# 2

Ethical Management and Anti-corruption

## Roadmap

**Establishment and spread of anti-corruption management system**

### 2023

**Target**
Establishment of anti-corruption management system

**Action plan**
• Maintaining ISO 37001 certification
• 100% response to reports from stakeholders
• Annual self-inspection of 6 key areas of vulnerability and internal audit for risk pools every 3 years

### 2025

**Target**
Advancement of anti-corruption management system

**Action plan**
• Dissemination of anti-corruption management system to subsidiaries

### 2030

**Target**
Expansion of anti-corruption management system

**Action plan**
• Consulting on anti-corruption management system for social enterprises and IT companies in local communities

## Key Point

• SK Inc. has SK's own ethical management/anti-corruption system, and ethical management/anti-corruption issues are systematically managed under the SK ethical management system (Prevent/Detect/Respond)
• SK Inc. measures the level of ethics every year and we are pursuing the internalization of ethics at the level of a global leader by continuously improving weaknesses.
• SK Inc. has set ethical management results as a KPI*.
  * Reflected in the performance assessment of employees, including management

**Anti-Corruption Guidelines**
1. All employees of SK Inc. are prohibited from engaging in acts related to corruption.
2. All employees of SK Inc. must observe domestic/overseas laws related to corruption and regulations/guidelines of our company that apply to business activities.
3. SK Inc. builds an anti-corruption management system based on global standards and continually enhances anti-corruption management by executing and monitoring the system.
4. SK Inc. revitalizes the report system and protects well-intended reporters to ensure that employees can participate in anti-corruption activities without undue burdens.
5. SK Inc. strictly handles employees who violate the Anti-Corruption Guidelines according to relevant regulations and discloses the results to employees
6. SK Inc. guarantees the authority and independence of the organization and employees in charge of preventing corruption.
7. All executives of SK Inc. provide unsparing support for the efficient execution of the anti-corruption management system.

## Achievement

• Receive/handle various ethics/anti-corruption grievances
  - Operate various reporting/consultation channels (Internet, e-mail, phone)
  - Identify issues through regular surveys of Biz. partners/employees
  - Operate zero-tolerance policy and whistleblower protection policy
• Periodic monitoring of major business areas through self-remediation system and regular management diagnosis

**Number of Discipline violations**
**15**

**Number of actions**
**15**

## Management

• The organization in charge of ethics management in the investment sector is under the direct control of the Audit Committee to secure independence, and in the business sector, as an independent organization in charge of ethics management, there is an ethics management team within the "Ethics Management Department" directly under the CEO. The Audit Committee under the Board of Directors performs supervision/responsibility for overall activities through periodic management review
• The Audit Committee has the right to appoint and dismiss the head of the internal audit department, and provides oversight of risk management, including reviewing and approving audit plans and providing feedback on major reports and audit results.
• SK Inc. has been recognized for our anti-corruption management system meeting international standards, through establishment of Anti-Corruption Guidelines in 2021 and acquiring and maintaining ISO 37001 global anti-corruption certification.

# Rules: Code

## Code of Ethics

| + | Code of Ethics (Business sector, Investment sector) |

- SKMS-based Code of Ethics enactment/revision allows employees to judge and act based on the Code of Ethics if they are placed in ethical conflicts related to job performance
- The scope of application of the Code of Ethics targets all full-time, contract, and dispatch workers who are employed at subsidiaries with management rights
- The Code of Ethics consists of ethics for employees, customers, society, company/shareholders, and protection of whistleblowers, and each area contains guides of specific actions
- All employees are responsible for abiding by the Code of Ethics, and disciplinary procedures will be taken in case of violation of the Code or non-cooperation with the investigation.
- Encourage business partners to participate in ethical management by enacting and requiring mandatory documents in all contracts
- SK Inc. reviews the need to revise the Code of Ethics every year and updates if necessary

| | |
|---|---|
| **Code of Ethics** | Basic Principles of Ethics of SK Inc. for each stakeholders |
| **Code of Ethics Practice** | Ethical practices to be followed by employees |
| **Code of Ethics Practice Guidelines** | A detailed guide on items that need special attention |

## Ethical Management Violation Cases (Don'ts)

- Collect cases of ethical management violations that may occur during business activities and share them so that they can be used as guidelines for ethical behavior when employees perform their duties.

| Category | Contents |
|---|---|
| Unethical | Four areas, including basic courtesy, money, treatment and hospitality, conflict of interest, and protection of company assets and information |
| Security | Three areas, including PC security, management of information and documents, and project security |
| Subcontracting | Six areas, including determination and adjustment of subcontract prices, payment of subcontract prices, unissued documents, nspection and notification of results, unfair management interference, and subcontract limitation. |
| Tax, fair trade | Four areas, including issue trading, unfair internal trading, unfair joint action (antitrust/anti-competitive), and unfair trading (provision of bribes through charitable contribution and sponsorship, etc.) |
| Reporting/ Management | Three areas, including reckless business promotion, false, delayed, or partial reporting, and negligent business management |

## Ethical Management Practice FAQ for SK Leaders

- Provides a separate guide in the form of Q&A for situations that may occur frequently during work for the purpose of internalizing ethical management and encouraging to set an example of employees.

| Area | Highlights | |
|---|---|---|
| Conflicts of interest | • Prohibition of conflicts of interest and requirements for approval<br>• Prohibition of solicitation in purchasing and personnel affairs | • Regarding of compensations in the case of a concurrent position at an investment company<br>• Reporting external lectures and return of compensation |
| Protection of company assets and use of budget | • Criteria for determining the private use of the company's assets<br>• Prohibition of private sponsorship advertisement, or donation to a specific organization<br>• Precautions related to the use and settlement of the company's budgets | • Prohibition of handing over benefits provided by the company to others<br>• Personal burden of expenses when adding a personal itinerary<br>• Simplification of formalities related to business trips, etc. |
| Gift, money and other valuables | • Prohibition and permitted acceptance of money and other<br>• Handling high-priced items as gifts from overseas business partners | • Standards for giving gifts among employees, etc. |

## Ethical Management Standards

| Category | Code of Ethics Action Items | Main Contents |
|---|---|---|
| Employees | • Mutual respect among employees<br>• Prohibition of bribery and financial transactions<br>• Role of a leader | • Prohibition of human rights violations and discrimination<br>• Prohibition of sexual harassment<br>• Efforts for environment, health and safety<br>• Guidelines related to money and valuables/gifts<br>• Examples set by leaders, etc. |
| Customers | • Efforts to secure customer trust<br>• Confidentiality of customer information | • Efforts to secure customer trust and mutual development<br>• Prohibition of bribery and hospitality<br>• Protection of personal information of customers/business partners/ employees, etc. |
| Society | • Compliance with laws<br>• Exclusion of money and valuables from stakeholders<br>• Fair trade with business partners<br>• Fair trade with competitors | • Compliance with the Fair Trade Act, Improper Solicitation and Graft Act, Subcontracting Act, etc (including charitable contribution and sponsorship).<br>• Prohibition of illegal political funding (Direct or indirect political contributions)<br>• Prohibition of environmental preservation Efforts and Compliance with Relevant Laws<br>• Prohibition of Unfair Acts Against business partners etc. |
| Company/ Shareholders | • Prioritize company interests in case of conflict of interest<br>• Protect company assets and information<br>• Prohibition of money laundering<br>• Reporting and business management | • Prohibition of concurrent employment without prior approval, prohibition of business transactions with relatives<br>• Prohibition of insider trading<br>• Private use of company assets and internal Prohibition of information/ technology leakage<br>• Prohibition of false/delayed reporting, etc. |
| Protection of whistleblowers | • Operation of internal whistleblowing system<br>• Protection of whistleblower identity and prohibition of disadvantages | • Prohibition of discrimination due to reporting<br>• Protection of testimonials<br>• Whistleblower protection measures and prevention of recurrence<br>• Sanctions and exemption system for self-reporting, etc. |

# System

## Exclusive Organization for Ethical Management

- In the investment Division, the Risk Management & Corporate Audit, an executive-level organization under the direct control of the Audit Committee, is exclusively responsible for ethical management/internal auditing, and guarantees the authority and independence of the organization and employees in charge (the Audit Committee shall have the authority to approve the appointment of executives of Risk Management & Corporate Audit)
- The Audit Committee, as the company's risk control tower, reviews and approves the audit plan, and provides feedback on audit results, major reports, and investigation results, and supervises the company's overall ethical management/ anti-corruption
- 2022 The Audit Committee receives and discusses a total of 14 reports from the Risk Management & Corporate Audit
- In the Business Division, the ethics management organization directly under the CEO guarantees the authority and independence of the ethical management organization and employees in charge
- A diagnosis and support system has been built for subsidiaries and overseas corporations to internalize the culture of practicing ethical management
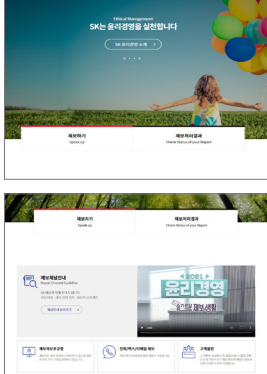
## Ethics Management Reporting/Consultation System

- Various reporting/consultation channels for stakeholders are operated, and can be used by not only employees but also suppliers, customers, and anyone who recognizes unethical practices
- Reporting/consultation can be made anonymously and is managed collectively at the SK Group level
- Complying with the principle of 100% investigation on reported cases
- Protecting the identity of reporters and prohibiting disadvantageous/retaliation actions due to reporting through the Ethics Regulations and the reporters' protection clause in the online reporting site, and stipulating anonymity of reporting
- SK Inc. 2022 Status of reports: 21 cases

Online reporting
https://ethics.sk.co.kr

Hot lines
02-6400-6262

email
ethics@sk.com

**Report handling status in 2022**

| Number of report/ consultation handling | Types |
|---|---|
| Investigations and audits | 18 Cases |
| Transferred to related departments | 3 cases |
| Others | 0 cases |
| Total | 21 cases |

## Implementing Self-Inspection System and Internal Audit

- SK Inc. is conducting self-inspection based on the checklist for risk-vulnerable areas such as the HR, finance, and purchasing. Also, SK Inc. is evaluating the effectiveness/efficiency of the self-check system annually to continuously improve vulnerable work areas and checklists
- In addition, risk-based audits are conducted for all management activities of the company and subsidiaries that SK Inc. holds management rights, and the risk pool is updated/evaluated annually to reflect changes in the business environment, and audits are conducted to selected audit targets
- Auditing all business areas within three years based on a medium-term audit plan

| Status analysis/planning | Preparation for due diligence | On-site due diligence | Reporting of result and follow-up |
|---|---|---|---|
| • Diagnosis team composition<br>• Current status assessment<br>• Inspection area/item selection<br>• Diagnosis plan report | • Derivation of major inspection factors<br>• Data analysis before due diligence | • Check related documents and evidence<br>• Interview related persons | • Summarize results and report to management<br>• Deliver results to target organizations and perform F/U diagnosis if necessary |

**2022 Code of Ethics Violation Status and Measures**

| Category | Status |
|---|---|
| Total number of business sites / Corruption risk assessment ratio | 4 business sites / 100% |
| Number of ethical management violations | 15 cases |

| Types of disciplinary actions for ethical management violations | Number of cases | Measures taken result |
|---|---|---|
| Malpractice/embezzlement | 1 | 1 other case |
| Bribery | 1 | 1 case of dismissal |
| Human rights violation | 9 | 2 cases of salary reduction, 1 case of reprimanding, 5 cases of warning, and 1 other case |
| Recruitment solicitation | - | - |
| Process violation | 4 | 1 case of dismissal, 1 case of salary reduction, and 2 other cases |

* Depending on the disciplinary action, additional disadvantages such as compensation restrictions, performance appraisals are imposed are imposed

# Practice

## Establishment of a Culture of Ethical Management Practices

- Continuous communication activities for ethical management through training, workshops, surveys, and written oaths targeting all employees (including executives) of invested companies and subsidiaries, as well as contract workers and dispatched workers
  - Identification of corruption risks at each organizational unit in which agents of each organization participate every year in connection with ISO 37001 and diagnosis of current status
  - Sharing of unethical/corruption risks by organization through ethical management practice workshops once a year and writing ethical management practice guidelines
  - Sending ethical management letters to prevent recurrence of major diagnosis/report investigation results
- Enhancing communication channels by activating and evaluating/improving employee communication such as ethical management Q&A and self-reporting through the ethical management portal.

* Hi-SK → ESG Management → Ethical Management Portal

Ethical Management Letter

Ethical Management Portal

## Ethical Management Education

- Annual online education on ethical management for all employees (including the CEO and executives)

* Target: Regular employees, contract workers, dispatched employees, part-time employees, subsidiaries

- Management checks and encourages management to complete training: 100% completion of training for all employees
- Inspection of ethical management compliance to group heads/heads in charge or higher and distributing guides reflecting the inspection results
- Encourage participation through various case-based trainings, such as prohibition of harassment/sexual harassment in the workplace, prohibition of bribery and monetary transactions, prohibition of abuse of power to business partners, etc. Also provide guidance on reporting and communication channels/reporting procedures
- Inviting external expert instructors to conduct special on/offline training on anti-corruption and prohibition of insider trading
- Operate specialized courses for new hires and new leaders and conduct compliance training for PM/business management/sales positions

### Ethical Management Training Classes

| Category | 2019 | 2020 | 2021 | 2022 |
| --- | --- | --- | --- | --- |
| Trainees (persons) | 3,640 | 4,229 | 4,457 | 4,605 |
| Ratio of people who completed training (%) | 100% | 100% | 100% | 100% |

## Anti-Corruption Training

**Continued Expansion of Anti-Corruption Education Targets**

Target

Action plan

2023
Equipped with training system for manpower input from supplier companies
Ethics management online training and practice pledge for our employees

2025
Expanding the scope of supplier support
Support for establishment of ethical management system and training for major business partners (including subsidiaries)

2030
Expansion of ethical management training
Provision of ethical management/anti-corruption training to social enterprises and IT companies and dissemination of auditing techniques

### Current Status of Anti-Corruption Training

| Category | 2019 | 2020 | 2021 | 2022 |
| --- | --- | --- | --- | --- |
| Employees trained on anti-corruption policies and procedures (persons) | 3,640 | 4,229 | 4,457 | 4,605 |
| Ratio of employees trained in anti-corruption policies and procedures (%) | 100% | 100% | 100% | 100% |

* Handling of those who are unable to proceed with training due to reasons such as leave of absence or dispatch

### Board Employees Informed/Trained on Anti-Corruption Policies and Procedures

| Category | 2019 | 2020 | 2021 | 2022 |
| --- | --- | --- | --- | --- |
| Number of board employees who received notice/training (persons) | 9 | 9 | 9 | 9 |
| Ratio of board employees who received notice/training (%) | 100% | 100% | 100% | 100% |

# Anti-corruption training

## Ethical Management Practice Workshop
· Deriving solutions through organizational discussions on ethical management-related dilemmas
· Training for individual employees to judge/resolve ethical management dilemma situations through annual workshops

## Ethical Management Survey
· Identifying the level of compliance in each area of ethics regulations, the level of related system operation, and the level of internalization of corporate culture through an annual ethical management survey for employees

## The Oath of Practice For Ethical Management                    + Ethical Management Pledge
· In the second quarter of each year, all employees practice ethical management and sign a pledge to prohibit insider trading to voluntarily pledge to abide by ethical management.

## ISO 37001 Certification
· Established the 'Anti-Corruption Management System Operation Regulations' in 2021 and obtained the Anti-Corruption Management System certification through individual examinations for all business sites in the Investment Division/ Business Division, and has been maintained until now
· Internationally certified that the company is implementing reasonable measures to prevent, detect, and respond to corruption



ISO 37001 Certificate

## Ethical Management Support for Business Suppliers                    + Supplier's Code of Conduct
· Pledge to Practice Ethics for business partners
  - Encourage business partners to participate in ethical management by requiring a written pledge for ethical practice with business partners as a required document in all contracts
· Ethics management survey for suppliers
  - Conducted every year since 2020 for the purpose of preventing risks related to transactions with business partners and strengthening ethical awareness
  - The anonymous survey method through an external organization enhances objectivity and response rate, identifies unfair trade or unethical behavior, and communicates our commitment to ethical management, reporting channels, etc.
  - In-person interviews with major companies to enhance credibility of ethical management practices and secure communication channels
· Ethics Management Training for Business Partners' employees
  - Conduct online ethics management training for business partners' employees at the time of joining SK Inc. and take a pledge to practice ethical management
  * Main training content: Ethical management system, major risk cases, reporting channels and methods, etc.



Ethical Management Training for Business Partners