

# ESG Guideline for Supply Chains

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<b>Responsible Dept.</b>	Purchasing & Supply Management Team of Corporate Culture Division
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**SK Networks Co. Ltd.**



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## **1. Background**

SK Networks (the Company) has established the ESG Guideline for Supply Chains for all partner companies (the Partners) to assist them in fulfilling corporate social responsibility and ensuring business sustainability. This Guideline is based on the SK Networks Supplier Code of Conduct and includes detailed action guidelines on labor & human rights, safety & health, environment, ethics & fair trade, and control system that partner companies should comply with. It is recommended that all partner companies shall reinforce their social responsibility management on the basis of the guidelines presented herein.

## **2. Scope of Application**

SK Networks ESG Guideline for Supply Chains applies to the overall purchase process, including partner company selection & assessment, product & service purchase, and certification & qualification. It is recommended that all partner companies in purchase/buying relationships with SK Networks shall comply with the action guidelines specified herein.

### 3. Labor & Human Rights

#### **3.1. Voluntary Labor**

The Partners should prohibit involuntary labor such as forced labor or exploited labor against workers' will. Also, for the recruitment of workers, employment contracts shall be prepared in languages they can understand. Workers shall not be restricted from moving around outside working hours and they should be able to resign from work freely if they wish to.

[Action Guidelines]

- The Partners must provide a written employment contract to all workers at the phase of hiring that specifies working conditions, fees, deductibles, penalties, etc.
- Any violation specified in the employment contract or working conditions that involve forced labor, prison labor, excessive fee request, conditional employment upon debt burden, etc., shall be prohibited.

#### **3.2. Prohibition of Child Labor**

The Partners are prohibited from hiring children. While it is possible to hire adolescents above 18 years of age, which is higher than the minimum age legally allowed for admission to employment, they should not be assigned to perform tasks harmful to their safety and health (including overtime and night shifts).

[Action Guidelines]

- The Partners should not hire child workers in any case and should have a child labor prohibition policy documented and maintained in which the minimum age legally allowed for admission to employment is specified.
- An age verification procedure should be in place with government registry documents or certifications in which a worker's date of birth or age is indicated.

#### **3.3. Working Hours**

The Partners should not have workers work beyond the maximum work hours stipulated by laws and regulations, and shall follow regulations on work breaks and holidays. The Partners, in addition, should communicate with workers on overtime requirements and schedules before making overtime requests to the workers.

[Action Guidelines]

- The Partners should have an attendance record system in place to calculate working hours in hours and minutes that shall be recorded and controlled accordingly.

- Time records should be retained for all work-related company arrangements, including compulsory training sessions, meetings, and arrival/departure from work.

### **3.4. Wage and Benefits**

The Partners should comply with laws related to wages and lawfully provide wage and benefits, including the legal minimum wage, overtime compensation, and legally required benefits to the workers. Also, the Partners should make efforts to have a labor environment and welfare & benefits system in place for improved quality of life.

[Action Guidelines]

- The Partners should comply with laws and systems in countries where they run their business and make wage payments on designated dates.
- The Partners should establish regulation on wage, social insurance, allowance, and welfare & benefits policies as well as policies and procedures regarding calculation scheme, payment dates, and payment methods.
- All overtime labor should be paid based on overtime allowance rates in accordance with relevant laws and regulations or employment contracts.

### **3.5. Humanitarian Treatment of Workers**

The Partners should respect workers' human rights and should prohibit inhumane treatment, including sexual harassment, violence, coercion, and verbal abuse. The Partners should clearly establish and implement a disciplinary procedure to ensure such humanitarian treatment of workers.

[Action Guidelines]

- The Partners should respect workers' private life and refrain from giving unnecessary work orders outside working hours.
- In collecting workers' personal information, advance notice should be given, and voluntary consent should be obtained.

### **3.6. No Discrimination**

The Partners should prohibit discrimination of workers in the process of recruitment and employment, including hiring, compensation, promotion, remuneration, access to training, task allocation, wage, and welfare & benefits based on race, age, gender, and disability. Discrimination of workers should also be banned in wage payment and welfare & benefits system operation.

[Action Guidelines]

- The Partners should establish policies and procedures that prohibit discrimination

of workers in hiring, promotion, training, etc., based on gender, race, ethnicity, nationality, religion, disability, age, family structure, social status, political opinions, etc.

- The Partners should not require terms that are not required for work accomplishment at the time of recruitment and employment.

### **3.7. Freedom of Association**

In accordance with local laws and regulations, the Partners should guarantee their workers freedom to organize labor unions or join a labor union to protect their individual and group interests. Workers should be able to openly communicate with the management and share their thoughts and concerns about working conditions and business management practices without fear of discrimination, retaliation, threat, and harassment.

[Action Guidelines]

- The Partners should document and manage the records of workers' complaints and reports related to the freedom of association.
- In case a collective bargaining agreement is in effect, the Partners should exercise utmost good faith to comply with the collective bargaining right stipulations.

## 4. Safety & Health

### **4.1. Industrial Safety**

The Partners should build a safe working environment to promote the health and safety of their workers so that risk factors are identified beforehand, and preventive measures are taken to remove those risk factors. Safety training programs should also be arranged to enhance workers' safety and health. In addition, the Partners should protect all their workers from safety-related risks and control them appropriately.

[Action Guidelines]

- The Partners should be in compliance with laws and regulations related to workplace safety and workers' safety.
- Safety training and drill sessions should be conducted for all workers.
- It is recommended that the Partners acquire external certification for the safety management system (OHSAS18001, etc.)

### **4.2. Prevention of Industrial Accidents and Diseases**

In order to prevent industrial accidents and diseases, the Partners should establish procedures and systems for reporting, management, tracking, and supporting. The procedures and systems should be notified to all the workers. In addition, the Partners should respond to industrial accidents and diseases appropriately by categorizing, recording the industrial accidents and diseases as well as taking necessary corrective measures.

[Action Guidelines]

- The Partners should establish a system that can measure the occurrence of industrial accidents or diseases.
- Regular safety inspection should be conducted for all machinery and facilities should and protective facilities such as protection devices and protective barriers should be installed.
- All legally required licenses regarding industrial accidents should be prepared, and all the requirements in local laws and regulations in relation to industrial accidents and disease management should be lawfully followed in the required timeline.
- Emergency response procedures should be documented appropriately.

### **4.3. Workplace Emergency Response**

The Partners should define emergencies that may occur in the workplace and establish response procedures for each emergency. Reporting and response procedures in the event of emergencies should be prepared, and the procedures should be learned through education and training to minimize any damage.

[Action Guidelines]

- The established response procedures should be implemented by all the workers through regular education and training sessions, and the training outcomes should be continuously reviewed to improve the response procedures.
- Risk assessment and analysis should be performed for all potential emergency situations to prevent possible risks.

#### **4.4. Communication on Health & Safety**

The Partners should provide their workers with adequate workplace safety and health information and education in relation to possible hazards at the workplace in their mother language or languages that can be understood by them. Safety and health information should be displayed inside workplace facilities to be noticed and accessed easily by workers. All workers should be given regular training before and during work hours, and a work environment should be created in a way that workers can raise any issues related to health and safety without fear of retaliation.

[Action Guidelines]

- The Partners should establish a communication policy and action processes for all matters related to safety and health that are presented in the SK Networks Partner Code of Conduct.
- Training programs should be conducted for all workers to promote their awareness of safety and health.

#### **4.5. Workplace Environment**

The Partners should regularly measure harmful elements, including hazardous chemicals, particles, and noises to which workers may be exposed, and mobilize various control measures so that they are not exposed to such elements beyond the allowable level.

[Action Guidelines]

- The Partners should carry out workplace safety risk assessment on a regular basis to investigate whether workers are exposed to risks of accident.
- The Partners should provide their workers information on risks of accidents based on the assessment results and improve their workplace environment.



#### **4.6. Work Overload Management**

The Partners should improve the workplace environment, implement job rotation and give enough work breaks to prevent injuries or musculoskeletal diseases that may happen to workers who handle heavyweight materials, work for long hours, or are assigned to do repetitive work or work that uses up a lot of energy.

[Action Guidelines]

- The Partners should identify tasks that require a lot of physical energy (heavyweight material handling, repetitive tasks, etc.) to develop and implement effective measures to remove or reduce such tasks.
- Hazards related to work overload should be actively removed through work environment measurement, and post-improvement evaluations should be continuously carried out as well.

#### **4.7. Management of Staff Facilities**

The Partners should provide safe and clean facilities. If the workplace has dining areas, dormitories, and bathrooms, they should be kept clean and safe. Also, all workplaces should be adequately equipped with emergency exits, cooling/heating facilities as well as ventilation facilities.

[Action Guidelines]

- The Partners should comply with all local legal requirements related to staff facility operation.
- Efficient staff facility management system should be established to guarantee a clean and safe environment for all workers and seek continuous staff facility improvement through this.

## 5. Environment

### **5.1. Compliance with Environment Related Laws and Regulations**

The Partners should obtain and maintain all relevant legally required environmental certifications and comply with the obligations for operation and reporting.

[Action Guidelines]

- The Partners should obtain legally required certifications for air discharge, wastewater treatment, dangerous goods storage/use, waste disposal, etc.
- Work procedures and management recording should be documented to be in compliance with reporting requirements.

### **5.2. Energy Consumption and Greenhouse Gas Emission**

The Partners should track and document energy consumption and greenhouse gas emission to reduce corporate influence on the environment. The Partners should also seek to find measures that will lead to energy efficiency improvement as well as minimized energy consumption and greenhouse gas emission. It is also recommended to set up greenhouse gas reduction goals.

[Action Guidelines]

- The Partners should document and manage greenhouse gas emission and energy consumption resulting from the business operation and product/service use.
- The Partners should set up annual or long-term goals with quantified objectives for greenhouse gas reduction.

### **5.3. Hazardous Material Management**

The Partners should identify all hazardous chemicals they handle and build/manage a safety management system for safe purchase, use, and disposal of related materials. The Partners should identify the use of all materials that can potentially pollute the environment when emitted and comply with all relevant laws and regulations that prohibit or regulate the use and handling of certain materials.

[Action Guidelines]

- The Partners should establish a procedure to measure chemical components in the products and have the measurements documented.
- The Partners should identify types of materials for appropriate labeling (MSDS, warning signs, etc.) and management to ensure safe handling, transport, storage, use, recycling, or reuse/disposal of hazardous materials that may cause danger to the environment and consumers.
- The Partners should provide all workers with training on the use, handling, storage,

and disposal of chemical materials.

- The Partners should separately store and transport hazardous materials in the workplace and have appropriate protection facilities in place.

#### **5.4. Air Pollution Control**

The Partners should monitor and control materials generated from industrial processes that cause air pollution, including volatile organic compounds, aerosols, corrosives, particles, ozone-depleting substances, and combustion byproducts. These materials should be treated adequately according to relevant laws, and regulations before discharge and continued monitoring should be performed for pollution reduction or prevention.

[Action Guidelines]

- The Partners should minimize emissions of ozone-depleting substances generated from the production process according to the Montreal Protocol and relevant regulations and have an effective management system.
- The Partners should monitor and control gas emissions in the air in addition to making efforts to minimize and monitor the emission by building a disposal facility for gas emissions in the air.

#### **5.5. Environment Pollution Protection and Resources Saving**

The Partners should treat all wastewater and waste materials generated from their business activities according to the relevant laws and regulations before discharge. The Partners should reduce the emission of wastewater and waste materials by improving processes that cause environmental pollution, raw material recycling, etc. The use of water, electricity, and fossil fuel should be reduced by increasing energy efficiency.

[Action Guidelines]

- The Partners should establish policies and procedures that deal with environmental protection, pollution prevention, waste reduction, and recycling according to relevant legal, regulatory, and control standards.
- The Partners should build a monitoring system for continuous management of resources used or waste generated in all workplaces and document the performances.
- It is recommended that the number of recycled materials should be increased continuously in comparison to the entire waste amount.

## **5.6. Solid Waste**

The Partners should identify and control solid waste to reduce the amount of generated solid waste. The Partners should also establish lawful procedures for responsible waste disposal or recycling.

[Action Guidelines]

- The Partners should comply with laws and regulations relevant to waste handling (recycling/landfill).
- The Partners should make efforts to reduce the ratio of waste landfill and incineration and increase the ratio of recycling and reuse in the workplace.

## 6. Ethics & Fair Trade

### **6.1. Eradication of Unfair Practices**

The Partners should maintain integrity in their business activities. The Partners should not be involved in any kind of unlawful acts to accept bribes, make payments to authorities, or offer gifts in addition to offering cash or other benefits for sales and other purposes. Also, the Partners should follow monitoring and relevant procedures to ensure compliance with anti-corruption laws.

[Action Guidelines]

- The Partners should put autonomous anti-corruption compliance into practice by making efforts to monitor and regulate unlawful acts.
- All transactions should be made transparent and subject to recording and management in compliance with the accounting act.
- No concerted action of price increases, market division, or output control should be taken in an aim to avoid competition.

### **6.2. Information Disclosure**

The Partners should truthfully disclose their corporate information, including business achievements and financial status pursuant to relevant laws and regulations. All transactions should be made transparent. Information on achievements, management activities, ethical aspects regarding labor practices, safety and health, and environment management should be disclosed according to the relevant laws to escalate corporate sustainability management.

[Action Guidelines]

- The Partners should have an internal control system in place to ensure information accuracy and establish a procedure for inspection, evaluation, and auditing to ensure information reliability.
- It is recommended to voluntarily disclose the environment management system and achievements on company websites and reports.

### **6.3. Intellectual Property Protection**

The Partners should respect intellectual property rights and have the responsibility to safely protect the information acquired in the process of transactions with SK Networks. While appropriate measures should be taken to protect intellectual property rights already in possession, regular monitoring should be performed to check if there is any infringement of intellectual property.

[Action Guidelines]

- The Partners should build a program to protect client information (price, product supply, product components, etc.) as part of agreements made with the clients and

establish relevant company regulations.

- The Partners should build a program to review and protect intellectual property rights and establish relevant work procedure documents. Through the documents, information, and confidential matters of clients, allies, workers, and partners should be protected in accordance with the relevant laws and regulations.
- Internal IT regulations should include a clause for information protection.

#### **6.4. Fair Trade Compliance**

The Partners should comply with laws and regulations concerning fair trade. The Partners are banned from offering or accepting any means to take profits through unfair or inappropriate business transactions. Company information disclosed to the public, including job ads, product information, company introduction, press release, etc., should be disclosed with accuracy.

[Action Guidelines]

- The Partners are banned from making an agreement with another business operator in terms of product or service price, supply, transaction region, transaction conditions, etc., in a way that competition is restricted unfairly.
- The Partners should not be engaged in activities such as unfair trade practices that may disrupt fair trade order, and any material breach of ethical regulations shall serve as a basis for trade suspension.

#### **6.5. Identity Protection and Retaliation Prohibition**

The Partners should guarantee an environment in which workers can freely and efficiently submit complaints and inconveniences without a threat of retaliation or blackmailing. A program or channel should be established to protect confidentiality, anonymity, and identity protection of partners and workers who submitted internal reports.

[Action Guidelines]

- The Partners should establish and provide a procedure and reporting channel through which workers can raise issues without fear of retaliation.
- As part of the reporting process, detailed procedures should be developed for informant identity protection.
- Workers should be trained annually regarding the use of the channel for reporting complaints and inconveniences. The content and achievements of the training should be documented accordingly.

## **6.6. Personal Information Protection**

The Partners should comply with the Personal Information Protection Act and handle (storage, processing, transmission, and sharing) personal information of all stakeholders, including workers, allies, and consumers who are related to business activities of the Partners, in a fair and transparent manner.

[Action Guidelines]

- The Partners should collect and use personal information within the scope of the purpose of personal information collection/storage and retention period.
- In collecting workers' personal information, advance notice should be given, and voluntary consent should be obtained.
- An internal review and evaluation procedure should be established to ensure information accuracy, and the procedure should be managed in accordance with the relevant laws and regulations.

## 7. Management System

### **7.1. Corporate Willingness for Compliance**

The Partners should prepare a statement expressing their willingness to comply with corporate social responsibility, acquire the management's approval and display the statement at relevant workplaces in the local language. Efforts should be made to comply with the SK Networks Supplier Code of Conduct, relevant laws and regulations, and customer requests. Further efforts should be continued for such compliance requirements through self-monitoring, etc.

[Action Guidelines]

- The Partners should review, analyze and implement legal requirements to manage their business activities.
- The Partners should review new and amended laws internally so as to prepare internal policies so that compliance can be achieved for legal changes.

### **7.2. Obligations and Responsibility of the Management**

The Partners should establish systems and regulations for labor & human rights, safety & health, environment, and ethics. Next, appropriate management should be selected to be in charge of such systems and regulations. The management should carry out regular inspections for the operation of the management system.

[Action Guidelines]

- The Partners should delegate authority and responsibility to workers for the operation of the management system.
- The Partners should stipulate workers' obligations and responsibilities and establish procedures to monitor compliance with labor practices, human rights, safety & health, environment, and ethics & fair trade.
- The Partners should document and manage workers' obligations and responsibilities for each role, including workers' authority and accountability, training record, the effective date of qualification, etc.
- When effective certifications are attained for labor & human rights, safety & health, environment, and ethics & fair trade, the inspection requirement can be omitted accordingly (for example, environment/safety & health inspection can be skipped upon effective ISO 14001 and OHSAS certifications.)



### **7.3. Guideline Posting and Training**

The Partners should have education and training programs ready so that workers can view, understand and comply with this Guideline easily.

[Action Guidelines]

- The Partners should run training programs for managers and staff so as to have policies, procedures, and improvement goals implemented and relevant legal and regulatory requirements in compliance.
- Most updated versions of training materials and records should be maintained, and annual training sessions should be provided to all workers.
- It is recommended that the willingness to implement social responsibility sought by this Guideline be shared internally and disclosed to the public.

### **7.4. Feedback and Counseling**

The Partners should have appropriate procedures in place to collect feedback from employees regarding standards and conditions applicable to this Guideline and bring improvements in response to the feedback. Also, SK Networks Buy One communication channel (<https://skbuyone.com>) is available for consultations about activities that may be in violation of this Guideline.

- The Partners should analyze feedbacks received through the Buy One channel and set up improvement action plans.
- The Partners should communicate to their workers on compliance requirements for SK Networks Supplier Code of Conduct, customer requests, and environment, safety, and health laws.
- The improvement plans and activities should be subject to continued management once set up.

## 8. References

The below-listed references served as the basis in drafting this ESG Guideline for Supply Chains, and additional information can be accessed through the links provided.

- Responsible Business Alliance <http://www.responsiblebusiness.org/code-of-conduct/>
- Dodd-Frank Financial Regulatory Reform  
<http://www.sec.gov/about/laws/wallstreetreform-cpa.pdf>
- EICC Code of Conduct <http://www.eiccoalition.org/standards/code-of-conduct/>
- Eco-Management and Audit System  
[http://ec.europa.eu/environment/emas/index\\_en.htm](http://ec.europa.eu/environment/emas/index_en.htm)
- Ethical Trade Initiative [www.ethicaltrade.org/](http://www.ethicaltrade.org/)
- ILO Safety and Health Code of Practice  
[www.ilo.org/public/english/protection/safework/cops/english/download/e000013.pdf](http://www.ilo.org/public/english/protection/safework/cops/english/download/e000013.pdf)
- ILO International Labor Standards  
[www.ilo.org/public/english/standards/norm/whatare/fundam/index.htm](http://www.ilo.org/public/english/standards/norm/whatare/fundam/index.htm)
- ISO 14001 <https://www.iso.org/iso-14001-environmental-management.html>
- OECD Guidelines for Multinational Enterprises  
<http://www.oecd.org/investment/mne/1903291.pdf>
- Universal Declaration of Human Rights <https://www.un.org/en/universal-declaration-human-rights>
- UN Convention against Corruption <https://www.unodc.org/unodc/en/treaties/CAC/>
- UN Children's Rights Convention  
<https://www.ohchr.org/en/professionalinterest/pages/crc.aspx>
- UNGC [www.unglobalcompact.org](http://www.unglobalcompact.org)
- SA 8000 <https://sa-intl.org/programs/sa8000/>
- Social Accountability International (SAI) [www.sa-intl.org](http://www.sa-intl.org)
- OHSAS 18001 [www.bsi-global.com/index.xalter](http://www.bsi-global.com/index.xalter)