

Beyond The Limits

2021 SK GAS SUSTAINABILITY REPORT

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Cover Story

In 2007, the UNESCO World Heritage Committee designated “Jeju Island” as a World Natural Heritage site. Jeju Island’s “Forest of Nut-bearing Torreyas,” which is Natural Monument No. 374, represents SK Gas’s commitment to preserving our natural heritage for future generations.

About This Report

Report Overview

SK Gas has published sustainability reports since 2019 to communicate with its diverse stakeholders. This is the third sustainability report published by SK Gas, and it brings transparency into the disclosure of the company's sustainability management efforts and major achievements. SK Gas will continue to actively collect the stakeholders' opinions through the Sustainability Report and reflect them in its management.

Reporting Principles

This report has been prepared in accordance with the core requirements of the Global Reporting Initiative (GRI) Standards, the internationally used standards for sustainability reporting. In addition, it complies with the disclosure recommendations of Task Force on Climate-related Financial Disclosure (TCFD) and the standards of Sustainability Accounting Standards Board (SASB) in order to reflect major issues suited to the characteristics of the industry. It also reflects the Ten Principles of the UN Global Compact (UNGC) and the UN Sustainable Development Goals (SDGs), which are global sustainable management initiatives. The financial information contained in this report complies with Korean International Financial Reporting Standards (K-IFRS).

Reporting Period

The report describes the activities from January to December 2021 and focuses on the data for three years from 2019 to 2021 to enhance its comparability. Material information that may have an impact on the stakeholders includes some data before 2021 and in the first half of 2022.

Reporting Scope

In Korea, the report covers Headquarters and all production sites (Pyeongtaek Terminals, Ulsan Terminals, G.Hub, Central Sales Office, Western Sales Office, Eastern Sales Office, Jeju Sales Office). Its economic data covers all consolidated companies. Some social and environmental data with different reporting scopes is presented separately.

Report Verification

To enhance the reliability and quality of the report, third-party verification was conducted by an external organization, and the results are recorded on page 84.

More Information

To increase information accessibility for the stakeholders, this report can also be viewed on the SK Gas website (<https://eng.skgas.co.kr/>).

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Sustainability Report Interactive User Guide

This report is published as a web PDF document with interactive features to enhance information accessibility. It includes functions that enable you to move to related pages within the report and shortcuts to related web pages.



CEO Message



Dear Stakeholders,

SK Gas has published its third Sustainability Report to communicate the present and future initiatives of ESG management. As the global response to climate change accelerates, the demand for corporate sustainability is also growing. In this regard, we will reflect on our past achievements and share our future plans in this rapidly changing business environment through the 2022 Sustainability Report.

Ten years ago, SK Gas used to make an annual profit of KRW 100 billion before tax. We have achieved remarkable growth even in the face of the difficult economic environment due to COVID-19, exceeding KRW 150 billion in 2019 and making the astronomical rise to KRW 350 billion in 2020, and then KRW 400 billion in 2021. As Korea's No. 1 LPG provider, SK Gas has continued to grow beyond the traditional home, commercial and transportation markets, actively developing industrial demand and upgrading our business structure linked to trading, generating stable profits despite market volatility.

To ensure sustainable business growth, SK Gas is moving on to next stage while listening to new market demands. With the rise in demand for ESG global trends and the nation's aim to reach carbon neutrality by 2050, serving each of our customer needs requires focused efforts and solutions to reach net-zero emissions. In addition to reducing carbon emissions, we are focusing on securing economic feasibility of energy to maintain industrial competitiveness. These customer needs suggest a new direction for SK Gas. In the far future, we will eventually become a decarbonized energy-oriented company, generating power from hydrogen and ammonia. This is why SK Gas is preparing for carbon-free energy with a focus on the use of clean hydrogen and ammonia.

By establishing a new identity as a "Net Zero Solution Provider," SK Gas will help customers who use high-carbon energy including coal and Bunker C fuel to transition to low-carbon energy such as LPG and LNG in the short term. In the mid- to long term, we will gradually provide carbon-free energy such as clean hydrogen and ammonia. To this end, SK Gas plans to expand our business areas beyond LPG to LNG and hydrogen and ammonia, also expanding our presence across the value chain of production, introduction, storage, transportation, and utilization of eco-friendly energy sources.

Furthermore, SK Gas is striving to secure key business capabilities. With over 40 years of experience as Korea's No. 1 LPG player, we will expand our LPG trading capabilities into LNG and hydrogen/ammonia. In Ulsan, Korea's largest industrial complex, we have already built an infrastructure that enables the import, storage, and distribution of LNG and hydrogen/ammonia in addition to LPG. Our two pillars of eco-friendly energy, the Korea Energy Terminal (KET) and the Clean Energy Complex (CEC) currently under construction, will serve as the core infrastructure for the most competitive LNG and hydrogen/ammonia businesses in Northeast Asia.

In order to fulfill our social responsibilities, SK Gas is committed to continuously discovering and implementing effective ESG activities under the following four themes: employee health and workplace safety (Health & Safety), mutual growth with suppliers (Supply Chain Management), cooperation with local communities (Community Relations), and enhanced human rights management (Human Rights). First of all, we are bolstering the prevention of workplace accidents for all employees and suppliers by establishing the "SHE (Safety, Health, Environment) Management System." We are also implementing multiple win-win ecosystem models by supporting the ESG management of our suppliers and raising an LPG Hope Charging Fund. To achieve a sustainable society centered on local communities, we are promoting various social contribution activities by linking our CSR activities with the UN SDGs (Sustainable Development Goals).

As our Corporate Governance Charter is enacted in 2020, SK Gas has clarified the direction of our BOD-driven management system in 2022. In line with our shareholder-friendly policies, we have established and disclosed our mid- to long-term dividend policies and plans for interim dividends.

For SK Gas, ESG management will direct our core strategies for sustainability as we build the foundation to make our next leap forward. Since we published our Sustainability Report, we have discovered and implemented multiple ESG management activities, thus achieving excellent results from domestic and global ESG rating agencies. As we look toward the future, we will strive to actively and transparently communicate with our stakeholders about our process and results, while thoroughly transforming business portfolio as we make the transition into a "Net Zero Solution Provider" and implementing our ESG management activities.

July 2022
Yoon Byung Suk, CEO of SK Gas



Highlights in ESG

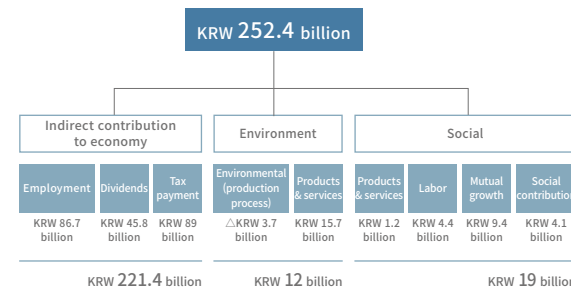
Honored in the CRRA for Sustainability Report (Aug. 2021)

SK Gas's Sustainability Report published in 2021 was the 1st Runner-up after SoftBank, the Winner in the "Best 1st Time Report" category at the "2021 CR Reporting Awards (CRRA)" hosted by Corporate Register (CR) in the UK. (Aug. 2021). CRRA, which has been held since 2007, is the most prestigious award in the international competition to evaluate the excellence of sustainability reports from companies around the world.



KRW 252.4 billion created in Social Value in 2021

The social value created by SK Gas through our management activities in 2021 was calculated as KRW 252.4 billion (up 45% from KRW 174.3 billion in the previous year). Indirect contribution to the economy amounts to KRW 221.4 billion, environmental performance was KRW 12 billion, and social performance was KRW 19 billion. In the Indirect contribution to economy with its large increase, the tax payment amounted to KRW 89 billion, up KRW 51.8 billion from the previous year, and the dividend performance was also raised to KRW 5,100 per share (KRW 4,000 per share in the previous year), thus reflecting our efforts to enhance shareholder value.



MSCI ESG Rating Upgraded to "AA" (Jun. 2022)

SK Gas focuses on scoring higher in external evaluations while striving to promote ESG management. In the ESG evaluation by MSCI (Morgan Stanley Capital International), a reputable global ESG evaluation agency, SK Gas achieved an "AA" rating in June 2022.



Integrate Grade "A" in the KCGS ESG Evaluation (Nov. 2021)

In 2021, SK Gas earned Integrated Grade "A" in the evaluation conducted by the Korea Corporate Governance Service (KCGS), the leading ESG evaluation agency in South Korea. The final grade in this evaluation is determined through several verification processes, such as collecting basic data, verifying the data in various ways, and conducting interviews with some companies with excellent evaluation results.



Declaration of 2035 Net Zero

SK Gas has established a plan to achieve Net Zero by 2035. To achieve this, the company will maximize our own reduction efforts through facility improvement. For the short term, we will install a seawater heat exchanger. For the mid- to long-term, we plan to apply carbon-neutral core technologies such as electric heaters using hydrogen fuel cells and promote business portfolio transformation into decarbonization businesses. SK Advanced and Ulsan GPS, our subsidiaries, plan to follow suit by achieving Net Zero by 2040 and 2050, respectively.



* For details on 2035 Net Zero, refer to page 24 of the report.

ESG Committee Established (Jun. 2021)

SK Gas established the ESG Committee and the Nomination and Compensation Committee to improve corporate governance and expand the role of the committees within the BOD. The ESG Committee is in charge of consulting and reviewing the board's management strategy and ESG directions for future sustainable growth, and the Nomination and Compensation Committee performs reviews of key personnel matters related to executives, such as appointment and remuneration.



* For details on the ESG Committee and the Nomination and Compensation Committee, refer to page 45 of the report.

CDP Participation (Dec. 2021)

In Jul. 2021, SK Gas voluntarily participated in CDP (Carbon Disclosure Project), which evaluates the greenhouse gas emission information and response strategies of major listed companies around the world. In doing so, we began to actively carry out climate change response activities. We disclosed our governance, response strategy, and greenhouse gas data related to climate change response, and obtained Management Level B, which is higher than the industry average, at end of 2021.



Full-scale Promotion of ESG Master Plan (Dec. 2021)

SK Gas has decided to promote the "ESG Master Plan," a mid- to long-term comprehensive plan established to fulfill our financial goals and strengthen ESG management. This plan is based on our company's business philosophy and directs corporate management. Based on the ESG Master Plan, SK Gas will emerge as a leader in the hydrogen economy and a leading ESG company in the world.



* For details about the ESG Master Plan, refer to page 32 of the report.



Company Profile

Company Overview

(As of Dec. 2021)

Company Name	SK Gas Co., Ltd.
Type of Business	Wholesale distribution of gas fuel and related products
Headquarters	ECO Hub, 332, Pangyo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea
Date of Establishment	Dec. 20, 1985
No. of Employees	531 persons
Net Income	KRW 249.3 billion
Sales	KRW 6 trillion 494.5 billion
Total Assets	KRW 5 trillion 121.5 billion

Business sectors and Infrastructure

Domestic LPG Marketing

Based on LPG import terminals located in Ulsan and Pyeongtaek and our nationwide sales and distribution networks, SK Gas supplies LPG, a clean and safe energy for everyone, to a variety of customers for household and commercial uses, transportation, industrial uses, and petrochemical uses. We possess various risk management capabilities and operational know-how from thirty years of business activities, such as world-class storage base operation, in the domestic LPG market. Based on our experience, SK Gas can supply dependable LPG products to various domestic consumers.

Global LPG Trading

We are leading the global LPG trading market with our accumulated experience and network based on our LPG imports and overseas sales experience. SK Gas's global LPG trading business is achieving revenue diversification by not only pursuing profits through sales and purchases, but also reducing the import costs through inventory optimization and swapping products and freight space with other companies.

LPG Terminals

SK Gas has a total of 470,000 tons of large-scale LPG stockpiling bases in Ulsan and Pyeongtaek. Ulsan Terminals form the world's largest underground rock cavern tank system, and they can store a total of 270,000 tons of LPG, including 140,000 tons of propane and 130,000 tons of butane. Pyeongtaek Terminal can store a total of 200,000 tons of LPG, including 140,000 tons of propane and 60,000 tons of butane. Since their launch in 2012, these stockpiling bases have demonstrated the highest level of professionalism and efficiency in South Korea through their accident-free operation.

Gas Chemical

For our PDH business, which produces propylene by removing hydrogen from propane, SK Advanced, a joint venture between Saudi Arabia's AGIC (Advanced Global Investment Company) and Kuwait's PIC (Petrochemical Industries Company), is operating a PDH (Propane De-Hydrogenation) plant with a capacity of 600,000 tons. In addition, SK Advanced established a joint venture with "PolyMirae" to construct a polypropylene (PP) plant with a capacity of 400,000 tons in 2021, and this plant is currently in operation.

LNG/Power Generation

SK Gas is building Ulsan GPS, the world's first GW-class LNG/LPG combined cycle gas power plant with a total power generation capacity of 1.2GW, and it will start its commercial operation in 2024. To strengthen the profitability of GPS and provide stable fuel supply, the company has signed a long-term fuel supply contract. We plan to build and operate an LNG import terminal in time for the commercial operation of the GPS. By providing competitive fuel and terminal storage space to domestic LNG importers through the expansion of the value chain, we will continue to create stable profits.

Hydrogen Energy

SK Gas is developing a hydrogen business model using the LNG/LPG infrastructure in Ulsan Industrial Complex and the nationwide distribution network. We are promoting a hydrogen fueling station business in Ulsan, along with a fuel cell power generation project based on by-product hydrogen and the construction of a large-scale hydrogen complex. Looking forward, the company will introduce clean hydrogen/ammonia from overseas and supply them as fuel for co-firing to LNG power plants and coal power plants.



Global Network

SK Gas is making the leap forward as a leader in the global energy market through continuous development of world-class technology and infrastructure, as well as network expansion. The company's LPG trading business operates local subsidiaries in Singapore and Houston, U.S., and has grown into a major LPG trader in Asia over the past 20 years by trading with companies in the Middle East, including Saudi Arabia and Kuwait, and North America. By securing a stable and competitive LPG supply chain through partnerships with key exporters in the Middle East and North America, and quickly responding to market price and demand volatility, the business is consistently generating profits. Seizing the opportunity to create a new growth engine in the gas chemical business, SK Gas established SK Advanced, a propylene production and sales company, in 2014 with Saudi Arabia's state-owned AGIC (Advanced Global Investment Company) and Kuwait's PIC (Petrochemical Industries Company). SK Advanced then selected Lummus Technology, a U.S. company with next-generation technology, as its PDH process licensor. In 2019, it produced 708,000 tons, which is 118% of its production capacity, and the company was recognized as the best PDH operator among Lummus's licensees for its O&M (Operation & Maintenance) capability. To diversify the gas chemical business, SK Advanced established a joint venture partnership with PolyMirae, whose major shareholder is LyondellBasell, a global chemical company, to establish a polypropylene (PP) plant in Ulsan. This partnership started its commercial production in May 2021, which is currently in steady operation.

SK Gas expanded our LNG supply chain by jointly establishing Korea Energy Terminal (KET) with Korea National Oil Corporation (KNOC). In Dec. 2021, the company also signed an investment contract with C-Zero of the United States, which possesses the source technology for eco-friendly turquoise hydrogen production, in order to secure leadership in the hydrogen economy market. Going forward, we will continue to forge partnerships and devise strategies with global companies to take advantage of changes in the energy market.

Korean Network	
1 Korea	Headquarters
	Ulsan Terminals
	Pyeongtaek Terminals
	G.Hub (Tank Terminals)
	Central Sales Office
	Eastern Sales Office
	Western Sales Office
	Jeju Sales Office
Overseas Network	
2	Subsidiary in Singapore
3	Subsidiary in Houston, US

Overseas Partners		Overseas Partners	
LPG Trading Business		Petrochemical Companies	
Oil Producing Countries	1 Aramco, Saudi Arabia	10 APC, Saudi Arabia	
	2 Enterprise, Phillips 66, Chevron, US	11 LyondellBasell, Netherlands	
	3 ADNOC, UAE	12 PIC, Kuwait	
	4 KPC, Kuwait	13 INEOS, UK	
Trading Companies	5 Shell, Netherlands	LNG	
	6 PTT, Thailand	14 Energy Transfer LNG Export, LLC, US	
	7 Glencore, Vitol, Switzerland	Hydrogen	
	8 Astomos, Japan	15 C-Zero, US	
	9 SINOPEC, China		



History

Dec. 2000

- Received a presidential citation at the 7th Gas Safety Promotion Conference

Mar. 2001

- Won the Best Award in Safety Category at the Korean Gas Industry Awards

Jul. 2002

- Received the Bronze Tower Order of Industrial Service Merit at the 9th Gas Safety Promotion Conference

Sep. 2003

- SK Gas and E1 founded Korea LPG Industry Environmental Association

Jul. 2004

- Started operation of SK Gas Volunteer Group

Mar. 2020

- Established the company's sustainability management committee and corporate governance charter

Jun. 2020

- Published 2019 SK Gas Sustainability Report.

Jul. 2020

- Construction of Korea Energy Terminal Co., Ltd.'s Ulsan LNG terminal started

Aug. 2020

- Agreement signed with the National Institute (NIE) of Ecology for ecosystem conservation

Dec. 2020

- The "wego" system, a platform dedicated to propane, opened

1985

2000

2010

2020

Dec. 1985

- SK Gas was founded and launched the construction of Ulsan terminal

Jan. 1988

- Started LPG supply business

Apr. 1991

- Started to supply LPG for petrochemical industry

Aug. 1993

- Opened the Middle East office in Saudi Arabia (later moved to Dubai in U.A.E. in Aug. 2008)

Aug. 1997

- Executed initial public offering

Oct. 1999

- Completed construction of Pyeongtaek Terminal

Mar. 2007

- Founded a joint venture with China Gas Holdings and acquired shares

Jun. 2007

- Expanded butane refrigerating tank in Pyeongtaek, Korea

Aug. 2007

- Established a Singapore company, SK Gas International

Feb. 2008

- Opened an overseas office in Houston, U.S.

Feb. 2012

- Agreed to donate LPG Hope Recharging Fund for low-income households (KRW 10 billion)

Oct. 2012

- Held a groundbreaking ceremony for SK Gas Pangyo Corporate Building

Jan. 2013

- Announced entry into PDH market

Apr. 2013

- Established G.Hub, a tank terminal service provider

Mar. 2014

- Agreed to donate LPG Hope Recharging Fund for low-income households (KRW 5 billion)

Apr. 2014

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

Sep. 2014

- Established SK Advanced

Oct. 2014

- Acquired Dongbu Power Dangjin Corp. and renamed to Dangjin Eco Power

May 2016

- Completed construction of PDH plant in Ulsan

Jan. 2018

- Approved to change power generation permit and business structure

Nov. 2018

- SK Advanced established joint venture "Ulsan PP"

Jan. 2019

- Obtained approval for Dangjin Eco-power's business transition

Nov. 2019

- Acquired ownership of Korea Energy Terminal. Decided to participate in energy hub project

May 2021

- MOU signed with Lotte Chemical to establish a by-product hydrogen JV

Jun. 2021

- Establishment of ESG Committee and Nomination and Compensation Committee

Dec. 2021

- Launch of propane safety management platform "wego Safety" and propane management service "wego ERP"
- Signed an investment contract with "C-Zero," an eco-friendly turquoise hydrogen producer
- Announcement of "ESG Master Plan"

Jan. 2022

- Hydrogen/Ammonia JSA signed with KNOC and ADNOC (UAE state oil company)

Apr. 2022

- SK Gas Trading (SK Gas's U.S. trading arm) signed a long-term LNG sale and purchase agreement (SPA) with Energy Transfer LP. (for the Lake Charles LNG project)

Jun. 2022

- SK Gas signed a JVA with Lotte Chemical and Air Liquide
- MSCI ESG rating upgraded to "AA"



Business Portfolio

[LPG Business]

Eco Station

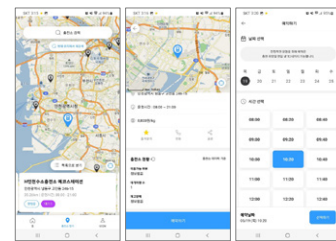
As consumption of eco-friendly energy and non-contact consumption increase due to the climate crisis and COVID-19, the social needs for the related infrastructure are also on the rise. In particular, the government has plans to expand hydrogen fueling stations in accordance with the Comprehensive Plan on Fine Dust Management, but it has been difficult to build more charging stations due to problems in securing suitable sites and investment costs. Accordingly, SK Gas is promoting a hydrogen fueling station project that supplies hydrogen energy to customers by installing hydrogen fueling facilities in the existing LPG filling station infrastructure. We plan to launch one hundred eco-friendly hydrogen fueling stations nationwide by 2030. In 2022, we plan to launch a mobile hydrogen fueling app (“H2&,” “Hy-and”) to address the inconveniences, such as the long wait times, for customers who use hydrogen vehicles.

By continuing to provide untact-based customer-oriented services such as the mobile booking app for LPG filling service (“Muffin”) launched in 2021, the company will improve customer experience and lead the evolution of the mobility ecosystem. Moreover, SK Gas intends to increase the supply of eco-friendly energy within the LPG filling stations, redefine the filling station space through new arrangements, expand customer-oriented retail services.

It provides spatial solutions for the next-generation energy and mobility-based sites and services for customer convenience. It means the expansion toward ‘Lifestyle Station’ to contribute to offering new experiences and values for customer’s daily life.

Hy-and (“H2&”) App, a Hydrogen Mobility Platform

The H2& app provides real-time status of hydrogen fueling stations across the country. Customers with H2& app reservations can recharge hydrogen without waiting through advance reservations, as well as conveniently use the automatic payment system.



- View nationwide charging stations
- Real-time charging station status
- Book to charge

SK Gas enhances the value of the filling stations by adding collaboration with social enterprises. Furthermore, we are taking the lead in spreading social values through various ESG activities throughout our business activities, such as creating forests for elementary school classrooms in connection with the filling stations’ thank-you events and making upcycled filling station staff uniforms using waste plastic (PET). Going forward, SK Gas will continue to strengthen the innovativeness of our LPG business by pioneering new fields, rather than just simply expanding our existing businesses.

Why ‘Eco Station’?

Proposing new solutions to customers through “increasing customer convenience” and “increasing eco-friendly energy supply”

- Enhanced value and additional growth opportunities using SK Gas assets
- Revision of the Enforcement Regulation of the LIQUEFIED PETROLEUM GAS ACT* can create new business opportunities using space
*SAFETY CONTROL AND BUSINESS OF LIQUEFIED PETROLEUM GAS ACT
- Expansion of eco-friendly energy, value-oriented consumption, and increased need for non-contact oriented convenience



Industry Fuel Conversion

SK Gas contributes to enhancing industrial competitiveness by providing industries with cost-saving solutions based on price competitiveness through fuel price structure research. In addition, we are contributing to the creation of social value, such as helping to reduce air pollutant emissions by helping industries, which previously used bunker C fuel due to various restrictions, switch to eco-friendly LPG.

LPG Supply for Power Generation

SK Gas is developing a long-term fuel supply solution for power generation to help realize cost reduction and competitiveness enhancement for industrial customers. As a result of our cooperation with Doosan Fuel Cell to develop a fuel cell that uses LPG, we achieved tangible results in 2018, such as jointly developing a PAFC battery that can use both LNG and LPG. Based on this, the company promoted the construction of a 12.32MW LPG/LNG fuel cell power plant as a special purpose company on the idle site of the sewage treatment plant in Sangmu District, Gwangju. This plan was established together with Korea Midland Power, Doosan E&C, and SK Securities, and its commercial operation is scheduled for 2022. As the changing energy mix and pressures to increase industrial electricity rates are increasing lately, we are developing an energy cost optimization solution to support the adoption of our own generators by customers with energy-consuming production sites. SK Gas is promoting various energy-saving projects that self-produce electricity and steam (or hot and cold water) produced by operating gas engine/turbine self-generation facilities with C fuel and H fuel (LPG/LNG/H₂).

Completion of “wego,” a Platform for Innovating Propane Distribution

Since the launch of “wego,” a platform for innovating propane distribution, in December 2020, SK Gas has been bringing new changes in the propane market by launching additional services: the safety management digital service (“wego Safety” in September 2021) for customers and the business management program for propane filling stations (“wego ERP” in December 2021). We are digitalizing the overall process of bulk trucking through the wego transportation service. For safety management (“wego Safety”), we are building the industry’s first 24/7 monitoring system using IoT sensors to bolster safety and build customer trust. The business management program (“wego ERP”) not only achieves efficient filling station operations but also integrates management/financial services specialized for filling stations, thus bringing more focus for improving site-oriented services. In response to the Serious Disaster Punishment Act, SK Gas supports more flexible and active preparations for the fueling market environment, such as enabling “wego” to conduct meticulous and thorough safety management of filling station facilities. “wego” strives for the competitiveness and safety of all propane stakeholders, from the filling station to the final consumer. Going forward, SK Gas will take the lead so that all stakeholders involved in propane can grow together through “wego.”





Business Portfolio

[LNG Business]

Ulsan GPS, the World's First LPG/LNG Dual Power Plant

SK Gas entered the eco-friendly energy generation business to contribute to the stabilization of domestic electricity supply and demand. A representative example of these efforts is the construction of the Ulsan Eco-friendly Gas Combined Cycle Power Plant (hereinafter referred to as "Ulsan GPS"). Ulsan GPS is the world's first LPG/LNG combined cycle gas power plant. It uses LNG and LPG, which are clean fuels whose supply is becoming more stable internationally, to improve the environment, as well as the stability and profitability of energy supply. Ulsan GPS is designed to have a 1.2 GW generation capacity in the Bugok-Yongyeon District of Mipo Industrial Complex in Ulsan and will be completed in 2024. For reference, SK Gas's Ulsan GPS will operate under its own standards (NOx 5ppm or less, etc.) that are stricter than the emission standards of NOx 10ppm, SOx 10ppm, and Dust 10mg/m³ stipulated in the CLEAN AIR CONSERVATION ACT. To this end, construction of power plants focuses on environmental performance and safety by applying eco-friendly facilities such as cutting-edge, high-efficiency SCR.

LNG Bunkering

According to the environmental regulations of IMO 2020 applied since 2020, the sulfur content standard for all marine fuels has been significantly raised from 3.5% to 0.5%. Accordingly, ships around the world must additionally install a scrubber when using high-sulfur oil, or they must use low-sulfur oil or LNG as ship fuel. LNG, an eco-friendly fuel, is superior in reducing environmental pollutants (reducing sulfur oxides by 100% and nitrogen oxides by 20-80%) compared to conventional marine fuels. Because of this, orders for LNG-powered ships are increasing from shipbuilders around the world. As the domestic LNG bunkering market is expected to grow rapidly in the future (Chungwoon University estimated domestic market size: 1.7 million tons in 2030, 10 million tons in 2040), SK Gas is preparing the full

pipeline for this business, such as business model development, establishment of a JV, review of new bunkering vessels, and meeting with potential customers with the aim of starting our LNG bunkering business. We plan to synchronize the start of this business with the opening of the LNG terminal KET, which will be completed in June 2024.

First South Korean LNG Power Plant to Issue Green Bonds

In February 2022, Ulsan GPS issued Green Bonds in compliance with the Green Bond Principles (GBP) established by the International Capital Markets Association (ICMA) and the "Green Bond Guidelines" as established by the Ministry of Environment. SK Gas has been verified by Korea Ratings to comply with the green bond issuance requirements. Accordingly, SK Gas (99%), the largest shareholder, obtained "G1," the highest grade in the ESG certification, in recognition of its strong commitment to practice ESG, excellent management level, and environmental and social contribution activities.

KET as South Korea's First Private Energy Complex Terminal

In January 2020, SK Gas became the second largest shareholder (47.6%, as of April 2022) of Korea Energy Terminal Co., Ltd. (KET), which will promote the LNG complex terminal operation business together with KNOC. SK Gas then secured LNG import terminals in addition to the existing LPG import terminals in Ulsan. As KET pursues this project, the number of LNG tanks will consequently increase. Aiming at beginning their commercial operation in June 2024, two tanks are under construction (40% completed as of June 2022), and the construction of Tank 3 is planned for the second half of 2022. Expansion to four tanks, as KET's end-goal, is expected to generate an investment of approximately KRW 1.46 trillion. As a result, SK Gas has transformed into a multi-utility operator that can supply LPG, LNG, electricity, and steam by securing LNG import terminals in addition to maintaining the nation's largest LPG import terminals in Ulsan. Moving forward, SK Gas will take the lead as a true multi-utility operator that handles primary energy sources, as well as secondary energy such as electricity/hydrogen, by expanding its business to hydrogen as well as LPG and LNG.



Ulsan GPS



KET

KET LNG Terminal

[Eco-friendly Energy]

Hydrogen/Ammonia Business

To participate in the resolution of the global problem, that is, the response to the climate crisis, SK Gas is actively pursuing advancement into the business related to hydrogen, a clean energy source that does not emit carbon. The company plans to primarily promote by-product hydrogen-based fuel cell power generation business in Ulsan, build a clean energy complex, and develop it into an optimal infrastructure for blue hydrogen production and liquid hydrogen production and distribution. After that, the company plans to secure competitiveness throughout the value chain through the second-phase business of introducing clean hydrogen and ammonia from overseas and supplying them as fuels for co-firing to LNG power plants and coal power plants.

SK Gas is already demonstrating a solid competitive edge as it moves to cinch its leadership in the hydrogen economy market. Ulsan Korea Energy Terminal (KET), which recently started construction, also considers using LNG cold energy (-163°C) to produce liquid hydrogen and supply it to hydrogen fueling stations. By utilizing the cold energy of LNG terminals, which will be completed in 2024, the cost of liquefying gaseous hydrogen can be further reduced, which is expected to help stabilize hydrogen prices. In addition, the company plans to introduce blue and green hydrogen using ammonia in Korea by utilizing the Ulsan port facilities and collaborating with domestic and foreign partners. This can reduce costs through the linkage and compatibility between the LNG-hydrogen infrastructure and the LPG-ammonia infrastructure. SK Gas demonstrates superior competitiveness as a hydrogen business operator thanks to the infrastructure that caters to demand from various power generation facilities in Ulsan that can handle hydrogen for co-firing among others, the overwhelming cost competitiveness in LNG direct imports/cold energy recovery, the network of 249 LPG filling stations nationwide that can be used as hydrogen fueling stations, and the experience

of implementing a number of domestic development projects. The company is also active in overseas investment. In December 2021, SK Gas signed an investment contract with C-Zero of the United States, which has the source technology to produce eco-friendly turquoise hydrogen.

Solar Power Generation Business

In July 2020, SK Gas started the commercial operation of Dangjin Eco Power, an eco-friendly renewable energy power plant, to actively respond to changes in future alternative energy. Dangjin Eco Power Co., Ltd. is a photovoltaic power company in which SK Gas owns a 55% stake. Initially, it was planned as a coal-fired power plant, but it was later converted to a "solar power generation business" in order to participate in the "transition to decarbonized energy." Dangjin Eco Power, the first case in Korea in which regional energy conversion has been achieved and a major model of Korea's eco-friendly energy policy, has an installed solar power generation capacity of 9.8 MW and ESS (energy storage system) with a capacity of 24.5 MWh. The annual electricity output of Dangjin Eco Power is 13,000 MWh, which accounts for 6% of the annual electricity used by households in Dangjin.

Although the amount of electricity produced is small compared to coal-fired power plants, the project is significant because it can reduce 5,700 tons of carbon dioxide and prevent the spread of air pollution that has plagued Dangjin residents for a long time. By actively reflecting the opinions of local residents as early as in the design stage, the power plant has not only minimized the impact on the local environment but has created a space for sport for all in a part of the power plant site, making a small contribution to the healthy life of local residents. SK Gas will continue to operate Dangjin Eco Power as a safe and clean power plant and a local power plant that co-exists and evolves with the region.





Materiality Assessment

The Materiality Assessment Process



To comprehensively respond to the internal and external sustainability management issues, the company has formed a GRI issue pool to respond to the external information disclosure requirements and evaluations, and an internal issue pool to respond to risks and set future directions for SK Gas. We analyzed the domestic and international sustainability management standards centering on the Global Reporting Initiative (GRI), an international sustainability reporting guideline, to eliminate duplicate issues, and finally selected twenty topics.

SK Gas's "Stakeholder Impact" and "Business Impact" were analyzed for the first twenty topics selected. To review the "Stakeholder Impact," a survey was conducted on employees and external stakeholders, and the evaluation by external experts and the company's ESG organization was conducted through a "Business Impact" review.

Stakeholder Impact Analysis (Y-axis)

An online survey was conducted on internal and external stakeholders to collect opinions on sustainability management topics and analyze their level of interest.

- **Survey period:** Feb. 23 - 25, 2022
- **Survey subjects:** SK Gas employees, external stakeholders (ten groups)
- **Questionnaire:** the materiality of twenty sustainability management issues

Business Impact Assessment (X-axis)

To analyze the business impact of each issue on SK Gas, the linkage with management strategy and the degree of financial impact were comprehensively reviewed.

- **Survey period:** Feb. 24 - 25, 2022
- **Survey subjects:** SK Gas ESG Management, ESG expert group
- **Questionnaire:** business strategy relevance (focusing on strategy, long-term goals, and top management remuneration), financial impact (influence on cost, profit, and risk occurrence)

The final priority was selected by synthesizing the strategic importance of the SK Gas business and the evaluations from stakeholders and has been reliably verified by a third-party organization.

Prioritization

Twenty issues prioritized based on the results of comprehensive evaluation of business impact and stakeholder impact

Third-party Verification

The details of the report are verified by a third-party organization (Korea Management Registrar) to ensure reliability and transparency.

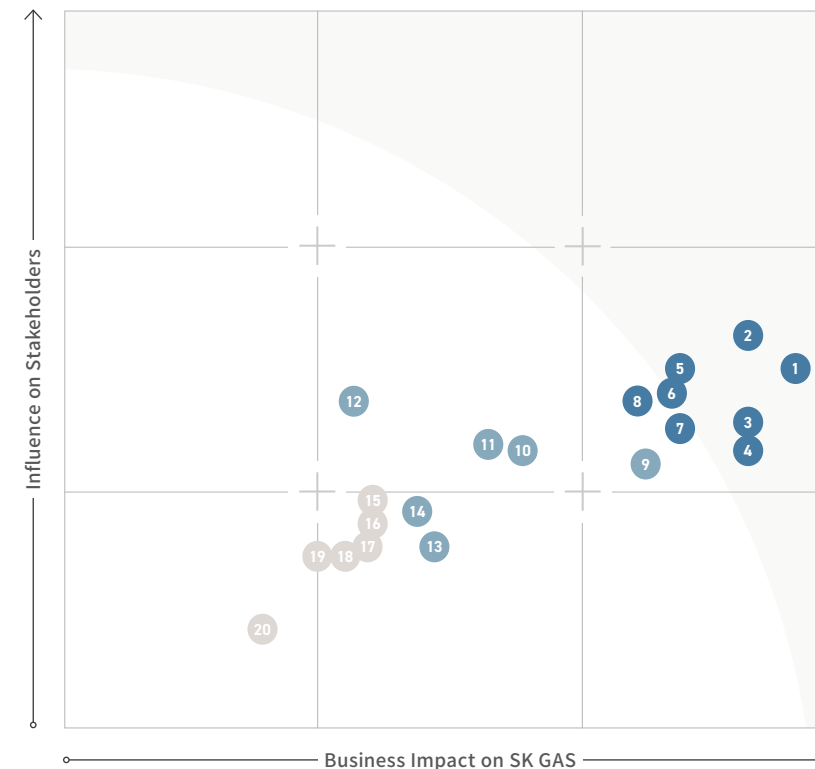
Analysis of Sustainability Management Standards

GRI Standards, ISO 26000, MSCI, DJSI, CDP, TCFD, KCGS, KRX, UN SDGs, SASB, etc.

Analysis of SK Gas's Own Pool of Issues

Data analysis (internal data, business report, management strategy system, investment report, etc.), SV TF interview (main issues, status of SV, SV risk)

The Materiality Assessment Metrics



Utilization of Materiality Test Results

The materiality assessment found "diversification of eco-friendly business portfolio," "building a zero-carbon (hydrogen/ammonia) business model," and "reducing greenhouse gas" as the core topics related to SK Gas's sustainable management in 2021. At the same time, it classified response to climate change and bolstering of low-carbon business models as top-ranked topics. Thus, it was possible to establish and improve an eco-friendly business model, as well as to confirm the expectations of stakeholders and the demands for social responsibility in responding to climate change. The twenty issues according to the materiality test results were reported to the senior management and the Board of Directors and then reflected along with the results of ESG risk and opportunity factor analysis when establishing the ESG management mission and implementation strategy. SK Gas's business model innovation and social responsibility activities were reported in "SK Gas: Past, Present, and Future" and "ESG Fact Book."

Priority	Topic	Business Impact on SK GAS	Influence on Stakeholders	Report Page
1	Diversification of eco-friendly business portfolio	93.44	63.57	10-13
2	Zero carbon (hydrogen/ammonia) business model establishment	89.4	64.95	13, 27
3	Reduction of greenhouse gases	89.4	60.04	36-37
4	Climate change response	89.4	58.77	26-27, 36-37
5	Enhancing the low-carbon (LPG/LNG) business model	83.84	62.96	10-13, 26-27
6	Occupational safety and health	83.84	59.76	56-57
7	Economic performance	82.83	62.11	4, 68-71
8	Investment in green technology	81.32	57.71	7, 10, 12-13, 26-27, 36-37, 54
9	Integrated ESG risk management	80.81	61.26	45
10	Supply chain management	71.72	58.39	40-41, 58-59
11	Increasing transparency in governance	68.69	58.94	44-47, 62-63
12	Enhancing ethics and integrity	64.65	53.54	64-65
13	Human rights impact assessment	63.14	55.04	58
14	Anti-discrimination and equal opportunity	59.6	54.9	55
15	Employment and talent development	59.6	55.79	38-39, 55-56
16	Water saving & recycling	59.1	53.77	53
17	Waste management and reduction	58.09	61.45	53
18	Expansion of stakeholder engagement	58.09	53.2	16
19	Community contribution	55.56	52.91	40-43
20	Protection of ecosystems and endangered flora and fauna	51.52	48.82	41



Stakeholder Dialogue

Stakeholder Engagement

In March 2020, SK Gas reflected its commitment to pursue the happiness of stakeholders in its Articles of Incorporation through a resolution at the General Shareholders' Meeting. This is in line with SK's revision of SKMS (SK Management System), the group's unique business philosophy, which was done in the same year. Through the revised SKMS, SK emphasizes not only the happiness of its employees, who are the main agents of its management activities, but also the happiness of its stakeholders. In other words, the company is promoting 'happy management,' which states that the happiness of its employees is only sustainable when it is pursued together with the happiness of its stakeholders. SK Gas, which practices this philosophy of SK, is convinced that the happiness of its employees is directly related to the happiness of stakeholders during its business activities, and is building a trusting relationship through transparency in communication with stakeholders. By examining material topics for each stakeholder, and by identifying and actively responding to the needs of each group through continuous communication with stakeholders and their participation, the company reflects them in its management activities.

Stakeholder Definition and Channels

SK Gas has subdivided major stakeholders into customers, shareholders, employees, suppliers, and community based on our business value chain. By operating specialized communication channels for different groups, the company also collects opinions and identifies needs that may differ by stakeholder. With this, SK Gas is responsibly pursuing sustainable happiness not only for its employees but also for all stakeholders.

The company operates a complaint receiving and reporting channel to achieve customer satisfaction. In particular, for non-face-to-face communication, which has recently become increasingly important, the company actively utilizes its website, YouTube, and Naver Post. The company periodically shares corporate management performance with shareholders through the General Shareholders' Meeting, performance presentations, non-deal roadshows (NDRs), and IR meetings at home and abroad. The company communicates with its employees, who are internal stakeholders, through various regular and occasional channels, such as the Management Council, CEO Letter and CEO Happy Seed Conversation, and town hall meetings. We also ensure an immediate response by quickly identifying areas in need of support through Withus, an all-time online channel. Besides, we are operating initiatives to enhance the competitiveness of our suppliers, such as occupational safety and health, shared growth, and supplier meetings and workshops. In addition, SK Gas is continuously communicating with the local community. We contemplate and practice social contribution measures through projects that can contribute to social welfare organizations and local communities, and cooperation with social enterprises.

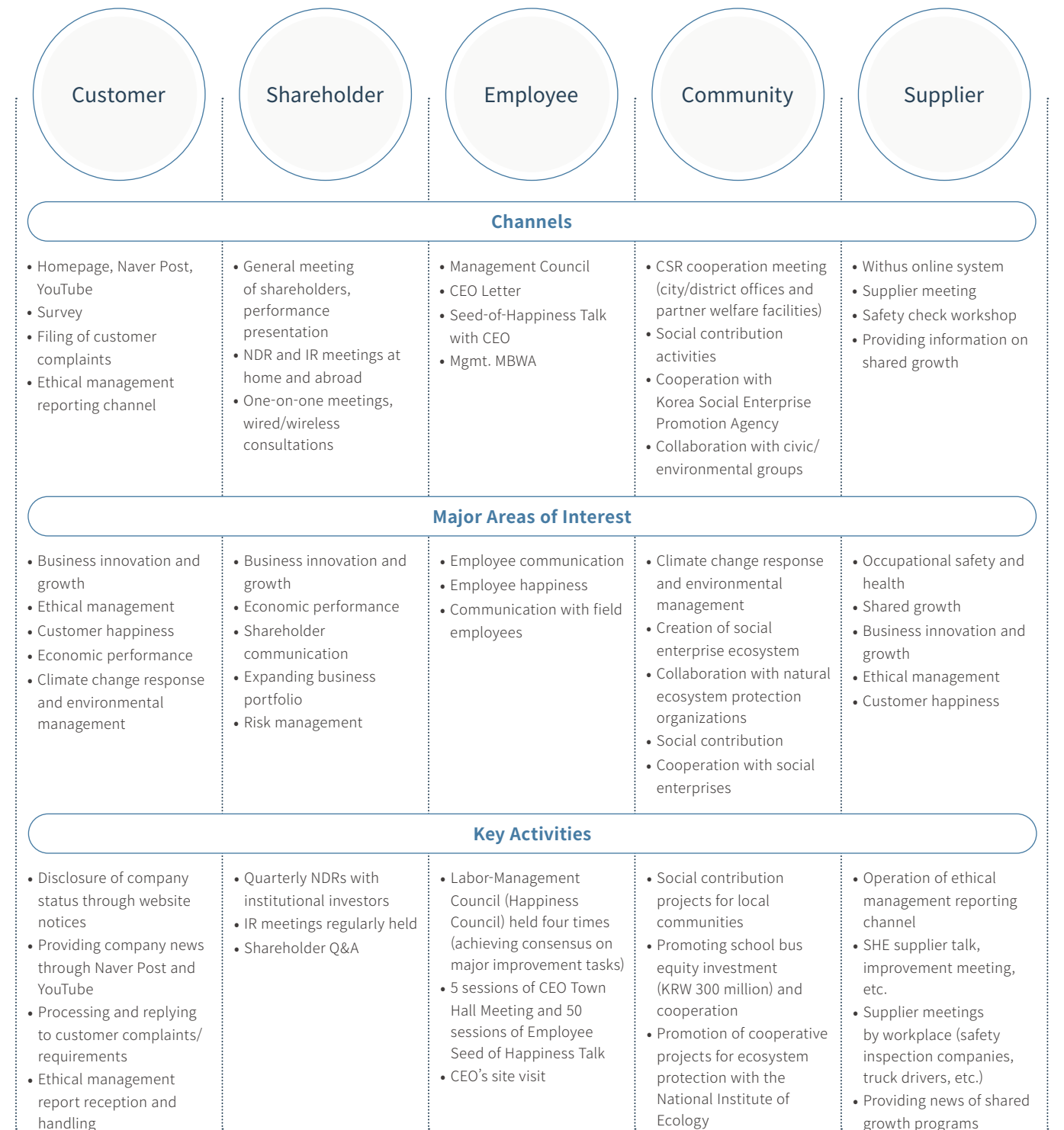
Reflecting Stakeholder Opinions

SK Gas operates a systematic management system so that the needs and interests of stakeholders collected through various communication channels can be practically reflected in its business activities.

Communication channels for different stakeholders are jointly managed by the person and organization in charge, and the actual reflection of the received opinions in management activities is tracked. In addition, opinions collected by channel are treated by the stakeholder management department, to be posted on the website, and reflected in management disclosures, general shareholders' meeting reports, business reports, and sustainability reports.

SK Gas also identified needs through various communication channels in 2021, and detailed key issues for each stakeholder will be disclosed in the following "Key Issues by Stakeholder for 2021." Moving forward, we will listen to diverse opinions and reflect them in our management activities to achieve the value of "happy management" for the happiness of stakeholders and the happiness of employees. We will continuously manage the communication channels of stakeholders so that it can lead to new value creation.

Core Issues by Stakeholder in 2021





Interviews with Stakeholders

Through diverse ways of communication with diverse stakeholders, SK Gas reflects their needs in its business management.



Jeon Hyun-jeong
Outside Director
SK Gas

Q. As the first female director of SK Gas, please share your thoughts on the nomination.

A. I am pleased and honored to be the first female director of SK Gas, South Korea’s leading energy company. The energy industry is not only the foundation of all industries but also a field leading the future industry. Based on my experience as a jurist in dealing with various commercial cases, such as corporate law and financial and investment-related cases, I would like to give any contribution to SK Gas.

Q. Which ESG areas are you particularly interested in?

A. I am a member of the Audit Committee as well as the ESG Committee. I have been very interested in compliance and ethical management related to corporate governance, and spoken on the topic of “Corporate Management and Law” in the Seoul National University CEO Course. In today’s ultra-transparent society, transparency in business is emerging as a key issue of ESG. Even when the terms “compliance” or “ethical management” were first introduced, it was important to quickly adapt and respond, but the need for responding and leading much more quickly has grown with ESG. In particular, transactions between affiliates are subject to meticulous scrutiny as there may be various legal issues. For major investments, I am examining in depth not only the possibility of profit through the investment, but also whether there are safeguards in place. As society has become more complex, the relevant laws have also become stricter. Issues such as safety can only be seen through the eyes of those who work in the field. Therefore, companies

need to ensure that their internal autonomous control system works well. Fortunately, it has been confirmed that SK Gas’s management was surprisingly systematically operated through procedures such as planning, implementation status check, and evaluation.

I am also interested in the value of diversity. Emphasizing diversity may suggest sluggishness and inefficiency, but in the long term, diversity can help you solve problems creatively. I think it will bring greater vitality and improvement to the company if we pay attention to the distribution and current status of the female workforce and support the growth of female talents and facilitate communication between new and existing employees.

In any organization, “people” are what matter most. It is very important to secure sincere and excellent human resources and let them work in the right place. The company develops only when employees can contribute to the company. To do this, we need to have a horizontal and inclusive organizational culture, where our employees feel proud and rewarded about the work itself. The company will also have to pay close attention to what the employees are uncomfortable with, and try to find and solve even minor problems in a timely manner.

Q. What would you like to see improved and emphasized in SK Gas’s ESG areas?

A. I was a member of the Korean Federation for Environmental Movement (KFEM). It is important for a company to place importance on environmental protection and convey the image of a company that cares about the environment to customers. Environmental issues are no longer a matter of the distant future. I hope that the gas industry will take environmental issues more seriously. Management consultant Peter Drucker once said, “Pick the future as against the past. Focus on opportunity rather than on problem. Choose your own direction—rather than climb on the bandwagon. And aim high, aim for something that will make a difference, rather than for something that is safe and easy to do.” As a “Net Zero solution provider,” SK Gas is investing in eco-friendly businesses such as hydrogen, which seems to meet the above criteria. I hope that going forward, SK Gas will create a culture in which people set specific goals and action plans related to environmental protection and autonomously inspect them. I hope that such a culture will become a representative image of the company. I hope that the company will come up with a way to take an interest in the environment and put it into action by starting from a small part and spreading it from an individual to a company and society.



Kwon Tae-sam
Captain
Para-Sport Lawn Bowls
Team Sponsored
by SK Gas

Q. Please briefly introduce yourself and describe lawn bowls, the sport you are currently doing.

A. I am a longtime SK Gas customer who has driven LPG vehicles for thirty years, and the captain of SK Gas Para-Sport Lawn Bowls Team. Lawn bowls is a competition in which the “jack,” the ball, is rolled first, and then people see how close their ball can be rolled to the target. As it does not require vigorous physical activity, it is gaining popularity as a sport that can be enjoyed by the elderly and people with health conditions or impairments as well.

Q. How has your SK Gas team activity changed your daily life?

A. First of all, thanks to the support I received as a member of the SK Gas team, I found financial stability, so I was able to focus only on exercise. People with severe disabilities spend most of their time at home. I was able to become more physically and mentally healthy by doing the exercise called lawn bowls and meeting people.

Q. If there is anything that needs support from SK Gas, what would it be?

A. I am grateful that my life has become healthier thanks to the ample support I have received while working as a member of the SK Gas team. I hope that more para-sport players can enjoy the same benefits as I do, so they can focus on sports and lead an active life.



Lee Min-jae
Analyst NH
Investment &
Securities

Q. What risks and opportunities do you see in SK Gas from the perspective of ESG investment?

A. The entire world is witnessing an increasing demand for decarbonization and reduction of greenhouse gases. Recently, SK Gas is promoting a transition to an eco-friendly business portfolio centered on hydrogen, ammonia, and LNG. And we view the business structure diversification as a strategy for responding to climate change as a positive sign. However, as there are still uncertainties in terms of policies, economic feasibility, and technology in related new businesses, we will have to resolve them by communicating with the financial market, shareholders, and stakeholders.

Q. Is there anything you would like SK Gas to improve or emphasize in the ESG categories?

A. NH Investment & Securities has established a system to evaluate the ESG management performance of companies that it considers investing in. The system we are currently building suggests that the undervalued factors of SK Gas are corporate governance and environment. However, given SK Group’s long-standing ESG management know-how, I think that if the transition to eco-friendly businesses materializes into financial performance and results, SK Gas will gain its status as a leading ESG company and increase its corporate value.



Kwon Yong-ho
Manager of Ecological
Cooperation Division
National Institute of
Ecology

Q. What are the main projects that the National Ecology Institute has carried out with SK Gas in 2021?

A. For the sake of environmental management, SK Gas signed a business agreement in 2020 with the National Institute of Ecology (NIE), an institution specializing in ecological research, implementing joint projects for environmental preservation. In 2021, we conducted an exploration of the Suweon Tree Frog (*Hyla suweonensis*), a Class 1 endangered species, at the SK Gas worksite in Pyeongtaek, and operated an ecological education program for local residents. In Ulsan City, where SK Gas’s worksite is located, we carried out projects such as installing birdhouses at houses near the Namchangcheon River and “Making Neighborhood Birds.”

Q. What kind of projects do you plan to implement in 2022?

A. We will keep monitoring birds found through the “Make Neighborhood Birds” project that is underway in Ulsan with the city people. NIE and SK Gas plan to develop biodiversity conservation projects in the mid- to long-term and continue to develop projects based on the UN SDGs.

Q. Please let us know if there are areas in NIE’s plans that require long-term collaboration with companies such as SK Gas.

A. NIE operates the Endangered Species Restoration Center and Wetland Center covering Korea. We hope that companies such as SK Gas will actively participate in sustainable management such as conservation of national biodiversity and protection of wetlands for carbon neutrality.



SK Gas: Past, Present, and Future

Since its foundation in 1985, SK Gas has grown into South Korea's Number One LPG player and has performed a pivotal role in the domestic energy industry. While witnessing changes in the global energy market, the company responds flexibly to those changes and prepares for future value creation. Based on its solid past, SK Gas is drawing a blueprint for the future while responding to the rapidly changing market. Here are the stories of the past, present, and future of SK Gas.

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SK Gas: Past

Until SK Gas Become Korea's No. 1 LPG Player

Taking the First Step as an LPG Operator

When LPG was first introduced into Korea, it was not widely distributed due to the high price caused by the lack of distribution infrastructure. Coming into the 1980s, the LPG market grew rapidly as its demand diversified for cooking, heating, and taxi fuel. SK Gas took the first step as an LPG operator when it received permission to establish a specialized LPG importing company in 1985 and began construction of the Ulsan Terminals.

Soaring as South Korea's Number One LPG Player

SK Gas, which went full steam ahead with its business from 1988, opened domestic and foreign sales offices in Province of North Gyeongsang, South Gyeongsang, the Chungcheong, Gangwon, Jeolla, and the Middle East. In 1999, the company built terminals in Pyeongtaek to lay the cornerstones for South Korea's Number One LPG player.

As the domestic LPG market reached maturity in the first decade of the new millennium, SK Gas expanded its global trading. In the 2010s, the company moved away from the stagnant household, commercial, and transportation demand and actively developed industrial and petrochemical demand. Since 2016, the company has developed a stable captive market for PDH/PP in cooperation with overseas partners and built a more stable profit base through integration with SK Gas. By linking these demands with trading and upgrading the profit structure, the company has further secured a business structure that can generate stable profits despite market fluctuations. Now, SK Gas has grown into a company with a domestic market share of 43% and sales of KRW 6 trillion, and is seeking a new opportunity to take off again.

LPG Domestic Market Share

43%



↑ SK Gas began to solidify its position as a major LPG player when it built the Pyeongtaek Terminals in 1999. The refrigerated butane tanks at the Pyeongtaek Terminals constituted the first project of its kind in Korea.

↑ SK Gas took the first step as an LPG supplier in 1985 when it began construction of the Ulsan Terminals. Boasting the world's largest storage capacity at the time, it played a major role in streamlining the domestic LPG supply



→ The Ulsan Import Terminals are a facility to store LPG by building an underground cavern. The underground cavern had a total storage capacity of 270,000 tons splitting into 140,000 tons of propane and 130,000 tons of butane, which was then the largest in the world.



Until SK Gas Become
Korea's No. 1 LPG Player

SK Gas's New Identity:
Net Zero Solution Provider

SK Gas's Commitment

SK Gas: Present and Future

SK Gas's New Identity: Net Zero Solution Provider

A Changing World: The Climate Crisis

As the world changes, companies are also forced to adapt. The biggest change in the world right now is undoubtedly the "climate crisis." As a leading energy company in Korea, SK Gas has proved to be agile in responding to global changes. SK Gas wants to expand its role as the country's Number One LPG player to take a leading role in achieving the global goal of Net Zero. As part of our future vision, SK Gas has its sights on becoming a "Net Zero Solution Provider."



Net Zero Solution Provider

Climate Crisis – Everything Is Changing

The earth is heating up due to the increase in greenhouse gases, and news of disasters such as floods, heatwaves, droughts, storms, and forest fires continue to break every day. The world will never recover if humanity doesn't respond to climate disasters, so the world has set a common goal of reducing carbon emissions to zero by 2050. In humanity's response to the climate crisis, the role of energy companies is more important than ever.

The biggest issue in the new era toward Net Zero is the clean production of new energy. Customers, who were only interested in securing economical energy, have switched to the need for energy that not only flaunts economic efficiency but can also reduce carbon. Renewable energy that meets these new needs should be convenient to store and transport, and should not emit carbon during fuel conversion. In this process, our company faces the challenging task of securing technology for energy conversion and realizing economic feasibility for facility investment and operation.

Going beyond South Korea's Number One LPG Player to Become a "Net Zero Solution Provider"

Now South Korea's Number One LPG player, SK Gas wants to become a leading company in the eco-friendly energy sector in the global market by going beyond the limits of the domestic market and the LPG business. The company seeks to shift to our business portfolio to one that would be expected of a "Net Zero Solution Provider" that provides economical and eco-friendly energy solutions. Therefore, SK Gas is expanding its business area from high-carbon to low-carbon energy (LNG). From that point, we'll pursue another drastic change in our portfolio to hydrogen/ammonia, which are non-carbon sources of energy. Now, SK Gas wants to go beyond being just the Number One LPG player to transform into a "Net Zero Solution Provider" that contributes to achieving the global goal of Net Zero.



SK Gas: Present and Future

Low Carbon Solution, from High-Carbon to Low-Carbon

LPG and LNG as Primers for Energy Conversion

At this point, there are practical limitations to the full-scale commercialization of hydrogen/ammonia, both carbon-free fuels. There are still uncertainties in the hydrogen/ammonia-related market, and first, key technologies in hydrogen production, introduction, and distribution must be developed, and related infrastructure must be established. So, the reality is that a certain amount of time is required until the actual flowering of the hydrogen market. Due to these practical problems, the current energy market is paying attention to what will serve as the industry's "eco-bridge." These will be low-carbon fuels, possibly LPG and LNG, that we be used as primers for non-carbon fuels. By converting coal/heavy oil generators to LPG/LNG gas generators, as well as coal/Bunker C fuel boilers to LPG/LNG gas boilers, we want to make the extra effort to go from high-carbon to low-carbon.

Expansion into LNG Business

The LNG business promoted by SK Gas consists of three major categories.

First, we promote direct import of overseas LNG and global trading by combining the capabilities of the LPG business.

The company utilizes our network with global top-tier sellers to support the introduction of economical LNG for power plants and industrial customers who want to directly import LNG for fuel and raw materials.

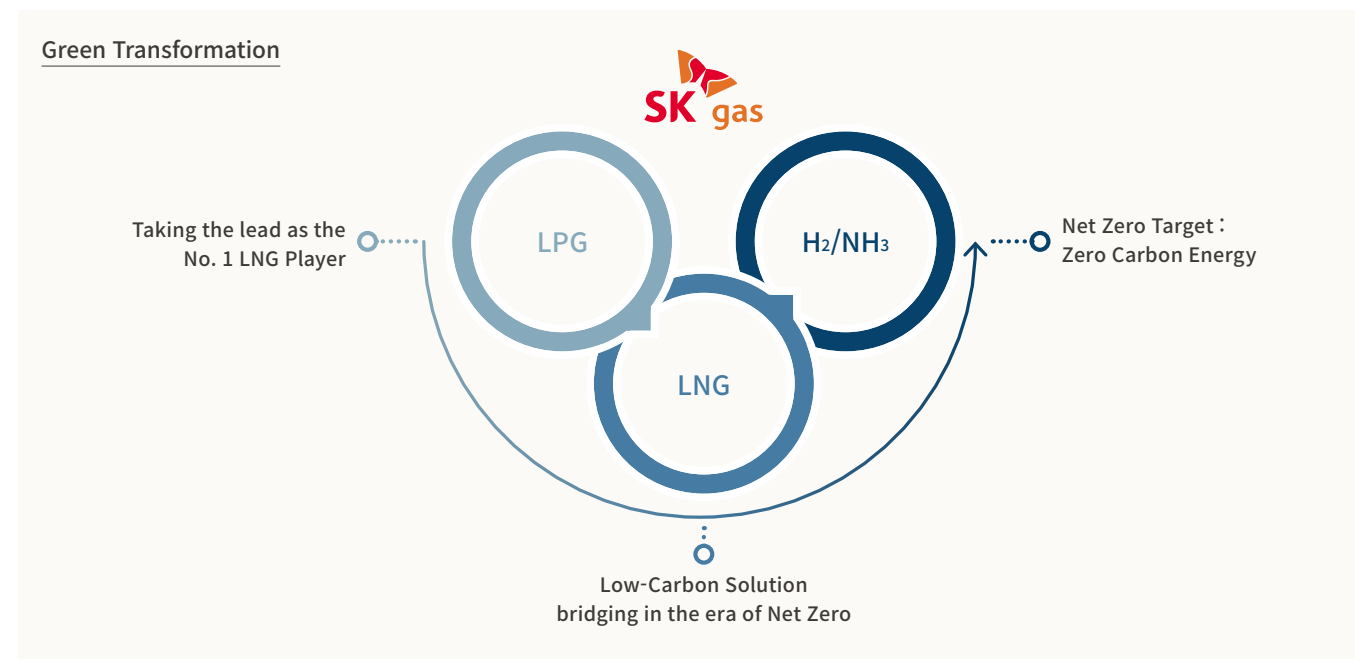
Second, we will build and operate a competitive LNG import terminal. This will provide customers with the optimal infrastructure facilities necessary for direct LNG import, as well as provide the services for unloading, storage, inventory management, and vaporization delivery.

Third, we will operate GPS, the first LNG/LPG dual fuel power plant in Korea. The operation of a 1.2GW large centralized power plant can selectively use the optimal fuel based on the market conditions. Furthermore, we intend to support the enhancement of business competitiveness by securing an optimized structure for LNG/LPG fuel for customers (collective energy/regional electricity providers) as well.

SK Gas's Competitive Edge

SK Gas is building KET (Korea Energy Terminal) and CEC (Clean Energy Complex) in Ulsan to expand its business beyond LPG to LNG and hydrogen/ammonia. These infrastructure facilities boast competitive edge that can successfully promote business expansion.

First of all, there is abundant potential downstream demand for LNG from KET and CEC, so economies of scale can be secured early through tank expansion. Considering the potential downstream LNG demand, SK Gas's LNG storage facility can be expanded to a maximum of 7.2 million tons. In addition, KET and CEC are easy to expand and convert to green energy businesses such as hydrogen/ammonia. They also have piers equipped with a number of berths capable of loading/unloading various fuels, so their strategic use value is very high.



Until SK Gas Become Korea's No. 1 LPG Player	SK Gas's New Identity: Net Zero Solution Provider	SK Gas's Commitment
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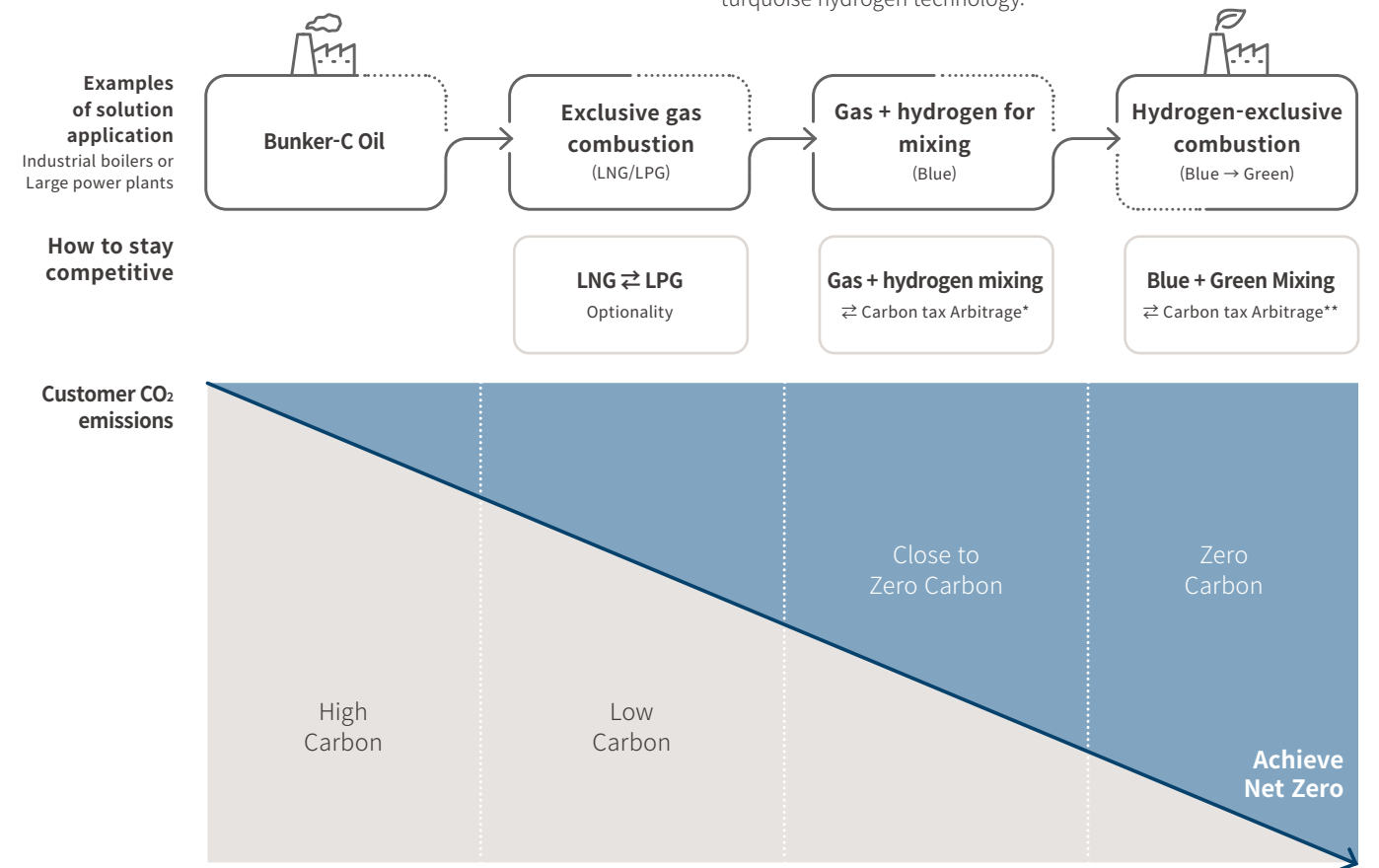
Zero Carbon Solution, from Low-Carbon to Zero-Carbon

Gradual Transition to Carbon-free Energy

SK Gas is preparing for the hydrogen/ammonia business in stages to realize our plans of bringing out its full potential in the market. For the first step, SK Gas is promoting a hydrogen fuel cell and mobility business using by-product hydrogen. By establishing a joint venture with Lotte Chemical in Ulsan, and stably securing by-product hydrogen produced by Lotte Chemical's affiliates and SK Gas's affiliates, the company plans to promote the hydrogen fuel cell power generation business (60MW) and the hydrogen fueling station business for mobility. Meanwhile, SK Gas is promoting a project to co-fire hydrogen/ammonia in the power plants that we own. Co-firing of hydrogen is being considered in GPS, the LNG/LPG dual fuel power plant is currently under construction, and GGP, which is considered the last coal power plant in Korea, is working to transform itself into Korea's first ammonia co-firing power plant.

Preparing for the Blooming of the Hydrogen/Ammonia Market

As SK Gas prepares for the future, we are considering a business project to acquire blue hydrogen/ammonia and green hydrogen/ammonia from overseas to build a hydrogen/ammonia distribution value chain. The company is reviewing the feasibility of this project through various joint studies with companies in the Middle East and North America, and is continuously discussing the possibility of green hydrogen/ammonia adoption with leading energy companies in Australia and South America. SK Gas also actively pursues investment in core technologies to secure differentiated competitiveness in the hydrogen/ammonia business. In December 2021, SK Gas invested in C-Zero, a U.S. company that researches turquoise hydrogen manufacturing technology, to secure the largest shareholder status and domestic business rights. Now, we are supporting C-Zero's preparation for commercialization of its turquoise hydrogen technology.



* Supply through comparison of fuel cost vs. carbon tax savings due to hydrogen co-firing by point of time/market condition

** After determining the mixing ratio considering the fuel cost according to the 100% green and blue hydrogen-fueled power generation by point of time/market conditions, supply is implemented through comparison with the carbon tax savings



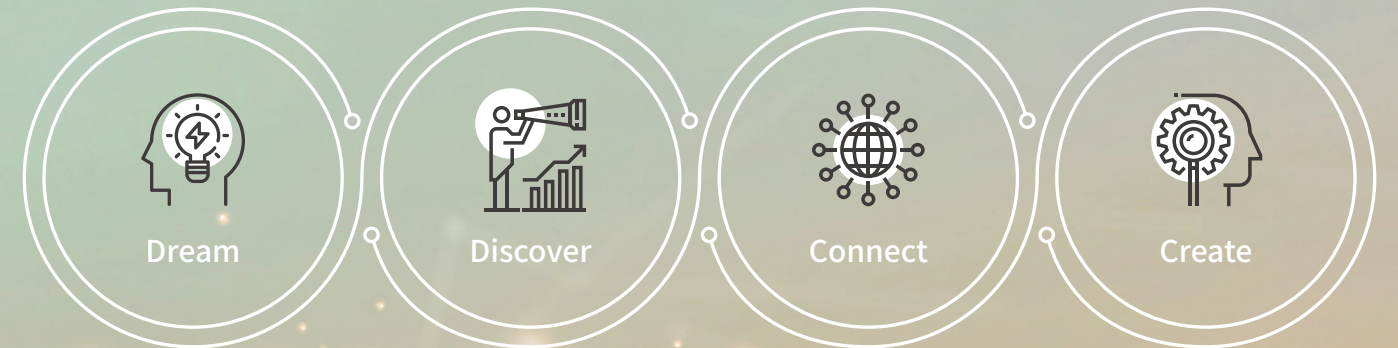
SK Gas's Commitment

SK Gas's Commitments as Net Zero Solution Provider

As an energy company that has led the South Korean LPG business for forty years, SK Gas fully understands the difficulties of customers with fuel conversion needs. Based on this understanding, SK Gas is positioning itself as a "Net Zero Solution Provider." By providing a step-by-step energy conversion solution to various customers who are concerned about carbon emissions, we intend to fulfill our social responsibility as an eco-friendly energy company.

Beyond the Limits

Our dream is to reach new heights by challenging our limits!
Through consistent discovery and connection, we'll create future energy for all of us!





ESG Management

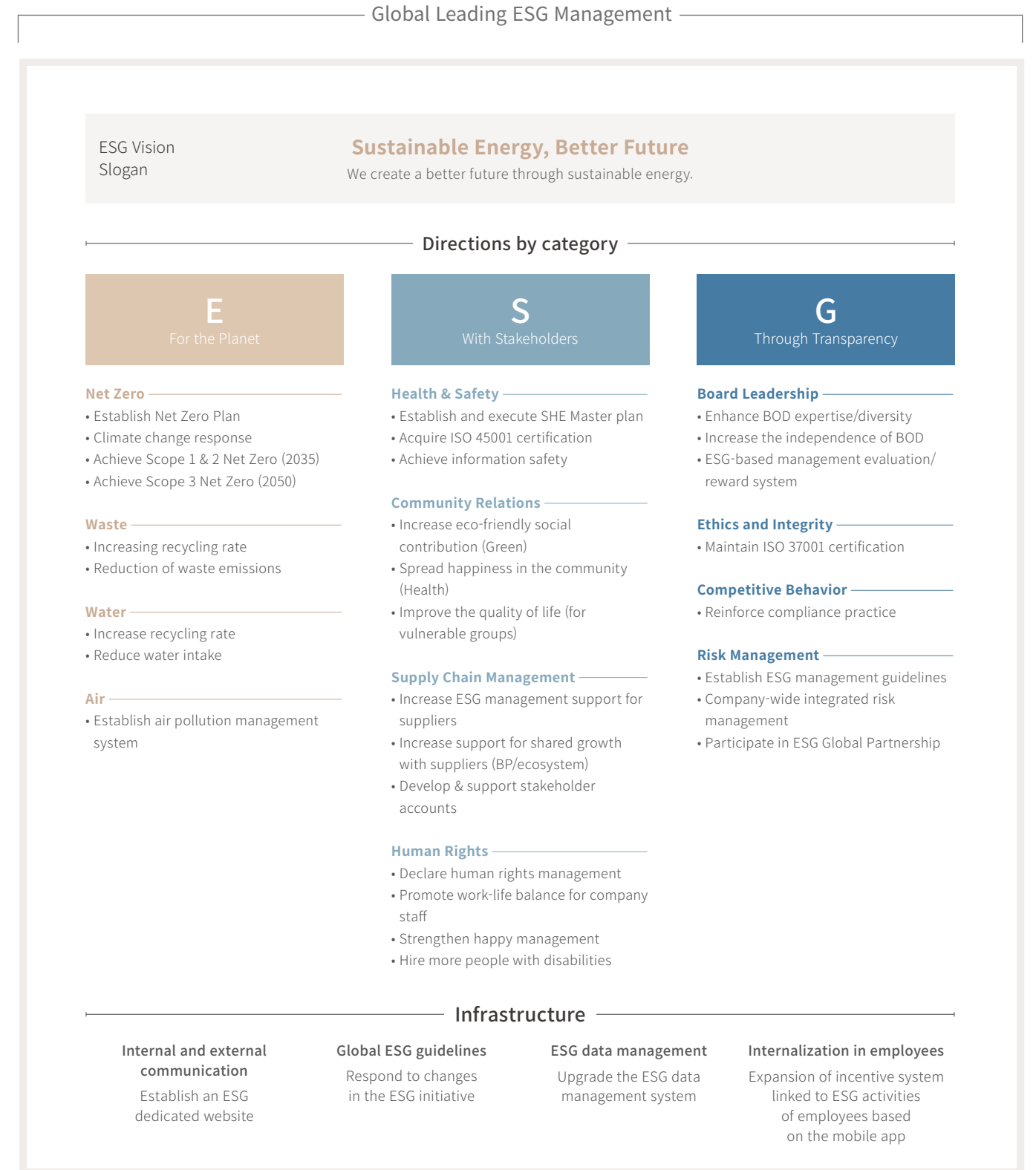
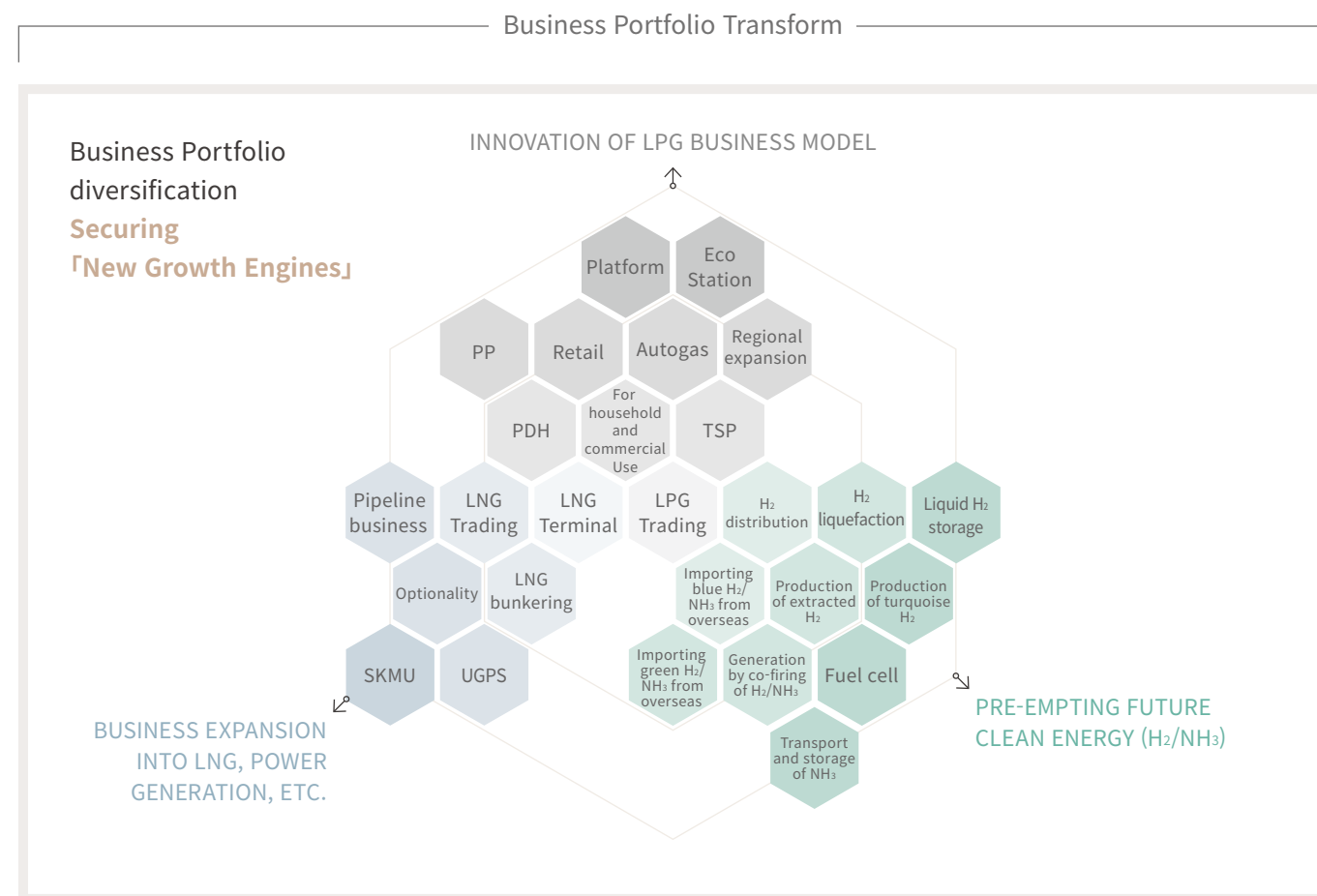
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ESG Master Plan

In December 2021, SK Gas established the ESG Master Plan, deciding that essential changes were necessary to respond to changing social needs and achieve sustainable growth. SK Gas's ESG Master Plan is largely composed of a business portfolio innovation plan, by which we will become a Net Zero Solution

Provider, and our implementation directions by ESG category. For the sake of the future, SK Gas will promote ESG management activities based on our ESG Master Plan, thereby securing social and business sustainability.





ESG Key Performance Indicator

Based on various global ESG guidelines, SK Group selects and manages key ESG indicators in consideration of the industries of its affiliates. SK Gas has established and is in the process of

achieving global top-peer goals for different indicators. We select a responsible organization for each indicator and implement improvement plans, and our performance is disclosed every year.

Quantitative ESG Indicators

Key Indicators of SK Group	Unit	2020	2021	2022's Goal	Global Top Peer
Total energy consumption(intensity)*	GJ/KRW billion	132.27	115.65	114.49	< 942.81
Ratio of renewable energy	%	0.15	10.0	14.04	> 18.72
Total greenhouse gas emissions (Scope 1+2; intensity)	tCO ₂ eq/KRW billion	7.62	6.72	6.65	< 307.10
NOx emissions (intensity)	Ton/KRW billion	0.00312	0.00327	0.00324	< 0.50
SOx emissions (intensity)	Ton/KRW billion	0	0	0	< 0.20
Dust emissions (intensity)	Ton/KRW billion	0	0	0	< 0.025
VOCs emissions (intensity)	Ton/KRW billion	0	0	0	< 0.200
Total amount of waste generated (intensity)	Ton/KRW billion	0.018	0.023	0.022	< 4.50
Total water intake (intensity)	Ton/KRW billion	8.91	5.89	5.83	< 487.25
Water recycling rate	%	4.5	7.1	29.09	> 58.18
Percentage of persons with disabilities**	%	2.64	4.03	4.00	≥ 3.50
Lost-Time Injuries Rate (LTIR)***	Cases/200,000 hrs	0.22	0.00	0.00	< 0.025
Percentage of female directors	%	0	14	-	> 30%

* Average use in the sales for 3 years (based on consolidated financial statements)
 ** Ratio of employed persons with disabilities for calculation of government contribution: This is the standard for reporting withholding taxes, and the calculation of the ratio varies with the period of employment and the disability level.
 *** Lost-Time Injuries Rate (LTIR): The number of work-loss accidents X 200,000 hours/total hours worked

Qualitative ESG Indicators

Key Indicators of SK Group	● TOP ● MID ○ LOW		
	Policy	Goal	Execution, Performance
Employee health support	●	●	●
Employee human rights	●	●	●
Support for employees' work-life balance	●	●	●
Product/service safety and quality	●	●	●
Protection of corporate data and customer privacy	●	●	●
Supporting mutual growth with suppliers	●	●	●
Supplier ESG risk management	●	●	●
Community support	●	●	●
SE ecosystem support	●	●	●
ESG-based management performance evaluation/reward system	●	○	○
Identification of stakeholder ESG needs	●	○	●
New business/investment applying ESG standards	●	●	○
Board diversity/professionalism/independence	●	●	●
ESG discussion within BOD	●	○	●
Anti-corruption management	●	●	●
Anti-corruption training for employees	●	●	●
Participation in ESG-related global partnerships	○	○	●

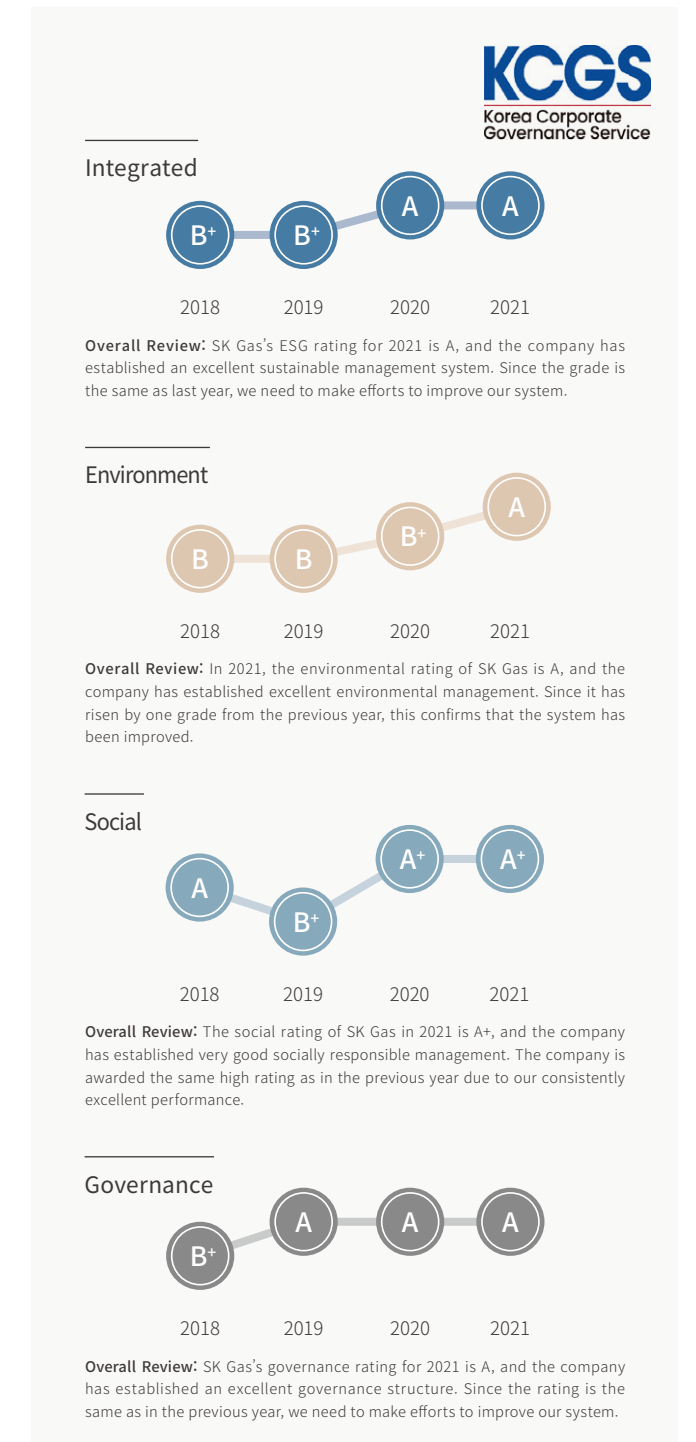
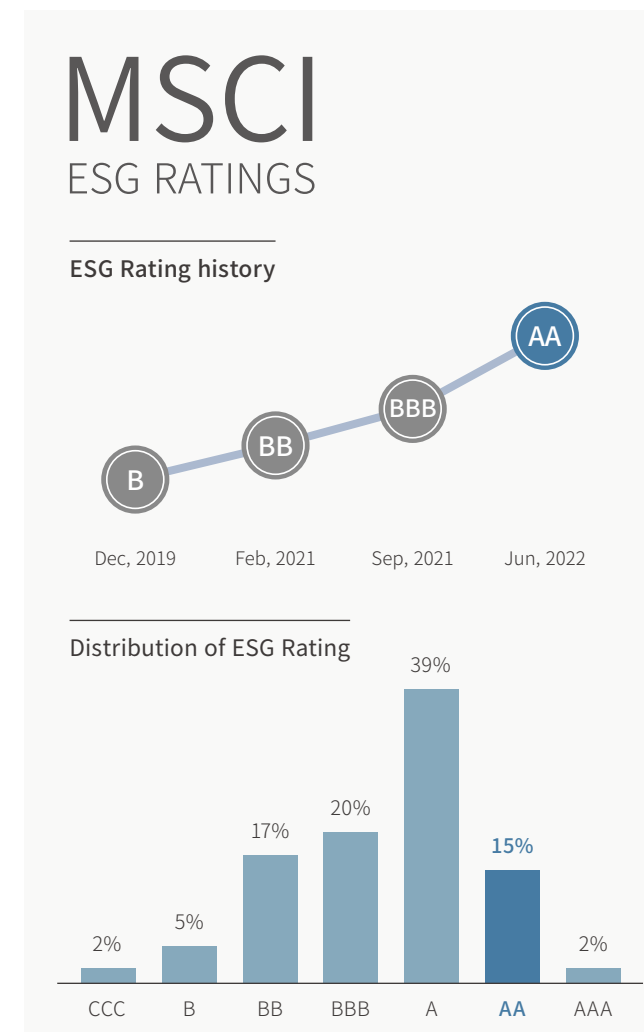
* Evaluation against peer groups in the industry, based on SK Group's own evaluation criteria

ESG Category
 Environment
 Social
 Governance

ESG Rating

SK Gas undergoes regular evaluation of its ESG performance from domestic and foreign ESG evaluation agencies such as Morgan Stanley Capital International (MSCI) and Korea Corporate Governance Service (KCGS). ESG evaluation is a key business management system that a company must manage for corporate sustainability, and it is significant in that it reflects the expectations of global stakeholders. SK Gas will strive to meet the expectations of our stakeholders through continuous ESG management improvement based on the evaluation results. MSCI evaluates a company's ESG level focusing on major ESG issues and indicators by industry. SK Gas is objectively evaluated for our ESG performance by MSCI every year, and this rating has been upgraded from BBB in 2021 to AA in 2022. Going forward, SK Gas will continue to advance as a global ESG leader by discovering and executing tasks to improve undervalued items with the aim of continuously raising the evaluation grade.

In Korea, the company is being evaluated for its ESG level by KCGS and has maintained an integrated grade of A this year as in 2020. The grade trend by category over the past 4 years is as follows.





ESG Focus

Environment: For the Planet

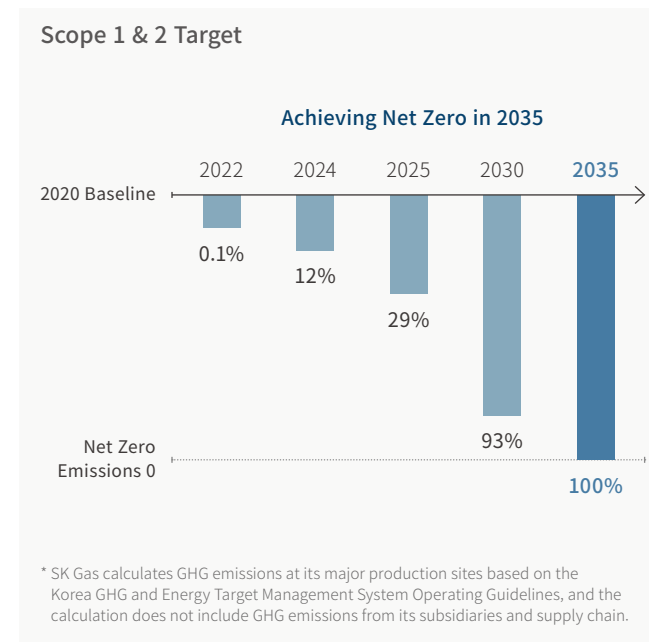
Overview of Net Zero

SK Group takes climate change issues very seriously, so in 2021, all its subsidiaries, including SK Gas, jointly declared Net Zero, an international promise, to participate in reducing greenhouse gas emissions. In this regard, SK Gas aims to achieve Net Zero, including greenhouse gases emitted from the entire value chain, beyond the primary goal of achieving Net Zero at the company's production sites. Net Zero is divided into three categories according to the scope of the reduction target, and the scope and reduction plans are as follows.

Classification	Scope 1	Scope 2	Scope 3
Goal	Achieve Net Zero at our production sites by reducing direct emissions in the process and improving energy consumption efficiency		Achieve Net Zero in the entire value chain by switching from an LPG-focused portfolio to a hydrogen-oriented carbon-zero portfolio
Scope of reduction targets	Direct emissions from our production sites	Indirect emissions of energy (electricity, steam, etc.) that our company purchases from outside	Emissions throughout the value chain, including emissions through consumption of products sold by the company
Reduction plans	Improvement of process facilities, introduction of new technologies related to hydrogen, etc.	Enhancing energy efficiency, expanding the use of energy, etc.	<p>Short-term goal — low-carbon solution: Replace existing high-carbon fuels such as B/C fuel and diesel by tapping into LPG and LNG</p> <p>Long-term goal — carbon-free solution: Replace existing carbon-emitting fossil fuels by tapping into clean energy such as hydrogen/ammonia and renewable energy</p>

SK Gas's Net Zero Roadmap

For Scope 1 & 2, SK Gas aims to achieve Net Zero by 2035. Our achievement will center on direct reduction solutions such as facility improvement and mid- to long-term hydrogen utilization. Scope 3 is being measured according to the 2022 SBTi standard, and detailed goals will be established and managed according to the results.



SK Gas's 2021 Net Zero Performance

1. Process Improvement - Seawater Heat Exchanger for Ships

2021 was a meaningful year in which SK Gas set and implemented the Net Zero goal. The first step was process innovation for GHG emissions. When frozen propane is loaded into the terminals, propane of about -40°C is heated to about 3°C using a heater and is stored in the cavern. In this process, LPG is burned, which directly emits greenhouse gases. To reduce greenhouse gases emitted at this time, the company utilized a seawater heat exchanger for ships. Using the ship's seawater heat exchanger reduces the amount of propane used as a heater fuel and greenhouse gas emissions because the heater is used after first raising the temperature of about -40°C of frozen propane to -38°C - 32°C. As a result, the emissions in 2021 (23,481 tCO₂eq) were reduced by about 500 tons compared to 2020 emissions (23,992 tCO₂eq). Going forward, the company will not only install a heat exchanger for ships but also a separate large-capacity seawater heat exchanger in the terminals in 2024.



2. Implementation of RE100 - Expansion of Solar Power Generation Facilities in Production Sites

SK Gas promotes the expansion of its use of renewable energy. Indirect greenhouse gas emissions occur at our worksites as they use electricity for heating, cooling, lighting, and some machinery. Indirect greenhouse gas emissions occur at our production sites by using electricity for heating and cooling, lighting, and some machinery. To reduce this, the company acquired the Green Premium rate system and used electricity generated through renewable energy facilities (solar power generation) in its headquarters. The Green Premium is a system in which electricity consumers voluntarily pay a premium in addition to the electricity bill, and this is an official RE100 implementation method that utilizes the financial resources for reinvestment in renewable energy. As a result, the company secured about 10% (2,500MWh) of total electricity usage in 2021 at a Green Premium rate and produced/used about 29MWh of renewable energy. In 2022, the company will install additional solar power generation facilities in Ulsan, Pyeongtaek, and G.Hub in addition to its headquarters.

3. Global Initiative - "B" Grade through its First Participation in CDP

SK Gas is actively participating in Net Zero by voluntarily joining the global initiatives. For the first time and voluntarily in 2021, the company participated in the CDP Climate Change. The CDP (Carbon Disclosure Project) is a global initiative that requires information disclosure led by financial investment institutions around the world in relation to environmental issues such as climate change, and SK Gas acquired Management Level "B" in 2021 (average in the oil & retail industry sector being B- and Asian average being B-).



4. Expanding Employee Participation in GHG Reduction Activities - Haenggarae

SK Gas is happily reducing greenhouse gas emissions in daily life together with all its employees. Greenhouse gas reduction activities in daily life are practiced through the mobile app "Haenggarae." Employees engage in using the stairs rather than the elevator, walking short distances, reducing food leftovers, and using a tumbler. In 2021 alone, SK Gas employees achieved a reduction in greenhouse gas emissions of about 5 tons.



ESG Focus

Social: With Stakeholders

SK Gas intends to grow while thinking about a sustainable future for diverse stakeholders. By applying the concept that encompasses all the stakeholders in corporate management, including the growth of employees, the company promotes shared growth with suppliers in the value chain. Through its social contribution activities, the company is making efforts not only for the vulnerable in the community, but also for the conservation of animals and plants in the ecosystem.

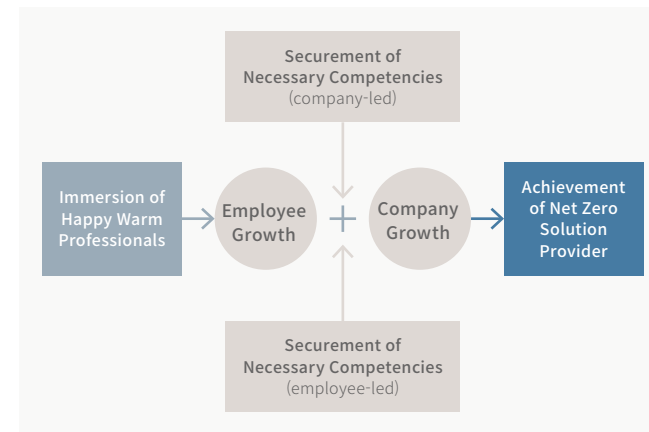
[For the Growth of Employees]

SK Gas has set the “Happy and High-performing Organization” as the organizational and moral direction of the SUPEX Company, and makes various efforts to fulfill it. “Happy and High-performing Organization” means “an organization where happy and compassionate professionals accomplish great performance of the company and growth of employees through their enjoyable immersion.” “A compassionate professional” is the ideal talent who works at SK Gas. “Compassionate mind” represents a sense of mutual consideration with pride and a sense of community, and “professional” refers to a person who is keenly aware of one’s duty, sets challenging goals, thoroughly and happily executes them, and transfers knowledge within the organization. SK Gas believes that when employees are happy, they are immersed in their work, and when they are immersed in their work, the growth of employees and the company’s performance will follow. Based on this belief, the company operates various systems and programs to create an immersive environment and foster employees. Through this, SK Gas intends to actively support all its employees’ growth into compassionate professionals.

Strategy

To respond to changes in the business environment and carry out high-level tasks to achieve Swan 2.0, the company promotes programs to strengthen the capabilities of its employees, focusing on ① business expertise, ② self-directed competency development, and ③ core talent development. The company utilizes “mySUNI,” the group’s common training platform, to enhance both the job competencies required by the company and the competencies that employees need for their own growth, and we continue to support competency development through various systems and programs. As it soars as a comprehensive eco-friendly energy solution company, SK Gas supports the development of employees’ capabilities and strives to foster warm-hearted professionals.

ESG Management



Major Competency Development Programs

Category	Program	Key Details
Enhancing business expertise	Job training support	Support for job training by organization to improve work competency
	CDS training (from 2020)	Implement “CDS (Citizen Data Scientist)” training to strengthen employees’ digital competency as a three-step process (mySUNI learning - offline learning - mini project)
	Recruited employee onboarding (from 2021)	Implement an onboarding program that consists of a process that can enhance the understanding of our business for the early deployment of recruited employees.
	New leader course (from 2021)	Support the improvement of leaders’ work competency, such as organizational management, through the implementation of the “PSS (Performance Supporting Session)” program
	Certificate acquisition support (from 2021)	Cover the cost of acquiring work-related qualifications to improve job competency
Self-directed competency upgrade	mySUNI (from 2020)	It is a group common online learning platform that covers various topics such as job knowledge and AI/DT and supports self-directed learning according to the needs of members by recommending excellent content.
	Support language training (from 2021)	Support self-directed learning for the purpose of improving foreign language speaking skills through phone/video language education support
Key talents training programs	Key talents training programs by target/duty	Cultivate key talents with leadership capabilities through participation in the group’s common managerial development programs (FLP, WLP, etc.) and education for the preemptive training of next-generation leaders
	Support for acquisition of academic degrees at home and abroad	Provide professional training opportunities through selection of subjects considering the competence and growth potential of employees for the purpose of strengthening the competence of employees

ESG Master Plan	ESG Key Performance Indicator	ESG Rating	ESG Focus
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Target

To achieve the mid- to long-term goal of Net Zero Solution Provider, SK Gas constantly listens to what programs employees need to improve their competencies and maximize their potential, and is implementing various development programs based on their needs.

With the aim of developing one skill for each employee through the expansion of self-directed learning centering on mySUNI and support for various competency development programs, we aim to develop the job skills required by the company and the competencies that employees want for personal growth at the same time. Looking ahead, the company will support capacity building through various programs so that the improved competencies of its employees can be demonstrated at work and employees can grow through work and create company performance.

<Key Goals>

- 1) Expanded support for self-directed learning using mySUNI

Classification	Measurement Method	Unit	2020	2021	2022	2025
Expansion of self-directed learning	mySUNI learning time per person	Hour	39.1	63.5	70	80

- 2) Establish and execute one competency development plan per employee (annually)

Specific Plan	2022	2023	2024	2025
Domestic course degree support		○	→	→
Overseas course degree support			○	→
Leadership program implementation		○	→	→
Support for employee competency development (language, certification, etc.)	○	→	→	→

Action

SK Gas systematically operates a variety of programs to boost employee competency by not only promoting training programs but also managing training time and cost. Furthermore, the company measures employee satisfaction with competency development through a culture survey for all employees and a satisfaction survey for their participants in major competency development programs. Based on the satisfaction results and the opinions gathered through communication activities with the employees (“Happy Seed Conversation,” etc.), the system will be continuously developed to support effective competency development of the employees.

<Management of Training Time and Cost>

Classification	Unit	2019	2020	2021
Annual average training time per person	Hour	7.2	51.1	77.7
Annual average training cost per person	KRW million	6.1	6.1	6.2

<Number of Employees Participated in Key Training Programs>

Classification	Related Item	2020	2021	Compared from Previous Year
mySUNI	Number of employees participated in training	368	523	560
Language training support	Average number of trained employees per month	-	63	55
New leader course	Total number of trained employees	-	3	14

<Culture Survey>

Classification	Related Item	2020	2021	Compared from Previous Year
Total	Average score for the competency development and growth-related questions	73.9	74.1	+0.2
Specific questions	[Efforts to Develop Competency] Our company employees make efforts on their own to develop the competencies necessary for their work.	72.7	74.6	+1.9
	[Employee Growth] Our company employees feel that their careers are being developed and growing while performing their duties.	69.0	69.6	+0.6

<In-House Satisfaction Survey>

Classification	Measurement Method	Satisfaction (out of 100 points)
2021	Satisfaction survey conducted for participants in major competency development programs	90 pts



ESG Focus

Social: With Stakeholders

[Mutual Growth and Cooperation with Suppliers]

Growth of Suppliers

SK Gas defines suppliers and sales agents as “members of an extended family” and promotes growth shared with them. As part of this, the company holds the “SK Win-win Growth CEO Seminar – MBA Integrated Process” every year to upgrade the business management of its suppliers. In 2021, a total of 472 SK Group companies participated in eight sessions online. The course covers not only lectures on changes in the new business environment that are needed by managers, but also lectures in the humanities and other various fields. Furthermore, the company provides SK’s online learning platform “mySUNI” so that all the suppliers’ employees can use it.

Enhancing the Supplier ESG Management

SK Gas is also working with suppliers to improve their ESG management. In 2021, the company selected key suppliers and tried a “subcontractor ESG risk assessment.” The purpose of the evaluation was to diagnose and improve the suppliers so that they could do ESG management well together. In 2022, the company’s main task is to support the suppliers’ improvement in the ESG categories where they under-performed, based on the evaluation results, and to encourage more companies to participate.

Activities for communication with Suppliers and sales agents

SK Gas’s supply chain management policies are broadly divided into three categories: “safety,” “environment,” and “ethics.” Based on this, the company is constantly communicating with suppliers and sales agents. The company shares business status and issues with its suppliers through seminars and meetings on a regular basis. For the tank truck transport companies or

small storage tank safety inspection companies that are directly related to safety management, the company listens to their grievances through regular training sessions and meetings and reflects them in company operations. For the managers of sales agents nationwide that sell LPG, the company is conducting regular communication with the management centering on its four sales offices (Central, Eastern, Western, and Jeju).

LPG Hope Charging Fund

SK Gas created and provided a total of KRW 20 billion by 2019 after its initial contribution in 2012 for the purpose of supporting energy-vulnerable people through the Korea LPG Association, of which SK Gas is a major member. In 2020, the two organizations agreed to create an additional KRW-30-billion fund for ten years (2020-2029), and the two organizations plan to expand and operate the “LPG Hope Charging Fund” to support the underprivileged.

The LPG Hope Charging Fund is mainly used to provide scholarships for children in the taxi industry, support LPG pipelines for specific facilities, and improve LPG supply facilities for social welfare facilities. The “Taxi Industry Children Scholarship” is a program that provides KRW 2 million per semester for up to one year to the children in college who have parents who have worked in the taxi industry for more than one year, including taxi drivers. At the beginning of 2022, ten years after establishment, the accumulated amount of the scholarship project exceeded KRW 10 billion. In 2022, 260 scholarship students were selected, and so far, 2,585 students have been selected and received scholarships.



Support for the Social Enterprise Ecosystem

Since 2020, SK Gas has been participating in the “Social Bridge Program” conducted by the Korea Social Enterprise Promotion Agency to effectively connect CSR support of excellent social economy enterprises and public and private enterprises for two consecutive years. In 2021, the company recruited social economy enterprises to collaborate under the theme of “Business cooperation to solve environmental problems (reducing greenhouse gases, recycling sources, etc.),” which can be carried out using LPG filling stations with large floating populations. The two selected social enterprises will start their business in earnest. Going forward, we will provide various opportunities so that more social enterprises can continue to do business.

COVID-19 Support Projects for Suppliers

Since 2020, SK Gas has been implementing a program to protect suppliers, customers, and charging station employees from the threat of COVID-19 and achieve win-win growth with struggling small business owners and self-employed people. As part of this effort, the company has provided one-ton LPG-engine truck drivers, charging station customers, and charging station employees with the industry’s first COVID-19 insurance, Eco Guard, free of charge. In addition, the company provided hand sanitizer and antibacterial kits to suppliers and partners, and carried out a project to support the disinfection of charging stations. SK Gas’s efforts to share in the difficulties of community quarantine management will continue in the future.

Eco-friendly wall painting arranged by SK Gwanggyo New Town gas station - Collaborative case with social enterprise, “IFBE”



[For the Happiness of the Community]

+ Green

Activities for Protecting Ulsan’s Ecology & Environment

In November 2020, hundreds of eagles, a Class 2 endangered species and Natural Monument 243-2, were seen flying high in the sky in search of food around the Taehwa River in Ulsan. However, because it was not easy for them to find food, the eagles appeared frequently near private houses, and some residents intentionally sprayed pesticides, leading to the mass deaths of eagles. In order to preserve the local ecology and protect natural monuments, SK Gas supports the feeding of eagles in collaboration with the local communities and related organizations in Ulsan. In order to protect the habitat of the flying squirrel, another endangered species in Ulsan, the company is installing observation cameras and supplying food.

In addition, SK Gas conducts a community ecology protection program, such as an ecology and environment exploration project for endangered animals and plants around the Ulsan plant and monitoring of endangered animals through collaboration with the local community. With such commitment, SK Gas also published an Ulsan ecological information booklet titled “Meet the nature of Ulsan” in late 2020, for the purpose of promoting and protecting the ecology and environment of Ulsan’s Taehwa River. In 2021, it expanded to areas such as Pyeongtaek, one of SK Gas production sites, and the company published “Meet the Nature of Pyeongtaek”, a booklet containing ecological information discovered while conducting eco-exploration activities with local residents, and distributed copies of it to the residents and tourists. SK Gas plans to continuously expand the local ecology protection project for endangered species in the region.





ESG Focus

Social: With Stakeholders

[For the Happiness of the Community]

+ Green

Employee Participation in Eco-friendly Activities

To comply with ESG business management, SK Gas employees actively practice eco-friendly improvement activities in their daily life. To reduce the use of disposable items and plastics, paper cups and paper towels are not used, and instead, mugs or tumblers are used by individuals. Dryers now substitute for toilet paper towels in the office building.

In addition, we are actively carrying out the “One Company Cares for One Coast Campaign,” which is an ocean purification campaign. The One Company Cares for One Coast Campaign is a movement in which local groups and companies autonomously practice marine environment conservation activities in coastal areas such as ports, beaches, and river estuaries in order to establish a clean marine environment. At SK Gas’s Ulsan and Pyeongtaek Terminals, all executives and employees at each base engage in collecting general waste from the pier and nearby coastal areas on a quarterly basis. This is an activity that expresses SK Gas’s commitment to protecting the coastal ecosystem.



+ Health

The Jigwanseoga Project

SK Gas wants to contribute to the mental health and happy life of local residents. As part of that effort, the company promotes “Jigwanseoga,” a project to create book cafes where you can experience “happiness” and “wisdom and reflection” learned through humanities management, and humanities programs. We aim to spread the wisdom of jigwan* to the local community and contribute to the spread of happiness through cooperation with local public institutions and social welfare facilities, mainly close to our worksites. In 2021, SK Advanced, a subsidiary of SK Gas, went ahead to install and operate three units of Jigwanseoga. Starting in 2022, SK Gas is joining in and aims to install and operate a total of 30 units in Ulsan and Pyeongtaek by 2030.



First unit of Jigwanseoga at Ulsan Grand Park

*Jigwan (止觀): taking a break from the endless running thoughts of everyday life, and discovering the wisdom of life by looking at the world with the eyes of your heart

Foundation Academia Platonica for Humanities Education

SK Gas sponsors the Foundation Academia Platonica to deepen and spread the “humanities for reflective learning” that pursues the universal spirit and inner values of humanity. Academia Platonica is the first pure humanities research support foundation in South Korea as a social contribution project of SK Gas that correctly establishes the values of happiness and conducts education and support projects to promote these values throughout society. The Academia Platonica foundation is divided into the humanities deepening project and the humanities expansion project. The Humanities Advanced Program supports world-class advanced humanities research and lays a foundation for bringing the humanities to people in the mid- to long-term. Intensive projects include support for advanced scholars and support for domestic and foreign universities and research institutes.

+ Vulnerable Groups

Installation of Collective LPG Piping Network in Energy-Vulnerable Areas

Energy-poor areas, such as rural areas where LPG pipelines do not reach, rely on liquid fuels such as diesel and kerosene. SK Gas is installing small storage tanks in the regions and supporting the installation of local and village-level piping networks so that they can supply safe and inexpensive LPG for heating and cooking to regions where convenient city gas is out of residents’ reach. Thanks to this, residents in these areas can receive LPG gas as conveniently and reliably as through the city gas supply chain in urban areas without incurring large costs. In addition, the cost reduction of 20–30% compared to kerosene in oil boilers also lessens the financial burden, thereby reducing energy blind spots for local residents.

Operation of “Hope Maker” and “Happy Green School”

SK Gas conducts various programs based on growth shared with local communities. The company is communicating with the local community while promoting employee volunteering, donation campaigns, product sponsorship, and scholarship programs to support children/youth, the elderly living alone, and the homeless who are in the blind spot of the welfare of the local community where our production site is located. For example, SK Gas’s exclusive programs to support children and youth are in active operation. “Hope Maker” is a representative project and is an activity to support children and adolescents from low-income families in the areas where SK Gas’s production sites are located. In addition to financial support such as regular monthly donations and occasional product sponsorship, the company also provides emotional support by running a program called “Hope Maker School” that supports after-school study as well as career and academic mentoring. This project, which started in 2012 with five social welfare organizations across the country, has produced forty-one graduates and supports sixty children and adolescents every year. “Happy Green School” is a program in which SK Gas employees become daily teachers and provide environmental education to elementary school students near SK Gas production sites. Executives and employees who have qualified as eco-friendly teachers through an in-house teacher training course visit elementary schools in person to educate them on the value and practice of environmental protection and eco-friendly technologies. This educational program, started in 2012, was started for the purpose of teaching children to be environmentally

conscious from an early age. In 2021, due to COVID-19, online content was developed, and the program was conducted in a non-face-to-face manner. By doing so, we want to support a culture that values the importance of the environment from an early age, regardless of face-to-face or non-face-to-face education.

Member of Happy Alliance

Recently, the importance of “Collective Impact,” which gathers the resources and capabilities of various social actors to solve common social problems, was highlighted. Accordingly, SK established the “Happiness Alliance,” a social contribution platform, to solve the problem of children who don’t get enough to eat, one of the major tasks facing our society. The Happy Alliance is a happy safety net that solves social problems through cooperation of companies, local store owners, and ordinary citizens who agree on the need to solve the problem of children forced to skip meals. Its entire fund is used to create social value (SV) by supporting and connecting social enterprises. SK Gas will share in this commitment and continue to cooperate with Happy Alliance so that “zero hunger” can be achieved as soon as possible. Happy Alliance is engaged in various activities: the “Happy Two Meals Project” that discovers children skipping meals and delivers their lunch to the doors of the children’s houses, “Basic Daily Necessities Package,” which is provided at the end of every year to provide for children’s nutrition and hygiene for about six months, the “Happy Box” campaign to encourage citizen participation, the “Residential Environment Improvement Project” to change the housing of children in poor living conditions into a comfortable environment, and the emotional, education, and legal support to address the gaps in emotional experience and the widening learning gap that has become worse due to COVID-19. In 2021, SK Gas implemented the Happy Two Meals Project to support children who were skipping meals in Haeundae-gu, Busan, where its production site is located. Going forward, the company plans to actively support various campaigns and programs of the Happy Alliance that achieve sustainable social values.





ESG Focus

Governance: Through Transparency

[BOD Operation]

BOD Composition Independence

To ensure the independence of the Board of Directors, SK Gas appoints a majority of the directors as outside directors, and the chairperson of the BOD and the chairpersons of the four specialized committees under the board are all outside directors. When appointing outside directors, the Outside Director Candidate Recommendation Committee confirms that candidates do not have contractual or business relationships with the company above a certain level and goes through the recommendation process. This is to keep their decision-making independent from senior management and controlling shareholders, and for this purpose, a non-executive director may hold only one concurrent position at another company, and their term of office is limited to one-time renewal (total term of approximately six years). Currently, the SK Gas Board of Directors consists of seven members, including two inside directors, four outside directors, and one non-executive director,

considering the efficiency of meeting operation and decision-making. In addition, the company has appointed an outside director as the chairman of the Board of Directors since 2012 in order to establish the BOD's checks and balances with respect to the senior management and establish a leading governance structure. In 2020, the company appointed Outside Director Jong-Ho Jeong as the Chairman of the Board of Directors.

Professionalism

SK Gas recommends and appoints director candidates by prioritizing expertise such as professional knowledge and practical experience so that the qualifications and capabilities of directors and the skill set involved in performing the duties of the entire board can contribute to the long-term performance and development of the company. To bring transparency in the selection process, the company further discloses all qualifications, selection background, and independence requirements. Currently, the four outside directors have expertise in international relations, law, IT, accounting and finance, etc., and their independence is ensured because they do not

BOD Composition

As of June 2022

Category	Name	Appointment Date	Term	Attendance Rate	Bio Summary	Specialty	
Outside Director	Jeong, Jong-ho	Mar. 27, 2020	3 years	100%	<ul style="list-style-type: none"> Department of Anthropology, Seoul National University PhD. in Anthropology, Yale University (majoring in China). Currently, Dean of Graduate School of International Studies, Seoul National University 	<ul style="list-style-type: none"> Formerly, 19th President of the Korean Association of Contemporary Chinese Studies. Formerly, Director of Office of International Affairs at Seoul National University. Formerly, Visiting Scholar at the Harvard-Yenching Institute 	International relations
	Jeon, Hyun-jeong	Jun. 17, 2021	3 years	100%	<ul style="list-style-type: none"> Department of Private Law, Seoul National University Juris Doctor from Seoul National University Currently, Attorney at KCL Law Firm 	<ul style="list-style-type: none"> Formerly, Chief Judge of Seoul Central District Court 	Law
	Lee, Sang-goo	Mar. 30, 2021	3 years	100%	<ul style="list-style-type: none"> Department of Computational Statistics, Seoul National University PhD. in Computer Science, Northwestern University Currently, Professor of Department of Computer Science and Engineering, Seoul National University 	<ul style="list-style-type: none"> Formerly, Chairman of Judging Committee, Samsung Science & Technology Foundation Formerly, Director of E-business Technology Research Center at Seoul National University 	IT
	Kim, Yeon-geun	Mar. 24, 2022	3 years	100%	<ul style="list-style-type: none"> Department of Business Administration, Sungkyunkwan University Master in Business Administration, Seoul National University Currently, Advisor at Kim & Chang 	<ul style="list-style-type: none"> Formerly, Commissioner of Seoul Regional Tax Office Formerly, Commissioner of Busan Regional Tax Office Formerly, International Tax Administration Officer, National Tax Service 	Accounting & finance
Inside Director	Chey, Chang-won	Mar. 27, 2020	3 years	100%	<ul style="list-style-type: none"> Department of Psychology, Seoul National University Currently, Vice Chairman and CEO of SK Discovery 	<ul style="list-style-type: none"> Currently, Vice Chairman of SK Research Institute 	Corporate management
	Yoon, Byung-suk	Mar. 24, 2022	3 years	100%	<ul style="list-style-type: none"> Department of Chemical Engineering, Seoul National University Master of Chemical Engineering, Seoul National University MBA, University of Michigan 	<ul style="list-style-type: none"> Currently, CEO and President of SK Gas Formerly, Head of SK Gas Solution & Trading Division Formerly, Partner of Boston Consulting Group's Seoul Office 	Corporate management
Other Non-Executive Director	Ahn, Jae-hyeon	Mar. 24, 2022	3 years	-	<ul style="list-style-type: none"> Currently, General Manager of SK Discovery Department of Statistics and Data Science, Yonsei University MBA, Univ. of Pennsylvania 	<ul style="list-style-type: none"> Formerly, CEO of SK Ecoplant Formerly, CEO in charge of Global Biz, SK Construction and Engineering 	Corporate management

ESG Master Plan	ESG Key Performance Indicator	ESG Rating	ESG Focus
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have a stake in the largest shareholder. SK Gas supports non-executive directors so that they can grasp the current status of the company management as soon as possible and gain an understanding of the business through regular seminars and visits to domestic and overseas production sites.

Diversity

SK Gas pursues diversity related to race, gender, age, nationality, education, religion, disability, and political orientation in forming the Board of Directors to reflect the needs of diverse stakeholders in corporate management. At the extraordinary General Meeting of Shareholders in June 2021, the first female director, a legal expert, was appointed to promote professionalism and gender diversity.

BOD Activities

SK Gas wants to actively collect the opinions of its shareholders and stakeholders through the Board of Directors and reflect them in corporate management. The BOD reviews and decides on major agendas covering various fields such as social issues, the environment, and economy. In addition, (investment) risks are deliberated by the BOD. All investments of KRW 20 billion or more require prior approval from the BOD, and other major projects are also subject to approval by the CEO and prior approval from the board. Accordingly, SK Gas holds more than ten regular board meetings a year to approve financial statements, convene a regular General Meeting of Shareholders, and report quarterly business results. About two or three temporary board meetings for (investment) risk deliberation, etc. are also held annually, so usually BOD is held at least once a month.

The secretary of the Board of Directors gives notice of the convening of the Board of Directors seven days before the meeting according to the instructions of the chairperson or a director nominated by the chairperson, and, except as otherwise stipulated by the relevant laws and regulations, the agenda is resolved with the attendance of a majority of directors and the approval of a majority of the attending directors. In 2021, a total of thirteen BOD meetings were held, and thirty-one resolution items and twenty-three report items were proposed.

Director Election Process

SK Gas has established a process to bring fairness and objectivity into the appointment of inside and outside directors. The Board of Directors recommends candidates for inside directors to the General Meeting of Shareholders after determining their qualifications. Outside director candidates are recommended by the Outside Director Candidate Recommendation Committee, which judges their qualifications. Candidate evaluation is comprehensive, in that it takes into account not only the company's own standards such as independence, professionalism, fidelity, management mindset, and social recognition, but also the diversity of the composition of the Board of Directors and the business environment.

[Operation of the Committees within the BOD]

ESG Committee

On Jun. 28, 2021, SK Gas established the ESG Committee to strategically respond to management changes related to the environment, society, and governance. SK Gas's ESG committee consists of one inside director and two outside directors, and reviews and deliberates on overall ESG activities, including the company's business strategy, major investments, and ESG promotion plans. In 2021, the committee reported on the ESG master plan, TCFD/SASB disclosure, the publication of a sustainability report, and social contribution activities as its major agenda items. In 2022, the committee plans to expand the agenda to overall ESG management, including climate change response strategies, new business investment deliberation criteria, and supply chain management measures, and increase the frequency of discussion.

* The existing Sustainability Management Committee was abolished because its function overlapped with that of ESG Committee.

Nomination and Compensation Committee

On Jun. 28, 2021, SK Gas established the Nomination and Compensation Committee. As of the end of 2021, SK Gas's Nomination and Compensation Committee consists of one inside director and two outside directors*. To bring objectivity and transparency into the process of determining the remuneration for directors, the Nomination and Compensation Committee deliberates on key personnel matters of executives, such as the evaluation** of executive directors and major executives and the deliberation of individual remuneration amounts.

* As of March 2022, one other non-executive director and two outside directors

** We are accelerating the internalization of ESG management and reinforcement of leadership by reflecting ESG factors in the management evaluation, and 10-40% of the total evaluation indicators are reflected as ESG-related indicators (which varies depending on the organization).

Audit Committee

The Audit Committee conducts accounting audits, the selection of outside auditors, and the evaluation of the operation of the internal accounting management system. The Audit Committee is chaired by an outside director who is a legal expert, and is made up of all outside directors. To enhance the independence and transparency of audits, SK Gas is applying stricter regulations than the regulations that require outside directors to account for at least two-thirds of the total number of outside directors under the Commercial Act.

Outside Director Candidate Recommendation Committee

All of its members are made up of outside directors (three members), which is stricter than the related regulations that require a majority of the total members to be outside directors. To bring transparency and fairness in the selection of outside directors, the committee selects independent directors by recommending candidates with independence and expertise.

※ Risk committee is not in place, but major (investments) risks are being reviewed by the Audit Committee (in the case of affiliate transactions, etc.) and the Board of Directors.



ESG Focus

Governance: Through Transparency

[BOD Evaluation and Remuneration]

Evaluation Method

SK Gas conducted its self-evaluation of the activities of the Board of Directors during the reporting period (2021) to enhance the independence and transparency of the board and the performance of the BOD-oriented responsible management. All four outside directors participated in the evaluation anonymously. The evaluation items are based on a total of twenty-five items in five categories including the composition, role, responsibility, and operation of the BOD and the committees.

Evaluation Results

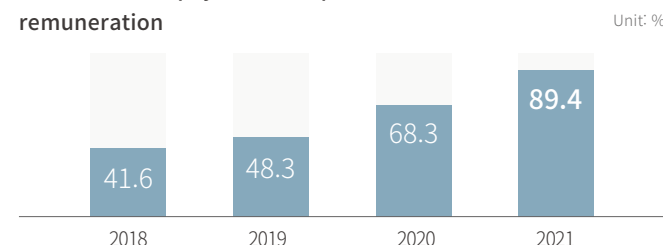
The evaluation results on the operation of the Board of Directors are used to improve the operation of the board in the future, and are disclosed in the business report and corporate governance report.

Evaluation Score	Unit: point
Overall score (out of 5)	4.96
Composition of the Board of Directors	4.92
The role of the BOD	4.90
BOD responsibilities	5.00
Operation of the BOD	5.00
Composition/role/operation of the committees	5.00

BOD Remuneration

Transparency and fairness are kept in the resolution by the General Shareholders' Meeting to pay directors' remuneration. Remuneration for executive directors is paid in consideration of company management performance such as sales, finance, and securing future growth engines, as well as executive management regulations and limits on director remuneration. Remuneration for outside directors is paid within the limits of remuneration by considering the level of remuneration at other companies, responsibilities for job performance, and independence of outside directors. For reference, the actual payment rate against the limit of remuneration for directors in 2021 is 89.4%.

Ratio of actual payment compared to the limit of director remuneration



[Shareholder-Friendly Management]

Transparency and Disclosure

SK Gas holds a regular General Meeting of Shareholders, and the General Meeting of Shareholders is notified and publicly announced by keeping matters related to the venue and agenda in accordance with Article 542-4 of the Commercial Act. The 37th General Shareholders' Meeting held in 2021 was notified three weeks in advance. Matters confirmed through the resolution of the General Meeting of Shareholders are immediately disclosed and communicated to stakeholders including shareholders. Major management matters closely related to investor interests are disclosed on the electronic disclosure system (DART: Data Analysis, Retrieval, and Transfer System), the Korea Exchange, and the SK Gas website.

Establishment and Disclosure of Mid-term Dividend Policy

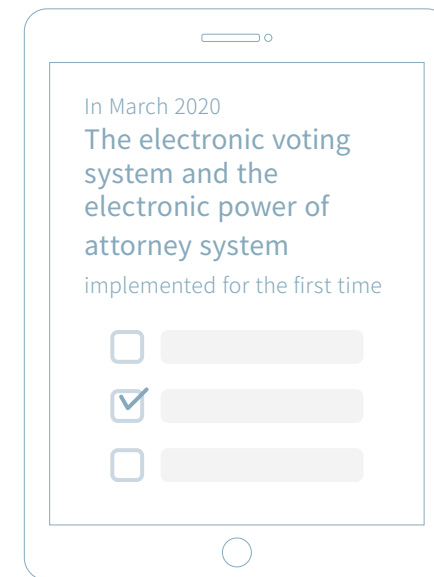
SK Gas has established a dividend policy to enhance shareholder value and intends to increase the stability and predictability of dividends by sharing them with shareholders through disclosure, website, and IR data. The dividend policy for the next three years (Fiscal Year 2021-2023) of SK Gas is as follows.

- Determination of total dividend within 20-40% of annual separate net income**
 The policy direction of a dividend that is based on performance but is upward progressive
- Interim dividend to be implemented from 2022**
 Strengthening shareholder-friendly management by implementing interim dividends in addition to end-of-year dividends
- Dividend policy to be reviewed regularly every three years**
 The above dividend policy is the dividend policy for 2021-2023, and SK Gas plans to continuously improve shareholder value by reviewing and announcing the dividend policy every three years.

ESG Master Plan	ESG Key Performance Indicator	ESG Rating	ESG Focus
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Implementation of Electronic Voting System

Electronic voting is a system that guarantees that shareholders can exercise their voting rights online without visiting in person if a company registers the shareholder list and agenda for the General Shareholders' Meeting in the electronic voting system. This is part of a shareholder-friendly policy that improves shareholder rights and interests by enhancing convenience, such as saving time and money for shareholders and encouraging more active exercise of shareholder rights. SK Gas first implemented the electronic voting system and the electronic proxy system at the 35th regular General Meeting of Shareholders on Mar. 27, 2020, as introduction of the electronic voting system was confirmed by the Board of Directors on Mar. 3, 2020.



The Revision of the Corporate Governance Charter

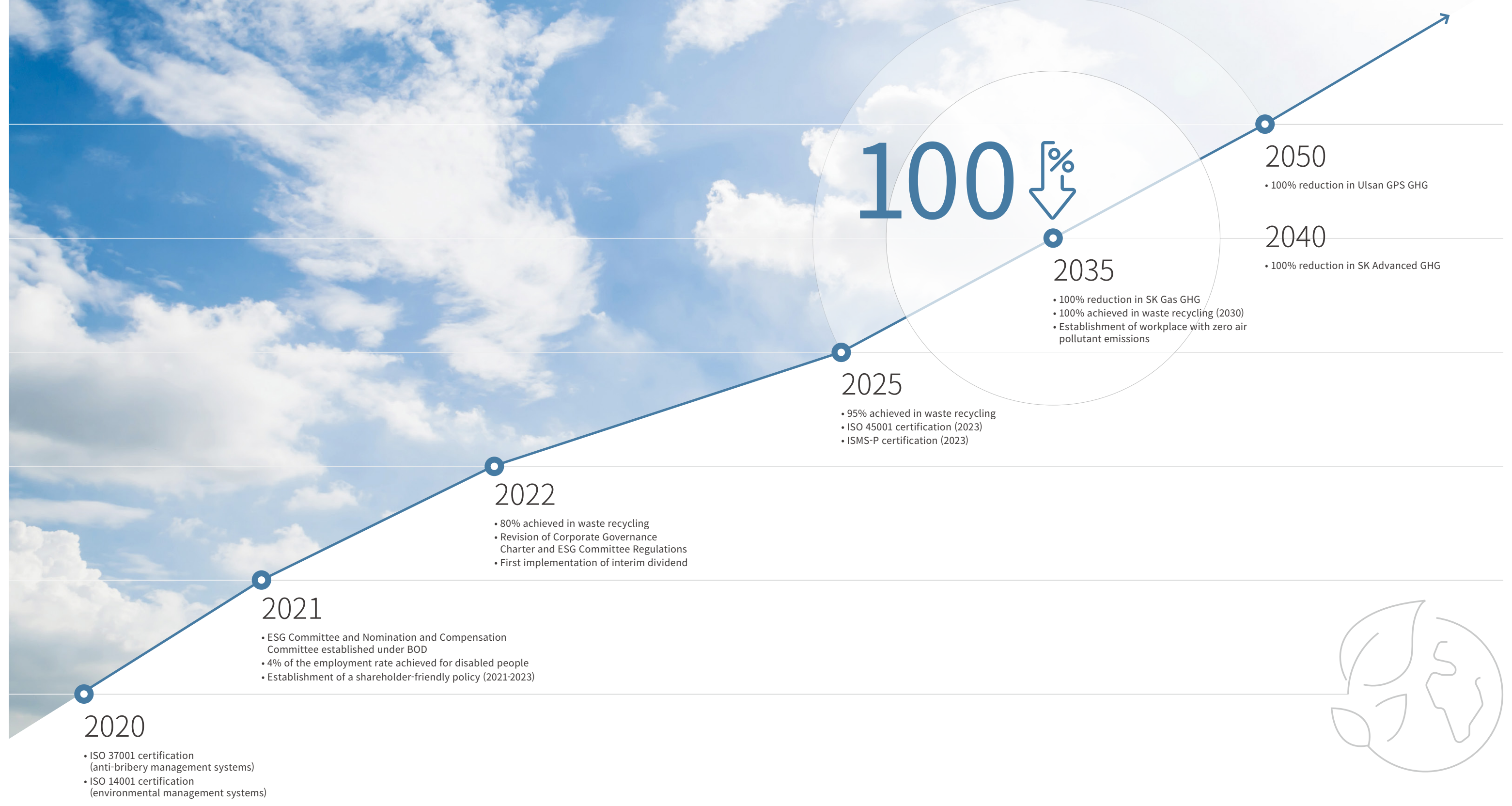
Recognizing the importance of transparent governance and responsible management, SK Gas enacted the Corporate Governance Charter in March 2020, which contains the principles of corporate governance. Then it was revised in April 2022 with the approval of the Board of Directors to reflect the revision of the KCGS's Model Standard for Corporate Governance (3rd revision on August, 2021) and SKMS (SK Management System) for SK Group. Major revisions included clarifying the roles and responsibilities of the BOD and its committees, appointment of auditors at the General Shareholders' Meeting, and expanding communication with shareholders and stakeholders. SK Gas will continue to pursue responsible management through transparent governance and actively communicate with stakeholders.

Model Standard for Corporate Governance in Comparison

Classification	Adopted or Not	Remarks
Introduction of the Corporate Governance Charter	○	
Cumulative voting	×	Adoption of voting with paper ballots is considered as a mid-term project
Electronic voting system	○	
Voting with paper ballots	×	
Recommendation of exercise of voting rights by proxy	○	
Separation of the CEO and the Chairman of the BOD	○	
Composition of the BOD (majority as outside directors)	○	
Regular BOD meetings	○	
Information on directors is provided in advance when BOD is held	○	
Disclosure of BOD activity details, attendance rate, and pros and cons of major agenda items	○	
Establishment of Board of Directors Operational Regulations	○	
Establishment of Committee Operation Regulations	○	
Independence of outside directors	○	
Establishment of expert committees within the BOD	○	
Arrangement and operation of systematic risk management policy	○	Major investment matters are pre-reviewed by BOD and Audit Committee
Indemnity insurance for directors at company expense	○	
Evaluation of BOD activities	○	Evaluation by external agencies is under discussion as a mid-term project
Composition of the Audit Committee (all as outside directors)	○	
Audit Committee held at least once a quarter	○	
Maintaining the independence of outside auditors	○	
Accuracy verification for business report, etc.	○	
Enactment of employee code of ethics	○	
Explaining the differences from the Model Standard	○	
Disclosure of audit reports and major matters in English and Korean	○	



ESG Milestone





ESG Fact Book

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Environment

[Climate Change Response]

Strategy SK Gas continuously strives to reduce greenhouse gas emissions to respond to climate change by supplying eco-friendly energy and providing efficient energy solutions. To respond more actively to climate change, the company plans to establish and implement the 2035 Net Zero Declaration and its own RE100 goal. Environmental management policies and plans have been established through the SHE committee to promote company-wide environmental management, and to achieve Net Zero and RE100, the ISMS (Integrated SHE Management System) collects and manages greenhouse gas emissions. By participating in ISO14001 certification and the global initiative of Carbon Disclosure Project (CDP), and disclosing the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), we are making efforts to achieve a globally required management system.

Target SK Gas plans to reduce Scope 1 and Scope 2 emissions by 100% on a BAU basis by 2035. To fulfill its own RE100 target, the company further plans to switch to 100% renewable energy by 2035.

	Unit	2025 ¹⁾	2030	2035
GHG emissions (Scope 1, 2)	% (BAU)	Target reduction: 37.1%	Target reduction: 93.9%	Target reduction: 100%
Ratio of renewable energy	% (BAU)	Target usage: 52%	Target usage: 76%	Target usage: 100%

1) The figure for 2025 does not include subsidiaries

Assessment SK Gas receives an ESG (Environmental, Social, and Governance) evaluation from the Korea Corporate Governance Service (KCGS) every year and has received an A in the environmental category this year, up one grade from the previous year. We also earned a Management B grade in Climate Change as an area of focus of the Carbon Disclosure Project (CDP) in 2021. The company operates the environmental management system by acquiring ISO14001, an international standard certification for environmental management systems that recognize and manage environmental threats in the process of business activities.

Impact The company secured 2,500 MWh of electricity by introducing the Green Premium rate system and produced 29 MWh of electricity using renewable energy facilities at its headquarters.

2021 Performance

1) GHG Emissions

Since 2021, SK Gas has managed not only direct and indirect greenhouse gas emissions but also emissions throughout the value chain. We also monitor and manage the performance of different worksites through ISMS (Integrated SHE Management System).

	Unit	2019	2020	2021
Total emissions (Scope 1 & 2)	tCO ₂ eq	35,664	34,092	35,478
- Direct emissions (Scope 1)	tCO ₂ eq	26,331	23,992	23,481
- Indirect emissions (Scope 2)	tCO ₂ eq	9,333	10,100	11,997
GHG Intensity	tCO ₂ eq/ KRW billion	7.23	7.73	5.46
Reduction performance (average improvement in intensity)	%	-52.37	-6.84	29.31
Reduction ratio (achievement to target)	%	5.2	2.11	2.11

2) Energy Consumption

We monitor the performance of each worksite and are expanding the use of renewable energy.

	Unit	2019	2020	2021
Total consumption	TJ	616	617	654
- Fuel	ton	8,017	8,077	7,853
- Electricity	MWh	19,596	21,435	25,170
- Steam	Gcal	N/A	N/A	2,883
Regular energy Intensity	TJ/ KRW billion	0.12	0.14	0.10
Savings (average improvement in intensity)	%	-42.8	-11.9	28.0
Total consumption	MWh	29	31.5	2,529
- Sunlight	MWh	29.0	31.5	29.0
Renewable energy Green Premium Ratio	MWh			2,500
	%	0.15	0.15	10.0

3) Eco-Investing Budget

SK Gas has a budget plan related to the environment and manages its performance. In 2021, the company spent KRW 500 million to replace the old burners with low NOx burners to reduce NOx, which can generate fine dust. In 2022, we are investing in the installation of solar power generation facilities at three worksites (Ulsan Terminals, Pyeongtaek Terminals, and G.Hub) to expand the use of renewable energy.

	Unit	2021 performance	2022 target
Ulsan	KRW million	217	1,366
Pyeongtaek	KRW million	514	700
G.Hub	KRW million	-	70
Total	KRW million	731	2,136

Next Plans

In the long term, SK Gas has set the 2035 Net Zero goals of Scopes 1 and 2 as improving process facilities and introducing new hydrogen-related technologies. The company plans to achieve Scope 3 Net Zero by 2050 by managing emissions across the value chain. In 2022, we will add solar power plants to our Ulsan and Pyeongtaek terminals to increase the use of renewable energy.

Environment		Social		Governance	
[Water]					
Strategy SK Gas has established its own water management system to monitor water consumption during its business operations.					
2021 Performance As a result of efforts to reduce water use by each worksite, SK Gas reduced about 3,672 tons of water compared to the previous year. The reused amount was 2,381 tons, up about 2.6% from the previous year, meaning that an additional 743 tons of water was recycled.					
		Unit	2019	2020	2021
Sulfur oxides (SOx)	Emission concentration (Ulsan Terminals; legal standard)	ppm	270	200	200
	Emission concentration (Pyeongtaek Terminals; legal standard)	ppm	270	200	200
	Emission concentration (G.Hub)	ppm	N/A	N/A	N/A
Volatile organic chemicals (VOCs)	Emission	ton	0	0	0
Hydrocarbons (HC)	Emission	ton	0	0	0
Methane (CH ₄)	Emission	ton	0	0	0
Nitrous oxide (N ₂ O)	Emission	ton	0	0	0
Hazardous air pollutants (HAPs)	Emission	ton	0	0	0
Hydrofluorocarbons (HFCs)	Emission	ton	0	0	0
Perfluorocarbons (PFCs)	Emission	ton	0	0	0
Sulfur Hexafluoride (SF ₆)	Emission	ton	0	0	0
Hydrogen sulfide (H ₂ S)	Emission	ton	0	0	0
Dust (PM10)	Emission	ton	0.55	0.56	0.53
	Intensity	ton/ KRW billion	0.0001	0.0001	0.0001
Water supply	Total water intake	ton	36,469	34,769	31,097
	Intensity	ton/ KRW billion	7.40	7.88	4.79
Water supply	- Water supply	ton	36,469	34,769	31,097
	- Ground water	ton	0	0	0
	- Other (rain water etc.)	ton	0	0	0
	Total water consumption	ton	38,114	36,407	33,478
Water supply	Intensity	ton/ KRW billion	7.73	8.25	5.15
	Reused amount	ton	1,645	1,638	2,381
Water supply	Ratio of reuse	%	4.3	4.5	7.1

[Reduction of Resource Use and Pollution]

Strategy SK Gas monitors the emissions from headquarters and worksites and manages the level of environmental risks that may occur during operation according to the classification system.

Target SK Gas has established and implemented a mid- to long-term recycling plan to achieve 100% waste recycling. The company achieved 68% or more in 2021 and is striving to achieve 95% by 2025 and 100% by 2030.

2021 Performance

1) Air Pollutant Emissions

	Unit	2019	2020	2021
Nitrogen oxides (NOx)	Emission	ton	18.14	18.37
	Intensity	ton/ KRW billion	0.0037	0.0042
Nitrogen oxides (NOx)	Emission concentration (Ulsan Terminals; legal standard)	ppm	130	150
	Emission concentration (Pyeongtaek Terminals; legal standard)	ppm	130	150
	Emission concentration (G.Hub)	ppm	N/A	N/A
Sulfur oxides (SOx)	Emission	ton	0.08	0.08
	Intensity	ton/ KRW billion	0.00002	0.00002

2) Discharge of Water Pollutants¹⁾

	Unit	2019	2020	2021
COD	Emission	ton	N/A	N/A
	Intensity	ton/ KRW billion	N/A	N/A
BOD	Emission	ton	N/A	N/A
	Intensity	ton/ KRW billion	N/A	N/A
SS	Emission	ton	N/A	N/A
	Intensity	ton/ KRW billion	N/A	N/A
T-N	Emission	ton	N/A	N/A
	Intensity	ton/ KRW billion	N/A	N/A
Wastewater	Treated amount	ton	N/A	N/A

1) SK Gas does not have any water pollutant discharging facilities as specified in the Water Quality and Aquatic Ecosystem Conservation Act.

3) Wastes

	Unit	2019	2020	2021
Wastes	Emission	ton	43	62.7
	- Regular wastes	ton	37.5	43.9
Wastes	- Designated wastes	ton	5.5	18.9
	Treated amount	ton	43.0	62.7
Wastes	- Recycling	ton	8.7	27.1
	- Incineration	ton	34.3	35.6
Wastes	- Landfill	ton	0	0
	- Sea discharge	ton	0	0
Wastes	Recycling rate	%	20.2	43.2



[Biodiversity]

Strategy To achieve the core value of a sustainable environment, SK Gas promotes various policies by selecting biodiversity as a focus area. Recognizing the importance of biodiversity protection, the company has joined BNPB (the Biz n Biodiversity Platform) and CBD (Convention on Biological Diversity) to manage environmental impacts from business activities. For the conservation and sustainable use of biodiversity, the company is conducting various cooperative projects with the National Institute of Ecology. We are running a project to explore the ecological environment of endangered animals and plants with a group of experts. In cooperation with local community groups and residents, we are also conducting community biodiversity conservation programs such as monitoring of endangered animals, education, and distribution of ecological protection brochures.

Assessment Although there is no separate evaluation of its biodiversity protection activities, SK Gas manages the activity results through annual business reports and shares and evaluates them with collaborating organizations.

2021 Performance SK Gas recognizes the impact of its production activities on biodiversity and strives to minimize the side effects. For the conservation of biodiversity in the community where the worksite is located, we have protected habitats in partnership with local communities and related organizations in Ulsan to protect the endangered eagle near the Taehwa River in Ulsan since 2021. In this process, we discovered that salmon was living in Ulsan. We took the lead in preserving biodiversity by publishing “Meet the Nature of Ulsan,” an ecological information booklet to publicize and protect Ulsan’s ecology and environment.

In Pyeongtaek, SK Gas operated ecological exploration and education targeting amphibians, plants, insects, and birds, reflecting the regional characteristics. The company also distributed 10,000 copies of “Meet the Nature of Pyeongtaek,” an ecological information booklet including endangered animals and plants discovered during the monitoring.

Next Plans SK Gas plans to implement various programs in the future to conserve biodiversity in more areas where its manufacturing sites are located. To this end, we plan to publish an ecological information booklet for all regions where our worksites are located. We will distribute copies of it to tourists as well as residents of the local community to inform them of the importance of preserving biodiversity.

[Environmental Participation]

1) Environmental Programs

SK Gas operates various environmental programs that employees can participate in during their daily lives. The company promoted the “Happy Green School,” which provides environmental education to local children with the participation of ECO LPG executives and staff as daily teachers, and the “One Company Care for One Coast Campaign,” a coastal environment conservation activity. Through the “Haenggarae” app to reduce greenhouse gas in our daily life, we reduced about 5 tons of greenhouse gas in 2021.

2) Environmental Education

		Unit	2019	2020	2021
Manager	Number of trainees	Person	16	46	17
	Training hours	Hour	256	736	272
	Training hours per employee	Hour	16	16	16
	Ratio of employees participated in training	%	100	100	100
Employee	Number of trainees	Person	101	84	81
	Training hours	Hour	202	168	162
	Training hours per employee	Hour	2	2	2
	Ratio of employees participated in training	%	100	100	100
	Environmental accident response training	Implemented or not			Implemented

3) Environmental Certification

SK Gas has acquired ISO14001 certification for all its worksites since 2020.

		Unit	2019	2020	2021
Environmental certification	ISO 14001	%	N/A	100	100

4) Breach of Environmental Regulations

SK Gas works to understand continuously changing environmental regulations and comply with them. The company actively responds to any violations and shares news about them, thus leveraging opportunities to prevent recurrence.

		Unit	2019	2020	2021
Breach of Environmental Regulations ¹⁾	Breach of regulations	Case	0	0	0
	Fines For Environmental Regulation Breaches	KRW million	0	0	0

1) The number of cases incurring over USD 10,000 in fines

Social

[Labor]

Strategy SK Gas operates systematic personnel and recruitment management regulations and selects talented people in a reasonable way. In addition, the company enhances employee satisfaction through competency development training and with long-term incentives and implements flexible working systems, parental leave, and family support systems to improve work efficiency and the quality of life for employees.

[Talent Recruitment Strategy]

SK Gas prohibits discrimination related to gender, age, race, ethnicity, religion, and academic background, and supports recruitment, placement, training, performance evaluation, and retirement based on the principle of enhancing diversity. The company has established personnel regulations and employment rules in compliance with laws and regulations, frequently revising the detailed guidelines. The company has a talent development strategy to ensure equal opportunities in consideration of the qualifications and job suitability of its employees and nurture outstanding talent in a rapidly changing environment. In addition, the company creates social value in jobs by complying with the employment standards for disabled people and increasing the re-employment of the elderly.

Target For the happiness of employees, SK Gas sets and manages the average number of years of service, the percentage of employees who use the flexible working system, and the rate of industrial accidents as KPIs. Convinced that various approaches and support measures are needed to create a better work environment, the company aims to improve all areas of HR management from hiring to retirement.

2021 Performance SK Gas operates family support system and flexible working system for the happiness of its employees. The family support system includes maternity leave, parental leave, and reduced working hours during childcare. By providing tuition for children and operating a family health support program, the company strives to alleviate the financial burden related to children’s education and promote a healthy life for employees and their families. The flexible working system is used for staggered work hours, and the company operates a selective working time system that allows employees to autonomously plan and execute working hours within the monthly working time limit. In this way, employees can proactively select their own work hours. Moreover, the company operates distributed work outside the company (working from home) so that it is possible for employees to not only prevent infectious diseases but also to work while being able to take care of their children. With the introduction of the mobile office, we enhance the work convenience for our employees who live far away from our worksites.

1) Workforce

		Unit	2019	2020	2021
Workforce		Person	468	515	582
By age	Under 30 years old	Person (%)	61(13)	61(12)	91(16)
	30 or older and under 50	Person (%)	311(66)	341(66)	387(66)
	50 or older	Person (%)	96(21)	113(22)	104(18)
By employment type	Regular worker	Person (%)	432(92)	475(92)	531(92)
	Non-regular worker	Person (%)	36(8)	40(8)	51(8)

2) Workforce Diversity

		Unit	2019	2020	2021
Gender balance	All women	Person	81	100	112
	Female managers	Person	8	9	10
	Female executives	Person	0	1	1
	Sales-generating department female managers	Person	2	2	2
	Newly hired women	Person	15	27	26
Employment of disabled people	Total number of people	Person (%)	11(2.4)	13(2.5)	18(3.1)
	For calculation of government contributions	%	2.92	2.64	4.03
Employment of persons of national merit	Total number of people	Person (%)	13(2.8)	14(2.7)	13(2.2)
Employment of foreigners	Total foreigners	Person (%)	2(0.43)	2(0.39)	2(0.34)
	US	Person (%)	1(0.21)	1(0.19)	1(0.17)
	Canada	Person (%)	1(0.21)	1(0.19)	1(0.17)

3) Hiring & Continuous Employment

		Unit	2019	2020	2021
Hiring	All new hires	Person	58	84	119
	Young interns converted to regular workers	Person (%)	3(60)	7(70)	18(75)
	Local hires	Person (%)	7(12.1)	6(7.1)	14(11.7)
Employee departure	Departing employees	Person	58	35	65
	Voluntary departures	Person	58	35	65
	Turnover rate	%	12.4	6.8	11.2
Continuous employment (regular worker)	Average years of continuous employment	Year	9.3	8.7	8.0
	- Male	Year	9.8	9.2	8.4
	- Female	Year	6.6	6.4	6.2
Continuous employment (non-regular worker)	Average years of continuous employment	Year	1.6	1.8	1.6
	- Male	Year	2.4	2.4	2.2
	- Female	Year	1.0	1.3	1.0

4) Employee Compensation

		Unit	2019	2020	2021
Salary	Average employee salary	KRW 1,000	91,000	93,000	96,046
	- Male	KRW 1,000	90,000	101,000	103,394
	- Female	KRW 1,000	50,000	60,000	65,212

5) Training

		Unit	2019	2020	2021
Training hours per employee		Hour	7.2	51.1	77.7
Training cost per employee		KRW million	6.1	6.1	6.2

6) Employee Benefits

		Unit	2019	2020	2021
Spending for employee benefits		KRW million	11,831	24,186	17,966
Spending for employee benefits against sales		%	0.24	0.55	0.28



7) Work-Life Balance

	Unit	2019	2020	2021
Participation in flexible working system	%	100	100	100

8) Childbirth & Child-rearing

	Unit		2019	2020	2021
No. of employees on parental leave	Male	Person	1	1	-
	Female	Person	7	5	4
No. of employees returned from parental leave	Male	Person (%)	-	1(50)	-
	Female	Person (%)	4(75)	9(89)	3(100)
No. of employees who serve for 12 months or longer after returning from parental leave	Male	Person (%)	-	1(50)	-
	Female	Person (%)	3(50)	9(89)	3(100)

9) Performance Evaluation

	Unit	2019	2020	2021	
Ratio of those subject to the competency development-oriented evaluation system	%	100	100	100	
Long-term incentives	Stock options	%	0	0.39	0.34
	Shares assigned free of charge for employee ownership	%	0	92	75

[Health & Safety]

Strategy In 2021, SK Gas established the SHE Master Plan based on the four strategies to establish a global top-level safety culture: ① establishment of a voluntary safety culture, ② reinforcement of employee safety competency, ③ advancement of management system, and ④ response to changes in safety and health laws, and has since implemented detailed tasks. The company is building a safe workplace through discovery of potential risks and continuous improvement activities. Taking SHE as the core value of corporate management, the company further declared the seven SHE management policies committed to achieving the happiness of our employees and stakeholders and growing together by protecting people, promoting human health, and preserving the global environment.

SHE management policies

As 'Net Zero Solution Provider,' SK Gas takes "Safety & Health and Environment (SHE)" as its core values, and strives to protect people, promote human health, and preserve the global environment, thereby achieving the well-being of its employees and stakeholders and growing together with them.

- Thoroughly comply with the SHE laws and regulations and make regular inspections and improvement activities to establish a global top-tier SHE management system.
- To achieve the SHE goals, establish a detailed annual plan and thoroughly implement/manage it in consideration of the organization, manpower, budget, and facilities.
- Create a safe working environment, prevent accidents, and establish a complementary advanced safety culture through continuous technological innovation and upgrade of system and capability.
- Create a healthy and clean work environment and implement systematic health management to prevent occupational diseases and promote the health of all employees.
- Take the lead in environmental conservation, such as responding to climate change by reducing greenhouse gas emissions and reducing pollutant emissions by reducing energy and expanding the use of eco-friendly energy.
- To provide eco-friendly products and services, review environmental impacts in the entire business process to eliminate risks in advance and pursue continuous innovation.
- Demonstrate transparency in disclosing the SHE management performance and related information to all internal and external stakeholders and readily communicate with them.

Target SK Gas, which recognizes workplace safety management as a core element of its business activity, has established and operates a safety management system based on 61 safety and health regulations/procedures. By continuously promoting safety culture internalization activities and reinforcing safety capabilities, the company achieved the goal of a year free from employee-affecting accidents in 2021. To actively support and manage the prevention of safety-threatening accidents of suppliers and customers, the company established and implemented more than 120 detailed tasks to achieve the goals in 2022 with a view to establishing the three company-wide safety and health goals as follows.

- Zero major accidents at workplaces/customers
- Total Labor Loss Injury Rate (LTIR) of employees and suppliers: 0.15% or less (0.24 in 2021)
- SHE level diagnosis by an external agency: 3.8 points or higher (3.0 in 2021)

Assessment In 2021, SK Gas conducted a safety awareness assessment for all employees (including those of suppliers) at all worksites. The safety culture level evaluation evaluates the senior management's commitment, roles and responsibilities, communication and participation, compliance with regulations, and process safety management. The level of safety awareness at the workplace in 2021 has been improved by 26% compared to 2020, and we will continuously monitor it through regular annual evaluations to improve it.

Impact To prevent accidents at worksites, SK Gas continuously discovers and improves risk factors. In 2021, the company strove to prevent accidents by discovering risk factors such as poor facility management and obsolescence in advance through process risk assessment and facility soundness diagnosis and establishing countermeasures. By voluntarily adopting the process safety management system (PSM), we have established and are implementing a comprehensive process safety management system to handle things such as change management, supplier management, and accident management.

2021 Performance With the implementation of the SHE Master Plan, SK Gas is preemptively responding to recently tightened safety and health regulations such as the Severe Accident Punishment Act. The company secured expertise by creating the SHE Promotion Team, an organization in charge of safety and health directly reporting to the CEO, and reinforcing personnel in charge of safety and health for each worksite. The company gave mileage points to those employees who contributed to accident prevention and bolstered safety capabilities by discovering risk factors and acquiring national safety-related qualifications. By implementing a safety mileage system that rewards selected excellent participants by measuring their performance on a monthly/yearly basis, we encourage employees to voluntarily participate in the safety activities. In addition, the company continuously nurtures internal safety and health experts by selecting forty-five SHE Specialists in twelve fields including industrial safety, firefighting, and the environment, and providing them with professional training.

Environment	Social	Governance
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[Employee Health Support and Prevention Policy]

SK Gas helps its employees to lead a happy and healthy corporate life. To improve the health of its employees, the company is making efforts in two main areas: ① prevention of occupational diseases and ② health promotion and welfare system. As an occupational disease prevention activity, the company conducts health examinations, discovers and monitors occupational risks, selects high-risk individuals and multiple diseases through work environment measurement and investigation of musculoskeletal harmful factors and job stress, and investigates and manages workplace hazards. In 2021, the company appointed an in-house health manager (nurse) and opened the ECOHub health management office to respond to diseases in persons found to be abnormal in screening and suspected of cerebrovascular disease among others. As for the health promotion welfare system, we operate a medical expense coverage system to treat the diseases of individual employees and their families, and introduced a paid leave system for diseases requiring long-term treatment, including cancer. From 2020, the company has managed stress that may occur during job performance and supported a psychological counseling program to promote mental health through the "Mind Gym" program. By operating a fitness center, SK Gas allows its employees to participate in various individual health promotion activities such as group exercise and yoga by using the flexible working system.

[Supplier Support System]

SK Gas provides online training for our suppliers' employees to support their safety. The company conducts online safety training once a year and plans to increase the frequency to 2 to 4 times in the future.

1) Workplace Accidents

	Unit	2019	2020	2021
Total work time	Hour	838,120	910,772	1,033,078
	Person	468	515	578
No. of deaths	Person	0	0	0
Death rate	%	0	0	0
Lost Time Injury (LTI)	Case	0	1	0
Lost Time Incident Rate (LTIR)	Case/200,000 working hours	0.00	0.22	0.00
Workplace accident rate	%	0.0	0.2	0.0
Number of occupational diseases	Case	0	0	0
Occupational Illness Frequency Rate (OIFR)	Case/200,000 working hours	0	0	0
Injury severity rate	%	0	0.17	0
Absenteeism	%	0	0.14	0
Number of employees managed as risk groups	Person (%)	0(0)	0(0)	0(0)
Percentage of full-time employees who experience near misses	%	0	0	3
Percentage of contract workers who experience near misses	%	0	0	0
No. of deaths	Person	0	0	0
Death rate	%	0	0	0
Lost Time Injury (LTI)	Case	1	1	2
Lost Time Incident Rate (LTIR)	Case/200,000 working hours	0.36	0.34	0.65

2) Occupational Safety

	Unit	2019	2020	2021	
Safety management	Risk assessment	Number of times per year	Once	Once	Once
	Supplier safety prevention management	Implemented or not	Implemented	Implemented	Implemented
Health support	Physical health care support	Implemented or not	Implemented	Implemented	Implemented
	Support for mental health management	Implemented or not	Implemented	Implemented	Implemented

3) Safety & Health Training

	Unit	2019	2020	2021	
Employee	Training hours per employee	Hour	12	15	18
	Training cost per employee	KRW	16,268	20,892	20,045
	Ratio of employees participated in training	%	100	100	100
Supplier's employee	Health and safety training for employees of resident suppliers	Implemented or not	Implemented	Implemented	Implemented

4) Violations of Laws

	Unit	2019	2020	2021	
Safety-threatening accident	Number of serious accidents	Case	0	0	0
	Number of process safety-threatening accidents	Case/200,000 working hours	0	1.1	0
Violation of the law	Number of violations	Case	0	0	0
	Administrative fine	KRW 1,000	0	0	0
	Criminal fine	KRW 1,000	0	0	0

5) Budget for Occupational Safety & Health

In terms of occupational safety and health, SK Gas increased its investment (KRW 800 million) in the improvement of the pier facilities at the Pyeongtaek Terminals in 2021. It has a plan to invest in improving the worksite in the northern part of G.Hub in 2022.

	Unit	2021 performance	2022 target
Headquarters	KRW million	504	70
Ulsan	KRW million	748	2,400
Pyeongtaek	KRW million	1,081	105
G.Hub	KRW million	360	4,235
Total	KRW million	2,693	6,810

Next Plans In 2021, SK Gas checked the internal audit system for SHE. The company developed a checklist for evaluation of 558 items related to 19 elements such as education and training, accident investigation, and emergency response. As of April 2022, the company is concentrating on site safety management inspections by employing competent internal employees with extensive experience in related work as auditors. Through these intensive regular audits, we will work harder to prevent even minor incidents by accurately identifying and improving the safety level of the workplace.



[Human Rights]

Strategy In accordance with international standards such as the Universal Declaration of Human Rights, UNGC Human Rights and Labor Principles, and the Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework, SK Gas enacted and published the Human Rights Declaration and Human Rights Regulations in 2020. SK Gas protects the human rights of not only its employees but also all its stakeholders who are affected by business activities such as suppliers and local communities. To take the lead in applying international human rights standards, the company regularly reviews human rights regulations and revises deficiencies as soon as they are discovered. By establishing a management system for human rights and related risks, we integrate human rights into our business and periodically conduct human rights impact assessments for efficiency and systematic improvement. To raise employees’ awareness of human rights, we regularly operate human rights violation prevention programs and conduct human rights education.

Target SK Gas establishes a system that integrates human rights into its business, setting and managing human rights impact assessment, human rights training hours per employee, and customer information leakage as important indicators of its sustainability management. Human rights impact assessment conducted as part of management aims to identify more specific human rights risks and vulnerable groups by reflecting the perspectives of stakeholders beyond the organization.

Assessment SK Gas conducts a human rights impact assessment to identify and prevent actual and potential human rights violations in the implementation of human rights policies and overall management every year. Through our own checklist, the company reviewed human rights policy declaration and internalization, human rights impact, the establishment and implementation of a system that integrates human rights into its business, monitoring and disclosure, and grievance-handling. We check the details of the review through a third-party specialist agency and set and promote the derived improvement plan as a mid- to long-term task.

2021 Performance

1) Handling Reports

	Unit	2019	2020	2021
Number of human rights-related reports	Case	0	0	0
Number of human rights grievances received/handled	Case	0/0	0/0	0/0

2) Violations of Laws

	Unit	2019	2020	2021
Violations of human rights-related laws	No. of violations	0	0	0
	Administrative fine	KRW 1,000	0	0
	Criminal fine	KRW 1,000	0	0

3) Human Rights Impact Assessment

	Unit	2019	2020	2021
Implementation of human rights impact assessment	Implemented or not	Implemented	Implemented	Implemented
Percentage of workplaces that received human rights impact assessment	%	100	100	100

4) Human Rights Education

	Unit	2019	2020	2021
Number of human rights education hours per employee	Hour	1.4	1.3	3.0

[Supply Chain Management]

Strategy SK Gas operates various win-win growth policies and programs as it recognizes that the improvement of suppliers’ sustainability for competitiveness leads to corporate growth. By enacting the Supplier Code of Conduct, SK Gas shares our policies and expectations with all our suppliers. In addition, we conduct a regular quality evaluation once a year to enhance our suppliers’ sustainability for competitiveness. If any violations such as quality problems, ethical violations, collusion, or acts that impede shared growth are found in the evaluation, then we raise supplier awareness by implementing sanctions such as restrictions on bidding in accordance with our Supplier Sanctions Management Regulations.

[Supplier Code of Conduct]

In 2021, SK Gas conducted the first regular ESG risk evaluation for major suppliers, and will enhance the effectiveness of the evaluation by revising the evaluation system and expanding target companies. Also, the company is creating a purchasing environment from a social point of view by establishing the regulations based on our green purchasing policy.

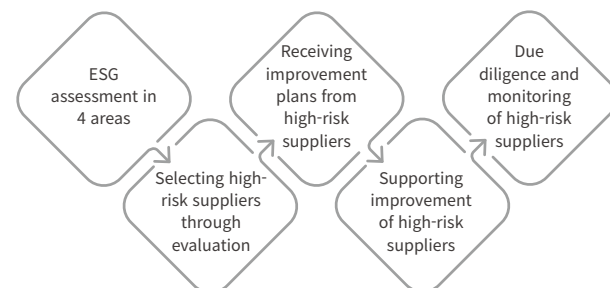
Target To support suppliers’ sustainable growth and practice win-win business, SK Gas has established and manages the 2025 goals regarding the ESG risk assessment target ratio and partnership projects. Considering the CSR perspective, the company manages the ratio of green products, SMEs, and women, people with disabilities, and social enterprises prioritized for purchases. To spread the social value of win-win purchasing, the company is also increasing the ratio of responsible procurement. Besides, we will expand the evaluation target step by step until 2025 to enhance the ESG competitiveness of our suppliers.

SK Gas Supplier ESG Evaluation Roadmap (cumulative implementation)

- 2022: LPG facilities and equipment suppliers requiring full attention
- 2023: Suppliers for civil/construction/firefighting/electrical works requiring full attention
- 2024: Service suppliers requiring full attention
- 2025: All suppliers requiring full attention

Assessment SK Gas conducted an ESG risk assessment for major primary suppliers in 2021. The company has identified risks in the four areas of environment, health/safety, labor/human rights, and ethics, and is seeking improvements based on the results. For those suppliers identified as high-risk companies as a result of the evaluation, we suggest improvement directions, support their implementation plans, and monitor their progress through due diligence.

Supplier ESG Assessment Process



	Environment	Social	Governance
2021 Performance			
1) Supplier Management			
Total number of suppliers	Supplier	2019: 283, 2020: 277, 2021: 264	
Number of newly registered suppliers	Supplier	2019: 82, 2020: 64, 2021: 88	
Supply chain ESG assessment	ESG included in supplier selection criteria	Included or not	Included
	Number of suppliers subject to regular supplier ESG evaluation	Supplier	2019: -, 2020: -, 2021: 6
Percentage of high-risk suppliers	%	2019: -, 2020: -, 2021: 66.7	
2) Purchasing			
Total purchase	KRW 100 million	2019: 616, 2020: 599, 2021: 609	
Win-Win purchasing	Value of purchased eco-friendly products and services	KRW 100 million	2019: 7.5, 2020: 7.4, 2021: 7.0
	Ratio of SMEs preferred for purchasing	%	2019: 18.3, 2020: 24.2, 2021: 24.4
	Ratio of companies with female CEO preferred for purchasing	%	2019: 0.3, 2020: 0.2, 2021: 0.3
	Ratio of green products in purchases	%	2019: 1.9, 2020: 1.2, 2021: 1.1
3) Support			
Support for workers' human rights and ethical management	Implemented or not	Implemented	Implemented
Support for employee job competency development training	Implemented or not	Implemented	Implemented

Road map

	2020	2021	2022	2023
Environment	BNBP, TCFD, ISO 14001	SASB, Net Zero, CDP		SCIENCE BASED TARGETS
Social	WE SUPPORT, UNGC	행복일라이언스, HAPPY ALLIANCE		ISO 26000, ISMSP
Governance	ISO 37001		PACI	

[Community Relations]

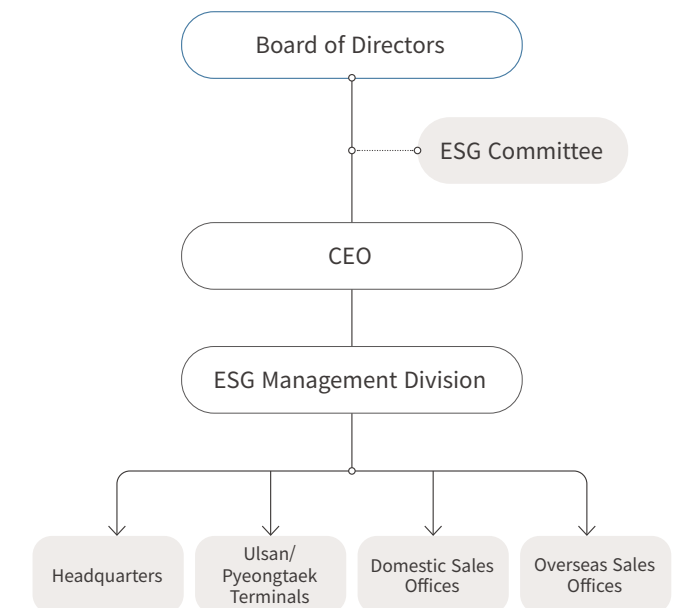
Strategy

[Social Contribution Implementation System]

SK Gas carries out various social contribution activities by demonstrating its corporate capabilities to promote balanced development of local communities and establish strong trusting relationships. On the mission of “Realizing a Sustainable Development of a Happy Ecosystem,” the company has set “Green, Health, and Growth Shared with Vulnerable Groups” as our four major promotion goals. For their effective fulfillment, the company is implementing its projects by categorizing them into Common for SK Group, company-wide, and each worksite according to the characteristics of each business project. All projects are conducted under the supervision of the ESG Manager, an organization dedicated to social contribution. We are implementing social contribution projects with major decisions being deliberated and made by the ESG Committee under the BOD.

[ESG Global Partnership]

Strategy SK Gas analyzes ESG-related risks and opportunities and participates in domestic and foreign initiatives selected according to two criteria. The criteria for selecting the participation fields and targets are as follows. First, “social impact” to fulfill corporate social responsibility, and second, “connectivity with a business model” which should be in line with the directions for implementing SK Gas’s vision for “Net Zero Solution Provider.” SK Gas participates in solving global environmental and social problems by forming initiatives and ESG global partnerships that meet these standards. Accordingly, the company will establish and respond to mid- to long-term roadmaps, and at the same time, periodically monitor its participation and performance in global partnerships with a view to demonstrating transparency in disclosing them through the sustainability report.

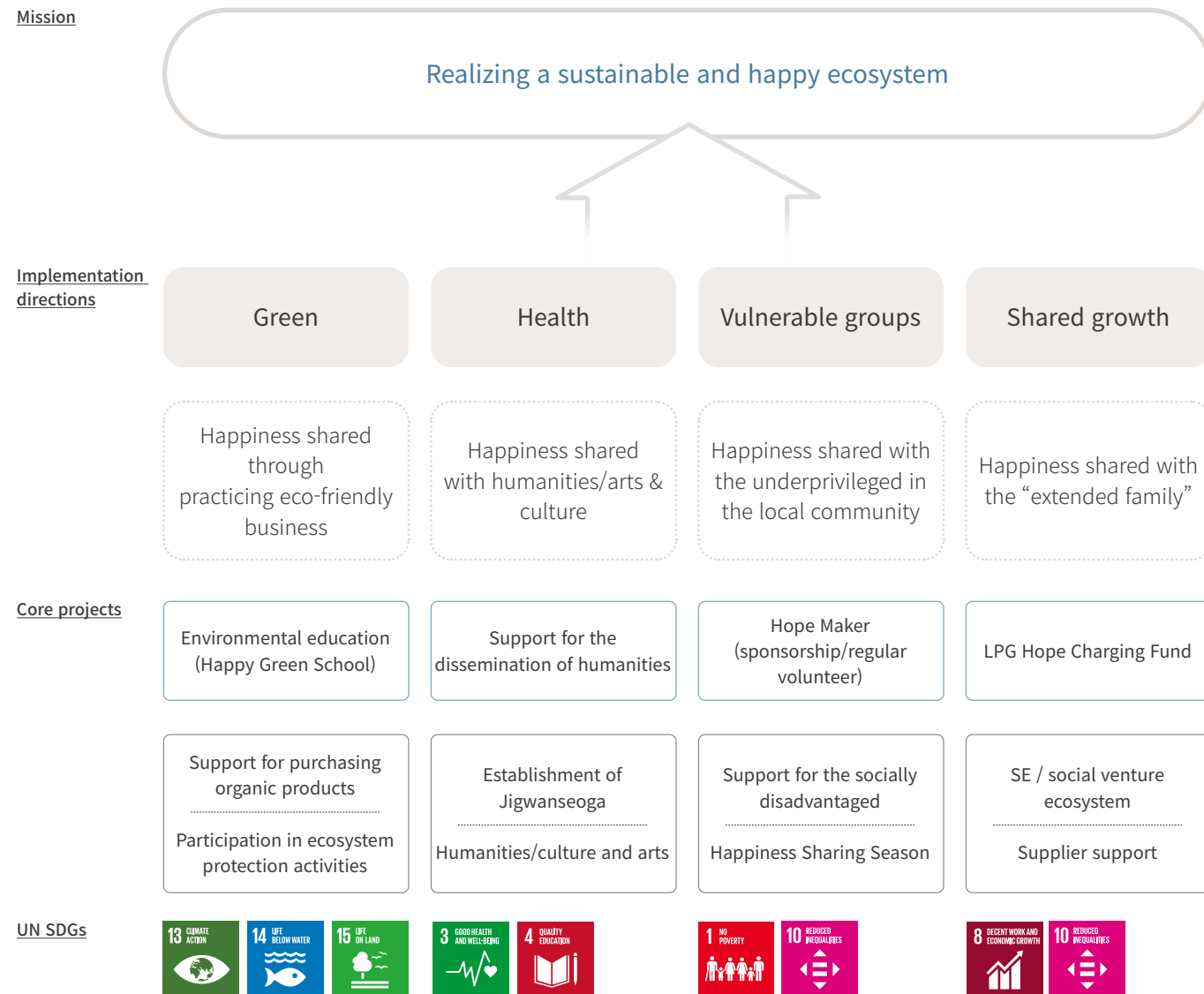




[Promotion of Social Contribution Activities Linked to UN SDGs]

SK Gas promotes social contribution activities in connection with the UN SDGs (Sustainable Development Goals). The company has set four main directions for social contribution: green (climate action, conservation of aquatic ecosystems, conservation of terrestrial ecosystems), health (mental health, quality education), vulnerable groups (reduction of poverty, quality education, reduction of inequality), and mutual growth (quality jobs, economic growth, and inequality reduction) encompassing the seven areas of the UN SDGs. Relevant major projects include “Happy Green School” and “Ecosystem Protection Activities” as eco-friendly educational programs, “Hope Maker” and “Happiness Alliance,” which are sponsorship and regular volunteer projects to support the socially underprivileged, foundation supporting projects such as Academia Platonica, and the LPG Hope Charging Fund to support the LPG industry.

SK Gas CSR System



Target SK Gas has established detailed goals for different representative programs of the social contribution project, and is systematically managing the performance of its activities and achieving its goals. The donation of “Hope Maker,” a project to support underprivileged children in the local community where our worksite is located, will increase or decrease to KRW 2 billion by 2025. The company plans to expand its current number of beneficiaries from sixty to one hundred, and the target areas in the three regions where the headquarters and terminals are currently located (Seongnam, Ulsan, and Pyeongtaek) to seven regions including the regions where sales offices are located to support more children. Regarding the ecosystem protection activities and publication of ecology protection books that started in 2020 and conducted in Ulsan, the company will expand the scope to seven regions by 2025 to actively protect endangered species and improve/protect the ecosystem. The “LPG Hope Charging Fund,” a project to support the socially underprivileged, is improving LPG supply facilities and providing scholarships for children of the taxi industry. In 2021, the number of households for which the company improved and installed LPG supply facilities was 3,599, and we aim for about 6,000 in 2025. In addition, the number of students receiving financial aids was 2,586 at the end of 2021, and the number of beneficiaries will expand to about 3,500 by 2025.

Assessment SK Gas periodically evaluates the performance of its social contribution programs through partner organizations and beneficiaries and operates social contribution projects in cooperation with the Local Community Council, a channel for communication with the local community. The ESG Operation Group carries out social contribution projects according to the annual business plan deliberated and decided by the ESG Committee under the Board of Directors, and regularly tracks and manages the expenses and donations used in the operation of the projects.

Impact SK Gas prepares to evaluate the impact of its ongoing social contribution activities. Through consulting, we will verify and improve the social impact of Hope Maker and Hope Charging Fund, which are child/youth sponsorship programs that we have been running for about ten years, and the effectiveness of the ecosystem protection activities, so that we can make the programs more effective and helpful to the local community.

2021 Performance

1) CSR Spending

	Unit	2019	2020	2021
Green	KRW 100 million	0.04	0.2	1.3
Health	KRW 100 million	30	30	28
The disadvantaged	KRW 100 million	3.85	14.3	4.1
Other (including mutual growth)	KRW 100 million	16.2	23.6	18.5

2) CSR Programs

Supported Program	Unit	2020	2021	2025 target	
Hope Maker	Sponsorship amount	KRW million	1,200	1,300	2,000
	Nurturing graduates	Person	35	39	50
	Target area	Area	3	3	7
Ecosystem Protection Activities	Ecosystem protection activities (region)	Activity	1	2	7
	Publication of ecology protection booklet	Copy	10,000	10,000	50,000
Hope Charging Fund	LPG pipe network installation support	Cumulative number of households	2,896	3,599	6,000
	Taxi driver's child scholarship	Cumulative number of persons	2,330	2,586	3,500

3) Volunteer Work

	Unit	2019	2020	2021
Volunteer hours per employee	Hour	5.4	5.9	2.4
Ratio of employees participated in volunteer work	%	78	50	33.3

Next Plans SK Gas has established a community consultation channel to listen to the opinions of the local community and resolve the grievances of the residents. The company will improve the quality of life and increase convenience of local residents through our regular operation.

[Information Security and Private Data Leaks]

2021 Performance SK Gas achieved zero information leaks over the past three years. Furthermore, we provide basic information security training for all our employees.

1) Data Leakage

	Unit	2019	2020	2021
Total number of information leaks	Case	0	0	0
Number of leaks related to customer information	Case	0	0	0
Amount of fines for violating laws related to information leakage	KRW 1,000	0	0	0

2) Training

	Unit	2019	2020	2021	
Privacy education	Implemented or not	Implemented	Implemented	Implemented	
Information security training	Training hours per employee	Hour	1	1	1
	Ratio of employees participated in training	%	87.1	98.5	100

Governance

[Board of Directors]

Strategy SK Gas simultaneously pursues efficiency and checks and balances for the Board of Directors in terms of independence, expertise, and diversity. A majority (57%) of the BOD consists of outside directors. Since the CEO and BOD chairman are separate positions, an outside director is appointed as the chairperson. In addition, experience and expertise are given priority in appointing directors, and qualifications, selection background, and independence requirements are all disclosed. When an outside director is appointed, there is a process to confirm that there is no contract or business relationship above a certain level with the company. As we aim for global leadership, SK Gas strives to improve the soundness of our corporate governance by appointing a female outside director in 2021 to increase the diversity of the Board of Directors.

Assessment SK Gas conducts self-evaluation and external evaluation by a third party to enhance the responsible management and transparency of the Board of Directors. Self-evaluation focuses on the participation rate of the BOD and committees, professionalism, contribution, fairness, ethical responsibility, fidelity, and active BOD activities. As a result of the board's self-evaluation conducted in 2021, the overall score was 4.96 out of 5. As for external evaluations, the company was recognized as Grade A in corporate governance in 2021, just linked in 2019 and 2020, in the ESG evaluation by KCGS, in which we participate every year.

2021 Performance

1) BOD Composition

SK Gas's Board of Directors has seven members (two inside directors, four outside directors, and one non-executive director). To ensure its independence, the BOD has been composed of a majority of outside directors since 2019, and an outside director is appointed as its chairperson. To enhance professionalism, the BOD has about 70% of its members as industry and financial experts. To promote its diversity, professionalism, and independence, the BOD not only complies with laws and regulations, but also raises the bar for the ESG management. Through its April 2022 report, the BOD established and disclosed guidelines and policies (https://skgas.co.kr/ESG/director_b.html).

	Unit	2019	2020	2021	
Independence	Ratio of outside directors on the Board of Directors	%	57.1	57.1	57.1
	CEO and the chairperson of the Board of Directors	Separated or not	Separated	Separated	Separated
	Number of other mandates allowed	Other mandate	1	1	1

ESG Fact Book



	Unit	2019	2020	2021	
Diversity	Board diversity policy	Established or not	Established	Established	Established
	Female directors	%	0	0	14.3
Professionalism	Director with industrial experience	%	42.85	42.85	42.85
	Finance expert	Person	2	2	2
Efficiency	Average tenure	Year	3.3	4.3	5.3
	Attendance rate	%	100	95.6	97.8

2) BOD Operation

The Corporate Governance Charter stipulates that the Board of Directors holds its regular meetings at least once a quarter. A total of thirteen board meetings were held in 2021. Twenty-three report items and thirty-one resolution items were proposed, and agendas covering overall management, such as the management plan and financial performance report, and creation of a new committee, were deliberated and resolved

	Unit	2019	2020	2021	
Meetings held	Number of meetings	Meeting	13	13	13
Reporting and resolution	Number of reports	Report	17	21	23
	Number of resolutions	Resolution	26	33	31
Opinions on agenda	Approved	Case (%)	26(100)	33(100)	31(100)
	Disapproved	Case (%)	0(0)	0(0)	0(0)
	Revision	Case (%)	0(0)	0(0)	0(0)
	Abstention	Case (%)	0(0)	0(0)	0(0)

3) Board Training and External Experts

SK Gas provides training on major ESG issues such as important business issues, mid- to long-term plans, and climate change response to enhance the role efficiency and professionalism of directors. In accordance with the Board of Directors Regulations, directors may seek the help of external experts if necessary.

	Unit	2019	2020	2021	
Reduction in responsibility	Subscription to liability insurance	Available or not	Available	Available	Available
	Leadership-related problems	Case	0	0	0

	Environment	Social	Governance		
4) Committees under the BOD	Number of members	Person	3	3	3
	Outside director ratio	%	66.6	100	100
	CEO participation	Participated or not	Participated	Participated	Participated
	Number of meetings	Meeting	1	1	2
	Attendance rate	%	100	100	100
	Number of resolutions	Resolution	1	2	4
	Number of reports	Report	0	0	0
	Number of members	Person	3	3	3
	Outside director ratio	%	100	100	100
	Chairperson's financial expertise	Available or not	-	-	Available
Audit Committee	Number of financial experts	Person	1	1	1
	Number of meetings	Meeting	7	10	11
	Attendance rate	%	87.5	100	100
	Number of resolutions	Resolution	9	13	19
	Number of reports	Report	4	4	6
	Number of objections or revisions	Case	0	0	0
Nomination and Compensation Committee (Remuneration Committee)	Number of members	Person	-	-	3
	Outside director ratio	%	-	-	66.7
	Number of meetings	Meeting	-	-	3
	Attendance rate	%	-	-	89
	Number of resolutions	Resolution	-	-	1
	Number of reports	Report	-	-	4
	Number of members	Person	-	3	3
ESG Committee	Outside director ratio	%	-	66.7	66.7
	No. of ESG experts	Person	-	0	0
	Number of meetings	Meeting	-	3	3
	Attendance rate	%	-	100	100
	Number of resolutions	Resolution	-	1	1
	Number of reports	Report	-	7	3

5) Evaluation and Remuneration

As a key body responsible for important decision-making and management oversight, our Board of Directors has since 2020 used the self-assessment as an opportunity to reaffirm the roles and responsibilities of the Board of Directors and promote effective board composition and operation. We will become a global ESG leader by reflecting ESG performance in the CEO's key performance indicators and including it in the compensation system. In addition, SK Gas has been disclosing the individual remuneration calculation standards and remuneration amounts for the senior management since 2021.

	Unit	2019	2020	2021	
Board evaluation	Self-assessment	Implemented or not	Not implemented	Implemented	Implemented
Remuneration	ESG included in CEO performance indicators	Included or not	Included	Included	Included
Stock	National pension's equity ratio	%	5.34	3.94	5.36
	Shareholding ratio of controlling shareholders	%	65.52	67.35	72.35

6) Bolstering Shareholder Rights

To effectively reflect and collect the opinions of shareholders at the general meeting, SK Gas introduced an electronic voting system in 2020. To protect shareholders' voting rights, we included a clause in the Articles of Incorporation that allows all shareholders to exercise their voting rights by proxy. By disclosing our dividend policy to protect shareholder rights, we also demonstrate our commitment to bring transparency into our governance structure.

	Unit	2019	2020	2021	
Activation of voting rights	Introduction of electronic voting system	Introduced or not	-	Introduced	Introduced
	Recommendation the exercise of voting rights by proxy to all shareholders	Implemented or not	Implemented	Implemented	Implemented
Shareholder rights protection	Dividend policy disclosure	Disclosed or not	-	-	Disclosed
	The day of the General Meeting of Shareholders		2020-03-27	2021-03-30	2022-03-24
	Day when the General Meeting of Shareholders is announced		2020-03-10	2021-03-15	2022-03-02

[Ethical Management]

Strategy SK Gas’s Code of Ethics, which has been in effect since January 2009, consists of basic ethics of employees, compliance with management policies, and operation of the Code of Ethics. We have enacted and applied our own annexed regulations and guidelines such as the consultation & reporting system, budget/expense usage standards, and Q&A on major issues. All employees and workplaces conduct business based on the details and guidelines of the Code of Ethics through ethics training. Moreover, the company is expanding the scope of ethical management by having employees sign pledges of ethical practice (including the Supplier Code of Conduct for ethics, labor, safety, health, environment, etc.), sharing the reporting system, and conducting ethical management surveys with regard to purchasing partners. You can view more information on SK Gas’s ethical management on the SK Gas website (https://skgas.co.kr/ESG/esg_g1.html).

Target As feasible ethical management goals, SK Gas has set and is striving to achieve 2025 long-term targets such as “zero” punished ethical management violations and “four hours” of ethics training per employee.

Assessment In relation to anti-corruption risk management and evaluation, SK Gas secured the ISO 37001 anti-bribery management system certification, an international standard of the International Organization for Standardization (ISO), for all its LPG worksites, in April 2020. We maintain certification through annual maintenance audits. Furthermore, SK Gas manages all risks in ethics and compliance under the company-wide risk management system consisting of a “prevention-detection-response” process, and reports the status of risk management to the BOD twice a year.

2021 Performance

According to the statistics of the SK Gas Ethics Report Center, the number of cases of corruption and bribery was “0” in 2021, registering zero cases for four consecutive years. The ethics management department operates the Ethics Counseling and Reporting Center, where reports of unfair requests, receipt of money, goods, entertainment, and convenience involving employees in violation of the Code of Ethics can be reported. Through the process of consulting and handling reports, we turn violations into opportunities to prevent recurrence and share SK Gas’s core values for ethical management. With the highest priority on protecting the identity of the informant and the specifics of the report, SK Gas has established related regulations and procedures, such as priority on consultee/informant protection, rules for protection of identity and person, disciplinary measures for violators of identity and personal protection, and the voluntary reporting and reward system. The company receives reports through various channels (online: <http://ethics.sk.co.kr/Main/Index>); by phone: 02-6200-8229; by mail; or by email (skgas.ethics@sk.com)



1) Ethical Effort

		Unit	2019	2020	2021
Ethics training - anti-corruption	Training hours per employee	Hour	2	1.5	2
	Ratio of employees participated in training	%	100	100	100
	Sexual harassment prevention and workplace harassment prevention training	Implemented or not	Implemented	Implemented	Implemented

2) Reporting & Violations

		Unit	2019	2020	2021
Ethics management reporting & counseling	Employee	Case	3	3	4
	Supplier	Case	4	4	0
	Customer	Case	0	2	0
	Other	Case	1	1	1
Handling	Investigation (audit)	Case	2	1	1
	Transfer to relevant department	Case	6	8	1
	Other (rejection, etc.)	Case	0	1	3

[Compliance]

Strategy Through the Fair Trade Compliance Program, SK Gas provides precautions as well as behavioral guidelines and standards for employees to ensure compliance with the Fair Trade Act. The Four Major Guidelines for Fair Trade are posted on the website, and they stipulate contract signing, supplier selection and operation, establishment and operation of the Internal Review Committee, and issuance and preservation of documents related to subcontracting.

Target SK Gas evaluates the performance areas of each indicator based on the CP rating evaluation index announced by the Korea Fair Trade Mediation Agency. The company sets goals based on the evaluation, draws short-term/long-term tasks for each indicator, and promotes goal achievement. Through the annual fair trade training, the company established fair trade as a company-wide culture by sharing knowledge of relevant laws and regulations and clearly presenting the standards of conduct that employees need to know for performing their duties. In addition, we recorded zero violations of fair trade laws for four consecutive years and are striving to achieve zero violations of fair trade laws in the future.

2021 Performance

1) Fair Trade Practice Program

SK Gas has been implementing fair trade training and a compliance program to establish a leading compliance culture within the organization. In 2021, seventy employees received training on fair trade (40% of course completion rate). To conclude fair contracts with other parties involved in the transaction, we reflect the relevant details, such as the Monopoly Regulation and Fair Trade Act, and the Fair Transactions in Subcontracting Act. To prevent unfair trade throughout our business, the Internal Review Committee conducts a preliminary review process and evaluates the overall risk of any violations of the fair trade-related laws.

		Unit	2019	2020	2021
CP programs	Risk assessment	Implemented or not	--	Implemented	Implemented
	Preliminary work consultation system	Implemented or not	--	Implemented	Implemented

2) Reporting & Violations

In 2021, the company had zero violations of the fair trade-related laws such as the Monopoly Regulation and Fair Trade Act and the Fair Transactions in Subcontracting Act.

		Unit	2019	2020	2021
Violations of laws	Anti-competitive acts and unfair trade practices such as monopoly	Case	0	0	0
	Number of monetary sanctions for violations of laws and regulations	Case	0	0	0
	Number of lawsuits against laws and regulations	Case	0	0	0
	Antitrust/anti-competition related fines and settlements	KRW 100 million	0	0	0
	Litigation costs and fines due to price fixing	KRW 100 million	0	0	0
	Violation of laws and regulations related to product/service information and labeling	Case	0	0	0
	Number of violations of insider trading laws	Case	0	0	0
	Number of violations of subcontracting-related laws	Case	0	0	0



Appendix

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GRI Index

Universal Standards

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GRI Index

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	304-2	Significant impacts of activities, products, and services on biodiversity	
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Emissions	305-1	Direct (Scope 1) GHG emissions	52
	305-2	Energy indirect (Scope 2) GHG emissions	
	305-5	Reduction of GHG emissions	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	
Wastes	306-1	Water discharge by quality and destination	53
	306-2	Waste by type and disposal method	
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Supplier environmental assessment	308-1	New suppliers that were screened using environmental criteria	59

Financial Performance	GRI Index	TCFD	SASB	Audit Report	Third-party Assurance	Greenhouse Gas Verification	Major Honors, Evaluations, and Business Associations	UN SDGs	UNGC
Category		Disclosure	Description		Page				
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	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		55-56					
	401-3	Parental leave		56					
Labor-management relations	402-1	Minimum notice periods regarding operational changes		63					
	403-1	Occupational health and safety management system		56-57					
403-2	Hazard identification, risk assessment, and incident investigation								
403-3	Occupational health services								
403-4	Worker participation, consultation, and communication on occupational health and safety								
403-5	Worker training on occupational health and safety								
403-6	Promotion of worker health								
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships								
403-8	Workers covered by an occupational health and safety management system								
403-9	Work-related injuries								
403-10	Work-related ill health								
Training and Education	404-1	Average hours of training per year per employee		56					
	404-2	Programs for upgrading employee skills and transition assistance programs		38-39					
	404-3	Percentage of employees receiving regular performance and career development reviews		56					
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees		44-45, 55, 62					
	405-2	Ratio of basic salary and remuneration of women to men		56					
Human rights assessment	412-1	Operations that have been subject to human rights reviews or impact assessments		58					
	412-2	Employee training on human rights policies or procedures							
Local Community	413-1	Operations with local community engagement, impact assessments, and development programs		40-43, 59-61					
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria		58-59					
	414-2	Negative social impacts in the supply chain and actions taken							
Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		65					
Marketing and labeling	417-2	Incidents of non-compliance concerning product and service information and labeling		65					
	417-3	Incidents of non-compliance concerning marketing communications							
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		61					
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area		65					



TCFD

Task Force on Climate-related Financial Disclosures

To disclose climate change-related financial information, the Task Force on Climate Change-related Financial Disclosures (TCFD) was organized in December 2015 under the mandate of the finance ministers and central bank heads of G20 countries. In 2017, the TCFD published disclosure recommendations on the four key elements of climate change-related financial disclosure: governance, strategy, risk management, and metrics and objectives. SK Gas has established its own climate change response plan according to the recommendations and demonstrates transparency in disclosing it after reporting it through the BOD. Looking forward, we'll continue to share our news about our participation efforts as well as our plan for Net Zero GHG emissions and its progress.

Four TCFD Recommendations and SK Gas Disclosures			Page
Governance	A) Describe the board's oversight of climate-related risks and opportunities.	SK Gas operates a responsible management system centered on the Board of Directors. Formed in 2021, the ESG Committee under the BOD manages all ESG issues, including climate change-related issues, such as advising and reviewing ESG directions, setting ESG activity goals, and reviewing financial and non-financial risks and opportunities. The committee is currently discussing future plans by regularly/irregularly monitoring climate change response and management plans and reviewing the implementation status, and reporting the results to the BOD. The committee is also making decisions to manage, evaluate, and mitigate climate change-related risks that SK Gas faces.	45
	B) Describe management's role in assessing and managing climate-related risks and opportunities.	SK Gas operates a corporate-level council to respond to major company-wide risks including climate change. The corporate-level council is the company-wide risk management control tower. The heads of business divisions, the heads of the Business Support Division, the head of the Strategy Center, and the ESG Manager participate in it as members, and the CEO is the chief decision maker of the company, responsible for important corporate decisions. In the bi-weekly corporate-level council, the ESG Manager reviews the immediate risk and opportunity factors in terms of climate change-related operations and strategies and reports the results, and the CEO then takes the lead in discussing and preparing countermeasures. In this way, major climate change risk and opportunity issues that may occur in the entire value chain are identified and managed by the corporate-level council, and major agenda items are reported to the BOD and the ESG Committee through the CEO.	59
Strategy	A) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	SK Gas has set short-term, mid-term, and long-term time goals based on when business transition takes place and the carbon-neutral goals are achieved. In the short term, uncertainty in the price of carbon credits and in government regulations and policies are expected to act as risk factors. In the mid- to long term, technological and market variables are expected to act as major risk factors, such as a decline in profits due to an increase in LPG replacement demand, an increase in investment costs due to the conversion of LNG, hydrogen, and ammonia business portfolios, and changes in consumer preferences. However, the conversion of the eco-friendly energy business portfolio and the creation of new revenues and the transformation of the corporate image following market expansion are recognized as new opportunity factors.	36-37
	B) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	SK Gas aims to reduce greenhouse gas emissions by replacing fuels used in transportation, industry, and power generation with LPG and LNG. The company further plans to build a successful LNG business by utilizing infrastructure capabilities such as the LNG terminals and LNG/LPG gas combined cycle power plant currently under construction in Ulsan. To this end, the company plans to invest KRW 1.8 trillion by 2026, and expects to generate about KRW 600 billion in profits by 2030. Meanwhile, the company wants to convert its business portfolio to a hydrogen/ammonia business in the long term. For this purpose, it is making investments such as securing new technology for turquoise hydrogen. The company forecasts an accumulated investment of KRW 2.5 trillion and a profit of approximately KRW 400 billion in 2030.	10-13, 26-27

Financial Performance	GRI Index	TCFD	SASB	Audit Report	Third-party Assurance	Greenhouse Gas Verification	Major Honors, Evaluations, and Business Associations	UN SDGs	UNGC	
Four TCFD Recommendations and SK Gas Disclosures										
Strategy	C) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.		SK Gas performed a scenario analysis based on the IEA's World Energy Outlook (WEO) to specifically identify climate change issues that could have a financial impact on business and secure strategic flexibility. The analysis predicted that hydrogen energy would expand as a substitute for fossil fuels and as a major energy source in the new energy market, and confirmed the transition toward the fourth energy development plan, including the market demand and increase in investment for low- or de-carbon technology and carbon emission reduction technology. Accordingly, SK Gas plans to secure sales and profitability by reflecting the volatility of the LPG and LNG market in the short term. Furthermore, we plan to establish an optimal hydrogen business model across the entire hydrogen value chain in the mid- to long-term and become the first mover of the clean ammonia market to create a competitive business model that will enable us to realize our vision of becoming a "Net Zero Solution Provider."							37
	Risk management	A) Describe the organization's processes for identifying and assessing climate-related risks.		To effectively respond to climate change and realize the goal of carbon neutrality, SK Gas operates a systematic process to identify, evaluate, and respond to climate change risks and opportunities within and outside the organization.						
B) Describe the organization's processes for managing climate-related risks.		Risks identified and evaluated in relation to climate change take up an essential portion of business direction establishment and investment analysis, and are reflected throughout SK Gas's assets and business portfolio. The impact of climate-related opportunities is also reflected as a key element of an organization's strategy and objectives.							45, 59	
C) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.		SK Gas's climate change risk management and response are currently centered on the corporate-level council under the CEO. Their operation will be consolidated around the ESG Committee under the Board of Directors in the future. The ESG Committee will support the BOD with company-wide supervision and management of climate change risks and opportunities in the future. It will handle ESG strategy and policy establishment, ESG operation and issue discovery, and the integrated management of financial and non-financial risks and opportunity factors throughout the business.								
Metrics and targets	A) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.		SK Gas selects ESG management tasks by reflecting the results of stakeholder materiality assessment, risk and opportunity factors, and domestic and overseas ESG standards and evaluation criteria, and selects and manages key indicators for continuous monitoring. To achieve the global level by 2023, we select and manage organizations to be in charge of different indicators.							
	B) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks		SK Gas manages, measures, and discloses its GHG emissions every year. Our GHG emissions in 2021 are as follows. <ul style="list-style-type: none"> • Scope 1: 23,481tCO₂eq • Scope 2: 11,997tCO₂eq • Scope 3 will be measured in 2022. 							14-15, 33-34, 36-37, 52-54
	C) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets		SK Gas has set the goal of Scopes 1 & 2 Net Zero in 2035. To this end, we plan to introduce an energy efficiency optimization system and renewable energy such as solar power in the short term. For the mid- to long-term, we will operate a plan to reduce carbon in the worksites in stages, including electric heaters using hydrogen fuel cells. Based on the methodology presented by SBTi, we will gradually reach our reduction goals.							



SASB

Sustainability Accounting Standards Board

Since the publication of the 2020 Sustainability Report, SK Gas has prepared the SASB report and demonstrated transparency in disclosing it after reporting to the Board of Directors.

Category	SASB Code	Sub-indicator	Unit	2019	2020	2021	Remarks
Sustainability Disclosure Topics & Accounting Metrics							
GHG emissions	EM-RM-110a.1	Emission	Metric tons(t) CO ₂ eq	26,331	23,992	23,481	
		Percentage covered under emissions-limiting regulations	%	N/A	71	66	It is only applicable to the Ulsan Terminals, and a target has been assigned from 2020.
		Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, analysis of performance against those targets	-	SK Gas measures and manages the greenhouse gas emissions from all its domestic worksites. The company has enhanced the accuracy and completeness of our emissions data through third-party verification by the Korean Foundation for Quality (KFQ). As a result, our total greenhouse gas emission in 2021 was 35,478 tCO ₂ eq, of which Scope 1 emission was 23,481 tCO ₂ eq and Scope 2 emission was 11,997 tCO ₂ eq. In the long term, we formulated a phase-out scenario based on our Carbon Net Zero target in 2035 and are implementing detailed initiatives. As part of these initiatives, we signed a Green Premium contract of 2.5GWh per year with KEPCO, and about 10% of the total electricity consumption of all the company's worksites was converted to renewable energy in 2021. SK Gas is promoting and reviewing the installation of solar power generation and seawater heat exchangers for carbon neutrality.			
Air quality	EM-RM-120a.1	NOx emissions (excluding N ₂ O)	Metric tons(t)	18.14	18.37	17.28	
		SOx emissions	Metric tons(t)	0.08	0.08	0.07	
		Fine dust (PM10) emissions	Metric tons(t)	0.55	0.56	0.53	
		Hydrogen sulfide (H ₂ S) emissions	Metric tons(t)	0	0	0	
		Volatile organic compounds (VOCs) emissions	Metric tons(t)	0	0	0	
EM-RM-120a.2	Number of refineries in or near areas of dense population	Plan	2	2	2	Number of refiners in Ulsan Plant	
Water management	EM-RM-140a.1	Total fresh water withdrawn	m ³	36,469	34,769	31,097	
		Percentage recycled	%	4.3	4.5	7.1	
		Percentage in regions with High or Extremely High Baseline Water Stress	%	N/A	N/A	N/A	As our daily consumption is extremely small, it is not subject to the classification under the Water Environment Conservation Act
EM-RM-140a.2	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	건	0	0	0		

Financial Performance	GRI Index	TCFD	SASB	Audit Report	Third-party Assurance	Greenhouse Gas Verification	Major Honors, Evaluations, and Business Associations	UN SDGs	UNGC
Sustainability Disclosure Topics & Accounting Metrics									
Hazardous materials management	EM-RM-150a.1	Amount of hazardous waste	Generated amount	Metric tons(t)	5.5	18.9	33.5		
		Percentage recycled		%	62	95	100		
		Number of underground storage tanks (USTs)		Number	0	0	0	We do not have any underground oil tanks in accordance with the law regarding the control of hazardous substances.	
EM-RM-150a.2	Number of UST releases requiring cleanup		Number	0	0	0	Not Applicable		
	Percentage in states with UST financial assurance funds		%	0	0	0	Not Applicable		
	EM-RM-320a.1	Total recordable incident rate (TRIR)	Full-time employees	Ratio	0	0.21	0	Per 200,000 hours	
Fatality rate		Contract employees	Ratio	0	0	0			
		Full-time employees	Ratio	0	0	0			
EM-RM-320a.2	Near miss frequency rate (NMFR)	Contract employees	Ratio	0	0	3			
		Full-time employees	Ratio	0	0	0			
	Discussion of management systems used to integrate a culture of safety	-	Safety and health at our industrial sites are the top priority for achieving the happiness of our employees and stakeholders and are directly related to the sustainability of our business. Therefore, SK Gas is creating a safer and more pleasant working environment by continuously discovering harmful risk factors and taking measures to eliminate them. The company strengthened our SHE governance by forming the company-wide SHE Committee (with CEO as chairman) and a company-wide SHE organization. Recognizing that the protection of the life and health of all working people is the basic duty of a manager, the company established the SHE Master Plan for accident prevention by putting all the worksites we operate and our suppliers that make up the value chain within the scope of its management. By regularly evaluating the safety culture and the safety and health management level, the company measures the level of implementation of the safety and health management system and is improving by identifying shortcomings. In addition, the senior management actively invests in necessary resources such as manpower, facilities, and equipment to enact improvements.						
Product Specifications & Clean Fuel Blends	EM-RM-410a.1	Percentage of Renewable Volume Obligation (RVO) met through	Production of renewable fuels	%	N/A	N/A	N/A	Not Applicable	
		Market for advanced biofuels and associated infrastructure	Purchase of separated renewable identification numbers (RIN)	%	N/A	N/A	N/A	Not Applicable	
			Total addressable market	KRW	N/A	N/A	N/A	Not Applicable	
EM-RM-410a.2	Total addressable share	%	N/A	N/A	N/A	Not Applicable			



SASB

Sustainability Accounting Standards Board

Category	SASB Code	Sub-indicator	Unit	2019	2020	2021	Remarks
Sustainability Disclosure Topics & Accounting Metrics							
Pricing Integrity & Transparency	EM-RM-520a.1	Total amount of monetary losses as a result of legal proceedings associated with price fixing or price manipulation	KRW	0	0	0	
Management of the Legal & Regulatory Environment	EM-RM-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	-	To respond to rapidly changing environmental policies and issues and minimize corporate environmental management risks in accordance with increasingly stringent laws and regulations, SK Gas monitors and applies changes in the laws and regulations enacted/revised once a month to its worksites. Through regular training and coaching in environmental practices, the company further supports the improvement of the practical ability of the environmental managers of its worksites. By establishing an environmental management system (ISO 14001), we not only respond to government regulations, but also identify, evaluate, manage, and improve comprehensive environmental risks, thereby implementing energy saving, greenhouse gas emission reduction, and pollutant emission reduction activities.			
Critical Incident Risk Management	EM-RM-540a.1	Process Safety Event (PSE) rates	Greater consequence (Tier 1)	Ratio	0	0	0
			Lesser consequence (Tier 2)	Ratio	0	0.22	0
	EM-RM-540a.2	Challenges to Safety Systems indicator rate (Tier 3)	Ratio	0	0	0	
	EM-RM-540a.3	Discussion of measurement of Operating Discipline and Management System Performance through Tier 4 Indicators	-	To measure our SHE management performance, SK Gas selects lagging and leading indicators reflects them in the company-wide and worksite-specific annual SHE goals, and operates them in connection with employee reward programs. Every year, the company uses the Labor Loss Injury Rate (LTIR) and external agency's SHE level diagnosis evaluation results as quantitative SHE performance indicators. In addition, SHE performance is reflected in personnel evaluation by linking with KPIs of key executives and worksite managers. Furthermore, leading indicators directly related to accident prevention, such as participation in training, the number of risk factors identified, the number of violations of safety rules, and the acquisition of SHE licenses, are measured by the SHE activity performance of employees. Through this, the company motivates employees to actively participate in accident prevention activities by providing excellent participating employees with various rewards, such as overseas training, every month and every year.			
Activity Metrics							
Refining throughput of crude oil and other feedstock	EM-RM-000.A	Refining throughput of crude oil and other feedstock	Barrel of oil equivalent (BOE)	N/A	N/A	N/A	
Refining operating capacity	EM-RM-000.B	Refining operating capacity	Million barrels per calendar day (MBPD)	N/A	N/A	N/A	

Audit Report

The Shareholders and Board of Directors

SK Gas Co., Ltd.

We have audited the consolidated financial statements of SK Gas Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards (“KIFRS”).

Basis for opinion

We conducted our audit in accordance with Korean Auditing Standards (“KGAAS”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

An impairment testing on industrial property right with indefinite useful lives and goodwill in Ulsan GPS Co., Ltd.

As discussed in Note 2.3.17 to the consolidated financial statements, the Group performs impairment tests for other intangible assets with indefinite useful lives and goodwill by individual assets or cash-generating units on every December 31 or when there is an indication of impairment. The Group performs an annual impairment testing and assesses recoverable amounts on industrial property rights with indefinite useful lives of ₩74,213 million and goodwill of ₩5,085 million which were allocated to Ulsan GPS Co., Ltd., the surviving entity of the spin-off from Dangjin Eco Power Co., Ltd. after the Group acquired equity interests in Dangjin Eco Power Co., Ltd. in 2014 from which industrial property rights with indefinite useful lives and goodwill has incurred.

Recoverable amounts are determined based on value-in-use, and discounted future cash flows from the continuous use of an asset are used to assess the value-in-use. Key assumptions, such as future sales volume, selling price, fuel costs, and discount rates, have a material impact on the estimation of value-in-use, which involve management’s significant judgment. The carrying amounts of related assets are material to the consolidated financial statements. Also, estimating discounted cash flows is complex, and there are uncertainties exist as significant judgment is involved in determining various inputs with the risk of possible bias in management’s judgments. Therefore, we identified the impairment testing on industrial property rights with indefinite useful lives and goodwill in Ulsan GPS Co., Ltd., as the key audit matter.

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

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



Audit Report

Occurrence and cut-off of domestic LPG sales

The Group's domestic LPG sales mainly arise from LPG gas stations and petrochemical companies. Domestic LPG sales recognized during the year ended December 31, 2021 account for 51% of total sales. Therefore, the Group identifies performance obligations in the contract with respect to revenue recognition for domestic LPG transactions; it allocates the transaction price to each performance obligation; and it recognizes revenue when such performance obligation is satisfied. The timing of revenue recognition requires the management's judgment. As a result, there are inherent risks related to sales cut-off due to errors in the management's significant judgment, and as the amount of domestic LPG sales recognized in the consolidated financial statements is considered significant, the review of the occurrence and cut-off of sales thereof is identified as the key audit matter.

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

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

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

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

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

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

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

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

Financial Performance	GRI Index	TCFD	SASB	Audit Report	Third-party Assurance	Greenhouse Gas Verification	Major Honors, Evaluations, and Business Associations	UN SDGs	UNGC
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As part of an audit in accordance with KGAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

March 11, 2022

This audit report is effective as of March 11, 2022, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.



Financial Performance	GRI Index	TCFD	SASB	Audit Report	Third-party Assurance	Greenhouse Gas Verification	Major Honors, Evaluations, and Business Associations	UN SDGs	UNGC
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Third-party Assurance

To readers of SK Gas 2021 Sustainability Report

Introduction

Korea Management Registrar (KMR) was commissioned by SK GAS to conduct an independent assurance of its Sustainability Report 2021 (the "Report"). The preparation of the Report is the sole responsibility of the management of SK GAS. KMR's responsibility is to issue an assurance statement over the limited scope of data and information specified below.

Scope and Standards

SK GAS described its sustainability performance and activities in the Report. Our Assurance Team carried out an assurance engagement in accordance with the assurance standard SRV100 of KMR's Global Management Committee to provide a limited assurance.

We evaluated the adherence to the principles of materiality and understandability and the reliability of the information and data provided using the Global Reporting Initiative (GRI) Index specified below.

Confirmation that the Report was prepared in accordance with the Core Options of the GRI standards was included in the scope of the assurance. We have reviewed the disclosures below for the confirmation.

- **GRI Standards Reporting Principles**
- **Universal Standards**
- **Topic Specific Standards**
 - Management approach of Topic Specific Standards
 - GRI 205: Anti-Corruption
 - GRI 303: Water and Effluents
 - GRI 305: Emissions
 - GRI 306: Effluents and Waste
 - GRI 401: Employment
 - GRI 403: Occupational Health and Safety
 - GRI 405: Diversity and Equal Opportunity
 - GRI 412: Human Rights Assessment
 - GRI 414: Supplier Social Assessment

As for the reporting boundary, the engagement excludes the data and information of SK GAS' partners, suppliers and any third parties.

KMR's approach

To perform an assurance engagement within an agreed scope of assessment using the standards outlined above, our Assurance Team undertook the following activities as part of the assurance engagement:

- Reviewing the overall Report;
- Reviewing the procedure and methods of materiality assessment;
- Reviewing the strategies and objectives of sustainable management;
- Reviewing the activities engaging stakeholders; and
- Interviewing people in charge of preparing the Report.

Conclusion and Opinion

Based on the document reviews and interviews, we had several discussions with SK GAS on the revision of the Report. We reviewed the Report's final version in order to make sure that our recommendations for improvement and revision have been reflected. Based on the work performed, nothing has come to our attention to suggest that the Report was not prepared in accordance with the principles described below. We did not find any evidence that the data included in the scope defined above is not properly described.

- **Materiality**
 - The reporting boundaries of the SK GAS' Report include all of its operating sites. The Report provides detailed long-term sustainability strategies and targets. SK GAS relies on its own materiality assessment process to decide the materiality of issues identified by stakeholder communication channels. We could not find any material issue or stakeholder group that was not covered in the process.
- **Understandability**
 - The Report was prepared in the context of sustainability to provide targets for sustainability issues identified by the materiality assessment and the background of the selection and the management approach. It is our opinion that the metrics are specific and easy to compare.
- **Reliability**
 - The Assurance Team identified errors in the data and information provided, which SK GAS subsequently corrected before issuing the final version of the Report. We believe the data and information included in the Report are accurate and reliable. Nothing has come to our attention to imply that the Report does not provide a fair representation of SK GAS' responses to material stakeholder issues.

We did not find any evidence to suggest that the Report was not prepared in accordance with the Core Options of the GRI standards.

Recommendations

We expect that the SK GAS' Report can be utilized as a means of communications with stakeholders. The following recommendations are provided for further improvements:

- SK Gas logically described its financial and non-financial performance and the efforts made to achieve it to strengthen communication with different stakeholders. We recommend that SK Gas expand ESG-related KPIs for the systematic implementation of sustainable management.

Independence

KMR has no other contract with SK GAS and did not provide any services to SK GAS that could compromise the independence of our work.

June 28, 2022.



CEO *E. J. Hwang*



Greenhouse Gas Verification



Verification Statement on 2021 Greenhouse Gas & Energy Inventory Report

Introduction

Korean Foundation for Quality (hereinafter 'KFQ') has been engaged by SK gas. (hereinafter 'Company') to independently verify its 2021 Greenhouse Gas Emission & Energy Consumption Report (hereinafter 'GHG Inventory'). It is the responsibility of the Company's management to compile the Inventory Report and the emission quantity report by "Greenhouse Gas Emissions Trading Scheme" run by the government of Korea and KFQ's responsibility is provision of opinions on the Inventory Report after verification according to ISO 14064-1, ISO 14064-3 and national scheme.

Verification Scope and Standard

KFQ's verification was focused on all of the greenhouse gas emission sources (direct emission and indirect emission) controlled by the Company's places of business nationwide. 'Guidelines on the Reporting and Certification of Emissions of Greenhouse Gas Emission Trading Systems (Notification No. 2021-278 of Ministry of Environment & IPCC Guidelines 2006)' were mainly applied in verification process but also the Company Guidelines for GHG Inventory was considered.

Verification Procedure

The Verification has been planned and conducted by the "Greenhouse Gas and Energy TargetManagement Scheme", and to reach reasonable level of assurance.

Limitations of verification

The accuracy and completeness of the emissions data shown in the greenhouse gas inventory contains inherent limitations that can arise depending on the characteristics, calculations, and estimation of the data.

Conclusion/Opinion

Based on verification process according to the ISO 14064-1, ISO 14064-3 and national scheme., KFQ obtained reasonable basis to express the following conclusion on the greenhouse gas emission data(as scope 1 and scope 2) in the Inventory Report. As a result of SK gas' assessment of the importance of greenhouse gas emissions at all domestic workplaces in 2021, it is a company with a quantitative standard of less than 500,000 tCO₂-eq, which is a requirement for reporting and certification of greenhouse gas emissions trading system.

2021 Greenhouse Gas Emission of 『SK gas』

Report year (Jan. 1, 2021 ~ Dec. 31, 2021)	Greenhouse Gas Emission (Unit: tCO ₂ -eq)		
	Direct Emission (Scope 1)	Indirect Emission (Scope 2)	Total (Scope 1 + Scope 2)
SK Gas HQ (ECO Hub)	296.866	3,080.467	3,377
SK gas ULSAN	16,402.554	4,562.934	20,965
SK gas Pyeongtaek	6,759.164	2,708.464	9,467
G.Hub	22.506	1,645.571	1,668
Total	23,481.089	11,997.436	35,478

* The above GHG emissions are cut in units of integer for each scope and a difference of less than ±1 tCO₂-eq from the actual value of the system may occur.

April 28th, 2022
 CEO Ji-Young Song
 Korean Foundation for Quality (KFQ)

Major Honors, Evaluations, and Business Associations

Awards

Date	Awards
May 2022	Germany-based Statista: South Korea's top 100 ESG leaders
Jan. 2022	Fortune Korea ESG 100: top in the "Extractives & Minerals Processing" sector
Aug. 2021	UK-based CRRA taps SK Gas's Sustainability Report as "1st Runner up" in the category of "1st Time Report"
Feb. 2021	The US-based LACP Vision Award Annual Report Competition: Gold Award, Top 100 Report (52nd), Technical Achievement Award
Dec. 2020	Selected as an excellent company as a local community sponsor (Seongnam Mayor's Commendation)

ESG Ratings from External Evaluations

Classification		2019	2020	2021	Remarks
KCGS	Integrated	B+	A	A	
	E	B	B+	A	
	S	B+	A+	A+	
	G	A	A	A	
MSCI		B	BB	BBB	Upgraded to "AA" in June 2022

Business Associations

Classification	Unit	2019	2020	2021	
Major organizations sponsored (Top 5: associations that SK Gas participates in and contributes to)	Korea LPG Industry Association	KRW million	56	33	43
	Korea LP Gas Sales Association	KRW million	15	25	25
	H2KOREA (Hydrogen Convergence Alliance)	KRW million	25	25	25
	KBCSD	KRW million	15	10	10
	Association of Energy Future Forum	KRW million	5	5	5



UN SDGs

The SDGs (Sustainable Development Goals) are the goals of the international community that the UN presented in 2016-2030 as what all members of the world must implement in order to achieve the world's sustainable development. Achieving the goals requires social effort and cooperation. Among them, the role of a company is to create growth engines and innovations for economic development and job creation. By aligning the SDGs, a common global goal, with the business direction of the company, companies can create new business models and become sustainable businesses. SK Gas is developing strategies necessary for the company's mid- to long-term growth by identifying global trends through SDGs. From the 17 SDGs, the company engages in activities to focus on contributing to a total of 13 goals, SDG 1, 3, 4, 6, 7, 8, 10, 11, 12, 13, 14, 15, and 16, and 28 sub-goals.

Key SDGs	Targets	Report Page	SK Gas's Contributions
	1.2 Reduce by at least half the proportion of men, women, and children of all ages.	43	<ul style="list-style-type: none"> • Hope Maker (economic and emotional support for children from low-income families) • Happiness Alliance (support for children in welfare blind spots)
	1.3 Implement nationally appropriate social protection systems and measures for all and achieve substantial coverage of the poor and the vulnerable.		
	1.5 Build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social, and environmental shocks and disasters.		
	3.6 Halve (50% less) the number of global deaths and injuries from road traffic accidents.	17	<ul style="list-style-type: none"> • Road Traffic Safety Campaign • Support for social enterprises for school bus safety (School Bus)
	3.7 Ensure universal access to sexual and reproductive health-care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programs.	55-56	<ul style="list-style-type: none"> • Maternity leave, parental leave, and reduced working hours during child-rearing. • The burden of pregnancy and childbirth divided through foster care of daycare centers in the workplace
	4.1 Ensure that all girls and boys complete free, equitable, and quality primary and secondary education leading to a relevant and effective learning outcome.	42-43	<ul style="list-style-type: none"> • Support the spread of humanities (Academia Platonica) • Hope Maker (economic and emotional support for children from low-income families)
	4.2 Ensure that all girls and boys have access to quality early childhood development, care, and pre primary education so that they are ready for primary education.		
	4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship.		
	4.5 Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples, and children in vulnerable situations.		
	4.6 Ensure that all youth and a substantial proportion of adults, both men, and women, achieve literacy and numeracy.	53	<ul style="list-style-type: none"> • Manage wastewater recycling rate by setting a target at the level of Global Top Peer in the industry group to which we belong. To this end, we are in the process of installing gray water facilities at Pyeongtaek Terminals this year. • Manage the water intake intensity by setting a target at the level of the Global Top Peer of the industry group to which we belong. To this end, leak points at Ulsan Terminals were discovered and are being addressed this year.
	6.3 Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater, and substantially increasing recycling and safe reuse globally.		
	6.4 Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.		

Financial Performance	GRI Index	TCFD	SASB	Audit Report	Third-party Assurance	Greenhouse Gas Verification	Major Honors, Evaluations, and Business Associations	UN SDGs	UNGC
Key SDGs		Targets		Report Page	SK Gas's Contributions				
		7.1 Ensure universal access to affordable, reliable, and modern energy services.		43	<ul style="list-style-type: none"> • We promote convenient and safe access to energy services for the geographically disadvantaged by distributing and installing LPG Small Bulk in areas that cannot be reached by city gas pipelines. 				
	Ensure access to affordable, reliable, sustainable, and modern energy for all	7.2 Increase substantially the share of renewable energy in the global energy mix.		13, 36, 52, 54	<ul style="list-style-type: none"> • New solar power generation facilities are planned to be installed at three worksites in 2022, and one worksite is already in operation, contributing to increasing the use of renewable energy. 				
		7.3 a Enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency, and advanced and cleaner fossil-fuel technology and promote investment in energy infrastructure and clean energy technology.		6-7, 13, 21	<ul style="list-style-type: none"> • We decided to invest in C-Zero, which has the turquoise hydrogen production technology (we will continue to invest in related technologies to become the prime mover of the hydrogen economy). 				
	Promote sustained, inclusive, and sustainable economic growth, full	8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.		43, 55	<ul style="list-style-type: none"> • Hope Maker (economic and emotional support for children from low-income families) 				
		8.6 Substantially reduce the proportion of youth not in employment, education, or training.							
	Reduce inequality within and among countries	10.2 Empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.		43, 55	<ul style="list-style-type: none"> • Hope Maker (economic and emotional support for children from low-income families) • Happiness Alliance (support for children in welfare blind spots) 				
		11.6 Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.		10-11, 26-27	<ul style="list-style-type: none"> • To improve air quality affected by fine dust etc., diesel vehicles are being converted to LPG in the transportation market • BC fuel is being converted to LPG in the industrial fuel market. 				
	Ensure sustainable consumption and production patterns	12.4 Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water, and soil in order to minimize their adverse impacts on human health and the environment.		13, 53	<ul style="list-style-type: none"> • Reduce wastes by setting a target at the global top-peer level in the industry group to which we belong. • Improve waste recycling rate by setting a target at the global top-peer level in the industry group to which we belong. 				
		12.5 Substantially reduce waste generation through prevention, reduction, recycling, and reuse.							
	Take urgent action to combat climate change and its impacts	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.		36-37	<ul style="list-style-type: none"> • In response to climate change issues, we declared Carbon Net Zero in 2021 and will refine the strategy according to climate change scenarios by verifying this plan according to the SBTi standard in 2022. 				
		13.2 Integrate climate change measures into national policies, strategies, and planning.		43	<ul style="list-style-type: none"> • Our plan to achieve Net Zero is established in line with the NDC goal (40%) announced by the government in 2021. 				
		13.3 Improve education, awareness-raising, and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning.							
	Conserve and sustainably use the oceans, seas, and marine resources for sustainable development	14.2 Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and taking action for their restoration in order to achieve healthy and productive oceans.		42-43	<ul style="list-style-type: none"> • One Company Care for One Coast activity • Happy Green School (Environmental Education) 				
		Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss		41	<ul style="list-style-type: none"> • Ecosystem protection activities (National Institute of Ecology) 				
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels	16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all.		64-65	<ul style="list-style-type: none"> • Operation of ethical management system • Anti-Corruption and Anti-bribery International Certification (ISO 37001) in April 2020 • Operation of an anti-corruption management system including the company and its suppliers • Regular monitoring and performance disclosure • Report/deliberate on performance and plans once a year by the BOD • The Fair Trade Compliance Program adopted in 2002 • The Four Fair Trade Guidelines for fair trade introduced and implemented 				
		16.5 Substantially reduce corruption and bribery in all their forms.							



UNGC

The Ten Principles of the UN Global Compact



SK Gas strongly supports the idea of the UNGC and actively participates in UNGC activities. The company faithfully complies with each of the ten principles throughout its policies and activities.

Classification		SK Gas's Policies and Activities	
Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	By enacting the Human Rights Declaration and Human Rights Regulations in 2020, SK Gas expressed the commitment of all its stakeholders, including employees, business partners, and local communities, to protect human rights. In addition, we established a fairer and more reasonable talent selection process by collecting grievances and actively addressing them through regular communication with employees. In consideration of the qualifications and job suitability of all members, we support various competency development programs to support continuous growth.
	Principle 2	Make sure that they are not complicit in human rights abuses.	
Labor	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	
	Principle 4	The elimination of all forms of forced and compulsory labor	
	Principle 5	The effective abolition of child labor	
	Principle 6	The elimination of discrimination in respect of employment and occupation	
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges	SK Gas has established and complies with strict internal environmental standards to practice environmental management. In addition, the company is conserving the natural environment by minimizing greenhouse gas emissions, wastewater, and pollutants, and is making efforts for eco-friendly business and future energy innovation.
	Principle 8	Undertake initiatives to promote greater 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.	Based on SKMS, SK Group's business philosophy, the company has established the Code of Ethics and promoted the establishment of an anti-corruption management system, and obtained ISO 37001 certification in 2020. We comply with specific practice guidelines based on the Code of Ethics and the certification standards and demonstrate transparency and fairness in management by operating an ethics counseling office and utilizing various reporting channels.

