

Reducing Scope 1 & 2 Emissions

In August 2021, the IPCC (Intergovernmental Panel on Climate Change) approved a report stating that the speed of global temperature rise is getting faster day by day. At this rate, the global temperature is expected to rise by 1.5°C compared to the pre-industrial level within the next 20 years. As prompt response to climate change is becoming more urgent than ever, we are faced with a demand for setting specific targets and move into action for Net Zero rather than just declaring it. Many investment and assessment agencies are urging companies to take a proactive approach in dealing with climate change and providing specific plans to achieve Net Zero, including specific short-term Net Zero goals, disclosing the progress, aligning the Net Zero performance with the KPIs, and estimating investment costs for each action plan.

Accordingly, we have updated our Net Zero Roadmap established in 2021 to meet these demands. 'Reducing Scope 1 & 2 Emissions' is included in our GROWTH strategy to demonstrate our commitment to the Net Zero Roadmap.

Net Zero is a new opportunity for growth as well as a necessity for our survival. We are committed to creating economic and environmental values by exploring business opportunities in the process of innovating our business models themselves, rather than focusing solely on carbon reduction.



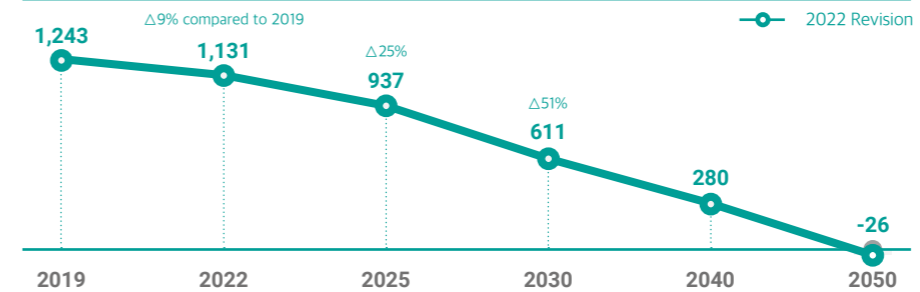
Power boiler only operated by eco-friendly LNG fuel (Ulsan CLX)

Priority Task Implementation Strategy (Mid/Long-term Strategy)

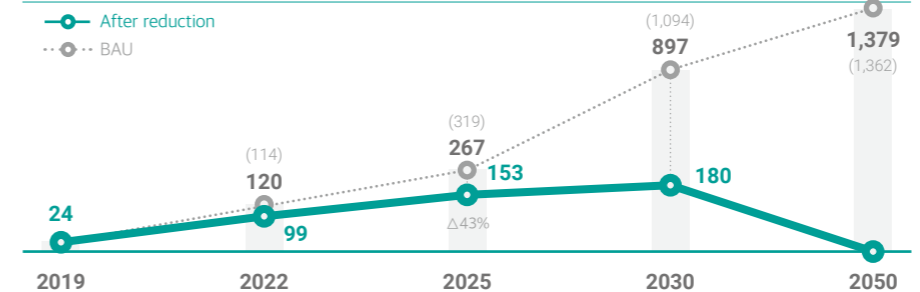
At SK innovation, we are committed to 'Net Zero Operations' with the goal of achieving Scope 1 and 2 Net Zero in the energy/chemical business by 2050 and the battery/material business by 2035. To this end, we set an emission reduction target by dualizing the existing business operation and new growth models. Our goal is to achieve a 25% reduction compared to 2019 in the energy/chemical business, and a 43% reduction in the battery/material business compared to BAU¹⁾ by 2025. We are going to implement fuel transition, introduce low carbon raw materials, optimize process operation and facilities, and facilitate the development of CCUS (Carbon Capture, Utilization & Storage) in order to achieve the goals for the energy/chemical business. We are also planning to improve fuel transition and process efficiency to achieve our targets for the battery/material business while reducing carbon emissions through promotion of RE100²⁾ in advance. Meanwhile, we are going to purchase carbon credits in the domestic market and secure overseas credits based on the international carbon market mechanism to achieve our goal from the Net Zero Roadmap.

Net Zero Roadmap Carbon Reduction Pathway

Energy/chemical business *A Net Zero target to reduce emissions compared to the 2019 level. (Unit: 10,000 ton)



Battery/material business *A Net Zero target to reduce emissions compared to the BAU estimate calculated in 2022. (Unit: 10,000 ton)



Alignment with UN SDGs



- 1) Estimated carbon emissions if no special measures are taken for their reduction
- 2) International business partnership project to replace 100% of electricity used by companies with renewable energy (SK innovation have not joined the project but voluntarily set a goal for RE100 in 2020.)

Goals for 2025



Reducing emissions in the energy/chemical business by

25% compared to 2019



Reducing emissions in the battery/material business by

43% compared to BAU

Progress in 2021



Reduced energy/chemical business emissions compared to 2019

by **12%**

Action Plans for 2022

To ensure rapid and efficient transition to Net Zero, SK innovation plans to update its Net Zero Roadmap every year from 2022 and check the progress at a company-wide level, and then reset the target if necessary. We also plan to establish a process of monitoring the progress and report it to the Board of Directors. The initiative for reflecting short-term Net Zero performance in the KPIs introduced by SK innovation in 2021 will be extended to our subsidiaries to promote their implementation.

Progress in 2021

In 2021, SK innovation built a foundation for achieving Net Zero as we explored an option pool to achieve the goal including transition to low carbon business models. As a result, we managed to reduce emissions by 12% in 2021 compared to 2019 in the energy/chemical business.

In order to provide a deep insight into our commitment and performance, we published the 2021 Net Zero Special Report as part of our efforts to maintain close communication with our stakeholders.

Comments from the Department in Charge

Climate change is one of the most important topics of our time, and we recognize Net Zero as part our corporate mission. Achieving Net Zero should be taken in action since it is not a matter of choice but a necessity for sustainable future and a key to gaining competitive advantages.

In line with this approach, we are committed to 'Net Zero Operations' with the goal of achieving Scope 1 and 2 Net Zero in the energy/chemical business by 2050 and the battery/material business by 2035. By exploring options for carbon reduction, we intend to realize reduction by achieving zero direct and indirect emissions.

Going forward, we plan to monitor and share our progress towards Scope 1 and 2 Net Zero goals with stakeholders and promote Net Zero Operations, based on our strong commitment and sense of responsibility.



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