

# Building a Green World

2021 SK D&D Sustainability Report



# About This Report

## Report Overview

SK D&D proudly presents its first sustainability report to transparently disclose and communicate its non-financial performance to stakeholders. This report illustrates our key ESG activities and achievements aligned with our three ESG management goals (Sustainable Space and Energy, Stakeholder Happiness, and Fair and Transparent Ecosystem).

## Reporting Boundary and Period

Quantitative ESG data contained herein cover our Headquarters for the period between January 1 2021 and December 31 2021. The scope of this report is for the business operations in Korea where SK D&D conducts business. Data on energy consumption, GHG emissions, waste, and water resources in the Environmental section of this report cover our Headquarters and the operations outside it, and our subsidiaries (on a consolidated basis). The scope of qualitative ESG activity data is from July 2022 to January 2021.

## Reporting Principles

This report was prepared in accordance with the international sustainability reporting guidelines of the Global Reporting Initiative (GRI) Standards: Core option.

## Reporting Cycle

This is SK D&D's first report published in conformity with the GRI principles, and we plan to fully disclose our sustainability management performance to stakeholders on an annual basis.

## Assurance

This report was assured by a third-party independent assurance provider to establish the reliability, fairness and completeness of its preparation process and data contained in accordance with the AA1000 Assurance Standard.

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<b>Introduction</b>	About This Report	02
	CEO Message	04
	Interview with Management	06
	About SK D&D	10
	Business Overview	12
<b>ESG Strategy</b>	ESG Management Strategic Framework	22
	Stakeholder Communication	25
	Materiality Assessment	26
	Trend Book	28
<b>Our ESG Story</b>	<b>Environmental — Sustainable Space and Energy</b>	34
	Eco-friendly Business	36
	Environmental Management	44
	<b>Social — Stakeholder Happiness</b>	48
	Workplace Happiness	50
	Win-Win Growth	57
	Health and Safety Management	60
	Customer Satisfaction Management	64
	CSR	68
	<b>Governance — Fair and Transparent Ecosystem</b>	72
	Governance	74
	Ethical Management	78
	Risk Management	80
Cyber Security	81	
<b>Appendix</b>	ESG Data	84
	GRI Index	90
	Independent Assurance Statement	94
	Management Approach to Material Topics	96
	Environmental Policy	98
	Green Building Certification	99
	ISO 14001 Certificate	100
	Independent Verification Statement	101
	Human Rights Policy	102
Memberships and Associations	103	

## CEO Message

"SK D&D will put stakeholder happiness before all else, and serve as a trusted partner for property development and living solutions for sustainable urban lifestyles."



The year 2021 was characterized by heightened market uncertainties amid the protracted COVID-19 pandemic, and the increased focus on businesses when it comes the social role and responsibilities they carry in line with the enforcement of the Serious Accidents Punishment Act and the Framework Act on Carbon Neutrality. Furthermore, ESG management has become ever more critical as the paradigm has shifted from shareholder capitalism to stakeholder capitalism, and ESG investing practices have been more widely adopted. Not only has SK D&D generated the greatest-ever business performance in responding to the shifts in the business landscape, but it has also reached new heights in advancing ESG management through fully committing to it and establishing an ESG management system. It is with great pride that we present our first sustainability report to outline our achievements for the past year and share SK D&D's ESG story with all our stakeholders.

### Remarkable Growth

As a full-service developer providing everything from development and operation to asset management in the property and renewable energy sectors, SK D&D continues to expand through business model innovation and management system upgrades. To ensure stable long-term growth, we have transitioned from the conventional 'build & sell' model to develop our capabilities for REITs AMC (Asset Management Company) and property management to increase our profit through long-term asset deployment. We are taking one step further to broaden our business territory as an urban lifestyle solution provider and as a digital developer operating data-enabled business models. In the renewable energy sector, we are building solutions and operational capabilities required to emerge as a VPP (Virtual Power Plant) business on the strength of our solar power, wind power, fuel cell and ESS business and future-driven distributed power generation. The sum of such endeavors enabled us to set a new record in business performance in 2021 and will drive our efforts to build a robust foundation to forge ahead.

### Responsibilities for our Planet, Society and Stakeholders.

#### Environmental

The 2020 Global Status Report for Buildings and Construction from the UN Environmental Programme revealed that GHG emissions from buildings account for nearly 38% of the global GHG emissions. SK D&D remains committed to delivering eco-friendly buildings to help minimize the GHG emissions that stem from property development. We aim to contribute to energy conservation and the mitigation of environmental pollution throughout the entire lifecycle of property development - from design and construction to maintenance and management, and expand the development and generation of renewable energy to join in the effort to combat the climate crisis.

#### Social

SK D&D's business operations are guided by SK's management philosophy to push beyond the mere generation of economic profits to simultaneously pursue both economic and social values across all aspects of its operations. We promote fair transactions to serve the interest of stakeholders and pursue win-win growth with business partners while creating a safe and healthy workplace and continuously expanding CSR initiatives. Internally, we promote a horizontal work environment, offer employee growth programs, and work to create a professional yet compassionate workplace where each individual can thrive.

#### Governance

SK D&D advances Board-driven management where the Board of Directors fulfills strengthened roles and mandates. Our directors are appointed for their varying backgrounds and expertise to increase the ratio of outside directors to 50%, and the Board Chair is appointed among outside directors to separate the CEO and Chair roles and ensure the independence of the Board in so doing. Our Board performs self-directed assessments to make necessary improvements and we aim to pursue innovation at the Board level to establish Board-centered management.

Dear Respected Stakeholders,

We look forward to your unwavering interest in and encouragement for SK D&D, and we vow to meet your expectations for ESG management and seek shared growth with all our stakeholders. Thank you.

CEO, SK D&D **Do-hyun Kim**



## Interview with Management



**Real Estate New Frontier Division  
General Director Sun-pyo Hwang**

**We will create added value through adopting the biophilic design approach to spaces to further promote a sustainable society and improved lifestyles.**

Real Estate New Frontier Division creates useful spaces that enrich the lives of all, and is tapping into wider business areas to operate these spaces.

Our buildings and dwellings change with the times. Over the years, our primary construction focus was to create fit-for-purpose spaces and bring greater satisfaction to users in terms of both function and design. The emergence of ESG management as a key agenda across domestic and global industries, however, prompted us at Real Estate New Frontier Division to reach beyond simply meeting the needs of our customer base. We strive to protect the planet for a sustainable society and embed this core value into our daily work of constructing and operating buildings.

Throughout the day, we 'consume' spaces - whether it be our home, office, shopping mall or other various facilities. Buildings generate 40% of all global GHG emissions. This is why it is imperative at Real Estate New Frontier Division that we relate the value of ESG so earnestly and deliver high value throughout the entire lifecycle - all the way from project planning to development and operation. As a developer and operator of buildings, we are content to contribute to their surroundings, the local economy, and the people in local communities, while actively embracing the use of eco-friendly materials and energy. In the face of mounting uncertainties, we will keep our eye fixed on the intrinsic value of harnessing technology to alleviate the challenges in society, rather than on blindly pursuing development and innovation.



**Meta-Space Division  
General Director Jun-no Lee**

**Enabled by Web 3.0, we will achieve the transition to become carbon negative.**

ESG and digital transformation have become essential factors for business operations. In 2022, SK D&D created the Meta-Space Division to reinforce its position at the forefront of changing social trends and to bring innovation to its business and ESG management. As our business involves physical spaces, we need to mitigate carbon emissions along the whole of the building lifecycle from pre-construction planning to operation to attain our carbon reduction goal.

To this end, Meta-Space Division will harness the power of Web 3.0 to pursue digitalization in eliminating physical inefficiencies while maintaining pleasing living spaces and productive work areas and providing optimal solutions to lower carbon emissions. Backed by our digital capabilities, we will develop new products for smart energy and smart grid to independently achieve the RE100 goal in alignment with SK D&D's space and eco-friendly energy generation businesses, contributing to energy conservation at the national level.





## Interview with Management



**Energy solution Division**  
General Director Hae-Zoong Kim

**As a green energy solution provider, we will achieve Net Zero and bring happiness to our stakeholders.**

ESG has come to form a critical part of global corporate management standards.

It all started with the global financial community, ESG makes a huge impact on capital finance and business relationships and is considered as a key decision-making factor for investors, emerging as the New Paradigm for corporate management. In fact, for Korean businesses and capital markets, it is widely adopted that ESG is no longer a 'temporary fad' but lies at the very core of a corporation's mid/long-term strategy. This mega ESG trend is expected to drive the 'green energy' investment super cycle.

SK D&D's renewable energy business serves to deliver the social value of carbon neutrality, along with economic value for the interest of social communities. We have restructured our business to focus on digital transformation and green energy, garnering a positive response from the market. This year, 67.4% of major businesses responded that their top priority in ESG would be on the Environment, and SK D&D is front and center amid this emerging trend. Energy solution Division has built a wide-ranging renewable energy portfolio spanning solar power, wind power, fuel cell and ESS and has accumulated the necessary experience and capability across the overall total value chain. As SK D&D's renewable energy developer group with more than 70 members, Energy solution Division aims to reach 4GW in eco-friendly energy resources by 2030 under the goal.



**Management Support Division**  
General Director Young-lea Oh

**We will establish a global top-tier ESG system to ensure stakeholder happiness.**

ESG is more than a short-lived fad in the global market; it has emerged as part of a new paradigm in business management for its critical role in decision-making for institutional investors and capital finance. Furthermore, stakeholders emphatically demand that companies conduct business sustainably, and that regulations are adopted to mandate the publication of sustainability reports or equivalent disclosures.

SK D&D was keenly aware of the essential need for ESG in line with such business conditions, and published its sustainability report 2021. Work is underway to join such global initiatives as the SBTi and the TCFD to proactively respond to climate change. Internally, we have created the Sustainability Management Committee to establish an organizational structure to execute decisions on ESG agenda at the company-wide level, and the ESG Master Plan, as our mid/long-term ESG plan, serves to systematically advance ESG management. To ensure the Board of Directors plays a central role in business operations, committees were created under the Board to embed transparency and credibility into our day-to-day operations.

As a member of SK Group, SK D&D advances ESG management from the DBL (Double Bottom Line) viewpoint to pursue both social and economic value. This means that we create greater social value through varying CSR programs and win-win growth with business partners while consistently developing new growth drivers in our property and power generation business. SK D&D vows to put the happiness of its stakeholders before all else and endeavor to become a sustainable company, establishing a global top-tier ESG system.



# About SK D&D

## SK D&D at a Glance

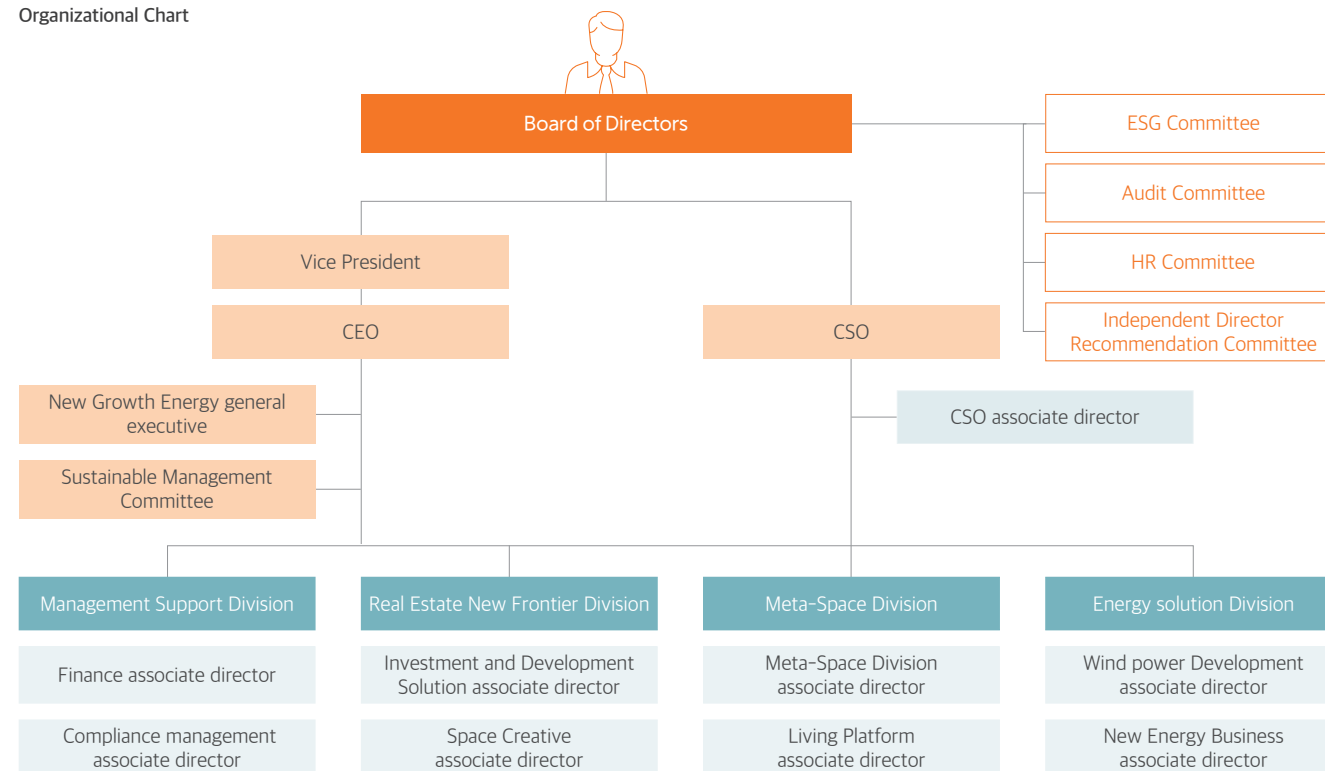
SK D&D has achieved significant growth while establishing an ever-broader presence in development, operation and asset management in the property and eco-friendly energy sectors. Our property portfolio has expanded from office buildings to include commercial properties such as hotels, knowledge industry centers and logistics centers, along with corporate residential facilities. Likewise, our eco-friendly energy business covers solar and wind power, ESS, fuel cells and even offshore wind farms.

Our goal is to become a sustainable company responding to the rapidly-shifting business landscape characterized by the stellar growth of the high-tech industry, digital transformation and the emerging ESG paradigm. On the back of our digital solutions, we will create an ecosystem for customers and business partners and leverage big data generated through AI-aided services and solutions to explore greater business opportunities. In the eco-friendly energy sector, we will build power brokerage solutions enabled by AI and digital transformation to advance into the VPP (Virtual Power Plant) market in the years ahead.

### About SK D&D

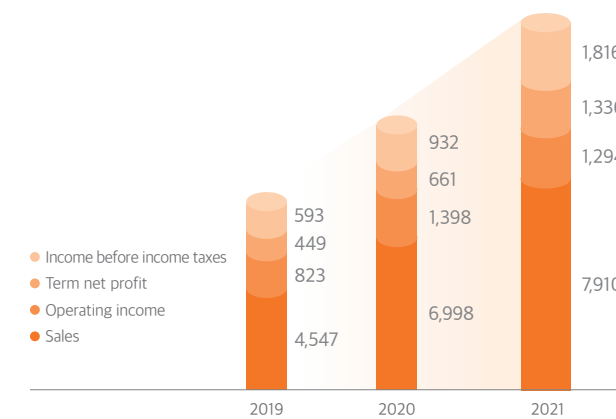
Name of company	SK D&D Co., Ltd.	Total assets	KRW 1.9834 trillion
Date of establishment	Apr. 27, 2004	Headquarters	332, Pangyo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea
CEO	Do-hyun Kim	Business domain	Property development, management and operation, renewable energy, ESS, and furniture
Employees	274 persons		

### Organizational Chart



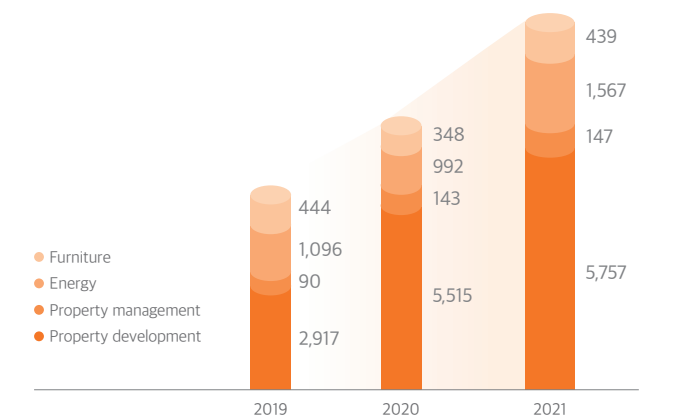
Financial Performance

(unit: KRW 100 million)



Sales Breakdown by Business Domain

(unit: KRW 100 million)



## Incorporation and kick-off



- Apr. 2005** Founded Aperon
- Jun. 2007** Renamed SK D&D
- Oct. 2007** Launched office development business (Nonhyun)
- Sep. 2008** Launched renewable solar power generation business (Namwon)

## Laying the basis for growth



- Sep. 2011** Launched knowledge industry center development business (Dangsan)
- Nov. 2014** Launched renewable wind power generation business (Jeju)
- Apr. 2015** Relocated to the ECO Hub in Pangyo
- Jun. 2015** Listed in the KOSPI market
- Aug. 2016** Attracted overseas investors and launched property development business in partnership (Myeongdong, Pangyo, Jeju)
- Jul. 2017** Launched ESS business

## On track for growth



- Aug. 2021** Launched fuel cell business (Cheongju Eco Park)
- Aug. 2021** Floated the D&D Platform REITs
- Feb. 2022** Domestic pension funds participated and made joint investment in the blind-type REITs that we developed
- Apr. 2022** Created the Meta-Space Division to forge ahead in the digital age

- Jan. 2018** Founded D&D Investment (DDI) as a REITs AMC
- Sep. 2018** Made equity investment in Hahn & Company
- Dec. 2018** Attracted the first investment from sovereign wealth funds in our residential product (private residential development project near the Suyu Station)
- Jan. 2020** Launched residential facility business (Episode Seongsu 101)
- Jul. 2020** Founded D&D Property Management (DDP) as a property management subsidiary



## Business Overview

# Property Development

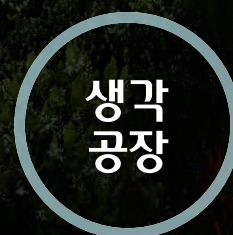
© Grand Josun Jeju

### Property Development

For the past 17 years since our foundation in 2004, we have developed offices, hotels, multi-use facilities, knowledge industry centers, and logistics centers. The main targets for our property development business are real estate development projects in key locations of Seoul, along with new towns in Gyeonggi-do and Busan. Our profits are realized through the disposals and sales made in various modes. Our business domain is expanding in line with the rapid growth of the e-commerce market and the continued increase in demand for logistics centers, and we are launching office management solutions to present new ways of utilizing office spaces by combining diverse leasing options with amenity services.

### SK D&D Brand

SK D&D's knowledge industry center brand 'Saeng-gag Gongjang' pursues the evolution of knowledge industry centers under the motto of a 'factory where thoughts make a difference in the world'. We make multiple endeavors to ensure that Saeng-gag Gongjang represents much more than a traditional office building, but rather a multi-use space that encompasses business, culture, and leisure and enables the sharing of diverse and creative 'thoughts'.



Major Performance

(unit: KRW 100 million)

2026 Target

(unit: ha)



Category	Projects	Project under Development
Office	Pharos Tower, Samil Building, Susong Square, and 2 others	Myeongdong, Gangnam Station, Namsan, Chungmuro, Seoul Station, etc.
Hotel/residential & commercial facility	Grand Josun Jeju, Lakins Mall in Ilsan, and 12 others	Yongdu-dong, Namyangju development, hotel in Myeongdong, etc.
Knowledge industry center	Saeng-gag Gongjang in Seongu, Dangsan and 5 others	Saeng-gag Gongjang Guro, Youngdeungpo, mixed-use development in Gunpo, etc.
Logistics center	-	Distribution centers in Singal, Baeksa in Icheon, and Songon-ri in Icheon



## Business Overview

# Property Management

### Property Management

SK D&D engages in rental property development and management under its management-focused business model based on asset development. Today's urban residential arrangements are evolving quickly to embrace the uniqueness of individuals and sensitivity to new phenomena with millennials and single-person households leading the way. To keep pace with such trends, SK D&D evolves beyond the conventional norms of 'housing' to provide 'residential' spaces that reflect increased diversity in the housing culture and consumer needs and focuses more on life experience and style. In so doing, we ensure that we provide a best-in-class experience that caters to the individuality and taste of tenants.

### SK D&D Brand

SK D&D's 'Episode' presents residential solutions for improved urban lifestyles. Episode provides millennials with content-driven spaces and services in reflection of their lifestyle and individuality to create a sustainable culture of housing.



© Episode Sinchon 369

Major Performance

(unit: KRW 100 million)

2026 Target

(unit: No. of households)



Category	Sites	No. of Households
Under Operation	Gangnam BIEL, Guui Wealtz Episode Seongsu 101, 121 Episode Seocho 393, Gangnam 262 Episode Sinchon 369, Suyu 838	2,491 households
Set to open	Episode Yongsan, Sinchon 2, Onsu	1,039 households



## Business Overview

# Renewable/ New Energy

© Cheongju Eco Park

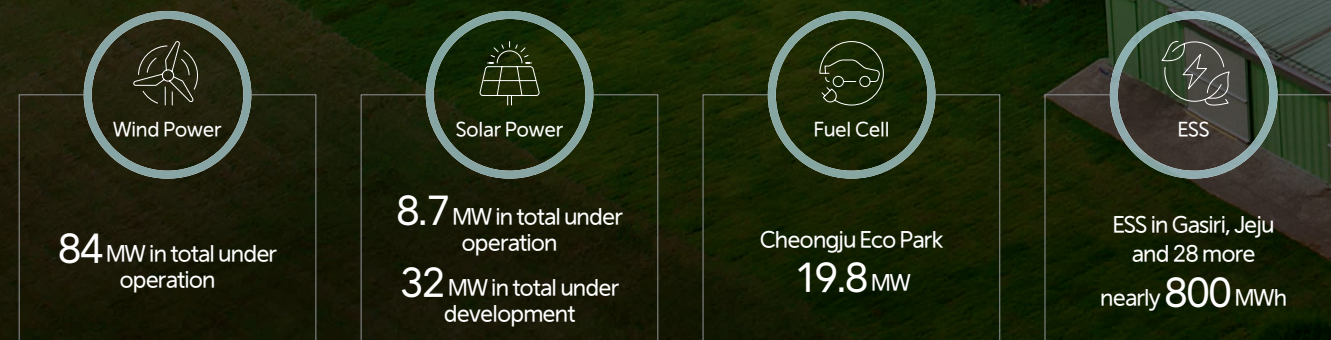
### Eco-friendly Energy

SK D&D's eco-friendly energy business consists of solar power, wind power, fuel cells, and ESS. Our solar and wind power business generates a wide array of values across the entire renewable energy value chain including development, EPC\*, and O&M\*\*, and our fuel cell business will scale up its generation capacity in line with the distributed power and hydrogen economy roadmap. In ESS business, we boost our competitiveness in connecting C&I (Commercial & Industrial) customers' power demand management with renewable energy to continuously develop value-up capabilities and improve our energy management efficiency based on proven safety.

\* EPC (Engineering, Procurement, Construction): A type of contract whereby a business who won large-scale construction or infrastructure projects performs a full-spectrum of design, parts/materials procurement, and construction work

\*\* O&M(Operation & Maintenance): Operation and maintenance of eco-friendly energy power plants

### Eco-friendly Energy Generation and ESS



\* Operation: Assets that SK D&D owns and invests in (excluding projects that were disposed of following development and investment)



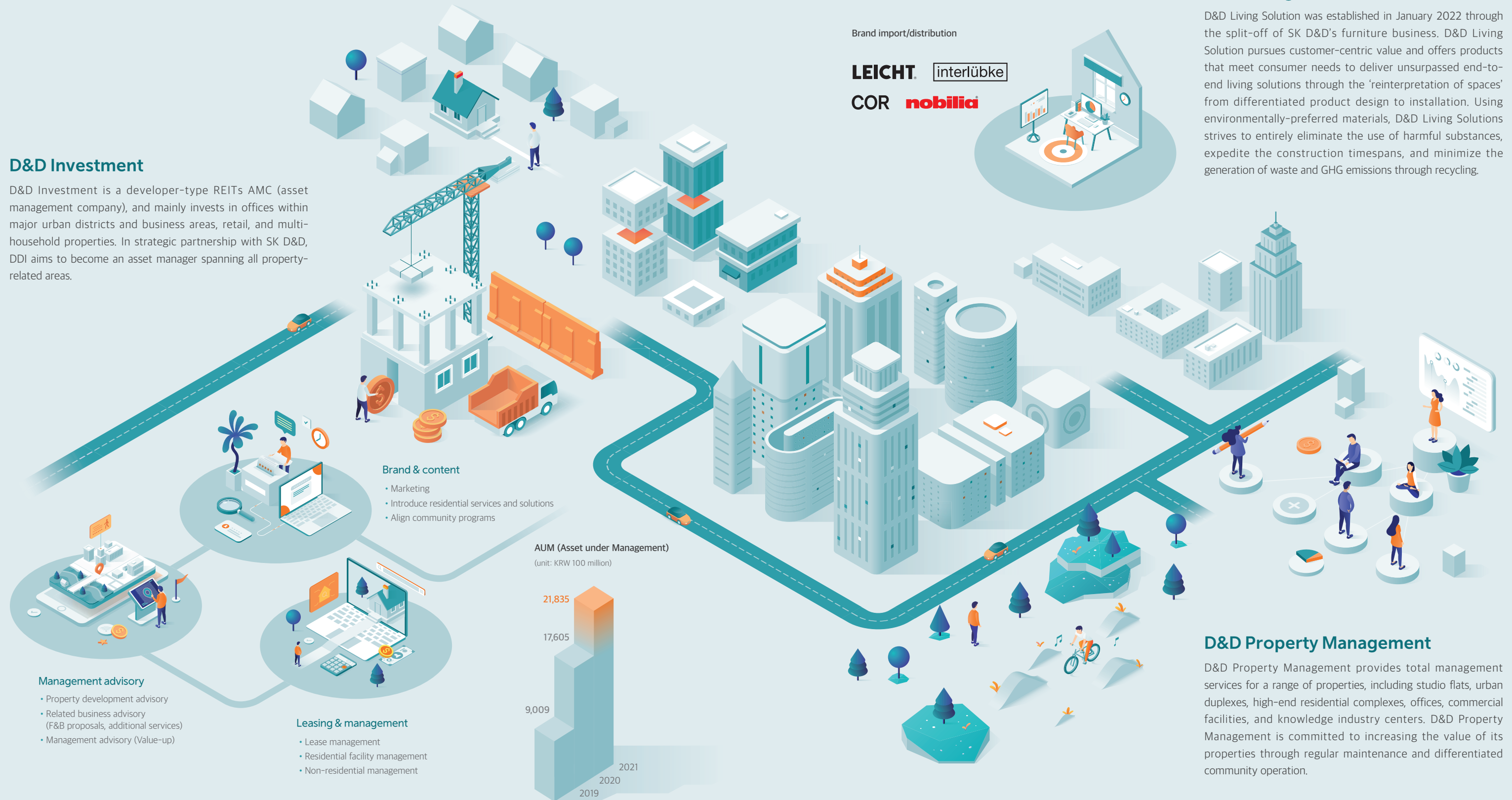
Energy	Projects	Project under Development
Wind Power	Gasiri in Jeju, Hyeonjong Mountain in Uljin	Onshore wind power in Gunwi, Uiseong, Cheongdo, offshore wind power in Ui, Sinan, etc.
Solar Power	F1 Stadium in Youngam, sewage treatment plant in Daegu and 4 others	Wimi in Jeju, Dangjin, Seosan, Jangheung, etc.
Fuel Cell	Eco Park in Cheongju	Eumseong, Eco Park in Chilgok, Eco Green in Paju, etc.
ESS	Alignment with the wind power plant in Gasiri, Jeju and 28 others	-



# Business Overview

## D&D Investment

D&D Investment is a developer-type REITs AMC (asset management company), and mainly invests in offices within major urban districts and business areas, retail, and multi-household properties. In strategic partnership with SK D&D, DDI aims to become an asset manager spanning all property-related areas.



Brand import/distribution

**LEICHT.** **interlübke**  
**COR** **nobilica**

## D&D Living Solution

D&D Living Solution was established in January 2022 through the split-off of SK D&D's furniture business. D&D Living Solution pursues customer-centric value and offers products that meet consumer needs to deliver unsurpassed end-to-end living solutions through the 'reinterpretation of spaces' from differentiated product design to installation. Using environmentally-preferred materials, D&D Living Solutions strives to entirely eliminate the use of harmful substances, expedite the construction timespans, and minimize the generation of waste and GHG emissions through recycling.

### Brand & content

- Marketing
- Introduce residential services and solutions
- Align community programs

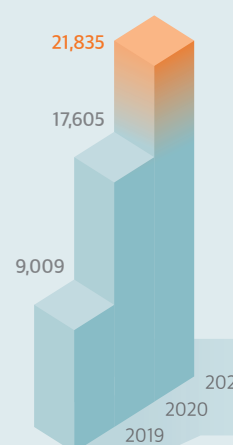
### Management advisory

- Property development advisory
- Related business advisory (F&B proposals, additional services)
- Management advisory (Value-up)

### Leasing & management

- Lease management
- Residential facility management
- Non-residential management

AUM (Asset under Management)  
 (unit: KRW 100 million)



## D&D Property Management

D&D Property Management provides total management services for a range of properties, including studio flats, urban duplexes, high-end residential complexes, offices, commercial facilities, and knowledge industry centers. D&D Property Management is committed to increasing the value of its properties through regular maintenance and differentiated community operation.



# ESG Strategy



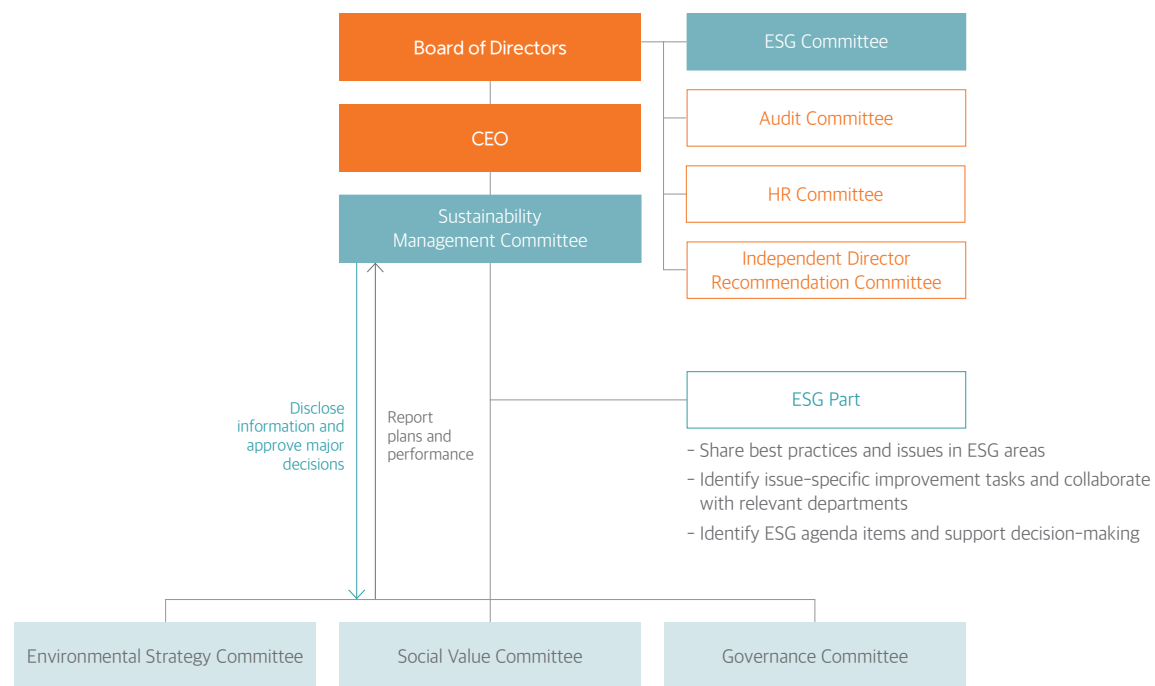
ESG Management Strategic Framework	22
Stakeholder Communication	25
Materiality Assessment	26
Trend Book	28

# ESG Management Strategic Framework

## ESG Governance

SK D&D has created the ESG Committee under the Board of Directors to advance sustainability management at the Board level, and has reestablished its decision-making system and process. To practice ESG management in a substantial way, we also created the Sustainability Management Committee under the direct leadership of the CEO as well as subcommittees in the environmental, social and governance areas to secure momentum to drive ESG activities and bolster our operational organization for sustainable growth. Each working-level department is implementing specific tasks in the ESG areas to reach the set ESG management goals, and respective subcommittees (Environmental Strategy Committee, Social Value Committee, and Governance Committee) serve to collect and share the progress made for each task. For critical ESG issues, final decisions are made through the Sustainability Management Committee or the ESG Committee as higher-tiered supervisory bodies.

## ESG Decision-Making System





**ESG Committee**

- Review and offer advice on management strategies and ESG approaches
- Manage environmental management issues
- Net Zero and climate change risks
- Review our approach to eco-friendly business and environmental management performance
- Performance in reducing GHG emissions



**Sustainability Management Committee**

- Review and approve sustainability management agenda items and decision items
- Review ESG implementation strategies and achievements and offer feedback
- Review progress made in ESG assessment and manage goals
- Review and approve ESG disclosure plans

\* The ESG Committee and the Sustainability Management Committee meet on a half-yearly basis, and subcommittees meet on a quarterly basis in principle, and they may convene when the need arises.

## ESG Strategy

SK D&D has set three ESG management goals to operate in accordance with SK Group's DBL (Double Bottom Line) initiative and pursue sustainability for stakeholders. Guided by the top priorities defined below, we set and implement 12 improvement tasks aligned with the UN SDGs to do our part in resolving the global challenges that require the concerted efforts of the international community.



# ESG Management Strategic Framework

## SKMS(SK Management System)

SKMS, SK Group's management system, was first established in 1979 and has since served as the foundation for all SK employees to stand united and aim higher based on the shared understanding of the essence of business management. To 'bring sustainable happiness to employees' which is the ultimate goal of SK management, SK D&D will follow VWBE\* as its unique philosophy and methodology to pursue SUPEX\*\*. Each and every SK member, with their backing of SK's management philosophy and commitment to living by its precepts, helps inch us toward becoming a community where we continue to create happiness for members and stakeholders, growing hand-in-hand through the self-reinforcing cycle of employee happiness - VWBE culture - SUPEX Company.

\* VWBE: Voluntarily, Willingly Brain Engagement  
 \*\* SUPEX: Super Excellent Level, highest level humanly possible



## DBL(Double Bottom Line)

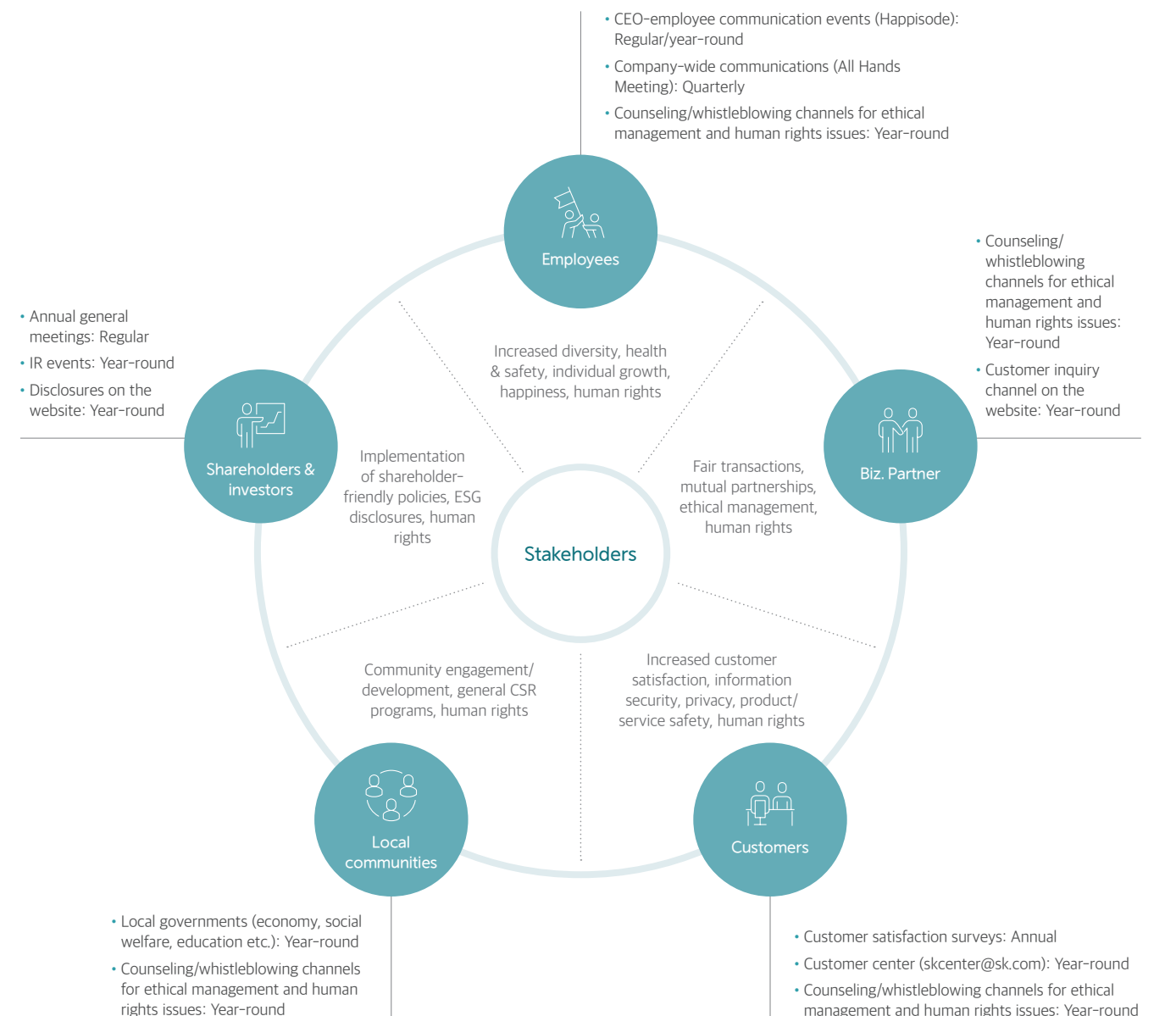
SK's DBL (Double Bottom Line) embodies its commitment to pursue economic value and social value equally throughout the entirety of its business operations. In this context, social value refers to the value we create as a company for the happiness of our stakeholders, and we intend to bring the greatest-possible happiness to every member of society based on the trust of our stakeholders. SK follows the DBL initiative at the group-wide level to innovate its business model and create social value in so doing.



# Stakeholder Communication

SK D&D categorizes its major stakeholder groups into employees, customers, business partners, shareholders & investors, and local communities to identify key issues and reflect them in its business operations. To this end, we operate a range of communication channels to integrate their varying interests into our management decision-making, and will bolster our disclosures to reach to wider stakeholders. In respecting the human rights of our stakeholders, we abide by the norms and laws governing our conduct as a business to fulfill our social responsibility. To this end, we identify key stakeholders surrounding SK D&D and set major tasks for each stakeholder group to take specific approaches.

## Communication Channels and Activities by Stakeholder Group



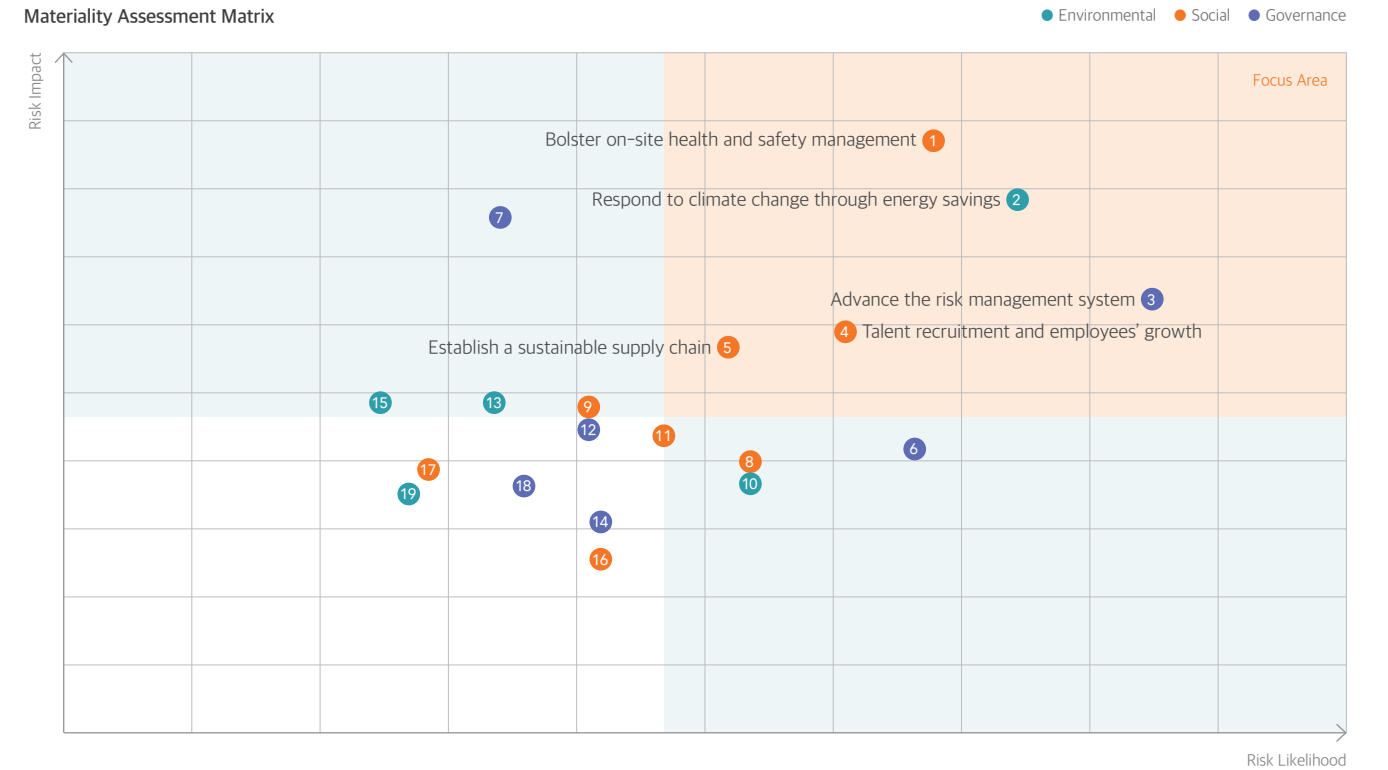


# Materiality Assessment

SK D&D has performed the materiality assessment in accordance with the global sustainability reporting guidelines of the GRI (Global Reporting Initiative) Standards to identify the impact of its business operations on the environment, society, and economy throughout the entire value chain. We created a topic pool by understanding our impact on the overall value chain based on internal data, international standards, benchmarking, and media analyses, and surveyed our stakeholders. We then comprehensively reviewed the results of standard analyses, benchmarking, media analyses and surveys from the aspects of risk impact and risk likelihood to arrive at five material topics.



Materiality Assessment Matrix



Topic Pool

Rank	Sustainability Topic Pool	Page	Rank	Sustainability Topic Pool	Page
1	Bolster on-site health and safety management	60~63	11	Customer satisfaction management	64~67
2	Respond to climate change through energy saving	44~47	12	Information security	81
3	Advance the risk management system	80	13	Waste management	46
4	Talent recruitment and employees' growth	50~53	14	Diversify stakeholder communications	25
5	Establish a sustainable supply chain	58	15	Manage water resources	46
6	Secure new growth drivers	12~18	16	Employee happiness	54
7	Compliance, ethical management	78~79	17	Fair transactions and shared growth	57, 59
8	Community engagement and CSR	68~71	18	Board-driven management	74~77
9	Human rights, diversity and inclusion	55	19	Protect biodiversity	47
10	Diversity renewable energy business models	36~43			

## Trend Book

### Advice for Our Green Building Development and Operation Strategy

In undertaking property development projects, SK D&D aims to achieve the G-SEED [Green Standard for Energy and Environmental Design](#) certification for all commercial and residential buildings newly developed by the company from the ESG management perspective, and endeavors to minimize its environmental impact along the entire lifecycle of property development. To advance our management of the environmental impact generated from property development, we sought out the advice of experts to gather stakeholder feedback, and will be sure to take their ideas to heart in exploring potential improvements.



"With the belief that environmental value equals economic value, SK D&D will need to exercise leadership as a developer and take the lead in the eco-friendly construction market ecosystem."

Senior Research Fellow **Hyeon-soo Kim**  
Korea Institute of Civil Engineering and Building Technology  
Director, Ecological Building Research Group

#### Q1 — What are the domestic/international trends in relation to green building certification programs?

Their technical goal is to go beyond zero-energy building to net zero carbon building. This essentially extends the scope of energy management from the operational phase to the entire lifecycle of property development - all the way from the production of materials to their procurement and construction. In particular, Europe has advanced to quantify environmental impacts in 16 categories using the Product Environmental Footprint [PEF](#) methodology.

#### Q2 — What approach should SK D&D take to supplying green buildings?

SK D&D's approach should be guided by the belief that environmental value equals economic value. In short, the Company's long-term bottom line will fall short in the absence of efforts that produce real and lasting environmental value. The Company needs to assess the environmental impact generated along the entire value chain as a result of its property development operations, identify where the impact occurs, and then set goals to work accordingly to address them. It is truly commendable that SK D&D's GHG emissions management includes Scope 3 emissions and the Company is committed to achieving the G-SEED certification. It

should be noted, however, that while the G-SEED program requires the use of eco-friendly materials of which the environmental performance is disclosed, the program itself is limited in properly managing total carbon emissions. More finely-tuned and quantitative environmental impact management could be possible on a product unit level, when a lifecycle approach and an upgraded Environmental Product Declaration [EPD](#) assessment methodology are taken. In its capacity as a developer, SK D&D is able to decide which products and services it will offer, and thus has the ability to drive the eco-friendly transition of the supply chain. If SK D&D commits to making environmental impact assessments through the use of the EPD methodology in reviewing and selecting products and vendors, it will encourage business partners to improve in terms of their environmental impact, and market competition among vendors who will naturally underscore the importance of environmental value while reducing costs. It is advisable that SK D&D takes the lead in applying the construction material environmental assessment methodology developed by the Korea Institute of Civil Engineering and Building Technology in conformity with Europe's PEF guides.

#### Q3 — How should we manage the expenses related to the G-SEED certification?

As I have mentioned earlier, the calculation of such expenses should be guided by the precept that 'environmental value equals economic value'. This formula - environmental value = economic value - was established in Europe in as early as the 1990's. If it is not environmentally friendly, then it serves no economic interest; this naturally raises the demand for eco-friendly systems and technology. This essentially stems from perceptions in society around environmental issues. As consumers increasingly lead eco-friendly lifestyles and demand such products in their daily lives, the market produces eco-friendly products, and the products and services affiliated with such are destined to generate maximum profits. Within such a system, it is only natural that ESG management plays a part in this equation. We can look to Europe as a prime example. Their system is more eco-friendly because it enables eco-friendly consumption and is supported by mature, eco-conscious consumers. Eco-friendly consumption is made possible when consumers are able to clearly recognize the definition of environmental friendliness. Germany has implemented an environmental product declaration program known as 'Blue Angel' since 1978, and the European Union has advanced to a level to quantify the environmental impact of its products and services in 16 categories under the PEF program. Disclosing the environmental impacts that products generate naturally encourages comparisons, and consumers and companies are more inclined to consume and produce eco-friendly products. To this end, environmental value and technology value should be quantified and measured. If such values are quantified through the use of environmental product declaration programs from the lifecycle perspective, it will help companies decide whether it is feasible to invest in technology to reduce maintenance expenses.

#### Q4 — Are there any specific cases or methods?

Switching from fluorescent lights to LED ones obviously cuts costs due to the extended lifecycle of LED bulbs, and therefore produces economic value, although this initiative was partly due to governmental support. As we discover more such solutions, SK D&D will be able to reduce its maintenance expenses which will translate into greater profits. Furthermore, adopting environmental product declaration programs will help assess the average environmental impact of all product categories on the market. If SK D&D sets the standard of average-and-above <sup>51%</sup> products as the threshold and declares that the Company will only select products that meet specific criteria, the whole value chain will transform. In other words, SK D&D will assume its leadership along the value chain as a developer and manage environmental impact and cost in so doing.

## Trend Book

### Advice for Our Renewable Energy Business Strategy

SK D&D is leading the wider adoption of renewable energy from the ESG management perspective, and is broadening its business presence – from development and operation to solutions and distribution [power brokerage and storage](#). To pursue the qualitative growth of our renewable energy business, we sought out the advice of academic experts regarding our renewable energy business strategy. We will communicate with stakeholders to collect their varied feedback and review our management approach.



"Our pursuit of a carbon neutral society will further highlight the importance and role of renewable energy. Preemptive investment plays a pivotal role in diversifying the sources of renewable energy power generation, applying 4<sup>th</sup> Industrial Revolution technologies (drone, AI, big data, etc.) and developing new technology."

Professor **Yong-Sung Cho**, Department of Food and Resource Economics, Korea University

Member of the 2050 Carbon Neutrality and Green Growth Commission,  
Former President of the Korea Energy Economics Institute



#### Q1 — What are the domestic/international trends in the renewable energy sector?

Carbon regulations are tightening all over the world amid the transition towards a carbon neutral society. The Korean government set a goal to further reduce its nationwide GHG emissions, along with its 2050 carbon neutrality declaration. Moreover, mitigating GHG emissions and distributing renewable energy is becoming more important the world over as evidenced in the RE100 initiative and the EU's Carbon Border Adjustment Mechanism [CBAM](#). While the current Korean administration follows the footsteps of its predecessor in setting its GHG emissions reduction goal to achieve carbon neutrality, it is considering different policy options to expand the portion of nuclear power and regulate the pace of distributing renewables. It is critical that we first resolve issues that occurred in the rapid distribution of renewable energy and identify necessary improvements to lay a stable groundwork for our domestic renewable energy industry. This, however, should be pursued in tandem with our equally important endeavor to diversify renewable energy sources. The rapid growth of renewable energy sources in Korea was primarily led by solar power. Focusing too heavily on solar power, which generates electricity diurnally, could exacerbate the issue of intermittency, and this underscores the need for balance among the various renewable energy sources of wind, geothermal, bioenergy, and tidal power. In this regard, wind power plays a pivotal role and it is regrettable that numerous challenges have hampered what could have been an otherwise more expedient distribution of it.

#### Q2 — What are the critical factors to consider in renewable energy business?

One of the most important factors to consider in the renewable energy business has to do with the acceptance of local communities. Here, the key is 'consensus building and communication'. The renewable energy generation business consists of a series of activities that uses natural resources unique to development areas for the purpose of creating profit. As such, there should be transparent information sharing and communication with wide-ranging members of the local community even before a project begins. They must fully understand what changes they should expect when renewable energy power generation facilities are constructed in their community and why such facilities are needed. Also, procedural legitimacy should be established so that community members can directly participate and share the benefits that are generated. The secret behind the best practices of operating smoothly while successfully resolving community issues is in balancing the three common denominators of the 'leadership' of developers, 'increasing community engagement' through communication and consensus building, and 'support from central and local governments'. While companies can directly reach out to local communities, it is also viable that third-parties come in to serve as mediators. SK D&D's wind power plant in Gasiri, Jeju-do, is operating successfully which demonstrates the wealth of experience and knowledge the Company has accumulated over the years in consulting and building relationships with local communities, a fact which certainly plays to the advantage of SK D&D.

#### Q3 — What should we be looking out for to pursue the qualitative growth of our renewable energy business?

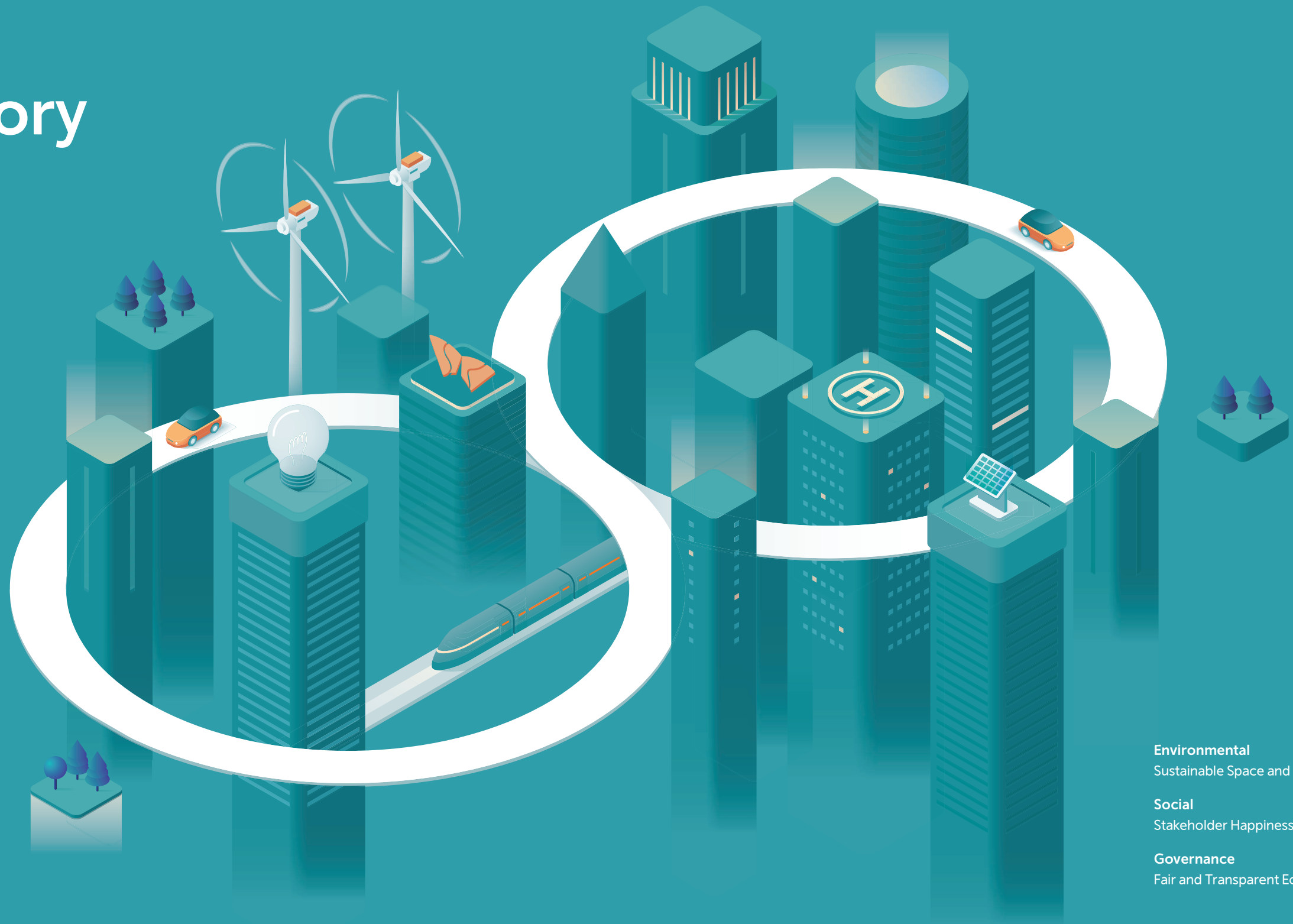
Diversifying the portfolio and embracing 4<sup>th</sup> Industrial Revolution technology are critical. A diversified portfolio is needed to address the issue of intermittency inherent in renewable energy. SK D&D may consider the use of geothermal energy generated by heat pumps in the building sector in addition to wind power, solar power and fuel cell business. Aside from electricity generation, the Company may also consider the supply of heat energy through renewables. Meanwhile, adopting and developing 4<sup>th</sup> Industrial Revolution technology is imperative. The management of solar power panels and blades mounted on wind power generators is a prime example of how this impacts energy efficiency. Improving management efficiency in this regard is highly dependent on the introduction of AI, drones, and big data as well as technology development. While power plant components used to be stored in warehouses, these storage facilities will become obsolete with the advancement of 3D printing technology. As the customized manufacturing of power plant components is made possible through their design layouts, it will elevate O&M efficiency. Over the long haul, SK D&D may consider going global. In fact, there are a number of coal-fired power plants in Southeast Asia. Rather than solely homing in on business profit generation, the Company may serve as a role model in pursuing social value to facilitate ESG management and raise its public profile. The positive corporate reputation build as such will certainly sharpen SK D&D's competitive edge. Supplying green hydrogen could be another long-term business opportunity. It is expected that green hydrogen will emerge as a new energy source around 2050. Producing green hydrogen through the use of high-quality hydro, solar, and wind power sources in Siberia and Central Asia, and then transporting this energy to Korea, could serve as a whole new blue ocean opportunity for SK D&D.

#### Q4 — How can we expand the distribution of renewable energy?

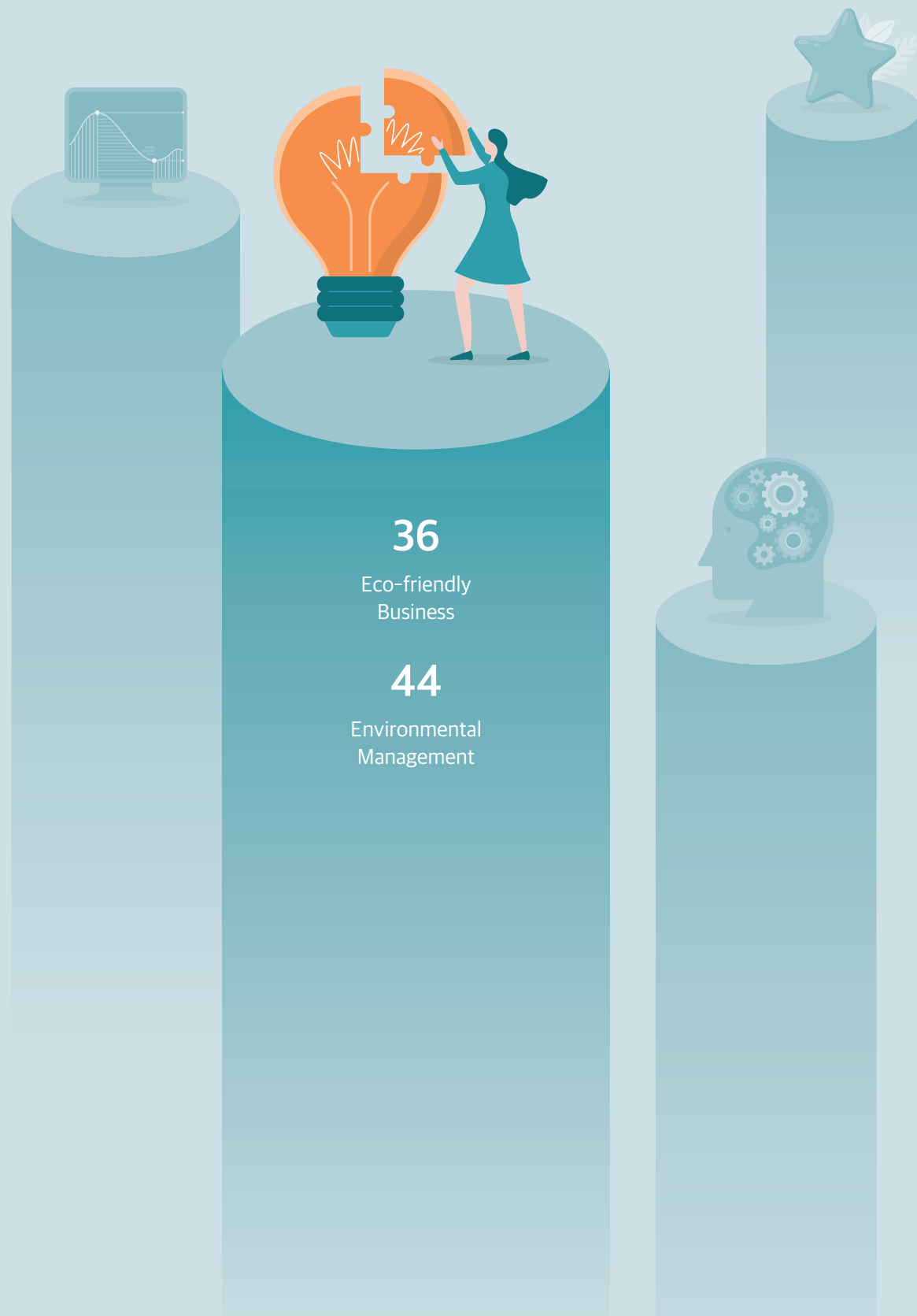
Boosting the renewable energy market requires the government to introduce competition in the power trading market, normalize electricity prices, and allow businesses to both generate and sell power. The ambiguity that we witness in the current power industrial structure hardly contributes to achieving carbon neutrality, let alone to the increased penetration of renewable energy. In today's power trading market, the pricing mechanism fails to function adequately, which results in unnecessary power consumption. In the short term, prices fail to reflect additional costs that accompany the distribution of renewable energy and social costs generated by particulate matter and GHG emissions that stem from coal-fired power generation. This leads to accumulated losses at Korea Electric Power Corporation and makes it difficult to invest in new infrastructure. In addition to normalizing the pricing mechanism of the power trading market, it should be also considered that the power network be managed in a neutral manner and that the current ban restricting businesses from engaging in both power generation and sales be eventually lifted. The distribution of solar power and other forms of renewable energy has triggered the emergence of prosumers [producer + consumer](#) which refers to individuals and large businesses who both produce and consume power. Presently, the surplus power that is generated can be conserved of which costs can be deducted for the following month through offsetting. If it becomes possible for this generated power to be sold for immediate profit, it will further increase the distribution of renewable energy and significantly encourage power savings. Furthermore, Power Purchase Agreements [PPA](#), whereby power is directly traded, may also open the door to directly sell power to consumers in need of such power while streamlining their distribution process, which would benefit both producers and consumers.



# Our ESG Story



<b>Environmental</b>	
Sustainable Space and Energy	34
<b>Social</b>	
Stakeholder Happiness	48
<b>Governance</b>	
Fair and Transparent Ecosystem	72



## Environmental

# Sustainable Space and Energy

Climate change is quickly becoming more than merely an environmental issue; it has grown so detrimental as to threaten our economy and security. According to the IPCC, in order for us not to pass the 'Tipping Point' where there will be irreversible consequences from climate change, the rise in temperature should be limited to 1.5°C or under. The Paris Climate Change produced a legally binding agreement to curb global warming, and global efforts are underway to keep temperature increases at 1.5°C and under. Korea has also made the 2050 carbon neutrality declaration and enforced the Framework Act on Carbon Neutrality to transition to a low carbon economy. The 2020 Global Status Report for Buildings and Construction from the UN Environmental Programme pointed out that buildings accounted for approximately 38% of global GHG emissions, implying that a systemic shift in energy, land use, cities, transport, buildings and other infrastructure facilities is essential in achieving the transition into a low carbon economy in the real estate sector.

Sustainability Management Committee & Environmental Strategy Committee created/operated	Increased generation and supply of eco-friendly energy* <b>96,160 MWh</b>	Effects of reducing GHG emission reduction* <b>40,368 tCO<sub>2</sub> eq.</b>
G-SEED & energy efficiency grade certifications awarded <b>9 cases</b>	Commercial operation of fuel cell power generation <b>19.8 MW</b>	Scope 1, 2 voluntary verification, Scope 3 calculation

\* For eco-friendly energy power plants where SK D&D has made equity investments, the ratio of equity ownership was applied to total generation and reduction effects.



# Eco-friendly Business

## Green Building Development & Management

To minimize environmental impacts in the property development lifecycle of eco-friendly buildings, SK D&D factors in land use & convenience, ecology & indoor environment, energy & environmental pollution, ease of maintenance, raw material/resource use, and water resource management in the project development process. For new property development projects, our goal is to achieve the G-SEED (Green Standard for Energy and Environmental Design) certification for commercial and residential buildings. We also retrofit the buildings we manage to ensure they fulfill green building standards and supply eco-friendly buildings in so doing.

Approach

**Certified against G-SEED for all commercial and residential buildings**

Activity



Develop from the life-cycle viewpoint



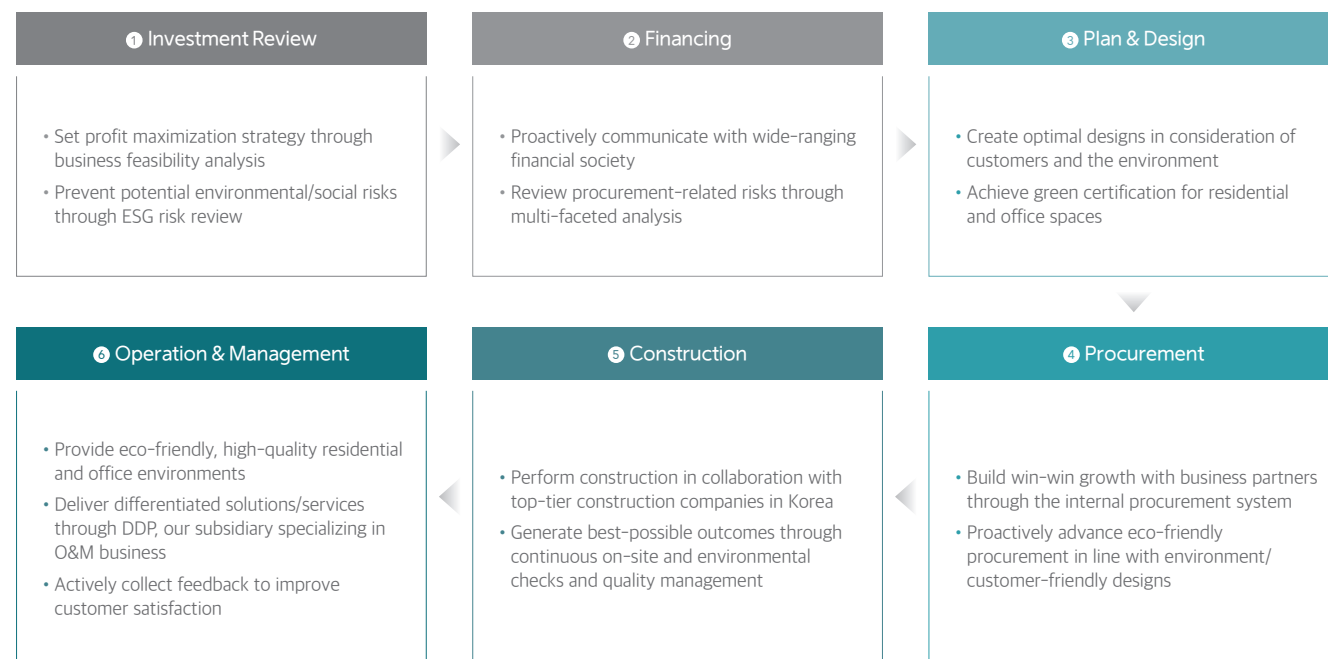
Design spaces with customers in mind



Ensure reliability through green building certificate

## SK D&D's Green Building Development Process

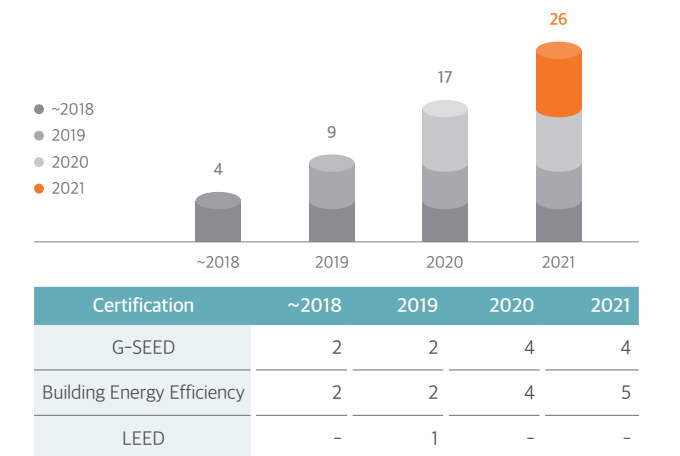
SK D&D and its subsidiaries align the entire process of their development business to generate synergy. This helps in securing new business opportunities and delivering optimal solutions to each area, generating economic and social value in the process.



## Green Building Development

To respond to the growing consumer demand for green buildings and achieve sustainable development and advancement, we take an eco-friendly design approach to developing work and residential spaces. We choose green-certified materials for building design and construction, and implement a range of technologies to manage water circulation, conserve energy and resources, reduce the discharge of pollutants, and mitigate energy consumption and GHG emission from buildings. To ensure the transparency and credibility of our building management in terms of environmental performance, we acquire and maintain certifications under the G-SEED, Building Energy Efficiency Certification and other third-party programs. We plan to guarantee that all the work and residential spaces we develop are certified through such third-party programs.

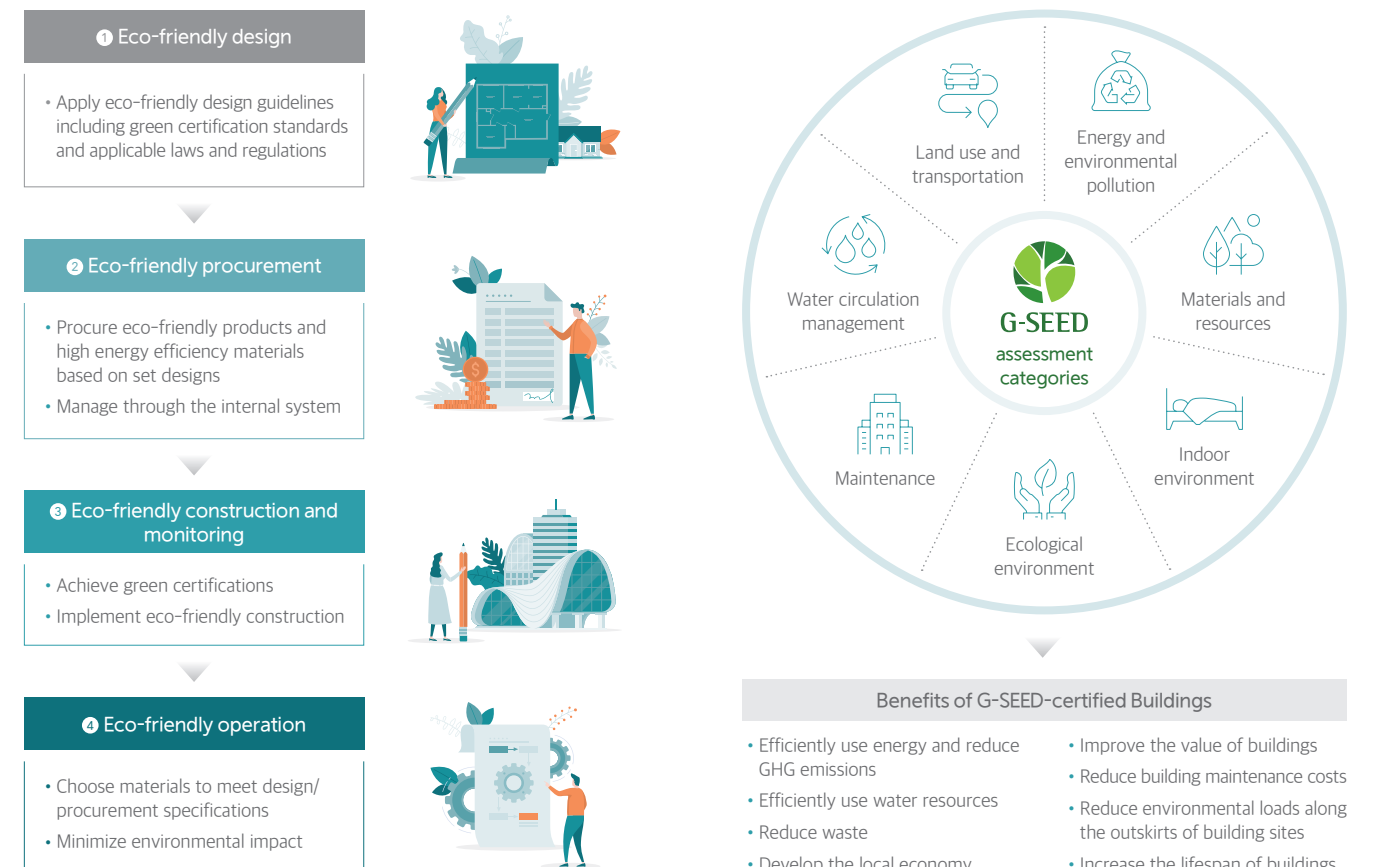
Green Building Certifications\* Awarded (cumulative) (unit: No. of cases)



\* No. of certification cases

## Green Building Certificate

The G-SEED (Green Standard for Energy and Environmental Design) program awards environmental performance certifications through environmental impact assessments performed on energy and resource conservation, reductions of pollutant discharge, and the creation of pleasant residential conditions. It considers the entire lifecycle spanning design, construction, operation and maintenance with an aim to address global climate change and promote environmental preservation.





### Green Building Management

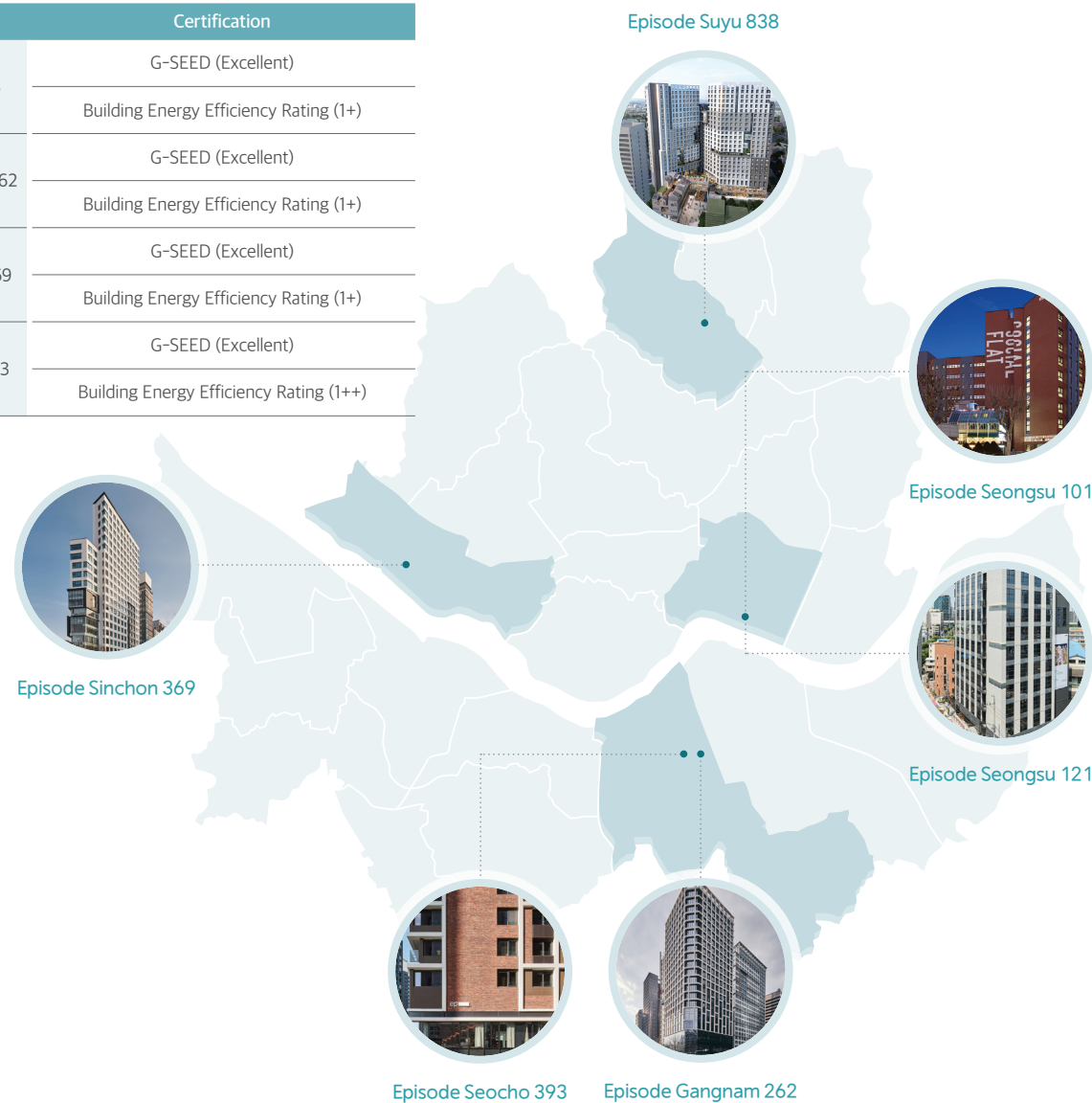
The accelerating shift in consumer perceptions concerning the environment amid the global climate crisis underscores the importance of environmental performance of products and services. SK D&D manages residential and work spaces built with diverse eco-friendly considerations to respond to shifting customer needs and deliver further improved work/living space experience. Going forward, we will deliver services conducive to eco-friendliness and GHG emissions reduction on the part of our customers to mitigate our environmental impact in the building management and use phases.

#### Considerations to Mitigate Environmental Impact in the building Management Phase

- Encourage energy saving and reduce the generation of pollution by facilitating the use of bicycles and securing public transport infrastructure
- Reduce energy consumption in the management phase by improving the energy efficiency of buildings
- Improve energy efficiency by optimizing cooling/heating and air conditioning systems
- Adopt monitoring facilities to manage energy consumption
- Reduce energy consumption through high efficiency lighting
- Mitigate the impact of climate change by reducing the use of ozone-depleting substances (eco-friendly refrigerants)
- Reduce power consumption by installing renewable power generators
- Reduce the use of water resources through stormwater/discharged groundwater /water saving devices

#### Green Certification for Residential facilities

Project	Certification
Episode Suyu 838	G-SEED (Excellent)
	Building Energy Efficiency Rating (1+)
Episode Gangnam 262	G-SEED (Excellent)
	Building Energy Efficiency Rating (1+)
Episode Sinchon 369	G-SEED (Excellent)
	Building Energy Efficiency Rating (1+)
Episode Seocho 393	G-SEED (Excellent)
	Building Energy Efficiency Rating (1++)



### Case study

## Episode Seocho 393

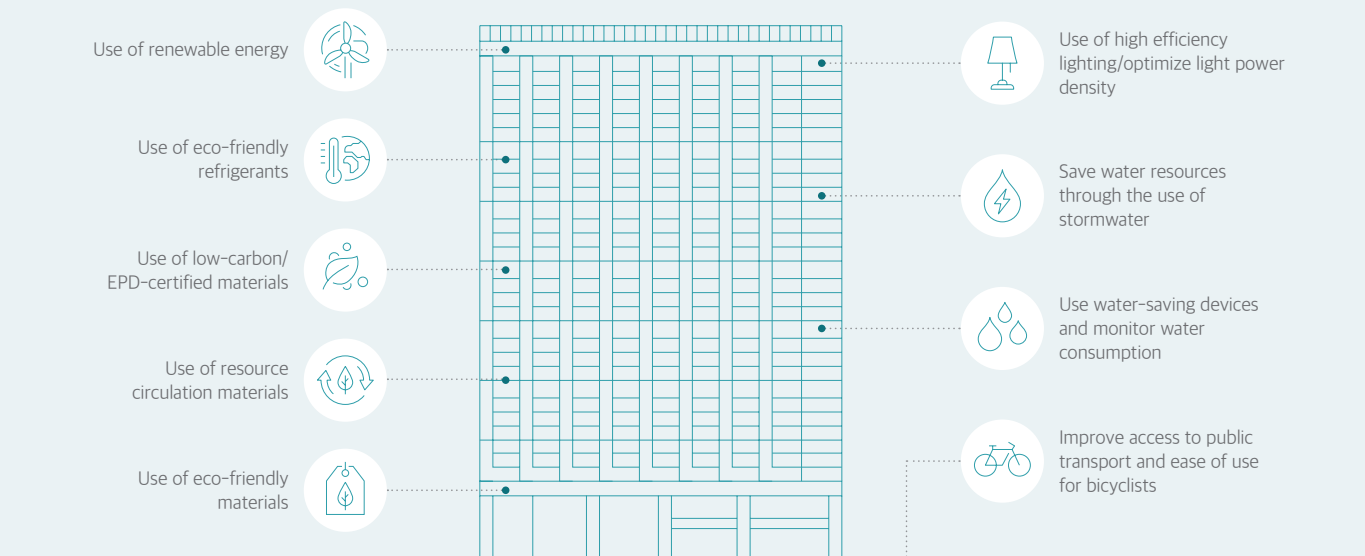
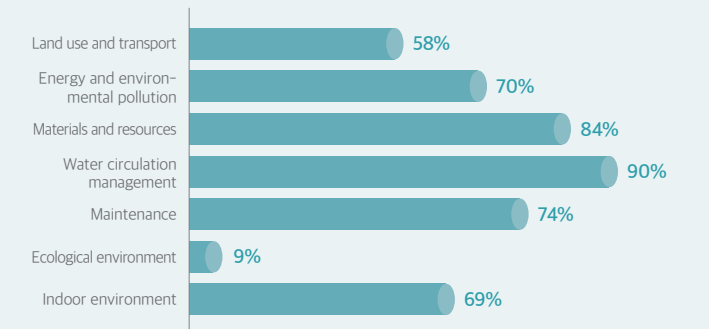


#### Project Overview

- Name of building: Episode Seocho 393
- Completion: July 2021
- Location: 1338-5, Seocho-dong, Seocho-gu, Seoul, Korea
- Gross floor area: 33,774.62m<sup>2</sup>
- Building plan: 7 underground floors, 16 above ground
- Main use: Business, multi-unit housing

\* Episode Seocho 393's energy efficiency surpasses the standards required by Seoul City by 30% or more (Seocho 393's energy consumption: 114.9kWh/m<sup>2</sup>)

#### Area-specific Assessment



#### Results of Life Cycle Assessments (LCA)

We identified environmental loads across the life cycle of Episode Seocho 393 from raw material extraction to disposal (global warming, acidification, eutrophication)

Category	Unit	Total Emissions	Raw Material Extraction and Material Production	Construction	O&M	Deconstruction and disposal
Global Warming	kgCO <sub>2</sub> eq.	4.31E+07	9.15E+06	1.32E+05	2.96E+07	4.20E+06
Acidification	kgSO <sub>2</sub> eq.	8.61E+04	1.91E+04	2.25E+02	5.01E+04	1.66E+04
Eutrophication	kgPO <sub>4</sub> <sup>3-</sup> eq.	1.47E+04	3.28E+03	4.07E+01	9.34E+03	2.06E+03

## Eco-friendly Energy Development & Generation

The global community is proactively responding to climate change to safeguard the survival of humanity and ensure economic profits. Companies are increasingly required to fulfill social responsibility for environmental pollution caused by GHG emissions and waste generated from their operations. This prompted us at SK D&D to develop and implement strategies aligned with SK Group's 2040 Net Zero goal and to contribute to the nation's effort to achieve carbon neutrality through the generation of eco-friendly energy. Furthermore, we continue with energy conservation and climate action through the development, management and remodeling of eco-friendly buildings to create a green building ecosystem across the whole of our business domain.

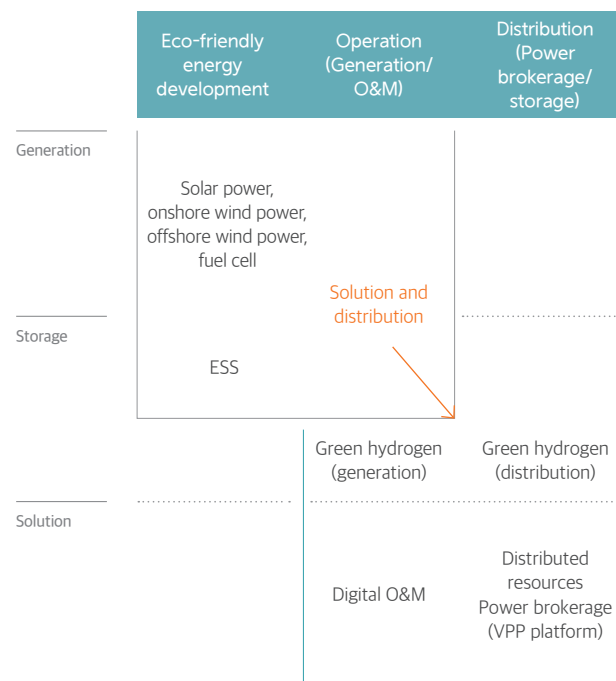
### Our Approach to Eco-friendly Energy Development

SK D&D aims to expedite the transition to cleaner energy and contribute to mitigating GHG emissions through the expansion of eco-friendly energy generation. In line with the accelerating energy transition, market restructuring towards clean energy, and the mounting importance of supply chain issues and energy security in the nation's journey to achieve carbon neutrality by 2050, we will expand our business operations from conventional development and management to power generation scale-up, solutions, and distribution markets to diversify our business structure.

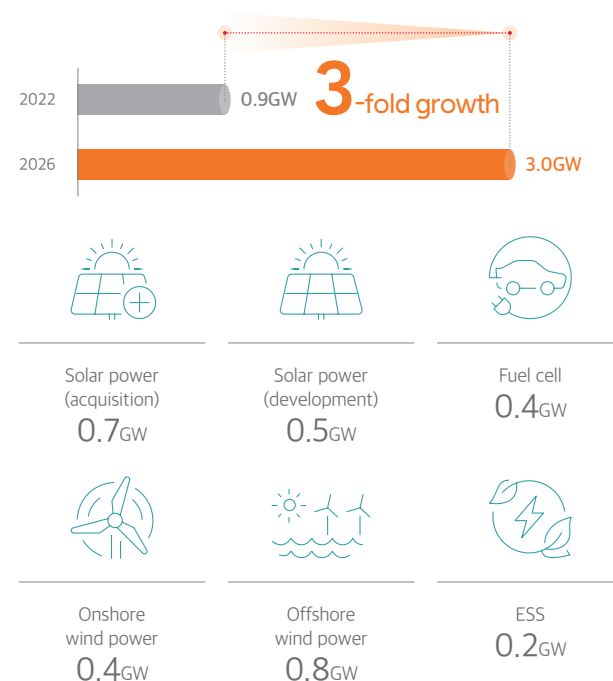
#### Diversification of the Business Structure



#### Our Approach to Business Expansion



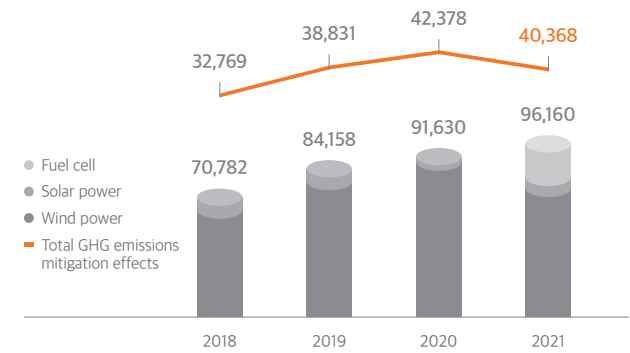
#### Sources of Power Generation under Development/Operation



## Performance in Eco-friendly Energy Generation

To do our part in realizing the national carbon neutrality goal and to take action in the global challenge of climate change, we expand the supply of eco-friendly energy through solar power, wind power and fuel cell generation which emit less GHG emissions.

Eco-friendly Energy Generation and GHG Emissions Mitigation Effects (unit: MWh, tCO<sub>2</sub> eq.)



Category	Unit	2018	2019	2020	2021
Wind power	MWh	64,942	78,442	87,439	76,320
Solar power		5,840	5,717	4,191	4,144
Fuel cell		-	-	-	15,695
Total power generation		70,782	84,158	91,630	96,160
Total GHG emissions mitigation effects	tCO <sub>2</sub> eq.	32,769	38,831	42,378	40,368

\* For eco-friendly energy generation plants where SK D&D has made equity investments, the ratio of equity ownership was applied to total generation and mitigation effects.

### Wind Power Generation

To emerge as Korea's largest power generator, SK D&D is proactively advancing its onshore and offshore wind power business. Our onshore wind power capacity amounts to 83MW, including Hyeonjong Mountain in Uljin and Gasiri in Jeju. The primary revenue streams of our onshore wind power operations include our generation business to create profits from electricity production and REC (Renewable Energy Certificate) trading, development & sales, power plant construction, and EPC business for O&M outsourcing. In particular, our Uljin wind power farm was constructed in areas damaged during the fire that affected the Hyeonjong Mountain in 2007 and is touted as a best practice in recovering the value of the site through power plant development and creating economic benefits. Our offshore wind power business is being developed in Incheon, Sinan and other areas. As such projects inherently require long-term development and large-scale capital, we are building strategic partnerships with domestic and international leaders to ensure their successful development and expansion.



Wind farm in Uljin Hyeonjong Mountain

### Solar Power Generation

In line with the transition to eco-friendly energy and the increased commitment to the carbon neutrality initiative, SK D&D is conducting business in the entire value chain of solar power generation from development to EPC and O&M. Building upon our large-scale solar power business experience accumulated through the Yeongam F1 Circuit and Dangjin Eco Power projects, we lead the solar power generation and EPC business while proactively pursuing nationwide development opportunities including onshore solar power using salt-affected farmland and offshore solar power. In anticipating the growing demand for renewable energy at the national level, we also strive to secure distributed resources through the acquisition of small/mid-sized power generation businesses in addition to our development business. Providing digital O&M and AI/DT-based solutions, we seek to tap into diverse business territories based on our solar power generation business.







Solar farm in Dangjin



### Fuel Cell

Unlike traditional power generating methods that produce energy through the combustion of fossil fuels, fuel cell power generation is eco-friendly and efficient as it produces electrical energy through chemical reactions. To advance the fuel cell business, SK D&D signed a distributorship agreement with the US-based company Bloom Energy in 2019 to cover the domestic distribution market, and launched fuel cell business by initiating the construction and commercial operation of Cheongju Eco Park (20MW) in the second half of 2021. We are expanding our fuel cell power generation business to include Eumseong Eco Park (20MW), and are also planning to establish a business model with reinforced environmental and social considerations such as joining up with biogas and pursuing shared growth with local communities through smaller-scale fuel cell power generation. We will expand eco-friendly power plants to demonstrate our value as a renewable energy generation developer and do our utmost to help mitigate global environmental challenges while leveraging our power plant EPC and O&M capabilities to bolster our fuel cell business.

#### Cheongju Eco Park



			
Location Heungdeok-gu, Cheongju-si, Chungbuk, Korea	Project size <b>19.8MW</b>	Installed capacity <b>300kW,</b> 66Units	Commercial power generation initiated in <b>Oct.2021</b>



Cheongju Eco Park

### ESS (Energy Storage System)

SK D&D owns and operates Korea's largest ESS to generate synergy with the government's renewable energy expansion policy and to help stabilize the power system. Currently, our ESS capacity amounts to 800MWh across 28 sites all over the nation. We have established the safety of such sites through differentiated designs, high performance facilities, and high-specification fire extinguishing systems, and deployed value-up solutions based on real time data analytics technology to improve their profitability. ESS play an essential role for distributed power and energy efficiency improvement as well as for savings on electric bills. Our ESS business will generate greater synergy with the expanding renewable energy generation infrastructure.

	ESS operation <b>28</b> sites
	Installed capacity <b>800</b> MWh in total



Danyang ESS

### Case study

## Wind Power Generation in Gasiri, Jeju

#### Our contribution to the SDGs

7.2 By 2030, increase substantially the share of renewable energy in the global energy mix



#### Win-Win growth with the Local Community

SK D&D places 'win-win growth' with the members of its local community above all else in operating its wind power plant in Gasiri, Jeju-do. Most of the leased site which is nearly 238 ha in size, excluding the 3.3 ha land used for the power plant, is used as a community ranch to promote mutually-beneficial partnerships with the local community. To improve the aesthetics of the power plant, rape flowers were planted in the surrounding areas, and tourism courses were developed in connection with pony farms, to fully transform the power plant into a useful tourism resource.

#### Energy Efficiency Maximization

Our wind power plant in Gasiri, Jeju-do is 30MW in capacity and produced 58,000 MWh of power in 2021. The layout of the plant was optimally designed to maximize the impact of wind. Its power generation facility is connected with the Energy Storage System (ESS) to ensure a reliable power supply and improve energy efficiency as a result. The status of power transmission and power quality is monitored for stable power generation and supply.

 Annual power generation  
**58,000** MWh

 Annual GHG emissions mitigation effects  
**26,724** tCO<sub>2</sub> eq.



Wind Power Plant in Gasiri





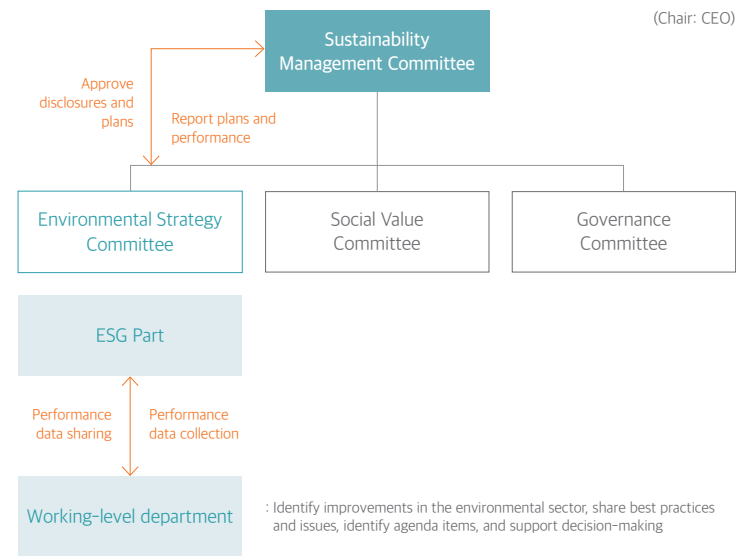


# Environmental Management

SK D&D advances environmental management with an aim to reduce GHG emissions by expanding the supply of green buildings and the generation of renewable energy. In line with SK Group's 2040 Net Zero initiative, we develop plans to identify and mitigate the environmental impact generated within and outside our operations. Furthermore, we align our environmental performance in respective business areas with KPIs (Key Performance Indicators) to elevate the execution of environmental management on the part of our employees, and have successfully achieved the environmental management system certification of ISO14001:2015 in 2022.

## Organization and Reporting System

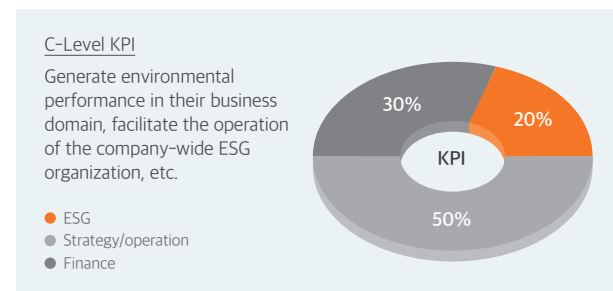
SK D&D is building an environmental management organization at all levels. The ESG Part, as a dedicated department for environmental management, is responsible for developing a company-wide environmental roadmap and managing environmental performance in collaboration with working-level departments, and for conducting environmental improvement tasks at working-level departments. Improvement tasks collected at the Environmental Strategy Committee are discussed to supplement our approach to environmental management furthermore major issues are reported to the Sustainability Management Committee as a higher-level organization to effectively advance environmental management.



## Environmental Management Performance

SK D&D manages ESG-related items as part of the KPIs of top management to embed ESG management into its business operations. These ESG-related items include green certifications awarded for development properties and the expansion of renewable energy generation to effectively execute implementation tasks.

### 2021 KPI Composition



### ESG KPIs and Their Attainment

KPI	Attainment	Unit	2021 Goal	2021 Achievement	2022 Goal
Renewable energy generation*	96%	GWh	170.3	164.3	330
Certifications awarded	100%	No. of cases	9	9	7

\* Power generated from the wind power plant in Gasiri, Jeju-do, was declined due to the power output limits imposed by Jeju-si in 2021 (including wind power and solar power only)

## Response to Climate Change

### GHG Emissions

SK D&D manages its GHG emissions and energy consumption across all levels to build consensus on and respond to the severity of the climate crisis. While we are not governed by any of Korea's GHG emissions-related mechanisms\*, we have created and voluntarily operated GHG and energy management systems in accordance with the nation's GHG emissions calculation and certification guidelines.

We have preemptively extended the scope of our GHG emissions calculation and management from Scope 1 & 2 emissions generated from our own operations to Scope 3 emissions generated from leased assets and real estate investments. We will set specific annual targets and elaborate on our implementation roadmap to achieve Net Zero.

GHG Emissions (unit: tCO<sub>2</sub> eq.)

Category	2019	2020	2021
Scope 1	138.58	169.09	153.80
Scope 2	629.19	579.25	617.77
Scope 3***	5,161.85	7,974.84	13,306.83

\* GHG target management system, emissions trading system, etc.

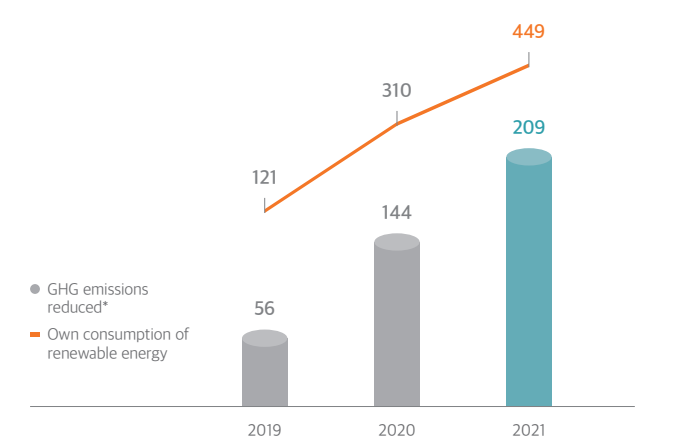
\*\* The organizational boundary of Scope 1 & 2 emissions includes the Headquarters, operations other than the Headquarters, and subsidiaries

\*\*\* Scope 3 emissions are calculated based on Category 13 (Downstream leased assets) and Category 14 (Investments).

### GHG Emissions Mitigation

The Eco Hub, where we are headquartered, was designed with a geothermal system, a solar power system, and Smart Glass to reduce environmental impacts and conserve on energy consumption in the operation and maintenance phases. Our subsidiaries and residential facilities we construct are also run on renewable energy and adopt high efficiency energy facilities to mitigate GHG emissions across the board.

GHG Emissions Mitigation (unit: MWh, tCO<sub>2</sub> eq.)



\* Reduction achieved by the use of renewable energy (Scope 2)

## SK D&D Net Zero

SK D&D is keenly aware of the need to mitigate GHG emissions as a way to respond to global climate change, and will leverage its eco-friendly business to actively join in the effort to address climate change in line with the requirements made by wide-ranging stakeholders. We plan to set and implement our GHG emissions reduction goals in accordance with the SBTi(Science based target Initiative) to make disclosures in 2022 as suggested by the TCFD(Task Force on Climate-Related Financial Disclosures) recommendations and to help achieve the 2040 Net Zero goal of SK Group.

#### GHG emissions management

- Manage GHG emissions from operations (Scope 1, Scope 2)
- Manage GHG emissions generated outside operations
- Scope 3 (Category 13 (Downstream leased assets), Category 15 (Investments))
- Voluntarily verify our GHG emissions with the help of third parties
- Set GHG emissions reduction goals in accordance with the SBTi

#### GHG emission reduction

- Distribute eco-friendly, energy-efficient buildings
- Reduce GHG emissions from operations
- Vehicle replacements, fuel switch, shift to high efficiency facilities, etc.
- Reduce emissions through the activities of tenants
- Encourage customers to reduce GHG emissions and mitigate emissions accordingly
- Reduce emissions through the use of renewables

### Water Resource Management

We operate a water consumption reduction and management system at our Headquarters to improve water resource efficiency. Stormwater and underground water are collected on the rooftop and on the ground of the Eco Hub where we are headquartered and is reused as raw greywater and landscaping water, and eco-certified hygiene devices are deployed to reduce water consumption. We introduce G-SEED-certified stormwater management systems and use discharged stormwater and underground water in the property development process. Furthermore, we undertake property development projects in a way that opts for water-saving devices and ensures that water consumption meets monitoring standards.

Water Resources (unit: ton)

Category	2019	2020	2021
Water consumption	3,186.83	3,649.38	3,445.97
Water reduction	328.70	295.93	406.86

\* Reporting boundary: Headquarters, wind power plant in Gasiri, Jeju, Smart Work Center, and subsidiaries



Greywater/stormwater system: Collect rainwater and underground water on the building rooftop and on the ground to reuse as raw greywater or landscaping water



Water-saving water tap: Use EPD-certified hygiene devices capable of providing sufficient cleaning with less water

### Waste Management

SK D&D launches waste reduction campaigns to mitigate its internal waste. We have set a mandate for all employees to use their own personal mugs and tumblers to lower the use of disposables, and our in-house cafe 'Latelier' serves all its beverages in personal/common-use tumblers. The waste discharged from the Headquarters is managed under our waste management system, and we have gone paperless in our business operations to reduce the consumption of disposables. The hazardous waste generated from wind power plants is stringently managed by third-party O&M companies in accordance with the 'Allbaro' online waste disposal verification system. We will operate environmental improvement campaigns for waste discharged by tenants to contribute to mitigating waste.

Waste\* (unit: ton)

Category	2019	2020	2021	
General waste	Recycling	3.44	3.76	4.27
	Incineration	2.62	2.34	2.30
	Landfill	0.16	0.05	0.04
Hazardous waste	1.23	3.88	2.06	
Total waste discharged	7.45	10.03	8.68	

\* Reporting boundary: Headquarters, wind power plant in Gasiri, Jeju, Smart Work Center, and subsidiaries

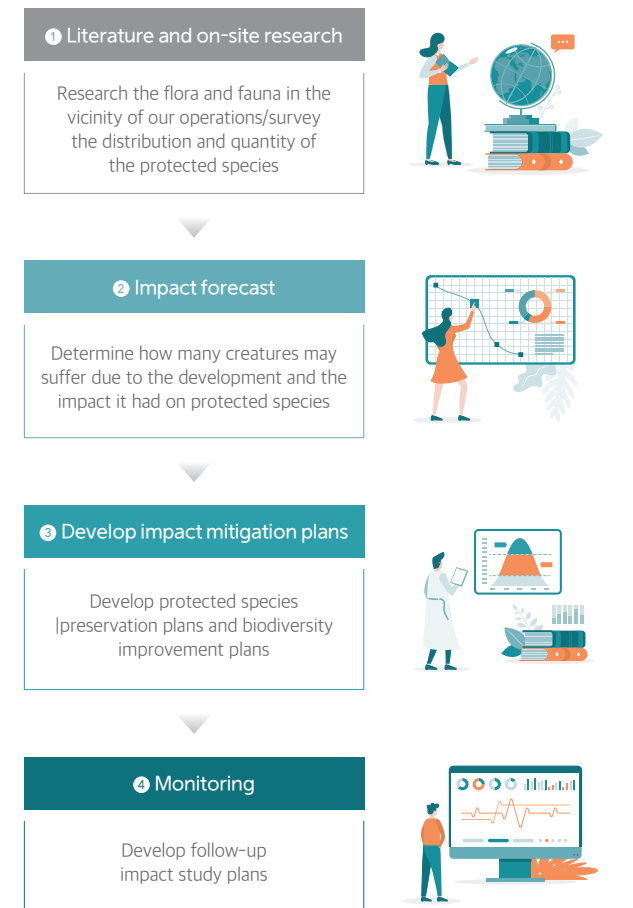


Reduction campaign for disposables

### Biodiversity

We perform environmental impact assessments to minimize our impact on the ecosystem. Such assessments are made on our development projects to preemptively identify the environmental impact generated from property and renewable energy development activities and to exceed the standards required by applicable laws and systems. Environmental impact assessment results reinforce our efforts to create such initiatives as green belts and ecological corridors to protect the ecosystem in the vicinity of our operations.

#### Development process for ecological environment protection



#### Biodiversity Improvement Plan

- Create green spaces to strengthen connections with the ecosystem outside our operations
- Create and preserve natural soil green areas to maintain the circulation function in nature and the function of the soil ecosystem
- Create a biotope for both aquatic and terrestrial life to promote harmony with the wild life
- Develop and implement plans for protected species within the surrounding areas of our operations, along with the species protected by law

### R&D

We have established the ESS Solution part under the Energy Solution Division and assigned R&D professionals to the institute. Researchers engage in sustained R&D on the selection of prime locations in relation to the solar power and wind power farms that we either own or develop and on the ways to improve the value of our ESS business.

### Environmental Training

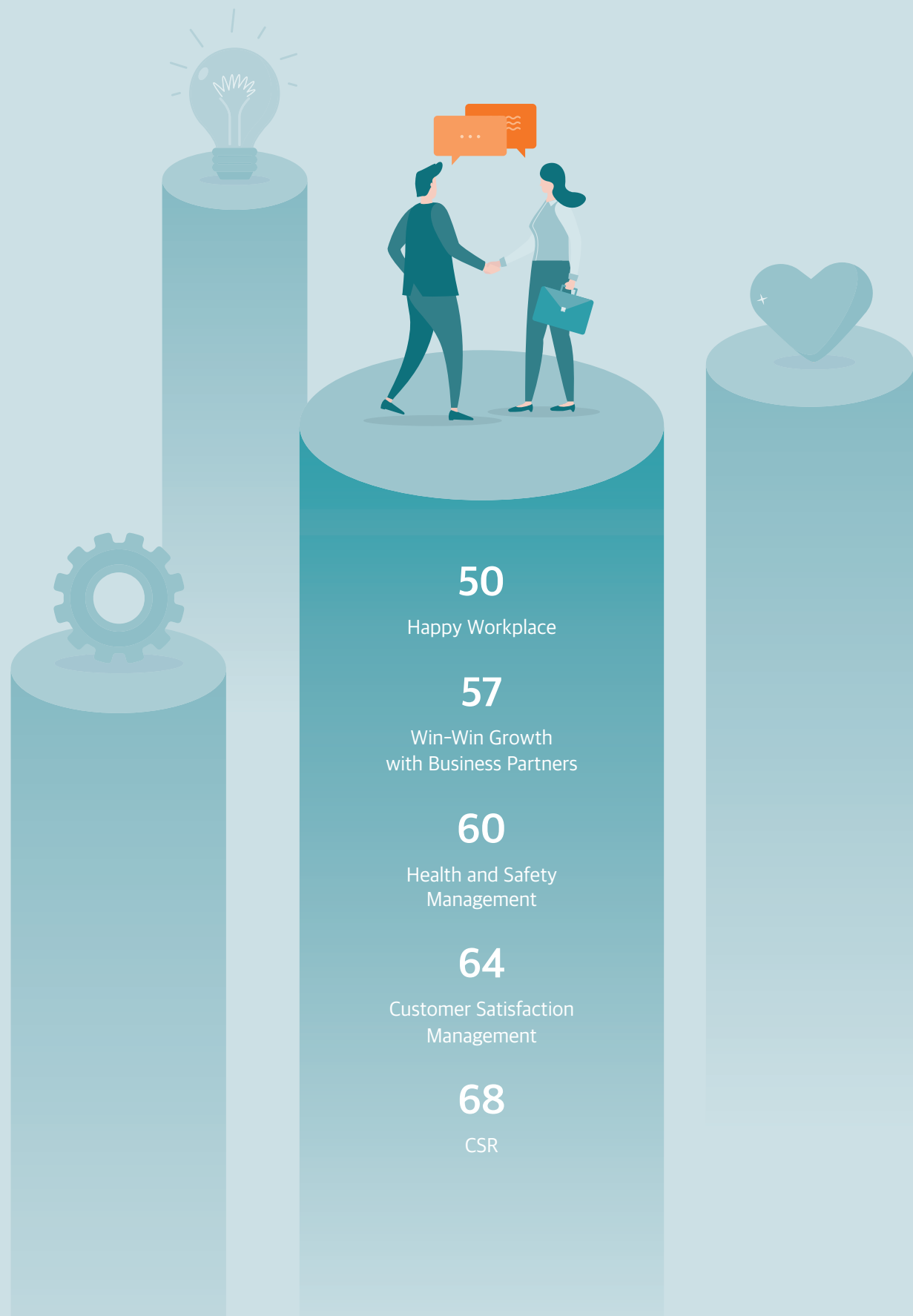
As a way to elevate our environmental management execution, we provide environmental training to all our employees. Leveraging the mySUNI training platform, we operate environmental training programs that touch on the topics of Net Zero, hydrogen, circular economy, and renewable energy generation.



#### mySUNI Environmental Training Curriculum (82 courses in 4 areas)

- Literacy**: Shifting perceptions on the environment, knowledge required to fundamentally understand the relationship between the environment and Deep Change. **25 courses**
- Enabler**: Knowledge required to understand the change factors of environmental topics. **3 courses**
- Domain**: Knowledge required to bolster environmental capabilities in each domain to pursue Deep Change. **51 courses**
- Advanced**: Gain latest information and expert knowledge on green business and technology and develop problem-solving capabilities. **3 courses**





## Social

# Stakeholder Happiness

Businesses depend on society as the source of their very existence and generate profits through interacting with stakeholders. As businesses assume an essential role and acquire a public status through their growth and development, they encounter a variety of interests and an increasing need to embrace the tenets of corporate social responsibility (CSR). CSR is defined as businesses fulfilling their ethical and philanthropic responsibility as well as economic responsibility by generating profit within the legal boundary. Companies are required to take a more stringent legal responsibility internally and externally, as evidenced in the enactment of the Serious Accidents Punishment Act and the EU's supply chain due diligence regulations, along with the growing needs for shared growth with stakeholders and win-win management. Furthermore, social values, such as work/life balance, growth, and diversity & inclusion, have gained greater importance to employees. At SK D&D, we vow to advance socially responsible management in consideration of health and safety, shared growth, and other varying stakeholder values in developing our business strategies and goals to achieve sustainable growth.



**Chief Safety Officer (CSO) newly appointed** to bolster safety management



**KRW 2.6 million** in talent development investment expenses per employee



**KRW 19 million** in benefit expenses per employee



**KRW 62.6 million** in CSR expenditures



# Workplace Happiness

Creating a truly excellent and robust corporate culture is the fundamental driving force behind a company's growth and development. For SK Group, the ultimate goal of its business conduct lies in the pursuit of sustainable happiness for its employees. This requires us to render sustainable happiness in the society in which we operate and to our stakeholders as well. As such, SK D&D does its utmost to ensure its employees and stakeholders are happy and satisfied in alignment with SK Group's SK Management System and the Double Bottom Line initiative for social value creation as well as culture of warm-hearted professionals

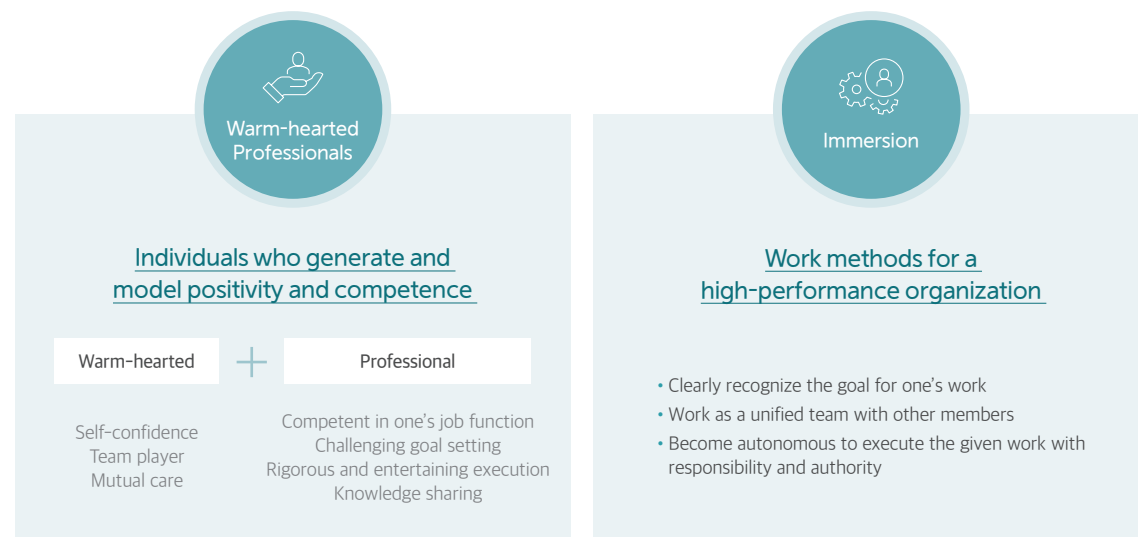
## Warm-hearted Professionals

We remain committed to nurturing 'warm-hearted professionals' under the goal of 'pursuing happiness for employees and stakeholders'. From recruitment to capacity building and performance generation, we are evolving into a 'high-performance organization' where employees gladly and readily engage in their tasks and in which the company grows hand-in-hand with its employees.

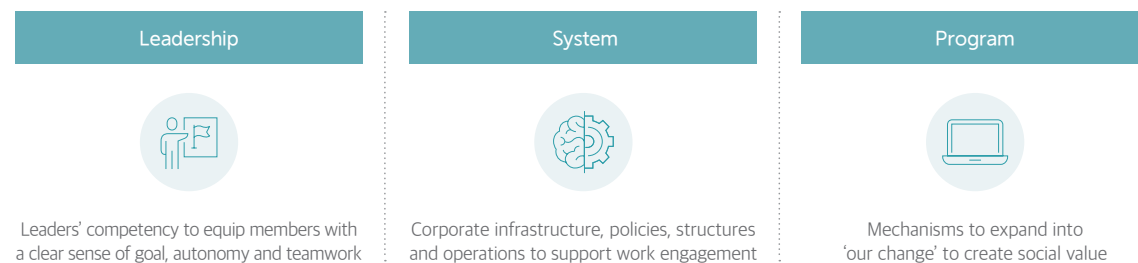
Goal

**"Warm-hearted professionals pleasantly engage in their work to achieve growth and performance"**

Key Words



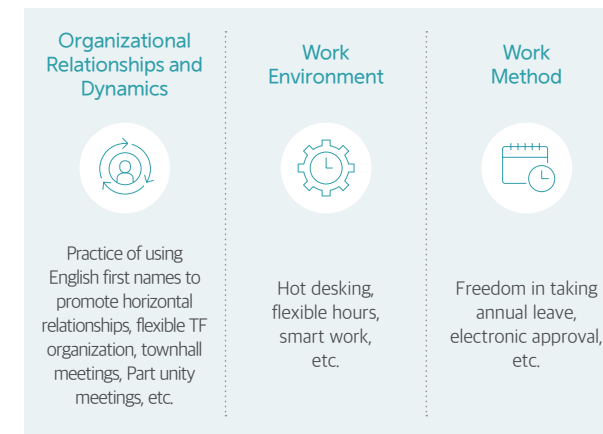
3 Enablers for a High Performance Organization



## High Performance Organization

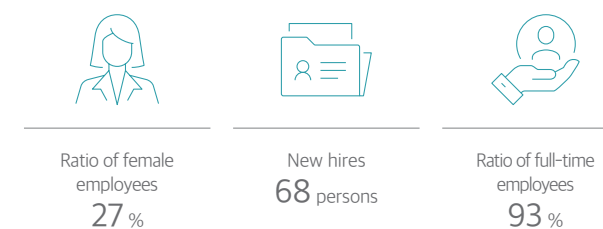
We aspire to be a high-performance organization where employees enjoy their work and engage as such to generate exceptional performance. We guarantee autonomy in work conditions and methods, provide venues for communication such as Management Development Council and Happisode to narrow the gap between leaders and members and boost teamwork, and implement improvement activities through regular assessments to embed a sense of purpose in our day-to-day work.

### Work Environment Improvement



## Fair and Equal Recruitment

We ensure fair and equal opportunity in recruiting competent and talented individuals. The SKCT\* performed in the recruitment process helps us objectively verify if a candidate possesses the comprehensive capabilities required of all SK employees. To provide fair opportunity in the selection process, our internal regulations stipulate against discrimination on the grounds of gender, age, social status, origin of birth, academic background, marriage/parenthood status, or medical history, and give precedence to people with disabilities and individuals of low-income and/or other socially underprivileged groups in the paper screening phase. To expand the pool of exceptional external talent, we welcome the recommendations from our employees to secure outstanding talent outside the company.



## Fair Performance-driven Assessment

To build a capacity-based, performance-driven culture, we assess the performance of our employees against objective standards and present future capacity building directions in line with assessment results to encourage their growth. Specifically, our performance assessment indicators include ESG performance to help employees understand and perform their work from the sustainability perspective. We ensure that our employees are provided with adequate compensation in terms of performance pay, promotions and annual salary based on our reasonable performance assessment process.

### Performance Assessment Process



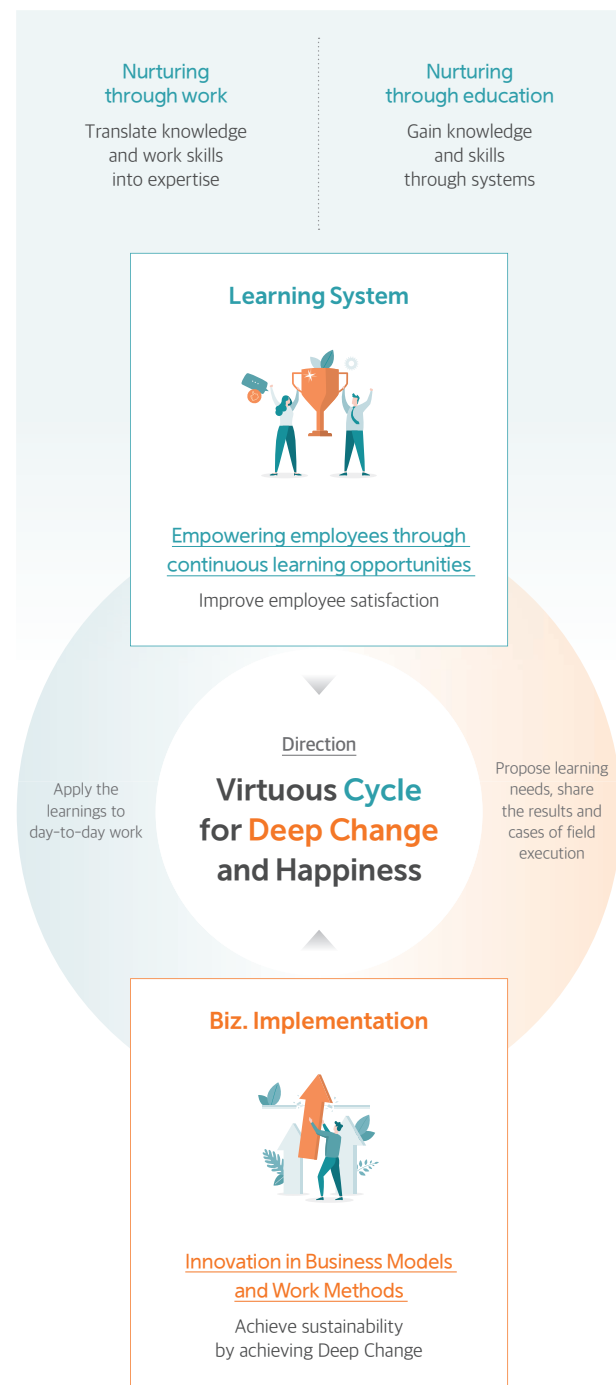
\* SKCT: SK Competency Test to measure one's Critical Thinking, Situational Judgment, and Work Personality



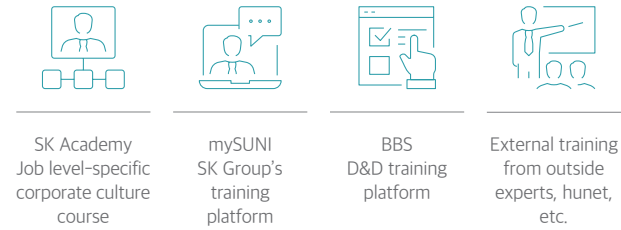
### Employee Empowerment

SK D&D operates a wide array of training channels to become a high-performance organization and empower its employees to grow into warm-hearted professionals. Leveraging an organized talent nurturing system, we enable our employees to prepare for the rapidly-shifting business landscape.

#### Our Approach to Talent Nurturing



#### Education Channel



#### Talent Development Performance (unit: KRW million, No. of hours)

Category	2019	2020	2021
Total education and training expenses	219	496	703
Education and training expenses per person	0.9	2.0	2.6
Total training hours*	3,824	20,888	21,166

\* Includes data from the elective training platform mySUNi

#### SK Academy

The SK Academy disseminates the SKMS (SK Management System) and SK Value to new hires with or without previous work experience, new team leaders and executives to bolster happiness management as SK's distinctive corporate culture while building a systemic development pipeline for each job level to nurture future CEOs and business experts.

"Axis of SK's talent nurturing program, developing talent through steadfast commitment to manifesting the potential of each employee"

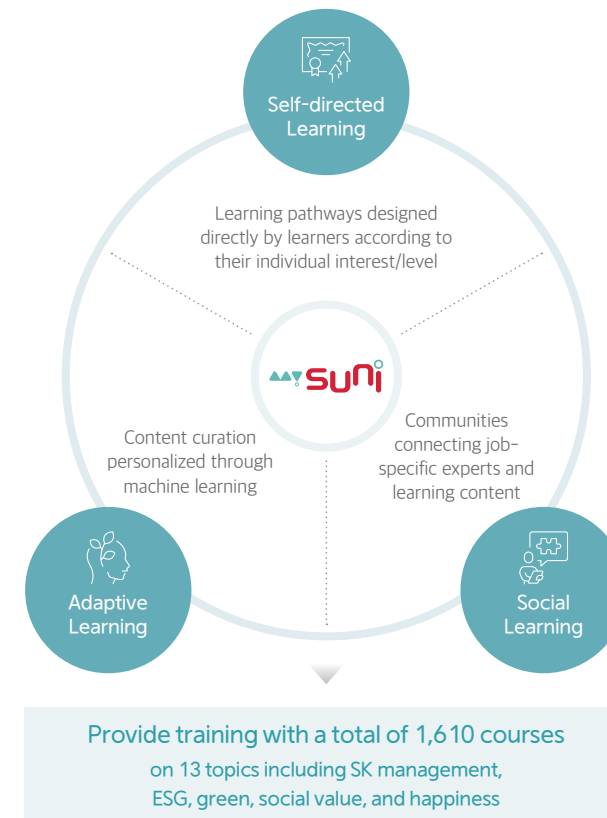


The SK Academy bolsters the foundation for SK's corporate culture through the dissemination of the SK Management System and Values, and nurtures SK's future CEOs and business experts in line with its systemic development pipeline.

### mySUNi

We leverage SK Group's training platform mySUNi to help our employees develop and manage their professional capabilities. mySUNi provides a range of educational courses and programs to enable each employee design a curriculum tailored to their needs, and creates a learning environment for these employees to engage in self-directed learning during their work hours. Work is also underway to develop diverse training courses to help employees apply their new-found skills to their day-to-day work and thereby bolstering their work performance.

#### mySUNi Programs

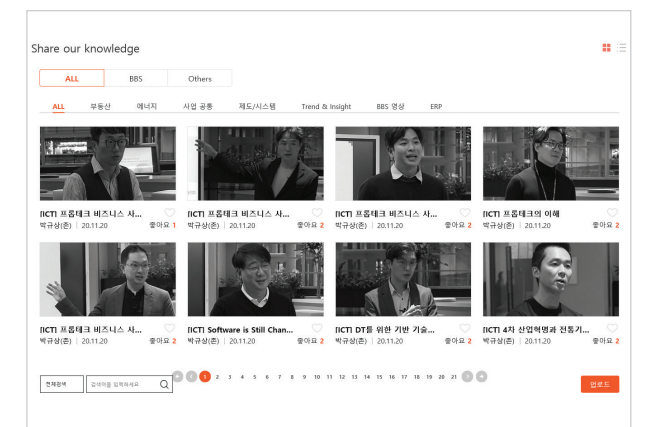


#### BBS

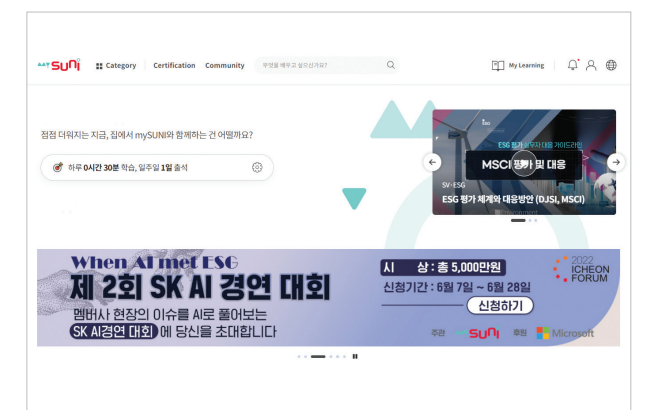
The Brown Bag Seminar (BBS) is our unique educational program that employees voluntarily attend at a casual location with a light meal. Employees gain access to learn a wide spectrum of content - market conditions, regulations and policies, and work skills - according to their own interests, and self-select their desired courses.

### External Education

We provide opportunities for training outside the company when the learning needs essential to capacity building cannot be realistically achieved with our internal programs. For foreign language learning, specific skills, business, finance and other job capacity building, we operate a comprehensive training system to enable employees to elect and enroll in the necessary courses.



BBS



mySUNi











External education (hunet)

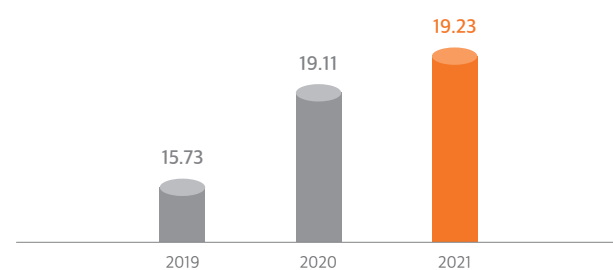
### Employee Welfare Benefits

We operate wide-ranging employee welfare benefit programs to improve the quality of life along with the work-life balance of our employees. Key programs include integrated welfare benefits, support for family events, tuition support, and health check-ups. Our Management Development Council serves to continuously manage and improve our welfare benefits programs in line with employee needs.

#### Welfare Benefit Programs

 <p><b>Integrated welfare benefits</b> Grant points through the partner Benepia</p>	 <p><b>Support for family events</b> Provide leave and financial support for family events</p>
 <p><b>Scholarship support</b> Provide tuition support for middle/high school and university</p>	 <p><b>Hobby clubs</b> Operate in-house hobby clubs and support their volunteer activity expenses</p>
 <p><b>In-house dental clinic</b> Cover dental treatment expenses for employees and their families</p>	 <p><b>Support for educational expenses</b> Support employees with job-related external education</p>
 <p><b>Sabbatical leave</b> Provide a 2-week sabbatical leave for every five years of continuous service</p>	 <p><b>Rewards for long-term employees</b> Grant incentives for long-term service</p>

Welfare benefits expenditures per person (unit: KRW million)

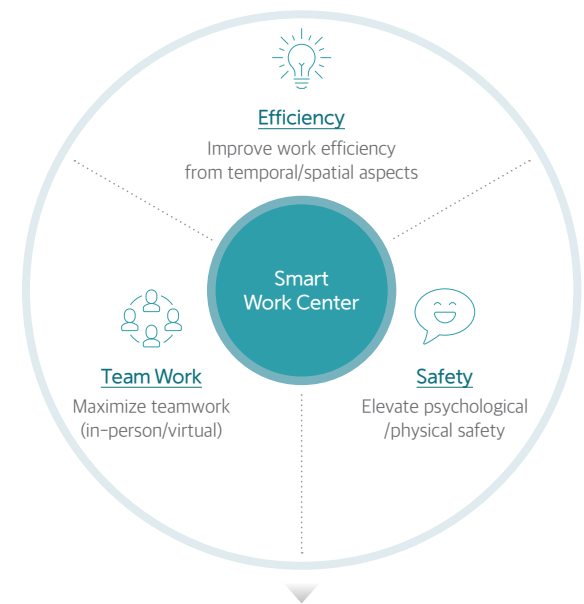


Total welfare benefits expenditures  
KRW **5,258** million

Welfare benefits expenses per person  
KRW **19** million

### Work-Life Balance

SK D&D implements diverse systems and policies that focus on employees' work-life balance to advance happiness management. We provide autonomy for employees to take parental leave and make flexible work arrangements so that they can tend to the needs of their family. Our Smart Work system aims to improve employees' work efficiency and offers a range of workspaces to choose from. This system enables our employees to conveniently work remotely - from home or from our Smart Work Center - by using the IT system irrespective of any given time or location. In consideration of the residence of our employees and the location of business districts, we have established the Smart Work Center in Jongno, Gangnam, and Seongsu for our employees to benefit from autonomous work arrangements while improving on temporal and spatial limitations.



Improve work-life balance by promoting efficiency and teamwork for work engagement and providing secure workspaces



Smart Work Center at Jongno

### Human Rights Management

#### Human Rights Policy

SK D&D abides by international human rights standards to respect and protect the human rights of all its employees and stakeholders, and has declared the human rights policy to guarantee the fundamental human rights and labor rights of stakeholders. In announcing the human rights policy, we endorse such international human rights principles as the Universal Declaration of Human Rights, the UN Human Rights Council's UN Guiding Principles on Business and Human Rights, and conventions of the International Labor Organization.

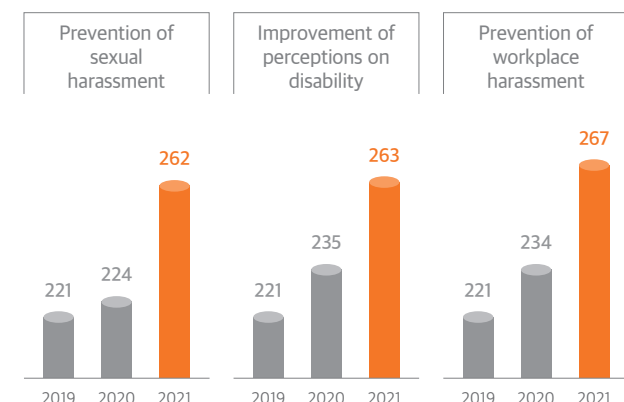
#### Internalizing Human Rights Awareness

We provide human rights training to our employees to prevent human rights risks. We render such education more effective through the use of diverse media such as quizzes and animation to embed human rights awareness into our business operations. In addition to the legally mandatory training on the prevention of workplace/sexual harassment and programs to improve perceptions on disability, we operate non-mandatory programs including case studies for practicing human rights management to build a culture that respects human rights across the board.

Participants in legally mandatory education and their completion rate  
**227** persons (83%)

Completed hours of legally mandatory training  
**448** hours

#### Human Rights Education Completed



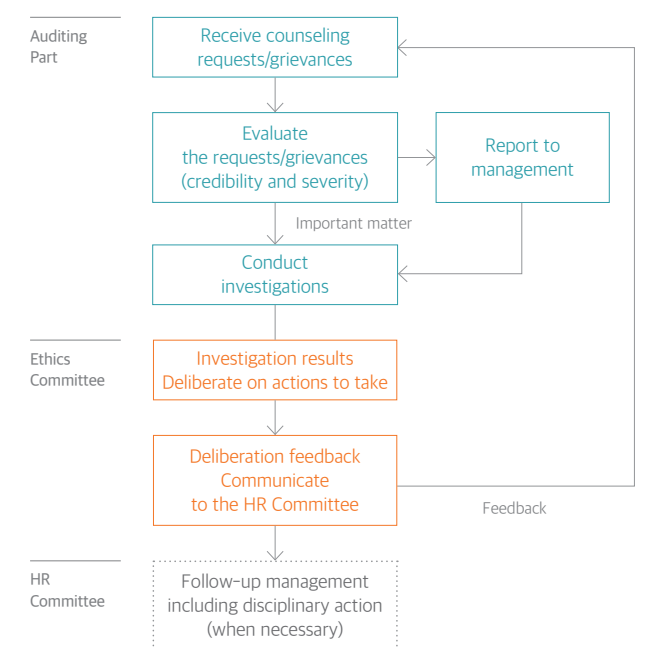
### Improving Organizational Culture

We operate the Management Development Council as a consultative body between the company and our employees to build a wholesome corporate culture. Management Development Council meets quarterly and is attended by key members of management and labor members elected to represent employees, to engage in consultations to integrate diverse agenda items related to the overall happiness of our employees into internal systems. Furthermore, Hapisode, a special meeting directly attended by the CEO, serves to collect and improve on the grievances raised by employees.

### Employee Grievance Mechanism

We operate procedures to protect those affected by human rights violations and provide remedies to prevent human rights violations. The Grievance committee, upon receiving grievances, initiates investigations under the principles of confidentiality and protection of the victim. Third-party experts are appointed when deemed necessary to ensure fairness in handling such grievances and to help identify factual grounds. Investigation results are managed by responsible executives. In the event that deliberations are required to determine disciplinary action, disciplinary management procedures are implemented through the HR Committee, and consultations are made to protect the victims while additional measures are taken to prevent recurrence of issues.

#### Grievance Handling Process



\* Audit Part: Issue notices at least once a year on collection and handling results



Case study

# Happisode



Our Happisode (Happy+Episode) program aims to bolster communication among employees. It also represents our distinctive communication channel used by our CEO and employees to create a flourishing workplace. We have opened Happisode chatrooms for employees to freely voice their opinions about difficulties and/or management goals within a horizontal environment. As of June 2022, a total of 18 Happisode meetings were held. Going forward, we will further expand our Happisode operations to establish a corporate culture that enables free-flowing communication.



Participation in Happisode

Major Agenda



# Win-Win Growth

SK D&D advances sustainable management to establish transparent and fair transactions and pursue shared growth with business partners. In selecting business partners, we assess them on factors that are non-financial as well as technical performance assessments to contribute to disseminating an ESG-driven culture and preemptively respond to non-financial risks. We have also presented four guidelines to follow for engaging in fair transactions to establish robust win-win growth with business partners.

## Win-Win Growth System

We have created the SCM Part to bolster shared growth and win-win cooperation with business partners while minimizing relevant risks. We will increase the competitiveness of our products along with our top-notch business partners by strengthening our cooperative relationships and implementing programs focused on improving and supporting ESG for business partners, thereby creating a mutually-beneficial ecosystem.

Mission

Strategic Priority

### Maximize Product Value



Lead Organization

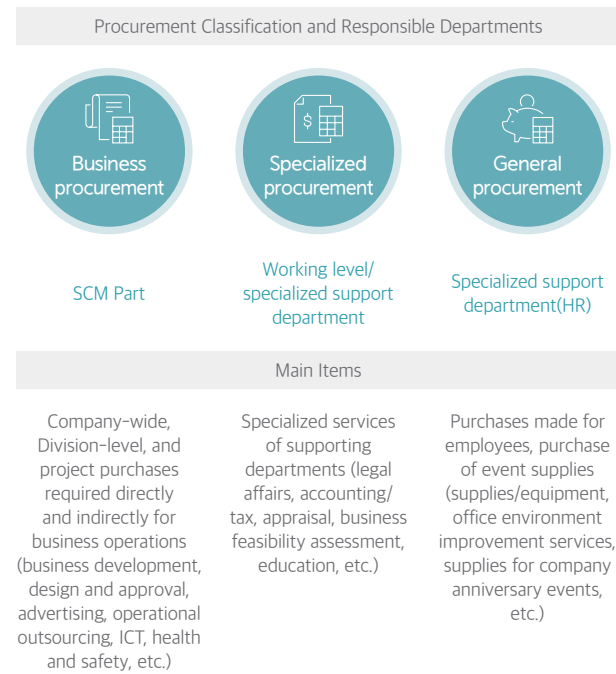
### SCM Part

Main Roles of the SCM Part



### Supply Chain Management System

SK D&D manages its supply chain in the following three different procurement phases to build sustainable supply chains.



\*The company-wide supply chain is managed by the SCM Part.

### Integrating ESG into Business Partner Selection Process

We have included ESG considerations (non-compliance with ethics or in relation to occupational health and safety) for assessment in the Business Partner Management Procedure to raise the bar on our business partner selection criteria.

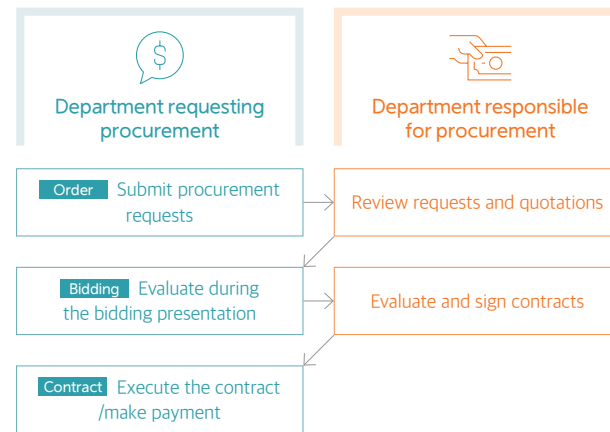
Business Partners and Procurement Amount (unit: No. of companies, KRW 100 million)

Category	2019	2020	2021
Business Partner	191	150	184
Procurement Amount	3,111	1,820	2,254

### Separating the Procurement Request Processes

We have improved our contract process to make it fair and transparent. Whereas the department that was requesting procurement led the entire business partner selection process - order bidding and signing, now the bidding and signing operations have been transferred to the dedicated procurement organization to resolve compliance issues and advance our business partner selection process.

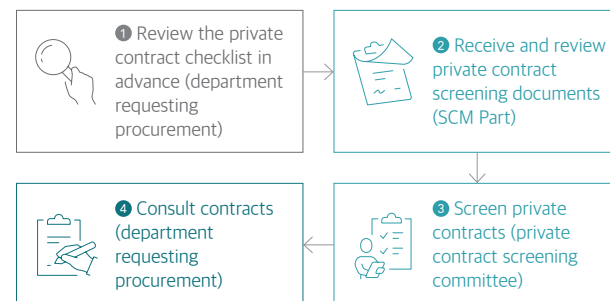
#### Procurement Process Improvement



### Transparent Private Contract Process

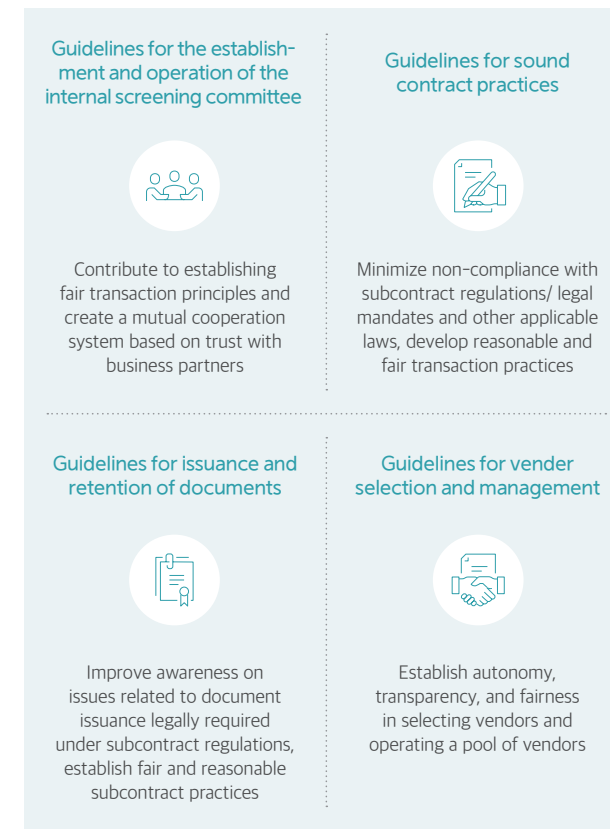
We have improved our private contract process to supplement our existing private contract methods. As such contracts could be vulnerable in transactional fairness and transparency, our Internal Screening Committee performs evaluations on business partner selection and price appropriateness to reflect evaluation results in signing procurement contracts. We will continue to stipulate clear standards and procedures to establish fair transaction principles and create win-win growth with business partners.

#### Private Contract Process



### Four Guidelines for Fair Transactions

We have established four guidelines to ensure fair transactions that are more transparent and impartial and to bolster mutual cooperation to create a shared growth system. These guidelines concern contract signing, business partner selection and operation, the establishment of the internal screening committee, and document retention and issuance, and will drive our efforts to build a win-win growth model on the back of trust-based shared growth.



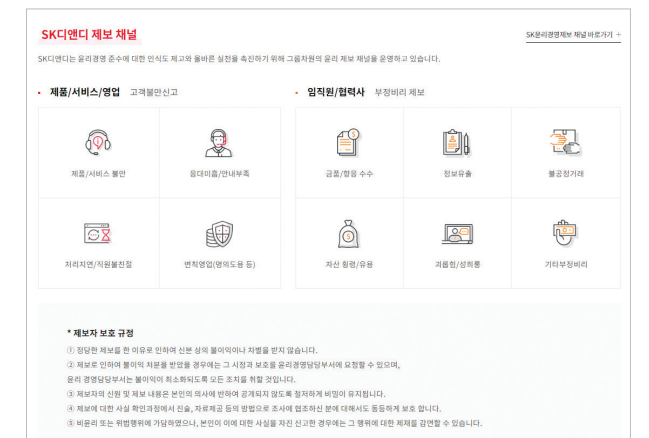
### Fair Trade Training

We provide fair trade training to all our employees to ensure they voluntarily observe fair trade principles and prevent non-compliance with such principles or any reoccurrences of non-compliance. In 2021, we conducted a total of 339 hours of training in relation to our procurement system, fair trade laws, and unfair trading practices to help our employees raise their awareness on fair trade, further elevating our fair trade training.

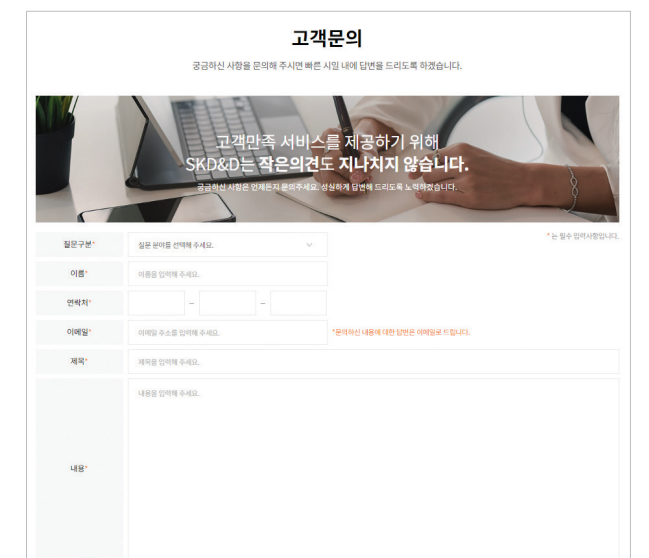
Fair trade training provided **339** hours

### Communication Channels for Business Partners

We operate a range of communication channels to fully integrate feedback from business partners and pave the way for win-win growth in so doing. To make these channels more accessible, we provide phone, fax, e-mail and online channels that can be used either under one's true name or anonymously. Issues submitted are directly communicated to responsible departments depending on their level of significance and impact for prompt handling. For issues raised in relation to non-compliance with ethics, the dedicated ethical management department reviews such issues and takes action accordingly to protect the whistleblower. We also ensure that the identity and details of such whistleblower reports remain strictly confidential in accordance with whistleblower protection regulations.



Communication channel with business partners



Inquiry section on our website





# Health and Safety Management

SK D&D recognizes people and the environment as its top value and fully supports safety, health and environmental (SHE) management under the goal of reducing fatal injuries to zero. To elevate our SHE management, we have appointed the Chief Safety Officer (CSO) under the direct leadership of the Board and have granted the CSO the final authority and responsibility for SHE operations while creating the SHE Part as our company-wide safety organization to promote SHE management across the entire process - from designing to spatial service provisions. In 2022, we will be working to achieve the safety and health management system certification ISO 45001 to advance our SHE management, and are providing SHE training by further segmenting the curriculum according to job level to embed SHE awareness into our day-to-day operations.

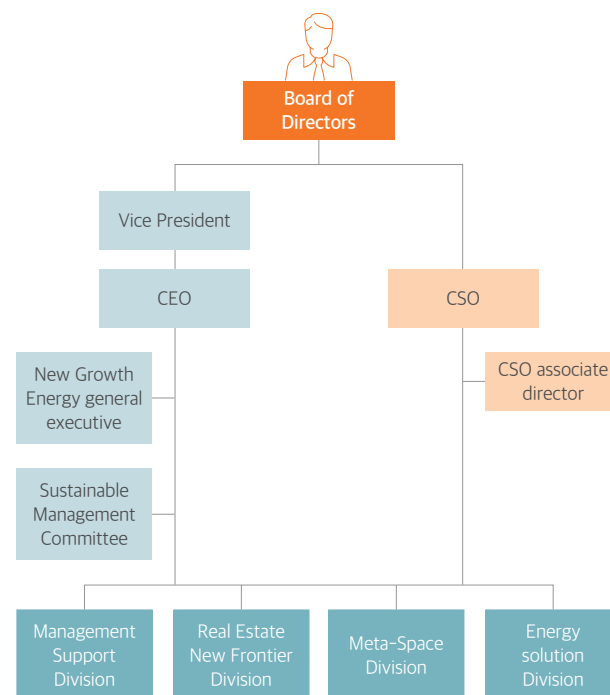
## SHE Management Implementation System



## SHE Organization and Decision-Making System

To bolster our SHE management, we operate a dedicated SHE organization created under the Board of Directors. The CSO has the final authority and the decision-making power, and serves as the control tower for our SHE operations. The SHE Part, as the working-level organization, reports on on-site review outcome analyses and improvement cases at the SHE plan/performance reporting session (annual reporting to the Board) and regular SHE meetings (monthly), and Divisions manage SHE risks in the workplace through SHE activities, reviews and training in line with our company-wide SHE policy and goal.

SHE Management Organizational Chart



SHE Management Meeting (half-yearly)	Regular SHE Meeting (monthly)
<ul style="list-style-type: none"> <li>Review the attainment of our company-wide SHE goal and implementation plans</li> <li>Review the details of any injuries that occurred since the previous meeting and the application of measures to prevent their reoccurrence</li> </ul>	<ul style="list-style-type: none"> <li>Department: Review the progress made on KPIs and their attainments</li> <li>On-site: Analyze review outcomes and share improvements cases</li> </ul>

## SHE Activity

We have developed SHE management manuals and are implementing SHE activities in each phase of our business conduct. To prevent the occurrence of safety incidents across our development sites, field operations, and customer-leased spaces, we will establish a self-reinforcing Plan-Do-Check-Act cycle to continuously upgrade our SHE operations.

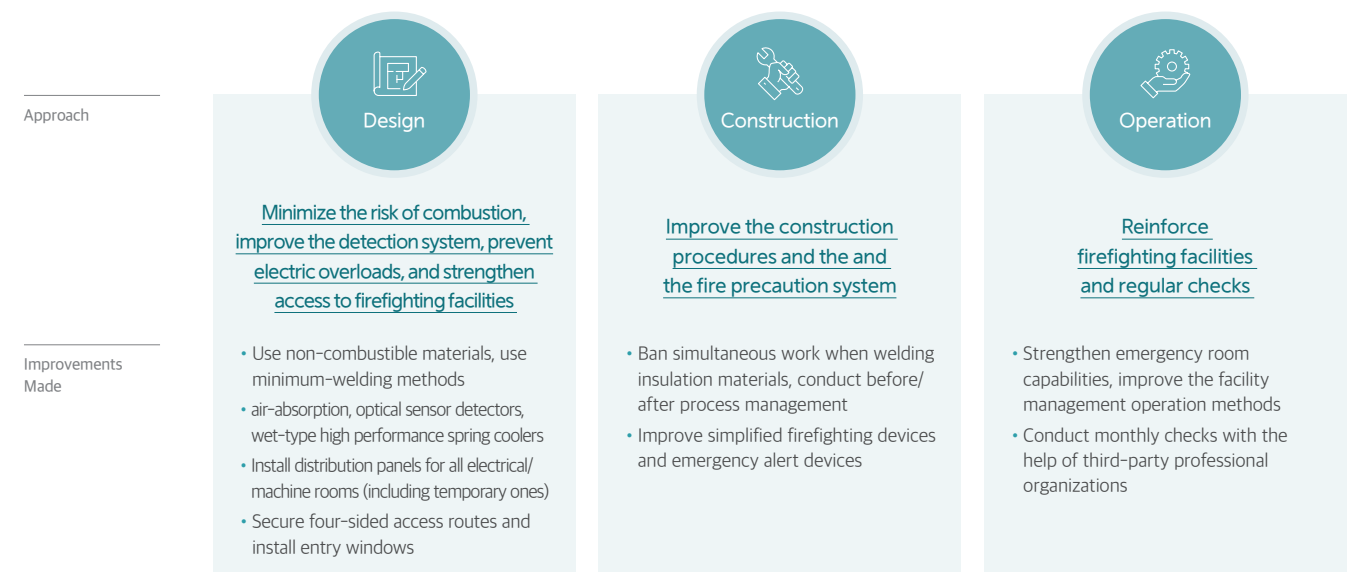
### SHE Roles and Action Principles by Job Level

Job Level	Management	Project Leader	Employee
Role	<b>Lead SHE management</b>	<b>Lead change in SHE management /set an example</b>	<b>Voluntarily carry out SHE principles</b>
Action	<ul style="list-style-type: none"> <li>Present SHE goals</li> <li>Practice SHE leadership</li> <li>Create an environment conducive to SHE management</li> </ul>	<ul style="list-style-type: none"> <li>Establish a SHE management system</li> <li>Lead, help and check to pursue, act as a role model and encourage others to join SHE activities</li> </ul>	<ul style="list-style-type: none"> <li>Follow the basics of SHE and SHE principles</li> <li>Secure ownership for on-site safety</li> <li>Consistently practice SHE principles</li> </ul>



## Reinforcing Fire Prevention Systems for Logistics Centers

To reinforce the importance of safety in product development, we apply standards developed to ensure safety and prevent fires in designing our property development projects. We follow our own independent design standards to preemptively identify safety risks in the construction and operation phases of our logistics centers that constitute our property portfolio. Furthermore, we develop emergency response manuals and perform more robust regular checks to take practical measures to prevent fires in the construction and operational phases.



### Safety Risk Management and Assessment

We conduct risk assessments to identify potential safety-related risk factors across our operations and prevent SHE risks. In so doing, we identify possible risks against wide-ranging internal/external factors including legal standards, manuals and corporate culture, and develop improvement measures by risk level. Hazards and risk factors identified as significant are directly verified by executive officers to establish improvement procedures and verify their implementation.

### Constructor Selection and Support Activities

To fulfill our obligation and responsibility as a contractor, we develop and apply contract project management guidelines. Safety management metrics are included in the final assessments made in the constructor selection process to prevent occupational injuries in the field and disseminate a SHE culture. We also assign safety supervisors to the project site to support and oversee on-site safety activities to take the initiative in creating a SHE culture.

### Safety Supervision

We assign safety supervisors to create a safe work environment and prevent fatal injuries. These supervisors perform regular/ad-hoc safety inspections (safety inspections for varying periods of vulnerability) as well as implementation reviews based on the safety and health ledger established for the concerned construction project while developing measures to assess risks and improve hazards and risk factors. For high-risk work, suspension or improvement measures are taken to systematically eliminate risks, and the Health and Safety Council (labor-management consultative body) serves to directly collect feedback from employees to create a safe work environment.

#### Safety Inspection: Major Activities and Implementation Plans

Inspection	Purpose	Inspector	2022 Plan
MBWA	Supervised by management	CSO, SHE Part	18 times
Inspection supported by the SHE Part	Order awarding position/support vulnerable projects	SHE Part	37 times
Regular inspections by professional organizations	Regular consulting	Inspector consultancy	57 times
Regular inspections by project managers	Ad-hoc inspections by each manager	PE Part, project supervisor	As needed



#### Safety Inspections on Wind Power Plant Construction

SK D&D conducted on-site safety inspections in the transmission line construction process for the Pungbaek on-shore wind power plant located in Gunwi, Gyeongbuk-do, Korea. This involved paper reviews on the Occupational Safety and Health Act and risk assessments to make substantial SHE improvements, as well as one-on-one interviews conducted with on-site workers to gather their candid feedback and identify necessary improvements. In constructing power transmission towers, on-site reviews were made at the same time to check the safety of the equipment and locate fall risks and hazards to doubly ensure that elevated work areas, which pose the greatest injury risk, could be performed safely and with all possible practical safety measures.



One-on-one interview with on-site workers



On-site safety inspection

### SHE Trainings

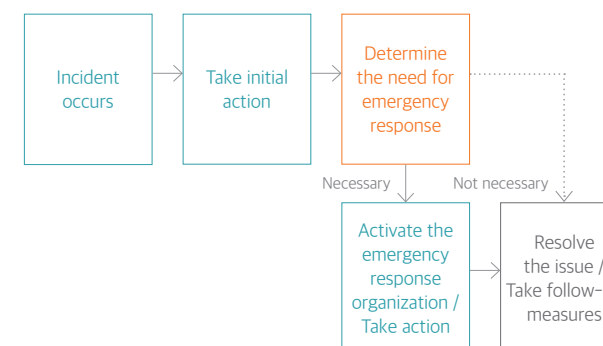
We operate wide-ranging SHE training programs to embed SHE management into our business operations. Such training is provided differently to respective targets to establish a SHE culture. In 2021, a total of 1,121 hours of training were provided.



### Emergency Response System

fatal injuries involving people, natural disasters and other emergencies. In the event of an emergency, an emergency entity is temporarily deployed to serve as an emergency response organization and take immediate action. In addition, half-yearly mock drills are performed under real-life scenarios to alert employees to the need to act effectively during an emergency and to bolster our incident response process to act quickly.

#### Emergency Response Process



### SHE Management for Products and Services

We engage in a variety of activities to provide a safe environment for the tenants of our Episode tenants. In collaboration with professional facility management companies, we perform regular checks on residential facilities - electricity, firefighting and machinery - and develop standard operating procedures for accidents to minimize any damage caused by unexpected accidents. We also subscribe to natural disaster insurance plans and conduct mock exercises to prepare for possible accidents so that SHE risks are kept to the absolute minimum for our customers.

### Response to Covid-19

To ensure the health and safety of our employees amid COVID-19, we operate the COVID-19 situation room. In so doing, we shared the government's COVID-19 guidelines, mandate smart work arrangements (work at home, flexible hours), and provided employees with PPE (personal Protective Equipment) supplies when needed to minimize COVID-19 infections.

#### Key Response Activities

Care for infected employees	Provide meal kits and gift certificates for food delivery to support employees who are isolated due to a COVID-19 infection
Self-testing kits	Provide self-testing kits to help employees safely take vacations and prevent the spread of COVID-19
Vaccination leave	Allow employees to take leave on the day they are receiving a vaccination and extend this when an employee develops adverse responses from the full-fledged vaccination program
Smart work	Keep the ratio of smart work arrangements at 50~70% in line with the government's social distancing guidelines
Face masks	Provide all employees with face masks to help address the shortage of such masks and proactively prevent infections





# Customer Satisfaction Management

SK D&D provides residential and office spaces as well as living solutions that cater to customer needs to pursue innovation for customer value, and engage in continuous communication to build long-term trust-based relationships and elevate our sustainability with our customers. As COVID-19 boosted the need for non-face-to-face services and accelerated digitalization, we aim to provide space-as-a-service enabled by AI and data to elevate the value of virtual services to new heights. In addition, we will bolster our product development and service offerings that deliver greater ESG value in line with consumer needs that pursue an environmentally and socially sustainable life, joining hands with customers in creating ESG value.

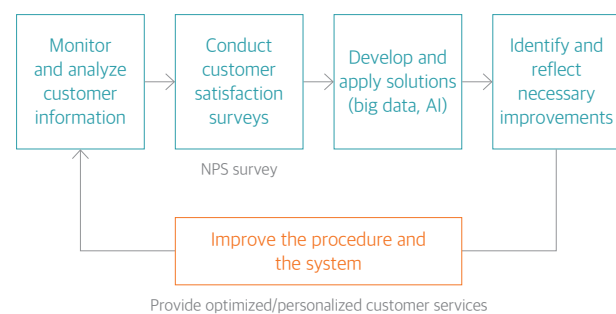
## Customer Satisfaction Management Implementation System



## Customer Satisfaction Survey

SK D&D conducts annual customer satisfaction surveys to deliver innovative customer value. Survey scores are reflected in our KPIs to ensure that practical improvements are made on issues in need of such improvements. As such, we improve customer satisfaction through our quantitative management system.

### Customer Satisfaction Improvement Process



## Customer Value Innovation Activity

### ESG-based Customer Value Innovation

We consider environmental and social value in our space design and construction work to deliver sustainable spaces and services to our customers. We choose eco-certified materials from the building development phase, adopt eco-friendly technology to minimize the environmental footprint of our buildings, and achieve third-party certifications to boost our environmental competitive edge. To provide an environmentally/socially-friendly residential experience, we place furniture and supplies made from environmentally preferred materials in common-use areas while implementing ESG programs along with our customers. This helps us blaze the trail in creating a sustainable, ESG-conscious lifestyle alongside our tenants.

#### Create Environmental and Social Value

<p><b>Select furniture made from recycled materials</b></p>	<ul style="list-style-type: none"> <li>Sofas manufactured with fabric made from recycled plastic PET bottles (collaboration with Pleats Mama)</li> <li>Stools made from recycled construction waste (in collaboration with the artist Kaya)</li> <li>Storage closets and benches made out of Plasnel, panels made from the fabric of recycled apparel</li> </ul>
<p><b>Provide shared spaces for local communities</b></p>	<ul style="list-style-type: none"> <li>Operate pet lounges (cafes and spas) to encourage local communities to voluntarily use such spaces</li> <li>Provide common-use lounge spaces in Episode cafes</li> <li>Host the monthly Groww Market in public areas (attended by tenants and community members)</li> </ul>

#### Facilitate an ESG-minded Culture of Living

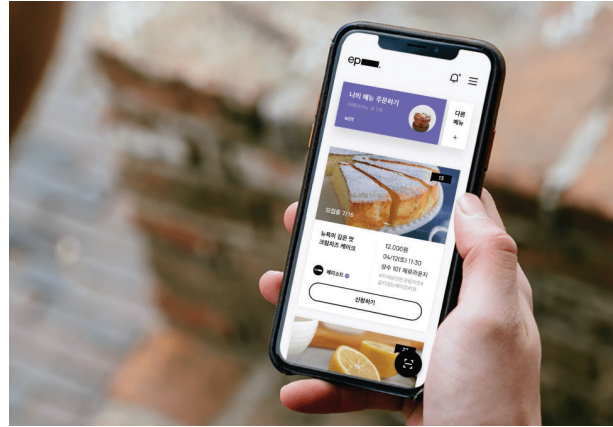
<p><b>Environmental and health improvement program</b></p>	<ul style="list-style-type: none"> <li>Operate programs that care for the health of the tenants and the environment                             <ul style="list-style-type: none"> <li>Plogging, vegan cooking, P,Plants gardening programs, local food markets</li> </ul> </li> </ul>
<p><b>Social value creation program</b></p>	<ul style="list-style-type: none"> <li>Hold small-scale flea markets in partnership with local small business owners (Muji Korea X Episode)</li> <li>Host one-day-long classes in partnership with local flower shops and provide affiliated programs</li> </ul>
<p><b>Lifestyle program</b></p>	<ul style="list-style-type: none"> <li>Provide our tenants with cultural aesthetically-pleasing programs (lifestyle music)</li> <li>Provide TEDx lecture programs with living content</li> </ul>



Plogging Program



TEDx lecture program



Episode 2.0 App.

**Key Functions of the Episode 2.0 App**



**Customer Data Privacy**

SK D&D complies with data privacy regulations stipulated in the Personal Information Protection Act and other applicable laws and regulations. In processing personal data, we verify to ensure that it is not used, disclosed, or shared for purposes other than the intended purpose to safeguard such personal data from misuse or unethical involvement. To protect customers' personal data and their privacy and prevent data breaches, we provide regular training to our employees responsible for handling such data to raise their awareness on customer data privacy. We also perform regular system inspections in line with SK Group's security guidelines, and analyze identified vulnerabilities to develop countermeasures for the purpose of prevention.

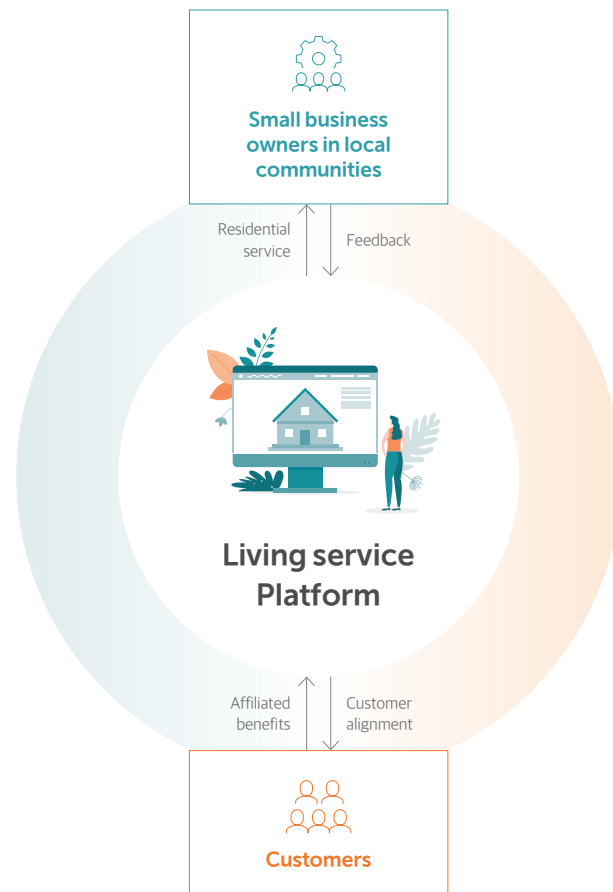
**VOC(Voice of Customers)**

We receive real-time inquiries through the Episode app and hire permanently-based managers to take immediate action to address grievances raised by tenants in relation to the residential services that we provide. The opinions and grievances collected through the Episode app are used to improve and provide the best-possible customer service.

**DT-enabled Residential Service Innovation**

We are building a mobile-based residential service platform so that we can offer our tenants a differentiated experience. In 2021, we independently developed the Episode 2.0 mobile app to improve the accessibility of our residential facilities, living services and community activities, which also served to improve our customer convenience accordingly. We plan to extend the scope of our services from tenants to non-tenants by launching services in partnership with small business owners in local communities. This will truly serve to set us apart in delivering diversified and unsurpassed residential services.

**Mobile-based Living Service Platform**



Case study

**Design Awards**



Our residential brand, 'Episode' embodies our commitment in realizing SK D&D's conceptual definition of 'living spaces, the value of the individual, a microcosm of society, and connecting value'. As Korea's largest co-living brand, Episode goes beyond supplier-driven space design to deliver a wide variety of residential experiences from the user perspective.

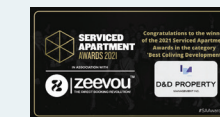
Each Episode location is distinguished by the unique attributes of its community: for example, in Gangnam which is characterized by modern corporate skyscrapers and young professionals, we created spaces with features promoting a work-life balance, and in Seongsu, known for its individual flair and style, we created community lounges reflecting the latest trends. As such, we are promoting a highly unique lifestyle that takes the demographics, geography and socio-culture of the setting into account.

**2021 A 'Design Awards & Competition'**  
Bronze Medal in the Graphic Communication category



A' Design Award is hosted in Italy to highlight the world's best brands, architecture, products and other items in diverse design areas. Episode gained recognition for its commitment to pioneering new trends of living culture trends for 'improved urban lifestyles' and for conceptualizing such trends, and was honored with the Bronze Award in the Graphic, Illustration and Visual Communication category for its corporate identity and branding.

**2021 Serviced Apartment Awards**  
Best Coliving Development



The SA Awards which have been hosted since 2016, scouts out apartments and other short-term lease facilities. Episode was singled out for its co-living products that reflect evolving living arrangements and trends that lean towards more single-person households, along with improving the customer value of tenants through diverse residential services. As a result, Episode proudly won the Best Co-living Development Award.

**2021 Coliving Award**  
Best Coliving Operator



The Co-living Awards are hosted by Co-living Ventures and attended by more than 100 leading companies across the globe in the co-living sector to award companies with excellence in sharing the culture of co-living. Episode was recognized for its high-quality communities, facilities and sustainability that promote the safety and well-being of its tenants and thus became the first in Asia to be named the Best Co-living Operator of the Year.

**2021 Global Design Awards**  
Special Mention in the Brand Identity category



The Global Design Awards was initiated in 1969 by the German Design Council and has become one of the world's most prestigious design awards. Judges at the Council who include design industry professionals, professors and other experts conduct independent reviews to select the final winner. Episode won a 'Special Mention' for its exceptional communication design and brand identity.

**2021/2022 Mercury Awards**  
Honors in the Design Culture/Life Style category



The Mercury Excellence Awards evaluate corporate communication activities across the world. The 'Next' magazine, published by our subsidiary DDP, was awarded with Honors in the Culture/Lifestyle category. The magazine showcased DDP's design story along with its unique understanding of spaces as evaluated by third-parties. Going forward, these articles will be made available on the web platform for all to access.





# CSR

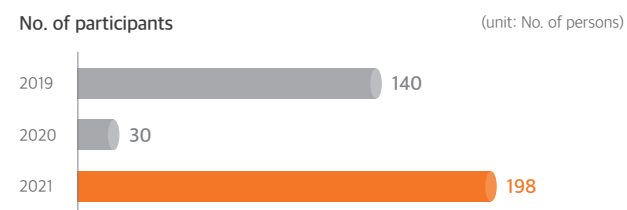
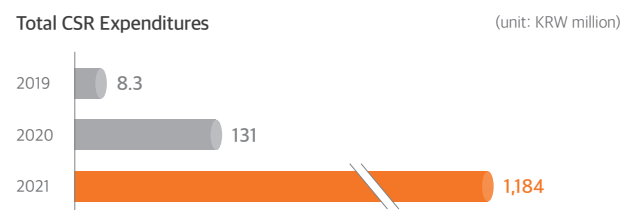
Under the vision of 'sharing happiness to resolve social issues', SK D&D implements CSR (Corporate Social Responsibility) activities that revolve around the three themes of 'Helping the Underprivileged, Health, and Green', and aligns them with the UN Sustainable Development Goals (SDGs) to contribute to the global community's efforts to attain these goals. We identify social issues closely related to our business to deem our CSR activities more effective, and build partnerships with internal/external stakeholders to do our part in fulfilling corporate social responsibility. Furthermore, our CSR outcomes and plans are approved by the ESG Committee under the Board of Directors each year to undertake CSR activities that truly serve the interest of our communities.

## CSR System

### DESIGN Happiness With D&D Share happiness to resolve social issues

3 CSR Themes	Underprivileged	Health	Green
	<b>Economically/environmentally underprivileged groups</b>	<b>Physical and mental health</b>	<b>Response to climate change &amp; resource circulation</b>
	Support vulnerable groups in local communities to become a respected company	Strengthen the social safety net and promote positive values to disseminate a wholesome social culture	Endeavor to resolve the major global challenges of climate change and resource issues
Goal	<ul style="list-style-type: none"> <li>Provide educational/cultural opportunities</li> <li>Build a foundation for social self-reliance</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the social safety net</li> <li>Disseminate the value of liberal arts and community involvement</li> </ul>	<ul style="list-style-type: none"> <li>Resolve the issue of climate change</li> <li>Address natural disasters, restore forests damaged through reckless development</li> </ul>
Key CSR Activities	<ul style="list-style-type: none"> <li>Hope Makers 2.0</li> <li>Support small business owners affected by COVID-19</li> <li>Provide educational and welfare facilities for people with disabilities</li> </ul>	<ul style="list-style-type: none"> <li>Sharing Life - Online Blood Donation Relay</li> <li>Sponsor firefighting/safety foundations</li> <li>Sponsor the Platon Academy</li> </ul>	<ul style="list-style-type: none"> <li>Green remodeling</li> <li>End-of-life mobile phone donation campaign</li> <li>Online Eco-market</li> <li>Support typhoon-affected areas</li> </ul>

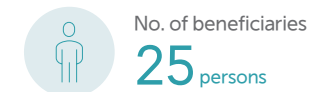
\* CSR programs that engage employees



## CSR Program - Helping underprivileged

### Hope Makers 2.0

As our flagship CSR program, Hope Makers aims to narrow the social divide by assisting less-privileged children and teens in becoming responsible members of society. Since we signed an MOU with the 'Hansol Social Welfare Center' in Seongnam in 2021, we have provided economic and emotional support to socially underprivileged groups. This includes financial sponsorships, holiday gifts, and Hope Kits (winter supplies). The funds from which we operate these initiatives are raised through company-matched employee donations, which creates a sense of mutual pride and incentive to sustain such efforts.



MOU signing between SK D&D and the Hansol Social Welfare Center



Donating Hope Kits under the Hope Makers program

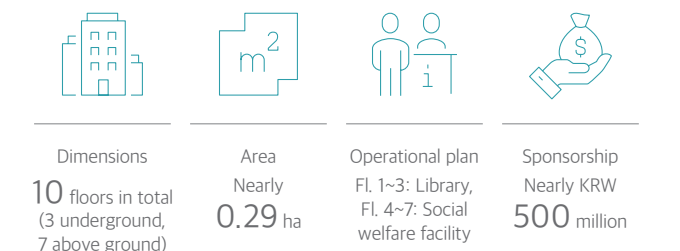
## Reduced Lease/Sublease Fees

As the government tightened social distancing regulations and as outdoor activities decreased amid the prolonged COVID-19 pandemic, small establishments operated by individuals and small business owners suffered immensely. This prompted us to temporarily reduce lease/sublease fees for tenants financially affected by this global pandemic. We identified directly-affected industries, and offered a 50% reduction of lease/sublease fees for six months to share the burden of addressing this national and social challenge with business partners, promoting win-win growth in the process.



## Creating Educational and Welfare Facilities for People with Disabilities

We signed a CSR agreement with the Youngdeungpo-gu Office to build an educational welfare facility at the site of our knowledge industry center located in Dangsán-dong. This seven-story building to be constructed under this contributed acceptance agreement will house social welfare facilities and a library for community members and people with disabilities. Through spatial remodeling spanning the interiors, ICT solutions, and furniture, we will ensure the quality completion of this facility.



Signing of an MOU on contributed acceptance between SK D&D and the Youngdeungpo-gu Office



### CSR Program - Health

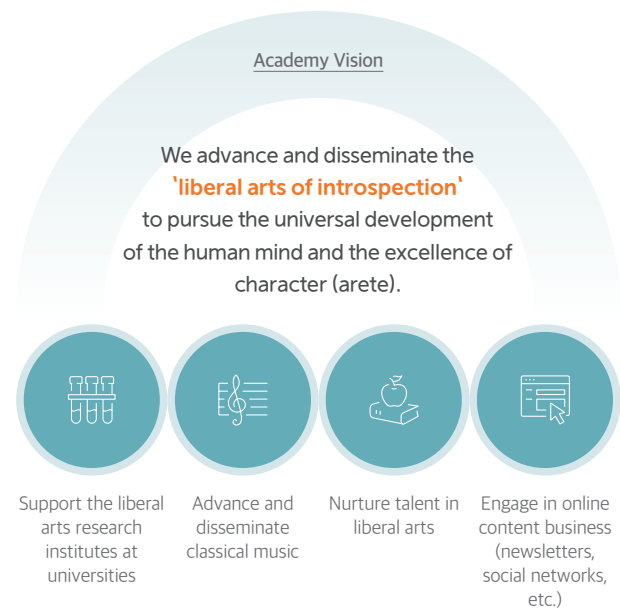
#### Building a Social Safety Net for Fire Safety

SK D&D remains committed to building a social safety net in the fire safety and health sectors, which are closely related with property development. To prevent disasters caused from lack of fire safety, we donated KRW 70 million to the Korea Firefighting Welfare Foundation, which will go to improve the treatment for firefighters, support for the families of firefighters who lost their lives or were injured, and use media to increase public awareness.

#### Liberal Arts Advancement

We promote the development of liberal arts to nurture researchers and future leaders in this critical discipline. We sponsor the academy established as a literature support foundation for the study and dissemination of liberal arts. The donations we make go to support liberal arts research activities at universities, online liberal arts scholarships, and cultural support projects. By reinforcing the foundation of liberal arts, we take the lead in creating thriving community involvement, disseminating the value of liberal arts, and more fully fulfilling our social responsibility.

#### Academia Platonica



### Blood Donation Campaign

We launched a blood donation campaign to contribute to resolving the nationwide shortage of blood caused by the prolonged COVID-19. Backed by employees' voluntary participation, we teamed up with the Hanmaeum Blood Center that undertakes national blood projects for this campaign, and made a set amount of donations for every employee who joined the campaign. The funds raised as such went to underprivileged children and teens suffering blood cancer to disseminate 'good-hearted influence' across society.



Blood donation campaign



SK's life sharing online blood donation campaign

### CSR Program - Green

#### Green Remodeling

SK D&D engages in the eco-friendly remodeling of public residential facilities occupied by underprivileged groups to improve the environmental performance of buildings that are directly associated with its business and to respond to global climate change. In 2021, we partnered with Habitat Korea to select old residential facilities that house children from low-income families and improved their energy efficiency through insulation installation and window replacements.



MOU signing between SK D&D and Habitat Korea



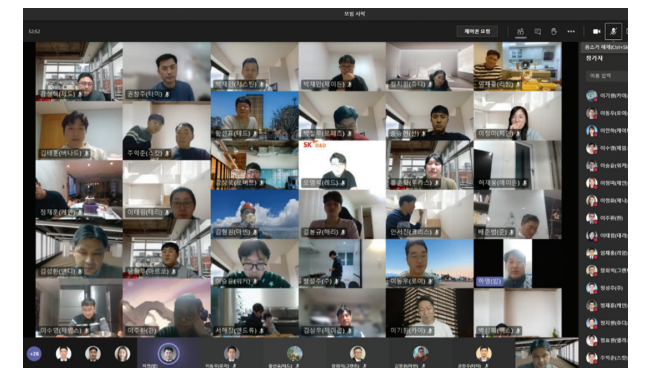
Green remodeling

#### Mobile Phone Recycling Campaign

We participate in the MINTIT project designed to donate end-of-life mobile phones. Launched by SK Group as a recycling campaign, this project collects end-of-life mobile phones, extracts the key resources, and recycles these materials. All the proceeds generated go to support underprivileged children. Participants in this project are given a set amount of rewards, which serves to improve their environmental awareness.

### Online Eco-market

As part of our CSR program voluntarily led by employees, we opened an online Dangeum Market. Unused personal items were put up for auction and were shared as such to improve awareness on the importance of recycling and disseminate an eco-friendly mindset. All the proceeds generated were donated to support the livelihood of underprivileged children and the welfare of children and seniors in local communities. We plan to develop appropriate support measures for the ESG programs led by employees and expand our corporate support accordingly.



Online Eco-market

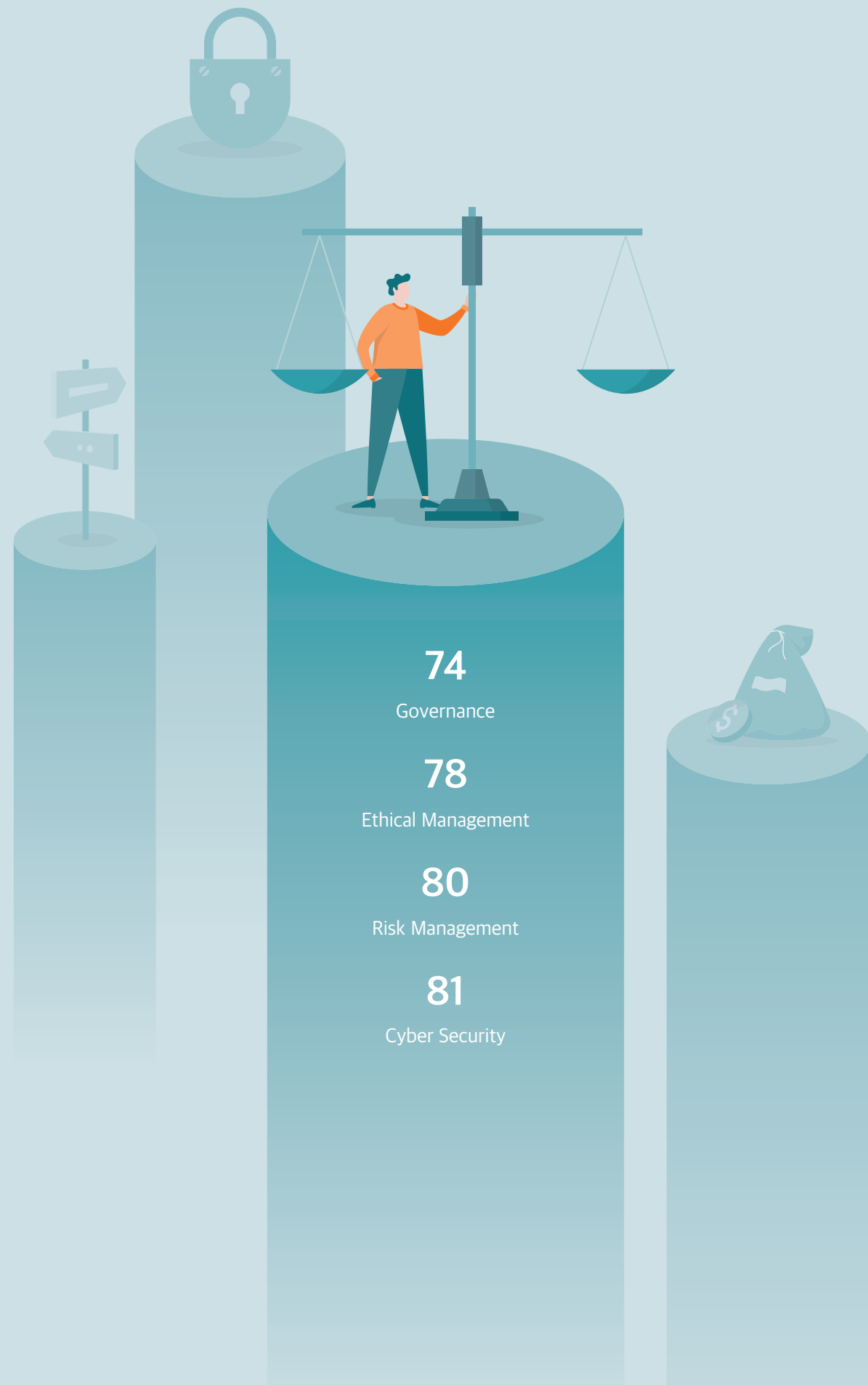
### Local Community Contribution

We provided donations to people in communities that were affected by natural disasters stemming from climate change. In 2021, we made financial and in-kind donations to people who suffered from the typhoons Omais and Mitag that hit Pohang and Uljin, while supporting prompt damage recovery. Going forward, we will engage in wide-ranging support to ensure that people from local communities can count on stability in their lives even in the wake of large-scale disasters.



Support for the people of Pohang who were affected by the typhoons

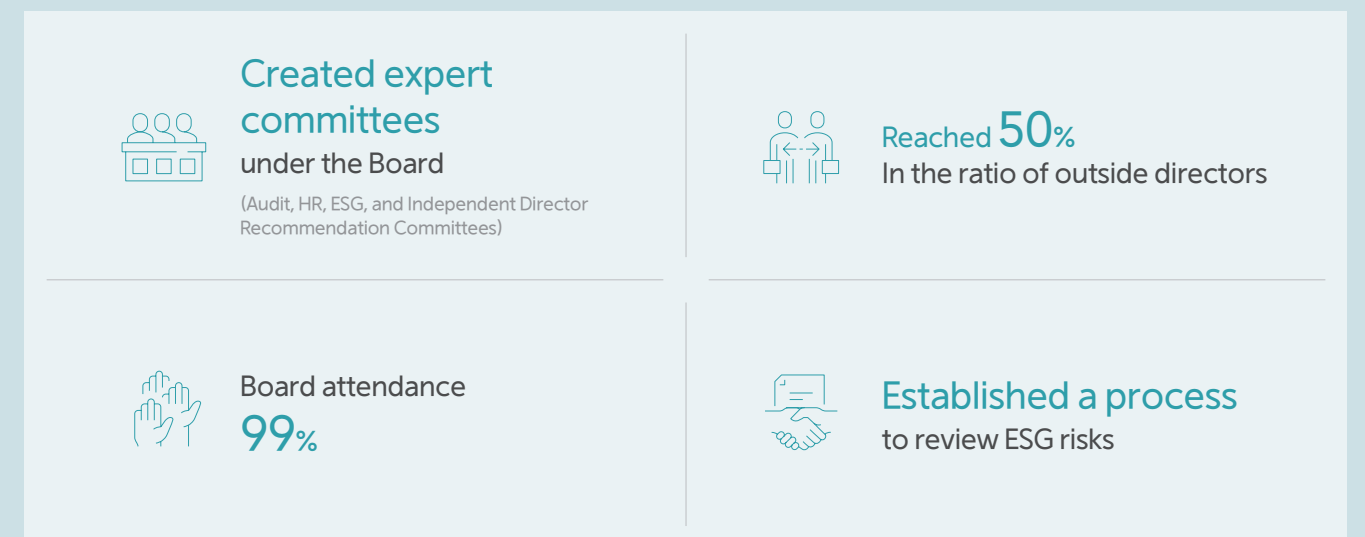




## Governance

# Fair and Transparent Ecosystem

Governance refers to the framework through which an organization's authorities and responsibilities are distributed and how decisions are made. Sound governance contributes to management efficiency as it enables reasonable business decision-making. To establish effective governance, the OECD specifies protection for shareholder rights, reinforced disclosures, and the Board of Directors' responsibilities in its Principles of Corporate Governance. Furthermore, 191 CEOs who attended the Business Roundtable (BRT), a US-based leading economic organization, promised to operate their company for the long-term interest of all stakeholders in the statement on the purpose of a corporation. SK D&D is clearly aware of the paradigm shift from shareholder capitalism to stakeholder capitalism, and vows to guarantee the rights and engagement of stakeholders to elevate the sustainability of the company.





# Governance

SK D&D advances Board-centered management to bolster the role and authority of the Board of Directors. To expand the role of the Board and improve its efficiency, we established the HR Committee, the Independent Director Recommendation Committee, and the ESG Committee under the Board. We also perform self-assessments on the Board to identify improvements, and are creating and supplementing Board-related regulations.

## Composition and Operation of the Board

As the highest decision-making body mandated to execute critical corporate decisions and oversee business operations, our Board of Directors meets every month in principle and more often when deemed necessary. The Board consists of eight members in total (1 inside director, 3 non-executive directors, and 4 outside directors). To help secure the transparency and independence of decision-making, we separate the roles of the CEO and the Board Chair and ensure outside directors account for a majority of the Board.

Board Operation (unit: No. of meetings, No. of items)

Category	2019	2020	2021
Meetings held	12	19	17
Agenda items proposed	38	51	52
Agenda items approved	38	51	52
Attendance	93%	99%	99%

## Director Appointment Process

In identifying and appointing director candidates, we verify that they possess the qualifications required to execute their duties of the Board and appoint them at the general meeting of shareholders. It is through the HR Committee that CEO candidates are nominated and appointment proposals are made, and the appointment is made by decision at the general meeting of shareholders. For outside directors, the Independent Director Recommendation Committee assesses candidates for disqualifications specified in the Commercial Code, the Commercial Code Enforcement Decree and other applicable regulations and verifies their expertise. In the director candidate nomination process, we comprehensively consider the expertise and diversity of the Board as well as the independence of outside directors and our directors serve three-year terms.

### Characteristics of Our Board of Directors



#### Expertise

- Verify expertise through the HR Committee and the Independent Director Recommendation Committee in the director appointment process
- Provide specialized training to outside directors (9 times in 2021)
- Provide outside directors with support provided by employees or external experts as well as information required to perform their work when necessary



#### Independence

- Separate the CEO and the Board Chair role
- Reach 50% in the ratio of outside directors
- Exclude the influence of controlling shareholders or management through the Independent Director Recommendation Committee, and populate the Committee solely with outside directors to ensure fairness in appointing outside directors
- Restrict voting for directors with special interests in specific Board agenda items



#### Transparency

- Populate the Audit Committee solely with outside directors (including financial experts)
- Perform self-directed performance assessments on the Board and disclose assessment items and results in business reports
- Disclose corporate information that may affect corporate value on the website, in addition to regular disclosures

## Composition of the Board

(as of July, 2022)

Director	Name	Expertise	Position	Gender	Date of Appointment	Tenure	Career
Inside Director	Do-hyun Kim	Professional management	• CEO • ESG Committee	Male	Mar. 2022	Mar. 2025	(Current) CEO, SK D&D
Non-executive Director	Ki-joong Nam	Professional management	• HR Committee	Male	Mar. 2022	Mar. 2025	(Current) Head of Management Support Office, SK Discovery
	Jae-min Kim	Finance/market analysis	• HR Committee • ESG Committee	Male	Nov. 2018	Mar. 2024	(Current) VP, Hahn & Company
	Dong-chun Lee	Professional management		Male	Nov. 2018	Mar. 2024	(Current) VP, Hahn & Company
Outside Director	Jun-cheol Kim (Board Chair)	Accounting and finance (certified public accountant)	• Audit Committee (Chair) • ESG Committee • Independent Director Recommendation Committee	Male	Mar. 2021	Mar. 2024	(Current) CPA, Dasan Accounting Corporation
	Je-hyeoung Park	Law (lawyer)	• Independent Director Recommendation Committee (Chair) • HR Committee • Audit Committee	Male	Mar. 2021	Mar. 2024	(Current) Attorney (Partner), Barun Law
	Kil-ho Lee	Accounting and finance (certified public accountant)	• ESG Committee (Chair) • Independent Director Recommendation Committee	Male	Nov. 2021	Nov. 2024	Auditor General, K car capital
	Kyung-min Kim	Environment	• Audit Committee • HR Committee (Chair) • Independent Director Recommendation Committee	Male	Mar. 2022	Mar. 2025	Professor, Graduate School of Environmental Studies, Seoul National University

## Committees under the Board\*

We operate the Audit Committee, the ESG Committee, the HR Committee, and the Independent Director Recommendation Committee under the Board of Directors. Each committee is delegated by the Board to perform specific functions, and we promote their professional and efficient decision-making while guaranteeing their independence by specifying the ratio of outside directors in the Rules of respective committees.



\* Audit Committee: Established in March 2021/ Audit Committee, ESG Committee, and Independent Director Recommendation Committee: Established in June 2021



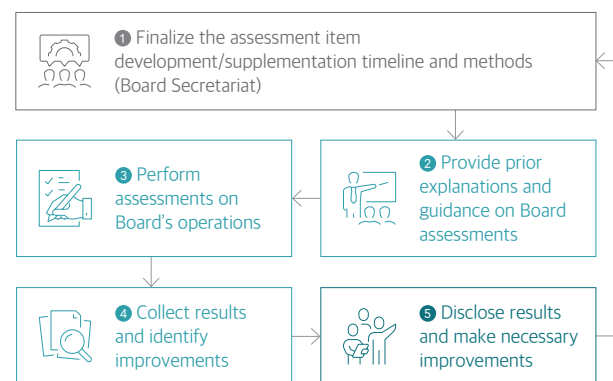
### Board Assessment

We assess the performance of the Board to improve the transparency of our governance. Anonymous surveys are conducted on outside directors each year in the five areas of Board composition, roles, responsibilities, operation, and committees. Assessment results are used to create and supplement Board-related regulations to innovate our Board operations through continuous improvement.

#### Assessment Items

Board composition	Appropriate size, expertise/experience of directors, independence
Board's responsibilities	Corporate vision/strategy setting, appropriateness of the scope of its mandate, management advisory, corporate value improvement, risk management
Board's roles	Oversight of management performance, confidentiality obligation, corporate governance, corporate social responsibility
Board operation	Appropriate number of meetings held, timeliness of agenda, usefulness of management materials, directors' attendance, adequacy of discussions, provision of training, information collection
Committees	Committees and their membership, division of roles and responsibilities, number of meetings held, timely provision of information and materials, sufficient engagement in discussions

#### Board Assessment Process



#### Assessment Results (unit: on a scale of 0 to 5)

Category	2020	2021
Board composition	5.00	4.83
Board's roles	4.90	4.56
Board's responsibilities	4.88	4.81
Board operation	4.81	4.62
Committees	-	4.68

### Board Remuneration

We determine the base pay of our directors by comprehensively considering their role, expertise, and contribution to the company through the HR Committee within the remuneration limit approved at the general meeting of shareholders. Performance pay is determined through both quantitative assessments on sales and operating profit among others as well as on qualitative assessments on the attainment of strategic goals and leadership skills. For inside directors, non-financial performance is included as part of the KPIs to help determine the final figure of their remuneration.

#### Remuneration Data (as of Dec. 31, 2022 / unit: KRW million)

Category	Total Remuneration	Average Remuneration per Person
Registered director	1,852	1,852
Outside director*	68	68
Members of the Audit Committee	174	58
Auditor	15	15

\*Outside director: Excluding members of the Audit Committee

### Securing Shareholder Rights

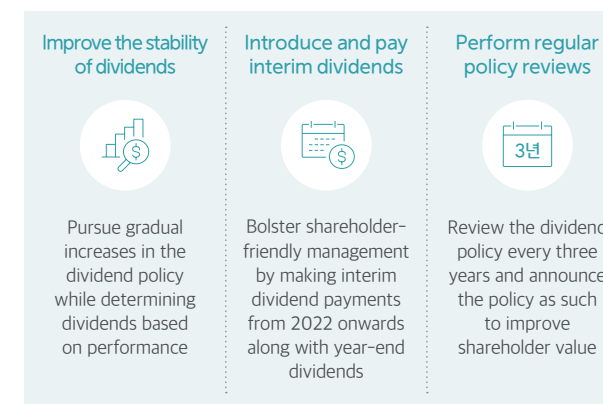
We ensure the maximum participation of shareholders at the general meeting of shareholders to present their opinions. The details for the general meeting of shareholders - date, venue and agenda among others - is disclosed on the electronic disclosure system (DART) and on our corporate website. Notice is given two weeks prior to the meeting, and we ensure that the date of such meetings is equally distributed among the company and other group affiliates to encourage the attendance of ordinary shareholders.

### Expanding Disclosures and Ensuring Their Accessibility

To provide information to stakeholders in a diverse and transparent manner, we announce financial data, disclosures available on the electronic disclosure system, the general meeting of shareholders, and the appointment of external auditors on our website. In so doing, we ensure that corporate information that may affect our corporate value, in addition to regular disclosures, is made equally available for all shareholders. We have also stipulated disclosure management regulations (disclosure controls and operation, disclosure risk assessment and management, monitoring, etc.) to establish the completeness, fairness and timeliness of disclosures that we provide.

### Dividend Policy

To return our profits to shareholders and distribute such profits through monetary means and shares among others, we have stipulated relevant matters in our Articles of Incorporation and expanded our dividend policy. Matters concerning our dividend policy and dividend payments are transparently disclosed through our regular reports (business reports, quarterly reports) and the final decision are made at the general meeting of shareholders. Dividend payments are then made within one month following the final decision.



### Audit Committee

We maintain the independence of the Audit Committee by ensuring that all three of its members are exempt from the possibility of being disqualified under the Commercial Code. Members of the Committee are elected in compliance with the Code and other relevant laws and regulations, and the Chair has been appointed for his/her accounting and financial expertise. To reinforce the expertise of audit operations, we provide members with relevant training on laws concerning external audits and the internal accounting control system at least once a month. The Internal accounting management part supports working-level audit work and regularly communicates with external auditors to help the Committee operate as smoothly as possible.

#### Composition of the Audit Committee

Position	Composition		Audit-related Qualifications
	Director	Name	
Chair	Outside director	Jun-cheol Kim (Board Chair)	CPA
Member	Outside director	Je-hyeoung Park	Lawyer
Member	Outside director	Kyung-min Kim	-

### External Auditor

Regular audits are conducted by external auditors to ensure the fairness and transparency of our accounting information. We have stipulated and operate external auditor appointment regulations to establish the independence and expertise of auditors in selecting external auditors.

Business Year	Auditor	Audit Opinion
2021 (current period)	EY Korea	Unqualified
2020	EY Korea	Unqualified
2019	EY Korea	Unqualified

### Internal Accounting Control System

We have established and operate the internal accounting control system. The Chair of the Audit Committee assesses the operational status of the system and reports the results to the Board. The CEO is responsible for reviewing the effectiveness of the internal control system and managing and operating the system while reporting the results to the general meeting of shareholders, the Board and the Audit Committee. Detailed regulations and operational results are disclosed on the electronic disclosure system (DART) through our business reports and internal accounting control system reports.



# Ethical Management

SK D&D fulfills its economic, legal and ethical responsibility in the course of its business conduct. As such, we consider ethical factors in making business decisions, and earn the trust of our stakeholders to evolve into a sustainable company. The Audit Part engages in ethical management operations, and the SCM Part is responsible for procurement-related aspects of ethical management including fair trade.

## Ethical Management Implementation System



## Code of Ethics

We stipulate the Code of Conduct to support our employees in performing their work with integrity and fairness and present specific standards for making decisions and taking action. In 2021, we extended the scope of the Code to bolster ESG management and added fair trade principles concerning competitors.

### Key Details of the Code of Conduct

Category	Description	Category	Description
Chapter 1	Non-discrimination	Article 3, Chapter 2	Ban on unfair practices using undisclosed internal information
Article 12, Chapter 3	Ban on employees' pursuit of personal gain through fraud	Articles 2 and 5, Chapter 2	Development of SHE awareness
Article 8, Chapter 3	Ban on employees' taking of bribes and/or requesting favors	Article 2, Chapter 2	Responsibility towards shareholders and customers
Article 18, Chapter 3	Fair trade and fair competition (ban on monopolizing and anti-competitive behaviors)	Chapter 3	Obligation to report illegal and/or unethical practices
Articles 2 and 4, Chapter 2	Compliance with confidentiality concerning corporate or customer's confidential data and internal information	Article 20, Chapter 4	Protection of whistleblowers in the event of illegal and unethical practices

## Ethical Whistleblowing Channel

We receive whistleblowing reports for ethical issues through the channel operated at the SK Group level. This channel serves to receive reports on unethical or unfair trade practices on the part of our employees. We keep the identity of whistleblowers and their reports strictly confidential to protect them from becoming disadvantaged in any way. This channel is made more accessible by allowing anonymous reporting, and we allow such reports to be made on the website and/or over the phone.

Category	2019	2020	2021
Whistleblowing reports	4	4	2
Handling Rate	100%	100%	100%

### Whistleblower Protection Mechanism

- You will face no disadvantage or discrimination for whistleblowing if done with good intention.
- If you are treated unfavorably for whistleblowing, you may turn to the ethical management department for protection or corrective action. The ethical management department will take every measure possible to minimize any disadvantage you may face.
- Your identity and the whistleblowing report you submitted will not be disclosed against your will and will be strictly confidential.
- Those who have cooperated with the investigation by providing their statement or necessary information during the verification process will be equally protected.
- Even if you engaged in unethical or illegal practices, you may be exempt from punitive action on the condition you voluntarily reported your involvement in such misconduct.

## Ethical Management Survey

SK D&D conducts ethical management surveys to assess and improve its ethical management performance. All employees and business partners are surveyed each year on ethical management practice levels, the culture and system, and types of unethical practices. Survey results are used as reference data for ethical management assessments, and work is underway to advance our ethical management performance through the supplementation and improvement of relevant systems.

## Ethics Workshop & Awareness Improvement

We operate ethical practice workshops to embed ethical awareness into our business operations and improve our ethical capabilities. Such workshops are hosted for all employees each year and employees engage in discussions across different job levels and organizations on the topic of making the right decisions when facing ethical dilemmas. Furthermore, internal e-mails on ethical management are sent on an as-needed basis to internalize ethical management, and awareness improvement activities are undertaken during the New Year's or Korean Thanksgiving holidays to remind employees not to accept any gifts from business partners.

## Ethics & Anti-corruption Training

We provide all employees with mandatory ethics and anti-corruption training. Our online training covers ethical management in general, concerning business ethics, the anti-graft law, and procurement contracts/regulations. In so doing, we help employees comply with ethics in their day-to-day work and disseminate a culture of ethical management.

Ethics & anti-corruption training  
**794** hours in total





# Risk Management

To systematically manage the financial and non-financial risks that affect our business operations and ensure our stable growth, we have defined sector-specific responsible departments, established a decision-making system, and engage in continuous monitoring. The Enterprise Risk Management (ERM) system enables us to identify risks in consideration of business areas, market conditions, and stakeholder characteristics, and we set our risk appetite and manage risks across the board accordingly. Furthermore, we manage project-specific investment risks to prevent risks before they ever occur in the initial business and operational phases. The ESG Part serves to identify environmental and social risks and develop preemptive responses to broaden our understanding of and response to risks.

## Risk Management Implementation System

Board of Directors

Make decisions on examination and response measures in line with risk management outcomes

ESG Committee

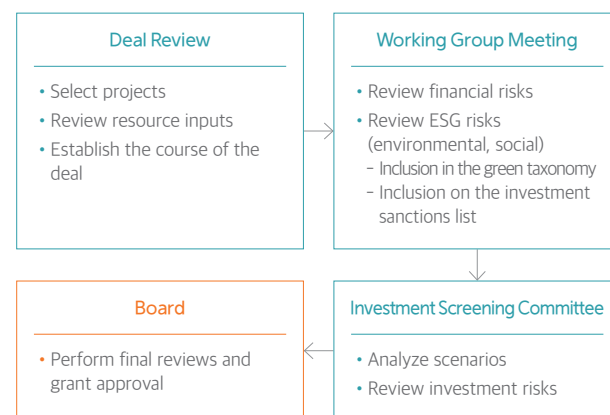
Identify and analyze risks that may occur during business operations and from the ESG perspective

Working-level Department



## Investment Risk Management

We operate a separate investment risk management process to identify projects with exceptional business potential and secure preemptive response capabilities. This process applies to the phases of winning project contracts and making investments. In-depth reviews are made on major projects through the investment screening committee to assess for their business potential and their financial and non-financial risks. The committee selects projects that hold high business potential and pose little risk, and large-scale projects or higher-risk projects are subject to the final review and approval of the Board prior to the execution of the decision.



# Cyber Security

SK D&D complies with personal data processing guidelines and cyber security regulations to keep customer data and corporate information assets safe. The CISO (Chief Information Security Officer) is appointed under the direct leadership of the CEO for his/her expertise on cyber security related laws and practices as well as cyber security to develop, implement and review work plans each year. In 2022, we are working to achieve the ISMS\* certification to advance our cyber security and customer data protection system.

## Cyber Security Implementation System

Goal

Establish data governance and build IT infrastructure solutions to emerge as a platform business leader

Approach



**Comply with international standards**

Eliminate cyber security risks in organizational business



**Eliminate financial risks**

Reduce costs that incur from security risks



**Abide by ethical norms**

Improve our public corporate reputation

## Cyber Security Training

We provide information security training to all our employees each year to improve their information security awareness and capabilities. All our employees sign the information security pledge to recognize the importance of information security and to internalize their sense of responsibility. We plan to conduct simulation exercises against phishing e-mails to strengthen our execution of information security.



Completion of information security training  
**100%**

## Document Centralization and ITSM\*\*

We are developing a document centralization system to prevent any breaches of our corporate data. This system ensures that documents are stored on the corporate central server, not on the personal computers of individual users to ensure that such documents are not disclosed externally, laying the basis for turning document resources into invaluable assets. To address the reduced speed of information processing as a result of improving information security, we introduced the ITSM service to support our employees to collect necessary improvements on the IT system and failure factors and to engage in continuous management and improvement.

## IT Business Continuity

SK D&D has established a business continuity plan and response procedures to prevent and promptly address cyber-security incidents, and regularly reviews such plans and procedures. In the event of a disaster or a failure of the computer network, an emergency management team is organized in accordance with our IT business continuity guidelines, network failures are analyzed for their impact on our operations to establish a hierarchy of priorities for recovery efforts, and managerial/technical measures are taken. To aid in individual and emotional preparedness for actual emergencies, we conduct simulation exercises and emergency response trainings for IT business continuity at least once a year.

\* ISMS(Personal Information & Cyber Security Management System): Korea Internet & Security Agency or other certification bodies proves that an organization's actions and measures taken for information security and data privacy comply with the set certification standards.

\*\* ITSM(Information Technology Service Management): Activities to maintain and improve the quality of services by providing services that satisfy information system users and engaging in continuous management.



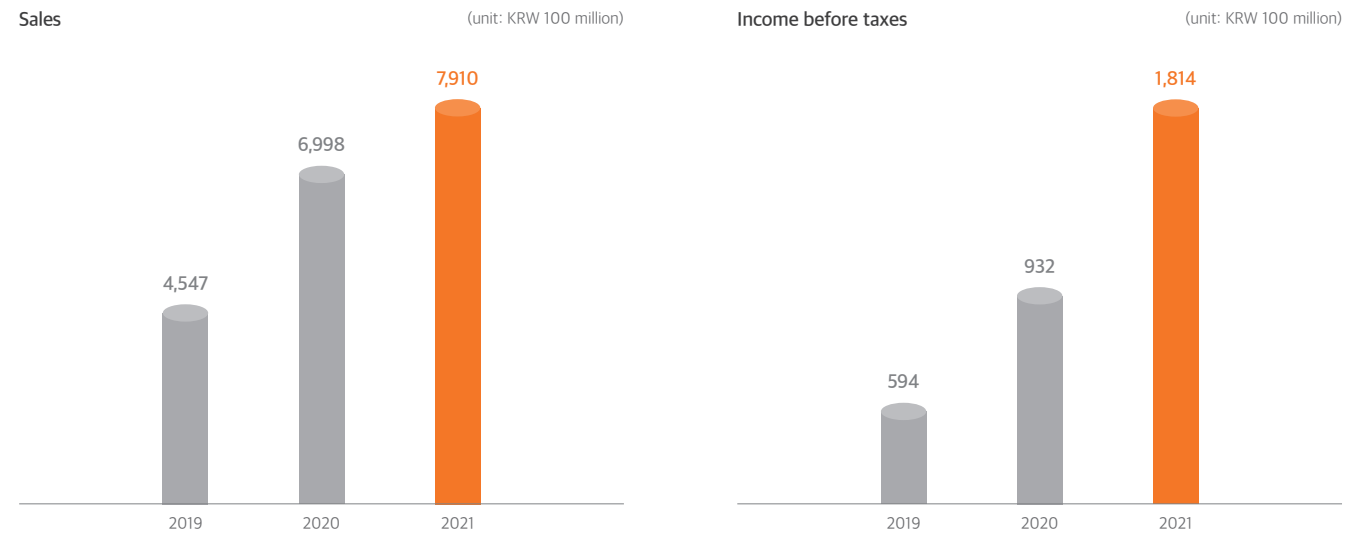
# Appendix

ESG Data	84
GRI Index	90
Independent Assurance Statement	94
Management Approach to Material Topics	96
Environmental Policy	98
Green Building Certification	99
ISO 14001 Certificate	100
Independent Verification Statement	101
Human Rights Policy	102
Memberships and Associations	103



# ESG Data

## Economic Performance



## Financial Performance

Category	Unit	2019	2020	2021
Total assets		1,396,933	1,712,428	1,983,431
Capital		361,425	531,472	639,256
Liabilities		1,035,508	1,180,956	1,344,175
Sales		454,720	699,753	790,956
Gross margin	KRW million	131,987	225,311	209,289
Operating profit		82,258	139,808	129,368
Income before taxes		59,309	93,209	181,595
Term net profit		44,903	66,111	133,635
Income taxes		14,406	27,099	47,960

\* For further details on our financial performance, please see our business reports: SK D&D / business report / Mar. 15, 2022 (fss.or.kr)

## Environmental Performance

### GHG Emissions (Scope 1 & 2)

Category	Unit	2019	2020	2021
Direct emissions (Scope 1)	Fixed combustion	8.76	8.68	9.64
	Mobile combustion	129.81	160.41	144.17
Indirect emissions (Scope 2)	tCO <sub>2</sub> eq.	629.19	579.25	617.77
Total GHG emissions		767.76	748.33	771.57

### Energy Consumption

Category	Unit	2019	2020	2021
Energy source	Electricity	16.78	21.33	23.99
	Fossil fuels	TJ	2.20	2.57
Total energy consumption		18.98	23.90	26.31

### GHG Emissions and Energy Consumption by Worksite (Scope 1 & 2)

Category	Unit	2019	2020	2021
GHG emissions	SK D&D	731.39	709.44	738.48
	Subsidiaries (DDI, DDP)	36.36	38.89	33.09
Energy consumption	SK D&D	18.24	23.10	25.62
	Subsidiaries (DDI, DDP)	0.75	0.80	0.69

\* Discrepancies exist in the third-party assurance statement due to significant figure and integer handling.

\* Third-party assurance solely covers SK D&D's operations (excludes subsidiaries).

\* For the scope of SK D&D's operations, please refer to the Independent Verification Statement.

### GHG Emissions and Energy Intensity (Scope 1 & 2)

Category	Unit	2019	2020	2021
GHG emissions intensity	tCO <sub>2</sub> eq./KRW 10 billion	16.88	10.69	9.75
Energy consumption intensity	TJ/KRW 10 billion	0.42	0.34	0.33

\* GHG emissions and energy consumption data cover all our operations.  
- Headquarters, Gasiri wind power plant, Gallery D&D, Smart Work Center, etc.  
\* Intensity data were calculated based on the sales for the concerned year

### GHG Emissions and Energy Consumption (Scope 3)

Category	Unit	2019	2020	2021
Downstream leased assets (Episode, ESS, etc.)	tCO <sub>2</sub> eq.	5,120.36	7,933.35	9,113.73
	TJ	105.43	163.35	190.24
Investments (fuel cell power plant, etc.)	tCO <sub>2</sub> eq.	41.49	41.49	4,193.10
	TJ	0.85	0.85	107.58

### Water Resources

Category	Unit	2019	2020	2021
Water consumption	D&D (HQ and other operations)	2,920.98	3,411.33	3,157.87
	Subsidiaries (DDI, DDP)	265.85	238.05	288.10
Total water consumption	ton	3,186.83	3,649.38	3,445.97
Reduction in water consumption		328.70	295.93	406.86
Intensity-based water consumption	ton/KRW 10 billion	70.08	52.15	43.57

\* Data on water resources and waste discharge cover our entire operations.  
- Headquarters, Gasiri wind power plant, Gallery D&D, Smart Work Center, etc.

# ESG Data

## Environmental Performance

### Waste

Category	Unit	2019	2020	2021
Type of treatment	Recycling	3.44	3.76	4.27
	Incineration	2.62	2.34	2.30
	Landfill	0.16	0.05	0.04
Hazardous waste	ton	1.23	3.88	2.06
Total waste discharge		7.45	10.03	8.68
Intensity-based waste discharge	Ton/KRW 10 billion	0.16	0.14	0.11

\* Data on water resources and waste discharge cover our entire operations.  
- Headquarters, Gasiri wind power plant, Gallery D&D, Smart Work Center, etc.

### Renewable Energy Generation and Reduction Benefits

Category	Unit	2019	2020	2021
Energy source	Wind power	78,806	88,381	76,320
	Solar power	2,813	1,332	4,144
	Fuel cell	-	-	15,695
Total generation	MWh	81,620	89,713	96,160
GHG emissions reduced due to renewable energy generation*	tCO <sub>2</sub> eq.	38,332	42,076	40,368

\* D&D's equity ownership investments were considered in calculating reduction benefits.

### Environmental Goal

Category	Unit	2021 Goal	2021 Achievement	Attainment
Renewable energy (generation)*	GWh	170.3	167.4	96%
Green building Certifications awarded	No. of cases	9	9	100%

\* Generation at the wind power plant in Gasiri, Jeju-do, declined due to the output limitations imposed by Jeju-si.

\* The generation goal does not factor in our equity ownership.

### Non-compliance with Environmental Regulations

Category	Unit	2019	2020	2021
Penalties imposed due to environmental regulatory non-compliance	KRW million	0	0	0

\* No instance of regulatory non-compliance has occurred.

### Environmental Investment Performance

Category	Unit	2021	Note
Environmental investments	KRW million	337	Compiled since 2021

## Social Performance

### Employee Data

(unit: No. of persons)

Category	2019	2020	2021		
Total employees	233	253	274		
By gender	Male	172	193	201	
	Female	61	60	73	
By employment type	Full-time	Male	162	185	193
		Female	48	51	61
	Part-time*	Male	10	7	8
		Female	13	9	12
Female managers	0	0	0		
Other	Socially vulnerable group**	10	12	11	

\* Part-time: Including termed and temporary contract workers, as well as vendor service workers  
\*\* Socially vulnerable group: Including people with disabilities and those of national merit

### Recruitment and Turnover

Category	Unit	2019	2020	2021	
Recruitment	Male	No. of persons	52	59	62
	Female	No. of persons	28	19	25
Turnover	Turnover rate	%	14.3	22.7	30.3
	Voluntary turnover*	%	10.5	14.1	16.8

\* Scope of non-voluntary turnover: Relocated to affiliates companies, contract terminated, etc.

### Parental Leave

Category	Unit	2019	2020	2021
Employees who took parental leave	No. of persons	3	0	1
Employees who returned from parental leave	No. of persons	1	1	0
Employees who returned from parental leave and worked for at least 12 months afterwards	%	0	1	1

### Talent Development

Category	Unit	2019	2020	2021	
Total training expenses	KRW million	219	496	703	
Training expenses per person	KRW million /person	0.9	2.0	2.6	
Total training hours	hours	3,824	20,888	21,166	
Training hours by program	Job competency	hours	2,498	18,008	16,206
	Compliance, ethics, human rights, anti-corruption	hours	1,326	1,542	2,013
	Environment	hours	-	1,067	1,486
	Health and safety	hours	-	251	1,121
	Fair trade	hours	-	20	339
Training hours per person	hours per person	16	83	77	

### Ethics Training

Category	Unit	2019	2020	2021
Employees subject to ethics/anti-corruption training	No. of persons	197	234	254
Employees attending ethics/anti-corruption training	No. of persons	197	234	254
Participation in ethics/anti-corruption training	%	100	100	100

### Wage and Benefits

Category	Unit	2019	2020	2021	
Average wage	Male	KRW million	92	108	92
	Female	KRW million	48	65	59
Welfare & benefits	Execution value	KRW million	3,665	4,835	5,268
	Rate of employee benefit use	%	100	100	100



# ESG Data

## Social Performance

### Human Rights Training

Category	Unit	2019	2020	2021
Sexual harassment prevention	No. of persons	221	224	262
Improvement of perception on disabilities	No. of persons	221	235	263
Prevention of workplace harassment	No. of persons	221	234	267

### Occupational injury

Category	Unit	2019	2020	2021
Lost Time Incident Rate (LTIR) for employees	%	0	0	0
Lost time incidents for employees	No. of cases	0	0	0
Fatality rate for employees	%	0	0	0
Fatalities for employees	No. of cases	0	0	0

### Corporate Social Responsibility

Category	Unit	2019	2020	2021
Total CSR expenditures	KRW million	8.3	131.0	641.9
Participants in CSR activities	No. of persons	140	30	177

### Non-compliance of Internal Regulations and follow-up measures

Category	Unit	2019	2020	2021	
Ethical management	Reports submitted	No. of cases	4	4	2
	Handling rate	%	100	100	100
Information security	Data breaches	No. of cases	0	0	0
	Handling rate	%	0	0	0

### Business Partners

Category	Unit	2019	2020	2021
No. of business partners	No. of companies	191	150	184
Purchase amount	KRW 100 million	3,111	1,820	2,254

\* Based on the contracts we award (SK D&D is the awardee of contracts and/or party that orders within the contract), with the exclusion of our vehicle business (REITs or funds are the awarders of a contract within the contract)

### Operational Performance of the Internal Accounting Control System

Category	No. of Assessment Items	Issues Identified	Issues for Which Action Was Taken	Note
Company-wide control	42	3	3	Completed improvements on identified issues (simple non-compliant issues)
Transaction level control	288	3	3	
General computer system control	56	3	3	
Total	386	9	9	

### ESG Ratings (KCGS)

Category	Unit	2019	2020	2021
Overall grade	Rating	B	B	A
Environmental	Rating	C	C	A
Social	Rating	B	B	A+
Governance	Rating	B+	B+	A

## Governance Performance

### Operation of the Board of Directors

Category	Unit	2019	2020	2021	
Total Board meetings held	No. of meetings	12	19	17	
Agenda items discussed	Agenda items proposed	No. of items	38	51	52
	Agenda items approved	No. of items	38	51	52
Director attendance	Outside directors	%	88	98	98
	Total attendance	%	93	99	99

### Average Employee Pay and Median Value

Category	Unit	2021
Average employee pay	KRW	105,000,000
Median value of employee pay	KRW	90,198,760

\* Remuneration calculation criteria: In accordance with the disclosures made in our Q4 2021 business report (excluding registered directors: CEO and outside directors), including all remuneration in 2021, including annual salary, annual allowances, constructive bonus, and performance pay

\* Remuneration calculation formula: Median value of annual salary among all employees subject to such calculations, excluding the highest-paid employees

### Dividend Policy

Category	Unit	2017	2018	2019	2020	2021
Common shares	No. of dividend shares	1,000 shares	16,155	18,990	18,990	22,190
	Dividend per share	KRW	600	600	600	800
	Cash dividend yield	%	1.87	2.26	2.06	1.41
Cash dividend yield	Preferred shares	1,000 shares	-	-	5,200	2,000
	Dividend per share	KRW	-	-	1,022	1,022
Cash dividend payout ratio	%	17.85	21.74	25.37	25.35	14.85
Total dividends	KRW million	9,693	11,394	11,394	16,708	19,796

### Ethical Management Performance

Category	Unit	2019	2020	2021
Corruptive practices	No. of cases	0	0	0
Employees dismissed or sanctioned due to corruptive practices	No. of cases	0	0	0
Business partners whose contract was terminated or not renewed due to corruptive practices	No. of cases	0	0	0
Non-compliance with regulations prohibiting anti-competitive and/or monopolistic practices	No. of cases	0	0	0

### Voluntary Disclosures and IR Events

Category	Unit	2019	2020	2021
Voluntary disclosures	No. of cases	0	3	0
IR events*	No. of cases	0	1	3

\* The number of IR events was calculated solely based on the ones disclosed through the electronic disclosure system (DART), and IR events are held whenever the need arises on a monthly basis without separate disclosures.

# GRI Index

Universal Standards			
Reporting Topic	GRI Standards	Disclosure	Page
GRI 102: Organizational Profile	GRI 102-1	Name of organization	10~19
	GRI 102-2	Activities, brands, products and services	10~19
	GRI 102-3	Location of headquarters	10
	GRI 102-4	Location of operations	10
	GRI 102-5	Ownership and legal form	10
	GRI 102-6	Markets served	10
	GRI 102-7	Scale of the organization	10
	GRI 102-8	Information on employees and other workers	10, 87
	GRI 102-9	Supply chain	58, 88
	GRI 102-10	Significant changes to the organization and its supply chain	Refer to pages 7 ~ 12 of our business report
	GRI 102-11	Precautionary Principle or approach	45, 80
	GRI 102-12	External initiatives	Not applicable
	GRI 102-13	Membership of associations	103
GRI 102: Strategy	GRI 102-14	Statement from senior decision-maker	4~5
	GRI 102-15	Key impacts, risks, and opportunities	96~97
GRI 102: Ethics and Integrity	GRI 102-16	Values, principles, standards and norms of behavior	22~23, 98, 102
	GRI 102-17	Mechanisms for advice and concerns about ethics	79
GRI 102: Governance	GRI 102-18	Governance structure	74~75
	GRI 102-19	Delegating authority	22
	GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	22
	GRI 102-22	Composition of the highest governance body and its committees	75
	GRI 102-23	Chair of the highest governance body	75
	GRI 102-24	Nominating and selecting the highest governance body	74
	GRI 102-25	Conflicts of interest	74
	GRI 102-26	Role of highest governance body in setting purpose, values, and strategy for each of the economic, social and environmental sectors	22

Universal Standards			
Reporting Topic	GRI Standards	Disclosure	Page
GRI 102: Governance	GRI 102-28	Process for evaluating the Board's performance with respect to governance of economic, environmental, and social topics	22, 76
	GRI 102-30	Highest governance body's role and influence in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics	12, 80
	GRI 102-31	Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities	22
	GRI 102-33	Process for communicating critical concerns to the highest governance body	22
	GRI 102-35	Remuneration for Board members, senior-level managers, and executives and organizational performance	76
	GRI 102-36	Process for determining remuneration (whether remuneration consultants are involved in determining remuneration and whether they are independent of management, any relationships they may have with the organization)	76
GRI 102: Stakeholder Engagement	GRI 102-40	A list of stakeholder groups engaged by the organization	25
	GRI 102-41	Percentage of total employees covered by collective bargaining agreements	Not Applicable
	GRI 102-42	The basis for identifying and selecting stakeholders with whom to engage	26
	GRI 102-43	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group as part of the report preparation process	25~26, 96~97
	GRI 102-44	How the organization has responded to key topics and concerns raised through stakeholder engagement, including through its reporting (key topics by stakeholder group)	96~97
	GRI 102-45	A list of all entities included in the organization's consolidated financial statements or equivalent documents	84
GRI 102: Reporting Practice	GRI 102-46	How the organization has implemented the Reporting Principles for defining report content and the topic Boundaries	2
	GRI 102-47	A list of the material topics identified in the process of materiality assessments	27, 96
	GRI 102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements	No change occurred as this is the first sustainability report published
	GRI 102-49	Changes in information from previous reporting periods	
	GRI 102-50	Reporting period	2
	GRI 102-51	The date of the most recent previous report	2
	GRI 102-52	Reporting cycle	2
	GRI 102-53	The contact point for questions regarding the report or its contents	2
	GRI 102-54	GRI Standards options	2
	GRI 102-55	GRI content index	90~93
GRI 102-56	External assurance	94~95	



# GRI Index

Topic-specific Standards			
Universal Standards			
Reporting Topic	GRI Standards	Disclosure	Page
<b>Material Topic #1: Bolster on-site health and safety management</b>			
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	96
	GRI 103-2	The management approach and its components	96
	GRI 103-3	Evaluation of the management approach	96
GRI 403: Occupational Health and Safety 2018	GRI 403-1	Occupational health and safety management system	60~61
	GRI 403-2	Hazard identification, risk assessment, and incident investigation	62
	GRI 403-3	Occupational health services	63
	GRI 403-4	Worker participation and communication on occupational health and safety	60~61
	GRI 403-5	Worker training on occupational health and safety	63
	GRI 403-6	Promotion of worker health	63
	GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	62
	GRI 403-9	Work-related injuries	88
	<b>Material Topic #2: Respond to climate change through energy saving</b>		
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	96
	GRI 103-2	The management approach and its components	96
	GRI 103-3	Evaluation of the management approach	96
GRI 302: Energy 2016	GRI 302-1	Energy consumption within the organization	85
	GRI 302-3	Energy intensity	85
	GRI 302-4	Reduction of energy consumption	85
GRI 305: Emissions 2016	GRI 302-5	Reduction in energy requirements of products and services	39
	GRI 305-1	Direct (Scope 1) GHG emissions	45, 85
	GRI 305-2	Energy indirect (Scope 2) GHG emissions	45, 85
	GRI 305-4	GHG emissions intensity	85
	GRI 305-5	Reduction of GHG emissions	45, 86

Topic-specific Standards			
Universal Standards			
Reporting Topic	GRI Standards	Disclosure	Page
<b>Material Topic #3: Advance the risk management system</b>			
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	96
	GRI 103-2	The management approach and its components	96
	GRI 103-3	Evaluation of the management approach	96
-	-	Advance the risk management system*	80
<b>Material Topic #4: Talent recruitment and employees' growth</b>			
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	96
	GRI 103-2	The management approach and its components	96
	GRI 103-3	Evaluation of the management approach	96
GRI 401: Employment 2016	GRI 401-1	New employee hires and employee turnover	87
	GRI 401-3	Parental leave	87
GRI 404: Training and Education 2018	GRI 404-1	Average hours of training per employee	52, 87
	GRI 404-2	Programs for upgrading employee skills and transition assistance programs	52~53
<b>Material Topic #5: Establish a sustainable supply chain</b>			
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	96
	GRI 103-2	The management approach and its components	96
	GRI 103-3	Evaluation of the management approach	96
GRI 414: Supplier Social Assessment	GRI 414-2	Negative social impacts in the supply chain and actions taken	57~59
<b>Non-Material Topics</b>			
GRI 205: Anti-Corruption 2016	GRI 205-3	Confirmed incidents of corruption and actions taken	88~89
GRI 418: Customer Privacy 2016	GRI 418-1	Substantiated complaints concerning breaches of losses of customer data	88
GRI 303: Water and Effluents 2018	GRI 303-5	Water consumption	46, 85
GRI 306: Waste 2020	GRI 306-3	Waste generated	48, 86
GRI 412: Human Rights Assessment 2016	GRI 412-2	Employee training on human rights policies or procedures	55, 88

\*There are no GRI disclosures that can be aligned

# Independent Assurance Statement



To: The Stakeholders of SK D&D Co., Ltd.

## Introduction and objectives of work

BSI Group Korea (hereinafter “the Assurer”) was asked to verify 2021 SK D&D sustainability report (hereinafter “the Report”). This assurance statement applies only to the relevant information contained in the scope of the assurance. SK D&D is solely responsible for all information and assertion contained in the report. The responsibility of the assurance is to provide independent assurance statement with expert opinions to SK D&D by applying the verification methodology and to provide this information to all stakeholders of SK D&D.

## Assurance Standards and Levels

This assurance was based on the AA1000AS v3 (2020) Assurance Standard and confirmed that the report was prepared in accordance with the Core Option of GRI Standards, the international standards guidelines of sustainability reports. The assurance level was based on the Type 1 that confirmed compliance with the four principles of AA1000 AP (2018) in accordance with the AA1000 AS and the Type 2 assurance that verified the quality and reliability of the information disclosed in the report. Type 2 was verified for below topic standards, limitedly verified based on the data and information provided by the reporting organization.

- Environmental: 302-1, 302-3~5, 305-1~2, 305-4~5
- Social: 401-1, 401-3, 403-1~7, 403-9, 404-1~2, 414-2

## Scope of Assurance

The scope of assurance applied to this report is as follows;

- Based on the period from January 1st to December 31st 2021 included in the report
- Major assertion included in the report such as sustainability management policies, strategies, objectives, business and performance
- Information related to material issues determined as a result of materiality assessment
- Appropriateness and consistency of processes and systems for data collection, analysis and review

The following contents were not included in the scope of assurance.

- Financial information
- Disclosures in the international standards and initiatives index excluding GRI
- Other related additional information such as the website presented in the report

## Methodology

As part of its independent assurance, the assurer has used the methodology developed to collect relevant evidence to comply with the verification criteria and to reduce errors in the reporting, and has performed the following activities;

- To determine verification priorities, review of materiality issue analysis process and verification of the results
- System review for sustainability strategy process and implementation
- Review the evidence to support the material issues through interviews with senior managers with responsibility for them
- Verification of data generation, collection and reporting for each performance index

## Assurance Opinion

On the basis of our methodology and the activities described above, it is our opinion that

- The information and data included in the SK D&D sustainability report 2021 are accurate and reliable and the assurer cannot point out any substantial aspects of material with mistake or misstatement.
- The report was prepared according to the Core option of the GRI Standards.
- The assurance opinion on the four principles presented by the AA1000 AP (2018) is as follows.

## AA1000 AP (2018)

**Inclusivity: Stakeholder Engagement and Opinion**  
SK D&D defined employees, customers, business partners, shareholder and local communities as key stakeholder groups, and operates communication channels for each group for stakeholder engagement. They conducted a survey on internal and external stakeholders and collected various opinions and expectations of stakeholders based on the response results, and reflect the derived material issues in decision-making on sustainability management.

### Materiality: Identification and reporting of material sustainability topics

SK D&D derived the issue pool of 19 topics through the risk assessment process and communication with stakeholders, based on a the results of media research, benchmarking global advanced companies, analysis of major global initiatives related to sustainability, and opinions collected from communication channels of each stakeholder group. SK D&D conducted a materiality assessment that comprehensively considered stakeholder interest and business impact, and selected the 5 material topics identified.

### Responsiveness: Responding to material sustainability topics and related impacts

SK D&D reflected the expectations of stakeholders on material topics derived through the materiality assessment and reflected them in the strategies and long-term plans to respond. SK D&D discusses policies, task and activities, and improvement measures for major issues in the ESG working committee on environmental, social, and governance, and reports the results of each issue to the board of ESG Committee. Their policy and activities in respect to each of the material topics were then disclosed to stakeholders through the sustainability report.

### Impact: Impact of an organization's activities and material sustainability topics on the organization and stakeholders

SK D&D implemented the process to identify and evaluate the impact on organizations and stakeholders related to material topics. SK D&D make decisions on operations and management of impacts that could arise from each material topic by identifying and assessing the impacts, risks, and opportunities regarding selected material topics. And the results of impact, risk, and opportunity factors analysis on material issues are used for decision-making to respond to each issue, and the process is disclosed in the sustainability report.

## Key areas for ongoing development

- SK D&D Co., Ltd. published first sustainability report and reported ESG performance and mid- to long-term plans. It may be helpful to strengthen the processes of the Sustainable Management Committee and the working-level consultative body related to the economy, environment, and governance within the ESG management strategy system, and monitor them based on SK Group's ESG value measurement methodology
- It may be helpful to increase the proportion of external stakeholders in the process of conducting materiality assessment and deriving material issues can help reflect sustainability issues that have a substantial impact.

## Statement of independence and competence

The assurer is an independent professional institution that specializes in quality, health, safety, social and environmental management with almost 120 years history in providing independent assurance services. No member of the assurance team has a business relationship with SK D&D. The assurer has conducted this verification independently, and there has been no conflict of interest. All assurers who participated in the assurance have qualifications as AA1000AS assurer, have a lot of assurance experience, and understand the BSI Group's assurance standard methodology.

## Evaluation against GRI 'In Accordance' Criteria

The assurer confirmed that this report was prepared in accordance with the GRI Standards Core Option and the disclosures related to the following Universal Standards and Topic-specific Standards Indicators based on the data provided by SK D&D.

### [Universal Standards]

Organizational Profile 102-1~13/ Strategy 102-14~15/ Ethics and Integrity 102-16~17/ Governance 18~20, 102-22~26, 102-28, 102-30~31, 102-33, 102-35~36/ Stakeholder Engagement 102-40~44/ Reporting practice 102-45~56/ Management Approach 103-1~3

### [Topic-specific Standards]

- Economic: 205-3  
- Environmental: 302-1, 302-3~5, 303-5, 305-1~2, 305-4~5, 306-3  
- Social: 401-1, 401-3, 403-1~7, 403-9, 404-1~2, 412-2, 414-2, 418-1

24 June 2022

S. H. Lim, BSI Group Korea, Managing Director





# Management Approach to Material Topics

	Impact	Risk & Opportunity		Our Approach	Next Plan
<p><b>Material Topic.1</b>  <b>Bolster on-site health and safety management</b></p> <p>60-63 Page </p>	<ul style="list-style-type: none"> <li>Loss of human life and property in local communities</li> <li>Delay in SK D&amp;D's project schedule and impact on its corporate reputation</li> </ul>	<ul style="list-style-type: none"> <li>Tightening health and safety regulations including the enforcement of the Serious Accidents Punishment Act</li> <li>Tightening building safety standards and changing consumer perceptions</li> </ul>		<ul style="list-style-type: none"> <li>Put people first in advancing health and safety management, consider the health and safety track records in selecting constructors</li> <li>Support constructors with health and safety activities as a developer awarding a contract</li> <li>Establish safety and anti-fire design standards in designing property development designs to develop differentiated products that put safety first</li> </ul>	<ul style="list-style-type: none"> <li>Advance health and safety management by achieving the ISO 45001 health and safety management system certification</li> <li>Internalize a value for health and safety into operations by segmenting health and safety training</li> <li>Advance SHE management to lead business partners</li> </ul>
<p><b>Material Topic.2</b>  <b>Respond to climate change through energy saving</b></p> <p>44-47 Page </p>	<ul style="list-style-type: none"> <li>Environmental impact from GHG emissions generated by property development and operation</li> </ul>	<ul style="list-style-type: none"> <li>Tightening laws to support the construction of green buildings</li> <li>Growing demand and changing consumer perceptions on green buildings</li> </ul>		<ul style="list-style-type: none"> <li>Develop property from the life cycle perspective, achieve G-SEED certification for all commercial and residential buildings</li> <li>Supply green buildings by remodeling the buildings currently under operation</li> <li>Operate residential and office spaces that integrate customer-driven, eco-friendly considerations as well as services that reduce GHG emissions</li> <li>Preemptively calculate and manage Scope 1, 2, and 3 emissions even as we are not subject to the emissions trading system and the target management system</li> </ul>	<ul style="list-style-type: none"> <li>Achieve G-SEED certification for new developments and for the commercial and office buildings we invest in</li> <li>Set net zero strategy in accordance with the SBTi and achieve net zero by implementing reduction measures</li> </ul>
<p><b>Material Topic.3</b>  <b>Advance the risk management system</b></p> <p>80 Page </p>	<ul style="list-style-type: none"> <li>Financial/non-financial impact of our entire business conduct</li> </ul>	<ul style="list-style-type: none"> <li>Mounting uncertainties including market conditions and policy changes</li> <li>Increased investor trust through management accountability</li> </ul>		<ul style="list-style-type: none"> <li>Pursue both stability and growth by minimizing risks</li> <li>Rebalance our portfolio to minimize risks that may occur in respective business areas</li> </ul>	<ul style="list-style-type: none"> <li>Diversify the property development business</li> <li>Establish a reliable profit structure by transitioning and expanding into a platform business</li> <li>Establish a stakeholder-driven management system</li> </ul>
<p><b>Material Topic.4</b>  <b>Talent recruitment and employees' growth</b></p> <p>50-53 Page </p>	<ul style="list-style-type: none"> <li>Impact on efficient decision-making and economic performance</li> <li>Impact on employees' work satisfaction and performance</li> </ul>	<ul style="list-style-type: none"> <li>Intensifying competition to recruit outstanding talent</li> <li>Growing need for employee diversity and inclusion</li> <li>Changing values on work-life balance</li> </ul>		<ul style="list-style-type: none"> <li>Pursue a high-performance organizational culture to motivate employees to pleasantly engage in their work to generate exceptional performance</li> <li>Assess employees' competency based on performance and recruit fairly based on competency</li> <li>Expand the pool of outstanding external talent and operate an employee referral program</li> <li>Assign challenging tasks to nurture talent through work and diversity training programs</li> </ul>	<ul style="list-style-type: none"> <li>Make continuous improvements by strengthening employee communication and collecting feedback through Management Development Council and Happisode</li> <li>Continuously improve our corporate infrastructure, policy, and structure to support employee engagement</li> </ul>
<p><b>Material Topic.5</b>  <b>Establish a sustainable supply chain</b></p> <p>58 Page </p>	<ul style="list-style-type: none"> <li>Impact we have as a developer on property development product power</li> </ul>	<ul style="list-style-type: none"> <li>Establishing transparent and fair procurement processes to identify outstanding business partners</li> </ul>		<ul style="list-style-type: none"> <li>Establish fair trade practices by separating the order request and procurement processes</li> <li>Systemize our business partner and procurement processes</li> <li>Strengthen communication with business partners</li> </ul>	<ul style="list-style-type: none"> <li>Set a procurement policy and strategy</li> <li>Develop ESG assessment standards for business partners</li> <li>Set a shared growth policy and bolster communication</li> </ul>

# Environmental Policy

## Environmental Policy

SK D&D aims to expedite the transition to cleaner energy and contribute to mitigating GHG emissions by expanding eco-friendly energy generation. To keep pace with the accelerating energy transition to attain the national 2050 carbon neutrality goal, market reorientation towards clean energy, emerging supply chain issues, and the mounting importance of energy security, we will move beyond the existing business structure focused on development and management to scale up our generation capacity and tap into the new business territories of solutions and distribution, diversifying our business structure in the process.

SK D&D establishes and internalizes management infrastructure to minimize environmental risks while elevating environmental management performance to systematically manage environmental management activities, and strives to expand eco-friendly business.

- 1 SK D&D proactively moves forward to tackle the climate crisis.
- 2 SK D&D officially endorses and proactively applies international environmental declarations, standards and norms.
- 3 SK D&D pursues continuous innovation across its entire business operations to provide eco-friendly products and services.
- 4 SK D&D transparently discloses environmental management information to stakeholders in conformity with global standards.
- 5 SK D&D strives to minimize any adverse environmental impacts that may stem from its business operations.
- 6 SK D&D continuously advances its environmental management strategy and implementation system.
- 7 SK D&D endeavors to abide by environmental laws and regulations and establish a culture of environmental management.

**Do-hyun Kim**  
CEO, SK D&D



# Green Building Certification

Building	Certification	Date of Certification	Certification Body
Episode Suyu 838	G-SEED (Excellent)	Mar. 2022	Korea Productivity Center Quality Assurance
	Building Energy Efficiency Rating (1+)	Nov. 2021	Korea Institute of Building Energy Technology
Episode Gangnam 262	G-SEED (Excellent)	Nov. 2021	Korea Green Building Council
	Building Energy Efficiency Rating (1+)	Nov. 2021	Korea Institute of Building Energy Technology
Episode Sinchon 369	G-SEED (Excellent)	Nov. 2021	Korea Productivity Center Quality Assurance
	Building Energy Efficiency Rating (1+)	Nov. 2021	Korea Productivity Center Quality Assurance
Episode Seocho 393	G-SEED (Excellent)	Jul. 2021	Korea Green Building Council
	Building Energy Efficiency Rating (1++)	Jul. 2021	Korea Institute of Building Energy Technology
Business hotel in Pangyo	G-SEED (Good)	Jul. 2021	Korea Environmental Industry & Technology Institute
	Building Energy Efficiency Rating (1+)	Jul. 2021	Korea Institute of Building Energy Technology
Business hotel in Jeo-dong	G-SEED (Excellent)	Nov. 2020	Korea Environmental Industry & Technology Institute
	Building Energy Efficiency Rating (1)	Nov. 2020	Korea Institute of Building Energy Technology
Seongu SK V1 Center (I)	G-SEED (Excellent)	May. 2020	Korea Productivity Center Quality Assurance
	Building Energy Efficiency Rating (1+)	May. 2020	Korea Productivity Center Quality Assurance
Seongsu SK V1 Center (II)	G-SEED (Excellent)	May. 2020	Korea Productivity Center Quality Assurance
	Building Energy Efficiency Rating (1+)	May. 2020	Korea Productivity Center Quality Assurance
Seongsu Desian Plex (W)	G-SEED (Excellent)	Apr. 2020	Korea Productivity Center Quality Assurance
	Building Energy Efficiency Rating (1+)	Mar. 2020	Korea Productivity Center Quality Assurance
Office development in Seosomun	LEED Platinum	Dec. 2019	US Green Building Council
	G-SEED (Excellent)	Sep. 2019	CreBizQM
	Building Energy Efficiency Rating (1)	Aug. 2019	Korea Appraisal Board
	G-SEED (Good)	Aug. 2019	Korea Green Building Council
Mullae SK V1 Center	Building Energy Efficiency Rating	Aug. 2019	Korea Research Institute of Eco-Environmental Architecture
	G-SEED (Good)	Apr. 2018	Korea Green Building Council
Gangnam Station BIEL 106	Building Energy Efficiency Rating	Apr. 2018	Korea Institute of Building Energy Technology
	Building Energy Efficiency Rating	Dec. 2017	Korea Institute of Building Energy Technology
Office building development in Mullae	G-SEED (Excellent)	Nov. 2017	Korea Environmental Industry & Technology Institute



# ISO 14001 Certificate

Certificate No : REM2974



**Certificate of Registration**  
**ENVIRONMENTAL MANAGEMENT SYSTEM**

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This is to certify that  
the environmental management system of

**SK D&D CO.,LTD.**

at

Head Quarter: 3F, #332, Pangyo-ro, Bundang-gu, Seongnam-si, Gyeonggi, Korea  
SK D&D CO.,LTD. Jeju Gasiri Wind Farms: #421-58, Noksan-ro, Pyoseon-myeon, Seogwipo-si, Jeju-do, Korea

Has been found to conform to the Environmental Management System Standards:  
**KS I ISO 14001:2015/ISO 14001:2015**

This Certificate is valid for the following product or service ranges:

1. Development and Sales of Real Estate(Knowledge Industry Center, Office, Hotel, Residential Commercial Facilities, Logistics Center)
2. Development and Sales of Eco-Friendly Energy(Solar, Wind, Fuel CELL, ESS)

Issue Date : Jul. 12. 2022

Certification Date : Jul. 12. 2022 / Valid Date : Jul. 11. 2025





*E. J Hwang*  
Eun-Ju Hwang, CEO

# Independent Verification Statement

**Introduction** SK D&D implements MRV based on the standards including ISO 14064 to respond to climate change risks. KMR confirms the verification results of 2021 as below.

- Scope**
- Organizational boundary - Emission facilities 10 Sites under SK D&D operational control
  - Verification object workplaces - Emission facilities 10 Sites under SK D&D operational control
  - Reporting period : Calendar year of 2021
  - Reporting greenhouse gas : CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>
  - Type of emission : Direct Emissions (Scope 1), Indirect Emission (Scope 2)

- Standard**
- ISO 14064 -1 (2018), ISO 14064 -3 (2018), WRI/WBCSD GHG Protocol (2004)
  - Verification guidelines for the ETS operation (Notification No. 2021-112, MOE)
  - KMR GHG & energy verification manual and procedure, IPCC Guidelines (2006)

**Results**

Year	Business Site	Greenhouse Gas Emissions (tCO <sub>2</sub> -eq)			Energy Consumption (TJ)
		Scope 1	Scope 2	Total	
2021	Pankyo Eco hub	94.621	292.056	386.677	7.911
	Jeju kasiri	10.639	171.921	182.560	14.497
	Gallery D&D	-	54.192	54.192	1.132
	4 sites (Uljin, Dangjin, Kunwi, Chungju)	48.548	-	48.548	0.692
	Smart work 3 sites (Kwanhun, Daehakro, Sungsu)	-	66.503	66.503	1.390
	<b>Total</b>	<b>153</b>	<b>584</b>	<b>737</b>	<b>25.622</b>

**Conclusion** KMR confirms that the calculation of the Greenhouse gas emissions and energy consumption of the organization are proper.

**KMR** Korea Management Registrar

June 1, 2022  
Eun-Ju Hwang, CEO *E. J Hwang*

# Human Rights Policy

## Human Rights Policy Declaration

SK D&D publicly endorses the human rights principles presented by the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Right; Ruggie Framework of the UN Human Rights Commission, and conventions of the International Labor Organization, and vows to abide by these principles. We will also ensure that we comply with these international agreements on human rights and labor for all stakeholders along our entire value chain, including our employees, business partners, local communities, and customers. To this end, we announce our human rights policy as follows.

### Respect for human rights

We respect the dignity of all our employees and ensure no inhumane conduct occurs, physically, psychologically or otherwise.

### Anti-discrimination

We respect the diversity of all our employees, and do not discriminate in terms of labor conditions including recruitment, wages, promotions, and/or training on the grounds of gender, race, disability, religion, political orientation or town of origin.

### Ban on compulsory labor

We never endorse forced labor through the means of psychological and/or physical constraint, and rigorously comply with labor standard laws regarding employment contracts.

### Ban on child labor

We abide by the minimum age of employment stipulated by national or local laws, and continue to verify that appropriate, lawful procedures are implemented and observed.

### Compliance with work hour/work condition regulations

We comply with work hour regulations stipulated by national and local laws, and provide legally-appropriate compensation as stipulated by labor relation laws and regulations.

### Workplace health and safety

We abide by the environmental laws and regulations set forth by respective nations as well as health and safety standards, and work to protect the environment while preventing environmental disasters and safety incidents.

### Community engagement

We identify the potential impact of our business operations on local communities and protect them from any infringement of their human rights.

**Do-hyun Kim**  
CEO, SK D&D



# Memberships and Associations

## Association

Korea Data Center Association

Korea ESS Industry Development Association

ESS Ecosystem Promotion Council

Korea Wind Energy Industry Association

Fuel Cell Industry Development Council

Korea Fire Safety Association

Korea Power Exchange





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