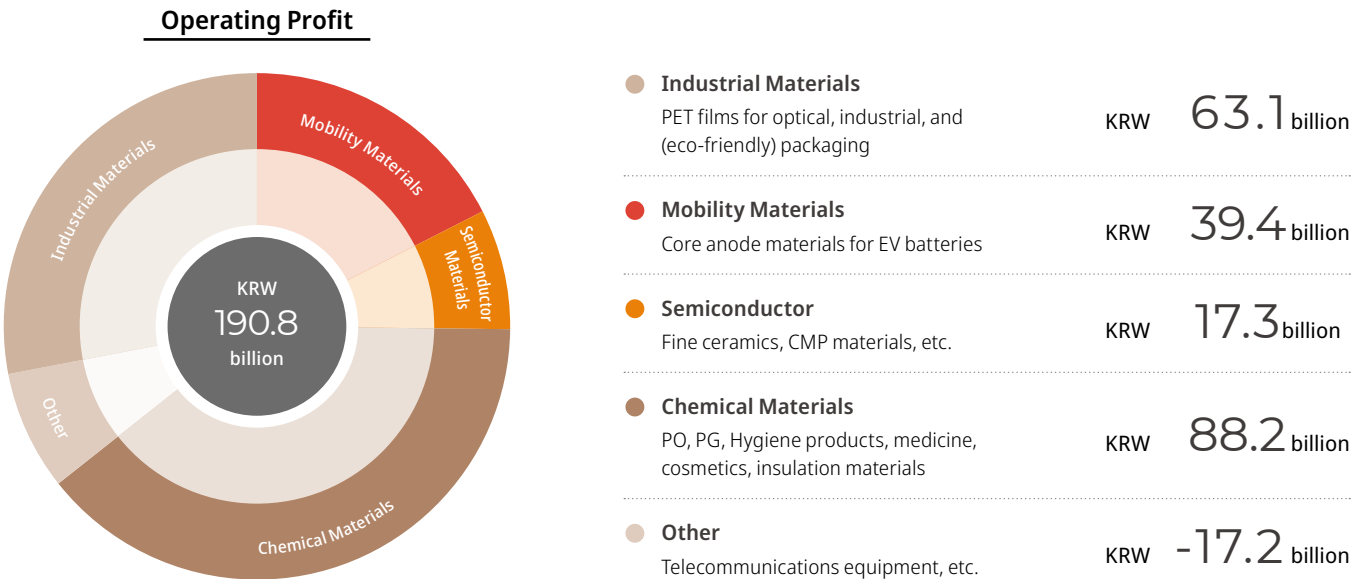
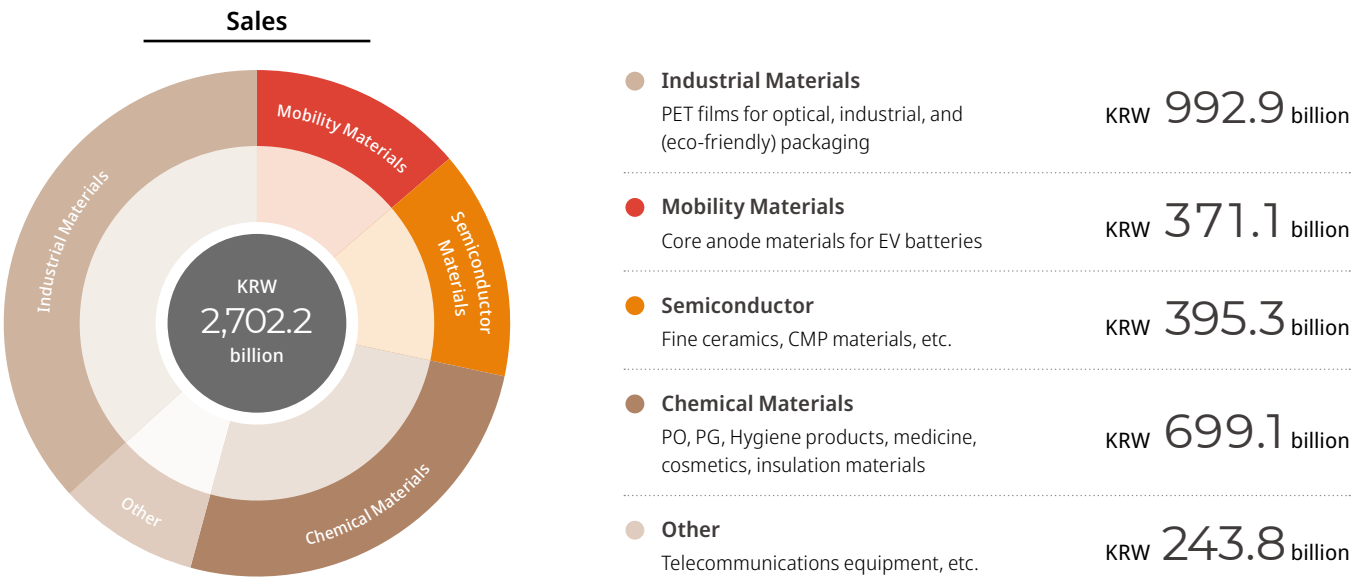
SKC aims to contribute to the popularization of eco-friendly vehicles by leaping to a global top-tier company in the field of core materials for rechargeable batteries, including copper foil. We will enhance our competitiveness in eco-friendly materials through the active use of biodegradable materials and energy-saving materials while leading the semiconductor materials/parts field based on innovative technologies.

As such, SKC, as a member of society, focuses its Financial Story not only on corporate growth but also on environmental and social values. Serving Financial Story as the foundation of all, this sustainability report embodies the direction SKC intends to take to realize sustainable growth and ESG management.



About the Business

Key Business Performance by Sector



Three Pillars of Future Growth



Global No. 1 leader that connects a differentiated future with dominating technologies

SKC is expanding its business in the rapidly evolving mobility sector to serve as its new growth engine. By providing solutions to handle the impending issues, such as driving distance, charging speed, and battery life, we look to grow into a company that contributes to the popularization of eco-friendly vehicles. While striving for the rapid global growth of SK nexilis, we will continue to venture and expand our area of business into the next-generation rechargeable battery materials and parts to offer integrated solutions. Through this, we will lead the development of green mobility and seek reduction of air pollution and GHG, which are some of the biggest environmental issues that the earth is facing today.



A partner who leads the semiconductor ecosystem with ceaseless R&D activities

SKC leads the localization of semiconductor materials based on the know-how and technology accumulated from media and polyurethane-related businesses. We are also leading the market of fine ceramics new materials, such as aluminum oxide, silicon, silicon carbide, and aluminum nitride. In addition to successfully localizing CMP pads, we have recently set up a production plant for high-end blank masks, which had been relying mostly on imports from overseas, and are getting ready to accelerate our business. Moreover, we are developing new materials and parts based on distinct technology and expanding our product portfolios. Ultimately, we aim to reduce power consumption by achieving the energy efficiency of semiconductors, thus contributing to the enhancement of ESG values.



A front-runner that designs an abundant and sustainable future

To accomplish Net Zero GHG Emissions and Net Zero Plastic, SKC promotes energy efficiency through increased use of renewable energy and improvements in the processes and facilities. Also, we aim to turn environmental risks into an opportunity, promoting innovation in our business model with a focus on eco-friendly materials and addressing various issues such as climate change, air pollution, and waste treatment. We will continue to lead the establishment of an eco-friendly ecosystem together with our stakeholders, reduce the existing carbon-based businesses, and further expand the eco-friendly materials business. We will take on the challenges in the area of smart windows, which improve the insulation performance of buildings, and expand our biodegradable new materials business to lead the eco-friendly market. We are also getting ready to recycle plastic waste into useful resources based on our capacity in the chemical business.

About the Products

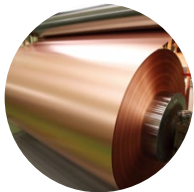
Mobility Materials

For an active response to the rapidly growing EV market, SKC has settled mobility as its new growth engine. Last year, we launched SK nexilis, which boasts the world’s top-class technology in copper foil, a core anode material in EVs, and are developing a variety of mobility materials based on the experiences and technologies accumulated over 45 years as a specialty materials company. Through aggressive R&D and technical innovations, we will continue to develop specialty mobility materials, and thus contribute to the popularization of eco-friendly products.



Copper Foil

Copper foil manufactured by SK nexilis, a company wholly invested by SKC, is a type of film thinly produced using an advanced technological process and is a key material in lithium-ion batteries. The thinner the foil, the greater amount of active materials it can fill 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, 4 μm ultra-thin copper foil, the thinnest of their kind in the world and the outcome of remarkable technology, were mass-produced in the form of the world’s longest roll with a width of 1.4 m and a length of 30 km. The ultra-thin copper foil of SK nexilis will serve a pivotal role in the next-generation mobility industry for which batteries must be of high capacity and lightweight.



Transparent PI Film

A transparent polyimide (PI) film possesses a hard surface similar to that of glass but can be folded and bent several times and does not leave any spots or stains. It is safer and has a greater degree of design freedom than glass, which is why it can be utilized as a key material for electronic displays in next-generation mobility. It is also becoming a popular material for rollable and foldable displays. Based on its experience in manufacturing world-class optical films, SKC plans to promptly supply transparent PI films that clients need and continuously expand the scope of use.



Polyurethane as Automotive Interior Design Material

Polyurethane not only enhances comfort in car seats but also is a key material in reducing noise, vibration, and harshness (NVH). MCNS, one of the affiliates of SKC, supplies customized materials to the local clients through its global hubs in 12 countries. Moreover, in response to the changing automobile industry centering on self-driving cars and EVs, SKC actively engages in developing eco-friendly and recycled products.



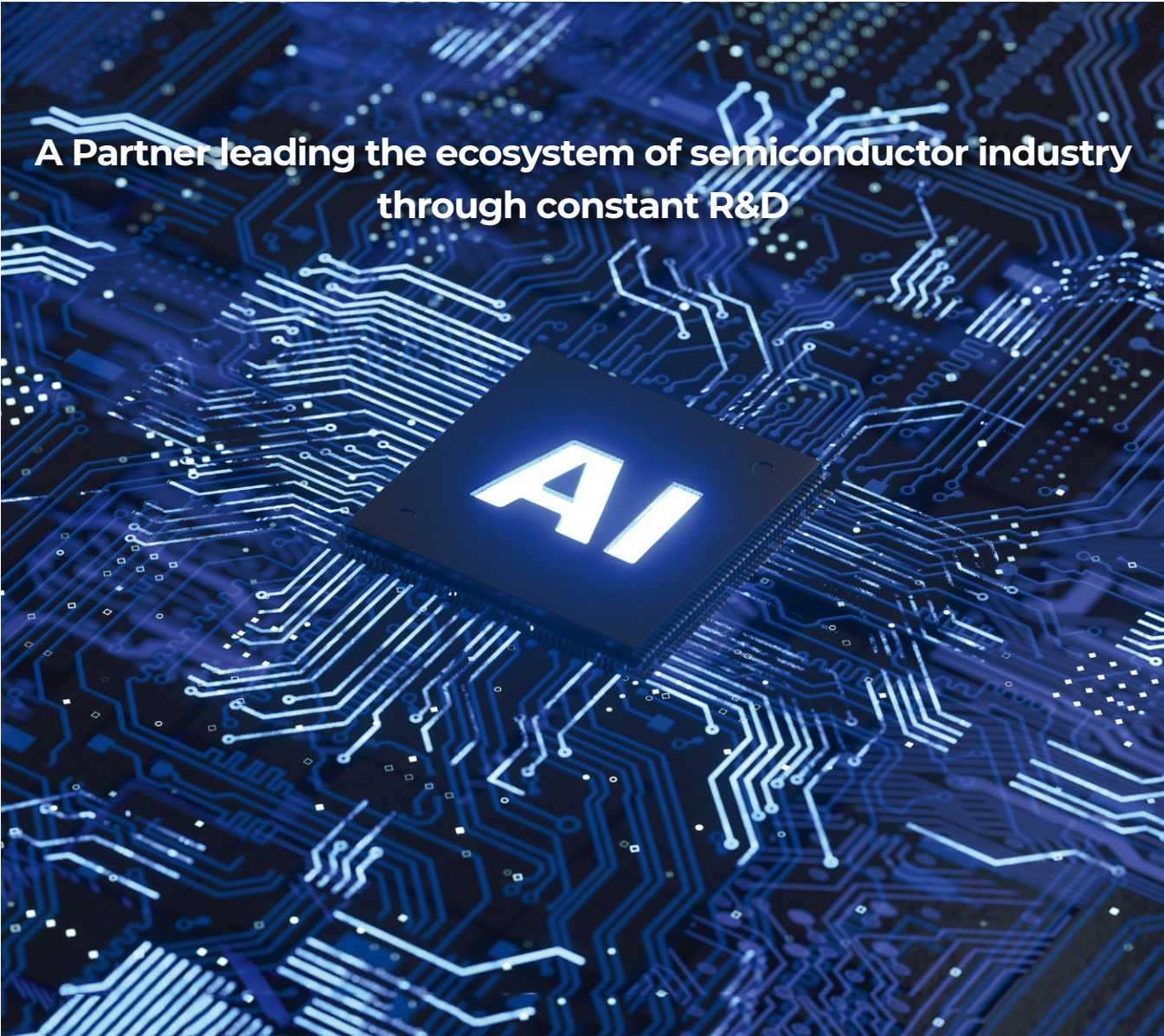
PCT Film

PCT (polycyclohexylene dimethylene-terephthalate) film is the world’s first film made of a super-engineering plastic known as PCT. However, it has not been easy to make PCT into a film due to its tendency to harden quickly in the production process. To overcome the weakness, SKC, based on several years of experience in producing films, has succeeded in developing PCT films for the first time in the world. Due to its high resistance to heat and humidity and excellent insulation property, we are striving to continue our development in using PCT films as materials for next-generation EVs and hydrogen fuel cells and 5G antennas and thus contribute to localization.



Semiconductor

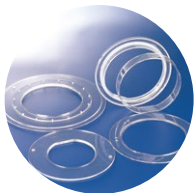
SKC leads the localization of semiconductor materials based on decades-long technology and experience in producing specialty materials. By utilizing the technology accumulated in media and polyurethane-related businesses, we have successfully developed CMP pads and blank masks, a pair of semiconductor specialty materials. Through ceaseless R&D and cooperation with global clients, we will grow as a leading semiconductor specialty materials company and promote the energy efficiency of semiconductors based on technological advancement.



A Partner leading the ecosystem of semiconductor industry through constant R&D

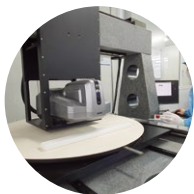
Ceramic Parts

SKC solmics has been leading the development, production, and processing of fine ceramic new materials, such as silicon (Si), aluminum oxide (Al₂O₃), silicon carbide (SiC), and quartz, for semiconductor fabrication, thus making notable contributions to the localization of specialty materials. Based on excellent research personnel and cutting-edge R&D facilities, SKC solmics continues to expand its development of large ceramic and highly functional ceramic materials technology.



CMP (Chemical Mechanical Polishing) Pad

CMP pad, a core material during semiconductor planarization that polishes wafer surfaces, is a product needed to raise the degree of integration of semiconductors. As the development of nano-semiconductors spreads throughout the industry, a need for a high degree of integration has grown, which subsequently increases demands in CMP pads made of technology of greater precision. SKC solmics, an affiliate of SKC, is capable of supplying products needed in the entire CMP process, and there are only two companies, including SKC solmics, that possess such technology in the world.



Blank Mask

A blank mask is the original plate of a photomask used in the exposure process among semiconductor fabrication processes. As semiconductor technology advances, high-resolution photomasks that can form fine patterns are demanded, which is where high-end blank masks become a key component. In response, SKC solmics has successfully developed high-end blank masks, a product that had been relying only on imports from overseas, and is currently preparing for commercial production. Through localization of blank masks, we aim to contribute to the country's self-reliance in semiconductor parts.



Wet Chemical

Wet chemical is a type of chemical used in semiconductor fabrication, such as cleaning and etching. SKC solmics has built a plant in Nantong, China and is producing etchants that remove silicon dioxide (SiO₂) films, developers of the pattern development process, and thinners that clean and remove excessive photoresists after semiconductor development.



Precision Cleaning

Cleaning is the process in which various parts and devices required for semiconductor fabrication are washed to remove all impurities. Because impurities have a huge impact on the yield and quality of semiconductor products, semiconductor companies thoroughly clean the devices and parts that have been used for a certain period of time before reusing them. SKC solmics has developed sophisticated cleaning technology based on many years of experience and their technology and plans to commercialize the technology in China.



Eco-friendly Materials

To fulfill its responsibilities as a company that considers the next generations, SKC made the eco-friendly sector as one of its major growth engines. We are the first company in Korea to commercialize the PLA (polylactic acid) films, an eco-friendly biodegradable plastic, and SKC Ecolabel, an eco-friendly packaging material for PET (polyethylene terephthalate) bottles. We will continue to produce a variety of eco-friendly materials in collaboration with our stakeholders and grow as a leading eco-friendly company.



Eco-friendly PG

Propylene glycol (PG) products feature moisturizing, emulsifying, and antibacterial characteristics. SK picglobal produces high-performance PG products using PO made by the eco-friendly HPPO technology. Based on the acquisition of Food Safety System Certification (FSSC) 22000 and completion of the Sedex Members Ethical Trade Audit (SMETA), SK picglobal seeks to expand the scope of use into semiconductors and medicine in addition to food, cosmetics, and perfumery.



High-performance PU

Polyurethane (PU) is widely used as an insulator due to its excellent thermal insulation. MCNS, an SKC affiliate, supplies reinforced polyurethane foam (R-PUF) products to be used as cold insulation materials for LNG carriers that require cryogenic temperatures and engages in technology development to maximize insulation performance and minimize LNG losses. In addition, MCNS carries out R&D activities to increase the insulation performance of construction boards without excessively increasing the thickness.



Biodegradable Material

PLA films made of ingredients extracted from corn are biodegraded in a short time in a buried condition. In 2009, SKC was the first company in the world to commercialize PLA films and still, is the sole producer of PLA films in Korea. We are also supplying the films for food packaging of Starbucks Korea and striving to expand the scope of use. We are in the process of commercializing high-strength PBAT (polybutyrate adipate terephthalate) materials that have improved the disadvantages of existing materials.



Window Film

SKC's eco-friendly window film blocks 99.9% of UV rays and shows excellence in preventing glare. It blocks heat coming in from the outside and therefore, saves air-conditioning energy to ultimately reduce GHG emissions. In particular, our window films. One of the most notable products is NEO SKY.



Smart Window Film

In collaboration with a promising venture company, SKC developed the world's first film-type smart window in 2020. Smart windows automatically adjust the brightness of the window according to the room temperature, contributing to the reduction of energy consumption. The film type, which is lighter and thinner than the existing glass type, guarantees usability and cost-efficiency. With the goal of mass-producing smart window films in 2022, we are focusing on performance improvement and expansion of the scope of use.



SKC Ecolabel

SKC Ecolabel is a recyclable packaging material for PET bottles. Until now, labels on plastic bottles had to be removed before discarding the bottles, but Ecolabel has changed this old practice to ensure convenience. Once the ink on the label surface is removed, the label can be recycled along with the bottle. With its excellent recyclability recognized, SKC Ecolabel was certified by the U.S. Association of Plastic Recyclers (APR). We are expanding the scope of using Ecolabels, including the drinks of global beverage makers.



Affiliates

SK nexilis

Based on the world’s best technology and productivity, SK nexilis manufactures copper foil, a core material of lithium-ion batteries, and flexible copper-clad laminates (FCCL), which are used for flexible printed circuit boards. The rapid growth of the global electric vehicle market has led to skyrocketing demands in battery materials. By taking one step ahead for such changes through technological innovation, SK nexilis will continue to grow as the global No. 1 battery material manufacturer that never stops creating value for its customers.



Sales in 2020

KRW**371.1**billion

Possessing world’s best copper foil products and technologies

Mass production of world’s first 4 to 6μm copper foil

Overseas business site in Malaysia

Declared to fully implement RE100

Website

SK nexilis Businesses

Copper Foil

The copper foil produced by the leading technology of SK nexilis is applied to electrode collectors for anodes in lithium-ion batteries. Since the commencement of the copper foil business in 1996, it has grown to be one of the top global manufacturers through continuous development of technology and increase in production capacity.

As the global mobility market centering on electric vehicles (EV) has grown significantly in recent years, SK nexilis expanded two plants (Plant No. 5 and 6) in Korea and decided to invest in overseas expansion in Indonesia, etc., thus actively responding to customer demands.

As the first company in the world to successfully mass-produce 5 μm and 4 μm copper foil in 2017 and 2019, respectively, the company is demonstrating a dominating edge in technology and supplying optimal products to our clients.

FCCL

Flexible copper clad laminate (FCCL) is a substrate formed by copper used as an electrical conductor and polyimide film used as an insulator. FCCL is primarily supplied as a material for chip-on-film (COF) technology, which is a technology used as materials for transmitting high-resolution signals and video connections among TVs, laptops, or mobile phones and that transmits signals to circuit boards for smartphones and medical devices. In addition, SK nexilis develops and supplies other special applications according to customer demand.

Major Achievements and Activities for Sustainability Management

Continued Efforts to Reduce GHG Emissions by Achieving RE100

Electricity cost serves as the core cost factor of copper foil manufactured by SK nexilis. Together with SKC, a member of RE100, SK nexilis strives to increase the use of renewable energy. It establishes mid- to long-term plans to achieve RE100, which is an initiative of global companies that are committed to 100% renewable electricity.

Especially in Malaysia, which was chosen as SK nexilis’ first overseas production base for global expansion, only renewable energy is to be used to fully implement RE100. Scheduled to begin commercial operation in 2023, this production facility aims to produce 50,000 tons of copper foil every year.

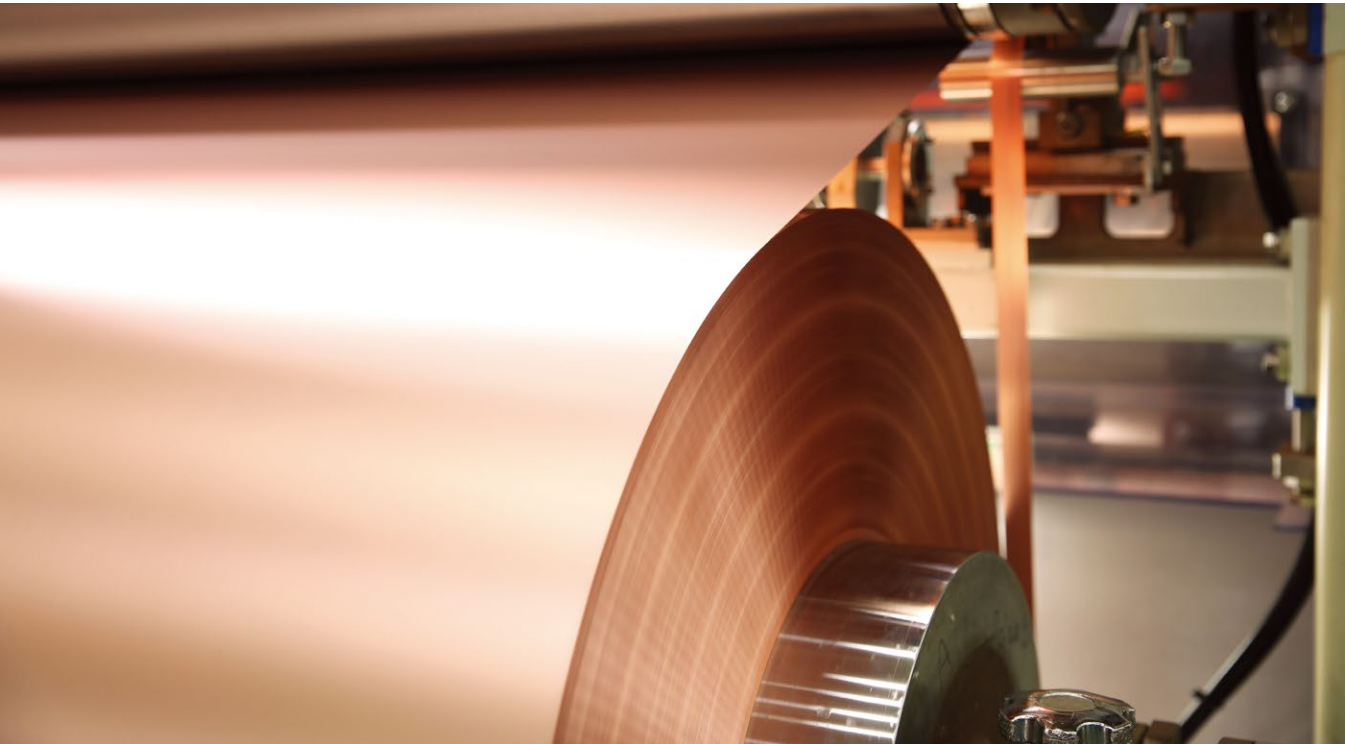
Moreover, based on ESG management, SK nexilis plans to actively carry out innovation activities for carbon reduction such as developing power usage reduction technology. When expanding business sites, we aim to establish plans based on RE100 and strive to reduce GHG emissions

Relentless R&D to Provide Optimal Solutions

SK nexilis continues its R&D activities with the value demanded by customers as its highest priority. As batteries become more high-capacity and lightweight, it is important to make wider, thinner, and longer copper foils. The thinner the copper foils, the smaller the weight and volume during battery manufacturing, which makes it favorable for lighter weight and higher capacity.

The relentless R&D activities of SK nexilis led to an increase in customer values. As a result, SK nexilis succeeded in the mass production of 4 μm copper foil, the thinnest of its kind in the world, with a length of 30 km.

Based on the world’s best technology, SK nexilis plans to constantly communicate and cooperate with its clients, provide them with optimal solutions, and grow as a global market leader.



Copper foil product of SK nexilis

SK picglobal

SK picglobal has successful stories of challenges. It is the first company in Korea to produce propylene oxide (PO) and propylene glycol (PG) and the world’s first to commercialize HPPO, an eco-friendly PO manufacturing technology. Once a part of the SKC chemical division, SK picglobal became a spin-off corporate in 2020 between SKC and PIC, a state-run petrochemical company of Kuwait, and thus set up a foundation for global expansion. As a company that holds the title of being the “first” and tackles issues no matter what, SK picglobal ceaselessly takes on challenges to enhance the lives of humanity. It seeks to grow as a global No.1 company.



Sales in 2020

KRW**637.9**billion

Share of eco-friendly PG sales in 2020

27%

Website

SK picglobal Businesses

PO
Since earning its title as Korea’s first company to commence the commercial production of propylene oxide (PO), SK picglobal further expanded its production capabilities by commercializing the world’s first HPPO process, an eco-friendly technology. Moreover, the company recovered a significant portion of steam, which is used as a heat energy source, as external waste heat and used in the form of eco-friendly renewable steam. PO is a liquefied, highly reactive product that is commonly used for industrial purposes and mixes well in most organic solvents. It is used as a fundamental raw material of polyol, a raw material of polyurethane that is mostly used as an insulation material for automobiles, furniture, and buildings. It is also a basic raw material of propylene glycol used in medicine and of PGE (Propylene Glycol Ether), a water-soluble solvent with high solubility.

PG
Propylene glycol (PG) is a substance that was commercialized by SK picglobal for the first time in the country and is still being exclusively produced by SK picglobal until today. The company produces monopropylene glycol (MPG), dipropylene glycol (DPG), and tripropylene glycol (TPG). As it is harmless to the human body, PG is used as an additive to products that people directly consume or apply on their skin, including hand sanitizers, medicine, foods, and cosmetics. SK picglobal is engaged in developing new customer-based applications by improving its high-value PG sales capabilities and ability to extend the scope of production. It actively responds to changes in the market and customer needs by preemptively securing ESG-related certifications, such as Sedex Members Ethical Trade Audit (SMETA) and the Environmental Product Declaration (EPD) of the Ministry of Environment of Korea.

PGE
PGE is a general name for PM (Propylene Glycol Mono Methyl Ether), DPM (Dipropylene Glycol Mono Methyl Ether), and TPM (Tripropylene Glycol Mono Methyl Ether). As a high-purity solvent created from a reaction between propylene oxide and methanol, PGE is a colorless, water-soluble, and flammable fluid with a non-toxic and soft smell, which is well-mixed with various organic solvents and has excellent solubility. It is the best solvent as an alternative for glycol ester solvent of ethylene series with high toxic levels.

Major Achievements and Activities for Sustainability Management

Increase of Investments in Eco-friendly Facilities
Through large-scale investments in pollution reduction facilities (KRW 10 billion), SK picglobal successfully reduced over 50% of nitrogen oxide (NOx) emissions in 2020 year-over-year (YOY). It plans to continue minimizing environmental impacts through aggressive investments in eco-friendly facilities.

Full Implementation of RE100
The “Green Premium” of the Korea Electric Power Corporation (KEPCO) is a purchase system adopted to vitalize the supply of electricity generated from renewable energy. Since it is impossible to purchase only electricity produced from renewable energy through the existing power grid, the payment made for the Green Premium through a bid acknowledges the company that it has used renewable energy for that amount. SK picglobal won the bid for 13 GWh of electricity through the Green Premium. It is also establishing detailed plans to achieve 100% renewable energy by 2040.

Project of Converting Waste Plastics into A Resource
Plastics are inexpensive and long-lasting. It is true that they have significantly contributed to enhancing the lives of humanity. However, due to the characteristic that plastics are hard to decompose, humanity is, paradoxically, facing difficulties in disposing plastic waste. The disadvantage of traditional recycling methods used to address the plastic waste problem is that complex plastic materials that account for most of the plastic waste cannot be easily processed. In response, together with SKC, SK picglobal aims to create a circular economy through a project of converting waste plastics into a resource, which re-extracts raw material of plastic from plastic wastes through a process of pyrolysis. In addition, SK picglobal actively engages in the Alliance to End Plastic Waste (AEPW), an alliance of globally renowned enterprises and organizations that are committed to addressing the global plastic waste crisis. Until the day when the entire humanity solves the plastic waste problem, SK picglobal will think and act along with its partners around the world.



An SK picglobal employee checking the production facility of Ulsan business site

SKC hi-tech&marketing

SKC hi-tech&marketing develops and commercializes a variety of high-functional advanced materials in the display materials industry and leads the market based on the know-how in coating technology accumulated over 30 years. SKC hi-tech&marketing accelerates global growth with a focus on the Chinese market to actively respond to changes in the environment, including changes in the display market ecosystem and an increase in the importance of ESG. Furthermore, it aims to discover new business models related to ESG and engage in never-ending innovation in the business structure to grow as the global No. 1 company that leads the advanced materials market.



Sales in 2020

KRW**412.2**billion

Percentage of sales from advanced IT in 2020

33%

Percentage of overseas sales in 2020

62%

Website

SKC hi-tech&marketing Businesses

Optical Films for Displays and Millbase

As the first company to commercialize optical films for liquid-crystal displays (LCDs) in the late 1990s, SKC hi-tech&marketing has grown to be a top-class manufacturer in the world through continuous advancement of coating technology. Our key products are backlight unit diffusion films, reflective films, and composite films, all of which are core parts of LCDs. With the shifting of the central axis of the LCD TV industry from Korea to China, in 2020, the company constructed a new production facility in its office in China with an aim to commercialize and reinforce the company's local competitiveness. In the future, it will utilize the production competitiveness of its business sites in China to change its portfolio to high-value, next-generation display materials and thus continuously reinforce its capacity for growth. SKC hi-tech&marketing initiated the millbase business in the 2000s based on its experience in dispersion technology accumulated from the past videotape business. The company secured No. 1 share of the green filter millbase market in the world and has recently set up a basis for expansion into the Chinese market through the certifications of Chinese clients.

Films for Mobiles and IT Materials

Based on its outstanding technology and competitiveness in quality, SKC hi-tech&marketing is maintaining the world's No. 1 market share for glass decoration films (GDFs), which are shatter-resistant films for mobile devices. It plans to maintain a significant edge over the competition in the future through relentless innovations and differentiation in design. Silicone release films, which are used for IT materials, show excellent optical characteristics, and are thus popularly used in optical, industrial, and blanking applications. Utilizing the production hub in China, SKC hi-tech&marketing will continue to dominate the high-value, functional film market in China and further strengthen its business competitiveness.

Major Achievements and Activities for Sustainability Management

Expansion of Advanced IT Materials

To expand the advanced IT materials business, SKC hi-tech&marketing built an exclusive facility in Jincheon for transparent PI films, which are commonly used in making foldable products and are expected to grow significantly in the near future. It strives to achieve successful commercialization by developing customized products for each client. The company also invested in its office in China and established one of the world's best multi-functional display film (MDF) production infrastructures, thus securing a new growth engine in China. As such, SKC hi-tech&marketing aims to innovate its business portfolio to be oriented towards high-value and advanced IT and seek stable growth as well as improved profitability.

Entry into an Eco-friendly EV Mobility Materials Business

SKC hi-tech&marketing is focusing on entering the eco-friendly mobility business in order to respond to market insights and set up a foundation for sustainable growth. As for polyurethane foam pads for EV batteries, the company is getting ready to enter the market together with its business partners. Through open innovation, the company actively pursues the commercialization of anti-glare and anti-reflection films for automobiles and multilayer ceramic condenser (MLCC) release films.

Carrying Out GHG Emissions Reduction Activities

The Cheonan and Jincheon business sites are engaged in a variety of activities to reduce GHG emissions. Major emissions reduction activities include: (a) increased reduction of emissions by introducing eco-friendly and energy-saving facilities; (b) achieving efficiency at business sites through rearrangement of resident companies and fostering a green environment; (c) reinforced efforts for Net Zero GHG Emissions, such as the development of new power-saving and GHG-reducing products; and (d) management and reduction activities through GHG emissions monitoring.



An SKC hi-tech&marketing employee making a film for advanced IT materials

SKC solmics

Ever since its foundation in 1995, SKC solmics, based on continuous R&D and investments, has succeeded in localizing fine ceramic materials, which were highly import-dependent. The company is a leading semiconductor and display parts and materials manufacturer that ceaselessly grows and evolves with our cutting-edge technologies and globally renowned product quality. Since its affiliation to SKC in 2008, SKC solmics has been utilizing its know-how in existing technologies to lead the development of new materials and growth of future industries. Moreover, it is building a global sales network and securing key clients on its way to becoming a world-leading parts and materials company. Recently, through the integration of SKC's CMP pad and blank mask businesses, SKC solmics is making another big leap to become a company specializing in semiconductor materials and devices.



Sales in 2020
KRW **174.8** billion

Localization of semiconductor materials/parts

CMP pads/slurries, blank masks, etc.

Website



SKC solmics Businesses

Fine Ceramics

Based on the processing technology and R&D accumulated over 30 years, SKC solmics has led the localization of fine ceramic materials for semiconductors and displays. It owns a diversified portfolio featuring a variety of raw materials from silicon and alumina to silicon carbide and quartz. For silicon materials, the company is building a comprehensive production system from material production to the processing stage. Moreover, it spares no effort to gain a competitive edge in each field of the semiconductor materials and parts industry and actively invest in numerous new projects, including precision cleaning and Equipment Front End Module (EFEM), that can generate synergistic effects with the parts and materials business. SKC solmics will achieve client satisfaction with the best values and position as a leading company capable of providing solutions to the global semiconductor industry.

CMP Materials

SKC solmics manufactures chemical mechanical polishing (CMP) pads and slurries, which are the core materials during the semiconductor planarization process, a process for smoothing the wafer surfaces of semiconductors. As a result of the growing demand for nano-level semiconductors that emphasizes the planarization process, the use of CMP pads made of polyurethane as well as next-generation slurries continues to rise. By engaging in continuous R&D and through partnerships with global clients, SKC solmics will ceaselessly expand its scope of business.

Blank Mask

Blank masks are core raw materials of photomasks, which are required in the semiconductor exposure process. Aiming to localize high-end blank mask products, in November 2019, SKC solmics completed the construction of a production facility in Cheonan, where the development and production of prototypes for client qualification assessment began. Our business goal is to commercialize the products after the qualification assessment is complete.

Wet Chemicals and Precision Cleaning

SKC solmics constructed wet chemical and precision cleaning plants respectively in Nantong and Wuxi, China to seek localization of suppliers. The wet chemical plant produces etchants that remove silicon dioxide films, developers of the pattern development process, and thinners that clean and remove excessive photoresists after semiconductor development.

Precision cleaning is used during the semiconductor manufacturing process to enable reuse of parts with contaminated or etched surfaces. Significant growth is expected in the wet chemicals and precision cleaning business as higher technology level is required as a result of miniaturization.

Major Achievements and Activities for Sustainability Management

Promoting the Development of Eco-friendly Products (MOCA-free CMP Pads)

90% of the CMP pads distributed in the market contain MOCA (methylene-bis-ortho-chloro-aniline), which is a Group 1-classified carcinogen that is fatal to human eyes and skin, causing environmental pollution. In response to this issue, SKC solmics has completed a basic evaluation on MOCA-free CMP pads, which will enable us to reduce environmental burden as well as enhance the safety of workers by further expanding the scope of product application. As regulations on MOCA continue to be strengthened in Korea and Europe, the development of MOCA-free CMP pads is expected to be a great opportunity to enter more markets in the future

Fostering a Domestic Semiconductor Parts and Materials Ecosystem

Although the demand for semiconductors is increasing globally thanks to the 4th industrial revolution, the reality is that Korea is still import-dependent when it comes to materials and parts used in semiconductor fabrication. To solve this issue and reduce our dependence on imports, SKC solmics has entered and expanded a variety of parts and materials businesses, including fine ceramics, CMP pads, and blank masks, for their localization, and thus contributes to establishing and stabilizing the domestic semiconductor parts and materials ecosystem.



SKC solmics employees checking the quality of semiconductor materials/parts

SK telesys

Kicked off as the best telecommunications device manufacturer in Korea, SK telesys has proved its capacity and competitiveness even in new business areas such as the Internet of Things (IoT) and electronic materials. Through its stable business portfolios in the future, SK telesys strives to further maximize its corporate value and continue providing reliable services to the market as a “leading technology business solutions company.”



Sales in 2020

KRW**406.7** billion

Domestic market share of repeater

No. **1**

Website

SK telesys Businesses

Communications

The communications business is divided into communication devices, materials, power line construction, and device maintenance. Repeater, which is one of the key communication products, is a mobile communication device that receives communication signals to either amplify or reshape them before transmission. We also supply power supplies for base stations, such as rectifiers for 5G, remote radio units, and Wi-Fi devices. Aside from repeaters, we also offer maintenance services for communication materials, power line construction, and communication devices through infrastructure such as logistics centers.

IoT
SK telesys leads the next-generation IoT industry with a focus on transport environment solutions, security, and infrastructure IoT among many different sectors of IoT. It utilizes sensors, wireless communications, cloud servers, and big data analysis optimized for each industry and region to offer our clients the most optimal values. Through smart monitoring, the company promotes process quality improvement and pursues social values that derive improvements in urban and local environments. In addition, SK telesys provides smart safety, which detects danger in industrial facilities and residential environments and provides safe evacuation information, and a smart network that forms the infrastructure of IoT solutions.

Electronic Materials

Semiconductor fabrication requires a variety of chemical materials. SK telesys supplies materials that can serve as the optimal solution in the fabrication process, where a high level of technology and quality is required. The company's key materials for supply include deposition materials for chemical vapor deposition (CVD) and physical vapor deposition (PVD), cleaning materials that remove contaminants or unwanted thin films, and materials used in etching that scrape off areas not coated with photoresists. Moreover, SK telesys develops and supplies application testers that are used to assess the reliability of printed circuit board (PCB) products for DRAM and SSD, which are essential in memory module production, as well as memory semiconductors, such as mobile phones.

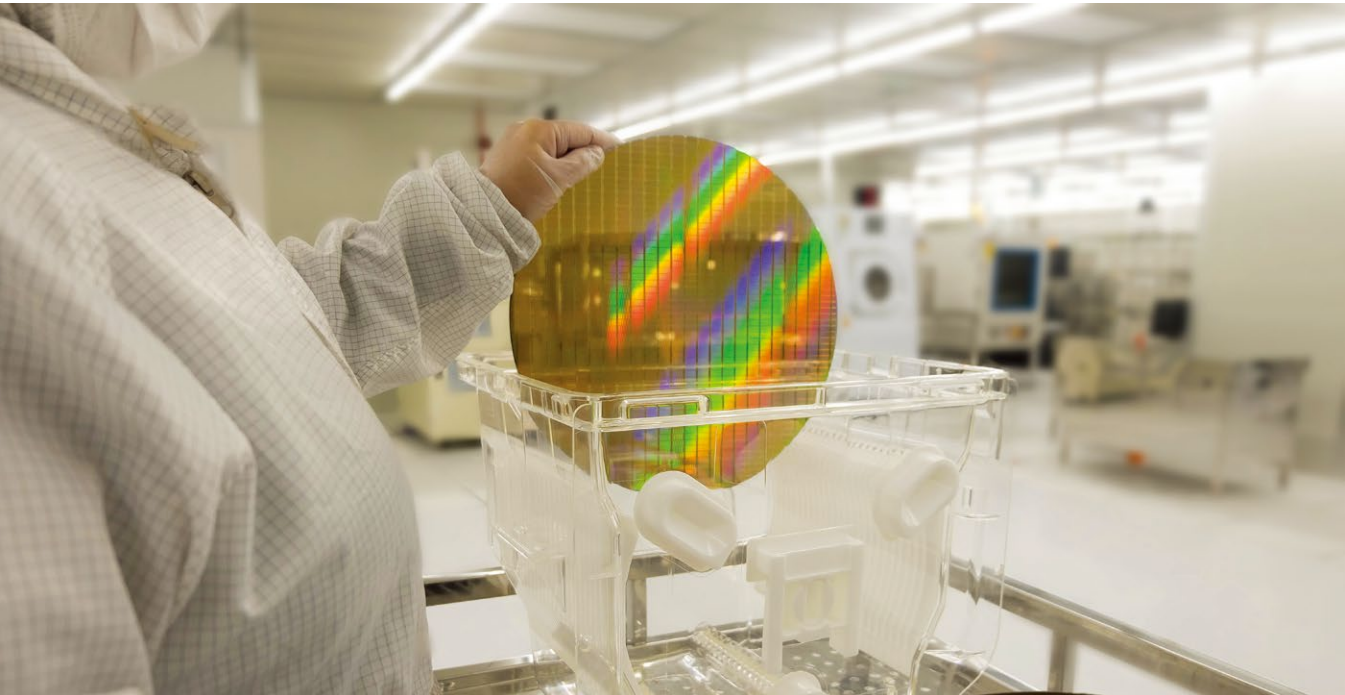
Major Achievements and Activities for Sustainability Management

Development of Wireless Fire Detection Solution

SK telesys was the first in Korea to develop an automatic wireless fire detection solution (for fire detectors, repeaters, and receivers) and obtained approval in accordance with the Firefighting Act. The solution is expected to help secure fire safety in the local communities, including traditional markets that are vulnerable to fire. The company also plans to develop an IoT-based next-generation fire detection solution capable of detecting both smoke and heat.

Support for Growth of Social Enterprises

SK telesys utilizes its R&D assets and develops hidden camera detectors as an attempt to assist the growth of social enterprises. Currently, it has completed the development of a prototype with improvements in function, performance, and design. After launching the product, SK telesys is planning to take part in the Testbed Seoul project after the product launch and provide the products free of charge for public institutions and universities.



Semiconductor fabricated with the electronic materials of SK telesys

Global Network

As the first among SK Group affiliates to enter the overseas market in 1996, SKC has continuously expanded its global network to the United States, China, Europe, and Southeast Asia and is currently strengthening its value chain in 14 countries.

Major Affiliates

- SK nexilis
- SK picglobal
- MCNS
- SKC hi-tech&marketing
- SKC solmics
- SKC Inc.
- SKC jiangsu



Sustainability Management

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Directivity of Sustainability Management	33



Social Value Creation

Principles of Measurement

Since 2018, SKC has been measuring its social values in accordance with the measurement methodology of SK Group. Social value is measured as the substantial outcome of the management activities, and the measured values are calculated as the monetary value by applying objective criteria. Three measurement items are generated throughout the business activities, which are: indirect economy contribution, business-related social performance, and social contribution. Detailed items for each area are quantitatively measured, and performances in creation of social value are managed with specific values. Also, such performances are reflected in the evaluation and compensation of the management.

※ Example of monetary value measurement: Environment
Estimated with the cost required to restore a polluted environment to its original state. (As reference for monetary value, indexes announced by international organizations, governments, and industrial associations are used)

Measurement Items

Performance of indirect contribution to economy	Social performance through business	Social performance through social contribution
Indirectly contributed value to the domestic economy through corporate activities	Social value generated through development, manufacturing and sales of products	Value created by social contribution activities for local communities

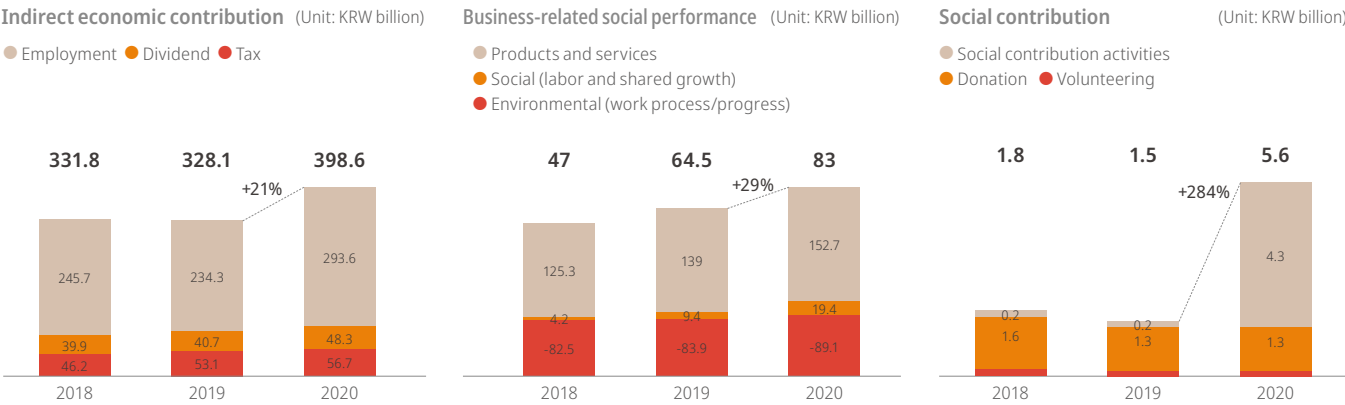
Measurement Results

In 2020, SKC created social value of worth KRW 487.2 billion. For indirect economic contribution, which includes employees' wage, dividends, and taxes paid, accounted to KRW 398.6 billion. Business-related social performance, which relates to sales of eco-friendly products, environmental processes, and society, took up KRW 83 billion, a KRW 18.5 billion increase year-over-year (YOY). Lastly, social contribution generated a value worth KRW 5.6 billion, which was a KRW 4.1 billion increase YOY. The overall performance of indirect economic contribution, business-related social performance, and social contribution increased by 21%, 29%, and 284% YOY, respectively.

Such are the results of continuously expanding the portfolio of eco-friendly products, including window films, which show positive effects in energy savings and GHG reduction, and packaging films that save waste disposal costs. Moreover, the fact that SKC has been supporting a number of startups, ventures, and SMEs through a new material technology-based open platform, which began its operation in 2017, has worked in favor.

Social contributions originated from volunteering and donation activities by the SKC employees. Our participation in a project in which we provided cook stoves, an eco-friendly and high-efficiency cooking equipment, to the vulnerable classes in Myanmar contributed greatly to our social contribution performance. The project aimed at protecting the environment and improving the quality of life of the people in Myanmar. Starting in 2021, we plan to take part in actively finding opportunities for social contribution in local communities to further expand our social performances.

Moving forward, SKC plans to expand its eco-friendly product and technology portfolios, such as GHG-reducing, biodegradable. and recycled materials, and reduce the number of projects that emit greenhouse gases on our way to accomplish Net Zero GHG Emissions and Net Zero Plastic.



ESG Management Promotion System

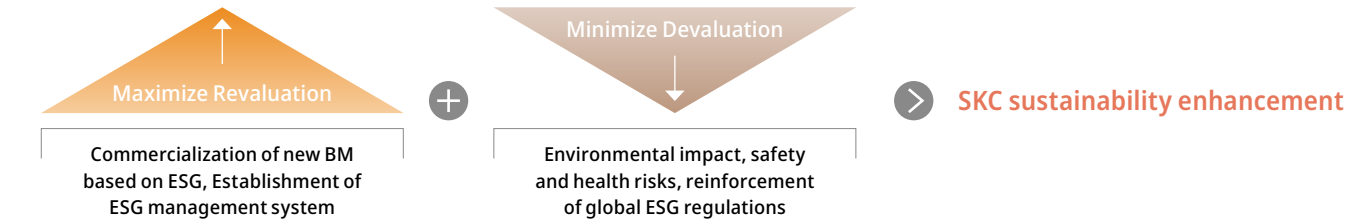
Directions and Process

In 2019, SKC adopted a double bottom line (DBL) management system that amplifies both economic value and social value, which are the core values of SK Group. In 2020, we declared ESG as our new pillar for management. Social value is a high-level concept that includes ESG management and is a management principle for sustainable growth based on the new role of the company and entrepreneurship. To enable professional and systematic ESG management for sustainable growth, we came up with ESG management goals and established a process to strengthen the ESG management system.

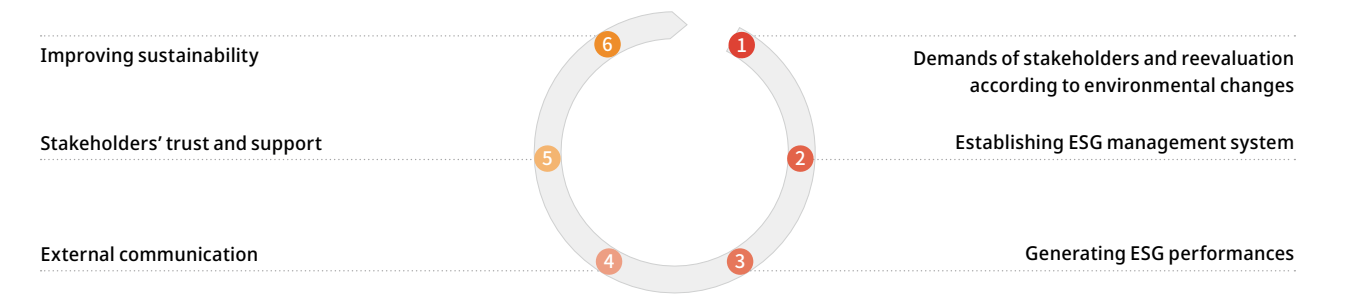
ESG management is a type of management activity that actively considers non-financial factors, including environmental, social, and governance, in addition to financial factors to further enhance the corporate value and increase the level of sustainability.



SKC established its ESG promotion goals that will contribute to the following: minimize risk factors that threaten the company's sustainability, such as climate change, environmental impacts such as water, safety and health risks, and strengthening global ESG regulations; update and reinforce company portfolios based on ESG and pioneering new markets; and establish an ESG management system that reflects the stakeholders' demands.



SKC continuously reevaluates the needs of stakeholders according to the changes of internal and external environment to reflect them in its ESG management system. We are committed to generating performances and carrying out effective external communication to establish and implement a process of strengthening the ESG management system that is not limited to one-offs.



Directivity of Sustainability Management

Dedicated Organization

In 2021, SKC established the ESG Committee under the Board of Directors (BoD) to root ESG values throughout its management system. Consisted of the CEO, three independent directors and a non-executive director, the ESG Committee appoints an independent director as the chairman to ensure independence. The committee reviews in advance not only the ESG promotion strategies including climate change responses but also mid- to long-term strategies, management plans, and large-scale investment plans while performing communication among and taking charge of guidance and supervision of stakeholders. Periodic reviews, suggestions, and confirmation of corrective actions for ESG risks are conducted by the Audit Committee under the BoD.

SKC also established an in-house ESG Committee, which practices ESG management. The committee is chaired by the CEO and consists of the SKC affiliates and SKC management. It aims to gain a balanced point of view by proactively listening to the opinions of the Financial Advisory Board*.

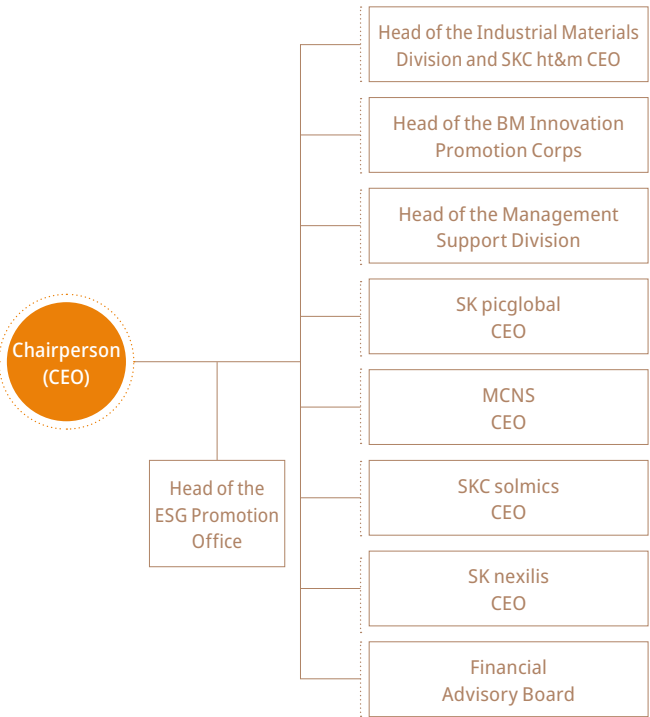
The SKC ESG Committee holds regular ESG discussions to seek ways to improve corporate value and raise the level of happiness of all stakeholders. It also sets up value promotion principles unique to SKC to strive to practice detailed and realistic ESG management.

The primary role of the committee is to strengthen the company's ESG execution capabilities by establishing a company-wide ESG management system and thus generate practical performances. In addition, it monitors the performances in consideration of ESG scenarios and draws improvement tasks. Through periodic sharing of performances, the committee establishes strategies in a flexible manner as well as seeks ways to perform collaboration.

The ESG Committee aims to strengthen ESG communication through information sharing to enable an active response to the stakeholders' demands.

*Financial Advisory Board: A group of outside experts formed to actively reflect the intentions of shareholders and continuously improve the corporate value.

SKC ESG Committee



External experts appointment ceremony

(from left to right)
Lee Chai-won, BoD Chairman of Life Asset Management
Rhee Nam-uh, Visiting Professor, Graduate School of International Studies, Yonsei University
Lee Wan-jae, CEO of SKC
Lee Won-gi, former President of KB Asset Management

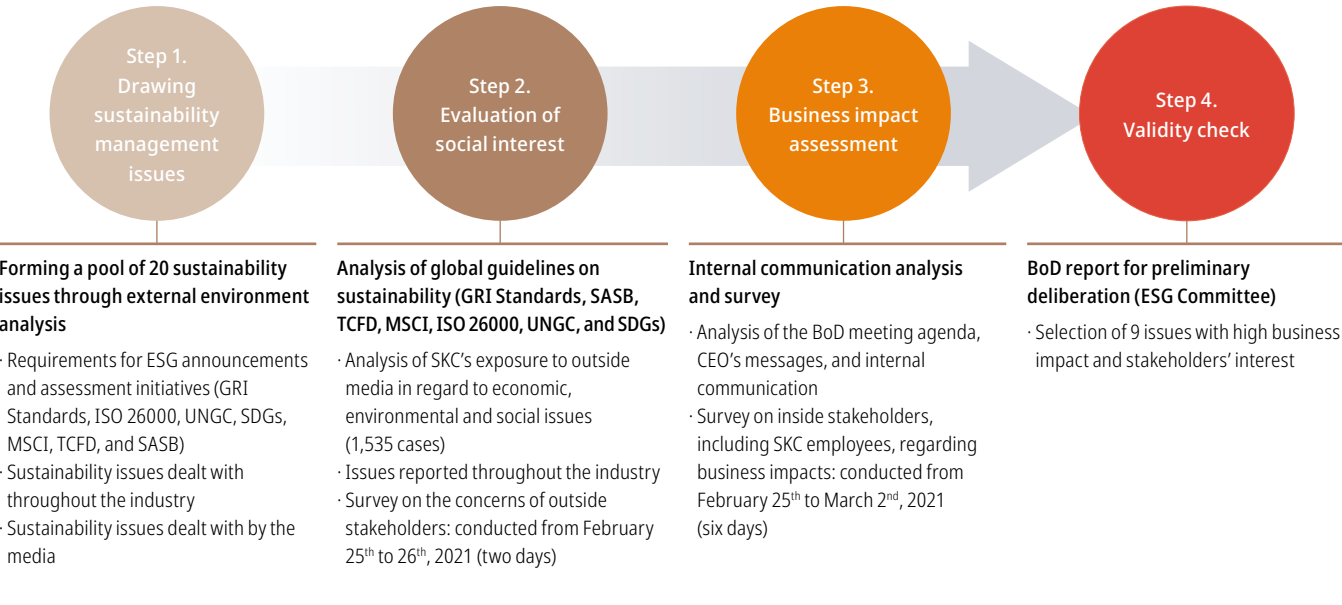
Materiality Assessment for Establishing the Directivity

Through analyses of issues that major stakeholders at home and abroad are interested in as well as the impact of business activities, SKC conducted a materiality assessment to set the directivity of sustainability management and has deduced material issues. For the 2021 materiality assessment, 20 issues have been selected based on global standard indexes, such as the Global Reporting Initiative (GRI) Standards and the Sustainability Accounting Standards Board (SASB), as well as various social issues and sustainability management data in the industry.

After a comprehensive analysis of social interest and business impacts, we classified the selected issues as material issues and general issues.

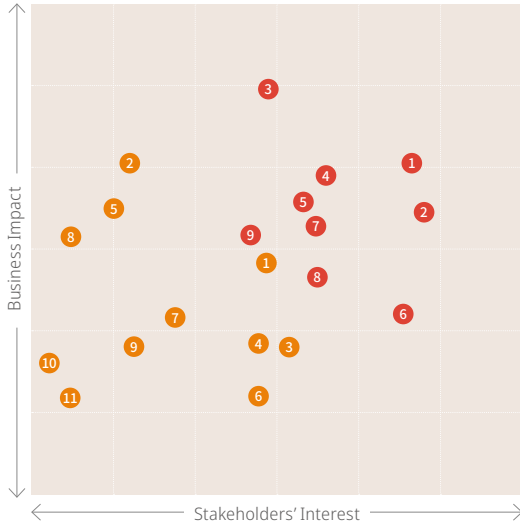
Through Sustainability Reports, SKC discloses its management approaches to material issues as well as major performances in relation to sustainability management. To respond to a situation in which it is deemed necessary to maintain continuity from the previous report and disclose comprehensive information on value creation, we have also included our major activities and performances on general issues.

Assessment Process



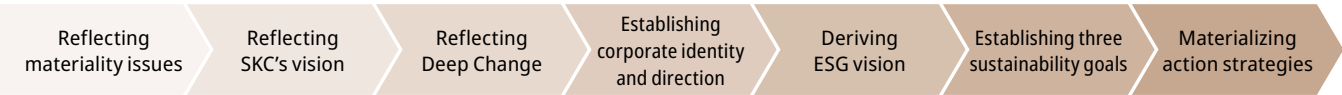
Assessment Results

Material issues	General issues
① Products and services that consider the environment	① Responsibility in product quality
② Response to climate change	② Compensation and welfare benefits
③ Compliance	③ Protection of human rights
④ Pioneering of new markets	④ Waste discharge control
⑤ Safe work environment	⑤ Training and career development of employees
⑥ Business partners and supply chains	⑥ Water resources management
⑦ Governance	⑦ Social contribution
⑧ Control of pollutants and hazardous substances	⑧ Health management of employees
⑨ Risk management	⑨ Safety and health of clients
	⑩ Information security
	⑪ Job opportunities



Establishment of Directions

Based on the material issues identified in the materiality assessment, as well as SKC’s vision, and Deep Change efforts, SKC established its identity and direction and thus derived ESG vision and three sustainability management directions.



Establishing Corporate Identity and Direction

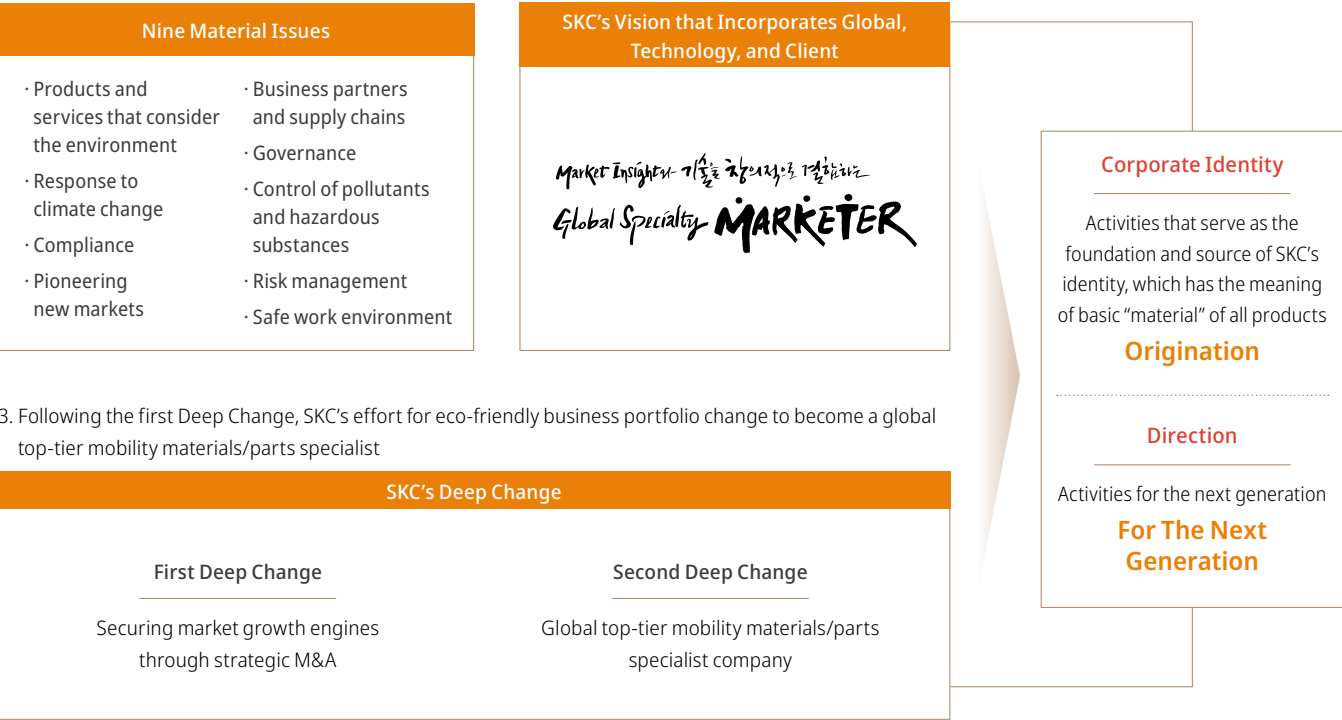
SKC established its identity and direction in consideration of the interests of internal and external stakeholders identified through the materiality assessment, as well as the company’s vision and changes in the business environment. As a company producing basic materials for its products, we aim to lead changes in the value chain with differentiated technologies and create a better environment and society for all stakeholders, including clients. Our company-wide management activities incorporate environmental and social values as well as economic values and are composed of practices that serve as the foundation and source of the company’s future growth. Accordingly, we selected “origination,” which has meanings of both “beginning” and “starting point,” to serve as our corporate identity and set “sustainable management activities for the next generation” as our direction.

Deriving ESG Vision

Combining SKC’s identity, “origination,” and direction, “for the next generation,” SKC established an ESG vision of

“Origination for the Next Generation.”

1. Nine material issues derived from internal/external stakeholder interest and business impact in the materiality assessment
2. A vision that embodies SKC’s will to grow into a global company with differentiated technology for clients



Establishing Three Sustainability Management Directions

By categorizing the nine material issues from the materiality assessment and keywords derived from SKC’s vision and fundamental innovation efforts, SKC established three pillars, which are: differentiated technology and competitiveness, a sustainable environment, and seeking the happiness of stakeholders. Following SKC’s identity of “origination,” we established three main directions: Origination with Specialty, Origination for Sustainable Environment, and Origination for Stakeholders.

Origination with Specialty

As a global company providing high-value specialty products, SKC expands its areas of business and makes aggressive investments and innovations for future growth. This direction shows the company’s management philosophy and determination in ESG, in which we aim to utilize specialty materials to build a foundation for future growth and securing.

Origination for Sustainable Environment

As environmental issues continue to worsen globally, the need for eco-friendly management has emerged. In response, SKC strives to create a sustainable environment for the future generations. We are minimizing the impact of our business activities on the environment, taking an active role in improving the environment. We also plan to gradually extend the effect of our “origination” activities to become a company that forms a symbiotic relationship with the environment.

Origination for Stakeholders

SKC carries out its management activities by prioritizing the happiness of all stakeholders, including its employees. Based on the belief that the happiness of stakeholders leads to the company’s sustainable growth, we carry out various origination activities for the happiness of all.

Materializing Action Strategies

Aiming to meet the ESG direction, SKC established action strategies and key activities to implement the three directions centering on technology, environment, and society. This sustainability report was prepared with focus on the key activities of each direction, complying with the 17 goals of the UN’s Sustainable Development Goals (UN SDGs).



Sustainable Pillars

Origination with Specialty	38
Origination for Sustainable Environment	46
Origination for Stakeholders	54



Origination with Specialty

SKC puts its efforts to build a foundation for all industries with specialty materials.

Specialty materials serve as the foundation of SKC's future growth. We make bold investments and new attempts to secure future growth engines. Based on our understanding of the rapidly changing market, we are making improvements in our business portfolio focusing on mobility, semiconductor, and eco-friendly materials and enhancing our technology competitiveness through aggressive R&D investment. In addition, we are pursuing the innovation of business models based on digital transformation as part of our response to the 4th industrial revolution. We are dedicated to practicing sustainable management by creating future growth engines using our own specialty materials.

• Improvements in Business Portfolio and Pioneering of New Markets

• Strengthening R&D

• Innovating Business Models based on Digital Transformation

1 Reinforcing Business Portfolio and Pioneering New Markets

In order to achieve SKC's goal for fundamental innovation, it is necessary to strengthen its businesses and constantly pioneer markets. Accordingly, by utilizing our differentiated technologies, we are pioneering next-generation materials and parts markets in the fields of mobility, semiconductor, and eco-friendly materials.

Mobility Materials

With an aim to become global No. 1 in production, SKC is expanding its copper foil business with the pride of world-class technology, to global markets. Based on our global network of copper foil, we will grow as a company contributing to the popularization of eco-friendly vehicles, entering the next-generation rechargeable battery materials market.

Acceleration of Entry into Overseas Copper Foil Markets

SKC and SK nexilis have partnered to construct the first overseas production base in Kota Kinabalu Industrial Park (KKIP, Malaysia) so as to accelerate the expansion of copper foil business. In 2021, SKC signed a memorandum of understanding (MOU), attended by the Prime Minister of Malaysia, to lease the KKIP site for this project. In addition, we are considering an investment to achieve the world's largest production capacity of up to 250,000 tons. We plan to make our investments in Europe and also are considering entering the U.S. market.

Semiconductor Materials

In 2020, SKC incorporated SKC solmics as a 100% affiliate and expanded our foundation for businesses by integrating the semiconductor materials businesses, including CMP pads and blank masks. SKC solmics will focus on specialty materials and parts to enable swift response to the semiconductor scaling and stacking trends and the demand for home production of materials. We will continue to challenge ourselves in commercializing unprecedented and new materials and parts by securing differentiated technology based on open innovation.

Eco-friendly Materials

SKC is yielding outcomes rapidly by leading the establishment of an eco-friendly virtuous cycle and cooperating with its stakeholders based on its film technology and manufacturing competency.

Entry into Eco-friendly Polyol Business

MCNS, an affiliate of SKC that runs polyol business, the raw material of polyurethane, is upgrading its business portfolio that complies with the eco-friendly paradigm by commercializing Re-polyol and increasing polyol sales. Re-polyol is made from scrap and waste polyurethane foam generated in various industries. Bio-polyol, on the other hand, is an eco-friendly, low-toxic product made from oil extracted from plants.

Pursuing Partnership-based Biodegradable Packaging Materials Business

Based on its partnership with CJ Cheiljedang, SKC has succeeded in developing new eco-friendly biodegradable packaging materials and plans to apply the new materials to more products. In addition, with our partnership with SPC Group, we will supply our biodegradable films as packaging materials to various brands, such as Baskin-Robbins and Paris Croissant. We are expecting to broaden the scope of brands in the future.



MOU with SPC Group

Pioneering of New Global Markets

SKC has been running global businesses successfully in the U.S., Europe, and China for decades. Based on our abundant experience, we will constantly pursue to pioneer new global markets and attract more foreign clients for further growth.

Participation in Global ESG Partnership

SKC takes part in various domestic and overseas partnership programs, including AEPW (2019) and the Climate Group's RE100 (2020), with an aim to solve global ESG-related issues, such as plastic waste and climate change. We plan to further expand our ESG activities in the future.



Employees looking at SKC's global business sites

SKC Exhibition Hall

SKC opened its own exhibition hall to demonstrate its corporate identity as a global top-tier specialty materials and parts company. The exhibition hall shows the present and the future of SKC, demonstrating the changes brought about by innovation in business models. Based on our aspiration to fulfill deep change for the past years, we solidified rechargeable battery materials business as our new growth engine. In addition, we are reorganizing our businesses focusing on mobility, semiconductor, and eco-friendly materials, which are considered our future growth engines. SKC Exhibition Hall is designed to demonstrate SKC's changes to external stakeholders, as well as SKC employees, and accelerate its innovation in business models. We are making relentless efforts to make the exhibition hall serve as the symbol of business model innovation.



Global No.1 Leader that connects a differentiated future with dominating technologies

The Mobility Zone exhibits copper foil, the key material of rechargeable batteries, transparent PI films for next-generation displays, PCT films for hydrogen and self-driving cars, and high-value PU specialty materials. In particular, visitors will be overwhelmed by our copper foil technology, through life-size copper foil roll exhibits and copper foil products of different thicknesses.



A partner who leads the semiconductor industry through relentless R&D activities

The Semiconductor Zone introduces SKC as a leader in the home production of semiconductors. This zone exhibits blank masks and CMP pads that we have succeeded in-home production, as well as SiC structures, which are manufactured only by SKC in the country. In addition, visitors can see the features, merits, and use processes of different products through the sliding touch panels.



A first mover that designs an abundant and sustainable future

The Eco-Friendly Zone presents biodegradable PLA film that was commercialized by SKC for the first time in the world (2009), PG made through an eco-friendly HPPO process, SKC Ecolabel that can be recycled with PET bottles, window/smart window film contributing to energy saving, and polyurethane products.



2 Strengthening R&D

Technology competitiveness is essential for a sustainable growth as a materials company. Considering the rapidly changing industrial paradigm, SKC aims to enhance its competency in technology, and based on the accumulated technology leadership, it aims to secure future growth items in a strategic way focusing on mobility, semiconductor, and eco-friendly materials businesses.

Development of Mobility Materials and Technologies

Web Handling Technology

Copper foil is used as the anode current collector of lithium-ion rechargeable batteries. Anode materials are made by coating copper foil with active materials. The thinner the foil, the lighter and smaller it gets, which means it is advantageous in terms of compactness, thinness and capacity. SKC successfully developed the world's best technology, as a result of concentrating on developing the web handling technology of the roll-to-roll process. We are engaged in conducting R&D activities to further enhance this technology. Our ultra-thin 5 μ m product is currently being used for drone batteries and is expected to be used for automobiles in the near future.

Rechargeable Battery Materials

Numerous automobile manufacturers, battery manufacturers, and startups are developing a variety of next-generation batteries in order to enhance battery safety and energy density compared to the existing lithium-ion batteries. SK nexilis, an SKC affiliate, is committed to analyzing the next-generation battery technology trend and developing advanced new current collector technology for solid-state batteries.



History of Copper Foil Technology Development

2020	Won the 2019 IR52 Jang Young-shil Award (Presidential Award) with high-capacity lithium-ion rechargeable batteries
2019	Developed the world's first 4 μ m copper foil for batteries (30km roll) Developed the world's first 4.5 μ m copper foil for batteries (56km roll)
2017	Succeeded in mass producing 5 μ m copper foil for batteries for the first time in the world
2013	Succeeded in mass producing 6 μ m copper foil for batteries for the first time in the world

Classification	World's first 5 μ m copper foil (2017)	World's first 4.5 μ m copper foil (June 2019)	World's first 4 μ m copper foil (October 2019)
Thickness	5 μ m	4.5 μ m	4 μ m
Width	1,390mm	1,400mm	1,400mm
Length	47,300m	56,500m	30,000m
Weight	2,938kg	3,139kg	1,481kg

EV Materials

SKC develops polyurethane foam pads for EV batteries, thermal management materials for batteries, anti-glare/anti-reflection films for EV display, multilayer ceramic condenser (MLCC) release films, and so on. Although the development progress varies depending on the items, the common goal of all products is to make a social contribution through eco-friendly products.



Wireless Charging System

With the growth of the EV market, more efficient and convenient EV charging technology is demanded. Wireless EV charging is currently regarded as a new technology that will replace traditional wired charging since it maximizes user convenience and enables frequent charging. As it is expected that wireless charging will serve as a key factor to the self-driving system in the near future, SKC secured its competency in developing differentiated wireless charging systems based on its magnetic materials technology. The development is in progress under the goal of applying the system to all mobility—from personal mobility devices to EVs.



Development of Semiconductor Materials

MOCA-free CMP Pad

SKC solmics is working on the development of MOCA-free CMP pads which can replace MOCA, a harmful curing agent, with an eco-friendly curing agent. Accordingly, we will develop differentiated products and preemptively respond to the restrictions on using MOCA. Furthermore, we will ensure environmental and customer safety by regulating the use of hazardous substances.



CMP Slurries

CMP slurries are abrasives injected during semiconductor planarization. As it is difficult to improve the performance of abrasive particles in the existing products in terms of scratches and defects due to their structure, SKC solmics engages in developing new structural slurry particles and preparing for commercialization with its business partners. Once the new product is applied, it will contribute to increasing the semiconductor yield by reducing scratches and defects. In addition, SKC solmics is focusing on improving its technology to develop next-generation process slurries.



Development of Eco-friendly Materials

PBAT with High Durability

PBAT (polybutylene adipate-co-terephthalate) is an eco-friendly material that undergoes biodegradation for a short period of time without leaving any hazardous substance just like other biodegradable materials. However, there is a limitation in expanding its use due to its mechanical properties, such as weak tensile strength. To remedy the shortcomings of preexisting PBAT, SKC uses wood nano-cellulose as a natural agent for high durability. We secured the technology to mass-produce PBAT with high durability and outstanding processability and are now preparing for commercialization. Moreover, we are taking part in the biodegradable bioplastic commercialization and feasibility study project of the Ministry of Trade, Industry and Energy (MOTIE). With the use of prototype resin, we successfully made a variety of prototypes, such as general disposable plastic bags, garbage bags, agricultural mulch film, and disposable straws.



Smart Window Film

SKC began its development of smart window film in 2017. In 2020, we finally succeeded in developing the world's first electrochromic smart window film by partnering with a promising venture. Smart window automatically adjusts the amount of sunlight and indoor temperature, thus contributing to drastically reducing air-conditioning costs and creating a pleasant indoor environment. In addition, smart window is embedded with a variety of functions in association with IoT technology. In particular, a film-type smart window is thinner and lighter than a glass-type smart window, which guarantees high commercial use as it reduces the cost burden through mass production, large-area application, and curve application. We are focusing on improving product performance, such as large-area manufacturing technology and a wider energy adjustment range, with the goal of mass production in 2022. We are putting our efforts to apply this technology to wider areas, including automobiles and smart farms.

High-insulation Polyurethane Board for Building Insulation

MCNS focuses on conducting an R&D project to save energy in buildings by enhancing the insulation performance of polyurethane boards. Once the project is complete, we will be able to improve insulation performance without excessively increasing the insulation thickness. This will serve as a differentiation factor in terms of reduced construction costs and maximized design area. Moreover, based on our certified eco-friendly materials, including Re-polyol, we will reduce GHG emissions and strengthen our competitiveness using our technology that enables resource recycling.

Eco-friendly Cold-reserving Material for LNG Carriers

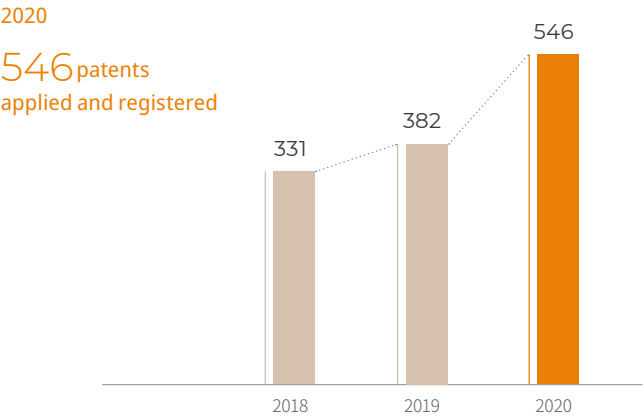
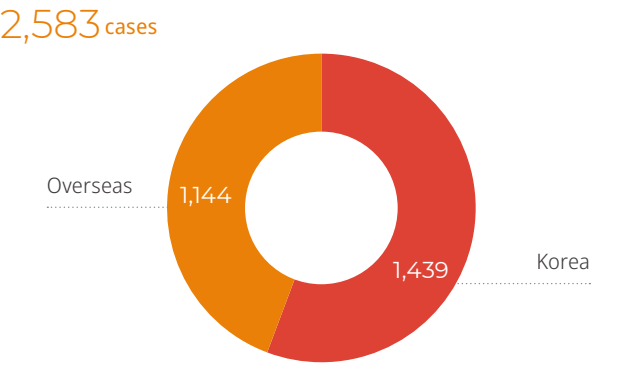
An LNG carrier is a tank ship designed for transporting liquefied natural gas (LNG), which is an eco-friendly energy source. To transport LNG, carriers use rigid polyurethane foam (R-PUF) to serve as an extremely cold-reserving material at -163°C in a cargo hold. MCNS supplies products for R-PUF and develops differentiated technology by maximizing the insulation performance to minimize LNG boil-off rate (BOR). Decreased BOR can contribute to reducing environmental impacts. In addition, MCNS is conducting R&D activities to replace the existing blowing agents used for cold-reserving materials with an eco-friendly blowing agent in order to protect the ozone layer and stop global warming.



Strategies for Obtaining Patents

SKC respects and recognizes the importance of intellectual property rights. Intellectual property rights, including patents, are used as basic judgment criteria for our business activities. Not only do we analyze competitors' patents throughout different R&D phases, but we also perform patent analysis in order to establish counter-strategies for business activities such as M&A. We formed a task force to further strengthen our patent competitiveness for each R&D project and carried out various activities to create excellent patents. At present, we are operating a corporate intellectual property management system and strengthening our expertise in intellectual property management by constantly educating our researchers and fostering experts within the organization dedicated to intellectual property management. We are putting forth the efforts to ensure exclusive patent competitiveness by establishing and implementing different counterstrategies at each commercialization phase. As of the end of March 2021, we own 2,583 patents, utility models, and designs at home and abroad. Our efforts continue to further advance and strengthen our patent competitiveness.

SKC's Intellectual Property (Unit: cases)



3 Innovating Business Models based on Digital Transformation

SKC is proactively innovating its business models based on digital transformation* and responding swiftly to the market environment of the 4th industrial revolution. Based on digital transformation, we strive to maximize customer values, advance digital factories, and strengthen our data analysis capabilities. We pursue company-wide process innovation in customer, production, and business management.

* Digital transformation: Refers to innovating the conventional operating methods of a business model by establishing and utilizing ICT, such as AI and big data.

Enhancing Competitiveness of Customer Value-based Businesses

SKC established a digital marketing platform, which is under pilot operation, to improve customer data accessibility, manage customer relationships, and utilize sales information. We plan to upgrade the platform to a market assistant system for customer and market data management and respond to the data-based markets in association with our internal supply chain and production management system. In addition, we will adopt an AI model to sound out the feasibility of a prediction-based business management. For this, we established a data analysis platform myDATA for systematic data collection and management. We also created an environment in which analysis results can be applied to work by utilizing machine learning and deep learning.

Generating Outcomes through Digital Factory

SKC established and carries out digital transformation tasks throughout its manufacturing process to enhance the efficiency of production facilities. In particular, we are establishing digital factories gradually by applying digital transformation to our production and manufacturing factories. We are using a digital factory adoption system and roadmap in our key production facilities, such as in the production lines of copper foil and semiconductor materials. In addition, we secured AI experts and accumulated AI development experience to bring out a variety of business tasks. To strengthen our company-wide support, we launched a Digital Transformation Promotion Committee to encourage performance sharing and discussions with regard to digital transformation tasks. We are also accelerating our performances through AI experts and our expertise in business application. We plan to expand our support in a wider scope to internalize our capabilities by providing technical support and relevant guidelines and encouraging employees' participation.

Advancing Digital Transformation-based Quality Management

Product quality is directly related to customer trust. In this regard, SKC adopted a deep learning AI for quality inspection to produce high-quality products and enhance its competency in quality management. We perform AI testing and automatic judgment in the manufacturing process, such as in copper foil manufacturing, which is the key material in making EV batteries, CMP pads for semiconductors, and

high-performance specialty films. Ultra high-speed precision cameras installed at all production lines capture images and the captured images are analyzed by the AI quality management system to find defects. In particular, we made innovative improvements in the work environment by replacing visual inspection with an AI system in the semiconductor materials production process.

Boosting Employees' Insight

In order to apply and spread digital transformation throughout the company, SKC operates various communication channels through which all employees can exchange their opinions. We hold workshops every quarter to strengthen our project execution capabilities. In addition, we pass down our experience and improve employees' digital leadership so as to help them develop their capabilities in commencing new projects.



Employees attending the digital transformation workshop

Employee Capacity Building and Internalization

SKC carries out a variety of activities to foster digital transformation experts. In 2019, we held "Data Champ. Campus" for around 30 employees with the goal of securing a pool of digital transformation experts. Through the program, employees gained knowledge in advanced statistics, AI, and machine learning. In 2020, we began offering a variety of relevant education programs on the SK Group's training platform mySUNI for employee capacity building. Approximately 70 employees completed the mySUNI Citizen Data Scientist (CDS) program, and as a result, we gained a total of 100 data analysts. Furthermore, to help employees become experts in data analysis, SKC is recruiting working-level staff who can handle data analysis projects by fostering CDS leaders.

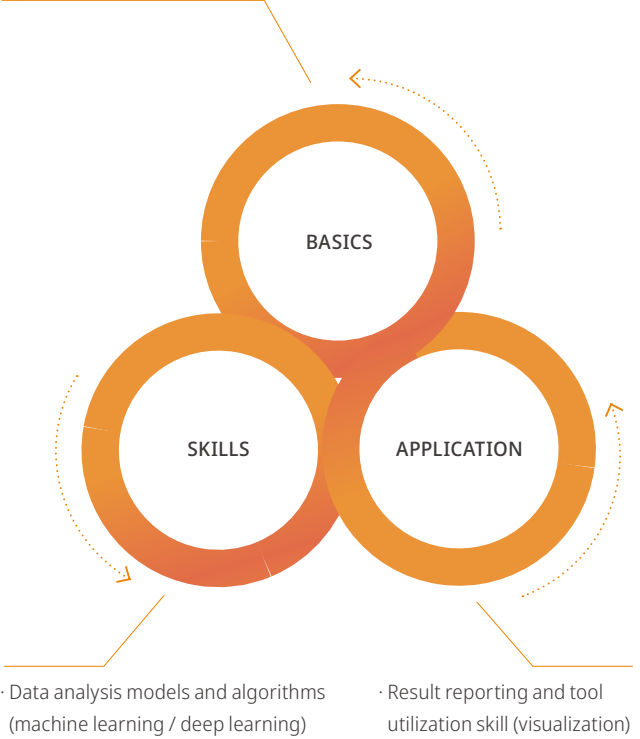
In 2020, we held the first SKC Data Analysis Contest with an aim to internalize employees' analysis capabilities. Around 70 employees participated in the contest and realized a variety of data analysis ideas. SKC strives to form a dedicated group for each business and to make this happen, more data analysis experts will be trained by utilizing the programs of internal and external organizations, including Seoul National University. We will further reinforce our digital transformation capabilities and spread the culture of utilizing AI and data transformation by holding more data analysis contests, proposing projects led by working-level staff, and pursuing project-based learning.



1st SKC Data Analysis Contest (2020)

Digital Transformation Curriculum

- Mathematical theories (linear algebra, probability and statistics)
- Data analysis and utilization (Python)



Origination for Sustainable Environment

All business activities of SKC aim for sustainability in our daily lives.

SKC spares no effort to minimize the environmental impact of its business activities and thus realize a sustainable environment. Based on our innovative R&D performance, we are taking the lead in creating a virtuous cycle in relation to plastic. We are committed to creating a sustainable environment by commercializing HPPO, an eco-friendly PO manufacturing technology. In addition, with our declarations of Net Zero GHG Emissions 2040 and Net Zero Plastic 2030, we confirmed our will to proactively cope with climate change and preserve the environment for the next generations. The declarations encouraged us to set our future directions. In this regard, we will make constant efforts so that all our activities become the foundation for a sustainable environment.

Response to
Climate Change

Fostering an
Ecosystem
of Resource
Circulation

Reducing
Environment
Impact in
Business Activities

Controlling
Pollutants and
Hazardous
Substances

SKC's Declaration for a Sustainable Environment

Net Zero GHG Emissions 2040

In 2021, SKC voluntarily joined the greenhouse gas energy target management scheme, which was initiated in 2015. Selected as a party of emissions trading scheme, we have been conducting a variety of activities to reduce GHG emissions. To achieve Net Zero GHG Emissions 2040, we devised the following three key plans to reduce GHG emissions.

1. Shifting from Fossil Fuel to Renewable Energy

SKC plans to equip its business sites with high-efficiency facilities and renewable energy-powered facilities and reduce greenhouse gas (GHG) emissions through improvements in processes. In the long term, we are reviewing and considering the use of low-carbon or carbon-free fuel, such as green hydrogen and biofuel.

2. Active Implementation of RE100*

SKC pursues to achieve RE100 from a long-term perspective through power purchase agreements (PPAs) with domestic third parties and certificate purchase. For the new construction and expansion of overseas business sites, we will practice RE100 upon the commencement of operations.

* RE100: Short for Renewable Energy 100%, RE100 is a global initiative of accelerating the global companies' commitment to 100% renewable electricity.

3. Commercialization of GHG Emissions Reduction Materials

Not only is SKC carrying out ESG-related businesses, including copper foil and semiconductor materials but it is also expanding its business in GHG emissions reduction materials, such as next-generation rechargeable battery materials, low-power and high-performance semiconductor materials, and energy-saving materials, in order to generate practical outcomes. We are constantly innovating our business models and thus accelerating ESG management.

Net Zero Plastic 2030

As a plastic manufacturer, SKC takes advantage of its technologies to create a virtuous cycle and solve problems associated with plastics. We derived two key plans to achieve Net Zero Plastic 2030.

1. Reducing Plastic throughout Business Activities

SKC makes use of its products and technologies to achieve Net Zero Plastic both directly and indirectly throughout the entire process of plastic production, use, discharge, and treatment. We reduce the absolute amount of recycled and incinerated plastic waste by developing biodegradable plastic. In addition, we replaced chips used for PET film manufacturing with renewable chips. We are expanding the scope of using recycled plastic waste for packaging materials. We practice diversified management for Net Zero Plastic by developing eco-friendly packaging materials, thus increasing the recycling rate.

2. Achieving Net Zero Plastic with Stakeholders

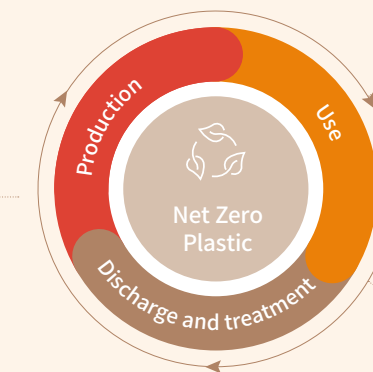
SKC plans to expand the ecosystem of new biodegradable materials business based on cost and quality competitiveness through joint commercialization of new biodegradable materials business with its stakeholders. In addition, we are pushing for a plastic waste recycling business with foreign business partners with outstanding technology. We aim to solve plastic disposal issues and establish an ecosystem of resource circulation.

In July 2019, we joined AEPW to take part in solving the global issue of plastic wastes. We strive to seek more ways to solve issues associated with plastic by partnering with global enterprises.

Virtuous Cycle of Plastic

Production

Producing eco-friendly plastics, such as PLA and PBAT, and increasing the use of renewable chips



Use

Increasing the recycling rate of plastic, including packaging materials

Discharge and treatment

Increasing recycling rate and reducing incineration rate by supplying more eco-friendly plastic, such as the use of SKC Ecolabel

1

Response to Climate Change

Climate change is a threat to corporate activities as well as the environment and our daily lives. Given the situation, efforts to reduce GHG emissions are not an option but a requirement. Accordingly, SKC declared Net Zero GHG Emissions 2040, and under the goal of achieving RE100, we are preemptively coping with climate change through various business activities.

Activities to Save Energy

To achieve Net Zero GHG Emissions, SKC is actively seeking and implementing various ways to save energy and maximize energy efficiency. We are making constant efforts to reduce absolute energy consumption by recycling energy sources and decreasing energy loss through facility improvement. Moreover, we strive to reduce GHG emissions by replacing existing fuel that generates a large amount of GHG emissions with eco-friendly fuel.

RE100

SKC is coping with climate change through renewable energy. In November 2020, we joined RE100 with other member companies of SK Group for the first time in Korea.

To contribute to controlling climate change, SKC will increase the use of renewable electricity to 100% by 2040. Considering the RE100 implementation tools, each of our affiliate and business divisions will establish an action plan and share relevant guides and templates. In 2021, SK picglobal purchased 13 GWh of renewable electricity through the Green Premium. SK nexilis announced that it will be in full compliance with RE100 as soon as its business sites in Malaysia and Europe complete facility extension and resume their operation. As such, we will expand the scope of RE100 implementation through PPAs with third parties and renewable energy certificate (REC) purchase.

Energy Management

As a response to climate change, SKC is managing energy consumption and GHG emissions on a daily basis using its systematic factory energy management system and operation information system. We are monitoring our annual GHG emissions reduction target in advance to respond to the current progress efficiently.

SKC is putting forth efforts to manage GHG emissions and prevent excessive energy consumption through real-time energy consumption monitoring and analysis. In this regard, the business sites in Suwon and Jincheon adopted the factory energy management system in 2017 and 2018, respectively. We plan to apply this system to all our business sites for more efficient energy management.

In May 2021, we concluded an agreement for the pilot project of the voluntary energy efficiency target scheme with the Korea Energy Agency, aiming to further enhance energy efficiency. Under the agreement, we will establish an internal energy performance system by business site and make efforts to create a company-wide energy-saving culture.

Case 1

SK picglobal Ulsan business site came up with an idea of collecting and utilizing waste heat as a heat source instead of steam. After collecting waste heat from the incineration and cooling processes, high-temperature water flows through high-efficiency facilities to utilize waste heat as a heat source and thus reduce energy consumption in the purification tower. As a result of successfully introducing this system through three phases of investments and operational optimization, the business site conserved energy by over 60% and saved approximately KRW 10 billion per year. SK picglobal currently owns a patent on the waste heat recovery system.

Case 2

SK picglobal collects waste heat near the Ulsan business site and uses the heat for its production process in order to reduce the fuel consumption of steam boilers, which also reduces GHG emissions. After the first phase of introduction conducted from 2008 to 2012, the company could reduce 86,000 tons of GHG emissions every year. Since the second phase implemented in 2015, it is reducing additional 59,000 tons of GHG emissions every year. SK picglobal is planning for the third phase from 2021 to 2025, which is expected to reduce additional 83,000 tons of GHG emissions annually.

Case 3

Bunker C oil is a type of heavy fuel oil mainly used for large-sized industrial boilers. Due to its characteristic of generating severe exhaust gas during combustion, B-C oil is one of the fuels that generate the largest amount of GHG emissions. Since 2016, SK picglobal Ulsan business site has been using liquefied petroleum gas (LPG) instead of Bunker C oil, which reduces an annual average of 4,000 tons of GHG emissions.

Case 4

From 2016 to 2017, SKC Suwon business site dismantled boilers and installed electric heaters instead for nine processes. As a result, it reduces 200 tons of GHG emissions every year.

2

Fostering an Ecosystem of Resource Circulation

Resource circulation to reduce the impacts of waste on the environment is an essential task of today. As a leader among eco-friendly manufacturers, SKC declared Net Zero Plastic 2030. We are putting forth efforts to build an ecosystem of resource circulation by developing biodegradable plastics and increasing the recycling rate of plastics.

Promoting Plastic Recycling Business

SKC plans to recycle plastics to promote an eco-friendly virtuous cycle. We aim to become Korea's largest eco-friendly pyrolysis oil manufacturer through our partnership with the Ulsan Metropolitan Government. In December 2020, we signed an MOU with the Ulsan Metropolitan Government for an eco-friendly waste recycling project. As part of the project, we will invest approximately KRW 100 billion in a 50,000m² land near our Ulsan business site to construct an eco-friendly recycling plant for producing pyrolysis oil using plastic waste.



MOU with the Ulsan Metropolitan Government for the eco-friendly waste recycling project

In June 2021, SKC concluded another MOU for joint technology development for the commercialization of waste plastic pyrolysis with a Japanese venture Kankyo Energy. Our agreement aims to secure waste plastic pyrolysis commercialization technology using Kankyo Energy's advanced technology and our expertise in the chemical business. Based on the MOUs we concluded with our business partners including SK picglobal, we plan to produce pyrolysis oil and raw materials of plastic using plastic waste, including films. Furthermore, we will strengthen our ESG management by building a circular economy.



MOU with a Japanese venture for joint technology development for commercializing waste plastic pyrolysis

Enhancing Waste Discharge Management

Joining the Global Alliance to End Plastic Waste Problem

In July 2019, SKC became the first Korean company to join AEPW along with other global companies, including BASF, The Dow Chemical Company, P&G, and PepsiCo. As a global alliance to promote solutions for reducing and ending plastic waste, AEPW focuses on developing and implementing plastic removal solutions in a variety of fields, including infrastructure development, innovation, education, participation, and environmental remediation. As an AEPW member, we are striving to develop technologies that will enhance the reuse and recycling of plastic. In addition, we are seeking solutions to reduce plastic waste in cooperation with numerous global companies.



AEPW general meeting held in Houston, U.S. (February 2020)

Waste Discharge Reduction Activities

SKC is in full compliance with the waste management laws and regulations. Whenever our business sites discharge waste, we report the fact to the government's waste treatment and management system "Allbaro" for appropriate waste management. In addition, we are putting forth our best effort to reduce the absolute amount of waste. Some of our business sites use packaging-free or "naked" packaging to refrain from using boxes.

SKC plans to consider new types of packaging, taking a variety of factors, such as cost, time, inventory, warehousing, and shipment, into consideration. Our naked packaging includes U-shaped pads, wood insertion-type, assembled pads, and assembled iron pallets. We use the most suitable method tailored to clients and thus simplify packaging materials.

Case 1

To reduce the amount of waste generated during incineration, SK nexilis Jeongeup business site replaced product packaging materials with biodegradable plastic. The company requested its thin side cap supplier to replace the packaging materials with eco-friendly materials and set a goal of increasing the percentage of eco-friendly packaging materials to 40% of the total packaging materials in 2021.

Case 2

SKC solmics is leading eco-friendly management that reduces cost and waste generation through its enhancement in productivity. The company reduced waste generation in an innovative way by automating the production lines and improving the production environment. In addition, it is constantly making efforts to reduce waste by selling its waste pads and seeking for a solution to activate resource circulation through waste pad recycling.

Case 3

SK picglobal Ulsan business site is contributing to reducing waste by upcycling waste oil to boiler fuel. Since its first introduction in 2008, the company has been upcycling waste oil up to 50,000 tons per year.

Expanding Waste Recycling

SKC steadfastly reduces environmental pollution through its attempts to reduce waste discharge and actively promote waste recycling. We are taking active measures to partner with new recycling companies to enhance our waste recycling rates. Going forward, we will further strengthen our eco-friendly management and expand our system to overseas business sites by obtaining Zero Waste to Landfill certification in which different ratings are given depending on the waste recycling rates.

Case 1

Since 2020, MCNS Ulsan business site has been pushing the waste recycling business as its new business model to create social values. The goal of this business model is to reduce the amount of landfilled waste dramatically by using waste insulation materials, which used to be landfilled, as a raw material of cement. Moreover, the business site is seeking solutions to reuse waste polyurethane foam as an auxiliary fuel for power generation instead of incinerating it. It is also maximizing the efficiency of waste recycling by advancing its sludge management process.

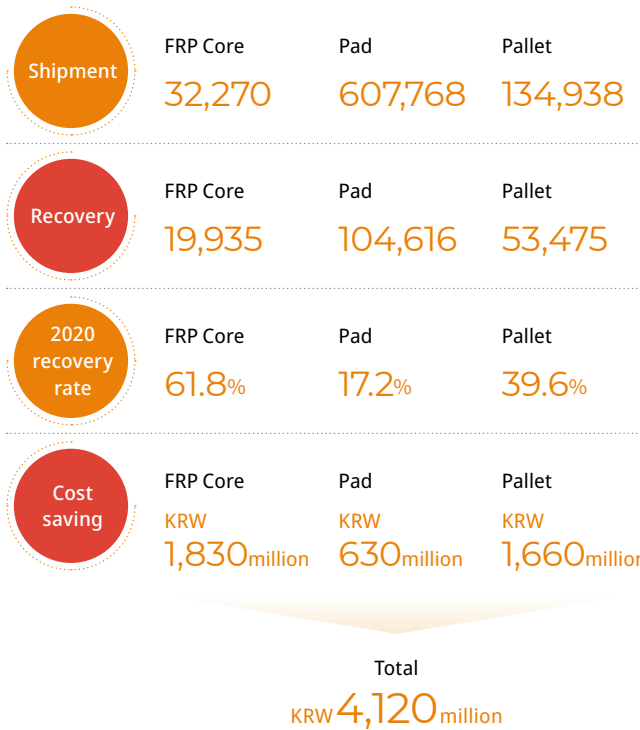
Case 2

SKC Suwon business site is putting forth the efforts to reduce its resource consumption by retrieving and reusing packaging materials. First, it plans to come up with some ideas to increase recovery rates by packaging material and develop recyclable materials. Afterwards, it will undergo the process of analyzing the packaging material recovery performance of each client and the factors that hinder the recovery rates, and then suggest a customized improvement plan. The business site also intends to increase the amount of recollected packaging materials and maximize the effects of saving the resources by simplifying the recovery cycle consisting of shipment, recovery, cleaning, and reuse.

Case 3

SK picglobal Ulsan business site is converting sludge generated during wastewater treatment into a fuel for cement manufacturing. As a result, it is maintaining a waste recycling rate at over 90%. The business site is making constant efforts to enhance values beyond simple waste recycling.

SKC Suwon Business Site's Packaging Materials Recovery



※ Formula for cost saving = Amount recovered / Amount reused X (Unit price by material specification – Unit price of recovery)

3 Reducing Environmental Impact in Business Activities

A company's business activities may affect the environment in a variety of aspects. In this regard, SKC strives to reduce the environmental impacts in its business activities by acting as a front-runner in developing and applying eco-friendly processes and improving its water resource management. In addition, we are raising employees' environmental awareness through our constant education, aiming to realize a sustainable environment.

Protecting the Ecosystem

SKC engages itself in conducting environmental remediation activities in order to protect the ecosystem. SK picglobal takes charge in cleaning the banks of Taehwagang River in Ulsan once a month. SKC Suwon business site, on the other hand, carries out water purification activities at Seohocheon Stream on a regular basis. The employees purify water 10 times cleaner than the legal water quality criteria before discharging water to Seohocheon Stream, thus contributing to preventing streams from drying up and protecting the aquatic ecosystem.

Commercialization of Eco-friendly Process

In 2008, SKC succeeded in commercializing HPPO for the first time in the world. We have been maintaining an operating rate of 100% for over 10 years. HPPO is an eco-friendly process using hydrogen peroxide (H₂O₂) to produce PO and no other byproduct but water. PO is the main ingredient of PG, which is used for cosmetics and medicines, and polyol, which is a raw material of polyurethane used as an interior material of automobiles. HPPO guarantees eco-friendly and economical process as it does not produce any byproduct except water. By continuously developing such eco-friendly processes, we are doing our best to reduce our impact on the environment.

Water Resources Management

SKC is making efforts to reduce its impact on the environment through water-conserving projects. Most of our business sites are reusing water or using alternative water.

Case 1

SKC solmics Chupal business site is improving its manufacturing process so that it can reuse wastewater instead of undergoing the process of treating and discharging. Once this new process is applied, it can use approximately 15 tons of alternative water per day, which will reduce both water bills and wastewater treatment costs.

Case 2

SK picglobal Ulsan business site minimized drinking water losses resulting from water leakage by installing drinking water pipes above ground and changing the route of industrial water pipes. In addition, it reduced around 30 tons of firewater per hour using groundwater.

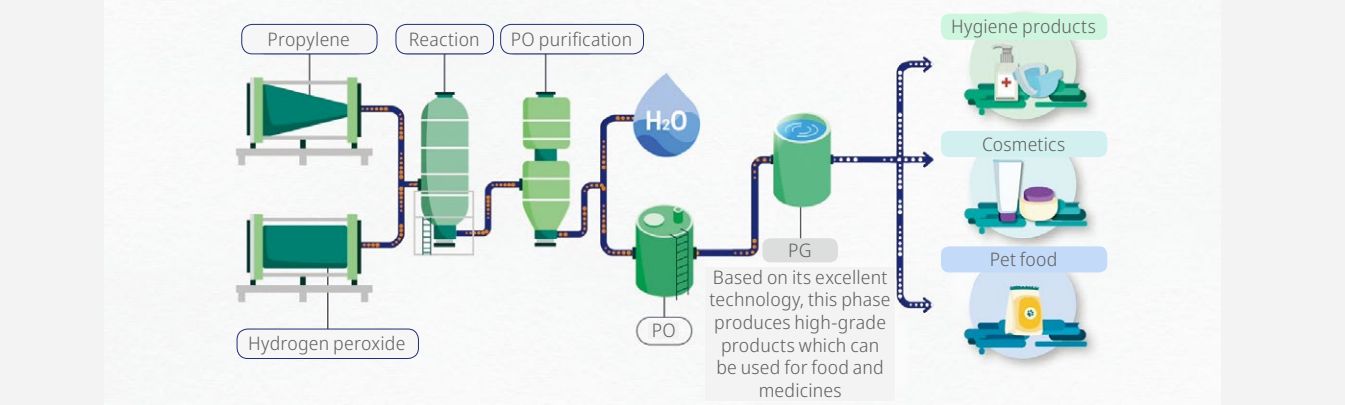
Case 3

Since 2007, SK nexilis has been reusing concentrated wastewater generated from the Jeongeup business site as industrial water. In 2020, the company reused and saved 165,000 tons of water annually.

Case 4

SKC Jincheon business site is reusing the effluents generated from wastewater treatment facilities. By installing pumps and changing the pipes, it uses effluents for diluting coagulants in dehydrators instead of water.

Eco-friendly HPPO Process



Environmental Education for Employees

SKC considers safety, health, and environment (SHE) as its top priority in carrying out business activities. For this, we comply with stricter SHE management policies. In particular, we are reducing the environmental impact of our business activities and products by providing environmental education for employees on a regular basis. SKC offers in-house education as well as compulsory education in order to raise employees' environmental responsibility and awareness and share practical information, such as legal implementations, how to cope with incidents, and how to carry out their work.



Employees taking environmental awareness education

Environmental Education Programs

Classification	Program	Target
Compulsory education 	Education for water quality technicians	Water quality and environmental technicians
	Education for air quality monitoring technicians	Air quality and environmental technicians
	Education for hazardous materials managers	Senior managers
	License education for hazardous materials managers	Expected senior managers
	Education for hazardous materials handlers	Hazardous materials handlers
	Education for hazardous materials workers	Hazardous materials workers
	Education for workers who prepare plans for reducing the discharge of chemical substances	Workers who prepare plans for reducing the discharge of chemical substances
Miscellaneous 	How to cope with hazardous materials incidents	SHE Team
	Introductory course for the Act on Registration, Evaluation, Etc. of Chemicals	SHE Team
	Polymer registration process under the Act on Registration, Evaluation, Etc. of Chemicals	SHE Team
	Education for joint registration under the Act on Registration, Evaluation, Etc. of Chemicals	SHE Team
	Preparing risk data under the Act on Registration, Evaluation, Etc. of Chemicals	SHE Team
	Environmental management and emergency response scenario	Production site employees
	Environmental issues and management	Personnel newly appointed for environmental management positions
	Special SHE education	New recruits (new/experienced employees) Production site employees

4Control of Pollutants and Hazardous Substances

Corporate activities may affect the environment in terms of air, soil, and water. Having recognized the risks and impacts of pollution, SKC actively establishes and implements countermeasures. We established relevant systems to conduct a regular inspection for effective control of pollutants. We will take the lead in reducing environmental pollutants, thereby constantly improving our systems.

Efforts to Reduce Air Pollution

SKC is making efforts to increase effectiveness in its activities in order to reduce particulates and air pollutants. We established a telemonitoring system (TMS) to monitor air pollutants. Our leak detection and repair leak detection and repair (LDAR)* system control hazardous air pollutant leakages. In addition, we signed an agreement for reducing pollutants and are investing a huge amount in air pollution control facilities to preemptively respond to the pollutant concentration and generation regulations, which are getting stricter and stricter.

* LDAR: A system that manages the leak of volatile organic compounds (VOCs) from valves, pumps, compressors, safety valves, and pipe joints.

Case 1

As a measure to voluntarily reduce nitrogen oxide and dust, SKC business sites in Suwon and Jincheon newly installed extremely low nitrogen oxide burners, further decreasing their nitrogen oxide level from 150 ppm to 60 ppm.

Case 2

SK picglobal Ulsan business site improved its air pollution control facilities, including denitrifier for boilers and incinerators and electrostatic precipitator, by investing approximately KRW 9.2 billion. This has helped the site reduce nitrogen oxide and dust and comply with the allowable emissions limits as well. The company is making constant efforts for environmental protection through investments in improving the air quality.

Case 3

SKC Suwon business site concluded its fifth agreement for voluntary air pollutant control with the Metropolitan Air Quality Management Office. It plans to reduce nitrogen oxide, sulfur oxide, and dust by 10% of the total allowable emissions by 2022.

Efforts to Reduce Soil and Water Pollution

SKC conducts a regular inspection on its storage facilities to prevent and control soil pollution. We also conduct on-demand inspections whenever any change arises, such as an increase in facility capacity and substance changes.

We analyze and monitor pollutants in wastewater to prevent water pollution and treat wastewater in a stable manner. Furthermore, we reduce GHG emissions and energy consumption required for wastewater treatment by fundamentally managing and treating wastewater by concentration level. To treat waste gases generated from wastewater treatment facilities, we install covers for such facilities and connect regenerative thermal oxidizers to control VOCs and odors effectively.

Case 1

In compliance with the new regulations of permit, SKC Suwon business site reduced the capacity of its methanol storage tank. It reduced the use of chemicals and renovated its outdated facilities to prevent soil pollution that may result from chemical leaks.

Case 2

SKC solmics Jangdang business site made changes in its waste treatment method. To reduce soil pollution, the company will partner with the most appropriate recycling company to break away from the traditional method of landfill.

Case 3

SKC Jincheon business site will enhance the efficiency of disk filters and incorporate a warning system to prevent water pollution. Before discharging wastewater, sand will be used for primary filtration and active carbon for secondary filtration, thus enhancing the filtration effects. In addition, the business site will eliminate water pollution risks in advance by installing and improving a double-warning system.

Case 4

SK picglobal Ulsan business site adopted a groundwater monitoring system to prevent and control water and soil pollution. Using this system, it monitors pollution and investigates pollutants and pollution sources swiftly. The company puts its utmost effort to prevent pollution from spreading to local communities by developing countermeasures against soil and water pollution.

Origination for Stakeholders

SKC practices happiness management for all stakeholders.

Throughout its management activities, SKC pursues the happiness of all stakeholders, including clients, employees, shareholders, and business partners. Internally, we seek innovations in terms of work environment and process to protect the health and happiness of our employees. Externally, we put forth the efforts for the coexistence with our business partners through systematic supply chain management that considers social value. In addition, we are dedicated to enhancing the competitiveness of the domestic materials industry and supporting the commercialization of startups and SMEs based on our open platform for new materials technology. We will exert ourselves in achieving happiness management with an aim to bring happiness to all our stakeholders.

Pursuing
Stakeholders'
Happiness

Practicing
Happiness
Management

Support for Business
Partners and
Supply Chains

Contribution to
Local Communities

1 Pursuing Stakeholders' Happiness

The ultimate goal of SK Group's change and innovation is happiness. To bring happiness to all its employees and stakeholders, SKC widens the range of its target from employees to all stakeholders, which includes clients, shareholders, and business partners.

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

It is essential to identify client needs promptly to enable a company's sustainable development. In this regard, SKC spares no effort in carrying out research and production activities in order to respond to client needs proactively. We are also building a strong relationship with our clients by enhancing customer satisfaction. We provide products and services that satisfy client needs by conducting a customer satisfaction survey and analyzing the database. We are pushing for long-term development through continuous communication with our clients.

SKC instills a corporate culture in which its shareholders can stay happy, by generating practical profits and enhancing corporate values. In our efforts to gain shareholders' trust, we are complying with policies tailored to different situations and responding to mega-trends in line with the rapidly changing era.

Moreover, we are disclosing our management activities in a transparent manner through company information sessions, website notices, and meetings with investors. We strive to increase the company's values by constantly collecting shareholders' opinions.

SKC is fully aware of how growth shared with stakeholders, business partners, and society can impact the corporate sustainability. Accordingly, we help our business partners create profits based on a differentiated cooperation model. In addition, we are conducting a variety of social contribution activities to create a healthy society.

SKC is committed to creating a sustainable ecosystem throughout its business activities by gaining trust from its clients, shareholders, and other stakeholders and contributing to their happiness. We will make sure that our business activities pursue the happiness of our employees and stakeholders and the harmony and balance between the present and the future.

Roles and Relationships between SK and Stakeholders



2

Practicing Happiness Management

SKC carries out a variety of activities to achieve happiness management based on its happiness strategy and map which were established through employees' participation and communication with stakeholders. We believe that employees' growth is directly connected to corporate growth. Based on this belief, we aim to pursue shared growth and provide a work environment where employees can display their potentials and abilities as much as possible and find the values of their work.

Innovation in Work

SKC is innovating its work processes to promote employees' happiness and pursue SUPLEX through voluntarily willingly brain engagement (VWBE). We are creating an environment where the employees can act as the key player of happiness by innovating our organizations, work processes, and work environment.

Innovation in Work Process

To break away from the traditional way of setting tasks and making evaluations annually, SKC adopted a regular task and evaluation system as its response to the rapidly changing environment and stakeholders' needs.

In addition, to build employees' capacity and help them yield results, we are offering education programs for leaders to foster a culture of coaching and feedback.

Innovation in Work Environment

SKC encourages its business sites and affiliates to adopt a virtual desktop infrastructure and an office program M365 to enable seamless cooperation even in the contact-less work environment. Moreover, SKC plans to adopt a flextime system on a trial basis in response to an IT-based work environment. In addition to two-week flexible work hours and staggered work hours, we will promote remote work, including our base office and work-from-home systems. We plan to trial-operate this system for selected organizations first and then to the entire company so that employees can choose their work hours and offices as they want. By adopting such innovative systems, we will help employees maintain a healthy work-life balance.

Fostering an Agile Culture

An agile culture is required for prompt response to the 4th industrial revolution. To create a foundation for agile business management, SKC expanded its organizational operation from team-based to project-based. We are operating various types of organizations, such as task force, joint organizations integrating two companies, and in-house ventures, depending on clients and on-site needs.

Happiness-seeking Programs

SKC is planning and operating a wide range of happiness-seeking programs in order to communicate with its employees under the topic of happiness and encourage them to become the key agent of happiness.

Happiness Bulletin Board

SKC operated Happiness Bulletin Board to draw its own definition of happiness through employees' participation and discussion. We collected opinions from employees for around five months in terms of three elements of happiness—work values, positive feelings, and happiness enhancement and hindrance factors. Based on the opinions collected, we were able to define our own meaning of happiness in six segments.

Happiness Talks

Through Happiness Talks, SKC's management and employees are forming a bond of empathy. We are strengthening our communication on various themes from individual happiness to happiness at work. In particular, to give words of encouragement to SK nexilis, which was affiliated to SKC in 2020, Chairman Chey Tae-won of SK Group visited SK nexilis Jeongeup business site and talked with SK nexilis employees about happiness SK is pushing for.



CEO Lee Wan-jae of SKC talking with employees

Happy High-Five

SKC contributes to enhancing employees' happiness by reducing their work stress and improving the organizational culture. Through High-Five, leaders and employees discussed happiness with an open mind and declared to make efforts for mutual happiness. As a result, we secured practical data on happiness and thus established a foundation for applying and expanding such data to other organizations.

Happy Challengers

SKC's Happy Challengers is a program where the employees participate to suggest relevant systems and plans with a goal of pursuing a happier organization. We select employees from SKC as well as our affiliates to serve as a bridge for happiness management between the company and employees. In the program, employees suggest practical ideas in terms of HR system and thus contribute to improving the existing systems.



Employees having a conversation in Happy Challengers

Designing Happiness Program

In addition to company-wide happiness programs, SKC carries out customized programs for each division and affiliate. The Industrial Materials Division operated Happy Challenge Program to encourage employees to set and achieve the happiness goals of the organization and individuals. MCNS, on the other hand, carried out Happiness Pass Program, where the employees attended lectures and answered a questionnaire survey to find their own meanings of happiness.



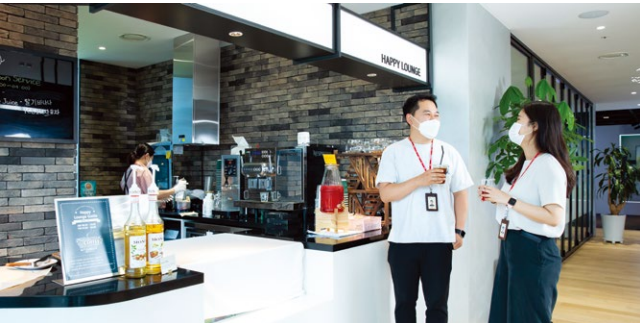
Employees participating in Designing Happiness Program

Happiness Camp

SKC members are encouraged to have a big break to pursue happiness in their personal lives through the Happiness Camp program. Accommodations at various vacation sites are provided to participants of this program which is run throughout the year.

Happiness Lounge

SKC is striving to create a happy work environment by providing an office lounge to employees to reduce their fatigue and increase their happiness. Happiness Lounge is a cafeteria where employees can enjoy different beverages and snacks every other day. They are also encouraged to use the lounge during work hours.



Employees enjoying tea at Happiness Lounge

Retiree Support Program

SKC highly acknowledges the hard work of retired employees who devoted themselves to company development. In this regard, we are providing a variety of services in association with our own support programs and public-led programs to support their lives after retirement. We financially support them in education and consulting for their further career as well as psychological and financial stability. In 2020, 10 retired employees were benefited from the program.

Public-led Programs

SKC offers a variety of courses, including career change and job experience, through the programs led by Korea Labor and Employment Service, an affiliate of the Ministry of Employment and Labor. Along with the public-led programs, we are also operating our own support programs.

SKC's Support Programs

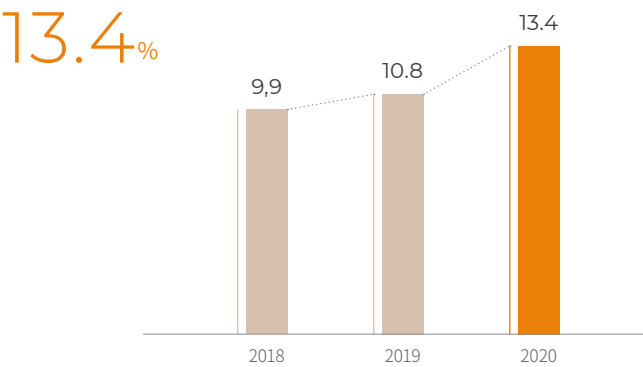
SKC provides financial aid for the self-development and days-off of employees who are expected to retire soon. We hold a retirement ceremony for retirees to appreciate their contributions and wish for their success in future careers. In addition, our systematic handover-takeover process enables soon-to-retire employees to select their successors one year before retirement and handover their duties so that the successors can develop their job competences.

Employee Diversity

Female Talents

SKC is fully aware that recruiting talented individuals without discrimination is essential to corporate growth. In this regard, we are eliminating gender discrimination in our recruitment process and as a result, the percentage of female employees is gradually increasing in both our company and affiliates.

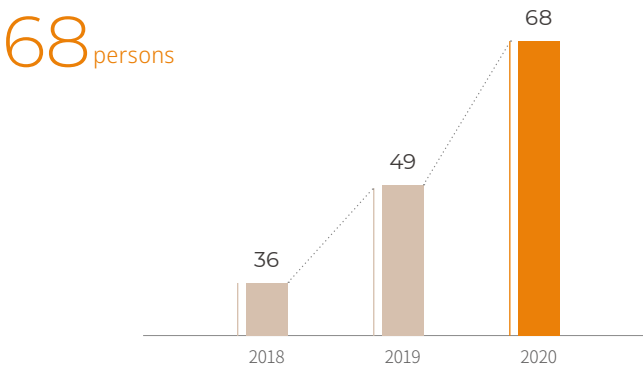
Annual Employment of Female Employees (Unit: %)



Hiring More Persons with Disabilities

SKC also strives to increase the employment rate of persons with disabilities and create more jobs. Based on our efforts, the percentage of employees with disabilities is increasing in both SKC and its affiliates. We plan to hire outside lecturers with visual impairment to hire more persons with disabilities and enhance their language proficiency at the same time.

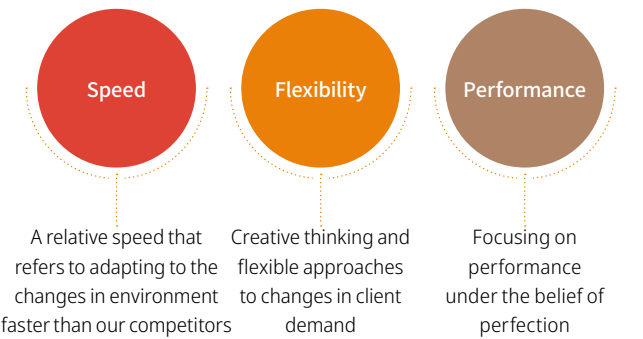
Number of Employees with Disabilities by Year (Unit: persons)



Strategies for Talent Fostering

SKC established its core values of speed, flexibility, and performance in association with the vision of “Global Specialty MARKETER.” We are fostering talents to encourage employees to consider the three values as the standards in the way they think and act. In line with this strategy, SK Group’s future competence development platform mySUNI was launched in January 2020. mySUNI provides education programs both online and offline to foster future competence in the fields of AI, digital transformation, semiconductors, and global affairs. As for SKC, 98% of the managing level employees studied 99 hours on average.

Three Core Values



Developing Vision and Value

SKMS being the core of SK Group’s management philosophy and corporate culture, SKC held workshops to enhance the employees’ understanding of its major revisions for practice at work. Our executives gave lectures based on their in-depth understanding of and experience in management to deliver sincere messages to employees. 23 on-line sessions were held as preliminary course and off-line courses were held for group discussions to raise the understanding of happiness management and make resolutions for real practice.



Employees discussing how to practice SKMS during the workshop

SV Challengers

Since 2018, SKC has been operating Social Value (SV) Challengers, a voluntarily organized agile team, in which the engaged employees design business models based on social value. The program aims to encourage social value activities within the company. The participants spare 20% of their work hours (one day per week) for SV Challengers activities. Recognition is made to the best projects selected through evaluation. In 2020, SV Challengers activities were expanded to SKC’s affiliates, and a total of 71 employees participated in projects focused on social value and happiness. After setting a project goal in March, employees discussed and practiced their activities every week. Afterward, excellent projects were selected through a meeting with the CEO, interim report, and final report and evaluation in May, September, and November, respectively. As of 2021, a total of 57 employees of SKC and its affiliates, including SK nexilis, are participating in seven ESG-related projects.



SV Challengers reporting session

Projects Executed in SV Challengers

- Finding new applications of eco-friendly biodegradable materials
- Increasing employees’ happiness by suggesting and practicing ideas
- Enhancing the utilization rate through an analysis on the ecosystem of the post consumer recycled (PCR) resin industry
- Reviewing ways to recycle shoes which are difficult to be recycled
- Strengthening inter-company communications through “Masters of Industry” that connects industrial experts with SMEs

Securing Agile Leadership

As work-from-home and flextime system are becoming common throughout the industries due to the spread of COVID-19, performance management in the contact-less environment has emerged as a significant issue. To respond to such circumstances, SKC provided coaching and feedback education for its leaders. We emphasized how feedbacks are important in employees’ growth and development even in the contact-less environment and helped the leaders develop their agile leadership as well for efficiency enhancement.

Building Job Competency

For sustainable growth, SKC needs to remind its employees of the key management philosophy and develop future essential competencies preemptively and systematically. For this purpose, we held a company-wide workshop for the 14th revision of SKMS and established and recommended 200-hour learning per year as one of our key policies. Furthermore, SKC supported its employees to develop their job competencies through different channels, including in-house lectures, YouTube, and books, as well as SK Group’s mySUNI. We also introduced major programs so that our employees can engage in designing and learning various courses required for their career building.

Major Courses for Fostering Talents in 2020

Requirement				
AI	DT	SV	Happiness	
Elective				
Mgmt.	Global	Leadership	Semiconductor	Design
				Energy Solutions

Building Data Competency

SKC makes innovations in its work process by building data competency and applying new processes to the business sites. For this, we foster talented individuals who can resolve on-site issues by utilizing automated models and algorithms and draw insights from analysis results based on their understanding of data analysis. Major courses include CDS and Machine Learning Engineer (MLE) courses. We also help employees learn and practice data analysis theories through the CDS Catch-Up course and various contests.

3

Support for Business Partners and Supply Chains

Shared growth with business partners is a foundation for economic, environmental, and social development.

SKC pursues sustainable growth through responsible supply chain management and win-win cooperation with its business partners. We engage in various shared growth programs by utilizing our infrastructure as much as possible. Our shared growth activities include providing financial support for our business partners, support for capacity building, and grievance handling. In addition, we are innovating our supply chain that takes social value into consideration.

Open Platform for New Materials Technology

Since 2017, SKC has been operating an open platform for new materials technology based on its key competencies, in partnership with numerous competent organizations, including the government, the academic circles, and consulting companies. The platform is composed of participating organizations, future entrepreneurs, startups, social enterprises, social ventures, SMEs, as well as local community enterprises. We select excellent enterprises through Startup Plus Contest and recommendations from other organizations. Participating organizations and enterprises share their competencies both online and offline in real-time. We are practicing win-win cooperation by sharing a variety of competencies including R&D technology cooperation and management infrastructure through Networking Day, insight seminars, and other educational programs hosted by the participating organizations.

Starting with Ulsan Center for Creative Economy & Innovation, Ulsan Technopark, University of Ulsan, Ulsan National Institute of Science and Technology (UNIST), and Sunbo Angel Partners in 2017, MOTIE Office Strategic R&D Planning, Deloitte Anjin LLC & Deloitte Consulting LLC, Korea Institute of Science and Technology Information (KISTI), Shinhan Bank, Jincheon-gun Provincial Government, and Jincheon Chamber of Commerce and Industry joined the platform in 2019. In 2020, Korea Technology Finance Corporation, Korea Startup Forum, Shin & Kim LLC, and National Academy of Engineering of Korea (NAEK) became our members. Through its firm partnerships with competent organizations, SKC will continue supporting the growth of participating companies, including startups and SMEs.

Designation as Inclusive Company by the MSS

In recognition of its activities intended for constant win-win cooperation with stakeholders, including its open platform for new materials technology, SKC was designated as the 14th Inclusive Company by the Ministry of SMEs and Startups (MSS) in May 2020. An “inclusive company” refers to a company that voluntarily shares its infrastructure, win-win cooperation programs, and expertise with SMEs, small business owners, and individual proprietors, rather than merely cooperating with its primary business partners. As an inclusive company, SKC selected nine SMEs that are willing to cooperate and carried out joint development of eco-friendly technologies and supplied raw materials and products.

With its activities recognized, we won the Ministerial Award of the SMEs and Startups in October 2020. In 2021, we plan to expand the scope of beneficiaries and win-win cooperation activities, including R&D, management infrastructure, and Masters of Industry, in association with the open platform for new materials technology.



The 4th SKC Startup Plus Contest

SKC's Support through the Open Platform for New Materials Technology

R&D	- Supported analysis using SKC's and its affiliates' analysis equipment and shared expertise in products/analysis
	- Helped draw our R&D risk factors
	- Provided education on the latest analysis techniques and equipment and provided technical consulting
	- Provided an opportunity for technical cooperation through open innovation
Patent	- Helped prepare customized intellectual property (IP) portfolios
	- Provided patent application consulting with regard to the supply of raw materials/products, etc.
	- Established an IP network and introduced SKC's patents/trademarks
Safety and environment	- Shared information in relation to the safety, health, and environmental laws and regulations
	- Shared safety, health, and environment systems and excellent cases
	- Offered advice and diagnosis on outdated and expanded facilities
Financial/legal affairs and ethics	- Provided support in association with financial institutions and offered legal consulting
	- Provided ethical management education for business sites and shared relevant materials
Space-sharing	- Shared spaces with business site, including the Suwon Office, and held Tech. Camp*
	* A camp where it exhibits the participating organizations' products and provides mobile offices and meeting spaces

Win-win Cooperation with Stakeholders

SKC is sharing over 100 competency cases with the participating organizations every year. In 2020, we conducted technology discussion, sample sharing, pilot projects, and on-site testing through agreements, including non-disclosure agreements, MOUs, and joint development agreements. In addition, we actively shared our facilities by providing the office spaces of Suwon business site and operating the all-new Tech. Camp of our research center.

SKC also launched a new service named Masters of Industry. Masters of Industry is a company-expert association service that helps companies gain expertise such as in technology and know-how from industrial experts. Experts from the participating organizations in the platform work as Masters. Organizations, on the other hand, are provided with professional consulting after signing up for a membership via the platform website*.

In 2020, SKC concluded MOU with NAEK to further improve the open platform for new materials technology. NAEK will help the participating organizations attract more investment and provide professional consulting in the areas of management, factory operation, and R&D. Technology and management seminars will also be held under the supervision of NAEK.

* www.techopenplatform.co.kr



MOU with NAEK

SKC Startup Plus Contest

Since 2018, SKC has been discovering and supporting startups, SMEs, and future entrepreneurs with brilliant ideas and promising technologies through the SKC Startup Plus Contest. Until 2020, we selected 34 promising companies to be benefited from the contest. Five more companies were selected in 2021.

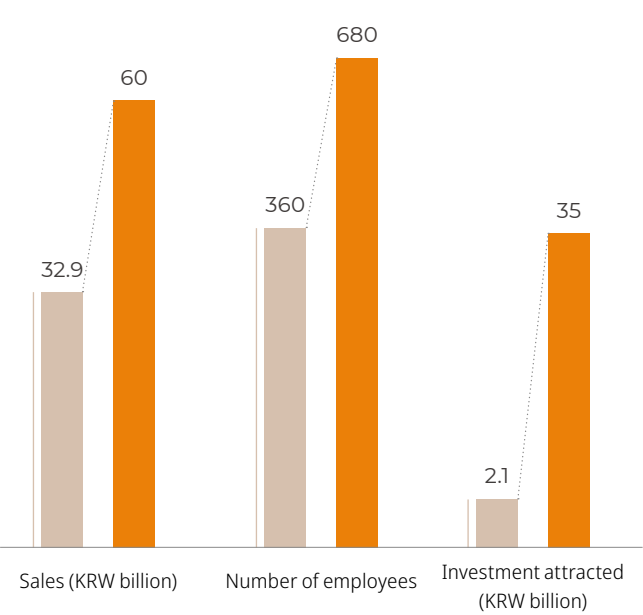
The selected startups will be benefited with a wide range of services encompassing R&D, patents, safety and environment, space sharing, and finance provided by 16 participating organizations, including SKC, the government, the academic circles, and enterprises.

The sales and the number of employees of the participating organizations have doubled and the investment size has increased 15 times after they participated in the open platform for new materials technology.



Posters for the 3rd and 4th SKC Startup Plus Contest

Growth of SKC Startup Plus Participants



1) Data collected from the participating companies, organizations, business incubators, and startups/ventures from the 1st to 3rd Startup Plus Contests
2) As of the first half of 2021

Major Growth Organizations Participated in SKC Startup Plus Contest

Orion NES Co., Ltd.
As a participant of the 2nd SKC Startup Plus Contest, Orion NES specializes in smart windows, which are highly demanded for improving energy efficiency and achieving eco-friendliness. The company succeeded in developing electrochromic smart window film with the sunlight penetration rate of over 30% and a penetration adjustment function. Orion NES aims to lead the materials industry in constant cooperation with SKC in smart windows.

Cheomdanlab Inc.
Cheomdanlab specializes in developing OLEDs, semiconductors, and display products using nanotechnology. Since its participation in the first SKC Startup Plus Contest, it has been achieving outstanding outcomes by developing UV-LED light diffusion parts and UVC-LED light source protection film materials. It also successfully applied patents for around 10 IPs at home and abroad.

Marine Innovation Co., Ltd.
With the vision of keeping the earth healthy and clean for future generations with eco-friendly products, Marine Innovation has been striving to develop eco-friendly new materials through its studies in a variety of raw materials, such as marine plants and vegetable ingredients. Through its engagement in the first SKC Startup Plus Contest, the company has been constantly cooperating with SK Bioland (current Hyundai Bioland), one of SKC's affiliates. It won six ministerial awards including the Prime Minister's Award.

TEGway Co., Ltd.
TEGway develops and produces flexible thermoelectric modules and systems for power generation and cooling. Based on brilliant ideas and approaches out of the box, the company developed flexible thermoelectric elements that boast of a fast response time. In 2019, TEGway participated in the second SKC Startup Plus Contest. Since then, the company's sales have grown by 300%.

Arun Co., Ltd.
Arun is an innovative water treatment company that solves filter-clogging issues resulting from pollutants using its special filters and filtering mechanism. The company participated in the second SKC Startup Plus Contest. Upon its participation, Arun concluded a business agreement for joint development of water treatment technology with SKC. The company is steadfastly growing as a leader of water treatment.

Paneco Co., Ltd.
Paneco is an eco-friendly company that develops and produces eco-friendly polyester polymer materials, which decompose into carbon dioxide and water due to microorganisms, bacteria, and fungus. Through its participation in the third SKC Startup Plus Contest, the company is seeking to collaborate with SKC in developing biodegradable PBAT.

Support for Win-Win Cooperation

Support for Business Partners' Competency Building

To pursue win-win cooperation, SKC held win-win cooperation seminars for five business partners in association with SK Group. At the seminars, business partners' employees attended lectures provided by prominent figures and gained a wide range of knowledge such as in management, financial affairs, and humanities. The seminars were held online to prevent the spread of COVID-19. SK picglobal is achieving win-win cooperation and improving customer values by helping its business partners develop their competencies. The company found room for improvement through on-site studies and review on its business partners that were suffering from difficulties in logistics and facility management. Furthermore, it is seeking ways to share its expertise with inexperienced business partners with regard to responses to environmental laws and regulations. SK nexilis plans to provide systematic consulting services that encompass facility inspection, standardization of quality control system, education and training, and technical advice in order to enhance the product quality of its business partners. SKC is planning to conduct joint programs in relation to finance, education, and relationship. Through the programs, we aim to pursue shared growth with our business partners and help them build their competencies.



SHE meeting to develop business partners' competencies

Handling Business Partners' Grievances

It is essential to deal with business partners' grievances through constant communication for win-win cooperation. In this regard, SKC is putting forth the efforts to listen to its business partners' grievances and seek solutions. We created discussion channels and a grievance handling process for sustainable coexistence with our business partners. In particular, SK picglobal discovers and solves its business partners' grievances through questionnaire surveys and in-depth interviews.

In 2020, SKC carried out grievance handling online as safety measures in response to the COVID-19 pandemic. Once the pandemic is overcome, we will further expand our support via offline. In addition, we will diversify and improve our grievance handling process and discussion channels for business partners for enhanced problem solving.

Support Fund for Business Partners

SK Group operates Shared Growth Fund in cooperation with the Industrial Bank of Korea (IBK). Business partners recommended by the member companies can get loans at lower interest rates. SKC is also taking part in this project. In 2020, our business partners took KRW 3.78 billion of loans through the Shared Growth Fund, which increased by approximately KRW 0.7 billion year-over-year (YOY). Moreover, we paid around KRW 1.3 billion earlier than the payment date to increase our business partners' liquidity during public holidays.



Event to activate communication between SKC and business partners

Social Supply Chain Redesign

Supply Chain that Reflects Social Values

When selecting new business partners, SKC evaluates candidates' social value activities. In the past, business partners were assessed based on QCD (Quality, Cost, Delivery), but today, a new supply chain system is established by adding social value as a criterion. We encourage our best partners to create social value by reinforcing compensations such as increasing transactions. Environmental factors are considered during the regular assessment of business partners. We plan to improve our standards in selecting more eco-friendly business partners and create a reward system. In addition, we will establish a code of conduct for procurement to contribute to an advanced ESG-based purchase culture.

Green Purchasing Policy and Eco-friendly Products

SKC established a green purchasing process to contribute to environmental protection. Our goal is to create practical effects in GHG emissions reduction as well as 3 R's (reduce, recycle and reuse). We will create ESG values by developing and purchasing eco-friendly products. For this, we plan to purchase Korea Eco-Label-certified products, including office supplies and construction materials, that comply with the environmental standards and the regulations of the Korea Environmental Industry & Technology Institute (KEITI). In addition, SKC aims to purchase more recycling products, such as waste paper/wood-based packaging materials, to take the lead in resource recycling. We will purchase low carbon-certified daily supplies and construction materials, thereby contributing to reducing GHG emissions.

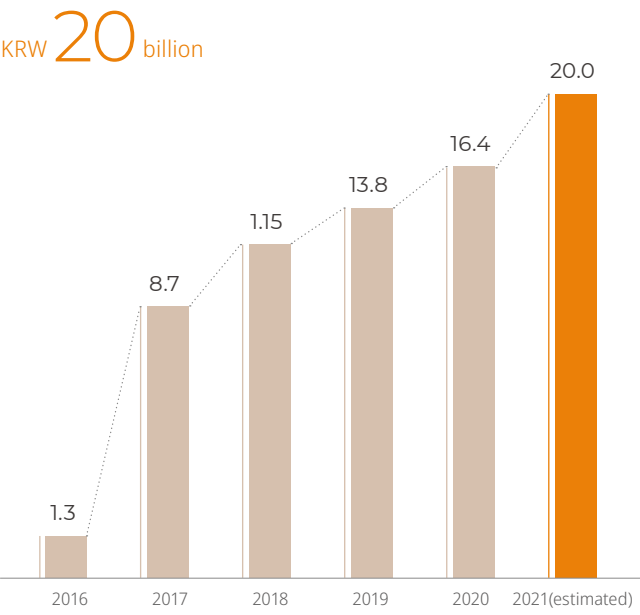
ESG Risk Management of Business Partners

Following the trends of ESG management that come with the changing environment and increasing stakeholder demand, SKC plans to support its business partners in building their ESG and risk management capabilities.

Discovering Social Enterprises and Expanding Trade

SKC is expanding its purchases from its social enterprise Happy Narae as part of its effort to increase the creation of social values. In 2020, the total volume of trade was KRW 16.4 billion, which is 12 times the volume of trade in 2016 (KRW 1.3 billion). In 2021, we aim to create more social values by increasing the volume of trade and finding more social enterprises.

Trade with Happy Narae (Unit: KRW billion)



4 Contribution to Local Communities

A healthy society is essential to corporate survival and growth. Taking this into consideration, interaction with local communities enhances the growth of both the company and local communities. SKC continues to make contribution to local communities through its programs for building a social safety net. Moreover, we strive to realize a sustainable society by providing various programs customized for each region.

Building a Social Safety Net

SKC brings happiness to the stakeholders through social activities in local communities. SKC is pursuing a sustainable society through various social activities for the happiness of the local community, a significant stakeholder with whom we must grow together.

Meal Sharing ON Tact Project

SKC and its affiliates provided free meals and groceries for senior citizens suffering from the prolongation of the COVID-19 pandemic. Local governments near Suwon, Cheonan, Jeongeup, and Ulsan business sites participated in our meal-sharing project. We plan to expand this project to our regional business sites to further strengthen the social safety net.



Employees participating in the SK Relay Blood Donation Campaign



Meal Sharing ON Tact Project (Top: SKC Suwon business site, Bottom: SK picglobal Ulsan business site)

SK Group Blood Donation Campaign

In July 2020, 80 employees from SKC and its affiliates contributed to strengthening the social safety net by participating in SK Group's Blood Donation Campaign. The campaign aimed to overcome the blood shortage resulting from the prolonged pandemic. In June 2021, the employees of SKC and its affiliates donated their blood donor cards as part of the SK Red Connect Blood Donation Campaign. We donated 534 blood donor cards to the Korea Childhood Leukemia Foundation.



Happy Alliance

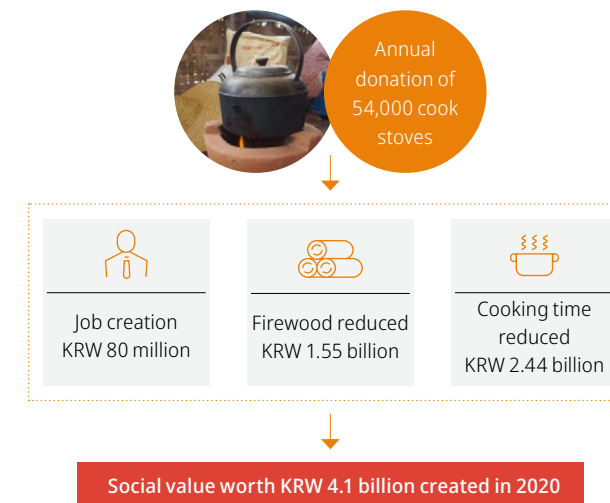
In July 2020, SKC joined Happy Alliance, Korea's largest social contribution platform that takes care of children in the welfare blind spots, as part of its contribution to developing local communities. In 2021, we took part in a residential environment improvement project to donate and install window films for children from families in the welfare blind spots.



Myanmar Cook Stove Project

SKC is engaged in the Cook Stove Project conducted by the Climate Change Center, the Myanmar government, and SK Group. The project was designed to distribute eco-friendly and high efficient cook stoves to the underprivileged in Myanmar, who have no access to electricity and gas. We are planning to donate 54,000 cook stoves annually for five years starting in 2020. Moreover, the Cook Stove Project is expected to create more jobs and reduce approximately 500,000 tons of GHG emissions for seven years.

Myanmar Cook Stove Project



Programs Customized for Each Region

SKC business sites nationwide are operating programs customized for each region to build and maintain a good relationship with local communities.

SKC aims to focus on establishing a social safety net for the underprivileged and realizing a sustainable society by partnering with local governments and social enterprises.

To achieve this goal, we are offering local community programs with the goal of increasing the local community support fund by 10% YOY in 2021.



SKC's social contribution activities

Major Activities by Business Site

Seoul · Cleanup activities at Seoul National Cemetery · Matching fund for adolescents · SK Group Happiness Sharing, etc.	Suwon · Support for seniors' picnics · Safe Care Volunteers · Sponsorship for cultural festivals in Suwon Hwaseong Fortress · Cleanup activities at Seohocheon Stream
Jincheon · Party for elderly people living in Hwapung Iwol-myeon · Kimchi making and sharing · Cleanup activities at Mihocheon Stream	Jeongeup · Volunteer work at orphanages · Talent donation for the underprivileged · Purchasing local specialties and PR activities
Ulsan · Volunteer work at orphanages · Financial support for social welfare facilities · Kimchi making and sharing · Cleanup activities at Taehwagang River · Donation of masks and hand sanitizers	Cheonan · Scholarship for children from low-income families · Support for preserving the independence movements of Korea · Support for seniors living alone · Support for orphanages · Facility repair at children's centers

Sustainability Foundations

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Governance

Sound and transparent governance structure is the foundation to secure trust of all stakeholders and perform responsible management activities. SKC forms a Board of Directors (BoD) equipped with diversity and expertise to reflect the stakeholders’ interests, practice transparent management, and seek sustainable growth of the company.

Board of Directors

SKC BoD is consisted of seven directors (one executive director, two non-executive directors, and four independent directors) who are experts in a variety of areas, such as management, economy, global business, communication, risk management, and social value. In 2021, a female environment expert and a financial accounting expert were appointed as independent directors, thus strengthening the board’s expertise and diversity.

Appointment of Directors

SKC appoints independent, professional, and experienced personnel to its BoD 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 and responsibilities of each candidate. Candidates for independent directors are recommended through in-depth discussions by the Personnel Committee.

Director Bae Jong-seo	Director Park Young-seok	Director Park Si-won	Director Jang Dong-hyeon	CEO Lee Wan-jae	Director Lee Seok-jun	Director Lee Seong-hyeong
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Expansion of BoD Committees

SKC operates committees under the Board of Directors in accordance with the Commercial Act and its own internal regulations. In March 2021, ESG Committee, Personnel Committee that includes the functions of the previous independent director Candidates Recommendation Committee, and Related Party Transactions Committee were created. Also, the Audit Committee was reinforced to raise the level of expertise in the Board of Directors operations. In addition, chairpersons of all committees under the Board of Directors were appointed with independent directors to improve the independence of the committees.

ESG Committee

The ESG Committee was established under the BoD with the increase in social demands for ESG. Consisted of the CEO, three independent directors, and a non-executive director, the committee deliberates on SKC’s ESG strategies and investment plans.

Personnel Committee

The Personnel Committee reviews CEO’s performance and decides the extension of his/her term, as well as determining the appropriateness of the remuneration of the executive directors. The Committee also establishes an independent director nomination system while deliberating on candidate recommendations. The previous Independent Director Nomination Committee has been incorporated into the newly established Personnel Committee, which is consisted of two independent directors and a non-executive director.

Related Party Transactions Committee

SKC established a Related Party Transactions Committee to review the transactions with related parties. Three independent directors screen in advance all internal transactions to secure fairness and transparency.

Audit Committee

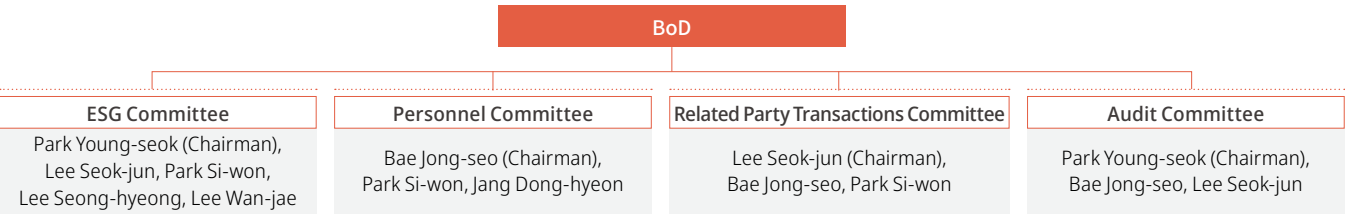
Three independent directors in the Audit Committee audit the management’s tasks and accounting. The committee also designs an internal control system and evaluates its operation, and reviews non-financial risks in the areas of safety, health, and environment (SHE), information security, and compliance. A total of five meetings were held in 2020.

Reinforcing the BoD

The BoD functions as an essential decision-making group of the company to keep the management in check. It proposes opinions on major decision-making matters and protects stakeholders through supervision of business performance. The SKC BoD holds regular meetings once a month and extraordinary meetings when necessary. In 2020, a total of 13 meetings were held, including both regular and extraordinary meetings. The average attendance rate of independent directors was 94%. In 2021, the number of committees under the BoD increased from two to four so as to diversify their roles and strengthen external communication channels. The committees serve as a bridge in establishing a foundation of the BoD that contributes to an increase in future-oriented values.

SKC BoD (as of June 2021)

Name	Primary experiences	Term	Remark
Jang Dong-hyeon	CEO of SK telecom (Present) CEO of SK Holdings, (Present) Chairman of SKC BoD	2020.3 ~ 2023.3	Chairman of BoD Non-executive director
Lee Wan-jae	Director of Business Support Office of SK Holdings, Vice President of SK E&S (Present) CEO of SKC	2019.3 ~ 2022.3	CEO Executive director
Lee Seong-hyeong	Director of Finance Office 1 of SK Holdings, Director of Finance Management Office of SK telecom (Present) Head of Finance Division of SK Holdings	2021.3 ~ 2024.3	Non-executive director
Park Young-seok	(Present) Professor at Sogang Business School (Present) President of Korea Capital Market Institute	2019.3 ~ 2022.3	Independent director, Chairman of the Audit Committee and the ESG Committee
Bae Jong-seo	CEO of P&TECH Co., Ltd., CEO of Hwajin Industry Co., Ltd. (Present) CEO of Hwajin Teikuro Co., Ltd.	2020.3 ~ 2023.3	Independent director Chairman of the Personnel Committee
Lee Seok-jun	Minister of the Office for Government Policy Coordination, Vice Minister of Science, ICT and Future Planning; 2nd Vice Minister of Knowledge Economy,	2021.3 ~ 2024.3	Independent director Chairman of the Related Party Transactions Committee
Park Si-won	U.S. attorney (Present) Professor at Kangwon National University School of Law	2021.3 ~ 2024.3	Independent director



BoD Led by Independent Directors

To ensure the independence of the BoD, SKC appointed four independent directors out of seven directors. This ratio of independent directors is enough to satisfy the requirements outlined in the declaration of the BoD, but we look to gradually increase the ratio to two-thirds. When the BoD chairman is not an independent director, a new independent director is to be appointed to strengthen his/her role and enhance the BoD's independence. Nomination of independent directors is performed by the Personnel Committee, and SKC strives to secure fairness and transparency in nominating candidates for independent directors. To support independent directors' performance of duties, SKC provides orientation and education for the appointed independent directors. In addition, the management holds discussions with the independent directors and provides them with information to raise the level of independent directors' understanding on the overall business.

Enactment of the Corporate Governance Charter

SKC enacted the Corporate Governance Charter to establish and declare the functions, operating principles, and duties and responsibilities of the BoD. The charter holds SKC's determination to establish a more sound and transparent corporate structure, proclaimed to all of its stakeholders, including shareholders, BoD, and audit agencies.

The Corporate Governance Charter can be browsed on and downloaded from the SKC website.

(<https://www.skccr.com/eng/corporation/sustain/org.do>)

Major Details of Corporate Governance Charter



BoD Remuneration and Evaluation

The directors' remuneration is within the limits approved by the general meeting of shareholders. SKC transparently discloses the approved remuneration limits and payment status in its business reports. The remuneration of independent directors is not linked to their evaluation in order to ensure the independence of the independent directors. The activities, attendance rate, and degree of contribution, however, are used as the basis for judgment when making a decision on their reappointment after their tenure comes to an end. Moreover, for the professionalism and objectiveness of the BoD, the evaluation is carried out by an external agency, and based on the results, SKC plans to deduce improvement measures accordingly.

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 general meetings of shareholders. We also publish an English version of the official notification submitted to stock exchanges as an attempt to enhance foreign shareholders' access to the company's information and resolve the information asymmetry. In order to allow more shareholders to attend the general meeting of shareholders and express their opinions, SKC schedules the meeting such that it does not clash with other important events and has also adopted a remote voting system. Moreover, SKC is reinforcing its communication with shareholders through electronic announcements, performance briefing sessions, company info sessions, investors' meetings, and production line tours, and disclosing the company's information in an appropriate, fair, and timely manner. In the present contact-less environment brought about by the COVID-19 pandemic, we are utilizing live streaming via online platforms such as YouTube to further strengthen our communication with shareholders. SKC has been paying out the shareholders' dividends for 16 years in a row and continues to improve its dividend policy based on total shareholder return (TSR). By going beyond fragmentary dividend policies of companies in the past, we continue our efforts in substantially improving the shareholders' value in accordance with the internal and external management environments. Through our policy that integrates diverse elements, including net profits of the relevant business years, price-earnings ratio, the scale of CAPEX for sustainable growth, predictability of dividends, expected rate of return for shareholders, dividend yield, and domestic and international interest rates, we aim to fine-tune our policy of returning profits to shareholders.



CEO Lee Wan-jae during his presentation of SKC vision at the general meeting of shareholders (March 2021)

Risk Management

In today's rapidly changing management environment, uncertainties continue to increase due to various risks in the fields of economy, society, and environment. In order to overcome potential risks that threaten the survival of a company and practice sustainable growth, systematic and preemptive risk management is absolutely necessary. Accordingly, SKC prepares response systems and actions in financial and non-financial perspectives to manage risks.

Governance Risk Management System

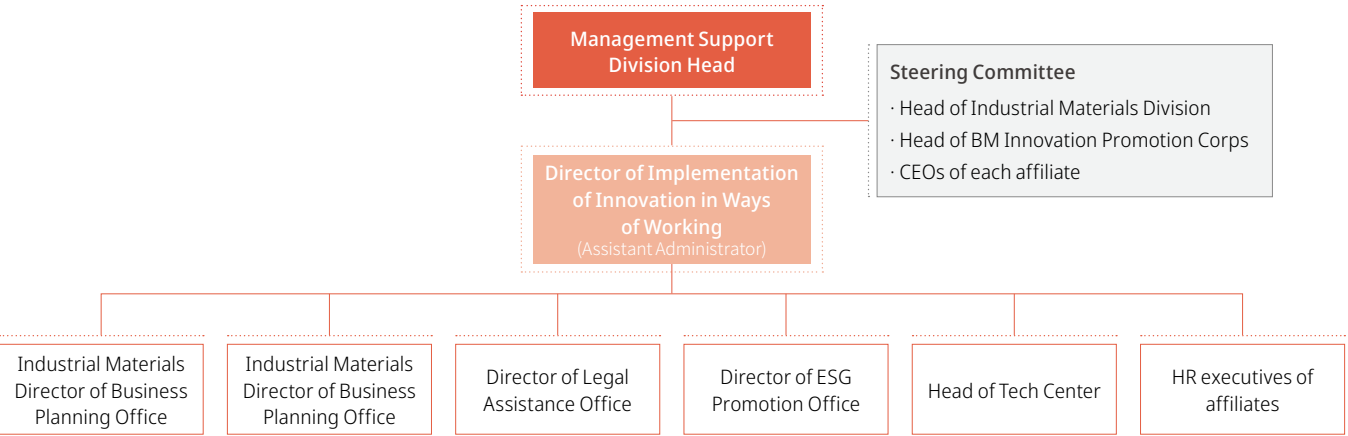
Risk Management System

Through an integrated risk management system, SKC analyzes risk factors, which may occur over the course of business operations, and manages them effectively. The roles of the Audit Committee under the BoD have been reinforced by adding the function of deliberation on non-financial risks. Management items falling under non-financial risks are compliance, which includes law-abiding surveillance and transparency in recruitment, as well as safety, health and environment, and information security. The Audit Committee performs regular reviews on these areas, proposes opinions on improvement, and verifies whether corrective actions have been implemented. As a measure to reinforce audits of non-financial risks such as GHG and safety and health, SKC stipulates that the Audit Committees shall be held at least once every quarter and that more than two-thirds of the committee, including the chairman, shall be constituted of independent directors.

Emergency Response TF against COVID-19

Due to the prolongation of COVID-19, the society is requiring a company-wide meticulous response. To meet such demand, SKC established a company-wide control tower, an emergency response TF, and crises response groups at each business site and affiliate, as well as prepared response scenarios for different situations and step-by-step operational guidelines to deal with relevant crises. In 2021, a company-wide emergency TF was launched to establish an issue-oriented sharing and reporting system and reinforce constant inspection for elements of vulnerability in the system. Based on the vaccination status of each business site, we plan to promote removal of preventive control.

Emergency Response TF against COVID-19



Financial Risk Management

Internal Accounting Management System

SKC operates an internal accounting management system to record and disclose reliable accounting information. In 2020, we carried out design and operation evaluations based on the “Design and Operating System of the Internal Accounting Management System” as announced by the Internal Accounting Management System Operations Committee, and adopted the “Criteria for Internal Accounting Management System Evaluation and Reporting” to serve as the evaluation standard. The evaluation results confirmed that SKC’s internal accounting management system operates in an effective manner.

In accordance with the Act on External Audit of Stock Companies, SKC appointed the directors of the Financial Support Department and the Purchase Support Department as the managers of internal accounting and ensured objectivity and expertise through a professional service provided by an accounting firm. The internal accounting management system operation plan is reported to the Audit Committee and BoD at the beginning of each year.

As the scope of certification of internal accounting audit will be expanded from separate financial statements to consolidated financial statements starting in 2022, SKC plans to establish and operate the internal accounting management system to the audit level for the major affiliates by 2021.

SKC ensures the independence of external auditors by complying with the Certified Public Accountant Act (restrictions on functions) and other relevant laws. For non-audit services that the external auditors are able to perform, obtaining consent or pre-approval of the Audit Committee is sufficient to provide the service, if deemed that there is nothing significant to report about such services carried by the external auditors.

Financial Risk

Notable financial risks that companies face are risks related to foreign exchange, credit, and liquidity. SKC has established financial management policies by analyzing the risks it faces and setting appropriate control measures to ensure that the risks do not exceed the thresholds.

The Audit Committee oversees whether the management manages the risk policy reasonably in compliance with the procedure and whether the managing system is appropriate. SKC’s financial risk management policy is focused on minimizing the potential occurrence of risks by considering the highly variable nature of the financial market.

Management Measures by Financial Risk



Foreign Exchange Risk

Recently, Korean won and US dollar exchange rates has shown huge variabilities due to external factors. To reduce changes in business performances as a result of exchange rate fluctuations, SKC has set rules and regulations regarding exchange risk management and assigned exclusive manpower to establish and execute detailed management policies in different positions, including sales, finance, and investment. We not only set up risk management strategies for each affiliate in consideration of the business and position exposure characteristics, but also inspect the performances, thus performing a company-wide risk management.



Credit Risk

Credit risk refers to the potential danger of inflicting financial losses on a company by the other party of a transaction that fails to fulfill its contractual obligations for a financial instrument. To quickly respond to credit risks and minimize relevant losses, SKC integrates all tasks from the withdrawal of bonds to disposal of bad accounts to manage them together. We made it mandatory for external accounts to subscribe to credit insurances in order to raise the level of security in transactions, and for loans that have exceeded the credit insurance limits, evaluation grades are assigned by considering the internal indexes. Furthermore, we strive to minimize credit risks in advance by securing additional collaterals.



Liquidity Risk

In addition to the cash flow forecast, the scale of adequate liquidity is constantly managed by monitoring the financial market. Based on this, SKC secures preemptive liquidity and thus strengthens control of variability.



Non-financial Risk Management

Compliance Risk

Failure to comply with domestic and international laws and policies leads to serious losses, such as fines imposed and/or damage to a company’s reputation, which is why management of compliance risks continues to become more and more important.

SKC constantly monitors the latest domestic and international regulations and government policy trends as well as external environments. Also, to allow the culture of compliance risk management to be naturally established throughout the process of the employees’ daily duties, we are reinforcing the monitoring system through a pledge for practicing ethical management, ethics education, and anti-corruption audits, thus managing the risks in corruption prevention. We are also operating a fair transaction compliance program to manage risks of unfair transactions such as monopoly and collusion.

Starting in 2021, transparency in business will be maximized through the Related Party Transactions Committee for management of risks in inside transactions, which include transactions with specially related persons.

Information Security Risk

Fatal security issues, such as information leakage and data manipulation, give a negative impact on manufacturing and logistics processes and may also lead to deteriorated competitiveness. Moreover, poor management of internal information has a potential risk of legal liabilities. To effectively respond to these issues, SKC examines and improves the effectiveness of its security policy on a regular basis and, together with its employees and business partners, seeks activities to raise awareness, including information security education, signing of security pledges, mock training in response to email spams, as well as security campaigns. In addition, we inspect vulnerabilities in the security management of the company’s operating system to reinforce protection of company data and clients’ personal information.



An employee taking an online lecture on information security

Safety, Health and Environment Risk

From the standpoint of safety, health and environment risk management, observance of laws is the most fundamental element to pursue. To manage risks, including those related to relevant laws, SKC performs periodic and rolling diagnoses on safety, health and environment at domestic and overseas business sites. Moreover, we have established guidelines, management manuals, regulations, and procedures as well as standards on safety, health and environment to establish a culture that places safety, health and environment at the highest priority. We also make sure that the related certifications are up to date, such as ISO 14001 (environment) and ISO 45001 (safety and health) certifications. We obtained the following certifications for a quality management system to ensure quality control and prevent safety-related accidents concerning products and services.

Business Sites Certified for Quality Management System

Classification	Business sites with certifications
ISO 9001	· SKC Suwon, Jincheon, China (Jiangsu), US · SKC hi-tech&marketing, China (Suzhou) · SKC solmics Jangdang, Chupal, Yongwol, Cheonan · SK picglobal Ulsan · MCNS Ulsan, China (Beijing), US, Poland, Mexico, India · SK telesys Pangyo
IATF 16949: 2016	· SK nexilis Jeongeup

Climate Change Risk

The entire world is exposed to risks stemming from climate change. To actively respond to such issues and become a leader in the industry, SKC aims to pursue Net Zero GHG Emissions and participate in RE100. We are carrying out energy-saving activities and investing in GHG-reducing facilities and equipment as our efforts to reduce greenhouse gases.

We are also pursuing decision-making on reduced investment in consideration of GHG emission reduction and maximization of efficiency. Going forward, we are minimizing financial impacts by estimating the amount and cost of emission.

Waste and Water Resource Risk

Insufficient attention on waste and water resource management may act as a factor that hinders investments. As the global resource water management system expands primarily in developed countries, various regulations on water footprints serve as a barrier in trading. In response, SKC promotes activities to reduce the use of disposable wastes such as packaging materials and finds new waste management and recycling companies. We also strengthen the reuse and recycling processes and established a water recycling system an effort to eliminate such risks.

Compliance

Compliance is the foundation for corporate ethics and a tool that protects a company.
SKC's compliance includes activities in diverse areas from ethics, human rights, and fair trade to anti-corruption and information security. We are fulfilling our social responsibilities by pursuing business activities with compliance as the criterion for value judgment and actions.

Ethical Management

Establishing an Ethical Management System

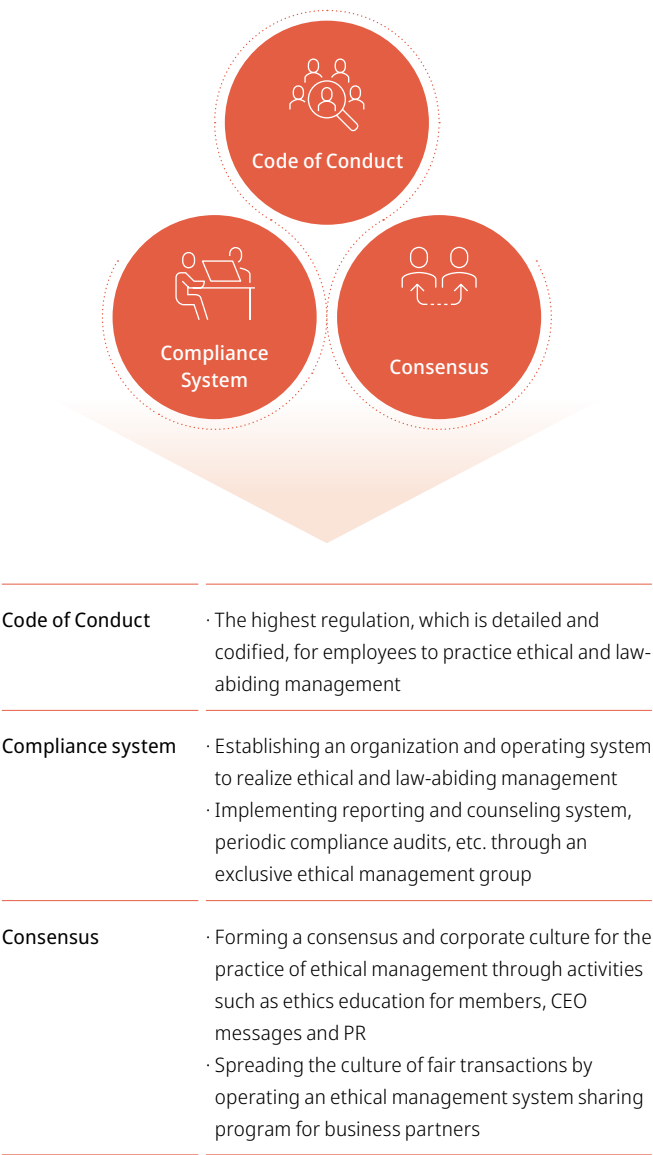
As corporate social roles and responsibilities become more important, society's demands for companies to exhibit transparency and integrity are also growing. Serving SK management system (SKMS) as the foundation for corporate management, SKC aims to create values for all stakeholders, including clients, employees, shareholders, and society, play a key role in the growth of society and economy, and contribute to the happiness of humanity. Accordingly, we established a code of ethics and guideline to serve as the criteria for action and value judgment of our employees. Based on these standards, we strive to prevent unethical conduct of the company and employees and establish a fair trading order to seek impartial corporate culture and sustainable growth.



Employees reading the SKC Code of Ethics

Since the introduction of ethical and law-abiding management in 2006, SKC established the 3C framework, which practices ethical and compliance management from three different perspectives: Code of Conduct, an ethical standard and guideline to practice ethical and compliance management; Compliance System, which is a compliance audit system; and Consensus with employees and business partners. For the framework to settle as a part of corporate culture, we established an organization dedicated to ethical management that performs prevention, monitoring, and follow-up activities to enhance the ethical management system.

Ethical Management 3C System



Every year, SKC reviews the revision of the Code of Ethics and the Code of Ethics Guide by reflecting enactment or amendment of relevant laws and regulations, social issues and trends, and company policies. Since the enactment of the Code of Ethics and its Guide in 2006, we plan to propose a clearer and more detailed Code of Ethics and Code of Ethics Guide as well as the criteria for value judgment to our employees in the third revision in 2021.

Employees who violate the Code of Ethics and the Code of Ethics Guide and conduct unethical behaviors are not only subject to HR measures in accordance with the company's reward and punishment regulations but may also face legal actions in case their violations fall under serious crimes. All other company policies are stipulated in the Code of Ethics and the Code of Ethics Guide.

In 2021, we plan to enact and distribute the Code of Ethics and its Guide for Business Partners to build transparent and fair trading relations, manage supply chain risks, and achieve mutual growth with our business partners.



Employees taking a look at the SKC Code of Ethics Practice Guideline

Employees' Code of Ethics

	Clients Practicing customer satisfaction management to earn trust from our clients and ultimately seek win-win development
	Shareholders Increasing corporate value through transparent and efficient management to create shareholder value
	Employees All SKC employees do their best with a sense of responsibility to represent the company
	Social Complying with social norms to become a trusted company and contribute to society through social and cultural activities

Internalization and Propagation of Ethical Management

The CEO of SKC states the determination of the management on the practice of ethical management through CEO's messages given at the beginning of each year. The CEO's message for 2021 affirmed the need for ESG management for sustainability and a powerful will to execute ethical management, which is a core value of ESG management.

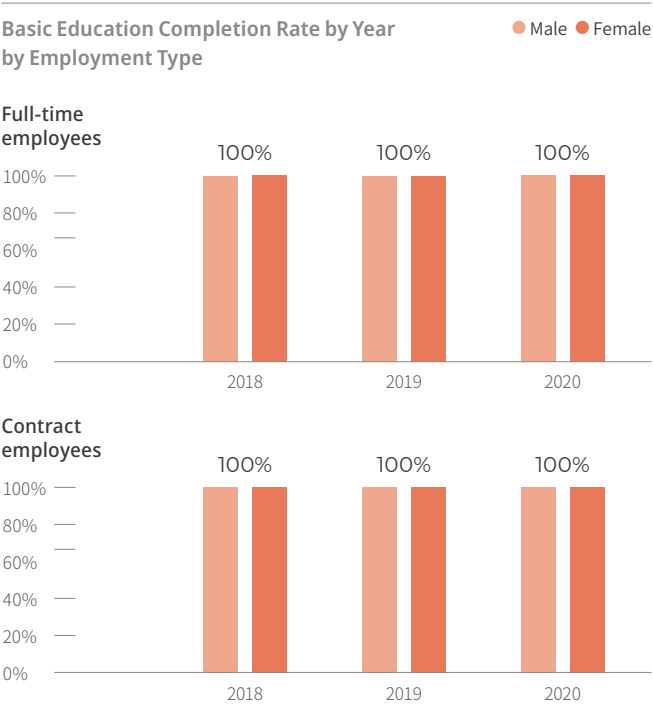
As a response, the SKC employees pledge on practicing ethical conduct every year to proclaim their will to perform duties in a diligent and impartial manner, protect the company's assets and information, and comply with domestic and international laws, thereby actively partaking in the practice of ethical management. We recorded a pledge rate of 100% for four consecutive years since 2018. To internalize employees' awareness of ethical management practices, SKC offers ethics education on a regular basis to all employees, including the management and fixed-term and dispatched workers. Ethical management education is also provided for employees and business partners, thus striving to spread the culture of ethics, such as fair trade and anti-corruption.

Ethics Education

Basic Education
To maximize the effect of ethical management education, SKC develops ethics education content for each position and title and conducts at least one online education session every year. The educational materials are translated into English and Chinese to form a consensus on practicing ethical conduct with employees worldwide. As such, we strive to further improve the level of global ethical management.

Advanced Education
SKC hosts annual debate-style ethical management workshops overseen by leaders and in which all employees participate. In 2020, education centered on case studies, which deal with ethical dilemmas occurring at work, was held to train employees to make ethical decisions.

Ethical Management Education for Business Partners
Ethical management education for business partners was first conducted in 2018 to establish a transparent and fair trade culture with SKC's business partners. They are supported in adopting an ethical management system. Starting from an outreach program of "ethical management education" offered for three companies in 2018, the program was extended to 11 companies in the following year, sharing various unethical case studies as well as ethical management programs to educate the necessity of an ethical management system. In 2020, online ethics programs were offered to 20 companies, overcoming the constraints of time and place, which were the restrictions suggested by the traditional face-to-face education. We also uploaded educational content regarding how to overcome ethical dilemmas to our YouTube channel ("SKC Ethical Management Story") to enhance access of all stakeholders, including our business partners, to our educational videos anytime, anywhere.



In addition to regular ethics education, SKC conducts a variety of PR activities for the employees to practice ethical management in their daily tasks.

During national holiday seasons, the employees are provided with guidelines on the policy prohibiting the receipt of holiday gifts among stakeholders and how to act in case of receiving a gift. We also publish and distribute a case-oriented “Ethical Management Practice FAQ” handbook, which helps the employees easily understand and respond to ethical dilemmas that may arise over the course of executing their duties, to instruct leaders and employees on detailed criteria of action.



An employee reading the SKC Ethical Management Practice Guidelines

Ethical Monitoring and Reporting

To improve transparency and fairness in management, the Audit Committee under the BoD manages and supervises the audit activities on internal control levels, anti-corruption policies, and accounting. The audit department of SKC, on the other hand, regularly monitors the compliance risks of the company and its business partners based on the internal audit rules and regulations. Audit plans and results of business audit activities are reported to the management and the Audit Committee on a regular basis.



SKC employees taking the ethical management education

Compliance Audit

Operating a Self-monitoring System

Every year, SKC conducts a preliminary self-monitoring at the working level on primary areas of work. The internal audit department performs in-depth inspections on matters with high potential risk. In 2020, self-diagnoses at the working level and direct inspections by the Management Monitoring Team were executed with a focus on the five major areas (HR, purchasing, finance, legal, and investment).

Inspecting the Appropriateness in Budget Use

SKC examines the cost execution details for all employees each year. In case any inappropriate use is discovered, we proceed with a retrieval of the corresponding amount. Depending on the gravity of a matter, HR measures are taken in accordance with the company regulations on reward and punishment. In 2020, such activities were extended to the affiliates’ executives as well to check the propriety in budget use and compliance with the budget approval process.

Efforts to Prevent Recurrence through Case Sharing

SKC shares any notable cases and outcomes regarding compliance on the company’s online bulletin board and announcements in an attempt to prevent similar cases from taking place again.

Ethical Counseling and Reporting

SKC operates various reporting channels to enable all stakeholders, including the employees of SKC and its business partners, and clients, to freely report unethical conduct related to the company’s management activities (including unfair transactions, unreasonable demands, acceptance of money, other legal violations, and human rights infringement on employees). In addition, to enhance the protection of whistleblowers, the Code of Ethics Guide stipulates the whistleblower protection principles, and the reporting system is applied with advanced technologies such as IP tracking prevention and data masking to ensure the anonymity of whistleblowers.

Whistleblower Protection Policy



Ethical Management Report Channels

Website	http://ethics.sk.co.kr	Fax	+82-2-537-2863
Email	skc.ethics@sk.com	Mail	SKC Audit Team, Block B, K-Twin Towers, 50, Jong-ro 1-gil, Jongno-gu, Seoul, 03142, Republic of Korea
Phone	+82-80-890-6262		

Processing of Reports



Since 2019, the number of reports increased significantly thanks to the posters made in the same year to publicize the reporting channels and continued efforts, such as providing education on utilizing the reporting system for all employees, carried out in the following year. In 2020 in particular, five out of 18 reports were found to be unethical and, in accordance with the reward and punishment regulations, strict follow-up actions, including HR measures, were taken to all related employees, raising the awareness of employees about unethical conduct.

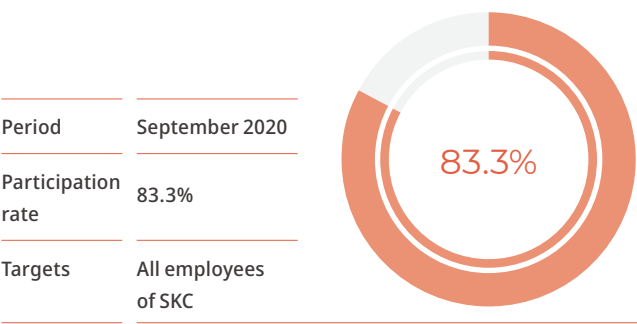
Ethical Management Reports Submitted

Classification	2018	2019	2020
Number of reports	4	7	18
HR measures taken	1	1	5

Survey on Ethical Management Practice

A survey on ethical management practice is conducted annually for all domestic and international affiliates of SKC to figure out the level of the companies' ethical management system, which includes the level of compliance to the Code of Ethics by all employees, including contract workers, level of operation of companies' ethical management systems, level of internalization of ethics culture, and level of compliance to anti-corruption laws and regulations. We are establishing our own ethical management system through various improvement activities in areas of vulnerability.

Survey on Ethical Management Practice in 2020



Human Rights Management

Human Rights Protection Policy

Based on the belief that “Humans are the Most Important Resource,” SKC aims to establish a corporate culture in which diversity and dignity of all stakeholders, including the employees of SKC, are protected. Accordingly, we carry out activities to reinforce human rights management that can prevent and deal with human rights risks. In 2020, we declared the SKC Human Rights Declaration, in which it states the prevention and resolution of potential human rights risks stemming from everyday business activities, the stakeholders, and the nature of the manufacturing industry. In the near future, we plan to include in the declaration our support for international human rights standards and inform the changes to all our employees and stakeholders and thus proclaim SKC's determination towards respect for human rights.

Human Rights Management Programs

SKC operates counseling channels and programs for its employees, and the targets have been extended to the employees' spouses and children. We provide solutions to and counseling on a variety of problems and topics, from work-related issues such as stress at work and career development to mental health, family, and legal and financial matters. The psychological counseling service is offered in four different levels—

support group, aid group, risk group, and high-risk group—depending on the present condition of the counselee. SKC also offers mental health and stress diagnosis programs. Even after the end of a counseling session, the counselors review any omitted matter for each counselee and provide second counseling sessions to perform follow-up management for long-term resolution of the issues. We plan to develop more functions for our counseling channel in the near future to reinforce the protection of stakeholders' human rights.



Employees having discussions on improving the awareness of human rights management

Human Rights Education

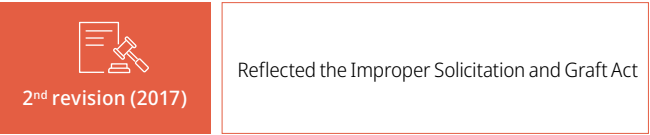
Since 2016, SKC has been providing annual sexual harassment prevention education to all employees in order to raise employees' awareness in human rights management. In 2020, the sexual harassment prevention education was conducted in line with education to improve the employees' perception on persons with disabilities. All employees completed the human rights education as of 2020.



Employees taking human rights education

Law-abiding Management

SKC perceives that law-abiding management is an essential management philosophy for a company's sustainability management. Through the enactment of law-abiding standards, we are striving to seek fair and transparent performance of duties and secure sound growth of the company and build trust with its clients. When employees execute tasks such as the signing of contracts in which legal risks exist, they may get necessary consulting from a law-abiding assistance body. Furthermore, we revised the Ethical Management Practice Guide to improve the foundation for law-abiding management practices.



Anti-corruption and Prohibition of Bribery

SKC aims to achieve zero cases of violations in the anti-corruption regulations. Every year, employees sign pledges to practice ethical conduct, complete anti-corruption education, and partake in eradicating corruption and bribery. In case of inquiries related to corruption in the process of performance of duties, the employees can get counseling on law-abiding principles from the responsible department, or report unethical conduct to an anti-corruption reporting agency or an anti-bribery reporting agency. We inspect current practices and situations throughout the course of business activities, such as the cost execution details of all employees as well as the management. SKC also operates a holiday gift receipt prohibition program to raise the awareness of stakeholders on bribery. In case it is difficult to return the gifts, they are donated to a variety of supporters' groups to prevent any unlawful transactions from taking place. In addition, we created detailed guidelines for anti-corruption management, which includes external sponsorship policy and scope of receipt allowed, and distributed them to the employees. Relevant information is also included in the ethical management education conducted for business partners to spread SKC's philosophy on anti-corruption. SKC plans to reinforce the business partners' pledge on practicing ethical conduct and establish and operate an integrity transaction management system to ensure transparency in all sorts of transactions. In addition, the directors will be provided with education centered on anti-corruption in accordance with the laws and regulations of the countries in which SKC carries out its business activities. In the mid- to long-term, we seek to develop educational content on anti-corruption for overseas business sites and strengthen our anti-corruption management policy.

Compliance Program (CP)

SKC operates the Compliance Program (CP) to ensure fair competition and trade throughout its business activities. The Secretariat of the BoD designates employees responsible for CP from each relevant department and reorganized the internal supervisory body to carry out fair competition and trade in all stages of performance of duty.

Internal Supervisory Body



For employees who have violated laws and regulations related to fair trade, HR measures are taken in accordance with relevant sanction regulations. In order for them to understand in advance and take appropriate actions for legal risks in relation to their business performance, SKC provides compliance education programs that include illegal support, the Fair Transactions in Subcontracting Act, unfair trades, illegal advertisement display, and illegal joint actions. In February 2021, employees related to fair transactions were provided with an education on the revised Monopoly Regulation and Fair Trade Act. Through such efforts and activities, we helped the relevant employees understand the contents of the law and raise awareness in transparent and fair trading relations.



Education on Monopoly Regulation and Fair Trade Act

Information Security

Information Security Control System

To protect company data and clients' personal information, SKC enacted and operates security management regulations and 15 lower-level security management guidelines. In addition, we perform security activities in areas related to data leakage control, such as governance, cyber-threat management, system security, and internal information, in line with SK Group's security management system guide, which has been written in accordance with SKC's security management regulations and information security management system (ISMS), the Act on Promotion of Information and Communications Network Utilization and Information Protection, Etc., and the Personal Information Protection Act. SKC establishes and carries out security task plans and activities every year based on the company's security management regulations and SK Group's security management system guide. In response to the present environment where work-from-home has been activated, we conduct security activities centering on strengthened security and establishment of an environment that controls leakage of internal information. With the goal of achieving zero cases of company data and clients' personal information leakage, we are committed to carrying out our security activities.

SKC Security Policies



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

Security Management Guidelines		
Anomaly Control	Application Management	Database Control
Network Control	Security Solution Management	Server Management
Response to Cyber Incident	Surveillance System	Information Asset

Improvement of Security Awareness

To raise the security awareness of the employees of both SKC and its affiliates, SKC holds information security training once every year to share the latest security issues. In addition, we perform various activities, which include security pledge, mock training on email spams, and security campaigns, and protect company data and clients' personal information.

Details of Security Training



Security pledge to improve employees' security awareness

Safe Work Environment

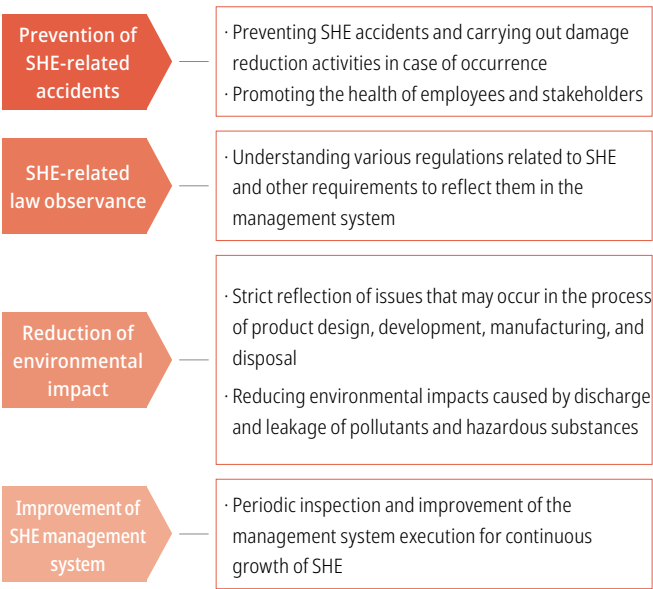
Safety, health and environment (SHE) should be considered with the highest priority when carrying out business activities. Based on this, SKC strives to establish the optimal work environment to allow its employees to work at safe, pleasant workplaces. Through observance of laws and firm safety and health activities, we aim to prevent safety-related accidents and respond systematically to realize a zero-hazard company.

Establishing SHE Management System

Establishment of Management Policies

SHE elements are extremely important sustainability issues that are directly related to the safety and health of employees and local communities. In response, SKC establishes a SHE management system and continuously improves the corresponding performances to achieve zero-hazard, safety management. Considering SHE as the highest priority among all our business activities, we continue to conduct evaluation and improvement activities. We aim to take responsibility for stakeholders' safety and health while minimizing the impact on business activities and products. To respond to SK Group's management policies and changes in the external environment, such as reinforced laws and regulations and society's growing demand for companies' responsibility in safety, health and environment, SKC established its own SHE management policy as well as the Safety Golden Rules to carry them out at each business site.

SHE Management Policies



Establishment of Safety Golden Rules at Each Business Site

SKC operates the Safety Golden Rules (SGRs) to specify SHE standards and procedures centering on the areas that occur frequently and have huge ripple effects by analyzing the details of SHE-related accidents at each business site. SGRs were written with a long-term perspective in consideration of SHE standards applied to all business sites. In case of changes in the form of accident occurrences, the contents of SGRs are revised through the Occupational Health and Safety Committee.

Safety Golden Rules

- 1 Execute all works after getting final approval on the safety work permit.
- 2 All workers should complete a safety training program before operation.
- 3 Put on designated protective equipment when handling hazardous materials.
- 4 Make sure you take a fall prevention action before operation at a high area.
- 5 Measure hazardous gas and oxygen levels regularly during operation in a closed space.
- 6 When a vehicle (2.5 t or higher) is parked or stopped, secure it with a wheel chock.
- 7 When there are changes, review them and check prior to operation.
- 8 Smoking is prohibited in the manufacturing plant. Workers should smoke in a designated area only.
- 9 All vehicles should observe internal speed limits and be parked in the designated area only.

* The above SHE Golden Rules applies to the Ulsan business site.

Report to BoD

In accordance with the Occupational Safety and Health Act, SKC reports all matters related to safety and health to the BoD once a year. The most recent report was made in March 2021.

Agenda

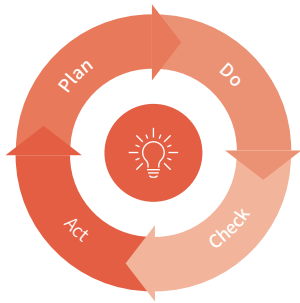
- SHE Management Policy
- Composition and roles of the safety and health organization
- Status on budget and facilities related to safety and health
- Safety and health performances in 2020 and plans for 2021

Safety and Health Management for Employees

Safety and Health Management for Employees

SKC has set up a PDCA (Plan-Do-Check-Act) cycle in accordance with its SHE management policy and substantially applies the management system to manage and protect the safety and health of its employees.

PDCA Cycle



Plan	SKC communicates with its stakeholders to establish safety and health goals and plans and manage risks. The management system reflects the laws and other requirements related to safety, health and environment.
Do	SKC operates the safety and health system according to laws and regulations and responds to contingencies. We prevent accidents by educating our employees and business partners and impose sanctions on those who violate the SGRs. In case of an accident, we quickly take actions and seek solutions in accordance with the reporting targets and procedures by accident grade.
Check	SKC corrects and fixes nonconformity matters to eliminate potential risk factors.
Act	Through periodic inspections, SKC inspects the safety of hazardous facilities and equipment and the compliance with laws and internal regulations. We check the results of measures taken for matters that were previously pointed out and draw out improvement points.

Reducing Fundamental Risks

In order to reduce fundamental risks that hinder process safety at business sites, SKC performs a self-inspection of process safety management (PSM)*. The system helps deduce improvement points and carry out improvement activities.

In 2020, the Jincheon business site conducted an internal inspection, which was followed by improvement activities to resolve issues related to process safety. Eventually, all issues were resolved.

SK picglobal Ulsan business site also executed an internal PSM inspection to diagnose the PSM status and draw out improvement items. To carry out the inspection, the Ulsan business site formed an integrated PSM support team consisted of employees from six departments of affiliated companies. The inspection discovered major issues from 12 areas, including process safety data and process risk assessment. Based on the given data, SKC plans to improve and advance the PSM system at SK picglobal Ulsan business site.

* **Process Safety Management (PSM):** A system in which process safety reports are prepared at PSM target business sites and implemented through screening and verification in accordance with the Occupational Safety and Health Act

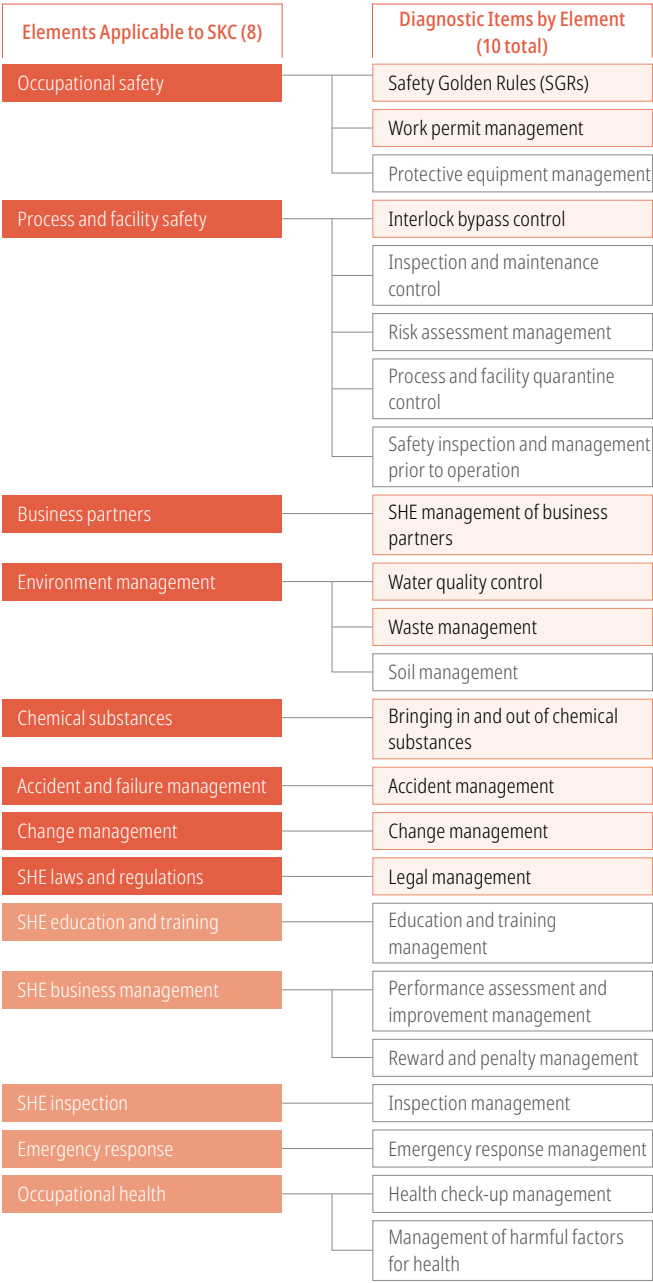
Protecting Employees' Health

By conducting annual health check-ups for its employees, including contract workers, and special health check-ups for workers in specific processes, SKC monitors vocational and occupational diseases every year. If opinions on harmful factors are given depending on the check-up results, we are supporting the corresponding employee through various forms, such as counseling and medical treatment. To further improve employees' health, we also operate Health Keeper Room run by the visually impaired with a professional massage therapy license.

Advancement of the SHE Management System

SKC acquired the ISO 14001 certification and converted to the ISO 45001 certification to raise the level of the SHE management system. Moreover, based on our diagnosis of the SHE management system of all business sites, we discovered major weaknesses and thus set improvement objectives. The diagnosis was carried out to verify the completeness of the management system (80%) and the implementation of the system (20%). To evaluate the completeness, we figured out the level of fulfillment of the requirements given by SK Group's SHE management system as well as the factors of insufficiency in the process. The implementation of the system was evaluated based on the index of SHE management level. Non-satisfying items are to be selected and carried out as key company-wide tasks in 2021, and we plan to set a guideline for implementing SK Group's requirements to seek upward leveling of all SKC's business sites. We will form a group of experts to diagnose on the SHE management level at the business sites in a more systematic manner as well as advance the diagnosis process.

SHE Diagnosis Items



Integrated Support from Agile Organization

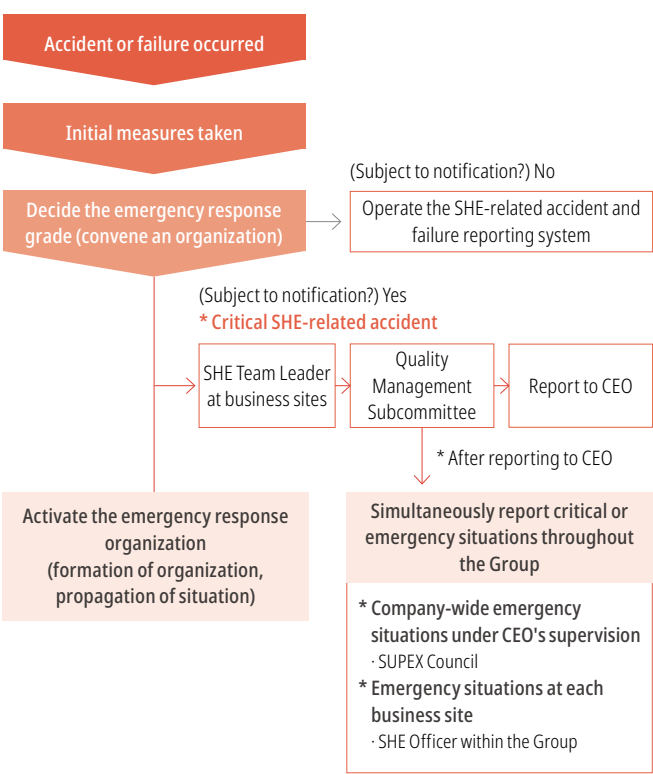
SKC strives to reinforce the exchange system among business sites and provide efficient assistance for safety, health and environment. We also operate a pool of experts in different fields from safety and environment to construction, electricity, mechanical equipment, ISO, and licensing. As an agile group, this pool of experts offers solutions to issues that occur at business sites and inspects compliance with the SHE system and related laws as well as provides comprehensive support, which includes professional consultation and education. Moreover, SKC has extended its support to newly built, expanded, as well as M&A business sites.

For newly built and expanded sites, an agile experts group is dispatched prior to business operation to assist the inspection and deduce improvement items. Then, the group supports the establishment of improvement tasks depending on the grade (from A to D) given to each business site. Especially for cases in which large-scale restructuring such as M&A or division, risks are inspected at the particular business site and licensing and legal requirements are reviewed to help business sites draw out improvement actions and settle down.

Establishing an Integrated Accident Management System

SK Group has established a company-wide integrated accident management system. In response, SKC set up a unified reporting structure and accident investigation process, which have been further extended to its affiliates. In order to enable an organic sharing of information in case a joint response by the group as a whole is necessary for emergency situations, we have devised a simultaneous reporting system and enhanced the process. Moreover, the integrated accident management system helps classify accident grades in greater detail and manage the accident history in a more systematic manner. Through our internal regulations and operations guide, we instruct our employees on strengthened sanctions on violations of regulations as well as increase their ability to execute good safety, health and environmental practices.

Simultaneous Notification Process



Business Partner Management

SKC assists and improves business partners' safety, health and environment and pursues mutual growth. In 2020, we took necessary measures on hazardous facilities at business partners by improving safety devices in the logistics system and installing additional logistics automation safety devices for the transport of PET products. We carried out a variety of improvement activities in the work environment such as thermal system improvement and installation of safety surveillance CCTVs. We also supported our business partners in the implementation of the SHE system, which includes measurement of work environments and inspection of hazardous mechanical equipment.

In particular, they were provided with a mutual growth program to strengthen their roles and responsibilities in regard to safety, health and environment and provide support in these areas. We plan to continue expanding and adding more support programs for our business partners. Moreover, we are supporting the adoption of sanction and incentive systems for compliance with relevant regulations and laws for each business partner, and planning a variety of management and evaluation activities to improve their safety, health and environment levels. Such activities include promoting SHE eligibility screening, securing execution power for SHE education programs, inspecting the facilities used, conducting risk reduction activities for risk factors and follow-up management.

Law Observance and Capacity Building

To establish a culture of conforming to the SGRs, SKC enacted the rules for all departments and provided relevant education to all employees in 2020. We also revised the reward and penalty management procedure in relation to safety, health and environment and strictly disciplined the cases of violation in order to construct a safe work environment. In response to the Severe Accident Punishment Act and the Occupational Safety and Health Act, which are to be amended in the future, we aim to raise the employees' awareness and foster a self-regulating safety culture in which everyone protects his or her own safety, and thus ultimately realize an accident-free company by establishing safe business sites. Different strategic assignments have been created for each business site.

Case 1

SKC Suwon business site has prepared a system for preemptive response to laws by running the SHE Committee, which is a safety, health and environment consultative group for Suwon, Jincheon and Cheonan business sites. It aims to monitor the compliance status and perform verification in advance to eliminate any potential risks.

Case 2

SK nexilis Jeongeup business site plans to form an exclusive group for risk assessments for each process and enhance the assessments by providing education and holding exercises in advance. It also raises awareness in safety by inviting outside lecturers and vitalizing the field-oriented safety improvement suggestions.

Case 3

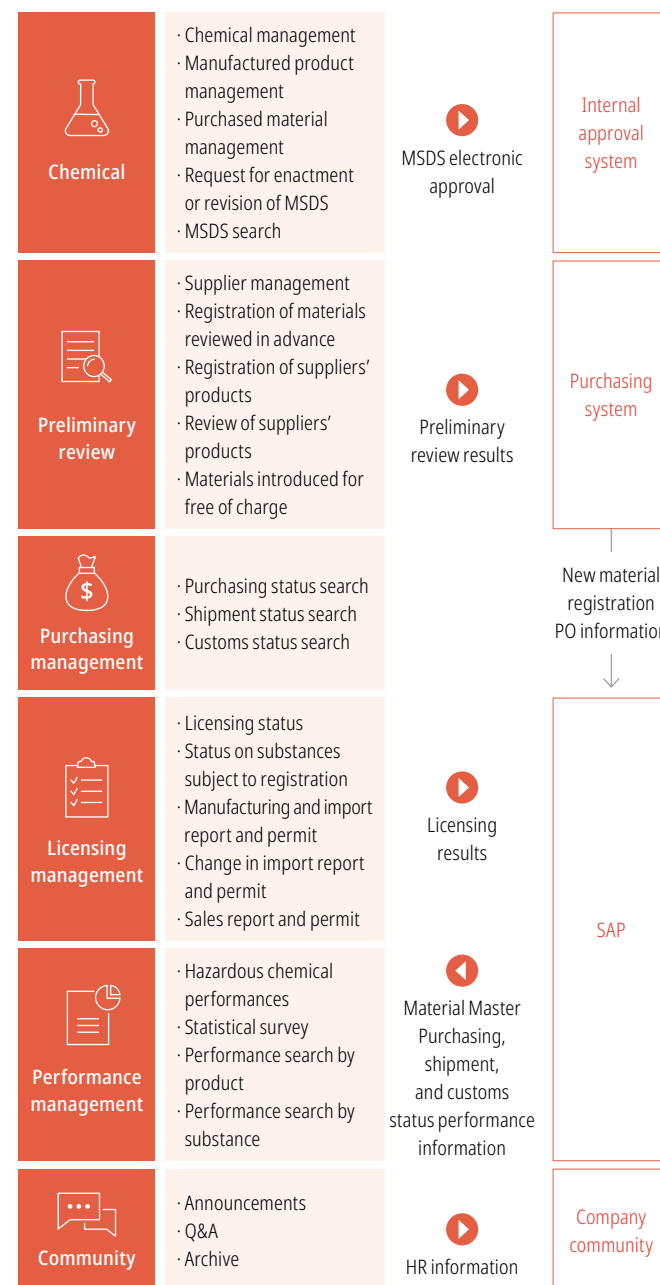
SK piglobal plans to set up the SHE Risk Management TF to pursue activities that will remove or reduce safety, health and environmental risks throughout the year. Moreover, it seeks to implement SHE compliance and safety culture level diagnoses to set up improvement plans and expand support for business partners to raise the level of safety, health and environment.

Management of Hazardous Chemicals

SKC conforms to the Chemical Substances Control Act and the Act on Registration, Evaluation, Etc. of Chemicals, both of which were reinforced in 2015. In Korea, we took the lead in establishing our own chemical management system (SkyCHEMS). We are utilizing the system to manage all chemicals manufactured, purchased, stored and distributed by SKC. We also established and are practicing internal chemical management regulations, procedures, and standards. Find out more information on SkyCHEMS on our website below.

(<http://www.skcc.co.kr/eng/corporation/sustain/environment.do>)

SKC Chemical Management System (SkyCHEMS)



Response to Domestic and International Regulations

To respond to domestic regulations, SKC complies with the Enforcement Rule of the Act on Registration, Evaluation, Etc. of Chemicals and uses every chemical substance, including all imported, manufactured, and new chemicals, after registering the data to the Ministry of Environment or establishing a registration plan. Chemical substances that are purchased for domestic consumption are supplied only when the supplier confirms the registration to the Ministry of Environment or the registration plan. In addition, in order to respond to international regulations, we provide chemical substances after identifying the relevant regulations in each country, such as the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) of the EU, and implementing the procedures.

SKC Chemical Registration Status and Plan

	Government Guide	SKC Performance and Plan
Phase 3 to 5 Substance registration (2022 - 2030)	Registration based on the quantity of less than 1,000 tons of imported and manufactured chemicals	· To register 110 kinds of chemicals · Phase 3 (until 2024, 16 kinds) · Phase 4 (until 2027, 26 kinds) · Phase 5 (until 2030, 68 kinds)
Phase 2 Substance registration (2019 - 2021)	Registration of over 1,000 tons of imported and manufactured chemicals	· Registration of 7 kinds of raw materials and by-products in progress in addition to 6 products (PG, DPG, TPG, PM, DP and Copper)
Phase 1 Substance registration (2015 - 2018)	Designation of 510 kinds of chemicals subject to national registration	· Completed registration of 7 kinds of raw materials and by-products in addition to 2 products (PO, SM)

Furthermore, to preemptively and proactively respond to the Occupational Safety and Health Act, which was amended in 2021, we are preparing Material Safety Data Sheets (MSDS) to be submitted to the Ministry of Trade, Industry and Energy.

Currently, we are planning and implementing a plan to submit products that handle 1,000 tons or more (out of 272 products) and obtain approval by January 2022. In the future, we plan to submit MSDS for all products according to the grace period for each quantity handled and obtain approval. We classify and label applicable chemical substances according to the Globally Harmonized System (GHS)* of Classification and Labeling of Chemicals for MSDS-managed products. We also strive to strengthen safety and health by conducting a risk assessment** for all chemical substances.

* **GHS:** An international standard that defines and classifies the hazards of chemical products

**** Risk assessment:** A series of processes for identifying harmful and risk factors, estimating and determining the likelihood and severity of injury or disease caused by the factors, and establishing and implementing reduction measures.

MSDS Management Status

Company	Business site	Product quantity*	GHS		Risk Assessment	
			Product quantity	Percentage	Product quantity	Percentage
SKC	Suwon	11	3	27%	11	100%
	Jincheon	4	1	25%	4	100%
	Cheonan	4	0	0%	4	100%
SK picglobal	Ulsan	29	18	62%	29	100%
SK nexilis	Jeongeup	2	2	100%	2	100%
SKC hi-tech &marketing	Cheonan	206	206	100%	206	100%
	Jincheon	10	10	100%	10	100%
SKC solmics	Jangdang	4	1	25%	4	100%
	Chupal	2	0	0%	2	100%
Total		272	241	89%	272	100%

* Number of MSDS prepared

Replacing Hazardous Chemicals

To transform into an eco-friendly business site, SKC steadfastly strives to substitute hazardous chemicals with eco-friendly materials in all areas including production process and product development. Product development is also pursued with the priority in eco-friendly elements. We spare no effort to develop eco-friendly products, such as biodegradable PLA films that substitute traditional plastic and silicon that does not contain water pollutants to achieve an eco-friendly company.

SKC Suwon business site, in particular, has replaced sodium hydroxide (NaOH), a hazardous chemical used as a wastewater counteragent, with sodium aluminate (NaAlO₂), which is a non-hazardous substance, and thus reduced hazardous chemical risks.

SKC Chemical Substitution Status and Plan

	Details	Anticipated Effects
Under development (Target: 2021)	To develop silicon products with no harmful water pollutants	Preemptive response to domestic and international water pollutant regulations
2019	Replaced hazardous chemical used as a wastewater counteragent (NaOH) with a common chemical Launched and commercialized PVC substitutes for furniture and construction (Co-PET)	Handling and management of hazardous chemicals Reduction in risks and danger implied on workers Response to domestic and overseas customer demands in PVC-free products
2013	Developed and applied Dioxane Free Coating Formulation	Response to domestic and international regulations on water pollutants
2012	Developed and applied PFOS* Free Coating Formulation	Response to domestic and international regulations on hazardous chemicals

* Per Fluoro Octante Sulfonic acid

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Quantitative Data

- 1. This report contains the performance of SKC and its affiliates (SK nexilis, SK picglobal, SKC hi-tech&marketing, SKC solmics, and SK telesys).
- 2. 2020 data includes the data of the newly launched SK nexilis.

Economic Performance

Summary of Consolidated Financial Statements (Unit: KRW)

Item	46 th Term (2018)	47 th Term (2019)	48 th Term (2020)
Total assets	3,833,128,681,093	3,972,988,752,154	5,406,405,840,533
Non-current assets	2,923,003,849,049	2,980,268,989,961	4,159,137,737,841
Current assets	910,124,832,044	992,719,762,193	1,247,268,102,692
Total capital	1,694,800,412,017	1,726,373,836,870	1,915,113,581,068
Controlling interest	1,532,728,939,172	1,559,278,640,017	1,808,065,785,607
Non-controlling interest	162,071,472,845	167,095,196,853	107,047,795,461
Total liabilities	2,138,328,269,076	2,246,614,915,284	3,491,292,259,465
Non-current liabilities	1,056,825,625,579	1,203,454,950,037	1,757,368,202,353
Current liabilities	1,081,502,643,497	1,043,159,965,247	1,733,924,057,112

Consolidated Income Statement (Unit: KRW)

Item	46 th Term (2018)	47 th Term (2019)	48 th Term (2020)
Sales	2,644,821,599,769	2,361,068,172,429	2,702,184,519,734
Cost of sales	2,208,390,229,156	1,962,078,105,546	2,192,956,636,246
Gross profit	436,431,370,613	398,990,066,883	509,227,883,488
Selling and administrative expenses	253,212,806,587	259,235,070,873	318,439,624,905
Operating profit	183,218,564,026	139,754,996,010	190,788,258,583
Financial income	29,656,859,185	31,372,029,296	63,795,851,527
Financial expense	82,488,346,468	83,078,727,850	184,738,490,709
Net income before income tax	165,220,732,629	60,432,113,222	207,110,964,460
Income tax expense	39,852,373,996	3,936,621,269	87,253,041,123
Net income during the term	141,041,714,507	67,392,287,037	73,620,866,788
Other comprehensive income	-7,128,153,124	2,275,062,757	3,458,167,786
Total comprehensive income	133,913,561,383	69,667,349,794	77,079,034,574

Social Performance

Employees

Classification		Unit	2018	2019	2020
Total no. of employees	Total	Person	2,276	2,341	2,586
Persons with disabilities	No. of employees with disabilities	Person	36	49	68
	Percentage	%	1.6	2.1	2.6
Gender	Male	Person	2,053	2,106	2,331
	Female	Person	223	235	255
By age	Age	29 years old or below	Person	286	304
		30 to 39 years old	Person	847	854
		40 to 49 years old	Person	613	646
		50 years old or above	Person	530	537
By employment type	Full-time	Total	Person	2,241	2,294
		Male	Person	2,031	2,071
		Female	Person	210	223
	Contract	Total	Person	35	47
		Male	Person	22	32
		Female	Person	13	15

New Employee Hires

Classification		Unit	2018	2019	2020
Total		Person	294	249	238
Gender	Male	Person	265	222	206
	Female	Person	29	27	32
By age	Below 30s	Person	173	144	80
	30s to 50s	Person	106	88	137
	Over 50s	Person	15	17	21
Gender ratio	Male	%	90.1	89.2	86.6
	Female	%	9.9	10.8	13.4
Age ratio	Below 30s	%	58.8	57.8	33.6
	30s to 50s	%	36.1	35.3	57.6
	Over 50s	%	5.1	6.8	8.8

Years of Continuous Service

Classification	Unit	2018	2019	2020
Average years of continuous service	Years	13.8	13.4	13.1
Average years of continuous service of male employees	Years	14.3	13.8	13.6
Average years of continuous service of female employees	Years	9.4	9.4	8.8

Quantitative Data

Gender Equality in Wages

Classification			Unit	2018	2019	2020
Ratio of base salary and remuneration of women to men			%	100.0	100.0	100.0

Employee Turnover

Classification			Unit	2018	2019	2020
Total			Person	161	174	178
Gender	Male		Person	143	155	154
	Female		Person	18	19	24
Age	Below 30s		Person	69	90	43
	30s to 50s		Person	76	73	98
	Over 50s		Person	16	11	37
Employee turnover rate throughout the year (full-time employees)			%	7.2	7.6	7.1

Layoff

Classification			Unit	2018	2019	2020
Effect of layoffs	Percentage out of total employees		%	0.00	0.00	0.04
	No. of employees laid off		Person	0	0	1
Effect of M&A	Percentage out of total employees		%	0.7	0.0	14.6
	No. of employees affected by M&A		Person	16	0	378

Parental Leave

Classification			Unit	2018	2019	2020
Employees subject to parental leave*	Gender	Male	Person	507	521	681
		Female	Person	59	63	79
No. of employees who used parental leave	Gender	Male	Person	1	3	3
		Female	Person	15	18	18
No. of employees who returned to work after parental leave ended	Gender	Male	Person	1	2	3
		Female	Person	9	11	14
Return rate	Gender	Male	%	100.0	100.0	100.0
		Female	%	100.0	100.0	100.0
No. of employees holding position for 12 months after return to work following parental leave	Gender	Male	Person	2	1	2
		Female	Person	13	9	11
	Retention rate of employees who returned to work after parental leave		%	100.0	100.0	100.0

* Employees who have children and are subject to parental leave pursuant to applicable laws

Labor-Management Relations

Classification			Unit	2018	2019	2020
Period of prior notice of major changes in business			Days	At any time	At any time	At any time
Scope of application of labor unions and collective bargaining			%	100.0	100.0	100.0

Employee Training and Education

Classification			Unit	2018	2019	2020
Training hours per employee	Average per employee		Hours	10.9	21.0	44.3
	Gender	Male	Hours	10.9	20.5	44.5
		Female	Hours	10.4	25.0	42.3
Career development review in relation to performance	Percentage of employees who have received career development reviews in relation to performance	Male	%	42.9	49.2	68.8
		Female	%	51.2	51.0	71.7

* Employees in administrative positions (SKC and SK picglobal) who have received career development reviews in relation to performance on myIDP

Ethical Management

Classification			Unit	2018	2019	2020
Percentage of employees who have completed ethical management education			%	99.7	100.0	100.0

Anti-corruption

Classification			Unit	2018	2019	2020
Compliance with regulations related to anti-corruption			Cases	0	0	0

Anti-competition Practices

Classification			Unit	2018	2019	2020
No. of legal actions taken against anti-competitive behavior, such as anti-trust, monopoly practices			Cases	0	0	0

Discrimination Cases

Classification			Unit	2018	2019	2020
No. of discrimination cases occurred			Cases	0	0	0

Human Rights

Classification			Unit	2018	2019	2020
Training of employees on human rights policies and procedures related to businesses			%	100.0	100.0	100.0

Personal Information Protection and Information Security

Classification			Unit	2018	2019	2020
Leakage of confidential business data and clients' personal information			Cases	0	0	0

Quantitative Data

Diversity

Classification		Unit	2018	2019	2020
Female employees	No. of female executives	Person	0	0	1
	Ratio of female executives to total executives	%	0.0	0.0	2.9
	No. of high-level female managers	Person	1	0	1
	Percentage of high-level female managers	%	0.8	0.0	0.8
	No. of low-level female managers	Person	56	66	83
	Percentage of low-level female managers	%	4.4	5.1	5.9
	No. of female employees	Person	223	235	255
	Percentage of female employees	%	9.8	10.0	9.9

Local Community

Classification		Unit	2018	2019	2020
Local community engagement and impact assessments	Percentage of business sites implementing environmental impact assessments	%	100.0	100.0	100.0
	Percentage of business sites operating programs on the development of local communities based on their needs	%	100.0	100.0	100.0
	Percentage of business sites operating voice of the customer (VOC) for local communities	%	100.0	100.0	100.0

Corporate Social Responsibility

Classification		Unit	2018	2019	2020
Volunteering	Percentage of employees who participated in volunteering activities	%	8.0	35.6	6.1
	Local community investment	KRW billion	1.5	1.2	1.3

Social Impact Assessment*

Classification		Unit	2020
New business partners screened through social impact assessments		Companies	6
Primary negative social impacts within supply chains and subsequent countermeasures	No. of affiliates that have implemented social impact assessments	Companies	16
	No. of business partners that have been confirmed to have substantially and/or potentially negative social impacts	Companies	0
	No. of business partners that have agreed to engage in improvement actions based on the results of assessments	Companies	0
	No. of business partners with which contracts have been withdrawn based on the results of social impact assessments	Companies	0

* A social value assessment system for business partners was adopted starting in November 2019.

ESG Risk

Classification		Unit	2018	2019	2020
Business partners	No. of business partners that received ESG risks assessment	Companies	94	91	91
	Percentage of business partners that implemented improvement measures	%	0.0	0.0	0.0

Supply Chain and Purchase Details

Classification	Unit	2018	2019	2020
No. of business partners	Companies	2,386	2,388	2,705
Purchase amount by business partners	KRW billion	2,359.2	2,360.8	1,709.9

Local* Purchase Ratio

Classification	Unit	2018	2019	2020
Purchase ratio by local business partners	%	83.9	89.2	85.9

* Business partners located in Korea

Occupational Health and Safety Management System

Classification		Unit	2020
Health and safety management system (ISO 45001)	No. of employees to which the system applies	Person	1,874
	Scope of application	%	84.7

* Certification system was implemented in 2020; employees at the headquarters are excluded.

Health and Safety of Employees

Classification		Unit	2018	2019	2020
Employee safety	Lost time incident rate (LTIR)*	-	0.26	0.30	0.38
	LTIR* by employee type	-	0.27	0.37	0.40
	- Employees				
	LTIR* by employee type	-	0.25	0.14	0.33
	- Employees of business partners				
	Cases of LTI (①+②)	Cases	6	7	11
	Cases of LTI - Employees (①)	Cases	4	6	8
	Cases of LTI	Cases	2	1	3
	- Employees of business partners (②)				
Employee health	Employee mortality	%	0.0	0.0	0.0
	Employee deaths	Cases	0	0	0
	Employee occupational disease occurrence rate*	-	0.0	0.0	0.0
	Cases of employee occupational disease occurrences	Cases	0	0	0

* Incident rate and occurrence of diseases: Based on 200,000 working hours

Products and Services

Classification		Unit	2018	2019	2020
Social value generated from products and services	Amount of social value generated from products and services	KRW billion	1,253	1,390	1,527
Product and service safety	No. of incidents of non-compliance with product and service safety-related laws	Cases	0	0	0
	Percentage of key products and services for which safety and health impact assessments have been conducted	%	100.0	100.0	100.0

Quantitative Data

Environmental Performance

Greenhouse Gas

Classification		Unit	2018	2019	2020
GHG emissions*	Total GHG emissions (①+②)	tCO ₂ eq	779,711	816,683	914,158
	Scope 1 emissions(①)	tCO ₂ eq	486,160	533,410	492,585
	Scope 2 emissions(②)	tCO ₂ eq	293,551	283,273	421,574

* No GHG verification statement is issued for business sites that are not obligated to comply with the GHG regulations; however, based on the quantitative data, GHG emissions include all business sites, except for flare stack facilities.

Energy

Classification			Unit	2018	2019	2020
General energy consumption	Total energy consumption(①+②)	Total	TJ	14,664.0	14,506.7	17,343.9
	Direct energy consumption by source (①)	Total	TJ	3,437.3	3,884.3	4,037.0
		Natural gas	TJ	0.0	0.0	0.0
		Gasoline	TJ	3.6	4.0	3.9
		Diesel	TJ	7.1	8.2	11.6
		Kerosene	TJ	4.3	5.2	3.3
		LPG	TJ	1,364.9	1,741.9	1,558.8
		Other (including city gas)	TJ	2,057.4	2,125.2	2,459.4
	Indirect energy consumption by source (②)	Total	TJ	11,226.6	10,622.4	13,306.9
		Electricity*	TJ	5,997.9	5,817.3	8,772.9
		Steam	TJ	2,338.9	2,502.5	1,978.6
		Other (including city gas)	TJ	2,889.8	2,302.6	2,555.4
Renewable energy consumption	Total electric energy consumption*		MWh	624,797	605,982	913,864
	Total renewable energy consumption		MWh	0	0	0

*No GHG verification statement is issued for business sites that are not obligated to comply with the GHG regulations; however, based on the quantitative data, GHG emissions include all business sites, except for flare stack facilities.

Waste

Classification		Unit	2018	2019	2020
Waste generation	Total waste generation (①+②+③)	Ton	29,649	28,966	32,434
	Waste generation by type - General waste (①)	Ton	22,141	22,400	24,815
	Waste generation by type - Designated waste (②)	Ton	7,083	5,904	6,487
	Waste generation by type - Construction waste (③)	Ton	424	662	1,132
Waste recycling	Waste recycling rate (construction waste excluded from consideration)	%	-	90.0	88.0
	Total waste recycled	Ton	-	25,486	27,541

Water

Classification			Unit	2018	2019	2020
Water consumption	Water withdrawals (①+②)	Total	Ton	6,712,225	6,929,855	7,796,035
	Water withdrawal by source (①)	Total	Ton	6,712,225	6,929,855	7,796,035
		Municipal water	Ton	6,275,905	6,347,325	6,381,504
		Groundwater	Ton	436,320	582,530	596,482
		Recovery from wastewater	Ton	0	0	0
Water reuse	Other*		Ton	0	0	818,049
	Water withdrawal in water resource-sensitive areas (②)	Total	Ton	0	0	0
Water reuse	Water reuse rate	%		0.0	0.0	2.1
	Water consumption	Ton		6,712,211	6,929,841	7,796,035
	Water reused	Ton		0	0	165,246

* River water is supplied as industrial water (after purification) through water withdrawal facilities controlled by the city hall.

Water Pollution

Classification		Unit	2018	2019	2020
Water pollutants	Chemical oxygen demand (COD) emissions	Ton	18.6	17.9	82.3
	Biochemical oxygen demand (BOD) emissions	Ton	5.1	5.6	44.6
	Total nitrogen (T-N) emissions	Ton	11.2	8.0	35.9

Air Pollution

Classification		Unit	2018	2019	2020
Air pollutants	Nitrogen oxide (NOx) emissions	Ton	191.2	200.9	223.5
	Sulfur oxide (SOx) emissions*	Ton	0.0	1.1	312.2
	Dust emissions	Ton	17.2	12.6	21.4
	Volatile organic compounds (VOCs) emissions	Ton	83.1	77.4	77.4

* SOx emissions in 2020 are not actual measurements; instead, they are emissions to which the emission factor method was applied in accordance with the adoption of the Special Act on Air Quality Improvement in Air Control Zones.

Environmental certification

Classification	Unit	2018	2019	2020
Business Sites with environmental certification (ISO 14001)	Sites	5	5	6

Stakeholder Engagement

SKC has set stakeholder happiness as its key goal and recognizes sustainability and social value creation as its essential prerequisites for company growth. Accordingly, through communication with its stakeholders each year, SKC collects the key opinions and interests of stakeholders and reflects these elements in its sustainability management activities.

	Key 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 for continued increase in 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-Management Committee · Happiness Talks · Happiness Survey · Happiness Interview · Happiness 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

GRI Standards Index

GRI refers to a standardized guideline for preparing sustainability reports. This report was written according to the GRI standards.

Universal Standards

Index	Description	Page
Organizational Profile	102-1	Name of the organization
	102-2	Primary brands, products, and services
	102-3	Location of headquarters
	102-4	Location of operations
	102-5	Ownership and legal form
	102-6	Markets served
	102-7	Scale of the organization
	102-8	Information on employees and other workers
	102-9	Description of the organization's supply chain
	102-10	Significant changes to the size, structure, and ownership of the organization or supply chain
	102-11	Precautionary Principle or approach
	102-12	External initiatives
	102-13	List of the main memberships of industry or other associations, and national or international advocacy organizations
Strategy	102-14	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy for addressing sustainability
	102-15	Key impacts, risks, and opportunities
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior
	102-17	Internal and external mechanisms for seeking advice about ethical and lawful behavior, and organizational integrity
	102-18	Governance structure of the organization, including committees of the highest governance body
Governance	102-19	Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees
	102-20	Report on whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics
	102-21	Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics
	102-22	Composition of the highest governance body and its committees
	102-23	Report on whether the chair of the highest governance body is also an executive officer in the organization
	102-24	Nomination and selection processes for the highest governance body and its committees
	102-26	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics
	102-27	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics
	102-28	Evaluating the highest governance body's performance
	102-29	Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities
	102-30	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics
	102-31	Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities
	102-32	Highest governance body's role in sustainability reporting
	102-33	Process for communicating critical concerns to the highest governance body
	102-34	Total number and nature of critical concerns that were communicated to the highest governance body and mechanism(s) used to address and resolve critical concerns
	102-35	Remuneration policies for the highest governance body and senior executives
	102-36	Process and basis for determining remuneration
	102-37	Stakeholders' involvement in remuneration

GRI Standards Index

Universal Standards

Index		Description	Page
Stakeholder Engagement	102-40	List of stakeholder groups engaged by the organization	55, 96
	102-41	Percentage of total employees covered by collective bargaining agreements	90
	102-42	The basis for identifying and selecting stakeholders with whom to engage	96
	102-43	Approach to stakeholder engagement	96
	102-44	How the organization has responded to key topics and concerns that have been raised through stakeholder engagement, including through its reporting	33-35
Reporting Practice	102-45	List of all subsidiaries and joint ventures included in the organization’s consolidated financial statements or equivalent documents	6, 16-25, Business report
	102-46	Process for defining the report content and the topic Boundaries	33
	102-47	Complete list of the material topics identified in the process for defining report content	33
	102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements	2
	102-49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries	2
	102-50	Reporting period	2
	102-51	Date of the most recent report	2
	102-52	Reporting cycle	2
	102-53	Contact point for questions regarding the report and its contents	111
	102-54	Organization's decision on applying the options of GRI Standards	2
	102-55	GRI content index	97-99
	102-56	External assurance	104-109
Management	103-1	Explanation of the material topic and its Boundary	33-35
	103-2	The management approach and its components	31-35
	103-3	Evaluation of the management approach	33-35, 71-73

Topic-Specific Standards

Index		Description	Page
Direct Economic Performance	201-1	Direct economic value generated and distributed	8, 88
	201-2	Financial implications and other risks and opportunities due to climate change	9, 47-48, 73
Market Share	203-2	Significant indirect economic impacts	30
Procurement Efficiency	204-1	Proportion of spending on local suppliers	93
Anti-corruption	205-2	Total number and percentage of employees that have received training on anti-corruption	76, 91
	205-3	Confirmed incidents of corruption and actions taken	76-77, 79, 91
Anti-competition Practices	206-1	Number of legal actions completed regarding anti-competitive behavior and violations of anti-trust and monopoly legislation	91
Energy	302-1	Energy consumption within the organization	94
	302-2	Energy consumption outside of the organization	94
	302-4	Energy intensity	47-48
Water	303-1	Interactions with water as a shared resource	51
	303-3	Water withdrawal	95
	303-4	Water discharge	51, 53, 95
	303-5	Water consumption	95

Topic-Specific Standards

Index		Description	Page
Biodiversity	304-3	Habitats protected or restored	51
Emissions	305-1	Direct (Scope 1) GHG emissions	94
	305-2	Indirect (Scope 2) GHG emissions	94
	305-5	Reduction of GHG emissions	47-48, 94
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	95
Hazardous Waste	306-2	Management of significant waste-related impacts	49-50
	306-3	Waste generated	94
	306-4	Waste diverted from disposal	49-50, 94
	306-5	Waste directed to disposal	49-50, 94
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations and the corresponding non-monetary sanctions	49, 73, 84-85
Supplier	308-1	New suppliers selected using environmental criteria	63
Environmental Assessment	308-2	Negative environmental impacts in the supply chain and actions taken	92
Employment	401-1	New employee hires and employee turnover	89-90
	401-3	Parental leave	90
Labor-Management Relations	402-1	Minimum notice periods regarding operational changes	90
Occupational Health and Safety	403-1	Occupational health and safety management system	81-85
	403-2	Hazard identification, risk assessment, and incident investigation	73, 81-85
	403-3	Identification and elimination of hazards and the method of use	81-85
	403-4	Worker participation and communication on occupational health and safety	81-84
	403-5	Worker training on occupational health and safety	81-84
	403-6	Promotion of worker health	82
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	81-85
	403-8	Workers covered by an occupational health and safety management system	93
	403-9	Work-related injuries	93
	403-10	Work-related ill health	93
Training and Education	404-1	Training hours per employee	91
	404-2	Programs for upgrading employee skills and transition assistance programs	57-59
	404-3	Percentage of employees receiving regular performance and career development reviews	91
Diversity	405-1	Diversity of governance bodies and employees	58, 68, 92
	405-2	Ratio of basic salary and remuneration of women to men	90
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	91
Human Rights	412-2	Number of employees trained in human rights policies or procedures	91
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	92
Supplier Social Assessment	414-1	New suppliers selected using social criteria	92
	414-2	Negative social impacts in the supply chain and actions taken	92
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	93
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	93
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	91
Socioeconomic Compliance	419-1	Sanctions for non-compliance with laws and/or regulations in the social and economic area	76-79, 91, 93

SASB Standards Index

Sustainability Accounting Standards Board (SASB) specifies sustainability factors that significantly affect a company's financial performance by industry. SKC prepared this report by applying the global standards suggested by SASB.

Sustainability Disclosure Topics & Accounting Metrics

Topic	Metric		Unit	Disclosure and Location	
GHG Emissions	RT-CH-110a.1	Gross global Scope 1 emissions	tCO ₂ eq	492,585	
		Percentage of targets covered under emissions-limiting regulations (e.g., K-ETS) among Scope 1 emissions	%	99.6% “99.6% was calculated based on the percentage of Scope 1 emissions from business sites covered under emissions-limiting regulations out of the gross global Scope 1 emissions.”	
	RT-CH-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	-	Page 17, 19, 21, 30-35, 47-48, 73	
Air Quality	RT-CH-120a.1	(1) NOx emissions	Ton	223.54	
		(2) SOx emissions	Ton	312.24 The emissions are not actual measurements; instead, they are emissions to which the emission factor method was applied in accordance with the adoption of the Special Act on Air Quality Improvement in Air Control Zones.	
		(3) VOCs emissions	Ton	77.44	
		(4) HAPs emissions	Ton	45.24 45.24 The emissions are based on the amount reported to the government's “chemical substances emissions survey” that was conducted in accordance with the Chemical Substances Control Act. The amount of emission of HAPs was not taken into calculation, as it does not conform to the report criteria. (Small amount of emissions are not obliged to be included)	
Energy Management	RT-CH-130a.1	(1) Total energy consumed	GJ	17,343,938	
		(2) Percentage of grid electricity	%	50.6% Grid electricity was calculated based on the percentage of electric energy consumption purchased by SKC from Korea Electric Power Corporation (KEPCO) out of total energy consumption.	
		(3) Percentage renewable	%	0%	
		(4) Total self-generated energy	GJ	0	
Water Management	RT-CH-140a.1	(1)(2) Total water withdrawn/ consumed	m ³	7,796,035m ³	
		Percentage of each in regions with high or extremely high baseline water stress	%	N/A	
	RT-CH-140a.2	Number of incidents of non-compliance associated with water quality permits, standards and regulations	Cases	0	
	RT-CH-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks	-	Page 51-53, 73	
Hazardous (Designated) Waste Management	RT-CH-150a.1	Amount of hazardous (designated) waste generated	Ton	6,487	
		Percentage of hazardous (designated) waste recycled out of the total amount generated	%	67.5%	
Community Relations	RT-CH-210a.1	Discussion of engagement processes to manage risks and opportunities associated with community interests	-	SKC's key business sites carry out active communication with stakeholders in local communities through various organizations and consultative groups to form friendly relations, and manage risks and opportunities that may stem from the local community interests through activities in relation to the people, government, and media. The SKC Suwon business site strengthens its communication through continuous networking with organizations including local governments and women's associations in Jeongja 1-dong and 3-dong, and reduces potential risks with stakeholders in local communities through CSR, environmental improvement activities, nighttime patrol, and other resident-safety support activities. Located in the Ulsan Petrochemical Complex, the SK picglobal Ulsan business site has formed a consultative group with the Yongyeon-Yongjam Plant Managers and the Ulsan Plant Managers to actively communicate with the local community for mutual growth and risk management.	
Employee Health and Safety	RT-CH-320a.1	(1) Total recordable incident rate (TRIR)	(a) Employee	Rate	N/A
			(b) Contract employee	Rate	Currently, SKC internally uses LTIR as the index to manage employee safety and health. The relevant information is found on page 93 of this report.
		(2) Fatality rate	(a) Employee	Rate	0
			(b) Contract employee	Rate	0

Sustainability Disclosure Topics & Accounting Metrics

Topic	Metric		Unit	Disclosure and Location
Employee Health and Safety	RT-CH-320a.2	Description of efforts to assess, monitor and reduce exposure of employees to long-term (chronic) health risks	-	SKC conducts annual health check-ups for its employees, including contract workers, and special health check-ups for workers in specific processes. Based on the check-ups, SKC monitors vocational and occupational diseases every year. If opinions on harmful factors are given depending on the check-up results, we are supporting the corresponding employee through various forms, such as counseling and medical treatment.
Product Design for Use-phase Efficiency	RT-CH-410a.1	Revenue from products designed for use-phase resource efficiency	KRW billion	377.1 This is the total amount of adding the revenue of (a) rechargeable battery materials, which are applied to EVs and ESS sold by SKC and (b) materials that contribute to the reduction of use-phase energy efficiency, including window films for construction, solar energy materials, lightweight materials for automobiles, and energy-efficient display materials, as well as materials that contribute to waste reduction through recycling and biodegradation.
Safety & Environmental Stewardship of Chemicals	RT-CH-410b.1	(1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances <i>(based on sales)</i>	%	N/A Currently, the percentage of GHS-included products by revenue is not managed as an internal management index; we are planning to review its inclusion as an internal management index in the future. Data of GHS-included products managed by SKC is found on page 85 of this report. In accordance with the Act on Registration, Evaluation, Etc. of Chemicals, all imported and manufactured chemicals undergo hazard and risk assessments through the government (Ministry of Environment) registration (or by submitting an application for exemption).
		(2) Percentage of such products that have undergone a hazard assessment <i>(based on sales)</i>	%	N/A Currently, the percentage of sales of products that have undergone risk assessment among GHS-included products is not managed as an internal management index; however, SKC has established its own chemical management system (SkyCHEMS) to implement risk assessments of products in accordance with the latest laws related to chemicals. Through the system, we classify the degree of risk of chemicals contained in products and list the information on MSDS for disclosure to internal and external stakeholders. Data related to product risk assessment currently managed by SKC is found on page 85 of this report.
	RT-CH-410b.2	(1) Strategy to manage chemicals of concern	-	Page 51-53, 73, 84-85
		(2) Development of alternatives with reduced human and/or environmental impact	-	Page 39, 41-43, 51, 84-85
Genetically Modified Organisms	RT-CH-410c.1	Percentage of products by revenue that contain genetically modified organisms (GMOs)	%	0%
Management of the Legal & Regulatory Environment	RT-CH-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	-	SKC monitors the status of enactment and amendment of major policies and laws at home and abroad that deal with environmental and social factors and conducts periodic surveys on internal demands for policy proposals and regulations. Through this process, we actively figure out issues that influence the business and make proposals through participation in public hearings for enactment and amendment of laws or responses to surveys. Also as a member of numerous associations in related industries, we monitor safety, health and environmental regulation and policy trends in each industry as well as the status of enactment and amendment of laws in order to analyze their impacts and come up with countermeasures. We also engage in presenting our opinions regarding regulations that affect our businesses to the associations in different industries
Operational Safety, Emergency Preparedness & Response	RT-CH-540a.1	Process safety incidents count (PSIC)	Cases	0
		Process safety total incident rate (PSTIR)	Rate	0
		Process safety incident severity rate (PSISR)	Rate	0
	RT-CH-540a.2	Number of transport incidents	Cases	N/A

Activity Metrics

Topic	Metric		Unit	Disclosure	
Activity Metrics	RT-CH-000.A	Mobility materials	Copper foil	Ton	23,511
		Chemical materials	POD	Ton	436,268
		Industrial materials	PET Film	Ton	162,650
			High Functional Film*	Km ²	129,315
			Mill Base	Ton	708
		Semiconductor materials	Fine Ceramics	Ton	161

*Due to the product characteristics, high functional films are measured in km².

TCFD Standards Index

Task Force on Climate-related Financial Disclosures (TCFD) is a global consultative body established to disclose corporate financial information related to climate change. SKC discloses climate change-related information in accordance with the TCFD recommendations.

TCFD Recommendations	SKC Response Activities	CDP Index*
Governance: Disclose the organization’s governance around climate-related risks and opportunities		
A. Describe the board’s oversight of climate-related risks and opportunities	Page 32, 71	C1.1
B. Describe management’s role in assessing and managing climate-related risks and opportunities	Page 32	C1.2
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material		
A. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Page 9, 47, 73	C2.1
B. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	Page 6, 9, 32, 42-43	C2.3 C2.4 C3.1
C. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Page 32	C3.2
Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks		
A. Describe the organization's processes for identifying and assessing climate-related risks	Page 32	C1.2 C2.2
B. Describe the organization's processes for managing climate-related risks	Page 71	
C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Page 73	
Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material		
A. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Page 94-95	C4
B. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Page 94	C6 C8
C. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Page 6, 9, 17, 19, 47-48	C11

* SKC plans to disclose the carbon data through CDP starting 2021.

SKC Human Rights Declaration

Based on SK Management System (SKMS), the management philosophy of 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, business partners, shareholders, and society-at-large.

To this end, SKC is taking steps to gradually become a Global Specialty MARKETER to promise the success of its clients and the wellbeing of humankind by responding to their needs in an agile manner. SKC is also 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 risks due to violation of human rights in the course of business activities, and continually prevent and lessen potential human rights risks that may arise for stakeholders and specifically in the manufacturing industry.

Potential Human Rights Risks in Routine Business Activities

1. Respect the dignity of employees for sanctity 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 mental or physical confinement.
3. Prohibit child labor	Provide legal working environments in case of hiring minors and continually monitor compliance with the applicable National Labor Relations Law.
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 of Stakeholders

1. Seeking mutual growth with business partners	Treat business partners as companions for mutual growth, supporting them with a fair and reasonable mutually beneficial cooperation system.
2. Mutual growth with 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, be accustomed to putting forward ideas and behaviors that prioritize social value in all of SKC's areas of business.

Potential Human Rights Risks Stemming from 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 casualties and damages due to defects in produced and processed goods.

Independent Assurance Statement

To readers of SKC Sustainability Report 2021

Introduction

Korea Management Registrar (KMR) was commissioned by SKC to conduct an independent assurance of its Sustainability Report 2021 (the “Report”). The data and its presentation in the Report are the sole responsibility of the management of SKC. KMR’s responsibility is to perform an assurance engagement as agreed upon in our agreement with SKC and issue an assurance statement.

Scope and Standards

SKC described its sustainability performance and activities in the Report. Our Assurance Team carried out an assurance engagement in accordance with the AA1000AS v3 and KMR’s assurance standard SRV1000. We are providing a Type 2, moderate level assurance. We evaluated the adherence to the AA1000AP (2018) principles of inclusivity, materiality, responsiveness and impact, and the reliability of the information and data provided using the Global Reporting Initiative (GRI) Index provided below. The opinion expressed in the Assurance Statement has been formed at the materiality of the professional judgment of our Assurance Team. Confirmation that the Report was prepared in accordance with the Core Options of the GRI standards was included in the scope of the assurance. We have reviewed the topic-specific disclosures of standards which were identified in the materiality assessment process. We also confirmed that the report was prepared in accordance with the TCFD recommendations and SASB.

- GRI Sustainability Reporting Standards
- Universal standards
- Topic specific standards
- Management approach
- GRI 303: Water and Effluents
- GRI 305: Emissions
- GRI 306: Effluents and Waste
- GRI 307: Environmental Compliance
- GRI 308: Supplier Environmental Assessment
- GRI 403: Occupational Health and Safety
- GRI 414: Supplier Social Assessment
- GRI 419: Socioeconomic Compliance
- SASB Sustainability Disclosure Topics & Accounting Metrics
- TCFD recommendations

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

KMR’s Approach

- To perform an assurance engagement within an agreed scope of assessment using the standards outlined above, our Assurance Team undertook the following activities as part of the engagement:
- reviewed the overall Report;
 - reviewed materiality assessment methodology and the assessment report;
 - evaluated sustainability strategies, performance data management system, and processes;
 - interviewed people in charge of preparing the Report;
 - reviewed the reliability of the Report’s performance data and conducted data sampling;
 - assessed the reliability of information using independent external sources such as Financial Supervisory Service’s DART and public databases.

Limitations and Recommendations

KMR’s assurance engagement is based on the assumption that the data and information provided by SKC to us as part of our review are provided in good faith. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. To address this, we referred to independent external sources such as DART and National Greenhouse Gas Management System (NGMS) and public databases to challenge the quality and reliability of the information provided.

Conclusion and Opinion

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

Inclusivity

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

Materiality

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

Responsiveness

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

Impact

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

Reliability of Specific Sustainability Performance Information

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

Competence and Independence

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

June 2021 Seoul, Korea
CEO



E. J. Hwang

Verification Statement of Greenhouse Gas Emissions (SKC Co., Ltd.)

Verification Scope

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

Verification Standards and Guidelines

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

- GHG&Energy Target Scheme, Korea ETS guideline provided by Ministry of Environment, Republic of Korea
- KS Q ISO 14064-1,2,3 : 2006
- IPCC Guideline

Verification Conclusion

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

2020 Emissions(Scope1, Scope2) (Unit: ton CO₂_eq)

Year	Scope 1	Scope 2	Total
2020	55,792	131,542	187,333

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



May 21st, 2021

Verification Statement of Greenhouse Gas Emissions (SK picglobal Co., Ltd.)

Verification Scope

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

Verification Standards and Guidelines

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

- GHG&Energy Target Scheme, Korea ETS guideline provided by Ministry of Environment, Republic of Korea
- KS Q ISO 14064-1,2,3 : 2006
- IPCC Guideline

Verification Conclusion

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

2020 Emissions(Scope1, Scope2) (Unit: ton CO₂_eq)

Years	Scope 1	Scope 2	Total
2020	496,438	117,236	613,673

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



May 21st, 2021

Verification Statement of Greenhouse Gas Emissions (SK Nexilis Co., Ltd.)

Introduction

SK Nexilis Co., Ltd. implements annual MRV based on standards including ISO 14064 to comply with the GHG reduction target of Kyoto protocol. KMR confirms the verification results of 2020 as below.

Scope

- Organizational boundary : then whole business under control of the organization
- Verification object workplaces : Jeongeup main office and Anyang headquarters
- Reporting period : Calendar year of 2020
- Reporting greenhouse gas : CO , CH , N O, HFCs, PFCs, SF 2 4 2 6
- Type of emission : Direct Emissions (Scope 1), Indirect Emissions (Scope 2)
- The level of assurance : Reasonable assurance (materiality threshold : ±5.0%)

Standards

- ISO 14064-1 (2006), ISO 14064-3 (2006), WRI/WBCSD GHG Protocol (2004)
- Verification guidelines for Emission Trading Scheme / Target Management Scheme (MOE)
- KMR GHG & energy verification manual and procedure, IPCC Guidelines (2006)

Results

GHGs Emission	Scope1		Scope2	Total (tCO ₂ -eq)
2020	9,689		136,264	145,952
Energy Consumption	Fuel	Electricity	Steam	Total (TJ)
2020	190	2,806	0	2,995

Conclusion

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

March 31st, 2021

Authorized By CEO Eun Ju Hwang



E. J Hwang

Verification Statement of Greenhouse Gas Emissions (SKC hi-tech&marketing Co., Ltd.)

Verification Target

Korean Foundation for Quality (hereinafter “KFQ”) has conducted the verification of “2020 Report on Quantity of emitted Greenhouse gas and Energy Consumption”(hereinafter ‘Inventory Report’) for SKC hi-tech&marketing’s Cheonan plant.

Verification Scope

KFQ’s verification was focused on all the facilities which emitted greenhouse gas during the year of 2020 under operational control and organizational boundary of SKC hi-tech&marketing’s Cheonan plant.

Verification Criteria

- To conduct verification activities, verification team applied verification standards and guidelines. The standards and guidelines are as follows.
- Rules for emission reporting and certification of greenhouse gas emission trading scheme(Notification No. 2019-245 of Ministry of Environment)
 - Rules for verification of operating the greenhouse gas emission trading scheme(Notification No. 2018-70 of Ministry of Environment)
 - KS Q ISO 14064-1,2,3 : 2006

Verification Opinions

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

- 1) The Inventory Report was documented in accordance with “Rules for emission reporting and certification of greenhouse gas emission trading scheme” and “KS Q ISO 14064-1,2,3 : 2006” run by the government.
- 2) The result of Material discrepancy satisfied the criteria for an organization that emits less than 500,000 tCO₂eq shall not exceed 5% from total emission as per “Rules for verification of operating the greenhouse gas emission trading scheme”
- 3) In 2020 SKC hi-tech&marketing’s Cheonan plant GHG emission Report, no significant errors, omissions, or inappropriate matters were found except for emission sources that were not considered in the relevant GHG gas calculation guidelines.
- 4) Thus, KFQ concludes that following emissions data are correctly calculated and stated.

GHG Emissions

(Unit: ton CO₂-eq)

Year	Scope 1	Scope 2	Total
2020	15,342.874	15,688.907	31,031

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

May 21st, 2021

CEO Ji-Young Song Korean Foundation for Quality (KFQ)



Ji Young Song

Membership Associations and Membership

SKC

Chamber of Commerce and Industry	Korea Intellectual Property Association	Korea Bio Material Packaging Association
Korea Exchange	Korea Environmental Preservation Association	AEPW(Alliance to End Plastic Waste)
Korea Investor Relations Service	Korea Emissions Market Association	The Climate Group
Korea Fair Competition Federation	Korea Packaging Association	Happy Alliance
Korea Industrial Technology Association	Korean Bioplastics Association	Korea Enterprises Federation and 31 more

SKC Affiliates

SK nexilis

Korea Battery industry Association
Korea Display Industry Association
Korea Printed Circuit Association

SK picglobal

Korea Petrochemical Industry Association
Korea Specialty Chemical Industry Association
Korea Hydrogen Industry Association
Korea International Trade Association and 9 more

SKC hi-tech&marketing

Korea Display Industry Association

SKC solmics

Korea Display Industry Association
Korea Semiconductor Industry Association
Semiconductor Equipment and Materials International

SK telesys

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