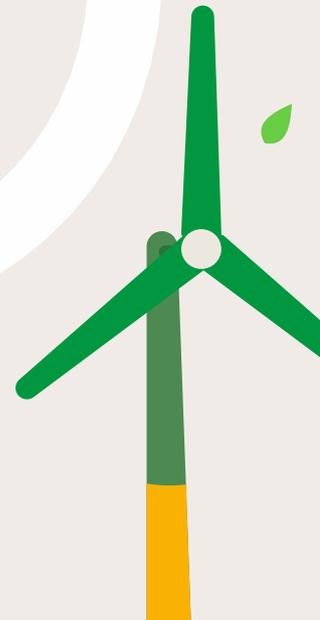
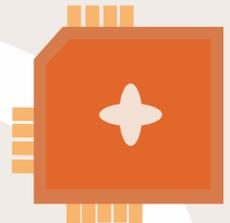




# NAVIGATING UNCERTAINTIES TO ENSURE SUSTAINABLE GROWTH



ESG Special Report  
2023

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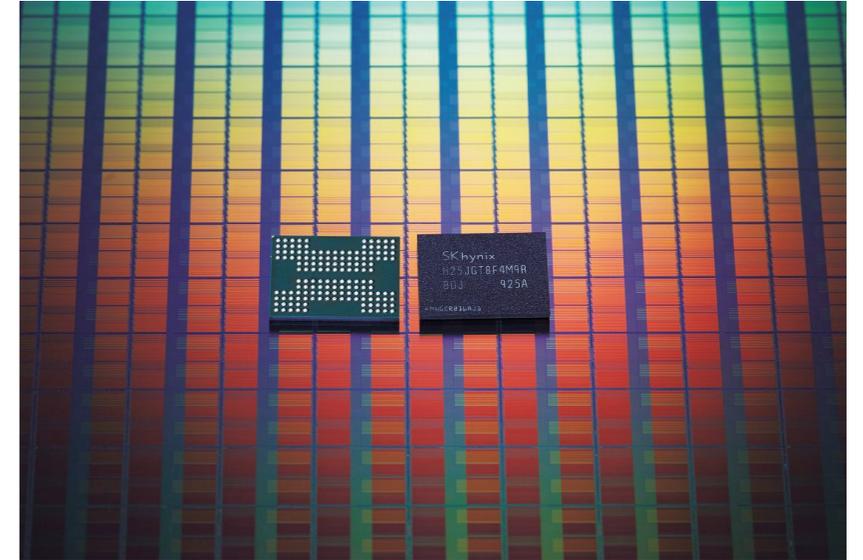
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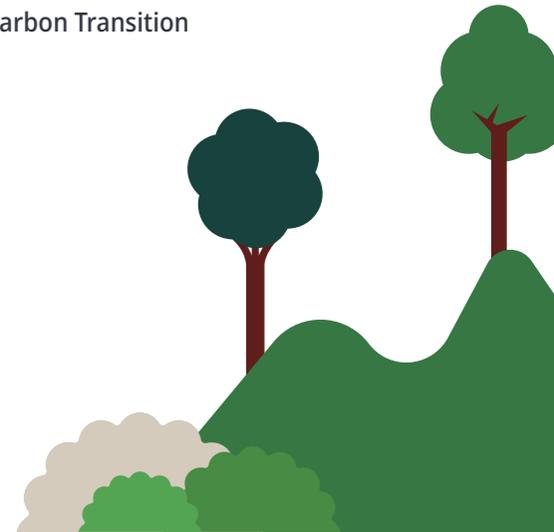
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# WHERE WE ARE HEADING

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## Transforming Into a Globally Recognized Investment Specialist for Sustainable Growth after Seventy Years of Pioneering

SK is celebrating the seventieth anniversary of its founding in 2023. Our history, which has been synonymous with the development of South Korea ever since the end of the Korean War, has always been a faithful reflection of the amazing growth of the country and its economy. During this time of pioneering with ambition to question and intelligence to answer, SK grew into a globally renowned player, known far and wide for its passion and challenging spirit. Our first priority now is to determine how we creatively interpret and apply the spiritual heritage handed down to us by our founders in this new era to pave the way for the sustainable growth of future generations.

The process of renewing our management system and contemplating what to pass on to the next generation will function as another cornerstone for our operations over the next hundred years. Just as we contributed to the society by transitioning from "textiles to petroleum" during the industrialization era and from "telecommunications to semiconductors" during the information age, our overarching goal continues to be a company that contributes to a better tomorrow for humanity by collaboratively contemplating and resolving the multitude of today's global issues.



## OUR LEADERSHIP



**Chey Tae-won**  
Chair and CEO, SK Group

**“A company that offers solutions to the problems facing the Earth and society will be chosen by people worldwide.”**

“The issues concerning the relationships between the Earth and people and between individuals are challenges that must be resolved, no matter how difficult they may be. The company that provides solutions to these problems will ultimately be chosen by humanity, regardless of any variables.

“We have been able to mitigate the multidimensional crises facing the world through various global activities recently. At a time when geopolitical conflicts cause economic turmoil and severe repercussions of the climate crisis threaten the entire globe, SK remains ready to take on more creative challenges based on its strategic and flexible management abilities.

“Even though this year’s business environment is expected to be very challenging once more, SK’s history demonstrates that we have always made dramatic leaps forward after successfully overcoming whatever adversities we faced at the time.”

“SK Inc. must find its own path and grow once again. We need to ensure that our sustainability remains rock-solid even in uncertain economic conditions and be prepared to seize growth opportunities that may arise amidst numerous changes in a timely manner. We are confident that better opportunities will come to us if we can predict how the market moves and proactively respond to it in advance.

“Now that normal everyday life is returning everywhere, we must start analyzing all the emerging trends in our four core business areas, including advanced materials, green, bio, and digital, and seize the most promising growth opportunities. One of our main goals for the year 2023 will be to raise the market’s trust in and support of our evolution into an investment specialist. We will do this by generating returns from our investment portfolio and reinvesting them in other promising areas, and by accelerating the earnings growth of our key unlisted companies.

“It is time to reassess the responsibilities and authority of our investment portfolio in 2023 to ensure that our invested companies enjoy their highest possible corporate values. ESG is no longer a conceptual aspect but a mandatory element and opportunity that must be integrated into SK Inc’s decision-making, actions, and portfolio management.”

**“We will ensure that our sustainability remains rock-solid even in the face of uncertain economic conditions.”**



**Jang Dong-hyun**  
Vice Chair and CEO, SK Inc.

# OUR HISTORY : Seventy Years of Pioneering

The history of SK began in the ruins of the Korean War in 1953 when Sunkyong Textile was founded. It has been a time of tremendous growth, constantly taking on challenges and overcoming crises.



**1953**  
Sunkyong Textile founded amid the ruins of the Korean War by first Chair Chey Jong-gun.

1950

1960

1970

**1968**  
Established an acetate yarn factory as a first step toward the vertical integration of the textile business.



**1973**  
Faced first oil shock. Threatened with bankruptcy as a result of geopolitical and oil crises.

**Acquired Walkerhill Hotel** as part of strategy of business diversification.

**Chair Chey Jong-hyon took office. Established the SK Management System (SKMS),** which has served as a milestone at every moment of crisis and change.

**1979**  
Faced second oil shock. Chair Chey Jong-hyon resolved the crisis by securing a three-year, long-term, low-cost crude oil supply contract with Saudi Arabia.



**1980**  
**Acquired Korea Oil Corporation. Won bidding by proving long-term and stable crude oil securing strengths.** Completed vertical integration from oil to textiles by turning the Group's crisis situation into yet another opportunity.

1980

Over the seventy years since its foundation, SK has faced global geopolitical risks, the foreign exchange crisis (1997), the worldwide financial crisis (2008) and other challenging periods. However, we have gained outstanding growth momentum that made us what we are today, by demonstrating the resilience to overcome uncertainties wisely and turn crises into opportunities each time.

The DNA of our predecessors, all of whom dreamed of a better world and a happier future, speaks to their spirit of turning misfortune into blessings and an unwavering determination coupled with great minds. SK believes that the destiny of a company is not to be a champion but to be a "challenger." With this belief, we will become the frontier of a new era, leading the future with a great pioneering spirit.



**2012**  
**Acquired SK Hynix.** Transformed from a domestic demand-based company into an export-oriented global player.

**1994**  
**Acquired the Korea Mobile Telecommunications Service Corp. after 10 years of preparation.**



**1998**  
**Declared SK's new corporate identity in line with the global era. Appointed Chey Tae-won as Chair and CEO of SK Holdings.**

1990

**1991**  
Entered pharmaceutical business and **launched SK Life Science Research and Development (R&D) Center.**



**1997**  
Survived **foreign exchange crisis.** Resolved downside risks and prepared for a new leap forward, based on rapid restructuring that had taken place since 1995 before the crisis and the high stability and growth potential of the oil and telecommunications industries.

**1999**  
SK Telecom continued growth despite the foreign exchange crisis **ranking first in terms of market share following the acquisition of Shinsegi Telecom.**

2000

**2008**  
Searched for a new growth axis for the third quantum jump following the **global financial crisis.**



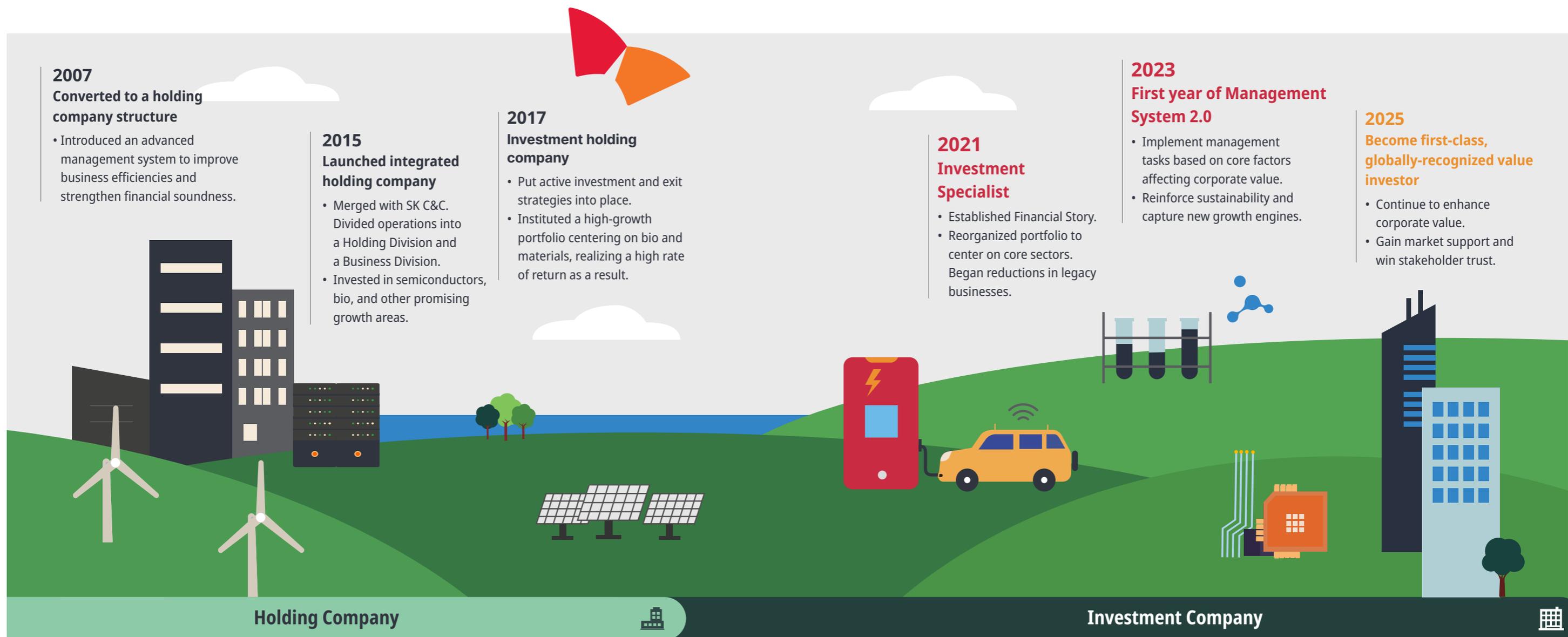
By scanning the QR code, you can check the seventy-year history of SK in detail.

# OUR JOURNEY : Transforming into an Investment Company

In 2021, SK Inc. declared that it would become an investment specialist beyond its role as a holding company of the SK Group, based on its constant pursuit of challenges and insight to lead the future. We are once again seeking new growth opportunities to maximize our corporate value. This includes reorganizing our portfolio to focus on new growth areas.

Having now transformed itself into a globally recognized investment specialist, SK Inc. determined that its primary method of growth would include a focus on four core investment areas. In line with this, we are building a virtuous cycle of investments by preemptively and proactively selling off our assets with limits to growth and recovering as much of their implicit value as possible. However, we should be able to seize upon new investment opportunities, even in the midst of any crisis, if we prepare ourselves well by responding to any and all difficult environments.

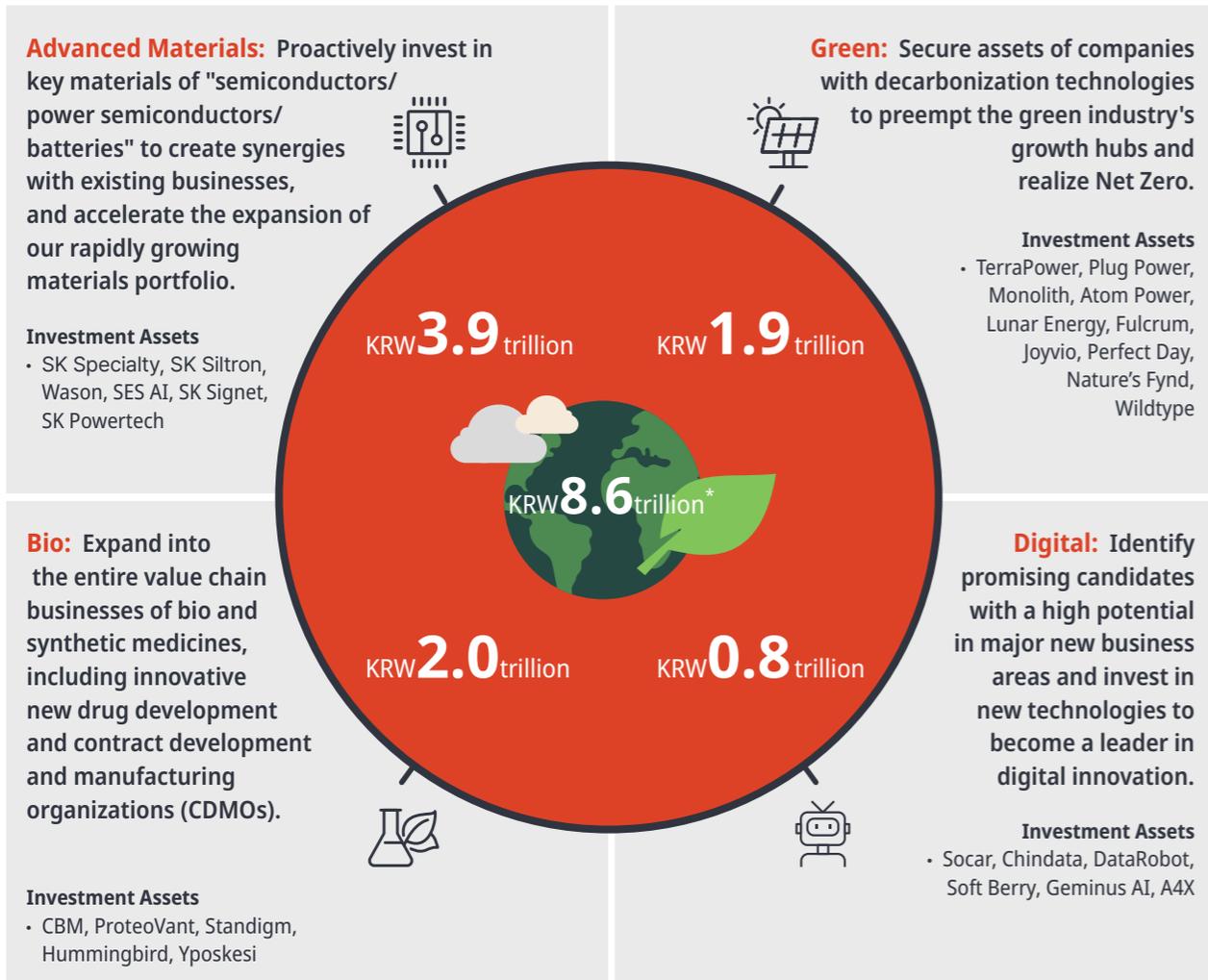
SK Inc. is again preparing for another quantum jump. We will do this by enhancing the sustainability of our portfolio and solidifying our growth capabilities in preparation for an anticipated market recovery. Armed with these innovations and prospects for unhindered growth, we will become a truly global and highly competitive investment specialist with a pronounced expertise in a number of specialized sectors by the year 2025.



# OUR PORTFOLIO AND PERFORMANCE

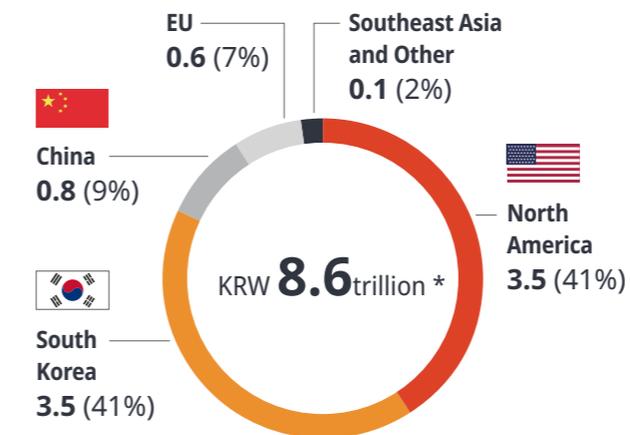
SK Inc. is implementing a long-term investment strategy centering on its four ESG-based core businesses. In 2022, we achieved exceptional growth in both sales and operating profit, thanks to positive investment outcomes from linking anchor assets and new investments. We were also recognized for our ESG capabilities, obtaining the highest evaluation ratings from reputable external assessment agencies, through transparent ESG information disclosures and effective stakeholder communications.

## Four ESG-based Core Businesses



\* Cumulative investment amount until 2022 (i.e., direct investment assets including growth areas), including merger costs but excluding divestiture amounts

## Composition of Global Investments (KRW trillion)



- North America | Plug Power, TerraPower
- South Korea | SK Specialty, SK Siltron, SK Biopharmaceuticals, SK Signet
- China | ESR, ChinData
- EU | Yposkesi
- Southeast Asia and Other

\* Cumulative investment amount until 2022 (i.e., direct investment assets including growth areas), including merger costs but excluding divestiture amounts

## Financial Performance in 2022 (Based on separate financial statements)



## ESG Performance (as of the first half of 2023)

- Published sustainability report, and disclosed consolidated performance of **seven member companies\***
- Disclosed timely, accurate information through **ESG data platform**
- Established portfolio **ESG integrated management system**

\* SK Innovation, SK Telecom, SK Networks, SKC, SK Biopharmaceuticals, SK Square, SK IE Technology

**MSCI**  
Achieved highest **AAA** rating.

**S&P Global**  
Included in DJSI World for **eleven consecutive years**. Ranked highest among industrial conglomerates.

**KCGS**  
Achieved **A+** grade in all areas of ESG.

**KSA** KOREAN STANDARDS ASSOCIATION  
Won **Korean Readers' Choice Award (KRCA)**, that recognizes outstanding sustainability reports, **for four consecutive years**.

### Ensuring Sustainability and Resilience in an Era of Continuing Uncertainties

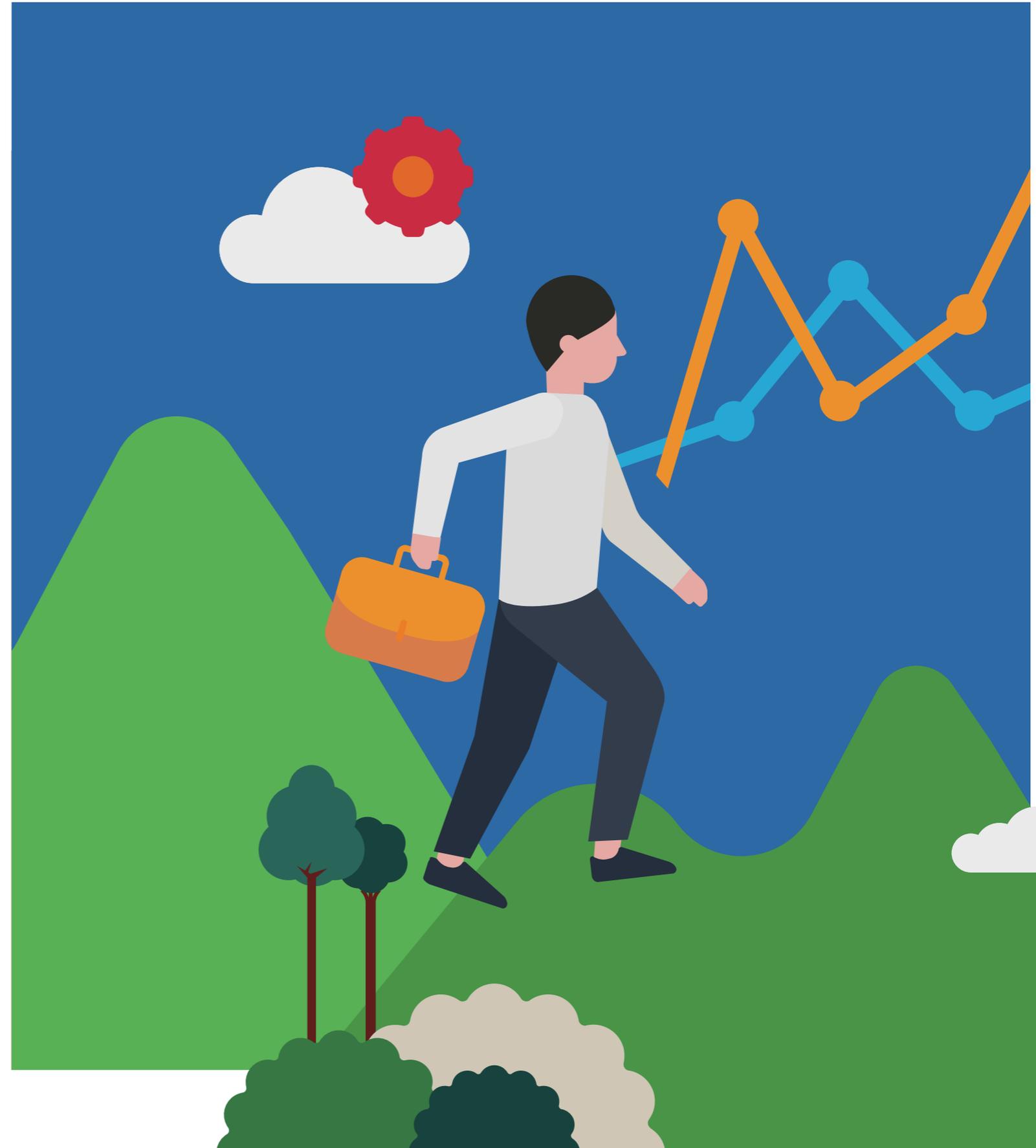
2022 was an opportune time for us to re-examine both our ability to survive and our sustainability as a business enterprise. This process took place in the context of a very difficult business environment, including mounting geopolitical tensions and prolonged economic downturns. Despite the many uncertainties being faced by people everywhere, SK Inc. decided to use this period as an opportunity for deciding how to make a dramatic leap forward after the crises had passed.

Our first step was to reappraise the directions we had set, and rework our previous strategies and our decision-making system from the viewpoints of the market and our stakeholders. We are implementing a balanced performance management system of both our economic and our ESG value to enhance the corporate value of our portfolio.

We are also continuing to strengthen the foundations for our survival and sustainable growth. This involves assessing the strengths that will allow us to survive even in prolonged economic downturns, and in the face of unpredictable risks.

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# RENEWING OUR MANAGEMENT SYSTEM

Innovating Our Management System

**A financial story that accurately reflects changes in the market and what stakeholders want to see**

If SK Inc. is to become the company it ultimately wants to be, we need to constantly upgrade our management system, which functions as the nerve center of all our corporate operations. Although many companies select their management tasks based on conventional ways of thinking and their management's intuitions, this system is no longer valid in an era of rapidly changing business environments and unprecedented transitions.

The management system that SK is pursuing is designed to execute all our activities, such as our management plans, our resource allocations, and our evaluation and compensation processes based solely on our corporate value. To do this, we analyze all the factors that affect our corporate value, constantly communicate with our stakeholders, and establish strategies and plans for the directions we should take. Our goal in doing this is to secure the trust and support of all our stakeholders by reflecting market voices and environmental changes in all our business activities.

“  
*Corporate value is composed of various factors, such as financial performance, customer value, and social value. We need to secure greater trust and support from our stakeholders, as well as their directions for innovation and growth, by analyzing which elements to focus on to increase our corporate value.*”

Chair and CEO **Chey Tae-won**  
 at SK Group Extended Management Meeting, June 2022

## Corporate Value Models

### 1 Multiple Regression Analysis

- Analyze stock price changes in light of corporate business activities
- Review which indicators, such as finance, technology, and assets, have a significant impact on corporate value from the viewpoint of statistical validity and significance

### 2 Stakeholder Relationship Analysis

- Classify and analyze current and potential stakeholders, including customers, shareholders, and business partners, to determine whether they match the Financial Story
- Redefine, improve, and/or change stakeholder relationships by analyzing each group's type, contributions, interests, and needs

## What is Management System 2.0?

SK Management System was discussed in earnest in June 2022. The occasion was an extended management meeting, in which the SK Group's CEOs had gathered to review the current business environment at home and abroad and discuss what directions the Group should take. Under Management System 2.0, all the Group's companies will have the added benefit of an "optimal analysis model" that will allow them to calculate their "corporate value" through both market and stakeholder analyses. In order for this new system to work, the Group's management will undertake to rewrite the Financial Story of each of its companies. This will involve focusing on the core factors that determine their individual corporate value, which have been derived from the its corporate value model. The companies will then carry out activities that will transform their internal resource distribution plans, their KPIs and evaluation and compensation systems, and their overall stakeholder communications strategies to match their Financial Story.



# PORTFOLIO MANAGEMENT FRAMEWORK

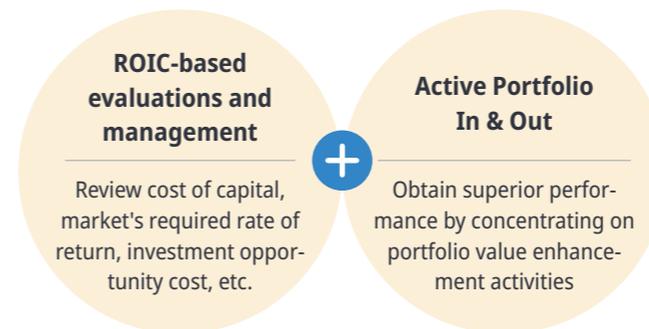
A portfolio management system that uses a comprehensive consideration of economic and ESG values

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

## Reorganizing investment portfolio by focusing on four core sectors

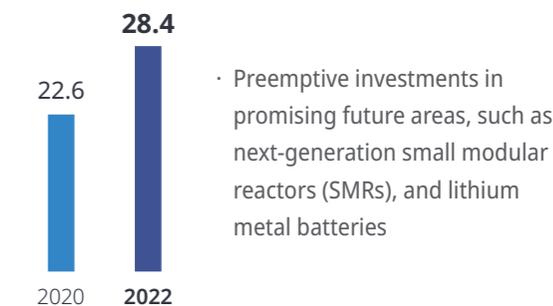
SK Inc. has incorporated about fifty-eight investment portfolios since declaring its goal of becoming an investment specialist in 2017. In order to improve the structure of these portfolios, we are reducing a number of businesses experiencing unsatisfactory growth or facing other limitations, and expanding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

## Portfolio Management Principles



\* ROIC: Return on invested capital

## Value Growth in Investment Portfolio (KRW trillion)



\* Based on average estimates of major securities companies

2021
2022
>
2023

**Portfolio Restructuring**

Reorganization	<b>June 2021</b> <b>Spun-off of by SK Telecom</b> Launched SK Square to specialize in ICT investments	<b>October 2021</b> <b>Split-off by SK Innovation</b> Launched SK On through split-off of battery business	<b>December 2021</b> <b>Split-off by SK Ecoplant</b> Split-off of plant construction business
Mergers	<b>December 2021</b> <b>Merger with SK Materials</b> Accelerating growth in advanced materials		
Sales	<b>June 2021</b> <b>Sale of non-core business by SKC</b> SK Telesys's telecommunications business	<b>November 2021</b> <b>Securitization of SK E&amp;S business</b> Issued redeemable preferred stocks in city gas business	<b>December 2021</b> <b>Sale of facility by SK Airplus</b> Industrial gas facility
Advanced Materials	<b>April 2021</b> <b>Investment in SES AI</b> Secured next-generation lithium battery technologies	<b>May 2021</b> <b>Establishment of SK JI, an investment corporation in Japan</b> Increased investment presence in Japan	<b>July 2021</b> <b>Establishment of a joint venture between SK Materials and Group14 Technologies</b> Expanded battery Si anode material business
Green	<b>February 2021</b> <b>Investment in Plug Power + SK E&amp;S</b> Strengthened partnership in hydrogen fuel cell business	<b>June 2021</b> <b>Investment in Fynder Group</b> Entered fermentation-based alternative food business	<b>June 2021</b> <b>Investment in Monolith + SK E&amp;S</b> Expanded turquoise hydrogen-based hydrogen business
Bio	<b>March 2021</b> <b>Acquisition of Yposkesi</b> Expanded CMO business for cell and gene therapy (CGT)	<b>September 2021</b> <b>Investment in Roivant</b> Secured new development platform	<b>January 2022</b> <b>Investment in CBM</b> Expanded CDMO business in CGT
Digital	<b>August 2022</b> <b>Investment in Atom Power + SK energy</b> Expanded Solid State Circuit Breaker (SSCB) technology-based EV charging energy solutions business	<b>November 2021</b> <b>Investment in Swift Navigation</b> High-performance mobility GPS solutions technologies	<b>December 2021</b> <b>Investment in Soft Berry</b> EV charging information platform
	<b>June 2022</b> <b>Investment in Geminus AI</b> Digital twin technology-based AI platform		

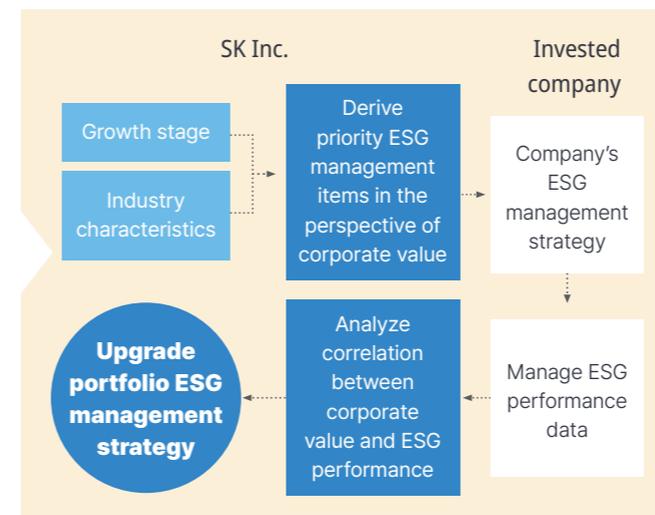
: Joint investments of SK Inc. and SK member companies

### ESG Management Systems of Portfolios

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

### Principles for the ESG Management of Portfolios

- 
**Prioritize ESG management items by industry**  
 Manage ESG issues having a major impact on corporate value on an industry-wide basis
- 
**Manage invested companies by growth stage**  
 Realize an invested company's appropriate ESG value-up according to business lifecycle
- 
**Enhance ESG management in stages**  
 Focus on portfolio ESG management competencies to ensure they are always world-class



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

#### Investment Review Stage

##### ESG due diligence

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

#### Holding Stage

##### Regular ESG inspections

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

##### ESG-based communications with shareholders

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

##### Climate Risk Management

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

#### Sales and Divestments Phase

##### ESG Divestment Strategy Review

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

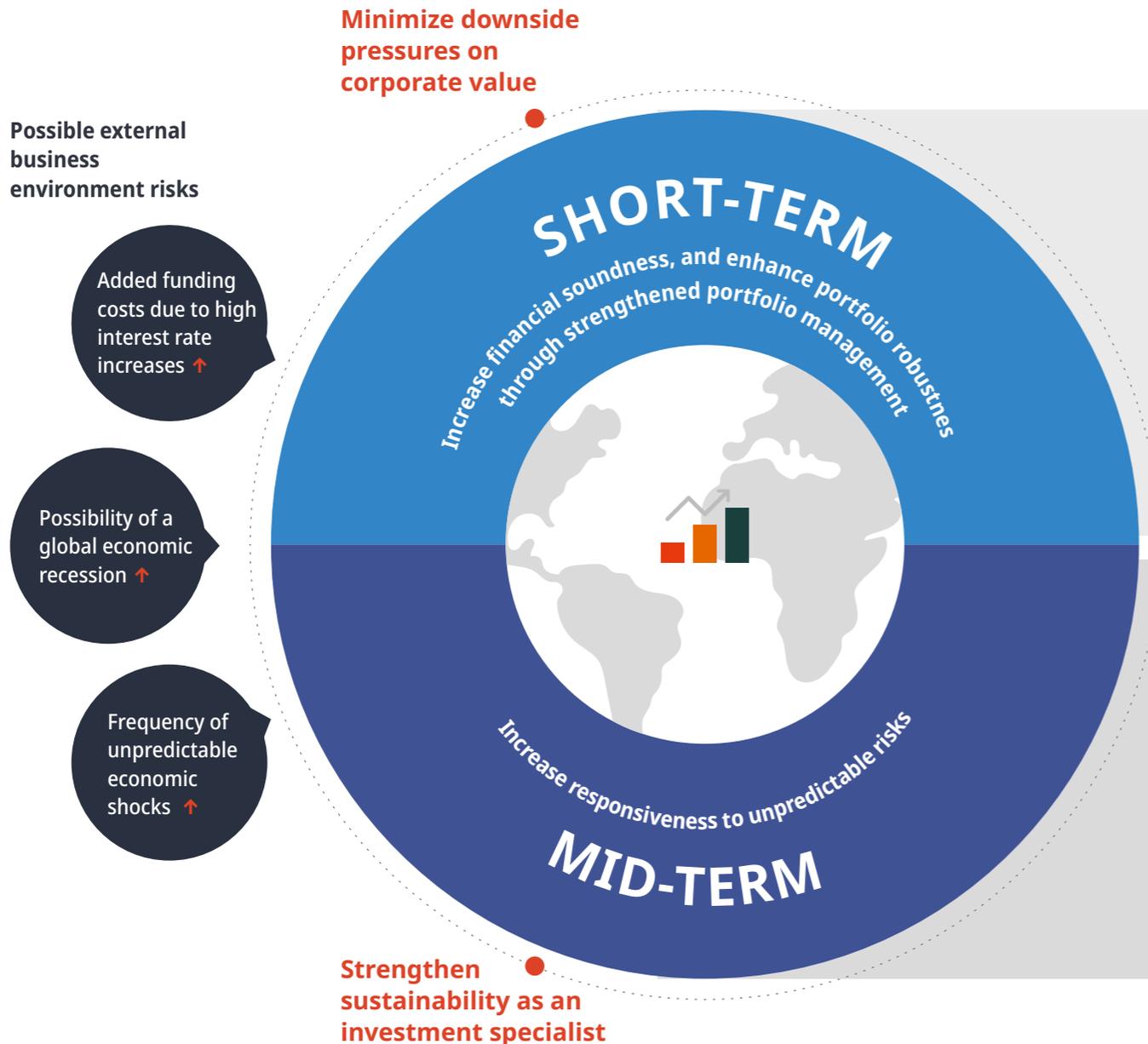
##### Sell-side inspection management

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



# ENDURING ECONOMIC DOWNTURNS AND DEALING WITH UNKNOWN RISKS

Responding to economic slowdowns and unpredictable risks



Today's business environment both at home and abroad is marked by concerns about a possible global economic downturn and a contrasting expectation of a positive market recovery in the second half of the year. SK Inc., for its part, is establishing plans to prepare for a continuation of high prices and elevated interest rates, and cope with the impacts of a prolonged economic recession on its financial soundness and fundamentals. This includes enhancing our ability to withstand the many different types of uncertainties that may arise in the future by assuming a number of contingencies. They range from the status quo to very negative economic conditions.

To meet these goals, we are diversifying our funding pipelines and prioritizing the strengthening of our financial stability in the short term. In the longer term, we are working to lower our net debt level by reducing our debt and controlling the size and pacing of our investments. In the opposite event that there will be a pronounced improvement in the world's macroeconomic conditions, we are planning to realize healthy and significant returns on our portfolios. We will also make further investments that will allow us to explore new growth opportunities, and strengthen our risk responsiveness to reduce any downward pressures on our corporate value.

### Key priorities

“ Company fundamentals need to be strengthened through a stable financial structure. I believe that improving our borrowing structure, realizing enhanced investment returns, and diversifying our financing sources are all strategies that we should consider first.

### Short-term Strategies

- Maintain mid- to long-term net debt at target level
- Focus on portfolio reviews, and establish countermeasures to deal with declining situations
- Evaluate economic feasibility and performance based on ROIC

### Scenario Planning

- Assume possible worst cases that can arise due to changes in the external environment, such as geopolitical tensions and increased macroeconomic uncertainties. Identify responses, and establish countermeasures
- Examine the investment status of SK Inc. and advance valuation techniques with a focus on cash generation by identifying risks for each scenario

### Awareness of the Business Environment

“ The scariest thing for companies is anxiety, or facing what I term 'The Unknown.' I think finding a way to survive in any scenario is the most important ability for any company to possess right now.

### Mid-term Strategies

- Identify risk exposure following changes in macroeconomic climate
- Identify “unknown unknowns”
- Prepare response plans before a crisis becomes a reality

↓

**Upgrade investment directions and strategies**

# WHAT WE ARE PREPARING

## Maximizing Opportunities for an Upcoming Period of Positive Upturns

SK Inc. is proactively preparing for the future by devising a winning strategy for a widely-anticipated market revival. We are also dealing with the many negative effects of today's unsettling operating environment. There are four main areas that SK will use as stages for its investment and growth strategy whenever new growth opportunities in the market open up. The first one, "**Advanced Materials**," will enable innovative technologies that will connect people, technology, and customers. The second, "**Green**," will involve leading industry-wide decarbonization activities. "**Bio**," the third, will provide new solutions for people's healthier lives, while the fourth, "**Digital**," refers to discovering game changers that will accelerate the digital transformation of society.

Seeing **Net Zero** as constituting a new growth momentum in today's energy transition era, SK is expanding its interest in a number of eco-friendly technologies and business opportunities.

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# ADVANCED MATERIALS

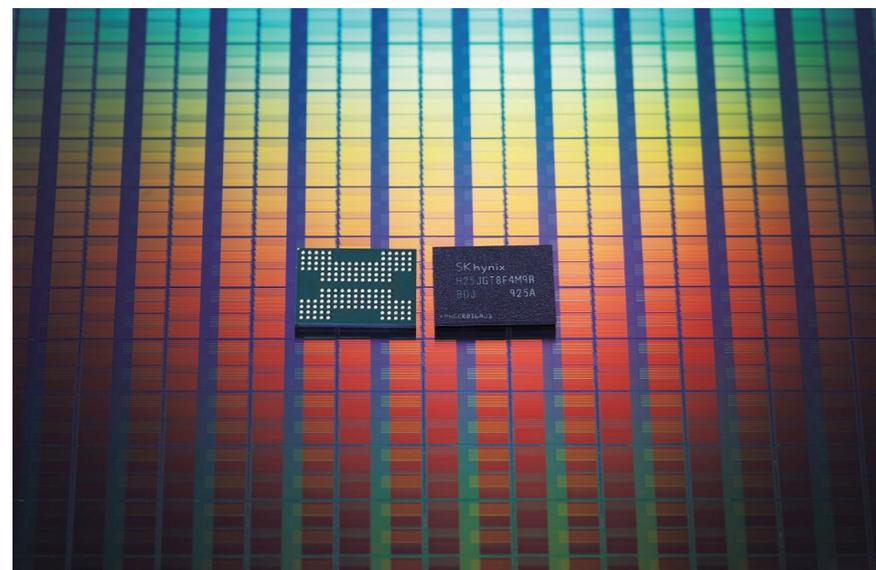
SK Inc.'s vision and foresight have made it the only global company whose portfolio includes high-growth semiconductors, power semiconductors, and core EV battery materials. We are currently making major investments in power semiconductors and core battery materials. This involves creating synergies based on the foundations we have built in the field of core materials for making semiconductors and making preemptive investments in high-growth areas. SK Inc. is a global investment specialist in the field of innovation technologies. Our goal of being a leading player in the field of advanced materials will be realized by capitalizing on our global network, the SK Group's competitiveness, expertise, and experience in manufacturing, and our highly-rated team of experts with formidable backgrounds in investing for the future. Working from these many strengths, we plan to realize



both high growth and high yields through global collaborations, M&As, and wise and timely additions to our portfolio, and proactive investments in the areas of new, high value-added and high-growth areas.

### Investment Portfolio

Global demand for advanced materials is increasing rapidly in such areas as high-performance computing (HPC), electric vehicles (EVs), high-capacity, high-efficiency batteries, and advanced technologies like autonomous driving and AR. In response to this, SK Inc. is leading the establishment of global supply chains in core technologies and promoting portfolio diversification to generate tangible results for new growth portfolios.



SK Inc.'s vision and foresight have made it the only global company whose portfolio includes high-growth semiconductors, power semiconductors, and core EV battery materials.

# GREEN

SK Inc. intends to take a major leadership position in the green industry's growth by making bold and preemptive investments in its future core areas. We anticipate that the green industry will grow explosively beginning around 2030 by ensuring price competitiveness through the evolution and commercialization of decarbonization technologies, increasing demand for carbon reductions due to strengthened regulations, a growing awareness of the need for sustainability, and expanding green taxonomy-based investments. We believe that now is the right time to invest and seize the initiative in all these areas. SK Inc. will lead the pack in terms of both innovation and change in the energy and industry sectors under its vision of becoming a game changer in achieving global Net Zero. In addition, in our role as an enabler and partner overseeing the



green transformation of SK member companies, we will also enhance their future value by adding to our green portfolio.

### Investment Portfolio

Our green investment sectors involve three major decarbonization areas that include carbon emissions reduction and carbon removal. Energy Transition refers to concentrating on the commercialization of renewable energy, small modular reactors (SMRs), EV charging infrastructures, grid and home ESS, hydrogen, ammonia, and biofuels for the electrification and clean fuel sectors. The sustainable food sector within this Industrial Transition is focused on acquiring technologies for a wide range of innovative food materials. The green industry and circular materials areas, and the Carbon Management sector will be involved in investing in carbon reduction technologies for members of the manufacturing industry burdened with high carbon emissions, as well as promoting carbon capture utilization and storage (CCUS) and carbon credits.

### Emission Reduction Solutions

- 
**Energy Transition**  
 Substitution for and purification of fossil energy sources  
 Electrification, Clean Fuels
- 
**Industrial Transition**  
 Structural transformation of industries that emit large amounts of greenhouse gases  
 Agriculture and livestock industry, manufacturing industry (including steel and cement), waste

### Carbon Removal Solutions

- 
**Carbon Management**  
 Maximizing the direct removal effect of atmospheric greenhouse gases  
 CCUS, Natural carbon sinks

# BIO

SK established a long-term goal in 2002 to foster the bio business and make it a core driving force for the SK Group by 2030. Since then, SK has been increasing its growth opportunities in the industry, with a pronounced focus on new drugs, vaccines, formulations, and the contract manufacturing of pharmaceuticals. SK Inc. has been strengthening its presence in the new synthetic drugs and cell and gene therapy (CGT) contract development and manufacturing organization (CDMO) businesses since 2017. Our interest is primarily focused on the United States and Europe—the world’s largest markets for their products. SK plans to invest at least KRW 6 trillion in the bio sector over the next five years. We are anticipating very high growth in the sector.

## Pharmaceuticals

In tandem with SK Biopharmaceuticals, SK Inc. is planning to add to its portfolio centering on the development of new drugs, by leveraging its shared abilities. We will also create new pipelines in the pharmaceutical sector, by focusing on a small number of growth areas that have the potential to grow more technologies and develop more

capabilities. Our ultimate vision is to become a leading CNS and general pharmaceuticals market player.

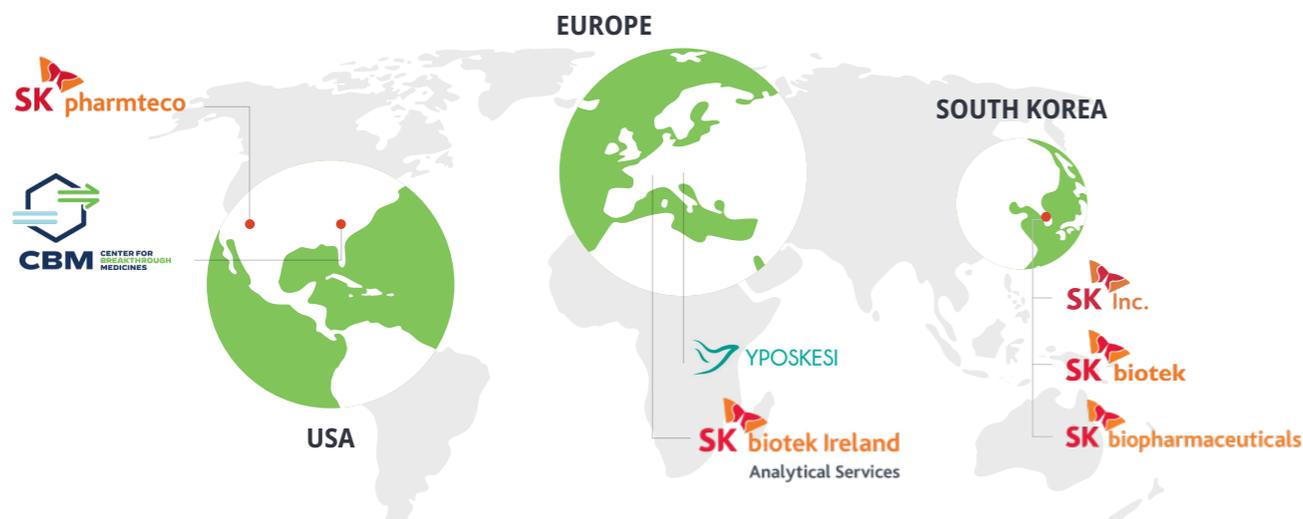
## CDMOs

SK Inc. entered the CGT contract development and manufacturing organization (CDMO) business by acquiring France’s Yposkesi in 2021. Since then, we have continued our advance into the highly promising CGT business. This includes becoming the second-largest shareholder of CBM, an United States CGT CDMO, in 2022. We will promote facility extensions and technology-based growth in the synthetic active pharmaceutical ingredient (API) sector, which is already one of our core businesses. We also plan to become a global presence in the CGT business by creating synergies among our investment portfolios in earnest, and they include Yposkesi of France and CBM of the United States.

## Financial Story in the CDMO Sector



## SK's global bio business



# DIGITAL

SK Inc. is making dramatic investments in digital technologies and infrastructures, including AI, Web3, and EV charging platforms. We intend to enhance our digital competitiveness by investing in a number of carefully-selected areas that have a great impact on other industries and are expected to generate high growth and profits. This investing activity is being carried out in preparation for the development of our next portfolio, which will quickly become one of our core holdings. It will be in an area with enough potential to contribute to the digital transformation of both SK and South Korea’s society. Trends change in the digital sector more frequently than in any other area. This means that we must be very nimble in responding to them. As a result, SK Inc. has become heavily engaged in a virtuous cycle structure to maximize its ROI.

We are doing this by implementing a proactive divestment strategy and investing in promising new investment areas. Going forward, we will increase our efforts to optimize our portfolio by using different methodologies and various speeds when seeking anchors for each investment area.

## Investment portfolios

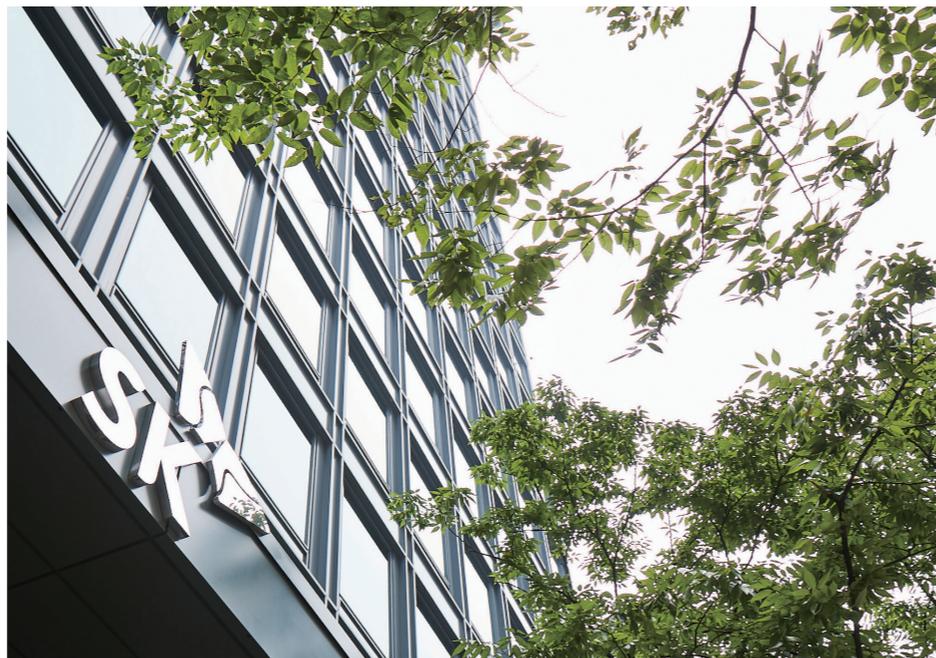
SK Inc. is planning to enhance the competitiveness of its existing businesses in the digital field. We will also secure new anchors that will become future high-growth engines, by making exploratory investments in new industries. With this goal in mind, we will ensure that we become worldwide technology leaders through strategic investments utilizing both industry and regional characteristics. We also want to establish efficient financing channels for each area of our investments.

<p><b>+</b></p> <p><b>Dramatic market expansion</b></p> <p>Developing market-leading strategies by enhancing competitiveness based on collaborations within members of the SK Group</p>	<p><b>+</b></p> <p><b>Transformation-driven Industries</b></p> <p>Making proactive investments in promising business models in markets where industry-wide transformations have not yet occurred and game changers are needed</p>	<p><b>+</b></p> <p><b>New Industries</b></p> <p>Fostering future growth engines of interest to the SK Group through exploratory investments in new industries</p>
<p><b>EV charging platforms</b></p> <ul style="list-style-type: none"> <li>Market expected to be worth more than KRW 5 trillion by 2030</li> <li>Increasing value chain entry within the SK Group (including charger manufacturing and charging services)</li> </ul>	<p><b>AI</b></p> <ul style="list-style-type: none"> <li>Beginning full-fledged spread of Generative AIs</li> <li>Accelerating industry-wide AI transformations</li> </ul>	<p><b>Emerging Robotics</b></p> <ul style="list-style-type: none"> <li>New AI and machine learning-based, high-performance robots are rapidly emerging</li> <li>Reference accumulation stage by industries that are introducing new robots</li> </ul>
<p><b>Mobility</b></p> <ul style="list-style-type: none"> <li>Advancing autonomous driving technologies and expanding market growth potential</li> <li>Creating synergies based on mobility business capabilities both at home and throughout Southeast Asia, and implementing high-growth strategies</li> </ul>	<p><b>Web3</b></p> <ul style="list-style-type: none"> <li>Initial market participation by a large number of companies, including retail and brands</li> <li>Developing essential infrastructure technologies for the Web3 ecosystem</li> </ul>	<p><b>New Space</b></p> <ul style="list-style-type: none"> <li>Opening up the privately-led New Space era</li> <li>Accelerating the development of new business models, such as in-space services</li> </ul> <p><b>Quantum Computing</b></p> <ul style="list-style-type: none"> <li>Implementing performance currently unattainable by existing supercomputers</li> <li>Profiting from high potential for rapid growth according to technological developments</li> </ul>

# EXPANDING OUR PORTFOLIO'S GREEN READINESS

SK's journey to a carbon-free future

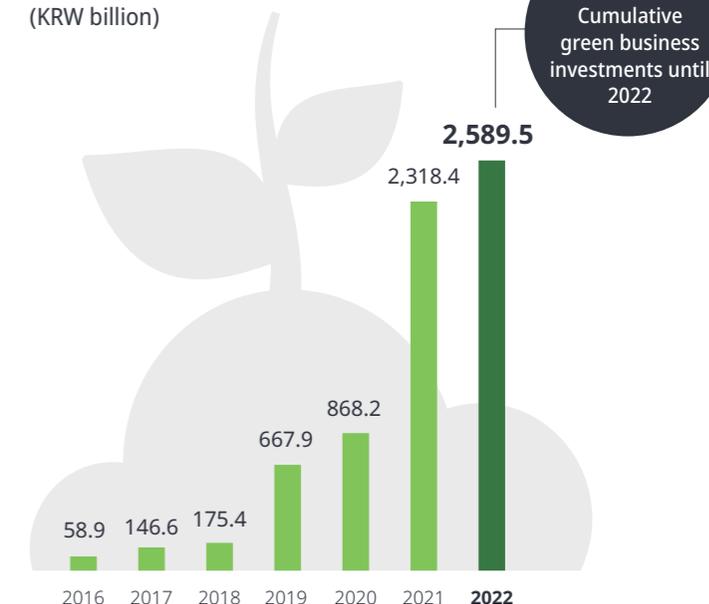
The next decade will be a time when the decision-making activities of business enterprises, which are the main causes of both carbon emissions and the biggest hope for appreciable carbon reduction, will be more important than ever if the 1.5°C. goal signed by the Paris Agreement is to be met. SK Group has set a goal of reducing about 200 million tons of CO<sub>2</sub>, or 1% of the world target, by 2030. Our twin goals of helping to reach global Net Zero and reducing our own carbon footprint will involve expanding our presence in the field of eco-friendly businesses that are coping with climate change and facilitating the green transition, and making large investments in decarbonization solutions.



## Expanding Green Investments

SK Inc. increased its eco-friendly portfolio in 2022 by allocating 30% of its direct investments to the growing green business areas. We will continue with our efforts to become a recognized leader in the growth of the global green economy by making even more preemptive investments in eco-friendly businesses and technologies and by strengthening our linkages with green businesses within the SK Group.

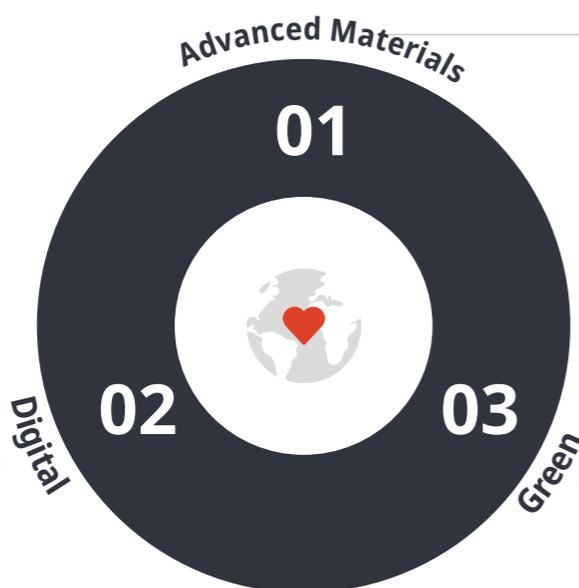
Cumulative green business investments (KRW billion)



## Major Decarbonization Investment Areas



- ICT energy solutions
- Eco-friendly mobility
- Reusable packaging

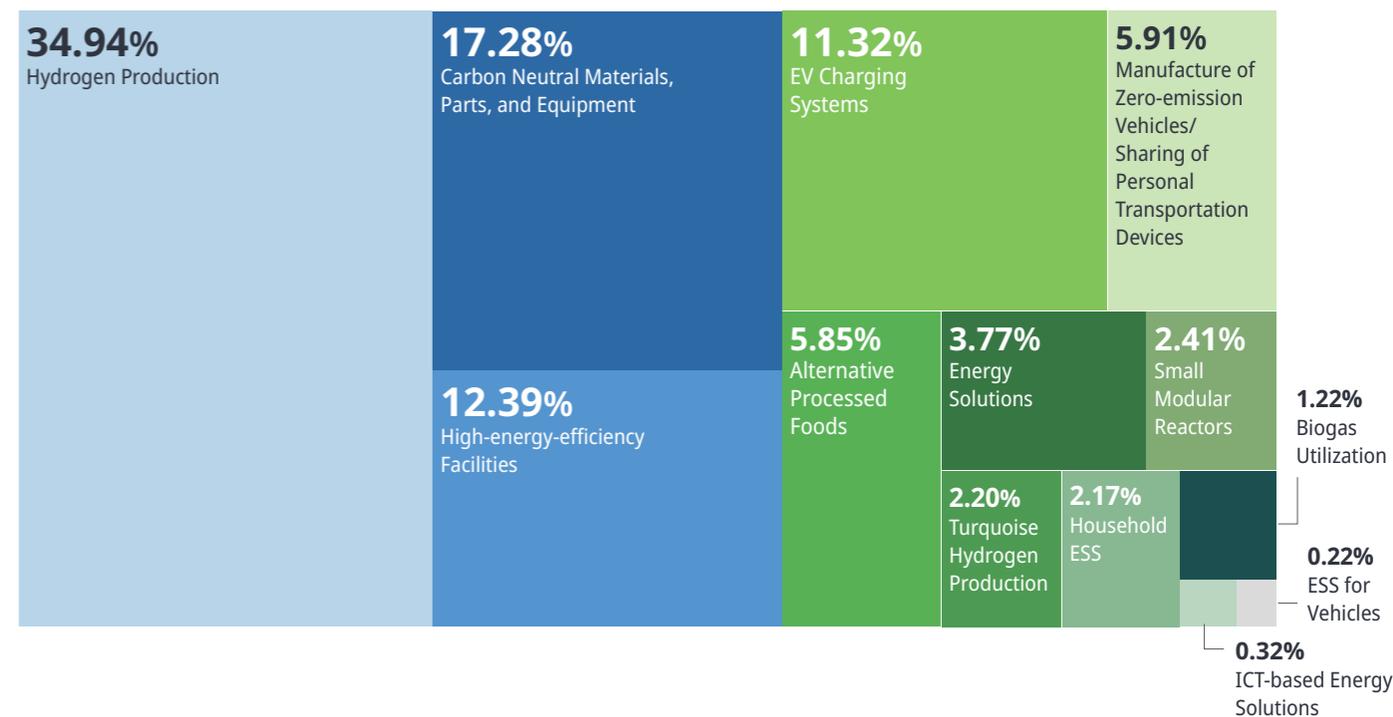


- Electric vehicle supply chain management (EV SCM)
- Battery materials



- Hydrogen and small modular reactors (SMRs)
- EV charging solutions
- Alternative foods

## Proportion of Korean Green Classification System (K-Taxonomy) in Eco-Friendly Investments by Area



# RESPONSIBLE & PROFITABLE LOW CARBON TRANSITION

Transitioning to a sustainable and profitable low-carbon economy

## Accelerating Group-wide energy transition efforts

SK Inc. is in the process of constructing a sustainable growth model that will have a marked and positive impact on the environment, society as a whole, and its stakeholders through its preemptive Net Zero activities. We are actually reducing the level of carbon emissions generated in the course of our business operations. We also intend to promote low-carbon technology investments by setting our internal carbon pricing (ICP) throughout all our business activities.



### Fulfilling RE100

- Group-wide renewable energy securing projects
- **SK Ecoplant:** Establishing overseas photovoltaic business to expand the renewable energy business and create additional revenues like carbon credits
- **SK Hynix and SKC:** Prioritizing the transition to RE100 for overseas business sites
- **SK Telecom and SK Networks:** Building solar power generation facilities
- **SK IET and SKC:** Introducing green user rates

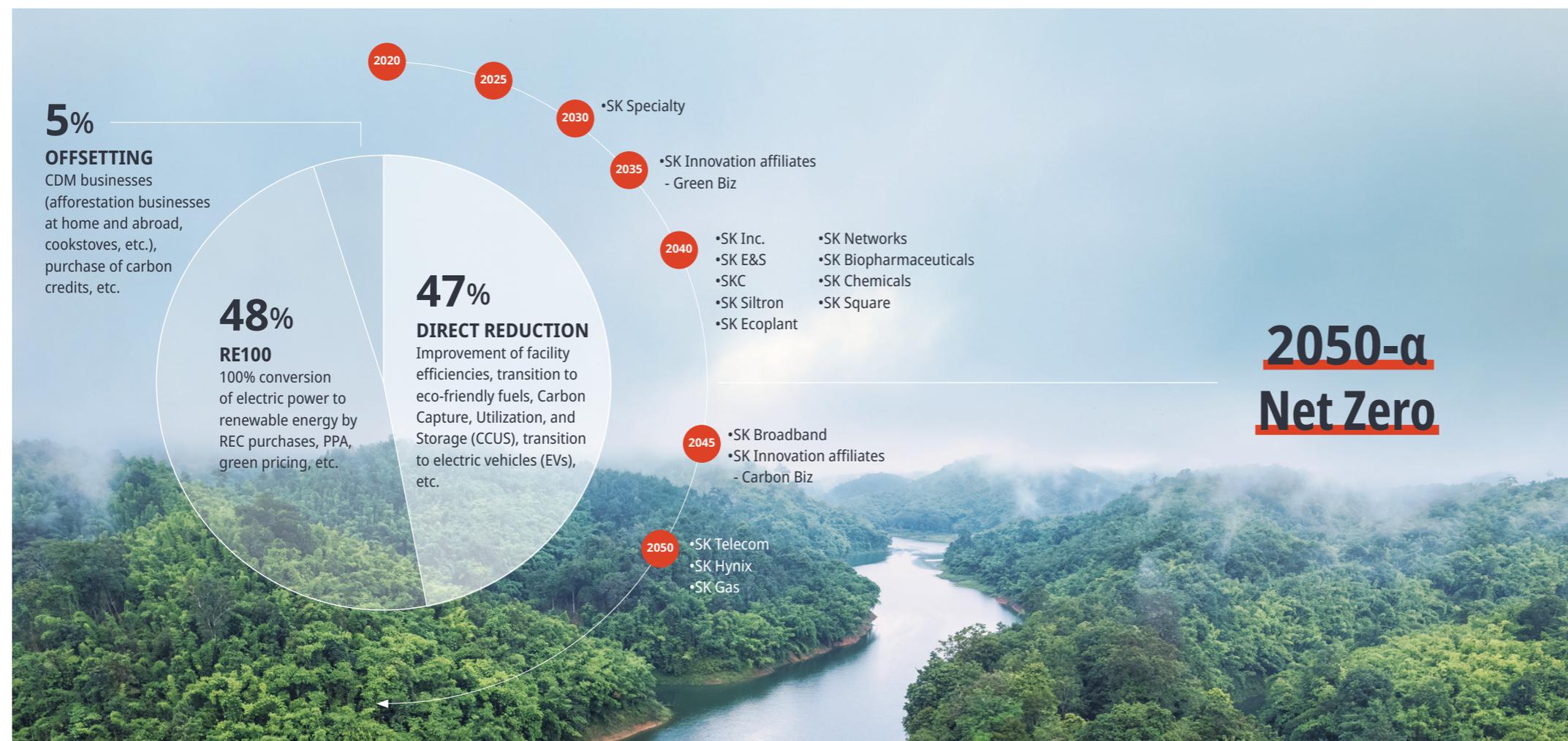


### Making carbon costs part of all business decisions

- Using carbon pricing as the key means for achieving Net Zero within the Group
- Broadening area of risk management
- Increasing greenhouse gas emissions reduction
- Accelerating investments in renewable energy
- Facilitating the increased use of low-carbon products and services

## Existing Portfolio Net Zero Achievement Scenario

(SK's 15 major member companies, based on Scope 1+2 emissions)



## Managing climate-related financial risks in a portfolio

(Including direct subsidiaries, minor invested companies, and transition/physical risks)

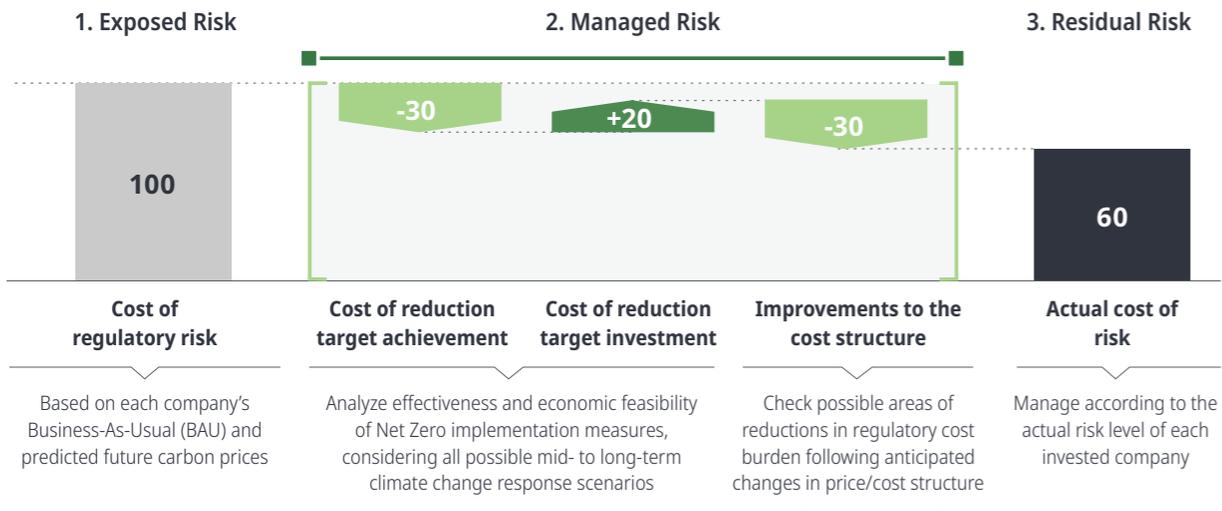
All companies must reduce their carbon emissions and strive to achieve Net Zero in order to survive in the upcoming low-carbon economy. However, these reduction efforts could affect their short- and long-term profitability. In its role as a proactive and highly professional investment company, SK Inc. has established a management system that can take the effectiveness and economic feasibility of the emissions reduction measures prepared by any company to reduce its carbon risk(s) into account. This is in addition to determining the current level of climate risk in a portfolio. We also classify and monitor more than ten climate types and financial risk levels by both region and company. This allows all physical risks across the portfolio to be calculated most effectively. When a company manages its climate risks in an optimal way and achieves Net Zero under this management system, the value that its efforts bring to companies and humanity will increase even further over time.

## Managing the Financial Impacts of Climate Risk in a Portfolio

### Transition Risk

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

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



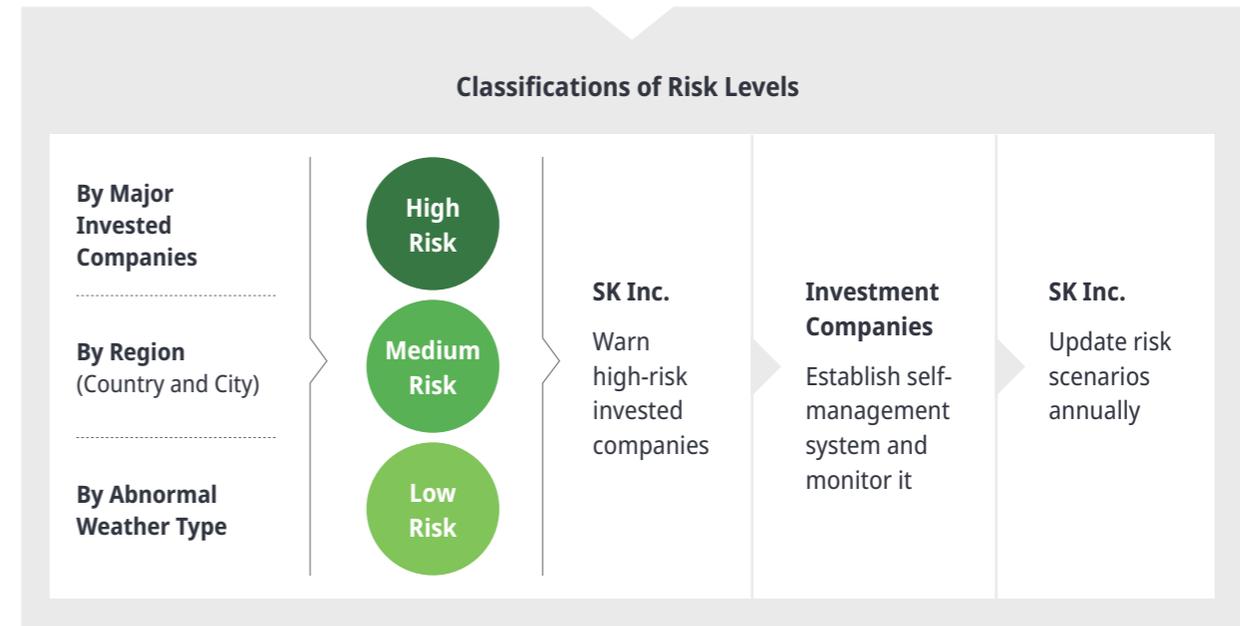
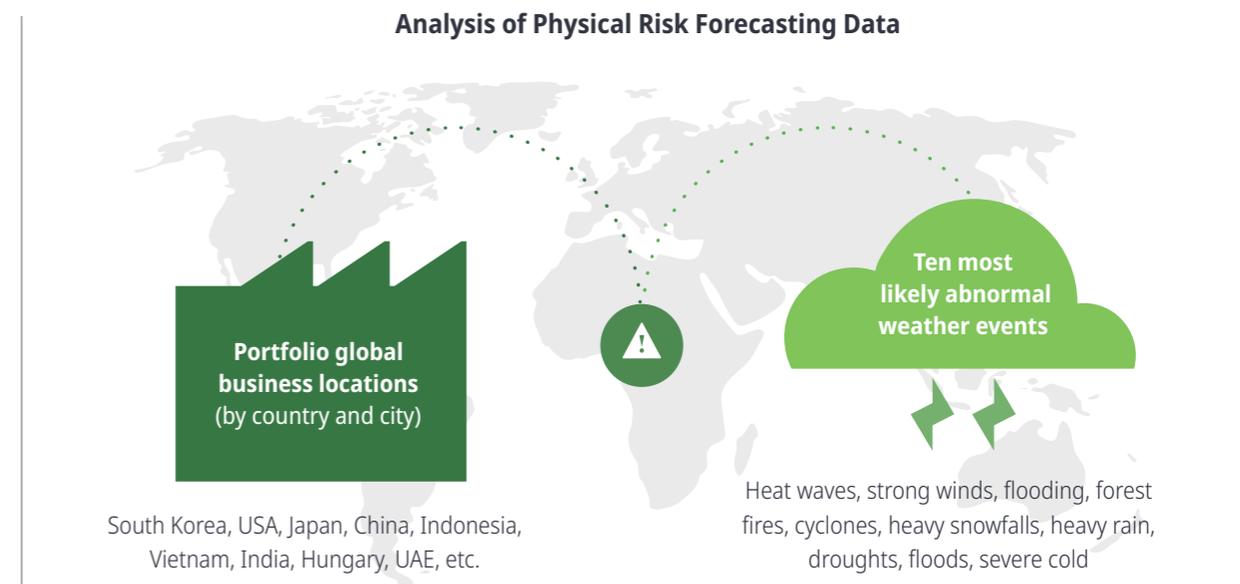
### Management Strategies by Stage

<p><b>Calculate regulatory risk</b></p> <ul style="list-style-type: none"> <li>Calculate the cost of the regulatory risk that the invested companies will have to bear, taking into account the carbon price forecast based on the *NGFS scenario in the BAU of major invested companies</li> <li>- Current regulatory risk costs to 2050</li> <li>- Calculate ratio of regulatory risk costs to company's current asset value, sales, and EBITDA</li> </ul> <p><small>* NGFS: Network for Greening the Financial System</small></p>	<p><b>Response strategies and potential areas for reducing risks</b></p> <p><b>Effectiveness and economic feasibility of emissions reductions</b></p> <ul style="list-style-type: none"> <li>Confirm regulatory risks reduction according to the Net Zero goal established by each invested company</li> <li>Review economic feasibility of carbon reductions</li> </ul> <p><b>Improvements to price and cost structure</b></p> <ul style="list-style-type: none"> <li>Confirm possible areas for costs of transition risks to be reduced when determining competitive position in the market and possible elasticity of product price(s)</li> </ul>	<p><b>Calculate actual risk</b></p> <ul style="list-style-type: none"> <li>Define the residual risk, that the investment companies can potentially reduce or that may occur after improvements to the price and cost structure, among their cost of exposed transition risk, as the actual transition risk</li> <li>Calculate carbon risk-to-reward ratio in light of the actual "cost of transition risk." Undertake management of invested companies that are subject to high risk (when their reward ratio is higher than their operating margin)</li> </ul> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><b>Carbon risk-to-reward ratio (%) =</b></p> <math display="block">\frac{\text{Present value of projected actual transition risk cost by 2050}}{\text{Present value of projected sales by 2050}} \times 100</math> </div>
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### Physical Risk

Physical risks are intensifying as the frequency of abnormal weather conditions increases. Defined as the physical effects of climate change, these risks can seriously affect a company's sales, assets, and business activities. SK Inc. analyzes the possible impact of such physical risks based on which portfolio business

location or locations might be exposed to abnormal weather, and establishes countermeasures for such high-risk likelihoods. Physical risks are also made a review factor in our investment decision-making in terms of expanding our businesses and selecting investment areas.



# NET ZERO: TEAM UP IN ACTION

Expanding carbon reduction execution capacities to achieve Net Zero

Relationships are important assets for every company, and the networks to which SK Inc. belongs play an integral role in maintaining the value of SK. SK Inc. promotes the activities of eco-friendly businesses that can substantially contribute to carbon reduction efforts throughout the world. Our goal is to gain key opportunities in the clean technology market, which we believe will expand exponentially in the near future. We also want to ensure that our competitive position will not

be threatened or weakened by any global supply chain reorganizations or disruptions that might occur in the future, and intend to strengthen our competitiveness by collaborating with our partner companies. We will build global production bases and add to our investment pipelines by increasing our direct investments and our number of supply chain partnerships. This particularly involves targeting companies that possess technologies with a high potential for growth or businesses that are expected

to have a high degree of influence in the value chain. Most of these companies are located in the United States and Europe. SK aims to reduce 200 million tons, or 1% of global carbon emissions, by 2030 and achieve carbon neutrality by 2050, thereby contributing to the global carbon reduction target. In order to address the climate crisis, a challenge that requires collective effort from all of humanity, SK pledges to play a leading role and cooperate with all its stakeholders.





## 2023 SK Inc. ESG Special Report

**Publication** SK Inc. ([www.sk-inc.com](http://www.sk-inc.com))

**Report** Portfolio Planning Office

**Contact** SK Seorin Building, 26 Jong-ro, Jongno-gu, Seoul  
[sustainability@sk.com](mailto:sustainability@sk.com)

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