

# Beyond The Limits

2020 SK GAS SUSTAINABILITY REPORT

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## Cover Story

Upo Wetland located in Changnyeong, Gyeongsangnam-do is a wetland designated by the Ramsar Convention and a candidate for UNESCO Natural World Heritage. As the largest natural wetland in Korea or a treasure of ecosystems, the scene where SWAN, a natural monument, soars over the Upo Wetland, is a clear demonstration of SK gas' robust commitment to sustainable management where humans and nature coexist.

# About This Report

## Reporting Information

SK gas has published sustainability reports since 2020 to communicate with various stakeholders. This report is our second sustainability report containing our sustainability management efforts and major achievements in a transparent manner. Going forward, we will continue to actively collect the opinions of stakeholders through sustainability reports and reflect them in our management.

## Reporting Principle

This Sustainability Report was prepared in accordance with the core requirements of Global Reporting Initiative (GRI) Standards, the international guideline for sustainability reporting. We comply with the TCFD’s disclosure recommendations and SASB in order to reflect major issues appropriate to the characteristics of the industry. The 10 Principles of the UNGC, a global sustainability management initiative, and the UN SDGs were applied to the report as well. The financial information included in this report complies with the K-IFRS.

## Reporting Period

This report covers the activities of the company that occurred from January to December 2020. To enable a time series analysis of major sustainable management performance, the report includes data from the past 3 years (2018~2020). Also, the report includes information from before 2020 or from the first half of 2021 that may have important effects on the stakeholders.

## Reporting Scope

The domestic report scope includes all places of business (Pyeongtaek, Ulsan, G.Hub, Central, Western, Eastern, and Jeju sales office) as well as the headquarters. The financial data in this report covers all consolidated companies. Some social and environmental data sets of a different reporting scope are indicated separately.

## Third Party Assurance

To ensure reliability and quality of reporting contents, a third party assurance provider verifies the report. The verification results are presented on pages 96~97.

## Additional Information

SK gas publishes Sustainability Reports in Korean and English to increase the accessibility of information for stakeholders and they are also available on our official website. (<http://eng.skgas.co.kr/>)

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**Interactive User Guide for Sustainability Report**

This report has been published as a web PDF with interactive features to increase information accessibility. Functions such as moving to related pages and shortcuts to related web pages are included in the report.

# CEO Message

Dear stakeholders,

Last year, the COVID-19 brought the unprecedented level of changes to our society and corporate environment. However, your unwavering interest and support enabled us to deliver quite strong results even amid the turmoil, so I would like to take this opportunity to express my sincere gratitude to each of you. We still remain in the vice grip of the pandemic, and stringent quarantine measures have come with inconvenience for individuals, making it hard for corporations to do their business. On top of that, we are seeing the growing gravity of ESG management in the global financial society as well as rising demand from stakeholders for sustainability, which require corporations to ramp up the level of their sustainable management. Against this backdrop, SK gas strained every nerve to prepare our future management and strategies in a constant and astute manner, which empowered us to maintain the favorable financial performance. This sustainability report marks 2<sup>nd</sup> year of annual reporting on our sustainability progress, through which we share our future strategy aiming to move forward a more sustainable growth (SWAN 2.0) with you.

## Looking Back on Management Performance for the Year of 2020

The year of 2020 was marked by two outstanding achievements; one is the maintenance of the favorable financial performance, and the other is a strategic accomplishment which laid the foundation for sustainable growth. Indeed, we served two ends even in the face of COVID-19. We achieved KRW 4.412 trillion (USD 3.899 bil.) in sales, KRW 190.2 billion (USD 168.0 mil.) in operating income and KRW 265.4 billion (USD 234.5 mil.) in net income. We saw a slight decrease in sales compared to last year, but we achieved an uplift in operating income by KRW 600 million and an increment in net income by KRW 111.2 billion. The lower oil prices than the previous year accounted for the decrease in sales, but we defended the operating income through the reinforcement of LPG business portfolio. Furthermore, we improved net income with the strategic implementation of LPG trading and equity method income. These achievements mean a lot to us since they were hard-earned outcomes amid the daunting challenges we have never experienced in the aftermath of the outbreak of COVID-19.

The social value we created was measured at KRW 174.3 billion (USD 154.0 mil.), with the business social performance evaluated at KRW 25.1 billion (USD 22.2 mil.), economic indirect contribution performance at KRW 141.8 billion (USD 125.3 mil.), and social contribution performance at KRW 7.3 billion (USD 6.5 mil.). ‘Business social performance’ incorporated air pollution reduction and improvement in life quality through the collective supply of LPG while ‘economic indirect contribution performance’ came from employment increase and dividend expansion for enhanced shareholder value. Constant social contribution activities for local community in the grip of COVID-19 were reflected in ‘social contribution performance’. Our performance in terms of social value creation is managed in association with UN Sustainable Development Goals (UN SDGs) and Global ESG Standard, and we will make every effort to consistently expand the scope of social value generation.

## SWAN 2.0: Future Strategy for Our Sustainable Growth

SK gas has been exerting ourselves and deeply ruminating for the past 10 years, thereby successfully expanding our business models such as securing new demand for the LPG industry and establishing a gas chemical value chain. However, it is true that we could not escape from the external perception that SK gas is a domestic LPG distributor. Therefore, we will further tighten the reins of change and innovation with an aim to go beyond the limits of the past that have restricted ourselves to the categories of limited products, customers, and existing business territories.

On the foundation of confidence gained through the achievements as well as endeavors for innovation and change, we will leap forward as an eco-friendly energy comprehensive solution company encompassing LNG, hydrogen and new and renewable energy businesses. With economic value, we will create a future that provides the top-notch ‘Sustainable Energy’ for our customers by spurring the creation of social value, starting with the advancement of ESG management.

Ushering in the year of 2021, which will determine the destiny of the next 10 years, we will secure sustainability in the existing LPG business, concentrating our full capabilities on expanding demand base and making IT/DT-based platforms. With Ulsan LNG terminal becoming the pillar of our competitive LNG value-chain, we will create a differentiated synergy effect by converging new areas with existing business. As part of this effort, we will combine LNG direct import business driven by our advanced trading capabilities with downstream demands such as the world’s first LPG/LNG dual gas combined cycle power plant. Our new opportunity lies in de-carbonization energy business such as renewable energy and hydrogen sectors. Therefore, we will seize those at the opportune time and faithfully play a bridging role in transitioning into the hydrogen economy, striving to grow as a leading player in the carbon-zero era.

For the purpose of placing ourselves at a global leading position in ESG management, we will further enhance eco-friendliness, social values, and transparent governance. Not only complying with global standards for environmental management, but also striving to preserve the natural ecosystem, we will pay more heed to ESG activities at each business site, thereby ultimately creating a workplace where safety and health comes first. In addition, an additional committee established under the BOD will play a pivotal role in discussing the company’s future growth strategy and securing fairness in evaluation and compensation of the management. We will ensure to run our business revolving around the BOD in compliance with laws and regulations. We will further contribute to the happiness of our clients, local communities, and the members through the multifaceted efforts aforementioned, thereby continuously securing trust and empathy of our stakeholders.

Distinguished stakeholders, I would like to extend my sympathies to all stakeholders who are experiencing difficulties in daily lives as COVID-19 prolongs for a long time. And I sincerely hope that the pandemic situation ends soon and ordinary life will return. We will thoroughly observe health and quarantine rules at our business sites, making sure there is no loss of property as well as the lives of our employees.

I earnestly seek for your continued and unwavering attention and support.

Thank you.

June 2021

Yoon Byungsuk, CEO of SK gas

윤병석



History

1985~1999

**Dec. 1985**  
SK gas was founded and launched the construction of Ulsan terminal

**Jan. 1988**  
Started LPG supply business

**Apr. 1991**  
Started to supply LPG for petrochemical industry

**Jul. 1991**  
Opened Daegu-Gyeongbuk office

**Aug. 1993**  
Opened the Middle East office in Saudi Arabia later moved to Dubai in U.A.E in Aug, 2008

**Nov. 1993**  
Opened Chungcheong and Busan-Gyeongnam office

**Nov. 1994**  
Opened Gangwon office

**Aug. 1997**  
Executed initial public offering

**Feb. 1999**  
Opened Honam office

**Oct. 1999**  
Completed construction of Pyeongtaek Terminal

2000~2009

**Dec. 2000**  
Received a presidential citation at the 7<sup>th</sup> Gas Safety Promotion Conference

**Mar. 2001**  
Won the Best Award in Safety Category at the Korean Gas Industry Awards

**Jul. 2002**  
Received the Bronze Tower Order of Industrial Service Merit at the 9<sup>th</sup> Gas Safety Promotion Conference

**Dec. 2002**  
Opened an office in Seoul Metropolitan Area

**Aug. 2003**  
Successfully completed a Gas Trial project in cooperation with Samsung Heavy Industry

**Sep. 2003**  
Opened an overseas office in Shanghai, China ~2009.04

**Sep. 2003**  
Founded Korea LPG Industry Environmental Association  
Member Company: SK gas, E1

**Jul. 2004**  
Started operation of SK gas Volunteer Group

**Jun. 2006**  
Received the Bronze Tower Order of Industrial Service Merit at the 13<sup>th</sup> Gas Safety Promotion Conference.

**Mar. 2007**  
Founded a joint venture with China Gas Holdings and acquired shares

**Jun. 2007**  
Expanded butane refrigerating tank in Pyeongtaek in Korea

**Aug. 2007**  
Established a Singapore company, SK gas International

**Feb. 2008**  
Opened an overseas office in Houston, U.S.

2010~2019

**Mar. 2010**  
Opened Jeju office

**Dec. 2010**  
Started construction of Ulsan tank terminal

**Feb. 2012**  
Agreed to donate LPG Hope Recharging Fund for low-income households KRW 10 billion

**Oct. 2012**  
Held a groundbreaking ceremony for SK gas Pangyo Corporate Building

**Jan. 2013**  
Announced entry into PDH market

**Apr. 2013**  
Established G.Hub, a tank terminal service provider

**Aug. 2013**  
Started operation of Highway LPG autogas stations  
Ansung, Eumsung, Jeongeup, and Eonyang

**Aug. 2013**  
Opened an overseas office in Calgary, Canada

**Sep. 2013**  
Secured super-size LPG carriers  
G.Swan, G.Arete, G.Paragon

**Dec. 2013**  
Achieved a record of 19 consecutive accident-free years

**Mar. 2014**  
Signed MOU with APC of Saudi Arabia on a joint venture investment for PDH business

**Mar. 2014**  
Agreed to donate LPG Hope Recharging Fund for low-income households KRW 5 billion

**Apr. 2014**  
Entered into coal-fired power plant business through joint venture investment in Gosung Green Power (GGP)

**Sep. 2014**  
Established SK Advanced

**Oct. 2014**  
Acquired Dongbu Power Dangjin Corp.  
Renamed to Dangjin Eco Power

**May. 2016**  
Completed construction of PDH plant in Ulsan

**Jun. 2016**  
Completed construction of LPG tank terminal in Singapore

**Jan. 2018**  
Approval to change power generation permit and business structure of Dangjin Eco-Power

**Apr. 2018**  
Dangjin Eco-Power continues to push forward the plan to start new renewable energy generation

**Oct. 2018**  
Decision made to acquire G. Hub.

**Nov. 2018**  
SK Advanced establishes joint venture 'Ulsan PP'

**Jan. 2019**  
Obtained approval for Dangjin Eco-Power's business transition

**Nov. 2019**  
Acquired ownership of Korea Energy Terminal. Decision to participate in energy hub project

2020~

**Mar. 2020**  
Established the company's sustainability management committee and corporate governance charter

**Mar. 2020**  
Decision to launch a PDH business in Saudi Arabia through SKGI

**Jun. 2020**  
Published 2019 SK gas Sustainability Report

**Jul. 2020**  
Began construction of Korea Energy Terminal (KET) and Ulsan LNG terminal

**Aug. 2020**  
Signed a business contract with National Institute of Ecology for the preservation of ecosystem

**Dec. 2020**  
Published Ulsan ecology information book and distributed it to 144 elementary schools of the region

**Dec. 2020**  
Launched 'Wego' system, a propane exclusive platform

**May. 2021**  
Signed an MOU for the establishment of JV for byproduct hydrogen with Lotte Chemical Corporation

Establishment and Rapid Growth of SK gas

For the Advancement and Sustained Growth of SK gas

Global Leading Company! SK gas

Becoming a Global Eco-friendly Energy Company

# Company Profile

## General Status

As of Dec. 2020

Name of Company	SK gas Co., Ltd.	No. of Employees	515
Type of Business	Wholesale business of gaseous fuels and related products	Net Income	KRW 265.4 billion (USD 243.9 mil.)
Headquarters Address	ECO Hub, 332 Pangyo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do	Revenue	KRW 4 trillion 412.3 billion (USD 4,055 mil.)
Date of Establishment	Dec. 20, 1985	Total Assets	KRW 4 trillion 498.9 billion (USD 4,135 mil.)

## Business Areas

 Domestic LPG Marketing

We have been equipped with a nationwide distribution network based on large-scale LPG storage sites located in Ulsan and Pyeongtaek, carrying out active sales activities. There is growing demand for LPG owing to its eco-friendly and economic profile, and it is utilized for vehicles, households, Commerce, industries, and petrochemical processing. Accessibility is being reinforced through the advancement of infrastructure such as Smart Multi Energy Autogas Station.

 Global LPG Trading

On the foundation of 35 years of experience in import and export, we operate LPG overseas sales business in the Middle East, North America, Africa, and Southeast Asian regions. We maximize business opportunities by expanding the scope of sales areas and client types. The know-how accumulated through LPG trading will serve as a platform to enhance our competitive edge in the LNG trading area.

 Tank Terminal

G.Hub, a tank terminal site, is a facility storing raw materials (UCO) and lubricant products (LBO, HBO). It was established in 2012 as part of business diversification and expansion of region, product, and value chain, and currently it has become a long-term and stable source of income. Our efforts to identify and secure potential growth areas further enhance the management efficiency and fortify our competitiveness.

 Gas Chemical

PDH (Propane De-hydrogenation) business is operated in the form of joint venture in partnership with APC in Saudi Aradia and PIC in Kuwait, producing propylene made from LPG. We have been successfully establishing a vertical integration of the gas chemical business by forming the downstream ranging from propane to propylene to polypropylene (PP) on the bases of stable operation of PDH business with our outstanding technologies.

 LNG/Energy Generation

With an aim of commercial operation in 2024, we are pushing forward Ulsan GPS, an LPG/LNG combined cycle power plant. Our plan is to build a combined power generation system through constructing LNG import terminal and LNG storage tank at the same time, followed by initiating the commercial operation. On the basis of this infrastructure, we will enter LNG direct import business and LNG bunkering business for a strengthened LNG distribution network, thereby taking the lead in the eco-friendly energy sector.

 Hydrogen Energy

'SWAN 2.0' contains our value-chain enhancement plan encompassing production, processing, and distribution of hydrogen. LPG and LNG businesses can be used as a means of production and distribution of hydrogen, fuel cell, and renewable energy. We are also planning to build convergence hydrogen refueling stations taking advantage of existing refueling station infrastructure. By doing these endeavors, we will become a leader of the changes in energy supply ecosystem.

## Global Network

SK gas has developed itself into an energy leader in cooperation with global leading companies. As for the global LPG trading business, we are flexibly responding to domestic and overseas demand through the long-term purchase agreements in North America and import from SPOT accounts. In the course of the business, we actively participate in the global network, setting up subsidiaries in Houston, America and Singapore. Having subsidiaries in the optimal locations in terms of business and geography, we swiftly capture opportunities related to market price as well as demand volatility. In the gas chemical industry, our plant operation know-how was globally recognized. Based on the acknowledgement, we have established a joint venture (JV) with state-owned companies in Saudi Arabia and Kuwait to operate a PDH (Propane De-hydrogenation) plant. Along with

that, we have established a joint partnership with PolyMirae whose major shareholder is a global chemical company, LyondellBasell, constructing a polypropylene (PP) plant in Ulsan. Moreover, our LNG supply chain has been expanded with the establishment of Korea Energy Terminal (KET) jointly with the Korea National Oil Corporation and MOLCT located in Singapore while signing a strategic collaboration with a French firm, Metron SAS for developing a solution for energy consumption optimization.



Domestic Network	
1 Republic of Korea	Headquarters
	Ulsan Terminal
	Eastern Branch
	Jeju Branch
	G.Hub (Tank Terminal)
	Pyeongtaek Terminal
Central Branch	
Western Branch	
Overseas Network	
2 Singapore Subsidiary	
3 U.S. Houston Subsidiary	
Overseas Partners	
LPG Trading Business	
Oil-producing country	1 Saudi Arabia Aramco
	2 U.S. Enterprise, Phillips 66, Chevron
	3 UAE ADNOC
	4 Kuwait KPC
Trading firm	5 Netherlands Shell
	6 Thailand PTT
	7 Switzerland Glencore, Vitol
	8 Japan Astomos
	9 China SINOPEC
Petrochemical Business	
10 Saudi Arabia APC	
11 Netherlands LyondellBasell	
12 Kuwait PIC	
13 U.K. INEOS	
LNG/Energy Generation	
14 Singapore MOLCT, Trafigura	
Energy Solution Service	
15 France Metron	
16 Spain Optimotive	

# Business Portfolio

Since its inception in 1985, SK gas has been stably supplying LPG to Korea, becoming the No. 1 LPG Player in Korea. Without being complacent for the past 10 years, we have been exerting ourselves for securing new industrial demands and building a gas chemical value chain, thereby successfully expanding our business model. With an aim to bolster the competitive advantage of the LPG business, we have improved infrastructure such as Smart Multi Energy Autogas Stations, and put efforts to raise profitability and stability based on our global trading capabilities.

In addition to the LPG business, we are also converting our business portfolio to decarbonization business by laying the foundation for the LNG terminal and the world's first LNG/LPG dual power generation business, thereby seeking opportunities to enter the hydrogen business.

Input

Business Model

Output

## Economy



## Financial Capital

- Internal and external economic conditions
- Laws and government regulatory
- Asset (Capital)

## Manufactured Capital

- Domestic and foreign operations
- Production facilities

## Intellectual Capital

- Core technology
- Intellectual property rights/Patent

## Environment



## Environmental Capital

- Environmental resource
- Energy/water/electricity etc.

## Society



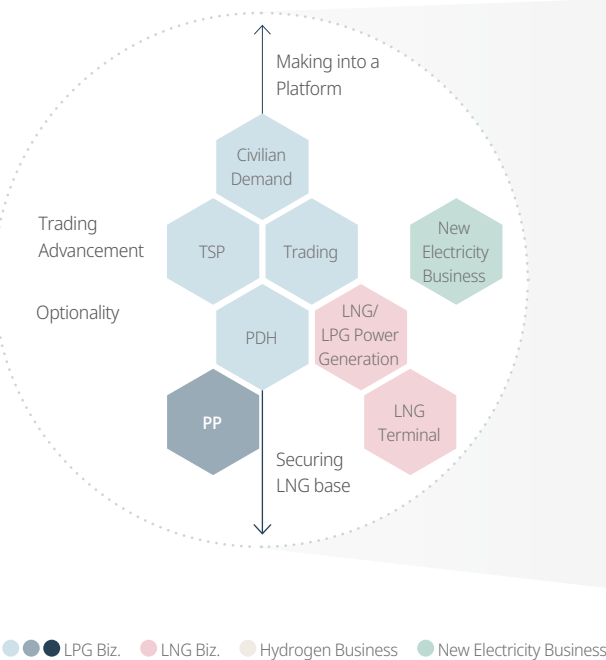
## Human Capital

- Employee competency
- Work experience and capacity
- Sense of ethics

## Social Capital

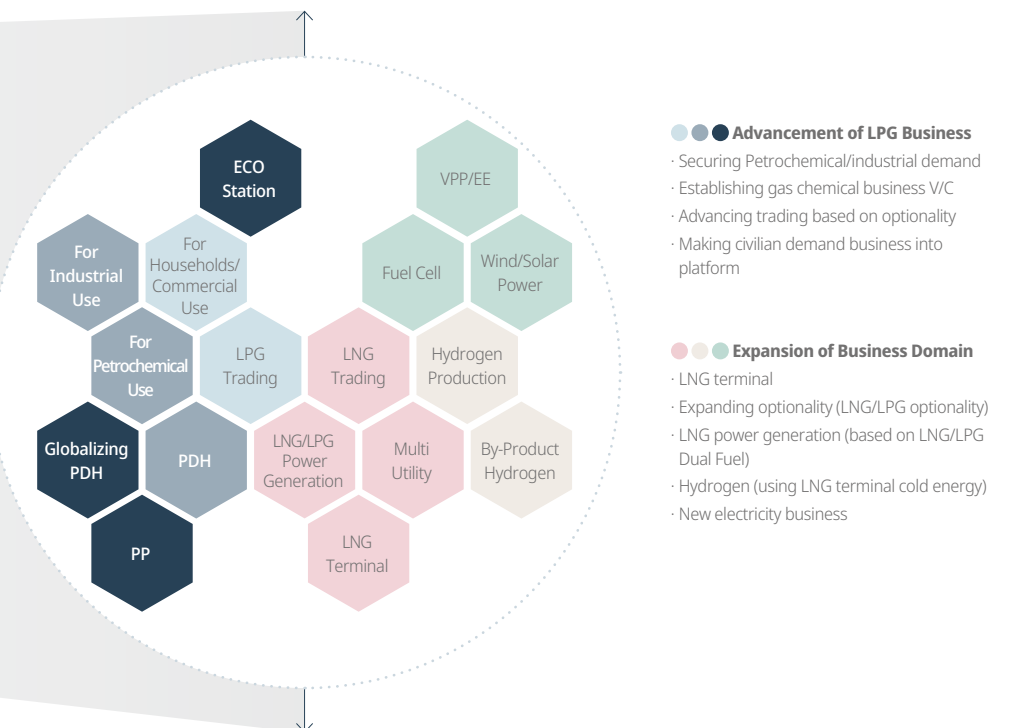
- Customers
- Suppliers
- Government
- Local community

### Second half of 2020 'Optionality-based Completion, Securing LNG Cornerstone'



### Serving a bridging role in transitioning into hydrogen economy based on LNG/LPG Connect to be completed in 2025

### Second half of 2025 'Transformation into LNG/New renewable/Hydrogen Business'



## Revenue

USD **4,055** million

## Earnings Before Tax

USD **375** billion

## Market Capitalization

USD **887** million

## Total Dividends to Shareholders

USD **33** million

# Sustainability Management

## 2020 ESG Progress

### ESG improvement tasks

In 2020, SK gas published the first sustainability report, embarking on the journey toward sustainability management in earnest. We have diagnosed the short-term tasks to be undertaken first and improved them in areas of environment, social, and governance. We have completed international certification (environmental management, anti-corruption) for the level of sustainability management and implemented the overhaul of organization and manpower as well as the collection and disclosure of ESG data. In 2021, we plan to develop new tasks and mid-to-long-term improvement tasks with an aim to better respond to diversified global ESG standards, and further systematize and expand ESG management activities.

### Progress

- ◆ Done
- ▷ On going

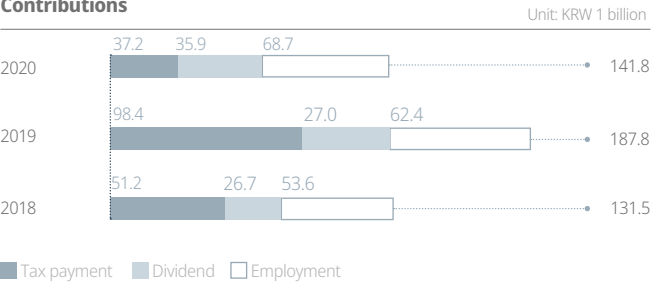
	Classification	Action Plans	Progress	Link	Outcome
Environment	Establishing environmental management system	A company-wide decision-making organization for the environment	◆		Establishment and operation of company-wide SHE Committee
		Environmental management system and strategy	◆		Formulation of environmental management system and obtainment of ISO 14001, a system for environmental management
		Environmental policy	◆		Acquisition of ISO 14001 and establishment of policies for environmental management
		Formulation of environmental investment plan	◆		Development of eco-friendly technology and support for it
		Acquisition of internationally recognized environmental management certification	◆		Acquisition of ISO 14001
		Securing objectivity in environmental audits	◆		Obtainment of the third-party certification through ISO 14001
	Reinforcing transparency of environmental management	Management of data related to environmental management	◆		Release of environmental data including energy, GHGs, water and waste
		External disclosure of data related to environmental management	◆		Disclosure of environmental education/campaign performance, environmental organization, execution performance, etc.
		Stringent Management of Chemical Substances	◆		Explanation of chemical substances and MSDS disclosure
	Responding to climate change	Establishment of response strategy against climate change	▷		① ESG vision establishment ② Action on climate change
		Efforts to respond to climate change	◆		① GHG mitigation efforts by business ② Operation of eco-friendly buildings and employees' campaign to achieve it
		Activities to reduce our environmental impact and improve ecological environment	◆		Cooperative project with the National Institute of Ecology; publication of booklet on ecological information, protection of endangered species
	Participation level in environmental friendliness	Response to TCFD (Task Force on Climate-related Financial Disclosures)	◆		Publication of sustainability report
Social	Joining international initiatives	Purchase management of eco-friendly products	◆		Stipulation of the regulations on giving priority to eco-friendly and green products in purchase and its performance management
	Enhancing stakeholder relationships	Engagement with international initiatives regarding the environment	◆		Becoming a member of UN Global Compact
		Establishing a management system of stakeholders	◆		Disclosure of communication channels by stakeholder and relevant activities
		Reflection of stakeholders' opinions and conduct of materiality assessment	◆		Conduct of materiality assessment targeting stakeholders and release of salient issues
	Strengthening ethical and human rights management	Putting more efforts into anti-corruption	◆		Acquisition of ISO 37001, anti-corruption management system certification
		Designating an organization dedicated to human rights issues	◆		HR Group
		Establishing a system for human rights management	◆		① Status of human rights management ② Abidance by UNGC ③ Declaration of human rights by CEO
		Carrying out human rights impact assessment	◆		· When: May 2020 (scheduled to be conducted once a year) · Target: Policies having impact on SK gas' human rights activities, the entirety of our system · Evaluation criteria: UN Guiding Principles on Business and Human Rights, etc.
		Educating employees on human rights	◆		Release of ESG Fact Book
	Shared growth	Compliance Program	◆		① Partner companies: Management system amelioration (four guidelines, protection of physical and intellectual property rights) ② Fair trade: Appointment of a person in charge of fair trade compliance, provision of fair trade education
		Purchase management based on social consideration	◆		Management of preferential purchases of products from SMEs, women's enterprises and social enterprises, and disclosure of the results
	Contribution to Local Communities	Policy to encourage employees to participate in social contribution	◆		Implementation of SV Coin, a system linking social value generation and reward
		Expansion of social contribution programs	◆		Enlargement of local community-based social contribution programs
		Employment in consideration of the vulnerable	◆		Management of the employment rate of the disabled and men of merit, and increasing the rate
	Raising employee satisfaction	Implementing retiree support programs	◆		· Target: Those who are supposed to retire within 1 year · Program: Helping employees getting jobs, providing education on starting a new business, supporting life cycle design, etc.
		Employee Assistance Program	◆		Operation of comprehensive psychological counseling program
		Management of flexible working hours system and raising its effectiveness	◆		Adoption of flexible working hours system for all employees
		Expansion of family-friendly system	◆		Encouragement and expansion of family-friendly policies including flexible working hours system and parental leave
		Conducting an employees' satisfaction survey, formulating and taking measures for improvement	◆		Conduct of regular surveys (Culture Survey) once a year and efforts made to enhance the culture
Governance	Reinforcing governance transparency	Providing better welfare benefits for employees	◆		Operation of a daycare center at workplace
		Enacting Corporate Governance Charter	◆		Report, and approval of the BOD (March 27, 2020), published on our website
		Disclosing ESG evaluation grade	◆		Disclosure of our ESG ratings, 'A' by KCGS (domestic), 'BB' by MSCI (global)
		Increasing the cases of autonomous disclosure	◆		
	BOD operation efficiency	Drawing up a dividend payment policy and disclosing it	▷		
		Indication of the minimum attendance rate principle in the BOD rules	◆		BOD regulations stipulating that the attendance rate should be over 75%
		Hiring external experts upon request from outside directors stipulated on the BOD regulations	◆		Support for internal and external manpower stated on the BOD regulations
		Disclosing differences between exemplary standards for governance	◆		Comparison data disclosed in our sustainability report and website
		Launching Sustainable Management Committee	◆		Established in March 2020, being operated (2 outside directors, 1 executive director)
	Expanding shareholder-friendly management	Introduction of electronic voting system	◆		Adopted in March 2020
		Advice to exercise voting rights of shareholders by proxy	◆		Came into force in March, 2020
	Integrated risk management	Integrated management of ESG risks	◆		Establishment and operation of company-wide Integrated Risk Management Committee

### Social Value Measurement Results

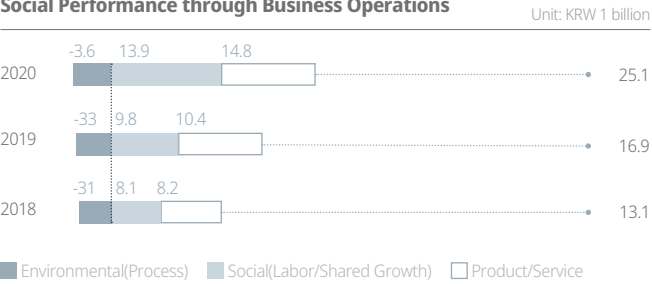
SK group defines that creating social value is delivering value expected from stakeholders on top of making economic value, which is the company's primary activity. Accordingly, SK gas puts elbow grease into the continuous generation of social values by identifying, measuring, and improving the values that stakeholders lay stress on. On the foundation of these endeavors, our goal is to pursue business model innovation based on social value, and to command the trust and support of stakeholders. In that sense, SK Group has been researching methodologies in cooperation with academic experts, social enterprises in the field, and policy institutions. Based on the research results, SK gas has measured social values with SK Group since 2018.

In 2020, the social value created by SK gas totaled KRW 174.3 billion, which split into KRW 141.8 billion in indirect economic contribution, KRW 25.1 billion in business social performance and KRW 7.3 billion in social contribution. Excluding the increase in tax payment due to non-recurring profits in 2019, the indirect economic contributions such as employment, dividends, and tax payment has been steadily increasing owing to the rise in ordinary profits and the expansion of new projects in the LPG business. We strive to expand social performance in the business sector such as air pollution reduction by linking our business with social and environmental issues and supplying LPG fuel. Even in the face of COVID-19 last year, we expanded our social contribution including support for the vulnerable and pandemic-related assistance.

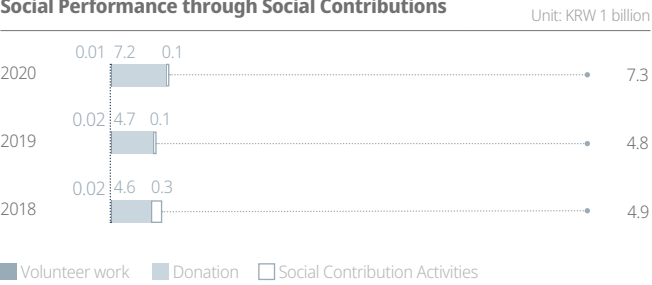
### Social Performance through Indirect Economic Contributions



### Social Performance through Business Operations



### Social Performance through Social Contributions





# Sustainability Management

## Sustainability Management System

### Management System for Sustainability Management

SK gas has a management system that inspects, manages, evaluates, and monitors issues relating to sustainability at all times. We perform annual company-wide inspections based on of our sustainability management standards and work on areas which fall short by establishing plans for improvement, which are reported to the Sustainability Management Committee under the Board of Directors and then executed. In addition, in order to maintain an objective view on our level of Sustainability Management, we have set up a monitoring and evaluation system from a third party perspective.

### Establishment of a Sustainability Management Committee within the Board of Directors

We built an organization that focuses on the completeness of the decision-making structure and professionalism towards execution for systematic sustainability management.

In March 2020, we established a ‘Sustainability Management Committee’ within the Board of Directors for responsible decision-making of sustainability management. The Sustainability Management Committee is responsible for making decisions that pertain to establishing and executing the company’s sustainability management plan, as well as evaluating its performance. It comprises of three committee members and the chairperson is an outside director, Lee Sang-gu. In addition, we also established SV Management Unit in 2019 to promote company-wide

sustainability management practices. SV Management Unit is in charge of various tasks, including sustainability management and the pursuit of social value and CSR and also manages the Sustainability Management Task Force Team (TFT), which is composed of all departments of our organization.

Deliberation Committee	Sustainability Management Committee
Exclusive Organization	SV Management Unit
Executing Organization	Sustainability Management Task Force Team Environmental management/ Ethical human rights/ Social contribution/ Shared growth

### Risk Management

SK gas prevents the incidence of risk by identifying the potential risks that may occur during business operations upfront and systematically managing them when they arise.

When such risks occur, we mitigate their negative impact by responding quickly according to protocol. Our risk management system also covers non-financial risks, such as environmental and social issues and we also conduct materiality assessment through stakeholder engagement.

### Risk Management System

To mitigate the impact of risks, SK gas is equipped with a company-wide system that is quick to respond to risks through the ‘Prevention–Detection–Response’ framework.

### Areas of Risk Management

We have classified the main risks that impact our business operations into three categories. The major areas that we manage are financial risks such as exchange rates, interest rates, and taxation; business risks including oil prices and international economic trends; and operation risks encompassing ethics, laws, safety, environment, society, and information security.

Financial Risk	Exchange rate · Interest rate
	Tax · Accounting
	Credit · Collateral
Business Risk	Oil Price
	Domestic/Overseas economic trend
	Policies and regulations
	Industry trends
Operation Risk	Ethics · Compliance
	Safety · Environment
	Society · Information security

### Risk Management Governance

The Integrated Risk Management Committee convenes on a monthly basis and is made up of the CEO as the chairperson and the Heads of each business division department and Head of Planning as members. Risks such as human/physical damage, violation of law, and defamation which may arise from customers and stakeholders perspectives are examined in advance. Such risks that are primarily detected are promptly shared with and handled by the related executives and departments and the severity of major risks are discussed through high-level management meetings. Depending on the severity of the risk, they are reported to the Board of Directors.

### Post-Risk Response

If any kind of loss is anticipated due to the occurrence of risks, despite our stringent and proactive management, we make our best effort to minimize losses through our post-risk response system.

The post-risk response system is based on an ‘accrual-basis principle’ in order to respond quickly; mitigation management falls under the responsibility of the department in which the risk has occurred.

To henceforth increase the effectiveness of our response, SK gas is preparing detailed procedures which includes recognizing and reporting risks, assessing risks, responding and managing risks, and improving issues, as well as a risk management/ response protocol that defines the role of each department.

### Emerging Risk

SK gas continues to determine and manage potential risks that may affect its long-term business. We manage the company’s most significant risks by closely monitoring and being highly responsive to changes in the international price of LPG, and trade fluctuations of derivatives for risk hedging. SK gas also regularly looks into ESG (environmental, social, and governance) related risks, which are recently becoming more influential, in order to comprehensively manage the company’s risks.

### Response to External Assessment of Sustainability Management

SK gas is actively responding to assessments by external ESG evaluation agencies such as the Korea Corporate Governance Service and MSCI to monitor our corporate sustainability. In 2020, we received an A in the ESG integrated rating of KCGS. We won grade A in the sector of governance since our BOD is equipped with an outside directors-centered system underpinned by their independence. The social sector was rated as A+, up two grades from the previous year, and the environment received B+, up one grade from the previous year.

After analyzing the insights from KCGS’ report, SK gas set short-, mid-, and long-term goals to tackle the areas for improvement. This report captures the details of our performance. Moreover, given the growing importance of environmental management, more companies are being evaluated with CDP (Carbon Disclosure Project). We are also planning to receive CDP evaluation from.

Emerging Risk	Definition of Risk	Management Efforts
Risks of international LPG price fluctuation and profit/loss fluctuation of derivatives used for risk hedging	Possible profit and loss and price risks from price decoupling between overseas and domestic selling price, in the event of fluctuating international prices of LPG from international factors such as the plunge of oil price from geopolitical factors	Making effort to minimize exposure from price risks - Establishing/executing Risk Management Policy - Strengthening market intelligence (monitoring market and publishing internal reports) - Carrying out risk hedging with the use of derivatives - Managing profit and loss of derivatives transactions which have been set up for the purpose of avoiding price fluctuations
Operating business sites and safety risk	Operational risks that may arise from inadequate response to changes in internal and external business environments and related regulations (Occupational Safety and Health Act, Chemical Controls Act etc.) in the operation business sites and safety management	Securing safety within facilities of business sites and guaranteeing the safety of employees of SK gas and suppliers - Establishing SHE (Safety, Health, Environment) Master Plan within the company - Educating personnel on SHE operations Appointing occupational health and safety manager and organizations for each business site
Risk arising from information asymmetry during communication with stakeholders	Possible risk from information distortion when there has been insufficient communication with stakeholders about important issues in business operation or changes in the external environment	Initiating timely communication and providing clear information to stakeholders - Regularly monitor major changes within and outside of the company

# Materiality Assessment

## Materiality Assessment Process

### STEP 1

#### Identifying issues and forming an issue pool

For the purpose of comprehensive response to internal and external issues regarding sustainable management, we have formulated a GRI issue pool to take action against requirements for external information disclosure and evaluations as well as an issue pool of our own for SK gas to cope with risks and to set up the future directions.

In line with Global Reporting Initiative (GRI), a global guideline for sustainable reports, we removed overlapped issues and selected 17 final issues after analyzing sustainable management standards in and outside Korea.

Analyzed subjects of sustainable management standards  
GRI Standards, ISO 26000, MSCI, DJSI, CDP, TCFD, KCGS, KRX, UN SDGs, SASB, etc.

Analyzed subjects of SK gas' own issue pool  
Data (internal materials, business report, management strategy system, investment report, etc.) and an interview with SV TF (major issues and status of SV, SV risks)

### STEP 2

#### Analyzing impact

We analyzed 'influence on stakeholders' and 'business impact' on SK gas with those 17 issues selected in step 1. For reviewing stakeholder impact, survey was conducted targeting our employees and external interest parties, and analysis by the SV management unit and external experts was also implemented for looking into business impact.

Breakdown of impact on stakeholders  
We surveyed online internal and external interest parties to receive opinions and analyze interest levels of sustainable management topics.

- Survey period: Feb. 22, 2021-Feb. 25, 2021
- Survey target: Employees, customers, partner companies, government and public institutions, industrial circles and academia, local communities, shareholders and investors, general public, and others
- Questionnaire: Materiality of 17 sustainable management issues

Analysis of impact on business  
We comprehensively reviewed the connectivity with our management strategies and financial impact in order for analyzing business impact on each issue.

- Survey period: Feb. 24, 2021-Feb. 25, 2021
- Survey target: SK gas SV Management Unit Sustainability Management TFT, ESG expert group
- Questionnaire: Connection to management strategies (from the perspective of strategy, long-term goal, management rewards) and financial impact (impact level of cost, profit, and risks)

### STEP 3

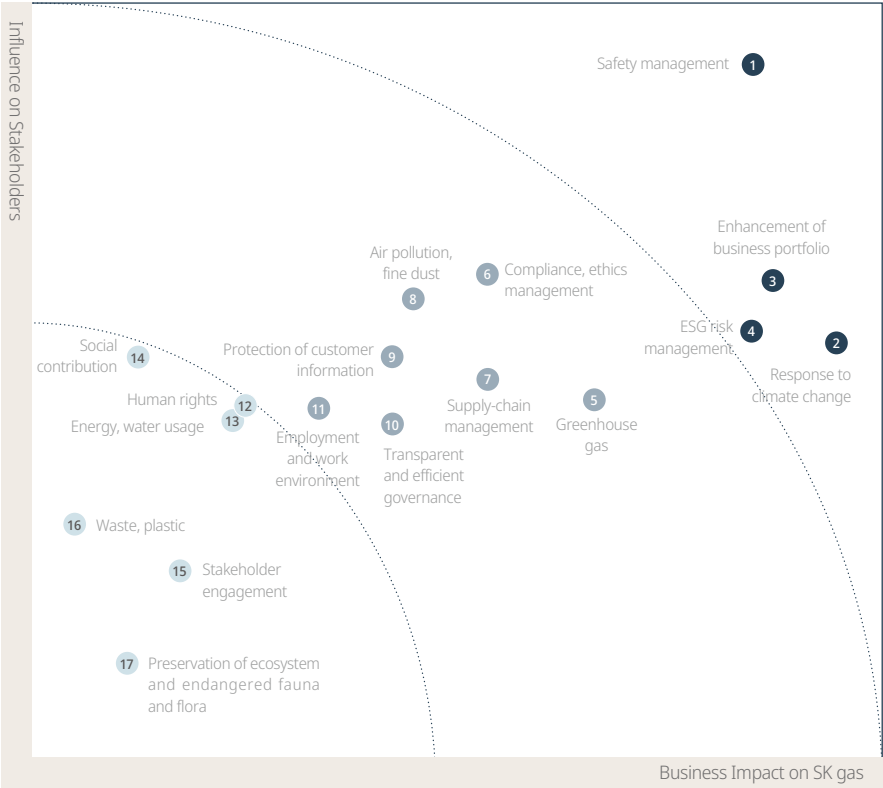
#### Prioritizing issues

We prioritize items according to the combined results of our businesses' strategic significance and stakeholders' evaluation, followed by reliable verification from a third-party institute.

Prioritization  
Priority of 17 issues were decided following the overall evaluation of business impact and stakeholder impact.

Third-party audit  
Reporting contents were verified by the third-party institute (Korea Management Registrar), thereby securing credibility and transparency.

## Materiality Assessment Matrix



## Utilization of Materiality Evaluation Results

As a result of materiality assessment, 'Safety management', 'Response to climate change', 'Enhancement of business portfolio', 'ESG risk management', and 'Greenhouse gas' are evaluated as material topics related to SK gas' sustainable management in 2020. The result showed that the interest in corporate social responsibility is persistent and particularly ESG management has become an integral part of key management issues.

17 issues selected through the materiality evaluation were reported to the management and the BOD, and then reflected when we established our ESG management mission and strategy along with the analysis results of the ESG risks and opportunities of SWAN 2.0 mid-term business strategy. SK gas' business model innovation and social responsibility activities in response to 17 issues according to the result of this assessment are reported in 'Our Growth Strategy for the Future', '2020 ESG Story Book', and 'ESG Fact Book'.

- High
- Medium
- Low

Materiality Ranking	Topic	Business Impact on SK gas	Influence on Stakeholders	Link	Page
1	Safety management	83.83	85.16	<a href="#">Link</a>	71
2	Response to climate change	87.87	76.16	<a href="#">Link</a>	46
3	Enhancement of business portfolio	84.84	78.28	<a href="#">Link</a>	30
4	ESG risk management	83.83	76.62	<a href="#">Link</a>	14
5	Greenhouse gas	76.25	74.36	<a href="#">Link</a> <a href="#">Link</a>	46, 67
6	Compliance, ethics management	71.20	78.41	<a href="#">Link</a>	77
7	Supply-chain management	71.20	74.99	<a href="#">Link</a>	73
8	Air pollution, fine dust	67.67	77.70	<a href="#">Link</a>	68
9	Protection of customer information	66.66	75.54	<a href="#">Link</a> <a href="#">Link</a>	33, 72
10	Transparent and efficient governance	66.66	73.57	<a href="#">Link</a> <a href="#">Link</a>	18, 76
11	Employment and work environment	63.12	74.06	<a href="#">Link</a> <a href="#">Link</a>	64, 70
12	Human rights	59.58	74.12	<a href="#">Link</a>	73
13	Energy, water usage	59.07	73.76	<a href="#">Link</a> <a href="#">Link</a>	67, 68
14	Social contribution	54.53	75.74	<a href="#">Link</a> <a href="#">Link</a>	56, 74
15	Stakeholder engagement	56.55	68.84	<a href="#">Link</a>	22
16	Waste, plastic	51.49	70.33	<a href="#">Link</a> <a href="#">Link</a>	47, 69
17	Preservation of ecosystem and endangered fauna and flora	54.02	65.84	<a href="#">Link</a> <a href="#">Link</a>	49, 74

# Corporate Governance

## Operation of the Board of Directors

### Composition of the BOD

**Independence** SK gas makes it mandatory that outside directors account for a majority of the BOD to ensure its independence, with the chairs of the BOD and its three specialized committee assumed by outside directors. When it comes to the appointment of outside directors, the Recommendation and Nomination Committee should go through a process to check that they have no certain level of contracts or business relations with the company before the recommendation to ensure the BOD’s independent decision-making apart from the

management and governing shareholders. For the same objective, outside directors can work concurrently with only one company, and their consecutive term of office is limited to one time (total term can be up to approximately 6 years). Currently, the board of directors of SK gas is comprised of seven board members, including three executive directors and four outside directors. An outside director has been appointed as the BOD chair since 2012 for the purpose of ensuring checks and balances and establishing a leading governance structure. In 2019, Jong-ho Jeong was appointed as the chair of the BOD.

**Expertise** SK gas takes into consideration expertise including specialized knowledge and hands-on experiences when we recommend and appoint candidates for directors so that their attributes and competencies contribute to our long-term progress and growth and, discloses all qualifications, selection background, and independence requirements to ensure transparency in the selection process. Currently, our four outside directors are equipped with expertise in international relations, law, IT, and accounting and finance, while having no stake in the largest shareholder,

thereby securing independence. We supports outside directors to quickly grasp the current status of management and to gain a better understanding on the business through regular seminars and visits to domestic and overseas business sites.

**Diversity** When it comes to BOD composition, SK gas seeks for diversity in terms of race, gender, age, nationality, academic background, religion, disability and political orientation so that we can reflect demands from diverse stakeholders. In 2021, a female director, a legal expert, was appointed for the sake of gender diversity and expertise at the temporary general shareholders’ meeting held in June 2021.

agendas are resolved in the meeting when attended by and with the consent of a majority of the directors. In 2020, a total of 13 board meetings were held, where 33 resolutions and 21 reports were presented.

### Director Election Process

SK gas has established a process to make sure fairness and objectivity when appointing executive and outside directors. Candidates for executive directors are recommended to the general meeting of shareholders after the BOD judges the candidates’ qualifications and capabilities. Candidates for outside directors are recommended by the Recommendation and Nomination Committee for Outside Directors after assessing candidates’ qualifications and capacity. In evaluating candidates, we conduct a comprehensive evaluation considering not only the company’s own standards such as independence, professionalism, fidelity, management mindset, and social recognition, but also the diversity of the composition of the BOD and the management environment.

### Committees under the BOD

#### Audit Committee

Audit Committee takes on the roles of conducting accounting audits, selecting external auditors, and evaluating the operation status of the internal accounting management system. The audit committee is chaired by an outside director who is a legal expert and is made up of all outside directors. This is much stricter than the regulations that require outside directors to account for more than two-thirds of the total number of members under the Commercial Act for the objective of enhancing audit independence and transparency.

### Recommendation and Nomination Committee for Outside Directors

We are more stringent than the regulations which makes it mandatory that outside directors should occupy the majority by appointing only outside directors (three members) for the committee. For transparent and fair selection of outside directors, we recommend candidates for outside directors who are equipped with independence and expertise.

### Sustainable Management Committee

Sustainability Management Committee was newly launched in March 2020 for the purpose of implementing responsible management of the environment, society and governance necessary to develop as a sustainable company. It is in charge of making major decisions regarding the formulation and execution of company-wide sustainability management strategies and performance evaluation. It is stipulated that a majority of the entire committee should be composed of outside directors, and currently the committee consists of three directors with an outside director as the chair (2 outside directors, 1 executive director).

### Risk Committee

Although a committee is but established exclusively for the matter of risks, major investment risks are being reviewed by the Audit Committee (in the case of affiliate transactions) and the BOD.

### Current Status of Board of Directors Composition

As of December 31, 2020

Classification	Name	Appointment Date	Term	Attendance Rate	Major Career	Area of Expertise
Outside director	Jeong, Jongho	March 27 2020	3 years	100%	Anthropology, Seoul National University Ph.D., Anthropology (China), Yale University Current) Dean of Graduate School of International Studies, Seoul National University	Former) President (19th) of The Korean Association for Contemporary Chinese Studies Former) Director General of The Office of International Affairs of Seoul National University Former) Visiting scholar at Harvard-Yenching Institute, Harvard
	Kim, Kwangjun	March 26 2018	3 years	100%	Law, Seoul National University Law, Seoul National University Graduate School Current) Attorney of Bae, Kim & Lee LLC	Former) EVP of Management Support Group, NHN Corporation Former) Senior Public Prosecutor, Seoul Southern District Public Prosecutors’ Office
	Lee, Sanggoo	March 26 2018	3 years	100%	Computer Science & Statistics, Seoul National University Ph.D., Computer Science, Northwestern University, US Current) Professor, Computer Science and Engineering, Seoul National University	Former) Jury President, Samsung Research Funding & Incubation Center for Future Technology, Samsung Electronics Former) Head of Seoul National University Center for e-Business Technology (CEBT)
	Kim, Yeongeun	March 27 2019	3 years	100%	Business Admin. Sungkyunkwan University Ph. D., Seoul National University Business School Current) Advisor at Kim & Chang	Former) Commissioner of the NTS Seoul Regional Office Former) Commissioner of the NTS Busan Regional Office Former) Officer of International Tax Management at the National Tax Service
Executive Director	Chey, Changwon	March 27 2020	3 years	100%	Psychology, Seoul National University Current) Co-Rep Director/Vice Chairman, SK Discovery Current) Co-CEO/Vice Chairman, SK gas	Current) Vice Chairman, SK Research Institute for SUPEX Management Former) Owner of SK Wyverns
	Yoon, Byungsuk	March 27 2019	3 years	100%	Chemical Engineering, Seoul National University M.A., Chemical Engineering, Seoul National University MBA, University of Michigan	Current) Co-CEO/President, SK gas Former) EVP of Solution & Trading, SK gas Former) Partner, Boston Consulting Group Seoul Office
	Lee Haewon	March 27 2019	3 years	100%	Business Admin. Korea University Current) Head of Corporate Support Division, SK gas	Former) VP of Finance Management Office, SK gas Former) VP, Corporate Support, SK E&C Former) VP, PM Business Strategy, SK Networks

# Corporate Governance

## Evaluation and Remuneration of the BOD

### Evaluation Methodology

We conducted a self-evaluation of the activities of the BOD during the reporting period (2020) so as to make the BOD more independent and transparent, and deliver better performance of BOD-oriented responsible management. The evaluation is conducted anonymously with all four outside directors participated in. In terms of evaluation criteria, there are a total of 25 items in five categories, including the composition, role, responsibility and operation of the BOD and the composition, role, and operation of the committee.

### Evaluation Results

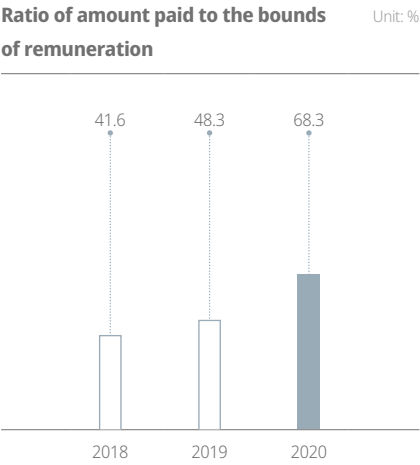
The evaluation results of the BOD operation are disclosed in the business report and corporate governance report, while being used in improving the BOD operation in the future.

Evaluation score	Unit: Points
Overall Score (Out of 5)	4.96
BOD Composition	5.00
BOD Role	5.00
BOD Responsibility	4.94
BOD Operation	4.94
BOD Composition/Role/Operation	4.90

Winning grade **A**  
in ESG evaluation by Korea Corporate Governance  
Service in the category of governance for two  
consecutive years

### Remuneration of the BOD

The remuneration of directors is determined and paid through the resolution of general meetings of shareholders in a transparent and fair manner. When it comes to the remuneration for internal directors, a variety of factors are comprehensively taken into account such as business performance, including sales, finance, and future growth engines secured, along with executive management regulations and the bounds of director remuneration. As for outside directors, the wage level of other companies, their roles, responsibilities, and independence are determining factors to decide the amount to be paid within the limit of the remuneration. For reference, the actual payment rate stood at 68.3% of the bounds of remuneration for directors in 2020.



## Management in Favor of Shareholders

### Transparent Disclosure

SK gas holds general meetings of shareholders on a regular basis, and notifies matters regarding the venue and agendas at least two weeks before the meeting in compliance with Article 542-4 of the Commercial Act. Decisions made through the resolution of the meeting of shareholders is closed to share them with our stakeholders including shareholders. Key matters closely related to investors' interests are open to public through the Data Analysis Retrieval and Transfer system (DART), Korea Exchange, and the official website of SK gas.

### Institution of Electronic Voting System

Electronic Voting System allows our shareholders to exercise their voting rights online without visiting in person when a corporation registers the list of shareholders along with the agendas of general meeting of shareholders in the electronic voting system. The very purpose of this system is to ramp up the level of convenience by saving the time and cost of stockholders and at the same time, induce shareholders to actively exercise their rights, thereby resulting in more enhanced rights and interests of them. Accordingly, this system makes business operation more favor our shareholders. As the adoption of this system was confirmed at the BOD on March 3, 2020, we implemented electronic voting system and electronic delegation system for the first time at the 35th Ordinary General Meeting of Shareholders held on March 27, 2020.

## Electronic voting system and electronic delegation system executed

for the first time in March 2020

### Establishment of Corporate Governance Charter

SK gas aims to raise our corporate value through shareholder value generation. And we are keenly cognizant of the gravity of transparent governance and responsible management to stay true to such purpose. Accordingly, SK gas established Corporate Governance Charter in March 2020 with the principles which underpin the corporate governance incorporated in it. We refer to the codes of best practice for the corporate governance published by the Korea Corporate Governance Service (KCGS) for the formulation of the charter. And the charter stipulates that SK gas will deliver more refined value of stakeholders including stockholders on the basis of constant growth and advancement. Going forward, SK gas will never stop making every effort to deliver responsible management through transparent governance.

### Comparison Data of Corporate Governance Best Practices

Category	Adoption	Note
Introduction of Corporate Governance Charter	O	
Cumulative voting system	X	
Electronic voting system	O	The adoption of written voting system now comes under review as a mid-term task
Written voting system	X	
Proxy solicitation	O	
Separation of CEO and Chair of the BOD	O	
Composition of the BOD (outside director holding a majority)	O	
Regular convocation of the BOD meetings	O	
Provision of information for directors prior to BOD meetings	O	
Disclosure of BOD activities, attendance rate, and the vote results for key agendas	O	
Establishment of BOD operational regulations of the BOD	O	
Establishment of operational regulations of the committees	O	
Independence of outside directors	O	
Establishment of specialized committees within the BOD	O	
Formulation and operation of strategic risk management policies	O	Operation of Integrated Risk Management Committee under the CEO, key investment-related issues inspected by the BOD and Audit Committee in advance
Compensation insurance for directors at company expense	O	
Evaluation of BOD activities	O	External institution assessment is now under review as a mid-term task
Composition of Audit Committee (consists of all outside directors)	O	
Hosting of Audit Committee meetings at least once a quarter	O	
Maintenance of the independence of external auditors	O	
Verification of business reports and others for accuracy	O	
Enactment of Code of Ethics for employees	O	
Explanation of the difference between the Best Practices	O	
Disclosure of audit reports and salient matters which needs to be notified in Korean and English	O	

# Stakeholder Dialogue

SK Management System, SKMS, sets ‘Sustainable Happiness of Employees’ as an ultimate destination for our management to aim for. SK gas reflected this matter in the articles of association through the resolution of the general meeting of shareholders in March 2020, and also in the Corporate Governance Charter, thereby boosting the power of execution to deliver happiness management. SK gas is keenly aware that sustainable happiness of our employees is closely connected with that of our stakeholders involved in the business operation of SK gas. Accordingly, we have solidified the trust relationship with our stakeholders through transparent interaction. As part of the efforts, we define stakeholders who are influenced by our business activities, reach and listen to their needs and matters of concern through various forms of communication channels, and promptly reflect them in our management.

### Definition of Stakeholders and Channels

SK gas has a responsibility to pursue the happiness of not only our employees but also our stakeholders. To this end, we classify our key stakeholders into customers, shareholders, employees, partner companies and the community, and operate communication channels for each type of stakeholders to better reflect their opinions and needs. Reporting channels are also being operated to receive grievances as part of efforts to deliver customer satisfaction while various forms of online channels, such as the website, NAVER post and YouTube channels, are utilized for non-face-to-face interaction. Our management performance and achievements are also regularly shared with our shareholders through general meeting of shareholders, performance presentations, and domestic and overseas Non-Deal Roadshow (NDR) and IR meetings. SK gas puts in place various tools to regularly and frequently communicate with our employees, who are internal stakeholders, through CEO Letter and Happy Seed conversations, and town hall meetings. In addition, initiatives to help our partner companies build their capacity are also being up and running, which include meetings and workshops for occupational safety and health, mutual growth and partner companies. With our regular online channel, called Withus, SK gas always tries to immediately respond to areas in need. Furthermore, we communicate with local welfare facilities and contemplate the way of social contribution, thereby performing projects contributing to the growth of local communities and social enterprises.

### Reflecting Stakeholders’ Opinions in Management

SK gas has operated a systematic management system to reflect stakeholders’ interests and requests collected through various channels in our business operation. Communication channels for each stakeholder are administered by the organizations and employees in charge. We put a system in place to check whether their feedback is reflected in our operation. The department in charge also collects stakeholders’ opinions through diverse channels, and publicly discloses through management disclosures, general meeting of shareholders, annual reports, sustainability reports, and our website.

### Key Issues by Stakeholder in 2020

Customers	Shareholders	Employees	Community	Suppliers
Communication channel				
· Website, Naver Post, YouTube · Surveys · Registering customer feedback · Channel for reporting matters related to ethical management	· General Meeting of shareholders, performance presentations · Domestic/overseas NDR (Non-Deal Roadshow) and IR meeting · 1:1 meeting, wire/wireless consulting	· Management council · CEO Letter · CEO Happy Seed Conversation · Management By Walking Around	· Collaborative CSR meetings (city/province and collaborating welfare institutes) · Social contribution activities · Collaboration with the Korea Social Enterprise Promotion Agency · Cooperation with civic/environmental groups	· Withus online system · Conference with suppliers · Safety inspection workshop · Providing information for shared growth
Major topics per stakeholder				
· Innovation of growth of business · Ethical management · Customer happiness · Economic performance · Response to climate change and environmental management	· Innovation and growth of business · Economic performance · Communication with shareholders · Strengthening of business portfolio · Risk management	· Communication with employees · Happiness of members · Communication with field members	· Response to climate change and environmental management · Creating an ecosystem favorable to social enterprises · Collaboration with natural ecosystem protection agencies · Social contribution · Cooperation with social enterprises	· Occupational health and safety · Shared growth · Innovation and growth of business · Ethical management · Customer happiness
Main activities				
· Sharing current status of company through announcements on main website · Providing company news through Naver Post and YouTube · Registering customer feedback/claims and company's response · Registering and dealing with reports related to ethical management	· Carrying out NDR every quarter with institutional investors · On-going IR meetings · Q&A with shareholders	· Holding management council meetings 4 times a year (where major points of improvement raised by employees are addressed) · Holding CEO Town Hall Meeting 3 times, and 101 Seed Conversation Program 101 times · CEO's visit to work sites	· Carrying out projects that contribute to the local community · Investment in shares of School Bus (KRW 300 million) and promoting collaboration projects · Collaborative projects to protect ecosystem with National Institute of Ecology	· Operating channel to report matters related to ethical management · Conference with SHE suppliers and improvement meetings, etc. · Conference for individual suppliers according to business site (conference for safety inspection companies, transportation engineer conferences, etc.) · Providing news on shared growth programs

## Interviews with External Stakeholders

#1

Kim Hae-yong  
Barings

## Q. What are your ESG-related response plans for the companies that Barings invest in?

A. Barings reflects ESG factors in our existing research and investment process as one of the representative investment management firms performing governance-related activities. We monitor and analyze the ESG management of the companies we are investing in with the assistance of external professional institutions, such as MSCI and the corporate governance research organization under Daishin Economic Research Institute, while putting in place an internal assessment system built on our own global capacity and know-how. On the basis of the ESG research, we plan to expand the strategy for ESG integration in the sector of fund management including the establishment of portfolio and risk management.

## Q. What is your overall evaluation of SK gas in terms of ESG and sustainable management? What are shortcomings and what areas should be improved?

A. Barings has our own ESG evaluation model established. Based on the model, SK gas is highly appreciated in 'S' item, which assesses the aspect of social responsibility, since the company is equipped with a process to evaluate its own impact on local communities and deal with the consequent conflicts. So, SK gas is evaluated higher than the average level of the same industry on this matter. SK gas, however, receives a relatively low grade in the sector of 'E' which refers to environment-related matters. And it seems quite inevitable because it stems from the nature of the industry exposed to carbon emission such as LPG distribution and combined cycle power plant. But we expect this area to gradually get better as the new eco-friendly businesses, such as hydrogen and solar energy business on the planning stage, will take shape and produce tangible results.

#2

Dr. Hwang In-seok  
Environment Forum

## Q. Could you introduce activities you carried out with SK gas in 2020, and what are the plans for 2021?

A. SK gas and the National Institute of Ecology worked together to conduct 'Citizen Science Surveys' for local biodiversity in 2020. This survey was designed and performed to search for biodiversity of Taehwagang River, in Ulsan, with students, parents, and local residents voluntarily participated. In 2021, we will put efforts into restoring and supporting endangered species by recovering their habitats and forming their feeding places, thereby helping the ecology of the area recover.

## Q. In the perspective of Environment Forum, what are the salient areas for SK gas to make progress in sustainable and ESG management?

A. To achieve the Aichi Biodiversity targets and 2030 SDGs, SK gas is required to do more for the restoration of land ecosystem and endangered species as well as for the preservation of the habitats for them.

## Q. What are the areas that SK gas is doing well in terms of ESG management?

A. Last year, National Institute of Ecology, SK gas, and the Green Energy Forum joined forces to conduct Citizen Science Surveys. The project acted as a catalyst to raise the civil awareness of and the participation in the efforts for biodiversity, which, in turn, led to the improved indicator of biodiversity.

## Q. What are shortcomings and what areas are required to be supplemented and strengthened?

A. 2030 SDGs and Aichi Biodiversity targets are efforts to counteract global environmental issues. To this end, corporations, citizens, and local governments should work together for the restoration of land and marine ecosystems with long-term goals so as to attain the goals of local biodiversity.

#3

Yeo Eun-young, Founder and CEO of School Bus  
Kim Hyun, Co-founder of School BusBackground of the cooperation between SK gas  
and School Bus

(Equity investment worth KRW 300 million in redeemable convertible preference shares as of December 1, 2020)

- Expansion of the usage of eco-friendly LPG vehicles in partnership with the market of minibuses and school buses
- Contribution to a safe commuting environment for children
- Reinforcement of our connection with the ecosystem for social ventures in coalition of social enterprises

## Q. Can you give us a brief introduction of School Bus?

A. A total of 120,000 school buses for children are running nationwide. However, no one, including kindergarten principals, parents, and bus drivers, has come up with an alternative, which has put the safety of our children on the back burner. School Bus is a company built with an aim of providing fundamental remedy to school buses. We package a number of services ranging from directly making purchases of eco-friendly LPG school buses to directly hiring drivers to furnishing IT services, thereby creating service standards for safe school bus for children. As of 2020, the sales of School Bus were KRW 510 million, and the number of employees and vehicles was 27 and 23, respectively.

## Q. What corporate philosophy or core values do you seek for?

A. We aim to remove anxiety over school buses for children and their parents while trying to resolve inconvenience in the management of school buses for the principals of kindergartens. As for the drivers, we provide them with stable jobs so that they can alleviate their anxiety over livelihood, and we create the social value of safe commuting.

## Q. Would you introduce activities that School Bus has been doing to realize core values?

A. We comply with school bus-related laws and regulations. And we provide children with a clean environment during their commuting by using eco-friendly LPG vehicles while rendering a mobile application service to parents and principals to make it easy to know the location of buses and the time of arrivals.

## Q. What positive effects has the cooperation with SK gas brought to School Bus?

A. The partnership with SK gas helped us improve our finance structure, which, in turn, enabled us to purchase LPG environment-friendly school buses. The cooperative program with the large firm also allowed us to earn more trust from our customers, which resulted in stronger sales.

#4

Customers Benefiting  
from Eco-Guard Insurance of SK gas

## SK gas' Eco-Guard Insurance

SK gas signed a contract in 2020 with DB Insurance for Eco-Guard Insurance (insurance for COVID-19) to lend support not only to the business owners and workers of LPG autogas stations but also to their visiting customers who economically suffer from business closure or long leaves due to the confirmation of COVID-19. We have interviewed with two customer beneficiaries with the consent of them.

## Q. What is the coverage of SK gas' insurance for the damage done by COVID-19?

A. SK gas' COVID-19 insurance rendered financial assistance when you are forced to close business or take sick leave since you are confirmed to come down with COVID-19. I received a total of KRW 1 million for ten days within the limit up to KRW 100,000 per day.

## Q. How did you feel after benefitting from the COVID-19 insurance?

A. During the quarantine period, I couldn't work. But fortunately, the insurance gave me benefits, which really helped me live in a stable manner. I am very grateful for the benefits of SK gas insurance I received as a consumer of LPG and now I have a special attachment toward the brand.

## Q. As an LPG user, what do you think is the strength of SK gas?

A. SK gas has many charging stations and a good reputation in terms of brand trust. Making it easy to collect membership points and redeem them is one of the strengths. Furthermore, the service of employees makes me appreciate their kindness toward consumers.

## Q. What are shortcomings? And what areas need to be supplemented and reinforced?

A. SK gas has a wide distribution network of stations and a high customer loyalty. Among the customers, disabled veterans and men of national merit account for quite a large portion. So I think it would be better for SK gas to deliver a support policy for patriots and veterans or to work with the Ministry of Patriot and Veterans Affairs to carry out cooperative projects to lend support to them.

## Our Growth Strategy for the Future

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# Outlook

The invention of steam engine ushered in 200 years of the First Industrial Revolution, which gave way to the Second Industrial Revolution driven by petroleum. Fossil fuels, such as coal and oil, led to the advancement of machinery and technologies, followed by the development of transportation and communication. These achievements have underpinned the speed and efficiency of society at the whole level.

Things have developed at an unprecedented pace that we could never imagine in pre-industrial society, having brought unparalleled levels of convenience to human beings. But on the other hand, we are confronted with a growing influence of global warming. Carbon dioxide, a greenhouse gas emitted by the use of coal and petroleum, is a main culprit of global warming. In response to the huge amount of greenhouse gases (GHGs), each government has set carbon mitigation targets and strives to achieve them. The G7 countries have agreed on the suspension of investments in coal-related development projects by the end of 2021, which is a clear

demonstration of the global response to climate change in full swing. This movement is rapidly spreading especially across institutional investors. We are seeing a shift of focus in terms of investment standards. In the past, financial performance was of most importance, but currently, non-financial performance is growing in importance. Actually, global money currently invested in ESG-friendly corporations amounts to KRW 30 trillion. Environmental destruction is pointed out as one of the main causes for the emergence of new viruses such as COVID-19, which requires the energy industry to be more eco-friendly. As a result, we are seeing more and more investors taking into consideration the social and environmental responsibilities and impact when they make an investment. Against this backdrop, corporations across the world are scrambling to develop low-carbon solutions as well as to enhance their sustainability to live up to this strong trend of being eco-friendly.

We are making strides toward a leading global eco-friendly player in the energy industry producing and supplying a wide range of environment-friendly energy beyond LPG market.

# Swan 2.0 for the Future

## Background

SK gas has led the domestic LPG market, grown with our stakeholders, and contributed to the happiness of humankind. For the sake of constant change and growth, we have strengthened our competitiveness in the LPG business through SWAN 1.0 for the past 10 years, which culminated in the successful entry into the gas chemical business. Furthermore, we laid the foundation for the LNG business which will create a synergy coupled with our existing LPG business and drive our future growth.

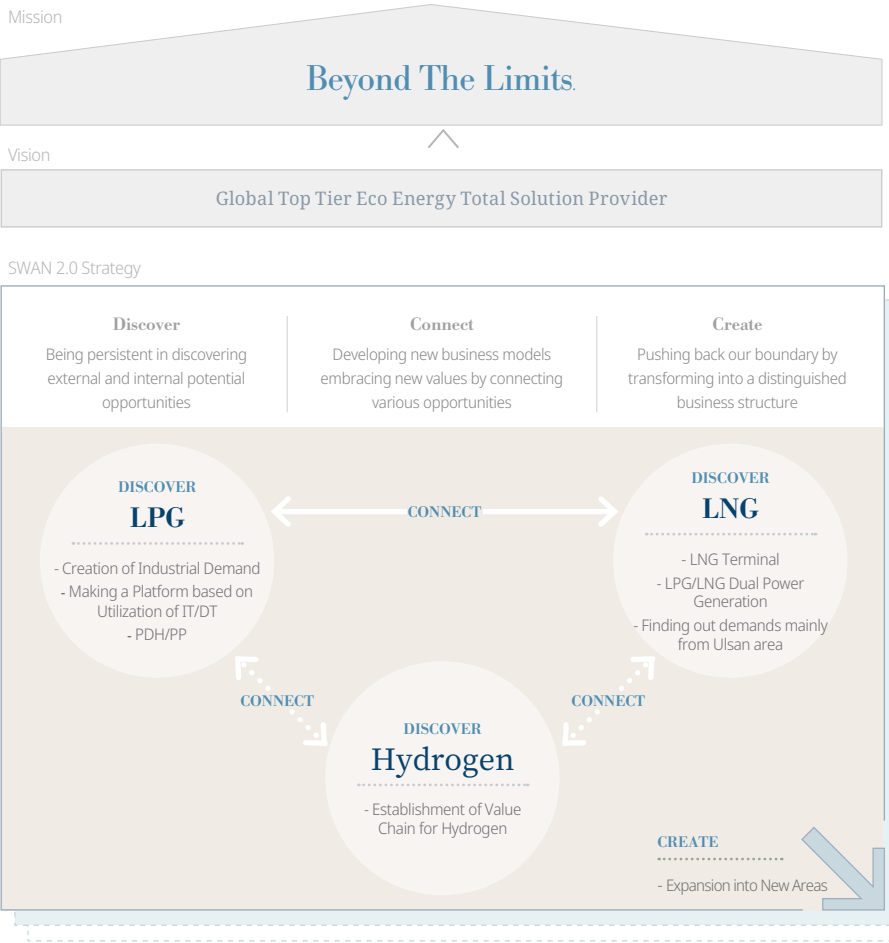
From now on, SK gas embarks on a journey toward a leading player in the environment-friendly energy sector, realizing our vision of ‘Global Top Tier Eco Energy Total Solution Provider’ based on our business competitiveness in the global market. We will actively take on the challenge of resolving environmental issues, create new values for eco-friendly energy, and make ceaseless efforts to provide more social values.

SK gas is confident that we will successfully complete SWAN 2.0 for the next ten years, and take a big leap forward on the strength of our successful completion of SWAN 1.0 and confidence earned through it. SK gas will accomplish SWAN 2.0 to stay true to our mission ‘We Create the Future of Energy’, thereby sharing more values with stakeholders as well as growing and delivering happiness in a sustainable manner.

## SWAN 2.0

With the implementation of SWAN 2.0, SK gas is to take a leap forward to becoming ‘Global Top Tier Eco Energy Total Solution Provider’ encompassing LNG, hydrogen and new renewable energy businesses. SK gas has accumulated competitive advantage for long time over stable operation and advanced trading capabilities in the LPG business. Furthermore, we will set the stage for LNG business and maximize the creation of synergy in association with the existing business, taking advantage of infrastructure under

construction including LNG terminals and tanks. In pursuit of new growth engines, we will expand the scope of our business into the eco-friendly energy sectors such as new renewable energy and hydrogen ones. The business model under SWAN 2.0 is based on better understanding on customers, technology and platform, which will help us deliver more social values, secure future growth engines, and at the same time ramp up the level of our sustainability.



## Our Approach

Based on four approaches as below, we will get SWAN 2.0 on the right track. And we look forward to your attention to SK gas which will grow into an eco-friendly comprehensive energy company through SWAN 2.0.

### 1. Optimization of Existing Business Portfolio

With a focus on expanding LPG demand base and making a platform capitalizing on IT and DT, SK gas is to make our existing business more sustainable. Furthermore, the expansion of gas chemical business will be pursued through the stable operation of a new plant of polypropylene.



### 2. Establishment of Competitive LNG Value-Chain

The direct import of LNG, based on our advanced trading capabilities, will be coupled with LPG/LNG Dual Power Generation Project, which is the first project in the world, with Ulsan LNG Terminal Business serving as a pivotal role. Thereby, we will create a new distinctive profit model. In the long term, the scope of our business models will be broadened at home and abroad to make our vision of Global LNG & LPG Integrator realized.



### 3. Expansion into the Eco-friendly Energy Industry

SK gas will seize new business opportunities in the environment-friendly energy sectors including new renewable energy and hydrogen at the right time. Taking advantage of our infrastructure, we are going to play a leading role in the creation of ecosystem for new growth and its expansion in coalition with our mid to long term business partners.



### 4. Global Leading Player in ESG Management

SK gas will align with global standards regarding environment management to make our ecosystem well preserved while paying more heed to the occupational safety and health of our business sites so that safety and health comes first in all of the sites. Furthermore, a committee under the board will be established to play a pivotal role in discussing strategies for future growth, ensuring fairness in terms of the assessment of the management's performance and reward for them. By doing so, SK gas will bolster our compliance and management driven by the board of directors.



## 3 Pillars of Sustainability

# Reinforcement of Innovation in LPG Biz.

## #1 Innovation in LPG Biz.

### Innovation of C4 (Butane) Retail Business Model

#### Why 'Eco Station'?

- Value-up using SK gas assets and making opportunities for additional growth
- New business opportunities in utilizing spaces created thanks to the amended Safety Control and Business of Liquefied Petroleum Gas Act
- Growing needs for more eco-friendly energy, value-oriented consumption, and non-face-to-face convenience

Proposing new solutions to customers through 'increasing customer convenience' and 'expanding eco-friendly energy supply'

SK gas has operated our business in a stable manner on the strength of our trading capabilities earned through long years of experiences in LPG imports and its overseas sales. In addition, various efforts are being made to seize business opportunities in diverse fields with our business model revamped to secure future growth engines. Furthermore, we are driving the change of distribution ecosystem through the installment of hydrogen fueling facilities within our LPG autogas stations, while optimizing supply and consumption with the launch of an AI-based propane network platform, 'Wego'. While preparing for commercial operation of Ulsan PP to be initiated in 2021, we are on the verge of completing the vertical integration of the gas chemical business.

SK gas strains every nerve to go beyond the business expansion to pioneer new areas with a focus on the development of new technologies.

#### Eco Station Business Model

##### 1 Expansion of Sustainable Hydrogen Multi Energy Autogas Station



- Securing a leading position in the industry with expanded hydrogen refueling stations, capitalizing on safety management capabilities of LPG autogas stations and operating experience of hydrogen refueling station
- 2030 Target: Building 100 stations
- Initiative for 2021: Adding 4 hydrogen refueling stations

##### 2 Utilizing Space: Customer Convenience



- Innovating refueling station space to secure regular customers by diversifying non-price competitive factors such as eco-friendliness, convenience (F&B, smart convenience store, etc.), and social value (SV)
- Various attempts including optimization of space based on revised Safety Control and Business of Liquefied Petroleum Gas Act, taxi customers Lock-in, and provision of opportunity for customers to gain increased profits

#### Filling-Up Happy Membership and Partnership with Muffin

SK gas is transitioning into a retailer from a wholesale distributor. We have been operating 'Filling-Up Happy Membership', an integrated program for LPG customers, with around 800 refueling stations in partnership with SK gas or SK energy participated in, thereby rendering distinctive services to our customers. We are also continuously discovering various services through partnerships with Hyundai Motor Company, Kia, Renault Samsung Motors, car rental companies, and credit card companies. Furthermore, the information protection system is designed and managed according to regulations and guidelines to prevent leakage of customer information and corporate confidential information in operating Filling-Up Happy Membership. We designate a Chief Information Security Officer (CISO) to annually establish, execute, and review action plans. In the event of an information leakage, we define, document, and implement response procedures to minimize customer damage and loss to the company. We have taken out a liability insurance on personal information leakage to manage risks.

**Social Value Creation** SK gas strives to create social value by utilizing the infrastructure possessed by LPG autogas stations to conduct cooperative projects with social enterprises and to contribute to securing the foundation for self-reliance of social enterprises. One representative example of our cooperative projects with social enterprises is the installation and operation of 'Nephron', an AI-based resource circulation robot, developed in collaboration with SuperBin. It is being operated at three charging stations in Gwangju to reduce waste from LPG autogas stations and to create social values by disseminating the right recycling culture to customers using the stations. Nephron is a recycling robot developed by SuperBin, a social venture company. When PET bottles or cans (aluminum, iron) are inserted, AI distinguishes and recovers recyclable products. It also gives points, which can be converted into cash, to the item that

can be recycled and if an item cannot be recycle, it returns it back. This is to inform consumers of a new concept of recycling culture, which implies that right recycling will return to direct benefit. As part of efforts to secure the self-reliant foundation for social enterprises, we participate in the Social Bridge hosted by the Korea Social Enterprise Promotion Agency under the Ministry of Employment and Labor. By utilizing the infrastructure of our charging stations, we joined the competition for cooperative projects while striving to discover and support companies. Besides, we apply our unique membership to School Bus, a preliminary social enterprise operating total service in regard of school bus for children.



## 3 Pillars of Sustainability

## Reinforcement of Innovation in LPG Biz.

## Innovation of C3 (Propane) Distribution

## Launch of 'Wego', a Propane Distribution Innovation Platform

We launched 'Wego', a propane distribution innovation platform, in December 2020. Wego brings a plethora of benefits. It delivers IT-based operational efficiency and cost saving for propane filling business owners while benefitting end-users by giving better convenience and trust in safety. One of the strengths Wego has is the combination of IT/DT with the whole process of propane bulk transport (placing orders, allocating bulk trucks, transporting and making payments, managing safety), which beefs up the level of its efficiency. In addition to this, we refined its communication channel with customers which was pointed out as a weakness in propane distribution and we have been bringing change throughout the industry.

We are additionally preparing 'Wego Safety', a digital service platform for safety management to help propane filling business owners overcome limited safety management resources and ramp up their power to execute. We expect 'Wego Safety' to not only improve field response capabilities but also step up the level of safety in the whole industry.

**'Wego'**

propane distribution innovation platform, launched in December 2020

## #2 Expansion of Total Solution Provider Business

## Innovation of Fuel Supply Solutions

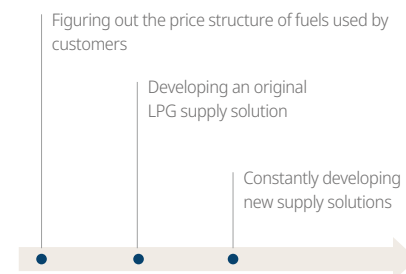
SK gas serves as Total Solution Provider (TSP) by rendering cost-saving solutions underpinned by price competitiveness to industries with the provision of competitive LPG fuels and base materials. In this way, we have made a contribution to raising industrial competitiveness.

## Industry Energy Transition Business

SK gas has constantly researched the structure of fuel prices to innovate our supply solution. As a result, we deliver a distinctive LPG supply solution, which brings us a sharper competitive edge in fuel prices in the fuel market revolving around LNG and Bunker-C oil. Based on this achievement, SK gas is running a business supporting domestic industries in transitioning into LPG from Bunker-C oil. Furthermore, we signed a 'business agreement of joint promotion of SMEs clean energy transition project' with

Korea Midland Power in February 2020 with an aim of expanding the SMEs' shift to LPG fuels on a national scale.

**'Business agreement on joint promotion of SMEs clean energy transition project'**  
signed in February 2020



Signing ceremony of the investment agreement for Hydrogen Fuel Cell Plant Establishment



LPG-LNG Dual Model  
Image of hydrogen fuel cell plant

## LPG Supply Business for Power Generation

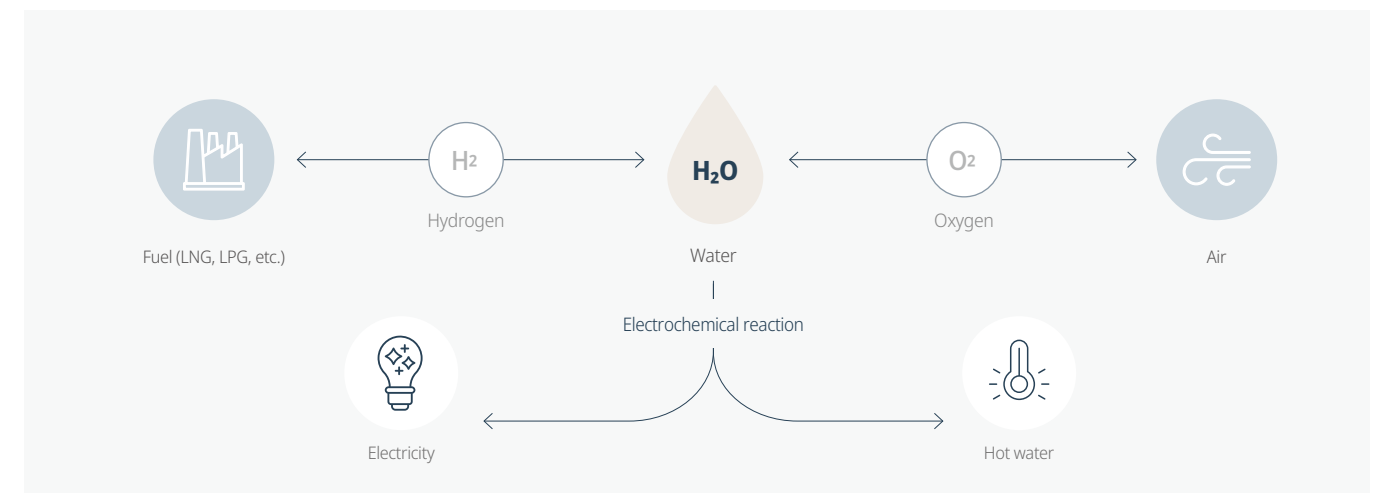
In order to help industrial customers save their cost and sharpen their competitiveness, SK gas is developing a long-term-based LPG supply solution for power generation. As part of endeavors to develop LPG fuel cells, we cooperated with Doosan Fuel Cell, which resulted in the development of PAFC-type fuel cell which can use both LNG and LPG in 2018. Based on this accomplishment, we are working on various fuel cell businesses for power generation.

## LPG Fuel Cell

SK gas has embarked on new renewable energy business and found new long-term customers who demand LPG, with the construction of the world's first LPG-LNG Dual Model Hydrogen Fuel Cell Plant started in February 2021. The LPG-LNG Dual Model Hydrogen Fuel Cell Plant is slated for completion in Gwangju's Sangmu Zone in August 2022, having an equipment capacity of 12.32MW. The PAFC-type LPG-LNG dual model fuel cell, which was successfully developed jointly with Doosan Fuel Cell, has been proven to have high stability through long-

term verification. It is an eco-friendly power generation technology that does not emit air pollutants such as fine dust, sulfur oxides and nitrogen oxides by supplying electricity through the combination of oxygen in the air and hydrogen contained in LNG and LPG instead of simple combustion. Fuel cell power generation coupled with stable LPT supply is expected to be settled as distributed power in local communities.

## Mechanism of LPG fuel cell



## Reinforcement of Innovation in LPG Biz.

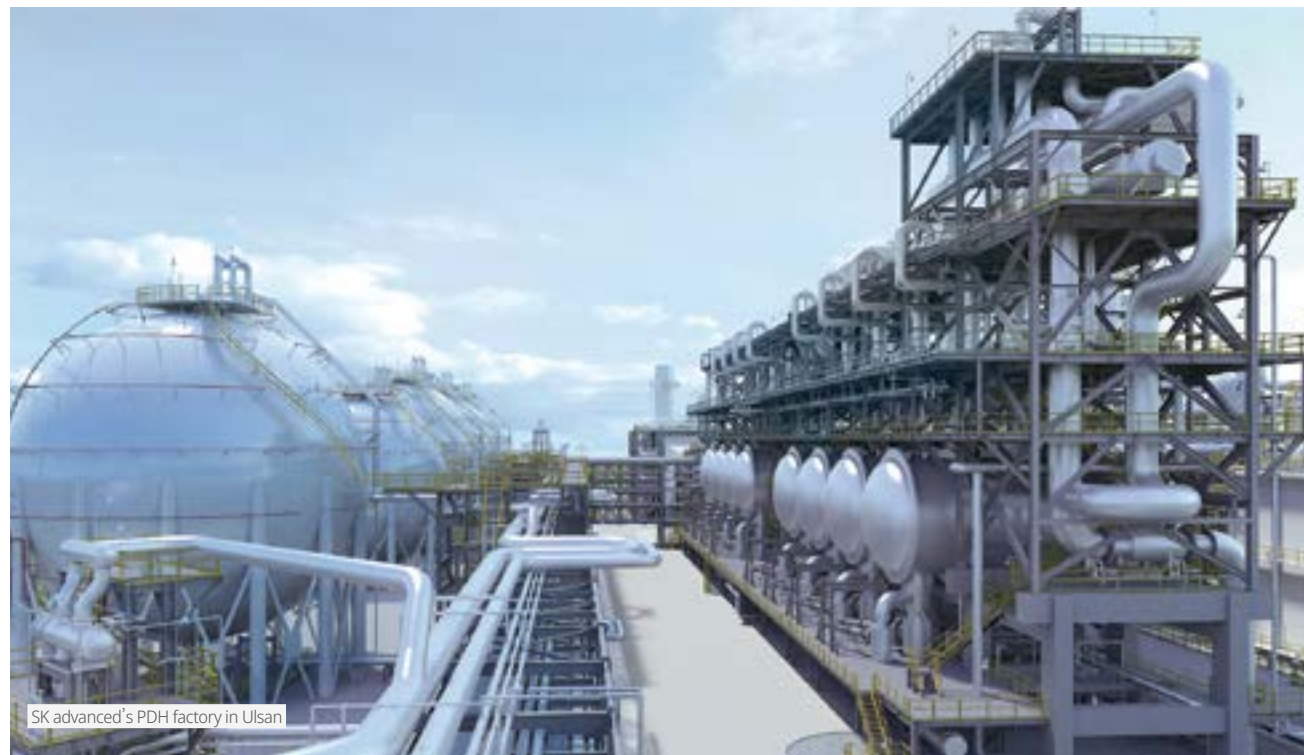
### #3 Value Chain Expansion in Gas Chemical Business

#### Value Chain Innovation

##### Entering the PHD Business

SK gas established SK Advanced in Nam-gu, Ulsan, together with Saudi Arabia's Advanced Petrochemical Company (APC) and Kuwait's PIC (Petrochemical Industries Company) in 2014, and built a PDH plant in Ulsan, followed by commercial operation in April 2016. SK Advanced selected Lummus, a US company having a next-generation new technology, as the PDH processing licensor, producing 700,000 tons of propylene a year. As of 2018, the plant has the

world's largest production capacity as a single plant for propylene and has been successfully operating on the strength of to the profit continuously generated since 2016 when commercial production first began. Consequently, SK gas is making trading profits through securing additional supply margins by creating new demand of propane amounting to 800,000 tons and expanding LPG trading volumes.



SK advanced's PDH factory in Ulsan

#### Entering the Polypropylene (PP) Business

Since the early stages of its establishment, SK Advanced has strived to reduce the risk that arises from being a single product propylene business and its reliance on demand from China. One such strategy has been to diversify into the production of propylene derivatives. The business expansion into the derivatives business is of great significance in securing fixed customers to raise business stability and to reduce profit and loss volatility through the integration of the propylene and derivatives business.

As a basic raw material for petrochemical products, propylene, along with ethylene, is the pillar of the petrochemical industry. Polypropylene uses propylene as a raw material, and the demand for propylene has been on the constant increase in packaging materials, automobile materials, textiles, industrial and cloth materials, and general consumer goods. It is also a sustainable resource with no harmful effects, so much so that the environmental organization, Greenpeace, has acknowledged it as the 'resource of the future.'

In November 2018, SK Advanced established a joint venture, Ulsan PP Co., Ltd., with Polymirae Co., Ltd., the largest polypropylene manufacturer in Korea,

whose major shareholder is the global chemical company LyondellBasell Industries N.V. Ulsan PP constructed a polypropylene plant on a 163,726m<sup>2</sup> site in the hinterland of the new port in Nam-gu, Ulsan and initiated commercial production in May 2021. The plant is expected to be fully operational by May 2021 and to produce around 400,000 tons of polypropylene per year using propylene from SK Advanced as its base material. Upon the completion of Ulsan PP, SK Advanced is expected to be able to provide a stable supply of up to 400,000 tons of propylene annually, and at the same time, alleviate the risks associated with a single product business.

#### Entering Global Markets

SK gas expanded our presence into the gas chemical industry of Saudi Arabia on the strength of the trust and successful operation of SK Advanced for six years since it was launched. We have established a joint venture, Advanced Polyolefins Industry Company (APOC), with a state-run petrochemical enterprise of Saudi Arabia, APC, which is one of shareholders of SK Advanced. APOC plans to commence the construction of a chemical plant in Saudi Arabia during the first half of this year, and produce 840,000 tons of propylene and more than 800,000 tons of polypropylene from 2024.

This investment is a clear manifestation that our efforts we have made since 2013 to diversify our portfolio are paying off. As a result, SK gas is broadening the scope of our business into the global gas chemical business, coming under the spotlight in the global chemical industry.



UPP(Whole view of Ulsan plant)

## 3 Pillars of Sustainability

# LNG Biz's Value Creation



The market transitioning into environment-friendly energy provides corporations with new business opportunities. In response, SK gas is transforming itself into a multi-utility provider from a single product provider of LPG through the expansion of our business into LNG direct import and power generation businesses. SK gas has participated in the LNG import terminal business of Korea Energy Terminal (KET) which is working on the operation of LNG multi-fuel terminal, thereby securing LNG import base in addition to our existing LPG import base in Ulsan, and establishing a power plant enabling the combined combustion of LPG and LNG in Ulsan. This allows us to take part in producing and selling LNG as well as supplying it, which, in turn, gives us an opportunity to seek

new businesses throughout the entire value chain. Furthermore, we are able to contribute more to mitigating GHGs and pollutants by operating not only LPG-based gas chemical business but also the LPG/LNG combined cycle power plant. Along with this, SK gas is now laying the foundation for future hydrogen business by taking advantage of cold energy generated during the production of LNG and LPG in the production of liquid hydrogen. SK gas will broaden the scope of our business into eco-friendly energy-oriented one, thereby generating energy through clean fuels, responding to a growing demand for green energy. Through this, we will generate profits and, at the same time, social values.



## Value Chain Expansion

### Korea's First Private LNG Multi-fuel Terminal

SK gas secured the position as second largest shareholders (47.31%) of Korea Energy Terminal (KET) working on the operation of LNG multi-fuel terminal with Korea National Oil Corporation in January 2020. The project KET is working on aims to gradually build up the number of LNG tanks and oil tanks with the investment amounting to about KRW 1.46 trillion. The commercial operations of the LNG terminal are scheduled to commence in June 2024.

Securing the LNG import base in addition to the Ulsan LPG import terminal, the largest-scale LPG facility in Korea, allows SK gas to transform into multi-utility business that supplies LPG, LNG, power and steam. Going forward, SK gas will expand into the hydrogen industry so as to take a leap forward to becoming a true multi-utility service provider encompassing both primary energy sources and secondary energy sources including electricity and hydrogen.



GPS combined cycle power plant in Ulsan

## Creation of Eco-friendly Value

### World's First LPG/LNG Dual Power Plant

With the purpose of contributing to the stable supply of power in Korea previously suffering from the instable supply, SK gas has entered into the eco-friendly energy power generation industry. To this end, we have worked on the construction of environment-friendly LPG/LNG combined cycle power plant in Ulsan. Ulsan GPS, established as a split-off in 2019, is currently constructing an eco-friendly LPG/LNG combined cycle power plant having a total power generation capacity of 1.2GW, which is able to burn both LNG and LPG for the first time in the world at Ulsan Mipo National Industrial Complex. The power plant is slated for completion in 2024.

The LPG/LNG combined cycle power plant of Ulsan GPS will put in place our own more stringent emission standards (5ppm for NOx and zero for others) than the standards stipulated by Clean Air Conservation Act including 50ppm for SOx, 20ppm for NOx and 10mg/m<sup>3</sup> for Dust. To this end, we take into account the aspect of safety and environment in construction, applying environment-friendly equipment such as a cutting edge high-efficiency SCR. .

## Eco-friendly LNG/ LPG combined cycle power plant slated

for completion in 2024 (having capability to combust LNG and LPG for the first time in the world)

### LNG Bunkering Business

The IMO 2020 environmental regulations that came into force from 2020 comes with more tightened standard for sulfur content of vessel fuels, which sharply decreased the allowable content from 3.5% to 0.5%. This change has forced all of the vessels across the world to use low sulfur oil or shift to LNG fuels, which is likely to give vitality to the domestic LNG bunkering market. Accordingly, SK gas aims to initiate the bunkering business in time for the launch of the KET's LNG terminal scheduled to be completed in June 2024. To this end, we plan to prepare for this business at the whole level ranging from the development of LNG bunkering business model, the review of ship contracts, the establishment of joint venture (JV) to meetings with potential customers.

## 3 Pillars of Sustainability

# Expansion into Eco-friendly Energy Business

The energy industry is undergoing a transition from just an energy providing business into a problem-solving one which plays a contributing role in creating social values such as action on climate change, stable supply of power, and energy supply. Accordingly, capabilities to render optimized solutions to customers will determine competitiveness for energy corporations along with the existing elements including stable energy supply, price competitiveness, and efficiency.

To take the lead in the rapidly changing energy market, SK gas is working on our new business based on the synergy created in collaboration with our existing businesses and the analysis of future energy demand. As the eco-friendly fuel cell electronic vehicle market is expanding, we are currently reviewing a technical cooperation to secure the technology for hydrogen liquefaction while capitalizing on our LPG autogas stations to gain competitive advantage through the whole process ranging from production to distribution and sales. In addition, SK gas has established a platform to provide solutions tailored to a wide range of needs of customers through investments in solution providers such as companies specializing in energy efficiency (EE), demand response (DR) and energy storage system (ESS), and technical partnership with them.

SK gas continues to retain competitive advantage through the whole value chain and prices by occupying future energy demand ahead of others and generating synergy with existing businesses. By doing so, we form and foster a distinctive and eco-friendly ecosystem.

## Provision of Electricity Energy Solution

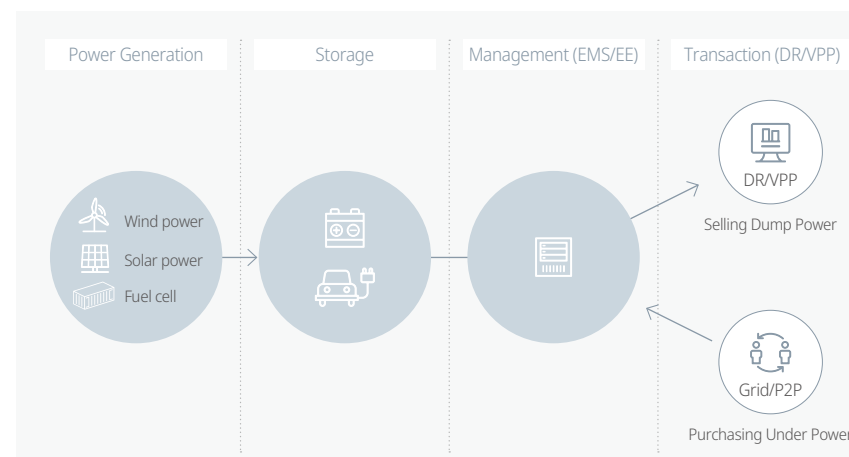
### New Business of Electricity

The energy market including electricity industry is going through a transition into decarbonization, decentralization and digitalization. These changes will bring about the development of a variety of solutions in the electricity industry. And there will be growing demand for integrated service providers who are equipped with all of solutions enabling customers to choose options. SK gas plans to provide an integrated energy solution platform service tailored to customers' energy needs by utilizing data analysis technology based on customer data as well as infrastructure business such as power generation, storage,

management and trading in the new electricity business area.

SK gas is developing new business models and promoting each of them into the businesses via investments and partnerships with the institutions, which have been both domestically and globally recognized for their professions in energy-related fields. SK gas will grow into a platform service provider offering integrated energy solutions by continuously discovering additional partners supplying various energy solutions.

### CTSP Customer-based Technology-driven Services Platform



#### Prosumer-specific activity

- Providing power generation equipment to save on energy cost such as electricity cost and carbon emissions
- Furnishing storage equipment including ESS and EV charging for maximized power utilization
- Rendering various optimized services for efficient energy production and storage
- Intermediating electricity transactions to secure extra income such as surplus electric power trade and participation in VPP

## Acceleration of Hydrogen Business Development

### Hydrogen Business

SK gas is working on the development of a hydrogen business model, capitalizing on our own infrastructures including the LNG/LPG facilities in Ulsan Complex, LPG autogas stations across the nations and distribution network.

In line with Korea Hydrogen Economy Roadmap driven by the government, we plan to expand the scope of power generation fueled by fuel cell. Currently, most of fuel cells generate electricity utilizing city gas. SK gas plans to take advantage of byproduct hydrogen to run fuel cell business, thereby conceiving a cleaner and CO<sub>2</sub>-free fuel cell business.

It is too early to say that fuel cell electronic vehicles (FCEV) are already commercialized around the world, but the government sets forth an aggressive plan for the distribution of FCEV and hydrogen refueling stations with the growing trend of decarbonization. Against this backdrop, SK gas conceives a business plan for liquid hydrogen refueling station, which is to tap into KET/CEC LNG cold energy to produce liquid hydrogen. And our LPG autogas stations have favorable conditions for hydrogen refueling stations. Liquid hydrogen is more efficient and economical than hydrogen gas, so we will produce and distribute this liquid one, thereby laying the foundation for infrastructure required for FCEV distribution.

As part of efforts to meet the growing demand for hydrogen, it is part of our hydrogen business to construct a plant to extract hydrogen as well as to generate clean blue hydrogen by removing CO<sub>2</sub> from the process for hydrogen production. In the long term, we will broaden the scope of our hydrogen business to embrace the sector of clean and green hydrogen so that we are equipped with competitiveness through the entire stage of hydrogen business.

## Transition of Business Model into Photovoltaic Generation

### Photovoltaic Generation Business

Dangjin Eco-Power is a photovoltaic power generating company in which SK gas owns a 55% stake. When we initiated this business, it was designed to grow as a coal thermal power generation business. But as part of endeavors to join the 'transition into decarbonized energy', we converted the initial model into solar energy business.

This is the first achievement of local energy transition and draws attention as a model representing the eco-friendly policy driven by the government. Power generation equipment includes a solar facility having a capacity of 9.8MW and an ESS with a capacity of 24.5MWh. (investment of KRW 33 billion made in solar power generation equipment in 2019) Dangjin Eco-Power has a capacity of 13,000 MWh per year, which accounts for 6% of the amount of electricity used per year in Dangjin. The amount of power produced is less than that of coal thermal power generation, but it contributed to a reduction of carbon dioxide by 5,700 tons as well as to the prevention of the spread of air pollution. From the stage of design, the opinions of local residents were reflected in order to minimize the impact on the local environment. On top of that, we offered a space for sporting activities to local residents, thereby helping them live a healthier life. Dangjin Eco-Power is doing our best today, envisioning and moving forward a safe and clean power plant growing together with the local community.





# 2020 ESG Story Book

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# Environment

## 2020 Story #01

## The First Story. Action on Climate Change

In 2019, the fire which was unprecedented in its scale broke out and spread like wildfire in Australia, with 18 million hectares of forest burned for five months. This tragic event killed around 3 billion animals, burning a huge forest larger than the Korean Peninsula. Experts say that climate change makes high temperature and dry weather even worse and strong wind much stronger, and these combined reasons accounted for this disaster. The fire was extinguished but we are seeing climate change ongoing. At this moment, around one ton of glaciers are thawing per year on Earth. Melting gives rise to sea level rise, wrecking havoc to the habitats of human kind and increasing salt intrusion to farmlands and drinking water which culminates in the instability of food security.

Climate change is a main culprit of the crisis that humankind has never experienced before. Climate change means a statistically significant change in climate that has progressed for the past decades, and it is attributed to GHGs emitted by human activities. Since the industrial revolution, indiscriminate use of fossil fuels and chemical substances has accelerated the emission of GHG including CO<sub>2</sub>, which has, in turn, intensified global warming. Global warming is more than just temperature rise. It causes natural disasters including abnormal high temperatures, extreme draughts and floods, and super typhoons, which leads to the destruction of habitats for wild animals. Displaced wild animals are forced to get closer to humankind, which allows new viruses to spread between these animals and people.

Action on climate change will make a huge difference in the future of our planet. Accordingly, SK gas will play a leading role in overcoming this crisis and bringing changes for future survival.



Our Activities

Environmental Management System

**Organization for Environment Management** SK gas has formed the SHE Committee to formulate our strategy for occupational safety, health, and environmental management at the company level and put it into action. In order to make it possible to make strategic decisions and to be more agile in terms of SHE management activities, the CEO has been appointed as the chair for the committee. And the committee is comprised of heads of divisions in various areas encompassing business sites and process, products and services, and management support. The SHE group, a working organization under introduction infrastructure division, takes on the roles of planning and managing environmental policies of business sites, and also drawing up company-wide strategies for environmental management. In compliance with ISO 14001 we earned in 2020, we go through our own and external reviews to be assessed in terms of our environmental management system, thereby refining our system in a constant manner.



\* ISO 14001 certification

Establishment of Mitigation Target

To achieve Net Zero, we calculate the expected amount of GHG emitted per year, based on which we set the mitigation target and execute plans. Our goal is to accomplish Carbon Net Zero by 2050 through the enhancement of equipment efficiency, transition into renewable energy and the adoption of new technology. Furthermore, we voluntarily joined Carbon Disclosure Program (CDP), a global climate change response program, and prepare ourselves for the verification.

System for Energy and GHG Management

Our Ulsan Complex subject to GHG Target Management System, establishes a GHG reduction target on a yearly basis in consultation with government agencies. SK gas also establishes and manages reduction targets for GHG emission for other business sites in addition to the complex. Each environmental indicator is adopted in KPI of relevant organizations for more strategic management. As part of endeavors to lay the foundation for systemic and practical data management, we are working on the establishment of an integrated management system during the second half of 2021.

Management of Environmental Pollution Accidents

**Response to Environmental Pollution Accidents** With the purpose of counteracting environmental accidents such as oil leak from ships in areas around the dock, SK gas puts in place a comprehensive systemic response system encompassing responses before and after the occurrence of an accident. As part of efforts, we conduct scenario-based marine oil spill response training in accordance with a procedure for accident management as well as emergency response system. In addition, a procedure for prevention of marine oil spill has been introduced for the operation of our storage facilities for lubricants. By doing so, we safeguard the marine environment from the pollution stemming from the leakage of oil.

**Environmental Patrol Activities** The Environment around SK Ulsan Terminal is a salient barometer which allows us to measure the whole environment in Ulsan. Plant exists in the environment, so both internal and external environments have an overarching impact on companies. Especially, air pollutants create a foul smell and do damage to our body. And the pollution causes complaints, which, in turn, leads us to face sanctions imposed by administrative authorities. Therefore, business sites should monitor themselves to avoid these issues. SK gas and other business sites within the complex have formed a joint patrol team to supervise substances emitted into air within the complex, and voluntarily patrol the complex so as to monitor and prevent

any possible accident. Therefore, we make contribution to spreading a culture of eco-friendly corporate activities within the local community.

Development of Eco-friendly Technologies

**Development of Eco-Friendly Energy Technology** SK gas is now preparing to promote hydrogen energy business and working on the development of green hydrogen. Furthermore, we put our focus on the development of the technology for carbon capture and utilization (CCU) which enables the production of hydrogen by collecting carbon dioxide, a greenhouse gas.

	Outline of Technology	Development Status and Plan
Development of green hydrogen	Developing green hydrogen producing technologies capitalizing on marine algae	Working on the development to reach the level of lab test
Dry reform-ing	Working on the development of CCU technology enabling the production of hydrogen utilizing carbon dioxide	At the planning stage

**Development of Environment-Friendly Plastic Production Technology** We are working on the development of eco-friendly production technology of propylene, a raw material for plastic. To this end, a catalyst material, which does not harm the environment, has been already developed, and is now being at the stage for verification to be confirmed as an eco-friendly process. In addition, we well secure recycling technology to recover metals from used catalysts.

	Outline of Technology	Development Status and Plan
Development of PDH eco-friendly catalyst	Development of PDH commercial process and catalyst	Verifying a pilot test and securing core technologies  Securing engineering data and planning the completion of BDP (Basic Design Package) development (2022)
Recycling of waste catalysts	Developing technologies to recover waste chrome alumina which is PDH metal-based catalyst	Working on a national project

**Development of Air Pollution Prevention Technologies** As part of endeavors to curtail NOx and chrome yellow emitted in the energy and power generation industries, we have been persistent in developing technologies for air environment. The technology enables us to remedy the problems of PDH process, and we expect the technology to be exported to the global market.

	Outline of Technology	Development Status and Plan
Alcohol reduction	Using alcohol to removing chrome yellow in olefin process	Completing the adoption for our process and commercialization, under discussion on the installation in overseas business sites
HC-SCR*	Utilizing HC component for the procedure for denitrification in olefin process	Pilot test scheduled in 2021 using a prototype

\* HydroCarbon-selective catalytic reduction: Equipment for desulfurization to reduce NOx using

**Development of LNG Cold Energy Utilizing Technology** We are developing a green independent power generating process taking advantage of cold energy emitted by the LNG terminal.

	Outline of Technology	Development Status and Plan
LNG cold energy	Self power generation harnessing LNG cold energy	Designing a concept through the selection of a catalyst and process simulation

**Development of LPG Autogas Technology** Vehicles fueled by LPG emit far less NOx, one of main culprits of fine dust, than diesel automobiles. For this reason, SK gas has constantly invested in the development of related technologies so that more and more customers opt for LPG vehicles through various efforts. The endeavors include the development of prior technologies for LPG direct injection engine in partnership with Korea LPG Association and research team of Korea University Scholl of Mechanical Engineering, and contribution to the commercialization of LPG direct injection engine with better output and fuel efficiency through the participation in the development project of technologies for eco-friendly vehicle, one of national tasks driven by the Ministry of Environment. SK gas will not be complacent about the achievement we have made. We will take the lead in research and development on the engines of medium-and heavy-commercial vehicle so that more customers favor environment-friendly LPG vehicles.



## Endeavors to Minimize Our Environmental Impacts

### Operation of Eco-friendly Business Sites

**Minimizing Our Business Sites' Impacts on the Environment** We have adopted ISO 14001 system for environmental management. In line with this, we make it mandatory for each business site conduct environmental impact assessments, manage and monitor their major emission facilities. In addition, a new regulation is formulated stipulating that measures should be taken in accordance with the procedure for nonconformity in the event of the occurrence of environmental nonconformity. And we regularly conduct SHE audits to check whether it is followed or not, thereby persistently administering our management system.



SK gas ECO Hub

**Management of Industrial Waste Discharge** SK gas operates a systemic management system for industrial waste discharged by our all business sites. As part of the management, we separate collected industrial waste by type and store them, followed by the acquisition of prior permission for the waste. And then, we hire waste management companies for the disposal and report on this. This is how we dispose of industrial waste in compliance with the rightful management procedure for waste discharge.

**Activities for Reducing Emissions of Air Pollutants** SK gas operates heaters in the underground storage facilities within our business site in Ulsan Terminal to store LPG delivered through overseas refrigerated cargo ships. With the aim of curtailing the amount of NOx emitted by the heaters, we ameliorated the facilities by installing low-NOx burners which emit less NOx than others. We also plan to replace burners in Pyeongtaek Terminal with refinements to reduce the concentration of NOx.

**Participation in Demand Response Market** SK gas takes part in 'Demand Response Project (DR)' through our ECO Hub, located in Pangyo, Seongnam, where we sell saved electricity when the market price of power is high or there is a crisis in the electricity grid, and receive money in return. The participation in DR requires a participant to mitigate three times a year (first one for test, second time in June, third time in December). Following the participation in test (standard: 80kW, the amount reduced: 99.81kW, implementation rate: 124.76%), SK gas also took part in the winter demand mitigation on December 9, 2020. (standard: 80kW, the amount reduced: 113.895kW, implementation rate: 142.37%). From March, we started receiving the expense for the fulfillment in December, and reflected this in our management cost for office building. Through mandatory and voluntary reduction of electricity demand, up to KRW 3 million per year is expected to be generated based on 80kW which is the mandatory reduction amount. In addition to economic value, it also generates social value, such as reducing the amount of carbon dioxide emitted by 3 tons, operating power system in a stable manner, replacing the construction of power plant, and putting new energy business into action. By doing so, SK ECO Hub is playing a contributing role in the power market and eco-friendly policies.

▼ Folding screen booklet, 'Meet the Nature of Ulsan'



## Local Community Ecological Protection Program

### Publication of Booklet on Ulsan Ecological Information

With the purpose of reinforcing ESG (environmental, social, governance) management through eco-friendly operation, SK gas signed an MOU in 2020 with National Institute of Ecology to promote social contribution activities for ecology protection, and conducted various related activities engaging with citizens. The project to explore the ecological environment of endangered animals in areas around the Ulsan business sites is one of the representative examples. After the project, we published a booklet in the form of folding screen to deliver the message, 'Let's protect the habitats of endangered animals and safeguard the ecosystem'. We named the book, 'Meet the Nature of Ulsan', which means that the book will walk you through the ecological environment of Taehwagang River, in Ulsan. A total of 10,000 books were distributed to 114 elementary schools in Ulsan, Ulsan National Garden and SK gas stations. When it comes to the publication project for ecological information book, we will expand the scope of region to be distributed including Pyeongtaek, one of our business sites, and other areas.

### Monitoring Endangered Animals

Recently, eagles, one of the endangered species, have been discovered in Ulsan. But the environment is not favorable for them to get prey, so they fly into the areas of private houses, and some of people distribute pesticides on purpose, which leads to their mass deaths. In this way, they have a tough time. In response, SK gas joins the support to feed them in partnership with Ulsan local community and related organizations. In addition, we install surveillance cameras, give prey, and monitor them on a regular basis for the protection of the habitat for flying squirrel, an endangered species. We will continue to strive to prevent endangered species from dying mass mortality due to lack of prey or habitat.



MOU with National Institute of Ecology

### Employees' Participation in Eco-Friendly Activities

**Refraining from Use of Single-Use Products and Vinyl** As part of efforts for environmental protection, our employees practice environment-friendly activities in their daily lives. For example, they use their own mugs and tumblers in order to use less disposable products and vinyl easy to be thrown away. We also substitute single-use paper hand towels with hand driers to prevent the waste of resources.

**One Company One Coast Clean-Up Campaign** Our Ulsan Complex and Pyeongtaek Terminal have carried out their own clean-up campaigns for marine environment protection. They collected trash thrown away around the piers and in neighboring coastal areas on a quarterly basis. Through these activities, SK gas strives to protect the marine ecosystem.

### Education on Eco-Friendliness

As part of the environmental education for local primary school students, SK gas operates 'Happy Green School' since 2012 in order to nourish eco-friendly mindset of the students from an early age. We couldn't offer classes in 2020 due to COVID-19 since it is face-to-face educational program, but we started developing online contents from the end of last year so as to constantly conduct activities to share environmental values. We hope these efforts will create a culture where our students value the environment from early ages regardless of whether it is online or offline education.



# COVID-19

2020 Story #02

## The Second Story. Daily Life Changed by COVID-19

The emergence of an invisible virus shook up our daily lives in 2020. Novel coronavirus (hereinafter referred to as COVID-19), the largest-scale pandemic, which has broken out in the 21<sup>st</sup> century, has triggered a plethora of economic and social challenges.

Social distancing comes with the decline economic activities. Small business owners bear the brunt of the crisis with vulnerable people on low income going up. And we are seeing the growing need for psychological prevention since non-contact exchange becomes part of our life which gives rise to social isolation. Especially, the vulnerable, such as the elderly and the handicapped, are confronted with the vacuum in caring. Going through this undaunted challenge, we have learned the lesson that we need to put in place concrete supporting measures for vulnerable people, regions and industries because the economic and social burdens we have to bear are not equally spread.

The COVID-19 will have an impact on the standards for corporate evaluation. Going beyond shareholder capitalism, we are transitioning into stakeholder capitalism where companies should take responsibility for their ethical behaviors. To keep up with the times, corporations should disclose how to respond to emergency crises on a transparent manner, and sympathize with the difficulties of stakeholders.

SK gas seeks for the happiness of our stakeholders promoting the safety of our employees and business sites, the support for the vulnerable including SMEs and independent business owners and communications and collaborations with local communities. SK gas will take this crisis arising from COVID-19 as an opportunity to make a culture of win-win cooperation to permeate through the company.



Our Activities

Creation of an Environment for the Stable Operation and Safety of Our Employees

SK gas has formed an integrated situation office with related companies right after the spread of COVID-19 in order to take prevention measures in line with guidelines released by the health authorities for the safety and health of our employees. We put body thermometers, hand sanitizers in each business sites, install partitions in cafeterias and meeting rooms, and regularly disinfect business sites, thereby preventing the spread of the disease in our facilities. Furthermore, we give our employees detailed guidelines on how to behave in certain situations such as distributed work, flexible working hours system, and staggered lunch hours while sharing with them information in how to wear a mask through internal broadcasting, and frequently communicating with them.

Regular training is also conducted with scenarios by situation in order to prepare ourselves for unexpected situations. With a focus on stable operation and the safety of our employees, we expect these actions to improve our employees’ concentration on work as well as the mutual safety of our customers and partner companies.

Conducting Training for Emergency Response to COVID-19 at Business Sites

For the prevention of risks, such as the suspension of business sites due to COVID-19, SK gas is operating a COVID-19 emergency response training group. The group assumes the roles of drawing up common emergency response scenarios of each terminal and business site for their production and operation, figuring out the problems of these scenarios, refining them in a way of minimizing any possible risk in terms of business site operation, and conduct training. When we formulated scenarios, we consider every possible case including the worst one. Training was conducted through non-face-to-face methods (SNS, video conference) while employees are educated on how to respond in the event of contacting people infected with the virus or how to react when there is a suspected case of the virus in ocean going vessels. Through these actions, we strain every nerve to ensure that our business is operated in a stable manner and there is no problem in securing national energy sources even in the event of an emergency.

Response Training in Case of Suspected Case of COVID-19 in Ocean Going Vessel



Response Training in Case of an Employee in Contact with an Infected Person



Taking Care of Our Members and Partner Companies

SK gas lends support in various ways to create a safe environment for partner companies, customers and members of environments relatively prone to the infection of COVID-19. For example, we delivered safety kits containing healthy foods and personal protective equipment to the families residing in Gyeongbuk region while giving masks and hand sanitizers which were short in supply at that time through our refueling stations in the region. Through this activities, we help not only the employees of SK gas and our partner companies but also customers visiting our business sites live their normal life and conduct production activities without disruption in a safe environment. Furthermore, we furnished some snacks and supporting packs containing quarantine kits to tank lorry drivers who have a relatively high level of fatigue since they travels a lot as the COVID-19 continues to spread. Besides, Nudge Program was carried out providing masks, beverages and vitamins on a regular basis for our members and workers of our partner companies.



# Local Community

2020 Story #03

## The Third Story. Delivering Warmth to Local Communities

Companies have large and small impacts on local communities. And companies make profits from society and exist only with communications with the members of society. As the fulfillment of corporate social responsibilities becomes an integral part of business operation, corporations should make strenuous efforts to enhance interests for all by putting in place an organization dedicated to performing social responsibilities to the fullest with expertise on this matter.

According to World Business Council for Sustainable Development (WBCSD), corporate social responsibility signifies the will of company to contribute to sustainable growth through collaboration with employees, families, local communities and the entire society, and to elevate the quality of their life. We are seeing the emergence of social issues that no one can resolve alone, which requires community to come forward to remedy the problems. And more and more far reaching social issues confront companies, there is a growing need for corporations to fulfill their social responsibilities supporting human and material resources to solve the issues.

Social issues change over time. And corporations should pay close heed to the changes to respond. In the course of the response, corporations should embody social accountability in management operation not only to generate economic profits but also to go hand in hand with the communities where the corporations operate, thereby sharing achievements with communities. SK gas will spare no pains to be persistent in delivering social and economic values, constantly contemplating and communicating for the better life of people.



# Our Activities

## Implementation System for Social Contribution

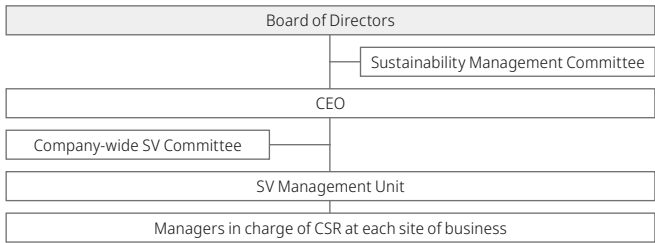
SK gas truly contemplates the way of social contribution, based on which we strain every nerve to create a world where corporations and local communities live happily together. Aiming to achieve four goals, including ‘Environment Friendliness, Social Welfare, Spreading of Happiness, and shared Growth’, we have carried out a variety of social contribution activities to embody a sustainable happy ecosystem. Social contribution projects are conducted at the level of SK group, company, or each business site.

MISSION



Our SV Management Unit takes on the roles of elevating corporate social values and promoting management activities to step up the level of sustainability. In this respect, the management unit also drives social contribution activities with an aim of sharpening expertise on this matter. The unit takes on the role of implementing social contributing projects in accordance with CSR strategies and annual business plans reviewed and decided by Sustainability Management Committee under the BOD and Company-wide SV Committee under the umbrella of CEO.

### Organization for Promoting Contributions to the Community



## Promoting Social Contribution Activities in Association with UN SDGs

SK gas aims to contribute to attaining common sustainable development goals, through which no one is left behind in the international community. To this end, we connect Sustainable Development Goals (UN SDGs) with our own four areas of social contribution. As a result, we are carrying out the project with a focus on nine areas of UN SDGs, such as being eco-friendly (climate action, marine environment preservation, terrestrial ecosystem protection), social welfare (poverty eradication, inequality reduction), spreading of happiness (health improvement and well being, quality education), shared growth (economic growth, quality jobs, inequality reduction), etc.

**Environmental Conservation Activities and Eco-friendly Practices** We carry out our social contribution activities to help local communities live a healthy and safe life in favor of the environment by conducting clean-up campaigns around the terminals and purchasing environment-friendly agricultural produce. One of the representative activities is ‘Happy Green School’ which is to donate eco-friendly education to primary school students. Taking advantage of the board games we designed ourselves, we raise the students’ awareness the severity of air and marine pollution, and encourage them to share practical ideas to make the earth clean in our daily life. For this program, our employees visit elementary schools near their business sites to serve as one day teacher. Recently, we initiated the development of online contents to upgrade our program one step further. Based on this program, in 2021, we plan to implement a contributing program providing eco-friendly non-face-to-face classes for all children around the business site.

**Support Project for the Vulnerable in Local Communities** To lend support to children, adolescents, older people living alone and homeless people who are in welfare blind spots and belongs to local communities where we operate, SK gas performs a plethora of activities, such as employees’ voluntary works, donations, product sponsors and scholarship projects, to share and relive the pains of our neighbors.

‘Hope Maker’ we have carried out for long time is one of the representative activities. Hope Maker is to support children and adolescents in low-income families residing near our business sites. This campaign is carried out in two ways; one is to render financial assistance including monthly support payments and necessities, and the other is to support their emotion through the project named ‘Hope Maker School’ which is to give them after-school special ability aptitude education and mentoring services for career and learning. So far, a total of 35 students graduated from this school and 60 children and teenagers benefit from this program annually since 2012 when we launched this campaign.

We have also joined Happy Alliance for ‘Zero Hunger’ for poorly-fed children across the nation. Happy Alliance is ‘a cooperative project for two meals for children’, bringing together corporations, local governments and citizens to donate meal boxes to underfed children. SK gas will persistently work with Happy Alliance to make ‘Zero Hunger’ realized in the near future.

**Project for the Spread of Happiness** SK gas contemplated the way of spreading a culture of happiness, which led us to come to know that the understanding on human takes precedence. For this reason, we have adopted the study of humanities, and collaborated with ‘Foundation Academia Platonica’, the first foundation dedicated to the research of the humanities in Korea, with an aim to helping the seed of happiness, the humanities, bear fruit. This gives us better accessibility to the humanities which had a high barrier to enter.

SK gas continues to strive to intensify and spread the study of humanities which provides us with views exploring human spirit and excellence with the academy.

### Projects for Advancement and Expansion of Humanities

SK gas lends support to the in-depth study of the humanities to play a contributing role in setting the stage for the spread of the humanities on a mid to long term basis. In this regard, Foundation Academia Platonica carries out a project supporting domestic and overseas universities and research institutes in their profound study on humanities. In addition, to make the humanities permeate through every corner of our society, the academia conducts a variety of projects in various fields, such as education, promotion of learning, and culture. As part of this, the foundation operates humanities clubs or gives lectures where people can share their thoughts and knowledge on the humanities. And books, such as ‘Life Textbook’ were published as part of efforts to deliver knowledge on the humanities.

**Projects for Shared Growth** SK gas expands the scope of family to cover not only our employees but also customers, partner companies and local communities, and deliver diverse projects to grow happily together with them. The activities we are doing to achieve this goals encompass LPG Recharging Hope Fund for key customers of the LPG industry and the local community, a supporting project for employees of our suppliers and a supporting project for social enterprise ecosystem.

### Support for LPG Recharging Hope Fund

With the aim of removing energy welfare blind spots for the marginalized in terms of energy, SK gas raised LPG Recharging Hope Fund in 2012 through Korea LPG Association of which we are a member, and continued to join the fund since then. This fund usually goes to the children of taxi drivers as scholarships, the support of LPG pipeline networks, and the improvement in LPG supply facilities of social welfare centers. And the fund is also spent on supporting the regions damaged by forest fires as well as promoting the safety of school buses for children. We have in place ‘Scholarship for Children in the Taxi Industry’ aiming to annually support 250 university students who meet the two qualifications; first, their parents have to work in the taxi industry for more than one year, second they have to accomplish outstanding academic results despite their unfavorable conditions. So far, 2,329 students have benefitted from the scholarship program.

### LPG Pipeline Networks

The areas without access to gas pipelines, such as remote villages, still depend on liquid fuels including diesel or kerosene. Under the circumstances, SK gas has installed small storage tanks along with pipelines in each village so that they are supplied with LPG, thereby contributing to delivering energy welfare policy with the provision of safety and convenience equivalent to that of urban areas.

### Support for Partner Companies within Supply Chain

In 2020 we delivered various support projects such as providing hand sanitizers and antibacterial kits for our suppliers and partners, supporting COVID-19 insurance, and assisting refueling stations in prevention measures. With the aim of sharing difficulties in prevention management of local communities, we have expanded the scope of those subject to our safety and quarantine management to cover not only our employees but also workers of our partner companies and costumers who visit our business sites. Going forward, we will continue to conduct these projects.

### Support for Social Enterprise Ecosystem

SK gas has joined the project of ‘Social Bridge’ driven by Korea Social Enterprise Promotion Agency. As part of the project, we aim to deliver a ‘collaborative project utilizing the space of refuelingstations’ since we can tap into many LPG autogas stations with a large floating population. We will work with three selected social enterprises on the project. Going forward, SK gas continues to provide more social enterprises with various opportunities, thereby enabling them to broaden the scope of their business operation.

## Internalization of the Pursuit of Social Value

In order to encourage our employees to better understand social values and internalize to put them into practice more, SK gas has operated SV Coin Program since 2019. In this program, employees put social value-related activities into practice, such as completing education courses, doing volunteer works or donating blood, and then post their practices in the internal bulletin board for verification. The company collects and calculates all of the activities by the end of year, and then rewards employees in connection with social enterprises or donates some of the rewards. In 2020, we put our focus on non-contact volunteer works due to COVID-19. In 2021, we plan to make more employees practice diverse activities within the mobile platform in a more convenient manner.



# Digital Transformation

2020 Story #04

## The Fourth Story. Innovation of Digitalization

Digital innovation has been with us for long time. Transitioning analogue data into digital one refers to digitalization which brings about a fundamental change from the perspective of management strategy in every facet of business operation including organization, process, business model, and communication. Growing demand arising from COVID-19 accelerates digitalization in every industry. Against this backdrop, all of corporations should prepare themselves for new normal by digitalizing their value chains. To this end, big data analytics technology is essential.

On the other hand, it is not exaggerated to say that the amount of useful big data secured will determine business success in the era of the 4<sup>th</sup> industrial revolution. Big data is characterized by the scale of data process far surpassing that of software with general data base, various types, data collection and the speed of processing. This technology plays a bridging role between people and machines in various fields such as Information and Communications Technologies convergence and breakdown, artificial intelligence, smart factory, etc. The technology to generate values taking advantage big data will matter more than ever to have a grip on the rapidly changing market in this infinite information-oriented society.

In response, corporations have formed a huge network of big data by sharing all information they own with all departments, based on which they have begun capitalizing on the network to build their business-related services. SK gas plans to become the best practice in terms of digitalization in the energy sector.



## Our Activities

### Expanding Work Automation

With an aim to create an environment where employees can focus on their own work, SK gas automated simple repetitive tasks through introducing RPA (Robotic Process Automation) solution in 2019. When it was first introduced in 2019, the automation was mostly applied to simple tasks such as collecting oil prices and market indicators which were shared by e-mail with people related or one-time manual events. Then, with the message from the management that 'let the robot do simple tasks and you should meet customers on site or immerse yourself in valuable work' along with the positive response of the members who experienced work improvement through RPA, in 2020, we branded the 'R manager' (manager refers to a title when calling a member of SK gas) as an inhouse robot colleague and broadened the scope of the area of automation to process units such as asset purchase/registration and management of evidence for internal accounting control. As a result, 65 tasks (amount of work equivalent to 4.4 people per year) were automated by the first half of 2020. In the latter half of 2020, a task automation idea proposal contest called 'Bot Challenge 2020' was held to provide more employees with work automation experience. Through the event, we collected a total of 92 ideas and selected 11 of them as award-winning works for improvement by the end of the year. Owing to the 'Bot Challenge 2020', task automation through R Manager has become a trend in the company. The employees also view that the experience of designing and improving work processes by themselves rather than developing IT-led systems greatly helped them from the perspective of digital competency improvement as they are now able to apply them to other tasks. SK gas plans to design and provide a hands-on training course for using R Manager in 2021 and hold the 'Bot Challenge 2021' to continue work automation.

### Branding RManager

(manager refers to job title used to call a member of SK gas) internally in the company

**110** tasks automated (as of the end of 2020)

Workload of 8.6 people per year reduced

Key examples adoption process, Small Bulk asset management process, Paper close process automation, etc.

### Marketing Based on Data Analytics

SK gas will create new value by capitalizing on data derived from the entire business operation process. We conduct data-based marketing activities toward LPG vehicle customers to clearly understand the characteristics of customers visiting refueling stations. We do target marketing on the basis of analysis of the frequency of customers' visiting, the amount of gas filled, their main refueling stations, and the competitive relationships with other companies' stations. Furthermore, we predict the rate of customer churn as part of defensive marketing for customer retention. These endeavors enable us to proactively respond to the needs of customers, as well as earn customers' higher loyalty. Efforts are also being made for the optimal delivery and stock management through the forecast of the amount of propane to be used, leveraging on AI technology.



### CDS Course for Raising Employee Digital Competitiveness

SK gas operates 'Citizen Data Scientist (CDS)', a data analyst training course for employees. Through the cultivation of CDS, we aim to reach a consensus on data utilization within our organization in the short term while trying to apply the results of the analysis and innovate the way we do business in the medium and long term. CDS training course consists of three steps. A screening test is introduced to verify the completion of course for each step.

The first step is an online preparatory course. In order for members to learn data analysis and programming skills, we conduct research and go through the verification process to check whether it is a suitable course within the SK internal learning platform, mySUNI. The second step is an offline course specialized in CDS. The course will help acquire basic capabilities to utilize the data collected by SK gas in the field. For achieving the learning purpose, we selected SK gas data suitable for the course and turned it into a mini-project. The final step is the PoC course for each division. The goal of this course is to gain experience in data-driven problem-solving for the challenges of each division. It expects the successful convergence of domain knowledge and DS knowledge by defining the business issues of the divisions where the CDS works and providing support in remedying the problems of DS.

#### Online Preparatory Course



Research and verification of suitable course within mySUNI



#### Offline Course Specialized in CDS



Turning SK gas data suitable for learning into mini-project



#### PoC Course for Each Division



Data-centered problem solving on current tasks

STEP 1

STEP 2

STEP 3

# People

2020 Story #05

## The Fifth Story. Company Where Members Enjoy Happiness

The future society that never stops changing day by day embraces both new crises and opportunities. Against this backdrop, the power that determines the existence of a company comes from its members, that is, people. The force garnered by members changes the company and further transforms the society. A company must continue to think realistically for the well-being of its members, which is an imperative key to securing its own growth and sustainability. For an individual, work is more than a means of survival, but a means of self-actualization. This is why people choose a workplace considering the role they play in the company, working environments, and the culture of organization. Talents flock to a good company to work for, and employees in those great companies feel satisfied and immerse themselves in their work, creating continuity of work. Job satisfaction and happiness are highly correlated with performance and productivity, thereby a company with a good corporate culture is much powerful. The corporate culture that distinguishes a company from others is intangible, but it definitely does exist. The culture is the way members work and think, so it is created by the company and its members together. A company develops when it promptly recognizes problems that hold back the happiness of its members, and seeking practical solutions through communication.

Together, we can go further. SK gas will make ceaseless efforts to become a company where employees are happy and safe, and a company actively supporting employees' own sustainable growth.



## Our Activities

### Establishing a Process for Employees' Greater Happiness

Based on the conviction that both economic and social values can be maximized when members are happy, SK Group has set the target of the lasting happiness of its members as our ultimate destination of management. Sharing the philosophy, SK gas set the 'Happy and High-performing Organization' as the goal of the SUPEX Company in terms of organization and culture. Therefore, we make various endeavors to make 2020 the first year of SK gas' happy management and to move forward into a high-performing organization where employees enjoy happiness.

**Happy and High-performing Organization** A happy and high-performing organization refers to an organization where happy and compassionate professionals accomplish great performance of the company and growth of members derived from joyful immersion. This is based on the belief that full concentration on work comes from employees' happiness, and performance comes naturally after the immersion in work.

**Compassionate Professionals** A compassionate professional is the ideal talent of SK gas. Compassionate mind is a spirit of mutual consideration with pride and a sense of community. Being keenly aware of one's duty and setting challenging goals, a professional executes them thoroughly and happily and transfers knowledge within the organization.

**Practical Tasks for Building a Happy and High-performing Organization** With an objective to create an environment in which warm-hearted professionals can bring about growth and performance through immersion, SK gas has selected the four practical tasks for happiness as priority subjects. Through these four tasks, SK gas is in the process of shifting our focus from 'money-centered happiness' to 'happiness incorporating money'.

#### Practical Tasks for Building a Happy and High-performing Organization

Shifting from professional-oriented to **considerate and professional-oriented**

Shifting from company growth-oriented to **balanced growth-oriented between the company and employees**

Shifting from result-oriented to **balance-oriented between process and outcome**

Shifting from discipline-driven to **autonomy/motivation- and discipline-driven**



**Happy Seed Conversation** SK gas is creating a culture of happiness through communication to make a 'happy and high-performing organization'. The 'Happy Seed Conversation' allows employees to communicate freely with the CEO for narrowing the gap between leaders and members and facilitating communication. In the midst of the COVID-19 pandemic, the 'Happy Seed Conversation' program still went on face-to-face or online to engage entire members of SK gas, successfully completing 101 times for the year of 2020.

The Happy Seed Conversation has established itself as an active communication channel for listening to the voices of the members and sharing the CEO's thoughts. It is still ongoing in 2021, and happy meetings with the CEO spread happy seeds through the entire organization.

A total of

**101** 'Happy Seed Conversation' held in 2020

**Happy Seed Project** SK gas is carrying out the 'Happy Seed Project' that induces and implements tasks to promote employees' happiness so that the Happy Seed Conversation goes beyond simple communication and contributes to making the organization better in terms of happiness and productivity. A total of 76 proposals were received from employees during the year of 2020, of which 57 (75%) have already been implemented or will be implemented within this year, and other proposals are under review.

**76** proposals submitted from members in 2020

**57** of them executed (75%)



**Mind Gym** 'Mind Gym' is an integrated psychological support program that helps office workers solve psychological issues regarding various causes of stress and efficiently perform work. Mind Gym program started with the idea that mind care requires professional assists like help is needed from a health trainer when we work out. We signed a contract with a professional company in November 2020, and have introduced and operated a counseling program since then. We provide online self-diagnosis and psychological counseling from professional counselors for our employees and their families.

**Daycare Center at Workplace** Recognizing the steady demand for daycare centers in the workplace, we conducted a survey on actual demand for daycare centers in January 2020. During the pilot operation of the workplace daycare support system in the form of consignment, positive feedback was received from employees. Following the successful pilot, we decided to officially incorporate the system. Currently in 2021, the daycare centers at workplace are officially operated and are responsible for work and life balanced care for working moms and working dads. Besides, we also strive to translate suggestions into action such as improving various work environments, supporting smart work, and strengthening communication within the organization.

### Capacity Building and Management

**Operating 'Women in Leadership Program (WLP)'** SK gas has been using the SK Group's Women in Leadership Program (WLP) since 2021 to nurture female employees and support them to grow within the organization. The purpose of WLP is to foster excellent female manpower having the leader potential in the company and expand the pool of PL (team leader) candidates. Candidates selected in this program can grow as leaders through a comprehensive training program that not only nurtures them through work and careers but also polishes up their competency, qualification, and professionalism as a leader.

**Supporting Growth through mySUNI** SK gas pursues happiness, supporting the growth of its employees by actively utilizing mySUNI, the LMS (Learning Management System) infrastructure of SK Group in 2020. We assist in acquiring job knowledge on top of AI/DT training to help employees prepare and adapt to the rapidly changing business environment. Also, we support learning for the methodologies such as Agile and Design Thinking to innovate the way we work. In 2021, we plan to produce a learning boom by expanding the target audience and recommending and curating excellent contents.

**Strategic Training for DT Capability** Aiming at accelerating business model innovation, SK gas nurtures talents having digital technology capabilities for each organization. We define Citizen Data Scientist (CDS) as an employee in the field equipped with domain knowledge in the current business area by division and with data analysis skills while conducting a fostering program based on target by level for the strategic training.

In 2020, 9 talents with level 1 competency who can understand the basics of programming language were nurtured through the 'CDS Cultivation Course' that combines theory and practice. In 2021, we are operating the course after supplementing the curriculum so that we can cultivate talents who can analyze data by themselves.

**Operating Management Council to Make the Organizational Culture Better** The management council (labor-management council) of SK gas plays a critical role in creating an organizational culture to become a happy and high-performing organization as well as activating communication between the company and the members. The management council consists of the equal number of members representing the management and employees, discussing various agendas in pursuit of happiness for members through regular meetings.

At the management council regular meeting in 2020, employer members and worker members attended, and mainly discussed agendas on the interests of members and the changes for employees' happiness, such as increase in telecommunication costs, improvement in leave system, and support for obtaining certifications.

The management council actively listens to the opinions of members and reflects them in systems and processes, making efforts to give shape to the happiness of both the company and the employees.

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Environment

Action on Climate Change

Strategy

In response to climate change, SK gas continues its efforts to reduce GHG emissions by supplying eco-friendly energy and rendering solutions to the most efficient use of energy. We are operating SHE Committee while promoting company-wide environmental management activities by establishing our own environmental management policies. In order to achieve the GHG mitigation target, environmental data including GHG emission data is integrated and managed in the ISMS (Integrated SHE management system).

Target

We comply with the government’s standards for GHG target management system while pursuing a Net Zero target for Scope 1 and 2 emissions at the company level by 2030. By reflecting the results of the ESG evaluation, areas of improvement are selected as mid-term tasks. And we are seeking for persistent improvement.

Assessment

SK gas undergoes ESG (Environment, Social, Governance) evaluation from the Korea Corporate Governance Service every year, and received B+ this year, up one grade compared to the previous year. In 2020, we acquired ISO 14001, an international standard certification for an environmental management system that recognizes and manages environmental threats in the entire process of business activities, responding to indices indicating climate change risks by reflecting the TCFD recommendations.

	Unit	2018	2019	2020
ISO 14001 certification rate	%	0	0	100

Impact

We obtained ISO 14001 certification in 2020.

2020 Performance

We manage annual GHG emissions and energy consumption by monitoring the performance of each business site. To reduce indirect emissions from electricity use, improvement measures and detailed action plans in regard to electricity use are established and promoted every year. In 2020, we conducted environmental impact assessments for each business site so as to reduce GHG emissions and energy and water use while carrying out monitoring and continuously improving projects related to climate change response.

**1) GHG Emissions** GHG performance at each business site is being monitored and we are in the process of formulating measures to curtail indirect emissions from electricity use.

		Unit	2018	2019	2020
GHG	Total greenhouse gas emissions (Scope 1&2)	tCO <sub>2</sub> eq	32,559	35,664	34,092
	Total direct emissions (Scope 1)	tCO <sub>2</sub> eq	23,506	26,331	23,992
	Total indirect emissions (Scope 2)	tCO <sub>2</sub> eq	9,053	9,333	10,100
	Total other emissions (Scope 3)	tCO <sub>2</sub> eq	-	-	-
	Per unit	tCO <sub>2</sub> eq/ KRW 1 billion	4.75	7.23	7.73
	Reduced amount (Improvement from the previous year in KRW unit)	%	-	- 52.37	- 6.84

**2) Energy Consumption** Energy usage at each business site is being monitored. We are also considering using the renewable energy.

		Unit	2018	2019	2020
General Energy	Total energy consumption	TJ	600	616	617
	Fuel	ton	7,948	8,017	8,077
	Electricity	MWh	19,493	19,596	21,435
	Steam	MWh	0	0	0
	Per unit	TJ/ KRW 1 billion	0.09	0.12	0.14
	Reduced amount (Improvement from the previous year in KRW unit)	%	-	- 42.8	- 11.9
Renewable Energy	Total renewable energy consumption	MWh	33.0	29.0	31.5
	Ratio of renewable energy consumed	%	0.17	0.15	0.15

**3) Water Consumption** Water usage at each business site is being monitored. We cut down on water use through activities to reduce residential water usage.

		Unit	2018	2019	2020
Water	Total volume of water intake	m³	40,223	36,469	34,769
	Total volume of water intake per unit	m³/ KRW 1 billion	5.86	7.40	7.88
	Total water consumption	m³	42,785	38,114	36,407
	Municipal water supplies	m³	40,223	36,469	34,769
	Groundwater	m³	0	0	0
	Water recycled	m³	2,562	1,645	1,638
	Total consumption of water per unit	m³/ KRW 1 billion	6.24	7.73	8.25
	Percentage of water recycled	%	6.0	4.3	4.5
COD	Amount	ton	N/A	N/A	N/A
	Per unit	ton/ KRW 1 billion	N/A	N/A	N/A
BOD	Amount	ton	N/A	N/A	N/A
	Per unit	ton/ KRW 1 billion	N/A	N/A	N/A
SS	Amount	ton	N/A	N/A	N/A
	Per unit	ton/ KRW 1 billion	N/A	N/A	N/A
T-N	Amount	ton	N/A	N/A	N/A
	Per unit	ton/ KRW 1 billion	N/A	N/A	N/A
Wastewater	Wastewater treatment	ton	N/A	N/A	N/A

\* The figures for 2018 and 2019 have been changed due to the refinement of water-related data aggregation at domestic business sites.

**4) Environmental Education** We regularly provide environmental education in order to prevent chemical accident from occurring as well as to build our employees’ capabilities to minimize the damage incurred when an accident happens. In addition, in accordance with the Chemicals Control Act, environmental safety training is also furnished to those who manage, handle, or are engaged with harmful chemical substance. And all of the people subject to the education complete the course every year.

		Unit	2018	2019	2020
Ratio of Employees Receiving Environmental Education	%		100	100	100

Next Plans

With an aim to set the 2050 Carbon Net Zero target and achieve it, we formulated a step by step scenario. Stage 1 aims to ameliorate our own facility, followed by the expansion of independent power generating facility such as sunlight generation at Stage 2. At Stage 3, we will transition into renewable energy capitalizing on hydrogen as well as adopt new technologies such as CCUS. By doing so, SK gas will promote these activities to make Carbon Net Zero real.

Pollution Reduction

Strategy

Pollution emission status of the headquarters and each business site is periodically checked, and the degree of environmental risk that can occur during business operation is defined and managed in line with the classification system. Every year, SK gas is tightening policies on energy use and waste disposal management through annual status diagnosis, and we identify and manage these expenses as potential risks. We strictly comply with the introduction and handling management procedures for hazardous chemicals that come into the spotlight of society and become the matter of concern while preventing hazardous chemicals from being released.

Target

We annually set mitigation targets based on expected pollutant emissions. The emission of air pollutants can be reduced when LPG-powered vehicles are developed and distributed. For this reason, we embodied the spread of LPG vehicles and the reduction of pollutants in key performance indicators while carrying out various tasks. Violations of environmental laws are also thoroughly managed through continuous monitoring and prevention activities.

Assessment

By introducing an international standard management system, we prevent pollution and comply with environmental laws and regulations. In the course of promoting and acquiring ISO 14001, a certification for international standard environmental management with an aim to enable continuous improvement, we refined internal regulations and procedures to make them meet the required standards.

Impact

SK gas minimizes its environmental impact by tracking pollutants emitted during business operation and taking measures to cut down on them.

2020 Performance

**1) Emission of Air Pollutants** We reduce the amount of NOx emitted, an air pollutant, by replacing and improving the burner of heaters, an air pollutant emitting facility.

		Unit	2018	2019	2020	
NOx	Amount	ton	18.14	18.14	18.37	
	Per unit	ton/ KRW 1 billion	0.0026	0.0037	0.0042	
	Concentration	Legal standard of Ulsan Terminal	ppm	150	130	150
		Legal standard of Pyeongtaek Terminal	ppm	150	130	150
		G Hub	ppm	N/A	N/A	N/A

		Unit	2018	2019	2020	
SOx	Amount	ton	0.08	0.08	0.08	
	Per unit	ton/ KRW 1 billion	0.0000117	0.0000162	0.0000181	
	Concentration	Legal standard of Ulsan Terminal	ppm	270	270	200
		Legal standard of Pyeongtaek Terminal	ppm	100	270	200
		G Hub	ppm	N/A	N/A	N/A
VOCs	Amount	ton	0	0	0	
	Per unit	ton/ KRW 1 billion	0	0	0	
Hydrocarbon	Amount of discharged	ton	0	0	0	
CH <sub>4</sub>	Amount	ton	0	0	0	
N <sub>2</sub> O	Amount	ton	0	0	0	
HFCs	Amount	ton	0	0	0	
PFCs	Amount	ton	0	0	0	
SC <sub>6</sub>	Amount	ton	0	0	0	
H <sub>2</sub> S	Amount	ton	0	0	0	
Dust	Amount	ton	0.55	0.55	0.56	
	Per unit	ton/ KRW 1 billion	0.0000802	0.0001115	0.0001278	
	Concentration	Legal standard of Ulsan Terminal	mg/Sm <sup>3</sup>	30	30	30
		Legal standard of Pyeongtaek Terminal	mg/Sm <sup>3</sup>	30	30	30
		G Hub	mg/Sm <sup>3</sup>	N/A	N/A	N/A
Hazardous Chemicals	Amount	ton	0	0	0	
	Reduced emissions (Average improved rate per unit)	%	0	0	0	

**2) Discharge of Waste and Hazardous Chemicals** Although the amount of waste was on the increase as our business has grown in its scale, we are contributing to the circular economy by raising the recycling rate in the course of processing the waste generated.

		Unit	2018	2019	2020	
Waste	Total amount of waste	ton	35.5	43.0	62.7	
	Amount of general waste	ton	33.0	37.5	43.9	
	Amount of general waste recycled	ton	8.7	8.7	9.1	
	Amount of designated waste (Hazardous waste)	ton	2.5	5.5	18.9	
	Amount of designated waste recycled	ton	0.3	3.4	18.0	
	Per unit	ton /KRW 1 billion	0.00517	0.00872	0.01422	
	Reduced amount (Improvement from the previous year in KRW unit)	%	-	- 68.7	- 63.0	
	Waste treatment	Internally processed (Landfill)	ton	0.0	0.0	0.0
		Processed by agent (Incineration, landfill)	ton	26.5	30.9	35.6
		Processed by agent (Recycling)	ton	9.0	12.1	27.1
	Recycle ratio	General waste	%	26.4	23.2	20.7
		Hazardous waste	%	12.8	62.4	95.4
		Total	%	25.4	28.2	43.2
Hazardous Substance	No. of USTs	Number of	0	0	0	
	No. of USTs requiring purification	Number of	0	0	0	
	Ratio of UST-related accidents occurred in areas where USTs finance security fund for USTs is raised	%	0	0	0	

\* The figures for 2018 and 2019 have been changed due to the refinement of waste-related data aggregation at domestic business sites.

**3) Breach of Environmental Regulations** As a result of agilely identifying changing environmental laws and implementing effective responses, we recorded zero case of fine imposed for negligence.

		Unit	2018	2019	2020
Breach of Environmental Regulations	Punishment exceeding fines	KRW	0	0	0
	Fine	1 million	0	0	0

Next Plans

Aiming to reduce air pollutant, waste, and hazardous chemical disposals, we plan to improve facilities and invest in each business site, while responding to stricter laws by conducting compliance reviews on a number of laws including environment-related ones and Chemicals Control Act.

Social

Labor

Strategy

SK gas pursues business growth together with people growth Our HR strategy aims at recruitment, evaluation, compensation, promotion, and nurturing that enable the achievement of a happy, high-performing organization on top of SWAN 2.0.

We operate training programs and a long-term incentive system for the development and immersion of our employees. In addition, we are simultaneously improving work efficiency and the quality of life of our employees based on our flexible working systems, parental leave, and family support systems. In addition, we promote the employment rate of the disabled and more reemployments of the aged, thereby creating social values in employment.

HR strategy

1	Recruitment of talents who will share growth and performance in a reasonable way
2	Accurate and objective evaluation
3	Compensation with internal fairness and external competitiveness
4	Promotion based on competency to perform higher roles
5	Encouragement of developing necessary capabilities based on rotation

Target

SK gas sets and manages the average number of years of service, the rate of flexible working system usage, and the rate of industrial accidents as KPIs for the happiness of our employees. Besides, we continually provide educational opportunities for our employees’ immersion and growth while improving the HR management area through employee satisfaction surveys.

Assessment

SK gas actively capitalizes on communication channels that play a bridging role between inside and outside of the company so as to listen to the opinions of the members and to monitor satisfaction level with life at work. Every year, we conduct ‘SK gas Culture Survey’, which diagnoses effectiveness of our corporate culture and SKMS practices to evaluate the level of organizational culture and to ultimately find ways for the happiness of all members.

2020 Performance

1) Employees We manage labor-related data such as recruitment, and retired manpower, striving to raise the ratio of female executives despite the limitations stemming from the nature of the industry.

		Unit	2018	2019	2020
Employees	Total no. of employees	Persons	465	468	515
	Regular (Ratio)	Persons (%)	440(95)	432(92)	475(92)
	Non regular (Ratio)	Persons (%)	25(5)	36(8)	40(8)
Recruitment	Total no. of employees newly hired	Persons	71	58	84
	No. of youth interns converted to regular jobs (Ratio)	Persons (%)	3(75)	3(60)	7(70)
	No. of local talents hired (Ratio)	Persons (%)	12(17)	7(12)	6(7)
By Gender	Total no. of female employees (Ratio)	Persons (%)	82(18)	81(19)	100(21)
	No. of female managers (Ratio)	Persons (%)	7(9)	8(9)	8(8)
	No. of female executives (Ratio)	Persons (%)	0(0)	0(0)	1(4)
	No. of female managers in sales generating departments	Persons	3	2	2
	No. of newly hired female employees (Ratio)	Persons (%)	12(17)	15(26)	27(32)
Minorities	No. of the disabled (Ratio)	Persons (%)	5(1.1)	11(2.4)	13(2.5)
	Employment ratio of the disabled for calculating the government’s employment levy system*	%	1.26	2.92	2.64
	No. of national veterans (Ratio)	Persons (%)	15(3.2)	13(2.8)	14(2.9)
	No. of foreigners	Persons	2	2	2
	No. of hired employees considering other social diversity (Ratio): low-income class, multicultural family, etc.	Persons (%)	0(0)	0(0)	0(0)
Retirement	No. of retirees	Persons	49	58	35
	Voluntary retirement (Ratio)	Persons (%)	12(24)	18(31)	24(69)
Continuous Service of Employees	Average years of service	Years	8.5	8.7	8.3
	Average years of service of male employees	Years	9.2	9.4	9.0
	Average years of service of female employees	Years	5.3	5.3	5.4

\* This is based on the withholding tax report, and the ratio calculation may vary depending on the employment period and disability level.

2) Remuneration SK gas is trying to narrow the gap by continuously monitoring the average salary according to the gender of workers.

		Unit	2018	2019	2020
Total Salary	Overall average	KRW 1 million	85	91	93
	Average of male employees	KRW 1 million	89	90	101
	Average of female employees	KRW 1 million	47	50	60

3) Welfare Benefits SK gas supports various welfare programs to enhance the level of work satisfaction of employees and for them to lead healthy and happy lives. We operate a variety of programs such as support for leisure family and housing.

		Unit	2018	2019	2020
Welfare Benefits	Welfare cost	KRW 1 million	9,564	11,831	24,186

\* The reporting standard is changed to the welfare benefits of the SG&A based on the consolidated audit. Accordingly, the figures for 2018 and 2019 have changed.

4) Talent Nurturing SK gas is operating various competency building programs to lend support to the continuous growth of our employees. As of 2020, the education hours per employee was 51.1 hours in total, which costs KRW 2.89 million.

		Unit	2018	2019	2020
Education	Education hours per employee	Hours	5.9	7.2	51.1
	Education expense per employee	KRW 10,000	240	176	289

5) Work and Life Balance Aiming at work-life balance, SK gas operates a variety of family support systems including the operation of a daycare center, the implementation of family health check-up and long service leave, and tuition reimbursement program for children. In addition, we put in place flexible working hours system, parental leave, and others to enhance life satisfaction levels of our employees.

		Unit	2018	2019	2020
Flexibility at Work	Ratio of employees participated in flexible working	%	100	100	100
Parental Leave	No. of female employees using parental leave (Ratio)	Persons (%)	4(25)	8(40)	5(22)
	No. of male employees using parental leave (Ratio)	Persons (%)	1(1)	1(1)	1(1)
	Ratio of employees returning to work from parental leave	%	100	100	92
	Ratio of employees working for one year or more after returning from parental leave	%	83	60	57

6) Performance Evaluation

		Unit	2018	2019	2020
Evaluation System	Ratio of those subject to competency development evaluation system	%	100	100	100
	Ratio of those subject to long-term incentives	%	0	0	0.39

7) Satisfaction on organizational culture

		Unit	2018	2019	2020
Satisfaction Survey	Score of employee satisfaction survey	Points	76.8	72.5	74.6

Occupational Health and Safety

Strategy

SK gas pursues an active ‘SHE’ underpinned by voluntary actions of the employees. We have systemized the SHE management of each business site by introducing the SHE management system based on the principles of SHE management established at the company level in 2016. In addition, we have launched and operated SHE Committee in full charge of company-wide occupational safety and health, and the environment, with the CEO assuming the role of the chair. SK gas has established and implemented the SHE Master Plan for safety, health, and environment management throughout company and investee company. From 2016 to 2019, ‘SHE Master Plan Phase I’ was set up and implemented. And from 2020 to 2023, the Phase II is scheduled to be carried out for the purpose of advancing the SHE management system.

With the aim to make our management system more effective, we have developed the ‘Integrated SHE Management System (ISMS)’ for sharing SHE status and managing SHE information and the ‘Integrated Customer Safety Management System (ICSMMS)’ fused with IoT for our internal IT system and actively responded to various external and internal issues.

Target

In accordance with the revised Occupational Safety and Health Act in 2020, SK gas reviewed the SHE management plan of business sites and came up with the improvement measures; ‘site-oriented’, ‘autonomous practice’, and ‘building a safety culture’. SHE management assessment was conducted through an external professional organization, the Korea Industrial Safety Association, toward the safety awareness level, PSM level, safety management of fire and hazardous materials and gas. Then, areas identified as strengths based on the diagnosis results are maintained at the current level. For the areas evaluated relatively low, we produce improvement tasks and implement them. Aiming to improve the SHE level of each business site to the level of the PSM business site, we ultimately seek to reach global top tier level in SHE.

Assessment

SK gas is working on the acquisition of ISO 45001 certification, an international standard for occupational safety and health, with an aim to prevent safety and health risks in advance and to ensure better business sustainability by complying with legal requirements. We expect risk factors to be eliminated and our health and safety system to be upgraded a notch during the course of obtaining this certification.

Impact

With the purpose of achieving Zero Accident at workplaces through collaboration with our partner companies, SK gas supports them in their safety training, job risk assessment and on-site safety inspection. Therefore, we help our suppliers voluntarily establish their own occupational health and safety system.

2020 Performance

**1) Industrial Accidents** In 2020, there was our one employee and a worker of a partner company injured. In order to prevent recurrence, activities were carried out to improve facilities and raise safety awareness.

		Unit	2018	2019	2020
Industrial Accident	No. of deaths of employees	Persons	0	0	0
	No. of deaths from partner companies	Persons	0	0	0
	Occupational injury rate*	%	0	0	0.2
	Occupational Illness Frequency Rate (OIFR)*	-	0	0	0
	Lost Time Incident Rate (LTIR)*	Employees	-	0	0
		Partner companies	-	0	3.6
	Total Recordable Incident Rate (TRIR)*	Employees	-	0	0
		Partner companies	-	0	5.4
	Severity rate*	‰	0	0	0.17
	Absenteeism rate*	%	0	0	0.14
	Near Miss Frequency Rate (NMFR)	Full-time employees	%	0	0
		Contract employees	%	0	0

\* Occupational injury rate: (Number of industry hazards/Total number of employees) x100

\* Occupational Illness Frequency Rate (OIFR): Number of occupational illness occurred x1,000,000/ Total number of work hours

\* Lost Time Incident Rate (LTIR): Number of lost time incidents x1,000,000/Total number of work hours

\* Total Recordable Incidents Rate (TRIR): Total number of recordable incidents x1,000,000/Total number of work hours

\* Severity rate: (Days lost in a year due to accidents/Total number of work hours) x1000,000

\* Absenteeism rate: (Days absent/Total potential working days) x100

**2) Safety and Health Activities** We derived the SHE-related problems and diagnosed the SHE level of our business sites through an external specialized agency. In response to COVID-19, we also organized the COVID-19 Response Situation Room to introduce and operate pandemic prevention activities and implement distributed work-hour system for employees. Moreover, we provide health check-ups including psychological diagnosis for all of our employees to figure out the status of their health with the adoption of programs for the prevention of muscular skeletal disease and smoking cessation, thereby helping our employees actually live a healthy life. Furthermore, hazard assessments are conducted to fundamentally ameliorate occupational safety management, and we expand the coverage of the management to embody our partner companies. By doing so, we make efforts to contribute to the safe management of our suppliers.

		Unit	2018	2019	2020
Safety and Health Training	Occupational safety and health training hours per employee	Hours	14.9	14.9	12.0
	Occupational safety and health training cost per employee	KRW	38,777	64,430	34,722
	Rate of participants in occupational safety and health training of all employees	%	100	100	100

**3) Violation of Laws** SK gas accomplished zero in terms of breaches of laws by indentifying the area of improvement through the inspection on our compliance.

		Unit	2018	2019	2020
Violation of Laws	No. of violations of safety-related laws	Cases	0	0	0

**4) Spread of a Safety Culture** In order to make a culture of safety permeate through the whole company, various activities are conducted. ‘Safety Talk’ is a representative one, which shares messages regarding safety issues in small meetings or other ones including education. SHE Bulletin is published on a quarterly basis with the purpose of sharing SHE-related issues and data with all of our employees while ‘Safety Golden Rules’ are established, which are nine safety principles, to make sure that our employees follow these rules for on-site inspection. Through these rules, we promote the settlement of voluntary safety culture. In addition, we put in place a reward system for exemplary employees in terms of safety activities, which calculate the level of our employees’ participation in safety activities as mileage by each business site, and reward the top scorers.

**5) Protection of Information** SK gas has established a systematic information protection system on the foundation of the information protection policy and process to prevent leakage of corporate data and customers’ personal data. We also have built a response process to cope with an information infringement incident to prevent information-related risks that may occur in the course of business operation. In 2020, a total of 447 people including our employees and subcontractors completed information security education. We also offered a separate training program on personal information protection for departments directly handling personal data, thereby achieving a 100% completion rate. Through this, we saw 0 case of leakage and complaints in regard of corporate or customers’ data.

		Unit	2018	2019	2020
Information Leakage and Infringement/ Disability	Total no. of data leakage	Cases	0	0	0
	No. of leaks related to customer data	No. of cases of customer data stolen (Including personal information)	Cases	0	0
		No. of cases of customer data lost (Including personal information)	Cases	0	0
	No. of corporate data leaks	Cases	0	0	0
	Amount of fines related to data leakage	KRW	0	0	0
	Amount of sales loss related to data leakage	KRW	0	0	0
	No. of complaints related to the personal data breach	Cases	0	0	0

Human Rights

Strategy

SK gas established and published the 2020 Human Rights Declaration and the Human Rights Regulations in accordance with international standards such as Universal Declaration of Human Rights (UDHR), Human Rights and Labor Principles of UNGC, and UN Guiding Principles on Business and Human Rights. We strive to protect the human rights of not only SK gas employees but also of all stakeholders, including business partners and local communities, who are affected by our business activities. We also promptly remedy the area of improvement after regularly reviewing our human rights regulation for the objective of taking the lead in applying international human rights standards. In addition, a human rights management system is established to build the system for human rights and related risk management. We also regularly conduct human rights impact assessments to raise the efficiency of the system. We operate regular prevention programs against human rights violations and conduct human rights education so as to ensure our employees’ raised awareness of human rights.

Target

SK gas built our own human rights management system. On the bases of the system, human rights impact assessment, human rights education hours per employee, and customer information leakage are set as significant criteria for the sustainable management. In the case of human rights impact assessment conducted as part of the management, our aim is to identify more specific human rights risks and vulnerable groups by reflecting the perspectives of stakeholders beyond the institutional level.

Assessment

In order to take lead in the compliance with international human rights regulations, we review our human rights regulations on a regular basis. As part of the efforts, we worked with the third-party institution to develop checklists, based on which we conduct human rights impact assessment. Along with this, the areas of improvement identified through the assessment are managed as our medium and long term tasks. And to promote these tasks more efficiently, we constantly educate our employees on human rights.

2020 Performance

**1) Human Rights Prevention Program** We manage labor-related data such as recruitment, turnover, and retired manpower data, and make efforts to raise the ratio of female executives despite the limitations arising from the characteristics of the industry.

		Unit	2018	2019	2020
Human Rights Education	Hours of human rights education per employee	Hours	1.2	1.7	1.7

2) Assessment of Human Rights Impact

		Unit	2018	2019	2020
Assessment of Human Rights Impact	Ratio of workplaces receiving human rights impact assessment	%	0	100	100

3) Reporting and Handling

		Unit	2018	2019	2020
Reporting on Human Rights Issues	No. of human rights-related reports	Cases	0	0	0
	No. of human rights grievances received/handled	Cases/ Cases	0/0	0/0	0/0

Shared Growth

Strategy

SK gas is well cognizant that enhanced competitiveness of suppliers leads to corporate growth, thereby reinforcing our activities for shared growth. The SV Committee, chaired by the CEO, establishes strategies, and the SV Management Unit executes win-win growth projects. Under the supply chain management policies aiming for ‘safety’, ‘environment’ and ‘ethical management’, we operate a comprehensive supply chain management system, complying with the green purchasing policy. In order to make our supply chain more sustainable, we are operating a supply chain management system that integrates risk management of the non-financial sector. Regular supplier evaluation is conducted once a year for registered suppliers to check whether they still meet qualification requirements or not. If any concern over ethical management arises in a supplier, we exclude the supplier in the supplier registration list. In case of occurrence of quality problems, violation of ethical regulations, collusion, or acts of inhibiting mutual growth, we impose sanctions such as restrictions on bidding in accordance with our regulations on supplier sanctions management for raised awareness.

Target

As part of win-win management, we set up and systematically manage goals by 2025 including the supply chain ESG evaluation ratio and cooperative projects with social enterprises. For fulfilling our social responsibility, we manage the amount and ratio of preferential purchase in favor of green products and from SMEs and social enterprises owned by women, or the disabled. We are also creating an environment where we can grow together on the foundation of challenging goal-setting and implementation of it.

Assessment

SK gas has established ESG-based risk management policies and purchasing principles in regard of suppliers, and regularly monitored the status for securing development potentials. In addition, we build mutual trust by collecting opinions through regular consultation channels with partner companies, evaluating our own shared growth projects, and implementing win-win growth programs and training which reflect the evaluation results.

2020 Performance

1) Identification and Evaluation

		Unit	2018	2019	2020
Supplier	No. of total suppliers	Number of	234	283	277
	No. of newly registered suppliers	Number of	58	82	64
Supplier Evaluation	Inclusion of ESG in supplier selection criteria	Status	Included	Included	Included

**2) Support Programs** Preferential purchase of socially beneficial goods (green product, SMEs, women’s enterprises, social enterprises) has been stipulated in our procurement regulations. In terms of win-win growth education, we held a shared growth CEO seminar for 8 suppliers five times, and provided training on the Occupational Safety and Health Act and gas safety for 27 suppliers working on small bulk construction. As part of efforts to help our partner companies wrestling with the lack of fund, we raise funds for mutual growth in partnership with SK group and financial institutions to provide loans at low interest rates.

		Unit	2018	2019	2020
Purchase Amount	Total amount of purchase	KRW 100 million	557	616	599
Win-win Purchase	Amount of purchase from local suppliers (Ratio)	KRW 100 million (%)	75(13.4)	79(12.8)	92(15.4)
	Amount of purchase of green products (Ratio)	KRW 100 million (%)	4.3(1.1)	7.5(1.9)	7.4(1.2)
	Amount of preferential purchase from SMEs (Ratio)	KRW 100 million (%)	82.9(21.2)	71.1(18.3)	144.8(24.2)
	Amount of purchase of R&D products (Ratio)	KRW 100 million (%)	0(0)	0(0)	0(0)
	Preferred purchasing of female enterprises (Ratio)	KRW 100 million (%)	0.3(0.1)	1.2(0.3)	0.9(0.2)
	Preferred purchasing of disabled enterprise business (Ratio)	KRW 100 million (%)	0.2(0.1)	1.5(0.4)	1.4(0.2)
	Preferred purchasing of social enterprises (Ratio)	KRW 100 million (%)	6.2(1.6)	4.5(1.2)	6.8(1.1)

Next Plans

We plan to formulate an ESG risk management roadmap in 2021 to secure a stable supply chain and conduct performance monitoring, and we will provide human rights education for suppliers as well. As for high-risk suppliers, we will conduct constant monitoring on areas of improvement.

Support for Local Communities

Strategy

Support Area		Support Details
Local Residents	Relief of financial burden and education/career support for children/youth of low income families and taxi drivers in the region where our business sites are located	• Financial support - Donations (KRW 100,000/month) - Holiday gifts, protection kit against cold, Kimchi-making support, etc. - Scholarship support • Education/career support - Mentoring in connection with college students and members - Support with regard to learning opportunities and certificates • LPG piping network installation support
	Protection of Ecosystem	• Nurturing citizen scientists • Ecological exploration activities - Protection of endangered species’ habitat and supply of food - Publication and distribution of ecology protection booklets • One-company-one-coast protection activities • One-company-one-coast protection activities

As part of our policy to support the local communities, SK gas has formed a communication council with local governments, NGOs, and residents in the region where our business sites are located. The council works on protecting the ecosystem and advancing the local communities, ultimately aiming to bring healthy development of the community by regularly garnering opinions. To this end, we are carrying out the Hope Maker program that takes care of the socially underprivileged children in the local community, and ecology protection activities in cooperation with the National Institute of Ecology for preserving the local ecosystem and raising environmental awareness. Going forward, we will continue to support more diverse activities in the future.

Target

Action Plan	2020 (Performance)	2021	2025
Support for Low-income Class in Local Communities	• Education and career support for children/ youth • Meals for the homeless, scholarship support for children of taxi drivers	• Education and career support for children/youth • Lunch box and clothing donations for senior citizens living alone/the homeless • Lunch box support for the children who are neglected in the welfare system, scholarship support for children of taxi drivers	• Development of programs tailored to a local community (collaboration with local governments)
Protection of Environmental Ecosystem	• Publication and distribution of ecology protection booklets in one region	• Publication and distribution of ecology protection booklets in two regions	• Publication and distribution of ecology protection booklets in seven regions

Support Program		Unit	2020	2021	2025
Hope Maker	Sponsorship amount	KRW 1 million	1,200	1,300	2,000
	No. of graduates	Person	35	39	50
	No. of connected areas	Number of	3	3	7
Activities for protecting ecosystem	No. of areas under ecosystem protection activities	Number of	1	2	7
	No. of ecology protection booklets published	Book	10,000	10,000	50,000
Recharging Hope Fund	No. of households receiving LPG piping installation support	(cumulative number)	2,896	1,536	6,693
	No. of people receiving scholarship support for children of taxi drivers	(cumulative number)	2,329	2,580	3,580
Preferential Recruitment for Local Residents	No. of new hires who are local residents	Person	6	7	7

2020 Performance

1) Social Contribution Activities

		Unit	2018	2019	2020
Social Contribution Activities	Social contribution costs	KRW 100 million	0.28	0.14	0.18
	Cash contributions (Eco-friendly)	KRW 100 million	0.3	0.04	0.2
	Cash contributions (Social welfare)	KRW 100 million	13	3.5	14
	Cash contributions (Shared growth)	KRW 100 million	12.7	16.2	23.6
	Cash contributions (Spreading of happiness)	KRW 100 million	20	30	30
	Voluntary works of the members	KRW 100 million	0.24	0.21	0.12
	No. of activities	Cases	412	621	348
Volunteering	Hours	Hours	1,548	1,806	1,499
	Participants	Persons	272	337	216
	Volunteering time per employee	Hours	5.7	5.4	6.9

2) Social Value Creation with Our Products and Services

		Unit	2018	2019	2020
Amount Created for Social Value		KRW 100 million	82.2	103.9	148.4

Supporting an Ecosystem for Social Enterprises

Strategy

SK gas has constantly social enterprises under the policy that focuses on the settlement of environmental issues and the connectivity between their business models and low-carbon or decarbonization. Going forward, we will broaden the scope of our assistance.

Supporting Area		Direct Investment	Cooperation/Support
Direct Discovery	Greenhouse gas/Fine dust mitigation, resource recycling, etc.	• Investing in equity of School Bus - Road and traffic safety for children - Reducing fine dust produced by school buses	• Greenhouse gas/Fine dust mitigation (Tree Planet) • Waste recycling (SuperBin, etc.)
	Solving social issues related to the environment		• Joining the Social Bridge competition organized by Korea Social Enterprise Promotion Agency - Selecting and cooperating with two social enterprises

Target

Action Plan	2021	2025
Direct Investment and Collaboration	Three or more	Five or more
Contest Platform	Participating in ‘Social Bridge’, identifying SEs that we can cooperate with	Participating in ‘Social Bridge’, developing our own contest platform
Accelerating SE Investments and Pool Management	Making an additional suggestion for generating SV impact, supporting their growth	Being registered as our partner companies, managing the pool of them such as granting additional business opportunities

2020 Performance

			Unit: KRW 1,000	
Company Name	Expected Effect		2020	May 2021 (Accumulated)
School Bus	Business investment	Investment funding	300,000	-
	SV impact	GHG mitigation	1,045	1,254
		Reduction of child car accident	2,725	3,270
	Total		303,770	4,524
88hood, lfbe	Business investment	Social Bridge Program (Collaboration for improving environment of LPG autogas station)	20,000	-
SuperBin	Business investment	Investment funding	-	78,000
	Total		20,000	78,000
Total			323,770	82,524

# Governance

## Board of Directors

### Strategy

SK gas seeks for the efficiency as well as checks and balances of the board of directors (BOD) at the same time in terms of diversity, expertise, and independence. With the goal of achieving the world-class governance, SK gas has fortified its governance structure by referring to various domestic and overseas cases.

### Target

To accomplish one of our goals, a management driven by the BOD, we have launched Compensation Committee and ESG Committee under the BOD. The committees will take charge of ① deliberating the evaluation and remuneration of key executive members based on their medium and long- term sustainable management achievements and ② advising the top management and monitoring them according to the review results of main ESG-related risks and opportunities and directions for future strategy. Currently, we are actively working to expand the diversity of the BOD, such as the appointment of female directors. For daunting goals to achieve in the short term, we are systematically pushing ahead with related tasks through mid-to long-term milestones.

### Assessment

SK gas conducts self-evaluations and external evaluations by the third party on the annual activities of directors. The self-evaluation is conducted based on the attendance rate of the board meetings and committees, expertise, contribution level, fairness, ethical responsibility, fidelity, and active BOD activities. In the BOD self-evaluation conducted in 2020, 25 items were evaluated for four outside directors, and the average score was 4.96 out of 5. In the case of external evaluation, we acquired grade A in the governance sector in 2020 following 2019 in the ESG evaluation conducted by the Korea Corporate Governance Service which we participate in every year.

### 2020 Performance

**1) Composition of the BOD** The Board of Directors consists of 7 executive directors and 4 outside directors. SK gas has appointed an outside director as the chair of the board of directors since 2012 to make checks and balances be on track and a build a leading governance structure for the BOD. In 2019, Jong-ho Jeong was appointed as the chair of the BOD.

		Unit	2018	2019	2020
Independence	Total	Persons	7	7	7
	Executive director	Persons	3	3	3
	Outside director (Ratio)	%	57.1	57.1	57.1
	Limit on the no. of concurrent positions	Number of	1	1	1
Diversity	Male	Persons	7	7	7
	Female (Ratio)	%	0	0	0
Expertise	Ratio of directors with industrial experience	%	42.85	42.85	42.85
	No. of financial experts	Persons	0	2	2
Efficiency	Average terms of office	Years	3.6	3.3	4.3

**2) Operation of the BOD** A total of 13 board meetings were held, and 33 resolution agendas and 21 reporting items were proposed.

		Unit	2018	2019	2020
No. of Meetings Held		Cases	13	13	13
Resolutions		Cases	25	26	33
Report		Cases	19	17	21
Opinions on Agenda	Agree	Cases	25	26	33
	Disagree	Cases	0	0	0
	Revision	Cases	0	0	0
	Abstention	Cases	0	0	0

**3) Responsibility of the BOD** In 2020, the number of leadership-related problems was zero, and internal training for the BOD was conducted twice a year. The BOD regulations stipulate that the attendance rate should be over 75% and hiring external experts upon request, which underpins the constant capability building of directors.

		Unit	2018	2019	2020
Mitigation of Responsibility	Subscription to liability insurance	Status	Subscribed	Subscribed	Subscribed
	No. of leadership-related problems	Cases	0	0	0

**4) Activities of the BOD** Investment-related risks that exceed KRW 20 billion or are deemed critical issues are subject to preliminary deliberation by the BOD and the Audit Committee (including affiliates).

		Unit	2018	2019	2020
Recommendation and Nomination Committee for Outside director	No. of people	Persons	3	3	3
	Ratio of outside directors	%	66.7	66.7	100
	No. of meetings held	Cases	1	1	1
	Attendance rate	%	100	100	100
	Resolutions	Cases	2	1	2
	Report	Cases	0	0	0
Audit Committee	No. of people	Persons	3	3	3
	Ratio of outside directors	%	100	100	100
	No. of financial experts	Persons	1	1	1
	No. of meetings held	Cases	7	7	10
	Attendance rate	%	95.2	87.5	100
	Resolutions	Cases	10	9	13
	Report	Cases	1	4	4
	No. of objections or revision opinions	Cases	0	0	0
Sustainability Management Committee*	No. of people	Persons	N/A	N/A	3
	Ratio of outside directors	%	N/A	N/A	66.7
	No. of meetings held	Cases	N/A	N/A	3
	Resolutions	Cases	N/A	N/A	1
	Report	Cases	N/A	N/A	7

\* Launched in March, 2020

**5) Evaluation and Remuneration** We conducted a self-evaluation of the BOD and plan to implement an overall review on evaluation and remuneration within this year, followed by the review of altering the system.

		Unit	2018	2019	2020
Remuneration	Inclusion of ESG in management performance indicators	Status	Not included	Included	Included
	Renumeration system put in place for non-executive director	Status	Equipped	Equipped	Equipped

### 6) Discussion on ESG Agendas

		Unit	2018	2019	2020
ESG Agenda	No. of ESG agendas	Number of	-	-	9
	Discussion period of ESG agendas		-	-	Once a quarter

### Next Plans

To increase the ratio of female directors, we plan to appoint a female outside director at the 2022 general general meeting of shareholders. In addition, we will discuss the reshuffle of the system by examining other committee-related systems in regard of items including risks, future strategies as well as director evaluation and remuneration.

## Ethical Management

### Strategy

SK gas plays an imperative role in social and economic development by creating values for various stakeholders such as customers, employees, shareholders, suppliers, and local communities in accordance with SKMS (SK Management System), which is SK’s management philosophy and code of conduct, thereby we further practice corporate management contributing to the happiness of humankind. Our code of ethics consists of basic ethics of employees, compliance with management policies, and operation of the code of ethics. It establishes and applies detailed annex regulations and guidelines such as the consultation reporting system, budget and expense usage standards, and Q&A on major issues. Entire SK gas employees and business sites run a business on the basis of the code of ethics. To do so, detailed contents and guidelines are provided for employees. Further information on our ethical management can be found on the SK gas website ([https://www.skgas.co.kr/Ethics/ethics\\_define.aspx](https://www.skgas.co.kr/Ethics/ethics_define.aspx)).

### Target

As part of efforts to reduce the risk of corruption, we identify the level of corruption risk of our key business areas including LPG business, while educating all of our employees, including non-regular works and local talents hired in our overseas offices, on anti-corruption. Setting up 2025 long-term targets such as ‘Zero violation of ethical management’ and conducting ‘4 hours of ethics training per employee’, we strive to achieve these targets. As of 2020, the number of corruption and bribery cases was ‘0’, recording zero for 3 consecutive years.

### Assessment

In April 2020, SK gas obtained ISO 37001, an international anti-bribery management system standard, for all LPG business sites in Korea, Under the company-wide risk management system built on the process of ‘prevention-detection-response’, we administer ethics and compliance as a key part of our operational risks. Chaired by the CEO and attended by the heads of each division and the head of the planning and finance department as members, the ‘Integrated Risk Management Committee’ is monthly held to respond to critical risks out of risks discovered through the risk management system and, if necessary, they are reported to the BOD.

### 2020 Performance

**1) Ethical Management Program** For the purpose of spreading the ethical culture within the company, we continually provide online/offline education on ethics/anti-corruption, sexual harassment prevention, workplace harassment prevention, personal information protection, and data security for all members including subsidiaries’ and contract workers. In 2020, we provided online education instead of offline one in accordance with quarantine measures against COVID-19. And we expanded the coverage of the ethical management survey targeting our employees and purchase PBs (partner companies) to include the subsidiaries.

		Unit	2018	2019	2020
Ethics Education	Hours of ethics education per employee	Hours	2	2	1.5
	Ratio of employees receiving education on ethics	%	100	100	100
Review of Anti-corruption Risks	Anti-corruption risk review by business area	%	-	-	100
	Anti-corruption risk review by business region	%	-	-	100

**2) Reporting and Violation** We put in place a variety channels through which both internal and external stakeholders can report or have consultations under their name or anonymously when any forms of violations against ethics occur, including corruption and irregularities, taking bribe/receiving lavish entertainment, and unfair business handling. The channels includes online website (http://ethics.sk.co.kr), phone call (02-6200-8229), post, and e-mail (skgas.ethics@sk.com). In addition, we operate a consultation and report center having workers dedicated to this issue within the audit organization while formulating regulations and procedures to safeguard informant, and strictly following them.

		Unit	2018	2019	2020
Reporting and Counselling regarding Ethical Management	Employees	Cases	1	3	3
	Suppliers	Cases	2	4	4
	Customers	Cases	0	0	2
	Others	Cases	1	1	1
Handling	Investigation (Audit)	Cases	1	2	1
	Transferred to Relevant Department	Cases	3	6	8
	Others (Dismissed)	Cases	0	0	1
Disciplinary Action	Total	Cases	1	1	0
	Sexual harassment	Cases	0	0	0
	Receipt of entertainment	Cases	0	0	0
	Breach of code of ethics	Cases	1	1	0
	Breach of regulation on SHE (Safety, Health, Environment)	Cases	0	0	0
	Job negligence	Cases	0	0	0
Auditing	Audits performed concerning reports and disciplines	Cases	1	2	1
Violation of Laws		Cases	0	0	0

**3) Certification and Awards** We acquired ISO 37001 certification for the anti-corruption management system for LPG introduction/storage/sales business in Korea and 7 business sites (head office, two terminals, 4 domestic branches) in April 2020.

Next Plans

In 2021, we plan to draw up the medium and long term plans to reinforce ethical management while ramping up the level of training by providing additional relevant education and distributing ethical management guidelines to purchase PBs (partner companies). Moreover, the scope of corruption risk defined, assessment and inspection will be expanded.

Compliance

Strategy

The four major guidelines for contract signing, supplier selection and operation, establishment and operation of the internal review committee, and the issuance and preservation of documents related to subcontracting are also posted on the website.

The four major guidelines for contract signing, supplier selection and operation, establishment and operation of the internal review committee, and the issuance and preservation of documents related to subcontracting are also posted on the website.

Target

The performance areas of each indicator are evaluated based on the CP rating criteria released by the Korea Fair Trade Mediation Agency. Goals are set up based on the evaluated contents with short-term and long-term tasks for each indicator drawn for the pursuit of achieving goals.

In order to establish a company-wide fair trade culture, we provide fair trade education every year. Through this, knowledge of relevant laws and regulations that employees should be familiar with during performing their duties is clearly presented and behavior standards are clearly presented. SK gas recorded zero violation of fair trade laws for three consecutive years, and is striving to keep this record.

2020 Performance

**1) Fair Trade Practice Program** SK gas has been pushing forward Fair Trade Compliance Program step by step that encompasses fair trade education and newsletter publication to make it applied and spread as a culture within the organization. A total of 351 employees took fair trade-related courses in 2020 (Training completion rate: 85%). Going forward, we plan to provide educational programs tailored to organizations in charge of fair trade affairs on a regular basis every year. Revised laws and regulations such as the Monopoly Regulation and Fair Trade Act and the Fair Transactions in Subcontracting Act are immediately reflected in our contract in order for fair contract conclusions with transaction parties. With an aim to prevent unfair transactions that may occur in the course of business implementation in advance, we launched an internal review committee to conduct preliminary review procedures. The internal review committee evaluates whether or not there are violations of the overall fair trade laws and risks, such as determining unfair transaction prices before signing contracts, compulsory purchase of goods, unreasonable demands for economic benefits, and compliance issue with the obligation to issue written contracts. And the review results are reflected in the contract to be concluded. For reference, the team responsible for compliance was changed from the external cooperation group to the legal office in 2020.

**2) Reporting and Violation** In 2020, we saw zero case of violating laws in connection with fair-trade competitiveness in regard of fair trade and subcontracting.

		Unit	2018	2019	2020
Violation of Laws	Act of hindering competition, act of unfair transactions including monopoly	Cases	0	0	0
	No. of monetary sanctions for violations of laws and regulations	Cases	0	0	0
	No. of lawsuits against the breach of laws and regulations	Cases	0	0	0
	Fines and settlements related to antitrust/ anti-competition act	KRW 100 million	0	0	0
	Litigation costs and fines incurred by price collusion	KRW 100 million	0	0	0
	Breach of regulations related to product/ service information and labeling	Cases	0	0	0
	No. of law violations related to internal transaction	Cases	0	0	0
	No. of violations of subcontract-related laws	Cases	0	0	0

Next Plans

Beyond the compliance participated by all employees, we plan to implement fair trade training and reward systems optimized for each business area.

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Financial Performance

The 34<sup>th</sup> Period, Jan.1 to Dec. 31, 2018  
The 35<sup>th</sup> Period, Jan.1 to Dec. 31, 2019  
The 36<sup>th</sup> Period, Jan.1 to Dec. 31, 2020

Consolidated Statements of Financial Position

	The 34 <sup>th</sup> Period	The 35 <sup>th</sup> Period	The 36 <sup>th</sup> Period
Assets			
Total current assets	1,609,767,813,662	1,713,781,802,069	2,040,498,453,181
Cash and cash equivalents	80,287,600,328	135,728,393,431	122,057,242,290
Short-term financial assets	116,203,993,516	196,049,931,897	666,511,809,975
Current trade and other receivables, net	752,742,499,021	657,581,162,178	720,271,726,416
Current derivative assets	258,998,851,466	124,889,642,335	156,394,279,027
Inventories	305,724,973,244	377,511,627,691	324,014,964,088
Other current financial assets	32,210,374,502	171,501,875,679	1,469,319,008
Other current assets	63,599,521,585	50,519,168,858	49,779,112,377
Total non-current assets	2,145,839,428,123	2,368,635,521,114	2,458,421,970,737
Long-term financial assets	264,614,119,867	70,041,824,663	119,750,313,499
Non-current trade and other receivables, net	-	2,530,461,984	1,820,331,268
Non-current derivative assets	33,437,606,440	16,766,713,518	18,709,000,000
Investments in associates and joint ventures	524,602,065,108	617,794,364,901	735,133,955,241
Property, plant and equipment, net	985,468,452,876	927,697,328,242	939,707,049,943
Intangible assets, net	268,602,854,559	111,016,405,045	111,933,003,300
Lease right-of-use assets	-	510,232,945,294	464,387,632,897
Other non-current financial assets	31,401,717,373	35,357,781,648	34,043,184,589
Other non-current assets	37,712,611,900	35,262,500,000	32,937,500,000
Deferred tax assets	-	41,935,195,819	-
Total assets	3,755,607,241,785	4,082,417,323,183	4,498,920,423,918
Liabilities			
Total current liabilities	1,500,614,810,053	1,570,402,383,596	1,271,573,292,835
Trade and other payables	407,665,182,588	421,640,755,338	424,184,568,336
Short-term borrowings	682,939,189,709	596,602,364,979	631,739,647,031
Current portion of long-term borrowings	122,809,060,561	155,668,211,858	-
Current derivative liabilities	250,812,978,089	213,460,392,425	111,408,898,048
Current tax payables	13,821,691,996	99,760,520,994	34,044,374,756
Current portion of lease liabilities	-	73,380,550,167	55,187,988,930
Other current liabilities	22,566,707,110	9,889,587,835	15,007,815,734
Total non-current liabilities	612,210,223,389	851,193,167,668	1,328,631,621,770
Bonds payable	349,276,661,322	319,137,586,729	817,562,172,131

Long-term borrowings	11,700,993,124	5,986,713,124	188,070,670
Non-current derivative liabilities	41,086,578,982	3,720,526,925	926,400,143
Defined benefit liabilities	1,283,946,752	2,870,301,157	2,449,633,822
Deferred tax liabilities	151,168,108,078	50,085,898,490	111,215,536,473
Non-current lease liabilities	-	437,814,498,734	363,525,998,645
Other non-current financial liabilities	57,564,694,614	31,459,512,374	32,656,790,133
Other non-current liabilities	129,240,517	118,130,135	107,019,753
Total liabilities	2,112,825,033,442	2,421,595,551,264	2,600,204,914,605
Equity			
Total equity attributable to owners of the parent	1,566,200,969,021	1,660,821,771,919	1,898,715,509,313
Issued capital	45,270,835,000	45,708,905,000	46,151,220,000
Capital surplus	191,941,883,883	191,941,883,883	195,492,192,871
Other components of equity	(9,465,211,466)	(22,726,474,279)	(21,500,950,406)
Accumulated other comprehensive income	116,964,108,021	(10,811,313,275)	(12,336,557,781)
Retained earnings	1,221,489,353,583	1,456,708,770,590	1,690,909,604,629
Non-controlling interests	76,581,239,322	-	-
Total equity	1,642,782,208,343	1,660,821,771,919	1,898,715,509,313
Total liabilities and equity	3,755,607,241,785	4,082,417,323,183	4,498,920,423,918

The 34<sup>th</sup> Period, Jan.1 to Dec. 31, 2018

The 35<sup>th</sup> Period, Jan.1 to Dec. 31, 2019

The 36<sup>th</sup> Period, Jan.1 to Dec. 31, 2020

Consolidated Statement of Comprehensive Income

	Unit: KRW		
	The 34 <sup>th</sup> Period	The 35 <sup>th</sup> Period	The 36 <sup>th</sup> Period
Sales	6,859,163,776,452	4,931,073,628,033	4,412,318,983,220
Cost of sales	6,557,948,183,797	4,521,732,780,915	3,963,468,465,865
Gross profit	301,215,592,655	409,340,847,118	448,850,517,355
Selling and administrative expenses	198,216,540,095	219,762,495,196	258,663,661,620
Operating income	102,999,052,560	189,578,351,922	190,186,855,735
Finance income	586,958,431,767	428,077,965,647	685,790,700,331
Finance costs	590,409,576,634	596,940,109,905	516,431,045,098
Other non-operating income	10,427,223,966	23,877,621,937	17,681,140,339
Other non-operating expenses	129,594,140,808	5,505,213,822	19,339,490,777
Share of profit or loss in an associate or joint venture	43,139,242,598	51,420,956,664	49,869,477,417
Profit before income tax from continuing operations	23,520,233,449	90,509,572,443	407,757,637,947
Income tax benefit (expense) from continuing operations	(39,960,497,610)	8,917,590,661	(142,407,563,029)
Net profit for the year from continuing operations	(16,440,264,161)	99,427,163,104	265,350,074,918
Profit before income tax from discontinued operations	94,706,096,734	72,713,120,403	-
Income tax expense from discontinued operations	(22,827,389,112)	(18,021,675,593)	-
Net profit for the year from discontinued operations	71,878,707,622	54,691,444,810	-
Profit before income tax	118,226,330,183	163,222,692,846	407,757,637,947

Income tax expense	62,787,886,722	9,104,084,932	142,407,563,029
Net profit for the year	55,438,443,461	154,118,607,914	265,350,074,918
Other comprehensive income (loss)	44,032,864,455	(23,742,199,682)	(5,693,009,385)
Items reclassified subsequently to profit or loss			
Equity adjustments in equity method	3,658,598,871	3,749,936,894	(15,669,448,755)
Net gain (loss) on valuation of derivatives	(28,775,963)	(7,200,659,294)	17,942,511,470
Net gain (loss) from translation of foreign operations	4,192,205,468	3,634,066,757	(10,602,407,896)
Items not reclassified subsequently to profit or loss			
Retained earnings in equity method	-	(5,501,433,893)	(3,778,479,263)
Equity adjustments in equity method	-	222,794,628	(373,533,890)
Net gain (loss) on valuation of financial assets at fair value through other comprehensive income	38,329,559,200	(16,328,872,296)	8,135,485,951
Re-measurement loss on defined benefit plans	(2,118,723,121)	(2,318,032,478)	(1,347,137,002)
Total comprehensive income for the year, net of tax	99,471,307,916	130,376,408,232	259,657,065,533
Net profit for the year from continuing operations			
Attributable to:			
Owners of the parent	21,493,633,330	99,427,163,104	265,350,074,918
Non-controlling interests	(37,933,897,491)	-	-
Net profit for the year			
Attributable to:			
Owners of the parent	59,760,287,636	158,868,637,822	265,350,074,918
Non-controlling interests	(4,321,844,175)	(4,750,029,908)	-
Total comprehensive income for the year, net of tax			
Attributable to:			
Owners of the parent	103,324,559,117	135,109,156,580	259,657,065,533
Non-controlling interests	(3,853,251,201)	(4,732,748,348)	-
Earnings per share:			
Basic and diluted, profit for the year attributable to owners of the parent	6,686	17,779	29,674
Basic and diluted, profit for the year from continuing operations attributable to owners of the parent	2,405	11,127	29,674

## General Standards Disclosure

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Marketing and Labeling	417-2	Incidents of non-compliance concerning product and service information and labeling	79
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Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	33, 72
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	79

# TCFD

## Task Force on Climate-related Financial Disclosures

In December 2015, the Task Force on Climate-related Financial Disclosures (TCFD) was organized by the G20 finance ministers and central bank heads for the purpose of disclosing climate change-related financial information. In 2017, TCFD announced disclosure recommendations on the four key elements of climate change-related financial disclosure; governance, strategy, risk management, and metrics and targets. After establishing our climate change response plans in line with the recommendations, we report them to the BOD and then, we transparently disclose them after the approval. Going forward, CDP’s voluntary participation and GHG Net Zero plan will be additionally reflected in our plans and disclosed.

4 Recommendations SK gas' Disclosure Source/Reference from TCFD		Page	
Governance	A) The board of director's oversight of climate-related risks and opportunities	<p>The Board of Directors discusses climate change issues as one of the overarching corporate management issues, manage and make decisions on this matter in an integrated way. Sustainability Management Committee, established in 2020, is supposed to put climate change on the agenda, and will hold a meeting for detailed review by identifying and supervising potential financial impacts derived from climate change, such as tightening GHG emission reporting and raising prices of the amount emitted. The board meetings on risk deliberation is held twice to three times a year, and the results of the deliberation are integrated into the annual budget for climate change and the establishment of performance indicators.</p>	14
	B) Management's role in assessing and managing climate-related risks and opportunities	<p>SK gas formed a company-wide SHE Committee under the CEO and has made it take charge of climate change-related accountability. The company-wide SHE Committee, chaired by the head of the introduction infrastructure division, sets overall environmental management targets and strategies related to air pollution and climate change, while deliberating on major issues. Furthermore, the SHE Committee evaluates and manages climate change-related issues and reports them to the management.</p>	46
Strategy	A) Climate-related risks and opportunities the organization has identified over the short, medium, and long-term.	<p>Accordingly, we actively reflect the risks and opportunities brought by climate change in the process of formulating environmental management strategies such as growth, risk management, and operation of eco-friendly business sites.</p> <ul style="list-style-type: none"><li>· In the short term, we identify policies tightening regulations as potential risks, such as energy consumption and waste, and cost expenditures incurred from it. At the same time, we recognize the cost reduction through cutting energy and recycling as well as the development of new products or services through R&amp;D and innovation as opportunity factors.</li><li>· In the medium term, the business impact derived from policy changes, including the GHG Target Management System and the national energy master plan, is identified and reflected in the management plan. Going beyond, the areas requiring advancement among the ESG evaluation results are selected as mid-term tasks to be improved.</li><li>· In the long term, emerging risks are managed separately, and we manage risks such as international LPG price fluctuation and derivatives transaction profit and loss volatility for risk hedging.</li></ul>	15, 46
	B) The impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning.	<p>Climate change-related risks and opportunities are affecting SK gas' LPG business and new businesses as well as R&amp;D.</p> <ul style="list-style-type: none"><li>· As the government paid attention to LPG as an energy to respond to climate change that can reduce dependence on fossil fuels and abolished fuel use restrictions in 2019, LPG vehicles are drawing attention as an energy to counteract. This serves as a major opportunity for our transportation fuel business.</li><li>· To keep up with the growing trend of energy reduction in the industrial world SK gas is focusing on new and renewable energy businesses including hydrogen as an opportunity factor, promoting the zero carbon energy business.</li></ul>	32-41

4 Recommendations SK gas' Disclosure Source/Reference from TCFD		Page	
Strategy	C) The resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<p>In order to join the global efforts to prevent the global average temperature from rising by more than 2°C, SK gas has drawn up a strategy to mitigate greenhouse gas emissions.</p> <ul style="list-style-type: none"><li>· Efforts to cut down GHG emissions: we manage our emissions after establishing a GHG reduction target jointly with the government on a yearly basis.</li><li>· Operation of eco-friendly business sites: we ameliorate our facilities, such as the motor operation method at our production bases, and minimize our environmental impact through investments in eco-friendly facilities.</li></ul> <p>From the perspective of Scope 3, new businesses and support policies are being promoted to curtail GHG emissions for the industry and customers.</p> <ul style="list-style-type: none"><li>· Transition to sustainable business: we respond to climate change scenarios by ramping up business sustainability by focusing on fuel cell, LPG/LNG combined cycle power plant., conversion to LPG from B-C oil, support for the development of LPG 1-ton trucks, and operation of eco-stations and eco-friendly hydrogen multi energy autogas stations.</li></ul>	46-49
	A) The organization's processes for identifying and assessing climate-related risks	SK gas operates an integrated risk management committee under the CEO and manages risks through prevention, detection and response procedures on the foundation of the company-wide risk management and response principles.	14-15
Risk Management	B) The organization's processes for managing climate-related risks	SK gas has established an integrated risk management system to minimize the impact of corporate-wide risks. Based on the overall risk management and response principles, risks are managed through the procedures of prevention, detection and response.	
	C) Integration of identification, assessment, and management process of climate-related risks and company-wide risk management system	SK gas classifies major risks that affect business activities into financial risks, business risks, and operational risks, then manages them in an integrated manner. In case of climate change risks, we integrate and manage them at the company level within our operational risk system designed for the management of environmental, ethical, and social issues.	
Indicators and Targets of Reduction	A) Indicators used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process	With an aim to measure and manage climate change-related risks and opportunities, SK gas is overseeing various indicators for reacting to climate change. These indicators include GHG, energy, and the reduction rate of GHG emissions compared to the target. Furthermore, we have measured the cost of social value incurred by GHG emissions and officially disclose since 2018.	46, 67-68
	B) Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions	SK gas measures GHG emissions every year and discloses them transparently. The amount of GHGs emitted in 2020 was as follows.	
		· Scope 1: 23,992 tCO <sub>2</sub> eq	
		· Scope 2: 10,100 tCO <sub>2</sub> eq	
	· Scope 3 is yet to be individually handled as it is not yet applicable and is expected to be managed in the future.		
	C) Targets used by the organization to manage climate-related risks and opportunities and performance	<p>In compliance with the national GHG target management system standards, we created a step by step scenario with the goal of achieving Net Zero for Scope 1 and 2 emissions by 2030.</p> <ul style="list-style-type: none"><li>· Step 1: Improving existing facilities in a way that reduces greenhouse gas emissions</li><li>· Step 2: Expanding independent power generating facilities such as sunlight generation</li><li>· Step 3: Switching to renewable energy capitalizing on hydrogen as well as adopting new technologies such as CCUS to remove greenhouse gas and achieve Carbon Net Zero</li></ul>	

# SASB

## Sustainability Accounting Standards Board

Since the publication of the 2020 Sustainability Report, SK gas has prepared a SASB report and disclosed it in a transparent manner. Before the release, the contents are reported to the BOD. Going forward, we plan to additionally put CDP’s voluntary participation and GHG Net Zero plan into our report.

Classification	SASB Code	Accounting Metrics	Unit	2018	2019	2020	Note
Sustainability Disclosure Topics & Accounting Metrics							
Greenhouse Gas Emissions	EM-RM-110a.1	Scope 1	Emissions	Metric tons (t) CO <sub>2</sub> eq	23,506	26,331	23,992
			Percentage covered under emissions-limiting regulations	%	N/A	N/A	71
	EM-RM-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, analysis of performance against those targets	-	SK gas is working on estimating expected greenhouse gas emissions in cooperation with the Korea Energy Agency. Through this, we estimated emissions for 2021 to be 27,000 tCO <sub>2</sub> eq. Furthermore, in consideration of the greenhouse gas reduction target established through consultation with the government agencies, the reduction rate for GHG emission is set at 8.06% with the emission allowance at 24,824 tCO <sub>2</sub> eq. GHG emissions are aggregated into Integrated SHE Management System (ISMS) to promote company-wide integrated management. In the longer term, we are forming a step-by-step scenario based on the 2030 Carbon Net Zero goal followed by taking a strategy accordingly. Phase 1 of the scenario is about improving existing facilities in a way that reduces greenhouse gas emissions. Phase 2 is to expand independent power generating facilities such as sunlight generation, and Phase 3 contains a plan to switch to renewable energy and develop solutions for greenhouse gas removal. SK gas will promote these activities to make Carbon Net Zero real.			
Air Quality	EM-RM-120a.1	Air emissions of the following pollutants	NOx (excluding N <sub>2</sub> O)	Metric tons (t)	18.14	18.14	18.37
			SOx	Metric tons (t)	0.08	0.08	0.08
			Particulate matter (PM10)	Metric tons (t)	0.55	0.55	0.56
			H <sub>2</sub> S	Metric tons (t)	0	0	0
			VOCs	Metric tons (t)	0	0	0
	EM-RM-120a.2	Number of refineries in or near areas of dense population	Number	2	2	2	Number of refiners in Ulsan Plant
Water Management	EM-RM-140a.1	Total fresh water withdrawn	m <sup>3</sup>	40,223	36,469	34,769	
		Percentage recycled	%	6.0	4.3	4.5	
		Percentage in regions with High or Extremely High Baseline Water Stress	%	N/A	N/A	N/A	As our daily consumption is extremely small, it is not subject to the classification under the Water Environment Conservation Act
	EM-RM-140a.2	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	Number	0	0	0	

Classification	SASB Code	Accounting Metrics	Unit	2018	2019	2020	Note
Hazardous Materials Management	EM-RM-150a.1	Amount of hazardous waste	Generated	Metric tons (t)	2.5	5.5	18.9
			Percentage recycled	%	12.8	62.4	95.4
	EM-RM-150a.2	Number of underground storage tanks (USTs)	Number	0	0	0	We do not have any underground oil tanks in accordance with the law regarding the control of hazardous substances.
		number of UST releases requiring cleanup	Number	0	0	0	Not applicable to SK gas
		Percentage in states with UST financial assurance funds	%	0	0	0	Not applicable to SK gas
Workforce Health & Safety	EM-RM-320a.1	Total recordable incident rate (TRIR)	full-time employees	Ratio	0	0	0.21 Per 200,000 hours
			contract employees	Ratio	0	0	0
		Fatality rate	full-time employees	Ratio	0	0	0
			contract employees	Ratio	0	0	0
		Near miss frequency rate (NMFR)	full-time employees	Ratio	0	0	0
			contract employees	Ratio	0	0	0
	EM-RM-320a.2	Discussion of management systems used to integrate a culture of safety		-	As our major businesses handle high-pressure and high-temperature facilities and chemicals, we recognized the need to preemptive response for workplace operational and safety risks. We fortified SHE governance by forming a company-wide SHE committee and a general organization in charge while selecting an occupational safety and health manager for each business site. On top of that, a SHE management system based on the company-wide SHE (Safety, Health, Environment) principle was introduced, and SHE Master Plan has been established so that we embrace all of our business sites and partner companies composing the value chain into the scope of management to prevent and solve common safety problems. We plan to advance the SHE management system by implementing ‘SHE Master Plan Phase I’ from 2016 to 2019 and Phase II from 2020 to 2023.		
Product Specifications & Clean Fuel Blends	EM-RM-410a.1	Percentage of Renewable Volume Obligation (RVO) met through	Production of renewable fuels	%	N/A	N/A	N/A Not applicable to SK gas
			Purchase of separated renewable identification numbers (RIN)	%	N/A	N/A	N/A Not applicable to SK gas
	EM-RM-410a.2	Market for advanced biofuels and associated infrastructure	Total addressable market	KRW	N/A	N/A	N/A Not applicable to SK gas
			Total addressable share	%	N/A	N/A	N/A Not applicable to SK gas

- Understood key internal controls in the impairment processes of intangible assets with indefinite useful lives and goodwill.
- Reviewed if management's bias is involved in key inputs such as the future sales volumes, selling prices, and purchase costs of fuel used to estimate value-in-use by referring to the Group's business plan and external data.
- Involved valuation specialists to independently calculate the discount rates based on the market and the Group's information to check if there are any significant differences between the discount rates applied by the management.
- Obtained the management's sensitivity analysis on the discount rates applied to the discounted cash flow forecasts and assessed for indication of management's bias and the effect of changes in key assumptions on the management's conclusion.

Occurrence and cut-off of domestic LPG sales

The Group’s domestic LPG sales mainly arise from LPG gas stations and petrochemical companies. Domestic LPG sales recognized during the year ended December 31, 2020 account for 53% of total sales.

Therefore, the Group identifies performance obligations in the contract with respect to revenue recognition for domestic LPG transactions. Revenue is recognized when the transaction price is allocated to each performance obligation and each performance obligation is satisfied. Management’s judgment on the timing of revenue recognition is required.

As a result, there are inherent risks related to sales cut-off due to errors in management’s significant judgment, and as the amount of domestic LPG sales recognized in the consolidated financial statements is considered significant, the review of the occurrence and cut-off of sales thereof is identified as the key audit matter.

The primary audit procedures we performed to address this key audit matter are as follows:

- Reviewed and inspected documents of key transaction terms.
- Assessed the revenue recognition standards for domestic LPG transactions.
- Inquired and inspected documents with regards to negative sales for domestic LPG transactions.
- Inspected the documents by sampling domestic LPG transactions during the reporting period.
- Reviewed the supporting documents of domestic LPG transactions that occurred before and after the reporting period end and compared the timing of revenue recognition.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with KIFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KGAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Yong Soo Jung.

March 11, 2021

This audit report is effective as of March 11, 2021, the independent auditor’s report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor’s report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

## Third Party's Assurance Statement

**To the Readers of SK gas Sustainability Report 2020 :**

## Foreword

Korea Management Registrar Inc. (hereinafter 'KMR') has been requested by of SK gas to verify the contents of its SK gas Sustainability Report 2020 (hereinafter 'the Report'). SK gas is responsible for the collection and presentation of information included in the Report. KMR's responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

## Scope and standard

SK gas describes its efforts and achievements of the corporate social responsibility activities in the Report. The verification has been conducted as limited assurance based on SRV1000 from KMR Global Sustainability Committee. KMR's assurance team (hereinafter 'the team') evaluated the adherence to Principle of reliability of the data and information on the GRI indicators as below, where professional judgment of the team was exercised as materiality criteria.

The team checked whether the Report has been prepared in accordance with the 'Core Option' of GRI Standards which covers the followings.

- GRI Standards Reporting Principles

- Universal Standards

- Topic Specific Standards
  - Management approach of Topic Specific Standards
  - GRI 305: Emissions
  - GRI 403: Occupational Health and Safety

This Report excludes data and information of joint corporate, contractor etc. which is outside of the organization, i.e. SK gas, among report boundaries.

## Our approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, the team has carried out an assurance engagement as follows:

- Reviewed overall report

- Reviewed materiality test process and methodology

- Reviewed sustainability management strategies and targets

- Reviewed stakeholder engagement activities

- Interviewed people in charge of preparing the Report

## Our conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with SK gas on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report to the compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data included in the verification scope are not presented appropriately.

- **Materiality:** The Report includes all important reporting boundaries under SK gas operation and presents specific and long-term CSR strategy and targets. SK gas is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues nor any critical stakeholder group left out in this process.

- **Understandability:** Being prepared in sustainability context, the Report specifies the targets on sustainability issues which are identified through the materiality evaluation process, and presents the backgrounds of selection of the critical issues and the management approach. And the Report explains the performance indicators in more detail and comparable way.

- **Reliability:** The assurance team identified errors in some data and information, and SK gas completed the modification before finishing the final version of the Report. We judge the data and information in the Report to be correct and reliable, and the assurance team could not find any evidence that SK gas counter measures to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence the Report was not prepared in accordance with the 'Core Option' of GRI standards.

### Recommendation for improvement

We hope the Report is actively used as a communication tool with stakeholders and we recommend the following for continuous improvements.

- SK gas has been actively responding to the reasonable interests of stakeholders by distinguishing communication channels, material topics, and key activities by stakeholder. Also, it incorporated biodiversity, incident rate, and absence rate to share in-depth information to shareholders. We recommend that SK gas align its key performance indicators with its mid- to long-term strategies and promote sustainability in a systematic way to enhance sustainability.

## Our independence

With the exception of providing third party assurance services, KMR is not involved in any other SK gas' business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.



June, 23<sup>th</sup>, 2021.

CEO

E. J. Harvey

# Greenhouse Gas Verification Statement



## Verification Statement on「2020 Greenhouse Gas & Energy Inventory Report」

### Introduction

Korean Foundation for Quality (hereinafter ‘KFQ’) has been engaged by 『SK gas』 to independently verify its 2020 Greenhouse Gas Emission & Energy Consumption Report (hereinafter ‘GHG Inventory’).

### Verification Scope & Standard

KFQ’s verification was conducted t on all greenhouse gas emission facilities under the operational control of 『SK gas』. ‘Greenhouse Gas and Energy Target Management Scheme (Notification No. 2016-255 of Ministry of Environment & IPCC Guidelines 2006)’ were mainly applied in verification process but also the Company Guidelines for GHG Inventory was considered.

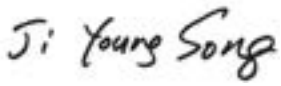
### Verification Procedure

The Verification has been planned and conducted by the ‘Greenhouse Gas and Energy Target Management Scheme’, and to reach reasonable level of assurance.

### Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KFQ obtained reasonable basis to express the following conclusion on the 2020 Company GHG Inventory. As a result of materiality assessment on 2020 Greenhouse Gas Emission of entire business places, material discrepancy is less than the criteria of 5% for the organization who emits less than 500,000 tCO<sub>2</sub>-eq/yr in accordance with the requirements of the ‘Greenhouse Gas and Energy Target Management Scheme’.

2020 Greenhouse Gas Emissions of 『SK gas』			
Division	GHG Emissions (tCO <sub>2</sub> -eq)		
	Direct Emissions (Scope 1)	Indirect Emissions (Scope 2)	Scope 1 + Scope 2
SK gas	17,768.920	4,744.351	22,513
Total	17,768.920	4,744.351	22,513

  
May 24<sup>th</sup>, 2021  
CEO Ji-Young Song  
Korean Foundation for Quality (KFQ)

# Key Awards·Evaluation Results and Membership Status

## Awards

Date	Awards
February, 2021	Won ‘Gold’ prize in the category of sustainable report, ranked 52 <sup>nd</sup> among top 100 reports and received Technical Achievement Award at LACP Vision Award
December, 2020	Selected as a good company in the category of local community support (received an citation from the mayor of Seongnam City)

## ESG Evaluation Grade

Classification		2018	2019	2020	Note
KCGS	Total	B+	B+	A+	
	E	B	B	B+	
	S	A	B+	A+	
	G	B+	A	A+	
MSCI			B	B	Our grade upgraded to BB in February 2021

## Contributions for Membership Associations and Groups

Classification		Units	2018	2019	2020
Sponsoring Organizations (Top 5 organizations Participating associations and Contribution status)	Korea LPG Industry Association	KRW 1 million	60	56	33
	Korea LP Gas Sale Association	KRW 1 million	15	15	25
	H2KOREA	KRW 1 million	25	25	25
	KBKSD	KRW 1 million	15	15	10
	Association of Energy Future Forum	KRW 1 million	5	5	5

## Major Donations

	Organizations	Programs
1	Plato Academy	Support for academic research on humanities
2	Chey Institute for Advanced Studies	Establishment of foundation
3	Community Chest of Korea	Donation to support disadvantaged neighbors at the end of the year



Classification			SK gas Policies and Activities
Human Rights	Principle 1	We will support and respect the protection of internationally proclaimed human rights.	SK gas established Declaration of Human Rights and Human Rights Regulations in 2020, which was a clear manifestation of our robust will to protect human rights of all stakeholders ranging from our employees to partner companies and local communities. In addition, we actively listened to our employees' grievances more and reflected their opinions through regular communications, thereby building a fairer and more reasonable talent selection process. Diverse capability building programs are also provided for all of our employees so that they can sharpen their competencies in a constant manner with their talent and job fitness taken into account.
	Principle 2	We will not participate in abusing human rights.	
Labor	Principle 3	We will uphold the freedom of association and acknowledge the rights of collective bargaining.	
	Principle 4	We will eliminate all forms of forced and compulsory labor.	
	Principle 5	We will abolish child labor effectively.	
	Principle 6	We will eliminate discrimination in respect of employment and occupation.	
Environment	Principle 7	We will support precautionary approaches to environmental challenges.	With an objective to translate environmental management into reality, SK gas formulates stringent environmental standards and aligns with them. Furthermore, efforts are also being made to minimize the generation of pollutants, such as GHGs and wastewater in order to preserve the environment. Promotion of eco-friendly business and future energy innovation is also one of our focuses.
	Principle 8	We will undertake initiatives to promote greater environmental responsibility.	
	Principle 9	We will encourage the development and diffusion of environmentally friendly technologies.	
Anti-Corruption	Principle 10	We will continuously make effort to uphold anti-corruption in all its forms, including extortion and bribery.	SK gas has established our own code of ethics built on SKMS, the management philosophy of SK Group and set up a management system for anti-corruption while obtaining ISO 37001 certification in 2020. Based on these achievements, SK gas ensures that we comply with concrete code of conduct and make our operation transparent and fair through the operation of an ethics counseling office and other various reporting channels.



To minimize impact on environment and use of natural resources, spot color and coating are avoided, and soybean oil is used for printing process.