PORTFOLIO MANAGEMENT FRAMEWORK

A portfolio management system that uses a comprehensive consideration of economic and ESG values

SK Inc. believes that increasing the value of its investment portfolio companies is directly related to the enhancement of its corporate value. Based on our newly reorganized Management System 2.0, we aimed to manage the portfolio's economic and ESG performances in a measured and balanced manner in 2022. Since the value of a company that develops its long-term growth potential based on ESG management ultimately leads to the greater happiness of its stakeholders, SK Inc. will examine the areas in which it needs to change in the future. We will strive to enhance our corporate value in a way that meets the expectations of the market and our stakeholders.

Reorganizing investment portfolio by focusing on four core sectors

SK Inc. has incorporated about fifty-eight investment portfolios since declaring its goal of becoming an investment specialist in 2017. In order to improve the structure of these portfolios, we are reducing a number of businesses experiencing unsatisfactory growth or facing other limitations, and expanding our portfolio in other, mid- to long-term growth areas. To accomplish this end, we are reorganizing our portfolio in stages, including business restructurings, mergers, sales, and new investments.

Portfolio Management Principles

ROIC-based evaluations and management
Review cost of capital, market's required rate of return, investment opportunity cost, etc.

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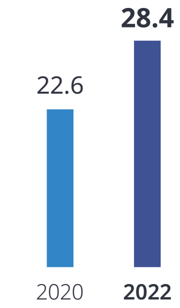
Active Portfolio In & Out
Obtain superior performance by concentrating on portfolio value enhancement activities

* ROIC: Return on invested capital

Value Growth in Investment Portfolio

(KRW trillion)



· Preemptive investments in promising future areas, such as next-generation small modular reactors (SMRs), and lithium metal batteries

* Based on average estimates of major securities companies

2021 — 2022 — 2023

Portfolio Restructuring

Reorganization

- **June 2021** **Spun-off of by SK Telecom** Launched SK Square to specialize in ICT investments
- **October 2021** **Split-off by SK Innovation** Launched SK On through split-off of battery business
- **December 2021** **Split-off by SK Ecoplant** Split-off of plant construction business

Mergers

- **December 2021** **Merger with SK Materials** Accelerating growth in advanced materials

Sales

- **June 2021** **Sale of non-core business by SKC** SK Telesys's telecommunications business
- **November 2021** **Securitization of SK E&S business** Issued redeemable preferred stocks in city gas business
- **December 2021** **Sale of facility by SK Airplus** Industrial gas facility
- **October 2022** **Asset divestiture by SK Materials Airplus** Industrial gas facility
- **November 2022** **Sale of non-core business by SKC** Film business

Portfolio Transformations

Advanced Materials

- **April 2021** **Investment in SES AI** Secured next-generation lithium battery technologies
- **May 2021** **Establishment of SK JI, an investment corporation in Japan** Increased investment presence in Japan
- **July 2021** **Establishment of a joint venture between SK Materials and Group14 Technologies** Expanded battery Si anode material business
- **August 2021** **Acquisition of SK Signet** Expanded EV charging infrastructure business
- **April 2022** **Acquisition of SK Powertech** Constructed SIC power semiconductor value chain

Green

- **February 2021** **Investment in Plug Power** + SK E&S Strengthened partnership in hydrogen fuel cell business
- **June 2021** **Investment in Fynder Group** Entered fermentation-based alternative food business
- **June 2021** **Investment in Monolith** + SK E&S Expanded turquoise hydrogen-based hydrogen business
- **May 2022** **Investment in Terra Power** + SK innovation Seize the initiative in SMR technology-based decarbonization market
- **August 2022** **Investment in Atom Power** + SK energy Expanded Solid State Circuit Breaker (SSCB) technology-based EV charging energy solutions business

Bio

- **March 2021 Acquisition of Yposkesi** Expanded CMO business for cell and gene therapy (CGT)
- **September 2021** **Investment in Roivant** Secured new development platform
- **January 2022** **Investment in CBM** Expanded CDMO business in CGT

■ : Joint investments of SK Inc. and SK member companies

Digital

- **November 2021** **Investment in Swift Navigation** High-performance mobility GPS solutions technologies
- **December 2021** **Investment in Soft Berry** EV charging information platform
- **June 2022** **Investment in Geminus AI** Digital twin technology-based AI platform

ESG Management Systems of Portfolios

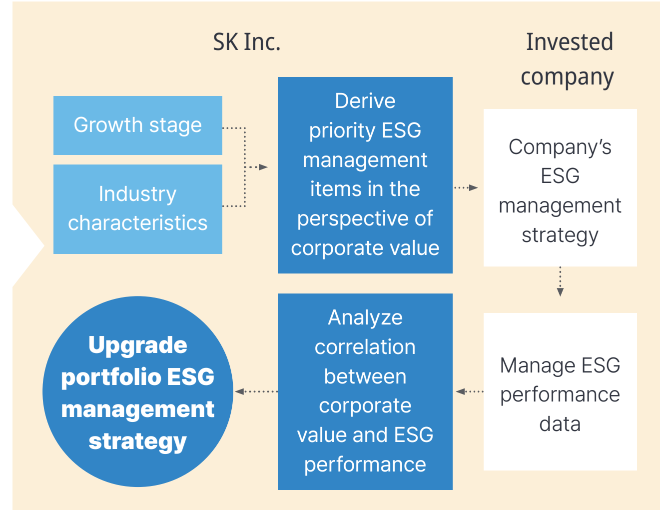
SK Inc. is establishing a system for the integrated management of both the ESG and the economic values of the investment portfolios that are its core assets to enhance its corporate value from a long-term perspective. All of our investment decisions will be based on professional-level ESG management techniques. This mandate will be applied throughout the entirety of an investment process cycle, ranging from the time of its pre-investment review to its post-acquisition and divestment. We will also strive to assure that the corporate values of all our portfolios have been properly evaluated in the market.

Principles for the ESG Management of Portfolios

Prioritize ESG management items by industry
Manage ESG issues having a major impact on corporate value on an industry-wide basis

Manage invested companies by growth stage
Realize an invested company's appropriate ESG value-up according to business lifecycle

Enhance ESG management in stages
Focus on portfolio ESG management competencies to ensure they are always world-class



"Environmental, Social, and Governance (ESG) has become an essential operational and reporting element that must be reflected in all of SK Inc.'s business activities. SK Inc. sees ESG as becoming the DNA of all its management decision-making, ensuring the healthy growth of its corporate value and increasing the happiness of stakeholders."

Investment Review Stage

ESG due diligence

- **Conducting ESG due diligence**
  - Create a checklist for target companies that takes their industries and sizes into account
  - Divide inspection items into ESG risk and management classifications
  - Conduct both written and on-site inspection and analysis
- **Deriving deal implications**
  - Adjust acquisition prices by reflecting valuations more accurately
  - Decide on nature of post-merger integration improvements

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Pre-Acquisition

Holding Stage

Regular ESG inspections

- **List investment companies according to classification**
  - Classify portfolios into sixteen industries and three groups, according to company's size
- **Prioritize items for ESG management**
  - Determine high-level areas as key management areas by industry based on external ESG ratings and stock price correlation analysis
- **Conduct regular evaluations**
  - Carry out biannual ESG performance checks, identifying material ESG risk/opportunity-related issues

ESG-based communications with shareholders

- **Shareholder communications targets**
  - When all the risks associated with an industry's highest priority ESG management items have been identified, or when significant ESG issues occur throughout the year
- **Involvement by invested company type**
  - Communicate through other non-executive directors of the BOD
  - Send ESG inspection reports or shareholder letters

Climate Risk Management

- **Transition Risk**
  - Check financial impact of carbon regulations and price changes
    [Profitability] Reflect changes in carbon costs compared to sales and operating profits
    [Economic Feasibility] Review effects of reduction measures compared to cost of the investments
    [Marketability] Check response strategy in terms of speed and level and in comparison with competitors
- **Physical Risks**
  - Identify abnormal weather patterns where assets are located
  - Recommend management plans for high-risk companies

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Value-up Period

Sales and Divestments Phase

ESG Divestment Strategy Review

- **Publication of ESG Exit Report**
  - Establish an exit strategy based on ESG value-up after acquisition
  - Determine the status of ESG risks and opportunities, as well as the level of ESG management and disclosures

Sell-side inspection management

- **Review of ESG-based material issues**
  - Check compliance with ESG regulations in the market where a sale is being contemplated
  - Disclosing information on ESG excellence areas and proposing ways to increase opportunities
  - Confirm compliance with domestic and international responsible investment standards
  - Disclose information on best management areas, and communicate with stakeholders

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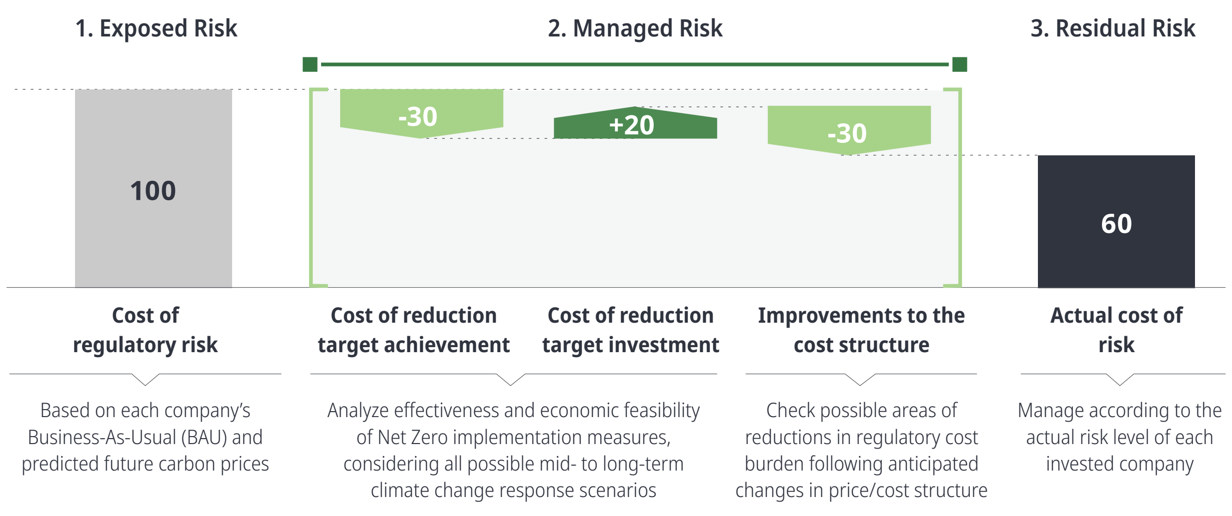
Exit

Managing the Financial Impacts of Climate Risk in a Portfolio

Transition Risk

SK Inc. has established a climate risk management system for its portfolio companies. Among the exposed regulatory risks, we use the actual one (residual risk) as a criterion for their evaluation after subtracting the ones (managed risk) that have been mitigated through risk management.

We then review whether each invested company has a sufficient level of marketability to justify its transition risk, as well as the potential effectiveness and economic feasibility of its reduction processes. This transition risk is then converted into a "carbon risk-to-reward ratio (RRR)," an indicator that is compared to the company's ability to generate sales in the future, in order to evaluate its soundness in terms of carbon risk.



Management Strategies by Stage

Calculate regulatory risk

- Calculate the cost of the regulatory risk that the invested companies will have to bear, taking into account the carbon price forecast based on the *NGFS scenario in the BAU of major invested companies
  - Current regulatory risk costs to 2050
  - Calculate ratio of regulatory risk costs to company's current asset value, sales, and EBITDA

* NGFS: Network for Greening the Financial System

Response strategies and potential areas for reducing risks

Effectiveness and economic feasibility of emissions reductions

- Confirm regulatory risks reduction according to the Net Zero goal established by each invested company
- Review economic feasibility of carbon reductions

Improvements to price and cost structure

- Confirm possible areas for costs of transition risks to be reduced when determining competitive position in the market and possible elasticity of product price(s)

Calculate actual risk

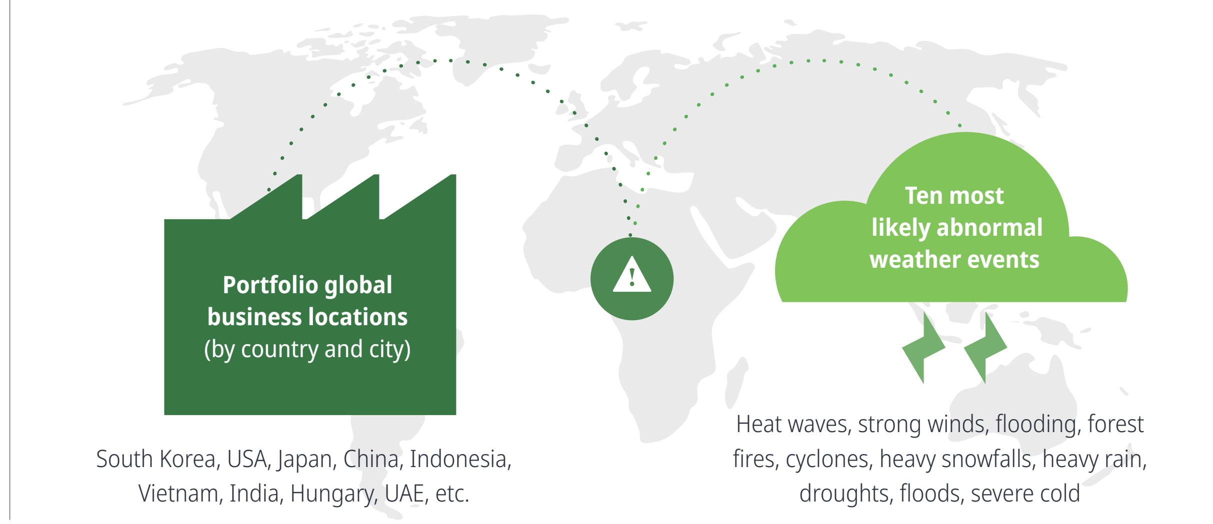
- Define the residual risk, that the investment companies can potentially reduce or that may occur after improvements to the price and cost structure, among their cost of exposed transition risk, as the actual transition risk
- Calculate carbon risk-to-reward ratio in light of the actual "cost of transition risk." Undertake management of invested companies that are subject to high risk (when their reward ratio is higher than their operating margin)

$$\text{Carbon risk-to-reward ratio (\%)} = \frac{\text{Present value of projected actual transition risk cost by 2050}}{\text{Present value of projected sales by 2050}} \times 100$$

Physical Risk

Physical risks are intensifying as the frequency of abnormal weather conditions increases. Defined as the physical effects of climate change, these risks can seriously affect a company's sales, assets, and business activities. SK Inc. analyzes the possible impact of such physical risks based on which portfolio business location or locations might be exposed to abnormal weather, and establishes countermeasures for such high-risk likelihoods. Physical risks are also made a review factor in our investment decision-making in terms of expanding our businesses and selecting investment areas.

Analysis of Physical Risk Forecasting Data



Classifications of Risk Levels

By Major Invested Companies By Region (Country and City) By Abnormal Weather Type	High Risk Medium Risk Low Risk	**SK Inc.** Warn high-risk invested companies	**Investment Companies** Establish self-management system and monitor it	**SK Inc.** Update risk scenarios annually