

2018 SK holdings Sustainability Report

DEEP CHANGE





ABOUT THIS REPORT

Overview

SK holdings Co., Ltd. (hereinafter “SK holdings” or the “company”) communicates with its stakeholders in a transparent manner by publishing its annual Sustainability Report. The major issues reflect key stakeholder interests and include not only financial performance but also non-financial activities and achievements in a comprehensive way. SK holdings applied the Global Reporting Initiative (GRI) Standards, and its sustainability reports include the company’s strategies and activities for generating social values in connection with the Sustainable Development Goals (SDGs) of the United Nations. In addition, the sustainability reports discuss the status of the company’s major businesses and future growth strategies in detail.

Reporting Period and Scope

This Sustainability Report includes the financial and non-financial performance of SK holdings related to its major sustainability management activities from January 1 to December 31, 2017, and some information includes data up to March 2018. For the purpose of identifying trends and developments linked to quantitative performance, data from the three most recent years were included: beginning from January 1, 2015 and ending in December 31, 2017.

Reporting Standards

This report was prepared in accordance with the Core Option of the GRI’s Standards and has been verified by an independent third party to satisfy the requirements. In addition, the principles of the Communication on Progress (COP) of the UN Global Compact (UNGC) have been applied.

Report Boundaries

Major boundaries of quantitative and qualitative performance in this report are limited to SK holdings. This is provided that sales, which serve as the core performance index for all business sites, are based on consolidated financial statements to facilitate a comprehensive understanding for stakeholders. The report boundaries are made according to International Financial Reporting Standards (IFRS) and are in consideration of the company’s actual control and the degree of impact of each business site on major issues. Considering the merger on August 1, 2015, data from 2015 covers January to December 2015 for the acquiree (SK C&C), and August to December 2015 for the acquirer (SK holdings). Any standards otherwise applied are stated separately in the report.

Report Verification

To secure its reliability, this report has been verified by DNV-GL, an independent verification service provider. The verification based on the standard protocols, VeriSustain™ and AA1000AS (2008). The verification statement is provided on pp. 78 - 79 of this report.

INTERACTIVE USER GUIDE

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Greetings from the Chairman



“ SK holdings will generate happiness for communities and promote sustainable growth with all stakeholders through Deep Change. ”

Throughout the past 60 years of Korea's economic growth, SK Group has been steadfast in its dedication to the national economy with the help of our performance in basic industries: energy, chemicals, information and communications, semiconductors, and distribution.

In 2017, SK continued to make excellent progress. Despite a sluggish global economy and uncertain business environment, we reported KRW 138 trillion in sales, KRW 20 trillion in operating profits. What made these achievements possible was the sincere efforts of our executives and employees in union with the unwavering encouragement of our stakeholders. We want to express our deepest gratitude for your support.

However, SK is looking beyond economic value creation. We are highly dedicated to creating social value, and we will continuously address social issues such as unemployment, social polarization, and environmental pollution. For this reason, we emphasize our management philosophy and the foundation of our corporate culture, the SK Management System (SKMS).

The top priority of SKMS is to enhance the happiness of our stakeholders. This requires building a solid foundation for our company's growth through establishing business strategies in response to rapidly changing business environments, and moving forward to go beyond what is conventional. SK defined this as a pursuit of "Deep Change" in business.

To create Deep Change, SK will focus on three priorities:

First, we will build a new business model.

Building a new business model, a key process of pursuing Deep Change, is part of SK's efforts to move from red ocean to blue ocean strategies. In this regard, we will create a new business model that can balance economic and social values, and respond to changing global markets. We will also foster an open ecosystem based on shared infrastructure.

Second, we will streamline asset management.

Asset refers to every tangible and intangible economic resource of a company used to operate a business. Thus, the assets of a company can vary as the company's management objectives change. In consideration of our business objectives to create economic and social values, we aim to transform our asset management.

Finally, we will create innovation in the "working environment."

The conventional image of a company is a place where employees work in the same room during the same office hours. SK, however, will think outside of the box. We will tear down the walls between internal organizations, and promote innovation and creativity in our workplace. Through this, we will change the corporate culture and customs that have clung onto the stereotypical image of organizations, and revolutionize it in the process.

In 2018, SK will continue to challenge and change the future. We will do our utmost to deliver economic and social values, thereby improving the happiness of our stakeholders. Once again, we ask for your enduring support and encouragement for SK Group.

Thank you.



Chairman & CEO of SK holdings
Chey Tae-won

CEO Message



“ SK holdings pursues happiness for all stakeholders
by generating new values through Deep Change. ”

Dear valued stakeholders,

SK holdings is enacting a variety of efforts to grow into a globally-competitive holding company through “Deep Change.” Our efforts are rooted in our belief that we must change and innovate to achieve continued growth while adapting to the rapidly-changing global business environment. Such changes must not only occur in our business processes, but also apply to all areas of business management including how we think and the way we do our work.

Based on these changes, we have achieved significant performance in the past year by securing a business portfolio in biopharmaceuticals, global energy, and semiconductor materials to ensure our company’s future growth. We have also established our footing as a digital transformation leader in ICT and have stabilized our existing IT service business models based on their profitability.

Notable achievements in biopharmaceuticals include expanding our domestic production plant in Sejong City to twice its size, and by acquiring Bristol-Myers Squibb’s pharmaceutical manufacturing facility in Ireland through SK Biotek, a wholly owned subsidiary of SK holdings. This acquisition has enabled us to gain a foothold for global business expansion by securing a large-scale production facility in Europe.

In the global energy field, we have secured future growth engines and strengthened our position as a global investor by acquiring a stake in Eureka Midstream, a U.S. shale gas transportation and processing company, ensuring our successful entry into the North American G&P(Gathering & Processing) market. We have also invested in e-Shang Redwood (ESR), a No. 2 logistics warehouse operator in China.

In the ICT field, we have solidified our footing as a domestic leader by launching “AIBRIL,” an AI platform developed through global partnership, and “Cloud Z,” which provides multi-cloud services, with the objective of achieving digital transformation.

Through these efforts, SK holdings has attained KRW 93.3 trillion in sales and KRW 5.8 trillion in operating profits on a consolidated basis in 2017. The dedication of our employees toward generating social values and the support of our stakeholders have enabled us to be included in the Dow Jones Sustainability Index (DJSI) World for six consecutive years. We have also earned recognition through the ESG Award from the Korea Corporate Governance Service (KCGS) and the Government Prize from Korea’s Most Loved Companies, once again proving our value as a global sustainable company.

In 2018, SK holdings will continue its sustainable growth by carrying out the following tasks:

In the biopharmaceutical field, we anticipate unprecedented success with the new drug Cenobamate, developed by SK Biopharmaceuticals, after completing its commercialization and New Drug Application (NDA). We will continue to expand our global pharmaceutical manufacturing business by extending production facilities and through M&A.

In the global energy field, we will follow up with our successful entry into the North American G&P (gathering & processing) market by exploring new project areas, accelerating value enhancement, and strengthening technological development and global competitiveness in semiconductor materials. In the field of mobility, we will aggressively expand our global businesses while strengthening our competitiveness by creating synergy through investments.

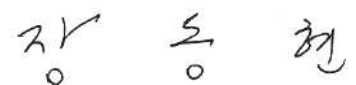
In the ICT field, we will pursue digital transformation-centered growth and transition to a sustainable profit structure. To reach these goals, we will secure new markets and customers and continue our efforts for a transition of profit structure by strengthening our competency and making bold investments. Furthermore, we will solidify our position as our client’s reliable partner on whom they can rely on to strengthen their competitiveness.

Finally, we will do our utmost to pursue and practice corporate social values. We will protect the rights of our shareholders and promote communication by introducing the Corporate Governance Charter and the representative independent director system recently adopted by the Board of Directors. We will also share and grow with society by prioritizing our work to solve social issues as diligently as we prioritize our pursuit of corporate growth. Furthermore, we will create a “NEW SK,” constantly changing and innovating to be a leader in creating an open corporate ecosystem through shared infrastructure and fulfilling our corporate social responsibility.

Respected shareholders,

All employees at SK holdings will generate new values by dedicating themselves to creating and practicing “Deep Change.” We ask for your unwavering support in our endeavors as we continue to build a future of sustainable growth.

Thank you.



CEO and President, SK holdings Co., Ltd.
Dong-Hyun Jang

SK Group Introduction

SK Group, the Best Partner for Your Happiness

SK Group Introduction

SK Group is an organization whose ultimate aim is to enhance the happiness of society through change and innovation. SK Group has continued to face challenges for the past 65 years in order to create social values and to achieve significant accomplishments. By seeking successful growth strategy for the future, we have succeeded in making meaningful progress by strengthening the competitiveness of our affiliates in the industries of energy, chemicals, ICT, distribution, and services. As a result, SK Group has become a representative company of Korea and a recognized global company. This was all possible due to SK Group's management principle, the Double Bottom Line (DBL) principle. The main purpose of the DBL principle is to enhance the happiness of society by delivering both economic and social values in all of our businesses. The principle signifies that SK Group is committed not only to generating profits, but to contribute to the world by addressing social issues and fulfilling corporate social responsibilities. Beyond generating profit from a short-term perspective, we will play a role of social responsibility and social responsibility as exemplary corporate citizens and build a happy world for all stakeholders.

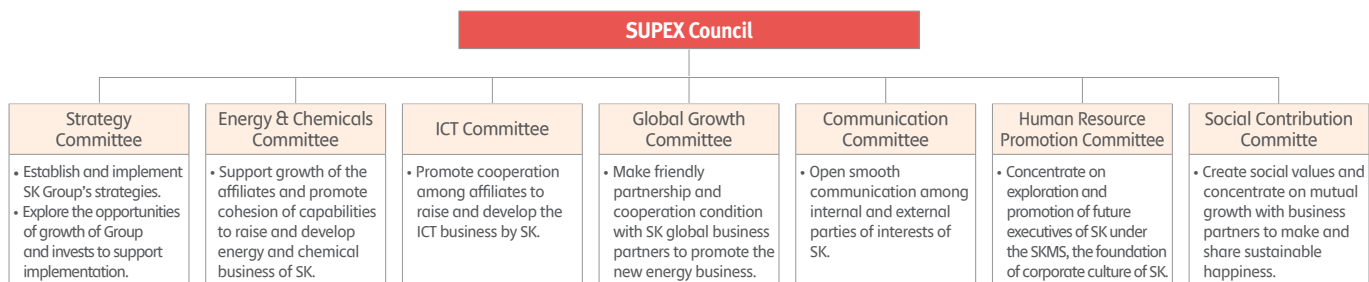
SKMS, SK Group's Management Philosophy

The SK Management System (SKMS) has contributed greatly to the growth and development of SK Group by laying a foundation of corporate culture and business operations. All members of SK Group use SKMS not only to enhance their own happiness, but also to work on the development and progress of the company and community.

Happiness for Stakeholders	SK Group believes that our duty is to enhance the happiness of our diverse stakeholders. SK People should prioritize the happiness of stakeholders in the belief that it will lead to the greater happiness of the SK Community and, as a result, each individual member.
DBL (Double Bottom Line)	The Double Bottom Line (DBL) principle is SK's management methodology in pursuing our ultimate goal of seeking stakeholder happiness. This signifies that SK will create not only economic, but also social values in all of our businesses. This ensures that the company can promote the development of both SK and society. By adhering to the DBL principle, SK can establish management strategies and innovate business models to deliver social values by pursuing efficiency and utilizing all capabilities.
Pursuing SUPEX	To become a happier company, SK Group targets and strives to achieve the highest levels of SUPEX, or Super Excellence, that can be reached by human capabilities. Super Excellent Level, which means the highest performance level attainable.
Voluntarily and Willingly Brain Engagement	SK Group is well aware of the fact that our members are key players in reaching the ultimate level of happiness, and that exerting each members' full potential is a prerequisite for achieving the SUPEX level. SK People must contribute to the performance of the company by utilizing their capabilities to the fullest through VWBE (Voluntarily and Willingly Brain Engagement).
'Pae-gi' (ambition)	SK Group considers that ambitious people are those who actively participate with great enthusiasm. Ambitious people act in a bold manner to achieve goals, strive to develop competencies, and demonstrate teamwork to achieve successful outcomes. Since we treasure these ambitious people, we are committed to providing the best environment for them to reach their full potential.

SUPEX Council - Highest Consultative Committee for Management of SK Group

The SUPEX Council is SK Group's official supreme consultative body for the utilization of collective intelligence and the expansion of mutual cooperation between our affiliates. CEOs of these affiliates attend the SUPEX Council every month to discuss mutual cooperation in diverse areas.



Distribution to Stakeholders

(Unit: KRW million)

Total Profit

2,535,655

Total Profit	2,535,655
Operating profit	2,477,840
Other profit	1,071
Financial profit	17,953
Profit and loss of affiliates' investment	38,791



Total cost

1,931,462

Total cost	1,931,462
Subtotal	1,892,329
Operating cost	1,608,284
Other cost	115,778
Financial cost	168,267
Total corporate tax	39,133
Corporate tax expenses	39,133

Net profit during the term

604,193

Net profit during the term	604,193
Reservation value	395,527
Dividends	208,666



Employees

421,348

Salary	344,038
Severance payments	28,184
Welfare benefits payments	49,126



Business Partners

920,542

External order expenses	624,583
Material costs	267,466
Payment commissions	28,493



Donation to local communities

15,959



Corporate tax expenses

39,133



Shareholders and investors

152,787



Other operational expenses

381,693



Dividends

208,666



Reservation value

395,527

* Profits and loss of the EnCar department is excluded due to the cessation of the business

At a Glance

ICT & Semiconductors

SK hynix

SK hynix is in charge of producing memory semiconductors, which are essential for various IT devices; and system semiconductors, such as CIS. The company has continued to invest and conduct in R&D based on its abundant experience in semiconductor manufacturing to enhance competitiveness in cost and technology, thereby leading the global semiconductor market.

SK Telecom

SK Telecom is working to become a global ICT leader instead of settling on globalizing its mobile communication services only. In this regard, the company has elected members of the GSMA board, and is actively cooperating with international organizations and overseas IT organizations such as ITU, UNGC, and CDG.

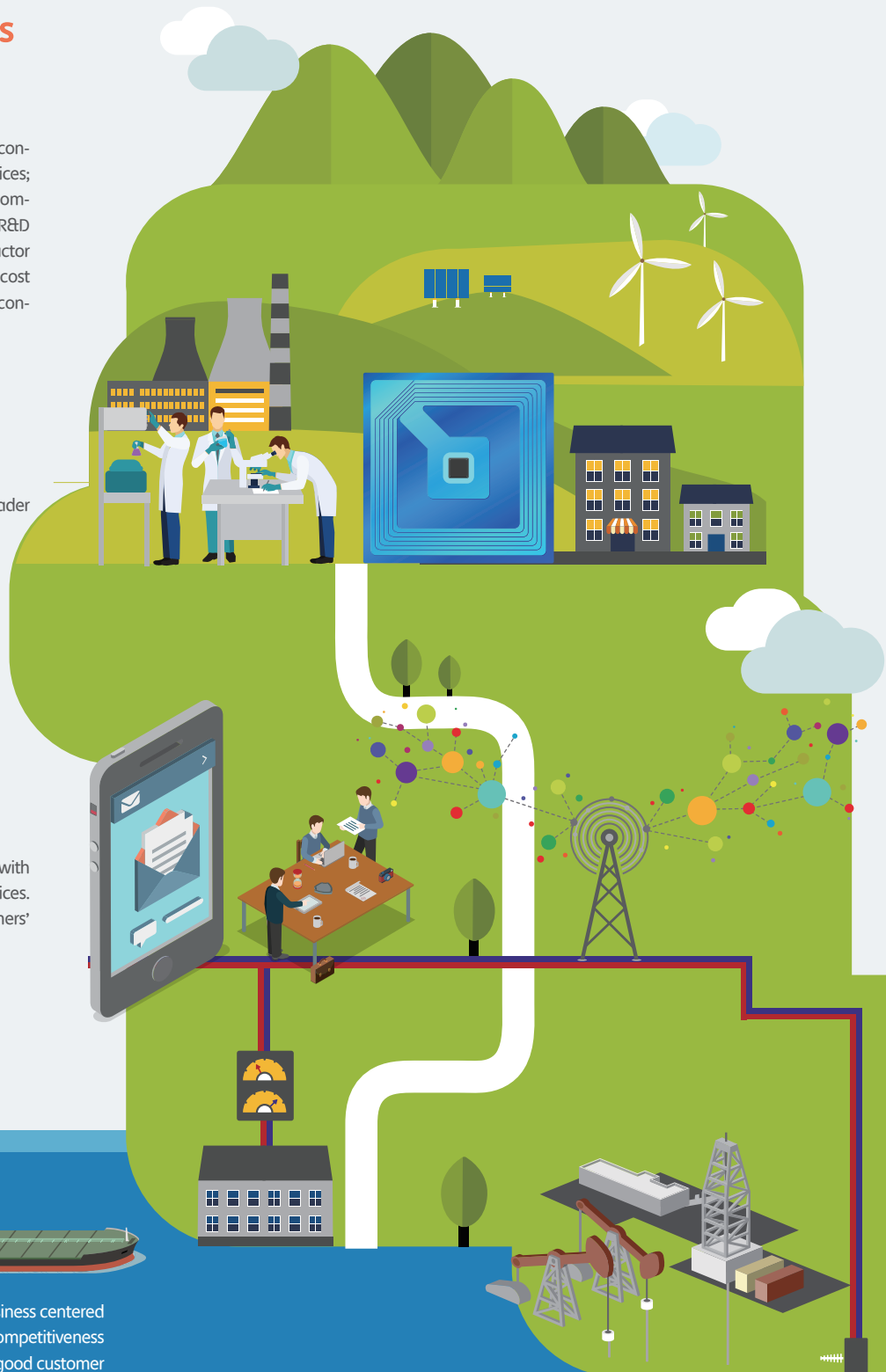
SK infosec

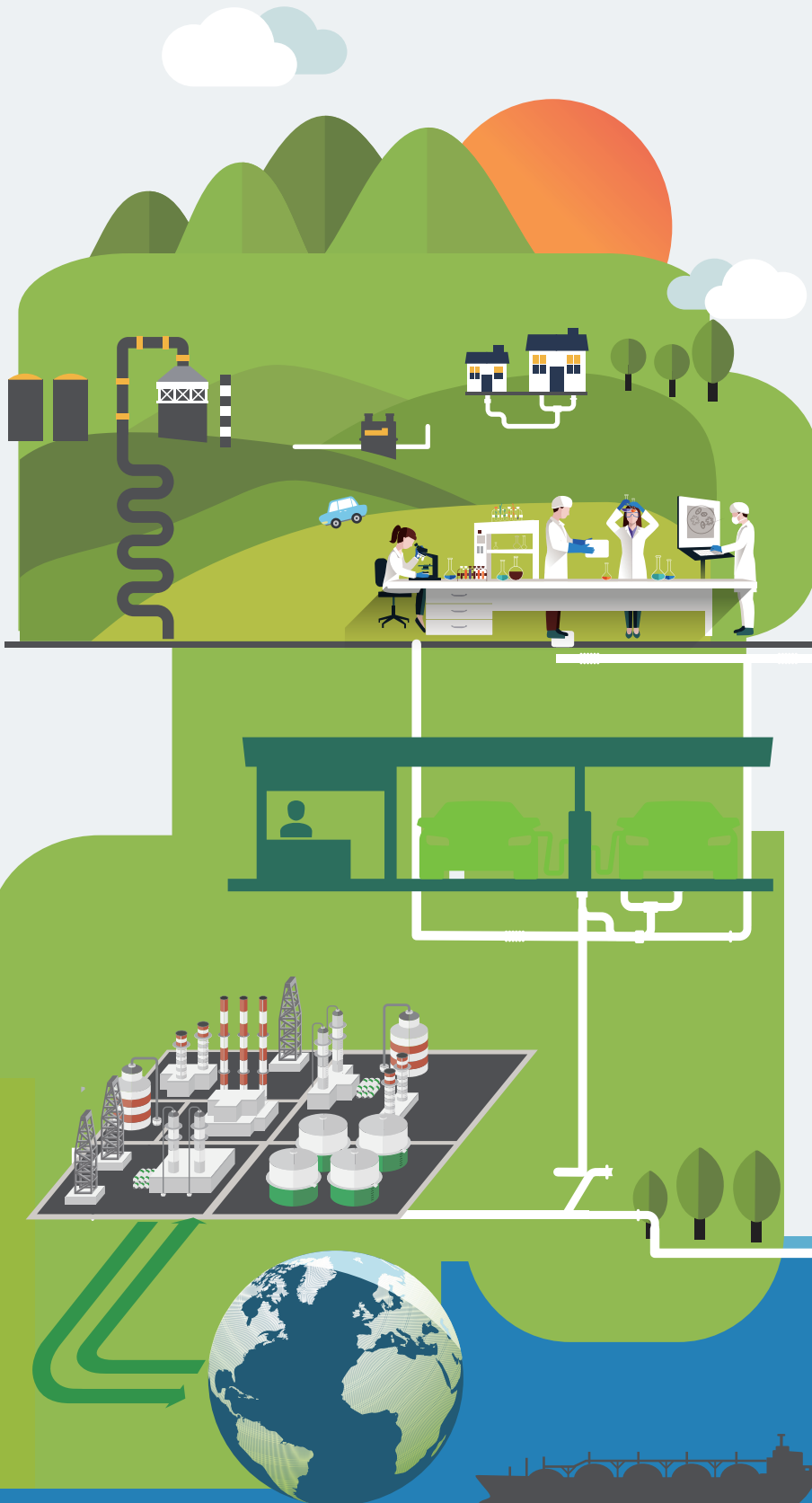
SK infosec is leading Korea's security industry with the aim of providing world-class security services. The company is committed to preserving customers' major values, supporting customers' businesses, and increasing profitability of security businesses based on digital surveillance platforms.

Marketing

SK Networks

SK networks conducts an energy distribution business centered on petroleum products based on its strong competitiveness through domestic and overseas network bases, good customer relations, and logistics capabilities. The company also leads the domestic distribution market of mobile devices. In addition, the company promotes growth via rental business of SK magic, and via car business including car repairs in emergencies and parts distribution business.





Service

SK biopharmaceuticals

SK biopharmaceuticals has committed to developing innovative new drug candidates related to the central nervous system with the aim of entering the global market. As a result of this long-term investment, the company has become a new drug developer with multiple clinical pipelines which are likely to succeed in the global market. SK biopharmaceuticals was the first in Korea to receive IND approval (approval for clinical trials) from the FDA, and they have obtained a total of 16 IND approvals.

Energy and Chemicals

SK Innovation

SK Innovation is Korea's leading energy and chemicals company. Its business areas range from petroleum development, to battery and materials. SK Innovation aims to become a technology-driven innovative company. As a result, the company is now developing technologies to lead global markets in the fields of energy, petrochemicals, and new materials based on its accumulated technologies in the energy and petrochemicals sectors.

SK E&S

SK E&S is expanding its business to LNG, electric power, integrated energy, renewable energy, and overseas energy. In the future, SK E&S will grow into a global provider of clean energy and solutions by constructing a value chain of energy development, transportation, and supply.

SKC

SKC has spearheaded relevant industries since its establishment in 1976, and has developed numerous products in the fields of film, chemicals, and materials. They are now focusing on high-value-added specialty businesses such as transparent PI films and elastomers. SKC will continue to invest and conduct R&D to lead the high-value-added advanced materials market.

History of SK

- 1973. 02 Supported talent development by sponsoring a quiz program, Janghak Quiz
- 1972. 11 Promoted business diversification through the acquisition of WalkerHill
- 1959. 12 Began producing polyester fabrics
- 1958. 11 Began producing nylon fabrics
- 1953. 10 Established Sunkyoung Textile

- 1984. 06 Entered the LNG and LPG industries with the establishment of Yukong Gas (now SK Gas)
- 1980. 12 Acquired the Korea National Oil Corporation (now SK Innovation) and developed videotapes
- 1978. 10 Developed polyester resin by utilizing technology invented by SK

1953

Innovated Koreans' apparel

1973

Led Korea's economic growth with energy and chemicals



2017

Paving the "SK Way" to become a global leading company

2010

- 2017. 09 SK hynix invested in Toshiba's memory unit
- 2017. 01 Built a comprehensive semiconductor material portfolio by acquiring Siltron
- 2016. Acquired shares of SK Materials, SK Biotek, etc. to enhance competitiveness in the semiconductor and biopharmaceutical business
- 2015. 08 Established an integrated holding company (merged SK C&C and SK holdings)

- 2012. 05 Expanded the Global IDC business for SK Broadband's overseas business
- 2011. 11 Acquired Hynix Semiconductor (now SK hynix) to take a leap forward
- 2011. 04 Established SK biopharmaceuticals to focus on the life science businesses

- 1996. 01 Korea Mobile Telecommunications Corp. commercialized CDMA for the first time in the world
- 1994. 07 Began IC businesses: Acquired Korea Mobile Telecommunications Corp. (now SK Telecom)
- 1991. 06 Established vertical integration from raw materials to products, with the completion of the Ulsan Complex Plant

- 2002. 12 SK Telecom introduced the world's first 3G mobile communication service
- 1999. 12 Merged SK Telecom and ShinSegi Telecom, Inc.
- 1998. 12 Launched SK C&C, a comprehensive information technology company
- 1998. 04 Established SK Telink to respond to the globalization of the telecommunication market
- 1998. 01 Declared SK Group's new CI

1991

Contributed to a highly connected information society



The Third Foundation, Adopting a holding company structure

2006

Ushered in a new era with growth and happiness

2002

- 2009. 12 Established SK Smile Microcredit Bank
- 2009. 09 Established the "Primary School of Happiness" in Sichuan to support earthquake victims
- 2008. 08 Launched the "SKMS Research Center" to strengthen corporate culture
- 2007. 04 Adopted a holding company structure to promote transparency in corporate governance: SK holdings

- 2006. 11 Established the SK Happiness Sharing Foundation
- 2006. 04 Completed the Ulsan Grand Park to contribute to the local community and citizens' quality of life
- 2005. 12 Acquired the Incheon Oil refinery (now SK Incheon Petrochem)
- 2004. 07 Created the SK Volunteer Group to work for a better world

Stakeholders Interview

Sustainability management is a new management paradigm that pursues economic, environmental, social responsibility, and performance together. SK holdings believes that promoting corporate sustainability and delivering social values are a prerequisite for corporate development. This is why we collect our stakeholders' opinions and main interests every year and apply them to our sustainability management activities.

Prof. **Lee, Ji-Hwan** |
KAIST College of Business

Social Value



“Delivering social values by advancing a solid management system and corporate culture”

Humanity has progressed by resolving various social problems. However, as society has become larger and more complicated, so have social problems. Now, it is difficult to address social issues through only the efforts of public institutions and non-profit organizations. SK holdings has greatly contributed to creating social values and fostering social enterprise. But if SK holdings settles for these accomplishments, the company may not move away from a conventional management style of supervision and control. Therefore, in order to become a sustainable company, SK holdings need to advance an innovative management system and corporate culture by listening to the opinions of stakeholders and experts, and then apply them to capabilities development.

Subjects and Details of the Interview

Common Subjects

SK holdings' mission to become a more sustainable company

Yoon, Jin Soo Head of the Analysis Division |
Korea Corporate Governance Service

Governance



“Fulfilling Corporate Social Responsibility through sustainable governance”

In modern society, the separation of ownership and company management often results in agent problems between shareholders and managers. Corporate governance may be a direct solution to these problems. The Board of Directors, in particular, serves as a key player in keeping management in check and advising rational decision making. SK holdings' Board of Directors leads the SK Group's governance structure and CSR management based on its understanding of SK's direction and business strategy. The activities of the board have received positive evaluations from stakeholders. For example, the board obtained an A+ rating in the ESG evaluation in 2017 by leading active discussion among independent directors via the Governance Committee. Therefore, I hope that SK holdings will continue to take the lead in addressing social issues through a sustainable corporate governance system and activities.





Factors of SK holdings' Sustainability Management

Individual Subjects

Social values

Governance

Investment with social
responsibility

New growth engines



Lee, Jong Oh Executive Secretary |
Korea Sustainability Investing Forum

Investment with Social Responsibility



“Improving communication by promoting better accessibility to a wider range of information”

These days, socially responsible investors from Korea and the world have been encouraging companies to fulfill CSR. With this market trend, they have demanded more transparency and access to a broader disclosure of ESG-related information. I believe SK holdings managed to follow this market trend better than others. SK holdings disclosed information on its social sector, and in particular, the company demonstrated its will to improve transparency and address anti-corruption by reporting a number of violations related to ethics management. It was also very impressive that SK holdings disclosed its employment status after organizing data according to various criteria including type, gender, and age. I believe that if SK holdings shares information on goals for promoting sustainability, achievement, causes of under-achievement, and plans for improvement, the report will facilitate a clear road to the future as well as performance outcomes with stakeholders.

Jeong, Dae Ro Senior Researcher |
Mirae Asset Daewoo

New Growth Engines



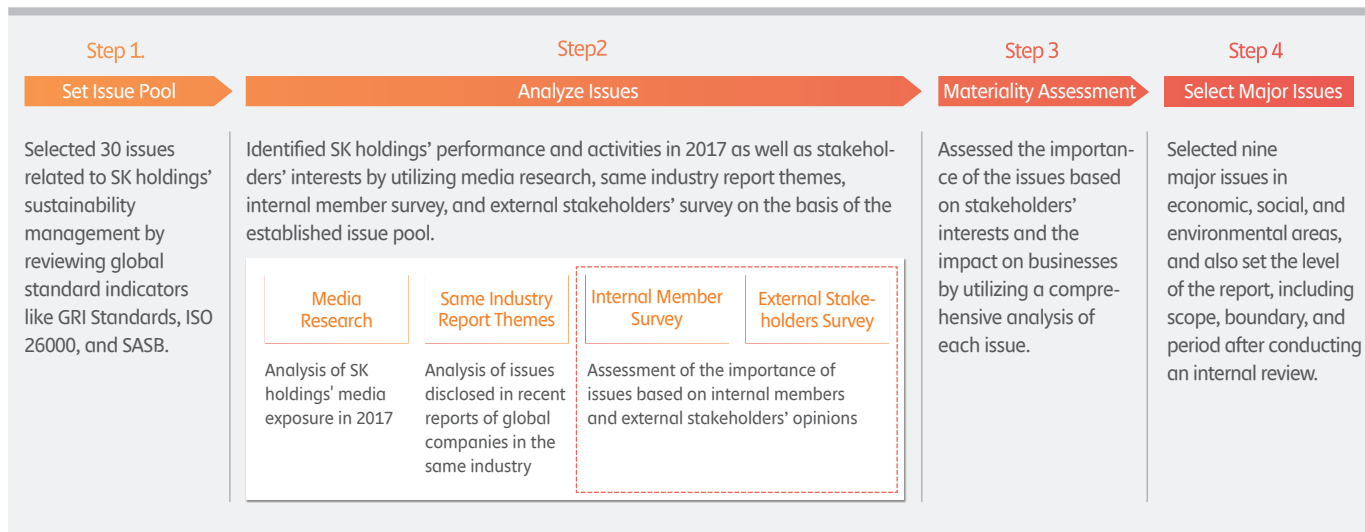
“Delivering value to society members by sharing a clear vision for the future”

As global competition intensifies, companies around the world are competing fiercely to generate new business growth engines. Among them is SK holdings who have achieved diverse outcomes by diversifying its portfolio. I believe what is necessary for SK holdings is to demonstrate a clear image and direction of the company's future development. To do so, SK holdings needs to share changes in its existing portfolios as well as concrete reasons for a new portfolio with investors. This signifies that the company should share value beyond the company's fundamental goal of pursuing profits. In order to become a sustainable company, I think it is necessary for SK holdings to provide a place where members of society can enjoy and work, thereby simultaneously creating profits and social value.

Materiality Assessment

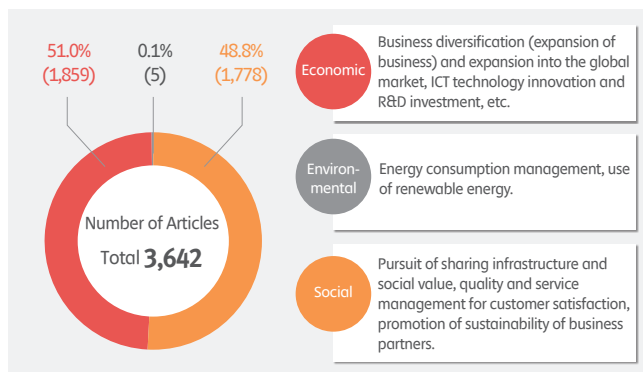
The Materiality Assessment process analyzes internal and external business environments, stakeholders' expectations, and issues of interests. It then sets future objectives and reports on these outcomes made by this analysis. In the assessment, we first select multiple issues related to sustainability management in consideration of diverse global standard indicators. After this, we assess the significance of each issue by conducting media research and surveys, and refer to major issues that our industrial peers may face. After finishing this assessment of major issues, we disclose all relevant information in our Sustainability Report.

Materiality Assessment Process



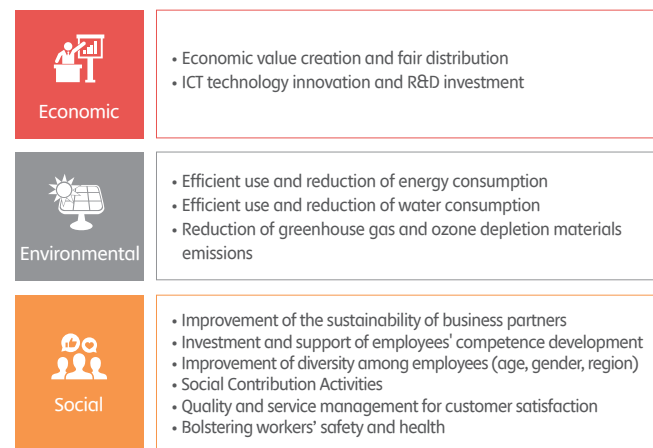
Media Research

We analyzed the media exposure of SK holdings in domestic newspapers, business magazines, online newspapers, and others from January 2017 to January 2018. The analysis showed that these articles mainly focused on SK holdings' business diversification (expansion of business) and expansion into the global market, ICT technology innovation and R&D investment, the pursuit of sharing infrastructure and social value, quality and service management for customer satisfaction, and the promotion of sustainability of business partners.



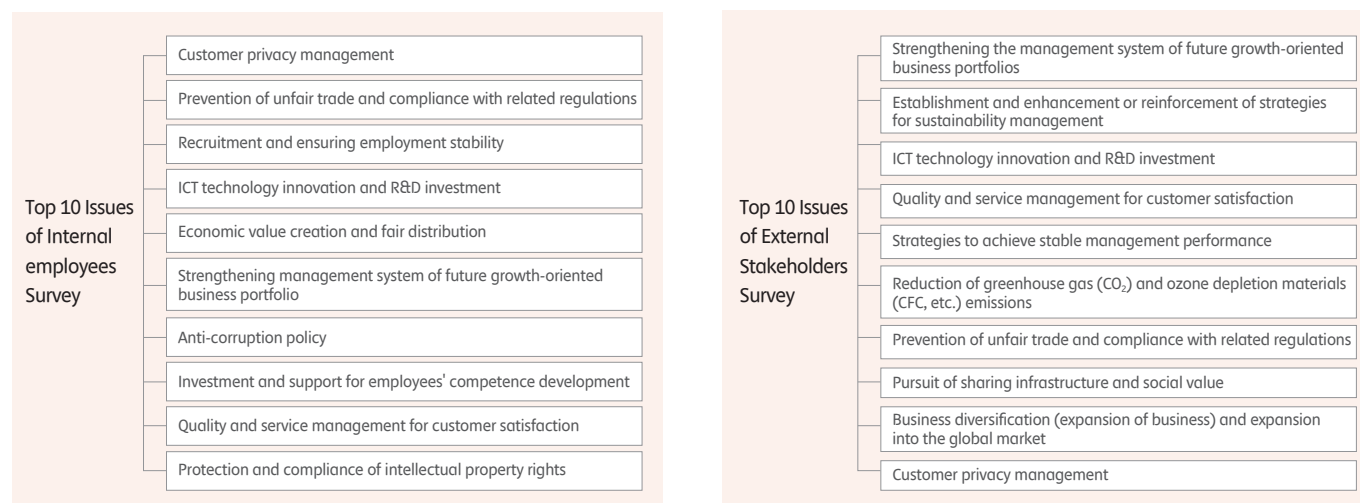
Same Industry Report Themes

We reviewed recent sustainability reports of global leading companies who operate their businesses in the same industries as SK holdings, and identified trends on reporting issues.

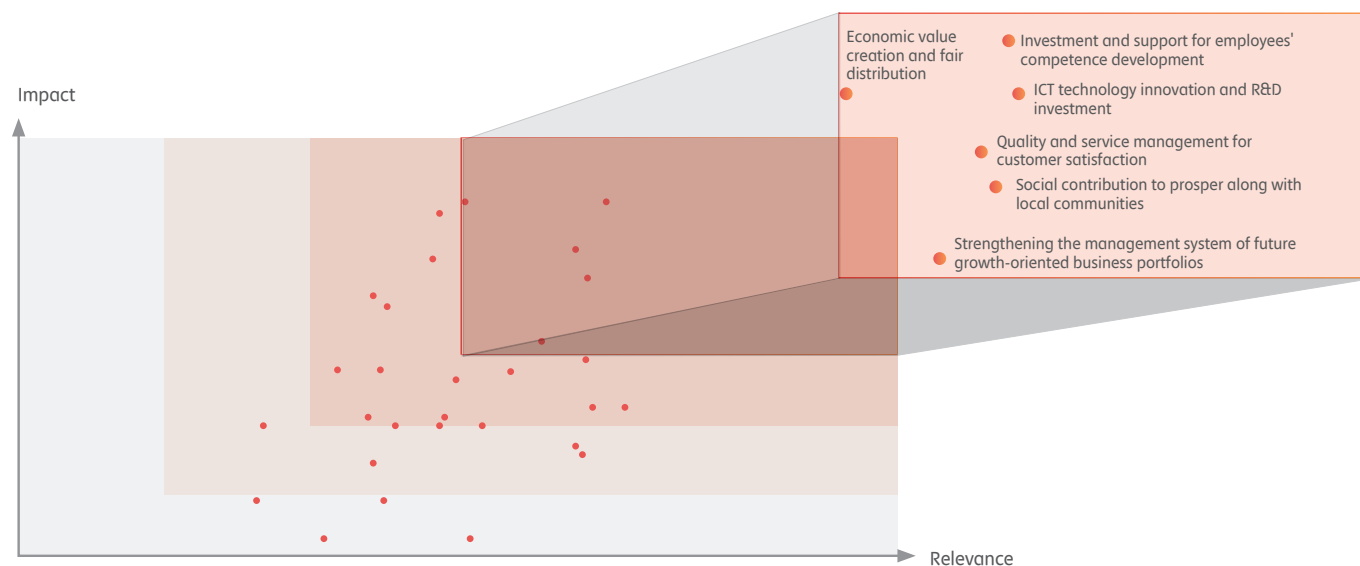


Stakeholders Survey

In 2018, we conducted surveys on topics related to SK holdings' sustainability management. The result showed that internal members are mainly concerned with issues related to members and regulations, while external stakeholders are largely concerned with management strategy, business, and technology.



Materiality Assessment Results



Material Issue	GRI Standards Topic	Report Category	Page
Economic value creation and fair distribution	[GRI Standards : 201] Economic Performance	Distribution to Stakeholders	9, 20-21, 63
Investment and support for employees' competence development	[GRI Standards : 404] Training and Education	Fostering and Securing Talent	38-41, 66
ICT technology innovation and R&D investment	Other business issues	R&D and Innovation	46-50
Quality and service management for customer satisfaction	[GRI Standards : 416] Customer Health and Safety	Management of Quality and Service	22-23, 51-52
Social contribution to prosper along with local communities	[GRI Standards : 413] Local Communities	Establishment of Sustainable Social Ecosystem	24-25, 58-61
Strengthening the management system of future growth-oriented business portfolios	Other business issues	Diversifying Growth Portfolio	20-21

2

STRATEGIC FOCUS AREA



20	Diversifying Growth Portfolio
22	Innovating ITS Business Models Centered on Digital Technology
24	Generating Social Values



Diversifying Growth Portfolio

In 2017, SK holdings raised new business portfolios in diverse areas including semiconductor materials, biopharmaceuticals and new medicine development, energy and mobility as a global holding company specializing in investment. We accomplished successful outcomes, but we will not settle with our current successes. SK holdings will continue to diversify and consolidate our business portfolios to cultivate future growth.

Achievements of 2017

Securing New Growth Portfolios

Semi-conductor Materials



SK holdings entered the semiconductor materials manufacturing industry in 2016 with the acquisition of SK Materials, a manufacturer of special gas for semiconductor manufacturing. In 2017, we acquired LG Siltron, which was the one and only Korean manufacturer and business partner of wafers for semiconductors. We then changed its name to SK Siltron and expanded its business. The acquisition signifies more than just entering the rapidly growing semiconductor materials market, since wafers for semiconductors* can only be manufactured by a small number of companies in Japan, Germany, and other countries. The acquisition of SK Siltron indicates that SK holdings succeeded in securing a stable supply of materials for domestic semiconductor manufacturers by preventing the outflow of core technologies, and by laying the foundation for SK Siltron's development as a global semiconductor materials manufacturer.

* Wafers for semiconductors: A thin sheet made of silicon which is a key material in semiconductor chips

New Medicine Development



SK Biopharmaceuticals, a wholly owned subsidiary of SK holdings, has invested in the development of innovative new medicines to advance into the global market since the company began R&D for new medicines in 1993. As a result, in 2017, Cenobamate, a new medicine for epilepsy that we developed ourselves, entered Phase 3 of the safety test of the U.S. Food and Drug Administration (FDA) without additional drug testing. In 2018, SK Biopharmaceuticals entered the process of preparing for fullscale commercialization of Cenobamate with the aim of applying for a New Drug Application (NDA). In addition, SKN-N05 (ingredient name Soliamfetol), which is being developed jointly with Jazz, an American pharmaceutical company, successfully completed Phase 3 clinical trials with SK Biopharmaceuticals completing their FDA application for new drug sales. As such, SK Biopharmaceuticals is establishing itself as a global pharmaceutical company. It has achieved commercialization of domestic medicine for the central nervous system in the global market and has the capability to conduct basic research, clinical development, production, and marketing of new medicine.

Medicine Production



SK Biotek, a wholly owned subsidiary of SK holdings, completed a contract on December 2017 to acquire Bristol-Myers Squibb Co.'s 81,100-liter raw material manufacturing plants in Swords, Ireland. This acquisition has enabled SK Biotek to enter the European pharmaceuticals market by owning large-scale production facilities in Europe, and to demonstrate a new synergy by combining its technological capabilities with the global sales network and production know-how of Bristol-Myers Squibb Co. In addition, SK Biotek invested KRW 65 billion in the construction of an additional 160,000-liter complex in Myeong-hak Industrial Complex in Sejong City, and began commercial operations. SK Biotek will continue to lay the foundations for the globalization of its businesses.





Securing New Growth Portfolios

Energy



SK holdings successfully entered the North American shale gas G&P business* by purchasing a stake in Eureka, an American shale gas transportation and processing company, in 2017. Eureka, a G&P specialist operating in the Marcellus and Utica Basin of Ohio and Pennsylvania, possesses gathering pipelines capable of transporting 17 million tons of natural gas annually. This investment is expected to strengthen SK holdings' value chain that encompasses the development, transportation, and supply of natural gas in the United States, further developing its capabilities in the global LNG industry.

* G&P business: Gathering implies transportation of produced natural gas through pipelines, while processing indicates services to remove impurities from transported natural gas to make it suitable for transportation and sale to final consumers.

Mobility



SK holdings began a car-sharing business in 2015 by purchasing a stake in SOCAR, a domestic car-sharing service company. In 2017, we invested in TURO, the number one P2P car sharing company in America, and became TURO's business partner to support its advance into the Asian market. In January 2018, we launched a joint venture with SOCAR, SOCAR Malaysia, to enter the car sharing business in the global market. In this way, SK holdings will continue

to create new global cooperation models in the car-sharing business and take the lead in social value creation to address various social issues, such as environmental pollution.



Key Initiatives for 2018

Accelerate the transformation of growth portfolios by strengthening a virtuous circle of "investment-value up-to-market"



Medicine Production

- Raise competitiveness to compete with global market leaders through M&A with global pharmaceutical Contract Development and Manufacturing Organizations (CDMO)



New Global Project Discovery and Execution

- Utilize abundant experiences and capabilities accumulated and cultivated from existing businesses to discover and execute new projects in promising areas, thereby expanding global market share



New Medicine Development

- Apply for a New Drug Application (NDA) of Cenobamate, and prepare for commercialization
- Come up with a plan for equity growth by preparing follow-up pipelines



Semiconductor Materials

- Strengthen the manufacturing competitiveness of SK Siltron and SK Materials, and expand business portfolios through executing long-term contracts

※ Target of 2020: Sales of KRW 200 trillion

Innovating ITS Business Models Centered on Digital Technology

SK holdings aims to innovate customers' Business Models (BM) by utilizing digital technologies. To achieve this, we continuously improve relevant technical skills, accumulate knowledge related to the industry, and produce new digital products and services. We will become the top digital service provider in Korea.

Achievements of 2017

Expanding Business and Exploring New Business Opportunities with Digital Technology

AI



SK holdings is expanding its AI business in various areas. In 2017, we collaborated with a Korean company specialized in education, Kyowon, to develop an AI-based smart education product, thereby successfully launching AI business in the education field. We also operate an AI-based call center, AIA ON, with AIA Life for the first time in the insurance industry. AIA ON consists of "Chatbot" which utilizes chatting to provide consultation, and "Roboteller" that consults by phone. Moreover, we have expanded our artificial intelligence business to various fields, including a joint development agreement with CU of BGF Retail to develop a future convenience store.



Big Data



We utilized big data technology to enhance our customers' competitiveness in major business areas of the industry such as manufacturing, communication networks, and insurance marketing. In this regard, we established an AI-based system to automatically classify defect images, and applied this system to the manufacturing process. This contributed not only to enhancing the accuracy and efficiency of our customers' work, but also went on to improve the manufacturing process itself. Furthermore, we built a strategic partnership with AIA Life Insurance to develop a digital healthcare platform by applying our digital technologies to AIA's personalized healthcare program, AIA Vitality.



Cloud



Cloud Z, launched in 2016, is a cloud service that attempts to break out of the traditional infrastructure lease approach (IaaS) to fully implement a corporate system in the cloud network. In the first year of its launch, more than 500 companies adopted Cloud Z in their system. Now, the service is expanding its business area to a range of industries including manufacturing, games, IT, education, automobiles, and sports. In April 2018, a promotion called the "Cloud Z All-in-One Package" was launched for small and mid-sized game companies to provide cloud infrastructure optimized to game operations, thereby supporting the advancement of domestic games into the global market. As such, we are establishing a solid foothold in the global market by utilizing the distinctive characteristics of Cloud Z, namely a focus on its system, not on its infrastructure.



In 2016, SK holdings launched a cloud service known as Cloud Z, and an AI service in Korean known as Aibril. After the launch, we began to provide digital services in various industries including distribution, insurance, manufacturing, medicine, and education. We also established a team dedicated to Digital Consulting to strengthen our business capabilities in each industry. In addition, we are upgrading our offshoring business model in China to provide cost-effective services.

Talent and Technology Development for Future Growth



In 2017, we established a digital consulting organization by combining our service capabilities and technologies for digital transformation to promote development and progress. As we appointed consulting industry specialists and experts on diverse digital technologies, the organization will help SK holdings become a partner for digital businesses who provide customized digital consulting. In this regard, we plan to introduce and implement new digital business models. We will lead the ICT industry by securing human resource and technology capabilities for future growth.

Stability of the Existing ITS Business & Strategies to Innovate Business Model



We reorganized the operating system of the Global Delivery Center in China to increase customer value, and demonstrate stability in the ITS business. Through this, we aim to support customer companies to expand global businesses and enhance cost competitiveness. In addition, we will pursue mid-term to long-term objectives such as building a shared infrastructure to streamline asset management, and establishing and implementing models to create social value.

Key Initiatives for 2018

Establish a Stronger Foundation for Sustainability Management with the Digital-centric IT Business Model Innovation



Accelerate Growth in Digital Business

- Spread the existing offering-type use cases
- Utilize customer partnership for successful new business models



Raise Competitiveness of Digital Products and Services

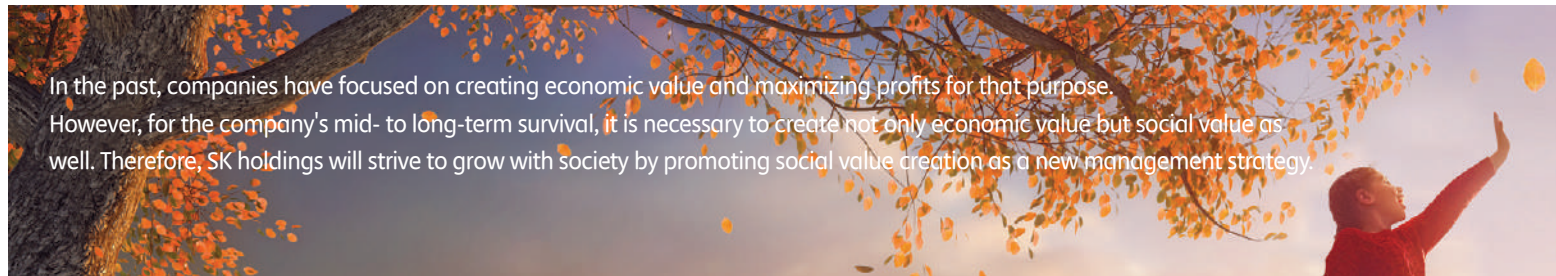
- Increase competitiveness of the platform by bolstering R&D efforts centered on applied technologies to respond to customer needs
- Foster an ecosystem by forming partnerships with domestic and overseas competitive companies



Innovate Business Models based on Shared Infrastructure and the Double Bottom Line (DBL)

- Build a shared infrastructure to increase efficiency of affiliates' IT resources management
- Set up a foundation to implement the DBL principle by establishing a model to create social value

Generating Social Values



In the past, companies have focused on creating economic value and maximizing profits for that purpose. However, for the company's mid- to long-term survival, it is necessary to create not only economic value but social value as well. Therefore, SK holdings will strive to grow with society by promoting social value creation as a new management strategy.

SK DBL (Double Bottom Line)

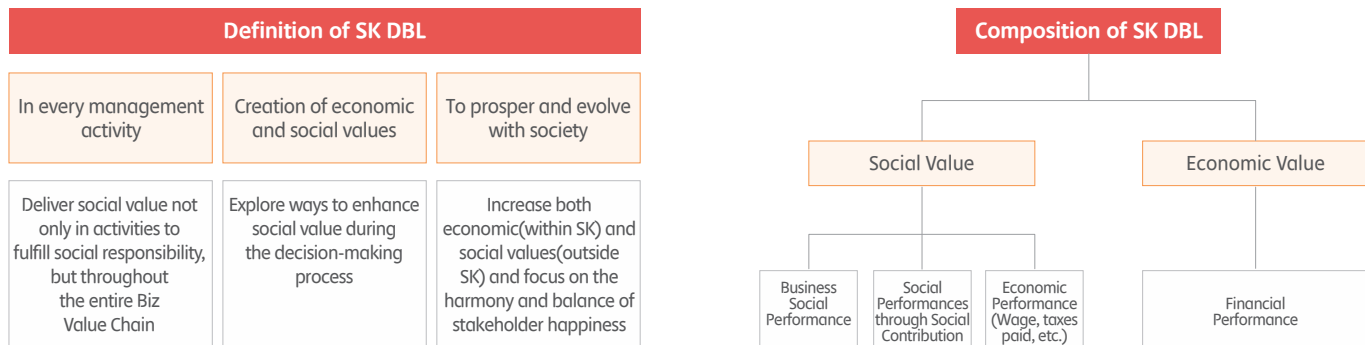
Propulsion Direction of SK DBL

In today's world, the perception of corporate culture has changed. Stakeholders expect companies to create social values, and as a result, creating social value has played a significant role in enhancing corporate competitiveness. Thus, SK holdings has established the Double Bottom Line (DBL) principle to pursue both economic and social values. Based on this, we set corporate management strategies to reduce damage to society and increase social value, thereby strengthening our competitiveness and development with society.



Introduction of SK DBL

The DBL is SK's management principle that aims to prosper with society by pursuing Social and Economic Values simultaneously. In order to achieve the goal of social value creation in accordance with this principle, SK has added to the SK Management System (SKMS). This system summarizes our management philosophy specified in our article of incorporation that we will, “not only contribute to economic development but also create social value to evolve with society.” All of these efforts signify that SK began the DBL Initiative to manage both economic and social value creation, breaking away from the conventional Single Bottom Line principle to focus only on economic value.



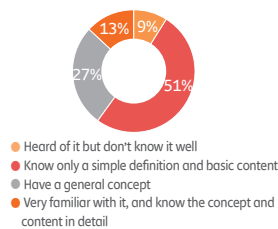


| Survey on Members' and Stakeholders' Understanding of Social Value |

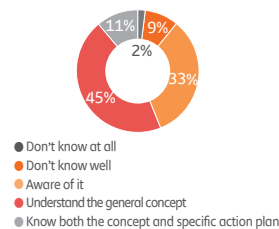
We conducted a survey to understand the level of employees' and external stakeholders' awareness of social values. The results were then utilized to enhance their understanding of social value and build a consensus on social value for the future. The survey of 80 people (45 employees, 35 external stakeholders) showed that it was necessary to improve the overall understanding of social value. Most stakeholders were aware of the concept of social value, but didn't thoroughly understand or deeply empathize with it. In addition, they did not know enough on how to deliver social value to society. Therefore, SK holdings will conduct practical activities to create social value and provide education programs to raise the social awareness of employees and external stakeholders. All of these initiatives are part of our efforts to create economic and social values, and to evolve with society.

Employees

Q1) How much do you know about social value?

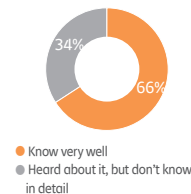


Q2) Do you know about SK Group's activities to create social value?

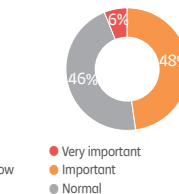


External Stakeholders

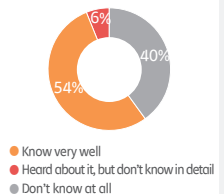
Q1) How much do you know about social value?



Q2) Do you think social value matters in sustainability management?



Q3) Do you know about SK Group's activity to create social value?



Aligning Social Value Creation with Growth Strategy

SK holdings aims to build a foundation for sustainable growth by innovating our business model to create social value. To this end, we have set up four key goals to establish business strategies: expanding business opportunities to support social value creation, creating social value by utilizing our digital technologies, delivering social value through collaboration with Social Enterprise in the IT industry, and creating a sound industrial ecosystem based on shared infrastructure. In addition, we will maximize both economic and social values by transforming the conventional business structure centered on the SI/OS Biz. into one focused on Platform and Solution.

Social Value Progress Direction

“Build innovative business models centered on social value creation to improve economic value performance”



Expand Affiliates' SV Offering

- Provide products and services to respond to customer needs → Make robust business propositions in major areas that can create social value



Utilize Digital Technology to Address Social Issues

- Build innovative business models to create social value in diverse industries
- Utilize digital technologies related to AI Big data, Cloud, etc.
- Prioritize areas such as medical, health, and legal information
- Change the focus of business structure from SI and OS to platforms and solutions
- Build strategic partnerships to achieve win-win cooperation



Leverage Shared Infrastructure

- Expand value creation by sharing SK holdings' tangible and intangible assets.



Collaborate with social enterprises to revitalize the social enterprise ecosystem

- Innovate the business processes of SK holdings by collaborating with social enterprises
- Focus on businesses related to IT platforms between SE MBA, SPC enterprises, and the social enterprises of SK

Generating Social Values

Social Value based Business Model Innovation Cases

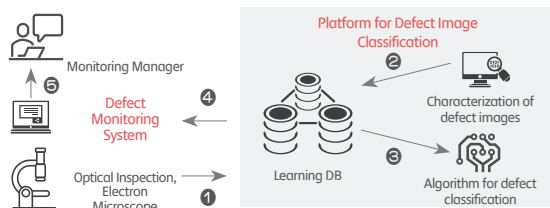
ADC



"Defect" in semiconductor manufacturing refers to a fault or imperfection of semiconductors caused by various reasons. In order to improve the quality of semiconductors and the efficiency of the manufacturing process, it is important to figure out why these defects occur and to control these occurrences. With the recent expansion of microscopic processes, the importance of defect engineering has increased. However, manufactures have relied on incomplete reviews of individual operators and have entered simple code information to classify tens of millions of defect images. They have also had difficulty reviewing statistical data on the shape, location, frequency, and cause of defect occurrence. This conventional way may have distorted the results, since individual operators could have different opinions and equipment performance could vary. In addition, contamination due to equipment contact on the back side of a semiconductor wafer can often cause defective products. All of these defects have led to the waste of chemical materials used in production and has increased the number of discarded wafers, thereby causing environmental pollution.

To address these problems, SK holdings has developed an AI-based solution. Automatic Defect Classification (ADC) classifies images of defective wafers by utilizing AI technology to learn and categorize different kinds of defects. SK hynix has applied the system to the semiconductor manufacturing process. Using the ADC, we have formulated different algorithms tailored to each design pattern and process, thereby constructing a monitoring system that can automatically conduct cumulative learning on massive amounts of data from various defect images to prevent defect occurrence. This has contributed in a decrease of defective semiconductor wafers, and a reduction in waste of chemical materials and resources used in semiconductor wafers. Due to the ADC, there has been a reduced amount of discharged industrial waste.

Furthermore, we have designed and commercialized new technologies for automatic image analysis and classification to improve the working conditions of semiconductor manufacturers. This has also increased the number of decent jobs. We have also shared the technologies with mid-size companies inside and outside of SK Group to build a shared infrastructure and promote mutual prosperity.



① Collect defect images ② Conduct cumulative learning on massive amounts of data on various defect images ③ Classify defect based on learned data ④ Provide real-time monitoring ⑤ Alert when defects occur and provide coaching

SV
Creation of
ADC

- Promote efficient use of resources and reduce the amount of industrial waste by saving resources and materials for wafer manufacturing
- Improve the working conditions of semiconductor manufacturers
- Share technologies to build a shared infrastructure and promote prosperity

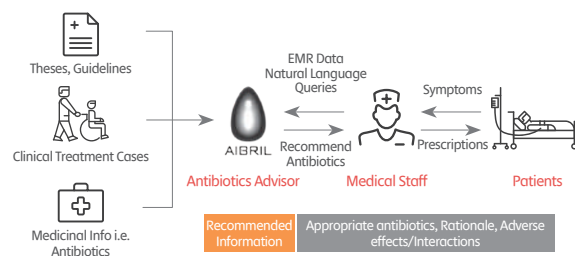
3A



In 2017, the United Nations (UN) and the World Health Organization (WHO) identified antimicrobial resistance (AMR) as a serious public health problem. AMR is mainly caused by an abuse of antibiotics resulting from a lack of infectious diseases specialists, and a low public awareness of AMR. As of 2016, Korea has ranked first in antibiotic usage among OECD countries. As a result, AMR has emerged as a major social issue, and it is necessary to devise effective solutions to cope with this problem.

In order to prevent the abuse of antibiotics and to improve public health, SK holdings started developing a service by cooperating with the Korea University Hospital in 2017. The program is called 3A (Aibril Antibiotics Advisor) and it is a cloud-based service that utilizes Aibril, our AI technology, to recommend appropriate antibiotics and prescriptions based on data from a patient's Electronic Medical Record (EMR) as well as through information collected through questions in the patient's language of choice. The service offers various informational services ranging from the appropriate antibiotics, specific medication and dosage, cycles of usage, reasons for recommendation, side effects and precautions, and insurance application based on the patient's symptoms and the results of medical tests. SK holdings expects that these efforts will create social value by promoting a responsible use of antibiotics and improving outcomes of treatment, restraining the rise of antibiotic-resistant bacteria, and reducing medical expenses.

Currently, we have completed phase 1 of 3A's business operation. We will launch a beta version based on a Chatbot in July 2018 to gauge its marketability, and will officially launch the service in December 2018. We expect that this will serve as an opportunity to build a healthier society and make a brighter future as well as to pioneer a new medical business utilizing AI technology, paving the road to becoming a global leader in the medical industry.

SV
Creation of
3A

- Promote personal health by preventing the abuse of antibiotics
- Reduce social costs caused by the abuse of antibiotics

Watz Eye



Rapid urbanization has caused multiple social problems related to transportation, environment, and security in large cities around the world. In order to address these social problems, SK holdings is providing a solution through a city surveillance system, thereby improving the quality of metropolitan life.

Our first use of this technology was offered to the city of Abu Dhabi in the United Arab Emirates, where old downtown areas declined as the city developed newer downtown areas. The city is now planning to redevelop the older downtown. SK holdings facilitated this urban planning by establishing Abu Dhabi's city surveillance system to conduct real-time video analysis, detect crime indications, and prevent crime. The second was offered in Vietnam by building an Intelligence Transformation System (ITS) to manage the 105Km expressway connecting Hanoi, the capital of Vietnam, and Haiphong, the largest seaport in the country. The construction of an additional expressway was part of the country's national project to modernize the road system by connecting major cities including Hanoi, Ho Chi Minh City, and Da Nang and to establish the ITS infrastructure and traffic control centers. SK holdings facilitated this project with the construction of a traffic management system utilizing the ITS platform that enables the monitoring of traffic flow and road conditions in real-time.

SK holding's Watz Eye is a control system for ongoing management. Watz Eye recognizes various situations and collects information with the help of subsystems to carry out image analysis, automatic license plate recognition, facial recognition, and behavior recognition. The collected data and information is analyzed and managed through diverse platforms and utilized for city surveillance. Since Watz Eye can be built using wireless networking technology, it dramatically reduces time and costs, unlike the conventional system construction method that requires large-scale civil engineering works. In the future, SK holdings will enhance the functions of Watz Eye, thereby securing technologies to enhance the safety of every city and its citizens.



SV Creation of Watz Eye

- Build a safer city by providing customized services for crime prevention
- Increase social benefits by reducing incidence of accidents using intelligent traffic surveillance
- Protect major infrastructure

mTworks



As working hours were reduced to 52 hours per week, work-life balance became a major topic of discussion in the Korean society. The main purpose of this law was to improve productivity. Thus, companies in various industries are working to achieve this objective.

SK holdings is also working to improve productivity. We utilize our major capabilities related to digital technologies like our own Cloud Z. We now offer a service to test mobile web and applications, mTworks. mTworks provides fast and automated testing to increase test efficiency, and to enhance customer convenience.

With the mTworks Mobile Test Center, customers can conduct mobile tests and real-time monitoring anytime, anywhere. This cuts down on costs, time, and employees required for testing. In addition, it is possible to integrate and manage the devices required for testing, thereby managing risks on information security during the testing process, and establishing a systematic security system.

mTworks is also working on businesses of SAAS and On-Premise to build new business models that can be applied in various fields. In particular, we are expanding our business into support for consulting and education, and overseas mobile test centers to improve productivity in these areas.



SV Creation of mTworks

- Increase productivity and social benefits by reducing cost and increasing work efficiency
- Strengthen information security

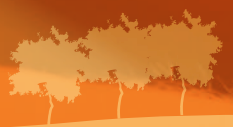
3

FUNDAMENTAL MANAGEMENT





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Governance

To protect shareholder rights and maximize corporate values, we are reinforcing the independence and professionalism of our Board of Directors (BOD). We are also establishing transparent corporate governance and advancing the governance system. Such efforts include introducing the Governance Charter and maintaining the ratio of independent directors at over 50%.

Establishing a Transparent Governance System

Composition of the BOD

The BOD, the highest decision-making body of SK holdings, consists of seven directors who deliberate and decide on major management issues. Of these seven directors, three are executive/non-executive directors and four are independent directors. The BOD has the authority over major management matters such as governance, investment and planning, accounting, and finance. It also monitors and provides advice on business activities that have a significant impact on corporate management.



Appointment of Directors

In accordance with Article 28 of the Articles of Association, directors are appointed upon resolution of the General Shareholders' Meeting and independent director candidates are designated and submitted to the General Shareholders' Meeting by the BOD. In the case of independent directors,

the Independent Director Recommendation Committee selects a pool of candidates and recommends one candidate to the General Shareholders' Meeting after carefully considering his/her expertise, independence, and other qualifications required by relevant regulations. Once the Board has decided on a final candidate, it convenes the General Shareholders' Meeting where the candidate is finally appointed as an independent director.

Corporate Governance Improvement Efforts

In February 2018, SK holdings revised the regulations of the Governance Committee in an effort to enhance its functions and facilitate efficient operation of the BOD by realigning the agenda of the committee. At the same time, we adopted the Governance Charter in March of the same year to declare our principles on transparent governance and to promote shareholder and stakeholder rights. We designated a representative independent director to strengthen the roles and responsibilities of independent directors, in addition to appointing a shareholder communication facilitator from the independent directors to better communicate with shareholders and potential investors and to protect their rights.



KCGS* ESG Evaluation

Category	2013	2014	2015	2016	2017
Evaluation Level	A	A	A	A	A+

(*Korea Corporate Governance Service)

| List of Directors |

(As of March 31, 2018)

Category	Name and Date of Birth	Position	Field of Expertise	Major Career Experience	Number of Years in Service	Tenure Expiration
 Executive/ Non-Executive Director	Chey Tae-won (Male, 1960/12)	CEO & Chairman Chairman of Board of Directors	Business management, economics, global, industry expertise, risk management	<ul style="list-style-type: none"> University of Chicago, USA Chairman, SK Innovation Co., Ltd. Chairman, SK Hynix Co., Ltd. 	2 years	March 2019
	Jang Dong-Hyun (Male, 1963/08)	CEO & President	Business management, finance, industry expertise, technology, risk management	<ul style="list-style-type: none"> M.A., Industrial Engineering, Seoul National University CEO, SK Telecom Co., Ltd. 	1 year	March 2020
	Cho Dae-Sik (Male, 1960/11)	Non-Executive Director	Business management, finance, global, industry expertise, risk management	<ul style="list-style-type: none"> M.A. in Business Management, Clark University, USA CEO and President, SK holdings Co., Ltd. 	2 years 8 months	March 2021
 Independent Director	Ha Kum-Loul (Male, 1949/12)	Independent Director	Business management, industry expertise, administration, communication	<ul style="list-style-type: none"> B.A. in German Language and Literature, Korea University President & CEO, SBS Media Holdings 	3 years	March 2021
	Lee Yong-Hi (Male, 1950/10)	Independent Director	Finance, economics, technology, risk management, administration	<ul style="list-style-type: none"> Ph.D. in Economics, Konkuk University Vice President, NICE Visiting Professor, College of Engineering, Seoul National University 	5 years	March 2019
	Lee Chan-Geun (Male, 1958/08)	Independent Director	Business management, economics, global, industry expertise, risk management	<ul style="list-style-type: none"> Korea University Business School Senior Executive Vice President, Kookmin Bank Head of Korea Branch, Goldman Sachs 	Newly appointed	March 2021
	Jang Yong-Suk (Male, 1968/07)	Independent Lead Director	Sustainability management, global, social values, administration, HR (organization)	<ul style="list-style-type: none"> Ph.D. in Sociology, Stanford University, USA Professor of Sociology, University of Utah, USA Professor, Department of Administration, Yonsei University 	1 year	March 2020

Attributes of the BOD

 Independence	<ul style="list-style-type: none"> • Maintaining the ratio of independent directors at over 50% (57%) • Appointing independent directors who have no special relationship with management • Prohibiting directors from becoming an unlimited liability partner or director in another company in the same industry without the BOD's approval • Limiting the exercise of voting rights of directors with special interest regarding resolutions of the BOD
 Expertise	<ul style="list-style-type: none"> • Composing the board of directors with extensive professional knowledge or field experience in business management, economics, risk management, shareholder communication, communication, social values, and other related areas • Appointing independent directors who are experts in the field of sustainability management
 Efficiency	<ul style="list-style-type: none"> • Holding special BOD meetings as required • Allowing participation in resolutions via telecommunication devices that simultaneously transmit voice signals to all directors in order to guarantee participation of directors in BOD meetings
 Diversity	<ul style="list-style-type: none"> • Pursuing diversity within the BOD in terms of race, gender, age, nationality, level of education, religion, disability, and political views, etc.

Operation of the BOD

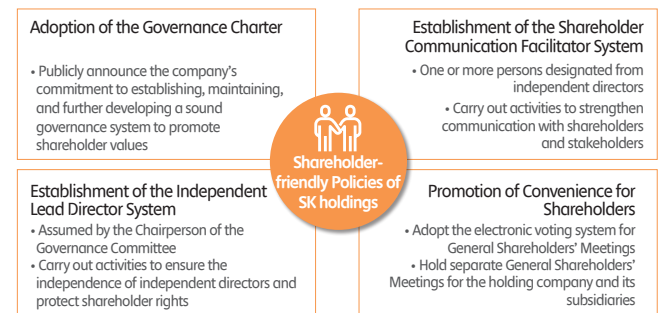
SK holdings convenes regular BOD meetings on a monthly basis in principle, in addition to holding special BOD meetings as required. In 2017, BOD meetings were held on 16 occasions, deliberating and deciding on 81 agenda items. Resolutions of the BOD are made with the attendance of the majority of incumbent directors and a majority vote of the attending directors, unless otherwise required by relevant laws and regulations or as decided by the BOD.

Performance Evaluation and Remuneration of the BOD

From 2018, the activities of the BOD will be evaluated. Remuneration of the BOD is decided in accordance with relevant laws and regulations within the limits set by the approval of the General Shareholders' Meeting, while increasing the company's value by directly associating the remuneration of the board members with the stock options granted to them. Independent director are paid no remuneration other than a basic salary in order to ensure their independence from the BOD.




Shareholder-friendly Management

In December 2017, we introduced the electronic voting system to enable shareholders who cannot attend the meetings to exercise their voting rights in a more comfortable and convenient way. In February 2018, we declared our corporate governance charter, and posted the Korean and English versions on our website to promote easy access by ordinary shareholders and overseas investors. In addition, for the first time as a large holding company, we held separate General Shareholders' Meetings for the holding company and its major subsidiaries to support shareholder attendance by minimizing limitation factors. Furthermore, we appointed a member of the committee in charge of communication with shareholders in April 2018 to protect shareholders' rights and promote communication with shareholders.



| Committees under the BOD |

(As of March 31, 2018)

Name of Committee	Composition	Major Functions
 Audit Committee	3 Independent Directors • Lee Yong-Hi • Lee Chan-Geun • Jang Yong-Suk	<ul style="list-style-type: none"> • Audit the company's accounting and business affairs and handle matters delegated by the BOD in accordance with the law, Articles of Association, and BOD regulations • Authority over matters regarding General Shareholders' Meetings, the BOD, and its members and audits • Authority over other matters decided in accordance with the law, Articles of Association, or BOD regulations
 Independent Director Recommendation Committee	2 Independent Directors • Lee Yong-Hi • Jang Yong-Suk 1 Executive Director • Jang Dong-Hyun	<ul style="list-style-type: none"> • Recommend outside director candidates to be appointed at General Shareholders' Meetings and handle matters delegated by the BOD • Authority over the recommendation of independent director, evaluation of directors' activities, and the examination of application measures thereof • Authority over other matters required relating to the recommendation of independent directors and those delegated by the BOD
 Governance Committee	4 Independent Directors • Ha Kum-Loul • Lee Yong-Hi • Lee Chan-Geun • Jang Yong-Suk	<ul style="list-style-type: none"> • Practice BOD-centered management principles by protecting shareholder values and rights and strengthening the transparency of governance • Examine transactions with persons with special interests requiring BOD approval under the Monopoly Regulation and Fair Trade Act, and the Commercial Act • Examine and approve matters regarding structural transactions such as investments exceeding a certain amount, M&A, and split-offs. In addition, they must examine and approve accounting and finance-related matters • Examine and approve matters referred by the Chairperson in matters of corporate management having a significant impact on shareholder values • Evaluate matters relating to SK Group's major management strategies and plans, and discuss sustainability management implementation measures (e.g., activities to promote corporate social value, ethical management, etc.)

Ethical Management

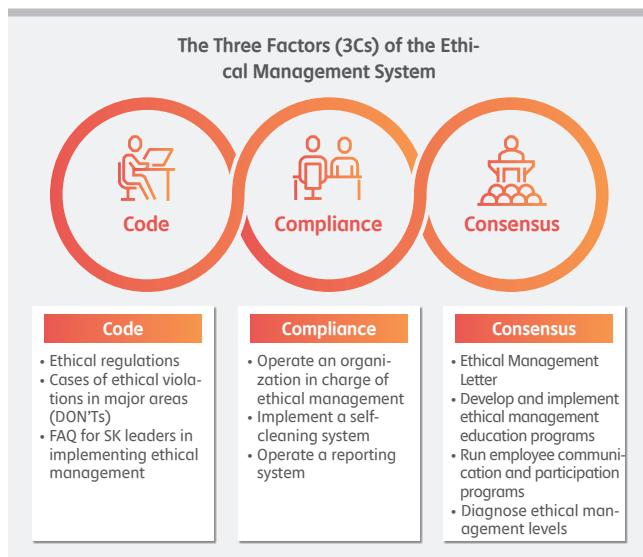
As the importance of corporate social responsibility, transparency, and ethics grows, SK holdings declared the introduction of ethical management on November 1, 2002, and continued its efforts to build a corporate culture emphasizing ethical management via systematic approaches based on 3C (Code, Compliance, Consensus).

Corporate Culture Based on Ethical Management System

Ethical Management System

SK holdings established and operates a system for ethical management based on the SK Management System (SKMS) to pursue sustainable development and happiness of all stakeholders. We also adopted activities to promote transparent ethical management through a systematic approach based on 3C (Code, Compliance, Consensus).

| Ethical Management System |



Code

Code of Ethics

SK holdings provides the standards of ethical decisions and conduct in its Code of Ethics to be followed by employees in situations of ethical conflict that may arise when carrying out their business duties. All employees have a responsibility to comply with the code and we continuously identify and revise areas of improvement since its establishment in 2007. The code, categorized into ethical regulations regarding employees, customers, society, the company and its shareholders, and the protection of whistleblowers; sets forth norms of conduct in a detailed manner for each category. In situations not specified in the code, employees are required to make decisions and act based on the principles of "legality, transparency, and rationality," while the Code states that they are to follow the advice of the head of their organization or the organization in charge of ethical management in situations where they are uncertain about their own decisions.

| Ethical Management Standards |

Category	Ethical Management Items	Description
Employees	Mutual respect between employees, prohibition of giving and receiving of money and other valuables, roles of leaders, etc.	Prohibition of discrimination, the violation of human rights, leading by example by leaders, etc.
Customers	Efforts to secure customer trust, protection of customer information, etc.	Prohibition of giving and receiving of money, other valuables and entertainment, protection of personal information of customers and employees of client companies, etc.
Society	Compliance with laws, eradication of giving and receiving of money and other valuables to/from stakeholders, fair trade with business partners and competitors, etc.	Compliance with the Fair Trade Act and the Improper Solicitation and Graft Act, prohibition of illegal political funding, compliance with environmental laws, etc.
Company & Shareholders	Prioritization of the company's interest in conflict of interest situations, protection of company assets and information, reporting and business management, etc.	Requirement of prior approval for activities in other companies or government organizations, prohibition of transferring the company's technological knowledge, prohibition of false or delayed reporting, etc.
Protection of Whistleblowers	Operation of an internal reporting system, protection of whistleblowers from repercussions, etc.	Protection of whistleblowers from discrimination and repercussions, etc.
Addendum	Rewards and disciplinary actions, consultation and advice, interpretation standards, relation to other company regulations, etc.	Consultation with and advice from the organization in charge of ethical management, prioritization of the code, etc.

Cases of Ethical Violations in Major Areas (DON'Ts)

SK holdings collects and distributes cases of ethical violations (DON'Ts) that may arise in the course of business activities as a reference of ethical conduct for employees when carrying out their business duties. Categorized into five major areas of unethical conduct, security, subcontract, tax and fair trade, and reporting and management, DON'Ts provides a guideline for strengthening ethical management efforts by our employees.

Category	Cases of Ethical Violations (DON'Ts)
Unethical Conduct	23 items including basic manners, money and other valuables/special treatment/entertainment, conflict of interest, protection of company assets and information
Security	14 items including PC security, information and document management, and project security
Subcontract	18 items including deciding and adjusting subcontract payments, payment of subcontract billings, failure to deliver written contract, screening and notification of results, unfair business interference, and subcontract restrictions
Tax & Fair Trade	23 items including issue trading, unfair internal trading, unfair collective action (collusion), and unfair trade
Reporting & Management	33 items including immoderate business expansion, false/delayed/partial reporting, and negligent business management

Ethical Management FAQ for SK Leaders

In order to emphasize and strengthen leadership in implementing ethical management, the Support Unit for Self-driven and Responsible Management under the SUPLEX Council of SK group has established the "Ethical Management FAQ for SK Leaders," providing examples of frequently encountered situations and relevant regulations in a question and answer format. Contents include examples of and solutions to conflict of interest situations, prohibition of solicitation for purchasing and job positions, matters of consideration in using and calculating corporate expenses, prohibition of transferring company-provided benefits to other persons, examples of when giving and receiving of money and other valuables are prohibited and allowed, standards on giving gifts to employees, etc.

Compliance

Ethical Management Organization

SK holdings creates a clean corporate culture by strengthening ethical management activities through the Ethical Management Team under the direct supervision of the Business President. The Ethical Management Team focuses on promoting ethical awareness among employees through various education programs and campaigns, ethical management diagnosis, a self-cleaning system, and a reporting system. It also operates a diagnosis and support system to help the company's subsidiaries and overseas offices to strengthen ethical management efforts independently.

Reliable Reporting System

SK holdings promotes a culture of integrity through various channels for all stakeholders including employees to report ethical violations. Reports of ethical violations can be made at any time via the company's ethical management website (<https://ethics.sk.co.kr/Eng/Main.aspx>), while all reports are made anonymously to protect the reporter's personal information and the content of the report. Reports verified as ethical violations are followed up by taking appropriate disciplinary actions.



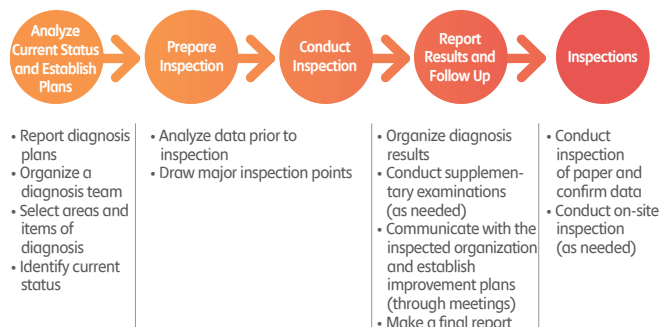
Online Reports: (<https://ethics.sk.co.kr/Eng/Report/OnlineReportIN.aspx>)
Phone: (02-6400-6262), Fax: (02-6400-0613), E-mail: (ethics@sk.com)
Customer Complaints: (<https://ethics.sk.co.kr/Eng/Report/Complaint.aspx>)

Risk Management and Ethical Management Audits to Promote Transparency

In order to practice and ensure ethical management, SK holdings conducts risk inspections and assessments once a year on the basis of checklists considering the characteristics of businesses in HR, purchasing, business partners, and expenses. In addition, the department in charge of ethical management audits the matters received through management diagnosis and checks the reporting channels of workplaces throughout the year.

| Business Management Diagnosis Process |

Three months later



Violation of Business Site Disciplines and Follow-up Actions

In 2017, a total of 15 cases of disciplinary violations were found regarding negligence and dereliction of duty, for which the following disciplinary actions were taken: dismissal (1 person), suspensions (2 persons), salary reductions (5 persons), reprimands (5 persons), and warnings (2 persons). In accordance with the Personal Information Protection Guideline of the Ministry of Employment and Labor, SK holdings does not disclose disciplinary actions without the consent of any employee disciplined since 2016. However, in response to rising demands from employees to disclose relevant information, we notify cases of unethical conduct in the form of an "Ethical Management Letter" without disclosing any personal information, in an effort to prevent similar violations in the future.

| 2017 Risk Inspection to Detect Discipline Violations in Workplace |



Consensus

Establishing a Culture of Ethics by Promoting Ethical Awareness

In 2017, 100% of SK holdings employees participated in online ethical management education. We also promoted an awareness of ethical management in our subsidiaries by offering the same education courses to their employees. In the second half of 2017, we began sending out the "Ethical Management Letter," a casebook of audits on unethical conduct to all employees. This was done on a regular basis to build a consensus on the importance of corporate ethics. By dealing with cases of unethical conduct that actually took place in the company, the "Ethical Management Letter" drew the attention of employees to ethical issues and helped them internalize a sound sense of ethics. In addition, we have established a strong culture of ethics by diagnosing the level of ethical management through surveys and having all employees take a pledge of ethical management.

Ethics Management Education
Conduct case-based education on unfair treatment, embezzlement, unfair solicitation, etc.

Ethical Management Letter
Share actual cases of audits on unethical conduct

Diagnosis of Ethical Management Level
Diagnose ethical management levels through surveys and reflect the results in management activities

Pledge of Ethical Management
Upload the pledge of ethical management on the in-house ethical management portal

Safety, Health, and Environment

As large-scale safety incidents have occurred recently, the social awareness of safety has heightened and the rules and regulations on safety and health have been strengthened. In this regard, SK holdings has implemented SHE (safety, health, and environment) management to protect executives and employees from risks related to safety and health, and to provide a stable service to customers.

Systematic SHE Management

Overview of SHE Management

SK holdings prioritizes the happiness of our internal and external stakeholders. This is why we implemented a management system for safety, health, and the environment (SHE). Our SHE management system aims to protect human lives, preserve the environment, and safeguard the company's assets. Acknowledging the importance of SHE in business, we are committed to tackle risks that can result in personal injury, property damage, environmental pollution, and IT incidents in particular.



To improve SHE management to a level that can earn social trust and support, thereby fostering sustainable growth and pursuing the happiness of stakeholders.



To protect human lives as the highest priority, preserve the environment, and protect the company's assets, services, and images.

"SHE-oriented" Corporate Culture

SK holdings is committed to embed SHE management into our corporate culture by clarifying the duties of leaders and members, and by conducting regular inspections of SHE.

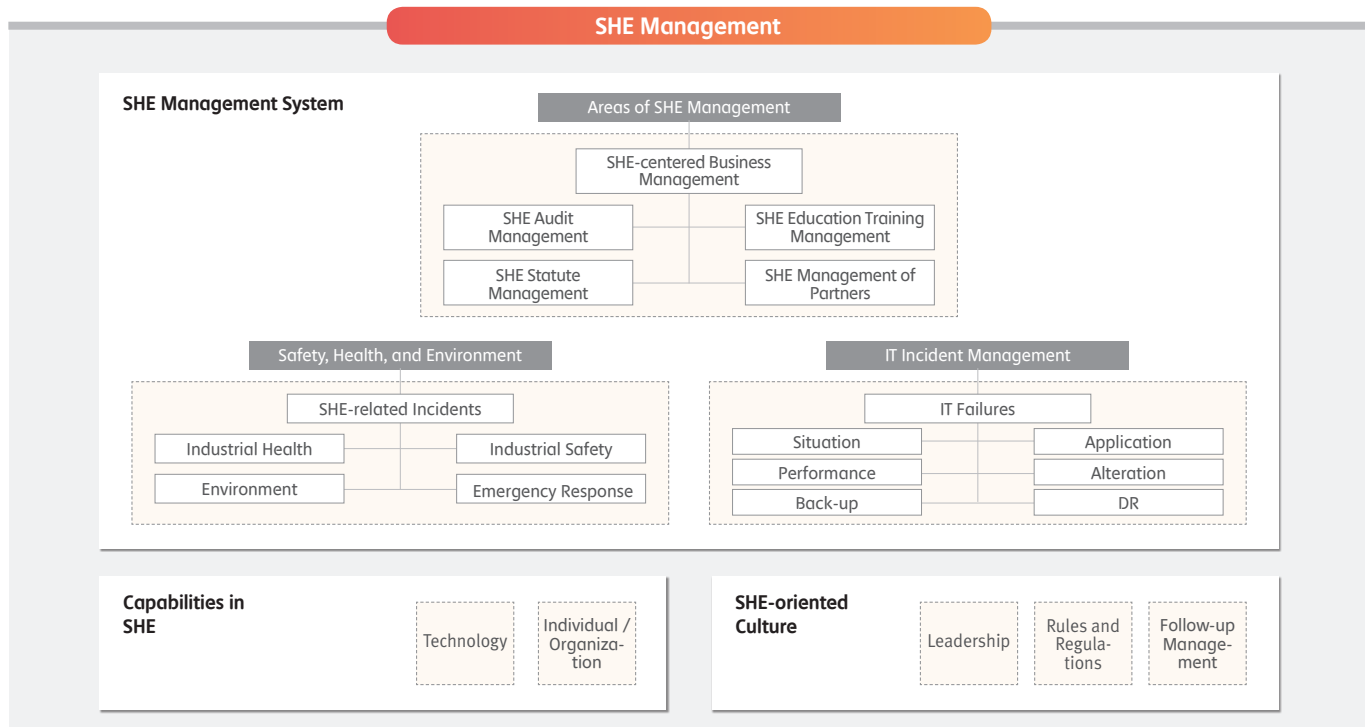


- SHE Vision and Practice : manage objectives and invest resources
- Choice and concentration: manage high risk, take follow-up measures for incidents or injury, improve the SHE management system
- Interact with members: Zero Tolerance, No Compromises



- Comprehend the SHE Management system: standards, process, regulations, etc.
- Practice SHE management in the workplace
- Improve practice and habits continuously

We aim to improve SHE management to a level that can earn social trust and support, thereby fostering sustainable growth and an increased stakeholder happiness.



SHE Policy of SK holdings

SK holdings prioritizes safety, health, and environment in all management phases based on a human-oriented management philosophy. SK holdings also improves service qualities by utilizing its abundant experiences and technologies. Finally, SK holdings contributes to the sustainable development of mankind.

To practice this, SK holdings fulfills our responsibilities and obligations for safety, health, and environment management. SK holdings will meet these responsibilities by:

- **Complying with regulations on safety, health, and environment**

SK holdings will comply with international conventions and domestic regulations on safety, health, and environment. SK holdings will also continue to improve the quality of the SHE management system.

- **Managing SHE-related risks**

SK holdings will identify, evaluate, and address risks related to safety, health, and environment throughout the entire process of products and services production: from plan and design, to development, purchase, and maintenance.

- **Strengthening responsiveness**

SK holdings will provide education and training programs to every executive, employee, and affiliate. In case of an emergency, SK holdings will exert our utmost in minimizing damage through a swift and systematic response.

- **Ensuring transparency in communication with stakeholders**

SK holdings will specify objectives of SHE management and report the results to become a leading company of SHE management.

- **Improving the safety, health, and environment of local communities**

SK holdings will fulfill our social responsibility by minimizing pollutant emissions and participating in community activities to improve safety, health, and environment.

Implement of SHE Management

Committee of SHE Management

SK holdings has set up committees to discuss the SHE management system or SHE-related issues. The committees are convened on a regular basis to make decisions that will be reflected in the decision-making process for SHE management. In order to call a committee meeting, the person in charge shall notify attendees of agenda items, venue, and date at least one week before the meeting. The results will be announced to all employees. In 2017, a total of four committee meetings on occupational safety and health were held to discuss various safety and health issues. On March 2018, a workshop was held in collaboration with subsidiary organizations responsible for SHE management to strengthen responsiveness to SHE-related incidents. The workshop served as a place to discuss SHE management strategies and an emergency response system, and to discuss a subsidiary's SHE management plan for 2018, including the prevention of SHE-related incidents.

SHE Diagnosis

SK holdings conducts inspections of SHE throughout our business operations. We examined the SHE of major departments to acknowledge the status of SHE management. In order to strengthen our SHE management system, we scrutinized vulnerabilities of the workplace infrastructure and human factors. In 2017, we focused on inspecting SHE-related factors of our affiliates and business partners. We examined safety and health-related risks on infrastructure, namely buildings and production facilities, and risks that can result in safety incidents in the course of production.

| Inspection Items of Subsidiary's SHE Management System |

Category	Checklists
Safety and Health System	Establishment of a safety and health organization
	Appointment of a safety and health director
	Appointment or commission of a safety manager
	Appointment or commission of a health manager
	Establishment of an Occupational Safety and Health Committee
Efforts to Improve Safety and Health	Safety education
	On-site worker education
	Safety inspection
	Commission of a safety education and diagnosis
Safety Accidents	Number of serious accidents

SHE Self Check System

The SHE Self Check System was established to train our executives and employees for SHE-related risks and to prevent SHE-related incidents. The system aims to develop executives' and employees' abilities to identify risks through regular SHE diagnosis, and to address these risks.

The SHE Self Check System is led by QSHE (Quality·Safety·Health·Environment) Agents who are responsible for the safety, health, and environment of each department. QSHE Agents conduct SHE inspections at their workplace in reference to our SHE Self Checklist. Departments that have discovered SHE-related risks should establish a plan to identify and manage the detected risks.

SHE Self Check list

1) Safety and health risks

Health, safety, office environment, electronic/office devices, Safety and Health Management System

	Yes	No
(Health) Can employees execute emergency measures easily and swiftly in case of an emergency?	<input type="checkbox"/>	<input type="checkbox"/>
(Safety) Is the emergency response manual prepared?	<input type="checkbox"/>	<input type="checkbox"/>
(Office Environment) Is the working environment (temperature, air, noise, etc.) appropriate for workers?	<input type="checkbox"/>	<input type="checkbox"/>
(Electronic/Office Devices) Are electronic/office devices placed in consideration of passages and employee movements?	<input type="checkbox"/>	<input type="checkbox"/>

2) Environmental Impact

Energy, waste, noise and vibration, air, water, and an Environmental Management System

	Yes	No
(Waste) Are waste disposal companies properly managed?	<input type="checkbox"/>	<input type="checkbox"/>
(Air) Does the workplace generate fugitive dust?	<input type="checkbox"/>	<input type="checkbox"/>
(Water) Are environmental engineers appropriately employed?	<input type="checkbox"/>	<input type="checkbox"/>
(Environmental Management System) Are new environmental impact assessments carried out properly?	<input type="checkbox"/>	<input type="checkbox"/>

3) Understanding SHE Management

SHE Management System, SHE Incidents Sharing System, Emergency Response, location and use of fire extinguisher

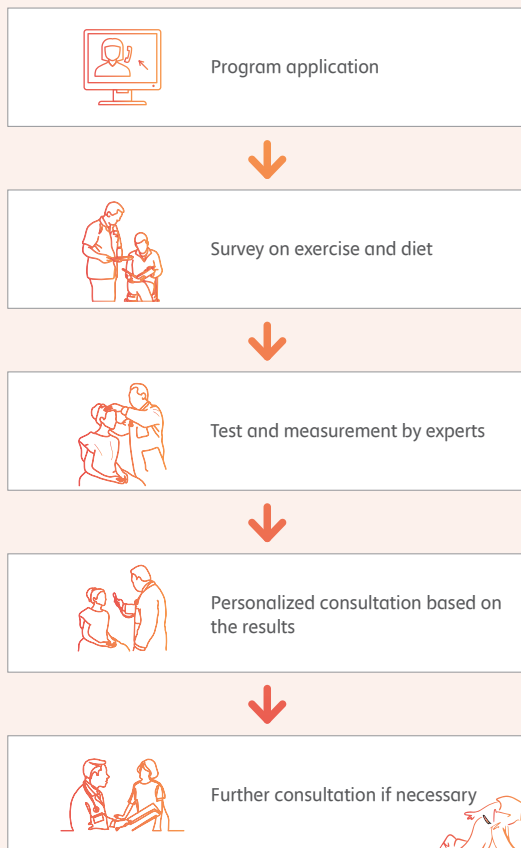
	Yes	No
(SHE Management System) Do executives and employees actively participate in SHE management?	<input type="checkbox"/>	<input type="checkbox"/>
(SHE Incidents Sharing System) Are members well-informed of their roles in the event of an incident?	<input type="checkbox"/>	<input type="checkbox"/>
(Emergency Response) Are members aware of the location of emergency exits and proper response measures to emergencies?	<input type="checkbox"/>	<input type="checkbox"/>

Safety, Health, and Environment

Enhancing Employee Safety & Health

Personalized Health Management Program

SK holdings carries out various health improvement activities for disease prevention and health management of our employees. In 2017, we provided a personalized health counseling program in cooperation with the National Health Insurance Corporation. During the medical examination, we offered a personalized exercise program and dietary consultation based on the employees' physical test results.



* Offered consulting on three visits at headquarters, SK Pangyo Campus, etc. (total of 204 employees)

Emergency Drill

SK holdings conducts regular emergency drills in preparation for diverse emergency situations. Our fire drill aims to train employees on how to alert others of an outbreak of fire, to evacuate, and to use fire extinguishers and fire hydrants. We also distributed an emergency response guide that includes precautions, evacuation priorities, evacuation directions, and evacuation instructions.

Emergency drills at headquarters proceeded without informing employees of the date and time in advance. During this training, employees with disabilities and pregnant employees used the emergency elevator, and all employees followed the emergency response plan. In addition, we set up and notified emergency guidelines for earthquakes.



Reduction in Energy and Resource Consumption

Green Data Center Certification and Reduction in DC Energy Consumption

Our Green Data Centers have been in the spotlight as exemplary cases for utilizing IT technologies to preserve the environment. Daedeok Data Center, in particular, acquired an excellent rating (A+) in the Green DATA Maintenance Certification Evaluation conducted by ITSA in 2017. The Green Data Certification Evaluation is an authentication system to increase the energy efficiency of IDC that consumes a large amount of electricity. Daedeok Data Center has been certified every year since receiving their first certification in 2013.



Certificate of Green Data Center (Daedeok)

SK holdings operates our data center facilities efficiently and soundly with the help of our high technology. We manage risks and prevent accidents by monitoring electrical, mechanical, and security facilities within the center in real time.

For efficient energy consumption, we built a Data Center Infra-Management System (DCIM). As part of our response to climate change policies and regulations, we established a greenhouse gas inventory system that identifies and manages greenhouse gas emissions in real time. We also improved equipment placement to reduce energy consumption. We arranged cold corridors and thermal corridors inside the computer room and optimized the cooling system by installing containments in the cold corridors. In particular, we attached temperature sensors to racks on which the servers are installed. This facilitated remote and real-time control of thermo-hygrostats to prevent unnecessary power consumption.

The uninterruptible power supply (UPS) room was built with a battery validation system (BVS) to preemptively detect and respond to faulty batteries, thereby extending battery life and reducing unnecessary power loss and industrial waste. At the Pangyo Data Center, we established a high-efficiency module-type Uninterruptible Power Supply (UPS) to reduce its power consumption by alternating between the UPS mode and turning modules on and off, according to the IT load. We also installed freezers with a built-in free cooling function to utilize cold outside air for air-conditioning of the computer room.

We installed rubber packing in the double-floor halls where power cables and communication cables pass in order to improve cooling efficiency. We strive to reduce greenhouse gas emissions in a variety of ways. In addition, our employees are involved in various efforts to implement eco-friendly data centers, such as inventing and registering patents of eco-friendly facilities.



Eco-friendly Office

SK holdings established an eco-friendly office environment to reduce energy consumption and curb greenhouse gas emissions. In this regard, we introduced highly efficient facilities and improved facility operation methods. We began by gradually replacing general lighting at the head office with environmentally friendly LED lighting. As a result, in 2017, we saved KRW 10 million which is equivalent to 81,647 KWh of power consumption.

We have also achieved energy savings by improving our facility operation methods. We reduced the current required for air supply and ventilation by improving the facilities of 28 air-conditioning systems in our company building, and reduced the fan RPM to reduce consumption energy. This saved about KRW 70 million in annual electricity costs.

Fostering and Securing Talent

SK holdings is taking a step forward to spearhead the Fourth Industrial Revolution marked by emerging technology breakthroughs in fields such as cloud, big data, and AI. This will help us attract and retain new talent for our future growth, and to cultivate outstanding individuals for digital transformation.

Recruitment of Tech-Talent in New ICT Areas

Reorganized HR System to Recruit Professionals

Drawing and retaining highly competent professionals is a prerequisite for strengthening competitiveness in the ICT industry. Therefore, SK holdings has adopted a new HR system called the technical/professional committee system to recruit professionals in new ICT areas. It is a flexible recruitment system which offers personalized terms and conditions to employees instead of entering into uniform contracts with all.

Employees who were recruited through the new system are now taking an active part in diverse business areas. SK holdings will continue to hire competent employees via this new system, expanding business opportunities across ICT/Solution/Business Model development, and other technology-based areas.

Global Recruitment

Many talented people with expertise in ICT such as big data, machine learning/deep learning, and cloud technology, are working in overseas tech-advanced countries. SK holdings is committed to recruit tech-talent in foreign

countries.

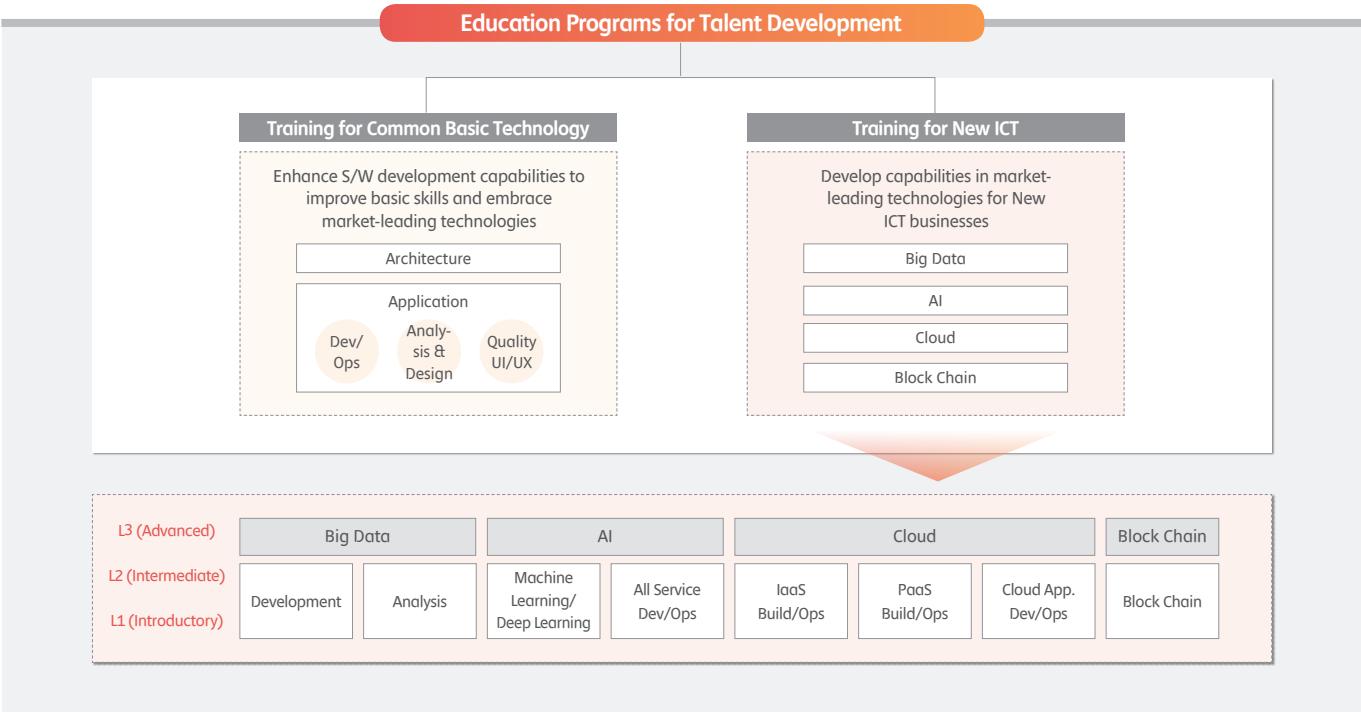
One of our strategies is to recruit employees as the occasion demands via on-site interviews. The other is to hold recruitment fairs for outstanding talent and laboratories in ICT areas. This process signifies more than simple personnel supplement, since our global recruitment has helped us to expand our talent pool in the field of AI and data science, thereby enhancing our brand image as a global top-tier ICT player.

Education Programs for Talent Development

Employee Education to Develop Competence in New ICT Areas

SK holdings builds technological capabilities within new ICT industries through education programs to cultivate highly competent employees.

The program provides courses for common basic technology training specified on comprehending the basic systems of ICT, and courses for improving technological capabilities related to major new ICT businesses.

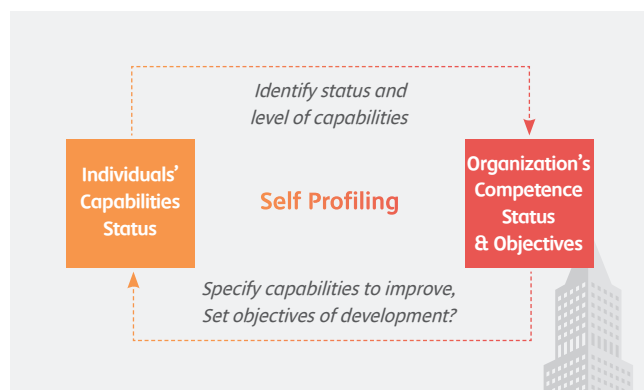


Self Profiling

SK holdings helps our employees to become global leaders in their specific fields. A supportive organization needs to be able to assist its members in identifying their levels of competence in new ICT areas, to figure out areas for improvement, and to specify objectives of competence development. For this purpose, we have designed a Self Profiling system that allows employees to identify and organize their individual capabilities and levels.

In consideration of our business objectives and other global IT corporations' cases, we have classified IT-based technologies and new ICTs (AI, big data, cloud, IoT, and blockchain) in consultation with internal and external specialists. We have also developed a process to identify an individuals' competence status that can be utilized to set up education programs.

In 2017, we developed a system for self profiling that can diagnose personal competence and file a report on the competence of an organization and individuals. Through this, we conducted self-profiling for employees in R&D, development, and operation areas. The information gathered through profiling is then used to set up plans to cultivate organizational and individual competence and to develop education programs. In March of 2018, we launched a self-initiated Individual Development Plan (IDP) scheme that facilitated members to set up a personalized competency development plan, taking into account his or her career plan and team's major capabilities.



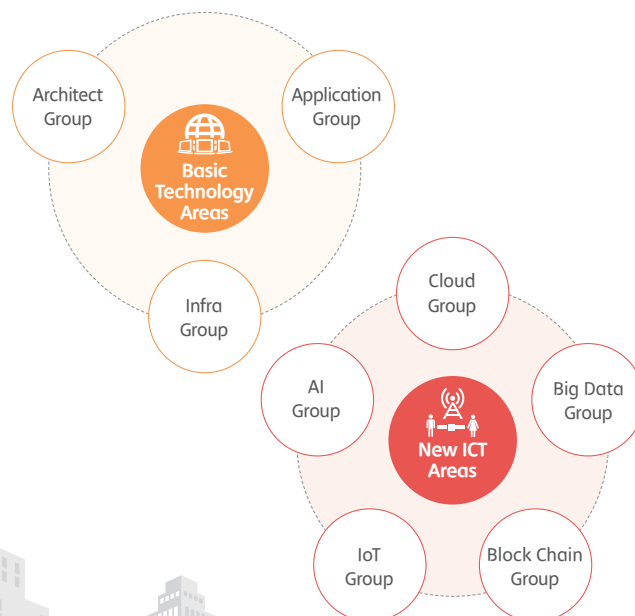
Tech Leading Board (TLB)

The Tech Leading Board (TLB) was organized in 2016 and is part of an in-company system to attract and retain talent in new ICT areas.

TLB is a group of in-house tech professionals who are committed to developing our employees' technological capabilities. Its members conduct technology exchange, better communication, and information sharing within the company by taking the lead in various activities, such as self-directed R&D at Tech Collabo Lab, or by providing online consultations and coaching about technical areas to employees. They also contributed to the establishment of in-house systems for talent development by setting forth opinions.

The board consists of eight groups designed to focus on basic technologies in the IT and ICT-based technologies and ITS fields, as well as in new ICT areas. The members were selected from candidates with technological capabilities in related fields via interviews, peer checks, and directors' reviews.

| Composition of Tech Leading Board |



Fostering and Securing Talent

Self-directed Competence Development Programs

TCL, Tech Collabo Lab

Tech Collabo Lab, led by in-company tech professionals of TLB, was launched in 2016 to provide opportunities to share working experiences and enhance abilities relevant to DT. At Tech Collabo Lab, employees can conduct self-directed research on subjects or technologies in which they are interested through cooperation with others.

In 2017, employees carried out R&D in ten subjects. The outcomes were directly applied to businesses, or resulted in additional R&D projects, and the content was shared with all employees at the Open Tech Lounge in October. In addition, labs with excellent performance received awards, including the opportunity to participate in overseas conferences. In 2018, we will expand support regarding time, space, cost, and infrastructure of R&D to encourage more members to participate in the lab and provide more opportunities, thereby strengthening members' digital capabilities. SK holdings will continue to encourage employees to make bold moves to build a culture of innovation.

| 10 Research Projects of the 2nd Tech Collabo Lab |

Category	Projects
 AI	<ul style="list-style-type: none"> Development of Deep Learning-based Audio Signal Conversion Algorithm for a Higher Success Rate of Watson's Speech Recognition Development of Pre-annotation Tool to supplement the Watson Knowledge Studio
 Big Data	<ul style="list-style-type: none"> Launch Bag: Just Ready Your Data for Bag. Easy and Fast Data Analysis · Processing Platform Study of Applicability of Deep Learning-based Data Augmentation to Unbalanced Data Set in Manufacturing
 Cloud	<ul style="list-style-type: none"> Development of Security Guidance in Cloud Environment (Open Source for Each Stage) Study of Cloud-based API Platform Standardization Methodology for SaaS Project
 IoT	<ul style="list-style-type: none"> Analysis of Vulnerability to Subchannel Attack by AI-applied IoT Devices and Study of Security Technology
 Block Chain	<ul style="list-style-type: none"> Establishment of Block Chain Application Development System Etherium-based Decentralized Financial Markets Development of P2P Point Trading System
 Tech Support	<ul style="list-style-type: none"> Development of Automated Solutions for H/W, S/W Standard Matrix Operations Used for Propositions Java Distributed Operation Support (Open Source) Incorporation of Functions to Distribute Tasks Among Multiple JVMs



GSP, Global Expertise Sharing Program

GSP provides opportunities to develop technological capabilities by holding global forums, seminars, and to benchmark against peers in other global corporations by conducting field surveys to acquire new knowledge and skills. In this way, GSP motivates participants and encourages them to gain new insights into their tasks. In the first half of 2018, the GSP will be held five times led by about 20 technical employees. In the second half of the year, we plan to provide diverse programs in connection with our Pae-gi Forum, thereby contributing to individuals' learning and the company's development.

MOOC, Massive Open Online Course

SK holdings offers online courses concerning new ICT to meet the needs of employees looking for specialized training courses. The MOOC consists of 19 courses in 4 categories of new ICT: AI, big data, IoT and Cloud. All courses are online lectures from six prominent overseas universities including the Machine Learning Foundation of Washington University, and Introduction to Probability and Data of Duke University. Our employees can take lectures via our talent development platform, Learning Portal. In 2018, we plan to offer 56 sub-courses of education programs provided by world-class groups in AI and Big Data fields, including the Deep Learning. AI course by Andrew Ng.



Open Lab

Open Lab, first held in 2013, is our representative knowledge-sharing seminar. In 2017, Open Lab consisted of two parts: Open Lab #Insight and Open Lab #Techie. Open Lab #Insight focused on tech-use cases to offer insight into DT, while Open Lab #Techie integrated the content of the previous Techie Chat. The seminars themed “New ICT,” “Creativity, Innovation, and Challenge,” and “Sharing and Cooperation,” were held in a casual atmosphere with the participation of outside experts. Open Lab #Insight and Open Lab #Techie were held 5 times each with a total attendance of 4,009 people. Open Lab also provides a live broadcast and replay on mobile devices in view of the working environment of employees.



Competence Development Programs for Team Leaders

SK holdings introduced programs to build up team leader competence in consideration of DT outlook and business needs. The program aims to improve team leaders' abilities to solve business issues and performance management. The program consists of courses to develop capabilities needed for both DT and general management. Courses on DT-related capabilities focus on promoting innovation in the DT Biz. model and resolving issues of DT, while courses on general management concentrate on business performance management and team management. In 2017, a total of 257 team leaders participated in the program.

Management Insight Seminar

SK holdings conducts Management Insight Seminars quarterly for all directors. This contributes to developing insights into strategies for DT, seeking consensus on a company's business objectives, and facilitating communication with the CEO.

Competence Development through Internal/ External Activities

SK ICT Tech Summit

SK ICT Tech Summit is a seminar for our employees to discuss technologies and their working experiences, thereby strengthening the SK Group's competitiveness in ICT areas. In 2017, a total of 12 affiliates participated in the summit, including four participants of 2016, SK holdings, SK Telecom, SK Hynix, and SK Planet. At the summit, speakers gave presentations on 51 topics in seven areas, such as AI, big data, IoT, media, cloud, and cyber security. Managers discussed their affiliates' R&D objectives in ICT areas. SK holdings introduced Aibril (a Watson-based AI service), Cloud Z, and cyber security technologies using the block chain structure.



Industry-Academy Partnership on Research and Scholarship Program

SK holdings established an industry-academy partnership on research in 2016 to expand our talent pool for DT and to promote innovation in BM. In 2017, two research projects on digital technologies contributed to develop major technologies resulting in solution development, patent application, and commercialization. In the future, we will advance the research subject selection process and expand our partnerships with universities.

Through our joint scholarship program for AI/big data, four students received scholarships in 2017, and two scholarship students from 2016 entered SK holdings. We will continue to support students via our engagement programs, thereby expanding our talent pool in major technologies.

Work Environment and Corporate Culture

Pursuit of happiness for our internal and external stakeholders is the core philosophy and goal of our corporate management. We are creating an environment in which our employees can find pleasure, convenience and happiness in their work, while building an employee-centered corporate culture of mutual respect.

Innovating a Bottom-up Corporate Culture

Sharing and Spreading Innovation Stories of Each Organizational Unit

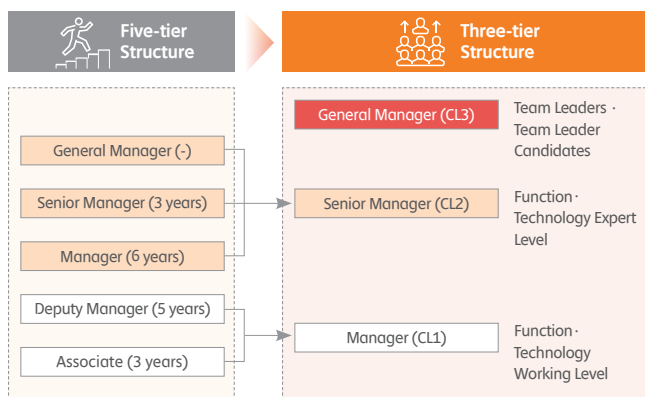
Our in-house bulletin board “Innovation Story” introduces cases from external sources as well as various innovation stories of each organizational unit of SK holdings. This can include activities to enhance competency, promote cooperation, and remove legacy systems. They are used as materials to improve our corporate culture. In addition, exemplary cases receive special recognition.

Corporate Culture Created by Change Initiators

Through our Change Initiator (C.I.) system, we facilitate efficient application and practice of innovation in actual work sites by designating C.I.s who drive change in each team unit. More specifically, C.I.s identify the necessary factors for change and innovation in their own work site, convey their findings to management, and share detailed directions proposed by management with their colleagues. With C.I.s playing a central role, we continue to establish and implement innovation tasks for each organizational unit on various topics, including promoting DT, conducting research into new technologies, improving the way we work, and strengthening communication. This is the basis on which we create more positive changes in our workplace.

Establishing a Horizontal Corporate Culture

We are establishing a horizontal corporate culture by creating a flexible and creative work environment. In 2017, we simplified the existing seniority-based system consisting of general manager, senior managers, managers, deputy managers, and associates into a three-tier position system consisting of general managers (CL3), senior managers (CL2) and managers (CL1). The new system ensures a horizontal work environment and transition to a performance-based compensation system in which employees, regardless of their number of years in service, can be promoted based on their performance.



To innovate the way we work, we have also introduced a self-driven work system which enables our employees to choose when and where to work, and when to take an annual leave. The system has contributed to enhancing the autonomy and creativity of our employees in doing their work.

Employee Participatory Management Council

SK holdings operates the Management Council for active communication between employees and management. The council meets every three months and consists of an equal number of members representing employees and management. It also provides an opportunity for members to discuss a variety of issues.

| Major Activities by the Management Council in 2017 |

Category		Major Activities
1 st Meeting (April 2017)	Discussion	Shared annual plan of the Council Shared employee opinions and held a Q&A on current issues
	Report	Reviewed quarterly management status and reported follow-up plans
2 nd Meeting (July 2017)	Discussion	Expanding non-paid leave (Establishing childcare leave for children in elementary school and self-development leave)
		Improving support in congratulatory and condolatory events (Applying the same standards for both paternal and maternal sides)
		Improving support for long-term service (Expanding long-term service leave and establishing a retiree treatment system)
		Increasing the limit on accommodation expenses during business trips
3 rd Meeting (November 2017)	Report	Reviewed quarterly business status and reported follow-up plans
	Discussion	Establishing a welfare system for employees working in external sites and regions outside of Seoul
		Improving the business trip system
		Shared performance and follow-up plans regarding employee competence-enhancing programs
		Made proposals to create a culture of self-initiated learning

Major issues discussed at the regular Management Council meetings in 2017 included establishing childcare leave for children in elementary schools and self-development leave, improving support for long-term service, establishing a welfare system for employees working in external sites or regions outside of Seoul, creating a culture of self-initiated learning, and other issues related to improving the work environment and employee welfare.

The Management Council held an “HR Communication Day” on nine occasions to communicate with more employees, particularly those working in work sites outside of Seoul. Through these events, the council gathered various opinions from employees, and launched several activities to tackle the areas requiring improvement. As a result of these activities, the council drew up measures to establish a welfare expenditure system for employees working in external sites and regions outside of Seoul as well as to improve the business trip system. The Management Council will continue to pay close attention to the opinions of employees and play a central role in ensuring that those opinions are properly reflected in creating an employee-centered corporate culture.

Peer Review Performance Evaluation System

The peer review performance evaluation system is a system in which employees evaluate their colleagues on how much they have contributed to the company's performance in a given year. By having employees evaluate their own colleagues, the system promotes objectivity and fairness while encouraging cooperation.

The evaluation is made fairly according to specific standards and questions. It is an absolute evaluation made by approximately ten colleagues selected by the evaluated individual to whom the results are conveyed in the form of peer comments. After completion of the evaluation, relevant data is immediately deleted from the database to ensure total anonymity throughout the peer review process.

Creating a Family-friendly Workplace

Family-friendly Company Supporting Work-Family Balance

SK holdings has worked to make itself a "happy workplace for the family" with a family-oriented work environment. In recognition of this, we were designated as a family-friendly company in 2013 and re-certified in 2016. Family-friendly companies are designated and certified in accordance with Article 15 of the Act on the Promotion of Creation of Family-friendly Social Environment for exhibiting an exemplary operation of family-friendly systems in the workplace such as childbirth and childcare support, flexible working hours, and family-friendly organizational culture.

We have introduced various systems to help our employees find a healthy work-life balance including family care leave, an autonomous work system, a child greeting program, tuition support (for children of employees from age 5 up to university students), and a mobile office program. We will continue to further improve these systems and create a family-friendly work environment for all our employees.



Support and Care Programs for Pregnant Employees

We implement various care programs for pregnant employees to help them find a balance between work and family. Pregnant employees are encouraged to leave work on time and are protected from overtime, long-distance business trips, and other work that may place undue stress on the health of the mother and the fetus.

We also offer systematic support for pregnant employees by automatically transitioning their leave status to childcare leave upon the expiration of their maternity leave. In addition, we allow shorter work hours during pregnancy (within 12 weeks, and after 36 weeks). Furthermore, we operate an in-house daycare and have various programs like childcare leave for children in elementary school and even infertility leave to help with declining birth rates. In this, we seek to relieve the burden of childbirth and childcare for our employees.



Old Age Planning Programs

We provide a variety of programs to prepare our employees for a happy and stable future. They include a post-retirement career consultation and aptitude exploration program, a retirement pension system, and a retiree treatment system. Retirement pension is an old-age insurance system that safely protects an employees' severance benefits by reserving it in external financial institutions and paying any severance benefits in a lump-sum or installments to ensure financial stability in post-retirement years.

As of the end of 2017, the estimated severance benefits have reached KRW 220.5 billion. Of this sum, 85.2% of which amounts to KRW 187.8 billion that have been deposited in asset management agencies, exceeding the legal reserve ratio of 80% and ensuring the safe management of retirement benefits as well as the employees' rights to it.



Risk Management

In a fast-changing business environment, perceiving risks and taking proactive responsive measures is an important factor for a company's sustainability and growth. SK holdings clearly defines how to proactively respond to various risks that emerge in its business activities at the company level.

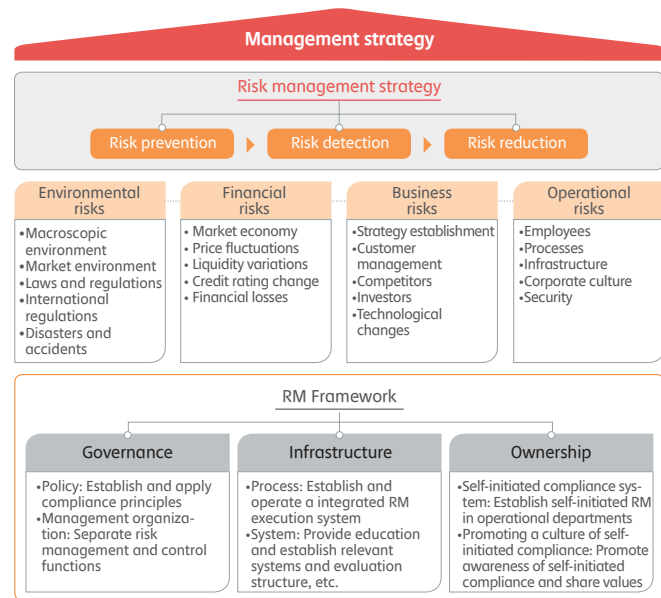
Establishing a Integrated Risk Management System

Integrated Risk Management

Through its Integrated risk management system, SK holdings identifies and prevents risk factors such as incidents, behaviors, and the environment that may negatively impact the pursuit of corporate goals. In addition to this, the system focuses on minimizing fluctuations in corporate values caused by uncertainties in internal and external environments. We define and proactively manage various types of risks: (a) financial risks such as sales, currency exchange rates, and interest rates; (b) business risks such as business strategies, customers, and technological changes; (c) operational risks which includes employees, processes, infrastructures, and security; and (d) environmental risks associated with responding to the company's mid-term to long-term risks from a macroscopic perspective.

Through its risk management framework, SK holdings responds to risks and establishes risk response measures and systems to implement prevention-oriented risk reduction strategies. This way, we prevent risks by identifying all situations by which our business activities may be influenced, measuring their degrees of impact and preparing response measures for potential risks. For risks that have occurred, we conduct an immediate analysis and provide feedback in order to prevent a recurrence of similar risks in the future.

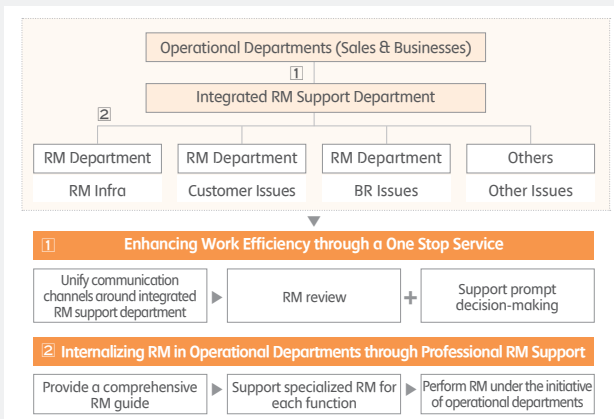
| Integrated Risk Management |



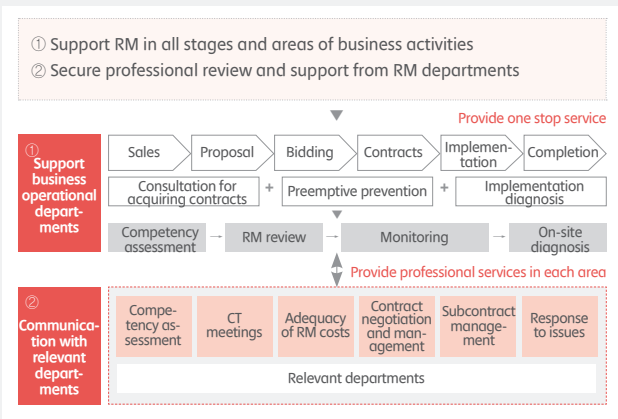
Single Point of Contact (SPoC) System

In 2015, SK holdings restructured its existing risk management (RM) support system to manage risks in a more efficient manner. By introducing the single point of contact (SPoC) system for each business, cooperating departments receive RM guidelines from SPoC. In addition, merging all risk management-related communication channels into a single channel has enabled prompt and efficient decision-making, while the specialized RM support system has facilitated an internalization of risk management practices in cooperating departments.

| Single Point of Contact (SPoC) System |

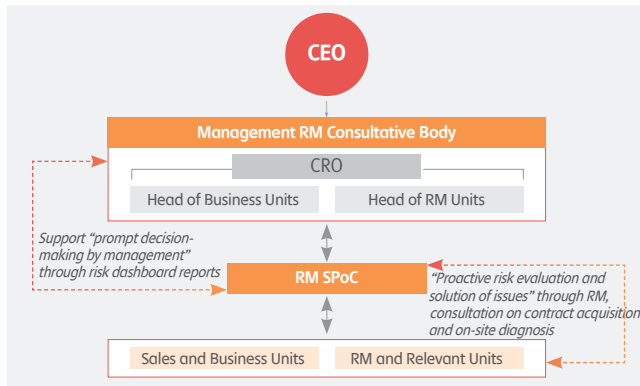


| Roles of the RM SPoC |



Risk Management Reporting System

In making business decisions, we foresee and review risks through our company-wide risk management consultative body, in the course of which we ensure active communication between business departments and risk management departments.



Risk Management in Each Business Stage

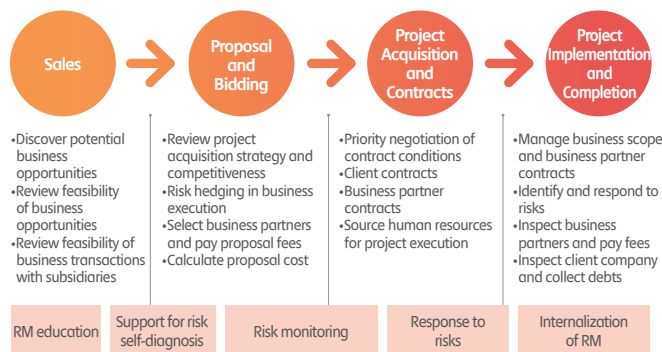
SK holdings carries out stage-by-stage risk identification and management for businesses and investments of a certain scope. Project managers identify potential risks at each stage of business and prepare an RM self-checklist. The checklist, which applies to both our domestic and overseas businesses, provides the basis for reviewing internal documents and holding risk review meetings by professional organizations regarding fair trade, business support, and contracts. Business items approved at risk review meetings are implemented upon deciding the cost and price in consideration of associated risks and establishing management strategies.

Relevant departments continuously monitor risks associated with the project in question, while project managers carry out their work in an efficient manner by managing risks. SK holdings has various systems in place to ensure risk prevention. In 2017, our business sector achieved zero overrun through proactive risk management and minimized risks by improving processes regarding project acquisition strategy meetings.

Promoting a Culture of Fair Trade and Self-initiated Compliance

SK holdings operates various compliance programs in order to establish a culture of compliance and responsible management among its employees

| Risk Review Items and Risk Management Support Areas in Each Business Stage |



and raise an awareness of fair trade and self-initiated compliance. Such efforts include having the CEO and compliance managers take the pledge of compliance, sending out CP (compliance program) letters, providing compliance education to employees including executives, revising the CP Manual and operating a compliance portal. In 2017, we undertook an evaluation of all our employees regarding how competent they are and how much they understand compliance-related matters for the first time since introducing CP in 2009. Based on the results, we identified the need to enhance competency in each organization and job position as well as areas requiring improvements, which have been reflected in our CP operation plans in 2018. Compliance education consists of company-wide risk management courses and new courses, while risk management education helps employees prevent risks that may emerge in the course of business activities by providing stage-by-stage education with varying levels of difficulty.

With the enforcement of the Improper Solicitation and Graft Act in 2016, there was an increase in employee inquiries and requests for compliance education in 2017. Accordingly, we offered a new online education course based on case studies for all of our employees. We also provided online education to program developers regarding risks associated with open source copyright and related issues which they may face more frequently due to an expansion of new businesses. Other efforts include operating a compliance portal, through which we provide the latest policy trends and internal regulations and share with employees an information of the company-wide RM system and relevant persons in charge.

| CP Operation Status |

R&D and Innovation

SK holdings leads the Digital Transformation(DT)-based industry with our unmatched ICT technologies on Artificial Intelligence, blockchain, cloud, and big data. We are pursuing a "Deep change" that combines IT services and DT technology capabilities to drive the evolution of DT for our customers.

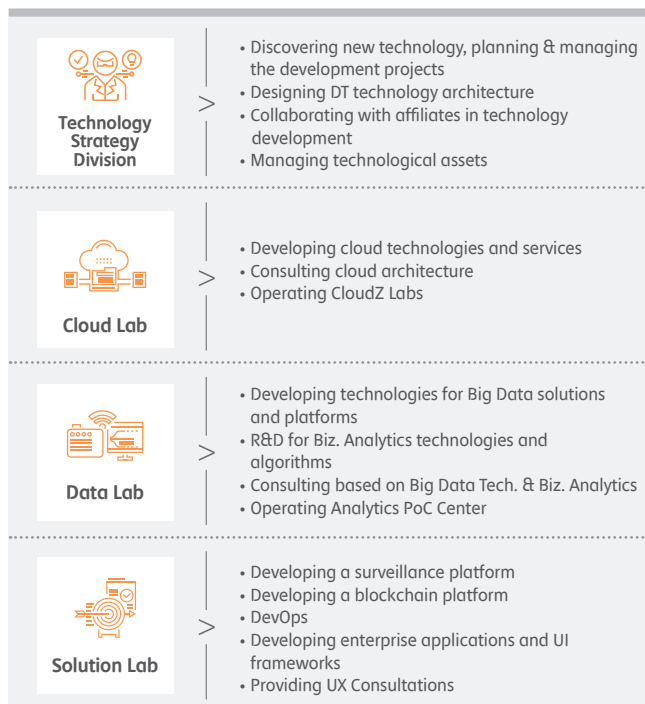
Innovation for Digital Transformation

R&D Organization and Human Resources

SK holdings have reorganized R&D organization. We have merged the Digital Business Division and Technology Division of the previous DT Technology Group, and have established the "Digital Technology Group." The Digital Technology Group consists of the Technology Strategy Division, Cloud Lab, Data Lab and Solution Lab.

The Technology Strategy Division leads R&D by establishing DT-related strategies and allocating resources. Cloud Lab develops base technologies required for the transition from the existing IT infrastructure and its platforms to cloud and next generation cloud technologies. Data Lab focuses on the development of big data platforms and cloud-based data analytics services. Solution Lab develops solutions for new technologies such as blockchain and Vision AI, and enhances application development tools and convergence services.

| Digital Technology Group |



Promotion of core competence for Digital Transformation

SK holdings defined and advanced the ICT technologies of AI, Blockchain, Cloud, and Big Data as core R&D areas and is continuously expanding R&D sectors. This is how SK holdings seeks to respond to technological changes and market needs.

Cloud

SK holdings focuses on building cloud platforms and developing technologies for cloud infrastructure and management to enhance flexibility and responsiveness.

[Customized Cloud Service – CLOUD Z]

Cloud Z, SK holdings' cloud business brand, provides services tailored to customers' needs by combining our service capabilities with global cloud infrastructures. This includes IBM cloud and Ali Cloud.

| Features of Cloud Z |

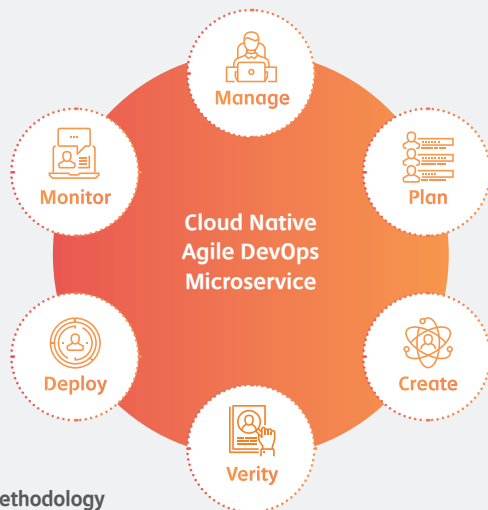


[CloudZ Labs]

CloudZ Labs, launched in 2017, is a center for technical coaching and verifications on PaaS for customized cloud development. Instead of providing simple training courses or technical support, CloudZ Labs performs cloud application transformations with system administrators. In consideration of technical structure, process, and capability enhancement of cloud application transformation, our systematic programs offer 18 courses categorized into 4 offerings: UX/Agile/DevOps, Cloud Native Design, Cloud Native Development, and Testing/Operation.

| Methodology of CloudZ Labs |

Focuses on developing competence in Cloud Native with specialists of methodology, technology, and platform. These specialists can provide the A to Z capabilities required for a solid structure.



01 Methodology

CNAPS, DevOps, Lean, Agile

02 Specialist

UX, DevOps Engineer, Cloud Architect, Microservice Dev., SDET, Agile Coach

03 Platform

IaaS, Docker, Kubernetes, Cloud Foundry, Backing Services

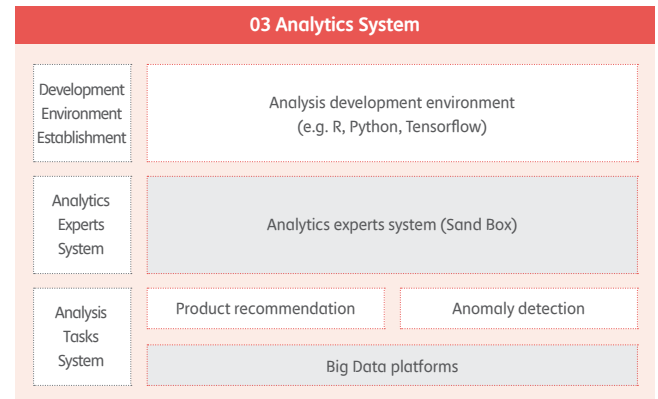
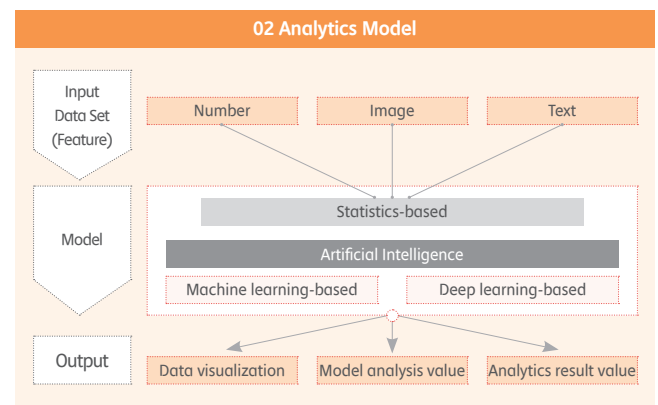
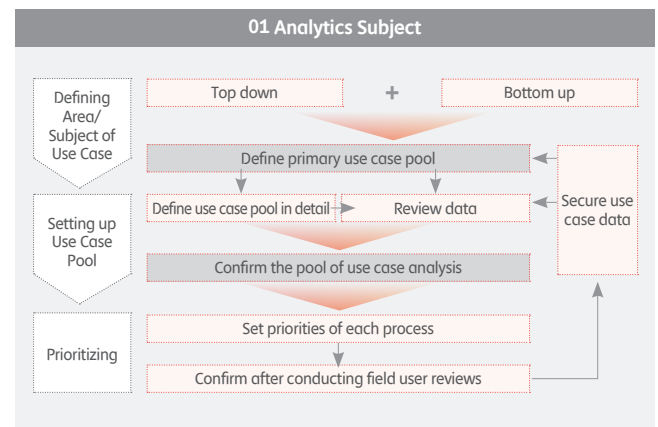
| CloudZ Labs Programs |

Offering	UX/Agile/DevOps	Cloud Native Design	Cloud Native Development	Testing/Operation
Period	1-5 days	1-6 days	1-6 weeks	1-2 days
Purpose	<ul style="list-style-type: none"> •Design UX •Learn agile culture •Internalize agile test •Enhance competence in DevOps 	<ul style="list-style-type: none"> •Comprehend Cloud Native Application development in PaaS (CNAPS) •Identify Biz-oriented Microservice •Learn domain-driven design development 	<ul style="list-style-type: none"> •Deploy PoC/Pilot •Internalize competence in Cloud Native development 	<ul style="list-style-type: none"> •Deploy agile test •Comprehend cloud infra/platform •Internalize cloud operation
Number of Courses	5	3	6	4
Curriculum	<ul style="list-style-type: none"> •Basic education •Workshop •Mini Project 	<ul style="list-style-type: none"> •Basic education •Hands-on training •Workshop 	<ul style="list-style-type: none"> •Basic education •Hands-on training •PoC/Pilot Pair Programming 	<ul style="list-style-type: none"> •Basic education •Hands-on training

Big Data Analytics

SK holdings is developing Data Analytics services that enable faster and easier Big Data analytics in a cloud environment. The main focus will be to develop stable solutions and platforms based on open source technologies of the Big Data Ecosystem, and securing technologies and capabilities for DT in multiple industries by conducting research on Big Data analytics, projection technologies, and industry-specific algorithms.

| Data Analytics Service Framework |

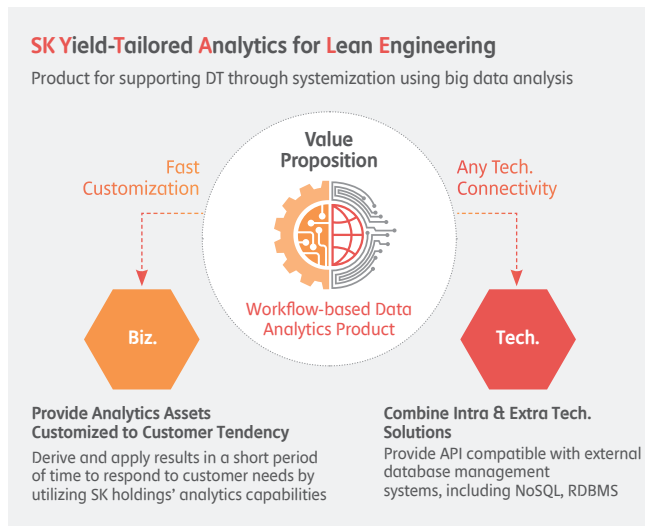


R&D and Innovation

[Data Analytics Platform – ‘SKYTALE’]

SKYTALE, developed by SK holdings, is a data analytics platform. The platform is named after an ancient Greek tool for a transposition cipher, consisting of a cylinder with a strip of parchment wound around it. The ancient Greeks would write a message on this strip of parchment, which could only be clearly read when wound around the cipher. The name signifies that SKYTALE enables customers to create value by fully utilizing a massive amount of unanalyzed data.

| Concept of SKYTALE |



SKYTALE provides an environment to design and operate a workflow-based analytics model, and to add applications on analytics assets. SKYTALE also facilitates establishment, verification, and operation of automatic analysis on decision making in multiple areas including production, manufacturing, yield and quality management, and facility and product development. Furthermore, SKYTALE supports customers to standardize and utilize diverse platform-based analytics models, to improve efficiency of field business with automated analytics models, and to foster data-oriented decision-making processes in engineering.

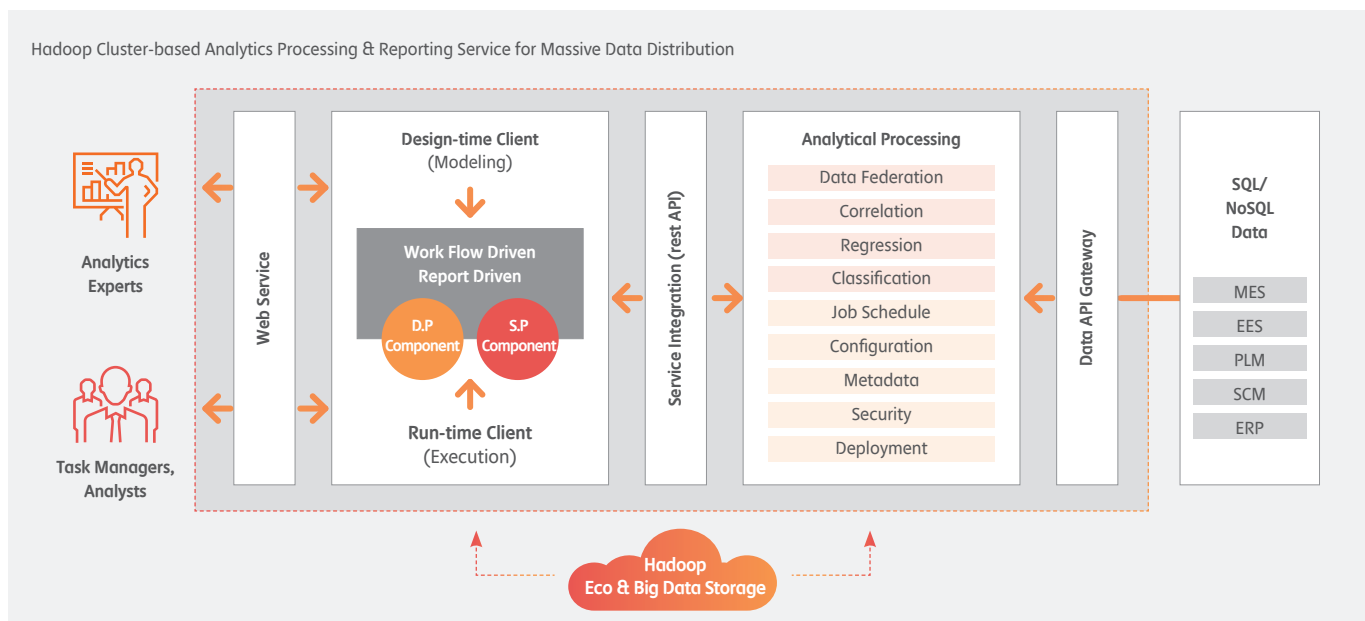
SK holdings is committed to the development of real-time unstructured data analytics tools and API, thereby producing user-friendly features and a stable analytics environment.

[Analytics PoC Center]

The Analytics PoC Center is where customers can extract optimal value for management innovation by utilizing data analytics PoC/Pilot.

The Analytics PoC Center provides diverse solutions based on DT technologies including cloud (Cloud Z), big data analytics (SKYTALE), and Tensorflow. The Analytics PoC Center also facilitates clients' work with SK holdings' abundant knowledge and experience in diverse industries, thereby enabling Biz. Value verification with minimal resources, trial and error.

| SKYTALE Architecture |



| Analytics PoC Center |

Provide Analytics PoC services based on SK holdings' core competence and serve as a DT Enabler.



Cloud Infra

- Scalable Analytics Infra (Ready)
- Highly capable NVIDIA GPU server (Baremetal)
- Flexible VM server (Cluster)



Analytic Solution

- Develop analytics model based on workflow of SKYTALE
- Provide Open Source analytics solutions R Studio/Python/Tensorflow
- Facilitate self-service analytics



Data Scientists

Data Analytics Capabilities

- Analytics experts on specific industries
- Petrochemicals, semiconductors, and other manufacturing sectors
- Communication, finance, distribution
- Experts on Deep Learning

Surveillance Platform

SK holdings conducts research on physical security as well as on intelligent video analysis, large-scale equipment control, and integration with the IoT Platform. We are also developing intelligent convergence surveillance platforms using AI and Cloud technologies.

[Convergence Surveillance Solution – Watz Eye]

Watz Eye is SK holdings' multipurpose solution for Physical Security Information Management (PSIM). Watz Eye collects event information from diverse devices, conducts integrated analysis, and processes information swiftly and accurately in accordance with a predefined Standard Operating Procedure (SOP). The website (www.watze.com) was made on April 2017 to introduce Watz Eye to domestic and foreign clients.

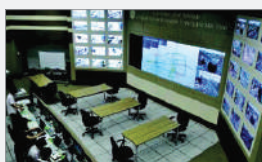
| Cases of Watz Eye |



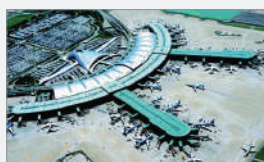
Gangnam-gu, Seoul
Seoul Metropolitan Safety City Project Security & Traffic System



Vietnam and Mongolia
ITS Solution for Vietnam Freeway Traffic Management System (FTMS)



CIS
CIS Region Safe City Project



Incheon National Airport
Integrated Security System Project

Creating Social Values by utilizing Watz Eye

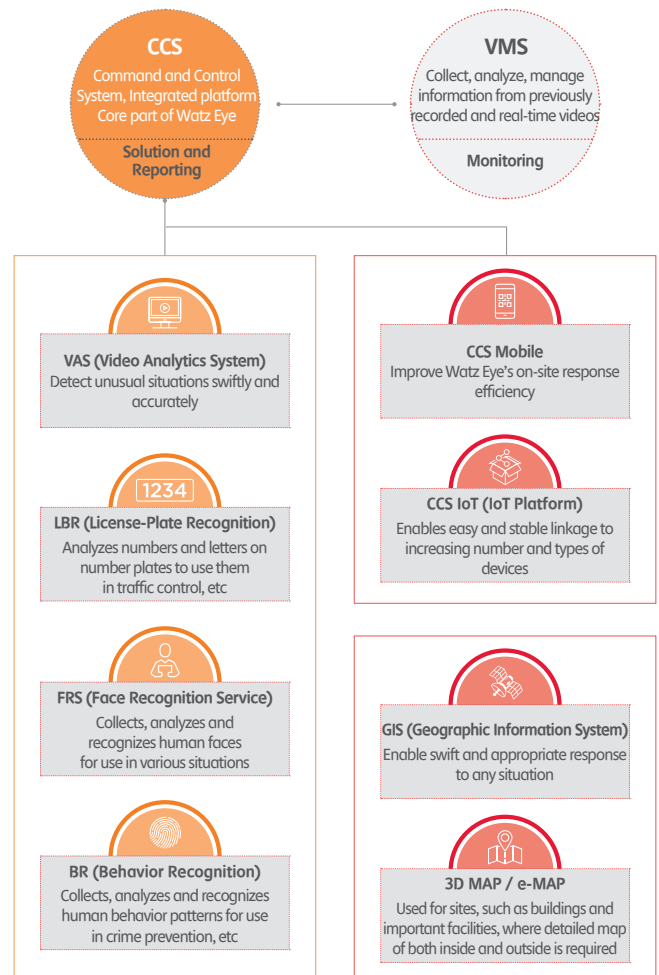
Secure Cities

Ensuring safety and security of citizens, visitors, and businesses is a prerequisite to a city's prosperity and progress. Watz Eye offers necessary services for emergency plans, traffic control, secure escorts, and crime prevention.

Safeguard Critical Infrastructure and Commerce

Securing infrastructure such as airports, roads, and networks is essential to sustain a national economy. Commercial facilities, built on infrastructure, are also subject to protection. Watz Eye provides deep learning-based data monitoring and analysis services with high scalability and compatibility.

| Subsystems of WatzEye |



R&D and Innovation

Blockchain

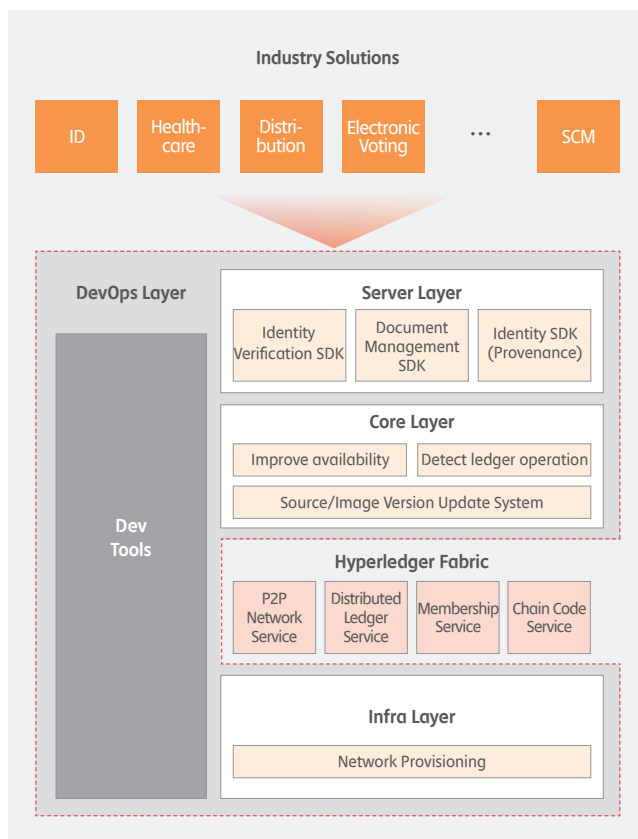
Blockchain technology is closely related to a Sharing Economy, since it enables a new system of value that supports the dynamics of decentralized sharing.

SK holdings is also committed to transforming our business model into one based on sharing to create social values.

[Blockchain Platform]

SK holdings developed a private blockchain base on Hyperledger Fabric for non-financial services. In 2018, we plan to develop a scalable technical structure that enables transformation into a “Social Value Platform” along with an adoption of new economy system services, and a launching trial service.

| Blockchain Platform Architecture |



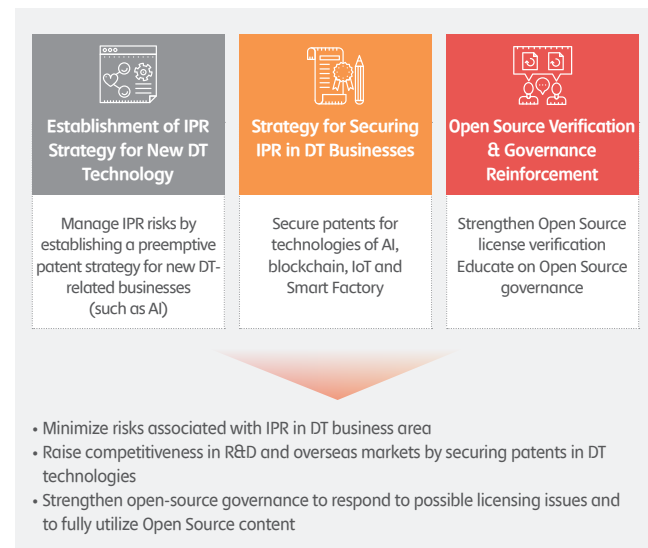
- Service Layer: API with common functions necessary for developing service applications
- Core Layer: OSS (Hyperledger Fabric)-based blockchain functions
- DevOps Layer: Tools for blockchain network monitoring, automated distribution, and operation management
- Infra Layer: Blockchain network configuration functions for each Infra (On-Premise, Cloud)

Management of R&D-related Intellectual Property Rights

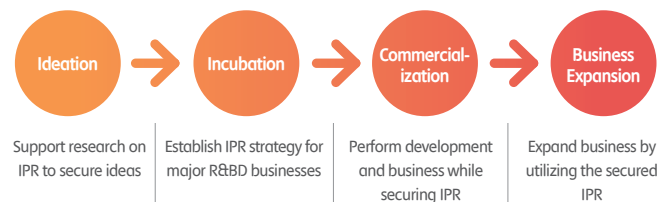
IPR Management

SK holdings has 210 patents as of 2017. In consideration of our commitment to ICT-driven DT businesses, we are strengthening our management system for Intellectual Property Rights (IPR) of relevant areas. This includes setting up strategies to secure IPR in business planning and the R&D process, and utilizing secured IPR in diverse business areas.

| R&D-related IPR Management |



| IPR Support Plans for Each R&D Stage |



| Patents Status |

Business Area	Applications & Registrations
ICT R&D	168
IT services (SI, OS)	38
Others	4
Total	210

Management of Quality and Service

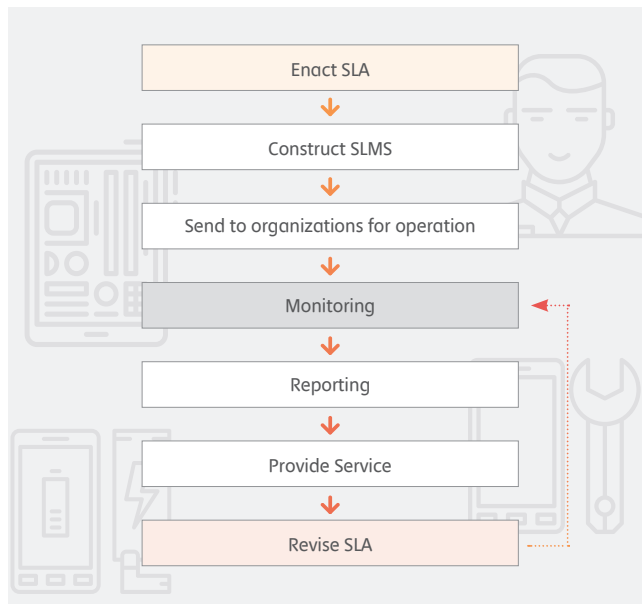
SK holdings manages service quality through a service management process based on solid management principles. Since customer opinions are key to improving service quality, we conduct satisfaction surveys, customer value surveys, and other activities to hear the voices of our customers.

Service Quality Management System

Service Level Agreement

Service Level Agreement (SLA) is a cornerstone of SK holdings' systematic and high-quality service management system. We conclude SLA with customers, and built a Service Level Management System (SLMS) that reflects the detailed standards of IT Infrastructure Library (ITIL).

Service level management consists of seven steps: enact an SLA, build up the SLMS, send it to the organization in charge of operation, conduct monitoring, report, provide service, and revise the SLA. The SLA enactment is the step to collect a customers' opinions, design the SLA structure, and then negotiate and determine the details based on our own service level management methodology. We then design an SLMS and utilize the system to measure the level of items under management and determine the target level. After providing services, we use SL reporting to identify major issues to address, and hold meetings with customers to assess service levels.

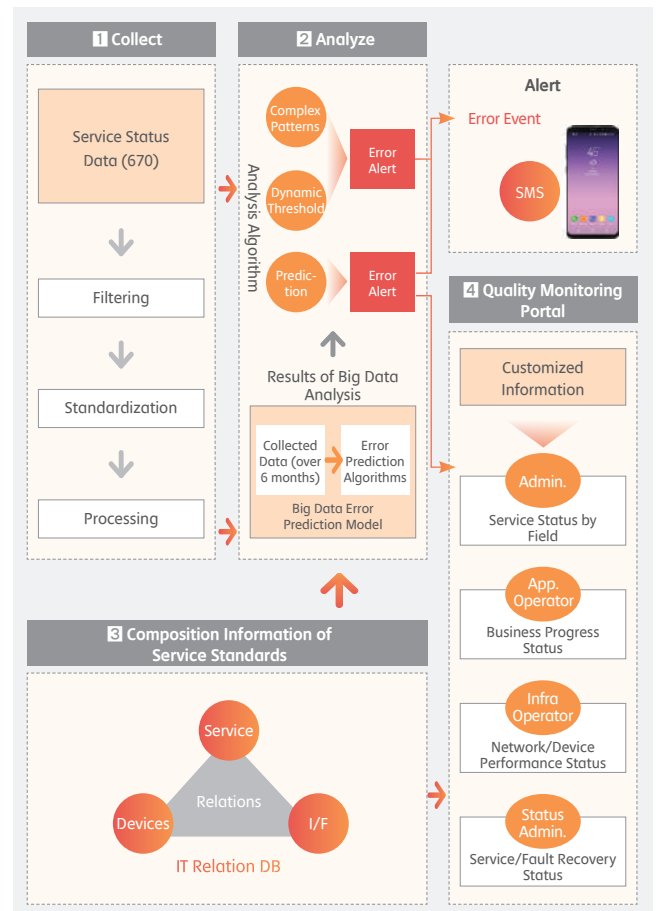


Based on the results of the meeting, we then select issues in need of improvement. We also provide financial compensation based on the criteria set forth in the SLA. In addition, we help employees thoroughly manage customer service quality.

Integrated Quality Monitoring System

SK holdings established an integrated service quality management system to improve the continuity and manage the quality of IT services provided by SK Telecom, Korea's largest telecom company. The integrated system conducts service-oriented integrated monitoring rather than an individual, enabling you to detect failure risks in real time and identify the services within the scope of impact based on IT Relation DB. We also use statistical analysis techniques to apply dynamic threshold values (alert reference values) in consideration of characteristics specific to each service. In the future, we plan to apply big data algorithms to improve the level of error prediction and analysis, and to gradually provide premium quality monitoring services to all of our clients.

| Structure of Integrated Service Monitoring System |



Management of Quality and Service

Customer-oriented Management to Improve Customer Satisfaction

Programs for Customer-oriented Management

SK holdings has implemented a program to adopt and improve the quality of customer-oriented management in business organizations that is likely to meet customers one-on-one. The program was provided to departments in charge of IT service businesses specifically. We reviewed activities to improve the level of IT services, increase customer values, and strengthen relationships with customers. The department in charge of customer-oriented management delivered the results to management tiers and has determined the issues to be addressed.

Customer Satisfaction Survey on IT Services

SK holdings has conducted surveys on customer satisfaction with our IT services for its end-users since 1999. We have applied social science survey methodology to increase accuracy. The survey measures and analyzes levels of customer satisfaction quantitatively, and figures out points in need of improvement. Since 2013, we have included customers' overseas branches and local business sites in the survey scope, and have developed improvement tasks by measuring satisfaction more accurately.

Since 2003, the Customer Satisfaction Index has been at a high level of 70 points or more. In 2017, we used the same questionnaire that we revised in 2016, and changed the method of calculating weights to meet each company's demands. As a result, customer satisfaction of IT services recorded 77.5 points, down 2.1 points from the previous year. This was because of the complaints about the request to replace OA equipment and strengthened companies' security policies. Compared to competitors, however, the overall satisfaction score was 7.9 points higher, indicating that the gap is still quite wide. We are still in the forefront in all service sectors.

Customer Value Survey

The Customer Value Survey is a process to diagnose and analyze customer expectations and a level of service quality to enhance the competitiveness of services. The subjects are key persons of client companies. The survey focuses on VoC activities to increase customer value, businesses of departments in charge of IT services, and activities to improve CIO/IT departments' insight into these businesses. The results are utilized when organizing activities to increase customer value. In 2017, the survey was designed based on the frame of 2016 to innovate customer value. We are developing activities to enhance our customers' understanding of IT and DT based on these results.

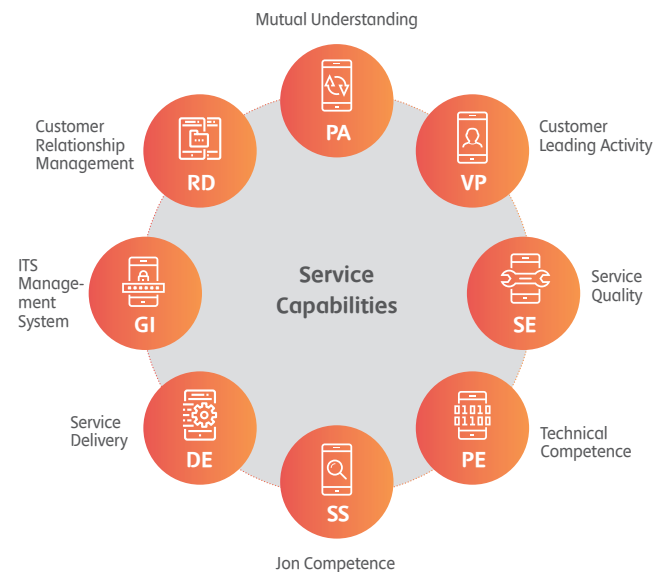
Promote Better Understanding of IT & DT

SK holdings helps customers better understand IT and DT, and to create

higher value in their businesses. We provide specialized IT/DT analysis reports to CIOs and managers of IT departments in our client companies. We also publish newsletters every two weeks to provide the latest information on ICT and DT. Furthermore, we invite experts of IT and DT to hold seminars to continue to foster educational understanding of the fields.

In 2017, we started a program to observe case studies of global ICT companies. The program will be offered every year.

| SK holdings' Service Capabilities to Increase Customer Value |



Win-Win Growth

With the rapid development of technology and the formation of a global network environment, the conventional corporate ecosystem, which is focused on the growth of a single company, is changing to emphasize coexistence and win-win growth. Accordingly, the importance of creating social value in business activities has also increased, and social expectations for coexistence and cooperation increased. In this regard, SK holdings promotes win-win growth by providing support to business partners (BP), since we have recognized that the development of business partners is a prerequisite to our development.

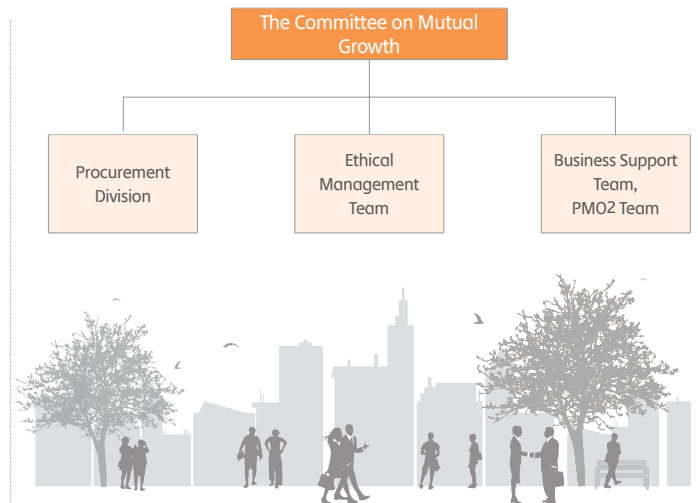
Win-Win Growth through Mutual Corporation

Strategy for Win-Win Growth

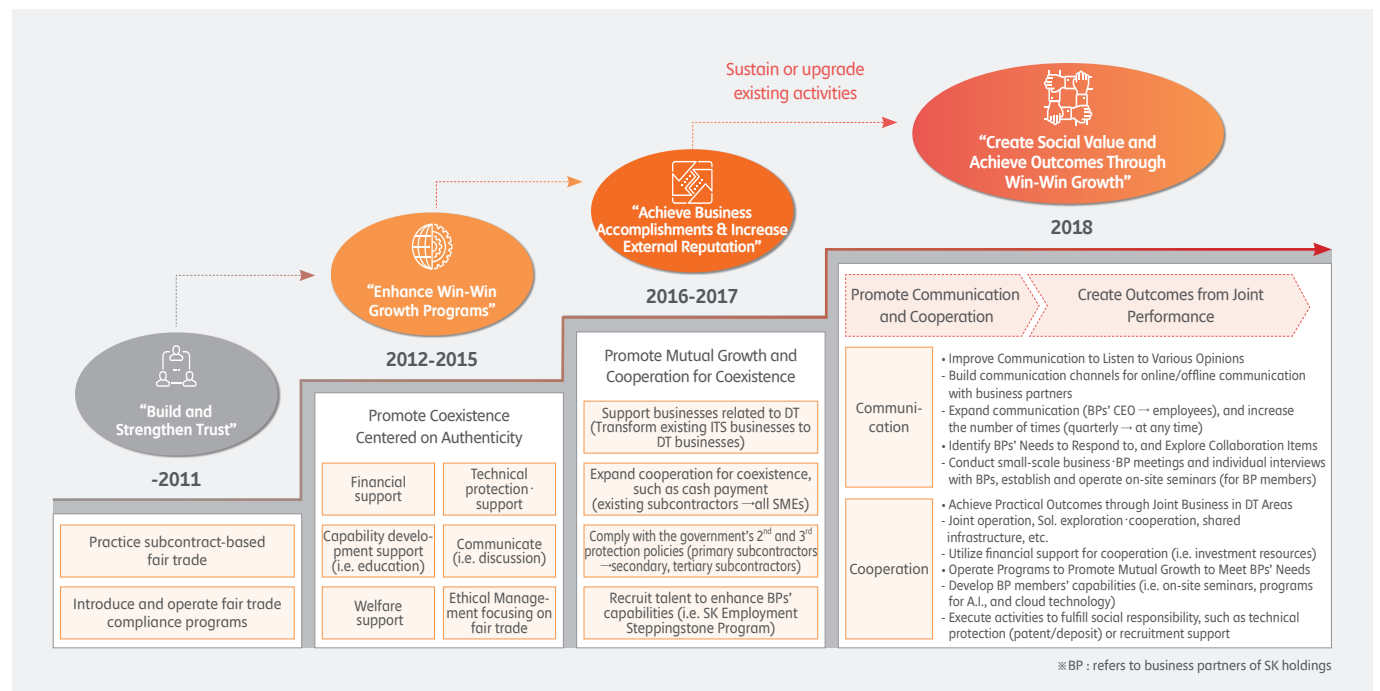
SK holdings is committed to establishing more transparent and fair business relations with business partners by complying with fair trade principles and the relevant regulations. We also plan to invigorate communication with business partners, and to operate specialized programs, thereby achieving win-win growth through mutual corporation.

Organization for Win-Win Growth

In order to drive sustainable win-win growth, SK holdings established the Committee on win-win Growth consisting of Purchasing Office, Ethical Management Team, Business Support Team and PMO2 Team. The committee inspects whether our business operations comply with the agreement on mutual growth, which is concluded every month, to ensure the fairness and legality of subcontract transactions.



| Road map for Win-Win Growth |



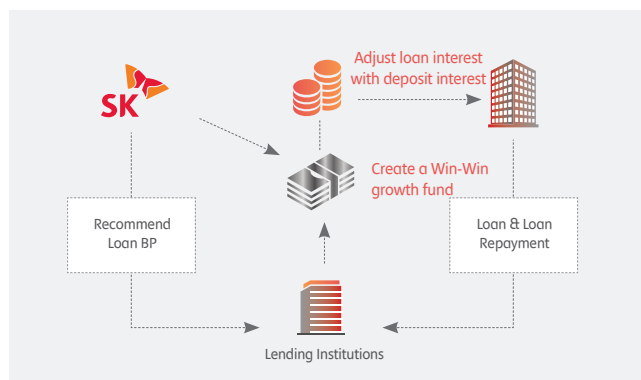
Win-Win Growth

Programs for Win-Win Growth



Financial Support

SK holdings has raised a fund for a mutual growth to provide support for business partners' flow of money. The financial institution's interest rate that is generated by the fund is used to deduct from a business partners' loan interest rate. We also operate a network loan system for business partners to secure necessary funds at low interest rates. This enables business partners to take a loan from financial institutions at interest rates lower than market interest rates. In addition, we support business partners by building a strong foundation for business management by operating a system to facilitate a business partners financial activities. For example, we pay the entire subcontract fee in cash, and make a payment once a week. In 2017, SK holdings provided approximately KRW 10.4 billion in finance and financing.



Education/Training Support

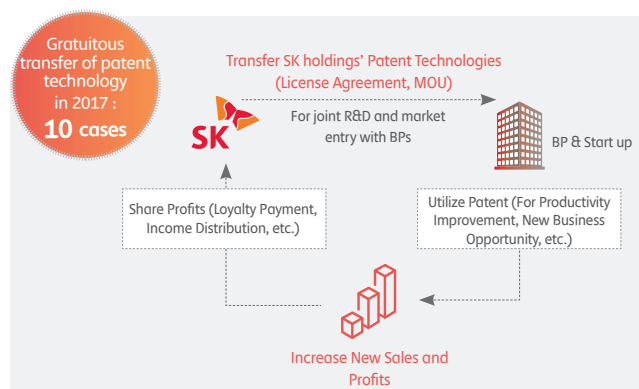
SK holdings provides various free education courses to business partners to enhance business capabilities. SK Group's education courses aim to improve a business partner's management capabilities, and SK holdings' courses for enhancing the outsourcing capabilities can focus on strengthening business competitiveness as well as creating a robust IT service market. In addition, we have utilized collective education and e-learning to provide courses customized for training of any business partners' members like managers, developers, or new employees.

Classification	Course Name	Content	Trainee (Unit: person)		
			'15	'16	'17
SK Win-Win Growth Academy	CEO Seminar on Win-Win Growth	Lectures of experts (management, humanities, history, etc.)	41	50	50
	Win-Win Growth MBA	Brief, eight-week MBA course (including Global W/S)	8	8	6
	E-learning Course on Win-Win Growth	100 online courses on IT, OA, management, etc.	2,038	3,180	3,614
	Mobile Academy	Courses on jobs, leadership, insight, language	-	-	608
SK holdings	VLS	66 online courses on IT and management strategies	211	198	165
	BP CEO Seminar	Special lecture about IT trends	366	436	161
	Courses of External Organizations	Multi-campus Corporation, Korea HRD, Korea HP Education Center	12	12	50
	Improper Solicitation and Graft Act	Enacted in 2016, providing relevant information and precautions	-	118	-

Technical Support and Protection

SK holdings' Patent Technology

SK holdings provides our patent technologies' license to business partners and start-ups for free so that they can strengthen the sustainable competitiveness of business partners. This enables business partners to have new business opportunities, and to improve productivity while SK holdings can achieve Profit Sharing through contracts for performance sharing, and intellectual property rights sharing through joint patent applications.



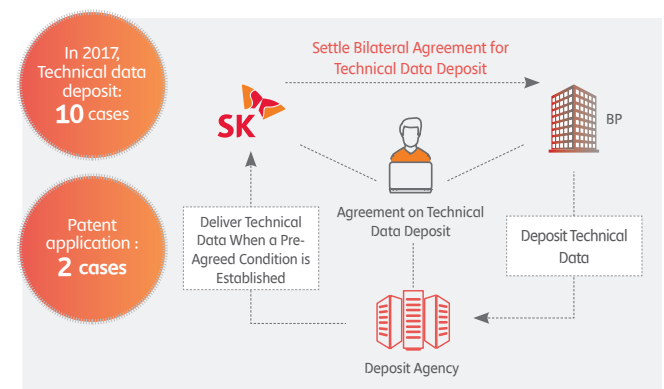
Joint R&D and Market Entry

Joint R&D facilitates business partners to develop capabilities by transferring SK holdings' and know-how on business execution and technology development. In addition, joint market entry serves as a good opportunity for business partners to strengthen their business competitiveness. All of these efforts contribute to addressing BP's issues related to resource allocation and environment by providing stable outlets for R&D. On the other hand, SK holdings will save on resources through collaboration with specialized business partners and shorten time consumed in the process of entering new markets.



Technical Data Deposit System

SK holdings operates a system for a technical data deposit to protect core technologies of business partners. The system aims to prevent an outflow of technology by storing data for SK holdings and business partners in a third-party organization. This allows business partners to protect the core technical data by preventing technology deception, outflow, loss, and by being certified by a third-party organization regarding technology development. SK holdings, on the other hand, can secure license guarantees and conduct R&D in a stable environment.



SK Employment Steppingstone Program

The SK Employment Steppingstone Program is a public-private partnership program that is promoted by the Ministry of Employment and Labor. The program was designed to create jobs for youth and lessen the labor shortage of Small and Medium Sized Enterprises (SMEs). SK Group uses a systematic recruitment process and job training know-how to help participating SMEs recruit employees with excellent talent. This is a win-win platform which allows SK business partners as well as excellent SMEs to participate in the program, supporting talents to these companies.



In 2017, 45 people were hired through this program, which helped improve the trust and competitiveness between SK holdings and business partners.

Win-Win Growth

Supply Chain Status

In 2017, SK holdings invested about KRW 700 billion worth of in human resources to develop HW/SW and systems/solutions through approximately 1,400 business partners in domestic and oversea. In addition, its local purchasing volume has continued to grow based on local procurement policies in order to contribute to the development of local production regions and social contributions in case of conducting overseas projects.

| Purchase Status of Domestic and Oversea Supply Chains |

(Unit: KRW 100 million)

Classification		2015	2016	2017
Total Purchase Amount		7,145	12,373	7,721
HW/SW	Domestic Purchase Amount	3,246	4,286	3,657
	Oversea Purchase Amount	167	2,857	180
Outsourced work force	Domestic Purchase Amount	3,593	4,566	3,826
	Oversea Purchase Amount	139	664	58

Business Partner Selection and Evaluation

Selection of Business Partners

SK holdings evaluates a company's financial status, business capabilities, and sustainability based on objective and fair standards to select our business partners. We enact a Code of Conduct for our business partners to support them to fulfill their social responsibilities, and to resolve

environmental problems (i.e. to check whether business partners comply with environmental laws). We also require all business partners to draw up the Code of Practicing Ethical Management for the business contract to promote sustainable mutual growth with business partners.

In addition, in order to build a sustainable and sound ecosystem for our supply chain, we have established and obliged a code of conduct for business partners consisting of four areas: labor rights, safety and health, eco-friendly management, and ethical management. We restrict transactions with business partners that violate this code of conduct.

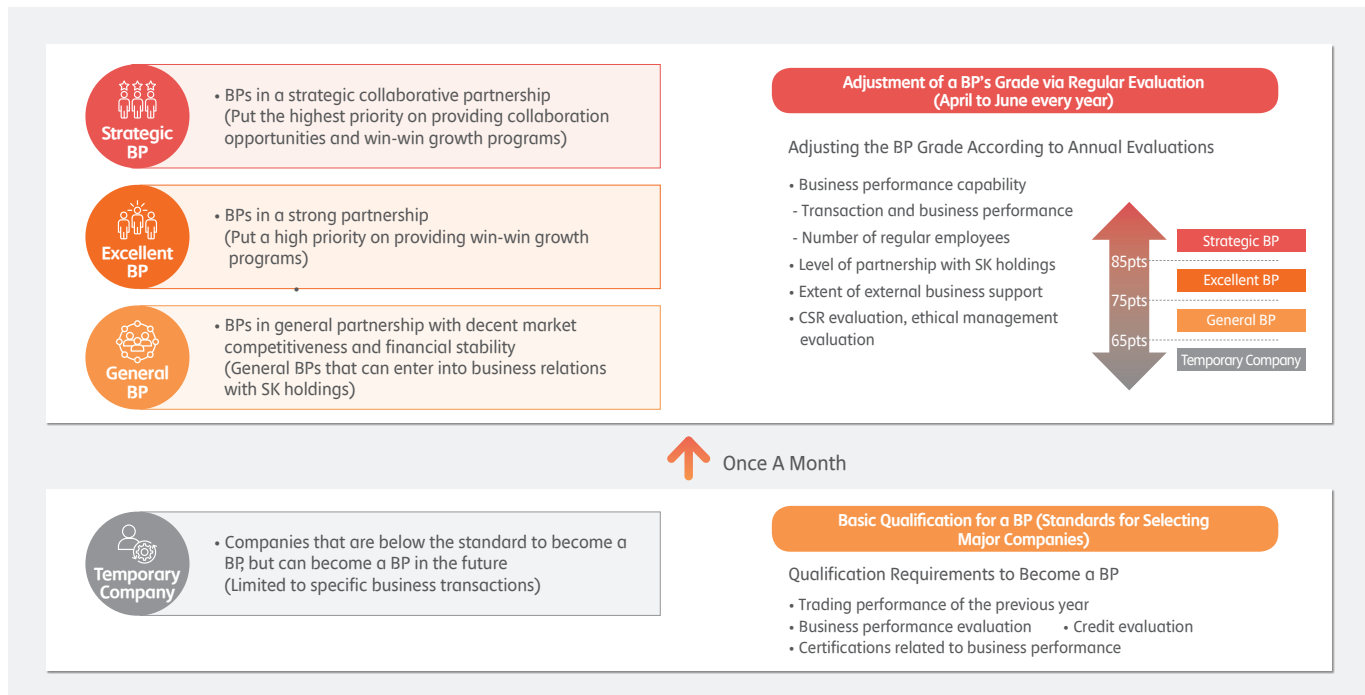
Evaluation and Management of Business Partners

SK holdings classifies our business partners into four categories: Strategic BP, Excellent BP, General BP, and Temporary Companies. These classifications are made according to their capabilities and their level of partnership with SK holdings. We apply different grades of incentive to each category, thereby establishing a sound environment for healthy win-win growth.

| Business Partner Status by Type and Grade |

Type of BP	No. of BPs		General		Excellent		Strategic	
	'16	'17	'16	'17	'16	'17	'16	'17
Product Purchase	153	141	132	113	21	28	-	-
Outsourcing	143	130	93	71	45	54	5	5
DT	-	54	-	54	-	-	-	-
Total	296	325	225	238	66	82	5	5
BPs Subject to the Win-win Growth Agreement	60	60	21	28	34	27	5	5

| Business Partner Management Process |



Management of a Business Partners' Sustainability

Risk Management Policy for Business Partners

SK holdings conducts financial evaluations on a regular basis to manage the financial risks of our business partners. We also evaluate the comprehensive sustainability management levels of our business partners to prevent potential risks. In this regard, we enacted a code of conduct for business partners in 2017, and published the code on the website of our procurement department (<https://procurement.skcc.com/hdk/bbs/noticeView.do>).

Process to Manage Risks of Supply Chain

SK holdings has established a systematic process to manage risk in the supply chain that encompasses economic, environmental, and social sectors. We conduct an annual evaluation to assess a BP's business capability, the level of partnership with SK holdings, and factors of sustainability management. The factors of sustainability management include labor rights, safety and health, eco-friendly management, and ethical management. The results serve as a basis to judge whether or not to continue business with business partners and establishes a standard to the benefits granted corresponding to a BP's grade.

※Standards of Annual Evaluation on business partners: Merit (Practice new business, promote mutual growth, fulfill CSR, etc.), Demerit (Noncompliance with policies regarding ethical management, security, etc.)

We also work to identify and manage risks of business partners that may arise. We drew up a list for risk diagnosis with 14 items in four areas including safety and health. We ask business partners excluding temporary companies to conduct a self-diagnosis to check for possible risks related to sustainability of the supply chain. Referring to the result of self-diagnosis, we pay on-site visits to excellent business partners and strategic business partners every year to examine risks.

We plan to conduct self-diagnosis in all general, excellent and strategic business partners by 2020, and to expand on-site visits for risk management.

2018 Business Partner Sustainability Management Evaluation Results

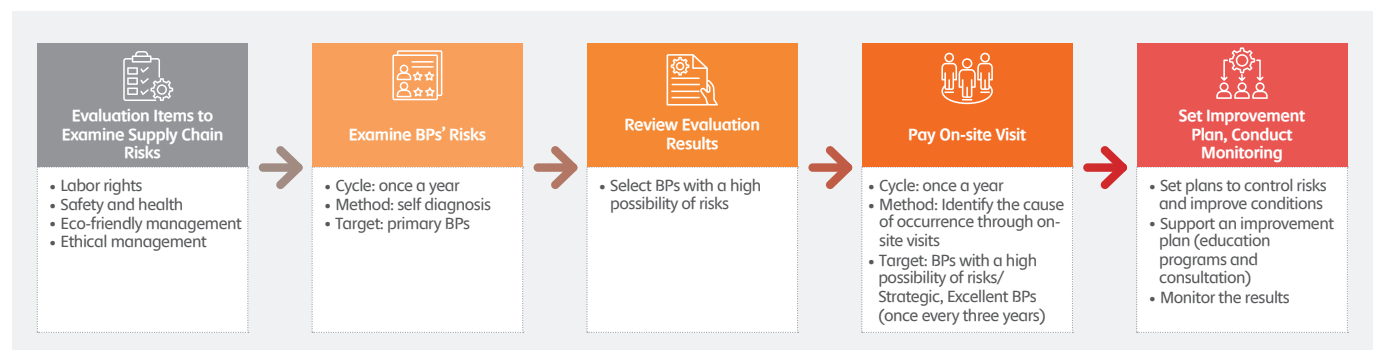
SK holdings carried out sustainability management evaluations on excellent and strategic business partners (40 companies). The results showed that three areas (labor rights, safety and health, and eco-friendly management) were excellent and received more than 90 points each. But the ethical management area was found to be somewhat weak, receiving 76 points. Thus, it is necessary to come up with measures to combat this. For example, providing education programs or establishing a support system to raise awareness of anti-corruption is one solution.

| Evaluation Items |

Classification	Content	Details
Labor	Underage, Forced Labor	Are there any internal regulations for underage, forced labor?
	Labor Standards Compliance	Are there internal rules and processes to check labor standards compliance?
	Employment Conditions	Are the employment conditions documented and clearly conveyed?
	Human Rights, Discrimination Prohibition	Are there any internal regulations regarding human rights and discrimination?
Safety and Health	Worker Safety and Health	Do you conduct workplace safety assessments or provide education on safety and health?
	Industrial Disaster Status	Has any industrial accident occurred over the past three years?
	Healthcare	Are there any healthcare programs for workers?
Eco-friendly Management	Violation of Safety and Health Law	Have there been any violations of safety and health regulations over the past three years?
	Violation of Environmental Standards Law	Have there been any violations of environmental standards regulations over the past three years?
Ethical Management	Anti-corruption	Do you perform customer satisfaction survey on the service?
	CSR	Do you fulfill corporate social responsibilities (Voluntary work, donation, etc.)?
	Customer Satisfaction	Are customers satisfied with the services provided?
	Violation of Laws for Customers and Subcontractors	Are there any cases of violation of regulation regarding product, service, consumer, or nonpayment of subcontract fee?
	Protection of Customer Information	Are there any policies or education programs for the protection of customer information?

| Major Performance Indicators |

Classification	Objectives	Until the year
Evaluation Ratio of BPs	100% of primary BPs	2020
Sustainability Level of BPs	Average of 90 points or more	2020
Ratio of Evaluation Managers in BPs Who Take ESG Education Programs	100%	2020



Establishment of Sustainable Social Ecosystem

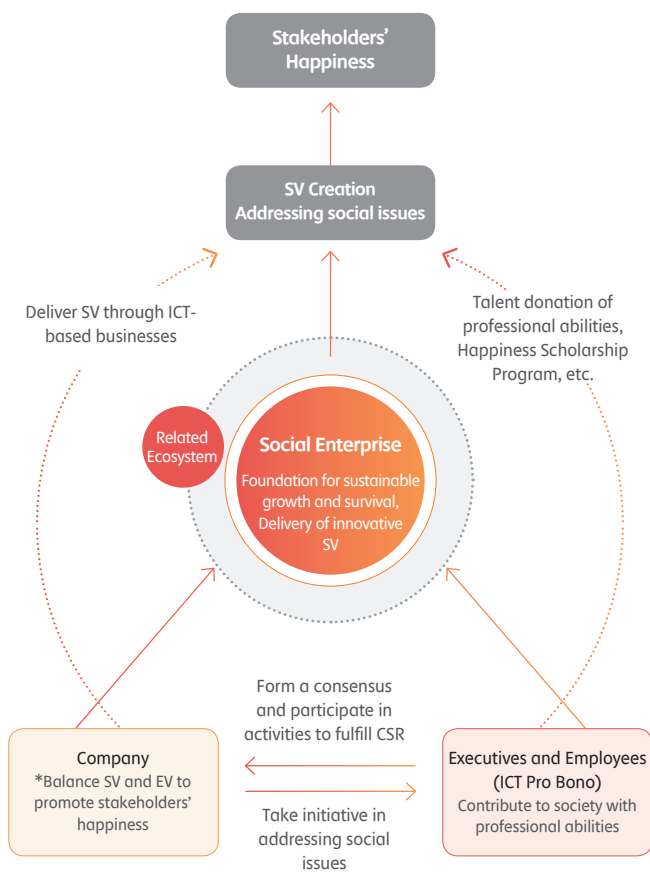
SK holdings conforms with the Double Bottom Line (DBL) principle in business management. This signifies that we practice corporate social responsibility in order to deliver both social values and economic values throughout our business operations. We will aim to build a happy society where everyone thrives together.

Efforts to Create Social Values

Social Value Creation

SK holdings has established a social value system linked with the UN's SDGs and has practiced related activities in order to realize sustainable happiness with stakeholders based on its management philosophy that contributes to economic development and creates strong social values for society.

| Social Value Creation Strategy |



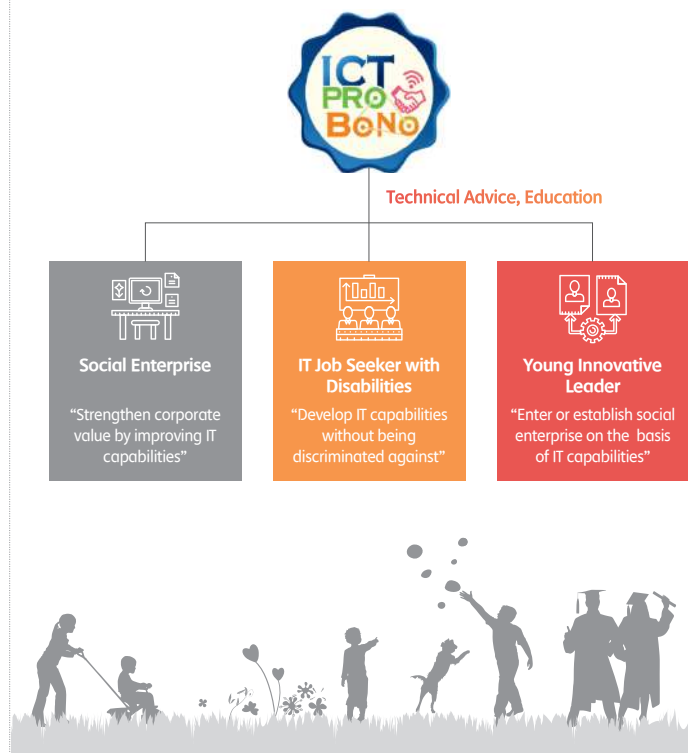
* SV: Social Value, EV: Economic Value

ICT Pro Bono and Employees' Talent Donation

ICT Pro Bono is a program that supports solutions for social issues with SK holdings' ICT specialists. The program conducts diverse talent donation activities like consultation and coaching, to strengthen the IT capabilities of social enterprises.

In 2017, we carried out activities for internal and external stakeholders like IT public service projects for college students, and technology utilization projects for a better society. In addition, we offered career consultation, donated our ER-C program, and provided ER-C program education to students with disabilities using SK holdings IT Advanced Training (SIAT). In the future, ICT Pro Bono will facilitate communication with society, thereby promoting people's happiness.

| ICT Pro Bono Program |



SIAT Program to Support People with Disabilities

SK holdings helps underprivileged people in society to become economically independent. SK holdings IT Advanced Training (SIAT) is not simply through monetary support, but a training program that is customized to cultivate IT specialists to help people with disabilities gain economic independence.

The program supports people with disabilities to develop IT capabilities, and break any misconceptions of their capabilities for society. In 2017, 19 people with disabilities entered IT companies after taking courses in SIAT. This achievement enabled us not only to create social value but also to contribute to addressing social issues.

| SIAT Program for Creating IT Jobs for People with Disabilities |



“Happy Coding Class” to Bridge Education Inequality of Underprivileged People

Happy Coding Class decreases education inequality of the vulnerable, and addresses women's career break issues. In Happy Coding Class, female IT specialists on a career break teach Problem-Based Learning Coding to people who had fewer educational opportunities. The class was held in 25 institutions, including Seongnam Regional Welfare Center and Regional Children's Center, and special classes operated for North Korean defectors and people with hearing loss.



Happiness IT Scholarship Program for Youth with Disabilities

SK holdings has supported youth with Disabilities who want to become IT specialists through the Happiness IT Scholarship Program since 2004. The scholarship was created by our employees, and in 2017, provided scholarships for 47 college students and high school students with disabilities totaling around KRW 107 million.



Computer Donation for Higher Accessibility to IT

SK holdings contributes to improving information accessibility by donating secondhand laptops to social enterprises and the underprivileged who cannot buy PCs. The “PC Donation to Give Hope” was launched in 2004. In 2017, SK holdings donated 110 laptops to children as a part of the social enterprise “Happy School”

Establishment of Sustainable Social Ecosystem

Support Social Enterprises with ICT Capabilities

SK holdings established and operates a social enterprise to drive sustainable creation of social value. We established the Happy ICT Foundation in 2011 to create jobs in ICT areas for underprivileged people in society. The Happy ICT Foundation was certified as a social enterprise and a standard workplace for people with disabilities, and assisted underprivileged people to enter into society, thereby fulfilling social responsibilities and serving the common good.



Academic Support to Address Social Issues

SK holdings supports diverse research and academic activities to solve social problems and foster economic development. As a part of this effort, we have sponsored the Korea-Japan International Symposium on Social Enterprise and the International Labor and Employment Relations Association in 2017.

Support Social Enterprises in Local Communities

SK holdings held a "Happiness Sharing Event" with social enterprises to expand their markets in local communities. The event served as an opportunity to introduce and sell products of social enterprises. All proceeds from the event were donated to support heating expenses for underprivileged people in society.



Social Value Creation to Achieve UN SDGs



SDG 3 Good Health and Well-Being

Relations with business

- Raise corporate values and reputation by committing to address social issues
- Improve the corporate brand and create new business opportunities by fulfilling social responsibilities in developing countries

Business goals

- Promotion of humanity's health and creation of new business opportunities through the development of health-related IT solutions (artificial intelligence antibiotic advisor service)

Social and environmental goals

- Improvement of quality of healthy and happy life and welfare of all people with project support for disadvantaged people in domestic and oversea



SDG 4 Quality Education

Relations with business

- Nurture highly-competent IT talent and contribute to the ICT industry through mentoring people with disabilities and providing education programs on ICT
- Participate in addressing social issues to build up brand image as a socially responsible corporation

Business goals

- Conducting ICT Pro Bono activities to provide quality education and mentoring for young people with disabilities and nurturing talents in ICT sector

Social and environmental goals

- By supporting the academic field for solving social problems, suggest fundamental and practical solutions and contribute to academic development
- Provided ICT education programs for the socially vulnerable class to bridge the relative educational gap



SDG 8 Decent Work and Economic Growth

Relations with business

- Promote the corporate brand by relieving underemployment of people with disabilities and raising solidarity between diverse stakeholders

Business goals

- Expansion of the ICT industry by fostering ICT industry ecosystem based on supports for social enterprises related to ICT and fostering the workforce in ICT

Social and environmental goals

- Formation and promotion of social enterprises' growth by encouraging development-oriented policies that support appropriate job creation, creativity and innovation



SDG 10 Reduced Inequalities

Relations with business

- Expand the ICT customer pool by bridging the information inequality gap and enhancing information accessibility
- Gain loyalty from employees, improve labor-management relations, and promote productivity through voluntary donations to charity

Business goals

- Expansion of ICT business opportunities by increasing potential customers related to the ICT industry and reducing the IT information gap

Social and environmental goals

- Contribution to solving income inequality through income growth based on charitable donations and activities supporting economic independence of low-income earners

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SUSTAINABLE PERFORMANCE

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Economic Performance

Consolidated Financial Statements

(Unit : KRW million)

Category	2015	2016	2017
[Liquid assets]	29,765,131	32,450,042	35,198,911
Cash and cash equivalents	6,995,224	7,086,957	7,145,842
Inventory assets	5,643,327	6,018,855	8,177,933
Other liquid assets	17,126,580	19,344,230	19,875,136
[Non-liquid assets]	66,868,678	70,597,295	74,578,009
Investments in subsidiaries and joint ventures	11,157,775	11,559,899	14,629,502
Tangible assets	39,445,286	41,032,505	41,286,418
Intangible assets and goodwill	9,749,429	11,772,390	12,350,829
Other non-liquid assets	6,516,188	6,232,501	6,311,260
Total assets	96,633,809	103,047,337	109,776,920
[Current liabilities]	25,919,322	28,716,610	31,368,049
[Long-term liabilities]	30,637,237	32,004,003	32,652,451
Total liabilities	56,556,559	60,720,613	64,020,500
[Owner's equity]	12,566,518	13,112,357	13,660,082
Capital stock	15,385	15,385	15,385
Other paid-in capital	4,773,965	4,741,139	4,112,475
Retained earnings	7,801,713	8,368,122	9,837,619
Accumulated other comprehensive income	-24,545	-12,289	-305,397
[Non-controlling interest]	27,510,732	29,214,367	32,096,338
Total shareholders' equity	40,077,250	42,326,724	45,756,420
Total liabilities and shareholders' equity	96,633,809	103,047,337	109,776,920
Number of companies included in consolidation	277	290	309
	25th (2015.01.01-2015.12.31)	26th (2016.01.01-2016.12.31)	27th (2017.01.01-2017.12.31)
I. Sales	39,569,775	83,617,494	93,296,368
II. Operating income	1,403,264	5,298,179	5,861,039
III. Profit from continuing operations net of taxation	6,238,848	4,375,819	7,442,177
IV. Consolidated net income from continuing operations	5,658,723	3,021,790	5,181,367
V. Consolidated net income	5,549,259	2,822,484	5,066,482
Net income attributable to owners of the parent company	5,345,978	765,580	1,677,432
Net income attributable to non-controlling interest	203,281	2,056,904	3,389,050
VI. Earnings per share attributable to owners of the parent company			
Basic earnings per share	KRW 107,921	KRW 13,676	KRW 30,007
Basic earnings per share from continuing operations	KRW 108,654	KRW 13,859	KRW 30,586

Social Performance

Employees

Category	Unit	2015	2016	2017
Total number of employees	Persons	4,174	4,432	3,933
Male	Persons	3,397	3,638	3,161
Female	Persons	777	794	772
Total number of full-time employees	Persons	4,096	4,363	3,732
Male	Persons	3,344	3,581	3,020
Female	Persons	752	782	712
Total number of contract employees	Persons	78	69	132
Male	Persons	53	57	114
Female	Persons	25	12	18
Number of non-employees (seconded employees)	Persons	75	126	69
Ratio of non-employees out of all workers	%	1.8	2.8	1.8
Male non-employees	Persons	17	34	27
Female non-employees	Persons	58	92	42
Socially vulnerable persons among employees	Persons	115	138	138
Ratio of socially vulnerable persons	%	3	3	4
People with disabilities	Persons	40	40	44
National veterans	Persons	75	67	69
Foreigners	Persons	Reported from 2016		31
Ratio of new employees	%	8	14	7
Number of new employees	Persons	342	599	275
Male	Persons	241	472	214
Female	Persons	101	127	61
Form of employment – Number of persons employed as new employees	Persons	Reported from 2016	301	94
Form of employment – Number of persons employed as career employees	Persons		351	181
Employment by age (Under 30 years of age)	Persons		290	117
Employment by age (30-50 years of age)	Persons		292	148
Employment by age (Over 50 years of age)	Persons		17	10
Turnover rate (Full-time employees only)	%	6	4	2
Turnover rate by gender – Male (%)	%	5	4	2
Turnover rate by gender – Female (%)	%	7	4	3
Turnover rate by age – Under 30 years of age	Persons	Reported from 2016	39	17
Turnover rate by age – 30 – 50 years of age	Persons		164	74
Turnover rate by age – Over 50 years of age	Persons		2	4
Number of dismissed workers	Persons		0	3

* Employee status shown here excludes SK Encar following SK holdings' disposal of SK Encar in 2017

** SK holdings does not apply the country classification based on GRI Standards to employees, as we have no business worksites overseas.

*** Employee status data was collected through the personnel data of the HR department as of the end of the relevant year.

Return to Work Rate After Parental Leave

Category	Unit	2015	2016	2017
Persons eligible for parental leave (Male)	Persons	151	176	129
Persons eligible for parental leave (Female)	Persons	47	50	44
Persons using parental leave (Male)	Persons	11	14	16
Persons using parental leave (Female)	Persons	64	72	56
Parental leave usage rate (Male)	%	7	8	12
Parental leave usage rate (Female)	%	145	144	127
Return-to-work rate after parental leave (Male)	%	83	45	74
Return-to-work rate after parental leave (Female)	%	92	73	77
12-month retention rate after parental leave (Male)	%	82	58	75
12-month retention rate after parental leave (Female)	%	87	93	79

Number of Female Managers

Category	Unit	2015	2016	2017
Team Leaders	Persons	14	16	14
Executives	Persons	1	2	1
Leaders (Managers or above)	%	14	15	9
Ratio of female employees among all employees	%	18	18	19

New Employee Wage Compared to the Legal Minimum Wage at Local Business Sites

Category	Unit	2015	2016	2017
Male new employees	%	279	264	247
Female new employees	%	272	258	240

* Minimum wage by gender at major business sites against wage of new employees (executives and employees)
(Minimum wage in 2017: KRW 6,470 / Minimum wage in 2016: KRW 6,030, Minimum wage in 2015: KRW 5,580)

Base Salary and Compensation of Male vs. Female Employees

Category	Unit	2015	2016	2017
General manager	%	94	93	93
Senior manager	%	89	89	90
Manager	%	89	91	92

Cases of Discrimination and Corrective Measures Taken

Category	Unit	2015	2016	2017
No. of cases involving discrimination	Cases	0	1	2

Number of Employees to Complete Ethical Management Training

Category	Unit	2015	2016	2017
No. of employees to complete training	Persons	3,425	3,433	3,566
Ratio of employees to complete training	%	100	100	100

Human Rights - Anti-corruption

Category	Unit	2015	2016	2017
No. of employees who received education on anti-corruption policies and procedures	Persons	5,175	4,630	4,145
Ratio of employees notified of anti-corruption policies and procedures	%	100	100	100

Number and Ratio of BOD Members Notified of Anti-corruption Policies and Procedures

Category	Unit	2015	2016	2017
No. of BOD members who received education or were notified of anti-corruption policies and procedures	Persons	7	7	7
Ratio of members who received education or were notified	%	100%	100%	100%

Collective Bargaining Agreement Ratio

Category	Unit	2015	2016	2017
Management Council Membership Rate	%	98.8	95.7	95.1

Social Performance

Education and Training

Category	Unit	2015	2016	2017
Average no. of education hours per employee	Hours	76	69	88
Average no. of education hours per employee (Male)	Hours	79	69	88
Average no. of education hours per employee (Female)	Hours	66	67	88
Average no. of education hours per employee (Manager)	Hours	N/A due to adoption of the new job position system in 2017		98
Average no. of education hours per employee (Senior Manager)	Hours			89
Average no. of education hours per employee (General Manager)	Hours			22
Average no. of education hours per employee (Executive)	Hours			2

* Career employees, employees seconded overseas, sojourning employees, special qualification employees and other employees with difficulties in receiving education on a regular basis have been excluded

Violations of Laws and Regulations in Social and Environmental Fields

Category	Unit	2015	2016	2017
Amount of penalties/fines	KRW	0	0	0
No. of non-financial sanctions	Times	0	0	0

Safety and Health

Category	Unit	2015	2016	2017
No. of injuries (Male)	Cases	0	0	1
No. of injuries (Female)	Cases	0	0	1
Injury rate (Male)	%	0	0	0
Injury rate (Female)	%	0	0	0
Work days lost (Male)	Days	0	0	0
Work days lost (Female)	Days	0	0	41

Customer Information Security Violations and Number of Complaints Due to Proven Loss of Customer Information

2015	2016	2017
0	0	0

Investment in Local Communities

Classification	Unit	2014	2015	2016	2017	Note
Hours of Voluntary Work per Employee	Hours	8	7	-	-	* We haven't managed this separately since 2016 because employees did self-initiated voluntary work.
Donations by Employees	KRW thousand	98,298	95,742	110,828	100,277	
Investment in Local Communities	KRW thousand	2,806,202	2,928,173	2,477,677	1,752,629	

* Limited to SK holdings' business sector (C&C)

Ratio of Investment in Local Communities

Classification	Unit	2014	2015	2016	2017	Note
Social Investment	%	41	23	16	68	
Commercial Investment	%	27	35	55	8	
Charity Donations	%	32	42	29	24	

* The amount of investment in local communities was calculated excluding donations made by employees.

** Limited to SK holdings' business sector (C&C)

Donations by Employees

Classification		Unit	2014	2015	2016	2017
Happiness Scholarship	Amount Raised	KRW thousand	87,420	91,500	107,200	96,397
	Scholarship Students	Persons	75	53	70	54
Donations to Support Underfed Children	Amount Raised	KRW thousand	10,878	4,242	3,628	3,880
Total		KRW thousand	98,298	95,742	110,828	100,277

* Limited to SK holdings' business sector (C&C)

Major Donation Spending in 2017

Classification	Business Name	Recipients	Amount (Unit: KRW thousand)
1	Donation for 'the Hope Sharing Campaign' to Help Neighbors in Need at the End of the Year	The Community Chest of Korea	968,000
2	Donation for Investment Source of Mutual Fund	The Foundation for Collaboration between Large Enterprises and SMEs in Agriculture and Fishery	200,000
3	Support for Facial Deformity Surgery for Vietnamese Children	Smile for Children	170,000
4	Academic Support to the Brookings Institution	Brookings Institution	113,240
5	Programs to Develop IT Capabilities of the Disabled (Collaborated with the Korea Employment Agency for the Disabled)	The Happy ICT Foundation	84,690

* Limited to SK holdings' business sector (C&C)

Amount of Spending Related to Policy by Year

Classification	Unit	2014	2015	2016	2017
Political Donation*	KRW thousand	0	0	0	0
Association Expenses for Related Organizations	KRW thousand	199,665	172,603	258,000	231,740

* SK holdings complies with the Political Funds Act of the Republic of Korea which prohibits corporations and organizations from contributing any political funds.

Spending Related to Policy in 2017

Classification	Name of Organization	Position	Unit	2017
1	Korea Information Technology Service Industry Association (ITSA)*	Vice-chairman	KRW thousand	33,000
2	Korea Software Industry Association (KOSA)**	Vice-chairman	KRW thousand	20,000
3	Korea Association of Cloud Industry (KACI)	Director	KRW thousand	10,000
4	The Federation of Korean Information Industries (FKII)	Director	KRW thousand	8,400
5	Korea Association for ICT Promotion (KAIT)	Member	KRW thousand	3,600

* Korea Information Technology Service Industry Association: Establishes governmental policies relating to the IT service industry and participates in IT service policy businesses

** Korea Software Industry Association: Promotes the development of the software industry by facilitating its growth and utilization

Investment in R&D

Category	Unit	2014	2015	2016	2017
Total R&D expenses	KRW million	25,830	29,577	41,211	40,601
Selling, general and administrative expenses	KRW million	15,614	12,334	22,785	21,039
Development expenses	KRW million	10,216	17,243	18,426	19,562
Ratio of R&D expenses to revenue [Total R&D expenses ÷ Revenue during the term × 100]	%	1.31	1.51	1.79	1.59

Government Support

Category	Unit	2014	2015	2016	2017
Total support amount	KRW million	727	521	404	505
Government subsidies	KRW million	0	0	0	0
Tax credits	KRW million	727	521	404	505

Social Performance

Response to Emerging Risks

SK holdings is taking the initiative to respond to long-term risks that are considered to be critical in our business areas.

1) Emergence of ICT Convergence Services

With the recent emergence of various ICT convergence services such as Mobility, Big Data, Cloud, IoT, and Fintech, the growth potential of relevant markets is gradually increasing. In this regard, SK holdings is developing service models to create customer value by driving Digital Transformation in the areas including Cloud, Smart Factory, AI, Big Data, IoT, and Fintech. In terms of Cloud, we provide the best cloud service with SK's own service, Cloud Z. In 2018, we launched a private cloud service, Cloud Z Edge, to meet customers' needs, and it was well received in the marketplace. For AI, we launched SK's own AI brand, Aibril, in May 2016. With Aibril, we took the lead and increased our stake in the AI market in various industries such as education, medical care, and finance.

2) Increasing Use of Electronic Information

The development of ICT technology is accelerating the use of electronic information in document information. As the use of information changes and methods diversify, many companies and institutions are transforming their process of utilizing information. For the ICT industry, these changes are an opportunity and a risk factor at the same time. In particular, social problems may arise if issues such as data loss and system error occur while saving, operating, and managing important information in social infrastructures (medicine, financial, national defense, etc.) managed as electronic information. SK holdings expects these risks to increase gradually. In response, we established systems and processes to manage relevant risks, and provided education programs to enhance data stability, increase operational efficiency, and strengthen our security system.

Corporate Governance

SK holdings discloses information about corporate governance in a transparent way as follows.

1) Independence of the Board of Directors

SK holdings complies with the Commercial Act of the Republic of Korea to incorporate transparent management by organizing and operating an independent Board of Directors (BOD). In this regard, we defined independence of the BOD, and disclose the status of the BOD as follows. We believe that the BOD, consisting of a majority of independent directors is independent. We also believe that the BOD cannot obtain independent qualifications if the independent director falls under the conditions set forth below. Therefore, we do not appoint anyone who meets the following conditions:

- ① Directors, executive directors and employees who are engaged in the regular business of the relevant company, or directors, auditors, executive directors and employees who have engaged in the regular business of the relevant company within the past two years;
- ② The principal, his/her spouse, lineal ascendants, and lineal descendants, in cases where the largest shareholder is a natural person;
- ③ Directors, auditors, executive directors, and employees of the corporation, in cases where the largest shareholder is a corporation;
- ④ The spouses, lineal ascendants, and lineal descendants of directors, auditors, and executive directors;
- ⑤ The directors, auditors, executive directors, and employees of a parent company or a subsidiary company of the relevant company;
- ⑥ Directors, auditors, executive directors, and employees of a corporation which has a significant interest in the relevant company, such as business relations with the company;
- ⑦ Directors, auditors, executive directors, and employees of another company for which directors, executive directors, and employees of the relevant company serve as directors and executive directors.

In order to ensure fairness and independence when appointing independent directors, we appoint them at the general shareholders' meeting after a rigorous examination by the Independent Director Candidate Recommendation Committee. Directors are elected through the general shareholders' meeting. The candidates for directors to be elected at the general shareholders' meeting are selected by the BOD (executive/non-executive directors) and the Independent directors Candidate Recommendation Committee (independent directors), and submitted to the general shareholders' meeting.

2) Election Ratio of Independent Directors

SK holdings consists the BOD with the aim of having more than 51% of independent directors in the BOD. Currently, our BOD has four independent directors, representing 57% of all directors. This structure contributes to maintaining independence from large shareholders and management.

3) Diversity Policy of the Board of Directors

In order to promote a diverse and non-discriminatory corporate culture, SK holdings is committed to ensuring that all employees, including board members, are not discriminated on the basis of race, gender, disability, religion, or nationality, for all employees including recruitment, compensation, evaluation, promotion, and education and is considering priority for minorities.

4) Efficient Operation of the Board of Directors

In 2017, the average attendance rate of our board members was 98.75%. The minimum attendance rate for all board members is 51%. Furthermore, there are four directors who are limited to four other tasks or less, which corresponds to the total number of independent directors. In addition, our BOD conducts self-assessment on a regular basis to share the result of the decision of the BOD and the outcomes of committees' activities, and to discuss improvement. The directors are elected on an annual basis. At the time of election, decisions are made separately to appoint each director, and we disclose the results and ratio of yes and no votes. The average length of service of the board of directors is 2.1 years, and the number of independent directors with experience of the relevant industry is three years.

5) Performance Compensation of Management

SK holdings efficiently measures the performance of our top management and pays compensation accordingly. Performance compensation uses indicators such as sales, operating profit, debt ratio, cash dividend payout ratio, total share price return, credit rating, growth rate, and sustainability rate, etc. The period for which we pay performance compensation to top management is three years. Moreover, we introduced stock options for executives to directly link corporate value enhancement and compensation in order to maximize the growth of corporate value by building a consensus between management and shareholders.

Environmental Performance

Energy Consumption

Category		Unit	2015	2016	2017
Total energy consumption (Absolute amount, excluding scope 3)		TJ	708	931	1186
Gas (LNG)		TJ	9	12	10
Electricity		TJ	683	893	1155
District heating		TJ	17	26	21
Total energy consumption (Absolute amount, excluding Scope 3)	Per KRW 1 billion in revenue	TJ	0.343	0.299	0.465
	Per employee	TJ	0.172	0.213	0.263
Gas (LNG)	Per KRW 1 billion in revenue	TJ	0.005	0.004	0.004
	Per employee	TJ	0.002	0.003	0.002
Electricity	Per KRW 1 billion in revenue	TJ	0.331	0.287	0.452
	Per employee	TJ	0.166	0.205	0.256
District heating	Per KRW 1 billion in revenue	TJ	0.008	0.008	0.008
	Per employee	TJ	0.004	0.006	0.005

Greenhouse Gas Emissions

Category		Unit	2015	2016	2017
Scope 1		tCO2e	472	612	518
Scope 1 emission intensity	Per KRW 1 billion in revenue	tCO2e	0.229	0.197	0.203
	Per employee	tCO2e	0.115	0.140	0.115
Scope 2		tCO2e	33,536	44,029	56,834
Scope 2 emission intensity	Per KRW 1 billion in revenue	tCO2e	16.240	14.143	22.253
	Per employee	tCO2e	8.140	10.091	12.596
Scope 3		tCO2e	4,439	4,323	4,910
Upstream	Fuel and energy not included in Scope 1 and 2	tCO2e	1,233	1,614	2,013
	Transportation and distribution	tCO2e	9	10	7
	Waste generated from operations	tCO2e	11	11	9
	Business trips	tCO2e	1,063	566	737
	Employee commute	tCO2e	8	8	9
	Leased assets	tCO2e	2,114	2,114	2,137
Downstream		tCO2e	-	-	-

Water and Waste

Category		Unit	2015	2016	2017
Water	Total consumption	Ton	110,266	130,753	125,868
	Total amount of recycled and reused water	Ton	12,258	16,220	24,027
	Ratio of recycled and reused water	%	11	12	10
Waste	General waste	Ton	95	121	113
	Designated waste	Ton	0	11	0
	Recycling	Ton	166	182	155
	Treatment cost	KRW	53,092,200	47,067,160	53,933,500

Return on Environmental Investments

Category	Unit	2014	2015	2016	2017
Capital investment	KRW	110,000,000	110,000,000	334,965,044	16,700,000
Operating cost	KRW	51,259,000	53,902,200	47,067,160	53,933,500
Total cost	KRW	161,259,000	163,902,200	382,032,204	70,633,500
Revenue and cost savings due to environmental investment	KRW	500,000,000	750,000,000	3,387,776,036	10,205,000
Applicable ratio of relevant business sites	%	100	96	96	94

Environmental Performance

Total energy consumption

Total energy consumption	Unit	2014	2015	2016	2017
Fossil fuels (coal, oil, natural gas, etc.) purchased and consumed (for energy purposes)	MWh	3,738	3,569	3,472	2,778
Electricity (non-renewable) purchased	MWh	60,329	70,977	92,872	120,237
Steam / heating / cooling and other energy (non-renewable) purchased	MWh	8	7	7	5
Total renewable energy (Solar energy etc.) purchased or generated.	MWh	88	117	115	119
Total non-renewable energy (electricity and heating & cooling) sold	MWh	0	0	0	0
Total non-renewable energy consumption (A+B+C-E)	MWh	63,987	74,436	96,236	122,901
Total costs of energy consumption	KRW	7,358,554,312	9,056,636,070	11,263,732,620	14,522,815,480

Violations of Environmental Laws

Category	Unit	2014	2015	2016	2017
No. of violations of laws or regulations	Times	0	0	0	0
Amount of penalties/fines	KRW	0	0	0	0
Environmental liabilities	KRW	0	0	0	0

SK holdings Environmental Policy

SK holdings carries out various business activities centering on the values of environmental protection and respect for life. Based on our internal regulations on environmental management, we have established a variety of environmental policies to minimize our impact on the environment.

1. Establishing Environmental Policies

SK holdings establishes environmental policies as a part of its major business strategies and considers the environment in its decision-making.

2. Establishing and Operating Internal Regulations on the Environment

SK holdings establishes and operates internal regulations with environmental aspects and provides training on such internal regulations to personnel carrying out related job duties.

3. Scope of Environmental Policies

SK holdings shall apply its environmental policies in all business sites and throughout its business activities from the development of new products and services to distribution, logistics, waste management, and facility maintenance.

4. Environmental Policies for Suppliers

In selecting its business partners, SK holdings shall conduct environmental assessments and select companies with outstanding environmental performance. In this, they will be doing their best to enhance the levels of environmental management. Furthermore, SK holdings shall encourage non-managed business sites, third-party manufacturers, joint venture partners, and outsourcing partners to perceive and participate in its environmental policies.

5. Environmental Impact Assessments

SK holdings shall oversee environmental risk assessments related to the company and its business sites. Heads of division and project managers shall conduct environmental impact assessments on their respective work and projects. Prior to undertaking new projects, preparatory on-site inspections and M&A, heads of relevant divisions shall review requirements and legal standards relating to environmental regulations and environmental and ecological protection. In the case where a significant risk is found as a result of an environmental impact assessment, environmental management plans shall be established and implemented accordingly.

6. Measurement and Management of Environmental Performance

SK holdings shall establish environmental indicators and performance targets in accordance with environmental impact assessments, changes in law and stakeholder demands, and designate departments to manage relevant indicators and targets.

- Energy consumption: Gas (LNG), electricity, district heating
- Water consumption: Water supply, recycled water consumption
- GHG emissions: Direct emissions, indirect emissions, other indirect emissions
- Waste generation: Recycled waste, general waste, designated waste, treatment costs

Such environmental performances shall be managed through a systematic process and verified by a third party that has no interest in the company, according to which SK holdings shall undertake consistent inspections and improvement measures.

7. Communication with Stakeholders

In order to ensure transparency in its environmental management, SK holdings shall communicate with stakeholders by requesting relevant departments regarding media organizations, external affairs and so forth, in the case where an environmental issue arises.

Environmental and Social Report Information

The computed coverage of SK holdings' environmental and social performance data was 94% and 100% respectively.

- Environment: In computing energy consumption and GHG emissions, business sites of the holding unit of SK holdings (which account for 4% of the total number of full-time employees) are leased properties not directly owned by the company and, therefore, were not included its Scope 1 and Scope 2 emissions.
- Society: Computations are based on all business sites of SK holdings, while some data including donations pertains to the business unit only in which case annotations were added at the bottom of the data.

Category	2015		2016		2017	
	Number of Persons	Ratio (%)	Number of Persons	Ratio (%)	Number of Persons	Ratio (%)
Holding Unit	178	4	168	4	224	6
Business Unit (IT service, etc.)	3,918	96	4,195	96	3,508	94
Total	4,096	100	4,363	100	3,732	100

SK holdings' environmental data has been verified in accordance with the operational guidelines on the Greenhouse Gas and Energy Target Management System and international standards such as the IPCC Guidelines and the ISO 14064 Greenhouse Gas Standards. Other environmental and social information has been verified according to internationally recognized standards such as the AA1000AS, VeriSustain™. The verification of environmental and social information was carried out by experts belonging to professional verification services in the form of a limited guarantee. All verification was performed independently by an organization that has no interest in SK holdings, and the scope of verification is clearly indicated on the verification statement.

Environmental and Social Performance and Goals

Category	Theme	Index	Unit	2017 Targets	Performance			Attainment of 2017 Targets	2018 Targets	2020 Targets
					2015	2016	2017			
Society	Investment and support for employees' competence development*	No. of persons to complete new ICT training courses	Persons	2,500	941	2,327	2,177	●	2,500	2,700
	Quality and service management for customer satisfaction*	Customer satisfaction	%	79	78.4	79.6	77.5	●	79	80
	Pursuing a corporate culture of happiness by promoting employee satisfaction	Employee satisfaction	%	85	86	83	80	●	85	85
Environment	Energy	Total energy consumption (per KRW 1 billion in sales)	TJ	0.29	0.343	0.299	0.461	●	0.29	0.27
	Water	Ratio of recycled water against water intake	%	12	11	12	10	●	12	15
	Eco-friendly Products	Proportion of eco-friendly solutions against total sales	%	12.5	11.6	12.2	12.4	●	12.5	20

* Selected as major issues after conducting materiality assessment

Human Rights Report

SK Group believes that a company should pursue stable growth to sustain and develop, thereby creating values for customers, executives and employees, and shareholders, and enhancing the happiness of humanity. Based on the Group's belief, SK holdings is committed to respecting human rights throughout our management activities.

We formally endorse and abide by the international standards and regulations on human rights and labor, including the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights: Ruggie Framework, and the International Labor Organization Conventions. Furthermore, we request all stakeholders through the entire value chain, including members of SK holdings, business partners, local communities, and customers, to comply with the aforementioned international regulations and standards on human rights and labor.

As one of the signatories of the UN Global Compact, we will establish organizations, operational structures, monitoring, measures, and internal and external reporting processes in accordance with the UN Global Compact Ten Principles and the UN Guiding Principles on Business and Human Rights. To this end, we established the following human rights policies and detailed guidelines. We will continue to implement these policies to create a "happy SK holdings where human rights of all stakeholders are guaranteed".

SK holdings' Human Rights Policies



01.

SK holdings shall respect human rights of all its members, and guarantee their dignity as human beings.



02.

SK holdings shall do its utmost to prevent human rights violations throughout all value chains.



03.

SK holdings shall pursue happiness of all stakeholders, and consider human rights aspects of products and services we produce.



04.

SK holdings shall strive to fulfill its corporate social responsibilities, to promote the development of local communities, and to respect human rights.

Detailed Guidelines



Humanitarian Treatment

SK holdings shall respect all its employees as humans, and endeavor not to compromise human rights. If inhumane treatment occurs, we will take strict measures in accordance with the relevant regulations.



Prohibition of Forced Labor

SK holdings shall respect employee's free will. The company shall not force labor against an employee's free will through mental or physical oppression, imprisonment, human trafficking, or slavery. The company also strictly complies with the Labor Standards Act in relation to labor contracts.



Prohibition of Child Labor

SK holdings shall comply with the regulations on child labor, ensure the appropriate procedures and support in accordance with the laws and regulations of minors, and continuously check compliance with laws and regulations.



Prohibition of Discrimination

SK holding shall respect the diversity of all members, and ensure that discrimination does not occur in recruitment, wage, promotion, and other personnel processes for reasons such as gender, race, age, gender identity, academic backgrounds, disability, religion, political orientation, or social status.



Working Hours Compliance

SK holdings shall comply with working hours regulations of relevant regions in terms of regular, overtime, and holiday work. Amendments to laws and regulations shall be managed on an ongoing basis to prevent the occurrence of illegal acts.



Wage and Welfare

SK holdings shall pay more than the minimum wage prescribed in relevant regions along with the payroll statement, and provide compensation for overtime work carried out under mutual agreement between labor and management.



Freedom of Association

SK holdings shall promote sound organizational development through smooth and continuous communication between labor and management. In accordance with labor relations laws and regulations on labor relations in relevant regions, freedom of association shall be guaranteed, and unfair treatment shall not be applied on the grounds of membership, or activities, of trade unions.



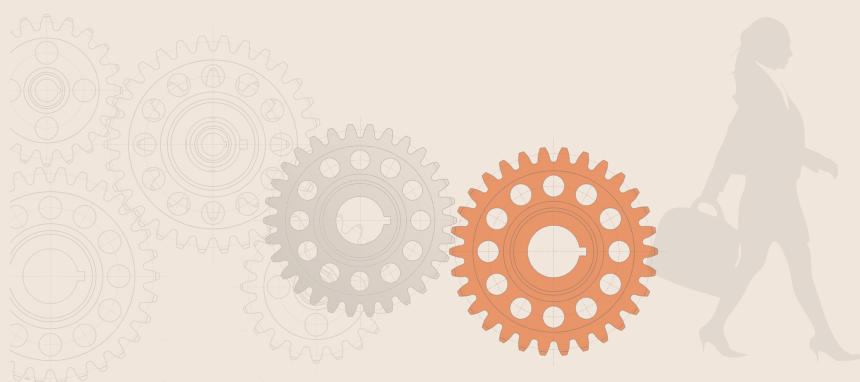
Privacy Protection

SK holdings shall protect the personal information of stakeholders including customers in accordance with local laws and regulations to protect human rights of all stakeholders. The company shall not use personal information for any other purpose without the consent of the person concerned.



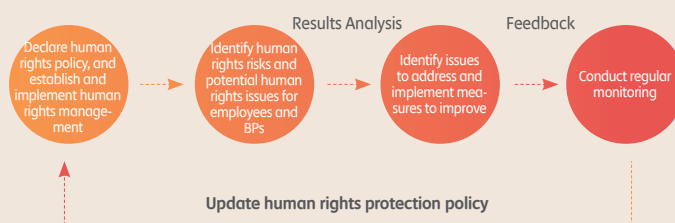
Local Community

SK holdings shall identify potential impacts on communities near our worksites, listen to feedback of local communities to prevent problems from occurring, and strive for continuous communication.



Human Rights Risk Management Process

SK holdings carries out human rights evaluations every year for our worksites and business partners in order to prevent and reduce the occurrence of human rights risks as defined in the human rights policy and detailed guidelines. In this regard, we conduct surveys of internal members to assess compliance with policies and detailed guidelines. If human rights risks are identified, we implement measures to identify and address problems, thereby promoting human rights protection throughout the business operation.



The human rights survey results of 2017 showed that the aspects of fair and just treatment and mutual respect for each other's personality were low. In addition, we identified two cases of human rights risk. In order to address this, we examined the status of business areas where such risks occurred, and provided training for improvement. The results of human rights risk evaluations for the past three years are as follows.

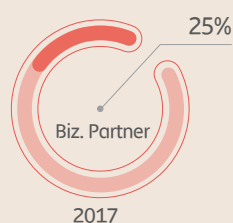
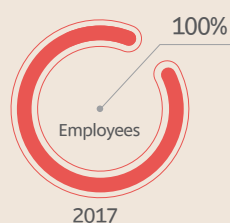
Classification	2015			2016			2017		
	Ratio of Evaluation Performed	No. of Risk Cases	Ratio of Improvement	Ratio of Evaluation Performed	No. of Risks Cases	Ratio of Improvement	Ratio of Evaluation Performed	No. of Risk Cases	Ratio of Improvement
Employees	100%	0 case	-	100%	1 case	100%	100%	2 cases	100%
Biz. partners	-	-	-	15%	-	-	25%	-	-

| 2017 |

Human Rights Risks	Subject	Range	No. of Identified Risks	Ratio of Improvement
Humanitarian Treatment	Employees	Every worksite (100%)	1	100%
Forced Labor	Biz. partners	Major Biz. partners (25%)	-	-
Child Labor	Biz. partners	Major Biz. partners (25%)	-	-
Prohibition of Discrimination	Employees, Biz. partners	Every worksite (100%), major Biz. partners (25%)	1	100%
Working Hours Compliance	Employees, Biz. partners		-	-
Wage and Welfare	Employees, Biz. partners		-	-
Privacy Protection	Employees	Every worksite (100%)	-	-
Local Community	Employees	Every worksite (100%)	-	-

| Ratio of Human Rights Risk Assessment |

(Unit: %)



| Improvement of Human Rights Risks |

(Unit: %)



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APPENDIX



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* Public disclosure via website (<http://gateway.sk.co.kr/kr/about/gwkow151.aspx>)

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Independent Assurance Statement

Introduction

SK holdings Co., Ltd. ("SK holdings") commissioned DNV GL Business Assurance Korea Ltd. ("DNV GL"), part of DNV GL Group, to undertake independent assurance of the 2018 SK holdings Sustainability Report (the "Report"). The directors of SK holdings have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of SK holdings in accordance with the terms of reference. DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been prepared in good faith.

Scope of assurance

The scope of assurance includes a review of non-financial data and sustainability activities and performance data over the reporting period from 1st January to 31st December 2017. This also includes:

- Evaluation of the adherence to the AccountAbility principles set forth in AA1000 AccountAbility Principles Standard (APS) 2008.
- Review of the process for determining material topics for reporting, the management approach to material topics and the process for generating, gathering and managing the data and information in the Report.

Basis of our opinion

We performed our work using AA1000AS (2008) and DNV GL's assurance methodology VeriSustain^{TM1} (Version 5), which is based on our professional experience, international assurance best practices. We provide Type 1 and the moderate level of assurance. The assurance was carried out from May and till June 2018. The site visits were made to SK holdings' Headquarters in Seoul, Korea. We undertook the following activities as part of the assurance process:

- Challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- Interviewed representatives from the various departments;
- Conducted document reviews, data sampling and interrogation of supporting databases and associated reporting system as they relate to selected content and performance data;
- Reviewed the materiality assessment report.

Limitations

The engagement excludes the sustainability management, performance and reporting practices of SK holdings' subsidiaries, associated companies, business partners, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) as well as SK holdings' website (<http://www.skholdings.co.kr>). These documents, financial statements and the announcements are not included in this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly address the adherence to the AccountAbility Principles in AA1000APS (2008) nor is prepared 'in accordance with the GRI Standards' Core option. Further opinions with regards to the adherence to the Principles are made below;

Foundation Principle of Inclusivity

SK holdings recognizes the importance of stakeholders in its business success and stipulates 'happiness for stakeholders' in the SK Management System (SKMS) which is the management philosophy of the SK Group. SK holdings has identified internal and external stakeholder groups such as Customers, Shareholders and Investors, Employees, Suppliers, Environment, and Local Communities (disclosure in its website; www.skholdings.co.kr). SK holdings conducted stakeholder interviews and surveys and reviewed the current status of sustainable management and its direction. In addition, SK holdings has launched the Double Bottom Line (DBL) Initiative with which both economic and social values created by SK holdings can be measured. SK holdings pursues to increase the creation of economic value and social values by implementing the DBL initiative.

Principle of Materiality

SK holdings has conducted the materiality assessment to prepare the Report. The issues were pooled by analyzing the various topics covered in global sustainability initiatives and standards, industry peers' reports and media reports. The issues in the pool were prioritized used on internal and external stakeholder survey to rate the material topics. 6 material topics are prioritized accordingly. The assurance team has reviewed the materiality assessment process and noted relevant material topics prioritized from the process as described in the Report.

Principle of Responsiveness

SK holdings discloses management approaches to reported material topics. The Report describes the background of selecting material topics and impacts of the topics from the perspective of sustainable development. Sustainability performance in 2017 and sustainability implementation plans in 2018 associated with the topics are addressed in the Report. The Report also presents examples of innovation to create the social PRJC-581129-2018-AST-KOR Page 3 of 3 values. These are considered a meaningful attempt for SK holdings to keep improving the sustainability performance based on social and environmental values as well as economic values. SK holdings anticipates creating more social value by continuously developing more innovation cases in the future.

In addition, the evaluation of the adherence to the principles related to report quality is as follows.

Accuracy and Reliability

The assurance team has tested data and information on a sampling basis. The intentional error or misstatement is not noted from the data and information disclosed in the Report. Data owners were able to demonstrate the origin and interpretation of the data in a reliable manner. The data was identifiable and traceable.

Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audits and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct²⁾ during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the Report except for this Assurance Statement. DNV GL has provided services such as sustainability report verification, greenhouse gas emission verification, ISRS evaluation and management system certification to major subsidiaries of SK holdings in 2018. In our opinion, this does not affect the independence or impartiality of our work.

1) The VeriSustain protocol is available upon request at DNV GL Website (www.dnvgl.com)

2) DNV GL Code of Conduct is available from DNV GL website (www.dnvgl.com)

June, 2018
Seoul, Korea



AA1000
Licensed Assurance Provider
000-10



DNV GL Business Assurance Korea Ltd.

A handwritten signature in black ink, appearing to read 'In-Kyoon Ahn'.

In-Kyoon Ahn | Country Representative

Greenhouse Gas Verification Report

Introduction

Korea Productivity Center was required to verify '2017 Greenhouse Gas (GHG) emissions Statements (hereinafter 'Statement')', of which reporting years was defined as January 1, 2017 to December 31, 2017, by SK holdings.

Levels of Assurance

Assures that the relevant risks are below acceptable levels during the verification process.

Verification Scope

The verification team verified GHG Emissions (Scope 3) at workplaces of SK holdings in 2017

Verification Criteria

- GHG Energy Target Management Guideline
- IPCC Guideline:2006, WRI/WBCSD GHG Protocol:2004
- ISO 14064-3:2006 standard

Limitation

By conducting the verification through the sampling method, there may be latent errors and omissions that the verification team was unable to detect and there were no significant exceptions. Final GHG emissions may include limitations that may arise due to the application of unspecified standards and methods.

Conclusion

- The verification team confirmed that the 'Statements (2017)' was being reported in accordance with the self-inspection guideline based on the GHG Energy Target Management Guideline and IPCC Guideline.
- Appropriate corrective action was taken by SK holdings in accordance with investigation results from the verification team.
- The verification team confirms that the 'Statements (2017)' was being reporting 'appropriately' in accordance with relevant standards.

SK holdings	GHG Emissions
Direct Emissions (Scope1)	518 ton CO ₂ e
Indirect Emissions (Scope2)	56,834 ton CO ₂ e
Other Indirect Emissions (Scope3) *Appendix1	4,913 ton CO ₂ e

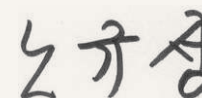
Appendix I. Based on the verification, the details of GHG emissions (Scope 3) in SK holdings is as below;

SK holdings	GHG Emissions
1. Fuel-and energy-related activities (Not included in Scope 1 or Scope 2)	2,013 ton CO ₂ e
2. Upstream transportation and distribution	7 ton CO ₂ e
3. Waste generated in operations	11 ton CO ₂ e
4. Business travel	737 ton CO ₂ e
5. Employee commuting	9 ton CO ₂ e
6. Upstream leased assets	2,137 ton CO ₂ e
Total Emissions	4,913 ton CO ₂ e

* In order to report the GHG emissions as an integer, the rounded number on the statement might be different from the number on the system with ± 1 ton CO₂e.

09th May 2018

Korea Productivity Center
Chairman Kyoo Sung, Noh



UN Global Compact · UN SDGs

UN Global Compact

The UN Global Compact (UNGC) is the world's largest voluntary initiative of corporate citizens, stating ten principles in the areas of human rights, labor, the environment, and anti-corruption. The UNGC has corporate participants from over 100 countries around the world. Since joining the UNGC in 2012, SK holdings has faithfully carried out its corporate social responsibilities and observed the 10 principles set forth by the UNGC. By continuing to participate in the initiative and publicly disclosing our performances, we will fulfill our responsibilities as a corporate citizen to build a sustainable society.



United Nations
Global Compact

Category	Principles	Pages/Additional Information
Human Rights	Principle 1: Support and respect the protection of internationally proclaimed human rights.	SK holdings fully respects the protection of all human rights proclaimed in the Universal Declaration of Human Rights adopted by the United Nations. (p. 72-73)
	Principle 2: Make sure that they are not complicit in human rights abuses.	
Labor	Principle 3: Businesses should uphold the freedom the freedom of association and the effective recognition of the right to collective bargaining,	SK holdings supports the recognition of the freedom of association and the right to collective bargaining. (p. 72-73)
	Principle 4: The elimination of all forms of forced and compulsory labor,	SK holdings prohibits all forms of forced and compulsory labor. (p. 72-73)
	Principle 5: The effective abolition of child labor,	SK holdings prohibits child labor. (p. 72-73)
	Principle 6: The elimination of discrimination in employment and occupation.	p. 72
Environment	Principle 7: Businesses should support a precautionary approach to environmental changes,	p. 34-37
	Principle 8: Undertake initiatives to promote environmental responsibility,	
	Principle 9: Encourage the development and diffusion of environmentally-friendly technologies.	
Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	p. 34-37

UN SDGs (Sustainable Development Goals)

The UN Sustainable Development Goals (SDGs) are common goals for the international community to achieve by 2030 with a view to eradicating poverty and attaining sustainable development for all. Adopted by the United Nations in September 2015, the 2030 Agenda for Sustainable Development consists of 17 goals and 169 targets and calls for all countries to work together to build sustainable societies and to tackle the economic, social, and environmental crisis faced by the modern world. SK holdings associates the following goals of the SDGs with our business activities and discloses the outcomes and performances in our Sustainability Reports in a transparent manner.



Category	Targets	Pages/Additional Information
Goal 3	Ensure healthy lives and promote well-being for all at all ages	p.26, p.61
Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	p.59-60
Goal 5	Achieve gender equality and empower all women and girls.	p.43
Goal 8	Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all.	p.58-60
Goal 10	Reduce inequality within and between countries.	p.59
Goal 11	Make cities and human settlements inclusive, safe, resilient, and sustainable.	p.27, p.49
Goal 13	Take urgent action to combat climate change and its impacts.	p.34-37
Goal 15	Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.	
Goal 17	Strengthen the means of implementation and revitalize the global partnership for sustainable development	p. 67

Membership and Awards·Recognition

Membership

Seoul Bar Association	Construction Association of Korea	Korean Fair Competition Federation
Korea In-house Counsel Association	Fire Guarantee	Korea Employer's Federation
Korea Patent Attorney Association	Korea Fire Safety Association	Gyeonggi Employers Federation
Korea Engineering and Consulting Association	Seongnam Chamber of Commerce & Industry	Korea Petroleum Quality and Distribution Authority
Korea International Trade Association	Korea Software Industry Association (KOSA)	Korea Industrial Technology Association
Korea Information & Communication Contractors Association	Federation of Korean Information Industries (FKII)	Korea Defense Industry Association
Information & Communication Financial Cooperative	Korea Association for ICT Promotion (KAIT)	Korea IoT Association
Korea Electrical Contractors Association	Korea Information Technology Service Industry Association (ITSA)	Korean Nurses Association
International Contractors Association of Korea	Korea Association of Cloud Industry (KACI)	
Engineering Guarantee Insurance	Seoul Economist Club	

Awards·Recognition

No.	Awards and Recognition	Awarded By	Year
1	Included in the DJSI (Dow Jones Sustainability Indices) World for six consecutive years [Conglomerates]	S&P Dow Jones Indices / RobecoSAM	2017
2	Rated A+ on ESG (Environment, Social, Governance)	Korea Corporate Governance Service (ESG)	
3	Awarded the Excellence Award at the KCGS ESG Excellence Awards	Korea Corporate Governance Service (ESG)	
4	Selected as an Outstanding Report by the Korean Readers Choice Award (KRCA) [Service Field]	Korean Standards Association (KSA)	
5	Presidential Award of the Korean Standards Association as one of Korea's Most Respected Companies	Ministry of SMEs and Startups	
6	Included in the DJSI (Dow Jones Sustainability Indices) World for five consecutive years [Conglomerates]	S&P Dow Jones Indices / RobecoSAM	2016
7	Rated A on ESG (Environment, Social, Governance)	Korea Corporate Governance Service (ESG)	
8	Presidential Commendation at the Korea National Quality Awards (KNQA) [Sustainability Management Field]	Korean Standards Association (KSA)	
9	1 st Place in the Korean Sustainability Index (KSI) [IT Service Field]	Korean Standards Association (KSA)	
10	Minister's Award from the Ministry of Trade, Industry and Energy for Business Angel Index [Grand Prize in IT Service Field]	E-daily / Susinvest	



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Report Production

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Total Quality Innovation Team	Hyun-Jung Kim, Min-Ho Cho
PMO1 Team	Tae-Gon Kim
Smart Work Team	Sun-Gu Yeo
HR Team	Sung-Hee Kim
HR Planning Team	Jin-Woo Kang
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2018 SK holdings Sustainability Report

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