

TCFD

SK networks transparently reports climate change-related information in accordance with the Task Force on Climate-related Financial Disclosures (TCFD). TCFD is an international consultative body established by the Financial Stability Board (FSB) in 2015 to support voluntary climate-related disclosures that can support more informed investment, credit, and insurance underwriting decisions, and it established recommendations on climate-related financial disclosure in June 2017. The TCFD recommendations are a framework that enables carbon-related information to be linked to financial disclosure materials as a foundation for establishing an advanced information disclosure system. SK networks transparently discloses environmental information that reflects the FCFD recommendations to participate in the global community's efforts to limit the rise in the average global temperature and to provide stakeholders with useful information for decision-making.

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Material Issue 1

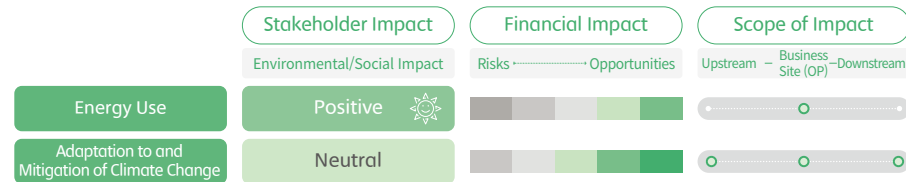
Response to Climate Change

1 Governance

SK networks is establishing a company-wide climate change governance that includes the Board of Directors, subsidiaries, management, executives, and working-level staff, and proactively identifies and manages related risks and opportunities. The ESG Management Committee independently and objectively determines material issues related to climate change, considers climate change issues when making major decisions that may have a significant impact on management strategies, and looks into major climate change response policies and strategies, including greenhouse gas reduction targets and implementation strategies. The ESG Management Committee held a total of eight meetings in 2023 to discuss and deliberate climate change response strategies as a major agenda items. Going forward, the ESG Management Committee will further solidify future growth strategies in terms of enhancing sustainable corporate value, including climate change response.

2 Strategy

2-1. Identification of Impacts/Risks and Opportunities



Social/Environmental Impact

Category	Attribute	Impact	Probability	Severity	
Energy use	Renewable energy	Positive	Contribution to the development of renewable energy industries such as solar power	Mid	High
	Non-renewable energy	Positive	Stable power supply for production activities	Low	High
Adaptation to and mitigation of climate change	Positive/negative	Reduction of human casualties due to abnormal weather	High	Mid	

Financial Impact

Category	Attribute	Risks and Opportunities	Time of occurrence*	Severity
Energy use	Risk	Increase in operating costs due to increased electricity rates	Short-term	High
	Opportunity	Reduction in operating costs through energy efficiency improvements	Short-term	Mid
Adaptation to and mitigation of climate change	Risk	Increased stakeholder concerns (strengthening climate change-related requirements from external evaluation agencies and clients)	Short-term	Mid
	Opportunity	Enhancement of corporate image by obtaining various external certifications and joining initiatives	Short-term	Mid

*Short-term : Up to 1 year, Mid-term : 1 to 5 years, Long-term : Beyond 5 years

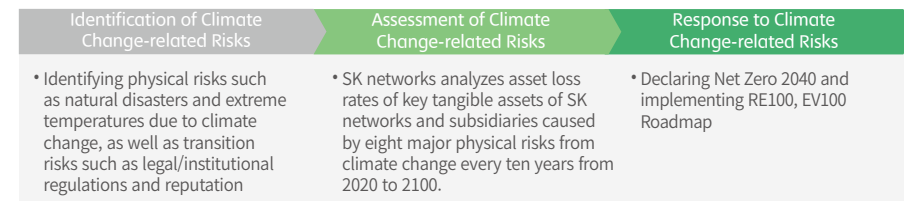
2-2. Strategy and Response Status

SK networks declared Net Zero 2040 in June 2021 to respond to the changing environment and prepare for the low-carbon era. In 2023, we submitted a science-based reduction target to achieve Net Zero to SBTi and completed verification. In order to implement the established Net Zero 2040 roadmap, SK networks plans to reduce Scope 1 and 2 GHG emissions by 46.2% by 2031 and 95% by 2040 compared to 2021, thereby achieving the Paris Agreement to limit global warming to 1.5°C. Furthermore, in order to actively contribute to carbon neutrality across the entire value chain, we plan to reduce SK networks' emission and Scope 3 GHG emissions by 27.5% by 2031 and 90% by 2050 compared to 2021 to actively contribute to carbon neutrality across the value chain.

Response Status	<ul style="list-style-type: none"> • Conversion to 100% Renewable Energy(RE100) by 2040 – Investment in solar power facilities, purchase of green premiums, PPAs, etc. • Conversion to 100% EVs(EV100) BY 2030 – For approximately 220,000 vehicles of SK networks and its first/second-tier subsidiaries(8 companies in total) • Climate Change-related Investment – Preemptive investment in AI, alternative leather, and smart farms
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3 Risk Management

SK networks recognizes opportunities and risks caused by climate change based on the TCFD framework, and identifies, evaluates, and responds to risks by dividing them into short-term, mid-term, and long-term risks. The short term risks include flooding of business sites/assets due to heavy rain, and the mid to long-term risks include legal regulations due to climate change, decreased demand due to changes in customer preferences, and rising energy and raw material prices that can affect business. SK networks has established and is operating a process for the Board of Directors and management to manage risks by identifying the financial/strategic impact of various changes, including changes in profits, operation and management of business site, and business portfolio structure that may arise from climate change issues.



4 Metrics and targets

- Management of Scope 1, 2 and 3
 - Scope 1 and 2 : Calculating and managing GHG emission and going through third-party verification for all businesses including first/second-tier subsidiaries
 - Scope 3 : Completing calculation of GHG emissions in 13 categories
- Reflecting reduction of greenhouse gas emissions and quantified performance of Group ESG key indicators in CEO and management KPI

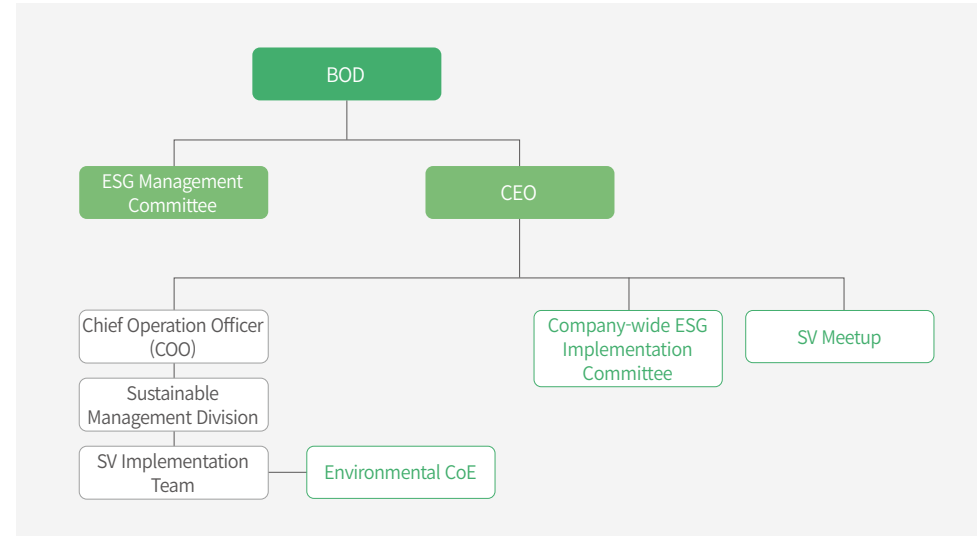
Governance

Governance for Climate Change

The 27th session of the Conference of the Parties(COP27) of the United Nations Framework Convention on Climate Change(UNFCCC) emphasized the need for countries around the world to accelerate carbon reduction efforts and limit global warming to 1.5°C. The current extreme weather events are devastating the whole world, signaling that the climate crisis has become a ‘normal and continued trend’. In addition to aggressive greenhouse gas emission reduction, the global society must strengthen resilience to address the climate crisis.

SK networks supports the goals of the Paris Agreement to limit the global warming to 1.5°C based on its science-based targets and solutions. We have established strategies to respond to major climate risks and opportunities as well as to contribute to the environment and society through innovation while preparing measures to respond to climate change and reflecting it into our targets, and using qualitative and quantitative measurement to track progress. SK networks is committed to establishing a company-wide climate change response governance and achieving carbon neutrality to respond to risks related to climate change and create business opportunities. The Board of Directors, as the highest decision-making body, deliberates, decides, and supervises agenda items reviewed in advance by the ESG Management Committee. SK networks establishes a company-wide climate change governance that includes the Board of Directors, subsidiaries, management, executives, managers, and working-level staff, and proactively identifies and manages related risks and opportunities. The ESG Management Committee held a total of eight meetings in 2023 to discuss and deliberate climate change response strategies through ESG-related agenda items such as ‘Performance of Group’s ESG key indicators.’ Going forward, the ESG Management Committee will further strengthen its roles and functions by more sharing future growth strategies in terms of enhancing sustainable corporate value, including responding to climate change.

Governance*



*Based on the organizational chart for the first half of 2024

(as of the end of December 2023)

Status	Name of organization	Composition	Members	Roles	2023 meeting status
Subcommittee of the Board of Directors	ESG Management Committee	Members of the Board of Directors - 2 executive directors, 1 other non-executive director, 5 independent directors	<ul style="list-style-type: none"> (Executive directors) Lee Hojeong, Choi Sunghwan (Other non-executive directors) Lee Sunghyeong (Independent directors) Ha Yungwon, Im Ho, Jeong Seokwoo, Lee Moonyoung, Chai Sooil 	<ul style="list-style-type: none"> Examining/analyzing strategies and key issues related to environment, social values, and company governance to pre-deliberate on major decisions of the Board of Directors 	8 meetings held
Corporate Management Council	Company-wide ESG Implementation Committee	CEO, Chief Operation Officer(COO), Chief Sustainability Officer(CSO), Chief Financial Officer(CFO), Head of Planning Division, Head of Finance Division, Head of HR Division, Head of Audit Division, Head of Social Value Division (Secretary), CEOs of subsidiaries and BU Leader	<ul style="list-style-type: none"> (CEO) Lee Hojeong, (COO) Choi Sunghwan (SK magic CEO) Kim Wanseong, (SK rent-a-car CEO) Hwang Ilmoon, (SK networks Service CEO) Jeon Hyeongil, etc. 	<ul style="list-style-type: none"> Strengthening the ability to execute ESG strategies Linking business model strategies (including subsidiaries) with ESG directions Inspecting and discussing ESG activities 	5 meetings held
	SV Meetup	CEO, Chief Sustainability Officer(CSO), Social Value Division, executives/team leaders/working level employees in charge of SV/ESG for each business (subsidiary), members of Strategy Planning Team, SV Implementation Team	-	<ul style="list-style-type: none"> Sharing focused SV tasks and progress for each business, Sharing SV/ESG trends, discussing response measures Sharing progress of stakeholder accounts 	10 meetings held
Working-level Staff	Environmental CoE*	Team leaders/working-level employees in charge of SV/ESG for each business (subsidiary), SV Implementation Team	-	<ul style="list-style-type: none"> Promoting Net Zero 2040(determining reduction measures), measuring and analyzing data Internalizing environmental management system for each business, and securing expertise 	3 meetings held
	SV Division, SV Implementation Team		-	<ul style="list-style-type: none"> Working-level organization for promoting Net Zero 2040 Participating in and operating environment-related initiatives in Korea and overseas Measuring and analyzing environmental data 	-

*CoE(Committee of Experts)

Role of the Board of Directors

The Board of Directors of SK networks, as the ‘highest decision-making body of the company’, deliberates and decides on major issues of the company, including climate change issues, and supervises the execution of the duties of the management. In order to advance the ESG management system, SK networks established the ‘ESG Management Committee’ in March 2021, in which all Board members have participated since May 2022. The ESG Management Committee independently and objectively determines material issues related to climate change, considers climate change issues when making major decisions that may have a significant impact on management strategies, and looks into major climate change response policies and strategies, including greenhouse gas reduction targets and implementation strategies. The Board of Directors has strengthened its ability to respond to climate change by deliberating and deciding on agenda items such as the sale of the petroleum product retail business (2020) and approval of investment in the electric vehicle charging business (2022). In particular, in 2023, it discussed the performance of the Group’s ESG Key indicators and the status of Net Zero implementation.

Board Agenda on Climate Change Response for 2023

Session/Date held	Agenda	Details
4th Session(May 08)	Establishment of CEO KPI for 2023	Reflecting greenhouse gas emissions and the Group’s ESG Key indicators
10th Session(Dec. 14)	Participation in capital increase by SK electlink, etc.	Contributing to greenhouse gas reduction through expansion of EV charging infrastructure

Strengthening Ability to Respond to Climate Change

SK networks operates various educational programs and workshops to help independent directors of the ESG Management Committee make decisions based on climate change and sustainability and to enhance their expertise in ESG. We are actively supporting the Board members to raise their sensitivity to climate change and environmental issues and ensure that their expertise is reflected in the decision-making process.

(As of the end of December 2023)

Training Date	Training Target	Training Contents
April 07, 2023	Chai Sooil	<ul style="list-style-type: none"> Workshop for new independent director - Including Net Zero implementation status and future tasks
April 14, 2023	Chai Sooil	<ul style="list-style-type: none"> Orientation for new independent director - Sharing key insights such as governance, ESG, and global management issues
June 23, 2023	Ha Yungwon, Im Ho, Jeong Seokwoo, Lee Moonyoung, Chai Sooil	<ul style="list-style-type: none"> SK networks Financial Story Direction - Sharing evaluation (proposal) of SK networks Board of Directors for 2023, etc.
October 31, 2023	Ha Yungwon	<ul style="list-style-type: none"> 2023 Directors’ Summit - Guidance on implementation of domestic shareholder communication and mandatory disclosure - Discussing on cases of considering ‘ESG priorities when establishing goals’ by the Board of Directors in the discussions related to ‘strategy’

ESG Management Committee

SK networks has established the ESG Management Committee under the Board of Directors to make integrated decisions on climate change. All Board members have been participating in the ESG Management Committee since May 2022. As of the end of December 2023, the ESG Management Committee consists of a total of eight Board members, including two executive directors(including the CEO and COO), five independent directors(including the chairman of the Board), and one other non-executive director. In 2023, the ESG Management Committee held a total of eight meetings to be regularly reported current issues related to ESG and continuously monitor the status of climate crisis response. SK networks operates the ESG Management Committee as a channel for examining, analyzing, and managing environmental and social issues including climate crisis response and strategies related to governance to make decisions. In 2023, the ESG Management Committee deliberated on the publication of the Sustainability Report, quarterly performance of the Group’s ESG Key indicators, and participation in the capital increase of SK electlink.

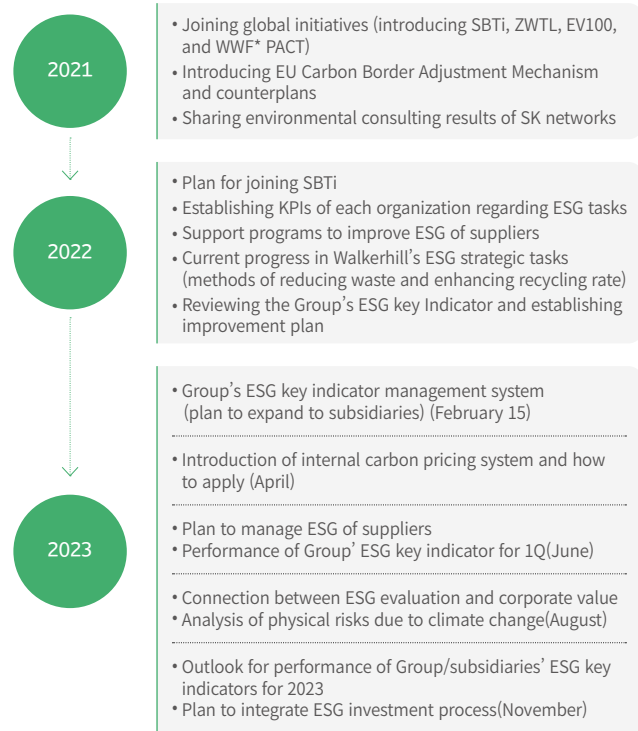
Key Agenda Items of the ESG Management Committee

Category	Session/Date held	Agenda	Details
2021	1st Session (June 18)	• Past and present of SK networks, value-up direction workshop	• Promoting Net Zero 2040(proposal)
	3rd Session (July 29)	• Investment in kind of MINTIT Division	• Creating environmental value through formation of circular economy
2022	4th Session (March 8)	• Approval of management plan for 2022	• Strengthening execution ability for Net Zero 2040, SBTi participation, etc.
	5th Session (April 28)	• Establishing CEO KPIs for 2022	• Reflecting GHG emissions and ESG Key indicators
	6th Session (August 19)	• Approval of investment in EV charging business	• Contributing to GHG reduction through expansion of EV charging infrastructures
2023	6th Session (September 18)	<ul style="list-style-type: none"> Report on publication of 2022 Sustainability Report • Performance of Group ESG Key indicators for 2Q 2023 	• Summary of performance of Group ESG Key indicators for 2Q and annual improvement plan/Net Zero implementation status (Reduction implementation performance)
	8th Session (December 11)	• Participation in capital increase by SK electlink, etc.	• Contributing to GHG reduction through expansion of EV charging infrastructures

Company-wide ESG Implementation Committee

SK networks is establishing a climate change strategy and system by operating Company-wide ESG Implementation Committee, attended by its management and representatives of subsidiaries. The Company-wide ESG Implementation Committee, attended by eight key executives including the CEO of SK networks as well as representatives of three subsidiaries and the COO of Walkerhill, has been in operation since August 2021, and it discusses issues and trends related to climate change, risks and opportunities, and countermeasures. In 2023, the plan to expand the evaluation target of the Group's ESG key indicators to subsidiaries, as well as the internal carbon pricing system, ESG management of suppliers, and analysis of physical risks of climate change were submitted as major agenda items of the Company-wide ESG Implementation Committee, which shared the status of SK networks and its subsidiaries and discussed countermeasures.

Key Agenda Items of the Company-wide ESG Implementation Committee

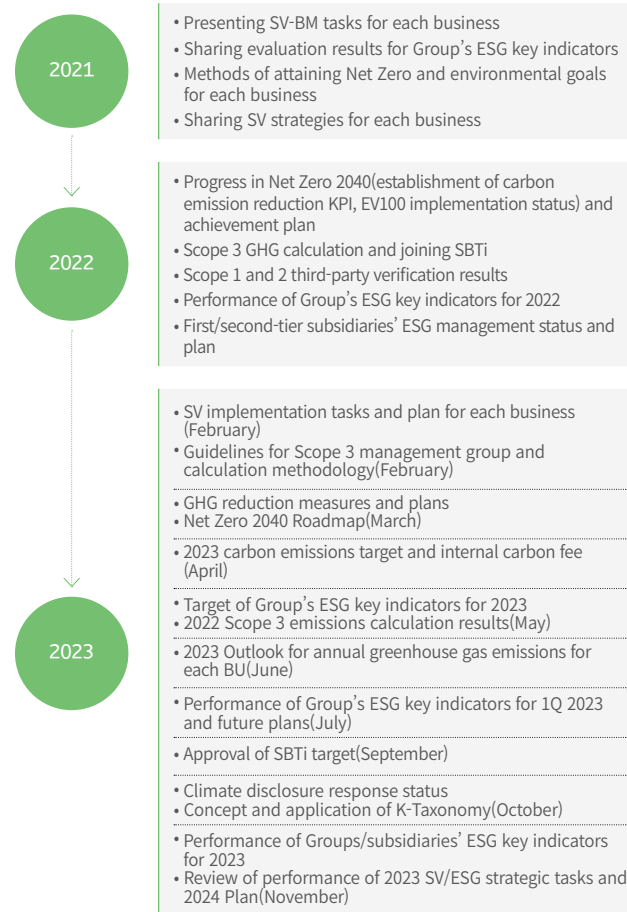


*WWF : World Wide Fund for Nature

SV Meetup and Environment CoE

SK networks has been operating SV Meetup, a company-wide council that deals with ESG issues, since 2020, and in 2022, it established an Environment CoE to accelerate greenhouse gas reduction activities in accordance with the Net Zero 2040 declaration, strengthen environmental management, and foster in-house environmental experts. Meeting of the Environment CoE is held every other month together with SV Meetup. In 2023, it discussed mainly on the Scope 3 calculation methodology and results, Net Zero 2040 roadmap, annual greenhouse gas emissions forecast by BU, and approval of SBTi targets, sharing current status of business-specific implementation tasks and progress.

Agenda items of SV Meetup and Environment CoE



Linking Executive Compensation to Climate Change Response

SK networks has been evaluating performance and making compensation by including SV/ESG indicators in CEO's KPI since 2019 to encourage the achievement of goals for climate change response. Starting in 2022, SK networks has reflected the performance of Group's ESG key indicators and greenhouse gas reduction target in its KPI. All executives of SK networks set greenhouse gas reduction target in their KPI and manage it according to the performance indicators. Accordingly, the greenhouse gas reduction performance is reflected in the financial compensation criteria for all employees, including the CEO.

Management KPI regarding Response to Climate Change

Category	Target	Proportion
CEO	Net Zero (Greenhouse Gas Reduction) - Target emissions for 2023 (45,154 tons)	3%
	Group's ESG key indicator target achieved - Obtained 5 points in the target achievement evaluation (out of 5)	3%

CEO's KPI

ESG items accounted for 10% in total in 2023

- ① Reduction of carbon emissions
- ② Group's ESG key indicators
- ③ Establishment of a healthy and happy corporate culture
- ④ Ethical management
(Ethical management item was newly added from 2023)

KPI for all executives

ESG items, including carbon emissions reduction, accounted for 10% in total in 2023

※ ESG tasks was additionally reflected as strategic tasks depending on the characteristics of the organization. There are organizations where the proportion of ESG items reflected is 10% or more. (e.g. organizations under the Sustainability Management Group, etc.)

Strategy

Risks and Opportunities Due to Climate Change

Identification of Significant Financial or Strategic Impact

SK networks clearly recognizes and identifies significant financial and strategic impacts of climate change on SK networks. We consider indicators that affect economic indicators such as revenue, expenses, assets, and liabilities when determining financial impacts. Investments of 1.5% or more of equity capital, withdrawal from existing businesses, acquisition and disposal of fixed assets, etc., are considered as having significant financial impact according to the Board of Directors regulations. When such issues arise, SK networks classifies the issue as a significant issue that has a significant financial impact on the company and includes it in the agenda items for the Board of Directors. A representative case that considered financial impacts is the agenda item on the approval of investment in an electric vehicle charging business. Regarding the case, the Board of Directors made a decision after examining the financial impact of the investment.

Indicators that are used to determine significant strategic impact include greenhouse gas emissions, energy usage, renewable energy usage, water usage, and waste emissions. Furthermore, strategic impact is determined based on social value creation indicator and the Net Zero 2040 target. In order to quantify strategic impact using these indicators, SK networks manages the indicators through the IT management system, uploads them every month to manage them as KPIs. For strategic impact, we invested in building solar power generation facilities. We invested KRW 2.57 billion to build solar power facilities in two Distribution Centers of ICT Marketing Division, and although the financial impact of the investment is not large, it is judged that the investment will have a significant strategic impact, since it is an investment in greenhouse gas reduction and renewable energy facilities to respond to chronic physical risks(extreme temperatures) and transition risks.

Analysis of Risks and Opportunities

SK networks recognizes risks and opportunities due to climate change, and identifies, evaluates, and responds to them by dividing the risks into short-term, mid-term, and long-term risks. In the short term, we identify flooding of business places and assets due to heavy rain as a risk. In the mid- to long-term, we identify legal regulations due to climate change, decline in demand according to changes in customer preferences, and rise in energy and raw material prices as factors that can impact our businesses. That is, SK networks analyzes the financial/strategic impact of various changes caused by climate change issues, such as revenue changes, business place management, and business portfolio structure, and report t to the management and the Board of Directors according to our process.

Key Climate Change Risks/Opportunities and Response

Category	Type	Large category	Detailed risks/opportunities	Time frame	Financial Impact	Response
Risk	Physical risks	Acute physical risk	Flooding due to heavy rain	Short term/ mid-term	Approximately USD 2.74 million~approximately USD 2.87million (Annually from 2020 to 2030)	<ul style="list-style-type: none"> Including climate change risk management manual in safety and health management regulations Subscribing to disaster compensation liability insurance and comprehensive property insurance
		Chronic physical risk	Extreme temperature	Long term	Approximately USD11.98 million~approximately USD 12.57 million (Annually from 2020 to 2030)	<ul style="list-style-type: none"> Additional installation of solar power facilities in subsidiaries Operating cooling facilities in workplaces, distributing guidelines for work during hot summers, etc.
	Transition risks	Policies and laws	Current regulation : Response to greenhouse gas target management system	Short term	Up to KRW 10 million(fine)	<ul style="list-style-type: none"> Collection of greenhouse gas emissions/third-party verification and submission to government(Walkerhill)
			New regulation : Expanded implementation of greenhouse gas emissions trading system	Short term/ mid-term	Approximately KRW 6.6 billion~approximately KRW 7.4 billion(2026)	<ul style="list-style-type: none"> Calculating financial impact of climate change by 2030 Greenhouse gas reduction activities such as Net Zero 2040 declaration
		Reputation	Increased demand for ESG information disclosure	Short-term	Negative impact on corporate value (National Pension Service' shareholding ratio is 6.66% as of 2024)	<ul style="list-style-type: none"> Transparent disclosure of information through voluntary participation in CDP Active implementation of Net Zero 2040 Calculating Scope 3 of value chain/Completed SBTi verification
			Increase in climate change-related lawsuits such as greenwashing	Short-term	Sales decline due to customer churn	<ul style="list-style-type: none"> Overachieving the target for purchasing eco-friendly vehicles for 2 consecutive years Evaluating potential impact and possibility of climate-related legal issues
		Technology	Increased need for eco-friendly technology development	Mid/long-term	Sales decline due to customer churn	<ul style="list-style-type: none"> Launching air purifier that reduces annual energy usage costs by up to 61%(SK magic)
Market	Expanding electric vehicle market	Mid/long-term	Sales decline due to customer churn	<ul style="list-style-type: none"> Converting internal combustion engine vehicles to EV 		
Opportunities	Transition opportunities	Products and Services	Developing eco-friendly technology : development of new BM by MINTIT	Mid-term/ long-term	Increasing sales by providing new services(MINTIT)	<ul style="list-style-type: none"> Launching and operating 'MINTIT', a brand for utilizing used mobile phones
		Market	Increased demand for EVs	Mid-term/ long-term	KRW 153.1 billion to KRW 1.4053 trillion(2030)	<ul style="list-style-type: none"> Setting a goal of converting to EV 100%(EV100) Establishing subsidiary SK electlink
			SK rent-a-car's business for carbon credit	Mid-term/ long-term	Approximately KRW 12.4 billion to KRW 15.1 billion (2030)	<ul style="list-style-type: none"> Developing 'EV Smartlink', a comprehensive electric vehicle management solution

*Time Horizon Classification - Short-term : Up to 1 year, Mid-term : 1 to 5 years, Long-term : Beyond 5 years

Analysis of Financial Impact of Key Risks | Physical Risks

Acute | Preparing for Pluvial Flooding Damage Due to Extreme Rainfall



Current Status SK networks conducted case study on physical risks/opportunities using new climate outlook for Korea based on East Asia climate change scenarios predicted based on Shared Socioeconomic Pathway(SSP) of the IPCC Sixth Assessment Report(AR6) by the National Institute of Meteorological Research of the Korea Meteorological Administration, and the SSP2-4.5 scenario and SSP5-8.5 scenario as key assumptions. According to the scenario, precipitation on the Korean Peninsula is expected to decrease in the first half of the 21st century(2021-2040), but extreme rainfall is expected to increase.

Impact SK networks identified and assessed the financial impact of physical risks through S&P Climonomics, which determines asset loss rate using global climate modeling and econometric models. The scenario analysis results show that the major tangible assets of SK networks and its subsidiaries will be most affected by extreme temperatures, a chronic physical risk among physical risks, from 2020 to 2030, especially by pluvial flooding due to extreme rainfall among acute physical risks. Due to pluvial flooding, approximately 0.25% to 0.26% of the major tangible assets of SK networks and its subsidiaries will be exposed to relative risk every year, and the expected loss in asset value therefrom will be approximately USD2.74 million to USD2.87 million* every year.

*SSP2-4.5 scenario - relative risk: 0.25% / expected loss compared to current asset value : USD2.74 million, SSP5-8.5 scenario - relative risk: 0.26% / expected loss compared to current asset value : USD2.87 million

Counter measure Although the scenario analysis results showed that the possibility of physical damage to the major tangible assets of SK networks and its subsidiaries due to climate phenomena such as typhoons and floods was relatively very low, SHE organization of SK networks has added a manual for responding to climate change risks(such as floods, storms, heavy snow, earthquakes, and heat waves) to the safety and health management regulations, subscribed to disaster compensation liability insurance and comprehensive property insurance for major business sites(including Distribution Centers) nationwide to reduce the financial impact in the event of a risk.

Chronic | Additional energy use due to extreme temperatures



Current Status SK networks conducted case study on physical risks/opportunities using the new climate outlook for Korea based on East Asia climate change scenarios predicted based on Shared Socioeconomic Pathway(SSP) of the IPCC Sixth Assessment Report(AR6) by the National Institute of Meteorological Research of the Korea Meteorological Administration, and the SSP2-4.5 scenario and SSP5-8.5 scenario as key assumptions. According to the scenario, the average temperature as well as the minimum and maximum temperature on the Korean Peninsula is expected to rise in the first half of the 21st century(2021-2040).

Impact SK networks identified and assessed the financial impact of physical risks through S&P Climonomics, which determines asset loss rate using global climate modeling and econometric models. The scenario analysis results show that the major tangible assets of SK networks and its subsidiaries will be most affected by extreme temperatures, a chronic physical risk among physical risks, from 2020 to 2030. Due to extreme temperature, approximately 1.09% to 1.14% of the major tangible assets of SK networks and its subsidiaries will be exposed to relative risk every year, and the expected loss in asset value therefrom will be approximately USD11.98 million to USD12.57 million* every year.

*SSP2-4.5 scenario - Relative risk: 1.09% / Expected loss compared to current asset value : USD11.98 million, SSP5-8.5 scenario - Relative risk: 1.14% / Expected loss compared to current asset value : USD12.57 million

Counter measure SK networks recognizes that global warming may lead to reduced customer demand and additional energy usage due to extreme weather events such as heat waves, which may result in financial risks such as decreased sales and increased operating costs for SK networks. Accordingly, SK networks and its subsidiaries have invested a total of approximately KRW 4.3 billion in five major business sites to install additional solar power facilities for internal consumption and power generation business. (Installation details : KRW 3 billion for internal consumption/KRW 1.3 billion for power generation business)

Analysis of Financial Impact by Key Risks | Transition Risks - Policies and Laws

Response to Greenhouse Gas Target Management System | Current Regulations



Current Status The Greenhouse Gas Target Management System is a regulation that sets and manages greenhouse gas reduction targets by designating companies and workplaces emitting greenhouse gas exceeding the designated standard (companies with 50,000 CO2eq or more, workplaces with 15,000 tCO2eq or more) as companies to be managed so that the national greenhouse gas reduction target (40% reduction by 2030 compared to 2018) under the Framework Act On Carbon Neutrality And Green Growth For Coping With Climate Crisis can be achieved. Currently, among SK networks and its subsidiaries, Walkerhill Hotel is subject to this regulation.

Impact According to the regulation, a company which fails to submit data for calculating greenhouse gas emissions or submits false data is imposed by a fine of up to KRW 10 million.

Counter measure In order to respond to the regulations, SK networks is collecting greenhouse gas emissions from Walkerhill, going through third-party verification, and submitting emission calculation data to the government. Walkerhill's greenhouse gas emissions in 2023 recorded 23,016 tCO2eq, and we are now identifying and evaluating current risks by including them in the risk assessment to ensure compliance with current regulations and prevent emissions from increasing.
In addition, SK networks joined the Science Based Targets Initiative (SBTi) in September 2022 to reduce greenhouse gas emission, and received approval for its short-term targets and Net Zero targets from SBTi in September 2023.

Expanding Greenhouse Gas Emissions Trading System | New Regulations



Current Status Emission trading scheme is a system to reduce greenhouse gas as set out in Article 17 of the Kyoto Protocol. It applies to companies with an average annual greenhouse gas emission of 125,000 tons or more for three years starting from four years before the commencement date of planned period, or companies with at least one business site with an average annual greenhouse gas emission of 25,000 tons or more. SK networks and its subsidiaries are currently not subject to this regulation. However, Walkerhill, which is subject to the greenhouse gas target management system, manages its emissions by setting reduction targets and measuring emissions.

Impact During the 3rd trading phase from 2021 to 2025, the regulation will not affect SK networks and its subsidiaries. However, as a result of a simulation conducted in preparation for the case where the scope of application is expanded during the 4th trading phase, if SK networks becomes subject to the regulation in 2026, it is expected to have a financial impact of approximately KRW 6.6 billion to KRW 7.4 billion¹⁾.

Counter measure SK networks calculates and responds to a financial impact of emission trading up to 2030. SK networks has declared Net Zero 2040 and is conducting greenhouse gas reduction activities on its own. Major reduction activities include replacing and improving facilities at SK networks and its subsidiaries, purchasing electric vehicles, and installing self-power generation facilities. SK networks is managing the expected costs and amount of reduced greenhouse gas caused by reduction activities from 2022 to 2030, and is collecting data from each business division and all subsidiaries to manage them. The total cost required for greenhouse gas reduction activities in 2026 is expected to be KRW 6.21 billion.

1) Minimum : (emissions from SK networks - free allocation)* carbon price+reduction cost - profit improvement due to solar panel installation = KRW 6.616 billion
Maximum : (emissions from SK networks - free allocation)* carbon price+reduction cost - profit improvement due to solar panel installation = KRW 7.441 billion
*Carbon price : Minimum KRW 62,143 ~ Maximum KRW 104,335
Minimum : Price refers to the price under IPCC 1.5 (World) scenario
- The carbon price in 2026 is assumed based on a linear increase from the current emission price to the 30-year price projected by the IPCC.
- Carbon price in 2023 KRW 11,250, carbon price in 2030 KRW 130,000 / exchange rate of KRW 1,300 applied
Maximum : Price refers to the price under GCAM 5.3+NGFS (South Korea) Net Zero 2050 scenario.
- KRW 104,335 in 2026 (USD 80.3 / exchange rate of KRW 1,300 applied)

Analysis of Financial Impact by Key Risks | Transition Risk - Reputation

Response to Climate Change-related Litigation



Current Status According to the 'Global trends in climate change litigation-2023' published by the London School of Economics(LSE)'s Grantham Research Institute on Climate Change and the Environment, the number of climate change litigations filed in each country has now exceeded 2,000 cases. According to the report, 2,341 climate change lawsuits are underway worldwide, and 190 of them were filed in the past 12 months. Korea is not an exception. Activists protesting corporate greenwashing are becoming more active.

Impact After the government declared '2050 Carbon Neutrality' in 2020, the 'Framework Act On Carbon Neutrality And Green Growth For Coping With Climate Crisis' containing specific procedures and policies for carbon neutrality has been enacted and implemented. According to legal experts, Korea has now no legal provision that can hold companies accountable for greenhouse gas emissions, but if a greenwashing issue arises in the sectors that produce/sell B2C products among SK networks and its subsidiaries, it can cause a significant decrease in sales due to customer loss.

Counter measure In order to avoid greenwashing controversy, SK networks and its subsidiaries are faithfully complying with climate and environment-related laws and regulations. SK networks is collecting greenhouse gas emissions from Walkerhill and submitting data on emissions verified through third-party to the government to faithfully comply with the greenhouse gas target management system. On top of that, SK networks over-achieved its target of the eco-friendly vehicle purchase for two consecutive years in 2022 and 2023. In 2023, SK networks' eco-friendly vehicle purchase ratio reached 114%, exceeding the target of 22% set by the relevant regulation by more than five times. In addition, we have established a legal process in preparation for lawsuits which might be filed due to other regulations. Key executives, including the CEO of SK networks are discussing various climate-related risks through the Company-wide ESG Implementation Committee, and are also evaluating the potential impact and possibility of climate-related legal issues. The Sustainability Management Officer, who attends the Company-wide ESG Implementation Committee, is an expert on all kinds of corporate legal risks and climate change-related legal matters.

Increasing demands for disclosure of climate change-related non-financial information



Current Status SK networks is actively innovating its business model through investments and acquisitions according to Net Zero 2040 we declared. The international community has recently strengthened the level of information disclosure requirements on climate change, and the International Sustainability Standards Board (ISSB) has finalized its disclosure standards, which are international standards for disclosure of non-financial (ESG) information that disclose information related to climate change response. Going forward, companies must disclose sustainability-related risks and opportunities that investors can consider when making investment decisions. This is because responding to stakeholder demands is a key factor affecting corporate sales and stock prices.

Impact In 2021, a German asset management company "D" experienced loss of 1.1 billion Euro of their market capital as their stock price plunged 15% in one day due to a greenwashing issue. SK networks recognizes that its failure to respond to the disclosure of non-financial information such as climate change information may have a negative impact on the corporate value evaluation, which may lead to a risk of investment withdrawal and stock price decline (Foreign investors may sell more stocks which may lead to stock price decline. And withdrawal of investment by major stakeholders such as the National Pension Service may lead to stock price decline). In particular, since the National Pension Service, which has recently expanded responsible investment, is a major shareholder of SK networks, SK networks must comply with the requirements of global customers and stakeholders.

Counter measure SK networks discloses climate change information through its Sustainability Report and website, and has been transparently disclosing climate change information by voluntarily participating in CDP since 2020. SK networks is also striving to be prepared internally to respond to new disclosure standards such as ISSB. We are actively reflecting the demands of global credit rating agencies and investors such as the National Pension Service in our corporate management activities and faithfully complying with government regulations. SK networks is also actively implementing Net Zero 2040, and is expanding the calculation scope to include greenhouse gases and other indirect emissions (Scope 3) generated throughout the value chain, including upstream and downstream. SK networks has set up its reduction targets based on the measured results and completed SBTi verification.

Analysis of Financial Impact by Key Risks | Transition Risk - Technology

Developing (R&D) Clean Technologies



Current Status With the Net Zero declarations by major countries including Korea, the need to reduce greenhouse gas emissions and customers' preference for eco-friendly products increase which has led SK networks and its subsidiaries to need to develop clean technologies for eco-friendly products and services.

Impact According to the 2023 ESG Brand Survey by the Korea Economic Daily, consumer awareness of ESG is 76.2%, increasing every year. In addition, 72.8% of all consumers preferred to use products or services from companies that are good at ESG management. If any subsidiaries of SK networks that produce/sell B2C products fail to develop clean technologies which are required to keep up with these changes in consumers and customers' preference, they are expected to see a significant decline in sales due to high customer churn out rate caused by changes in customer preferences.

Counter measure SK networks, Kore's largest mobile device distributor, discovered opportunities to create new products and services in discarded mobile phones and launched 'MINTIT', an AI-based used mobile phone recycling business brand, in 2019 through technology development. In addition, SK magic, a representative subsidiary of SK networks engaging in B2C business, is investing in the development of clean technologies in line with these customer changes, and as a result, it has acquired a total of 10 new patents in 2023. The All-Clean Air Purifier Green Series(Virus Fit, 242, 267, 285) of SK magic can reduce power consumption and annual energy usage by up to 61% compared to equivalent models within the company. Additionally, this series uses environment-friendly materials for all interior and exterior parts of the product, except for essential parts. Compared to other products covering the same floor area, this series reduced the volume of new plastics generated per product and decreased carbon emissions by approximately 50%. In addition, we launched 'Eco Mini Water Purifier Green 41', a no-power, environment friendly water purifier that only uses water pressure without energy consumption. All-in-One Direct Ice Water Purifier, the first product in South Korea to apply the BLDC compressor based on the inverter-controlled method, reduces monthly power consumption by 61% compared to existing products.

Analysis of Financial Impact by Key Risks | Transition Risk - Market

Increasing Demands for Electric Vehicle Due to Expanding Electric Vehicle Market



Current Status Demands for electric vehicles (EV) are increasing due to the Net Zero declarations of major countries including Korea and the strengthened regulations on internal combustion engine (ICE) vehicles. In 2023, global sales of EVs reached approximately 14 million units, a 35% increase from the previous year. In addition, according to a recent report by Boston Consulting Group and McKinsey, global sales of EVs are expected to reach approximately 40 million units in 2030, and demand for eco-friendly vehicles such as EVs continues to increase worldwide.

Impact According to the 2023 annual automobile industry trends published by the Ministry of Trade, Industry and Energy, domestic sales of eco-friendly vehicles increased by 24.3% year-on-year to 558,112 units, accounting for 31.9% of total sales, recording the all-time high. If we fail to adapt to the changes in the Korean market where eco-friendly vehicles account for more than 30% of new car sales, product and service revenues of SK rent-a-car, a subsidiary of SK networks whose main business is mobility, may decrease significantly.

Counter measure SK rent-a-car is converting ICE vehicles to eco-friendly vehicles with lower carbon emissions. As of 2023, SK rent-a-car operates a total of 15,913 eco-friendly vehicles. In order to lead the future mobility market, we aim to convert 200,000 vehicles to 100% EVs by 2030. In addition, starting in 2021, we have joined the Ministry of Environment's "Korean Zero-Emission Vehicle Conversion 100 (K-EV100)" and The Climate Group's "EV100", presenting a mid- to long-term roadmap for the EV conversion and disclosing the implementation performance.

Analysis of Financial Impact by Key Opportunities | Products and Services

Developing a New Business Model 'MINTIT'



SK networks discovered opportunities to create new products and services in discarded mobile phones and launched 'MINTIT', a recycling business brand, in 2019. MINTIT is an AI-based used mobile phone recycling business. MINTIT promotes a virtuous cycle of resources through recycling and donation of used phones, and creates new social value by saving resources by recycling rare materials. Through the reuse of used phones, MINTIT reduces new resources, reduces carbon emissions and disposal costs, and prevents environmental pollution with recycling technology, creating environmental value. 'MINTIT ATM' is leading creation of clean ecosystem by providing customers with a convenient and fast transaction environment without personal information leakage. MINTIT collected approximately 810,000 used phones in 2023, and continues to grow steadily by inducing customer interest and participation in used phone recycling through various events.

Details of Strategy and Cost Estimation for Realizing Key Opportunities

Since MINTIT collects used phones through ATMs, it is important to install enough ATMs in places where customers can easily access. MINTIT has invested a total of KRW 25 billion to install 6,222 ATMs (as of the end of 2023), and plans to replace old ATMs with low-power ATMs starting in 2025. We allowed customers to sell used phones at transparent prices without worrying about infringement of privacy through data deletion and status judgment technology, which is one of our core values. MINTIT is constantly investing in R&D to meet customer needs.

We currently have 30 patents applied for in Korea, of which 14 have been registered as patent, including 'Exterior photography analysis system for used phone value assessment' and 'Mobile phone data deletion method'. MINTIT invested KRW 1.3 billion in 2022 and KRW 2.3 billion in 2023 in R&D, and KRW 3 billion in 2022 and KRW 1.9 billion in 2023 in advertising and promotion. Our total management cost is approximately KRW 35.5 billion, including the ATM purchase price, technology development cost, and advertising and promotion cost.

Analysis of Financial Impact by Key Opportunities | Market

Increasing Demands for EVs and SK rent-a-car's GHG offset system (carbon credit).



Korea has implemented the target purchase system of eco-friendly vehicles for corporate groups with total assets of KRW 5 trillion or more since January 2022. Demand for eco-friendly vehicles is expected to increase due to eco-friendly vehicle regulations and policies in countries, including the EU and the US, and the transition to eco-friendly vehicles can bring a new opportunity for SK networks. In this changing environment, SK rent-a-car, a subsidiary of SK networks, has set the 100% conversion to EVs as one of its key management goals and joined the 'Korean Zero-Emission Vehicle Conversion 100 (K-EV100)' and the global initiative 'EV100' in 2021.

Financial impact

As of the end of December 2023, SK rent-a-car has 15,913 eco-friendly vehicles, and out of its sales of KRW 1.4038 trillion, sales from eco-friendly vehicles account for KRW 153.1 billion, or approximately 11% of total sales. In the current situation where we generate most of our sales through ICE vehicles, if we fail to respond to the new regulations, most of our sales will be affected. Accordingly, SK rent-a-car developed EV Smartlink for checking EV operation data to objectively examine and measure the reduction in GHG emissions achieved through the use of EVs. This service enables real-time, remote monitoring to calculate the amount of GHG emissions reduced by vehicles. Going forward, SK rent-a-car aims to acquire carbon credit along with the conversion of its vehicles to EVs, while recognizing the market change caused by the new regulations as an opportunity, joining EV100 and converting all of its vehicles to eco-friendly vehicles. The financial impact therefrom is expected to be a minimum of approximately KRW 12.4 billion and a maximum of KRW 15.1 billion* in additional revenue other than rental fees in 2030.

*Financial impact : Approximately 200,000 EV Smartlink-equipped vehicles scheduled to be in operation in 2030 X Average greenhouse gas emissions reduction per electric vehicle X Expected carbon emissions trading price per ton in 2030 = KRW 12.4 billion to a maximum of KRW 15.1 billion

Details of Strategy and Cost Estimation for Realizing Key Opportunities

Based on the 230,000 units scheduled to be in operation in 2030, and if applying the current average price of KRW 50 million per electric vehicle, SK rent-a-car will invest approximately KRW 11.5 trillion in purchasing electric vehicles by 2030. For transition to eco-friendly vehicles, SK rent-a-car issued its first green bond worth KRW 98 billion in February 2021, and raised KRW 24 billion by submitting "Plan to Reduce Vehicle Fossil Fuel and Greenhouse Gas Emission" and obtaining certification from the Ministry of Environment in November 2022. The funds were fully used to purchase 2,251 eco-friendly electric vehicles in 2021 and 647 in 2022. The greenhouse gas emission reduction effect through the purchase in 2022 was certified as 1,279 tons per year. In addition, SK rent-a-car was selected as the "Company with Excellent Zero-Emission Vehicle Conversion Performance in 2022" in the passenger vehicle sector at the "EV Trend Korea 2023" on March 16, 2023, and received the Minister of Environment Award.

SK networks also invested KRW 70 billion in the largest private company producing quick charger in Korea and established a new subsidiary, SK electlink.

Climate Change Scenario Analysis

Conditions for Analyzing Climate Change Scenario

In response to changing environmental circumstances, SK networks selected and analyzed the IEA NZE 2050¹⁾ and IEA B2DS²⁾ scenarios, which are similar to the GHG emissions reduction path of our company, and region-wise climate change scenarios and physical scenarios of the Korea Meteorological Administration (SSP³⁾ 2-4.5⁴⁾, SSP5-8.5⁵⁾. SK networks established a Net Zero plan and implemented both qualitative and quantitative analyses with transition scenarios and physical scenarios to change business direction. We plan to gradually upgrade our scenario analysis.

For the transition scenario analysis, SK networks set up reduction plans and calculated reduction costs for Scope 1, 2, and 3 of SK networks head office and subsidiaries for each period by obtaining approval from the Board of Directors based on the strong will of the CEO, who is the highest decision maker, to achieve carbon neutrality. The time range used for the analysis is from 2021 to 2040, and for the analysis, we utilized data on our greenhouse gas emissions, the cost of converting vehicles of SK rent-a-car (core business division) to electric vehicles, the cost of building an EV Park in Jeju Island, and the plan to achieve the transition to renewable energy.

For the physical scenario analysis, SK networks utilized S&P Climonomics, which evaluates loss of asset value using global climate modeling and econometric models. SK networks identified and evaluated the financial impact of physical risks on 67 major domestic tangible assets of SK networks and its subsidiaries every 10 years from 2020 to 2100. In this process, SK networks selected and analyzed scenarios with relatively large impacts, excluding low-carbon scenarios with small financial impacts. SK networks identified and evaluated the financial impacts by considering the intermediate scenario SSP2-4.5 and the high-carbon scenario SSP5-8.5 as the main scenarios.

Transition Scenario
<ul style="list-style-type: none"> • Climate change-related scenarios IEA NZE 2050¹⁾, IEA B2DS²⁾, NDC³⁾ • Scope of scenario analysis Across the company • Temperature change applied by scenario 1.5degrees, 1.6-2 degrees • Parameters Macroeconomics, greenhouse gas reduction target, energy usage, electric vehicle conversion rate, etc. • Assumptions <ol style="list-style-type: none"> (1) Obligation to reduce Korea's greenhouse gas emissions by 40% compared to 2018 by 2030 (2) Electric vehicles account for 60% of global passenger car sales from 2030, and Korea will completely ban domestic sales of internal combustion engine vehicles between 2030 and 2035.

1) IEA NZE 2050 : IEA's scenario for carbon neutrality by 2050
 2) EA B2DS : IEA's scenario for limiting the global average temperature increase to 1.752°C by 2100
 3) NDC(Nationally Determined Contribution) : National greenhouse gas reduction target
 4) SSP(Shared Socioeconomic Pathway) : It is composed of five groups including quantitative changes in future socioeconomic indicators such as population, economy, land use, and energy use depending on climate change adaptation and greenhouse gas reduction.
 5) SSP2-4.5 : When assuming climate change mitigation and socioeconomic development are to be moderate.
 6) SSP5-8.5 : When focusing on rapid development of industrial technology, and assuming fossil fuel use is high, and indiscriminate development centered on cities is expanding.

Physical scenario
<ul style="list-style-type: none"> • Climate change-related scenarios SSP⁴⁾ 2-4.5⁵⁾, SSP5-8.5⁶⁾ • Scope of scenario analysis Across the company • Temperature change applied by scenario 2.0~4.4°C <Reference-AR6 WG1 Earth temperature increase forecast> SSP2-4.5 : 2.0~2.7°C (2.1~3.5°C compared to pre-industrialization) SSP5-8.5 : 2.4~4.4°C (3.3~5.7°C compared to pre-industrialization) • Parameters Highest temperature, number of heat wave days, precipitation, etc. • Assumptions <ol style="list-style-type: none"> (1) SSP5-8.5 : High-carbon scenario. When focusing on rapid development of industrial technology, and assuming fossil fuel use is high, and indiscriminate development centered on cities is expanding. (2) SSP2-4.5 : When assuming climate change mitigation and socioeconomic development are to be moderate. Scenario that assumes a future in which technological, economic, and social development continues without fundamental changes, and economic and population growth are moderate. (3) In all scenarios, extreme precipitation is expected to increase despite a decrease in precipitation on the Korean Peninsula in the first half of the 21st century. (4) Scenario that assumes extreme events related to high temperatures, such as the number of days with heat waves, tropical nights, and summer days, are expected to increase according to the outlook for global warming on the Korean Peninsula, while events related to low temperatures, such as the number of days with cold waves, freezing days, and frost days, are expected to decrease.

SK networks Physical Scenario Analysis Results

SK networks analyzed that its 67 tangible assets are not experiencing significant asset losses over the next 20 years in all scenarios.

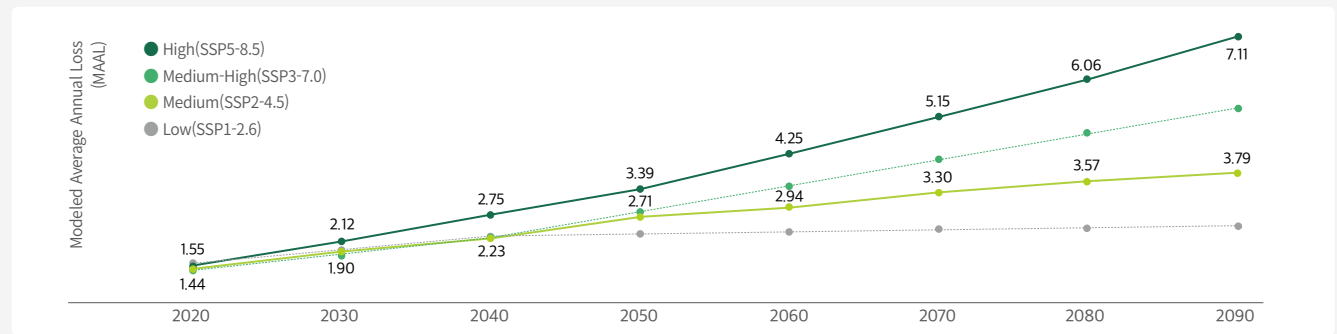
The probability of loss by physical risks for the 67 assets over the next 10 years is analyzed to be less than 2%, and the expected annual asset loss by physical risk type is analyzed to be less than 0.75% of SK networks' equity capital. SK networks plans to manage physical risks through continuous monitoring.

Type	Physical Scenario	Type	Scenario Analysis Results*							
			2020s			2030s				
			Scenario	High	Mid	Low	Scenario	High	Mid	Low
SK networks identified and assessed the financial impact of eight major physical risks on major tangible assets of SK networks and its subsidiaries through S&P Climanomics, which uses global climate modeling and econometric models to assess asset value loss.										
Temperature Extremes	Changes in the frequency of extreme temperature events 212.42866 mm, Omms. Temperature extremes are generally defined as a temperature variable above (or below) a threshold near the upper (or lower) end of the observed value range of the variable.	Chronic	SSP5-8.5				SSP5-8.5			
			SSP2-4.5				SSP2-4.5			
Coastal Flooding	Changes in the frequency of coastal flooding of varying magnitudes. Extreme coastal sea level varies with mean sea level, tides, and local weather systems. Extreme coastal sea level events are generally defined based on the higher percentile (e.g., 90th to 99.9th) of the distribution of observed sea level values at a given station over a given reference period.	Chronic	SSP5-8.5				SSP5-8.5			
			SSP2-4.5				SSP2-4.5			
Drought	A change in the frequency of drought conditions that result in unusually dry weather for a long period of time enough to cause a serious hydrological imbalance.	Acute	SSP5-8.5				SSP5-8.5			
			SSP2-4.5				SSP2-4.5			
Wildfire	90th percentile compared to the baseline period (1980-2000) for asset location. Climanomics® calculates widely used wildfire indices based on regionalized climate model data to estimate annual probability of wildfire conditions.	Acute	SSP5-8.5				SSP5-8.5			
			SSP2-4.5				SSP2-4.5			
Tropical Cyclone	The change in the location and intensity of tropical cyclones, such as typhoons, hurricanes, and cyclones, and the general term for them (magnitude, disturbance). It is a physical hazard originating in the tropical oceans. (This is currently used for the Eastern Atlantic Basin.)	Acute	SSP5-8.5				SSP5-8.5			
			SSP2-4.5				SSP2-4.5			
Water Stress	As WRI, it shows changes in the water stress index from present values to future values in the 2040s.	Acute	SSP5-8.5				SSP5-8.5			
			SSP2-4.5				SSP2-4.5			
Fluvial Flooding	The annual probability of river flooding over a 100-year period, based on a historical baseline from 1950 to 1999. This metric uses three climate variables and four topographic variables.	Acute	SSP5-8.5				SSP5-8.5			
			SSP2-4.5				SSP2-4.5			
Pluvial Flooding	Historical reference for sewer hazard indicators for annual frequency of 100-year flood depths Annual frequency of 100-year precipitation rate.	Acute	SSP5-8.5				SSP5-8.5			
			SSP2-4.5				SSP2-4.5			

*Evaluation scale : Certain percentage of 2022 equity capital
 Low : ~0.75% (~KRW 18.38 billion), Mid : 0.75%-1.5% (KRW 18.38 billion~KRW 36.76 billion), High : 1.5%~ (KRW 36.76 billion~)

SK networks Physical Risk Analysis Results for 2020~2090s (by Scenario)*

(Unit : %)



*This graph shows a result of analysis of the expected loss scale and occurrence probability of 67 assets that underwent scenario analysis. The expected loss scale and occurrence probability of each asset are relatively low, and it is analyzed that no significant level of asset loss will occur.

Risk Management

Climate Change Risk Management Process

SK networks recognizes the crises caused by climate change and identifies, assesses and responds to risks by dividing them into short-term, mid-term, and long-term risks. The SV Implementation Team and dedicated department of each business group monitor identified risks through regular monitoring and conduct monthly evaluation and set up countermeasures. The Company-wide ESG Implementation Committee and ESG Management Committee monitor the status of risk assessment and response on a quarterly basis and confirm the response results on an annual basis.

Risks related to climate crisis response are identified using economic and environmental indicators. The identified risks are assessed for their materiality according to financial and business impacts using tools such as S&P Climanomics, which evaluates asset value loss using materiality assessment and global climate modeling and econometric models. The evaluation results are managed so that they can be reflected when establishing company-wide business strategies through sufficient discussion and consultation of the ESG Implementation Committee with management participation and the ESG Management Committee under the Board of Directors. In addition, we obtained the Environmental Management System(ISO 14001) certification in 2022 and we have been renewing it every year. Through this, SK networks has supplemented the process of identifying, preventing, and evaluating environmental risks in advance, and is verifying the suitability and effectiveness of risk assessment through internal and external audits every year.

	Identification of Climate Change Risk	Assessment of Climate Change Risk	Response to Climate Change Risk
Details	<ul style="list-style-type: none"> Identifying risks by reflecting new internal/external environmental changes (regulations, market trends, physical environmental changes, etc.) such as short-term/mid-term/long-term climate change issues and stakeholders' needs 	<ul style="list-style-type: none"> Considering financial and strategic aspects of identified climate change risks and opportunities Evaluating the probability and impact of identified risks for each department Classifying and setting up response plan according to risk level 	<ul style="list-style-type: none"> Having sufficient discussion and consultation through the ESG Management Committee under the Board of Directors and the Company-wide ESG Implementation Committee with management participation Reflecting them in establishing corporate business strategies for management
Cases	<ul style="list-style-type: none"> SK networks identifies risks by type, such as management, environment, disaster, and climate change response that hinder the achievement of management goals. 	<ul style="list-style-type: none"> SK networks will determine asset loss rates of key tangible assets of SK networks and subsidiaries caused by eight major physical risks from climate change every ten years from 2020 to 2100. 	<ul style="list-style-type: none"> SK networks declared Net Zero 2040 and obtained approval for investment in electric vehicle charging business.

*Temperature Extremes, Drought, Wildfire, Water Stress, Coastal Flooding, River Flooding, Typhoon, and Heavy Rain

Metrics and Targets

Management of Environmental Metrics

Our Sustainability Management Office monitors environmental indicators(greenhouse gas emissions, energy usage, water usage and recycling, waste discharge and recycling, etc.) among the Group's ESG key indicators every month to understand the company-wide environmental management status and reports on key issues identified through materiality assessments to the Company-wide ESG Implementation Committee, ESG Management Committee, etc.

Management of Target and Performance

SK networks has quantified reduced greenhouse gas emissions and the Group ESG key indicators to manage climate change-related risks and opportunities and reflected them in the KPIs of the CEO and management. On top of that, in order to achieve Net Zero 2040, we have joined SBTi and are managing short-term and long-term greenhouse gas reduction goals approved. We have also established and are managing an EV conversion roadmap for all business vehicles of first/second-tier subsidiaries including SK networks and all SK rent-a-car's rental vehicles to achieve the EV100 goal by 2030. We are sharing the roadmap at the Company-wide ESG Implementation Committee and Environmental CoE, where we review the implementation status and reflect it in business-related decision-making.

Greenhouse Gas Emission Status

In 2023, we reduced approximately 2,170 tons of greenhouse gases by converting business vehicles to electric vehicles, replacing old facilities, and improving energy efficiency, and reduced approximately 3,526 tons of greenhouse gases(1,319 tons from self-generation, 79 tons from REC, etc.) through RE100.

We have reduced the market-based greenhouse gases emissions by approximately 92% (97% from regional base) compared to the 2023 target. In order to achieve Net Zero 2040, we are improving our ability to reduce GHG by measuring greenhouse gas emissions and reviewing reduction plans every month, and sharing the results with management through the Company-wide ESG Implementation Committee and Environmental CoE as well as SV Meetup.

Renewable Energy Usage

We are continuously installing solar panel to expand the use of renewable energy. SK magic Hwaseong Factory installed 70kW of solar panels in June 2021, the ICT Marketing Division installed approximately 2MWh of panels in 2022, and SK rent-a-car installed 60kWh of panels at the Jeju BilliCar branch. Walkerhill installed approximately 30kWh of solar panels in the parking tower, including the existing solar panels. SK networks replaced 2,870MWh of electricity with renewable energy in 2023, reducing greenhouse gases by 1,319 tCO₂eq.

Roadmap to Carbon Neutrality

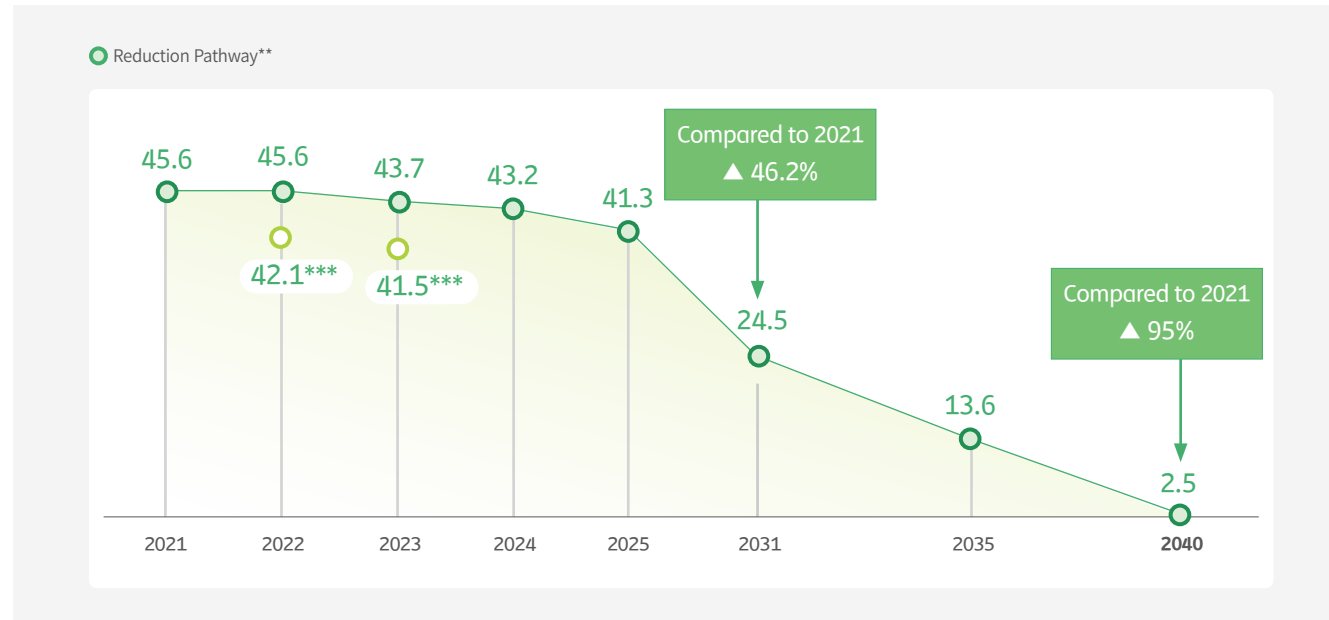
SK networks declared Net Zero 2040 in June 2021 to adapt to the changing environment and prepare for the low-carbon era. In order to faithfully respond to the climate change based on the Paris Agreement which limits the global warming to 1.5°C, we joined the Science-Based Targets Initiative(SBTi) in September 2022 and submitted our goals, and we received approval for our short-term goals and Net Zero goals through verification in September 2023.

As of 2021, we are targeting to reduce direct emissions(Scope 1) and indirect emissions(Scope 2) by 46.2% by 2031 and 95% by 2040, respectively. In addition, we are working with our suppliers to reduce other indirect emissions(Scope 3) by 27.5% by 2031 and 90% by 2050, thereby achieving Net Zero greenhouse gas emissions across the entire value chain.

SK networks aims to reduce greenhouse gases by preferentially replacing direct greenhouse gas-emitting energy sources to electricity to convert direct GHG emission to indirect GHG emissions and achieve RE100. To this end, we are promoting fuel conversion, attaining EV100 for our vehicles, improving energy efficiency, and expanding the use of renewable energy.

Greenhouse Gas Emissions* and Net Zero 2040 Scenario

(Unit : 1,000 tCO₂eq)



*Based on a total of 8 companies including SK networks and subsidiaries/grandson companies

Scope 1, 2 emissions (excluding Scope 3), Performance* in 2021/2022/2023 are market-based emissions.

2040 RE100 - Plan for Transition to Renewable Energy

With the goal of achieving 100% renewable energy transition by 2040 along with carbon neutrality, we set up a mid- to long-term roadmap based on green premium* purchases, PPAs**, and solar energy use. As of 2023, SK networks is implementing the plan for transition to renewable energy through activities such as use of self-generating energy using solar power facilities installed in major business sites, green premium purchases, and SK rent-a-car's REC offset.

*A system in which a company pays additional costs to purchase electricity produced from renewable energy

** PPA (Power Purchase Agreement) : A contract in which a company signs a long-term contract with a renewable energy power plant to purchase a certain amount of electricity

2040 RE100 Roadmap

