

Ethical Management

ESG
Performance
Report 2021



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Ethical Management Policies and Systems

Ethical Management Policies

Based on the SKMS (SK Management System), SK innovation has established the Code of Ethics as standards for ethical conduct and practice as well as guidelines for specific situations. All employees, including contractors and dispatched personnel at the head office, overseas subsidiaries, and subsidiaries, are required to comply with the code at all times. In addition, business partners who have a partial stake in an investment company or have a business or contractual relationship are also encouraged to comply with our code. Any questions regarding the code and guidelines are responded to on the FAQs section of the ethical management website.

Mid-Term Plan for Ethical Management

SK innovation established a mid-term plan to promote ethical practice in 2021 in response to changing business environment such as overseas business expansion, and to raise awareness among our overseas sites and external stakeholders. We also set detailed plans for each stakeholder group such as employees, business partners, and overseas business sites and currently making efforts to implement each stage of the plans. In particular, we are expanding our ethical management infrastructure, including our own ethical management system, with the goal of achieving 100% training completion rate of all employees including contractors, dispatched personnel as well as overseas employees.

Ethical Management Organization

SK innovation established the Audit Office directly under the Audit Committee in 2021 so that the Board of Directors could directly oversee our audit (ethical management) function. It was also made sure that the Audit Committee authorizes the appointment of the head of the Audit Office. In addition to internal auditing, the Audit Office is responsible for overall ethical practice including the business site, operation, and review of the ethical management system.

Responsibilities of the Audit Office

- Establish and update the Code of Ethics, Practice Guidelines and FAQs
- Establish a set of rules to protect whistleblowers and operate ethical counseling and reporting channels
- Organize online and offline ethics training, workshops, and surveys for domestic and overseas employees
- Provide ethics training and surveys for business partners

Audit, Monitoring and Reporting Systems

Audit and Monitoring of Ethical Management

The Audit Office oversees and manages and audits the entire business operation of SK innovation and its subsidiaries including overseas subsidiaries and branches. The subjects of audits are updated every year, in consideration of changes in the business environment. An annual audit plan is established through risk assessment, and the subjects are finalized based on a report from the Audit Committee. The Audit Office conducts annual audits according to the audit plan, evaluates the efficiency, effectiveness, and internal control of business management, and identifies areas to be improved. The results are independently reported to the Audit Committee, and the progress of improvement is monitored through annual follow-up audits.

Ethics Counseling and Reporting System

SK innovation operates various reporting channels including online reporting site, e-mail account, tip line, and KakaoTalk channel, so that its employees, business partners, customers, and other stakeholders can easily contact and report on unethical practices. Most channels are available 24 hours a day. To enhance the accessibility and convenience of the users, links to reporting and consulting channels were added to SK innovation's official site. Alongside, an anonymous mobile reporting channel was created. SK innovation also operates a special system to protect the informants and keep the contents of the reports confidential. Any attempts to reveal the identity of the informants or whistleblowers as well as to give them any disadvantages are strictly prohibited. At the same time, we are doing our best to handle reports and contents of consultations fairly and transparently. Any reports that require further investigation are directly handled by the department in charge of ethical management to determine whether there was a violation. The Audit Committee is updated with the progress and the results of the investigation.

Status of Consultations and Reports on Ethics

(Unit: Case)

	2019	2020	2021
	67	94	157

No. of Cases Consulted or Reported by Stakeholders in 2021

(Unit: Case)

Category	Report	Consultation	Complaint	Total
Customers	0	4	21	25
Business partners	9	3	0	12
Employees	19	6	0	25
Other unknown sources	26	69	0	95
Total	54	82	21	157

No. of Cases Consulted or Reported by Response Types in 2021

(Unit: Case)

Investigated (audited)	Transferred to relevant departments	Others (unconfirmed, rejected)	Total
38	61	58	157

Monitoring Results

In 2021, a total of 157 cases were consulted and reported. Excluding the ones that were rejected or unconfirmed, 99 of identified cases were processed. We forward complaints from customers to relevant departments, and entrust the Audit Office to check the results. When consultation on ethical management is requested, we provide answers in cooperation with relevant departments. If necessary, the Audit Office investigates the requested case to determine whether there was a violation. In 2021, 33 cases out of 38 were found to be violations of ethical practice, and necessary disciplinary measures were taken in accordance with the policies and the decision of the Reward/Penalty and HR Committee.

Disciplinary Actions for Ethical Violations in 2021

(Unit: Case)

Reasons for disciplinary action	No. of disciplinary cases	Measures taken
Sexual harassment	1	1 dismissal
Non-compliance with the Code of Ethics	10	4 dismissal, 5 suspensions, 1 reprimands
Violation of SHE policies	16	감봉4, 8 suspensions, 4 reprimands
Negligence of job	6	1 dismissal, 2 suspensions, 3 reprimands
Embezzlement of company assets	-	-
Total	33	-

Promoting Ethical Culture

Ethical Compliance Training

SK innovation continues to organize training on ethical practice for all employees including contractors and dispatched personnel at both domestic and overseas business sites. We also provide special training to Audit Committee members, acknowledging the growing importance of the roles of the Board of Directors. In 2021, online training was conducted based on the case study on ethical practices. After the training, our employees voluntarily signed a pledge for ethical practices. Based on the audit results and reports submitted, leaders in charge of ethical management, including the head of the Audit Office, organize specialized training at business sites identified of have growing ethical risks.

Ethical Culture Training in 2021

Category		No. of training participants (Unit: person)	Training hours (Unit: hour)
Ethical culture training	Contact-free training ¹⁾	1,530	1,114
	Online training	8,637	4,344
	Total	10,217	5,458

1) In 2021, offline trainings was replaced with untact trainings (e.g., webex) due to COVID-19.

Survey on Ethical Practice

A survey is conducted every year to check the level of employees' awareness of ethical management and identify the weaknesses in the systems. In 2021, 68% of all employees participated in the survey. The survey results are currently being reflected in our ethical practice through consultation with the relevant departments.

Workshop for Ethical Practice

SK innovation organizes workshops to support ethical practice every year to hold in-depth discussions on ethical dilemmas and risks faced by its employees. In 2021, department-specific workshops on audit cases and ethical dilemmas was held (146 departments participated).

Communication on Ethical Management

There are communication channels such as the ethics counseling center and ethical management website for promoting communication on ethical practice with internal and external stakeholders. Through these channels, the Code of Ethics and Practice Guidelines are disclosed, and consultation is held for unethical conduct, which is then reported. There is a page dedicated to facilitating communication with employees on the intranet, and potential ethical issues and cases of disciplinary actions for violations are disclosed every year.

Raising Ethical Awareness at Global Business Sites

As we continue to expand our presence in the global market, SK innovation is making efforts to raise overseas employees' awareness on ethical management. In 2021, our Code of Ethics, Practice Guidelines, and the information on reporting and consultation procedures were translated to various local languages for the training of overseas employees.

Fair Trade Compliance

Fair Trade System

SK innovation has introduced CPs (Compliance Programs) to support fair trade and established specific guidelines for the eight key elements, thereby promoting fair and transparent practice. In particular, SK innovation and its subsidiaries including SK energy, SK geo centric, SK lubricants, SK ie technology, and SK on, have appointed a CCO (Chief Compliance Officer) to operate CPs. The CCO sets action plans and oversees the implementation process while reporting operational performance and plans to the Board of Directors every year.

Fair Trade Activities

Operational Analysis and Improvement

In 2021, SK innovation hired a law firm to objectively assess its domestic and overseas compliance system as well as the operation of its subsidiaries and analyzed potential risks. Based on the results of the analysis, we are strengthening our internal regulations and policies on fair trade by setting up improvement directions of our CP operation.

Response to External Regulations

By submitting relevant data, surveys, and opinions, SK innovation supported the Fair Trade Commission's survey on subcontract and dealership transactions and development of the standard contracts for the petroleum distribution industry. Also, in order to supplement the internal management system, the overall status of SK energy's transactions with dealers was reviewed. We also checked our new partners' compliance status with the Enforcement Decree of the Fair Agency Transactions Act.

Disclosure Management System

SK innovation provides annual trainings for disclosure managers of its subsidiaries and subsidiaries to enhance the transparency and accuracy of disclosures to the Fair Trade Commission. We are also committed to minimizing errors by conducting total revision of our disclosure data.

Internal Monitoring for Fair Trade

Our internal monitoring system is designed to check the rationality of transactions between subsidiaries through a pre-review process in order to ensure compliance with the Fair Trade Act. With the goal of strengthening the internal management system in line with the Fair Subcontract Transactions Act, we also checked the overall status of our subcontracts to find out room for improvement and provided related trainings to the personnel in charge.

Fair Trade Compliance

Fair Trade Activities

Training for Fair Trade

SK innovation's internal training for fair trade is organized to provide its employees with legal knowledge required to perform their roles and responsibilities. Improved awareness of the employees is expected to ensure their compliance. This year, our online training course for all employees was implemented with a focus on the topics related to the Fair Trade Act that must be fully acquainted with. Additional online training on sharing technical data and preventing misappropriation in compliance with the Enforcement Decree of the Fair Agency Transactions Act was provided to the employees in charge of subcontract process. By conducting topic-specific training tailored to the needs of each department and job categories, we also have successfully subdivided and systemized our employee training curriculum. Furthermore, we distributed online training videos translated in English and Chinese to overseas employees.

Training for Fair Trade in 2021

Category	Training	Participants
January	•Online training for fair trade for newly transferred employees.	•Newly transferred employees.
March	•Special training for SK energy's Industry Energy Division.	•Employees of SK energy's Industry Energy Division.
April	•Training for fair trade related to SK geo centric's technical partnership with SMEs.	•Employees related to SK geo centric's battery/ material business.
May	•Online training for fair trade for newly transferred employees. •Training on disclosure to Fair Trade Commission .	•Newly transferred employees. •Personnel in charge of the disclosure and management of SK innovation's subsidiaries and sub-subsidiaries.
June	•Online training for fair trade for newly transferred employees.	•Newly transferred employees.
August	•Online training for fair trade for newly transferred employees. •Training on prohibited conducts for SK geo centric's holding companies.	•Newly transferred employees. •Employees related to SK geo centric's business.
September	•Online training for fair trade for newly transferred employees.	•Newly transferred employees.
November	•2021 common online training for fair trade. •2021 advanced online training for subcontract (misuse of technology). •2021 online training for fair trade for global staff.	•All employees of SK innovation and its subsidiaries. •Employees in charge of purchase and subcontract at SK geo centric. •Global staff of SK geo centric and its subsidiaries.
December	•Online training for fair trade for newly transferred employees.	•Newly transferred employees.

Internalization of Fair Trade Culture

To raise awareness and reaffirm their compliance, SK innovation's employees sign fair trade pledges every year. In November 2021, fair trade pledges were signed and a message from the CEO on compliance was distributed. To further encourage our employees' compliance, we regularly distributes information on fair trade through newsletters and briefings. We also make sure our employees are notified with any changes in the Fair Trade Act.

Promoting Ethical Practice in Supply Chain

We conduct ethical management surveys on our suppliers and partners to measure the level of their ethical awareness on SK innovation's ethical management system and practices as well as to preemptively identify and mitigate risks that can be found across all business transactions. By doing so, we share information on our ethical management principles and reporting channels with a focus on preventing conflicts of interest, prohibiting gifts of money and presents, as well as promoting mutual respect.

Ethical Practice and Culture

SK innovation is committed to preventing unfair practices by organizing campaigns against giving or taking holiday and promotion gifts for external stakeholders such as suppliers. In principle, making donations and sponsoring for political purposes with company's assets and budgets is strictly prohibited under the guidelines of the Korean Political Funds Act as well as SK innovation's Code of Ethics. In 2021, we have revised our pledge of ethical conduct so that other subsidiaries within the SK Group can apply identical sanctions that we apply to the suppliers who commit unethical behavior. Also, we have updated the purchasing system to request all of our suppliers, including the newly added ones, to pledge commitment to ethical practice once a year. Starting from 2022, suppliers who do not sign the pledge will be excluded from our purchase order list.

Offline Ethical Management Training for Suppliers

SK innovation has been conducting training for its major suppliers to support their ethical management and raise awareness. In 2021, offline training was organized for 132 suppliers to share cases of violations and successful ethical management systems.