

# Increasing Green Products and Services

Green products and services are an important indicator for our progress in expanding green portfolio and driving sustainable growth. Therefore, we set 'Increasing Green Products and Services' as a priority task under our GROWTH strategy.

It is required to measure the social value of our sustainable solutions to demonstrate our progress. At SK innovation, we measure the positive and negative impacts of our products and services on the environment and the benefits they provide to society in accordance with the SK Group's Double Bottom Line methodology, in an objective and strict manner. Rather than focusing on sales or profits, we estimate the social value based on the excess benefits compared to the market average baseline of other products and services in the same category. The estimated social values are presented in an objective monetary value through verification by the SK Group's CSES (Center for Social Value Enhancement Studies). By doing so, we plan to expand our green product and service line-up in terms of their quantity and quality and to launch innovative solutions that meet the needs of Financial Society and our stakeholders.



Na Kyung-soo, CEO of SK geo centric, visited Loop Industries, a global partner to build a circular economy to reduce plastic wastes.

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

The mid/long-term goals of the priority task 'Increasing Green Products and Services' is to increase their social values by at least 20% annually, and then double that amount to reach KRW 600 billion by 2025 compared to 2021.

This priority task will be aligned with the KPI while supporting the expansion of our subsidiaries to develop green business models and promote social value creation. Not only do we increase the sales for green products and services by making continuous improvements of those solutions, but we also develop formulas that can reflect the impact on social values that are currently unidentified in connection with Financial Story to explore new business models.

Alignment with UN SDGs



Goal for 2025



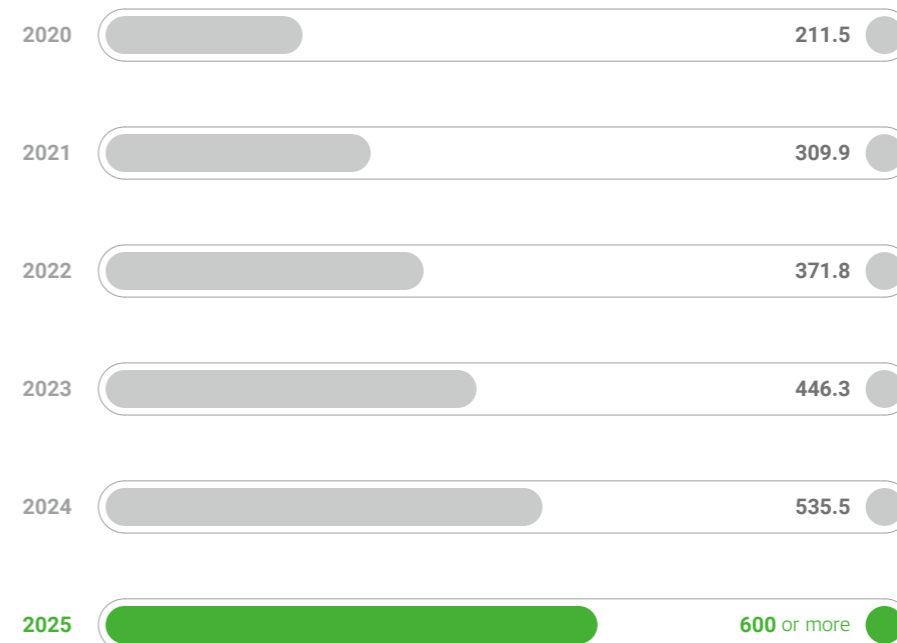
Creating social values with green products and services by 2025

KRW **600** billion or more

### Annual targets by 2025

(Unit: KRW billion)

SKI and its subsidiaries in total



### Action Plans for 2022

In 2022, SK innovation will make the utmost efforts to facilitate the development of new business models in connections with the Financial Story, in order to expand its green portfolio with focus on green products and services without a break. Our goal is to improve the investment performance in green businesses and secure assets that can lead to the green and circular ecosystem and sustainable energy supply to reduce carbon emissions in the global market.

In 2022, we will disclose the formula of estimating our green products and services to collect feedback from our stakeholders, and participate in collaboration with the VBA (Value Balancing Alliance), HBS (Harvard Business School) and other global partners to advance the SV methodology for our products and services. We will also establish a methodology for measuring and evaluating products and services developed in 2021, such as recycled plastics, and share our progress afterward.



A view of the booth installed by SK on at InterBattery 2022

### Progress in 2021

In 2021, SK innovation generated KRW 309.9 billion in social value with green products and services as a result of the increase in the sales of sustainable solutions and the rapid growth of the battery/material business. The significant performance growth compared to 2020 was caused by an increase in sales of products made with green resources such as asphalt using recycled asphalt concrete and the doubled sales of EV batteries.








### Progress in 2021



Generated SV with increased green products and services

KRW **309.9** billion

### SKI Subsidiaries' Green Products and Services

 <p><b>SK energy</b> Green asphalt, solar power generation</p>	 <p><b>SK geo centric</b> Green foaming agent, lightweight automotive materials (HCPP: High Crystalline Polypropylene), high-performance packaging materials, solvent replacing toxic materials (toluene)</p>	 <p><b>SK lubricants</b> Green lube base oil, lubricants for electric vehicles</p>	
 <p><b>SK incheon petrochemical</b> District heating from process heat sources</p>	 <p><b>SK trading international</b> Green (high-efficiency) vessel charter services</p>	 <p><b>SK on</b> EV batteries</p>	 <p><b>SK ie technology</b> LiBS (Lithium-ion Battery Separator)</p>

  
KRW  
**6.3 billion**



**Green Asphalt**

SK energy has developed and sold high-penetration recycled asphalt, contributing to waste reduction by promoting the recycling of aged asphalt in asphalt concrete wastes (recycled aggregate). Furthermore, premium asphalt, more durable than general asphalt and constructible at a temperature about 30°C lower, outperforms in reducing greenhouse gases and air pollutants.

**SV formula for waste reduction of green asphalt =**  
Utilization rate of asphalt waste aggregate compared to the market average X Waste Eco-cost X Sales of green asphalt

  
KRW  
**3.8 billion**



**Green High-functional Packaging Materials**

SK geo centric has developed PE for packaging film into a high-performance single-component material to increase the recyclability of plastics and reduced waste in order to bring the green lifestyle forward in collaboration with several retailers using lightweight packaging.

**SV formula for waste reduction of green high-functional packaging materials =** Reduction factor for waste compared to the market average X Waste Eco-cost X Sales of packaging materials

  
KRW  
**106 billion**



**Green Lube Base Oil**

The green lube base oil developed by SK lubricants has excellent engine protection performance and fuel efficiency improvement, reducing exhaust gas emissions and minimizing environmental impacts.

**SV formula for GHG emission reduction of green lube base oil =**  
Fuel efficiency rate compared to the market average X Average driving distance X GHG emissions X Sales of green base oil

  
KRW  
**3.1 billion**



**Supply of Process Waste Heat for District Heating**

SK incheon petrochemical has been recovering waste heat from process, providing it as cooling and heating energy for up to 40,000 neighboring households for one year. The energy upcycling project, collaborating with integrated energy supply companies, reduces the use of additional fossil fuels, subsequently curbing greenhouse gas emissions.

**SV formula for GHG reduction through supply of process waste heat=**  
GHG emission factor of energy suppliers X GHG Eco-cost X Amount of heat supplied by SK incheon petrochemical

**Comments from the Department in Charge**

Social value is the value created by solving various problems our society is facing. It is intended to go beyond corporate social responsibility and solve social problems in a more proactive way by tapping into the company's assets and innovation capabilities. SK innovation's performance in social value is measured through monetization that applies objective standards, which support communication with stakeholders.

The mid- to long-term goal of creating social value of more than KRW 600 billion by 2025, as suggested by SK innovation in this ESG Report, is double the social value performance delivered in 2021, which is not easy to achieve with mere ordinary business activities.

To achieve this goal, it is essential to get internal and external stakeholders' trust and support for the company's vision and innovation direction, and a consensus among all employees to achieve this common goal. SK innovation will continue to develop new green products and services through cross-functional cooperation with a view to creating social value. In this way, it is ensured that our social value performance can be recognized by customers and stakeholders.



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\*More information about formula, monetary proxy, and input data of SKI subsidiaries' products/services can be found on Page 89 of the ESG Report.