

Monitoring Supplier ESG Assessment

As interest in environmental and human rights issues in corporate supply chains increase and ESG regulations in countries around the world become more stringent, the importance of responsible supply chain establishment and management is rising as well.

SK innovation has set sustainable supply chain management and stable procurement as the ultimate goal of the priority task for 'Monitoring Supplier ESG Assessment'. By doing so, we aim to minimize the environmental impact of the products and services and to make meaningful contributions to society. To accomplish these aims, we will identify high-risk suppliers and actively minimize potential ESG risks, fostering business partners with outstanding ESG practices and implementing sustainability-related programs.



Reinforced the prevention of accidents through reliable communication with suppliers

Priority Task Implementation Strategy (Mid/Long-term Strategy)

SK innovation has set '100% of due diligence on high-risk suppliers' and '25% of suppliers with a high evaluation score' as goals for 2025.

To this end, we are going to identify the characteristics of the risks in the supply chain in line with our business operation and identify suppliers with a high level of risk through evaluation. Through due diligence and actions for improvement, we will minimize such risks.

We plan to implement specific action plans by year based on our experience in managing ESG risks in order to increase the number of suppliers with high scores. In addition, we will continue to upgrade the overall ESG management process with a focus on customized support programs for each E, S, and G area linked to the evaluation results.

Furthermore, we plan to provide guidelines so that we can keep track of changes in the international ESG environment including the EU supply chain due diligence law and the Scope 3 Net Zero emissions requirements. Through this, we will be able to enhance our suppliers' understanding of global ESG risks and help them to respond in advance.

Action Plans for 2022

In 2022, we plan to operate ESG training and consulting programs based on the results of the supply chain ESG risk evaluation conducted in 2021 to enhance our suppliers' understanding and promote participation in the evaluation process and due diligence. We are expanding the scope of the due diligence on suppliers with a high level of risk to help them solve their problems. Those with excellent performance in the assessment will be provided with incentives.

We also plan to establish a bidding and transaction process in line with the ESG performance so that evaluations can be conducted on a regular basis to improve the overall supply chain related processes. We will also elaborate the methodology to select and manage high risk suppliers. At the same time, we will maintain close communication with stakeholders by promoting external communication on the overall ESG management performance of our suppliers in line with our GROWTH strategy.

Alignment with UN SDGs



Goals for 2025



Achieving supplier ESG due diligence rate of

100%



Increasing the proportion of suppliers that acquire high score in ESG risk assessment to

Over **25%**

Progress in 2021



Achieved the in-depth risk assessment completion rate of

82% (core suppliers)

1) 249 companies with a high level of strategic importance and ESG risk exposure

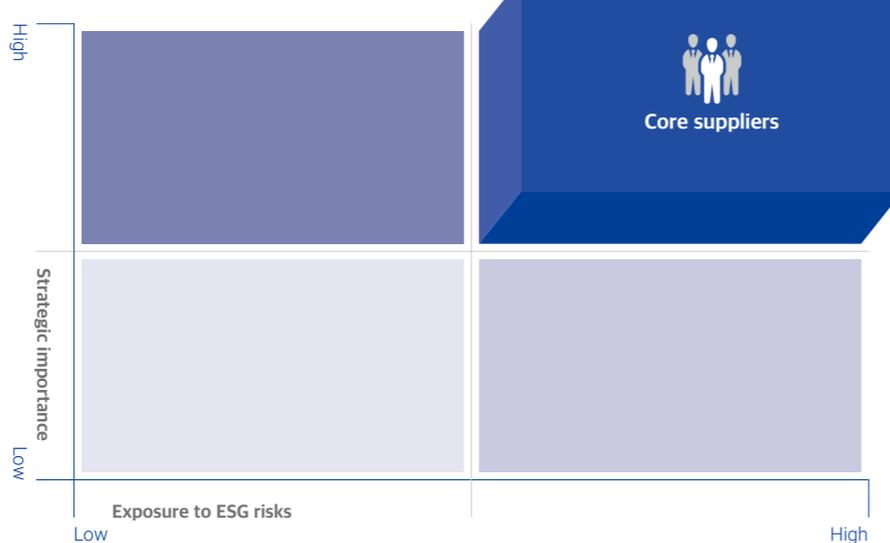
Progress in 2021

In 2021, SK innovation conducted an in-depth ESG risk assessment through a third-party to upgrade its risk management system for suppliers. The in-depth assessment was carried out for suppliers both with business transaction over the past three years and with being sorted by our renovated supplier classification system into four groups (which was previously divided into two segments), based on strategic importance and ESG risk exposure. Suppliers with a low rating were advised to establish their own plans for improvement. As a result, 100% of the advised suppliers successfully established the plans.

Supply Chain ESG Risk Management Goals and Performances in 2021

Category	In-depth ESG Risk Assessment	Improvements
Goals	Conduct an in-depth ESG risk assessment for more than 80% of core suppliers ¹⁾	Request the core suppliers with low ratings to develop improvement plans
Performance	82% (204 companies in total) completion	100% (42 companies in total) completion

Updated Supplier Classification System



Comments from the Department in Charge

For suppliers with limited resources, our reinforcement of ESG management of suppliers based on the needs of stakeholders, may be challenging. However, with the growing demand for ESG risk assessment and due diligence in the supply chain in response to climate change and protection of labor and human rights, ESG is becoming an essential part of the corporate value chain.

For suppliers to adapt to these changes, we are committed to enhancing the engagement of suppliers by providing benefits and improving their understanding of ESG while forming a consensus on ESG practices. Going forward, we will continue to do our best to promote mutual growth with our suppliers based on effective policies and support programs.



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