

## MEASUREMENT OF SOCIAL VALUE

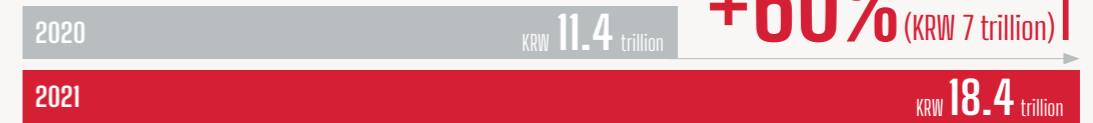
# Measurement is a prerequisite for management!

Social value measurement refers to converting the social impact of corporate management activities into currency values, such as sales and operating profits. Similar to economic values, indicators and references are needed to create more social values. SK firmly believes that measuring and managing social values enable the development of socially desirable products and services, which makes SK's business models sustainable in the long run. This is the starting point of the DBL management conducted by SK.

Furthermore, under the expectation that the meaningfulness and influence of social value measurement will grow if more stakeholders measure social values and share the same standards, SK has broadened the range of its internal and external cooperation efforts. In 2018, SK began to measure and disclose the social values produced by major SK member companies by conducting joint research and consultations with external experts. Moreover, SK collaborates with diverse academic institutions, organizations, and companies to secure objective grounds for social values produced by corporate activities. The Value Balancing Alliance (VBA) is a representative example. The VBA is a non-profit corporation launched in 2019 by around 30 global enterprises, including SK, BASF, Novartis, and POSCO, as well as the Big 4 accounting firms, for the purpose of cooperating on the establishment of international standards for social value measurement.

SK generates social values in all processes of making and providing its products and services. In addition, by objectively measuring and transparently disclosing the positive impact of such values on our society, SK achieves business innovation in pursuit of coexistence and happiness for all members of society.

### SV Measurement Results of the Group



## SOCIAL VALUE & ESG

# ESG is another name for the pursuit of social values.

ESG management, which stands for Environment, Social, and Governance, has become a major trend. Though it has recently emerged as a prominent global issue, the concept of ESG has existed since the early 2000s. With humanity now facing crises such as the COVID-19 pandemic and climate change, ESG has become a requisite for sustainable growth, rather than a mere recommendation.

SK promotes ESG from two perspectives: managing and responding to the needs of the capital market and external ESG evaluations, and innovation and transition of business based on ESG. Response to ESG evaluations refers to activities for managing and disclosing the ESG criteria demanded by the capital market in accordance with global standards. The innovation of business models based on ESG is about strengthening eco-friendly businesses and creating sustainable business portfolios.

SK will dedicate more attention and efforts to produce the social values that it has consistently pursued, thereby fulfilling the new roles that companies are expected to play in this new age and exerting a positive influence.



## MANAGING ESG PERFORMANCE

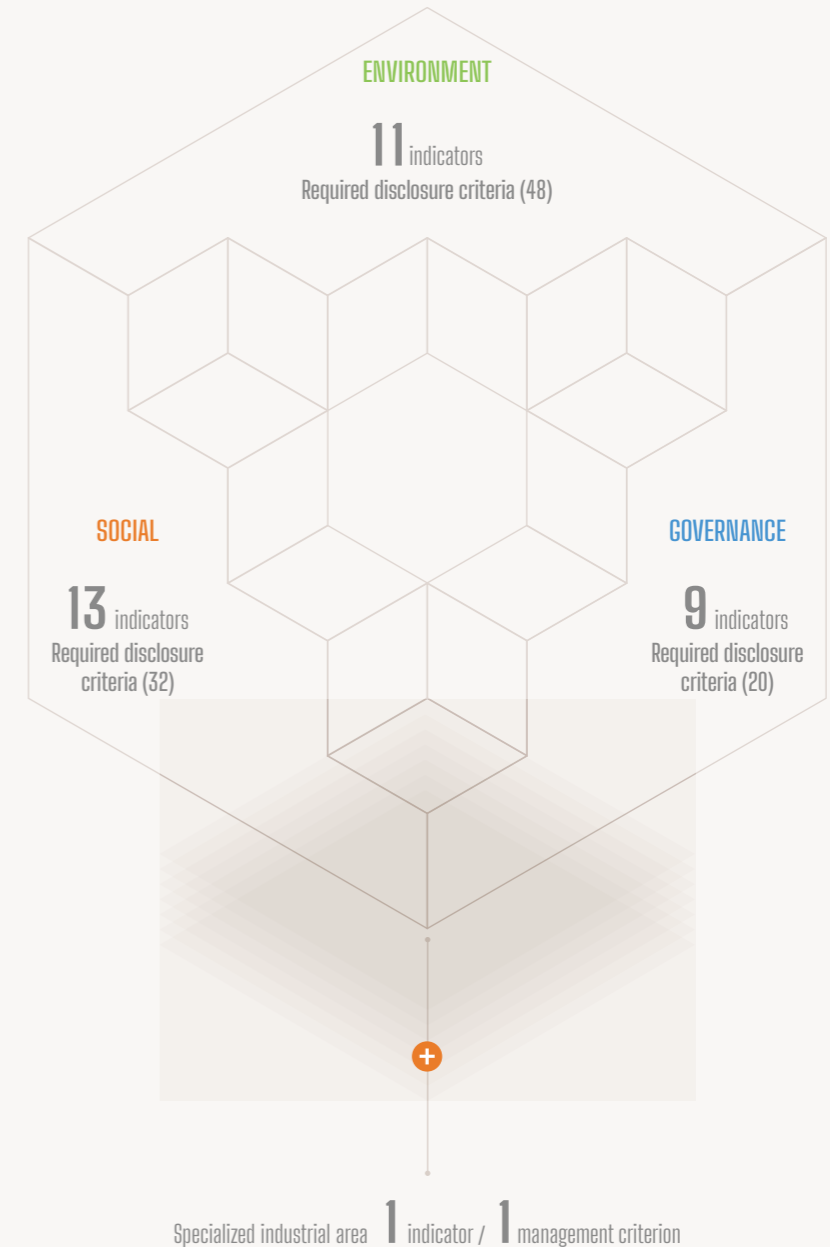
# Strengthening the basics! System for managing core ESG indicators

The systematic implementation of ESG management requires a clear understanding and continual management of ESG-related requirements by external stakeholders. In early 2021, SK defined the essential common criteria to be managed by all member companies of the SK Group as core ESG indicators and built a system to manage these criteria. From 2022, SK is expanding the scope of its ESG management to include the subsidiaries and grandchild subsidiaries of member companies.

**CORE ESG INDICATORS** The core ESG indicators, selected by analyzing and summarizing various ESG indicators demanded by the stakeholders of SK, such as the financial society and ESG disclosure and evaluation bodies, include the requirements of external stakeholders, criteria to be improved by SK member companies, and criteria for strategic ESG activities. The core ESG indicators comprise 34 indicators and 100 detailed management criteria, including the following: 11 indicators and 48 management criteria in the environment domain (greenhouse gases, climate change, waste), 13 indicators and 32 management criteria in the social domain (safety of employees, mutual growth with business partners, support for local communities), and 9 indicators and 20 management criteria in the governance domain (composition of the Board of Directors, the Audit Committee, anti-corruption management). Furthermore, the industrial specialization areas of each member company have been added to reflect their respective industrial characteristics.

**DATA-BASED PERFORMANCE MANAGEMENT** SK built an integrated ESG management system based on IT (Social Value Management System, SVMS) to manage the core ESG indicators efficiently. All member companies enter performance data and improvement activities related to all core ESG indicators into the SVMS on a quarterly basis, and the accumulated ESG data is managed in an integrated manner.

**ESG PERFORMANCE EVALUATION** Progressing a step beyond the selection of the core ESG indicators and management of data-based performances, SK has built an in-house system for evaluating ESG performance. This organized and reliable system, utilizing the various evaluation methodologies of external evaluation agencies, is comprised of peer comparison and goal attainment. Peer comparison is designed to objectively compare differences in relation to the ESG levels of global peer companies within the same industrial group. The current ESG levels of SK member companies are evaluated based on actual data taken from peers for each indicator. For goal attainment, we establish stepwise goals to reach a global top-tier standard and evaluate the degree of goal attainment each year. The evaluation results are included in the quarterly ESG performance reports and provided to the management and the BOD of each member company, enabling them to identify their standards of ESG and conduct ESG improvement activities.



ENVIRONMENT		
Indicators (11)	Required disclosure criteria (48)	
	Disclosure management (31)	Evaluation management (17)
<b>General energy consumption</b>	<ul style="list-style-type: none"> <li>Total energy consumption</li> <li>Consumption by each direct energy source</li> <li>Consumption by each indirect energy source</li> </ul>	<ul style="list-style-type: none"> <li>Total energy consumption (intensity)</li> </ul>
<b>Renewable energy consumption</b>	<ul style="list-style-type: none"> <li>Total power consumption</li> <li>Total renewable energy consumption</li> <li>Consumption by each renewable energy source</li> <li>RE consumption by each procurement method</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of renewable energy</li> </ul>
<b>GHG emissions</b>	<ul style="list-style-type: none"> <li>Target GHG emissions</li> <li>GHG reduction outcome</li> <li>Total GHG emissions</li> <li>Scope 1 emissions</li> <li>Scope 2 emissions</li> <li>Scope 3 emissions</li> </ul>	<ul style="list-style-type: none"> <li>Related policy/goal/performance</li> <li>Attainment of GHG reduction goal (%)</li> <li>Total GHG emissions (intensity)</li> </ul>
<b>Response to climate change (TCFD disclosure)</b>		<ul style="list-style-type: none"> <li>Related policy/strategy/performance</li> </ul>
<b>Prevention of environmental pollution</b>	<ul style="list-style-type: none"> <li>Current status of environmental pollution management facilities and monitoring systems</li> <li>Current status of environmental technologies and educational support</li> <li>Current status of violations of domestic and foreign environmental laws</li> </ul>	
<b>Air pollutant emissions</b>	<ul style="list-style-type: none"> <li>NOx emissions</li> <li>SOx emissions</li> <li>Dust emissions</li> <li>VOC emissions</li> </ul>	<ul style="list-style-type: none"> <li>NOx emissions (intensity)</li> <li>SOx emissions (intensity)</li> <li>Dust emissions (intensity)</li> <li>VOC emissions (intensity)</li> </ul>
<b>Waste generation</b>	<ul style="list-style-type: none"> <li>Total waste generation</li> <li>Waste generation by type</li> </ul>	<ul style="list-style-type: none"> <li>Total waste generation (intensity)</li> </ul>
<b>Waste recycling</b>	<ul style="list-style-type: none"> <li>Total amount of waste recycled</li> </ul>	<ul style="list-style-type: none"> <li>Waste recycling rate</li> </ul>
<b>Water consumption</b>	<ul style="list-style-type: none"> <li>Total water intake</li> <li>Water intake by intake source</li> <li>Water intake in areas of water stress</li> </ul>	<ul style="list-style-type: none"> <li>Total water intake (intensity)</li> </ul>
<b>Water recycling</b>	<ul style="list-style-type: none"> <li>Total volume of water used</li> <li>Total volume of water recycled</li> </ul>	<ul style="list-style-type: none"> <li>Total water recycling rate</li> </ul>
<b>Water pollutant emissions</b>	<ul style="list-style-type: none"> <li>COD emissions</li> <li>BOD emissions</li> <li>T-N emissions</li> </ul>	<ul style="list-style-type: none"> <li>COD emissions (intensity)</li> <li>BOD emissions (intensity)</li> <li>T-N emissions (intensity)</li> </ul>


**INDUSTRY-SPECIALIZED INDICATORS IN THE ENVIRONMENTAL DOMAIN**

SOCIAL		
Indicators (13)	Required disclosure criteria (32)	
	Disclosure management (18)	Evaluation management (14)
<b>Current status of employees</b>	<ul style="list-style-type: none"> <li>Total number of employees</li> <li>Ratio of employees                             <ul style="list-style-type: none"> <li>Gender, age, regular/non-regular</li> </ul> </li> <li>Number of new employees</li> <li>Number of disabled employees</li> <li>Ratio of female executives</li> <li>Number of female executives</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of disabled employees</li> </ul>
<b>Safety of employees</b>	<ul style="list-style-type: none"> <li>LTIR by employee type                             <ul style="list-style-type: none"> <li>Internal employees/employees of business partners</li> </ul> </li> <li>Number of lost time incidents                             <ul style="list-style-type: none"> <li>Internal employees/employees of business partners</li> </ul> </li> <li>Employee death rate</li> <li>Number of employee deaths</li> </ul>	<ul style="list-style-type: none"> <li>Related policy/goal/performance</li> <li>Lost time incident rate (LTIR)</li> </ul>
<b>Health of employees</b>	<ul style="list-style-type: none"> <li>Occupational illness frequency rate (OIFR)</li> <li>Number of occupational illnesses in employees</li> </ul>	<ul style="list-style-type: none"> <li>Related policy/goal/performance</li> </ul>
<b>Human rights of employees</b>		<ul style="list-style-type: none"> <li>Related policy/goal/performance</li> </ul>
<b>Competency development of employees</b>	<ul style="list-style-type: none"> <li>Hours of education (HRD)</li> </ul>	<ul style="list-style-type: none"> <li>Related policy/goal/performance</li> </ul>
<b>Balance of work and life</b>		<ul style="list-style-type: none"> <li>Related policy/goal/performance</li> </ul>
<b>SV of products/services</b>		<ul style="list-style-type: none"> <li>Amount of SV created by products/services</li> </ul>
<b>Safety and quality of products/services</b>	<ul style="list-style-type: none"> <li>Number of violations of laws related to product/service safety</li> </ul>	<ul style="list-style-type: none"> <li>Related policy/goal/performance</li> </ul>
<b>Protection of corporate data and customer information</b>	<ul style="list-style-type: none"> <li>Number of corporate data and customer data leakage incidents</li> </ul>	<ul style="list-style-type: none"> <li>Related policy/goal/performance</li> </ul>
<b>Support for mutual growth with business partners</b>		<ul style="list-style-type: none"> <li>Related policy/goal/performance</li> </ul>
<b>Management of the ESG risks of business partners</b>	<ul style="list-style-type: none"> <li>Number of business partners assessing ESG risks</li> <li>Ratio of business partners implementing improvement measures</li> </ul>	<ul style="list-style-type: none"> <li>Related policy/goal/performance</li> </ul>
<b>Support for local communities</b>	<ul style="list-style-type: none"> <li>Ratio of employees who participate in volunteer activities</li> </ul>	<ul style="list-style-type: none"> <li>Related policy/goal/performance</li> </ul>
<b>Support for the SE ecosystem</b>		<ul style="list-style-type: none"> <li>Related policy/goal/performance</li> </ul>


**INDUSTRY-SPECIALIZED INDICATORS IN THE SOCIAL DOMAIN**

GOVERNANCE		
Indicators (9)	Required disclosure criteria (20)	
	Disclosure management (9)	Evaluation management (11)
<b>Performance evaluation on management and compensation</b>	<ul style="list-style-type: none"> <li>Installation of the Compensation Committee and operating status</li> </ul>	<ul style="list-style-type: none"> <li>ESG-based performance evaluation on policy/goal/performance related to the management / compensation system</li> </ul>
<b>Identification of the ESG needs of stakeholders</b>		<ul style="list-style-type: none"> <li>Related policy/goal/performance</li> </ul>
<b>ESG-based business portfolio strategies and processes</b>		<ul style="list-style-type: none"> <li>Policy/goal/performance incorporating ESG standards for new businesses/ investments</li> </ul>
<b>Composition and operation of the Board of Directors</b>	<ul style="list-style-type: none"> <li>Operating status of the Board of Directors</li> <li>Compensation policy for the Board of Directors</li> <li>Evaluation status of the Board of Directors</li> <li>Installation/Operating status of the Independent Director Candidate Recommendation Committee</li> </ul>	<ul style="list-style-type: none"> <li>Policy/goal/performance regarding the diversity/expertise/independence of the Board of Directors</li> <li>Ratio of female directors</li> <li>ESG-related policy/goal/performance within the Board of Directors</li> </ul>
<b>Operation of the Audit Committee</b>	<ul style="list-style-type: none"> <li>Installation/operating status of the Audit Committee</li> </ul>	
<b>Enhancement of shareholder values</b>	<ul style="list-style-type: none"> <li>Policy to protect the rights of shareholders</li> <li>Policy to return to shareholders</li> </ul>	
<b>Anti-corruption management</b>	<ul style="list-style-type: none"> <li>Number of violations of anti-corruption regulations</li> </ul>	<ul style="list-style-type: none"> <li>Anti-corruption policy/goal/performance</li> <li>Anti-corruption education policy/goal/performance for employees</li> </ul>
<b>Disclosure of ESG information</b>		<ul style="list-style-type: none"> <li>Core indicator disclosure rate</li> <li>ESG management of subsidiaries/ grandchild subsidiaries</li> </ul>
<b>Participation in global partnerships</b>		<ul style="list-style-type: none"> <li>ESG-related global partnership policy/goal/performance</li> </ul>


**INDUSTRY-SPECIALIZED INDICATORS IN THE GOVERNANCE DOMAIN**
