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## Governance



## Board-centered Management

### Corporate Governance Charter

+ Corporate Governance Information

- In 2018, SK Inc. Corporate Governance Charter enacted and announced (<https://sk-inc.com/en/esg/charter.aspx>)
- To establish sound corporate governance, including shareholder rights and responsibilities of the board of directors and audit body, and to expand the provision of governance information
- Strengthening management transparency and enhancing corporate value through the stipulation of responsible management practice centered on the board of directors
- Emphasized the importance of the role of the board of directors and expanded the scope of communication between shareholders and stakeholders to the overall ESG management by revising the corporate governance charter in 2021

### Composition of the Board of Directors

- Decision-making body for major management issues that have a significant impact on management
- Conducting board activities in accordance with the board operation policy with independence, professionalism, efficiency, and diversity
- In 2019, an independent director was appointed as the chairman of the board, and as of March 2023, a total of 9 directors (4 executive directors, 5 independent directors)
- Expand diversity of the board of directors by appointing one new female independent director in 2021 and one additional in 2023, and present perspectives/strengthen communication based on various backgrounds such as gender, experience, knowledge, and career.

### Board of Directors Activities

- Regular meeting of the board of directors once a month, temporary meeting of the board of directors if necessary
- A total of 12 BOD meetings were held in 2022, 42 agenda items were deliberated and resolved, and 30 agenda items were reported.
- Resolution with the attendance of a majority of the incumbent directors and the approval of a majority of the present directors (if there are no separate resolution requirements of the relevant statutes or the board of directors)
- The minimum attendance rate for the board of directors is 80%, and activity details, such as the attendance rate and individual directors' approval or disapproval of public agenda, are disclosed on the website and business report (Average attendance rate of 98% in 2022)
- ESG major issues (financial risk caused by climate change, safety/health, ethics, human rights, supply chain, etc.) and non-financial risks reported to and reviewed by the board of directors

### Board Evaluation

- In addition to the existing evaluation by independent directors, the evaluation of the board of directors by external stakeholders and key internal executives is conducted once a year.
  - From 2022, individual evaluations by committee will also be conducted.
- For the 2022 board evaluation, a written evaluation was conducted targeting key executives and external stakeholders attending the board, and through the analysis of the results, detailed improvements for board operation were derived and reflected.
- The 2022 board evaluation result was 4.66 points (out of 5 points), a slight increase compared to the previous year.
  - Since this year's evaluation, evaluation contents reflecting Financial Story and Governance Story have been added, and five areas ('Role/Function/Responsibility of Board of Directors', 'Composition of Board of Directors and Qualifications for Directors', 'Operation of Board of Directors', 'Committee Structure', 'committee operation') consists of quantitative and descriptive evaluations

### Board Performance Evaluation and Compensation

- In accordance with the law, compensation for directors is paid within the limits approved by the shareholders' meeting, and the remuneration and calculation method are disclosed in the business report.
- The Nomination and Compensation Committee deliberates on the individual remuneration of executive directors, and the final decision is made by the board of directors, including the individual remuneration of independent directors.

### Appointment of Directors

- Directors are appointed through a resolution at the general shareholders' meeting in accordance with the Commercial Act and the Articles of Incorporation
- The Nomination and Compensation Committee selects director candidates and recommends candidates with qualifications appropriate to the relevant laws and regulations to the general shareholders' meeting after strict screening and consideration
- Candidates whose recommendations are confirmed are appointed as directors at the final shareholders' meeting after the board of directors' resolution to convene a shareholders' meeting.
- Considering the connection between director candidates' competencies and the company's management strategy as a key criterion, a skill set for all directors is formed and expertise is strengthened so that the board can contribute to the long-term growth and development of the company.

## Board of Directors Composition/Activities

### Current Composition of Executive/Independent Directors

(As of March 29, 2023)

Division	Name/Birth date	Position/Responsibility	Area of Expertise	Area of Expertise / Career	Term of office	Tenure*
Independent Directors	Yeom, Jae Ho (Male, January 1955)	Chairman of the Board of Directors	Information Security Management, Social Value, International Relations, Globality, Sustainability Management	PhD in Political Science at Stanford University / 19th President of Korea University, [Current] Professor Emeritus of Department of Public Administration, Korea University, [Current] Chairman of TAEJAE University Establishment Preparation Committee	March 2022 ~ March 2025	4 years
	Lee, Chan Keun (Male, August 1958)	Chairman of Nomination and Compensation Committee	Management, M&A, Globality, Industry Expertise, Risk Management	Master of Business Administration, Korea University / Vice President of Kookmin Bank CIB Group, [Current] Independent director of Hansei Yes24 Holdings	March 2021 ~ March 2024	5 years
	Kim, Byoung Ho (Male, September 1961)	Chairman of Audit Committee	Accounting, Investment, Finance, M&A, Globality, Risk Management	Master of Business Administration, UC Berkeley, USA / Vice Chairman of Hana Financial Group, [Current] Chairman and Independent Member of HDBank	March 2022 ~ March 2025	4 years
	Pak, Hyun Ju (Female, January 1962)	Chairman of Governance Committee	Risk Management, M&A Globality	Law JD, Columbia University Law School, USA / Foreign Attorney at JIPYONG LLC, Senior Foreign Attorney at Shin & Kim LLC	March 2023 ~ March 2026	March 29, 2023 New appointment
	Kim, Seon Hee (Female, October 1964)	Chairman of ESG Committee	Management, Finance, M&A, Industrial Expertise, Risk Management	Master of Business Administration, University of Minnesota, USA / Director of UBS Investment Bank, Switzerland, [Current] Vice Chairman, CEO of Maeil Dairies	March 2021 ~ March 2024	2 years
Executive Directors	Chey, Tae won (Male, December 1960)	Group Chairman and CEO	Management & Economy, International Relations, Social Value, Sustainability Management	PhD in Economics, University of Chicago, USA / [Current] Chairman of SK Innovation, [Current] Chairman of SK Hynix, [Current] Chairman and CEO of SK Inc.	March 2022 ~ March 2025	7 years
	Jang, Dong Hyun (Male, August 1963)	Vice Chairman and CEO	Management, M&A, Portfolio Management, Risk Management, Industrial Expertise	Master of Industrial Engineering, Seoul National University / President and CEO of SK Telecom, [Current] Vice Chairman and CEO of SK Inc.	March 2023 ~ 2026 March	6 years
	Cho, Dae Sik (Male, November 1960)	Executive director	Management, Finance, M&A, Portfolio Management, Risk Management	Master's degree at Clark University in the U.S. / President and CEO of SK Inc. [Current] Chairman of the SUPEX Council	March 2021 ~ March 2024	8 years
	Lee, Sung Hyung (Male, December 1965)	Executive director	Economics, Finance, M&A, Portfolio Management, Risk Management	Bachelor of Business Administration, Yonsei University / Vice President of Finance Division, SK Inc., [Current] President, CFO of SK Inc.	March 2023 ~ March 2026	March 29, 2023 New appointment

\* The term of office includes consecutive terms

## Board of Directors Policy & Goal

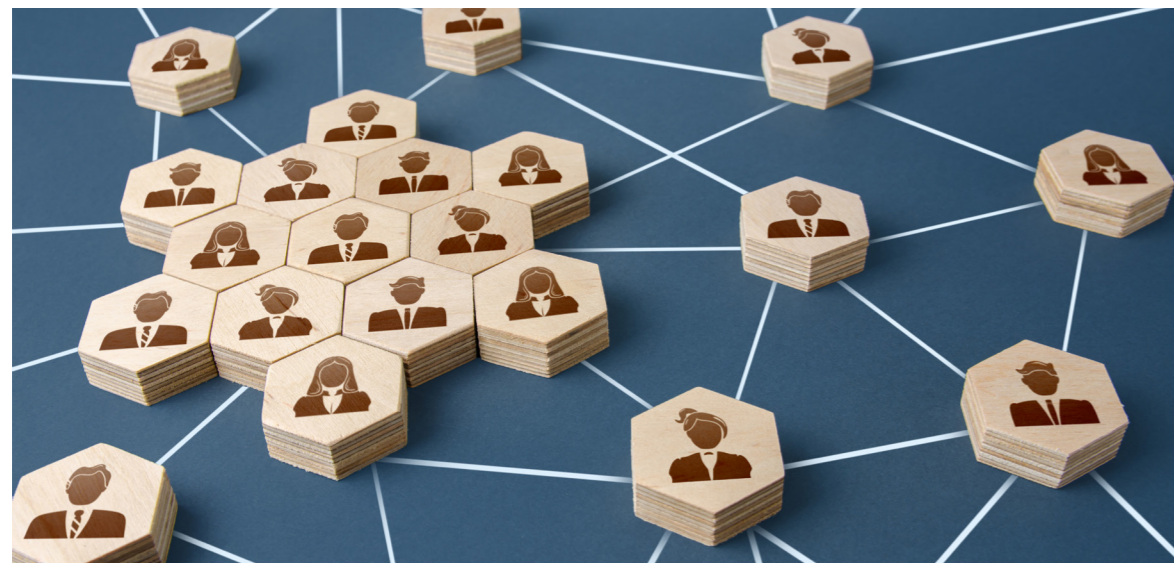
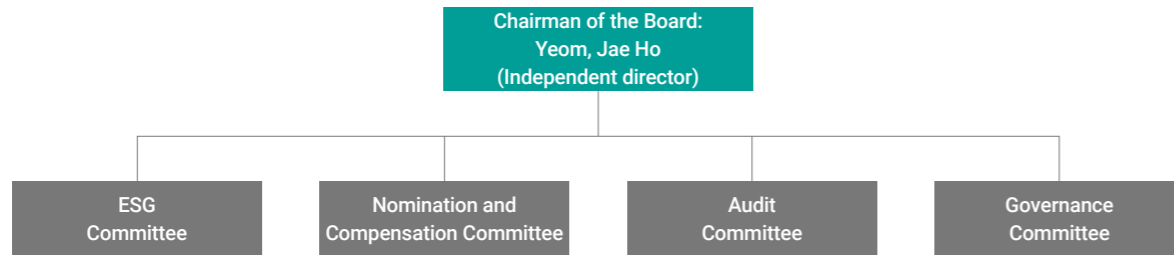
Category	Details
<b>Independence</b>	<ul style="list-style-type: none"> <li>• Separation of the chairman of the board of directors and the representative director</li> <li>• Appointment of Independent directors as those who have no special relationship with the management</li> <li>• No general partner or director of another company for the same business purpose without the approval of the board of directors</li> <li>• Restriction on the exercise of voting rights of a director with special interest in the resolution of the board of directors</li> <li>• Reinforcement of monitoring function by establishing a support organization for the Audit Committee → Maintain and expand the ratio of independent directors to more than half (as of 2023: 56%)</li> </ul> <p><a href="#">+ Board Independence Guidelines</a></p>
<b>Professionalism</b>	<ul style="list-style-type: none"> <li>• Recommendation and appointment of director candidates who possess the qualifications and capabilities, as well as a skills, which aligns with the skill set of the board as a whole, that can contribute to the company's long-term growth and development.</li> <li>• Composition of the board with directors who have expertise and practical experience in leadership, core industries (advanced materials, green, bio, digital), finance and accounting, risk management, legal and public policy, mergers and acquisitions, capital markets, international relations, and environmental, social, and governance (ESG) matters.</li> <li>• Direct provision of specialized education to independent directors by responsible executives from each investment center, focusing on the specific areas of expertise related to their roles.</li> <li>• Enhancement of expertise through participation in seminars and educational opportunities organized by external experts.</li> <li>• Public disclosure of the Board Skills Matrix, showcasing the expertise and skills present within the board → Expand the presence of industry experts in investments and business decisions.</li> </ul>

Category	Details
<b>Diversity</b>	<ul style="list-style-type: none"> <li>• Our management philosophy and strategy is for various stakeholders such as shareholders, customers, and society to grow together with the company, and the composition of the board of directors is designed to reflect diversity in terms of race, gender, age, nationality, education, religion, etc. → Prioritize diversity such as gender, age and nationality (as of 2023: 40% of female independent directors)</li> </ul> <p><a href="#">+ Board Diversity Guidelines</a></p>
<b>Efficiency</b>	<ul style="list-style-type: none"> <li>• Temporary board meetings can be held from time to time as needed, and all directors can participate in resolutions through a communication method that transmits and receives voice at the same time even if they do not attend the meeting in person to ensure directors' participation in the board meeting.</li> <li>• In the case of major agenda items, each committee shall go through prior review before the board meeting, and questions or requests raised by directors at the committee shall be reviewed by related organizations and additional explanations are provided prior to the meeting of the board of directors.</li> <li>• It shall stipulate the right to receive advice from external advisory bodies in board/ committee regulations.</li> </ul>

## Efforts to Advance Corporate Governance

### Committees under the Board of Directors

- Operate 4 committees under the board as of 2022 for efficient and systematic operation of the board of directors
- Mostly composed of independent directors for independent committee operation
- From 2021, to expand ESG discussions within the board of directors and strengthen governance transparency, reorganize the governance structure by establishing the ESG Committee and Nomination and Compensation Committee
- In particular, by including one CFO president in the ESG Committee, the management strategy from the perspective of ESG is strengthened to expand discussion.



Committee	Details	Composition(☉: Chairman)
ESG Committee	<ul style="list-style-type: none"> <li>• Purpose: Review and analysis of ESG-related strategies and major issues for major decision-making of the company</li> <li>• Function               <ol style="list-style-type: none"> <li>① Verification of ESG strategy/mid- to long-term strategy (Financial Story)</li> <li>② Review of major investment agendas to be presented to the board of directors                   <ul style="list-style-type: none"> <li>- Inspection of risks not only from the perspectives of valuation, strategy, technology, finance, law, marketing, HR, and PMI, but also from perspective of geopolitics, etc.</li> </ul> </li> </ol> </li> </ul>	<b>Independent Directors</b> Kim, Seon Hee ☉ Yeom, Jae Ho Kim, Byoung Ho Lee, Chan Keun Pak, Hyun Ju <hr/> <b>Executive Directors</b> Lee, Sung Hyung
Nomination and Compensation Committee (Functions of the former 'Independence of Nominating Committee' have been integrated)	<ul style="list-style-type: none"> <li>• Purpose: Recommendation of candidates for independent directors to be appointed at the general shareholders' meeting, evaluation of the representative director and deliberation on whether or not to retain the position, adequacy of remuneration for executive directors, etc.</li> <li>• Function               <ol style="list-style-type: none"> <li>① Review of individual executive directors' remuneration</li> <li>② Evaluation of the representative director and recommendation of candidates for replacement</li> <li>③ Recommendation of independent director candidates</li> <li>④ Other matters necessary for recommending candidates for independent directors and matters delegated by the board of directors</li> </ol> </li> </ul>	<b>Independent Directors</b> Lee, Chan Keun ☉ Kim, Seon Hee <hr/> <b>Executive Directors</b> Chey, Tae won
Audit Committee	<ul style="list-style-type: none"> <li>• Purpose: Auditing the company's accounting and business affairs and handling matters entrusted to the board of directors</li> <li>• Function               <ol style="list-style-type: none"> <li>① Matters related to accounting, external auditors, etc.</li> <li>② Matters related to auditing</li> <li>③ Function of pre-deliberation of internal transactions</li> <li>④ Matters stipulated by other laws, articles of incorporation, or regulations of the board of directors</li> </ol> </li> </ul>	<b>Independent Directors</b> Kim, Byoung Ho ☉ Pak, Hyun Ju Lee, Chan Keun
Governance Committee	<ul style="list-style-type: none"> <li>• Purpose: Discovering, identifying, and discussing various issues related to corporate governance improvement</li> <li>• Function               <ol style="list-style-type: none"> <li>① Including revision of internal regulations (articles of incorporation, governance structure charter, board/committee regulations), review of governance agenda</li> <li>② Matters requiring consultation or decision of all independent directors</li> <li>③ Other management matters that have a significant impact on shareholder value and are suggested by the Chairman</li> </ol> </li> </ul>	<b>Independent Directors</b> Pak, Hyun Ju ☉ Yeom, Jae Ho Kim, Byoung Ho Lee, Chan Keun Kim, Seon Hee

## Efforts to Advance Corporate Governance

### Risk Education for the Board of Directors

- Conduct training to enhance independent directors' expertise and risk management capabilities, such as risk management and regulatory trends in the industrial environment
- Conducted 5 times in 2022, all independent directors attended

Date of Education	Independent Directors Attending	Main Contents of Education
April 20	All independent directors	Analysis and Forecast of Key Issues in the Global and Korean Economy
May 25th	All independent directors	Risk Management Plan
September 30	All independent directors	Pharmaceutical/Bio New Growth Area
October 31	All independent directors	Changes in the Global Business Environment / Introduction of Governance Infra
November 24	All independent directors	Sk Inc. Management System 2.0

### Management Performance Evaluation and Compensation

- Reinforced top management evaluation to be decided at the board of directors in October 2022, top management remuneration is paid within the limit of directors' remuneration approved at the shareholders' meeting after efficient management performance measurement
- Since 2019, financial factors (50%) such as Growth Ratio (Sales, Operating profit, Net-asset), Profitability Ratio (ROE/ROIC, Net profit/sales ratio, EVA), Stability Ratio (Debt ratio), Total shareholder return, and quantitative criteria on the level of ESG management and SV performance (50%), are reflected in the performance assessments (KPI) of all executives, including top management (CEO).  
- By 2023, all executive performance measures (KPI) include stock price indicators and stock price-linked activities related to corporate sustainability and achievement of ESG management
- Grant stock options to executives with a three-year performance period that directly ties compensation to corporate sustainability (performance period: 3 years)
- Granted stock grants using treasury stocks in 2022 (refer to the main agenda of the board of directors in the business report and website)

### Establishment of CEO Succession Policy

- In order to discover, strategically and systematically verify and nurture CEO candidates with competence and potential, relevant in-house organizations such as the Board Secretariat and HR department collaborate to establish succession policies
- Stipulating overall succession policies, such as CEO candidate management, evaluation, and candidate recommendation, through the Nomination and Compensation Committee regulations and the Board of Directors regulations enacted and amended by the BOD in the 5th council in March, 2021
- After reviewing the leadership and expertise of the recommended candidate, the final decision is made as an executive director candidate at the general shareholders' meeting.

## Strengthen Shareholder-friendly Management

### Notification of Convocation of General Meeting of Shareholders

- Information on the general meeting of shareholders, such as location, agenda, date, etc., is provided three weeks before the general meeting of shareholders so that shareholders can secure enough time to deliberate on the agenda (domestic commercial law requires convocation notice at least two weeks before the shareholders' meeting date)

### Shareholder Voting System

- Ensure that shareholders can participate in major management issues of SK Inc. by exercising their voting rights, and comply with the principle of one share, one vote
- Shareholders can exercise their voting rights through direct participation in the general meeting of shareholders, proxy voting, and solicitation of proxy voting, Since the 27th General Meeting of Shareholders held in 2018, we have introduced an electronic voting system to enhance the convenience of shareholders in exercising their voting rights.

### Shareholders' General Meeting Attendance Status (Unit: Share, %)

Total number of issued shares	Number of issued shares with voting rights	Number of shares attended	Participation rate
74,149,329	54,989,509	42,632,135	77.5

### Current status of exercising voting rights at regular shareholders' meetings

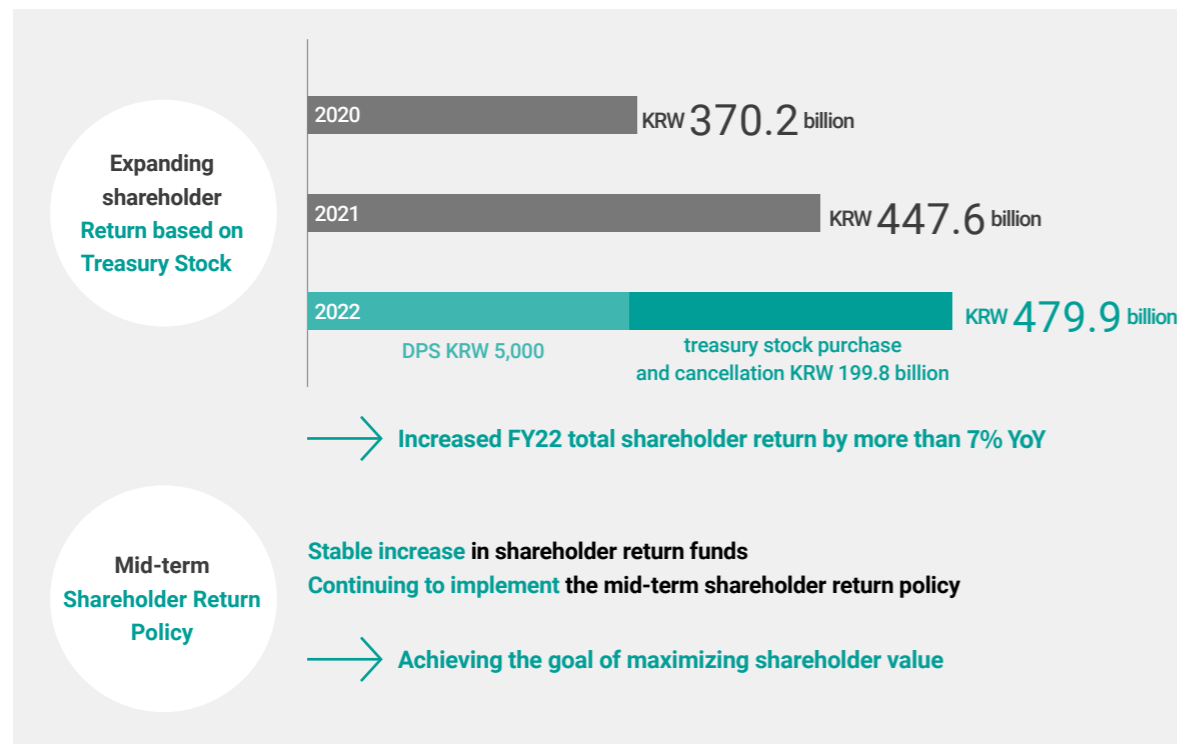
Agenda	Meeting purpose	No. of shares in favor	Percentage in favor (%)	No. of opposite shares	No. of opposite rate (%)	No. of shares withheld	Abstention rate (%)
Agenda 1	Approval of financial statements for the 32nd period (January 1, 2022 ~ Dec 31, 2022)	40,639,516	95.3	1,925,950	4.5	66,669	0.2
Agenda 2	Amendment of part of the Articles of Incorporation	42,337,405	99.3	280,044	0.7	14,686	0.0
Appointment of directors (appointment of two executive directors and one independent director)							
Agenda 3	No. 3-1 Jang, Dong Hyun (Executive Director)	34,463,749	80.8	8,166,826	19.2	1,560	0.0
	No. 3-2 Lee, Sung Hyung (Executive director)	32,068,843	75.2	10,558,275	24.8	5,017	0.0
	No. 3-3 Pak, Hyun Ju (Independent director)	34,844,464	81.7	7,781,358	18.3	6,313	0.0
Agenda 4	Appointment of Audit Committee member as an independent director (Pak, Hyun Ju)	14,159,977	64.2	7,889,585	35.8	6,313	0.0
Agenda 5	Approval of director remuneration limit	29,667,389	69.6	12,961,059	30.4	3,687	0.0

## Strengthen Shareholder-friendly Management

### Shareholder Value Enhancement Activities

- Announced the 'mid- to long-term shareholder return policy' to enhance shareholder value in March 2023
  - In addition to our existing policy of paying out at least 30% of ordinary dividend income, using the proceeds from the investment portfolios, including IPOs, to fund repurchase/retire at least 1% of market capitalization annually by 2025 (retired 951,000 shares of treasury stock in April 2023)
- Total shareholder return for fiscal year 2022 increased by approximately 7% year-on-year
  - Paid out KRW 280 billion in cash dividends, representing more than 30% of ordinary dividend income
  - Repurchased approximately USD 200 billion in stock, more than 30% of portfolio realized earnings (951,000 shares retired)

### Shareholder Return Policy



### Dividend Status for the last 3 business years

Business year	Settling date	Stock type	Stock dividend	Cash dividend				Dividend payout ratio***	
				Face value	Dividend per share*	Total dividends	Market price dividend rate**	Consolidation standard	Individual standard
2020	12	Ordinary share	-	200	7,000	366,145,699,000	2.9	195.5	21.6
		Class shares	-	200	7,050	3,987,622,400	2.9		
2021	12	Ordinary share	-	200	8,000	443,050,991,000	3.1	22.8	29.8
		Class shares	-	200	8,050	4,543,001,400	3.6		
2022	12	Ordinary share	-	200	5,000	277,299,058,500	2.5	25.5	51.5
		Class shares	-	200	5,050	2,849,957,400	2.9		

\* Total amount paid per share by business year

\*\* Ratio of dividend per share to the arithmetic average price of the final price formed in the exchange market for the past one week from two trading days before the shareholder register closure date

\*\*\* Total dividend / consolidated or individual net profit

### Interim Dividend Payment Details for the Recent 3 Fiscal Years

Division	2020	2021	2022	Remarks
Dividend per share (KRW)	1,000	1,500	1,500	Equal to common stock/ preferred stock
Total Dividends (KRW million)	52,869	79,308	85,034	-
Board resolution date	July 21, 2020	July 21, 2021	July 21, 2022	-