

# Policy of Supply Chain ESG management


Version 4.0



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## Chapter 1: Supply Chain ESG Management Policy

### Article 1 (Human Rights Management)

SK chemicals established a systematic human rights management system through the Declaration of Human Rights Management and the enactment of Human Rights Management Implementation Guidelines in 2022. Through this, SK chemicals monitors the occurrence of direct or indirect human rights violations or human rights damages not only at our workplaces but also throughout the supply chain, reflecting them in various internal regulations and norms such as employment rules, and strictly implementing them in our management activities.

In order to practice human rights management throughout the supply chain, SK chemicals complies with the following.

- ① SK chemicals affirms its support for the United Nations Global Compact (UNGC) in the four areas of human rights, labor, environment and anti-corruption, and their ten principles.
- ② The chief decision-maker oversees human rights management through Human Rights Management Committee.
- ③ SK chemicals discloses human rights issues in accordance with the UNGP reporting framework.
- ④ The scope of human rights management includes supply chain members.

SK chemicals recommends that all business partners (hereinafter referred to as BPs) in our supply chain comply with international principles on human rights, including the Universal Declaration of Human Rights, the International Bill of Rights, the United Nations guiding principles on business and human rights, the International Labor Organization's core agreement<sup>1</sup>, the Organization for Economic Cooperation (OECD) Guidelines for Multinational Enterprises, the United Nations

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<sup>1</sup> The Convention on the Protection of Freedom of Association and the Right to Unity(No. 87), the Convention on the Right to Collective Bargaining(No. 98), the Compulsory Labor Convention(No. 29) and 2014 Protocol, the Abolition of the Compulsory Labor Convention(No. 105), the Minimum Age Convention(No. 138), the Child Labor Convention(No. 182), the Equal Remuneration Convention(No. 100), and the Discrimination (Employment and Occupation) Convention(No. 111).



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Convention on the Rights of the Child, the United Nations Protocol for the Prevention, Suppression and Punishment of Human Trafficking of Women and Children, and the United Nations Declaration on the Rights of Indigenous Peoples.

### **Article 2 (Environmental Management)**

SK chemicals strengthens its environmental management system to harmonize corporate activities with environmental sustainability. The company pursues continuous innovation to provide eco-friendly products and services to stakeholders. Through management rationalization across all sectors, including production processes, SK chemicals practices energy conservation, greenhouse gas reduction, and water conservation. The company operates green purchasing by evaluating the environmental aspects of raw materials and managing procurement and supply chain operations in an eco-friendly manner.

### **Article 3 (Ethical Management)**

SK chemicals adheres to the SK Management System (SKMS) philosophy, which includes ethical standards reflecting the management's fundamental principles. To establish transparent ethical systems and culture, SK chemicals has guidelines such as SKMS Implementation Guidelines, Ethical Standards, and Practice Guidelines. These guidelines promote joint development with BPs and fair competition with competitors. To implement systematic ethical management, the company practices prevention, detection, and response activities based on Ethical Standards and Practice Guidelines. The company also provides a reporting process and whistleblower protection for the supply chain, accepting reports via website, phone, mail, and e-mail.

### **Article 4 (Safety Management)**

Under its human-centered management principles, SK chemicals recognizes Safety, Health, and Environment (SHE) management as a core value. This includes safety and accident prevention activities, health management, and continuous improvement of the work environment in collaboration with the supply chain. Through dedicated SHE teams, the company supports on-site supervision and accident prevention according to SHE standards and procedures, aiming for zero SHE incidents and establishing top-tier SHE management systems.



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Specific measures include identifying and improving hazardous elements in workplaces of BPs, such as improving outdated office, break room, and restroom facilities used by BPs' employees to provide a healthier work environment.

## Article 5 (Green Purchasing)

As a company considering humans and the natural environment together, SK chemicals aims to provide eco-friendly products with high-quality to customers by actively promoting green purchases. To this end, SK Chemicals complies with the following principles.

### ① Green Purchase Definition and Criteria

Green purchase is a purchasing activity in which a company's purchase contract and supply chain management are operated in an eco-friendly manner by evaluating environmental performance during the procurement stage for raw materials. SK chemicals defines the following products as green purchase products.

- 1) Products certified as environmental signs under the Environmental Technology and Environmental Industry Support Act
- 2) Excellent recycled products under the Act on the Promotion of Resource Saving and Recycling
- 3) Low-carbon products under the Act on Promotion of Purchase of Green Products
- 4) 100% Bio-Based (plant-based) or BioPreferred products certified by the U.S. Department of Agriculture (USDA)
- 5) Products certified by ISCC Plus (Circular and Bio-based)
- 6) Products certified by GLOBAL RECYCLED STANDARD (GRS)
- 7) Products certified by the European Commission's General Directorate for Health and Food Safety (DG SANTE) as food contactable recycled materials
- 8) Other renewable raw materials that can contribute to the reduction of the external environmental impact and the establishment of a circular economy

### ② Green Purchase Goals



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SK chemicals establishes a close cooperative relationship with BPs through green purchase activities. In addition, it produces products by purchasing and procuring raw and subsidiary materials from excellent BPs, which strives to improve quality, environment, and service. Based on this, the goal of SK chemicals' green purchasing is to continuously expand the purchase of products that meet the above definition and standards for green purchase.

## Chapter 2: Supply Chain ESG Screening

### Article 6 (Risk Management Procedures)

SK chemicals operates procedures to prevent ESG risks in the supply chain, aiming to engage in sustainable business with BPs to address social and environmental issues.

#### ① Commitment to SK chemicals Supplier Code of Conduct

- All BPs trading with SK chemicals shall submit a signed commitment to comply with the 'SK chemicals Supplier Code of Conduct' during initial registration or at the start of each year.

#### ② ESG Competence Assessment in BP Evaluation


- To understand the ESG management level and identify potential risks, SK chemicals assesses ESG competence as a qualification criterion for BP evaluation.

#### ③ In-Depth ESG Evaluation for significant BPs

- SK chemicals conducts in-depth supply chain ESG evaluations for key BPs with large transaction volumes or high importance. Evaluations are based on global standards (e.g., RBA, EcoVadis), domestic laws, and guidelines. BPs conduct initial self-assessments, followed by verification from an independent third-party evaluator for objectivity, reliability, and fairness.

### Article 7 (Significant BPs)

SK chemicals selects key BPs for intensive management based on transaction amount, ESG importance, and risk. Detailed criteria are as follows:

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Category	Green Chemicals Biz.	Pharma Biz.
Purchase Amount	· Biz. Partners with high transaction volume <sup>1)</sup>	
ESG Importance	· Biz. Partners evaluated as having a high level of ESG risk through supply chain ESG screening.	
Others	· Biz. Partners with low substitutability · Biz. Partners with high transaction importance · Biz. Partners residing within SK chemicals' factory · Simple agents are excluded from evaluation <sup>2)</sup>	
	· Shall include subcontractors	· Includes joint sales with global pharmaceutical companies

1) Transaction proportion may vary based on SK Chemicals' annual total transaction amount.

2) Agents deemed highly important in terms of ESG (Environmental, Social, and Governance) may be exceptionally included.


### Chapter 3: Supply Chain ESG Evaluation

#### Article 8 (Participation in Supply Chain ESG Evaluation)

- ① Key BPs shall participate annually in the supply chain ESG evaluation program provided by SK chemicals. This program is based on standards from global organizations (such as RBA) and domestic and international laws and guidelines, encompassing indicators related to Environment, Social, and Governance (ESG). To enhance evaluation accuracy, the details and methods of evaluation are continuously being refined.
- ② Risk Levels Classification: Based on the evaluated risk levels, the final result is classified into three stages: 'High Risk', 'Medium Risk', and 'Low Risk'. Sanctions for High Risk or Refusal: If a BP is classified as 'High Risk' or refuses evaluation without special reasons for three consecutive years, SK chemicals may impose sanctions such as transaction restrictions or transaction size reduction on the supply chain.  
 \* Low-risk BPs are exempt from the evaluation for the following year (evaluated every two years)

#### Article 9 (Substitution with External Evaluation)

To reduce redundancy in ESG evaluations, external evaluation results recognized by SK chemicals can substitute the Company's evaluations. Recognized external evaluations include:

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Category		KCGS	EcoVadis
Evaluation Agency		Korea ESG Standards Institute	EcoVadis
Evaluation Period		Current year results	Validity period includes the current year
Evaluation Rating	Low risk	S, A <sup>+</sup>	Platinum, Gold
	Medium risk	A, B <sup>+</sup> , B	Silver, Bronze, Committed
	High risk	C, D	Failed to obtain medal

- ※ Simple sales entities controlled by the parent company (without manufacturing/production facilities) may use the parent company's evaluation results. Article 9 (Improvement Activities for High Risk Diagnosis)
- ※ Substitution of external ESG evaluation results, other than those listed above, can be recognized through internal review by the responsible organization

### Article 10 (Improvement Activities for High Risk Diagnosis)

- ① If the evaluation results in a high-risk diagnosis, an improvement plan shall be established and submitted.
- ② In cases where urgent improvements are necessary, a completion deadline may be provided. If the required standards are not met within the specified time, business restrictions or exclusions may be considered.
- ③ Considering strategic importance, transaction size, and risk level, some high-risk BPs will be selected to participate in an on-site coaching program aimed at facilitating improvements.

## Chapter 4: Supplier Code of Conduct

### Preamble

SK chemicals conducts business with a commitment to enhancing human health and protecting the environment, and we expect our suppliers to share this commitment. Therefore, all suppliers trading with SK chemicals shall comply with the following requirements to contribute to customer satisfaction.

SK chemicals may conduct assessments to verify compliance with this code and may impose sanctions, including trade restrictions, if high-risk issues are identified and not addressed.



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## Labor/Human Rights

### ① Prohibition of Workplace Harassment and Discrimination:

Biz. Partners shall strive to create a work environment free from illegal discrimination and harassment. Employment practices, including hiring, promotion, compensation, and education, shall not involve any form of harassment or discrimination based on race, age, gender, physical condition, religion, or any other political, economic, or social status unrelated to job performance.

### ② Prohibition of Forced Labor:

Biz. Partners ensures that no worker, including temporary workers, migrant workers, contract workers, regular employees, and any other type of worker, is subjected to mental or physical coercion or forced to work against their will, and employment conditions shall be voluntary. Biz. Partners do not accept bribes from executives and employees on condition of employment, and retention of work permits, identification cards, passports, etc. of job candidates and workers is strictly prohibited. Additionally, Biz. Partners ensure the freedom of movement of workers within the workplace so that access to dormitories, accommodations, and other workplace facilities is not unreasonably restricted.

### ③ Prohibition of Child Labor/Compliance with Working Hours/Wages and Benefits:

Biz. Partners shall verify the age of the candidates and prohibit the employment of children below the minimum working age. In addition, working hours and working days shall not exceed those prescribed by law, and shall comply with all relevant legal standards, such as legal wages, benefits, working hours and compensation.

### ④ Migrant Workers:

Biz. Partners shall pay special attention to domestic and overseas migrant workers and the risks of labor exploitation they face. The rights of migrant workers shall be respected without discrimination. Migrant workers receive the same employment protection and rights as native workers if required by law. Biz. Partners shall comply strictly with immigration and labor laws when employing migrant workers. If migrant workers wish to terminate their employment contract voluntarily within a reasonable period or the legally defined period, Biz. Partners shall allow for contract termination without any disadvantage to the workers.



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⑤ **Humane Treatment/Freedom of Association :**

Biz. Partners shall not subject workers to sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, or any other inhumane treatment. The legal right to freedom of association and collective bargaining shall be recognized.

⑥ **Grievance Handling System:**

SK chemicals operates a grievance handling system to facilitate free communication for all stakeholders. Workers of Biz. Partners can access this system and report any unfair, inhumane, or unethical acts occurring within the partner organization, regardless of the subject. SK chemicals thoroughly protects the identity of grievance reporters and responds with a zero-tolerance policy towards any retaliatory actions against reporters.

### Environmental

① **Environmental Permits and Hazardous Substance Management:**

Biz. Partners shall comply with environmental regulations and reporting requirements. They shall identify and manage hazardous substances, chemicals, waste, wastewater, and air pollutants generated in the manufacturing process, aiming to minimize their release. Additionally, Biz. Partners shall monitor noise, forest/soil pollution, odors, and biodiversity to reduce negative impacts on the local ecosystem. Systems to reduce raw material usage and other management systems shall also be implemented.

② **Energy Consumption and Greenhouse Gas Emissions:**

Biz. Partners shall monitor energy consumption and greenhouse gas emissions and make efforts to minimize them. They shall cooperate with SK chemicals in providing information on energy and greenhouse gases when requested.

### Ethics

① **Business Integrity/Whistleblower Protection:**

Biz. Partners shall prohibit all forms of corruption, extortion, embezzlement, bribery, kickbacks, and gift-giving and strive for ethical and transparent management. They shall protect the identity of whistleblowers and prohibit any retaliatory actions against them, transparently disclosing such practices.



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### ② **Fair Competition:**

Biz. Partners shall adhere strictly to laws regarding fair trade and refrain from any unfair practices, such as abusing dominant market positions.

### ③ **Protection of Personal Information/Intellectual Property Rights:**

Biz. Partners shall continuously strive to protect customer information, personal information, and intellectual property rights.

### ④ **Data Security**

Biz. Partners shall maintain confidentiality for any data they become aware of or receive during business activities. They shall report any security breaches to SK chemicals and actively cooperate during the fact-checking process.

### ⑤ **Prohibition of Conflict Minerals:**

Biz. Partners shall not use raw materials obtained unethically, such as minerals mined by armed groups.

## **Safety and Health**

### ① **Industrial Safety and Health:**

Biz. Partners shall prevent all workers from being exposed to hazards (dangerous machinery, harmful agents, etc.), ensure the safety of equipment and facilities, and provide appropriate personal protective equipment to workers. Continuous safety and health education shall be provided to ensure a safe working environment. Biz. Partners shall also identify potential emergency situations and apply emergency response plans and procedures to minimize damage from such situations.


### ② **Industrial Accidents and Diseases:**

Biz. Partners shall strive to create a safe and healthy working environment to minimize work-related injuries and diseases, maintain worker retention, and boost morale.

## **Management System**

### ① **Risk Assessment and Management:**

Biz. Partners shall identify potential risks related to the environment, industrial safety and health, human rights and labor, and ethics. They shall manage and report high-probability and high-impact risks to management by developing plans to mitigate them.

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② **Management System Compliance:**

Biz. Partners shall establish their own management systems and comply with the following standards:

- a. Expression of a commitment to voluntary compliance
- b. Clear management responsibility
- c. Goal management and performance evaluation/rewards
- d. Employee feedback and participation
- e. Participation in and responsibility for supply chain management

### Chapter 5: Support Program

SK chemicals strives to build a fair and safe supply chain to pursue mutual happiness with stakeholders. To enhance ESG performance within the supply chain, SK chemicals has established systems and financial support through programs like the SK Win-Win Cooperation Fund. This fund enables BPs to secure necessary resources for operations and facilities at lower interest rates compared to the market.

Additionally, SK chemicals conducts supply chain ESG program education, such as CEO seminars for BPs, and provides individual coaching support after ESG evaluations to raise awareness and understanding of ESG. High-risk BPs are evaluated to develop improvement plans, and after self-checks and inspections, compliance with the improvement plans is confirmed. Incentives are provided to BPs with excellent ESG to increase interest and improve ESG capabilities within the supply chain. SK chemicals also plans capacity-building programs to enhance BPs' ESG performance, continuing efforts to achieve mutual growth and lead ethical corporate culture.


### Chapter 6: Grievance Handling

SK chemicals operates a grievance handling system to facilitate free communication with all stakeholders. All employees in the supply chain can access the system to report any unfair, inhumane, or unethical acts occurring within the supply chain. SK chemicals thoroughly protects the identity of grievance reporters and responds with a zero-tolerance policy toward retaliatory actions against reporters.

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- SK Ethics Management Integrated System: <https://ethics.co.kr>

\* To address safety and health risks at the workplace, a 'Safety Reporting' system is operated, allowing members, including BPs, to freely propose suggestions via personal smartphones without time and space constraints.


### Chapter 7 Supply Chain ESG Governance

SK chemical is conducting supply chain ESG supervision and monitoring through the ESG committee within the board of directors. In addition, to encourage BPs to enhance ESG management, the performance of supply chain ESG evaluation is reflected in the performance evaluation (KPI) of the Chief Financial Officer, who is also the chief executive of supply chain ESG. In addition, SK Group's regular training of supply chain ESG is conducted for the relevant departments participating in supply chain ESG management to enhance their supply chain management expertise.

SK chemicals is setting the following goals to support BP companies' ESG practice and advance supply chain ESG management.

- Maintain 100% agreement rate of BPs' code of conduct every year
- Maintain 100% annual environmental training implementation rate for significant BPs
- Achieve 30% participation rate in labor/human rights field coaching(due diligence) for significant BP by 2030

The implementation status of the above goals is monitored during the performance evaluation (KPI) process of the chief financial officer, who is the chief of supply chain ESG, and the implementation status of this policy, including the goals, is transparently disclosed toward stakeholders through the annual Sustainability Report of SK chemical.

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Organization chart of supply chain ESG management of SK chemicals

## Chapter 8: Scope of Application

This supply chain ESG management policy applies to all BPs (supply BPs, subcontract BPs, joint ventures, etc.) that have business relationships with SK chemicals. SK chemicals recommends that BPs comply with this policy and provides necessary support. In addition, SK chemicals encourages its subsidiaries to comply with this policy in managing supply chain ESG.

## Chapter 9: General Information

구분	세부 내용
Date of Establishment	2024. 6. 25
Responsible Department	Purchasing Team
Inquiry Reception	skchemicals.ethics@sk.com

April 2026  
 CEO SK chemicals  
 Ahn Jae-hyun,

