

# 4

## Risk Management



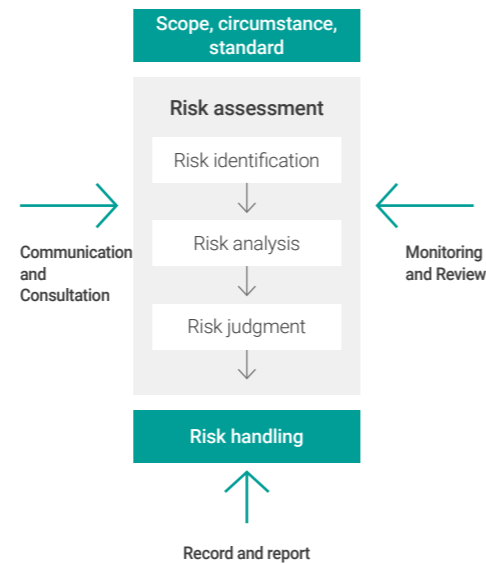
### Key Point

#### Integrated Risk Management

- SK Inc. established an "integrated risk management system" based on the ISO 31000 guidelines to manage all types of risks arising from corporate business activities
- In June 2023, by securing the qualification of the risk management system based on ISO 31000 across the company's risk management system, standard principles, and overall process, it proved that the organization's mid- to long-term goals were achieved and that it had excellent capabilities in ESG and business risk management
- Based on the risk management strategy of 'Risk management goal establishment - risk identification and analysis - risk prevention and mitigation-evaluation and improvement', active participation of top management in the risk management system, operation of the management system linked to the company's business operation standards, and compliance with international standards are complemented to identify/prevent threat factors such as events, actions, and environments that may adversely affect the achievement of corporate goals in advance and further minimize corporate value volatility due to uncertainty.

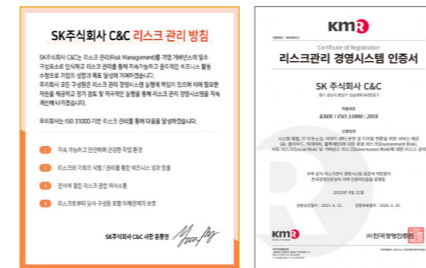
Establish risk management goals	Establishment of key risk management goals that reflect internal/external issues and stakeholder needs
Risk identification/analysis	Efforts to minimize changes in corporate value through proactive prevention of threat factors that may have a negative impact on corporate management, identification of risk situations, measurement of impact, and establishment of countermeasures
Risk prevention and mitigation	Risks that may occur despite prior prevention are classified into four major risks (environmental, social, governance, and business-specific), and preemptively identify and manage them.
Evaluate/derive improvement	When an actual risk occurs, promptly respond through the risk management framework, immediately report and analyze/respond the occurrence risk, and establish measures to prevent recurrence through feedback

#### ISO 31000 based Risk Management Process



#### Risk Management Policy

- SK Inc. recognizes risk management as an essential component of corporate governance and strives to form an active risk management culture
- Continuously strengthen risk management process for the purpose of maintaining the soundness and stability of corporate management



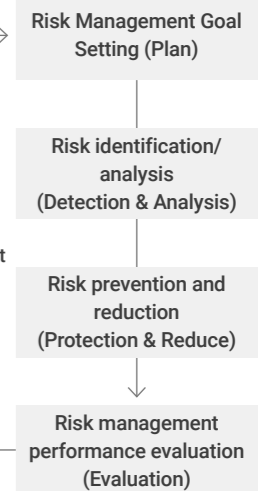
Risk Management Policy

Risk Management System Certificate

#### Company-wide RM Framework

Governance	
Policy	ISO 31000-based integrated risk management principle goal establishment / application
Management organization	Separation of risk management/ control functions
Infra	
Process	Establish/operate integrated RM performance system
System	Establishment of training and operation system to secure RM competency qualification
Ownership	
Internal review system	Internalization of Self RM based on the screening system for each risk area
Risk Awareness	Share risk management goals/ importance aligned with enterprise strategy

#### RM strategic direction

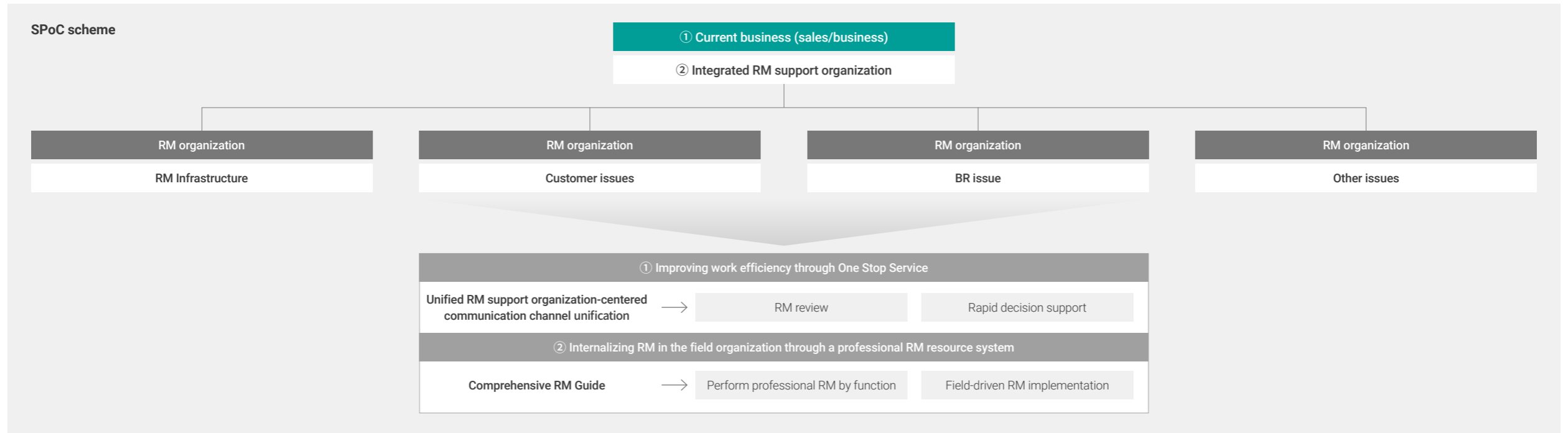
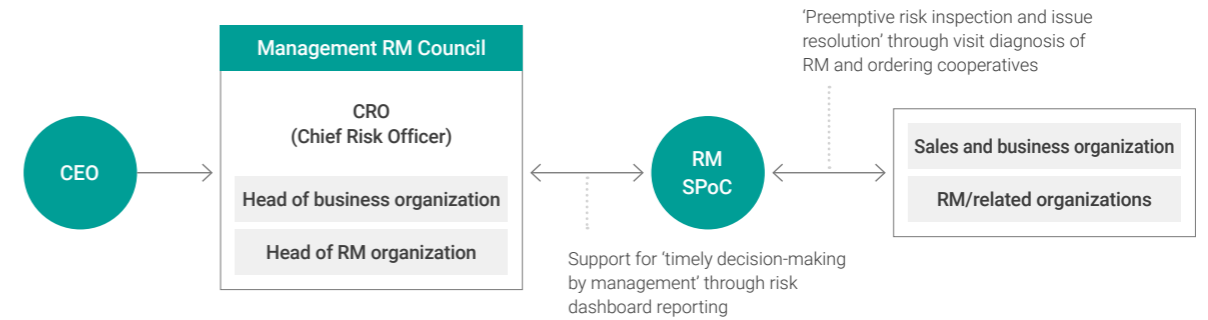


Continuous Improvement

# Management

## Risk Management Reporting System

- Establishment of a risk management council organization and reporting system including management for prompt risk response
  - KPIs are applied to the CRO and the head of the risk management organization, who are compensated based on an evaluation of performance.
  - Assign risk management-related KPIs to CROs and risk management organization heads, implement compensation linkage through performance evaluation
- \* Report major risk management activities to the Board of Directors
- Establish a dedicated RM SPoC (Single Point of Contact) system for each business to enable integrated risk management at sites and risk management departments
- Professional risk review by field departments and unified risk management department communication channel
- Company's risk exposure is reviewed monthly by the Executive Risk Management Society, Enterprise Integrated Risk is assessed and reported at least once a year



## Advancement of Risk Management System

### Risk Management Area

- Preemptively identify and manage\* company-wide integrated risks by classifying and defining macroscopic environmental risks for mid- to long-term risk response, financial risks such as sales, exchange rates, liquidity, and interest rates, business risks such as strategies, competitors, clients, and technological changes, and operational risks such as employees, processes, infrastructure, and security, and establishing response strategies.

Environmental risk	Social risk	Governance risk	Financial risk	Business risk
Macroscopic environment, market environment, law/international regulation, disasters, climate change responses	Quality management, information security, safety/health, human rights	Fair trade, compliance management, anti-corruption	Market economy, price fluctuations, liquidity fluctuations, credit fluctuations, financial losses	Strategy establishment, customer management, competitors, investors, technological changes

\* Example of risk tolerance levels - (Social risk) No health and safety violations, (governance risk) no unfair competition/antitrust violations, (business risk) impact on SK corporate value, etc.

### Risk Measurement and Management Advancement

- Risk measurement and stress testing are performed to identify the impact on business performance
  - \* Finance, business environment, business, legal affairs, reputation, corporate culture, environmental risks, etc.
- Establish and operate a risk measurement model to early determine the feasibility of our projects in connection with current business departments
- Conduct risk management training for employees (mandatory course)
- Step-by-step training according to job group/position, provision of professional courses for leaders, etc.
  - Open next-generation MIS system in 2022
  - Open and operate next- generation MIS PROMIS through improvement/advancement of existing MIS system functions to make quicker business decisions, improve employee experience, and more.
  - \* MIS: Management Information System
- When evaluating employees, HR review process includes risk management standards, and disciplinary action is taken against violations.

PROMIS function	Benefit
User-friendly UI/UX composition	Identify business status and provide various convenience functions
Streamlining the user convenience-oriented process for order-based business	Simplify sales representative task/process/performance PM work
Securing management infrastructure with platform-type business visibility	New process establishment and procedure management function development
Creation of data-based work environment	Providing customized data insight for executives/ employees, automating estimation work
Designing a flexible architecture that accommodates BM changes	System expansion and failure response flexibility/ improvement of flexibility for job changes

### Potential Risk Analysis and Response

- Potential risk analysis and response
  - SK Inc. seeks to preemptively respond by identifying potential risks that it believes will have a significant impact on management.

(Selected based on Prioritization of identified risks)

Classification	Risk Description	Business Impact	Risk Response
<b>Expansion of investment portfolio and phased reorganization</b>	<ul style="list-style-type: none"> <li>• As the growth potential of the existing portfolio (traditional investment assets) is clearly revealed, the need to expand investment in new high-value/ high-growth areas emerges</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification of the investment portfolio and discovery of new investment areas may expose new risks that did not previously exist</li> <li>• Decreased value of the investment portfolio and changes in soundness and profitability are directly related to the corporate value of SK Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of a portfolio ESG management system (constant/ regular inspection of ESG risk factors throughout the investment process, reflection of valuation evaluation, and establishment of action plans)</li> <li>• Establishment of monitoring and exit plans through shareholder participation</li> <li>• Expansion of dedicated personnel</li> </ul>
<b>Carbon neutrality throughout the business value chain</b>	<ul style="list-style-type: none"> <li>• As climate change is recognized as a matter of survival, stakeholders demand "carbon neutrality" from companies</li> <li>• Possibility of strengthening supervision and regulation at the national level by reflecting net zero declarations and national policies of major countries including Korea</li> </ul>	<ul style="list-style-type: none"> <li>• Increased response resources resulting from increased demands for global regulations and policies (e.g. greenhouse gas emissions trading system)</li> <li>• Increase in renewable energy power procurement costs to achieve Net Zero and RE100</li> <li>• Risk of fines, penalties and litigation due to non-compliance with laws/policies</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of a climate-related financial risk management system for portfolios</li> <li>• Introduction of internal carbon pricing and managing Net Zero KPIs for the group</li> <li>• Reinforce renewable energy use, utilize data center</li> <li>• Reorganize portfolio for projects that emit large amounts of greenhouse gases and prepare phased exit plans</li> </ul>
<b>Changes in global situation</b>	<ul style="list-style-type: none"> <li>• Intensifying conflict between the US and China</li> <li>• Spread of nationalism such as IRA</li> <li>• Increase in energy and raw material prices due to protracted Russo-U.S. war</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of obstacles to growth of global businesses due to global fragmentation - raw material supply and demand issues energy supply issues</li> </ul>	<ul style="list-style-type: none"> <li>• Reinforcing BM/Tech competitiveness for global competition and reexamination of global bases/assets</li> </ul>

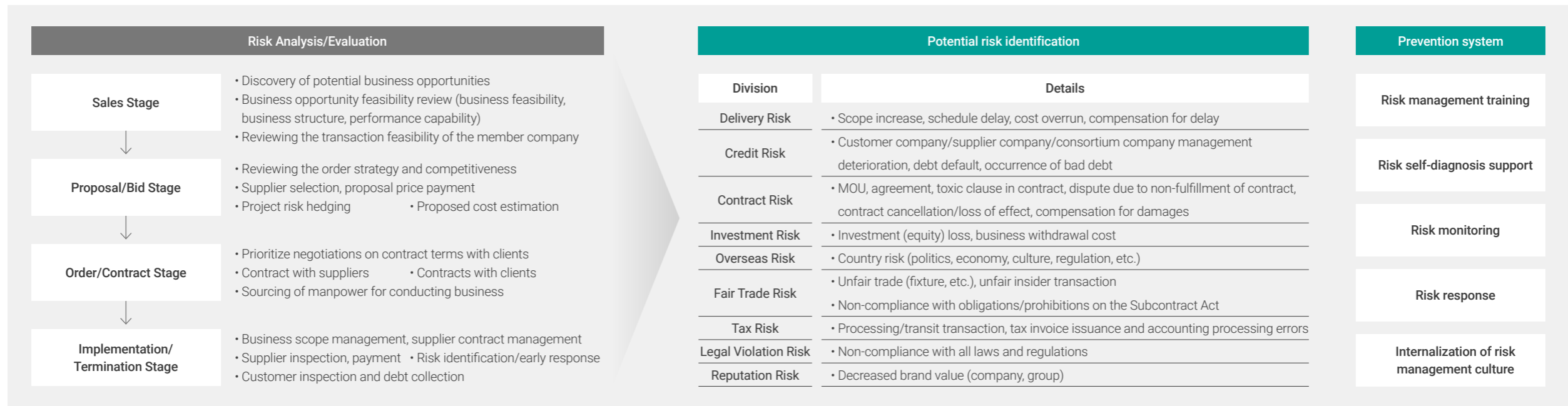
## Internalization of Risk Management

### Risk Management by Business Stage

- Execution of staged risk management for projects and investments exceeding a certain size
- Category of the process from discovery of business opportunities to completion of business into four stages, identification of potential risks through risk analysis/evaluation that may occur by area, risk reduction, and establishment of response plans
- Establishment of a preventive system, such as flexibility in management and resource input according to risk level
- Utilization of ISO 31000-based risk management system to preemptively identify, identify, and respond to new and long-term risks
- Systemically classify and manage that may occur in the course of business, such as financial risk including market/credit/liquidity/capital risk, investment risk, project risk that may occur in the process of providing IT services.



### Risk Review Items and Management Support Areas by Business Stage



### Reinforcing Risk Management of New Entry Businesses

- Analyzing root causes to prevent recurrence of issues in new entry businesses, drawing up and implementing solutions

